



## Interim report

1 January – 30 June 2011

SBAB Bank AB (publ)

**SBAB BANK**





SBAB Bank's business volumes experienced a stable development during the second quarter and the operation continues to broaden its product offering. We further strengthened our liquidity and continued our strategy of extending our funding.

Eva Cederbalk, CEO

### Interim period January – June 2011

- Net interest income amounted to SEK 782 million (949).
- SBAB Bank posted an operating loss of SEK 130 million (profit: 350).
- Operating profit adjusted for the effect of basis swaps was SEK 301 million (200).
- Due to the ongoing efforts to broaden the product offering, costs increased to SEK 335 million (311).
- Loan losses remained low and the net effect for the period was positive at SEK 19 million (neg: 44).
- Deposit volume amounted to SEK 6.2 billion (6.1).
- Lending volume totalled SEK 244.4 billion (249.1), and the market share was 9.2% (9.6).
- Without taking the transitional regulations into account, the Core Tier 1 capital ratio, Tier 1 capital ratio and capital adequacy ratio were 13.4% (14.1), 18.2% (19.1) and 22.2% (22.4), respectively.
- The liquidity risk remained low and the maturity of funding was extended further.

### Second quarter 2011

- Net interest income was SEK 377 million (405).
- Operating profit rose SEK 198 million to SEK 34 million (loss: 164).
- New lending totalled SEK 7.3 billion (6.8).

All comparable figures in parentheses pertaining to income statement items and new lending refer to the year-earlier period, apart from quarter-specific figures for which the preceding quarter is the comparative period. For comparable figures pertaining to balance sheet items, capital adequacy and market share, the date of comparison is the preceding year-end.

Summary SBAB Bank Group	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Net interest income, SEK million	782	949	1,762
Operating profit excl. net result of financial instruments, SEK million	414	571	1,074
Operating profit/loss, SEK million	-130	350	785
Profit/loss after tax, SEK million	-96	257	577
Lending, SEK billion	244.4	242.2	249.1
Doubtful loan receivables after individual provisions, SEK million	30	33	31
Loan losses, net, SEK million	19	-44	-40
Loan loss rate, % <sup>1)</sup>	neg	0.04	0.02
Expenditure/Income ratio excl. loan losses, %	180	44	42
Return on equity, % <sup>2)</sup>	neg	6.8	7.5
Core Tier 1 capital ratio without transitional regulations, %	13.4	13.2	14.1
Tier 1 capital ratio without transitional regulations, %	18.2	18.1	19.1
Capital adequacy ratio without transitional regulations, %	22.2	21.6	22.4
Core Tier 1 capital ratio with transitional regulations, %	6.3	6.2	6.4
Tier 1 capital ratio with transitional regulations, %	8.5	8.5	8.7
Capital adequacy ratio with transitional regulations, %	10.4	10.1	10.2
Rating, long-term funding, SBAB Bank			
-Standard & Poor's	A+	A+	A+
-Moody's	A1	A1	A1
Rating, long-term funding, SCBC			
-Standard & Poor's	AAA	AAA	AAA
-Moody's	Aaa	Aaa	Aaa
Rating, short-term funding, SBAB Bank			
-Standard & Poor's	A-1	A-1	A-1
-Moody's	P-1	P-1	P-1
Average no. of employees during the period	421	430	431

<sup>1)</sup> Loan losses calculated on a full-year basis in relation to opening balance for lending to the public.

<sup>2)</sup> Return on equity is calculated on a full-year basis.

This is a translation of the Swedish interim report. The auditor has not signed the translation for approval.

### Operating results

SBAB Bank's operating result declined compared with the year-earlier period to a loss of SEK 130 million (profit: 350). The net result of financial instruments had a negative effect of SEK 544 million (neg: 221) on earnings, primarily due to unrealised changes in the market

value of basis swaps, which purpose is to eliminate currency risks associated with SBAB Bank's international funding. Adjusted for the effect of basis swaps, operating profit amounted to SEK 301 million (200).

Loan losses remained low and the net effect for the period was a positive SEK 19 million (neg: 44).

SBAB Bank's interest-rate margin remained at a stable level, although net interest income declined to SEK 782 million (949). The lower net interest income was largely due to the year-earlier period's earnings from derivatives attributable to the repurchase of issued bonds being SEK 154 million higher. In addition, the composition of the liquidity portfolio was changed to include a larger part of covered bonds, which reduced interest income somewhat compared with the year-earlier period. Increased costs for subordinated loans had an impact on net interest income that was SEK 20 million higher than in the year-earlier period.

Net commission income declined because as of 2011 the full fee has to be paid for the Government stability fund to support the financial system. The fee for the period was SEK 55 million (26).

SBAB Bank's expenses amounted to SEK 335 million (311). Personnel costs totalled SEK 167 million (168). Depreciation/amortisation amounted to SEK 13 million (13). Other costs increased, primarily due to the on-going efforts to broaden SBAB Bank's product offering. The expense in relation to net interest income was 43% (33). The low year-earlier-period figure was mainly impacted by interest income from derivatives associated with repurchased bonds.

The net result of financial instruments measured at fair value had a considerably negative impact on operating profit, of which a significant impact on earnings derived from value changes caused by spread changes of basis swaps. In line with the company's funding and risk strategy, parts of SBAB Bank's funding operation are conducted in the international capital market. The currency and interest-rate risk involved in this type of funding is eliminated by the usage of currency interest-rate derivatives known as basis swaps. For domestic funding, the interest-rate risk is managed by interest-rate derivatives. SBAB Bank complies with the accounting

policies stipulated under IAS 39, where derivatives are recognized at fair value. To reduce the volatility of earnings, SBAB Bank applies hedge accounting for interest-rate risks, changes in basis-swap valuations are not included. The value of the currency interest-rate derivative is based on the spread of the basis swap and is recognized at fair value. Any value change has an impact on recognized earnings, although the change has no effect on the company's cash flow nor does it create any real risk in the derivatives that are held to maturity, which applies to the majority of the derivatives. The derivatives' sensitivity to changes in the spread has increased due to the company's strategy of extending the maturity of its funding. This strategy reduces the company's liquidity and financing risk.

2011 was characterised by declining market value for swaps from foreign currencies to SEK, which had an adverse impact on SBAB Bank's earnings, particularly during the first quarter of the year. Value changes in currency interest-rate derivatives had a negative impact on recognised earnings of SEK 84 million in the second quarter and SEK 431 million for the year to date. If hedge accounting had also included value changes caused by basis-swap spreads, the net result of financial instruments would instead have amounted to an expense of SEK 88 million for the second quarter and of SEK 113 million for the year to date.

The net result of financial instruments measured at fair value was primarily due to a loss of SEK 259 million (loss: 327) resulting from hedge accounting, associated derivatives and repurchased debt, an expense of SEK 431 million (income: 150) caused by the development in basis-swap spreads and a gain of SEK 129 million (loss: 88) from the part of the liquidity portfolio that is measured at fair value including derivatives.

Loan portfolio	30 Jun 2011		30 Jun 2010		31 Dec 2010	
	SBAB Bank Group*	Group incl. all of FriSpar	SBAB Bank Group*	Group incl. all of FriSpar	SBAB Bank Group*	Group incl. all of FriSpar
SEK million						
Retail lending	147,752	152,730	143,884	149,281	149,429	153,352
- new lending	9,462	11,069	17,629	18,965	31,333	34,631
Corporate lending (incl. tenant-owner associations)	96,644	96,700	98,280	98,361	99,674	99,732
- new lending	4,606	4,606	12,199	12,199	19,064	19,064
<b>Total</b>	<b>244,396</b>	<b>249,430</b>	<b>242,164</b>	<b>247,642</b>	<b>249,103</b>	<b>253,084</b>
- new lending	14,068	15,675	29,828	31,164	50,397	53,695

\* In the SBAB Bank Group, 51% of the co-owned FriSpar Bolån AB (a partnership with Sparbanken Öresund AB (publ)) is consolidated in accordance with the proportional method.

## Loan losses

Loan losses remained low. Loan losses for the period resulted in a net income of SEK 19 million (loss: 44). Improved credit quality resulted in lower provisions to reserves and a reversal of reserves previously made for corporate market loans.

## Lending

SBAB Bank continued to experience weaker demand for residential mortgages, most likely due to a higher overall interest-rate scenario and the implementation of the residential mortgage cap.

Lending declined to SEK 244.4 billion (249.1). New lending decreased to SEK 14.1 billion (29.8). SBAB Bank's total market share was 9.2% (9.6).

Lending to the retail market declined to SEK 147.8 billion (149.4). New lending totalled SEK 9.5 billion (17.6). The market share for lending to the retail market declined to 7.8% (8.1).

Lending to the corporate market and tenant-owner associations amounted to SEK 96.6 billion (99.7). New lending totalled SEK 4.6 billion (12.2). The market share for lending to tenant-owner associations was 17.8% (18.4).

## Deposits

The number of deposit customers and opened savings accounts continued to rise. SBAB Bank's deposit products, which are characterised by competitive interest rates and straightforward product terms and conditions, continued to attract new customers among private individuals, tenant-owner associations and companies. SBAB Bank's deposit volume increased somewhat during the period to SEK 6.2 billion (6.1).

## Funding

SBAB Bank continued to work on implementing its strategy of extending the maturity of its funding by reducing the proportion of short-term debt and extending the maturity of funding through repurchases and issuance of bonds with longer maturities. These activities are conducted to achieve a balance between deposits and lending and thus limit SBAB's liquidity and financing risks.

The total value of debt securities in issue rose SEK 12.0 billion during the period to SEK 274.0 billion (262.0). Funding through the issuance of covered bonds takes place in SBAB Bank's wholly owned subsidiary The Swedish Covered Bond Corporation, SCBC. The total volume of covered bonds issued amounted to SEK 160.4 billion (155.3). The volume outstanding under the Government-guaranteed programme totalled SEK 11.0 billion (15.0).

SBAB Bank attaches considerable importance to having a well-diversified funding portfolio and a flexible product offering. The table below shows SBAB Bank's utilisation of the funding programme in domestic and international capital markets.

Programme utilisation	30 Jun 2011
Swedish Commercial Paper Programme	SEK 5.1 billion
Swedish covered bonds	SEK 89.6 billion
European Commercial Paper Programme	USD 1,395 million
US Commercial Paper Programme	USD 1,277 million
Euro Medium Term Note Programme	EUR 8,868 million
Euro Medium Term Covered Note Programme	EUR 7,738 million
Swedish Government Guarantee Programme	SEK 11.0 billion

## Capital adequacy and risk

SBAB Bank reports credit risk mainly in accordance with the IRB approach, and reports operational and market risk in accordance with the standardised approach. The new Basel III framework imposes stricter requirements than before on the financial sector in respect of capital levels, the composition of the capital base, the size of the liquidity reserve and a longer maturity for funding.

SBAB Bank's current position exceeds the forthcoming capital requirements under Basel III. The planned phase-out of transitional regulations will have a positive impact on SBAB's capital adequacy.

The adaptations will be gradually implemented until 2019 at which time the new regulations will be fully implemented. The current transitional rules will apply at least until year-end 2011.

Without taking the transitional regulations into account, SBAB Bank's capital adequacy ratio and Tier 1 capital ratio under Pillar 1 were 22.2% (22.4) and 18.2% (19.1), respectively at 30 June 2011. The Core tier 1 capital ratio was 13.4% (14.1) and the internally calculated capital requirement was SEK 6,544 million (6,463). The results for the first half year are included in the calculation of the capital ratios above.

A new subordinated debenture in the amount of SEK 1.0 billion was issued in April and a subordinated debenture of SEK 0.5 billion was repurchased in June.

Access to funds was favourable during the first six months and the liquidity situation remained strong, despite a periodically not entirely well-functioning funding market due to the prevailing European budgetary scenario. The company foresees that greater market uncertainty can be expected during at least the remainder of the year.

At 30 June 2011, the liquidity reserve amounted to SEK 43.5 billion (40.9) and the Maximum Cumulative Outflow, MCO, to 201 days (63). The average number of MCO days

Liquidity Reserve, SEK million	30 Jun 2011	Currency distribution			
		SEK	EUR	USD	Other
Securities issued or guaranteed by sovereigns, central or multinational development banks	7,207	2,317	4,333	306	251
Securities issued or guaranteed by municipalities or Public Sector Entities	1,250	1,250	-	-	-
Covered bonds	20,906	11,837	8,520	-	550
Securities issued by financial corporations (excl. covered bonds)	11,779	-	10,165	592	1,022
Bank & Loan Facilities	2,366	2,366	-	-	-
<b>Total</b>	<b>43,509</b>	<b>17,770</b>	<b>23,019</b>	<b>897</b>	<b>1,823</b>
Currency distribution		41%	53%	2%	4%

SBAB Banks liquidity portfolio comprises liquid, interest-bearing securities with high rating and is an integrated part of the Group's liquidity risk management. Holding in securities are limited by asset class and by country, respectively, and must have the highest rating upon acquisition. In addition to these collective limits, limits for individual issuers may also be set.

during the period was 114 (79) and never fell below 48 days (36). The increase was due to the company opting to implement a greater share of pre-funding of the coming debt maturity compared with the year-earlier period, and to a relatively minor part of matured debt. The increasing part of pre-funding primarily resulted from the company's intentional choice to expand the advance planning of its funding. SBAB Bank has funded slightly more than 90% of the long-term debt maturing in 2011.

SBAB Bank measures and stress tests liquidity risk by totalling the maximum conceivable need for liquidity for every day during the coming 365 days, MCO. This measurement is based on a crisis scenario in which all loans are assumed to be extended on maturity, where no liquidity is added through loan redemption and where no funding is available. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established.

For more information on SBAB's risks and risk management, refer to the Annual Report for 2010.

## Performance in the second quarter of 2011 compared with the first quarter of 2011

Operating profit for the quarter rose SEK 198 million to SEK 34 million (loss: 164). Net interest income declined at SEK 377 million (405), due to reduced earnings from interest from derivatives related to the repurchase of issued bonds. A greater portion of pre-funding also impacted the decline in net interest income. Operating income amounted to SEK 181 million (5). The net result of financial instruments improved during the second quarter compared with the first. The improvement was attributable to market value changes of basis swaps. However, the net result of financial instruments for the period had an adverse impact on operating profit. Expenses increased between the quarters and totalled SEK 179 million (156). During the second quarter,

initiatives aimed at broadening the product range continued. Increased marketing initiatives during the second quarter entailed higher costs. Campaigns were conducted for the deposit product, among others.

The trend towards lower demand for residential mortgages and increased competition continued, thus causing a reduction in the overall portfolio despite a slight rise in new lending. In the second quarter, new lending rose to SEK 7.3 billion (6.8). Overall lending totalled SEK 244.4 billion (247.3). New lending to the private market amounted to SEK 5.3 billion (4.2) and the market share was 7.8% (7.9). New lending to companies and tenant-owner associations declined to SEK 2.0 billion (2.6). SBAB Bank's market share for lending to tenant-owner associations decreased to 17.8% (18.3). Deposits through SBAB Bank's savings products amounted to SEK 6.2 billion (5.9) at the end of the period.

Loan losses amounted to recoveries of SEK 32 million (loss: 13). During the second quarter of 2011, Group-wide reserves for private-market loans were redeemed, which was primarily attributable to a positive migration into better risk categories in the underlying credit portfolio.

## Current events

After slightly more than seven years as CEO of SBAB Bank, Eva Cederbalk will step down from her position on her own accord. She will remain CEO until a successor has been recruited.

## Financial information

Interim report January – September	28 October 2011
Year-end report	February 2012

The Board of Directors and the CEO certify that the interim report provides a fair view of the Parent Company's and the Group's operations, position and earnings, and describes the significant risks and uncertainties to which the Parent Company and the companies in the Group are exposed.

*Stockholm, 21 July 2011*

Arne Liljedahl  
*Chairman of the Board*

Per Anders Fasth  
*Board member*

Jakob Grinbaum  
*Board member*

Hanna Lagercrantz  
*Board member*

Helena Levander  
*Board member*

Karin Moberg  
*Board member*

Lena Smeby-Udesen  
*Board member*

Anna Christenson  
*Board member*  
*(Employee Representative)*

Göran Thilén  
*Board member*  
*(Employee Representative)*

Eva Cederbalk  
*CEO*

# Income statement

Group SEK million	2011 Q2	2011 Q1	2010 Q2	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Interest income	2,590	2,196	1,197	4,786	2,311	5,355
Interest expenses	-2,213	-1,791	-724	-4,004	-1,362	-3,593
<b>Net interest income</b>	<b>377</b>	<b>405</b>	<b>473</b>	<b>782</b>	<b>949</b>	<b>1,762</b>
Commission income	16	12	14	28	26	50
Commission expenses	-40	-40	-23	-80	-49	-94
Net income/expense from financial instruments measured at fair value (Note 2)	-172	-372	-92	-544	-221	-289
Other operating income	0	0	0	0	0	0
<b>Total operating income</b>	<b>181</b>	<b>5</b>	<b>372</b>	<b>186</b>	<b>705</b>	<b>1,429</b>
Personnel costs	-84	-83	-82	-167	-168	-316
Other expenses	-89	-66	-67	-155	-130	-262
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-6	-7	-6	-13	-13	-26
<b>Total expenses before loan losses</b>	<b>-179</b>	<b>-156</b>	<b>-155</b>	<b>-335</b>	<b>-311</b>	<b>-604</b>
<b>Profit/loss before loan losses</b>	<b>2</b>	<b>-151</b>	<b>217</b>	<b>-149</b>	<b>394</b>	<b>825</b>
Loan losses, net (Note 3)	32	-13	-39	19	-44	-40
<b>Operating profit/loss</b>	<b>34</b>	<b>-164</b>	<b>178</b>	<b>-130</b>	<b>350</b>	<b>785</b>
Tax	-9	43	-47	34	-93	-208
<b>Profit/loss for the period</b>	<b>25</b>	<b>-121</b>	<b>131</b>	<b>-96</b>	<b>257</b>	<b>577</b>

# Statement of comprehensive income

Group SEK million	2011 Q2	2011 Q1	2010 Q2	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
<b>Profit/loss for the period</b>	<b>25</b>	<b>-121</b>	<b>131</b>	<b>-96</b>	<b>257</b>	<b>577</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Change in reclassified financial assets, after tax	5	8	13	13	32	57
Change in instruments used in cash flow hedging, after tax	-0	0	1	0	0	3
<b>Other comprehensive income, net after tax</b>	<b>5</b>	<b>8</b>	<b>14</b>	<b>13</b>	<b>32</b>	<b>60</b>
<b>Total comprehensive income/loss for the period</b>	<b>30</b>	<b>-113</b>	<b>145</b>	<b>-83</b>	<b>289</b>	<b>637</b>

# Income statement, quarterly

Group SEK million	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2
Interest income	2,590	2,196	1,630	1,414	1,197
Interest expenses	-2,213	-1,791	-1,245	-986	-724
<b>Net interest income</b>	<b>377</b>	<b>405</b>	<b>385</b>	<b>428</b>	<b>473</b>
Commission income	16	12	13	11	14
Commission expenses	-40	-40	-22	-23	-23
Net income/expense from financial instruments measured at fair value	-172	-372	145	-213	-92
Other operating income	0	0	-	0	0
<b>Total operating income</b>	<b>181</b>	<b>5</b>	<b>521</b>	<b>203</b>	<b>372</b>
Personnel costs	-84	-83	-75	-73	-82
Other costs	-89	-66	-78	-54	-67
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-6	-7	-7	-6	-6
<b>Total expenses before loan losses</b>	<b>-179</b>	<b>-156</b>	<b>-160</b>	<b>-133</b>	<b>-155</b>
<b>Profit/loss before loan losses</b>	<b>2</b>	<b>-151</b>	<b>361</b>	<b>70</b>	<b>217</b>
Loan losses, net	32	-13	-1	5	-39
<b>Operating profit/loss</b>	<b>34</b>	<b>-164</b>	<b>360</b>	<b>75</b>	<b>178</b>
Tax	-9	43	-96	-19	-47
<b>Profit/loss for the period</b>	<b>25</b>	<b>-121</b>	<b>264</b>	<b>56</b>	<b>131</b>



# Balance sheet

Group  
SEK million

	30 Jun 2011	30 Jun 2010	31 Dec 2010
<b>ASSETS</b>			
Cash and balances at central banks	0	0	0
Chargeable treasury bills and other eligible bills	2,029	3,494	2,365
Lending to credit institutions	24,906	18,371	12,892
Lending to the public (Note 4)	244,396	242,164	249,103
Change in value of interest-rate-hedged items in portfolio hedges	122	2,117	500
Bonds and other interest-bearing securities	47,503	36,190	37,985
Derivative instruments (Note 5)	11,473	13,259	12,665
Deferred tax assets	74	-	-
Intangible fixed assets	33	37	34
Property, plant and equipment	29	22	28
Other assets	1,028	1,969	462
Prepaid expenses and accrued income	975	742	891
<b>TOTAL ASSETS</b>	<b>332,568</b>	<b>318,365</b>	<b>316,925</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	24,426	23,094	18,257
Deposits from the public	6,180	5,152	6,083
Debt securities in issue	273,988	264,673	261,962
Derivative instruments (Note 5)	10,779	8,729	12,576
Other liabilities	591	536	338
Accrued expenses and prepaid income	2,622	2,528	4,033
Provisions	94	267	154
Subordinated liabilities	5,957	5,720	5,508
<b>Total liabilities</b>	<b>324,637</b>	<b>310,699</b>	<b>308,911</b>
<b>Equity</b>			
Share capital	1,958	1,958	1,958
Other reserves	-67	-108	-80
Retained earnings	6,136	5,559	5,559
Profit/loss for the period	-96	257	577
<b>Total equity</b>	<b>7,931</b>	<b>7,666</b>	<b>8,014</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>332,568</b>	<b>318,365</b>	<b>316,925</b>

# Statement of changes in equity

Group SEK million	Share capital	Other reserves	Retained earnings	Profit/loss for the period	Total equity
<b>Opening balance 1 January 2011</b>	<b>1,958</b>	<b>-80</b>	<b>6,136</b>		<b>8,014</b>
Total comprehensive income/loss for the period		13		-96	-83
<b>Closing balance 30 June 2011</b>	<b>1,958</b>	<b>-67</b>	<b>6,136</b>	<b>-96</b>	<b>7,931</b>
<b>Opening balance 1 January 2010</b>	<b>1,958</b>	<b>-140</b>	<b>5,559</b>		<b>7,377</b>
Total comprehensive income for the period		32		257	289
<b>Closing balance 30 June 2010</b>	<b>1,958</b>	<b>-108</b>	<b>5,559</b>	<b>257</b>	<b>7,666</b>
<b>Opening balance 1 January 2010</b>	<b>1,958</b>	<b>-140</b>	<b>5,559</b>		<b>7,377</b>
Total comprehensive income for the period		60		577	637
<b>Closing balance 31 December 2010</b>	<b>1,958</b>	<b>-80</b>	<b>5,559</b>	<b>577</b>	<b>8,014</b>

# Cash flow statement

Group SEK million	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8,959</b>	<b>4,862</b>	<b>4,862</b>
Cash flow from operating activities	10,456	6,080	2,125
Cash flow from investing activities	-14	-12	-28
Cash flow from funding activities	501	2,000	2,000
<b>Increase/decrease in cash and cash equivalents</b>	<b>10,943</b>	<b>8,068</b>	<b>4,097</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>19,902</b>	<b>12,930</b>	<b>8,959</b>

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

# Capital base

Group SEK million	30 Jun 2011	30 Jun 2010	31 Dec 2010
<b>Core Tier 1 capital</b>			
Equity	7,931	7,666	8,014
Unrealised value changes of loan and accounts receivable previously classified as assets available-for-sale	67	105	80
Value changes attributable to derivative instruments included in cash-flow hedges	0	4	1
Non-controlling interest	614	516	565
Intangible fixed assets	-33	-37	-34
Deferred tax assets	-74	-	-
Net reserves for IRB exposures	-106	-102	-109
<b>Core Tier 1 capital</b>	<b>8,399</b>	<b>8,152</b>	<b>8,517</b>
<b>Tier 1 capital contribution</b>			
Tier 1 capital contribution without redemption incentives *	2,000	2,000	2,000
Tier 1 capital contribution with redemption incentives *	994	994	994
<b>Tier 1 capital</b>	<b>11,393</b>	<b>11,146</b>	<b>11,511</b>
<b>Supplementary capital</b>			
Perpetual subordinated debentures	-	-	-
Time-limited subordinated debentures	2,608	2,260	2,108
Net reserves for IRB exposures	-105	-101	-109
<b>Supplementary capital</b>	<b>2,503</b>	<b>2,159</b>	<b>1,999</b>
Expanded part of capital base	-	-	-
Deduction from entire capital base	-	-	-
<b>Amount for capital base net after deductible items and limit value</b>	<b>13,896</b>	<b>13,305</b>	<b>13,510</b>

\* Encompassed by the transitional rules to FFFS 2007:1

# Capital requirements

Group SEK million	30 Jun 2011	30 Jun 2010	31 Dec 2010
<b>Credit risk recognised in accordance with IRB approach</b>			
Corporate exposures	2,266	2,224	2,317
Retail exposures	860	876	838
<b>Total exposures in accordance with IRB approach</b>	<b>3,126</b>	<b>3,100</b>	<b>3,155</b>
<b>Credit risk reported in accordance with standardised approach</b>			
Exposures to governments and central banks	0	0	0
Exposures to municipalities and comparable associations	0	0	0
Institutional exposures	418	276	178
Corporate exposures	953	1,137	1,068
Retail exposures	35	27	17
Unregulated items	1	1	1
Other items	8	6	6
<b>Total exposures in accordance with standardised approach</b>	<b>1,415</b>	<b>1,447</b>	<b>1,270</b>
<b>Risks in the commercial portfolio</b>	<b>252</b>	<b>201</b>	<b>214</b>
<b>Operational risk</b>	<b>217</b>	<b>183</b>	<b>183</b>
<b>Currency risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Raw material risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total minimum capital requirement</b>	<b>5,010</b>	<b>4,931</b>	<b>4,822</b>
Addition according to transitional rules	5,652	5,579	5,769
<b>Total capital requirement according to transition rules</b>	<b>10,662</b>	<b>10,510</b>	<b>10,591</b>

# Capital adequacy

Group SEK million	30 Jun 2011	30 Jun 2010	31 Dec 2010
Core Tier 1 capital	8,399	8,152	8,517
Tier 1 capital	11,393	11,146	11,511
Total capital	13,896	13,305	13,510
<b>Without transition rules</b>			
Risk-weighted assets	62,630	61,642	60,279
Core Tier 1 capital ratio	13.4%	13.2%	14.1%
Tier 1 capital ratio	18.2%	18.1%	19.1%
Capital adequacy ratio	22.2%	21.6%	22.4%
Capital quotient	2.77	2.70	2.80
<b>With transition rules</b>			
Risk-weighted assets	133,276	131,379	132,388
Core Tier 1 capital ratio	6.3%	6.2%	6.4%
Tier 1 capital ratio	8.5%	8.5%	8.7%
Capital adequacy ratio	10.4%	10.1%	10.2%
Capital quotient	1.30	1.27	1.28



# Notes

## Note 1 Accounting policies

The SBAB Bank Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. It also complies with the Swedish Financial Supervisory Authority's (SFSA) regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25), the SFSA's regulations and general guidelines regarding public disclosure of information regarding capital adequacy and risk management (FFFS 2007:5), 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. The Group's interim reports fulfil the requirements stipulated under IAS 34, Interim Financial Reporting.

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

As part of IASB's annual improvement project, IAS 34 has been amended. The amendment, which came into effect on 1 January 2011, pertains only to disclosure requirements, provides guidance concerning the application of disclosure principles under IAS 34 and adds further disclosure requirements concerning circumstances that will probably impact the fair value and classification of financial instruments, the transfer of financial instruments between various levels of the fair-value hierarchy and changes in the classification of financial assets. The amendments to IAS have had no impact on SBAB Bank's interim report for the period from 1 January to 30 June 2011, although SBAB Bank will make a new assessment of whether the disclosure requirements are applicable for each interim report. In other respects, the accounting policies and methods of calculation remain unchanged compared with the 2010 Annual Report. The general economic development in Sweden is the primary risk factor for SBAB Bank's 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 certain exposure to price risks. For further information on SBAB Bank's risks and management, refer to the 2010 Annual Report.

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

Group SEK million	2011 Q2	2011 Q1	2010 Q2	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Gains/losses on interest-bearing financial instruments						
- Securities measured at fair value through profit or loss	343	-284	49	59	237	-156
- Value change of hedged items in hedge accounting	-1,313	1,170	-646	-143	-457	869
- Realised loss from financial liabilities	-6	-42	-139	-48	-647	-770
- Derivative instruments	792	-1,228	613	-436	580	-349
- Loan receivables	16	12	34	28	70	118
Currency translation effects	-4	-0	-3	-4	-4	-1
<b>Total</b>	<b>-172</b>	<b>-372</b>	<b>-92</b>	<b>-544</b>	<b>-221</b>	<b>-289</b>

### Note 3 Loan losses, net

Group SEK million	2011 Q2	2011 Q1	2010 Q2	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
<b>CORPORATE MARKET</b>						
INDIVIDUAL PROVISION FOR CORPORATE MARKET LOANS						
Write-off of confirmed loan losses for the period	-0	-1	-	-1	-5	-8
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	2	1	-	3	5	6
Provision for probable loan losses for the period	-0	-0	-9	-0	-9	-9
Recoveries in respect of confirmed loan losses in prior years	-	0	0	0	0	0
Reversal of prior year provisions for probable loan losses no longer required	0	5	0	5	0	3
Guarantees	-0	-0	-0	-0	1	3
<b>Net cost/income for the period for individual provisions for corporate market loans</b>	<b>2</b>	<b>5</b>	<b>-9</b>	<b>7</b>	<b>-8</b>	<b>-5</b>
COLLECTIVE PROVISION FOR CORPORATE MARKET LOANS						
Allocation to/redemption of collective provision	5	8	1	13	-12	-1
Guarantees	-0	-1	-1	-1	-3	-6
<b>Net cost/income for the period for collective provisions for corporate market loans</b>	<b>5</b>	<b>7</b>	<b>-0</b>	<b>12</b>	<b>-15</b>	<b>-7</b>
<b>RETAIL MARKET</b>						
INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS						
Write-off of confirmed loan losses for the period	-3	-	-3	-3	-5	-13
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	4	-	1	4	3	8
Provision for probable loan losses for the period	-0	-1	-6	-1	-8	-8
Reversal of prior year provisions for probable loan losses no longer required	0	0	0	0	0	1
Guarantees	-	-	-	-	0	0
<b>Net cost/income for the period for individual provisions for retail market loans</b>	<b>1</b>	<b>-1</b>	<b>-8</b>	<b>0</b>	<b>-10</b>	<b>-12</b>
COLLECTIVE PROVISION FOR RETAIL MARKET LOANS						
Write-off of confirmed loan losses for the period	-2	-2	-5	-4	-10	-17
Recoveries in respect of confirmed loan losses in prior years	5	0	0	5	1	2
Allocation to/redemption of collective provision	23	-25	-21	-2	-6	-8
Guarantees	-2	3	4	1	4	7
<b>Net cost/income for the period for collective provisions for retail market loans</b>	<b>24</b>	<b>-24</b>	<b>-22</b>	<b>-0</b>	<b>-11</b>	<b>-16</b>
<b>NET COST/INCOME FOR THE PERIOD FOR LOAN LOSSES</b>	<b>32</b>	<b>-13</b>	<b>-39</b>	<b>19</b>	<b>-44</b>	<b>-40</b>

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.

### Note 4 Lending to the public

Group SEK million	30 Jun 2011		30 Jun 2010		31 Dec 2010	
	Lending	Provision	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	91,933	-146	89,242	-150	93,386	-148
Tenant-owner rights	55,808	-107	54,899	-108	56,231	-107
Tenant-owner associations	53,292	-42	54,106	-68	55,153	-60
Private multi-family dwellings	28,579	-34	27,137	-43	28,378	-37
Municipal multi-family dwellings	6,701	-	7,846	-	7,363	-
Commercial properties	8,148	-	9,302	-	8,877	-
Other	265	-1	1	-	67	-0
Provision for probable loan losses	-330		-369		-352	
<b>Total</b>	<b>244,396</b>	<b>-330</b>	<b>242,164</b>	<b>-369</b>	<b>249,103</b>	<b>-352</b>

	30 Jun 2011	30 Jun 2010	31 Dec 2010
Doubtful and nonperforming loan receivables			
a) Doubtful loan receivables	92	116	104
b) Nonperforming loan receivables* included in doubtful loan receivables	13	20	17
c) Nonperforming loan receivables* not included in doubtful loan receivables	304	286	279
d) Individual provisions for loan receivables	62	83	73
e) Collective provisions for corporate market loans	25	50	38
f) Collective provisions for retail market loans	243	236	241
g) Total provisions (d+e+f)	330	369	352
h) Doubtful loan receivables after individual provisions (a-d)	30	33	31
i) Provision ratio for individual provisions (d/a)	67%	72%	70%

\* where cash flows are > 60 days past due

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

## Note 5 Derivative instruments

### Group

30 June 2011, SEK million

	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	3,512	3,837	408,432
Currency related	7,961	6,942	178,240
<b>Total</b>	<b>11,473</b>	<b>10,779</b>	<b>586,672</b>

## Note 6 Operating segments

### Risk-adjusted income statement

#### Group

SEK million

	Jan-Jun 2011				Jan-Jun 2010			
	Consumer	Corporate	Finance	Total	Consumer	Corporate	Finance	Total
Risk-adjusted income	543	144	-514	173	498	115	71	684
Risk-adjusted expenses	-261	-57	-53	-371	-250	-59	-48	-357
Tax	-74	-23	149	52	-65	-15	-6	-86
<b>Risk-adjusted profit/loss after tax</b>	<b>208</b>	<b>64</b>	<b>-418</b>	<b>-146</b>	<b>183</b>	<b>41</b>	<b>17</b>	<b>241</b>
<b>RAROC*, after tax</b>	<b>12.8%</b>	<b>9.0%</b>	<b>-176.2%</b>	<b>-5.6%</b>	<b>11.0%</b>	<b>6.0%</b>	<b>5.6%</b>	<b>9.1%</b>

\*Risk Adjusted Return On (economic) Capital, meaning risk-adjusted return after tax.

Operating-segment disclosures are risk adjusted. In the risk-adjusted follow-up of profit and loss, recognised equity is replaced by "Economic capital." "Economic capital" comprises the capital that SBAB Bank deems to be required to cover unexpected losses during the coming year. At 30 June 2011, "Economic capital" was lower than recognised equity, thus making the return on equity in the risk-adjusted income statement lower. Recognised loan losses were replaced by "Expected losses," in risk-adjusted expenses. For further information on "Economic capital" and "Expected losses", refer to pages 25 and 39 of the 2010 Annual Report.

### Reconciliation

The following is a reconciliation between SBAB Bank's risk-adjusted income statement (as above) and SBAB Bank's external result.

#### Group

SEK million

	2011 Jan-Jun	2010 Jan-Jun
Risk-adjusted income	173	684
Adjustment to return on recognised equity	13	21
<b>Total net interest income and other operating income</b>	<b>186</b>	<b>705</b>
Risk-adjusted expenses	-371	-357
Adjustment to recognised loan losses	55	2
<b>Expenses and loan losses</b>	<b>-316</b>	<b>-355</b>
Risk-adjusted profit/loss before tax	-198	327
Tax according to risk-adjusted income statement	52	-86
<b>Risk-adjusted profit/loss after tax</b>	<b>-146</b>	<b>241</b>
<b>Risk-adjusted items</b>		
Adjustment to return on recognised equity	13	21
Adjustment to recognised loan losses	55	2
Reversal of tax under risk-adjusted income statement	-52	86
<b>Operating profit/loss</b>	<b>-130</b>	<b>350</b>
Recognised tax	34	-93
<b>Profit/loss for the period after tax</b>	<b>-96</b>	<b>257</b>

## Note 7 Reclassified assets

As of 1 July 2008, the fair value of the reclassified portfolio amounted to SEK 21.7 billion. The average effective compound interest rate used in the reclassification was 6.3%. At the same date, the fair value reserve attributable to these assets had a negative value of SEK 200 million, net after tax. At 30 June 2011, the fair value of the assets would have amounted to SEK 12.6 billion had the assets continued to be recognised as "Available-for-sale financial assets." The carrying amount at 30 June 2011 was SEK 13.1 billion. At the same date, the fair value reserve attributable to the reclassified assets would have amounted to a negative SEK 0.4 billion, net after tax, had the assets continued to be recognised as "Available-for-sale financial assets." The reserve amounted to a negative SEK 67 million, net after tax, at 30 June 2011. After the reclassification date, SEK 180 million of the reserve before tax was reversed and exchange rate fluctuations had a negative impact of SEK 6 million before tax on the value of the reserve.

# Income statement

Parent Company SEK million	2011 Q2	2011 Q1	2010 Q2	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Interest income	961	764	594	1,725	1,176	2,226
Interest expenses	-989	-818	-439	-1,807	-889	-1,922
<b>Net interest income/expense</b>	<b>-28</b>	<b>-54</b>	<b>155</b>	<b>-82</b>	<b>287</b>	<b>304</b>
Dividends received	13	-	14	13	14	114
Commission income	30	27	28	57	54	109
Commission expenses	-18	-20	-9	-38	-21	-44
Net income/expense from financial transactions	-100	-43	-39	-143	-41	-201
Other operating income	107	108	102	215	205	431
<b>Total operating income</b>	<b>4</b>	<b>18</b>	<b>251</b>	<b>22</b>	<b>498</b>	<b>713</b>
Personnel costs	-85	-83	-82	-168	-168	-317
Other expenses	-89	-68	-70	-157	-135	-270
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-3	-3	-3	-6	-6	-12
<b>Total expenses before loan losses</b>	<b>-177</b>	<b>-154</b>	<b>-155</b>	<b>-331</b>	<b>-309</b>	<b>-599</b>
<b>Profit/loss before loan losses</b>	<b>-173</b>	<b>-136</b>	<b>96</b>	<b>-309</b>	<b>189</b>	<b>114</b>
Loan losses, net	11	16	-25	27	-29	-30
<b>Operating profit/loss</b>	<b>-162</b>	<b>-120</b>	<b>71</b>	<b>-282</b>	<b>160</b>	<b>84</b>
Tax	45	32	-14	77	-38	7
<b>Profit/loss for the period</b>	<b>-117</b>	<b>-88</b>	<b>57</b>	<b>-205</b>	<b>122</b>	<b>91</b>

# Statement of comprehensive income

Parent Company SEK million	2011 Q2	2011 Q1	2010 Q2	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
<b>Profit/loss for the period</b>	<b>-117</b>	<b>-88</b>	<b>57</b>	<b>-205</b>	<b>122</b>	<b>91</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Change in reclassified financial assets, after tax	5	8	13	13	32	57
Change in instruments used in cash flow hedging, after tax	-0	0	1	0	0	3
<b>Other comprehensive income, net after tax</b>	<b>5</b>	<b>8</b>	<b>14</b>	<b>13</b>	<b>32</b>	<b>60</b>
<b>Total comprehensive income/loss for the period</b>	<b>-112</b>	<b>-80</b>	<b>71</b>	<b>-192</b>	<b>154</b>	<b>151</b>

## Parent Company's performance January-June 2011

Lending to the public amounted to SEK 30.7 million (35.3). The decline was due to credit being transferred to SCBC, which regularly acquires credit from SBAB Bank since SCBC does not conduct any proprietary new-lending activities.

SBAB Bank posted an operating loss of SEK 282 million (profit: 160). Operating income amounted to SEK 22 million (498). The development was largely due to lower net interest expense of SEK 82 million (income: 287). The average margin on the loan portfolio was stable in the second quarter. The sharp rise in market interest rates in the past year has impacted the management of interest risks between the Parent Company and subsidiaries. For the Parent Company, this resulted in an adverse impact on net interest income.

The net expense of financial items measured at fair value amounted to SEK 143 million (expense: 41), of which an

expense of SEK 100 million was attributable to the second quarter. Most of the result was due to market-value changes in basis swaps, comprising an expense of SEK 55 million for the second quarter and SEK 115 for the period as a whole.

Expenses of SEK 331 million (309) were somewhat higher than in the year-earlier period due to the continued development of SBAB Bank's product offering. Loan losses declined as a result of lower provisions and the redemption of collective provisions for corporate market loans and amounted to SEK 27 million (loss: 29).

The Parent Company has favourable capital adequacy. Without taking the transitional regulations into account, the Tier 1 capital ratio and capital adequacy ratio were 37.5% (39.6) and 46.7% (47.3), respectively.



# Balance sheet

Parent Company SEK million	30 Jun 2011	30 Jun 2010	31 Dec 2010
<b>ASSETS</b>			
Cash and balances at central banks	0	0	0
Chargeable treasury bills and other eligible bills	2,029	3,494	2,365
Lending to credit institutions (Note 8)	52,035	46,673	50,265
Lending to the public	30,653	35,566	35,298
Value change of interest-rate-hedged items in portfolio hedges	-11	-19	-14
Bonds and other interest-bearing securities	47,503	36,190	37,985
Derivative instruments	8,936	10,837	10,326
Shares and participations in joint ventures	637	535	587
Shares and participations in Group companies	9,600	9,600	9,600
Intangible fixed assets	7	5	5
Property, plant and equipment	29	22	28
Other assets	984	1,682	515
Prepaid expenses and accrued income	687	494	634
<b>TOTAL ASSETS</b>	<b>153,089</b>	<b>145,079</b>	<b>147,594</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	9,994	8,932	9,975
Deposits from the public	6,180	5,152	6,083
Debt securities in issue	114,226	107,653	107,223
Derivative instruments	7,798	8,606	9,838
Other liabilities	573	434	242
Accrued expenses and prepaid income	690	530	790
Provisions	142	328	214
Subordinated liabilities	5,957	5,720	5,508
<b>Total liabilities</b>	<b>145,560</b>	<b>137,355</b>	<b>139,873</b>
<b>Equity</b>			
Share capital	1,958	1,958	1,958
Legal reserve	392	392	392
Fair value reserve	-67	-108	-80
Retained earnings	5,451	5,360	5,360
Profit/loss for the year	-205	122	91
<b>Total equity</b>	<b>7,529</b>	<b>7,724</b>	<b>7,721</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>153,089</b>	<b>145,079</b>	<b>147,594</b>

# Capital adequacy

Parent Company SEK million	30 Jun 2011	30 Jun 2010	31 Dec 2010
Core Tier 1 capital	7,560	7,806	7,653
Tier 1 capital	10,554	10,800	10,647
Total capital	13,133	13,039	12,711
<b>Without transition rules</b>			
Risk-weighted assets	28,117	27,954	26,891
Core Tier 1 capital ratio	26.9%	27.9%	28.5%
Tier 1 capital ratio	37.5%	38.6%	39.6%
Capital adequacy ratio	46.7%	46.7%	47.3%
Capital quotient	5.84	5.83	5.91
<b>With transition rules</b>			
Risk-weighted assets	28,834	31,507	28,876
Core Tier 1 capital ratio	26.2%	24.8%	26.5%
Tier 1 capital ratio	36.6%	34.3%	36.9%
Capital adequacy ratio	45.5%	41.4%	44.0%
Capital quotient	5.69	5.17	5.50

## Note 8 Lending to credit institutions

Of the Parent Company's lending to credit institutions, SEK 33,277 million (38,363) relates to a receivable from the wholly owned subsidiary The Swedish Covered Bond Corporation, SCBC (publ). This receivable is subordinated in the event of bankruptcy or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid.

# Review Report

To the Board of SBAB Bank AB (publ)  
Corporate registration number 556253-7513

## Introduction

We have reviewed the interim report of SBAB Bank AB (publ), corp. reg. no. 556253-7513, for the period 1 January 2011 – 30 June 2011. The Board of Directors and the CEO are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts (Credit Institutions and Securities Companies) Act. Our responsibility is to express an opinion on this interim report, based on our review.

## The direction and extent of the review

We have performed this review in accordance with the Swedish Standard on Review Engagements SÖG 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making enquiries, primarily to persons responsible for financial and accounting matters, performing an analytical review and undertaking other review measures. A review has another direction and is substantially

more limited in scope than an audit conducted in accordance with the Auditing Standard in Sweden (RS) and generally accepted auditing practice otherwise. The measures undertaken in a review do not permit us to be certain that we have become aware of all significant matters that might have been identified in an audit. The expressed conclusion based on a review does not therefore have the degree of certainty that a conclusion expressed as a result of an audit has.

## Conclusion

On the basis of our review, nothing has come to our attention which gives us cause to believe that the enclosed interim report has not been prepared, in all essentials, in accordance with IAS 34 and the Annual Accounts (Credit Institutions and Securities Companies) Act for the Group and in accordance with the Annual Accounts (Credit Institutions and Securities Companies) Act for the Parent Company.

Stockholm, 22 July 2011  
Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson  
*Authorised Public Accountant*

# SBAB BANK

SBAB Bank AB (publ)