

A bright, airy dining room with a wooden table, chairs, a clock, and various decorative items. The scene is softly lit, creating a warm and inviting atmosphere. The table is set with a white tablecloth, a vase of flowers, a bowl of bread, and a cake. The background features a clock, a shelf with glasses, and a plate with a colorful pattern.

# DISCLOSURE OF OWN FUNDS AND LEVERAGE RATIO

September 2018 | Swedish Covered Bonds Corporation (SCBC)

**SCBC**  
— Covered Bonds of SBAB —



# SWEDISH COVERED BOND CORPORATION (SCBC)

The tables below are 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, AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation or 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.

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.

# 1 CAPITAL ADEQUACY

## 1.1 OVERVIEW

TABLE 1. CAPITAL ADEQUACY

SEK million	30 Sep 2018	31 Dec 2017	30 Sep 2017
CET1 capital	17,866	16,710	16,340
Tier 1 capital	17,866	16,710	16,340
Total capital	17,870	16,710	16,340
Risk exposure amount	22,982	21,422	17,099
CET1 capital ratio, %	77.7	78.0	95.6
Excess <sup>1)</sup> of CET1 capital	16,832	15,746	15,571
Tier 1 capital ratio, %	77.7	78.0	95.6
Excess <sup>1)</sup> of Tier 1 capital	16,487	15,424	15,314
Total capital ratio, %	77.8	78.0	95.6
Excess <sup>1)</sup> of total capital	16,032	14,996	14,792

<sup>1)</sup> Excess capital has been calculated based on minimum requirements (without buffer requirements)

## 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	30 Sep 2018	31 Dec 2017	30 Sep 2017
<b>CET1 capital instruments: Instruments and reserves</b>			
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)	-187	70	131
Independently verified net profit for the year net of any foreseeable charge or dividend	1,164	1,546	1,181
<b>CET1 capital before regulatory adjustments</b>	<b>17,732</b>	<b>16,785</b>	<b>16,480</b>
<b>CET1 capital: regulatory adjustments</b>			
Additional value adjustments (negative amount)	-7	-4	-4
Fair value reserves related to gains or losses on cash-flow hedges	186	-70	-131
Negative amounts resulting from the calculation of expected loss amounts	-45	-1	-5
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	-	0
<b>Total regulatory adjustments to CET1 capital</b>	<b>134</b>	<b>-75</b>	<b>-140</b>
<b>CET1 capital</b>	<b>17,866</b>	<b>16,710</b>	<b>16,340</b>
<b>Additional Tier 1 capital: Instruments</b>			
<b>Additional Tier 1 capital before regulatory adjustments</b>	-	-	-
<b>Additional Tier 1 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	-	-
<b>Additional Tier 1 capital</b>	-	-	-
<b>Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)</b>	<b>17,866</b>	<b>16,710</b>	<b>16,340</b>
<b>Tier 2 capital: Instruments and provisions</b>			
Credit risk adjustments	4	-	-
<b>Tier 2 capital before regulatory adjustments</b>	<b>4</b>	<b>-</b>	<b>-</b>
<b>Tier 2 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 capital</b>	-	-	-
<b>Tier 2 capital</b>	<b>4</b>	<b>-</b>	<b>-</b>
<b>Total capital (Total capital=Tier 1 capital + Tier 2 capital)</b>	<b>17,870</b>	<b>16,710</b>	<b>16,340</b>
<b>Total risk-weighted assets</b>	<b>22,982</b>	<b>21,422</b>	<b>17,099</b>
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	77.7	78.0	95.6
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	77.7	78.0	95.6
Total capital (as a percentage of total risk-weighted exposure amount), %	77.8	78.0	95.6
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, %	9.0	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, %)	69.7	70.0	87.6

## 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	30 Sep 2018		30 Jun 2018	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
<b>Credit risk (excl. counterparty risk)</b>	<b>17,984</b>	<b>1,438</b>	<b>18,031</b>	<b>1,443</b>
<i>of which, the standardised approach</i>	380	30	524	42
<i>of which, the FIRB approach</i>	5,426	434	5,420	434
<i>of which, the AIRB approach</i>	12,178	974	12,087	967
<b>Counterparty credit risk</b>	<b>462</b>	<b>37</b>	<b>545</b>	<b>43</b>
<i>of which, the standardised approach</i>	147	12	207	16
<i>of which, credit valuation adjustment risk (CVA)</i>	315	25	338	27
<b>Market risk</b>	<b>660</b>	<b>53</b>	<b>711</b>	<b>57</b>
<i>of which, the standardised approach</i>	660	53	711	57
<b>Operational risks</b>	<b>3,876</b>	<b>310</b>	<b>3,876</b>	<b>310</b>
<i>of which, the standardised approach</i>	3,876	310	3,876	310
<b>Total</b>	<b>22,982</b>	<b>1,838</b>	<b>23,163</b>	<b>1,853</b>

TABLE 4. RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

SEK million	30 Sep 2018		31 Dec 2017		30 Sep 2017	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
<b>Credit risk recognised in accordance with IRB approach</b>						
Exposures to corporates	5,426	434	5,458	437	4,504	360
Retail exposures	12,178	974	11,343	907	7,795	624
<i>Of which: exposures to SMEs</i>	770	61	916	73	719	58
<i>Of which: retail exposures secured by immovable property</i>	11,408	913	10,427	834	7,076	566
<b>Total exposures recognised with IRB approach</b>	<b>17,604</b>	<b>1,408</b>	<b>16,801</b>	<b>1,344</b>	<b>12,299</b>	<b>984</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposure to governments and central banks	104	8	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to institutions <sup>1)</sup>	147	12	69	6	106	9
<i>Of which: derivatives according to CRR, Appendix 2</i>	81	7	60	5	81	7
<i>Of which, repos</i>	66	5	9	1	25	2
<i>Of which other</i>	-	-	0	0	-	-
Exposures to institutions and corporates with a short-term credit rating	21	2	0	0	0	0
Other items	255	20	288	23	364	29
<b>Total exposures recognised with standardised approach</b>	<b>527</b>	<b>42</b>	<b>357</b>	<b>29</b>	<b>470</b>	<b>38</b>
<b>Market risk</b>	<b>660</b>	<b>53</b>	<b>512</b>	<b>41</b>	<b>529</b>	<b>42</b>
<i>Of which: position risk</i>	-	-	-	-	-	-
<i>Of which: currency risk</i>	660	53	512	41	529	42
<b>Operational risk</b>	<b>3,876</b>	<b>310</b>	<b>3,486</b>	<b>279</b>	<b>3,486</b>	<b>279</b>
<b>Credit valuation adjustment risk</b>	<b>315</b>	<b>25</b>	<b>266</b>	<b>21</b>	<b>315</b>	<b>25</b>
<b>Total risk exposure amount and minimum capital requirement</b>	<b>22,982</b>	<b>1,838</b>	<b>21,422</b>	<b>1,714</b>	<b>17,099</b>	<b>1,368</b>
<b>Capital requirements for capital conservation buffer</b>		<b>575</b>		<b>536</b>		<b>427</b>
<b>Capital requirements for countercyclical buffer</b>		<b>460</b>		<b>428</b>		<b>342</b>
<b>Total capital requirement</b>		<b>2,873</b>		<b>2,678</b>		<b>2,137</b>

<sup>1)</sup> The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 147 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) <sup>1)</sup>**

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%	250%	1,250 %	Deduc- ted <sup>2)</sup>	Total	Of which, unrated
Exposures to governments and central banks	46	-	-	-	-	-	-	42	-	-	88	-
Exposures to regional governments or local authorities	794	-	-	-	-	-	-	-	-	-	794	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions <sup>1)</sup>	10,975	-	247	195	-	-	-	-	-	-	11,417	-
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	-	-	103	-	-	-	-	-	-	-	103	-
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-
Other items <sup>2)</sup>	-	-	-	-	-	255	-	-	-	-	255	255
<b>Total</b>	<b>11,815</b>	<b>-</b>	<b>350</b>	<b>195</b>	<b>-</b>	<b>255</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>12,657</b>	<b>255</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%.

## 1.4 CREDIT RISK IN LENDING OPERATIONS

TABLE 6. 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	
<b>Exposure class</b>														
Corporates (foundation approach)	Of which, Corporate SME	0.00 to <0.15	7,657	-	-	7,644	0.09	71	35.06	2.5	1,129	15	2	-
		0.15 to <0.25	4,778	-	-	4,776	0.21	74	35.20	2.5	1,120	23	4	-
		0.25 to <0.50	1,271	-	-	1,271	0.45	58	35.12	2.5	423	33	2	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	23	-	-	12	1.16	8	35.85	2.5	6	49	0	-
		2.50 to <10.00	53	-	-	49	7.24	10	35.00	2.5	46	94	1	-
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Portfolio subtotal</b>	<b>13,782</b>	-	-	<b>13,752</b>	<b>0.19</b>	<b>221</b>	<b>35.11</b>	<b>2.5</b>	<b>2,724</b>	<b>20</b>	<b>9</b>	<b>1</b>	
	Of which, Corporates Other	0.00 to <0.15	9,993	-	-	9,911	0.09	62	35.05	2.5	2,305	23	3	-
		0.15 to <0.25	1,022	-	-	1,022	0.21	14	35.10	2.5	381	37	1	-
		0.25 to <0.50	27	-	-	27	0.45	2	35.00	2.5	15	54	0	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	2	-	-	2	1.16	1	35.00	2.5	1	80	0	-
		2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Portfolio subtotal</b>	<b>11,044</b>	-	-	<b>10,962</b>	<b>0.10</b>	<b>79</b>	<b>35.06</b>	<b>2.5</b>	<b>2,702</b>	<b>25</b>	<b>4</b>	<b>0</b>	
	Retail (advanced approach)	Of which, Retail SME	0.00 to <0.15	32,506	-	-	32,155	0.09	1,112	6.99	-	406	1	2
0.15 to <0.25			10,781	-	-	10,542	0.21	519	7.55	-	267	3	2	-
0.25 to <0.50			1,332	-	-	1,218	0.45	109	8.73	-	62	5	0	-
0.50 to <0.75			-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <2.50			82	-	-	81	1.16	14	11.47	-	10	13	0	-
2.50 to <10.00			61	-	-	42	3.45	12	8.53	-	8	18	0	-
10.00 to <100.00			-	-	-	-	-	-	-	-	-	-	-	-
100.00 (Default)			20	-	-	20	100.00	3	21.55	-	20	104	4	-
<b>Portfolio subtotal</b>		<b>44,782</b>	-	-	<b>44,058</b>	<b>0.18</b>	<b>1,769</b>	<b>7.19</b>	-	<b>770</b>	<b>2</b>	<b>8</b>	<b>10</b>	
Of which, Retail Other		0.00 to <0.15	166,776	-	-	166,775	0.04	108,111	9.74	-	2,098	1	7	-
		0.15 to <0.25	50,870	-	-	50,870	0.16	28,841	11.10	-	2,044	4	9	-
		0.25 to <0.50	30,432	-	-	30,431	0.42	16,422	11.30	-	2,520	8	15	-
		0.50 till <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	13,252	-	-	13,252	1.55	7,277	11.87	-	2,778	21	24	-
		2.50 to <10.00	2,447	-	-	2,447	4.17	1,408	11.38	-	884	36	12	-
		10.00 to <100.00	1,307	-	-	1,307	24.67	897	11.05	-	888	68	36	-
		100.00 (Default)	198	-	-	198	100.00	145	12.55	-	196	99	14	-
<b>Portfolio subtotal</b>		<b>265,282</b>	-	-	<b>265,280</b>	<b>0.42</b>	<b>163,101</b>	<b>10.31</b>	-	<b>11,408</b>	<b>4</b>	<b>117</b>	<b>86</b>	
<b>Total (all portfolios)</b>		<b>334,890</b>	-	-	<b>334,052</b>	<b>0.37</b>	<b>165,170</b>	<b>11.73</b>	-	<b>17,604</b>	<b>5</b>	<b>138</b>	<b>97</b>	

TABLE 7. TREND FOR RISK EXPOSURE AMOUNTS UNDER THE IRB APPROACH

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

SEK million	30 Sep 2018		30 Jun 2018	
	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>17,507</b>	<b>1,401</b>	<b>17,266</b>	<b>1,381</b>
Asset size	429	34	390	32
Asset quality	-333	-27	-149	-12
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	1	0	0	0
<b>Risk exposure amount at the end of the reporting quarter</b>	<b>17,604</b>	<b>1,408</b>	<b>17,507</b>	<b>1,401</b>

## 1.5 CREDIT RISK IN TREASURY OPERATIONS

TABLE 8. **RISK WEIGHTS FOR COUNTERPARTY-CREDIT RISK EXPOSURES BY EXPOSURE CLASS**

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

SEK million Exposure class	30 Sep 2018					30 Jun 2018				
	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total
Institution	10,975	-	337	195	11,507	4,326	-	227	323	4,876
<b>Total</b>	<b>10,975</b>	<b>-</b>	<b>337</b>	<b>195</b>	<b>11,507</b>	<b>4,326</b>	<b>-</b>	<b>227</b>	<b>323</b>	<b>4,876</b>

## 1.6 MARKET RISK

TABLE 9. **RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS FOR MARKET RISK**

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

SEK million Risk class	30 Sep 2018		30 Jun 2018	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Interest-rate risk (general and specific)	-	-	-	-
Foreign exchange risk	660	53	711	57
<b>Total</b>	<b>660</b>	<b>53</b>	<b>711</b>	<b>57</b>

## 2 INTERNALLY ASSESSED CAPITAL REQUIREMENT

For SCBC, the internal capital requirement without the risk weight floor amounted to SEK 5,734 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 calculated according to article 429 i CRR (Regulation (EU) No 575/2013 of the European Parliament and of the council amounted to 5.28%.

TABLE 10. **LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES**

	Applicable amount
Total assets as per published financial statements	344,722
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	-6,219
Adjustment for securities financing transactions (SFTs)	0
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	0
(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-11,071
Other adjustments	10,989
<b>Leverage ratio total exposure measure</b>	<b>338,421</b>

TABLE 11. **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)	335,196
(Asset amounts deducted in determining Tier 1 capital) 3	0
<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>	<b>335,196</b>
<b>Derivative Exposures</b>	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	5,757
Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	5,470
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
<b>Total derivatives exposures</b>	<b>11,227</b>
<b>SFT Exposures</b>	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	3,069
<b>Total securities financing transaction exposures</b>	<b>3,069</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))	-11,071
<b>Capital and total exposure measure</b>	
Tier 1 capital	17,866
<b>Leverage ratio total exposure measure</b>	<b>338,421</b>
<b>Leverage ratio</b>	
Leverage ratio	<b>5.28%</b>
<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**

SCBC:s leverage ratio is monitored and followed up continuously. The ratio is targeted in SCBC:s capital policy. The outcome and development of the ratio is monitored and reported quarterly to the CEO and Board. In a situation of excessive leverage where the ratio is in cause of concern, actions for example in the form of group contribution could be implemented. In addition and if necessary, balance sheet actions could also be implemented to reduce the SCBC:s leverage exposure.

**Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage ratio refers**

The change in leverage ratio, compared to the previous quarter, is explained by:

- Tier 1 Capital has increased due to profit generation, which has impacted the ratio positively by 0.10%
- The effect on the exposure measure attributable to SFT:s has decreased and impacted the ratio positively by 0.09%
- The effect on the exposure measure attributable to derivatives has also decreased and impacted the ratio positively by 0.04%
- An increase in exposure mainly from retail mortgage has impacted the ratio negatively by 0.11%
- Deduction for intragroup exposures attributes to a negative impact on the ratio by 0.10%.