



Annual Report 2014

SBAB Bank AB (publ)

SBAB!

Contents

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SBAB Annual Report 2014

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Read our other reports!

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.

The year in brief

- Operating profit totalled SEK 1,644 million (1,085).
- Net interest income amounted to SEK 2,111 million (1,963).
- Expenses increased to SEK 1,008 million (815), of which SEK 178 million (0) were restructuring costs.
- Return on equity increased to 12.1% (9.5).
- In August, Klas Danielsson assumed the position as CEO of SBAB.
- The year was characterised by stable lending volumes and strong growth in deposits with nearly 38,000 additional savings customers.
- Strong demand for SBAB's bonds in all funding markets.
- Focusing on residential mortgages and housing financing. The investment in "everyday banking services" was discontinued and products such as fund offerings and card solutions was wound up.

Summary SBAB Group

	2014 Jan-Dec	2013 Jan-Dec
INCOME STATEMENT ITEMS		
Net interest income, SEK million	2,111	1,963
Other operating income ¹⁾ , SEK million	510	-70
Expenses, SEK million	-1,008	-815
Loan losses, SEK million	30	7
Participations in joint ventures, SEK million	1	-
Operating profit, excluding net income/expense from financial instruments, SEK million	1,024	1,046
Operating profit, excluding net income/expense from financial instruments & restructuring costs, SEK million	1,202	1,046
Operating profit, SEK million	1,644	1,085
Net profit for the year, SEK million	1,256	873
BALANCE SHEET ITEMS		
Lending to the public, SEK billion	261.4	258.7
Doubtful loan receivables after individual provisions, SEK million	12	15
Deposits, SEK billion	60.6	45.9
Funding, SEK billion	243.2	243.9
KEY FIGURES		
Level of loan losses, % ²⁾	0.01	0.00
Return on equity, %	12.1	9.5
Employees on 31 December, FTE ³⁾	397	436
CAPITAL ADEQUACY		
Without transitional regulations		
Common Equity Tier 1 capital ratio, %	29.8	23.3
Tier 1 capital ratio, %	36.8	30.6
Total capital ratio, %	44.7	35.6
With transitional rules		
Total capital ratio, %	10.8	10.5
RATING		
SBAB		
Long-term funding		
–Standard & Poor's	A ⁴⁾	A
–Moody's	A2 ⁴⁾	A2
Short-term funding		
–Standard & Poor's	A-1	A-1
–Moody's	P-1	P-1
SCBC		
Long-term funding		
–Standard & Poor's	⁵⁾	AAA
–Moody's	Aaa	Aaa

¹⁾ Includes net result from financial instruments and net commission.

²⁾ Loan losses calculated on a full-year basis in relation to opening balance for lending to the public.

³⁾ Number of employees expressed as a full-time equivalent, adjusted for sick leave and leave of absence.

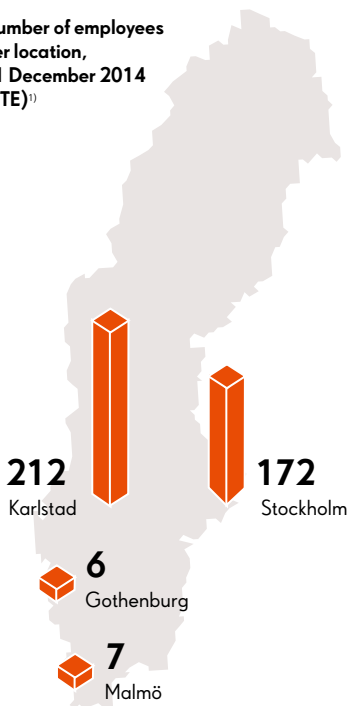
⁴⁾ Outlook negative.

⁵⁾ Standard & Poor's terminated their rating of SCBC in 2014.

SBAB in brief

Our business concept is to use innovation and thoughtfulness to offer loans and savings to private individuals, tenant-owner associations and property companies in Sweden.

Number of employees per location, 31 December 2014 (FTE)¹⁾



SBAB Bank AB (publ), "SBAB", commenced operations in 1985 and is wholly owned by the Swedish state. SBAB became a bank in 2011, focusing on residential mortgages and housing financing in the Swedish market. SBAB's profitability target is a return on equity of at least 10%.

Net profit for the year amounted to SEK 1,256 million, which is an increase of SEK 383 million compared to 2013. The performance in 2014 was strong also in comparison to previous years. This is explained by increases in net interest income and net income from financial instruments. Return on equity amounted to 12.1%, which is an improvement compared to recent years. A dividend of SEK 502 million will be proposed to the Annual General Meeting on 22 April, which corresponds to 40% of the net profit for the year.

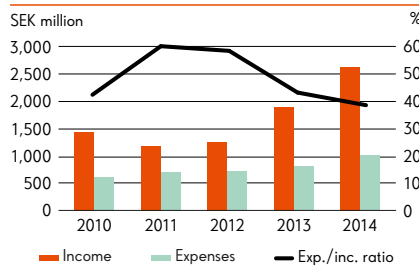
Organisation

As of 31 December 2014, SBAB had 397 employees (FTE ¹⁾) spread over four offices: 172 in Stockholm, 212 in Karlstad, 6 in Gothenburg and 7 in Malmö. Stockholm primarily houses IT and central functions. Customer centre and Operations are located in Karlstad. Gothenburg and Malmö houses local key account managers serving corporate clients and tenant-owner associations.

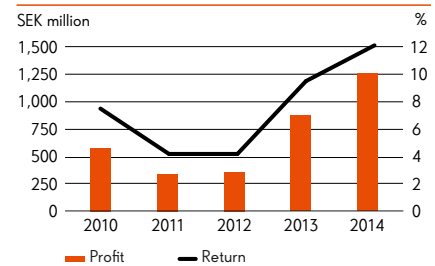
SBAB has two business areas: Retail and Corporate Clients & Tenant-owner Associations. Retail offers residential mortgages, consumer loans, deposits, insurances and mediating residential mortgages through partners such as banks and estate agents. Corporate Clients & Tenant-owner Associations offers housing financing to property companies and tenant-owner associations, and accepts deposits from companies.

¹⁾ Number of employees expressed as a full-time equivalent, adjusted for sick leave and leave of absence

Income, expenses and expenditure/income ratio



Profit and return on equity



SBAB launches operations with 4 employees.

1985

1989
Established in the credit markets of London and Tokyo.

SBAB's competitive lending begins.

1991

1992
Office in Karlstad opens for customer service and administration of loans.

Residential mortgages to private individuals.

1996

1998
Online loan applications.

SBAB has the most satisfied retail customers according to SKI.

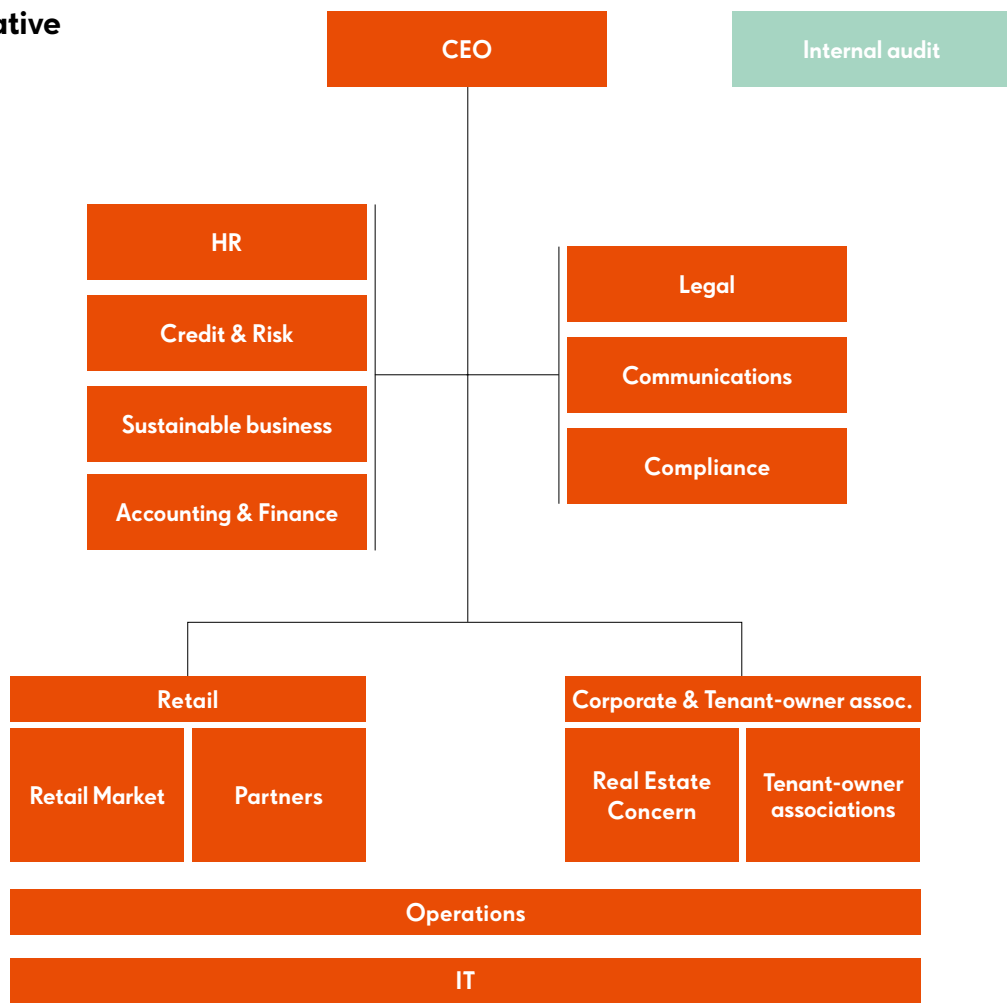
2002

2003
Interest rates for tenant-owner rights lowered to the same level as for single-family dwellings.

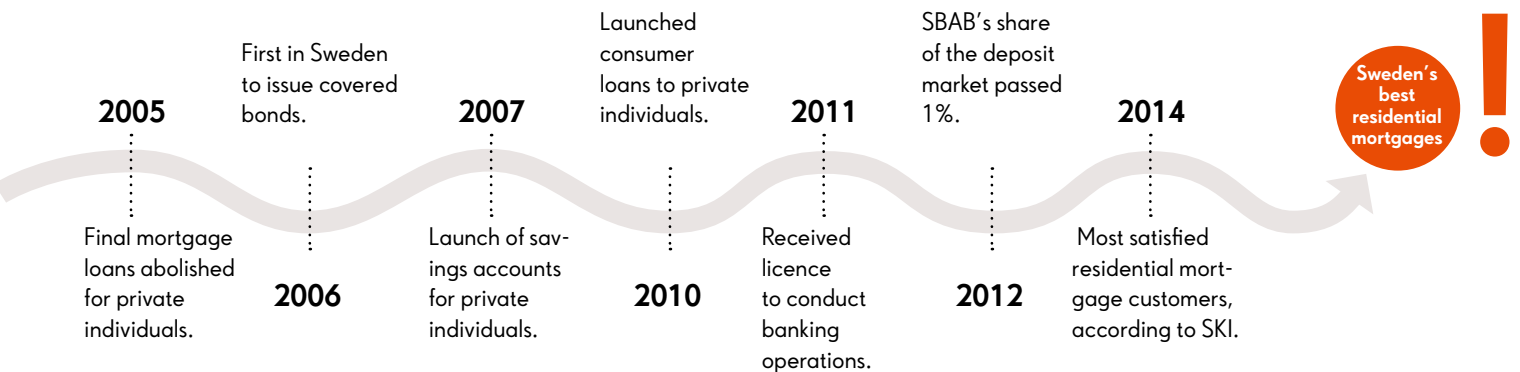
Online automated loan promises.

2004

SBAB's operative organisation



In addition to the CEO, the following positions are included in SBAB's Executive Management: The heads of IT, Economics & Finance (CFO), HR, Legal, Credit & Risk (CRO), Retail, Corporate and Tenant-owner associations and Communications.



A message from our CEO

“The level of knowledge, expertise, professionalism and care for our customers that I see within our colleagues is impressive”.

I assumed my position as the CEO in August last year. Before I joined the company, I reviewed the strategic evaluation of the operations that was carried out in the spring at the instruction of the Board of Directors. It became even more obvious to me that our potential in the residential mortgage market is great, while the intended investment in retail banking would entail high costs and deflect our focus from the core business. In late August, we therefore decided to focus fully on our core business – residential mortgages to private individuals and housing financing to tenant-owner associations and property companies. The strategic decision involved organisational changes and was the start of a cost savings programme intended to make us even more competitive in the residential mortgage market. However, I already see clear, positive results in the form of a new energy in the organisation, an increased customer focus and a stronger inflow of new customers in the fourth quarter and the beginning of 2015.

As a bank, SBAB fulfils an important function in society. We are part of a financial infrastructure that makes it possible for private individuals to purchase their own homes and for companies to finance residential properties. In our deposit operations, we manage funds entrusted to us by the public. This requires that we take responsibility and act with a long-term perspective, and that we build trusting relationships, based on good business ethics, with our customers and the world around us. SBAB shall set a good example within sustainable business and act in such a manner that the company earns public confidence.

2014 was another strong year for the Swedish property market with high demand, low interest rates and rising prices. 2014 was also a strong year for SBAB's operations with expanding volumes,

improved margins and increased profitability. Our finances are strong with high capital adequacy, we have experienced excellent growth on the deposit side and our market funding has been met by strong demand on terms that are favourable to us. We also met the profitability objective of at least 10% return on equity set by our owner, the Swedish Government, and a dividend will be proposed for the first time since 2004.

In December last year, we found out that we have Sweden's most satisfied residential mortgage customers, according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI). This pleased us immensely. At the end of the year, we had 253,000 residential mortgage customers who borrowed SEK 182 billion from SBAB. This gave us a market share of 7.30% and turned us into Sweden's fifth largest residential mortgage provider. In the past five years, our market share has diminished, which we are not satisfied with.

Within housing financing to multi-family dwellings, on the corporate client side, we lent SEK 78 billion to 2,710 tenant-owner associations and 463 property companies. We have a distinct strategy for future growth, which will see us act from our offices in Stockholm, Gothenburg and Malmö, serving customers in nearby regions, where we can be competitive and create customer value.

We will offer Sweden's best residential mortgages. That is our new vision. It will be a tricky one to achieve, as having Sweden's happiest retail customers will not be enough. We must grow and take market share, both in the retail and corporate markets. We will achieve this growth by developing and improving our customer offering through innovation and thoughtfulness. We need to do this in a manner that contributes to better housing and improved housing finances for our customers.

We will regard residential mortgages as a living, exciting and dynamic product, full of potential with ample opportunities to create a unique product. We will not only listen to our customers, but surprise them as well. We need to become more professional and work faster, with greater determination and an increased focus on sales. A fresh example of innovation, professionalism and a focus on sales was when we offered loans with a five-year, fixed-interest period at an extra low interest rate, which resulted in SEK 9 billion in five-year loans and many new, satisfied customers.

Better housing and improved housing finances are not only about providing good service and great interest rates on residential mortgages, but are also about sustainable housing and responsible credit granting. We want to increase our market share by financing more sustainable multi-family dwellings and by integrating sustainability into our residential mortgage offering to private individuals. For us, the best residential mortgage is a sustainable residential mortgage. Our low loan losses are proof of our responsible credit granting. At the same time, we should be aware that the current, extremely low interest rates lead to extremely low housing costs, which reduces our risk of loan losses.

In 2015 and 2016, we will lay a foundation that will keep SBAB strong and competitive in the long term, by becoming more cost-efficient with the ability to grow at low marginal costs. At the same time, increased regulation in the banking sector has led to resource-intensive adjustment activities that have an impact on costs.

Banking operations impose stringent requirements on those of us who work at SBAB. The confidence in SBAB and Swedish banks in general depends on us delivering on our promises, having a good business culture and following the rules and regulations applicable to the financial market. The level of knowledge, expertise, professionalism and care for our customers that I see within our colleagues is impressive. Good leadership and a good corporate culture are prerequisites for growth and growth creation. We have carried out an evaluation project that highlighted our strengths and told us what we need to add in order to achieve growth. In 2015, we will provide leadership and employee training programmes to promote an inclusive leadership with motivated employees. I see before me a more dynamic SBAB with a corporate culture that is a key competitive factor. Together with the strength, confidence and understanding that have been incorporated into our brand over the years, we have a fantastic foundation on which to create and build growth.

Stockholm, March 2015

KLAS DANIELSSON
CEO



Market position

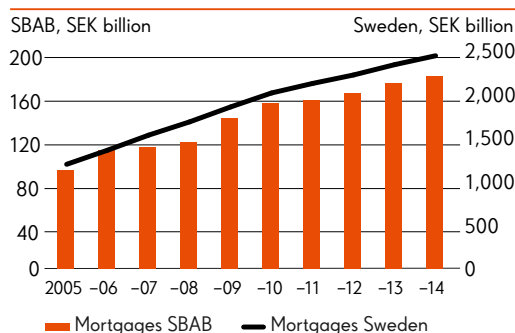
With 253,000 residential mortgage customers and lending of SEK 182 billion, we are a major player in the residential mortgage market for private individuals. Within housing financing to tenant-owner associations, we are among the largest players on the market.

Residential mortgages

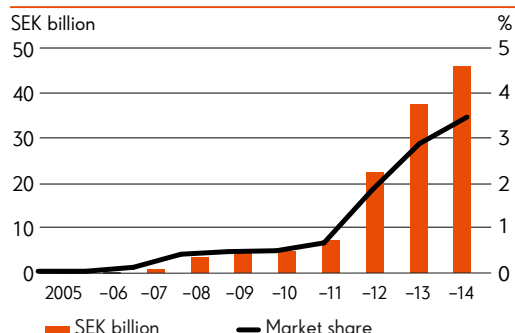
Residential mortgages and housing financing is and has been SBAB's core business for a long time. Looking at the market share in the retail market from a ten-year perspective, SBAB has been the most notable contender to the major banks. In a ten-year period, the market for residential mortgages has more than doubled from SEK 1,040 billion to closer to SEK 2,500 billion. This has resulted in all major players expanding their residential mortgage volumes. For SBAB, the volume of lending in the retail market has expanded from SEK 101 billion to SEK 182 billion while the market share diminished from 8% to 7% since 2005.

SBAB's market share is somewhat higher in residential mortgages for tenant-owner apartments than in residential mortgages for single-family dwellings. 6% of the total residential mortgage market for single-family dwellings has been lent by SBAB; the corresponding market share for tenant-owner apartments is 10%.

Mortgage volumes Sweden and SBAB, 10 years (SEK billion)



SBAB, Retail deposits and market share, 10 years



Housing financing

The Corporate Clients & Tenant-owner Associations business area offers housing financing for multi-family dwellings, divided into buildings with rental apartments and tenant-owner associations.

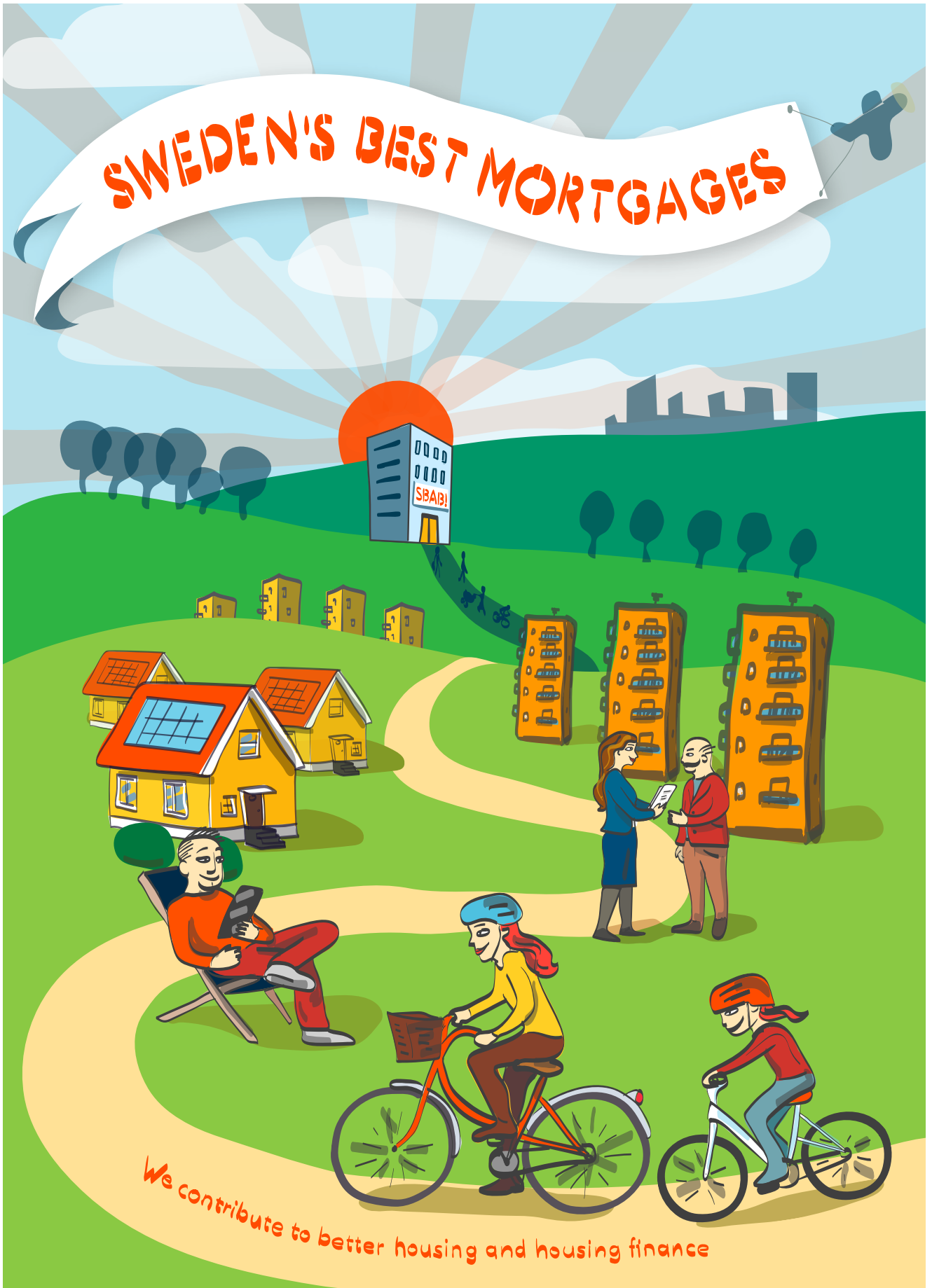
The market shares within those segments are 9% and 14%, respectively. At the end of 2014, SBAB's lending amounted to SEK 26 billion for buildings with rental apartments and SEK 53 billion for tenant-owner associations. Viewed over a longer period, SBAB has lost market share. The most distinct trend has been within corporate clients, where the market share has fallen from 14% to 9% since 2010. This decrease was in line with a previous decision to divest these operations, which meant less new business and extensive redemption of loans to existing customers. The corporate client business has now become strategically important to SBAB, and it is intended to grow. Since 2010, SBAB's share of the total market for lending to tenant-owner associations has dropped from 17% to 14%. The reason for this is intense price competition and the fact that market growth has primarily been driven by new production by the major construction companies this being a segment, where SBAB has a smaller market share.

Deposits

SBAB's market share in deposits in the form of savings accounts has grown rapidly since their introduction in 2007. At year-end, it amounted to close to 4% of total deposits from households and close to 2% of deposits from companies.

SBAB: market share housing financing, Corporate and Tenant-owner respectively, 5 years





SBAB's promise to customers – our value proposition

Our promise to customers should be unique, and we should offer such value that they choose us – both today and in the future. This can be summarised in the areas of availability, thoughtfulness and transparency, which collectively form our value proposition. Our value proposition acts like our guiding star in the development of our customer offering.



Availability

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

We are the only bank that is fully focused on residential mortgages. There are no questions about residential mortgages that we cannot answer, and our answers are based on the customer's situation and previous knowledge. Customers are able to reach us from 8am–9pm by telephone or around the clock on the Internet or their mobile devices. As we see it, the need to book a meeting with your bank and then wait for days to have it is neither modern nor a sign of customer appreciation. In all channels, we focus on issues arising in connection with residential mortgages and financing. Our focus should ideally be based on customer needs, such as "can I", "should I" or "how do I go about it," rather than on the product as such.



SBAB had Sweden's most satisfied residential mortgage customers in 2014, according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI). Read more on page 14.

“SBAB treats its customers in a professional manner and is easy to connect with, both via the Internet and by telephone. No branch offices with inconvenient opening hours or long queues.”

Quote from a customer, 2014

“My colleague has recently signed up for a residential mortgage with you, and she’s very happy with both the interest rates and service. After this conversation, I agree wholeheartedly. I feel like I want you to be my new best friend!”

Quote from a customer, 2014

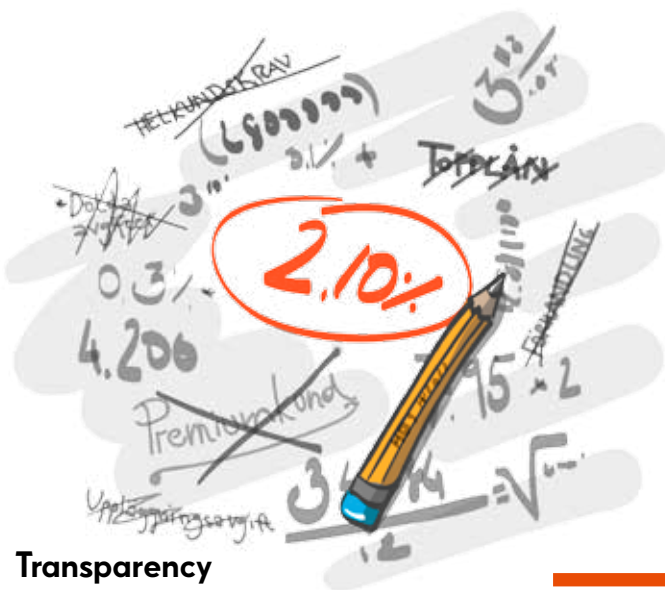


Thoughtfulness

– Housing specialists who care

As we have always focused on residential mortgages, our employees are highly skilled in the area of residential mortgages and financing. But whereas expertise and skills often come in a factual and cold package, our specialists are considerate and generous with their knowledge.

Thoughtfulness creates a desire to take responsibility and help customers, leading to a wider perspective that includes an understanding of our customers’ entire businesses. Consequently, a dialogue with us rarely concerns money alone; it often involves support for 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.



Transparency

– Excellent prices and appropriate terms and conditions, right away

We want to offer our customers straightforward, good 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 parameters such as whom you talk to at the bank, how you are dressed, how well-spoken you are or how long your parents have been customers should affect the interest rate you get on your residential mortgages. Our customers do not need to put on an act or adopt a negotiation strategy – we always offer a good price and appropriate terms and conditions, straightaway.

“I’m tired of renegotiating the interest rate every year. I want to know that my terms and conditions are good, and then I want to let it go. That’s why, SBAB sounds great to me!”

Quote from a customer, 2014

We pay a visit to the Rydberg-Persson family in Olofstorp, outside Gothenburg.





Our customers' stories

“We kept alternating between each other’s houses every second week, but wanted to move in together properly. With help from SBAB, we were able to buy the house we needed to make everyone happy. Excellent availability makes it easy for us to handle our bank matters and keep track of our loans.”

The Rydberg-Persson family Olofstorp

One year ago, Carla Rydberg and her partner, Karl Persson, bought a single-family dwelling with twelve rooms and a kitchen, right outside Gothenburg. They needed that many rooms since they each have three children. The house, built in 1930, was newly renovated and climate-friendly. “It came with a geothermal heating system with two boreholes to heat the large house, all domestic appliances had energy rating A and the bathrooms were equipped with water-saving shower heads,” says Carla.

“We always consider the environment in our daily lives, and it’s important to us that our home is a part of this, too. The only thing we needed to do ourselves was to create a compost.”

The family’s two cars run on biogas, the energy used is green

and the food is organic, to the extent possible.

“That the house was so large and in such excellent condition when we bought it was a requisite for us being able to live together at all.” A renovation object could easily have jeopardised the new and sensitive relationships of a family with step-children.

Carla already held a savings account with SBAB, so it seemed natural to check with SBAB when it was time to apply for a residential mortgage.

“I appreciate the availability at SBAB. I’ve been able to handle most things on the Internet or by email. Also, SBAB offered the best terms of interest at the time we took out our mortgage, so it seemed like a sensible choice.”

Business concept, strategy and business model

Our business concept is to use innovation and thoughtfulness to offer loans and savings to private individuals, tenant-owner associations and property companies in Sweden.

Innovation means that we continuously, through evolution and innovation, in minor and major steps, develop our customer offering with the aim of offering Sweden's best residential mortgages. Thoughtfulness means that our customer is constantly in the driver seat. To always offer great prices, appropriate terms and conditions and personal service on the customer's conditions, every day – that is showing thoughtfulness.

With loans we mean residential mortgages, housing financing and consumer loans. Savings refer to deposit accounts.

Our largest customer group is private individuals who have taken out a residential mortgage or made deposits in a savings account. Our private customers are located all over Sweden, but they are concentrated to Stockholm, Gothenburg and Malmö, as well as certain other university cities and growth

areas. With regard to tenant-owner associations and property companies, we focus on customers that have their registered offices south of the Dalälven river, but our customers may own properties throughout Sweden. Our customers primarily own property in major cities and in growth areas.

Our business model is based on great efficiency, low costs, low and carefully calculated risks, competitive market funding and large and growing customer volumes. In recent years, it has become increasingly complex and demanding to conduct banking operations, due to rapidly growing regulatory pressure. Residential mortgages have increasingly become subject to specific regulatory developments. This means that the fixed costs of our operations have increased, which puts increasingly high requirements on efficiency and expanding volumes for long-term profitability.



Sweden's most satisfied residential mortgage customers

SBAB had the country's most satisfied residential mortgage customers in 2014, according to Swedish Quality Index (Svenskt Kvalitetsindex, SKI).¹⁾

For a number of years, SBAB has been highly ranked in Swedish Quality Index' (Svenskt Kvalitetsindex, SKI) evaluation of banks offering residential mortgages, based on customer interviews. In the last survey, which was published in December 2014, SBAB was ranked on top of the list. We consider this result as proof that SBAB is a bank that brings something important to the residential mortgage sector, and our vision to offer "Sweden's best resi-

dential mortgages" is meaningful.

SKI's survey is divided into seven different headings, under which 28 questions are summarised. Under five headings and 18 questions, SBAB is rated higher on average than any of our six named competitors. Under the headings where we did not end up on top, we were ranked as number two, and in the ten questions where we were not top ranked, our lowest position was four.

¹⁾ Every autumn, Swedish Quality Index (Svenskt Kvalitetsindex, SKI) surveys Sweden's residential mortgage providers. The seven largest players are named in the survey, which is based on telephone interviews with each bank's customers. The data was collected by EVRY. In total, 1,258 people aged 18–79 years who have taken out residential or property mortgages and reside in Sweden were interviewed.

Vision and mission



Vision

We will offer Sweden's best residential mortgages.

Our vision is our final destination, our guiding star, where we want to go and what we want to offer our customers. Our vision constantly encourages us to become even better. Our focus and main product is residential mortgages. Residential mortgages refer to residential mortgages to private individuals and housing financing to tenant-owner associations and property companies.

If we are to offer our customers Sweden's best residential mortgages, we need to use innovation and thoughtfulness. We must also contribute to better housing. If we want to offer Sweden's best residential mortgages, we need to meet a number of objectives within eight different areas. These areas are customer satisfaction, terms and conditions, prices, awareness, sustainability, growth, profitability and employee satisfaction.

Mission

We contribute to better housing and improved housing finances.

Our mission governs the way we treat our customers. Everything we do in our operations should directly or indirectly lead to better housing and improved housing finances.

Better housings include sustainable homes. We shall act responsibly and integrate sustainability into our customer offering. Better housing finances for our customers can be achieved through a good price and appropriate terms and conditions.

Objectives and outcome

In 2014, SBAB strove to achieve the objectives stated below. 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.

Areas	Objectives for 2014	Outcome 2014 (2013)
Profitability	Return on equity shall at least amount to 10%.	12.1% (9.5%)
Capital targets	SBAB shall be well-capitalised and meet the capital targets set in the capital policy. The Common Equity Tier 1 capital ratio shall amount to no less than 22% ¹⁾ .	29.8% (23.3%)
Risk targets	SBAB shall optimise its profitability within the scope of the risk tolerance determined by the Board.	Yes (Yes)
Dividends	Ordinary dividends should be at least 40% of the annual profit after tax, taking the Group's capital structure into account.	Yes (-)

¹⁾ Determined by the Board in December 2014, compared to the previous target of 18–20%.

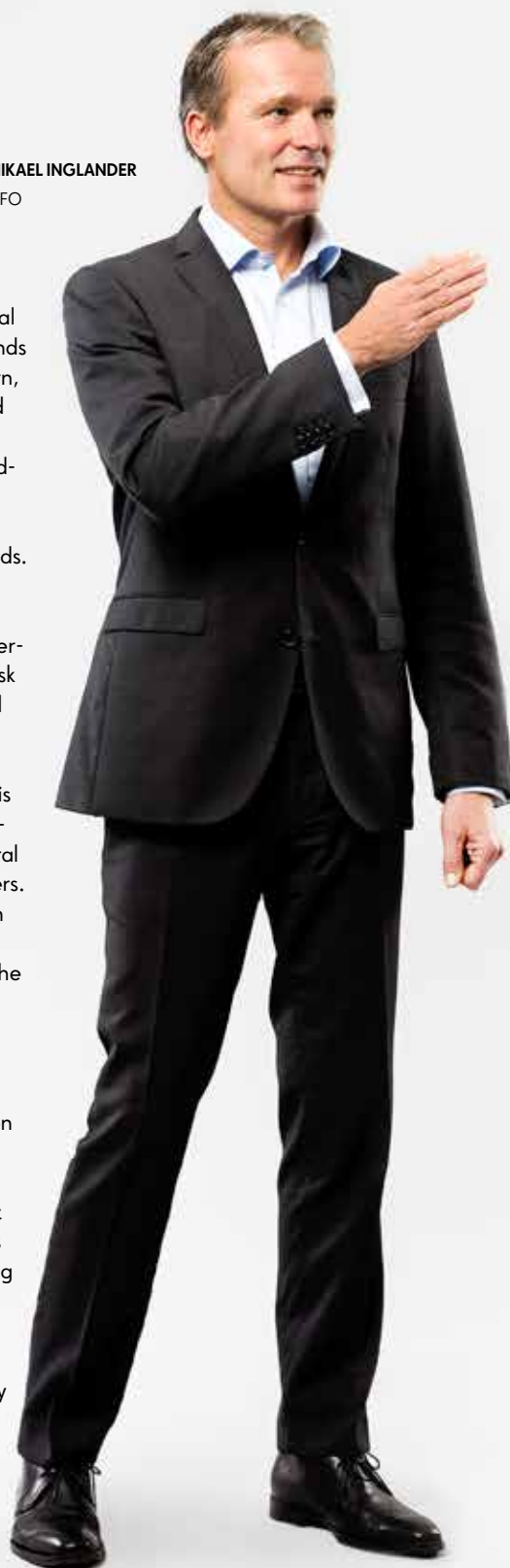
Areas	Objectives 2015	Sustainability:
Profitability	Return on equity shall at least amount to 10%.	Read more about our objectives in the sustainability chapter on pages 38–40.
Capital targets	SBAB shall be well-capitalised and meet the capital targets set in the capital policy. The Common Equity Tier 1 capital ratio shall amount to no less than 22%.	
Risk targets	SBAB shall optimise its profitability within the scope of the risk tolerance determined by the Board.	
Dividends	Ordinary dividends should be at least 40% of the annual profit after tax, taking the Group's capital structure into account.	



How our profits are created

SBAB
EXPLAINS

MIKAEL INGLANDER
CFO



Like other banks, SBAB is tasked with providing capital to companies, tenant-owner associations and private individuals. Banks therefore have a key role in the economy, as they transfer capital from those who are rich in resources to players who need the capital. The interest is the lubricant that keeps the system working, as it both incentivises lending and ensures that capital ends up where it is the most useful.

This means that banks must carry out their tasks in order for the country's economy to function, but high requirements are also necessary since careless banking operations may affect the rest of the economy in a highly destructive manner. These requirements are imposed both by society, in the form of legislation, and by those who lend money to the bank, in the form of credit ratings. The former ensures that banking operations are conducted in conformity with societal objectives for the economy, and the latter protects investors from losing the money they lend us.

In this context, the bank's long-term profitability is of major significance. Long-term profitability is achieved by sound credit granting and responsible actions, which build confidence and lead to better terms and conditions for funding. Consequently, good performance forms the basis for successful banking operations, which in turn are a cornerstone of a functioning public economy.

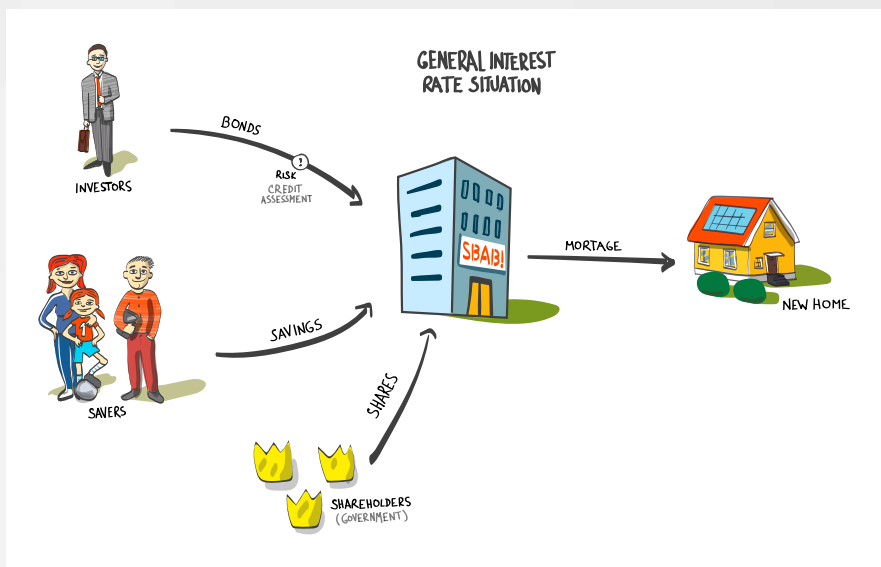
We will now explain how SBAB's profit is created and how capital is transferred in the capital market.

When homeowners come to SBAB to borrow money, SBAB must first raise the capital, 97% of a new residential mortgage consists of money that SBAB has borrowed from other players.

The lion's share of our funding, approximately 77%, 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. Good performance enables SBAB to set more competitive interest rates for residential mortgages because the cost of funding is reduced. That way, a sound and responsible economy can create a positive spiral that benefits both SBAB and its customers.

After investors have invested money in SBAB's bonds, SBAB needs to fund the remaining 23% that it lends to others. The majority of these funds, approximately 20%, 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. The proportion of SBAB's funding from deposits has increased heavily in recent years, which is of great benefit since those who purchase bonds do not like their proportion of our funding to be too large.

We receive the remaining 3 percentage points 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% of our profits. Our profits should correspond to at least a tenth of the



equity, according to the profitability target set by the Swedish Government.

The difference between SBAB’s total cost of funding and the total amount paid by our mortgage holders in the form of interest to SBAB is referred to as net interest income. In 2014, net interest income amounted to SEK 2.1 billion. The net interest income is intended to fund the costs related to our operations.

In 2014, the costs related to our operations amounted to SEK 830 million (excluding restructuring costs) and mainly consisted of personnel costs, rent for premises, operation of systems and development costs.

In a worst-case scenario, we also need to fund loan losses that arise when customers cannot pay their interest or repay their loans. Loan losses are an element of our operations, but we want to keep them at a low level and have succeeded doing so in recent years. In 2014, our loan losses amounted to a positive SEK 30 million.

Accordingly, our final profit or loss is the net interest income (and other income) minus operational costs and loan losses. Of the profits, which the owner expects to be at least a tenth of the equity, at least 40% should be paid in dividends. As the Government is our owner, this money will end up in the treasury and help fund the Government’s expenses. The rest of the profits are reinvested in SBAB.

MIKAEL INGLANDER CFO

THÉRESE ANDRÉASSON HEAD OF ACCOUNTING

THÉRESE ANDRÉASSON
HEAD OF ACCOUNTING



Simplified income statement

Income SEK million	Outcome 2014
Net interest income/expense	2,111
Other income	510
Total income	2,621
Expenses, SEK million	
Expenses	-1,008
Loan losses	30
Participations in joint ventures	1
Tax	-388
Total expenses	-1,365
PROFIT FOR THE YEAR	1,256

Simplified balance sheet

Assets SEK million	Outcome 2014
Securities	57,892
Lending to the public	261,445
Lending to credit institutions	7,437
Other assets	12,211
Total assets	338,985
Liabilities SEK million	
Deposits (savings accounts)	60,610
Funding (bonds)	243,168
Other liabilities	24,206
Equity	11,001
Total liabilities	338,985

Our customers' stories

“Fast and effortless, easy to get hold of and no fuss. That’s SBAB in a nutshell. In all honesty, I think it is best to have as little contact as possible with banks and authorities. So SBAB suits me well.”

Tobias Ring

Tenant-owner in Brf Kavaljersbacken, Sundbyberg

Tobias Ring is 35 years old and works as a salesperson at Systembolaget, the Swedish alcohol monopoly. In his spare time, he plays pool, sometimes practising for ten hours a day on his days off.

“But I don’t have any television set. It is both space and time consuming, and time is one of the things in life that you can never get back.”

Two years ago, he moved into Kavaljersbacken in Sundbyberg. Tobias had just gone through a divorce and wanted a place that was small, but practical. He bought a newly renovated studio flat that he could move into right away.

“I’m not one of those who keep renovating and fixing things. I’m happy with something fresh and basic that I can decorate a bit myself.

For me, things should be simple and easy.”

This is the third time Tobias used SBAB to fund his home. This time, he also contacted another bank to get a comparison.

“One of the decisive factors for choosing SBAB instead of the other provider was that the other provider required a valuation in writing, prepared by an estate agent. I thought that was unnecessary; for SBAB, the purchase agreement was sufficient. Also, at SBAB, most things can be handled over the phone, so there was no need to book lots of meetings. For me, contact with a bank should be smooth and easy – things should just work, without hang-ups. That’s probably why I’m still with SBAB after all these years.”



We visit Brf Kavaljersbacken in Sundbyberg outside Stockholm



Our customers' stories

“When we founded the tenant-owner association four years ago, we went to SBAB for advice. We felt safe, as they have great experience with reorganisations from rented to tenant-owned apartments. SBAB’s approval of the loan was like a guarantee that we had done things the right way.”

Kristina Karlsson

Chairman of Brf Kavaljersbacken, Sundbyberg

The multi-family dwelling Kavaljersbacken in Sundbyberg was reformed into 80 tenant-owner apartments in 2010. The tenant-owner association borrowed SEK 34 million from SBAB before taking possession and an additional 7 million for pipe replacement years later, when a geothermal system was also installed.

Kristina Karlsson is the chairman of the association.

“We chose SBAB as they gave us the best offer. The administrator at SBAB handled our matter in a very smooth way by sending documentation directly to the tenants, who could respond by letter with a copy of their identity cards enclosed.”

Kristina values the personal contact she has with the loan administrator. When SBAB changed administrators, the new administrator came to see them and intro-

duced himself to the board. He also reviewed the association’s finances in advance and prepared figures for the loans, which was highly appreciated by the board.

The association aims to have finances that are sustainable in the long term, and has succeeded in this. In the last year, it has even been able to reduce the fees by 15%.

Kristina has attended several of SBAB’s seminars on tenant-owner associations.

“They have dealt with matters such as the work of the board, interest rate developments and depreciation. We received some good advice in a seminar on increases in property value, advice which we implemented. At the seminars, there is also the chance to meet and exchange experiences with representatives of other associations, which is valuable.”



We visit one of
SBAB's corporate
customers

Our customers' stories

“SBAB has a very good understanding of our business. That means that our discussions can focus on the important issues. We always have an ongoing conversation about future projects.”

Stefan Ränk
CEO of Einar Mattsson

The property company Einar Mattsson owns properties with approximately 5,000 apartments and manages an additional 9,000 apartments.

“This means that our daily decisions affect roughly 40,000 people,” says Stefan Ränk, Managing Director of the company and the grandchild of the founder, Einar Mattsson.

“SBAB is an important business partner for us. The management of liabilities in a property company’s balance sheet is a central part of the business. It’s therefore key to have a lender that understands how liabilities affect us and which terms and conditions are important to us.”

“We meet with our administrators at SBAB on a regular basis. They have an interest in understanding our business, and they have the ability

to do so, which creates a breeding ground for excellent solutions. As a property company, our business is long-term. Consequently, it’s important to have a business partner that doesn’t take a short-term perspective with its own business.”

Einar Mattsson continually strives for improving matters in the suburbs. In addition to higher standards and more efficient energy systems, the company works a lot with social sustainability issues.

“We need to be funded by someone who accepts that we invest resources in good relationships and work to increase safety in competitive areas. SBAB understands and supports our way of working, as it is willing to fund these assets with a long-term perspective that will pay off in the long run.”

External conditions and market development

“As the residential mortgage market is affected by events in the Swedish economy, it is important to be aware of how this develops and what factors affect it. This is particularly important with the past decade having been pervaded by considerable drama in the financial markets, both in Sweden and abroad” Tor Borg, Chief Economist, SBAB

A disparate economic situation

In 2014, the global economy was characterised by recovery. Many countries still suffer the after-effects of the financial crisis in 2008–09. This is reflected by huge national debts, low inflation, high unemployment rates and powerful interest rate stimuli from central banks. Global growth has been subdued and regions are recovering at varying pace. The US is among the countries that have recovered most rapidly with increasing growth, sinking unemployment rates and a central bank that has started to phase out its stimuli. In 2014, Europe had another economic downturn after the economy’s slight stabilisation following the euro crisis in 2012; the region seems to teeter on the edge of deflation and recession once more. The Asian economy is disparate, with a Japanese economy that has continuous problems and a Chinese economy that continues to grow, but with mounting risk of future backlashes.

The Swedish economy showed two sides in 2014. Domestic demand continued at reasonable levels, driven by strong household finances. Rising employment rates, rising incomes, low inflation, low interest rates, and rising housing and stock market prices were factors that contributed to increased household consumption, but savings also increased. At the same time, the export sector was hit by continued weak global demand and remained relatively weak, affecting companies’ general willingness to invest. However, residential construction gained speed in 2014, for the first time in ages.

Sinking interest rates, rising house prices

Continuously low inflation in Sweden and abroad, lower inflation expectations and non-existent inflationary pressure contributed to the Riksbank’s decision to lower the key interest rate in 2014. Long-term interest rates dropped markedly worldwide, driven by expectations of continued slow growth, low inflation and low-key interest rates. In general,

interest rates on risky, fixed-interest investments fell more than interest rates on those considered safe, leading to lower risk premiums.

Intense demographic pressure in the housing market combined with low residential construction continued to boost housing prices in 2014. Falling interest rates on residential mortgages and strong household finances stimulated the demand for housing even further, and prices increased by 15% on average over the year.

Strong demand for residential mortgages, property financing and deposit accounts

In 2014, the residential mortgage market grew by 6.4% to SEK 2,489 billion and the market for loans to tenant-owner associations increased by 5.6% to SEK 368 billion. The market for the financing of multi-family dwellings is also believed to have expanded rapidly.

Interest rate levels and housing prices are important drivers of household demand for residential mortgages. Household income and wealth development, as well as future expectations and willingness to take risks, are also of major significance for the residential mortgage market. The turnover in the housing market – which is affected by demography, construction and reorganisations from rented to tenant-owned apartments, among other things – also matters. All of these factors contributed positively to the expansion of the residential mortgage market in 2014.

Rules, terms and conditions

Rules, terms and conditions for lending may become more important in the future since there is a notable desire among authorities, politicians and others to slow down the increase in household debt. In 2014, the risk-weight floor according to the capital adequacy rules for residential mortgages was raised from 15–25% and individual amortisa-

tion plans for newly signed loans were introduced. However, as household debt keeps rising faster than incomes, it is likely that additional regulatory measures are to be expected.

The Swedish Financial Supervisory Authority has announced that it will introduce an amortisation requirement for residential mortgages, such that new residential mortgages with a loan to value of more than 50% will need to be repaid, to a varying degree. It has also been proposed that banks should report actual average interest rates on a regular basis and explain what factors affect an offered interest rate to customers in more detail.

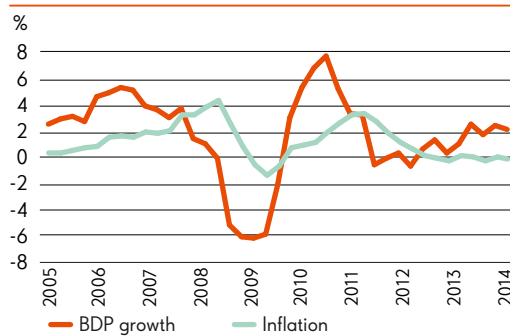
It should also be noted that the EU Mortgage Credit Directive will be implemented eventually. This will include increased training requirements for residential mortgage administrators and intermediaries, property valuation requirements,

and increased transparency and pre-contractual requirements information.

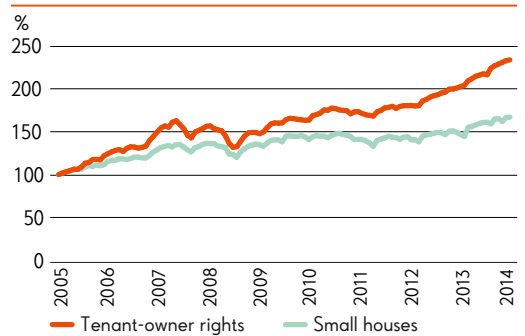
Year-end in the financial market

At the end of 2014, the financial sector held SEK 2,175 billion in deposits from Swedish households, companies and organisations. The household share was SEK 1,395 billion. At banks that are subject to the deposit guarantee, household deposits amounted to SEK 1,358 billion, of which 6 billion was in IPS (individual pension savings). A number of concurrent factors – 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. In 2014, households’ deposits in banks increased by 5.4% and deposits made by companies rose by 3.2%.

Growth and inflation, Sweden

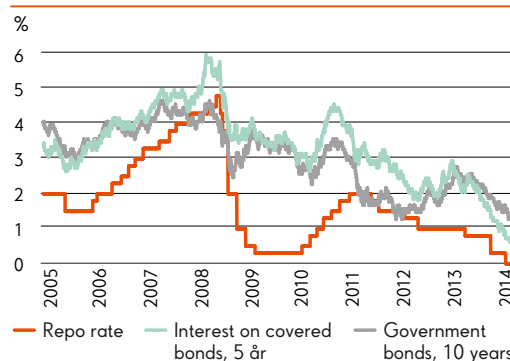


Housing prices¹⁾

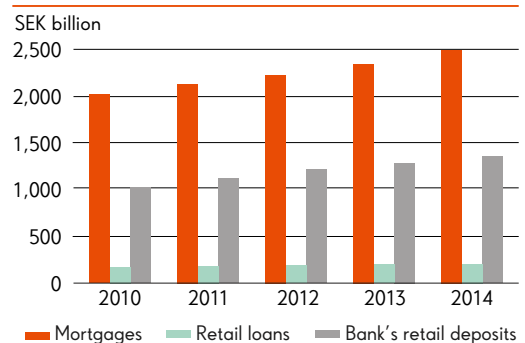


¹⁾ Sweden, Nasdaq OMX Valueguard, KTH Housing Index

Interest rates



Market development




 SBAB
EXPLAINS

TOR BORG
CHEIF ECONOMIST

KARIN HELLGREN
HEAD OF INFORMATION

What affects prices on the housing market?

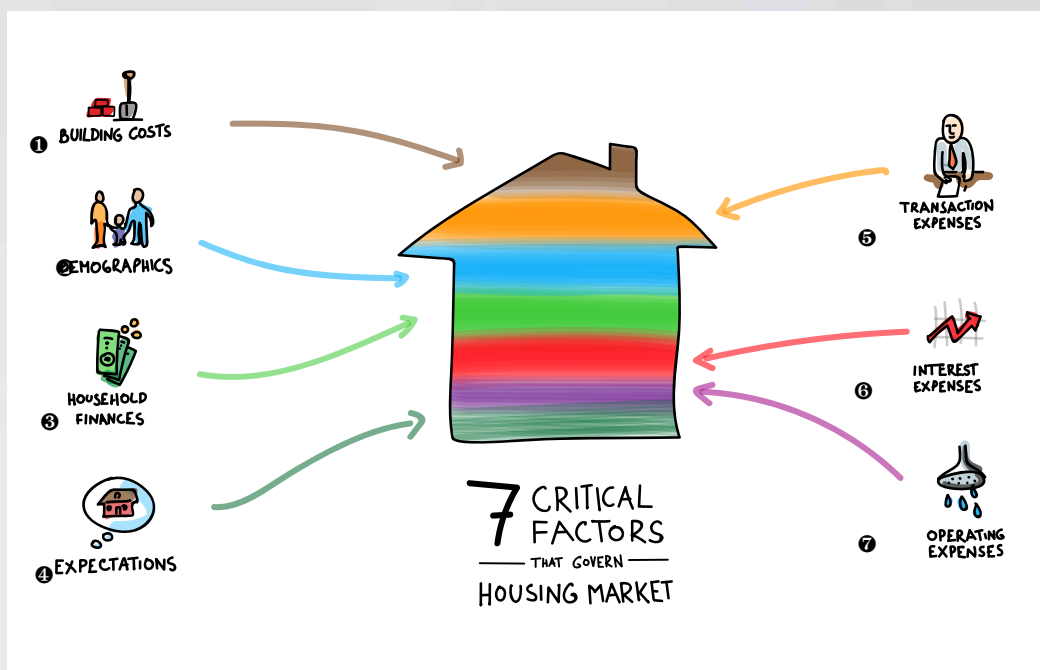
Seven key factors that govern house prices

Like in all markets, prices in the housing market are affected by the interplay between supply and demand. The housing market is special, however, as it can be considered both an asset market, with the possibility to invest in a home, and a service market, where housing is consumed by renting or owning a home.

Housing prices are affected by a variety of factors. For an individual home, its geographic location, situation and condition determine how its price differs from the average price. In turn, the general price level is affected by a number of factors, which are presented in the paragraphs below:

1. 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 perspective, existing homes will be worn down and need to be replaced by newer homes. The rate of construction in relation to the existing housing stock will affect long-term supply, so in the long term, prices will be greatly affected by construction costs. These construction costs must take elements such as the cost of land, the cost of building materials and construction worker salaries, as well as construction-related taxes and subsidies into account.



2. 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 nearly impossible to avoid consuming housing. The demand for housing is therefore largely governed by demographic developments. Factors such as population growth, age distribution of the population, family formation patterns and moving patterns are therefore of major significance to the housing market. These factors may have more long-term than short-term effects.

3. Household finances and financial position

Whereas the number of people who need housing is governed by demographic factors, the kind of housing they demand is governed by households' financial resources. These resources depend on the flow of income and their wealth. The employment market is also important. If more people are employed and unemployment rates drop, the demand for housing increases. The same thing 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. For example, the correlation between stock market prices and housing prices has been strong in the last 10–15 years.

4. Household attitudes, expectations and risk aversion

The expectations households have for their future situation is at least as impor-

tant as their current financial situation. For many, the purchase of a home is the greatest financial decision of their lives. It is also often a decision with a considerable long-term effect. This means that expectations on future housing prices, interest rate levels, salaries, etc. will affect households' willingness to take the risk involved in purchasing a home. Changes in how households value their homes compared to other consumption and their attitude towards financial risk may also affect housing demand.

5. Transaction costs

In all markets, demand, supply and prices affect how quick and easy it is to do business. There are quite a few factors in the housing market that make transactions expensive and complex. Consequently, it is relatively complex to buy or sell a home. Most sellers therefore engage estate agents and buyers want to inspect the object 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 quite significant. This puts a damper on both demand and supply, but it most likely affects supply more, meaning that it may be a factor that contributes to raised prices.

6. 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 size of the amortisations and the amortisation rate. Interest rate levels are obviously another important factor, as the interest often constitutes a large part of the current expenses of the home. Lower interest rates result in greater demand.

7. Operating expenses

The cost of living in a property that you own affects demand and price levels. If electricity and heating costs increase, if property taxes rise or if the fee for a tenant-owner apartment increases, this will lead to less demand and downwards pressure on prices. Renting is an alternative to owning your home, and rent levels will interact with price levels; rising rent levels lead to increased demand for owned homes, which should lead to higher prices, and vice versa. However, this mechanism does not really work in Sweden because rents are controlled. Instead, the current imbalance in the rental market leads to increased pressure on the owner market.

TOR BORG CHIEF ECONOMIST

KARIN HELLGREN HEAD OF INFORMATION

Retail

We offer loan and savings products to private individuals, under our own brand and through partners. Residential mortgages are our core business and the largest product. The residential mortgages are supplemented by consumer loan, savings accounts for deposits and insurances. Our prioritised focus is on housing and housing finances that allow us to offer services characterised by innovation and thoughtfulness, in harmony with our business concept.

2014 in brief

- Profit in 2014 amounted to SEK 778 million.
- Lending rose by SEK 11 billion to SEK 182 billion.
- Deposits rose by SEK 10 billion to SEK 48 billion.
- The development of everyday banking services was discontinued.
- The fund offering was wound up.

Simplified income statement – Retail

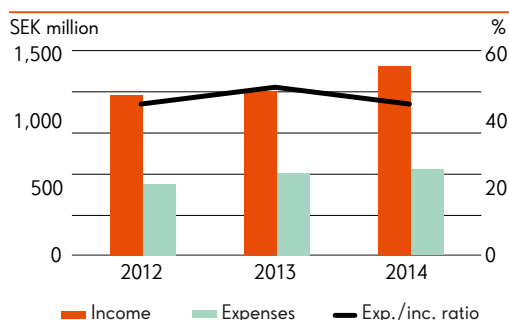
SEK million	2014	2013
Operating income	1,404	1,217
Expenses	-638.	-602.
Profit before loan losses	766	615
Loan losses	12	-9.
Operating profit	778	606
Return on equity, excluding net income/ expense from financial transactions	9.2%	8.8%

Complete focus on residential mortgages

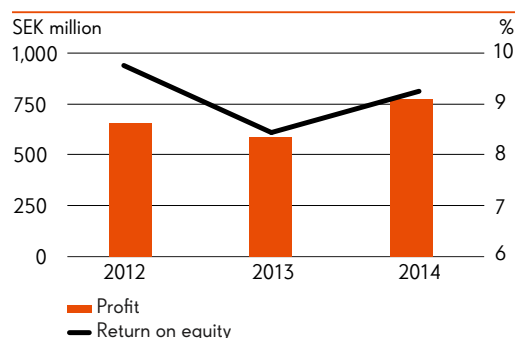
In 2014, our new vision was launched – to offer Sweden's best residential mortgages.

This means focusing on residential mortgages, where we intend to grow and take an active role in the development of the next generation of products and services within residential mortgages. In connection with the change in strategy to focus on residential mortgages, our development of everyday banking services was discontinued. At the same time, our existing fund offering was also wound up.

Income, expenses and expenditure/income ratio, Private



Profit and return on equity, Private



Our market

Our customers are mainly located in the country'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.

The residential mortgage market in Sweden amounted to SEK 2,489.0 billion at year-end, which is 6.3% higher than the previous year-end. SBAB's share of the total market is SEK 181.7 billion, which equals a market share of 7.30%. This places SBAB in fifth place, after the four major banks. That means that a third of all loans granted outside the major banks were granted by SBAB.

SBAB has experienced excellent growth on the deposit side, while the total market has grown as well. SEK 47.9 billion of a total market of SEK 1,358.3 billion was deposited in SBAB's savings accounts on 31 December 2014.

Organisation

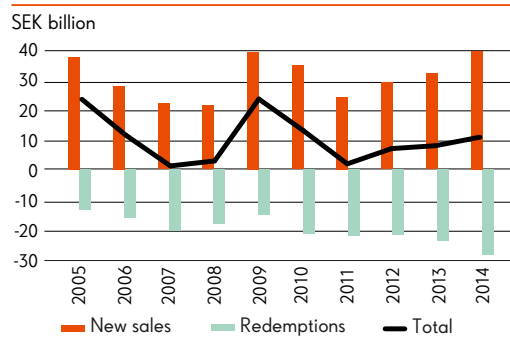
Over the year, we implemented a reorganisation where the administrative unit (Operations) became a separate entity and the formerly separate Retail and Partner were merged into a single business area (Retail). The Retail business area was created to allow us to focus fully on our customers, our sales and our business and product development.

Residential mortgages

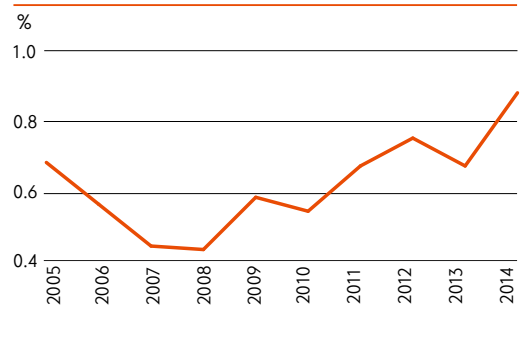
During the year, lending to private individuals rose by SEK 11.3 billion to 181.7 billion. At year-end, our market share of residential mortgages to households rose to 7.30% (7.29), including lending via partners.

At the end of 2014, SBAB had 253,000 mortgage customers. Over the year, the proportion that chose the shortest possible fixed-interest period of three months increased. This proportion amounted to 69.0% of all new customers, or 61.8% of the total residential mortgage stock. The lowered interest rate that applied to the five-year fixed-interest period in the Christmas campaign led to a great

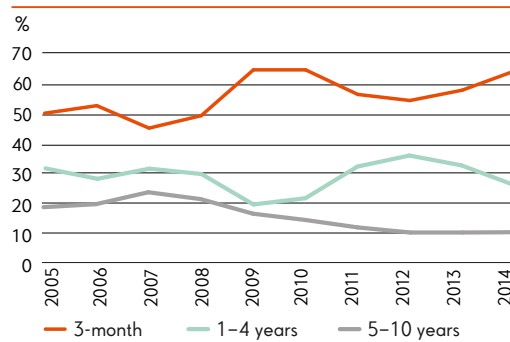
New sales and redemptions, SBAB mortgages, 10 years, SEK billion



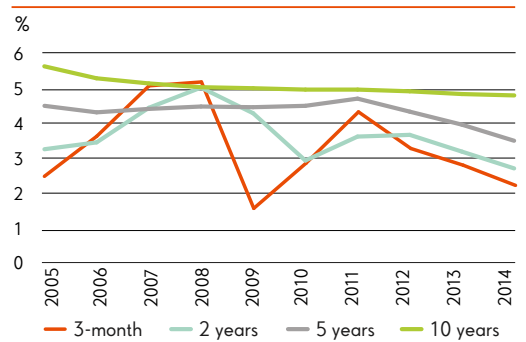
Margin development, residential mortgages, SBAB, 10 years, percent



Choice of fixed-interest period, lending of retail customers (percentage of all SBAB customers)



Mortgage rates SBAB, 10 years, percent



number of customers choosing fixed interest rates. The interest rate levels for residential mortgages have dropped steadily in recent years, supported by generally falling market interest rates. This development is most notable for long-term fixed-interest periods.

SBAB's residential mortgage stock is clearly concentrated to the Stockholm and Öresund regions, which collectively amount for nearly 80%.

Consumer loans

Since 2010, SBAB offers consumer loans (i.e. unsecured loans). Unlike residential mortgages, consumer loans are not linked to any specific purpose, but they are not infrequently used to supplement residential mortgages in connection with the funding of homes. In 2014, the consumer loan volume expanded heavily, with a 43.7% growth in sales. At the end of the year, the total consumer loan volume amounted to SEK 1.7 billion (1.2), corresponding to a market share of 0.83% (0.60). On 31 December 2014, SBAB had slightly more than 14,000 customers with consumer loans.

Savings accounts

The Retail business area offers savings accounts to private individuals.

Our savings accounts have competitive interest rates, are free of charge, have free withdrawals and are covered by the national deposit guarantee. On 31 December 2014, retail customers who did not have a residential mortgage with SBAB had an interest rate of 1.2% (1.95) while customers who had a residential mortgage with SBAB had an interest rate of 1.4% (2.20). 50.0% (48.9) of our residential mortgage customers also held a savings account at the end of the year. At the same point in time, total deposits amounted to SEK 47.9 billion (37.5), corresponding to a market share of 3.53% (2.91). At year-end, 257,000 retail customers held a savings account.

Insurance

We offer two insurance products that are linked to residential mortgages and homes in different ways. Mortgage insurance insures customers against the adverse effects incurred and sustained on a household's disposable income as a result of unemployment or sick leave, in which case they are compensated by the monthly cost of the loan. Mortgage insurance also means that the borrower's residential mortgage may be wholly or partially written off in case of death. Our homeowner and home insurance pay compensation in the usual manner in case of damage to the home or single-family dwelling.

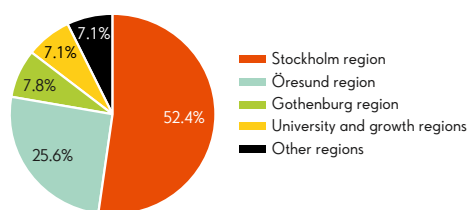
These products protect our customers, but they also add value for SBAB, as good insurance protection reduces the risk of loan losses.

Information and services

Our ambition of innovation and thoughtfulness is evident in our free digital services that help with matters involving housing and housing finances.

A valuation appraisal and a guide for homebuyers are available in the App Store, in Google Play

Geographical distribution of the loan portfolio

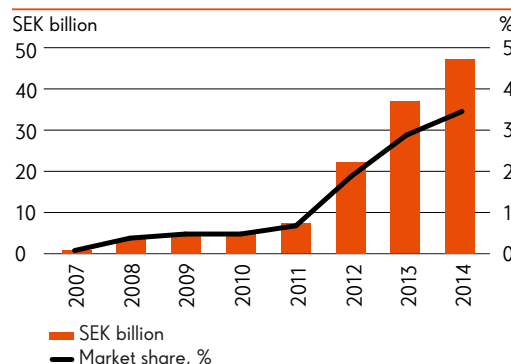


Composition of collateral in the loan portfolio, retail clients

SEK billion	2014	2013	2012
Mortgage deed	106.9	102.8	99.9
Tenant-owner apartments	74.3	67.3	61.9
Municipal guarantees and direct loans to municipalities	0.4	0.7	0.8
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 ¹⁾	1.7	1.2	0.8
Total	183.4	171.9	163.3

¹⁾ Unsecured loans to retail customers.

Deposit volumes SBAB Private (SEK billion) and market share (percent), 8 years



and on sbab.se. They help customers with property valuation and provide advice on what to consider during a viewing, how to carry out an inspection and how the residential mortgage process works. In 2014, SBAB invested considerable work in the creation of digital customer and user benefits. Work on the creation of notable user benefits in matters related to housing and housing finances will continue in 2015.

Loan losses

SBAB's low risk appetite and active management of insolvencies has resulted in very low credit losses in recent years. Rising prices on the housing market and the low interest rate situation has also had a positive effect.

Retail and Partners

The Retail business area includes the Retail Market and the Partners. Within Retail Market, loans and deposit services are offered under the SBAB brand. Our partners are residential mortgage intermediaries who mediate residential mortgages under their own brands. Partners include other banks and estate agencies. Partners that mediate our residen-

tial mortgages include ICA Banken, Ikanobanken, Sparbanken Syd and Bättre Bolån. In 2014, the agreement with our partner Sparbanken Öresund was terminated due to the bank's acquisition by Swedbank.

Of SBAB's total residential mortgage stock of SEK 181.7 billion, SEK 105.1 billion of mortgages use SBAB's own brand and SEK 76.5 billion use partner brands.

Priorities in 2015

In 2015, SBAB shall begin to position itself as a player that challenges and develops the residential mortgage market. Based on the strength of our value proposition and the thousands of happy customers whom we use as inspiration, we shall, within each individual area of our value proposition, become better, be perceived as more customer-centric and continue to surprise new customers with the fact that Sweden's best residential mortgages are offered by SBAB via Internet and telephone.

To achieve future growth and profitability targets, our operations must evolve. This involves:

- Further development of our customer offering.
- Increased digitalisation for increased efficiency.
- More efficient work processes.

Loan losses SBAB residential mortgages

Year	SEK million	% of lending ¹⁾
2010	-28	0.011
2011	-28	0.011
2012	-15	0.006
2013	2	-0.001
2014	19	-0.007

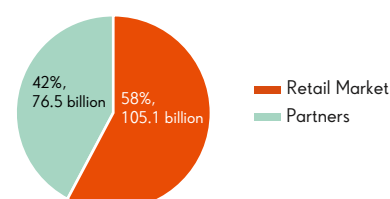
¹⁾ For the lending portfolio, the closing balance for the relevant period is used.

Loan losses, SBAB consumer loans (since the launch in 2010)

Year	SEK million	% of lending ¹⁾
2010	-0	0.107
2011	-3	0.813
2012	-3	0.420
2013	-1	0.053
2014	-5	0.271

¹⁾ For the lending portfolio, the closing balance for the relevant period is used.

SBAB residential mortgages, distribution between Retail Market and Partners





Corporate 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 thoughtfulness.

2014 in brief

- Profit in 2014 amounted to SEK 408 million.
- Lending decreased by SEK 9 billion to SEK 78 billion.
- Deposits rose by SEK 4 billion to SEK 12 billion.
- Increased focus on housing in the country's growth regions.

Simplified income statement – Corporate Clients and Tenant-owner Associations

SEK million	2014	2013
Operating income	583	630
Expenses	-193	-213
Profit before loan losses	390	417
Loan losses	18	16
Operating profit	408	433
Return on equity, excluding net income/expense from financial transactions	10.1%	11.8%

We have many years of experience funding within the housing sector. To make maximum use of this strength, we chose to increase our focus on selected customer groups and segments in 2014. We therefore concentrate our credit granting to

the expansive regions surrounding our offices in Stockholm, Gothenburg and Malmö, where we can create the close relationships that are required to remain competitive and provide our customers with the best possible service.

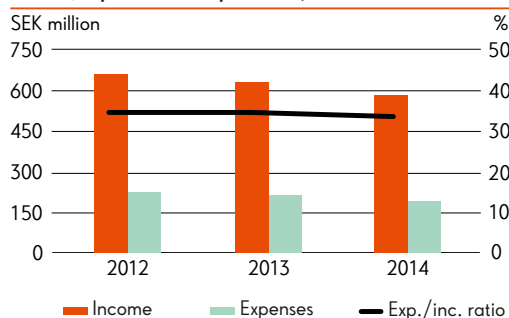
At the end of 2014, SBAB had a total of 463 companies and 2,710 tenant-owner associations as clients.

Our market

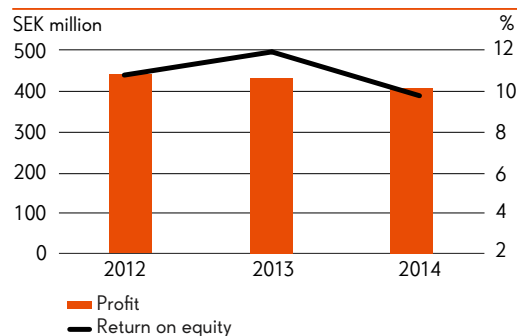
We primarily target major property owners, tenant-owner associations and construction companies, where our skills and extensive experience of credit granting and properties make us extra competitive.

In 2014, the transaction volume in the Swedish commercial property market amounted to approximately SEK 160 billion, which is the second highest volume ever. The most active buyer categories in the year were listed and unlisted property companies, followed by institutions and funds. Swedish players were overrepresented by nearly 85% of the invested capital. Viewed per property sector, the turnover was highest in the housing sector, which accounted for 27% of the capital.

Corporate and Tenant-owner: Income, expenses and expenditure/income ratio



Profit and return on equity, Corporate and Tenant-owner



The new production of multi-family dwellings increased markedly in 2014. The construction of nearly 30,000 new apartments commenced in 2014, evenly distributed between rental apartments and tenant-owner apartments. We have not seen such high levels of new construction since the early 1990s.

The market for lending to tenant-owner associations grew by 5.6% to SEK 368.2 billion at the end of 2014. In addition to new construction, the growth rate for lending to tenant-owner associations is due to reorganisations from rented to tenant-owned apartments. The number of reorganisations increased somewhat in 2014 but remains far below the top years of 2008–2010.

Thanks to the low interest rates and great lending capacity in the market, our clients have had excellent access to funding, with heavy competition between banks.

Organisation

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

tively develop the property markets in growth areas south of the Dalälven river.

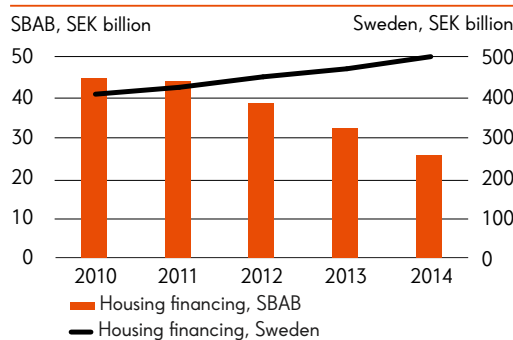
We have three functions:

- 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.

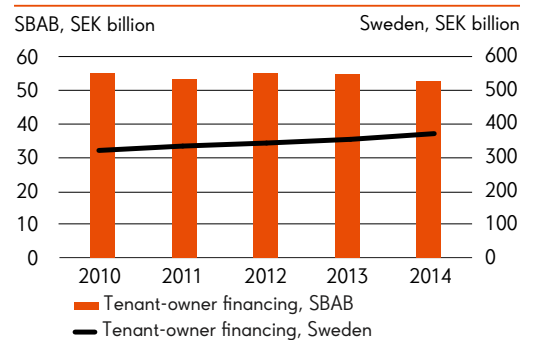
Property funding

We fund multi-family dwellings, both privately owned and owned by tenant-owner associations. The properties may consist of existing buildings or new production, where we fund the land, the construction and offer final funding. As per 31 December 2014, our lending to commercial properties amounted to SEK 3.7 billion (5.0). 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.

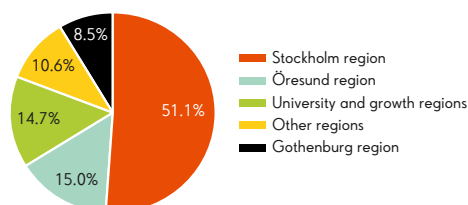
Loan volumes, housing financing, SBAB and Sweden, 10 years (SEK billion)



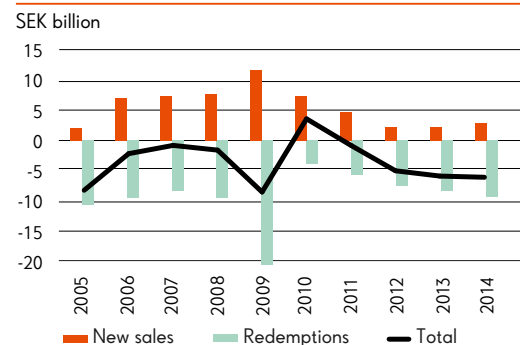
Loan volumes, Tenant-owner financing, SBAB and Sweden, 10 years (SEK billion)



Geographical distribution of the loan portfolio, Corporate and Tenant-owner



New sales and redemptions, SBAB and Sweden, 10 years (SEK billion)



Our total lending to property companies amounted to SEK 25.5 billion (32.2) at the end of 2014. This reduction is explained by the previous business strategy that involved divesting the corporate client operations. New lending totalled SEK 2.9 billion (2.2) during the year.

New lending to tenant-owner associations amounted to SEK 5.0 billion (5.1) and the total lending volume at the end of 2014 was SEK 52.7 billion (54.8). The market share with regard to loans to tenant-owner associations amounted to 13.82% (14.95) at the end of 2014.

We generally offer funding of up to 75% of a property's market value. As part of our credit process, we continuously monitor developments in the property market. At least once per year, we conduct a review and a risk evaluation of all customer relationships.

Savings accounts

Our corporate customers are offered savings accounts with competitive interest rates, free of charge, with free withdrawals and which are covered by the national deposit guarantee. At the end of 2014, the interest rate for tenant-owner associations and companies was 1.15% on deposit balances of up to SEK 25 million and 0.15% on any exceeding amount.

At year-end, 6,700 corporate customers and 1,900 tenant-owner association customers held

savings accounts with SBAB. On 31 December 2014, the market share was 1.53% (1.05) and deposits amounted to SEK 11.6 billion (7.7).

Loan losses

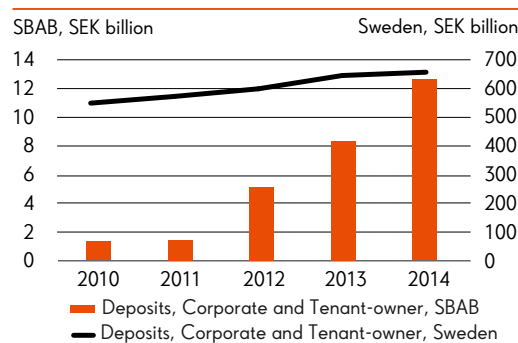
SBAB's low risk appetite and active management of insolvencies has resulted in very low credit losses in recent years. Rising prices in the property market and the low interest rate situation have also had a positive effect.

Priorities in 2015

Our focus is on profitable growth and taking back market share. To achieve this, we have the following focus areas:

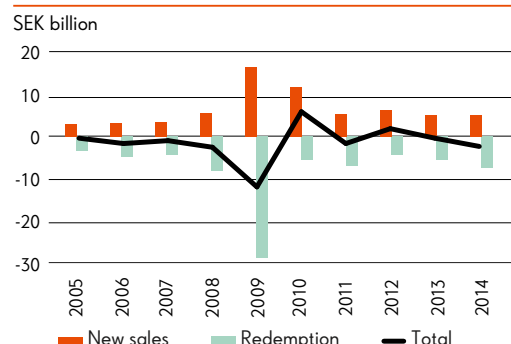
- Gaining new customers and expanding our relationship with existing customers.
- Developing the value proposition in our offering to tenant-owner associations.
- Increasing the sustainability element in the cooperation with our customers.

Corporate and Tenant-owner associations: Deposit volumes SBAB and Sweden, 6 years¹⁾



¹⁾ Deposits from companies and tenant-owner Associations began in 2009.

New sales and redemptions, SBAB Tenant-owner, 10 years (SEK billion)



Composition of collateral in the loan portfolio, Corporate Clients and Tenant-owner Associations

SEK billion	2014	2013	2012
Mortgage deed	75.5	83.3	88.8
Tenant-owner rights	0.0	0.0	0.0
Municipal guarantees and direct loans to municipalities	2.2	2.8	3.9
Government guarantee	0.3	0.4	0.4
Bank guarantee	0.0	0.0	0.0
Other collateral	0.3	0.6	0.5
Consumer loans	0.0	0.0	0.0
Total	78.2	87.0	93.6

Employees

SBAB is created by our employees. When we strive to offer Sweden's best residential mortgages, our employees are key. Our future needs motivated, flexible and eager employees.

“The ambition is for SBAB to always be a workplace where people thrive, enjoy themselves and can develop.”

At the end of 2014, SBAB had 397 employees (FTE ¹⁾), most of whom – 212 employees – were located in the Karlstad office. The Karlstad office has employees within the Retail and Operations units who primarily work with SBAB's retail offering. The head office in Stockholm employs 172 people who mostly work in IT, Risk&Credit, Corporate Clients & Tenant-owner Associations, Economics&Finance, Communications and Executive Management.

The Gothenburg and Malmö offices employ six and seven people, respectively, who serve the corporate and tenant-owner association market in western and southern Sweden.

SBAB strives to have committed and motivated employees. The ambition is for SBAB to always be a workplace where people thrive, enjoy themselves and can develop.

Leadership

Good leadership requires attentive managers who motivate and engage employees and creates a

common understanding of our vision. Employees shall be aware of how our business objectives are to be achieved and how their efforts are linked to our vision and our objectives. Leadership training and employee conversations are some of the tools we use to achieve this.

Training and professional development

In 2014, new employees attended introductory training sessions. In addition, training in accordance with individual development plans has been provided. The employees have also received training, including on new directives to combat money laundering.

Employee Survey

SBAB conducts an annual employee survey that shows how our employees perceive their work situation. Its history and compatibility provide a useful

Key employee figures

	2014	2013	2012	2011	2010
Satisfied employees	63	70	70	73	77 ²⁾
Female executives at year-end, %	41	41	44	39	33
Positions at year-end, FTE ¹⁾	397	436	380	363	347
– of which were held by women, FTE ¹⁾	214	240	210	211	198
Average age, years	43	42	42	42	42
Personnel turnover, %	18	7	9	14	4
Short-term sickness absence, %	1.9	2	1.9	1.9	1.6
Long-term sickness absence, %	0.9	0.7	0.2	0.6	0.9
Total sickness absence, %	2.8	2.7	2.1	2.5	2.5
Use of health-promotion contribution by all employees, %	75	76	78	69	65
Proportion of male employees, receiving parental leave allowance, %	28	28	41	33	16

¹⁾ Number of employees expressed as a full-time equivalent, adjusted for sick leave and leave of absence

²⁾ Prior to 2011, the employee satisfaction survey (Tempen) was conducted internally. The results have been recalculated for comparison with employee satisfaction surveys conducted with external help.



“Employees shall be aware of how our business objectives are to be achieved and how their efforts are linked to our vision and our objectives.”

result that can be compared with previous outcomes. In recent years, the proportion of satisfied employees has diminished. This tendency was intensified in 2014, which can most likely be explained by changes in management and strategies. As a result of the change in strategies, cost savings were implemented, leading to 23 employees leaving the company in the last quarter of 2014.

Employee satisfaction is a priority focus for the future.

Equality and diversity

To ensure that our employees thrive and are able to reach their potential, equality and sustainability are crucial. This is important both in on-going work and in recruitment. Leadership is of utmost importance, as managers recruit people and set good examples. At year-end, 41% (41) of managers were women. With regard to ethnic and cultural diversity, SBAB is able to serve its customers in eight languages.

SBAB has a good entry point for young people in the company in the form of the customer service resource pool in Karlstad, consisting of students from Karlstad University. In 2014, SBAB had on average 55 (65) students per month in the resource pool.

Salary review

To prevent systematic or unfounded salary differences, an annual salary review is carried out. If such differences are identified, an action plan is developed and followed-up in the next salary revision.

Fitness and health

SBAB's employees have access to health promotion contributions, healthcare hours, free gym access, subsidised health insurance, medical attention and medicine at no cost. We also have health ambassadors who encourage activities.

Flexible working hours, reinforced parental pay and active prevention of long-term sick leave in cooperation with the occupational health services and the Swedish Social Insurance Agency are other examples of our efforts. In 2014, sickness absence amounted to 2.8% (2.7) and 1 (3) case of occupational injury was reported to the Swedish Social Insurance Agency.

Sustainable business

“For us, sustainable business is about sound finances, responsibility and transparency as well as sustainable housing. Sustainable housing means better housing and better housing finances, which our customer offering helps to create.”

Klas Danielsson, CEO

External conditions

An analysis of external conditions helps us identify sustainability aspects that we need to contribute to actively, now and in the future. Important factors related to external conditions include developments related to unemployment, economic stability and growth in Sweden and Europe.

Increased indebtedness

We have also noted trends within the banking sector that are strongly linked to sustainability. One such trend is the increased indebtedness of Swedish households. This has led to increased regulatory requirements, including stricter rules on the capital adequacy with regard to residential mortgages and upcoming amortisation requirements. The requirements on banks' acceptance of responsibility and transparency with regard to products, terms and conditions have also been sharpened. For us, it is therefore important to not only adapt our operations to new regulations and guidelines that we must comply with but also to develop our operations and products so that our customers can feel safe when they take important financial decisions. We want our customers to fully understand our products and services and how these affect their household finances. As part of an active stakeholder dialogue, we therefore continue our work on the simplification and clarification of product terms and conditions and enhance our efforts to contribute to increased knowledge among our customers.

Climate

Another issue that is of more current interest than ever before is our climate. Climate change has been identified as a “mega trend”, i.e. the change affects our planet and all of us who live on it. It is becoming increasingly obvious that man spends the earth's resources at a pace that is not sustainable, and it is therefore necessary that we all help to address this problem. Properties, home and business premises all account for a major proportion of the

global energy consumption. The same thing applies in Sweden, and our consumption mainly consists of heating, cooling and lighting. To influence the development in a positive direction, both consumers and companies must take initiatives that lead to less environmental impact. By integrating sustainability aspects into our core business, we are willing and able to make a contribution. We also believe that this may create new business opportunities. We have set objectives for 2015 and the future, according to which we shall develop products that contribute to a better social housing environment and reduced energy consumption in Swedish homes.

Objectives and strategies

Following extensive efforts in 2013 that involved the Board, the Executive Management and employees, the Board designated three particularly important areas within sustainable business:

- Sound finances.
- Responsibility and transparency.
- Sustainable housing.

A number of company-wide objectives were also adopted. In 2014, these objectives have been further calibrated, and a number of operational objectives and actions have been designed to help us achieve them.

Sound finances

As a bank, we are a part of society's basic infrastructure. Well-functioning banks contribute to development and employment in society. We create conditions that allow our retail customers to build financial security by saving and borrowing money in the different stages of life, and we enable companies to operate and grow. Sound finances and long-term profitability are prerequisite to our being able to conduct our business in a sustainable

Sustainable Business at SBAB

Focus areas	 Sound finances	 Responsibility and transparency	 Sustainable housing
Strategic objectives	Long-term profitability allows us to contribute to sustainable development in society.	We are open and transparent and accept responsibility, both as a creditor and an employer.	We finance sustainable housing, which results in less environmental impact and a better home environment.
Overarching objectives	<ul style="list-style-type: none"> ✓ A profitable business ensures return on equity. SBAB is well-capitalised ✓ and can afford to invest in reaching SBAB's vision and "offer Sweden's best residential mortgages." 	<p>As a lender</p> <ul style="list-style-type: none"> ✓ We are open and transparent in our sales and marketing activities and our product terms and conditions, and our customers recommend us as a funding partner. ✓ We accept responsibility for our granting of credit, and assist our customers throughout the residential mortgage process. <p>As an employer</p> <ul style="list-style-type: none"> ✓ SBAB is an attractive workplace that holds equality and diversity in high regard. ✓ Our employees are considerate, skilled and proud to work for SBAB. 	<ul style="list-style-type: none"> ✓ Increased market share with regards to financing new housing. ✓ We develop products that contribute to a better home environment, better housing finances and reduced environmental impact.
	Operational objectives	Operational objectives	Operational objectives

manner and make sustainable investments in our operations, thereby contributing to positive development in society. We measure profitability through set targets for return on equity and the company's common equity Tier 1 capital ratio.

Responsibility and transparency

Being a bank demands responsibility. An element of our responsibilities to our customers is to be clear and open regarding terms and conditions and products, and that sales and marketing are conducted in a responsible manner. It is important that our customers understand the terms and conditions when they purchase a product or service. We also want our customers to feel safe and receive all necessary information, ideally with some extra knowledge as well. How well we succeed in our ambition to be responsible and transparent is measured by identifying how many of our customers would recommend SBAB to others, and how many perceive that our terms and conditions are simple and clear.

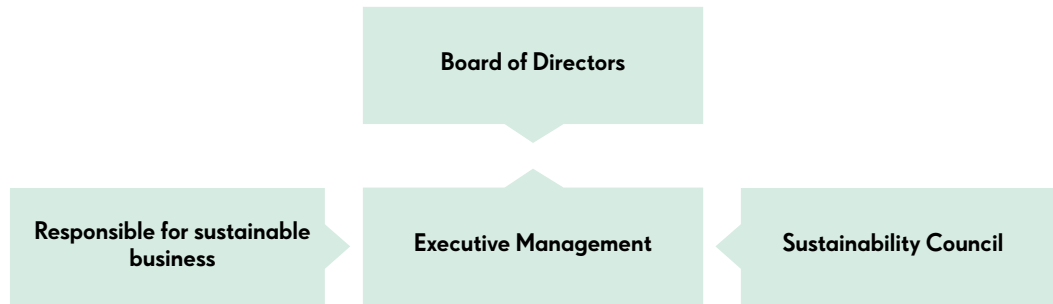
Our responsibility as an employer is another central element of this objective. To succeed in our operations, it is important that our employees feel pride in working at SBAB and that they are satisfied

with their work situation. Our employees are our best ambassadors and the company's most important asset. We measure employee satisfaction by measuring how many of our employees recommend SBAB as an employer. We also want SBAB to be a diverse workplace with gender equality. We measure this through our target for equality between female and male managers.

Sustainable housing

We contribute to better housing and improved housing finances. Sweden faces numerous social challenges that are economically, socially or environmentally linked to housing. Through our great commitment and knowledge of housing financing, SBAB seeks to contribute to a positive development of society.

We have specific objectives that involve contributing to the financing of new housing production and, in cooperation with stake holders, initiating activities to improve the housing environment in particularly vulnerable areas. Furthermore, it is our ambition to be able to contribute to less energy consumption in Swedish households through strategic product development.



Read more about our strategy and our 2014 Sustainability Report or at sbab.se.

Governance of sustainability work

In 2014, a new Sustainable Business function was created. This function was established in order to create an organisational platform for long-term and efficient work within this area. The person in charge of this function reports directly to the CEO. This decision is in line with the company’s ambition to fully integrate sustainable business in all parts of our operations.

Responsibility and governance

Within SBAB, the Board of Directors is ultimately responsible for ensuring that proactive, long-term efforts to achieve sustainable development are carried out. The Board also adopts a strategy, objectives and a policy for sustainable business. The Board also follows up and assesses these efforts.

The new Sustainable Business function is responsible for developing a company-wide business 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 the CEO, the Head of Sustainable Business (who convenes the meetings), the Head of Communications, the Head of Retail and the Head of Corporate Clients and Tenant-owner Associations. The Council meets regularly and acts as a forum for issues linked to sustainable business.

A member of the Executive Management will be responsible for each company-wide sustainable business objective. To ensure continuity and comparability, the objectives are fully integrated into the company’s gov-

ernance model. The objectives are measured and reported to the CEO and the Board once every quarter. The actual work is to take place in 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/department, thereby contributing to meeting the overarching objectives for sustainable business.

Reporting

SBAB reports sustainable business on the basis of GRI 3.0, level C+. The quality of the reporting is assured by independent auditing and confirmation. More information about sustainable business and policies is available in SBAB’s Sustainability Report and at sbab.se.

SBAB has signed the UN Global Compact initiative, which comprises principles concerning human rights, aspects of labour law, the environment and corruption. Each year, we issue a Communication on Progress (COP) to the UN Global Compact to account for the company’s efforts regarding the ten principles.

Overarching objectives

	Objec- tives 2014	Outcome 2014
ROE	10%	12.1%
Share of customers who consider that SBAB accounts for its products in a simple/open manner	80%	88%
Number of female/male managers	50/50	41/59
Financing of new production	5.5%	6.1%

Implemented in 2014

- Sustainable business, fully integrated into the Company’s business plan and governance model.
- A new Sustainable Business function has been created, and the person in charge reports directly to the CEO.
- A new “Whistleblower” function.
- A new system for improved reporting of environmental data.
- Sweden’s most satisfied residential mortgage customers 2014 according to SKI (Swedish Quality Index).

Focus for 2015

- A new Code of Conduct.
- Strategic product development focused on a better home environment and reduced energy consumption.
- Upgrading the supplier management system and updating supply agreements.
- Continued work on the integration of Sustainable business in central processes.

Funding

SBAB’s lending operations are mainly funded through bond loans in the Swedish and international capital markets. In recent years, our funding from deposits has increased sharply and provided a significant contribution to the funding of our lending operations, thereby reducing our need for capital market funding.

Our main funding objectives are that our funding shall be competitive and diversified.

In 2014, we continued our diversification efforts and held a great number of meetings with institutional investors in the international (primarily European) and Swedish capital markets. Our work with investors have achieved a wider investor base, which increases the demand for our bonds, which in turn results in better levels of funding for the Group. SBAB encountered favourable demand in all active funding markets in 2014.

Funding operations

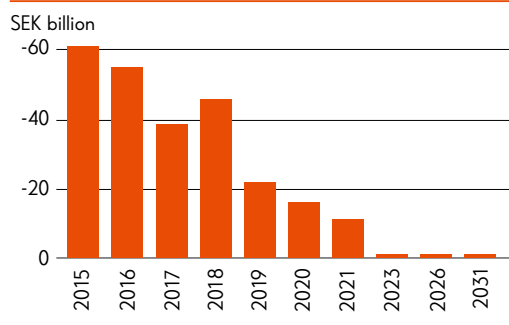
The SBAB Group is active in both the non-covered bond market through the Parent Company SBAB, as well as in the covered bond market through the wholly owned subsidiary, The Swedish Covered Bond Corporation – SCBC. The Group works actively to limit its liquidity risk and funding risks. This work includes 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 over the year, resulting in competitive levels of funding.

Most of the capital market funding occurs in the Swedish capital market; slightly over 84% of long-term capital market funding (maturities exceeding 1 year) in 2014 was issued in SEK. 16% was issued in another currency in the international capital market.

SBAB issued a total of SEK 58.3 billion in long-term bonds. Covered bonds, issued by SCBC, amounted to SEK 47.2 billion and non-covered senior bonds amounted to SEK 11.1 billion. No new debenture loans were taken in 2014.

Profile, remaining maturities at 31 December



Short-term funding

In 2014, SBAB applied three commercial paper programmes for non-covered short-term funding: one Swedish, one European and one US programme.

Over the year, short-term funding gradually decreased and was replaced by long-term funding and deposits. The US commercial paper programme was wound up in October and any future commercial papers will be issued within the Swedish and European programmes. This is in line with the strategic aim of extending the maturity of outstanding debt.

Short-term funding sources

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

Long-term funding

SBAB issues non-covered (senior) loans through an EMTN programme. SBAB's covered funding is conducted through SCBC's EMTCN programme and a Swedish covered bond programme. During the year, the Group issued bonds with a total volume of SEK 58.3 billion (57.4). A new benchmark bond, loan 141, was issued in the Swedish market. As of 31 December 2014, this loan had an outstanding volume of SEK 7.7 billion. At the end of September, a seven-year covered EUR transaction was issued in the international market, amounting to EUR 1 billion.

SBAB has been less active in issuing non-covered bonds, as funding has continued to grow and the liquidity situation has remained good. The total volume of non-covered debt in issue amounted to SEK 11.1 billion.

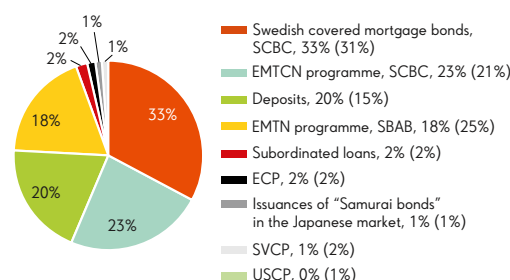
Long-term funding sources

	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

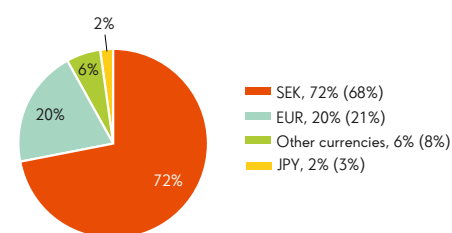
Covered bonds

SCBC's primary operations comprise the issuance of covered bonds in the Swedish and international capital markets. SCBC's funding programmes have received the highest possible long-term rating of Aaa from the rating agency Moody's. SCBC 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 at www.sbab.se. SCBC complies with and reports to the European Covered Bond Council's (ECBC) "labelling initiative" and issues monthly reports according to the "national template" published by the "Association of Swedish Covered Bond Issuers" (ASCB).

Issued securities (incl. subordinated loans) and deposits, Group. Debt outstanding at 31 December 2014: SEK 310 billion (296)



Currency distribution, issued securities (incl. subordinated loans) and deposits, Group. Debt outstanding at 31 December 2014: SEK 310 billion (296)



Rating

On 14 January 2014, Moody's placed SBAB's credit rating on negative review. This decision was primarily based on a comment about future profitability outlook. On 26 June 2014, SBAB was removed from "negative review" and the credit rating A2/P-1 was confirmed. Negative outlook remains as previously.

SBAB's long-term and short-term credit ratings from S&P (Standard & Poor's) remained unchanged during the year, at A and A-1, respectively. As of 2014, S&P no longer issues a credit rating for SCBC.

SBAB's credit rating affects the cost of capital market funding. SBAB continues to extend the maturity of the debt and reduce the requirement for capital market funding through increased deposits.

Rating on 31 December 2014

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

¹⁾ Outlook negative

Risk management

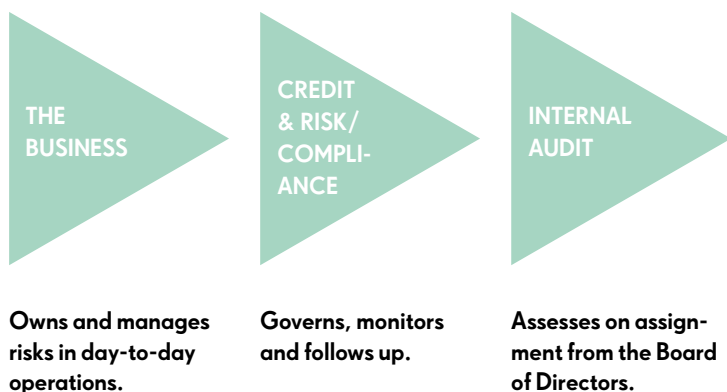
Risk is a natural component of all business operations and all risks that arise must be managed. SBAB's risk management function identifies, analyses and prevents various types of risks in our operations. SBAB's risk taking is kept at a low level commensurate with financial targets for return and scope of risk capital. The risk taking primarily comprises 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.

Risk	Description
CREDIT RISK	The counterparty does not fulfil its payment obligations.
MARKET RISK	Losses or a decline in future profitability due to market fluctuations.
OPERATIONAL RISK	The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.
BUSINESS RISK	Declining income due to deteriorating competitive conditions or an incorrect strategy or decision, including earnings volatility.
LIQUIDITY RISK	Inability to meet payment obligations on the date of maturity without the cost of obtaining payment funds increasing significantly.
COMPLIANCE RISK	That SBAB does not comply with legislation, rules, ethical guidelines, good market practices or other relevant regulations of operations requiring licences and therefore is affected by statements or sanctions by the Swedish Financial Supervisory Authority, negative publicity in the media and/or reduced confidence from customers and other stakeholders.

THE THREE LINES OF DEFENCE



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 generally accepted 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, on an on-going basis, that the reporting to the Board of Directors by each unit, including the independent Risk Control function, is conducted in accordance with the relevant instructions to the Board.

The independent Risk Control function is responsible for the identification, quantification, analysis and reporting of all risks. The CRO is responsible for independent Risk Control. The CRO is directly subordinate to the CEO and reports directly to the CEO and Board of Directors of SBAB.

In SBAB's risk management, roles and responsibilities shall be divided in accordance with the three lines of defence.

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. SBAB is to consciously expose itself 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. 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 shall have a documented process for the approval of new or significantly altered products, services, markets, processes and IT-systems. The same process shall also cover 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 SBAB's business model entails risks being relatively small and predictable, making it possible to maintain a large volume of business in relation to own funds. This does not mean that each 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, which includes the positive effects anticipated to be achieved in the form of expected revenues, cost savings or reductions in other risk. SBAB shall minimise 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. Accordingly, SBAB's risk control models should be designed so that individual business decisions to 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.

Results

Operating profit/loss

SBAB's operating profit increased to SEK 1,644 million (1,085), driven by higher net interest income and an improved net income from financial instruments. Over the year, SBAB's lending volume developed steadily, except for the temporary sharp decline in interest rates on loans with a five year fixation period at the end of the year, which resulted in an increased rate of lending. SBAB's operating profit/loss excluding restructuring costs and net income from financial instruments in the 2014 full-year amounted to SEK 1,202 million (1,046). The year was signified by a changed strategic direction, which resulted in write-downs and a discontinuation of the investment in everyday banking, the fund operations and a reduction in the number of employees. Restructuring costs totalling SEK 178 million (0) were reserved in the year. The expenditure/income ratio excluding restructuring costs declined to 32% (43), which is primarily explained

by the higher net interest income and higher net income from financial instruments. Credit losses were positive in the year, following positive migrations in the underlying risk classifications that in turn drives collective provisions. Return on equity was 12.1 % (9.5). SBAB's owner has decided on a profitability target whereby the return on equity should be at least 10%.

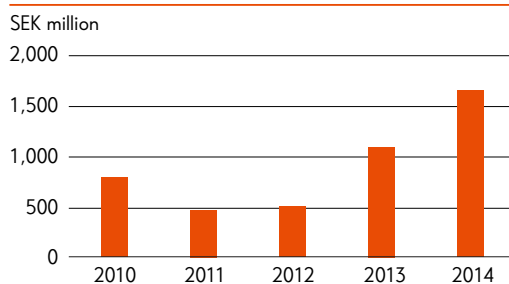
SBAB's net income in 2014 amounted to SEK 1,256 million

Operating income

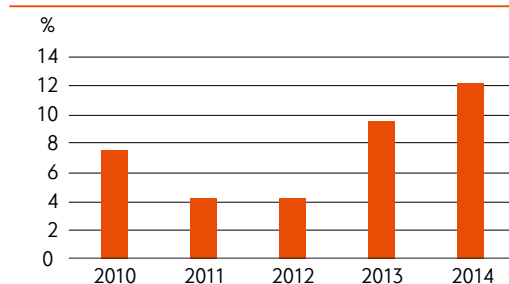
Operating income amounted to SEK 2,621 million (1,893). Net interest income increased by 8% to SEK 2,111 million (1,963). Net interest income was negatively impacted by the building up of a liquidity reserve and temporarily higher liquidity in the beginning of the year that was driven by the strong growth in deposits in the first months of the year.

Net interest income in the second half of the year increased compared to 2013, chiefly thanks to lower cost of funding. Commission income rose to SEK 47 million (40), mainly due to higher income from mortgage insurances. Commission income amounted to SEK 157 million (149), of which the stability fee constitutes the largest individual item, corresponding to SEK 116 million (114). The increase in commission expenses is mostly due to increased expenses linked to the funding operations. Net income/expenses from financial instruments measured at fair value amounted to SEK 620 million (39) and was mainly affected by unrealised changes in market values of basis swaps and in the liquidity portfolio.

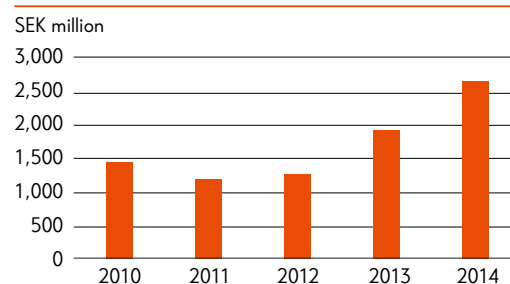
SBAB's operating profit 2010–2014



SBAB's return on equity 2010–2014



SBAB's income 2010–2014

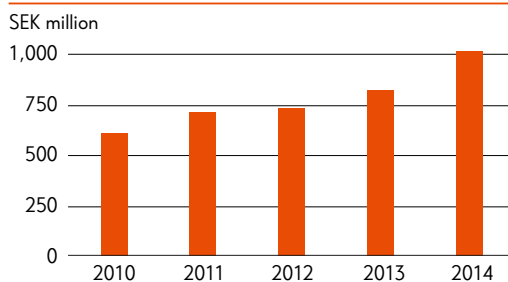


Operating expenses

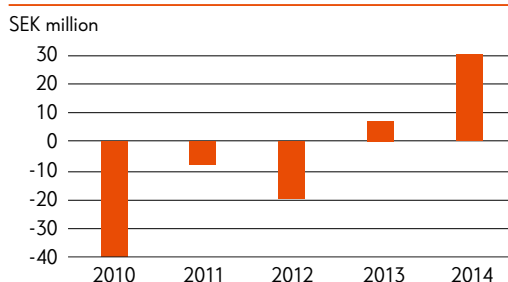
SBAB's expenses amounted to SEK 1,008 million (815), of which SEK 178 million (0) related to restructuring costs due to the new strategic direction. Personnel costs increased to SEK 414 million (346), of which SEK 23 million (0) were linked to the restructuring. Other costs, excluding depreciation and amortisation, amounted to SEK 434 million (400), of which SEK 30 million (0) were linked to the restructuring.

The increase, excluding restructuring costs, is primarily explained by non-recurring items related to personnel costs, a higher number of employees and higher operational and support costs caused by the development of new everyday banking services that was discontinued in the year. Depreciation of property, plant and equipment and amortisation of intangible fixed assets amounted to SEK 160 million (69), of which SEK 125 million derived from a write-down relating to the everyday banking investment.

SBAB's expenses 2010–2014



SBAB's loan losses 2010–2014



32%

SBAB's expenditure/income ratio amounted to 32%

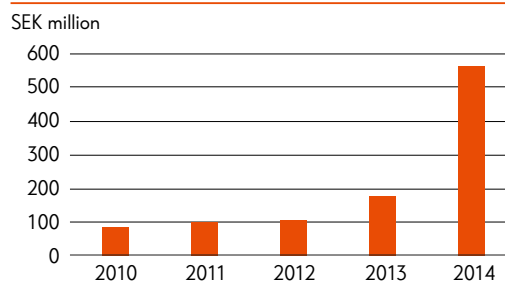
Loan losses

Credit losses were positive in 2014, primarily due to the redemption of collective provisions. For full-year 2014, the outcome for loan losses was a positive SEK 30 million (positive: 7), corresponding to a loan loss rate of a positive 0.01% (0.00). For a more detailed account of the loan-loss trend, refer to Note 11.

Parent Company

Operating profit in 2014 totalled SEK 560 million (176). Operating income amounted to SEK 1,459 million (1,061). The change in operating profit was mainly due to higher other operating income, i.e. the outsourcing fee from SCBC. Net income from financial transactions amounted to SEK 300 million (128). Expenses totalled SEK 900 million (871). The increased expenses are primarily explained by higher personnel costs. Loan losses decreased to a positive SEK 1 million (negative: 14). The net effect was primarily affected by the redemption of collective provisions.

Parent Company's operating profit 2010–2014



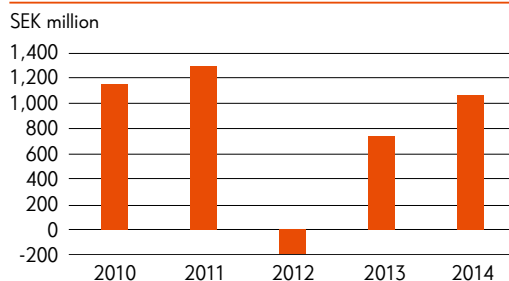
Capital adequacy

Basel III was implemented on 1 January 2014 and the new regulations entail, among other things, requirements for increased own funds and higher capital requirements compared with earlier regulations. Without consideration of transitional rules, the Common Equity Tier 1 capital ratio amounted to 29.8% compared with 23.3% at the end of the previous year. For more information on SBAB's capital adequacy, refer to Note 2.

Dividend policy and appropriation of profits

The principle established by the owner is that ordinary dividends should be at least 40% of profit for the year after tax, taking the Group's capital structure into account. The Board of Directors proposes a dividend in 2014 in accordance with the dividend policy, which means that SEK 502 million will be distributed to the owner. The complete proposed appropriation of profits is given on page 120 as an integrated part of the Administration Report.

SCBC's operating profit 2010–2014



12%

Return on equity
amounted to
12.1% in 2014.

Swedish Covered Bond Corporation – SCBC

SCBC's operating profit for 2014 amounted to SEK 1,064 million (741). Net interest income was strengthened compared with the previous year and amounted to SEK 1,775 million (1,651). The higher net interest income is mainly due to a reduction of SCBC's funding costs. At year-end, the lending portfolio amounted to SEK 217.6 billion (210.0). Net income from financial instruments amounted to SEK 181 million (expense: 192) and net commission amounted to a negative SEK 92 million (negative: 83). SCBC's total operating income increased in comparison with the preceding year to SEK 1,864 million (1,376). Expenses for the year increased to SEK 826 million (656). Of the total expenses, SEK 822 million (579) are attributable to costs for operations outsourced to SBAB, as SCBC pays a portion of SBAB's costs, according to an agreement. Net loan losses amounted to a positive SEK 26 million (positive: 21).

Winding up of FriSpar Kreditkonsult AB

The owners of FriSpar Kreditkonsult AB (formerly FriSpar Bolån AB), a joint venture between SBAB, Sparbanken Öresund AB (publ) – which has been acquired by Swedbank – and Sparbanken Syd, concluded in 2013 that there was no justification for continuing to pursue the partnership between the owners in the form of a company. For this reason, the company was wound up on 19 December 2014.

Corporate Governance Report

SBAB's Corporate Governance Report for 2014 is appended to this Annual Report, refer to page 52. The information it provides regarding the most important aspects of the Group's system of internal governance and control is given on pages 58-59.

Future prospects, risks and uncertainties

SBAB holds an established position in the Swedish residential mortgage market and has, in recent years, also strengthened its status in the deposits market.

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

The many regulatory changes relating to the residential mortgage market constitute another uncertainty factor.

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

A large, stylized orange graphic of the number '30%' with a percentage sign. The numbers are bold and have a slight shadow effect. The percentage sign is also orange and has a similar shadow effect. The graphic is positioned to the left of a text block.

The common equity Tier 1 capital ratio without transitional rules amounted to 29.8%.

Overview of earnings

SEK million	PARENT COMPANY		GROUP	
	SBAB BANK	SCBC	2014	2013
Interest income	2,758	5,739	7,261	8,147
Interest expenses	-2,423	-3,964	-5,150	-6,184
Net interest income	335	1,775	2,111	1,963
Dividends received	20	-	-	-
Commission income	55	9	47	40
Commission expense	-73	-101	-157	-149
Net income/expense from financial instruments measured at fair value/ Net income/expense from financial transactions	300	181	620	39
Other operating income	822	-	-	-
TOTAL OPERATING INCOME	1,459	1,864	2,621	1,893
Personnel costs	-424	-	-414	-346
Costs for premises	-32	-	-32	-34
IT expenses	-225	-	-202	-165
Other administration expenses	-123	-824	-124	-120
Marketing	-54	-	-54	-66
Other operating expenses	-20	-2	-22	-15
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-22	-	-160	-69
Total expenses before loan losses	-900	-826	-1,008	-815
Profit before loan losses	559	1,038	1,613	1,078
Loan losses, net	1	26	30	7
Participations in joint ventures	-	-	1	-
Operating profit	560	1,064	1,644	1,085
Tax	-153	-226	-388	-212
Profit for the year	407	838	1,256	873

Definitions of key data

New lending	Gross lending.
Investment margin	Net interest income in relation to average total assets.
Loan loss rate	Loan losses in relation to opening balance for lending to the public.
Share of doubtful loan receivables	Doubtful loan receivables (net) in relation to lending to the public at year-end.
Expenditure/Income ratio	Total operating expenses/total income.
Expenditure/Income ratio, excl. net income/expense from financial instruments measured at fair value and restructuring costs	(Total operating expenses less restructuring costs)/cost (total income less net income /expense from financial instruments measured at fair value).
Return on equity	Operating profit/loss after actual tax in relation to average equity.
Common Equity Tier 1 capital ratio	Tier 1 capital less additional Tier 1 instruments in relation to risk-weighted assets (RWA).
Total capital ratio	Own funds/risk-weighted assets.
Tier 1 capital ratio	Tier 1 capital/risk-weighted assets.
Equity ratio	Equity, incl. minority interest, in relation to total assets at year-end.
Consolidation ratio	Equity, incl. minority interest, and deferred tax in relation to total assets at year-end.
Number of employees, FTE	Number of employees expressed as a full-time equivalent, adjusted for sick leave and leave of absence.
Return on assets	Operating profit/loss after actual tax, in relation to average total assets.

Five-year overview

GROUP					
SEK million	2014	2013	2012	2011	2010
Interest income	7,261	8,147	10,485	10,449	5,355
Interest expenses	-5,150	-6,184	-8,544	-8,831	-3,593
Net interest income	2,111	1,963	1,941	1,618	1,762
Other operating income ¹⁾	510	-70	-693	-439	-333
Total operating income	2,621	1,893	1,248	1,179	1,429
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-160	-69	-24	-27	-26
Other operating expenses	-848	-746	-704	-680	-578
Total operating expenses	-1,008	-815	-728	-707	-604
Profit before loan losses	1,613	1,078	520	472	825
Loan losses	30	7	-20	-8	-40
Participations in joint ventures	1	-	-	-	-
Operating profit	1,644	1,085	500	464	785
Lending portfolio	261,445	258,739	255,946	248,150	249,103
Other assets	77,540	76,319	78,482	91,600	67,822
Total assets	338,985	335,058	334,428	339,750	316,925
Deposits	60,610	45,869	27,654	8,769	6,083
Debt securities in issue	243,168	243,870	253,897	276,678	261,962
Other liabilities	18,260	29,388	37,057	39,615	35,298
Deferred tax liabilities	-	459	0	71	60
Subordinated debt	5,946	5,791	7,052	6,233	5,508
Equity	11,001	9,681	8,768	8,384	8,014
Total liabilities and equity	338,985	335,058	334,428	339,750	316,925
Lending					
New lending, SEK million	48,297	37,367	34,878	31,107	50,398
Investment margin, %	0.63	0.59	0.58	0.49	0.58
Loan losses					
Loan loss rate, %	0.01	0.00	-0.01	-0.00	-0.02
Share of doubtful loan receivables, %	0.00	0.00	0.01	0.00	0.01
Productivity					
Expenditure/Income ratio, %	38	43	58	60	42
Expenditure/income ratio excluding net income/expense from financial instruments measured at fair value and restructuring costs	41	44	39	46	35
Return on assets, %	0.4	0.3	0.1	0.1	0.2
Return on equity, %	12.1	9.5	4.2	4.2	7.5
Capital structure					
Common Equity Tier 1 capital ratio without transitional regulations, %	29.8	23.3	16.4	15.0	14.1
Tier 1 capital ratio without transitional regulations, %	36.8	30.6	21.7	20.0	19.1
Total capital ratio without transitional regulations, %	44.7	35.6	27.4	23.9	22.4
Total capital ratio with transitional regulations, %	10.8	10.5	11.5	10.7	10.2
Equity ratio	3.2	2.9	2.6	2.5	2.5
Consolidation ratio	3.2	2.9	2.6	2.5	2.5
Employees					
Number of employees at year-end, FTE ²⁾	397	436	380	363	347

¹⁾ The item includes net commission, net income/expense from financial instruments and other operating income.

²⁾ Number of employees expressed as a full-time equivalent, adjusted for sick leave and leave of absence.

Corporate Governance Report

Statement by the Chairman of the Board

Good corporate governance is important to ensure that SBAB is managed in an efficient manner. SBAB's corporate governance structure provides support to the Board of Directors in obtaining necessary information, governing and controlling the operations and to be able to make decisions on important strategic issues.

Several aspects of the Board's work in 2014 have been characterised by measures considered by the Board to be necessary to strengthen SBAB's customer offering and profitability. The Board's review of strategy and costs in 2014, the review of SBAB's balance sheet and financing and the decision that a new leadership was needed for SBAB are examples of such measures.

Through the Board's decision in August to strengthen the focus on the residential mortgage business, SBAB has laid an important foundation for the future. The effect of the decision was that we discontinued the development of new products and recruited Klas Danielsson as new CEO. A new vision has been developed and we have decided to implement a major restructuring programme.

Through these measures, SBAB is better equipped to continue working on our goal and vision – to offer Sweden's best residential mortgages.

Bo Magnusson
Chairman of the Board



Corporate Governance Report 2014

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

The Code is part of the Swedish Government’s framework for corporate governance that complements the state’s ownership policy (concerning, for example, external financial reporting and remuneration to senior executives). SBAB complies with the Code in accordance with the owner’s instructions. In relation to certain issues, the owner has decided to apply the rules in a manner that deviates from the Code rules, as described in greater detail in the report “Government ownership policy and guidelines for state-owned companies 2014”.

SBAB applies the sections of the Code that are appropriate for the bank in accordance with the state’s ownership policy. Based on this ownership structure, deviations have occurred from the following Code rules:

- Code rule 1.1 – publication of information regarding the shareholders’ right to propose business at the Annual General Meeting. The purpose of this rule is to give shareholders the opportunity to prepare ahead of time for the Annual General Meeting and have matters included in the agenda for the Annual General Meeting. In companies wholly owned by the Swedish state, in accordance with the owner’s guidelines, the public shall be invited to attend the Annual General Meeting. As a summons is sent to the Administration of the Swedish Riksdag (parliament) Members of Parliament also have the opportunity to attend.
- Code rules 1.4 and 2 – establishment of a Nomination Committee responsible for such matters as the appointment and remuneration of the Board 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 wholly state-owned companies. In addition to the deviations that are justified by the ownership structure, SBAB did not formally evaluate the work of the CEO as stated in Code rule 8.2, in 2014, as the current CEO assumed his position in mid-August.

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.

Annual General Meeting

SBAB's Annual General Meeting was held on 24 April 2014. 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, Ministry of Finance. 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 of the Board), Jakob Grinbaum (who was also elected Vice Chairman of the Board), Kristina Ekengren, Ebba Lindsö, Jane Lundgren-Ericsson and Karin Moberg. Lars Börjesson was newly elected as a Board Member. Per Anders Fasth left the Board on 13 January 2014 when he was appointed CEO of SBAB.

The Annual General Meeting made decisions regarding the discharge from liability for the Board of Directors and the CEO, the appropriation of profits and the adoption of the annual accounts for 2013. The Annual General Meeting elected KPMG AB, with Hans Åkervall as the auditor-in-charge as SBAB's auditor until the close of the 2015 Annual General Meeting.

The Annual General Meeting reviewed the guidelines for remuneration to senior executives adopted by the 2013 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 the Government Offices or employee representatives. The CEO and Chairman reported on the work of the bank and work of the Board of Directors in 2013.

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

Extraordinary General Meeting

On 16 September 2014, an Extraordinary General Meeting was held in SBAB, at which meeting Per Anders Fasth was re-elected as a Board Member. Per Anders Fasth was appointed Acting CEO of SBAB from 13 January to 14 August 2014, prior to which he was a Board Member.

Composition of the Board of Directors and nomination process

Uniform and shared principles are applied to achieve a structured nomination process for state-owned companies, as described in the report "Government ownership policy and guidelines for state-owned companies 2014." 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 utilise the expertise of both women and men, as well as individuals with different backgrounds and experience.

Diversity and suitability policies

In 2014, the Board adopted a policy on diversity in the Board and a policy on suitability assessments for Board Members, the CEO and senior executives. Both policies are available on the SBAB website. 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.

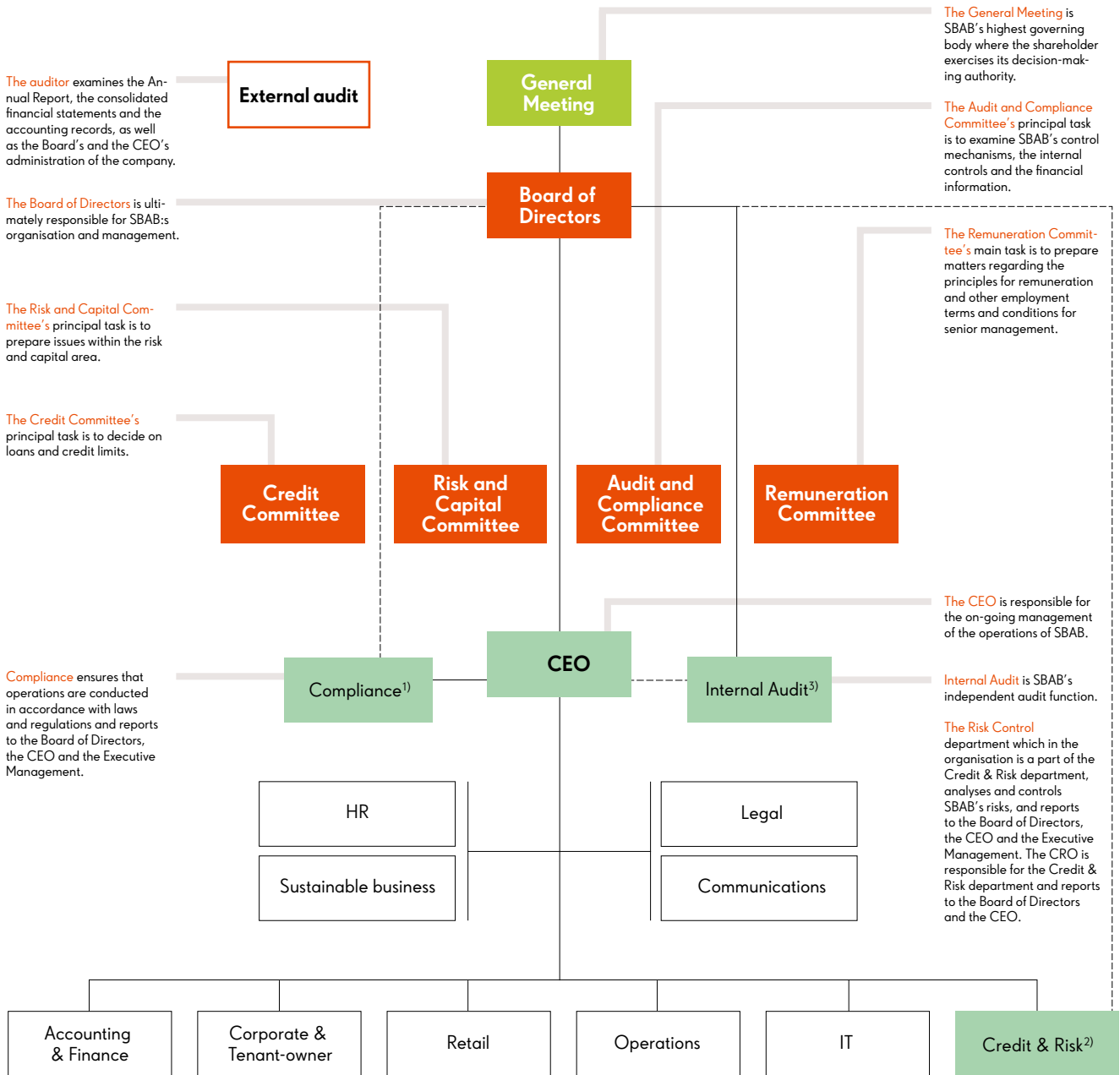
The Board of Directors and its methods of work

Board of Directors

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

A specification of name, age, principal education, occupational experience and other assignments held by the members of the Board, as well as their attendance at Board and committee meetings, is presented on pages 60 and 57. None of the Board Members or the CEO holds shares or financial instruments issued by SBAB.

Overview, 31 December 2014



¹⁾ In addition to reporting to the CEO, Compliance reports to the Board of Directors.

²⁾ SBAB's function for independent risk management within the Credit and Risk Department reports to the Board of Directors in addition to the CEO.

³⁾ The internal auditor reports to the Board and the Board's Audit and Compliance Committee.

In addition to the CEO, the following positions are included in SBAB's Executive Management: The heads of IT, economics & finance (CRO), HR, legal, credit & risk (CRO), retail, corporate clients and tenant-owner associations and communications.

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 documentation for its work and the training necessary for the Board to function efficiently. The Chairman of the Board also monitors the implementation of Board decisions.

Board work and methods of work

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

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

On a quarterly basis, the Board addresses the company's interim reports and determines their adoption and publication. The Board also follows up SBAB's risks, compliance, and reports on the effectiveness of internal control within SBAB by means of reports provided by SBAB's independent Risk Control, Compliance and Internal Audit units. The Board also receives reports from SBAB's auditor

regarding the reporting of completed audits and assessments of the financial reporting. The CEO attends the meetings of the Board of Directors, 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 matters, see below.

The Board of Directors' work in 2014

In 2014, the Board has held 11 Board meetings, of which eight were regular Board meetings and three were extraordinary Board meetings.

At the first Board meeting in 2014, an extraordinary Board meeting in January, the Board resolved to dismiss the former CEO, Carl Viggo Östlund. At the same meeting, the Board resolved to appoint Per-Anders Fast as acting CEO of SBAB.

At the Board meeting in February, the principal matter was the review of the 2013 results and the adoption of the year-end report. Compliance, Risk and Internal Audit also reported to the meeting. Sustainability issues were also discussed.

At the March meeting, the Board adopted the annual accounts and Sustainability Report for 2013 and deliberated matters in preparation for the SBAB Annual General Meeting. The Board also adopted SBAB's internal capital adequacy assessment. In the spring, the Board initiated a review of SBAB's strategy and the previous direction, which involved a broadening of the product offering with transactional and card services. This strategy review and the strategically important work related to the review of SBAB's balance sheet and funding were considered at the meeting.

In April, after SBAB's Annual General Meeting, a statutory Board meeting was held, where governance documents for SBAB were adopted and decisions were made on other statutory matters. The Board also reviewed the performance in the first quarter of 2014 and adopted an interim report for this period. The control functions presented their reports for the first quarter at the meeting.

In May, the Board held an extraordinary meeting where the previously mentioned strategic review was discussed.

At the June meeting, the Board resolved to engage Klas Danielsson as the new CEO of SBAB. Klas Danielsson assumed his position on 14 August, succeeding Per-Anders Fasth, who served as Acting CEO from January to August. At the meeting in June, the Board also made decisions on remuneration issues for the Executive Management of SBAB.

The Board held an extraordinary Board meeting in August. At this meeting, the Board resolved that SBAB's future strategy shall focus on residential mortgages and housing financing and that SBAB, to strengthen its strategic direction, should discontinue the development of current accounts and cards solutions and wind up the fund offering.

In September, the Board held a Board meeting at SBAB's Karlstad office, at which meeting SBAB's customer services work in Karlstad was deliberated in some depth. The Board adopted a new vision and business concept and discussed restructuring, cost savings and SBAB's strategic direction.

At the Board meeting in October, the Board reviewed the third quarter results and adopted an interim report for the quarter. The Board received a status report from the Corporate and Tenant-owner business area and reviewed the conditions for the business plan and budget for 2015. The control functions also reported to the meeting.

At the December Board meeting, the Board adopted a business plan and budget for 2015. The Board also adopted annual plans for the control functions and resolved to change SBAB's capital target. In the autumn, the Board conducted an evaluation of the Board's work, assisted by an external party, which evaluation was discussed at the Board meeting in October. At the meeting, the Board received status reports on the Retail business area and the development of SBAB's customer offering. The Board also deliberated SBAB's sustainability strategy.

Evaluation of the work of the Board and the CEO

The annual evaluation of the work of the Board was conducted in the third quarter of 2014. The evaluation was discussed at the Board meeting on 17 December 2014. The Chairman of the Board is to report the findings from the Board's discussion to the owner, who will take these into account in its selection process prior to the election of Board Members at the Annual General Meeting or other General Meeting where Board Members are to be elected. As the CEO only assumed his position in August 2014, no formal evaluation of the CEO's work took place in 2014.

The Board's committees

The Board of Directors has established the following committees.

Audit and Compliance Committee

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

The Audit and Compliance Committee is also responsible for monitoring financial statements and the efficiency of 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.

The Audit and Compliance Committee comprises three Board Members. Following the statutory Board meeting in 2014, the members of the Audit and Compliance Committee are:

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

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

Credit Committee

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

Attendance of Board Members

The table presents the attendance at meetings of the Board and its committees in 2014 by those who were Members of the Board as per 31 December

2014. Two Members were appointed to the Board in the year, so their attendance only reflects a part of the year.

Members	ATTENDANCE				
	Board meetings	Credit Committee	Risk and Capital Committee	Audit and Compliance Committee	Remuneration Committee
Bo Magnusson	11/11	14/14	-	6/6	6/6
Jakob Grinbaum	11/11	12/14	5/5	-	-
Lars Börjesson	8/11 ¹⁾	-	-	-	-
Kristina Ekengren	11/11	-	-	6/6	6/6
Per Anders Fasth	4/11 ²⁾	-	-	-	-
Anders Heder	10/11	-	-	-	-
Ebba Lindsö	11/11	-	5/5	-	-
Jane Lundgren-Ericsson	11/11	12/14	3/5 ¹⁾	-	-
Karin Moberg	10/11	-	-	5/6	-
Helen Vallin	9/11	-	-	-	-

¹⁾ Pertains only to a part of the year; the Board Member was appointed at the Annual General Meeting in April 2014.

²⁾ Pertains only to a part of the year; the Board Member was appointed at an Extraordinary General Meeting in September 2014. Per Anders Fasth also attended seven of the Board Meetings from January–August 2014 in the capacity of CEO.

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 2014, the members of the Remuneration Committee are:

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

The Remuneration Committee held 14 meetings during the year.

Risk and Capital Committee

The Risk and Capital Committee prepares matters regarding SBAB's finance operations, matters involving risk and capital, and the use of new financial instruments. The committee also prepares issues for resolution by the Board of Directors concerning objectives, strategies and control documents within the areas of risk and capital. The Risk and Capital Committee comprises at least three members appointed by the Board. 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 2014 are:

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

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

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 2014, the members of the Remuneration Committee are:

- Bo Magnusson (Chairman)
- Kristina Ekengren

The Remuneration Committee held six meetings during the year.

CEO and Executive Management

On 13 January 2014, the Board resolved to dismiss Carl-Viggo Östlund from his position as the CEO of SBAB. On the same date, Per Anders Fasth resigned from his position as a Board Member and was appointed by the Board to serve as Acting CEO. On 18 June 2014, Klas Danielsson was appointed CEO of SBAB. Klas Danielsson assumed his position as CEO on 14 August 2014, succeeding Per Anders Fasth.

The Board has formulated instructions for the CEO's role and duties. 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, which is presented in further detail on page 62, provides the CEO with support in exercising operational management of SBAB.

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 (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 is the preparatory body for the coordination and implementation of sustainability in the operations, ALCO prepares major issues related to the Group's financial operations, balance sheet risks and capital management, the Credit Council prepares and has a certain scope to make decisions on matters connected to the bank'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.

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 Report.

Internal control and governance

Internal governance and control

Internal control is important for ensuring that SBAB's operations are conducted in accordance with prevailing regulations, as well as ensuring that SBAB identifies, measures and controls relevant risks and

has an efficient organisation and operational management and reliable financial reporting. The Board and the CEO are ultimately responsible for ensuring that internal control and governance are maintained. The Board and the CEO of SBAB are assisted in this work by several functions. Key control functions in this regard are the Compliance, Risk and Internal Audit functions, which are described in further detail below. Other functions, including the accounting department, the credit department and the legal department support of the Board and CEO with regard to good internal governance and control. All managers in each area of responsibility are responsible for the activities they oversee being conducted with good internal governance and control.

Risk Control

The SBAB Group has a central Risk Control department with overall responsibility for developing and ensuring that risk-taking strategies are conducted in accordance with the Board's intention, and that policies and processes facilitate relevant follow-up. Risk Control is responsible for the identification, quantification, analysis and reporting of all risks. The CRO is responsible for Risk Control. The CRO is directly subordinate to the CEO and reports directly 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 the operations comply with applicable laws and regulations in the sphere of responsibility of risk control.

Compliance

SBAB has a centrally located 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 in 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 after approval by the Board.

Internal audit

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

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 2014 Annual General Meeting appointed KPMG as auditor. The auditor-in-charge is Hans Åkervall. A more detailed presentation of the auditor and the fees and expenses paid to auditors is provided on page 63 and in Note 9, respectively, of the Annual Report.

The auditor reviews the Annual Report, the consolidated financial statements and the accounting records, as well as the Board of Directors and the CEO's administration of the company. The auditor reports the results of these examinations through the Audit Report, which is presented to the Annual General Meeting. In addition, the auditor reviews SBAB's interim reports and year-end reports, and provides detailed accounts to the Audit and Compliance Committee at scheduled meetings of the committee, when the interim and year-end reports are adopted, and to the Board.

Internal control of financial reporting

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.

Each year, a risk assessment is performed in the form of a self assessment of all business-support processes that provide data for the financial statements. The self assessment includes assessing the principal risks that could lead to faults in the financial statements and the related controls. The risks and controls are identified, evaluated and documented at the process level. When an event occurs that has generated faults in the financial statements, the operations must send incident reports on this through SBAB's intranet. The SBAB Group has in place governing documents and established processes regarding the internal control of financial reporting.

Board of Directors

1 Bo Magnusson

Chairman of the Board

Advanced bank training (SEB)
Born: 1962

Elected: 2013

Board assignments: Carnegie Investment Bank and Carnegie Holding, 4T Sverige, Fastighetssaktiebolaget Norrporten and NS Holding. Chairman of the Board in all companies listed above.

Other appointments: –

Past experience:

Deputy CEO and CEO at SEB and other senior positions within SEB.

2 Jakob Grinbaum

Vice Chairman, Board Member

Bachelor of Arts
Born: 1949

Elected: 2010

Board assignments:

Oscar Properties (Chairman), the Fourth AP Fund (Deputy Chairman), Östgöttagården Foundation in Uppsala and sport club IK Sirius, J Grinbaum Finanskonsult and Jernhusen.

Other appointments: Advisory Board of Genesta Property Nordic.

Past experience:

Executive Vice President, Group Treasury and Group Corporate Development at Nordea.

3 Lars Börjesson

Board Member

Master of Engineering
Born: 1964

Elected: 2014

Board assignments:

Taggvampnen.

Other appointments:

Self employed.

Past experience:

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

4 Kristina Ekengren

Board Member

M.Sc. Business Administration and Economics
Born: 1969

Elected: 2013

Board assignments:

Lernia and Jernhusen.

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

Past experience:

Financial analyst Delphi Economics.

5 Per Anders Fasth

Board Member

Bachelor of Business Administration and Economics
Born: 1960

Elected: 2011

Re-elected in 2014

Board assignments: Whetstone Solutions, Blong.

Other appointments: Partner Quartz+Co.

Past experience:

CEO of European Resolution Capital, Senior Vice President of SEB, McKinsey & Company, Statoil.

6 Anders Heder

Board Member (Employee Representative)

Born: 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.

7 Ebba Lindsö

Board Member

Bachelor of Business Administration and Economics
Born: 1955

Elected: 2012

Board assignments:

The Sixth AP Fund (Chairman), the Swedish Public Employment Service, the Federation of Swedish Farmers (association), Burenstam & Partners, Lindsö & Partners and Aktiebolag Veritas.

Other appointments: Senior Advisor to Brummer & Partners and Kommuninvest, 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 Af-färsvärlden, CEO Transferator Fondkommission.

8 Jane Lundgren-Ericsson

Board Member

Master of Laws (Stockholm),
Master of Laws (London)

Born: 1965

Elected: 2013

Board assignments: –

Other appointments: Deputy COO of Svensk Exportkredit.

Past experience:

CEO of SEK Securities and other senior positions in Svensk Exportkredit.

9 Karin Moberg

Board Member

Bachelor of Business Administration and Economics
Born: 1963

Elected: 2009

Board assignments: FriendsOfAdam, Caretech (Chairman), Doro, IAR.

Other appointments: CEO

Friends of Adam.

Past experience:

CEO of Telia e-bolaget, Marketing Director and Acting Chief Communication Officer TeliaSonera, Management Consultant.

10 Helen Vallin

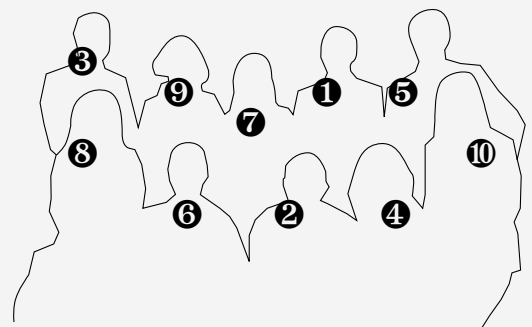
Board Member (Employee Representative)

Born: 1979

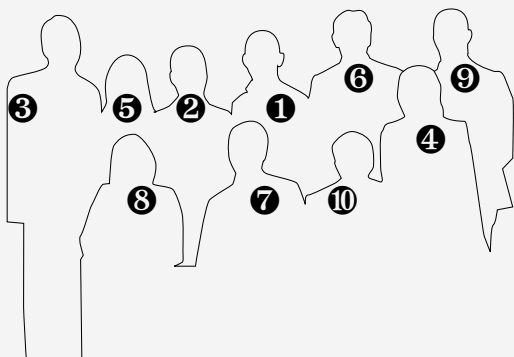
Appointed in 2013 by the local chapter of the Financial Sector Union of Sweden.

Board assignments: –

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



Executive management and auditor



1 Klas Danielsson
CEO

Bachelor of Arts
Born: 1963
Year of employment: 2014
Board assignments: The Swedish Covered Bond Corporation, Swedsec Licensiering (Chairman), Spiderweb Consulting and DE Capital.
Past experience: Founder of and the former CEO of Nordnet and Nordnet Bank. Head of Trading of UBS in Stockholm. Board Member of East Capital, Ikano Bank, the Swedish Securities Dealers Association, the Swedish Consumers' Banking and Finance Bureau, Svensk Information, et al.

2 Robert Burén
CIO

Civil engineer
Born: 1970
Joined SBAB in February 2015
Board assignments: –
Past experience: CTO Unibet, co-founder and Head of Consulting at Cygni, Board Member of Bredband2.

3 Per O. Dahlstedt
Head of Corporate and Tenant-owner

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

4 Christine Ehnström
Chief Legal Counsel

Master of Laws
Born: 1973
Year of employment: 1999
Board assignments: Board Member of Maricon Marinconsult's Pension Fund, Deputy Board Member of Maricon Marinconsult.
Past experience: Legal Counsel at Volvo Treasury.

5 Carina Eriksson
Acting Head of HR

Bachelor of Business Administration and Economics, Stockholm School of Economics
Born: 1965
Year of employment: 2015
Board assignments: –
Past experience: Scandinavian HR Business Partner Lead for Trygg Hansa/Codan, Scandinavian HR Director for Personal Lines, Trygg Hansa/Codan, HR Director Microsoft Sweden, Nordic COO for Deutsche Bank Nordic Equities, and other positions within Debt Capital Markets at SEB and JP Bank.

6 Håkan Höijer
Acting Head of Retail Market

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

7 Mikael Inglander
CFO

Bachelor of Business Administration and Economics
Born: 1963
Year of employment: 2014
Board assignments: –
Past experience: CEO of Lindorff Sverige, Executive Vice President, CFO and other positions at Swedbank, Regional Manager and Executive Vice President of FöreningsSparbanken, Board member of ICA Banken, OK-Q8 Bank, HansaBank Group, Jordbrukskredit.

8 Elizabet Jönsson
Head of Marketing and Communication

Bachelor of Business Administration and Economics
Born: 1976
Year of employment: 2015
Board assignments: –
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, Media Manager at PartyGaming, Management Consultant at Rewir.

9 Bror-Göran Pettersson
Acting COO

Bachelor of Business Administration and Economics
Born: 1970
Year of employment: 1993
Board assignments: –
Past experience: Administrator and salesperson in several SBAB teams. Managerial positions in various SBAB teams since 1998. Acting Head of Retail Market, Head of Credit at Frispar Bolån, Head of Complaints, Department Head of Backoffice.

10 Peter Svensén
CRO

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

Not in the picture:

Catharina Kandel
Head of HR

Bachelor of Arts
Born: 1965
Year of employment: 2004
Board assignments: –
Past experience: HR positions within Försäkringsaktiebolaget Skandia, Head of HR at Skandiabanken.

Auditor

The 2014 Annual General Meeting resolved to elect the auditing firm KPMG AB as auditor for the period until the end of the 2015 Annual General Meeting, with Hans Åkervall as auditor-in-charge.

Hans Åkervall
KPMG AB

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

Financial statements and notes

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Income statement

SEK million	Note	GROUP		PARENT COMPANY	
		2014	2013	2014	2013
Interest income	3	7,261	8,147	2,758	3,243
Interest expense	3	-5,150	-6,184	-2,423	-2,960
Net interest income		2,111	1,963	335	283
Dividends received	4	-	-	20	19
Commission income	5	47	40	55	124
Commission expense	5	-157	-149	-73	-74
Net income from financial instruments measured at fair value/ Net income from financial transactions	6	620	39	300	128
Other operating income	7	0	-	822	581
Total operating income		2,621	1,893	1,459	1,061
Personnel costs	8	-414	-346	-424	-371
Other expenses	9	-434	-400	-454	-480
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	10	-160	-69	-22	-20
Total expenses before loan losses		-1,008	-815	-900	-871
Profit before loan losses		1,613	1,078	559	190
Loan losses, net	11	30	7	1	-14
Participations in joint ventures		1	-	-	-
Operating profit		1,644	1,085	560	176
Tax	12	-388	-212	-153	154
Profit for the year		1,256	873	407	330

Statement of comprehensive income

SEK million	Note	GROUP		PARENT COMPANY	
		2014	2013	2014	2013
Profit for the year		1,256	873	407	330
Other comprehensive income					
<i>Components that have been or will be reallocated to the income statement</i>	33				
Change in reclassified financial assets, before tax		32	17	32	17
Change relating to available-for-sale financial assets, before tax		-5	-	-5	-
Changes related to cash flow hedges, before tax		128	-	-	-
Tax attributable to components that have been or will be reallocated to the income statement		-36	-3	-8	-3
<i>Components that have not or will be reallocated to the income statement</i>	33				
Revaluation effects of defined benefit pension plans, before tax		-71	34	-	-
Tax attributable to components that have not been or will be reallocated to the income statement		16	-8	-	-
Other comprehensive income, net after tax		64	40	19	14
Total comprehensive income for the year		1,320	913	426	344

Balance sheet

SEK million	Note	GROUP		PARENT COMPANY	
		2014	2013	2014	2013
ASSETS					
Cash and balances at central banks		0	0	0	0
Chargeable treasury bills and other eligible bills	13	15,557	8,183	15,557	8,183
Lending to credit institutions	14	7,437	20,267	35,823	49,183
Lending to the public	15	261,445	258,739	43,866	48,758
Change in value of interest-rate-hedged items in portfolio hedges		937	757	11	1
Bonds and other interest-bearing securities	16	42,335	38,736	42,335	38,736
Derivative instruments	17	9,408	6,449	7,800	4,981
Shares and participations	18	253	217	253	217
Shares and participations in joint ventures	19	-	-	-	113
Shares and participations in Group companies	20	-	-	10,300	10,300
Deferred tax assets	30	104	-	18	-
Intangible fixed assets	21	52	165	13	14
Property, plant and equipment	22	27	37	27	37
Other assets	23	461	595	138	477
Prepaid expenses and accrued income	24	969	913	794	695
TOTAL ASSETS		338,985	335,058	156,935	161,695
LIABILITIES AND EQUITY					
Liabilities					
Liabilities to credit institutions	25	7,284	15,191	3,250	557
Deposits from the public	26	60,610	45,869	60,610	45,869
Debt securities in issue	27	243,168	243,870	68,182	91,316
Derivative instruments	17	7,263	10,363	9,103	7,909
Other liabilities	28	424	306	407	996
Accrued expenses and prepaid income	29	3,200	3,502	735	848
Deferred tax liabilities	30	-	459	-	133
Provisions	31	89	26	-	-
Subordinated debt	32	5,946	5,791	5,946	5,791
Total liabilities		327,984	325,377	148,233	153,419
Equity					
Share capital	33	1,958	1,958	1,958	1,958
Statutory reserve		-	-	392	392
Reserves/Fair value reserve	33	77	13	-4	-23
Retained earnings		7,710	6,837	5,949	5,619
Profit for the year		1,256	873	407	330
Total equity		11,001	9,681	8,702	8,276
TOTAL LIABILITIES AND EQUITY		338,985	335,058	156,935	161,695
Memorandum items					
Assets pledged for own liabilities	34	211,674	204,198	23	9
Commitments	35	39,458	27,452	79,152	48,298

Statement of changes in equity

GROUP

SEK million	Note	RESTRICTED EQUITY		NON-RESTRICTED EQUITY		Total equity
		Share capital	Reserves	Retained earnings and profit for the year		
OPENING BALANCE, 1 JAN 2013		1,958	-27	6,837		8,768
Other comprehensive income, net after tax	33		40			40
Profit for the year				873		873
Total comprehensive income for the year			40	873		913
CLOSING BALANCE, 31 DEC 2013		1,958	13	7,710		9,681
OPENING BALANCE, 1 JAN 2014		1,958	13	7,710		9,681
Other comprehensive income, net after tax	33		64			64
Profit for the year				1,256		1,256
Total comprehensive income for the year			64	1,256		1,320
CLOSING BALANCE, 31 DEC 2014		1,958	77	8,966		11,001

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	
OPENING BALANCE, 1 JAN 2013		1,958	392	-37	5,619	7,932
Other comprehensive income, net after tax	33			14		14
Profit for the year					330	330
Total comprehensive income for the year				14	330	344
CLOSING BALANCE, 31 DEC 2013		1,958	392	-23	5,949	8,276
OPENING BALANCE, 1 JAN 2014		1,958	392	-23	5,949	8,276
Other comprehensive income, net after tax	33			19		19
Profit for the year					407	407
Total comprehensive income for the year				19	407	426
CLOSING BALANCE, 31 DEC 2014		1,958	392	-4	6,356	8,702

Cash flow statement

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Cash and cash equivalents at the beginning of the year	19,238	17,536	8,159	7,584
OPERATING ACTIVITIES				
Interest received	7,170	8,298	2,615	3,289
Commission received	56	43	71	125
Interest paid	-5,909	-6,757	-2,280	-2,986
Commission paid	-114	-179	-80	-80
Dividends received for shares and similar securities	-	-	20	19
Recoveries on loans previously written off	13	3	13	3
Payments to suppliers and employees	-840	-824	-863	-914
Paid/repaid income tax	-893	-195	-45	-177
Change in subordinated receivables	-	-	8,812	-513
Change in lending to credit institutions ¹⁾	1,014	-296	1,004	341
Change in lending to the public	-2,587	-2,689	4,897	-2,394
Change in chargeable treasury bills and other eligible bills	-7,090	4,312	-7,090	4,312
Change in bonds and other interest-bearing securities and fund units	-1,123	-6,958	-1,123	-6,958
Change in liabilities to credit institutions	-7,873	-2,359	2,727	-1,885
Change in deposits from the public	14,741	18,215	14,741	18,215
Issuance of long-term funding	58,486	58,384	11,425	29,600
Repayment of long-term funding	-60,153	-54,291	-31,867	-27,575
Issuance of short-term funding	44,021	69,885	44,021	69,885
Repayment of short-term funding	-50,569	-81,421	-50,569	-81,421
Change in other assets and liabilities	-242	-353	638	-5
Cash flow from operating activities	-11,892	2,818	-2,933	881
INVESTING ACTIVITIES				
Sale of property plant and equipment	0	0	0	0
Investments in property plant and equipment and intangible fixed assets	-37	-116	-12	-24
Investments in subsidiaries and joint ventures	113	-	113	718
Cash flow from investing activities	76	-116	101	694
FUNDING ACTIVITIES				
Shareholder contribution	-	-	-700	-
Repayment of subordinated debentures	-	-1,000	-	-1,000
Cash flow from funding activities	-	-1,000	-700	-1,000
Increase/decrease in cash and cash equivalents	-11,816	1,702	-3,532	575
Cash and cash equivalents at the end of the year	7,422	19,238	4,627	8,159

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

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

Notes

Note 1 Accounting policies

The operations of SBAB Bank AB (publ), "SBAB", and its subsidiaries 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 Bank is a Swedish public limited banking company domiciled in Stockholm. The address of the Head Office is SBAB Bank AB (publ), Box 27 308, SE-102 54 Stockholm.

The Annual Report for SBAB has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition to these accounting standards, the Swedish Financial Supervisory Authority's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFS 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 at fair value through profit or loss, financial assets at fair value through other comprehensive income, as well as hedge-accounted items. On 12 March 2015, the Board of Directors approved the financial statements for publication. They will receive final approval from the Annual General Meeting on 22 April 2015.

Amended and new accounting policies in 2014

IFRS 11 Joint Arrangements

- This standard applies to arrangements in which the part-owners hold a joint controlling influence and significant decisions require the unanimous consent of all part-owners. Joint arrangements are classified as either joint operations or joint ventures. SBAB's joint venture FriSpar Kreditkonsult AB (formerly FriSpar Bolån AB) remained classified as a joint venture in 2014. The regulations in IFRS 11 have entailed that from 2014, SBAB's joint venture FriSpar was consolidated using the equity method rather than the proportional method. Since FriSpar wound up its operations in 2014 (it was liquidated on 19 December 2014) and, even in 2013, had limited operations in relation to the Group's overall performance and position, the new regulations are of limited significance for the Group. The comparison figures have therefore not been recalculated with regard to this new accounting principle. The standard is applied effective from 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities

- The disclosure requirements for subsidiaries, joint arrangements and associated companies have been compiled in one standard. As the subsidiary SCBC is wholly owned by the Parent Company and the joint venture FriSpar wound up and liquidated its operations in 2014, IFRS 12 does not entail any additional disclosure requirements. The standard is applied effective from 1 January 2014.

IAS 39 – Financial Instruments: Recognition and Measurement

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

Other

- The clarification of IAS 32 regarding set-off rules has not had any impact on SBAB's financial statements.

Accounting policies that were first applied in 2014

In the third quarter, SBAB started to report transactions according to the cash flow hedging method. In case of cash flow hedging, the hedging instrument is valued at fair value. The effective part of the total change in value is reported as a component in other comprehensive income and accumulated in a special reserve in equity. The accumulated amount is reversed in the income statement in periods where the hedged item affects the profit or loss. The ineffective part of

the change in value is transferred to the income statement under the item "Net 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.

In the fourth quarter, SBAB began to recognise assets classified as "Available-for-sale financial assets." Here, 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 assets are valued at fair value, and any changes in value are recognised under "reserves" in equity, and therefore constitute a component in other comprehensive income. Changes in fair value are not reported in the income statement until the asset has been realised or an impairment is recognised. Impairment testing is performed when there is an indication of impairment. Changes in value that are attributable to exchange rate changes are recognised in the income statement. Fair-value hedging is applied to "Available-for-sale financial assets." The result of value changes related to hedged risks in fair-value hedging is recognised directly in the income statement. In the fourth quarter, SBAB also began to recognise assets classified as "Held-to-maturity investments." Interest-bearing assets that the Group has the intention and ability to hold to maturity are recognised in this category. These are valued at amortised cost and tested for impairment when there is an indication of impairment.

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 include new disclosures. SBAB has not yet conducted a complete analysis of how the new standard will affect SBAB's financial statements. 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 2017.

Other

- Other amendments, such as IFRIC 21 Levies, will not have any significant impact on SBAB's financial statements.

General accounting policies

Consolidated financial statements

The consolidated financial statements were prepared in accordance with the acquisition method and include the Parent Company SBAB and its subsidiaries. Entities qualify as subsidiaries if they are controlled by the Parent Company. 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.

Note 1 Accounting Policies, continued

Joint venture

By contractual agreement, FriSpar Kreditkonsult AB (FriSpar Bolån AB) is to be regarded as a joint venture and recognised in accordance with the equity method. In 2014, FriSpar wound up and liquidated its operations, and it has very limited impact on the financial statements.

Recognition in and derecognition from the balance sheet

Securities acquired and in issue and all derivative instruments are recognised on the trade date, meaning the date on which the significant risks and rights are transferred between the parties. Other financial instruments are recognised on the settlement date.

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

Recognition of income and expense

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

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

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

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

Financial instruments

Classification

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

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss
- 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 at fair value through profit or loss

The category "Financial assets at fair value through profit or loss" is divided into holdings held for trading and financial assets that Executive Management designated as such upon initial recognition. All of SBAB's assets in this category are classified as held for trading and primarily encompass interest-bearing instruments. This category includes derivatives that are not subject to hedge accounting plus fund units. On the first accounting occasion, assets in this category are recognised at fair value,

while related transaction costs are recognised in 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."

From 1 July 2008 to 17 September 2014, loan receivables also included securities (residential mortgage-backed securities – RMBSs) that had been reclassified from "Available-for-sale financial assets" to "Loans and receivables."

Held-to-maturity investments

The category "Held-to-maturity investments" 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.

"Held-to-maturity investments" 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 is 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 assets that were previously included in this category pertained to the securities that have been reclassified as "Loans and receivables." The change in value that was recognised on the reclassification date in "Reserves/Fair value reserve" under equity will be reversed using the effective interest method in pace with the maturity of the underlying asset. This reversal will be recognised in the income statement as interest income. In September 2014, these assets were sold.

Financial liabilities at fair value through profit or loss

The category "Financial liabilities at fair value through profit or loss" is divided into financial liabilities held for trading and financial liabilities that Executive Management has designated as such upon initial recognition. All of SBAB's liabilities in this category are classified as held for trading. The category includes derivatives not covered by hedge accounting. Liabilities in this category are initially recognised at fair value, while related transaction costs are recognised in 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.

Note 1 Accounting Policies, continued

Other financial liabilities

Financial liabilities that are not classified as "Financial liabilities at fair value through profit or loss" are initially recognised at fair value with an addition for transaction costs and are subsequently recognised at amortised cost using the effective interest method.

This category consists mainly of debt securities in issue, deposits from the public and liabilities to credit institutions.

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

Fair value hedging

In the case of fair value hedging, the derivative hedging instrument is measured at fair value at the same time as the hedged asset or liability is measured with an addition for accumulated changes in fair value attributable to the hedged risk associated with the hedged item. Changes in fair value are recognised directly in 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 "Held-to-maturity investments" 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 for which no individual provisions are made. These consist of a large number of loans each of a limited amount and with similar credit risk characteristics.
- Individually measured loan receivables where no objective evidence of individual impairment requirements has been determined in accordance with the above information on "Individually measured loan receivables."

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

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

Restructured loan receivables

A restructured loan receivable is a receivable on which SBAB has made some form of concession due to deficiencies in the borrower's solvency. Concessions granted are regarded as a confirmed loan loss.

A loan that has been restructured is no longer regarded as doubtful but as a receivable with new conditions.

Individually measured securities

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

Note 1 Accounting Policies, continued

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 less any accumulated amortisation and impairment losses. Costs for the maintenance of software are expensed as they arise. Development expenditure that is directly attributable to the development and testing of identifiable and unique software products controlled by the Group is recognised as an intangible asset when the following criteria are fulfilled:

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

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

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

Amortisation of intangible fixed assets

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

Impairment of non-financial items

The recoverable amount of an asset is measured when there is any indication that an asset may be impaired. Development work not yet

available for use is tested annually for impairment irrespective of whether there is any indication of impairment. An asset is impaired when its carrying amount exceeds its recoverable amount. The impairment loss for each period is charged against profit or loss.

Tax

Total tax consists of current tax and deferred tax. Current tax comprises tax 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 a maturity of not later than three months from the acquisition date.

Pensions

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

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

The defined-benefit pension obligation is calculated annually by independent actuaries 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 (FFS 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 on the next page:

Note 1 Accounting Policies, continued

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 income/expense 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.

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 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 the lending operations is restricted by credit limits decided on for various customers or customer groups. The credit risk is also managed through a credit granting process, whereby the ability of potential borrowers to make their interest payments and pay amortisation is analysed. New loans are only granted only to borrowers who are judged to be able to pay interest and amortisation in an interest-rate situation that comfortably exceeds the rate prevailing when the loan decision is taken. Furthermore, risk classification is based on the internal ratings-based approach (IRB approach) for the analysis of the credit risk for new and existing customers in the loan portfolios. SBAB applies the IRB approach for retail loans and 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. The IRB approach is used for assessing the credit risk associated with each part of the company's individual exposures that have a mortgage deed or a tenant-owner right as collateral. For other types of exposures, the standardised approach is used for measurement of credit risk. For cases in which external ratings are used, the lowest rating from either Moody's or Standard & Poor's is selected. The credit risk models assess the following parameters:

- Probability of default by the customer – 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. The validations in 2014 did not result in any changes to models.

In the financial statements, the calculated loan loss (EL) according to IRB models differs from the provision for probable loan losses. The calculation of EL according to Basel Pillar 1 is governed by the Capital Requirements Regulation ("CRR"). According to the regulation, the risk associated with each individual loan is to be estimated based on historic information, over a longer period of time, using a statistical model. The management of the loss arising in the financial statements is regulated by IAS 39, according to which, assets are to be impaired when there are objective grounds for impairment due to the occurrence of one or more events that have a negative impact on the future cash flows. EL for loans calculated according to IRB models amounts to SEK 262 million (301). The provision for corresponding loans according to the financial statements is SEK 178 million (225). In the capital

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

adequacy calculation, the difference is subtracted in the calculation of the own funds.

In connection with the quantitative assessment in lending to corporates¹⁾, a systematic qualitative assessment is conducted based on the internal loan regulations by responding to a number of questions. This enables a more uniform risk assessment founded on a larger amount of data.

In 2014, SBAB applied for permission to use the existing IRB method for certain minor exposures for which the standardised approach is currently used, as well as a permanent permit to apply the standardised approach to exposures that, with regard to their risk profile and size, are of less significance, and which in 2014 were subject to a time-limited permit. In 2014, SBAB was granted a permanent permit to use the standardised approach to exposures of less significance, while the application to apply the IRB method to minor exposures was still being processed on 31 December 2014.

Collateral in the lending operations

For loans granted by SBAB, adequate collateral must normally be provided. Adequate collateral primarily refers to mortgage deeds in residential properties or shares in tenant-owner associations within a maximum of 75–85% of the market value. The 85% level applies only provided that collateral can be obtained with priority right and that the customer is included in a lower risk class. The lower risk classes for retail

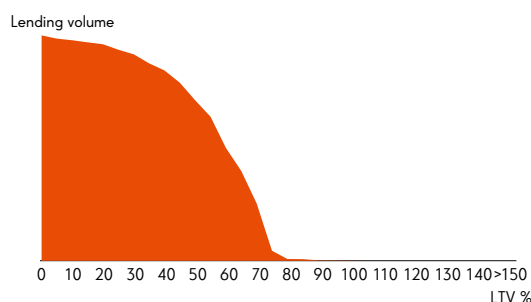
customers, "Retail – R", comprise the levels R1–R4, while the lower risk classes for Corporate customers, "Corporate – C", comprise the levels C1–C4. In other cases, a loan to value ratio of 75% generally applies. In addition to collateral in the form of mortgage deeds in residential property or shares in tenant-owner associations, it is possible to grant loans against, inter alia, collateral in the form of a government guarantee, municipal guarantee, securities, bank guarantee and deposits in a Swedish bank. A very limited part of total lending has been made without any collateral being secured. SBAB does not hold any collateral that has been taken over to protect a receivable. Lending to the public accounts for 77% (77) of SBAB's overall assets.

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

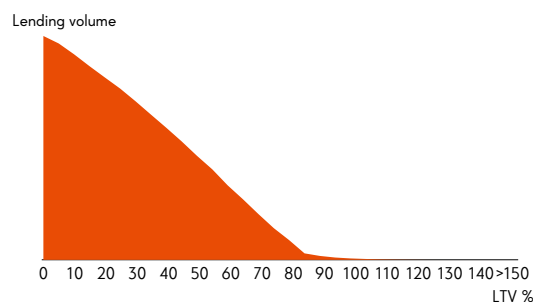
The financial effect of collateral received is illustrated in the diagram below, which shows loans in relation to the market value of underlying collateral for loans secured on collateral comprising mortgage deeds or shares in tenant-owner associations. The area in the diagram corresponds to the lending volume and shows that SBAB's lending portfolio has favourable collateral, since the area is greatest in connection with lower loan-to-value ratios. The data encompasses 98% (97) of the company's total lending to the public. Since 96% (95) of total lending is secured on collateral in mortgage deeds or shares in tenant-owner associations within 75%, the quality is judged to be highly favourable.

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

Exposures to corporates



Retail exposures



Segment	Exposure-weighted			Exposure-weighted average LTV
	Below 50%	Below 75%	Below 100%	
Exposures to corporates	76.6%	98.7%	99.9%	65.5%
Retail exposures	78.0%	96.0%	99.5%	62.2%
Total	77.9%	96.3%	99.5%	62.5%

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 22.7 million (8.8) that is not assigned a risk class as it lies outside the normal lending operations. Customers with individually reserved loans are always allocated to corporate risk class (C8) or Retail Market risk class (R8). For corporates, loans covered

by collective provisions are obtained from risk classes C6–C7, and collectively impaired Retail Market loans comprise loans in risk classes R5–R8. Risk class C0 comprises loans to counterparties with a 0% risk weight (Swedish municipalities). Transaction costs of SEK 61 million (48), 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 ²⁾	2014		2013	
	Lending	Provisions in respective risk class	Lending	Provisions in respective risk class
R1/C1	25.8%	0.0%	20.0%	0.0%
R2/C2	34.6%	0.0%	33.9%	0.0%
R3/C3	21.7%	0.0%	25.7%	0.0%
R4/C4	10.3%	0.0%	11.5%	0.0%
R5/C5	5.0%	0.3%	5.8%	0.3%
R6/C6	1.5%	1.1%	1.7%	1.1%
R7/C7	0.9%	3.8%	1.2%	3.8%
R8/C8	0.2%	10.2%	0.2%	10.7%
	100.0%	0.1%	100.0%	0.1%

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

²⁾ R = Retail, C=Corporate.

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

Loan portfolio allocated by risk class – Corporate

Risk class ¹⁾	2014		2013	
	Lending	Provisions in respective risk class	Lending	Provisions in respective risk class
C0	0.1%	–	0.1%	–
C1	61.3%	–	59.9%	–
C2	22.0%	–	20.0%	–
C3	12.1%	–	10.8%	0.0%
C4	2.2%	–	5.7%	0.0%
C5	1.8%	0.7%	2.5%	0.0%
C6	0.2%	3.9%	0.7%	5.8%
C7	0.1%	3.4%	0.1%	7.7%
C8	0.2%	35.9%	0.2%	40.2%
Not assigned a risk class	0.0%	0.0%	0.0%	0.0%
	100.0%	0.1%	100.0%	0.1%

¹⁾ C = Corporate market

Lending to the public and credit institutions

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

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

For individually reserved loan receivables, an individual assessment of the loan's future cash flow is conducted in conjunction with an estimate of the market value of the underlying collateral, which constitutes the basis for the individual provision. For collective provisions, a change has occurred in the risk associated with a group of loans, but this change cannot be traced to an individual customer. The table provides a specification of provisions without taking guarantees into account, as well as

a specification of the guaranteed amount for each group of provisions. The value of collateral and guarantees largely refers to the value of mortgage deeds or tenant-owner rights and to a lesser extent to the value of loan guarantees from the Swedish National Housing Credit Guarantee Board (currently part of the National Board of Housing, Building and Planning), insurance companies and banks that have been recognised at the assessed value of what is expected to be received in the event of insolvency.

At 31 December 2014, total provisions (individual and collective) amounted to SEK 186 million (230) after a deduction for guarantees, which corresponds to 0.1% (0.1) of the loan portfolio, of which individually assessed loans accounted for SEK 36 million (47). At year-end 2014, individual provisions after deduction for guarantees had decreased by SEK 11 million (decrease: 7) compared with the preceding year, and accounted for 75% (76) of doubtful receivables, which amounted to SEK 48 million (62). 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	2014		2013	
	Public	Credit institutions	Public	Credit institutions
① Current loans without past-due unpaid amounts or provisions	260,903	7,437	258,103	20,267
② Loans with unpaid amounts more than five days past-due	736	–	865	–
③ Loans with individual provisions	48	–	62	–
Total outstanding loans	261,687	7,437	259,030	20,267
Individual provisions	-36	–	-47	–
Collective provisions, corporates	-19	–	-26	–
Collective provisions, retail	-187	–	-218	–
Total provisions	-242	–	-291	–
Total lending after provisions	261,445	7,437	258,739	20,267
Guarantees for loans with individual provisions	–	–	–	–
Guarantees for loans with collective provisions, corporates	5	–	4	–
Guarantees for loans in collective provisions, corporates	51	–	57	–
Total guarantees	56	–	61	–
Total lending after provisions and guarantees	261,501	7,437	258,800	20,267

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

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% (92) are in the risk classes C0/R1–C4/R4. The allocation includes total transaction costs of SEK 61 million (48), 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

Risk class SEK million	2014							Loans without formal collateral	Total
	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties			
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	
Total	106,929	74,071	52,693	21,202	606	3,693	1,709	260,903	

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

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

⊕ **Loans with unpaid amounts more than five days past-due**

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

At year-end 2014, 99.7% (99.6) of lending had no past-due unpaid amounts and was not assessed as doubtful. Of SBAB's loan portfolio totalling SEK 261 billion (259), SEK 736 million (880) of the principal has past-due unpaid amounts.

Lending to the public by segment – loans with unpaid amounts more than five days past-due¹⁾

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	Loans without formal collateral	
Past due 5–30 days ¹⁾	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
Total	493	223	8	1	–	–	11	736

SEK million	2013 ²⁾							Total
	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	
Past due 5–30 days ¹⁾	3	4	3	–	–	–	0	10
Past due 31–60 days	285	161	52	–	–	–	5	503
Past due 61–90 days	78	37	–	–	–	–	0	115
Past due 91–180 days	49	37	–	2	–	–	1	89
Past due 181–365 days	36	19	–	8	–	–	1	64
Past due > 365 days	82	15	–	2	–	–	0	99
Total	533	273	55	12	–	–	7	880

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

²⁾ The comparative figures have been recalculated as a new method of calculation was used in 2014.

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

⊕ **Loans with individual provisions, doubtful receivables**

“Doubtful receivables” refers to receivables where provisions have been made following individual risk assessment. Doubtful loan receivables accounted for 0.02% (0.02) of SBAB’s total lending.

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

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	
Doubtful receivables	2	13	3	30	-	-	-	48
Individual provision, Corporate Market	-	-	-3	-18	-	-	-	-21
Individual provision, Retail Market	-2	-13	-	-	-	-	-	-15
Doubtful receivables, net	0	0	0	12	-	-	-	12
Calculated value of guarantees	-	-	-	-	-	-	-	-
Doubtful receivables with pledged guarantees taken into consideration	0	0	0	12	-	-	-	12

SEK million	2013							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	
Doubtful receivables	9	13	10	30	-	-	-	62
Individual provision, Corporate Market	-	-	-3	-25	-	-	-	-28
Individual provision, Retail Market	-6	-13	-	-	-	-	-	-19
Doubtful receivables, net	3	0	7	5	-	-	-	15
Calculated value of guarantees	-	-	-	-	-	-	-	0
Doubtful receivables with pledged guarantees taken into consideration	3	0	7	5	-	-	-	15

Restructured loan receivables

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

Restructuring of a loan receivable may entail that:

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

Carrying amount of renegotiated loans by segment

SEK million	2014	2013
Single-family dwellings and holiday homes	3	4
Tenant-owner rights	1	3
Tenant-owner associations	75	10
Private properties	-	-
Municipal properties	-	-
Commercial properties	-	-
Unsecured loans	-	-
Total	79	17

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

Note 2b Risk management – Credit risk in treasury operations

In the treasury operations, credit risk arises when the counterparty is unable to fulfil its payment obligations. In the treasury operations, credit risk arises, in part, in the form of counterparty credit risks for 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

SEK million	GROUP				PARENT COMPANY			
	2014		2013		2014		2013	
	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit	Limit	Utilised limit
Rating category								
AAA	-	-	-	-	-	-	-	-
AA- to AA+	8,110	3,358	5,600	1,876	8,110	1,886	5,600	1,403
A- to A+	13,610	4,939	8,825	1,610	13,610	4,283	8,825	1,408
Lower than A-	2,110	551	910	410	2,110	551	910	212
Lacks rating	-	-	-	-	-	-	-	-
Total	23,830	8,849	15,335	3,896	23,830	6,721	15,335	3,023

The "Limit utilisation" table shows limits and utilised limits, respectively, for SBAB's derivative counterparties, at an aggregate level per credit rating category, with each counterparty placed in relation to its lowest credit rating. The SBAB Group's counterparties comprise banks and credit institutions, and the underlying exposure in the table includes investments, derivative contracts and repo contracts. 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 viewed 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, a surplus

amount is also calculated for potential future exposure. For counterparties who are also loan customers, the limit is coordinated with the credit limit. A counterparty limit can be set for a maximum period of one year before a new assessment must be made. The decisions of the Credit Committee are to be reported to the Board of Directors at the following Board meeting. All of SBAB's counterparties have a credit rating by either Moody's or Standard & Poor's.

The reason why limits and utilised limits are higher compared to 2013 is primarily due to the fact that SBAB introduced a new methodology in 2014 for following up limits, with surplus amounts for potential future exposure now being included in the exposure for derivatives.

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

Rating category SEK million	2014				Total
	Covered bonds	Government guaranteed securities	Suprationals and sovereign agencies	Non-governmental public sector entities	
AAA	30,775	17,069	1,908	5,113	54,866
AA- to AA+	-	1,973	-	1,053	3,026
A- to A+	-	-	-	-	-
Lower than A-	-	-	-	-	-
Total	30,775	19,042	1,908	6,166	57,892

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

Carrying amounts Securities SEK million	2014			Total
	Sweden	Other EU	Other	
Covered bonds	24,570	2,435	3,771	30,775
Government guaranteed securities	11,252	7,680	110	19,042
Suprationals and sovereign agencies	0	1,908	-	1,908
Non-governmental public sector entities	5,063	1,103	-	6,166
Total at 31/12/2014	40,884	13,127	3,881	57,892
Total at 31/12/2014	27,736	15,943	3,240	46,919

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

Counterparty credit risk

Counterparty credit risk is the risk that SBAB's financial counterparties cannot meet their commitments pursuant to agreed derivatives and repo contracts, and such risk consists primarily of exposures to leading banks. This exposure is predominantly covered by collateral agreements, where a counterparty posts collateral to reduce the exposure. In accordance with the credit directive, the credit-risk limits are set by SBAB's Credit Committee for all counterparties in the treasury operations, with the exception of the Swedish government and companies included in the SBAB Group, for which no credit limits are set.

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivative instruments that are not cleared by clearing organisations approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement must be entered into with the counterparty. Such framework agreements, known as ISDA Master Agreements, or similar

agreements have in most cases been supplemented with a associated collateral agreement, known as Credit Support Annex (CSA). When SCBC enters into derivative agreements, an associated CSA must always be in place. The framework agreements entitle the parties to net receivables against debt in the event of a payment default.

Counterparty credit risk is reconciled on a daily basis for all counterparties. CSAs are reconciled on a daily or weekly basis if a collateral agreement exists. Derivative contracts entered into with external counterparties are predominantly 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 the treasury operations, Group

SEK million	Without taking into account collateral received or other credit enhancements		Taking into account collateral received or other credit enhancements	
	2014	2013	2014	2013
Lending to credit institutions	4,756	16,984	7,437	20,267
Chargeable treasury bills and other eligible bills	15,557	8,183	15,557	8,183
Bonds and other interest-bearing securities	42,335	38,736	42,335	38,736
Derivative instruments	9,408	6,449	4,937	4,526
Maximum credit risk exposure at 31 December	72,056	70,352	70,267	71,712

Liquidity portfolio

SBAB's liquidity portfolio consists of liquid interest-bearing securities with a high credit rating and its purpose is to reduce the company's liquidity risk. Investments are limited by asset class and by country, respectively, and must have the highest credit rating upon acquisition. In addition to these collective limits, limits for individual issuers are also set.

Securities investments constitute an integrated part of the total credit risk utilisation for each issuer/counterparty. The investments in the portfolio are long-term and as per 31 December 2014, the market value amounted to SEK 58.6 billion with an average maturity of 3 years. At the same date, 94% of the portfolio's value had a credit 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 15.7 billion
- Securities guaranteed by central governments, SEK 3.5 billion
- Securities issued by supranationals and sovereign agencies, SEK 1.9 billion
- Securities issued by public sector entities, SEK 6.2 billion
- European covered bonds, SEK 31.2 billion.

SBAB previously held European residential mortgage-backed securities (RMBS). These holdings were divested in their entirety in 2014.

Collateral posted and received under collateral agreements, 31 December 2014

SEK million Company	Collateral pledged	Collateral received
SBAB	2,676	3,204
SCBC	5	1,267

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

SEK million	DECEMBER		DISTRIBUTION BY CURRENCY		
	2014	SEK	EUR	USD	Other
Cash and balances from central banks	–	–	–	–	–
Balances from other banks	–	–	–	–	–
Securities issued or guaranteed by central government, central banks or multinational development banks	21,195	10,515	9,882	798	–
Securities issued or guaranteed by municipalities or non-governmental public sector entities	6,225	5,023	–	1,202	–
Covered bonds issued by other institutions	31,174	24,724	4,894	1,345	211
Own covered bonds	–	–	–	–	–
Securities issued by non-financial companies	–	–	–	–	–
Securities issued by finance companies (excl. covered bonds)	–	–	–	–	–
Other securities	–	–	–	–	–
Total	58,594	40,262	14,776	3,345	211
Bank and loan facilities	–	–	–	–	–
Total	58,594	40,262	14,776	3,345	211
Distribution by currency		69%	25%	6%	0%

Note 2c Risk management – Liquidity risk

Liquidity risk is defined as the risk that the company will not be able to meet its payment obligations on the date of maturity without the related cost increasing significantly. The SBAB Group has long identified the importance of well-functioning and proactive liquidity risk management. SBAB's liquidity risk management is based on the following principles:

Broad and diversified funding

Because the SBAB Group has maintained an active presence in the international capital market since 1989, its brand is well established. The SBAB Group has access to the covered bond market, both in Sweden and internationally, through SCBC.

Liquidity reserves

To ensure access to funding in times when the normal sources of funding do not function, the SBAB Group has a liquidity portfolio. When calculating the reserve value of the securities included in the liquidity portfolio, the SBAB Group applies the haircuts issued in accordance with the Riksbank's Guidelines for Collateral Management in the regulatory framework for RIX and monetary policy instruments. The reserve value of the liquidity portfolio is referred to as the liquidity reserve. The portfolio comprises liquid securities with high ratings and 97% of the value of the portfolio can be used as collateral for repos with the Riksbank or another central bank. At 31 December 2014, SBAB's liquidity reserve comprised SEK 55.4 billion (reserve value at the Riksbank) in liquid securities.

Liquid balance sheet

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

Continuous monitoring of liquidity risk

Active debt management, the liquidity of the balance sheet and the size of SBAB's liquidity reserves are key factors in SBAB's liquidity risk management. By viewing funding activities as a natural part of both operational work and strategic planning of liquidity risk, concentrations of excessively large funding maturities are avoided. Another important part of the 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 forecast liquidity required under stressed conditions. The liquidity requirement consists in part of the bank's contractual cash flows and in part of theoretical cash flows based on standard assumptions concerning, for example, the utilisation of committed lines of credit or major withdrawals of deposited funds by the public. Within the EU, a version of the LCR, with binding requirements for all banks, will be phased in between October 2015 and 2019.

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

Internally within the SBAB Group, the liquidity risk is measured and stress tested by totalling the maximum conceivable need for liquidity for every day during the coming 365 days. This 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, since 15 December 2014, it has been limited to a minimum of 120 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.

Note **2c** Risk management – Liquidity risk, continued

Liquidity situation in 2014

At 31 December 2014, the Group's survival horizon amounted to 234 days (142). In 2014, the survival horizon was never less than 105 days (57).

At the same date, the liquidity coverage ratio, in accordance with the definition in FFFS 2012:6 that governs the Swedish quantitative requirement, was 732% at the consolidated level, and 14 751% and 459% in EUR and USD, respectively. In 2014, the liquidity coverage ratio never fell below 134%.

New regulations for liquidity risk

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

In order to set minimum levels for the liquidity of banks, the new regulations focus on two standard measurements called the "Net Stable Funding Ratio" (NSFR) and the "Liquidity Coverage Ratio" (LCR). The aim of NSFR is to indicate how stable the Group's funding is by comparing the stability of assets and liabilities. LCR is described in greater detail above.

In the EU, both measures are included in the new capital adequacy regulations that came into effect on 1 January 2014. The measurements are to be reported to the EBA as soon as the regulations come into effect, although no quantitative requirements will take immediate

effect. The LCR requirement will be phased in from October 2015, when the minimum level will begin at 60%. Since SBAB is required to comply with the Swedish Financial Supervisory Authority's requirement of 100%, the Liquidity Coverage Ratio will not have any substantial effect on the introduction. The EU requirements apply to each company individually, but SBAB plans to seek permission to meet the requirements at the Group level instead. The NSFR was reworked by the Basel Committee in 2014. 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 measures to the EBA is expected to start on 1 July 2015.

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.
- Rates for various financing maturities.
- Extension of maturing financing during the reporting period.

GROUP

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

SEK million	2014							2013						
	Without maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	Without maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
TILLGÅNGAR														
Cash and balances from central banks	0	-	-	-	-	-	0	0	-	-	-	-	-	0
Chargeable treasury bills and other eligible bills	-	566	26	2,319	10,867	2,054	15,832	-	208	799	120	6,608	755	8,490
Lending to credit institutions	441	7,110	-	-	-	-	7,551	419	19,101	1,024	-	-	-	20,544
Lending to the public	-	40,912	50,718	90,546	83,803	5,379	271,358	-	38,853	44,152	87,690	94,957	5,014	270,666
Bonds and other interest-bearing securities	-	656	1,487	2,767	34,691	4,015	43,616	-	195	2,173	1,608	30,347	7,937	42,260
<i>Of which classified as loans and receivables</i>	-	-	-	-	-	-	0	-	64	63	122	968	1,587	2,804
Derivative instruments	-	32,188	13,345	8,781	74,625	33,195	162,134	-	23,423	12,310	20,725	112,058	4,304	172,820
Other assets	1,429	-	-	-	-	-	1,429	1,508	-	-	-	-	-	1,508
Total financial assets	1,870	81,432	65,576	104,413	203,986	44,643	501,920	1,927	81,780	60,458	110,143	243,970	18,010	516,288
LIABILITIES														
Liabilities to credit institutions	-	7,397	-	-	-	-	7,397	-	15,472	-	-	-	-	15,472
Deposits from the public	60,336	107	21	73	73	0	60,610	45,697	17	6	83	66	-	45,869
Debt securities in issue, etc.	-	20,898	17,143	20,898	25,157	160,047	244,143	-	22,573	21,704	25,024	179,557	10,091	258,949
Derivative instruments	-	32,479	13,048	8,819	73,234	33,181	160,761	-	23,576	12,193	22,085	115,719	4,562	178,135
Other liabilities	3,626	-	-	-	-	-	3,626	3,808	-	-	-	-	-	3,808
Subordinated debt	-	2,248	7	672	3,165	0	6,092	-	9	249	26	6,105	0	6,389
Loan commitments and other credit-related commitments	-	39,458	-	-	-	-	39,458	-	27,452	-	-	-	-	27,452
Total financial liabilities	63,962	102,587	30,219	30,462	101,629	193,228	522,087	49,505	89,099	34,152	47,218	301,447	14,653	536,074

Note 2c Risk management – Liquidity risk, continued

PARENT COMPANY

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

SEK million	2014							2013						
	Without maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total	Without maturity	< 3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
TILLGÅNGAR														
Cash and balances from central banks	0	-	-	-	-	-	0	0	-	-	-	-	-	0
Chargeable treasury bills and other eligible bills	-	566	26	2,319	10,867	2,054	15,832	-	208	799	120	6,608	755	8,490
Lending to credit institutions	31,612	4,325	0	0	0	0	35,937	40,435	7,958	1,024	0	0	-	49,417
Lending to the public	-	9,005	8,378	16,443	10,511	1,347	45,684	-	8,712	9,674	17,452	14,168	984	50,990
Bonds and other interest-bearing securities	-	656	1,487	2,767	34,691	4,015	43,616	-	195	2,173	1,608	30,347	7,937	42,260
<i>Of which classified as loans and receivables</i>	-	-	-	-	-	-	0	-	64	63	122	968	1,587	2,804
Derivative instruments	-	19,206	9,330	5,871	40,321	21,559	96,287	-	19,107	10,848	15,763	62,212	2,438	110,368
Other assets	932	-	-	-	-	-	932	1,172	-	-	-	-	-	1,172
Total financial assets	32,544	33,758	19,221	27,400	96,390	28,975	238,288	41,607	36,180	24,518	34,943	113,335	12,114	262,697
LIABILITIES														
Liabilities to credit institutions	-	3,363	-	-	-	-	3,363	-	784	-	-	-	-	784
Deposits from the public	60,336	107	21	73	73	0	60,610	45,697	17	6	83	66	-	45,869
Debt securities in issue, etc.	-	5,125	6,374	7,565	43,635	7,762	70,461	-	20,440	7,463	15,767	45,339	6,965	95,974
Derivative instruments	-	19,376	9,276	6,185	41,452	21,576	97,865	-	19,412	11,229	16,404	64,242	2,518	113,805
Other liabilities	1,142	-	-	-	-	-	1,142	1,844	-	-	-	-	-	1,844
Subordinated debt	-	7	2,248	672	3,165	0	6,092	-	9	249	26	6,105	0	6,389
Loan commitments and other credit-related commitments	-	39,458	-	-	-	-	39,458	-	27,452	-	-	-	-	27,452
Total financial liabilities	61,478	67,436	17,919	14,495	88,325	29,338	278,991	47,541	68,114	18,947	32,280	115,752	9,483	292,117

For receivables and liabilities that have been amortised, the maturity for the amortisation has been calculated as the period up to the date of maturity for the particular amortisation. Foreign currency cash flows have been recalculated at the closing rate at 31 December 2014. Future interest-rate cash flows with floating interest rates have been estimated until the change of condition date using forward interest rates based on the actual interest base, usually the three-month STIBOR. The Parent Company, SBAB, is the creditor for the subsidiary SCBC's subordinated debt. Since the maturity is not specified, current debt is recognised as without maturity and without estimated interest-rate cash flows.

The item "Loan commitments and other credit-related commitments" for the Group, which totals SEK 39,458 million (27,452), amounts to SEK 10,736 million (6,680) 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 39,458 million (27,452) and SEK 10,736 million (6,680), respectively).

Structural liquidity risk

Structural liquidity risk pertains to when funding opportunities become more costly, or in short supply, as a result of differences in structure and maturity between lending and funding. SBAB aims to have a diversified funding. The SBAB Group has adopted a conservative approach to the management of funding. A 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 and ensures diversification of its sources of funding by applying a limit on the relation between deposits from the public and lending to the public. On 31 December 2014, the relation amounted to 23% compared to a limit of 18%. Access to funding from covered bonds is further maintained by ensuring, at each point in time, including in stressed circumstances, that the surplus collateral in the cover pool exceeds the rating agencies' requirements for Aaa ratings.

SBAB also measures its structural liquidity risk through a measure for 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 variety of NSFR, in

which the maturity, in terms of liquidity, on deposits and lending is estimated by means of SBAB's own statistical models, which are based on historical data on the behaviour of SBAB's customers. On 31 December 2013, the measure was 110% at the one-year point, compared with the limit of 90%.

The tables "Derivative cash flow statement" and "Maturities for financial assets and liabilities" show what SBAB Bank's future cash flows looked like at 31 December 2014 and 31 December 2013, respectively, from both a short- and long-term perspective.

Stress tests

A model has been developed for stress testing of liquidity risk in order to fulfil internal requirements with regard to the analysis of liquidity risk and risk management preparedness. The stress tests were designed in accordance with the Swedish Financial Supervisory Authority's regulations regarding the management of liquidity risks in credit institutions and investment companies (FFFS 2010:7). The developed models analyse SBAB's Group's ability to meet its capital requirement in various scenarios and assesses the effect that a prolonged period with various stresses would have on an estimated maturity profile. The scenarios 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.
- Price fall in the property market.
- Stress of liquidity in the liquidity reserve.
- Sizeable fluctuations in interest and currency exchange rates, leading to larger amounts having to be secured through CSAs, which could thus impair liquidity.

The stress tests are under continuous development and the assumptions on which the various scenarios are based are assessed regularly. Stress tests are conducted and reported on a quarterly basis. 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 volatility. SBAB is characterised by low risk-taking, with the Board of Directors 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 measures set by the CEO of SBAB are also subject to limitation. Through daily reports, Risk Control controls compliance with current risk levels and limits. Market risk is followed up at 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 minimised through direct funding or the use of derivatives. SBAB's interest-rate structure at 31 December 2014 is shown in the table "Fixed-interest period for financial assets and liabilities." Foreign exchange risks are minimised as funding in foreign currency must be hedged through cross currency swaps or invested in matching currencies. As per 31 December 2014, total assets and liabilities in foreign currency amounted to a negative SEK 67.8 billion in nominal terms. The outstanding risk was reduced using derivatives where the nominal amount was equivalent to SEK 67.7 billion. 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 measure 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 risk have been set at three levels: for the market risk of the entire SBAB Group portfolio, for all market risks that Treasury is responsible for managing and for the trading portfolio. The limit for the market risk of the whole SBAB Group portfolio is based on the VaR measure included in the model for economic capital and applies a probability level of 99.97% and a holding period of one year, while the other two measures apply a probability level of 99% and a holding period of one day.

As per 31 December 2014, the exposure to the market risk of the whole SBAB Group portfolio amounted to SEK 608 million (661), compared with the SEK 1,350 million limit. Exposure to market risks that Treasury is responsible for managing amounted to SEK 7 million (11) and the limit was SEK 30 million. Exposure in the trading portfolio amounted to SEK 0 million (0) and the limit was SEK 12 million.

Supplementary risk measures

In addition to the VaR limits determined by the Board of Directors, the CEO has set a number of supplementary risk measures 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 at 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). Foreign exchange risk is controlled by measuring the effect of present value when foreign exchange rates change compared to SEK, and in the liquidity portfolio by controlling the matching of the principal amounts in each currency. There are also limits for basis-swap risk, credit spread risk and earnings volatility for basis spreads and credit spreads.

Earnings volatility for basis spreads arise because the derivatives used to hedge funding are recognised at fair value while the underlying funding is reported at the carrying amount, 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 for basis spreads

is expected to decrease going forward, 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. Earnings volatility from credit spreads arise when investments in securities in the liquidity portfolio are hedged using derivatives or matched by funding with the same maturity. This means that only the underlying interest-rate risk is hedged and not the issuer-specific credit risk inherent in the securities.

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 2014, the effect on the present value was SEK -803.9 million at a parallel upward shift by 2 percentage points and SEK 841.1 million at a parallel downward shift by 2 percentage points. As SBAB's own funds amounted to SEK 15.3 billion as per 31 December 2014, the effect of the stress amounted to -5.3% and 5.5% of the own funds, respectively.

Nominal amounts, assets, liabilities and derivatives in foreign currency

GROUP SEK million	Assets and liabilities	Derivatives
AUD	-493	493
CAD	0	0
CHF	-8,037	8,037
DKK	0	0
EUR	-49,116	49,028
GBP	-121	121
JPY	-5,312	5,313
NOK	-2,872	2,872
USD	-1,059	1,047
ZAR	-753	753
Total	-67,764	67,663

Nominal amounts, assets, liabilities and derivatives in foreign currency

PARENT COMPANY SEK million	Assets and liabilities	Derivatives
AUD	-493	493
CAD		
CHF	-2,744	2,744
DKK	0	0
EUR	-3,570	3,469
GBP	-121	121
JPY	-5,312	5,313
NOK	208	-208
USD	-1,059	1,047
ZAR	-753	753
Total	-13,845	13,732

Note 2d Risk management – Market risk, continued

Fixed-interest periods for financial assets and liabilities

GROUP	2014							2013						
	Without fixed-interest period	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	Without fixed-interest period	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Carrying amounts, SEK million														
ASSETS														
Cash and balances from central banks	-	0	-	-	-	-	0	-	0	-	-	-	-	0
Chargeable treasury bills and other eligible bills	-	662	0	2,104	10,443	2,348	15,557	-	368	779	-	6,250	786	8,183
Lending to credit institutions	-	7,437	-	-	-	-	7,437	-	20,267	-	-	-	-	20,267
Lending to the public	-	158,505	14,561	18,992	66,105	3,282	261,445	-	145,579	14,400	21,688	74,053	3,019	258,739
Change in fair value of interest-rate-hedged loan receivables	-	33	43	98	631	132	937	-	-6	19	59	706	-21	757
Bonds and other interest-bearing securities	-	5,443	933	1,843	30,189	3,927	42,335	-	6,783	1,203	688	24,089	5,973	38,736
Derivative instruments	-	-8,937	409	519	14,065	3,352	9,408	-	-11,816	361	-757	17,508	1,153	6,449
Other assets	1,429	-	-	-	-	-	1,429	1,508	-	-	-	-	-	1,508
Total financial assets	1,429	163,144	15,946	23,556	121,433	13,041	338,549	1,508	161,175	16,762	21,678	122,606	10,910	334,639
LIABILITIES														
Liabilities to credit institutions	-	7,284	-	-	-	-	7,284	-	15,191	-	-	-	-	15,191
Deposits from the public	-	60,443	21	73	73	-	60,610	-	45,714	6	83	66	-	45,869
Debt securities in issue, etc.	-	57,659	22,704	14,004	119,548	29,253	243,168	-	66,009	22,247	10,542	136,427	8,645	243,870
Derivative instruments	-	4,339	-2,740	1,031	3,445	1,188	7,263	-	9,380	1,694	-5,115	3,775	629	10,363
Other liabilities	3,626	-	-	-	-	-	3,626	3,808	-	-	-	-	-	3,808
Subordinated debt	-	800	2,316	848	1,982	-	5,946	-	800	300	665	4,026	-	5,791
Total financial liabilities	3,626	130,525	22,301	15,955	125,048	30,441	327,896	3,808	137,094	24,247	6,175	144,294	9,274	324,892
Difference assets and liabilities	-2,197	32,618	-6,355	7,601	-3,615	-17,400	10,653	-2,300	24,081	-7,485	15,503	-21,688	1,636	9,747

PARENT COMPANY	2014							2013						
	Without fixed-interest period	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	Without fixed-interest period	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Carrying amounts, SEK million														
ASSETS														
Cash and balances from central banks	-	0	-	-	-	-	0	-	0	-	-	-	-	0
Chargeable treasury bills and other eligible bills	-	662	0	2,104	10,443	2,348	15,557	-	368	779	-	6,250	786	8,183
Lending to credit institutions	45	35,778	-	-	-	-	35,823	-632	49,815	-	-	-	-	49,183
Lending to the public	-	37,144	855	1,423	4,037	408	43,866	-	39,514	1,601	1,954	5,386	303	48,758
Change in fair value of interest-rate-hedged loan receivables	-	-	2	-	9	-	11	-	1	-	-	-	-	1
Bonds and other interest-bearing securities	-	5,443	933	1,843	30,189	3,927	42,335	-	6,783	1,203	688	24,089	5,973	38,736
Derivative instruments	-	-6,079	491	326	10,486	2,576	7,800	-	-4,812	585	-350	8,809	749	4,981
Other assets	932	-	-	-	-	-	932	1,172	-	-	-	-	-	1,172
Total financial assets	977	72,949	2,280	5,696	55,164	9,259	146,324	540	91,669	4,168	2,292	44,534	7,811	151,014
LIABILITIES														
Liabilities to credit institutions	-	3,250	-	-	-	-	3,250	-	557	-	-	-	-	557
Deposits from the public	-	60,443	21	73	73	-	60,610	-	45,714	6	83	66	-	45,869
Debt securities in issue, etc.	-	30,180	8,175	751	21,192	7,884	68,182	-	43,119	9,849	10,364	21,308	6,676	91,316
Derivative instruments	-	-1,557	-2,740	1,105	9,935	2,361	9,103	-	2,809	1,831	-5,124	7,508	885	7,909
Other liabilities	1,142	-	-	-	-	-	1,142	1,844	-	-	-	-	-	1,844
Subordinated debt	-	800	2,316	848	1,982	-	5,946	-	800	300	665	4,026	-	5,791
Total financial liabilities	1,142	93,117	7,771	2,777	33,182	10,245	148,233	1,844	92,999	11,986	5,988	32,908	7,561	153,286
Difference assets and liabilities	-164	-20,168	-5,491	2,919	21,982	-986	-1,909	-1,304	-1,330	-7,818	-3,696	11,626	250	-2,272

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 of Directors, 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 risk is conducted against a backdrop of SBAB's strict view of risk as well as its focus on cost efficiencies. SBAB strives for developing and improving the methods used for identifying and managing operational risk. This entails constant efforts to improve the bank's risk culture and procedures to manage operational risk and incidents effectively and proactively.

Self assessment

The self assessment process encompasses identification of risks in all units, measurement of identified risks and management of significant risks. The result of the self assessment is reported annually to the Board of Directors, the CEO and the Executive Management. The entire business uses a common method for self assessment 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 advance identification and management of risk 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 27002:5.

SBAB works in a pre-emptive manner to prevent security incidents that may affect the company's 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.

IT governance

The Operative Risk & Security function sets the requirements for the overall IT governance principles at SBAB in accordance with FFFS 2014:5. The overall goal 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 of Directors regarding IT.

Capital requirements for operative risks

SBAB uses the standardised approach to assess capital requirements for operational risk. This approach entails that the capital requirement is based on 12–18% of the average operating income of the business areas for the past three years. Capital requirements for operational risk 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 2014, the internally calculated capital requirement for concentration risk amounted to SEK 346 million (422), of which SEK 322 million (404) pertained to credit risk in the lending operations and SEK 25 million (18) 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, secure and manage the risks to which SBAB is exposed and ensure that the Group has sufficient risk capital for its selected risk profile. The ICAAP is revised annually to identify changes in the operating environment that continuously affect the Group's performance. 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. If economic capital is less than the capital requirements under Pillar 1 for a given type of risk, the capital requirements under Pillar 1 are applied. A qualitative assessment is also made of the risks that are not included in the calculation of economic capital. In addition, consideration is given to the risk associated with 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 as well as spreads on residential bonds and government paper that arise due to accounting regulations. The valuation effect is not estimated to affect risk in the operations, apart from the impact on own funds. Based on the qualitative assessment and results of the stress tests, as well as the calculation of earnings volatility, the calculated economic capital is supplemented with extra buffer capital.

Within the Pillar 2 framework, the risk weight floor implemented by the Swedish Financial Supervisory Authority for Swedish residential mortgages is considered as an extra add-on. In September 2014, the Swedish Financial Supervisory Authority decided to raise the risk weight floor from 15% to 25%.

Taken together, the above comprise the capital that, in accordance with Basel II, 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 2014," which is published on www.sbab.se

Note 2i Risk management – Capital adequacy analysis

As of 2014, new rules on capital adequacy apply. The purpose of the new 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 (leverage ratio) and quantitative liquidity requirements. SBAB has taken this into account in its capital planning and meets the requirements in the new rules.

The Swedish Financial Supervisory Authority has decided to increase the nationally determined risk weight floor from 15 to 25% for residential mortgages to Swedish households. 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 must be amortised by 2% of the initial loan until a loan to value ratio of 70% is reached, and thereafter by 1% down to a loan to value ratio of 50%.

SBAB primarily recognises credit risk in accordance with the IRB approach, and operational and market risk in accordance with the standardised approach. Profit for the year is included in the calculation of own funds and Tier 1 capital. The figures include a dividend to shareholders, which is in line with the Board of Directors' proposal for the appropriation of profits.

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 15,307 million as per 31 December 2014. 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 16, item 2, of the CRR.

According to the transitional regulations to Article 35 of the CRR, unrealised gains shall not be recognised in 2014, except for unrealised gains according to Article 33 of the CRR. SEK 76 million was 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 100 million in cash flow hedges.

Changes in fair value that depend on the institute's own credit standing and that are related to derivative instruments have affected the Common Equity Tier 1 capital, in accordance with Article 33, item b.

With reference to Articles 34 and 105 of the CRR, SEK 70 million has been deducted due to the requirements for prudent valuation.

A deduction of SEK 43 million for intangible assets and a deduction of SEK 84 million for net provisions were made, in accordance with Article 36.

Section 2h contains a summary of the method used to assess the internal capital requirement.

As a step in the adaptation to Basel III, FriSpar Bolån AB, which was 51% owned, was liquidated in 2014. As a result, SBAB no longer has any minority interests as of 31 December 2014.

SBAB previously held securitised assets in the form of RMBS. These were divested during the year. The SBAB Group has no securitised loans of its own and has not contributed to any other institution's securitisation.

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.

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 Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)	556645-9755	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 permission. SBAB has obtained such permission for three debenture loans with a nominal value of SEK 3,000 million (Subordinated debenture SEK 1, 2 and 3 in the table in Note 32), of which SEK 2,395 million has been included in Tier 1 capital, according to the transitional regulations. The difference has been recognised as Tier 2 capital. A nominal amount of SEK 1,000 million has an incentive to redeem (step-up).

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 of the debenture loans are also specified at sbab.se. For further information on debenture loans, also refer to Note 32.

Note 2i Risk management – Capital adequacy analysis, continued

Consolidated situation
 Disclosure of own funds during a transitional period
 Disclosures in accordance with Article 5 of Commission Implementing Regulation (EU) No 1423/2013

Own funds Group

SEK million	Amount as per 31 December 2014	Amount as per 31 December 2014 ¹⁾
Common Equity Tier 1 instruments: Instruments and reserves	1,958	1,958
Capital instruments and associated share premium accounts	7,710	6,873
Retained earnings		
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses according to applicable accounting standards)	76	n/a
Minority interests (amount that qualifies for inclusion in consolidated Common Equity Tier 1 capital)	–	100
Interim profit/loss after deduction of foreseeable costs and dividends, verified by persons in an independent position	754	873
Common Equity Tier 1 capital before regulatory adjustments	10,498	9,804
Common Equity Tier 1 capital: regulatory adjustments		
Additional value adjustments (negative amount)	-70	-18
Intangible assets (net after deduction for associated tax liabilities) (negative amount)	-43	-165
Reserves in fair value related to profit or loss on cash flow hedging	-100	–
Negative amounts following the calculation of expected loss amounts	-84	-38
Gains or losses on liabilities valued at fair value that result from changes in the own credit standing of the institution	-2	n/a
Total regulatory adjustments to the Common Equity Tier 1 capital	-299	-221
Common Equity Tier 1 capital	10,199	9,583
Additional Tier 1 instruments: Instruments		
Capital instruments and associated share premium accounts	–	2,994
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	2,395	n/a
Additional Tier 1 instruments before regulatory adjustments	2,395	2,994
Additional Tier 1 instruments: Regulatory adjustments		
Total regulatory adjustments of additional Tier 1 instruments	–	n/a
Additional Tier 1 instruments	2,395	2,994
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + additional Tier 1 instruments)	12,594	12,577
Tier 2 capital: Instruments and provisions		
Capital instruments and associated share premium accounts	2,599	2,123
Amount for qualified items referred to in Article 484(4) and associated share premium reserves that are phased out from the additional Tier 1 instruments	114	n/a
Negative amounts following the calculation of expected loss amounts	–	-56
Tier 2 capital before regulatory adjustments	2,713	2,067
Tier 2 capital. Regulatory adjustments		
Total regulatory adjustments of Tier 2 capital	–	n/a
Tier 2 capital	2,713	2,067
Total capital (total capital = Tier 1 capital + Tier 2 capital)	15,307	14,644
Total risk-weighted assets	34,247	41,149
Capital ratios and buffers		
Common Equity Tier 1 capital (as a percentage of the risk-weighted exposure amount), %	29.8	23.3
Tier 1 capital (as a percentage of the risk-weighted exposure amount), %	36.8	30.6
Total capital (as a percentage of the risk-weighted exposure amount), %	44.7	35.6
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, %	2.5	n/a
of which, capital conservation buffer requirement, %	2.5	n/a
of which, countercyclical buffer requirement	–	n/a
of which, systemic risk buffer requirement	–	n/a
of which, G-SII buffer and O-SII buffer	–	n/a
Common Equity Tier 1 capital, available for use as a buffer (as a percentage of the risk-weighted exposure amount)	–	n/a
Capital instruments that are subject to phase-out arrangements (only applicable between 1 January 2013 and 01 January 2022)		
Current ceiling for additional Tier 1 instruments that are subject to phase-out arrangements	2,395	n/a
Amount excluded from additional Tier 1 instruments due to the ceiling (amounts that exceed the ceiling after redemption and maturity)	599	n/a
Current ceiling for Tier 2 instruments that are subject to phase-out arrangements	1,040	n/a

¹⁾ According to the earlier regulations (Basel II)

Note 2i Risk management – Capital adequacy analysis, continued

Consolidated situation

Capital requirements Group

SEK million	Capital requirements 31 December 2014	Risk exposure amount 31 December 2014	Capital requirements 31 December 2013 ¹⁾	Risk exposure amount 31 December 2013 ¹⁾
Credit risk recognised in accordance with IRB approach				
Exposure to corporates	558	6,975	736	9,199
Retail exposures	1,028	12,851	1,124	14,051
– of which, exposures to small and medium-sized companies	139	1,737	211	2,638
– of which, exposures to tenant-owner rights, single-family dwellings and holiday homes	889	11,114	913	11,413
Items representing positions in securitisation	–	–	270	3,380
Total exposure recognised in accordance with IRB approach	1,586	19,826	2,130	26,630
Credit risk recognised in accordance with standardised approach				
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 ²⁾	111	1388	397	4,965
– of which, derivatives listed in CRR, Annex II	103	1,291	88	1,106
– of which, repos	7	85	241	3,011
Exposure to corporates	146	1,829	196	2,454
Retail exposures	143	1,783	99	1,231
Defaulted exposures	1	10	1	11
Exposures in the form of covered bonds	59	744	–	–
Exposures to institutions and corporates with a short-term credit assessment	7	86	–	–
Exposures in the form of shares or units in collective investment undertakings (funds)	20	253	17	217
Other items	86	1,070	10	127
Total exposure in accordance with the standardised approach	573	7,163	720	9,005
Market risk	337	4,210	287	3,591
– of which, position risk	279	3,491	287	3,591
– of which, currency risk	58	719	–	–
Operational risk	164	2,047	154	1,923
Credit rating risk	80	1,001	–	–
Total minimum capital requirement and risk exposure amount	2,740	34,247	3,291	41,149
Applicable capital buffer (capital conservation buffer)	856	–	–	–
Total capital requirement (including capital conservation buffer)	3,596	–	–	–

¹⁾ According to the earlier regulations (Basel II)

²⁾ The risk weighted exposure amount for counterparty risk according to Article 92, item 3f, of CRR amounts to SEK 1,376 million

Note 2i Risk management – Capital adequacy analysis, continued

Disclosure of own funds during a transitional period
Disclosures in accordance with Article 5 of Commission Implementing Regulation (EU) No 1423/2013

Own funds Parent Company

SEK million	Amount as per 31 December 2014	Amount as per 31 December 2014 ¹⁾
Common Equity Tier 1 instruments: Instruments and reserves		
Capital instruments and associated share premium accounts	1,958	1,958
Retained earnings	6,246	6,011
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses according to applicable accounting standards)	-4	n/a
Interim profit/loss after deduction of foreseeable costs and dividends, verified by persons in an independent position	0	330
Common Equity Tier 1 capital before regulatory adjustments	8,200	8,299
Common Equity Tier 1 capital: regulatory adjustments		
Additional value adjustments (negative amount)	-70	-
Intangible assets (net after deduction for associated tax liabilities) (negative amount)	-13	-14
Deferred tax assets dependent on future profitability, except those arising from temporary differences (net after deductions for associated tax liabilities, provided the conditions in Article 38(3) are met) (negative amount)	-	0
Reserves in fair value related to profit or loss on cash flow hedging	-	-
Negative amounts following the calculation of expected loss amounts	-49	-17
Gains or losses on liabilities valued at fair value that result from changes in the own credit standing of the institution	-2	n/a
Total regulatory adjustments to the Common Equity Tier 1 capital	-134	-31
Common Equity Tier 1 capital	8,066	8,268
Additional Tier 1 instruments: Instruments		
Capital instruments and associated share premium accounts	-	2,994
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	2,395	n/a
Additional Tier 1 instruments before regulatory adjustments	2,395	2,994
Additional Tier 1 instruments: Regulatory adjustments		
Total regulatory adjustments of additional Tier 1 instruments	-	n/a
Additional Tier 1 instruments	2,395	2,994
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + additional Tier 1 instruments)	10,461	11,262
Tier 2 capital: instruments and allocations		
Capital instruments and associated share premium accounts	2,599	2,123
Amount for qualified items referred to in Article 484(4) and associated share premium reserves that are phased out from the additional Tier 1 instruments	114	0
Negative amounts following the calculation of expected loss amounts	-	-17
Tier 2 capital before regulatory adjustments	2,713	2,106
Tier 2 capital. Regulatory adjustments		
Total regulatory adjustments of Tier 2 capital	-	n/a
Tier 2 capital	2,713	2,106
Total capital (total capital = Tier 1 capital + Tier 2 capital)	13,174	13,368
Total risk-weighted assets	28,363	23,417
Capital ratios and buffers		
Common Equity Tier 1 capital (as a percentage of the risk-weighted exposure amount), %	28.4	35.3
Tier 1 capital (as a percentage of the risk-weighted exposure amount), %	36.9	48.1
Total capital (as a percentage of the risk-weighted exposure amount), %	46.4	57.1
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, %	2.5	n/a
of which, capital conservation buffer requirement, %	2.5	n/a
of which, countercyclical buffer requirement	-	n/a
of which, systemic risk buffer requirement	-	n/a
of which, G-SII buffer and O-SII buffer	-	n/a
Common Equity Tier 1 capital, available for use as a buffer (as a percentage of the risk-weighted exposure amount)	-	n/a
Capital instruments that are subject to phase-out arrangements (only applicable between 1 January 2013 and 01 January 2022)		
Current ceiling for additional Tier 1 instruments that are subject to phase-out arrangements	2,395	n/a
Amount excluded from additional Tier 1 instruments due to the ceiling (amounts that exceed the ceiling after redemption and maturity)	599	n/a
Current ceiling for Tier 2 instruments that are subject to phase-out arrangements	1,040	n/a

¹⁾ According to the earlier regulations (Basel II)

Note 2i Risk management – Capital adequacy analysis, continued

Capital requirements Parent Company

SEK million	Capital requirements 31 December 2014	Risk exposure amount 31 December 2014	Capital requirements 31 December 2013 ¹⁾	Risk exposure amount 31 December 2013 ¹⁾
Credit risk recognised in accordance with IRB approach				
Exposure to corporates	188	2,341	298	3,716
Retail exposures	343	4,292	411	5,135
– of which, exposures to small and medium-sized companies	35	436	75	938
– of which, exposures to tenant-owner rights, single-family dwellings and holiday homes	308	3,856	336	4,197
Items representing positions in securitisation	–	–	270	3,381
Total exposure recognised in accordance with IRB approach	531	6,633	979	12,232
Credit risk recognised in accordance with standardised approach				
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 ²⁾	74	925	184	2,299
– of which, derivatives listed in CRR, Annex II	71	886	46	575
– of which, repos	2	31	72	894
Exposure to corporates	145	1,817	194	2,428
Retail exposures	142	1,770	98	1,219
Defaulted exposures	1	10	1	11
Exposures in the form of covered bonds	59	744	–	–
Exposures to institutions and corporates with a short-term credit assessment	7	84	–	–
Exposures in the form of shares or units in collective investment undertakings (funds)	20	254	17	217
Share exposures	824	10,300	–	–
Other items	7	90	7	90
Total exposure in accordance with the standardised approach	1,279	15,994	501	6,264
Market risk	299	3,733	287	3,591
– of which, position risk	279	3,491	287	3,591
– of which, currency risk	20	242	–	–
Operational risk	112	1,402	107	1,330
Credit rating risk	48	601	–	–
Total minimum capital requirement and risk exposure amount	2,269	28,363	1,874	23,417
Applicable capital buffer (capital conservation buffer)	709	–	–	–
Total capital requirement (including capital conservation buffer)	2,978	–	–	–

¹⁾ According to the earlier regulations (Basel II)

²⁾ The risk weighted exposure amount for counterparty risk according to Article 92, item 3f, of CRR amounts to SEK 917 million

Capital adequacy

SEK million	CONSOLIDATED SITUATION		PARENT COMPANY		SCBC	
	2014	2013 ¹⁾	2014	2013 ¹⁾	2014	2013 ¹⁾
Common Equity Tier 1 capital	10,199	9,583	8,066	8,268	12,700	11,318
Tier 1 capital	12,594	12,577	10,461	11,262	12,700	11,318
Total capital	15,307	14,644	13,174	13,368	12,700	11,318
Without transitional regulations						
Risk exposure amount	34,247	41,149	28,363	23,417	17,565	19,263
Common Equity Tier 1 capital ratio	29.8%	23.3%	28.4%	35.3%	72.3%	58.8%
Excess Common Equity Tier 1 capital	8,658	7,732	6,790	7,215	11,909	10,451
Tier 1 capital ratio	36.8%	30.6%	36.9%	48.1%	72.3%	58.8%
Excess Tier 1 capital	10,539	10,108	8,760	9,857	11,646	10,162
Total capital ratio	44.7%	35.6%	46.4%	57.1%	72.3%	58.8%
Excess total capital	12,567	11,352	10,905	11,495	11,295	9,777
With transitional rules						
Own funds	15,392	14,644	13,223	13,368	12,736	11,318
Risk exposure amount	142,975	139,600	29,938	32,507	113,258	107,089
Total capital ratio	10.8%	10.5%	44.2%	41.1%	112%	10.6%

¹⁾ According to the earlier regulations (Basel II)

Note 3 Net interest income/expense

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Interest income				
Lending to credit institutions	93	202	1,284	1,390
Lending to the public ¹⁾	7,343	8,412	1,179	1,541
Interest-bearing securities	966	795	966	795
Derivatives	-1,141	-1,262	-671	-483
Total interest income	7,261	8,147	2,758	3,243
<i>of which, interest income from financial assets that is not measured at fair value through the income statement</i>	<i>7,454</i>	<i>8,640</i>	<i>2,482</i>	<i>2,957</i>
Interest expenses				
Liabilities to credit institutions	-86	-177	-30	-25
Deposits from the public	-893	-737	-893	-737
Debt securities in issue	-5,540	-5,964	-1,575	-1,816
Subordinated debt	-317	-348	-317	-348
Derivatives	1,712	1,060	418	-16
Other	-26	-18	-26	-18
Total interest expense	-5,150	-6,184	-2,423	-2,960
<i>of which, interest expense from financial liabilities that is not measured at fair value through the income statement</i>	<i>-6,862</i>	<i>-7,244</i>	<i>-2,841</i>	<i>-2,944</i>
Net interest income	2,111	1,963	335	283

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

Note 4 Dividends received

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Dividends received				
Dividend income from FriSpar Kreditkonsult AB joint venture	-	-	20	19
Total	-	-	20	19

Note 5 Commission

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Commission income				
Commission on lending	17	16	8	84
Other commission	30	24	47	40
Total	47	40	55	124
Commission expense				
Commission on securities	-41	-35	-23	-22
Stability fee	-116	-114	-50	-52
Total	-157	-149	-73	-74
Commission, net	-110	-109	-18	50

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

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Gains/losses on interest-bearing financial instruments				
- Securities measured at fair value through the income statement	1,401	-248	1,401	-248
- Change in value of hedged items in hedge accounting	-1,581	1,419	-762	361
- Realised income/expense from financial liabilities	-122	-144	-12	-18
- Derivative instruments in hedge accounting	1,990	-1,041	916	-114
- Other derivative instruments	-1,183	-56	-1,286	110
- Loan receivables	89	87	17	16
Currency translation effects	-2	6	-3	5
Gains/losses on shares and participations measured at fair value through the income statement	28	16	29	16
Total	620	39	300	128

Note 7 Other operating income

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Administrative services on behalf of subsidiary	-	-	822	579
Other operating income	0	-	0	2
Total	0	-	822	581

Note 8 Personnel costs

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Salaries and other remuneration	-257	-211	-259	-216
Pension costs	-44	-38	-51	-53
Other social security expenses	-93	-76	-94	-81
Other personnel costs	-20	-21	-20	-21
Total	-414	-346	-424	-371

Restructuring costs amounted to SEK 23 million (-).

Salaries and other remuneration

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
CEO	-5	-5	-5	-5
Senior executives who report directly to the CEO	-15	-15	-15	-15
Other employees	-237	-191	-239	-196
Total salaries and other remuneration	-257	-211	-259	-216

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 7 (9).

Average number of employees

	GROUP		PARENT COMPANY	
	2014	2013 ¹⁾	2014	2013 ¹⁾
Women	262	237	262	237
Men	205	199	205	199
Average number of employees	467	436	467	436

¹⁾ The comparison figures have been adjusted due to changed calculation.

Note 8 Personnel costs, continued
Sickness absence

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Total sickness absence	2.8%	2.7%	2.8%	2.7%
Women	3.4%	3.6%	3.4%	3.6%
Men	2.1%	1.6%	2.1%	1.6%
29 years or younger	2.5%	3.2%	2.5%	3.2%
30–49 years	2.7%	2.6%	2.7%	2.6%
50 years or older	3.2%	2.7%	3.2%	2.7%
Proportion of long-term sickness absence compared to total sickness absence that exceeded 60 days	33.3%	27.3%	33.3%	27.3%

Gender distribution among senior executives

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Board of Directors				
Women	5	7	5	4
Men	5	10	5	4
Total number of Board Members	10	17	10	8

The Group includes the Board Members of the subsidiary Swedish Covered Bond Corporation (SCBC). For 2013, Board Members of the former jointly owned company FriSpar Kreditkonsult AB was also included.

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Management				
Women	3	3	3	3
Men	4	8	4	6
Total number of employees in Executive Management	7	11	7	9

The Group includes the Managing Director of the subsidiary The Swedish Covered Bond Corporation (SCBC). For 2013, the Managing Director and the Chief Credit Officer of the jointly owned company FriSpar Kreditkonsult AB were also included.

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Form of employment				
Total number of employees at the end of the year	435	480	435	480
Of whom, women	55.6%	56.0%	55.6%	56.0%
Of whom, managers	12.4%	12.1%	12.4%	12.1%
Of whom, female managers	5.1%	5.0%	5.1%	5.0%
Of whom, temporary employees	0.5%	1.3%	0.5%	1.3%
Of whom, part-time employees	2.1%	2.1%	2.1%	2.1%

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Personnel turnover				
Number of permanent employees who terminated employment during the year	78	31	78	31
Of whom, women	48.7%	38.7%	48.7%	38.7%
Of whom, 29 years or younger	11.5%	29.0%	11.5%	29.0%
Of whom, 30–49 years	66.7%	58.1%	66.7%	58.1%
Of whom, 50 years or older	21.8%	12.9%	21.8%	12.9%

	GROUP		PARENT COMPANY	
	2014	2013 ¹⁾	2014	2013 ¹⁾
External education/training				
Number of education/training days per employee	2.0	2.3	2.0	2.3

	GROUP		PARENT COMPANY	
	2014	2013 ¹⁾	2014	2013 ¹⁾
Internal education/training				
Education/training days per permanent employee	2.3	2.7	2.3	2.7
Education/training days per temporary employee	2.3	2.7	2.3	2.7

¹⁾ The comparison figures have been adjusted due to changed calculation.

Note 8 Personnel costs, continued
Salary, remuneration and pension costs for the CEO

No company car or non-cash benefits were provided to the CEO. The company pays for a defined-contribution pension insurance plan corresponding to 30% of the CEO's pensionable salary, although not longer than until age 65.

Salaries and other remuneration

Non-cash benefits (subsidised interest-rate and sickness benefit) to senior executives who report directly to the CEO or the Board 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

SEK million Title	2014			
	Period	Salary and other remuneration	Severance pay	Pension cost
CEO	1–13 January 2014	0.1	5.2	0.1
Acting CEO	14 January–13 August 2014	3.0		1.0
CEO	14 August–31 December 2014	2.0		0.5
Chief Legal Counsel & Deputy CEO ¹⁾	1 January–31 December 2014	1.9		0.4
CFO	1 January–5 May 2014	0.6	1.6	0.1
CFO	1 September–31 December 2014	0.8		0.1
CRO	1 January–31 December 2014	1.6		0.4
Head of Internal Audit	1 January–31 December 2014	1.1		0.4
Head of Retail Market	1 January–30 September 2014	1.1		0.3
Head of Retail Market	1 October–31 December 2014	0.4		0.1
Head of Collaboration Market	1 January–31 May 2014	0.4		0.1
Acting Head of Collaboration Market	1 June–31 December 2014	0.5		0.2
Head of Business Development	1 January–30 September 2014	1.3		0.3
Head of IT	1 October–31 December 2014	0.2		0.0
Head of Communications and HR	1–31 January 2014	0.1		0.0
Head of Communications	1 February–30 April 2014	0.4	1.2	0.1
Human Resources Manager	1 February–31 December 2014	1.2		0.4
Head of Corporate and Tenant-owner	1 January–31 December 2014	2.3		0.4
Head of Compliance	1 January–31 December 2014	1.2		0.6
Total		20.2	8.0	5.5

¹⁾ The Deputy CEO position ceased to exist as of 1 September 2014.

During the year, changes were implemented to the composition of the Executive Management; consequently, the roles are not entirely comparable with the preceding year. On 13 January 2014, Carl-Viggo Östlund left his position as the CEO of SBAB and was replaced by Per Anders Fasth as the Acting CEO until 13 August, when Klas Danielsson assumed his position as the new CEO of SBAB. As of 1 February 2014, the Human Resources Manager reports directly to the CEO. From 6 May–31 August 2014, the CFO role was temporarily filled by a consultant, who was subsequently employed as the CFO when the consultancy period ended on 1 September 2014. On 1 October 2014, an organisational change was implemented, and Business Development was split into an IT-organisation and Retail Market.

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

Note 8 Personnel costs, continued

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, remuneration instruction 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, remuneration policy and remuneration instructions are published on sbab.se.

The composition and mandates of the Remuneration Committee are described on page 58.

Salaries and other remuneration to specially regulated personnel, 17 employees (22), excluding senior executives who report directly to the CEO, amounted to SEK 14.5 million (16.5).

Remuneration of the Board

The remuneration paid to Board Members is resolved by the Annual General Meeting. The remuneration paid to Board Members in the Parent Company amounted to SEK 1.5 million (1.5) for Board work and SEK 0.2 million (0.3) for work on committees.

Board Members who serve on a committee received SEK 3,500 per meeting attended. The fees paid to the Chairman of the Board amounted to SEK 0.4 million (0.3).

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

Pensions

Employees recruited to SBAB on 1 February 2013 or later are covered by the new collective pension plan BTP1, which is a defined-contribution plan. Those employed earlier are covered by BTP2, which is a defined-benefit plan. BTP2 pays a percentage of the final salary as a pension. Both plans encompass health and survivor pension, as well as provisions for retirement pension.

BTP2 also encompasses BTPK – supplementary pension and, where applicable, family pension. BTP2 also covers employees with high incomes, whereby the recipient can choose an alternative investment for a certain part of the premium. In BTP1, the employee determines to a substantial extent how premiums are invested.

The defined-benefit plans are collective employer plans (BTP2) secured through insurance with SPP and constitute multi-employer plans. SBAB's pension costs for its defined-benefit pensions amounted to SEK 37.4 million (32.6), excluding payroll tax.

SBAB's pension costs for its defined-contribution pensions amounted to SEK 7.0 million (5.3), excluding payroll tax.

In 2015, pension contributions for defined-benefit plans are expected to total SEK 37.8 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 2014, 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 2014.

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% of the CEO's pensionable salary, although not longer than until age 65.

An agreement has been entered into with the Head of Corporate and Tenant-owner Market concerning a defined-contribution plan corresponding to 25% of pensionable salary. Agreements had been entered into with the CRO, the former Head of Communications and HR and the former CFO concerning a defined-contribution plan corresponding to 22% of pensionable salary.

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% 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.

Four 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. Two 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 18 months' salary. Deductions will be made from the remuneration should new employment or income from another activity be received during the 12 and 18 month periods, respectively.

In 2014, severance pay to three members of Executive Management totalling SEK 19.7 million was carried as an expense, of which SEK 8.0 million (0.0) was paid with a deduction for new salary. In 2014, SEK 1.4 million was also paid to former members of the Executive Management in 2013. For two employees who are able to influence the Company's risk level, severance pay amounting to SEK 4.3 million (0.0) was carried as an expense, of which SEK 0.7 million (0.0) has been paid.

Loans to senior executives

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

Incentive programme

According to a Board resolution in 2012, SBAB no longer has any incentive programme. Previously deferred incentive payments for 2010 for employees deemed to be able to influence the company's risk level, totalling SEK 0.4 million, was disbursed in April 2014.

Note 9 Other expenses

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
IT expenses	-202	-165	-225	-247
Rent ¹⁾	-25	-26	-25	-26
Other costs for premises	-7	-8	-7	-8
Other administration expenses	-124	-120	-123	-119
Marketing	-54	-66	-54	-66
Other operating expenses	-22	-15	-20	-14
Total	-434	-400	-454	-480

Expenses for development amounted to SEK 96 million (160), of which SEK 27 million (92) 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 29 million (-).

Fees and compensation for expenses to auditors

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Audit assignment	-2.2	-2.9	-1.9	-2.5
<i>of which, KPMG</i>	-2.2	-2.7	-1.9	-2.0
<i>PwC</i>	-	-0.2	-	-0.5
<i>Ernst & Young</i>	-	0.0	-	-
Audit tasks in addition to audit assignment	-2.3	-1.0	-1.7	-0.9
<i>of which, KPMG</i>	-2.3	-1.0	-1.7	-0.9
Other services	-2.2	-2.7	-2.2	-2.7
<i>of which, KPMG</i>	-2.2	-2.6	-2.2	-2.6
<i>PwC</i>	-	-0.1	-	-0.1
Total	-6.7	-6.6	-5.8	-6.1

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 rents¹⁾

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Agreed future rents due for payment				
– within one year	-25	-25	-25	-25
– between one and five years	-50	-65	-50	-65
– after five years	-10	-14	-10	-14
Total	-85	-104	-85	-104

¹⁾ Rents = operating leases

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

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Property, plant and equipment				
Depreciation, computer hardware	-7	-7	-7	-7
Depreciation, other equipment	-8	-8	-8	-8
Intangible fixed assets				
Depreciation, acquired software	-7	-5	-7	-5
Depreciation, internally developed part of software	-13	-11	-	-
Impairment, internally developed part of software	-125	-38	-	-
Total	-160	-69	-22	-20

In 2014, SBAB's strategy was changed, resulting in a discontinuation of the investment in everyday banking services for consumers. Intangible assets related to the development of "Vardagsbanken" were therefore amortised by SEK 125 million in the third quarter.

Note 11 Loan losses, net

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
CORPORATE MARKET				
Individual provision for Corporate Market loans				
Write-off of confirmed loan losses for the year	-0	-2	-18	-2
Reversals of previously implemented provision for probable loan losses that are recognised as confirmed losses in the closing accounts for 2014	-	1	18	1
Provision for probable loan losses for the year	-0	-3	-0	-3
Recoveries in respect of confirmed loan losses in prior years	0	-	0	-
Reversal of prior years' provisions for probable loan losses no longer required	7	8	7	8
Guarantees	-	1	-	1
Net cost for the year for individual provisions for Corporate Market loans	7	5	7	5
Collective provision for Corporate Market loans				
Allocation to/redemption of collective provisions	8	1	6	-4
Guarantees	0	0	-1	-1
Net cost for the year for collective provisions Corporate Market loans	8	1	5	-5
RETAIL MARKET				
Individual provision for Retail Market loans				
Write-off of confirmed loan losses for the year	-7	-15	-8	-15
Reversals of previously implemented provision for probable loan losses that are recognised as confirmed losses in the closing accounts for 2014	5	11	6	10
Provision for probable loan losses for the year	-4	-9	-4	-6
Reversal of prior years' provisions for probable loan losses no longer required	4	0	1	0
Guarantees	-	0	-	0
Net cost for the year for individual provisions for Retail Market loans	-2	-13	-5	-11
Collective provision for Retail Market loans				
Write-off of confirmed loan losses for the year	-22	-21	-21	-19
Recoveries in respect of confirmed loan losses in prior years	12	3	12	3
Allocation to/redemption of collective provisions	31	38	0	13
Guarantees	-4	-6	3	0
Net cost for the year for collective provisions for Retail Market loans	17	14	-6	-3
NET COST FOR THE YEAR FOR LOAN LOSSES	30	7	1	-14

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	
	2014	2013	2014	2013
Current tax	-296	22	-118	35
Deferred tax	-92	-234	-35	119
Total	-388	-212	-153	154
<i>The effective tax rate differs from the nominal tax rate in Sweden as below</i>				
Profit before tax	1,644	1,085	560	176
Nominal tax rate in Sweden 22%	-362	-239	-123	-39
Tax-free dividends from business-related shares	-	-	4	4
Group contributions paid	-	-	-	154
Tax for prior years and other	-26	27	-34	35
Total tax	-388	-212	-153	154
Effective tax rate	23.6%	19.5%	27.3%	-87.7%

Note 13 Chargeable treasury bills and other eligible bills

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Current assets				
Swedish state	11,252	4,416	11,252	4,416
Foreign states	4,305	3,767	4,305	3,767
Total chargeable treasury bills and other eligible bills	15,557	8,183	15,557	8,183

Note 14 Lending to credit institutions

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Lending in SEK	4,877	17,120	33,233	46,027
Lending in foreign currency	2,560	3,147	2,590	3,156
Total	7,437	20,267	35,823	49,183
<i>of which, repos</i>	<i>4,315</i>	<i>15,544</i>	<i>1,535</i>	<i>4,472</i>

Of the Parent Company's lending to credit institutions, SEK 31,181 million (40,115) 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 assets held 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.

Note 15 Lending to the public

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Opening balance	258,739	256,282	48,758	46,574
Lending for the year	48,297	37,367	48,297	34,646
Transferred to/from Group companies	-	-	-25,371	-9,641
Amortisation, write-offs, redemption, etc.	-45,349	-34,619	-27,698	-22,642
Closing balance	261,687	259,030	43,986	48,937
Provision for probable loan losses	-242	-291	-120	-179
Closing balance	261,445	258,739	43,866	48,758
<i>of which subordinated assets</i>	-	-	-	-

GROUP

Distribution of lending by property type

SEK million	2014			2013		
	AB Sveriges S�akerst�allda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)	SBAB Bank AB (publ)	Total	AB Sveriges S�akerst�allda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC)	SBAB Bank AB (publ)	Total
Single-family dwellings and holiday homes	92,066	15,235	107,301	85,280	18,068	103,348
Tenant-owner rights	63,181	11,056	74,237	56,894	10,302	67,196
Tenant-owner associations	43,902	8,787	52,689	45,478	9,346	54,824
Private multi-family dwellings	17,982	3,225	21,207	18,696	4,729	23,425
Municipal multi-family dwellings	434	172	606	3,619	109	3,728
Commercial properties	14	3,679	3,693	14	5,020	5,034
Other	-	1,712	1,712	-	1,184	1,184
Total	217,579	43,866	261,445	209,981	48,758	258,739
Percentage of lending with a government or municipal guarantee	1	1	1	1	1	1
Average fixed-interest period, years	0.5	1.0	0.9	1.0	0.4	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 property, SBAB has, in certain cases, received government or municipal guarantees as collateral for the borrower's commitments. The proportion of loans covered by this type of guarantee is shown in the table above.

A total of SEK 76,533 million (71,720) of SBAB's lending portfolio, of which SEK 12,745 million (14,210) in the Parent Company, was provided by business partners and it is possible for certain partners, in the event of a change of ownership of SBAB, to acquire brokered loans.

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

Doubtful loan receivables and provisions

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
a) Doubtful loan receivables	48	62	24	59
b) Individual provisions, loan receivables	36	47	12	44
c) Collective provisions, Corporate Market loans	19	26	5	17
d) Collective provisions, Retail Market loans	187	218	103	118
e) Total provisions (b+c+d)	242	291	120	179
f) Doubtful loan receivables after individual provisions (a-b)	12	15	12	15
g) Provision ratio for individual provisions (b/a)	75%	76%	50%	75%

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

Note 15 Lending to the public, continued

GROUP

Distribution of doubtful loan receivables and provisions by type of property

SEK million	2014						2013					
	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	2	13	3	30		48	9	13	10	30		62
Individual provisions, loan receivables	-2	-13	-3	-18		-36	-6	-13	-3	-25		-47
Collective provisions, Corporate Market loans			-12	-7		-19			-10	-16		-26
Collective provisions, Retail Market loans	-122	-57			-8	-187	-144	-69			-5	-218
Doubtful loan receivables after individual provisions						12						15

Change in provision for probable loan losses

SEK million	2014			2013				
	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		-28	-19	-244		-34	-20	-282
Individual provision for the year	-0		-4		-3		-10	
Reversed from previous provisions	7		3		8		0	
Individual provision utilised for confirmed losses	-		5		1		11	
Allocation to/redemption of collective provisions				38				38
Provision at the end of the year	-21	-15	-206	-28	-19	-244		

Note 16 Bonds and other interest-bearing securities

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<i>Distribution of holdings by issuer, etc.</i>				
CURRENT ASSETS				
Listed securities				
<i>Issued by public bodies</i>				
Intergovernmental issuers	1,908	1,825	1,908	1,825
Other public issuers	6,166	4,572	6,166	4,572
<i>Issued by other borrowers</i>				
Swedish mortgage institutions	24,570	19,697	24,570	19,697
Other foreign issuers (covered bonds, RMBSs)	6,206	9,227	6,206	9,227
Other foreign issuers (with government guarantee)	3,485	3,415	3,485	3,415
Total listed securities	42,335	38,736	42,335	38,736
Unlisted securities	-	-	-	-
Total	42,335	38,736	42,335	38,736
<i>of which subordinated assets</i>	-	-	-	-

Note 17 Derivative instruments

SEK million	GROUP						PARENT COMPANY					
	2014			2013			2014			2013		
	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
Other derivatives												
Interest-rate related												
– interest-rate swaps	5,758	1,040	157,345	3,541	201	85,969	1,595	33	32,062	904	80	35,688
Currency-related	2,783	2,584	57,023	1,589	5,398	69,609	1,105	1,048	16,019	917	2,568	39,474
Total	8,541	3,624	214,368	5,130	5,599	155,578	2,700	1,081	48,081	1,821	2,648	75,162
Derivative instruments in cash flow hedges												
Interest-rate related												
– interest-rate swaps	54	–	9,425	–	–	–	–	–	–	–	–	–
Currency-related	197	–	9,203	–	–	–	–	–	–	–	–	–
Total	251	–	18,628	–	–	–	–	–	–	–	–	–
Other derivatives												
Interest-rate related												
– interest-rate swaps	422	2,668	59,330	1,013	2,676	148,185	3,278	5,600	245,749	2,293	3,536	246,612
– interest-rate futures	1	2	-20,000	6	7	-5,000	1	2	-20,000	6	7	-5,000
Share-related	–	0	-45	–	–	–	–	0	-45	–	–	–
Currency-related	193	969	19,871	300	2,081	38,678	1,821	2,420	63,899	861	1,717	40,719
Total	616	3,639	59,156	1,319	4,764	181,863	5,100	8,022	289,603	3,160	5,260	282,331

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

Derivative instruments distributed by remaining maturity, carrying amount

SEK million	GROUP				PARENT COMPANY			
	2014		2013		2014		2013	
	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount
At most 3 months	-558	23,247	-460	22,695	-48	27,760	-132	30,922
3–12 months	144	40,894	-1,317	71,474	283	50,089	-776	104,857
1–5 years	2,062	185,095	-1,903	224,061	-1,506	190,493	-1,895	200,152
More than 5 year	497	42,916	-234	19,212	-32	69,339	-124	21,561
Total	2,145	292,152	-3,914	337,442	-1,303	337,681	-2,927	357,492

Note 18 Shares and participations

SEK million	KONCERNEN		PARENT COMPANY	
	2014	2013	2014	2013
Fund units measured at fair value through the income statement	253	217	253	217
Total	253	217	253	217

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	2014		2013
	FriSpar Kreditkonsult AB 556248-3338	FriSpar Kreditkonsult AB 556248-3338	FriSpar Kreditkonsult AB 556248-3338
Swedish credit institutions			
Cost at the beginning of the year		113	830
Repaid share capital		-77	-
Shareholder contribution		-	36
Repaid shareholder contribution		-36	-753
Cost at the end of the year		-	113

	2014		2013
	FriSpar Kreditkonsult AB 556248-3338	FriSpar Kreditkonsult AB 556248-3338	FriSpar Kreditkonsult AB 556248-3338
Swedish credit institutions			
Number of shares		-	6,120
Share of ownership, %		-	51
Share of equity, %		-	56
Carrying amount, SEK million		-	113

KONCERNEN			
SEK million	2014		2013
	FriSpar Kreditkonsult AB 556248-3338	FriSpar Kreditkonsult AB 556248-3338	FriSpar Kreditkonsult AB 556248-3338
Swedish credit institutions			
Current assets		-	21
Fixed assets		-	102
Current liabilities		-	1
Long-term liabilities		-	-
Income		1	24
Expenses		-0	-1
Tax		-0	-5
Profit/loss/Comprehensive income		1	18

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

Note 20 Shares and participations in Group companies

The Swedish Covered Bond Corporation is domiciled in Stockholm.
For more information about the company, see page 48.

PARENT COMPANY

SEK million	2014		2013
	Swedish Covered Bond Corporation – SCBC 556645-9755	Swedish Covered Bond Corporation – SCBC 556645-9755	Swedish Covered Bond Corporation – SCBC 556645-9755
Swedish credit institutions			
Cost at the beginning of the year		10,300	9,600
Group contributions provided		–	700
Cost at the end of the year		10,300	10,300

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

Swedish credit institutions	2014		2013
	AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) 556645-9755	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	
	2014	2013	2014	2013
Cost at the beginning of the year	370	273	68	63
Acquisitions during the year	33	97	6	5
Divestments during the year	-0	–	-0	–
Cost at the end of the year	403	370	74	68
Amortisation at the beginning of the year	-167	-151	-54	-49
Amortisation for the year according to plan	-21	-16	-7	-5
Divestments during the year	0	–	0	–
Accumulated amortisation	-188	-167	-61	-54
Impairment at the beginning of the year	-38	–	–	–
Impairment for the year	-125	-38	–	–
Impairment at the end of the year	-163	-38	–	–
Net carrying amount	52	165	13	14

Internally produced intangible assets are reported in the consolidated financial statements. Consequently, the difference between the amounts in the Parent Company's financial statements and the consolidated financial statements pertain solely to internally-produced intangible assets.

Borrowing costs are capitalised for assets that are produced internally and take a significant amount of time to utilise. In 2014, borrowing costs of SEK 1 million (2) were capitalised. The average interest rate for the periods and assets in question was 1.6% (1.9).

Note 22 Property, plant and equipment

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Cost at the beginning of the year	183	164	183	164
Acquisitions during the year	4	19	4	19
Disposals during the year	-	-	-	-
Cost at the end of the year	187	183	187	183
Amortisation at the beginning of the year	-146	-131	-146	-131
Amortisation for the year according to plan	-14	-15	-14	-15
Disposals during the year	-	-	-	-
Accumulated amortisation according to plan	-160	-146	-160	-146
Net carrying amount	27	37	27	37

Note 23 Other assets

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Tax assets	422	509	117	386
Other	39	86	21	91
Total	461	595	138	477
<i>Other assets distributed by remaining maturity, carrying amount</i>				
At most 1 year	461	595	138	477
More than 1 year	-	-	-	-
Total	461	595	138	477

Note 24 Prepaid expenses and accrued income

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Prepaid expenses	34	30	34	30
Accrued interest income	862	796	725	612
Accrued guarantees	56	61	29	33
Other accrued income	17	26	6	20
Total	969	913	794	695
<i>Prepaid expenses and accrued income distributed by remaining maturity, carrying amount</i>				
At most 1 year	932	871	775	672
More than 1 year	37	42	19	23
Total	969	913	794	695

Note 25 Liabilities to credit institutions

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Liabilities in SEK	3,126	13,359	258	112
Liabilities in foreign currencies	4,158	1,832	2,992	445
Total	7,284	15,191	3,250	557
<i>of which, repos</i>	2,798	13,242	-	-

Note 26 Deposits from the public

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Private individuals	47,948	37,521	47,948	37,521
Tenant-owner associations	2,957	2,180	2,957	2,180
Corporate	9,705	6,168	9,705	6,168
Total	60,610	45,869	60,610	45,869

Note 27 Debt securities in issue, etc.

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Commercial paper				
Commercial papers in SEK				
- at amortised cost	2,739	4,947	2,739	4,947
Commercial papers in foreign currency				
- at amortised cost	4,872	8,839	4,872	8,839
Total	7,611	13,786	7,611	13,786
Bond loans				
Bond loans in SEK				
- at amortised cost	42,694	43,502	27,112	30,362
- in fair value hedging	113,019	100,253	7,672	7,486
Bonds loans in foreign currency				
- at amortised cost	18,707	18,923	2,835	9,540
- in fair value hedging	61,137	67,406	22,952	30,142
Total	235,557	230,084	60,571	77,530
Total debt securities in issue, etc.	243,168	243,870	68,182	91,316
<i>of which, covered bonds</i>	174,986	152,656	-	-

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 59.5 billion (76.9) at 31 December 2014.

Note 28 Other liabilities

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Accounts payable – trade	34	15	34	15
Employee withholding taxes	9	7	9	7
Liabilities to employees	99	61	81	51
Group contributions	-	-	-	700
Other	282	223	283	223
Total	424	306	407	996
<i>Other liabilities distributed by remaining maturity, carrying amount</i>				
At most 1 year	424	306	407	996
More than 1 year	-	-	-	-
Total	424	306	407	996

Note 29 Accrued expenses and prepaid income

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Accrued interest expenses	2,903	3,224	518	637
Other accrued expenses	297	278	217	211
Total	3,200	3,502	735	848
<i>Accrued expenses and prepaid income distributed by remaining maturity, carrying amount</i>				
At most 1 year	3,200	3,502	735	848
More than 1 year	-	-	-	-
Total	3,200	3,502	735	848

Note 30 Deferred tax

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<i>Deferred tax assets (+)/tax liabilities (-) for temporary differences in:</i>				
- Change in value of interest-rate-hedged items in portfolio hedges	59	90	-	-
- Bonds	-	-48	-	-48
- Debt securities in issue	1,085	-	300	-
- Derivative instruments	-1,052	-563	-284	-89
- Intangible fixed assets	-9	-33	-	-
- Pension provision	19	6	-	-
- Tax loss carryforwards	-	88	-	3
- Other	2	1	2	1
Total	104	-459	18	-133
<i>Change in deferred tax</i>				
Recalculation of opening temporary differences	664	-248	182	-183
Deferred tax in the income statement	-92	-234	-35	119
Deferred tax attributable to items recognised directly against other comprehensive income	-9	-11	4	-4
Total	563	-493	151	-68
<i>Deferred tax distributed by expected maturity date, carrying amount</i>				
At most 1 year	-	-	-	-
More than 1 year	104	-459	18	-133
Total	104	-459	18	-133

Note 31 Provisions

SEK million	GROUP	
	2014	2013
Provisions for pensions	-71	-21
Provision for special employer's contribution on pensions	-18	-5
Total	-89	-26

Provisions for pensions

Summary of defined-benefit pension plan

SEK million	GROUP	
	2014	2013
Present value, closing balance	372	285
Fair value of plan assets	-301	-264
Pension provisions (excluding special employer's contributions)	71	21

Reconciliation of change in present value of obligation

SEK million	GROUP	
	2014	2013
Present value of the obligation, opening balance	285	298
Cost pertaining to service during the current year	8	10
Interest expenses	12	11
Gain/loss arising from changed financial assumptions	69	-31
Experience-based gains/losses	-10	3
Pension disbursements from plan	-5	-4
Gain/loss due to reductions ¹⁾	-	-2
Gain/loss due to demographic assumptions ²⁾	13	-
Present value, closing balance	372	285

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

²⁾ In 2014, SBAB switched to DUS14.

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

Reconciliation of change in plan assets

SEK million	GROUP	
	2014	2013
Fair value of plan assets, opening balance	264	236
Interest income	11	9
Return on plan assets, excluding amounts included in interest expense/interest income	15	-0
Premiums paid by employer	16	23
Pension disbursements from plan	-5	-4
Fair value of plan assets, closing balance	301	264

Distribution of plan assets

%	GROUP	
	2014	2013
Swedish shares	3	3
Foreign shares	9	6
Government and government-guaranteed bonds	32	30
Mortgage institutions	23	23
Corporate bonds	28	30
Real estate and infrastructure	5	6
Other	-	2
Total	100	100

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	
	2014	2013
<i>Financial assumptions</i>		
Discount rate	3.00	4.00
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	6.00	6.00
Mortality table	DUS14	DUS06

Sensitivity analysis of assumptions

Discount rate	GROUP	
	2014	
<i>Assumption</i>	4.00%	
Present value of the obligation, SEK million	303	
Cost pertaining to service during the current period, SEK million	8	
Interest expense, SEK million	12	
<i>Assumption</i>	2.00%	
Present value of the obligation, SEK million	465	
Cost pertaining to service during the current period, SEK million	15	
Interest expense, SEK million	9	

The sensitivity analysis above is based on a change in one assumption while all other assumptions are kept constant. In the calculation of sensitivity in the defined-benefit obligation, the same method is applied as in the calculation of the reported pension provision.

For further information on pensions, see Note 1 Accounting policies and Note 8 Personnel costs.

Note 32 Subordinated debt

PARENT COMPANY AND GROUP

Loan designation	Currency	Nominal amount	Outstanding nominal amount	First possible redemption right for SBAB	Interest rate, % 31 December 2014	Maturity date	Carrying amount, SEK million	
							2014	2013
Subordinated debenture JPY 1	JPY	10,000,000,000	10,000,000,000	-	5.23	16 November 2015	848	665
Subordinated debenture SEK 1	SEK	700,000,000	700,000,000	2016	5.22	Perpetual	740	746
Subordinated debenture SEK 2	SEK	300,000,000	300,000,000	2016	3 M STIBOR+0.93	Perpetual	300	300
Subordinated debenture SEK 3	SEK	2,000,000,000	2,000,000,000	2015	7.16	Perpetual	2,016	2,032
Subordinated debenture SEK 4	SEK	1,000,000,000	1,000,000,000	2016	6.12	20 April 2021	1,042	1,048
Subordinated debenture SEK 5	SEK	800,000,000	800,000,000	2017	3 M STIBOR+2.65	16 November 2022	800	800
Subordinated debenture SEK 6	SEK	200,000,000	200,000,000	2017	4.18	16 November 2022	200	200
Total							5,946	5,791
<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 and SEK 3 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

Interest: SBAB may opt to pay the interest in USD, EUR or JPY. The interest rate is 5.23% in the respective currency.

SEK 1

The loan is perpetual.

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

SEK 2

The loan is perpetual.

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

SEK 3

The loan is perpetual.

Interest rate: For the period 8 April 2010 to 08 June 2015: 7.16%. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 4.50%.

SEK 4

Maturity: 20 April 2011 – 20 April 2021

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

SEK 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%. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 2.65%.

SEK 6

Maturity: 16 November 2012 – 16 November 2022

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

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. The proposed but not yet paid dividend for 2014 amounts to SEK 502 million (SEK 25,634 per share). The decision was made not to pay a dividend for the years 2012 to 2013. Further information on equity is provided in the report "Changes in equity" on page 67.

Statement of changes in equity

Reserves SEK million	GROUP	
	2014	2013
Reclassified financial assets at beginning of year	-23	-37
Accrual of interest and currency effect in reclassified financial assets	32	17
Tax attributable to the change	-9	-3
Reclassified financial assets at end of year	-	-23
Available-for-sale financial assets, at the beginning of the year	-	-
Unrealised change in value over the year	-5	-
Realised change in value, reclassified to the income statement	-	-
Tax attributable to the change	1	-
Available-for-sale financial assets, at end of year	-4	-
Cash flow hedges at the beginning of the year	-	-
Unrealised change in value over the year	128	-
Realised change in value, reclassified to the income statement	-	-
Tax attributable to the change	-28	-
Cash flow hedges at the end of the year	100	-
Defined-benefit pension plans at beginning of year	36	10
Revaluation effects of defined-benefit pension plans	-71	34
Tax attributable to the change	16	-8
Defined-benefit pension plans at end of year	-19	36
Total	77	13

Fair value reserve

SEK million	PARENT COMPANY	
	2014	2013
Reclassified financial assets at beginning of year	-23	-37
Accrual of interest and currency effect in reclassified financial assets	32	17
Tax attributable to the change	-9	-3
Reclassified financial assets at end of year	-	-23
Available-for-sale financial assets, at the beginning of the year	-	-
Unrealised change in value over the year	-5	-
Realised change in value, reclassified to the income statement	-	-
Tax attributable to the change	1	-
Available-for-sale financial assets, at end of year	-4	-
Total	-4	-23

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	
	2014	2013	2014	2013
Loan receivables	211,651	203,702	-	-
Other receivables	23	9	23	9
Repos	-	487	-	-
Total	211,674	204,198	23	9

Of the assets pledged, SEK 211.7 billion (204.2) comprise the cover pool for covered bonds totalling SEK 175.0 billion (152.7).

Loan receivables and repos pledged as collateral mainly consist of the registered cover pool benefiting holders of covered bonds issued by SCBC and SCBC's covered derivative counterparties. In the event that the company becomes insolvent, the holders of the covered bonds and the covered derivatives counterparties have priority rights to the pledged assets under the Covered Bonds Issuance Act and the Rights of Priority Act.

Note 35 Commitments

SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Commitments concerning future payments	-	-	-	-
Other commitments				
Loan commitments and other credit-related commitments	39,458	27,452	39,458	27,452
Unutilised portion of granted credit facilities	-	-	-	-
Other commitments	-	-	39,694	20,846
Total	39,458	27,452	79,152	48,298
<i>Commitments allocated by remaining maturity</i>				
Within 1 year	37,712	25,861	77,406	46,707
1-5 years	1,746	1,591	1,746	1,591
> 5 years	-	-	-	-
Total	39,458	27,452	79,152	48,298

Excluding building credits of SEK 1,797 million (1,664), loan commitments and other credit-related commitments in the Group totalling SEK 37,661 million (25,788) were reduced to SEK 9,838 million (5,848) after taking into account the conversion factor, meaning the statistically calculated probability that the exposure will lead to payment of the loan.

Excluding building credits of SEK 1,797 million (1,664), the corresponding figures for the Parent Company were SEK 37,661 million (25,788) and SEK 9,838 million (5,848), respectively. The Parent Company's other commitments include an agreement concerning liquidity facility with the subsidiary, SCBC, through which SCBC may borrow funds from the Parent Company for its operations if the need arises.

Note 36 Classification of financial instruments

GROUP
Financial assets

SEK million	2014					Total	Total fair value
	Assets at fair value through profit or loss	Hedge-accounted derivative instruments	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments		
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
Total	48,484	8,792	5,935	270,554	5,037	338,802	340,417

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

Note **36** Classification of financial instruments, continued

GROUP

Financial liabilities

SEK million	2014				Total	Total fair value
	Liabilities at fair value through profit or loss	Hedge-accounted derivative instruments	Other financial liabilities			
Liabilities to credit institutions			7,284		7,284	7,284
Deposits from the public			60,610		60,610	60,610
Debt securities in issue			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
Total	3,639	3,624	320,632		327,895	329,762

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

PARENT COMPANY

Financial assets

SEK million	2014					Total	Total fair value
	Assets at fair value through profit or loss	Hedge-accounted derivative instruments	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments		
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
Total	52,967	2,701	5,935	79,937	5,037	146,577	146,859

Note 36 Classification of financial instruments, continued

PARENT COMPANY

Financial assets

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

PARENT COMPANY

Financial liabilities

SEK million	2014				Total	Total fair value
	Liabilities at fair value through profit or loss	Hedge-accounted derivative instruments	Other financial liabilities			
Liabilities to credit institutions			3,250		3,250	3,250
Deposits from the public			60,610		60,610	60,610
Debt securities in issue			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
Total	8,022	1,081	139,130		148,233	148,302

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

Note 36 Classification of financial instruments, continued

Fair value measurement of financial instruments

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

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

For interest-bearing securities classified as "loans and receivables" (2013), the fair value is determined using estimated prices from an

independent external source. Debt securities in issue are measured at the Group's current borrowing rate, Level 2.

Reclassified assets

During autumn 2008, financial institutions were given the opportunity to reclassify holdings of "Available-for-sale financial assets" to "Loans and receivables." The assets were reclassified due to SBAB's perception that the downturn in the global financial markets during autumn 2008 was of sufficient magnitude to justify reclassification. The reclassification was implemented on 1 July 2008. The value that was assigned to the assets at the time was the prevailing market value. In September 2014, all remaining reclassified assets were divested.

Note 37 Information about fair value

GROUP

SEK million	2014				2013			
	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
Assets								
Securities	53,803	–	–	53,803	44,770	–	–	44,770
Derivatives in the category trade	1	615	–	616	6	1,313	–	1,319
Other derivatives	–	8,792	–	8,792	–	5,130	–	5,130
Total	53,804	9,407	–	63,211	44,776	6,443	–	51,219
Liabilities								
Derivatives in the category trade	2	3,637	–	3,639	7	4,757	–	4,764
Other derivatives	–	3,624	–	3,624	–	5,599	–	5,599
Total	2	7,261	–	7,263	7	10,356	–	10,363

PARENT COMPANY

SEK million	2014				2013			
	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
Assets								
Securities	53,803	–	–	53,803	44,770	–	–	44,770
Derivatives in the category trade	1	5,098	–	5,099	6	3,154	–	3,160
Other derivatives	–	2,701	–	2,701	–	1,821	–	1,821
Total	53,804	7,799	–	61,603	44,776	4,975	–	49,751
Liabilities								
Derivatives in the category trade	2	8,020	–	8,022	7	5,272	–	5,279
Other derivatives	–	1,081	–	1,081	–	2,630	–	2,630
Total	2	9,101	–	9,103	7	7,902	–	7,909

Parent Company and Group

In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement methods used.

There were no transfers between the levels in 2013 or 2014.

Quoted market prices (Level 1)

Measurement at quoted prices in an active market for identical assets and liabilities. A market is deemed to be active if the price data is easily accessible and corresponds to actual regularly occurring transactions.

The measurement method is used for holdings of quoted interest-bearing securities, fund units and for publicly quoted derivatives, primarily interest-rate futures.

Measurement based on observable data (Level 2)

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

Measurement based in part on unobservable data (Level 3)

Measurement whereby a material component of the model is based on estimates or assumptions that do not originate directly from the market. This method is currently not used for any assets or liabilities.

Note **38** Information about offsetting

GROUP

Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the balance sheet

SEK million	2014					Net amount
	Amounts reported in the balance sheet	Financial instruments	Related amounts that are not offset in the balance sheet			
			Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral		
Assets						
Derivatives	9,408	-4,393	0	-3,996		1,019
Repos	4,315	-2,779	-1,535	0		1
Liabilities						
Derivatives	-7,263	4,393	0	2,643		-227
Repos	-2,798	2,779	18	1		0
Total	3,662	0	-1,517	-1,352		793

GROUP

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

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

SEK million	2014					Net amount
	Amounts reported in the balance sheet	Financial instruments	Related amounts that are not offset in the balance sheet			
			Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral		
Assets						
Derivatives	7,800	-4,608	0	-2,879		313
Repos	1,535	0	-1,533	-1		1
Liabilities						
Derivatives	-9,103	4,608	0	2,643		-1,852
Repos	0	0	0	0		0
Total	232	0	-1,533	-237		-1,538

PARENT COMPANY

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

Note 39 Information about related parties

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

Group companies and joint ventures

The Swedish Covered Bond Corporation (SCBC) is to be regarded as a subsidiary and recognised in accordance with the acquisition method, which entails the elimination of internal transactions at Group level. FriSpar Kreditkonsult AB was liquidated on 19 December 2014. Transactions with related parties have been made on market terms.

PARENT COMPANY

SEK million	2014					
	GROUP COMPANIES		JOINT VENTURES		TOTAL	
	Assets/ Liabilities	Interest in- come/expense	Assets/ Liabilities	Interest in- come/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	-
Total	32,701	1,835	-	-	32,701	1,835
Liabilities to credit institutions	-	-	-	-	-	-
Debt securities in issue, etc.	-	-	-	-	-	-
Derivative instruments	3,189	-572	-	-	3,189	-572
Other liabilities	4	-	-	-	4	-
Total	3,193	-572	-	-	3,193	-572

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

Of the Parent Company's other commission income, SEK 18 million (17) 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 822 million (579); refer to Note 7.

Note 39 Information about related parties, continued

Loans to the Board, CEO and other key senior executives

SEK million	2014		2013	
	Lending	Interest income	Lending	Interest income
Loans to key personnel				
CEO	-	-	-	-
Board of Directors	3	0	4	0
Other key senior executives	11	0	22	1
Total	14	0	26	1

The CEO and the Board 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. Following standard credit evaluation, senior executives may take out preferential loans for their permanent residences. Preferential terms may be provided on loans of up to SEK 1,500,000 on the condition that the loan is within 85% of the value of the residence. On loans of up to SEK 1,000,000, a discount of 2.50% is given on the interest rate, and on loans of between SEK 1,000,001 and SEK 1,500,000 a discount of 1.50% is given on the interest rate. The preferential loan is taxable. The interest rate received including discount must not be less than 0.50%.

SEK million	2014		2013	
	Deposits	Interest expenses	Deposits	Interest expenses
Deposits from key personnel				
CEO and other key senior executives	2	0	3	0
Board of Directors	2	0	9	1
Total	4	0	12	1

The CEO and the Board 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 Collaboration Markets include loans for single-family homes, holiday homes and tenant-owned apartments

Corporate and Tenant-owner consists mainly of lending to multi-family dwellings as well as commercial properties. As of October, the whole deposit business is included in the Retail Market segment.

The item Net income/expense from financial instruments measured at fair value, which derives from the finance operations, has not been distributed and is included in the Other column.

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

GROUP

Income statement by segment

SEK million	2014					2013				
	Retail Market	Collaboration Market	Corporate Clients and Tenant-owner Associations	Other	Total	Retail Market	Collaboration Market	Corporate Clients and Tenant-owner Associations	Other	Total
Net interest income	975	490	628	18	2,111	880	382	678	23	1,963
Net commission	-27	-35	-45	-3	-110	-27	-34	-48	0	-109
Net income from financial instruments measured at fair value	-	-	-	620	620	16	0	0	23	39
Other operating income	-	-	-	0	0	-	-	-	-	-
Total operating income	948	455	583	635	2,621	869	348	630	46	1,893
Salaries and remuneration	-136	-40	-65	-16	-257	-119	-30	-62	-	-211
Other personnel costs	-96	-27	-44	-7	-174	-94	-19	-42	-	-155
Other expenses	-247	-61	-80	-29	-417	-236	-47	-97	-	-380
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-28	-3	-4	0	-35	-22	-4	-5	-	-31
Impairment of intangible fixed assets	-	-	-	-125	-125	-26	-5	-7	-	-38
Loan losses, net	7	5	18	-	30	-6	-3	16	-	7
Participations in joint ventures	-	1	-	-	1	-	-	-	-	-
Operating profit	448	330	408	458	1,644	366	240	433	46	1,085
Standardised tax (22%)	-99	-72	-90	-101	-362	-81	-53	-95	-10	-239
Profit after standardised tax	349	258	318	357	1,282	285	187	338	36	846
Adjustment for actual tax	-7	-5	-7	-7	-26	10	6	10	1	27
Net profit for the year	342	253	311	350	1,256	295	193	348	37	873
Internally calculated ROE	9.3%	9.0%	10.1%	12.7%		8.5%	8.8%	11.0%		9.1%

Note 40 Operating segments, continued

In relation to the legal income statement, SEK -17 million (-20) 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.

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

Note 41 Five-year overview

PARENT COMPANY

SEK million	2014	2013	2012	2011	2010
Interest income	2,758	3,243	4,162	3,864	2,226
Interest expenses	-2,423	-2,960	-4,032	-3,956	-1,922
Net interest income/expense	335	283	130	-92	304
Other operating income	1,124	778	811	895	409
Total operating income	1,459	1,061	941	803	713
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-22	-20	-15	-13	-12
Other operating expenses	-878	-851	-788	-695	-587
Total operating expenses	-900	-871	-803	-708	-599
Profit before loan losses	559	190	138	95	114
Loan losses, net	1	-14	-34	3	-30
Operating profit	560	176	104	98	84
Lending Portfolio ¹⁾	43,866	48,758	46,360	32,940	35,298
Other assets	113,069	112,937	115,668	129,708	112,296
Total assets	156,935	161,695	162,028	162,648	147,594
Deposits from the public	60,610	45,869	27,654	8,769	6,083
Debt securities in issue	68,182	91,316	101,782	116,753	107,223
Other liabilities	13,495	10,310	17,543	22,820	20,845
Deferred tax liabilities	-	133	65	248	214
Subordinated debt	5,946	5,791	7,052	6,233	5,508
Equity	8,702	8,276	7,932	7,825	7,721
Total liabilities and equity	156,935	161,695	162,028	162,648	147,594
Capital adequacy with transitional regulations					
Total capital ratio, %	44.2	41.1	46.2	45.9	44.0

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

Note 42 Events after the balance sheet date

New Executive Management employees

In the first quarter 2015, two new senior officers were employed:

- Robert Burén as CIO; and
- Elisabet Sulj Jönsson as Head of Communications.

New office premises

- In February, SBAB signed a new lease with Fabège. The lease is on 10 years and refers to office premises in Stockholm. SBAB's head office will move to the new premises in Solna in the fourth quarter of 2015.

Proposed appropriation of profits

According to SBAB's balance sheet, SEK 8,966 million is at the disposal of the Annual General Meeting, of which SEK 7,710 million is retained earnings and SEK 1,256 million is profit for the year.

The Board of Directors propose that the profits should be distributed as follows:

Dividend to the owner according to policy (25,634/share)	501,990,622
Balance carried forward	8,464,239,112
Total allocated	8,966,229,734

Unrealised changes in assets and liabilities at fair value have affected equity by SEK 77 million net.

The proposed dividend, which amounts to 4.6% of the Company's equity, has been proposed with consideration for the rules on buffer capital, risk limitation and transparency according to the Banking and Financing Business Act. The applicable regulations on capital adequacy and major exposures mean that the Company's own funds at any given time shall correspond to at least the total capital requirements for credit risk, market risk and operational risk and the calculated capital requirements for additional identified risks in the operations, in accordance with the Company's internal capital adequacy assessment. After the proposed appro-

riation of profits, own capital amounts to SEK 15,307 million (14,644) and the final minimum capital requirement amounts to SEK 2,740 million (3,291). The specification of the items is set out in Note 2.

In the Board's assessment, the proposed dividend is justified considering the requirements that the nature, scope and risks of the operations impose on the scale of equity in the Parent Company and the Group, as well as on the needs of the Parent Company and the Group in terms of consolidation, liquidity and position.

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

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

Stockholm, 12 March 2015

Bo Magnusson
Chairman of the Board

Jakob Grinbaum
Deputy Chairman

Kristina Ekengren
Board Member

Per Anders Fasth
Board Member

Lars Börjesson
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 13 March 2015

KPMG AB

Hans Åkervall
Authorised Public Accountant

Auditor's report

Translation from the Swedish original

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

Report on the annual accounts and consoli-dated accounts

We have audited the annual accounts and consolidated accounts of SBAB Bank AB (publ) for the year 2014, except for the corporate governance statement on pages 52–63. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 28–51 and 64–120.

Responsibilities of the Board of Directors and the CEO 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 2014 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 2014 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 52–63. 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 2014. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the CEO

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 52–63 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 the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess 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 Annual Accounts Act 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, 13 March 2015
KPMG AB

Hans Åkervall, Authorised Public Accountant

Information for investors

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

Financial calendar

Year-end Report 2014	6 February 2015
Annual General Meeting (Stockholm)	22 April 2015
Interim Report January–March 2015	23 April 2015
Interim Report January–June 2015	17 July 2015
Interim report January–September 2015	22 October 2015
Year-end Report 2015	5 February 2016

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Production: SBAB Bank and Narva.

Photo: Linus Hallgren on pages 1, 7, 12, 18, 19, 20, 24, 26, 52, 61 and 62.

Getty Images on page 15, Johner on pages 17 and 32 and Emil Gustavsson, Narva on page 37.

Illustrations: Boris Kehr/Ziggy Creative Colony on pages 9, 10, 11, 19 and 25.

Print: Ätta.45 Tryckeri, Solna, 2015.

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The logo consists of the word "SBAB!" in a bold, white, sans-serif font, set against a solid orange rectangular background.