Annual Report 2011

SBAB Bank AB (publ)

Contents

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

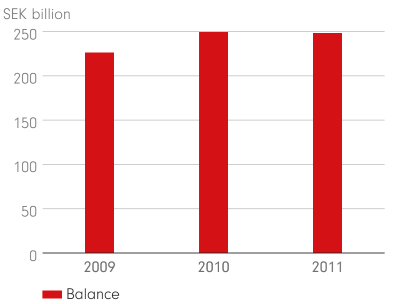
SBAB Bank in brief

SBAB Bank AB (publ), "SBAB Bank", was formed in 1984 and is wholly owned by the Kingdom of Sweden. In 2011, SBAB Bank began conducting banking activities.

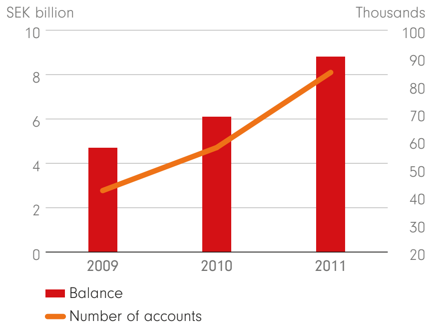
SBAB Bank provides loans and savings services for private individuals via the Internet and telephone, and to the corporate market and tenant-owner associations through personal contacts. Distribution of residential mortgages is also carried out through business partners.

In 2011, SBAB Bank had approximately 410 employees, with offices in Karlstad, Stockholm, Gothenburg and Malmö.

Lending



Deposit volume and number of accounts, total



Financial information 2012

SBAB Bank's interim reports, annual reports and other financial information are available at sbab.se

Annual General Meeting	19 April
Interim Report January–March	27 April
Interim Report January–June	20 July
Interim Report January–September	30 October

2011 in brief

- SBAB Bank's operating profit for 2011 amounted to SEK 464 million (785). The year was characterised by a stable lending volume and a sharp increase in deposits.
- SBAB Bank began conducting banking activities.
- The strategy to diversify SBAB Bank's investor base continued during the year, resulting in SBAB Bank reentering the Japanese market.
- Carl-Viggo Östlund was appointed as the new CEO of SBAB Bank and assumed the position on 1 March 2012.
- Moody's revised SBAB Bank's long-term credit rating from A1 to A2, stable outlook.
- Standard & Poor's confirmed SBAB Bank's credit rating of A+/A–1, stable outlook.
- SBAB Bank's "Value Guide" service was integrated with hemnet.se.

Summary
SBAB Bank Group

	2011 Jan–Dec	2010 Jan–Dec	%
INCOME STATEMENT ITEMS			
Net interest income, SEK million	1,618	1,762	–8
Loan losses, net, SEK million	–8	–40	–80
Operating profit, excl. net result of financial instruments, SEK million	813	1,074	–24
Operating profit, SEK million	464	785	–41
Net profit for the year, SEK million	341	577	–41
BALANCE SHEET ITEMS			
Lending, SEK billion	248.1	249.1	–0
Doubtful loan receivables after individual provisions, SEK million	31	31	0
Deposits, SEK billion	8.8	6.1	44
Funding, SEK billion	276.7	262.0	5.6
KEY DATA			
Loan loss rate, % [1]	0.00	0.02	
Return on equity, %	4.2	7.5	
Average number of employees	419	431	
CAPITAL ADEQUACY			
Without transitional regulations			
Core Tier 1 capital ratio, %	15.0	14.1	
Tier 1 capital ratio, %	20.0	19.1	
Capital adequacy ratio, %	23.9	22.4	
With transitional regulations			
Core Tier 1 capital ratio, %	6.7	6.4	
Tier 1 capital ratio, %	8.9	8.7	
Capital adequacy ratio, %	10.7	10.2	
RATING			
SBAB Bank			
Long-term funding			
–Standard & Poor's [2]	A+	A+	
–Moody's [3]	A2	A1	
Short-term funding			
–Standard & Poor's	A–1	A–1	
–Moody's	P–1	P–1	
SCBC			
Long-term funding			
–Standard & Poor's	AAA	AAA	
–Moody's	Aaa	Aaa	

1) Loan losses in relation to opening balance for lending to the public.
2) Standard & Poor's Credit Market Services Europe Limited.
3) Moody's Investors Service Limited. On 2 November, Moody's downgraded SBAB Bank's long-term rating to A2.

Review by Carl-Viggo Östlund, new CEO of SBAB Bank

The year 2011 was another year of uncertainty and instability in the world's financial markets. The recovery from the 2008 crisis in the financial system was disrupted by a new sovereign debt crisis. This led to considerable uncertainty in the bank sector, which in turn resulted in increased costs for funding and liquidity.

Despite the turbulence in the financial markets, we can look back at 2011 as a year of stable development in the lending operations, a sharp increase in deposits and continued low loan losses. The efforts to diversify our funding continued and we took an even more proactive approach to the pre-funding of maturing debt in order to reduce the bank's liquidity risk. SBAB Bank was well funded and maintained favourable liquidity during the year but operating profit declined compared with 2010, primarily due to expenses associated with pre-funding and development costs for a broader customer offering.

Residential mortgage market

The declining growth rate noted in the residential mortgage market toward the end of 2010 continued in 2011. An uncertain global macroeconomic situation impacted market growth. The price of single-family dwellings and tenant-owner rights fell slightly. Given the subdued economic outlook, the Riksbank decided in the fourth quarter to lower both the repo rate and its forecast for the interest-rate trend. SBAB Bank expects the growth of the residential mortgage market in 2012 to be cautiously positive.

Attractive deposit products

The financial turbulence resulted in a downturn in the world's stock markets, causing savers to largely forgo equity investments in favour of more secure investment alternatives. SBAB Bank's deposit products, which are characterised by competitive interest rates and straightforward product terms and conditions, continued to attract new customers among both private individuals and tenant-owner associations and corporate customers. The number of deposit customers, new savings accounts and the deposit volume increased steadily and we experienced slightly more than 40% growth during the year. Our assessment is that this positive development was the result of SBAB Bank's well-defined ambition to always offer the market interest rate for savings capital.

Future-oriented sustainability work

The success of SBAB Bank is largely dependent on the confidence of customers and society in our ability to conduct and develop our operations in a responsible and sustainable manner. This is particularly important today as we expand our operations and develop new customer offerings. Sustainable entrepreneurship has been part of SBAB Bank's business plan since 2009 and thus serves as a solid platform for continued proactive and future-oriented sustainability work.

Redefining the "bank" concept

We now find ourselves in a time when the conditions for banking operations are being reshaped from the ground up. The word "bank" is being redefined, as an increasing number of players begin offering financial services. This is an exciting trend that forces traditional players to reassess their own operations and expand their horizons. We can no longer take for granted that a bank's main competitors are other banks. Nor can we take for granted that the customer's financial partner always is a bank. And in the midst of all this, we have an opportune moment to build a new bank – SBAB Bank.

In March 2011, SBAB began conducting banking activities and changed its name to SBAB Bank AB (publ). In 2011, we focused on developing SBAB Bank. We have worked to improve our availability, stability and performance, while simultaneously carrying out intensive efforts to prepare a broader customer offering.

Straightforward and clearly defined offering

Our strategy is well established and highlights the direction we will take in the immediate future. The main objective is to position SBAB Bank as an attractive alternative with a straightforward and clearly defined offering. Demand for the traditional "smorgasbord" of more or less incomprehensible bank products is declining.

Customers are demanding – and deserve – products that are easy to understand and the opportunity to gain an overview of their own financial situation, without requiring in-depth expertise. Based on this vision, we will continue to develop the bank and influence the industry.

Unique position of trust

SBAB Bank's main business is residential mortgages. Thanks to our long-standing know-how, we have achieved a unique position of trust among individuals, tenant-owner associations and the corporate market. Let us capitalise on this. Our goal is to remain a challenger in the area of residential mortgages and savings by adopting an innovative, straightforward and honest approach and giving customers control instead of providing control for them.

SBAB Bank is supported by a strong brand and sound business operations – operations that are currently undergoing exciting development, which I have been entrusted to lead. I enter into my new position as CEO of SBAB Bank with a sense of great enthusiasm and confidence.

Stockholm, March 2012

Carl-Viggo Östlund
CEO

Eva Cederbalk

I spent nearly eight years serving as CEO of SBAB Bank. However, now that SBAB Bank is entering a new phase, it feels like an appropriate time to pass the baton. I would like to extend my sincere thanks to our customers for their confidence in us and to all of our employees for their outstanding performance during the year.

Stockholm, December 2011

Eva Cederbalk
Former CEO

Business concept, business model and strategy

SBAB Bank provides loans and savings services for private individuals via the Internet and telephone, and to the corporate market and tenant-owner associations through personal contacts. Distribution of residential mortgages is also carried out through business partners.

Business concept

SBAB Bank's business concept is to be the bank that is easiest to access and understand and is to be driven by the aim that both the bank and its customer will benefit from our business.

Business model

SBAB Bank's business model is based on the distribution of loans and savings services to private individuals via the Internet and telephone, and to the corporate market and tenant-owner associations through personal contacts.

Residential mortgages are also distributed through business partners, thus contributing to increased economies of scale and positive profitability.

Objectives and strategies

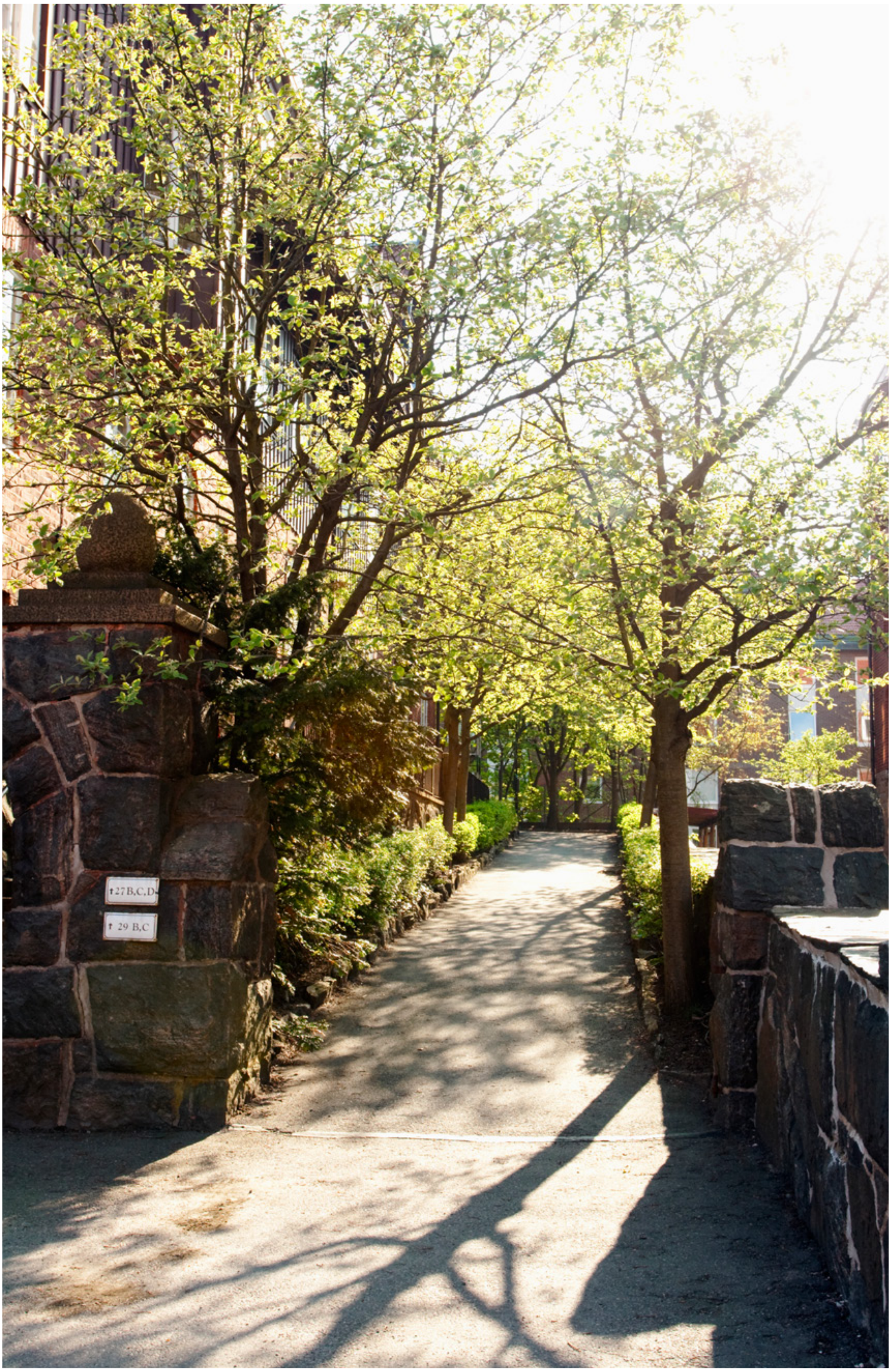
SBAB Bank's overall business priority is profitable growth.

The aims of SBAB Bank's profitability objective include fulfilling the return requirement established by the owner. This entails a return on equity (ROE) corresponding to the average yield on five-year government bonds plus 5 percentage points after tax over a business cycle.

To achieve profitable growth, strategies have also been established for:

- Funding
- Customer satisfaction
- Brand
- Employee development
- Sustainable development

Overview of operations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Administration Report

The Administration Report describes SBAB Bank's operations, opportunities and risks.

Organisation

SBAB Bank, Corp. Reg. No. 556253-7513, is an independent profit-making bank that is regulated by the Swedish Act on Banking and Financing Activities (2004:297) and is subject to the supervision of the Swedish Financial Supervisory Authority. SBAB Bank is a wholly state-owned public limited liability and joint-stock banking company.

Group

SBAB Bank began operating as a credit market company on 1 July 1985. In 2011, an extraordinary general meeting resolved that the company would begin conducting banking activities. The SBAB Bank Group comprises SBAB Bank, the subsidiary The Swedish Covered Bond Corporation ("SCBC"), Corp. Reg. No. 556645-9755, and the partly owned company FriSpar Bolån AB ("FriSpar"), Corp. Reg. No. 556248-3338.

SCBC

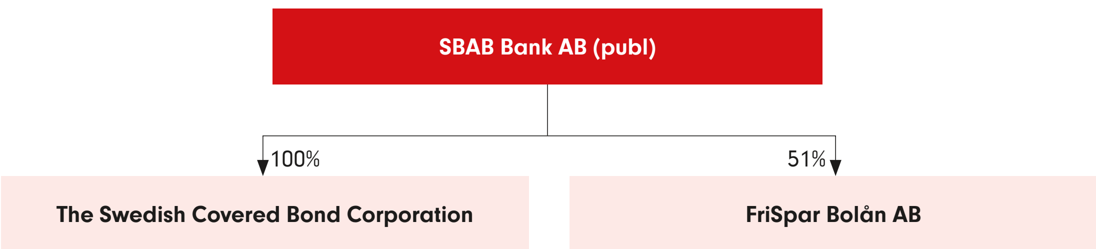
SCBC is a wholly owned credit market company and is consolidated in the SBAB Bank Group. SCBC's primary operations comprise the issuance of covered bonds in accordance with the Swedish Covered Bonds Issuance Act (2003:1223) and the Swedish Financial Supervisory Authority's regulation FFFS 2004:11. Funding is conducted in both Swedish and international capital markets. SCBC does not conduct any lending operations but acquires loans primarily from SBAB Bank.

FriSpar

FriSpar is a jointly owned credit market company that primarily conducts operations in parts of southern Sweden. SBAB Bank has a 51% interest in FriSpar and the remaining shares in the company are owned by Sparbanken Öresund AB (publ) (39.2%) and, as of 3 November 2011, Sparbanken Syd (9.8%). FriSpar is consolidated in the SBAB Bank Group in accordance with the proportional method.

Lending is conducted primarily to the retail market. Market development, credit rating and customer communication are conducted by Sparbanken Öresund AB (publ) and Sparbanken Syd. Funding and ongoing administration are handled by SBAB Bank.

SBAB Bank Group



Lending

The lending portfolio presented on pages 8–10 includes FriSpar's entire lending portfolio. In SBAB Bank's financial statements, FriSpar is consolidated at a rate of 51% in accordance with the proportional method.

The year was characterised by lower growth in the residential mortgage market and increased competition among banks. SBAB Bank's new lending declined compared with the preceding year to SEK 34.4 billion (53.7). At year-end, SBAB Bank's total lending portfolio corresponded to SEK 252.7 billion (253.1), of which lending to retail customers accounted for SEK 155.6 billion (153.4), tenant-owner associations for SEK 53.3 billion (55.1) and corporate customers SEK 43.8 billion (44.6).

Retail

Market

After several years of strong growth in the retail market for residential mortgages, the growth rate declined in 2011 – from 9% in 2010 to 6% in 2011. The uncertain macroeconomic situation and the residential mortgage cap introduced in 2010 had an adverse impact on growth. Prices for single-family dwellings and tenant-owner rights fell during the year. Prices for single-family dwelling decreased approximately 4% (increase: 3) and prices for tenant-owner rights decreased about 1% (increase: 7)[1]. The retail market for residential mortgages was valued at SEK 2,020 billion (1,902) at year-end.

SBAB Bank's lending

Increased competition and lower market growth had a negative effect on SBAB Bank's new lending in 2011. New lending to retail customers amounted to SEK 24.4 billion (34.6). The majority of new lending, SEK 14.9 billion (23.9), pertained to loans for home purchases, with loans to members in connection with the reorganisation of rental apartments into tenant-owned apartments accounting for SEK 0.5 billion (3.1) of this amount.

New lending of unsecured loans totalled SEK 0.4 billion (0.1).

1) Source: Svensk Mäklarstatistik AB

Customers showed greater interest in longer fixed-interest periods as the differential between the three-month interest rate and longer, fixed mortgage rates decreased. Of the customers who selected an interest period, 75% (82) opted for one to three months, 23% (16) for one to four years and 2% (2) for five to ten years.

In 2011, SBAB Bank introduced a compulsory repayment requirement for new customers with residential mortgages exceeding 75% of the value of the residence. This amortisation requirement stipulates that the amount over 75% is to be repaid within 15 years.

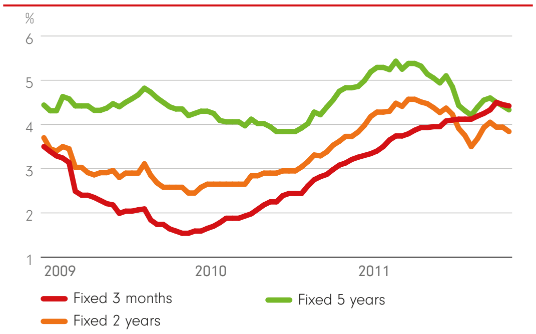
The retail lending portfolio increased SEK 2.2 billion (13.4) to SEK 155.6 billion (153.4), which means that SBAB Bank's market share for residential mortgages to retail customers declined to 7.7% (8.1).

Tenant-owner associations

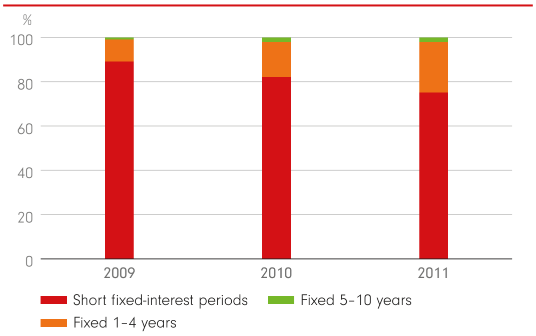
Market

The growth rate in the market for lending to tenant-owner associations declined in 2011 compared with 2010. The lower growth rate was partly due to a decrease in the number of reorganisations from rental apartments to tenant-owned apartments in metropolitan areas. New production of tenant-owned apartments also declined in 2011. The market for lending to tenant-owner associations amounted to SEK 297 billion (286) at year-end.

SBAB Bank's residential mortgage rates for retail customers



Choice of fixed-interest period, lending to retail customers



SBAB Bank's lending

SBAB Bank's new lending to tenant-owner associations totalled SEK 5.3 billion (11.7). New lending was significantly lower than in the preceding year, mainly due to more intense competition from the major banks in 2011. SBAB Bank maintained a strong position in the market for reorganisations from rental apartments to tenant-owned apartments, which accounted for SEK 1.0 billion (4.5) of new lending. New lending to newly formed tenant-owner associations amounted to SEK 1.5 billion (2.5), while new lending to existing customers and tenant-owner associations that changed lender totalled SEK 2.8 billion (4.7).

The lending portfolio to tenant-owner associations decreased SEK 1.8 billion (increase: 6.1) during the year to SEK 53.3 billion (55.1) at year-end. SBAB Bank's market share for lending to tenant-owner associations declined to 17.5% (18.5).

Corporate

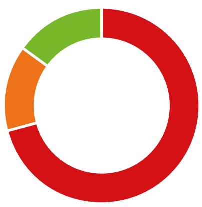
Market

The property market developed positively in 2011, with rising property values and an increased transaction volume. Interest in investments in multi-family dwellings increased sharply. While competition among the banks was intense in the first half of 2011, the macroeconomic situation changed significantly in the final quarter of the year. The financial markets were once again characterised by turbulence and uncertainty, causing the banks to quickly become more restrictive in their lending.

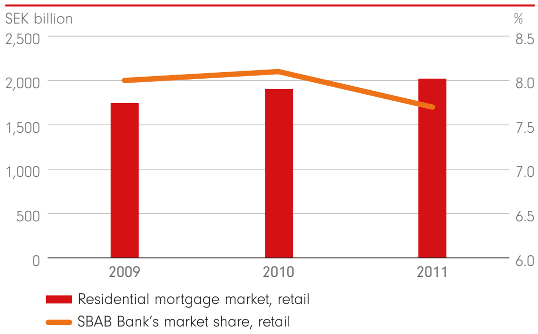
SBAB Bank's lending

SBAB Bank's new lending to property companies, property funds and municipalities totalled SEK 4.7 billion (7.4) in 2011. New lending for private multi-family dwellings amounted to SEK 3.1 billion (5.8), commercial properties to SEK 1.6 billion (1.2) and municipalities and municipal multi-family dwellings to SEK 0.0 billion (0.4). SBAB Bank's lending to corporate customers, including municipalities, totalled SEK 43.8 billion (44.6) at year-end.

Distribution of new lending in 2011 by borrower category



Trend in the residential mortgage market, retail



Trend in the residential mortgage market, tenant-owner associations

Total lending portfolio

SBAB Bank's total lending portfolio decreased SEK 0.4 billion (increase: 22.9) in 2011. The portfolio totalled SEK 252.7 billion (253.1) at year-end, corresponding to a share of 9.1% (9.6) of the total residential mortgage market. Lending to retail customers accounted for 62% (60) of the total portfolio, corresponding to SEK 155.6 billion (153.4). The remaining portion comprised lending to corporate customers, including tenant-owner associations, and amounted to SEK 97.1 billion (99.7).

The majority of the lending portfolio, 39% (38), comprised loans for single-family dwellings (including holiday homes). Lending to municipalities and municipal multi-family dwellings totalled SEK 6.1 billion (7.4) at year-end, corresponding to 2% (3), while lending for commercial properties amounted to SEK 8.6 billion (8.9) and accounted for 3% (4) of the lending portfolio. At year-end, SBAB Bank had collateral in the form of mortgage deeds in properties for 74% (74) of the lending volume. Unsecured loans accounted for SEK 0.4 billion (0.1) at year-end or 0% (0) of the lending volume.

The lending portfolio is largely concentrated to metropolitan regions, with the Stockholm region accounting for 48% (48), the Öresund region for 24% (23) and the Gothenburg region for 9% (9).

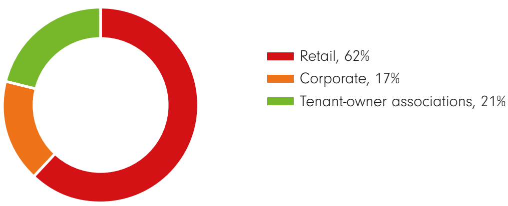
Composition of collateral in the loan portfolio

SEK billion	2011	2010	Change, SEK billion
Mortgage deeds	187.0	186.1	0.9
Tenant-owner rights	57.7	57.3	0.4
Municipal guarantees and direct loans to municipalities	6.2	7.8	–1.6
Government guarantees	0.6	0.8	–0.2
Bank guarantees	0.0	0.0	0.0
Other collateral	0.8	1.0	–0.2
Unsecured loans	0.4	0.1	0.3
Total	**252.7**	**253.1**	**–0.4**

Geographical distribution of the loan portfolio

SEK billion	2011	2010	Change, SEK billion
Stockholm region	121.2	121.5	–0.3
Gothenburg region	22.5	22.1	0.4
Öresund region	60.8	59.2	1.6
University and growth regions	18.8	19.9	–1.1
Other regions	29.4	30.4	–1.0
Total	**252.7**	**253.1**	**–0.4**

Distribution of the loan portfolio by borrower category, 31 December 2011



Distribution of the loan portfolio by property type

SEK billion	2011	2010	Change, SEK billion
Single-family dwellings, incl. holiday homes	97.5	96.0	1.5
Tenant-owner rights	57.7	57.3	0.4
Tenant-owner associations	53.3	55.1	–1.8
Private multi-family dwellings	29.1	28.3	0.8
Municipal multi-family dwellings	6.1	7.4	–1.3
Commercial properties	8.6	8.9	–0.3
Unsecured loans	0.4	0.1	0.3
Total	**252.7**	**253.1**	**–0.4**

Deposits

Interest in SBAB Bank's savings products increased significantly in 2011 and the bank's deposit portfolio grew 44% (31). The deposit portfolio amounted to SEK 8.8 billion (6.1) at year-end, of which deposits from retail customers accounted for SEK 7.4 billion (4.8) and deposits from corporate customers and tenant-owner associations for SEK 1.4 billion (1.3).

Retail

Market

The total market for retail deposits rose SEK 93 billion (88) during the year, corresponding to a growth rate of 9.1% (9.4). Total bank deposits from retail customers amounted to SEK 1,123 billion (1,030) at year-end.

SBAB Bank's deposits

SBAB Bank's deposits from retail customers increased SEK 2.6 billion (0.6) in 2011. Accordingly, SBAB Bank's share of the total market growth was approximately 3% (approx. 1). SBAB Bank's deposits from retail customers amounted to SEK 7.4 billion (4.8) at year-end, up 53% (13).

SBAB Bank offers two competitive types of savings accounts for private individuals. The savings products have no fees, offer free withdrawals and are easy to open and manage via sbab.se. The Savings Account (Sparkontot), both for existing and new customers, carried an interest rate of 3.00% (1.80) as of December 31, 2011, and the SBAB Account (SBAB-kontot) for existing customers with residential mortgages carried an interest rate of 3.25% (2.10) as of 31 December 2011.

Corporate market and tenant-owner associations

Market

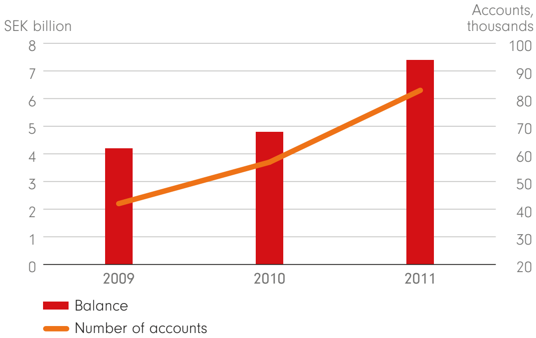
The total market for deposits from corporate customers and tenant-owner associations increased in 2011. Total deposits from corporate customers and tenant-owner associations amounted to SEK 671 billion (638) at year-end.

SBAB Bank's deposits

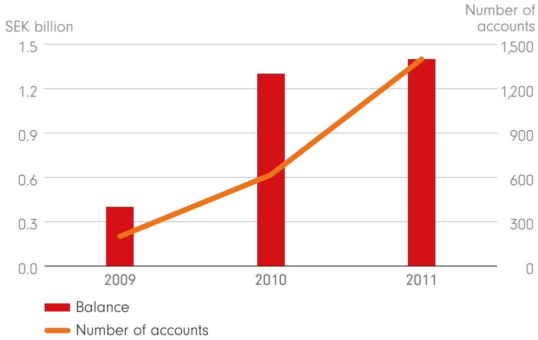
SBAB Bank's deposits from corporate customers and tenant-owner associations rose SEK 0.1 billion (0.9) in 2011. Deposits totalled SEK 1.4 billion (1.3) at year-end.

SBAB Bank offers accounts with floating interest rates, as well as accounts for fixed-term deposits for corporate customers and tenant-owner associations. Fixed-term deposits are offered in the form of deposit accounts with fixed terms and fixed interest-rate conditions, as well as special deposit accounts with flexible terms and individual interest-rate setting.

Deposit volume and number of accounts, retail



Deposit volume and number of accounts, corporate customers and tenant-owner associations



Funding

SBAB Bank Group operates in a number of funding markets. A broad and diversified investor base is an important part of the Group's funding strategy. Efforts to diversify the investor base continued in 2011, resulting in SBAB Bank reentering the Japanese market. Despite periodically challenging market conditions, SBAB Bank experienced favourable demand.

Development in the capital market

The European debt crisis continued to mark the world's financial markets in 2011. Having previously impacted only certain Southern European countries, the turbulence spread to other countries in the euro area, such as Belgium and France, resulting in sharply increasing funding spreads. The Nordic region, and Sweden in particular, coped very well during the period thanks to a stable economy with sound government finances and not being a member of the euro zone. Investor demand for Swedish government bonds, issued in SEK and foreign currency, remained strong. The market turmoil gathered further momentum by the end of the year. Concerns regarding a declining economic development combined with uncertainty concerning the euro zone also prompted some of the rating agencies to take action, lowering the credit ratings of a number of countries in the euro zone during the year. In addition, Standard & Poor's placed 15 countries in the euro zone, including Germany, on negative credit watch.

Several EU summits during the year resulted in decisions regarding stress testing European banks, stricter and earlier enforcement of capital requirements for cross-border banks, substantial austerity packages for a number of euro countries, a new budget pact and a decision to allow the IMF to play a larger role in stabilising the situation. The euro crisis led to considerable uncertainty in the banking sector, which in turn resulted in a sharp increase in funding spreads and the price of liquidity. In view of the weak economic outlook, the ECB lowered its interest rate twice during the autumn. In an effort to bolster the financial stability of the euro area, the ECB also decided to offer banks access to three-year funding at low interest rates and reduce the collateral requirement.

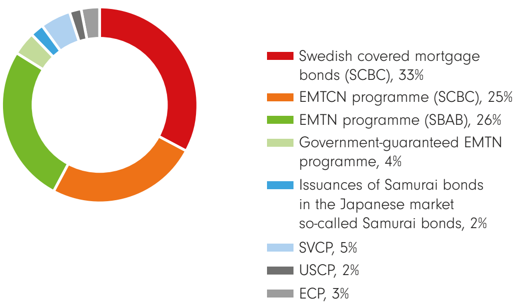
SBAB Bank Group's funding operations

The SBAB Bank Group conducted operations in the senior unsecured market through its Parent Company and in the covered market through its wholly owned subsidiary SCBC.

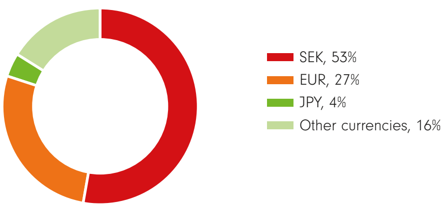
A broad and diversified investor base is an important part of SBAB Bank's funding strategy. Efforts to diversify the investor base continued in 2011, resulting in SBAB Bank reentering the Japanese market, where a Samurai bond totalling JPY 75 billion was issued. During the year, SBAB Bank also issued a senior unsecured benchmark bond with a fixed interest rate in the euro market for the first time. Later in the year, SCBC established a new Australian Covered Bond Issuance Programme.

SBAB Bank works proactively to limit its liquidity and refinancing risks, and the strategy of extending the maturity of the debt portfolio continued during

Sources of funding, debt securities in issue, SBAB Bank Group
Debt outstanding at 31 December 2011: SEK 277 billion



Currency distribution, debt securities in issue, SBAB Bank Group
Debt outstanding at 31 December 2011: SEK 277 billion



the year. As a result, the maturity of the Group's debt portfolio was extended compared with earlier years, mainly through the new issuance of longer maturities combined with the repurchase of debt with shorter maturities. The decision to extend the maturity of the debt portfolio is in line with the Basel III regulations and thus contributes to a natural transition to the new regulations.

Part of the Group's funding strategy for 2011 involved the early prefunding of outstanding debt maturing during the year. Accordingly, four benchmark transactions were issued in the international market during the first half of the year: one covered transaction and three unsecured transactions. A number of smaller funding transactions were also conducted in various currencies. At mid-year, more than 90% of the maturities for 2011 had been funded. The turbulence in the market and deteriorating market functionality, particularly for senior unsecured funding, resulted in increased funding spreads during the second half of the year. This development meant that the Group's strategy involving the early funding of maturing debt was a successful strategy.

The volume of government-guaranteed funding declined as a result of redemptions and repurchases. At year-end, the outstanding volume of government-guaranteed bonds amounted to SEK 11.1 billion (15.0).

The following is a selection of the SBAB Bank Group's funding transactions during the year:

- Introduction of a new Swedish five-year covered benchmark bond
- A 5-year covered bond of EUR 1 billion
- A 2-year senior unsecured transaction of EUR 1,250 million
- A 3.5-year senior unsecured transaction of EUR 750 million
- A Japanese senior unsecured transaction totalling JPY 75 billion
- A 5-year and a 7-year senior unsecured transaction in the Swiss market

Short-term funding

SBAB Bank has three commercial paper programmes for unsecured short-term funding: one Swedish, one European and one US programme. Commercial papers were issued in the following currencies during the year: SEK, EUR, USD, GBP, CHF and AUD.

Short-term funding sources	Limit
Swedish Commercial Paper Programme (SVCP)	SEK 25 billion
European Commercial Paper Programme (ECP)	EUR 3 billion
US Commercial Paper Programme (USCP)	USD 4 billion

Long-term funding

SBAB Bank has two sources for long-term funding: the EMTN programme and the possibility to issue bonds in the Japanese market. Funding operations were resumed in Japan in 2011 after several years of inactivity and a transaction was completed successfully in May. The Group's covered funding is conducted through the subsidiary SCBC's EMTCN programme and a Swedish covered bond programme. In addition, an Australian Covered Bond Issuance Programme was established in November 2011. During the year, the Group issued several long-term transactions with a total volume of SEK 78.9 billion (103.9). The decline was mainly due to fewer maturities during the year.

Long-term funding sources	Limit
Euro Medium Term Note Programme (EMTN), SBAB Bank	EUR 13 billion
Euro Medium Term Covered Note Programme (EMTCN), SCBC	EUR 10 billion
Covered Bond Programme, SCBC	No set limit
Australian Covered Bond Issuance Programme, SCBC	AUD 4 billion

SCBC

SCBC's primary operations comprise the issuance of covered bonds in the Swedish and international capital markets. To accomplish this, the company currently has three funding programmes: a covered bond programme in Sweden, an EMTCN programme and an Australian Covered Bond Issuance Programme that was established during the year. These programmes received the highest possible long-term credit ratings, Aaa/AAA, from the rating agencies Moody's and Standard & Poor's. SCBC does not conduct any new lending activities itself, but acquires loans on an ongoing basis, from SBAB Bank. The intention of the acquisitions is for these loans to be included in full or in part in the cover pool that serves as collateral for SCBC's covered bonds.

Information on SCBC's covered bonds and cover pool is published monthly on sbab.se.

Rating

On 2 November, Moody's downgraded SBAB Bank's long-term rating from A1, negative outlook, to A2, stable outlook. Standard & Poor's introduced changes to its rating method for banks late in the year and confirmed SBAB Bank's long-term rating of A+, stable outlook, on 1 December.

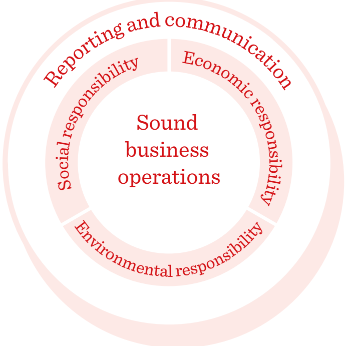
Rating at 31 December 2011	Moody's	Standard & Poor's
Long-term funding, SBAB Bank	A2	A+
Long-term funding, SCBC	Aaa	AAA
Short-term funding, SBAB Bank	P–1	A–1

Sustainable Development

The continued success of SBAB Bank depends on stakeholders' confidence in the bank's ability to conduct and develop its operations in a sustainable and responsible manner. This is particularly important as the bank now expands its operations and develops new customer offerings.

Strategy

Corporate Responsibility (CR) is an integrated part of SBAB Bank's business plan and thus serves as a solid platform for proactive and future-oriented sustainability work. For SBAB Bank, CR entails the integration of economic, social and environmental responsibility throughout its operations. To contribute to sustainable social development, it is crucial that SBAB Bank pursues sound business operations, with the smallest possible environmental impact. Sound business operations are defined by SBAB Bank as an ethically responsible approach in all areas of operation combined with sustainable financial development. By engaging in an active dialogue with its stakeholders, the bank becomes aware of and understands their expectations, demands and requirements, which contributes to the company developing in the right direction and toward sustainable progress.



Responsibility

The Board of Directors is ultimately responsible for ensuring that SBAB Bank conducts proactive, long-term work to achieve sustainable development. The Communications Department is responsible for coordinating the bank's work in the area of sustainable development. The bank has established a CR Council comprising participants from Executive Management, all business areas, staff functions and the CR Coordinator.

Control

Since SBAB Bank considers it important that CR is integrated into all areas of operation, the bank has opted to assess, report and follow up its CR goals using the same model as that used for other goals and key data. Accordingly, the bank's CR goals are also included in SBAB Bank's overall business plan. To clarify SBAB Bank's CR strategy and shared approach, a CR policy has been established and approved by the Board. Other internal CR guidelines are set by Executive Management. Through workshops, employees have been able to participate in materiality analyses to identify the focus areas for CR work in the various units. The results are integrated into each unit's business plan and contribute to the achievement of SBAB Bank's overall CR goals.

CR goals

- Reduce the company's CO_2 emissions by 5% annually from 2011 to 2014.
- Maintain a top ranking in the Reputation Barometer Survey for financial companies conducted by Nordic Brand Academy.

Reporting

SBAB Bank reports its sustainable development work on the basis of GRI, level C+. Executive Management is responsible for all performance indicators. The quality of the reporting is assured through independent auditing and confirmation. SBAB Bank has signed the UN Global Compact (GC) and thus supports the ten principles in respect of human rights, labour standards, the environment and anti-corruption. SBAB Bank assumes responsibility for annual reporting of the company's improvement programmes in line with the GC requirements, which are reported on unglobalcompact.org.

Read more:

More information on sustainable development at SBAB Bank and a complete Sustainability Report, including an assurance statement by the bank's auditor and information on the GRI index, is availible at sbab.se.

Contents of the Sustainability Report:

- CR strategy
- Sustainable finances
- Motivated and competent employees
- Climate-smart bank
- Social commitment
- Responsibility, control and reporting

Stakeholder dialogue

By engaging in a dialogue with stakeholders, SBAB Bank is able to make the right priorities when establishing its CR strategy. SBAB Bank's priority stakeholders are its customers, investors and employees.

A sustainable investment

SBAB Bank's relations with its investors are based on their confidence in the bank's employees, operations and sustainable financial development. Close contact with the market ensures that SBAB Bank is aware of the demands and requirements that investors impose on the company. Extensive surveys are also conducted on behalf of investors regarding SBAB Bank's sustainability efforts – surveys that have become increasingly relevant as more investors integrate sustainability into their analyses and investment decisions.

Straightforward and customer driven

Long-term customer relations are achieved by ensuring accessibility and surpassing customer expectations in terms of good service. It is also important that products and services are clear, straightforward and competitive. SBAB Bank monitors various confidence surveys conducted in the market. By engaging in an active dialogue with its customers, SBAB Bank aims to maintain a top ranking in these surveys.

Motivated and competent employees

Motivated and competent employees contribute to SBAB Bank's success. An active dialogue between the bank's managers and employees is vital. Attracting and developing the right skills to build a new bank will be a challenge in the coming years.

Climate-smart bank

SBAB Bank's business model is climate-smart since banking business is mainly conducted via the Internet and telephone. By implementing new, innovative IT solutions, the climate impact of the operations can be further reduced. A climate action plan has been established to achieve the climate goal of reducing SBAB Bank's CO_2 emissions by 5% annually from 2011 to 2014.

Results

Operating results

SBAB Bank's operating profit for 2011 amounted to SEK 464 million (785). The year was characterised by stable lending volumes and a sharp increase in deposits. The decline in operating profit was attributable to lower net interest income, a negative net result of financial instruments and increased expenses due to the development of the bank.

The expenditure/income ratio increased to 60% (42), mainly due to higher expenses. Loan losses declined further during the year and the loan loss rate was 0.00% (0.02).

The return on equity for 2011 was 4.2% (7.5). SBAB Bank's owner has a return requirement corresponding to the average yield on five-year government bonds plus 5 percentage points after tax over a business cycle. Expressed as an average over the five-year period of 2007–2011, SBAB Bank's return on equity was 7.1% (8.5 during the period 2006–2010). The owner's average return requirement for the corresponding period was 8.0% (8.3).

Operating income

Operating income amounted to SEK 1,179 million (1,429). Net interest income declined 8% to SEK 1,618 million (1,762). To reduce the liquidity risk, SBAB Bank pre-funded a substantial share of the year's funding requirements and extended the maturity of its funding. Although this pre-funding limited SBAB Bank's funding costs, it also had an adverse impact on net interest income since the pre-funding was invested at a lower interest rate than the current interest rate on funding. SBAB Bank's interest income from securities in the liquidity portfolio also declined slightly during the year.

Net interest income was affected positively by a higher average volume and improved earnings in the lending operations. An increased expense for subordinated debt compared with the preceding year had a negative impact on net interest income.

Commission expense increased as a result of the full fee being paid for the Government stability fund as of 2011. The fee for the year was SEK 113 million (52). The stability fee comprises a fixed percentage of 0.036%, calculated on the basis of obligations in the fee-payer's balance sheet less certain Group-wide loans and subordinated debt. An average of the debt that SBAB Bank issued under the Government guarantee programme may also be deducted from the underlying fee basis.

Commission income rose to SEK 60 million (50), mainly due to increased income from business partners. Net expense from financial instruments measured at fair value amounted to SEK 349 million (expense: 289). The item was adversely impacted by accrual effects resulting from hedge accounting and the interest-rate differential between bonds and associated interest-rate swaps in the liquidity portfolio.

The market value of basis swaps[1], which had an adverse impact on profit in the first half of 2011, recovered during the second half of the year. For full-year 2011, the market value of basis swaps had a positive effect on profit.

Operating expenses

SBAB Bank's expenses amounted to SEK 707 million (604). Personnel costs amounted to SEK 323 million (316), due to the addition of specialist expertise to the company in conjunction with the development of SBAB Bank, as well as increased pension costs. In 2011, no provisions were made for the incentive programme (11). SBAB Bank's incentive programme complies with the guidelines set by the owner. The Board of SBAB Bank has decided to discontinue the incentive programme in 2012.

Other expenses totalled SEK 357 million (262). The increase was primarily due to the costs associated with the development of SBAB Bank's operations. Marketing expenses increased to SEK 67 million (56). The marketing activities conducted during the year mainly pertained to an increased focus on SBAB Bank's deposit offering.

Depreciation and amortisation amounted to SEK 27 million (26).

Loan losses

Loan losses remained very low. Loan losses for full-year 2011 amounted to SEK 8 million (losses: 40), corresponding to a loan loss rate of 0.00% (0.02).

The decline was mainly due to lower allocations to individual provisions for corporate market loans and a decline in confirmed losses in respect of loans to retail customers. For a more detailed account of the loan loss trend, refer to Note 2a.

[1] **Fair-value recognition of derivatives**
The currency and interest-rate risk inherent in funding conducted in foreign currency is normally hedged throughout the maturity of the funding through currency interest-rate derivatives, known as basis swaps. According to the regulations, all derivatives are to be recognised at fair value (market value), with changes in fair value included in net income/expense from financial instruments measured at fair value. Major variations in the actual market value between the reporting periods could result in significant changes in the carrying amount and thus also in capital adequacy. However, changes in the form of losses/gains remain unrealised as long as the basis swap is not closed prematurely. In cases where the derivative is held to maturity, earnings are not affected by the accumulated changes since the market value of each derivative contract starts and ends at zero. The majority of SBAB Bank's basis swaps are held to maturity.

Parent Company, SBAB Bank

Operating profit for 2011 amounted to SEK 98 million (84) and operating income to SEK 803 million (713). Operating profit was impacted by a decline in net interest items to an expense of SEK 92 million (income: 304). The result of interest-rate risk management between the Parent Company and its subsidiary was impacted by sharply increasing interest rates, which had an adverse effect on the Parent Company's net interest expense during the year.

A time-limited subordinated debenture of SEK 1.0 billion was issued during the year. In connection with this, a time-limited subordinated debenture of SEK 0.5 billion was repaid. Lending to the public declined during the year, which had a negative impact on interest income. Operating income also included a Group contribution of SEK 510 million. Net income from financial transactions amounted to SEK 206 million (expense: 201).

Expenses totalled SEK 708 million (599). The increase in expenses was due to the development of SBAB Bank's operations. Net loan losses declined and amounted to recoveries of SEK 3 million (losses: 30). The main factor contributing to the change between the years was the decrease in allocations to collective provisions and individual provisions attributable to the corporate market. Confirmed loan losses for retail market loans also declined.

SCBC

SCBC's operating profit for 2011 amounted to SEK 1,287 million (1,147). Net interest income improved significantly compared with the preceding year and totalled SEK 1,689 million (1,440). The result of interest-rate risk management between the subsidiary and the Parent Company was impacted by sharply increasing interest rates, which had a positive effect on SCBC's net interest income during the year. An improved interest-rate margin also contributed to this positive development. At year-end, the lending portfolio amounted to SEK 210.5 billion (209.7). Net income from financial transactions amounted to SEK 268 million (249). Hedge accounting items, loan receivables and changes in the market value of basis swaps contributed to this positive development.

SCBC reported a net commission expense of SEK 96 million (expense: 69). The decline was due to the full fee being paid for the Government stability fund as of 2011. The stability fee for 2011 was SEK 66 million (31). SCBC's total operating income increased year-on-year to SEK 1,861 million (1,621). Expenses for the year amounted to SEK 563 million (464). The increase was due to higher costs for services performed by SBAB Bank on behalf of SCBC pursuant to an outsourcing agreement between the parties.

Net loan losses amounted to SEK 11 million (losses: 10), corresponding to a loan loss rate of 0.01% (0.01).

FriSpar

Operating profit amounted to SEK 44 million (34) and the lending portfolio to SEK 9.3 billion (8.1). In addition to SBAB Bank and Sparbanken Öresund AB (publ), Sparbanken Syd became a part-owner of FriSpar as of 3 November 2011.

Capital adequacy

Basel III will be implemented gradually and is stricter than the current regulations. The new regulations propose, for example, higher capital requirements and stricter demands on capital quality. For more information on capital adequacy, refer to Note 2j.

Dividend policy and appropriation of profits

The dividend policy set by the owner entails that one third of net profit after tax be distributed to the owner. However, in view of the rules regarding continued application of the transitional regulations in 2012 and the new future capital adequacy regulations, the Board proposes that the net profit for 2011 be carried forward and that no dividend be paid.

Corporate Governance Report

SBAB Bank's Corporate Governance Report for 2011 is presented on page 84 of this Annual Report.

Events after the balance-sheet date

Carl-Viggo Östlund assumed the position of CEO on 1 March 2012. Former CEO Eva Cederbalk stepped down from her position on 20 December 2011. The company's Chief Legal Counsel, Christine Ehnström, served as Acting CEO during the interim period.

Overview of earnings

SBAB Bank Group

SEK million	Parent Company SBAB Bank	SCBC	FriSpar	SBAB BANK-GROUP 2011 [1]	SBAB BANK-GROUP 2010	%
Interest income	3,864	7,735	406	10,449	5,355	
Interest expense	–3,956	–6,046	–339	–8,831	–3,593	
Net interest income/expense	**–92**	**1,689**	**67**	**1,618**	**1,762**	**–8**
Dividends received	13	–	–	–	–	
Group contributions received	510	–	–	–	–	
Commission income	126	10	–	60	50	
Commission expense	–69	–106	–	–150	–94	
Net income/expense from financial instruments measured at fair value/Net income/expense from financial transactions	–206	268	–	–349	–289	
Other operating income	521	–	–	0	0	
Total operating income	**803**	**1,861**	**67**	**1,179**	**1,429**	**–17**
Personnel costs	–325	–	–	–323	–316	2
Costs for premises	–28	–	–	–28	–27	4
IT expenses	–181	–	–	–164	–109	50
Other administration expenses	–80	–562	–23	–82	–59	39
Marketing	–66	–	–	–67	–56	20
Other operating expenses	–15	–1	–0	–16	–11	45
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	–13	–	–	–27	–26	4
Total expenses before loan losses	**–708**	**–563**	**–23**	**–707**	**–604**	**17**
Profit before loan losses	**95**	**1,298**	**44**	**472**	**825**	**–43**
Loan losses, net	3	–11	–	–8	–40	–80
Operating profit	**98**	**1,287**	**44**	**464**	**785**	**–41**
Tax	–23	–339	–11	–123	–208	
Profit for the year	**75**	**948**	**33**	**341**	**577**	**–41**

[1] Parent Company SBAB Bank, SCBC and FriSpar do not add up to SBAB Bank Group 2011 due to eliminations and similar items.

Risk Management

Risk is a natural component of all businesses and all risks that arise must be managed. While the SBAB Bank Group is mainly exposed to credit risk in its lending operations, other areas of the operations also face risks. The recent financial crisis exemplifies the importance of effective liquidity risk management and the prevailing debt crisis and crisis of confidence have emphasised the need for counterparty risk management. For more information about the Group's capital adequacy and risk management, visit sbab.se.

Risk strategy

SBAB Bank's operations are to be conducted in such a manner that the risks that arise are adapted to the bank's risk-bearing capacity. Risk-bearing capacity refers to the capacity to manage losses through either continuous earnings or the utilisation of risk capital. The anticipated scope of expected losses is to be borne by continuous earnings, while unexpected losses are to be covered by risk capital insofar as they are not covered by continuous earnings. Certain risks, such as liquidity risk, cannot be quantified and compared with the bank's risk-bearing capacity in the same manner as credit risk and market risk. In such cases, the costs incurred for reducing the risk are weighed against the desired risk level and the change of risk level achieved through a particular measure.

Risk tolerance

Based on SBAB Bank's established strategy of primarily generating income by taking credit risks, it is important to be aware of the scope of the Group's selected risk exposure at both an aggregate level and the segment and customer level. Risk tolerance is defined as "the risk that the company is willing to take to achieve the established business objectives within the framework of the long-term strategy." SBAB Bank has established the following measurable objectives for risk tolerance:

Overall risk management objectives

The Board of Directors of SBAB Bank has established the following risk management objectives:

- Risk management shall support the Group's business operations and rating goals.
- The level of risk-taking shall be low. This is to be achieved by ensuring that total risk is kept at a level compatible with SBAB Bank's long-term financial objectives for return, the size of risk capital and the target rating.
- Relevant risks shall be identified, measured, managed and controlled.
- Within the bank's various business areas, allocation of capital shall be based on the desired earnings capacity and risk level.
- SBAB Bank's risk management shall be transparent and thus easily presented to and understood by the company's external stakeholders.
- SBAB Bank must maintain an appropriate risk-management organisation with a well-defined division of responsibilities.

Measurement	Objective	2011 Outcome	Difference (percentage points)
Return on equity (owner's return requirement)	8%[4]	7.1%	–0.9
Core Tier 1 capital ratio[1]	>6%	6.7%	+0.7
Tier 1 capital ratio[1]	>7%	8.9%	+1.9
Capital quotient[1] (shall correspond to a capital adequacy ratio of 10%)	>1.25	1.33	+0.08
Economic capital as a percentage of available capital[2]	<85%	37%	+48
Period in which MCO[3] is to be covered by the liquidity reserve	>30 days	77 days	+47 days
Tolerance level for operational risk	SEK 7.5 million	SEK 3.9 million	SEK 3.6 million

1) With transitional regulations
2) Available capital refers to the capital base calculated in accordance with FFFS 2007:1
3) Maximum Cumulative Outflow
4) Average yield on five-year government bonds plus 5 percentage points after tax over a business cycle

Organisation and responsibility

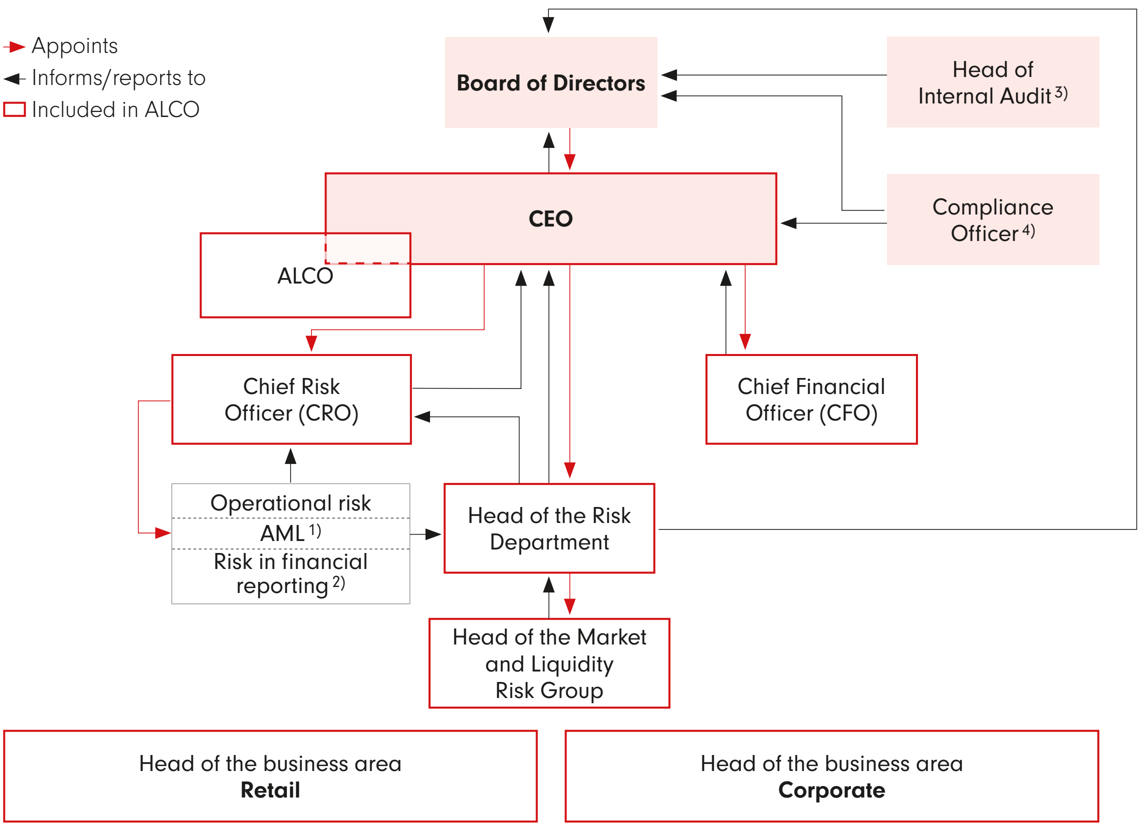
The Board of Directors has ultimate responsibility for risk management. SBAB Bank is mainly exposed to risk in its lending and funding operations. The Board also makes decisions on the risk strategy, risk tolerance, the risk policy and instructions for managing and measuring risk in the following areas:

- Credit instructions for lending – The instructions are established by the Board, which thereby regulates the authority to make credit and limit decisions at various levels in SBAB Bank. Loans and credit limits exceeding SEK 250 million are decided by the Board's Credit Committee.
- Finance directive for funding – The Board determines the limits for the management of financial risk. The Board has delegated responsibility for certain issues to SBAB Bank's Finance Committee.

The Asset and Liability Committee (ALCO) handles matters relating to risk and capital planning, which are then addressed by Executive Management or the Board. SBAB Bank's Board and management are thereby provided with a relevant overview of the Group's risk exposure on a continuous basis. The ALCO's work and reporting also provide a foundation for the Group's strategic planning and form the basis for determining SBAB Bank's capital goals. The ALCO is made up of the heads of the Retail and Corporate business areas, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Head of the Risk Department and the Head of the Market and Liquidity Risk Group. The CEO is the Chairman of the ALCO.

The Risk Department is the central body responsible for the ongoing risk management at SBAB Bank. While the Risk Department is subordinate to the CRO in organisational terms, the Head of the Risk Department is appointed by and reports to the CEO. The Head of the Risk Department has overall responsibility for developing and ensuring that SBAB Bank's risk strategies are implemented in the intended manner and that policies and processes facilitate relevant follow-up. The Risk Department is responsible for analysing, assessing and reporting the Group's overall risks. Risks in the finance operations are monitored by a unit within the Risk Department known as the Market and Liquidity Risk Group. The group is responsible

Organisation



1) Anti-money laundering – central functional responsibility for measures to counteract money laundering.
2) Risk management in financial reporting is described on page 90.
3) The internal audit, which is subordinate to the Board, is described on page 89.
4) Compliance is described on page 89.

for identifying, quantifying and analysing risks, monitoring current risk levels on a daily basis and ensuring that the limits for the finance operations are not exceeded. The Risk Department is also responsible for the design, implementation, reliability and monitoring of SBAB Bank's risk-classification systems and for the economic capital model.

The individual risks are managed by the respective operation.

A monthly report on the overall risk scenario and the economic capital trend is presented by the Risk Department to the Board, the CEO and Executive Management. The Risk Department also continuously reports the capital adequacy ratio, Tier 1 capital ratio and core Tier 1 capital ratio to the Board, the CEO and Executive Management. In addition, the Board and CEO are provided with a detailed description of risks on a quarterly basis.

Risks

The risks that arise in SBAB Bank's operations primarily comprise:

- Credit risk – the risk that the counterparty is unable to fulfil its payment obligations.
- Liquidity risk – the risk that the company is unable to meet its payment obligations on the date of maturity without the related cost increasing significantly.
- Refinancing risk – the risk of an increased cost for funding opportunities or insufficient funding opportunities as a result of differences in structure and maturity between lending and funding.
- Market risk – the risk of a decline in profitability due to unfavourable market fluctuations.
- Operational risk – the risk of losses due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events, including legal risk.
- Business risk – the risk of declining income due to deteriorating competitive conditions or an incorrect strategy or decision. Business risk also includes margin risk, which arises when the fixed-interest periods applying to the interest-rate margins for lending and funding differ.
- Concentration risk – arises when either major exposures or exposures in the loan portfolio are concentrated to certain types of borrowers, regions or industries.

A more detailed description of SBAB Bank's risk management and capital adequacy is presented in Note 2.

Measurement of risk and capital requirement

SBAB's definition of capital and capital requirement complies with external requirements. Internal follow-up and reporting are based on Pillars 1 and 2 of the Basel II regulations.

In general terms, the SBAB Bank Group's risk process can be described as follows:

1. Identify risk

The bank continuously identifies the risks generated by its operations. The lending and deposit operations are conducted in two business areas (Corporate and Retail). These two business areas mainly generate credit risk. The funding operations primarily give rise to market and liquidity risk, as well as counterparty risk.

2. Measure risk and capital requirement

Identified risks are measured using various models. Several statistical rating models are used to measure credit risk, depending on the type of counterparty for which a credit rating is required and the type of collateral provided. SBAB Bank mainly uses the internal ratings-based approach to determine its internal and external capital requirement. Market risk is measured using Value at Risk (VaR) in the calculation of economic capital and through various types of scenario analyses for monitoring internal limits. The external capital requirement for market risk is calculated using the standardised approach. For business and operational risk, standards are used based on operating expenses and operating income.

3. Analyse, control and report

Based on the measurement results provided by the models, an analysis is conducted to determine how the risks affect and can be expected to affect the operations. This work includes a follow-up and analysis of historical outcomes, as well as future-oriented stress tests and scenario analyses. The results of the analysis, together with a qualitative assessment of other risks, are reported to the ALCO.

Five-year Overview

Group SEK million	2011	2010	2009	2008	2007
Interest income	10,449	5,355	6,043	11,222	8,585
Interest expense	–8,831	–3,593	–4,524	–10,081	–7,408
Net interest income	**1,618**	**1,762**	**1,519**	**1,141**	**1,177**
Other operating income	–439	–333	455	–14	–422
Total operating income	**1,179**	**1,429**	**1,974**	**1,127**	**755**
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	–27	–26	–28	–32	–31
Other operating expenses	–680	–578	–550	–488	–486
Total operating expenses	**–707**	**–604**	**–578**	**–520**	**–517**
Profit/loss before loan losses	**472**	**825**	**1,396**	**607**	**238**
Loan losses, incl. change in value of property	–8	–40	–107	–22	20
Operating profit	**464**	**785**	**1,289**	**585**	**258**
Lending portfolio	248,150	249,103	225,976	183,959	167,981
Other assets	91,600	67,822	68,099	69,335	55,110
Total assets	**339,750**	**316,925**	**294,075**	**253,294**	**223,091**
Deposits from the public	8,769	6,083	4,653	3,542	759
Debt securities in issue	276,678	261,962	249,095	198,643	191,807
Other liabilities	39,615	35,298	29,161	41,011	21,574
Deferred tax liabilities	71	60	238	–	–
Subordinated debt	6,233	5,508	3,551	3,666	2,725
Equity	8,384	8,014	7,377	6,432	6,226
Total liabilities and equity	**339,750**	**316,925**	**294,075**	**253,294**	**223,091**
Lending					
New lending, SEK million	31,107	50,398	64,626	32,425	30,484
Investment margin, %	0.49	0.58	0.55	0.48	0.55
Loan losses					
Loan loss rate, %	0.00	0.02	0.06	0.01	–0.01
Share of doubtful loan receivables, %	0.00	0.01	0.01	0.02	0.04
Productivity					
Expenditure/Income ratio, excl. loan losses	60	42	29	46	68
Expenditure/Income ratio, incl. loan losses	61	45	35	48	66
Capital structure					
Return on equity, %	4.2	7.5	13.8	6.7	3.1
Capital adequacy without transitional regulations					
Core Tier 1 capital ratio without transitional regulations, %	15.0	14.1	14.1	11.8	–
Tier 1 capital ratio without transitional regulations, %	20.0	19.1	15.9	13.5	–
Capital adequacy ratio without transitional regulations, %	23.9	22.4	19.7	16.8	–
Capital adequacy with transitional regulations					
Core Tier 1 capital ratio with transitional regulations, %	6.7	6.4	6.6	6.6	–
Tier 1 capital ratio with transitional regulations, %	8.9	8.7	7.4	7.6	7.6
Capital adequacy ratio with transitional regulations, %	10.7	10.2	9.2	9.4	9.4
Equity ratio, %	2.5	2.5	2.5	2.5	2.8
Consolidation ratio, %	2.5	2.5	2.6	2.5	2.8
Employees					
Number of employees (annual average)	419	431	396	365	374

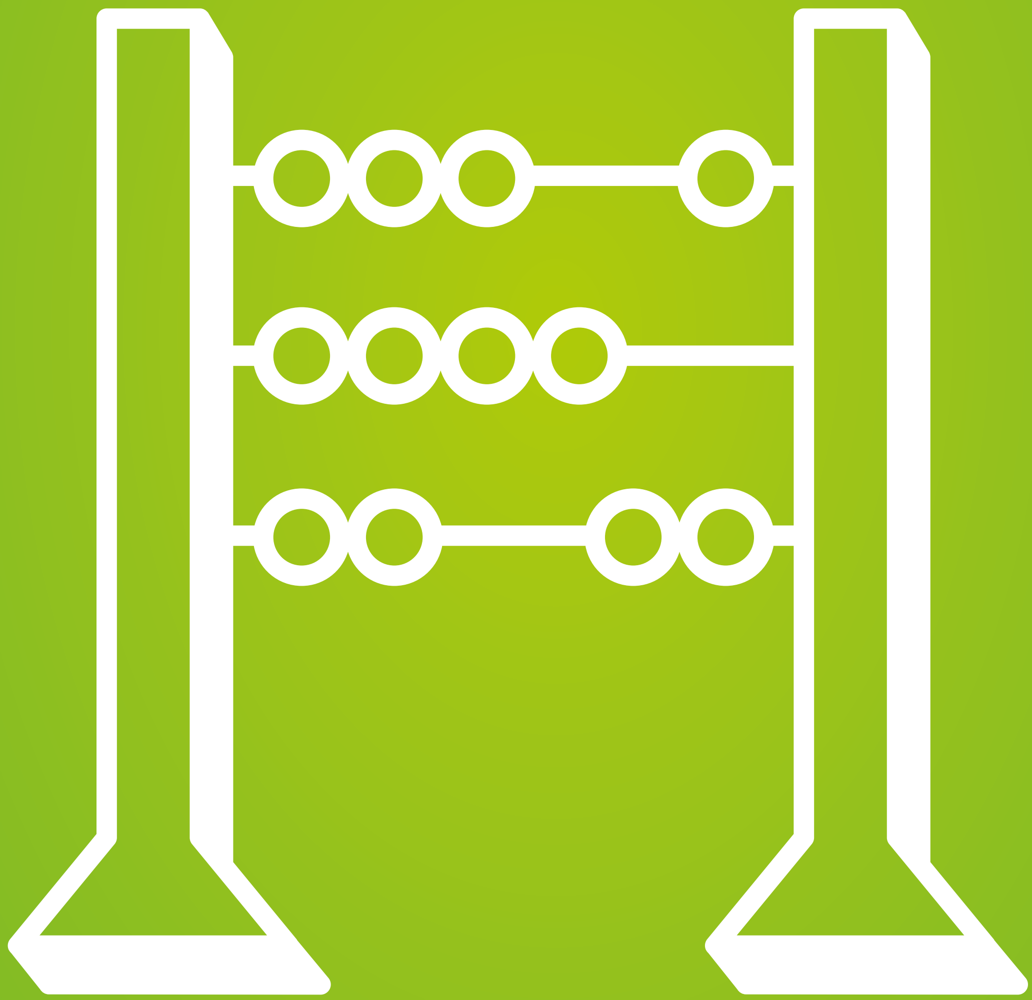
The five-year overview for the Parent Company is presented in Note 40.

Definitions

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, excl. loan losses	Total operating expenses/total income
Expenditure/Income ratio, incl. loan losses	(Total operating expenses plus loan losses)/ total income
Return on equity	Operating profit after actual tax in relation to average equity
Core Tier 1 capital ratio	Tier 1 capital less Tier 1 capital contribution in relation to risk-weighted assets (RWA)
Tier 1 capital ratio	Tier 1 capital/risk-weighted assets
Capital adequacy ratio	Capital base/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	Permanent and temporary employees (annual average)

Financial statements

Results for the year in figures



Contents

Income Statement

SEK million	Note	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Interest income	3	10,449	5,355	3,864	2,226
Interest expense	3	–8,831	–3,593	–3,956	–1,922
Net interest income/expense		**1,618**	**1,762**	**–92**	**304**
Dividends received	4	–	–	13	114
Group contribution received	4	–	–	510	–
Commission income	5	60	50	126	109
Commission expense	5	–150	–94	–69	–44
Net income/expense from financial instruments measured at fair value/Net income/expense from financial transactions	6	–349	–289	–206	–201
Other operating income	7	0	0	521	431
Total operating income		**1,179**	**1,429**	**803**	**713**
Personnel costs	8	–323	–316	–325	–317
Other expenses	9	–357	–262	–370	–270
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	10	–27	–26	–13	–12
Total expenses before loan losses		**–707**	**–604**	**–708**	**–599**
Profit before loan losses		**472**	**825**	**95**	**114**
Loan losses, net	11	–8	–40	3	–30
Operating profit		**464**	**785**	**98**	**84**
Tax	12	–123	–208	–23	7
Profit for the year		**341**	**577**	**75**	**91**

Statement of Comprehensive Income

SEK million	Note	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Profit for the year		**341**	**577**	**75**	**91**
Other comprehensive income					
Change in reclassified financial assets, after tax	33	28	57	28	57
Change in instruments used in cash flow hedging, after tax	33	1	3	1	3
Other comprehensive income, net after tax		**29**	**60**	**29**	**60**
Total comprehensive income for the year		**370**	**637**	**104**	**151**

Balance Sheet

SEK million	Note	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
ASSETS					
Cash and balances at central banks		0	0	0	0
Chargeable treasury bills and other eligible bills	13	2,118	2,365	2,118	2,365
Lending to credit institutions	14	23,454	12,892	56,412	50,265
Lending to the public	15	248,150	249,103	32,940	35,298
Change in value of interest-rate-hedged items in portfolio hedges	16	1,557	500	–8	–14
Bonds and other interest-bearing securities	17	45,387	37,985	45,387	37,985
Derivative instruments	18	17,496	12,665	13,813	10,326
Shares and participations in joint ventures	19	–	–	733	587
Shares and participations in Group companies	20	–	–	9,600	9,600
Intangible fixed assets	21	38	34	6	5
Property, plant and equipment	22	30	28	30	28
Other assets	23	319	462	718	515
Prepaid expenses and accrued income	24	1,201	891	899	634
TOTAL ASSETS		**339,750**	**316,925**	**162,648**	**147,594**
LIABILITIES AND EQUITY					
Liabilities					
Liabilities to credit institutions	25	21,233	18,257	9,688	9,975
Deposits from the public	26	8,769	6,083	8,769	6,083
Debt securities in issue	27	276,678	261,962	116,753	107,223
Derivative instruments	18	14,060	12,576	12,109	9,838
Other liabilities	28	161	338	120	242
Accrued expenses and prepaid income	29	4,067	4,033	903	790
Deferred tax liabilities	30	71	60	248	214
Provisions	31	94	94	–	–
Subordinated debt	32	6,233	5,508	6,233	5,508
Total liabilities		**331,366**	**308,911**	**154,823**	**139,873**
Equity					
Share capital	33	1,958	1,958	1,958	1,958
Legal reserve		–	–	392	392
Other reserves/Fair value reserve	33	–51	–80	–51	–80
Retained earnings		6,136	5,559	5,451	5,360
Profit for the year		341	577	75	91
Total equity		**8,384**	**8,014**	**7,825**	**7,721**
TOTAL LIABILITIES AND EQUITY		**339,750**	**316,925**	**162,648**	**147,594**
Memorandum items					
Assets pledged for own liabilities	34	214,902	211,192	8,467	8,571
Commitments	35	34,735	30,335	53,889	60,745

Statement of Changes in Equity

GROUP

SEK million		Share capital	Other reserves	Retained earnings and profit for the year	Total equity
OPENING BALANCE, 1 January 2010		**1,958**	**–140**	**5,559**	**7,377**
Other comprehensive income for the year, after tax	Note 33		60		60
Profit for the year				577	577
CLOSING BALANCE, 31 December 2010		**1,958**	**–80**	**6,136**	**8,014**
OPENING BALANCE, 1 January 2011		**1,958**	**–80**	**6,136**	**8,014**
Other comprehensive income for the year, after tax	Note 33		29		29
Profit for the year				341	341
CLOSING BALANCE, 31 December 2011		**1,958**	**–51**	**6,477**	**8,384**

PARENT COMPANY

		RESTRICTED EQUITY		NON-RESTRICTED EQUITY		
SEK million		Share capital	Legal reserve	Fair value reserve	Retained earnings and profit for the year	Total equity
OPENING BALANCE, 1 January 2010		**1,958**	**392**	**–140**	**5,360**	**7,570**
Other comprehensive income for the year, after tax	Note 33			60		60
Profit for the year					91	91
CLOSING BALANCE, 31 December 2010		**1,958**	**392**	**–80**	**5,451**	**7,721**
OPENING BALANCE, 1 January 2011		**1,958**	**392**	**–80**	**5,451**	**7,721**
Other comprehensive income for the year, after tax	Note 33			29		29
Profit for the year					75	75
CLOSING BALANCE, 31 December 2011		**1,958**	**392**	**–51**	**5,526**	**7,825**

Cash Flow Statement

	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Cash and cash equivalents at the beginning of the year	**8,959**	**4,862**	**3,948**	**1,942**
OPERATING ACTIVITIES				
Interest received	10,156	5,128	3,587	2,065
Commission received	61	52	120	110
Interest paid	–8,348	–4,045	–3,382	–1,445
Commission paid	–90	–86	–43	–40
Dividends received for shares and similar securities	–	–	113	14
Recoveries on loans previously written off	6	2	6	2
Payments to suppliers and employees	–669	–593	–684	–600
Income tax paid/received	–368	–297	–117	–122
Change in subordinated receivables	–	–	2,062	–11,736
Change in lending to credit institutions [1]	–582	259	–1,174	548
Change in lending to the public	999	–23,049	2,363	12,915
Change in chargeable treasury bills and other eligible bills	473	5,587	473	5,587
Change in bonds and other interest-bearing securities	–6,662	–9,431	–6,662	–9,431
Change in liabilities to credit institutions	2,976	1,918	–287	1,268
Change in deposits from the public	2,686	1,430	2,686	1,430
Issuance of long-term funding	78,954	104,255	45,106	34,593
Repayment of long-term funding	–69,428	–80,093	–37,241	–34,203
Issuance of short-term funding	121,269	142,668	121,269	142,668
Repayment of short-term funding	–121,631	–139,939	–121,631	–139,939
Change in other assets and liabilities	–289	–1,641	133	–2,973
Cash flow from operating activities	**9,513**	**2,125**	**6,697**	**711**
INVESTING ACTIVITIES				
Sale of property, plant and equipment	0	0	0	0
Investments in property, plant and equipment and intangible fixed assets	–34	–28	–16	–18
Investments in subsidiaries and joint ventures	–	–	–146	–77
Cash flow from investing activities	**–34**	**–28**	**–162**	**–95**
FUNDING ACTIVITIES				
Issuance of subordinated debentures	1,000	2,000	1,000	2,000
Repayment of subordinated debentures	–499	–	–499	–
Group contribution paid/received	–	–	–	–610
Cash flow from funding activities	**501**	**2,000**	**501**	**1,390**
Increase in cash and cash equivalents	**9,980**	**4,097**	**7,036**	**2,006**
Cash and cash equivalents at the end of the year	**18,939**	**8,959**	**10,984**	**3,948**

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

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

Notes

Note 1 Accounting policies

The operations of SBAB Bank AB (publ) ("SBAB Bank") and its subsidiaries and joint ventures mainly comprise lending to private individuals, tenant-owner associations and companies in the Swedish residential mortgage market. SBAB Bank's offering also includes savings products. SBAB Bank is a limited liability company that is domiciled in Stockholm County, Stockholm Municipality. The address of the Head Office is SBAB Bank AB (publ), Box 27 308, SE-102 54 Stockholm.

The Annual Report for SBAB Bank has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition to these accounting standards, the Swedish Financial Supervisory Authority's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25), the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups were taken into consideration. The Annual Report has been prepared in accordance with the acquisition method, apart from derivatives and financial assets and liabilities measured at fair value through profit or loss, as well as hedge-accounted items.

On 22 March 2012, the Board of Directors approved the financial statements for publication. They will receive final approval from the Annual General Meeting on 19 April 2012.

Amended and new accounting policies in 2011

IFRS 7 – Financial Instruments: Disclosures

- This amendment resulted from IASB's annual improvement project and clarifies, for example, the information regarding the disclosure of maximum credit risk, as well as the disclosure of financial effects of collateral received and how this reduces credit risk.

Introduction of new accounting standards

IFRS 7 Financial Instruments: Disclosures

- This standard concerns new disclosure requirements for financial assets transferred to a third party, including the remaining risk exposure. The objective is to facilitate an assessment of the risk exposure arising from the transfer of financial assets, as well as an assessment of the company's financial position. The standard has been adopted by the EU and is to be applied from 1 January 2012 (financial years beginning on or after 1 July 2011).

IIFRS 9 Financial instruments

- IFRS 9 Classification and Measurement was the first part of a larger project aimed at replacing IAS 39 and was completed in 2010. IFRS 9 contains two primary measurement categories for financial assets: amortised cost and fair value. Classification occurs on the basis of the company's business model and the characteristic properties of its contractual cash flows. For financial liabilities, most of the current rules contained in IAS 39 will be retained. Guidance in IAS 39 pertaining to impairment testing of financial assets and hedge accounting will continue to apply until IASB has completed those aspects of IFRS 9.

  Introduction of the standard has been postponed and it is not expected to become mandatory until 1 January 2015, although advance application is permissible. However, IFRS 9 has not yet been approved by the EU and is not expected to be approved until the sections on hedge accounting and impairment have been finalised, thus resulting in a complete standard. SBAB Bank's preliminary assessment is that introduction of the standard concerning classification and measurement of financial assets and liabilities will have a limited impact on its financial statements.

IFRS 10 Consolidated Financial Statements

- The definition of controlling influence has been clarified, but entailed no major changes in practice. The new standard is to be applied as of 1 January 2013, but is not expected to impact SBAB Bank's financial statements.

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 Bank's joint venture FriSpar Bolån AB is expected to remain classified as a joint venture in the future, which means that the proportional method will no longer be permitted and the equity method will instead be used for the Group's consolidation. This will impact SBAB Bank's financial statements. The standard is to be applied as of 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities

- The disclosure requirements for subsidiaries, joint arrangements and associated companies have been compiled in one standard. Since the proportional method will no longer be permitted, the disclosure requirements will be affected. The standard is to be applied as of 1 January 2013.

IFRS 13 Fair Value Measurement

- Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The new standard does not stipulate that any new items be measured at fair value. With regard to the items that SBAB Bank measures at fair value, the new definition could potentially have an impact on the financial statements. SBAB Bank is currently evaluating the effects. The standard is to be applied as of 1 January 2013.

IAS 1 Presentation of Financial Statements

- Components in other comprehensive income are divided into two groups, depending on whether or not the components are expected to be subject to future inclusion in profit or loss. Components not subject to inclusion include actuarial gains and losses attributable to pensions, while components subject to inclusion include deferred gains and losses on cash flow hedges. Any tax accruing on each of the two groups is to be differentiated. The standard is to be applied as of 1 January 2013 (financial years beginning on or after 1 July 2012).

IAS 19 Employee Benefits

- All changes to the pension provision are to be recognised immediately. The equalisation effect derived from the corridor method has been eliminated. This will result in increased volatility in the balance sheet and other comprehensive income. In addition, the calculated return on the plan assets is to be based on the discount rate, meaning the rate used for calculating the pension obligation. Special employer's contribution and yield tax are also to be included in the calculation of the pension provision. The transitional effect arising from the discontinuation of the corridor method for unrecognised accumulated actuarial gains amounted to SEK 15 million as of 1 January 2012. The standard will be introduced on 1 January 2013 and is to be applied retroactively.

Other amendments, interpretations and annual improvements are deemed to have had no significant impact on SBAB Bank'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 Bank and its subsidiaries.

Entities qualify as subsidiaries if they are controlled by the Parent Company, which means that the Parent Company has the power to govern the financial and operating strategies of the entity in order to obtain financial benefits from its activities. The companies included in the Group are those over which SBAB Bank exercises the control generally accompanying a shareholding of more than 50% of the voting rights or where the Group exercises a sole controlling influence by agreement. The companies are consolidated from the date on which control is transferred to SBAB Bank and are deconsolidated from the date on which control ceases. Intra-Group transactions and receivables and liabilities between Group companies are eliminated.

Joint venture

By contractual agreement, FriSpar Bolån AB is to be regarded as a joint venture and recognised in accordance with the proportional method. The proportional method entails that SBAB Bank's share (51%) of the company's assets and liabilities is included in the consolidated balance sheet. The corresponding share of the company's income and expense is included in consolidated profit or loss.

Recognition and derecognition in the balance sheet

Issued and acquired securities, including 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 Group 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 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 Bank. 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 not covered by hedge accounting are classified in accordance with this standard in the following categories:

- Financial assets measured at fair value through profit or loss
- Loans and receivables
- Financial liabilities measured at fair value through profit or loss
- Other financial liabilities

SBAB Bank has not classified any assets as "Held-to-maturity investments" or as "Available-for-sale financial assets."

Fair value measurement

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

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, primarily models based on discounted cash flows. In certain individual cases, the calculations may be based on assumptions or estimates.

Financial assets measured at fair value through profit or loss

The category "Financial assets measured 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 Bank'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. Assets in this category are initially recognised at fair value, while related transaction costs are recognised in profit or loss.

Changes in fair value and realised gains or losses for these assets are recognised directly in profit or loss 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. 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 and impairment losses 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, loan receivables also include the bonds (residential mortgage-backed securities – RMBS) that have been reclassified from "Available-for-sale financial assets" to "Loans and receivables." For further information, refer to Note 36. Impairment losses are recognised as "Impairment of financial assets," while the effective interest rate is recognised as interest income.

Available-for-sale financial assets

Financial assets that were previously included in this category pertained to the bonds that have been reclassified as "Loans and receivables." The change in value that was recognised on the reclassification date in "Other 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 profit or loss as interest income.

Financial liabilities measured at fair value through profit or loss

The category "Financial liabilities measured 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 Bank'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 profit or loss.

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

Other financial liabilities

Financial liabilities that are not classified as "Financial liabilities measured at fair value through 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 eliminate 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 Bank 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 and such derivatives are classified as assets or liabilities, respectively, measured at fair value through profit or loss.

SBAB Bank uses two models for hedge accounting: fair value hedging and cash flow hedging.

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 profit or loss 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 profit or loss 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 profit or loss under the heading "Net income/expense from financial instruments measured at fair value."

Macro hedging

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 cash flow hedging, the hedging instrument, meaning the derivative contract, is measured at fair value. The effective portion of the total change in value is recognised in equity under the item "Other reserves/Fair value reserve." Accumulated amounts are reversed in profit or loss during the period when the hedged item affects profit or loss. The ineffective portion of the change in the market value of the derivative is recognised in profit or loss under the item "Net income/expense from financial instruments measured at fair value," where the realised gain or loss attributable to the termination of a hedging relationship is also recognised. The effective interest rate for the derivative is recognised in net interest income.

Loan losses and impairment of financial assets

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 bankruptcy, suspension of payments, a composition or a court order to pay.

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 profit or loss under the item "Loan losses, net" or "Impairment of financial assets" depending on the type of receivable. Refer to the paragraph on "Loans and receivables" on page 31. 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 profit or loss 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.

Individually measured loan receivables

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

Collectively measured loan receivables

The loan receivables assessed in this group are as follows:

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

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

- As part of the work on Basel II, statistical models have been produced for use in the internal ratings-based system. Adjusted in accordance with the IFRS regulatory framework, groups of loans, which have been subject to events that produce a measurable negative impact on the expected future cash flows, have been identified.
- 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 Bank 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 bonds

Receivables included in this group are the bonds (RMBS) that as of 1 July 2008 were reclassified from "Available-for-sale financial assets" to "Loans and receivables." Each security is impairment tested individually.

Miscellaneous

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, a subsidiary and a joint venture. 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 profit or loss under "Net income/expense from financial instruments measured at fair value."

Leasing

Existing leases relate to normal leases for SBAB Bank'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 profit or loss 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 profit or loss. 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 Bank 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 which 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 profit or loss, the related tax effects are also recognised in profit or loss. 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 balances and lending to credit institutions with a maturity 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. The defined-benefit plan stipulates an amount for the pension benefit that an employee will receive on retirement based on age, period of service and salary.

Pension costs for defined-contribution plans are expensed on a continuous basis in pace with vesting by the individual employee.

The provision recognised in the balance sheet for defined-benefit pension plans is the present value of the defined-benefit pension obligation at the end of the reporting period less the fair value of the plan assets, adjusted for unrecognised actuarial gains and losses, as well unrecognised costs for service during prior periods. The defined-benefit pension obligation is calculated annually by independent actuaries applying the projected unit credit method.

Actuarial gains and losses resulting from experience-based adjustments and changes affecting actuarial assumptions exceeding the higher of 10% of the fair value of the plan assets and 10% of the present value of the defined-benefit obligation are recognised as expense or income over the employee's estimated average remaining period of service.

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 results. At SBAB Bank, the CEO is the function that is responsible for allocating resources and assessing the result of the operating segment.

Parent Company accounting policies

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

Amended accounting policies in 2011

- UFR 2 Group Contributions and shareholders' contributions
  UFR 2 has been withdrawn and replaced by the section of RFR 2 pertaining to IAS 18 and IAS 27. Group contributions (including the tax effect) paid to and received from subsidiaries are recognised in profit or loss.

Differences compared with the Group

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

Presentation of 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 entails a different presentation of equity. The Parent Company's legal reserve is recognised in the Group as retained earnings, while the Parent Company's fair value reserve is included in the Group's other 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.

Subsidiaries

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

Dividends

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

Critical accounting estimates and judgements

Significant estimates in the application of SBAB Bank's accounting policies

SBAB owns 51% of the shares of FriSpar, although the shareholders' agreement between SBAB Bank, Sparbanken Öresund AB (publ) and Sparbanken Syd states that SBAB Bank cannot solely govern the financial and operating policies for the company. In addition, unanimity among all part-owners is required for valid decisions in all important matters. Accordingly, SBAB Bank does not have a controlling influence and Executive Management has arrived at the assessment that FriSpar is to be recognised as a joint venture. At the Group level, this entails a marginal effect on net interest income, total assets and capital adequacy compared with recognising FriSpar as a subsidiary.

Critical assumptions

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

Measurement of loan receivables

The area that primarily entails a risk of causing an adjustment to recognised assets and liabilities 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. The portion of the liquidity portfolio that pertains to RMBS is also measured as a loan receivable. Here too the most critical assumption involves estimating future cash flow. Models are used to enable measurements to be performed in an appropriate manner.

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 Bank has used the yield on mortgage bonds (government bonds in earlier years) for the discounting of pension obligations, since a functioning market for mortgage bonds now exists in Sweden. Since the corridor method is used for the measurement of the pension obligation, this has had no immediate impact on the size of the provision. The assumptions upon which the measurement is based are presented in Note 31.

Events after the balance-sheet date

See the section of the Administration Report entitled "Results" on pages 17–19.

Note 2 Risk management and capital adequacy

Risk is a natural component of all businesses and all risks that arise must be managed. While SBAB Bank is mainly exposed to credit risk in its lending operations, other areas of the operations also face risks. The recent financial crisis exemplified the importance of effective liquidity risk management and the prevailing debt crisis and crisis of confidence have emphasised the need for counterparty risk management.

a) Credit risk in lending operations – the risk that the counterparty is unable to fulfil its payment obligations.
b) Credit risk in finance operations – the risk that the counterparty is unable to fulfil its payment obligations.
c) Liquidity risk – the risk that the company is unable to meet its payment obligations on the date of maturity without the related cost increasing significantly.
d) Refinancing risk – the risk of an increased cost for funding opportunities or insufficient funding opportunities as a result of differences in structure and maturity between lending and funding.
e) Market risk – the risk of a decline in profitability due to unfavourable market fluctuations.
f) Operational risk – the risk of losses due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events, including legal risk.
g) Business risk – the risk of declining income due to deteriorating competitive conditions or an incorrect strategy or decision. Business risk also includes margin risk, which arises when the fixed-interest periods applying to the interest-rate margins for lending and funding differ.
h) Concentration risk – arises when either major exposures or exposures in the loan portfolio are concentrated to certain types of borrowers, regions or industries.
i) Internal capital adequacy assessment – compliance with Basel II, Pillar 2.
j) Capital adequacy.

For more information about the Group's capital adequacy and risk management, visit sbab.se.

The Board of Directors has ultimate responsibility for risk management and makes decisions on the risk strategy, risk tolerance, the risk policy and instructions for managing and measuring risk. Through the finance directive, the Board determines the limits for risk management in the funding operations. The Board has delegated responsibility for certain issues to SBAB Bank's Finance Committee. The credit instructions are established by the Board, which thereby regulates the authority to make credit and limit decisions at various levels in SBAB Bank. Credit limits and loans exceeding SEK 250 million are decided by the Board's Credit Committee.

The Asset and Liability Committee (ALCO) handles matters relating to risk and capital planning, which are then addressed by Executive Management or the Board. The CEO is the Chairman of the ALCO. The other ALCO members are the heads of each business area, the CRO, the CFO, the Head of the Risk Department and the Head of the Market and Liquidity Risk Group.

The Risk Department is subordinate to the CRO in organisational terms. The Head of the Risk Department, who is appointed by the CEO, has overall responsibility for developing and ensuring that SBAB Bank's risk strategies are implemented in the intended manner and that policies and processes facilitate relevant follow-up.

In addition, the Risk Department is responsible for analysing, assessing and reporting the Group's overall risks. The Market and Liquidity Risk Group, which is part of the Risk Department, is responsible for identifying, quantifying and analysing risks in the finance operations. The Group monitors current risk levels on a daily basis and ensures that the limits for the finance operations are not exceeded.

The Risk Department is also responsible for the design, implementation, reliability and monitoring of SBAB Bank's risk-classification systems and for the economic capital model. The individual risks are managed by the lending and funding operations. A monthly report on the overall risk scenario and the economic capital trend is presented by the Risk Department to the CEO, Executive Management and the Board. The Risk Department also continuously reports the capital adequacy ratio, Tier 1 capital ratio and core Tier 1 capital ratio to the CEO, the Board and senior executives of SBAB Bank. In addition, the Board and CEO are provided with a detailed description of risks on a quarterly basis.

Note 2a Risk management – Credit risk in lending operations

Credit risk in lending operations

Credit risk in the lending operations is 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 SBAB Bank's finance operations.

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 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.

The SBAB Bank Group applies the IRB approach for retail loans and the foundation IRB approach (FIRB approach) for corporate loans. The Swedish Financial Supervisory Authority has examined the company's use of the IRB approaches and judged them to be reliable. The IRB approach is used for assessing the credit risk associated with each part of the company's individual exposures to retail or corporate customers 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 – Probability of default (PD)
- Loss amount in the event of default – Loss given default (LGD)
- 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 – Exposure at default (EAD)
- The expected loan loss (EL) is measured using the formula EL = PD*LGD*EAD

On the basis of these parameters, customers can be 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 loans, 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. In 2010 and 2011, all PD models and CCF models for retail loans were reviewed. In the opinion of the Swedish Financial Supervisory Authority, the scope of the changes to the PD models for tenant-owner associations and property companies and the CCF model for retail loans was such that a new permit was required. The Swedish Financial Supervisory Authority reviewed the models in 2011 and granted permission for them to be used in December. The new models will be implemented in early 2012. In December 2011, SBAB Bank was also authorised to use the foundation IRB approach for lending against collateral comprising mortgage deeds in properties other than residential properties.

In connection with the quantitative assessment in the corporate market, 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.

The expected loss (EL) assessed in the models can be compared with the assessed probable loss in the reporting seen over a longer period of time. The management of the loss in the reporting is regulated by IAS 39. According to these regulations, 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. This differs from the expected loss produced by the models, where the scope of the EL is regulated by the Capital Adequacy and Large Exposures Act (2006:1371) and by the Swedish Financial Supervisory Authority's regulations and general guidelines governing capital adequacy and large exposures (FFFS 2007:1). According to these regulations, the risk associated with each individual loan is to be estimated based on the outcome over a longer period of time using a statistical model.

Collateral in the lending operations

For loans granted by the SBAB Bank Group, 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% applies.

In addition to collateral in the form of mortgage deeds or tenant-owner rights, 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. SBAB Bank does not hold any collateral which has been taken over to protect a receivable. Lending to the public accounts for 73% (79) of the SBAB Bank Group's overall assets.

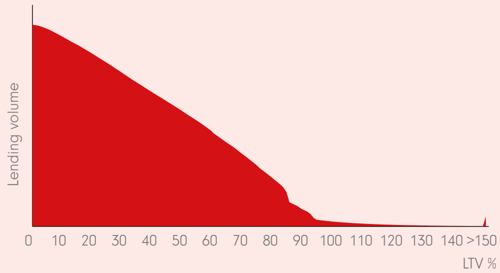
Without taking collateral received or any other forms of credit enhancement into account, the maximum credit risk exposure for the lending operations corresponds to the carrying amount and amounts to SEK 248,542 million (loans plus accrued interest).

The financial effect of collateral received is illustrated in the diagram on page 36, which shows loans in relation to the market value of underlying collateral for loans secured on collateral comprising mortgage deeds or tenant-owner rights. The data encompasses 96% of the company's total lending to the public. Since 92% (91) of the company's lending is secured on collateral in mortgage deeds or tenant-owner rights within 70%, the quality is judged to be highly favourable.

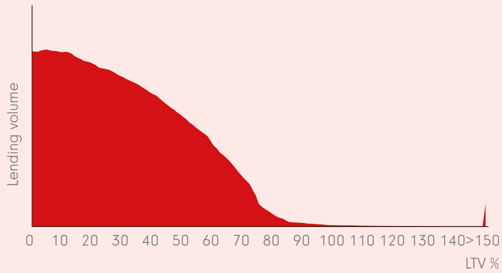
Note 2a Risk management – Credit risk in lending operations, contd.

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

Retail [1)]



Corporate market [1)]



1) Retail refers to all lending to the public comprising single-family dwellings, holiday homes and tenant-owner rights. Corporate market refers to all other lending to the public. Accordingly, the corporate market also includes loans to tenant-owner associations, as well as loans to private individuals who own multi-family dwellings.

Loan portfolios in lending operations allocated by risk class
Every customer is allocated to a risk class. Customers with individually reserved loans are always allocated to the corporate market risk class C8 or the retail market risk class R8. Loans covered by collective provisions are obtained for the corporate market from risk classes C6–C8, 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 26 million (23), which were attributable to the loans, are distributed in the table on a pro rata basis.

Loan portfolio allocated by risk class – Retail

	2011		2010	
Risk class R [1)]	**Lending**	**Provisions/lending in respective risk class**	**Lending**	**Provisions/lending in respective risk class**
R1	24.6%	–	38.6%	0.0%
R2	27.0%	–	20.5%	0.0%
R3	27.3%	–	25.1%	0.0%
R4	10.0%	–	11.3%	0.0%
R5	5.1%	0.5%	2.4%	1.3%
R6	3.8%	1.3%	1.1%	3.8%
R7	1.8%	4.0%	0.8%	7.5%
R8	0.4%	12.1%	0.2%	13.1%
	100.0%	**0.2%**	**100.0%**	**0.2%**

1) R = Retail market
The allocation of risk class for retail loans was changed in 2011 to achieve a more appropriate distribution. Accordingly, the values for 2011 cannot be compared with the values for 2010.

Loan portfolio allocated by risk class – Corporate market, including tenant-owner associations

	2011		2010	
Risk class C [1)]	**Lending**	**Provisions/lending in respective risk class**	**Lending**	**Provisions/lending in respective risk class**
C0	0.4%	–	0.7%	–
C1	65.8%	–	63.3%	0.0%
C2	21.3%	–	21.6%	0.0%
C3	7.0%	–	9.1%	0.0%
C4	1.9%	–	1.9%	0.1%
C5	2.5%	–	1.4%	0.2%
C6	0.7%	3.9%	1.2%	1.4%
C7	0.0%	11.9%	0.3%	5.4%
C8	0.4%	8.5%	0.5%	11.3%
	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, 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 December 31, 2011, total provisions (individual and collective) amounted to SEK 281 million (295) after a deduction for guarantees, which corresponds to 0.1% (0.1) of the loan portfolio, of which individually assessed loans accounted for SEK 50 million (73). At year-end 2011, individual provisions after deduction for guarantees had decreased SEK 22 million (decrease: 3) compared with the preceding year, and accounted for 62% (69) of doubtful receivables, which amounted to SEK 81 million (104). 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

	2011		2010	
SEK million	**Public**	**Credit institutions**	**Public**	**Credit institutions**
❶ Current loans without past due unpaid amounts or provisions	247,179	23,454	248,641	12,892
❷ Loans with unpaid amounts > 5 days past due	1,239		710	
❸ Loans with individual provisions	81		104	
Total outstanding loans	**248,499**	**23,454**	**249,455**	**12,892**
Individual provisions	50		73	
Collective provisions corporate market	31		38	
Collective provisions retail market	268		241	
Total provisions	**349**		**352**	
Total lending after provisions	**248,150**	**23,454**	**249,103**	**12,892**
Guarantees for loans with individual provisions	0		1	
Guarantees for loans with collective provisions, corporate market	10		2	
Guarantees for loans with collective provisions, retail market	58		54	
Total guarantees	**68**		**57**	
Total lending after provisions and guarantees	**248,218**	**23,454**	**249,160**	**12,892**

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

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 92% (96) are in the risk classes C0/R1–C4/R4. The allocation includes total transaction costs of SEK 26 million (23), 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 provisions

	2011							
Risk class SEK million	**Single-family dwellings and holiday homes**	**Tenant-owner rights**	**Tenant-owner associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties**	**Loans without formal collateral**	**Total**
C0	–	–	–	–	422	–	–	422
C/R1	26,184	11,018	30,467	22,295	4,766	6,292	23	101,045
C/R2	25,085	15,738	15,364	3,215	526	1,543	72	61,543
C/R3	24,406	16,799	4,390	1,804	291	303	144	48,137
C/R4	8,818	6,183	1,175	397	30	38	79	16,720
C/R5	4,556	3,111	1,300	586	72	372	50	10,047
C/R6	3,329	2,385	247	405	12	–	44	6,422
C/R7	1,486	906	30	18	–	–	16	2,456
C/R8	63	13	263	48	–	–	0	387
Total	**93,927**	**56,153**	**53,236**	**28,768**	**6,119**	**8,548**	**428**	**247,179**

	2010							
Risk class SEK million	**Single-family dwellings and holiday homes**	**Tenant-owner rights**	**Tenant-owner associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties**	**Loans without formal collateral**	**Total**
C0	–	–	–	–	732	–	–	732
C/R1	41,194	16,516	29,472	21,629	5,700	6,298	7	120,816
C/R2	17,988	12,670	16,629	2,992	682	1,262	10	52,233
C/R3	21,083	16,407	5,728	2,232	206	896	25	46,577
C/R4	8,826	8,053	1,349	459	23	71	21	18,802
C/R5	2,028	1,471	916	433	14	9	3	4,874
C/R6	1,016	572	413	472	6	341	0	2,820
C/R7	784	285	220	35	–	–	–	1,324
C/R8	48	19	346	49	–	–	–	462
Total	**92,967**	**55,993**	**55,073**	**28,301**	**7,363**	**8,877**	**66**	**248,640**

❷ Loans with unpaid amounts more than five days past due

The table below shows loans with past due receivables without individual provisions distributed by past due amortisation, past due accrued interest and past due principal for which notice of termination has been given. Furthermore, for the sake of completeness, principal and accrued interest not yet past due are also stated for these loans. All amounts are distributed by segment. For loans with past due amounts in several time intervals, the part that is not past due is shown, where relevant, in the oldest time interval.

At year-end 2011, 99.5% (99.7) of lending had no past due unpaid amounts and was not assessed as doubtful. Of SBAB Bank's loan portfolio totalling SEK 248 billion (249), SEK 1,239 million (710) of the principal has past due unpaid amounts.

When calculating the value of collateral, the entire loan-to-value ratio for mortgage deeds or tenant-owner rights within the market value was included together with the entire municipal guarantee, government loan guarantee and bank guarantee. The value of the mortgaged collateral is based on the market value of the properties pledged as collateral for the corresponding loans. The market value is monitored regularly and refers to the most probable price in a sale on the open property market on the measurement date.

Lending to the public by segment – Loans with unpaid amounts more than five days past due

	2011							
SEK million	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
5–30 days past due [1]								
Past due amortisation	6.8	2.5	2.3	0.5	–	–	0.0	12.1
Past due accrued interest	1.2	0.6	0.3	0.9	–	–	0.0	3.0
Terminated past due principal, excl. past due amortisation	2.8	–	–	–	–	–	–	2.8
Principal not past due	278.0	150.0	55.6	185.2	–	–	1.2	670.0
Accrued interest not past due	0.1	0.1	0.1	0.6	–	–	0.0	0.9
31–60 days past due								
Past due amortisation	0.1	0.1	–	–	–	0.0	0.0	0.2
Past due accrued interest	0.7	0.3	–	0.4	–	0.0	0.0	1.4
Terminated past due principal, excl. past due amortisation	2.4	0.5	–	–	–	0.0	–	2.9
Principal not past due	100.8	40.3	–	84.0	–	0.5	0.5	226.1
Accrued interest not past due	0.0	0.0	–	0.2	–	0.0	0.0	0.2
61–90 past due								
Past due amortisation	0.1	0.0	–	0.0	–	–	–	0.1
Past due accrued interest	0.6	0.2	–	0.0	–	–	–	0.8
Terminated past due principal, excl. past due amortisation	12.0	1.5	–	–	–	–	–	13.5
Principal not past due	48.0	21.3	–	0.3	–	–	–	69.6
Accrued interest not past due	0.0	0.0	–	–	–	–	–	0.0
>90 days past due								
Past due amortisation	2.2	0.8	–	0.3	–	–	0.0	3.3
Past due accrued interest	3.9	1.6	–	0.6	–	–	0.0	6.1
Terminated past due principal, excl. past due amortisation	68.0	39.0	–	4.4	–	–	0.2	111.6
Principal not past due	76.9	28.5	–	21.6	–	–	0.3	127.3
Accrued interest not past due	0.2	0.1	–	0.1	–	–	0.0	0.4
Total past due								
Total past due amortisation	9.2	3.4	2.3	0.8	–	0.0	0.0	15.7
Total past due accrued interest	6.4	2.7	0.3	1.9	–	0.0	0.0	11.3
Total terminated past due principal, excl. past due amortisation	85.2	41.0		4.4	–	0.0	0.2	130.8
Total principal not past due	503.7	240.1	55.6	291.1	–	0.5	2.0	1,093.0
Total accrued interest not past due	0.3	0.2	0.1	0.9	–	0.0	0.0	1.5
Total lending for loans with past due receivables without provisions	**598.1**	**284.5**	**57.9**	**296.3**	**–**	**0.5**	**2.2**	**1,239.5**
Value of collateral and guarantees	586.1	267.2	57.9	296.0	–	0.0	0.0	1,207.2

[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.

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

SEK million	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans without formal collateral	Total
	2010							
5–30 days past due [1]								
Past due amortisation	1.3	5.3	0.1	1.9	–	–	0.3	8.9
Past due accrued interest	0.8	0.4	0.1	0.1	–	–	0.0	1.4
Terminated past due principal, excl. past due amortisation	2.8	–	–	–	–	–	–	2.8
Principal not past due	226.0	123.0	14.5	15.0	–	–	0.5	379.0
Accrued interest not past due	0.1	0.1	0.1	0.0	–	–	0.0	0.3
31–60 days past due								
Past due amortisation	0.4	0.3	–	–	–	–	–	0.7
Past due accrued interest	0.4	0.1	–			–	–	0.5
Terminated past due principal, excl. past due amortisation	3.6	–	–	–	–	–	–	3.6
Principal not past due	61.8	33.2	–	–	–	–	–	95.0
Accrued interest not past due	0.0	0.0	–	–	–	–	–	0.0
61–90 past due								
Past due amortisation	0.0	0.0	–	–	–	–	–	0.0
Past due accrued interest	0.2	0.1	–	–	–	–	–	0.3
Terminated past due principal, excl. past due amortisation	4.3	0.6	–	–	–	–	–	4.9
Principal not past due	23.9	14.5	–	–	–	–	–	38.4
Accrued interest not past due	0.0	0.0	–	–	–	–	–	0.0
>90 days past due								
Past due amortisation	3.2	1.3	–	0.1	–	–	–	4.6
Past due accrued interest	2.5	0.9	–	0.5	–	–	–	3.9
Terminated past due principal, excl. past due amortisation	50.1	31.8	–	38.1	–	–	–	120.0
Principal not past due	37.9	14.1	–	0.2	–	–	–	52.2
Accrued interest not past due	0.1	0.0	–	0.2	–	–	–	0.3
Total past due								
Total past due amortisation	4.9	6.9	0.1	2.0	–	–	0.3	14.2
Total past due accrued interest	3.9	1.5	0.1	0.6	–	–	0.0	6.1
Total terminated past due principal, excl. past due amortisation	60.8	32.4	–	38.1	–	–	–	131.3
Total principal not past due	349.6	184.8	14.5	15.2	–	–	0.5	564.6
Total accrued interest not past due	0.2	0.1	0.1	0.2	–	–	0.0	0.6
Total lending for loans with past due receivables without provisions	**415.3**	**224.1**	**14.6**	**55.3**	**–**	**–**	**0.8**	**710.0**
Value of collateral and guarantees	405.7	207.1	14.6	55.0	–	–	0.0	682.4

[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.

❸ Loans with individual provisions (doubtful receivables)

Doubtful loan receivables are those for which a provision has been made on the basis of an individual risk assessment. Doubtful loan receivables accounted for 0.03% (0.04) of SBAB Bank's total lending.

A slight reduction in doubtful receivables occurred for tenant-owner associations.

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

SEK million	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans with-out formal collateral	Total
	2011							
Doubtful receivables	4	17	44	16	–	–	–	81
Individual provision, corporate market	–	–	–24	–10	–	–	–	–34
Individual provision, retail market	–4	–12	–	–	–	–	–	–16
Doubtful receivables, net	**0**	**5**	**20**	**6**	**–**	**–**	**–**	**31**
Calculated value of guarantees	–	–	–	0	–	–	–	0
Doubtful receivables with pledged guarantees taken into consideration	**0**	**5**	**20**	**6**	**–**	**–**	**–**	**31**

SEK million	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Loans with-out formal collateral	Total
	2010							
Doubtful receivables	3	14	66	21	–	–	–	104
Individual provision, corporate market	–	–	–44	–15	–	–	–	–59
Individual provision, retail market	–3	–11	–	–	–	–	–	–14
Doubtful receivables, net	**0**	**3**	**22**	**6**	**–**	**–**	**–**	**31**
Calculated value of guarantees	–	–	–	1	–	–	–	1
Doubtful receivables with pledged guarantees taken into consideration	**0**	**3**	**22**	**7**	**–**	**–**	**–**	**32**

Restructured loan receivables

Restructured receivables entail that the borrower has been granted some form of concession due to a deterioration in his/her financial position or because he/she has encountered other financial problems. Receivables that have been restructured 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, or
- the borrower is replaced or supplemented by a new borrower.

Carrying amount of renegotiated loans by segment

SEK million	2011	2010
Single-family dwellings and holiday homes	9	14
Tenant-owner rights	2	5
Tenant-owner associations	76	70
Private multi-family dwellings	6	1
Municipal multi-family dwellings	–	–
Commercial properties	–	–
Unsecured loans	–	–
Total	**93**	**90**

The above table shows the carrying amount of financial assets that would otherwise have been recognised as past due or impaired and whose terms have been renegotiated, distributed by property type.

Note 2b Risk management – Credit risk in finance operations

In the finance operations, credit risk arises when the counterparty is unable to fulfil its payment obligations. Credit risk in the finance operations arises in the form of counterparty risk for the derivative contracts entered into by the SBAB Bank Group for the purposes of managing financial risk and in the form of investment risk resulting from investments in the liquidity portfolio and investments of surplus liquidity.

Limit utilisation

	GROUP				PARENT COMPANY			
SEK million	**2011**		**2010**		**2011**		**2010**	
Rating category	**Limit**	**Utilised limit**	**Limit**	**Utilised limit**	**Limit**	**Utilised limit**	**Limit**	**Utilised limit**
AAA	0	0	500	0	0	0	500	0
AA– to AA+	6,500	2,062	8,830	1,346	6,500	1,282	8,830	1,137
A– to A+	12,885	2,695	10,725	1,399	12,885	1,206	10,725	1,080
Below A–	–	–	–	–	–	–	–	–
Unrated	–	–	–	–	–	–	–	–
Total	**19,385**	**4,757**	**20,055**	**2,745**	**19,385**	**2,488**	**20,055**	**2,217**

The table shows the utilised limit and the limit, respectively, at an aggregate level per rating category, with each counterparty placed in relation to its lowest rating, for the SBAB Bank Group's counterparties which are banks and credit institutions. The table includes investments, derivative contracts and repo contracts. The limit is set by the Finance Committee within the scope of the rating-related framework established by the Board. Utilised limits are calculated as the market value of financial derivative instruments, repo contracts and investments. For counterparties who are also loan customers, the limit is to be coordinated with the credit limit. A limit per counterparty can be established for a maximum period of one year before a new assessment must be made. The decisions of the Finance Committee are to be reported to the Board at the following Board meeting. All of SBAB Bank's counterparties have a rating. Individual limits for investment and counterparty exposure may, as a main rule, not exceed 15% of the SBAB Bank Group's capital base. Excepted from this are certain Nordic counterparties for whom the maximum limit may amount to the equivalent of 20% of the capital base. The current rating of individual counterparties issued by Moody's or Standard & Poor's is an additional restriction in establishing individual limits. The higher the rating class of a counterparty, the larger the exposure that can be permitted in relation to SBAB Bank's capital base.

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

The table below shows an analysis of chargeable treasury bills, bonds and other interest-bearing securities distributed in accordance with the lowest rating at 31 December 2011 based on Standard & Poor's rating or equivalent.

SEK million	**2011**					
Rating category	**Covered bonds**	**RMBS [1]**	**Government-guaranteed securities**	**Intergovern-mental entities**	**Non-govern-mental public sector entities**	**Total**
AAA	25,621	7,203	8,523	583	2,393	44,323
AA– to AA+	634	1,388	–	–	–	2,022
A– to A+	503	449	–	–	–	952
Below A–	–	209	–	–	–	209
Total	**26,758**	**9,249**	**8,523**	**583**	**2,393**	**47,506**

[1] Residential mortgage-backed securities: securitised assets in the form of residential properties

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

Carrying amount	**2011**			
Securities, SEK million	**Sweden**	**Other EU**	**Other**	**Total**
Covered bonds	17,896	8,596	266	26,757
RMBS	–	8,672	577	9,249
Government-guaranteed securities	5,179	3,243	100	8,523
Supranational and sovereign agencies	–	583	–	583
Non-governmental public sector entities	2,393	–	–	2,393
Total at 31 December 2011	**25,468**	**21,094**	**944**	**47,506**
Total at 31 December 2010	**17,357**	**22,062**	**931**	**40,350**

Counterparty risk

Counterparty risk is the risk that the SBAB Bank Group's financial counterparties cannot fulfil their commitments under concluded derivative contracts and mainly comprises exposures to leading banks. This exposure is predominantly covered by collateral agreements, where the counterparty pledges collateral to reduce the exposure. In accordance with the finance directive, the credit-risk limit is established by SBAB Bank's Finance Committee for all counterparties in the finance operations, with the exception of the Kingdom of Sweden and companies included in the SBAB Bank Group, for which no credit limits are established.

Maximum credit risk exposure in the finance operations	Without taking into account collateral received or other credit enhancements		Taking into account collateral received or other credit enhancements	
	2011	2010	2011	2010
Lending to credit institutions	22,437	11,908	23,454	12,892
Chargeable treasury bills and other eligible bills	2,118	2,365	2,118	2,365
Bonds and other interest-bearing securities	45,387	37,985	45,387	37,985
Derivative instruments	17,496	12,665	13,026	8,533
Maximum credit risk exposure at 31 December	**87,438**	**64,923**	**83,986**	**61,775**

The table shows the maximum credit risk exposure in the finance operations at an aggregate level per exposure category. The amounts pertain to the carrying amount, excluding intra-Group exposures.

To limit the potential counterparty risk associated with derivative transactions involving non-standardised derivative instruments that are not cleared by clearing organisations approved by the Swedish Financial Supervisory Authority (in accordance with FFFS 2007:1), a framework agreement is to be entered into with the counterparty. Where appropriate, such framework agreements, known as ISDA Master Agreements, or similar agreements have been supplemented with associated collateral agreements, known as Credit Support Annexes (CSAs). A CSA must always be established for counterparties entering into derivative contracts with SCBC.

Counterparty risk is reconciled on a daily basis for all counterparties. CSAs are reconciled on a daily basis or on a weekly basis if a collateral agreement exists. When collateral agreements exist, collateral is transferred to reduce the exposure. Wherever applicable, the posted and received collateral takes the form of cash combined with a transfer of title which entitles the party that receives the collateral to use the collateral in its operations.

Collateral posted and received under collateral agreements, 31 December 2011

Amount per company, SEK 000s	Pledged	Received
SBAB Bank	1,016,388	1,318,075
SCBC	0	3,149,962
FriSpar	0	0

Liquidity portfolio

The SBAB Bank Group's liquidity portfolio primarily comprises liquid, interest-bearing securities with a high rating and is intended to reduce the Group's liquidity risk. Holdings in securities are limited by asset class and by country, respectively, and must have the highest rating upon acquisition. Securities holdings also constitute an integrated part of the total credit risk utilisation for each issuer/counterparty.

Holdings in the portfolio are long-term and amounted to SEK 48.9 billion at 31 December 2011, with an average maturity of three years. At the same date, 91% of the portfolio's value had a rating of Aaa from Moody's or AAA from Standard & Poor's. The various asset classes in the portfolio are:

- Securities issued or guaranteed by central governments, SEK 5.9 billion
- Securities guaranteed by central governments, SEK 2.6 billion
- Securities issued by supranational and sovereign agencies (SSA), SEK 0.6 billion
- Securities issued by public sector entities (PSE), SEK 2.4 billion
- European covered bonds, SEK 27.7 billion
- European and Australian residential mortgage-backed securities (RMBS), SEK 9.7 billion

In the liquidity portfolio, holdings of RMBS are classified as "Loans and receivables" and other holdings are "Securities measured at fair value through profit or loss."

		DISTRIBUTION BY CURRENCY			
Liquidity reserve, SEK million	**31 Dec 2011**	**SEK**	**EUR**	**USD**	**Other**
Liquidity portfolio					
Securities issued or guaranteed by central governments, central banks or multinational development banks	9,080	2,411	6,043	351	275
Securities issued or guaranteed by municipalities or non-governmental public sector entities	2,378	2,236	–	142	–
Covered bonds	27,733	15,762	11,139	210	622
Securities issued by financial companies (excl. covered bonds)	9,700	–	8,468	652	580
Total liquidity portfolio	**48,891**	**20,409**	**25,650**	**1,355**	**1,477**
Bank and loan facilities	1,484	–	–	1,484	–
Total liquidity reserve	**50,375**	**20,409**	**25,650**	**2,839**	**1,477**
Distribution by currency		40%	51%	6%	3%

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

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 Bank Group has long identified the importance of well-functioning and proactive liquidity risk management. SBAB Bank's liquidity risk management is based on the following principles:

Broad and diversified funding

Because the SBAB Bank Group has maintained an active presence in the international capital market since 1989, its brand is well established. Short-term, mid-term and long-term funding takes place on a global basis. Moreover, the SBAB Bank 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 Bank Group has a liquidity portfolio. When calculating the reserve value of the securities included in the liquidity portfolio, the SBAB Bank Group applies the hair cuts 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 89% of the value of the portfolio can be used as collateral for repos with the Riksbank or another central bank.

At 31 December 2011, the SBAB Bank Group's liquidity reserve comprised SEK 1.5 billion in bank facilities and SEK 38.6 billion in liquid securities.

In 2011, in addition to the above reserves, the SBAB Bank Group had a loan facility of SEK 1.0 billion at the Swedish National Debt Office, which matured on 31 December 2011.

Liquid balance sheet

The SBAB Bank Group'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 Bank's balance sheet.

Continuous monitoring of liquidity risk

Active debt management, the liquidity of the balance sheet and the size of the SBAB Bank Group's liquidity reserves are key factors in the SBAB Bank Group'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 ongoing 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

The SBAB Bank Group measures and stress tests liquidity risk by totalling the maximum conceivable need for liquidity for every day during the coming 365 days. This measurement of liquidity risk is known as the Maximum Cumulative Outflow (MCO). MCO calculations are based on a crisis scenario in which all loans are assumed to be extended on maturity, meaning that no liquidity is added through loan redemption, and where no funding is available. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established. The number of MCO days corresponds to the number of days for which the liquidity reserve covers the maximum outflow (MCO) and is limited to a minimum of 30 days at any given time.

Moreover, unutilised issuance capacity for covered bonds is an additional reserve that is not included in the calculation of MCO.

Liquidity situation in 2011

In 2011, the liquidity reserve averaged 121 days MCO (79). At 31 December, the liquidity reserve corresponded to 77 days MCO (63). During 2011, the liquidity reserve was never lower than the equivalent future liquidity requirement of 48 days (36).

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 key ratios or standard measurements called the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR aims to ensure the maintenance of an adequate amount of unutilised liquid assets that, when necessary, can be converted to liquid funds that cover a 30-day forecast liquidity requirement. NSFR aims to indicate how stable the Group's funding is by comparing the stability of assets and liabilities.

Since 1 July 2011, LCR has been reported to the Swedish Financial Supervisory Authority for observation on a monthly basis.

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 the SBAB Bank 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 are designed on the basis of the SBAB Bank Group's specific risk profile and cover both company-specific and market-related problems. The scenarios are divided into different stages that illustrate increasing levels of stress intensity to reflect how a crisis can continuously deteriorate.
The scenarios simulated by the stress tests include:

- The 2008/2009 financial crisis – stress in the funding operations, with funding programmes closing at various stages.
- Rating-related stress, with gradually lower ratings for SBAB Bank and SCBC.
- Price fall in the property market – various levels of price decline that weaken the loan-to-value ratio, thereby reducing the share of funding that can be conducted by SCBC.

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, and the results are assessed against the SBAB Bank Group's established risk tolerance and used for the purpose of adjusting strategies and guidelines.

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

	2011							2010						
SEK million	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
GROUP														
ASSETS														
Cash and balances from central banks	0	–	–	–	–	–	0	0	–	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	–	34	53	2,146	–	2,233	–	108	34	69	2,077	515	2,803
Lending to credit institutions	571	18,951	652	1,829	1,716	35	23,754	581	8,782	706	1,981	952	34	13,036
Lending to the public	–	35,520	42,934	72,208	105,841	5,158	261,661	–	39,331	50,355	78,122	85,896	8,075	261,779
Bonds and other interest-bearing securities	–	3,122	4,713	4,196	31,893	5,501	49,425	–	2,395	1,653	5,924	25,713	6,747	42,432
Of which classified as loans and receivables		*623*	*2,333*	*1,936*	*3,255*	*2,039*	*10,186*		*1,595*	*1,013*	*4,135*	*7,182*	*2,331*	*16,256*
Derivative instruments	–	65,825	12,372	14,125	139,061	22,021	253,404	–	43,432	9,072	24,395	133,766	29,364	240,029
Other assets	1,520	–	–	–	–	–	1,520	1,353	–	–	–	–	–	1,353
Total financial assets	**2,091**	**123,418**	**60,705**	**92,411**	**280,657**	**32,715**	**591,997**	**1,934**	**94,048**	**61,820**	**110,491**	**248,404**	**44,735**	**561,432**
LIABILITIES														
Liabilities to credit institutions	–	21,349	–	–	–	–	21,349	–	18,271	–	–	–	–	18,271
Deposits from the public	8,675	4	23	8	59	–	8,769	6,069	1	0	0	13	–	6,083
Debt securities in issue	–	44,869	20,311	19,020	194,243	16,234	294,677	–	41,810	31,725	23,031	168,870	18,071	283,507
Derivative instruments	–	65,705	11,001	14,608	139,120	23,665	254,099	–	44,080	7,618	25,590	135,325	31,391	244,004
Other liabilities	4,228	–	–	–	–	–	4,228	4,370	–	–	–	–	–	4,370
Subordinated debt	–	3	280	55	6,832	0	7,170	–	2	773	13	4,777	1,044	6,609
Loan commitments and other credit-related commitments	–	34,248	–	–	–	–	34,248	–	30,136	–	–	–	–	30,136
Total financial liabilities	**12,903**	**166,178**	**31,615**	**33,691**	**340,254**	**39,899**	**624,540**	**10,439**	**134,300**	**40,116**	**48,634**	**308,985**	**50,506**	**592,980**
PARENT COMPANY														
ASSETS														
Cash and balances from central banks	0	–	–	–	–	–	0	0	–	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	–	34	53	2,146	–	2,233	–	108	34	69	2,077	515	2,803
Lending to credit institutions	36,738	11,423	1,332	3,733	3,502	71	56,799	38,863	4,198	1,440	4,042	1,943	69	50,555
Lending to the public	–	4,111	4,489	10,177	15,417	649	34,843	–	4,278	6,188	11,386	14,603	799	37,254
Bonds and other interest-bearing securities	–	3,122	4,713	4,196	31,893	5,501	49,425	–	2,395	1,653	5,924	25,713	6,747	42,432
Of which classified as loans and receivables		*623*	*2,333*	*1,936*	*3,255*	*2,039*	*10,186*		*1,595*	*1,013*	*4,135*	*7,182*	*2,331*	*16,256*
Derivative instruments	–	171,643	20,202	23,738	161,887	11,934	389,404	–	165,208	18,271	23,092	149,742	14,751	371,064
Other assets	1,617	–	–	–	–	–	1,617	1,148	–	–	–	–	–	1,148
Total financial assets	**38,355**	**190,299**	**30,770**	**41,897**	**214,845**	**18,155**	**534,321**	**40,011**	**176,187**	**27,586**	**44,513**	**194,078**	**22,881**	**505,256**
LIABILITIES														
Liabilities to credit institutions	–	9,700	–	–	–	–	9,700	–	9,988	–	–	–	–	9,988
Deposits from the public	8,675	4	23	8	59	–	8,769	6,069	1	0	0	13	–	6,083
Debt securities in issue	–	44,266	3,001	12,625	59,369	1,140	120,401	–	39,656	10,243	11,346	49,307	83	110,635
Derivative instruments	–	170,622	20,229	23,847	162,085	12,616	389,399	–	165,373	18,417	23,099	148,906	15,543	371,338
Other liabilities	1,023	–	–	–	–	–	1,023	1,032	–	–	–	–	–	1,032
Subordinated debt	–	3	280	55	6,832	0	7,170	–	2	773	13	4,777	1,044	6,609
Loan commitments and other credit-related commitments	–	34,096	–	–	–	–	34,096	–	29,962	–	–	–	–	29,962
Total financial liabilities	**9,698**	**258,691**	**23,533**	**36,535**	**228,345**	**13,756**	**570,558**	**7,101**	**244,982**	**29,433**	**34,458**	**203,003**	**16,670**	**535,647**

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 2011. Future interest-rate cash flows with floating interest rates have been estimated until the stipulated date of expiry using forward/forward interest rates based on the actual interest base, usually the three-month STIBOR. The Parent Company, SBAB Bank, 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 34,248 million (30,136), amounts to SEK 5,126 million (4,190) 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 34,096 million (29,962) and SEK 5,006 million (4,046), respectively.

Note 2d Risk management – Refinancing risk

Refinancing risk is the risk of an increased cost for funding opportunities or insufficient funding opportunities as a result of differences in structure and maturity between lending and funding. SBAB Bank aims to maintain diversified funding.

The SBAB Bank Group's calculation of refinancing risk is based on all contractual capital amounts with a remaining maturity exceeding one year. This calculation thus supplements the SBAB Bank Group's liquidity risk model, which covers the interval up to one year. In the refinancing risk model, equity is assigned a maturity that corresponds to SBAB Bank's longest lending assets.

The SBAB Bank Group has adopted a conservative approach to the management of funding. A greater 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 Bank has actively worked to ensure an even distribution of maturity dates, while at the same time extending the maturity of the liability. Monitoring of upcoming maturities, repurchases, replacements and pre-funding constitute key elements of the practical management efforts aimed at reducing the risk. Refinancing risk is calculated as the total of funding maturing within 90-day periods relative to the total funding volume.

The tables "Derivative cash flow statement" and "Maturities for financial assets and liabilities" show SBAB Bank's future cash flows at 31 December 2011 and 31 December 2010, respectively, from both a short and long-term perspective.

Note 2e Risk management – Market risk

Market risk is the risk of a decline in profitability due to unfavourable market fluctuations. SBAB Bank is characterised by low risk-taking, and the company's Board ultimately decides on methods for risk measurement and limits. Market risk is followed up at the Group level and the Risk Unit monitors current risk levels and compliance with limits on a daily basis.

Interest-rate risk

Interest-rate risk arises primarily when the interest rate structure between funding and lending is not fully matched. SBAB Bank's interest rate structure at 31 December 2011 is shown in the table "Fixed-interest period for financial assets and liabilities."

The main principle for the SBAB Bank Group's interest-rate risk management is to limit interest-rate risk through direct funding and the use of derivatives, and to generate a positive result through active management within the limits set by the Board.

Interest-rate risk is quantified through a parallel shift of the yield curve, a model that simulates a large number of non-parallel shifts of the yield curve (known as curve risk) and through Value at Risk (VaR). The calculation takes into account all contractual transaction flows affecting lending, funding and derivatives. The parallel shift measurement and curve risk are used when setting and monitoring limits, while the VaR is included in the model for economic capital.

The interest-rate risk limits established by the Board of Directors are divided into two categories – operational and strategic.

Operational interest-rate risk is subject to a limit of 1% of the SBAB Bank Group's capital base in the event of a parallel shift of the yield curve of 1 percentage point. At 31 December 2011, the operational interest-rate risk exposure amounted to a negative SEK 28.3 million (neg: 28), compared with the limit of +/– SEK 139 million set by the Board of Directors.

Curve risk is quantified through a model in which the short-term portion of the yield curve is adjusted upward (downward) by 0.5 percentage points and the long-term portion is adjusted downward (upward) by 0.5 percentage points. A large number of breakpoints are tested for both the short and long-term portion. The curve risk is defined as the least favourable of the tested scenarios. The limit for the operational curve risk is 1% of SBAB Bank's capital base. At 31 December 2011, the curve risk amounted to SEK 70.1 million (89.9), compared with the limit of SEK 139 million.

Strategic interest-rate risk is the interest-rate risk that arises when the SBAB Bank Group's equity and flow are invested in fixed-interest lending. The flow arises because the frequency of interest payments from lending and funding varies. The SBAB Bank Group's equity and flow are to be used primarily to fund lending operations. The benchmark for the investment of equity is set by the Board and defined as a maturity ladder with even annual maturities over a period of one to six years. The interest-rate risk associated with equity is defined as the deviation from this benchmark. The flow is invested at an average maturity corresponding to the average maturity of the lending portfolio.

At 31 December 2011, the strategic interest-rate risk amounted to SEK 2.0 million (14.0). Accordingly, the risk was within the approved interval of +/– SEK 20 million established for deviation from the benchmark.

Interest-rate risk is also quantified through measurement of Value at Risk (VaR). The VaR model used is a parametric model with risk factors based on an assumption of normally distributed yields, calculated by variance/covariance matrices for the risk factors included. A unilateral confidence interval of 99.97% and a holding period of one year are applied.

Basis risk

Basis risk primarily arises when funding in a foreign currency is swapped to SEK with a maturity that deviates from the maturity of the underlying funding. The main rule is that all funding in foreign currency is to be swapped to SEK with matching maturities. Basis risk comprises any deviations from the main rule. The risk is calculated as the effect on the present value, in relation to full matching, of a parallel shift of +/–0.25 percentage points in the basis swap curve from foreign currency to SEK. The risk may not exceed SEK 50 million. At 31 December 2011, the basis risk amounted to SEK 648,000 (50,000).

Currency risk

Currency risk refers to the risk that changes in the SEK's exchange rate in relation to other currencies will result in deteriorating profitability. As a general rule, SBAB Bank must not be exposed to exchange rate fluctuations. Accordingly, funding in international currency must be hedged in the form of currency swap contracts or invested in matching currencies.

The currency risk, excluding the liquidity portfolio, is calculated as the effect on the present value of all contractual liquid flows given a change in the exchange rate of +/–10 percentage points per corresponding exchange rate. At 31 December 2011, currency risk amounted to SEK 4.2 million (6.8). Total currency exposure may not exceed the equivalent of SEK 10 million. The liquidity portfolio is also hedged through funding in the corresponding currency or through currency swap contracts. The currency risk in the liquidity portfolio is measured as the degree of matching of capital amounts in each currency, and the deviation from full matching in each currency is limited to 0.5%.

Risks in the trading book

The trading book predominantly comprises investments in the SBAB Bank Group's liquidity portfolio. The liquidity portfolio is subject to a minimised interest-rate risk. The risk in the liquidity portfolio primarily derives from credit risk. In the SBAB Bank Group, the interest-rate, currency, credit and liquidity risk arising in the trading book are managed as an integrated part of the balance sheet, together with other operations, and the risks are limited in accordance with the finance directive.

Interest-rate risk in the trading book is included as part of the limit on operational interest-rate risk that has been delegated to the finance and treasury department. Credit risks in the form of issuer and counterparty risk in the trading book are governed by credit risk limits set by SBAB Bank's Finance Committee.

Derivative cash flow statement (Amounts refer to contractual, undiscounted cash flows)

SEK million	2011						2010					
Group	**Up to 1 month**	**1–3 months**	**3–12 months**	**1–5 years**	**> 5 years**	**Total**	**Up to 1 month**	**1–3 months**	**3–12 months**	**1–5 years**	**> 5 years**	**Total**
DERIVATIVES SETTLED ON A NET BASIS												
Currency-related derivatives	–	–	–	–	–	–	–	–	–	–	–	–
Interest-rate related derivatives	–321	55	396	984	–907	207	–435	113	868	18	–1,338	–774
Total derivatives settled on a net basis	**–321**	**55**	**396**	**984**	**–907**	**207**	**–435**	**113**	**868**	**18**	**–1,338**	**–774**
DERIVATIVES SETTLED ON A GROSS BASIS												
Currency-related derivatives												
– Inflows of cash	28,428	33,528	10,333	109,344	18,848	200,481	18,705	22,535	20,457	98,198	25,722	185,617
– Outflows of cash	–26,192	–35,379	–9,842	–110,387	–19,585	–201,385	–18,728	–22,835	–21,064	–99,775	–26,411	–188,813
Interest-rate related derivatives												
– Inflows of cash	–	–	–	–	–	–	–	–	–	–	–	–
– Outflows of cash	–	–	–	–	–	–	–	–	–	–	–	–
Total												
– Inflows	**28,428**	**33,528**	**10,333**	**109,344**	**18,848**	**200,481**	**18,705**	**22,535**	**20,457**	**98,198**	**25,722**	**185,617**
– Outflows	**–26,192**	**–35,379**	**–9,842**	**–110,387**	**–19,585**	**–201,385**	**–18,728**	**–22,835**	**–21,064**	**–99,775**	**–26,411**	**–188,813**
Parent Company												
DERIVATIVES SETTLED ON A NET BASIS												
Currency-related derivatives	–	–	–	–	–	–	–	–	–	–	–	–
Interest-rate related derivatives	61	363	–159	–1,403	–584	–1,722	–213	270	18	–133	–785	–843
Total derivatives settled on a net basis	**61**	**363**	**–159**	**–1,403**	**–584**	**–1,722**	**–213**	**270**	**18**	**–133**	**–785**	**–843**
DERIVATIVES SETTLED ON A GROSS BASIS												
Currency-related derivatives												
– Inflows of cash	26,699	33,292	4,220	62,673	5,149	132,033	16,584	21,073	8,528	63,797	4,758	114,740
– Outflows of cash	–24,406	–34,989	–4,198	–61,468	–5,247	–130,308	–16,616	–21,261	–8,699	–62,828	–4,765	–114,169
Interest-rate related derivatives												
– Inflows of cash	–	–	–	–	–	–	–	–	–	–	–	–
– Outflows of cash	–	–	–	–	–	–	–	–	–	–	–	–
Total												
– Inflows	**26,699**	**33,292**	**4,220**	**62,673**	**5,149**	**132,033**	**16,584**	**21,073**	**8,528**	**63,797**	**4,758**	**114,740**
– Outflows	**–24,406**	**–34,989**	**–4,198**	**–61,468**	**–5,247**	**–130,308**	**–16,616**	**–21,261**	**–8,699**	**–62,828**	**–4,765**	**–114,169**

Foreign currency cash flows have been recalculated at the closing rate at 31 December 2011. Future interest-rate cash flows for asset and liability derivatives with floating interest rates have been estimated until the stipulated date of expiry using forward/forward interest rates based on the actual interest base, usually the three-month STIBOR.

Note 2e Risk management – Market risk, contd.

Fixed-interest period for financial assets and liabilities

Carrying amount SEK million	2011							2010						
Group	**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**
ASSETS														
Cash and balances from central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	–	–	–	2,118	–	2,118	–	0	–	–	1,862	503	2,365
Lending to credit institutions	–	21,581	58	149	1,634	32	23,454	–	11,836	64	68	893	31	12,892
Lending to the public	–	136,690	11,231	14,663	80,943	4,623	248,150	–	158,187	9,809	10,929	62,836	7,342	249,103
Change in fair value of hedge-accounted loan receivables	–	16	28	38	1,072	403	1,557	–	80	69	72	134	145	500
Bonds and other interest-bearing securities	–	12,148	1,792	1,739	26,188	3,520	45,387	–	15,653	381	1,497	16,298	4,156	37,985
Derivative instruments	–	–190,144	22,411	1,678	159,355	24,196	17,496	–	–83,105	26,449	5,594	47,483	16,244	12,665
Other assets	1,520	–	–	–	–	–	1,520	1,353	–	–	–	–	–	1,353
Total financial assets	**1,520**	**–19,709**	**35,520**	**18,267**	**271,310**	**32,774**	**339,682**	**1,353**	**102,651**	**36,772**	**18,160**	**129,506**	**28,421**	**316,863**
LIABILITIES														
Liabilities to credit institutions	–	21,233	–	–	–	–	21,233	–	18,257	0	–	–	–	18,257
Deposits from the public	–	8,679	23	8	59	–	8,769	–	6,083	–	–	–	–	6,083
Debt securities in issue	–	106,154	15,862	7,355	131,613	15,694	276,678	–	94,034	29,929	9,881	111,823	16,295	261,962
Derivative instruments	–	–164,747	17,767	10,370	134,040	16,630	14,060	–	–30,811	13,705	6,223	15,238	8,222	12,576
Other liabilities	4,228						4,228	4,371	–	–	–	–	–	4,371
Subordinated debt	–	300	–	1,034	4,899	–	6,233	–	1,271	503	–	3,004	730	5,508
Total financial liabilities	**4,228**	**–28,381**	**33,652**	**18,767**	**270,611**	**32,324**	**331,201**	**4,371**	**88,833**	**44,137**	**16,104**	**130,065**	**25,247**	**308,757**
Difference assets and liabilities	**–2,708**	**8,672**	**1,868**	**–500**	**699**	**450**	**8,481**	**–3,018**	**13,818**	**–7,365**	**2,056**	**–559**	**3,174**	**8,106**
Parent Company														
ASSETS														
Cash and balances from central banks	–	0	–	–	–	–	0	–	0	–	–	–	–	0
Chargeable treasury bills and other eligible bills	–	–	–	–	2,118	–	2,118	–	0	–	–	1,862	503	2,365
Lending to credit institutions	–99	52,689	119	303	3,334	66	56,412	–608	48,718	130	138	1,823	64	50,265
Lending to the public	–	22,902	1,268	1,359	6,993	418	32,940	–	26,764	1,076	1,016	5,723	719	35,298
Change in fair value of hedge-accounted loan receivables	–	0	0	0	–7	–1	–8	–	–1	–1	–2	–9	–1	–14
Bonds and other interest-bearing securities	–	12,148	1,792	1,739	26,188	3,520	45,387	–	15,653	381	1,497	16,298	4,156	37,985
Derivative instruments	–	–193,717	27,737	12,966	151,676	15,151	13,813	–	–90,602	34,772	7,459	52,062	6,635	10,326
Other assets	1,617	–	–	–	–	–	1,617	1,149	–	–	–	–	–	1,149
Total financial assets	**1,518**	**–105,978**	**30,916**	**16,367**	**190,302**	**19,154**	**152,279**	**541**	**532**	**36,358**	**10,108**	**77,759**	**12,076**	**137,374**
LIABILITIES														
Liabilities to credit institutions	–	9,688	–	–	–	–	9,688	–	9,975	–	–	–	–	9,975
Deposits from the public	–	8,679	23	8	59	–	8,769	–	6,083	–	–	–	–	6,083
Debt securities in issue	–	82,978	2,280	4,017	26,383	1,095	116,753	–	75,587	12,007	432	19,197	–	107,223
Derivative instruments	–	–200,677	24,679	10,370	158,666	19,071	12,109	–	–89,966	26,651	6,810	56,333	10,010	9,838
Other liabilities	1,023		–	–	–	–	1,023	1,032	–	–	–	–	–	1,032
Subordinated debt	–	300	0	1,034	4,899	0	6,233	–	1,271	503	–	3,004	730	5,508
Total financial liabilities	**1,023**	**–99,032**	**26,982**	**15,429**	**190,007**	**20,166**	**154,575**	**1,032**	**2,950**	**39,161**	**7,242**	**78,534**	**10,740**	**139,659**
Difference assets and liabilities	**495**	**–6,946**	**3,934**	**938**	**295**	**–1,012**	**–2,296**	**–492**	**–2,418**	**–2,803**	**2,866**	**–775**	**1,336**	**–2,285**

Note 2f Risk management – Operational risk

Operational risk refers to the risk of losses due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events, including legal risk.

SBAB Bank uses the standardised approach to measure operational risk and assess capital requirements. 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. To be permitted to use the standardised approach, the company must fulfil the requirements for documentation, processes and structures stipulated in the regulations, such as:

- Established control documents
- Documented risk management
- Internal reporting structure
- Processes for managing operational risks
- Contingency plans and continuity plans
- Method for allocating operating income among business areas

SBAB Bank uses a model for managing operational risk. The model is based on self-evaluation of operational risks and risks associated with financial reporting in existing processes, as well as the registration of incidents that have occurred. The results of the self-evaluation are reported annually and any incidents that occur are reported on a monthly basis to the Board, the CEO and senior executives.

Note 2g Risk management – Business risk

Business risk refers to the risk that deteriorating competitive conditions or an incorrect strategy or decision will result in declining income. Business risk also includes margin risk, which arises when the fixed-interest periods applying to the interest-rate margins for lending and funding differ.

Business risk is divided into two main groups: new business and existing business. New business is to be relatively similar to business already existing in SBAB Bank. Changes in the form of new products or new markets should account for only a minor share of SBAB Bank's operations and should be implemented at a pace that ensures that SBAB Bank does not significantly jeopardise its level of earnings or capital base. Business risk is included in the calculation of the capital requirement based on economic capital using a standardised approach that reflects the business areas' operating expenses.

Note 2h Risk management – Concentration risk

Concentration risk arises when either major exposures or exposures in the loan portfolio are concentrated to certain types of borrowers, regions or industries.

SBAB Bank 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 full capital requirement for concentration risk is included in the economic capital for credit risk.

Upon calculation at 31 December 2011, the internally calculated capital requirement for concentration risk amounted to SEK 878 million (943), of which SEK 822 million (900) pertained to credit risk in the lending operations and SEK 56 million (43) to credit risk in the funding operations.

Note 2i Risk management – Internal capital adequacy assessment

Internal capital adequacy assessment process

The purpose of the internal capital adequacy assessment process (ICAAP) is to identify, evaluate, secure and manage the risks to which the SBAB Bank Group 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 bank's performance.

The amount of risk capital required to manage the combined risk in the operations is mainly based on the calculation of the SBAB Bank Group's economic capital. 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 extraordinary events, which is illustrated in conjunction with stress tests. Based on the qualitative assessment and results of the stress tests, the calculated economic capital is supplemented with an extra buffer capital. Taken together, the economic capital and buffer capital comprise the risk capital required to meet all risks in the SBAB Bank Group's operations in accordance with Basel II. At 31 December 2011, the Group's risk capital amounted to SEK 8,883 million (6,463).

Economic capital

Economic capital comprises the capital that the SBAB Bank Group deems to be required to cover unexpected losses during the coming year. It is presumed that expected losses can be covered by earnings from operating activities. The assessment of economic capital takes into account credit risk, market risk, operational risk and business risk. Credit risk is the dominant risk in the SBAB Bank Group's operations. The levels take into account diversification effects, meaning that the risk has been reduced by considering the lower probability that several risks will be realised simultaneously.

To a large extent, the economic capital model is based on the result of the Group's IRB approach for quantification of credit risk. In addition to comprising an assessment of the combined capital requirement for managing the risks in the company's operations, the economic capital model is also used for monitoring purposes, economic control and strategic considerations.

Note 2i Risk management – Internal capital adequacy assessment, contd.

Stress tests

Capital planning is founded on a basic scenario that reflects the most probable operational development in accordance with internal forecasts. Complementing this, stress tests and scenario analyses are performed, whereby the development of the loan portfolio and capital requirements during a serious economic downturn is evaluated.

In the stress scenario, the Swedish economy is subjected to several major disturbances simultaneously. A combination of external and internal factors further exacerbates the situation and leads to a recession, inflation and problems in the bank sector. The scenario is of the nature that might be expected to occur every 20 to 25 years.

The stress tests are conducted in such a way that the macroeconomic scenario that forms the foundation for the stress in the system is translated to reflect the effects it has on the SBAB Bank Group's risk models. A change in the credit-worthiness of individual loans is simulated through changes in the majority of the parameters in the SBAB Bank Group's IRB approach. A negative stress on probability of default (PD) variables simulates the deterioration in the payment capacity of customers due to factors including higher interest rates, while declining market values for underlying collateral lead to an increase in the loss given default (LGD).

To evaluate the effect of the stress test, measurements are made of the change in the SBAB Bank Group's economic capital and expected losses for the loan portfolio due to the changes in composition and credit quality. In the stress scenario characterised by a severe recession, both the economic capital and expected losses increase significantly, although from very low levels. During the first year of the stress scenario, economic capital in the SBAB Bank Group increased SEK 978 million (600) and loan losses rose SEK 36 million (40), only to increase additionally during the second year before recovering somewhat in the final year. The increase in economic capital and expected losses derives largely from the simulation of declining market values, since these have an impact on both the PD and the LGD dimension.

Based on the results of the stress tests, a capital buffer of SEK 978 million (600) has been allocated to offset the increase in economic capital during the first year of the stress scenario. The increase in economic capital during the remaining years is covered by the Group's equity and earnings, which significantly exceed the lowest level corresponding to the minimum capital requirement under the regulatory framework.

SBAB Bank Group's economic capital by risk type

SEK million	2011	2010
Credit risk	4,858	4,760
of which, concentration risk	878	943
Market risk	151	170
Business risk	200	179
Operational risk	134	162
Total economic capital	**5,343**	**5,271**

Note 2j Risk management – Capital adequacy

The regulations for capital adequacy and large exposures introduced in 2007 through Basel II stipulate that the risk associated with the company's operations is to be reflected in the minimum capital requirement. The changes to the regulations have had a limited impact to date, since the transitional regulations, which were originally intended to remain in effect until year-end 2009, have been extended. The transitional regulations will probably apply until year-end 2015.

Many of the changes discussed prior to Basel II were never included in the regulations, but rather were deferred until a later time. Since then, the financial and debt crises have led to additional demand for stricter capital adequacy regulations, resulting in the proposal of a new regulatory standard – Basel III. Basel III proposes higher capital requirements, stricter demands on capital quality, the introduction of a non-risk-based measurement (leverage ratio) and quantitative liquidity requirements. The new regulations, which will be implemented gradually, are stricter than the current regulations. The aim is for all of the changes to be introduced by 2019. Implementation of Basel III will take place at the EU level through CRDIV/CRRIV.

SBAB Bank 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 the capital base and Tier 1 capital. The figures do not include a dividend to shareholders, which is in line with the Board of Directors' proposal for the appropriation of profits.

As in the past, SBAB Bank holds securitised assets in the liquidity portfolio in the form of residential mortgage-backed securities (RMBS). These were previously recognised as exposures to corporates in accordance with the standardised approach, but are now recognised under "Positions in securitisation" in accordance with the external ratings-based approach. The SBAB Bank Group has no securitised loans of its own and has not contributed to any other institution's securitisation. The objective is for the securitised assets to be utilised as collateral with the Riksbank to ensure the bank's liquidity requirement.

There are no ongoing or unforeseen material obstacles or legal barriers to a rapid transfer of funds from the capital base 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.

Capital base	**GROUP**		**PARENT COMPANY**	
SEK million	**2011**	**2010**	**2011**	**2010**
Core Tier 1 capital				
Equity	8,384	8,014	7,825	7,721
Unrealised change in value of loans and receivables previously classified as available-for-sale assets	51	80	–376	–100
Change in value attributable to derivative instruments included in cash-flow hedges	0	1	51	80
Minority interest	706	565	0	1
Intangible fixed assets	–38	–34	–6	–5
Deferred tax assets	–	–	–	–
Net provisions for IRB exposures	–128	–109	–62	–44
Core Tier 1 capital	**8,975**	**8,517**	**7,432**	**7,653**
Tier 1 capital contribution				
Tier 1 capital contribution without redemption incentives*	2,000	2,000	2,000	2,000
Tier 1 capital contribution with redemption incentives*	994	994	994	994
Tier 1 capital	**11,969**	**11,511**	**10,426**	**10,647**
Tier 2 capital				
Perpetual subordinated debentures (Upper Tier 2)	–	–	–	–
Time-limited subordinated debentures (Lower Tier 2)	2,456	2,108	2,456	2,108
Net provisions for IRB exposures	–129	–109	–63	–44
Tier 2 capital	**2,327**	**1,999**	**2,393**	**2,064**
Expanded part of capital base	–	–	–	–
Deduction from entire capital base	–	–	–	–
Amount for capital base net after deductible items and limit value	**14,296**	**13,510**	**12,819**	**12,711**

* Encompassed by the transitional regulations to FFFS 2007:1

Note 2j Risk management – Capital adequacy, contd.

Capital requirement	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	2,491	2,317	570	385
Retail exposures	894	838	281	251
Positions in securitisation	229	–	229	–
Total exposures in accordance with IRB approach	**3,614**	**3,155**	**1,080**	**636**
Credit risk recognised in accordance with standardised approach				
Exposures to governments and central banks	0	0	0	0
Exposures to municipalities and comparable associations	0	0	0	0
Exposures to institutions	514	178	366	102
Exposures to corporates	142	1,068	136	1,048
Retail exposures	48	17	46	16
Past-due items	1	1	1	1
Other items	8	6	6	4
Total exposures in accordance with standardised approach	**713**	**1,270**	**555**	**1,171**
Risks in the trading book	**239**	**214**	**239**	**214**
Operational risk	**217**	**183**	**139**	**130**
Currency risk	**–**	**–**	**–**	**–**
Commodity risk	**–**	**–**	**–**	**–**
Total minimum capital requirement	**4,783**	**4,822**	**2,013**	**2,151**
Addition according to transitional regulations	5,930	5,769	223	159
Total capital requirement according to transitional regulations	**10,713**	**10,591**	**2,236**	**2,310**

Capital adequacy	GROUP		PARENT COMPANY		FRISPAR		SCBC	
SEK million	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Core Tier 1 capital	8,975	8,517	7,432	7,653	1,428	1,142	10,813	10,240
Tier 1 capital	11,969	11,511	10,426	10,647	1,428	1,142	10,813	10,240
Total capital	14,296	13,510	12,819	12,711	1,428	1,142	10,813	10,240
Without transitional regulations								
Risk-weighted assets	59,786	60,279	25,159	26,891	910	843	34,654	33,425
Core Tier 1 capital ratio	15.0%	14.1%	29.5%	28.5%	157.0%	135.6%	31.2%	30.6%
Tier 1 capital ratio	20.0%	19.1%	41.4%	39.6%	157.0%	135.6%	31.2%	30.6%
Capital adequacy ratio	23.9%	22.4%	51.0%	47.3%	157.0%	135.6%	31.2%	30.6%
Capital quotient	2.99	2.80	6.37	5.91	19.62	16.95	3.90	3.83
With transitional regulations								
Risk-weighted assets	133,917	132,388	27,948	28,876	4,676	4,122	101,241	99,355
Core Tier 1 capital ratio	6.7%	6.4%	26.6%	26.5%	30.5%	27.7%	10.7%	10.3%
Tier 1 capital ratio	8.9%	8.7%	37.3%	36.9%	30.5%	27.7%	10.7%	10.3%
Capital adequacy ratio	10.7%	10.2%	45.9%	44.0%	30.5%	27.7%	10.7%	10.3%
Capital quotient	1.33	1.28	5.73	5.50	3.82	3.46	1.34	1.29

In the calculation of capital adequacy ratio and capital quotient, FriSpar Bolån AB is consolidated as a subsidiary, in contrast to the consolidated financial statements, in which FriSpar Bolån AB is consolidated in accordance with the proportional method. This is due to differences between the rules and regulations for capital adequacy and large exposures and IFRS.

Note 3 Net interest income

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Interest income				
Lending to credit institutions	482	135	1,593	691
Lending to the public [1)]	9,301	6,549	1,275	1,049
Interest-bearing securities	1,294	896	1,294	896
Derivatives	–628	–2,225	–298	–410
Total	**10,449**	**5,355**	**3,864**	**2,226**
Interest expense				
Liabilities to credit institutions	–328	–75	–158	–48
Deposits from the public	–174	–61	–174	–61
Debt securities in issue	–8,092	–6,611	–2,945	–1,880
Subordinated debt	–348	–272	–348	–272
Derivatives	125	3,444	–317	357
Other	–14	–18	–14	–18
Total	**–8,831**	**–3,593**	**–3,956**	**–1,922**
Net interest income/expense	**1,618**	**1,762**	**–92**	**304**

1) Includes interest income of SEK 3 million (2) from doubtful receivables.

Note 4 Dividends and Group contribution received

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Dividends received				
Anticipated dividend from the subsidiary The Swedish Covered Bond Corporation (SCBC)	–	–	–	100
Dividend income from FriSpar Bolån AB joint venture	–	–	13	14
Total	**–**	**–**	**13**	**114**

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Group contribution received				
Group contribution from the subsidiary The Swedish Covered Bond Corporation (SCBC)	–	–	510	–
Total	**–**	**–**	**510**	**–**

Note 5 Commission

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Commission income				
Commission on lending	29	32	70	62
Other commission	31	18	56	47
Total	**60**	**50**	**126**	**109**
Commission expense				
Commission on securities	–37	–42	–22	–23
Stability fee	–113	–52	–47	–21
Total	**–150**	**–94**	**–69**	**–44**
Commission, net	**–90**	**–44**	**57**	**65**

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

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Gains/losses on interest-bearing financial instruments				
Securities measured at fair value through profit or loss	920	–156	920	–156
Change in value of hedged items in hedge accounting	–3,285	869	–804	198
Realised expense from financial liabilities	–116	–770	–21	–236
Derivative instruments in hedge accounting	3,185	–661	799	–399
Other derivative instruments	–1,115	312	–1,108	368
Loan receivables	72	118	14	27
Currency translation effects	**–10**	**–1**	**–6**	**–3**
Total	**–349**	**–289**	**–206**	**–201**

Accrual effects in hedge accounting are attributable to "Change in value of hedged items in hedge accounting". Interest-rate differentials between mortgage bonds and associated interest-rate swaps are attributable to "Securities measured at fair value through profit or loss" and to "Other derivative instruments". Changes in the market value of basis swaps are attributable to "Derivative instruments in hedge accounting" and "Other derivative instruments." With respect to risk management, derivative instruments are related to and have their counter items in all other categories of interest-bearing financial instruments.

Note 7 Other operating income

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Administrative services on behalf of subsidiary	–	–	521	431
Other operating income	0	0	0	0
Total	**0**	**0**	**521**	**431**

Note 8 Personnel costs

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Salaries and other remuneration	–190	–192	–191	–192
Pension costs	–41	–37	–42	–38
Other social security expenses	–71	–70	–71	–70
Other personnel costs	–21	–17	–21	–17
Total	**–323**	**–316**	**–325**	**–317**

SALARIES AND OTHER REMUNERATION

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
CEO	–3	–3	–3	–3
Senior executives who report directly to the CEO	–13	–14	–13	–14
Other employees	–174	–175	–175	–175
Total salaries and other remuneration	**–190**	**–192**	**–191**	**–192**

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 is paid to the Managing Director or the Board of the subsidiary The Swedish Covered Bond Corporation (SCBC) or the jointly owned company FriSpar Bolån AB.

AVERAGE NUMBER OF EMPLOYEES

	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Women	240	251	240	251
Men	179	180	179	180
Total average number of employees	**419**	**431**	**419**	**431**

SICKNESS ABSENCE

	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Total sickness absence	**2.5%**	**2.5%**	**2.5%**	**2.5%**
Women	3.2%	3.6%	3.2%	3.6%
Men	1.5%	1.1%	1.5%	1.1%
29 years or younger	2.8%	2.6%	2.8%	2.6%
30–49 years	2.3%	1.7%	2.3%	1.7%
50 years and older	2.7%	4.6%	2.7%	4.6%
Proportion of long-term sickness absence, meaning sickness absence exceeding 60 days	22.1%	37.0%	22.1%	37.0%

GENDER DISTRIBUTION AMONG SENIOR EXECUTIVES	GROUP		PARENT COMPANY	
Board of Directors	**2011**	**2010**	**2011**	**2010**
Women	6	6	4	5
Men	11	11	4	4
Total number of Board Members	**17**	**17**	**8**	**9**

The Group includes the Board Members of the subsidiary The Swedish Covered Bond Corporation (SCBC) and the jointly owned company FriSpar Bolån AB.

	GROUP		PARENT COMPANY	
Executive Management	**2011**	**2010**	**2011**	**2010**
Women	3	6	3	5
Men	7	6	5	5
Total number of employees in Executive Management	**10**	**12**	**8**	**10**

The Group includes the Managing Director of the subsidiary The Swedish Covered Bond Corporation (SCBC) and the jointly owned company FriSpar Bolån AB.

FORM OF EMPLOYMENT	GROUP		PARENT COMPANY	
	2011	**2010**	**2011**	**2010**
Total number of employees at the end of the year	**409**	**422**	**409**	**422**
Of whom, women	58.1%	57.5%	58.1%	57.5%
Of whom, managers	13.7%	12.1%	13.7%	12.1%
Of whom, female managers	5.4%	4.0%	5.4%	4.0%
Of whom, temporary employees	2.3%	9.6%	2.3%	9.6%
Of whom, part-time employees	0.1%	4.9%	0.1%	4.9%

PERSONNEL TURNOVER	GROUP		PARENT COMPANY	
	2011	**2010**	**2011**	**2010**
Number of permanent employees who terminated employment during the year	54	14	54	14
Of whom, women	53.7%	71.4%	53.7%	71.4%
Of whom, 30 years or younger	13.0%	21.4%	13.0%	21.4%
Of whom, 30–49 years	55.5%	71.5%	55.5%	71.5%
Of whom, 50 years and older	31.5%	7.1%	31.5%	7.1%

EXTERNAL EDUCATION/TRAINING	GROUP		PARENT COMPANY	
	2011	**2010**	**2011**	**2010**
Number of education/training days per employee	**1.9**	**1.6**	**1.9**	**1.6**

INTERNAL EDUCATION/TRAINING	GROUP		PARENT COMPANY	
	2011	**2010**	**2011**	**2010**
Number of education/training days per permanent employee	**1.7**	**2.3**	**1.7**	**2.3**
Number of education/training days per temporary employee	**2.8**	**2.3**	**2.8**	**2.3**

Salaries and other remuneration

Salaries and other remuneration paid to the CEO amounted to SEK 2.9 million (3.0) (up to and including 21 December 2011). No company car was provided and no fringe benefits were paid. A total of SEK 0.05 million was paid to the Acting CEO, who assumed the position on 21 December 2011. (The Acting CEO also held the position of Chief Legal Counsel.)

Salaries and other remuneration to senior executives who report directly to the CEO totalled SEK 13.4 million (14.5). Fringe benefits (subsidised interest-rate and sickness benefit) to these executives amounted to SEK 0.1 million (0.1). Salary and other remuneration were paid in the following amounts:

- Head of Corporate Business Area SEK 1.8 million (1.8)
- Head of Retail Business Area SEK 1.6 million (1.6)
- Chief Information Officer SEK 1.3 million (1.4)
- Head of Internal Audit SEK 0.9 million (1.1)
- Chief Legal Counsel SEK 1.25 million (1.2)
- CRO[1] SEK 0.4 million (new position as of 1 October 2011)
- Chief Credit Officer[1] SEK 1.2 million (up to and including 30 September 2011) (1.3 full-year 2010)
- Human Resources Manager SEK 1.3 million (1.4)
- Head of Communications[1] SEK 1.2 million (1.7 full-year 2010)
- Finance Director[1] SEK 0.8 million (up to and including 9 June 2011) (1.6 full-year 2010)
- Head of Accounting and Controlling Department[1] SEK 1.1 million (up to and including 30 September 2011) (1.4 full-year 2010)
- CFO, Head of Accounting and Finance Department[1] SEK 0.5 million (new position as of 3 October 2011).

1) A number of personnel and organisational changes took place at SBAB Bank in 2011. A new Head of Communications was recruited and the position was vacant for a period of time. The finance and accounting units were merged into a single accounting and finance organisation during the year. As a result, the positions of Finance Director and Head of Accounting and Controlling Department were replaced by the single position of CFO. A reorganisation occurred in conjunction with the Chief Credit Officer's decision to leave the company, resulting in the formation of a CRO unit that includes the credit function.

In view of SBAB Bank's participation in the Swedish Government's guarantee programme, the five senior executives with the highest combined remuneration in October 2008 did not have their remuneration revised in 2009–2011. During 2009, the Government adopted new guidelines for employment terms and conditions of senior executives in state-owned companies. Among other consequences, the guidelines entail that variable remuneration is not to be paid to senior executives. As an adaptation to these guidelines, the Remuneration Committee decided in 2011 to remunerate individuals who are not covered by the incentive programme with a pay supplement corresponding to 4% (8) of the executive's annual salary, which will apply as long as SBAB Bank has an incentive programme. Since the maximum possible remuneration in the incentive programme has been halved from two monthly salaries to one monthly salary, the supplementary salary paid to senior executives has also been halved. No incentive programme exists for 2012 and accordingly this supplementary salary has been discontinued. After preparation by the Remuneration Committee and being subjected to a risk analysis, the remuneration policy has been adopted by the Board. Risk analyses for SBAB Bank'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 88. Salaries and other remuneration to specially regulated personnel, excluding senior executives and the Head of Internal Audit, amounted to SEK 16.8 million.

Remuneration of the Board

The remuneration paid to the Board is resolved at the Annual General Meeting. The remuneration paid to Board Members in the Parent Company amounted to SEK 0.9 million (0.9) for Board work and SEK 0.2 million (0.4) for work on committees. Board Members who serve on a committee received SEK 3,500 per meeting attended. A fee of SEK 0.3 million (0.3) was paid to the Chairman of the Board and a fee of SEK 0.1 million (0.1) to each of the elected Board Members. No fees are paid to Board Members employed by the Ministry of Finance or the employee representatives who sit on the Board.

Pensions

Pension costs for the entire company, including special employer's contribution, totalled SEK 51.3 million (46.8). Pension costs for the CEO for 2011, including special employer's contribution, amounted to SEK 0.9 million (0.9). Pension costs for senior executives who report directly to the CEO or the Board, including special employer's contribution, totalled SEK 4.4 million (5.1), distributed as follows:

- Head of Corporate Business Area SEK 0.5 million (0.5)
- Head of Retail Business Area SEK 0.5 million (0.5)
- Chief Information Officer SEK 0.5 million (0.5)
- Head of Internal Audit SEK 0.4 million (0.4)
- Chief Legal Counsel SEK 0.4 million (0.4)
- CRO SEK 0.1 million (new position as of 1 October 2011)
- Chief Credit Officer SEK 0.4 million (up to and including 30 September 2011) (0.6 full-year 2010)
- Human Resources Manager SEK 0.5 million (0.5)
- Head of Communications SEK 0.2 million (0.6 full-year 2010)
- Finance Director SEK 0.3 million (up to and including 9 June 2011) (0.6 full-year 2010)
- Head of Accounting and Controlling Department SEK 0.5 million (up to and including 30 September 2011) (0.5 full-year 2010)
- CFO, Head of Accounting and Finance Department SEK 0.1 million (new position as of 3 October 2011).

SBAB Bank employees are covered by a pension plan that includes disability pension, survivor's coverage, retirement pension, supplementary pension and, in some cases, family pension. The pension plan also covers employees with high incomes, whereby the recipient can choose an alternative investment for a portion of the premium. SBAB Bank applies IAS 19 Employee Benefits. SBAB Bank has defined-contribution pension plans and defined-benefit pension plans. The defined-benefit plans are collective employer plans (BTP) secured through insurance with SPP and constitute multi-employer plans. SBAB Bank's pension costs for its defined-benefits pensions amounted to SEK 40.1 million (37.6), excluding payroll tax. See Note 31 for additional information.

The Board's proposed guidelines for remuneration of senior executives

In 2011, the Board's preparation of matters concerning remuneration of the company's senior executives occurred in the Remuneration Committee. The Board decides on the remuneration to be paid to the CEO and senior executives, as well as the heads of the control functions. For further information on the Remuneration Committee, see page 88. The Board's motion concerning principles for remuneration and other employment terms and conditions for senior executives, which is resolved by the Annual General Meeting, entails in brief that remuneration is to consist of a fixed basic salary without any variable remuneration.

Agreements on severance pay and pension

With respect to pension conditions, periods of notice and severance pay for senior executives, SBAB Bank complies with the principles stipulated in the Government's guidelines for senior executives (April 2009). In 2011 (until 20 December 2011), the CEO and SBAB Bank were 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/her position, the company shall – in addition to salary during the period of notice – pay severance pay corresponding to 18 monthly salaries without deduction of new salary. The company pays for a defined-contribution pension insurance plan corresponding to 25% of the CEO's pensionable salary, although not longer than until age 62. An agreement has been entered into with the Head of the Corporate Business Area and the CFO, Head of Accounting and Finance Department, concerning a defined-contribution plan corresponding to 22% of pensionable salary. There are no other pension agreements that deviate from the general rules of the collective agreement for the bank sector. In cases where individual agreements on severance pay exist, these comply with the Government's guidelines for state-owned companies. Should 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.

The accumulated total amount plus the total expensed amount for severance pay and guaranteed variable remuneration pledged during the year was SEK 0.9 million. Disbursed severance pay during the year amounted to SEK 3.1 million (1.1). This amount was attributable to a reorganisation of the company, including the relocation of business domicile from Karlstad to Stockholm. The number of people affected is not stated here to avoid disclosing the financial situation of individual employees.

Loans to senior executives

Loans to senior executives are presented in Note 38 Information about related parties.

Incentive programme

After preparation by SBAB Bank's Remuneration Committee and based on the risk analysis for SBAB Bank's remuneration system, the Board decided on an incentive programme for 2011 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).

The overall principles and conditions for SBAB Bank's incentive programme are established by the Board for a year at a time. The aim of the incentive programme is to encourage employees to contribute to increasing the company's value. The incentive programme covers all employees, on condition that they have been employed for a full quarter and remained employed on 31 December 2011. In addition to the CEO, Executive Management is also excluded from the incentive programme. The maximum payment for 2011 was one monthly salary (two monthly salaries). The number of specially regulated employees, excluding senior executives and the Head of the Internal Audit, was 23. All payments from the incentive programme consist of cash. The incentive programme for 2011 was based on the company-wide goals for risk-adjusted earnings and deposits. The company-wide goals were not fulfilled and no incentive remuneration was earned for 2011.

In 2011, SBAB Bank paid remuneration pertaining to the 2010 incentive programme corresponding to SEK 7.4 million within the framework of the 2010 incentive programme. To avoid disclosing the financial situation of individual employees, incentive payments have not been broken down by business area or any similar distribution. Previously deferred incentive payments for the years 2009 and 2010 for employees deemed to be able to influence the company's risk level totalled SEK 2.0 million and will be distributed not earlier than spring 2013 and 2014, respectively, after indexing in relation to the Consumer Price Index (CPI). Prior to disbursement, a risk adjustment will be performed in the form of a decision by the Board of Directors, on the basis of documentation from the Remuneration Committee, as to whether all or part of the deferred incentive payments will be disbursed, a decision that the Board has unrestricted rights to make. SBAB Bank's Board has decided that no incentive programme will be in place for 2012.

Note 9 Other expenses

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
IT expenses	–164	–109	–181	–119
Rents [1]	–23	–18	–23	–18
Other costs for premises	–5	–9	–5	–9
Other administration expenses	–82	–59	–80	–58
Marketing	–67	–56	–66	–55
Other operating expenses	–16	–11	–15	–11
Total	**–357**	**–262**	**–370**	**–270**

Expenses for development amounted to SEK 140 million (70), of which SEK 17 million (10) 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.

Fees and compensation for expenses to auditors SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Audit assignment	–3.5	–3.5	–2.9	–3.1
Audit tasks in addition to audit assignment	–3.8	–3.3	–3.3	–2.9
Tax consultancy	–	–	–	–
Other services	–0.2	–0.5	–0.2	–0.5
Total	**–7.5**	**–7.3**	**–6.4**	**–6.5**

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 the 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 Bank.

Future rents [1] SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Agreed future rents due for payment				
– within a year	–22	–19	–22	–19
– between one and five years	–65	–74	–65	–74
– after five years	–20	–23	–20	–23
Total	**–107**	**–116**	**–107**	**–116**

[1] Rents = operating leases

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

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Property, plant and equipment				
Computer hardware	–5	–4	–5	–4
Other equipment	–5	–4	–5	–4
Intangible fixed assets				
Acquired software	–3	–4	–3	–4
Internally developed part of software	–14	–14	–	–
Total	**–27**	**–26**	**–13**	**–12**

Note 11 Loan losses, net

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
CORPORATE MARKET				
Individual provision for corporate market loans				
Write-off of confirmed loan losses for the year	–17	–8	–17	–8
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the year	20	6	20	6
Provision for probable loan losses for the year	–0	–9	–0	–9
Recoveries in respect of confirmed loan losses in prior years	0	0	0	0
Reversal of prior year provisions for probable loan losses no longer required	5	3	5	3
Guarantees	–0	3	–0	3
Net income/cost for the year for individual provisions for corporate market loans	**8**	**–5**	**8**	**–5**
Collective provision for corporate market loans				
Allocation to/redemption of collective provisions	7	–1	7	–3
Guarantees	8	–6	–0	–2
Net income/cost for the year for collective provisions for corporate market loans	**15**	**–7**	**7**	**–5**
RETAIL MARKET				
Individual provision for retail market loans				
Write-off of confirmed loan losses for the year	–4	–13	–4	–13
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the year	5	8	5	8
Provision for probable loan losses for the year	–8	–8	–5	–7
Reversal of prior year provisions for probable loan losses no longer required	–	1	–	1
Guarantees	–	0	–	0
Net cost for the year for individual provisions for retail market loans	**–7**	**–12**	**–4**	**–11**
Collective provision for retail market loans				
Write-off of confirmed loan losses for the year	–13	–17	–12	–16
Recoveries in respect of confirmed loan losses in prior years	6	2	6	2
Allocation to/redemption of collective provisions	–24	–8	–8	–1
Guarantees	7	7	6	6
Net cost for the year for collective provisions for retail market loans	**–24**	**–16**	**–8**	**–9**
NET INCOME/COST FOR THE YEAR FOR LOAN LOSSES	**–8**	**–40**	**3**	**–30**

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 refer to received or anticipated receivables from the Swedish National Housing Credit Guarantee Board, 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 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Current tax	–122	–387	–	–153
Deferred tax	–1	179	–23	160
Total	**–123**	**–208**	**–23**	**7**
The effective tax rate differs from the nominal tax rate in Sweden as below				
Profit before tax	464	785	98	84
Nominal tax rate in Sweden 26.3%	–122	–206	–26	–22
Tax-exempt dividend from subsidiary	–	–	3	30
Tax for prior years and other	–1	–2	–1	–1
Total tax	**–123**	**–208**	**–23**	**7**
Effective tax rate	26.5%	26.6%	23.8%	–8.5%

Note 13 Chargeable treasury bills and other eligible bills

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Current assets measured at fair value through profit or loss				
Kingdom of Sweden	2,118	2,365	2,118	2,365
Total chargeable treasury bills and other eligible bills	**2,118**	**2,365**	**2,118**	**2,365**
Holdings of chargeable treasury bills and other eligible bills distributed by remaining maturity, carrying amount				
At most 1 year	–	–	–	–
Longer than 1 year but at most 5 years	2,118	1,862	2,118	1,862
Longer than 5 years but at most 10 years	–	503	–	503
Longer than 10 years	–	–	–	–
Total	**2,118**	**2,365**	**2,118**	**2,365**
Average remaining maturity, years	3.6	4.5	3.6	4.5
Average remaining fixed-interest period, years	3.5	4.4	3.5	4.4

Note 14 Lending to credit institutions

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Lending in SEK	23,136	12,732	56,141	50,191
Lending in foreign currency	318	160	271	74
Total	**23,454**	**12,892**	**56,412**	**50,265**
of which repos	*13,351*	*7,263*	*5,443*	*2,262*
Lending to credit institutions distributed by remaining maturity, net carrying amount				
Payable on demand	1,556	1,518	37,690	39,748
At most 3 months	17,814	7,818	10,388	3,259
Longer than 3 months but at most 1 year	2,412	2,631	4,921	5,371
Longer than 1 year but at most 5 years	1,640	893	3,347	1,823
Longer than 5 years	32	32	66	64
Total	**23,454**	**12,892**	**56,412**	**50,265**
Average remaining maturity, years	0.2	0.4	0.2	0.2

Of the Parent Company's lending to credit institutions, SEK 36,300 million (38,363) relates to a receivable from the wholly owned subsidiary The Swedish Covered Bond Corporation (SCBC). These receivable are subordinated, which means that payment is received only after other creditors of the subsidiary have been paid.

Note 15 Lending to the public

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Opening balance	249,455	226,319	35,519	48,461
Lending for the year	31,107	50,398	27,682	46,965
Transferred to/from Group companies	–	–	–13,250	–44,928
Amortisation, write-offs, redemption, etc.	–32,063	–27,262	–16,830	–14,979
Closing balance	**248,499**	**249,455**	**33,121**	**35,519**
Provision for probable loan losses	**–349**	**–352**	**–181**	**–221**
Closing balance	**248,150**	**249,103**	**32,940**	**35,298**
of which subordinated assets	–	–	–	–
Receivables outstanding distributed by remaining maturity, net carrying amount				
Payable on demand	–	–	–	–
At most 3 months	32,995	37,343	3,775	3,996
Longer than 3 months but at most 1 year	110,592	124,328	14,025	16,940
Longer than 1 year but at most 5 years	99,752	79,875	14,535	13,615
Longer than 5 years	4,811	7,557	605	747
Total	**248,150**	**249,103**	**32,940**	**35,298**
Average remaining maturity, years	1.4	1.3	1.4	1.3

Note 15 Lending to the public, contd.

GROUP

Distribution of lending by property type

SEK million	2011				2010			
	FriSpar Bolån AB	The Swedish Covered Bond Corporation (SCBC)	SBAB Bank AB (publ)	Total within Group*	FriSpar Bolån AB	The Swedish Covered Bond Corporation (SCBC)	SBAB Bank AB (publ)	Total within Group*
Single-family dwellings and holiday homes	6,464	82,730	8,503	94,530	5,567	82,005	8,541	93,386
Tenant-owner rights	2,736	48,699	6,360	56,454	2,448	48,060	6,922	56,231
Tenant-owner associations	23	47,920	5,406	53,338	44	48,280	6,851	55,153
Private multi-family dwellings	70	25,202	3,841	29,079	74	24,040	4,300	28,378
Municipal multi-family dwellings	–	5,904	216	6,120	–	7,231	132	7,363
Commercial properties	–	183	8,365	8,548	–	171	8,706	8,877
Other	–	–	430	430	–	–	67	67
Provision for probable loan losses	–14	–160	–181	–349	–9	–126	–221	–352
Total	**9,279**	**210,478**	**32,940**	**248,150**	**8,124**	**209,661**	**35,298**	**249,103**
Percentage of lending with a government or municipal guarantee	–	3	1	2	–	3	1	3
Average fixed-interest period, years	1.0	1.1	0.7	1.0	0.8	1.0	0.6	0.9

* The Group includes 51% of FriSpar Bolån AB.

In the event of early redemption during the fixed-interest period, SBAB Bank has the right to receive so-called interest compensation. The amount of compensation in the case of retail market loans is based on the interest rate on the loan compared with the interest rate on government bonds/treasury bills with a comparable remaining maturity up to the interest adjustment date +1%. For other loans, the reinvestment interest rate for comparable government securities is, in most cases, the applicable 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 Bank 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 54,735 million (50,233) of SBAB Bank's lending portfolio, of which SEK 6,030 million (4,177) 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 the Parent Company, to acquire brokered loans.

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

Doubtful loan receivables and provisions

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
a) Doubtful loan receivables	81	104	78	104
b) Individual provisions for loan receivables	50	73	47	73
c) Collective provisions for corporate market loans	31	38	7	20
d) Collective provisions for retail market loans	268	241	127	128
e) Total provisions (b+c+d)	349	352	181	221
f) Doubtful loan receivables after individual provisions (a-b)	31	31	31	31
g) Provision ratio for individual provisions (b/a)	62%	70%	60%	70%

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

GROUP

Distribution of doubtful loan receivables and provisions by property type

SEK million	2011						2010					
	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associa-tions	Private multi-family dwellings	Other	Total	Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associa-tions	Private multi-family dwellings	Other	Total
Doubtful loan receivables, gross	4	17	44	16		81	3	14	66	21		104
Individual provisions, loan receivables	–4	–12	–24	–10		–50	–3	–11	–44	–15		–73
Collective provisions, corporate market loans			–5	–26		–31			–16	–22		–38
Collective provisions, retail market loans	–158	–106			–4	–268	–146	–95			–	–241
Doubtful loan receivables after individual provisions						**31**						**31**

Note 16 Change in value of interest-rate-hedged items in portfolio hedges

	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Carrying amount at the beginning of the year	500	2,590	–14	–23
Terminated hedges	–7	–1	6	9
Remeasurement of hedged items	1,064	–2,089	–	–
Total	**1,557**	**500**	**–8**	**–14**

Carrying amount at the end of the year refers to accumulated changes in the fair value of the hedged item in the portfolio hedge.

Note 17 Bonds and other interest-bearing securities

	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Securities measured at fair value through profit or loss	36,138	23,049	36,138	23,049
Securities classified as loans and receivables, measured at amortised cost	9,249	14,936	9,249	14,936
Total	**45,387**	**37,985**	**45,387**	**37,985**
Distribution of holdings by issuer, etc.				
CURRENT ASSETS				
Listed securities				
Issued by public bodies				
Kingdom of Sweden	1,383	1,515	1,383	1,515
Foreign states	2,448	1,256	2,448	1,256
Intergovernmental issuers	583	–	583	–
Other public issuers	2,393	1,057	2,393	1,057
Issued by other borrowers				
Swedish banks (with government guarantee)	1,678	1,478	1,678	1,478
Swedish mortgage institutions	17,895	10,943	17,895	10,943
Other foreign issuers (covered bonds, RMBS)	18,111	21,537	18,111	21,537
Other foreign issuers (with government guarantee)	896	199	896	199
Total listed securities	**45,387**	**37,985**	**45,387**	**37,985**
Unlisted securities	**–**	**–**	**–**	**–**
Total	**45,387**	**37,985**	**45,387**	**37,985**
of which subordinated assets	–	–	–	–
Bonds and other interest-bearing securities distributed by remaining maturity, carrying amount				
At most 1 year	9,705	7,318	9,705	7,318
Longer than 1 year but at most 5 years	28,545	23,146	28,545	23,146
Longer than 5 years but at most 10 years	6,096	5,895	6,096	5,895
Longer than 10 years	1,041	1,626	1,041	1,626
Total	**45,387**	**37,985**	**45,387**	**37,985**
Average remaining maturity, years	2.9	3.2	2.9	3.2

Note 18 Derivative instruments

SEK million	GROUP 2011			GROUP 2010			PARENT COMPANY 2011			PARENT COMPANY 2010		
	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
Derivatives in fair value hedges												
Interest-rate related												
–interest-rate swaps	8,093	4,415	329,905	4,218	2,982	282,613	1,679	49	28,224	1,139	150	16,448
Currency related	6,856	4,374	91,142	5,406	4,776	73,399	4,358	2,200	45,278	3,225	2,389	28,432
Total	**14,949**	**8,789**	**421,047**	**9,624**	**7,758**	**356,012**	**6,037**	**2,249**	**73,502**	**4,364**	**2,539**	**44,880**
Derivatives in cash flow hedges												
Currency related	–	–	–	40	11	375	–	–	–	40	11	375
Total	**–**	**–**	**–**	**40**	**11**	**375**	**–**	**–**	**–**	**40**	**11**	**375**
Other derivatives												
Interest-rate related												
–interest-rate swaps	745	2,648	95,625	704	1,189	77,000	5,747	7,987	545,295	3,409	4,324	509,986
–interest-rate futures	72	51	3,266	89	146	–2,568	72	51	3,266	89	146	–2,568
Currency related	1,730	2,572	79,985	2,208	3,472	79,898	1,957	1,822	73,565	2,424	2,818	76,476
Total	**2,547**	**5,271**	**178,876**	**3,001**	**4,807**	**154,330**	**7,776**	**9,860**	**622,126**	**5,922**	**7,288**	**583,894**

Derivative instruments distributed by remaining maturity, carrying amount

SEK million	GROUP 2011		GROUP 2010		PARENT COMPANY 2011		PARENT COMPANY 2010	
	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount
At most 3 months	685	74,429	–452	43,098	694	76,103	–451	46,454
3–12 months	890	84,388	134	73,954	–97	78,864	–368	61,970
1–5 years	2,264	388,523	785	334,545	–541	297,511	641	278,179
Longer than 5 years	–403	52,582	–378	59,120	1,648	243,150	666	242,546
Total	**3,436**	**599,922**	**89**	**510,717**	**1,704**	**695,628**	**488**	**629,149**

Hedge accounting

Hedge accounting is only applied for hedging relationships where the risk of a significant fluctuation in profit or loss is considered the greatest.

Fair value hedges

SBAB Bank mainly uses fair value hedges to protect against changes in the fair value of lending and funding at fixed interest rates and to hedge currency exposure of funding in foreign currency. The hedge instruments primarily used are interest-rate and currency interest-rate swaps. Currency interest-rate swaps are defined as currency-related above. SBAB Bank applies hedge accounting solely for currency and interest-rate risk.

Group

At 31 December 2011, the nominal amount of derivatives held for fair value hedging was SEK 421.0 billion (356.0). The fair value of these derivatives was SEK 6,160 million (1,866) and the year's change in value amounted to SEK 3,185 million (neg: 661). The change in fair value of the hedged items with respect to hedged risk amounted to a negative SEK 3,285 million (pos: 869) and the realised loss on the repurchased debt was SEK 116 million (loss: 770). Accordingly, the Group's hedge accounting for fair value and completed repurchases had a negative impact of SEK 216 million (neg: 562) on profit for the year.

Parent Company

At 31 December 2011, the nominal amount of derivatives held for fair value hedging was SEK 73.5 billion (44.9). The fair value of these derivatives was SEK 3,788 million (1,825) and the year's change in value amounted to SEK 799 million (neg: 399).The change in fair value of the hedged items with respect to hedged risk amounted to a negative SEK 805 million (pos: 198) and the realised loss on the repurchased debt was SEK 21 million (loss: 236). Accordingly, the Parent Company's hedge accounting for fair value and completed repurchases had a negative impact of SEK 27 million (neg: 437) on profit for the year.

Note 19 Shares and participations in joint ventures

FriSpar Bolån AB is a joint venture and is recognised in accordance with the proportional method.

SEK million	2011	2010
PARENT COMPANY **Swedish credit institutions**	**FriSpar Bolån AB** **556248-3338** **Stockholm**	**FriSpar Bolån AB** **556248-3338** **Stockholm**
Cost at the beginning of the year	587	510
Shareholder contribution	146	77
Cost at the end of the year	**733**	**587**

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

SEK million	2011	2010
PARENT COMPANY **Swedish credit institutions**	**FriSpar Bolån AB** **556248-3338** **Stockholm**	**FriSpar Bolån AB** **556248-3338** **Stockholm**
Number of shares	6,120	6,120
Share of equity	51%	51%
Carrying amount	733	587

SEK million	2011	2010
PARENT COMPANY **Swedish credit institutions**	**FriSpar Bolån AB** **556248-3338** **Stockholm**	**FriSpar Bolån AB** **556248-3338** **Stockholm**
Current assets	9	9
Fixed assets	5,473	4,709
Current liabilities	30	23
Long-term liabilities	4,700	4,094
Income	34	27
Expenses	–12	–10

The amounts relate to the Parent Company's share, meaning 51% of FriSpar Bolån AB's corresponding amount.

Note 20 Shares and participations in Group companies

SEK million	2011	2010
PARENT COMPANY **Swedish credit institutions**	**The Swedish Covered Bond Corporation** **556645-9755** **Stockholm**	**The Swedish Covered Bond Corporation** **556645-9755** **Stockholm**
Cost at the beginning of the year	9,600	9,600
Shareholder contribution	–	–
Cost at the end of the year	**9,600**	**9,600**

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

SEK million	2011	2010
PARENT COMPANY **Swedish credit institutions**	**The Swedish Covered Bond Corporation** **556645-9755** **Stockholm**	**The Swedish Covered Bond Corporation** **556645-9755** **Stockholm**
Number of shares	500,000	500,000
Share of equity	100%	100%
Carrying amount	9,600	9,600

Note 21 Intangible fixed assets

Software	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Cost at the beginning of the year	156	143	48	44
Acquisitions during the year	21	13	4	4
Divestments during the year	–	–	–	–
Cost at the end of the year	**177**	**156**	**52**	**48**
Amortisation at the beginning of the year	–122	–104	–43	–38
Amortisation for the year according to plan	–17	–18	–3	–5
Divestments during the year	–	–	–	–
Accumulated amortisation according to plan	**–139**	**–122**	**–46**	**–43**
Net carrying amount	**38**	**34**	**6**	**5**

Borrowing costs are capitalised for assets that are produced internally and take a significant amount of time to utilise. In 2011, borrowing costs of SEK 0 million (–) were capitalised. The average interest rate for the periods and assets in question was 3.3%.

Note 22 Property, plant and equipment

	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Cost at the beginning of the year	140	126	140	126
Acquisitions during the year	12	14	12	14
Divestments during the year	–1	–0	–1	–0
Cost at the end of the year	**151**	**140**	**151**	**140**
Depreciation at the beginning of the year	–112	–104	–112	–104
Depreciation for the year according to plan	–10	–8	–10	–8
Divestments during the year	1	0	1	0
Accumulated depreciation according to plan	**–121**	**–112**	**–121**	**–112**
Net carrying amount	**30**	**28**	**30**	**28**

Note 23 Other assets

	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Securities settlement receivables	8	382	8	382
Past due interest receivables	71	73	29	17
Group contribution	–	–	510	–
Anticipated dividend	–	–	–	100
Other	240	7	171	16
Total	**319**	**462**	**718**	**515**
Other assets distributed by remaining maturity, carrying amount				
At most 1 year	319	462	718	515
Longer than 1 year	–	–	–	–
Total	**319**	**462**	**718**	**515**

Note 24 Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Prepaid expenses	27	21	25	19
Accrued interest income	1,090	795	832	578
Accrued guarantees	69	53	25	20
Other accrued income	15	22	17	17
Total	**1,201**	**891**	**899**	**634**
Prepaid expenses and accrued income distributed by remaining maturity, carrying amount				
At most 1 year	1,154	856	882	620
Longer than 1 year	47	35	17	14
Total	**1,201**	**891**	**899**	**634**

Note 25 Liabilities to credit institutions

	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Lending in SEK	14,823	11,877	4,978	4,473
Lending in foreign currency	6,410	6,380	4,710	5,502
Total	**21,233**	**18,257**	**9,688**	**9,975**
of which repos	*16,614*	*14,115*	*8,232*	*8,300*
Liabilities to credit institutions distributed by remaining maturity, carrying amount				
Payable on demand	4,619	4,142	1,455	1,675
At most 3 months	16,614	14,115	8,233	8,300
Total	**21,233**	**18,257**	**9,688**	**9,975**
Average remaining maturity, years	0.0	0.0	0.1	0.0

Note 26 Deposits from the public

	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Private individuals	7,344	4,816	7,344	4,816
Tenant-owner associations	980	990	980	990
Corporate market	445	277	445	277
Total	**8,769**	**6,083**	**8,769**	**6,083**
Deposits from the public distributed by remaining maturity, carrying amount				
Payable on demand	8,675	6,069	8,675	6,069
At most 3 months	4	1	4	1
Longer than 3 months but at most 1 year	31	0	31	0
Longer than 1 year but at most 5 years	59	13	59	13
Longer than 5 years	–	–	–	–
Total	**8,769**	**6,083**	**8,769**	**6,083**

Note 27 Debt securities in issue

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Commercial paper programmes				
Commercial paper programmes in SEK				
– at amortised cost:	12,669	9,649	12,669	9,649
Commercial paper programmes in foreign currency				
– at amortised cost:	13,924	16,869	13,924	16,869
Total	**26,593**	**26,518**	**26,593**	**26,518**
Bond loans				
Bond loans in SEK				
– at amortised cost:	25,670	28,289	17,003	22,440
– in fair value hedging	109,290	113,139	15,115	18,425
Bond loans in foreign currency				
– at amortised cost:	43,133	40,664	28,500	27,453
– in fair value hedging	71,992	53,352	29,542	12,387
Total	**250,085**	**235,444**	**90,160**	**80,705**
Total debt securities in issue	**276,678**	**261,962**	**116,753**	**107,223**
of which covered bonds	*160,658*	*154,739*	–	–
Debt securities in issue distributed by remaining maturity, carrying amount				
At most 1 year	76,713	89,630	57,777	59,501
Longer than 1 year but at most 5 years	184,049	155,050	57,749	47,499
Longer than 5 years but at most 10 years	14,260	16,064	1,184	185
Longer than 10 years	1,656	1,218	43	38
Total	**276,678**	**261,962**	**116,753**	**107,223**
Average remaining maturity, years	2.3	2.2	1.4	1.0
Average remaining fixed-interest period, years	1.9	1.9	0.9	0.7

The bond loan conditions in SBAB Bank'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 Kingdom of Sweden ceases to own the majority of the shares in SBAB Bank and the Kingdom of Sweden, before such change in ownership, has not taken steps to guarantee SBAB Bank'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 Tier 1 contributions 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 70.4 billion (64.7) at 31 December 2011.

Note 28 Other liabilities

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Accounts payable	17	7	17	7
Employee withholding tax	5	5	5	5
Tax liabilities	–	164	–	102
Liabilities to borrowers	79	143	38	109
Other	60	19	60	19
Total	**161**	**338**	**120**	**242**
Other liabilities distributed by remaining maturity, carrying amount				
At most 1 year	161	338	120	242
Longer than 1 year	–	–	–	–
Total	**161**	**338**	**120**	**242**

Note 29 Accrued expenses and prepaid income

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Accrued interest expense	3,765	3,796	685	599
Other accrued expenses	302	237	218	191
of which incentive programme	–	*11*	–	*11*
Total	**4,067**	**4,033**	**903**	**790**
Accrued expenses and prepaid income distributed by remaining maturity, carrying amount				
At most 1 year	4,067	4,033	903	790
Longer than 1 year	–	–	–	–
Total	**4,067**	**4,033**	**903**	**790**

Note 30 Deferred tax

SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Deferred tax assets (+)/tax liabilities (-) for temporary differences in				
– Change in value of interest-rate-hedged items in portfolio hedges	269	160	–	–
– Bonds	–219	–177	–219	–177
– Debt securities in issue	1,217	73	231	20
– Derivative instruments	–1,357	–134	–262	–57
– Intangible fixed assets	-8	-7	–	–
– Provision for pensions	25	25	–	–
– Other	2	0	2	0
Total	**–71**	**–60**	**–248**	**–214**
Change in deferred tax				
Deferred tax in profit or loss	0	179	–23	160
Deferred tax attributable to items recognised directly in equity	–11	–1	–11	–1
Total	**–11**	**178**	**–34**	**159**
Deferred tax distributed by expected maturity date, carrying amount				
At most 1 year	–	–	–	–
Longer than 1 year	–71	–60	–248	–214
Total	**–71**	**–60**	**–248**	**–214**

Note 31 Provisions

SEK million	GROUP 2011	GROUP 2010
Provisions for pensions	–76	–76
Provision for special employer's contribution on pensions	–18	–18
Total	**–94**	**–94**

Provisions for pensions

Summary of defined-benefit pension plan

SEK million	GROUP 2011	GROUP 2010
Present value of the obligation, closing balance	272	290
Fair value of plan assets	–211	–181
Unrecognised actuarial gain (+) / loss (–), net	15	–33
Provisions for pensions	**76**	**76**

Changes pertaining to pension obligations

SEK million	GROUP 2011	GROUP 2010
Present value of the obligation, opening balance	**291**	**242**
Cost pertaining to service during the period	12	9
Interest expense	10	9
Pension disbursements	–4	–4
Actuarial gain (–) / loss (+) during the period	-37	35
of which experience-based	*5*	*20*
Present value of the obligation, closing balance	**272**	**291**

Changes in fair value of plan assets

SEK million	GROUP 2011	GROUP 2010
Fair value, opening balance	**181**	**163**
Expected return	9	8
Premium payments	14	10
Disbursed compensation	–4	–4
Actuarial gain (+) / loss (–) during the period	11	4
of which experience-based	*11*	*4*
Fair value, closing balance	**211**	**181**

The plan assets comprised 82% (65) interest-bearing instruments, 11% (28) equities and 7% (7) alternative investments. The return on plan assets was 9% (6).

Pension cost pertaining to defined-benefit pension plan

SEK million	GROUP 2011	GROUP 2010
Cost pertaining to service during the period	12	9
Interest expense	10	9
Expected return on plan assets	–9	–8
Amortisation of actuarial gain (–) / loss (+)	0	–
Total pension cost for defined-benefit pension plan	**13**	**10**

In 2012, SEK 11 million (12) is expected to be paid into the defined-benefit pension plan.

Note 31 Provisions, contd.

Actuarial and financial obligations	GROUP	
%	2011	2010
Discount rate	3.75	3.50
Return on plan assets	5.00	5.00
Annual salary increase	3.00	3.00
Annual increase in income base amount	3.00	3.00
Annual inflation	2.00	2.00
Retirement frequency	6.00	6.00
Mortality table	DUS06	DUS06

Unrecognised actuarial gain (+) / loss (–), net	GROUP	
SEK million	2011	2010
Unrecognised actuarial gain (+) / loss (–), net, opening balance	**–33**	**–2**
Corridor limit, opening balance	*29*	*24*
Amortisation of actuarial gain (–) / loss (+)	0	–
Actuarial gain (+) / loss (–) on present value of the obligation during the period	37	–35
Actuarial gain (+) / loss (–) on plan assets during the period	11	4
Unrecognised accumulated actuarial gain (+) / loss (–), net, closing balance	**15**	**–33**

For further information about pensions, refer to Note 8 Personnel costs.

Note 32 Subordinated debt

Group and Parent Company							Carrying amount, SEK million	
Loan designation	Currency	Nominal amount	Nominal amount outstanding	First possible redemption right for SBAB Bank	Interest rate, % 31 Dec 2011	Maturity date	2011	2010
Subordinated debenture JPY 1	JPY	10,000,000,000	10,000,000,000	–	5.23	16 Nov 2015	1,034	971
Subordinated debenture SEK 1	SEK	–	–	–	–	–	–	503
Subordinated debenture SEK 2	SEK	700,000,000	700,000,000	2016	5.22	Perpetual	765	730
Subordinated debenture SEK 3	SEK	300,000,000	300,000,000	2016	3 M STIBOR+0.93	Perpetual	300	300
Subordinated debenture SEK 4	SEK	1,000,000,000	1,000,000,000	2013	7.32	25 Apr 2018	1,031	1,040
Subordinated debenture SEK 5	SEK	2,000,000,000	2,000,000,000	2015	7.16	Perpetual	2,037	1,964
Subordinated debenture SEK 6	SEK	1,000,000,000	1,000,000,000	2016	6.12	20 Apr 2021	1,066	–
Total							**6,233**	**5,508**
of which Group companies							–	–

The 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 2, SEK 3 and SEK 5 are subordinate to other subordinated debentures, known as Tier 1 capital contributions, and may be included in Tier 1 capital.

Permission has been obtained from the Swedish Financial Supervisory Authority to include these debentures in the company's capital base for the purpose of calculating the Parent Company's capital adequacy.

Subordinated debt is distributed among the following six loans:
JPY 1
Maturity: 16 November 1995 to 16 November 2015
Interest rate: SBAB Bank can decide to pay the interest in USD, EUR or JPY. The interest rate is 5.23% in the respective currency.

SEK 2
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 3
The loan is perpetual.
Interest rate: For the period 30 June 2006 to 30 June 2016: Floating interest equivalent to three-month STIBOR plus 0.93%. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 1.93%.

SEK 4
Maturity: 25 April 2008 to 25 April 2018
Interest rate: For the period 25 April 2008 to 25 April 2013: 7.32%. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 4.10%.

SEK 5
The loan is perpetual.
Interest rate: For the period 8 April 2010 to 8 June 2015: 7.16%. For the subsequent period: Floating interest corresponding to three-month STIBOR plus 4.50%.

SEK 6
Maturity: 20 April 2011 to 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%.

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 Kingdom of Sweden.

Dividends are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. It is proposed that no dividend be paid for 2011. The decision was made not to pay a dividend for the years 2009–2010.

Specification of changes in equity

GROUP
Other reserves

SEK million	2011	2010
Cash flow hedges at the beginning of the year	**–1**	**–4**
Change in fair value	1	4
Tax attributable to the change	–0	–1
Cash flow hedges at the end of the year	**–**	**–1**
Reclassification of financial assets at the beginning of the year	**–79**	**–136**
Accrual of interest and currency effect in reclassified financial assets	38	77
Tax attributable to the change	–10	–20
Reclassified financial assets at the end of the year	**–51**	**–79**
Total	**–51**	**–80**

PARENT COMPANY
Fair value reserve

SEK million	2011	2010
Cash flow hedges at the beginning of the year	**–1**	**–4**
Change in fair value	1	4
Tax attributable to the change	–0	–1
Cash flow hedges at the end of the year	**–**	**–1**
Reclassification of financial assets at the beginning of the year	**–79**	**–136**
Accrual of interest and currency effect in reclassified financial assets	38	77
Tax attributable to the change	–10	–20
Reclassified financial assets at the end of the year	**–51**	**–79**
Total	**–51**	**–80**

Note 34 Assets pledged for own liabilities

	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Loan receivables	201,596	199,073	–	–
Other receivables	235	271	235	271
Repos	4,945	3,548	–	–
Securities	8,126	8,300	8,232	8,300
Total	**214,902**	**211,192**	**8,467**	**8,571**

Of the assets pledged, SEK 210.0 billion (205.1) comprise the cover pool for covered bonds totalling SEK 160.7 billion (154.7).

Note 35 Commitments

	GROUP		PARENT COMPANY	
SEK million	**2011**	**2010**	**2011**	**2010**
Commitments concerning future payments	**–**	**–**	**–**	**–**
Other commitments				
Loan commitments and other credit-related commitments	34,248	30,136	34,096	29,962
Unutilised portion of granted credit facilities	–	–	–	–
Other commitments	487	199	19,794	30,783
Total	**34,735**	**30,335**	**53,889**	**60,745**
Commitments allocated by remaining maturity				
Within 1 year	34,735	30,250	53,889	60,660
1–5 years	–	85	–	85
> 5 years	–	–	–	–
Total	**34,735**	**30,335**	**53,889**	**60,745**

Loan commitments and other credit-related commitments in the Group totalling SEK 34,248 million (30,136) were reduced to SEK 5,126 million (4,190) after taking into account the conversion factor, meaning the statistically calculated probability that the exposure will lead to payment of the loan. The corresponding figures for the Parent Company were SEK 34,096 million (29,962) and SEK 5,006 million (4,046), respectively.

Other commitments in the Parent Company include an agreement pertaining to a liquidity facility with the subsidiary SCBC. The purpose of this agreement is to enable SCBC to borrow funds from the Parent Company should SCBC not be able to pay its own bond holders when SCBC's bonds mature.

Note 36 Classification of financial instruments

GROUP

Financial assets

SEK million	Hedge-accounted derivative instruments	Loan receivables in hedge accounting	Assets measured at fair value through profit or loss	Other loan receivables	Total	Total fair value
	2011					
Cash and balances at central banks				0	0	0
Chargeable treasury bills and other eligible bills			2,118		2,118	2,118
Lending to credit institutions				23,454	23,454	23,495
Lending to the public		109,468		138,682	248,150	250,081
Change in value of interest-rate-hedged items in portfolio hedges		1,557			1,557	–
Bonds and other interest-bearing securities			36,138	9,249	45,387	44,556
Derivative instruments	14,949		2,547		17,496	17,496
Other assets				319	319	319
Prepaid expenses and accrued income		142	751	308	1,201	1,201
Total	**14,949**	**111,167**	**41,554**	**172,012**	**339,682**	**339,266**

SEK million	Hedge-accounted derivative instruments	Loan receivables in hedge accounting	Assets measured at fair value through profit or loss	Other loan receivables	Total	Total fair value
	2010					
Cash and balances at central banks				0	0	0
Chargeable treasury bills and other eligible bills			2,365		2,365	2,365
Lending to credit institutions				12,892	12,892	12,903
Lending to the public		92,122		156,981	249,103	249,850
Change in value of interest-rate-hedged items in portfolio hedges		500			500	–
Bonds and other interest-bearing securities			23,049	14,936	37,985	37,312
Derivative instruments	9,664		3,001		12,665	12,665
Other assets				462	462	462
Prepaid expenses and accrued income		100	511	280	891	891
Total	**9,664**	**92,722**	**28,926**	**185,551**	**316,863**	**316,448**

GROUP
Financial liabilities

	2011					
SEK million	**Hedge-accounted derivative instruments**	**Liabilities covered by hedge accounting**	**Liabilities measured at fair value through profit or loss**	**Other financial liabilities**	**Total**	**Total fair value**
Liabilities to credit institutions				21,233	21,233	21,233
Deposits from the public				8,769	8,769	8,769
Debt securities in issue		181,282		95,396	276,678	277,280
Derivative instruments	8,789		5,271		14,060	14,060
Other liabilities				161	161	161
Accrued expenses and prepaid income		3,566		501	4,067	4,067
Subordinated debt		5,933		300	6,233	6,264
Total	**8,789**	**190,781**	**5,271**	**126,360**	**331,201**	**331,834**

	2010					
SEK million	**Hedge-accounted derivative instruments**	**Liabilities covered by hedge accounting**	**Liabilities measured at fair value through profit or loss**	**Other financial liabilities**	**Total**	**Total fair value**
Liabilities to credit institutions				18,257	18,257	18,257
Deposits from the public				6,083	6,083	6,083
Debt securities in issue		181,035		80,927	261,962	263,628
Derivative instruments	7,769		4,807		12,576	12,576
Other liabilities				338	338	338
Accrued expenses and prepaid income		3,654		379	4,033	4,033
Subordinated debt		5,208		300	5,508	5,507
Total	**7,769**	**189,897**	**4,807**	**106,284**	**308,757**	**310,422**

Note 36 Classification of financial instruments, contd

PARENT COMPANY

Financial assets

SEK million	Hedge-accounted derivative instruments	Loan receivables in hedge accounting	Assets measured at fair value through profit or loss	Other loan receivables	Total	Total fair value
	2011					
Cash and balances at central banks				0	0	0
Chargeable treasury bills and other eligible bills			2,118		2,118	2,118
Lending to credit institutions				56,412	56,412	56,497
Lending to the public				32,940	32,940	33,310
Change in value of interest-rate-hedged items in portfolio hedges				–8	–8	–
Bonds and other interest-bearing securities			36,138	9,249	45,387	44,556
Derivative instruments	6,037		7,776		13,813	13,813
Other assets				718	718	718
Prepaid expenses and accrued income			751	148	899	899
Total	**6,037**		**46,783**	**99,459**	**152,279**	**151,911**

SEK million	Hedge-accounted derivative instruments	Loan receivables in hedge accounting	Assets measured at fair value through profit or loss	Other loan receivables	Total	Total fair value
	2010					
Cash and balances at central banks				0	0	0
Chargeable treasury bills and other eligible bills			2,365		2,365	2,365
Lending to credit institutions				50,265	50,265	50,284
Lending to the public				35,298	35,298	35,608
Change in value of interest-rate-hedged items in portfolio hedges				–14	–14	–
Bonds and other interest-bearing securities			23,049	14,936	37,985	37,312
Derivative instruments	4,404		5,922		10,326	10,326
Other assets				515	515	515
Prepaid expenses and accrued income			511	123	634	634
Total	**4,404**		**31,847**	**101,123**	**137,374**	**137,044**

PARENT COMPANY

Financial liabilities

SEK million	Hedge-accounted derivative instruments	Liabilities covered by hedge accounting	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total	Total fair value
	2011					
Liabilities to credit institutions				9,688	9,688	9,688
Deposits from the public				8,769	8,769	8,769
Debt securities in issue		44,657		72,096	116,753	116,509
Derivative instruments	2,249		9,860		12,109	12,109
Other liabilities				120	120	120
Accrued expenses and prepaid income		550		353	903	903
Subordinated debt		5,933		300	6,233	6,264
Total	**2,249**	**51,140**	**9,860**	**91,326**	**154,575**	**154,362**

SEK million	Hedge-accounted derivative instruments	Liabilities covered by hedge accounting	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total	Total fair value
	2010					
Liabilities to credit institutions				9,975	9,975	9,975
Deposits from the public				6,083	6,083	6,083
Debt securities in issue		25,733		81,490	107,223	107,391
Derivative instruments	2,550		7,288		9,838	9,838
Other liabilities				242	242	242
Accrued expenses and prepaid income		500		290	790	790
Subordinated debt		5,208		300	5,508	5,507
Total	**2,550**	**31,441**	**7,288**	**98,380**	**139,659**	**139,826**

As of 1 July 2008, the fair value of the reclassified portfolio amounted to SEK 21.7 billion. The average effective interest rate used in 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 31 December 2011, the fair value of the assets would have amounted to SEK 8.4 billion had the assets continued to be recognised as "Available-for-sale financial assets." The carrying amount at 31 December 2011 was SEK 9.2 billion. At the same date, the fair value reserve attributable to the reclassified assets would have amounted to a negative SEK 0.6 billion, net after tax, had the assets continued to be recognised as "Available-for-sale financial assets."

Impact on profit

SEK million	2011	2010
Interest income	313	328
Change in fair value	–	–
Currency translation effects	–5	–2,131
Total	**308**	**–1,803**

The reserve amounted to a negative SEK 51 million, net after tax, at 31 December 2011. After the reclassification date, SEK 194 million of the reserve before tax has been reversed and exchange rate fluctuations had a negative impact of SEK 13 million before tax on the value of the reserve.

The table below shows how the reclassified assets were recognised in terms of gains, losses, revenues and costs. Interest income is shown in gross amounts, excluding funding costs. Currency translation effects do not take into account the counteracting effects that have arisen in connection with funding.

Expected cash flows distributed by reclassification date, 1 July 2008

SEK million	< 1 year	1–2 years	2–5 years	> 5 years
Structured loans	2,430	1,769	14,875	2,603

Note 37 Fair value measurement

GROUP

SEK million	2011 Quoted market prices (Level 1)	2011 Other observable data (Level 2)	2011 Unobservable data (Level 3)	2011 Total	2010 Quoted market prices (Level 1)	2010 Other observable data (Level 2)	2010 Unobservable data (Level 3)	2010 Total
Assets								
Securities in the category trade	38,256	–	–	38,256	14,136	11,278	–	25,414
Derivatives in the category trade	72	2,475	–	2,547	89	2,912	–	3,001
Other derivatives	–	14,949	–	14,949	–	9,664	–	9,664
Total	**38,328**	**17,424**	**–**	**55,752**	**14,225**	**23,854**	**–**	**38,079**
Liabilities								
Securities in the category trade	–	–	–	–	–	–	–	–
Derivatives in the category trade	51	5,220	–	5,271	146	4,661	–	4,807
Other derivatives	–	8,789	–	8,789	–	7,769	–	7,769
Total	**51**	**14,009**	**–**	**14,060**	**146**	**12,430**	**–**	**12,576**

PARENT COMPANY

SEK million	2011 Quoted market prices (Level 1)	2011 Other observable data (Level 2)	2011 Unobservable data (Level 3)	2011 Total	2010 Quoted market prices (Level 1)	2010 Other observable data (Level 2)	2010 Unobservable data (Level 3)	2010 Total
Assets								
Securities in the category trade	38,256	–	–	38,256	14,136	11,278	–	25,414
Derivatives in the category trade	72	7,704	–	7,776	89	5,833	–	5,922
Other derivatives	–	6,037	–	6,037	–	4,404	–	4,404
Total	**38,328**	**13,741**	**–**	**52,069**	**14,225**	**21,515**	**–**	**35,740**
Liabilities								
Securities in the category trade	–	–	–	–	–	–	–	–
Derivatives in the category trade	51	9,809	–	9,860	146	7,142	–	7,288
Other derivatives	–	2,249	–	2,249	–	2,550	–	2,550
Total	**51**	**12,058**	**–**	**12,109**	**146**	**9,692**	**–**	**9,838**

Parent Company and Group

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

Securities in the category trade totalling SEK 9,579 million have been transferred from Level 2 to Level 1 due to changed estimates. The transfer did not impact the carrying amount.

Quoted market prices (Level 1)

Measurement at quoted prices in a market for identical assets and liabilities. The measurement method is used for all holdings of quoted interest-bearing securities and for publicly quoted derivatives, primarily interest-rate futures.

Measurement based on observable data (Level 2)

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

Measurement based in part on unobservable data (Level 3)

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

Note 38 Information about related parties

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

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 that internal transactions are eliminated at Group level. FriSpar Bolån AB is a joint venture.

PARENT COMPANY	2011					
	GROUP COMPANIES		JOINT VENTURES		TOTAL	
SEK million	**Assets/ Liabilities**	**Interest**	**Assets/ Liabilities**	**Interest**	**Assets/ Liabilities**	**Interest**
Lending to credit institutions	36,300	1,068	9,128	339	45,428	1,407
Derivative instruments	2,968	272			2,968	272
Other assets	512		14		526	
Total	**39,780**	**1,340**	**9,142**	**339**	**48,922**	**1,679**
Liabilities to credit institutions	3,520	77			3,520	77
Debt securities in issue			1,438	43	1,438	43
Derivative instruments	1,528	158			1,528	158
Other liabilities	2		13		15	
Total	**5,050**	**235**	**1,451**	**43**	**6,501**	**278**

PARENT COMPANY	2010					
	GROUP COMPANIES		JOINT VENTURES		TOTAL	
SEK million	**Assets/ Liabilities**	**Interest**	**Assets/ Liabilities**	**Interest**	**Assets/ Liabilities**	**Interest**
Lending to credit institutions	38,363	505	7,954	169	46,317	674
Derivative instruments	1,599	1,382			1,599	1,382
Other assets	177		9		186	
Total	**40,139**	**1,887**	**7,963**	**169**	**48,102**	**2,056**
Liabilities to credit institutions	2,478	34			2,478	34
Debt securities in issue			1,100	34	1,100	34
Derivative instruments	1,208	480			1,208	480
Other liabilities	0		13		13	
Total	**3,686**	**514**	**1,113**	**34**	**4,799**	**548**

Of the Parent Company's commission income, SEK 62 million (50) pertains to commission from joint ventures and SEK 25 million (29) to compensation pertaining to the Group companies' ability to utilise a liquidity facility at the Parent Company. The Parent Company also conducts administrative services on behalf of Group companies for SEK 521 million (431) (refer to Note 7).

GROUP COMPANIES	2011		2010	
	JOINT VENTURES		JOINT VENTURES	
SEK million	**Assets/ Liabilities**	**Interest**	**Assets/ Liabilities**	**Interest**
Lending to credit institutions	87		72	
Total	**87**		**72**	

The table shows the subsidiary SCBC's dealings with FriSpar.

Note 38 Information about related parties, contd

Loans to the Board, CEO and other key senior executives

SEK million	2011		2010	
Loans to key personnel	**Lending**	**Interest income**	**Lending**	**Interest income**
CEO	2	0	–	–
Board of Directors	2	0	2	0
Other key senior executives	7	0	8	0
Total	**11**	**0**	**10**	**0**
Deposits from key personnel	**Deposits**	**Interest expense**	**Deposits**	**Interest expense**
CEO and other key senior executives	2	0	2	0
Board of Directors	0	0	0	0
Total	**2**	**0**	**2**	**0**

The CEO and the Board refer to the Parent Company. Wherever relevant, the Managing Directors and Board of other Group companies are included under "Other key senior executives."

Lending to members of the Board 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.

Deposits from key personnel are made on the same terms and conditions as other deposits in the company.

Note 39 Operating segments

SBAB Bank has identified three operating segments: Retail, Corporate and Finance. The operating segments comply with how SBAB Bank's organisation is composed and matches the segments previously presented in accordance with IAS 14. The Retail operating segment includes lending for single-family dwellings, holiday homes, tenant-owned apartments and tenant-owner associations, as well as deposits

from private individuals and tenant-owner associations. The Corporate operating segment includes lending for private multi-family dwellings, commercial properties and municipal residential mortgages, together with deposits. The Finance operating segment includes SBAB Bank's funding, as well as management of financial risks and liquidity.

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

Risk-adjusted income statement

GROUP

	2011				2010			
SEK million	**Retail**	**Corporate**	**Finance**	**Total**	**Retail**	**Corporate**	**Finance**	**Total**
Net interest income	1,094	288	210	1,592	999	241	476	1,716
Commission income	55	5	0	60	45	6	–1	50
Commission expense	–5	–3	–142	–150	–7	–4	–83	–94
Net income/expense from financial instruments measured at fair value	–0	–0	–349	–349	–1	0	–288	–289
Total operating income	**1,144**	**290**	**–281**	**1,153**	**1,036**	**243**	**104**	**1,383**
Other expenses	–299	–66	–60	–425	–197	–40	–42	–279
Personnel costs	–170	–50	–42	–262	–201	–52	–46	–299
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	–15	–3	–2	–20	–20	–3	–3	–26
Total expenses before loan losses	**–484**	**–119**	**–104**	**–707**	**–418**	**–95**	**–91**	**–604**
Loan losses, net	–56	–11	–2	–69	–70	–21	–2	–93
Operating profit/loss	**604**	**160**	**–387**	**377**	**548**	**127**	**11**	**686**
Tax	–159	–42	102	–99	–144	–33	–3	–180
Risk-adjusted profit/loss after tax	**445**	**118**	**–285**	**278**	**404**	**94**	**8**	**506**
RAROC [1], after tax	**14.0%**	**8.2%**	**–56.3%**	**5.4%**	**12.1%**	**6.8%**	**1.7%**	**9.7%**

[1] Risk-Adjusted Return On (economic) Capital, meaning risk-adjusted return after tax.

For more information on "Expected losses," refer to Note 2a on page 35. For more information on "Economic capital," refer to Note 2i on page 49.

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

Reconciliation

GROUP

SEK million	2011	2010
Net interest income	1,618	1,762
Commission income	60	50
Commission expense	–150	–94
Net income/expense from financial instruments measured at fair value	–349	–289
Other operating income	0	0
Total operating income	**1,179**	**1,429**
Risk-adjusted income	1,153	1,383
Adjustment to return on recognised equity	26	46
Total operating income	**1,179**	**1,429**
Personnel costs	–323	–316
Other expenses	–357	–262
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	–27	–26
Loan losses, net	–8	–40
Total expenses and loan losses	**–715**	**–644**
Risk-adjusted expense	–776	–697
Adjustment to recognised loan losses	61	53
Total expenses and loan losses	**–715**	**–644**
Risk-adjusted profit before tax	377	686
Tax according to risk-adjusted income statement	–99	–180
Risk-adjusted profit after tax	**278**	**506**
Risk-adjusted items		
Adjustment to return on recognised equity	26	46
Adjustment to recognised loan losses	61	53
Reversal of tax according to risk-adjusted income statement	99	180
Operating profit	**464**	**785**
Recognised tax	–123	–208
Profit for the year after tax	**341**	**577**

Note 40 Five-year overview

PARENT COMPANY

SEK million	2011	2010	2009	2008	2007
Interest income	3,864	2,226	2,294	4,445	4,231
Interest expense	–3,956	–1,922	–1,611	–4,175	–4,007
Net interest income	**–92**	**304**	**683**	**270**	**224**
Other operating income	895	409	830	287	324
Total operating income	**803**	**713**	**1,513**	**557**	**548**
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	–13	–12	–13	–16	–18
Other operating expenses	–695	–587	–558	–498	–500
Total operating expenses	**–708**	**–599**	**–571**	**–514**	**–518**
Profit before loan losses	**95**	**114**	**942**	**43**	**30**
Loan losses, net	3	–30	–82	–4	19
Operating profit	**98**	**84**	**860**	**39**	**49**
Lending portfolio[1)]	32,940	35,298	48,225	24,910	29,570
Other assets	129,708	112,296	98,593	88,870	78,571
Total assets	**162,648**	**147,594**	**146,818**	**113,780**	**108,141**
Deposits from the public	8,769	6,083	4,653	3,542	759
Debt securities in issue	116,753	107,223	109,749	72,872	86,573
Other liabilities	22,820	20,845	20,922	26,027	11,754
Deferred tax liabilities	248	214	373	354	–
Subordinated debt	6,233	5,508	3,551	3,666	2,725
Equity	7,825	7,721	7,570	7,319	6,330
Total liabilities and equity	**162,648**	**147,594**	**146,818**	**113,780**	**108,141**
Capital adequacy with transitional regulations					
Core Tier 1 capital ratio, %	26.6	26.5	21.7	23.4	23.6
Tier 1 capital ratio, %	37.3	36.9	24.5	27.2	27.3
Capital adequacy ratio, %	45.9	44.0	30.7	35.3	34.7

[1)] The Parent Company continuous transfers loans to the subsidiary The Swedish Covered Bond Corporation (SCBC).

Proposed Appropriation of Profits

The Group's income statement and balance sheet will be submitted to the Annual General Meeting on 19 April 2012 for adoption.

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.

In accordance with Chapter 6, Section 2, Item 2 of the Annual Accounts Act for Credit Institutions and Securities Companies, the Board considers the company's equity to be sufficiently large in relation to the scope and risks of the operations. The Board and the CEO propose that the funds which, according to the balance sheet of the Parent Company, are at the disposal of the Annual General Meeting, namely SEK 5,474,951,676, of which profit for the year accounts for SEK 74,690,279, be carried forward.

Stockholm, 22 March 2012

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

Anna Christenson
Board Member
(Employee Representative)

Göran Thilén
Board Member
(Employee Representative)

Carl-Viggo Östlund
Chief Executive Officer

Our Audit Report was submitted on 22 March 2012

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant

Audit Report

To the Annual General Meeting of SBAB Bank AB (publ), Corporate Registration Number 556253-7513.

Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and the consolidated financial statements of SBAB Bank AB (publ) for the year 2011. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 6–79, excluding pages 15–16.

Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated financial statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of these annual accounts and consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies, and for the internal control deemed necessary by the Board of Directors and the CEO for the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether such misstatement is due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated financial statements 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 financial statements. The auditor chooses such procedures based on such assessments as the risk of material misstatement in the annual accounts and consolidated financial statements, whether such misstatement is due to fraud or error. In making these risk assessments, the auditor considers internal control measures relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate taking the circumstances into account, 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 CEO, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2011 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and the consolidated financial statements 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 2011 and its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The Administration Report is consistent with the other parts of the annual accounts and consolidated financial statements.

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 financial statements, we have examined the proposed appropriation of the company's profit or loss and the administration of the Board of Directors and the CEO of SBAB Bank AB (publ) for the year 2011.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal concerning the appropriation of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Companies Act.

Auditors' responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriation 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 a 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 complies with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, 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 CEO is liable to the company.

We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 CEO be discharged from liability for the financial year.

Stockholm, 22 March 2012

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant

Independent assurance statement regarding the Sustainability Report

Pages 15–16 of this document contain an excerpt from the company's Sustainability Report. A complete Sustainability Report has been prepared by the company and contains our full assurance statement. Based on our review, our conclusion is that no circumstances have come to our attention that give us reason to believe that the Sustainability Report has not been prepared, in all material respects, in accordance with the criteria stated in the complete assurance statement.

Stockholm, 22 March 2012

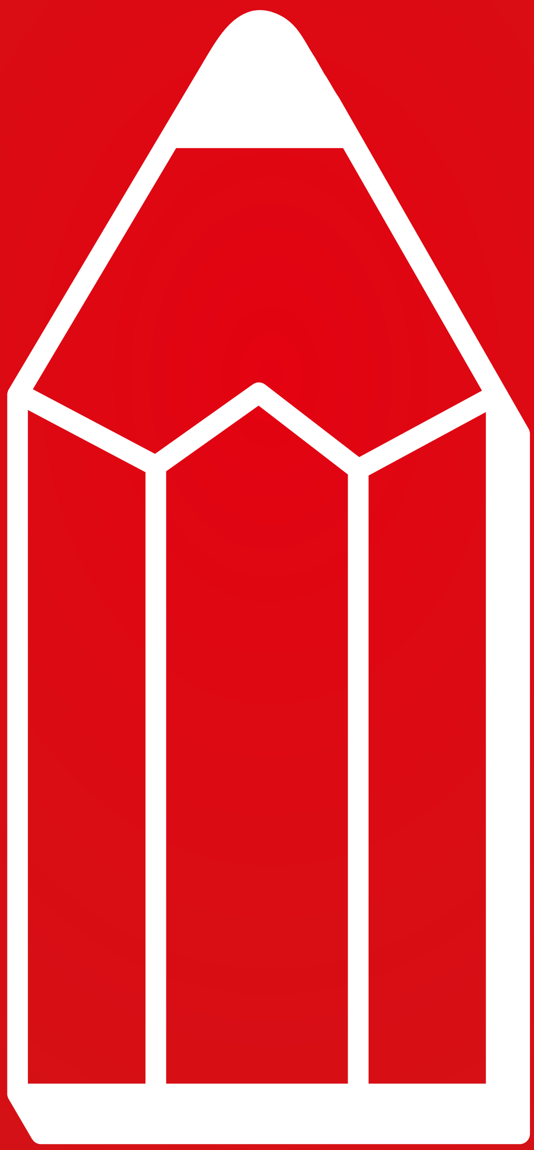
Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised public accountant

Fredrik Ljungdahl
Expert Member of FAR SRS

Corporate Governance Report

Corporate governance ensures good order



Chairman's Statement

After receiving authorisation to conduct banking operations in late 2010, SBAB was converted into a bank in March 2011 and simultaneously changed its name to SBAB Bank AB (publ). This marked an important step in the company's development from residential mortgage institution to bank. During the year, the Board of Directors devoted considerable focus to this work, including establishing strategies and governing and monitoring Executive Management's administration of the development efforts.

As a result of this development, SBAB Bank will be able to offer customers a broader range of bank products and services, rather than only being associated with residential lending.

For the financial markets, 2011 was a dramatic year. Regardless of whether or not they are exposed to the euro crisis, most players are being impacted, directly or indirectly, by turbulent markets. These issues have been included on the Board's agenda, as has the continued work on the new regulations for capital adequacy, funding and liquidity. The challenges being faced in the aforementioned strategic areas also represent an important reason for the Board's efforts to expand the company's bank concept.

During the year, the Board was responsible for continuously monitoring the company's earnings and lending. Through its committees, the Board also addressed issues pertaining to SBAB Bank's loan granting, finance operations, audit, internal control and remuneration.

In accordance with the resolution passed by the Annual General Meeting in April, the Board acquired a new member, Per Anders Fasth. Former members Lennart Francke and Lena Smeby-Udesen stepped down the Board of SBAB Bank in February and October 2011, respectively.

The Board worked to recruit a new CEO during the second half of the year and decided in October 2011 to appoint Carl-Viggo Östlund, former CEO of Nordnet, as the new CEO of SBAB Bank. Carl-Viggo

Östlund, who assumed the position on 1 March 2012, succeeded Eva Cederbalk. Eva Cederbalk stepped down as CEO of the bank at the end of December 2011 after more than seven years in the position. The Board appointed Christine Ehnström to serve as Acting CEO during the period until Carl-Viggo Östlund assumed his new position.

Arne Liljedahl
Chairman of the Board

Corporate Governance Report for 2011

SBAB Bank is a Swedish public limited banking company that is wholly owned by the Kingdom of Sweden. SBAB Bank is domiciled in Stockholm. Governance of SBAB Bank 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 Bank. The Corporate Governance Report has been prepared in accordance with the regulations regarding corporate governance reports in the Swedish Code of Corporate Governance and the Annual Accounts Act.

The Swedish Code of Corporate Governance ("the Code") is part of the Government's framework for corporate governance that complements the state's ownership policy. SBAB Bank complies with the Code in the manner applied by the Government Offices. In certain issues, the Government Offices have decided to apply the rules in a manner that deviates from the Code rules, which are described in greater detail in the Ministry of Finance's report "Government ownership policy and guidelines for state-owned companies 2011."

SBAB Bank applies the sections of the Code that are appropriate for the company 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. There is no reason for wholly state-owned companies to comply with this Code rule.
- Code rule 1.4 and 2 – establishment of a nomination committee responsible for such matters as the appointment 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 rule 2.6, 4.5 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. There is no reason for such information concerning independence to be disclosed in wholly state-owned companies.

SBAB Bank also deviated from the following rules in 2011:

- Code rule 1.3 – number of Board Members attending General Meetings. The extraordinary general meeting held in March 2011 was not attended by a sufficient number of Board Members, as stipulated in the Code, to enable the Board to make valid decisions.
- Code rule 7.3 – the number of Board Members in the Audit and Compliance Committee, which is SBAB Bank's equivalent to an audit committee, has been fewer than three since September 2011, when Lena Smeby-Udesen stepped down from the Board and thus from the Committee. The intention is for a third Board Member to be appointed to the Audit and Compliance Committee in conjunction with the statutory Board meeting in 2012.
- Code rule 8.2 – the Board's evaluation of the CEO. The evaluation of the work of the CEO planned for October was not carried out since former CEO Eva Cederbalk announced in the middle of the year that she would be leaving SBAB Bank, which subsequently occurred on 20 December 2011.

Overview

The auditor examines the Annual Report, the consolidated financial statements and the accounting records, as well as the Board's and the CEO's administration of the company. The auditor also reviews the company's interim reports.

The Board of Directors is ultimately responsible for SBAB Bank's organisation and administration.

The principal task of the Finance Committee is to decide on risk limits for the finance operations.

The principal task of the Credit Committee is to decide on credit limits and loans.

The CEO is responsible for the ongoing management of SBAB Bank.

The Risk Department – which, in organisational terms, is included in the Credit and Risk Department – analyses and controls SBAB Bank's overall risks and reports continuously to the Board, the CEO and Executive Management.

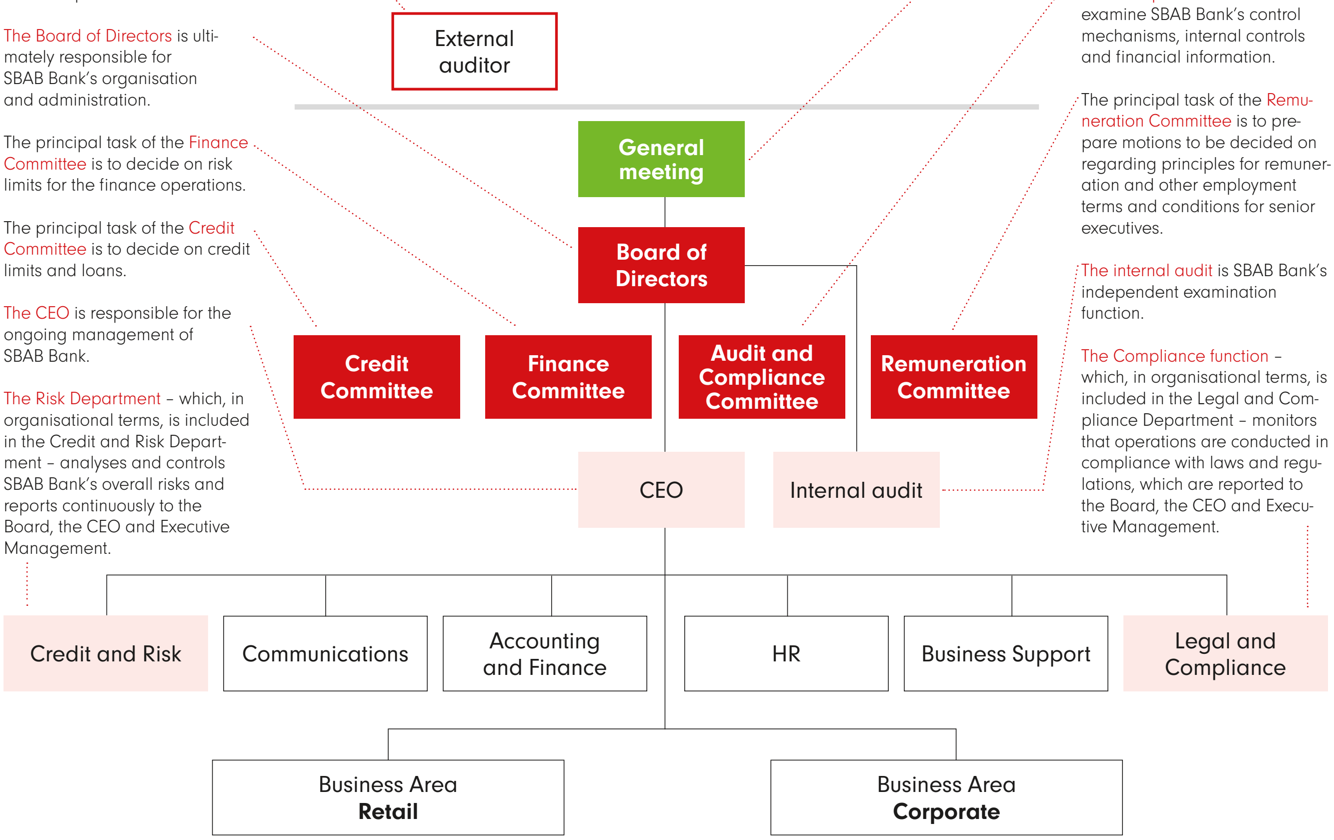
The general meeting is SBAB Bank's highest decision-making body, in which the shareholders exercise their right to make decisions.

The principal task of the Audit and Compliance Committee is to examine SBAB Bank's control mechanisms, internal controls and financial information.

The principal task of the Remuneration Committee is to prepare motions to be decided on regarding principles for remuneration and other employment terms and conditions for senior executives.

The internal audit is SBAB Bank's independent examination function.

The Compliance function – which, in organisational terms, is included in the Legal and Compliance Department – monitors that operations are conducted in compliance with laws and regulations, which are reported to the Board, the CEO and Executive Management.



Articles of Association

SBAB Bank'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. 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 Bank'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 and General Meetings

SBAB Bank's Annual General Meeting was held on 14 April 2011. The Annual General Meeting was open and the public was invited to attend, along with other specially invited individuals including members of the Riksdag, SBAB Bank's business partners and other stakeholders. The owner was represented by Deputy Director Christer Berggren. Most of SBAB Bank's Board Members, the CEO and SBAB Bank's auditor also attended the Annual General Meeting. Arne Liljedahl, Chairman of the Board of SBAB Bank, served as the Chairman of the Annual General Meeting.

The following Board Members were re-elected at the Meeting: Arne Liljedahl, who was also elected Chairman of the Board, Jakob Grinbaum, Hanna Lagercrantz, Helena Levander, Karin Moberg and Lena Smeby-Udesen. Per Anders Fasth was elected as a new Board Member.

Lennart Francke stepped down as a Board Member in February 2011 and Lena Smeby-Udesen stepped down as a Board Member in September 2011.

The fees to be paid to Board Members were resolved at the Annual General Meeting.

The Meeting also resolved to discharge the Board of Directors and the CEO from personal liability, to approve the appropriation of profits and to adopt the annual financial statements for 2010.

The Annual General Meeting elected Öhrlings PricewaterhouseCoopers AB as SBAB Bank's auditor until the end of the 2012 Annual General Meeting, with Catarina Ericsson elected as auditor-in-charge.

The Meeting also resolved to amend SBAB Bank's Articles of Association so that the time limit for notifications of extraordinary general meetings of shareholders, at which matters pertaining to amendments to the Articles of Association are not addressed, be extended to three weeks and the procedure for issuing notifications be changed to the effect that the complete notification no longer needs to be published in a nationwide daily newspaper. SBAB Bank's general meeting has not authorised the Board to issue any new shares or to purchase shares to be held in treasury.

Extraordinary General Meeting

SBAB Bank held an Extraordinary General Meeting on 16 March 2011, when SBAB Bank began conducting banking operations. The Meeting resolved to amend the section of the Articles of Association pertaining to the company's business objective and other sections of the Articles of Association due to SBAB Bank's banking operations. In conjunction with the adoption of the new Articles of Association, the company changed its name to SBAB Bank AB (publ).

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 2011." The objective is to ensure an adequate supply of competence for the Board of Directors of these companies. The Board nomination process is coordinated by the unit responsible for state ownership. A task force assesses each company's competency requirements based on the company's operations, position, future challenges and the composition of the Board. 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. Once the process is complete, the nominations are announced in accordance with the Code. Adopting a uniform and structured approach ensures quality throughout the nomination procedure.

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 Bank's Board of Directors comprises six 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. Following the 2011 Annual General Meeting, the Board of Directors of SBAB Bank comprised:

- Arne Liljedahl (Chairman),
- Anna Christenson (employee representative),
- Per Anders Fasth,
- Jakob Grinbaum,
- Hanna Lagercrantz,
- Helena Levander,
- Karin Moberg, and
- Göran Thilén (employee representative).

Lennart Francke stepped down as a Board Member in February 2011 and Lena Smeby-Udesen stepped down as a Board Member in September 2011.

A specification of age, principal education, occupational experience and the other assignments held by the members of the Board, as well as their attendance at Board and committee meetings, is presented on pages 88, 92–93. None of the Board Members or the CEO holds shares or financial instruments issued by SBAB Bank.

Chairman of the Board

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 is also responsible for initiating the annual evaluation of the work of the Board and the CEO. The Chairman 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 also monitors the implementation of Board decisions.

Independence of Board Members

All Board Members, with the exception of the employee representatives, are independent in relation to SBAB Bank and Executive Management.

Board work and methods of work

The Board of Directors is responsible for the organisation and administration of matters pertaining to SBAB Bank. The Board is also responsible for continuously assessing SBAB Bank's financial situation and ensuring that the organisation is structured in a manner that enables accounting, management of assets and the bank's other financial circumstances to be controlled in a satisfactory manner.

The work of the Board complies with the formal work plan adopted annually at the Board of Directors' statutory Board meeting following the Annual General Meeting. The formal work plan regulates decision-making within SBAB Bank, the arrangements for Board meetings and the division of work among the Board, the Chairman of the Board and the Board committees.

During 2011, the Board held eight scheduled Board meetings and three extraordinary Board meetings. The work of the Board complies with an annual plan whose aims include satisfying the Board's need for information. SBAB Bank's Board makes decisions on matters concerning SBAB Bank's strategic orientation with regard, for example, to the business plan, investments, funding, capitalisation, major organisational issues, policies and certain instructions. The Board reviews the company's interim reports on a quarterly basis and decides on their adoption and publication. The Board also follows up SBAB Bank's risks. The control issues that are the responsibility of the Board are dealt with by the Board in its entirety and are prepared for decision by the committees established by the Board. Each year, the Board also receives reports from SBAB Bank's auditor and the internal audit regarding observations from completed examinations and assessments of how control is maintained within the company. The CEO participates in Board meetings. When necessary, other SBAB Bank employees may participate as reporters. SBAB Bank's Chief Legal Counsel takes the minutes at Board meetings.

In addition to Board meetings, the Board monitors SBAB Bank's ongoing work and financial development through the CEO's monthly written report to the Board. The report includes information regarding operating profit, expenses, other financial reports, a report on funding operations, the capital adequacy situation and a risk report.

During the autumn, the work of the Board focused on recruiting a new CEO in view of the then-CEO, Eva Cederbalk's, announcement that she would be leaving SBAB Bank. In late October 2011, the Board decided to appoint Carl-Viggo Östlund, former CEO of Nordnet, as the new CEO of SBAB Bank. Carl-Viggo Östlund assumed his new position at SBAB Bank on 1 March 2012. On 16 December 2011, the Board decided to appoint Christine Ehnström, Chief Legal Counsel at SBAB Bank, as Acting CEO from 21 December 2011 until Carl-Viggo Östlund assumed the position.

Evaluation of the work of the Board and the CEO

The annual evaluation of the work of the Board was conducted in 2011. The results of this evaluation were reviewed at the Board meeting held on 27 October 2011. In view of former CEO Eva Cederbalk's decision in June to leave SBAB Bank, which she later did in December 2011, the work of the CEO was not evaluated during the year.

The Board's committees

The Board of Directors has established the following committees.

Audit and Compliance Committee

The Audit and Compliance Committee's principal duty, on the basis of the assignment from the owner and the applicable regulatory framework, is to examine the SBAB Bank Group's control mechanisms, internal controls and financial information, as well as preparing matters in these areas ahead of Board decisions.

The Audit and Compliance Committee is also responsible for quality assurance of the company's financial reporting prior to Board decisions, holding regular meetings with the SBAB Bank Group's auditor and acquiring information concerning the focus and scope of the audit, as well as discussing the coordination between the external and internal audits and opinions on the Group's risks.

The Audit and Compliance Committee is responsible for evaluating external auditing work, informing the owner's administrator of the results of this work and assisting in the drafting of proposals for auditors. The internal audit function's auditing schedule and status reports concerning the work conducted are also addressed in the Audit and Compliance Committee ahead of decisions or presentations to the Board. In addition, the Audit and Compliance Committee is responsible for risk management for lending and funding operations.

The Audit and Compliance Committee currently comprises two Board Members. Following the statutory Board meeting in 2011, the members of the Audit and Compliance Committee are:

- Karin Moberg (Chairman)
- Per Anders Fasth.

Lena Smeby-Udesen stepped down from the Board of Directors, and thus also the Audit and Compliance Committee, in late September 2011. Prior to that date, the Audit and Compliance Committee comprised three Board Members.

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

Credit Committee

The principal task of the Credit Committee is to decide on credit limits and loans in accordance with established credit instructions. 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, transparency of the loan portfolio, evaluation of assessment, decision and risk models, 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 comprises at least three Board Members, as well as SBAB Bank's CEO. The Chief Credit Officer, the head of the Corporate business area or another specially appointed officer acts as reporter.

Following the statutory Board meeting in 2011, the members of the Credit Committee are:

- Arne Liljedahl (Chairman)
- Jakob Grinbaum
- Helena Levander
- The CEO.

The Credit Committee held 18 meetings during the year.

ATTENDANCE

Members	Board meetings	Credit Committee	Finance Committee	Audit and Compliance Committee	Remuneration Committee
Arne Liljedahl, Chairman	11/11	12/18	3/7 [2]	–	8/8
Anna Christenson	9/11	–	–	–	–
Per Anders Fasth	7/7	–	–	4/4	–
Jakob Grinbaum	11/11	9/12 [2]	7/7	1/2 [2]	–
Hanna Lagercrantz	11/11	–	3/4 [3]	–	8/8
Helena Levander	11/11	12/18	–	–	–
Karin Moberg	11/11	–	–	6/6	–
Göran Thilén	10/11	–	–	–	–

1) Pertains only to the part of the year when the Member was elected to the Board in conjunction with the Annual General Meeting held in April 2011.

2) Pertains only to the part of the year when the Member commenced or concluded his/her assignment in the committee in question in conjunction with the statutory Board meeting in May 2011.

3) The Member attended an additional three Finance Committee meetings in 2011, but not as an elected committee member.

Finance Committee

The Finance Committee prepares matters pertaining to SBAB Bank's finance operations for Board decisions. The principal task of the Finance Committee is to take decisions in accordance with the finance directive adopted by the Board for credit risk limits for the finance operations. In addition, the Finance Committee is responsible for monitoring risks in the finance operations. Another duty of the Finance Committee is to prepare changes in the financial policy and finance directive for Board decisions.

The Finance Committee comprises at least two Board Members appointed by the Board of Directors, as well as SBAB Bank's CEO. The CFO or another specially appointed officer acts as reporter for the issue concerned, as do the CRO and/or the Head of Risk Department, when relevant.

Following the statutory Board meeting in 2011, the members of the Finance Committee are:

- Jakob Grinbaum (Chairman)
- Hanna Lagercrantz
- The CEO.

The Finance Committee held seven meetings during the year.

Remuneration Committee

The principal task of the Remuneration Committee is to prepare motions regarding principles for remuneration and other employment terms and conditions for senior executives for recommendation by the Board and resolution by the Annual General Meeting. The Remuneration Committee also prepares matters pertaining to SBAB Bank's remuneration system ahead of Board decisions. The Remuneration Committee monitors the remuneration structures and remuneration levels at SBAB Bank.

Following the statutory Board meeting in 2011, the members of the Remuneration Committee are:

- Arne Liljedahl (Chairman)
- Hanna Lagercrantz.

The Remuneration Committee held eight meetings during the year.

CEO and Executive Management

The Board has formulated instructions for the CEO's role and duties. The CEO is responsible for the ongoing 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 pages 94–95, provides the CEO with support in exercising operational management of SBAB Bank.

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 of the Annual Report.

Internal control and governance

Internal control

Internal control is important for ensuring that SBAB Bank's operations are conducted in accordance with prevailing regulations, as well as ensuring that SBAB Bank 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 Bank are assisted in this work by several functions. Key control functions in this regard are SBAB Bank's auditors and the compliance, risk and internal audit functions, which are described in further detail below.

Other functions, such as the Accounting Department, Credit Department and Legal Department, also provide support for the Board and the CEO with respect to maintaining sound internal control and governance. The heads of the various areas of responsibility are also expected to ensure that their operations are subject to sound internal control and governance.

Risk

SBAB Bank has a central Risk Department that analyses and controls the company's overall risks. The Risk Department performs its work on the basis of an established annual plan. The Risk Department reports continuously to the Board of Directors, the CEO and Executive Management concerning the company's total risks on the basis of available risk information. The Department's duties are to monitor and ensure, on an overall level, that SBAB Bank identifies, measures, governs and controls all risks.

Compliance

SBAB Bank has a centrally located Compliance Officer, whose role is to monitor, on an overall level, that SBAB Bank's operations are conducted in compliance with the laws and regulations governing financial operations that require permits. The Compliance Officer is also responsible for controlling and organising the structure required to ensure that the control and governance functions at SBAB Bank follow up their own instruction areas in accordance with a shared model. In addition to continuous reporting to SBAB Bank's Chief Legal Counsel, reporting occurs biannually to the Board, the CEO and Executive Management. Each year, an oral report is also made to SBAB Bank's Audit and Compliance Committee. As of 2012, the annual plan for the compliance function is established by SBAB Bank's Board of Directors, after preparation by the Audit and Compliance Committee. Prior to 2012, the plan was decided by the CEO.

Internal audit

SBAB Bank's internal audit unit is an internal independent examination function in accordance with the Swedish Financial Supervisory Authority's regulations (FFFS 2005:1, Chapter 6). Accordingly, the main function of the internal audit is to examine and evaluate the internal controls of companies in SBAB Bank. The internal audit's examination activities are performed in accordance with an audit plan that is prepared annually by the Audit and Compliance Committee and decided on by the Board. In connection with this, the Head of the Internal Audit presents both the proposed audit plan for the coming year and the overall risk assessment that forms the foundation for the plan to both the Audit and Compliance Committee and to the Board. At least twice annually, the Head of the Internal Audit makes a written and an oral report to the Audit and Compliance Committee and the Board. All reporting is conducted in accordance with a reporting and meeting plan.

Auditor

The owner is responsible for appointing the auditor. SBAB Bank'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. When the process is concluded, the motions for appointment of an auditor are published in accordance with the guidelines of the Code.

At the Annual General Meeting, the owner appoints the auditor or the accounting firm that is commissioned to audit SBAB Bank. The auditor must be an authorised public accountant or an authorised accounting firm with an auditor-in-charge. As of 2011, SBAB Bank's auditor is appointed annually in accordance with the Companies Act and the Articles of Association. The 2011 Annual General Meeting appointed Öhrlings PricewaterhouseCoopers AB as auditor. The auditor-in-charge is Catarina Ericsson. A more detailed presentation of the auditor and the fees and expenses paid to auditors is provided on page 95 and in Note 9, respectively, of the Annual Report.

The auditor examines the annual accounts, the consolidated financial statements and the accounting records, as well as the Board's and the Managing Director'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 Bank's interim reports and provides detailed accounts to the Audit and Compliance Committee at scheduled meetings of the committee, when the interim reports are adopted, and to the Board at least once annually.

Internal Control of Financial Reporting

Control environment

The basis for the internal control process with regard to financial reporting is the control environment, meaning the organisational structure and division of responsibilities, as well as the guidelines and steering documents described earlier. The process owner for financial reporting risk is responsible for analysing, controlling and evaluating SBAB Bank's financial reporting risk. In organisational terms, the process owner for financial risk reporting is included in the Credit and Risk Department.

Risk assessment and control activities

Business-support processes that provide data for the financial statements are evaluated and documented in the internal control process for financial reporting. The processes are charted and contain control activities in the form of descriptions of procedures, reasonability assessments, reconciliations, attestations and results analyses.

Each year, a risk assessment is performed in the form of a self-evaluation of all business-support processes that provide data for the financial statements. The self-evaluation is intended to identify and assess the principal risks that could lead to faults in the financial statements. The risks are identified, evaluated and documented at a process and department level, and in the places they occur in SBAB Bank's financial statements. The self-evaluation forms the starting point for improvement measures. Significant risks that are identified must be addressed and rectified.

When an event occurs that could generate faults in the financial statements, the operations must send incident reports to the process owner for financial reporting risk. The process owner is to report to the

Board, the Audit and Compliance Committee and the CEO annually concerning the Group's financial reporting risk on the basis of available risk information. This reporting is to be coordinated with the Group's other risks.

Information and communication

The SBAB Bank Group's process concerning the internal control of financial reporting and the relating control documents, in the form of instructions and directions, is available on SBAB Bank's intranet. The charted business-support processes that provide data for the financial statements are documented on SBAB Bank's intranet. The control documents must be updated and approved annually.

Follow-up

The Board receives monthly financial reports and the SBAB Bank Group's financial situation is addressed at each Board meeting. The Board's various committees also fulfil important functions in the Board's follow-up activities. The work of the committees is described under the heading "The Board's committees" on pages 87–89.

Board of Directors

Arne Liljedahl
Chairman

Bachelor of Business Administration and Economics
Born 1950
Year of election 2010
Other assignments: Chairman of the Board Carnegie Investment Bank, Board Member of Electroengine in Sweden AB, Board Member of Lindorff Group, Senior Advisor at Ernst & Young
Past experience: CFO/Executive Vice President and member of Group management at Nordea

Anna Christenson
Board Member, Employee Representative

Born 1970
Appointed in 2009 by the Financial Sector Union of Sweden

Per Anders Fasth
Board Member

Bachelor of Business Administration and Economics
Born 1960
Year of election 2011
Other assignments: Partner at Quartz+Co, Board Member of Blong AB
Past experience: CEO of European Resolution Capital, Senior Vice President of SEB, McKinsey & Company, Statoil AS

Jakob Grinbaum
Board Member

Bachelor of Arts
Born 1949
Year of election 2010
Other assignments: Deputy Chairman of the Fourth Swedish National Pension Fund, Board Member of the Östgötagården Foundation in Uppsala, Board Member of IK Sirius, Member of the Advisory Board of Genesta Property Nordic AB
Past experience: Executive Vice President, Group Treasury and Group Corporate Development at Nordea

Hanna Lagercrantz
Board Member

Bachelor of Business Administration and Economics, M.Sc., M.Phil.
Born 1970
Year of election 2010
Other assignments: Desk Officers at the Ministry of Finance, Board Member of LKAB, Board Member of the Swedish Space Corporation
Past experience: SEB Investor Relations, SEB Investment Management, Corporate Finance UBS Brunswick, UBS, S.G. Warburg

Helena Levander
Board Member

Bachelor of Business Administration and Economics
Born 1957
Year of election 2004
Other assignments: Partner and CEO of Nordic Investor Services AB, Board Member of Erik Penser Bankaktiebolag, Board Member of the Mistra research project "Sustainable Investments," Board Member of Stampen AB and Board Member of Uniflex AB
Past experience: CEO of Neonet Securities AB, CEO of Odin Fonder, Senior Fund Manager at Nordea Asset Management, SEB Asset Management

Karin Moberg
Board Member

Bachelor of Business Administration and Economics
Born 1963
Year of election 2009
Other assignments: Founder of FriendsOfAdam, Board Member Caretech AB, Board Member of Doro AB, Board Member of Intoi AB, Board Member of Qbrick AB, Board Member of the Seventh Swedish National Pension Fund
Past experience: CEO of Telia e-bolaget, Marketing Director and Acting Chief Communication Officer, Management Consultant at Karlöf & Partners, IDF Ltd and Ekonomitryck AB

Göran Thilén
Board member, Employee Representative

Born 1951
Appointed in 2010 by the Financial Sector Union of Sweden

Note: Lennart Francke and Lena Smeby-Udesen stepped down as Board members on 28 February and 28 September 2011, respectively, and are thus not included in the above table.

Executive Management and Auditor

At 22 mars 2012

Carl-Viggo Östlund
CEO

Bachelor of Business Administration and Economics
Born 1955
Year of employment 2012
Board assignments: Chairman of the Board SCBC, deputy Board Member of Peyron Rekrytering AB, Board member of Burgundy AB
Past experience: CEO of Nordnet Bank AB, CEO of SalusAnsvar AB, CEO of TNT Scandinavia and several positions within the Tetra Pak Group, including CEO of Tetra Pak Saudi Arabia, CEO of Tetra Pak Canada, CEO of Tetra Pak Brazil and CEO of Tetra Pak Turkey

Bo Andersson
Chief Information Officer

Master of Science
Born 1966
Year of employment 2004
Past experience: Project Manager at Sydkraft, Senior Project Manager at Honeywell, Chief Project Manager Officer – CPMO Icon Medialab

Fredrik Bergström
Head of the Retail Business Area

Bachelor of Business Administration and Economics
Born 1970
Year of employment 2007
Board assignments: Board Member of FriSpar, Board Member of SCBC
Past experience: Distribution Manager at If Private Business in Sweden and other positions at If Skadeförsäkring AB and Dial Försäkrings AB

Per O. Dahlstedt
Head of the Corporate Business Area

Bachelor of Business Administration and Economics
Born 1953
Year of employment 2005
Board assignments: Board Member of SCBC
Past experience: Senior Advisor Strategic and Operational Development at Askus Consulting, Business Area Manager and Regional Area Manager positions within SEB

Christine Ehnström
Chief Legal Counsel [1)]

Master of Laws
Born 1973
Year of employment 1999
Board assignments: Board Member of SCBC, Board Member of Maricon Marinconsult AB's pension fund, deputy Board Member of Maricon Marinconsult AB
Past experience: Legal Counsel Volvo Treasury AB (publ)

1) Acting CEO during the period from 21 December 2011 to 29 February 2012

Catharina Kandel
Human Resources Manager

Human Resources Manager
Bachelor of Arts in Personnel and Working Life Programme
Born 1965
Year of employment 2004
Past experience: HR positions at Försäkringsaktiebolaget Skandia, HR Manager at SkandiaBanken

Christer Löfdahl
CFO, Head of Accounting and Finance Department

Bachelor of Business Administration and Economics
Born 1959
Year of employment 2011
Managing Director of SCBC
Past experience: Various managerial positions at Volvo Group Finance Sweden AB and Volvo Group Finance Europe BV, CFO of Nordisk Renting AB, CEO of Max Matthiessen Liv och Finansmäklare AB, CEO and CFO at Catella AB

Marta Tiberg
Head of Communications

Bachelor of Business Administration and Economics
Born 1970
Year of employment 2011
Board assignments: Board Member of the Association of Swedish Advertisers
Past experience: Head of Communications at Posten Meddelande, Head of Advertisement at TeliaSonera, Marketing Director at Telia Internet Partner

Changes in Executive Management in 2011/2012

Eva Cederbalk stepped down as CEO and left SBAB Bank in December 2011. Carl-Viggo Östlund was appointed as the new CEO and assumed the position on 1 March 2012.

The following individuals left SBAB Bank during the year: Lena Hedlund, Head of Communications, Johanna Clason, Finance Director, and Johan Brodin, Chief Credit Officer.

During autumn 2011, Marta Tiberg was appointed as Head of Communications and Christer Löfdahl as CFO, Head of Accounting and Finance Department. Per Balazsi stepped down from his position as Head of Accounting and Controlling Department and assumed the position of CRO, which he later left in February 2012. The position of CRO is currently vacant and being filled by an Acting CRO.

Christer Löfdahl, CFO, terminated his employment at SBAB Bank on 5 March 2012, subject to a period of notice of six months.

Auditor

The 2011 Annual General Meeting resolved to elect the auditing firm Öhrlings PricewaterhouseCoopers AB as auditor for the period until the end of the 2012 Annual General Meeting. The auditing firm appointed Catarina Ericsson as auditor-in-charge.

Catarina Ericsson
Öhrlings PricewaterhouseCoopers AB

Auditor-in-charge at SBAB Bank since 2011
Born 1966
Other assignments: Alecta, Avanza, Praktikertjänst and Svolder

Auditor's Report on the Corporate Governance Report

To the Annual General Meeting of SBAB Bank AB (publ), Corporate Registration Number 556253-7513

The Board of Directors is responsible for the 2011 Corporate Governance Report on pages 84–95 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and, based on this reading and our knowledge of the company and the Group, we believe that we have a sufficient basis for our opinion. This entails that our statutory review of the Corporate Governance Report has another direction and is substantially more limited in scope than an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing practices in Sweden.

In our opinion, a Corporate Governance Report has been prepared and its statutory content is consistent with the other parts of the annual accounts and consolidated financial statements.

Stockholm, 22 March 2012
Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant

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