

Swedish Covered Bonds Corporation (SCBC)

# DISCLOSURE OF OWN FUNDS AND LEVERAGE RATIO

September 2019

**SCBC**

— Covered Bonds of SBAB —

# Swedish Covered Bond Association (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

TABELL 1. CAPITAL ADEQUACY <sup>1)</sup>

SEK million	30 Sep 2019	31 Dec 2018	30 Sep 2018
CET1 capital	15,886	15,250	17,866
Tier 1 capital	15,886	15,250	17,866
Total capital	15,889	15,253	17,870
Risk exposure amount	94,162	89,188	22,982
CET1 capital ratio, %	16.9	17.1	77.7
Excess <sup>2)</sup> of CET1 capital	11,649	11,237	16,832
Tier 1 capital ratio, %	16.9	17.1	77.7
Excess <sup>2)</sup> of Tier 1 capital	10,236	9,899	16,487
Total capital ratio, %	16.9	17.1	77.8
Excess <sup>2)</sup> of total capital	8,356	8,118	16,032

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

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

### Decided movement of the risk-weight floor for residential mortgages

The Swedish FSA has introduced the existing risk-weight floor for mortgages applied in Pillar 2 as a requirement within the framework of Article 458 of the Capital Requirements Regulation. The change entered in to force from 31 December 2018 and is valid for two years. The change means the capital requirement is set as a requirement in Pillar 1. The credit institutions to be 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 is made as if the risk-weight floor still would be applicable in Pillar 2.

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

	30 Sep 2019	31 Dec 2018	30 Sep 2018
Risk exposure amount, SEK million	23,782	21,513	22,982
CET1 capital ratio, %	66.8	70.9	77.7
Tier 1 capital ratio, %	66.8	70.9	77.7
Total capital ratio, %	66.8	70.9	77.8

<sup>1)</sup> The table above shows the capital ratio before the shift of risk-weight floor from Pillar 2 to Pillar 1. The information given in the table is just for comparison.

## 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 2019	31 Dec 2018	30 Sep 2018
<b>CET1 capital instruments: Instruments and reserves</b>			
Capital instruments and the related share premium accounts	9,600	9,600	9,600
Retained earnings	5,696	7,155	7,155
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	3,049	458	-187
Independently verified net profit for the year net of any foreseeable charge or dividend <sup>1)</sup>	638	-1,459	1,164
<b>CET1 capital before regulatory adjustments</b>	<b>18,983</b>	<b>15,754</b>	<b>17,732</b>
<b>CET1 capital: regulatory adjustments</b>			
Additional value adjustments (negative amount)	-17	-7	-7
Fair value reserves related to gains or losses on cash-flow hedges	-3,049	-458	186
Negative amounts resulting from the calculation of expected loss amounts	-31	-39	-45
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0	0
<b>Total regulatory adjustments to CET1 capital</b>	<b>-3,097</b>	<b>-504</b>	<b>134</b>
<b>CET1 capital</b>	<b>15,886</b>	<b>15,250</b>	<b>17,866</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>15,886</b>	<b>15,250</b>	<b>17,866</b>
<b>Tier 2 capital: Instruments and provisions</b>			
Credit risk adjustments	3	3	4
<b>Tier 2 capital before regulatory adjustments</b>	<b>3</b>	<b>3</b>	<b>4</b>
<b>Tier 2 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments to Tier 2 capital</b>	-	-	-
<b>Tier 2 capital</b>	<b>3</b>	<b>3</b>	<b>4</b>
<b>Total capital (Total capital=Tier 1 capital + Tier 2 capital)</b>	<b>15,889</b>	<b>15,253</b>	<b>17,870</b>
<b>Total risk-weighted assets</b>	<b>94,162</b>	<b>89,188</b>	<b>22,982</b>
<b>Capital ratio and buffers</b>			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	16.9	17.1	77.7
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	16.9	17.1	77.7
Total capital (as a percentage of total risk-weighted exposure amount), %	16.9	17.1	77.8
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, %	9.5	9.0	9.0
Of which: CET1 capital, minimum requirement, %	4.5	4.5	4.5
Of which: capital conservation buffer requirement, %	2.5	2.5	2.5
Of which: countercyclical capital buffer requirement, %	2.5	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, %)	8.9	9.1 <sup>2)</sup>	69.7

<sup>1)</sup> Net profit for the interim period was reduced by the expected dividend of SEK 425 million, based on Q3 2019. The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.

<sup>2)</sup> Available CET1 capital is restated from 12.6 to 9.1.

## 1.3 Risk exposure amounts and capital requirements

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

SEK million	30 Sep 2019		30 Jun 2019	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
<b>Credit risk (excl. counterparty risk)</b>	<b>17,498</b>	<b>1,400</b>	<b>16,919</b>	<b>1,353</b>
<i>of which, the standardised approach</i>	327	26	381	30
<i>of which, the FIRB approach</i>	5,807	465	5,259	421
<i>of which, the AIRB approach</i>	11,364	909	11,279	902
<b>Counterparty credit risk</b>	<b>674</b>	<b>54</b>	<b>617</b>	<b>49</b>
<i>of which, mark to market</i>	144	12	167	13
<i>of which, credit valuation adjustment risk (CVA)</i>	530	42	450	36
<b>Market risk</b>	<b>808</b>	<b>65</b>	<b>827</b>	<b>66</b>
<i>of which, the standardised approach</i>	808	65	827	66
<b>Operational risks</b>	<b>4,186</b>	<b>335</b>	<b>4,186</b>	<b>335</b>
<i>of which, the standardised approach</i>	4,186	335	4,186	335
<b>Additional stricter prudential requirements based on CRR art. 458</b>	<b>70,380</b>	<b>5,630</b>	<b>69,210</b>	<b>5,538</b>
<b>Additional risk exposure amount due to Article 3 CRR</b>	<b>616</b>	<b>49</b>	<b>616</b>	<b>49</b>
<b>Total</b>	<b>94,162</b>	<b>7,533</b>	<b>92,375</b>	<b>7,390</b>

TABLE 4. RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

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

clical 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 49 million under Pillar 1 since 31 March 2019.

SEK million	30 Sep 2019		31 Dec 2018		30 Sep 2018	
	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	5,807	465	5,041	403	5,426	434
Retail exposures	11,364	909	11,353	908	12,178	974
<i>Of which: exposures to SMEs</i>	744	60	770	61	770	61
<i>Of which: retail exposures secured by immovable property</i>	10,620	849	10,583	847	11,408	913
<b>Total exposures recognised with IRB approach</b>	<b>17,171</b>	<b>1,374</b>	<b>16,394</b>	<b>1,311</b>	<b>17,604</b>	<b>1,408</b>
<b>Credit risk recognised with the standardised approach</b>						
Exposure to governments and central banks	0	0	0	0	104	8
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to institutions <sup>1)</sup>	144	12	53	4	147	12
<i>Of which: derivatives according to CRR, Appendix 2</i>	98	8	53	4	81	7
<i>Of which, repos</i>	46	4	0	0	66	5
<i>Of which other</i>	0	0	0	0	-	-
Exposures to institutions and corporates with a short-term credit rating	0	0	0	0	21	2
Other items	327	26	153	12	255	20
<b>Total exposures recognised with standardised approach</b>	<b>471</b>	<b>38</b>	<b>206</b>	<b>16</b>	<b>527</b>	<b>42</b>
<b>Market risk</b>	<b>808</b>	<b>65</b>	<b>752</b>	<b>60</b>	<b>660</b>	<b>53</b>
<i>Of which: position risk</i>	-	-	-	-	-	-
<i>Of which: currency risk</i>	808	65	752	60	660	53
<b>Operational risk</b>	<b>4,186</b>	<b>335</b>	<b>3,876</b>	<b>310</b>	<b>3,876</b>	<b>310</b>
<b>Credit valuation adjustment risk</b>	<b>530</b>	<b>42</b>	<b>285</b>	<b>23</b>	<b>315</b>	<b>25</b>
<b>Additional requirements under Article 458 of the CRR</b>	<b>70,380</b>	<b>5,630</b>	<b>67,675</b>	<b>5,414</b>	-	-
<b>Additional requirements under Article 3 of the CRR</b>	<b>616</b>	<b>49</b>	-	-	-	-
<b>Total risk exposure amount and minimum capital requirement</b>	<b>94,162</b>	<b>7,533</b>	<b>89,188</b>	<b>7,134</b>	<b>22,982</b>	<b>1,838</b>
<b>Capital requirements for capital conservation buffer</b>		<b>2,354</b>		<b>2,230</b>		<b>575</b>
<b>Capital requirements for countercyclical buffer</b>		<b>2,354</b>		<b>1,784</b>		<b>460</b>
<b>Total capital requirement</b>		<b>12,241</b>		<b>11,148</b>		<b>2,873</b>

<sup>1)</sup> The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 144 million (53).

## 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	31	–	70	–	0	–
Exposures to regional governments or local authorities or agencies	1	–	611	–	0	–
Exposures to multilateral development banks	–	–	–	–	–	–
Exposures to institutions <sup>1)</sup>	0	–	0	–	0	20
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	327	–	327	–	327	100
<b>Total</b>	<b>359</b>	<b>–</b>	<b>1,008</b>	<b>–</b>	<b>327</b>	<b>32</b>

<sup>1)</sup> The institution exposure class excludes counterparty risk.

TABLE 6. BREAKDOWN OF EXPOSURE AMOUNTS USING THE STANDARDISED APPROACH BY EXPOSURE CLASS AND RISK WEIGHT AFTER APPLICATION OF THE CCF AND CREDIT RISK MITIGATION (CRM) (EBA CR5 TABLE) <sup>1)</sup>

Exposure classes	0%	10%	20%	50%	75%	100%	150%	250%	1,250%	Deducted <sup>2)</sup>	Total	Of which, unrated
Exposures to governments and central banks	70	–	–	–	–	–	–	–	–	–	70	–
Exposures to regional governments or local authorities	611	–	–	–	–	–	–	–	–	–	611	–
Exposures to multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–
Exposures to institutions <sup>1)</sup>	22,436	–	463	103	–	–	–	–	–	–	23,002	–
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	–	–	–	–	–	–	–	–	–	–	–	–
Equity exposures	–	–	–	–	–	–	–	–	–	–	–	–
Other items <sup>2)</sup>	–	–	–	–	–	327	–	–	–	–	327	327
<b>Total</b>	<b>23,117</b>	<b>–</b>	<b>463</b>	<b>103</b>	<b>–</b>	<b>327</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>24,010</b>	<b>327</b>

<sup>1)</sup> Exposures to institutions including counterparty risk.

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

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

SEK million	PD scale	Original on-balance-sheet exposure	Off-balance-sheet exposures pre-CCF	Average CCF, %	Exposure value after CCF	Average PD, %	Number of borrowers	Average LGD, %	Average maturity	Risk exposure amount	Risk exposure amount density, %	Expected loss	Value adjustments and provisions	
<b>Exposure class</b>														
Corporates (foundation approach)	Of which, Corporate SME	0.00 to <0.15	14,242	-	-	14,229	0.09	102	35.1	2.5	2,103	15	5	-
		0.15 to <0.25	4,394	-	-	4,393	0.21	66	35.2	2.5	1,066	24	4	-
		0.25 to <0.50	1,357	-	-	1,357	0.45	43	35.1	2.5	489	36	2	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	82	-	-	82	1.16	8	35.0	2.5	50	61	-	-
		2.50 to <10.00	17	-	-	14	3.05	7	35.3	2.5	8	62	-	-
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Portfolio subtotal</b>	<b>20,092</b>	<b>-</b>	<b>-</b>	<b>20,075</b>	<b>0.15</b>	<b>226</b>	<b>35.1</b>	<b>2.5</b>	<b>3,716</b>	<b>19</b>	<b>11</b>	<b>1</b>	
	Of which, Corporates Other	0.00 to <0.15	7,395	-	-	7,360	0.09	60	35.1	2.5	1,715	23	3	-
		0.15 to <0.25	619	-	-	584	0.21	7	35.1	2.5	218	37	-	-
		0.25 to <0.50	289	-	-	289	0.45	3	35.0	2.5	158	54	-	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
		2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <100.00		-	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)		-	-	-	-	-	-	-	-	-	-	-	-	
<b>Portfolio subtotal</b>	<b>8,303</b>	<b>-</b>	<b>-</b>	<b>8,233</b>	<b>0.11</b>	<b>70</b>	<b>35.1</b>	<b>2.5</b>	<b>2,091</b>	<b>25</b>	<b>3</b>	<b>0</b>		
Retail (advanced approach)	Of which, Retail SME	0.00 to <0.15	32,060	-	-	31,740	0.09	1,064	6.8	-	388	1	2	-
		0.15 to <0.25	10,485	-	-	10,323	0.21	451	7.3	-	255	2	2	-
		0.25 to <0.50	1,368	-	-	1,325	0.45	93	7.5	-	57	4	-	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	106	-	-	105	1.16	11	9.8	-	11	11	-	-
		2.50 to <10.00	138	-	-	102	3.05	10	9.7	-	20	20	-	-
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	19	-	-	19	100.00	3	15.9	-	13	69	3	-
	<b>Portfolio subtotal</b>	<b>44,176</b>	<b>-</b>	<b>-</b>	<b>43,614</b>	<b>0.18</b>	<b>1,632</b>	<b>7.0</b>	<b>-</b>	<b>744</b>	<b>2</b>	<b>7</b>	<b>9</b>	
	Of which, Retail Other	0.00 to <0.15	192,158	-	-	192,156	0.04	118,227	10.0	-	2,455	1	8	-
		0.15 to <0.25	48,313	-	-	48,313	0.16	28,357	10.8	-	1,882	4	8	-
		0.25 to <0.50	27,939	-	-	27,939	0.42	15,300	10.9	-	2,235	8	13	-
		0.50 till <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	11,419	-	-	11,419	1.55	6,663	11.3	-	2,278	20	20	-
		2.50 to <10.00	2,111	-	-	2,111	4.17	1,222	11.1	-	746	35	10	-
10.00 to <100.00		1,164	-	-	1,164	24.67	775	10.8	-	773	66	31	-	
100.00 (Default)		262	-	-	262	100.00	185	12.0	-	251	96	17	-	
<b>Portfolio subtotal</b>	<b>283,366</b>	<b>-</b>	<b>-</b>	<b>283,364</b>	<b>0.38</b>	<b>170,729</b>	<b>10.3</b>	<b>-</b>	<b>10,620</b>	<b>4</b>	<b>107</b>	<b>90</b>		
<b>Total (all portfolios)</b>		<b>355,936</b>	<b>-</b>	<b>-</b>	<b>355,287</b>	<b>0.34</b>	<b>172,657</b>	<b>11.9</b>	<b>-</b>	<b>17,171</b>	<b>5</b>	<b>128</b>	<b>100</b>	

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

SEK million	30 Sep 2019		30 Sep 2019	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
<b>Risk exposure amount at the end of the previous quarter</b>	<b>16,538</b>	<b>1,323</b>	<b>17,129</b>	<b>1,370</b>
Asset size	1,199	96	-204	-16
Asset quality	-566	-45	-387	-31
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	0	0	0	0
<b>Risk exposure amount at the end of the reporting quarter</b>	<b>17,171</b>	<b>1,374</b>	<b>16,538</b>	<b>1,323</b>

TABLE 9. CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT (EBA CRI-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	–	28,394	1	–	–	0	28,394
– of which, Specialised lending	–	–	–	–	–	–	–
– of which, to SMEs	–	20,092	1	–	–	0	20,091
Retail exposures	281	327,261	99	–	4	4	327,442
Exposures to households secured against immovable property	281	327,261	99	–	4	4	327,442
– of which, to SMEs	19	44,157	9	–	–	0	44,166
– of which, to non-SMEs	262	283,104	90	–	4	4	283,276
<b>Total exposure with IRB approach</b>	<b>281</b>	<b>355,655</b>	<b>100</b>	<b>–</b>	<b>4</b>	<b>4</b>	<b>355,836</b>
Exposures to governments and central banks	–	31	–	–	–	–	31
Exposures to regional governments or local authorities or agencies	–	1	–	–	–	0	1
Exposures to public sector entities	–	–	–	–	–	–	–
Exposures to multilateral development banks	–	–	–	–	–	–	–
Exposures to international organisations	–	–	–	–	–	–	–
Exposures to institutions	–	23,002	–	–	–	–	23,002
Retail exposures	–	–	–	–	–	–	–
– of which, to SMEs	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	–	–
Exposures in the form of covered bonds	–	–	–	–	–	–	–
Exposures to institutions and corporates with a short-term credit rating	–	0	–	–	–	–	0
Equity exposures	–	–	–	–	–	–	–
Other exposures	–	327	–	–	–	–	327
Deduction for retail exposures in default*	–	–	–	–	–	–	–
<b>Total exposure with standardised approach</b>	<b>–</b>	<b>23,361</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0</b>	<b>23,261</b>
<b>Total</b>	<b>281</b>	<b>379,016</b>	<b>100</b>	<b>–</b>	<b>4</b>	<b>4</b>	<b>379,197</b>
– Of which, loans	281	355,655	100	–	–	–	355,836
– Of which, debt securities	–	–	–	–	–	–	–
– Of which, off-balance-sheet exposures	–	–	–	–	–	–	–

\* 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	-	197	0	-	-	0	197
Real estate activities	281	355,459	100	-	4	4	355,639
Other services	-	327	-	-	-	0	327
Financial services*	-	23,034	-	-	-	-	23,034
<b>Total</b>	<b>281</b>	<b>379,016</b>	<b>100</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>379,197</b>

\*Credit institutions

TABLE 11. CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY (EBA CR1-C TABLE)

SEK million	Gross carrying amount of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges for the period	Net values
	Exposures in default	Non-defaulted exposures					
Sweden	281	378,804	100	-	4	4	378,984
Denmark	-	103	-	-	-	-	103
Finland	-	110	-	-	-	-	110
Norway	-	-	-	-	-	-	-
Canada	-	-	-	-	-	-	-
USA	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-
United Kingdom	-	-	-	-	-	-	-
Switzerland	-	-	-	-	-	-	-
Austria	-	-	-	-	-	-	-
Other countries*	-	-	-	-	-	-	-
<b>Total</b>	<b>281</b>	<b>379,016</b>	<b>100</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>379,197</b>

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	68	0	26	40	34	12
Interest-bearing securities	-	-	-	-	-	-
<b>Total</b>	<b>68</b>	<b>0</b>	<b>26</b>	<b>40</b>	<b>34</b>	<b>12</b>

TABLE 13. CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS (EBA CR2-A TABLE)

SEK million	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
<b>Opening balance (previous quarter)</b>	<b>101</b>	<b>-</b>
Increases due to amounts set aside for estimated loan losses during the period	15	-
Decreases due to amounts reversed for estimated loan losses during the period	-16	-
Decreases due to amounts taken against accumulated credit risk adjustments	0	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	-	-
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	0	-
<b>Closing balance</b>	<b>100</b>	<b>-</b>
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-
Specific credit risk adjustments directly recorded to the statement of profit or loss.	-1	-

TABLE 14. CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND INTEREST-BEARING SECURITIES (EBA CR2-B TABLE)

SEK million	Gross carrying amount for defaulted exposures
<b>Opening balance (previous quarter)</b>	<b>282</b>
Loans and interest-bearing securities that have defaulted or impaired since the last reporting period	83
Returned to non-defaulted status	-63
Amounts written off	0
Other changes	-21
<b>Closing balance</b>	<b>281</b>

TABLE 15. 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	148	355,689	355,077	613	-
Total – interest-bearing securities	-	-	-	-	-
<b>Total exposures</b>	<b>148</b>	<b>355,689</b>	<b>355,077</b>	<b>613</b>	<b>-</b>
Of which, in default	1	257	257	-	-

## 1.5 Credit risk in treasury operations

TABLE 16. RISK WEIGHTS FOR COUNTERPARTY – CREDIT RISK EXPOSURES BY EXPOSURE CLASS (EBA CCR3 TABLE)

SEK million	30 Sep 2019					30 Jun 2019				
	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total
Institution	22,436	–	463	103	23,002	19,163	–	393	177	19,733
<b>Total</b>	<b>22,436</b>	<b>–</b>	<b>463</b>	<b>103</b>	<b>23,002</b>	<b>19,163</b>	<b>–</b>	<b>393</b>	<b>177</b>	<b>19,733</b>

TABLE 17. 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	321	43	364	98
Financial collateral comprehensive method (for SFTs)	–	–	202	46
<b>Total</b>	<b>321</b>	<b>43</b>	<b>566</b>	<b>144</b>

TABLE 18. 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	16,223	393	15,830	–	15,830
SFTs	2,553	–	2,553	2,484	69
<b>Total</b>	<b>18,776</b>	<b>393</b>	<b>18,383</b>	<b>2,484</b>	<b>15,899</b>

TABLE 19. COMPOSITION OF COLLATERAL FOR EXPOSURES TO COUNTERPARTY CREDIT RISK (EBA TABLE CCR5-B)

SEK million	Collateral used in derivative transaction				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
<b>Total</b>	–	–	–	–	<b>2,484</b>	<b>2,473</b>

## 1.6 Market risk

TABLE 20. RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS FOR MARKET RISK (EBA MR1 TABLE)

SEK million	30 Sep 2019		30 Jun 2019	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Interest-rate risk (general and specific)	-	-	-	-
Foreign exchange risk	808	65	827	66
<b>Total</b>	<b>808</b>	<b>65</b>	<b>827</b>	<b>66</b>

## 2 Internally assessed capital requirement

For SCBC, the internal capital requirement amounted to SEK 12,757million.

## 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 4.42 percent.

TABLE 21. LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

	Applicable amount
Total assets as per published financial statements	372,405
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	-15,859
Adjustment for securities financing transactions (SFTs)	2,554
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)	-22,436
Other adjustments	22,449
<b>Leverage ratio total exposure measure</b>	<b>359,113</b>

TABLE 22. 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) (Asset amounts deducted in determining Tier 1 capital) 3	356,195 0
<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>	<b>356,195</b>
<b>Derivative Exposures</b>	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	15,830
Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method) (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	6,970
<b>Total derivatives exposures</b>	<b>22,800</b>
<b>SFT Exposures</b>	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2,554
<b>Total securities financing transaction exposures</b>	<b>2,554</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))	-22,436
<b>Capital and total exposure measure</b>	
Tier 1 capital	15,886
<b>Leverage ratio total exposure measure</b>	<b>359,113</b>
<b>Leverage ratio</b>	
Leverage ratio	4.42%
<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 leverage ratio amounted to 4.42% at 30 Septemebr 2019 compared with 4.46% at 30 June 2019. The change is explained by:

- Tier 1 Capital has increased due to positive quarterly result of SEK 205 million, which has impacted the ratio positively by 0.06%
- The effect on the exposure measure attributable to SFT:s has decreased by SEK 1,448 million and impacted the ratio positively by 0.02%
- The effect on the exposure measure attributable to derivate:s has increased by SEK 3,317million and impacted the ratio negatively 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 positive impact on the ratio by 0.04%.

## 4 Funding

Of the assets included in Table 23, Assets encumbered disclosures below, under the heading Unencumbered assets, carrying amount with the amount recognised in the item Other assets, SCBC 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 23. ASSETS ENCUMBERED DISCLOSURES

Assets, SEK million	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		<i>of which notionally eligible EHQLA and HQLA</i>		<i>of which notionally eligible EHQLA and HQLA</i>		<i>of which EHQLA and HQLA</i>		<i>of which EHQLA and HQLA</i>
Assets of the reporting institution	254,411	–	–	–	117,994	–	–	–
Equity instruments	–	–	–	–	–	–	–	–
Debt securities	–	–	–	–	–	–	–	–
<i>of which: covered bonds</i>	–	–	–	–	–	–	–	–
<i>of which: asset-backed securities</i>	–	–	–	–	–	–	–	–
<i>of which: issued by general governments</i>	–	–	–	–	–	–	–	–
<i>of which: issued by financial corporations</i>	–	–	–	–	–	–	–	–
<i>of which: issued by non-financial corporations</i>	–	–	–	–	–	–	–	–
Other assets	254,411	–	–	–	117,994	–	–	–

TABLE 24. COLLATERAL RECEIVED

SEK million	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		<i>of which notionally eligible EHQLA and HQLA</i>		<i>of which notionally eligible EHQLA and HQLA</i>
Collateral received by the reporting institution	0	–	–	–
Equity instruments	–	–	–	–
Debt securities	–	–	–	–
Other collateral received	0	–	–	–
Own debt securities issued other than own covered bonds or ABSs	–	–	–	–

TABLE 25. 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