

Swedish Covered Bonds Corporation (SCBC)

DISCLOSURE OF OWN FUNDS AND LEVERAGE RATIO

June 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 ¹⁾

SEK million	30 Jun 2019	31 Dec 2018	30 Jun 2018
CET1 capital	15,681	15,250	17,538
Tier 1 capital	15,681	15,250	17,538
Total capital	15,685	15,253	17,541
Risk exposure amount	92,375	89,188	23,163
CET1 capital ratio, %	17.0	17.1	75.7
Excess ²⁾ of CET1 capital	11,524	11,237	16,496
Tier 1 capital ratio, %	17.0	17.1	75.7
Excess ²⁾ of Tier 1 capital	10,139	9,899	16,148
Total capital ratio, %	17.0	17.1	75.7
Excess ²⁾ of total capital	8,295	8,118	15,688

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).

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 Jun 2019	31 Dec 2018	30 Jun 2018
Risk exposure amount, SEK million	24,495	21,513	23,163
CET1 capital ratio, %	64.0	70.9	75.7
Tier 1 capital ratio, %	64.0	70.9	75.7
Total capital ratio, %	64.0	70.9	75.7

¹⁾ 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 Jun 2019	31 Dec 2018	30 Jun 2018
CET1 capital instruments: Instruments and reserves			
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)	2,229	458	90
Independently verified net profit for the year net of any foreseeable charge or dividend ¹⁾	428	-1,459	836
CET1 capital before regulatory adjustments	17,953	15,754	17,681
CET1 capital: regulatory adjustments			
Additional value adjustments (negative amount)	-14	-7	-9
Fair value reserves related to gains or losses on cash-flow hedges	-2,229	-458	-90
Negative amounts resulting from the calculation of expected loss amounts	-29	-39	-44
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0	0
Total regulatory adjustments to CET1 capital	-2,272	-504	-143
CET1 capital	15,681	15,250	17,538
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)	15,681	15,250	17,538
Tier 2 capital: Instruments and provisions			
Credit risk adjustments	4	3	3
Tier 2 capital before regulatory adjustments	4	3	3
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	-	-	-
Tier 2 capital	4	3	3
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	15,685	15,253	17,541
Total risk-weighted assets	92,375	89,188	23,163
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	17.0	17.1	75.7
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	17.0	17.1	75.7
Total capital (as a percentage of total risk-weighted exposure amount), %	17.0	17.1	75.7
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, %)	12.5	12.6	67.7

¹⁾ Net profit for the interim period was reduced by the expected dividend of SEK 285 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	30 Jun 2019		31 Mar 2019	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Credit risk (excl. counterparty risk)	16,919	1,353	17,286	1,384
<i>of which, the standardised approach</i>	381	30	157	13
<i>of which, the FIRB approach</i>	5,259	421	5,958	477
<i>of which, the AIRB approach</i>	11,279	902	11,171	894
Counterparty credit risk	617	49	521	41
<i>of which, the standardised approach</i>	167	13	152	11
<i>of which, credit valuation adjustment risk (CVA)</i>	450	36	369	30
Market risk	827	66	750	60
<i>of which, the standardised approach</i>	827	66	750	60
Operational risks	4,186	335	4,186	335
<i>of which, the standardised approach</i>	4,186	335	4,186	335
Additional stricter prudential requirements based on CRR art. 458	69,210	5,538	67,879	5,430
Additional risk exposure amount due to Article 3 CRR	616	49	616	49
Total	92,375	7,390	91,238	7,299

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 Jun 2019		31 Dec 2018		30 Jun 2018	
	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	5,259	421	5,041	403	5,420	434
Retail exposures	11,279	902	11,353	908	12,087	967
<i>Of which: exposures to SMEs</i>	753	60	770	61	811	65
<i>Of which: retail exposures secured by immovable property</i>	10,526	842	10,583	847	11,276	902
Total exposures recognised with IRB approach	16,538	1,323	16,394	1,311	17,507	1,401
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⁾	167	13	53	4	207	16
<i>Of which: derivatives according to CRR, Appendix 2</i>	90	7	53	4	96	7
<i>Of which, repos</i>	77	6	0	0	111	9
<i>Of which other</i>	0	0	0	0	-	-
Exposures to institutions and corporates with a short-term credit rating	0	0	0	0	150	12
Other items	381	30	153	12	374	30
Total exposures recognised with standardised approach	548	43	206	16	731	58
Market risk	827	66	752	60	711	57
<i>Of which: position risk</i>	-	-	-	-	-	-
<i>Of which: currency risk</i>	827	66	752	60	711	57
Operational risk	4,186	335	3,876	310	3,876	310
Credit valuation adjustment risk	450	36	285	23	338	27
Additional requirements under Article 458 of the CRR	69,210	5,538	67,675	5,414	-	-
Additional requirements under Article 3 of the CRR	616	49	-	-	-	-
Total risk exposure amount and minimum capital requirement	92,375	7,390	89,188	7,134	23,163	1,853
Capital requirements for capital conservation buffer		2,309		2,230		579
Capital requirements for countercyclical buffer		1,848		1,784		463
Total capital requirement		11,547		11,148		2,895

¹⁾ The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 167 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	8	–	52	–	0	–
Exposures to regional governments or local authorities or agencies	1	–	660	–	0	–
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	381	–	381	–	381	100
Total	390	–	1,093	–	381	35

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	52	–	–	–	–	–	–	–	–	–	52	–
Exposures to regional governments or local authorities	660	–	–	–	–	–	–	–	–	–	660	–
Exposures to multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–
Exposures to institutions ¹⁾	19,163	–	393	177	–	–	–	–	–	–	19,733	–
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 ²⁾	–	–	–	–	–	381	–	–	–	–	381	381
Total	19,875	–	393	177	–	381	–	–	–	–	20,826	381

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)

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	9,074	-	-	9,062	0.09	84	35.1	2.5	1,334	15	3	-
		0.15 to <0.25	2,894	-	-	2,893	0.21	56	35.1	2.5	675	23	2	-
		0.25 to <0.50	1,494	-	-	1,494	0.45	42	35.1	2.5	559	37	2	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	9	-	-	9	1.16	7	35.0	2.5	4	48	-	-
		2.50 to <10.00	18	-	-	13	3.05	7	35.3	2.5	8	62	-	-
		10.00 to <100.00	10	-	-	10	27.04	1	35.0	2.5	13	126	1	-
		100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Portfolio subtotal	13,499	-	-	13,481	0.18	197	35.1	2.5	2,593	19	8	0	
	Of which, Corporates Other	0.00 to <0.15	9,989	-	-	9,947	0.09	66	35.1	2.5	2,313	23	3	-
		0.15 to <0.25	260	-	-	224	0.21	6	35.0	2.5	83	37	-	-
		0.25 to <0.50	495	-	-	495	0.45	5	35.0	2.5	270	54	1	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
2.50 to <10.00		-	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00		-	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)		-	-	-	-	-	-	-	-	-	-	-	-	
Portfolio subtotal	10,744	-	-	10,666	0.11	77	35.1	2.5	2,666	25	4	0		
Retail (advanced approach)	Of which, Retail SME	0.00 to <0.15	31,413	-	-	31,081	0.09	1,065	6.9	-	383	1	2	-
		0.15 to <0.25	10,709	-	-	10,545	0.21	466	7.3	-	259	2	2	-
		0.25 to <0.50	1,465	-	-	1,393	0.45	107	7.7	-	63	4	-	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	130	-	-	129	1.16	12	10.0	-	14	11	-	-
		2.50 to <10.00	142	-	-	105	3.05	11	9.6	-	21	20	-	-
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	19	-	-	19	100.00	3	15.8	-	13	68	3	-
	Portfolio subtotal	43,878	-	-	43,272	0.19	1,664	7.0	-	753	2	7	9	
	Of which, Retail Other	0.00 to <0.15	188,765	-	-	188,763	0.04	116,599	10.1	-	2,408	1	8	-
		0.15 to <0.25	47,223	-	-	47,223	0.16	27,777	10.7	-	1,832	4	8	-
		0.25 to <0.50	27,751	-	-	27,751	0.42	15,191	10.9	-	2,218	8	13	-
		0.50 till <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	11,30	-	-	11,380	1.55	6,584	11.3	-	2,280	20	20	-
2.50 to <10.00		2,112	-	-	2,112	4.17	1,234	11.3	-	760	36	10	-	
10.00 to <100.00		1,186	-	-	1,186	24.67	810	10.7	-	783	66	32	-	
100.00 (Default)		263	-	-	263	100.00	186	11.8	-	245	93	16	-	
Portfolio subtotal	278,680	-	-	278,678	0.39	168,381	10.3	-	10,526	4	107	92		
Total (all portfolios)		346,801	-	-	346,097	0.35	170,319	11.6	-	16,538	5	126	101	

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	17,129	1,370	16,394	1,311
Asset size	-204	-16	1,023	82
Asset quality	-387	-31	-288	-23
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	0	0	-	-
Risk exposure amount at the end of the reporting quarter	16,538	1,323	17,129	1,370

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	–	24,243	1	–	–	0	24,242
– of which, Specialised lending	–	–	–	–	–	–	–
– of which, to SMEs	–	13,499	0	–	–	0	13,499
Retail exposures	282	322,276	101	–	4	6	322,457
Exposures to households secured against immovable property	282	322,276	101	–	4	6	322,457
– of which, to SMEs	19	43,859	9	–	–	0	43,869
– of which, to non-SMEs	263	278,417	92	–	4	6	278,588
Total exposure with IRB approach	282	346,519	101	–	4	6	346,699
Exposures to governments and central banks	–	8	–	–	–	–	8
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	–	19,733	–	–	–	–	19,733
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	–	381	–	–	–	–	381
Deduction for retail exposures in default*	–	–	–	–	–	–	–
Total exposure with standardised approach	–	20,122	–	–	–	0	20,122
Total	282	366,641	101	–	4	6	366,821
– Of which, loans	282	346,519	101	–	4	6	346,699
– 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	-	47	0	-	-	0	47
Real estate activities	282	346,471	101	-	4	6	346,652
Other services	-	382	-	-	-	0	382
Financial services*	-	19,740	-	-	-	-	19,740
Total	282	366,641	101	-	4	6	366,821

*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	282	366,366	101	-	4	6	366,547
Denmark	-	177	-	-	-	-	177
Finland	-	98	-	-	-	-	98
Norway	-	-	-	-	-	-	-
Canada	-	-	-	-	-	-	-
USA	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-
United Kingdom	-	-	-	-	-	-	-
Switzerland	-	-	-	-	-	-	-
Austria	-	-	-	-	-	-	-
Other countries*	-	-	-	-	-	-	-
Total	282	366,641	101	-	4	6	366,821

TABLE 12. AGEING OF PAST-DUE EXPOSURES (EBA CR1-D TABLE)

SEK million	Gross carrying amounts					
	< 30 days	> 30 days < 60 days	> 60 days < 90 days	> 90 days < 180 days	> 180 days < 1 year	1 year
Loans	253	1	15	41	21	9
Interest-bearing securities	-	-	-	-	-	-
Total	253	1	15	41	21	9

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
Opening balance (previous quarter)	104	-
Increases due to amounts set aside for estimated loan losses during the period	16	-
Decreases due to amounts reversed for estimated loan losses during the period	-18	-
Decreases due to amounts taken against accumulated credit risk adjustments	-1	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	-	-
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	-	-
Closing balance	101	-
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	0	-
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
Opening balance (previous quarter)	197
Loans and interest-bearing securities that have defaulted or impaired since the last reporting period	134
Returned to non-defaulted status	-22
Amounts written off	0
Other changes	-27
Closing balance	282

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	167	346,533	345,872	661	-
Total – interest-bearing securities	-	-	-	-	-
Total exposures	167	346,533	345,872	661	-
Of which, in default	1	258	258	-	-

1.5 Credit risk in treasury operations

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

SEK million	31 Jun 2019					31 Mar 2019				
	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total
Institution	19,163	–	393	177	19,733	15,392	–	309	181	15,882
Total	19,163	–	393	177	19,733	15,392	–	309	181	15,882

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	217	47	264	76
Financial collateral comprehensive method (for SFTs)	–	–	225	76
Total	217	47	489	152

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	13,077	429	12,649	–	12,649
SFTs	4,001	–	4,001	3,925	76
Total	17,078	429	16,650	3,925	12,725

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		
Total	–	–	–	–	3,925	3,864

1.6 Market risk

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

SEK million	31 Jun 2019		31 Mar 2019	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Interest-rate risk (general and specific)	-	-	-	-
Foreign exchange risk	827	66	750	60
Total	827	66	750	60

2 Internally assessed capital requirement

For SCBC, the internal capital requirement amounted to SEK 12,349 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 4.46 percent.

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

	Applicable amount
Total assets as per published financial statements	360,380
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	-12,757
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)	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)	-19,163
Other adjustments	19,084
Leverage ratio total exposure measure	351,412

TABLE 22. 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)	347,089
(Asset amounts deducted in determining Tier 1 capital) 3	0
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	347,089
Derivative Exposures	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	12,649
Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	6,834
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–
Total derivatives exposures	19,483
SFT Exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	4,003
Total securities financing transaction exposures	4,003
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))	–19,163
Capital and total exposure measure	
Tier 1 capital	15,681
Leverage ratio total exposure measure	351,412
Leverage ratio	
Leverage ratio	4.46%
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	

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 4.46% at 30 June 2019 compared with 4.48% at 31 March 2019. The change is explained by:

- Tier 1 Capital has increased due to positive quarterly result of SEK 207 million, which has impacted the ratio positively by 0.06%
- The effect on the exposure measure attributable to SFT:s has increased by SEK 2,653 million and impacted the ratio negatively by 0.03%
- The effect on the exposure measure attributable to derivatives has increased by SEK 3,770 million and impacted the ratio negatively by 0.05%
- An increase in exposure mainly from retail mortgage has impacted the ratio negatively by 0.05%.
- Deduction for intragroup exposures attributes to a positive impact on the ratio by 0.05%.

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	-	-	-	105,969	-	-	-
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	-	-	-	105,969	-	-	-

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