



Press Release 27 September 2021

## **Swedish Financial Supervisory Authority determines capital requirements for SBAB Bank AB (publ)**

**On September 24th 2021 SBAB Bank AB (publ) ("SBAB") received a decision from the Swedish Financial Supervisory Authority regarding increased capital requirements for SBAB, on individual and group level, and its subsidiary The Swedish Covered Bond Corporation ("SCBC"). The decision from the Swedish Financial Supervisory Authority is the result of a conducted Supervisory Review and Evaluation Process (SREP).**

The decision states that SBAB on group level (consolidated situation) shall meet the following capital requirements in line with the risk-based capital base requirement:

- Capital requirement under Pillar 1 of 8 percent (of which 4.5 percent shall be met with Common Equity Tier 1 capital)
- Capital requirement under Pillar 2 of 3.35 percent (of which 2.19 percent shall be met with Common Equity Tier 1 capital)
- Pillar 2 guidance of 0 percent.

Based on this, the total Common Equity Tier 1 capital requirement on group level amounts to 9.2 percent, which can be compared to SBAB's Common Equity Tier 1 capital ratio of 13.1 percent by the end of the second quarter 2021, providing a continued satisfactory margin in relation to external capital requirements and internal capital targets.

Concurrently, SBAB is given a requirement regarding leverage ratio, a so-called Pillar 2 guidance corresponding to 0.3 percent which shall be added to the minimum requirement of 3 percent. This implies a total leverage ratio requirement and Pillar 2 guidance of 3.3 percent.

The risk-based Capital requirement under Pillar 2 of 3.35 percent refers to credit related concentration risk, interest rate risk in other operations, commercial real estate, and deficiencies within internal models, of which the latter corresponds to 1.61 percent.

SBAB has previously identified deficiencies within internal credit risk models and has thus applied a self-imposed article 3 surcharge in the capital adequacy and in the reporting and has, moreover, conducted an update of the IRB system with new models. SBAB's assessment is that the implementation of the updated models, following approval from the Swedish Financial Supervisory Authority, will cure the identified deficiencies and hence lead to a decreased Capital requirement under Pillar 2.

At the same time, SBAB notes that the risk-based Pillar 2 guidance has been established by the Swedish Financial Supervisory Authority at 0 percent while the Pillar 2 guidance regarding leverage ratio has been established at 0.3 percent. These guidances are a result of quantitative stress tests as well as an overall qualitative assessment and once again underscore SBAB's stable business model and the low underlying risk within its operations.

### **For further information, please contact:**

SBAB's business idea is to apply innovation and consideration to offer loans and savings products to private individuals, tenant owner associations and property companies in Sweden. SBAB was founded in 1985 and is owned by the Swedish state. Read more at [sbab.se](http://sbab.se), [twitter.com/sbabbank](https://twitter.com/sbabbank), [facebook.com/sbabbank](https://facebook.com/sbabbank).



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