2019

Capital Adequacy & Risk Management Report

Pillar 3

SEB

This is SEB

SEB enables people to realise their dreams, ambitions and business ideas . Being the Nordic region's leading corporate bank with an international perspective, innovation and entrepreneurship are part of our DNA.

We are driven by engagement and curiosity about the future. This has been our approach ever since we welcomed our first customer more than 160 years ago.

Our vision is to provide world-class service to our customers. We do this by building long-term relationships, providing personal and proactive advice and serving our customers on their terms – face to face or in the digital realm.

We take responsibility for how we conduct our business and how we affect our customers, employees, shareholders and society at large. We support our customers in the transition to a more sustainable world and we contribute to the development of the communities in which we operate.

Return on equity
13.8%
excluding items affecting comparability

Cost/income ratio
0.46

Earnings per share
9.33 SEK

Dividend per share
6.25 SEK
as proposed by the Board of Directors

Business bank
of the year 2019
according to Finansbarometern

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I. About this report

SEB is committed to maintaining public transparency with regard to the development of its business, financial performance and risks. Extensive information is provided in financial reports, including SEB's Annual Report, the quarterly Interim Reports and Fact Books. In this report – the Capital Adequacy and Risk Management Report (Pillar 3) – SEB provides additional information on its capital adequacy, risk exposures and risk management.

Regulatory framework for disclosures

The Basel Committee's framework is based on a concept of three pillars for banking regulation:

Pillar 1 – Minimum capital requirements to meet credit, market and operational risk;

Pillar 2 – Supervisory review process, and the bank's internal process for assessing overall capital and liquidity adequacy in accordance with its risks; and

Pillar 3 – Market discipline enabled by disclosures.

Pillar 3 entails extended disclosures by banks with regard to their capital position, risk exposures and risk management processes. Pillar 3 requires all material risks to be disclosed, in order for investors and other market participants to assess the risk profile of individual banks.

Disclosure requirements are specified in the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR), which implemented the Basel III standards of stricter capital requirements and new requirements for liquidity risk and leverage, and raised the standards on prudential supervision and disclosure. CRR came into force in the EU on 1 January 2014. In Swedish law, CRR automatically took effect upon EU adoption, while CRD IV was implemented by the Swedish Financial Supervisory Authority (SFSA) in the autumn of 2014. In December 2016, the European Banking Association (EBA) published its final report on Guidelines on disclosure requirements under Part 8 of CRR, with the aim to harmonise disclosures across banks. The guidelines were adopted by the SFSA in 2017.

Basis for SEB's Pillar 3 report

SEB's Pillar 3 report is prepared in accordance with the requirements of EU and Swedish regulations, in particular CRR, the EBA's implementing technical standards (ITS) with regard to disclosure of own funds (EU Regulation No 1423/2013), the SFSA's regulations on prudential requirements and capital buffers (FFFS 2014:12), and EBA's Guidelines on disclosure requirements under Part 8 of CRR.

Together with the Annual Report, this report and the additional Pillar 3 information on SEB's website provide information on SEB's material risks as part of the Pillar 3 framework, including details on the group's risk profile and business volumes by customer categories and risk classes, which form the basis for the calculation of the capital requirement. The Pillar 3 report complements the Annual Report with additional information, and is intended to be read in conjunction with the Annual Report, in particular the Annual Report sections entitled Risk, Liquidity and Capital Management and Corporate Governance, as well as the Notes to the Financial Statements. Disclosures in relation to remuneration are also included in those sections of the Annual Report, in particular in note 8.

The Pillar 3 report is based upon the group consolidated situation as of 31 December 2019. The group consolidated situation represents the regulatory scope of consolidation according to CRR, established for the purposes of prudential supervision, and differs from the group's consolidated financial statements as set out in the Annual Report. The relationship between the group consolidated situation and the group consolidated financial statements is set out in Tables 55–57 in this report.

The group consolidated situation is based upon its financial position established by the accounting policies of the group, in accordance with International Financial Reporting Standards (IFRS) and interpretations of those standards as adopted by the European Commission. The significant accounting policies for the group are presented in the Annual Report, note 1 Accounting Policies. The information in this report has not been subject to external audit.

The report is produced in accordance with the group's disclosure policy, and is formally approved by the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO).

SEB's key metrics

Table 1. EU KM1 – Key metrics (at consolidated group level)

SEK m	31 Dec 2019	31 Dec 2018
Available capital (amounts)		
1 Common Equity Tier 1 capital (CET1)	131,155	125,857
2 Tier 1 capital	155,398	141,108
3 Total capital	173,382	159,331
Risk-weighted assets (amounts)		
4 Total risk-weighted assets (RWA)	745,637	716,498
Risk-based capital ratios as a percentage of RWA		
5 Common Equity Tier 1 ratio (%)	17.6%	17.6%
6 Tier 1 ratio (%)	20.8%	19.7%
7 Total capital ratio (%)	23.3%	22.2%
Additional CET1 buffer requirements as a percentage of RWA		
8 Capital conservation buffer requirement (%)	2.5%	2.5%
9 Countercyclical buffer requirement (%)	1.5%	1.2%
10 Bank G-SIB and/or D-SIB additional requirements (%)	3.0%	3.0%
11 Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	7.0%	6.7%
12 CET1 available after meeting the bank's minimum capital requirements (%)	6.1%	6.4%
Basel III leverage ratio		
13 Total Basel III leverage ratio exposure measure	3,063,481	2,773,608
14 Basel III leverage ratio (%) (row 2 / row 13)	5.1%	5.1%
Liquidity Coverage Ratio		
15 Total HQLA	457,770	395,376
16 Total net cash outflow	209,733	268,692
17 LCR ratio (%)	218%	147%

II. Risk management

SEB takes risk for the purpose of creating customer value and sustainable returns to shareholders. Managing this risk is a core activity in a bank and fundamental to long-term profitability and stability.

Risk management framework

SEB defines risk as the possibility of a negative deviation from an expected financial outcome. SEB´s profitability is directly dependent upon its ability to evaluate, manage and price the risks encountered, while maintaining an adequate capital and liquidity position to meet unforeseen events. SEB´s main risk is credit risk. Other risks include market risk, operational risk, insurance and pension risk and liquidity risk.

SEB applies a robust framework for its risk management, with a defined Board risk tolerance, independent risk control, credit analysis and credit approval functions supported by advanced internal risk measurement models. The cornerstones of SEB's risk and capital management include Board supervision, common definitions and principles, a clear decision-making structure, controlled risk-taking within established limits, a high level of risk awareness among staff, and a high degree of transparency in external disclosure. SEB's risk culture is based on long experience, strong customer relationships and sound banking principles, and provides a solid foundation for the bank's risk governance.

Risk tolerance

The Board of Directors is responsible for setting the maximum acceptable levels of risks to be taken by the group. This is formulated in the risk tolerance statements, which are reviewed in connection with the annual approval of the bank's business plan and applies to the entire group. The Board's risk tolerance statements represent a long-term view of the boundaries within which the Board expects the bank to operate, and covers both financial and non-financial risks.

In order to monitor that SEB operates within the Board's limits, a framework of risk measures has been established for the group, divisions, and business areas within the boundaries of the Board's risk tolerance. SEB's risk profile in relation to the risk tolerance is monitored and followed up regularly by the risk organisation and reported on a quarterly basis to the Group Executive Committee (GEC), the Group Risk Committee (GRC), the Board's Risk and Capital Committee (RCC) and the Board.

Three lines of defence

As the first line of defence, the business areas are responsible for the risks that arise in their operations. Long-term customer relationships and a sound risk culture provide a solid foundation for SEB's risk-taking decisions. Initial risk assessments are made of both the customer relationship and the proposed transaction. The business units ensure that transactions are correctly priced and that the assumed risks are managed throughout the life of the transaction. Larger transactions are reviewed by the bank's credit committees. The business units are responsible for ensuring that the activities comply with applicable rules. They are supported by SEB's Code of Conduct, policies and instructions, and a clear decision-making structure.

The risk and compliance organisations constitute the second line of defence and are independent from the business. The risk organisation is responsible for identifying, measuring, monitoring and reporting SEB's risks. Risks are measured both on detailed and aggregated levels. SEB has developed advanced internal measurement models for a majority of the credit portfolio as well as for market and operational risk, and has approval from the SFSA to use the models for calculating capital requirements. Risks are controlled through limits on transactional, counterparty, desk and portfolio levels. Asset quality is monitored and analysed continuously, for example through stress testing. The compliance organisation ensures the quality of compliance and focuses on issues such as customer protection, conduct in the financial market, prevention of money laundering and financing of terrorism, and regulatory compliance and control, under the direction of the Board and management.

The internal audit function is the third line of defence. This function regularly reviews and evaluates that SEB's risk and compliance management is adequate and effective. The internal auditors are in turn evaluated by external auditors. Based on the evaluations by the third line, the processes in the first and second lines of defence are continuously strengthened. SEB's robust governance framework, in combination with its sound risk culture and business acumen, constitutes the cornerstones of an effective risk management.

Risk tolerance statements in brief

SEB shall:

- **have a robust credit culture based on** long-term relationships, knowledge about the customers and focus on their repayment ability. This will lead to a high quality credit portfolio.
- **have a sound structural liquidity position**, a balanced wholesale funding dependence and sufficient liquid reserves to meet potential net outflows in a stressed scenario.
- **maintain low operational risk and loss** through an effective internal control framework and maintain the bank's reputation.
- **target low earnings volatility** by generating earnings based on client-driven business.
- **maintain satisfactory capital strength** in order to manage aggregated risks, guarantee the bank's long-term survival and its position as a financial counterparty, while operating safely within regulatory requirements and meeting rating targets.

Risk governance

SEB's overall corporate governance is described in detail in the section Corporate Governance in the Annual Report. The governance relating to risk matters is summarised below.

The *Board of Directors* shall ensure that SEB is organised in such a way that, among other things, it has an effective internal control framework ensuring that all risks inherent in the activities of the group are identified, measured, monitored and reported, and that the functions for risk control, compliance and internal audit are in place, that they are independent, separate from each other and have adequate resources, competences and responsibilities. The Board defines the principles for risk management in an overall risk policy. The risk policy is supplemented by instructions issued by the RCC and the GRC. The Board defines the bank's overall risk tolerance, and risk mandates are allocated by board committees and executive management committees. A comprehensive risk management governance structure ensures that policies approved by the Board are effectively complied with in all of SEB's risk-taking activities.

The *Board's Risk and Capital Committee* (RCC) supports the Board in ensuring that SEB is organised and managed in such a way that all risks inherent in the group's business are controlled in accordance with the Board's risk tolerance statement as well as with external and internal rules. The RCC also monitors the group's capital situation on a continuous basis. The RCC sets the principles and parameters for measuring and allocating risk and capital within the group and oversees risk management systems and the risk tolerance and strategy for the near and long term. The RCC prepares a recommendation for the appointment and dismissal of the CRO. It decides on individual credit matters of major importance or of importance as to principles and assists the Board's Remuneration Committee in providing a risk-based view on the remuneration system. The group's CFO has the overall responsibility for informing and submitting proposals to the RCC on matters related to capital and funding. The CRO has the same overall responsibility regarding risk and credit matters. The President, the CFO and the CRO regularly participate in the meetings.

The *Group Risk Committee* (GRC) is a group-wide, decision-making committee that addresses all types of risk at group level in order to evaluate portfolios, products and customers from a comprehensive risk perspective. The GRC is tasked with making important credit decisions and ensuring that all risks inherent in the group's activities are identified, defined, measured, monitored and controlled in accordance with internal and external rules. The GRC also supports the President in ensuring that decisions regarding the group's long-term risk tolerance are followed in the business organisation and ensures that the Board's guidelines for risk management and risk control are implemented and that the necessary rules and policies for risk-taking in the group are maintained and enforced. The committee's chairman is the President and deputy chair is the CRO.

The *Group Risk Measurement Committee* (GRMC), a sub-committee of the GRC, has been delegated the mandate to assure that all risk methods, tools and measurements are of sufficient quality and approved. The committee consists of business representatives, divisional risk managers and independent risk controllers. The committee's chairman is the Head of Group Risk.

The *Group Asset and Liability Committee* (ALCO) is a group-wide decision-making, monitoring and consultative body that handles financial stability, particularly in the new regulatory framework; strategic capital and liquidity issues (including internal capital allocation and principles for internal pricing); balance sheet structure and development and other balance sheet-related issues; financing of wholly owned subsidiaries; as well as the group's funding strategy. The committee's chairman is the President and deputy chair is the CFO.

The *Chief Risk Officer* (CRO) is appointed by the Board and reports to the President. The CRO regularly keeps the Board, the RCC, the ACC, the GEC, the ALCO and the GRC informed about risk matters. The CRO has global functional responsibility, and the activities of the CRO are governed by and set out in an instruction adopted by the Board. The CRO Function is organised in three units: Group Risk, Group Credits and the CRO Office.

Group Risk, the risk organisation, is responsible for identifying, measuring, monitoring and reporting on SEB's risks. The unit also develops and maintains the bank's risk models, aggregates and analyses risk data across risk types and the group's credit portfolios, as well as handles general matters relating to risk governance and risk disclosure. The Head of Group Risk is appointed by the President, upon recommendation by the CRO, and reports to the CRO.

Group Credits is responsible for managing the credit approval process, for certain individual credit decisions and for monitoring compliance with the credit policies set by the RCC and the Board. Its activities are regulated by the group's Credit Instruction, adopted by the Board. The chairs of the respective divisional credit committees have the right to veto credit decisions. Material exceptions to the group's Credit Policy must be escalated to a higher level in the decision-making structure. The Group Credit Officer is appointed by the President, upon recommendation by the CRO, and reports to the CRO.

The CRO Office supports the CRO, Group Risk and Group Credits.

For further information about SEB's governance arrangements, please refer to the Annual Report – Corporate Governance. This section also provides information on the number of directorships held by Board members, the recruitment and diversity policies for the selection of Board members, as well as more information on the work of the Board's Risk and Capital Committee.

III. Credit risk

Credit risk is the risk of loss due to the failure of an obligor to fulfil its obligations towards SEB. The definition also comprises counterparty risk derived from the trading operations, country risk and settlement risk.

Risk management

The predominant risk in SEB is credit risk, which arises from lending activities and through commitments to customers, including large companies, small and medium-sized companies, financial institutions, public sector entities and private individuals. In addition to the credit portfolio, SEB's credit exposure consists of debt instruments and repos.

Credit risk policy and approval process

The overriding principle of SEB's general credit granting is that all lending is based on credit analysis and proportionate to the customer's cash flow and ability to repay. It is required that the customer is known to the bank and the purpose of the loan shall be fully understood in order that the customer's character and repayment capacity can be evaluated. The business units take full responsibility of the credit risk until repayment.

A credit approval is based on an evaluation of the customer's creditworthiness and the type of credit. Relevant factors include the customer's current and anticipated financial position and protection provided by covenants and collateral. A credit approval takes the proposed transaction into account as well as the customer's total business with the bank. The credit decision includes a risk classification of the customer based on this analysis. The process differs depending on the type of customer, the customer's risk level, and the size and type of transaction. For larger corporate customers, independent and professional credit analysis is particularly important, and the decisions are mostly taken by a credit committee. For private individuals and small businesses, the credit approval process is often based on credit scoring models. Every credit decision of significance requires approval from an independent credit officer.

Credit decisions are taken based on a hierarchical structure, with the Group Risk Committee being the highest credit granting body, with limited exceptions. Below the Group Risk Committee are divisional credit committees, and, in turn, local credit committees depending on the location of the customer, with small approval authorities for certain bank officers. The approval mandates for each level are set on a risk-adjusted basis using both quantitative and qualitative criteria.

SEB's credit policies reflect the bank's corporate sustainability strategy as described in the Corporate Sustainability Policy, the Environmental Policy and the Credit Policy on Corporate Sustainability, with emphasis on opportunities as well as risks relating to environmental, social and governance aspects. SEB's position statements on climate change, child labour and access to fresh water as well as a number of industry sector policies shall be considered in the credit granting process and are also used in customer dialogues. Environmental, social and governance risks are considered in the credit analysis.

Limits and monitoring

In order to manage the credit risk for each individual customer or customer group, a limit is established, reflecting the maximum exposure that SEB is willing to accept on the customer. Limits are also established for total exposure in countries in certain risk classes, certain customer segments and for settlement risks in trading operations.

SEB continuously reviews the quality of its credit exposures. All total limits and risk classes are reviewed at least annually by a credit approval body (a credit committee consisting of at least two bank officers as authorised by the group's Credit Instruction, adopted by the Board). Weak or impaired exposures (risk classes 13–16) are subject to more frequent reviews, including analysis of performance, outlook, debt service capacity and possible need for provisions. The objective is to identify, at an early stage, credit exposures with an elevated risk of loss to SEB, and to work together with the customer towards a constructive solution that enables the customer to meet its financial obligations and SEB to reduce or limit credit losses. In its core markets, SEB maintains local restructuring teams that are engaged in problem exposures. These are supported by a global restructuring function with overall responsibility for managing problem exposures.

Allowances are made for expected credit losses of financial assets in scope of the accounting standard IFRS9 Financial Instruments. The guiding principle of the expected credit loss model is to reflect the general pattern of deterioration or improvement in the credit quality of the assets. *For a description of the methodology to estimate the expected credit losses, refer to note 1 and note 18 in the Annual Report.*

Loans where the contractual terms have been amended in favour of the customer due to the customer's financial difficulties are referred to as forborne loans. Forbearance measures range from amortisation holidays (the most common measure) to refinancing with new terms and debt forgiveness. Changes in contractual terms may be so significant that the loan is also considered impaired. Both forbearance measures and the classification of the loan as being forborne or not are required to be approved by a relevant credit approval body.

Credit portfolio analysis and stress tests

The risk organisation regularly reviews and assesses the aggregate credit portfolio and its asset quality based on industry, geography, risk class, product type, size and other parameters. Thorough analysis is made on risk concentrations in geographic and industry sectors as well as towards large customers, both in respect of direct and indirect exposures and in the form of collateral, guarantees and credit derivative protection. The analysis of the credit risk profile is presented to the Group Risk Committee, the Risk and Capital Committee and the Board on a quarterly basis.

Stress tests of the credit portfolio, including reverse stress tests, are performed regularly as a part of SEB's annual internal capital adequacy assessment process. Specific analyses and stress tests of certain sectors or sub-portfolios are performed as required. These portfolio reviews are presented to the Group Risk Committee, and to the Risk and Capital Committee of the Board.

Credit exposure and asset quality development

The table below represents SEB's total credit risk exposure, including counterparty credit risk and securitisation positions.

Table 2. Overview of credit risk exposure

SEK m **31 Dec 2019**	**EAD post CRM and post CCF**	**Average EAD for the year**	**RWAs**	**Minimum own funds requirement [1]**	**Average risk weight (%) [2]**
Central governments or central banks	365,394	409,306	12,283	983	3.4
Institutions	231,142	233,804	54,421	4,354	23.5
Corporates	1,226,949	1,191,804	369,055	29,524	30.1
of which large corporates	*908,521*	*881,044*	*280,106*	*22,408*	*30.8*
of which SME corporates	*283,476*	*278,749*	*73,804*	*5,904*	*26.0*
of which Specialised Lending	*34,951*	*32,011*	*15,145*	*1,212*	*43.3*
Retail exposures	652,199	642,036	67,255	5,380	10.3
of which secured by real estate property	*575,194*	*564,707*	*39,616*	*3,169*	*6.9*
of which retail SME	*12,385*	*12,659*	*7,094*	*567*	*57.3*
of which other retail exposures	*64,620*	*64,669*	*20,546*	*1,644*	*31.8*
Securitisation positions	12,422	12,032	1,195	96	9.6
Total IRB approach	**2,488,106**	**2,488,981**	**504,210**	**40,337**	**20.3**
Central governments or central banks	5,151	3,145	1,361	109	26.4
Corporates	7,034	14,694	6,505	520	92.5
Retail	19,149	22,880	13,691	1,095	71.5
Other exposures	34,472	38,055	18,733	1,499	54.3
Total Standardised approach	**65,806**	**78,774**	**40,290**	**3,223**	**61.2**
TOTAL	**2,553,912**	**2,567,755**	**544,500**	**43,560**	**21.3**

SEK m 31 Dec 2018	**EAD,post,CRM, and,post,CCF**	**Average,EAD, for,the,year**	**RWAs**	**Minimum,own,- funds,requirement,[1]**	**Average,risk,- weight,(%),[2]**
Central governments or central banks	389,978	438,440	11,602	928	3.0
Institutions	212,213	222,564	51,033	4,083	24.0
Corporates	1,105,659	1,088,823	342,713	27,417	31.0
of which large corporates	*825,075*	*804,290*	*263,576*	*21,086*	*31.9*
of which SME corporates	*252,690*	*255,674*	*66,129*	*5,290*	*26.2*
of which Specialised Lending	*27,894*	*28,859*	*13,008*	*1,041*	*46.6*
Retail exposures	616,641	612,173	63,171	5,054	10.2
of which secured by real estate property	*541,358*	*537,107*	*36,720*	*2,938*	*6.8*
of which retail SME	*12,188*	*12,416*	*7,027*	*562*	*57.7*
of which other retail exposures	*63,094*	*62,650*	*19,424*	*1,554*	*30.8*
Securitisation positions	10,612	9,741	987	79	9.3
Total IRB approach	**2,335,103**	**2,371,740**	**469,506**	**37,560**	**20.1**
Central governments or central banks	20,786	9,143	2,241	179	10.8
Corporates	15,029	18,009	14,539	1,163	96.7
Retail	19,280	22,617	13,310	1,065	69.0
Other exposures	26,032	32,597	13,737	1,099	52.8
Total Standardised approach	**81,127**	**82,366**	**43,827**	**3,506**	**54.0**
TOTAL	**2,416,230**	**2,454,106**	**513,333**	**41,067**	**21.2**

1) Own funds requirement 8% of risk exposure amount according to Regulation (EU) No 575/2013 (CRR).
2) Average risk weights include defaults, repos and securities lending.

The tables below represent SEB's credit risk exposure excluding counterparty credit risk and securitisation, in line with the EBA Guidelines.

Table 3. EU CRB-B – Total and average net amount of exposures

SEK m	a	b	a	b
	31 Dec 2019		31 Dec 2018	
	Net value of exposures at the end of the period	Average net exposures over the period	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	305,521	296,471	353,255	378,401
Institutions	204,596	209,503	196,561	196,680
Corporates	1,395,847	1,364,541	1,271,274	1,252,205
of which large corporates	*1,066,331*	*1,038,742*	*973,617*	*952,507*
of which SME corporates	*292,602*	*292,209*	*267,564*	*269,127*
of which Specialised Lending	*36,914*	*33,590*	*30,093*	*30,571*
Retail exposures	678,380	673,197	639,437	635,732
of which secured by real estate property	*592,672*	*587,711*	*554,640*	*551,213*
of which retail SME	*12,943*	*12,886*	*12,683*	*12,753*
of which other retail exposures	*72,765*	*72,599*	*72,114*	*71,766*
Total IRB approach	**2,584,344**	**2,543,712**	**2,460,527**	**2,463,018**
Central governments or central banks	5,151	3,095	20,786	12,888
Corporates	9,564	14,481	18,099	19,823
Retail	25,013	28,050	31,361	31,858
Other exposures	30,224	29,944	28,367	28,829
Total Standardised approach	**69,953**	**75,570**	**98,614**	**93,398**
TOTAL	**2,654,296**	**2,619,282**	**2,559,141**	**2,556,416**

COMMENT

- *SEB´s net value of credit exposures increased to SEK 2,654bn (2,559), driven by an increase in corporates and retail exposures.*

Table 4. EU CRB-C – Geographical break-down of exposures

SEK m	Net value of exposure									
31 Dec 2019	**Sweden**	**Denmark**	**Norway**	**Finland**	**Estonia**	**Latvia**	**Lithuania**	**Germany**	**Other**	**Total**
Central governments or central banks	83,625	2,294	5,951	5,583	11,276	9,141	20,660	91,165	75,826	**305,521**
Institutions	48,188	8,336	3,365	3,503	10	61	21	33,843	107,269	**204,596**
Corporates	596,041	83,336	129,422	96,799	34,962	24,069	45,299	102,043	283,874	**1,395,847**
of which large corporates	*378,056*	*80,221*	*106,229*	*88,008*	*21,814*	*12,302*	*27,142*	*94,815*	*257,744*	***1,066,331***
of which SME corporates	*208,760*	*2,230*	*17,594*	*5,845*	*12,798*	*11,524*	*17,151*	*4,700*	*12,000*	***292,602***
of which Specialised Lending	*9,225*	*885*	*5,599*	*2,946*	*351*	*243*	*1,006*	*2,529*	*14,130*	***36,914***
Retail exposures	575,547	5,275	21,732	2,124	28,509	11,583	28,794	355	4,461	**678,380**
of which secured by real estate property	*523,729*	*119*	*595*	*232*	*26,025*	*9,958*	*27,734*	*295*	*3,984*	***592,672***
of which retail SME	*8,600*	*590*	*1,224*	*772*	*860*	*355*	*371*	*29*	*142*	***12,943***
of which other retail exposures	*43,218*	*4,566*	*19,912*	*1,121*	*1,624*	*1,269*	*689*	*31*	*334*	***72,765***
Total IRB approach	**1,303,401**	**99,241**	**160,470**	**108,009**	**74,757**	**44,855**	**94,774**	**227,407**	**471,430**	**2,584,344**
Central governments or central banks					4			5,005	142	**5,151**
Corporates	610	134	255	290	7	2	1,267	4,317	2,683	**9,564**
Retail	869	4,059	786	164	1,959	2,505	1,743	3,562	9,368	**25,013**
Other exposures	5,911	127	740	720	3	21	2,217	9,474	11,011	**30,224**
Total Standardised approach	**7,390**	**4,320**	**1,780**	**1,174**	**1,973**	**2,527**	**5,227**	**22,358**	**23,203**	**69,953**
TOTAL	**1,310,790**	**103,561**	**162,251**	**109,183**	**76,730**	**47,382**	**100,001**	**249,765**	**494,633**	**2,654,296**

SEK m	Net value of exposure									
31 Dec 2018	**Sweden**	**Denmark**	**Norway**	**Finland**	**Estonia**	**Latvia**	**Lithuania**	**Germany**	**Other**	**Total**
Central governments or central banks	58,231	7,192	4,927	6,638	13,760	7,385	13,682	68,507	172,933	**353,255**
Institutions	36,577	6,483	2,874	875	10	26	31	33,777	115,909	**196,561**
Corporates	551,002	73,732	109,299	81,383	33,957	24,452	45,346	98,975	253,128	**1,271,274**
of which large corporates	*356,661*	*70,695*	*93,956*	*76,164*	*20,964*	*12,868*	*22,411*	*91,708*	*228,191*	***973,617***
of which SME corporates	*187,991*	*2,135*	*12,914*	*2,430*	*12,637*	*10,723*	*21,388*	*5,194*	*12,150*	***267,563***
of which Specialised Lending	*6,351*	*902*	*2,429*	*2,788*	*356*	*862*	*1,547*	*2,073*	*12,787*	***30,093***
Retail exposures	541,689	5,202	21,906	2,482	25,979	10,977	26,903	291	4,008	**639,437**
of which secured by real estate property	*490,886*	*163*	*590*	*216*	*23,614*	*9,289*	*25,760*	*275*	*3,847*	***554,640***
of which retail SME	*8,669*	*612*	*1,178*	*676*	*741*	*369*	*433*	*0*	*4*	***12,683***
of which other retail exposures	*42,134*	*4,427*	*20,138*	*1,590*	*1,623*	*1,319*	*710*	*16*	*157*	***72,114***
Total IRB approach	**1,187,499**	**92,609**	**139,005**	**91,377**	**73,705**	**42,841**	**85,963**	**201,550**	**545,978**	**2,460,527**
Central governments or central banks	301					7		3	20,475	**20,786**
Corporates	4,146	582	2,087	594	154	8	10	5,828	4,691	**18,099**
Retail	10,623	1,799	3,532	816	3,639	1,827	2,252	552	6,321	**31,361**
Other exposures	20,601	316	656	702	58	0	13	721	5,300	**28,367**
Total Standardised approach	**35,671**	**2,697**	**6,275**	**2,111**	**3,851**	**1,841**	**2,275**	**7,105**	**36,788**	**98,614**
TOTAL	**1,223,170**	**95,306**	**145,280**	**93,488**	**77,556**	**44,682**	**88,238**	**208,654**	**582,766**	**2,559,141**

Geography based on taxed country.

COMMENTS

- *SEB's credit exposures are mainly in Sweden and the other Nordic countries, Germany and the Baltic region. SEB's credit exposure grew strongly in the Nordic markets during the year, driven mainly by corporate activity. In the Baltic region, the credit exposure grew mainly in Lithuania and Latvia while Estonia remained relatively stable.*
- *The UK, the US and Luxembourg are the three largest contributors to the exposure in the category Other.*

Table 5. EU CRB-D – Concentration of exposures by industry or counterparty types

SEK m 31 Dec 2019	Finance and insurance	Wholesale and retail	Transportation	Shipping	Business and household services	Construction	Manufacturing	Agriculture, forestry and fishing	Mining, oil and gas extraction	Electricity, water and gas supply	Commercial real estate management	Residential real estate management	Housing co-operative associations	Banks	Public Administration	Households	Other	Total
Central governments or central banks	886	0	2,544		895		1,106	0		539	2			194,096	103,101		2,352	**305,521**
Institutions	104,730	107	751	78	14,390	0	2,928			460	0	0		76,868	4,080		204	**204,596**
Corporates	44,810	121,124	55,214	72,323	236,358	34,797	246,918	21,622	61,700	98,990	180,095	123,136	62,585	2,736	5,695	141	27,603	**1,395,847**
of which large corporates	*38,747*	*103,066*	*44,623*	*66,880*	*190,759*	*25,930*	*231,697*	*5,792*	*44,165*	*75,187*	*131,025*	*70,857*	*9,725*	*2,705*	*5,688*	*27*	*19,458*	***1,066,331***
of which SME corporates	*4,592*	*18,058*	*8,237*	*3,029*	*34,977*	*7,179*	*14,856*	*15,831*	*16,762*	*7,857*	*48,021*	*52,278*	*52,860*	*30*	*7*	*114*	*7,914*	***292,602***
of which Specialised Lending	*1,471*		*2,354*	*2,414*	*10,622*	*1,688*	*365*		*773*	*15,945*	*1,049*			*0*		*0*	*230*	***36,914***
Retail exposures	300	3,898	522	77	6,687	2,085	1,899	2,694	23	106	2,034	2,131	34	15	105	652,758	3,013	**678,380**
of which secured by real estate property	*72*	*987*	*146*	*11*	*1,497*	*736*	*717*	*2,125*	*8*	*32*	*1,619*	*2,003*	*26*		*5*	*581,873*	*815*	***592,672***
of which retail SME	*202*	*2,798*	*344*	*65*	*4,539*	*1,252*	*1,152*	*349*	*15*	*70*	*326*	*50*	*5*	*15*	*100*	*2*	*1,660*	***12,943***
of which other retail exposures	*25*	*113*	*31*	*2*	*652*	*97*	*31*	*221*	*0*	*3*	*89*	*78*	*3*		*0*	*70,882*	*538*	***72,765***
Total IRB approach	**150,726**	**125,129**	**59,030**	**72,478**	**258,330**	**36,882**	**252,852**	**24,316**	**61,723**	**100,095**	**182,132**	**125,266**	**62,619**	**273,714**	**112,981**	**652,899**	**33,172**	**2,584,344**
Central governments or central banks					83									2,356	63	2,649		**5,151**
Corporates	8,775	5	5	2	16	1	1							0	34	726	0	**9,564**
Retail	21	1,315	533	3	1,017	889	804	1,597	16	28	219	36		0	1	18,153	383	**25,013**
Other exposures	1,987	494	641	66	3,489	367	1,641	10	55	298	974	378		16,509	39	131	3,145	**30,224**
Total Standardised approach	**10,783**	**1,814**	**1,179**	**70**	**4,605**	**1,257**	**2,445**	**1,607**	**70**	**326**	**1,193**	**414**		**18,865**	**138**	**21,659**	**3,528**	**69,953**
TOTAL	**161,508**	**126,943**	**60,209**	**72,548**	**262,935**	**38,140**	**255,297**	**25,923**	**61,794**	**100,421**	**183,325**	**125,680**	**62,619**	**292,579**	**113,119**	**674,558**	**36,700**	**2,654,296**

SEK m 31 Dec 2018	Finance and insurance	Wholesale and retail	Transportation	Shipping	Business and household services	Construction	Manufacturing	Agriculture, forestry and fishing	Mining, oil and gas extraction	Electricity, water and gas supply	Commercial real estate management	Residential real estate management	Housing co-operative associations	Banks	Public Administration	Households	Other	Total
Central governments or central banks	1,703	0	1,466		295			0		277	74	0		256,819	88,914		3,707	**353,255**
Institutions	98,674	105	21	111	16,404		2,138		16	3,065	0	0		74,606	1,388		33	**196,561**
Corporates	33,301	116,205	54,997	65,756	207,745	29,559	229,625	20,290	48,634	87,639	177,732	103,859	63,239	1,185	6,103	535	24,869	**1,271,274**
of which large corporates	*27,618*	*96,919*	*43,163*	*61,093*	*168,531*	*20,464*	*212,497*	*6,666*	*42,936*	*70,026*	*130,109*	*59,150*	*10,549*	*1,062*	*6,078*	*27*	*16,729*	***973,617***
of which SME corporates	*4,531*	*18,876*	*9,173*	*2,933*	*30,611*	*7,321*	*17,112*	*13,625*	*4,977*	*5,975*	*46,783*	*44,629*	*52,690*	*122*	*25*	*508*	*7,674*	***267,563***
of which Specialised Lending	*1,152*	*410*	*2,662*	*1,730*	*8,604*	*1,774*	*16*		*722*	*11,638*	*840*	*80*		*0*			*466*	***30,093***
Retail exposures	399	6,570	1,402	69	21,212	4,917	2,660	4,798	18	132	2,987	3,803	48	1	23	576,292	14,106	**639,437**
of which secured by real estate property	*238*	*4,145*	*1,090*	*45*	*16,922*	*3,821*	*1,869*	*4,231*	*8*	*100*	*2,646*	*3,687*	*44*		*14*	*506,061*	*9,718*	***554,640***
of which retail SME	*137*	*2,322*	*288*	*22*	*3,321*	*1,009*	*762*	*328*	*9*	*30*	*312*	*47*	*3*	*1*	*8*	*0*	*4,083*	***12,683***
of which other retail exposures	*24*	*103*	*24*	*1*	*970*	*86*	*29*	*238*	*0*	*2*	*30*	*69*	*0*		*0*	*70,232*	*305*	***72,114***
Total IRB approach	**134,078**	**122,880**	**57,886**	**65,936**	**245,657**	**34,476**	**234,424**	**25,089**	**48,668**	**91,112**	**180,793**	**107,663**	**63,287**	**332,611**	**96,427**	**576,827**	**42,714**	**2,460,527**
Central governments or central banks														20,475	311			**20,786**
Corporates	4,183	470	3,406	48	3,703	508	2,716	9	44	539	1,722	28		2	31	7	682	**18,099**
Retail	32	1,301	560	3	1,320	848	838	1,675	18	37	213	45		0	0	24,079	392	**31,361**
Other exposures	3,878	133	587	22	940	1	712		0	203	75	0		19,131	337	161	2,186	**28,367**
Total Standardised approach	**8,093**	**1,903**	**4,553**	**74**	**5,963**	**1,356**	**4,266**	**1,685**	**62**	**780**	**2,009**	**73**		**39,608**	**679**	**24,248**	**3,261**	**98,614**
TOTAL	**142,171**	**124,783**	**62,439**	**66,010**	**251,620**	**35,832**	**238,690**	**26,773**	**48,730**	**91,892**	**182,802**	**107,735**	**63,287**	**372,219**	**97,106**	**601,076**	**45,975**	**2,559,141**

COMMENTS

- *SEB´s credit exposure is diversified across a wide range of industries, the main ones being manufacturing and business and household services.*
- *There were no significant changes in SEB's industry concentration during the year.*

Table 6. EU CRB-E – Maturity of exposures

SEK m	a	b	c	d	e	f
		Net exposure value				
31 Dec 2019	On demand	≤1 year	>1 year ≤5 years	>5 years	No stated maturity	Total
Central governments or central banks	187,945	10,348	73,876	33,352		**305,521**
Institutions	43,985	20,961	92,823	46,827		**204,596**
Corporates	108,776	81,680	479,209	726,181		**1,395,847**
of which large corporates	*94,215*	*59,425*	*341,091*	*571,601*		***1,066,331***
of which SME corporates	*14,551*	*22,193*	*133,839*	*122,018*		***292,602***
of which Specialised Lending	*10*	*63*	*4,279*	*32,561*		***36,914***
Retail exposures	35,720	65,297	203,280	374,083		**678,380**
of which secured by real estate property	*34,363*	*3,156*	*193,115*	*362,038*		***592,672***
of which retail SME	*547*	*7,333*	*3,515*	*1,548*		***12,943***
of which other retail exposures	*810*	*54,809*	*6,649*	*10,497*		***72,765***
Total IRB approach	**376,427**	**178,286**	**849,188**	**1,180,442**		**2,584,344**
Central governments or central banks	128	83	20	4,920		**5,151**
Corporates	2,263	1,544	2,396	3,361		**9,564**
Retail	7,353	13,276	1,370	3,014		**25,013**
Other exposures	9,018	7,453	359	13,393		**30,224**
Total Standardised approach	**18,762**	**22,357**	**4,145**	**24,689**		**69,953**
TOTAL	**395,189**	**200,643**	**853,333**	**1,205,131**		**2,654,296**

SEK m	a	b	c	d	e	f
		Net exposure value				
31 Dec 2018	On demand	≤1 year	>1 year ≤5 years	>5 years	No stated maturity	Total
Central governments or central banks	250,920	20,510	46,079	35,746		**353,255**
Institutions	54,321	19,912	75,889	46,438		**196,561**
Corporates	110,702	98,484	376,028	686,061		**1,271,274**
of which large corporates	*90,158*	*62,409*	*270,983*	*550,067*		***973,617***
of which SME corporates	*20,425*	*35,939*	*102,431*	*108,768*		***267,563***
of which Specialised Lending	*118*	*136*	*2,614*	*27,226*		***30,093***
Retail exposures	28,761	69,331	202,896	338,450		**639,437**
of which secured by real estate property	*27,255*	*3,474*	*197,187*	*326,723*		***554,640***
of which retail SME	*651*	*9,053*	*1,521*	*1,458*		***12,683***
of which other retail exposures	*854*	*56,804*	*4,187*	*10,269*		***72,114***
Total IRB approach	**444,704**	**208,237**	**700,892**	**1,106,694**		**2,460,527**
Central governments or central banks	20,433	48	304	0		**20,786**
Corporates	6,492	4,290	4,667	2,651		**18,099**
Retail	3,562	2,499	8,346	16,954		**31,361**
Other exposures	18,978	190	3,403	5,796		**28,367**
Total Standardised approach	**49,465**	**7,027**	**16,721**	**25,401**		**98,614**
TOTAL	**494,169**	**215,264**	**717,613**	**1,132,095**		**2,559,141**

COMMENT

- *There were no significant changes in SEB's maturity profile during the year.*

Table 7. EU CR1-A – Credit quality of exposures by exposure class and instrument

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
31 Dec 2019	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Central governments or central banks	50	305,473	2			50	**305,521**
Institutions	0	204,677	82				**204,596**
Corporates	8,922	1,392,121	5,196		218	1,429	**1,395,847**
of which large corporates	*5,848*	*1,064,138*	*3,655*		*0*	*1,190*	***1,066,331***
of which SME	*2,636*	*291,214*	*1,248*		*49*	*240*	***292,602***
of which Specialised Lending	*439*	*36,769*	*293*		*168*		***36,914***
Retail exposures	2,562	677,723	1,905		24	809	**678,380**
of which secured by real estate property	*1,227*	*592,027*	*582*			*141*	***592,672***
of which retail SME	*207*	*12,960*	*224*		*16*	*42*	***12,943***
of which other retail exposures	*1,128*	*72,735*	*1,099*		*9*	*625*	***72,765***
Total IRB approach	**11,534**	**2,579,993**	**7,184**		**242**	**2,288**	**2,584,344**
Central governments or central banks		5,151	0				**5,151**
Corporates	22	9,615	73		93	0	**9,564**
Retail	38	25,072	97		1	11	**25,013**
Other exposures	0	30,237	13				**30,224**
Total Standardised approach	**60**	**70,075**	**183**		**94**	**12**	**69,953**
TOTAL	**11,595**	**2,650,068**	**7,367**		**336**	**2,300**	**2,654,296**
Of which: Loans	11,142	1,791,307	6,913		336	2,249	**1,795,536**
Of which: Debt securities		154,144	0				**154,144**
Of which: Off-balance-sheet exposures	452	667,253	420			51	**667,285**

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
31 Dec 2018	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Central governments or central banks		353,258	3				**353,255**
Institutions	400	196,365	204			167	**196,561**
Corporates	4,511	1,270,239	3,476		345	1,091	**1,271,274**
of which large corporates	*2,254*	*973,279*	*1,917*			*919*	***973,617***
of which SME	*1,719*	*267,045*	*1,199*		*170*	*168*	***267,564***
of which Specialised Lending	*537*	*29,915*	*359*		*175*	*4*	***30,093***
Retail exposures	2,721	638,642	1,926		30	227	**639,437**
of which secured by real estate property	*1,332*	*553,926*	*618*		*0*	*144*	***554,640***
of which retail SME	*155*	*12,559*	*31*			*20*	***12,683***
of which other retail exposures	*1,234*	*72,157*	*1,277*		*30*	*63*	***72,114***
Total IRB approach	**7,632**	**2,458,504**	**5,609**		**375**	**1,485**	**2,460,527**
Central governments or central banks		20,786	0				**20,786**
Corporates	117	17,997	15		97		**18,099**
Retail	33	31,433	104			5	**31,361**
Other exposures	0	28,452	85				**28,367**
Total Standardised approach	**150**	**98,668**	**204**		**97**	**5**	**98,614**
TOTAL	**7,782**	**2,557,172**	**5,813**		**471**	**1,490**	**2,559,141**
Of which: Loans	7,559	1,795,910	5,339		471	1,466	**1,798,130**
Of which: Debt securities		91,107					**91,107**
Of which: Off-balance-sheet exposures	223	614,847	574			6	**614,496**

COMMENT

- *SEB´s asset quality remained high. Defaulted exposures increased to SEK 11.6bn (7.8). The increase was related to a few corporate engagements.*

Table 8. EU CR1-B – Credit quality of exposures by industry

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
31 Dec 2019	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Finance and insurance	9	161,547	48			1	**161,508**
Wholesale and retail	1,126	126,639	822		1	134	**126,943**
Transportation	42	60,209	42		0	3	**60,209**
Shipping	1,796	71,464	712				**72,548**
Business and household services	830	263,273	1,168		5	205	**262,935**
Construction	205	38,052	117		70	76	**38,140**
Manufacturing	3,016	253,823	1,542		124	1,055	**255,297**
Agriculture, forestry and fishing	200	25,785	62		0	21	**25,923**
Mining, oil and gas extraction	1,407	61,040	653				**61,794**
Electricity, water and gas supply	211	100,390	180			0	**100,421**
Commercial real estate management	373	183,121	170		115	5	**183,325**
Residential real estate management	46	125,655	21			6	**125,680**
Housing co-operative associations Sweden	0	62,619					**62,619**
Banks	0	292,585	7				**292,579**
Public Administration	51	113,075	7			50	**113,119**
Households	2,163	674,091	1,696		9	723	**674,558**
Other	119	36,701	121		13	21	**36,700**
TOTAL	**11,595**	**2,650,068**	**7,367**		**336**	**2,300**	**2,654,296**

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
31 Dec 2018	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Finance and insurance	6	142,195	31			1	**142,171**
Wholesale and retail	537	124,579	334		1	63	**124,783**
Transportation	106	62,436	103		1	3	**62,439**
Shipping	1,288	65,233	512			0	**66,010**
Business and household services	824	251,605	809		10	459	**251,620**
Construction	252	35,680	99		84	6	**35,832**
Manufacturing	869	238,654	832		233	145	**238,690**
Agriculture, forestry and fishing	132	26,697	56		0	16	**26,773**
Mining, oil and gas extraction	537	48,871	678			532	**48,730**
Electricity, water and gas supply	24	91,981	113				**91,892**
Commercial real estate management	593	182,435	226		116	55	**182,802**
Residential real estate management	53	107,694	12			13	**107,735**
Housing co-operative associations Sweden	0	63,288	2				**63,287**
Banks	0	372,236	18				**372,219**
Public Administration	0	97,109	2				**97,106**
Households	2,349	600,401	1,674		14	166	**601,076**
Other	210	46,077	312		13	32	**45,975**
TOTAL	**7,782**	**2,557,172**	**5,813**		**471**	**1,490**	**2,559,141**

Table 9. EU CR1-C – Credit quality of exposures by geography

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
31 Dec 2019	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Sweden	2,643	1,310,177	2,029		25	1,443	**1,310,790**
Denmark	294	103,745	478			130	**103,561**
Norway	728	162,350	827			247	**162,251**
Finland	84	109,412	313			69	**109,183**
Estonia	495	76,443	208		2	27	**76,730**
Latvia	886	46,804	307			10	**47,382**
Lithuania	1,168	99,397	564		217	157	**100,001**
Germany	1,430	249,244	909		93	163	**249,765**
Other countries	3,867	492,498	1,733			54	**494,633**
TOTAL	**11,595**	**2,650,068**	**7,367**		**336**	**2,300**	**2,654,296**

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
31 Dec 2018	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Sweden	1,494	1,223,317	1,641		29	318	**1,223,170**
Denmark	332	95,480	506			0	**95,306**
Norway	737	145,230	687			535	**145,280**
Finland	76	93,549	136			0	**93,488**
Estonia	552	77,249	245		2	32	**77,556**
Latvia	624	44,416	358		112	13	**44,682**
Lithuania	1,404	87,493	659		233	97	**88,238**
Germany	860	208,247	453		97	473	**208,654**
Other countries	1,703	582,191	1,128			21	**582,766**
TOTAL	**7,782**	**2,557,172**	**5,813**		**471**	**1,490**	**2,559,141**

Table 10. EU CQ1 – Credit quality of forborne exposures

SEK m	a	b	c	d	e	f	g	h
	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						
31 Dec 2019	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
1 Loans and advances	6,746	8,694	6,526	6,683	205	3,146	9,154	422
2 *Central banks*								
3 *General governments*	*1*				*0*			
4 *Credit institutions*								
5 *Other financial corporations*	*51*	*320*		*107*		*49*		
6 *Non-financial corporations*	*6,294*	*7,787*	*6,113*	*6,116*	*199*	*2,891*	*8,475*	*290*
7 *Households*	*399*	*587*	*413*	*459*	*6*	*206*	*679*	*132*
8 Debt Securities								
9 Loan commitments given	149	80	21	21	2	17	21	
10 **TOTAL**	**6,894**	**8,774**	**6,547**	**6,704**	**207**	**3,163**	**9,176**	**422**

COMMENT

- *Forborne credit exposures are exposures where the contractual terms have been amended in favour of the customer due to financial difficulties. Forbearance measures range from amortisation holidays (the most common measure) to refinancing with new terms and debt forgiveness.*
- *Total performing and non-performing forborne exposures increased to SEK 15.7bn (13.7).*

Table 11. EU CQ3 – Credit quality of performing and non-performing exposures by past due days

SEK m	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
31 Dec 2019		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 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1 Loans and advances	1,850,781	1,848,457	2,324	14,234	8,875	1,049	2,439	386	556	459	469	11,390
2 *Central banks*	*146,218*	*146,218*										
3 *General governments*	*13,887*	*13,882*	*5*	*53*	*51*	*0*	*0*	*1*	*0*			*52*
4 *Credit institutions*	*46,485*	*46,478*	*7*	*263*	*165*	*62*	*34*	*0*	*2*	*0*	*0*	*0*
5 *Other financial corporations*	*90,227*	*89,996*	*231*	*369*	*213*	*0*	*140*	*15*	*0*	*0*	*0*	*1*
6 *Non-financial corporations*	*923,086*	*921,884*	*1,201*	*10,796*	*7,255*	*666*	*1,946*	*74*	*274*	*282*	*298*	*8,892*
7 *Of which SMEs*	*298,900*	*298,756*	*144*	*1,698*	*1,060*	*102*	*79*	*56*	*189*	*160*	*53*	*1,442*
8 *Households*	*630,879*	*629,999*	*879*	*2,753*	*1,191*	*321*	*318*	*296*	*280*	*176*	*171*	*2,445*
9 Debt securities	16,239	16,239										
10 *Central banks*	*3*	*3*										
11 *General governments*	*5,353*	*5,353*										
12 *Credit institutions*												
13 *Other financial corporations*	*10,883*	*10,883*										
14 *Non-financial corporations*												
15 Off-balance-sheet exposures	671,777			1,759								52
16 *Central banks*	*404*											
17 *General governments*	*21,460*			*0*								
18 *Credit institutions*	*23,801*			*53*								
19 *Other financial corporations*	*39,381*			*142*								*0*
20 *Non-financial corporations*	*504,070*			*1,473*								*32*
21 *Households*	*82,661*			*91*								*20*
22 TOTAL	**2,538,797**	**1,864,697**	**2,324**	**15,992**	**8,875**	**1,049**	**2,439**	**386**	**556**	**459**	**469**	**11,442**

Table 12. EU CR1 – Performing and non-performing exposures and related provisions

SEK m	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
31 Dec 2019		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	Accumulated partial write-off	On performing exposures	On non-performing exposures
1 Loans and advances	1,850,781	1,780,560	70,221	14,234	2,205	12,029	1,569	647	923	5,343	139	5,205	336	925,457	5,115
2 *Central banks*	*146,218*	*146,216*	*2*				*0*	*0*	*0*						
3 *General governments*	*13,887*	*13,574*	*313*	*53*	*0*	*52*	*11*	*2*	*10*	*0*		*0*		*4,354*	*1*
4 *Credit institutions*	*46,485*	*45,184*	*1,564*	*263*			*2*	*1*	*1*	*0*				*5,490*	*0*
5 *Other financial corporations*	*90,227*	*88,953*	*1,011*	*369*	*212*	*420*	*39*	*24*	*15*	*50*	*12*	*38*		*10,316*	*46*
6 *Non-financial corporations*	*923,086*	*885,803*	*37,283*	*10,796*	*1,724*	*9,072*	*907*	*390*	*518*	*4,151*	*110*	*4,040*	*312*	*382,640*	*4,011*
7 *Of which SMEs*	*298,900*	*283,525*	*15,375*	*1,698*	*89*	*1,609*	*71*	*19*	*52*	*370*	*1*	*369*		*223,187*	*680*
8 *Households*	*630,879*	*600,830*	*30,049*	*2,753*	*269*	*2,485*	*608*	*230*	*379*	*1,142*	*16*	*1,126*	*24*	*522,656*	*1,057*
9 Debt securities	16,239	16,239					1	1				0			
10 *Central banks*	*3*	*3*													
11 *General governments*	*5,353*	*5,353*					*0*	*0*							
12 *Credit institutions*															
13 *Other financial corporations*	*10,883*	*10,883*					*1*	*1*				*0*			
14 *Non-financial corporations*															
15 Off-balance-sheet exposures	671,777	656,970	14,807	1,759	1,275	483	311	189	122	143	4	138		6,430	33
16 *Central banks*	*404*	*404*					*0*	*0*	*0*						
17 *General governments*	*21,460*	*21,448*	*12*	*0*		*0*	*1*	*0*	*0*	*0*		*0*		*0*	
18 *Credit institutions*	*23,801*	*21,984*	*1,817*	*53*	*53*		*6*	*1*	*5*					*0*	
19 *Other financial corporations*	*39,381*	*39,303*	*77*	*142*	*142*	*0*	*7*	*4*	*3*	*0*	*0*			*0*	
20 *Non-financial corporations*	*504,070*	*495,591*	*8,480*	*1,473*	*1,011*	*462*	*250*	*159*	*92*	*134*	*4*	*130*		*4,363*	*32*
21 *Households*	*82,661*	*78,240*	*4,421*	*91*	*70*	*22*	*47*	*26*	*22*	*8*	*0*	*8*		*2,067*	*1*
22 TOTAL	**2,538,797**	**2,453,769**	**85,028**	**15,992**	**3,481**	**12,512**	**1,881**	**837**	**1,044**	**5,486**	**143**	**5,342**	**336**	**931,887**	**5,149**

Table 13. EU CQ7 – Collateral obtained by taking possession and execution processes

SEK m	a	b
	Collateral obtained by taking possession	
31 Dec 2019	Value at initial recognition	Accumulated negative changes
1 Property, plant and equipment (PP&E)		
2 Other than PP&E	5	0
3 *Residential immovable property*		
4 *Commercial Immovable property*	*5*	*0*
5 *Movable property (auto, shipping, etc.)*		
6 *Equity and debt instruments*		
7 *Other*		
8 TOTAL	**5**	**0**

Table 14. EU CR2-A – Changes in the stock of general and specific credit risk adjustments

SEK m	a	b
31 Dec 2019	Accumulated specific credit risk adjustment[1]	Accumulated general credit risk adjustment
1 **Opening balance**	**5,339**	
2 Increases due to amounts set aside for estimated loan losses during the period	2,312	
3 Decreases due to amounts reversed for estimated loan losses during the period	–1,946	
4 Decreases due to amounts taken against accumulated credit risk adjustments	–845	
5 Transfers between credit risk adjustments	1,979	
6 Impact of exchange rate differences	90	
7 Business combinations, including acquisitions and disposals of subsidiaries		
8 Other adjustments	–15	
9 **CLOSING BALANCE**	**6,913**	
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	–271	
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	269	

1) Specific risk adjustments held against loans and debt securities that are defaulted or impaired.

Table 15. EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

SEK m	a
31 Dec 2019	Gross carrying value defaulted exposures
1 **Opening balance**	**8,158**
2 Loans and debt securities that have defaulted or impaired since the last reporting period	4,668
3 Returned to non-defaulted status	–327
4 Amounts written off	–969
5 Other changes	–134
6 **CLOSING BALANCE**	**11,396**

Credit risk mitigation and collateral

Depending on the creditworthiness of the customer, as well as the nature and complexity of the transaction, collateral and netting agreements can be used to a varying extent to mitigate the credit risk. In the selection of a particular credit risk mitigation technique, consideration is given to its suitability for the product and customer in question, its legal enforceability, and on the experience and capacity to manage and control the particular technique. The most important credit risk mitigation techniques are pledges, guarantees and netting agreements. The most common types of pledges are real estate, floating charges and financial securities.

For large corporate customers, credit risk is commonly mitigated through the use of restrictive covenants in the credit agreements, including negative pledges. Independent and professional credit analysis is particularly important for this customer segment.

Banks, securities firms and insurance companies are typically counterparties in more sophisticated risk mitigation transactions, such as credit derivatives. SEB's credit policy requires the credit derivative counterparty to be of high credit quality. Close-out netting agreements are widely used for derivative, repo and securities lending transactions (while on-balance sheet netting is a less frequent practice). *See also the section Counterparty Credit Risk below.*

All non-retail collateral values are reviewed at least annually by the relevant credit committees. Collateral values for watch-listed engagements are reviewed on a more frequent basis. The general rule is that the value of the collateral shall be calculated on the basis of the estimated market value of the asset with a conservative discount. The market value shall be documented by an independent external valuation or, when applicable, by a well justified internal estimate.

The general control process for various credit risk mitigation techniques includes credit review and approval requirements, specific credit product policies and credit risk monitoring and control. The value of both the exposure and the mitigating collateral are monitored on a regular basis. The frequency depends on the type of counterparty, the structure of the transaction and the type of collateral. The control process does differ among instruments and business units. For example, within the Large Corporate & Financial Institutions division there is a collateral management unit responsible for the daily collateralisation of exposures in trading products, i.e., foreign exchange and derivatives contracts, repos and securities lending transactions.

Table 16. EU CR3 – Credit risk mitigation techniques – overview

SEK m	a	b	c	d	e
31 Dec 2019	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 Total loans	831,391	964,145	886,563	77,583	
2 Total debt securities	153,411	733		733	
3 **TOTAL EXPOSURES**	**984,802**	**964,878**	**886,563**	**78,315**	
4 Of which defaulted	4,859	1,292	1,247	45	

SEK m	a	b	c	d	e
31 Dec 2018	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 Total loans	891,777	906,353	826,744	79,608	
2 Total debt securities	89,581	1,526		1,526	
3 **TOTAL EXPOSURES**	**981,358**	**907,878**	**826,744**	**81,134**	
4 Of which defaulted	3,045	1,470	1,411	58	

COMMENT

- *There were no significant changes in SEB's use of credit risk mitigation techniques in 2019. Around half of the loans and debt securities were secured by either collateral or financial guarantees.*

Measurement of credit risk

Internal risk classification system

SEB's non-retail risk classification system is a central part of the bank's credit risk assessment of corporates, property management, financial institutions and specialised lending (Basel non-retail).

SEB's risk classification system is based on both qualitative and quantitative risk analysis and assesses the counterparty's financial risk and business risk profile, including environmental, social and governance aspects. Understanding repayment capacity by combining financial analysis and an assessment of ownership and management, and thorough knowledge of the customer's business model are key components of SEB's credit culture. In the risk classification, the obligor's risk profile is assessed both statistically and taking into account expert knowledge. Financial ratios, peer group comparison and scoring tools, external rating information and through-the-cycle analysis are used to enhance the risk assessment of obligors. The result of the risk classification is reviewed by SEB's credit granting authorities in conjunction with review of the obligor and facilities in each credit application. On a yearly basis, the components of the risk classification system are reviewed and validated from a quantitative and qualitative perspective, including a use test.

Scoring systems

For the Basel retail segment, consisting of mainly mortgages and other retail exposures (private individuals and small businesses), SEB uses credit scoring systems when granting a credit and for estimating the probability of default for the customer. The customer is allocated to a PD pool of customers with similar PD. The most important factors of the credit scoring systems are measures of payment behaviour based on internal data for existing customers. New customers without a history in the bank are scored using publicly available information and well tested risk indicators. SEB uses local, customised credit scoring models for different regions and product segments, as both data accessibility and customer characteristics normally vary by country and product. For IRB Advanced segments, the LGD and CCF are also modelled on both internal and external data.

The risk classes provided by SEB's RCA system and credit scoring systems are directly used in every credit risk decision as well as in the following areas:

1. setting of delegated credit approval limits
2. defining credit policy boundaries
3. credit portfolio monitoring and management
4. credit loss forecasting and provisioning
5. as an input to credit facility pricing
6. as an input to calculation of SEB's economic capital
7. as an input to calculation of SEB's risk-weighted exposure amount and regulatory capital.

Credit risk estimation

Credit risk is calculated for all assets, both in the banking book and the trading book. The methodology for calculating capital requirements and expected loss using the IRB approach addresses risk parameters including Probability of Default (PD), Exposure at Default (EAD), Maturity (M) and Loss Given Default (LGD).

Probability of default

The probability of default (PD), or the risk that a counterparty defaults on its payment obligations, is measured through SEB's risk classification system and credit scoring systems.

For all non-retail portfolios, SEB has developed an internal risk classification system to assess the risk of default on payment obligations (PD). As of 31 December 2015, SEB received approval for a significant change of this risk classification system. An equivalent approval for SEB AG was granted in July 2016 and for the Baltic subsidiaries in 2018. The amended risk classification system aims to improve accuracy, transparency and objectivity while maintaining SEB's strong risk assessment culture. Further enhancements of the risk classification system include a fully digitalised process and improvements for data gathering, storing and reporting.

The risk classification system includes specific rating tools and PD scales for significant segments e.g. Large Corporates, Real Estate Management, and Small and Medium-sized Enterprises (SMEs).

This enables more accurate assessment of each segment based on SEB's portfolio history. The segments are measured on a risk class scale of 1–16, including three watch list risk classes and one risk class for defaulted counterparties (risk class 16). The SME segments are measured on a scale of 12 risk classes and have a separate nomenclature of A1–D2 plus watch list and default. For each segment, SEB makes individual one-year, through-the-cycle PD estimates, which are based on up to 20 years of internal default history, and external data.

The segment-specific rating scales are mapped onto a universal risk class scale covering 24 risk classes, each with different through-the-cycle PD intervals. The risk class scale is shown below by PD interval and an approximate relation to two rating agencies' rating scales. Such relation is based on similarity between the method and the definitions used by SEB and these agencies to rate obligors. The mapping is based on SEB's PD scale and S&P's and Moody's published long-term default history per rating grade, which leads to a reasonable correspondence between SEB's mapping of risk classes onto S&P's and Moody's rating scales.

Table 17. Structure of risk class scale in PD dimension

	Lower PD	Moody's	S&P
Investment grade	0.00%	Aaa	AAA
	0.01%	Aa	AA
	0.02%	Aa	AA
	0.03%	A	A
	0.06%	A	A
	0.08%	A	A
	0.12%	Baa	BBB
	0.17%	Baa	BBB
	0.24%	Baa	BBB
	0.33%	Baa	BBB
Standard monitoring	0.46%	Ba	BB
	0.64%	Ba	BB
	0.89%	Ba	BB
	1.24%	Ba	BB
	1.74%	B	B
	2.43%	B	B
	3.41%	B	B
	5%	B	B
Watch list	7%	B	B
	9%	Caa	CCC
	13%	Caa	CCC
	22%	C	C
	40%	C	C
Default	100%	Default	Default

For the Basel retail segment, the PD values are organised in PD pools of counterparties with similar risk behaviour. All PD pools are adjusted through-the-cycle and show historically differentiated patterns of default, e.g., worse risk class pools display higher default ratios than better risk class pools in both good and bad times, similar to the non-retail RCA system.

Exposure at default
EAD is measured in nominal terms for loans, bonds and leasing contracts; as a percentage of committed amounts for credit lines, letters of credit, guarantees and other off-balance sheet exposures; and, through current market values plus an amount for possibly icreased exposure in the future, net of any eligible collateral, in the case of derivative contracts, repos and securities lending.

Loss Given Default
LGD represents an estimation of loss on an outstanding exposure in case of default, and takes into account collateral provided and other loss mitigants. It is based on internal and external historical experience for at least seven years and the specific details of each relevant transaction. LGD estimates for the performing portfolio are set to reflect the conditions in a severe economic downturn, which, for the Nordic portfolios, means that they are adjusted to the early 1990´s economic downturn.

Maturity
M is calculated as the effective maturity of every transaction. In the case of simple term loan contracts with bullet repayment, M is the contractual repayment date. For amortising loans, M is shortened to reflect the reducing balance over time.

The risk parameters calculated for regulatory capital reporting are also used for stress testing and in SEB's economic capital methodology for credit risk. Here, risk estimates are combined in a portfolio model which also considers risk concentration to industrial and geographic sectors as well as large individual exposures.

As a member of the Global Credit Data Consortium (former PECDC), SEB participates in a data-sharing program where comparison of historical PD, EAD and LGD experience is possible with a large number of global banks. Pooled data is also used for estimating parameters for low default portfolios such as large corporates and banks.

Validation of rating systems
The performance of the risk rating and scoring systems is regularly reviewed according to group instructions. The validation is performed in order to secure that SEB's RCA system is working satisfactorily and that it is used in accordance with external regulations and internal rules and instructions. The validation is performed by a unit within the risk organisation, which is independent of those responsible for risk class assignment of counterparties as well as those developing the models.

IRB approval and implementation plan
SEB was first approved to report legal capital adequacy using the IRB approach for its main non-retail and retail mortgage portfolios in February 2007, when the Basel II framework came into force in Sweden. Since then, a number of portfolios and countries have been added and, as of 31 December 2019, 97 per cent of the credit risk-weighted exposure amount was covered by the IRB approach.

For the parent company, the bank operates with an IRB-Advanced approval for all major portfolios and, since June 2017, with an IRB-Foundation approval for the sovereign portfolio. In the Baltic subsidiaries, SEB holds IRB-Advanced approval for all major retail portfolios and IRB-Foundation approval for its non-retail portfolio. Following the transition of the majority of the group's German operations to a branch, the IRB-Foundation is used for the group's German exposure. For the group, only smaller, less significant portfolios are being reported under the standardised approach.

Table 18. Exposure by model approach

SEK bn	A-IRB			F-IRB			Standardised		
31 Dec 2019	EAD	RWAs	Portfolios	EAD	RWAs	Portfolios	EAD	RWAs	Portfolios
SEB AB	1,525	294	Retail, corporate & institutions	488	87	Corporate & institutions, Sovereign & municipalities	18	19	Retail, corporate & other
Baltic subsidiaries	69	11	Retail exposures	139	62	Corporate & institutions, Sovereign & municipalities	10	6	Retail & other
Other subsidiaries	49	16	Retail, corporate & institutions	42	11	Corporate & institutions, Sovereign & municipalities	32	15	Retail, corporate & other
TOTAL	**1,642**	**321**		**669**	**160**		**60**	**40**	

Credit risk exposures under the standardised approach

The standardised approach is used for calculating risk-weighted exposure amounts for a number of minor portfolios, including some smaller sovereign exposures in certain foreign subsidiaries.

According to the regulation, either the rating from an export credit agency (such as the Swedish Export Credits Guarantee Board) shall be used, or, where not available, the country rating from eligible credit assessment agencies such as Moody's, S&P, Fitch and DBRS.

Table 19. EU CR4 – Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

SEK m	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post CCF and CRM			
31 Dec 2019	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	Average risk weight (%)
1 Central governments or central banks	5,151		5,151		1,361	26.4
2 Regional governments or local authorities	9		9			0.0
6 Institutions	5,561	2	3,964		751	18.9
7 Corporates	7,476	2,067	6,127	697	6,294	92.2
8 Retail	22,655	2,317	18,301	845	13,689	71.5
9 Secured by mortgages on immovable property	6,427	262	6,427	131	2,278	34.7
10 Exposures in default	60	3	58	1	82	138.6
11 Items associated with particularly high risk	622		622		933	150.0
14 Claims in the form of CIU	58		58		58	100.0
15 Equity exposures	3,589		3,589		3,589	100.0
16 Other items	13,693		13,693		10,735	78.4
17 **TOTAL**	**65,301**	**4,652**	**57,999**	**1,675**	**39,770**	**66.6**

SEK m	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post CCF and CRM			
31 Dec 2018	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	Average risk weight (%)
1 Central governments or central banks	20,786		20,786		2,241	10.8
2 Regional governments or local authorities	304		304		0	0.0
6 Institutions	3,894	588	2,366	21	431	18.1
7 Corporates	15,711	1,621	14,398	525	14,432	96.7
8 Retail	23,366	2,405	18,469	807	13,306	69.0
9 Secured by mortgages on immovable property	6,210	224	6,199	111	2,184	34.6
10 Exposures in default	160	65	107	22	168	130.5
11 Items associated with particularly high risk	507		507		761	150.0
14 Claims in the form of CIU	45		45		45	100.0
15 Equity exposures	4,045		4,045		4,045	100.0
16 Other items	8,650		8,646		5,885	68.1
17 **TOTAL**	**83,679**	**4,903**	**75,872**	**1,486**	**43,499**	**56.2**

Table 20. EU CR5 – Standardised approach – exposures by asset classes and risk weights

SEK m	Risk weight											Total credit exposure amount (post CCF and post-CRM)	Of which unrated
31 Dec 2019	**0%**	**2%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Others**	**Deducted**		
1 Central governments or central banks	2,833				1,915		403					**5,151**	
2 Regional governments or local authorities	9											**9**	
6 Institutions	0	250	3,708		5		2					**3,964**	3,959
7 Corporates			1		788		6,030	5				**6,823**	6,753
8 Retail						19,146						**19,146**	19,146
9 Secured by mortgages on immovable property				6,558								**6,558**	6,558
10 Exposures in default							13	46				**59**	59
11 Items associated with particularly high risk								622				**622**	622
14 Claims in the form of CIU							58					**58**	58
15 Equity exposures							3,589					**3,589**	3,545
16 Other items	2,504		368		171		10,095		457	98		**13,693**	13,693
17 **TOTAL**	**5,346**	**250**	**4,077**	**6,558**	**2,880**	**19,146**	**20,191**	**672**	**457**	**98**		**59,674**	**54,394**

SEK m	Risk weight											Total credit exposure amount (post CCF and post-CRM)	Of which unrated
31 Dec 2018	**0%**	**2%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Others**	**Deducted**		
1 Central governments or central banks	16,648				3,793		345					**20,786**	
2 Regional governments or local authorities	304											**304**	
6 Institutions	0	373	1,982		8		23					**2,387**	2,375
7 Corporates			7		702		14,208	5				**14,923**	14,691
8 Retail			884			18,391						**19,275**	19,275
9 Secured by mortgages on immovable property				6,310								**6,310**	6,310
10 Exposures in default							50	78				**129**	129
11 Items associated with particularly high risk								507				**507**	507
14 Claims in the form of CIU							45					**45**	45
15 Equity exposures							4,045					**4,045**	4,001
16 Other items	2,405		91		147		5,322		397	285		**8,646**	8,646
17 **TOTAL**	**19,357**	**373**	**2,965**	**6,310**	**4,651**	**18,391**	**24,039**	**591**	**397**	**285**		**77,358**	**55,980**

COMMENT

- *Only a small part of SEB´s credit exposures is reported according to the Standardised approach.*

Credit risk exposures under IRB approaches

The following tables show credit risk exposures under IRB approaches excluding counterparty credit risk.

Table 21. EU CR6 – IRB – Credit risk exposures by exposure class and PD range

SEK m		a	b	c	d	e	f	g	h	i	j	k	l
31 Dec 2019	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF (%)	EAD post CRM and post-CCF	Average PD (%)	Number of obligors[1]	Average LGD (%)	Average maturity (years)	RWAs	Average risk weight (%)	EL	Value adjustments and Provisions
F-IRB Central governments or central banks	0.00 to < 0.15	282,369	21,711	98	319,127	0.0	989	44.4	1.7	10,945	3.4	9	
	0.15 to < 0.25	34	1,136	78	969	0.2	27	45.0	2.5	394	40.7	1	
	0.25 to < 0.50	195	4	100	198	0.3	35	40.1	2.5	104	52.8	0	
	0.50 to < 0.75												
	0.75 to < 2.50	15	1	99	16	1.2	17	38.6	2.5	14	88.1	0	
	2.50 to < 10.00	1	0	100	1	4.2	9	45.0	2.5	2	149.5	0	
	10.00 to < 100.00	5	0	99	5	11.3	14	45.0	2.5	10	213.3	0	
	100.00(Default)	50	0	100	50	100.0	2	45.0	2.5			23	
Sub-total		**282,670**	**22,852**	**98**	**320,366**	**0.0**	**1,093**	**44.4**	**1.7**	**11,470**	**3.6**	**33**	**2**
F-IRB Corporate	0.00 to < 0.15	48,962	51,143	88	76,321	0.1	620	40.0	2.5	15,378	20.1	19	
	0.15 to < 0.25	40,085	29,342	91	58,245	0.2	1,131	34.0	2.5	20,022	34.4	39	
	0.25 to < 0.50	41,145	14,864	94	49,146	0.4	1,759	37.3	2.5	24,887	50.6	69	
	0.50 to < 0.75	19,246	5,462	97	21,890	0.6	1,097	37.5	2.5	13,732	62.7	50	
	0.75 to < 2.50	56,834	12,025	97	62,517	1.2	3,509	36.5	2.5	46,910	75.0	283	
	2.50 to < 10.00	4,095	1,295	95	4,539	4.1	1,267	39.7	2.5	5,175	114.0	74	
	10.00 to < 100.00	1,238	136	99	1,217	16.8	99	33.0	2.5	1,764	145.0	68	
	100.00(Default)	2,815	396	97	3,045	100.0	164	43.5	2.5			1,325	
Sub-total		**214,419**	**114,663**	**93**	**276,919**	**1.7**	**9,646**	**37.3**	**2.5**	**127,869**	**46.2**	**1,927**	**1,605**
F-IRB Institution	0.00 to < 0.15	45,725	13,998	94	53,990	0.0	189	25.9	2.5	6,926	12.8	5	
	0.15 to < 0.25	2,897	6,669	80	6,246	0.2	127	42.7	2.5	2,838	45.4	5	
	0.25 to < 0.50	2,566	1,169	93	3,190	0.4	39	33.9	2.5	1,504	47.2	4	
	0.50 to < 0.75	261	52	97	300	0.6	6	41.9	2.5	220	73.1	1	
	0.75 to < 2.50	5,089	1,364	96	6,058	1.3	56	44.2	2.5	6,310	104.2	35	
	2.50 to < 10.00	945	441	92	1,203	4.3	17	45.0	2.5	1,876	155.9	23	
	10.00 to < 100.00	431	378	87	641	20.4	9	37.5	2.5	1,360	212.3	49	
	100.00(Default)												
Sub-total		**57,915**	**24,071**	**93**	**71,629**	**0.4**	**443**	**29.8**	**2.5**	**21,034**	**29.4**	**122**	**69**
A-IRB Corporate	0.00 to < 0.15	157,463	206,068	83	275,071	0.1	3,226	29.4	2.1	40,184	14.6	58	
	0.15 to < 0.25	120,416	86,292	89	169,621	0.2	4,319	26.8	2.1	42,581	25.1	90	
	0.25 to < 0.50	133,293	34,003	95	148,803	0.4	7,518	16.8	2.3	32,022	21.5	91	
	0.50 to < 0.75	114,696	17,667	97	126,061	0.6	5,994	13.2	2.1	25,420	20.2	98	
	0.75 to < 2.50	131,316	25,356	96	140,975	1.1	6,599	17.8	2.3	54,814	38.9	290	
	2.50 to < 10.00	22,087	6,790	95	23,820	4.2	11,321	27.0	2.4	20,575	86.4	258	
	10.00 to < 100.00	5,027	498	98	4,748	15.2	285	28.4	1.8	6,621	139.5	213	
	100.00 (Default)	5,738	54	100	5,688	100.0	208	9.0	1.4	6,420	112.9	2,588	
Sub-total		**690,036**	**376,729**	**91**	**894,786**	**1.2**	**39,470**	**22.5**	**2.2**	**228,638**	**25.6**	**3,685**	**3,591**
A-IRB Institution	0.00 to < 0.15	67,027	25,358	93	76,151	0.1	2,045	40.5	1.4	12,558	16.5	19	
	0.15 to < 0.25	7,765	6,552	90	9,647	0.2	2,207	36.4	1.1	2,978	30.9	7	
	0.25 to < 0.50	4,488	3,911	91	5,601	0.4	445	45.1	2.3	4,014	71.7	11	
	0.50 to < 0.75	434	350	87	647	0.5	3	22.0	5.0	340	52.5	1	
	0.75 to < 2.50	1,647	1,614	93	1,906	1.2	195	44.4	1.9	1,982	104.0	10	
	2.50 to < 10.00	1,208	1,333	89	1,250	4.6	155	54.0	0.6	2,293	183.4	32	
	10.00 to < 100.00	176	746	75	283	14.0	141	54.5	0.4	797	282.0	22	
	100.00 (Default)	0		100	0	100.0	21	51.5	1.0	1	644.3	0	
Sub-total		**82,746**	**39,865**	**93**	**95,485**	**0.2**	**5,212**	**40.5**	**1.5**	**24,963**	**26.1**	**102**	**12**
A-IRB Retail Mortgage	0.00 to < 0.15	172,918	3,064	100	174,791	0.1	266,105	6.9		2,843	1.6	11	
	0.15 to < 0.25	186,443	6,935	99	190,299	0.2	287,988	9.6		6,490	3.4	29	
	0.25 to < 0.50	119,239	21,398	97	130,429	0.3	219,084	14.8		11,093	8.5	59	
	0.50 to < 0.75	32,347	5,137	97	35,055	0.7	58,673	14.7		5,160	14.7	34	
	0.75 to < 2.50	22,968	1,749	99	24,304	1.3	34,682	13.9		5,131	21.1	45	
	2.50 to < 10.00	13,291	416	99	13,557	4.3	18,420	11.8		4,946	36.5	70	
	10.00 to < 100.00	5,520	19	100	5,532	23.9	10,902	11.7		3,622	65.5	143	
	100.00 (Default)	1,227	0	100	1,227	100.0	3,159	17.7		332	27.1	199	
Sub-total		**553,954**	**38,717**	**99**	**575,194**	**0.8**	**899,013**	**10.5**		**39,616**	**6.9**	**589**	**582**
A-IRB Other Retail	0.00 to < 0.15	7,165	28,558	97	30,556	0.1	1,055,180	43.3		2,528	8.3	9	
	0.15 to < 0.25	1,406	2,280	107	3,310	0.2	90,046	50.2		656	19.8	3	
	0.25 to < 0.50	4,987	2,551	96	6,942	0.3	56,992	52.5		2,045	29.5	12	
	0.50 to < 0.75	7,996	6,492	101	13,002	0.7	379,560	44.1		5,086	39.1	38	
	0.75 to < 2.50	7,220	3,430	98	9,875	1.4	605,571	50.3		5,555	56.3	69	
	2.50 to < 10.00	7,892	2,458	101	10,098	4.4	172,256	55.3		8,433	83.5	253	
	10.00 to < 100.00	1,554	381	102	1,887	24.3	86,896	56.0		2,434	129.0	264	
	100.00 (Default)	1,330	5	100	1,334	100.0	26,344	50.3		895	67.1	601	
Sub-total		**39,551**	**46,157**	**99**	**77,004**	**3.3**	**2,472,845**	**47.5**		**27,632**	**35.9**	**1,249**	**1,323**

1) Within the exposure class retail the number of exposures which were separately assigned to a certain rating grade or pool shall be reported. An obligor may be considered in more than one grade. In 2019 the number of obligors increased due to change of aggregation level for the arrangements derived from SEB Kort Bank AB.

Table 21. EU CR6 – IRB – Credit risk exposures by exposure class and PD range

SEK m		a	b	c	d	e	f	g	h	i	j	k	l
31 Dec 2018	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF (%)	EAD post CRM and post-CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWAs	Average risk weight (%)	EL	Value adjustments and Provisions
F-IRB Central governments or central banks	0.00 to < 0.15	331,493	19,566	99	368,833	0.0	917	44.5	1.5	10,495	2.8	9	
	0.15 to < 0.25	381	49	98	418	0.2	34	41.9	2.5	157	37.4	0	
	0.25 to < 0.50	21	2	98	23	0.3	30	43.5	2.5	14	58.7	0	
	0.50 to < 0.75												
	0.75 to < 2.50	271	4	100	274	2.0	9	45.0	2.5	333	121.3	2	
	2.50 to < 10.00	48	3	96	14	6.0	9	45.0	2.5	24	169.1	0	
	10.00 to < 100.00	6	0	99	6	11.4	13	45.0	2.5	12	204.1	0	
	100.00(Default)												
Sub-total		**332,220**	**19,626**	**99**	**369,568**	**0.0**	**1,012**	**44.5**	**1.5**	**11,033**	**3.0**	**12**	**3**
F-IRB Corporate	0.00 to < 0.15	40,655	53,344	87	70,981	0.1	398	36.7	2.5	13,106	18.5	16	
	0.15 to < 0.25	31,597	34,771	88	50,827	0.2	1,045	35.4	2.5	17,502	34.4	34	
	0.25 to < 0.50	51,074	15,145	95	60,250	0.4	2,118	37.8	2.5	30,785	51.1	88	
	0.50 to < 0.75	14,948	3,711	97	16,873	0.6	756	37.7	2.5	10,561	62.6	39	
	0.75 to < 2.50	46,214	9,597	97	50,163	1.3	3,048	38.5	2.5	40,716	81.2	259	
	2.50 to < 10.00	2,882	1,998	90	3,647	4.3	845	38.7	2.5	4,219	115.7	60	
	10.00 to < 100.00	1,621	205	99	1,661	19.1	119	37.0	2.5	2,722	163.9	118	
	100.00(Default)	1,720	137	99	1,835	100.0	170	42.2	2.5	0	0.0	774	
Sub-total		**190,712**	**118,909**	**92**	**256,236**	**1.3**	**8,499**	**37.2**	**2.5**	**119,611**	**46.7**	**1,389**	**1,106**
F-IRB Institution	0.00 to < 0.15	36,779	12,440	92	43,779	0.0	132	26.1	2.5	5,415	12.4	4	
	0.15 to < 0.25	3,281	6,210	83	6,617	0.2	82	40.8	2.5	2,785	42.1	5	
	0.25 to < 0.50	1,983	839	94	2,439	0.4	33	26.0	2.5	958	39.3	2	
	0.50 to < 0.75	539	92	97	608	0.6	7	43.5	2.5	454	74.7	1	
	0.75 to < 2.50	6,408	1,021	97	7,100	1.3	58	43.8	2.5	7,367	103.8	41	
	2.50 to < 10.00	250	608	75	478	3.8	17	45.0	2.5	763	159.5	8	
	10.00 to < 100.00	6	19	68	12	21.5	7	35.7	2.5	26	217.9	1	
	100.00(Default)	400	0	100	400	100.0	3	45.0	2.5	0	0.0	180	
Sub-total		**49,646**	**21,229**	**92**	**61,434**	**0.9**	**339**	**30.2**	**2.5**	**17,768**	**28.9**	**243**	**194**
A-IRB Corporate	0.00 to < 0.15	126,166	179,137	82	229,700	0.1	2,486	28.5	2.1	32,290	14.1	47	
	0.15 to < 0.25	105,635	82,494	88	155,828	0.2	3,905	27.0	2.2	39,554	25.4	83	
	0.25 to < 0.50	121,455	32,896	96	137,117	0.4	6,660	17.6	2.2	30,930	22.6	86	
	0.50 to < 0.75	110,084	15,674	97	115,670	0.6	4,754	14.7	2.2	27,321	23.6	100	
	0.75 to < 2.50	130,199	19,674	97	137,551	1.1	5,387	18.2	2.3	54,011	39.3	290	
	2.50 to < 10.00	21,686	7,784	94	23,403	4.7	7,421	24.4	2.4	18,578	79.4	262	
	10.00 to < 100.00	3,829	481	97	3,497	16.5	239	33.2	1.7	5,792	165.6	195	
	100.00(Default)	2,735	46	100	2,631	100.0	136	12.1	1.4	3,969	150.8	892	
Sub-total		**621,789**	**338,186**	**91**	**805,397**	**0.9**	**30,988**	**22.5**	**2.2**	**212,445**	**26.4**	**1,954**	**2,369**
A-IRB Institution	0.00 to < 0.15	51,622	25,610	91	60,888	0.1	1,663	43.1	1.3	10,082	16.6	16	
	0.15 to < 0.25	7,058	4,186	93	8,011	0.2	1,868	37.5	1.1	2,554	31.9	6	
	0.25 to < 0.50	5,846	2,769	93	7,050	0.4	429	42.6	1.8	4,190	59.4	12	
	0.50 to < 0.75	259	169	89	364	0.6	4	32.3	4.1	255	70.1	1	
	0.75 to < 2.50	1,572	1,136	93	1,855	1.2	196	46.7	1.7	1,966	106.0	11	
	2.50 to < 10.00	2,347	504	98	2,276	3.6	135	40.6	3.2	3,304	145.2	36	
	10.00 to < 100.00	512	1,245	79	531	12.8	157	55.2	0.4	1,487	280.0	38	
	100.00(Default)	0	0	100	0	100.0	22	51.6	1.0	1	644.8	0	
Sub-total		**69,217**	**35,620**	**92**	**80,974**	**0.3**	**4,474**	**42.6**	**1.4**	**23,839**	**29.4**	**119**	**10**
A-IRB Retail Mortgage	0.00 to < 0.15	168,462	2,230	100	169,912	0.1	263,623	7.3		2,897	1.7	11	
	0.15 to < 0.25	182,075	5,415	100	185,170	0.2	286,885	9.7		6,425	3.5	29	
	0.25 to < 0.50	105,687	17,194	100	114,854	0.3	207,334	14.7		9,700	8.4	51	
	0.50 to < 0.75	28,027	3,820	100	30,111	0.7	54,173	14.4		4,317	14.3	29	
	0.75 to < 2.50	21,081	1,432	100	22,208	1.3	33,690	14.1		4,770	21.5	42	
	2.50 to < 10.00	12,202	292	100	12,383	4.3	17,685	12.5		4,783	38.6	67	
	10.00 to < 100.00	5,217	17	100	5,233	23.7	10,989	11.8		3,475	66.4	137	
	100.00(Default)	1,487	1	100	1,487	100.0	3,854	18.4		352	23.7	256	
Sub-total		**524,238**	**30,401**	**100**	**541,358**	**0.8**	**878,233**	**10.5**		**36,720**	**6.8**	**622**	**649**
A-IRB Other Retail	0.00 to < 0.15	7,170	29,363	36	30,667	0.1	77,440	42.4		2,488	8.1	9	
	0.15 to < 0.25	843	1,669	63	2,042	0.2	3,937	62.1		520	25.5	2	
	0.25 to < 0.50	5,554	2,622	103	7,679	0.3	50,618	48.4		2,123	27.6	13	
	0.50 to < 0.75	7,603	6,395	68	12,418	0.7	9,488	44.4		4,886	39.3	37	
	0.75 to < 2.50	7,626	3,488	100	10,384	1.4	430,879	49.1		5,686	54.8	70	
	2.50 to < 10.00	6,844	2,358	86	8,748	4.6	55,855	54.5		7,207	82.4	221	
	10.00 to < 100.00	1,694	335	97	2,109	27.7	63,987	55.8		2,758	130.8	334	
	100.00(Default)	1,230	4	100	1,233	100.0	8,147	48.3		777	63.1	535	
Sub-total		**38,565**	**46,235**	**66**	**75,280**	**3.3**	**700,351**	**46.6**		**26,446**	**35.1**	**1,221**	**1,278**

Table 22. EU CR7 – IRB approach – effect on RWA of credit derivatives used as CRM techniques

SEK m	a	b	a	b
	31 Dec 2019		31 Dec 2018	
	Pre-credit derivatives RWAs	Actual RWAs	Pre-credit derivatives RWAs	Actual RWAs
1 **Exposures under FIRB**	**160,373**	**160,373**	**148,412**	**148,412**
2 Central governments or central banks	11,470	11,470	11,033	11,033
3 Institutions	21,034	21,034	17,768	17,768
4 Corporates – SMEs	36,857	36,857	37,111	37,111
5 Corporates – Specialised lending	4,449	4,449	4,054	4,054
6 Corporates – Other	86,563	86,563	78,446	78,446
7 **Exposures under AIRB**	**320,849**	**320,849**	**299,450**	**299,450**
9 Institutions	24,963	24,963	23,839	23,839
10 Corporates – SMEs	36,058	36,058	28,140	28,140
11 Corporates – Specialised lending	9,854	9,854	8,332	8,332
12 Corporates – Other	182,726	182,726	175,973	175,973
13 Retail – Secured by real estate SME	1,658	1,658	1,560	1,560
14 Retail – Secured by real estate non-SME	37,957	37,957	35,160	35,160
16 Retail – Other SME	7,093	7,093	7,026	7,026
17 Retail – Other non-SME	20,539	20,539	19,420	19,420
20 **TOTAL**	**481,222**	**481,222**	**447,862**	**447,862**

COMMENT

- *SEB has not used credit derivatives for credit risk mitigation why there is no effect on RWA due to this.*

Table 23. Back-testing of PD

31 Dec 2019	Exposure (SEK m)	PD (counterparty weighted)	PD (exposure weighted)	Observed Default Frequency (ODF) (counterparty weighted)	Observed Default Frequency (ODF) (exposure weighted)
Non-retail	1,619,863	0.94%	0.45%	0.35%	0.43%
Retail Sweden[1)]	479,492	0.48%	0.49%[2)]	0.09%	0.1%
Retail Baltics[1)]	55,944	1.2%	1.09%	0.43%	0.41%

31 Dec 2018	Exposure (SEK m)	PD (counterparty weighted)	PD (exposure weighted)	Observed Default Frequency (ODF) (counterparty weighted)	Observed Default Frequency (ODF) (exposure weighted)
Non-retail	1,360,708	0.90%	0.42%	0.27%	0.17%
Retail Sweden[1)]	469,555	0.47%	0.49%[2)]	0.09%	0.09%
Retail Baltics[1)]	49,318	1.44%	1.34%	0.51%	0.54%

1) Retail mortgage.
2) Regulatory floor on mortage portfolio of 0.49.

COMMENT

- *A comparison of PDs of the IRB models for the main credit portfolios – non-retail, retail Sweden and retail Baltic – against actual observed default frequencies (ODF) indicates conservative estimates for probability of default.*

Equity exposures not included in the trading book

Investments in associates held by SEB's venture capital unit have been designated as at fair value through profit or loss, in accordance with IAS 28. Therefore, these holdings are measured according to IFRS 9. All financial assets within the bank's venture capital business are managed and evaluated on a fair value basis in accordance with documented risk management and investment strategies.

Fair values for investments listed in an active market are based on quoted market prices. If the market for a financial instrument is not active, fair value is established by using valuation techniques based on discounted cash flow analysis, valuation with reference to financial instruments that are substantially the same, or valuation with reference to observable market transactions in the same financial instrument.

Strategic investments in associates on group level are accounted for using the equity method. Some entities where the bank has an ownership of less than 20 per cent have been classified as investments in associates. The reason is that the bank is represented in the board of directors and participating in the policy-making processes of those entities.

Equity instruments measured at cost do not have a quoted market price in an active market. Further, it has not been possible to reliably measure the fair values of those equity instruments. Most of these investments are held for strategic reasons and are not intended to be sold in the near future. ▶▶ *Further information regarding accounting principles and valuation methodologies can be found in the Annual Report note 1 and note 36. Further information regarding SEB's investments in associates can be found in the Annual Report note 22.*

Table 24. Equity exposures not included in the trading book

SEK m 31 Dec 2019	Book value	Fair value	Fair value of listed shares	Unrealised gains/losses	Realised gains/losses
Associates (venture capital holdings)	466	466	85	−175	254
Associates (strategic investments)	386	386			
Other strategic investments	5,376	5,376	2,576	947	360
Seized shares	29	29			
TOTAL	**6,257**	**6,257**	**2,661**	**772**	**614**

SEK m 31 Dec 2018	Book value	Fair value	Fair value of listed shares	Unrealised gains/losses	Realised gains/losses
Associates (venture capital holdings)	758	758	256	−60	160
Associates (strategic investments)	295	295			971
Other strategic investments	4,115	4,115	2,138	291	3
Seized shares	29	29			
TOTAL	**5,197**	**5,197**	**2,394**	**231**	**1,134**

Counterparty credit risk

Management of counterparty credit risk

Counterparty credit risk arises when SEB enters into derivative contracts with a counterparty for instruments like futures, swaps or options. The purpose for entering into derivatives contracts is primarily to support corporate customers and financial institutions in their management of financial exposures. This is managed within the Large Corporates & Financial Institutions division. The Treasury function also uses derivatives to protect cash flows and fair values of financial assets and liabilities in SEB's own book from market fluctuations. The counterparty credit risk in derivatives contracts is the risk of a counterparty not living up to its contractual obligations where SEB has a claim on the counterparty.

Limits for counterparty exposures are set in the regular credit process. The risk organisation identifies, measures, reports and follows up on SEB's counterparty credit risk. The risk is measured daily and reported monthly to the Group Risk Committee and the Risk and Capital Committee of the Board. Counterparty credit risk is monitored through a number of risk measures, including potential future exposure, nominal, tenor and settlement exposure measures. In addition, stress tests and sensitivity analyses are conducted to estimate effects of tail events, to stress test limits and understand sensitivities in the portfolio.

Wrong way risk (WWR) arises when exposure to a counterparty is negatively correlated with the counterparty's credit quality. There are two types of WWR, general and specific WWR. SEB has processes in place to identify and monitor counterparties and transactions where the WWR is inherent. Specific WWR is considered in the credit review process and is measured daily.

Settlement risk is measured for foreign exchange (FX) transactions. The amount at risk is equal to the FX settlement amount. FX settlement risk is taken into account by all decision-making bodies that decide on counterparty limits for instruments which imply FX settlement risk. FX settlement limits are in place for all counterparties trading in instruments with FX settlement risk.

Measurement of counterparty credit risk

Since the market value of a derivative fluctuates during the term to maturity, the uncertainty of future market conditions must be taken into account when measuring the credit exposure of derivatives. For risk management purposes, the potential future exposure (PFE) is calculated either through simulation using an internal model method or by applying a standard add-on to the current market value. The add-on depends on product type and time to maturity which reflects potential market movements for the specific contract.

For calculation of regulatory capital for counterparty credit risk, SEB uses the internal model method (IMM) for repos, interest rate derivatives and FX derivatives for the parent company, which was approved by the SFSA in December 2015. The internal model method takes close-out netting agreements and collateral agreements into account. The setup of the internal model automatically detects specific wrong-way risk transactions and collateral, the exposures of which are calculated gross. The internal models are regularly validated and back-tested.

For other derivatives (mainly equities) in the parent company and for other legal entities of the group, SEB uses the standardised approach. SEB currently uses the Current Exposure Method (also referred to as mark to market method) to set the standard add-ons.

Table 25. EU CCR1 – Analysis of CCR exposure by approach

SEK m	b	c	d	e	f	g
31 Dec 2019	Replacement cost/Current market value	Potential future exposure	Effective expected positive exposure (EEPE)	Multiplier	EAD post CRM	RWAs
1 Mark to market	8,521	16,415			24,936	2,336
4 Internal Model Method (for derivatives and SFTs)			76,855	1.5	115,283	16,981
5 of which Securities Financing Transactions			*20,596*	*1.5*	*30,894*	*15*
6 of which derivatives & Long Settlement Transactions			*56,259*	*1.5*	*84,389*	*16,966*
9 Financial collateral comprehensive method (for SFTs)					30,032	2,893
11 **TOTAL**						**22,210**

SEK m	b	c	d	e	f	g
31 Dec 2018	Replacement cost/Current market value	Potential future exposure	Effective expected positive exposure (EEPE)	Multiplier	EAD post CRM	RWAs
1 Mark to market	785	23,379			24,164	3,104
4 Internal Model Method (for derivatives and SFTs)			64,180	1.4	89,852	14,685
5 of which Securities Financing Transactions			*6,078*	*1.4*	*8,509*	*42*
6 of which derivatives & Long Settlement Transactions			*58,102*	*1.4*	*81,343*	*14,643*
9 Financial collateral comprehensive method (for SFTs)					23,996	3,196
11 **TOTAL**						**20,985**

Counterparty credit risk in derivative contracts affects the bank's profit and loss through credit/debit valuation adjustments (CVA/DVA), reflecting the credit risk associated with the derivative positions. These adjustments depend on market risk factors such as interest rate, FX and credit spreads. SEB uses the standardised approach to calculate the regulatory capital requirement for CVA.

Table 26. EU CCR2 – CVA capital charge

SEK m	31 Dec 2019		31 Dec 2018	
	Exposure value	RWAs	Exposure value	RWAs
4 All portfolios subject to the Standardised Method	41,365	7,932	43,737	7,605
5 **TOTAL SUBJECT TO THE CVA CAPITAL CHARGE**	**41,365**	**7,932**	**43,737**	**7,605**

Table 27. EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights

SEK m	Risk weight								
31 Dec 2019	0%	2%	20%	50%	75%	100%	Other	Total	Of which unrated
1 Central governments or central banks									
2 Regional governments or local authorities									
6 Institutions		5,445	473					**5,918**	5,918
7 Corporates						211		**211**	211
8 Retail					3			**3**	3
9 Claims on institutions and corporates with a short-term credit assessment									
10 Other items									
11 **TOTAL**		**5,445**	**473**		**3**	**211**		**6,132**	**6,132**

SEK m	Risk weight								
31 Dec 2018	0%	2%	20%	50%	75%	100%	Other	Total	Of which unrated
1 Central governments or central banks									
2 Regional governments or local authorities									
6 Institutions		1,650	487					**2,137**	2,137
7 Corporates						106		**106**	106
8 Retail					5			**5**	5
9 Claims on institutions and corporates with a short-term credit assessment									
10 Other items									
11 **TOTAL**		**1,650**	**487**		**5**	**106**		**2,248**	**2,248**

COMMENT

- *Only a small part of SEB´s counterparty credit risk is according to Standardised approach, and increased to SEK 6.1bn (2.2bn) during the year.*

Table 28. EU CCR4 – IRB approach – CCR exposures by portfolio and PD scale

SEK m		a	b	c	d	e	f	g	a	b	c	d	e	f	g
		31 Dec 2019							31 Dec 2018						
	PD scale	EAD post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWAs	Average risk weight (%)	EAD post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWAs	Average risk weight (%)
F-IRB Central governments or central banks	0.00 to < 0.15	45,006	0.0	137	39.9	1.0	787	1.7	20,400	0.0	124	45.0	1.5	557	2.7
	0.15 to < 0.25														
	0.25 to < 0.50														
	0.50 to < 0.75														
	0.75 to < 2.50	22	2.0	1	45.0	2.5	27	121.7	10	2.0	1	45.0	2.5	12	121.7
	2.50 to < 10.00														
	10.00 to < 100.00														
	100.00 (Default)														
Sub-total		**45,028**	**0.0**	**138**	**39.9**	**1.0**	**814**	**1.8**	**20,410**	**0.0**	**125**	**45.0**	**1.5**	**570**	**2.8**
F-IRB Corporates	0.00 to < 0.15	3,621	0.1	93	21.1	2.5	416	11.5	2,607	0.1	85	20.1	2.5	294	11.3
	0.15 to < 0.25	717	0.2	52	19.3	2.5	134	18.6	509	0.2	43	21.5	2.5	107	21.1
	0.25 to < 0.50	356	0.4	75	26.5	2.5	128	35.9	370	0.4	92	27.2	2.5	138	37.2
	0.50 to < 0.75	18	0.6	8	45.0	2.5	14	77.0	40	0.6	3	42.9	2.5	30	75.9
	0.75 to < 2.50	371	1.3	79	18.4	2.5	132	35.5	278	1.4	57	6.7	2.5	40	14.3
	2.50 to < 10.00	27	2.8	10	0.5	2.5	0	1.0	13	3.0	9	45.0	2.5	18	136.1
	10.00 to < 100.00								0	12.0	1	45.0	2.5	1	167.3
	100.00 (Default)														
Sub-total		**5,110**	**0.2**	**317**	**21.0**	**2.5**	**823**	**16.1**	**3,817**	**0.2**	**290**	**20.3**	**2.5**	**628**	**16.4**
F-IRB Institutions	0.00 to < 0.15	4,077	0.1	197	1.4	2.5	36	0.9	6,146	0.1	154	2.3	2.5	76	1.2
	0.15 to < 0.25	860	0.2	45	16.3	2.5	153	17.8	783	0.2	40	4.9	2.4	43	5.5
	0.25 to < 0.50	1,860	0.4	105	0.0	2.5	0	0.0	1,917	0.4	88	0.7	2.4	21	1.1
	0.50 to < 0.75	16	0.6	3	45.0	2.5	14	92.4	31	0.7	2	45.0	2.5	33	107.7
	0.75 to < 2.50	171	1.2	24	16.9	2.4	69	40.2	187	1.3	23	15.1	2.4	67	36.0
	2.50 to < 10.00														
	10.00 to < 100.00														
	100.00 (Default)														
Sub-total		**6,983**	**0.2**	**374**	**3.3**	**2.5**	**273**	**3.9**	**9,064**	**0.2**	**307**	**2.6**	**2.5**	**240**	**2.6**
A-IRB Corporates	0.00 to < 0.15	34,428	0.1	600	30.9	2.3	4,757	13.8	25,499	0.1	592	32.6	2.2	3,408	13.4
	0.15 to < 0.25	5,085	0.2	296	32.2	2.0	1,447	28.5	4,893	0.2	290	33.5	1.7	1,372	28.0
	0.25 to < 0.50	4,235	0.4	286	29.5	2.3	1,567	37.0	2,730	0.4	259	31.3	2.2	1,078	39.5
	0.50 to < 0.75	3,181	0.6	277	27.6	3.2	1,654	52.0	2,680	0.6	279	29.2	2.7	1,400	52.3
	0.75 to < 2.50	2,821	1.1	318	36.7	1.9	1,994	70.7	3,546	1.2	297	26.7	1.8	1,911	53.9
	2.50 to < 10.00	349	3.4	166	32.1	1.2	303	86.8	860	4.0	156	37.4	0.6	856	99.6
	10.00 to < 100.00	6	17.1	5	35.9	1.2	11	179.3	2	21.0	3	34.8	1.0	3	162.8
	100.00 (Default)	28	100.0	2	0.0	3.3			1	100.0	2	37.0	1.0	5	462.5
Sub-total		**50,133**	**0.3**	**1,950**	**31.0**	**2.3**	**11,733**	**23.4**	**40,210**	**0.3**	**1,878**	**32.0**	**2.1**	**10,033**	**25.0**
A-IRB Institutions	0.00 to < 0.15	51,618	0.0	985	40.9	1.1	5,967	11.6	53,058	0.0	876	40.6	1.0	6,199	11.7
	0.15 to < 0.25	2,338	0.2	91	40.5	0.8	658	28.1	3,129	0.2	86	40.9	0.9	989	31.6
	0.25 to < 0.50	2,448	0.4	148	40.7	0.4	909	37.1	4,203	0.4	158	40.8	0.5	1,689	40.2
	0.50 to < 0.75	12	0.6	3	40.0	1.1	7	55.9	1	0.5	3	31.0	1.0	0	39.9
	0.75 to < 2.50	560	1.0	48	41.0	1.6	524	93.6	348	1.1	43	40.8	1.9	306	87.9
	2.50 to < 10.00	69	3.7	2	41.0	0.2	87	126.3	2	2.7	1	31.0	1.0	2	77.3
	10.00 to < 100.00														
	100.00 (Default)														
Sub-total		**57,045**	**0.1**	**1,277**	**40.8**	**1.0**	**8,151**	**14.3**	**60,741**	**0.1**	**1,167**	**40.6**	**1.0**	**9,186**	**15.1**

COMMENT

- *The counterparty credit exposure under IRB increased to SEK 164bn (134) during the year and RWA increased to SEK 22bn (21).*

Netting and collateral management

Counterparty risk in derivatives is reduced through the use of close-out netting agreements, where all positive and negative market values under an agreement can be netted at the counterparty level. The netting agreement is often supplemented with a collateral agreement where the net market value exposure is reduced further by collateralisation.

Netting and collateral agreements can contain rating triggers. SEB has a restrictive policy in respect of rating-based levels for thresholds and minimum transfer amounts. In addition, asymmetrical rating trigger levels require specific approval from a deviation committee. Rating-based thresholds have only been accepted for a very limited number of counterparties. If SEB were downgraded, the impact would be limited. In the event of a downgrade, SEB would need to post additional collateral of SEK 119m for a one-notch downgrade and SEK 1,013m for a two-notch downgrade. Furthermore, as a general rule, rating triggered termination events are not accepted.

Counterparty credit risk can also be mitigated by steering exposure and risks to clearing houses, which is common for a range of products to reduce bilateral counterparty credit risk. Exposure to qualified counterparty clearing houses (QCCPs), excluding initial margin and default fund contributions, amounted to SEK 30.2bn as of year-end. Risk can also be closed out through various portfolio compression activities. A small part of the counterparty credit risk exposure is reduced by credit derivatives. SEB conducts credit derivative transactions primarily in connection with counterparty risk and mainly trades with counterparties where an ISDA CSA agreement has been established. Rather than using credit derivatives to mitigate counterparty credit risk in its trading operations, SEB prefers to make use of collateral arrangements.

SEB mitigates settlement risk through Delivery-vs-Payment (DVP) or Payment-vs-Payment (PVP) arrangements when possible. One such settlement vehicle is the global FX clearing that is conducted through CLS Group (originally Continuous Linked Settlement), where SEB is a member. They eliminate settlement risk in FX transactions with counterparties that are eligible for CLS clearing.

Table 29. EU CCR5-A – Impact of netting and collateral held on exposure values

SEK m	a	b	c	d	e
31 Dec 2019	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	261,793	–195,483	66,310	–53,359	12,951
2 STFs	50,386	–4,299	46,087	–36,187	9,900
3 Cross-product netting					
4 **TOTAL**	**312,179**	**–199,782**	**112,398**	**–89,546**	**22,851**

SEK m	a	b	c	d	e
31 Dec 2018	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	174,696	–113,608	61,088	–55,233	5,856
2 STFs	58,156	–5,689	52,467	–47,163	5,304
3 Cross-product netting					
4 **TOTAL**	**232,852**	**–119,297**	**113,555**	**–102,395**	**11,160**

Table 30. EU CCR5-B – Composition of collateral for exposures to CCR

SEK m	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
31 Dec 2019	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash – domestic currency	61	9,324		3,547	2,240	727
Cash – other currencies	142	38,159	0	29,027	8,726	39,934
Domestic sovereign debt	47	3,115	1,727	242	38,051	8,502
Other sovereign debt	2,079	10,536	13,394	2,880	44,511	5,498
Institutions	891	9,761	14,096	462	134,835	38,810
Corporates	1	111			3,230	851
Equity securities	1,178	305	935	1,514	105,638	68,275
Other collateral	19				337	
TOTAL	**4,418**	**71,312**	**30,152**	**37,671**	**337,568**	**162,597**

SEK m						
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
31 Dec 2018	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash – domestic currency	86	6,425		2,776	1,803	536
Cash – other currencies	161	34,766		31,520	24,232	45,854
Domestic sovereign debt	44	4,519	5,647	12	26,195	2,068
Other sovereign debt	711	7,086	5,326	1,943	22,048	8,650
Institutions	9	7,530	12,850	125	83,707	33,029
Corporates						
Equity securities	831	281	129	2,444	104,883	68,169
Other collateral		660			1,268	599
TOTAL	**1,842**	**61,267**	**23,951**	**38,820**	**264,135**	**158,905**

Table 31. EU CCR6 – Credit derivatives exposures

SEK m	a	b	c	a	b	c
	31 Dec 2019			31 Dec 2018		
	Credit derivative hedges		Other credit derivatives	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold		Protection bought	Protection sold	
Notionals						
Single-name credit default swaps			1,872			4,718
Index credit default swaps	763		4,553	746		638
Total return swaps						
Credit options						
Other credit derivatives						
TOTAL NOTIONALS	**763**		**6,425**	**746**		**5,356**
Fair values						
Positive fair value (asset)			***246***			***92***
Negative fair value (liability)	***–45***		***–288***	***–15***		***–191***

Table 32. EU CCR8 – Exposures to CCPs

SEK m		a	b	a	b
		31 Dec 2019		31 Dec 2018[2]	
		EAD post CRM	RWAs	EAD post CRM	RWAs
1	**Exposures to QCCPs (total)**		**222**		**115**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	3,661	119	21,445	27
3	(i) OTC derivatives	689	14	20,799	
4	(ii) Exchange-traded derivatives	2,972	105	647	27
5	(iii) Securities financing transactions				
6	(iv) Netting sets where cross-product netting has been approved				
7	Segregated initial margin[1]	9,312		4,341	
8	Non-segregated initial margin[1]	732		3,191	
9	Prefunded default fund contributions	1,955	103	1,521	87
10	Alternative calculation of own funds requirements for exposures				

1) Posted initial margin, excluding client clearing.
2) 2018 figures reported according to Current Exposure Method (CRR article 274).

Securitisations

SEB does not regularly securitise its assets and has no outstanding own issues. In addition, the group does not operate any Asset Backed Commercial Paper (ABCP) conduit or similar structure. SEB provides financing to certain clients through a small number of asset-backed transactions, backed by consumer loans and lease receivables. The transactions are funded on balance by SEB with commitments between one and three years.

The securitisation positions are accounted for as loans and receivables and reported according to Ratings Based Method for capital adequacy purposes. In some transactions, SEB acts as hedge counterparty with back-to-back transactions to the originators. The transactions are backed by granular pools of receivables to individuals and/or businesses. There are no credit default swap hedges. All holdings are performing and amortise according to schedule. Stress tests are performed on a monthly basis, which takes into consideration underlying levels of the positions.

Table 33. Securitisations in banking book by rating category

SEK m	31 Dec 2019					31 Dec 2018				
			Reported as risk exposure amount					Reported as risk exposure amount		
	Total exposure	Of which deducted	Exposure	Average risk weight (%)	RWAs	Total exposure	Of which deducted	Exposure	Average risk weight (%)	RWAs
AAA/Aaa	10,156		10,156	7.4	754	8,976		8,976	7.4	666
AA/Aa										
A/A	2,266		2,266	19.5	441	1,636		1,636	19.6	321
BBB/Baa										
BB/Ba										
Total securitisation	**12,422**		**12,422**	**9.6**	**1,195**	**10,612**		**10,612**	**9.3**	**987**
Total resecuritisation										
TOTAL	**12,422**		**12,422**	**9.6**	**1,195**	**10,612**		**10,612**	**9.3**	**987**

Table 34. Securitisations in banking book by asset type

SEK m	31 Dec 2019					31 Dec 2018				
			Reported as risk exposure amount					Reported as risk exposure amount		
	Total exposure	Of which deducted	Exposure	Average risk weight (%)	RWAs	Total exposure	Of which deducted	Exposure	Average risk weight (%)	RWAs
Collateralised loan obligations (CLO)										
Commercial mortgage backed securitisations (CMBS)										
Collateralised mortgage obligations (CMO)										
Residential mortgage backed securitisations (RMBS)										
Securities backed with other assets	9,233		9,233	9.7	898	7,649		7,649	9.3	711
Liquidity facilities	3,189		3,189	9.3	297	2,963		2,963	9.3	276
Total securitisation	**12,422**		**12,422**	**9.6**	**1,195**	**10,612**		**10,612**	**9.3**	**987**
Total resecuritisation										
TOTAL	**12,422**		**12,422**	**9.6**	**1,195**	**10,612**		**10,612**	**9.3**	**987**

COMMENT

- *SEB's securitisation exposure amounted to SEK 12.4bn (10.6) as of 31 December 2019, of which the majority was AAA-rated exposures.*

IV. Market risk

Market risk is the risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices. Market risk can arise from changes in interest rates, foreign exchange rates, credit spreads, commodity and equity prices, implied volatilities, inflation and market liquidity.

Risk management

A clear distinction is made between market risks related to trading activity, i.e., trading book risks, and structural market and net interest income risks, i.e., banking book risks. Whereas positions in the trading book are held with a trading intent and held under a daily mark-to-market regime, positions in the banking book do not have a trading intent and are typically held at amortised cost.

Market risk in the trading book arises from SEB's customer-driven trading activities and funding and liquidity management activities within the treasury function. The trading activities are performed by the Large Corporate & Financial Institutions division in its capacity as market maker for trading in international foreign exchange, equity and capital markets.

Market risk also arises in the form of interest rate risk in the banking book as a result of mismatches in currencies, interest terms and interest rate periods on the balance sheet. The treasury function has overall responsibility for managing these risks, which are consolidated centrally through the internal funds transfer pricing system.

Small market risk mandates are granted to subsidiaries where cost-efficient, in which case the treasury function is represented on the local Asset and Liability Committee for co-ordination and information-sharing. The centralised treasury operations create a cost-efficient matching of liquidity and interest rate risk in all non-trading related business. The treasury function also manages the liquidity portfolio, which is part of SEB's liquid assets. For capital adequacy purposes, this portfolio is classified as assets in the banking book as of 1 January 2018, while from a risk management perspective it is monitored as a trading-related market risk.

Finally, market risk also arises in the bank's traditional life insurance activities and in the defined benefit plans as a result of mismatches between the market value of assets and liabilities. Market risks in the life insurance business and pension obligations are considered insurance risk and pension risk, respectively, and are not included in the group market risk figures set out below.

Market risk limits and control

A market risk framework is in place to ensure proper oversight of all types of market risks, including both the trading-related risks, the market risk in the banking book and the market risk related to fair value adjustments. The Board of Directors defines how much

Market risk types

Interest rate risk: Interest rate risk is the risk of loss or reduction of future net income following changes in interest rates, including price risk in connection with the sale of assets or closing of positions. SEB uses VaR, Delta 1% and Pillar 2 stress test scenarios defined by the SFSA to measure and limit interest rate risk arising from non-trading activities (referred to as interest rate risk in the banking book or IRRBB).

Net interest income (NII) risk: The NII risk depends on the overall business profile, particularly mismatches between interest-bearing assets and liabilities in terms of volumes and repricing periods. The NII risk is also exposed to a so-called "floor" risk. Asymmetries in product pricing create a margin squeeze in times of low interest rates, making it relevant to analyse both upward and downward changes. SEB monitors NII risk, but it is not assigned a specific limit.

Credit spread risk: Credit spread risk is the risk of loss or reduction of future net income following changes in credit spreads, including price risk in connection with the sale of assets or closing of positions. As opposed to credit risk, which applies to all credit exposures, only assets that are marked to market are exposed to credit spread risk. Credit spread risk is measured by VaR.

Foreign exchange or currency risk: Foreign exchange risk arises both through SEB's foreign exchange trading and through its operations in various currencies. While foreign exchange trading positions are measured and managed within the overall VaR framework, the group measures and manages the structural foreign exchange risk inherent in the structure of the balance sheet and earnings separately. Foreign exchange risk is monitored and limited using single and aggregated FX measures and VaR.

Equity price risk: Equityprice risk arises in connection with market making and trading in equities and related instruments. VaR is the main risk measure for equity price risk, complemented with sensitivities for derivative positions.

Commodity price risk: Commodity risk is the risk associated to the movements of commodity prices including cost of closing out the positions, and arises in customer-driven trading in commodities. Commodity price risk is measured by VaR.

Volatility risk: Volatility risk is defined as the risk of a negative financial outcome due to changes in the implied volatility. The price of an option contract is dependent on the estimate of future volatility of the underlying asset as quoted in the market, i.e., implied volatility. Volatility risk is measured by VaR.

Inflation risk: Inflation risk is the risk of losses in inflation-linked products due to changes in inflation.

Market liquidity risk: Market liquidity risk is the risk of loss in connection with the sale of assets or closing of positions due to bid-ask spread widening.

Credit value adjustment (CVA) risk: CVA arises from variations in the counterparty credit risk based on the expected future exposure. CVA is fundamentally credit risk, but the exposure is calculated using market risk drivers. Main risk drivers include credit spreads, interest rates and currency.

market risk is acceptable by setting the overall market risk limits and general instructions. The limits are based on recommendations from the Risk and Capital Committee of the Board of Directors, upon proposals made by the CRO. The Group Risk Committee delegates the market risk mandate set by the Board of Directors to the divisions and treasury function which, in turn, further delegate the limits internally. The Board of Directors has decided on a number of key risk measures to limit the total market risk exposure: Value-at-Risk (VaR), Delta 1%, Aggregated FX and stop-loss limits, maximum losses in stress tests (historical and forward-looking) and valuation uncertainty around level 3 assets. Within the divisions and the treasury function, limits are also imposed on different position and sensitivity measures and stress tests are conducted as appropriate to the various businesses.

The risk organisation measures, follows up and reports the market risk taken by the various units within the group on a daily basis. The risk control function is present in the trading room and monitors limit compliance and market prices at closing, as well as valuation standards and the introduction of new products. Market risks are reported on a monthly basis to the Group Risk Committee and the Board's Risk and Capital Committee. The risk organisation independently verifies prices and the valuation of positions held at fair value and calculates the prudent valuation capital buffers. Prudent valuation capital adjustments are taken across all fair value balances. ▶▶ *For further information about prudent valuation and valuation methodologies, refer to note 36 in the Annual Report.*

Measurement of market risk

When assessing the market risk exposure, SEB uses measures that capture losses under normal and stressed market conditions. Market risks under normal market circumstances are measured using Value at Risk (VaR), Expected Shortfall (ES), as well as specific measures that are relevant for the various risk types. These measures are complemented by stress tests and scenario analyses, in which potential losses under extreme market conditions are estimated. Since no method can cover all risks at all times, several approaches are used, and the results are assessed based on judgment and experience.

VaR and stressed VaR

VaR expresses the maximum potential loss that could arise during a certain time period with a given degree of probability. SEB uses a historical simulation VaR model with a ten-day time horizon and 99 per cent confidence interval to measure, limit and report VaR. The model aggregates market risk exposures for all risk types and covers a wide range of risk factors in all asset classes. SEB also uses a stressed VaR measure, where VaR calculations for the current portfolio are performed using market data from a historic, turbulent time period covering the Lehman Brothers default (April 2008–April 2009). In the day-to-day risk management of trading positions, limits and exposures are also followed up with a one-day time horizon.

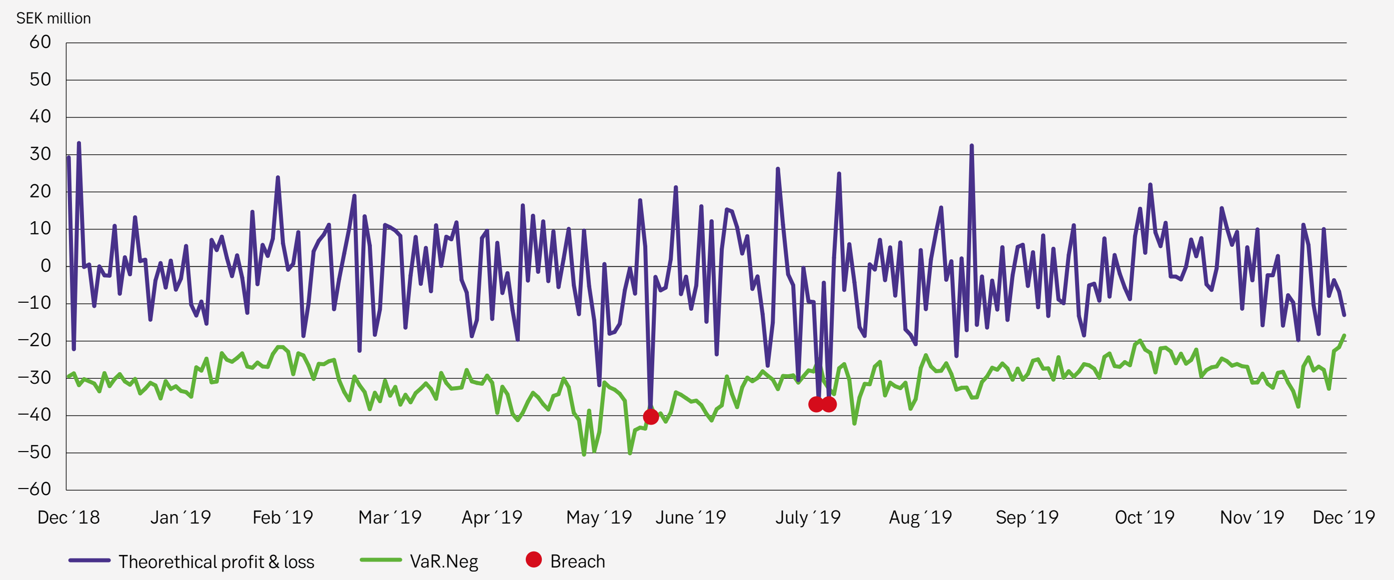
A limitation of SEB's VaR model is that it uses historical data to estimate potential market changes. As such it may not predict all outcomes, especially in a rapidly changing market. Also, VaR does not take into account any actions to reduce risk as the model assumes that the portfolio is unchanged.

SEB's VaR and stressed VaR models have been approved by the SFSA for calculation of regulatory capital requirements for all the general market risks in SEB's trading book in the parent company and in the subsidiary Skandinaviska Enskilda Banken S.A. in Luxembourg.

Back-testing of regulatory VaR-model

To verify and assure the model's accuracy, the VaR-model is back-tested on a daily basis by comparing the last 250 daily VaR estimates with the profit or loss for the corresponding days. Back-testing is used to verify that actual losses do not exceed the VaR level in more than one per cent of the trading days in line with the model confidence level. The daily theoretical result is calculated from end-of-day positions using full revaluation and updated market data. Back-testing is performed on desk level as well as on aggregated level.

Table 35. EU MR4 – Comparison of VaR estimates with losses
(SEK million, unweighted VaR vs. theoretical profit and loss, 99% confidence interval and one-day holding period)



COMMENTS

- *The chart above compares daily VaR of the trading book with theoretical losses in 2019.*
- *In 2019, the theoretical loss for the trading book exceeded VaR on three occasions.*

Table 36. Trading book VaR and Stressed VaR

SEK m **Value at Risk (99 per cent, ten days)**	Min	Max	31 Dec 2019	Average 2019	Average 2018
Commodities risk	9	70	27	21	19
Credit spread risk	19	53	23	29	23
Equity risk	21	90	21	48	35
Foreign exchange risk	11	99	29	42	41
Interest rate risk	38	103	40	65	51
Volatilities risk	20	44	27	33	27
Diversification			−108	−140	−106
TOTAL	**59**	**159**	**59**	**98**	**90**

SEK m **Stressed Value at Risk (99 per cent, ten days)**	Min	Max	31 Dec 2019	Average 2019	Average 2018
Commodities risk	22	168	43	51	59
Credit spread risk	159	295	160	216	183
Equity risk	68	352	77	172	131
Foreign exchange risk	37	297	144	121	120
Interest rate risk	230	710	253	390	392
Volatilities risk	28	153	54	83	95
Diversification			−439	−479	−477
TOTAL	**290**	**857**	**292**	**554**	**502**

Table 37. Banking book VaR

SEK m **Value at Risk (99 per cent, ten days)**	Min	Max	31 Dec 2019	Average 2019	Average 2018
Credit spread risk	38	149	50	52	42
Equity price risk	35	73	36	46	36
Foreign exchange rate risk	0	2	1	1	0
Interest rate risk	133	244	197	171	177
Diversification			−77	−76	−80
TOTAL	**135**	**261**	**206**	**194**	**176**

COMMENTS

- *In 2019, the group's 10-day VaR in SEB's trading-related activities averaged SEK 98m, compared to SEK 90m in 2018. Open market risk in SEB's trading portfolios increased during the first two quarters of 2019, but decreased during the last two quarters. The year ended with the lowest VaR of the year, SEK 59m, reflecting the reduced trading risk levels within the Markets organisation.*
- *The average banking book VaR increased by 10 per cent, due to a higher contribution from credit spreads and equity-related exposures, while the average interest rate risk decreased.*

Expected Shortfall

Expected Shortfall (ES) is the expected loss given a pre-defined time horizon, conditional that the loss is greater than the VaR for a specific confidence level. Thus, while VaR only shows the loss at a specific confidence level, ES will take the whole loss distribution into account and calculate the expected loss of all of the worst outcomes. ES is currently used within SEB to calculate the economic capital for market risk in the trading book.

Stress tests and scenario analyses

Scenario analysis and stress tests are a key part of the risk management framework, complementing the VaR measure. In particular, they test the portfolios using scenarios other than those available in the VaR simulation window, and cover longer time horizons. The 99 per cent confidence level used in the VaR model implies that a loss exceeding the VaR figure is expected once every 100 days. By using a more extensive set of market data scenarios than available in the simulation window of the VaR-model, stress testing makes it possible to estimate losses in scenarios that are more severe than the VaR 99 per cent scenario.

SEB stresses its portfolios by applying extreme movements in market factors which have been observed in the past (historical scenarios) as well as extreme movements that could potentially happen in the future. The movements could either be forward-looking and hypothetical or be based on observed historical movements. To further incorporate all possible events, the group complements the historical and hypothetical scenarios with reverse stress tests, which start from an outcome where, for example, a stop-loss limit would be breached and then identifies circumstances where this might occur. This type of analysis provides management with a view on the potential impact that large market moves in individual risk factors, as well as broader market scenarios, could have on a portfolio. The risk tolerance framework includes limits on maximum losses in various stress test scenarios.

Risk type-specific measures

As complementary analytical tools, SEB uses sensitivity and position measures as appropriate to the various instrument and risk types:

Delta 1%

SEB uses both gross and net delta 1% to measure interest rate risk sensitivity in the trading and banking books. Both measures are calculated for interest rate-based products and measure the change in market value following a simultaneous one percentage point parallel shift in interest rates for all currencies.

Aggregated FX positions

While foreign exchange trading positions are measured using VaR, the structural foreign exchange risk inherent in the structure of the balance sheet and earnings are measured separately through an aggregate FX limit. Aggregated FX is arrived at by calculating the sum of all short non-SEK positions and the sum of all long non-SEK positions. Aggregated FX is the larger of these two sums, in absolute value.

Stop-loss limits

Stop-loss limits are used throughout the group's trading activities. A stop-loss limit is a specified loss amount at which loss limiting measures must be executed in order to restrict potential losses of a position, portfolio or entity. Since it focuses on actual losses, the stop-loss framework covers all risk events and risk drivers, and helps limit losses under stressed market conditions.

Capital requirement for market risk in the trading book

SEB uses the internal model approach for calculation of regulatory capital requirements for all the general market risks in SEB's trading book in the parent company and in the subsidiary Skandinaviska Enskilda Banken S.A. in Luxembourg (VaR and SVaR-models). The capital requirement for remaining market risks in the trading book is calculated using the standardised approach. The break-down of risk exposure amount and the corresponding capital requirements are shown below.

Table 38. EU MR1 – Market risk under the standardised approach

SEK m		a	b	a	b
		31 Dec 2019		31 Dec 2018	
		RWAs	Capital requirements	RWAs	Capital requirements
	Outright products	6,913	553	10,601	848
1	Interest rate risk (general and specific)	5,739	459	6,349	508
2	Equity risk (general and specific)	1,173	94	1,363	109
3	Foreign exchange risk			2,889	231
4	Commodity risk				
	CIUs				
	Options				
5	Simplified approach				
6	Delta-plus method				
7	Scenario approach				
8	Securitisation (specific risk)				
9	**TOTAL**	**6,913**	**553**	**10,601**	**848**

COMMENT

- *Foreign exchange risk decreased SEK 3bn, of which SEK 2bn is a result of approval of changed methodology for structural foreign exchange risk.*

Table 39. EU MR2-A – Market risk under the IMA

SEK m		a	b	a	b
		31 Dec 2019		31 Dec 2018	
		RWAs	Capital requirements	RWAs	Capital requirements
1	**VaR**	**3,383**	**271**	**4,158**	**333**
(a)	Previous day's VaR (Article 365(1) of the CRR (VARt-1)	733	59	1,169	94
(b)	Average of the daily VaR (Article 365(1)) of the CRR on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 of the CRR	3,383	271	4,158	333
2	**SVaR**	**17,811**	**1,425**	**20,862**	**1,669**
(a)	Latest SVaR (article 365(2) of the CRR (SVaRt-1)	3,639	291	5,845	468
(b)	Average of the SVaR (article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (mc) (Article 366 of the CRR)	17,811	1,425	20,862	1,669
5	**Other**				
6	**TOTAL**	**21,195**	**1,696**	**25,020**	**2,002**

Table 40. EU MR3 – IMA values for trading portfolios

SEK m	31 Dec 2019	31 Dec 2018
VaR (10 day 99%)		
Maximum value	133	130
Average value	92	90
Minimum value	58	49
Period end	58	93
SVaR (10 day 99%)		
Maximum value	874	788
Average value	519	498
Minimum value	283	281
Period end	291	467
ICR (99.9%)		
Maximum value		
Average value		
Minimum value		
Period end		
Comprehensive risk capital charge (99.9%)		
Maximum value		
Average value		
Minimum value		
Period end		

V. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes compliance, legal and financial reporting, IT and information security, cyber security, security and venture execution risk.

Risk management

Operational risk is inherent in all of SEB's operations. Examples of operational incidents include fraud, business disruptions and system failures, misconduct by employees, failure to comply with applicable laws and regulations and failures or mistakes on the part of suppliers or external service providers. Such events could result in financial losses, litigation and regulatory fines, as well as reputational damage to SEB.

SEB aims to maintain a sound risk culture with low operational risk and loss level through an effective internal control environment by ensuring a structured and consistent usage of risk mitigating tools and processes. The Board of Directors has defined the overall aim and principles for identification, analysis and reporting, monitoring and measurement of operational risk in the Group Risk Policy and the Operational Risk Instruction, which in turn is supplemented by additional instructions and guidelines.

The business divisions and support functions own the risk inherent in their operations and the responsibility to identify, assess, monitor and manage operational risk rests with all managers throughout SEB. Operational risk managers are embedded within the first line of defense and are dedicated to assist managers in the day-to-day operational risk management. They are delegated the task to ensure an effective implementation of the operational risk management and internal control framework.

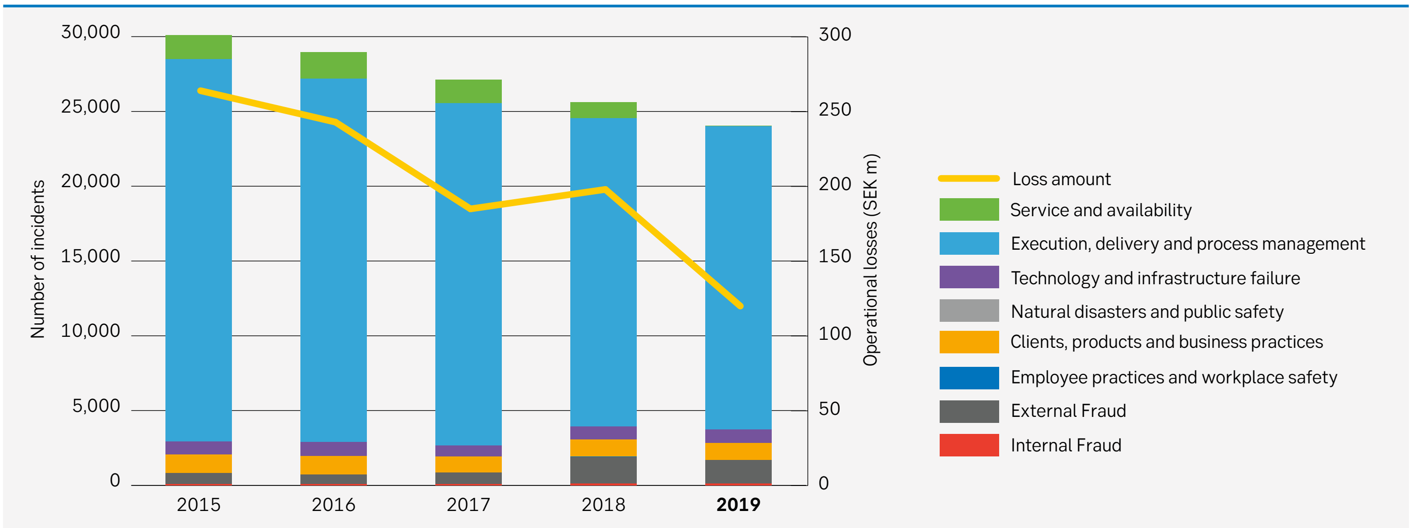
The risk organisation is responsible for identifying, monitoring, measuring, analysing and reporting SEB's operational risk. The main objective is to ensure that all operational risks inherent in the activities of SEB are identified and defined, as well as measured, monitored and controlled in accordance with external and internal rules. The risk organisation provides periodic risk reports on compliance with the operational risk tolerance set by the Board, status on key risk indicators, significant incidents and risk highlights to senior management, risk committees and the Board. The risk organisation also regularly monitors, assesses and reports on SEB's operational risk environment. The conclusions are summarised and reported to senior management, risk committees and the Board from two main aspects: firstly, main operational risks for the group, divisions and support functions, mitigating actions put in place and recommendations for further mitigating actions, and, secondly, how the bank's risk tools and processes are being applied to mitigate operational risk on a day to day basis.

SEB's structured approach working with operational risk has resulted in a decreased number of incidents and losses as well as increased risk awareness over the years. Despite a robust operational risk management framework, SEB strives to continuously improve its framework and risk practices to mitigate existing and emerging risks. In 2019, focus has been to further strengthen the cyber security and cyber risk framework and to continue to develop the model risk management framework. SEB's preventive work against money laundering and terrorist financing has also been in focus, including continuous development of KYC and risk assessment processes and transaction monitoring capabilities.

In 2019, net losses from operational incidents amounted to SEK –120m (–197), which was below SEB's historic average. Benchmarking against members of the Operational Risk Data Exchange Association (ORX) shows that SEB's operational losses are below the ORX average.

Please refer to the chapter Risk, Capital and Liquidity Management of the Annual Report for further description of operational risks and other non-financial risks.

Table 41. Operational risk incidents registered and analysed



Measurement of operational risk

SEB has received regulatory approval to use the Advanced Measurement Approach (AMA) to calculate the capital requirement for operational risk. This regulatory approval is a confirmation of SEB's experience and expertise in operational risk management, including incident reporting, operational loss reporting, capital modelling and quality assessment of processes.

Using the AMA model, SEB quantifies operational risk with a loss distribution approach, using internal data and external operational losses in the global financial sector. The AMA model is structured along the regulatory-defined business lines for operational risk where SEB's business volume serves as a risk estimate in the modelling. Once the capital requirement for the group has been calculated, it can be allocated in a fashion that is similar to the methodology used in the Standardised Approach, however using capital multipliers representing each business line's riskiness as assessed in the model. The quality of the risk management of the divisions, based upon their self-assessment, is taken into account as well. Efficient operational risk management results in a reduction of allocated capital and insufficient risk management results in an increase. The capital requirement for operational risk is not affected by any external insurance agreement to reduce or transfer the impact of operational risk losses. The total capital requirement for operational risk was SEK 3.8bn (3.8) at the end of 2019.

The AMA model is also used to calculate economic capital for operational risk, but with a higher confidence level and with the inclusion of loss events relevant for the life insurance operations. The calculation of expected losses takes into account both internal and external loss data and is used as input for business planning and stress tests at all levels in the bank.

The Basel Committee has decided on a standardised approach to calculate the operational capital requirement and it will replace all existing methods, including AMA, to calculate capital for operational risk. The standardised approach uses multipliers to banks' financial income statement, where also internal loss statistics will be considered. The standardised approach will come into effect on 1 January 2022.

The following tools and processes are used throughout the bank to continuously identify and manage operational risk:

New Product Approval Process
All new or changed products, processes and/or systems as well as reorganisations are evaluated in a group-common New Product Approval Process (NPAP). The aim is to identify potential operational risks and ensure that proactive measures are taken to protect SEB from entering into unintended risk-taking that cannot be immediately managed by the organisation.

Risk and Control Self-Assessments
All business units with significant risk embedded in their operations shall regularly complete Risk and Control Self-Assessments (RCSA) according to a group-wide methodology. The assessments are based on their consolidated operations and the assessments are designed to identify and mitigate operational risks embedded in the process end-to-end. The RCSA framework is used to analyse SEB's operational risk profile and help achieve operational excellence and high performance.

Business continuity management
Business continuity management (BCM) is the process of ensuring that the organisation is prepared to respond to and operate through a period of major disruption. SEB's BCM framework provides methods and processes to ensure readiness to recover, resume and maintain business critical functions and processes. There are strategies and plans in place to enable recovery and continuity of critical functions and processes in case of major disruptions.

Crisis management
Crisis Management Teams are established on Group, country and divisional level to ensure quick response and management of serious disruption in order to protect the lives, health and assets of employees, customers and other stakeholders.

Incident management
All employees are required to escalate and register risk-related events so that risks can be properly identified, assessed, monitored, mitigated and reported. SEB uses a group-wide system to capture risk-events and other operational risk data and key metrics. The information is analysed by both first and second lines of defense to evaluate operational risk exposures and identify businesses, processes, activities, services or products with an increased level of operational risk.

Conduct, training and whistle-blowing procedure
SEB conducts regular training and education in key areas, including information security, fraud prevention, anti-money laundering, know-your-customer procedures and SEB's Code of Business Conduct. SEB also has an independent, external whistle-blowing procedure that encourages employees to report improprieties and unethical or illegal conduct.

Insurance coverage
SEB is insured to a limited degree to cover for financial loss as a consequence of criminal acts committed with the intention of obtaining illegal financial gain, compensatory damages or settlements for financial loss caused by a negligent act, error or omission, and damages or settlements caused by loss or damage to property or by bodily injury.

VI. Liquidity risk

Risk management

Liquidity risk is the risk that the group is unable to refinance its existing assets or is unable to meet the demand for additional liquidity. Liquidity risk also entails the risk that the bank is forced to borrow at unfavourable rates or is forced to sell assets at a substantial loss in order to meet its payment commitments.

The aim of SEB's liquidity management is to ensure that the group has a controlled liquidity situation, with adequate volumes of liquid assets in all relevant currencies to meet its liquidity requirements in all foreseeable circumstances, without incurring substantial cost. The treasury function has the overall responsibility for liquidity management and funding strategy and is supported by local treasury centres in the group's major markets.

The Board of Directors has established a comprehensive framework for managing the bank's liquidity requirements in the short- and long-term. Liquidity management and the structuring of the balance sheet from a liquidity point of view are built on three basic perspectives: (i) the structural liquidity perspective, in which stable funding is put in relation to illiquid assets; (ii) the bank's tolerance for short-term stress in the form of a shutdown of the wholesale and interbank funding markets (wholesale funding dependence); and, (iii) the bank's tolerance to a severe stress scenario where, in addition to a shutdown of the funding market, the bank experiences a severe outflow of deposits. The three perspectives are summarised in the simplified balance sheet below.

In addition to the above approaches of looking at liquidity, there are a number of targets that SEB strives to meet, including a diversified funding base, wholesale funding maturities that are well distributed over time, sufficient over-collateralisation in the bank's cover pools and to make sure that the level of encumbered assets is acceptable to unsecured creditors.

The liquidity risk is managed through the limits set by the Board, which are further allocated by the Group Risk Committee. Liquidity limits are set for the group, branches and specific legal entities, as well as for exposures in different currencies.

The risk organisation measures and follows up the liquidity risk and limit utilisation on a daily basis, which is reported to management. Risk utilisation based on different market conditions and liquidity stress tests are analysed continuously and reported at least on a monthly basis to the Group Risk Committee and the Board's Risk and Capital Committee.

Liquid assets

To mitigate liquidity risk and ensure that SEB is able to meet its payment obligations, SEB holds liquid assets which is managed by the treasury function. SEB's liquid assets, in accordance with the template defined by the Swedish Bankers' Association, amounted to SEK 470bn (403) at year-end 2019. ▸▸ *For details on the liquid assets, please refer to Annual Report note 40.*

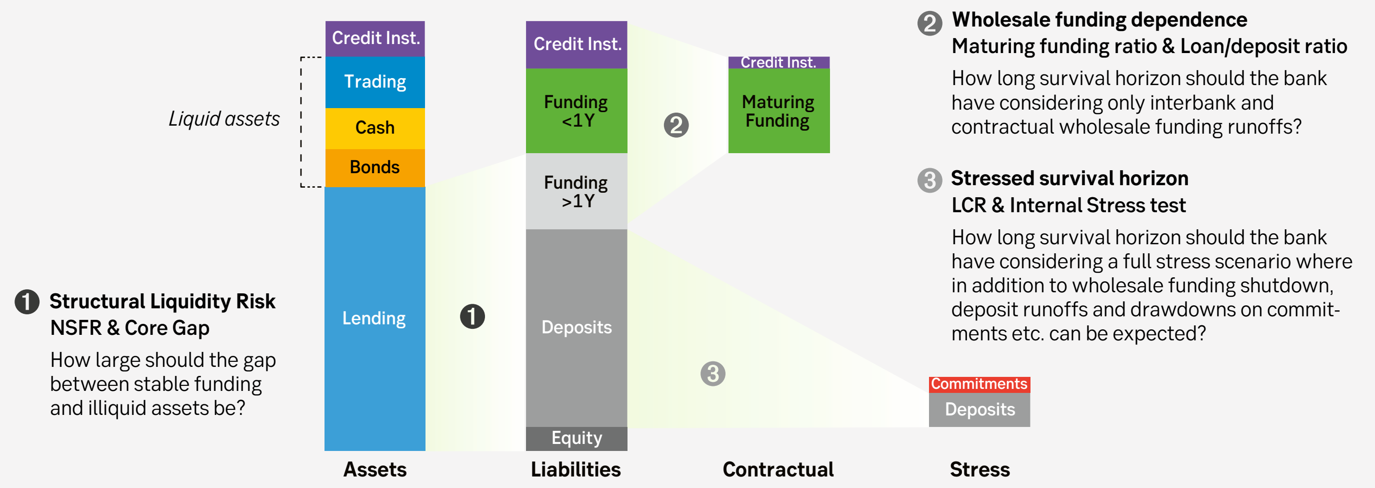
Internal liquidity adequacy assessment process

Liquidity risk is not primarily mitigated by capital. However, there are strong links between a bank's capital and liquidity position. Hence, an internal liquidity adequacy assessment process (ILAAP) complements the ICAAP. The assessment is governed by the treasury function with input from the risk and finance organisations. The process is designed to identify potential gaps against SEB's long-term desired level of liquidity adequacy, taking into account that effective liquidity management is an ongoing improvement process.

Measurement of liquidity risk

The risk organisation is responsible for the liquidity risk measurement methods and metrics used within SEB. In order to quantify and manage short- and long-term liquidity risk, a range of customised methods and metrics are used to assess the structure of the balance sheet and cash flows under both normal and stressed market conditions. Liquidity gaps shall be identified through measurement of cumulative net cash flows arising from the assets, liabilities and off-balance sheet positions in various time buckets.

Balance sheet structure illustrative



Structural liquidity risk
In order to maintain a sound structural liquidity position, the structure of the liability side should be based on the composition of assets. The more long-term lending and other illiquid assets, the more stable funding is required. In SEB, this is measured as the Core Gap ratio, which is conceptually equivalent to the Basel Committee's Net Stable Funding Ratio (NSFR), i.e. a ratio between stable funding (over 1 year maturity) and illiquid assets (over 1 year maturity). The difference between the internal Core Gap ratio and the external NSFR is that the Core Gap ratio is calculated and parameterised on a more detailed level, based on internal statistics resulting in different weightings of available stable funding and required stable funding.
SEB's Core Gap ratio amounted to 109 per cent at year-end 2019 (110). SEB manages its liquidity position in line with the upcoming regulatory NSFR requirement of 100 per cent, which will be effective as of mid-2021.

Wholesale funding dependence
One way of measuring tolerance for deteriorating market conditions is to assess the time that SEB's liquid assets would last if the wholesale and interbank funding markets were closed. This measure, the maturing funding ratio, captures the bank's liquid assets in relation to wholesale funding and net interbank borrowings that come to maturity over the coming months, or as the number of months it would take to deplete the liquid assets in a scenario where all maturing funding must be repaid from liquid assets. Wholesale funding dependence is also measured as the loan to deposit ratio, excluding repos and reclassified debt securities.
SEB's loan to deposit ratio amounted to 143 per cent (140) as at year-end 2019.

Stressed survival horizon
Severe stress can be modelled by combining assumptions of a wholesale funding market shutdown with assumptions of deposit outflows and drawdowns on commitments, etc. The outcome is captured by the regulatory defined Liquidity Coverage Ratio (LCR) where, in a stressed scenario, modelled net outflows during a 30-day period are related to the amount of total liquid assets. Since 1 January 2018, EU's definition of the LCR is used. SEB also measures the time it would take for the liquid assets to be depleted in an internally defined severely stressed scenario, expressed as the stressed survival horizon. In addition, SEB monitors various rating agencies' survival metrics.
SEB's LCR amounted to 218 per cent (147) as of year-end 2019. This shows that the bank is well funded in the event of a short-term stress in the funding markets.

Table 42. LCR summary
Disclosure according to Article 435 of Regulation (EU) No 575/2013

SEK bn		Total unweighted value (average)				Total weighted value (average)			
		Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)					513	490	494	509
Cash-outflows									
2	Retail deposits and deposits from small business customers, of which:	454	467	468	460	37	39	38	37
3	*Stable deposits*	*259*	*265*	*270*	*274*	*13*	*13*	*13*	*14*
4	*Less stable deposits*	*195*	*203*	*199*	*186*	*24*	*25*	*25*	*23*
5	Unsecured wholesale funding	751	735	740	750	382	366	355	344
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*383*	*389*	*410*	*439*	*93*	*95*	*100*	*107*
7	*Non-operational deposits (all counterparties)*	*329*	*303*	*279*	*256*	*249*	*228*	*204*	*182*
8	*Unsecured debt*	*39*	*43*	*51*	*56*	*39*	*43*	*51*	*56*
9	Secured wholesale funding					35	33	31	29
10	Additional requirements	526	534	548	560	75	74	75	76
11	*Outflows related to derivative exposures and other collateral requirements*	*40*	*39*	*37*	*36*	*23*	*22*	*21*	*20*
12	*Outflows related to loss of funding on debt products*								
13	*Credit and liquidity facilities*	*487*	*495*	*511*	*524*	*52*	*52*	*54*	*56*
14	Other contractual funding obligations	72	79	84	90	18	18	19	19
15	Other contingent funding obligations	10	10	10	11	1	1	1	1
16	**TOTAL CASH OUTFLOWS**					**547**	**530**	**519**	**505**
Cash-inflows									
17	Secured lending (eg reverse repos)	259	282	302	322	66	66	63	62
18	Inflows from fully performing exposures	157	162	166	167	120	123	124	125
19	Other cash inflows	17	16	17	16	17	16	17	16
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	**TOTAL CASH INFLOWS**	**433**	**461**	**485**	**506**	**202**	**205**	**205**	**203**
EU-20a	***Fully exempt inflows***								
EU-20b	***Inflows Subject to 90% Cap***								
EU-20c	***Inflows Subject to 75% Cap***	***320***	***348***	***372***	***391***	***202***	***205***	***205***	***203***
						Total adjusted value			
21	**LIQUIDITY BUFFER**					**513**	**490**	**494**	**509**
22	**TOTAL NET CASH OUTFLOWS**					**345**	**325**	**314**	**302**
23	**LIQUIDITY COVERAGE RATIO (%)**					**150**	**152**	**158**	**170**

Asset encumbrance

The primary source of asset encumbrance in SEB is the issuance of covered bonds, which is a funding source used to fund residential mortgages. The overcollateralisation for covered bonds in below tables represents the 2 per cent regulatory required overcollateralisation. The bank also has voluntary overcollateralisation additional to the statutory requirement of 2 per cent to be able to withstand a significant property price fall caused by a disruption in the real estate market. Retained covered bonds that are non-encumbered amount to SEK 0.5bn (0.4).

Furthermore, asset encumbrance is also driven by client facilitation within the Markets business where secured financing transactions, such as repos and securities lending and borrowings, give rise to the need for collateral both on and off the balance sheet. Other sources of asset encumbrance include collateral management and derivatives. Unencumbered other assets include assets such as intangible assets and derivatives.

The majority of the encumbered assets and collateral are derived from parent company Skandinaviska Enskilda Banken AB (publ), and there is no significant intragroup encumbrance. The largest original currency of encumbered assets and collateral as well as source of encumbrance is SEK, followed by EUR and USD.

In the below tables, an asset is treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn. In the Annual Report, only pledged and transferred assets are recognised as encumbered, except for covered bonds.

Amounts are median values based on end of period carrying amounts of asset encumbrance reporting for each of the latest four quarters, and are determined by interpolation. The medians disclosed in 'Total rows' are medians of the sums.

Table 43. Asset encumbrance

Encumbered and unencumbered assets

SEK m	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
31 Dec 2019		*of which notionally elligible EHQLA and HQLA*		*of which notionally elligible EHQLA and HQLA*		*of which EHQLA and HQLA*		*of which EHQLA and HQLA*
Assets of the reporting institution	**444,768**	***16,878***			**2,136,377**	***367,379***		
Equity instruments	19,292		19,292		38,277		38,211	
Debt securities	22,289	*16,878*	22,289	*16,878*	220,433	*163,913*	220,764	*163,913*
of which: covered bonds	*10,957*	*10,011*	*10,957*	*10,011*	*72,149*	*65,768*	*72,149*	*65,768*
of which: asset-backed securities					*7,860*		*7,621*	
of which: issued by general governments	*10,864*	*5,682*	*10,864*	*5,682*	*71,427*	*48,700*	*71,496*	*48,700*
of which: issued by financial corporations	*11,382*	*11,382*	*11,382*	*11,382*	*116,942*	*92,961*	*116,742*	*92,961*
of which: issued by non-financial corporations	*140*		*140*		*5,517*	*461*	*5,517*	*461*
Other assets	405,666				1,883,258	*208,439*		
of which: mortgage loans	*371,457*				*513,478*			
of which: loans and advances other then loans on demand and mortgage loans	*793*				*1,012,381*			

SEK m	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
31 Dec 2018		*of which notionally elligible EHQLA and HQLA*		*of which notionally elligible EHQLA and HQLA*		*of which EHQLA and HQLA*		*of which EHQLA and HQLA*
Assets of the reporting institution	**430,417**	***20,928***			**1,994,367**	***379,587***		
Equity instruments	14,843		14,843		29,088		29,057	
Debt securities	32,710	*20,928*	32,710	*20,928*	179,629	*124,497*	179,219	*124,497*
of which: covered bonds	*20,250*	*13,608*	*20,250*	*13,608*	*57,775*	*53,498*	*57,775*	*53,498*
of which: asset-backed securities					*6,239*		*6,239*	
of which: issued by general governments	*12,720*	*5,796*	*12,720*	*5,796*	*75,292*	*44,046*	*73,881*	*44,046*
of which: issued by financial corporations	*20,111*	*13,605*	*20,111*	*13,605*	*94,737*	*69,708*	*95,960*	*69,708*
of which: issued by non-financial corporations	*158*		*158*		*6,335*	*640*	*6,335*	*640*
Other assets	385,065				1,779,421	*255,090*		
of which: mortgage loans	*349,280*				*466,427*			
of which: loans and advances other then loans on demand and mortgage loans	*9,270*				*921,156*			

Table 42. Asset encumbrance

Collateral received

SEK m 31 Dec 2019	Fair value of encumbered collateral received or own debt securities issued	*of which notionally elligible EHQLA and HQLA*	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	*of which EHQLA and HQLA*
Collateral received by the reporting institution	**200,598**	**102,387**	**178,037**	**112,701**
Loans on demand				
Equity instruments	72,591		33,108	
Debt securities	125,720	102,387	137,164	112,701
of which: covered bonds	*61,031*	*55,607*	*84,969*	*73,216*
of which: asset-backed securities				
of which: issued by general governments	*56,272*	*38,605*	*42,598*	*31,571*
of which: issued by financial corporations	*69,132*	*63,782*	*90,056*	*78,521*
of which: issued by non-financial corporations	*629*		*1,794*	*28*
Loans and advances other than loans on demand				
Other collateral received				
Own debt securities issued other than own covered bonds or asset-backed securities			**226**	
Own covered bonds and asset-backed securities issued and not yet pledged				
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**645,321**	**122,122**		

SEK m 31 Dec 2018	Fair value of encumbered collateral received or own debt securities issued	*of which notionally elligible EHQLA and HQLA*	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	*of which EHQLA and HQLA*
Collateral received by the reporting institution	**191,374**	**81,236**	**115,344**	**69,042**
Loans on demand				
Equity instruments	80,292		31,319	
Debt securities	101,071	81,236	87,052	69,042
of which: covered bonds	*42,601*	*34,719*	*49,937*	*44,280*
of which: asset-backed securities				
of which: issued by general governments	*53,551*	*42,685*	*31,900*	*27,370*
of which: issued by financial corporations	*43,745*	*34,102*	*55,842*	*44,345*
of which: issued by non-financial corporations	*783*	*4*	*1,432*	*38*
Loans and advances other than loans on demand				
Other collateral received				
Own debt securities issued other than own covered bonds or asset-backed securities			**105**	
Own covered bonds and asset-backed securities issued and not yet pledged				
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**620,865**	**103,580**		

Sources of encumbrance

SEK m	31 Dec 2019 Matching liabilities, contingent liabilities or securities lent	31 Dec 2019 Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	31 Dec 2018 Matching liabilities, contingent liabilities or securities lent	31 Dec 2018 Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**609,039**	**645,321**	**579,366**	**620,865**
of which: derivatives	*48,327*	*65,835*	*37,341*	*58,772*
of which: repos	*35,286*	*35,299*	*24,610*	*24,639*
of which: securites financing	*22,026*	*22,132*	*24,014*	*24,933*
of which: covered bonds	*357,257*	*364,415*	*331,479*	*338,117*
of which: collateral management	*124,570*	*129,331*	*123,727*	*128,531*
of which: collateralized deposits other than repurchase agreemnets	*25,014*	*26,089*	*36,865*	*38,243*
of which: other		*1,417*		*1,712*

VII. Other risks

Insurance risk

Insurance risk in SEB consists of all risks related to the group's life insurance operations, which consist of unit-linked, traditional life and risk insurance. The main risks include market risk and underwriting risk.

SEB's life insurance operations are conducted within the SEB Life Group. Unit-linked products represent the majority of the business. In 2016, SEB re-opened sales within traditional life insurance in Sweden, after having been closed since 2007. SEB also offers insurance policies in Ireland and the Baltic countries.

The SEB Life Group is exposed to market risks through the investments linked to traditional life insurance policies with guaranteed benefits and risk insurance operations at each subsidiary, as well as through investments of own equity. The traditional insurance business generates a majority of the market risk, driven by the risk of losses on traditional life insurance policies with guaranteed benefits due to changes in fair value of assets and liabilities. Such changes in fair value can be caused by changes in interest rates, credit spreads, equity prices, property prices, exchange rates and implied volatilities.

In the unit-linked insurance products, the market risk is borne by the policyholder. However, SEB has an indirect exposure to market risk through the policyholders' investments, since a part of the future income stream is based on the value of the assets under management.

Underwriting risk pertains to the risk of loss or of negative changes in the value of insurance liabilities (technical provisions) due to inadequate pricing and/or provisioning assumptions. It includes factors such as mortality, longevity, disability/morbidity (including risks that result from fluctuation in the timing and amount of claim settlements), catastrophe risk (e.g., extreme or irregular events), expense risk and lapse risk (i.e., policyholder behaviour risk).

Risk management and measurement

Market risk in the traditional life insurance products with guaranteed returns can be mitigated through standard market risk hedging schemes and monitored through asset/liability management (ALM) risk measures and stress tests. This is supplemented by market risk tools such as VaR and scenario analysis. In the traditional products, the difference between asset values and the guaranteed obligations constitutes a buffer against profit and loss volatility.

Underwriting risks are controlled through the use of actuarial analysis and stress tests of the existing insurance portfolio. Mortality and disability/morbidity risks are usually reinsured for large individual claims or for several claims attributable to the same event. Underwriting risk parameters are validated annually. Policyholders within certain traditional life insurance products are free to transfer/surrender their policies from SEB. The utilisation of this option has been very low historically. Nevertheless, to safeguard against unplanned cash outflows sufficient liquid investments are maintained. Regular cash flow analysis is conducted to mitigate this risk.

The profitability of existing and new business is closely monitored, and look-through of funds is implemented to the extent possible for better calculation of capital requirements under the Solvency II regime.

The risk control organisation is responsible for measuring, monitoring and reporting the risks inherent in SEB's life insurance operations. Measurement and monitoring are performed on a regular basis for each insurance company. Solvency capitalization calculations, in line with the Solvency II regulatory framework, are performed regularly and the required reporting is submitted to the financial supervisors on a quarterly basis. Solvency figures are closely monitored over time. Key risks are reported to the Group Risk Committee, the Board's Risk and Capital Committee and to the boards of each insurance company.

Solvency II

Solvency II, which became effective as of 1 January 2016, is a regulatory framework for the governance, internal control and capital requirements for insurance companies across Europe. The regulation is intended to facilitate transparency and comparability, and to ensure companies' ability to meet their obligations and thus increase protection for policyholders. Under Solvency II, an insurance company's capital requirement is risk-based, rather than the previous application of a fixed percentage of the company's technical provisions. All risks are taken into account, including market risk, underwriting risk and operational risk. Stress testing is applied to assess the company's resilience to sudden changes in assets and liabilities.

In addition, the regulatory framework places increased demands on a company´s directors to ensure good risk management and more extensive reporting to the regulatory authorities and the public.

Pension risk

Pension risk is the risk that allocated funds for defined benefit pension plans should prove insufficient to meet future payments. The risk related to the SEB Group pension plan is in some ways comparable in nature to the risk of traditional life insurance products and is measured in a similar way. However, the pension obligations are defined and therefore not depending on the earnings of the pension foundation. This means that pension risk resides with the employer in the respect that if future payments are not fully covered by the allocated funds in the pension foundation, the payments would have to be made by the SEB Group. The risk organisation regularly monitors and reports on the risk development of the pension foundations to the Group Risk Committee and the Board's Risk and Capital Committee.

Business risk

Business risk is the risk of lower revenues due to reduced volumes, price pressure or competition. Business risk includes venture decision risk (related to undertakings such as acquisitions, large IT projects, transformations, outsourcing, etc.). Strategic risk is close in nature to business risk, but focuses on large-scale or structural risk factors. Reputational risk is the risk arising from negative perception of SEB or the industry in general.

Business, strategic and reputational risks are inherent in doing business. Digitalisation of the banking industry is accelerating and new types of competitors are emerging. The extensive new regulatory framework for banking and financial institutions is significantly impacting the industry. Integration of sustainability in the strategic agenda plays an increasingly important part of a company's reputation. SEB continuously works to mitigate business, strategic and reputational risks in many ways, for example, through regular strategic business reviews, proactive cost management, an agile step-by-step IT development approach, an ambitious corporate sustainability agenda and active dialogues on regulatory matters.

VIII. Capital management and own funds

The group's capital management seeks to balance shareholders' demand for return with the financial stability requirements of regulators, debt investors, business counterparties and other market participants, including rating agencies.

Capital management

Governance

The capital policy defines how SEB's capital management should support its business goals, the bank's dividend policy and rating targets. The capital policy is established by the Board of Directors based on recommendations from the Risk and Capital Committee of the Board of Directors. The policy is reviewed yearly.

The Chief Financial Officer is responsible for the process to assess capital requirements in relation to the group's risk profile and for proposing a strategy for maintaining the capital levels. This process, the internal capital adequacy assessment process (ICAAP), is integrated with the group's business planning and is part of the internal governance framework and internal control systems.

Capital management

In its capital plan, SEB considers internal views on material risks and their development as well as risk measurement models, risk governance and risk mitigants. It is linked to overall business planning and establishes a strategy for maintaining appropriate capital levels. Together with continuous monitoring and reporting of the capital adequacy to the Board, this ensures that the relationship between shareholders' equity, economic capital, regulatory and rating-based requirements are managed so that the survival of the bank is not jeopardised.

SEB's capital plan covers the strategic planning horizon and projects economic and legal capital requirements, as well as available capital resources and relevant ratios including risk-based and non-risk based metrics such as the leverage ratio. It is forward-looking, taking into account current and planned business volumes. The capital plan is stress tested for potential down-turns in the macroeconomic environment, strategic risk factors identified in the business planning, and other relevant scenarios. The capital plan is established annually, and updated as needs arise during the year. Capital is managed centrally, pursuant to an internal framework in accordance with local requirements as regards statutory and internal capital.

The ICAAP is used as input to the regulatory supervisors to annually assess SEB in accordance with the parameters of the Supervisory Review and Evaluation Process (SREP), including the bank's capital adequacy, risk measurement models and risk governance, among other things. The SFSA concluded in its latest SREP that SEB is sufficiently capitalised and adequately measures and manages its risks.

Regulatory capital requirements

The regulatory capital requirements have evolved in the last few years, both in terms of which risks are covered and in terms of the capital base components. The regulatory requirement is split into Pillar 1 (general minimum requirements for all institutions) and Pillar 2 requirements (based on an individual assessment of each institution). The components of the SFSA's estimated capital requirements for SEB as of year-end 2019 are illustrated in the table below. In 2019, the countercyclical buffer for SEB increased from 1.2 per cent to 1.5 percent, primarily as a result of increased countercyclical buffer levels on both Swedish and Norwegian credit exposures from 2.0 per cent to 2.5 per cent. SEB estimates the Swedish FSA's CET1 capital requirement to 15.1 per cent as of year-end 2019.

Table 44. **Regulatory capital requirement**

31 Dec 2019	CET1	AT1	Tier 2	Total
Minimum requirement	4.5%	1.5%	2.0%	**8.0%**
Capital conservation buffer	2.5%			**2.5%**
Systemic risk buffer	3.0%			**3.0%**
Sub total excl countercyclical buffer	**10.0%**			**13.5%**
Countercyclical buffer	1.5%			**1.5%**
Total Pillar 1	**11.5%**	**1.5%**	**2.0%**	**15.0%**
Systemic risk requirement	2.0%			**2.0%**
Credit concentration risk	0.3%	0.0%	0.1%	**0.4%**
Interest rate risk in the banking book	0.5%	0.1%	0.1%	**0.6%**
Pension risk	0.5%	0.1%	0.1%	**0.7%**
Corporate exposures – maturity floor	0.3%	0.0%	0.1%	**0.4%**
Total Pillar 2	**3.6%**	**0.2%**	**0.3%**	**4.2%**
TOTAL CAPITAL REQUIREMENT	**15.1%**	**1.7%**	**2.3%**	**19.2%**

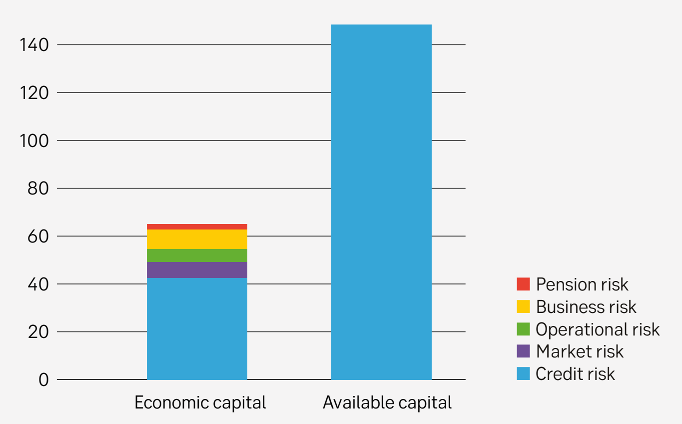
Capitalisation target

The Board of Directors sets SEB's capitalisation target to ensure that the group's capital is sufficient both to support its business strategy and risk tolerance and to safeguard that the bank can maintain its capital ratios above regulatory requirements also in less favourable economic conditions. Currently, the Board's capital target is to maintain a Common Equity Tier 1 (CET1) capital ratio of around 150 basis points above the CET1 capital ratio required by the SFSA, implying a target for the CET 1 capital ratio of around 16.6 per cent as of year-end 2019. SEB's CET1 capital ratio amounted to 17.6 per cent as of year-end 2019.

Economic capital

SEB uses an economic capital model to internally assess the capital requirement of the group. The model is similar to the Basel III rules for capital adequacy in that many of the underlying risk components are the same. However, it is not fully comparable with the estimated capital requirement published by the SFSA due to differences in assumptions and methodologies. The economic capital is calculated with a one-year horizon and based on a confidence level of 99.97 per cent, which is equivalent to the capital requirement for a very high debt credit rating. Diversification effects between risk types reduce the total amount of economic capital, since unexpected losses requiring capital buffers are not likely to occur simultaneously for all risk types. The shareholders' equity and other financial resources which can absorb unexpected losses are referred to as available capital.

Table 45. **Economic capital for the consolidated situation**
Economic capital including diversification effects, SEK bn



COMMENTS

- *As of 31 December 2019, the internally assessed capital requirement for the consolidated situation (i.e., excluding insurance operations) amounted to SEK 65bn (62), of which credit risk accounts for the largest part.*
- *Available capital to cover for the economic capital amounted to SEK 148bn (141), which shows that SEB is well capitalised in relation to its risks.*

Capital allocation and business equity

In addition to ensuring that SEB has an adequate capital buffer, capital management also ensures that capital is used where it can generate the best risk-adjusted returns. Capital is managed centrally, meeting also local requirements as regards statutory and internal capital. A clear governance process is in place for capital injections from the parent bank to subsidiaries. SEB employs an internal capital allocation framework for measuring risk and profitability. The basis for this framework, called business equity, is derived from regulatory capital requirements and is calibrated with SEB's capital targets. The business equity framework allocates the total level of equity needed to maintain a desired capital adequacy to the business units in proportion to risks undertaken. Thus business equity is a risk measure, since individual transactions are allocated business equity in proportion to their risks.

Stress testing

SEB views the macroeconomic environment as the major driver of risk to the bank's earnings and financial stability. To arrive at an appropriate and comprehensive assessment of the bank's financial strength, both the expected development of the economy as well as stressed scenarios representing more severe conditions are taken into consideration. Stress testing is used to assess an extra safety margin over and above the formal capital model requirements, covering, for example, the potential of a sharp decline in the macroeconomic environment.

Using recession scenarios and contrasting them to the base scenario of the financial plan, the stress testing framework projects the risk level in relation to available capital resources. In the stressed scenarios, projected earnings for future years are lower, credit losses increase, and average risk weights in credit portfolios increase due to negative risk class migration. The stress testing framework uses historical experience (such as the Swedish banking crisis in the early 1990's and crises comparable to the one experienced in the Baltic countries in recent years) and internal statistics to quantify the level of stress that the base scenario should be exposed to.

SEB typically works with different stress test scenarios designed to reflect both probable and hypothetical scenarios. The probable scenarios have a sufficient connection with historical observation to enable calculation of the likely effect, whereas the hypothetical scenarios represent tail events where historical data is scarce or not available. Care is taken to ensure that the economic parameters fit with each other. A full stress test contains a number of scenarios where more probable outcomes for certain parameters are combined with hypothetical events for other parameters.

Performing this kind of stress testing constitutes an important part of SEB's process for capital assessment over the long-term planning horizon. Available and required capital is computed, con-

Update on regulatory requirements affecting capital

The EU Banking Package – further risk reduction measures
As per end of June 2019, the EU finalised the so-called 'banking package', which includes a number of measures aimed at reducing risk in the banking industry. The package includes changes to regulations on bank capital requirements (CRR2/CRD5) and the resolution of banks (BRRD2). The package implements, for example, a binding leverage ratio and a binding net stable funding ratio into EU legislation. It will also implement a harmonization of the rules for capital requirements and minimum requirements for own funds and eligible liabilities (MREL) into EU legislation. Applicable requirements for capital and MREL for Swedish banks are expected to be aligned to the new EU rules when they are implemented. CRR2 will be implemented on 28 June 2021 and CRD5 and BRRD2 should be implemented in Member States by 28 December 2020.

Finalisation of the Basel III framework
In December 2017, the Basel Committee presented the framework for revisions to the Basel III framework (also referred to as Basel IV). The revised framework includes restrictions to internal risk measurement models, as well as an output floor based on the standardised method. While SEB has assessed the capital effects of the revised framework, it is still too early to have a firm opinion about such effects. This is due to the fact that a number of issues are to be finalised with respect to the adaptation to national supervisory regimes. According to the Basel Committee, implementation should start on 1 January 2022.

The European Commission is planning to release its proposal for the implementation of Basel IV into EU legislation by mid-2020. Following the release, political negotiations will commence, and it is expected that the EU will not meet the Basel Committee's implementation deadline.

In a parallel initiative, the European Banking Authority (EBA) is, together with national supervisors, attempting to harmonise and reduce variation in the implementation of internal models for capital adequacy. EBA proposes to introduce requirements on definitions and model parameters, and prescribe more detailed requirements on decision processes. The EBA has decided to extend the deadline for changes to rating systems (PD) by one year, until the end of 2021. In addition, considering the interaction with Basel IV, the EBA allowed for changes to loss given default (LGD) and conversion factors to be implemented by the end of 2023.

Lending to the Commercial Real Estate sector
In January 2020, the Swedish FSA announced a Pillar 2 measure for exposures to the commercial real estate sector corresponding to the difference between specified risk weights and a bank's actual risk weight for such exposures. The specified risk weights have been set at 35 per cent for corporate exposures collateralised by commercial real estate and 25 per cent for corporate exposures collateralised by commercial residential properties in Sweden. This Pillar 2 requirement will be applied in the Supervisory Review and Evaluation Process (SREP) in 2020, which is expected to be finalised in the third quarter.

SEB's stress testing framework covers all main risk types:

Credit risk Key economic criteria from recession scenarios are correlated with historical observed default data used in the average through-the-cycle credit models. In the stressed scenarios, credit losses increase and average risk weights are impacted by worsening risk classes due to assumed risk class migrations. Both internal and external default and loss data are used together with historical and scenario macroeconomic data to predict the effect on the bank's existing credit portfolio considering default rates and loss levels by country and by portfolio. In this way, the sensitivity of different parts of the portfolio can be identified, enabling the bank to manage risk more effectively. The concentration to large exposures is also stressed by simulating the effect of a default by one or more of these despite their investment grade rating.

Market risk SEB uses both historical and forward-looking scenarios to stress test its portfolios. The scenarios are reviewed regularly and are part of SEB's market risk tolerance framework. The stress tests cover the main risk factors relevant to SEB's portfolios.

Operational risk Key economic criteria from recession scenarios are correlated with historically observed operational losses both in SEB and externally to produce an expected loss for each adverse scenario. Idiosyncratic, highly unlikely scenarios, e.g., a rogue trader event, are also run as special cases to contrast their effect both during mild and severe recessions.

Funding and business risk Key economic criteria from recession scenarios are correlated with historically observed trading and fee income levels together with projections of likely costs. Net interest income levels are estimated using the scenario interest rate and credit spread data. Overall, the result in most scenarios is a reduction of operating profit before credit, market and operational risk losses.

tingent on the stressed environment, for each year in the scenarios. This makes it possible to assess SEB's financial strength under even more adverse conditions than those assumed in financial plans.

Stress test scenarios and results are discussed in the Board's Risk and Capital Committee, the Group Risk Committee and the Group Asset and Liability Committee. The risk organisation is responsible for the stress test methodologies.

In addition to the internal stress tests, SEB's capital adequacy is regularly stress tested by regulatory supervisors and other authorities. In 2018, the EBA conducted its bi-annual EU-wide stress test, in which SEB participated. The results confirmed SEB's strong capital position and asset quality.

Own funds and capital requirements

Table 46. EU OV1 – Overview of RWAs

SEK m Breakdown by risk type		31 Dec 2019	31 Dec 2018	Minimum capital requirements 31 Dec 2019
1	Credit risk (excluding counterparty credit risk)	520,992	491,361	41,679
2	*of which standardised approach (SA)*	*39,770*	*43,499*	*3,182*
3	*of which foundation internal rating-based (F-IRB) approach*	*160,373*	*148,412*	*12,830*
4	*of which advanced internal rating-based (A-IRB) approach*	*320,849*	*299,450*	*25,668*
6	Counterparty credit risk	30,245	28,590	2,420
7	*of which mark to market*	*5,229*	*6,300*	*418*
10	*of which internal model method (IMM)*	*16,981*	*14,598*	*1,359*
11	*of which risk exposure amount for contributions to the default fund of a CCP*	*103*	*87*	*8*
12	*of which CVA*	*7,932*	*7,605*	*635*
13	Settlement risk	0	9	0
14	Securitisation exposures in banking book	1,195	987	96
15	*of which IRB approach*	*1,195*	*987*	*96*
18	*of which standardised approach*			
19	Market risk	28,107	35,620	2,249
20	*of which standardised approach*	*6,913*	*10,601*	*553*
21	*of which internal model approach (IMA)*	*21,195*	*25,020*	*1,696*
22	Large exposures			
23	Operational risk	47,444	47,151	3,796
26	*of which advanced measurement approach*	*47,444*	*47,151*	*3,796*
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	21,502	21,189	1,720
28	Floor adjustment			
	Additional risk exposure amount due to Article 458 CRR	96,151	91,591	7,692
29	**TOTAL**	**745,637**	**716,498**	**59,651**

Table 47. EU CR8 – RWA flow statements of credit risk exposures under the IRB approach

SEK m		a RWA amounts	b Capital requirements
1	**RWA as at 31 Dec 2018**	**447,862**	**35,829**
2	Asset size	24,216	1,937
3	Asset quality	–3,339	–267
4	Model updates	900	72
5	Methodology and policy	–200	–16
6	Acquisitions and disposals		
7	Foreign exchange movements	11,784	943
8	Other		
9	**RWA as at 31 Dec 2019**	**481,222**	**38,498**

Table 48. EU CCR7 – RWA flow statements of CCR exposures under Internal Model Method (IMM)

SEK m		a	b
		RWA amounts	Capital requirements
1	**RWA as at 31 Dec 2018**	**14,598**	**1,168**
2	Asset size	–567	–45
3	Credit quality of counterparties	1,281	102
4	Model updates (IMM only)		
5	Methodology and policy (IMM only)	1,200	96
6	Acquisitions and disposals		
7	Foreign exchange movements	470	38
8	Other		
9	**RWA as at 31 Dec 2019**	**16,981**	**1,359**

Table 49. EU MR2-B – RWA flow statements of market risk exposures under the IMA

SEK m		a	b	c	d	e	f	g
		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total capital requirements
1	**RWA as at 31 Dec 2018**	**4,158**	**20,862**				**25,020**	**2,002**
1a	Regulatory adjustment	–2,989	–15,017				**–18,007**	**–1,441**
1b	RWA as at year-end 2018 (end of the day)	1,169	5,845				**7,014**	**561**
2	Movement in risk levels	–121	–1,476				**–1,598**	**–128**
3	Model updates/changes	973					**973**	**78**
4	Methodology and policy							
5	Acquisitions and disposals							
6	Foreign exchange movements							
7	Other	–1,289	–737				**–2,027**	**–162**
8a	RWAs at the end of the reporting period (end of day)	731	3,631				**4,362**	**349**
8b	Regulatory adjustment	2,652	14,180				**16,832**	**1,347**
8	**RWA as at 31 Dec 2019**	**3,383**	**17,811**				**21,195**	**1,696**

COMMENTS

- *Total risk exposure amount increased over the year to SEK 746bn (716).*
- *An increase in credit volumes contributed to higher credit risk RWA. Foreign exchange movements also contributed.*
- *The impact on credit risk REA from model and methodology updates was a net increase of SEK 2bn, with increases from the implementation of IFRS16 and updated credit risk models in the Baltic subsidiaries, and a decrease from the the approval to use internal model for German purchased receivables.*
- *Counterparty credit risk RWA increased somewhat, mainly due to a methodology update and credit quality development.*
- *Market Risk RWA increased during the first half of the year but decreased during the second half ending the year with an annual decrease of SEK 8bn, whereof SEK 2bn is a result of approval of changed methodology for structural foreign exchange risk.*
- *Risk exposure amount for operational risk was stable.*

Table 50. EU INS1 – Non-deducted participations in insurance undertakings

SEK m	31 Dec 2019	31 Dec 2018
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk weighting)	6,653	6,653
TOTAL RISK EXPOSURE AMOUNT	**16,633**	**16,633**

Table 51. Own funds disclosure template for SEB consolidated situation
Disclosure according to Article 5 in EU Regulation No 1423/2013

SEK m		31 Dec 2019	31 Dec 2018	Regulation (EU) no 575/2013 article reference
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	21,942	21,942	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: share capital	*21,942*	*21,942*	*EBA list 26(3)*
2	Retained earnings	74,543	63,791	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	38,857	40,334	26 (1)
3a	Funds for general banking risk			26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1			486 (2)
5	Minority Interests (amount allowed in consolidated CET1)			84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	6,284	8,495	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**141,626**	**134,562**	
Common Equity Tier 1 (CET1) capital: regulatory adjustements				
7	Additional value adjustments (negative amount)	−1,033	−868	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	−6,688	−6,467	36 (1) (b), 37, 472 (4)
9	Empty Set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)			36 (1) (c), 38, 472 (5)
11	Fair value reserves related to gains or losses on cash flow hedges	−15	−313	33 (a)
12	Negative amounts resulting from the calculation of expected loss amounts	−816	−78	36 (1) (d), 40, 159, 472 (6)
13	Any increase in equity that results from securitised assets (negative amount)			32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	19	8	33 (1) (b) (c)
15	Defined-benefit pension fund assets (negative amount)	−1,761	−816	36 (1) (e) , 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	−176	−172	36 (1) (f), 42, 472 (8)
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			36 (1) (g), 44
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)			36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			36 (1) (i), 43, 45, 47, 48, (1) (b), 49 (1) to (3), 79
20	Empty Set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative			36 (1) (k)
20b	*of which qualifiying holdings outside the financial sector (negative amount)*			*36 (1) (k) (i), 89 to 91*
20c	*of which: securitisation positions (negative amount)*			*36 (1) (k) (ii), 89 to 91, 243 (1) (b), 244 (1) (b), 258*
20d	*of which: free deliveries (negative amount)*			*36 (1) (k) (ii), 379(3)*
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)			36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)			48 (1)
23	*of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*			*36 (1) (i), 48 (1) (b)*
24	Empty Set in the EU			
25	*of which: deferred tax assets arising from temporary differences*			*36 (1) (c), 38, 48 (1) (a)*
25a	Losses for the current financial year (negative amount)			36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)			36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)			36 (1) (j)
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**−10,471**	**−8,705**	
29	**Common Equity Tier 1 (CET1) capital**	**131,155**	**125,857**	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	24,243	15,251	51, 52
31	*of which: classified as equity under applicable accounting standards*			
32	*of which: classified as liabilities under applicable accounting standards*	*24,243*	*15,251*	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1			486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties			85, 86
35	*of which: instruments issued by subsidiaries subject to phase out*			*486 (3)*
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**24,243**	**15,251**	
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)			52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)			56 (d), 59, 79
41	Empty Set in the EU			
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)			56 €
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**			
44	**Additional Tier 1 (AT1) capital**	**24,243**	**15,251**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**155,398**	**141,108**	

Table 51. **Own funds disclosure template for SEB consolidated situation** Disclosure according to Article 5 in EU Regulation No 1423/2013

SEK m		31 Dec 2019	31 Dec 2018	Regulation (EU) no 575/2013 article reference
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	19,326	18,987	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2			486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			87, 88
49	*of which: instruments issued by subsidiaries subject to phase out*			*486 (4)*
50	Credit risk adjustments	309	436	62 (c) (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	**19,635**	**19,422**	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)			63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			66 (b), 68
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			66 (c), 69, 70, 79
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,650	–1,200	66 (d), 69, 79, 477 (4)
56	Empty Set in the EU			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–1,650**	**–1,200**	
58	**Tier 2 (T2) capital**	**17,985**	**18,222**	
59	**Total capital (TC = T1 + T2)**	**173,382**	**159,331**	
60	**Total risk weighted assets**	**745,637**	**716,498**	
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	17.6%	17.6%	92 (2) (a), 465
62	Tier 1 (as a percentage of risk exposure amount)	20.8%	19.7%	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	23.3%	22.2%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	11.5%	11.2%	CRD 128, 129, 130
65	*of which : capital conservation buffer requirements*	*2.5%*	*2.5%*	
66	*of which : countercyclical buffer requirements*	*1.5%*	*1.2%*	
67	*of which : systemic risk buffer requirements*	*3.0%*	*3.0%*	
67a	*of which : Global Systemically Important Institutions (G-SII) or Other Systemically Important Institutions (O-SII) buffer*			
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13.1%	13.1%	CRD 128
69	(Non relevant in EU regulation)			
70	(Non relevant in EU regulation)			
71	(Non relevant in EU regulation)			
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	3,590	1,689	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4) 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	6,775	6,923	36 (1) (i), 45, 48, 470, 472 (11)
74	Empty Set in the EU			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)			36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)			62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach			62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)			62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	3,025	2,817	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements			484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase out arrangements			484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements			484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			484 (5), 486 (4) & (5)

Table 52. Capital instruments' main features

Disclosure according to Article 3 in EU Regulation No 1423/2013

31 Dec 2019						
1	Issuer	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1072796870	XS1511589605	XS1136391643	XS1584880352	XS2076169668
3	Governing law(s) of the instrument	English and Swedish Law	English and Swedish Law	English and Swedish Law	English and Swedish Law	English and Swedish Law
Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Dated Subordinated Notes	Dated Subordinated Notes	Additional Tier 1 Notes	Additional Tier 1 Notes	Additional Tier 1 Notes
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 10,446m	SEK 8,880m	SEK 10,257m	SEK 5,595m	SEK 8,392m
9	Nominal amount of instrument	EUR 1,000m	EUR 850m	USD 1,100m	USD 600m	USD 900m
9a	Issue price	99.361%	99%	100%	100%	100%
9b	Redemption price	100%	100%	N/A	N/A	N/A
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	2014-05-28	2016-10-31	2014-11-13	2017-03-23	2019-11-05
12	Perpeptual or dated	Dated	Dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	2026-05-28	2028-10-31	N/A	N/A	N/A
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	2021-05-28, 100%. In addition Tax/Regulatory call	2023-10-31, 100%. In addition Tax/Regulatory call	2020-05-13 or at any time thereafter. At Prevailing Principal Amount	2022-05-13 or at any time thereafter. At Prevailing Principal Amount	2025-05-13 or at any time thereafter. At Prevailing Principal Amount
16	Subsequent call dates, if applicable	N/A	N/A	At any time thereafter. At Prevailing Principal Amount.	At any time thereafter. At Prevailing Principal Amount.	At any time thereafter. At Prevailing Principal Amount.
Coupons / dividends						
17	Fixed or floating dividend/coupon	Fixed, Annually Payments in arrear	Fixed, Annually Payments in arrear	Fixed, Semi-annually Payments in arrear	Fixed, Semi-annually Payments in arrear	Fixed, Semi-annually Payments in arrear
18	Coupon rate and any related index	2.50% pa. If not called then new fixed rate set to Euro Swap Rate+-Reset margin that is 3.10%pa.	1.375% pa. If not called then new fixed rate set to Euro Swap Rate+-Reset margin that is 1.35%pa.	5.75% pa. If not called then new fixed rate set to USD Mid-Swap Rate for the relevant 5 Year period+Reset margin that is 3.85%pa.	5.625% pa. If not called then new fixed rate set to USD Mid-Swap Rate for the relevant 5 Year period+Reset margin that is 3.493%pa.	5.125% pa. If not called then new fixed rate set to USD Mid-Swap Rate for the relevant 5 Year period+Reset margin that is 3.463%pa.
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing	Mandatory	Mandatory	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	N/A	N/A	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible	Convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	5.125% for the Bank and 8% for the group	5.125% for the Bank and 8% for the group
25	If convertible, fully or partially	N/A	N/A	N/A	Fully	Fully
26	If convertible, conversion rate	N/A	N/A	N/A	Higher of (i) the current market price, (ii) the floor price or (iii) the nominal value.	Higher of (i) the current market price, (ii) the floor price or (iii) the nominal value.
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	Mandatory	Mandatory
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	A shares	A shares
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	Issuer	Issuer
30	Write-down features	No	No	Yes	No	No
31	If write-down, write-down trigger (s)	N/A	N/A	5.125% for the Bank and 8% for the Group	N/A	N/A
32	If write-down, full or partial	N/A	N/A	Full	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	Temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	Discretionary out of Net Profit subject to MDA	N/A	N/A
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Senior Debt	Senior Debt	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features					

N/A inserted if the question is not applicable.

Table 53. Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

Disclosure according to Regulation (EU) 2015/1555

SEK m	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
31 Dec 2019	Exposure value for standardised approach	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for standardised approach	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirement weights	Counter-cyclical capital buffer rate
Breakdown by country												
Sweden	20,720	1,101,634	3,319				21,948	168		**22,116**	48.9%	2.5%
Denmark	1,592	70,719	108				1,983	9		**1,991**	4.4%	1.0%
Norway	4,843	126,457	608				3,171	34		**3,205**	7.1%	2.5%
Finland	887	86,655	120				2,107	9		**2,116**	4.7%	
Estonia	4,865	58,634	0				2,077	0		**2,077**	4.6%	
Latvia	1,774	31,214	16				1,309	2		**1,311**	2.9%	
Lithuania	4,408	68,793	0				2,466	0		**2,466**	5.4%	1.0%
Germany	1,946	82,925	59			8,210	3,129	4	63	**3,197**	7.1%	
Other	10,334	252,119	229			4,212	6,731	17	32	**6,781**	15.0%	
TOTAL	**51,368**	**1,879,148**	**4,459**			**12,422**	**44,922**	**243**	**96**	**45,261**	**100.0%**	

Amount of institution-specific countercyclical buffer

Disclosure according to Regulation (EU) 2015/1555

SEK m	31 Dec 2019	31 Dec 2018
Total risk exposure amount	745,637	716,498
Institution-specific countercyclical buffer rate	1.5%	1.2%
Institution-specific countercyclical buffer requirement	11,451	8,405

COMMENTS

- *As of year-end 2019, SEB's countercyclical buffer rate amounted to 1.5 per cent and the countercyclical buffer requirement amounted to SEK 11.5bn.*
- *The countercyclical buffer requirement increased during 2019, primarily as a result of increased countercyclical buffer levels for Swedish and Norwegian exposures, both from 2.0 per cent to 2.5 per cent. Denmark and Lithuania also implemented increases in their respective buffer levels during 2019.*
- *The countercyclical buffer is expected to increase further in 2020 as a result of an increased level in Denmark and the implementation of a new requirement in Germany of 0.25 per cent.*

Table 54. Leverage ratio
Disclosure according to Regulation (EU) 2016/200

SEK m		31 Dec 2019	31 Dec 2018
Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		Applicable amount	Applicable amount
1	Total assets as per published financial statements	2,856,648	2,567,516
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	−340,628	−288,204
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)		
4	Adjustments for derivative financial instruments	−23,469	−16,402
5	Adjustment for securities financing transactions (SFTs)	84,310	52,377
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	508,856	462,358
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)		
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)		
7	Other adjustments	−22,235	−4,037
8	**Leverage ratio total exposure measure**	**3,063,481**	**2,773,608**

Table LRCom: Leverage ratio common disclosure		CRR leverage ratio exposures	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,183,122	2,073,223
2	(Asset amounts deducted in determining Tier 1 capital)	−13,212	−11,306
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**2,169,909**	**2,061,917**
Derivatives exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	53,313	36,614
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	71,302	72,838
EU–5a	Exposure determined under Original Exposure Method		
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	−23,064	−22,500
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives	15,387	15,263
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	−4,537	−4,654
11	**Total derivatives exposures (sum of lines 4 to 10)**	**112,401**	**97,561**
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	259,968	146,470
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty credit risk exposure for SFT assets	12,347	5,301
EU–14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013		
15	Agent transaction exposures		
EU–15a	(Exempted CCP leg of client-cleared SFT exposure)		
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**272,315**	**151,771**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	937,892	835,562
18	(Adjustments for conversion to credit equivalent amounts)	−429,036	−373,204
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**508,856**	**462,358**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off-balance sheet)			
EU–19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off-balance sheet))		
EU–19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off-balance sheet))		
Capital and total exposure measure			
20	Tier 1 capital	155,398	141,108
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	3,063,481	2,773,608
Leverage ratio			
22	Leverage ratio	5.1%	5.1%
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU–23	Choice on transitional arrangements for the definition of the capital measure		
EU–24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013		

Table 54. **Leverage ratio** Disclosure according to Regulation (EU) 2016/200

SEK m **Table LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)**		31 Dec 2019 CRR leverage ratio exposures	31 Dec 2018 CRR leverage ratio exposures
EU–1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,183,122	2,073,223
EU–2	Trading book exposures	71,268	48,187
EU–3	Banking book exposures, of which:	2,111,853	2,025,036
EU–4	Covered bonds		
EU–5	Exposures treated as sovereigns	305,374	372,741
Eu–6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns		
EU–7	Institutions	117,458	103,072
EU–8	Secured by mortgages of immovable properties	908,744	850,228
EU–9	Retail exposures	71,919	72,018
EU–10	Corporate	557,004	495,921
EU–11	Exposures in default	6,205	4,555
EU–12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	145,150	126,502

COMMENTS

- *SEB's leverage ratio was stable at 5.1 per cent (5.1) as of year-end.*
- *The leverage ratio is one of the capital adequacy measures used by SEB in its capital planning to ensure that the bank does not take on excessive leverage.*

The leverage ratio is calculated as the Tier 1 capital as a percentage of total assets and certain off-balance sheet exposures. Both SEB´s Tier 1 capital and total assets increased due to higher earnings generated and higher business volumes, resulting in a stable development of the leverage ratio.

SEB's consolidated situation

Scope of application of the regulatory framework

SEB Group comprises banking, finance, securities and insurance companies. The parent company of SEB Group is Skandinaviska Enskilda Banken AB (publ), corporate registration number 502032-9081. The capital adequacy rules apply to each individual group company that has a licence to carry out banking, finance or securities operations as well as to the consolidated group. Group companies that carry out insurance operations have to comply with solvency requirements, but are excluded in the capital adequacy.

The tables below show the scope of consolidation and the difference between the accounting and regulatory scopes of consolidation due to the insurance operations.

The consolidated SEB Group must also comply with capital requirements concerning combined banking and insurance groups, i.e. financial conglomerates. The combined capital requirement for the SEB financial conglomerate was SEK 182.2bn while the own funds amounted to SEK 218.8bn. In these total figures, SEB Life and Pension Holding AB has contributed with Solvency II figures from September 30, 2019.

Table 55. **EU LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories**

SEK m	a	b	c	d	e	f	g
			Carrying values of items:				
31 Dec 2019	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
ASSETS							
Cash and cash balances at central banks	146,691	146,691	146,691				
Loans to central banks	4,494	4,494	1,990	2,504		2,504	
Loans to credit institutions	46,995	45,909	45,857	52		52	
Loans to the public	1,837,605	1,839,510	1,680,838	144,903	12,120	184,151	1,650
Debt securites	238,578	228,004	167,550			60,454	
Equity instruments	78,482	62,199	5,404			56,795	
Financial assets for which the customers bear the investment risk	316,776						
Derivatives	139,427	135,870		135,870		135,870	
Other assets	47,598	53,341	43,242				10,099
TOTAL ASSETS	**2,856,648**	**2,516,019**	**2,091,573**	**283,329**	**12,120**	**439,826**	**11,749**
LIABILITIES							
Deposits from central banks and credit institutions	88,041	87,368					
Deposits and borrowing from the public	1,161,485	1,171,511					
Financial liabilities for which the customers bear the investment risk	317,574	0					
Liabilities to policyholders	26,547	0					
Debt securities issued	858,173	858,173					
Short positions	27,343	27,343					
Derivatives	122,192	119,724		119,724		119,724	
Other financial liabilities	2,449	2,449					
Other liabilities	97,144	94,334					
TOTAL LIABILITIES	**2,700,947**	**2,360,901**		**119,724**		**119,724**	
Total equity	**155,700**	**155,118**					
TOTAL LIABILITIES AND EQUITY	**2,856,648**	**2,516,019**					

Table 56. EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

SEK m		a	b	c	d	e
			Items subject to:			
Dec 31 2019		Total	Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
1	**Asset carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**2,828,498**	**2,091,573**	**283,329**	**12,120**	**439,826**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	**239,448**		119,724		119,724
3	Total net amount under regulatory scope of consolidation	**2,828,498**	2,091,573	283,329	12,120	439,826
4	Off-balance sheet amounts	**937,892**	475,462	33,092	302	
	Differences due to impact of collaterals	***–6,719***	*–6,719*			
	Differences due to different netting rules, other than those already included in row 2	***–513,070***		*–144,738*		*–368,332*
10	**EXPOSURE AMOUNTS CONSIDERED FOR REGULATORY PURPOSES**	**3,246,601**	**2,560,316**	**171,683**	**12,422**	**71,494**

Table 57. EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

	a	b	c	e	f
		Method of regulatory consolidation			
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Deducted	Description of the entity
DSK Hyp AG, (former SEB AG), Frankfurt am Main	Full consolidation	✓			Credit institution
SEB Bank JSC, St Petersburg	Full consolidation	✓			Credit institution
SEB Banka, AS, Riga	Full consolidation	✓			Credit institution
SEB bankas, AB, Vilnius	Full consolidation	✓			Credit institution
SEB Corporate Bank, PJSC, Kiev	Full consolidation	✓			Credit institution
SEB Kort Bank AB, Stockholm	Full consolidation	✓			Credit institution
SEB Leasing Oy, Helsinki	Full consolidation	✓			Credit institution
SEB Njord AS, Oslo	Full consolidation	✓			Credit institution
SEB Pank, AS, Tallinn	Full consolidation	✓			Credit institution
Skandinaviska Enskilda Banken S.A., Luxembourg	Full consolidation	✓			Credit institution
Skandinaviska Enskilda Ltd, London	Full consolidation	✓			Credit institution
Aktiv Placering AB, Stockholm	Full consolidation	✓			Financial corporation
SEB Förvaltnings AB, Stockholm	Full consolidation	✓			Financial corporation
SEB Investment Management AB, Stockholm	Full consolidation	✓			Financial corporation
SEB Securities Inc., New York	Full consolidation	✓			Financial corporation
SEB Strategic Investments AB, Stockholm	Full consolidation	✓			Financial corporation
Försäkringsaktiebolaget Skandinaviska Enskilda Captive, Stockholm	Full consolidation			✓	Insurance operations
Repono Holding AB, Stockholm	Full consolidation			✓	Insurance operations
SEB Life and Pension Holding AB, Stockholm	Full consolidation			✓	Insurance operations
Baltectus B.V., Amsterdam	Full consolidation	✓			Non-financial corporation
Bankomat AB, Stockholm	Equity method		✓		Non-financial corporation
BGC Holding AB, Stockholm	Equity method		✓		Non-financial corporation
Getswish AB, Stockholm	Equity method		✓		Non-financial corporation
Nordic KYC Utility AB	Equity method		✓		Non-financial corporation
P27 Nordic Payments AB	Equity method		✓		Non-financial corporation
USE Intressenter AB, Stockholm	Equity method		✓		Non-financial corporation
Enskilda Kapitalförvaltning SEB AB, Stockholm	Full consolidation	✓			Non-financial corporation
Parkeringshuset Lasarettet HGB KB, Stockholm	Full consolidation	✓			Non-financial corporation
SEB do Brasil Representacões LTDA, Sao Paulo	Full consolidation	✓			Non-financial corporation
SEB Internal Supplier AB, Stockholm	Full consolidation	✓			Non-financial corporation
Skandinaviska Kreditaktiebolaget, Stockholm	Full consolidation	✓			Non-financial corporation

Own funds of significant subsidiaries

The table below shows own funds, risk exposure amounts and key ratios for subsidiaries within SEB Group that are considered significant and are of material significance in their local markets according to Article 13 of Regulation (EU) No 575/2013 (CRR). Information specified in articles 437, 438, 440, 442, 450, 451 and 453 of CRR can be found in the local reporting on the web site for respective subsidiary.

Table 58. Capital position of significant subsidiaries

SEK m	SEB Pank AS Estonia[1]		SEB Banka AS Latvia[1]		SEB bankas AB Lithuania[1]	
	www.seb.ee		www.seb.lv		www.seb.lt	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Own funds						
Common Equity Tier 1 capital	9,795	9,493	3,309	3,244	6,674	6,533
Tier 1 capital	9,795	9,493	3,309	3,244	6,674	6,533
Total own funds	9,795	9,493	3,309	3,244	6,792	6,666
Own funds requirement						
Risk exposure amount	31,143	26,859	19,097	18,497	35,170	35,590
Expressed as own funds requirement	2,491	2,149	1,528	1,480	2,814	2,847
Common Equity Tier 1 capital ratio	31.5%	35.4%	17.3%	17.5%	19.0%	18.4%
Tier 1 capital ratio	31.5%	35.4%	17.3%	17.5%	19.0%	18.4%
Total capital ratio	31.5%	35.4%	17.3%	17.5%	19.3%	18.7%
Own funds in relation to own funds requirement	3.9	4.4	2.2	2.2	2.4	2.3
Regulatory Common Equity Tier 1 capital requirement including buffers	10.0%	10.0%	8.8%	9.0%	10.0%	9.5%
of which capital conservation buffer requirement	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
of which systemic risk buffer requirement	*1.0%*	*1.0%*				
of which countercyclical capital buffer requirement					*1.0%*	*0.5%*
of which: Global Systemically Important Institutions (G-SII) or Other Systemically Important Institutions (O-SII) buffer	*2.0%*	*2.0%*	*1.8%*	*2.0%*	*2.0%*	*2.0%*
Common Equity Tier 1 capital available to meet buffer[2]	27.0%	30.9%	12.8%	13.0%	14.5%	13.9%
Leverage ratio						
Exposure measure for leverage ratio calculation	76,719	73,367	44,842	42,125	95,349	86,628
of which on-balance sheet items incl. derivatives and SFTs	*71,562*	*67,210*	*41,484*	*38,357*	*89,093*	*81,030*
of which off-balance sheet items	*5,157*	*6,157*	*3,358*	*3,768*	*6,257*	*5,598*
Leverage ratio	12.8%	12.9%	7.4%	7.7%	7.0%	7.5%

1) Data not audited.
2) CET1 ratio less minimum capital requirement of 4.5% excluding buffers. In addition to the CET1 requirements there is a total capital requirement of additional 3.5%.

Definitions

Asset encumbrance An asset is considered encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

Average risk weight Total risk-weighted exposures divided by credit exposures post-CCF and post-CRM. Also referred to REA density or RWA density.

Back-testing A statistical technique used to monitor and assess the accuracy of a model, and how that model would have performed had it been applied in the past.

Capital conservation buffer Buffer under Basel III designed to ensure banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should capital levels fall within the capital conservation buffer range capital distributions will be constrained by the regulators.

Common Equity Tier 1 capital (CET1) Shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets and certain other regulatory adjustments defined in EU Regulation no 575/2013 (CRR).

Common Equity Tier 1 capital ratio Common Equity Tier 1 capital as a percentage of risk exposure amount.

Countercyclical capital buffer Capital buffer financial institutions are required to hold in addition to other minimum capital requirements. Aims to achieve the broader macroprudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the buildup of system-wide risk.

Credit conversion factor (CCF) Factor used when calculating EAD for off-balance sheet items. CCF is an estimate of the proportion of undrawn commitments expected to have been drawn down at the point of default.

Credit risk mitigation (CRM) A range of techniques and strategies to actively mitigate credit risks to which the bank is exposed, e.g. collateral, netting and risk transfer.

Credit value adjustment (CVA) Capital charge to cover the risk of mark-to-market losses on the expected counterparty risk to OTC derivatives. CVA is the difference between the value of a derivative assuming the counterparty is default-risk free and the value reflecting default risk of the counterparty.

Debit valuation adjustment (DVA) The difference between the value of the derivative assuming the bank is default-risk free and the value reflecting default risk of the bank. Changes in a bank's own credit risk therefore result in changes in the DVA component of the valuation of the bank's derivatives.

Expected loss (EL) Amount expected to be lost on an exposure using a one year horizon. Calculated by multiplying PD, EAD and LGD.

Exposure at default (EAD) Amount expected to be outstanding after any credit risk mitigation if the counterparty defaults.

External Credit Assessment Institutions (ECAI) External credit rating agencies such as Fitch, Moody's, DBRS and Standard & Poor's.

Internal ratings-based approach (IRB) Method for determining own funds requirement using the banks' own models to estimate the risk. There are two versions of the IRB approach; with and without own estimates of LGD and CCF referred to as Advanced and Foundation, respectively.

IRB-Advanced A version of the IRB approach with own estimates of LGD and CCF.

IRB-Foundation A version of the IRB approach without own estimates of LGD and CCF.

Leverage ratio Tier 1 capital as a percentage of total assets including off-balance sheet items with conversion factors according to the standardised approach.

Loss given default (LGD) The proportion of an exposure that the bank loses on average in the event of default.

Liquidity Coverage Ratio (LCR) High-quality liquid assets as a percentage of the estimated net cash outflows over the next 30 calendar days.

Minimum capital requirement Minimum amount of regulatory capital that the bank must hold to meet the Pillar 1 requirements.

Net Stable Funding Ratio (NSFR) Defined as the amount of available stable funding relative to the amount of required stable funding.

Own funds Comprises the sum of Tier 1 and Tier 2 capital.

Own funds requirement Total own funds must exceed 8 per cent of total risk exposure amount. Own funds must also cover additional requirements due to institution-specific buffers.

Pillar 1 The Basel framework is based on three pillars. Pillar 1 aligns minimum capital requirements more closely with institutions' actual risks.

Pillar 2 Provides for the supervisory review of institutions' internal assessments of their overall risks and capital adequacy.

Pillar 3 Motivates prudent management by enhancing the degree of transparency in institutions' public reporting.

Potential future exposure (PFE) Potential future credit exposure on derivative contracts calculated according to the mark-to-market approach.

Probability of default (PD) The probability of a borrower defaulting within one year.

Risk exposure amount (REA) Total assets and off-balance sheet items, risk-weighted in accordance with capital adequacy regulations for credit risk and market risk. The operational risks are measured and added as risk exposure amount. Risk exposure amounts are only defined for the consolidated situation, excluding insurance entities and items deducted from own funds.

Standardised approach Method of calculating and reporting credit risks based on standardised risk weights on the basis of the external rating. The standardised approach can also be used for market risk and operational risk.

Stressed VaR Market risk measure based on potential market movements for a continuous one-year period of stress for a trading portfolio.

Systemic risk buffer Buffer requirement for systemically important banks.

Through-the-cycle (TTC) Methodology that seeks to take cyclical volatility out of the estimates of default risk by assessing the counterparty's performance over the business cycle.

Tier 1 capital Common Equity Tier 1 capital plus qualifying forms of subordinated loans liabilities, so called additional Tier 1 instruments.

Tier 1 capital ratio Tier 1 capital as a percentage of total risk exposure amount.

Tier 2 capital Mainly subordinated loans not qualifying as Tier 1 capital contribution.

Total capital ratio Total own funds as a percentage of total risk exposure amount.

Value at risk (VaR) A market risk measure of loss that could occur on positions as a result of adverse movements in market risk factors over a specified time period and to a given level of confidence.

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