

Skandiabanken

Periodic information on capital adequacy
and liquidity risk

– Pillar III 30 June 2012

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Capital adequacy analysis and liquidity risk

This report includes information about capital adequacy and liquidity risks. Periodic information on capital adequacy is provided on Skandiabanken's website for the periods ended 31 March, 30 June, 30 September and 31 December, in accordance with the Financial Supervisory Authority's regulations and general guidelines regarding public disclosure of information concerning capital adequacy and risk management (FFFS 2007:5), called Pillar III.

1. Information on the parent company and the financial company group

Skandiabanken Aktiebolag (publ) (reg. no. 516401-9738), with domicile in Stockholm, Sweden, was established on 1 June 1994 and is a wholly owned subsidiary of Skandia Insurance Company Ltd (publ) ("Skandia" – reg. no. 502017-3083). Livförsäkringsaktiebolaget Skandia (publ) ("Skandia Liv" – reg. no. 502018-6365), with domicile in Stockholm, Sweden, owns 100% of the shares in Skandia Insurance Company Ltd (publ).

Skandiabanken conducts business in Sweden and Norway. Operations are broken down into the operating segments Sweden banking, Norway banking (which is conducted via a branch located in Bergen, Norway), and Sweden mutual funds. In Sweden and Norway, Skandiabanken conducts banking business in the retail market and offers lending to individuals primarily in the form of home mortgages, personal loans, lines of credit and credit card credits, custody account lending and deposits. In addition to the lending and deposit activities, the bank offers services for trading in equities and mutual funds.

On 1 January 2012 the advisory business, with an average of 304 employees, was transferred to Skandia Försäljning AB, a subsidiary of the parent company Skandia. The operations were previously part of the services segment and provided customer service, market and administrative function for the insurance companies Skandia and Skandia Liv. The transaction had an effect on the calculation of pensions according to IAS 19. In connection with the transaction, recognised actuarial losses have been reported against equity in the amount of SEK 35 million. A corresponding amount was received by the parent company Skandia as a shareholder contribution in February 2012.

Table 1: Consolidation of the financial company group in accordance with the capital adequacy rules

30/6/2012			Share of	SEK million	
Subsidiary	Registered number	Domicile/country	ownership	Book value	Method of consolidation
Skandia Fonder AB	556317-2310	Stockholm, Sweden	100%	42	Acquisition method

In accordance with the capital adequacy rules, all subsidiaries are fully consolidated in accordance with the acquisition method.

2. Capital adequacy

2.1 Comments on the outcome for capital adequacy at 30 Jun 2012 compared with 31 Dec 2011

The capital ratio decreased compared with at 31 December 2011 to 13.81% (14.31%) mainly due to higher risk-weighted credit exposures. Credit exposures gross, i.e. before conversion to risk-weighted exposures, increased by SEK 6,643 million to 83,519 (76,876) million. Exposures pertaining to the liquidity reserves increased by SEK 4,084 million to 27,367 million (23,283). Home mortgages and other retail exposures increased by SEK 2,936 million to 55,355 million (52,419). Mortgage credits and other retail exposures increased in the Swedish banking business with SEK 1,193 million and in Norway with 1,743 million. Other credit exposures decreased by SEK 378 million. The change is primarily explained by lower fund settlement receivables exposures, which are treated as corporate exposures. By exposure is meant items both on and off the balance sheet, which are recalculated using a conversion factor that is intended to reflect the risk in the undertaking.

Risk-weighted exposures increased to SEK 29,824 million (27,630) of which 2,256 pertained to increased credit exposures, the change are mainly due to higher home mortgage lending and higher exposures pertained to liquidity reserves. Currency risk exposures decreased with SEK 63 million which is due to the fact that the outcome for the Norwegian branch is only included for the first six months compared with outcome at 31 December, which includes the annual results. The capital requirement for operational risk was unchanged.

Risk-weighted exposures are obtained by multiplying the exposure amounts by a risk weight that is set in accordance with the capital adequacy rules. The risk weight is intended to show the risk in the undertaking, and risk-weighted assets form the basis for calculating the capital requirement. According to the regulations, the definition of risk-weighted exposures does not apply for currency risk and operational risk; instead the capital requirement for these risks is determined explicitly. To illustrate the calculation of capital requirement, these risks have been converted to risk-weighted exposures.

The comprehensive income for the period was verified by the company's auditors and was thereby included in the capital base which amount to SEK 4,118 million (3,953).

2.2 Minimum capital requirement – Pillar I

Table 2: Capital adequacy analysis

SEK million

Capital adequacy measures	30/6/2012	31/12/2011	30/6/2011
Capital ratio ¹	14.20%	14.31%	14.56%
Tier 1 capital ratio ²	9.89%	9.95%	10.09%
Capital adequacy quotient ³	1.78	1.79	1.82
	-		
Capital base ⁴			
Equity according to balance sheet at 31 December	2,806	2,806	2,641
Verified profit for the period	182	-	133
Proposed dividend	-	-	-
Tier 1 capital, gross ^{4.1}	2,988	2,806	2,774
Less: intangible assets	-1	-3	-5
Less: deferred tax assets	-29	-35	-40
Unrealised result of available-for-sale financial assets, fixed-income securities	-49	-20	-17
Tier 1 capital, net	2,909	2,748	2,712
Unrealised gain from available-for-sale financial assets, equities	4	4	1
Perpetual subordinated debt ^{4.2}	900	900	900
Fixed-term subordinated debt ^{4.3}	300	300	300
Total tier 2 capital	1,209	1,204	1,201
Capital base	4,118	3,952	3,913
Risk-weighted exposures/basis for calculating capital requirement ⁵			
Credit risk according to standardised approach	25,841	23,585	23,371
Currency risk	72	134	59
Operational risk according to basic indicator approach	3,911	3,911	3,451
Total risk-weighted exposures	29,824	27,630	26,881
Capital requirement ⁶			
Credit risk according to standardised approach	2,067	1,887	1,870
Currency risk	6	10	5
Operational risk according to basic indicator approach	313	313	275
Capital requirement ⁶	2,386	2,210	2,150

Initial capital SEK 45 million ⁷

The bank's tier 1 capital consists of equity less certain items than may not be included in the capital base, such as intangible assets, deferred taxes and unrealised result on fixed-income securities classified as available-for-sale financial assets. The bank does not have any tier I capital contributions, which means that the tier I capital is equal to the core capital.

For a description of quantitative concepts, see appendix 1 "Capital adequacy".

Table 3: Exposures to credit risk per exposure class

SEK million		30 June 2012			31 December 2011			30 June 2011		
		Exposure	Risk-weighted assets	Capital requirement	Exposures	Risk-weighted assets	Capital requirement	Exposure	Risk-weighted assets	Capital requirement
		8	5	6	8	5	6	8	5	6
Footnotes										
1	Exposures to governments and central banks	3,585	-	-	4,331	-	-	7,864	-	-
2	Exposures to local governments and comparable associations and authorities	5,877	530	42	3,165	97	8	1,958	123	10
3	Exposures to administrative bodies, non-commercial undertakings and religious communities	304	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	8,902	1,770	142	5,937	1,172	94	5,511	1,087	87
7	Exposures to corporates	552	471	38	919	758	61	948	744	60
8	Retail exposures	3,250	2,437	195	3,242	2,431	195	3,174	2,380	190
9	Exposures secured by real estate	52,105	19,577	1,566	49,177	17,919	1,433	50,450	18,323	1,466
10	Non-performing loans ⁸	26	25	2	26	26	2	26	26	2
11	High-risk items	-	-	-	-	-	-	-	-	-
12	Exposures in the form of covered bonds	8,763	876	70	9,881	988	79	5,353	535	43
13	Securitisation positions	-	-	-	-	-	-	-	-	-
14	Exposures to CIUs	51	51	4	53	53	4	55	55	4
15	Other items	104	103	8	145	141	11	109	98	8
Total credit risks		83,519	25,841	2,067	76,876	23,585	1,887	75,446	23,371	1,870

For a description of quantitative concepts, see appendix 1 "Capital adequacy".

3. Liquidity risks

Liquidity risk is the risk that the bank cannot meet its payment obligations on the due date without a substantially elevated cost for obtaining liquid funds. The risk also entails that available liquid funds will not be sufficient to meet changed market conditions, liabilities, financing of assets or an increase in customers' demands for cash. It includes the possibility of disruptions in the market which cause normally liquid assets to become illiquid and the risk that counterparties will withdraw their financing.

Management

Liquidity management for the Swedish and Norwegian operations is co-ordinated, but the liquidity portfolios are segregated. Liquidity in the Norwegian branch is invested in Norwegian kroner, while liquidity in the Swedish branch is invested in Swedish kroner. When needed, liquidity can be transferred from a country with a surplus to a country with a deficit without any legal restrictions. Liquidity management includes daily stress tests, projections of liquidity needs, management of surplus liquidity and contingency funding plans. Contingency funding plans include a division of responsibility and instructions on how to handle a potential outflow of liquidity.

Liquidity buffer – outcome 30 June 2012 compared with 31 December 2011

To ensure preparedness in situations in which Skandiabanken is in an acute need of liquidity, Skandiabanken has surplus liquidity, see table 7, which includes a liquidity buffer according to the Financial Supervisory Authority's stricter definition, see table 5. The difference between the total surplus liquidity and the liquidity buffer according to the Financial Supervisory Authority's definition pertains to lending to credit institutions with maturities longer than one bank day and liquid, fixed-income securities that are not eligible with central banks, see table 6.

Limits are set by the Board of Directors for the minimum amount of surplus liquidity and the minimum size of the liquidity buffer. The liquidity buffer as shown in table 5 consists of available funds that Treasury disposes over and which are eligible as collateral with the Swedish and Norwegian central banks. This ensures that Skandiabanken can convert assets to cash at short notice. As per 30 June 2012, the liquidity buffer before the central banks' haircuts amounted to SEK 21.3 billion (19.2), which corresponded to 79% (84%) of the bank's total surplus liquidity. Compared with 2011, the Swedish and Norwegian central banks have changed their rules, entailing that exposures to institutions are no longer eligible. In addition to the liquidity buffer, Skandiabanken can use a line of credit granted by the parent company Skandia of SEK 0,4 billion.

Liquidity stress tests are performed on a daily basis to ensure that the level of liquid assets is sufficient to resist a stressed scenario. Stress testing is defined as the impact on the survival horizon under a set of exceptional but plausible idiosyncratic and market-wide stress events, i.e., the number of days that the bank is expected to be able to cover a stressed outflow of liquidity with the help of liquidity-supporting actions. By stress events is meant assumptions regarding e.g., exceptionally large outflows of deposits and an increased degree of utilisation of granted but not utilised credit commitments, and by market-wide stress events is meant disruptions in the currency and capital markets. The stress tests cover both stressed contractual and stressed behavioural cash flows for items both on and off the balance sheet.

Skandiabanken's long-term structural liquidity position is measured and handled on a monthly basis through various metrics. At 30 June 2012 the deposit-to-loan ratio was 139% (136%), and since Skandiabanken is mainly funded by retail deposits – a funding source that is contractually short but is considered to be behaviourally long – Skandiabanken has a strong structural liquidity position.

Table 4: Deposit-to-loan ratio

%	30/6/2012	31/12/2011	30/6/2011
Deposit-to-loan ratio, retail market incl. home mortgages	139	136	131

Table 5: Liquidity buffer according to the Financial Supervisory Authority's guidelines

SEK million	30/6/2012				31/12/2011			
	SEK	NOK	EUR	Total	SEK	NOK	EUR	Total
1 Cash and balances with, and lending to central banks and governments	51	660	2	713	986	2,354	5	3,345
2 Lending to other banks, intraday loans	1,950	1,684	-	3,634	-	-	-	-
3 Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,376	1,649	-	3,025	898	30	-	928
4 Securities issued or guaranteed by municipalities or other public sector entities	1,499	4,056	-	5,555	1,495	1,176	-	2,671
5 Covered bonds issued by other banks or institutions	3,637	4,783	-	8,420	4,589	5,033	-	9,622
6 Covered bonds issued by own bank or related unit	-	-	-	-	-	-	-	-
7 Securities issued by non-financial corporates	-	-	-	-	-	-	-	-
8 Securities issued by financial corporates, excl. covered bonds	-	-	-	-	-	2,642	-	2,642
9 All other securities	-	-	-	-	-	-	-	-
Total liquidity buffer according to Financial Supervisory Authority's definition ¹	8,513	12,832	2	21,347	7,968	11,235	5	19,208

¹ The liquidity buffer is presented in accordance with the Swedish Bankers' Association's presentation format. The liquidity buffer consists of assets at the disposal of the Treasury function. The assets are eligible as collateral with central banks and are not claimed as collateral. The holdings are carried at current market value and receive a risk weight of 0-20% in accordance with the capital adequacy rules and the standardised approach for credit risk.

Table 6: Other liquidity buffer

SEK million	30/6/2012				31/12/2011			
	SEK	NOK	EUR	Total	SEK	NOK	EUR	Total
1 Cash and balances with, and lending to central banks and governments	-	-	-	-	-	-	-	-
2 Lending to other banks, intraday loans	-	-	-	-	-	-	-	-
3 Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	127	-	-	127	-	-	-	-
4 Securities issued or guaranteed by municipalities or other public sector entities	300	-	-	300	-	483	-	483
5 Covered bonds issued by other banks or institutions	203	116	-	319	-	230	-	230
6 Covered bonds issued by own bank or related unit	-	-	-	-	-	-	-	-
7 Securities issued by non-financial corporates	100	-	-	100	200	-	-	200
8 Securities issued by financial corporates, excl. covered bonds	2,085	2,848	-	4,933	1,740	1,102	-	2,842
9 All other securities	-	-	-	-	-	-	-	-
Total other liquidity buffer ²	2,815	2,964	-	5,779	1,940	1,815	-	3,755

² The other liquidity buffer is at the disposal of the Treasury function and pertains to fixed-income securities that are not eligible as collateral with central banks and which thus do not meet the Financial Supervisory Authority's requirements for assets that qualify to be included in the liquidity buffer. The holdings are carried at current fair value and receive a risk weight of 0-20% in accordance with the capital adequacy rules and the standardised approach for credit risk.

Table 7: Total liquidity buffer

Pertains to the sum of the liquidity buffer according to the Financial Supervisory Authority's guidelines and Skandiabanken's other liquidity buffers.

SEK million	30/6/2012				31/12/2011			
	SEK	NOK	EUR	Total	SEK	NOK	EUR	Total
1 Cash and balances with, and lending to central banks and governments	51	660	2	713	986	2,354	5	3,345
2 Lending to other banks, intraday loans	1,950	1,684	-	3,634	-	-	-	-
3 Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,503	1,649	-	3,152	898	30	-	928
4 Securities issued or guaranteed by municipalities or other public sector entities	1,799	4,056	-	5,855	1,495	1,659	-	3,154
5 Covered bonds issued by other banks or institutions	3,840	4,899	-	8,739	4,589	5,263	-	9,852
6 Covered bonds issued by own bank or related unit	-	-	-	-	-	-	-	-
7 Securities issued by non-financial corporates	100	-	-	100	200	-	-	200
8 Securities issued by financial corporates, excl. covered bonds	2,085	2,848	-	4,933	1,740	3,744	-	5,484
9 All other securities	-	-	-	-	-	-	-	-
Total liquidity buffer	11,328	15,796	2	27,126	9,908	13,050	5	22,963
Of which, eligible (pledgeable) assets	8,513	12,832	2	21,347	7,968	11,235	5	19,208
Of which, pledged assets	2,324	2,768	-	5,092	2,036	3,545	-	5,581
Credit facilities	SEK	NOK	EUR	Total	SEK	NOK	EUR	Total
Own credit facilities granted	400	-	-	400	400	-	-	400

4. Applied rules and regulations

Swedish law and the Financial Supervisory Authority's rules and regulations on capital adequacy and large exposures are based on the EU Capital Requirements Directive (CRD), and are based on three pillars:

Pillar I – Minimum capital requirement

Calculations of minimum capital requirement are performed in accordance with the Capital Adequacy and Large Exposures Act (*Lagen (2006:1371) om kapitaltäckning och stora exponeringar*) and the Financial Supervisory Authority's regulations and general guidelines on capital adequacy and large exposures (FFFS 2007:1).

Skandiabanken uses the standardised approach in calculating credit risk. This entails that 15 exposure classes with several different risk weightings are used in the respective classes. For further information, see appendix 2. The capital requirement for currency risks covers all items on and off the balance sheet at current fair value and translated to Swedish kronor at the exchange rate in effect on the balance sheet date. Eight per cent of the total net position in foreign currency is calculated to make up the capital requirement. The capital requirement for operational risks is calculated using the basic indicator approach, which entails that the capital requirement consists of 15% of average operating income for the last three financial years. Skandiabanken has received permission from the Financial Supervisory Authority to calculate the capital requirement for market risks in accordance with the rules for credit risk.

Pillar II – Rules for the supervisory authorities' overall capital assessment and Internal Capital Adequacy Assessment Process (ICAAP)

Skandiabanken's strategy is always to have a total capital ratio of higher than 10.5% including the internal capital requirement. According to the statutory minimal capital requirement, the capital base in relation to the risk-weighted amount of exposure shall be no less than 8%. For choice of method, see "Minimum capital requirement" above. In addition to the statutory minimum capital requirement, banks are expected to maintain a higher capital base, which is addressed under Pillar II, "Capital assessment and risk management". Skandiabanken's total capital requirement is taken into consideration in the Internal Capital Adequacy Assessment Process (ICAAP). This entails that Skandiabanken holds additional capital – referred to above as internal capital – for other significant risks in addition to above-mentioned risks, i.e., credit risks, currency risks and operational risks. The ICAAP also takes into account Skandiabanken's future business plans. A capital buffer is held in addition to the capital requirement for identified risks and with continued expansion taken into account. The EU directive's stipulations have been included in the Banking and Finance Business Act (*Lagen (2004:297) om Bank- och finansieringsrörelse*). The Financial Supervisory Authority reviews and evaluates risk management and performs controls to ensure that sufficient capital is held for the significant risks that Skandiabanken is exposed to.

Pillar III – Disclosures of capital adequacy and risk management

Information is to be provided yearly in accordance with the Financial Supervisory Authority's regulations and general guidelines regarding public disclosure of information concerning capital adequacy and risk management (FFFS 2007:5), called Pillar III. Complete information is disclosed yearly and not later than in connection with publication of the annual report on Skandiabanken's website. This yearly, complete information also includes disclosure of information on remuneration.

Periodic information on capital adequacy is provided on Skandiabanken's website for the periods ended 31 March, 30 June, 30 September and 31 December.

5. Effects of new capital adequacy rules 2013

The new capital rules are expected to be ready at the end of 2012, which means uncertainty about what effect these will have on the capital ratio. Examples of the new rules are proposed changes to the calculation of capital requirements for mortgage exposures. It also introduces new accounting rules for pension accounting under IAS 19, which affects the reduction of capital. The overall expected impact is considered less than 0.5% of the total capital ratio.

Appendix 1 Description of quantitative information on the tables in point 2 “Minimum capital requirement”

¹Total capital ratio

The capital base in relation to the risk-weighted amount of exposure; shall amount to at least 8%.

²Tier I capital ratio

Tier I capital in relation to the risk-weighted amount of exposure; shall amount to at least 4%.

³Capital adequacy quotient

By capital adequacy quotient is meant capital base in relation to the total minimum capital requirement.

⁴ The capital base is allocated between primary (Tier 1) capital and supplementary (Tier 2) capital. Tier 1 capital shall amount to at least 50% of the sum of tier 1 and tier 2 capital. Tier 2 capital refers to perpetual and fixed-term subordinated debt. Fixed-term subordinated debt may not exceed 50% of tier 1 capital

^{4.1} Tier 1 capital, gross, refers to equity as per the balance sheet at 31 December including minority interests and the appropriation of profits proposed by the Board, which is reported in equity. Profit for the period is included when verified by the external auditors.

^{4.2}Perpetual subordinated debt

According to the terms of agreement, the rate of interest is determined in relation to the interest base, Stibor +1.25%. The loan has subordinated terms of payment and runs with no collateral pledged. Repayment of the debt is only possible in case the issuer is declared bankrupt or has entered into liquidation, or, after having obtained permission from the Financial Supervisory Authority.

^{4.3}Fixed-term subordinated debt

According to the terms of agreement, the rate of interest is determined in relation to the interest base, Stibor +1.00%. The loan has subordinated terms of payment and runs with no collateral.

On 10 December 2018 an amount of SEK 200 million will fall due, and SEK 100 million will fall due on 16 December 2019. In cases where the remaining term is less than five years, the amount that may be included in the capital base shall amount to a maximum of 20% of the notional value for each remaining year.

Repayment of subordinated debt is only possible in cases where the issuer is declared bankrupt or has entered into liquidation, or, after having obtained permission from the Financial Supervisory Authority.

⁵ By risk-weighted exposures is meant the assessed value of an exposure. By exposure is meant items on and off the balance sheet. Intra-group exposures are included, except for shares in subsidiaries and counterparties that are under supervision of the Financial Supervisory Authority.

According to the regulations, the definition of risk-weighted exposures does not apply for currency risk and operational risk; instead the capital requirement for these risks is determined explicitly. To illustrate the calculation, these risks have been converted to risk-weighted exposures.

⁶ The capital requirement refers to 8% of risk-weighted exposures.

⁷ Pursuant to the Banking and Finance Business Act (*Lagen (2004:297) om Bank- och finansieringsrörelse*), a bank stock corporation is required to have initial capital amounting to EUR 5 million at the time it receives its charter.

⁸ By exposure is meant exposures on the balance sheet after deduction for loan losses and off-balance sheet undertakings, which are recalculated using a conversion factor which shall illuminate the risk in the undertaking.

⁹ Non-performing loans refer to, in accordance with the Financial Supervisory Authority’s regulations and general guideline regarding capital adequacy and large exposures (FFFS 2007:1), loans that are more than 90 days past due. This entails that, compared to applied definitions in the consolidated financial statements and disclosures, impaired loans are included in the concept of non-performing loans in the table above. Moreover, loans more than 60 days past due are stated as non-performing loans in other notes.

Appendix 2

Disclosures of credit risk – Pillar I

Method for calculating risk-weighted exposures to credit risk using the standardised approach

In accordance with Pillar I, exposures to credit risk include the following items less provisions for impaired loans

- Items on the balance sheet carried at net book value
- Items off the balance sheet carried at their notional value multiplied by an applicable conversion factor
- Counterparty risk in derivative contracts

The following exposures receive 0% in risk weight regardless of which exposure class they belong to

- Exposures deducted from the capital base

Other exposures to group companies than shareholdings in subsidiaries receive a risk weight of 0% under the following circumstances

- The counterparty is an institution or financial holding company that is domiciled in Sweden and fully consolidated in the financial company group
- The counterparty has corresponding processes for risk assessment, risk measurement and control as the institution
- There are no prevailing or anticipated material or legal hindrances to the counterparty's ability to quickly transfer funds from the capital base or regulate liabilities to the institution.

Calculation of risk-weighted amount for credit risk

Fifteen exposure classes are used in application of the standardised approach. The respective exposure classes can, within each class, have several different risk weights, which are set by the Financial Supervisory Authority. To determine which risk weight an exposure shall be assigned, an external credit rating is used. The Financial Supervisory Authority approves the credit rating agencies whose credit ratings may be used and specifies a number of credit quality steps and which credit ratings belong to the respective intervals.

Skandiabanken uses external ratings from Standard & Poor's, Moody's and Fitch. In cases where the counterparty has received two external credit ratings, the credit rating that leads to the highest risk weight is used. If an exposure has received more than two external credit ratings, the two credit ratings that provide the lowest risk weight shall be used. If these two differ, the one that provides the higher risk weight shall be used. When exposures pertain to a specific issue programme that has been assigned a credit rating, this credit rating shall be used.

Credit risk protection – collateral that reduces the capital requirement

Under certain circumstances, the capital requirement can be reduced when the bank receives collateral for the credit exposure. According to the rules, when applying the standardised approach, credit risk protection may be included if the form of collateral is acceptable and the bank meets certain handling requirements. The rules for collateral are broken down into guarantees, credit derivatives and financial collateral. The collateral that the bank uses to reduce the capital requirement pertains to guarantees.

The effect on the capital requirement of guarantees that may be included is that the debtor's risk weight is exchanged for the guarantee issuer's risk weight in calculating the risk-weighted exposure amount. In cases where there is a mismatch in the duration between the guaranteed exposure and the guarantee, the guarantee is not included if the original duration is less than one year or if the remaining duration is less than three months. In addition, guarantees longer than five years are not included.