

A bright, airy dining room with a wooden table, chairs, a clock, and 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 white wall with a clock and a shelf with various decorative objects.

DISCLOSURE OF OWN FUNDS AND LEVERAGE RATIO

June 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

1.1 OVERVIEW

TABLE 1. CAPITAL ADEQUACY

SEK million	30 Jun 2018	31 Dec 2017	30 Jun 2017
CET1 capital	17,538	16,710	15,959
Tier 1 capital	17,538	16,710	15,959
Total capital	17,541	16,710	15,959
Risk exposure amount	23,163	21,422	18,066
CET1 capital ratio, %	75.7	78.0	88.3
Excess ¹⁾ of CET1 capital	16,496	15,746	15,146
Tier 1 capital ratio, %	75.7	78.0	88.3
Excess ¹⁾ of Tier 1 capital	16,148	15,424	14,875
Total capital ratio, %	75.7	78.0	88.3
Excess ¹⁾ of total capital	15,688	14,996	14,513

¹⁾ 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 Jun 2018	31 Dec 2017	30 Jun 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)	90	70	68
Independently verified net profit for the year net of any foreseeable charge or dividend	836	1,546	798
CET1 capital before regulatory adjustments	17,681	16,785	16,034
CET1 capital: regulatory adjustments			
Additional value adjustments (negative amount)	-9	-4	-4
Fair value reserves related to gains or losses on cash-flow hedges	-90	-70	-67
Negative amounts resulting from the calculation of expected loss amounts	-44	-1	-4
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	-	0
Total regulatory adjustments to CET1 capital	-143	-75	-75
CET1 capital	17,538	16,710	15,959
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)	17,538	16,710	15,959
Tier 2 capital: Instruments and provisions			
Credit risk adjustments	3	-	-
Tier 2 capital before regulatory adjustments	3	-	-
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	-	-	-
Tier 2 capital	3	-	-
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	17,541	16,710	15,959
Total risk-weighted assets	23,163	21,422	18,066
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	75.7	78.0	88.3
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	75.7	78.0	88.3
Total capital (as a percentage of total risk-weighted exposure amount), %	75.7	78.0	88.3
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 capital buffer requirement, %</i>	2.0	2.0	2.0
<i>Of which: systemic risk buffer requirement, %</i>	-	-	-
<i>Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffers, %</i>	-	-	-
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	67.7	70.0	80.3

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 Jun 2018		31 Mar 2018	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Credit risk (excl. counterparty risk)	18,031	1,443	17,549	1,404
<i>of which, the standardised approach</i>	524	42	283	23
<i>of which, the FIRB approach</i>	5,420	434	5,596	448
<i>of which, the AIRB approach</i>	12,087	967	11,670	933
Counterparty credit risk	545	43	464	37
<i>of which, the standardised approach</i>	207	16	164	13
<i>of which, credit valuation adjustment risk (CVA)</i>	338	27	300	24
Market risk	711	57	527	42
<i>of which, the standardised approach</i>	711	57	527	42
Operational risks	3,876	310	3,876	310
<i>of which, the standardised approach</i>	3,876	310	3,876	310
Total	23,163	1,853	22,416	1,793

TABLE 4. RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

SEK million	30 Jun 2018		31 Dec 2017		30 Jun 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	5,420	434	5,458	437	5,304	424
Retail exposures	12,087	967	11,343	907	7,819	626
<i>Of which: exposures to SMEs</i>	811	65	916	73	749	60
<i>Of which: retail exposures secured by immovable property</i>	11,276	902	10,427	834	7,070	566
Total exposures recognised with IRB approach	17,507	1,401	16,801	1,344	13,123	1,050
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⁾	207	16	69	6	134	11
<i>Of which: derivatives according to CRR, Appendix 2</i>	96	7	60	5	87	7
<i>Of which, repos</i>	111	9	9	1	47	4
<i>Of which other</i>	-	-	0	0	-	-
Exposures to institutions and corporates with a short-term credit rating	150	12	0	0	0	0
Other items	374	30	288	23	465	37
Total exposures recognised with standardised approach	731	58	357	29	599	48
Market risk	711	57	512	41	559	44
<i>Of which: position risk</i>	-	-	-	-	-	-
<i>Of which: currency risk</i>	711	57	512	41	559	44
Operational risk	3,876	310	3,486	279	3,486	279
Credit valuation adjustment risk	338	27	266	21	299	24
Total risk exposure amount and minimum capital requirement	23,163	1,853	21,422	1,714	18,066	1,445
Capital requirements for capital conservation buffer		579		536		452
Capital requirements for countercyclical buffer		463		428		361
Total capital requirement		2,895		2,678		2,258

¹⁾ The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 207 million (262).

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	46	-	-	-	-	-	-	-	-	46	-
Exposures to regional governments or local authorities	811	-	-	-	-	-	-	-	-	811	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions ¹⁾	13,144	-	227	323	-	-	-	-	-	13,694	-
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	299	-	-	-	-	-	299	-
Equity exposures	-	-	-	-	-	-	-	-	-	0	-
Other items	-	-	-	-	-	374	-	-	-	374	-
Total	14,001	-	227	622	-	374	-	-	-	15,224	-

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%.

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	
Exposure class														
Corporates (foundation approach)	Of which, Corporate SME	0.00 to <0.15	6,948	-	-	6,934	0.09	69	35.1	2.5	1,013	15	2	-
		0.15 to <0.25	4,581	-	-	4,578	0.21	72	35.2	2.5	1,095	24	3	-
		0.25 to <0.50	1,418	-	-	1,418	0.45	63	35.2	2.5	496	35	2	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	23	-	-	12	1.16	8	35.9	2.5	6	49	1	-
		2.50 to <10.00	24	-	-	20	5.91	9	35.0	2.5	15	74	0	-
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
		Portfolio subtotal	12,994	-	-	12,962	0.18	221	35.1	2.5	2,625	20	8	1
	Of which, Corporates Other	0.00 to <0.15	10,061	-	-	9,978	0.09	60	35.1	2.5	2,326	23	3	-
		0.15 to <0.25	1,233	-	-	1,233	0.21	18	35.1	2.5	459	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	2	-	-	2	1.16	1	35.0	2.5	2	80	0	-
		2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
		Portfolio subtotal	11,310	-	-	11,227	0.11	80	35.1	2.5	2,795	25	4	0
Retail (advanced approach)	Of which, Retail SME	0.00 to <0.15	32,406	-	-	32,064	0.09	1,112	7.0	-	401	1	2	-
		0.15 to <0.25	10,863	-	-	10,583	0.21	533	7.9	-	280	3	2	-
		0.25 to <0.50	1,500	-	-	1,404	0.45	114	8.5	-	70	5	0	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	53	-	-	51	1.16	14	12.3	-	7	14	0	-
		2.50 to <10.00	110	-	-	92	5.61	16	11.9	-	31	33	1	-
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	22	-	-	21	100.00	4	23.1	-	22	111	5	-
		Portfolio subtotal	44,954	-	-	44,215	0.19	1,793	7.3	-	811	2	10	10
	Of which, Retail Other	0.00 to <0.15	161,218	-	-	161,218	0.04	106,178	9.7	-	2,010	1	7	-
		0.15 to <0.25	50,213	-	-	50,213	0.00	28,506	11.2	-	2,032	4	9	-
		0.25 to <0.50	29,849	-	-	29,848	0.16	16,092	11.4	-	2,495	8	14	-
		0.50 till <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	13,284	-	-	13,284	1.55	7,325	12.0	-	2,809	21	25	-
		2.50 to <10.00	2,368	-	-	2,368	4.17	1,362	11.3	-	849	36	11	-
		10.00 to <100.00	1,290	-	-	1,290	24.67	901	11.1	-	882	68	35	-
		100.00 (Default)	205	-	-	205	100.00	136	12.5	-	199	97	15	-
		Portfolio subtotal	258,427	-	-	258,426	0.43	160,500	10.3	-	11,276	4	116	86
Total (all portfolios)		327,685	-	-	326,830	0.37	162,594	11.7	-	17,507	5	138	97	

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 Jun 2018		31 Mar 2018	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Risk exposure amount at the end of the previous quarter	17,266	1,381	13,475	1,078
Asset size	390	32	4,757	380
Asset quality	-149	-12	-966	-77
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	0	0	0	0
Risk exposure amount at the end of the reporting quarter	17,507	1,401	17,266	1,381

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 Jun 2018					31 Dec 2017				
	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total
Institution	4,326	-	227	323	4,876	6,901	-	182	81	7,164
Total	4,326	-	227	323	4,876	6,901	-	182	81	7,164

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 Jun 2018		31 Dec 2017	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Interest-rate risk (general and specific)	-	-	-	-
Foreign exchange risk	711	57	512	41
Total	711	57	512	41

2 INTERNALLY ASSESSED CAPITAL REQUIREMENT

For SCBC, the internal capital requirement without the risk weight floor amounted to SEK 5,677 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 amount-

ed to 5.27%. As of June 30, 2018, Swedish FSA has granted permission to exclude intragroup exposures when calculating the leverage ratio. This change however does not affect the consolidated situation, but it has positively affected SCBC's leverage ratio by 0.3 percentage points and the parent company's leverage ratio by 2.7 percentage points.

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

	Applicable amount
Total assets as per published financial statements	345,015
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	-7,819
Adjustment for securities financing transactions (SFTs)	-1
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)	-17,355
Other adjustments	13,046
Leverage ratio total exposure measure	332,886

TABLE 11. **LRCOM: LEVERAGE RATIO COMMON DISCLOSURE**

	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	328,263
(Asset amounts deducted in determining Tier 1 capital) 3	-
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	328,263
Derivative Exposures	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	7,642
Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	5,703
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-24
Total derivatives exposures	13,321
SFT Exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	8,658
Total securities financing transaction exposures	8,658
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))	-17,356
Capital and total exposure measure	
Tier 1 capital	17,538
Leverage ratio total exposure measure	332,886
Leverage ratio	
Leverage ratio	5.27%
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

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 0.12%
- The effect on the exposure measure attributable to SFT:s has increased and impacted the ratio negatively by 0.09%
- An increase in exposure mainly from retail mortgage has impacted the ratio negatively by 0.09%
- Deduction for intragroup exposures attributes to a positive impact on the ratio by 0.26%. As of June 30, 2018, Swedish FSA has granted SCBC permission to exclude intragroup exposures when calculating the leverage ratio.