

SBAB Bank AB (publ)

DISCLOSURE OF CAPITAL, LIQUIDITY AND LEVERAGE RATIO

June 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 ¹⁾

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 Jun 2019	31 Dec 2018	30 Jun 2018
CET1 capital	14,661	14,263	13,857
Tier 1 capital	17,661	17,263	16,857
Total capital	21,112	20,713	20,304
Risk exposure amount	119,728	114,141	45,712
CET1 capital ratio, %	12.2	12.5	30.3
Excess ²⁾ of CET1 capital	9,273	9,127	11,799
Tier 1 capital ratio, %	14.8	15.1	36.9
Excess ²⁾ of Tier 1 capital	10,477	10,415	14,114
Total capital ratio, %	17.6	18.1	44.4
Excess ²⁾ of total capital	11,533	11,582	16,647

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

²⁾ 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 Jun 2019	31 Dec 2018	30 Jun 2018
Risk exposure amount, SEK million	48,037	43,422	45,712
CET1 capital ratio, %	30.5	32.8	30.2
Tier 1 capital ratio, %	36.8	39.8	36.9
Total capital ratio, %	43.9	47.7	44.4

¹⁾ 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 Jun 2019	31 Dec 2018	30 Jun 2018
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	12,426	11,443	11,460
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2,450	609	262
Additional Tier 1 instruments	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend ¹⁾	549	1,041	534
CET1 capital before regulatory adjustments	18,883	16,551	15,714
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-68	-59	-66
Intangible assets (net of related tax liability) (negative amount)	-153	-126	-122
Fair value reserves related to gains or losses on cash-flow hedges	-2,398	-488	-68
Negative amounts resulting from the calculation of expected loss amounts	-80	-50	-70
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-23	-65	-31
Additional Tier 1 instruments in equity	-1,500	-1,500	-1,500
Total regulatory adjustments to CET1 capital	4,222	-2,288	-1,857
CET1 capital	14,661	14,263	13,857
Additional Tier 1 capital: Instrument			
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>	1,500	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	-	-	-
Additional Tier 1 capital before regulatory adjustments	3,000	3,000	3,000
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	-	-	-
Additional Tier 1 capital	3,000	3,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	17,661	17,263	16,857
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	3,447	3,447	3,447
Credit risk adjustments	4	3	-
Tier 2 capital before regulatory adjustments	3,451	3,450	3,447
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	-	-	-
Tier 2 capital	3,451	3,450	3,447
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	21,112	20,713	20,304
Total risk-weighted assets	119,728	114,141	45,712

cont. OWN FUNDS

SEK million	CONSOLIDATED SITUATION		
	30 Jun 2019	31 Dec 2018	30 Jun 2018
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	12.2	12.5	30.3
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	14.8	15.1	36.9
Total capital (as a percentage of total risk-weighted exposure amount), %	17.6	18.1	44.4
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
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, %	2.0	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	25.8
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

¹⁾ Net profit for the interim period was reduced by the expected dividend of SEK 362 million based on Q2 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	31 Mar 2019		30 Jun 2019	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Credit risk (excl. counterparty risk)	32,753	2,620	32,350	2,588
of which, the standardised approach	8,015	641	7,436	596
of which, the FIRB approach	12,594	1,007	12,930	1,034
of which, the AIRB approach	12,144	972	11,984	959
Counterparty credit risk	7,491	600	6,685	535
of which, the standardised approach	4,452	357	3,942	316
of which, credit valuation adjustment risk (CVA)	3,039	243	2,743	219
Market risk	525	42	534	43
of which, the standardised approach	525	42	534	43
Operational risks	4,854	388	4,854	388
of which, the standardised approach	4,854	388	4,854	388
Additional stricter prudential requirements under Article 458 of the CRR	73,313	5,865	71,691	5,735
Additional stricter prudential requirements under Article 3 of the CRR	792	63	792	63
Total	119,728	9,578	116,906	9,352

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.

New rules on lease (IFRS 16) apply to consolidated situation from 1 January 2019 and impact the other items exposure class in an amount of SEK 7 million in capital requirements. The implementation has had a limited effect on SBAB's capital ratios.

SEK million	CONSOLIDATED SITUATION					
	30 Jun 2019		31 Dec 2018		30 Jun 2018	
	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	12,594	1,007	12,128	970	12,505	1,000
Retail exposures	12,144	972	12,096	968	12,955	1,037
<i>of which, exposures to SMEs</i>	826	66	829	67	881	71
<i>of which, retail exposures secured by immovable property</i>	11,318	906	11,267	901	12,074	966
Total exposures recognised with the IRB approach	24,738	1,979	24,224	1,938	25,460	2,037
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions ¹⁾	4,452	356	3,777	302	3,710	297
<i>of which, derivatives according to CRR, Appendix 2</i>	4,375	350	3,776	302	3,544	284
<i>of which, repos</i>	77	6	0	0	166	13
<i>of which, other</i>	0	0	1	0	0	0
Retail exposures	2,322	186	2,236	179	2,254	180
Exposures in default	9	1	10	1	10	1
Exposures in the form of covered bonds	3,823	306	3,593	287	3,832	307
Exposures to institutions and corporates with a short-term credit rating	34	3	16	1	165	13
Equity exposures	1,241	99	1,116	89	1,078	86
Other items	586	47	227	18	471	38
Total exposures recognised with standardised approach	12,467	998	10,975	877	11,520	922
Market risk	525	42	999	80	1,067	85
<i>Of which, position risk</i>	–	–	–	–	–	–
<i>Of which, currency risk</i>	525	42	999	80	1,067	85
Operational risk	4,854	388	4,339	347	4,339	347
<i>Of which, standardised approach</i>	4,854	388	4,339	347	4,339	347
Credit valuation adjustment risk (CVA risk)	3,039	243	2,885	231	3,326	266
Additional requirements under Article 458 of the CRR	73,313	5,865	70,719	5,658	–	–
Additional requirements under Article 3 of the CRR	792	63	–	–	–	–
Total risk exposure amount and minimum capital requirements	119,728	9,578	114,141	9,131	45,712	3,657
Capital requirements for capital conservation buffer		2,993		2,854		1,143
Capital requirements for countercyclical buffer		2,383		2,266		903
Total capital requirements		14,954		14,251		5,703

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,452 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	42,359	–	42,403	–	–	
Exposures to regional governments or local authorities or agencies	13,050	–	13,739	–	–	
Exposures to multilateral development banks	2,175	–	2,175	–	–	
Exposures to institutions ¹⁾	3	–	3	–	1	20
Exposures to corporates	–	–	–	–	–	
Retail exposures	2,859	1,186	2,859	237	2,322	75
Exposures in default	8	–	8	–	9	108
Exposures in the form of covered bonds	38,227	–	38,227	–	3,823	10
Exposures to institutions and corporates with a short-term credit assessment	169	–	169	–	34	20
Equity exposures	99	–	99	–	1,241	1,250
Other items	775	–	775	–	586	76
Total	99,724	1,186	100,457	237	8,016	8

¹⁾ 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) ¹⁾

Exposure classes	0%	10%	20%	50%	75%	100%	150%	250%	1,250 %	Deducted ²⁾	Total	Of which, unrated
Exposures to governments and central banks	42,403	–	–	–	–	–	–	–	–	–	42,403	–
Exposures to regional governments or local authorities	13,739	–	–	–	–	–	–	–	–	–	13,739	–
Exposures to multilateral development banks	2,175	–	–	–	–	–	–	–	–	–	2,175	–
Exposures to institutions ¹⁾	–	–	3,538	7,488	–	–	–	–	–	–	11,026	–
Exposures to corporates	–	–	–	–	–	–	–	–	–	–	–	–
Retail exposures	–	–	–	–	3,097	–	–	–	–	–	3,097	3,097
Exposures in default	–	–	–	–	–	–	–	–	–	–	8	8
Exposures in the form of covered bonds	–	38,227	–	–	–	–	–	–	–	–	38,227	–
Exposures to institutions and corporates with a short-term credit assessment	–	–	169	–	–	–	–	–	–	–	169	–
Equity exposures	–	–	–	–	–	–	–	–	99	–	99	99
Other items	189	–	–	–	–	586	–	–	–	–	775	775
Total	58,506	38,227	3,707	7,488	3,097	593	1	–	99	–	111,718	3,979

¹⁾ Exposures to institutions including counterparty risk.

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

TABLE 7. CREDIT RISK EXPOSURE BY EXPOSURE CLASS AND PD RANGE (EBA CR6 TABLE)

			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 adjust- ments and provisions
SEK million	PD scale														
Exposure class															
Corporates (founda- tion approach)	Of which, Corpo- rate SME	0.00 to <0.15	12,735	–	–	12,723	0.09	102	35.3	2.5	1,984	16	4	–	
		0.15 to <0.25	5,610	127	20	5,634	0.21	90	35.6	2.5	1,372	24	4	–	
		0.25 to <0.50	1,810	163	20	1,843	0.45	54	35.1	2.5	684	37	3	–	
		0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–	
		0.75 to <2.50	119	–	–	118	1.16	13	37.0	2.5	79	67	1	–	
		2.50 to <10.00	62	–	–	58	3.05	13	35.4	2.5	36	62	1	–	
		10.00 to <100.00	214	–	–	214	27.04	4	35.1	2.5	328	153	20	–	
		100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–	
		Portfolio subtotal	20,550	290	20	20,590	0.45	276	35.4	2.5	4,483	22	33	2	
	Of which, Corpo- rates Other	0.00 to <0.15	14,758	3,033	75	16,990	0.09	113	38.2	2.5	4,302	25	6	–	
		0.15 to <0.25	3,618	1,017	75	4,345	0.21	26	42.5	2.5	1,960	45	4	–	
		0.25 to <0.50	–	626	75	1,904	0.45	18	41.5	2.5	1,231	65	4	–	
		0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–	
		0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–	
		2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–	
		10.00 to <100.00	196	52	75	235	27.04	1	45.0	2.5	618	263	29	–	
		100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–	
		Portfolio subtotal	20,007	4,728	75	23,474	0.41	158	39.3	2.5	8,111	35	43	13	
Retail (advanced approach)	Of which, Retail SME	0.00 to <0.15	32,796	41	78	32,497	0.09	1,114	6.9	–	403	1	2	–	
		0.15 to <0.25	12,025	32	78	11,886	0.21	495	7.3	–	291	2	2	–	
		0.25 to <0.50	1,578	–	–	1,506	0.45	113	7.7	–	68	4	1	–	
		0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–	
		0.75 to <2.50	295	–	–	295	1.16	13	9.6	–	31	11	0	–	
		2.50 to <10.00	143	–	–	107	3.05	12	9.7	–	21	20	0	–	
		10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–	
		100.00 (Default)	19	–	–	19	100	3	15.8	–	13	68	3	–	
		Portfolio subtotal	46,856	73	78	46,310	0.18	1,750	7.1	–	827	2	8	10	
	Of which, Retail Other	0.00 to <0.15	191,182	26,347	24	197,497	0.04	128,584	10.2	–	2,554	1	8	–	
		0.15 to <0.25	48,014	17,761	26	52,716	0.16	36,407	11.0	–	2,103	4	9	–	
		0.25 to <0.50	28,199	7,010	24	29,875	0.42	19,478	11.1	–	2,428	8	14	–	
		0.50 till <0.75	–	–	–	–	–	–	–	–	–	–	–	–	
		0.75 to <2.50	11,545	228	78	1,719	1.55	6,971	11.4	–	2,357	20	21	–	
		2.50 to <10.00	2,163	35	76	2,190	4.17	1,321	11.4	–	792	36	10	–	
		10.00 to <100.00	1,216	60	30	1,233	24.67	893	10.8	–	821	67	33	–	
		100.00 (Default)	287	–	–	287	100	208	11.7	–	262	91	22	–	
		Portfolio subtotal	282,606	51,441	25	295,517	0.39	193,862	10.5	–	11,317	4	117	100	
Total (all portfolios)			370,019	56,532	29	385,891	0.37	196,046	13.1	–	24,738	6	201	125	

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

SEK million	30 Jun 2019		31 Mar 2019	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Risk exposure amount at the end of the previous quarter	24,914	1,994	24,224	1,938
Asset size	222	17	807	65
Asset quality	-398	-32	-117	-9
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	0	0	-	-
Risk exposure amount at the end of the reporting quarter	24,738	1,979	24,914	1,994

TABLE 9. CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT (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	–	45,576	15	–	–	8	45,561
– of which, Specialised lending	–	–	–	–	–	–	–
– of which, to SMEs	–	20,840	2	–	–	1	20,838
Retail exposures	306	380,670	110	–	26	6	380,866
Exposures to households secured against immovable property	306	380,670	110	–	26	6	380,866
– of which, to SMEs	19	46,910	10	–	23	–	46,919
– of which, to non-SMEs	287	333,760	100	–	3	6	333,947
Total exposure with IRB approach	306	426,246	125	–	26	14	426,427
Exposures to governments and central banks	–	42,359	0	–	–	0	42,359
Exposures to regional governments or local authorities or agencies	–	13,051	0	–	–	0	13,051
Exposures to public sector entities	–	–	–	–	–	–	–
Exposures to multilateral development banks	–	2,175	0	–	–	0	2,175
Exposures to international organisations	–	–	–	–	–	–	–
Exposures to institutions	–	11,026	–	–	–	–	11,026
Retail exposures	13	4,051	6	–	–	–2	4,058
– of which, to SMEs	–	–	–	–	–	–	–
Exposures in default	13	–	4	–	–	–	9
Exposures in the form of covered bonds	–	38,227	1	–	–	–	38,226
Exposures to institutions and corporates with a short-term credit rating	–	169	–	–	–	–	169
Equity exposures	–	99	–	–	–	–	99
Other exposures	–	775	–	–	–	–	775
Deduction for retail exposures in default*	–13	–	–	–	–	–	–13
Total exposure with standardised approach	13	111,932	11	–	–	–2	111,934
Total	319	538,178	136	–	26	12	538,361
– Of which, loans	319	372,578	122	–	–	5	372,775
– Of which, debt securities	–	95,812	–	–	–	–	95,812
– Of which, off-balance-sheet exposures	–	57,719	13	–	–	6	57,706

* According to EBA guidelines, Q&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	0	11,139	12	–	–	6	11,127
Real estate activities	306	428,256	113	–	26	8	428,449
Other services	13	4,826	10	–	–	–2	4,829
Financial services*		93,957	1	–	–	–	93,956
Total	319	538,178	136	–	26	12	538,361

* 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	319	517,643	136	–	26	12	517,826
Denmark	–	5,725	0	–	–	–	5,725
Finland	–	3,431	0	–	–	–	3,431
Norway	–	2,764	0	–	–	–	2,764
Canada	–	616	0	–	–	–	616
USA	–	164	–	–	–	–	164
France	–	40	–	–	–	–	40
Germany	–	2,807	0	–	–	–	2,807
United Kingdom	–	2,584	–	–	–	–	2,584
Switzerland	–	–	–	–	–	–	–
Austria	–	229	–	–	–	–	229
Other countries*	–	2,175	–	–	–	–	–
Total	319	538,178	136	–	26	12	538,361

* 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	268	1	19	43	24	30
Interest-bearing securities	–	–	–	–	–	–
Total	268	1	19	43	24	30

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, performing but past due >30 days and <=60 days*			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, loans with individual provisions	Of which, forborne	Of which, forborne	Of which, forborne	Of which, forborne				
Interest-bearing securities	51,311	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	375,033	0	19	316	316	316	15	–102	0	–34	–1	274	34
Off-balance-sheet exposures	57,606	–	–	–	–	–	–	–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
Opening balance (previous half-year)	131	-
Increases due to amounts set aside for estimated loan losses during the period	31	-
Decreases due to amounts reversed for estimated loan losses during the period	-23	-
Decreases due to amounts taken against accumulated credit risk adjustments	-3	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	-	-
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	-	-
Closing balance	136	-
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	1	-
Specific credit risk adjustments directly recorded to the statement of profit or loss.	-6	-

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
Opening balance (previous half-year)	238
Loans and interest-bearing securities that have defaulted or impaired since the last reporting period	139
Returned to non-defaulted status	-24
Amounts written off	-3
Other changes	-31
Closing balance	319

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	10,061	362,714	362,050	664	-
Total – interest-bearing securities	95,812	-	-	-	-
Total exposures	105,873	362,714	362,050	664	-
Of which, in default	9	276	276	0	-

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 Jun 2019					31 Mar 2019				
	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total
Institution	–	–	3,535	7,488	11,023	–	–	3,208	6,602	9,810
Total	–	–	3,535	7,488	11,023	–	–	3,208	6,602	9,810

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	13,904	7,686	10,774	4,374
Financial collateral comprehensive method (for SFTs)	–	–	249	78
Total	13,904	7,686	11,023	4,452

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	15,373	1,469	13,904	10,816	3,088
SFTs	4,001	–	4,001	3,925	76
Total	19,374	1,469	17,905	14,741	3,164

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		
Total	–	-12,085	1,247	211	3,925	3,864

1.6 Market risk

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

SEK million Risk class	30 Jun 2019		31 Mar 2018	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Interest-rate risk (general and specific)	–	–	–	–
Foreign exchange risk	525	42	534	43
Total	525	42	534	43

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 16,658 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 SFSA due to differences in assumptions and methodologies, mainly within market risk approach. Pillar 2 capital requirement according to SFSA publication (Kapitalkrav för svenska banker) amounts to SEK 2,200 million, which results in a total capital requirement of SEK 17,154 million.

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

		GROUP			
		30 Jun 2019		31 Dec 2018	
		Internally assessed capital requirement		Internally assessed capital requirement	
SEK million		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	3,220	2.7	3,046	2.6
	Market risk	42	0.0	80	0.1
	Operational risk	388	0.3	347	0.3
	Risk-weight floor ¹⁾	5,865	4.9	5,658	5.0
	Surcharge, corporate exposures ²⁾	63	0.1	–	–
	Total Pillar 1	9,578	8.0	9,131	8.0
Pillar 2	Credit risk ³⁾	–	–	–	–
	Market risk	769	0.6	781	0.7
	Operational risk	–	–	–	–
	Concentration risk	872	0.7	968	0.8
	Sovereign risk	63	0.1	52	0.1
	Pension risk	–	–	–	–
	Total Pillar 2	1,704	1.4	1,801	1.6
Buffers	Capital conservation buffer	2,993	2.5	2,854	2.5
	Capital planning buffer	–	–	–	–
	Countercyclical buffer	2,383	2.0	2,266	2.0
	Total Buffers	5,376	4.5	5,120	4.5
Total		16,658	13.9	16,052	14.1
Total own funds		21,112	–	20,713	–

¹⁾ Pillar 1 risk-weight floor under Article 458 of the CRR.

²⁾ Surcharge after decision by the Board pursuant to Article 3 of the CRR.

³⁾ 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 3.55%.

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

	Applicable amount
Total assets as per published financial statements	485,347
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-6
Adjustments for derivative financial instruments	- 4,599
Adjustment for securities financing transactions (SFTs)	3,868
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	12,962
Other adjustments	-354
Leverage ratio total exposure measure	497,218

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:	469,632
<i>Trading book exposures</i>	-
Banking book exposures, of which:	469,632
<i>Covered bonds</i>	38,227
Exposures treated as sovereigns	58,318
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
Institutions	3
Secured by mortgages of immovable properties	368,897
Retail exposures	2,859
Corporate	-
Exposures in default	285
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,043

TABLE 25. LRCOM: LEVERAGE RATIO COMMON DISCLOSURE

	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)	469,632
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	
(Asset amounts deducted in determining Tier 1 capital) 3	-153
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	469,479
Derivative Exposures	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	13,918
Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	7,686
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-10,830
Total derivatives exposures	10,774
SFT Exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	4,003
Netted amounts of cash payables and cash receivables of gross SFT assets	-
Total securities financing transaction exposures	4,003
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	57,719
Adjustments for conversion to credit equivalent amounts)	-44,757
Other off-balance sheet exposures	12,962
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure measure	
Tier 1 capital	17,661
Leverage ratio total exposure measure	497,218
Leverage ratio	
Leverage ratio	3.55%
Choice on transitional arrangements and amount of derecognised fiduciary items	
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 3.55% at 30 June 2019 compared with 3.66% at 31 March 2019. The change is explained by:

- Tier 1 Capital has increased due to profit generation, which has impacted the ratio positively by 0.03%
- The effect on the exposure measure attributable to SFT:s has decreased and impacted the ratio positively by 0.03%
- The effect on the exposure measure attributable to Derivatives has increased and impacted the ratio negatively by 0.01%
- The effect on the exposure measure attributable to off-balance sheet items has increased and impacted the ratio negatively by 0.01%
- The effect on the exposure measure attributable to other assets has increased and impacted the ratio negatively by 0.14%.

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

		GROUP									
		30 Jun 2019					31 Dec 2018				
		Distribution by currency					Distribution by currency				
SEK million		Total	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other
Level 1	Level 1 assets	89.7	72.5	11.7	5.5	-	70.3	54.5	11.7	4.1	-
	Cash and balances with central banks ¹⁾	3.3	3.3	-	-	-	3.7	3.7	-	-	-
	Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	41.6	34.2	4.4	3.0	-	25.0	16.8	5.8	2.4	-
	Securities issued by municipalities and PSEs	13.3	7.3	4.1	1.9	-	10.8	7.1	2.6	1.1	-
	Extremely high quality covered bonds	31.5	27.7	3.2	0.6	-	30.8	26.9	3.3	0.6	-
	Other assets	-	-	-	-	-	-	-	-	-	-
Level 2	Level 2 assets	4.4	3.9	0.5	-	-	4.0	3.4	0.6	-	-
	Level 2A assets	4.4	3.9	0.5	-	-	4.0	3.4	0.6	-	-
	Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	4.4	3.9	0.5	-	-	4.0	3.4	0.6	-	-
	Corporate debt securities (lowest rating AA-)	-	-	-	-	-	-	-	-	-	-
	Other assets	-	-	-	-	-	-	-	-	-	-
	Level 2B assets	-	-	-	-	-	-	-	-	-	-
	Asset-backed securities	-	-	-	-	-	-	-	-	-	-
	High quality covered bonds	-	-	-	-	-	-	-	-	-	-
	Corporate debt securities (rated A+ to BBB-)	-	-	-	-	-	-	-	-	-	-
	Shares (major stock index)	-	-	-	-	-	-	-	-	-	-
	Other assets ¹⁾	-	-	-	-	-	-	-	-	-	-
Liquidity reserve		94.1	76.4	12.2	5.5	-	74.3	57.9	12.3	4.1	-

¹⁾ 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 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-quality liquid assets (HQLA)								
Total HQLA	–	–	–	–	83,694	82,221	80,239	78,335
Cash outflows								
Retail deposits and deposits from small business customers, of which:	101,693	99,514	96,793	93,606	8,399	8,205	7,941	7,629
– Stable deposits	66,479	64,968	63,349	61,668	3,324	3,248	3,167	3,083
– Less stable deposits	35,214	34,546	33,445	31,938	5,076	4,956	4,773	4,546
Unsecured wholesale funding	24,523	25,517	25,705	25,870	11,460	12,745	12,967	13,124
– Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–	–	–	–	–	–	–
– Non-operational deposits (all counterparties)	22,486	21,965	21,831	21,759	9,423	9,193	9,094	9,013
– Unsecured debt	2,037	3,552	3,874	4,111	2,037	3,552	3,874	4,111
Secured wholesale funding	–	–	–	–	43	71	57	60
Additional requirements	52,808	52,612	52,221	51,737	18,239	18,979	17,996	16,601
– Outflows related to derivative exposures and other collateral requirements	10,664	11,799	11,326	10,899	10,644	11,799	11,326	10,899
– Outflows related to loss of funding on debt products	5,756	5,410	4,869	3,852	5,756	5,410	4,869	3,852
– Credit and liquidity facilities	36,388	35,403	36,027	36,986	1,819	1,770	1,801	1,849
Other contractual funding obligations	197	152	149	141	53	9	9	9
Other contingent funding obligations	11,030	10,775	10,964	11,311	3,956	3,700	3,770	4,193
Total cash outflows	–	–	–	–	38,131	39,992	38,955	37,414
Cash inflows								
Secured lending (e.g. reverse repos)	3,548	3,643	3,100	3,965	244	251	189	214
Inflows from fully performing exposures	1,747	1,769	1,654	1,679	1,111	1,118	1,055	1,066
Other cash inflows	12,007	13,241	12,381	11,671	12,007	13,241	12,381	11,671
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	–	–	–	–	–	–	–	–
(Excess inflows from a related specialised credit institution)	–	–	–	–	–	–	–	–
Total cash inflows	34,604	37,306	34,269	34,630	26,725	29,219	27,250	25,900
Fully exempt inflows	–	–	–	–	–	–	–	–
Inflows subject to 90% cap	–	–	–	–	–	–	–	–
Inflows subject to 75% cap	17,302	18,653	17,135	17,315	13,362	14,609	13,625	12,950
TOTAL ADJUSTED VALUE								
Liquidity buffer	–	–	–	–	83,694	82,221	80,239	78,335
Total net cash outflows	–	–	–	–	28,776	29,092	29,109	28,667
Liquidity coverage ratio (%)	–	–	–	–	291%	283%	276%	273%

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 10,7 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	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	254,411	–	–	–	230,930	93,250	–	–
Equity instruments	–	–	–	–	–	–	–	–
Debt securities	–	–	–	–	93,250	93,250	93,756	93,756
of which: covered bonds	–	–	–	–	37,936	37,936	38,274	38,274
of which: asset-backed securities	–	–	–	–	–	–	–	–
of which: issued by general governments	–	–	–	–	40,146	40,146	40,250	40,250
of which: issued by financial corporations	–	–	–	–	15,168	15,168	15,232	15,232
of which: issued by non-financial corporations	–	–	–	–	–	–	–	–
Other assets	254,411	–	–	–	137,680	–	–	–

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	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
Collateral received by the reporting institution	1,352	–	0	–
Equity instruments	–	–	–	–
Debt securities	0	–	0	–
Other collateral received	1,352	–	–	–
Own debt securities issued other than own covered bonds or ABSs	–	–	–	–

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 ¹⁾

SEK million	PARENT COMPANY		
	30 Jun 2019	31 Dec 2018	30 Jun 2018
CET1 capital	9,152	6,398	6,751
Tier 1 capital	12,152	9,398	9,751
Total capital	15,599	12,845	13,198
Risk exposure amount	39,415	36,404	34,038
CET1 capital ratio, %	23.2	17.6	19.8
Excess ²⁾ of CET1 capital	7,378	4,760	5,219
Tier 1 capital ratio, %	30.8	25.8	28.6
Excess ²⁾ of Tier 1 capital	9,787	7,214	7,709
Total capital ratio, %	39.6	35.3	38.8
Excess ²⁾ of total capital	12,446	9,933	10,475

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

²⁾ 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 ¹⁾

SEK million	PARENT COMPANY		
	30 Jun 2019	31 Dec 2018	30 Jun 2018
REA, SEK million	35,603	33,360	34,038
CET1 capital ratio, %	25.7	19.2	19.8
Tier 1 capital ratio, %	34.1	28.2	28.6
Total capital ratio, %	43.8	38.5	38.8

¹⁾ 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 Jun 2019	31 Dec 2018	30 Jun 2018
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	1,958	1,958	1,958
Retained earnings	4,370	4,993	5,012
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	378	222	256
Additional Tier 1 instruments	1,500	1,500	1,500
Independently verified interim profits net of any foreseeable charge or dividend ¹⁾	2,802	-567	-334
CET1 capital before regulatory adjustments	11,008	8,106	8,392
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-91	-76	-74
Intangible assets (net of related tax liability) (negative amount)	-22	-25	-29
Fair value reserves related to gains or losses on cash-flow hedges	-169	-31	21
Negative amounts resulting from the calculation of expected loss amounts	-50	-11	-29
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-24	-65	-30
Additional Tier 1 instruments in equity	-1,500	-1,500	-1,500
Total regulatory adjustments to CET1 capital	-1,856	-1,708	-1,641
CET1 capital	9,152	6,398	6,751
Additional Tier 1 capital: Instruments			
Capital instruments and the related share premium accounts	3,000	3,000	3,000
<i>of which, classified as equity under applicable accounting standards</i>	1,500	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	-	-	-
Additional Tier 1 capital before regulatory adjustments	3,000	3,000	3,000
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	-	-	-
Additional Tier 1 capital	3,000	3,000	3,000
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	12,152	9,398	9,751
Tier 2 capital: Instruments and provisions			
Capital instruments and the related share premium accounts	3,447	3,447	3,447
Credit risk adjustments	-	-	-
Tier 2 capital before regulatory adjustments	3,447	3,447	3,447
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	-	-	-
Tier 2 capital	3,447	3,447	3,447
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	15,599	12,845	13,198
Total risk-weighted assets	39,415	36,404	34,038

cont. OWN FUNDS – PARENT COMPANY

SEK million	PARENT COMPANY		
	30 Jun 2019	31 Dec 2018	30 Jun 2018
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	23.2	17.6	19.8
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	30.8	25.8	28.6
Total capital (as a percentage of total risk-weighted exposure amount), %	39.6	35.3	38.8
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 buffer requirement, %</i>	2.0	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, %)	18.7	13.1	15.3
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

¹⁾ Earnings for the interim period were reduced by the expected dividend of SEK 362 million based on Q2 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 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 Jun 2019		31 Dec 2018		30 Jun 2018	
	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	7,334	587	7,087	567	7,085	567
Retail exposures	865	69	743	59	868	69
<i>of which, exposures to SMEs</i>	73	6	59	5	70	5
<i>of which, retail exposures secured by immovable property</i>	792	63	684	54	799	64
Total exposures recognised with the IRB approach	8,199	656	7,830	626	7,953	636
Credit risk recognised with the standardised approach						
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to institutions ¹⁾	4,321	346	3,751	300	3,533	283
<i>of which, derivatives according to CRR, Appendix 2</i>	4,284	343	3,723	298	3,447	276
<i>of which, repos</i>	–	–	–	–	55	5
<i>of which, other</i>	37	3	28	2	30	2
Retail exposures	2,322	186	2,236	179	2,254	180
Exposures in default	9	1	10	1	10	1
Exposures in the form of covered bonds	3,823	306	3,593	287	3,832	307
Exposures to institutions and corporates with a short-term credit rating	34	3	16	1	16	1
Equity exposures	11,541	923	11,416	913	11,378	910
Other items	135	10	83	7	118	9
Total exposures recognised with standardised approach	22,185	1,775	21,105	1,688	21,141	1,691
Market risk	106	8	248	20	356	29
<i>Of which, position risk</i>	–	–	–	–	–	–
<i>Of which, currency risk</i>	106	8	248	20	356	29
Operational risk	1,813	145	1,412	113	1,412	113
<i>Of which, standardised approach</i>	1,813	145	1,412	113	1,412	113
Credit valuation adjustment risk (CVA risk)	2,832	227	2,765	221	3,176	254
Additional requirements under Article 458 of the CRR	4,104	328	3,044	244	–	–
Additional requirements under Article 3 of the CRR	176	14	–	–	–	–
Total minimum capital requirements and risk exposure amount	39,415	3,153	36,404	2,912	34,038	2,723
Capital requirements for capital conservation buffer		985		910		851
Capital requirements for countercyclical buffer		784		722		670
Total capital requirements		4,922		4,544		4,244

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 4,284 million (3,723).

2 Internally assessed capital requirement

For the Parent Company, SBAB Bank AB (publ), the internal capital requirement amounted to SEK 6,291 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 7.79%.