

# SBAB BANK

## Capital Base and Capital Requirements

SBAB reports credit risk mainly in accordance with the IRB approach, and reports operational and market risk in accordance with the standardised approach. The proposed amendments in the regulatory framework (CRD IV) published by the European Commission include new rules for liquidity risks, capital base, counterparty risks, pro-cyclicality and the implementation of what is known as a leverage ratio. The adaptations are planned to be gradually implemented until 2019.

### Capital base

Group	30 Sept 2012	30 Sept 2011	31 Dec 2011
SEK million			
<b>Core Tier 1 capital</b>			
Equity	8,565	8,084	8,384
Proposed dividend	-	-	-
Unrealised value changes of loan and accounts receivable previously classified as assets available-for-sale	38	59	51
Value changes attributable to derivative instruments included in cash-flow hedges	-	1	-
Non-controlling interest	731	639	706
Intangible fixed assets	-99	-31	-38
Deferred tax assets	-39	-93	-
Net reserves for IRB exposures	-78	-120	-128
<b>Core Tier 1 capital</b>	<b>9,118</b>	<b>8,539</b>	<b>8,975</b>
<b>Tier 1 capital contribution</b>			
Tier 1 capital contribution without redemption incentives*	2,000	2,000	2,000
Tier 1 capital contribution with redemption incentives*	994	994	994
<b>Tier 1 capital</b>	<b>12,112</b>	<b>11,533</b>	<b>11,969</b>
<b>Tier 2 capital</b>			
Perpetual subordinated debentures	-	-	-
Time-limited subordinated debentures	2,505	2,608	2,456
Net reserves for IRB exposures	-78	-120	-129
<b>Tier 2 capital</b>	<b>2,427</b>	<b>2,488</b>	<b>2,327</b>
Expanded part of capital base	-	-	-
Deduction from entire capital base	-	-	-
<b>Amount for capital base net after deductible items and limit value</b>	<b>14,539</b>	<b>14,021</b>	<b>14,296</b>

\* Encompassed by transitional rules to FFFS 2007:1

### Capital requirements

Group	30 Sept 2012	30 Sept 2011	31 Dec 2011
SEK million			
<b>Credit risk recognised in accordance with IRB approach</b>			
Exposures to corporates	2,383	2,233	2,491
Retail exposures	834	860	894
Positions in securitisations	202	-	229
<b>Total exposures in accordance with IRB approach</b>	<b>3,419</b>	<b>3,093</b>	<b>3,614</b>
<b>Credit risk reported in accordance with standardised approach</b>			
Exposures to governments and central banks	0	0	0
Exposures to municipalities and comparable associations	0	0	0
Exposures to institutions	412	658	514
Exposures to corporates	184	929	142
Retail exposures	77	37	48
Past due items	0	1	1
Claims in the form of units in collective investment undertakings ('CIUs')	12	-	-
Other items	9	7	8
<b>Total exposures in accordance with standardised approach</b>	<b>694</b>	<b>1 632</b>	<b>713</b>
<b>Risk in commercial portfolio</b>	<b>166</b>	<b>277</b>	<b>239</b>
<b>Operational risk</b>	<b>211</b>	<b>217</b>	<b>217</b>
<b>Currency risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Raw material risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total minimum capital requirements</b>	<b>4,490</b>	<b>5,219</b>	<b>4,783</b>
Addition to transitional rules	6,355	5,518	5,930
<b>Total capital requirements according to transition rules</b>	<b>10,845</b>	<b>10,737</b>	<b>10,713</b>

## Capital Adequacy

### Capital adequacy

#### Group

SEK million	30 Sept 2012	30 Sept 2011	31 Dec 2011
Core Tier 1 capital	9,118	8,539	8,975
Tier 1 capital	12,112	11,533	11,969
Total capital	14,539	14,021	14,296
<b>Without transition rules</b>			
Risk-weighted assets	56,119	65,234	59,786
Core Tier 1 capital ratio	16,2%	13,1%	15,0%
Tier 1 capital ratio	21,6%	17,7%	20,0%
Capital adequacy ratio	25,9%	21,5%	23,9%
Capital quotient	3,24	2,69	2,99
<b>With transition rules</b>			
Risk-weighted assets	135,563	134,208	133,917
Core Tier 1 capital ratio	6,7%	6,4%	6,7%
Tier 1 capital ratio	8,9%	8,6%	8,9%
Capital adequacy ratio	10,7%	10,4%	10,7%
Capital quotient	1,34	1,31	1,33

#### SBAB Bank AB (publ)

SEK million	30 Sept 2012	30 Sept 2011	31 Dec 2011
Core Tier 1 capital	7,877	7,561	7,432
Tier 1 capital	10,871	10,555	10,426
Total capital	13,340	13,117	12,819
<b>Without transition rules</b>			
Risk-weighted assets	24,543	30,872	25,159
Core Tier 1 capital ratio	32,1%	24,5%	29,5%
Tier 1 capital ratio	44,3%	34,2%	41,4%
Capital adequacy ratio	54,4%	42,5%	51,0%
Capital quotient	6,79	5,31	6,37
<b>With transition rules</b>			
Risk-weighted assets	32,155	30,872	27,948
Core Tier 1 capital ratio	24,5%	24,5%	26,6%
Tier 1 capital ratio	33,8%	34,2%	37,3%
Capital adequacy ratio	41,5%	42,5%	45,9%
Capital quotient	5,19	5,31	5,73

## Liquidity Reserve

The assets in SBAB Bank's liquidity reserve primarily comprise liquid, interest-bearing securities with a high rating and are an integrated part of the Group's liquidity risk management. Holdings in securities are limited by asset class and by country, respectively, and must have the highest rating upon acquisition. In addition to these collective limits, limits for individual issuers may also be set.

#### Group

SEK million	September	Currency distribution			
Liquidity Reserve	2012	SEK	EUR	USD	Other
Cash and holdings in central banks	-	-	-	-	-
Deposits in other banks available o/n	-	-	-	-	-
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	12 217	3 951	7 582	401	283
Securities issued or guaranteed by municipalities or Public Sector Entities	3 484	3 123	-	361	-
Covered bonds issued by other institutions	14 653	9 612	4 902	139	-
Covered bonds issued by SBAB	-	-	-	-	-
Securities issued by non-financial corporates	-	-	-	-	-
Securities issued by financial corporates (excl. covered bonds)	4 525	-	4 159	110	256
Other Securities	-	-	-	-	-
	<b>34 879</b>	<b>16 686</b>	<b>16 643</b>	<b>1 011</b>	<b>539</b>
Bank & Loan Facilities	-	-	-	-	-
<b>Total</b>	<b>34 879</b>	<b>16 686</b>	<b>16 643</b>	<b>1 011</b>	<b>539</b>
Currency distribution		48%	48%	3%	2%

Remark: RMBS are recognized at the accrued cost, while other securities are recognized at fair value.