

Interim report

1 January – 31 March 2012

SBAB Bank AB (publ)

“ Strong growth in deposits, but financial items burdened results.

Carl-Viggo Östlund, CEO

The first quarter of 2012 compared with the fourth quarter of 2011

- Net interest income amounted to SEK 429 million (458).
- Net expense from financial instruments measured at fair value amounted to SEK 390 million (income: 190).
- Expenses totalled SEK 201 million (217).
- The net effect of loan losses was a positive SEK 6 million (neg: 28).
- SBAB Bank reported an operating loss of SEK 180 million (profit: 397).
- The net loss for the period was SEK 132 million (profit: 292).
- New lending amounted to SEK 8.2 billion (10.1) and deposits increased SEK 4.0 billion (1.7).
- The lending volume rose to SEK 254.3 billion (248.1).
- The deposit volume increased to SEK 12.8 billion (8.8).
- The core Tier 1 capital ratio amounted to 14.4 percent (15.0) without taking the transitional regulations into account and 6.3 percent (6.7) taking the transitional regulations into account.
- The capital adequacy ratio was 23.4 percent (23.9) without taking the transitional regulations into account and 10.2 percent (10.7) taking the transitional regulations into account.

Summary SBAB Bank Group ¹⁾	2012 Q1	2011 Q4	Change, %	2011 Q1	Change, %	2011 Jan–Dec
Income statement items						
Net interest income, SEK million	429	458	-6	405	6	1,618
Total operating income, SEK million	15	642	-98	5	200	1,179
Expenses, SEK million	-201	-217	-7	-156	29	-707
Loan losses, net, SEK million	6	-28	n.a.	-13	n.a.	-8
Operating profit, excl. net result of financial instruments, SEK million	210	207	1	208	1	813
Operating profit/loss, SEK million	-180	397	n.a.	-164	-10	464
Balance sheet items						
Lending ²⁾ , SEK billion	254.3	248.1	2	247.3	3	248.1
Deposits, SEK billion	12.8	8.8	45	5.9	117	8.8
Key data						
Loan loss rate, % ³⁾	0.01	-0.04		-0.02		-0.00
Return on equity, % ⁴⁾	-6.4	4.2		-6.1		4.2
Core Tier 1 capital ratio ⁵⁾	14.4	15.0		13.5		15.0

¹⁾ SBAB Bank Group, "SBAB Bank".

²⁾ Lending to the public (including corporate customers and tenant-owner associations), "lending".

³⁾ Loan losses calculated on a full-year basis in relation to lending to the public at the beginning of the year.

⁴⁾ Return on equity calculated on a full-year basis.

⁵⁾ Without taking the transitional regulations into account.

For balance sheet items, information concerning capital adequacy and market shares, all comparative figures in parentheses throughout the report refer to the figures at the preceding year-end. This is a translation of the Swedish interim report. The auditor has not signed the translation for approval.



SBAB Bank displayed a strong performance in the first quarter, with increases in net interest income and in earnings from underlying business operations compared with the corresponding period in 2011. This increase was mainly due to stronger demand, higher average volumes and improved earnings in the lending operations. However, the market value of financial instruments resulted in unrealised negative effects on operating profit, which, along with development costs, was the main reason for the loss we reported.

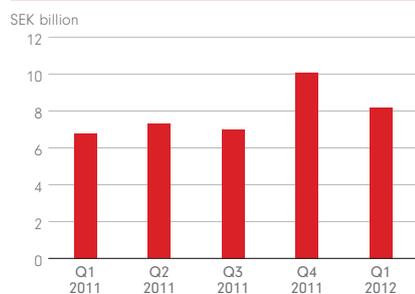


In January and February, the market for retail deposits rose SEK 6.5 billion, with SBAB Bank accounting for 29 percent of this increase. In March, SBAB Bank's retail deposits rose SEK 1.4 billion. These highly robust figures demonstrate that our strategy of offering straightforward and clear savings accounts and a competitive savings rate has been successful.

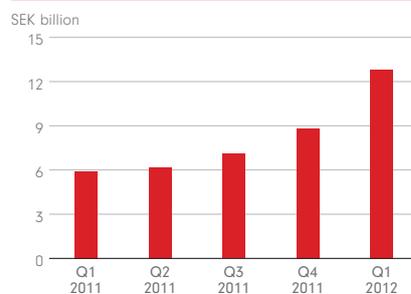
The recent discussions regarding the transparency of margins on mortgage rates are relevant. Funding costs for banks have increased sharply since the financial crisis in 2008 and, as a result, there no longer exists the same correlation between the repo rate and mortgage rates. Accordingly, we will now work to determine how we can contribute to increased transparency by presenting our pricing procedures for residential mortgages in a clear and straightforward manner.

Carl-Viggo Östlund
CEO

New lending



Deposit volume



PERFORMANCE IN THE FIRST QUARTER OF 2012 COMPARED WITH THE FOURTH QUARTER OF 2011

SBAB Bank reported an operating loss of SEK 180 million (profit: 397) for the quarter. Operating income amounted to SEK 15 million (642). The decrease was mainly due to a net expense from financial instruments measured at fair value. The net expense from financial instruments measured at fair value amounted to SEK 390 million (income: 190) and was mainly impacted by changes in the market value of basis swaps.

Net interest income totalled SEK 429 million (458). The decline in net interest income was primarily attributable to an increase in interest expense due to the continued pre-funding of the company's long-term funding requirements and weaker interest income from SBAB Bank's liquidity reserve.

Expenses for the first quarter amounted to SEK 201 million (217). The decrease derived mainly from lower marketing costs. Expenses continued to be charged with costs for the development of the banking operations, which was initiated during the first quarter of 2011.

SBAB Bank experienced favourable demand for residential mortgages during the first quarter of 2012 and new lending amounted to SEK 8.2 billion (10.1). Total lending increased to SEK 254.3 billion (248.1).

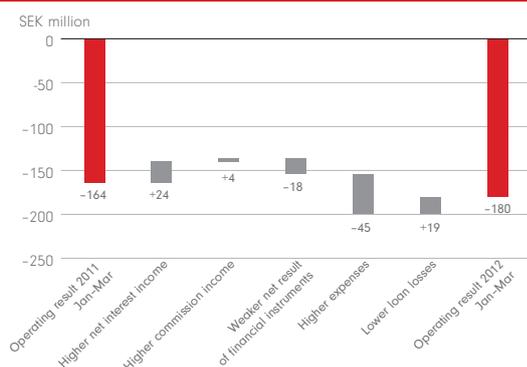
New lending to retail customers amounted to SEK 5.7 billion (6.3). The market share was 7.7 percent¹⁾ (7.7).

New lending to corporate customers and tenant-owner associations totalled SEK 2.5 billion (3.8). SBAB Bank's market share for lending to tenant-owner associations was 17.5 percent¹⁾ (17.5).

Deposits through SBAB Bank's savings accounts increased 45 percent to SEK 12.8 billion (8.8) at the end of the quarter.

The net effect of loan losses for the first quarter of 2012 was a positive SEK 6 million (neg: 28), mainly due to lower collective provisions. Confirmed loan losses remained low.

Change in operating result between the first quarter of 2011 and the first quarter of 2012



PERFORMANCE IN THE FIRST QUARTER OF 2012 COMPARED WITH THE FIRST QUARTER OF 2011

Operating results

SBAB Bank reported an operating loss of SEK 180 million (loss: 164) for the first quarter of 2012. The negative result was mainly due to the net result of financial instruments measured at fair value and higher expenses. Loan losses remained low.

Net interest income and commission expense

SBAB Bank's net interest income for the first quarter of 2012 amounted to SEK 429 million (405).

Net interest income was affected positively by a higher average volume and improved earnings in the lending operations. To reduce the liquidity risk, SBAB Bank pre-funded a substantial share of the long-term funding requirement for 2012 during the first quarter, while the average maturity was extended. The pre-funding 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 also reported lower interest income from securities in the liquidity reserve during the first quarter.

SBAB reported net commission expense of SEK 24 million (expense: 28), which was charged with a fee of SEK 29 million (27) for the Government stability fund.

Net expense from financial instruments measured at fair value²⁾

Net expense from financial instruments measured at fair value amounted to SEK 390 million (expense: 372) for the first quarter of 2012.

SBAB Bank's strategy is to diversify its funding in respect of currencies and capital markets. The company

¹⁾ Current market share is based on market data from February 2012. (Source: Swedish Bankers' Association)

²⁾ 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.

An accounting effect also arises in SBAB Bank's securities holding since the accounting policies that SBAB Bank applies entail that securities assets are measured at fair value (market value), while large portions of SBAB Bank's liabilities are measured at amortised cost. Also in the case of securities assets, the market value will be recovered during the remaining maturity if the asset is held to maturity. The majority of SBAB Bank's securities are held to maturity.

hedged all funding in foreign currency. As a result of this hedging and the extended maturities of its funding, the company is sensitive to fluctuations in the basis swap market. Narrowing market spreads resulted in the unrealised result from these basis swaps being negative, which is the main reason for the negative development of this item during the first quarter.

Expenses

SBAB Bank's expenses amounted to SEK 201 million (156), of which personnel costs accounted for SEK 88 million (83), marketing costs for SEK 17 million (10) and depreciation and amortisation for SEK 7 million (7). Other expenses also increased due to the higher number of employees in the customer service operations and the development of the banking operation.

Loan losses

Loan losses remained low. The net effect of loan losses for the first quarter of the year was a positive SEK 6 million (neg: 13).

Lending

New lending for the first quarter of 2012 amounted to SEK 8.2 billion (6.8) and total lending increased to SEK 254.3 billion (248.1). SBAB Bank's total market share was 9.0 percent³⁾ (9.1).

Lending to retail customers increased to SEK 156.8 billion (151.1). New lending to retail customers amounted to SEK 5.7 billion (4.2). The market share for lending to retail customers was 7.7 percent³⁾ (7.7).

Lending to corporate customers and tenant-owner associations rose to SEK 97.5 billion (97.0). New lending to this category totalled SEK 2.5 billion (2.6). The market share for lending to tenant-owner associations was 17.5 percent³⁾ (17.5).

Deposits

SBAB Bank's deposit accounts, which are characterised by competitive interest rates and straightforward product terms and conditions, continued to attract new customers. The number of deposit customers and opened savings accounts continued to increase. SBAB Bank's deposit volume rose to SEK 12.8 billion (8.8). The sharp increase was attributable to a favourable interest rate and targeted marketing activities.

³⁾ Current market share is based on market data from February 2012. (Source: Swedish Bankers' Association)

Rating	31 Mar 2012	31 Mar 2011	31 Dec 2011
SBAB Bank AB (publ)			
<i>Long-term funding</i>			
-Standard & Poor's	A+	A+	A+
-Moody's	A2	A1	A2
<i>Short-term funding</i>			
-Standard & Poor's	A-1	A-1	A-1
-Moody's	P-1	P-1	P-1
SCBC			
<i>Long-term funding</i>			
-Standard & Poor's	AAA	AAA	AAA
-Moody's	Aaa	Aaa	Aaa

Funding

To limit SBAB Bank's liquidity and financing risk, the maturity of the bank's funding was extended during the first quarter of 2012 through the issuance of covered bonds with longer maturities and by limiting the proportion of short-term debt.

The total value of debt securities in issue declined SEK 3.5 billion during the first quarter to SEK 273.2 billion (276.7).

SBAB Bank repaid and terminated its participation in the Government-guaranteed programme (SEK 11.1 billion) during the first quarter.

Funding through the issuance of covered bonds takes place in SBAB Bank's wholly owned subsidiary The Swedish Covered Bond Corporation (SCBC). Outstanding covered debt totalled SEK 157.2 billion (160.7).

Under the framework of SBAB Bank's EMTN Programme, a private placement targeted to the retail market in Japan (Uridashi bond) was issued during the first quarter. The bond consisted of three tranches in three different currencies.

SBAB Bank's long and short-term ratings remained unchanged during the quarter.

Capital adequacy

SBAB Bank primarily recognises credit risk pursuant to the internal ratings-based approach (IRB approach) and operational and market risk in accordance with the standardised approach.

Taking the transitional regulations into account, SBAB Bank's capital adequacy ratio and Tier 1 capital ratio under Pillar 1 amounted to 10.2 percent (10.7) and 8.5 percent (8.9), respectively, at 31 March 2012. The core Tier 1 capital ratio was 6.3 percent (6.7) and the internally calculated capital requirement amounted to SEK 8,725 million (8,883). Profit/loss for the period is included in the calculation of the capital ratios above. For information concerning capital ratios without taking the transitional regulations into account, refer to the table on page 11.

Liquidity reserve, SEK million	31 Mar 2012	Distribution by currency			
		SEK	EUR	USD	Other
Securities issued or guaranteed by governments, central banks or multinational development banks	8,193	1,968	5,599	340	286
Securities issued or guaranteed by municipalities or non-governmental public sector entities	3,332	3,062	-	270	-
Covered bonds	23,334	13,085	9,415	216	618
Securities issued by financial companies (excl. covered bonds)	8,019	-	6,901	596	522
Total assets	42,878	18,115	21,915	1,422	1,426
Bank and loan facilities	1,488	-	-	1,488	-
Total liquidity reserve	44,366	18,115	21,915	2,910	1,426
Distribution by currency		41%	49%	7%	3%

The assets in SBAB Bank's liquidity reserve primarily comprise liquid, interest-bearing securities with a high rating and are 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.

Liquidity

At 31 March 2012, the assets in the liquidity reserve amounted to SEK 42.9 billion (48.9), corresponding to 117 days (82) MCO⁴⁾. Taking the Riksbank's haircuts into account, the value of the assets was SEK 40.8 billion (n.a.).

SBAB Bank has decided to reduce and streamline its credit operations for corporate customers to enable a future sale of this part of the business.

EVENTS AFTER THE BALANCE-SHEET DATE

The Annual General Meeting on 19 April elected Ebba Lindsö and Christer Åberg as new Members of SBAB Bank's Board of Directors.

On 24 April 2012, SBAB Bank was authorized by the Swedish Financial Supervisory Authority to conduct securities operations in the form of a permit to receive and forward orders in fund units.

Stockholm, 26 April 2012



Carl-Viggo Östlund
CEO

⁴⁾ Measurement of liquidity risk

SBAB Bank 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.

In the first quarter of 2012, the definition of "liquidity reserve" used for MCO calculations was revised. In the past, only assets in the liquidity portfolio were included in the liquidity reserve. Following this revision, the liquidity reserve also includes the surplus liquidity that arises outside the liquidity portfolio, provided that the surplus liquidity meets the other requirements to be defined as a liquidity reserve.

Financial calendar

Interim report January-June	20 July
Interim report January-September	30 October

Income Statement

Group SEK million	2012 Q1	2011 Q4	2011 Q1	2012 Jan-Mar	2011 Jan-Mar	2011 Jan-Dec
Interest income	3,383	2,897	2,196	3,383	2,196	10,449
Interest expense	-2,954	-2,439	-1,791	-2,954	-1,791	-8,831
Net interest income	429	458	405	429	405	1,618
Commission income	13	20	12	13	12	60
Commission expense	-37	-26	-40	-37	-40	-150
Net income/expense from financial instruments measured at fair value (Note 3)	-390	190	-372	-390	-372	-349
Other operating income	-	-	0	-	0	0
Total operating income	15	642	5	15	5	1,179
Personnel costs	-88	-84	-83	-88	-83	-323
Other expenses	-106	-126	-66	-106	-66	-357
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-7	-7	-7	-7	-7	-27
Total expenses before loan losses	-201	-217	-156	-201	-156	-707
Profit/loss before loan losses	-186	425	-151	-186	-151	472
Loan losses, net (Note 4)	6	-28	-13	6	-13	-8
Operating profit/loss	-180	397	-164	-180	-164	464
Tax	48	-105	43	48	43	-123
Profit/loss for the period	-132	292	-121	-132	-121	341

Statement of Comprehensive Income

Group SEK million	2012 Q1	2011 Q4	2011 Q1	2012 Jan-Mar	2011 Jan-Mar	2011 Jan-Dec
Profit/loss for the period	-132	292	-121	-132	-121	341
OTHER COMPREHENSIVE INCOME						
Change in reclassified financial assets, after tax	4	7	8	4	8	28
Change in instruments used in cash flow hedging, after tax	-	1	0	-	0	1
Other comprehensive income, net after tax	4	8	8	4	8	29
Total comprehensive income for the period	-128	300	-113	-128	-113	370

Income Statement, Quarterly

Group SEK million	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1
Interest income	3,383	2,897	2,766	2,590	2,196
Interest expense	-2,954	-2,439	-2,388	-2,213	-1,791
Net interest income	429	458	378	377	405
Commission income	13	20	12	16	12
Commission expense	-37	-26	-44	-40	-40
Net income/expense from financial instruments measured at fair value	-390	190	5	-172	-372
Other operating income	-	-	0	0	0
Total operating income	15	642	351	181	5
Personnel costs	-88	-84	-72	-84	-83
Other expenses	-106	-126	-76	-89	-66
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-7	-7	-7	-6	-7
Total expenses before loan losses	-201	-217	-155	-179	-156
Profit/loss before loan losses	-186	425	196	2	-151
Loan losses, net	6	-28	1	32	-13
Operating profit/loss	-180	397	197	34	-164
Tax	48	-105	-52	-9	43
Profit/loss for the period	-132	292	145	25	-121

Balance Sheet

Group
SEK million

	31 Mar 2012	31 Mar 2011	31 Dec 2011
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills and other eligible bills	1,381	2,516	2,118
Lending to credit institutions	25,694	21,337	23,454
Lending to the public (Note 5)	254,283	247,322	248,150
Change in value of interest-rate-hedged items in portfolio hedges	768	-418	1,557
Bonds and other interest-bearing securities	41,176	39,228	45,387
Derivative instruments (Note 6)	13,025	10,856	17,496
Deferred tax assets	255	36	-
Intangible fixed assets	64	32	38
Property, plant and equipment	32	29	30
Other assets	1,688	2,000	319
Prepaid expenses and accrued income	1,202	995	1,201
TOTAL ASSETS	339,568	323,933	339,750
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	22,231	16,678	21,233
Deposits from the public	12,811	5,865	8,769
Debt securities in issue	273,163	269,930	276,678
Derivative instruments (Note 6)	11,685	13,191	14,060
Other liabilities	581	304	161
Accrued expenses and prepaid income	4,682	4,602	4,067
Provisions	92	94	165
Subordinated debt	6,067	5,368	6,233
Total liabilities	331,312	316,032	331,366
Equity			
Share capital	1,958	1,958	1,958
Other reserves	-47	-72	-51
Retained earnings	6,477	6,136	6,136
Profit/loss for the period	-132	-121	341
Total equity	8,256	7,901	8,384
TOTAL LIABILITIES AND EQUITY	339,568	323,933	339,750

Statement of Changes in Equity

Group SEK million	Share capital	Other reserves	Retained earnings	Profit/loss for the period	Total equity
Opening balance, 1 January 2012	1,958	-51	6,477		8,384
Total comprehensive income for the period		4		-132	-128
Closing balance, 31 March 2012	1,958	-47	6,477	-132	8,256
Opening balance, 1 January 2011	1,958	-80	6,136		8,014
Total comprehensive income for the period		8		-121	-113
Closing balance, 31 March 2011	1,958	-72	6,136	-121	7,901
Opening balance, 1 January 2011	1,958	-80	6,136		8,014
Total comprehensive income for the period		29		341	370
Closing balance, 31 December 2011	1,958	-51	6,136	341	8,384

Cash Flow Statement

Group SEK million	2012 Jan-Mar	2011 Jan-Mar	2011 Jan-Dec
Cash and cash equivalents at the beginning of the period	18,939	8,959	8,959
Cash flow from operating activities	6,012	7,694	9,513
Cash flow from investing activities	-35	-6	-34
Cash flow from funding activities	-	-	501
Increase in cash and cash equivalents	5,977	7,688	9,980
Cash and cash equivalents at the end of the period	24,916	16,647	18,939

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

Capital Base

Group SEK million	31 Mar 2012	31 Mar 2011	31 Dec 2011
Core Tier 1 capital			
Equity	8,256	7,901	8,384
Proposed dividend from FriSpar Bolån AB	-33	-26	-
Unrealised change in value of loans and receivables previously classified as available-for-sale assets	47	72	51
Change in value attributable to derivative instruments included in cash flow hedges	-	0	-
Minority interest	706	590	706
Intangible fixed assets	-64	-32	-38
Deferred tax assets	-255	-36	-
Net provisions for IRB exposures	-135	-91	-128
Core Tier 1 capital	8,522	8,378	8,975
Tier 1 capital contribution			
Tier 1 capital contribution without redemption incentives*	2,000	2,000	2,000
Tier 1 capital contribution with redemption incentives*	994	994	994
Tier 1 capital	11,516	11,372	11,969
Tier 2 capital			
Perpetual subordinated debentures (Upper Tier 2)	-	-	-
Time-limited subordinated debentures (Lower Tier 2)	2,484	2,108	2,456
Net provisions for IRB exposures	-135	-91	-129
Tier 2 capital	2,349	2,017	2,327
Expanded part of capital base	-	-	-
Deduction from entire capital base	-	-	-
Amount for capital base net after deductible items and limit value	13,865	13,389	14,296

*Encompassed by the transitional regulations to FFFS 2007:1

Capital Requirement

Group SEK million	31 Mar 2012	31 Mar 2011	31 Dec 2011
Credit risk recognised in accordance with IRB approach			
Exposures to corporates	2,467	2,323	2,491
Retail exposures	899	880	894
Positions in securitisation	221	-	229
Total exposures in accordance with IRB approach	3,587	3,203	3,614
Credit risk recognised in accordance with standardised approach			
Exposures to governments and central banks	0	0	0
Exposures to municipalities and comparable associations	0	0	0
Exposures to institutions	548	215	514
Exposures to corporates	126	1,031	142
Retail exposures	55	26	48
Past-due items	0	1	1
Other items	9	8	8
Total exposures in accordance with standardised approach	738	1,281	713
Risks in the trading book	197	259	239
Operational risk	211	217	217
Currency risk	-	-	-
Commodity risk	-	-	-
Total minimum capital requirement	4,733	4,960	4,783
Addition according to transitional regulations	6,107	5,646	5,930
Total capital requirement according to transitional regulations	10,840	10,606	10,713

Capital Adequacy

Group SEK million	31 Mar 2012	31 Mar 2011	31 Dec 2011
Core Tier 1 capital	8,522	8,378	8,975
Tier 1 capital	11,516	11,372	11,969
Total capital	13,865	13,389	14,296
Without transitional regulations			
Risk-weighted assets	59,165	62,000	59,786
Core Tier 1 capital ratio	14.4%	13.5%	15.0%
Tier 1 capital ratio	19.5%	18.3%	20.0%
Capital adequacy ratio	23.4%	21.6%	23.9%
Capital quotient	2.93	2.70	2.99
With transitional regulations			
Risk-weighted assets	135,501	132,576	133,917
Core Tier 1 capital ratio	6.3%	6.3%	6.7%
Tier 1 capital ratio	8.5%	8.6%	8.9%
Capital adequacy ratio	10.2%	10.1%	10.7%
Capital quotient	1.28	1.26	1.33

Notes

Note 1 Accounting policies

The SBAB Bank Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. It also complies with the Swedish Financial Supervisory Authority's 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. The Group's interim report fulfils the requirements stipulated under IAS 34, Interim Financial Reporting.

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

The accounting policies and methods of calculation remain unchanged compared with the 2011 Annual Report.

Note 2 Risks and uncertainties

Although the deteriorating European macroeconomic situation affected SBAB Bank's earnings, it had no significant impact on the company's financial position. The introduction of the ECB's three-year repo facility had a positive effect on market functionality in the capital markets. However, future macroeconomic development remains uncertain.

The way the economy develops in Sweden is the primary risk factor for SBAB Bank's future earnings capacity and the quality of its assets since the operation is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails exposure to price risks.

For further information on SBAB Bank's risks and risk management, refer to the 2011 Annual Report.

Note 3 Net income/expense from financial instruments measured at fair value

Group SEK million	2012 Q1	2011 Q4	2011 Q1	2012 Jan-Mar	2011 Jan-Mar	2011 Jan-Dec
Gains/losses on interest-bearing financial instruments						
- Securities measured at fair value through profit or loss	180	145	-284	180	-284	920
- Change in value of hedged items in hedge accounting	104	-550	1,170	104	1,170	-3,285
- Realised expense from financial liabilities	-79	-67	-42	-79	-42	-116
- Derivative instruments	-591	646	-1,228	-591	-1,228	2,070
- Loan receivables	19	22	12	19	12	72
Currency translation effects	-23	-6	-0	-23	-0	-10
Total	-390	190	-372	-390	-372	-349

Changes in the market value of basis swaps are attributable to "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 4 Loan losses, net

Group SEK million	2012 Q1	2011 Q4	2011 Q1	2012 Jan-Mar	2011 Jan-Mar	2011 Jan-Dec
CORPORATE MARKET						
INDIVIDUAL PROVISION FOR CORPORATE MARKET LOANS						
Write-off of confirmed loan losses for the period	-	-16	-1	-	-1	-17
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	-	17	1	-	1	20
Provision for probable loan losses for the period	-0	-0	-0	-0	-0	-0
Recoveries in respect of confirmed loan losses in prior years	-	-	0	-	0	0
Reversal of prior year provisions for probable loan losses no longer required	2	0	5	2	5	5
Guarantees	-0	-0	-0	-0	-0	-0
Net income for the period for individual provisions for corporate market loans	2	1	5	2	5	8
COLLECTIVE PROVISION FOR CORPORATE MARKET LOANS						
Allocation to/redemption of collective provisions	-2	-8	8	-2	8	7
Guarantees	1	9	-1	1	-1	8
Net income/cost for the period for collective provisions for corporate market loans	-1	1	7	-1	7	15
RETAIL MARKET						
INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS						
Write-off of confirmed loan losses for the period	-1	-1	-	-1	-	-4
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	1	1	-	1	-	5
Provision for probable loan losses for the period	-1	-3	-1	-1	-1	-8
Reversal of prior year provisions for probable loan losses no longer required	0	-	0	0	0	-
Guarantees	-	-	-	-	-	-
Net cost for the period for individual provisions for retail market loans	-1	-3	-1	-1	-1	-7
COLLECTIVE PROVISION FOR RETAIL MARKET LOANS						
Write-off of confirmed loan losses for the period	-6	-7	-2	-6	-2	-13
Recoveries in respect of confirmed loan losses in prior years	0	1	0	0	0	6
Allocation to/redemption of collective provisions	13	-26	-25	13	-25	-24
Guarantees	-1	5	3	-1	3	7
Net income/cost for the period for collective provisions for retail market loans	6	-27	-24	6	-24	-24
NET INCOME/COST FOR THE PERIOD FOR LOAN LOSSES	6	-28	-13	6	-13	-8

Both the write-off of confirmed loan losses for the period and reversal of prior year write-offs as specified above relate to receivables from the public.

Note 5 Lending to the public

Group SEK million	31 Mar 2012		31 Mar 2011		31 Dec 2011	
	Lending	Provision	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	97,983	-159	92,469	-159	94,530	-162
Tenant-owner rights	58,551	-115	55,766	-121	56,454	-118
Tenant-owner associations	53,799	-29	54,904	-47	53,338	-29
Private multi-family dwellings	29,432	-36	28,638	-37	29,079	-36
Municipal multi-family dwellings	5,926	-	7,156	-	6,120	-
Commercial properties	8,441	-	8,604	-	8,548	-
Other	493	-3	150	-1	430	-4
Provision for probable loan losses	-342	-	-365	-	-349	-
Total	254,283	-342	247,322	-365	248,150	-349

Doubtful and non-performing loan receivables	31 Mar 2012		31 Mar 2011		31 Dec 2011	
a) Doubtful loan receivables		77		99		81
b) Non-performing loan receivables* included in doubtful loan receivables		17		17		17
c) Non-performing loan receivables* not included in doubtful loan receivables		347		187		424
d) Individual provisions for loan receivables		48		68		50
e) Collective provisions for corporate market loans		33		31		31
f) Collective provisions for retail market loans		261		266		268
g) Total provisions (d+e+f)		342		365		349
h) Doubtful loan receivables after individual provisions (a-d)		29		31		31
i) Provision ratio for individual provisions (d/a)		62%		69%		62%

* Where payment notices (one or more) are more than 60 days past due

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

Loan portfolio SEK million	31 Mar 2012		31 Mar 2011		31 Dec 2011	
	SBAB Bank**	SBAB Bank incl. all of FriSpar	SBAB Bank**	SBAB Bank incl. all of FriSpar	SBAB Bank**	SBAB Bank incl. all of FriSpar
Retail lending	156,750	157,538	148,104	152,769	151,130	155,631
- new lending	5,700	6,419	4,214	4,983	21,142	24,433
Corporate lending (incl. tenant-owner associations)	97,533	97,575	99,218	99,276	97,020	97,066
- new lending	2,526	2,526	2,596	2,596	9,965	9,965
Total	254,283	255,113	247,322	252,045	248,150	252,697
- new lending	8,226	8,945	6,810	7,579	31,107	34,398

** In the SBAB Bank Group, 51 percent of the partly owned FriSpar Bolån AB (a partnership with Sparbanken Öresund AB (publ) and Sparbanken Syd) is consolidated in accordance with the proportional method.

Note 6 Derivative instruments

Group 31 Mar 2012, SEK million	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	8,344	6,054	428,372
Currency related	4,681	5,631	147,029
Total	13,025	11,685	575,401

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

Note 7 Operating segments

Risk-adjusted income statement

Group SEK million	Jan-Mar 2012				Jan-Mar 2011			
	Retail	Corporate	Other	Total	Retail	Corporate	Other	Total
Risk-adjusted income	315	77	-	392	291	80	-	371
Net income/expense from financial instruments measured at fair value	-	-	-390	-390	-	-	-372	-372
Risk-adjusted expense	-183	-37	-	-220	-142	-32	-	-174
Tax	-34	-11	45	0	-39	-13	98	46
Risk-adjusted profit/loss after tax	98	29	-345	-218	110	35	-274	-129
RAROC*, after tax	11.1%	8.6%			12.0%	9.3%		

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

Following a reorganisation of SBAB Bank, the former Finance segment is no longer a separate business area as of 1 January 2012. Accordingly, the comparative period for the two segments, Corporate and Retail, has been recalculated. The item "Net income/expense from financial instruments measured at fair value" is not allocated between the Retail and Corporate segments.

Operating-segment disclosures are risk adjusted. In the risk-adjusted follow-up of profit and loss, recognised equity is replaced by "Economic capital." "Economic capital" comprises the capital that SBAB Bank regards as being required to cover unexpected losses during the coming year. At 31 March 2012, "Economic capital" was lower than recognised equity, thus making the return on equity in the risk-adjusted income statement lower. Recognised loan losses were replaced by "Expected losses" in risk-adjusted expense. For further information on "Expected losses" and "Economic capital," refer to page 49 of the 2011 Annual Report.

Reconciliation

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

Group SEK million	2012 Jan-Mar	2011 Jan-Mar
Risk-adjusted income	392	371
Adjustment to return on recognised equity	13	6
Net expense from financial instruments measured at fair value	-390	-372
Total net interest income and other operating income	15	5
Risk-adjusted expense	-220	-174
Adjustment to recognised loan losses	25	5
Expenses and loan losses	-195	-169
Risk-adjusted loss before tax	-218	-175
Tax for the period according to risk-adjusted income statement	0	46
Risk-adjusted loss after tax	-218	-129
Risk-adjusted items		
Adjustment to return on recognised equity	13	6
Adjustment to recognised loan losses	25	5
Reversal of tax according to risk-adjusted income statement	-0	-46
Operating loss	-180	-164
Recognised tax	48	43
Loss for the period after tax	-132	-121

Note 8 Reclassified assets

As of 1 July 2008, the fair value of the reclassified portfolio amounted to SEK 21.7 billion. The average effective rate of interest used in the reclassification was 6.3 percent. 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 March 2012, the fair value of the assets would have amounted to SEK 7.9 billion had the assets continued to be recognised as "Available-for-sale financial assets." The carrying amount at 31 March 2012 was SEK 8.6 billion. At the same date, the fair value reserve attributable to the reclassified assets would have amounted to a negative SEK 0.5 billion, net after tax, had the assets continued to be recognised as "Available-for-sale financial assets." The reserve amounted to a negative SEK 47 million, net after tax, at 31 March 2012. After the reclassification date, SEK 198 million of the reserve before tax was reversed and exchange rate fluctuations had a negative impact of SEK 15 million before tax on the value of the reserve.

Income Statement

Parent Company SEK million	2012 Q1	2011 Q4	2011 Q1	2012 Jan-Mar	2011 Jan-Mar	2011 Jan-Dec
Interest income	1,047	1,099	764	1,047	764	3,864
Interest expense	-1,142	-1,088	-818	-1,142	-818	-3,956
Net interest income	-95	11	-54	-95	-54	-92
Dividends received	-	-	-	-	-	13
Group contributions received	-	510	-	-	-	510
Commission income	31	40	27	31	27	126
Commission expense	-18	-12	-20	-18	-20	-69
Net income/expense from financial transactions	117	-149	-43	117	-43	-206
Other operating income	130	197	108	130	108	521
Total operating income	165	597	18	165	18	803
Personnel costs	-92	-85	-83	-92	-83	-325
Other expenses	-131	-135	-68	-131	-68	-370
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-3	-4	-3	-3	-3	-13
Total expenses before loan losses	-226	-224	-154	-226	-154	-708
Profit/loss before loan losses	-61	373	-136	-61	-136	95
Loan losses, net	-1	-18	16	-1	16	3
Operating profit/loss	-62	355	-120	-62	-120	98
Tax	17	-93	32	17	32	-23
Profit/loss for the period	-45	262	-88	-45	-88	75

Statement of Comprehensive Income

Parent Company SEK million	2012 Q1	2011 Q4	2011 Q1	2012 Jan-Mar	2011 Jan-Mar	2011 Jan-Dec
Profit/loss for the period	-45	262	-88	-45	-88	75
OTHER COMPREHENSIVE INCOME						
Change in reclassified financial assets, after tax	4	7	8	4	8	28
Change in instruments used in cash flow hedging, after tax	-	1	0	-	0	1
Other comprehensive income, net after tax	4	8	8	4	8	29
Total comprehensive income for the period	-41	270	-80	-41	-80	104

Parent Company's performance in the first quarter of 2012 compared with the first quarter of 2011

The Parent Company reported an operating loss of SEK 62 million (loss: 120) for the first quarter of 2012. The operating loss was impacted by a decline in net interest items to an expense of SEK 95 million (expense: 54) and increased expenses. Other income improved, mainly as a result of higher income from services performed for the subsidiary SCBC.

Net income from financial transactions for the first quarter amounted to SEK 117 million (expense: 43). Net income for the quarter was primarily impacted by negative changes in the market value of basis swaps and positive interest-rate differentials between mortgage bonds and associated interest-rate swaps.

Expenses of SEK 226 million (154) were higher than

in the year-earlier period due to the continued development of the banking operations. Expenses attributable to marketing activities and employees in the customer service operations also increased year-on-year. The net effect of loan losses was a negative SEK 1 million (pos: 16). Confirmed loan losses for the first quarter of SEK 6 million were offset by reversals of provisions.

Lending to the public amounted to SEK 43.6 billion (32.9). The increase was mainly due to loans being transferred from FriSpar.

The Parent Company has favourable capital adequacy. Taking the transitional regulations into account, the core Tier 1 capital ratio was 22.2 percent (26.6) and the capital adequacy ratio was 38.6 percent (45.9).

Balance Sheet

Parent Company SEK million	31 Mar 2012	31 Mar 2011	31 Dec 2011
ASSETS			
Cash and balances at central banks	0	0	0
Chargeable treasury bills and other eligible bills	1,381	2,516	2,118
Lending to credit institutions (Note 9)	52,645	55,722	56,412
Lending to the public	43,572	33,281	32,940
Change in value of interest-rate-hedged items in portfolio hedges	-	-12	-8
Bonds and other interest-bearing securities	41,176	39,228	45,387
Derivative instruments	9,936	8,948	13,813
Shares and participations in joint ventures	733	612	733
Shares and participations in Group companies	9,600	9,600	9,600
Deferred tax assets	45	-	-
Intangible fixed assets	8	5	6
Property, plant and equipment	32	29	30
Other assets	2,180	1,629	718
Prepaid expenses and accrued income	900	708	899
TOTAL ASSETS	162,208	152,266	162,648
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	6,925	6,909	9,688
Deposits from the public	12,811	5,865	8,769
Debt securities in issue	116,700	116,076	116,753
Derivative instruments	10,169	9,155	12,109
Other liabilities	691	280	120
Accrued expenses and prepaid income	1,061	797	903
Provisions	-	175	248
Subordinated debt	6,067	5,368	6,233
Total liabilities	154,424	144,625	154,823
Equity			
Share capital	1,958	1,958	1,958
Legal reserve	392	392	392
Fair value reserve	-47	-72	-51
Retained earnings	5,526	5,451	5,451
Profit/loss for the year	-45	-88	75
Total equity	7,784	7,641	7,825
TOTAL LIABILITIES AND EQUITY	162,208	152,266	162,648

Capital Adequacy

Parent Company SEK million	31 Mar 2012	31 Mar 2011	31 Dec 2011
Core Tier 1 capital	7,341	7,585	7,432
Tier 1 capital	10,335	10,579	10,426
Total capital	12,759	12,665	12,819
Without transitional regulations			
Risk-weighted assets	25,543	27,654	25,159
Core Tier 1 capital ratio	28.7%	27.4%	29.5%
Tier 1 capital ratio	40.5%	38.3%	41.4%
Capital adequacy ratio	50.0%	45.8%	51.0%
Capital quotient	6.24	5.72	6.37
With transitional regulations			
Risk-weighted assets	33,034	28,752	27,948
Core Tier 1 capital ratio	22.2%	26.4%	26.6%
Tier 1 capital ratio	31.3%	36.8%	37.3%
Capital adequacy ratio	38.6%	44.0%	45.9%
Capital quotient	4.83	5.51	5.73

Note 9 Lending to credit institutions

Of the Parent Company's lending to credit institutions, SEK 39,491 million (36,300) relates to a receivable from the wholly owned subsidiary The Swedish Covered Bond Corporation (SCBC). This receivable is subordinated in the event of bankruptcy or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid.

Review report

The auditors' review report on the condensed interim financial information (interim report) was prepared in accordance IAS 34 and Chapter 9 of the Annual Accounts Act for Credit Institutions and Securities Companies

Introduction

We have reviewed the report of SBAB Bank AB (publ), Corp. Reg. No. 556253-7513, for the period 1 January 2012 - 31 March 2012. The Board of Directors and the CEO are responsible for preparing and presenting this interim financial information in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express an opinion on this interim financial information, based on our review.

The direction and extent of the review

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

A review has another direction and is substantially more limited in scope than an audit conducted in accordance with ISA and generally accepted auditing practices otherwise. The measures undertaken in a review do not permit us to be certain that we have become aware of all significant matters that might have been identified in an audit. The expressed opinion based on a review thus lacks the degree of certainty that an opinion expressed as a result of an audit has.

Opinion

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

Stockholm, 26 April 2012
Öhrlings PricewaterhouseCoopers

Catarina Ericsson
Authorised Public Accountant

SBAB BANK

SBAB Bank AB (publ)