



## Year-end report

1 January – 31 December 2011

SBAB Bank AB (publ)

**SBAB BANK**



SBAB Bank's lending operations displayed stable development in 2011 and loan losses remained low. Deposits increased to SEK 8.8 billion at year-end. The business operations and earnings developed positively in the fourth quarter.

Despite the turbulence in the financial markets, SBAB Bank was well funded during the year and maintained favourable liquidity. The efforts to diversify its funding continued in 2011. To reduce the bank's liquidity risk, we also took an even more proactive approach to the pre-funding of maturing funding. This strengthened SBAB Bank's liquidity and decreased its financing risk.

Operating profit declined compared with 2010, mainly due to the bank's pre-funding and development costs for a broader product offering.

Christine Ehnström, Acting CEO

## January–December 2011

- Net interest income amounted to SEK 1,618 million (1,762).
- Expenses totalled SEK 707 million (604), an increase primarily attributable to the focus on banking services.
- Loan losses remained low and amounted to SEK 8 million (losses: 40).
- Operating profit totalled SEK 464 million (785).
- Operating profit excluding the net result of financial instruments amounted to SEK 813 million (1,074).
- The deposit volume rose to SEK 8.8 billion (6.1).
- The lending volume was stable and totalled SEK 248.1 billion (249.1) and the market share was 9.1 percent (9.6).
- Without taking the transitional regulations into account, the core Tier 1 capital ratio was 15.0 percent (14.1) and the Tier 1 capital ratio was 20.0 percent (19.1).
- Taking the transitional regulations into account, the core Tier 1 capital ratio was 6.7 percent (6.4) and the Tier 1 capital ratio was 8.9 percent (8.7).
- The liquidity risk remained low and the maturity of funding was extended further.

## Fourth quarter 2011

- Net interest income amounted to SEK 458 million (378).
- Operating profit increased to SEK 397 million (197).
- New lending totalled SEK 10.1 billion (7.0).

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

Summary SBAB Bank Group <sup>1)</sup>	2011 Jan-Dec	2010 Jan-Dec	%
<b>Income statement items</b>			
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
<b>Balance sheet items</b>			
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
<b>Key data</b>			
Loan loss rate, % <sup>2)</sup>	0.00	0.02	
Return on equity, %	4.2	7.5	
Average number of employees	419	431	
<b>Capital adequacy</b>			
<b>Without transitional regulations</b>			
Core Tier 1 capital ratio, %	15.0	14.1	
Tier 1 capital ratio, %	20.0	19.1	
Capital adequacy ratio, %	23.9	22.4	
<b>With transitional regulations</b>			
Core Tier 1 capital ratio, %	6.7	6.4	
Tier 1 capital ratio, %	8.9	8.7	
Capital adequacy ratio, %	10.7	10.2	
<b>Rating</b>			
<b>SBAB Bank AB (publ)</b>			
<i>Long-term funding</i>			
-Standard & Poor's	A+	A+	
-Moody's	A2	A1	
<i>Short-term funding</i>			
-Standard & Poor's	A-1	A-1	
-Moody's	P-1	P-1	
<b>SCBC</b>			
<i>Long-term funding</i>			
-Standard & Poor's	AAA	AAA	
-Moody's	Aaa	Aaa	

<sup>1)</sup> SBAB Bank Group ("SBAB Bank")

<sup>2)</sup> Loan losses in relation to opening balance for lending to the public.

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

## JANUARI-DECEMBER 2011

### Operating results

SBAB Bank's operating profit for full-year 2011 amounted to SEK 464 million (785). The decline in operating profit was attributable to lower net interest income, a negative net result of financial instruments and increased expenses. Loan losses remained low.

### Net interest income and net commission income

SBAB Bank's net interest income for full-year 2011 amounted to SEK 1,618 million (1,762).

To decrease its liquidity risk, SBAB Bank pre-funded a substantial share of the year's long-term funding requirements and extended the maturity of its funding. Although this pre-funding limited the increase in 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 actual interest rate on funding. SBAB Bank also reported lower interest income from securities in the liquidity portfolio.

Net interest income was affected 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 income declined 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).

### Net result from financial instruments measured at fair value<sup>1)</sup>

The net result from financial instruments measured at fair value for full-year 2011 amounted to an expense of SEK 349 million (expense: 289).

The item was adversely impacted by accrual effects resulting from hedge accounting and the interest-rate

differential between mortgage bonds and associated interest-rate swaps.

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

### Expenses

SBAB Bank's expenses amounted to SEK 707 million (604), of which personnel costs accounted for SEK 323 million (316) and depreciation and amortisation for SEK 27 million (26). Other expenses increased, primarily attributable to the development of banking operations.

### Loan losses

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

### Lending

New lending for 2011 totalled SEK 31.1 billion (50.4) and lending declined slightly to SEK 248.1 billion (249.1). SBAB Bank's total market share was 9.1 percent (9.6).

Lending to the retail market increased to SEK 151.1 billion (149.4). New lending amounted to SEK 21.1 billion (31.3). The market share for lending to the retail market declined to 7.7 percent (8.1).

Lending to the corporate market and tenant-owner associations declined to SEK 97.0 billion (99.7). New lending amounted to SEK 10.0 billion (19.1). The market share for lending to tenant-owner associations was 17.5 percent (18.5).

#### <sup>1)</sup> 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.

A corresponding accounting effect 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.



Loan portfolio	31 Dec 2011		31 Dec 2010	
	SBAB Bank*	SBAB Bank incl. all of FriSpar	SBAB Bank*	SBAB Bank incl. all of FriSpar
SEK million				
Retail lending	151,130	155,631	149,429	153,352
- new lending	21,142	24,433	31,333	34,631
Corporate lending (incl. tenant-owner associations)	97,020	97,066	99,674	99,732
- new lending	9,965	9,965	19,064	19,064
<b>Total</b>	<b>248,150</b>	<b>252,697</b>	<b>249,103</b>	<b>253,084</b>
- new lending	31,107	34,398	50,397	53,695

\* In the SBAB Bank Group, 51% 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.

## Deposits

The number of deposit customers and opened savings accounts continued to rise. SBAB Bank's deposit products, which are characterised by competitive interest rates and straightforward product terms and conditions, continue to attract new customers. SBAB Bank's deposit volume increased 44 percent during the year to SEK 8.8 billion (6.1). The aim is to offer the market additional bank products in the future.

## Funding

To limit SBAB Bank's liquidity and financing risk, the maturity of the bank's funding was extended through the issuance of covered bonds with longer maturities and by limiting the proportion of short-term debt. The aim of these activities was to achieve a better balance of maturities between funding and lending.

The total value of debt securities in issue rose SEK 14.7 billion during the year to SEK 276.7 billion (262.0). The volume outstanding under the Government-guaranteed programme totalled SEK 11.1 billion (15.0) at year-end. 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 160.7 billion (155.3).

The company's funding diversification efforts continued and resulted in the relaunch of SBAB Bank in the Japanese loan market, where a loan totalling JPY 75 billion (corresponding to SEK 6.7 billion) was issued successfully. Later in the year, SCBC launched an Australian funding programme for covered bonds. The table below shows SBAB Bank's utilisation of the funding programmes in domestic and international capital markets.

## Programme utilisation

	31 Dec 2011
Swedish Commercial Paper Programme	SEK 12.7 billion
Swedish covered bonds (SCBC)	SEK 91.0 billion
European Commercial Paper Programme	USD 820 million
US Commercial Paper Programme	USD 1,208 million
Euro Medium Term Note Programme	EUR 7,902 million
Euro Medium Term Covered Note Programme (SCBC)	EUR 7,393 million
Guaranteed EMTN Programme	SEK 11.1 billion
Australian Covered Issuance Programme (SCBC)	AUD 0 million

## 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.

In December 2011, SBAB Bank was authorised by the Swedish Financial Supervisory Authority to use the IRB approach for lending against collateral comprising mortgage deeds in properties other than residential properties. Securities backed by collateral in residential mortgages issued through securitisation in which SBAB Bank has invested, which were previously recognised as exposures to corporates in accordance with the standardised approach, are recognised in accordance with the external ratings-based approach as of the fourth quarter.

Taking the transitional regulations into account, SBAB Bank's capital adequacy ratio and Tier 1 capital ratio under Pillar 1 amounted to 10.7 percent (10.2) and 8.9 percent (8.7), respectively, at 31 December 2011. The core Tier 1 capital ratio was 6.7 percent (6.4) and the internally calculated capital requirement was SEK 8,883 million (6,463). The results for 2011 are 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 Dec 2011	Currency distribution			
		SEK	EUR	USD	Other
<b>Liquidity portfolio</b>					
Securities issued or guaranteed by sovereigns, central or multinational development banks	9,080	2,411	6,043	351	275
Securities issued or guaranteed by municipalities or public sector entities	2,378	2,236	-	142	-
Covered bonds	27,733	15,762	11,139	210	622
Securities issued by financial corporations (excl. covered bonds)	9,700	-	8,468	652	580
<b>Total liquidity portfolio</b>	<b>48,891</b>	<b>20,409</b>	<b>25,650</b>	<b>1,355</b>	<b>1,477</b>
Bank and loan facilities	1,484	-	-	1,484	-
<b>Total liquidity reserve</b>	<b>50,375</b>	<b>20,409</b>	<b>25,650</b>	<b>2,839</b>	<b>1,477</b>
Currency distribution		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 the portfolio 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.

A new subordinated debenture amounting to SEK 1 billion was issued in April and a subordinated debenture totalling SEK 0.5 billion was repurchased in June.

## Liquidity

The liquidity reserve increased during the year as a result of the higher share of pre-funding. At 31 December 2011, the liquidity reserve amounted to SEK 50.4 billion (40.9), corresponding to an MCO<sup>2)</sup> of 77 days (63). The average number of MCO days during the year was 121 (79) and the lowest level was 48 days (36).

## PERFORMANCE IN THE FOURTH QUARTER OF 2011 COMPARED WITH THE THIRD QUARTER OF 2011

Operating profit for the quarter doubled to SEK 397 million (197). Operating income amounted to SEK 642 million (351), mainly due to higher net interest income and net income from financial instruments measured at fair value. Net interest income totalled SEK 458 million (378). The increase in net interest income was attributable to an improvement in income from the lending operations. Net income from financial instruments measured at fair value amounted to SEK 190 million (5) and was mainly impacted by changes in the market value of basis

swaps and accrual effects of hedge-accounted items. Expenses for the quarter amounted to SEK 217 million (155). The increase was primarily due to the focus on banking services.

SBAB Bank experienced higher demand during the fourth quarter and new lending amounted to SEK 10.1 billion (7.0). Total lending increased to SEK 248.1 billion (243.8).

New lending to the retail market amounted to SEK 6.3 billion (5.4) and the market share was 7.7 percent (7.7).

New lending to the corporate market and tenant-owner associations totalled SEK 3.8 billion (1.6). SBAB Bank's market share for lending to tenant-owner associations was 17.5 percent (17.6).

Deposits through SBAB Bank's savings products rose 23 percent to SEK 8.8 billion (7.1) at the end of the period.

Loan losses amounted to SEK 28 million (recoveries: 1). An increase in collective provisions contributed to the total result for the fourth quarter of 2011. The change in collective provisions was mainly attributable to an increased spread and diversification of risk classes for retail market loans.

### <sup>2)</sup> 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, 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, where no liquidity is added through loan redemption and where no funding is available. Accordingly, the maximum need for liquidity can be identified for every given future period, and the necessary liquidity reserve can be established.

## EVENTS AFTER THE BALANCE-SHEET DATE

Carl-Viggo Östlund will assume 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, will serve as Acting CEO during the interim period.

## Financial calendar

Annual Report 2011	30 March
Annual General Meeting	19 April
Interim report January–March	27 April
Interim report January–June	20 July
Interim report January–September	30 October

Stockholm, 7 February 2012

Christine Ehnström  
Acting CEO

# Income statement

Group SEK million	2011 Q4	2011 Q3	2010 Q4	2011 Jan-Dec	2010 Jan-Dec
Interest income	2,897	2,766	1,630	10,449	5,355
Interest expense	-2,439	-2,388	-1,245	-8,831	-3,593
<b>Net interest income</b>	<b>458</b>	<b>378</b>	<b>385</b>	<b>1,618</b>	<b>1,762</b>
Commission income	20	12	13	60	50
Commission expense	-26	-44	-22	-150	-94
Net income/expense from financial instruments measured at fair value (Note 3)	190	5	145	-349	-289
Other operating income	-	0	-	0	0
<b>Total operating income</b>	<b>642</b>	<b>351</b>	<b>521</b>	<b>1,179</b>	<b>1,429</b>
Personnel costs	-84	-72	-75	-323	-316
Other expenses	-126	-76	-78	-357	-262
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-7	-7	-7	-27	-26
<b>Total expenses before loan losses</b>	<b>-217</b>	<b>-155</b>	<b>-160</b>	<b>-707</b>	<b>-604</b>
<b>Profit before loan losses</b>	<b>425</b>	<b>196</b>	<b>361</b>	<b>472</b>	<b>825</b>
Loan losses, net (Note 4)	-28	1	-1	-8	-40
<b>Operating profit</b>	<b>397</b>	<b>197</b>	<b>360</b>	<b>464</b>	<b>785</b>
Tax	-105	-52	-96	-123	-208
<b>Profit for the period</b>	<b>292</b>	<b>145</b>	<b>264</b>	<b>341</b>	<b>577</b>

# Statement of changes in comprehensive income

Group SEK million	2011 Q4	2011 Q3	2010 Q4	2011 Jan-Dec	2010 Jan-Dec
<b>Profit for the period</b>	<b>292</b>	<b>145</b>	<b>264</b>	<b>341</b>	<b>577</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Change in reclassified financial assets, after tax	7	8	11	28	57
Change in instruments used in cash flow hedging, after tax	1	-0	3	1	3
<b>Other comprehensive income, net after tax</b>	<b>8</b>	<b>8</b>	<b>14</b>	<b>29</b>	<b>60</b>
<b>Total comprehensive income for the period</b>	<b>300</b>	<b>153</b>	<b>278</b>	<b>370</b>	<b>637</b>

# Income statement, quarterly

Group SEK million	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4
Interest income	2,897	2,766	2,590	2,196	1,630
Interest expense	-2,439	-2,388	-2,213	-1,791	-1,245
<b>Net interest income</b>	<b>458</b>	<b>378</b>	<b>377</b>	<b>405</b>	<b>385</b>
Commission income	20	12	16	12	13
Commission expense	-26	-44	-40	-40	-22
Net income/expense from financial instruments measured at fair value	190	5	-172	-372	145
Other operating income	-	0	0	0	-
<b>Total operating income</b>	<b>642</b>	<b>351</b>	<b>181</b>	<b>5</b>	<b>521</b>
Personnel costs	-84	-72	-84	-83	-75
Other expenses	-126	-76	-89	-66	-78
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-7	-7	-6	-7	-7
<b>Total expenses before loan losses</b>	<b>-217</b>	<b>-155</b>	<b>-179</b>	<b>-156</b>	<b>-160</b>
<b>Profit/loss before loan losses</b>	<b>425</b>	<b>196</b>	<b>2</b>	<b>-151</b>	<b>361</b>
Loan losses, net	-28	1	32	-13	-1
<b>Operating profit/loss</b>	<b>397</b>	<b>197</b>	<b>34</b>	<b>-164</b>	<b>360</b>
Tax	-105	-52	-9	43	-96
<b>Profit/loss for the period</b>	<b>292</b>	<b>145</b>	<b>25</b>	<b>-121</b>	<b>264</b>



# Balance sheet

Group  
SEK million

	31 Dec 2011	31 Dec 2010
<b>ASSETS</b>		
Cash and balances at central banks	0	0
Chargeable treasury bills and other eligible bills	2,118	2,365
Lending to credit institutions	23,454	12,892
Lending to the public (Note 5)	248,150	249,103
Change in value of interest-rate-hedged items in portfolio hedges	1,557	500
Bonds and other interest-bearing securities	45,387	37,985
Derivative instruments (Note 6)	17,496	12,665
Intangible fixed assets	38	34
Property, plant and equipment	30	28
Other assets	319	462
Prepaid expenses and accrued income	1,201	891
<b>TOTAL ASSETS</b>	<b>339,750</b>	<b>316,925</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Liabilities to credit institutions	21,233	18,257
Deposits from the public	8,769	6,083
Debt securities in issue	276,678	261,962
Derivative instruments (Note 6)	14,060	12,576
Other liabilities	161	338
Accrued expenses and prepaid income	4,067	4,033
Provisions	165	154
Subordinated debt	6,233	5,508
<b>Total liabilities</b>	<b>331,366</b>	<b>308,911</b>
<b>Equity</b>		
Share capital	1,958	1,958
Other reserves	-51	-80
Retained earnings	6,136	5,559
Profit for the year	341	577
<b>Total equity</b>	<b>8,384</b>	<b>8,014</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>339,750</b>	<b>316,925</b>

## Statement of changes in equity

Group SEK million	Share capital	Other reserves	Retained earnings	Profit for the year	Total equity
<b>Opening balance, 1 January 2010</b>	<b>1,958</b>	<b>-140</b>	<b>5,559</b>		<b>7,377</b>
Total comprehensive income for the year		60		577	637
<b>Closing balance, 31 December 2010</b>	<b>1,958</b>	<b>-80</b>	<b>5,559</b>	<b>577</b>	<b>8,014</b>

<b>Opening balance, 1 January 2011</b>	<b>1,958</b>	<b>-80</b>	<b>6,136</b>		<b>8,014</b>
Total comprehensive income for the year		29		341	370
<b>Closing balance, 31 December 2011</b>	<b>1,958</b>	<b>-51</b>	<b>6,136</b>	<b>341</b>	<b>8,384</b>

## Cash flow statement

Group SEK million	2011 Jan-Dec	2010 Jan-Dec
<b>Cash and cash equivalents at the beginning of the year</b>	<b>8,959</b>	<b>4,862</b>
Cash flow from operating activities	9,513	2,125
Cash flow from investing activities	-34	-28
Cash flow from funding activities	501	2,000
<b>Increase in cash and cash equivalents</b>	<b>9,980</b>	<b>4,097</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>18,939</b>	<b>8,959</b>

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

# Capital base

Group SEK million	31 Dec 2011	31 Dec 2010
<b>Core Tier 1 capital</b>		
Equity	8,384	8,014
Unrealised change in value of loan and accounts receivable previously classified as available-for-sale assets	51	80
Change in value attributable to derivative instruments included in cash-flow hedges	0	1
Non-controlling interest	706	565
Intangible fixed assets	-38	-34
Deferred tax assets	-	-
Net provisions for IRB exposures	-128	-109
<b>Core Tier 1 capital</b>	<b>8,975</b>	<b>8,517</b>
<b>Tier 1 capital contribution</b>		
Tier 1 capital contribution without redemption incentives*	2,000	2,000
Tier 1 capital contribution with redemption incentives*	994	994
<b>Tier 1 capital</b>	<b>11,969</b>	<b>11,511</b>
<b>Tier 2 capital</b>		
Perpetual subordinated debentures (Upper Tier 2)	-	-
Time-limited subordinated debentures (Lower Tier 2)	2,456	2,108
Net provisions for IRB exposures	-129	-109
<b>Tier 2 capital</b>	<b>2,327</b>	<b>1,999</b>
Expanded part of capital base	-	-
Deduction from entire capital base	-	-
<b>Amount for capital base net after deductible items and limit value</b>	<b>14,296</b>	<b>13,510</b>

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

# Capital requirement

Group SEK million	31 Dec 2011	31 Dec 2010
<b>Credit risk recognised in accordance with IRB approach</b>		
- Exposures to corporates	2,491	2,317
- Retail exposures	894	838
- Positions in securitisation	229	
<b>Total exposures in accordance with IRB approach</b>	<b>3,614</b>	<b>3,155</b>
<b>Credit risk recognised in accordance with standardised approach</b>		
- Exposures to governments and central banks	0	0
- Exposures to municipalities and comparable associations	0	0
- Exposures to institutions	514	178
- Exposures to corporates	142	1,068
- Retail exposures	48	17
- Past-due items	1	1
- Other items	8	6
<b>Total exposures in accordance with standardised approach</b>	<b>713</b>	<b>1,270</b>
<b>Risks in the trading book</b>	<b>239</b>	<b>214</b>
<b>Operational risk</b>	<b>217</b>	<b>183</b>
<b>Currency risk</b>	<b>-</b>	<b>-</b>
<b>Commodity risk</b>	<b>-</b>	<b>-</b>
<b>Total minimum capital requirement</b>	<b>4,783</b>	<b>4,822</b>
Addition according to transitional regulations	5,930	5,769
<b>Total capital requirement according to transitional regulations</b>	<b>10,713</b>	<b>10,591</b>

# Capital adequacy

Group SEK million	31 Dec 2011	31 Dec 2010
Core Tier 1 capital	8,975	8,517
Tier 1 capital	11,969	11,511
Total capital	14,296	13,510
<b>Without transitional regulations:</b>		
Risk-weighted assets	59,786	60,279
Core Tier 1 capital ratio	15.0%	14.1%
Tier 1 capital ratio	20.0%	19.1%
Capital adequacy ratio	23.9%	22.4%
Capital quotient	2.99	2.80
<b>With transitional regulations:</b>		
Risk-weighted assets	133,917	132,388
Core Tier 1 capital ratio	6.7%	6.4%
Tier 1 capital ratio	8.9%	8.7%
Capital adequacy ratio	10.7%	10.2%
Capital quotient	1.33	1.28

# Notes

## Note 1 Accounting policies

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

For the Parent Company, statutory IFRS is applied, which means that the year-end 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. Group contributions paid to and received from subsidiaries (including tax effects) are recognised in profit or loss. In other respects, the accounting policies of the Parent Company remain unchanged compared with the 2010 Annual Report.

As part of IASB's annual improvement project, IAS 34 has been amended. The amendment, which came into effect on 1 January 2011, pertains only to disclosure requirements, provides guidance concerning the application of disclosure principles under IAS 34 and adds further disclosure requirements concerning, for example, circumstances that will probably impact the fair value and classification of financial instruments, the transfer of financial instruments between various levels of the fair-value hierarchy and changes in the classification of financial assets. In other respects, the accounting policies and methods of calculation remain unchanged compared with the 2010 Annual Report.

## Note 2 Risks and uncertainties

Although the deteriorating European macroeconomic situation has affected SBAB Bank's earnings, it had no significant impact on the company's financial position. However, future macroeconomic trends remain uncertain.

The economic development 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 2010 Annual Report.

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

Group SEK million	2011 Q4	2011 Q3	2010 Q4	2011 Jan-Dec	2010 Jan-Dec
<b>Gains/losses on interest-bearing financial instruments</b>					
- Securities measured at fair value through profit or loss	145	716	-427	920	-156
- Change in value of hedged items in hedge accounting	-550	-2,591	1,568	-3,285	869
- Realised loss from financial liabilities	-67	-1	-3	-116	-770
- Derivative instruments	646	1,860	-1,014	2,070	-349
- Loan receivables	22	21	22	72	118
<b>Currency translation effects</b>	-6	0	-1	-10	-1
<b>Total</b>	<b>190</b>	<b>5</b>	<b>145</b>	<b>-349</b>	<b>-289</b>

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 "Derivative instruments". 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	2011		2010		
	Q4	Q3	Q4	Jan-Dec	
<b>CORPORATE MARKET</b>					
INDIVIDUAL PROVISION FOR CORPORATE MARKET LOANS					
Write-off of confirmed loan losses for the period	-16	-	-3	-17	-8
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	17	-	1	20	6
Provision for probable loan losses for the period	-0	-0	-1	-0	-9
Recoveries in respect of confirmed loan losses in prior years	-	-	-	0	0
Reversal of prior year provisions for probable loan losses no longer required	0	0	3	5	3
Guarantees	-0	-0	2	-0	3
<b>Net income/cost for the period for individual provisions for corporate market loans</b>	<b>1</b>	<b>-0</b>	<b>2</b>	<b>8</b>	<b>-5</b>
COLLECTIVE PROVISION FOR CORPORATE MARKET LOANS					
Allocation to/redemption of collective provisions	-8	2	5	7	-1
Guarantees	9	-0	-2	8	-6
<b>Net income/cost for the period for collective provisions for corporate market loans</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>15</b>	<b>-7</b>
<b>RETAIL MARKET</b>					
INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS					
Write-off of confirmed loan losses for the period	-1	-	-5	-4	-13
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	1	-	4	5	8
Provision for probable loan losses for the period	-3	-4	-1	-8	-8
Reversal of prior year provisions for probable loan losses no longer required	-	0	1	-	1
Guarantees	-	-	-	-	0
<b>Net cost for the period for individual provisions for retail market loans</b>	<b>-3</b>	<b>-4</b>	<b>-1</b>	<b>-7</b>	<b>-12</b>
COLLECTIVE PROVISION FOR RETAIL MARKET LOANS					
Write-off of confirmed loan losses for the period	-7	-2	-4	-13	-17
Recoveries in respect of confirmed loan losses in prior years	1	0	0	6	2
Allocation to/redemption of collective provisions	-26	4	-4	-24	-8
Guarantees	5	1	3	7	7
<b>Net income/cost for the period for collective provisions for retail market loans</b>	<b>-27</b>	<b>3</b>	<b>-5</b>	<b>-24</b>	<b>-16</b>
<b>NET COST FOR THE PERIOD FOR LOAN LOSSES</b>	<b>-28</b>	<b>1</b>	<b>-1</b>	<b>-8</b>	<b>-40</b>

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

## Note 5 Lending to the public

Group SEK million	31 Dec 2011		31 Dec 2010	
	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	94,530	-162	93,386	-148
Tenant-owner rights	56,454	-118	56,231	-107
Tenant-owner associations	53,338	-29	55,153	-60
Private multi-family dwellings	29,079	-36	28,378	-37
Municipal multi-family dwellings	6,120	-	7,363	-
Commercial properties	8,548	-	8,877	-
Other	430	-4	67	-0
Provision for probable loan losses	-349	-	-352	-
<b>Total</b>	<b>248,150</b>	<b>-349</b>	<b>249,103</b>	<b>-352</b>

	31 Dec 2011	31 Dec 2010
<b>Doubtful and non-performing loan receivables</b>		
a) Doubtful loan receivables	81	104
b) Non-performing loan receivables* included in doubtful loan receivables	17	17
c) Non-performing loan receivables* not included in doubtful loan receivables	424	279
d) Individual provisions for loan receivables	50	73
e) Collective provisions for corporate market loans	31	38
f) Collective provisions for retail market loans	268	241
g) Total provisions (d+e+f)	349	352
h) Doubtful loan receivables after individual provisions (a-d)	31	31
i) Provision ratio for individual provisions (d/a)	62%	70%

\*Where cash flows are > 60 days past due

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

## Note 6 Derivative instruments

### Group

31 Dec 2011, SEK million	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	8,910	7,114	428,796
Currency related	8,586	6,946	171,126
<b>Total</b>	<b>17,496</b>	<b>14,060</b>	<b>599,922</b>

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

## Note 7 Operating segments

### Risk-adjusted income statement

Group SEK million	Jan-Dec 2011				Jan-Dec 2010			
	Consumer	Corporate	Finance	Total	Consumer	Corporate	Finance	Total
Risk-adjusted income	1,144	290	-281	1,153	1,036	243	104	1,383
Risk-adjusted expense	-540	-130	-106	-776	-488	-116	-93	-697
Tax	-159	-42	102	-99	-144	-33	-3	-180
<b>Risk-adjusted profit/loss after tax</b>	<b>445</b>	<b>118</b>	<b>-285</b>	<b>278</b>	<b>404</b>	<b>94</b>	<b>8</b>	<b>506</b>
<b>RAROC*, after tax</b>	<b>14.0%</b>	<b>8.2%</b>	<b>-56.3%</b>	<b>5.4%</b>	<b>12.1%</b>	<b>6.8%</b>	<b>1.7%</b>	<b>9.7%</b>

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

Operating-segment disclosures are risk adjusted. In the risk-adjusted follow-up of profit and loss, recognised equity is replaced by "Economic capital." "Economic capital" comprises the capital that SBAB Bank deems to be required to cover unexpected losses during the coming year. At 31 December 2011, "Economic capital" was lower than recognised equity, thus making the return on equity in the risk-adjusted income statement lower. Recognised loan losses were replaced by "Expected losses" in risk-adjusted expenses. For further information on "Economic capital" and "Expected losses", refer to pages 25 and 39 of the 2010 Annual Report.

SBAB Bank's operations were reorganised in late 2011. From 1 January 2012, SBAB Bank comprises two business areas. Finance has ceased to be a business area and is instead included in the company's support operations.

### Reconciliation

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

Group SEK million	2011 Jan-Dec	2010 Jan-Dec
Risk-adjusted income	1,153	1,383
Adjustment to return on recognised equity	26	46
<b>Total net interest income and other operating income</b>	<b>1,179</b>	<b>1,429</b>
Risk-adjusted expense	-776	-697
Adjustment to recognised loan losses	61	53
<b>Expenses and loan losses</b>	<b>-715</b>	<b>-644</b>
Risk-adjusted profit before tax	377	686
Tax for the period according to risk-adjusted income statement	-99	-180
<b>Risk-adjusted profit after tax</b>	<b>278</b>	<b>506</b>
<b>Risk-adjusted items</b>		
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
<b>Operating profit</b>	<b>464</b>	<b>785</b>
Recognised tax	-123	-208
<b>Profit for the period after tax</b>	<b>341</b>	<b>577</b>

## 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%. 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." 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 was reversed and exchange rate fluctuations had a negative impact of SEK 13 million before tax on the value of the reserve.

# Income statement

Parent Company SEK million	2011 Q4	2011 Q3	2010 Q4	2011 Jan-Dec	2010 Jan-Dec
Interest income	1,099	1,040	497	3,864	2,226
Interest expense	-1,088	-1,061	-543	-3,956	-1,922
<b>Net interest income/expense</b>	<b>11</b>	<b>-21</b>	<b>-46</b>	<b>-92</b>	<b>304</b>
Dividends received	-	-	100	13	114
Group contributions received	510	-	-	510	-
Commission income	40	29	28	126	109
Commission expense	-12	-19	-9	-69	-44
Net income/expense from financial transactions	-149	86	42	-206	-201
Other operating income	197	109	112	521	431
<b>Total operating income</b>	<b>597</b>	<b>184</b>	<b>227</b>	<b>805</b>	<b>713</b>
Personnel costs	-85	-72	-76	-325	-317
Other expenses	-135	-78	-81	-370	-270
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-4	-3	-3	-13	-12
<b>Total expenses before loan losses</b>	<b>-224</b>	<b>-153</b>	<b>-160</b>	<b>-708</b>	<b>-599</b>
<b>Profit before loan losses</b>	<b>373</b>	<b>31</b>	<b>67</b>	<b>95</b>	<b>114</b>
Loan losses, net	-18	-6	-3	3	-30
<b>Operating profit</b>	<b>355</b>	<b>25</b>	<b>64</b>	<b>98</b>	<b>84</b>
Tax	-93	-7	9	-23	7
<b>Profit for the period</b>	<b>262</b>	<b>18</b>	<b>73</b>	<b>75</b>	<b>91</b>

# Statement of comprehensive income

Parent Company SEK million	2011 Q4	2011 Q3	2010 Q4	2011 Jan-Dec	2010 Jan-Dec
<b>Profit for the period</b>	<b>262</b>	<b>18</b>	<b>73</b>	<b>75</b>	<b>91</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Change in reclassified financial assets, after tax	7	8	11	28	57
Change in instruments used in cash flow hedging, after tax	1	-0	3	1	3
<b>Other comprehensive income, net after tax</b>	<b>8</b>	<b>8</b>	<b>14</b>	<b>29</b>	<b>60</b>
<b>Total comprehensive income for the period</b>	<b>270</b>	<b>26</b>	<b>87</b>	<b>104</b>	<b>151</b>

## Parent Company's performance January–December 2011

Operating profit for full-year 2011 rose 17 percent to SEK 98 million (84). Operating profit was impacted by a decline in net interest items to an expense of SEK 92 million (income: 304) and increased expenses. The management of interest-rate risk between the Parent Company and subsidiaries was impacted by a sharp rise in market interest rates, which had an adverse effect on the Parent Company's net interest expense during the year. Other income improved, mainly as a result of Group contributions received and higher income for services performed for the subsidiary SCBC.

The net result from financial transactions for the fourth quarter amounted to an expense of SEK 149 million (income: 86) and to an accumulated expense of SEK 206 million (expense: 201) for the period. The net result for the quarter was mainly impacted by changes in the market value of basis swaps and interest-rate differentials between mortgage bonds and associated interest-rate swaps.

Expenses of SEK 708 million (599) were higher than in the preceding year due to the continued development of the banking operations. Net loan loss recoveries amounted to SEK 3 million (losses: 30). The main factor contributing to the change between the years was the decrease in provisions for collective provisions and individual provisions attributable to the corporate market. Confirmed loan losses for retail market loans also declined.

Lending to the public amounted to SEK 32.9 billion (35.3). The decrease was due to loans being transferred to SCBC, as well as to weaker demand for residential mortgages and further intensified competition.

The Parent Company has favourable capital adequacy. Without taking the transitional regulations into account, the Tier 1 capital ratio was 41.4 percent (39.6) and the capital adequacy ratio was 51.0 percent (47.3).

# Balance sheet

Parent Company  
SEK million

	31 Dec 2011	31 Dec 2010
<b>ASSETS</b>		
Cash and balances at central banks	0	0
Chargeable treasury bills and other eligible bills	2,118	2,365
Lending to credit institutions (Note 9)	56,412	50,265
Lending to the public	32,940	35,298
Change in value of interest-rate-hedged items in portfolio hedges	-8	-14
Bonds and other interest-bearing securities	45,387	37,985
Derivative instruments	13,813	10,326
Shares and participations in joint ventures	733	587
Shares and participations in Group companies	9,600	9,600
Intangible fixed assets	6	5
Property, plant and equipment	30	28
Other assets	718	515
Prepaid expenses and accrued income	899	634
<b>TOTAL ASSETS</b>	<b>162,648</b>	<b>147,594</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Liabilities to credit institutions	9,688	9,975
Deposits from the public	8,769	6,083
Debt securities in issue	116,753	107,223
Derivative instruments	12,109	9,838
Other liabilities	120	242
Accrued expenses and prepaid income	903	790
Provisions	248	214
Subordinated debt	6,233	5,508
<b>Total liabilities</b>	<b>154,823</b>	<b>139,873</b>
<b>Equity</b>		
Share capital	1,958	1,958
Legal reserve	392	392
Fair value reserve	-51	-80
Retained earnings	5,451	5,360
Profit for the year	75	91
<b>Total equity</b>	<b>7,825</b>	<b>7,721</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>162,648</b>	<b>147,594</b>

# Capital adequacy

Parent Company  
SEK million

	31 Dec 2011	31 Dec 2010
Core Tier 1 capital	7,432	7,653
Tier 1 capital	10,426	10,647
Total capital	12,819	12,711
<b>Without transitional regulations:</b>		
Risk-weighted assets	25,159	26,891
Core Tier 1 capital ratio	29.5%	28.5%
Tier 1 capital ratio	41.4%	39.6%
Capital adequacy ratio	51.0%	47.3%
Capital quotient	6.37	5.91
<b>With transitional regulations:</b>		
Risk-weighted assets	27,948	28,876
Core Tier 1 capital ratio	26.6%	26.5%
Tier 1 capital ratio	37.3%	36.9%
Capital adequacy ratio	45.9%	44.0%
Capital quotient	5.75	5.50

## Note 9 Lending to credit institutions

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. 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 2011 – 31 December 2011. 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 than 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 year-end 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, 7 February 2012  
Öhrlings PricewaterhouseCoopers

Catarina Ericsson  
*Authorised Public Accountant*

# SBAB BANK

SBAB Bank AB (publ)