

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

December 2018 | Swedish Covered Bonds Corporation (SCBC)

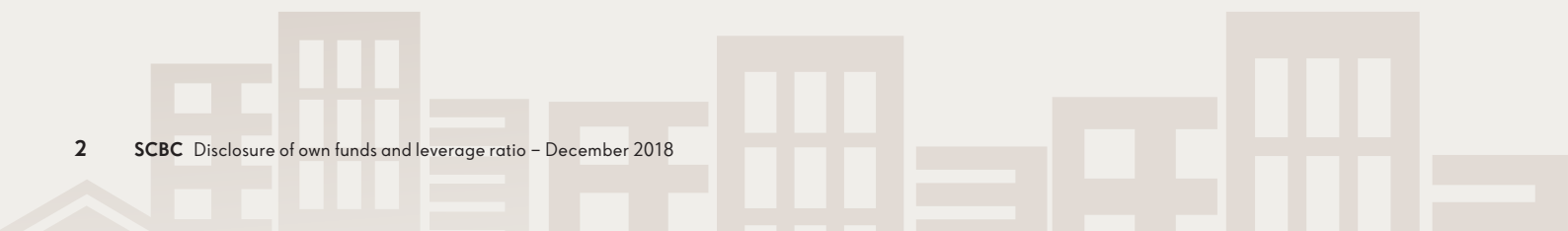
SCBC
— Covered Bonds of SBAB —



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

CAPITAL ADEQUACY ¹⁾ SEK million	31 Dec 2018	31 Dec 2017
CET1 capital	15,250	16,710
Tier 1 capital	15,250	16,710
Total capital	15,253	16,710
Risk exposure amount	89,188	21,422
CET1 capital ratio, %	17.1	78.0
Excess ²⁾ of CET1 capital	11,237	15,746
Tier 1 capital ratio, %	17.1	78.0
Excess ²⁾ of Tier 1 capital	9,899	15,424
Total capital ratio, %	17.1	78.0
Excess ²⁾ of total capital	8,118	14,996

¹⁾ The risk-weight floor has effected 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 resi-

dential 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.

Pillar 1 if the risk-weight floor for residential mortgages remains in Pillar 2¹⁾

	31 Dec 2018
Risk exposure amount, SEK million	21,513
CET1 capital ratio, %	70.9
Tier 1 capital ratio, %	70.9
Total capital ratio, %	70.9

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.

OWN FUNDS, SEK million	31 Dec 2018	31 Dec 2017
CET1 capital instruments: Instruments and reserves		
Capital instruments and the related share premium accounts	9,600	9,600
Retained earnings	7,155	5,569
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	458	70
Independently verified net profit for the year net of any foreseeable charge or dividend ¹⁾	-1,459	1,546
CET1 capital before regulatory adjustments	15,754	16,785
CET1 capital: regulatory adjustments		
Additional value adjustments (negative amount)	-7	-4
Fair value reserves related to gains or losses on cash-flow hedges	-458	-70
Negative amounts resulting from the calculation of expected loss amounts	-39	-1
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	-
Total regulatory adjustments to CET1 capital	-504	-75
CET1 capital	15,250	16,710
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)	15,250	16,710
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)	15,253	16,710
Total risk-weighted assets	89,188	21,422
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	17.1	78.0
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	17.1	78.0
Total capital (as a percentage of total risk-weighted exposure amount), %	17.1	78.0
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
Of which: CET1 capital, minimum requirement, %	4.5	4.5
Of which: capital conservation buffer requirement, %	2.5	2.5
Of which: countercyclical capital buffer requirement, %	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, %)	12.6	70.0

¹⁾ The net profit has been reduced with a dividend of SEK 3.000 million.

1.3 RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

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

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

SEK million	31 Dec 2018		31 Dec 2017	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Credit risk (excl. counterparty risk)	16,547	1,323	17,089	1,367
<i>of which, the standardised approach</i>	153	12	288	23
<i>of which, the FIRB approach</i>	5,041	403	5,458	437
<i>of which, the AIRB approach</i>	11,353	908	11,343	907
Counterparty credit risk	338	27	335	27
<i>of which, the standardised approach</i>	53	4	69	6
<i>of which, credit valuation adjustment risk (CVA)</i>	285	23	266	21
Market risk	752	60	512	41
<i>of which, the standardised approach</i>	752	60	512	41
Operational risks	3,876	310	3,486	279
<i>of which, the standardised approach</i>	3,876	310	3,486	279
Additional stricter prudential requirements based on CRR art. 458	67,675	5,414	-	-
Total	89,188	7,134	21,422	1,714

TABLE 4. RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

RISK EXPOSURE AMOUNT & CAPITAL REQUIREMENTS, SEK million	31 Dec 2018		31 Dec 2017	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	5,041	403	5,458	437
Retail exposures	11,353	908	11,343	907
<i>Of which: exposures to SMEs</i>	770	61	916	73
<i>Of which: retail exposures secured by immovable property</i>	10,583	847	10,427	834
Total exposures recognised with IRB approach	16,394	1,311	16,801	1,344
Credit risk recognised with the standardised approach				
Exposure to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to institutions ¹⁾	53	4	69	6
<i>Of which: derivatives according to CRR, Appendix 2</i>	53	4	60	5
<i>Of which, repos</i>	0	0	9	1
<i>Of which other</i>	0	0	0	0
Exposures to institutions and corporates with a short-term credit rating	0	0	0	0
Other items	153	12	288	23
Total exposures recognised with standardised approach	206	16	357	29
Market risk	752	60	512	41
<i>Of which: position risk</i>	-	-	-	-
<i>Of which: currency risk</i>	752	60	512	41
Operational risk	3,876	310	3,486	279
Credit valuation adjustment risk	285	23	266	21
Additional stricter prudential requirements based on CRR art. 458	67,675	5,414	-	-
Total risk exposure amount and minimum capital requirement	89,188	7,134	21,422	1,714
Capital requirements for capital conservation buffer		2,230		536
Capital requirements for countercyclical buffer		1,784		428
Total capital requirement		11,148		2,678

¹⁾ The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 53 million (69).

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

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

Exposure classes	0%	10%	20%	50%	75%	100%	150%	250%	1,250 %	Deducted ²⁾	Total	Of which, unrated
Exposures to governments and central banks	45	-	-	-	-	-	-	-	-	-	45	-
Exposures to regional governments or local authorities	752	-	-	-	-	-	-	-	-	-	752	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions ¹⁾	12,305	-	143	50	-	-	-	-	-	-	12,498	-
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⁾	-	-	-	-	-	153	-	-	-	-	153	153
Total	13,102	-	143	50	-	153	-	-	-	-	13,448	153

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	5,947	-	-	5,934	0.09	62	35.1	2.5	920	16	2	-
		0.15 to <0.25	5,309	-	-	5,308	0.21	84	35.1	2.5	1,253	24	4	-
		0.25 to <0.50	1,193	-	-	1,193	0.45	53	35.1	2.5	409	34	2	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	40	-	-	39	1.16	8	35.2	2.5	20	51	-	-
		2.50 to <10.00	18	-	-	14	3.05	7	35.7	2.5	9	63	-	-
		10.00 to <100.00	10	-	-	10	27.04	2	35.0	2.5	13	126	1	-
		100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Portfolio subtotal	12,517	-	-	12,498	0.21	216	35.1	2.5	2,624	21	9	1	
	Of which, Corporates Other	0.00 to <0.15	9,961	-	-	9,917	0.09	65	35.1	2.5	2,307	23	3	-
		0.15 to <0.25	187	-	-	151	0.21	4	35.0	2.5	56	37	-	-
		0.25 to <0.50	99	-	-	99	0.45	2	35.0	2.5	54	54	-	-
		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	10,247	-	-	10,167	0.10	71	35.1	2.5	2,417	24	3		
Retail (advanced approach)	Of which, Retail SME	0.00 to <0.15	32,293	-	-	31,946	0.09	1,099	7.1	-	406	1	2	-
		0.15 to <0.25	10,088	-	-	9,894	0.21	492	7.4	-	245	2	2	-
		0.25 to <0.50	1,507	-	-	1,394	0.45	102	9.0	-	73	5	1	-
		0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	196	-	-	195	1.15	17	8.9	-	19	10	-	-
		2.50 to <10.00	67	-	-	29	3.05	10	8.0	-	5	16	-	-
		10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
		100.00 (Default)	19	-	-	19	100.00	3	21.9	-	21	109	4	-
	Portfolio subtotal	44,170	-	-	43,477	0.18	1,723	7.2	-	769	2	9	10	
	Of which, Retail Other	0.00 to <0.15	185,252	-	-	185,250	0.04	115,671	10.1	-	2,338	1	8	-
		0.15 to <0.25	43,927	-	-	43,927	0.16	25,692	10.7	-	1,696	4	8	-
		0.25 to <0.50	27,931	-	-	27,931	0.42	15,329	11.0	-	2,254	8	13	-
		0.50 till <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	11,696	-	-	11,696	1.55	6,695	11.5	-	2,368	20	21	-
		2.50 to <10.00	2,274	-	-	2,274	4.17	1,373	11.3	-	818	36	11	-
		10.00 to <100.00	1,355	-	-	1,355	24.67	912	11.0	-	916	68	37	-
		100.00 (Default)	201	-	-	201	100.00	154	12.0	-	194	96	14	-
	Portfolio subtotal	272,636	-	-	272,634	0.39	165,826	10.3	-	10,584	4	112	85	
Total (all portfolios)		339,570	-	-	338,776	0.35	167,836	11.6	-	16,394	5	133	96	

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	31 Dec 2018		31 Dec 2017	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Risk exposure amount at the end of the previous quarter	17,604	1,408	13,901	1,112
Asset size	124	10	3,849	308
Asset quality	-1,334	-107	-949	-76
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	-	-	-	-
Risk exposure amount at the end of the reporting quarter	16,394	1,311	16,801	1,344

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	31 Dec 2018					31 Dec 2017				
	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total
Institution	12,305	-	143	50	12,498	6,901	-	182	81	7,164
Total	12,305	-	143	50	12,498	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	31 Dec 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	752	60	512	41
Total	752	60	512	41

2 INTERNALLY ASSESSED CAPITAL REQUIREMENT

For SCBC, the internal capital requirement amounted to SEK 12.0 billion, the risk weight floor is included.

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 4.49 percent.

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

	Applicable amount
Total assets as per published financial statements	346,387
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	-6,578
Adjustment for securities financing transactions (SFTs)	-
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-
(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-12,305
Other adjustments	12,318
Leverage ratio total exposure measure	339,822

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)	339,630
(Asset amounts deducted in determining Tier 1 capital) 3	-
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	339,630
Derivative Exposures	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	6,176
Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	6,321
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
Total derivatives exposures	12,497
SFT Exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
Total securities financing transaction exposures	-
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))	-12,305
Capital and total exposure measure	
Tier 1 capital	15,250
Leverage ratio total exposure measure	339,822
Leverage ratio	
Leverage ratio	4.49%
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 year, is explained by:

- Tier 1 Capital has decreased due to a foreseeable dividend of SEK 3,000 million, which has impacted the ratio negatively by 0.46%
- The effect on the exposure measure attributable to derivatives has increased and impacted the ratio negatively by 0.08%
- An increase in exposure mainly from retail mortgage has impacted the ratio negatively by 0.36%
- Deduction for intragroup exposures attributes to a positive impact on the ratio by 0.16%.