



DISCLOSURE OF CAPITAL, LIQUIDITY AND LEVERAGE RATIO

March 2018 | SBAB Bank AB (publ)

SBAB!



CONSOLIDATED SITUATION

SBAB Bank AB (publ) reports credit risk mainly in accordance with the IRB approach, and reports operational risk, market risk and CVA risk in accordance with the standardised approach.

The tables below are based on disclosure requirements under Part 8 of regulation (EU) 575/2013 and Swedish Financial Supervisory Authority's Regulatory Code FFFS 2014:18 and FFFS 2014:12. According to these regulations, SBAB shall publish the structure of own funds, risk exposure amount per exposure class, information about capital adequacy and buffers as well as internally assessed capital requirement. In addition, leverage ratio is reported on a consolidated level.

In accordance with FFFS 2010:7, liquidity reserve and liquidity coverage ratio are also disclosed on a consolidated level.

1 CAPITAL ADEQUACY

1.1 OVERVIEW

TABLE 1. CAPITAL ADEQUACY – CONSOLIDATED SITUATION

CAPITAL ADEQUACY SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
CET1 capital	13,658	13,443	12,216
Tier 1 capital	16,658	16,443	15,216
Total capital	20,105	19,890	19,665
Risk exposure amount	43,939	41,797	40,903
CET1 capital ratio, %	31.1	32.2	29.9
Excess ¹⁾ of CET1 capital	11,680	11,563	10,375
Tier 1 capital ratio, %	37.9	39.3	37.2
Excess ¹⁾ of Tier 1 capital	14,021	13,936	12,762
Total capital ratio, %	45.8	47.6	48.1
Excess ¹⁾ of total capital	16,590	16,547	16,393

¹⁾ Excess capital has been calculated based on minimum requirements (without buffer requirements)

Proposed movement of the risk-weight floor for residential mortgages

The Swedish FSA has proposed introducing the existing risk-weight floor for mortgages applied in Pillar 2 as a requirement within the framework of Article 458 of the Capital Requirements Regulation. The change is proposed to enter force from 31 December 2018. The Swedish FSA maintains that the main reason for the proposed change is structural changes in the Swedish banking market. On 15 March 2018, Nordea Bank AB decided to move its headquarters from Sweden to Finland. The Swedish FSA believes that this change in the market's structure may lead to operators in the Swedish residential mortgage market facing different capital requirements for their Swedish mortgage exposures. Therefore, the Swedish FSA has evaluated how distortion of market competition can be countered and assesses that the current design of the risk-weight floor needs amendment. This is also required to ensure existing capital requirement levels for mortgage exposures in Sweden. The Swedish FSA believes that both these goals can be achieved by replacing the existing risk-weight floor with a requirement under the framework of Article 458 of the Capital Requirements Regulation. The change means the capital requirement is set as a requirement

in Pillar 1. The credit institutions proposed to be encompassed by the measure are those authorised to use the IRB approach and which have exposures to Swedish residential mortgages. The branches of foreign credit institutions in Sweden that are exposed to Swedish residential mortgages and which apply the IRB approach for these may also be affected.

The following calculation is preliminary and is based on SBAB's interpretation of the consultation memorandum FI Ref. 18-6251.

In nominal terms, the total capital requirement is not significantly affected by the measure proposed by the Swedish FSA. The minimum requirement rises as does the buffer requirement. At the same time, the Pillar 2 capital requirement decreases by a corresponding amount since the existing Pillar 2 requirement of 25% for residential mortgages is removed. However, the current proposal does entail an increase in the risk exposure amount. The consequence is that the capital ratios and the capital requirement expressed as a percentage of the risk exposure amount decreases, while the difference in absolute terms is negligible. SBAB's capacity to meet the total capital requirement is thus unaffected.

In accordance with the Swedish FSA's proposed movement of the risk-weight floor for residential mortgages

	2018-03-31	2017-12-31	2017-03-31
Risk exposure amount, SEK bn	109.7	105.3	98.0
CET1 capital ratio, %	12.5	12.8	12.5
Total capital ratio, %	18.3	18.9	20.1

1.2 OWN FUNDS

TABLE 2. OWN FUNDS – CONSOLIDATED SITUATION

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 1423/2013, Annex V.

OWN FUNDS SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	11,506	10,452	10,358
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	111	189	411
Additional Tier 1 instruments	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend ¹⁾	266	1,026	–
CET1 capital before regulatory adjustments	15,341	15,125	14,227
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-73	-62	-76
Intangible assets (net of related tax liability) (negative amount)	-107	-83	-149
Fair value reserves related to gains or losses on cash-flow hedges	80	9	-252
Negative amounts resulting from the calculation of expected loss amounts	-65	-29	-4
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-18	-17	-30
Additional Tier 1 instruments in equity	-1,500	-1,500	-1,500
Total regulatory adjustments to CET1 capital	-1,683	-1,682	-2,011
CET1 capital	13,658	13,443	12,216
Additional Tier 1 capital: Instruments			
Capital instruments and the related share premium accounts	3,000	3,000	3,000
<i>Of which: classified as equity under applicable accounting standards</i>	<i>1,500</i>	<i>1,500</i>	<i>1,500</i>
<i>Of which: classified as liabilities under applicable accounting standards</i>	<i>1,500</i>	<i>1,500</i>	<i>1,500</i>
Additional Tier 1 capital before regulatory adjustments	3,000	3,000	3,000
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	–	–	–
Additional Tier 1 capital	3,000	3,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	16,658	16,443	15,216
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	3,447	3,447	4,447
Credit risk adjustments	–	–	2
Tier 2 capital before regulatory adjustments	3,447	3,447	4,449
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	–	–	–
Tier 2 capital	3,447	3,447	4,449
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	20,105	19,890	19,665
Total risk-weighted assets	43,939	41,797	40,903

cont. **OWN FUNDS – CONSOLIDATED SITUATION**

OWN FUNDS SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	31.1	32.2	29.9
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	37.9	39.3	37.2
Total capital (as a percentage of total risk-weighted exposure amount), %	45.8	47.6	48.1
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	9.0	9.0	9.0
<i>Of which: CET1 capital, minimum requirement, %</i>	4.5	4.5	4.5
<i>Of which: capital conservation buffer requirement, %</i>	2.5	2.5	2.5
<i>Of which: countercyclical capital buffer requirement, %</i>	2.0	2.0	2.0
<i>Of which: systemic risk buffer requirement, %</i>	-	-	-
<i>Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffers, %</i>	-	-	-
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	26.6	27.7	25.4
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)			
Current cap on AT1 instruments subject to phase-out arrangements	-	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	-
Current cap on T2 instruments subject to phase-out arrangements	-	-	-

¹⁾ Earnings for the interim period were reduced by the expected dividend of SEK 178 million based on Q1 2018. Retained earnings was reduced by the proposed dividend for 2017 of SEK 684 million.

1.3 RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTSTABLE 3. **RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS BY RISK TYPE – CONS. SITUATION**

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA OV1 table)

SEK million	31 Mar 2018		31 Dec 2017		31 Mar 2017	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Credit risk (excl. counterparty risk)	32,687	2,614	31,644	2,532	30,250	2,420
<i>of which, the standardised approach</i>	7,761	620	6,917	554	6,428	514
<i>of which, the FIRB approach</i>	12,229	978	12,258	981	12,121	970
<i>of which, the AIRB approach</i>	12,697	1,016	12,469	997	11,701	936
Counterparty credit risk	6,155	493	4,850	388	4,986	399
<i>of which, the standardised approach</i>	3,346	268	2,592	207	2,519	202
<i>of which, credit valuation adjustment risk (CVA)</i>	2,809	225	2,258	181	2,467	197
Market risk	758	61	1,159	93	1,523	122
<i>of which, the standardised approach</i>	758	61	1,159	93	1,523	122
Operational risks	4,339	347	4,144	331	4,144	331
<i>of which, the standardised approach</i>	4,339	347	4,144	331	4,144	331
Adjustment for the Basel 1 floor ¹⁾		-		12,096		10,773
Total	43,939	3,515	41,797	15,439	40,903	14,045

¹⁾ Basel I transitional rules remained in force until 31 Dec 2017.

TABLE 4. **RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS**
– CONSOLIDATED SITUATION

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS SEK million	31 Mar 2018		31 Dec 2017		31 Mar 2017	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	12,229	978	12,258	981	12,121	970
Retail exposures	12,697	1,016	12,469	997	11,701	936
<i>Of which: exposures to SMEs</i>	1,097	88	1,160	93	1,168	93
<i>Of which: retail exposures secured by immovable property</i>	11,600	928	11,309	904	10,533	843
Total exposures recognised with the IRB approach	24,926	1,994	24,727	1,978	23,822	1,906
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions ¹⁾	3,347	268	2,593	207	2,519	202
<i>Of which: derivatives according to CRR, Appendix 2</i>	3,223	258	2,583	206	2,409	193
<i>Of which repos</i>	123	10	9	1	110	9
<i>Of which other</i>	1	0	1	0	0	0
Exposures to corporates	–	–	–	–	–	–
Retail exposures	2,176	174	2,193	175	2,063	165
Exposures in default	9	1	11	1	11	1
Exposures in the form of covered bonds	3,799	304	3,282	263	3,504	280
Exposures to institutions and corporates with a short-term credit rating	368	29	21	2	366	29
Equity exposures	1,078	86	1,078	86	–	–
Other items	330	26	331	27	484	39
Total exposures recognised with standardised approach	11,107	888	9,509	761	8,947	716
Market risk	758	61	1,159	93	1,523	122
<i>Of which: position risk</i>	–	–	413	33	749	60
<i>Of which: currency risk</i>	758	61	746	60	774	62
Operational risk	4,339	347	4,144	331	4,144	331
Credit valuation adjustment risk	2,809	225	2,258	181	2,467	197
Total risk exposure amount and minimum capital requirements	43,939	3,515	41,797	3,344	40,903	3,272
Capital requirements for capital conservation buffer		1,098		1,045		1,023
Capital requirements for countercyclical buffer		869		829		810
Total capital requirements		5,482		5,218		5,105

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,346 million (2,592).

TABLE 5. BREAKDOWN OF EXPOSURE AMOUNTS USING THE STANDARDISED APPROACH BY EXPOSURE CLASS AND RISK WEIGHT AFTER APPLICATION OF THE CCF AND CREDIT RISK MITIGATION (CRM) ¹⁾ – CONSOLIDATED SITUATION

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA CR5 TABLE)

Exposure classes	0%	10%	20%	50%	75%	100%	150%	1,250%	Deducted ²⁾	Total	Of which, unrated
Exposures to governments and central banks	29,970	-	-	-	-	-	-	-	-	29,970	-
Exposures to regional governments or local authorities	11,597	-	-	-	-	-	-	-	-	11,597	-
Exposures to multilateral development banks	2,526	-	-	-	-	-	-	-	-	2,526	-
Exposures to institutions ¹⁾	-	-	2,669	5,626	-	-	-	-	-	8,295	0
Exposures to corporates	-	-	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	2,902	-	-	-	-	2,902	2,902
Exposures in default	-	-	-	-	-	7	1	-	-	8	8
Exposures in the form of covered bonds	-	37,990	-	-	-	-	-	-	-	37,990	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	590	500	-	-	-	-	-	1,090	-
Equity exposures	-	-	-	-	-	-	-	86	-	86	86
Other items	112	-	-	-	-	331	-	-	-	443	443
Total	44,205	37,990	3,259	6,126	2,902	338	1	86	-	94,907	3,439

¹⁾ Exposures to institutions including counterparty risk.

²⁾ The exposure class, "other items" includes those items deducted from own funds. As a precautionary measure, capital adequacy for these is calculated with a risk weight of 0%.

TABLE 6. CREDIT-RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) USING THE STANDARDISED APPROACH – CONSOLIDATED SITUATION

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA CR4 TABLE)

Exposure classes	<i>Original exposure amount before credit risk conversion factors and mitigation methods</i>		<i>Original exposure amount after credit risk conversion factors and mitigation methods</i>		<i>Risk exposure amounts and risk exposure density</i>	
	Carrying amount	Contingent liabilities	Carrying amount	Contingent liabilities	Risk exposure amount	Density (%)
Exposures to governments and central banks	29,915	-	29,970	-	-	-
Exposures to regional governments or local authorities or agencies	10,672	-	11,597	-	-	-
Exposures to multilateral development banks	2,526	-	2,526	-	-	-
Exposures to institutions ¹⁾	2	-	2	-	0	20%
Exposures to corporates	-	-	-	-	-	-
Retail exposures	2,681	1,106	2,681	221	2,176	75%
Exposures in default	8	-	8	-	9	108%
Exposures in the form of covered bonds	37,990	-	37,990	-	3,799	10%
Exposures to institutions and corporates with a short-term credit assessment	1,090	-	1,090	-	368	34%
Equity exposures	86	-	86	-	1,078	1,250%
Other items	443	-	443	-	331	75%
Total	85,413	1,106	86,393	221	7,761	9%

¹⁾ The institution exposure class excludes counterparty risk.

1.4 CREDIT RISK IN LENDING OPERATIONS

TABLE 7. CREDIT RISK EXPOSURE BY EXPOSURE CLASS AND PD RANGE – CONS. SITUATION

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA CR6 TABLE)

SEK million	PD scale	Original on-balance-sheet exposure	Off-balance-sheet exposures pre-CCF	Average CCF, %	Exposure value after CCF	Average PD, %	Number of borrowers	Average LGD, %	Average maturity	Risk exposure amount	Risk exposure amount density, %	Expected loss	Value adjustments and provisions
Exposure class													
Corporates (foundation approach)	Of which, Corporate SME	0.00 to <0.15	5,677	-	-	5,662	0,09	71	35.5	2.5	881	16	2
		0.15 to <0.25	6,784	-	-	6,781	0,21	103	36.2	2.5	1,749	26	5
		0.25 to <0.50	1,910	-	-	1,910	0,45	82	35.5	2.5	694	36	3
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	69	-	-	58	1,16	15	35.2	2.5	31	54	0
		2.50 to <10.00	193	-	-	189	3,37	14	43.9	2.5	189	100	3
		10.00 to <100.00	0	-	-	0	27,04	1	45.0	2.5	0	162	0
		100.00 (Default)	47	-	-	47	100,00	1	35.0	2.5	-	-	16
		Portfolio subtotal	14,680	-	-	14,647	0,56	288	35.9	2.5	3,544	24	29
	Of which, Corporates Other	0.00 to <0.15	18,196	3,213	75.0	20,522	0,09	114	38.1	2.5	5,191	25	7
		0.15 to <0.25	5,143	1,746	75.0	6,453	0,21	46	43.1	2.5	2,952	46	6
		0.25 to <0.50	502	353	75.0	766	0,45	7	44.8	2.5	535	70	2
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	7	-	-	7	1,16	3	35.0	2.5	6	80	0
		2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-
Portfolio subtotal	23,848	5,312	75.0	27,748	0,13	170	39.5	2.5	8,684	31	15	4	
Retail (advanced approach)	Of which, Retail SME	0.00 to <0.15	33,359	74	93.0	33,103	0,09	1,142	7.9	-	467	1	3
		0.15 to <0.25	11,781	224	90.6	11,631	0,21	609	8.9	-	347	3	2
		0.25 to <0.50	1,841	4	93.6	1,756	0,45	141	9.6	-	98	6	1
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	127	-	-	98	1,16	22	11.4	-	12	13	0
		2.50 to <10.00	127	-	-	109	5,30	20	14.5	-	44	40	1
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	84	-	-	84	100,00	4	18.0	-	129	153	15
		Portfolio subtotal	47,319	302	91.2	46,781	0,33	1,939	8.2	-	1,097	2	22
	Of which, Retail Other	0.00 to <0.15	158,841	20,706	24.5	163,872	0,04	115,407	9.8	-	2,055	1	7
		0.15 to <0.25	50,278	14,260	28.2	54,303	0,16	35,202	11.1	-	2,175	4	10
		0.25 to <0.50	29,563	5,645	27.2	31,091	0,42	19,309	11.2	-	2,558	8	15
		0.50 till <0.75	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	13,386	376	77.3	13,675	1,55	7,690	11.5	-	2,784	20	24
		2.50 to <10.00	2,285	61	83.1	2,335	4,17	1,428	11.3	-	834	36	11
		10.00 to <100.00	1,411	52	38.4	1,431	24,67	1,068	11.1	-	976	68	39
		100.00 (Default)	227	-	0.0	226	100,00	156	12.3	-	219	97	14
Portfolio subtotal	255,991	41,100	26.7	266,933	0,44	180,259	10.3	-	11,601	4	120	84	
Total (all portfolios)		341,838	46,714	32.6	356,109	0,41	182,656	13.4	-	24,926	7	186	120

TABLE 8. **TREND FOR RISK EXPOSURE AMOUNTS UNDER THE IRB APPROACH – CONS. SITUATION**

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA CR8 TABLE)

SEK million	31 Mar 2018		31 Dec 2017		31 Mar 2017	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Risk exposure amount at the end of the previous period ¹⁾	23,822	1,906	23,546	1,884	23,546	1,884
Asset size	2,828	226	2,923	234	432	35
Asset quality	-1,682	-135	-1,731	-139	-155	-13
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-
Other	-42	-3	-11	-1	-1	0
Risk exposure amount at the end of the reporting period	24,926	1,994	24,727	1,978	23,822	1,906

¹⁾ Risk exposure amount at the previous quarter.

1.5 CREDIT RISK IN TREASURY OPERATIONS

TABLE 9. **RISK WEIGHTS FOR COUNTERPARTY-CREDIT RISK EXPOSURES BY EXPOSURE CLASS – CONSOLIDATED SITUATION**

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA CCR3 TABLE)

SEK million Exposure class	31 Mar 2018					31 Dec 2017					31 Mar 2017				
	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total
Institution	-	-	2,667	5,626	8,293	-	-	1,633	4,547	6,180	-	-	1,032	4,625	5,657
Total	-	-	2,667	5,626	8,293	-	-	1,633	4,547	6,180	-	-	1,032	4,625	5,657

1.6 MARKET RISK

TABLE 10. **RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS FOR MARKET RISK**
– CONSOLIDATED SITUATION

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA MR1 TABLE)

SEK million Risk class	31 Mar 2018		31 Dec 2017		31 Mar 2017	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Interest-rate risk (general and specific)	–	–	413	33	749	60
Foreign exchange risk	758	61	746	60	774	62
Total	758	61	1,159	93	1,523	122

2 INTERNALLY ASSESSED CAPITAL REQUIREMENT

SBAB shall quarterly publish the internally assessed capital requirement according to (the Swedish Financial Authority code) FFFS 2014:12. The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise.

SBAB quantifies the capital requirement for its risks using a model for economic capital within the scope of the internal capital adequacy assessment process ("ICAAP"). Economic capital is defined as the amount of capital needed to ensure solvency over a one-year period, given a predetermined level of confidence. In

SBAB's case, the level of confidence is 99.97%, which corresponds to SBAB's long-term AA- target rating (according to Standard & Poor's ratings scale). The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk. The table below sets out the internal capital requirement for the consolidated situation, with and without taking into account Finansinspektionen's supervisory practices with regard to the risk-weight floor for Swedish residential mortgages.

TABLE 11. INTERNALLY CALCULATED CAPITAL REQUIREMENTS PER RISKTYPE – CONSOLIDATED SITUATION

SEK million		31 Mar 2018			31 Dec 2017		
		Pillar 1	EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR	Pillar 1	EXCL. RISK-WEIGHT FLOOR	INCL. RISK-WEIGHT FLOOR
			Internally assessed capital requirement	Internally assessed capital requirement		Internally assessed capital requirement	Internally assessed capital requirement
Pillar 1	Credit risk & CVA risk	3,107	3,107	3,107	2,920	2,920	2,920
	Market risk	61	61	61	93	93	93
	Operational risk	347	347	347	331	331	331
Pillar 2	Credit risk ¹⁾	-	1,059	0	-	1,119	0
	Market risk	-	1,069	1,069	-	1,002	1,002
	Operational risk	-	0	0	-	0	0
	Risk-weight floor	-	-	8,216	-	-	7,940
	Concentration risk	-	931	931	-	898	898
	Sovereign risk	-	61	61	-	57	57
	Pension risk	-	0	0	-	0	0
Buffers	Capital conservation buffer	1,098	1,098	1,098	1,045	1,045	1,045
	Capital planning buffer ²⁾	-	1,072	0	-	1,125	0
	Countercyclical buffer	869	869	869	829	829	829
Total		5,482	9,674	15,759	5,218	9,419	15,115

¹⁾ In the internal capital requirement without taking the risk-weight floor into account, additional credit risks in Pillar 2 consist of SBAB's estimated capital requirement in economic capital. Since the additional capital requirement for the risk-weight floor exceeds the additional capital requirement according to economic capital, only the risk-weight floor is included in the internal capital requirement with consideration for the risk-weight floor.

²⁾ The higher of the stress test buffer and the capital planning buffer is included in the internally assessed capital requirement. After taking into account the risk-weight floor, the stress test buffer is calculated without consideration for risk migration in the residential mortgage portfolios and, accordingly, the required buffer is smaller.

3 LEVERAGE RATIO

The CRR introduced a non-risk-sensitive metric to avoid excessive indebtedness. This metric is calculated as Tier 1 capital in relation to total assets and off-balance sheet exposures restated with the application of credit conversion factors.(CCF). Leverage ratio for

the consolidated situation, calculated according to article 429 i CRR(Regulation (EU) No 575/2013 of the European Parliament and of the council, amounted to 3.66%.

4 LIQUIDITY RISK

The assets in SBAB's liquidity reserve comprises liquid, interest-bearing securities with high ratings and form an integrated part of the Group's liquidity risk management. Securities holdings are limited by asset class and by country, respectively, and must have a AAA rating on acquisition. In addition to these collective limits, limits for individual issuers may also be set. The following table is reported according to the Swedish Bankers' Association's template for liquidity reserve disclosures.

SBAB and SCBC are managed collectively as one sub-consolidated liquidity group with regard to liquidity management and control in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council (CRR), which allows free disposition of liquid funds in the liquidity group. That means that the liquidity requirements in the CRR only are applicable for the group and not for the individual entities within the group.

TABLE 12. **LIQUIDITY RESERVE – CONSOLIDATED SITUATION**

LIQUIDITY RESERVE Group, SEK million	31 Mar 2018				31 Dec 2017			
	Total	DISTRIBUTION BY CURRENCY			Total	DISTRIBUTION BY CURRENCY		
		SEK	EUR	USD		SEK	EUR	USD
Cash and balances at central banks	-	-	-	-	500	500	-	-
Balances at other banks	-	-	-	-	-	-	-	-
Securities issued or guaranteed by governments, central banks or multinational development banks	27,090	17,737	6,768	2,585	28,033	17,926	7,714	2,393
Securities issued or guaranteed by municipalities or non-public sector entities	12,268	10,198	729	1,341	8,621	7,003	176	1,442
Covered bonds issued by other institutions	40,971	35,674	4,493	804	35,501	30,146	4,564	791
Covered bonds issued by SBAB	-	-	-	-	-	-	-	-
Securities issued by non-financial corporates	-	-	-	-	-	-	-	-
Securities issued by financial corporates (excl. covered bonds)	-	-	-	-	-	-	-	-
Other securities	-	-	-	-	-	-	-	-
Total	80,329	63,609	11,990	4,730	72,655	55,575	12,454	4,626
Bank and loan facilities	-	-	-	-	-	-	-	-
Total	80,329	63,609	11,990	4,730	72,655	55,575	12,454	4,626
Distribution by currency, %		79%	15%	6%	%	76.5	17.1	6.4

TABLE 13. LIQUIDITY COVERAGE RATIO UNDER THE CRR – CONSOLIDATED SITUATION

(EBA TABLE EU LIQ1)

SEK million	TOTAL UNWEIGHTED VALUE (AVERAGE)				TOTAL WEIGHTED VALUE (AVERAGE)			
	31 Dec 2018	30 Dec 2017	30 Sep 2017	30 Jun 2017	31 Dec 2018	30 Dec 2017	30 Sep 2017	30 Jun 2017
Number of data points used in the calculation of averages	12	12	12	10	12	12	12	10
High-quality liquid assets (HQLA)								
Total HQLA	-	-	-	-	72,357	71,947	70,311	70,120
Cash outflows								
Retail deposits and deposits from small business customers, of which:	86,919	83,989	81,625	80,199	6,999	6,736	6,528	6,403
<i>Stable deposits</i>	58,338	56,559	54,898	53,788	2,917	2,828	2,745	2,689
<i>Less stable deposits</i>	28,581	27,430	26,727	26,411	4,082	3,908	3,783	3,713
Unsecured wholesale funding	24,446	23,685	22,022	21,246	11,901	11,721	10,985	10,742
<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
<i>Non-operational deposits (all counterparties)</i>	21,353	20,439	18,929	18,077	8,808	8,474	7,891	7,573
<i>Unsecured debt</i>	3,093	3,246	3,093	3,169	3,093	3,246	3,093	3,169
Secured wholesale funding	-	-	-	-	51	63	68	96
Additional requirements	47,346	47,251	44,831	44,707	10,666	11,401	10,706	12,072
<i>Outflows related to derivative exposures and other collateral requirements</i>	6,101	5,696	4,821	5,098	6,101	5,696	4,821	5,098
<i>Outflows related to loss of funding on debt products</i>	2,634	3,818	4,088	5,256	2,634	3,818	4,088	5,256
<i>Credit and liquidity facilities</i>	38,611	37,737	35,921	34,352	1,931	1,887	1,796	1,718
Other contractual funding obligations	124	127	121	141	-	5	4	5
Other contingent funding obligations	11,583	11,202	10,527	10,079	5,308	5,572	5,439	5,236
Total cash outflows	-	-	-	-	29,612	29,904	28,262	29,270
Cash inflows								
Secured lending (e.g. reverse repos)	4,381	5,145	5,173	4,867	147	167	173	174
Inflows from fully performing exposures	1,669	1,627	1,570	2,769	1,055	1,033	1,003	1,600
Other cash inflows	6,617	6,811	6,328	6,982	6,617	6,811	6,328	6,982
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-	-	-	-	-
(Excess inflows from a related specialised credit institution)	-	-	-	-	-	-	-	-
Total cash inflows	25,333	27,165	26,143	29,237	15,639	16,021	15,007	17,474
Fully exempt inflows	-	-	-	-	-	-	-	-
Inflows subject to 90% cap	-	-	-	-	-	-	-	-
Inflows subject to 75% cap	12,666	13,583	13,071	14,618	7,820	8,010	7,503	8,737
TOTAL ADJUSTED VALUE								
Liquidity buffer	-	-	-	-	72,357	71,947	70,311	70,120
Total net cash outflows	-	-	-	-	27,100	27,470	26,202	25,775
Liquidity coverage ratio (%)	-	-	-	-	267%	262%	268%	272%

In accordance with the EBA's guidelines (EBA/GL/2017/01), detailed information is reported about the liquidity coverage ratio (LCR) as defined in the European Commission delegated regulation (EU) 2015/61 in Table 13 above. LCR calculates the degree to which a bank's liquid assets cover its net cash flows for the coming 30 days in a stressed scenario. LCR = liquid assets/(cash outflows - cash inflows). The values presented are simple averages for observations at the end of each month over the 12-month period preceding the end of each quarter.

In 2017, the item "Outflows related to derivative exposures and other collateral requirements" averaged SEK 6.1 billion in accordance with Table 13. The majority

of the amount pertains to derivative liabilities for which SBAB has posted collateral. Slightly more than SEK 1,2 billion corresponds to a simulated outflow as a result of additional collateral being required in extremely stressed market scenarios pursuant to Article 30 (3) of the European Commission delegated regulation (EU) 2015/61. The amount also includes excess collateral posted by counterparties and contracted collateral that has yet to be posted by the bank.



SBAB BANK AB (PUBL)

PARENT COMPANY



1 CAPITAL ADEQUACY

1.1 OVERVIEW

TABLE 1. CAPITAL ADEQUACY – PARENT COMPANY

CAPITAL ADEQUACY Parent Company, SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
CET1 capital	6,947	7,127	7,560
Tier 1 capital	9,947	10,127	10,560
Total capital	13,394	13,574	15,010
Risk exposure amount	32,993	31,776	34,379
CET1 capital ratio, %	21.1	22.4	22.0
Excess ¹⁾ of CET1 capital	5,463	5,697	6,013
Tier 1 capital ratio, %	30.2	31.9	30.7
Excess ¹⁾ of Tier 1 capital	7,968	8,221	8,498
Total capital ratio, %	40.6	42.7	43.7
Excess ¹⁾ of total capital	10,755	11,032	12,259

¹⁾ Excess capital has been calculated based on minimum requirements (without buffer requirements)

1.2 OWN FUNDS

TABLE 2. OWN FUNDS – PARENT COMPANY

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 1423/2013, Annex V.

OWN FUNDS Parent Company, SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	5,057	5,663	5,568
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	188	157	130
Additional Tier 1 instruments	1500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend ¹⁾	-182	-593	-
CET1 capital before regulatory adjustments	8,521	8,685	9,156
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-79	-66	-79
Intangible assets (net of related tax liability) (negative amount)	-26	-26	-30
Fair value reserves related to gains or losses on cash-flow hedges	69	79	45
Negative amounts resulting from the calculation of expected loss amounts	-20	-28	-3
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-18	-17	-29
Additional Tier 1 instruments in equity	-1,500	-1,500	-1,500
Total regulatory adjustments to CET1 capital	-1,574	-1,558	-1,596
CET1 capital	6,947	7,127	7,560
Additional Tier 1 capital: Instruments			
Capital instruments and the related share premium accounts	3,000	3,000	3,000
<i>Of which: classified as equity under applicable accounting standards</i>	<i>1,500</i>	<i>1,500</i>	<i>1,500</i>
<i>Of which: classified as liabilities under applicable accounting standards</i>	<i>1,500</i>	<i>1,500</i>	<i>1,500</i>
Additional Tier 1 capital before regulatory adjustments	3,000	3,000	3,000
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	-	-	-
Additional Tier 1 capital	3,000	3,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	9,947	10,127	10,560
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	3,447	3,447	4,447
Credit risk adjustments	-	-	3
Tier 2 capital before regulatory adjustments	3,447	3,447	4,450
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	-	-	-
Tier 2 capital	3,447	3,447	4,450
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	13,394	13,574	15,010
Total risk-weighted assets	32,993	31,776	34,379

cont. **OWN FUNDS – PARENT COMPANY**

OWN FUNDS Parent Company, SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	21.1	22.4	22.0
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	30.2	31.9	30.7
Total capital (as a percentage of total risk-weighted exposure amount), %	40.6	42.7	43.7
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer] expressed as a percentage of the risk-weighted exposure amount), %	9.0	9.0	9.0
<i>Of which: CET1 capital, minimum requirement, %</i>	4.5	4.5	4.5
<i>Of which: capital conservation buffer requirement, %</i>	2.5	2.5	2.5
<i>Of which: countercyclical capital buffer requirement, %</i>	2.0	2.0	2.0
<i>Of which: systemic risk buffer requirement, %</i>	-	-	-
<i>Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffers, %</i>	-	-	-
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	16.6	17.9	17.5
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)			
Current cap on AT1 instruments subject to phase-out arrangements	-	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	-
Current cap on T2 instruments subject to phase-out arrangements	-	-	-

¹⁾ Earnings for the interim period were reduced by the expected dividend of SEK 178 million based on Q1 2018. Retained earnings was reduced by the proposed dividend for 2017 of SEK 684 million.

1.3 CAPITAL REQUIREMENT

TABLE 3. RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS – PARENT COMPANY

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS Parent Company, SEK million	31 Mar 2018		31 Dec 2017		31 Mar 2017	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	6,633	531	6,800	544	6,641	531
Retail exposures	1,026	82	1,125	90	3,706	297
<i>Of which: exposures to SMEs</i>	154	12	244	20	356	28
<i>Of which: retail exposures secured by immovable property</i>	872	70	881	70	3,350	269
Total exposures recognised with the IRB approach	7,659	613	7,925	634	10,347	828
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions ¹⁾	3,204	256	2,524	202	2,374	190
<i>Of which: derivatives according to CRR, Appendix 2</i>	3,142	251	2,523	202	2,318	185
<i>Of which repos</i>	40	3	–	–	56	5
<i>Of which other</i>	22	2	1	0	0	0
Exposures to corporates	–	–	–	–	–	–
Retail exposures	2,176	174	2,193	175	2,063	165
Exposures in default	9	1	11	1	11	1
Exposures in the form of covered bonds	3,799	304	3,282	263	3,504	280
Exposures to institutions and corporates with a short-term credit rating	368	29	21	2	195	16
Equity exposures	11,378	910	11,378	910	10,386	831
Other items	76	6	77	6	91	7
Total exposures recognised with standardised approach	21,010	1,680	19,486	1,559	18,624	1,490
Market risk	232	19	648	52	1500	120
<i>Of which: position risk</i>	–	–	414	33	750	60
<i>Of which: currency risk</i>	232	19	234	19	750	60
Operational risk	1,412	113	1,570	126	1,570	126
Credit valuation adjustment risk	2,680	214	2,147	171	2,338	186
Total risk exposure amount and minimum capital requirements	32,993	2,639	31,776	2,542	34,379	2,750
Capital requirements for capital conservation buffer		825		794		860
Capital requirements for countercyclical buffer		651		629		680
Total capital requirements		4,115		3,965		4,290

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,182 million (2,523).

2 INTERNALLY ASSESSED CAPITAL REQUIREMENT

For the Parent Company, SBAB Bank AB (publ), the internal capital requirement without the risk weight floor amounted to SEK 5,769 million.

3 LEVERAGE RATIO

Leverage ratio for the Parent Company, calculated according to article 429 i CRR (Regulation (EU) No 575/2013 of the European Parliament and of the council, amounted to 3.78%.