

Disclosure of own funds leverage ratio

March 2020



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 – 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

The EU Official Journal has on June 7, 2019, published amendments to the Capital Requirements Regulation, the Capital Requirements Directive and the Bank Recovery & Resolution Directive (the 'Banking Package') which entered into force on June 27, 2019. The Banking Package includes changes to capital requirements and changes in the loss-absorbing and recapitalisation capacity of credit institutions. Most of the changes will apply from June 28, 2021.

In addition, changes to the Capital Requirements Regulation have been adopted on April 26, 2019 which relate to a deduction in own funds for new loans that have become non-performing. The deduction should act as a backstop for non-performing loans. On March 16, 2020, the Swedish FSA decided to lower the countercyclical buffer requirement for banks from 2.5 percent to 0.0 percent due to the current corona pandemic.

Capital adequacy

SEK million	SCBC		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
CET1 capital	16,366	16,168	15,474
Tier 1 capital	16,366	16,168	15,474
Total capital	16,370	16,173	15,478
Risk exposure amount	96,737	94,966	91,238
CET1 capital ratio, %	16.9	17.0	17.0
Excess ¹⁾ of CET1 capital	12,013	11,894	11,368
Tier 1 capital ratio, %	16.9	17.0	17.0
Excess ¹⁾ of Tier 1 capital	10,562	10,470	10,000
Total capital ratio, %	16.9	17.0	17.0
Excess ¹⁾ of total capital	8,631	8,575	8,179

1) Excess capital has been calculated based on minimum requirements (without buffer requirements).

1.2 Own funds

Disclosures in accordance with Article 4 of Commission Implementing Regulation (EU) No 1423/2013, Annex IV.

Own funds

SEK million	SCBC		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	9,600	9,600	9,600
Retained earnings	6,601	5,253	5,696
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2,504	1,830	1,255
Independently verified interim profits net of any foreseeable charge or dividend ¹⁾	194	1,349	216
CET1 capital before regulatory adjustments	18,899	18,032	16,767
CET1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-18	-12	-10
Fair value reserves related to gains or losses on cash-flow hedges	-2,504	-1,830	-1,255
Negative amounts resulting from the calculation of expected loss amounts	-11	-22	-28
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	-2,533	-1,864	-1,293
CET1 capital	16,366	16,168	15,474
Additional Tier 1 capital: Instrument			
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)	16,366	16,168	15,474
Tier 2 capital: Instruments and provisions			
Credit risk adjustments	4	5	4
Tier 2 capital before regulatory adjustments	4	5	4
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	-	-	-
Tier 2 capital	4	5	4
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	16,370	16,173	15,478
Total risk-weighted assets	96,737	94,966	91,238

1.2

Cont. Own funds

SEK million	SCBC		
	31 Mar 2020	31 Dec 2019	31 Mar 2019
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	16.9	17.0	17.0
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	16.9	17.0	17.0
Total capital (as a percentage of total risk-weighted exposure amount), %	16.9	17.0	17.0
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), %	7.0	9.5	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 buffer requirement, %	0.0	2.5	2.0
– of which, systemic risk buffer requirement, %	–	–	–
– of which, G-SII buffer and O-SII buffer, %	–	–	–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	8.9	9.0	12.5
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)	–	–	–
Current cap on AT1 instruments subject to phase-out arrangements	–	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–	–

1) Net profit for the interim period was reduced by the expected dividend of SEK 129 million based on Q1 2020. 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

Risk exposure amounts and capital requirements by risk type (EU OV1 table)

SEK million	SCBC			
	31 Mar 2020		31 Dec 2019	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Credit risk (excl. counterparty risk)	17,929	1,434	17,246	1,381
– of which, the standardised approach	270	21	32	4
– of which, the FIRB approach	6,262	501	5,940	475
– of which, the AIRB approach	11,397	912	11,274	902
Counterparty credit risk	510	42	453	36
– of which, mark to market	69	6	85	7
– of which, credit valuation adjustment risk (CVA)	441	36	368	29
Market risk	749	60	729	58
– of which, the standardised approach	749	60	729	58
Operational risks	4,441	355	4,186	335
– of which, the standardised approach	4,441	355	4,186	335
Additional stricter prudential requirements under Article 458 of the CRR	72,492	5,799	71,736	5,739
Additional stricter prudential requirements under Article 3 of the CRR	616	49	616	49
Total	96,737	7,739	94,966	7,598

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-cyclical 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. e. As a result, the bank has since 31 March 2019 introduced a REA surcharge of SEK 616 million under Pillar 1.

SEK million	SCBC					
	31 Mar 2020		31 Dec 2019		31 Mar 2019	
	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	6,262	501	5,940	475	5,958	476
Retail exposures	11,397	912	11,274	902	11,171	894
– of which, exposures to SMEs	784	63	764	61	736	59
– of which, retail exposures secured by immovable property	10,612	849	10,510	841	10,435	835
Total exposures recognised with the IRB approach	17,659	1,413	17,214	1,377	17,129	1,370
Credit risk recognised with the standardised approach						
Exposures 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⁾	69	6	85	7	152	12
– of which, derivatives according to CRR, Appendix 2	55	5	64	5	76	6
– of which, repos	14	1	21	2	76	6
– of which, other	0	0	0	0	0	0
Exposures to institutions and corporates with a short-term credit rating	201	16	0	0	22	2
Other items	69	5	32	4	135	11
Total exposures recognised with standardised approach	339	27	117	11	309	25
Market risk	749	60	729	58	750	60
– of which, position risk	–	–	–	–	–	–
– of which, currency risk	749	60	729	58	750	60
Operational risk	4,441	355	4,186	335	4,186	335
– of which, standardised approach	4,441	355	4,186	335	4,186	335
Credit valuation adjustment risk (CVA risk)	441	36	368	29	369	30
Additional requirements under Article 458 of the CRR	72,492	5,799	71,736	5,739	67,879	5,430
Additional requirements under Article 3 of the CRR	616	49	616	49	616	49
Total risk exposure amount and minimum capital requirements	96,737	7,739	94,966	7,598	91,238	7,299
Capital requirements for capital conservation buffer		2,418		2,374		2,281
Capital requirements for countercyclical buffer		0		2,374		1,825
Total capital requirements		10,157		12,346		11,405

1) The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 69 million (85).

1.4

Credit risk in lending operations

Credit risk exposures and credit risk mitigation (CRM) using the standardised approach (EU CR4 table)

Exposure classes, SEK million	SCBC					
	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 (%)
Governments and central banks	229	-	256	-	0	-
Regional governments or local authorities or agencies	1	-	524	-	0	-
Multilateral development banks	-	-	-	-	-	-
Institutions ¹⁾	0	-	0	-	0	20
Corporates	-	-	-	-	-	-
Retail	-	-	-	-	-	-
Exposures in default	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	707	-	707	-	201	28
Equity	-	-	-	-	-	-
Other items	69	-	69	-	69	100
Total	1,006	-	1,556	-	270	17

1) The institution exposure class excludes counterparty risk.

Breakdown of exposure amounts using the standardised approach by exposure class and risk weight after application of the ccf and credit risk mitigation (CRM) (EU CR5 table)¹⁾

Exposure classes, SEK million	SCBC										Deducted ²⁾	Total	Of which unrated
	0%	10%	20%	50%	75%	100%	150%	250%	1,250%				
Governments and central banks	256	-	-	-	-	-	-	-	-	-	-	256	-
Regional governments or local authorities or agencies	524	-	-	-	-	-	-	-	-	-	-	524	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions ¹⁾	23,217	-	318	11	-	-	-	-	-	-	-	23,546	-
Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	507	200	-	-	-	-	-	-	-	707	-
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	69	-	-	-	-	-	69	69
Total	23,997	-	825	211	-	69	-	-	-	-	-	25,102	69

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%.

Credit risk exposure by exposure class and pd range (EU CR6 table)

SCBC														
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)	0.00 to <0.15	8,432	-	-	8,421	0.09	93	35.1	2.5	1,251	15	3	-	
	0.15 to <0.25	2,874	-	-	2,874	0.21	42	35.1	2.5	684	24	2	-	
	0.25 to <0.50	1,741	-	-	1,741	0.45	42	35.0	2.5	670	38	3	-	
	Of which, Corporate SME	0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to <2.50	243	-	-	243	1.16	16	35.0	2.5	138	57	1	-	
	2.50 to <10.00	135	-	-	131	3.05	7	35.0	2.5	81	62	1	-	
	10.00 to <100.00	6	-	-	6	27.04	3	35.0	2.5	7	126	1	-	
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-	
	Portfolio subtotal	13,431	-	-	13,416	0.22	203	35.1	2.5	2,831	21	11	1	
	Of which, Corporates Other	0.00 to <0.15	12,965	-	-	12,937	0.09	74	35.1	2.5	3,011	23	4	-
		0.15 to <0.25	539	-	-	539	0.21	8	35.1	2.5	201	37	-	-
		0.25 to <0.50	436	-	-	402	0.45	7	35.0	2.5	219	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		13,940	-	-	13,878	0.11	89	35.1	2.5	3,431	25	5	0	
Retail (advanced approach)	0.00 to <0.15	31,359	-	-	31,108	0.09	1,051	6.9	-	383	1	2	-	
	0.15 to <0.25	11,545	-	-	11,371	0.21	505	7.4	-	281	2	2	-	
	0.25 to <0.50	1,876	-	-	1,848	0.45	110	7.3	-	79	4	1	-	
	Of which, Retail SME	0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
	0.75 to <2.50	164	-	-	164	1.16	11	7.1	-	13	8	-	-	
	2.50 to <10.00	99	-	-	81	3.05	5	9.0	-	15	18	-	-	
	10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-	
	100.00 (Default)	18	-	-	18	100.00	3	16.2	-	13	71	3	-	
	Portfolio subtotal	45,061	-	-	44,590	0.19	1,685	7.0	-	784	2	8	9	
	Of which, Retail Other	0.00 to <0.15	203,454	-	-	203,452	0.04	122,994	10.0	-	2,554	1	8	-
		0.15 to <0.25	44,505	-	-	44,505	0.16	26,540	10.8	-	1,732	4	8	-
		0.25 to <0.50	27,643	-	-	27,643	0.42	15,208	10.9	-	2,205	8	13	-
		0.50 till <0.75	-	-	-	-	-	-	-	-	-	-	-	-
		0.75 to <2.50	11,948	-	-	11,948	1.55	6,818	11.4	-	2,404	20	21	-
		2.50 to <10.00	2,050	-	-	2,050	4.17	1,240	11.2	-	730	36	10	-
10.00 to <100.00		1,110	-	-	1,110	24.67	744	10.8	-	737	66	30	-	
100.00 (Default)		255	-	-	255	100.00	188	11.7	-	251	98	16	-	
Portfolio subtotal		290,965	-	-	290,963	0.37	173,732	10.3	-	10,613	4	106	111	
Total (all portfolios)		363,397	-	-	362,847	0.33	175,709	11.8	-	17,659	5	130	121	

Trend for risk exposure amounts under the irb approach (EU CR8 table)

SEK million	SCBC			
	31 Mar 2020		31 Dec 2019	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Risk exposure amount at the end of the previous quarter	17,214	1,377	16,394	1,311
Asset size	435	35	2,179	174
Asset quality	8	1	-1,359	-108
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	2	0	0	0
Risk exposure amount at the end of the reporting quarter	17,659	1,413	17,214	1,377

Credit quality of exposures by exposure class and instrument (EU CR1-A table)

SEK million	SCBC						Net values (or net exposures)
	Gross carrying amount of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges for the period	
	Exposures in default	Non-default- ed exposures					
Exposures to corporates	-	27,371	1	-	-	1	27,370
– of which, specialised lending	-	-	-	-	-	-	-
– of which, to SMEs	-	13,431	1	-	-	0	13,430
Retail exposures	273	335,753	120	-	4	13	335,906
Exposures to households secured against immovable property	273	335,753	120	-	4	13	335,906
– of which, to SMEs	18	45,043	9	-	-	0	45,052
– of which, to non-SMEs	255	290,710	111	-	4	13	290,854
Total exposure with IRB approach	273	363,124	121	-	4	14	363,276
Exposures to governments and central banks	-	229	-	-	-	-	229
Exposures to regional governments or local authorities or agencies	-	1	-	-	-	-	1
Exposures to public sector entities	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-	-
Exposures to institutions	-	23,546	-	-	-	-	23,546
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	-	707	-	-	-	-	707
Equity exposures	-	-	-	-	-	-	-
Other exposures	-	69	-	-	-	-	69
Deduction for retail exposures in default ¹⁾	-	-	-	-	-	-	-
Total exposure with standardised approach	-	24,552	-	-	-	-	24,552
Total	273	387,676	121	-	4	14	387,828
– of which, loans	273	363,125	121	-	-	14	363,277
– of which, debt securities	-	-	-	-	-	-	-
– of which, off-balance-sheet exposures	-	-	-	-	-	-	-

1) According to EBA guidelines, Q&A 2017:348

Credit quality of exposures by industry of counterparty types (EU CR1-B table)

SEK million	SCBC						Net values
	Gross carrying amount of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges for the period	
	Exposures in default	Non-default exposures					
Construction	-	87	0	-	-	0	87
Real estate activities	273	363,037	121	-	4	14	363,189
Other services	-	70	-	-	-	-	70
Financial services ¹⁾	-	24,482	-	-	-	-	24,482
Total	273	387,676	121	-	4	14	387,828

1) Credit institutions

Credit quality of exposures by geography (EU CR1-C table)

SEK million	SCBC						Net values
	Gross carrying amount of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges for the period	
	Exposures in default	Non-default exposures					
Sweden	273	387,614	121	-	4	14	387,766
Denmark	-	11	-	-	-	-	11
Finland	-	51	-	-	-	-	51
Norway	-	-	-	-	-	-	-
Canada	-	-	-	-	-	-	-
USA	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-
United Kingdom	-	-	-	-	-	-	-
Switzerland	-	-	-	-	-	-	-
Austria	-	-	-	-	-	-	-
Other ¹⁾	-	-	-	-	-	-	-
Total	273	387,676	121	-	4	14	387,828

1) Pertains to investments in securities issued by the European Investment Bank (EIB) and the Nordic Investment Bank (NIB).

1.4 Cont. Credit risk in lending operations

Changes in the stock of general and specific credit risk adjustments (EU CR2-A table)

SEK million	SCBC	
	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance (previous half-year)	107	-
Increases due to amounts set aside for estimated loan losses during the period	30	-
Decreases due to amounts reversed for estimated loan losses during the period	-15	-
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	121	-
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	-

Changes in the stock of defaulted and impaired loans and interest-bearing securities (EU CR2-B table)

SEK million	SCBC
	Gross carrying amount for defaulted exposures
Opening balance (previous half-year)	253
Loans and interest-bearing securities that have defaulted or impaired since the last reporting period	99
Returned to non-defaulted status	-52
Amounts written off	-1
Other changes	-26
Closing balance	273

Credit risk mitigation techniques (EU CR3 table)

SEK million	SCBC				
	Unsecured exposures – carrying amount	Secured exposures – carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total – loans	134	363,142	362,618	524	–
Total – interest-bearing securities	–	–	–	–	–
Total exposures	134	363,142	362,618	524	–
– of which, in default	1	249	249	–	–

Credit quality of forborne exposures (EU NPL 1 table)¹⁾

SEK million	SCBC							
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Non-performing forborne				On performing forborne exposures	On non performing forborne exposure	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
	Per-forming forborne	Of which defaulted	Of which impaired					
Loans and advances	8	12	12	12	0	0	20	–
Central banks	–	–	–	–	–	–	–	–
General governments	–	–	–	–	–	–	–	–
Credit institutions	–	–	–	–	–	–	–	–
Other financial corporations	–	–	–	–	–	–	–	–
Non-financial corporations	–	–	–	–	–	–	–	–
Household	8	12	12	12	0	0	20	–
Debt securities	–	–	–	–	–	–	–	–
Loan commitments given	–	–	–	–	–	–	–	–
Total	8	12	12	12	0	0	20	–

1) Template 1 in Final report on Guidelines on disclosure of non-performing and forborne exposures EBA/GL/2018/10.

1.4 Cont. Credit risk in lending operations

Credit quality of performing and non-performing exposures by past due days (EU NPL 3 table)¹⁾

SEK million	SCBC											
	Gross carrying amount/nominal amount											
	Performing exposures				Non-performing exposures							
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 years ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
Loans and advances	363,032	363,019	13	273	210	22	18	22	1	-	-	273
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	0	0	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	72,315	72,315	-	18	18	-	-	-	-	-	-	18
<i>- of which SMEs</i>	56,909	56,909	-	18	18	-	-	-	-	-	-	18
<i>Household</i>	290,717	290,704	13	255	192	22	18	22	1	-	-	255
Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet exposures	-	-	-	-	-	-	-	-	-	-	-	-
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Household</i>	-	-	-	-	-	-	-	-	-	-	-	-
Total	363,032	363,019	13	273	210	22	18	22	1	-	-	273

1) Template 3 in Final report on Guidelines on disclosure of non-performing and forborne exposures EBA/GL/2018/10.

Performing and non-performing exposures and related provisions (EU NPL 4 table)¹⁾

SEK million	SCBC													Collateral received and financial guarantees received	
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions								
	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provision		Non-performing exposures accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				Accumulated partial write-off	On performing exposures	On non-performing exposures
	Of which stage 1	of which stage 2		Of which stage 2	of which stage 3		Of which stage 1	of which stage 2	Of which stage 2	of which stage 3					
Loans and advances	363,032	344,239	18,793	273	-	273	-105	-38	-67	-23	-	-23	-	-	-
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	72,315	71,400	915	18	-	18	-5	-4	-1	-8	-	-8	-	-	-
<i>- of which SMEs</i>	56,909	55,994	915	18	-	18	-4	-4	0	-8	-	-8	-	-	-
<i>Household</i>	290,717	272,839	17,878	255	-	255	-100	-34	-66	-15	-	-15	-	-	-
Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Household</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	363,032	344,239	18,793	273	-	273	-105	-38	-67	-23	-	-23	-	-	-

1) Template 4 in Final report on Guidelines on disclosure of non-performing and forborne exposures EBA/GL/2018/10.

1.5 Credit risk in treasury operations

Risk weights for counterparty – Credit risk exposures by class (EU CCR3 table)

Exposure class, SEK million	SCBC									
	31 Mar 2020					31 Dec 2019				
	0%	10%	20%	50%	Total	0%	10%	20%	50%	Total
Institution	23,217	-	318	11	23,546	17,125	-	303	48	17,476
Total	23,217	-	318	11	23,546	17,125	-	303	48	17,476

Analysis of the counterparty credit risk (CCR) exposure by approach (EU CCR1 table)

Exposure class, SEK million	SCBC			
	Replacement cost/current market value	Potential future credit exposure	EAD post CRM	REA
Mark to market	17,197	6,276	23,473	55
Financial collateral comprehensive method (for SFTs)	-	-	72	14
Total	17,197	6,276	23,545	69

Impact of netting and collateral held on exposure values (EU CCR5-A table)

SEK million	SCBC				
	Gross positive fair value or net carrying	Netting benefits	Netted current credit	Collateral held	Net credit exposure
Derivatives	17,523	326	17,197	-	17,197
SFTs	842	-	842	826	15
Total	18,365	326	18,039	826	17,212

Composition of collateral for exposures to counterparty credit risk (EU CCR5-B table)

SEK million	SCBC					
	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	-	-	-	-	826	6,635

Risk exposure amounts and capital requirements for market risk (EU MR1 table)

Risk class, SEK million	SCBC			
	31 Mar 2020		31 Dec 2019	
	Risk exposure amount	Minimal capital requirement	Risk exposure amount	Minimal capital requirement
Interest-rate risk (general and specific)	-	-	-	-
Foreign exchange risk	749	60	729	58
Total	749	60	729	58

2

Internally assessed capital requirement

The internal capital adequacy assessment aims to ensure that SCBC has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for SCBC amounted to SEK 10,628 million (SEK 12,839 million on 31 December 2019). The internal capital requirement is assessed using SCBC's internal models for economic capital and is not fully comparable to the estimated capital published by the Swedish FSA (Finansinspektionen) due to differences in assumptions and methodologies, mainly within market risk approach. SCBC estimates that the Swedish FSA's expected total capital requirement as of 31 March 2020 amounted to SEK 11,336 million, of which SEK 1,179 million comprised the capital requirement in Pillar 2.

SCBC quantifies the capital requirement for its risks using a model for

economic capital within the scope of the internal capital adequacy assessment process (ICAAP). Economic capital is defined as the amount of capital needed to ensure solvency over a one year period. The internal capital requirement is defined as the higher of economic capital and the regulatory requirements for each type of risk.

Internally calculated capital requirements per risk type

SEK million		SCBC			
		31 Mar 2020		31 Dec 2019	
		Internally assessed capital requirement		Internally assessed capital requirement	
		Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %	Incl. risk-weight floor, SEK million	Incl. risk-weight floor, %
Pillar 1	Credit risk & CVA risk	1,476	1.4	1,417	1.5
	Market risk	60	0.1	58	0.1
	Operational risk	355	0.4	335	0.4
	Risk-weight floor ¹⁾	5,799	6.0	5,739	6.0
	Surcharge, corporate exposures ²⁾	49	0.1	49	0.0
	Total Pillar 1	7,739	8.0	7,598	8.0
Pillar 2	Credit risk ³⁾	-	-	-	-
	Market risk	53	0.1	65	0.1
	Operational risk	-	-	-	-
	Concentration risk	418	0.4	428	0.4
	Sovereign risk	-	-	-	-
	Pension risk	-	-	-	-
Total Pillar 2	471	0.5	493	0.5	
Buffers	Capital conservation buffer	2,418	2.5	2,374	2.5
	Capital planning buffer	-	-	-	-
	Countercyclical buffer	0	0.0	2,374	2.5
	Total Buffers	2,418	2.5	4,748	5.0
Total	10,628	11.0	12,839	13.5	
Total own funds	16,370		16,173		

1) Pillar 1 risk-weight floor under Article 458 of the CRR.

2) Purcharge after decision by the Board pursuant to Article 3 of the CRR.

3) Since the additional capital requirement for the risk-weight floor exceeds the additional capital requirement according to economic capital, only the risk-weight floor is included in the internal capital requirement with consideration for the risk-weight floor.

3 Leverage ratio

3.1 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 for SCBC, calculated according to article 429 i CRR(Regulation (EU) No 575/2013 of the European Parliament and of the council, amounted to 4.48%.

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

SEK million	SCBC Applicable amount
Total assets as per published financial statements	381,798
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	-17,266
Adjustment for securities financing transactions (SFTs)	850
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)	-23,217
Other adjustments	23,224
Leverage ratio total exposure measure	365,389

LRSpl: Split-up of on-balance sheet exposures (excluding derivatives and SFTs)

SEK million	SCBC CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	364,282
– of which, trading book exposures	-
Banking book exposures, of which:	364,282
– of which, covered bonds	-
Exposures treated as sovereigns	780
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
Institutions	-
Secured by mortgages of immovable properties	362,476
Retail exposures	-
Corporate	-
Exposures in default	250
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	776

LRCOM: Leverage ratio common disclosure

SEK million	SCBC 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) (Asset amounts deducted in determining Tier 1 capital)	364,282 0
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	364,282
Derivative Exposures	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	17,197
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)	6,277 -
Total derivatives exposures	23,474
SFT Exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions Netted amounts of cash payables and cash receivables of gross SFT assets	850 -
Total securities financing transaction exposures	850
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount Adjustments for conversion to credit equivalent amounts)	0 0
Other off-balance sheet exposures	0
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))	-23,217
Capital and total exposure measure	
Tier 1 capital	16,366
Leverage ratio total exposure measure	365,389
Leverage ratio	
Leverage ratio	4.48%
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

Leverage ratio is included in SCBC:s forward looking capital planning in order to proactively manage the risk of excessive leverage. The ratio is targeted in SCBC:s capital policy. The outcome and development of the ratio is monitored and reported monthly to the CEO and Board. In a situation of excessive leverage where the ratio is in cause of concern, actions in the form of reduced dividend, capital injection from owner or emission of Additional Tier 1 Capital instruments could be implemented. In addition and if necessary, balance sheet actions could also be implemented to reduce the exposure measure.

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 4.48% on 31 March 2020 and it is unchanged in comparison to the previous quarter. This is explained by:

- Tier 1 capital increased due to accrued earnings, which had a positive impact on the leverage ratio by 0.05%.

- The effect on the exposure measure attributable to SFT:s has decreased and impacted the ratio positively by 0.01%.
- The effect of the exposure measure attributable to derivatives increased, which had a negative impact on leverage ratio by 0.07%.
- An increase mainly in mortgage exposures entailed a negative impact of 0.06%.
- The exempted amount of intra group exposures has increased, which had a positive impact on leverage ratio by 0.07%.

5 Funding

5.1 Encumbered assets

Of the assets included in Table 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.

Assets encumbered disclosures

SEK million	SCBC							
	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	–			127,387	–		
Equity instruments	–	–			–	–		
Debt securities	–	–	–	–	–	–	–	–
– of which: covered bonds	–	–	–	–	–	–	–	–
– of which: asset-backed securities	–	–	–	–	–	–	–	–
– of which: issued by general governments	–	–	–	–	–	–	–	–
– of which: issued by financial corporations	–	–	–	–	–	–	–	–
– of which: issued by non-financial corporations	–	–	–	–	–	–	–	–
Other assets	254,411	–			127,387	–		

5.1 Cont. Encumbered assets

Collateral received

SEK million	SCBC			
	Fair value of encumbered collateral received or own debt securities issued	Unencumbered		
		of which notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	of which notionally eligible EHQLA and HQLA
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	-	-	-	-

Encumbered assets/collateral received and resulting liabilities

SEK million	SCBC	
	Matching contingent liabilities or securities lent	Assets, collateral received and own debt securities other than covered bonds and ABSs encumbered
Acquisitions and disposals	254,411	254,411



Financial calendar

SCBC Interim Report Jan-Jun 2020	17 Jul 2020
SCBC Year-end Report 2020	11 Feb 2021

Credit ratings

	Moody's	Standard & Poor's
Long-term funding, SBAB	A1	A
Long-term funding, SCBC	Aaa	-
Short-term funding, SBAB	P-1	A-1

Contact

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