



DISCLOSURE OF OWN FUNDS AND LEVERAGE RATIO

March 2018 | Swedish Covered Bonds Corporation (SCBC)

SCBC
— Covered Bonds of SBAB —



SWEDISH COVERED BONDS CORPORATION (SCBC)

AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC), 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.

The tables below are based on 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, SCBC shall publish the structure of own funds, risk exposure amount per exposure class and information about capital adequacy and buffers on a quarterly basis.

1 CAPITAL ADEQUACY

TABLE 1. CAPITAL ADEQUACY

SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
CET1 capital	17,130	16,710	15,163
Tier 1 capital	17,130	16,710	15,163
Total capital	17,134	16,710	15,163
Risk exposure amount	22,416	21,422	18,636
CET1 capital ratio, %	76.4	78.0	81.4
Excess ¹⁾ of CET1 capital	16,122	15,746	14,325
Tier 1 capital ratio, %	76.4	78.0	81.4
Excess ¹⁾ of Tier 1 capital	15,785	15,424	14,045
Total capital ratio, %	76.4	78.0	81.4
Excess ¹⁾ of total capital	15,341	14,996	13,672

¹⁾ Excess capital has been calculated based on minimum requirements (without buffer requirements)

TABLE 2. OWN FUNDS

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

SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	9,600	9,600	9,600
Retained earnings	7,155	5,569	5,568
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-11	70	298
Independently verified net profit for the period net of any foreseeable charge or dividend	432	1,546	-
CET1 capital before regulatory adjustments	17,176	16,785	15,466
CET1 capital: regulatory adjustments			
Additional value adjustments (negative amount)	-7	-4	-4
Fair value reserves related to gains or losses on cash-flow hedges	10	-70	-298
Negative amounts resulting from the calculation of expected loss amounts	-49	-1	-1
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	-	0
Total regulatory adjustments to CET1 capital	-46	-75	-303
CET1 capital	17,130	16,710	15,163
Additional Tier 1 capital: Instruments			
Additional Tier 1 capital before regulatory adjustments	-	-	-
Additional Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	-	-	-
Additional Tier 1 capital	-	-	-
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	17,130	16,710	15,163
Tier 2 capital: Instruments and provisions			
Credit risk adjustments	4	-	-
Tier 2 capital before regulatory adjustments	4	-	-
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	-	-	-
Tier 2 capital	4	-	-
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	17,134	16,710	15,163
Total risk-weighted assets	22,416	21,422	18,636
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	76.4	78.0	81.4
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	76.4	78.0	81.4
Total capital (as a percentage of total risk-weighted exposure amount), %	76.4	78.0	81.4
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 capital buffer requirement, %	2.0	2.0	2.0
Of which: systemic risk buffer requirement, %	-	-	-
Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffers, %	-	-	-
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	68.4	70.0	73.4

1.3 RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

TABLE 3. RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS BY RISK TYPE

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA OV1 table)

SEK million	31 Mar 2018		31 Dec 2017		31 Mar 2017	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Credit risk (excl. counterparty risk)	17,549	1,404	17,089	1,367	14,111	1,129
<i>of which, the standardised approach</i>	283	23	288	23	636	51
<i>of which, the FIRB approach</i>	5,596	448	5,458	437	5,480	438
<i>of which, the AIRB approach</i>	11,670	933	11,343	907	7,995	640
Counterparty credit risk	464	37	335	27	450	36
<i>of which, the standardised approach</i>	164	13	69	6	146	12
<i>of which, credit valuation adjustment risk (CVA)</i>	300	24	266	21	304	24
Market risk	527	42	512	41	589	47
<i>of which, the standardised approach</i>	527	42	512	41	589	47
Operational risks	3,876	310	3,486	279	3,486	279
<i>of which, the standardised approach</i>	3,876	310	3,486	279	3,486	279
Adjustment for the Basel 1 floor ¹⁾		-		12,088		9,204
Total	22,416	1,793	21,422	13,802	18,636	10,695

¹⁾ Basel I transitional rules remained in force until 31 Dec 2017.

TABLE 3. RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

SEK million	31 Dec 2018		31 Dec 2017		31 Mar 2017	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	5,596	448	5,458	437	5,480	438
Retail exposures	11,670	933	11,343	907	7,995	640
<i>Of which: exposures to SMEs</i>	942	75	916	73	813	65
<i>Of which: retail exposures secured by immovable property</i>	10,729	858	10,427	834	7,182	575
Total exposures recognised with IRB approach	17,266	1,381	16,801	1,344	13,475	1,078
Credit risk recognised with the standardised approach						
Exposure 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 institutions ¹⁾	164	13	69	6	145	12
<i>Of which: derivatives according to CRR, Appendix 2</i>	81	6	60	5	91	8
<i>Of which, repos</i>	83	7	9	1	54	4
<i>Of which other</i>	-	-	0	0	0	0
Exposures to institutions and corporates with a short-term credit rating	0	0	0	0	168	13
Other items	283	23	288	23	469	38
Total exposures recognised with standardised approach	447	36	357	29	782	63
Market risk	527	42	512	41	589	47
<i>Of which: position risk</i>	-	-	-	-	-	-
<i>Of which: currency risk</i>	527	42	512	41	589	47
Operational risk	3,876	310	3,486	279	3,486	279
Credit valuation adjustment risk	300	24	266	21	304	24
Total risk exposure amount and minimum capital requirement	22,416	1,793	21,422	1,714	18,636	1,491
Capital requirements for capital conservation buffer		560		536		466
Capital requirements for countercyclical buffer		448		428		373
Total capital requirement		2,801		2,678		2,330

¹⁾ The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 164 million (69).

TABLE 5. BREAKDOWN OF EXPOSURE AMOUNTS USING THE STANDARDISED APPROACH BY EXPOSURE CLASS AND RISK WEIGHT AFTER APPLICATION OF THE CCF AND CREDIT RISK MITIGATION (CRM) ¹⁾

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA CR5 TABLE)

Exposure classes	0%	10%	20%	50%	75%	100%	150%	1,250%	Deducted ²⁾	Total	Of which, unrated
Exposures to governments and central banks	55	-	-	-	-	-	-	-	-	55	-
Exposures to regional governments or local authorities	878	-	-	-	-	-	-	-	-	878	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	0	-
Exposures to institutions ¹⁾	10,467	-	194	251	-	-	-	-	-	10,912	-
Exposures to corporates	-	-	-	-	-	-	-	-	-	0	-
Retail exposures	-	-	-	-	-	-	-	-	-	0	-
Exposures in default	-	-	-	-	-	-	-	-	-	0	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	0	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	0	-	-	-	-	-	-	0	-
Equity exposures	-	-	-	-	-	-	-	-	-	0	-
Other items	-	-	-	-	-	283	-	-	-	283	283
Total	11,400	-	194	251	-	283	-	-	-	12,128	283

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 6. CREDIT-RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) USING THE STANDARDISED APPROACH

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA CR4 TABLE)

Exposure classes	Original exposure amount before credit risk conversion factors and mitigation methods		Original exposure amount after credit risk conversion factors and mitigation methods		Risk exposure amounts and risk exposure density	
	Carrying amount	Contingent liabilities	Carrying amount	Contingent liabilities	Risk exposure amount	Density (%)
Exposures to governments and central banks	-	-	55	-	-	-
Exposures to regional governments or local authorities or agencies	2	-	878	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to institutions ¹⁾	-	-	-	-	-	-
Exposures to corporates	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-
Exposures in default	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	0	-	0	-	0	20%
Equity exposures	-	-	-	-	-	-
Other items	283	-	283	-	283	100%
Total	285	-	1,216	-	283	23%

¹⁾ The institution exposure class excludes counterparty risk.

1.4 CREDIT RISK IN LENDING OPERATIONS

TABLE 7. CREDIT RISK EXPOSURE BY EXPOSURE CLASS AND PD RANGE

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA CR6 TABLE)

SEK million	PD scale	Original on-balance-sheet exposure	Off-balance-sheet exposures pre-CCF	Average CCF, %	Exposure value after CCF	Average PD, %	Number of borrowers	Average LGD, %	Average maturity	Risk exposure amount	Risk exposure amount density, %	Expected loss	Value adjustments and provisions
Exposure class													
Corporates (foundation approach)	Of which, Corporate SME	0.00 to <0.15	4,814	-	-	4,799	0.09	61	35.1	2.5	714	15	2
		0.15 to <0.25	5,095	-	-	5,093	0.21	75	35.2	2.5	1,237	24	4
		0.25 to <0.50	1,241	-	-	1,241	0.45	59	35.2	2.5	421	34	2
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	47	-	-	36	1.16	10	35.3	2.5	17	48	0
		2.50 to <10.00	26	-	-	21	5.75	9	35.0	2.5	16	74	0
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-
	Portfolio subtotal	11,223	-	-	11,190	0.20	214	35.2	2.5	2,405	21	8	1
	Of which, Corporates Other	0.00 to <0.15	11,775	-	-	11,691	0.09	65	35.1	2.5	2,719	23	4
		0.15 to <0.25	1,234	-	-	1,234	0.21	18	35.1	2.5	460	37	1
		0.25 to <0.50	14	-	-	14	0.45	1	35.0	2.5	8	54	0
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	
		0.75 to <2.50	5	-	-	5	1.16	2	35.0	2.5	4	80	0
		2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00		-	-	-	-	-	-	-	-	-	-		
100.00 (Default)		-	-	-	-	-	-	-	-	-	-		
Portfolio subtotal	13,028	-	-	12,944	0.10	86	35.1	2.5	3,191	25	5	0	
Retail (advanced approach)	Of which, Retail SME	0.00 to <0.15	32,448	-	-	32,123	0.09	1,103	7.8	-	449	1	2
		0.15 to <0.25	11,350	-	-	10,998	0.21	581	8.7	-	321	3	2
		0.25 to <0.50	1,716	-	-	1,628	0.45	135	9.4	-	89	5	1
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	
		0.75 to <2.50	126	-	-	98	1.16	22	11.3	-	12	13	0
		2.50 to <10.00	122	-	-	103	5.37	18	14.4	-	42	41	1
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	
		100.00 (Default)	24	-	-	24	100.00	4	23.0	-	29	122	5
	Portfolio subtotal	45,786	-	-	44,974	0.20	1,863	8.1	-	942	2	11	11
	Of which, Retail Other	0.00 to <0.15	156,710	-	-	156,709	0.04	104,819	9.6	-	1,931	1	7
		0.15 to <0.25	49,379	-	-	49,379	0.16	28,070	10.8	-	1,921	4	9
		0.25 to <0.50	29,134	-	-	29,133	0.42	15,797	11.0	-	2,355	8	14
		0.50 till <0.75	-	-	-	-	-	-	-	-	-	-	
		0.75 to <2.50	13,190	-	-	13,190	1.55	7,257	11.4	-	2,660	20	23
		2.50 to <10.00	2,238	-	-	2,238	4.17	1,323	11.1	-	791	35	10
10.00 to <100.00		1,379	-	-	1,379	24.67	970	10.9	-	926	67	37	
100.00 (Default)		149	-	-	149	100.00	96	13.2	-	145	97	10	
Portfolio subtotal	252,179	-	-	252,177	0.42	158,332	10.1	-	10,729	4	110	77	
Total (all portfolios)	322,216	-	-	321,285	0.37	160,495	11.7	-	17,267	5	134	89	

TABLE 8. TREND FOR RISK EXPOSURE AMOUNTS UNDER THE IRB APPROACH – CONS. SITUATION

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA CR8 TABLE)

SEK million	31 Mar 2018		31 Dec 2017		31 Mar 2017	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Risk exposure amount at the end of the previous period ¹⁾	13,475	1,078	13,901	1,112	14,484	1,159
Asset size	4,757	380	3,849	308	1,317	105
Asset quality	-966	-77	-949	-76	-1,509	-121
Model updates	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-817	-65
Foreign exchange movements	-	-	-	-	-	-
Other	0	0	0	0	0	0
Risk exposure amount at the end of the reporting period	17,266	1,381	16,801	1,344	13,475	1,078

¹⁾ Risk exposure amount at the previous quarter.

1.5 CREDIT RISK IN TREASURY OPERATIONS

TABLE 9. RISK WEIGHTS FOR COUNTERPARTY-CREDIT RISK EXPOSURES BY EXPOSURE CLASS – CONSOLIDATED SITUATION

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA CCR3 TABLE)

SEK million Exposure class	31 Mar 2018					31 Dec 2017					31 Mar 2017				
	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total
Institution	5,739	-	267	183	6,189	6,901	-	182	81	7,164	10,466	-	194	250	10,912
Total	5,739	-	267	183	6,189	6,901	-	182	81	7,164	10,466	-	194	250	10,912

1.6 MARKET RISK

TABLE 10. **RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS FOR MARKET RISK**
– CONSOLIDATED SITUATION

According to the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA MR1 TABLE)

SEK million Risk class	31 Mar 2018		31 Dec 2017		31 Mar 2017	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Interest-rate risk (general and specific)	-	-	-	-	-	-
Foreign exchange risk	527	42	512	41	589	47
Total	527	42	512	41	589	47

2 INTERNALLY ASSESSED CAPITAL REQUIREMENT

For SCBC, the internal capital requirement without the risk weight floor amounted to SEK 4,995 million.

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 cal-

culated according to article 429 i CRR(Regulation (EU) No 575/2013 of the European Parliament and of the council amounted to 5.10%.