



# DISCLOSURE OF CAPITAL, LIQUIDITY AND LEVERAGE RATIO

September 2018 | SBAB Bank AB (publ)

# SBAB!



# CONSOLIDATED SITUATION

The information in this report is based on the 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 Bank AB (publ) (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 and detailed information about liquidity coverage ratio are reported on a consolidated level. In accordance with FFFS 2010:7, liquidity reserve is also disclosed.

SBAB 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.

# 1 CAPITAL ADEQUACY

## 1.1 OVERVIEW

TABLE 1. CAPITAL ADEQUACY – CONSOLIDATED SITUATION

CAPITAL ADEQUACY Consolidated situation, SEK million	30 Sep 2018	31 Dec 2017	30 Sep 2017
CET1 capital	13,916	13,443	13,090
Tier 1 capital	16,916	16,443	16,090
Total capital	20,367	19,890	20,541
Risk exposure amount	44,194	41,797	41,705
CET1 capital ratio, %	31.5	32.2	31.4
Excess <sup>1)</sup> of CET1 capital	11,928	11,563	11,213
Tier 1 capital ratio, %	38.3	39.3	38.6
Excess <sup>1)</sup> of Tier 1 capital	14,265	13,936	13,588
Total capital ratio, %	46.1	47.6	49.3
Excess <sup>1)</sup> of total capital	16,832	16,547	17,204

<sup>1)</sup> Excess capital has been calculated based on minimum requirements (without buffer requirements)

### The decision of Swedish FSA regarding the shift of risk weight floor for mortgages

On August 22, 2018, the Swedish FSA decided to change the method for the application of the risk weight floor for Swedish mortgages. The requirements for risk weight floor currently being applied in Pillar 2 will be replaced with the corresponding requirements in Pillar 1 within the framework of Article 458 of Regulation on prudential requirements for credit institutions.

This amendment will come into effect on December 31, 2018 and will apply for a period of two years or until the macroprudential risk ceases to exist. According to Article 458, the measure may then be extended by one year at a time.

Credit institutions that are proposed to come under this measure are those that have the authorization to use the IRB approach and have an exposure to Swedish mortgages. This measure applies to both SBAB and SCBC respectively.

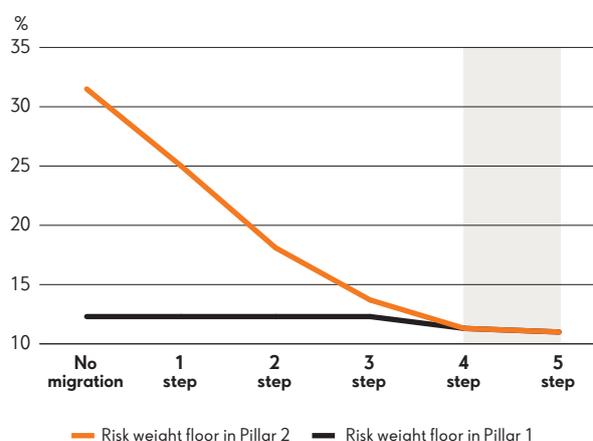
### Impact on SBAB

Currently, the risk weight floor in Pillar 2 has not been included in the calculation of the risk exposure amount. Thus, the increased capital requirements from today's floor have no impact on SBAB's capital ratios. By shifting the risk weight floor to Pillar 1 through the implementation of Article 458, this means that the risk weight floor will be included in the calculation of risk exposure amount. This will in return reduce the capital ratios. However, SBAB's capital requirements will remain unchanged in real terms and changes only when it will be presented as a relation to risk exposure amount.

For example, Due to the shift of risk weight floor from pillar 2 to pillar 1, the CET 1 ratio on September 30, 2018 would fall from 31.5% to 12.3% and it had also fallen from 30.3% to 12.3% when calculated with the shift of risk weight floor to pillar 1 on June 30, 2018. In addition to the decrease in the capital ratios, SBAB's capital ratios in the future will be highly insensitive to the changes in underlying portfolios.

The risk sensitivity is maintained with the current risk weight floor in Pillar 2. Therefore, deterioration of PD risk class contributes naturally in the declining of the capital ratios. With a risk weight floor in Pillar 1, an insensitive and static capital ratio would be obtained. To obtain a response from the capital ratio, it will require that the entire mortgages portfolio should decline at least with 4 migration stages. The effect will be standardized, this means that SBAB's capital ratios will be phased in to the effects of the completion of Basel III (even called "Basel IV").

Therefore, it is very important to emphasize that SBAB's actual risk or requirements in real terms is not affected by the change. However, capital ratios would be affected and fall, but after the change it will no longer represent the actual risks in the portfolio and would mostly stay at static levels.



## 1.2 OWN FUNDS

TABLE 2. OWN FUNDS – CONSOLIDATED SITUATION

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

OWN FUNDS Consolidated situation, SEK million	30 Sep 2018	31 Dec 2017	30 Sep 2017
<b>CET1 capital instruments: Instruments and reserves</b>			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	11,452	10,452	10,469
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-248	189	245
Additional Tier 1 instruments	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend <sup>1)</sup>	771	1,026	748
<b>CET1 capital before regulatory adjustments</b>	<b>15,433</b>	<b>15,125</b>	<b>14,920</b>
<b>CET1 capital: Regulatory adjustments</b>			
Additional value adjustments (negative amount)	-61	-62	-73
Intangible assets (net of related tax liability) (negative amount)	-116	-83	-155
Fair value reserves related to gains or losses on cash-flow hedges	248	9	-59
Negative amounts resulting from the calculation of expected loss amounts	-59	-29	-26
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-29	-17	-17
Additional Tier 1 instruments in equity	-1,500	-1,500	-1,500
<b>Total regulatory adjustments to CET1 capital</b>	<b>-1,517</b>	<b>-1,682</b>	<b>-1,830</b>
<b>CET1 capital</b>	<b>13,916</b>	<b>13,443</b>	<b>13,090</b>
<b>Additional Tier 1 capital: Instruments</b>			
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>
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
<b>Additional Tier 1 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
<b>Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)</b>	<b>16,916</b>	<b>16,443</b>	<b>16,090</b>
<b>Tier 2 capital: Instruments and provisions</b>			
Capital instruments and the related share premium accounts	3,447	3,447	4,447
Credit risk adjustments	4	-	4
<b>Tier 2 capital before regulatory adjustments</b>	<b>3,451</b>	<b>3,447</b>	<b>4,451</b>
<b>Tier 2 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2 capital</b>	<b>3,451</b>	<b>3,447</b>	<b>4,451</b>
<b>Total capital (Total capital=Tier 1 capital + Tier 2 capital)</b>	<b>20,367</b>	<b>19,890</b>	<b>20,541</b>
<b>Total risk-weighted assets</b>	<b>44,194</b>	<b>41,797</b>	<b>41,705</b>

cont. **OWN FUNDS – CONSOLIDATED SITUATION**

<b>OWN FUNDS</b> <b>Consolidated situation, SEK million</b>	<b>30 Sep 2018</b>	<b>31 Dec 2017</b>	<b>30 Sep 2017</b>
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	31.5	32.2	31.4
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	38.3	39.3	38.6
Total capital (as a percentage of total risk-weighted exposure amount), %	46.1	47.6	49.3
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, %)	27.0	27.7	26.9
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>			
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	-	-	-

<sup>1)</sup> Profit for the interim period is reduced by the expected dividend of SEK 512 million based on Q3 2018.

### 1.3 RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

TABLE 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	30 Sep 2018		30 Jun 2018	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
<b>Credit risk (excl. counterparty risk)</b>	<b>32,509</b>	<b>2,602</b>	<b>33,270</b>	<b>2,662</b>
<i>of which, the standardised approach</i>	7,426	595	7,810	625
<i>of which, the FIRB approach</i>	12,000	960	12,505	1,000
<i>of which, the AIRB approach</i>	13,083	1,047	12,955	1,037
<b>Counterparty credit risk</b>	<b>6,380</b>	<b>510</b>	<b>7,036</b>	<b>563</b>
<i>of which, the standardised approach</i>	3,479	278	3,710	297
<i>of which, credit valuation adjustment risk (CVA)</i>	2,901	232	3,326	266
<b>Market risk</b>	<b>966</b>	<b>77</b>	<b>1,067</b>	<b>85</b>
<i>of which, the standardised approach</i>	966	77	1,067	85
<b>Operational risks</b>	<b>4,339</b>	<b>347</b>	<b>4,339</b>	<b>347</b>
<i>of which, the standardised approach</i>	4,339	347	4,339	347
<b>Total</b>	<b>44,194</b>	<b>3,536</b>	<b>45,712</b>	<b>3,657</b>

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

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS Consolidated situation, SEK million	30 Sep 2018		31 Dec 2017		30 Sep 2017	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	12,000	960	12,258	981	12,631	1,010
Retail exposures	13,083	1,047	12,469	997	12,173	974
<i>Of which: exposures to SMEs</i>	843	68	1,160	93	1,109	89
<i>Of which: retail exposures secured by immovable property</i>	12,240	979	11,309	904	11,064	885
<b>Total exposures recognised with the IRB approach</b>	<b>25,083</b>	<b>2,007</b>	<b>24,727</b>	<b>1,978</b>	<b>24,804</b>	<b>1,984</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposures to governments and central banks <sup>1)</sup>	169	14	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 <sup>2)</sup>	3,479	278	2,593	207	2,782	222
<i>Of which: derivatives according to CRR, Appendix 2</i>	3,394	271	2,583	206	2,677	214
<i>Of which repos</i>	85	7	9	1	104	8
<i>Of which other</i>	0	0	1	0	1	0
Retail exposures	2,192	175	2,193	175	2,331	186
Exposures in default	10	1	11	1	11	1
Exposures in the form of covered bonds	3,622	290	3,282	263	3,284	263
Exposures to institutions and corporates with a short-term credit rating	36	3	21	2	11	1
Equity exposures	1,078	86	1,078	86	-	-
Other items	319	26	331	27	421	34
<b>Total exposures recognised with standardised approach</b>	<b>10,905</b>	<b>873</b>	<b>9,509</b>	<b>761</b>	<b>8,840</b>	<b>707</b>
<b>Market risk</b>	<b>966</b>	<b>77</b>	<b>1,159</b>	<b>93</b>	<b>1,210</b>	<b>97</b>
<i>Of which: position risk</i>	-	-	413	33	418	34
<i>Of which: currency risk</i>	966	77	746	60	792	63
<b>Operational risk</b>	<b>4,339</b>	<b>347</b>	<b>4,144</b>	<b>331</b>	<b>4,144</b>	<b>331</b>
<b>Credit valuation adjustment risk</b>	<b>2,901</b>	<b>232</b>	<b>2,258</b>	<b>181</b>	<b>2,707</b>	<b>217</b>
<b>Total risk exposure amount and minimum capital requirements</b>	<b>44,194</b>	<b>3,536</b>	<b>41,797</b>	<b>3,344</b>	<b>41,705</b>	<b>3,336</b>
<b>Capital requirements for capital conservation buffer</b>		<b>1,105</b>		<b>1,045</b>		<b>1,043</b>
<b>Capital requirements for countercyclical buffer</b>		<b>877</b>		<b>829</b>		<b>826</b>
<b>Total capital requirements</b>		<b>5,518</b>		<b>5,218</b>		<b>5,205</b>

<sup>1)</sup> The risk-weighted amount for exposures to governments refers to deferred taxes according to CRR Article 48(4) amounts to SEK 169 million

<sup>2)</sup> The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 3,479 million (2,592).

## 1.4 CREDIT RISK IN LENDING OPERATIONS

TABLE 5. 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	Original exposure amount before credit risk conversion factors and mitigation methods		Original exposure amount after credit risk conversion factors and mitigation methods		Risk exposure amounts and risk exposure density	
	Carrying amount	Contingent liabilities	Carrying amount	Contingent liabilities	Risk exposure amount	Density (%)
Exposures to governments and central banks	33,624	-	33,671	-	169	0
Exposures to regional governments or local authorities or agencies	10,565	-	11,398	-	-	-
Exposures to multilateral development banks	2,461	-	2,461	-	-	-
Exposures to institutions <sup>1)</sup>	2	-	2	-	-	20
Exposures to corporates	-	-	-	-	-	-
Retail exposures	2,696	1,133	2,696	227	2,192	75
Exposures in default	9	-	9	-	10	109
Exposures in the form of covered bonds	36,223	-	36,223	-	3,622	10
Exposures to institutions and corporates with a short-term credit assessment	180	-	180	-	36	20
Equity exposures	86	-	86	-	1,078	1,250
Other items	460	-	460	-	319	69
<b>Total</b>	<b>86 306</b>	<b>1,133</b>	<b>87,186</b>	<b>227</b>	<b>7,426</b>	<b>8</b>

<sup>1)</sup> The institution exposure class excludes counterparty risk.

TABLE 6. BREAKDOWN OF EXPOSURE AMOUNTS USING THE STANDARDISED APPROACH BY EXPOSURE CLASS AND RISK WEIGHT AFTER APPLICATION OF THE CCF AND CREDIT RISK MITIGATION (CRM) <sup>1)</sup> – 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%	250%	1,250 %	Deducted <sup>2)</sup>	Total	Of which, unrated
Exposures to governments and central banks	33,604	-	-	-	-	-	-	67	-	-	33,671	-
Exposures to regional governments or local authorities	11,398	-	-	-	-	-	-	-	-	-	11,398	-
Exposures to multilateral development banks	2,461	-	-	-	-	-	-	-	-	-	2,461	-
Exposures to institutions <sup>1)</sup>	-	-	3,037	5,744	-	-	-	-	-	-	8,781	-
Exposures to corporates	-	-	-	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	2,923	-	-	-	-	-	2,923	2,923
Exposures in default	-	-	-	-	-	8	1	-	-	-	9	9
Exposures in the form of covered bonds	-	36,223	-	-	-	-	-	-	-	-	36,223	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	180	-	-	-	-	-	-	-	180	-
Equity exposures	-	-	-	-	-	-	-	-	86	-	86	86
Other items	141	-	-	-	-	319	-	-	-	-	460	460
<b>Total</b>	<b>47,604</b>	<b>36,223</b>	<b>3,217</b>	<b>5,744</b>	<b>2,923</b>	<b>327</b>	<b>1</b>	<b>67</b>	<b>86</b>	<b>-</b>	<b>96,192</b>	<b>3,478</b>

<sup>1)</sup> Exposures to institutions including counterparty risk.

<sup>2)</sup> 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 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	
<b>Exposure class</b>														
Corporates (foundation approach)	Of which, Corporate SME	0.00 to <0.15	8,777	-	-	8,764	0.09	87	35.2	2.5	1,322	15	3	-
		0.15 to <0.25	6,601	600	20	6,718	0.21	103	36.8	2.5	1,744	26	5	-
		0.25 to <0.50	1,794	-	-	1,794	0.45	-	35.4	2.5	641	36	3	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	209	-	-	-	1.16	13	35.1	2.5	123	62	1	-
		2.50 to <10.00	101	-	-	-	7.64	15	35.2	2.5	86	90	3	-
		10.00 to <100.00	0	-	-	-	27.04	1	45.0	2.5	0	162	0	-
		100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Portfolio subtotal</b>	<b>17,482</b>	<b>600</b>	<b>20</b>	<b>17,570</b>	<b>0.23</b>	<b>297</b>	<b>35.8</b>	<b>2.5</b>	<b>3,916</b>	<b>22</b>	<b>15</b>	<b>2</b>	
	Of which, Corporates Other	0.00 to <0.15	18,356	2,967	75	20,499	0.09	121	38.9	2.5	5,290	26	7	-
		0.15 to <0.25	3,759	1,635	75	4,985	0.21	39	42.5	2.5	2,246	45	4	-
		0.25 to <0.50	580	197	75	728	0.45	7	44.6	2.5	506	69	1	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	53	-	-	53	1.16	2	35.1	2.5	42	80	0	-
		2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <100.00		-	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)		-	-	-	-	-	-	-	-	-	-	-	-	
<b>Portfolio subtotal</b>	<b>22,748</b>	<b>4,799</b>	<b>75</b>	<b>26,265</b>	<b>0.13</b>	<b>169</b>	<b>39.7</b>	<b>2.5</b>	<b>8,084</b>	<b>31</b>	<b>12</b>	<b>4</b>		
Retail (advanced approach)	Of which, Retail SME	0.00 to <0.15	33,055	22	94	32,725	0.09	1,148	7.0	-	411	1	2	-
		0.15 to <0.25	11,576	85	85	11,409	0.21	544	7.6	-	293	3	2	-
		0.25 to <0.50	1,472	10	94	1,366	0.45	116	8.9	-	71	4	1	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	83	-	-	82	1.16	14	11.6	-	10	13	0	-
		2.50 to <10.00	121	-	-	103	6.22	13	12.2	-	38	37	1	-
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	20	-	-	20	100	3	21.6	-	20	104	5	-
	<b>Portfolio subtotal</b>	<b>46,327</b>	<b>117</b>	<b>87</b>	<b>45,705</b>	<b>0.19</b>	<b>1,838</b>	<b>7.2</b>	<b>-</b>	<b>843</b>	<b>2</b>	<b>11</b>	<b>10</b>	
	Of which, Retail Other	0.00 to <0.15	169,042	23,501	26	175,099	0.04	119,639	9.8	-	2,234	1	7	-
		0.15 to <0.25	51,757	15,173	30	56,233	0.16	36,623	11.3	-	2,305	4	10	-
		0.25 to <0.50	30,969	5,987	28	32,621	0.42	20,256	11.4	-	2,733	8	16	-
		0.50 till <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	13,464	354	77	13,733	1.55	7,737	11.9	-	2,892	21	25	-
		2.50 to <10.00	2,496	29	73	2,516	4.17	1,499	11.4	-	912	56	12	-
10.00 to <100.00		1,329	58	28	1,345	24.67	981	11.2	-	925	69	36	-	
100.00 (Default)	247	-	-	247	100	185	12.2	-	239	97	20	-		
<b>Portfolio subtotal</b>	<b>269,304</b>	<b>45,102</b>	<b>28</b>	<b>281,794</b>	<b>0.43</b>	<b>186,920</b>	<b>10.5</b>	<b>-</b>	<b>12,240</b>	<b>4</b>	<b>126</b>	<b>92</b>		
<b>Total (all portfolios)</b>		<b>355,861</b>	<b>50,618</b>	<b>32</b>	<b>371,334</b>	<b>0.37</b>	<b>189,224</b>	<b>13.5</b>	<b>-</b>	<b>25,083</b>	<b>7</b>	<b>164</b>	<b>108</b>	

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	30 Sep 2018		30 Jun 2018	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
<b>Risk exposure amount at the end of the previous quarter</b>	<b>25,460</b>	<b>2,037</b>	<b>24,926</b>	<b>1,994</b>
Asset size	74	6	969	78
Asset quality	-414	-33	-437	-35
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	-37	-3	2	0
<b>Risk exposure amount at the end of the reporting quarter</b>	<b>25,083</b>	<b>2,007</b>	<b>25,460</b>	<b>2,037</b>

TABLE 9. CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT  
– CONSOLIDATED SITUATION

(EBA CR1-A TABLE)

SEK million	Gross carrying amount of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges for the period	Net values (or net exposures)
	Exposures in default	Non-defaulted exposures					
Exposures to corporates	-	45,629	5	-	-	-13	45,624
– of which, Specialised lending	-	-	-	-	-	-	-
– of which, to SMEs	-	18,082	2	-	-	-17	18,080
Retail exposures	267	360,584	104	-	26	-54	360,747
Exposures to households secured against immovable property	267	360,584	104	-	26	-54	360,747
– of which, to SMEs	20	46,423	10	-	23	1	46,433
– of which, to non-SMEs	247	314,160	93	-	3	-54	314,314
<b>Total exposure with IRB approach</b>	<b>267</b>	<b>406,213</b>	<b>109</b>	<b>-</b>	<b>26</b>	<b>-67</b>	<b>406,371</b>
Exposures to governments and central banks	-	33,625	0	-	-	0	33,625
Exposures to regional governments or local authorities or agencies	-	10,565	0	-	-	0	10,565
Exposures to public sector entities	-	-	0	-	-	0	-
Exposures to multilateral development banks	-	2,461	0	-	-	0	2,461
Exposures to international organisations	-	-	0	-	-	-	-
Exposures to institutions	-	8,871	0	-	-	-	8,871
Retail exposures	14	3,837	7	-	-	-2	3,844
– of which, to SMEs	-	-	-	-	-	-	-
Exposures in default	14	-	5	-	-	0	9
Exposures in the form of covered bonds	-	36,223	0	-	-	0	36,223
Exposures to institutions and corporates with a short-term credit rating	-	180	-	-	-	-	180
Equity exposures	-	86	-	-	-	-	86
Other exposures	-	460	-	-	-	-	460
Deduction for retail exposures in default*	-14	-	-	-	-	-	-14
<b>Total exposure with standardised approach</b>	<b>14</b>	<b>96,308</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-2</b>	<b>96,310</b>
<b>Total</b>	<b>281</b>	<b>502,521</b>	<b>121</b>	<b>-</b>	<b>26</b>	<b>-69</b>	<b>502,681</b>
– Of which, loans	281	358,301	115	-	26	-75	358,467
– Of which, debt securities	-	82,805	-	-	-	-	82,805
– Of which, off-balance-sheet exposures	-	51,750	5	-	-	5	51,745

\* According to EBA guidelines, Q&A 2017:3481

TABLE 10. CREDIT QUALITY OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES  
– CONSOLIDATED SITUATION

(EBA CR1-B TABLE)

SEK million	Gross carrying amount of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges for the period	Net values
	Exposures in default	Non-defaulted exposures					
Construction	-	12,894	4	-	-	0	12,890
Real estate activities	281	397,156	117	-	26	-69	397,320
Other services	-	11,111	0	-	-	0	11,111
Financial services*	-	81,360	0	-	-	0	81,360
<b>Total</b>	<b>281</b>	<b>502,521</b>	<b>121</b>	<b>-</b>	<b>26</b>	<b>-69</b>	<b>502,681</b>

\* Credit institutions

TABLE 11. CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY  
– CONSOLIDATED SITUATION

(EBA CR1-C TABLE)

SEK million	Gross carrying amount of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges for the period	Net values
	Exposures in default	Non-defaulted exposures					
Sweden	281	486,297	121	-	26	-69	486,457
Denmark		5,036	0	-	-	0	5,036
Finland		1,593	-	-	-	-	1,593
Norway		2,355	0	-	-	0	2,355
Canada		908	0	-	-	0	908
USA		176	-	-	-	-	176
France		39	-	-	-	0	39
Germany		1,853	0	-	-	-	1,853
United Kingdom		1,370	-	-	-	-	1,370
Switzerland		-	-	-	-	-	-
Austria		433	-	-	-	-	433
Other countries*		2,461	-	-	-	0	2,461
<b>Total</b>	<b>281</b>	<b>502,521</b>	<b>121</b>	<b>-</b>	<b>26</b>	<b>-69</b>	<b>502,681</b>

\* Pertains to investments in securities issued by the European Investment Bank (EIB) and the Nordic Investment Bank (NIB)

TABLE 12. AGEING OF PAST-DUE EXPOSURES – CONSOLIDATED SITUATION

(EBA CR1-D TABLE)

SEK million	Gross carrying amounts					1 year
	← 30 days	>30 days ← 60 days	>60 days ← 90 days	> 90 days ← 180 days	> 180 days ← 1 year	
Loans	198	0	18	42	39	22
Interest-bearing securities	-	-	-	-	-	-
<b>Total</b>	<b>198</b>	<b>0</b>	<b>18</b>	<b>42</b>	<b>39</b>	<b>22</b>

TABLE 13. NON-PERFORMING AND FORBORNE EXPOSURES – CONSOLIDATED SITUATION

(EBA CR1-E TABLE)

SEK million	Gross carrying amounts						Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received		
	Of which, performing but past due >30 days and ≤60 days*	Of which, performing forborne*	Of which, non-performing*			On performing exposures*		On non-performing exposures*		Of which, non-performing exposures	Of which, forborne exposures		
			Of which, defaulted	Of which, individual loans with provisions	Of which, forborne	Of which, forborne		Of which, forborne					
						Of which, forborne	Of which, forborne						
Interest-bearing securities	30,969	-	-	-	-	-	-	-	-	-	-	-	
Loans and advances	364,305	4	43	281	281	281	16	-98	0	-32	-1	241	57
Off-balance-sheet exposures	51,703	-	-	-	-	-	-	-5	-	-	-	-	-

\* Pertains to definitions pursuant to Appendix V to the Commission Implementing Regulation (EU) No 680/2014

TABLE 14. **CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS – CONSOLIDATED SITUATION**

(EBA CR2-A TABLE)

SEK million	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
<b>Opening balance (previous half-year)</b>	190	-
Increases due to amounts set aside for estimated loan losses during the period	56	-
Decreases due to amounts reversed for estimated loan losses during the period	-118	-
Decreases due to amounts taken against accumulated credit risk adjustments	-7	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	-	-
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	-	-
<b>Closing balance</b>	121	-
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	2	-
Specific credit risk adjustments directly recorded to the statement of profit or loss.		-

TABLE 15. **CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND INTEREST-BEARING SECURITIES – CONSOLIDATED SITUATION**

(EBA CR2-B TABLE)

SEK million	Gross carrying amount for defaulted exposures
<b>Opening balance (previous half-year)</b>	451
Loans and interest-bearing securities that have defaulted or impaired since the last reporting period	131
Returned to non-defaulted status	-229
Amounts written off	-5
Other changes	-67
<b>Closing balance</b>	281

TABLE 16. **CREDIT RISK MITIGATION TECHNIQUES – CONSOLIDATED SITUATION**

(EBA CR3 TABLE)

SEK million	Unsecured exposures – carrying amount	Secured exposures – carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total – loans	12,867	345,599	344,801	798	-
Total – interest-bearing securities	82,805	-	-	-	-
<b>Total exposures</b>	<b>95,672</b>	<b>345,599</b>	<b>344,801</b>	<b>798</b>	<b>-</b>
Of which, in default	11	239	239	-	-

## 1.5 CREDIT RISK IN TREASURY OPERATIONS

TABLE 17. **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	30 Sep 2018					30 Jun 2018				
	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total
Institution	–	–	3,125	5,744	8,869	–	–	3,564	5,994	9,558
<b>Total</b>	–	–	<b>3,125</b>	<b>5,744</b>	<b>8,869</b>	–	–	<b>3,564</b>	<b>5,994</b>	<b>9,558</b>

## 1.6 MARKET RISK

TABLE 18. **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	30 Sep 2018		30 Jun 2018	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Interest-rate risk (general and specific)	–	–	–	–
Foreign exchange risk	966	77	1,067	85
<b>Total</b>	<b>966</b>	<b>77</b>	<b>1,067</b>	<b>85</b>

## 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 19. INTERNALLY CALCULATED CAPITAL REQUIREMENTS PER RISKTYPE – CONSOLIDATED SITUATION

SEK million		30 Sep 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	3,111	3,111	3,111	2,920	2,920	2,920
	Market risk	78	78	78	93	93	93
	Operational risk	347	347	347	331	331	331
Pillar 2	Credit risk <sup>1)</sup>	-	1,231	-	-	1,119	0
	Market risk	-	909	909	-	1,002	1,002
	Operational risk	-	0	0	-	0	0
	Risk-weight floor	-	-	8,599	-	-	7,940
	Concentration risk	-	913	913	-	898	898
	Sovereign risk	-	53	53	-	57	57
Buffers	Pension risk	-	0	0	-	0	0
	Capital conservation buffer	1,105	1,105	1,105	1,045	1,045	1,045
	Capital planning buffer <sup>2)</sup>	-	1,185	0	-	1,125	0
	Countercyclical buffer	877	877	829	829	829	829
<b>Total</b>		<b>5,518</b>	<b>9,809</b>	<b>15,992</b>	<b>5,218</b>	<b>9,419</b>	<b>15,115</b>

<sup>1)</sup> 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.

<sup>2)</sup> 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 3.63%.

TABLE 20. **LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES – CONSOLIDATED SITUATION**

	Applicable amount
Total assets as per published financial statements	455,968
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-3
Adjustments for derivative financial instruments	110
Adjustment for securities financing transactions (SFTs)	0
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	11,767
(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
Other adjustments	-1,390
<b>Leverage ratio total exposure measure</b>	<b>466,452</b>

TABLE 21. **LRSPL: SPLIT-UP OF ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS) – CONSOLIDATED SITUATION**

	Bruttosoliditetsgrad för exponering - tillsynsförordningen
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	442,067
<i>Trading book exposures</i>	-
Banking book exposures, of which:	442,067
<i>Covered bonds</i>	36,223
Exposures treated as sovereigns	47,530
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
Institutions	2
Secured by mortgages of immovable properties	354,639
Retail exposures	2,697
Corporate	-
Exposures in default	250
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	726

TABLE 22. **LRCOM: LEVERAGE RATIO COMMON DISCLOSURE – CONSOLIDATED SITUATION**

	CRR leverage ratio exposures
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	442,067
(Asset amounts deducted in determining Tier 1 capital) 3	-116
<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>	<b>441,951</b>
<b>Derivative Exposures</b>	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	7,589
Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	6,162
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	5,201
<b>Total derivatives exposures</b>	<b>8,550</b>
<b>SFT Exposures</b>	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	4,186
Netted amounts of cash payables and cash receivables of gross SFT assets	-
<b>Total securities financing transaction exposures</b>	<b>4,186</b>
<b>Other off-balance sheet exposures</b>	
Off-balance sheet exposures at gross notional amount	51,749
Adjustments for conversion to credit equivalent amounts)	-39,982
<b>Other off-balance sheet exposures</b>	<b>11,767</b>
<b>Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)</b>	
(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
<b>Capital and total exposure measure</b>	
Tier 1 capital	16,916
<b>Leverage ratio total exposure measure</b>	<b>466,452</b>
<b>Leverage ratio</b>	
Leverage ratio	<b>3.63%</b>
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>	
Choice on transitional arrangements for the definition of the capital measure	Fully phased in

**Description of the processes used to manage the risk of excessive leverage**

Leverage ratio is included in SBAB:s forward looking capital planning in order to proactively manage the risk of excessive leverage. The ratio is targeted in SBAB:s capital policy. The outcome and development of the ratio is monitored and reported monthly to the CEO and Board. In a situation of excessive leverage where the ratio is in cause of concern, actions in the form of reduced dividend, capital injection from owner or emission of Additional Tier 1 Capital instruments could be implemented. In addition and if necessary, balance sheet actions could also be implemented to reduce the exposure measure.

**Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage ratio refers**

The change in leverage ratio, compared to the previous quarter, is explained by:

- Tier 1 Capital has increased due to profit generation, which has impacted the ratio positively by 0.01%
- The effect on the exposure measure attributable to SFT:s has decreased and impacted the ratio positively by 0.05%
- The effect on the exposure measure attributable to Derivatives has decreased and impacted the ratio positively by 0.01%

## 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 AA 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 consolidated situation and not for the individual entities within the group.

TABLE 23. LIQUIDITY RESERVE – CONSOLIDATED SITUATION

LIQUIDITY RESERVE Group, SEK million	30 Sep 2018				31 Dec 2017			
	Total	DISTRIBUTION BY CURRENCY			Total	DISTRIBUTION BY CURRENCY		
		SEK	EUR	USD		SEK	EUR	USD
Cash and balances at central banks	600	600	–	–	500	500	–	–
Balances at other banks	–	–	–	–	–	–	–	–
Securities issued or guaranteed by governments, central banks or multinational development banks	35,421	25,652	7,428	2,341	28,033	17,926	7,714	2,393
Securities issued or guaranteed by municipalities or non-public sector entities	9,958	8,222	1,142	594	8,621	7,003	176	1,442
Covered bonds issued by other institutions	35,434	30,497	4,347	590	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	–	–	–	–	–	–	–	–
<b>Total</b>	<b>81,413</b>	<b>64,917</b>	<b>12,917</b>	<b>3,525</b>	<b>72,655</b>	<b>55,575</b>	<b>12,454</b>	<b>4,626</b>
Bank and loan facilities	–	–	–	–	–	–	–	–
<b>Total</b>	<b>81,413</b>	<b>64,971</b>	<b>12,917</b>	<b>3,525</b>	<b>72,655</b>	<b>55,575</b>	<b>12,454</b>	<b>4,626</b>
Distribution by currency, %		79.8	15.9	4.3		76.5	17.1	6.4

TABLE 24. LIQUIDITY COVERAGE RATIO UNDER THE CRR – CONSOLIDATED SITUATION

(EBA TABLE EU LIQ1)

SEK million	TOTAL UNWEIGHTED VALUE (AVERAGE)				TOTAL WEIGHTED VALUE (AVERAGE)			
	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>High-quality liquid assets (HQLA)</b>								
<b>Total HQLA</b>	-	-	-	-	<b>78 335</b>	<b>75,103</b>	<b>72,357</b>	<b>71,947</b>
<b>Cash outflows</b>								
Retail deposits and deposits from small business customers, of which:	93 606	90,337	86,919	83,989	7 629	7,326	6,999	6,736
<i>Stable deposits</i>	61 668	60,039	58,338	56,559	3 083	3,002	2,917	2,828
<i>Less stable deposits</i>	31 938	30,298	28,581	27,430	4 546	4,324	4,082	3,908
Unsecured wholesale funding	25 870	25,783	24,446	23,685	13 124	13,100	11,901	11,721
<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
<i>Non-operational deposits (all counterparties)</i>	21 759	21,579	21,353	20,439	9 013	8,896	8,808	8,474
<i>Unsecured debt</i>	4 111	4,204	3,093	3,246	4 111	4,204	3,093	3,246
Secured wholesale funding	-	-	-	-	60	55	51	63
Additional requirements	51 737	49,895	47,346	47,251	16 601	13,999	10,666	11,401
<i>Outflows related to derivative exposures and other collateral requirements</i>	10 899	9,295	6,101	5,696	10 899	9,295	6,101	5,696
<i>Outflows related to loss of funding on debt products</i>	3 852	2,815	2,634	3,818	3 852	2,815	2,634	3,818
<i>Credit and liquidity facilities</i>	36 986	37,785	38,611	37,737	1 849	1,889	1,931	1,887
Other contractual funding obligations	141	125	124	127	9	0	-	5
Other contingent funding obligations	11 311	11,534	11,583	11,202	4 193	4,759	5,308	5,572
<b>Total cash outflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37 414</b>	<b>34,479</b>	<b>29,612</b>	<b>29,904</b>
<b>Cash inflows</b>								
Secured lending (e.g. reverse repos)	3 965	4,634	4,381	5,145	214	206	147	167
Inflows from fully performing exposures	1 679	1,697	1,669	1,627	1 066	1,073	1,055	1,033
Other cash inflows	11 671	9,817	6,617	6,811	11 671	9,817	6,617	6,811
(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)	-	-	-	-	-	-	-	-
<b>Total cash inflows</b>	<b>34 630</b>	<b>32,294</b>	<b>25,333</b>	<b>27,165</b>	<b>25 900</b>	<b>22,192</b>	<b>15,639</b>	<b>16,021</b>
Fully exempt inflows	-	-	-	-	-	-	-	-
Inflows subject to 90% cap	-	-	-	-	-	-	-	-
Inflows subject to 75% cap	17 315	16,147	12,666	13,583	12 950	11,096	7,820	8,010
<b>TOTAL ADJUSTED VALUE</b>								
Liquidity buffer	-	-	-	-	78 335	75,103	72,357	71,947
Total net cash outflows	-	-	-	-	28 667	28,144	27,100	27,470
<b>Liquidity coverage ratio (%)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>273%</b>	<b>267%</b>	<b>267%</b>	<b>262%</b>

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. 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 and is calculated as 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.

During the past 12 months, the item "Outflows related to derivative exposures and other collateral requirements" averaged SEK 10,9 billion. 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	30 Sep 2018	31 Dec 2017	30 Sep 2017
CET1 capital	6,468	7,127	7,232
Tier 1 capital	9,468	10,127	10,232
Total capital	12,915	13,574	14,683
Risk exposure amount	32,618	31,776	36,124
CET1 capital ratio, %	19.8	22.4	20.0
Excess <sup>1)</sup> of CET1 capital	5,000	5,697	5,606
Tier 1 capital ratio, %	29.0	31.9	28.3
Excess <sup>1)</sup> of Tier 1 capital	7,511	8,221	8,064
Total capital ratio, %	39.6	42.7	40.6
Excess <sup>1)</sup> of total capital	10,305	11,032	11,793

## 1.2 OWN FUNDS

TABLE 2. OWN FUNDS – PARENT COMPANY

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

OWN FUNDS Parent Company, SEK million	30 Sep 2018	31 Dec 2017	30 Sep 2017
<b>CET1 capital instruments: Instruments and reserves</b>			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	5,002	5,663	5,678
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	23	157	150
Additional Tier 1 instruments	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend <sup>1)</sup>	-439	-593	-485
<b>CET1 capital before regulatory adjustments</b>	<b>8,044</b>	<b>8,685</b>	<b>8,801</b>
<b>CET1 capital: Regulatory adjustments</b>			
Additional value adjustments (negative amount)	-67	-66	-76
Intangible assets (net of related tax liability) (negative amount)	-27	-26	-27
Fair value reserves related to gains or losses on cash-flow hedges	61	79	71
Negative amounts resulting from the calculation of expected loss amounts	-14	-28	-21
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-29	-17	-16
Additional Tier 1 instruments in equity	-1,500	-1,500	-1,500
<b>Total regulatory adjustments to CET1 capital</b>	<b>-1,576</b>	<b>-1,558</b>	<b>-1,569</b>
<b>CET1 capital</b>	<b>6,468</b>	<b>7,127</b>	<b>7,232</b>
<b>Additional Tier 1 capital: Instruments</b>			
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>
Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from Additional Tier 1 capital	-	-	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
<b>Additional Tier 1 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
<b>Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)</b>	<b>9,468</b>	<b>10,127</b>	<b>10,232</b>
<b>Tier 2 capital: Instruments and provisions</b>			
Capital instruments and the related share premium accounts	3,447	3,447	4,447
Credit risk adjustments	-	-	4
<b>Tier 2 capital before regulatory adjustments</b>	<b>3,447</b>	<b>3,447</b>	<b>4,451</b>
<b>Tier 2 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2 capital</b>	<b>3,447</b>	<b>3,447</b>	<b>4,451</b>
<b>Total capital (Total capital=Tier 1 capital + Tier 2 capital)</b>	<b>12,915</b>	<b>13,574</b>	<b>14,683</b>
<b>Total risk-weighted assets</b>	<b>32,618</b>	<b>31,776</b>	<b>36,124</b>

cont. **OWN FUNDS – PARENT COMPANY**

<b>OWN FUNDS</b> <b>Parent Company, SEK million</b>	<b>30 Sep 2018</b>	<b>31 Dec 2017</b>	<b>30 Sep 2017</b>
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	19.8	22.4	20.0
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	29.0	31.9	28.3
Total capital (as a percentage of total risk-weighted exposure amount), %	39.6	42.7	40.6
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, %)	15.3	17.9	15.5
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>			
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	-	-	-

<sup>1)</sup> Profit for the interim period is reduced by the expected dividend of SEK 512 million based on Q3 2018.

### 1.3 CAPITAL REQUIREMENT

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

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS Parent Company, SEK million	30 Sep 2018		31 Dec 2017		30 Sep 2017	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	6,575	526	6,800	544	8,127	650
Retail exposures	904	72	1,125	90	4,378	350
<i>Of which: exposures to SMEs</i>	72	6	244	20	390	31
<i>Of which: retail exposures secured by immovable property</i>	832	66	881	70	3,988	319
<b>Total exposures recognised with the IRB approach</b>	<b>7,479</b>	<b>598</b>	<b>7,925</b>	<b>634</b>	<b>12,505</b>	<b>1,000</b>
<b>Credit risk recognised with the standardised approach</b>						
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 <sup>1)</sup>	3,361	269	2,524	202	2,676	214
<i>Of which: derivatives according to CRR, Appendix 2</i>	3,313	265	2,523	202	79	6
<i>Of which repos</i>	20	2	-	-	2,597	208
<i>Of which other</i>	28	2	1	0	0	0
Exposures to corporates	-	-	-	-	-	-
Retail exposures	2,192	175	2,193	175	2,331	186
Exposures in default	10	1	11	1	11	1
Exposures in the form of covered bonds	3,622	290	3,282	263	3,283	263
Exposures to institutions and corporates with a short-term credit rating	16	1	21	2	10	1
Equity exposures	11,378	910	11,378	910	10,386	831
Other items	80	7	77	6	98	8
<b>Total exposures recognised with standardised approach</b>	<b>20,659</b>	<b>1,653</b>	<b>19,486</b>	<b>1,559</b>	<b>18,795</b>	<b>1,504</b>
<b>Market risk</b>	<b>306</b>	<b>24</b>	<b>648</b>	<b>52</b>	<b>681</b>	<b>54</b>
<i>Of which: position risk</i>	-	-	414	33	418	33
<i>Of which: currency risk</i>	306	24	234	19	263	21
<b>Operational risk</b>	<b>1,412</b>	<b>113</b>	<b>1,570</b>	<b>126</b>	<b>1,570</b>	<b>126</b>
<b>Credit valuation adjustment risk</b>	<b>2,762</b>	<b>221</b>	<b>2,147</b>	<b>171</b>	<b>2,573</b>	<b>206</b>
<b>Total risk exposure amount and minimum capital requirements</b>	<b>32,618</b>	<b>2,609</b>	<b>31,776</b>	<b>2,542</b>	<b>36,124</b>	<b>2,890</b>
<b>Capital requirements for capital conservation buffer</b>		<b>815</b>		<b>794</b>		<b>903</b>
<b>Capital requirements for countercyclical buffer</b>		<b>646</b>		<b>629</b>		<b>715</b>
<b>Total capital requirements</b>		<b>4,070</b>		<b>3,965</b>		<b>4,508</b>

<sup>1)</sup> The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK, 3,333 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 5,206 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 6.85%.