

# FROM DREAM TO HOME

Integrated Annual Report 2015



**SBAB!**

A window with a view of a green field and trees, with a wooden post in the foreground. The window frame is white and has a metal handle on the left. The view outside is slightly blurred, showing a lush green landscape under a bright sky. A wooden post with a decorative top is visible in the lower right foreground.

# ***WE MAKE DREAMS COME TRUE***

We are driven by a desire to realise dreams and  
simplify everyday life for the many people.





# INNOVATIVE SOLUTIONS

With fortitude and innovation we surprise  
the market with new solutions.



# QUICK AND EASY

We offer different and innovative  
customer oriented solutions with leading  
edge digitalisation.





# SWEDEN'S BEST RESIDENTIAL MORTGAGES

**Our business idea is to apply innovation and consideration to offer loans and savings products to private individuals, tenant-owner associations and property companies in Sweden.**

## Loans and savings to private individuals

We offer loans and savings products to private individuals. Residential mortgages are our core product. Residential mortgages are supplemented by consumer loans, savings accounts for deposits and insurance mediation in the form of home and loan insurance products.

Our retail customers are primarily located in areas around Stockholm, Gothenburg, Malmö and other university cities and growth markets.

## Savings and loans to tenant-owner associations and property companies

We offer savings and housing financing to property companies and tenant-owner associations. We primarily focus on customers located south of the Dalälven River.



Number of residential mortgage customers

254,000

Total deposits

SEK 76.6 billion

Total lending

SEK 297.0 billion

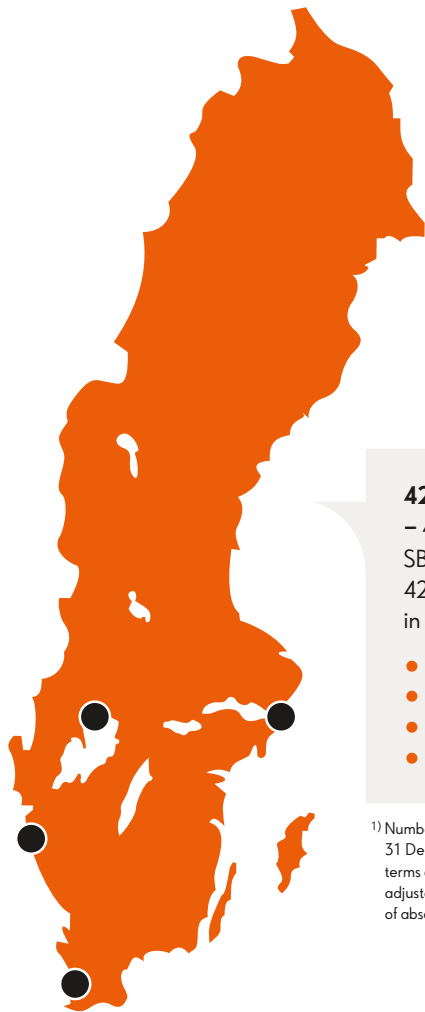
## Owner

Our business was founded in 1985, and is wholly-owned by the Swedish state. We have been a bank since 2011, SBAB Bank AB (publ) ("SBAB").

## Organisation

SBAB has two business areas: Retail and Corporate Clients & Tenant-owner Associations. Stockholm is the main location of our IT unit and central functions. Customer Centre and Operations are located in Karlstad. In Gothenburg and Malmö, there are local key account managers serving corporate clients and tenant-owner associations. The Retail business area offers residential mortgages, consumer loans, deposits and insurance, both under our own brand and through partners in the form of residential mortgage brokers. The Corporate Clients and Tenant-owner Associations business area offers savings and housing financing to property companies and tenant-owner associations.



**429 employees  
– 4 offices**

SBAB has a total of 429 employees<sup>1)</sup> in four offices

- 181 in Stockholm
- 234 in Karlstad
- 7 in Gothenburg
- 7 in Malmö

<sup>1)</sup> Number of active employees as at 31 December 2015, expressed in terms of full-time equivalents, adjusted for sick leave and leave of absence (FTE).

## SWEDEN'S MOST SATISFIED RESIDENTIAL MORTGAGE CUSTOMERS

For the second consecutive year, SBAB had Sweden's most satisfied residential mortgage customers, according to Svenskt Kvalitetsindex (Swedish Quality Index, SKI). We believe the results serve as clear evidence that we are living in line with our mission – to contribute to better housing and improved housing finances.



READ MORE ON PAGE 13.



This is SBAB's first Integrated Annual Report. The Annual Report is submitted by the Board of Directors and has a clear, integrated approach, integrating sustainability and financial information. The Integrated Annual Report has been inspired by the International Integrated Reporting Council's (IIRC) framework and in accordance with the Global Reporting Initiative's (GRI) G4 Core guidelines. It also constitutes SBAB's Communication on Progress (COP) to the UN Global Compact. For additional information about the Integrated Annual Report and the reporting principles, see page 137.



THE ANNUAL REPORT HAS BEEN AUDITED



THE SUSTAINABILITY REPORT HAS BEEN REVIEWED BY THE AUDITORS



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

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# 2015

## THE YEAR IN BRIEF

### Operating profit, SEK million


**1,492**

2014: SEK 1,644 million

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### Sweden's most satisfied residential mortgage customers

 READ MORE ON PAGE 13.

We have Sweden's most satisfied residential mortgage customers according to Svenskt Kvalitetsindex (Swedish Quality Index, SKI), for the second consecutive year.



### Growing market shares


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Our market share of residential mortgages to private individuals grew over the year, from 7.30 percent to 7.86 percent.

### Net interest income, SEK million


**2,442**

2014: SEK 2,111 million

 READ MORE ON PAGE 30.




### Intensified cooperation with Stockholms Stadsmission

 READ MORE ON PAGE 32.

SBAB supports Stockholms Stadsmission in its aim to reduce homelessness in the City of Stockholm by half by 2018.



### SBAB's housing economists are now in place


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Our housing economists joined us in the autumn 2015.

### Cost/income ratio (excluding NIEF and restructuring costs)


**34%**

2014: 41%

 READ MORE ON PAGE 31.




### SBAB acquires Boolsi

 READ MORE ON PAGE 30.

In December 2015, SBAB entered into an agreement to acquire Boolsi.



### Increased deposits


 READ MORE ON PAGE 30.

During the year, SBAB's deposits from the public rose from SEK 60.6 billion to a total of SEK 76.6 billion.

### Return on equity

**10.2%**

2014: 12.1%

 READ MORE ON PAGE 31.



ONE OF SWEDEN'S MOST POPULAR FINANCE APPS

# VÄRDE- GUIDEN

Our Värdeguiden app (the value guide) is a quick, easy and free indicator of house and apartment values throughout Sweden. In 2015, Värdeguiden topped the list of Sweden's most used finance apps, which makes us extremely proud.

## Easy, intuitive and quick

- Enter an address
- Enter the size and monthly fee
- Värdeguiden provides an indication of the value of the property and indicates the certainty of the valuation

## This is Värdeguiden

Värdeguiden is a quick, easy and free indicator of house and apartment values throughout Sweden.

Värdeguiden offers the opportunity to apply for a loan and a loan commitment directly in the app, prior to viewing or bidding on a home.

Värdeguiden allows users to take photos and notes during a property viewing and to save them linked to the property or address. The service also provides useful information about the neighbourhood. ●



Approximately

# 140,000

NUMBER OF  
DOWNLOADS  
IN 2015



Download  
for iPhone



Download  
for Android





# FROM DREAM TO HOME



## CEO STATEMENT

**As a bank, we fulfil an important role in society. We are part of a financial infrastructure that enables private individuals to purchase their own home and companies to finance residential properties.**

**2**015 was a successful year for SBAB with increasing customer satisfaction and strong profitability, and we implemented our strategy to fully focus on residential mortgages and housing financing. Lending volume increased by approximately 13 percent over the year, to nearly SEK 300 billion, which corresponds to almost double the market growth rate. Our finances and capital adequacy are solid. We continued to show excellent growth on the deposit side, and our market funding was met by strong demand on terms that were favorable to us. Mortgage margins increased during the year, and we met our profitability objective of at least a 10 percent return on equity set by our owner, the Swedish Government. We enter 2016 in a position to carry out strategic investments that will allow us to build SBAB to be strong, competitive and profitable in the long-term.

### Sweden's most satisfied residential mortgage customers

In December 2015, it was made public that we have Sweden's most satisfied residential mortgage customers for the second consecutive year, according to Svenskt Kvalitetsindex (Swedish Quality Index, SKI). Naturally, this makes us very proud. Satisfied

customers are what truly matters most to us. Satisfied customers lead to more customers – more customers lead to greater volumes – greater volumes lead to better profitability – better profitability gives us the opportunity to invest and improve our customer offering – a better customer offering leads to more customers, and the circle is closed. This is where we find ourselves now. After a successful year, we have closed the circle, and are now investing in developing our customer offering further with digital housing and property services. At year-end we had well over a million users and customers in the Group at sbab.se and booli.se, of which 254,000 were residential mortgage customers. Within residential mortgages our market share increased by 0.56 percent over the year to 7.86 percent, which makes us Sweden's fifth largest residential mortgage bank.

We also have very satisfied business customers. We have the second most satisfied property company and tenant-owner association customers according to Svenskt Kvalitetsindex, a mere 0.1 percent from the top ranking. Within financing of multi-family dwellings, we had lent SEK 83.0 billion to tenant-owner associations and property companies at year-end, which is an increase of 6.1 percent over the year.

### Developing our customer offering with housing services

It is our mission to contribute to better housing and improved housing finances. We help make dreams come true – dreams of a home. To differentiate SBAB in the housing and residential mortgage markets we constantly strive to develop our customer offering in a considerate and innovative manner, which also entails digitalisation. Examples include the launch of the app Värdeguiden (property valuation) and the web service Bytabostadsguiden (a guide for selling and buying a home). Another example is how we through the acquisition of Booli – one of Sweden's largest housing websites with home-related search services – are increasing our investments in our customer offering.

We are also increasingly focusing on our own brands. We are prioritising growth in services and in lending where we can add the most customer value and achieve the strongest customer relationships – which is under SBAB's own brand. For this reason, we terminated some of our mortgage mediation white label partnerships during the year. Our residential mortgage partnerships with ICA Banken, Ikano Bank and Sparbanken Syd remain in place.

### **Our responsibility goes beyond offering competitive rates on mortgages**

As a bank, we fulfil an important function in society. We are part of a financial infrastructure that makes it possible for private individuals to purchase their own home and for companies to finance residential properties. In our deposit operations, we manage funds entrusted to SBAB by the public. This requires us to take responsibility and act with a long-term perspective. We build trusting relationships based on good business ethics, both with our customers and the society in which we operate. We also aspire to assume social responsibility within the scope of our mission. As an example I would like to mention our commitment to decrease homelessness through our partnerships with the NGOs Stockholms Stadsmission and Situation Stockholm.

We also endeavour to create an offering that is sustainable to our stakeholders. Our sustainability vision is based on environmentally responsible money management – including green funding and green lending. As part of this work in 2015, we launched a green loan aimed at tenant-owner associations. In 2016, we aim to continue our strategic sustainability work by offering our retail customers green direct loans and an app to help reduce household energy consumption, as well as issuing our first green covered bond. We will also continue to work to simplify our products, terms and conditions and strive for openness and transparency within our sector. We generally prioritise the areas where we have the greatest opportunity to influence a positive trend in society. I am convinced that we can work together with our customers and other collaborative partners to create long-term value that benefits our customers, SBAB and society at large. I am also pleased to confirm SBAB's support to the UN Global Compact and its Ten Principles, which cover human rights, labour, environment and anti-corruption.

### **Increased household debt**

2015 was another year of high demand and rising prices for the Swedish housing and property markets.

In light of the steep price rises in the housing market and the rapid increase of household debt, we introduced more stringent terms and conditions for lending in 2015. During the year, we introduced a compulsory maximum debt ceiling of six times the borrower's gross income, and stricter amortisation rules for all new loans



where the property's loan-to-value ratio exceeds 70 percent of the market value. If the trend in property prices and indebtedness continues at the current unsustainable rate, we will make our lending even more stringent.

In December 2015 the Swedish Financial Supervisory Authority specified its proposal for new amortisation requirements, which will come into force June 2016 the earliest. These include an amortisation rate of 2 percent per year for residential mortgages with a loan-to-value ratio of more than 70 percent, and 1 percent per year down to a loan-to-value ratio of 50 percent. We expect continued regulatory developments over the coming years. Several new rules in the next few years will entail increased capital requirements for lending. This will affect the growth of our lending, which will need to be lower in the next few years compared to 2015. Increased capital requirements could also lead to higher lending margins.

The combination of additional and more stringent rules for credit provision, increased capital requirements affecting the growth in credit volume and the fact that mortgage interest rates most likely having reached rock bottom may have a negative impact on property prices, even though demand for housing will remain strong in the foreseeable future.

### **A strong corporate culture and self-driven employees**

Running a bank place high demands on the employees at SBAB. The confidence in SBAB and Swedish banks in general

depends on us delivering on our promises, having a good business culture and complying with the rules and regulations applicable to the financial market. 2015 was a intense year for SBAB's employees due to the change of strategy in the autumn of 2014, combined with our strong growth. The level of knowledge, expertise, professionalism and consideration for our customers that I have seen in our employees is impressive, and is also apparent from external customer satisfaction surveys and reputation indices where we consistently rank among the best in the sector. Thinking innovatively and generating growth require a strong and value-driven corporate culture. During 2015 our managers participated in value-driven training programmes to promote value based management with self-driven employees. Looking ahead, I see an even more dynamic SBAB, with our corporate culture as a key competitive advantage. Our new head office in Solna with an activity-based working model, is another step in strengthening our corporate culture.

I would like to thank all my fantastic colleagues at SBAB for an amazing year.

Solna, March 2016

A handwritten signature in blue ink, appearing to read 'Klas Danielsson'.

**Klas Danielsson**  
CEO



# POSITIONED FOR THE FUTURE



## CHAIRMAN'S STATEMENT

**For both SBAB and its Board of Directors, 2015 was a strategically challenging year. Thanks to our strategic decision to focus fully on residential mortgages and housing financing, SBAB stands stronger than ever and is well positioned for the future.**

I note with satisfaction that the new strategy launched in 2014 has begun to generate tangible results for the company. By strengthening our focus on residential mortgages and housing financing, SBAB has laid an important foundation for the future. For the second consecutive year, we have Sweden's most satisfied residential mortgage customers, and we reported strong volume growth and good profitability for the 2015 full-year. I am of the opinion that SBAB has found its feet after the organisational and strategy changes implemented in recent years.

### **Good corporate governance is not only a matter of course; it is also a necessity**

The finance sector has been subject to increased regulatory pressure of late. In the same period, residential mortgages have become subject to specific regulatory developments. Compliance is a matter of course, but it is becoming increasingly demanding. This means that the costs for conducting residential mortgage operations have increased, resulting in increasing demand for efficiency, compliance and profitability.

Good corporate governance is key to ensuring that SBAB is managed in a qualitative and effective manner. SBAB's corporate governance structure supports

the Board of Directors in obtaining the necessary information, governing and controlling the operations, and in making the necessary decisions on important strategic issues. Focus on governance, internal control and compliance is fundamental if we are to achieve our ambitious objectives and ensure confidence in SBAB among our owner, public authorities, investors, customers and the general public.

The work carried out by the Board of Directors and myself in 2015 was characterised by measures considered necessary for the strengthening of SBAB's customer offering and long-term profitability. An example of this was the adoption of a new strategic direction for the partnership business, aimed at increasing our focus on new lending under SBAB's own brand. Other examples include the decision to adopt a new brand platform and new IT and HR strategies. These matters have been on the Board of Directors' agenda, along with the

decision to carry out the acquisition of Booli, which was SBAB's first corporate acquisition and an important element in transitioning our brand towards housing. The analysis and evaluation of the effects of new, expected capital requirements are another central issue that was discussed by the Board of Directors during the year. In December 2015, the Board of Directors adopted a new capital target, which means that under normal conditions, the Common Equity Tier 1 capital ratio should exceed the internally assessed Common Equity Tier 1 capital requirement by approximately 1.5 percent of the risk exposure amount.

### **The Board of Directors' view on sustainability**

Today, sustainability is a natural and obvious element in most companies. This is also the case at SBAB. Sweden faces numerous social challenges that are linked economically, socially and environmentally



**SBAB's Board of Directors has adopted a policy for sustainable business that forms the basis for a common approach to the Company's contribution to sustainable development in society.**



to housing and the housing stock. SBAB's Board of Directors has adopted a policy for sustainable business that forms the basis for a common approach to the Company's contribution to sustainable development in society. The Board of Directors has adopted overarching goals that can be followed up directly, and it follows up and evaluates the Company's sustainability work on an annual basis. The overarching goals on which SBAB focuses within sustainable business are Sound finances, Responsibility and transparency, and Sustainable housing. The Board and I share the ambition to continue the implementation of environmental and sustainability aspects in all parts of SBAB's operations.

**Our complete focus on residential mortgages and housing financing is a strength**

SBAB has extensive experience and great knowledge of matters related to residential mortgages, housing financing and housing. This is a strength and a competitive advantage, given current trends and market dynamics. Changed customer behaviour and demand, increased digitalisation, merging of sectors and an increased focus on sustainability issues are just some of the issues that SBAB must consider – and proactively create business opportunities around – as a player in the housing and residential mortgage markets. In this respect, our digital business model, which is fully focused on residential mortgages and housing financing, offers us considerable opportunities.

In 2016, we intend to continue our strategic transition towards housing, which includes a broadened product and service offering linked to housing and housing finances. We will achieve this by being agile, digital and innovative, both with regard to our own processes and to our customer offering. I am of the firm opinion that SBAB stands better equipped than ever to work towards our goal and our vision – to offer Sweden's best residential mortgages.

On behalf of the Board of Directors, I would like to take this opportunity to express our deepest appreciation of SBAB's employees, and I look forward with confidence to an exciting and challenging 2016.

Solna, March 2016

**Bo Magnusson**  
Chairman of the Board



FOR THE SECOND  
CONSECUTIVE YEAR

# SBAB HAS SWEDEN'S MOST SATISFIED RESIDENTIAL MORTGAGE CUSTOMERS

**For the second consecutive year, we have Sweden's most satisfied residential mortgage customers, according to Svenskt Kvalitetsindex (Swedish Quality Index, SKI).**

For a number of years, SBAB has ranked highly in SKI's evaluation of banks offering residential mortgages, based on customer interviews.<sup>1)</sup> In the most recent survey, we again ranked first. With a customer satisfaction score of 77.5 out of 100, we rank well above the industry average of 69.3.

We believe the results serve as clear evidence that we are living in line with our mission – to contribute to better housing and improved housing finances. ●

<sup>1)</sup> Every autumn, Svenskt Kvalitetsindex (Swedish Quality Index, SKI) conducts a review of Sweden's residential mortgage providers. The seven largest providers are named in the survey, which is based on telephone interviews conducted with customers from each bank. The data was collected by EVRY. In total, 1,257 persons aged 18–79 years were interviewed. Read more about the survey at [www.kvalitetsindex.se](http://www.kvalitetsindex.se).



# SBAB, GLOBAL AFFAIRS & THE HOUSING MARKET

**As a player in the financial sector, we adapt and respond to a world in constant change.**

Globally, several ongoing trends and development processes affect even a small Swedish bank such as SBAB. The global economy remains in slow recovery after the major financial crisis that struck seven years ago. Over the past seven years, we have grown accustomed to debt problems, weak growth, low inflation and low interest rates in many countries. In Sweden, we have also had low inflation and low interest rates but with stronger growth, and we have experienced soaring house prices and increased household indebtedness.

## Global challenges

The geopolitical situation has become increasingly complicated, and the number of armed conflicts in the world is said to be higher than in a very long time. The risk of terror attacks has most likely increased, while the number of refugees is at its highest since World War II. Sweden is facing major challenges and opportunities linked to the reception and integration of refugees.

Natural disasters, environmental scandals and extreme weather have become increasingly commonplace. The climate problems know no borders between countries or players, and as a residential mortgage provider, we need to find our own way to be part of the solution. Like many other creditors, we view environmental and sustainability risks as an economic risk that may result in bad business for the bank. We therefore welcome the fact that the Swedish Financial Supervisory Authority has taken a deeper interest in bank responsibility for environmental and sustainability issues related to their credit granting.

## Technology and increased consumer power create opportunities

New developments in technology lead to the constant creation of new opportunities to improve products and services and make production and distribution more efficient. Many aspects of digitalisation and new technology create unexpected opportunities to contribute towards sustainable development, including within relatively mature sectors such as ours. Having said that, we also need to manage and prepare for risks related to the processing of personal data, money laundering and data breaches, in the future digitalisation of our operations.

Digitalisation is a factor that contributes to increased pressure from consumers. We have started to notice a change in consumer behaviour and demand, with

borrowers and savers becoming less loyal and more likely to change provider than in the past. Today, very few people are customers of a single bank. We see that an increasing number of consumers compare and choose between various providers, which we have welcomed since our establishment as we believe it will benefit SBAB as a focused residential mortgage provider. This mobility needs to increase further in certain customer and service segments within banking, and we are happy to promote this development.

## Sectors merge

Digitalisation creates new opportunities for companies and organisations; new business models, new products and services and new markets. It has become more difficult to categorise a company or organisation







in a single sector or industry. Most people agree that we are currently experiencing a trend towards offering a wider range of products and services, and that companies are seeking new ways of managing the increased competition caused by digitalisation. This is where we identify considerable opportunities for SBAB, in the form of synergies and coordination gains inherent in offering households and companies a wider range of products and services linked to housing and housing finances.

#### **Regulation provides stability, but at a cost**

Regulation in financial markets has increased considerably in recent years, with the aim of increasing financial stability and avoiding future financial crises. This means that all players in the financial market must spend significant resources



on ensuring compliance with a host of new regulations – resources that must be found somewhere, at a cost. More stringent regulatory requirements also make funding more expensive for those engaged in residential mortgage operations. All in all, costs increase and will ultimately affect consumers by way of poorer terms and conditions.

#### **The precarious housing market**

For residential mortgage providers and other housing stakeholders, the situation in the Swedish housing market is complex and difficult to assess. Low levels of housing construction and low turnover in existing housing stocks, combined with strong population growth, has led to widespread imbalances in the housing market. Combined with extremely low interest rates, this has resulted in soaring prices and a rapid increase in household indebtedness.

Urbanisation has added to the imbalances. The well-needed population growth caused by the arrival of refugees has created even greater pressure on the demand for housing and further increases the need for innovative solutions in the housing market.

Politicians and authorities face a major challenge in that the construction of housing, and the amount of capital used to fund this construction, must increase, while households remain heavily indebted. The housing and residential mortgage markets involve players making long-term decisions that often concern the largest transactions they will ever make. The ability to rely on rules, terms and conditions not being subject to drastic changes over time is important. It is therefore unfortunate that there is so much uncertainty about the rules that will apply to the residential mortgage market and the measures that can be expected.



# HOUSING PRICES AND HOUSEHOLD INDEBTEDNESS



The global economy has still not recuperated fully from the major financial crisis in 2008–2009. We have had to become used to reports on large government debts, continuously low inflation, unexpectedly weak growth and vigorous interest stimuli. In 2015, developments in the economies of the western world, with the US at the forefront, have been somewhat more stable compared with emerging market countries; most notably, the economic situation in China has become increasingly precarious.

## Economic development in Sweden

The Swedish economy picked up speed in 2015. Domestic demand accelerated, driven primarily by household consumption and the increased construction of housing. Rising employment rates, higher real income, low inflation, low interest rates and rising housing prices further contributed to the improvement of the economic and financial situation for households. Exports of goods remain relatively weak, while exports of services develop strongly. Public finances remain very strong, not least in comparison with other countries. However, during the year, focus increased on the short and long-term economic and political stress caused by the influx of refugees.

Inflation remained low in 2015. The tendencies to rising inflation became more notable, however, and if adjustments are made for the effect of declining energy prices and interest rates, inflation was not far off the two percent target. Low inflationary pressure, low expectations on high future inflation, interest-rate reductions in other countries and a certain upwards pressure on the Swedish krona contributed to the Riksbank's decision to reduce the key interest rate from 0 to a negative 0.35 percent and purchase government bonds to further increase stimulation. Short-term market rates declined somewhat during the year, while long-term market rates



oscillated around historically low levels. In general, interest rates on risky, fixed-interest investments increased relative to interest rates on those considered safe, which led to higher risk premiums.

## The housing and residential mortgage markets

The construction of housing has not kept up with the demographic development in Sweden for a very long time. Combined with limited flexibility in the housing market due to various regulations and tax rules, a strong underlying demand has built up in the housing market. Declining residential mortgage rates and stronger household finances have therefore contributed to a rise in housing prices by approximately 15 percent in 2015.

In 2015, the residential mortgage market grew by 8.3 percent to SEK 2,696 billion, and the market for loans to tenant-owner associations increased by 5.5 percent to SEK 388 billion. The market for the financing of multi-family dwellings



**For many households, 2015 will likely go down in history as the best year ever. Incomes rose, more people were employed and housing prices soared. At the same time, inflation was zero and interest rates were extremely low.**

**TORBORG** Head Economist, SBAB



is also believed to have expanded rapidly, fuelled by declining interest rates, the stable development of household incomes, increased construction of housing and beneficial conditions for property transactions.

### More stringent terms and conditions for loans

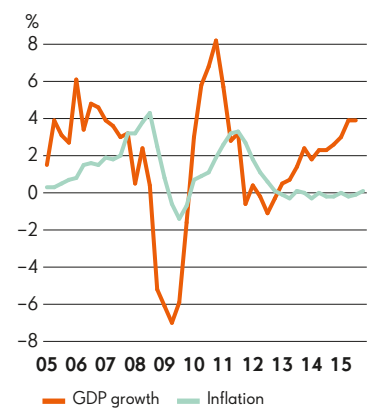
Rules, terms and conditions for lending have gradually become more stringent in recent years. In light of the steep price rises in the housing market and the rapid increase in household indebtedness, most banks introduced more stringent terms and conditions for lending in 2015. In spite of this, household indebtedness has continued to rise faster than incomes. During the year, a requirement for banks to report actual average interest rates was introduced. The Swedish Financial Supervisory Authority's amortisation requirements were postponed due to legal ambiguities, but will enter into force in May 2016. It is also likely that the capital adequacy regulations will be tightened further. A loan-to-income

ratio – a limitation of the size of a loan compared to income – may also become a reality. Other measures that may curb the development, such as the abolition of interest-rate deductions or moving-related taxes, the introduction of property taxes, changed rent control and construction subsidies, have been subject to intensive discussions.

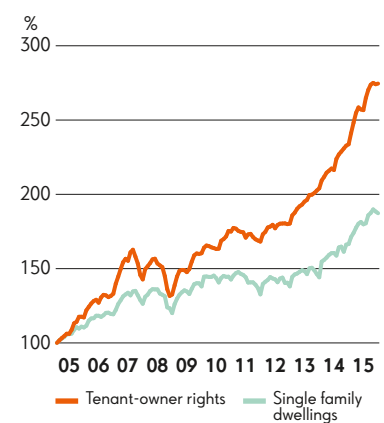
### High savings

At the end of 2015, the financial sector held SEK 2,815 billion in deposits from Swedish households, companies and organisations. The share of retail deposits was SEK 1,527 billion. Households deposited SEK 1,491 billion with banks, which are subject to the national deposit guarantee. Retail deposits in savings accounts continued to be stimulated by rising incomes and a continued careful view of consumption and more risky investments, despite low interest-rate levels. In 2015, retail deposits in banks increased by 9.7 percent and corporate deposits rose by 8.8 percent.

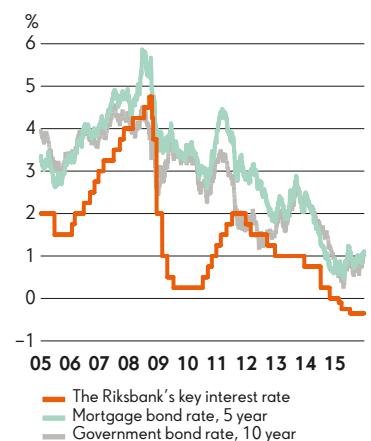
### GROWTH AND INFLATION



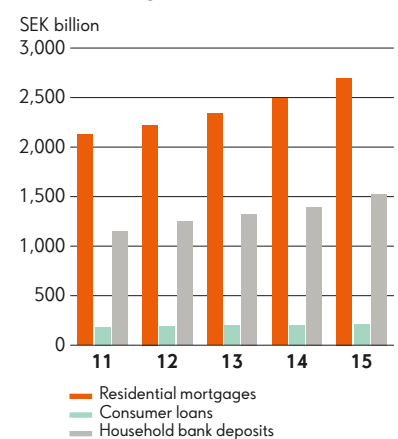
### HOUSING PRICES



### INTEREST RATES



### MARKET DEVELOPMENT



# WHAT AFFECTS PROPERTY PRICES?

**Residential property prices are affected by a number of factors.**

## Construction costs

In the short-term, the supply of homes is relatively fixed, which means that demand is the primary factor to affect short-term price development. But from a very long-term perspective, existing homes will become run down and need to be replaced by newer ones. The rate of construction in the existing housing stock will affect long-term supply, and prices will be greatly affected by construction costs over time. These construction costs must take elements such as the cost of land, the cost of building materials and construction worker wages, as well as construction-related taxes and subsidies into account.

## Demography

Everyone must have food to eat and a roof over their heads. It is possible to opt out of many other forms of consumption, but it is almost impossible to avoid the need for housing. Housing demand is therefore largely governed by demographic developments. Factors such as population growth, the age distribution of the population, urbanisation, family formation patterns and moving patterns are of major significance to the property market.

## Household finances and financial position

In the same way that demographic factors determine how many homes are required, household economic and financial resources determine what types of homes are in demand. These resources depend on the flow of income and wealth. The employment market is also important. If more people are employed and unemployment rates drop, the demand for housing increases. The same applies if salaries rise, taxes decrease or benefits increase. If savings grow or generate high returns, this can also result in increased demand, as the ability to pay for housing increases.



## Household attitudes, expectations and risk aversion

A household's expectations of the future are at least as important as its current financial situation. For many, the purchase of a home is the greatest financial decision of their lives. In general, it is also a reasonably long-term decision. This means that expectations on future housing prices, interest-rate levels, salaries, etc. affect a household's willingness to take the risk involved in purchasing a home.



## Transaction costs

In all markets, the speed and simplicity of doing business are affected by demand, supply and prices. There are a number of factors in the housing market that make transactions expensive and complex. Consequently, it is relatively complicated to buy or sell a home. Most sellers therefore engage estate agents and buyers want to inspect the property with the help of a surveyor. Together with the cost of moving furniture and various moving-related taxes, the transaction costs related to buying or selling a home can be significant, and may therefore affect property prices.

## Funding and interest rate expenses

Very few households can purchase a home without funding the purchase with a loan. Important parameters that affect housing demand include the ease of obtaining a loan, lender requirements and the scale of the granted loan in relation to the price of the property and the income of the household. Examples of new or stricter requirements in recent years include the loan ceiling that regulates the maximum size of the residential mortgage in relation to the property's market value, and the amortisation requirement that regulates the scale and rate of household amortisations. Interest-rate levels are another important factor, as the interest often constitutes a major portion of the a household's expenses. Lower interest rates result in greater demand.

## Operating expenses


The cost of living in a property that you own affects market demand and prices. If electricity and heating costs increase, property taxes are raised or the fee for a tenant-owner apartment increases, this will lead to less demand and lower property prices. As renting is an alternative to owning your home, rent levels interact with price levels so that rising rent levels result in increased demand for owned homes, which can also lead to higher property prices. However, this mechanism is not played out in Sweden as rents are controlled. Instead, the current imbalance in the rental market leads to increased pressure on the property market.



# OUR STAKEHOLDERS AND THEIR CONFIDENCE IN US

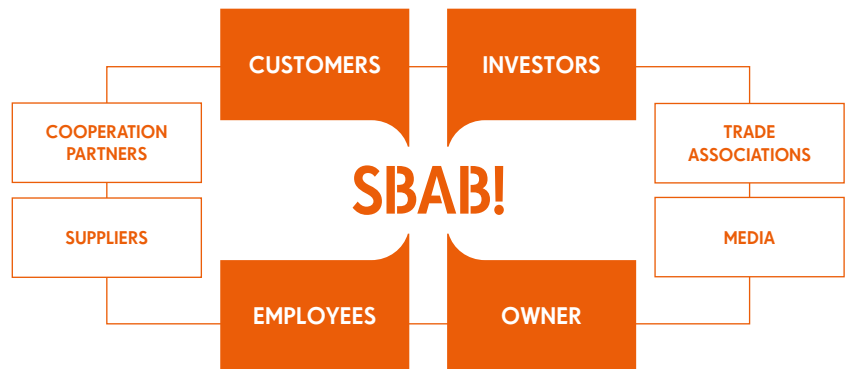
**Our ability to contribute towards sustainable development depends on our stakeholders having confidence in us.**

An open dialogue, in which we are attentive to the requirements, needs and wishes of our stakeholders, helps us to develop our business in a manner that generates long-term value and social benefit, and ultimately contributes towards sustainable development. In 2013, we conducted a stakeholder and materiality analysis that involved qualitative telephone interviews with representatives from important stakeholder groups such as customers, the owner, employees, investors and trade associations. The analysis gathered information on which issues they considered most important for us to focus on.

 READ MORE ABOUT OUR STAKEHOLDER AND MATERIALITY ANALYSIS ON PAGE 126.

## Prioritised stakeholders

Customers, the owner, employees and investors are SBAB's prioritised stakeholders.



## Material aspects

Our stakeholders want us to prioritise our contribution to economic development, our ability to create sustainable products and our responsibility to act ethically. The summary on the right hand side shows the result of the analysis.

- 1 Financial performance
- 2 Sustainable products
- 2 Ethics
- 4 Customer relationships
- 5 Communications
- 6 Employees
- 7 Social responsibility
- 8 Business relationships
- 9 Environmental responsibility



## Customers

In many ways, our customers' confidence in us determines our ability to grow, and therefore also our ability to take on a greater role in society's development. The skills, professionalism and consideration shown by our employees on a daily basis are apparent from surveys by Svenskt Kvalitetsindex (Swedish Quality Index, SKI) and Nordic Brand Academy (NBA).

### CUSTOMER SATISFACTION – RESULTS FROM CONFIDENCE SURVEYS

Key figures	2015	2014	2013
SKI Retail market	77.5	76.7	69.5
Reputation Index <sup>1)</sup>	65.0	62.2	60.9

<sup>1)</sup> Index figure in Reputation Index (Anseendebarmetern) from Nordic Brand Academy (NBA). The index measures the popularity, social responsibility and ethics of Swedish banks, as well as their trustworthiness and expertise.



## Three focus areas within sustainable business

SBAB's Board of Directors has adopted three particularly important focus areas within sustainable business, which together form the basis for a common approach to SBAB's contribution to sustainable development in society.

### Sound finances

As a bank, SBAB bears a particular responsibility. This involves both contributing to our customers' financial security and safeguarding long-term sustainable social economics as part of the financial system. Sound finances are a prerequisite for our ability to achieve this and to conduct business operations that are sustainable in the long-term.

### Responsibility and transparency

For SBAB, responsibility and transparency involve the promotion of responsible lending, marketing and sales. Through openness and transparency, we aspire to improve the reputation of the banking and financial sectors in general. Our responsibility as an employer is another important element of the focus area.

### Sustainable housing

SBAB has extensive experience and knowledge within property financing, and matters related to homes and housing are deeply ingrained in the Company's roots. Sweden faces numerous social challenges that are economically, socially or environmentally related to housing. As we are highly committed to sustainable housing, we seek to contribute to positive development in society.



For every focus area, we have adopted a fixed strategy, overarching objectives and measurable targets, and determined how the results should be reported. Our policy for sustainable business is available at [sbab.se](http://sbab.se).



READ MORE ABOUT OUR OBJECTIVES, TARGETS AND RESULTS ON PAGE 28.

## Investors

Investor confidence in us is based on investors' interaction with our employees, but also on trust in our business model and our ability to maintain sustainable economic development. We note with great pleasure the growing interest in our strategic choice of direction for sustainable business, which is becoming increasingly relevant as a growing number of investors integrate sustainability aspects in their analyses and investment decisions.

## Employees

SBAB's employees are the Company's most important asset. Motivated and committed employees are a prerequisite for our success and one of the most important drivers in meeting our adopted objectives. Our employees' motivation to create value through customer and investor relations depends on a number of factors, including our leadership, skills development and the career opportunities we offer.

## Owner

SBAB is wholly-owned by the Swedish government. Corporate governance is exercised through the general shareholder meeting, the Board of Directors appointed by that meeting, the Articles of Association, the Swedish Government's ownership policy and continuous ministerial contacts with the Chairman of the Board and the CEO. The Swedish Government's ambition for Swedish state-owned companies, to set good examples and serve as role models for sustainable development, has inspired us to clarify our role in the sustainable development of society.


# WHERE, WHAT AND HOW

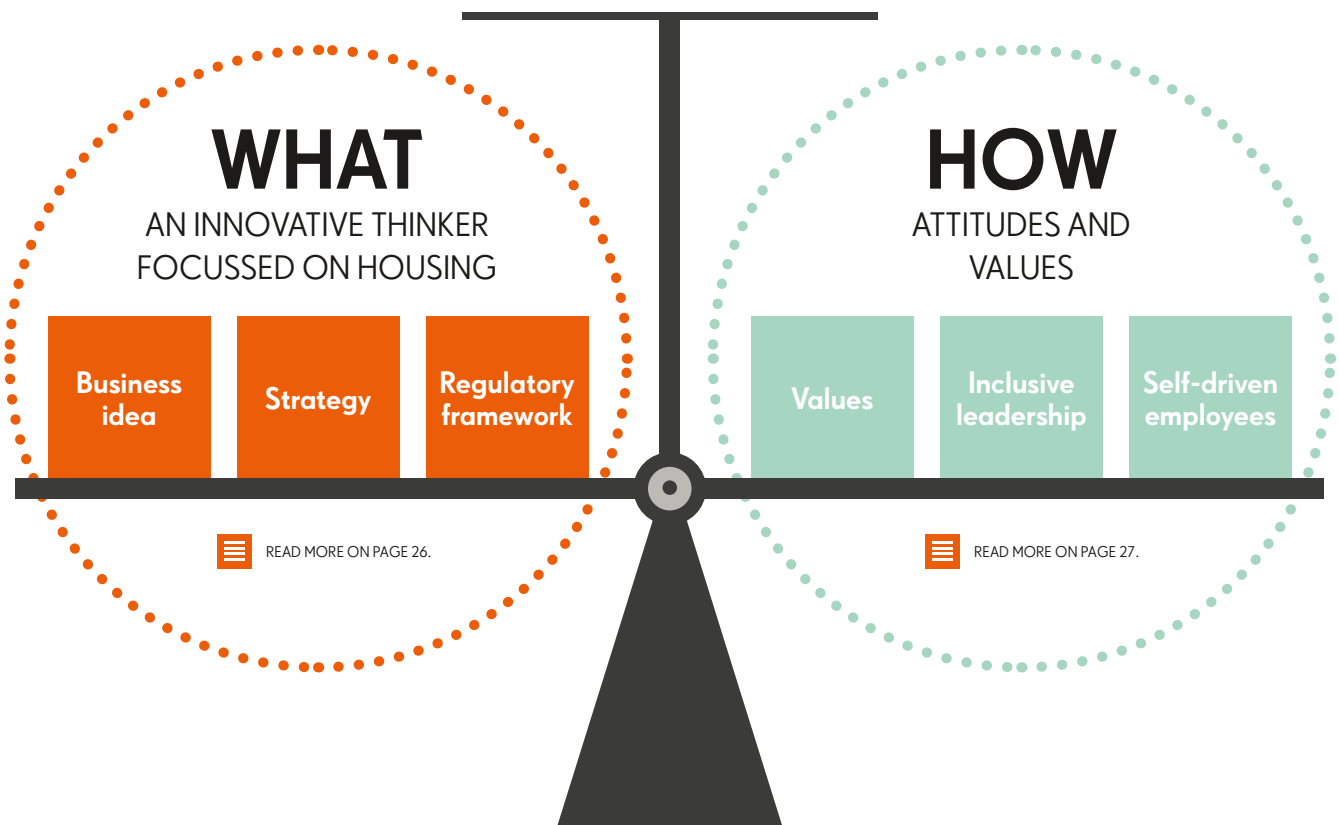
**SBAB's strength stems from our self-driven employees, not from formal structures or procedures.**

This section summarises SBAB's organisational and governance model, which briefly describes where we are going, what we will do to get there, and how we will do it. Achieving a balance between "what" and "how" is a prerequisite for achieving our vision – to offer Sweden's best residential mortgages.

## WHERE

SWEDEN'S BEST RESIDENTIAL MORTGAGES  
BETTER HOUSING AND IMPROVED HOUSING FINANCES

 [READ MORE ON PAGE 25.](#)







**WHERE >** **WHAT >** **HOW >**

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## VISION

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### **To offer Sweden's best residential mortgages.**

At SBAB, our guiding principle for all our actions is our vision. It constantly encourages us to improve. Offering Sweden's best residential mortgages places high demands on innovation and consideration. In our opinion, we will offer Sweden's best residential mortgages if we meet a number of objectives within eight areas: brand awareness, a differentiated customer offering, price, customer satisfaction, an attractive workplace, sustainability, growth and long-term profitability.

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## MISSION

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### **To contribute to better housing and improved housing finances.**

Our mission governs our actions and our customer offering. Everything we do in our operations should directly or indirectly lead to better housing and improved housing finances. Better housing includes sustainable housing, which means that we must act responsibly and integrate sustainability in our customer offering. Improved housing finances for our customers includes reasonable pricing and appropriate terms and conditions.

WHERE > **WHAT** > HOW >

# WHAT

*What we do is described in our business idea and our strategy.*

## Business idea

**Our business idea is to apply innovation and consideration to offer loans and savings products to private individuals, tenant-owner associations and property companies in Sweden.**

Innovative thinking means continuously using change and innovation to develop our customer offering, with the clear aim of achieving our vision. Consideration means constantly putting our customers first: good prices, appropriate terms and conditions and personal service, every day, in every situation.

## Strategy

**An innovative thinker focussed on housing.**

In the coming years, we are to carry out a major strategic services-, customer offering- and brand-related transition towards housing. SBAB's core product, the residential mortgage, and our supplementary products and other services should all help our customers to better housing and improved housing finances, in an innovative manner. We believe we can achieve this by becoming even more digital, innovative and sustainable, both in our internal processes and in our customer offering.

This involves reflecting on how we work today. To achieve our vision and our mission, we must supplement the efficiency, discipline and good procedures of our operations with creativity, determination and speed. Such an approach requires a behaviour aimed at making changes, trying new things and creating sustainable growth. We have therefore developed four values, which describe how we should be and act to meet our objectives. These are presented on the next page.

## Business model

In recent years, banking operations have become increasingly complex and demanding due to rapidly growing regulatory pressure. At the same time, residential mortgages have become subject to specific regulatory developments. This means that the fixed costs of our operations have increased, which poses increasingly high requirements on efficiency and expanding volumes for long-term profitability. Our business model is based on high efficiency, low costs, low and carefully calculated risks, competitive market funding and sustainable growth in customer volumes.




WHERE > WHAT > **HOW >**

# HOW

## Regulatory framework

Our business is based on our customers, owner, employees, investors, business partners and the general public having confidence in SBAB and the values we represent. Confidence is a result of compliance with the laws and regulations – both external and internal – that govern and influence our work, but it is also a result of our actions as a company. SBAB complies with the Swedish Code of Corporate Governance, the Swedish Companies Act and the Banking and Financing Business Act. As a bank, we also comply with the Swedish Financial Supervisory Authority's regulations, including those related to capital adequacy and money laundering. We have developed a number of governance documents to cover the issues we consider to be so essential to our operations that they need to be determined, formalised and regulated. These include SBAB's code of conduct, policies, directions and instructions. We safeguard a sound and open corporate culture where every employee is personally responsible for complying with the applicable regulations and acting ethically. We also comply with the Global Compact's ten principles on corporate social responsibility and to report this work in our Communication on Progress (COP).

 READ MORE ABOUT SBAB'S CODE OF CONDUCT AND POLICIES ON PAGES 39 AND 128.

## Attitudes and values

We aspire to offer Sweden's best residential mortgages. This is our guiding vision that, together with our business idea and mission, forms the basis of our corporate culture. Successful companies typically have strong corporate cultures, which is why we view our own culture as extremely important. We strive to make it as lucid and accessible as possible, for old and new employees alike, through regular workshops and training sessions.

SBAB'S CORPORATE CULTURE IS DESCRIBED IN OUR FOUR VALUES:

### We work smart and at speed

- I dare to challenge and innovate
- I act directly and deal with queries
- We try and learn
- We make it simple

### We take responsibility – all the way

- I think one step ahead
- We make decisions where the issue can be resolved
- We are careful with money
- We act sustainably

### We are proud professionals

- I am professional
- We are all responsible for our clients
- We develop long-term relationships
- I am constantly developing my skills
- We love to do business

### We succeed together

- We set targets and celebrate success
- I am straightforward and clear
- My knowledge belongs to everyone
- I make a difference and see the bigger picture
- I am unpretentious and caring

Our values permeate all of our operations. This involves our values being inherent in everything we do – from our customer offering and our treatment of customers to business development, recruitment, leadership training and career development discussions.

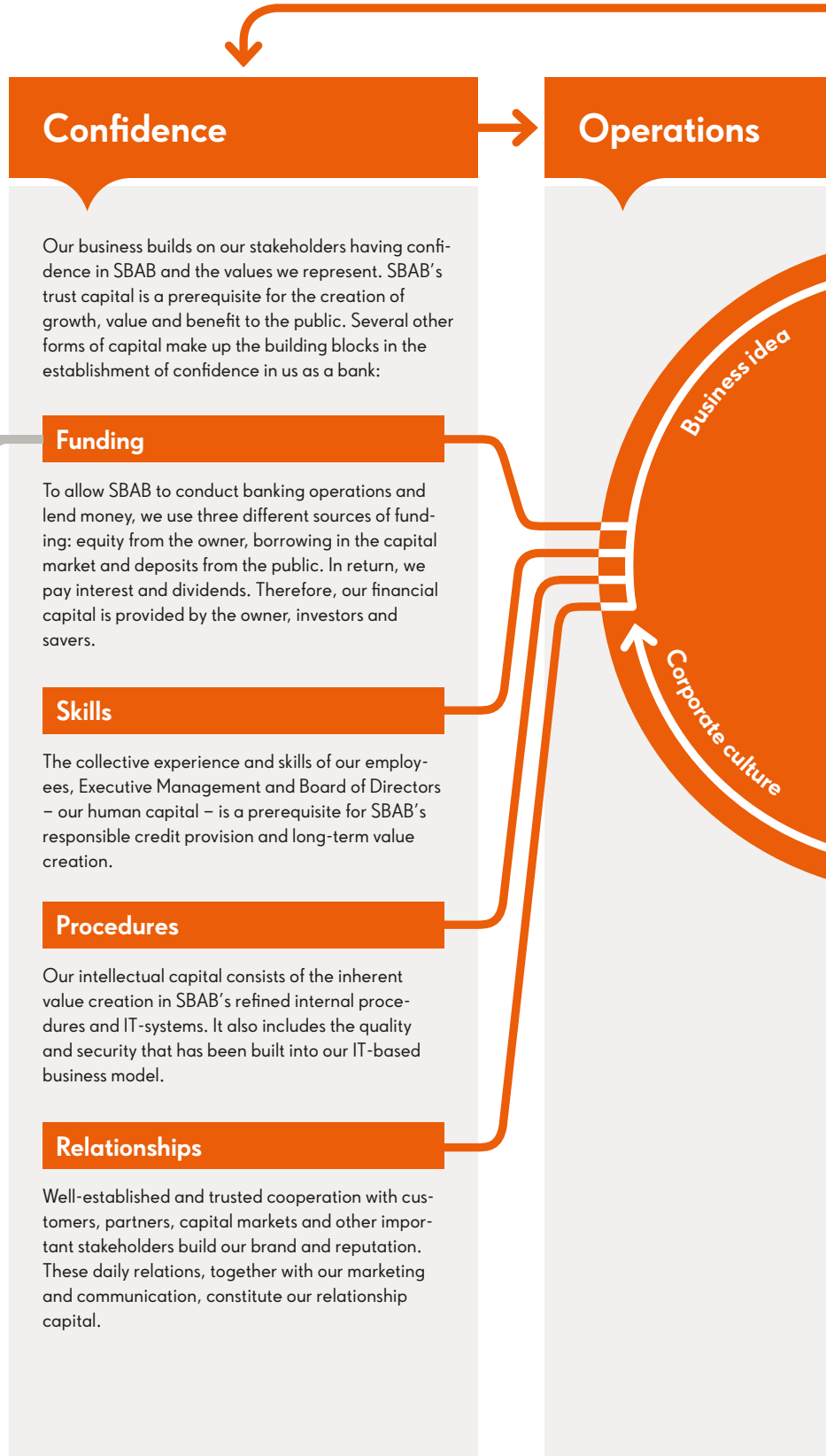
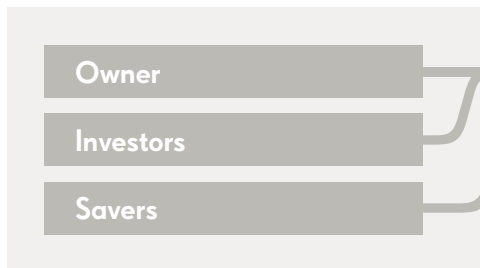


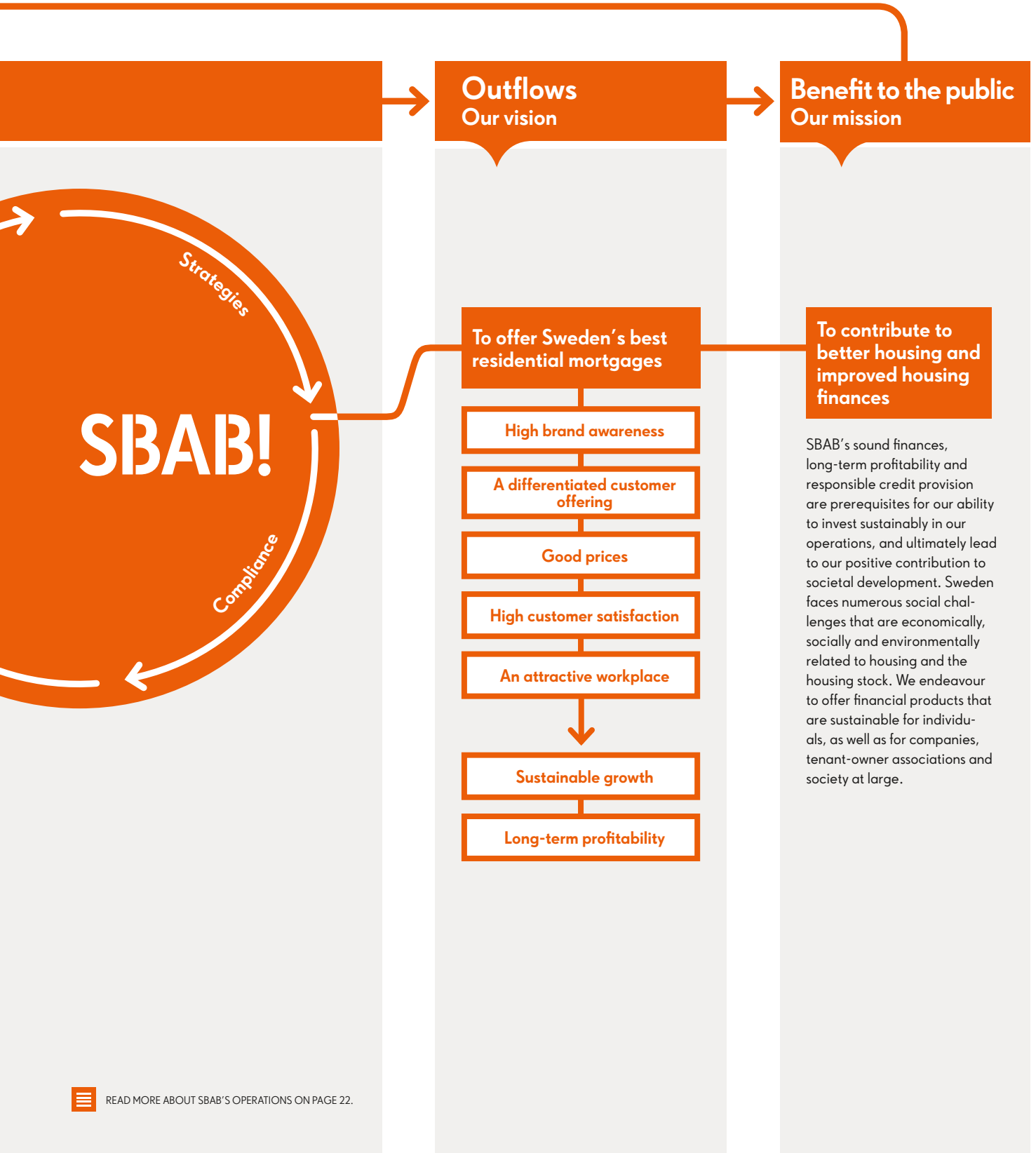
READ MORE ABOUT SBAB AS A WORKPLACE ON PAGE 40.



# HOW WE CREATE VALUE

This section describes our value creation - a process whereby we convert different types of capital into various forms of outflows and societal benefit.





READ MORE ABOUT SBAB'S OPERATIONS ON PAGE 22.

# OUR OBJECTIVES, TARGETS

**SBAB's objectives are based on our three focus areas within sustainable business: Sound finances, Responsibility and transparency and Sustainable housing. In addition to these objectives, each business area, department and function has a large number of internal business objectives, which are regularly followed up and evaluated.**

## Focus areas

## Overarching objectives

<p style="text-align: center;"><b>Sound finances</b></p> <p style="text-align: center;"><i>Long-term profitability allows us to contribute to sustainable development in society.</i></p> <p style="font-size: small; margin-top: 10px;"> READ MORE ON PAGES 30-34.</p>	<p>SBAB is well-capitalised and invests in achieving its vision – to offer Sweden's best residential mortgages.</p> <hr/> <p>A profitable business ensures return on equity.</p>
<p style="text-align: center;"><b>Responsibility and transparency</b></p> <p style="text-align: center;"><i>We are open and transparent and accept responsibility, both as a creditor and an employer.</i></p> <p style="font-size: small; margin-top: 10px;"> READ MORE ON PAGES 36-44.</p>	<p><b>Responsibility as a creditor</b> We are open and transparent in our sales and marketing activities as well as in our product terms and conditions. Our customers recommend us as a funding partner.</p> <hr/> <p>We accept responsibility in our credit provision and assist our customers throughout the entire residential mortgage process.</p> <hr/> <p><b>Responsibility as an employer</b> SBAB is an attractive workplace that values equality and diversity.</p> <hr/> <p>Our employees are considerate, skilled and proud to work for SBAB.</p>
<p style="text-align: center;"><b>Sustainable housing</b></p> <p style="text-align: center;"><i>We finance sustainable housing that results in less environmental impact and a better home environment.</i></p> <p style="font-size: small; margin-top: 10px;"> READ MORE ON PAGES 46-48.</p>	<p>An increased market share within the financing of new housing.</p> <hr/> <p>We develop products that contribute to a better home environment, improved housing finances and reduced environmental impact.</p>

1) Determined by the Board in December 2014, compared to the previous target of 18-20 percent.  
 2) SBAB uses NBA, Nordic Brand Academy, as supplier of the underlying information.  
 3) The target is measured using data from SBAB's internal employee survey and is therefore not comparable to the result presented in SBAB's 2014 Sustainability Report. As of 2016, the target will be measured using data from NBA. The target for 2016 refers to the number of employees stating 9-10 in the loyalty measurement Net Promoter Score (NPS) in response to the query "Would you consider recommending SBAB as an employer?".  
 4) Refers to the number of customers consuming a sustainable product or service from SBAB.  
 5) The target for 2014 was 80 percent.  
 6) The target was adopted for 2015, so no outcome is available for 2013-2014.  
 7) The target for 2014 was 50/50 percent.  
 8) The target for 2014 was 82 percent.  
 9) The target for 2014 was 5.5 percent.  
 10) The target was adopted for 2014, so no outcome is available for 2013.



# AND RESULTS

## Targets

**Capital target:** SBAB shall be well-capitalised and meet the capital targets set in the capital policy. The Common Equity Tier 1 capital ratio should amount to 22 percent.<sup>1)</sup>  
*New target for 2016:* Under normal conditions, the Common Equity Tier 1 capital ratio should exceed the internally assessed common Equity Tier 1 capital requirement with approximately 1.5 percent of the risk exposure amount.

**Profitability:** Return on equity shall at least amount to 10 percent.

**Risk target:** SBAB shall optimise its profitability within the scope of the risk tolerance determined by the Board.

**Dividends:** Ordinary dividends should be at least 40 percent of the annual profit after tax, taking the Group's capital structure into account.

**Transparency:** The proportion of customers who find that SBAB states their terms and conditions in an open and straightforward manner should exceed 85 percent.<sup>2)</sup>

**Customer ambassadors:** The proportion of customers recommending SBAB should exceed 80 percent.<sup>2)</sup>  
*New target for 2016:* Sweden's most satisfied residential mortgage customers according to SKI (Swedish Quality Index, Svenskt Kvalitetsindex).

**Equality:** The equality between women/men in leading positions should be within the range of 45–55 percent.

**An attractive workplace<sup>3)</sup>:** The proportion of employees recommending SBAB as an employer should exceed 80 percent.  
*New target for 2016:* The proportion of employees recommending SBAB as an employer should exceed 40 percent (9–10 in the NPS).

**Financing of new housing:** SBAB's market share within the financing of the number of newly built housing should exceed 6 percent.  
*New target for 2016:* SBAB should contribute to the development of new apartments (number): 1,750

**Product development:**  
 The development of products that contribute to a better home environment and reduced environmental impact.

**Retail:** Develop 1 sustainable offer.  
*New target for 2016:* Sustainable offer in the residential mortgage product (number): 5,000<sup>4)</sup>

**Corporate Client and Tenant-owner Associations:**  
 Develop 1 sustainable offer.

## Results

2015	2014	2013
28.6%	29.8%	23.3% <sup>1)</sup>
10.2%	12.1%	9.5%
YES	YES	YES
0%	40%	0%
88%	88% <sup>5)</sup>	n/a <sup>10)</sup>
88%	n/a <sup>6)</sup>	n/a <sup>6)</sup>
44/56%	41/59% <sup>7)</sup>	n/a <sup>10)</sup>
61%	63% <sup>8)</sup>	n/a <sup>10)</sup>
8%	6% <sup>9)</sup>	n/a <sup>10)</sup>
0	n/a <sup>6)</sup>	n/a <sup>6)</sup>
1	n/a <sup>6)</sup>	n/a <sup>6)</sup>



# SOUND FINANCES

**As a bank, we are part of society's basic infrastructure. Well-functioning banks contribute to societal development and employment.**

Today, security in the mediation of residential mortgages may be more important than ever. We create conditions that allow private individuals to build up their financial security by saving and borrowing money in the different stages of life, and we enable companies to operate, grow and create value for many different kinds of stakeholders. In this way, our daily work makes a difference for our customers, who are given the opportunity to realise their dreams and objectives.

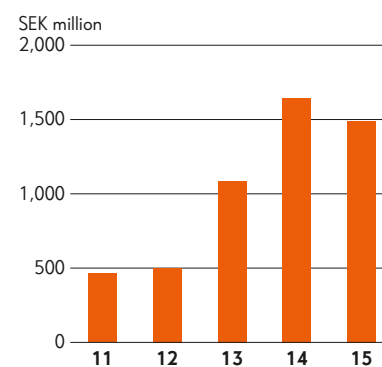
It also means that we need to take responsibility for how we create value for our customers, and that we do it in a manner that inspires confidence in SBAB and

our operations among all our stakeholders. Sound finances based on long-term profitability are a prerequisite for our ability to conduct business in a sustainable manner and make sustainable investments in our operations. This is our positive contribution to society. We measure profitability through profit and loss accounting in comparison to our adopted targets of return on equity and Common Equity Tier 1 capital ratio.

## Earnings

SBAB's operations performed favourably in 2015. Our operating profit was SEK 1,492 million (1,644) and SEK 1,511 million (1,202) excluding restructuring costs

## OPERATING PROFIT/LOSS



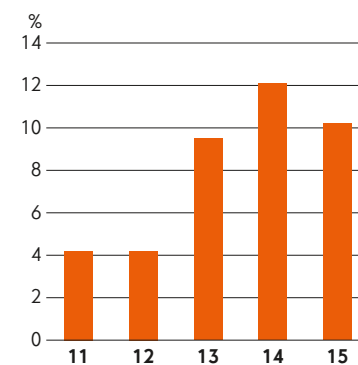
## PROFIT/LOSS AND BALANCE SHEET ITEMS, SBAB GROUP

Income statement items, SEK million	Jan-Dec 2015	Jan-Dec 2014
Net interest income	2,442	2,111
Other operating income <sup>1)</sup>	-101	510
Expenses	809	1,008
Loan losses	-40	30
Operating profit/loss excluding net income/expense from financial instruments and restructuring costs	1,511	1,202
Operating profit/loss	1,492	1,644
Net profit for the year	1,162	1,256

<sup>1)</sup> Includes net profit/loss from financial instruments and net commission.

Balance sheet items, SEK billion	Jan-Dec 2015	Jan-Dec 2014
Lending to the public	297.0	261.4
Other	77.6	77.6
<b>Total assets</b>	<b>374.6</b>	<b>339.0</b>
Deposits	76.6	60.6
Funding	264.2	243.2
Equity	11.8	11.0
Other	22.0	24.2
<b>Total liabilities and equity</b>	<b>374.6</b>	<b>339.0</b>

## RETURN ON EQUITY



## TARGET – SOUND FINANCES

**Capital target:** SBAB shall be well-capitalised and meet the capital targets set in the capital policy. The Common Equity Tier 1 capital ratio should amount to 22 percent.

**Profitability:** Return on equity shall at least amount to 10 percent.

**Risk target:** SBAB shall optimise its profitability within the scope of the risk tolerance determined by the Board.

**Dividends:** Ordinary dividends should be at least 40 percent of the annual profit after tax, taking the Group's capital structure into account.

## RESULT

2015	2014
<b>28.6%</b>	29.8%
<b>10.2%</b>	12.1%
<b>YES</b>	YES
<b>0%</b>	40%





and net income/expense from financial instruments. Loan losses remained low and amounted to a negative SEK 40 million (positive: 30). The cost/income ratio excluding restructuring costs and net income/expense from financial instruments declined to 34 percent (41), which is primarily explained by increased income.

The Common Equity Tier 1 capital ratio was 28.6 percent, which was above the target of 22 percent. Return on equity was 10.2 percent (12.1), exceeding SBAB's profitability target of 10 percent.

### Income

Operating income amounted to SEK 2,341 million (2,621). Net interest income increased by 16 percent and amounted to SEK 2,442 (2,111), which was primarily because of a sharp increase in volume and improved lending margins. Commission income rose to SEK 61 million (47), largely due to increased insurance mediation. Commission income amounted to SEK 163 million (157), of which the stability fee constitutes the largest individual item, corresponding to SEK 129 million (116). The net result from financial instruments measured at fair value amounted to an income of SEK 1 million (620). The greatest factor impacting earnings was unrealised market value changes on securities and derivative instruments in the liquidity portfolio.

### Expenses

SBAB's expenses decreased to SEK 809 million (1,008), of which SEK 20 million (178) were restructuring costs. Personnel costs amounted to SEK 376 million (414).

Other expenses exclusive of depreciation and amortisation amounted to SEK 402 million (434). The cost reduction excluding restructuring costs is chiefly explained by lower IT and development costs. Depreciation of property, plant and equipment, and the amortisation of intangible fixed assets amounted to SEK 31 million (160).

### Loan losses


For the full-year of 2015, the outcome for loan losses was a negative SEK 40 million (positive: 30), which corresponds to a loan-loss rate of a positive 0.02 percent (negative: 0.01). For a more detailed account of the loan-loss trend, refer to Note 11.

### Capital adequacy

Basel III, a regulatory standard posing capital and liquidity requirements on banks, was implemented on 1 January 2014. Compared with the previous regulations, the new regulations include requirements for increased own funds and higher capital requirements. Without consideration for transitional rules, the Common Equity Tier 1 capital ratio amounted to 28.6 percent, compared with 29.8 percent at the end of the previous year.<sup>1)</sup> Profit for the year is included in the calculation of own funds and Tier 1 capital. Dividends calculated according to SBAB's dividend policy have been deducted. However, considering future capital requirements and the uncertainty regarding these, the Board of Directors proposes that no dividends be paid. SBAB has carried out a preliminary study regarding impairment, and we have begun the development of a model for the

calculation of expected loan losses. SBAB will implement IFRS 9 as of 1 January 2018. In 2016, we will continue working on the project plan and include elements of IFRS 9 Classification and measurement and Hedge accounting.

<sup>1)</sup> Without transitional rules, the Common Equity Tier 1 capital ratio, including the calculated dividend, amounted to 29.8 percent.

 FOR MORE INFORMATION ON SBAB'S CAPITAL ADEQUACY, REFER TO PAGE 94.

### DIRECT ECONOMIC VALUE CREATED

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



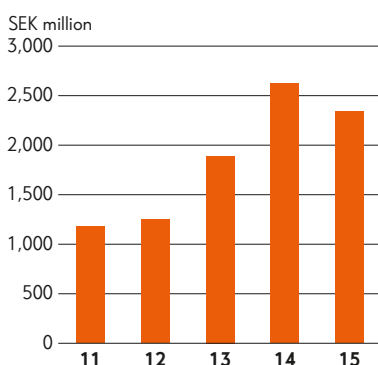
Retained economic value	SEK 1,234 million
Salaries and remuneration to employees	SEK 371 million
Operating costs	SEK 367 million
Payments to the public sector	SEK 330 million
Monetary contributions to charity and partnerships	SEK 1 million

# 34%

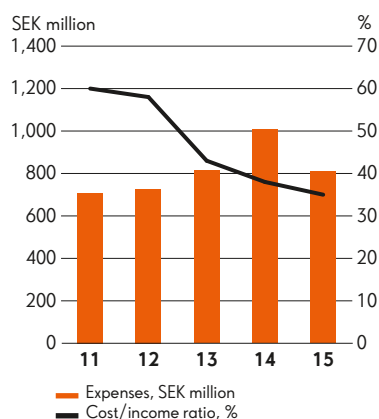
**Cost/income ratio 2015**

excluding net income/expense from financial instruments (NIEF) and restructuring costs

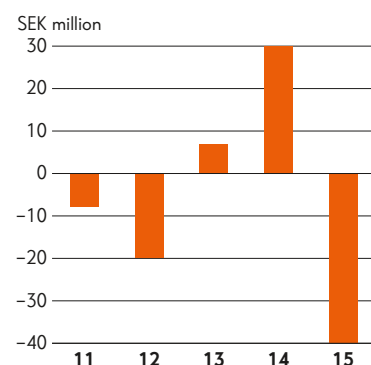
### OPERATING INCOME



### EXPENSES AND COST/INCOME RATIO



### LOAN LOSSES





**Dividend policy and appropriation of profits**

The principle established by the owner is that ordinary dividends should be at least 40 percent of profit for the year after tax, taking the Group’s capital structure into account. Given the new capital regulations, the Board of Directors proposes that the funds at the disposal of the Annual General Meeting be carried forward. The complete proposed appropriation of profits is provided on page 134 as an integrated part of the Administration Report.


**Remuneration**

We believe in a simple and clear remuneration structure. We have therefore not paid any variable remuneration to our employees since 2012. Nor do we have any incentive programmes. This applies to all employees, including the Executive Management and other key employees in the Company.

We believe that this creates clear conditions that help our employees make objective and intelligent business decisions with complete focus on the best interests of our customers.

There are no differences between the proposed guidelines for remuneration and other terms of employment for senior executives to be adopted at the 2016 Annual General Meeting compared to the guidelines that applied in 2015. The most recently adopted guidelines are provided in Note 8, page 103.

In 2015, we prepared a new HR strategy, focusing on the development of a learning organisation and the promotion of long-term skills development. We also work according to an explicit equality and diversity policy that emphasises the value of employees of different backgrounds.

 READ MORE ABOUT SBAB AS A WORKPLACE ON PAGE 40.

**Risks and uncertainties**

We hold an established position in the Swedish residential mortgage market and in recent years, we have also strengthened our status in the deposits market.

The economic trend in Sweden is the primary risk factor for SBAB’s future earnings capacity, and the quality of our assets is mainly exposed to credit risks in the Swedish housing market. The management of interest rate and currency risks also involves some exposure to price risks. Retail demand is expected to show stable growth over the next few years, underpinned by low inflation, low interest rates and rising stock market and property prices. The Swedish economy is susceptible to global economic developments and conditions in the international financial markets. The strained housing market and high household indebtedness result in the economy



STOCKHOLMS STADSMISSION

**A MORE HUMANE SOCIETY FOR EVERYONE**

**“ It is important to have cooperation partners who understand our operations and our needs.**

MARIKA MARKOVITS Director, Stockholms Stadsmission

**W**e met Marika Markovits, Director of Stockholms Stadsmission, to discuss our cooperation and see what we can do together to achieve a better social housing environment. Marika and Stockholms Stadsmission help people who are homeless or addicts. It gives hope and the courage to face life to vulnerable people who have no home of their own or live in deprived environments.



being sensitive to changes in interest rates and housing prices. The risks associated with these factors are expected to increase as long as house prices and indebtedness continue to rise faster than incomes. The many regulatory changes relating to the residential mortgage market constitute another uncertainty factor.



READ MORE ABOUT SBAB'S RISKS AND RISK MANAGEMENT ON PAGES 60 AND 81.



“Our vision is a more humane society for everyone,” explains Marika.

SBAB’s cooperation with Stockholms Stadsmission was intensified during the year, through the funding of a church that will be used by the organisation in its operations.

“SBAB contributed knowledge and expertise within its core business. They are housing financing specialists and understood our needs. This was incredibly valuable for us and allowed us to focus on what we are truly good at – helping people in deprived situations. It’s important to have cooperation partners who understand our operations and our needs.”

“Our cooperation with SBAB differs from many of our other corporate partnerships. When we opened a home for refugees recently due to the conflict in Syria, SBAB helped us arrange the beds and bed linen needed, and they did it all within 24 hours. This is the type of cooperation that we truly need and value.”

The cooperation has evolved over time and now includes a number of other initiatives. Stockholms Stadsmission runs a project called Särskildnyttan, which is aimed at reducing acute homelessness in the City of Stockholm by half by 2018. This means that between 200 and 250 homeless individuals should be offered housing within four years.

“It’s a truly ambitious target, requiring an enormous commitment. SBAB made it very clear that it wanted to help us run this project.”

According to Marika, the low rate of housing construction and increased competition for cheap rented apartments often aggravate the situation for the homeless.

“People who are homeless seldom have access to the regular housing market, so in many cases, there is a risk that their homelessness becomes permanent. SBAB plays an important role in the project and contributes with valuable skills and resources.”

Marika believes that in the future, Stockholms Stadsmission’s cooperation with SBAB may also involve finding common ways of influencing peoples’ values.

“Basically, it’s all about our values. If we want to see a more humane society for everyone, we need to engage and influence the people around us.” ●

## Särskildnyttan

SBAB supports Stockholms Stadsmission in its aim to reduce the acute homelessness in the City of Stockholm by half through the project Särskildnyttan. The social responsibility project works towards our mission – to contribute to better housing and improved housing finances. As well as providing financial contributions, our involvement includes allowing an SBAB employee to spend 80 percent of their time on secondment to the project at Stockholms Stadsmission, as of January 2016. We will also arrange workshops and seminars with representatives of the City of Stockholm and our property company customers, to discuss what we can do together and to identify solutions to reduce homelessness.

**STOCKHOLMS  
STADSMISSION**

Read more about Stockholms Stadsmission and the organisation’s work at [stadsmissionen.se](http://stadsmissionen.se).



**Future prospects**

We expect that new regulations for the capital requirements of banks will be adopted and come into force in 2016–2019, which means that SBAB will need to maintain a higher proportion of equity in the future. This means that we will need to control and prioritise our growth in new lending in the next couple of years to ensure that our total lending portfolio does not grow too large in relation to the new capital requirements.

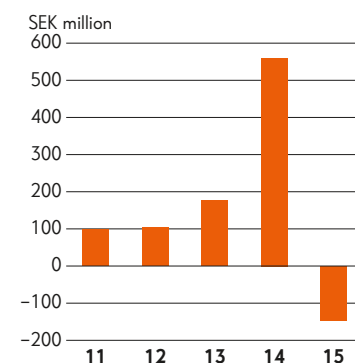
**Parent company**

Our operating loss in 2015 was SEK 148 million (profit: 560). The change in operating profit/loss is largely due to the lower net income/expense from financial transactions and a reduced net interest income. Operating income amounted to SEK 713 million (1,459). Net expense from financial transactions amounted to SEK 76 million (income: 300). Expenses totalled SEK 810 million (900). This reduction of expenses is mainly because of lower IT and personnel costs. The net effect of loan losses equated to an expense of SEK 51 million (income: 1) The net effect was primarily affected by an increase in individual provisions.

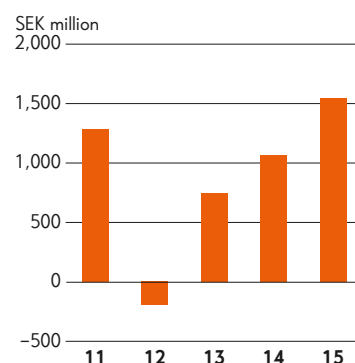
**AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)**

SCBC is a wholly-owned subsidiary of SBAB whose primary operations comprise of the issuance of covered bonds to fund the lending of the SBAB Group. SCBC’s operating profit for 2015 amounted to SEK 1,543 million (1,064) Net interest income improved compared with the previous year and amounted to SEK 2,280 million (1,775). The higher net interest income was mainly due to a reduction of SCBC’s funding costs. At year-end, our lending portfolio amounted to SEK 215.8 billion (217.6). Net expense from financial instruments amounted to SEK 16 million (income: 181) and net commission amounted to a negative SEK 106 million (negative: 92). SCBC’s total operating income increased compared with the previous year to SEK 2,158 million (1,864). Expenses for the year decreased to SEK 627 million (826). Of the total expenses, SEK 625 million (822) are attributable to costs for operations outsourced to SBAB. Net loan losses amounted to an income of SEK 12 million (income: 26). SCBC’s Annual Report is published on our website: sbab.se.

**THE PARENT COMPANY’S OPERATING PROFIT/LOSS**



**SCBC’S OPERATING PROFIT/LOSS**



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**MEET OUR INSOLVENCY TEAM**

# TAKING RESPONSIBILITY – ALL THE WAY

**Taking responsibility – all the way – is one of our four values. Torbjörn Gustafsson manages SBAB’s insolvency team, which is located in Karlstad. The team assists customers who have problems paying interest and making amortisations. The team puts our values into practice in its work, on a daily basis.**

“We usually say that we work with preventative insolvency management. This means making contact early on if we discover that a customer has payment difficulties. The ambition is to always help the customer before the matter goes too far,” says Torbjörn.

“Sickness, unemployment, divorce and the division of joint property are the most common reasons for payment difficulties for our customers. Our work includes preparing payment plans that give the customer a chance to catch up. We usually start by requesting a household budget, which forms the basis for customer discussions on the continued handling of the matter. We are consequently very solution-oriented.”

SBAB owns the entire insolvency management process. This means that SBAB may be able to help all the way when a customer experiences payment difficulties.

“It is our ambition to help our customers and to avoid loan losses. If we manage to establish a good dialogue early on, this often leads to a good outcome, both for the customer and for SBAB. If a customer’s home is too expensive, we always advise them to sell it themselves through an estate agent. It is usually better to sell the property through an estate agent, rather than selling it at auction through the Swedish Enforcement Agency.” ●



Torbjörn Gustafsson, Insolvency Team

# OUR RESPONSIBILITY AS A CREDITOR

**Providing responsible and transparent credit to our customers demands long-term and thorough consideration.**

## Responsibility...

We strive to offer financial products that are sustainable for individuals, companies, tenant-owner associations and society in general. A prerequisite for sustainable financial products is sound credit granting. This involves being clear and transparent with terms, conditions and products. As a company, we must also ensure that we conduct sales, marketing and credit evaluations responsibly. It is important that our customers fully understand the terms and conditions when they purchase a product or service from us and that they feel secure when they make important financial decisions. We strive to be easily understood and transparent throughout the credit process. Our customers should always feel reassured with SBAB as their creditor.

## ...and transparency create satisfied customers

The transparent and straightforward pricing of residential mortgages is appreciated by our customers. We believe this is a natural part of an open customer relationship that is based on mutual trust. Our pricing of residential mortgages is based on the current listed rates for each maturity, as published on [www.sbab.se](http://www.sbab.se).

The customer's specific interest rate is presented as a deviation from the rate. The size of the deviation is based on the size of the customer's residential mortgage and the loan to value ratio of the commitment. The loan-to-value ratio can be described as the proportion of loan in relation to the market value of the home. Our customers can make their own calculations to see which interest rate they would receive on different loan amounts and loan-to-value ratios, directly on [sbab.se](http://sbab.se). As a supplement to basic pricing, we occasionally apply temporary offers on clearly stated terms.

## A responsible credit process

We continuously monitor developments in the property market, both in terms of macroeconomic conditions and household finances. Together with analyses of SBAB's lending portfolio, this knowledge forms the basis for changes and adjustments of our credit assessment process. We strive to have a streamlined credit assessment process, which means that we do not offer loans in all situations. SBAB will not grant credit to customers who require major manual analysis work or for properties that are difficult to re-evaluate without a site visit. Our credit rules remain the same, regardless of whether a customer turns to SBAB directly or to one of our cooperative partners.

Our granting of credit to private individuals is based on a thorough credit evaluation process that decides whether customers have the financial capacity necessary to meet their commitments. We base our assessment on information provided by the customers themselves and information received from credit rating agencies such as UC and the Land Registry. First, the customer's repayment capacity is assessed. Secondly, any collateral for the loan is assessed. Loans are not approved if repayment capacity cannot be ascertained. The credit evaluation is centred around a calculation of household costs.

If this calculation indicates a sufficient surplus, the loan can be approved on the condition that there are no other reasons that we should not approve the loan. If the calculation indicates a deficit, the loan is not approved. For SBAB residential mortgages, collateral is posted in the form of a mortgage on a property or a participation in a tenant-owner association. The loan may be equivalent to a maximum of 85 percent of the value of the property. This limit or mortgage ceiling was introduced in 2010. In total, 5 percent (7) of SBAB's portfolio consists of loans with a loan-to-value ratio of more than 85 percent – a proportion that is decreasing over time.

## OBJECTIVE – OUR RESPONSIBILITY AS A CREDITOR

**Transparency:** The proportion of customers who find that SBAB states their terms and conditions in an open and straightforward manner should exceed 85 percent.<sup>1)</sup>

**Customer ambassadors:** The proportion of customers recommending SBAB should exceed 80 percent.<sup>1)</sup>

<sup>1)</sup> SBAB uses NBA, Nordic Brand Academy, as supplier of the underlying information.

<sup>2)</sup> The target for 2014 was 80 percent.

<sup>3)</sup> The target was adopted for 2015, so no outcome is available for 2014.

## RESULT

2015	2014
88%	88% <sup>2)</sup>
88%	n/a <sup>3)</sup>

## CALCULATION OF HOUSING COSTS

+	Lender's income <sup>1)</sup>
-	Housing expenses <sup>2)</sup>
-	Living expenses <sup>3)</sup>
=	<b>Surplus (or deficit)</b>

<sup>1)</sup> The stated income is checked using, among others, credit information service UC.

<sup>2)</sup> Amortisation, running costs, monthly fees and stressed interest rates.

<sup>3)</sup> In accordance with the Swedish Consumer Agency's guidelines – taking the number of minors and adults in the household into account.

Our credit assessment of companies and tenant-owner associations is also primarily based on repayment capacity. The process includes, among other things, an analysis of their accounts and a cash flow analysis. The cash flow analysis includes information on future maintenance requirements, and we use a computed rate of interest to set new interest rates for existing loans during the calculation period.

### Amortisation

SBAB believes that amortisation contributes to a sound household economy. Approximately two thirds of our residential mortgage customers amortise at least one of their loans. A new amortisation rule will come into force in May 2016 that includes an amortisation rate of 2 percent per year for residential mortgages with a loan-to-value ratio of more than 70 percent, and 1 percent per year over a loan-to-value ratio of 50 percent.

In 2015, we chose to develop our existing amortisation rate for new residential mortgage customers. Our new customers amortise the part of their residential mortgages with a loan-to-value ratio of over 70 percent in relation to the market value, over a period of 7.5 years. This means that customers with a loan-to-value ratio of 85 percent amortise a little over 2 percent per year, and those with a loan-to-value ratio approaching 70 percent amortise less than 2 percent per year. In addition to the minimum level of amortisations, we offer our customers individual amortisation recommendations.



### SBAB EXPLAINS

## Funding cost and mortgage margin

When a customer borrows money from the bank to purchase a home, the bank in turn borrows money in the capital market. The interest rate paid by the customer for its residential mortgage is called the mortgage rate. The cost paid by the bank for the customer's residential mortgage is called the funding cost. Put simply, the funding cost consists of the interest rate for borrowing money in the capital market.

The interest rate paid by the bank when it borrows money is based on a market rate plus an additional interest rate premium, which varies depending on the price set by the market on the risk of lending money.

The difference between the customer's mortgage rate and the bank's funding cost is called mortgage margin. This margin should cover all of the bank's costs for the administration of residential

mortgages, expected credit losses as well as the owner's profitability requirements.

Just as a customer that borrows money for a home must make a down payment, the bank must use capital as collateral for its loans. The margin helps us build that capital. It allows the bank to continue growing and conducting its operations according to applicable laws and regulations in a safe and stable manner.

Our ambition at SBAB is to be as clear and transparent as possible regarding our funding cost and mortgage margin. We have therefore chosen to report both our funding costs and our mortgage rates for the three most common fixed interest periods on our website.



Emma Persson and Claudia Wörmann, housing economists at SBAB.

## MEET OUR HOUSING ECONOMISTS

# KNOWLEDGE ABOUT HOUSING AND HOUSING FINANCES

### Hi Emma, tell us about yourself

"I'm an economist with extensive experience of advisory services, banking and private finances. I am passionate about people making smart financial decisions concerning their private finances, and housing is an important part of that. I joined the company from Nordea, where I worked with the private finances of young customers."

### What does a housing economist do?

"I hope to inspire, inform and maintain a dialogue with people who, just like me, have realised that the purchase of a home is one of the largest and most important business decisions of their lives. It is good to do your homework and be well informed about housing matters when owning your home. I will blog, hold lectures and have a presence in traditional and social media."

### Will you only focus on housing matters?

"Housing finances involve a lot more than just the home. It also includes savings, budgets and insurance. Questions you need to ask yourself include: Do I need to amortise? How much should I save every month if I live in a house? Will I need to buy an apartment when I move out?"

### Hi Claudia, tell us about yourself

"I've been working with housing matters and analysing the housing market since 2001, but I'm still learning. I started out as an analyst at Mäklarsamfundet. I joined SBAB from Svensk Nyproduktion, where I analysed the house building market."

### What does a housing economist do?

"I discuss housing and homes with the media and other interested parties. I also conduct my own surveys and analyses. I find new angles and highlight new aspects of housing matters to increase the understanding of how and why we act as we do in the housing market."

### Will you only focus on housing matters?

"It's quite a large subject. Few other topics involve such a high degree of interaction between finance, emotions, politics, aesthetics, ethics and psychology. I am extremely passionate about increasing our understanding of the soft issues related to the largest investment in our lives." ●

Scan the QR code to read the housing economist blog or visit [sbab.se/bloggen](http://sbab.se/bloggen).



## Residential Mortgage School

Emma and Claudia want to help more people into the housing market. Not least young people.

"Rising property prices have increased the size of down payments, and it's becoming harder for young people to enter the housing market," says Emma.

"Even if you've benefitted from rising house prices in recent years, it can be expensive to help your children onto the property ladder," says Claudia.

Emma and Claudia have put together a Residential Mortgage School for people with less experience of the housing market. It has been launched in a mini format, where the users can order small parts of the course, which are distributed by email once a week. The Residential Mortgage School deals with matters such as how much you can borrow and what it means to amortise, as well as the best way to save for your children's future homes.

Emma and Claudia have chosen to hold the course in video format. Short video clips contain materials that are also provided as text documents.

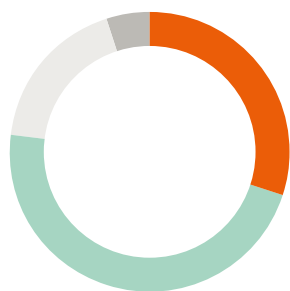
"Videos have become a popular way of obtaining new information. YouTube tutorials, for example, are an important information channel for young people," says Emma.

"A social media presence has become a hygiene factor, but it's also necessary to consider why and how to best use different kinds of media. I believe this is key to reaching out with information on housing finances," adds Claudia. ●

Scan the QR code to subscribe to the Residential Mortgage School or visit [sbab.se](http://sbab.se).





**CREDIT PORTFOLIO, %, AS AT 31 DECEMBER 2015**

- 0-50%
- 50-75%
- 75-85%
- > 85%

**Debt ratio**

In recent years, we have noticed an increase in how much our customers borrow in relation to their gross income, which we call debt ratio. This increase is a result of soaring housing prices. The debt ratio gives us a good indication of how sensitive our customer's repayment capability is to changes in interest rate or income levels, and of the customer's scope for amortisations. The increase in debt levels has lately been larger than what SBAB considers to be reasonable, which led us to introduce a new credit rule in 2015 that limits the debt ratio to 6 for new loans.

**Customers in payment difficulties**

We have a responsibility to help customers who encounter temporary payment difficulties. SBAB has the ambition to establish a dialogue with the customer early on, whereby we try to help them find a way out of their difficult financial situation. This gives the customer an opportunity to discuss the often difficult decisions that must be taken together with us. Our insolvency team, which works with customers in payment difficulties, has extensive experience and works actively to minimise SBAB's loan losses.

[READ MORE ABOUT THE INSOLVENCY TEAM'S WORK ON PAGE 35.](#)

**Security**

Our preventative work within banking security and banking confidentiality is of major importance for our customer's confidence in us. Our security measures involve both prevention and control. We take meas-

ures to detect and counteract threats in advance and we regularly check that our protective controls are effective. Security is also always an important element in the management and development of products and services.

2015 was dedicated to refining our security controls to ensure that they are relevant considering the threats to banks in Sweden. Focus was on IT security, information security, risk and continuity management, and process development. SBAB's risk reporting further includes Key Security Indicators (KSI) within security, which increases the Board of Directors' ability to monitor and govern SBAB's level of security.

In 2015, our operations carried out online security training.

Identity theft, spyware, trojans and other forms of IT-based threats are current societal problems that affect our responsibility as a creditor and a bank. We inform our customers about what they should watch out for and which measures they should take to protect themselves and their computers.

**Counteracting financial crime***Money laundering and the financing of terrorism*

Our operations should be conducted in a manner that minimises the risk of the bank being used for money laundering or the financing of terrorism. An overall risk assessment is carried out at least once a year that is aimed at identifying and assessing the risks to our operations in these areas. The assessment forms the basis for measures taken to control risks. We need to pose questions and make the necessary controls in an effective manner so that our services do not risk being abused. We therefore have a programme to ensure we:

- Have good customer awareness
- Have appropriate procedures
- Have adapted transaction monitoring
- Undertake regular controls
- Train our employees; at year-end, 100 percent of SBAB's employees had been trained in money laundering prevention.
- Follow up continuously on how our programme works
- Closely monitor regulatory developments

*Prevent corruption*

It is of the utmost importance for us, as a company, to take a clear stand against corruption. There are many reasons for this. Corruption undermines democracy, renders financial growth more difficult, distorts competition and entails serious legal and reputational risks. SBAB therefore has internal policy on how our operations deal with benefits. During the year, the policy was updated to reflect changes in the Code on Gifts, Rewards and other Benefits in Business published by the Swedish Anti-Corruption Institute.

In 2015, we carried out training programmes and risk evaluations within the area. All management teams, a total of 47 people, have participated in an anti-corruption course – and no incidents of corruption were reported during the year.

*Code of Conduct*

In the first quarter of 2015, the Board of Directors adopted a new Code of Conduct, which is available to all employees on our intranet. It provides guidance on how we should act and conduct ourselves in various situations and on the inherent responsibilities of being a SBAB employee. Employees, managers, consultants, members of the Executive Management and Board Members are personally responsible for understanding and complying with our Code of Conduct.

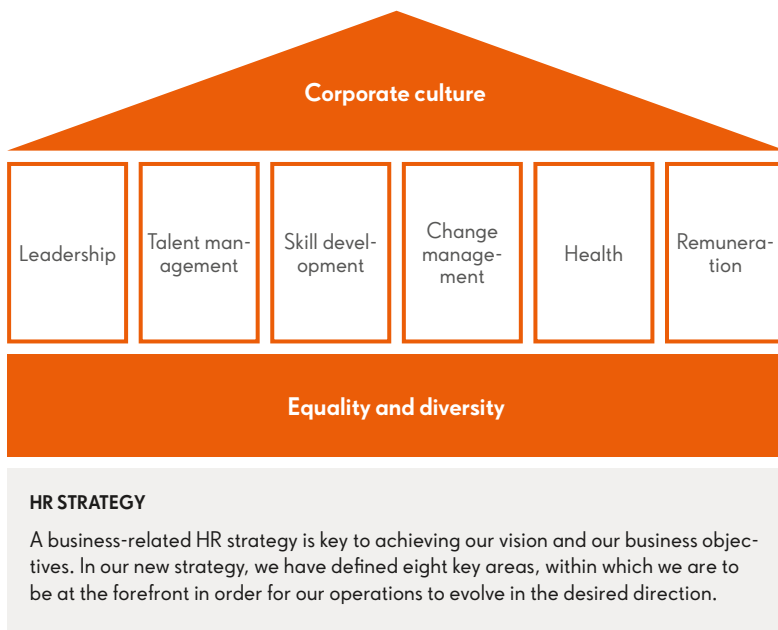
We aim to implement the Code in our operations in 2016, through training courses for managers and employees alike.

*Whistleblowing*

In 2014, SBAB implemented a whistleblower service, whereby employees are able to report potential internal improprieties. Instructions for the service are available for all employees on our intranet. No improprieties were reported in 2015.

# OUR RESPONSIBILITY AS AN EMPLOYER

**Our attitudes and behaviours are critical to SBAB's future. During the year, we endeavoured to develop our value-driven work method and implement our new HR strategy.**



**OBJECTIVE – OUR RESPONSIBILITY AS AN EMPLOYER**

**RESULT**

	2015	2014
<b>Equality:</b> The equality between women/men in leading positions should be within the range of 45–55 percent.	<b>44/56%</b>	41/59% <sup>1)</sup>
<b>An attractive workplace:</b> The proportion of employees recommending SBAB as an employer should exceed 80 percent. <sup>2)</sup>	<b>61%</b>	63%

<sup>1)</sup> The target for 2014 was 50/50 percent.  
<sup>2)</sup> Results from SBAB's internal employee survey.



**Corporate culture**

Successful organisations are characterised by cultures based on clear values. With that in mind, we defined four new values during the year.

READ MORE ABOUT OUR VALUES ON PAGE 25.

**Leadership**

SBAB's value-driven leadership encourages leaders to be courageous and have a holistic perspective. Our leaders should act as role models to build the trust and the commitment required to promote self-driven employees. To improve our leadership skills, we launched new initiatives during the year, such as a leadership forum and a leader development programme.

**Skills development**

Our new HR strategy focuses on developing a learning organisation. It is important to ensure that our training programmes are relevant and contribute to business value and long-term skill development for all



*We want to be an attractive work-  
place with self-driven employees who  
describe SBAB in the following manner:*

**At SBAB, we work smart and at speed and take responsibility all the way. We have a value-driven leadership, where our leaders act as role models. As employees, we are self-driven and want to succeed together with others. The relationship between managers and employees, as well as that between colleagues, is based on deep trust. There is a genuine wish to develop, to remain at the forefront of the sector. Our culture is permeated by innovative thinking, speed and honest feedback.**

employees. In appreciation that skills are perishable in our changing world, the opportunities for learning and continuous development are strategically important priorities. Our development efforts are based on the “70-20-10 model”.

Both managers and employees received training during the year in the preparation of individual development plans, which allowed our values to be transformed from words into actions. It should be clear how individual employee efforts contribute to our vision and our adopted objectives. In the longer term, our learning culture should be one of the factors that differentiate us in the market when attracting future talent. Our new format for development plans were devised to make it easier for our employees to drive their own personal professional development.

Guidance documents and templates have been prepared to facilitate constructive discussions between managers and employees. All employees have annual career discussions with their managers, in

which performance and future development are discussed. These matters are discussed over the year and followed-up with individual conversations.

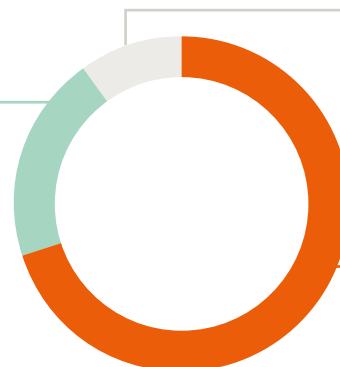
In 2015, we also prepared a new concept that will allow us to introduce new employees in our value-driven work method quickly and efficiently. The new concept is intended to create a closer relationship

between employees and the Executive Management. We have named this initiative “SBAB Boost Camp,” and it comprises an intensive and pleasurable two-day introduction to SBAB. We carried out four Boost Camps during the year, with plenty of positive feedback from the participants.

#### 70-20-10 MODEL FOR LEARNING

**20%**

**LEARNING FROM OTHERS**  
Network, coaching, mentorship, sponsor.



**10%**

**TRAINING**  
Internal courses, external courses, individual studies.

**70%**

**DEVELOPMENT IN THE CURRENT ROLE**  
Projects, new role, job rotation, delegation, more important role.



**An attractive workplace**

Since 2001, we have conducted an annual employee survey that shows us how our employees perceive SBAB as a workplace. Questions include job satisfaction, motivation, commitment, leadership and personal development. In recent years, the proportion of satisfied employees in these surveys has unfortunately declined. This year’s employee survey had a very high response rate (95 percent; 379 out of 398 employees), which shows great commitment. The primary purpose of this type of survey is to maintain a continuous dialogue, create a sense of participation in important matters, and of course to monitor improvements and deteriorations within specific areas.

In this year’s survey, which was conducted in May, we received low scores on matters within the areas of personal development and trust in the Executive Management’s ability to make the right decisions. We were happy to see that the immediate

managers still scored highly, and that internal cooperation was greatly valued, which places us in a good position in our ongoing work. In the summer and autumn, reference groups in various parts of the company worked intensively to ensure that we can together turn SBAB into a truly outstanding workplace.

**Equality and diversity**

Equality and diversity are a natural part of our approach that influences and permeates everything we do. For us, it involves making all employees perceive that they are seen, appreciated and respected for who they are. If we are to succeed in achieving our vision, we need broad expertise within the organisation. We are convinced that employees with different experiences and backgrounds increase the dynamics and creativity within our operations.

SBAB has a specific equality and diversity policy that emphasises the value of employees with different backgrounds. This means that we want to encourage and look after our employees and their skills and commitment, regardless of gender, transgender identity or expression, ethnicity, religion or religious belief, sexual orientation, disability or age, but also different perspectives, backgrounds and experiences. One of our cornerstones is to create and offer a culture that values diversity. It gives us a strong competitive advantage, which is a prerequisite for success. You can read more about our policy on equality and diversity at sbab.se.

All SBAB employees naturally have the same rights, obligations and opportunities in everything related to the workplace. Equality and diversity aspects should always be taken into consideration in our daily activities and in the recruitment of

SBAB’S EMPLOYEES EXPLAIN

# THE RESIDENTIAL MORTGAGE PROCESS

**The residential mortgage process starts with Andreas in the customer centre in Karlstad.**

Andreas Karlsson works as a key account manager in SBAB’s Karlstad office. He has worked at SBAB for just over four years, and says that he has lots of interesting work duties.

“A key account manager guides the customer through the entire residential mortgage process – from the application for a loan commitment to the customer taking possession of their new home,” says Andreas.

“I’m very sociable and enjoy customer contact, so this role suits me very well. Buying a home is often a significant transaction in the customer’s life. Feeling a great deal of responsibility is important to me.” ●



**ANDREAS KARLSSON**  
Key Account Manager at the Customer Centre

**When a customer decides to take out a mortgage with SBAB, Andreas forwards the application to Karin in customer services.**

Karin Jaretorp has worked at SBAB since 2001. Her unit, customer support, is in charge of ensuring that all loan documents and supporting documents from the customers are correct. This includes everything from purchase agreements, detailed property descriptions and employer certificates, to powers of attorney, debt instruments and identification documents.

“We ensure that the supporting documents and signed loan instruments from the customer are complete before forwarding the application to the payment team,” Karin explains.

“Every application is different. This means learning new things every day, which is a great challenge and lots of fun.” ●



**KARIN JARETORP**  
Customer Services

new employees. These matters are also an important part of the human rights principles that we have undertaken to support, within the scope of the UN Global Compact's Ten Principles on corporate social responsibility.

In 2015, one of our targets was that 45–55 percent of all leaders should be women. At year-end, 44 percent (41) were women. We work continuously to achieve our target in this area, and implemented a number of initiatives in 2015, including:

- Cooperation with "Nyckeltalsinstitutet" to obtain an external assessment of our equality efforts.
- We require our external recruitment partners to provide applicant lists with as many women as men when recruiting for management positions and key specialist roles.

#### RESULTS FROM THE EXTERNAL EMPLOYEE SATISFACTION SURVEY (ESS)

Questions/areas	2015		2014		2013	
	ESS	Sector	ESS	Sector	ESS	Sector
Overall employee satisfaction	62	71	63	74	70	73
Professional and personal development	58	66	57	68	65	66
<b>Immediately superior manager</b>						
Clear feedback on work performance	70	–	71	n/a	72	n/a
Professional competence	81	77	81	79	81	77
Leadership qualities	73	69	72	71	74	67
Manager works persistently towards set targets	78	–	77	n/a	79	n/a

ESS = Employee Satisfaction Survey conducted among SBAB's employees.  
Industry = Average sector index.

#### Proportion of female managers<sup>1)</sup>

# 44%

<sup>1)</sup> Proportion of female managers of the total number of managers in the Company.

#### Number of employees<sup>2)</sup>

# 429

<sup>2)</sup> Number of active employees as of 31 December 2015, expressed as a full-time equivalent, adjusted for sick leave and leave of absence (FTE).

**When all loan documents have been verified, the application is forwarded to Annelie in the payment team.**

Annelie has worked for SBAB for almost 17 years. Since 2006, she has been a member of the payment team, which is tasked with managing loan payments.

"My team ensures that the correct amount of money is paid to the right recipient and account," says Annelie.

"The payment team is a bit like a large family. We have a wonderful team spirit and really succeed together." ●



**ANNELIE ERIKSSON**  
Payment team

**The residential mortgage process ends with Maria in the credit management team in Karlstad.**

"In credit management, we help customers with land registry applications and ensure that all loans have the appropriate collateral and are complete before vaulting", says Maria.

Maria Eriksson has worked with credit management since 2009. Before that, she worked in SBAB's payment team for almost two years.

"Working with credit management is interesting and rewarding. I find the legal issues that may arise in connection with land registry applications particularly exciting and interesting." ●



**MARIA ERIKSSON**  
Credit management



- SBAB has a clear ambition to make it easier for our employees to combine work and parenthood. We also want to promote a favourable attitude to parental leave and parenthood that characterises the company.
- We conduct annual salary surveys, which goes beyond the legal requirement of every third year, to ensure the continuation of our successful work on preventing non-objective salary differences and salary discrimination.

### Health and fitness

Assisted by our committed healthcare professionals, we offer modern and proactive health promotion initiatives with innovative and inclusive activities. We have modern and easily accessible fitness facilities and attractive health promotion contributions. This creates beneficial conditions for a healthier SBAB, which results in higher levels of wellbeing.

We want our work environment to contribute to the wellbeing of our employees.

To achieve this, we offer all employees health promotion contributions, health-care hours, free gym access, subsidised health insurance, and free medical attention and medicine. Flexible working hours, reinforced parental pay and the active prevention of long-term sick leave in cooperation with occupational health services are other building blocks in our work to promote health.

In our new HR strategy, we invest even more resources in proactive work to promote health. An important area where we, as a company, can and want to take an active role to improve the health of our employees is stress. We intend to improve the understanding of stress and stress-related diseases among our employees. We want to emphasise the personal responsibility related to wellbeing, while improving the dialogue between managers and employees on these issues. The purpose of this work is to achieve an improved perceived life-balance and reduced sick leave. SBAB has internal guidelines that

cover work environment, fitness and health that are available to all employees on our intranet.

### Remuneration and equal opportunities

Regular salary reviews are conducted within SBAB to prevent any systematic or unreasonable salary differences. In the event that such a difference would be detected, an action plan would be developed and followed up in the next salary review.

If workplace discrimination is reported, the company has procedures in place for investigating and taking remedial action. Discrimination should be reported to the immediate manager, who is to contact the HR department. Alternatively, the employee may contact HR directly. If the employee belongs to a union, a representative from that organisation is brought into the investigation. No known cases of workplace discrimination occurred at SBAB in 2015.



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BOOST BY FC ROSENGÅRD

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# REALISING YOUNG PEOPLE'S DREAMS

## A labour market project that promotes a better social housing environment.

Last year, nearly 40 percent of unemployed people were aged between 15 and 24 years old. According to Statistics Sweden, the trend is clear – unemployment rates are increasing among the young, not least for those who were born abroad and those who have not completed secondary school.

“It’s difficult for young people to enter the job market. We want to inspire and help them,” says Carl Lindståhl at SBAB.

In 2015, SBAB contributed to the content of the project Boost by FC Rosengård, by teaching and giving lectures to increase the understanding of everyday personal finances.

“We want to contribute to better social housing environments in deprived areas. In 2015, we initiated partnerships that contributed to this. This included a cooperation with the football club FC Rosengård. The club runs a labour market project in the Malmö region, with the purpose of helping unemployed youths to find work or start studying. The project uses football, and physical and mental health as the starting point. 60 percent of all youths in the project found employment within six months. It’s incredibly inspiring,” says Carl.

SBAB typically initiates dialogue on issues involving the pitfalls and temptations that can affect young people. These include the consequences that may arise from text message loans, moonlighting and impulsive consumer loans. Tips on how to plan and put their finances in order are presented and discussed. This may include how to make a budget or invest in themselves by getting an education. It might even involve them getting a home of their own in the future. ●



**It’s difficult for young people to enter the job market. We want to be there, and help these people.**

**BOOST**  
BY FC ROSENGÅRD

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Read more about Boost by FC Rosengård at [boostbyfcr.se](http://boostbyfcr.se).

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CARL LINDSTÅHL Corporate Clients and Tenant-owner Associations, SBAB

# SUSTAINABLE HOUSING

**Sweden faces several social challenges that are economically, socially and environmentally related to housing and the housing stock.**

Climate and environment are fundamental aspects of sustainable housing, but the home of the future will also be sustainable from a social perspective. Environmental sustainability concerning housing includes sound building materials, energy efficiency and responsible waste management. When new housing is constructed, we talk about housing that contributes instead of being a burden, which also includes the social dimension. Consequently, in addition to minimal environmental impact and optimal energy efficiency, properties and homes are expected to contribute to social sustainability. This may involve adapting the home to different resident needs in the various stages of life, or building residential areas in which the residents can remain in a community where they feel secure even if they move to another home. The establishment of neighbourhood watch and meeting places are other aspects of the social dimension of sustainable housing.

Ensuring reasonable housing costs is an important part of the social aspect, as is making housing available for different groups of people. The trend has been increasingly towards segregated housing, which have caused social problems in some areas. In the new multicultural Sweden, the issue of diversity is growing increasingly important. From a societal development

perspective, the development of sustainable housing with its various aspects is necessary and entirely possible to achieve. SBAB's role is to contribute with financing, develop sustainable products, spread knowledge, offer financial advice and to actively cooperate in stakeholder dialogue.

### Financing of new housing

Not enough new housing is being built in Sweden. Particularly in urban areas, demand vastly exceeds the supply of housing, which is an important reason for rising housing prices. A low level of residential construction combined with low interest rates has caused rising levels of household debt. It also prevents young people from entering the property market, and those who are not already on the housing ladder find it increasingly difficult to purchase their own homes. We want to contribute to more housing being built in Sweden. In 2015, we had a target to achieve a 6 percent market share of newly built housing. We achieved an 8 percent share.

### The development of sustainable products and services

As with all human essentials, our impact on the environment is indirect. But through creativity, innovation and innovative thinking, we have the ambition to develop



what we refer to as sustainable products. Properties account for a significant proportion of the world's and Sweden's carbon footprint. By developing products that give our customers the incentive to invest and implement energy efficiency improvements in their homes, we can contribute to reducing this impact. Investments in energy efficiency also give our customers better housing finances in the long-term. By working with our customers and integrating sustainability into our products and services, we can contribute to global and national environmental objectives being met.

## OBJECTIVE – SUSTAINABLE HOUSING

**Financing of new housing:** SBAB's market share within the financing of the number of newly built housing should exceed 6 percent.

**Product development:** The development of products that contribute to a better home environment and reduced environmental impact.

**Retail:** Develop 1 sustainable offer.

**Corporate Client and Tenant-owner Associations:** Develop 1 sustainable offer.

## RESULT

2015	2014
8%	6% <sup>1)</sup>
0	n/a <sup>2)</sup>
1	n/a <sup>2)</sup>


<sup>1)</sup> The target for 2014 was 5.5 percent.

<sup>2)</sup> The target was adopted for 2015, so no outcome is available for 2014.





Our target in 2015 was to develop at least one sustainable product in each of our two business areas - Retail and Corporate Clients and Tenant-owner Associations. In February 2015, we launched a Green loan, aimed at tenant-owner associations. In the first half of 2016, we plan to launch an energy app to help our customers reduce their home energy consumption.

 [READ MORE ABOUT OUR GREEN LOANS ON PAGE 57.](#)

### Knowledge sharing and advice

We have extensive experience and knowledge of housing finance. Issues affecting homes and housing are deeply rooted in the company. To make objective and sound decisions, our customers need to understand the relevant financial issues. In addition to direct contact with our customers via the Internet or telephone, we attend trade shows, arrange seminars and regularly publish relevant analyses and reports that contribute to sharing knowledge and raising awareness of the issues related to housing finance.

## Hållbarhetsbarometern (The Sustainability Index) indicates that we can do more

SBAB ranked second among all of Sweden's banks in the survey Hållbarhetsbarometern 2015. Hållbarhetsbarometern is a brand survey that shows how companies are perceived by the public with regard to sustainability. 80 of Sweden's largest and most visible consumer companies are surveyed each year. The survey covers four areas: Environment/Climate, Society, the Long-term perspective and Openness/Transparency. SBAB was given a sustainability index of 59 on a scale from 0–100.

Hållbarhetsbarometern is an in-depth version of the annual survey Anseendebarmetern and is based on research within the relevant sustainability areas. 6,016 interviews were carried out with members of the public in Sweden, aged 18–74. The questions reflect which companies in various sectors are considered to be most sustainable. The study was conducted by the economist Dr. Tony Apéria at Stockholm University. The aim of the survey is to annually monitor the development of sustainability in Swedish consumer companies.

Needless to say, we are not satisfied with ranking second within an area as important as sustainability. Instead, we intend to do better in the future.

Sustainable business encompasses many aspects. Not all of them are relevant for a bank such as SBAB. The delimitation of where our responsibility starts and ends and how to optimally manage our resources in relation to our core business are subject to internal discussions.

Today, the value of "nudging", "green nudges" and influencing efforts to encourage more sustainable behaviour is increasingly discussed – and this is an area where SBAB can and will continue to make a difference.

### Climate and energy issues

A relevant issue for SBAB is how social and urban planning are affected by the ongoing energy transition, and how this transition ultimately impacts upon property prices, tenant-owner associations and private finances.

In the first half of 2016, we will launch an energy app intended to help our customers reduce their home energy consumption, in order to see how such a tool will be received on the market.

Properties, business premises and homes account for a major proportion of total energy consumption. In 2015, we launched a Green loan aimed at tenant-owner associations – a loan with an extra advantageous interest rate for the implementation of environmental improvement measures. We plan to offer a similar product in the retail market in the first half of 2016.

We also consider the possibility of issuing green bonds in the future.

### The urban housing shortage

There is already a severe housing shortage in Sweden's major cities, and migration is expected to continue. The question is whether SBAB can take a more active role, considering the current instructions and profitability requirements from our owner. SBAB's cooperation with Stadsmissionen in Stockholm is such an initiative.

Sustainable urban development is an increasingly important concept for growing cities. A relevant question is where this development will ultimately lead, and how SBAB can continue to contribute.

### Training for sustainable development in society

Training and skill development are prerequisites for behavioural changes related to the environment and sustainability. An important issue for SBAB is how we develop our employee training, and how we can ultimately share knowledge and influence customer values and behaviour.

### Information technology and digitalisation

We conduct our operations without traditional offices, but with a well-developed digital platform and a customer call centre. Naturally, digitalisation continues to be an important aspect of our sustainability work.



### *Our head economist and housing economists*

SBAB's head economist and our two housing economists are financial experts that conduct analyses on aspects of macroeconomics, savings, housing finances and other issues related to private finances. They act as the company's spokespeople on such matters and work to disseminate information to and share knowledge and skills with investors, employees, customers, the public and the media. This work is conducted in many ways and through multiple communication channels. Our economic experts publish regular analyses and reports on current issues related to macroeconomics and private finances. The reports have been drafted in a manner that makes them easy to read and understand for customers and the general public.

Regularly published reports include "Böräntenytt" (Mortgage rate news), which analyses the interest rate market and forecasts future mortgage rates, and "Mäklarbarometern" (the Estate agent barometer), in which we analyse the property market in major cities. All reports and analyses are available free of charge on sbab.se. Our economists are happy to respond to questions and can be followed on Twitter and at sbab.se/bloggen.



READ MORE ABOUT OUR HEAD ECONOMIST AND OUR HOUSING ECONOMISTS ON PAGES 16 AND 38, RESPECTIVELY.

### *Active cooperation and a dialogue for development*

In 2015, we continued the dialogue with our stakeholders that was initiated in 2014, aimed at finding out how we can cooperate to improve the social housing environment in deprived areas.

For example, SBAB supports Stockholms Stadsmission with the aim of halving acute homelessness in the City of Stockholm by 2018, while maintaining an ongoing dialogue to identify solutions that reduce homelessness.



READ MORE ABOUT OUR COOPERATION WITH STOCKHOLMS STADSMISSION ON PAGE 32.

In the first quarter of 2015, we entered into a cooperation with the football club, FC Rosengård, which runs a labour market project in the Malmö region that is intended to help unemployed youth find work or begin studying.



READ MORE ABOUT OUR COOPERATION WITH FC ROSENGÅRD ON PAGE 45.



During the Almedalen week, we joined some of our customers in the property sector in seminars and panel discussions. We discussed how various stakeholders – property companies, public housing companies, politicians, etc. – can cooperate to create a better social housing environment, where residents are satisfied and feel safe.

SBAB's Corporate and Tenant-owner business area regularly visits trade shows and holds seminars that are primarily aimed at trustees and board representatives from tenant-owner associations. In 2015, we participated in 11 trade shows, which intend to share knowledge and experience, forge new contacts and learn about trends, as well as gather the sector's thoughts about the future. We also arrange our own seminars where experts from SBAB or our network are invited to address topics

such as board liability, efficiency measures or new legislation affecting tenant-owner associations. In 2015, SBAB arranged ten such seminars.

The creation of value in a tenant-owner association is not always about financial value. Some of the seminars arranged look into how internal communications may create commitment and contribute to greater satisfaction among the owners of tenant-owned apartments. In recent years, a joint initiative with Stockholms Stadsmission involved the possibility for tenant-owner associations to join a neighbourhood advice service. The service provides advice on what to do if a neighbour is subject to domestic violence, illness or is suspected of conducting criminal activities in the property.

# OUR VALUE PROPOSITION

**Our promise to customers should be unique, and we should offer them such great value that they choose us – both now and in the future. This has been summarised in the areas of availability, consideration and transparency, which collectively form our value proposition.**

## TRANSPARENCY

**Competitive pricing and appropriate terms and conditions from the outset.**

At SBAB, we offer our customers straightforward, high-quality and simple products. We have therefore actively chosen to remove elements that do not conform to our values. For example, we do not believe that the interest rate you get on your residential mortgages should depend on who you talk to at the bank, how you are dressed, how well-spoken you are or how long your parents have been customers. Our customers do not need to put on an act or adopt a negotiation strategy – we always offer competitive pricing and appropriate terms and conditions from the outset.

“ I’m impressed! I’ve been in touch with several banks, and I’m satisfied with the terms and conditions offered by SBAB. But more than anything, I was incredibly impressed by how I was received over the phone. Professional, kind and generally accommodating!

Quote from a customer, 2015

## AVAILABILITY

**Residential mortgages online and over the phone, every day and in all situations.**

SBAB is entirely focused on residential mortgages. There are no queries related to residential mortgages that we cannot answer, and our answers are based on the customer’s situation and previous knowledge. Customers are able to reach SBAB by telephone from 8 am–9 pm every day of the week, or around the clock online. Having to wait for days for a meeting with your bank is old fashioned and does not show appreciation for the customer.

“ Thank you very much for the quick processing, and on a weekend too. Impressive!

Quote from a customer, 2015

## CONSIDERATION

**Housing specialists who care.**

Whereas expertise and skills often come in a factual and cold package, our housing specialists are considerate and generous with their knowledge. Consequently, dialogue with SBAB rarely concerns only money; it often involves support with major decisions as well. We find it natural to offer our customers a personal contact to assist them, bring things to their attention and send them reminders during the entire process.

“ First, I want to thank you for not being like other banks, you are experts in residential mortgages. SBAB is the only bank for us. We are very satisfied.

Quote from a customer, 2015



# RETAIL

**The Retail business area offers loans and savings products to private individuals under its own brand and through partnerships. Our core product, residential mortgages, is supplemented by retail loans, savings accounts for deposits and insurance mediation in the form of home and loan insurance products.**

Since 2014, the Retail product area has prioritised and focussed on housing and housing finances, which allows us to offer services that are characterised by innovation and consideration, and are in harmony with our business idea. In 2015, we prepared a new brand platform and objective position for SBAB. The platform visualises the way forward towards offering Sweden’s best residential mortgages and clarifies our position within housing and housing finances.

### Our market

Our customers primarily live in Sweden’s major cities. Our value proposition to customers who purchase new homes and our focus on communication in major cities have resulted in us primarily recruiting new customers from distinct target groups who have purchased tenant-owner rights. Buyers of single-family homes in major cities also account for a large share.

### Residential mortgages

The residential mortgage market continued to perform strongly in 2015, and the rate of lending increased sharply. The strong development in housing prices was fuelled by low interest rates, amortisation requirements and other factors such as the population growth, urbanisation and the low rate of residential construction. Market growth combined with the increased internal focus on our core product during the year resulted in excellent growth in both new lending and the loan portfolio. The residential mortgage market in Sweden amounted to SEK 2,696 billion at year-end, which is 8.3 percent higher than the previous year-end.

### Consumer loans

Growth in the consumer loan market increased somewhat in 2015. At year-end, the consumer loan market amounted to SEK 206 billion, which is 0.8 percent higher than the previous year-end.

### Deposits

Several factors such as rising incomes, tax reforms, the recession and financial turbulence have caused household deposits in savings accounts to increase rapidly in recent years, despite low interest rate levels and high returns on other forms of saving. At year-end, bank retail deposits amounted to SEK 1,491 billion, which is 9.7 percent higher than the previous year-end.

### Organisation

The Retail business area includes the Retail Market and the Partner Market.

The Retail Market manages the part of SBAB’s business conducted under its own brand, with retail customers as the target group. In early 2015, the Retail Market was divided into two units: Communication & Business Development and the Retail business area. In June, the unit Retail Market was formed, following the merger of Communication & Business Development and the part of the Retail business area that managed business under SBAB’s own brand. The unit comprises of the following departments: Customer Centre (sales), Product & Business Development, Market & Digital, Information, Operational Development and Customer Development. The unit has 134 employees and is located in Karlstad and Stockholm.

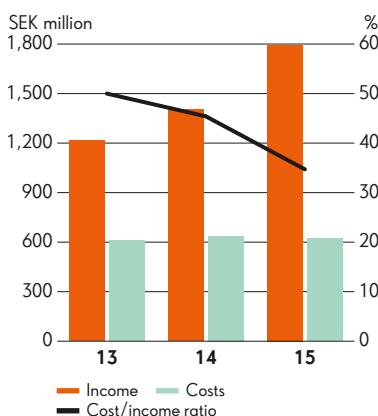
The Partner Market is in charge of the part of SBAB’s business that is conducted via selected partnerships. The unit has approximately 25 employees and is located in Stockholm and Karlstad.

## 2015 in brief

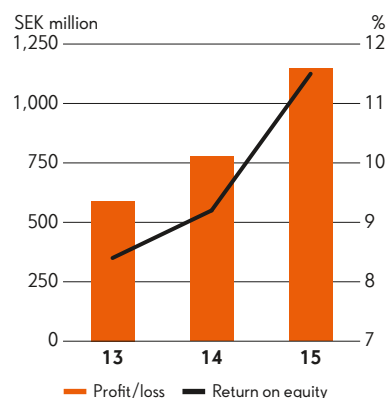
### SIMPLIFIED INCOME STATEMENT, RETAIL

SEK million	2015	2014
Operating income	1,793	1,404
Expenses	-622	-638
<b>Profit/loss before loan losses</b>	<b>1,171</b>	<b>766</b>
Loan losses	-23	12
<b>Operating profit/loss</b>	<b>1,148</b>	<b>778</b>
<b>Return on equity excluding net income/expense from financial instruments</b>	<b>11.5%</b>	<b>9.2%</b>

### INCOME, EXPENSES AND COST/INCOME RATIO, RETAIL



### PROFIT/LOSS AND RETURN ON EQUITY, RETAIL



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**OUR CUSTOMERS' STORIES**

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# MOVING HOME

**We spoke to Anna-Karin Brorsson Kinch about why she and her husband, Daniel, chose SBAB as their residential mortgage provider, and why adults like to move back to where they have their roots.**



**A**nna-Karin Brorsson Kinch has been an SBAB customer since 2009, when she and her husband, Daniel, bought their first house in Märsta, north of Stockholm.

“My father was already a customer of SBAB, and SBAB offered the best terms and conditions for interest rates at the time when the loan was taken out,” says Anna-Karin.

### **Back home**

At the end of 2015, Anna-Karin and Daniel moved to a slightly smaller house in Vallatorp, a residential area in Täby, in the municipality where she grew up.

“There comes a time in life when you want to return home. You want to be close to your family when raising your own children.”

As Anna-Karin already had both her loans and savings with SBAB, it was natural for her to contact the same bank when the time came to apply for a new residential mortgage.

“We never actually considered choosing a different bank. I’ve always been very happy with SBAB, both with the terms and conditions and with our relationship. It’s nice that we don’t have to visit a branch office to handle our bank matters,” she says, and continues:

“I don’t want to place my whole life in the hands of a single bank just to get good terms and conditions for my residential mortgage.”

### **Quick and easy**

“I applied online for a loan commitment. After a few calls to SBAB’s customer services, I was put in contact with Andreas, a residential mortgage administrator. He was there for us during the entire purchase process, which was much appreciated.”

The family now look forward to spending more time together and will soon begin renovations.

“We will need to replace the boiler almost immediately. But we also plan to renovate the kitchen, bathroom and laundry room.” ●



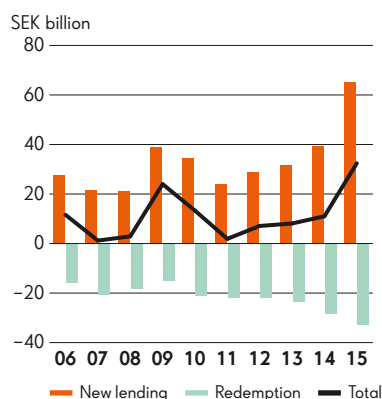
**I don’t want to place my whole life in the hands of a single bank just to get good terms and conditions for my residential mortgages.**

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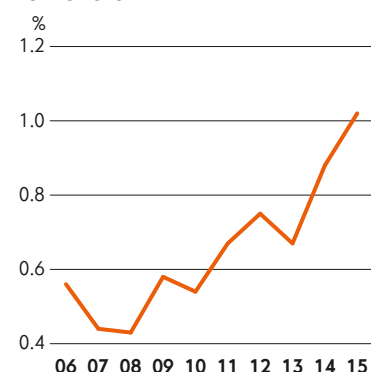
**ANNA-KARIN BRORSSON KINCH**



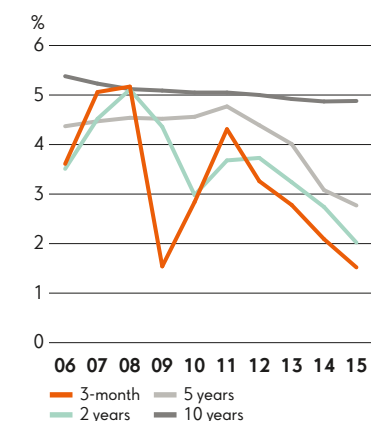
**NEW SALES AND REDEMPTION OF SBAB RESIDENTIAL MORTGAGES**



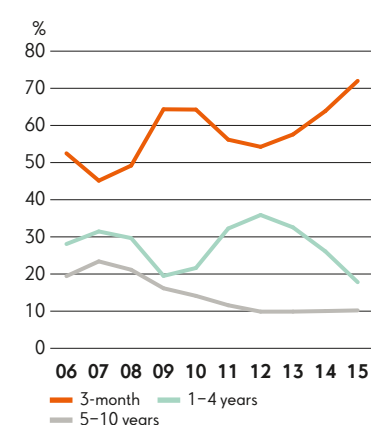
**MARGIN DEVELOPMENT IN RESIDENTIAL MORTGAGES**



**MORTGAGE RATES**



**CHOICE OF FIXED-INTEREST PERIOD, RESIDENTIAL MORTGAGES TO HOUSEHOLDS**



**Residential mortgages**

SBAB's total lending related to residential mortgages to private individuals rose by SEK 30.3 billion to 212.0 billion. At year-end, our market share was 7.86 percent (7.30), including lending via partners. This puts SBAB in fifth place, after the four major banks. That means that a third of all residential mortgages granted outside the major banks were granted by SBAB.

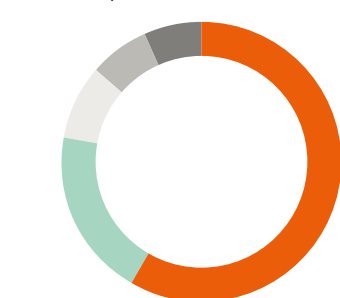
At the end of 2015, SBAB had 254,000 (243,000) residential mortgage customers, distributed over 168,000 (161,000) objects. The majority of SBAB's residential mortgage customers choose shorter maturities. The share of total lending with a three-month fixed-interest period amounted to 71.8 percent (61.8) at the end of 2015. SBAB's residential mortgage stock is clearly concentrated to the Stockholm and Öresund regions, which collectively amount for nearly 80 percent.

**COMPOSITION OF COLLATERAL IN THE LOAN PORTFOLIO, RETAIL CLIENTS**

SEK billion	2015	2014	2013
Mortgage deed	115.4	106.9	102.8
Tenant-owner rights	96.2	74.3	67.3
Municipal guarantees and direct loans to municipalities	0.4	0.4	0.7
Government guarantee	0.0	0.0	0.0
Bank guarantee	0.0	0.0	0.0
Other collateral	0.0	0.0	0.0
Consumer loans <sup>1)</sup>	2.0	1.7	1.2
<b>Total</b>	<b>214.0</b>	<b>183.4</b>	<b>171.9</b>

<sup>1)</sup> Unsecured loans to retail customers.

**GEOGRAPHICAL DISTRIBUTION OF THE LOAN PORTFOLIO, RETAIL**



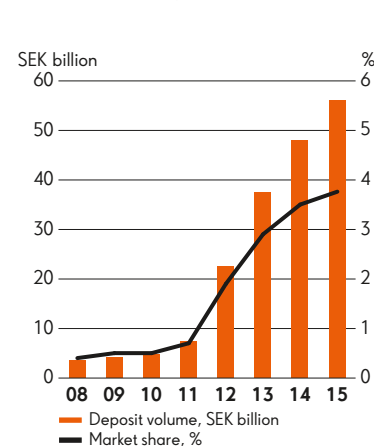
- Stockholm region 58.5%
- Öresund region 19.5%
- Gothenburg region 8.5%
- University and growth areas 7.1%
- Other regions 6.5%



**Consumer loans**

Since 2010, SBAB has offered consumer loans (i.e. unsecured loans). Unlike residential mortgages, consumer loans are not connected to any specific purpose, although they are frequently used to supplement residential mortgages in relation to home finance. In 2015, the volume of consumer loans performed well, with a 6 percent increase in sales. At the end of the year, the total consumer loan volume amounted to SEK 2.0 billion (1.7), corresponding to a market share of 1.00 percent (0.83). As of 31 December 2015, just over 17,000 (14,000) customers had SBAB consumer loans.

**DEPOSIT VOLUMES, RETAIL**





### Savings accounts

We actively work to diversify our sources of funding through increased retail and corporate deposits. Our savings accounts offer competitive interest rates, are free of charge with free withdrawals, and are covered by the national deposit guarantee. Retail deposits increased during the year to SEK 56.1 billion (47.9), corresponding to a market share of 3.76 percent (3.53). At the end of 2015, approximately 259,000 (257,000) retail customers held a savings account with SBAB.

### Insurance

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

## Booli acquisition

In 2015, we entered into an agreement to acquire Booli Search Technologies AB, an independent search engine for homes. The company has the expressed objective to improve the housing market by collecting and refining market data, and increasing transparency between parties in the market. Booli's operations are organised in three business areas:

**Booli.se:** Search engine with homes for sale. The service comprises Sweden's largest database of final purchase prices and a sophisticated, partly user-generated valuation service

**Hittamäklare.se:** Sweden's largest estate agent guide with 6,000 registered estate agents. The guide helps home sellers to choose the right estate agent, by providing a database of estate agents, their performance and relevance

**Booli Bygg:** Sweden's largest analysis service for residential construction that aimed at property owners and banks. The service helps construction companies and banks reach decisions on the construction and financing of new residential properties

### The acquisition of Booli is driven by strategic and operational value

Booli fits in well with our strategic service offering and the transition of our brand towards housing. The acquisition of Booli strengthens our position in the market as well as making it more unique. But most importantly, it allows us to better assist our customers when they buy or sell a home.

Upon completion on 14 January 2016, Booli became a subsidiary of SBAB and will operate under its own brand for an indefinite period. Operationally, the company is included in the Retail business area.

“ We now take the next step in our development to contribute to better housing and improved housing finances. Booli's housing services and property information enhances our customer offering, our position in the residential mortgage market and our competitiveness.

KLAS DANIELSSON, CEO of SBAB



### Information and services

Our ambition of innovation and consideration is evident in our free digital services that help with matters involving housing and housing finances. In the App Store/ Google Play and on sbab.se, we already offer "Värdeguiden" (the value guide) and "Bytabostadsguiden" (the guide for home-buyers). During the year, we launched our updated website (www.sbab.se) and a digital notice service via Kivra, and we began to offer legal services via Avtal 24. We also entered into an agreement with the start-up Greenely regarding the launch of a new energy app in the first half of 2016, which intends to help our customers reduce their home energy consumption. Work on the creation of increased customer and user benefits in issues related to housing and housing finances will continue in 2016. Through increased digitalisation, we can also offer better services, become more cost-efficient and grow at lower marginal costs.

### Loan losses

SBAB's low risk appetite and proactive management of insolvencies has resulted in low credit losses in recent years. Rising property prices and low interest rates have contributed favourably to low loan losses.

A provision of SEK 20 million was made in the fourth quarter of 2015 as a precaution to a number of retail residential mortgage cases that were discovered to have been granted based on false information. These cases have been reported to the police. No credit losses have been confirmed in any of these cases, and the residential mortgages are secured.

### Partner Market

In the Partner Market, we have mortgage mediators who mediate residential mortgages under their own brands and under SBAB's brand. Our partners comprise of banks and estate agents. In 2015, SBAB's total new lending was SEK 67 billion, of which approximately SEK 37 billion of mortgages were paid using SBAB's own brand and SEK 30 billion using partner brands.

### Increased focus on our own brand

As a part of our efforts to increase the focus on SBAB's own brand, the partnerships with Folksam, Bättre Bolån and Plus Bolån were terminated during the year. Due to increased capital requirements, we will prioritise lending growth in areas where we are able to deliver the greatest customer benefit and build the strongest customer relationship.

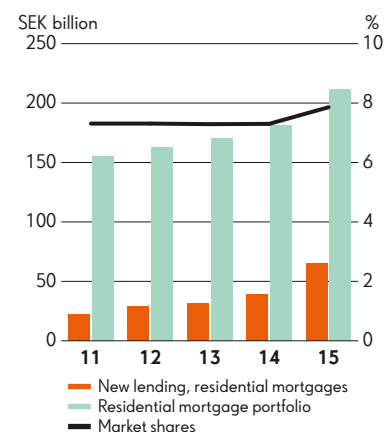
By focusing our lending on SBAB's own brand, we can deliver significant customer benefit and we can contribute more effectively to better housing and improved housing finances for our customers in accordance with our mission. Our residential mortgage mediation through partnerships using other companies' brands will therefore be reduced and primarily aimed at partnerships with banks that have a digital business model, where we still see potential for major economies of scale. Our partnership with Folksam ceased in the third quarter, while the partnerships with Bättre Bolån and Plus Bolån will be wound up in 2016.

### LOAN LOSSES, RETAIL LOANS

Year	SEK million	% of lending <sup>1)</sup>
2013	1.0	0.00%
2014	14.4	0.01%
2015	-22.5	-0.01%

<sup>1)</sup> For the lending portfolio, the closing balance for the relevant period is used. In 2015, residential mortgages constitute 99 percent of the lending portfolio, and consumer loans constitute the remaining 1 percent.

### PORTFOLIO GROWTH AND MARKET SHARES, RETAIL



### Priorities for 2016 for the Retail business area

In 2016, we shall further strengthen our position with a clear focus on housing and housing finances. We will:

- **Strengthen our brand:** We shall work actively with reinforcing our brand, position and awareness
- **Develop our products and services further:** All our products and services shall help our customers to better housing and improved housing finances
- **Strengthen customer relationships:** We shall strengthen the relationship with our existing customers
- **Increased digitalisation for increased efficiency:** Greater digitalisation of our business and our communications
- **More efficient work processes:** We shall make our work processes more efficient and ensure that we have motivated and self-driven employees



# CORPORATE CLIENTS AND TENANT-OWNER ASSOCIATIONS

The Corporate Clients and Tenant-Owner Associations business area funds multi-family dwellings. With a flexible organisation and the capacity to manage major projects, we offer services that are characterised by innovation and consideration. We contribute to sustainable housing by property financing, where we cooperate with our customers to stimulate new residential construction, environmental consciousness in the management and development of the social housing environment.

The Corporate Clients and Tenant-owner Associations business area has years of experience in funding within the residential sector. We concentrate our credit granting to expansive growth regions and near our offices in Stockholm, Gothenburg and Malmö, where we can create the close relationships required to remain competitive and provide our customers with the best possible service.

## Our market

We primarily target major property owners, tenant-owner associations and construction companies, where our skills and extensive experience of credit granting and properties make us highly competitive.

## Corporate

In 2015, the transaction volume in the Swedish property market was approximately SEK 151 billion, which is on par with 2014. Swedish players were overrepresented by nearly 65 percent of the invested capital.

## 2015 in brief

### SIMPLIFIED INCOME STATEMENT, CORPORATE CLIENTS AND TENANT-OWNER ASSOCIATIONS

SEK million	2015	2014
Operating income	519	583
Expenses	-167	-192
<b>Profit/loss before loan losses</b>	<b>352</b>	<b>390</b>
Loan losses	-17	18
<b>Operating profit/loss</b>	<b>335</b>	<b>408</b>
<b>Return on equity excluding net income/expense from financial instruments</b>	<b>7.9%</b>	<b>10.1%</b>

The new construction of multi-family dwellings continued to increase in 2015. It is estimated that the construction of approximately 48,000 apartments began during the year, evenly distributed between rented properties and tenant-owned apartments, but with regional differences.

## Tenant-owner associations

The market for lending to tenant-owner associations grew by 5.5 percent to SEK 388 billion at the end of 2015. In addition to new construction, the growth rate in lending to tenant-owner associations is due to reorganisations from rented to tenant-owned apartments. The number of reorganisations declined somewhat in 2015 and remains far below the peak years of 2008–2010.

## Deposits

The market for deposits from corporate clients and organisations grew by 8.3 percent in 2015, to SEK 823 billion. Growth was therefore slightly higher than the previous year despite falling interest rates.

## Organisation

The Corporate Clients and Tenant-owner Associations business area has 40 employees. We have offices in Stockholm, Gothenburg and Malmö. The Stockholm office accounts for more than half of our lending. From these offices, we actively develop the property markets in growth areas south of the Dalälven river.

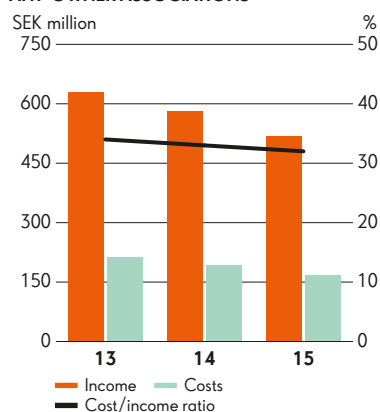
We have three functions:

- Key account managers with overall responsibility for sales, profitability and relationships with our major customers.
- Analysts, whose responsibility include the validation of risk and opportunities in properties, construction projects and owners.
- Customer and business support staff who administer our credit granting and are responsible for customers in certain segments.

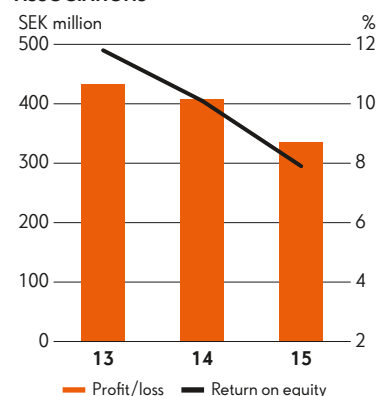
## Property funding

We fund multi-family dwellings, both privately owned and owned by tenant-owner

### INCOME, EXPENSES AND COST/INCOME RATIO, CORPORATE CLIENTS AND TENANT-OWNER ASSOCIATIONS



### PROFIT/LOSS AND RETURN ON EQUITY, CORPORATE CLIENTS AND TENANT-OWNER ASSOCIATIONS





associations. The properties may consist of existing buildings or new construction, where we mortgage the land and the construction, and offer final funding. SBAB's total lending to corporate clients and tenant-owner associations amounted to SEK 83.0 billion (78.2) on 31 December 2015.

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

**Corporate**

At the end of 2015, SBAB's lending to property companies amounted to SEK 30.6 billion (25.5). New lending amounted to SEK 7.6 billion (2.9). The market share with regard to loans to property companies was 10.59 percent (9.47) as at 31 December.

As per 31 December 2015, our lending to commercial properties amounted to SEK 4.3 billion (3.7). We do not intend to grow within this segment, but we can offer funding if required by the overall business or the customer relationship in individual cases.

**Tenant-owner associations**

New lending to tenant-owner associations amounted to SEK 6.1 billion (5.0) and the total lending volume was SEK 52.4 billion (52.7). The market share within loans to tenant-owner associations was to 13.05 percent (13.82) at year-end.

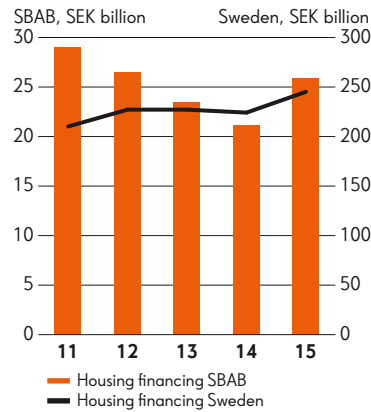
**Savings accounts**

We actively work to diversify our sources of funding through increased retail and corporate deposits. Our savings accounts offer competitive interest rates, are free of charge, have free withdrawals and are covered by the national deposit guarantee. Deposits from non-financial companies increased over the year, totalling SEK 18.4 billion (11.6), corresponding to a market share of 2.24 percent (1.53). At year-end, 8,200 (6,700) corporate clients and 2,300 (1,900) tenant-owner associations held savings accounts with SBAB.

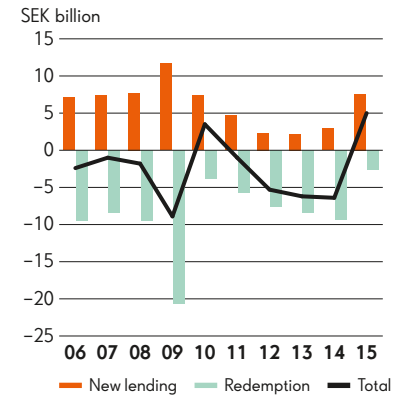
**Loan losses**

SBAB's low risk appetite and active management of insolvencies has resulted in low credit losses in recent years. Rising property prices and low interest rates have contributed favourably to low loan losses.

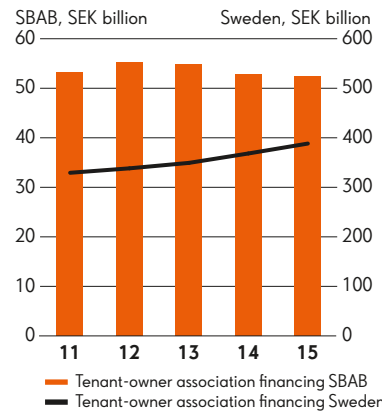
**LOAN VOLUME HOUSING FINANCING, CORPORATE CLIENTS, SBAB AND SWEDEN**



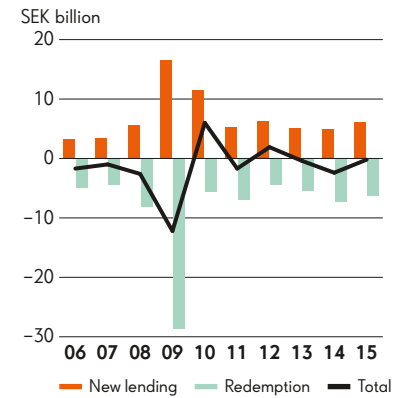
**NEW LENDING AND REDEMPTION, CORPORATE CLIENTS**



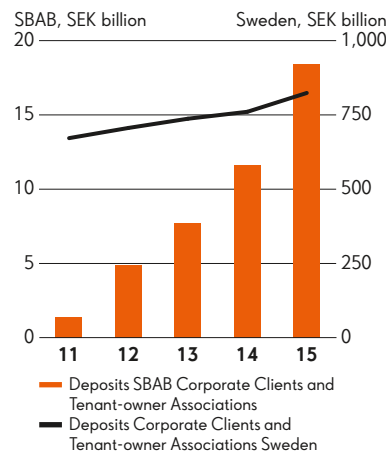
**LOAN VOLUME TENANT-OWNER ASSOCIATION FINANCING, SBAB AND SWEDEN**



**NEW LENDING AND REDEMPTION, TENANT-OWNER ASSOCIATIONS**



**LENDING VOLUMES, SBAB, CORPORATE CLIENTS AND TENANT-OWNER ASSOCIATIONS AND SWEDEN <sup>1)</sup>**

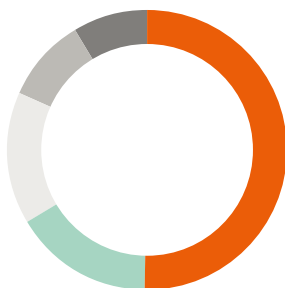


<sup>1)</sup> Deposits from companies and tenant-owner Associations began in 2009.



**COMPOSITION OF COLLATERAL IN THE LOAN PORTFOLIO, CORPORATE CLIENTS AND TENANT-OWNER ASSOCIATIONS**

SEK billion	2015	2014	2013
Mortgage deed	80.1	75.5	83.3
Tenant-owner rights	0.0	0.0	0.0
Municipal guarantees and direct loans to municipalities	1.7	2.2	2.8
Government guarantee	0.2	0.3	0.4
Bank guarantee	0.0	0.0	0.0
Other collateral	1.0	0.3	0.6
Consumer loans	0.0	0.0	0.0
<b>Total</b>	<b>83.0</b>	<b>78.2</b>	<b>87.0</b>

**GEOGRAPHIC COMPOSITION OF THE LOAN PORTFOLIO, CORPORATE CLIENTS AND TENANT-OWNER ASSOCIATIONS**

- Stockholm region **50.4%**
- Öresund region **16.1%**
- University and growth areas **15.1%**
- Other regions **9.7%**
- Gothenburg region **8.6%**

**Priorities in 2016 for the Corporate Clients and Tenant-owner Associations business area**

In 2016, our focus will be on controlled, profitable and sustainable growth and on defending our position in the market. To achieve this, we have the following focus areas:

- Exploring prospects among property companies and associations
- Actively contribute to the funding of new residential construction
- Ensure extension targets in case of turnovers
- Upgrade tenant-owner associations that are partial SBAB customers to full-service customers
- Increase the value proposition for tenant-owner associations and their members

**GREEN LOANS**

# SUPPORTING GREEN INVESTMENTS

**We support investments in properties that lead to reduced energy consumption or an improved environment by offering a particularly advantageous interest rate. Our Green loans help improve our customers' housing finances, but most importantly – together, we contribute to a better and more sustainable housing environment.**

**U**lf Kroon is the chairman of the Sparven tenant-owner association in Kristinehamn, Sweden. The association consists of 12 terraced houses and 17 semi-detached houses. In 2015, the board of the association decided to replace the ventilation system.

"The fan system installed in connection with extensive renovations in 1990–1991 required high repair costs, and it was difficult to find spare parts," Ulf explains.

He says that the association had to choose between replacing a couple of fans every year, or replacing all of them at once. The second alternative would require the association to take a bank loan, as Ulf and the others in the association's board did not want to use up all of its cash reserves. It is always good to keep a cash reserve in the event of unforeseen costs.

"We contacted SBAB, which is where the association had taken out its previous loans," Ulf says.

"We found out that SBAB offered something called Green loans, which are loans with a somewhat lower interest rate for energy efficiency measures. And you always want to get the lowest possible interest rate."

To obtain a green loan, it must be possible to approve the loan using the regular credit-granting procedure, and the loan must meet the criteria for environmental improvements or energy efficiency. Ulf informed SBAB how much the association would save by installing the new, more energy-efficient ventilation system.

"Changing the air treatment equipment from a cross-flow heat exchanger to a new system with a rotary heat exchanger increased the recovery rate to approximately 85 percent. We now have a Green loan with a fixed interest period of 5 years and a 5 year amortisation plan." ●

Read more about our Green loans at [sbab.se](http://sbab.se).



# FUNDING

**SBAB's lending operations are mainly funded through bond issuance in the Swedish and international capital markets. In recent years, savings account deposits have increased, which has reduced the need for capital market funding.**

SBAB's main funding objective is that our funding should be competitive and diversified. In 2015, we continued our diversification efforts and continuously met with institutional investors, both in the international and Swedish capital market. This resulted in a wider investor base, increased demand for our bonds and improved funding levels for the Group. SBAB encountered favourable demand in all active funding markets in 2015.

## Funding operations

The SBAB Group is active in both the senior unsecured market through the Parent Company SBAB, as well as in the covered bond market through the wholly owned subsidiary SCBC. The Group works actively to limit its liquidity and funding risks.

This work includes extending the maturity of issued debt, evening out the maturity profile, active debt management through repurchasing of bonds with short remaining maturities and continued efforts to

diversify debt. The growth in deposits via savings accounts contributes to a relative reduction in future annual lending needs, less dependence on capital markets and a more even balance between lending and funding. The confidence in SBAB and SCBC as issuers has been high during the year, which resulted in continued competitive levels of funding.

The majority of funding from the capital market is secured through the Swedish capital market. More than 71 percent of the long-term market funding in 2015 was issued in SEK.

The SBAB Group issued a total of SEK 77.4 billion in long-term bonds. The total outstanding covered bonds, issued by SCBC, amounts to SEK 187.3 billion and the total outstanding senior unsecured bonds amounts to SEK 69.7 billion. In 2015, SBAB also issued three capital instruments in the domestic market: one Additional Tier 1 instrument and two Tier 2 instruments.

## Short-term funding

In 2015, SBAB utilised two commercial certification programmes for short-term funding: one Swedish and one European programme. During the year, short-term funding continued to decrease gradually, and was replaced by long-term funding and deposits. This is in line with our strategic direction, which involves extending the maturity of outstanding debt.

## Long-term funding

SBAB issues senior unsecured bonds through an EMTN programme. SBAB's covered funding is conducted through SCBC's EMTCN programme and a Swedish covered bond programme. A new benchmark bond, loan 142, was issued in the Swedish market. As of 31 December 2015, this loan had an outstanding volume of SEK 7.3 billion. In May, a 3-year senior unsecured EUR transaction totalling EUR 750 million was issued, followed in June by a 7-year covered bond totalling EUR 500 million. At the end of September, a 5-year covered EUR transaction totalling EUR 750 million was also issued in the international market.

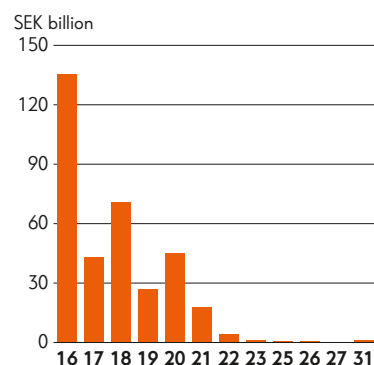
During the year, we carried out three capital transactions in the Swedish market. In March, we launched a SEK 1.5 billion Additional Tier 1 capital transaction. We also carried out two Tier 2 capital transactions. The first of these was carried out in June, and totalled SEK 1 billion. The second was carried out in October, with a total volume of SEK 2.45 billion. These capital transactions were carried out to meet the growth in lending and to retain a strong buffer against internal and external capital requirements.

SBAB has been less active in issuing senior unsecured bonds, as deposits has continued to grow and the liquidity situation has remained strong. The total volume of senior unsecured debt in issue amounted to SEK 76.9 billion on 31 December 2015.

## Covered bonds

SCBC's primary operations involve the issuance of covered bonds in the Swedish and international capital markets. SCBC's funding programmes have received the highest possible long-term rating of "Aaa" from the rating agency Moody's. SCBC

## OUTSTANDING MATURITY PROFILE AS PER 31 DECEMBER



## SHORT-TERM FUNDING SOURCES

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

## LONG-TERM FUNDING SOURCES

	Limit
Euro Medium Term Note Programme (EMTN), SBAB	EUR 13 billion
Euro Medium Term Covered Note Programme (EMTCN), SCBC	EUR 10 billion
Swedish covered bond programme, SCBC	[No fixed limit]
Australian Covered Bond Issuance Programme, SCBC	AUD 4 billion

does not conduct any lending activities under its own auspices, but instead acquires loans from SBAB. The intention of the acquisitions is for these loans to be included in full or in part in the cover pool that serves as collateral for SCBC's covered bonds. Information on SCBC's covered bonds and cover pool is published monthly on our website, sbab.se. SCBC complies with and reports to the European

Covered Bond Council's (ECBC) "labeling initiative" and issues monthly reports according to the "national template" published by the "Association of Swedish Covered Bond Issuers" (ASCB).

### Liquidity portfolio

SBAB's liquidity portfolio has the primary purpose of acting as a provision for situations when the ability to obtain liquidity from other sources is limited or rendered materially more difficult. The liquidity portfolio aims to be able to cover an entire year's debt maturities. Both external regulations and internal limits dictate the size and composition of the liquidity portfolio. As of 31 December 2015, this provision was SEK 64.0 billion. SBAB only invests in interest-bearing bonds with the highest credit rating of AAA from the major rating agencies. The average maturity of the portfolio is 2.71 years, with a maximum of 10 years for new investments. SBAB also holds a limited number of approved currencies, but investments are mostly in SEK, EUR and USD. Derivatives are used to manage the portfolio's interest rate and currency risks. SBAB also invests in "green bonds" and has the ambition to increase the number of counterparties and holdings in sustainable projects, within the scope of the current investment policy.

### Encumbered assets

Our mix of covered and senior unsecured funding is determined in relation to our balance sheet and by the composition of our assets. Considering our business model, where our lending primarily consists of residential mortgages, it is natural for us to use covered bonds as our largest funding tool. The limitations of our funding mix for SBAB's balance sheet include the current level of surplus collateral in the cover pool,

the issuance of covered bonds and a number of different buffers. The SBAB Group is a residential mortgage bank with a very strong credit risk profile, sufficient capitalisation and relatively low, but increasing, deposits. Thus, the Group's primary risk for a theoretical bankruptcy scenario is the access to liquidity. At year-end, the loan volume in SBAB's cover pool amounted to SEK 211.4 billion, compared with the total loan portfolio of approximately SEK 215.7 billion, i.e., corresponding to a ratio of approximately 98 percent.

	31 December 2015
<b>Encumbered assets</b>	
Lending to the public	184.8
of which, residential mortgages	184.8
Other	0
<b>Total encumbered assets</b>	<b>184.8</b>

	31 December 2015
<b>Unencumbered assets</b>	
Retail lending	78.7
of which, residential mortgages	78.7
Corporate loans	33.5
of which, residential mortgages	33.5
Liquidity portfolio	64.0
<b>Total unencumbered assets</b>	<b>176.2</b>

### Rating

SBAB's long-term and short-term credit ratings from Moody's were unchanged during the year, at A2 and P-1 respectively. "Negative Outlook" was removed during the year.

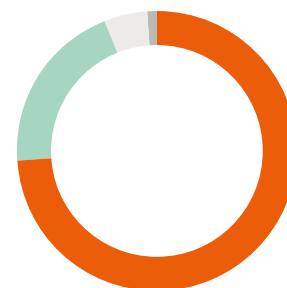
SBAB's long-term and short-term credit ratings from S&P (Standard & Poor's) also remained unchanged during the year, at A and A-1, respectively. The negative outlook remains from the previous year.

### RATING 31 DECEMBER 2015

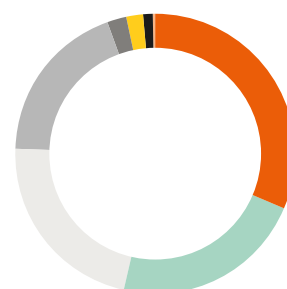
	Moody's	Standard & Poor's
Long-term funding, SBAB	A2	A <sup>1)</sup>
Long-term funding, SCBC	Aaa	-
Short-term funding, SBAB	P-1	A-1

<sup>1)</sup> Outlook Negative.

### DISTRIBUTION BY CURRENCY, SECURITIES IN ISSUE (INCLUDING SUBORDINATED DEBENTURES) AND DEPOSITS, GROUP



### SECURITIES IN ISSUE (INCLUDING SUBORDINATED DEBENTURES) AND DEPOSITS, GROUP





# RISK MANAGEMENT

**Risk is a natural element in our business. SBAB's risk management function identifies, analyses and prevents various types of risks in our operations. Our risk taking is kept at a low level proportionate with our financial targets for return and the scope of risk capital. Risk taking primarily comprises of credit risk related to the lending operations.**



## Risks in SBAB's operations

Risk is defined as a potentially negative impact that may arise due to on-going or future internal or external events. The definition of risk includes the probability that an event occurs as well as the impact the event might have on SBAB's profit, operations and equity. We have classified the risks within the "SBAB's risk appetite" framework, which defines the risk we are willing to take to achieve our business objectives within the framework of our chosen long-term strategy. All risks are monitored and reported to the Board of Directors, in addition to a daily risk report that monitors market and liquidity risks.

## Authority and responsibility

The Board of Directors bears the overarching responsibility for the company's total risk exposure. The Board of Directors are responsible for ensuring that the operations can be conducted with good internal control, so that our ability to meet our obligations is not jeopardised.

The CEO is responsible for on-going administration in accordance with the strategies, guidelines and governance documents adopted by the Board of Directors.

The CEO also ensures that the reporting to the Board of Directors by each unit, including the risk control units, is conducted on an on-going basis in accordance with the relevant instructions to the Board of Directors.

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

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

SBAB's Corporate Governance Report is an individual document that can be found on pages 62–67. Information on the company's internal governance and control system is provided on pages 66–67.

## Risk strategy

For a bank, risk management is a central activity of fundamental significance for long-term profitability and stability. Risk management is closely connected to a bank's business and business development, and therefore also to the customers' needs. In other words, SBAB's profitability is directly dependent on its ability to assess, manage and price risks while maintaining sufficient liquidity and capital standing to withstand unforeseen events. We are to consciously expose ourselves only to risks that are directly connected to or are regarded as necessary for our business operations.

SBAB shall identify, measure, govern, report internally and maintain control of the risks to which we are or may become exposed to. There shall be satisfactory internal control and a functioning and effective risk management system. We shall have knowledge and awareness of any risks to which the bank may be exposed. We shall also estimate the size of such existing and potential risks. SBAB shall also have an independent function for risk control, which shall have the necessary skills and authority.

**SBAB'S RISK APPETITE**

SBAB shall have a documented process for the approval of new or significantly altered products, services, markets, processes and IT-systems. The same process also covers major changes to the company's organisation and operations.

All significant risks shall be limited by the Board of Directors and be commensurate with the pre-determined risk appetite.

**Risk taking**

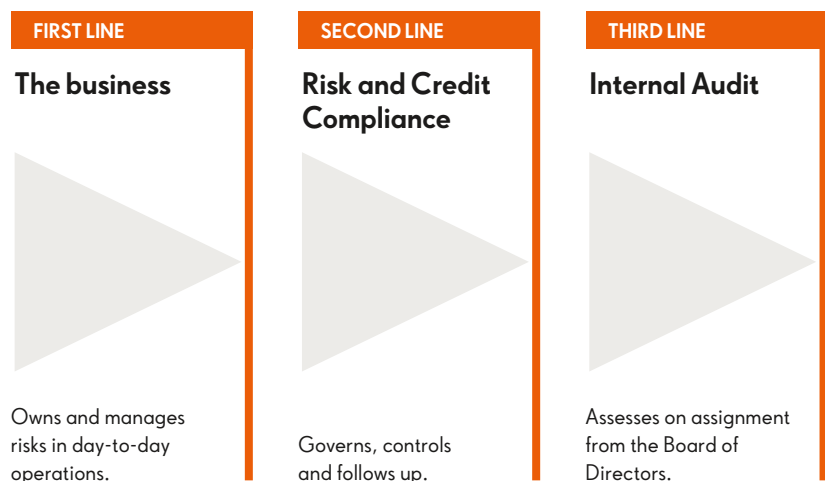
SBAB's risk taking shall be kept at a level consistent with our short-term and long-term strategic, capital and financial plans.

An important part of our business model entails risks being relatively small and predictable. This does not mean that each credit exposure has very low risk, rather that the total lending portfolio consists largely of low-risk loans, and that their internal risk effect is such that our total risk is limited.

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

The scope of acceptable risks must be clearly linked to how important the prevailing risks are to SBAB's business model. This includes the positive effects anticipated to be achieved in the form of expected revenues, cost savings or the mitigation of other risks. SBAB minimises undesired risks through appropriate functions, strategies, processes, procedures, internal rules, limits and controls.

As a rule, each business decision changes our exposure to various risk types over time. SBAB's risk control models are therefore designed so that individual business decisions reflect the determined risk appetite, which means that business decisions should be based on a healthy balance between the estimated impact on earnings and changes in risk exposure.

**THE THREE LINES OF DEFENCE**

# CORPORATE GOVERNANCE REPORT 2015

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

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

## The basics of SBAB's corporate governance

Well-functioning corporate governance, risk management and internal governance are essential for SBAB to reach set targets and gain the confidence of all its stakeholders. In addition to corporate governance in the traditional sense, which describes the system by which a company is governed and controlled, SBAB's vision, mission, business idea and values, information transparency, corporate culture, leadership and the fact that the operations are conducted in a manner that is sustainable in the long-term constitute highly essential elements. Together with corporate governance, these allow us to maintain great confidence in SBAB's operations. Confidence forms the basis of all banking operations.

## Application

In certain issues, SBAB has chosen to apply the Code in a manner that deviates from some of the rules in the Code. The reasons for this include SBAB being an entirely state-owned company.

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

- Code rule 1.1 – publication of information regarding the shareholders' right to propose business at the Annual General Meeting. The purpose of this rule is to give shareholders the opportunity to prepare ahead of time for the

Annual General Meeting and have matters included in the agenda for the Annual General Meeting. In companies entirely owned by the Swedish state, in accordance with the owner's guidelines, the public shall be invited to attend the Annual General Meeting. As a summons is sent to the Administration of the Swedish Riksdag (parliament) Members of Parliament also have the opportunity to attend.

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

## Articles of Association

SBAB's Articles of Association regulate matters such as the company's business objective. The Articles of Association do not include any stipulations regulating the appointment or dismissal of Board Members, with the exception of stipulations stating that the Annual General Meeting

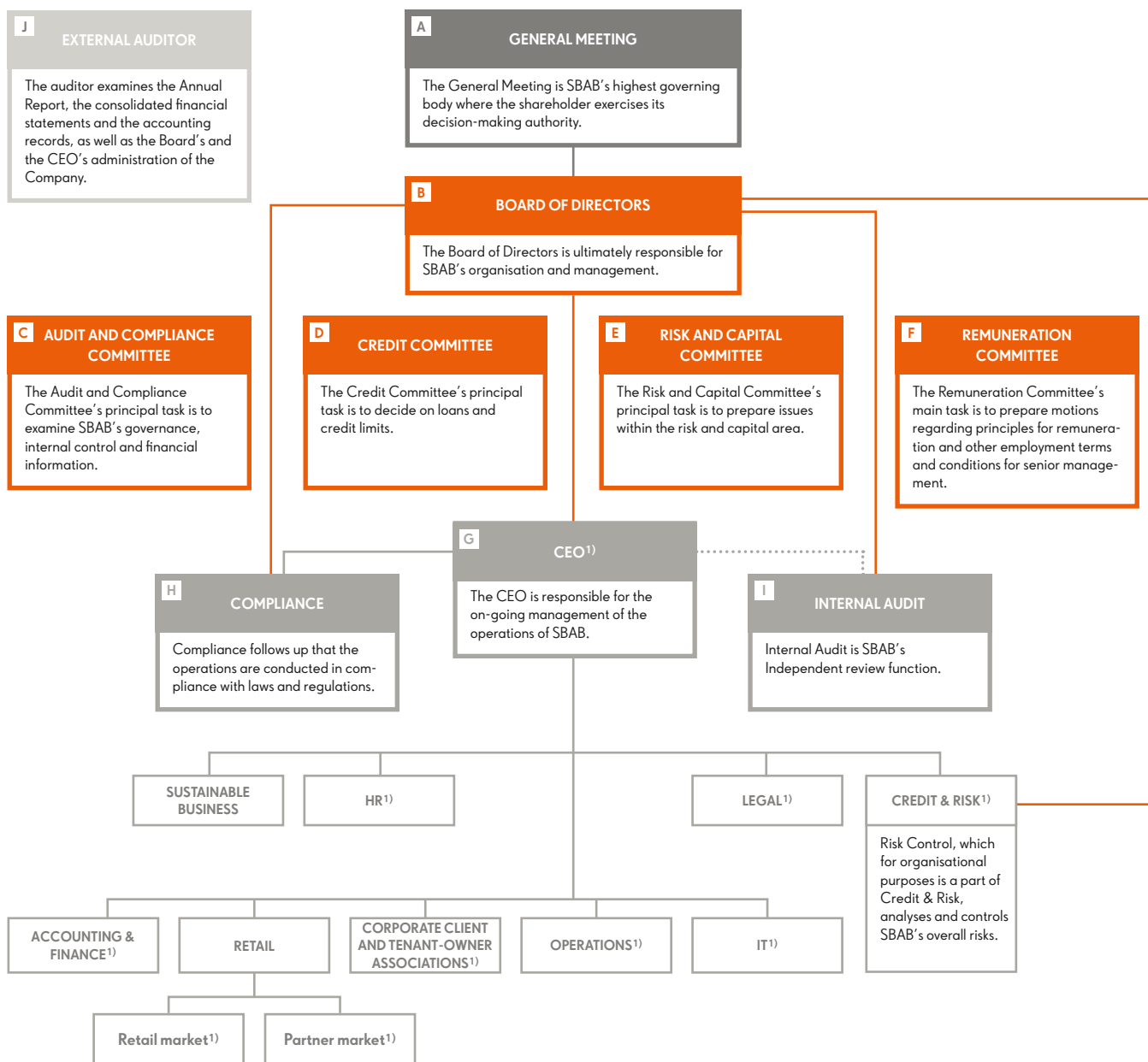
is to appoint the Chairman of the Board and determine the minimum and maximum number of Board Members. It is further stated that if the Chairman of the Board resigns from his or her office during the mandate period, the Board shall appoint one of the Board Members as the new Chairman until the end of the Annual General Meeting, when a new Chairman will be elected by the Annual General Meeting. The Articles of Association require that notification of an Extraordinary General Meeting convened to address amendments to the Articles of Association must be issued not earlier than six weeks and not later than four weeks prior to the meeting. SBAB's Articles of Association do not assign any limitations as to the number of votes each shareholder is entitled to exercise at a General Meeting.

## A General meeting

SBAB's Annual General Meeting was held on 22 April 2015. The Annual General Meeting was open and the Members of Parliament and the general public were invited to attend. The owner was represented by Christine Leandersson, the Ministry of Enterprise and Innovation. Most of SBAB's Board Members, the CEO and SBAB's auditor also attended the Annual General Meeting. Bo Magnusson, Chairman of the Board of SBAB, served as the Chairman of the Annual General Meeting. The Meeting re-elected Board Members Bo Magnusson (who was also elected Chairman), Jakob Grinbaum (who was also elected Vice Chairman), Lars Börjesson, Kristina Ekengren, Ebba Lindsö, Jane Lundgren-Ericsson and Karin Moberg. Carl-Henrik Borg was elected as a new Board Member.



**OVERVIEW AS AT 31 DECEMBER 2015**



<sup>1)</sup> Member of the Executive Committee. The Head of Retail Market is also the Head of Communication & Business Development.

The Annual General Meeting passed resolutions regarding the discharge from liability for the Board of Directors and the CEO, the appropriation of profits and the adoption of the annual accounts for 2014. The Annual General Meeting elected KPMG AB, with Hans Åkervall as the auditor-in-charge, as SBAB's auditor until the close of the 2016 Annual General Meeting. The Annual General Meeting reviewed the guidelines for remuneration to senior executives adopted by the 2014 Annual General Meeting, see Note 8 for details of the guidelines, and adopted new guidelines for remuneration to senior executives.

The Meeting also decided on the fees to be paid to the Members of the Board. No fees will be paid to Board Members who are either employed by Government Offices or are employee representatives. The CEO and Chairman reported on the operations of the bank and the work of the Board of Directors in 2014. Due to the company's imminent relocation to new premises, the Board of Decision resolved to change the company's domicile in the Articles of Association to Solna. The General Meeting of SBAB did not authorise the Board of Directors to issue new shares or acquire treasury shares.

**B Board of Directors**

*Composition and nomination procedure*

In entirely state-owned companies, uniform and shared principles are applied to achieve a structured nomination process for the appointment of Board Members in state-owned companies. The objective is to ensure an adequate supply of competence for the Boards of Directors of these companies. The Board nomination process is coordinated by the Ministry of Enterprise and Innovation. For each company, competence needs are analysed on the basis of the company's business, situation and future challenges, as well as the

composition of the Board of Directors and the Board assessments that have been conducted. Recruitment requirements are then established and work commences. Members are selected from a broad recruitment base in order to draw on the expertise of both women and men, as well as individuals with different backgrounds and experience.

*Diversity and suitability policies*

The Board has adopted a policy on diversity in the Board and a policy on suitability assessments for Board Members, the CEO and senior executives. The diversity policy includes statements to the effect that the composition of the Board shall be such that a balance is achieved with regard to background, area of competence, experience and gender. The suitability policy states that the suitability of the Board, the CEO and the senior executives shall be assessed taking into account the individual's skills, experience, reputation and judgment.

*Chairman of the Board*

The Chairman of the Board is elected by the Annual General Meeting, unless he or she resigns from his or her office during the mandate period, in which case the Board shall appoint one of the Board Members as the new Chairman until the end of the Annual General Meeting when a new Chairman will be elected in the

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

*Board governance and activities*

SBAB's Board of Directors comprises of eight members elected by the Annual General Meeting and two members appointed by the Financial Sector Union of Sweden. The CEO is not a member of the Board. None of the board members or the CEO hold shares or financial instruments issued by SCBC.

The Board adopts business objectives and strategies for SBAB's operations. The Board ensures that an efficient system is in place for the follow-up and control of SBAB's operations. The Board is also assigned with appointing, evaluating and, if the need arises, dismissing the CEO. The work of the Board complies with the formal work plan adopted annually at the Board of Directors' statutory Board meeting immediately after the Annual General Meeting.

The formal work plan regulates decision-making within SBAB, the arrangements for Board meetings and the division of work among the Board, the Chairman of the Board and the Board committees. The work of the Board complies with an annual plan that satisfies the Board's need for information among other things. SBAB's Board makes decisions on matters relating SBAB's strategic direction, for example by means of a business plan, and makes decisions regarding investment, financing, capitalisation, significant organisational issues, policies, and certain guidelines.

On a quarterly basis, the Board addresses the company's interim reports and determines their adoption and publication. The Board also follows up SBAB's risks, compliance, and reports on the effectiveness of internal control within SBAB by means of reports provided by SBAB's independent Risk Control, Compliance and Internal Audit units. The Board also receives reports from SBAB's auditor regarding the reporting of completed audits and financial reporting assessments. The CEO attends the meetings of the Board of Directors, and other SBAB officers may participate in a reporting role if necessary. SBAB's Chief Legal Counsel keeps the minutes of the Board meetings. The Board has established committees for the preparation of certain issues that are to be addressed.

**WORK OF THE BOARD OF DIRECTORS IN 2015**

*In 2015, the Board of Directors held ten board meetings, of which eight were regular board meetings and two were extraordinary board meetings. It also held a sustainability day.*

The Annual Report and Sustainability Report for 2014, matters prior to SBAB's Annual General Meeting, decisions regarding SBAB's internal capital adequacy assessment, presentation and information from the credit rating agency Standard & Poor's.

*Extraordinary board meeting*  
Resolutions regarding authorisations for capital transactions and organisational and management matters.



**ATTENDANCE OF THE BOARD OF DIRECTORS IN 2015**

The table presents the meeting attendance of the Board and its committees in 2015 by those who were Members of the Board as of 31 December 2015. One member, Carl-Henrik Borg, joined the Board of Directors during the year, so his attendance refers to part of the year.

<b>Board Members</b>	<b>Board of Directors</b>	<b>Credit Committee</b>	<b>Risk and Capital Committee</b>	<b>Audit and Compliance Committee</b>	<b>Remuneration Committee</b>
Bo Magnusson	10/10	19/19	-	6/6	8/8
Jakob Grinbaum	10/10	18/19	6/6	-	-
Carl-Henrik Borg	8/10	-	-	-	-
Lars Börjesson	10/10	-	-	-	-
Kristina Ekengren	10/10	-	-	6/6	8/8
Anders Heder	8/10	-	-	-	-
Ebba Lindsö	9/10	-	6/6	-	-
Jane Lundgren-Ericsson	10/10	16/19	6/6	-	-
Karin Moberg	9/10	-	-	6/6	-
Helen Vallin	10/10	-	-	-	-

**The Board's committees**

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

**C Audit and Compliance Committee**

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

Committee is also responsible for monitoring financial statements and the efficiency of risk management and of the work carried out by Compliance and Internal Audit.

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

Committee in preparation for decisions or for presentation to the Board of Directors. The Audit and Compliance Committee comprises of three Board Members. Following the statutory Board meeting in 2015, the members of the Audit and Compliance Committee are:

- Karin Moberg (Chairperson)
- Kristina Ekengren
- Bo Magnusson

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



**D Credit Committee**

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

Following the statutory Board meeting in 2015, the members of the Remuneration Committee are:

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

The Remuneration Committee held 19 meetings during the year.

**E Risk and Capital Committee**

The Risk and Capital Committee prepares matters concerning SBAB's finance operations, matters related to risk and capital and the use of new financial instruments. The committee also prepares issues for resolution by the Board of Directors concerning objectives, strategies and control documents within the areas of risk and capital. The Risk and Capital Committee comprises of at least three members appointed by the Board. The Risk and Capital Committee is the statutory Risk Committee of the SBAB Group. The members of the Risk and Capital Committee following the statutory meeting in 2015 are:

- Jakob Grinbaum (Chairman)
- Ebba Lindsö
- Jane Lundgren-Ericsson

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

**F Remuneration Committee**

The principal task of the Remuneration Committee is to prepare issues regarding principles for remuneration and other

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

Following the statutory Board meeting in 2015, the members of the Remuneration Committee are:

- Bo Magnusson (Chairman)
- Kristina Ekengren

The Remuneration Committee held eight meetings during the year.

**G CEO and Executive Management**

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

In addition to the CEO, the following positions are included in SBAB's Executive Management: The heads of IT, economics & finance, legal, credit & risk, retail market/communication & business development, partner market, operations and corporate clients and tenant-owner associations.

**The CEO's councils and committees**

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

and has a certain scope to make decisions on matters connected to SBAB's credit operations and limits for the financial operations, and the Forum for Matters of Principle coordinates and makes proposals on the Group's more important standpoints.

**Governance of sustainable business**

Within SBAB, the Board of Directors is ultimately responsible for ensuring that proactive, long-term efforts to achieve sustainable development are carried out within the company. The Board also adopts a strategy, objectives and a policy for sustainable business. Furthermore, the Board monitors and assesses SBAB's sustainability work.

The Sustainable Business function is responsible for developing a company-wide sustainability plan, including a strategy, objectives and activities that are subsequently considered by the Sustainability Council and approved by the Executive Management. The Sustainability Council comprises of the CEO, the Head of Sustainable Business (who convenes the meetings), the Head of Retail Market/Communication & Business Development and the Head of Corporate Clients and Tenant-owner Associations. The Council meets regularly and acts as a forum for issues related to sustainable business.

To ensure continuity and comparability, the company-wide objectives for sustainable business are fully integrated into the Company's governance model. The objectives are measured and reported to the CEO and the Board quarterly. The actual work on sustainability issues take place within the organisation, where the operation-specific expertise exists. Based on the company-wide objectives, operational objectives and activities are identified and integrated into the business plans of each unit, thereby contributing to meeting the overarching objectives for sustainable business.

**Remuneration of Board of Directors and senior executives**

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

**Internal control and governance**

Internal control is important for ensuring that SBAB's operations are conducted in accordance with prevailing regulations, as

well as ensuring that SBAB identifies, measures and controls relevant risks and has an efficient organisation and operational management, and reliable financial reporting. The Board and the CEO are ultimately responsible for ensuring good internal control and governance. The Board and the CEO of SBAB are assisted in this work by several functions. Key control functions in this regard are the Compliance, Risk Control and Internal Audit functions, which are described in further detail below. Other functions, including Accounting, Credit and Legal, support of the Board and the CEO with regard to good internal governance and control. All managers in each area of responsibility are responsible for the activities they oversee being conducted with good internal governance and control.

#### *Risk Control*

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

#### **H** *Compliance*

SBAB has a central Compliance function. The Compliance function's area of responsibility comprises rules on internal governance and control, customer protection, market conduct and measures preventing money laundering and the financing of terrorism. Compliance is independent of the business operations and is directly subordinate to the CEO. Compliance provides advice and support to the operations on compliance matters, analyses compliance risks and monitors regulatory compliance in respect of operations requiring licences. Reporting occurs on an on-going basis to

the CEO and quarterly by means of a written report to the Board and the CEO. The scope and focus of the work of Compliance is established in an annual plan adopted by the Board.

#### **I** *Internal Audit*

SBAB's Internal Audit unit constitutes an internal independent examination function. Accordingly, the main function of the Internal Audit is to examine and evaluate the governance and internal controls of SBAB Group companies. The Internal Audit's examination activities are performed in accordance with an audit plan that is prepared annually by the Audit and Compliance Committee and adopted by the Board. All reporting is conducted in accordance with a reporting and meeting plan.

#### **J** *External auditor*

The Annual General Meeting appoints auditors. SBAB's Audit and Compliance Committee evaluates the contribution of the auditor and assists the owner in preparing motions for the auditor. Officials at the Government Offices monitor all stages of the procurement process from tendering criteria to selection and evaluation. At the Annual General Meeting, the owner appoints the auditor or the accounting firm that is commissioned to audit SBAB. Auditors must be authorised public accountants or an authorised accounting firm with an auditor-in-charge. As of 2011, SBAB's auditor is appointed annually in accordance with the Companies Act and the Articles of Association. The 2015 Annual General Meeting appointed KPMG as auditor. Hans Åkervall was the auditor-in-charge until November 2015; thereafter, Anders Tagde held this role. A more detailed presentation of the auditor, the auditor-in-charge and the fees and expenses paid to auditors is provided in Note 9 of the Annual Report. The auditor examines the Annual Report, the consolidated financial statements and the accounting records, as well as the Board's and the CEO's administration of the Company. In addition, the auditor reviews SBAB's interim reports and year-end reports and presents his findings to the Audit and Compliance Committee at regular meetings of the committee, when the interim and year-end reports reviewed by the auditor are considered, and when the internal control review is reported to the Board. The auditor also reviews the

Sustainability Report and the Communication on Progress ("COP").

#### **Internal Control of Financial Reporting**

In SBAB, the internal control of financial reporting is primarily aimed at ensuring that an effective and reliable procedure for SBAB's financial reporting is in place, and that both internal and external reporting is correct and accurate.

#### *The control environment*

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

#### *Control activities*

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

The Board's Audit and Compliance Committee supervises the financial reporting as well as the effectiveness of internal control and internal audit.

#### *Information and communication*

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

#### *Follow-up*

Each year, a risk assessment is performed in the form of a self-evaluation of all business-support processes that provide data for the financial statements.

#### **The Board's measures to follow up on the internal control of financial reporting**

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

# BOARD OF DIRECTORS



**JAKOB GRINBAUM** ▼

*Deputy Chairman of the Board*

Bachelor of Arts. Born in 1949. Elected in 2010.

**Board assignments:** Oscar Properties Holding AB (Chairman), Fourth AP fund (Deputy Chairman), Swedish Covered Bond Corporation, the foundation Stiftelsen Östgötågården Uppsala, the sport club IK Sirius, J Grinbaum Finanskonsult and Jernhusen AB.

**Other appointments:** Advisory Board of Genesta Property Nordic AB.

**Past experience:** Executive Vice President, Group Treasury and Group Corporate Development at Nordea.

**KRISTINA EKENGREN** ▼

*Board Member*

M.Sc. Business Administration and Economics. Born in 1969. Elected in 2013.

**Board assignments:** Jernhusen AB, Teracom Boxer Group AB and V.S. Visit Sweden AB.

**Other appointments:** Under-secretary at the Ministry of Enterprise and Innovation.

**Past experience:** Financial analyst Delphi Economics.

**BO MAGNUSSON** ▲

*Chairman of the Board*

Advanced bank training (SEB). Born in 1962. Elected in 2013.

**Board assignments:** Carnegie Investment Bank and Carnegie Holding, Fastighetsaktiebolaget Norrporten and NS Holding AB, Swedish Covered Bond Corporation, Chairman in all of the above-mentioned companies.

**Other appointments:** –

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



**CARL-HENRIK BORG** ▲

*Board Member*

Master of Law. Born in 1952. Elected in 2015.

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

**Other appointments:** Self employed and digital advisor.

**Past experience:** CEO of Hemnet, founder/senior partner of Webanalys Sitesfaction AB (iProspect AB).



**LARS BÖRJESSON** ▲

*Board Member*

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

**Board assignments:** Taggsvampen.

**Other appointments:** Self employed.

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

**KARIN MOBERG** ▼*Board Member*

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

**Board assignments:** FriendsOfAdam AB, Doro AB (publ), Caretech Nordic AB.

**Other appointments:** CEO Friends of Adam.

**Past experience:** Board Member of IAR AB, Seventh AP fund, Chairman of Caretech AB, management positions within the Telia-Sonera group for 14 years, including CEO of Telia e-bolaget and Director of Communications.

**JANE LUNDGREN-ERICSSON** ▲*Board Member*

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

**Board assignments:** –

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

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

**EBBA LINDSÖ** ◀*Board Member*

Bachelor of Business Administration and Economics. Born in 1955. Elected in 2012.

**Board assignments:** Sixth AP fund (Chairman), the Federation of Swedish Farmers, Burenstam & Partners, Lindsö & Partners, Aktiebolag Veritas and Medica Clinical Nord Holding AB.

**Other appointments:** Senior Advisor to Brummer & Partners, Board Member of King Carl XVI Gustaf's Young Leadership Foundation and Statistic Sweden's Advisory Council.

**Past experience:** CEO Respect Europe, CEO Confederation of Swedish Enterprise, CEO and editor in chief TT, editor in chief Affärsvärlden, CEO Transferator Fondkommission.

**ANDERS HEDER** ▲*Board Member (Employee Representative)*

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

**Board assignments:** –

**Other appointments:** Business Controller, SBAB, Treasurer in the local club committee of the Financial Sector Union of Sweden.

**HELEN VALLIN** ▲*Board Member (Employee Representative)*

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

**Board assignments:** –

**Other appointments:** Key Account Manager, SBAB. Chairman of the local club committee of the Financial Sector Union of Sweden.

# EXECUTIVE MANAGEMENT

As of 10/03/2016



**KLAS DANIELSSON** ^

CEO

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

**Board assignments:** Board Member of Swedish Covered Bond Corporation and DE Capital, Chairman of Booli Search Technologies AB and HittaMäklare Sverige AB.

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

**CARINA ERIKSSON** v

Head of HR

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

**Board assignments:** -

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



**CHRISTINE EHNSTRÖM** ^

Chief Legal Counsel

Master of Law. Born in 1973. Year of employment: 1999.

**Board assignments:** Board Member of Maricon Marinconsult AB's Pension Fund, Deputy Board Member of Maricon Marinconsult AB.

**Past experience:** Legal Counsel at Volvo Treasury AB (publ).

**MIKAEL INGLANDER** v

CFO

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

**Board assignments:** Board Member of Booli Search Technologies AB and HittaMäklare Sverige AB.

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



**ELIZABET JÖNSSON** ^

Head of Retail Market and Head of Communications & Business Development

Bachelor of Business Administration and Economics.  
Born in 1976. Year of employment: 2015.

**Board assignments:** Board Member of Miljonlotteriet, Booli Search Technologies AB and HittaMäklare Sverige AB.

**Past experience:** Head of Digital Consumer Market, Tele2 Sverige, Head of Customer Loyalty and Market Analysis, Head of Sales Online and other positions within Svenska Spel.





**DANIEL LJUNGEL** ▼*Head of Partner Market*

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

**Board assignments:** Board Member of Booli Search Technologies AB and HittaMäklare Sverige AB.

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

**TIM PETERSSON** ◀*Head of Corporate and Tenant-owner Market*

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

**Board assignments:** –

**Past experience:** Office and Area Manager, Swedbank, Head of Sales, Corporate Clients and Tenant-owner Associations, SBAB.

**PETER SVENSÉN** ▲*CRO*

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

**Board assignments:** –

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

**KLAS LJUNGQVIST** ▲*CIO*

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

**Board assignments:** –

**Past experience:** CTO of Nordnet, various managerial positions within Abaris.

**BROR-GÖRAN PETERSSON** ▲*COO*

Bachelor of Business Administration and Economics.  
Born in 1970. Year of employment: 1993.

**Board assignments:** –

**Past experience:** Managerial positions in various groups within SBAB since 1998; acting Head of Retail Market, Head of Credit at Frispar Bolån, Department Head of Backoffice, etc.

**AUDITOR** ▼

The 2015 Annual General Meeting appointed KPMG as auditor. Hans Åkervall was the auditor-in-charge until November 2015; thereafter, Anders Tagde held this role.

**Anders Tagde**

KPMG AB

Auditor-in-charge at SBAB since 2015.

Born: 1966.

# FINANCIAL STATEMENTS AND NOTES

## FINANCIAL STATEMENTS

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## INCOME STATEMENT

SEK million	Note	GROUP		PARENT COMPANY	
		2015	2014	2015	2014
Interest income	3	5,123	7,261	1,419	2,758
Interest expenses	3	-2,681	-5,150	-1,258	-2,423
<b>Net interest income</b>		<b>2,442</b>	<b>2,111</b>	<b>161</b>	<b>335</b>
Dividends received	4	-	-	-	20
Commission income	5	61	47	82	55
Commission expense	5	-163	-157	-79	-73
Net income/expense from financial instruments measured at fair value/Net income/expense from financial transactions	6	1	620	-76	300
Other operating income	7	0	0	625	822
<b>Total operating income</b>		<b>2,341</b>	<b>2,621</b>	<b>713</b>	<b>1,459</b>
Personnel costs	8	-376	-414	-379	-424
Other expenses	9	-402	-434	-409	-454
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	10	-31	-160	-22	-22
<b>Total expenses before loan losses</b>		<b>-809</b>	<b>-1,008</b>	<b>-810</b>	<b>-900</b>
<b>Profit/loss before loan losses</b>		<b>1,532</b>	<b>1,613</b>	<b>-97</b>	<b>559</b>
Loan losses, net	11	-40	30	-51	1
Participations in joint ventures		-	1	-	-
<b>Operating profit/loss</b>		<b>1,492</b>	<b>1,644</b>	<b>-148</b>	<b>560</b>
Tax	12	-330	-388	31	-153
<b>Profit for the year</b>		<b>1,162</b>	<b>1,256</b>	<b>-117</b>	<b>407</b>

## STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	GROUP		PARENT COMPANY	
		2015	2014	2015	2014
<b>Profit for the year</b>		<b>1,162</b>	<b>1,256</b>	<b>-117</b>	<b>407</b>
<b>Other comprehensive income</b>					
<i>Components that have been or will be reallocated to the income statement</i>	33				
Change in reclassified financial assets, before tax		-	32	-	32
Change relating to available-for-sale financial assets, before tax		-7	-5	-7	-5
Changes related to cash flow hedges, before tax		175	128	-6	-
Tax attributable to components that have or will be reallocated to the income statement		-37	-36	3	-8
<i>Components that have not or will be reallocated to the income statement</i>	33				
Revaluation effects of defined benefit pension plans, before tax		72	-71	-	-
Tax attributable to components that have not been or will be reallocated to the income statement		-16	16	-	-
<b>Other comprehensive income, net after tax</b>		<b>187</b>	<b>64</b>	<b>-10</b>	<b>19</b>
<b>Total comprehensive income for the year</b>		<b>1,349</b>	<b>1,320</b>	<b>-127</b>	<b>426</b>

## BALANCE SHEET

SEK million	Note	GROUP		PARENT COMPANY	
		2015	2014	2015	2014
<b>ASSETS</b>					
Cash and balances at central banks		0	0	0	0
Chargeable treasury bills and other eligible bills	13	14,312	15,557	14,312	15,557
Lending to credit institutions	14	3,456	7,437	17,162	35,823
Lending to the public	15	296,981	261,445	81,207	43,866
Change in value of interest-rate-hedged items in portfolio hedges		549	937	5	11
Bonds and other interest-bearing securities	16	49,714	42,335	49,714	42,335
Derivative instruments	17	7,192	9,408	6,430	7,800
Shares and participations	18	-	253	-	253
Shares and participations in Group companies	20	-	-	10,300	10,300
Deferred tax assets	30	-	104	52	18
Intangible fixed assets	21	56	52	13	13
Property, plant and equipment	22	20	27	20	27
Other assets	23	1,246	461	554	138
Prepaid expenses and accrued income	24	1,026	969	904	794
<b>TOTAL ASSETS</b>		<b>374,552</b>	<b>338,985</b>	<b>180,673</b>	<b>156,935</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Liabilities to credit institutions	25	5,111	7,284	2,973	3,250
Deposits from the public	26	76,639	60,610	76,639	60,610
Debt securities in issue	27	264,205	243,168	76,925	68,182
Derivative instruments	17	5,194	7,263	6,778	9,103
Other liabilities	28	783	424	773	407
Accrued expenses and prepaid income	29	2,767	3,200	569	735
Deferred tax liabilities	30	47	-	-	-
Provisions	31	15	89	-	-
Subordinated debt	32	7,943	5,946	7,943	5,946
<b>Total liabilities</b>		<b>362,704</b>	<b>327,984</b>	<b>172,600</b>	<b>148,233</b>
<b>Equity</b>					
Share capital	33	1,958	1,958	1,958	1,958
Statutory reserve		-	-	392	392
Reserves/Fair value reserve	33	264	77	-14	-4
Retained earnings		8,464	7,710	5,854	5,949
Profit for the year		1,162	1,256	-117	407
<b>Total equity</b>		<b>11,848</b>	<b>11,001</b>	<b>8,073</b>	<b>8,702</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>374,552</b>	<b>338,985</b>	<b>180,673</b>	<b>156,935</b>
<b>Memorandum items</b>					
Assets pledged for own liabilities	34	211,435	211,674	15	23
Commitments	35	47,949	39,458	80,772	79,152



## STATEMENT OF CHANGES IN EQUITY

GROUP	SEK million	Note	RESTRICTED EQUITY		NON-RESTRICTED EQUITY		Total equity
			Share capital	Statutory reserve	Reserves	Retained earnings and profit for the year	
<b>OPENING BALANCE, 1 JANUARY 2014</b>			<b>1,958</b>		<b>13</b>	<b>7,710</b>	<b>9,681</b>
Other comprehensive income, net after tax		33			64		64
Profit for the year						1,256	1,256
<b>Total comprehensive income for the year</b>					<b>64</b>	<b>1,256</b>	<b>1,320</b>
<b>CLOSING BALANCE, 31 DECEMBER 2014</b>			<b>1,958</b>		<b>77</b>	<b>8,966</b>	<b>11,001</b>
<b>OPENING BALANCE, 1 JANUARY 2015</b>			<b>1,958</b>		<b>77</b>	<b>8,966</b>	<b>11,001</b>
Dividends paid		33				-502	-502
Other comprehensive income, net after tax					187		187
Profit for the year						1,162	1,162
<b>Total comprehensive income for the year</b>					<b>187</b>	<b>1,162</b>	<b>1,349</b>
<b>CLOSING BALANCE, 31 DECEMBER 2015</b>			<b>1,958</b>		<b>264</b>	<b>9,626</b>	<b>11,848</b>

PARENT COMPANY	SEK million	Note	RESTRICTED EQUITY		NON-RESTRICTED EQUITY		Total equity
			Share capital	Statutory reserve	Fair value reserve	Retained earnings and profit for the year	
<b>OPENING BALANCE, 1 JANUARY 2014</b>			<b>1,958</b>	<b>392</b>	<b>-23</b>	<b>5,949</b>	<b>8,276</b>
Other comprehensive income, net after tax		33			19		19
Profit for the year						407	407
<b>Total comprehensive income for the year</b>					<b>19</b>	<b>407</b>	<b>426</b>
<b>CLOSING BALANCE, 31 DECEMBER 2014</b>			<b>1,958</b>	<b>392</b>	<b>-4</b>	<b>6,356</b>	<b>8,702</b>
<b>OPENING BALANCE, 1 JANUARY 2015</b>			<b>1,958</b>	<b>392</b>	<b>-4</b>	<b>6,356</b>	<b>8,702</b>
Dividends paid		33				-502	-502
Other comprehensive income, net after tax					-10		-10
Profit for the year						-117	-117
<b>Total comprehensive income for the year</b>					<b>-10</b>	<b>-117</b>	<b>-127</b>
<b>CLOSING BALANCE, 31 DECEMBER 2015</b>			<b>1,958</b>	<b>392</b>	<b>-14</b>	<b>5,737</b>	<b>8,073</b>

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).

## CASH FLOW STATEMENT

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7,422</b>	<b>19,238</b>	<b>4,627</b>	<b>8,159</b>
<b>OPERATING ACTIVITIES</b>				
Interest received	4,600	7,170	880	2,615
Commission received	58	56	79	71
Interest paid	-3,065	-5,909	-611	-2,280
Commission paid	-99	-114	-19	-80
Dividends received for shares and similar securities	-	-	-	20
Recoveries on loans previously written off	2	13	2	13
Payments to suppliers and employees	-813	-840	-823	-863
Paid/repaid income tax	-601	-893	-4	-45
Change in subordinated receivables	-	-	16,261	8,812
Change in lending to credit institutions <sup>1)</sup>	15	1,014	15	1,004
Change in lending to the public	-35,421	-2,587	-37,368	4,897
Change in chargeable treasury bills and other eligible bills	1,177	-7,090	1,177	-7,090
Change in bonds and other interest-bearing securities and fund units	-7,898	-1,123	-7,898	-1,123
Change in liabilities to credit institutions	-2,149	-7,873	-254	2,727
Change in deposits from the public	16,029	14,741	16,029	14,741
Issuance of long-term funding	77,331	58,486	20,515	11,425
Repayment of long-term funding	-53,325	-60,153	-11,648	-31,867
Issuance of short-term funding	22,373	44,021	22,373	44,021
Repayment of short-term funding	-22,407	-50,569	-22,407	-50,569
Change in other assets and liabilities	-1,430	-242	-354	638
<b>Cash flow from operating activities</b>	<b>-5,623</b>	<b>-11,892</b>	<b>-4,055</b>	<b>-2,933</b>
<b>INVESTING ACTIVITIES</b>				
Sale of property plant and equipment	1	0	1	0
Investments in property plant and equipment and intangible fixed assets	-29	-37	-16	-12
Investments in subsidiaries and joint ventures	-	113	-	113
<b>Cash flow from investing activities</b>	<b>-28</b>	<b>76</b>	<b>-15</b>	<b>101</b>
<b>FUNDING ACTIVITIES</b>				
Shareholder contribution	-	-	-	-700
Dividend paid	-502	-	-502	-
Issuance of subordinated debentures	4,947	-	4,947	-
Repayment of subordinated debentures	-2,760	-	-2,760	-
<b>Cash flow from funding activities</b>	<b>1,685</b>	<b>-</b>	<b>1,685</b>	<b>-700</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>-3,966</b>	<b>-11,816</b>	<b>-2,385</b>	<b>-3,532</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>3,456</b>	<b>7,422</b>	<b>2,242</b>	<b>4,627</b>

<sup>1)</sup> Pertains to lending to credit institutions with a maturity of more than three months from the acquisition date.

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

# FINANCIAL NOTES

## NOTE 1 Accounting policies

The operations of SBAB Bank AB (publ), "SBAB", and its subsidiaries mainly conduct lending to private individuals, tenant-owner associations and companies in the Swedish residential mortgage market. SBAB's offering also includes savings products. SBAB is a Swedish public limited banking company domiciled in Stockholm. The address of the Head Office is SBAB Bank AB (publ), Box 27 308, SE-102 04 Stockholm.

The Annual Report for SBAB has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition to these accounting standards, the Swedish Financial Supervisory Authority's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25), the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Reporting Board's recommendation RFR 1. Supplementary Accounting Rules for Groups were taken into consideration.

The Annual Report has been prepared in accordance with the acquisition method, apart from the revaluation of derivatives and financial assets and liabilities measured at fair value through the income statement, financial assets measured at fair value through other comprehensive income, as well as hedge-accounted items. On 10 March 2016, the Board of Directors approved the financial statements for publication. They will be finally adopted by the Annual General Meeting on 28 April 2016.

### Introduction of new accounting standards

#### *IFRS 9 Financial Instruments*

In 2014, the IASB published IFRS 9 Financial Instruments. IFRS 9 Financial Instruments shall replace IAS 39 Financial Instruments: Classification and measurement regarding classification and measurement, impairment and hedge accounting. Accounting for macro hedges is the subject of an on-going separate project within the IASB.

Classification occurs on the basis of the Company's business model and the characteristic properties of its contractual cash flows. In turn, the classification determines the measurement. The impairment model according to IFRS 9 is based on expected losses rather than loss events that have occurred as in the current model. The purpose of the new model is that expected loan losses should be captured and reported at an earlier stage. The new standard also requires enhanced disclosures. The new provisions on hedge accounting have a clearer ambition to reflect risk management and entail new disclosures. SBAB has carried out a comprehensive preliminary study of how the new provisions on impairment will affect SBAB, but it has not yet carried out any complete analysis of how the new standard will affect SBAB's financial reports. The standard will be applied from 1 January 2018.

#### *IFRS 15 Revenue from Contracts with Customers*

The standard introduces a five-step model for determining when revenues within the scope of IFRS 15 shall be recognised. Depending on when certain criteria are met, income is either recognised over time in a manner that shows the Company's performance, or at a certain point in time when the control over goods or services is transferred. The standard will have limited impact on SBAB's financial statements. The standard will be applied from 1 January 2018.

#### *Amendment of IAS 34 Interim Financial Reporting*

The amendment will result in a requirement for interim reports to contain a section on financial reports, including notes, similar to annual reports. Disclosures provided in accordance with IAS 34.16A shall either be included in the section that includes financial reports, including notes, or a reference must be included from the notes to a different section in the interim report, where such disclosures are made. This will be applied effective from 1 January 2016.

### Introduction of new annual accounts legislation

Due to the new EU accounting directive, amendments to the Swedish Annual Accounts Act (1995:1554) and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) were adopted. For SBAB, this means the introduction of a reserve for development costs. This means that when expenses for proprietary software are capitalised, a corresponding amount in equity is transferred from non-restricted equity to a restricted reserve: the Reserve for development costs. All intangible assets shall be amortised in the same way as fixed assets in general, i.e. over their useful life. Only in cases where the useful life of development costs cannot be determined with a reasonable degree of certainty, the useful life shall be considered to be five years. The section of the balance sheet that currently contains information about off-balance sheet items will be removed, and this information will instead be provided in a note. Also, the Swedish term *ansvarsförbindelse* (contingent liabilities) will be replaced by the term *eventualförpliktelser* (contingent liabilities). Other examples of situations where information, according to the proposal, shall be provided in a different place in the accounts refer to the disclosure about events after the balance sheet date, which shall now be

provided in a note instead in the administration report. The disclosure regarding the appropriation of profits shall be provided both in the administration report and in a note. Other changes in the new annual accounts acts will have no material impact in practice on SBAB's financial statements. These legislative changes will be applied for the first time on 1 January 2016.

The accounting act inquiry also fulfilled its assignment by presenting a final report. It is proposed that the provisions on the preparation of interim reports should be removed from the annual accounts acts and instead be compiled into a new separate act, the Act on interim reports. However, the contents of the provisions will remain unchanged. It is also proposed to change the way the accounts are signed. The provisions requiring annual and consolidated reports to be signed by all board members and the CEO are supplemented by the possibility to finalise the accounts through a resolution recorded in the minutes of a board meeting where all board members and the CEO are present, instead of the current signing. It is also proposed to allow the certificate of adoption to be signed by someone other than a Board Member or the CEO, to be appointed by the Board of Directors. The inquiry also proposes that credit institutions and securities companies, when preparing consolidated accounts, shall not be required to break down equity in the way otherwise required in the preparation of annual accounts. They shall not be required to break down equity in restricted and non-restricted equity in the consolidated accounts. It is also proposed that all credit institutions and securities companies shall require consent from the Swedish Financial Supervisory Authority when fixed assets are written up. Other changes in the new annual accounts acts will regarding the contents of the final report have no material impact in practice on SBAB's financial statements. The amendments to the Swedish Annual Accounts Act will be applied from 1 January 2017.

### General accounting policies

#### *Consolidated financial statements*

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

The cost of an acquisition shall consist of the fair value of any assets provided by way of remuneration and any arisen or assumed liabilities. Any consideration for a put option that has not yet been settled shall be valued at the present value of the redemption amount. Identifiable acquired assets and assumed liabilities and contingent liabilities shall be valued at fair value on the acquisition date. The transferred consideration for corporate acquisitions exceeding the fair value of identifiable acquired net assets shall be recognised as goodwill. Goodwill is distributed over cash-generating units or groups of cash-generating units, which are expected to benefit from the acquisition through synergies. The cash-generating units to which goodwill is distributed correspond to the lowest level within the Group where goodwill is followed up in the internal governance.

Transaction costs, with the exception of transaction costs related to the issue of equity instruments or debt instruments, arising through the acquisition are recognised directly in profit/loss for the year. For acquisitions where a put option has been issued, the anticipated-acquisition method is applied, which means that the put option for the remaining shares will be considered as acquired at the time of acquisition. Consequently, no holdings without control will be recognised. The debt regarding the present value of the redemption price for a put option will thereby be included in the fair value of the total consideration.

#### *Recognition in and derecognition from the balance sheet*

Issued securities and all derivative instruments are recognised on the trade date, meaning the date on which the significant risks and rights are transferred between the parties. Other financial instruments are recognised on the settlement date.

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

#### *Recognition of income and expense*

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



## Cont. NOTE 1 Accounting policies

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

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

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

### Financial instruments

#### Classification

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

- Financial assets measured at fair value through the income statement
- Loans and receivables
- Investments held to maturity
- Available-for-sale financial assets
- Financial liabilities measured at fair value through the income statement
- Other financial liabilities

#### Offsetting

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

#### Fair value measurement

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

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

If the market for a financial instrument is not active, the fair value is established on the basis of generally accepted measurement methods. Calculations conducted in connection with measurement are based to the greatest extent possible on observable market information. The main tools used are models based on discounted cash flows. In individual cases, the calculations may also be based on assumptions or estimates.

#### Financial assets measured at fair value through the income statement

The category "Financial assets measured at fair value through the income statement" is divided into holdings held for trading and financial assets that Executive Management designated as such upon initial recognition. All of SBAB's assets in this category are classified as held for trading and primarily encompass interest-bearing instruments. This category includes derivatives that are not subject to hedge accounting plus fund units. All fund units were sold on 13 February 2015.

On the first accounting occasion, assets in this category are recognised at fair value, while related transaction costs are recognised in the income statement.

Changes in fair value and realised gains or losses for these assets are recognised directly in the income statement under the heading "Net income/expense from financial instruments measured at fair value," while the effective interest rate is recognised in net interest income.

#### Loans and receivables

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

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

Changes in value are recognised as "Loan losses, net," while the effective interest rate is recognised as interest income. Also refer to the section on "Loan losses and impairment of financial assets."

#### Investments held to maturity

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

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

#### Available-for-sale financial assets

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

When a fair value reduction for a financial asset that has been categorised as an asset available for sale has been recognised in other comprehensive income and there are objective evidence of impairment, the accumulated loss that has been reported in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment, even if the financial asset has not been removed from the statement of financial position. The impairment amount is recognised under the item "Net income/expense from financial instruments measured at fair value."

#### Financial liabilities measured at fair value through the income statement

The category "Financial liabilities measured at fair value through the income statement" is divided into financial liabilities held for trading and financial liabilities that Executive Management has designated as such upon initial recognition. All of SBAB's liabilities in this category are classified as held for trading. The category includes derivatives not covered by hedge accounting. Liabilities in this category are initially recognised at fair value, while related transaction costs are recognised in the income statement. Changes in fair value and realised gains or losses for these liabilities are recognised in the income statement under the heading "Net income/expense from financial instruments measured at fair value," while the effective interest rate is recognised in net interest income.

#### Other financial liabilities

Financial liabilities that are not classified as "Financial liabilities measured at fair value through the income statement" are initially recognised at fair value with an addition for transaction costs and are subsequently recognised at amortised cost using the effective interest method. This category consists mainly of debt securities in issue, deposits from the public and liabilities to credit institutions. Realised profit or loss from the repurchase of own liabilities affects profit or loss when incurred and is recognised under the heading "Net income/expense from financial instruments measured at fair value."

#### Repos

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

#### Derivatives and hedge accounting

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

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

#### Fair value hedging

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

When hedging relationships are terminated, the cumulative gains or losses are accrued adjusting the carrying amount of the hedged item in the income statement in accordance with the effective interest method. The accrual extends over the remaining maturity of the hedged item. The realised gain or loss arising from premature closing of a hedging instrument is recognised in the income statement under the heading "Net income/expense from financial instruments measured at fair value."



#### Macro hedge

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

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

#### Cash flow hedging

In case of cash flow hedging, the hedging instrument (the derivative contract) 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 (hedge reserve) in equity. The accumulated amount is reversed in the income statement in periods where the hedged item affects the profit or loss. The ineffective part of the change in value is transferred to the income statement under the item "Net income/expense from financial instruments measured at fair value," where the realised gain or loss arising at the end of the hedge relationship is recognised. The effective interest rate of the derivative is recognised in net interest income.

#### Loan losses and impairment of financial assets

##### Loans and receivables recognised at amortised cost

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

The amount of impairment is measured as the difference between the carrying amount of the receivable and the present value of estimated future cash flows discounted at the effective interest rate of the receivable in accordance with the most recent interest rate adjustment date. The cash flows attributable to the borrower or the issuer and any use of the collateral are taken into consideration when assessing the need for impairment. Any expenses associated with the realisation of the pledge are included in the cash flow calculations. Measurement of probable loan losses or impairment of other financial assets is effected in gross amounts and, when there is a guarantee or the equivalent, this is recognised as a receivable against the counterparty. If the present value of future cash flows exceeds the carrying amount of the asset, no impairment takes place and the receivable is not regarded as doubtful. The impairment amount is recognised in the income statement under the item "Loan losses, net" or "Impairment of financial assets" depending on the type of receivable. See the sections on "Loans and receivables" and "Investments held to maturity." If the impairment requirement has declined in a subsequent period and the decrease can objectively be attributed to an event that occurred after the impairment loss had been recognised, a reversal of a previously recognised impairment loss can be recognised in the corresponding income statement item.

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

##### Individually measured loan receivables

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

##### Collectively measured loan receivables

The loan receivables assessed in this group are as follows:

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

Impairment of collectively measured loans is identified in two different ways:

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

#### Loans with renegotiated terms and conditions

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

#### Individually measured securities

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

#### Other

##### Functional currency

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

##### Foreign currency translation of receivables and liabilities

Foreign currency transactions are recognised by applying the exchange rate on the date of transaction, and foreign currency receivables and liabilities are translated using the closing day rate. Foreign exchange gains or losses resulting from settlements of foreign currency transactions and from the translation of monetary assets and liabilities in foreign currency are recognised in the income statement under "Net income/expense from financial instruments measured at fair value."

##### Leasing

Existing leases relate to normal leases for SBAB's operations. They mainly concern office premises and office equipment and are classified as operating leases. In operating leases, lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term. Agreed future lease payments are presented in Note 9.

##### Property, plant and equipment

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

##### Depreciation of property, plant and equipment

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

##### Intangible fixed assets

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

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

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

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

##### Amortisation of intangible fixed assets

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

##### Impairment of non-financial items

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

**Cont. NOTE 1** Accounting policies*Tax*

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

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

*Cash and cash equivalents*

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

*Pensions*

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

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

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

*Segment reporting*

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

**Parent Company accounting policies**

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

*Differences compared with the Group*

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

*Presentation of the income statement and balance sheet*

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

*Pensions*

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

*Measurement in relation to the assumption of receivables*

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

*Subsidiaries*

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

*Dividends*

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

Dividends paid are recognised as a reduction of non-restricted equity following the passing of a resolution about dividends at the Annual General Meeting.

*Group contributions*

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

**Critical accounting estimates and judgements***Critical assumptions*

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

*Measurement of loan receivables*

The area that primarily entails a risk of causing an adjustment to recognised assets in the next financial year is the measurement of loan receivables. In the case of individually measured loan receivables, the most critical assessment, which also contains the most uncertainty, is the estimate of the future cash flow that the customer will generate. For collectively measured loan receivables, the estimates of future cash flows are based partly on assumptions concerning how observable data may result in loan losses. See also the section "Loan losses and impairment of financial assets" above.

*Recognition of pensions*

Measurement of the Group's pension obligations is based on a number of actuarial and financial assumptions that have a material impact on carrying amounts. SBAB uses the yield on mortgage bonds for the discounting of pension obligations, since a functioning market for mortgage bonds exists in Sweden. The assumptions upon which the measurement is based, as well as a sensitivity analysis, are presented in Note 31.

## NOTE 2 Risk management and capital adequacy

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

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

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

### NOTE 2a Risk management – Credit risk in lending operations

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

The credit risk in lending operations is managed through a credit granting process, whereby the ability of potential borrowers to make their interest payments and pay amortisation is analysed. New loans are only granted to borrowers who are judged to be able to pay interest and amortisation in an interest rate situation that comfortably exceeds the rate prevailing when the loan decision is taken. Moreover, the credit risk is restricted by credit limits adopted for various customers or customer groups.

Over the year, the credit rules have been made more stringent for new lending, including a decision by SBAB to reduce the amortisation period for residential mortgages with a loan-to-value ratio in excess of 70 percent from 15 to 7.5 years and to limit the debt ratio<sup>1)</sup> to 6 for new loans, with the purpose of ensuring that the good credit quality of the lending portfolio remains.

Furthermore, risk classification is based on the internal ratings-based approach (IRB approach) for the analysis of the credit risk for new and existing customers in the loan portfolios. SBAB applies the IRB approach for retail loans and lending to tenant-owner associations and the foundation IRB approach (FIRB approach) for Corporate loans. The Swedish Financial Supervisory Authority has reviewed the bank's IRB approach and found it to be reliable. For other types of exposures, including unsecured loans, the standardised approach is used for measurement of credit risk. For cases in which external ratings are used, the lowest rating from either Moody's or Standard & Poor's is selected.

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

The IRK credit risk models assess the following parameters:

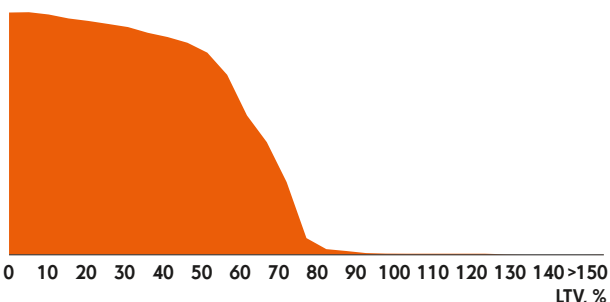
- Probability of default by the customer – PD (Probability of Default)
- Loss amount in the event of default – LGD (Loss Given Default)
- The part of the off-balance sheet commitment that is utilised in the event of default – Credit conversion factor (CCF)
- The expected exposure in the event of default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

On the basis of these parameters, customers are ranked according to risk, and the expected and unexpected loss can be estimated. After assessment, the exposure is allocated to one of eight risk classes for retail and corporate exposures, of which the eighth class comprises customers in default. The development of customers in high-risk classes is monitored thoroughly and, when necessary, the exposure is managed actively by credit monitoring personnel in the credit division. The developed models are validated annually and calibrated as the need arises. For 2015, the validations in 2015 did not result in any changes to models.

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

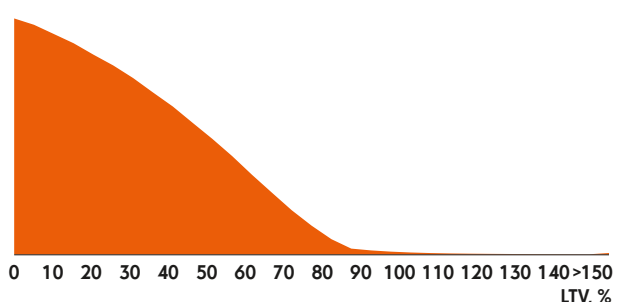
##### EXPOSURES TO CORPORATES

Lending volume



##### RETAIL EXPOSURES

Lending volume



<sup>1)</sup> Income in relation to loan.

<sup>2)</sup> CRR refers to the European Parliament and Council's recommendation on supervisory requirements for credit institutions and securities companies No. 575/2013.

<sup>3)</sup> "Loans to retail customers" refers to all lending to the public pertaining to single-family homes, holiday homes and tenant-owner homes, as well as unsecured loans to private individuals and loans to tenant-owner associations, with a turnover of less than EUR 50 million. "Loans to corporates" refers to i) loans to other legal entities, and ii) other loans to private individuals.

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

Segment, %	Below 50%	Below 75%	Below 100%	Exposure weighted average LTV
Exposures to corporates	75.7	98.9	99.8	66.0
Retail exposures	80.3	97.2	99.6	59.6
<b>Total</b>	<b>79.9</b>	<b>97.4</b>	<b>99.6</b>	<b>60.2</b>

**Loan portfolios in lending operations allocated by risk class**

Every customer is allocated to a risk class. However, lending to the public includes a receivable of SEK 14.6 million (22.7) that is not assigned a risk class as it lies outside the normal lending operations. Customers with individually reserved loans are always allocated to corporate risk class (C8) or Retail Market risk class (R8). For corporates, loans covered by collective provisions are obtained from risk classes C6–C7, and collectively impaired Retail Market loans comprise loans in risk classes R5–R8. Risk class C0 comprises loans to counterparties with a 0 percent risk weight (Swedish municipalities). Transaction costs of SEK 104 million (61), which were attributable to the loans, are distributed in the table on a pro rata basis.

**LOAN PORTFOLIO BY RISK CLASS – RETAIL (INCLUDING TENANT-OWNER ASSOCIATIONS)**

Risk class <sup>1)</sup>	2015		2014	
	Lending	Provisions/ lending in respective risk class	Lending	Provisions/ lending in respective risk class
R1/C1, %	28.8	0.0	25.8	0.0
R2/C2, %	31.1	0.0	34.6	0.0
R3/C3, %	20.4	0.0	21.7	0.0
R4/C4, %	11.6	0.0	10.3	0.0
R5/C5, %	5.7	0.3	5.0	0.3
R6/C6, %	1.4	0.8	1.5	1.1
R7/C7, %	0.8	3.4	0.9	3.8
R8/C8, %	0.2	18.0	0.2	10.2
	<b>100%</b>	<b>0.1%</b>	<b>100.0%</b>	<b>0.1%</b>

<sup>1)</sup> R = Retail, C = Corporate.

**LOAN PORTFOLIO ALLOCATED BY RISK CLASS – CORPORATE**

Risk class <sup>1)</sup>	2015		2014	
	Lending	Provisions/ lending in respective risk class	Lending	Provisions/ lending in respective risk class
C0, %	0.0	–	0.1	–
C1, %	56.5	–	61.3	–
C2, %	23.1	–	22.0	–
C3, %	15.8	–	12.1	–
C4, %	3.4	0.0	2.2	–
C5, %	1.0	0.1	1.8	0.7
C6, %	0.0	10.4	0.2	3.9
C7, %	0.0	27.3	0.1	3.4
C8, %	0.2	36.3	0.2	35.9
Not assigned a risk class	0.0	–	0.0	–
	<b>100%</b>	<b>0.1%</b>	<b>100.0%</b>	<b>0.1%</b>

<sup>1)</sup> C = Corporate market.

**Lending to the public and credit institutions**

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

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

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

At 31 December 2015, total provisions (individual and collective) amounted to SEK 214 million (186) after a deduction for guarantees, which corresponds to 0.1 percent (0.1) of the loan portfolio, of which individually assessed loans accounted for SEK 81 million (36). At year-end 2014/2015, individual provisions after deduction for guarantees increased by SEK 45 million (decrease: 11) compared with the preceding year, and accounted for 48 percent (75) of loans with individual provisions, which amounted to SEK 170 million (48). No need for provisions arose for lending to credit institutions.

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

SEK million	2015		2014	
	Public	Credit institutions	Public	Credit institutions
<b>1</b> Current loans without past-due unpaid amounts or provisions	296,577	3,456	260,903	7,437
<b>2</b> Loans with unpaid amounts > 5 days past due	487	–	736	–
<b>3</b> Loans with individual provisions	170	–	48	–
<b>Total outstanding loans</b>	<b>297,234</b>	<b>3,456</b>	<b>261,687</b>	<b>7,437</b>
Individual provisions	–81	–	–36	–
Collective provisions, corporates	–11	–	–19	–
Collective provisions, retail	–161	–	–187	–
<b>Total provisions</b>	<b>–253</b>	<b>–</b>	<b>–242</b>	<b>–</b>
<b>Total lending after provisions</b>	<b>296,981</b>	<b>3,456</b>	<b>261,445</b>	<b>7,437</b>
Guarantees for loans with individual provisions	0	–	–	–
Guarantees for loans with collective provisions, corporates	3	–	5	–
Guarantees for loans in collective provisions, corporates	36	–	51	–
<b>Total guarantees</b>	<b>39</b>	<b>–</b>	<b>56</b>	<b>–</b>
<b>Total lending after provisions and guarantees</b>	<b>297,020</b>	<b>3,456</b>	<b>261,501</b>	<b>7,437</b>

**1 Current loans without past-due unpaid amounts or provisions**

The allocation of loans per risk class for the loans that had neither past-due unpaid amounts nor individual provisions shows that 93 percent (93) are in the risk classes C0/R1–C4/R4. The allocation includes total transaction costs of SEK 104 million (61), which were allocated on a pro rata basis. The costs derive mainly from single-family dwellings and tenant-owner rights.

LENDING TO THE PUBLIC BY SEGMENT – CURRENT LOANS WITHOUT PAST-DUE UNPAID AMOUNTS OR PROVISION

**2015**

Risk class SEK million	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
C0	–	–	–	–	8	–	–	8
C/R1	35,047	18,669	23,201	15,314	202	2,102	116	94,651
C/R2	34,282	25,520	23,067	5,799	41	720	332	89,761
C/R3	22,214	26,232	4,771	3,876	217	911	768	58,989
C/R4	14,347	15,283	688	687	0	395	431	31,831
C/R5	6,867	7,588	327	140	2	185	255	15,364
C/R6	1,560	1,891	168	16	–	–	88	3,723
C/R7	1,152	828	50	0	–	–	40	2,070
C/R8	44	26	73	21	–	–	1	165
Not assigned a risk class	–	–	–	–	–	–	15	15
<b>Total</b>	<b>115,513</b>	<b>96,037</b>	<b>52,345</b>	<b>25,853</b>	<b>470</b>	<b>4,313</b>	<b>2,046</b>	<b>296,577</b>

**2014**

Risk class SEK million	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
C0	–	–	–	–	23	–	–	23
C/R1	29,231	14,049	17,310	14,000	404	2,092	63	77,149
C/R2	33,871	20,532	27,570	3,898	106	788	249	87,014
C/R3	22,770	21,533	6,163	2,616	44	331	661	54,118
C/R4	12,242	10,717	694	341	7	254	392	24,647
C/R5	5,830	5,158	580	241	22	228	214	12,273
C/R6	1,720	1,400	224	66	–	–	79	3,489
C/R7	1,225	665	51	19	–	–	27	1,987
C/R8	40	17	101	21	–	–	1	180
Not assigned a risk class	–	–	–	–	–	–	23	23
<b>Total</b>	<b>106,929</b>	<b>74,071</b>	<b>52,693</b>	<b>21,202</b>	<b>606</b>	<b>3,693</b>	<b>1,709</b>	<b>260,903</b>

**2 Loans with unpaid amounts > 5 days past due**

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

At year-end 2015, 99.8 percent (99.7) of lending had no past-due unpaid amounts and was not assessed as doubtful. Of SBAB's loan portfolio totalling SEK 297 billion (261), SEK 487 million (736) of the principal has past-due unpaid amounts.

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

**2015**

SEK million	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
Past-due 5–30 days <sup>1)</sup>	12	13	17	–	–	–	0	42
Past due 31–60 days	160	105	2	–	–	–	8	275
Past due 61–90 days	32	13	–	–	–	–	1	46
Past due 91–180 days	29	11	–	–	–	–	1	41
Past due 181–365 days	24	10	–	–	–	–	1	35
Past due > 365 days	42	5	–	–	–	–	1	48
<b>Total</b>	<b>299</b>	<b>157</b>	<b>19</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12</b>	<b>487</b>

**2014**

SEK million	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
Past-due 5–30 days <sup>1)</sup>	7	12	1	–	–	–	0	20
Past due 31–60 days	247	140	–	0	–	–	7	394
Past due 61–90 days	81	20	–	–	–	–	2	103
Past due 91–180 days	53	16	–	–	–	–	1	70
Past due 181–365 days	59	24	7	1	–	–	1	92
Past due > 365 days	46	11	–	–	–	–	0	57
<b>Total</b>	<b>493</b>	<b>223</b>	<b>8</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>11</b>	<b>736</b>

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

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

**3** Loans with individual provisions

Loans with individual provisions refers to receivables where provisions have been made following individual risk assessment. These loans account for no more than 0.06 percent (0.02) of SBAB's total lending.

LENDING TO THE PUBLIC BY SEGMENT – LOANS WITH INDIVIDUAL PROVISIONS

SEK million	2015							Total
	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Unsecured loans	
Loans with individual provisions	19	90	27	29	–	–	5	170
Individual provision, Corporate Market	–	–	–25	–18	–	–	–	–43
Individual provision, Retail Market	–6	–27	–	–	–	–	–5	–38
<b>Loans with individual provisions, net</b>	<b>13</b>	<b>63</b>	<b>2</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>0</b>	<b>89</b>
Calculated value of guarantees	–	–	–	–	–	–	–	–
<b>Loans with individual provisions with pledged guarantees taken into consideration</b>	<b>13</b>	<b>63</b>	<b>2</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>0</b>	<b>89</b>

SEK million	2014							Total
	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Unsecured loans	
Loans with individual provisions	2	13	3	30	–	–	–	48
Individual provision, Corporate Market	–	–	–3	–18	–	–	–	–21
Individual provision, Retail Market	–2	–13	–	–	–	–	–	–15
<b>Loans with individual provisions, net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12</b>
Calculated value of guarantees	–	–	–	–	–	–	–	–
<b>Loans with individual provisions with pledged guarantees taken into consideration</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12</b>

**Loans with renegotiated terms and conditions**

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

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

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

CARRYING AMOUNT OF RENEGOTIATED LOANS BY SEGMENT

SEK million	2015	2014
Single-family dwellings and holiday homes	8	3
Tenant-owner rights	1	1
Tenant-owner associations	60	75
Private properties	–	–
Municipal properties	–	–
Commercial properties	–	–
Unsecured loans	–	–
<b>Total</b>	<b>69</b>	<b>79</b>

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

## NOTE 2b Risk management – Credit risk in Treasury

In Treasury, credit risk arises when the counterparty is unable to fulfil its payment obligations. Credit risk arises, in part, in the form of counterparty credit risks for the derivative

and repo contracts entered into by SBAB to manage its financial risks and, in part, as a result of investments in the liquidity portfolio and investment of surplus liquidity.

### LIMIT UTILISATION

Rating category, SEK million	GROUP				PARENT COMPANY			
	2015		2014		2015		2014	
	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit
AAA	-	-	-	-	-	-	-	-
AA- to AA+	11,600	3,546	8,110	3,358	11,600	2,812	8,110	1,886
A- to A+	12,910	3,851	13,610	4,939	12,910	3,468	13,610	4,283
Lower than A-	4,320	597	2,110	551	4,320	597	2,110	551
Unrated	-	-	-	-	-	-	-	-
<b>Total</b>	<b>28,830</b>	<b>7,994</b>	<b>23,830</b>	<b>8,849</b>	<b>28,830</b>	<b>6,877</b>	<b>23,830</b>	<b>6,721</b>

The "Limit utilisation" table shows the limit and the utilised limit, respectively, for SBAB's derivative counterparties, at an aggregate level per rating category, with each counterparty placed in relation to its lowest rating.

The SBAB Group's counterparties are banks and credit institutions, and the underlying exposure in the table includes investments, derivative contracts and repo contracts. The limits are set by the Board of Directors' Credit Committee within the confines of the framework adopted by the Board of Directors.

The utilised limit is calculated as the market value of financial derivative instruments, repo contracts and investments. For derivative and repo contracts, the effect of collateral pledged or received according to CSAs or GMRA is included in the total exposure.

For derivative contracts, an add-on amount is also calculated for future changes in risk levels. For counterparties who also are loan customers, the limit is coordinated with the credit limit. Counterparty limits may be established for a period of no longer than one year, after which a new assessment must be conducted. The decisions of the Credit Committee are reported to the Board at the following Board meeting. All of SBAB's counterparties have a rating by either Moody's or Standard & Poor's.

### DISTRIBUTION OF ELIGIBLE AND OTHER INTEREST BEARING SECURITIES BY RATING CATEGORY

The table below shows an analysis of eligible treasury bills, bonds and other interest bearing securities distributed in accordance with the lowest rating as at 31 December 2015, based on Standard & Poor's rating or equivalent.

Rating category, SEK million	2015				Total
	Covered bonds	Government guaranteed securities	Supranational and sovereign agencies	Non-governmental public sector entities	
AAA	38,004	15,170	1,962	5,779	60,915
AA- to AA+	-	1,988	-	1,124	3,112
A- to A+	-	-	-	-	-
Lower than A-	-	-	-	-	-
<b>Total</b>	<b>38,004</b>	<b>17,158</b>	<b>1,962</b>	<b>6,903</b>	<b>64,027</b>

Cont. **NOTE 2b** Risk management – Credit risk in Treasury**GEOGRAPHICAL DISTRIBUTION OF ELIGIBLE AND OTHER INTEREST BEARING SECURITIES**

Securities, SEK million	2015				Total
	Sweden	Other EU	Other		
Covered bonds	31,109	2,306	4,589		38,004
Government guaranteed securities	11,141	5,912	105		17,158
Supranational and sovereign agencies	–	1,962	–		1,962
Non-governmental public sector entities	5,729	1,174	–		6,903
<b>Total as of 31/12/2015</b>	<b>47,979</b>	<b>11,354</b>	<b>4,694</b>		<b>64,027</b>
<b>Total as of 31/12/2014</b>	<b>40,884</b>	<b>13,127</b>	<b>3,881</b>		<b>57,892</b>

**Counterparty credit risk**

Counterparty credit risk is the risk that SBAB's financial counterparties cannot meet their commitments pursuant to the completed derivatives and repo contracts, and such risk consists primarily of exposures to major banks. This exposure is predominantly covered by collateral agreements, where the counterparty posts collateral to reduce SBAB's exposure. In accordance with the credit instruction, the credit-risk limits are established by SBAB's Credit Committee for all counterparties in Treasury, with the exception of the Swedish government and companies included in the SBAB Group, for which no credit limits are established.

To limit the potential counterparty credit risk associated with non-standardised derivative instruments that are not cleared by clearing organisations approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement is entered into with the counterparty. Such framework agreements, known as ISDA Master Agreements, or similar agreements have in most cases been supple-

mented with associated collateral agreements, known as a Credit Support Annex (CSA). When SBAB enters into a derivatives transaction, it must always draft an associated CSA. The framework agreements entitle the parties to offset receivables against debt in the event of a payment default.

Counterparty credit risk is reconciled on a daily basis for all counterparties. CSAs are reconciled on a daily basis or on a weekly basis if a collateral agreement exists. Derivative contracts entered into with external counterparties are for the most part entered into within the Parent Company, where the CSAs are reconciled with all counterparties on a daily basis. When collateral agreements exist, collateral is transferred to reduce the exposure. Wherever applicable, the posted and received collateral takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations. The effects of pledged and received collateral are shown in greater detail in Note 38 Information about offsetting.

**MAXIMUM CREDIT RISK EXPOSURE IN TREASURY, GROUP**

SEK million	Without taking into account collateral received or other credit enhancements		Taking into account collateral received or other credit enhancements	
	2015	2014	2015	2014
Lending to credit institutions	1,739	4,756	3,456	7,437
Eligible securities	14,312	15,557	14,312	15,557
Bonds and other interest bearing securities	49,714	42,335	49,714	42,335
Derivative instruments	7,192	9,408	3,315	4,937
<b>Maximum credit risk exposure at 31 December</b>	<b>72,957</b>	<b>72,056</b>	<b>70,797</b>	<b>70,267</b>

**Liquidity portfolio**

SBAB's liquidity portfolio comprises liquid, interest bearing securities with a high rating. The purpose of the liquidity portfolio is to reduce the Group's liquidity risk by acting as a buffer, as the securities in the portfolio can be sold to free up liquidity in stressed market conditions. Holdings in securities are limited by asset class and by country, respectively, and must have the highest rating upon acquisition. In addition, limits for individual issuers are also set.

Securities holdings constitute an integrated part of the total credit risk utilisation for each issuer/counterparty. The holdings in the portfolio are long-term and on 31 December 2015, the market value, exclusive of deposits at the National Debt Office, amounted to SEK 64.8 billion with an average maturity of 2.7 years. At the same date, 95 percent of the portfolio's value had a rating of Aaa from Moody's or AAA from Standard & Poor's.

The portfolio's market value is distributed over the following asset classes:

- Securities issued by central governments, SEK 14.5 billion
- Securities guaranteed by central governments, SEK 2.9 billion
- Securities issued by supranational and sovereign agencies, SEK 2.0 billion
- Securities issued by public sector entities, SEK 7.0 billion
- European covered bonds, SEK 38.5 billion.

**COLLATERAL POSTED AND RECEIVED UNDER COLLATERAL AGREEMENTS, 31 DECEMBER 2015**

Company, SEK million	Collateral pledged	Collateral received
SBAB	1,717	2,973
SCBC	0	905



Liquidity reserve, SEK million	December 2015	DISTRIBUTION BY CURRENCY			
		SEK	EUR	USD	Other
Cash and balances from central banks <sup>1)</sup>	461	461	–	–	–
Balances from other banks	–	–	–	–	–
Securities issued or guaranteed by central government, central banks or multinational development banks	19,345	10,435	7,715	1,195	–
Securities issued or guaranteed by municipalities or non-governmental public sector entities	6,972	5,674	–	1,298	–
Covered bonds issued by others	38,504	31,575	5,292	1,447	190
Own covered bonds	–	–	–	–	–
Securities issued by non-financial companies	–	–	–	–	–
Securities issued by finance companies (excl. covered bonds)	–	–	–	–	–
Other securities	–	–	–	–	–
<b>Total</b>	<b>65,282</b>	<b>48,145</b>	<b>13,007</b>	<b>3,940</b>	<b>190</b>
Bank and loan facilities	–	–	–	–	–
<b>Total</b>	<b>65,282</b>	<b>48,145</b>	<b>13,007</b>	<b>3,940</b>	<b>190</b>
Distribution by currency, %		74	20	6	0

<sup>1)</sup> Refers to a placement with the Swedish National Debt Office.

## NOTE 2c Risk management – Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to meet its payment obligations on the date of maturity without the related cost increasing significantly. The SBAB Group has long identified the importance of well-functioning and proactive liquidity risk management. SBAB's management of liquidity risk is described below.

### Broad and diversified funding

Because the SBAB Group has maintained an active presence in the international capital market since 1989, its brand is well established. The SBAB Group has access to the covered bond market, both in Sweden and internationally, through SCBC. In addition to issuing bonds, SBAB is funded by deposits from the public.

### Liquidity reserve

To ensure access to funding in times when the normal sources of funding are not available, the SBAB Group has a liquidity portfolio. When calculating the reserve value of the securities included in the liquidity portfolio, the SBAB Group applies the haircuts issued in accordance with the Riksbank's Guidelines for Collateral Management in the regulatory framework for RIX and monetary policy instruments. The reserve value of the liquidity portfolio is referred to as the liquidity reserve. The portfolio comprises liquid securities with high ratings and 100 percent of the value of the portfolio can be used as collateral for repos with the Riksbank or the European Central Bank (the "ECB"). On 31 December 2015, SBAB's liquidity reserve comprised SEK 62.1 billion (reserve value at the Riksbank) in liquid securities.

### Liquid balance sheet

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

### Continuous monitoring of liquidity risk

Active debt management, the liquidity of the balance sheet and the size of SBAB's liquidity reserves are key factors in SBAB's liquidity risk management. By viewing funding activities as a natural part of both operational work and strategic planning of liquidity risk, concentrations of excessively large funding maturities are avoided. Another important part of the on-going liquidity risk management is the continuous monitoring and testing of the practical liquidity value of the liquidity portfolio in the secondary market.

### Liquidity-risk measurements

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

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

On 1 October 2015, the European Commission's Delegated Regulation (EU) 2015/61 entered into force. According to the Regulation, all credit institutions shall meet an LCR of at least 60 percent, according to a new definition that differs somewhat from the definition used by the Swedish Financial Supervisory Authority. The requirement will be gradually increased by 10 percentage points per year-end, with the first increase occurring on 1 January 2016, until the requirement reaches 100 percent. Since SBAB is required to comply with the Swedish Financial Supervisory Authority's requirement of an LCR of 100 percent, the introduction will not have any substantial effect on SBAB.

Internally within the SBAB Group, the liquidity risk is measured and stress tested by totalling the maximum conceivable need for liquidity for every day during the coming period. This liquidity risk measure is referred to as the survival horizon. The calculations are based on a crisis scenario in which all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no funding is available. Deposits from the public are treated with a conservative assumption, whereby withdrawals from the portfolio are distributed over time on the basis of historical balance volatility. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. The survival horizon corresponds to the number of days for which the liquidity reserve covers the maximum outflow and it has been limited to a minimum of 180 days at any given time. Moreover, unutilised issuance capacity for covered bonds is an additional reserve that is not included in the calculation of the measurements above.

### Liquidity situation in 2015

On 31 December 2015, the Group's survival horizon amounted to 265 days (234). In 2015, the survival horizon was never less than 189 days (105).

On 31 December 2015, the liquidity coverage ratio (LCR), in accordance with the definition in FFFS 2012:6 that governs the Swedish quantitative requirement, was 232 percent at the consolidated level, and 1,544,051 percent and 233 percent, respectively, in EUR and USD. In 2015, the liquidity coverage ratio never fell below 171 percent.

As of 31 December 2015, the LCR according to the EU's Delegated Regulation amounted to 251 percent at the consolidated level. Since this measure was introduced on 1 October 2015, it has never fallen below 211 percent.

### New regulations for liquidity risk

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

## Cont. NOTE 2c Risk management – Liquidity risk

In order to set minimum levels for the liquidity of banks, the new regulations focus on two key ratios or standard measurements called the Net Stable Funding Ratio (“NSFR”) and the LCR, as described in more detail above. The aim of NSFR is to indicate how stable the Group’s funding is by comparing the stability of assets and liabilities.

In the EU, both measures are included in the new capital adequacy regulations that came into effect on 1 January 2014 and are reported to the EBA. The NSFR is not currently subject to a quantitative requirement. It is expected that the Basel Committee’s definition of NSFR will be implemented in the EU, potentially with some deviations, and it is expected that the quantitative requirements will enter into force in 2018.

The EBA has developed five more measures of liquidity risk that are intended for comparison purposes. No quantitative requirements are expected in connection with these. The reporting of these measures to the EBA is expected to start in 2016.

The measures in question are:

- A maturity ladder showing maturities of assets and liabilities up to ten years into the future.
- Concentration of counterbalancing capacity per issuer/counterparty, showing the bank’s holdings of liquid assets or liquidity facilities to meet temporary declines in access to liquidity in the market.
- Concentration of financing counterparties and products, showing the counterparties or financing products representing such a large percentage that losing them would affect the bank’s liquidity risk.
- Prices for various financing maturities.
- Extension of maturing financing during the reporting period.

## GROUP

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

SEK million	2015							2014						
	No maturity	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	No maturity	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
<b>ASSETS</b>														
Cash and balances held at central banks	0	–	–	–	–	–	0	0	–	–	–	–	–	0
Eligible treasury bills and other eligible bills	–	526	27	1,710	11,653	586	14,502	–	566	26	2,319	10,867	2,054	15,832
Lending to credit institutions	0	3,593	–	–	–	–	3,593	441	7,110	–	–	–	–	7,551
Lending to the public	–	40,954	60,232	110,059	89,214	5,441	305,900	–	40,912	50,718	90,546	83,803	5,379	271,358
Bonds and other interest-bearing securities	–	1,093	1,333	3,642	43,163	1,953	51,184	–	656	1,487	2,767	34,691	4,015	43,616
<i>of which classified as loans and receivables</i>	–	–	–	–	–	–	0	–	–	–	–	–	–	0
Derivative instruments	–	20,369	35,707	3,457	77,222	48,262	185,017	–	32,188	13,345	8,781	74,625	33,195	162,134
Other assets	2,273	–	–	–	–	–	2,273	1,429	–	–	–	–	–	1,429
<b>Total financial assets</b>	<b>2,273</b>	<b>66,535</b>	<b>97,299</b>	<b>118,868</b>	<b>221,252</b>	<b>56,242</b>	<b>562,469</b>	<b>1,870</b>	<b>81,432</b>	<b>65,576</b>	<b>104,413</b>	<b>203,986</b>	<b>44,643</b>	<b>501,920</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	–	5,307	–	–	–	–	5,307	–	7,397	–	–	–	–	7,397
Deposits from the public	76,450	94	20	22	54	0	76,640	60,336	107	21	73	73	0	60,610
Securities issued, etc.	–	13,402	21,184	33,162	236,475	33,651	337,874	–	17,143	20,898	25,157	160,047	30,025	253,270
Derivative instruments	–	19,908	35,088	3,360	77,009	48,919	184,284	–	32,479	13,048	8,819	73,234	33,181	160,761
Other liabilities	3,550	–	–	–	–	–	3,550	3,626	–	–	–	–	–	3,626
Subordinated debt	–	2,123	38	71	6,521	0	8,753	–	2,248	7	672	3,165	0	6,092
Loan commitments and other credit-related commitments	–	44,572	11	–	3,366	–	47,949	–	37,661	46	5	1,746	–	39,458
<b>Total financial liabilities</b>	<b>80,000</b>	<b>85,406</b>	<b>56,341</b>	<b>36,615</b>	<b>323,425</b>	<b>82,570</b>	<b>664,357</b>	<b>63,962</b>	<b>97,035</b>	<b>34,020</b>	<b>34,726</b>	<b>238,265</b>	<b>63,206</b>	<b>531,214</b>

Maturities of hedged cash flows in cash flow hedges

SEK million	No maturity	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Interest-rate-hedged	0	5	46	99	538	207	895
Currency-hedged	0	0	0	0	–12,764	–14,747	–27,511
<b>Net</b>	<b>0</b>	<b>5</b>	<b>46</b>	<b>99</b>	<b>–12,226</b>	<b>–14,540</b>	<b>–26,616</b>

PARENT COMPANY

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

SEK million	2015							2014						
	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
<b>ASSETS</b>														
Cash and balances held at central banks	0	-	-	-	-	-	0	0	-	-	-	-	-	0
Eligible treasury bills and other eligible bills	-	526	27	1,710	11,653	586	14,502	0	566	26	2,319	10,867	2,054	15,832
Lending to credit institutions	14,920	2,374	0	0	0	0	17,294	31,612	4,325	0	0	0	0	35,937
Lending to the public	-	11,840	17,401	37,987	14,923	1,237	83,388	-	9,005	8,378	16,443	10,511	1,347	45,684
Bonds and other interest-bearing securities	-	1,093	1,333	3,642	43,163	1,953	51,184	-	656	1,487	2,767	34,691	4,015	43,616
<i>of which classified as loans and receivables</i>	-	-	-	-	-	-	0	-	-	-	-	-	-	0
Derivative instruments	-	17,093	19,905	1,532	52,703	31,809	123,042	-	19,206	9,330	5,871	40,321	21,559	96,287
Other assets	1,459	-	-	-	-	-	1,459	932	-	-	-	-	-	932
<b>Total financial assets</b>	<b>16,379</b>	<b>32,926</b>	<b>38,666</b>	<b>44,871</b>	<b>122,442</b>	<b>35,585</b>	<b>290,869</b>	<b>32,544</b>	<b>33,758</b>	<b>19,221</b>	<b>27,400</b>	<b>96,390</b>	<b>28,975</b>	<b>238,288</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	-	3,169	-	-	-	-	3,169	-	3,363	-	-	-	-	3,363
Deposits from the public	76,450	94	20	22	54	0	76,640	60,336	107	21	73	73	0	60,610
Securities issued, etc.	-	10,491	6,587	7,623	53,142	511	78,354	-	5,125	6,374	7,565	43,635	7,762	70,461
Derivative instruments	-	17,109	20,614	1,663	52,278	31,826	123,490	-	19,376	9,276	6,185	41,452	21,576	97,865
Other liabilities	1,342	-	-	-	-	-	1,342	1,142	-	-	-	-	-	1,142
Subordinated debt	-	38	2,123	71	6,521	0	8,753	-	7	2,248	672	3,165	0	6,092
Loan commitments and other credit-related commitments	-	44,572	11	-	3,366	-	47,949	-	37,661	46	5	1,746	-	39,458
<b>Total financial liabilities</b>	<b>77,792</b>	<b>75,473</b>	<b>29,355</b>	<b>9,379</b>	<b>115,361</b>	<b>32,337</b>	<b>339,697</b>	<b>61,478</b>	<b>65,639</b>	<b>17,965</b>	<b>14,500</b>	<b>90,071</b>	<b>29,338</b>	<b>278,991</b>

Maturities of hedged cash flows in cash flow hedges

SEK million	No maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
Interest-rate-hedged	0	4	4	8	15	0	31
Currency-hedged	0	0	0	0	-5,549	0	-5,549
<b>Net</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>-5,534</b>	<b>0</b>	<b>-5,518</b>

For receivables and liabilities that have been amortised, the maturity of the amortisation has been calculated as the period up to the date of maturity of the particular amortisation. Foreign currency cash flows have been converted using the exchange rate of 31 December 2015. Future interest-rate cash flows with floating interest rates have been estimated until the next fixing date using forward interest rates based on the actual interest base, usually the three-month STIBOR. The Parent Company, SBAB, is the creditor for the subsidiary SCBC's subordinated debt. If the maturity is not specified, current debt is recognised as having no maturity and without estimated interest-rate cash flows.

The item "Loan commitments and other credit-related commitments" for the Group, which totals SEK 47,949 million (39,458), amounts to SEK 13,242 million (10,736) after application of the internal model for calculating the conversion factor. The reduction has not been included in the table. The corresponding figures for the Parent Company amounted to SEK 47,949 million (39,458) and SEK 13,242 million (10,736), respectively.

Structural liquidity risk

Structural liquidity risk pertains to when funding opportunities become more costly, or there is a shortage in supply, as a result of differences in structure and maturity between lending and funding. SBAB aims to have a diversified funding. The SBAB Group has adopted a conservative approach to the management of funding. A larger share of future maturities is being pre-funded and the share of total funding attributable to short-term funding is being maintained at a low level. SBAB works actively to ensure an even distribution of maturities, while at the same time extending the maturity of the liabilities. Monitoring of upcoming maturities, repurchases, replacements and pre-funding constitute key elements of the practical management efforts aimed at reducing the risk.

SBAB limits its dependence on market funding by applying a limit on the relation between deposits from the public and lending to the public. On 31 December 2015, the relation amounted to 26 percent (23) compared to a limit of 18 percent. Access to funding from covered bonds is further secured by monitoring, at each point in time, including in stressed circumstances, that the over collateralization in the cover pool exceeds Moody's requirements for Aaa ratings.

SBAB also measures its structural liquidity risk through a measure of maturity matching that measures the relationship between the maturity of assets and liabilities from a liquidity perspective at various points in the future. This can be viewed as SBAB's internal

version of NSFR, in which the maturity, in terms of liquidity, on deposits and lending is estimated by means of SBAB's own statistical models, which are based on historical data on the behaviour of SBAB's customers. On 31 December 2015, the measure was 112 percent (110) at the one-year point, compared with the limit of 90 percent. NSFR according to the Basel Committee definition was 115 percent.

The tables "Maturities of hedged cash flows in cash flow hedges" and "Maturities for financial assets and liabilities" show the status of SBAB's future cash flows at 31 December 2015 and 31 December 2014, respectively, from both a short-term and long-term perspective.

Stress tests

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

The scenarios simulated by the stress tests include:

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

## Cont. NOTE 2c Risk management – Liquidity risk

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

## NOTE 2d Risk management – Market risk

Market risk is the risk of loss or reduced future income due to market fluctuations. SBAB is characterised by low risk taking, with the Board determining the overall risk appetite and setting the limit for the risk measure Value at Risk (VaR). In addition to VaR, a number of supplementary risk based measurements set by the CEO of SBAB are also subject to limitation. Through daily reports, Risk Control checks compliance with current risk levels and limits. Market risk is followed up on the Group level as well as broken down to lower levels.

The general principle governing SBAB's exposure to market risk is that the level of risk taking should be low. Interest rate risk shall as a general principle be limited through direct funding or the use of derivatives. SBAB's interest rate structure as of 31 December 2015 is shown in the table "Interest period for financial assets and liabilities." Currency risks are mitigated as funding in international currency must be hedged through currency swap contracts or invested in matching currencies. As per 31 December 2015, total assets and liabilities in foreign currency amounted to a negative SEK 75.0 billion (negative: 67.8) in terms of nominal amounts. The outstanding risk was reduced using derivatives where the nominal amount was equivalent to SEK 74.7 billion (67.7). The total effect per currency is reported in the table "Nominal amounts, assets, liabilities and derivatives in foreign currency".

### Value at Risk

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

Limits for the day-to-day follow-up of VaR are set at three levels: the market risk of SBAB, all market risks that Treasury is responsible for managing and the Trading portfolio. The limit for the market risk of the whole SBAB is based on the VaR measure included in the model for Economic Capital and applies a probability level of 99.97 percent and a holding period of one year, while the other two measures apply a probability level of 99 percent and a holding period of one day.

As per 31 December 2015, the exposure to the market risk of the whole SBAB Group was SEK 1,154 million (608), compared with the limit of SEK 1,650 million (1,350). Exposure to market risks managed by Treasury was SEK 36 million (7) and the limit was SEK 55 million (30). Exposure in the Trading portfolio was SEK 1.6 million (0) and the limit was SEK 12 million (12). The higher levels for exposures and limits compared with 2014 were due to a review of SBAB's limit structure. In connection with this review, the credit spread risk was reallocated from the earnings volatility framework to the market risk framework, and is therefore included in SBAB's VaR calculation of market risk. The reallocation does not affect SBAB's total risk attributable to market risk and earnings volatility.

### Supplementary risk measurements

In addition to the overall VaR limits determined by the Board, the CEO has set a number of supplementary risk measurements for different kinds of risks to which SBAB is exposed. For interest rate risk, there are limits for parallel shifts, where the effect on the present value of a one percentage point shift in the yield curve is measured, and curve risk, where the effect on the present value is measured in different scenarios, in which the short end of the yield curve is adjusted down (up) and the long end is adjusted up (down). Currency risk is controlled by measuring the effect of present value when currency exchange rates change compared to SEK, and in the Liquidity portfolio by controlling the matching of the principal in each currency. There are also limits for basis swap risk, credit spread risk and earnings volatility for basis spreads.

Earnings volatility from basis spreads arise because the derivatives used to hedge funding are recognised at fair value while the underlying funding is reported as book

value, in accordance with the accounting standards applied by SBAB. This causes effects to arise in operating profit/loss that do not correspond to the actual risk to which SBAB's portfolio is exposed. The earnings volatility from basis spreads is expected to decrease in the future, as SBAB has applied hedge accounting through cash flow hedges since 2014, which means that earnings volatility will only be calculated for swap contracts that are not subject to cash flow hedges.

Interest rate risk in the banking book is measured and reported to the Swedish Financial Supervisory Authority in accordance with FFFS 2007:4. As per 31 December 2015, the effect on the present value was SEK -785.3 million (-803.9) at a parallel upward shift by 2 percentage points and SEK 809.5 (841.1) million at a parallel downward shift by 2 percentage points. As SBAB's own funds amounted to SEK 18.9 billion as at 31 December 2015, the effect of the stress tests amounted to -4.2 percent and 4.3 percent of the own funds, respectively.

### NOMINAL AMOUNTS, ASSETS, LIABILITIES AND DERIVATIVES IN FOREIGN CURRENCY

GROUP SEK million	Assets and liabilities	Derivatives
AUD	-478	478
CAD	-36	36
CHF	-7,183	7,183
DKK	0	0
EUR	-57,003	57,191
GBP	-450	450
JPY	-4,039	4,039
NOK	-2,255	2,255
USD	-2,921	2,495
ZAR	-608	608
<b>Total</b>	<b>-74,974</b>	<b>74,736</b>

### NOMINAL AMOUNTS, ASSETS, LIABILITIES AND DERIVATIVES IN FOREIGN CURRENCY

PARENT COMPANY SEK million	Assets and liabilities	Derivatives
AUD	-478	478
CAD	-36	36
CHF	-2,958	2,958
DKK	0	0
EUR	-14,211	14,386
GBP	-450	450
JPY	-4,039	4,039
NOK	191	-191
USD	-2,584	2,158
ZAR	-608	608
<b>Total</b>	<b>-25,172</b>	<b>24,923</b>

Cont. NOTE 2d Risk management – Market risk

INTEREST PERIODS FOR FINANCIAL ASSETS AND LIABILITIES

GROUP SEK million	2015							2014						
	Without interest period	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	Without interest period	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
<b>ASSETS</b>														
Cash and balances from central banks	-	0	-	-	-	-	0	-	0	-	-	-	-	0
Eligible securities	-	435	0	1,504	11,765	609	14,313	-	662	0	2,104	10,443	2,348	15,557
Lending to credit institutions	-	3,456	-	-	-	-	3,456	-	7,437	-	-	-	-	7,437
Lending to the public	15	200,788	12,727	15,414	63,853	4,184	296,981	-	158,505	14,561	18,992	66,105	3,282	261,445
Change in fair value of interest-rate-hedged loan receivables	-	18	39	73	392	26	548	-	33	43	98	631	132	937
Bonds and other interest-bearing securities	-	6,024	640	3,101	38,021	1,928	49,714	-	5,443	933	1,843	30,189	3,927	42,335
Derivative instruments	-	-5,622	3,466	427	6,820	2,102	7,193	-	-8,937	409	519	14,065	3,352	9,408
Other assets	2,273	-	-	-	-	-	2,273	1,429	-	-	-	-	-	1,429
<b>Total financial assets</b>	<b>2,288</b>	<b>205,099</b>	<b>16,872</b>	<b>20,519</b>	<b>120,851</b>	<b>8,849</b>	<b>374,478</b>	<b>1,429</b>	<b>163,144</b>	<b>15,946</b>	<b>23,556</b>	<b>121,433</b>	<b>13,041</b>	<b>338,549</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	-	5,111	-	-	-	-	5,111	-	7,284	-	-	-	-	7,284
Deposits from the public	-	76,544	20	22	54	0	76,640	-	60,443	21	73	73	-	60,610
Debt securities in issue, etc.	-	56,987	30,708	18,074	131,776	26,659	264,204	-	57,659	22,704	14,004	119,548	29,253	243,168
Derivative instruments	-	7,222	-3,576	-489	2,084	-47	5,194	-	4,339	-2,740	1,031	3,445	1,188	7,263
Other liabilities	3,550	-	-	-	-	-	3,550	3,626	-	-	-	-	-	3,626
Subordinated debt	-	5,038	1,726	0	1,180	0	7,944	-	800	2,316	848	1,982	-	5,946
<b>Total financial liabilities</b>	<b>3,550</b>	<b>150,902</b>	<b>28,878</b>	<b>17,607</b>	<b>135,094</b>	<b>26,612</b>	<b>362,643</b>	<b>3,626</b>	<b>130,525</b>	<b>22,301</b>	<b>15,955</b>	<b>125,048</b>	<b>30,441</b>	<b>327,896</b>
Difference assets and liabilities	-1,262	54,197	-12,006	2,912	-14,243	-17,763	11,835	-2,197	32,618	-6,355	7,601	-3,615	-17,400	10,653

PARENT COMPANY SEK million	2015							2014						
	Without interest period	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	Without interest period	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
<b>ASSETS</b>														
Cash and balances from central banks	-	0	-	-	-	-	0	-	0	-	-	-	-	0
Eligible securities	-	435	0	1,504	11,765	609	14,313	-	662	0	2,104	10,443	2,348	15,557
Lending to credit institutions	-557	17,720	-	-	-	-	17,163	45	35,778	-	-	-	-	35,823
Lending to the public	15	73,594	1,315	2,672	3,406	205	81,207	-	37,144	855	1,423	4,037	408	43,866
Change in fair value of interest-rate-hedged loan receivables	-	-	5	-	-	-	5	-	-	2	-	9	-	11
Bonds and other interest-bearing securities	-	6,024	640	3,101	38,021	1,928	49,714	-	5,443	933	1,843	30,189	3,927	42,335
Derivative instruments	-	-1,722	1,708	185	5,497	762	6,430	-	-6,079	491	326	10,486	2,576	7,800
Other assets	1,459	-	-	-	-	-	1,459	932	-	-	-	-	-	932
<b>Total financial assets</b>	<b>917</b>	<b>96,051</b>	<b>3,668</b>	<b>7,462</b>	<b>58,689</b>	<b>3,504</b>	<b>170,290</b>	<b>977</b>	<b>72,949</b>	<b>2,280</b>	<b>5,696</b>	<b>55,164</b>	<b>9,259</b>	<b>146,324</b>
<b>LIABILITIES</b>														
Liabilities to credit institutions	-	2,973	-	-	-	-	2,973	-	3,250	-	-	-	-	3,250
Deposits from the public	-	76,544	20	22	54	0	76,639	-	60,443	21	73	73	-	60,610
Debt securities in issue, etc.	-	38,194	11,744	2,018	24,646	324	76,925	-	30,180	8,175	751	21,192	7,884	68,182
Derivative instruments	-	1,506	-2,057	535	5,773	1,021	6,778	-	-1,557	-2,740	1,105	9,935	2,361	9,103
Other liabilities	1,342	-	-	-	-	-	1,342	1,142	-	-	-	-	-	1,142
Subordinated debt	-	5,038	1,726	-	1,180	-	7,943	-	800	2,316	848	1,982	-	5,946
<b>Total financial liabilities</b>	<b>1,342</b>	<b>124,255</b>	<b>11,433</b>	<b>2,575</b>	<b>31,653</b>	<b>1,345</b>	<b>172,600</b>	<b>1,142</b>	<b>93,117</b>	<b>7,771</b>	<b>2,777</b>	<b>33,182</b>	<b>10,245</b>	<b>148,233</b>
Difference assets and liabilities	-425	-28,204	-7,765	4,887	27,036	2,159	-2,310	-164	-20,168	-5,491	2,919	21,982	-986	-1,909



## NOTE 2e Risk management – Operational risk

Operational risk means the risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events. The definition includes legal risk.

### Risk management

Within SBAB, risk management consists of uniform measurement and reporting of operational risk. An analysis of risk levels in all operations is conducted on a regular basis and reported to the Board, the CEO and the Executive Management. The Operational Risk & Security functions within the Credit and Risk departments have overall responsibility for the methods and procedures used for identifying, governing, controlling and reporting on operational risk, including follow-up. The work on identifying and managing operational risks is conducted against a backdrop of SBAB's strict view of risk and compliance while striving to optimise risk management. SBAB strives to continuously develop and improve the methods used for identifying and managing operational risks. This entails constant efforts to improve the bank's risk culture and procedures to manage operational risk and incidents effectively and proactively.

### Self-evaluation

The self-evaluation process encompasses identification of risks in all units, measurement of identified risks and management of significant risks. The result of the self-evaluation is reported annually to the Board, the CEO and the Executive Management. The entire business uses a common method for self-evaluation of operational risk, and the method is further used to cover all key processes within the bank.

### Incident management and reporting

SBAB has procedures and systems support intended to facilitate the reporting and follow-up of incidents. The Operational Risk & Security function supports the operations in the reporting and analysis, to ensure that root causes are identified and suitable measures are implemented. Even incidents that have not caused direct damage or financial loss are reported, to promote proactive risk management.

### Process for approving changes (GFF)

SBAB has a process for the approval of new or significantly altered products, services, markets, processes and IT-systems as well as major operational and organisational changes in SBAB. The purpose of GFF is the proactive identification and management of operational risks related to change.

### Security and contingency management

At SBAB, security involves protecting customers, individuals, information and physical assets. Information must be kept confidential and be reliable and accurate, and it must be made available to the appropriate people as and when needed. SBAB's security efforts include technical, organisational and administrative measures, and they are based on the international information security standard ISO/IEC 27000. SBAB works in a pre-emptive manner to prevent security incidents that may affect the its

ability to operate. A crisis management organisation is responsible for crisis management and for management and communication in case of serious incidents, crises or disasters. The crisis management work is conducted with support from the continuity plan, contingency plans and recovery plans.

### IT governance

The Operational Risk & Security function sets the requirements for the overall IT governance principles in SBAB's operations in accordance with FFFS 2014:5. The overall goal of IT governance is to create operative processes for measuring, evaluating and adapting IT in order to optimise resources. The purpose is to create value for SBAB, manage IT-related risk and create information to support decision-making and transparency for the Executive Management and the Board regarding IT.

### Capital requirements for operative risks

SBAB uses the standardised approach to assess capital requirements for operational risks. This approach entails that the capital requirement is based on 12–18 percent of the average operating income of the business areas for the past three years. Capital requirements for operational risks are presented in the Table Capital requirements (Note 2i).

## NOTE 2f Risk management – Business risk

By business risk, SBAB means the risk of declining earnings due to harsher competition, inappropriate strategies or erroneous decisions. Business risk includes strategic risk, reputation risk and margin risk, which arise when the interest margins on lending and borrowing have different maturities.

Business risk is included in the calculation of the capital requirement, as part of SBAB's stress tests.

## NOTE 2g Risk management – Concentration risk

Concentration risk arises when major exposures or exposures in the loan portfolio are concentrated to certain counterparties, regions or industries. SBAB is primarily considered to be exposed to credit-risk related concentration risk in its lending operations. The concentration risk is calculated based on the size of the exposures, industry concentration and geographical concentration. The entire capital requirement for concentration risk is included in the economic capital for credit risk. Upon calculation at 31 December 2015, the internally calculated capital requirement for concentration risk amounted to SEK 562 million (346), of which SEK 521 million (321) pertained to credit risk in the lending operations and SEK 41 million (25) to credit risk in the funding operations.

## NOTE 2h Risk management – Internal capital adequacy assessment

### Internal capital adequacy assessment

Within the framework of Pillar 2, the Basel regulations impose the requirement that the banks' management and assessment of risks must be satisfactory to ensure that the banks can fulfil their obligations. In order to fulfil this requirement, the banks must have methods that enable them to continuously evaluate and uphold capital in an amount, type and distribution sufficient to cover the risks to which they are or will become exposed. This is called the internal capital adequacy assessment process (ICAAP).

The purpose of the ICAAP is to identify, evaluate and manage the risks to which SBAB is exposed and ensure that the Group has sufficient own funds for its selected risk profile. The ICAAP is revised annually to identify changes in the operating environment and changed regulations and supervisory practices that continuously affect the Group's performance. The amount of own funds required to manage the combined risk in the operations is based primarily on the calculation of SBAB's economic capital. However, if the economic capital for risks included in Pillar 1 is less than the capital requirements under Pillar 1 for a given type of risk, the capital requirements under Pillar 1 are applied.

In addition, consideration is given to the risk associated with deteriorating market conditions, which is illustrated in conjunction with stress tests. What is finally taken into account is the impact on profit or loss caused by a valuation effect on primarily basis swap spreads arising due to accounting regulations for basis swaps that are not subject to hedge accounting. The valuation effect is not estimated to affect risk in the operations, apart from the impact on own funds.

Within the Pillar 2 framework, the risk weight floor applied to Swedish residential mortgages by the Swedish Financial Supervisory Authority in its supervisory practices is considered. Since September 2014, the risk weight floor has been 25 percent. The internal capital requirement is reported both including and excluding the risk weight floor.

Taken together, the above comprise the capital that, in accordance with Basel III, is required to meet all risks in the operations. Additional information on the internal capital adequacy assessment can be found in the document "Capital Adequacy and Risk Management 2015," which is published on [www.sbab.se](http://www.sbab.se)

For the Parent Company, the internally assessed capital requirement amounted to SEK 5,525 million (2,884).

			EXCLUSIVE OF THE RISK WEIGH FLOOR	INCLUSIVE OF THE RISK WEIGHT FLOOR
		Pillar 1	Internally assessed capital requirements	Internally assessed capital requirements
Pillar 1	Credit risk	2,672	2,672	2,672
	Market risk	149	149	149
	Operational risk	239	239	239
Pillar 2	Credit risk <sup>1)</sup>		1,101	
	Market risk		1,006	1,006
	Operational risk		111	111
	Risk weight floor			6,175
	Concentration risk		562	562
	State risk		67	67
	Pension risk		21	21
Buffers	Earnings volatility		228	228
	Capital conservation buffer	956	956	956
	Capital planning buffer <sup>2)</sup>		1,414	0
	Countercyclical buffer	379	379	379
<b>Total</b>		<b>4,395</b>	<b>8,905</b>	<b>12,565</b>

<sup>1)</sup> 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.

<sup>2)</sup> 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.

## NOTE 2i Risk management – Capital adequacy analysis

### Regulatory framework

New common regulations on supervisory requirements for credit institutions were adopted by the EU and have been applied since 1 January 2014. The purpose of the rules is in part to make institutions more resilient to new crises, in part to raise confidence in the institutions' ability to manage new crises. The regulations include proposals for higher capital requirements, stricter demands on capital quality, the introduction of a non-risk-based measurement (debt/equity ratio) and quantitative liquidity requirements.

Within the framework of these regulations, the Swedish Financial Supervisory Authority has adopted a national risk weight floor of 25 percent for residential mortgage to Swedish households within Pillar 2. Banks that are considered systemic will be subject to additional capital requirements. SBAB is not subject to these requirements.

In November 2014, the Swedish Financial Supervisory Authority announced that an amortisation requirement would be introduced for new residential mortgages. According to this requirement, new residential mortgages were to be amortised by 2 percent of the initial loan until a loan to value ratio of 70 percent was reached, and thereafter by 1 percent down to a loan-to-value ratio of 50 percent. The requirement never entered into force during the year, but a new proposal with a similar content was presented on 18 December 2015. For the Swedish Financial Supervisory Authority's proposal to enter into force, it is required that the legislative change and authorisation proposed by the Swedish Government is adopted by the Swedish Riksdag (parliament). The Swedish Government must further authorise the Swedish Financial Supervisory Authority to determine the details of the regulation. As an amortisation requirement may have far-reaching impact on individual households, the regulations must also be approved by the Swedish Government before entering into force.

Moreover, the rate of change in the regulatory frameworks has remained high. Over the year, EBA and the Basel Committee presented additional proposals for changes, aimed at increasing transparency and make institution more resilient to disruptions in the market. Proposals have been submitted regarding new common reporting rules and a new standardised method that involves an increased requirement for Common Equity Tier 1 capital.

Future rules in IFRS 9 will regulate a new method used for credit risk provisions. SBAB is working on devising a model for this. It is still too early to express a view on the impact this will have on the size of the provision, and therefore also on own capital.

### SBAB's capital position

SBAB is well capitalized, and to retain a strong capital position, SBAB's Board of Directors has adopted a new policy for capital. The Common Equity Tier 1 capital ratio shall exceed the internally assessed Common Equity Tier 1 capital requirement by 1.5 percent of the risk exposure amount, and the total capital ratio shall exceed the internally assessed own capital requirement by 1.5 percent of the risk exposure amount. By means of a strong capital position and good risk management, SBAB meets the supervisory rules adopted by the EU.

### COMPANIES INCLUDED IN THE CONSOLIDATED SITUATION

Company	Corporate Identity Number	Ownership share	Consolidation method used in the accounts	Consolidation method used for capital adequacy
SBAB Bank AB (publ)	556253-7513	Parent Company	–	–
AB Sveriges Sakerstallda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)	56645-9755	100%	Acquisition method	Acquisition method

### Debenture loans

Subordinated debt may be included in the calculation of Tier 1 capital if certain conditions are present according to the transitional regulations of the CRR and the Swedish Financial Supervisory Authority has given its consent. SBAB received such consent for four debenture loans with a nominal value of SEK 2,500 million (see Note 32), of which two loans totalling SEK 1,500 million were concluded during the year and included in own capital as Tier 1 capital. Two debenture loans with a nominal value of SEK 1,000 million have an incentive to redeem (step-up), of which SEK 994 million have been included in own capital as Tier 1 capital, according to the transitional rules. Tier 2 capital was SEK 5,447 million, of which SEK 3,447 million was subscribed in 2015. Two previously concluded debenture loans of SEK 2,000 million and JPY 10,000 were redeemed during the year.

Debenture loans are subordinate to the Parent Company's other liabilities, and debenture loans that are included in Tier 1 capital are subordinate to other debenture

loans. For a specification of the own funds and the complete terms and conditions for debenture loans in accordance with Commission Implementing Regulation (EU) No 1423/2013, please refer to the document under "Risk management" at sbab.se. The complete terms and conditions for each debenture loans are specified in the same place. For further information on debenture loans, also refer to Note 32.

SBAB has entered into an agreement to acquire 71 percent of Booli Search Technologies AB. The purpose of the acquisition is to strengthen SBAB's position as an institutions focused on housing, thereby increasing competitiveness within residential mortgages and housing financing. It is estimated that the acquisition will only have a marginal effect on SBAB's capital position.

SBAB primarily recognises credit risk in accordance with the IRB approach, and operational and market risk in accordance with the standardised approach. Profit for the year is included in the calculation of own funds and Tier 1 capital. Dividends calculated according to SBAB's dividend policy have been deducted. However, considering future capital requirements and the uncertainty regarding these, the Board of Directors proposes that no dividends be paid.

The SBAB Group has no securitised loans of its own and has not contributed to any other institution's securitisation.

Section 2h contains a summary of the method used to assess the internal capital requirement.

### Own funds

SBAB's own funds comprise equity as well as additional Tier 1 instruments and Tier 2 capital consisting of subordinated debentures. SBAB's own funds amounted to SEK 18,867 million (15,307) as per 31 December 2015. Over the year, the Common Equity Tier 1 capital was affected by the fact that net profit/loss for the period was added and the estimated dividend was deducted. The surplus has been verified by the Company's auditors, in accordance with Article 26, item 2, of the CRR.

According to Article 35 of the CRR, the institution shall, except in the case of the items referred to in Article 33, not make adjustments to remove from own funds unrealised gains or losses on assets or liabilities measured at fair value. According to this Article, SEK 264 million (76) have been added to Common Equity Tier 1 capital.

According to Article 33, item 1, of the CRR, part of the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows, shall not be included in own funds. The Common Equity Tier 1 capital has been adjusted for SEK 236 million (100) in cash flow hedges.

Changes in fair value that depend on the institution's own credit standing and that are related to derivative instruments have affected the Common Equity Tier 1 capital with SEK 25 million (2), in accordance with Article 33, item b.

With reference to Articles 34 and 105 of the CRR, SEK 67 million (70) has been deducted due to the requirements for prudent valuation.

A deduction of SEK 46 million (43) for intangible assets and a deduction of SEK 83 million (84) for net provisions were made, in accordance with Article 36.

### Consolidated situation

The table below lists the companies that are included in the consolidated situation within the SBAB Group. There are no on-going or unforeseen material obstacles or legal barriers to a rapid transfer of funds from own funds other than what is stipulated in the terms and conditions governing subordinated debentures (see Note 32) or what is generally stipulated by the Companies Act.

### Consolidated situation

#### Disclosure of own funds during a transitional period

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

No amounts are subject to the provisions preceding Regulation (EU) No 575/2013 ("CRR") or the prescribed residual amount according to Regulation (EU) No 575/2013.





OWN CAPITAL GROUP, SEK million	Amount as per 31 December 2015	Amount as per 31 December 2014
<b>Common Equity Tier 1 instruments: Instruments and reserves</b>		
Capital instruments and associated share premium reserves	1,958	1,958
Retained earnings	8,464	7,710
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses according to applicable accounting standards)	264	76
Interim profit/loss after deduction of foreseeable costs and dividends, verified by persons in an independent position	697	754
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>11,383</b>	<b>10,498</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
Additional value adjustments (negative amount)	-67	-70
Intangible assets (net after deduction for associated tax liabilities) (negative amount)	-46	-43
Reserves in fair value related to profit or loss on cash flow hedging	-236	-100
Negative amounts following the calculation of expected loss amounts	-83	-84
Gains or losses on liabilities valued at fair value that result from changes in the own credit standing of the institution	-25	-2
<b>Total regulatory adjustments to the Common Equity Tier 1 capital</b>	<b>-457</b>	<b>-299</b>
<b>Common Equity Tier 1 capital</b>	<b>10,926</b>	<b>10,199</b>
<b>Additional Tier 1 instruments: Instruments</b>		
Capital instruments and associated share premium reserves	1,500	-
<i>of which classified as liabilities according to applicable accounting standards</i>	1,500	-
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
<b>Additional Tier 1 instruments before regulatory adjustments</b>	<b>2,494</b>	<b>2,395</b>
<b>Additional Tier 1 instruments: Regulatory adjustments</b>		
<b>Total regulatory adjustments of additional Tier 1 instruments</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 instruments</b>	<b>2,494</b>	<b>2,395</b>
<b>Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + additional Tier 1 instruments)</b>	<b>13,420</b>	<b>12,594</b>
<b>Tier 2 capital: Instruments and provisions</b>		
Capital instruments and associated share premium reserves	5,447	2,599
Amount for qualified items referred to in Article 484(5) and associated share premium reserves that are phased out from Tier 2 capital	-	114
<b>Tier 2 capital before regulatory adjustments</b>	<b>5,447</b>	<b>2,713</b>
<b>Tier 2 capital. Regulatory adjustments</b>		
<b>Total regulatory adjustments of Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Tier 2 capital</b>	<b>5,447</b>	<b>2,713</b>
<b>Total capital (total capital = Tier 1 capital + Tier 2 capital)</b>	<b>18,867</b>	<b>15,307</b>
<b>Total risk-weighted assets</b>	<b>38,244</b>	<b>34,247</b>
<b>Capital ratios and buffers</b>		
Common Equity Tier 1 capital (as a percentage of the risk-weighted exposure amount), %	28.6	29.8
Tier 1 capital (as a percentage of the risk-weighted exposure amount), %	35.1	36.8
Total capital (as a percentage of the risk-weighted exposure amount), %	49.3	44.7
Institution-specific buffer requirements (common equity Tier 1 capital requirement according to Article 92(1)(a) plus capital conservation buffer requirement and countercyclical capital buffer, plus systemic risk buffer, plus buffer for systemic institutions (G-SII buffer and O-SII buffer) expressed as a percentage of the risk-weighted exposure amount, %	8.0	7.0
<i>of which, capital conservation buffer requirement, %</i>	2.5	2.5
<i>of which, countercyclical buffer requirement, %</i>	1.0	-
<i>of which, systemic risk buffer requirement, %</i>	-	-
<i>of which, G-SII buffer and O-SII buffer, %</i>	-	-
Common Equity Tier 1 capital, available for use as a buffer (as a percentage of the risk-weighted exposure amount), %	24.1	25.3
<b>Capital instruments that are subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>		
Current ceiling for additional Tier 1 instruments that are subject to phase-out arrangements	2,096	2,395
Amount excluded from additional Tier 1 instruments due to the ceiling (amounts that exceed the ceiling after redemption and maturity)	-	599
Current ceiling for Tier 2 instruments that are subject to phase-out arrangements	910	1,040

Cont. **NOTE 2i** Risk management – Capital adequacy analysis

## CONSOLIDATED SITUATION

OWN CAPITAL GROUP, SEK million	Capital requirements 31 December 2015	Risk exposure amount 31 December 2015	Capital requirements 31 December 2014	Risk exposure amount 31 December 2014
<b>Credit risk recognised in accordance with IRB approach</b>				
Exposure to corporates	864	10,795	558	6,975
Retail exposures	1,128	14,103	1,028	12,851
<i>of which, exposures to small and medium-sized companies</i>	130	1,628	139	1,737
<i>of which, exposures to tenant-owner rights, single-family dwellings and holiday homes</i>	998	12,475	889	11,114
<b>Total exposure recognised in accordance with IRB approach</b>	<b>1,992</b>	<b>24,898</b>	<b>1,586</b>	<b>19,826</b>
<b>Credit risk recognised in accordance with the standardised approach</b>				
Exposures to central governments and central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions <sup>1)</sup>	122	1,526	111	1,388
<i>of which, derivatives listed in CRR, Annex II</i>	120	1,505	103	1,291
<i>of which, repos</i>	1	14	7	85
Exposure to corporates	1	15	146	1,829
Retail exposures	168	2,106	143	1,783
Defaulted exposures	1	7	1	10
Exposures in the form of covered bonds	237	2,957	59	744
Exposures to institutions and corporates with a short-term credit assessment	1	15	7	86
Exposures in the form of shares or units in collective investment undertakings (funds)	–	–	20	253
Other items	58	730	86	1,070
<b>Total exposure in accordance with the standardised approach</b>	<b>588</b>	<b>7,356</b>	<b>573</b>	<b>7,163</b>
<b>Market risk</b>	<b>149</b>	<b>1,856</b>	<b>337</b>	<b>4,210</b>
<i>of which, position risk</i>	105	1,314	279	3,491
<i>of which, currency risk</i>	44	542	58	719
<b>Operational risk</b>	<b>239</b>	<b>2,989</b>	<b>164</b>	<b>2,047</b>
<b>Credit Value Adjustment risk</b>	<b>92</b>	<b>1,145</b>	<b>80</b>	<b>1,001</b>
<b>Total minimum capital requirement and risk exposure amount</b>	<b>3,060</b>	<b>38,244</b>	<b>2,740</b>	<b>34,247</b>
<b>Capital requirements for capital conservation buffer</b>	<b>956</b>		<b>856</b>	
<b>Capital requirements for countercyclical buffer</b>	<b>379</b>		–	
<b>Total capital requirements</b>	<b>4,395</b>	<b>38,244</b>	<b>3,596</b>	<b>34,247</b>

<sup>1)</sup> The risk-weighted exposure amount for counterparty risk according to CRR, Article 92, item 3(f), amounts to SEK 1,519 million (1,376).

Disclosure of own funds during a transitional period.

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

No amounts are subject to the provisions preceding Regulation (EU) No 575/2013 ("CRR") or the prescribed residual amount according to Regulation (EU) No 575/2013.



OWN CAPITAL GROUP, SEK million	Amount as per 31 December 2015	Amount as per 31 December 2014
<b>Common Equity Tier 1 instruments: Instruments and reserves</b>		
Capital instruments and associated share premium reserves	1,958	1,958
Retained earnings	5,781	6,246
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses according to applicable accounting standards)	-14	-4
Interim profit/loss after deduction of foreseeable costs and dividends, verified by persons in an independent position	-117	0
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>7,608</b>	<b>8,200</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
Additional value adjustments (negative amount)	-68	-70
Intangible assets (net after deduction for associated tax liabilities) (negative amount)	-13	-13
Reserves in fair value related to profit or loss on cash flow hedging	5	-
Negative amounts following the calculation of expected loss amounts	-49	-49
Gains or losses on liabilities valued at fair value that result from changes in the own credit standing of the institution	-24	-2
<b>Total regulatory adjustments to the Common Equity Tier 1 capital</b>	<b>-149</b>	<b>-134</b>
<b>Common Equity Tier 1 capital</b>	<b>7,459</b>	<b>8,066</b>
<b>Additional Tier 1 instruments: Instruments</b>		
Capital instruments and associated share premium reserves	1,500	-
<i>of which classified as liabilities according to applicable accounting standards</i>	1,500	-
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
<b>Additional Tier 1 instruments before regulatory adjustments</b>	<b>2,494</b>	<b>2,395</b>
<b>Additional Tier 1 instruments: Regulatory adjustments</b>		
<b>Total regulatory adjustments of additional Tier 1 instruments</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 instruments</b>	<b>2,494</b>	<b>2,395</b>
<b>Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + additional Tier 1 instruments)</b>	<b>9,953</b>	<b>10,461</b>
<b>Tier 2 capital: instruments and allocations</b>		
Capital instruments and associated share premium reserves	5,447	2,599
Amount for qualified items referred to in Article 484(5) and associated share premium reserves that are phased out from Tier 2 capital	-	114
<b>Tier 2 capital before regulatory adjustments</b>	<b>5,447</b>	<b>2,713</b>
<b>Tier 2 capital. Regulatory adjustments</b>		
<b>Total regulatory adjustments of Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Tier 2 capital</b>	<b>5,447</b>	<b>2,713</b>
<b>Total capital (total capital = Tier 1 capital + Tier 2 capital)</b>	<b>15,400</b>	<b>13,174</b>
<b>Total risk-weighted assets</b>	<b>33,295</b>	<b>28,363</b>
<b>Capital ratios and buffers</b>		
Common Equity Tier 1 capital (as a percentage of the risk-weighted exposure amount), %	22.4	28.4
Tier 1 capital (as a percentage of the risk-weighted exposure amount), %	29.9	36.9
Total capital (as a percentage of the risk-weighted exposure amount), %	46.3	46.4
Institution-specific buffer requirements (common equity Tier 1 capital requirement according to Article 92(1)(a) plus capital conservation buffer requirement and countercyclical capital buffer, plus systemic risk buffer, plus buffer for systemic institutions (G-SII buffer and O-SII buffer) expressed as a percentage of the risk-weighted exposure amount, %	8.0	7.0
<i>of which, capital conservation buffer requirement, %</i>	2.5	2.5
<i>of which, countercyclical buffer requirement, %</i>	1.0	-
<i>of which, systemic risk buffer requirement, %</i>	-	-
<i>of which, G-SII buffer and O-SII buffer, %</i>	-	-
Common Equity Tier 1 capital, available for use as a buffer (as a percentage of the risk-weighted exposure amount), %	17.9	23.9
<b>Capital instruments that are subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>		
Current ceiling for additional Tier 1 instruments that are subject to phase-out arrangements	2,096	2,395
Amount excluded from additional Tier 1 instruments due to the ceiling (amounts that exceed the ceiling after redemption and maturity)	-	599
Current ceiling for Tier 2 instruments that are subject to phase-out arrangements	910	1,040

Cont. **NOTE 2i** Risk management – Capital adequacy analysis

OWN CAPITAL GROUP SEK million	Capital requirements 31 December 2015	Risk exposure amount 31 December 2015	Capital requirements 31 December 2014	Risk exposure amount 31 December 2014
<b>Credit risk recognised in accordance with IRB approach</b>				
Exposure to corporates	484	6,052	188	2,341
Retail exposures	500	6,247	343	4,292
<i>of which, exposures to small and medium-sized companies</i>	52	648	35	436
<i>of which, exposures to tenant-owner rights, single-family dwellings and holiday homes</i>	448	5,599	308	3,856
<b>Total exposure recognised in accordance with IRB approach</b>	<b>984</b>	<b>12,299</b>	<b>531</b>	<b>6,633</b>
<b>Credit risk recognised in accordance with the standardised approach</b>				
Exposures to central governments and central banks	10	129	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions <sup>1)</sup>	95	1,190	74	925
<i>of which, derivatives listed in CRR, Annex II</i>	95	1,186	71	886
<i>of which, repos</i>	-	-	2	31
Exposure to corporates	1	15	145	1,817
Retail exposures	168	2,106	142	1,770
Defaulted exposures	1	7	1	10
Exposures in the form of covered bonds	237	2,957	59	744
Exposures to institutions and corporates with a short-term credit assessment	2	19	7	84
Exposures in the form of shares or units in collective investment undertakings (funds)	-	-	20	254
Share exposures	824	10,300	824	10,300
Other items	8	105	7	90
<b>Total exposure in accordance with the standardised approach</b>	<b>1,346</b>	<b>16,828</b>	<b>1,279</b>	<b>15,994</b>
<b>Market risk</b>	<b>120</b>	<b>1,498</b>	<b>299</b>	<b>3,733</b>
<i>of which, position risk</i>	105	1,314	279	3,491
<i>of which, currency risk</i>	15	184	20	242
<b>Operational risk</b>	<b>137</b>	<b>1,709</b>	<b>112</b>	<b>1,402</b>
<b>Credit Value Adjustment risk</b>	<b>77</b>	<b>961</b>	<b>48</b>	<b>601</b>
<b>Total minimum capital requirement and risk exposure amount</b>	<b>2,664</b>	<b>33,295</b>	<b>2,269</b>	<b>28,363</b>
<b>Capital requirements for capital conservation buffer</b>	<b>832</b>		<b>709</b>	
<b>Capital requirements for countercyclical buffer</b>	<b>330</b>		-	
<b>Total capital requirements</b>	<b>3,826</b>	<b>33,295</b>	<b>2,978</b>	<b>28,363</b>

<sup>1)</sup> The risk weighted exposure amount for counterparty risk according to Article 92, item 3f, of CRR amounts to SEK 1,186 million (917).



CAPITAL ADEQUACY SEK million	CONSOLIDATED SITUATION		PARENT COMPANY		SCBC	
	2015	2014	2015	2014	2015	2014
Common Equity Tier 1 capital	10,926	10,199	7,459	8,066	13,906	12,700
Tier 1 capital	13,420	12,594	9,953	10,461	13,906	12,700
<b>Total capital</b>	<b>18,867</b>	<b>15,307</b>	<b>15,400</b>	<b>13,174</b>	<b>13,906</b>	<b>12,700</b>
<b>Without transitional regulations</b>						
Risk exposure amount	38,244	34,247	33,295	28,363	16,151	17,565
Common Equity Tier 1 capital ratio, %	28.6	29.8	22.4	28.4	86.1	72.3
Excess Common Equity Tier 1 capital	9,205	8,658	5,961	6,790	13,179	11,909
Tier 1 capital ratio, %	35.1	36.8	29.9	36.9	86.1	72.3
Excess Tier 1 capital	11,125	10,539	7,955	8,760	12,937	11,646
Total capital ratio, %	49.3	44.7	46.3	46.4	86.1	72.3
Excess total capital	15,807	12,567	12,737	10,905	12,614	11,295
<b>With transitional rules</b>						
Own funds	18,950	15,392	15,449	13,223	13,940	12,736
Risk exposure amount	165,830	142,975	50,414	29,938	115,555	113,258
Total capital ratio, %	11.4	10.8	30.6	44.2	12.1	11.2

## NOTE 3 Net interest income

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Interest income</b>				
Lending to credit institutions	-23	93	472	1,284
Lending to the public <sup>1)</sup>	5,643	7,343	978	1,179
Interest-bearing securities	796	966	796	966
Derivatives	-1,293	-1,141	-827	-671
<b>Total interest income</b>	<b>5,123</b>	<b>7,261</b>	<b>1,419</b>	<b>2,758</b>
<i>of which, interest income from financial assets that is not measured at fair value through the income statement</i>	<i>5,698</i>	<i>7,454</i>	<i>1,528</i>	<i>2,482</i>
<b>Interest expenses</b>				
Liabilities to credit institutions	28	-86	24	-30
Deposits from the public	-572	-893	-572	-893
Debt securities in issue	-4,302	-5,540	-985	-1,575
Subordinated debt	-279	-317	-279	-317
Derivatives	2,474	1,712	585	418
Other	-30	-26	-31	-26
<b>Total interest expense</b>	<b>-2,681</b>	<b>-5,150</b>	<b>-1,258</b>	<b>-2,423</b>
<i>of which, interest expense from financial liabilities that is not measured at fair value through the income statement</i>	<i>-5,155</i>	<i>-6,862</i>	<i>-1,843</i>	<i>-2,841</i>
<b>Net interest income</b>	<b>2,442</b>	<b>2,111</b>	<b>161</b>	<b>335</b>

<sup>1)</sup> Includes interest income from doubtful receivables of SEK 2 million (1).

## NOTE 4 Dividends received

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Dividends received</b>				
Dividend income from FriSpar Kreditkonsult AB joint venture	-	-	-	20
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>

## NOTE 5 Commission

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Commission income</b>				
Commission on lending	25	17	15	8
Other commission	36	30	67	47
<b>Total</b>	<b>61</b>	<b>47</b>	<b>82</b>	<b>55</b>
<b>Commission expense</b>				
Commission on securities	-34	-41	-21	-23
Stability fee	-129	-116	-58	-50
<b>Total</b>	<b>-163</b>	<b>-157</b>	<b>-79</b>	<b>-73</b>
<b>Commission, net</b>	<b>-102</b>	<b>-110</b>	<b>3</b>	<b>-18</b>

## NOTE 6 Net income/expense from financial instruments measured at fair value/Net income/expense from financial transactions

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Gains/losses on interest-bearing financial instruments</b>				
- Securities measured at fair value through the income statement	-411	1,401	-411	1,401
- Change in value of hedged items in hedge accounting	1,505	-1,581	516	-762
- Realised income/expense from financial liabilities	-113	-122	-31	-12
- Derivative instruments in hedge accounting	-1,406	1,990	-458	916
- Other derivative instruments	307	-1,183	295	-1,286
- Loan receivables	113	89	7	17
<b>Currency translation effects</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-3</b>
<b>Gains/losses on shares and participations measured at fair value through the income statement</b>	<b>8</b>	<b>28</b>	<b>8</b>	<b>29</b>
<b>Total</b>	<b>1</b>	<b>620</b>	<b>-76</b>	<b>300</b>

## NOTE 7 Other operating income

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Administrative services on behalf of subsidiary	-	-	625	822
Other operating income	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>625</b>	<b>822</b>

## NOTE 8 Personnel costs

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Salaries and other remuneration	-225	-257	-226	-259
Pension costs	-44	-44	-45	-51
Other social security expenses	-82	-93	-83	-94
Other personnel costs	-25	-20	-25	-20
<b>Total</b>	<b>-376</b>	<b>-414</b>	<b>-379</b>	<b>-424</b>

Restructuring costs amounted to SEK 1 million (23).

Salaries and other remuneration, SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
CEO	-5	-5	-5	-5
Senior executives who report directly to the CEO	-16	-15	-16	-15
Other employees	-205	-237	-205	-239
<b>Total salaries and other remuneration</b>	<b>-225</b>	<b>-257</b>	<b>-226</b>	<b>-259</b>

Board Members who are employed by the Parent Company receive remuneration and pension benefits as a result of their employment. No additional remuneration or pension benefits are paid for Board assignments.

No remuneration was paid to the CEO of the subsidiary Swedish Covered Bond Corporation (SCBC).

The number of senior executives who reported directly to the CEO as per the end of the year was 9 (7).

Average number of employees	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Women	235	262	235	262
Men	208	205	208	205
<b>Average number of employees</b>	<b>443</b>	<b>467</b>	<b>443</b>	<b>467</b>

Sickness absence, %	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Total sickness absence</b>	<b>3.9</b>	<b>2.8</b>	<b>3.9</b>	<b>2.8</b>
Women	2.3	3.4	2.3	3.4
Men	1.6	2.1	1.6	2.1
29 years or younger	3.1	2.5	3.1	2.5
30-49 years	4.1	2.7	4.1	2.7
50 years or older	4.1	3.2	4.1	3.2
Proportion of long-term sickness absence compared to total sickness absence that exceeded 60 days	52.4	33.3	52.4	33.3

### GENDER DISTRIBUTION AMONG SENIOR EXECUTIVES

Board of Directors	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Women	5	5	5	5
Men	5	5	5	5
<b>Total number of Board Members</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>

The Group includes the Board Members of the subsidiary Swedish Covered Bond Corporation (SCBC).

Executive Management	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Women	3	3	3	3
Men	7	4	7	4
<b>Total number of employees in Executive Management</b>	<b>10</b>	<b>7</b>	<b>10</b>	<b>7</b>

The Group includes the Managing Director of the subsidiary The Swedish Covered Bond Corporation (SCBC).

Form of employment	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Total number of employees at the end of the year</b>	<b>471</b>	<b>435</b>	<b>471</b>	<b>435</b>
<i>of whom, women, %</i>	53.5	55.6	53.5	55.6
<i>of whom, managers, %</i>	11.5	12.4	11.5	12.4
<i>of whom, female managers, %</i>	5.4	5.1	5.4	5.1
<i>of whom, temporary employees, %</i>	1.3	0.5	1.3	0.5
<i>of whom, part-time employees, %</i>	1.7	2.1	1.7	2.1

Personnel turnover	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Number of permanent employees who terminated employment during the year</b>	<b>58</b>	<b>78</b>	<b>58</b>	<b>78</b>
<i>of whom, women, %</i>	53.4	48.7	53.4	48.7
<i>of whom, 29 years or younger, %</i>	19.0	11.5	19.0	11.5
<i>of whom, 30-49 years, %</i>	69.0	66.7	69.0	66.7
<i>of whom, 50 years or older, %</i>	12.1	21.8	12.1	21.8

Cont. **NOTE 8** Personnel costs**Salary, remuneration and pension costs for the CEO**

No company car or non-cash benefits were provided to the CEO. The Company pays for a defined-contribution pension insurance plan amounting to 30 percent of the CEO's pensionable salary, although not longer than until age 65.

**Salaries and other remuneration**

Fringe benefits (subsidised interest rate, company car and sickness benefit) to senior executives who report directly to the CEO amounted to SEK 0.1 million (0.1). Salary and other remuneration were paid in the following amounts:

**SALARIES AND OTHER REMUNERATION AND PENSIONS TO SENIOR EXECUTIVES WHO REPORT DIRECTLY TO THE CEO**

Title, SEK million	2015			
	Period	Salary and other remuneration	Severance pay	Pension cost
Klas Danielsson, CEO	1 January–31 December 2015	4.6		1.4
Christine Ehnström, Chief Legal Counsel	1 January–31 December 2015	1.9		0.5
Mikael Inglander, CFO	1 January–31 December 2015	2.5		0.7
Peter Svensén CRO	1 January–31 December 2015	1.6		0.4
Elizabet Jönsson, Head of Retail Market	8 June–31 December 2015	0.8		0.1
Håkan Höijer, Head of Retail Market	1 January–7 June 2015	0.6		0.2
Elizabet Jönsson, Head of Communications & Business Development Officer	1 March–7 June 2015	0.4		0.3
Bror-Göran Pettersson, COO	1 January–31 December 2015	1.2		0.4
Daniel Ljungel, Head of Partner	1 March 2015–31 December 2015	1.0		0.2
Carina Eriksson, Head of HR	15 June–31 December 2015	0.9		0.3
Catharina Kandel, Head of HR	1 January–29 May 2015	0.2	1.1	0.1
Per O Dahlstedt, Head of Corporate Clients and Tenant-owner Associations	1 January–30 September 2015	1.7		0.3
Tim Pettersson, Head of Corporate Clients and Tenant-owner Associations	1 October–31 December 2015	0.4		0.1
Marie Ljungholm, Chief Compliance Officer	1 January–31 December 2015	1.3		0.3
Michael Sparreskog, Head of Internal Audit	1 January–31 December 2015	1.2		0.3
		<b>20.3</b>	<b>1.1</b>	<b>5.6</b>

In 2015, two organisational changes were implemented that had effect on the Executive Management. In March, the Business Development department was transferred from Retail to Communication, forming a new department: Communications and Business Development. In June, the next step of the change was implemented, and the Communications and Business Development department was transferred to

the newly formed Retail Market department. In connection with this change, customer services/sales Partner was transferred from the Retail business area to the Partner Market department. This change also resulted in the Head of Partner becoming a member of the Executive Management.

Title, SEK million	2014			
	Period	Salary and other remuneration	Severance pay	Pension cost
Carl-Viggo Östlund, CEO	1–13 January 2014	0.1	5.2	0.1
Per Anders Fasth, Acting CEO	14 January–13 August 2014	3.0		1.0
Klas Danielsson, CEO	14 August–31 December 2014	2.0		0.5
Christine Ehnström, Chief Legal Counsel & Deputy CEO <sup>1)</sup>	1 January–31 December 2014	1.9		0.4
Lennart Krän, CFO	1 January–5 May 2014	0.6	1.6	0.1
Mikael Inglander, CFO	1 September–31 December 2014	0.8		0.1
Peter Svensen, CRO	1 January–31 December 2014	1.6		0.4
Håkan Höijer, Head of Retail Market	1 January–30 September 2014	1.1		0.3
Sarah Bucknell, Head of Retail Market	1 October–31 December 2014	0.4		0.1
Eva Marell, Head of Partner	1 January–31 May 2014	0.4		0.1
Erik Perman, Acting Head of Partner	1 June–31 December 2014	0.5		0.2
Sarah Bucknell, Head of Business Development	1 January–30 September 2014	1.3		0.3
Jim Petersson, Head of IT	1 October–31 December 2014	0.2		0.0
Jonas Burvall, Head of Communications & HR	1–31 January 2014	0.1		0.0
Jonas Burvall, Head of Communications	1 February–30 April 2014	0.4	1.2	0.1
Catharina Kandel, Head of HR	1 February–31 December 2014	1.2		0.4
Per O Dahlstedt, Head of Corporate Clients and Tenant-owner Associations	1 January–31 December 2014	2.3		0.4
Marie Ljungholm, Chief Compliance Officer	1 January–31 December 2014	1.2		0.6
Michael Sparreskog, Head of Internal Audit	1 January–31 December 2014	1.1		0.4
		<b>20.2</b>	<b>8.0</b>	<b>5.5</b>

<sup>1)</sup> The Deputy CEO position ceased to exist as of 1 September 2014.



After preparation by SBAB's Remuneration Committee and based on the risk analysis for SBAB's remuneration system, the Board decided on an updated remuneration policy and the identification of specially regulated personnel, in accordance with the Swedish Financial Supervisory Authority's regulations and general guidelines concerning remuneration policies of credit institutions, securities companies and fund companies (FFFS 2011:1). Risk analyses for SBAB's remuneration system and remuneration policy are published on sbab.se. The composition and mandates of the Remuneration Committee are described on page 66.

Salaries and other remuneration to specially regulated personnel, 14 employees (17), excluding senior executives who report directly to the CEO, amounted to SEK 9.4 million (14.5).

#### Remuneration of the Board

The remuneration paid to Board Members is resolved by the Annual General Meeting. Fees paid to Board Members in the Parent Company amounted to SEK 1.8 million (1.5) for Board work and SEK 0.3 million (0.2) for work on committees.

Board Members who serve on a committee received SEK 3,500 per committee meeting attended. The fees paid to the Chairman of the Board amounted to SEK 0.4 million (0.4).

Two of the six Board Members elected by the Annual General Meeting received fees amounting to SEK 0.3 million (0.2) each, and the remaining Board Members elected by the General meeting received fees of SEK 0.2 million (0.1). No fees were paid to Board Members employed by the Parent Company or the Government Offices or to the employee representatives who are members of the Board.

#### Pensions

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

The defined-benefit plans are collective employer plans (BTP2) secured through insurance with SPP and constitute multi-employer plans. SBAB's pension costs for its defined-benefit pensions amounted to SEK 33.8 million (37.4), excluding payroll tax. SBAB's pension costs for its defined-contribution pensions amounted to SEK 9.9 million (7.0), excluding payroll tax. In 2016, pension contributions for defined-benefit plans are expected to total SEK 30.0 million. See Note 31 for further information.

#### Guidelines adopted by the Annual General Meeting for remuneration and other employment terms and conditions of senior executives

The Annual General Meeting's principles for remuneration and other employment terms and conditions for senior executives, which were adopted by the Annual General Meeting in 2015, state that remuneration and terms and conditions shall be reasonable and well-considered. With regard to remuneration and other terms and conditions of employment, SBAB shall continue to apply the "Guidelines for Terms of Employment for Senior Executives in State-owned Companies" as adopted by the Swedish Government on 20 April 2009.

This remuneration shall be competitive, with a set ceiling and appropriate for its purpose, as well as contributing to high ethical standards and a good corporate culture. Remuneration shall not correspond to a leading salary level in relation to comparable companies but shall be characterised by moderation. This shall also provide guidance for the total amount of remuneration to other employees. Variable salary shall not be paid to senior executives. These guidelines were not amended in 2015.

#### Other terms and conditions for the CEO and senior executives

As regards pension conditions, notice periods and severance pay for senior executives, SBAB observes the principles stated in the Government's Guidelines for Terms of Employment for Senior Executives in State-owned Companies (April 2009).

The company pays for a defined-contribution pension insurance plan corresponding to 30 percent of the CEO's pensionable salary, although not longer than until age 65.

During the year, an agreement was reached with the other managers who report directly to the CEO regarding a defined-contribution plan corresponding to 30 percent of pensionable salary.

There are no other pension agreements that deviate from the general rules of collective agreements in the banking area.

#### Agreements on severance pay

The CEO and SBAB are subject to a mutual period of notice of six months. With respect to severance pay, the agreement stipulates that if the Company gives notice terminating the agreement and the CEO leaves his position, the Company shall – in addition to salary and pension during the period of notice – pay severance pay corresponding to 18 monthly salaries, all with deduction of new salary. Should the employment be terminated by the company, remuneration of up to two years' salary is paid, including the period of notice. Deductions will be made from the remuneration should new employment or income from another activity be received during the two-year period.

Three members of Executive Management have concluded agreements on severance pay in case of termination by the Company. In addition to salary and pension during the notice period, the Company shall pay severance pay corresponding to 12 months' salary. Five members of Executive Management have concluded agreements on severance pay in case of termination by the Company. In addition to salary and pension during the notice period, the Company shall pay severance pay corresponding to six months' salary. Deductions will be made from the remuneration should new employment or income from another activity be received during the six and 12 month periods, respectively.

In 2015, severance pay to one member (three) of the Executive Management totalling SEK 4.2 million was carried as an expense, of which SEK 1.1 million (8.0) was paid with a deduction for new salary. In 2015, SEK 3.0 million was also carried as an expense, of which SEK 1.0 million were paid to a former senior executive who reports directly to the CEO.

In 2014, SEK 5.9 million was also paid to former members of the Executive Management.

#### Loans to senior executives

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

#### Incentive programme

SBAB has no incentive programme.

## NOTE 9 Other expenses

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
IT expenses	-180	-202	-192	-225
Rent <sup>1)</sup>	-26	-25	-26	-25
Other costs for premises	-26	-7	-26	-7
Other administration expenses	-115	-124	-113	-123
Marketing	-40	-54	-40	-54
Other operating expenses	-15	-22	-12	-20
<b>Total</b>	<b>-402</b>	<b>-434</b>	<b>-409</b>	<b>-454</b>

Expenses for development amounted to SEK 84 million (96), of which SEK 14 million (27) pertained to internally produced intangible assets in the Group. Most of the development work is pursued in project form and includes the budgets of entire projects, involving such expenses as planning, analysis, specification of requirements, programming, implementation and quality testing.

Restructuring costs amounted to SEK 19 million (29).

Fees and compensation for expenses to auditors (KPMG), SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Audit assignment	-2.1	-2.2	-1.7	-1.9
Audit tasks in addition to audit assignment	-1.6	-2.3	-1.1	-1.7
Other services	-0.4	-2.2	-0.4	-2.2
<b>Total</b>	<b>-4.1</b>	<b>-6.7</b>	<b>-3.2</b>	<b>-5.8</b>

The audit assignment includes examination of the annual report, the accounting records and the administration by the Board and CEO. The audit assignment also includes consultancy and other assistance resulting from such examination.

Audit tasks in addition to the audit of the annual financial statements pertain to the examination of interim reports/year-end report and such other duties that may only be performed by the signing-off auditor, such as the preparation of various types of certificates.

Other services pertain to consultancy services required at the initiative of SBAB.

Future rents <sup>1)</sup> , SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Agreed future rents due for payment</b>				
- within one year	-23	-25	-23	-25
- between one and five years	-102	-50	-102	-50
- after five years	-47	-10	-47	-10
<b>Total</b>	<b>-172</b>	<b>-85</b>	<b>-172</b>	<b>-85</b>

<sup>1)</sup> Rents = operating leases.

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

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Property, plant and equipment</b>				
Depreciation, computer hardware	-6	-7	-6	-7
Depreciation, other equipment	-6	-8	-6	-8
Disposals/divestments	-3	-	-3	-
<b>Intangible fixed assets</b>				
Depreciation, acquired software	-7	-7	-7	-7
Depreciation, internally developed part of software	-9	-13	-	-
Impairment, internally developed part of software	-	-125	-	-
<b>Total</b>	<b>-31</b>	<b>-160</b>	<b>-22</b>	<b>-22</b>

## NOTE 11 Loan losses, net

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>CORPORATE MARKET</b>				
<b>Individual provision for Corporate Market loans</b>				
Write-off of confirmed loan losses for the year	-1	-0	-1	-18
Reversals of previously implemented provisions for probable loan losses that are recognised as confirmed losses in the closing accounts for 2015	-	-	-	18
Provision for probable loan losses for the year	-22	-0	-22	-0
Recoveries in respect of confirmed loan losses in prior years	0	0	0	0
Reversal of prior years' provisions for probable loan losses no longer required	0	7	0	7
Guarantees	-	-	-	-
<b>Net cost for the year for individual provisions for Corporate Market loans</b>	<b>-23</b>	<b>7</b>	<b>-23</b>	<b>7</b>
<b>Collective provision for Corporate Market loans</b>				
Allocation to/redemption of collective provisions	7	8	3	6
Guarantees	-2	0	-1	-1
<b>Net cost for the year for collective provisions Corporate Market loans</b>	<b>5</b>	<b>8</b>	<b>2</b>	<b>5</b>

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>RETAIL MARKET</b>				
<b>Individual provision for Retail Market loans</b>				
Write-off of confirmed loan losses for the year	-3	-7	-3	-8
Reversals of previously implemented provisions for probable loan losses that are recognised as confirmed losses in the closing accounts for 2015	-	5	-	6
Provision for probable loan losses for the year	-24	-4	-24	-4
Reversal of prior years' provisions for probable loan losses no longer required	1	4	1	1
Guarantees	-	-	-	-
<b>Net cost for the year for individual provisions for Retail Market loans</b>	<b>-26</b>	<b>-2</b>	<b>-26</b>	<b>-5</b>
<b>Collective provision for Retail Market loans</b>				
Write-off of confirmed loan losses for the year	-12	-22	-12	-21
Recoveries in respect of confirmed loan losses in prior years	2	12	2	12
Allocation to/redemption of collective provisions	26	31	10	0
Guarantees	-12	-4	-4	3
<b>Net cost for the year for collective provisions for Retail Market loans</b>	<b>4</b>	<b>17</b>	<b>-4</b>	<b>-6</b>
<b>Net cost for the year for loan losses</b>	<b>-40</b>	<b>30</b>	<b>-51</b>	<b>1</b>

A provision of SEK 20 million was made in the fourth quarter of 2015 by way of precaution in relation to a number of retail cases where it was discovered that residential mortgages had been granted based on false information. These cases have been reported to the police. No credit losses have been confirmed in any of these cases, and the residential mortgages are secured.

Both the write-off of confirmed loan losses for the period and reversal of prior year write-offs as specified above relate to receivables from the public. The guarantees pertain to received or expected receivables from the National Board of Housing, Building and Planning, insurance companies and banks.

For additional analyses and information on loan losses, refer to Note 2a Risk management – Credit risk in lending operations.

## NOTE 12 Tax

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Current tax	-232	-296	-	-118
Deferred tax	-98	-92	31	-35
<b>Total</b>	<b>-330</b>	<b>-388</b>	<b>31</b>	<b>-153</b>
<i>The effective tax rate differs from the nominal tax rate in Sweden as below</i>				
Profit before tax	1,492	1,644	-148	560
Nominal tax rate in Sweden 22%	-328	-362	33	-123
Tax-free dividends from business-related shares	-	-	-	4
Tax for prior years and other	-2	-26	-2	-34
<b>Total tax</b>	<b>-330</b>	<b>-388</b>	<b>31</b>	<b>-153</b>
Effective tax rate, %	22.1	23.6	21.0	27.3

## NOTE 13 Chargeable treasury bills and other eligible bills

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Current assets</b>				
Swedish state	11,141	11,252	11,141	11,252
Foreign states	3,171	4,305	3,171	4,305
<b>Total chargeable treasury bills and other eligible bills</b>	<b>14,312</b>	<b>15,557</b>	<b>14,312</b>	<b>15,557</b>

## NOTE 14 Lending to credit institutions

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Lending in SEK	1,726	4,877	15,427	33,233
Lending in foreign currency	1,730	2,560	1,735	2,590
<b>Total</b>	<b>3,456</b>	<b>7,437</b>	<b>17,162</b>	<b>35,823</b>
<i>of which, repos</i>	<i>1,219</i>	<i>4,315</i>	<i>-</i>	<i>1,535</i>

Of the Parent Company's lending to credit institutions, SEK 14,920 million (31,181) relates to a receivable from the wholly owned subsidiary, The Swedish Covered Bond Corporation (SCBC). These receivables are subordinated, which means that payment is received only after other creditors of the subsidiary have been paid.

Interest-bearing securities that SBAB purchases with an obligation to sell at a price determined in advance are not recognised in the balance sheet, while the purchase price paid is recognised in the balance sheet in the item Lending to credit institutions. The securities are regarded as collateral received and can be pledged or sold by SBAB. In case in the event that the counterparty is unable to meet its repurchase obligation, SBAB is entitled to keep the security. The fair value of collateral received in the Group was 1,219 (4,313), of which - (-) was pledged or sold, and in the Parent Company, it was - (1,535), of which - (-) was pledged or sold.

## NOTE 15 Lending to the public

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Opening balance	261,445	258,739	43,866	48,758
Lending for the year	80,470	48,297	80,470	48,297
Transferred to/from Group companies	-	-	-17,017	-25,371
Amortisation, write-offs, redemption, etc.	-44,681	-45,349	-25,927	-27,698
Closing balance	297,234	261,687	81,392	43,986
Provision for probable loan losses	-253	-242	-185	-120
<b>Closing balance</b>	<b>296,981</b>	<b>261,445</b>	<b>81,207</b>	<b>43,866</b>
<i>of which subordinated assets</i>	-	-	-	-

### GROUP

Distribution of lending by property type, including provisions, SEK million	2015			2014		
	AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)	SBAB Bank AB (publ)	Total	AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)	SBAB Bank AB (publ)	Total
Single-family dwellings and holiday homes	86,943	28,790	115,734	92,066	15,235	107,301
Tenant-owner rights	71,638	24,560	96,198	63,181	11,056	74,237
Tenant-owner associations	38,431	13,926	52,356	43,902	8,787	52,689
Private multi-family dwellings	18,413	7,449	25,862	17,982	3,225	21,207
Municipal multi-family dwellings	349	121	470	434	172	606
Commercial properties	-	4,313	4,313	14	3,679	3,693
Other	-	2,048	2,048	-	1,712	1,712
<b>Total</b>	<b>215,774</b>	<b>81,207</b>	<b>296,981</b>	<b>217,579</b>	<b>43,866</b>	<b>261,445</b>
Percentage of lending with a governmental or municipal guarantee, %	1	1	1	1	1	1
Average fixed-interest period, years	1.0	0.3	0.8	0.5	1.0	0.9

In the event of early redemption during the fixed-interest period, SBAB has the right to receive so-called interest compensation. In the case of Retail Market loans, the amount of compensation is based on the interest rate for the mortgage compared to the interest rate for mortgage bonds with a maturity that corresponds to the remaining fixed-interest period for the loan, plus one percentage point. For other loans, the reinvestment interest rate for comparable government securities is, in most cases, the comparable interest rate. In other cases, the comparable interest rate is specified in the current terms of the loan. In addition to mortgage deeds in pledged prop-

erty, SBAB has, in certain cases, received government or municipal guarantees as collateral for the borrower's commitments. The proportion of loans covered by this type of guarantee is shown in the table above.

A total of SEK 82,309 million (76,533) of SBAB's lending portfolio, of which SEK 23,294 million (12,745) in the Parent Company, was provided by business partners, and it is possible for certain bank partners to acquire brokered loans if the cooperation comes to an end.

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

Doubtful loan receivables and provisions, SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
a) Doubtful loan receivables	170	48	170	24
b) Individual provisions, loan receivables	81	36	57	12
c) Collective provisions, Corporate Market loans	11	19	5	5
d) Collective provisions, Retail Market loans	161	187	99	103
e) Total provisions (bcc'd)	253	242	161	120
f) Doubtful loan receivables after individual provisions (a-b)	89	12	113	12
g) Provision ratio for individual provisions (b/a), %	48	75	34	50

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

GROUP

Distribution of doubtful loan receivables and provisions by type of property, SEK million	2015						2014					
	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Other	Total	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Other	Total
Doubtful loan receivables, gross	19	90	27	29	5	170	2	13	3	30		48
Individual provisions, loan receivables	-6	-27	-25	-18	-5	-81	-2	-13	-3	-18		-36
Collective provisions, Corporate Market loans			-9	-2		-11			-12	-7		-19
Collective provisions, Retail Market loans	-93	-58			-10	-161	-122	-57			-8	-187
<b>Doubtful loan receivables after individual provisions</b>						<b>89</b>						<b>12</b>

Change in provision for probable loan losses, SEK million	2015			2014		
	Individual provision for individually measured receivables	Individual provision for collectively measured receivables	Collective provision	Individual provision for individually measured receivables	Individual provision for collectively measured receivables	Collective provision
Provision at the beginning of the year	-21	-15	-206	-28	-19	-244
Individual provision for the year	-22	-24		-0	-4	
Reversed from previous provisions	-	-		7	3	
Individual provision utilised for confirmed losses	-	1		-	5	
Allocation to/redemption of collective provisions			34			38
<b>Provision at the end of the year</b>	<b>-43</b>	<b>-38</b>	<b>-172</b>	<b>-21</b>	<b>-15</b>	<b>-206</b>

## NOTE 16 Bonds and other interest-bearing securities

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<i>Distribution of holdings by issuer, etc.</i>				
<b>CURRENT ASSETS</b>				
<b>Listed securities</b>				
<i>Issued by public bodies</i>				
Intergovernmental issuers	1,962	1,908	1,962	1,908
Other public issuers	6,903	6,166	6,903	6,166
<i>Issued by other borrowers</i>				
Swedish mortgage institutions	31,109	24,570	31,109	24,570
Other foreign issuers (covered bonds, RMBSs)	6,895	6,206	6,895	6,206
Other foreign issuers (with government guarantee)	2,845	3,485	2,845	3,485
<b>Total listed securities</b>	<b>49,714</b>	<b>42,335</b>	<b>49,714</b>	<b>42,335</b>
<b>Unlisted securities</b>		-		-
<b>Total</b>	<b>49,714</b>	<b>42,335</b>	<b>49,714</b>	<b>42,335</b>
<i>of which subordinated assets</i>	-	-	-	-

## NOTE 17 Derivative instruments

SEK million	GROUP						PARENT COMPANY					
	2015			2014			2015			2014		
	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount
<b>Other derivatives</b>												
Interest-rate related												
- interest-rate swaps	4,051	929	170,181	5,758	1,040	157,345	1,081	171	51,522	1,595	33	32,062
Currency-related	2,595	2,070	44,046	2,783	2,584	57,023	1,142	873	14,184	1,105	1,048	16,019
<b>Total</b>	<b>6,646</b>	<b>2,999</b>	<b>214,227</b>	<b>8,541</b>	<b>3,624</b>	<b>214,368</b>	<b>2,223</b>	<b>1,044</b>	<b>65,706</b>	<b>2,700</b>	<b>1,081</b>	<b>48,081</b>
<b>Derivative instruments in cash flow hedges</b>												
Interest-rate related												
- interest-rate swaps	160	20	21,323	54	-	9,425	-	-	-	-	-	-
Currency-related	35	393	27,901	197	-	9,203	-	65	5,613	-	-	-
<b>Total</b>	<b>195</b>	<b>413</b>	<b>49,224</b>	<b>251</b>	<b>-</b>	<b>18,628</b>	<b>-</b>	<b>65</b>	<b>5,613</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other derivatives</b>												
Interest-rate related												
- interest-rate swaps	271	1,252	40,358	422	2,668	59,330	2,820	3,869	262,728	3,278	5,600	245,749
- interest-rate futures	-	-	-	1	2	-20,000	-	-	-	1	2	-20,000
Share-related	-	-	-	-	0	-45	-	-	-	-	0	-45
Currency-related	80	530	18,237	193	969	19,871	1,387	1,800	79,698	1,821	2,420	63,899
<b>Total</b>	<b>351</b>	<b>1,782</b>	<b>58,595</b>	<b>616</b>	<b>3,639</b>	<b>59,156</b>	<b>4,207</b>	<b>5,669</b>	<b>342,426</b>	<b>5,100</b>	<b>8,022</b>	<b>289,603</b>

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

Derivative instruments distributed by remaining maturity, carrying amount, SEK million	GROUP				PARENT COMPANY			
	2015		2014		2015		2014	
	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount
At most 3 months	58	30,345	-558	23,247	103	40,074	-48	27,760
3-12 months	170	64,498	144	40,894	-745	59,492	283	50,089
1-5 years	1,715	182,516	2,062	185,095	453	230,654	-1,506	190,493
More than 5 year	55	44,687	497	42,916	-159	83,525	-32	69,339
<b>Total</b>	<b>1,998</b>	<b>322,046</b>	<b>2,145</b>	<b>292,152</b>	<b>-348</b>	<b>413,745</b>	<b>-1,303</b>	<b>337,681</b>

## NOTE 18 Shares and participations

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Fund units measured at fair value through the income statement	-	253	-	253
<b>Total</b>	<b>-</b>	<b>253</b>	<b>-</b>	<b>253</b>

## NOTE 19 Shares and participations in joint ventures

FriSpar Kreditkonsult AB was a joint venture that was liquidated on 19 December 2014.

PARENT COMPANY SEK million	2015		2014	
	FriSpar Kreditkonsult AB 556248-3338	FriSpar Kreditkonsult AB 556248-3338		
Swedish credit institutions				
Cost at the beginning of the year		-		113
Repaid share capital		-		-77
Shareholder contribution		-		-
Repaid shareholder contribution		-		-36
<b>Cost at the end of the year</b>		<b>-</b>		<b>-</b>
Number of shares		-		-
Share of ownership, %		-		-
Share of equity, %		-		-
Carrying amount, SEK million		-		-

GROUP SEK million	2015		2014	
	FriSpar Kreditkonsult AB 556248-3338	FriSpar Kreditkonsult AB 556248-3338		
Swedish credit institutions				
Current assets		-		-
Fixed assets		-		-
Current liabilities		-		-
Long-term liabilities		-		-
Income		-		1
Expenses		-		-0
Tax		-		-0
Profit/loss/Comprehensive income		-		1

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

## NOTE 20 Shares and participations in Group companies

The Swedish Covered Bond Corporation is domiciled in Solna, Sweden. For more information about the company, see page 34.

PARENT COMPANY SEK million	2015		2014	
	AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation - SCBC) 556645-9755	AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation - SCBC) 556645-9755		
Swedish credit institutions				
Cost at the beginning of the year		10,300		10,300
Group contributions provided		-		-
<b>Cost at the end of the year</b>		<b>10,300</b>		<b>10,300</b>

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

Swedish credit institutions	2015		2014	
	AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation - SCBC) 556645-9755	AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation - SCBC) 556645-9755		
Number of shares		500,000		500,000
Share of equity, %		100		100
Carrying amount, SEK million		10,300		10,300

## NOTE 21 Intangible fixed assets

Software, SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Cost at the beginning of the year	403	370	74	68
Acquisitions during the year	20	33	7	6
Divestments during the year	-	-0	-	-0
<b>Cost at the end of the year</b>	<b>423</b>	<b>403</b>	<b>81</b>	<b>74</b>
Amortisation at the beginning of the year	-188	-167	-61	-54
Amortisation for the year according to plan	-16	-21	-7	-7
Divestments during the year	-	0	-	0
<b>Accumulated amortisation</b>	<b>-204</b>	<b>-188</b>	<b>-68</b>	<b>-61</b>
Amortisation at the beginning of the year	-163	-38	-	-
Amortisation for the year	-	-125	-	-
<b>Amortisation at the end of the year</b>	<b>-163</b>	<b>-163</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>56</b>	<b>52</b>	<b>13</b>	<b>13</b>

Internally produced intangible assets are reported in the consolidated financial statements. Consequently, the difference between the amounts in the Parent Company's financial statements and the consolidated financial statements pertain solely to internally-produced intangible assets.

Borrowing costs are capitalised for assets that are produced internally and take a significant amount of time to utilise.

In 2015, borrowing costs of SEK 0 million (1) were capitalised. The average interest rate for the periods and assets in question was 0 percent (1.6).

## NOTE 22 Property, plant and equipment

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Cost at the beginning of the year	187	183	187	183
Acquisitions during the year	9	4	9	4
Divestments during the year	-1	-	-1	-
Disposals during the year	-12	-	-12	-
<b>Cost at the end of the year</b>	<b>183</b>	<b>187</b>	<b>183</b>	<b>187</b>
Amortisation at the beginning of the year	-160	-146	-160	-146
Amortisation for the year according to plan	-12	-14	-12	-14
Divestments during the year	0	-	0	-
Disposals during the year	9	-	9	-
<b>Accumulated amortisation according to plan</b>	<b>-163</b>	<b>-160</b>	<b>-163</b>	<b>-160</b>
<b>Net carrying amount</b>	<b>20</b>	<b>27</b>	<b>20</b>	<b>27</b>

## NOTE 23 Other assets

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Tax assets	796	422	120	117
Other	450	39	434	21
<b>Total</b>	<b>1,246</b>	<b>461</b>	<b>554</b>	<b>138</b>
<i>Other assets distributed by remaining maturity, carrying amount</i>				
At most 1 year	1,246	461	554	138
More than 1 year	-	-	-	-
<b>Total</b>	<b>1,246</b>	<b>461</b>	<b>554</b>	<b>138</b>

## NOTE 24 Prepaid expenses and accrued income

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Prepaid expenses	41	34	39	34
Accrued interest income	930	862	831	725
Accrued guarantees	39	56	26	29
Other accrued income	16	17	8	6
<b>Total</b>	<b>1,026</b>	<b>969</b>	<b>904</b>	<b>794</b>
<i>Prepaid expenses and accrued income distributed by remaining maturity, carrying amount</i>				
At most 1 year	1,000	932	887	775
More than 1 year	26	37	17	19
<b>Total</b>	<b>1,026</b>	<b>969</b>	<b>904</b>	<b>794</b>

## NOTE 25 Liabilities to credit institutions

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Liabilities in SEK	1,565	3,126	275	258
Liabilities in foreign currencies	3,545	4,158	2,698	2,992
<b>Total</b>	<b>5,111</b>	<b>7,284</b>	<b>2,973</b>	<b>3,250</b>
<i>of which, repos</i>	<i>1,233</i>	<i>2,798</i>	<i>-</i>	<i>-</i>

## NOTE 26 Deposits from the public

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Private individuals	56,061	47,948	56,061	47,948
Tenant-owner associations	3,677	2,957	3,677	2,957
Corporate	16,901	9,705	16,901	9,705
<b>Total</b>	<b>76,639</b>	<b>60,610</b>	<b>76,639</b>	<b>60,610</b>

## NOTE 27 Debt securities in issue

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Commercial paper</b>				
Commercial papers in SEK				
- at amortised cost	320	2,739	320	2,739
Commercial papers in foreign currency				
- at amortised cost	6,897	4,872	6,897	4,872
<b>Total</b>	<b>7,217</b>	<b>7,611</b>	<b>7,217</b>	<b>7,611</b>
<b>Bond loans</b>				
Bond loans in SEK				
- at amortised cost	99,423	42,694	29,966	27,112
- in fair value hedging	73,601	113,019	5,270	7,672
Bonds loans in foreign currency				
- at amortised cost	35,793	18,707	12,584	2,835
- in fair value hedging	48,171	61,137	21,888	22,952
<b>Total</b>	<b>256,988</b>	<b>235,557</b>	<b>69,708</b>	<b>60,571</b>
<b>Total securities in issue, etc.</b>	<b>264,205</b>	<b>243,168</b>	<b>76,925</b>	<b>68,182</b>
<i>of which, covered bonds</i>	<i>187,280</i>	<i>174,986</i>	<i>-</i>	<i>-</i>

The bond loan conditions in SBAB's long-term funding programme include a possibility for the bondholder to demand premature redemption of the holder's bonds issued in such loan programmes if the Swedish state ceases to own the majority of the shares in SBAB and the Swedish state, before such change in ownership, has not taken steps to guarantee SBAB's commitments ensuing from the bond loan or the bondholders have accepted this in such a way as is described in current terms and conditions. However, subordinated debentures and additional Tier 1 instruments issued under the long-term funding programme do not include the aforesaid conditions. Total funding under these programmes with the right to demand redemption amounted to SEK 68.9 billion (59.5) at 31 December 2015.



## NOTE 28 Other liabilities

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Accounts payable – trade	3	34	3	34
Employee withholding taxes	8	9	8	9
Liabilities to employees	298	99	288	81
Other	474	282	474	283
<b>Total</b>	<b>783</b>	<b>424</b>	<b>773</b>	<b>407</b>
<i>Other liabilities distributed by remaining maturity, carrying amount</i>				
At most 1 year	783	424	773	407
More than 1 year	-	-	-	-
<b>Total</b>	<b>783</b>	<b>424</b>	<b>773</b>	<b>407</b>

## NOTE 29 Accrued expenses and prepaid income

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Accrued interest expenses	2,477	2,903	375	518
Other accrued expenses	290	297	194	217
<b>Total</b>	<b>2,767</b>	<b>3,200</b>	<b>569</b>	<b>735</b>
<i>Accrued expenses and prepaid income distributed by remaining maturity, carrying amount</i>				
At most 1 year	2,767	3,200	569	735
More than 1 year	-	-	-	-
<b>Total</b>	<b>2,767</b>	<b>3,200</b>	<b>569</b>	<b>735</b>

## NOTE 30 Deferred tax

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<i>Deferred tax assets (+)/tax liabilities (-) for temporary differences in:</i>				
- Stock of financial instruments	-25	59	6	-
- Debt securities in issue	673	1,085	190	300
- Derivative instruments	-729	-1,052	-184	-284
- Intangible fixed assets	-9	-9	-	-
- Pension provision	3	19	-	-
- Tax loss carryforwards	38	-	38	-
- Other	2	2	2	2
<b>Total</b>	<b>-47</b>	<b>104</b>	<b>52</b>	<b>18</b>

### Change in deferred tax

Revaluation for temporary differences	-	664	-	182
Deferred tax in the income statement	-98	-92	31	-35
Deferred tax attributable to items recognised directly against other comprehensive income	-53	-9	3	4
<b>Total</b>	<b>-151</b>	<b>563</b>	<b>34</b>	<b>151</b>

### Deferred tax distributed by expected maturity date, carrying amount

At most 1 year	-	-	-	-
More than 1 year	-47	104	52	18
<b>Total</b>	<b>-47</b>	<b>104</b>	<b>52</b>	<b>18</b>

## NOTE 31 Provisions

SEK million	GROUP	
	2015	2014
Provisions for pensions	-12	-71
Provision for special employer's contribution on pensions	-3	-18
<b>Total</b>	<b>-15</b>	<b>-89</b>

### PROVISIONS FOR PENSIONS

Summary of defined-benefit pension plan, SEK million	GROUP	
	2015	2014
Present value of the obligation, closing balance	326	372
Fair value of plan assets	-314	-301
<b>Pension provisions (excluding special employer's contributions)</b>	<b>12</b>	<b>71</b>

cont. **NOTE 31** Provisions

#### RECONCILIATION OF CHANGE IN PRESENT VALUE OF OBLIGATION

SEK million	GROUP	
	2015	2014
<b>Present value of the obligation, opening balance</b>	<b>372</b>	<b>285</b>
Cost pertaining to service during the current year	11	8
Interest expenses	11	12
Gain/loss arising from changed financial assumptions	-50	69
Experience-based gains/losses	-3	-10
Pension disbursements from plan	-6	-5
Gain/loss due to demographic assumptions	-9	13
<b>Present value of the obligation, closing balance</b>	<b>326</b>	<b>372</b>

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

#### RECONCILIATION OF CHANGE IN PLAN ASSETS

SEK million	GROUP	
	2015	2014
<b>Fair value of plan assets, opening balance</b>	<b>301</b>	<b>264</b>
Interest income	9	11
Return on plan assets, excluding amounts included in interest expense/interest income	-4	15
Premiums paid by employer	14	16
Pension disbursements from plan	-6	-5
<b>Fair value of plan assets, closing balance</b>	<b>314</b>	<b>301</b>

#### DISTRIBUTION OF PLAN ASSETS

%	GROUP	
	2015	2014
Swedish shares	4	3
Foreign shares	4	9
Government and government-guaranteed bonds	31	32
Mortgage institutions	24	23
Corporate bonds	31	28
Real estate and infrastructure	6	5
<b>Total</b>	<b>100</b>	<b>100</b>

The defined-benefit pension plan is secured through insurance with SPP Livförsäkring AB. Through investments in shares, interest-bearing instruments and property, the insurance capital will reflect the performance of the financial markets. The aim of the management is to achieve a high and consistent return while ensuring a guaranteed increase in value.

#### FINANCIAL AND DEMOGRAPHIC ASSUMPTIONS

%	GROUP	
	2015	2014
<i>Financial assumptions</i>		
Discount rate	3.70	3.00
Annual salary increase	3.00	3.00
Annual inflation	2.00	2.00
Annual increase in income base amount	3.00	3.00
Annual increase in pension disbursements	2.00	2.00
<i>Demographic assumptions</i>		
Personnel turnover	9.00	6.00
Mortality table	DUS14	DUS14

#### SENSITIVITY ANALYSIS OF ASSUMPTIONS

Discount rate, SEK million	GROUP
	2015
<i>Assumption, %</i>	4.70
Present value of the obligation	270
Cost pertaining to service during the current period	5
Interest expenses	13
<i>Assumption, %</i>	2.70
Present value of the obligation	400
Cost pertaining to service during the current period	9
Interest expenses	11

The sensitivity analysis above is based on a change in one assumption while all other assumptions are kept constant. In the calculation of sensitivity in the defined-benefit obligation, the same method is applied as in the calculation of the reported pension provision.

For further information on pensions, see Note 1 Accounting policies and Note 8 Personnel costs.



## NOTE 32 Subordinated debt

### PARENT COMPANY AND GROUP

Loan designation	Cur- rency	Nominal amount	Outstanding nominal amount	First possible redemption right for SBAB	Interest rate, % 31 December 2015	Maturity date	CARRYING AMOUNT, SEK million	
							2015	2014
Subordinated debenture JPY 1	JPY	10,000,000,000	–	–	5.230	16 November 2015	–	848
Subordinated debenture SEK 1	SEK	700,000,000	700,000,000	2016	5.220	Perpetual	714	740
Subordinated debenture SEK 2	SEK	300,000,000	300,000,000	2016	3 M STIBOR+0.930	Perpetual	300	300
Subordinated debenture SEK 3	SEK	2,000,000,000	–	2015	7.160	Perpetual	–	2,016
Subordinated debenture SEK 4	SEK	1,000,000,000	1,000,000,000	2016	6.123	20 April 2021	1,011	1,042
Subordinated debenture SEK 5	SEK	800,000,000	800,000,000	2017	3 M STIBOR+2.650	16 November 2022	800	800
Subordinated debenture SEK 6	SEK	200,000,000	200,000,000	2017	4.180	16 November 2022	200	200
Subordinated debenture SEK 7	SEK	400,000,000	400,000,000	2020	3.825	Perpetual	397	–
Subordinated debenture SEK 8	SEK	1,100,000,000	1,100,000,000	2020	3 M STIBOR+3.250	Perpetual	1,091	–
Subordinated debenture SEK 9	SEK	1,000,000,000	1,000,000,000	2020	3 M STIBOR+1.300	11 June 2025	997	–
Subordinated debenture SEK 10	SEK	600,000,000	600,000,000	2020	2.250	10 November 2025	583	–
Subordinated debenture SEK 11	SEK	1,850,000,000	1,850,000,000	2020	3 M STIBOR+1.900	10 November 2025	1,850	–
<b>Total</b>							<b>7,943</b>	<b>5,946</b>
<i>of which, Group companies</i>							–	–

Subordinated debentures are subordinate to the Parent Company's other liabilities, which means that they carry entitlement to payment only after other unsubordinated creditors have received payment. Subordinated debentures SEK 1, SEK 2, SEK 7 and SEK 8 are subordinate to other subordinated debentures, known as additional Tier 1 instruments, and may according to the transitional rules be included in Tier 1 capital.

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

#### Subordinated debt is distributed among the following loans:

##### JPY 1

Maturity: 16 November 1995–16 November 2015 (the loan was repaid in its entirety by 16 November 2015)

Interest rate: SBAB may opt to pay the interest in USD, EUR or JPY. The interest rate is 5.23 percent in the respective currency.

##### SEK 1

The loan is perpetual.

Interest rate: For the period 30 June 2006 to 30 June 2016: 5.22 percent. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 1.93 percent.

##### SEK 2

The loan is perpetual.

Interest rate: For the period 30 June 2006 to 30 June 2016: Floating interest corresponding to three-month STIBOR plus 0.93 percent. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 1.93 percent.

##### SEK 3

The loan is perpetual. (The loan was repaid in its entirety as soon as redemption was allowed, by 8 June 2015)

Interest rate: For the period 08 April 2010 to 08 June 2015: 7.16 percent. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 4.50 percent.

##### SEK 4

Maturity: 20 April 2011–20 April 2021

Interest rate: For the period 20 April 2011 to 20 April 2016: 6.123 percent. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 2.40 percent.

##### SEK 5

Maturity: 16 November 2012–16 November 2022

Interest rate: For the period 16 November 2012 to 16 November 2017: Floating interest corresponding to three-month STIBOR plus 2.65 percent. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 2.65 percent.

##### SEK 6

Maturity: 16 November 2012–16 November 2022

Interest rate: For the period 16 November 2012 to 16 November 2017: 4.18 percent. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 2.65 percent.

##### SEK 7

The loan is perpetual.

Interest rate: For the period 16 March 2015 to 16 March 2020: 3.8245 percent. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 3.25 percent.

##### SEK 8

The loan is perpetual.

Interest rate: Floating interest corresponding to three-month STIBOR plus 3.25 percent.

##### SEK 9

Maturity: 11 June 2015–11 June 2025

Interest rate: Floating interest corresponding to three-month STIBOR plus 1.30 percent.

##### SEK 10

Maturity: 10 November 2015–10 November 2025

Interest rate: For the period 10 November 2015 to 10 November 2020: 2.25 percent. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 1.90 percent.

##### SEK 11

Maturity: 10 November 2015–10 November 2025

Interest rate: Floating interest corresponding to three-month STIBOR plus 1.90 percent.

For further information on the terms and conditions of SBAB's subordinated debentures, see sbab.se and Note 2i Risk management – Capital adequacy analysis.

## NOTE 33 Equity

The share capital amounts to SEK 1,958,300,000. The number of shares is 19,583, each with a quotient value of SEK 100,000, as in previous years. All shares are owned by the Swedish state. Dividends are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. It is proposed that no dividend be paid for 2015. For 2014, it was decided that a dividend of SEK 502 million (25,634 per share) should be paid. Further information on equity is provided in the report "Changes in equity" on page 75.

### STATEMENT OF CHANGES IN EQUITY

Provisions, SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Reclassified financial assets at beginning of year</b>	-	-23		
Accrual of interest and currency effect in reclassified financial assets	-	32		
Tax attributable to the change	-	-9		
<b>Reclassified financial assets at end of year</b>	-	-		
<b>Available-for-sale financial assets, at the beginning of the year</b>	-4	-		
Unrealised change in value over the year	-7	-5		
Reclassified to the income statement over the year	0	-		
Tax attributable to the change	2	1		
<b>Available-for-sale financial assets, at end of year</b>	-9	-4		
<b>Cash flow hedges at the beginning of the year</b>	100	-		
Unrealised change in value over the year	-297	128		
Reclassified to the income statement over the year	472	-		
Tax attributable to the change	-39	-28		
<b>Cash flow hedges at the end of the year</b>	236	100		
<b>Defined-benefit pension plans at beginning of year</b>	-19	36		
Revaluation effects of defined-benefit pension plans	72	-71		
Tax attributable to the change	-16	16		
<b>Defined-benefit pension plans at end of year</b>	37	-19		
<b>Total</b>	<b>264</b>	<b>77</b>		
			PARENT COMPANY	
<b>Fair value reserve, SEK million</b>	<b>2015</b>	<b>2014</b>		
<b>Reclassified financial assets at beginning of year</b>	-	-23		
Accrual of interest and currency effect in reclassified financial assets	-	32		
Tax attributable to the change	-	-9		
<b>Reclassified financial assets at end of year</b>	-	-		
<b>Available-for-sale financial assets, at the beginning of the year</b>	-4	-		
Unrealised change in value over the year	-7	-5		
Reclassified to the income statement over the year	-	-		
Tax attributable to the change	2	1		
<b>Available-for-sale financial assets, at end of year</b>	-9	-4		
<b>Cash flow hedges at the beginning of the year</b>	-	-		
Unrealised change in value over the year	-137	-		
Realised change in value, reclassified to the income statement	131	-		
Tax attributable to the change	1	-		
<b>Cash flow hedges at the end of the year</b>	-5	-		
<b>Total</b>	<b>-14</b>	<b>-4</b>		

Further information on Reserves and Fair value reserve is provided in Note 1 Accounting policies, in the sections "Available-for-sale financial assets", "Cash flow hedges" and "Pensions".

## NOTE 34 Assets pledged for own liabilities

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Loan receivables	211,420	211,651	-	-
Other receivables	15	23	15	23
<b>Total</b>	<b>211,435</b>	<b>211,674</b>	<b>15</b>	<b>23</b>

Of the assets pledged, SEK 211.4 billion (211.7) comprise the cover pool for covered bonds totalling SEK 187.3 billion (175.0).

Loan receivables pledged as collateral mainly consist of the registered cover pool benefiting holders of covered bonds issued by SCBC and SCBC's covered derivative counterparties. In the event that the Company becomes insolvent, the holders of the covered bonds and the covered derivatives counterparties have priority rights to the pledged assets under the Covered Bonds Issuance Act and the Rights of Priority Act.

## NOTE 35 Commitments

SEK million	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Commitments concerning future payments</b>	-	-	-	-
<b>Other commitments</b>				
Loan commitments and other credit-related commitments	47,949	39,458	47,949	39,458
Other commitments	-	-	32,823	39,694
<b>Total</b>	<b>47,949</b>	<b>39,458</b>	<b>80,772</b>	<b>79,152</b>
<i>Commitments allocated by remaining maturity</i>				
Within 1 year	44,583	37,712	77,406	77,406
1-5 years	3,366	1,746	3,366	1,746
> 5 years	-	-	-	-
<b>Total</b>	<b>47,949</b>	<b>39,458</b>	<b>80,772</b>	<b>79,152</b>

Excluding building credits of SEK 3,432 million (1,797), loan commitments and other credit-related commitments in the Group totalling SEK 44,516 million (37,661) were reduced to SEK 10,667 million (9,838) after taking into account the conversion factor, meaning the statistically calculated probability that the exposure will lead to payment of the loan.

Excluding building credits of SEK 3,432 million (1,797), the corresponding figures for the Parent Company were SEK 44,516 million (37,661) and SEK 10,667 million (9,838), respectively. The Parent Company's other commitments include an agreement concerning a liquidity facility with the subsidiary, SCBC, through which SCBC may borrow funds from the Parent Company for its operations if the need arises.

## NOTE 36 Classification of financial instruments

### GROUP Financial assets

SEK million	2015						Total fair value
	Assets measured at fair value through the income statement	Hedge-accounted derivative instruments	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	
Cash and balances at central banks				0		0	0
Chargeable treasury bills and other eligible bills	10,185		4,127			14,312	14,312
Lending to credit institutions				3,456		3,456	3,456
Lending to the public				296,981		296,981	298,353
Change in value of interest-rate-hedged items in portfolio hedges				549		549	-
Bonds and other interest-bearing securities	16,275		24,115		9,324	49,714	49,708
Derivative instruments	351	6,841				7,192	7,192
Shares and participations	-					-	-
Other assets				1,246		1,246	1,246
Prepaid expenses and accrued income	255		455	224	92	1,026	1,026
<b>Total</b>	<b>27,066</b>	<b>6,841</b>	<b>28,697</b>	<b>302,456</b>	<b>9,416</b>	<b>374,476</b>	<b>375,293</b>

SEK million	2014						Total fair value
	Assets measured at fair value through the income statement	Hedge-accounted derivative instruments	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	
Cash and balances at central banks				0		0	0
Chargeable treasury bills and other eligible bills	13,250		2,307			15,557	15,557
Lending to credit institutions				7,437		7,437	7,437
Lending to the public				261,445		261,445	263,991
Change in value of interest-rate-hedged items in portfolio hedges				937		937	-
Bonds and other interest-bearing securities	33,842		3,518		4,975	42,335	42,341
Derivative instruments	616	8,792				9,408	9,408
Shares and participations	253					253	253
Other assets				461		461	461
Prepaid expenses and accrued income	523		110	274	62	969	969
<b>Total</b>	<b>48,484</b>	<b>8,792</b>	<b>5,935</b>	<b>270,554</b>	<b>5,037</b>	<b>338,802</b>	<b>340,417</b>

cont. **NOTE 36** Classification of financial instruments

**GROUP**

**Financial liabilities**

2015

SEK million	Liabilities measured at fair value through the income statement	Hedge-accounted derivative instruments	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions			5,111	5,111	5,111
Deposits from the public			76,639	76,639	76,639
Debt securities in issue, etc.			264,205	264,205	265,160
Derivative instruments	1,782	3,412		5,194	5,194
Other liabilities			783	783	783
Accrued expenses and prepaid income			2,767	2,767	2,767
Subordinated debt			7,943	7,943	7,974
<b>Total</b>	<b>1,782</b>	<b>3,412</b>	<b>357,448</b>	<b>362,642</b>	<b>363,628</b>

2014

SEK million	Liabilities measured at fair value through the income statement	Hedge-accounted derivative instruments	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions			7,284	7,284	7,284
Deposits from the public			60,610	60,610	60,610
Debt securities in issue, etc.			243,168	243,168	245,024
Derivative instruments	3,639	3,624		7,263	7,263
Other liabilities			424	424	424
Accrued expenses and prepaid income			3,200	3,200	3,200
Subordinated debt			5,946	5,946	5,957
<b>Total</b>	<b>3,639</b>	<b>3,624</b>	<b>320,632</b>	<b>327,895</b>	<b>329,762</b>



## PARENT COMPANY

## Financial assets

2015

SEK million	Assets measured at fair value through the income statement	Hedge-accounted derivative instruments	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	Total fair value
Cash and balances at central banks				0		0	0
Chargeable treasury bills and other eligible bills	10,185		4,127			14,312	14,312
Lending to credit institutions				17,162		17,162	17,162
Lending to the public				81,207		81,207	81,465
Change in value of interest-rate-hedged items in portfolio hedges				5		5	-
Bonds and other interest-bearing securities	16,275		24,115		9,324	49,714	49,708
Derivative instruments	4,207	2,223				6,430	6,430
Shares and participations						-	-
Other assets				554		554	554
Prepaid expenses and accrued income	255		455	103	92	904	904
<b>Total</b>	<b>30,922</b>	<b>2,223</b>	<b>28,697</b>	<b>99,031</b>	<b>9,416</b>	<b>170,288</b>	<b>170,535</b>

2014

SEK million	Assets measured at fair value through the income statement	Hedge-accounted derivative instruments	Available-for-sale financial assets	Loan receivables	Investments held to maturity	Total	Total fair value
Cash and balances at central banks				0		0	0
Chargeable treasury bills and other eligible bills	13,250		2,307			15,557	15,557
Lending to credit institutions				35,823		35,823	35,823
Lending to the public				43,866		43,866	44,153
Change in value of interest-rate-hedged items in portfolio hedges				11		11	-
Bonds and other interest-bearing securities	33,842		3,518		4,975	42,335	42,341
Derivative instruments	5,099	2,701				7,800	7,800
Shares and participations	253					253	253
Other assets				138		138	138
Prepaid expenses and accrued income	523		110	99	62	794	794
<b>Total</b>	<b>52,967</b>	<b>2,701</b>	<b>5,935</b>	<b>79,937</b>	<b>5,037</b>	<b>146,577</b>	<b>146,859</b>

cont. **NOTE 36** Classification of financial instruments

**PARENT COMPANY**

**Financial liabilities**

2015

SEK million	Liabilities measured at fair value through the income statement	Hedge-accounted derivative instruments	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions			2,973	2,973	2,973
Deposits from the public			76,639	76,639	76,639
Debt securities in issue, etc.			76,925	76,925	77,052
Derivative instruments	5,669	1,109		6,778	6,778
Other liabilities			773	773	773
Accrued expenses and prepaid income			569	569	569
Subordinated debt			7,943	7,943	7,974
<b>Total</b>	<b>5,669</b>	<b>1,109</b>	<b>165,822</b>	<b>172,600</b>	<b>172,758</b>

2014

SEK million	Liabilities measured at fair value through the income statement	Hedge-accounted derivative instruments	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions			3,250	3,250	3,250
Deposits from the public			60,610	60,610	60,610
Debt securities in issue, etc.			68,182	68,182	68,240
Derivative instruments	8,022	1,081		9,103	9,103
Other liabilities			407	407	407
Accrued expenses and prepaid income			735	735	735
Subordinated debt			5,946	5,946	5,957
<b>Total</b>	<b>8,022</b>	<b>1,081</b>	<b>139,130</b>	<b>148,233</b>	<b>148,302</b>

**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 Note 1 Accounting policies. 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. Investments held to maturity are measured at quoted prices, Level 1.

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 37 Information about fair value

GROUP	2015				2014			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Non-observable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Non-observable market data (Level 3)	Total
<b>SEK million</b>								
<b>Assets</b>								
Securities	55,412	-	-	55,412	53,803	-	-	53,803
Derivatives in the category trade	-	351	-	351	1	615	-	616
Other derivatives	-	6,841	-	6,841	-	8,792	-	8,792
<b>Total</b>	<b>55,412</b>	<b>7,192</b>	<b>-</b>	<b>62,604</b>	<b>53,804</b>	<b>9,407</b>	<b>-</b>	<b>63,211</b>
<b>Liabilities</b>								
Derivatives in the category trade	-	1,782	-	1,782	2	3,637	-	3,639
Other derivatives	-	3,412	-	3,412	-	3,624	-	3,624
<b>Total</b>	<b>0</b>	<b>5,194</b>	<b>-</b>	<b>5,194</b>	<b>2</b>	<b>7,261</b>	<b>-</b>	<b>7,263</b>

PARENT COMPANY	2015				2014			
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Non-observable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Non-observable market data (Level 3)	Total
<b>SEK million</b>								
<b>Assets</b>								
Securities	55,412	-	-	55,412	53,803	-	-	53,803
Derivatives in the category trade	-	4,207	-	4,207	1	5,098	-	5,099
Other derivatives	-	2,223	-	2,223	-	2,701	-	2,701
<b>Total</b>	<b>55,412</b>	<b>6,430</b>	<b>-</b>	<b>61,842</b>	<b>53,804</b>	<b>7,799</b>	<b>-</b>	<b>61,603</b>
<b>Liabilities</b>								
Derivatives in the category trade	-	5,669	-	5,669	2	8,020	-	8,022
Other derivatives	-	1,109	-	1,109	-	1,081	-	1,081
<b>Total</b>	<b>-</b>	<b>6,778</b>	<b>-</b>	<b>6,778</b>	<b>2</b>	<b>9,101</b>	<b>-</b>	<b>9,103</b>

### Parent Company and Group

In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement methods used.

There were no transfers between the levels in 2014 or 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, fund units and for publicly quoted derivatives, primarily interest-rate futures.

#### Measurement based on observable data (Level 2)

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

#### Measurement based in part on unobservable data (Level 3)

Measurement whereby a material component of the model is based on estimates or assumptions that do not originate directly from the market. This method is currently not used on any asset or liability.

## NOTE 38 Information about offsetting

### GROUP

Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the balance sheet.

RELATED AMOUNTS THAT ARE NOT OFFSET IN THE BALANCE SHEET					
2015					
SEK million	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral - securities	Provided (+)/ Received (-) cash collateral	Net amount
<b>Assets</b>					
Derivatives	7,192	-3,115	0	-3,602	475
Repos	1,219	-1,219	0		0
<b>Liabilities</b>					
Derivatives	-5,194	3,115	0	1,530	-549
Repos	-1,233	1,219	14	0	0
<b>Total</b>	<b>1,984</b>	<b>0</b>	<b>14</b>	<b>-2,072</b>	<b>-74</b>

RELATED AMOUNTS THAT ARE NOT OFFSET IN THE BALANCE SHEET					
2014					
SEK million	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral - securities	Provided (+)/ Received (-) cash collateral	Net amount
<b>Assets</b>					
Derivatives	9,408	-4,393	0	-3,996	1,019
Repos	4,315	-2,779	-1,535	0	1
<b>Liabilities</b>					
Derivatives	-7,263	4,393	0	2,643	-227
Repos	-2,798	2,779	18	1	0
<b>Total</b>	<b>3,662</b>	<b>0</b>	<b>-1,517</b>	<b>-1,352</b>	<b>793</b>

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

**PARENT COMPANY**

Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the balance sheet.

RELATED AMOUNTS THAT ARE NOT OFFSET IN THE BALANCE SHEET					
2015					
SEK million	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) - securities	Provided (+)/ Received (-) cash collateral	Net amount
<b>Assets</b>					
Derivatives	6,430	-3,558	0	-2,774	98
Repos	-	-	-	-	
<b>Liabilities</b>					
Derivatives	-6,778	3,558		1,530	-1,690
Repos	-	-	0	0	
<b>Total</b>	<b>-348</b>	<b>0</b>	<b>0</b>	<b>-1,244</b>	<b>-1,592</b>

RELATED AMOUNTS THAT ARE NOT OFFSET IN THE BALANCE SHEET					
2014					
SEK million	Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) - securities	Provided (+)/ Received (-) cash collateral	Net amount
<b>Assets</b>					
Derivatives	7,800	-4,608	0	-2,879	313
Repos	1,535	0	-1,533	-1	1
<b>Liabilities</b>					
Derivatives	-9,103	4,608	0	2,643	-1,852
Repos	0	0	0	0	0
<b>Total</b>	<b>232</b>	<b>0</b>	<b>-1,533</b>	<b>-237</b>	<b>-1,538</b>

## NOTE 39 Information about related parties

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

### Group companies

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

### PARENT COMPANY

SEK million	GROUP COMPANIES		TOTAL	
	2015			
	Assets/ Liabilities	Interest income/ expense	Assets/ Liabilities	Interest income/ expense
Lending to credit institutions	14,920	493	14,920	493
Derivative instruments	1,233	445	1,233	445
Other assets	2	-	2	-
<b>Total</b>	<b>16,155</b>	<b>938</b>	<b>16,155</b>	<b>938</b>
Liabilities to credit institutions	-	-	-	-
Debt securities in issue, etc.	-	-	-	-
Derivative instruments	2,788	-818	2,788	-818
Other liabilities	-	-	-	-
<b>Total</b>	<b>2,788</b>	<b>-818</b>	<b>2,788</b>	<b>-818</b>
	GROUP COMPANIES		TOTAL	
	2014			
	Assets/ Liabilities	Interest income/ expense	Assets/ Liabilities	Interest income/ expense
Lending to credit institutions	31,181	1,237	31,181	1,237
Derivative instruments	1,518	598	1,518	598
Other assets	2	-	2	-
<b>Total</b>	<b>32,701</b>	<b>1,835</b>	<b>32,701</b>	<b>1,835</b>
Liabilities to credit institutions	-	-	-	-
Debt securities in issue, etc.	-	-	-	-
Derivative instruments	3,189	-572	3,189	-572
Other liabilities	4	-	4	-
<b>Total</b>	<b>3,193</b>	<b>-572</b>	<b>3,193</b>	<b>-572</b>

Of the Parent Company's other commission income, SEK 32 million (18) pertained to the possibility for Group companies to utilise a liquidity facility at the Parent Company.

The Parent Company also conducted administrative services on behalf of Group companies for SEK 625 million (822), refer to Note 7.



cont. **NOTE 39** Information about related parties

#### LOANS TO THE BOARD, CEO AND OTHER KEY SENIOR EXECUTIVES

SEK million	2015		2014	
	Lending	Interest income	Lending	Interest income
<b>Loans to key personnel</b>				
Managing Director	–	–	–	–
Board of Directors	3	0	3	0
Other key senior executives	5	0	11	0
<b>Total</b>	<b>8</b>	<b>0</b>	<b>14</b>	<b>0</b>

The CEO and the Board of Directors refer to the Parent Company. Wherever relevant, the Managing Directors and Boards of other Group companies are included under "Other key senior executives."

Lending to Board Members of SBAB Bank AB (publ) or to employees holding key positions in the Company may not occur on terms that are not normally available to other personnel. Preferential loans may be taken out by senior executives for their permanent residences, following a standard credit evaluation. Preferential terms

may be provided on loans of up to SEK 1,500,000 on the condition that the loan is within 85 percent of the value of the residence. On loans of up to SEK 1,000,000, a discount of 2.50 percent is given on the interest rate, and on loans of between SEK 1,000,000 and SEK 1,500,000, a discount of 1.50 percent is given on the interest rate. The preferential loan is taxable. The interest rate received including discount must not be less than 0.50 percent.

SEK million	2015		2014	
	Deposits	Interest expenses	Deposits	Interest expenses
<b>Deposits from key personnel</b>				
CEO and other key senior executives	3	0	2	0
Board of Directors	0	0	2	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>4</b>	<b>0</b>

The CEO and the Board of Directors refer to the Parent Company. Wherever relevant, the Managing Directors and Boards of other Group companies are included under "Other key senior executives." Deposits from key personnel are made on the same terms and conditions as other deposits in the Company.

## NOTE 40 Operating segments

The Retail and Partner Markets include loans for single-family homes, holiday homes and tenant-owned apartments, and the Retail Market also includes all deposits. Corporate Clients and Tenant-owner Associations mainly include lending to multi-family dwellings as well as commercial properties. The item Net income/expense

from financial instruments measured at fair value, which derives from the finance operations, has not been distributed and is included in Other. The costs are allocated to the business areas, using distribution quotas.

### GROUP

Income statement by segment, SEK million	2015					2014				
	Retail Market	Partner Market	Corporate Clients and Tenant-owner Associations	Other	Total	Retail Market	Partner Market	Corporate Clients and Tenant-owner Associations	Other	Total
Net interest income	1,241	618	555	28	2,442	975	490	628	18	2,111
Net commission	-40	-26	-36	-	-102	-27	-35	-45	-3	-110
Net income/expense from financial instruments measured at fair value	-	-	-	1	1	-	-	-	620	620
Other operating income	-	-	-	0	0	-	-	-	0	0
<b>Total operating income</b>	<b>1,201</b>	<b>592</b>	<b>519</b>	<b>29</b>	<b>2,341</b>	<b>948</b>	<b>455</b>	<b>583</b>	<b>635</b>	<b>2,621</b>
Salaries and remuneration	-136	-37	-52	-	-225	-136	-40	-65	-16	-257
Other personnel costs	-109	-34	-41	-1	-185	-96	-27	-44	-7	-174
Other expenses	-220	-59	-70	-19	-368	-247	-61	-80	-29	-417
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-24	-3	-4	-	-31	-28	-3	-4	0	-35
Impairment of intangible fixed assets	-	-	-	-	-	-	-	-	-125	-125
Loan losses, net	-3	-20	-17	-	-40	7	5	18	-	30
Participations in joint ventures	-	-	-	-	-	-	1	-	-	1
<b>Operating profit/loss</b>	<b>709</b>	<b>439</b>	<b>335</b>	<b>9</b>	<b>1,492</b>	<b>448</b>	<b>330</b>	<b>408</b>	<b>458</b>	<b>1,644</b>
Standardised tax (22%)	-156	-96	-74	-2	-328	-99	-72	-90	-101	-362
<b>Profit after standardised tax</b>	<b>553</b>	<b>343</b>	<b>261</b>	<b>7</b>	<b>1,164</b>	<b>349</b>	<b>258</b>	<b>318</b>	<b>357</b>	<b>1,282</b>
Adjustment for actual tax	-1	-1	0	0	-2	-7	-5	-7	-7	-26
<b>Net profit for the year</b>	<b>552</b>	<b>342</b>	<b>261</b>	<b>7</b>	<b>1,162</b>	<b>342</b>	<b>253</b>	<b>311</b>	<b>350</b>	<b>1,256</b>
Internally calculated ROE, %	12.3	10.3	7.9		10.2	9.3	9.0	10.1		12.7

In relation to the legal income statement, SEK -34 million (-17) was transferred between the rows "Other personnel costs" and "Other expenses." The cost refers to administrative consultants, which pertain to "Other personnel costs" in the internal monitoring.

Internally calculated return on equity is calculated based on the profit/loss of each business area, after standardised tax (22 percent) and internally distributed capital.

## NOTE 41 Five-year overview

### PARENT COMPANY

SEK million	2015	2014	2013	2012	2011
Interest income	1,419	2,758	3,243	4,162	3,864
Interest expenses	-1,258	-2,423	-2,960	-4,032	-3,956
<b>Net interest income</b>	<b>161</b>	<b>335</b>	<b>283</b>	<b>130</b>	<b>-92</b>
Other operating income	552	1,124	778	811	895
<b>Total operating income</b>	<b>713</b>	<b>1,459</b>	<b>1,061</b>	<b>941</b>	<b>803</b>
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-22	-22	-20	-15	-13
Other operating expenses	-788	-878	-851	-788	-695
<b>Total operating expenses</b>	<b>-810</b>	<b>-900</b>	<b>-871</b>	<b>-803</b>	<b>-708</b>
<b>Profit/loss before loan losses</b>	<b>-97</b>	<b>559</b>	<b>190</b>	<b>138</b>	<b>95</b>
Loan losses, net	-51	1	-14	-34	3
<b>Operating profit/loss</b>	<b>-148</b>	<b>560</b>	<b>176</b>	<b>104</b>	<b>98</b>
Lending Portfolio <sup>1)</sup>	81,207	43,866	48,758	46,360	32,940
Other assets	99,466	113,069	112,937	115,668	129,708
<b>Total assets</b>	<b>180,673</b>	<b>156,935</b>	<b>161,695</b>	<b>162,028</b>	<b>162,648</b>
Deposits from the public	76,639	60,610	45,869	27,654	8,769
Debt securities in issue, etc.	76,925	68,182	91,316	101,782	116,753
Other liabilities	11,093	13,495	10,310	17,543	22,820
Deferred tax liabilities	-	-	133	65	248
Subordinated debt	7,943	5,946	5,791	7,052	6,233
Equity	8,073	8,702	8,276	7,932	7,825
<b>Total liabilities and equity</b>	<b>180,673</b>	<b>156,935</b>	<b>161,695</b>	<b>162,028</b>	<b>162,648</b>
Common Equity Tier 1 capital ratio, %	22.4	28.4	35.3	29.7	29.5

<sup>1)</sup> The Parent Company continuously transfers loans to the subsidiary, Swedish Covered Bond Corporation (SCBC).

## NOTE 42 Events after the balance sheet date

### New members of the Executive Management

In the first quarter of 2016, Klas Ljungkvist became the CIO of SBAB. He replaced Jim Petersson who was the acting CIO for a transitional period.

### Acquisition of Booli Search Technologies AB

In December 2015, SBAB agreed to acquire 71 percent of the shares in Booli Search Technologies AB with affiliates (Booli). The day of taking possession was the 14th of January 2016, which is the date on which control was obtained. For the remaining shares and issued warrants, both put and call options exists. Taking into account the substance of these contracts and SBAB's intention to exercise these options, the acquisition of Booli is recognised without any non-controlling interest at the day of taking possession.

Booli develops products and services focusing on the housing market. The company's services consist for example of booli.se which is one of Sweden's largest search services with approximately 270,000 unique users per week. SBAB consider the acquisition important in order to strengthen the company's competitiveness, their position on the mortgage market and their customer offer. Booli Search Technologies will become a subsidiary to SBAB and will be a part of the business area retail. Booli will operate as a separate business unit under the Booli trademark.

Acquired net assets at the time of acquisition:	Fair value recognized on acquisition
Property, plant and equipment	0
Intangible assets, of which	80
- Database/software	3
- Brand	3
- Deferred tax	-1
- Goodwill	75
Trade receivables	3

Acquired net assets at the time of acquisition:	Fair value recognized on acquisition
Cash and cash equivalents	7
Trade payables	-3
<b>Net assets and consideration</b>	<b>86</b>

The consideration consists of:	Fair value recognized on acquisition
Cash	59
Liability to the owners of the remaining shares and warrants	27

At the time of acquisition intangible assets have been identified and consist mainly of trademark/domain and database/software. The acquisition also led to the creation of goodwill which comprises of expected synergies arising from the acquisition.

The transaction costs related to the acquisition were charged to profit and loss under Other expenses.

Analysis of cash flows on acquisition:	Fair value recognized on acquisition
Consideration	59
Settled:	
- Cash and cash equivalents (acquired)	7
<b>Net cash flow on acquisition</b>	<b>52</b>



# SUSTAINABILITY NOTES

## NOTE 1 Stakeholders and ongoing communication

Since the bank was founded, SBAB has identified eight important stakeholder groups that affect and are affected by the bank's operations: customers, owners, employees, investors, cooperation partners, suppliers, trade organisations and the media.

From a business perspective, the most important stakeholders in the short, medium and long-term are the customers, the owner, the employees and the investors. This priority has grown out of a recurring internal dialogue regarding the bank's business logic in the Board of Directors and the Executive Management.

We maintain ongoing communication, primarily with the most important stakeholders, to set the right priorities in our business development and sustainability work. This communication occurs through customer surveys, customer meetings, dialogue with owner representatives, forums at sbab.se, physical meetings in various constellations, dialogues concerning accounting and other forms of stakeholder engagement. This communication has been signified more by continuous contact and relationship management focusing on the business than by a planned and systematic stakeholder dialogue. However, a more systematic stakeholder dialogue will be initiated and planned in 2016; a stakeholder dialogue that will also be documented in a clearer manner.

## NOTE 2 Materiality analysis, material aspects and how they are reported

In 2013, an externally conducted materiality analysis identified the most relevant sustainability issues, risks and opportunities linked to business development within the area of sustainability. 38 stakeholder representatives were invited to participate in interviews. 11 interviews were conducted with customer representatives, the bank's Board of Directors, employees, investors (including a representative of Socially Responsible Investors), banks, the bank sector and a trade organisation.

All of the responsibility issues listed by SBAB's stakeholders in the 2013 materiality analysis continue to be reported as material aspects. The issues are reported in three focus areas: Sound finances (financial development and ethics), Responsibility and transparency (customer relations, communication, employees and business relations) and Sustainable housing (sustainable products and social responsibility).

Responsibility issues have been delimited in the report to include SBAB's direct efforts and are reported using at least one GRI indicator per material aspect.



READ THE GRI/COP INDEX ON PAGES 129-130.

## NOTE 3 Employees

### AGE DISTRIBUTION MEN/WOMEN

Age distribution per 31 December 2015	PERCENTAGE DISTRIBUTION (%)		
	Women	Men	Total
20-29 years	9.3	9.1	18.3
30-39 years	12.8	14.5	27.4
40-49 years	15.4	12.2	27.6
50-59 years	12.8	7.8	20.6
60-69 years	3.2	2.9	6.1
<b>Total</b>	<b>53.5</b>	<b>46.5</b>	<b>100.0</b>

### LENGTH OF EMPLOYMENT MEN/WOMEN

Length of employment per 31 December 2015	PERCENTAGE DISTRIBUTION (%)		
	Women	Men	Total
<3 years	18.9	21.7	41
4-6 years	5.1	6.3	11
7-9 years	5.9	5.5	11
10-12 years	2.5	2.7	5
13-15 years	2.7	0.8	4
>16 years	18.3	9.5	28
<b>Total</b>	<b>53.5</b>	<b>46.5</b>	<b>100</b>

### KEY EMPLOYEE FIGURES

Key figures	2015	2014	2013	2012	2011
Total number of employees at the end of the year <sup>1)</sup>	429	397	436	380	363
of whom, women <sup>1)</sup>	51.7	55.6	55.0	55.3	58.1
Share of temporary employees <sup>2)</sup> , %	1.3	0.5	1.3	2.1	2.3
Share of part-time employees <sup>2)</sup> , %	1.7	2.1	2.1	2.1	0.1
Average age, years	41	43	42	42	42
People who left the Company over the year	58	78	31	36	54
People who joined the Company over the year	100	39	82	48	57
Personnel turnover, %	13	18	7	9	14
Satisfied employees, %	61	63	70	70	73

<sup>1)</sup> Number of active employees expressed as a full-time equivalent, adjusted for sick leave and leave of absence (FTE).

<sup>2)</sup> Total number of employees at the end of the year.





Key figures	2015	2014	2013	2012	2011
<b>Equality</b>					
Share of women in the Board of Directors, %	50	50	50	50	50
Share of women in the Executive Management, %	30	43	33	40	38
Share of female managers, %	44	41	41	44	39
Proportion of male employees, receiving parental leave allowance, %	24	28	28	41	33
<b>Sickness absence and health</b>					
Short-term sickness absence, %	1.9	1.9	2	1.9	1.9
Long-term sickness absence, %	2.0	0.9	0.7	0.2	0.6
<b>Total sickness absence, %</b>	<b>3.9</b>	<b>2.8</b>	<b>2.7</b>	<b>2.1</b>	<b>2.5</b>
Use of health-promotion contribution by all employees, %	69	75	76	78	69

## NOTE 4 A climate-friendly bank

We primarily administer services and products via the Internet and telephone. Consequently, we do not need a large network of branch offices, which ensures we have a relatively low direct environmental impact. But we still want to reduce the impact we have. Since 2008, we have therefore measured the Company's carbon dioxide emissions.

For 2015, SBAB has published a Greenhouse Gas Protocol Assessment, which is available in its entirety at sbab.se. It was prepared by U&WE, using the computerised tool Our Impacts. The report complies with the GHG Protocol standard.

In 2015, our emissions were 159 tCO<sub>2e</sub>, which is a reduction of 7 percent compared to 2014. This year's value is the lowest value measured since we started measuring in 2009. The reason for the reduction is primarily the reduced environmental impact of district heating. This is because in 2015, we were able to use local suppliers' emission factors, compared to using the average value for Sweden the previous year. Furthermore, the property we rent in Solna holds a silver certification according to the GreenBuilding standard.

Data in the tables show greenhouse gas emissions expressed in carbon dioxide equivalents, CO<sub>2e</sub>. Unless otherwise stated, we report in tonnes of CO<sub>2e</sub>.

### EMISSIONS DIVIDED PER SCOPE

tCO <sub>2e</sub> emissions	2015	2014	2013	2012	2011
<b>Total</b>	<b>158.6</b>	<b>170.9</b>	<b>200.2</b>	<b>161.7</b>	<b>222.5</b>
Scope 1	13.7	12.6	10.0	11.5	8.5
Scope 2	54.5	86.0	89.4	71.7	69.9
Scope 3	90.4	72.2	100.8	78.6	144.1

### EMISSIONS DIVIDED PER SOURCE OF EMISSION

tCO <sub>2e</sub> emissions	2015	2014	2013	2012	2011
District heating	45.4	69.7	71.6	54.9	53.7
Electricity	15.0	16.6	18.1	16.8	16.1
Waste for incineration	0.2	0.05	0.06	0.08	0.03
Cars	15.0	13.3	11.1	12.3	9.2
Air travel	65.7	59.3	85.9	65.8	129.1
Train	1.32	1.1	1.2	1.1	1.2
Cars used by employees	16.0	10.8	12.4	10.8	13.2
<b>Total</b>	<b>158.6</b>	<b>170.9</b>	<b>200.2</b>	<b>161.7</b>	<b>222.5</b>



## NOTE 5 Supply chain

SBAB provide loans and savings products under its own brand and through partnerships with other banks and estate agents.

When homeowners turn to SBAB to borrow money, SBAB must first raise the capital required – 97 percent of a new residential mortgage consists of money that SBAB has borrowed from other players.

The lion's share of our funding, approximately 71 percent, is borrowed from the capital market. To achieve this, SBAB issues bonds that are purchased by investors. In return, SBAB pays interest at a rate determined by the general interest rate level and by how safe investments in SBAB are considered to be. To reduce the risk perceived by investors, SBAB uses its residential mortgage stock as collateral for the bonds. A good credit rating for SBAB will also reduce the perceived risk. Two major international credit rating agencies determine the credit rating based on SBAB risk taking and long-term profitability.

After investors have invested money in SBAB's bonds, SBAB needs to fund the remaining 29 percent that it lends to others. The majority of these funds, approximately 26 percent, are financed through deposits. Deposits refer to private individuals and companies saving money in SBAB's savings accounts, in return for interest on their savings.

We receive the remaining 3 percent from our owner, the Swedish Government. This is in the form of equity invested in SBAB. In return for its investment, the owner receives a dividend, which is expected to amount to at least 40 percent of our profits.

Our supply chain also includes other suppliers, such as suppliers of various services and materials. Examples of these are IT-systems, office materials and consultancy services. In 2016, we will begin the systematic work to continuously consolidate the number of such suppliers. During this work, matters such as the suppliers' sustainability work will be evaluated. By actively selecting suppliers, we aim to contribute to an increased focus on sustainability issues among SBAB's suppliers. In 2016, we will review the existing agreements to evaluate potential savings. This work will be led by SBAB's purchasing function, together with representatives of all SBAB's business areas to ensure that our purchasing needs are coordinated.

We also intend to hold meetings regularly with major suppliers to ensure compliance with SBAB's sustainability requirements. The requirements posed by SBAB on its suppliers may also be followed up in regular audits. Over time, we shall only enter into contracts with suppliers that comply with SBAB's adopted sustainability criteria.

## NOTE 6 Marketing communications

Communications is a broad term that includes both financial reporting and customer dialogue. Regardless of the occasion or target group, it is crucial for how SBAB's brand is perceived in the market. For brand management to be effective in the long-term, all communication must be coordinated and adhere to a number of overarching guidelines.

SBAB's Communication guidelines regulate SBAB's external and internal communication and provision of information. This instruction also aims to ensure that SBAB's provision of information to the market is correct, relevant and complies with applicable laws and regulations.

SBAB's Direction for the marketing process aims to describe the work process SBAB is to follow in its marketing activities. It is a tool aimed at ensuring compliance with applicable regulations. The direction is aimed at the people who work with marketing and communication at SBAB.

SBAB had no incidents of non-compliance with regulations and voluntary codes concerning marketing communications during the year.

## NOTE 7 Organisations

Since 2012, SBAB has been a member of the Swedish Financial Coalition against child pornography. The Financial Coalition cooperates with ECPAT for the purpose of preventing and rendering it more difficult to trade in pictures featuring sexual abuse of children through financial systems on the Internet.

## NOTE 8 Policies and instructions

Every year, SBAB's Board of Directors adopts a number of policies at the statutory Board meeting. These are an important part of the internal governance and help the company to create a consensus on company-wide issues and areas.

For example, SBAB has policies on sustainable enterprise, ethics, equality and diversity as well as a policy aimed at preventing money laundering and the financing of terrorism. These are available on sbab.se.

In addition to these policies, a number of guidelines adopted by the Executive Management also contribute to sustainable business. Examples of these are guidelines for the management of complaints, communication, work environment, bribery, bank secrecy, compliance and security.



# GRI/COP INDEX

## STANDARD DISCLOSURES

Description	Page reference	Comment/Omission	UNGC principle	
<b>Strategy and Analysis</b>				
G4-1	Statements from the CEO and the Chairman	10–13		
<b>Organizational Profile</b>				
G4-3	Name of the organization	6, 77		
G4-4	Primary brands, products, and services	6, 50–56, 77		
G4-5	Location of the organization's headquarters	62, 77, 139		
G4-6	Countries where the organization operates	6, 77		
G4-7	Nature of ownership and legal form	6, 62		
G4-8	Markets served	6, 50–56, 77		
G4-9	Scale of the organization	6, 30, 43, 50–56, 101		
G4-10	Total number of employees	43, 101, 133	These statistics are not broken down per region, as SBAB only conducts operations in Sweden, which can be considered a single region	6
G4-11	Percentage of total employees covered by collective bargaining agreements		All employees, except the CEO, are covered by collective bargaining agreements	3
G4-12	The organization's supply chain	26, 58–59, 128		4, 5
G4-13	Any significant changes during the reporting period	10–11, 53	At the end of 2015, SBAB entered into an agreement to acquire Booli Search Technologies AB	
G4-14	Whether and how the precautionary approach or principle is addressed	46–47, 127		
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives	7, 25, 138		
G4-16	Memberships of associations	7, 128, 137		
<b>Identified Material Aspects and Boundaries</b>				
G4-17	Entities included or not covered by the report	138		
G4-18	Process for defining the report content	7, 20–21, 126, 137		
G4-19	Material aspects identified in the process for defining report content	20–21, 126, 137		
G4-20	Aspect boundary within the organisation	137		
G4-21	Aspect boundary outside the organisation	137		
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	137		
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	137		
<b>Stakeholder Engagement</b>				
G4-24	Stakeholder groups	20–21, 126		
G4-25	Identification and selection of stakeholders	20–21, 126		
G4-26	The organization's approach to stakeholder engagement	20–21, 126		
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	20–21, 126		
<b>Report Profile</b>				
G4-28	Reporting period		1 January–31 December 2015	
G4-29	Date of most recent previous report		27 March 2014	
G4-30	Reporting cycle		Updated annually as at 31 December	
G4-31	Contact point for questions regarding the report or its contents	137		
G4-32	The 'in accordance' option the organization has chosen, the GRI Content Index and the reference to the External Assurance Report	7, 129–131, 135–138		
G4-33	Policy and current practice with regard to seeking external assurance for the report	67, 136–137		
<b>Control</b>				
G4-34	Governance structure	62–67		
<b>Ethics and Integrity</b>				
G4-56	Values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	25, 32, 39, 128		10



## SPECIFIC STANDARD DISCLOSURES

Aspects	DMA* and indicators	Description	Page reference	Comment/Omission	UNGC principle	Issue in SBAB's materiality analysis
<b>Economy</b>						
Economic Performance	G4-DMA	Disclosure on Management Approach	20-21, 28-31, 62-67, 126, 128			Financial performance Social responsibility
	G4-EC1	Direct economic value generated and distributed	31			
<b>Environmental</b>						
Emissions	G4-DMA	Disclosure on Management Approach	20-21, 62-67, 126-128			Environmental responsibility
	G4-EN15	Direct greenhouse gas (GHG) emissions	127		7, 8	
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions	127		7, 8	
	G4-EN17	Other indirect greenhouse gas (GHG) emissions	127		7, 8	
<b>Social</b>						
<i>Labour Practices and Decent Work</i>						
Employment	G4-DMA	Disclosure on Management Approach	20-21, 28-29, 39, 40-44, 126		4, 5	Employees
	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	101, 126-127	These statistics are not broken down per region, as SBAB only conducts operations in Sweden, which can be considered a single region	6	
Occupational Health and Safety	G4-DMA	Disclosure on Management Approach	20-21, 28-29, 40-44, 62-67, 126, 128			Employees
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	44, 101, 127	It is only relevant for SBAB to report sickness absence		
Training and Education	G4-DMA	Disclosure on Management Approach	20-21, 28-29, 39-44, 62-67, 126, 128			Employees
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	40-41	SBAB does not have any specific programme to assist employees at the end of their employment. However, SBAB complies with regulatory requirements and collective bargaining agreements with regard to terminations		
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	41	This information is not reported distributed per gender or employment category	6	
Diversity and Equal Opportunity	G4-DMA	Disclosure on Management Approach	20-21, 28-29, 39-44, 62-67, 126, 128			Employees
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	68-71, 101, 127		6	
<b>Human Rights</b>						
Non-Discrimination	G4-DMA	Disclosure on Management Approach	20-21, 28-29, 40-44, 62-67, 126, 128		1, 2	Employees
	G4-HR3	Total number of incidents of discrimination and corrective actions taken	44	No incidents of discrimination were reported during the year	6	

\* DMA= Disclosure on Management Approach



Aspects	DMA* and indicators	Description	Page reference	Comment/Omission	UNGC principle	Issue in SBAB's materiality analysis
<i>Society</i>						
Anti-Corruption	<b>G4-DMA</b>	Disclosure on Management Approach	20-21, 39, 62-67, 126, 128			Ethics Business relationships
	<b>G4-SO4</b>	Communication and training on anti-corruption policies and procedures	39		10	
	<b>G4-SO5</b>	Confirmed incidents of corruption and actions taken	39	No incidents of corruption were reported during the year	10	
Compliance	<b>G4-DMA</b>	Disclosure on Management Approach	20-21, 39, 62-67, 126, 128			Ethics
	<b>G4-SO8</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No significant fines or sanctions have been imposed on the organisation for non-compliance with laws and regulations		
<i>Product Responsibility</i>						
Product and Service Labelling	<b>G4-DMA</b>	Disclosure on Management Approach	20-21, 28-29, 36, 126			Customer relationships
	<b>G4-PR5</b>	Results of surveys measuring customer satisfaction	7, 13, 20, 28-29, 36			
Marketing Communications	<b>G4-DMA</b>	Disclosure on Management Approach	20-21, 39, 62-67, 126, 128			Communications
	<b>G4-PR7</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	128	SBAB had no incidents of non-compliance with regulations and voluntary codes concerning marketing communications during the year		
Compliance	<b>G4-DMA</b>	Disclosure on Management Approach	20-21, 39, 62-67, 126, 128			Ethics
	<b>G4-PR9</b>	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		No fines of this nature were incurred in 2015		
Product Portfolio	<b>G4-DMA</b>	Disclosure on Management Approach	20-21, 28-29, 46-47, 62-67, 126, 128			Sustainable products
	<b>FS8</b>	Monetary value of products and services designed to deliver a specific environmental benefit	28-29, 46-47	SBAB intends to report the monetary value of sustainable products in the future	9	

\* DMA= Disclosure on Management Approach

## OVERVIEW OF EARNINGS

SEK million	PARENT COMPANY		GROUP	
	SBAB Bank	SCBC	2015	2014
Interest income	1,419	4,197	5,123	7,261
Interest expenses	-1,258	-1,917	-2,681	-5,150
<b>Net interest income</b>	<b>161</b>	<b>2,280</b>	<b>2,442</b>	<b>2,111</b>
Dividends received	-	-	-	-
Commission income	82	10	61	47
Commission expense	-79	-116	-163	-157
Net income/expense from financial instruments measured at fair value/Net income/expense from financial transactions	-76	-16	1	620
Other operating income	625	-	0	-
<b>Total operating income</b>	<b>713</b>	<b>2,158</b>	<b>2,341</b>	<b>2,621</b>
Personnel costs	-379	-	-376	-414
Other expenses	-409	-627	-402	-434
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-22	-	-31	-160
<b>Total expenses before loan losses</b>	<b>-810</b>	<b>-627</b>	<b>-809</b>	<b>-1,008</b>
<b>Profit/loss before loan losses</b>	<b>-97</b>	<b>1,531</b>	<b>1,532</b>	<b>1,613</b>
Loan losses, net	-51	12	-40	30
Participations in joint ventures	-	-	-	1
<b>Operating profit/loss</b>	<b>148</b>	<b>1,543</b>	<b>1,492</b>	<b>1,644</b>
Tax	31	-340	-330	-388
<b>Profit for the year</b>	<b>-117</b>	<b>1,203</b>	<b>1,162</b>	<b>1,256</b>

### Definitions of key data

<b>New lending</b>	Gross lending
<b>Investment margin</b>	Net interest income in relation to average total assets
<b>Loan loss rate</b>	Loan losses in relation to opening balance for lending to the public
<b>Cost/income ratio</b>	Total operating expenses/total income
<b>Cost/income ratio excluding net income/expense from financial instruments measured at fair value and restructuring costs</b>	(Total operating expenses less restructuring costs)/cost (total income less net income/expense from financial instruments measured at fair value)
<b>Return on equity</b>	Operating result after actual tax in relation to average equity
<b>Common Equity Tier 1 capital ratio</b>	Tier 1 capital less additional Tier 1 instruments in relation to risk-weighted assets (RWA)
<b>Capital adequacy ratio</b>	Own funds/risk-weighted assets
<b>Tier 1 capital ratio</b>	Tier 1 capital/risk-weighted assets
<b>Equity ratio</b>	Equity, incl. minority interest, in relation to total assets at year-end
<b>Consolidation ratio</b>	Equity, incl. minority interest, and deferred tax in relation to total assets at year-end
<b>Number of employees (FTE)</b>	Number of employees expressed as a full-time equivalent, adjusted for sick leave and leave of absence
<b>Return on assets</b>	Operating profit/loss after actual tax, in relation to average total assets



## FIVE-YEAR OVERVIEW

<b>GROUP, SEK million</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Interest income	5,123	7,261	8,147	10,485	10,449
Interest expenses	-2,681	-5,150	-6,184	-8,544	-8,831
<b>Net interest income</b>	<b>2,442</b>	<b>2,111</b>	<b>1,963</b>	<b>1,941</b>	<b>1,618</b>
Other operating income <sup>1)</sup>	-101	510	-70	-693	-439
<b>Total operating income</b>	<b>2,341</b>	<b>2,621</b>	<b>1,893</b>	<b>1,248</b>	<b>1,179</b>
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-31	-160	-69	-24	-27
Other operating expenses	-778	-848	-746	-704	-680
<b>Total operating expenses</b>	<b>-809</b>	<b>-1,008</b>	<b>-815</b>	<b>-728</b>	<b>-707</b>
Profit/loss before loan losses	1,532	1,613	1,078	520	472
Loan losses	-40	30	7	-20	-8
Participations in joint ventures	-	1	-	-	-
<b>Operating profit/loss</b>	<b>1,492</b>	<b>1,644</b>	<b>1,085</b>	<b>500</b>	<b>464</b>
Lending portfolio	296,981	261,445	258,739	255,946	248,150
Other assets	77,571	77,540	76,319	78,482	91,600
<b>Total assets</b>	<b>374,552</b>	<b>338,985</b>	<b>335,058</b>	<b>334,428</b>	<b>339,750</b>
Deposits	76,639	60,610	45,869	27,654	8,769
Debt securities in issue, etc.	264,205	243,168	243,870	253,897	276,678
Other liabilities	13,870	18,260	29,388	37,057	39,615
Deferred tax liabilities	47	-	459	0	71
Subordinated debt	7,943	5,946	5,791	7,052	6,233
Equity	11,848	11,001	9,681	8,768	8,384
<b>Total liabilities and equity</b>	<b>374,552</b>	<b>338,985</b>	<b>335,058</b>	<b>334,428</b>	<b>339,750</b>
<b>Lending</b>					
New lending, SEK million	80,470	48,297	37,367	34,878	31,107
Investment margin, %	0.68	0.63	0.59	0.58	0.49
<b>Loan losses</b>					
Loan loss rate, %	-0.01	0.01	0.00	-0.01	-0.00
<b>Productivity</b>					
Cost/income ratio, %	35	38	43	58	60
Cost/income ratio excluding net income/expense from financial instruments measured at fair value and restructuring costs, %	34	41	44	39	46
Return on assets, %	0.3	0.4	0.3	0.1	0.1
Return on equity, %	10.2	12.1	9.5	4.2	4.2
<b>Capital structure</b>					
Common Equity Tier 1 capital ratio without transitional regulations, %	28.6	29.8	23.3	16.4	15.0
Tier 1 capital ratio without transitional regulations, %	35.1	36.8	30.6	21.7	20.0
Total capital ratio without transitional regulations, %	49.3	44.7	35.6	27.4	23.9
Total capital ratio with transitional regulations, %	8.0	10.8	10.5	11.5	10.7
Equity ratio, %	3.2	3.2	2.9	2.6	2.5
Consolidation ratio, %	3.2	3.2	2.9	2.6	2.5
<b>Employees</b>					
Number of employees at year-end, FTE <sup>2)</sup>	429	397	436	380	363

<sup>1)</sup> The item includes net commission, net income/expense from financial instruments and other operating income.

<sup>2)</sup> Number of active employees expressed as a full-time equivalent, adjusted for sick leave and leave of absence.

## PROPOSED APPROPRIATION OF PROFITS

According to SBAB's balance sheet, SEK 5,723 million are at the disposal of the Annual General Meeting, of which a negative SEK 14 million is the fair value reserve, SEK 5,854 million is retained earnings and SEK 117 million is loss for the year. The Board of Directors proposes that the funds at disposal of the General Meeting be carried forward, of which a negative 14 million in the fair value reserve.

## SIGNATURES OF THE BOARD OF DIRECTORS

The Board of Directors of SBAB hereby submit SBAB's Integrated Annual Report, which includes both the Annual Report and the Sustainability Report. The formal Annual Report is to be found in specially marked sections, which are apparent from the table of contents. The Sustainability Report, excluding the Corporate Governance Report, constitutes the remaining part of the year's Integrated Annual Report.

The Board and the CEO certify that the sections containing to the formal annual accounts and the consolidated financial statements were prepared in accordance with the international accounting standard (IFRS) as adopted by the EU and provide a true and fair view of the Group's position and earnings. The formal annual accounts were otherwise prepared in accordance with generally accepted accounting policies and provides a true and fair view of the Parent Company's position and earnings. The Administration Report, which is provided on pages that have been marked specially, provides a true and fair view of the development of the operations,

position and earnings, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

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

The information provided gives a true and fair view of the circumstances of the Company and nothing of material significance has been omitted which might affect the view of the Company created by the Annual Report.

SBAB's Integrated Annual Report has been prepared inspired by the International Integrated Reporting Council's (IIRC) framework and in accordance with the Global Reporting Initiative's (GRI) G4 Core guidelines. It also constitutes SBAB's Communication on Progress (COP) to the UN Global Compact.

Stockholm, 10 March 2016

Bo Magnusson  
*Chairman*

Jakob Grinbaum  
*Vice Chairman*

Carl-Henrik Borg  
*Board Member*

Lars Börjesson  
*Board Member*

Kristina Ekengren  
*Board Member*

Ebba Lindsö  
*Board Member*

Jane Lundgren-Ericsson  
*Board Member*

Karin Moberg  
*Board Member*

Anders Heder  
*Employee representative*

Helen Vallin  
*Employee representative*

Klas Danielsson  
*CEO*

Our audit report was submitted on 11 March 2016

KPMG AB

Anders Tagde  
*Authorised Public Accountant*



# AUDIT REPORT

To the annual meeting of the shareholders of SBAB Bank AB (publ), corp. id 556253-7513

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of SBAB Bank AB (publ) for the year 2015, except for the corporate governance statement on pages 62–71. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 30–35, 50–61, 72–125, 132–134.

### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

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

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

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

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 62–71. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of SBAB Bank AB (publ) for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act, and that the corporate governance statement on pages 62–71 has been prepared in accordance with the Annual Accounts Act.

### *Auditor's responsibility*

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

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

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

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted audit standards in Sweden.

### *Opinions*

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, 11 March 2016

KPMG AB

Anders Tagde  
Authorised Public Accountant

# AUDITOR'S LIMITED ASSURANCE REPORT ON SBAB BANK AB (PUBL)'S SUSTAINABILITY REPORT

*This is the translation of the auditor's report in Swedish. To SBAB Bank AB (publ), corporate identity number 556253-7513*

## Introduction

We have been engaged by the Board of Directors of SBAB to undertake a limited assurance engagement of SBAB's sustainability report in the Integrated Annual Report for the year 2015. The Company has defined the scope of the sustainability report on pages 7 and 137.

## Responsibilities of the Board of Directors and the Executive Management for the sustainability report

The Board of Directors and the Executive Management are responsible for the preparation of the sustainable report in accordance with the applicable criteria, as explained on page 137 in the Integrated Annual Report, that are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) that are applicable to the sustainability report, as well as the accounting and calculation principles that the company has developed. This responsibility also includes the internal control relevant to the preparation of a sustainability report that is free from material misstatements, whether due to fraud or error.

## Responsibilities of the auditor

Our responsibility is to express a conclusion on the sustainability report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the sustainability report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Consequently, the procedures performed in a limited assurance engagement do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the sustainability report.

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

## Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the sustainability report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, March 11, 2016  
KPMG AB

Anders Tagde  
Authorised Public Accountant

Karin Sivertsson  
Expert Member of FAR



# INFORMATION ABOUT THE ACCOUNTS

SBAB complies with the Swedish Government Offices' special Guidelines for external reporting by state-owned companies, adopted by the Swedish Government on 29 November 2007.

## Report profile

In this report, we take a first step to integrate sustainability-related information with financial information in SBAB's first attempt at providing an Integrated Annual Report.

## A more integrated administration report

This year, our Annual and Sustainability Reports have been restructured. Compared to previous years, it means that the various sections of the administration report are published in different, specially marked sections in the Integrated Report. Through this approach, the report is prepared with inspiration from the International Integrated Reporting Council's ("IIRC") International <IR> Framework.

## Report defined by the Board of Directors

The Board of Directors have signed, and thereby submitted, the Integrated Annual Report in its entirety.

The formal Annual Report is to be found in specially marked sections, which are also apparent from the table of contents. The Sustainability Report, excluding the Corporate Governance Report, constitutes the remaining part of the year's Integrated Annual Report. It is SBAB's ambition to develop the Integrated Annual Report further next year, in accordance with the International Integrated Reporting Council's ("IIRC") International <IR> Framework.

## The Global Reporting Initiative's ("GRI") reporting framework

We apply the Global Reporting Initiative's framework for sustainability reporting, version G4 at the "Core" level, including GRI G4 Sector Disclosures, Financial Services. It is stated in the special GRI/COP index on page 129 which parts of the Integrated Annual Report that constitute SBAB's Sustainability Report according to GRI.

## UN Global Compact, Communication on Progress (COP)

SBAB joined the UN Global Compact in 2009. SBAB's commitment to the Global Compact means that the Company reports its work on implementing the Ten Principles of the Global Compact in an annual Communication on Progress ("COP"). The special GRI/COP index states which parts of the Integrated Annual Report that constitute SBAB's Communication on Progress, which is based on the BASIC GUIDE Communication on Progress, GC Active Level, developed by the Global Compact.

## Audit and auditor's review

The report defined by the Board of Directors clarifies which parts of SBAB's Integrated Report that constitute the formal Annual Report, and therefore has been subject to audit. The sections that do not constitute the Annual Report constitute SBAB's Sustainability Report according to GRI and Communication on Progress and have been subject to a review by the auditors in their entirety, except in the sections made available through links. The Corporate Governance Report is subject to a statutory review, which is less comprehensive than an audit or auditor's review. KPMG submits an audit report for the Annual Report and the Corporate Governance Report, and a separate review report for the Sustainability Report/COP.

## Report scope and boundary

The Annual Report comprises the Parent Company, SBAB Bank AB (publ). The wholly-owned subsidiary, AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC), publishes its own, separate Annual Report. The Sustainability Report comprises of the Parent Company, SBAB Bank AB (publ), and the wholly-owned subsidiary, AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC).

## Material aspects and how these are reported

All of the responsibility issues listed by SBAB's stakeholders in the materiality analysis are reported as material aspects. The issues are reported in three focus areas, according to the following:

- Sound finances (financial development and ethics)
- Responsibility and transparency (customer relations, communication, employees and business relations)
- Sustainable housing (sustainable products and social responsibility)

The above-mentioned responsibility issues have been delimited in the report to include SBAB's direct efforts and are reported using at least one GRI indicator per material aspect (see the GRI/COP index, page 129).

Environmental responsibility refers to the work on SBAB's internal environmental impact. It is therefore delimited to SBAB and reported in the notes. Three indicators are reported, divided according to GHG scopes 1, 2 and 3.

## Delimitation

Of the six capitals stated in the International Integrated Reporting Council's International <IR> Framework, we have chosen to focus on the capitals on which SBAB has direct (explicit) impact: financial capital (funding), human capital (employee competencies), social capital (relationship capital) and intellectual capital (procedures and IT platform). Capital on which the bank's operations have indirect (implicit) impact, such as natural capital, are primarily reported in this report in the sustainability notes on page 126.

## Report contacts

The contacts for SBAB's Integrated Annual Report 2015 are, for the financial information, Mikael Inglander, CFO, and for the non-financial information, Pontus Niléhn, Project Manager Financial Reporting.

Lars-Olle Larsson, the Swedish International Integrated Reporting Council ("IIRC") ambassador, advised on the work on the report.

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## **Contact Sustainable Business**

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## **Information for investors**

For more information and contacts, see [www.sbab.se](http://www.sbab.se).

## **Financial calendar**

Year-end Report 2015	5 February 2016
Annual General Meeting (Stockholm)	28 April 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

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**SBAB!**