

## Year-end Report

1 January – 31 December 2012

SBAB Bank AB (publ)

## “Earnings improvement of 36 percent

Carl-Viggo Östlund, CEO

### Full-year 2012 compared with 2011

- Operating profit, excluding net income/expense from financial instruments, was SEK 1,104 million (813).
- Net interest income amounted to SEK 1,941 million (1,618).
- Expenses totalled SEK 725 million (707).
- The net effect of loan losses was a loss of SEK 20 million (loss: 8).
- Net income/expense from financial instruments amounted to an expense of SEK 601 million (expense: 349).
- Operating profit totalled SEK 503 million (464).
- New lending amounted to SEK 34.9 billion (31.1).
- Deposits increased to SEK 27.7 billion (8.8).
- The Core Tier 1 capital ratio was 16.4% (15.0) without taking the transitional regulations into account and 6.9% (6.7) taking the transitional regulations into account.
- During the year, SBAB had a share of 15.9% of the market for new retail deposits.
- In November, a new subordinated debenture of SEK 1 billion was issued.

### Fourth quarter 2012 compared with the third quarter of 2012

- Operating profit, excluding net income/expense from financial instruments, amounted to SEK 265 million (318).
- Net interest income amounted to SEK 491 million (499).
- Expenses totalled SEK 192 million (157).
- The net effect of loan losses was a loss of SEK 17 million (gain: 2).
- Net income/expense from financial instruments amounted to an income of SEK 10 million (expense: 130).
- Operating profit totalled SEK 275 million (188).
- New lending amounted to SEK 10.1 billion (8.1).
- Deposits increased to SEK 27.7 billion (24.6).

Summary SBAB Group <sup>1)</sup>	2012 Jan-Dec	2011 Jan-Dec	Change, %	2012 Q4	2012 Q3	Change, %	2011 Q4	Change, %
<b>Income statement items</b>								
Net interest income, SEK million	1,941	1,618	20	491	499	-2	458	7
Total operating income, SEK million	1,248	1,179	6	484	343	41	642	-25
Expenses, SEK million	-725	-707	3	-192	-157	22	-217	-12
Loan losses, net, SEK million	-20	-8	150	-17	2	i.u.	-28	-39
Operating profit excl. net income/expense from financial instruments, SEK million	1,104	813	36	265	318	-17	207	28
Operating profit/loss, SEK million	503	464	8	275	188	46	397	-31
<b>Balance sheet items</b>								
Lending <sup>2)</sup> , SEK billion	255.9	248.1	3	255.9	256.6	1	248.1	3
Deposits, SEK billion	27.7	8.8	215	27.7	24.6	13	8.8	215
<b>Key data</b>								
Loan loss rate <sup>3)</sup> , %	0.01	0.00		0.03	-0.00		0.04	
Return on equity <sup>4)</sup> , %	4.2	4.2		9.0	6.5		14.2	
Core Tier 1 capital ratio <sup>5)</sup> , %	16.4	15.0		16.4	16.2		15.0	

<sup>1)</sup> SBAB Group, "SBAB."

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

<sup>3)</sup> Loan losses calculated on a full-year basis in relation to opening balance for lending to the public.

<sup>4)</sup> Return on equity is calculated on a full-year basis.

<sup>5)</sup> Without taking transitional regulations into account.

For balance sheet items and information concerning capital adequacy, all comparative figures in parentheses throughout the report refer to the figures at the preceding year-end, except individual quarterly figures, which are compared with the preceding quarter for all amounts. This is a translation of the Swedish Year-end Report. The auditor has not signed the translation for approval.



SBAB's operating profit excluding net result from financial instruments improved by 36 percent for the full-year, mainly driven by higher net interest income. We have entered an exciting phase, in which we are broadening our business with new products and offerings, while maintaining good control over our expenses and with loan losses remaining at low levels.



In the past year, we saw growth in both lending and deposits. It is satisfying that so many customers appreciate our savings account offering, as reflected in our being the leading company in Sweden for retail deposits in 2012. Our recipe for success is simple: competitive interest rates on money saved – something that we regard as a matter of course to offer to customers.

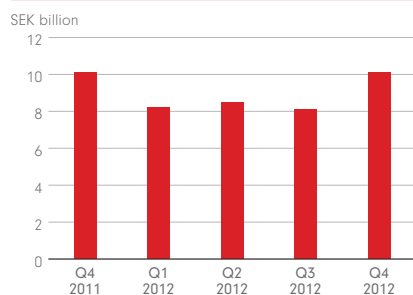
The healthy growth in deposit levels is having a positive impact on SBAB's funding. An increasing level of deposits from the public will enable SBAB to gradually reduce its dependency on funding from the international capital market. Over time, this will lead to reduced complexity and more stabilised earnings.

The Swedish Quality Index annual survey of savings and loans confirms that SBAB is on the right track. For the ninth consecutive year, SBAB secured first place for customer satisfaction among tenant-owner associations. Among private individuals, we advanced from the third to second place.

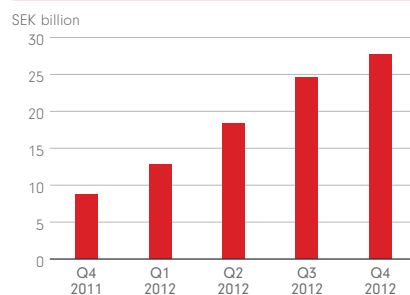
The confidence of customers is a prerequisite for SBAB efforts to be a successful and sustainable company. We endeavour to treat every customer as unique and to provide them with a new banking experience. To succeed in this regard, we are developing new products and, by the spring of 2013, we will be launching mutual funds. Our vision is clear. We want to provide customers with the best customer experience and to create a new era in banking.

Carl-Viggo Östlund  
CEO

#### New lending



#### Outstanding deposit volume



## PERFORMANCE FULL-YEAR 2012 COMPARED WITH FULL-YEAR 2011

### Operating results

Operating profit, excluding net income/expense from financial instruments increased by 36 percent to SEK 1,104 million (813). The improvement in profit derived mainly from higher net interest income. SBAB's operating profit amounted to SEK 503 million (464).

### Net interest income and commission expense

SBAB's net interest income for the full-year was SEK 1,941 million (1,618). Net interest income was affected positively by a higher average volume and improved earnings in lending operations. Surplus liquidity resulting from earlier pre-funding declined gradually during the year. Net commission income amounted to an expense of SEK 95 million (expense: 90), including a fee of SEK 115 million (113) for the government stability fund.

### Expenses

SBAB's expenses amounted to SEK 725 million (707), of which personnel costs accounted for SEK 339 million (323). Administration and operating expenses rose, primarily due to a higher level of access to SBAB's telephone and online products and services.

### Loan losses

Loan losses remained low. Loan losses for full-year 2012 amounted to a loss of SEK 20 million (loss: 8), corresponding to a loan loss rate of 0.01 percent (0.00).

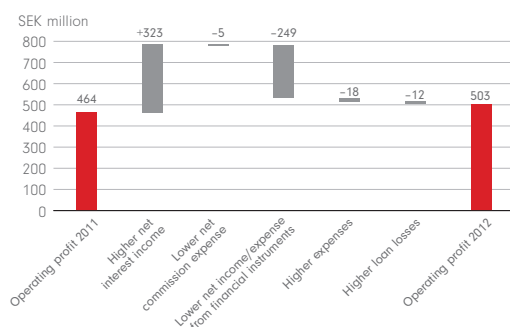
### Net income/expense from financial instruments measured at fair value<sup>1)</sup>

Net income/expense from financial instruments measured at fair value amounted to an expense of SEK 601 million (expense: 349) for the full-year. The single greatest factor impacting earnings was unrealised market value changes on basis swaps, which are used to minimise interest-rate and currency risks that arise in conjunction with funding in foreign currency. The result from basis swaps was negative, but net income was improved by positive market measurement in hedge accounting and the liquidity portfolio.

### Lending

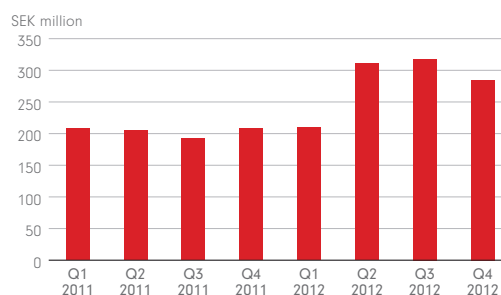
New lending for the full-year amounted to SEK 34.9 billion (31.1) and the total lending volume increased to SEK 255.9 billion (248.1). New lending to retail customers amounted to SEK 26.3 billion (21.1) and total lending increased to SEK 162.4 billion (151.1). New lending to the corporate market and tenant-owner associations amounted to SEK 8.6 billion (10.0) and total lending declined to SEK 93.5 billion (97.0). The decline was due to a refinement of the

Changes in operating profit between full-year 2011 and full-year 2012<sup>2)</sup>



<sup>2)</sup> Net income/expense from financial instruments includes SEK 3 million in other operating income.

Operating result excluding net income/expense from financial items



#### <sup>1)</sup> Fair-value recognition of derivative instruments

The currency and interest-rate risk inherent in funding conducted in foreign currency is generally hedged throughout the maturity of the funding through currency interest-rate derivatives, known as basis swaps. According to IFRS, all derivative instruments 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 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. Most of SBAB's basis swaps are held to maturity.

An accounting effect also arises in SBAB's securities holding, since the accounting policies that SBAB applies entail that securities assets are measured at fair value (market value), while a large portion of SBAB'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. Most of SBAB's securities are held to maturity.

corporate market portfolio in line with an earlier decision to divest the operation and thus provide SBAB with an opportunity to further sharpen its focus on the retail market.

## Deposits

SBAB's savings accounts, which are characterised by competitive interest rates and straightforward product terms and conditions, continued to attract new customers. Both the number of depositors and savings accounts opened continued to increase. SBAB's deposit volume amounted to SEK 27.7 billion (8.8).

## Funding

SBAB's growth in deposit volumes during the year resulted in a better balance between the various liability items in the balance sheet, a lower funding requirement and, consequently, reduced dependency on various capital markets. Pre-funding from the preceding year also contributed to a lower funding requirement during the year. By maintaining the duration of its funding, SBAB actively limits liquidity and financing risks. During the year, the focus was primarily on limiting the short-term element of total funding.

The total value of debt securities in issue declined SEK 22.8 billion during the year to SEK 253.9 billion (276.7). Funding through the issuance of covered bonds takes place in the Parent Company's wholly owned subsidiary The Swedish Covered Bond Corporation, "SCBC". Outstanding covered debt totalled SEK 152.9 billion (160.7).

In December 2012, Standard & Poor's lowered SBAB's long-term rating from A+ to A with a negative outlook based on the rating agency's assessment of the probability that SBAB might no longer be a state-owned company within three to five years, and on its assessment of a weakened Swedish economy. SBAB's short-term rating was maintained.

Rating	31 Dec 2012	31 Dec 2011
<b>SBAB Bank AB (publ)</b>		
<i>Long-term funding</i>		
-Standard & Poor's	A	A+
-Moody's	A2	A2
<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

## Capital adequacy

SBAB reports credit risk mainly in accordance with the IRB approach, and reports operational and market risk in accordance with the standardised approach. SBAB's capital adequacy ratio under Pillar 1, with consideration for transitional regulations, amounted to 11.5 percent (10.7) at 31 December 2012. The corresponding Core Tier 1 capital ratio was 6.9 percent (6.7). For information concerning other capital ratios, refer to the table on page 12.

The internally calculated capital requirement was SEK 9,239 million (8,883).

In November, a new subordinated debenture of SEK 1 billion was issued.

## Liquidity reserve

SBAB's liquidity reserve mainly comprises securities. At 31 December 2012, the collective market value of these securities was SEK 44.0 billion (48.9). Taking the Riksbank's haircuts into account, the value of the assets was SEK 42.1 billion. For SBAB, the MCO, which as of the second quarter of 2012 does not include Residential Mortgage-Backed Securities ("RMBSs"), was 83 days (71)<sup>3)</sup>.

During the year, a portion of the securities assets comprised RMBSs. These securities are backed by

### <sup>3)</sup> Measurement of liquidity risk

SBAB measures and stress-tests liquidity risk by totalling the maximum conceivable need of liquidity for every day during the coming 365 days, MCO (Maximum Cumulative Outflow). 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 amended. In the past, only assets in the liquidity portfolio were included in the liquidity reserve. Following this amendment, the liquidity reserve also includes the surplus liquidity that arises outside the liquidity portfolio, provided that this surplus liquidity meets the other requirements for being defined as a liquidity reserve. As of the second quarter of 2012, the company's holding of RMBSs is not included in the calculation of MCO. Comparative data has been adjusted in accordance with the said amendments.

Liquidity reserve, SEK million	31 Dec 2012	Distribution by currency			
		SEK	EUR	USD	Other
Securities issued or guaranteed by central governments, central banks or multinational development banks	18,233	4,989	11,435	1,007	802
Securities issued or guaranteed by municipalities or non-governmental public sector entities	3,724	3,295	-	429	-
Covered bonds issued by others	17,617	12,538	4,745	334	-
Securities issued by financial companies (excl. covered bonds)	4,391	-	4,047	103	241
<b>Total assets</b>	<b>43,965</b>	<b>20,822</b>	<b>20,227</b>	<b>1,873</b>	<b>1,043</b>
Bank and loan facilities	-	-	-	-	-
<b>Total liquidity reserve</b>	<b>43,965</b>	<b>20,822</b>	<b>20,227</b>	<b>1,873</b>	<b>1,043</b>
Distribution by currency		48%	46%	4%	2%

SBAB's liquidity portfolio primarily comprises liquid, fixed income securities with a high rating and it is an integral 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. RMBSs are reported in the table above at market value, in accordance with the Swedish Banking Association's template for the disclosure of a bank's liquidity reserve. These assets are excluded from the calculation of internal and regulatory liquidity measurements.

underlying property assets in Spain, the UK, the Netherlands and Australia. Unlike other securities assets in the liquidity reserve, which are recognised at market value, RMBSs are recognised at amortized cost. For further information, refer to Note 8 "Reclassified assets." Since the secondary market for RMBSs is no longer as liquid as when the assets were acquired, it has been concluded that the liquidity value of these securities is no longer sufficient to warrant their inclusion in the liquidity reserve used in internal measurements of liquidity risk. These assets have been excluded from any measurements that are governed by external regulations.

As of 1 January 2013, the liquidity coverage ratio<sup>4)</sup> ("LCR") have been introduced in accordance with the Swedish Financial Supervisory Authority's regulation, FFFS 2012:6. Pursuant to this regulation, the LCR at 31 December 2012 was 279 percent for all currencies combined, 858 percent for the EUR and 130 percent for the USD, which exceeds the minimum requirement of 100 percent. Based on the FFFS 2011:37 measurement, the LCR at 31 December 2012 for all currencies combined was 158 percent.

## PERFORMANCE IN THE FOURTH QUARTER 2012 COMPARED WITH THE THIRD QUARTER 2012

During the fourth quarter, operating profit excluding net income/expense from financial instruments measured

at fair value amounted to SEK 265 million (318). Net interest income declined to SEK 491 million (499), mainly due to the revised accrual of payments to business partners. Expenses totalled SEK 192 million (157). The changes in expenses were partly due to seasonal variations. In addition, a higher number of employees and increases in marketing activities and development work also contributed to the deviation in relation to the preceding quarter. Loan losses amounted to a loss of SEK 17 million (gain: 2). In the fourth quarter, net costs for loan losses were primarily impacted by an increase in collective provisions for retail market loans arising from the broadening and diversification of risk classes.

During the fourth quarter, operating profit was SEK 275 million (188), in which net income/expense from financial instruments totalling income of SEK 10 million (expense: 130) is included. In common with the third quarter, the single greatest factor impacting fourth-quarter earnings was the continued negative development of market value changes on basis swaps. The negative result from basis swaps was offset by positive market measurements in hedge accounting and the liquidity portfolio. SBAB continued to experience healthy demand for residential mortgages during the quarter and new lending totalled SEK 10.1 billion (8.1). Total lending amounted to SEK 255.9 billion (256.6). New lending to retail customers amounted to SEK 7.8 billion (6.3) and new lending to the corporate market and

### <sup>4)</sup> Measurement of liquidity coverage ratio

The liquidity coverage ratio calculates the degree to which a bank's assets cover its net cash flow for the coming 30 days in a stress scenario. Net cash flows comprise contractual in- and outflows and the

theoretical flows based on historical data, for example, withdrawals of the bank's deposits. The weightings of the theoretical flows are fixed and are determined by supervisory authorities.

tenant-owner associations to SEK 2.3 billion (1.8). SBAB's deposit accounts continued to attract new customers during the fourth quarter. Deposits increased 13 percent during the quarter to SEK 27.7 billion (24.6) at year-end. The robust increase was the result of competitive interest rates and active marketing.

## DIVIDEND

In view of the rules regarding continued application of the transitional regulations during 2013 and the forthcoming new capital adequacy regulations, the Board proposes that net profit for 2012 be carried forward and that no dividend be paid.

## ANNUAL GENERAL MEETING

SBAB's Annual General Meeting will be held on 18 April 2013 in Stockholm. Further information will be published at sbab.se in March 2013.

## EVENTS AFTER THE BALANCE-SHEET DATE

On 1 February 2013, changes were made to SBAB's organisation and its management team. As of this date, corporate management comprises CEO Carl-Viggo Östlund, Vice President and Chief Legal Counsel Christine Ehnström, Head of Business Development Sarah Bucknell, Head of Communications & HR Jonas Burvall, Head of Retail Market Håkan Højjer, Head of Tenant-owner Associations Market Gustav Hoorn, Head of Collaboration Market Eva Marell, CRO Peter Svensén and CFO Lennart Krän.

Further information about each of these individuals is available at sbab.se.

Stockholm, 6 February 2013



Carl-Viggo Östlund  
CEO

### Financial calendar

Annual Report 2012	27 March 2013
Annual General Meeting	18 April 2013
Interim report January-March	25 April 2013
Interim report January-June	19 July 2013
Interim report January-September	28 October 2013
Year-end report	February 2014

# Income statement

Group SEK million	2012 Q4	2012 Q3	2011 Q4	2012 Jan-Dec	2011 Jan-Dec
Interest income	2,280	2,569	2,897	10,485	10,449
Interest expense	-1,789	-2,070	-2,439	-8,544	-8,831
<b>Net interest income</b>	<b>491</b>	<b>499</b>	<b>458</b>	<b>1,941</b>	<b>1,618</b>
Commission income	19	11	20	55	60
Commission expense	-37	-37	-26	-150	-150
Net income/expense from financial instruments measured at fair value	10	-130	190	-601	-349
Other operating income	1	-	-	3	0
<b>Total operating income</b>	<b>484</b>	<b>343</b>	<b>642</b>	<b>1,248</b>	<b>1,179</b>
Personnel costs	-89	-78	-84	-339	-323
Other expenses	-97	-73	-126	-362	-357
Depreciation of property, plant and equipment and amortisation of fixed assets	-6	-6	-7	-24	-27
<b>Total expenses before loan losses</b>	<b>-192</b>	<b>-157</b>	<b>-217</b>	<b>-725</b>	<b>-707</b>
<b>Profit before loan losses</b>	<b>292</b>	<b>186</b>	<b>425</b>	<b>523</b>	<b>472</b>
Loan losses, net (Note 4)	-17	2	-28	-20	-8
<b>Operating profit</b>	<b>275</b>	<b>188</b>	<b>397</b>	<b>503</b>	<b>464</b>
Tax	-80	-49	-105	-140	-123
<b>Profit for the period</b>	<b>195</b>	<b>139</b>	<b>292</b>	<b>363</b>	<b>341</b>

# Statement of comprehensive income

Group SEK million	2012 Q4	2012 Q3	2011 Q4	2012 Jan-Dec	2011 Jan-Dec
<b>Profit for the period</b>	<b>195</b>	<b>139</b>	<b>292</b>	<b>363</b>	<b>341</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Change in reclassified financial assets, after tax	1	4	7	14	28
Change in instruments used in cash-flow hedging, after tax	-	-	1	-	1
<b>Other comprehensive income, net after tax</b>	<b>1</b>	<b>4</b>	<b>8</b>	<b>14</b>	<b>29</b>
<b>Total comprehensive income for the period</b>	<b>196</b>	<b>143</b>	<b>300</b>	<b>377</b>	<b>370</b>

# Income statement, quarterly

Group SEK million	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4
Interest income	2,280	2,569	2,253	3,383	2,897
Interest expense	-1,789	-2,070	-1,731	-2,954	-2,439
<b>Net interest income</b>	<b>491</b>	<b>499</b>	<b>522</b>	<b>429</b>	<b>458</b>
Commission income	19	11	12	13	20
Commission expense	-37	-37	-39	-37	-26
Net income/expense from financial instruments measured at fair value	10	-130	-91	-390	190
Other operating income	1	-	2	-	-
<b>Total operating income</b>	<b>484</b>	<b>343</b>	<b>406</b>	<b>15</b>	<b>642</b>
Personnel costs	-89	-78	-84	-88	-84
Other expenses	-97	-73	-86	-106	-126
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-6	-6	-5	-7	-7
<b>Total expenses before loan losses</b>	<b>-192</b>	<b>-157</b>	<b>-175</b>	<b>-201</b>	<b>-217</b>
<b>Profit before loan losses</b>	<b>292</b>	<b>186</b>	<b>231</b>	<b>-186</b>	<b>425</b>
Loan losses, net	-17	2	-11	6	-28
<b>Operating profit/loss</b>	<b>275</b>	<b>188</b>	<b>220</b>	<b>-180</b>	<b>397</b>
Tax	-80	-49	-59	48	-105
<b>Profit/loss for the period</b>	<b>195</b>	<b>139</b>	<b>161</b>	<b>-132</b>	<b>292</b>



# Balance sheet

Group  
SEK million

	31 Dec 2012	31 Dec 2011
<b>ASSETS</b>		
Cash and balances at central banks	0	0
Chargeable treasury bills and other eligible bills	12,860	5,949
Lending to credit institutions	18,269	23,454
Lending to the public (Note 5)	255,946	248,150
Change in value of interest-rate-hedged items in portfolio hedges	1,617	1,557
Bonds and other interest-bearing securities	31,452	41,556
Derivative instruments Group (Note 6)	12,745	17,496
Shares and participations	150	-
Deferred tax assets	36	-
Intangible fixed assets	122	38
Property, plant and equipment	33	30
Other assets	238	319
Prepaid expenses and accrued income	962	1,201
<b>TOTAL ASSETS</b>	<b>334,430</b>	<b>339,750</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Liabilities to credit institutions	17,538	21,233
Deposits from the public	27,654	8,769
Debt securities in issue	253,897	276,678
Derivative instruments (Note 6)	15,383	14,060
Other liabilities	361	161
Accrued expenses and prepaid income	3,698	4,067
Provisions	86	165
Subordinated debt	7,052	6,233
<b>Total liabilities</b>	<b>325,669</b>	<b>331,366</b>
<b>Equity</b>		
Share capital	1,958	1,958
Other reserves	-37	-51
Retained earnings	6,477	6,136
Profit for the year	363	341
<b>Total equity</b>	<b>8,761</b>	<b>8,384</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>334,430</b>	<b>339,750</b>

## Statement of changes in equity

Group SEK million	Share capital	Other reserves	Retained earnings	Profit/loss for the year	Total equity
<b>Opening balance at 1 Jan 2011</b>	<b>1,958</b>	<b>-80</b>	<b>6,136</b>		<b>8,014</b>
Total comprehensive income for the period		29		341	370
<b>Closing balance at 31 Dec 2011</b>	<b>1,958</b>	<b>-51</b>	<b>6,136</b>	<b>341</b>	<b>8,384</b>
<b>Opening balance at 1 Jan 2012</b>	<b>1,958</b>	<b>-51</b>	<b>6,477</b>		<b>8,384</b>
Total comprehensive income for the period		14		363	377
<b>Closing balance at 31 Dec 2012</b>	<b>1,958</b>	<b>-37</b>	<b>6,477</b>	<b>363</b>	<b>8,761</b>

## Cash-flow statement

Group SEK million	2012 Jan-Dec	2011 Jan-Dec
<b>Cash and cash equivalents at the beginning of the year</b>	<b>18,939</b>	<b>8,959</b>
Cash flow from operating activities	-2,293	9,513
Cash flow from investing activities	-110	-34
Cash flow from funding activities	1,000	501
<b>Increase/decrease in cash and cash equivalents</b>	<b>-1,403</b>	<b>9,980</b>
<b>Cash and cash equivalents at year-end</b>	<b>17,536</b>	<b>18,939</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 2012	31 Dec 2011
<b>Core Tier 1 capital</b>		
Equity	8,761	8,384
Unrealised change in value of loans and accounts receivable previously classified as available-for-sale assets	37	51
Minority interest	731	706
Intangible fixed assets	-122	-38
Deferred tax assets	-36	-
Net provisions for IRB exposures	-69	-128
<b>Core Tier 1 capital</b>	<b>9,302</b>	<b>8,975</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>12,296</b>	<b>11,969</b>
<b>Tier 2 capital</b>		
Perpetual subordinated debentures (Upper Tier 2)	-	-
Time-limited subordinated debentures (Lower Tier 2)	3,300	2,456
Net provisions for IRB exposures	-70	-129
<b>Tier 2 capital</b>	<b>3,230</b>	<b>2,327</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>15,526</b>	<b>14,296</b>

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

# Capital requirements

Group SEK million	31 Dec 2012	31 Dec 2011
<b>Credit risk recognised in accordance with IRB approach</b>		
Exposures to corporates	2,173	2,491
Retail exposures	908	894
Positions in securitisation	423	229
<b>Total exposures in accordance with IRB approach</b>	<b>3,504</b>	<b>3,614</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	387	514
Exposures to corporates	169	142
Retail exposures	76	48
Past-due items	1	1
Exposures to funds	12	-
Other items	9	8
<b>Total exposures recognised in accordance with IRB approach</b>	<b>654</b>	<b>713</b>
<b>Risks in the trading book</b>	<b>162</b>	<b>239</b>
<b>Operational risk</b>	<b>211</b>	<b>217</b>
<b>Currency risk</b>	-	-
<b>Commodity risk</b>	-	-
<b>Total minimum capital requirement</b>	<b>4,531</b>	<b>4,783</b>
Addition according to transitional regulations	6,279	5,930
<b>Total capital requirement according to transitional regulations</b>	<b>10,810</b>	<b>10,713</b>

# Capital adequacy

Group SEK million	31 Dec 2012	31 Dec 2011
Core Tier 1 capital	9,302	8,975
Tier 1 capital	12,296	11,969
Total capital	15,526	14,296
<b>Without transitional rules</b>		
Risk-weighted assets	56,638	59,786
Core Tier 1 capital ratio	16.4%	15.0%
Tier 1 capital ratio	21.7%	20.0%
Capital adequacy ratio	27.4%	23.9%
Capital quotient	3.43	2.99
<b>With transitional rules</b>		
Risk-weighted assets	135,124	133,917
Core Tier 1 capital ratio	6.9%	6.7%
Tier 1 capital ratio	9.1%	8.9%
Capital adequacy ratio	11.5%	10.7%
Capital quotient	1.44	1.33

# Notes

## Note 1 Accounting policies

The SBAB Group applies 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 have been taken into consideration. The Group's year-end report fulfils 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 the annual accounts of credit institutions and securities companies (FFFS 2008:25) and the Annual Accounts Act for Credit Institutions and Securities Companies.

The accounting policies and calculation methods are unchanged compared with the 2011 Annual Report. In September 2012, the SBAB Group made an investment in fund units under the "Share and participations" heading. This holding has been classified as "Financial assets measured at fair value through profit or loss."

## Note 2 Risks and uncertainties

Although the uncertain European macroeconomic situation has affected SBAB's earnings, it has had no significant impact on the company's financial position. The introduction of remedial measures by the ECB has had a positive impact on the market functionality of the capital market. However, future macroeconomic development in Europe remains uncertain.

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

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

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

Group SEK million	2012 Q4	2012 Q3	2011 Q4	2012 Jan-Dec	2011 Jan-Dec
<b>Gains/losses on interest-bearing financial instruments</b>					
- Securities measured at fair value through profit or loss	204	379	145	950	920
- Change in value of hedged items in hedge accounting	47	-344	-550	-742	-3,285
- Realised expense from financial liabilities	-17	-67	-67	-192	-116
- Derivative instruments	-250	-111	646	-697	2,070
- Loan receivables	24	23	22	90	72
<b>Currency translation effects</b>	2	-10	-6	-10	-10
<b>Gains/losses on shares and participations measured at fair value through the income statement</b>	0	-0	-	0	-
<b>Total</b>	<b>10</b>	<b>-130</b>	<b>190</b>	<b>-601</b>	<b>-349</b>

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 Q4	2012 Q3	2011 Q4	2012 Jan-Dec	2011 Jan-Dec
<b>CORPORATE MARKET</b>					
INDIVIDUAL PROVISION FOR CORPORATE MARKET LOANS					
Write-off of confirmed loan losses for the period/year	-	-0	-16	-0	-17
Reversal of prior provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	-	-	17	-	20
Provision for probable loan losses for the period	-0	-26	-0	-26	-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	0	10	0	26	5
Guarantees	-	-	-0	-0	-0
<b>Net income/cost for the period/year for individual provisions for corporate market loans</b>	<b>-0</b>	<b>-16</b>	<b>1</b>	<b>-0</b>	<b>8</b>
COLLECTIVE PROVISION FOR CORPORATE MARKET LOANS					
Allocation to/redemption of collective provisions	1	15	-8	4	7
Guarantees	2	-2	9	-6	8
<b>Net income/cost for the period/year for collective provisions for corporate market loans</b>	<b>3</b>	<b>13</b>	<b>1</b>	<b>-2</b>	<b>15</b>
<b>RETAIL MARKET</b>					
INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS					
Write-off of confirmed loan losses for the period/year	-2	-2	-1	-9	-4
Reversal 2012 Q4 of prior provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	0	1	1	5	5
Provision for probable loan losses for the period	-5	-2	-3	-9	-8
Reversal of prior year provisions for probable loan losses no longer required	0	0	-	0	-
Guarantees	-	-	-	-	-
<b>Net cost for the period/year for individual provisions for retail market loans</b>	<b>-7</b>	<b>-3</b>	<b>-3</b>	<b>-13</b>	<b>-7</b>
COLLECTIVE PROVISION FOR RETAIL MARKET LOANS					
Write-off of confirmed loan losses for the period/year	-6	-8	-7	-27	-13
Recoveries in respect of confirmed loan losses in prior years	2	1	1	3	6
Allocation to/redemption of collective provisions	-4	14	-26	19	-24
Guarantees	-5	1	5	0	7
<b>Net income/cost for the period/year for collective provisions for corporate market loans</b>	<b>-13</b>	<b>8</b>	<b>-27</b>	<b>-5</b>	<b>-24</b>
<b>NET INCOME/COST FOR THE PERIOD/YEAR FOR LOAN LOSSES</b>	<b>-17</b>	<b>2</b>	<b>-28</b>	<b>-20</b>	<b>-8</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 2012		31 Dec 2011	
	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	100,227	-170	94,530	-162
Tenant-owner rights	61,677	-98	56,454	-118
Tenant-owner associations	55,199	-12	53,338	-29
Private multi-family dwellings	26,496	-49	29,079	-36
Municipal multi-family dwellings	4,796	-	6,120	-
Commercial properties	7,128	-	8,548	-
Other	759	-7	430	-4
Provision for probable loan losses	-336	-	-349	-
<b>Total</b>	<b>255,946</b>	<b>-336</b>	<b>248,150</b>	<b>-349</b>

Doubtful and nonperforming loan receivables	31 Dec 2012	31 Dec 2011
a. Doubtful loan receivables	67	81
b. Nonperforming loan receivables* included in doubtful loan receivables	21	17
c. Nonperforming loan receivables* not included in doubtful loan receivables	452	424
d. Individual provisions, loan receivables	54	50
e. Collective provisions for corporate market loans	27	31
f. Collective provisions for retail market loans	255	268
g. Total provisions (d+e+f)	336	349
h. Doubtful loan receivables after individual provisions (a-d)	13	31
i. Provision ratio for individual provisions (d/a)	81%	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 Dec 2012		31 Dec 2011	
	SBAB Group**	SBAB incl. all of FriSpar	SBAB Group**	SBAB incl. all of FriSpar
Retail lending	162,388	163,055	151,130	155,631
- new lending	26,295	29,374	21,142	24,433
Corporate lending (incl. tenant-owner associations)	93,558	93,574	97,020	97,066
- new lending	8,583	8,583	9,965	9,965
<b>Total</b>	<b>255,946</b>	<b>256,629</b>	<b>248,150</b>	<b>252,697</b>
- new lending	34,878	37,957	31,107	34,398

\*\* In the SBAB 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.

## Note 6 Derivative instruments

Group 31 Dec 2012, SEK million	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	9,013	6,734	322,681
Currency related	3,732	8,649	146,205
<b>Total</b>	<b>12,745</b>	<b>15,383</b>	<b>468,886</b>

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

## Note 7 Operating segments

### Risk-adjusted income statement

Group SEK million	Jan-Dec 2012				Jan-Dec 2011			
	Retail	Corporate	Other	Total	Retail	Corporate	Other	Total
Risk-adjusted income	1,464	329	-	1,793	1,198	304	-	1,502
Net income/expense from financial instruments measured at fair value	-1	-	-600	-601	-	-	-349	-349
Risk-adjusted expense	-706	-137	-	-843	-625	-151	-	-776
Tax	-199	-51	158	-92	-151	-40	92	-99
<b>Risk-adjusted profit/loss after tax</b>	<b>558</b>	<b>141</b>	<b>-442</b>	<b>257</b>	<b>422</b>	<b>113</b>	<b>-257</b>	<b>278</b>
<b>RAROC*, after tax</b>	<b>13.6%</b>	<b>12.3%</b>	<b>i.u</b>	<b>4.9%</b>	<b>11.8%</b>	<b>7.3%</b>	<b>i.u</b>	<b>5.4%</b>

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

Following a reorganisation of SBAB, 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.

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 regards to be required to cover unexpected losses during the coming year. At 31 December 2012, "Economic capital" was lower than recognised equity, thus making the return on equity in the risk-adjusted income statement lower. Recognised loan losses have been replaced by "Expected losses" in risk-adjusted expense. For further information on "Economic capital" and "Expected losses", refer to page 49 of the 2011 Annual Report.

### Reconciliation

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

Group SEK million	2012 Jan-Dec	2011 Jan-Dec
Risk-adjusted income	1,793	1,502
Adjustment to return on recognised equity	56	26
Net income/expense from financial instruments measured at fair value	-601	-349
<b>Total net interest income and other operating income</b>	<b>1,248</b>	<b>1,179</b>
Risk-adjusted expense	-843	-776
Adjustment to recognised loan losses	98	61
<b>Expenses and loan losses</b>	<b>-745</b>	<b>-715</b>
Risk-adjusted profit before tax	349	377
Tax for the period according to risk-adjusted income statement	-92	-99
<b>Risk-adjusted profit after tax</b>	<b>257</b>	<b>278</b>
<b>Risk-adjusted items</b>		
Adjustment to return on recognised equity	56	26
Adjustment to recognised loan losses	98	61
Reversal of tax according to risk-adjusted income statement	92	99
<b>Operating profit</b>	<b>503</b>	<b>464</b>
Recognised tax	-140	-123
<b>Profit for the year after tax</b>	<b>363</b>	<b>341</b>



## Note 8 Reclassified assets

During autumn 2008, financial institutions were given the opportunity to reclassify holdings of "Financial assets available for sale" to "Loan receivables and accounts receivable." The assets were reclassified due to SBAB's perception that the downturn in the global financial markets during autumn 2008 was of sufficient magnitude to justify reclassification. The reclassification was implemented on 1 July 2008. The value that was assigned to the assets at the time was the prevailing market value.

Since the assets in the RMBS portfolio are classified as "Loan receivables and accounts receivable," these assets have to be recognised at accrued cost and a credit-risk assessment must be performed according to the same principles as for the risk assessment of SBAB's credit portfolio.

Following the reclassification of the RMBS assets, no need to impair these assets has arisen, which is why the company has not recognised any impairment losses under the "Impairment of financial assets" item.

### RMBS portfolio

#### Group

31 Dec 2012, SEK million	Carrying amount	Fair value
<b>Country of asset</b>		
Australia	427	448
Spain	2,515	2,051
United Kingdom	949	987
The Netherlands	928	903
<b>Total</b>	<b>4,819</b>	<b>4,389</b>

As of 1 July 2008, the fair value of the reclassified portfolio amounted to SEK 21.7 billion. The average effective rate 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 December 2012, the fair value of the assets would have amounted to SEK 4.4 billion had the assets continued to be recognised as "Available-for-sale financial assets." The carrying amount at 31 December 2012 was SEK 4.8 billion. At the same date, the fair value reserve attributable to the reclassified assets would have amounted to a negative SEK 0.3 billion, net after tax, had the assets continued to be recognised as "Available-for-sale financial assets." The reserve amounted to a negative SEK 37 million, net after tax, at 31 December 2012. After the reclassification date, SEK 205 million of the reserve before tax was reversed and exchange rate fluctuations had a negative impact of SEK 23 million before tax on the value of the reserve.

# Income statement

Parent Company SEK million	2012 Q4	2012 Q3	2011 Q4	2012 Jan-Dec	2011 Jan-Dec
Interest income	955	1,114	1,099	4,162	3,864
Interest expense	-861	-977	-1,088	-4,032	-3,956
<b>Net interest income</b>	<b>94</b>	<b>137</b>	<b>11</b>	<b>130</b>	<b>-92</b>
Dividends received	-	-	-	17	13
Group contribution received	-	-	510	-	510
Commission income	42	32	40	136	126
Commission expense	-16	-19	-12	-70	-69
Net income/expense from financial transactions	35	82	-149	213	-206
Other operating income	111	135	197	515	521
<b>Total operating income</b>	<b>266</b>	<b>367</b>	<b>597</b>	<b>941</b>	<b>803</b>
Personnel costs	-93	-81	-85	-354	-325
Other expenses	-115	-84	-135	-434	-370
Depreciation and amortisation of property, plant and equipment and intangible fixed assets	-4	-4	-4	-15	-13
<b>Total expenses before loan losses</b>	<b>-212</b>	<b>-169</b>	<b>-224</b>	<b>-803</b>	<b>-708</b>
<b>Profit before loan losses</b>	<b>54</b>	<b>198</b>	<b>373</b>	<b>138</b>	<b>95</b>
Loan losses, net	-12	-13	-18	-34	3
<b>Operating profit</b>	<b>42</b>	<b>185</b>	<b>355</b>	<b>104</b>	<b>98</b>
Tax	2	-50	-93	-11	-23
<b>Profit for the period</b>	<b>44</b>	<b>135</b>	<b>262</b>	<b>93</b>	<b>75</b>

# Statement of comprehensive income

Parent Company SEK million	2012 Q4	2012 Q3	2011 Q4	2012 Jan-Dec	2011 Jan-Dec
<b>Profit for the period</b>	<b>44</b>	<b>135</b>	<b>262</b>	<b>93</b>	<b>75</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Change in reclassified financial assets, after tax	1	4	7	14	28
Change in instruments used in cash-flow hedging, after tax	-	-	1	-	1
<b>Other comprehensive income, net after tax</b>	<b>1</b>	<b>4</b>	<b>8</b>	<b>14</b>	<b>29</b>
<b>Total comprehensive income for the period</b>	<b>45</b>	<b>139</b>	<b>270</b>	<b>107</b>	<b>104</b>

## Parent Company performance full-year 2012 compared with 2011

Full-year operating profit amounted to SEK 104 million (98) and was primarily attributable to higher net interest income of SEK 130 million (expense: 92) and an improvement in net income/expense from financial transactions, which amounted to income of SEK 213 million (expense: 206). The improvement in net interest income was primarily driven by an increase in the volume of loans to the public and interest income arising from an increase in subordinated loans to the subsidiary, SCBC. The improvement in net income/expense from financial transactions was mainly due to positive developments in the liquidity portfolio, which offset continued negative changes in the market value of basis swaps. Due to the continued development

of the banking operations, temporary employees and to operating costs, expenses were higher than in the year-earlier period at SEK 803 million (708). The net effect of loan losses was a loss of SEK 34 million (gain: 3) and confirmed loan losses remained low. The net effect was mainly impacted by increases in provisions. Lending to the public amounted to SEK 46.4 billion (32.9), with the increase due to factors such as loans being transferred from FriSpar Bolån AB. The Parent Company has favourable capital adequacy. Taking the transitional regulations into account, the Core Tier 1 capital ratio and the capital adequacy ratio amounted to 25.8 percent (26.6) and 46.2 percent (45.9), respectively.

# Balance sheet

Parent Company  
SEK million

	31 Dec 2012	31 Dec 2011
<b>ASSETS</b>		
Cash and balances at central banks	0	0
Chargeable treasury bills and other eligible bills	12,860	5,949
Lending to credit institutions (Note 9)	48,435	56,412
Lending to the public	46,360	32,940
Change in value of interest-rate-hedged items in portfolio hedges	-	-8
Bonds and other interest-bearing securities	31,452	41,556
Derivative instruments	11,499	13,813
Shares and participations	150	-
Shares and participations in joint ventures	830	733
Shares and participations in Group companies	9,600	9,600
Intangible fixed assets	14	6
Property, plant and equipment	33	30
Other assets	76	718
Prepaid expenses and accrued income	719	899
<b>TOTAL ASSETS</b>	<b>162,028</b>	<b>162,648</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Liabilities to credit institutions	2,443	9,688
Deposits from the public	27,654	8,769
Debt securities in issue	101,782	116,753
Derivative instruments	13,909	12,109
Other liabilities	356	120
Accrued expenses and prepaid income	835	903
Provisions	65	248
Subordinated debt	7,052	6,233
<b>Total liabilities</b>	<b>154,096</b>	<b>154 823</b>
<b>Equity</b>		
Share capital	1,958	1,958
Legal reserve	392	392
Fair value reserve	-37	-51
Retained earnings	5,526	5,451
Profit for the year	93	75
<b>Total equity</b>	<b>7,932</b>	<b>7,825</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>162,028</b>	<b>162,648</b>

# Capital adequacy

Parent Company  
SEK million

	31 Dec 2012	31 Dec 2011
Core Tier 1 capital	7,920	7,432
Tier 1 capital	10,914	10,426
Total capital	14,179	12,819
<b>Without transitional rules</b>		
Risk-weighted assets	26,688	25,159
Core Tier 1 capital ratio	29.7%	29.5%
Tier 1 capital ratio	40.9%	41.4%
Capital adequacy ratio	53.1%	51.0%
Capital quotient	6.64	6.37
<b>With transitional rules</b>		
Risk-weighted assets	30,719	27,948
Core Tier 1 capital ratio	25.8%	26.6%
Tier 1 capital ratio	35.5%	37.3%
Capital adequacy ratio	46.2%	45.9%
Capital quotient	5.77	5.73

## Note 9 Lending to credit institutions

Of the Parent Company's lending to credit institutions, SEK 39,602 million (36,300) relates to a receivable from the wholly owned subsidiary The Swedish Covered Bond Corporation, SCBC (publ). This receivable is subordinated in the event of bankruptcy or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid.

# Review Report

The auditors' review report on the condensed year-end financial information (year-end 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 interim report of SBAB Bank AB (publ.), corp. reg. no. 556253-7513, for the period 1 January 2012 – 31 December 2012. The Board of Directors and the CEO are responsible for preparing and presenting the information in this year-end financial information in accordance with IAS 34 and the Annual Accounts (Credit Institutions and Securities Companies) Act. Our responsibility is to express an opinion on this financial year-end 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 the Auditing Standard in Sweden (RS) and generally accepted auditing practice otherwise. The measures undertaken in a review do not permit us to be certain that we have become aware of all significant matters that might have been identified in an audit. The expressed opinion based on a review does not therefore have 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 year-end report has not been prepared, in all essentials, in accordance with IAS 34 and the Annual Accounts (Credit Institutions and Securities Companies) Act for the Group and in accordance with the Annual Accounts (Credit Institutions and Securities Companies) Act for the Parent Company.

Stockholm, 6 February 2013  
Öhrlings PricewaterhouseCoopers

Catarina Ericsson  
*Authorised Public Accountant*

# SBAB BANK

SBAB Bank AB (publ)

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