

SBAB Bank AB (publ)

---

# **DISCLOSURE OF CAPITAL, LIQUIDITY AND LEVERAGE RATIO**

September 2019

---

**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 <sup>1)</sup>

The EU Official Journal has on June 7 published amendments to the Capital Requirements Regulation, the Capital Requirements Directive and the Bank Recovery & Resolution Directive (the 'Banking Package') which entered into force on June 27, 2019. The Banking Package includes changes to capital requirements and changes in the loss-absorbing and recapitalisation capacity of credit institutions. Most of the changes will apply from June 28, 2021.

In addition, changes to the Capital Requirements Regulation have been adopted on April 26, 2019 which relate to a deduction in own funds for new loans that have become non-performing. The deduction should act as a backstop for non-performing loans.

SEK million	CONSOLIDATED SITUATION		
	30 Sep 2019	31 Dec 2018	30 Sep 2018
CET1 capital	14,812	14,263	13,916
Tier 1 capital	19,812	17,263	16,916
Total capital	23,262	20,713	20,367
Risk exposure amount	121,241	114,141	44,194
CET1 capital ratio, %	12.2	12.5	31.5
Excess <sup>2)</sup> of CET1 capital	9,356	9,127	11,928
Tier 1 capital ratio, %	16.3	15.1	38.3
Excess <sup>2)</sup> of Tier 1 capital	12,537	10,415	14,265
Total capital ratio, %	19.2	18.1	46.1
Excess <sup>2)</sup> of total capital	13,563	11,582	16,832

<sup>1)</sup> From the end of 2018, the risk-weight floor for residential mortgages has affected risk exposure amount, excess capital and capital ratios.

<sup>2)</sup> Excess capital has been calculated based on minimum requirements (without buffer requirements)

### The Swedish FSA's decision regarding the shift of the risk-weight floor for residential mortgages

In August 2018, the Swedish FSA decided to apply the existing risk-weight floor for mortgages applied in Pillar 2 as a requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The amendment entered into force from 31 December 2018 and applies for two years.

The change means the capital requirement is set as a requirement in Pillar 1. The credit institutions 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 shows what the actual outcome would have been if the risk-weight floor had not been moved to Pillar 1.

### OUTCOME PRIOR TO THE MOVE OF THE RISK-WEIGHT FLOOR FOR MORTGAGES

SEK million	CONSOLIDATED SITUATION		
	30 Sep 2019	31 Dec 2018	30 Sep 2018
Risk exposure amount, SEK million	46,670	43,422	44,194
CET1 capital ratio, %	31.7	32.8	31.5
Tier 1 capital ratio, %	42.5	39.8	38.3
Total capital ratio, %	49.8	47.7	46.1

<sup>1)</sup> The table illustrates what the capital situation would have been if the risk-weight floor had not been moved. This information is solely for comparative purposes.

## 1.2 Own funds

TABLE 2. OWN FUNDS

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

SEK million	CONSOLIDATED SITUATION		
	30 Sep 2019	31 Dec 2018	30 Sep 2018
<b>CET1 capital instruments: Instruments and reserves</b>			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	12,400	11,443	11,452
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	3,193	609	-248
Additional Tier 1 instruments	3,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend <sup>1)</sup>	831	1,041	771
<b>CET1 capital before regulatory adjustments</b>	<b>21,882</b>	<b>16,551</b>	<b>15,433</b>
<b>CET1 capital: Regulatory adjustments</b>			
Additional value adjustments (negative amount)	-62	-59	-61
Intangible assets (net of related tax liability) (negative amount)	-165	-126	-116
Fair value reserves related to gains or losses on cash-flow hedges	-3,246	-488	248
Negative amounts resulting from the calculation of expected loss amounts	-81	-50	-59
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-16	-65	-29
Additional Tier 1 instruments in equity	-3,500	-1,500	-1,500
<b>Total regulatory adjustments to CET1 capital</b>	<b>-7,070</b>	<b>-2,288</b>	<b>-1,517</b>
<b>CET1 capital</b>		<b>14,263</b>	<b>13,916</b>
<b>Additional Tier 1 capital: Instrument</b>			
Capital instruments and the related share premium accounts	5,000	3,000	3,000
<i>of which, classified as equity under applicable accounting standards</i>	3,500	1,500	1,500
<i>of which, classified as liabilities under applicable accounting standards</i>	1,500	1,500	1,500
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>5,000</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>5,000</b>	<b>3,000</b>	<b>3,000</b>
<b>Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)</b>	<b>19,812</b>	<b>17,263</b>	<b>16,916</b>
<b>Tier 2 capital: Instruments and provisions</b>			
Capital instruments and the related share premium accounts	3,447	3,447	3,447
Credit risk adjustments	3	3	4
<b>Tier 2 capital before regulatory adjustments</b>	<b>3,450</b>	<b>3,450</b>	<b>3,451</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>3,450</b>	<b>3,450</b>	<b>3,451</b>
<b>Total capital (Total capital=Tier 1 capital + Tier 2 capital)</b>	<b>23,262</b>	<b>20,713</b>	<b>30,367</b>
<b>Total risk-weighted assets</b>	<b>121,241</b>	<b>114,141</b>	<b>44,194</b>

## cont. OWN FUNDS

SEK million	CONSOLIDATED SITUATION		
	30 Sep 2019	31 Dec 2018	30 Sep 2018
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	12.2	12.5	31.5
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	16.3	15.1	38.3
Total capital (as a percentage of total risk-weighted exposure amount), %	19.2	18.1	46.1
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), %	9.5	9.0	9.0
of which, CET1 capital, minimum requirement, %	4.5	4.5	4.5
of which, capital conservation buffer requirement, %	2.5	2.5	2.5
of which, countercyclical buffer requirement, %	2.5	2.0	2.0
of which, systemic risk buffer requirement, %	–	–	–
of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	7.7	8.0	27.0
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 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> Net profit for the interim period was reduced by the expected dividend of SEK 548 million based on Q3 2019. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

### 1.3 Risk exposure amounts and capital requirements

TABLE 3. RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS BY RISK TYPE (EBA OV1 TABLE)

SEK million	30 Sep 2019		30 Jun 2019	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
<b>Credit risk (excl. counterparty risk)</b>	<b>32,811</b>	<b>2,625</b>	<b>32,753</b>	<b>2,620</b>
of which, the standardised approach	7,808	625	8,015	641
of which, the FIRB approach	12,736	1,019	12,594	1,007
of which, the AIRB approach	12,267	981	12,144	972
<b>Counterparty credit risk</b>	<b>7,227</b>	<b>578</b>	<b>7,491</b>	<b>600</b>
of which, mark to market	4,385	351	4,452	357
of which, credit valuation adjustment risk (CVA)	2,842	227	3,039	243
<b>Market risk</b>	<b>985</b>	<b>79</b>	<b>525</b>	<b>42</b>
of which, the standardised approach	985	79	525	42
<b>Operational risks</b>	<b>4,854</b>	<b>388</b>	<b>4,854</b>	<b>388</b>
of which, the standardised approach	4,854	388	4,854	388
<b>Additional stricter prudential requirements under Article 458 of the CRR</b>	<b>74,572</b>	<b>5,966</b>	<b>73,313</b>	<b>5,865</b>
<b>Additional stricter prudential requirements under Article 3 of the CRR</b>	<b>792</b>	<b>63</b>	<b>792</b>	<b>63</b>
<b>Total</b>	<b>121,241</b>	<b>9,699</b>	<b>119,728</b>	<b>9,578</b>

TABLE 4. RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

At the start of 2019, SBAB's Board decided to apply Article 3 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) for corporate exposures to small and medium-sized enterprises. The aim is to compensate for the current pro-cyclical effect that exists in the bank's internal models for credit risk, which

has resulted in PD declining in line with the favourable economic climate. As a result, the bank has introduced a capital surcharge of SEK 63 million under Pillar 1, since 31 March 2019.

SEK million	CONSOLIDATED SITUATION					
	30 Sep 2019		31 Dec 2018		30 Sep 2018	
	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	12,736	1,019	12,128	970	12,000	960
Retail exposures	12,267	981	12,096	968	13,083	1,047
<i>of which, exposures to SMEs</i>	825	66	829	67	843	68
<i>of which, retail exposures secured by immovable property</i>	11,442	915	11,267	901	12,240	979
<b>Total exposures recognised with the IRB approach</b>	<b>25,003</b>	<b>2,000</b>	<b>24,224</b>	<b>1,938</b>	<b>25,083</b>	<b>2,007</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposures to governments and central banks	0	0	0	0	169	14
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions <sup>1)</sup>	4,386	351	3,777	302	3,479	278
<i>of which, derivatives according to CRR, Appendix 2</i>	4,326	346	3,776	302	3,394	271
<i>of which, repos</i>	59	5	0	0	85	7
<i>of which, other</i>	1	0	1	0	0	0
Retail exposures	2,284	183	2,236	179	2,192	175
Exposures in default	8	1	10	1	10	1
Exposures in the form of covered bonds	3,711	297	3,593	287	3,622	290
Exposures to institutions and corporates with a short-term credit rating	30	2	16	1	36	3
Equity exposures	1,266	101	1,116	89	1,078	86
Other items	508	41	227	18	319	26
<b>Total exposures recognised with standardised approach</b>	<b>12,193</b>	<b>976</b>	<b>10,975</b>	<b>877</b>	<b>10,905</b>	<b>873</b>
<b>Market risk</b>	<b>985</b>	<b>79</b>	<b>999</b>	<b>80</b>	<b>966</b>	<b>77</b>
<i>Of which, position risk</i>	-	-	-	-	-	-
<i>Of which, currency risk</i>	985	79	999	80	966	77
<b>Operational risk</b>	<b>4,854</b>	<b>388</b>	<b>4,339</b>	<b>347</b>	<b>4,339</b>	<b>347</b>
<i>Of which, standardised approach</i>	4,854	388	4,339	347	4,339	347
<b>Credit valuation adjustment risk (CVA risk)</b>	<b>2,842</b>	<b>227</b>	<b>2,885</b>	<b>231</b>	<b>2,901</b>	<b>232</b>
<b>Additional requirements under Article 458 of the CRR</b>	<b>74,572</b>	<b>5,966</b>	<b>70,719</b>	<b>5,658</b>	-	-
<b>Additional requirements under Article 3 of the CRR</b>	<b>792</b>	<b>63</b>	-	-	-	-
<b>Total risk exposure amount and minimum capital requirements</b>	<b>121,241</b>	<b>9,699</b>	<b>114,141</b>	<b>9,131</b>	<b>44,194</b>	<b>3,536</b>
<b>Capital requirements for capital conservation buffer</b>		<b>3,031</b>		<b>2,854</b>		<b>1,105</b>
<b>Capital requirements for countercyclical buffer</b>		<b>3,014</b>		<b>2,266</b>		<b>877</b>
<b>Total capital requirements</b>		<b>15,744</b>		<b>14,251</b>		<b>5,518</b>

<sup>1)</sup> The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,385 million (3,776).

## 1.4 Credit risk in lending operations

TABLE 5. CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) USING THE STANDARDISED APPROACH (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	32,061	–	32,099	–	–	–
Exposures to regional governments or local authorities or agencies	13,917	–	14,554	–	–	–
Exposures to multilateral development banks	1,953	–	1,953	–	–	–
Exposures to institutions <sup>1)</sup>	6	–	6	–	1	20
Exposures to corporates	–	–	–	–	–	–
Retail exposures	2,813	1,162	2,813	232	2,284	75
Exposures in default	7	–	7	–	8	109
Exposures in the form of covered bonds	37,115	–	37,115	–	3,711	10
Exposures to institutions and corporates with a short-term credit assessment	147	–	147	–	30	20
Equity exposures	101	–	101	–	1,266	1,250
Other items	711	–	711	–	508	71
<b>Total</b>	<b>88,831</b>	<b>1,162</b>	<b>89,506</b>	<b>232</b>	<b>7,808</b>	<b>9</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) (EBA CR5 TABLE) <sup>1)</sup>

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	32,099	–	–	–	–	–	–	–	–	–	32,099	–
Exposures to regional governments or local authorities	14,554	–	–	–	–	–	–	–	–	–	14,554	–
Exposures to multilateral development banks	1,953	–	–	–	–	–	–	–	–	–	1,953	–
Exposures to institutions <sup>1)</sup>	–	–	3,508	7,370	–	–	–	–	–	–	10,878	–
Exposures to corporates	–	–	–	–	–	–	–	–	–	–	–	–
Retail exposures	–	–	–	–	3,045	–	–	–	–	–	3,045	3,045
Exposures in default	–	–	–	–	–	6	1	–	–	–	7	7
Exposures in the form of covered bonds	–	37,115	–	–	–	–	–	–	–	–	37,115	–
Exposures to institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	147	–
Equity exposures	–	–	–	–	–	–	–	–	101	–	101	101
Other items	204	–	–	–	–	508	–	–	–	–	712	712
<b>Total</b>	<b>48,810</b>	<b>37,115</b>	<b>3,655</b>	<b>7,370</b>	<b>3,045</b>	<b>514</b>	<b>1</b>	<b>–</b>	<b>101</b>	<b>–</b>	<b>100,611</b>	<b>3,865</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 (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 density, %	Expected loss	Value adjustments and provisions	
<b>Exposure class</b>														
Corporates (foundation approach)	Of which, Corporate SME	0.00 to <0.15	16,548	–	–	16,536	0.09	19	35.2	2.5	2,552	15	5	–
		0.15 to <0.25	6,855	158	20	6,887	0.21	93	35.7	2.5	1,730	25	5	–
		0.25 to <0.50	1,602	–	–	1,602	0.45	52	35.1	2.5	579	36	3	–
		0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
		0.75 to <2.50	401	–	–	400	1.16	14	43.0	2.5	306	76	2	–
		2.50 to <10.00	62	–	–	58	3.05	13	35.4	2.5	36	62	1	–
		10.00 to <100.00	204	–	–	204	27.04	3	35.5	2.5	319	156	20	–
		100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
		<b>Portfolio subtotal</b>	<b>25,672</b>	<b>158</b>	<b>20</b>	<b>25,687</b>	<b>0.38</b>	<b>294</b>	<b>35.5</b>	<b>2.5</b>	<b>5,522</b>	<b>21</b>	<b>36</b>	<b>4</b>
	Of which, Corporates Other	0.00 to <0.15	11,509	3,163	75	13,847	0.32	101	39.1	2.5	3,595	26	5	–
		0.15 to <0.25	22,889	1,775	75	4,185	0.21	28	43.0	2.5	1,910	46	4	–
		0.25 to <0.50	1,202	562	75	1,624	0.45	17	43.2	2.5	1,092	67	3	–
		0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
		0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
		2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
		10.00 to <100.00	196	52	75	235	1	1	45.0	2.5	618	263	29	–
		100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
		<b>Portfolio subtotal</b>	<b>15,796</b>	<b>5,552</b>	<b>75</b>	<b>19,891</b>	<b>0.60</b>	<b>147</b>	<b>40.0</b>	<b>2.5</b>	<b>7,215</b>	<b>36</b>	<b>41</b>	<b>12</b>
Retail (advanced approach)	Of which, Retail SME	0.00 to <0.15	33,234	152	90	33,051	0.09	1,112	6.8	–	406	1	2	–
		0.15 to <0.25	11,795	51	91	11,679	0.21	485	7.4	–	289	2	2	–
		0.25 to <0.50	1,527	12	94	1,495	0.45	100	7.6	–	66	4	1	–
		0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
		0.75 to <2.50	165	–	–	164	1.16	11	9.6	–	18	11	–	–
		2.50 to <10.00	139	–	–	103	3.05	11	9.7	–	20	20	–	–
		10.00 to <100.00	31	–	–	31	24.67	1	9.2	–	13	43	1	–
		100.00 (Default)	18	–	–	19	100.00	3	15.9	–	13	69	3	–
		<b>Portfolio subtotal</b>	<b>46,909</b>	<b>215</b>	<b>90</b>	<b>46,542</b>	<b>0.20</b>	<b>1,723</b>	<b>7.0</b>	<b>–</b>	<b>825</b>	<b>2</b>	<b>9</b>	<b>9</b>
	Of which, Retail Other	0.00 to <0.15	194,680	25,929	25	201,235	0.04	129,801	10.1	–	2,604	1	9	–
		0.15 to <0.25	49,048	18,103	28	54,030	0.16	37,028	11.1	–	2,165	4	10	–
		0.25 to <0.50	28,357	7,292	24	30,072	0.42	19,677	11.1	–	2,444	8	14	–
		0.50 till <0.75	–	–	–	–	–	–	–	–	–	–	–	–
		0.75 to <2.50	11,593	275	78	11,804	1.55	7,061	11.4	–	2,377	20	21	–
		2.50 to <10.00	2,154	35	77	2,180	4.17	1,297	11.2	–	775	36	10	–
		10.00 to <100.00	1,192	50	27	1,205	24.67	850	10.9	–	809	67	31	–
		100.00 (Default)	283	–	–	283	100.00	203	11.8	–	267	94	20	–
		<b>Portfolio subtotal</b>	<b>287,307</b>	<b>51,683</b>	<b>26</b>	<b>300,809</b>	<b>0.38</b>	<b>195,917</b>	<b>10.4</b>	<b>–</b>	<b>11,441</b>	<b>4</b>	<b>115</b>	<b>96</b>
<b>Total (all portfolios)</b>		<b>375,684</b>	<b>57,608</b>	<b>31</b>	<b>392,929</b>	<b>0.37</b>	<b>198,081</b>	<b>13.2</b>	<b>–</b>	<b>25,003</b>	<b>6</b>	<b>201</b>	<b>121</b>	

TABLE 8. TREND FOR RISK EXPOSURE AMOUNTS UNDER THE IRB APPROACH (EBA CR8 TABLE)

SEK million	30 Sep 2019		30 Jun 2019	
	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>24,738</b>	<b>1,979</b>	<b>24,914</b>	<b>1,994</b>
Asset size	966	77	222	17
Asset quality	-701	-56	-398	-32
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	0	0	0	0
<b>Risk exposure amount at the end of the reporting quarter</b>	<b>25,003</b>	<b>2,000</b>	<b>24,738</b>	<b>1,979</b>

TABLE 9. CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT (EBA CRI-A TABLE)

SEK million	Gross carrying amount of					Credit risk adjustment charges for the period	Net values (or net exposures)
	Exposures in default	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs		
Exposures to corporates	-	47,178	16	-	-	9	47,162
– of which, Specialised lending	-	-	-	-	-	-	-
– of which, to SMEs	-	25,830	4	-	-	3	25,826
Retail exposures	301	385,812	105	-	26	1	386,008
Exposures to households secured against immovable property	301	385,812	105	-	26	1	386,008
– of which, to SMEs	19	47,105	9	-	23	0	47,115
– of which, to non-SMEs	282	338,707	96	-	3	2	338,893
<b>Total exposure with IRB approach</b>	<b>301</b>	<b>432,990</b>	<b>121</b>	<b>-</b>	<b>26</b>	<b>10</b>	<b>433,170</b>
Exposures to governments and central banks	-	32,061	0	-	-	0	32,061
Exposures to regional governments or local authorities or agencies	-	13,917	0	-	-	0	13,917
Exposures to public sector entities	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	1,953	0	-	-	0	1,953
Exposures to international organisations	-	-	-	-	-	-	-
Exposures to institutions	-	10,878	-	-	-	-	10,878
Retail exposures	11	3,980	5	-	-	-2	3,986
– of which, to SMEs	-	-	-	-	-	-	-
Exposures in default	11	-	4	-	-	-1	7
Exposures in the form of covered bonds	-	37,115	1	-	-	0	37,114
Exposures to institutions and corporates with a short-term credit rating	-	147	-	-	-	-	147
Equity exposures	-	101	-	-	-	-	101
Other exposures	-	711	-	-	-	-	711
Deduction for retail exposures in default*	-11	-	-	-	-	-	-11
<b>Total exposure with standardised approach</b>	<b>11</b>	<b>100,863</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-3</b>	<b>100,864</b>
<b>Total</b>	<b>312</b>	<b>533,853</b>	<b>131</b>	<b>-</b>	<b>26</b>	<b>7</b>	<b>534,034</b>
– Of which, loans	312	378,201	117	-	-	1	378,396
– Of which, debt securities	-	85,046	0	-	-	-	85,046
– Of which, off-balance-sheet exposures	-	58,769	13	-	-	6	58,756

\* According to EBA guidelines, Q&amp;A 2017:348

TABLE 10. CREDIT QUALITY OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES (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	–	11,438	12	–	–	6	11,426
Real estate activities	301	435,569	109	–	26	4	435,761
Other services	11	4,691	9	–	–	–3	4,693
Financial services*	–	82,155	1	–	–	0	82,154
<b>Total</b>	<b>312</b>	<b>533,853</b>	<b>131</b>	<b>–</b>	<b>26</b>	<b>7</b>	<b>534,034</b>

\*Credit institutions

TABLE 11. CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY (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	312	513,752	131	–	26	7	513,933
Denmark	–	5,296	0	–	–	0	5,296
Finland	–	3,465	0	–	–	0	3,465
Norway	–	2,826	0	–	–	0	2,826
Canada	–	626	0	–	–	0	626
USA	–	157	–	–	–	–	157
France	–	1	–	–	–	–	1
Germany	–	2,849	0	–	–	–	2,849
United Kingdom	–	2,704	–	–	–	–	2,704
Switzerland	–	–	–	–	–	–	–
Austria	–	224	–	–	–	–	224
Other countries*	–	1,953	0	–	–	–	1,953
<b>Total</b>	<b>312</b>	<b>533,853</b>	<b>131</b>	<b>–</b>	<b>26</b>	<b>7</b>	<b>534,034</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 (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	82	1	27	41	37	29
Interest-bearing securities	-	-	-	-	-	-
<b>Total</b>	<b>82</b>	<b>1</b>	<b>27</b>	<b>41</b>	<b>37</b>	<b>29</b>

TABLE 13. NON-PERFORMING AND FORBORNE EXPOSURES (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, perform- ing but past due >30 days and <=60 days*	Of which, perform- ing for- borne*	Of which, non-performing*			On performing exposures*	On non-performing exposures*	Of which, forborne	Of which, forborne	Of which, non-per- forming exposures	Of which, forborne exposures		
			Of which, defaulted	Of which, loans with individual provisions	Of which, forborne								
Interest-bearing securities	42,175	-	-	-	-	-	-	-	-	-	-	-	
Loans and advances	381,968	1	17	308	308	308	15	-104	0	-30	-1	272	32
Off-balance-sheet exposures	58,760	-	-	-	-	-	-	-13	-	-	-	-	-

\*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 (EBA CR2-A TABLE)

SEK million	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
<b>Opening balance (previous half-year)</b>	<b>136</b>	<b>-</b>
Increases due to amounts set aside for estimated loan losses during the period	21	-
Decreases due to amounts reversed for estimated loan losses during the period	-20	-
Decreases due to amounts taken against accumulated credit risk adjustments	-6	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	-	-
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	-	-
<b>Closing balance</b>	<b>131</b>	<b>-</b>
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	3	-
Specific credit risk adjustments directly recorded to the statement of profit or loss.	-12	-

TABLE 15. CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND INTEREST-BEARING SECURITIES (EBA CR2-B TABLE)

SEK million	Gross carrying amount for defaulted exposures
<b>Opening balance (previous half-year)</b>	<b>319</b>
Loans and interest-bearing securities that have defaulted or impaired since the last reporting period	87
Returned to non-defaulted status	-65
Amounts written off	-6
Other changes	-23
<b>Closing balance</b>	<b>312</b>

TABLE 16. CREDIT RISK MITIGATION TECHNIQUES (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	10,200	368,196	367,581	615	-
Total – interest-bearing securities	85,046	-	-	-	-
<b>Total exposures</b>	<b>95,246</b>	<b>368,196</b>	<b>367,581</b>	<b>615</b>	<b>-</b>
Of which, in default	8	275	275	-	-

## 1.5 Credit risk in treasury operations

TABLE 17. RISK WEIGHTS FOR COUNTERPARTY – CREDIT RISK EXPOSURES BY EXPOSURE CLASS (EBA CCR3 TABLE)

SEK million Exposure class	30 Sep 2019					30 Jun 2019				
	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total
Institution	-	-	3,502	7,370	10,872	-	-	3,535	7,488	11,023
<b>Total</b>	-	-	<b>3,502</b>	<b>7,370</b>	<b>10,872</b>	-	-	<b>3,535</b>	<b>7,488</b>	<b>11,023</b>

TABLE 18. ANALYSIS OF THE COUNTERPARTY CREDIT RISK (CCR) EXPOSURE BY APPROACH (EBA CCR1 TABLE)

SEK million Exposure class	Replacement cost/current market value	Potential future credit exposure	EAD post CRM	RWA
Mark to market	17,012	7,768	10,606	4,326
Financial collateral comprehensive method (for SFTs)	-	-	266	59
<b>Total</b>	<b>17,012</b>	<b>7,768</b>	<b>10,872</b>	<b>4,385</b>

TABLE 19. IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES (EBA CCR5-A TABLE)

SEK million	Gross positive fair value or net carrying	Netting benefits	Netted current credit	Collateral held	Net credit exposure
Derivatives	18,728	1,715	17,012	14,174	2,838
SFTs	6,374	-	6,374	6,241	134
<b>Total</b>	<b>25,102</b>	<b>1,715</b>	<b>23,386</b>	<b>20,415</b>	<b>2,972</b>

TABLE 20. COMPOSITION OF COLLATERAL FOR EXPOSURES TO COUNTERPARTY CREDIT RISK (EBA TABLE CCR5-B)

SEK million	Collateral used in derivative transaction				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
<b>Total</b>	<b>0</b>	<b>-15,567</b>	<b>1,247</b>	<b>132</b>	<b>6,241</b>	<b>4,687</b>

## 1.6 Market risk

TABLE 21. RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS FOR MARKET RISK (EBA MR1 TABLE)

SEK million Risk class	30 Sep 2019		30 Jun 2018	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Interest-rate risk (general and specific)	-	-	-	-
Foreign exchange risk	985	79	525	42
<b>Total</b>	<b>985</b>	<b>79</b>	<b>525</b>	<b>42</b>

## 2 Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SBAB has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for the Group amounted to SEK 17,192 million (SEK 16,052 million at 31 December 2018). The internal capital requirement is assessed using SBAB's internal models for economic capital and is not fully comparable to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumptions and methodologies, mainly within market risk approach. SBAB estimates that the Swedish FSA's expected total capital requirement as of 30 September 2019 amounted to SEK 17,944 million, of which SEK 2,200 million comprised capital requirement in Pillar 2. The Swedish FSA will publish updated capital requirements of the largest Swedish

banks and credit institutions that belong to supervisory categories 1 and 2 as of the end of Q3 2019 during November.

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.

TABLE 22. INTERNALLY CALCULATED CAPITAL REQUIREMENTS PER RISKTYPE

SEK million		CONSOLIDATED SITUATION			
		30 Sep 2019		31 Dec 2018	
		Internally assessed capital requirement		Internally assessed capital requirement	
		Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %
Pillar 1	Credit risk & CVA risk	3,203	2.6	3,046	2.6
	Market risk	79	0.1	80	0.1
	Operational risk	388	0.3	347	0.3
	Risk-weight floor <sup>1)</sup>	5,966	4.9	5,658	5.0
	Surcharge, corporate exposures <sup>2)</sup>	63	0.1	-	-
<b>Total Pillar 1</b>		<b>9,699</b>	<b>8.0</b>	<b>9,131</b>	<b>8.0</b>
Pillar 2	Credit risk <sup>3)</sup>	-	-	-	-
	Market risk	502	0.4	781	0.7
	Operational risk	-	-	-	-
	Concentration risk	884	0.7	968	0.8
	Sovereign risk	62	0.1	52	0.1
	Pension risk	-	-	-	-
<b>Total Pillar 2</b>		<b>1,448</b>	<b>1.2</b>	<b>1,801</b>	<b>1.6</b>
Buffers	Capital conservation buffer	3,031	2.5	2,854	2.5
	Capital planning buffer	-	-	-	-
	Countercyclical buffer	3,014	2.5	2,266	2.0
<b>Total Buffers</b>		<b>6,045</b>	<b>5.0</b>	<b>5,120</b>	<b>4.5</b>
<b>Total</b>		<b>17,192</b>	<b>14.2</b>	<b>16,052</b>	<b>14.1</b>
<b>Total own funds</b>		<b>23,262</b>	<b>-</b>	<b>20,713</b>	<b>-</b>

<sup>1)</sup> Pillar 1 risk-weight floor under Article 458 of the CRR.

<sup>2)</sup> Surcharge after decision by the Board pursuant to Article 3 of the CRR.

<sup>3)</sup> 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.

### 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 4.01%.

TABLE 23. LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

	Applicable amount
Total assets as per published financial statements	484,862
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-2
Adjustments for derivative financial instruments	-8,121
Adjustment for securities financing transactions (SFTs)	4,770
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	13,420
Other adjustments	-285
<b>Leverage ratio total exposure measure</b>	<b>494,644</b>

TABLE 24. LRSPL: SPLIT-UP OF ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS)

	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	464,406
<i>Trading book exposures</i>	-
Banking book exposures, of which:	464,406
<i>Covered bonds</i>	37,115
Exposures treated as sovereigns	48,605
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
Institutions	6
Secured by mortgages of immovable properties	374,624
Retail exposures	2,813
Corporate	-
Exposures in default	283
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	960

TABLE 25. LRCOM: LEVERAGE RATIO COMMON DISCLOSURE

	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)	464,406
(Asset amounts deducted in determining Tier 1 capital) 3	-165
<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>	<b>464,241</b>
<b>Derivative Exposures</b>	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	6,399
Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	7,768
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-3,561
<b>Total derivatives exposures</b>	<b>10,606</b>
<b>SFT Exposures</b>	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	6,377
Netted amounts of cash payables and cash receivables of gross SFT assets	-
<b>Total securities financing transaction exposures</b>	<b>6,377</b>
<b>Other off-balance sheet exposures</b>	
Off-balance sheet exposures at gross notional amount	58,769
Adjustments for conversion to credit equivalent amounts)	-45,349
<b>Other off-balance sheet exposures</b>	<b>13,420</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))	0
<b>Capital and total exposure measure</b>	
Tier 1 capital	19,812
<b>Leverage ratio total exposure measure</b>	<b>494,644</b>
<b>Leverage ratio</b>	
Leverage ratio	4.01%
<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 leverage ratio amounted to 4.01% at 30 September 2019 compared with 3.55% at 30 June 2019 The change is explained by:

- Tier 1 Capital has increased due to emission of Additional Tier 1 Capital instruments , which has impacted the ratio positively by 0.43%
- The effect on the exposure measure attributable to SFT:s has increased and impacted the ratio negatively by 0.02%
- The effect on the exposure measure attributable to other assets has increased and impacted the ratio positively by 0.04%.

## 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 26. LIQUIDITY RESERVE

SEK million		GROUP									
		30 Sep 2019					31 Dec 2018				
		Total	Distribution by currency				Total	Distribution by currency			
SEK	EUR		USD	Other	SEK	EUR		USD	Other		
	<b>Level 1 assets</b>	<b>81.9</b>	<b>62.8</b>	<b>13.1</b>	<b>6.0</b>	-	<b>70.3</b>	<b>54.5</b>	<b>11.7</b>	<b>4.1</b>	-
	Cash and balances with central banks <sup>1)</sup>	3.0	3.0	-	-	-	3.7	3.7	-	-	-
Level 1	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	30.7	21.8	5.8	3.1	-	25.0	16.8	5.8	2.4	-
	Securities issued by municipalites and PSEs	13.9	7.6	4.1	2.2	-	10.8	7.1	2.6	1.1	-
	Extremely high quality covered bonds	34.3	30.4	3.2	0.7	-	30.8	26.9	3.3	0.6	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	<b>Level 2 assets</b>	<b>4.2</b>	<b>3.7</b>	<b>0.5</b>	-	-	<b>4.0</b>	<b>3.4</b>	<b>0.6</b>	-	-
	<b>Level 2A assets</b>	<b>4.2</b>	<b>3.7</b>	<b>0.5</b>	-	-	<b>4.0</b>	<b>3.4</b>	<b>0.6</b>	-	-
	Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	4.2	3.7	0.5	-	-	4.0	3.4	0.6	-	-
	Corporate debt securities (lowest rating AA-)	-	-	-	-	-	-	-	-	-	-
Level 2	Other assets	-	-	-	-	-	-	-	-	-	-
	<b>Level 2B assets</b>	-	-	-	-	-	-	-	-	-	-
	Asset-backed securities	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	-	-	-	-	-	-	-	-	-	-
	Corporate debt securities (rated A+ to BBB-)	-	-	-	-	-	-	-	-	-	-
	Shares (major stock index)	-	-	-	-	-	-	-	-	-	-
	Other assets <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-
	<b>Liquidity reserve</b>	<b>86.1</b>	<b>66.5</b>	<b>13.6</b>	<b>6.0</b>	-	<b>74.3</b>	<b>57.9</b>	<b>12.3</b>	<b>4.1</b>	-

<sup>1)</sup> Includes central bank facilities

TABLE 27. LIQUIDITY COVERAGE RATIO UNDER THE CRR (EBA TABLE EU LIQ1)

SEK million	TOTAL UNWEIGHTED VALUE (AVERAGE)				TOTAL WEIGHTED VALUE (AVERAGE)			
	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
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>	-	-	-	-	85,418	83,694	82,221	80,239
<b>Cash outflows</b>								
Retail deposits and deposits from small business customers, of which:								
- Stable deposits	103,565	101,693	99,514	96,793	8,561	8,399	8,205	7,941
- Less stable deposits	67,839	66,479	64,968	63,349	3,392	3,324	3,248	3,167
- Unsecured wholesale funding	35,726	35,214	34,546	33,445	5,169	5,076	4,956	4,773
- Operational deposits (all counterparties) and deposits in networks of cooperative banks	24,914	24,523	25,517	25,705	11,511	11,460	12,745	12,967
- Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
- Unsecured debt	23,018	22,486	21,965	21,831	9,615	9,423	9,193	9,094
Secured wholesale funding	1,896	2,037	3,552	3,874	1,896	2,037	3,552	3,874
Additional requirements	-	-	-	-	38	43	71	57
- Outflows related to derivative exposures and other collateral requirements	54,447	52,808	52,612	52,221	19,265	18,239	18,979	17,996
- Outflows related to loss of funding on debt products	11,781	10,664	11,799	11,326	11,781	10,644	11,799	11,326
- Credit and liquidity facilities	5,632	5,756	5,410	4,869	5,632	5,756	5,410	4,869
Other contractual funding obligations	37,033	36,388	35,403	36,027	1,852	1,819	1,770	1,801
Other contingent funding obligations	190	197	152	149	44	53	9	9
<b>Total cash outflows</b>	11,644	11,030	10,775	10,964	4,254	3,956	3,700	3,770
<b>Total cash outflows</b>	-	-	-	-	<b>39,361</b>	<b>38,131</b>	<b>39,992</b>	<b>38,955</b>
<b>Cash inflows</b>								
Secured lending (e.g. reverse repos)	4,266	3,548	3,643	3,100	272	244	251	189
Inflows from fully performing exposures	1,755	1,747	1,769	1,654	1,123	1,111	1,118	1,055
Other cash inflows	12,622	12,007	13,241	12,381	12,622	12,007	13,241	12,381
(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>37,288</b>	<b>34,604</b>	<b>37,306</b>	<b>34,269</b>	<b>28,032</b>	<b>26,725</b>	<b>29,219</b>	<b>27,250</b>
Fully exempt inflows	-	-	-	-	-	-	-	-
Inflows subject to 90% cap	-	-	-	-	-	-	-	-
Inflows subject to 75% cap	18,644	17,302	18,653	17,135	14,016	13,362	14,609	13,625
<b>TOTAL ADJUSTED VALUE</b>								
Liquidity buffer	-	-	-	-	85,418	83,694	82,221	80,239
Total net cash outflows	-	-	-	-	29,643	28,776	29,092	29,109
<b>Liquidity coverage ratio (%)</b>	-	-	-	-	<b>288%</b>	<b>291%</b>	<b>283%</b>	<b>276%</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 8,4 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.

## 5 Funding

Of the assets included in Table 28, Assets encumbered disclosures below, under the heading Unencumbered assets, carrying amount with the amount recognised in the item Other assets, SBAB has reported any items that are not available for mortgaging or other collateral arrangements in the regular operations.

Such assets include deferred tax assets, property, plant and equipment, intangible assets and certain other assets that are not mortgaged, pledged as collateral or used as security in the regular operations.

TABLE 28. ASSETS ENCUMBERED DISCLOSURES

Assets, SEK million	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		<i>of which notionally eligible EHQLA and HQLA</i>		<i>of which notionally eligible EHQLA and HQLA</i>		<i>of which EHQLA and HQLA</i>		<i>of which EHQLA and HQLA</i>
Assets of the reporting institution	254,411	–	–	–	230,449	82,690	–	–
Equity instruments	–	–	–	–	–	–	–	–
Debt securities	–	–	–	–	82,926	82,690	83,132	82,896
<i>of which: covered bonds</i>	–	–	–	–	36,911	36,675	37,150	36,913
<i>of which: asset-backed securities</i>	–	–	–	–	–	–	–	–
<i>of which: issued by general governments</i>	–	–	–	–	30,206	30,206	30,307	30,307
<i>of which: issued by financial corporations</i>	–	–	–	–	15,809	15,809	15,676	15,676
<i>of which: issued by non-financial corporations</i>	–	–	–	–	–	–	–	–
Other assets	254,411	–	–	–	147,523	–	–	–

TABLE 29. COLLATERAL RECEIVED

SEK million	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		<i>of which notionally eligible EHQLA and HQLA</i>		<i>of which notionally eligible EHQLA and HQLA</i>
Collateral received by the reporting institution	1,541	–	–	–
Equity instruments	–	–	–	–
Debt securities	–	–	–	–
Other collateral received	1,541	–	–	–
<b>Own debt securities issued other than own covered bonds or ABSs</b>	–	–	–	–

TABLE 30. ENCUMBERED ASSETS/COLLATERAL RECEIVED AND RESULTING LIABILITIES

SEK million	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	254,411	254,411

# **SBAB BANK AB (PUBL)**

**PARENT COMPANY**

# 1 Capital adequacy

## 1.1 Overview

TABLE 1. CAPITAL ADEQUACY – PARENT COMPANY <sup>1)</sup>

SEK million	PARENT COMPANY		
	30 Sep 2019	31 Dec 2018	30 Sep 2018
CET1 capital	9,003	6,398	6,468
Tier 1 capital	14,003	9,398	9,468
Total capital	17,451	12,845	12,915
Risk exposure amount	38,696	36,404	32,618
CET1 capital ratio, %	23.3	17.6	19.8
Excess <sup>2)</sup> of CET1 capital	7,262	4,760	5,000
Tier 1 capital ratio, %	36.2	25.8	29.0
Excess <sup>2)</sup> of Tier 1 capital	11,682	7,214	7,511
Total capital ratio, %	45.1	35.3	39.6
Excess <sup>2)</sup> of total capital	14,355	9,933	10,305

<sup>1)</sup> The risk-weight floor for residential mortgages has affected the risk exposure amount, excess capital and capital ratios.

<sup>2)</sup> Excess capital has been calculated based on minimum requirements (without buffer requirements)

### The Swedish FSA's decision regarding the shift of the risk-weight floor for residential mortgages

In August 2018, the Swedish FSA decided to apply the existing risk-weight floor for mortgages applied in Pillar 2 as a requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms. The amendment entered into force from 31 December 2018 and applies for two years.

The change means the capital requirement is set as a requirement in Pillar 1. The credit institutions 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 shows what the actual outcome would have been if the risk-weight floor had not been moved to Pillar 1.

### OUTCOME PRIOR TO THE MOVE OF THE RISK-WEIGHT FLOOR FOR MORTGAGES <sup>1)</sup>

SEK million	PARENT COMPANY		
	30 Sep 2019	31 Dec 2018	30 Sep 2018
REA, SEK million	34,505	33,360	32,618
CET1 capital ratio, %	26.1	19.2	19.8
Tier 1 capital ratio, %	40.6	28.2	29.0
Total capital ratio, %	50.6	38.5	39.6

<sup>1)</sup> The table illustrates what the capital situation would have been if the risk-weight floor had not been moved. This information is solely for comparative purposes.

## 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.

SEK million	PARENT COMPANY		
	30 Sep 2019	31 Dec 2018	30 Sep 2018
<b>CET1 capital instruments: Instruments and reserves</b>			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	4,344	4,993	5,002
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	354	222	23
Additional Tier 1 instruments	3,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend <sup>1)</sup>	2,721	-567	-439
<b>CET1 capital before regulatory adjustments</b>	<b>12,877</b>	<b>8,106</b>	<b>8,044</b>
<b>CET1 capital: Regulatory adjustments</b>			
Additional value adjustments (negative amount)	-88	-76	-67
Intangible assets (net of related tax liability) (negative amount)	-23	-25	-27
Fair value reserves related to gains or losses on cash-flow hedges	-197	-31	61
Negative amounts resulting from the calculation of expected loss amounts	-50	-11	-14
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-16	-65	-29
Additional Tier 1 instruments in equity	-3,500	-1,500	-1,500
<b>Total regulatory adjustments to CET1 capital</b>	<b>-3,874</b>	<b>-1,708</b>	<b>-1,576</b>
<b>CET1 capital</b>	<b>9,003</b>	<b>6,398</b>	<b>6,468</b>
<b>Additional Tier 1 capital: Instruments</b>			
Capital instruments and the related share premium accounts	5,000	3,000	3,000
<i>of which, classified as equity under applicable accounting standards</i>	3,500	1,500	1,500
<i>of which, classified as liabilities under applicable accounting standards</i>	1,500	1,500	1,500
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>5,000</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>5,000</b>	<b>3,000</b>	<b>3,000</b>
<b>Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)</b>	<b>14,003</b>	<b>9,398</b>	<b>9,468</b>
<b>Tier 2 capital: Instruments and provisions</b>			
Capital instruments and the related share premium accounts	3,447	3,447	3,447
Credit risk adjustments	1	-	-
<b>Tier 2 capital before regulatory adjustments</b>	<b>3,448</b>	<b>3,447</b>	<b>3,447</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>3,448</b>	<b>3,447</b>	<b>3,447</b>
<b>Total capital (Total capital=Tier 1 capital + Tier 2 capital)</b>	<b>17,451</b>	<b>12,845</b>	<b>12,915</b>
<b>Total risk-weighted assets</b>	<b>38,696</b>	<b>36,404</b>	<b>32,618</b>

## cont. OWN FUNDS – PARENT COMPANY

SEK million	PARENT COMPANY		
	30 Sep 2019	31 Dec 2018	30 Sep 2018
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	23.3	17.6	19.8
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	36.2	25.8	29.0
Total capital (as a percentage of total risk-weighted exposure amount), %	45.1	35.3	39.6
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), %	9.5	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 buffer requirement, %</i>	2.5	2.0	2.0
<i>of which, systemic risk buffer requirement, %</i>	–	–	–
<i>of which, G-SII buffer and O-SII buffer, %</i>	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	18.8	13.1	15.3
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 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> Earnings for the interim period were reduced by the expected dividend of SEK 548 million based on Q3 2019. The interim results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation. Furthermore, the interim results have since February 2019 been affected by an extra dividend of SEK 3,000 million been paid by SCBC to the Parent Company pursuant to the resolution by the EGM.

## 1.3 Capital requirement

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

SEK million	PARENT COMPANY					
	30 Sep 2019		31 Dec 2018		30 Sep 2018	
	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	6,930	555	7,087	567	6,575	526
Retail exposures	902	72	743	59	904	72
<i>of which, exposures to SMEs</i>	81	6	59	5	72	6
<i>of which, retail exposures secured by immovable property</i>	821	66	684	54	832	66
<b>Total exposures recognised with the IRB approach</b>	<b>7,832</b>	<b>627</b>	<b>7,830</b>	<b>626</b>	<b>7,479</b>	<b>598</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>	4,278	342	3,751	300	3,361	269
<i>of which, derivatives according to CRR, Appendix 2</i>	4,228	338	3,723	298	3,313	265
<i>of which, repos</i>	13	1	–	–	20	2
<i>of which, other</i>	36	3	28	2	28	2
Retail exposures	2,284	183	2,236	179	2,192	175
Exposures in default	8	1	10	1	10	1
Exposures in the form of covered bonds	3,711	297	3,593	287	3,622	290
Exposures to institutions and corporates with a short-term credit rating	30	2	16	1	16	1
Equity exposures	11,566	925	11,416	913	11,378	910
Other items	115	9	83	7	80	7
<b>Total exposures recognised with standardised approach</b>	<b>21,992</b>	<b>1,759</b>	<b>21,105</b>	<b>1,688</b>	<b>20,659</b>	<b>1,653</b>
<b>Market risk</b>	<b>101</b>	<b>8</b>	<b>248</b>	<b>20</b>	<b>306</b>	<b>24</b>
<i>Of which, position risk</i>	–	–	–	–	–	–
<i>Of which, currency risk</i>	101	8	248	20	306	24
<b>Operational risk</b>	<b>1,813</b>	<b>145</b>	<b>1,412</b>	<b>113</b>	<b>1,412</b>	<b>113</b>
<i>Of which, standardised approach</i>	1,813	145	1,412	113	1,412	113
<b>Credit valuation adjustment risk (CVA risk)</b>	<b>2,591</b>	<b>207</b>	<b>2,765</b>	<b>221</b>	<b>2,762</b>	<b>221</b>
<b>Additional requirements under Article 458 of the CRR</b>	<b>4,191</b>	<b>335</b>	<b>3,044</b>	<b>244</b>	–	–
<b>Additional requirements under Article 3 of the CRR</b>	<b>176</b>	<b>14</b>	–	–	–	–
<b>Total minimum capital requirements and risk exposure amount</b>	<b>38,696</b>	<b>3,096</b>	<b>36,404</b>	<b>2,912</b>	<b>32,618</b>	<b>2,609</b>
<b>Capital requirements for capital conservation buffer</b>		<b>967</b>		<b>910</b>		<b>815</b>
<b>Capital requirements for countercyclical buffer</b>		<b>960</b>		<b>722</b>		<b>646</b>
<b>Total capital requirements</b>		<b>5,023</b>		<b>4,544</b>		<b>4,070</b>

<sup>1)</sup> The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,241 million (3,723).

## 2 Internally assessed capital requirement

For the Parent Company, SBAB Bank AB (publ), the internal capital requirement amounted to SEK 6,220 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 8.97%.