

UNCERTIFIED TRANSLATION OF THE SWEDISH ORIGINAL

Minutes kept at the Annual General Meeting of Skandinaviska Enskilda Banken AB (publ) (502032-9081) in Stockholm, on 29 June 2020, 13.00h-13.05h CET

§ 1

The Chairman of the Board of Directors (Board), Marcus Wallenberg opened the meeting.

§ 2

The meeting resolved to appoint Sven Unger as Chairman of the meeting.

It was announced that Hans Ragnhäll, General Counsel and Secretary of the Board, had been entrusted with the task of being secretary at the meeting.

It was noted that the meeting was held in accordance with sections 20 and 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations; entailing that participation in the meeting could only take place by postal voting.

The notice to the meeting was attached, Appendix 1.

The form used for postal voting was attached, Appendix 2.

A compilation of the result of postal voting for each item on the agenda that falls under postal voting was attached, Appendix 3, which states the information specified in section 26 of the abovementioned Act (2020:198).

§ 3

Ossian Ekdahl, Första AP-fonden, and Arne Lööv, Fjärde AP-fonden, were appointed to approve the minutes together with the Chairman.

§ 4

The attached list, Appendix 4, was approved as the voting list for the meeting.

§ 5

The meeting resolved to approve the agenda proposed in the notice to the meeting.

§ 6

It was noted that the notice to the meeting had been published in Post- och Inrikes Tidningar on 29 May 2020 and been available on the bank's website since 28 May 2020. Advertisement of the notice had been published in the newspapers Dagens Nyheter, Svenska Dagbladet and Dagens Industri on 29 May 2020.

It was decided that the meeting had been duly convened.

§ 7

It was noted that the annual report and the consolidated accounts as well as the auditors' report and the group auditors' report, Appendix 5, had been submitted by making them available at the bank's head office and on the bank's website. It was further noted that the auditors' report on the adherence to the previous annual general meeting's guidelines for remuneration to the President and the Group Executive Committee, Appendix 6, had been submitted by making them available on the bank's head office and website.

It was noted that no shareholder had submitted a written request for information pursuant to Chapter 7 Section 32 of the Companies Act (2005: 551).

§ 8

The meeting adopted the profit and loss account and the balance sheet as well as the consolidated profit and loss account and the consolidated balance sheet included in the annual report for 2019.

§ 9

The meeting approved the Board's proposal that no dividend shall be paid and that the entire amount available shall be carried forward.

§ 10

The meeting resolved, in accordance with the recommendation of the auditor, that the members of the Board and the President should be discharged from liability for the financial year of 2019.

It was noted that the Board members, and the President, did not participate in this resolution.

§ 11

It was noted that an account of the work of the Nomination Committee and the Nomination Committee's proposals for the meeting together with the motivation therefore had been available on the bank's website since 28 May, 2020. The proposals had also been included in the notice to the meeting. The proposals by the Nomination Committee was subsequently amended on 12 June, 2020 after Samir Brikho announced that he will no longer be available for re-election as a board member and the Nomination Committee proposed that the number of elected members of the Bank's Board should be 9 members.

The meeting resolved, in accordance with the Nomination Committee's proposal, that the number of Board members should be 9 members.

§ 12

The meeting resolved, in accordance with the Nomination Committee's proposal, that the number of auditors should be one.

§ 13

The meeting resolved, in accordance with the Nomination Committee's proposal, that unchanged base fees should be paid for Board and Committee work, to members elected by the meeting who are not employed by the Bank; as follows:

SEK 3,100,000 to the Chairman of the Board, SEK 980,000 to each of the Vice Chairmen of the Board and SEK 740,000 to each of the Directors who are not employed by the bank.

Risk and Capital Committee: SEK 600,000 to the Chairman and SEK 375,000 to other members,

Audit and Compliance Committee: SEK 425,000 to the Chairman and SEK 265,000 to other members, and

Remuneration and Human Resources Committee: SEK 387,500 to the Chairman and SEK 195,000 to other members.

In accordance with the proposal of the Nomination Committee, the meeting resolved that the auditor should receive compensation according to approved invoice.

§ 14

In accordance with the proposal of the Nomination Committee, the meeting resolved to re-elect Signhild Arnegård Hansen, Anne-Catherine Berner, Winnie Fok, Sven Nyman, Lars Ottersgård, Jesper Ovesen, Helena Saxon, Johan Torgeby and Marcus Wallenberg as Board members. In accordance with the proposal of the Nomination Committee, the meeting resolved to appoint Marcus Wallenberg as Chairman of the Board.

It was noted that a statement of the assignments of the proposed members in other companies, [Appendix Z](#), had been available on the bank's website.

It was noted that in addition to the Board members elected by the meeting, Anna-Karin Glimström and Charlotta Lindholm, with Annika Dahlberg and Magnus Olsson as their deputies, formed part of the Board as Board members appointed by the employees.

Thanks to the resigning board members Johan H. Andresen, Samir Brikho and Håkan Westerberg for their efforts for the bank was noted in the minutes.

§ 15

In accordance with the proposal of the Nomination Committee, the meeting resolved to elect the registered public accounting firm Ernst & Young AB as auditor for the period up to and including the Annual General Meeting 2021.

It was noted that Ernst & Young AB had informed that the authorised public accountant Hamish Mabon will be main responsible auditor.

§ 16

It was noted that the Board's proposal on guidelines for salary and other remuneration for the President and the Group Executive Committee, [Appendix 8](#) had been presented in the notice to the meeting and been available on the bank's website since 28 May 2020.

The meeting resolved, in accordance with the Board's proposal.

§ 17

The Board's proposal concerning long-term equity programmes for 2020 had been presented in the notice to the meeting and had been available on the bank's website since 28 May 2020, [Appendix 9](#).

The meeting approved the proposals under 17 a) -17 c).

§ 18

It was noted that the Board's proposal concerning acquisition and sale of own shares (item 18 a – c on the agenda) had been presented in the notice to the meeting. The proposal and the Board's statement under Chapter 19 Section 22 of the Swedish Companies Act had furthermore been available at the bank's head office and on its website since 28 May, 2020, [Appendix 10](#).

The meeting approved the proposals under 18 a) -18 c).

It was noted that the resolutions under 18 a) and 18 b) were supported by shareholders with at least 2/3 of the votes cast as well as the shares represented at the meeting.

It was noted that the resolution under 18 (c) was supported by shareholders with at least 9/10 of both the votes cast and the shares represented at the meeting.

§ 19

It was noted that the Board's proposal for decision on authorisation to the Board of Directors to issue convertibles had been presented in the notice to the meeting. The proposal had furthermore been available at the bank's head office and on its website since 28 May, 2020, [Appendix 11](#).

The meeting approved the proposal. It was noted that the resolution was supported by shareholders with at least 2/3 of the votes cast as well as the shares represented at the meeting.

§ 20

It was noted that the Board's proposal for election of auditors in certain foundations that have delegated their business to the Bank had been presented in the notice to the meeting and been available on the bank's website since 28 May, 2020, [Appendix 12](#).

The meeting appointed auditors in accordance with the Board's proposal.

§ 21

The meeting approved the Board's proposal on amendments to the Articles of Association, Appendix 13. It was noted that the resolution was supported by shareholders with at least 2/3 of the votes cast as well as the shares represented at the meeting.

§ 22

The meeting decided to reject the proposals from Thorwald Arvidsson under item 22 of the agenda.

§ 23

The meeting decided to reject the proposals from Thorwald Arvidsson under item 23 of the agenda.

§ 24

It was noted that the shareholder Jan Ejme, with 1,280 shares and the same number of votes, had requested that the matter under item 6 of the agenda, the matter of remuneration to the Board of Directors under item 13 of the agenda and the matter under item 16 of the agenda be deferred to a continued general meeting. It was found that none of the conditions laid down in section 25 of the Act 2020:198 (resolution by the Annual General Meeting or the request of the owner to at least one tenth of all shares in the company) for a continued general meeting were fulfilled.

The Chairman declared the meeting closed.

Minutes by:

Hans Ragnhäll

Minutes approved by:

Sven Unger

Ossian Ekdahl

Arne Lööw

Annual General Meeting in SEB

The shareholders of
Skandinaviska Enskilda Banken AB (publ)
are hereby given notice of the Annual General Meeting to be held on
29 June 2020 at 13.00h (CET)

In order to counteract the spread of the virus that causes covid-19, the Board of Directors of the Bank has decided that the Annual General Meeting should be conducted without the physical presence of shareholders, representatives or third parties and that the shareholders before the meeting should be able to exercise their voting rights by post.

Notifications, etc.

Shareholders who wish to attend the Annual General Meeting shall

both be registered in the shareholders' register kept by Euroclear Sweden AB on 23 June 2020,

and have registered by voting in accordance with instructions under the heading Postal voting below so that the postal voting vote is received by Euroclear Sweden AB no later than 26 June 2020. Please note that the notification to the Annual General Meeting can only be made by postal voting.

Shares registered in the name of a custodian

Shareholders whose shares are registered in the name of a custodian through a bank or through another authorised depository must request to be temporarily registered on 23 June 2020 in the shareholders' register of Euroclear in order to have the right to attend the Annual General Meeting. The shareholder must therefore contact the custodian well in advance of this day and request such temporary registration. Please note that this requirement also applies to shareholders using SEB as depository.

Postal voting

The Board of Directors of the Bank has decided that Shareholders should be able to exercise their voting rights only by postal voting in accordance with section 22 of the Act (2020: 198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. A special form must be used for the postal vote. The form for postal voting is available on the Bank's website www.sebgroup.com/en and at the Bank's head office, Kungsträdgårdsgatan 8 in Stockholm. Completed and signed forms for postal voting can be sent by mail to Skandinaviska Enskilda Banken AB (publ), c / o Euroclear Sweden, Box 191, 101 23 Stockholm or by e-mail to GeneralMeetingServices@euroclear.eu. Complete forms must be submitted to Euroclear no later than 26 June 2020. Shareholders who are natural persons can also vote by electronic mail through verification with BankID via the Bank's website www.sebgroup.com/en.

The Shareholders may not provide special instructions or conditions to the postal vote. If so, the entire postal vote is invalid. Further instructions and conditions can be found in the postal voting form and at <https://anmalan.vpc.se/EuroclearProxy>.

Powers of attorney

Shareholders can vote at the Annual General Meeting by proxy with written and dated Power of Attorney signed by the Shareholder. A proxy must be attached to the postal voting form. Proxy forms are available on the Bank's website www.sebgroup.com/en and at the Bank's head office, Kungsträdgårdsgatan 8 in Stockholm. If the Shareholder is a legal person, a registration certificate or other authorization document must be attached to the form.

Shareholders' right to receive information

The Shareholders are reminded of their right to receive information from the Board of Directors and the President in accordance with Chapter 7 Section 32 of the Swedish Companies Act (Sw. aktiebolagslagen). A request for such information shall be made in writing to the Bank no later than ten days prior to the Annual General Meeting, i.e. no later than 19 June 2020, at the address of Skandinaviska Enskilda Banken AB (publ), Head of Investor Relations, 106 40 Stockholm, or by e-mail at agm@seb.se. The information will be made available by the Bank by keeping it on the Bank's website www.sebgroup.com/en and at the Bank's head office, Kungsträdgårdsgatan 8 in Stockholm, from 24 June 2020. The information is also sent to the Shareholders who requested it and stated their address.

Agenda

1. Opening of the Annual General Meeting
2. Election of Chairman of the meeting
3. Election of two persons to check the minutes of the meeting together with the Chairman
4. Preparation and approval of the voting list
5. Approval of the agenda
6. Determination of whether the meeting has been duly convened
7. Presentation of the Annual Report and the Auditors' Report as well as the Consolidated Accounts and the Auditors' Report on the Consolidated Accounts

8. Adoption of the Profit and Loss Account and Balance Sheet as well as the Consolidated Profit and Loss Account and Consolidated Balance Sheet
9. Allocation of the Bank's profit as shown in the Balance Sheet adopted by the meeting
10. Discharge from liability of the Directors of the Board of Directors and the President.
11. Determination of the number of Directors and Auditors to be elected by the meeting
12. Determination of the number of Auditors
13. Determination of remuneration to the Directors and the Auditor elected by the meeting
14. Election of Directors as well as Chairman of the Board of Directors
 - a) The Nomination Committee proposes re-election of:
 1. Signhild Arnegård Hansen
 2. Anne-Catherine Berner
 3. Samir Brikho
 4. Winnie Fok
 5. Sven Nyman
 6. Lars Ottersgård
 7. Jesper Ovesen
 8. Helena Saxon
 9. Johan Torgeby
 10. Marcus Wallenberg

all for the period up to and including the Annual General Meeting 2021.
 - b) The Nomination Committee proposes re-election of Marcus Wallenberg as Chairman of the Board.
15. Election of Auditor
16. The Board of Director's proposal on guidelines for salary and other remuneration for the President and other members of the Group Executive Committee
17. The Board of Director's proposal on Long-term Equity Programmes for 2020:
 - a) SEB All Employee Programme 2020 (AEP) for all employees in most of the countries where SEB operates

- b) SEB Share Deferral Programme 2020 (SDP) for the Group Executive Committee, certain other senior managers and key employees
 - c) SEB Restricted Share Programme 2020 (RSP) for other than senior managers in certain business units
18. The Board of Director's proposal on the acquisition and sale of the Bank's own shares:
- a) acquisition of the Bank's own shares in its securities business
 - b) acquisition and sale of the Bank's own shares for capital purposes and for long-term equity programmes
 - c) transfer of the Bank's own shares to participants in the 2020 long-term equity programmes
19. The Board of Director's proposal for decision on authorisation to the Board of Directors to issue convertibles
20. The Board of Director's proposal on the appointment of auditors of foundations that have delegated their business to the Bank
21. Proposal from the Board of Directors to amend the Articles of Association
22. Proposal from the shareholder Thorwald Arvidsson to amend the Articles of Association
23. Proposal from the shareholder Thorwald Arvidsson regarding voting rights grading and representation for certain shareholders in the Board of Directors and the Nomination Committee
24. Closing of the Annual General Meeting

Nomination Committee

The Nomination Committee has been composed of Petra Hedengran (Investor), Chairman of the Nomination Committee, Magnus Billing (Alecta), Lars Heikensten (Trygg-Stiftelsen), Johan Sidenmark (AMF) and Marcus Wallenberg (Chairman of the Board of Directors, SEB).

Sven Nyman (Director of the Board, SEB) has been additional member to the Nomination Committee.

Proposed resolutions etc.**2. Election of Chairman of the meeting**

The Nomination Committee proposes Sven Unger, member of the Swedish Bar Association, as Chairman of the meeting, or in the event of his absence, the one appointed by the Nomination Committee.

3. Election of two persons to check the minutes of the meeting together with the Chairman

The Board of Directors proposes Ossian Ekdahl, Första AP-fonden, and Arne Lööv, Fjärde AP-fonden, or in the event of absence of one or both of them, the person(s) appointed by the Nomination Committee, to check the minutes. The assignment to check the minutes also include checking the voting list and that the received postal votes are correctly stated in the minutes of the meeting.

4. Preparation and approval of voting list

The voting list proposed to be approved is the voting list prepared by Euroclear Sweden AB on behalf of the Bank, based on the Shareholders' meeting register and received postal votes, controlled and checked by the persons assigned to check the minutes.

9. Allocation of the Bank's profit as shown in the Balance Sheet adopted by the meeting

Changing its previous proposal, the Board of Directors proposes that no payment of dividend will be made and that the entire amount available will be carried forward.

11. Determination of the number of Directors and Auditors to be elected by the meeting

The Nomination Committee proposes 10 Directors and one Auditor.

12. Determination of the number of Auditors

The Nomination Committee proposes one Auditor.

13. Approval of the remuneration to the Directors elected by the meeting and the Auditor

The Nomination Committee proposes unchanged base fees as regards the board and committee work. The Nomination Committee proposes a Directors' fee of SEK 9,500,000 to be distributed with SEK 3,100,000 to the Chairman of the Board, SEK 6,400,000 to be distributed to the other Directors elected by the Annual General Meeting who are not employed in the Bank with SEK 980,000 to each of the Vice Chairmen and with SEK 740,000 to each of the other Directors.

In addition hereto, up to SEK 3,347,500 is proposed as fee for Committee work to be distributed as follows:

Risk & Capital Committee; Chairman SEK 600,000, other member SEK 375,000

Audit & Compliance Committee; Chairman SEK 425,000, other member SEK 265,000
and

Remuneration & Human Resources Committee; Chairman SEK 387,500 other member
SEK 195,000.

Auditor's fee payable according to approved invoice.

14. Election of Directors as well as Chairman of the Board of Directors

a) The Nomination Committee proposes re-election of:

1. Signhild Arnegård Hansen
2. Anne-Catherine Berner
3. Samir Brikho
4. Winnie Fok
5. Sven Nyman
6. Lars Ottersgård
7. Jesper Ovesen
8. Helena Saxon
9. Johan Torgeby
10. Marcus Wallenberg

all for the period up to and including the Annual General Meeting 2021.

b) The Nomination Committee proposes re-election of Marcus Wallenberg as
Chairman of the Board.

15. Election of Auditor

The Nomination Committee proposes election of the registered public accounting firm Ernst & Young AB for the period up to and including the Annual General Meeting 2021. Should Ernst & Young AB be elected, the Authorised Public Accountant Hamish Mabon will be main responsible.

16. The Board of Directors' proposal on guidelines for salary and other remuneration for the President and other members of the Group Executive Committee

The Board of Directors proposes that the Annual General Meeting (AGM) 2020 approves the below referred guidelines (the "Guidelines") for salary and other remuneration to be applied with regard to the President and members of the Group Executive Committee (together the "Executives").

Each remuneration which the shareholders resolve on at the AGM falls outside of the scope of the Guidelines. The long-term equity-based remuneration to the Executives and remuneration to the board members for the board assignment are consequently excluded from these Guidelines.

Board members might be contracted to perform consultancy services for SEB separate to their board assignments. Any such undertaking will be managed according to internal rules and with due considerations to potential conflict of interest. These Guidelines are not applicable on such contract unless it is for a position that is covered by these Guidelines. Information about the remuneration for such contract will be included in the Annual Report and the Remuneration Report.

The Guidelines are forward-looking, meaning that they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the Guidelines at the AGM 2020. These Guidelines do not apply to any remuneration decided or approved by the AGM 2020 or at earlier shareholders' meetings.

The purpose of the Guideline is to increase the shareholders' participation and insight in matters regarding remuneration for the Executives and to ensure that shareholders can influence the framework for the remuneration for the Executives. It is the Board of Directors that resolves upon the specific and individual remuneration for the Executives within the framework of the Guidelines.

Regulatory framework

The Guidelines comply with the Swedish Financial Supervisory Authority (FSA) regulations on remuneration in financial companies, the Swedish Companies Act as well as with the Swedish Corporate Governance Code and other Swedish and international regulations and guidelines in relevant parts.

The Bank shall identify employees whose professional activities have a material impact on the SEB Group's risk profile. The Executives are included in this category.

SEB business strategy

SEB's business strategy is to be the leading Nordic corporate and institutional bank, as well as the top universal bank in Sweden and the Baltic countries, maintaining a strong financial position including capital, liquidity and cost control to deliver long-term shareholder value. For more information regarding SEB's business strategy, please see www.sebgroup.com.

Guidelines

SEB aims to attract and retain committed and competent employees who contribute to SEB's long-term success. Employee remuneration should encourage high performance, sound and responsible behaviour and risk-taking that are aligned with SEB's values and the level of risk tolerance set by the Board of Directors. It should promote the employees' long-term commitment to create sustainable value for customers and

shareholders. Performance is evaluated on the basis of financial and non-financial goals, with SEB's values as a starting point.

A prerequisite for the implementation of SEB's business strategy and its sustainable long-term success is that SEB is able to recruit and retain qualified senior executives. It is necessary that SEB offers competitive remuneration in the markets and segments where SEB operates in order to reward high performing employees. SEB's competitors consist of both local and regional financial institutions as well as global firms in the markets on which SEB operates.

These Guidelines enable SEB to offer the Executives a competitive total remuneration.

Long-term equity programmes have been implemented in SEB since 1999. Such programmes have been resolved on by relevant general shareholders' meetings and are therefore excluded from these Guidelines. The long-term equity programmes include, among others, the Executives. The performance criteria used to assess the initial allotment of these long-term equity programmes are distinctly linked to the business strategy, the current three year business plan and thereby to SEB's long-term value creation, including its sustainability. At present, these performance criteria comprise e.g. SEB's operating income and expense, return on equity, customer satisfaction, employee engagement, IT & digitalisation, sustainability, conduct and strategic initiatives. The maximum annual allotment of long-term equity programmes may not exceed 100 per cent of the Executives' base pay in accordance with applicable laws and regulations. For more information regarding these programmes, including the criteria which the outcome depends on, please see the Board of Directors' proposal for decision at the AGM on Long-term equity programmes.

Types of remuneration etc.

The remuneration structure for the Executives shall be on market terms and may consist of **base pay (fixed cash salary), pension benefits and other benefits**. Additionally, the general shareholders' meeting may – irrespective of these Guidelines – resolve on, among other things **equity-based remuneration**.

The total remuneration shall reflect the complexity, responsibility and leadership skills required as well as the performance of the individual Executive. The remuneration structure does not include cash-based variable remuneration.

The **base pay** forms the foundation of the market oriented total remuneration required to attract senior executives. The individual base pay shall be linked to the requirements on the position as well as the sustainable performance of the Executives.

The **pension** benefit for the President, including health insurance, shall be defined contribution plan and the pension premium shall amount to not more than 50 per cent of the annual base pay. For the other Executives the pension benefit, including health insurance, shall be defined contribution based with individual exemption of a defined

benefit component according to the collective agreement covering all employees and capped at a maximum pensionable salary of 30 income base amount (*Sw. Inkomstbasbelopp*). The pension premium for the defined contribution, shall amount to not more than 50 per cent of the annual base pay. The pension plan shall be in line with the Remuneration Policy for the SEB Group.

Other benefits may include, for example, life insurance, medical insurance, health promoting support, company car and domestic services offered and shall be on market terms. Such benefits may amount to not more than 20 per cent of the annual base pay.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these Guidelines.

Termination of employment

Upon termination of an employment, the notice period may not exceed twelve months. Base pay during the notice period and severance pay may together not exceed an amount equivalent to the Executive's base pay for two years. SEB has the right to deduct any income from other employments from the severance pay.

When termination is made by the Executive, the notice period may not exceed six months, without any right to severance pay. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed Executive is not entitled to severance pay. The remuneration shall be based on the base pay at the time of termination of employment and amount to not more than 100 per cent of the base pay at the time of termination of employment and be paid during the time the non-compete undertaking applies, however, not for more than 18 months following the termination of employment.

The decision-making process to determine, review and implement the Guidelines

The Board of Directors has established a Remuneration and HR Committee ("Remuneration committee"). The Remuneration committee's tasks include preparing the Board of Directors' decision to propose these Guidelines. The Board of Directors shall prepare a proposal for new Guidelines at least every fourth year and submit it to the general shareholders' meeting. The Guidelines shall be in force until new Guidelines are adopted by a general shareholders' meeting. The Remuneration committee shall also monitor and evaluate programmes for variable remuneration for the Executives, the application of the Guidelines for salary and other remuneration to the Executives as well as the current remuneration structures and compensation levels in the SEB Group. The members of the Remuneration committee are independent of SEB, its management and are not employed by SEB. Executives do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these Guidelines, the salary and employment conditions for employees have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time in the Remuneration committee's and the Board of Directors' basis of decision when evaluating whether the Guidelines and the limitations set out herein are reasonable.

Derogation from the Guidelines

The Board of Directors may temporarily resolve to derogate from the Guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve SEB's long-term interests, including its sustainability, or to ensure SEB's financial viability. As set out above, the Remuneration committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This also includes any resolutions to derogate from the Guidelines.

17. The Board of Directors' proposal on Long-term equity programmes for 2020

SEB aims to attract and retain committed and competent employees who contribute to the Bank's long-term success. Employee remuneration should encourage high performance, sound and responsible behaviour and risk-taking that is aligned with SEB's values and the level of risk tolerance set by the Board of Directors (Board). It should promote the employees' long-term commitment to create sustainable value for customers and shareholders. The total remuneration reflects the complexity, responsibility and leadership skills required in each position as well as the performance of the individual employee. Performance is evaluated on a multi-year perspective on the basis of financial and non-financial goals, with SEB's values and three years business plan as a starting point.

Equity-based remuneration is a means to attract and retain staff with key competences in SEB. It is also an incentive for the employees to become shareholders of SEB, which builds and strengthens long-term commitment in the interests of the shareholders. Furthermore, regulatory requirements for financial institutions demand that variable remuneration to a large extent is paid out in equity or equity-related instruments.

It is proposed that the Annual General Meeting resolves on the following three long-term equity programmes for 2020:

- a) SEB All Employee Programme 2020 (AEP) for all employees in most of the countries where SEB operates,
- b) SEB Share Deferral Programme 2020 (SDP) for the Group Executive Committee (GEC), certain other senior managers and key employees, and
- c) SEB Restricted Share Programme 2020 (RSP) for some employees in certain business units.

The proposed programmes allow for risk adjustment for current as well as future risks. The final outcome may therefore be cancelled partly or entirely in accordance with regulations, among other things taking the Bank's result and capital and liquidity required in the business into account.

a) SEB All Employee Programme 2020 (AEP)

SEB All Employee Programme 2020 (AEP) is a programme for all employees in most of the countries where SEB operates. 50 per cent of the outcome is paid in cash and 50 per cent is deferred for three years and paid in SEB A-shares in Sweden and in SEB A-shares or cash adjusted for the SEB A-share's Total Shareholder Return (TSR) outside of Sweden. The AEP requires, with certain exemptions such as retirement, redundancy, disability and orderly transition, the employee to be employed during three years from allotment to be eligible for payment. The individual maximum allotment is capped in Sweden at SEK 75,000 and the outcome is based on the fulfilment of pre-determined Group targets, the financial targets (i) Return on Equity and (ii) cost development and the non-financial target (iii) customer satisfaction. Outcome is subject to a proposal at the Annual General Meeting 2021 on dividend distribution to the shareholders for 2020. Should the total outcome under the AEP be below approximately 20 per cent of the maximum outcome, the total outcome may be paid in cash without deferral.

b) SEB Share Deferral Programme 2020 (SDP)

SEB Share Deferral Programme 2020 (SDP) is a programme for GEC and certain other senior managers and key employees, approximately 1,000 participants in total. The participants are granted an individual number of conditional share rights based on the fulfilment of pre-determined Group, business unit and individual targets outlined in SEB's business plan. The targets are set on an annual basis as a mix of the financial target Return on Equity/Return on Business Equity, cost development as well as on e.g. customer satisfaction and parameters such as compliance, employee commitment, SEB's corporate sustainability and risk management. The targets are evaluated from a multi-year perspective including both absolute and relative performance, as applicable, and taking SEB's three year business plan into account. For GEC the initial allotment may not exceed 100 per cent of the base pay.

For GEC and other senior managers, ownership of 50 per cent of the share rights is transferred to the participant after a qualification period of three years, 50 per cent after a qualification period of five years. For other participants, ownership of 100 per cent of the share rights is transferred after three years. After each respective qualification period there is an additional holding period of one year after which the share rights can be exercised during a period of three years. In order to facilitate share ownership and strengthening the shareholder alignment, in addition to the

above mentioned exercise period, the exercise period for GEC members is extended during the period that they are members of GEC. Each share right carries the right to receive one Class A-share in the Bank.

For participants in countries mainly outside of SEB's European locations, the outcome may be deferred and paid in cash adjusted for the SEB A-shares' Total Shareholder Return, excluding the dividend distribution. 50 per cent of the final outcome is paid out after four years and 50 per cent after six years for senior managers. For other participants in these countries the deferred amount is paid out after four years.

The SDP requires, with certain exemptions such as retirement, redundancy, disability and orderly transition, the employee to be employed during three years from allotment to be eligible for payment. A further requirement for GEC and other senior managers is that they hold shares in SEB equal to a pre-determined amount, for GEC equivalent to one year salary net of taxes, acquired no later than during the initial three year vesting period. If these requirements are not fulfilled, the share rights may be forfeited.

c) SEB Restricted Share Programme 2020 (RSP)

SEB Restricted Share Programme 2020 (RSP) is a programme for selected employees on the level below senior executives within certain business units of SEB, approximately 1,000 participants in total. The participants are granted an individual number of share rights based on the fulfilment of pre-determined Group, business unit and individual targets as outlined in SEB's business plan. The targets are set on an annual basis as a mix of financial targets and non-financial targets. The targets are evaluated from a multi-year perspective including both absolute and relative performance, as applicable, and taking SEB's three year business plan into account.

The ownership of the share rights is transferred to the participants during a three year period in either four (starting 2020) or three (starting 2021) annual instalments. The share right is subject to restrictions in terms of e.g. certain regulatory forfeiture and employment requirements during the period between the initial allotment and the transfer of the ownership.

After the transfer of the ownership there is an additional holding period of one year after which the share rights can be converted to shares and transferred to the participant. Each share right carries the right to receive one Class A-share in the Bank.

For participants in countries mainly outside SEB's European locations the outcome may be deferred and paid in cash adjusted for the SEB A-shares' Total Shareholder

Return, excluding the dividend distribution. The deferred amount is paid out after each respective holding period.

The maximum number of shares that can be transferred under the programmes is 16.4 million. The calculated expected outcome is approximately 10.6 million shares. The maximum number of shares under the programmes equals approximately 0.74 per cent including and 0.41 per cent excluding the SEB All Employee Programme (expected outcome equals approximately 0.48 per cent including and 0.36 per cent excluding the SEB All Employee Programme) of the total number of shares in the Bank.

The *maximum* annual charge for the deferred part, i.e. shares and cash adjusted for TSR, of the AEP that may affect the profit and loss account is SEK 150m, out of which SEK 32m is related to social charges. The annual charge to the profit and loss account for the *expected* calculated outcome under the programme is estimated to SEK 63m, out of which SEK 14m is related to social charges. The expected aggregated charges during the total programme period in the profit and loss account are SEK 250m.

The *maximum* annual charge for the SDP that may affect the profit and loss account is SEK 130m, out of which SEK 30m is related to social charges. The annual charge to the profit and loss account for the *expected* calculated outcome under the programme is estimated to SEK 110m, out of which SEK 25m is related to social charges. The expected aggregated charge during the total programme period in the profit and loss account is SEK 445m.

Based on the structure of the RSP, where part of the ownership is transferred immediately and part is distributed pro-rata, the annual charge will differ each year during the programme length. The *maximum* annual charge for the RSP that may affect the profit and loss account is SEK 195m the first year and SEK 20m the last year, out of which SEK 45m and SEK 5m respectively is related to social charges. The annual charge to the profit and loss account for the *expected* calculated outcome under the programme is estimated to SEK 190m and SEK 20m respectively, out of which SEK 45m and SEK 5m respectively is related to social charges. The expected aggregated charge during the total programme period in the profit and loss account is SEK 340m.

The maximum calculated annual charge is based on the assumptions that the price of the SEB Class A-share is SEK 75 and that no participant is leaving SEB during the employment requirement period. Furthermore, it should be noted that should the SEB share price increase from the assumed SEK 75 the increase in maximum calculated annual charge will be approximately SEK 3m for every SEK in increase. The part of the programmes that will be settled in cash will create a higher volatility in the Income statement since the change in the share price is reported when it occurs.

The expected average annual charge in the profit and loss account for the three programmes is equivalent to approximately 1.8 per cent of the total annual staff costs in the SEB Group.

18. The Board of Directors' proposals on the acquisition and sale of the Bank's own shares

The Board of Directors proposes that the Annual General Meeting decides mainly as follows:

a) Acquisition of the Bank's own shares in its securities business

Pursuant to statutory law, trading in own shares in the Bank's securities business is subject to the Annual General Meeting's resolution. The Board of Directors therefore proposes that the Annual General Meeting resolves that the Bank shall be allowed to purchase shares in the Bank in its securities business on a regular basis during the time up to and including the 2021 Annual General Meeting in accordance with Chapter 7, Section 6 of the Securities Markets Act (lagen (2007:528) om värdepappersmarknaden) up to a number not exceeding 1.0 per cent of the total number of shares issued at each time in the Bank. The price of the shares purchased shall be the market price prevailing at the time of acquisition.

b) Acquisition and sale of the Bank's own shares for capital purposes and for long-term equity programmes

The Board of Directors proposes that the Annual General Meeting resolves to authorise the Board of Directors to decide on the acquisition and sale of the Bank's own Class A-shares and/or Class C-shares for capital purposes and for the year 2020 and previous years' long-term equity programmes mainly as follows.

Acquisition of shares shall exclusively take place on NASDAQ Stockholm at a price within the price interval at any time recorded, and this shall refer to the interval between the highest buying price and the lowest selling price. Sale of shares may be made on NASDAQ Stockholm or outside NASDAQ Stockholm, with or without deviation from the shareholders preferential rights and with or without stipulations on contribution in kind or right of offset. The shares may be used as consideration for acquisitions of companies or businesses or in order to finance acquisitions of companies or businesses. The authorisation may be utilised on one or more occasions, however not longer than until the 2021 Annual General Meeting. The Bank may purchase at the most so many shares that the Bank's total holding of own shares not exceeds 10 per cent of the total number of shares in the Bank.

c) Transfer of the Bank's own shares to participants in the 2020 long-term equity programmes

The Board of Directors proposes that the Annual General Meeting resolves that a maximum number of the acquired Class A-shares in the Bank, corresponding to the number of shares to be delivered under the 2020 long-term equity programmes

may be sold/transferred to the participants under the programmes who are entitled to acquire/receive shares. Each and every participant has the right to acquire/receive a maximum of the number of shares that follows from the terms and conditions of the programmes respectively. The right may be exercised in the periods established under the programmes.

19. The Board of Directors' proposal for decision on authorisation to the Board of Directors to issue convertibles with conversion into A-shares

The Board of Directors proposes that the Annual General Meeting authorises the Board of Directors to resolve on the issuance of convertibles as set out below:

1. The authorisation may be utilised on one or several occasions prior to the Annual General Meeting in 2021.
2. The issuance of the convertibles shall be made with deviation from the shareholders' pre-emption rights; see also 5 below.
3. The convertibles shall mandatorily convert into Class A shares under the conditions stated in the terms and conditions of the convertibles, but not be convertible at the option of the holders.
4. Loan amounts and conditions for conversion shall be set so that the total number of shares which may be issued upon conversion of convertibles, by virtue of this authorisation, may not exceed ten (10) per cent of the total number of shares in the bank at the time of issuance of the convertibles.
5. The Board of Directors shall resolve on all other terms and conditions for issuance according to this authorisation. The terms and conditions of the convertibles will include a provision according to which the shares issued upon conversion shall be offered for sale with preferential rights for the shareholders to buy such shares at a price corresponding to the conversion price.

The President shall be authorised to make such minor adjustments to this decision that may be necessary in connection with the registration of the authorisation.

The purpose of the authorisation is to create flexibility for the Board, if and when deemed necessary, to resolve on the issuance of subordinated convertible loans that qualifies as Additional Tier 1 capital, and in order to be able to optimize the Bank's capital base. The convertible loans would be mandatorily converted to shares under certain pre-determined conditions in a potential future financially distressed situation for the Bank.

Under the current regulatory capital framework that came into force 1 January 2014, banks have been subject to higher capital requirements overall. In addition to share capital, certain types of subordinated debt instrument may be included in the capital base. Such instruments need to be able to absorb losses in a going-concern situation. A subordinated debt instrument must, in order to be eligible for inclusion as Additional Tier 1 capital in the capital base, contain conditions to the effect either that the

instrument shall be converted into shares or written down if the Bank's Common Equity Tier 1 ratio falls below a certain level. For reasons relating to Profit & Loss volatility, tax and general costs, the most efficient alternative is to issue an Additional Tier 1 capital instrument that converts into shares. An issue of such a convertible instrument can only be made in accordance with the rules of the Swedish Companies Act on issuance of convertibles. A flexible capital management and optimisation is helped if the Bank has the possibility to issue convertible subordinated debt and if the Board of Directors has been given a mandate to decide on issuance of Additional Tier 1 instruments with conversion into shares.

Addition Tier 1 instruments with a mandatory conversion are likely to meet investor interest mainly from international institutional investors. It is therefore proposed that the Board of Directors should be allowed to deviate from the shareholders' preferential right in conjunction with such an issue.

20. The Board of Director's proposal on the appointment of auditors of foundations that have delegated their business to the Bank

The Board of Directors proposes that Lena Johnson, Grant Thornton Sweden is appointed auditor in the following foundations: G A Lilljas stiftelse, Stiftelsen Carl och Fredrika Svenssons understödsfond, Stiftelsen Borgmästare Carl Wallanders minnesfond, and Stiftelsen Emanuel Västers stipendiefond.

The Board of Directors proposes that Karin Westerlund, Mazars SET Revisionsbyrå, is appointed auditor in the following foundations: Anna och Sture Assarssons stiftelse, Stiftelsen Ingenjör Ernst Johnsons fond, Stiftelsen Elin Johnsons stipendiefond för elever vid Kungliga GCI, Stiftelsen Ernst Johnsons stipendiefond för musikstuderande, Stiftelsen Axel Lennart Larssons Donationsfond, Kristina Stenborgs stiftelse för vetenskaplig forskning, Margareta (Meg) Göthe-Dalgrems stiftelse, von Willebrandska understödsstiftelsen, and Stiftelsen landsfiskalen Werner Larssons och hans maka Elisabeth Larssons från Kungsbacka fond.

The Board of Directors proposes that Theodor Hugosson, Ernst & Young, is appointed auditor in the following foundations: Stiftelsen A Andrésens Minnesgåva, Stiftelsen W M Philipsons Donationsfond and Stiftelsen J C:son Kjellbergs Donationsfond.

21. The Board of Directors' proposal to amend the Articles of Association

According to Chapter 7, Section 4 of the Companies Act (2005: 551) the Board of Directors may collect proxies for the general meeting if it is specified in the Articles of Association. Furthermore, according to Chapter 7, Section 4a of the Companies Act it may be stated in the Articles of Association that the Board of Directors may decide that the Shareholders shall be able to exercise their voting rights by post before the General Meeting of Shareholders.

In order to be able to use the alternatives provided by the Companies Act to decide on proxy collection and postal voting, the Board of Directors proposes that the Articles of Association shall be amended so that it is stated that;

- a) the Board of Directors may collect proxies pursuant to the procedure stated in Chapter 7, Section 4, second paragraph of the Companies Act (2005: 551), and
- b) the Board of Directors may decide that the Shareholders shall be able to exercise their voting rights by post before the General Meeting of Shareholders pursuant to the procedure stated in Chapter 7, Section 4a of the Companies Act (2005: 551).

22. Shareholder Thorwald Arvidsson's proposal to amend the Articles of Association

The shareholder Thorwald Arvidsson proposes that the Annual General Meeting decides to

- a) Section 4, third paragraph, third sentence of the Articles of Association shall read as follows: "When voting at the Annual General Meeting, both Class A and Class C shares carry one vote.", and
- b) instruct the Board of Directors to prepare a proposal for the further changes in the Articles of Association that may be prompted by a change in the Articles of Association in the manner proposed in paragraph a) above, to be submitted to the Annual General Meeting 2021 (or an Extraordinary General Meeting held before that) for resolution.

23. Proposal from shareholder Thorwald Arvidsson regarding voting rights grading and representation for certain shareholders in the Board of Directors and the Nomination Committee

The shareholder Thorwald Arvidsson proposes that the Annual General Meeting decides to

- a) instruct the Board of Directors to work to eliminate the possibility of voting rights grading in the Swedish Companies Act primarily by contacting the Government;
- b) instruct the Board of Directors to prepare a proposal for representation on both the Board of Directors and the Nomination Committee for the small and medium-sized shareholders to be submitted to the Annual General Meeting 2021 (or an Extraordinary General Meeting held before that) for resolution; and
- (c) instruct the Board of Directors to work in conjunction with paragraph b) above, to ensure that a similar change is achieved in the national, Swedish regulations, primarily about an amended regulation by contacting the government.

Majority rules

There are requirements for resolutions to be passed in accordance with the Board of Directors' proposals under items 18 a) and b), 19 and 21 that the resolutions of the meeting are supported by shareholders representing at least 2/3 both of the votes cast and of the shares represented at the meeting. There is a requirement for a resolution to be passed in accordance with the Board of Directors' proposal under item 18 c) that the resolution of the meeting is supported by shareholders representing at least 9/10 both of the votes cast and of the shares represented at the meeting.

For resolutions under 22 a) the resolution must be supported by all shareholders present at the Annual General Meeting and together they must represent at least nine tenths of all shares in the company, or the resolution must be supported by shareholders with at least two-thirds of both the votes cast and the shares that are represented at the Annual General Meeting if half of all class A shares and nine tenths of the shares represented at the Annual General Meeting agree to the amendment.

Complete proposals etc.

- The Nomination Committee's complete proposed resolutions and motives for the proposal on Board members,
- the Board of Directors' complete proposed resolutions,
- the Board of Directors' report on the monitoring and evaluation of equity-based remuneration and the application of the by the Annual General Meeting approved guidelines for salary and other remuneration for the President and members of the Group Executive Committee and the auditor's statement on such application,
- information regarding proposed Directors and the Auditor.

are available on www.sebgroup.com and at the Bank's Head Office, Kungsträdgårdsgatan 8 in Stockholm.

The Annual Report, the Auditors' Report, the Consolidated Accounts and the Auditors' Report on the Consolidated Accounts and the Auditors' Report according to Chapter 8, Section 54 in the Companies Act is presented by making them available on the Bank's website www.sebgroup.com/en and at the Bank's head office, Kungsträdgårdsgatan 8 in Stockholm. The shareholders' meeting book is also available at the Bank's head office.

Shares and votes

The Bank's share capital is SEK 21,942 million and the total number of shares and votes in the Bank is 2,194,171,802 shares and 2,172,434,544.8 votes of which 2,170,019,294 shares are Class A-shares corresponding to 2,170,019,294 votes (1 vote per A-share) and 24,152,508 shares are Class C-shares corresponding to 2,415,250.8 votes (1/10 vote per C-share). The Bank's holding of own shares is 27,271,861 shares.

Processing of personal data

Skandinaviska Enskilda Banken AB (publ), 502032-9081, registered in Stockholm, is the controller of the processing of personal data performed by the bank or its service providers in connection with the Annual General Meeting. For information on how personal data is processed, please see

<https://www.euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf>

Further information on the Annual General Meeting

For questions about the Annual General Meeting or to have the postal voting form sent by mail, please contact Euroclear Sweden AB on telephone 0771 23 18 18 (+46 771 23 18 18 outside Sweden).

Stockholm in May 2020

Skandinaviska Enskilda Banken AB (publ)
(502032-9081)

THE BOARD OF DIRECTORS

NOTIFICATION OF PARTICIPATION AND FORM FOR POSTAL VOTING

by postal voting in accordance with section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations

To be received by Skandinaviska Enskilda Banken AB (publ) (“SEB”) c/o Euroclear (see address below) no later than 26 June 2020.

The shareholder set out below hereby notifies the company of its participation and exercises its voting right for all of the shareholder’s shares in SEB, Reg. No. 502032-9081 at the annual general meeting on 29 June 2020. The voting right is exercised in accordance with the voting options marked below.

Shareholder	Personal identity number/registration number

Assurance (if the undersigned is a legal representative of a shareholder who is a legal entity): I, the undersigned, am a board member, the President or a signatory of the shareholder and solemnly declare that I am authorised to submit this advance vote on behalf of the shareholder and that the contents of the advance vote correspond to the shareholder’s decisions

Assurance (if the undersigned represents the shareholder by proxy): I, the undersigned, solemnly declare that the enclosed power of attorney corresponds to the original and that it has not been revoked

Place and date	
Signature	
Clarification of signature	
Telephone number	E-mail

Instructions:

- Complete the information above
- Select the preferred voting options below
- Print, sign and send the form in the original to Skandinaviska Enskilda Banken AB (publ), c/o Euroclear Sweden, Box 191, 101 23 Stockholm (label the envelope "Postal Voting AGM 2020"). A completed and signed form may also be submitted electronically and shall, in such case, either be sent through BankID signing as per instructions available on <https://anmalan.vpc.se/euroclearproxy> or via e-mail to GeneralMeetingServices@euroclear.eu
- If the shareholder is a natural person who is personally voting by post, it is the shareholder who should sign under *Signature* above. If the postal vote is submitted by a proxy of the shareholder, it is the proxy who should sign. If the postal vote is submitted by a legal representative of a legal entity, it is the representative who should sign
- A power of attorney shall be enclosed if the shareholder votes by post by proxy. If the shareholder is a legal entity, a registration certificate or a corresponding document for the legal entity shall be enclosed with the form
- **Please note that a shareholder whose shares are registered in the name of a bank or securities institute must register its shares in its own name to vote.** Instructions regarding this are included in the notice convening the meeting

A shareholder cannot give any other instructions than selecting one of the options specified at each item in the form. If a shareholder wishes to abstain from voting in relation to a matter, kindly refrain from selecting an option. A vote (*i.e.* the postal voting in its entirety) is invalid if the shareholder has provided the form with specific instructions or conditions or if pre-printed text is amended or supplemented. One form per shareholder will be considered. If more than one form is submitted, the form with the latest date will be considered. The form latest received by the company will be considered if two forms are dated at the same date. An incomplete or wrongfully completed form may be discarded without being considered.

The form, together with any enclosed authorisation documentation, shall be received by Euroclear no later than 26 June 2020. A postal vote can be withdrawn up to and including 26 June 2020 in the same manner as the postal vote was submitted.

For proposals regarding the items on the agenda, kindly refer to the notice convening the meeting and complete proposals on SEB's website.

For information on how your personal data is processed, see the integrity policy that is available at Euroclear's website www.euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf.

Annual general meeting in SEB on 29 June 2020

The voting options below comprise, if not otherwise stated in the form, the proposals submitted by the board of directors and the nomination committee provided on the company's website.

The voting list proposed to be approved under item 4 below is the voting list prepared by Euroclear Sweden AB on behalf of SEB, based on the shareholders' register for the general meeting and the advance votes received, as verified and seconded by the persons elected to approve the minutes.

The tasks of the persons elected to approve the minutes also include verifying the voting list and that the advance votes received are correctly reflected in the minutes.

<p>2. Election of a chairman of the meeting</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>3. Election of two persons to approve the minutes</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>4. Preparation and approval of the voting list</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>5. Approval of the agenda</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>6. Determination as to whether the meeting has been duly convened</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>8. Resolution regarding adoption of the income statement and the balance sheet and the consolidated income statement and the consolidated balance sheet</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>9. Resolution regarding allocation of the bank's profits or losses in accordance with the adopted balance sheet</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>10. Resolution regarding discharge of the members of the board of directors and the President from liability</p>
<p>10.1 Johan H. Andresen</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>10.2 Signhild Arnegård Hansen</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>10.3 Anne-Catherine Berner</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>10.4 Samir Brikho</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>

10.5 Winnie Fok Yes <input type="checkbox"/> No <input type="checkbox"/>
10.6 Anna-Karin Glimström Yes <input type="checkbox"/> No <input type="checkbox"/>
10.7 Annika Dahlberg Yes <input type="checkbox"/> No <input type="checkbox"/>
10.8 Charlotta Lindholm Yes <input type="checkbox"/> No <input type="checkbox"/>
10.9 Tomas Nicolin Yes <input type="checkbox"/> No <input type="checkbox"/>
10.10 Sven Nyman Yes <input type="checkbox"/> No <input type="checkbox"/>
10.11 Lars Ottersgård Yes <input type="checkbox"/> No <input type="checkbox"/>
10.12 Jesper Ovesen Yes <input type="checkbox"/> No <input type="checkbox"/>
10.13 Helena Saxon Yes <input type="checkbox"/> No <input type="checkbox"/>
10.14 Johan Torgeby (as member of the board of directors) Yes <input type="checkbox"/> No <input type="checkbox"/>
10.15 Marcus Wallenberg Yes <input type="checkbox"/> No <input type="checkbox"/>
10.16 Håkan Westerberg Yes <input type="checkbox"/> No <input type="checkbox"/>
10.17 Johan Torgeby (as President) Yes <input type="checkbox"/> No <input type="checkbox"/>
11. Determination of the number of members of the board of directors to be elected by the shareholders' meeting Yes <input type="checkbox"/> No <input type="checkbox"/>
12. Determination of the number of auditors to be elected by the shareholders' meeting Yes <input type="checkbox"/> No <input type="checkbox"/>
13. Determination of fees to the board of directors and auditors
13.1 Fees to the board of directors Yes <input type="checkbox"/> No <input type="checkbox"/>

13.2 Fees to the auditor Yes <input type="checkbox"/> No <input type="checkbox"/>
14.a) Election of the members of the board of directors until the annual general meeting 2021
14.1 Signhild Arnegård Hansen Yes <input type="checkbox"/> No <input type="checkbox"/>
14.2 Anne-Catherine Berner Yes <input type="checkbox"/> No <input type="checkbox"/>
14.3 Samir Brikho Yes <input type="checkbox"/> No <input type="checkbox"/>
14.4 Winnie Fok Yes <input type="checkbox"/> No <input type="checkbox"/>
14.5 Sven Nyman Yes <input type="checkbox"/> No <input type="checkbox"/>
14.6 Lars Ottersgård Yes <input type="checkbox"/> No <input type="checkbox"/>
14.7 Jesper Ovesen Yes <input type="checkbox"/> No <input type="checkbox"/>
14.8 Helena Saxon Yes <input type="checkbox"/> No <input type="checkbox"/>
14.9 Johan Torgeby Yes <input type="checkbox"/> No <input type="checkbox"/>
14.10 Marcus Wallenberg Yes <input type="checkbox"/> No <input type="checkbox"/>
14.b) Election of the chairman of the board of directors Marcus Wallenberg Yes <input type="checkbox"/> No <input type="checkbox"/>
15. Election of auditor Yes <input type="checkbox"/> No <input type="checkbox"/>
16. The Board of Director's proposal on guidelines for salary and other remuneration for the President and members of the Group Executive Committee Yes <input type="checkbox"/> No <input type="checkbox"/>
17. The Board of Director's proposal on Long-term Equity Programmes for 2020:
17.a) SEB All Employee Programme 2020 (AEP) for all employees in most of the countries where SEB operates

Yes <input type="checkbox"/> No <input type="checkbox"/>
17.b) SEB Share Deferral Programme 2020 (SDP) for the Group Executive Committee Yes <input type="checkbox"/> No <input type="checkbox"/>
17.c) SEB Restricted Share Programme 2020 (RSP) for other than senior managers in certain business units Yes <input type="checkbox"/> No <input type="checkbox"/>
18. The Board of Director's proposal on the acquisition and sale of the Bank's own shares:
18.a) acquisition of the Bank's own shares in its securities business Yes <input type="checkbox"/> No <input type="checkbox"/>
18.b) acquisition and sale of the Bank's own shares for capital purposes and for long-term equity programmes Yes <input type="checkbox"/> No <input type="checkbox"/>
18.c) transfer of the Bank's own shares to participants in the 2020 long-term equity programmes Yes <input type="checkbox"/> No <input type="checkbox"/>
19. The Board of Director's proposal for decision on authorisation to the Board of Directors to issue convertibles Yes <input type="checkbox"/> No <input type="checkbox"/>
20. The Board of Director's proposal on the appointment of auditors of foundations that have delegated their business to the Bank Yes <input type="checkbox"/> No <input type="checkbox"/>
21. The Board of Director's proposal to amend the Articles of Association Yes <input type="checkbox"/> No <input type="checkbox"/>
22. Proposal from the shareholder Thorwald Arvidsson to amend the Articles of Association Yes <input type="checkbox"/> No <input type="checkbox"/>
23. Proposal from the shareholder Thorwald Arvidsson on voting rights grading and representation on the Board of Directors and the Nomination Committee for certain shareholders Yes <input type="checkbox"/> No <input type="checkbox"/>

The shareholder wishes that the resolutions under one or several items in the form above be deferred to a continued general meeting
(Completed only if the shareholder has such a wish)

Item/items (use numbering):

1 326 448 632,2	0,0	13 677,0	1 330 828 907	0	13 677	100,000%	0,000%	0,001%	99,999%	0,000%	0,001%	61,517%	0,000%	38,483%
12 - Fastställande av det antal revisorer som ska utses av stämman														
1 326 448 632,2	0,0	13 677,0	1 330 828 907	0	13 677	100,000%	0,000%	0,001%	99,999%	0,000%	0,001%	61,517%	0,000%	38,483%
13.1 - Arvode till styrelsen														
1 326 328 600,2	119 476,0	14 233,0	1 330 708 875	119 476	14 233	99,991%	0,009%	0,001%	99,990%	0,009%	0,001%	61,511%	0,006%	38,483%
13.2 - Arvode till revisorn														
1 326 433 076,2	0,0	29 233,0	1 330 813 351	0	29 233	100,000%	0,000%	0,002%	99,998%	0,000%	0,002%	61,516%	0,000%	38,484%
14.1 - Val av styrelse - Signhild Arnegård Hansen														
1 323 549 912,8	2 898 719,4	13 677,0	1 327 925 936	2 902 971	13 677	99,781%	0,219%	0,001%	99,781%	0,218%	0,001%	61,383%	0,134%	38,483%
14.2 - Val av styrelse - Anne-Catherine Berner														
1 323 972 813,2	2 475 819,0	13 677,0	1 328 353 088	2 475 819	13 677	99,813%	0,187%	0,001%	99,813%	0,186%	0,001%	61,402%	0,114%	38,483%
14.3 - Val av styrelse - Samir Brikho														
297 737 388,6	0,0	1 028 724 920,6	297 859 173	0	1 032 983 411	100,000%	0,000%	77,554%	22,381%	0,000%	77,619%	13,768%	0,000%	86,232%
14.4 - Val av styrelse - Winnie Fok														
1 323 912 221,2	2 535 525,0	14 563,0	1 328 292 496	2 535 525	14 563	99,809%	0,191%	0,001%	99,808%	0,191%	0,001%	61,399%	0,117%	38,483%
14.5 - Val av styrelse - Sven Nyman														
1 323 971 927,2	2 475 819,0	14 563,0	1 328 352 202	2 475 819	14 563	99,813%	0,187%	0,001%	99,813%	0,186%	0,001%	61,402%	0,114%	38,483%
14.6 - Val av styrelse - Lars Ottersgård														
1 316 569 536,4	9 878 209,8	14 563,0	1 320 948 688	9 879 333	14 563	99,255%	0,745%	0,001%	99,257%	0,742%	0,001%	61,060%	0,457%	38,483%
14.7 - Val av styrelse - Jesper Ovesen														
1 237 088 447,8	86 739 053,4	2 634 808,0	1 241 406 916	86 800 860	2 634 808	93,448%	6,552%	0,199%	93,280%	6,522%	0,198%	57,383%	4,012%	38,604%
14.8 - Val av styrelse - Helena Saxon														
1 264 819 497,7	58 354 182,5	3 288 629,0	1 269 113 215	58 440 740	3 288 629	95,590%	4,410%	0,248%	95,362%	4,391%	0,247%	58,664%	2,701%	38,635%
14.9 - Val av styrelse - Johan Torgeby														
1 313 215 362,2	13 110 955,8	135 991,2	1 317 594 449	13 112 079	136 056	99,011%	0,989%	0,010%	99,005%	0,985%	0,010%	60,905%	0,606%	38,489%
14.10 - Val av styrelse - Marcus Wallenberg														
1 243 447 823,6	80 391 611,6	2 622 874,0	1 247 767 415	80 452 295	2 622 874	93,927%	6,073%	0,198%	93,758%	6,045%	0,197%	57,677%	3,719%	38,604%
14.b - Val av styrelseordförande - Marcus Wallenberg														
1 239 079 386,3	84 533 944,9	2 848 978,0	1 243 401 738	84 591 868	2 848 978	93,613%	6,387%	0,215%	93,430%	6,356%	0,214%	57,475%	3,910%	38,614%
15 - Val av revisor														
1 326 447 746,2	0,0	14 563,0	1 330 828 021	0	14 563	100,000%	0,000%	0,001%	99,999%	0,000%	0,001%	61,517%	0,000%	38,483%
16 - Styrelsens förslag till riktlinjer för lön och annan ersättning till verkställande direktören och andra ledamöter av den verkställande ledningen														
1 326 019 556,6	64 439,2	378 313,4	1 330 395 515	64 504	382 565	99,995%	0,005%	0,029%	99,966%	0,005%	0,029%	61,497%	0,003%	38,500%
17.a - SEB Resultatandel 2020 för alla medarbetare i de flesta länder där SEB bedriver verksamhet														
1 326 412 921,0	34 269,2	15 119,0	1 330 793 131	34 334	15 119	99,997%	0,003%	0,001%	99,996%	0,003%	0,001%	61,515%	0,002%	38,483%
17.b - SEB Aktieprogram 2020 för verkställande ledningen, vissa andra ledande befattningshavare och en grupp av andra nyckelpersoner														
1 318 426 167,6	7 657 828,2	378 313,4	1 322 802 126	7 657 893	382 565	99,423%	0,577%	0,029%	99,396%	0,575%	0,029%	61,146%	0,354%	38,500%
17.c - SEB Villkorade Aktieprogram 2020 för vissa anställda i valda affärsheter														
1 322 089 663,0	4 137 272,2	235 374,0	1 326 469 873	4 137 337	235 374	99,688%	0,312%	0,018%	99,671%	0,311%	0,018%	61,315%	0,191%	38,494%
18.a - förvärv av egna aktier i värdepappersrörelsen														
1 326 387 484,2	59 706,0	15 119,0	1 330 767 759	59 706	15 119	99,995%	0,005%	0,001%	99,994%	0,004%	0,001%	61,514%	0,003%	38,483%
18.b - förvärv och överlåtelse av egna aktier för kapitaländamål och för långfristiga aktieprogram														
1 325 445 745,2	863 055,0	153 509,0	1 329 826 020	863 055	153 509	99,935%	0,065%	0,012%	99,924%	0,065%	0,012%	61,470%	0,040%	38,490%
18.c - överlåtelse av egna aktier till deltagare i 2020 års långfristiga aktieprogram														
1 319 543 177,2	6 904 013,0	15 119,0	1 323 923 452	6 904 013	15 119	99,480%	0,520%	0,001%	99,480%	0,519%	0,001%	61,198%	0,319%	38,483%
19 - Styrelsens förslag till bemyndigande för styrelsen att besluta om emission av konvertibler														
1 326 293 038,0	154 138,2	15 133,0	1 330 673 248	154 203	15 133	99,988%	0,012%	0,001%	99,987%	0,012%	0,001%	61,510%	0,007%	38,483%
20 - Styrelsens förslag till utseende av revisorer i stiftelser med anknuten förvaltning														
1 326 447 190,2	0,0	15 119,0	1 330 827 465	0	15 119	100,000%	0,000%	0,001%	99,999%	0,000%	0,001%	61,517%	0,000%	38,483%
21 - Förslag från styrelsen om ändring av bolagsordningen														
1 326 446 422,2	5,0	15 882,0	1 330 826 652	50	15 882	100,000%	0,000%	0,001%	99,999%	0,000%	0,001%	61,517%	0,000%	38,483%
22 - Förslag från aktieägaren Thorwald Arvidsson om ändring av bolagsordningen														
81 084 534,8	1 237 692 650,2	7 685 124,2	81 134 465	1 242 022 930	7 685 189	6,148%	93,852%	0,579%	6,096%	93,326%	0,577%	3,750%	57,412%	38,838%
23 - Förslag från aktieägaren Thorwald Arvidsson om rösträttsgradering och representation för vissa aktieägare i valberedning och styrelse														
39 596 488,4	1 280 682 430,6	6 183 390,2	39 632 618	1 285 026 511	6 183 455	2,999%	97,001%	0,466%	2,978%	96,557%	0,465%	1,832%	59,400%	38,768%

2019

Annual Report

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Pages 32–173 constitute SEB's formal annual report.

2019 in brief

Important events and trends

The global economy was fragile but gradually stabilised while central banks' quantitative easing continued. At the end of the year, the Swedish central bank ended a five-year period of negative interest rates.

Corporate customers were active with high demand for advisory services, banking and capital market financing.

Financial institutions handled the challenging interest rate environment with caution, while demand for illiquid investments increased.

Private customers' demand for household mortgages grew and SEB's market share for new mortgage loans in Sweden improved.

Sustainability became an even stronger factor for customers and demand for green products grew.

SEB signed the UNEP FI Principles for Responsible Banking.

The fight against financial crime and money laundering continued with further development of advanced technology solutions and refined working processes.

Key targets and figures

Board's financial targets	2019	2018
Dividend payout ratio at 40 per cent or more of earnings per share, per cent	67 ¹⁾	76 ²⁾
Common Equity Tier 1 capital ratio of around 150 basis points over requirement ³⁾ , basis points	250	270
Return on equity ²⁾ competitive with peers, per cent	13.8	13.4

Key figures

Operating income, SEK m	50,134	45,868
Operating profit, SEK m	24,894	27,285
Return on equity, per cent	13.7	16.3
Cost/income ratio	0.46	0.48
Earnings per share, SEK	9.33	10.69
Dividend per share, SEK	6.25 ¹⁾	6.50
Common Equity Tier 1 capital ratio, per cent	17.6	17.6
Leverage ratio, per cent	5.1	5.1
Liquidity Coverage Ratio (LCR), per cent	218	147

1) Based on the Board proposal.

2) Excludes items affecting comparability.

3) Applicable regulatory requirement: 15.1% (14.7).

Our customers and stakeholders

Our customers' needs are at the core of our business. Their high expectations for both personal and digital service, for quality advice and for sustainable solutions drive SEB's business development and offerings. Our 15,000 employees work as a team to serve our customers and create value for our shareholders as well as society as a whole.

Large corporations

2,000

Shareholders

265,000

Financial institutions

1,100

Employees

15,000

Small and medium-sized companies

400,000

Of these, some 272,000 are home bank customers.

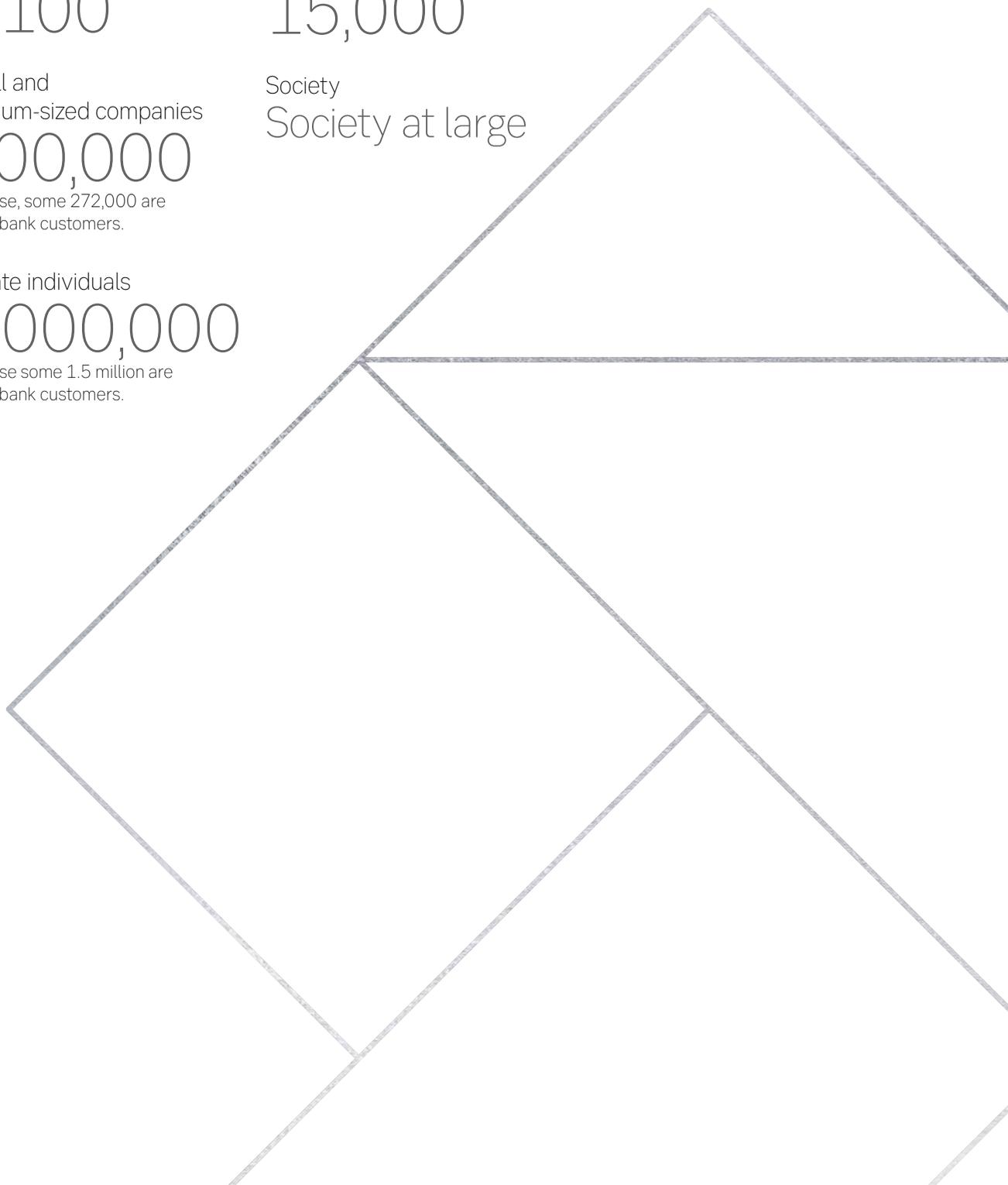
Society

Society at large

Private individuals

4,000,000

Of these some 1.5 million are home bank customers.



We have a unique customer base and market position, serving our customers in our home markets and beyond.



Our business is strong and diversified, creating value for all our stakeholders.

Diversified income 2019, %

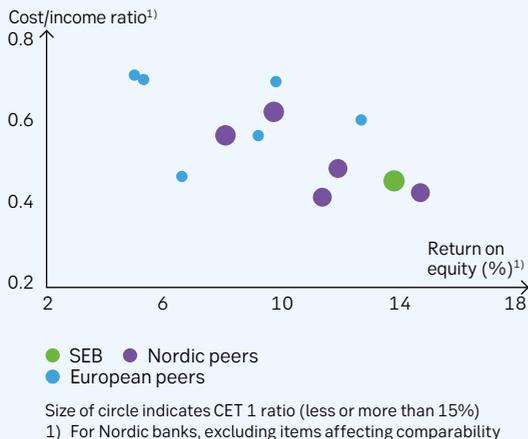


Financial value created 2019, SEK 65 bn

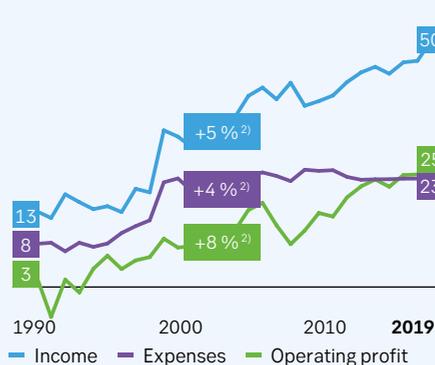


We are well positioned versus our peers with a track record of strong profitable growth.

Our peers 2019



Our profit development¹⁾, SEK bn



1) Excluding items affecting comparability.
2) Compound Annual Growth Rate (CAGR).

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



Long-term partnerships in a changing world

At SEB we aim to be a long-term partner to our customers and create shareholder value by building relationships based on mutual trust. As the world around us continues to change at an ever-increasing speed, it is our ambition to stay even closer to our customers and support them with personalised and proactive advice as well as innovative financial services.

As we enter the 2020s we can look back on a decade of fast-paced technological development, macroeconomic turbulence and shifting geopolitical power in the world. 2019 was a year characterised by political and economic uncertainty, with low interest rates and continued expansionary monetary policies. The long Brexit process has formally come to an end, and when the UK–EU separation eventually does come into effect, there will be tangible consequences for both people and businesses.

Protectionist tendencies in many parts of the world are still of concern. There is a growing need to safeguard multilateral trade, openness and democracy. The World Trade Organisation's e-commerce trade negotiations could become an important regulatory framework for future business opportunities. Fair and free trade is a prerequisite for business growth and a foundation upon which our societies rely.

Value creation in the new digital landscape

For more than 160 years SEB has been eager to understand what the future holds. We embrace innovation and we do our best to predict, understand and adapt to the trends of tomorrow so that we can create value over time. We live in symbiosis with our customers. By helping them prosper, we create long-term value for our shareholders and contribute to society at large. This is important in today's rapidly changing environment, with the financial sector undergoing structural change in several areas, such as changing customer behaviours, increased regulation, new competitors, and the formation of new digital and financial ecosystems.

History shows that technological shifts come in major steps. We are passing through a second wave of digitalisation, driven by increased computational power

and new technologies within artificial intelligence, the internet of things, blockchain and 5G. This shift is transforming companies and entire industries, providing opportunities both for us as a bank and for our customers. It is also paving the way for digital entrepreneurs, dynamic start-ups and new, innovative and sometimes disruptive businesses.

SEB's role in this digital landscape is to support a new generation of entrepreneurs looking to quickly grow their businesses and to contribute to our existing customers' innovation journeys, supporting them in their transformation. As SEB itself becomes even more data-driven, we can understand and meet our customers' behaviours and future needs even better. We also continue to develop new financial services, enabling our customers to engage in new business opportunities where SEB can be part of their digital ecosystems.

The future is green

Sustainability has been high on SEB's agenda for many years. As the effects of climate change become more tangible, our customers' demand for sustainable products and services is increasing. The financial industry is now at the verge of a shift towards offering truly sustainable finance, as climate risk partially translates into investment risk.

Corporate customers are ready to make the transition towards a low-carbon economy, and many entrepreneurs want to do good for the climate. Private customers are eager to invest in green technology and want to place their savings where it can benefit the next generation. Our role at SEB in sustainable finance is to provide solutions so that individual customers can fulfil their needs and reach their objectives. We innovate new sustainable financial services, we provide advice and

investments, and we support our corporate and institutional customers in their transition to more sustainable business models.

A business of trust

SEB's most important asset is trust. We cherish our relationships with customers, investors and shareholders, and we do our utmost to live up to our high internal and external standards of business conduct. The Board of Directors works together with the Group Executive Committee to navigate the changing financial landscape and to make sure that SEB is financially stable and competitive in the long term. SEB's solid balance sheet is a precondition for the bank to safeguard a robust financial position and to be able to stand by our customers in good times and bad.

The Board continually works to ensure that SEB has the highest standards of corporate governance, compliance and risk management. At SEB we are constantly improving our ways of working and sharpening our technological and other tools to meet the ever-changing regulatory requirements in the financial sector. These measures are helping SEB to improve and strengthen the ongoing work in compliance, risk mitigation and reporting.

Banks' and society's efforts to fight money laundering is an area where regulations have focused and improved over time. Financial crime affects society as a whole, but banks have a central role in preventing that the financial system is utilised. At SEB we take this seriously. We have been engaged in the Baltic countries since the turn of the century, and together with other Nordic banks we have played a vital role in supporting the long-term transformation of the three Baltic democracies in the period following their independence from the former Soviet Union. SEB has consistently taken business

“We strive to be the leading Nordic corporate bank with an international perspective, connecting Nordic corporates and institutions with the rest of the world.”

decisions based on a strategy that is grounded in supporting our balanced growth in the Baltic countries.

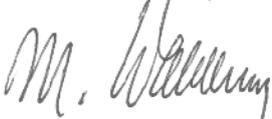
Over the years, SEB's ability to prevent, detect and report suspected cases of financial crime has strengthened. Knowing that criminal intent is a moving and evasive target, we continue to invest in competence, artificial intelligence and other technologies to further improve our abilities.

The leading Nordic corporate bank

Looking to the future, our long-term vision and our financial targets still stand – in the Nordic and Baltic countries as well as our other home markets. We strive to be the leading Nordic corporate bank with an international perspective, connecting Nordic corporates and institutions with the rest of the world.

Curiosity has always been a hallmark for SEB. We believe that the best recipe for long-term success is to build on our long-term partnerships with our customers and explore the future together with them. At SEB, we believe that by building our diversified full-service business model, we continue to create long-term value for our shareholders, whilst supporting our customers' entrepreneurial ambitions.

Stockholm, February 2020



Marcus Wallenberg
Chair, Board of Directors



Creating shareholder value by embracing transformation

SEB's diversified business model continues to support our vision of delivering world-class service and shareholder value. While this enables us to operate from a position of strength, we also embrace the transformational trends of digitalisation and sustainability to meet our customers' needs and expectations.

Closing the books for 2019, I am pleased to see that our strategic decision to further invest in our business has resulted in a higher transformational pace, improved customer satisfaction and stronger financial results. Our solid operating income growth was in large part driven by SEB's lending and investment banking activities. Yet our ambitions remain high for 2020, not least within the savings area, where we plan to strengthen our efforts going forward.

2019 was also the first year of our current business plan 2019–2021. Our actions have been concentrated to our strategic focus areas of *advisory leadership*, *operational excellence* and *extended presence*, and we are making progress broadly in line with our plan.

Strategy for long-term growth

Banks have a unique role in connecting ideas with people and capital. SEB enables individuals and companies to achieve their aspirations by providing good advice combined with access to investment opportunities and lending.

Over the years our corporate customers have grown, and so have we as we support them around the globe. SEB is present in some 20 countries, and financial growth has been broad-based across our geographies. Our ability to serve customers locally is one of our core strengths, and we aim to develop this as we move forward.

Our work to constantly improve our business would not be possible without our 15,000 employees who turn strategy into action. Based on our belief that people are at the core of everything we do, I am encouraged to see that we reached new heights in our employee engagement survey in 2019.

Digital banking with customers in focus

We want to meet our customers on their terms, and as our customers become more digital, they also expect more personalised and proactive advisory services. Today, mobile interactions represent more than 80 per cent of all customer interactions within the Corporate & Private Customers division, and we continue to see increasing digital activity. We are responding to this development by digitalising and automating our business, and improving the digital customer experience. In doing so we are also freeing up time for our advisors to focus more on meetings that add value for customers, also in person.

Among other tools in our digital transformation toolbox, we offer investment banking advisory services on digital business models and strategies through SEB Singular, while our innovation studio SEBx – which is real-time, smart and cloud-based – is making life and business easier for small entrepreneurs, also called solopreneurs.

Enabling sustainable transformation

SEB has an important role to play in the shift towards a low-carbon economy by supporting our customers in their transformation and by aligning our own business model with our continuously increasing standards.

As climate change represents a tangible risk, both today and in the future, we all need to reconsider our ways of doing business. We expect our customers to strive towards the objectives of the Paris Agreement, yet there are industries that have steeper slopes to climb and we realise that each customer journey will be different. By advising our customers and enabling them to reach their goals alongside ours, we can achieve real impact.

We increased our advisory capabilities during the year, not least within the energy sector, and this is an area where I see a growing demand over the coming years. Our customers' interest in sustainable financial solutions continues to grow, with sustainability-linked loans, impact funds and ESG-related advisory services being some of the main drivers. SEB was a partner when the World Bank issued its first Green Bond for institutional investors in 2008, and we continue to be one of the leading Green Bond underwriters in the world. With the ambition of remaining at the forefront we continue to innovate and in 2019 we arranged our first Blue and Red Bond, focusing on clean water and vaccines. This is a growing market, but the sustainable bond universe still represents less than one per cent of all outstanding bonds globally. The transition has only just started.

We have long been committed to initiatives such as the UN Global Compact and the Principles for Responsible Investments. We want to make a difference by changing the green playing field for the financial sector, and this requires collaboration. In September we signed the UN Principles for Responsible Banking, by which we undertake to continuously strengthen our positive impact and align our activities over the coming years with the UN Sustainable Development Goals and the Paris Agreement.

Trust is our licence to operate

Ever since we welcomed our first customer in 1856, SEB has kept a long-term perspective. Trust is our licence to operate – it is a prerequisite for us to be able to conduct successful business that benefits our shareholders. As a bank, we have a responsibility to continuously monitor transaction patterns in order to prevent, detect and report suspicious activity,



“SEB enables individuals and companies to achieve their aspirations.”



with the aim of countering financial crime. Here SEB has an important role to play. We are continuously improving our routines, processes and systems, however, neither regulations nor the banking system’s ability have been sufficiently efficient to manage the risks of money laundering historically.

If we want to achieve real results in countering financial crime, this cannot be done by individual banks alone. We need a risk-based approach combined with information sharing between banks and authorities across national borders, in

public-private partnerships. The proposed legislative changes that we presented through the Swedish Bankers’ Association to the Swedish government last year is a step in that direction.

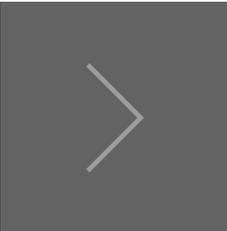
Strengthening our resilience

By continuing to invest in protecting SEB from money laundering and other financial crime, we aim to strengthen trust with a solid financial position. By having a strong capital and liquidity position, we strive to achieve resilience and flexibility, enabling us to adapt to changing market conditions

and support our customers throughout business cycles. With this long-term perspective, combining customer satisfaction with a robust balance sheet and sound credit exposure, we create value for our shareholders as well as society at large.

Stockholm, February 2020

Johan Torgeby
Johan Torgeby
President and Chief Executive Officer



Business environment

The gradual macroeconomic slowdown with negative interest rates is impacting the operating environment for banks. Global climate issues and digital development remain high on the agenda. At the same time, the ability of the financial system to fight financial crime has been and will continue to be in focus.

Commentary from Robert Bergqvist

Upside down – adapting to a changing world

“We are in the midst of structural macroeconomic change. The world seems abnormal in many ways and the unknown territories require fresh thinking and creativity among policy makers and others. Economies are slowing down after the historically long expansion period. Demographic headwinds are strengthening in many countries with negative impact on economic growth and state finances while savings surpluses increase. In parts of the world, the globalisation trend is being abandoned for regional priorities.

In 2019, the global economy faced several headwinds. The export-dependent Swedish economy was no exception and the Swedish krona depreciated significantly. Continued disputes over trade and technology contributed to lower activity as well as country- and region-specific cyclical and structural factors for the telecom and auto industries. Their combined impact disrupted investment and global production cycles as well as international trade. The outbreak of the coronavirus, COVID-19, in late 2019 added uncertainty regarding global growth.

In the current low inflation environment, many central banks responded to downside growth risks by lowering interest rates. Although the risk spectrum justified accommodative monetary policy, doubts continued to rise over its effectiveness on a stand-alone basis.



Robert Bergqvist, SEB's chief economist

The negative-yield phenomenon has turned the world on its head; draining pension funds and investors of a reliable source of income, requiring life and pension insurance companies to take positions to offset growing pension liabilities with falling discount rates, and incentivising risk-inclined companies to take on more debt.

Pessimists read recession and deflation scenarios into interest rates and yields. Optimists see a chance for the public and private sectors to borrow at no real cost for investments in climate solutions and technology. The world is facing predictable unpredictability.” ■

“The world is facing predictable unpredictability.”

■

Current trends

Climate high on the agenda

The climate issue is one of the greatest challenges facing the world, and in 2019 it gained new momentum when the younger generation, as well as corporate leaders, became increasingly engaged around the world. World leaders met at the UN's Climate Action Summit in New York and Climate Change Conference in Madrid to discuss the additional steps needed to achieve the Paris Agreement goal to limit the increase in global temperature to 2 degrees Celsius.

During the last few years it has become clear that the financial sector has a key

role in the shift to a low-carbon world. In 2018, the European Commission launched an action plan for the financial sector that outlines its part in achieving the climate and energy targets needed to meet the goals of the Paris Agreement. This work is being conducted by a number of expert groups and is expected to result in a joint classification system that defines which economic activities that are sustainable from a climate perspective.

In 2019, the UN launched the UNEP FI Principles for Responsible Banking, where 131 banks from 49 countries, including SEB, have committed themselves as

signatories to steadily increase their positive impact on society and adapt their business strategies so that they are consistent with, and contribute to, the UN's Sustainable Development Goals and the Paris Agreement.

The climate issue is also the sustainability issue that once again was ranked highest by SEB's customers according to a survey we conducted of the bank's mutual fund investors.

➤ See p. 22.

Digital opportunities

For most parts of society, digitalisation is leading to enormous changes and significant improvements in customer experience. In financial services, technological advances are opening up a wealth of opportunities, where exponential growth of both data volumes and capabilities is creating new ways of meeting customers' needs, while simultaneously automating internal processes. In the new decade, enabling real-time and effective solutions that empower companies, entrepreneurs and people will be based on an expanding network of data interaction.

Financial ecosystems in the making

The landscape of the financial services industry is transforming. One of the most

prominent trends globally is the formation of function-based ecosystems, commonly referred to in the financial industry as Open Banking. Sharing of information is opening up new possibilities and a wide array of new services, such as seamless accounting, digital wallets and expense management, on a single digital platform. All this is revolving around the customer journey, and we are currently witnessing an interesting flow of new, innovative solutions and collaborations taking place.

Machine intelligence

Improvements in research related to companies, macroeconomics and customer advice are closely linked to better data access and advanced algorithms that uncover valuable insights. Algorithms that analyse large datasets in fractions of a

second are a manifestation of the human/machine symbiosis, where machine intelligence can create more accurate pricing models, proactive advice and recommendation models. Personal advice will increasingly be dependent on machines extracting meaningful information from large and growing datasets. Artificial intelligence and machine learning capabilities are increasingly integrated into cloud-based software. Cloud solutions are driving more efficient ways of implementing full-scale machine learning applications and thereby possibilities to improve operations, develop new customer offerings, and provide better customer service.

➤ See p. 17.

Collaboration needed in the fight against financial crime

Money laundering and other types of financial crime are a challenge for society as a whole, and banks play a key role in preventing criminals from exploiting the financial system.

The financial sector's ability to prevent, detect and report suspicious activity has strengthened over time. Regulations have been successively toughened, awareness has increased, and routines, processes and systems are being constantly improved. Like many banks, SEB is continually investing in both competence and employee training as well as new technology – employing machine learning and artificial intelligence – to further strengthen the bank's defences against being used for criminal purposes. Still, at any given time,

all banks are subject to the risks posed by financial crime.

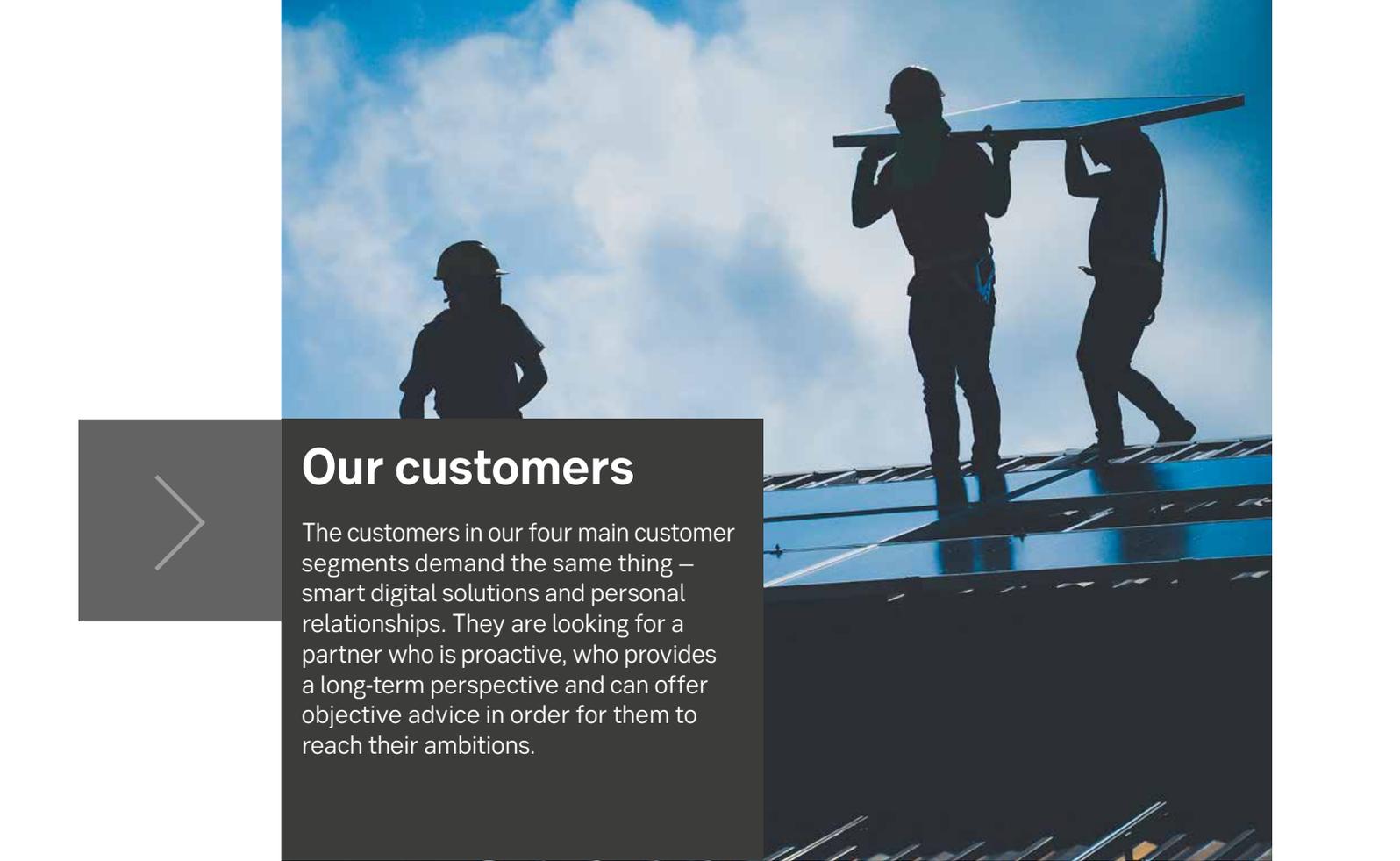
If the work on countering financial crime is to be successful, more collaboration and information sharing is needed. One such initiative is being conducted through the Swedish Bankers' Association, which has proposed that the Swedish parliament work for a legislative change that would enable banks to access, handle and share relevant information while allowing relevant authorities to share their knowledge and information with the banks.

Efforts are also ongoing to spur more international co-operation. Together with other Nordic banks and the police, SEB is working long term to strengthen society's and the banking system's defences against financial crime.

➤ See p. 56.

New regulations

Several regulations for financial stability, market conduct and consumer protection are being gradually introduced through international directives and local legislation. While the pace of introduction is slowing, compliance monitoring is increasing, resulting in new requirements on banks, such as to deliver detailed real-time reporting to the authorities. ➤ See p. 58.



Our customers

The customers in our four main customer segments demand the same thing – smart digital solutions and personal relationships. They are looking for a partner who is proactive, who provides a long-term perspective and can offer objective advice in order for them to reach their ambitions.

CUSTOMER SEGMENTS

Large corporates

We have enduring and uniquely strong relationships with our large corporate customers in Sweden and the other Nordic countries. We support them in their business and their international expansion and stay with them as a partner through good times and bad. SEB serves some 2,000 large corporations across a broad spectrum of industries. Many of them are global market leaders and most have extensive international operations. In the Nordic region, our customers are among the largest in their respective industries while in Germany and the UK, medium to large-sized companies with an international profile are in focus.

Development in 2019: Customer activity was high in all product areas of the Large Corporate segment. Following a cautious beginning of the year, companies with good liquidity used their surplus to invest. Demand for lending increased, partly due to the number of mergers and acquisitions. Customers took advantage of the interest rate environment which was favourable for new bond issues. Demand for cash management services was high. The private equity market was very liquid with high asset prices. In the financial sponsors segment specifically, customer activity decreased somewhat as a result of fewer mergers and acquisitions.

Financial institutions

SEB serves approximately 1,100 financial institutions and acts as an intermediary between Nordic and global financial markets. We offer our services to pension fund and asset managers, hedge funds, insurance companies, state-owned investment funds as well as other banks and SSAs (sovereigns, supnationals and agencies). We have a strong position in the Nordic markets and also serve customers internationally with capital market access, custody services and advice on capital, sustainability and asset management matters.

Development in 2019: In the Financial Institutions segment customers were less active during the year as expected interest rate hikes were postponed due to the global macroeconomic uncertainty. This caused customers to adopt a more prudent stance in their hedging and investment decisions. While volatility and demand for traditional asset classes were low, interest in illiquid investments, private equity and hedge funds increased. Investments with sustainability criteria continued to grow rapidly, mainly as a result of new regulatory requirements. Assets under custody increased to SEK 10,428bn with several new mandates, a proof of SEB's attractive custody offering.

A few questions for Joachim Alpen and William Paus

What are your comments on the 2019 development?

We see broad growth in all our home markets, particularly in the large corporate customer segment. Transaction volumes in areas such as cash management and custody, increased. Advisory services have also developed positively and during the year we were involved in a number of large corporate transactions.

Like us, customers are exploring digital opportunities and are concerned about their climate impact. We have a lot to offer in terms of expertise and advisory services in these areas where we see great opportunities. The function SEB Singular has been established to advise large corporates on digital business models and strategies. The Energy team focuses on assisting customers on their sustainable transformation journeys.

In 2019, we saw significant revenue growth and we are capturing a growing share of the total revenue in the Nordic countries. We pursue our efforts to meet or exceed our customers' expectations in our home markets. Our growth originates primarily from existing customers and we continue to take in new customers at a relatively low pace.

“Our model of relationship banking is serving us well.”



Joachim Alpen and William Paus, co-heads of the Large Corporates & Financial Institutions division

Why do customers choose SEB?

The trend among customers is to prefer fewer close banking relationships. Previously, customers were keen on working with a group of banks to avoid dependencies. Today, customers have no problem working very closely with a single bank. But this requires that we work closely

with them, understand them, and are competent, proactive and trustworthy. Trust and confidence have taken on greater value, and as a result our relationship banking model serves us well in today's market.

Customers appreciate deep industry competence and are eager to participate in co-developing new products, often with a sustainability profile. Many of our

customers are focusing on the significant challenge of transforming their business models to be more sustainable and this is an area where we add value both in terms of advisory services and financing the related investment. We have for instance introduced loans where the conditions are linked to how well the customer fulfils its internal sustainability targets.

What can SEB do better?

Of course, the expectations on us to continue digitalising our services are high. We must continue to make life easier for our customers by standardising and automating our services. Digital communication with us must be easier, whether for registering new products or signing new agreements. A key target for us is capital efficiency – in 2020 we are aiming to further increase return on capital. ■

See p. 46 for information on the Large Corporates & Financial Institutions division.



Meet one of our large corporate customers
Stora Enso in Finland
Seppo Parvi, CFO and deputy to the CEO

A long-standing relationship built on mutual trust

Stora Enso has 26,000 employees in 30 countries and reported sales of around EUR 10bn for 2019. The company produces solutions based on wood and biomass and has a green profile – “the renewable materials company”.

“We have a long-standing relationship with SEB and have worked together through both good times and bad so we trust each other. We appreciate that our relationship ranges from basic banking services to advice on corporate transactions”, says Seppo Parvi.

“SEB has always offered innovative banking products. A couple of years ago, we launched our first revolving credit facility with certain green features and in 2019 we worked together with SEB on the issuance of our first green bond, which we used to finance the acquisition of forest assets from Bergvik Skog. It was very successful.” ■

CUSTOMER SEGMENTS

Small and medium-sized companies

SEB has an established position as the bank for entrepreneurs and small business owners and currently serves some 400,000 small and medium-sized companies. Of these, 170,000 were home bank customers in Sweden and 102,000 in the Baltic countries. The segment includes around 600 mid-corps – many with international operations – as well as customers in the real estate and public sectors in Sweden, such as government agencies, state-owned companies and municipalities.

Private individuals

SEB is one of the major banks in Sweden, Estonia, Latvia and Lithuania. In Sweden, we have a strong position and the bank is one of the market leaders in the Nordic countries in private banking. SEB provides a comprehensive range of services to private customers and private-banking services with global reach to Nordic high-net-worth individuals. We have approximately four million private customers in Sweden and the Baltic countries. Of these, 494,000 are home bank customers in Sweden and 979,000 in the Baltic countries. We have around 34,000 Private Banking customers.

Development in Sweden 2019: The macroeconomic development was strong and SEB's customers were generally active. Private customer consumption increased in general and, as regards SEB, in terms of demand for mortgage loans. Private Banking customers made significant investments in mutual funds and alternative investments. Companies were in dire need of advisory services and financing, especially small and medium-sized companies. Satisfaction in terms of advisory services among personal banking customers was record-high and increasing throughout the year among small and medium-sized companies.

Development in the Baltic countries 2019: Growth rate in Baltic economies slowed down somewhat in the year but customers continued to be very active. Households were confident about the future, private consumption was resilient and mortgage loans increased. Digital maturity is high among customers that eagerly adapt to new digital services. Corporate customers' interest in advisory services and green products is on the rise and the companies demanded financing in the advantageous conditions.

Sweden



Mats Torstendahl, Head of the Corporate & Private Customers division
Erika Lundquist, Head of Private Banking

A few questions for Erika Lundquist and Mats Torstendahl

What are your comments on the 2019 development?

We saw good growth among both corporate and private customers, especially within Private Banking. We increased the number of corporate customers, customer satisfaction increased and our efforts in our corporate offering were recognised when Finansbarometern named us Business Bank of the Year.

What is in focus among corporate and private customers?

In both the corporate and private markets, we have been happy to see the strong demand for sustainable products and services. The inflow in sustainability funds, green mortgages and demand for green leasing, launched in 2019, exceeded expectations.

The Baltic countries



Riho Unt
 Head of the Baltic division¹⁾

A few questions for Riho Unt

What are your comments on the 2019 development?

The credit portfolio for our larger corporate customers and private individuals continued to grow. The strong real wage trend was reflected in higher consumption and an increase in deposits. Digital use increased in many areas. For example, our mobile app now has 627,000 users, we have conducted 20,600 remote advisory meetings and the number of digitally signed agreements increased to 680,000.

1) In February 2020, Jonas Ahlström was named new head of the Baltic division.

Customers appreciate and embrace digital solutions and we are continuously releasing new functionality in our digital channels, including the internet bank and the mobile app. Especially our Private Banking customers appreciate personal relationships and individualised advice.

Why do customers choose SEB?

We have a very strong brand that stands for long-term relationships. We aspire to be a stable partner to our customers through good times and bad and in all phases of people’s lives and companies’ development. We have been the bank for entrepreneurs since the very beginning. As a more recent example, start-up and growth companies are currently benefiting from our “greenhouse offer” that includes banking and adjacent services such as legal advice. In Private Banking, too, traditionally we have had, and still have, a strong offering where customers value the personal relationship, our broad investment advice including alternative assets, and not least, the bank’s network and contacts.

What can SEB do better?

We have had good customer growth and can now expand upon the relationships we have with our customers, not least in the area of savings, which is important for ensuring customers’ financial security and future retirement. Private Banking is one of the bank’s designated strategic initiatives where we are investing in an improved customer experience through strengthened service offering and digital tools throughout the Nordic region, while we safeguard the personal contact, which will always be at the core in every good relationship. ■



Meet one of our corporate customers
Houdini in Sweden
Eva Karlsson, CEO

Banks’ sustainability responsibility is given

Houdini is an innovative manufacturer of functional clothing. The company, with a clear sustainability profile, started 25 years ago and now has sales in 20 markets with a turnover of around SEK 200 million.

“We have a great relationship with SEB, since many years, and benefit from the co-operation in our constant balancing act to grow quickly, to innovate and to manage resources well. A long-term banking relationship built on genuine partnership with transparency, trust and common goals is very important”, says Eva Karlsson. “The financial industry can make a strong contribution to the conversion to a more sustainable society, as a facilitator and through financial incentives”, she concludes.

What is in focus among Baltic customers?

Customers across the Baltic countries are at the forefront when it comes to taking advantage of digital services. They are easily and eagerly adapting to digital solutions and are looking for more convenient ways to manage their banking services in a simple and user-friendly way.

On the corporate side, we are seeing an increased need for various advisory services. Corporate customers’ expectations on digital and automated processes are also growing rapidly and customers demand smart integration and solutions that help them streamline their operations. Sustainability has also become a megatrend and customers’ awareness of, and demand for, sustainable products and services are growing.

Why do customers choose SEB?

We have served them as a stable partner over the years. We have a strong brand and competent employees. Our ambition to help customers grow through our advisory and growth programmes is appreciated and generates positive feedback.

What can SEB do better?

We need to strengthen opportunities to establish partnerships, allocate more resources to further strengthen digital development and, not least, develop the Baltic capital markets as a complement to bank financing. ■

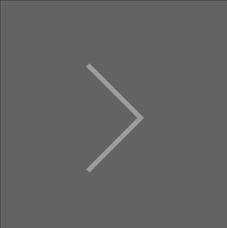


Meet one of our private customers
Kadri Kull in Estonia

Twenty years with SEB

Kadri Kull has been an SEB customer since opening her first account more than twenty years ago and has used a wide range of financial services over the years. Kadri Kull works as a communication adviser for the European Commission’s office in Estonia and appreciates the digital accessibility. “I have the bank in my phone and access to all the services I need at any time but I also appreciate my personal contact person, who gives the bank a human face”, says Kadri Kull.

➤ See p. 46 for information on the Corporate & Private Customers and the Baltic divisions.



Strategy and business plan

Ever since SEB was founded more than 160 years ago, we have been guided by a strong belief that entrepreneurial minds and innovative companies are key in creating a better world.

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 relation-

ships, 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. Trust is our license to operate and thus fundamental to our long-term ambition to generate lasting value for all our stakeholders.

Strategy: Vision 2025

Our strategy, Vision 2025, was launched in 2015, aiming to achieve long-term growth by delivering world-class service to our customers. Since then, change has become the new normal in the banking landscape and in 2019 we revisited our long-term strategic direction to ensure we remain the preferred choice for our customers. In order to leverage the

business opportunities emerging from continuous changes in customer needs and behaviours, technologies, regulations as well as competition, we have identified three strategic focus areas on which to base our efforts: strengthening our advisory capabilities, accelerating operational efficiency and extending our digital distribution and offering.

Business plan 2019–2021

The Vision 2025 is set out in the three-year business plan 2019–2021 in which our overall targets and three focus areas are key components.

Overall targets

Shareholder value is created through profitable growth and improved efficiency, while maintaining strong capital efficiency. The Board has defined three financial targets for the period 2019–2021:

- **A yearly dividend** that is 40 per cent or more of earnings per share.
- **A Common Equity Tier 1 (CET 1) capital ratio** of around 150 basis points above the current requirement from the Swedish Financial Supervisory Authority.
- **A return on equity** that is competitive with peers.

In the long term, SEB aspires to reach a sustainable return on equity of 15 per cent.

The overall progress of the business plan is monitored in terms of customer satisfaction, employee engagement, sustainability and financial development.

➤ See p. 26 for outcome of the overall targets.

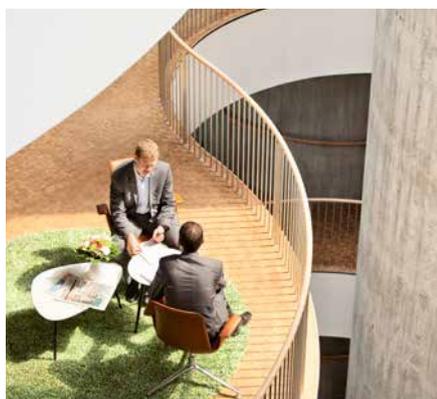
Cost target 2019–2021

SEB will continue to operate with a strict cost discipline ensuring that its current operations are cost efficient.

The business plan defines a number of strategic initiatives which, on an accumulated basis, are estimated to lead to total additional investments of SEK 2–2.5bn over the three-year period 2019–2021. This translates into a total cost increase of SEK 1bn, and a new total cost target of around SEK 23bn (+/- SEK 200m) by 2021, assuming 2018 FX rates. With the foreign exchange rates as of 31 December 2019, the cost target implies a cost level of around SEK 23.3bn in 2021. The pace of investments will be dependent on progress and will be gradually ramped up over the three years. The strategic initiatives are expected to lead to both revenue growth and cost efficiencies, improving return on equity over time.

Focus areas

To reach our vision and deliver in line with our strategy, we have set out the way forward in our business plan for 2019–2021. During the year, our activities have been concentrated on the focus areas of advisory leadership, operational excellence and extended presence, and we are progressing in line with the plan. The investments in our strategic initiatives, aiming to accelerate growth and enhance profitability, have also developed broadly as expected. Each focus area is presented in more detail on the following pages, with selected illustrative examples and comments on progress.



Advisory leadership

Offer customers proactive, customised and value-adding advice, based on their specific needs and behaviours, through human and digital interaction.

[Read more on p. 14](#) >



Operational excellence

Enhance customer value by increasing the pace of digitalisation and automation while extending the use of data and analytics.

[Read more on p. 16](#) >



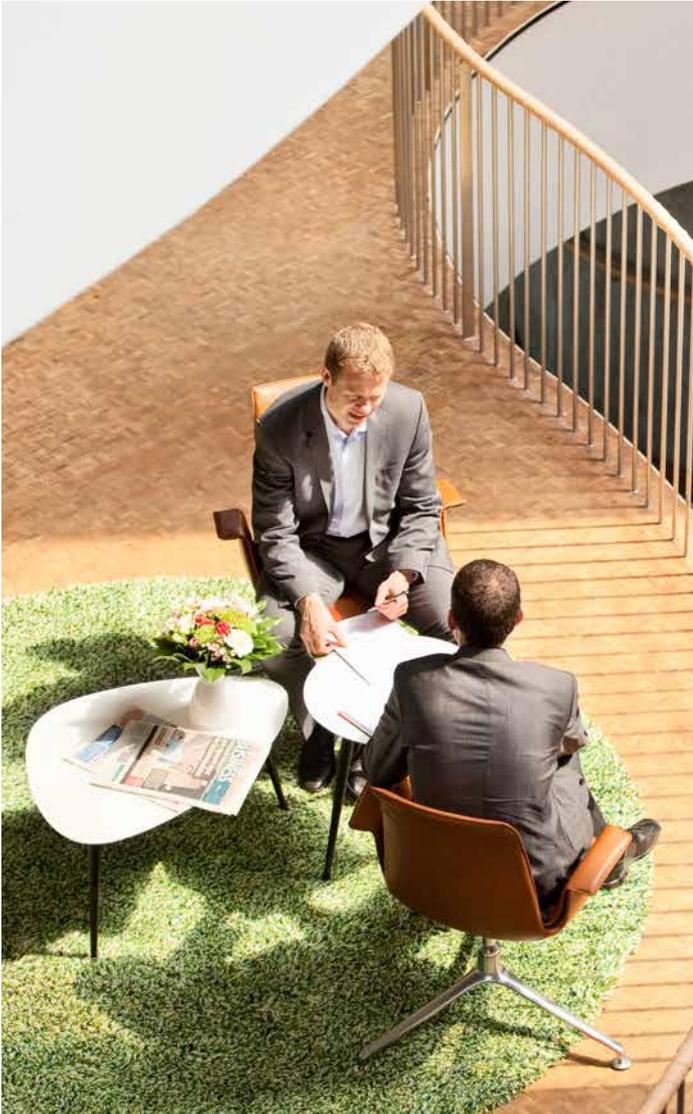
Extended presence

Meet our customers on their terms in their digital ecosystems and offer a combination of products and services from SEB and our partners.

[Read more on p. 18](#) >

Advisory leadership

Offer customers proactive, customised and value-enhancing advice, based on their specific needs and behaviours, through human and digital interaction.



Progress in 2019

Along with the ongoing technological development and the increased global focus on sustainability, our customers' needs and behaviours continue to change. This means that we constantly need to improve our services and our advisory capabilities to become an even better partner to our customers.

The long-term trend of our customers going more digital continues, with the mobile app being the preferred channel. Today, mobile interactions represent more than 80 per cent of all customer interactions within the Corporate & Private Customers division and we continue to see increasing digital activity. As a response to this change in customer behaviour, we have continued to develop the functionality in our digital channels, both in the mobile app and the internet bank.

Similar to digitalisation, sustainability continues to grow in importance among customers, investors and regulators. Sustainability has been an integrated part of SEB's business for many years, and as a bank we have an important role in enabling the shift to a low-carbon economy. We have therefore sharpened our value proposition by continuing to innovate new products and services, such as sustainability-linked loans and blue and red bonds focusing on clean water and vaccines. In addition, we have increased our advisory capabilities to better support our corporate customers in their energy transition. For SEB to remain financially strong and competitive in the long run, we are also transforming our own business. As a first step we are classifying our credit portfolio and assets under management according to sustainability criteria.

Strategic initiatives

Corporate and investment banking

Enhance advisory capacity across all client segments, with special focus on opportunities arising from new technologies and from the energy sector transition.

[Read more on p. 15](#) >

Private Banking Powerhouse

Improve the customer experience in Private Banking through a strengthened service offering and digital tools.

[Read more on p. 15](#) >

Sustainability

Accelerate innovation in sustainable financial solutions.

[Read more on p. 20](#) >

Savings and investments

Enhance the bancassurance offering and develop investment management capabilities including competence and distribution.

[Read more on p. 15](#) >

Activities within the focus area

Meeting Private Banking customer needs

Our Private Banking customers are important to us. Based on their needs, one of our strategic initiatives involves, among other things, improving digital services and broadening our offering in alternative investments. Other important areas include streamlining work processes, to allow more time for physical meetings with customers, attracting the right skills to further strengthen our comprehensive advisory offering and forming strategic partnerships to broaden the customer offering within the Open Banking framework.

Several steps were taken in 2019. A new function was launched in the internet bank, giving customers an overall view of their investments while at the same time improving the support capacity for our advisers. We also made new alternative investment products available, such as SEB Microfinance VII, which led to a good inflow of new customers and investment volumes. The efficiency of the sales organisation also increased.

Supporting sustainable transformation

As a bank, SEB has an opportunity and an obligation to make a difference in the transition to a low-carbon economy. Reducing the reliance on fossil fuels and focusing more on renewable resources are important factors driving investment needs. In Sweden alone the investment needed to make power grids sufficiently flexible and stable to handle future energy systems have been estimated to almost SEK 100bn. To support our customers in the entire energy sector in the shift to more sustainable business models, we have established an Energy team with increased advisory capacity. This virtual team takes advantage of expertise in the energy area from different parts of the bank and works together in a structured way to support our corporate customers in energy transition.

Digital advisory services in the Baltic countries

The possibility of remote advisory meetings via screen-sharing is appreciated by our customers in the Baltic countries and their use almost doubled during the year. We have continued to develop our digital advisory services to respond to customer needs.

In Estonia, the customer on-boarding process starts online and continues with a video meeting where the customer can sign the necessary documents digitally. In Latvia, we launched a pilot version of digital booking function where customers can schedule a physical advisory meeting online.

In 2019, the Baltic banks also introduced its local version of SEB's AI-based chatbot Aida. It speaks five languages and supports customers with internet authorisation, consumer lending and payment cards, among other things.

The number of users of SmartID, the service for digital signing in the Baltic countries, has now reached 793,000, which corresponds to 73 per cent of all our customers in these countries.

Custody services in customers' ecosystems

To meet our institutional customers' needs for custody services, SEB has over the years made large investments in a global custody platform, developed in partnership with the financial institution Brown Brothers Harriman. Through this venture we can offer global custody services, which are competitive in terms of product quality, service level and employee competence and thus the bank becomes a part of the ecosystems of major financial institutions.

During the past year, several major Nordic institutions selected SEB as custodian for their assets. Folketrygdfondet, the Norwegian government pension fund that manages securities worth approximately SEK 250bn, is so far the largest customer onboarded to the new custody platform.



Meet one of our customers
E.ON
Alan Bevan, head of M&A

"SEB acted as our sounding board and provided strategic advice when we acquired Coromatic. The transaction supports our aim to be an innovation driver of the energy transition and we view SEB as an important advisor in delivering on this ambition", says Alan Bevan from the German energy company E.ON.

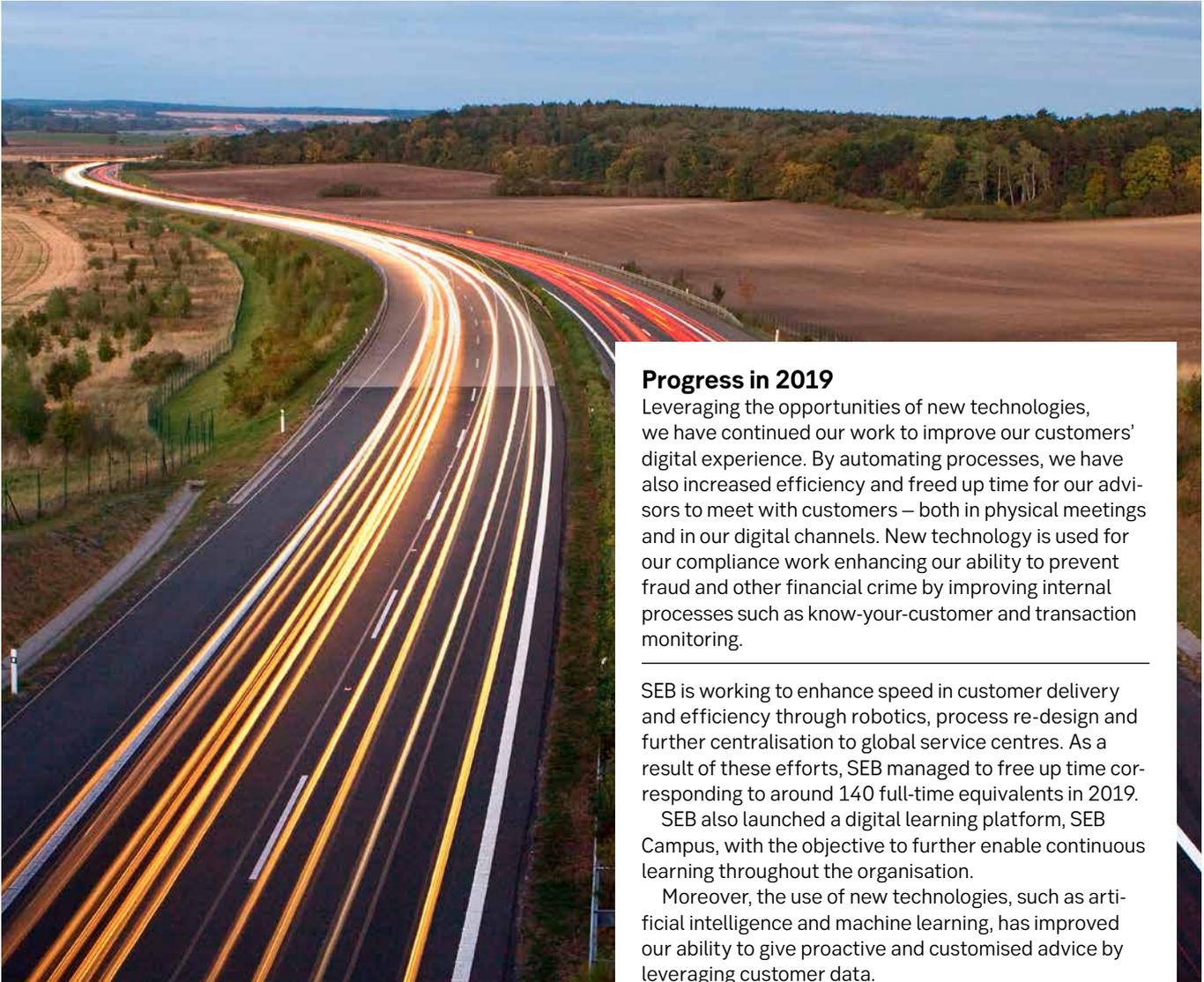


Meet one of our customers
Folketrygdfondet
Kjetil Houg, CEO

"We found SEB to be the best alternative overall in terms of both operations and customer follow-up. We are looking forward to work together with the SEB team", says Kjetil Houg.

Operational excellence

Enhance customer value by increasing the pace of digitalisation and automation while extending the use of data and analytics.



Progress in 2019

Leveraging the opportunities of new technologies, we have continued our work to improve our customers' digital experience. By automating processes, we have also increased efficiency and freed up time for our advisors to meet with customers – both in physical meetings and in our digital channels. New technology is used for our compliance work enhancing our ability to prevent fraud and other financial crime by improving internal processes such as know-your-customer and transaction monitoring.

SEB is working to enhance speed in customer delivery and efficiency through robotics, process re-design and further centralisation to global service centres. As a result of these efforts, SEB managed to free up time corresponding to around 140 full-time equivalents in 2019.

SEB also launched a digital learning platform, SEB Campus, with the objective to further enable continuous learning throughout the organisation.

Moreover, the use of new technologies, such as artificial intelligence and machine learning, has improved our ability to give proactive and customised advice by leveraging customer data.

Strategic initiatives

End-to-end automation

Achieve speed and efficiency in customer delivery through automation of processes and centralisation to global service centres for scale and simplicity.

[Read more on p. 17](#) >

Data-driven improvement

Build the foundation for a data-driven company through clean and organised data, supporting advanced analytics for advisory services.

[Read more on p. 17](#) >

Agile processes

Expand agile processes to increase the speed of business and technology development.

[Read more on p. 17](#) >

Adaptation of employee skills

Adapt employee skills and competences to respond to future needs.

[Read more on p. 24](#) >

Activities within the focus area

Automation and centralisation create value

Fully automated processes and centralised administrative support functions are prerequisites for creating customer value. Over the past ten years SEB has transferred back-office functions to global service centres in Riga and Vilnius to achieve consistency and economies of scale. Within the framework of the strategic initiative for end-to-end automation we are now accelerating the pace of this work, and in 2019 we carried out similar relocations directly from the business divisions.

This applies, for example, for the Life division, where management of certain customer service processes have been moved to Vilnius. Through uniform work routines the business has achieved greater efficiency and reduced costs. Also in the Large Corporates & Financial Institutions division we centralised certain customer service functions in cash management to Vilnius.

Data analytics and AI for better business

To become more data-driven in our ways of working we have set up a specialist team, which supports the business with methods for advanced data analytics and artificial intelligence (AI). The team, led by the bank's Chief Data Scientist, consists of experts with backgrounds as mathematicians, computer scientists, computer linguists and astrophysicists. They help identify relevant use cases and build prototypes for analytical models that create business value through, for example, improved advice, market analysis and risk management.

One example is an analytical model that was implemented in 2019 and assesses revenue potential and predicts growth for small and medium-sized companies. The model has strengthened our advisory capacity and has been very well received by customers, who gain more knowledge about their own business and thereby the ability to counter future setbacks and capitalise on future business opportunities. The specialist team also supports the Compliance function in building dynamic transaction monitoring as part of SEB's work to combat financial crime.

Robots contribute to process redesign

With the help of robot-controlled process automation, manual processes can be quickly streamlined and up-and-running without a need for heavy IT investments. The technology entails automating existing processes by creating software programs to perform standardised and repetitive tasks. This can be used, for example, for downloading and compiling data from different computer systems. This results in faster processes and a lower risk for errors, while the robots free up time that employees can use for more value-creating work.

In 2017 we started our global service centres for robot-controlled process automation in Riga and Vilnius, where a variety of back-office processes are now handled. In addition to the global service centres, we have now also built local robot centres that automate manual routines in the Life division, SEB Card and the Baltic division.

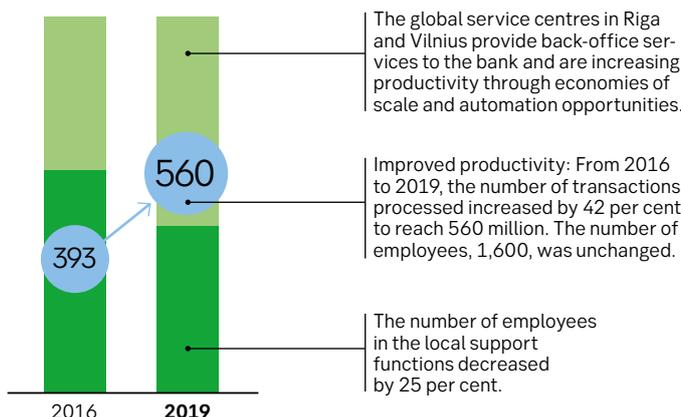
Nordic cooperation on customer data

Banks are required to know their customers, but at present there are no uniform national or international processes for aggregating customer data. This has led to both time-consuming and cumbersome processes for customers, who need to provide documentation to banks, as well as longer transaction times and more administration.

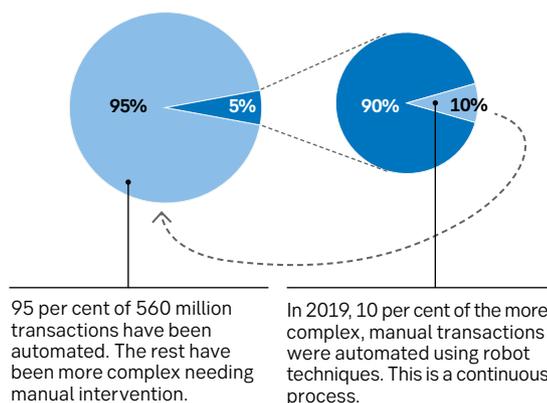
SEB is currently working with five other banks to create a jointly owned company that will develop a platform for managing know-your-customer (KYC) data. The goal is to develop a standardised platform and standardised processes for KYC information. Banks' handling of customer data is an important part of the work against money laundering and the financing of terrorism as well as other financial crime. The company will offer services to large and medium-sized companies in the Nordic countries and the first launch is planned for 2020.

End-to-end automation improves productivity

Centralisation

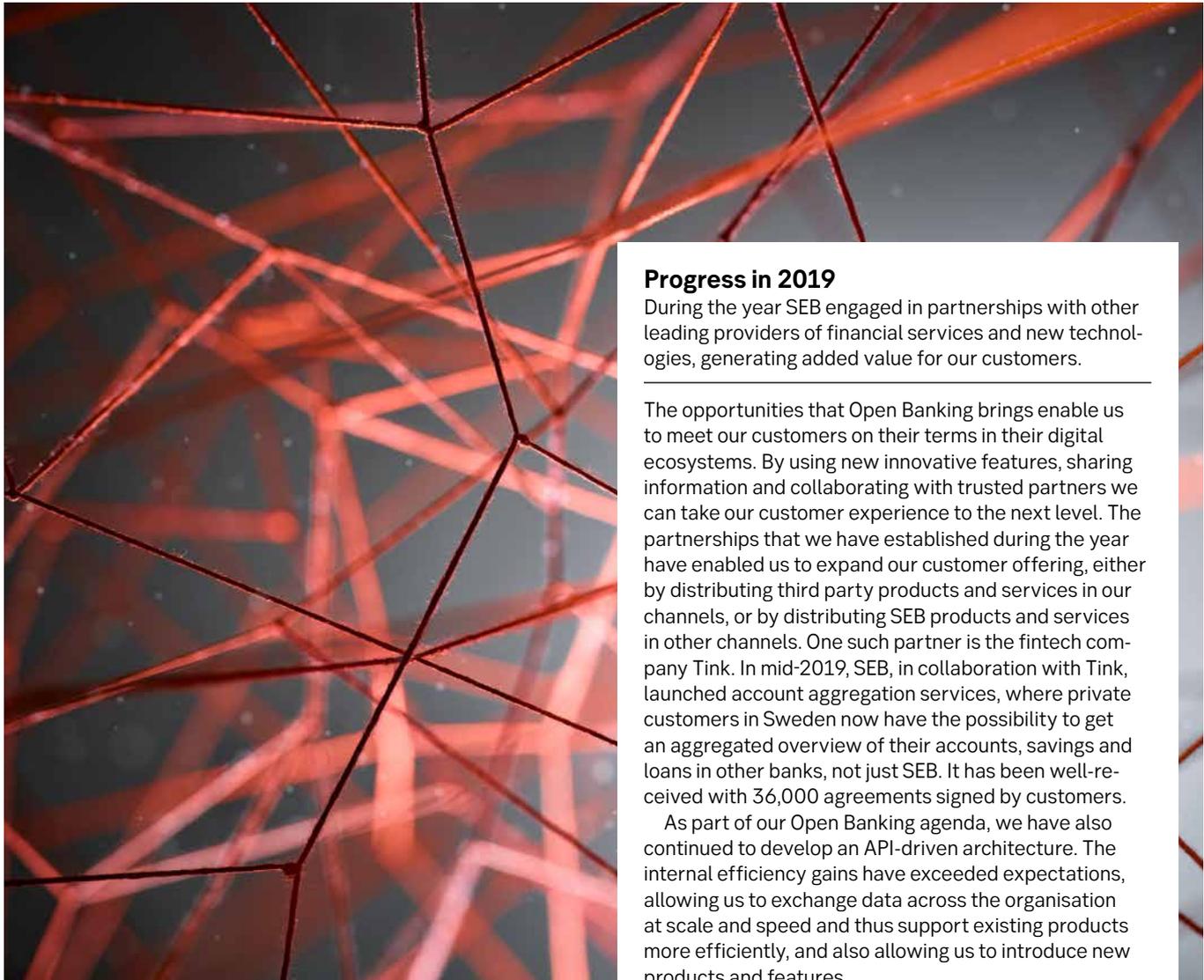


Automation



Extended presence

Meet our customers on their terms in their digital ecosystems and offer a combination of products and services from SEB and our partners.



Progress in 2019

During the year SEB engaged in partnerships with other leading providers of financial services and new technologies, generating added value for our customers.

The opportunities that Open Banking brings enable us to meet our customers on their terms in their digital ecosystems. By using new innovative features, sharing information and collaborating with trusted partners we can take our customer experience to the next level. The partnerships that we have established during the year have enabled us to expand our customer offering, either by distributing third party products and services in our channels, or by distributing SEB products and services in other channels. One such partner is the fintech company Tink. In mid-2019, SEB, in collaboration with Tink, launched account aggregation services, where private customers in Sweden now have the possibility to get an aggregated overview of their accounts, savings and loans in other banks, not just SEB. It has been well-received with 36,000 agreements signed by customers.

As part of our Open Banking agenda, we have also continued to develop an API-driven architecture. The internal efficiency gains have exceeded expectations, allowing us to exchange data across the organisation at scale and speed and thus support existing products more efficiently, and also allowing us to introduce new products and features.

Strategic initiatives

Open Banking

Develop the business in co-operation with external parties.

[Read more on p. 19](#) >

ERP integrator

Integrate with enterprise resource planning (ERP) systems in an effort to provide banking services in customers' channels of choice and utilise ERP data to enhance the customer offering.

[Read more on p. 19](#) >

Scaling Markets' system

Standardise digital distribution channels in order to serve and meet customer requirements.

SEBx

Explore new technologies and develop new products and services on the fringe of the organisation.

[Read more on p. 19](#) >

Activities within the focus area

SEBx – a startup within the bank

Established in 2018, SEBx operates at the fringe of SEB's organisation, with the aim to explore and use new technology to meet future customer needs. The unit is developing a technology platform in collaboration with cutting-edge suppliers of new, innovative and cloud-based technologies, including Google Cloud and fintech startup Thought Machine.

While leveraging new technology, SEBx can also draw upon the strengths of SEB, including access to data, industry knowledge and expertise. In return, lessons learned from SEBx are channelled back into the bank.

The first product launch planned for 2020 is aimed at self-employed people, or the "solopreneurs", with the ambition to simplify their everyday life. The product is currently being tested in a closed beta environment.

Open Banking developer portal

At SEB we aim to simplify life for our customers and to be available for them on their terms in times of need. It is an important component of our Open Banking strategy to increase the distribution of SEB's products and services through partnership and participation in selected digital ecosystems, while offering other actors' products through our channels.

The Developer Portal is our platform for offering APIs (Application Programming Interfaces) to external developers. The ambition is to gradually develop the portal into a broad API platform addressing the global developer network. The portal enables developers to test the integration of the APIs in a production-like environment and also allows SEB to offer its open APIs to the financial ecosystem community.

With respect to APIs related to the requirements of the EU's second Payment Services Directive (PSD2), the portal gives third parties that are licensed by national financial supervisors the opportunity to create solutions on behalf of our mutual customers by providing access to account information and payment initiation features.

Making corporate life easier

In 2019, we partnered with the accounting firm PE Accounting and deepened our co-operation with the firm, which offers proprietary accounting services. The collaboration is a part of our strategic initiative, ERP integrator, to develop integrated services with suppliers of business systems in order to simplify financial administration for our corporate customers.

By linking the customer account with the business system, customers can automate their accounting, manage payments and reconcile accounts more efficiently. Payment information and account transaction reports are automatically transmitted between the systems.

Today we offer the integration with around a dozen accounting firms and suppliers of business systems. Through our in-depth integration with PE Accounting, payment files and reports are transferred every 15 minutes instead of once a day previously, giving customers continuous control over their accounts.

For SEB such partnerships forms the basis for developing other products and services.



Meet Team SEBx

Martina Nordenson, Saurabh Singh, Christoffer Malmer (head), Emelie Magnusson, Neha Saxena

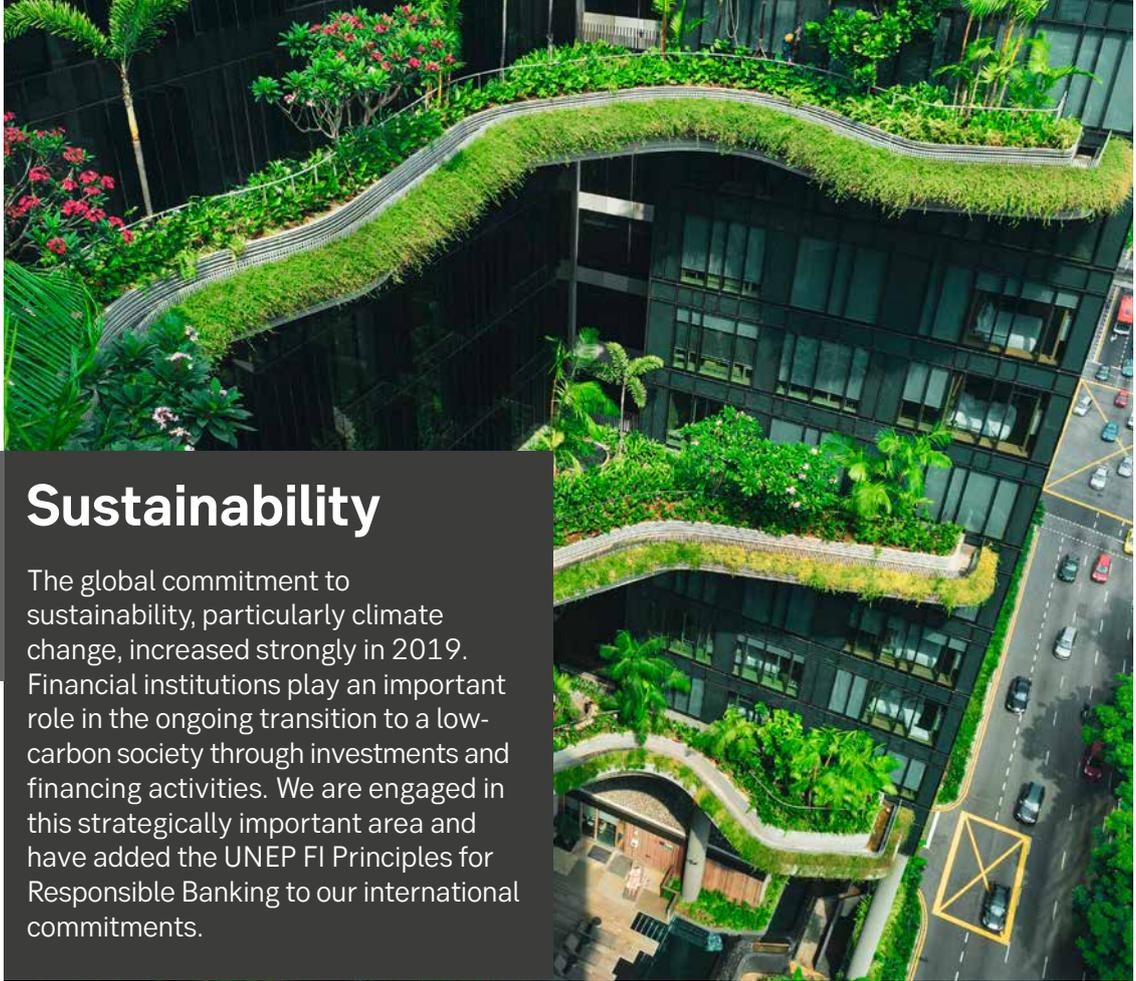
"We are excited, yet humble about the prospect of blending the strengths of the incumbent organisation with the agility and speed of a startup", says Christoffer Malmer.



Meet one of our customers Adtraction Marketing

Andreas Hagström, CFO

"We are positive to SEB's involvement in PE Accounting and the clear effect this has on provided services. As customers of PE Accounting we are benefiting from for instance local market payments, and we have lowered our costs and increased controls, specifically in terms of real-time liquidity planning", says Andreas Hagström.



Sustainability

The global commitment to sustainability, particularly climate change, increased strongly in 2019. Financial institutions play an important role in the ongoing transition to a low-carbon society through investments and financing activities. We are engaged in this strategically important area and have added the UNEP FI Principles for Responsible Banking to our international commitments.

During the year, international summits such as Global Climate Week, the United Nations Climate Action Summit in New York and the COP 25 Climate Change Conference in Madrid, further highlighted the need to accelerate the pace towards a low-carbon society.

Sustainability has been an integral part of our operations for many years. Since we are seeing ever-greater expectations from our stakeholders, we have increased the pace and intend to play a leading role in the transition to a low-carbon society. The three-year business plan, therefore, includes three related components: innovation, transformation as well as policies and procedures.

SEB has always developed in accordance with society and customers' needs. We now focus on innovating new products and services to meet the increasingly advanced sustainability needs of our customers. In the transformation of our business we classify the credit portfolio and assets under management according to sustainability criteria while strengthening advisory services to assist our customers in their transition. Finally, our own policies and procedures are in focus.

In parallel, we see a need for international co-operation and we are engaged in a number of ways. In 2019, SEB was one of 131 banks globally that signed the UNEP FI Principles for Responsible Banking. These principles reflect the power of collaboration between the private and financial sectors in the transition to a low-carbon society.



Funding raised for new vaccines

In 2019, we contributed to the accelerated development of new vaccines to prevent deadly disease among children. SEB acted as joint lead manager together with Toronto Dominion Bank in the issuance of a NOK 600m bond. The funding will support research and development and make the vaccines available at affordable prices.

The bond was issued by The International Finance Facility for Immunisation, an organisation whose mission is to increase the availability of funding to support the work of the Global Vaccination Alliance.

Innovation

We have introduced a number of new products and services in financing and investments to meet our customers' increasing expectations and needs regarding sustainability.

Financing

Green bonds



SEB is a pioneer in green bonds and has been a leader globally and in the Nordic region in this area for more than ten years. We retain our strong position as an adviser. In 2019, we were given the mandate to act as adviser to the Swedish National

Debt Office when issuing their first green bond in 2020. The main criteria that underpinned the selection of adviser were expertise and experience in green bond issuance, as well as good knowledge of Sweden's environmental and climate policy and government funding – a proof of the expertise that SEB has built up in this area over the years.

Blue bond

In 2019, we arranged a blue bond for the first time, issued by the Nordic Investment Bank, where the capital, SEK 2bn, is earmarked for projects aimed at reducing pollution and protecting the sensitive aquatic environment in the Baltic Sea.

Green car leasing



In 2019, we launched green car leasing, which is yet another way for us to contribute to the shift to a low-carbon society. The solution is offered to corporate customers and organisations that choose electric or biogas cars. Apart from the

fact that the leased cars themselves are more climate friendly than fossil-fuelled cars, the financing is linked to SEB's own green bond.

Green construction loans

SEB now offers the possibility to apply for green construction loans when financing residential and commercial properties of any size. Previously, we have offered this funding for major building projects. SEB uses green funding to finance the properties that are classified as green.

Green mortgages

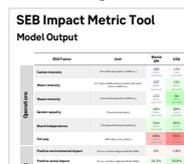


SEB was the first bank in Sweden to launch green mortgages, which offer a lower interest rate for people who live in climate-smart houses. The loans are available to anyone with housing that fulfils specific requirements, for example the Swedish National Board of Housing, Building and Planning's

energy classification criteria, homes with the Nordic Swan eco-label, Sweden Green Building Council certification, and passive house certification. During the year the volume of green mortgages increased to SEK 1.5bn.

Investments

SEB Impact Metric Tool



The SEB Impact Metric Tool, is a quantitative analysis tool that measures sustainability in equity portfolios. In 2019, the tool was further developed so that, in addition to measuring the extent to which an investment portfolio is aligned with the UN Sustainable Development

Goals (SDGs), it also measures the percentage of a portfolio that can be classified as green according to the EU taxonomy. In 2019, we measured more than 100 customer portfolios.

[Read about the taxonomy on p. 59.](#)

SEB FRN Fond Hållbar

The fixed income fund SEB FRN Fond Hållbar was launched in 2019. The fund, which includes investments in Nordic corporate bonds with variable interest rates, excludes companies that extract fossil fuels and invests in green bonds where the capital is earmarked for climate and environmental projects. At year-end the fund had approximately SEK 7.6bn in assets under management.

Lyxor SEB Impact Fund



THE GLOBAL GOALS
For Sustainable Development

The new Lyxor SEB Impact Fund invests in companies that contribute to solving future global challenges. The companies operate in five areas linked to the UN's Sustainable Development Goals – sustainable energy, water supply, food and

agriculture, resource efficiency and social development. At year-end, the fund had SEK 1.4bn in assets under management.

Discretionary portfolio Responsible

For SEB's Private Banking customers, we offer the discretionary portfolio Responsible. It consists of three sub-portfolios in the asset classes Swedish and global equity investments as well as fixed income investments. The fund manager works actively to include securities, mainly funds, that have a clear working method based on international standards for human rights, labour law, environment and anti-corruption. Assets under management grew from SEK 194m to SEK 1.5bn in 2019.

Microfinance funds

SEB is one of Europe's largest microfinance fund managers. Through some 60 microfinance institutions, SEB's funds offer loans to people with lower income in developing countries, who are often excluded from financial markets. Microfinance is today the most established asset class within the field of impact investments, with its success founded on the ability to offer investors both an attractive financial return and contribute to socioeconomic development for this target group. SEB manages 7 microfinance funds (including Impact Opportunity Fund) with a total value of approximately SEK 9bn (7), reaching more than 25 (23) million entrepreneurs in 59 (40) developing countries.

Business transformation

We focus on transforming our own business and assisting our customers in their transformation and contribution to a low-carbon economy.

Transforming our credit portfolio

During 2019, SEB initiated a classification of the credit portfolio for large corporate customers according to an environmental, social and corporate governance (ESG) classification framework. The aim is to gain a better understanding of both the climate impact of our customers' business and how climate change affects their repayment capacity and thus asset quality. We are convinced that by conducting a more in-depth analysis of risks and opportunities we can provide better advice to our customers.

➤ Read more on p. 35 and p. 55.

Sustainable mutual funds

In 2019, SEB's largest mutual fund, SEB Världen, was converted to be managed according to SEB's sustainability criteria and was renamed as SEB Hållbarhetsfond Världen. The fund, with approximately SEK 42bn in assets under management, is now excluding – among others – companies involved in fossil fuels and tobacco while at the same time including companies that work actively to reduce climate impact.

“Customers' SDG focus is on climate action, clean water and sanitation.”

In addition to our own funds, we offer externally managed funds in all customer segments. The funds are ranked on a four-degree scale according to how actively they integrate ESG aspects into their investment processes. The evaluation currently covers 64 funds globally.

Furthermore, in 2019, we initiated a harmonisation of SEB's internal and external offering of sustainable funds.

Responding to customer views

For the third year in a row, customers with savings in SEB's funds were asked which of the UN Sustainable Development Goals they think are the most important for SEB to address. More than 7,000 customers responded. Additionally, this year some 600 traditional insurance customers answered similar questions.

Climate Action as well as Clean Water and Sanitation are the top areas the customers would like us to prioritise when we invest their capital.

As a result of the surveys, SEB's fund company collaborates with, among others, the Institutional Investors Group on Climate Change (IIGCC), which conducts active impact dialogues with the 100 companies that account for the largest CO₂ emissions

globally. These are for example companies in the oil and gas industry. In 2019 the collaboration in IIGCC contributed to the setting of long-term targets to reduce emissions, by corporations like Shell and Equinor. BP has agreed to set out how each of its major investments is compatible with the Paris Agreement. We have also engaged in organisations such as the Water Equity and the CDP's Water Security Program, both of which are working to solve global challenges related to water supply.

Growing demand for advice

SEB strives to support customers in their ongoing transition. Customers in an increasing number of categories appreciate and request advice on sustainability matters, and SEB is developing products and services to support them in this work. A specific strategic initiative in the three-year business plan focuses on renewable energy services. ➤ See p. 15.

In 2019, employees in the Life division at the Remote Advisory Centre in Sundsvall, Sweden, underwent training in sustainability, which is now a natural part of remote advice. An internal evaluation shows that customer satisfaction in this area was 97 per cent and that a clear majority of private customers indicated a high sustainability investment preference.

Sustainability advice was strengthened for our Private Banking customers. More than 1,000 Swedish customers attended meetings where, among others, our fund managers provided information on SEB's offering of so-called impact investing. In 2019, some 230 Private Banking advisers and coordinators in Sweden underwent training in this area.

Policies and procedures

In addition to the customer-oriented activities, we focus on our own operations. We continuously review and upgrade our sustainability-related policies and procedures. We are working to reduce our own CO₂ emissions and we are increasing internal training in order to build competence. ➤ See p. 38.



Hydro's sustainability-linked financing

The Norwegian industrial group Norsk Hydro ASA, Hydro, is an aluminium company with 35,000 employees in 40 countries.

In 2019, Hydro established its first sustainability-linked financing. The margin on the 1.6 billion dollar revolving credit facility will be adjusted based on whether the company meets its target to reduce greenhouse gas emissions by 10 per cent by 2025. The margin is adjusted downwards if Hydro lives up to the goal, and vice versa in case it does not.

SEB was sustainability coordinator and lead arranger in the loan syndication. The relation with Hydro dates back to the early 1900's when SEB helped finance Hydro's start up.



“The transaction is a confirmation of the strong relationship between Hydro and our core banks, among them SEB. It reflects the trust built over many years and is a good example of the close link between profitability and sustainability”, says Pål Kildemo, CFO.

SEB in society

As a bank SEB is an integral part of society. We have a long history of contribution to a sustainable society through promoting innovation and opportunities for entrepreneurship as well as through empowering future generations.

SEB believes in entrepreneurship

At SEB we have a fundamental belief that entrepreneurs build strong societies. Enterprise and innovation play an important role in solving social as well as climate-related challenges. We, therefore, support people with ideas and aspirations to drive change.

Through “SEB’s entrepreneurial staircase” we have created a power house for business, job creation, integration and future hope, in cooperation with some 15 leading organisations engaged in Swedish enterprise.

Entrepreneurs are offered support at all levels, from the help that Junior Achievement gives high school students to start their own businesses, up to the global Entrepreneur of the Year contest, which recognises established entrepreneurs as role models.

SEB’s Entrepreneur Camp focuses on youths aged 16–18, who are provided with tools and guidance to realise their ideas and start a business. Since 2017, seven one-week camps have been conducted in various parts of Sweden with the participation of some 250 youths in total.

SEB also supports Carrus Network, which was started by former participants at SEB Entrepreneur Camp. Over a two-year period some 300 youths have attended events focusing on future-oriented themes such as entrepreneurship, technology, sustainability and personal development.

Supporting social entrepreneurs

Social entrepreneurs are playing an ever more important role in society, where social and economic gaps as well as inequality are increasing.

SEB is developing training in social entrepreneurship in collaboration with Inkludera Invest, an umbrella organisation for social entrepreneurs that provides support to groups in society that are at risk of exclusion.

In 2019, SEB attended the Social Innovation Summit in co-operation with Malmö University and others. Focus was on innovation that contributes to solving complex societal challenges. SEB’s innovation team in sustainable financing presented their work on financing social initiatives and environmental projects.

Together with Ikea, H&M and Sida, SEB is a main sponsor of we_change, Sweden’s largest sustainability initiative



Plaster that kills bacteria

A plaster that is effective against all types of bacteria, including those resistant to antibiotics – this is the business concept of the start-up company Amferia, founded by Saba Atefyekta, Anand Rajasekharan and Martin Andersson. They were awarded as “Start-up of the Year” at the Swedish finals of Venture Cup which is supported by SEB.

for youths. We_change aims to create conditions for youths, businesses, municipalities, authorities and organisations to meet on issues related to our common future. Since its start in 2011, we_change has reached nearly 70,000 youths.

In the Baltic countries SEB has partnered with the Tallinn University Social Entrepreneurship Program which aims to support entrepreneurs design and implement solutions to social, cultural and environmental issues. Here, we are contributing our knowledge of design methods such as “service design”, a work method that is used internally at SEB, and with its focus on adjusting to customer needs is useful for new entrepreneurs.

Since 1997, SEB has been working together with Mentor, an organisation dedicated to building relationships and trust between young people and adults. Every year SEB employees reach thousands of youths through their participation in Mentor programmes such as Individual mentorship and Jobbmentor. Further programs are being developed, such as SEB Inclusion where young people learn to counter bias and to create a more inclusive society, and Proffsmmentor Entrepreneurship which teaches youths how to develop an idea further to start a company or find a job. Every year more than 20,000 youths participate in Mentor Sweden’s various programmes.

The role of banks in society

Banks play a key role in order for society to function. The services and infrastructure we provide are instrumental in creating economic growth and social value. SEB makes it possible for households, entrepreneurs and businesses to finance, invest and manage payments and savings. We identify and manage risks as well as opportunities, thereby promoting economic development, growth, new jobs and international trade, and contribute to financial security.

SEB’s entrepreneurial staircase

- Entrepreneur of the Year • The Golden Gavel (Guldklubban)
- Settler of the year (Årets nybyggare)

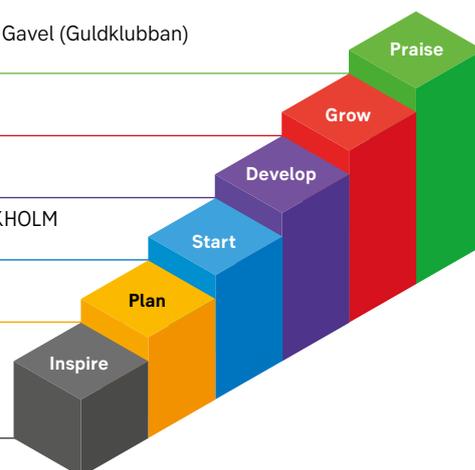
- SUP46 • YEoS • Connect

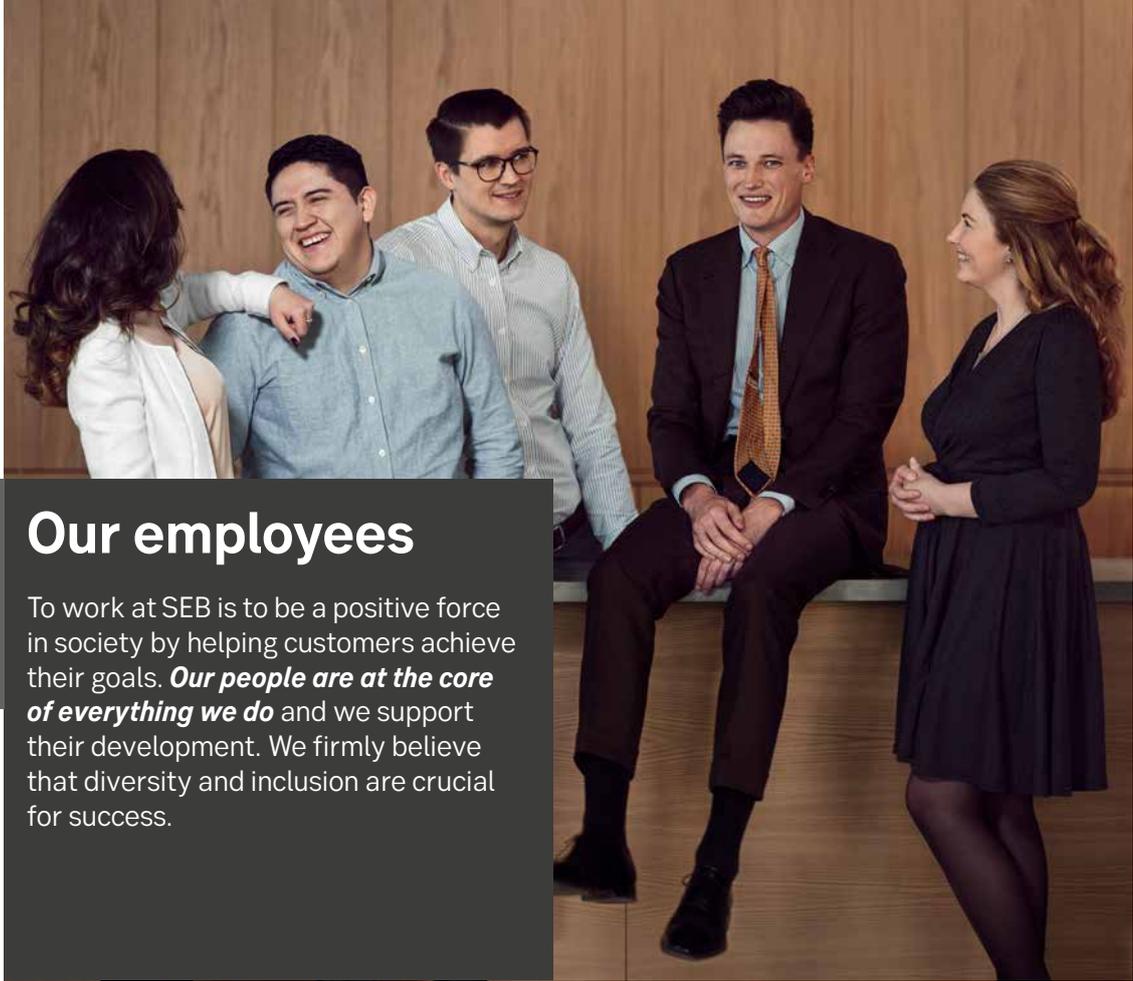
- Inkludera Invest • Business Challenge
- Minc • E-Commerce Park

- Enterprise agencies • START-UP STOCKHOLM
- Uppstart Malmö • Greenhouse

- Venture Cup

- Junior Achievement
- Prince Daniel’s Fellowship
- Carrus Network
- SEB Entrepreneur Camp





Our employees

To work at SEB is to be a positive force in society by helping customers achieve their goals. **Our people are at the core of everything we do** and we support their development. We firmly believe that diversity and inclusion are crucial for success.

SEB's annual employee survey shows that our employees are engaged and feel that they can develop and grow. The survey also shows that employees have confidence in SEB's management and feel that they have the opportunity to express their views and influence decisions. The key performance indicators for employee engagement remain at historically high levels and above the average for the international financial sector. ➤ See p. 27.

Employee statistics

	2019	2018	2017
Employees, average full-time equivalents	14,939	14,751	14,946
Employees, average	15,691	15,683	15,946
Sweden	8,013	7,972	8,053
Other Nordic countries	988	1,121	1,304
Baltic countries	5,544	5,348	5,213
Other countries	1,146	1,243	1,376
Employees at year-end	15,819	15,562	15,804
Employee turnover, %	12.1	12.9	12.8
Employees by gender, %			
Male	44	43	43
Female	56	57	57
Sick leave, % (in Sweden)	2.9	2.9	2.9
Female managers, %	47	45	47
Employee engagement	80	Method changed (no comparable data)	

Co-workers in photo above, from left Nicoleta Stepman, Junior Gonzalez, Mikael Warsén, Gustav Jonasson and Thina Eriksson.

SEB Campus – continuous learning

Our philosophy is that competence development is achieved above all through continuous learning in the daily work and in collaboration with others. However, in pace with the changes taking place in the financial sector – just like in society at large – requirements on development and competence shift are steadily increasing for all employees. Toward this end, the bank's own digital platform for learning, SEB Campus, was launched in 2019, offering courses and e-learning provided by international universities and business schools as well as by internal experts at SEB.

Every year SEB conducts strategic workforce planning of its future competence needs in which every department identifies future key competences, determines development needs for existing professional roles and conducts succession planning. The results are then used to design the curriculum for SEB Campus.

Diversity for innovation and growth

Inclusion and diversity are crucial for driving innovation and growth, and for the ability to provide world-class service to our customers and to society at large. Since 2018, SEB has a dedicated manager with responsibility for inclusion and diversity, and a number of activities in this area were arranged for all SEB employees during 2019. On an overall level SEB reports a balanced employee gender ratio. On senior manager levels, SEB is working towards increasing the balance, partly through key performance targets. ➤ See p. 36.

To raise awareness of the importance of diversity, SEB designed training courses, conducted dialogues

on inclusion and hosted roundtable discussions with employees and management. Two events were arranged, focusing on the power provided by people with different perspectives.

During the year SEB's talent programme started a collaboration with the company TNG, which specialises in unbiased recruitment. The recruitment process entails anonymisation of applications where the selection of applicants is based on tests of personal competence and skills. Assurance is made early in the recruitment process that the candidates' motivations and values are aligned with SEB's. The SEB managers do not see the applicants' records until the final interviews, when only two candidates remain. The contract with TNG extends over three years and the result after the first year shows a greater diversity of participants.

Labour law and unions

Our employees are covered by central cross-sector collective agreements or local company-specific collective agreements. SEB has a European works council with representatives from all EU and EEA countries in which the bank is represented.

Both employees and managers are offered training and support when involved in a reorganisation. Employees also get support in finding new work, whether internally or externally.

Any reorganisations or layoffs are handled in accordance with applicable laws, collective agreements, special procedures and redundancy agreements that have been agreed upon with the unions.

Health and work environment

SEB works long term and preventively to offer a safe and sound workplace to ensure employee well-being and a healthy work-life balance. In Sweden, SEB's level of sick leave remains low, at 2.9 per cent, compared with other industries as well as the financial sector. In 2019, employees were offered, for the first time, a Lifestyle account, in addition to the wellness subsidy they already receive. The account can be used for services in health and work-life balance.

Meet Kathrin and Fahrad



Kathrin Grahn, joined SEB in 1977

"I work as a customer service adviser in Malmö. During my years at the bank, I have had the privilege to work with customers giving me both energy and joy. Furthermore, my wonderful colleagues make me still, after 42 years, go to work with a smile on my face. I hope my colleagues appreciate my experience, and I am still learning new things from them every day."

Our core values

SEB's core values serve as the foundation for ways of working and culture. In combination with the vision – to deliver world-class service to our customers – they serve to motivate and inspire employees, managers and the organisation as a whole. These values are described in our Code of Conduct, which provides guidance on ethical matters for all employees.

Customers first

We naturally put our customers' needs first, always seeking to understand how to deliver real value.

Commitment

We are personally dedicated to the success of our customers and are accountable for our actions.

Collaboration

We achieve more because we work together. We share, challenge and learn from our experiences as a team.

Simplicity

We strive to simplify what is complex. We respect our customers' time by being accessible, straightforward and transparent.

➤ [Read the Code of Conduct on *sebgroup.com*](#)



Farhad Johari, joined SEB in 2016

"I work as a systems developer in our life insurance operations. It is an environment with complex challenges, which is fun. At SEB, we are good at collaborating. We all have different knowledge and share our skills. When I joined SEB, I wasn't sure I would fit in and thought that people working in a bank would be fairly stereotype. But it was, as it usually is with prejudice, completely wrong. SEB is a fun workplace with space for many different types of people."

Overall targets and outcome

The progress of the strategy and three-year business plan is monitored and measured at many levels. These selected key metrics provide a progress overview.

Customers

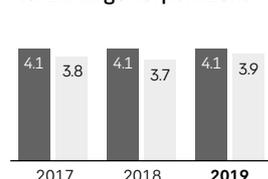


Customer experience and satisfaction

Both internal and external metrics are used to measure customer satisfaction. Prospera's external overall performance measurement and the internal measurement of customers' willingness to recommend SEB are key measures.

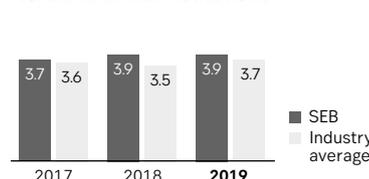
Overall performance

Nordic large corporations¹⁾



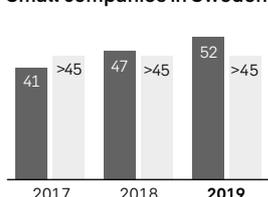
1) According to Prospera's ranking

Nordic financial institutions¹⁾



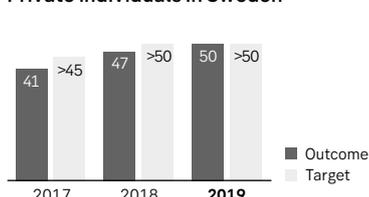
Customers' willingness to recommend SEB

Small companies in Sweden²⁾



2) According to SEB's Net Promoter Score method. Outcome represents a 12-month average for advisory services.

Private individuals in Sweden²⁾



Target

Leading position in selected customer segments and meeting or exceeding the internal customer satisfaction targets.

Prospera

In Sweden, SEB was ranked as no. 1 by the overall and tier 1 customer groups, among both corporate and financial institutions – throughout the three-year period.

Swedish Quality Index

In the Swedish Quality Index measurement of customer satisfaction banks' scores overall improved somewhat. For SEB, both private and corporate customers' satisfaction improved and the gap to the leading competitor closed in.

Next step

The business plan focuses on improving the customer offering in many ways and thereby customer satisfaction.

Shareholders

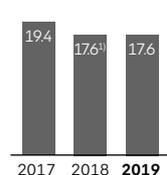


Financial targets

Through the resilience and flexibility that come from a strong capital base, good access to funding, high credit ratings and cost efficiency, SEB can create shareholder value in varying market conditions. Based on the strategy and business plan, the Board of Directors sets three financial targets that contribute to financial strength.

Common Equity Tier 1 capital ratio

Per cent



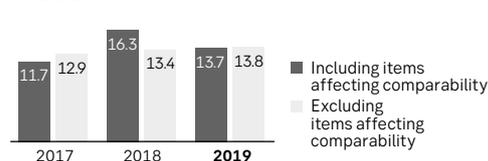
1) Reflects changed SFSA requirements without which the outcome would have been 20.1 per cent.

Target

SEB shall maintain a Common Equity Tier 1 (CET1) capital ratio that is around 1.5 percentage points above the regulatory requirement. At year-end 2019 SEB's buffer was 2.5 percentage points. SEB's applicable CET1 requirement from the Swedish Financial Supervisory Authority was 15.1 per cent.

Return on equity (ROE)

Per cent

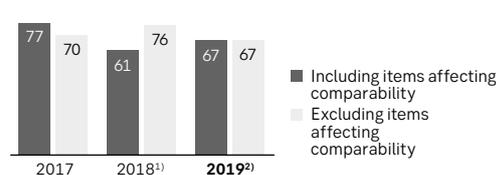


Target

SEB shall generate a competitive return on equity. This means that the bank in the long term aspires to achieve a 15 per cent return on equity.

Dividend payout ratio

Per cent



1) Based on a total dividend of SEK 6.50 for 2018, which consisted of SEK 6.00 as ordinary dividend and SEK 0.50 as extraordinary dividend.

2) No items affecting comparability in 2019.

Target

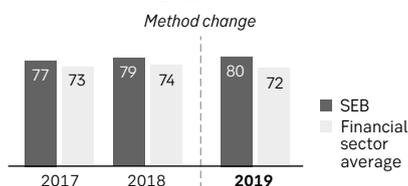
40 per cent or more of earnings per share. SEB strives for long-term growth in dividend per share. The size of the dividend takes into account SEB's financial position, the prevailing economic situation, earnings, regulatory requirements and opportunities for growth.

Employees

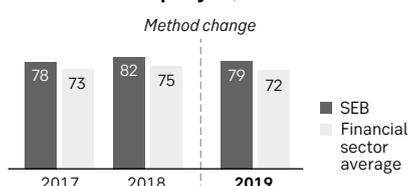


Motivation and engagement
SEB carries out an annual employee survey to measure employee engagement and the employee view of SEB as a place to work.

Employee engagement, index



SEB as an employer, index¹⁾



1) Employees' willingness to recommend SEB as an employer.

Target

SEB's target is to be the most attractive employer in the financial sector. Progress is measured through an annual employee survey. In 2019, a new survey method was implemented, limiting comparison with earlier years.

Comment

SEB is strong whether measured by the former or the new survey method and SEB's result for employee engagement was among the top 20 per cent of the financial sector.

Next step

The bank is addressing the findings of the employee survey in many ways. The employees' need for better IT and technology is part of the business plan. Inclusion and diversity issues are being addressed by, among other things, workshops initiated by the manager holding this responsibility.

Society

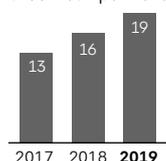


Sustainability

SEB's strategy is to expand its customer offering of sustainability products. As a bank, SEB has relatively low direct environmental impact. However, the ambition is to lower the internal CO₂ impact.

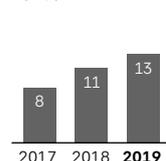
Sustainable financing

Green loan portfolio, SEK bn



Sustainable investments¹⁾

Per cent



1) Share of total assets under management managed according to sustainability criteria.

Comment

SEB aims to gradually transform credit and investment portfolios towards a sustainable profile.

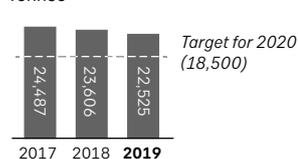
Next step

Sustainability is a strategic initiative in the business plan where one target is to increase sustainability-related business volumes.

See p. 36 for sustainability key performance indicators and targets.

CO₂ emissions

Tonnes



Target

Reduce CO₂ emissions by 20 per cent between 2016 and 2020, to reach 18,500 tonnes CO₂.

Comment

In 2019, SEB reduced its CO₂ emissions by 4.6 per cent, which can be credited mainly to business travel. Emissions related to business travel amounted to just over 50 per cent of total CO₂ emissions.

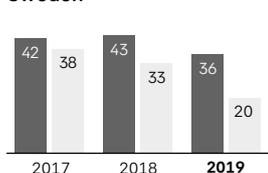
See p. 38 for more information.

Reputation

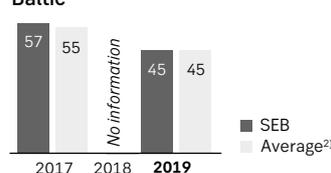
SEB monitors the result of Kantar's Corporate Reputation Index which measures the bank's reputation among the general public.

Corporate reputation index¹⁾

Sweden



Baltic



1) Kantar Sifo in Sweden and Kantar Emor in the Baltic countries.

2) Sweden: SEB, SHB, Swedbank, Nordea, Danske Bank.

Baltic countries (in 2019): SEB, Swedbank, Luminor, LHV, Citadele, Siauliu.

Target

Reduce the gap to the no. 1 in the industry and in the long term have the strongest reputation among industry peers.

Comment

SEB was ranked as no. 2 in Sweden, Estonia, Latvia and Lithuania.

Next step

SEB will continue to take an active part in society, promoting entrepreneurship and contributing to a sustainable economy.

Long-term value creation

Customer centricity, long-term perspectives and financial strength form the foundation for meeting the expectations of customers, employees and society at large. Ultimately, this creates value for the shareholders.

Meeting stakeholders' expectations

via SEB's business model

Customers



1.7 million corporate and private home bank customers

The customers' needs are at the core of the bank's business. Customers' high expectations on both personal and digital service, on quality advice and on sustainable solutions drive the bank's business development and offerings.

Shareholders



265,000 shareholders

The capital provided by SEB's shareholders is a prerequisite for conducting the bank's business. The shareholders expect a competitive and sustainable return on their capital. Many of the major owners have a long-term perspective on their engagement in the bank.

Employees



15,000 employees

Our employees build and deepen customer relationships. Their commitment, skills and continuous learning are key success factors for the bank's business and future development.

Society



Society at large

Banks play an integral role in society and are vital for creating economic growth, social value and for the transition to a low-carbon society. With this comes an expectation that the bank takes great responsibility for how it acts, to enable society to continue to develop in a sustainable way.

Long-term strategy

SEB's long-term vision is to deliver world-class service to our customers. We maintain our deep customer relationships and meet their needs by being innovative and taking advantage of new opportunities – all with a long-term perspective.

Personal and digital services

Proactive quality advice and a holistic, digital and personal offering are provided at the customers' convenience, based on customer insight.

Agile and proactive development

Products and services are developed proactively and with agility, based on customer preferences, market outlook and at the forefront of digital technology.

Secure and functional IT

The IT structure promotes stability in the daily operations, enables analysis of a large amount of data as well as promotes agile development and design of products, services and processes.

Value creation based on trust

Banks play a fundamental role in society by acting as an intermediary providing, and advising on, a wide range of financing and savings solutions, risk management and payment services. SEB's operations impact – and is impacted by – customers, shareholders, employees and society. Their trust is a prerequisite for SEB's license to operate. This is why the bank adapts to a changing environment, acts in accordance with expectations and regulations,

and provides services that are proactive, insightful, transparent and accessible on customers' terms.

In addition, high ethical standards are being upheld internally in order to maintain stakeholders' trust. SEB's code of conduct and internal rules are in place supported by a culture based on openness, business acumen and SEB's core values.

➤ *Read more about the Code of Conduct on p. 25 and on sebgroup.com*

creates sustainable value

Financial strength

Financial strength gives the resilience and flexibility required to serve customers in both good times and bad.

Solid corporate governance

Corporate governance is based on clear allocation of responsibility, a well developed structure for internal control and owner involvement.

Sound risk management

To meet customers' needs we assume and manage risks. We know our customers well and risks are mitigated by prudence, risk awareness and expertise throughout the organisation.

– for our customers

By providing proactive advice and a wide range of digital and personal services, we support our customers' long-term aspirations and add value in all phases of life of individuals and development stages of companies and institutions.

➤ *See p. 8–22.*

– for our shareholders

Dividends and increase in market value over time contribute to shareholders' financial security and enable new investments. SEB's competitiveness is increased and long-term risks are reduced through the integration of environmental, social and governance aspects in business operations.

➤ *See p. 30.*

– for our employees

Our employees take part in, and value, the opportunities for learning and further development that are integrated in SEB's business. Employees also participate in the many partnerships that SEB supports to help communities develop and prosper.

➤ *See p. 24.*

– for society at large

SEB intermediates financial solutions, provides payment services and manages risks, which together promote economic growth and prosperity. We pay taxes and fees according to local rules where we operate. SEB takes responsibility as a provider of financing and as an asset manager and works proactively with environmental, social and governance issues.

➤ *See p. 23.*

Financial value created and distributed 2019

SEK 65bn

Interest paid to customers and bondholders
SEK 19bn

Dividends paid to shareholders
SEK 14bn

Salaries, pensions and benefits to employees
SEK 12bn

Payments to suppliers
SEK 11bn

Taxes and social charges
SEK 7bn

Regulatory fees
SEK 2bn

SEB as an investment

SEB's investment case is built on more than 160 years in the service of enterprise, innovation and entrepreneurship. We have a unique customer base and market position, committed owners with a long-term perspective and the financial strength to grow.

Unique customer base and market position

SEB serves as a long-term relationship banking partner to a majority of the large corporations and financial institutions in the Nordic region and as an intermediary between Nordic and global financial markets.

SEB's large corporate customer base is well diversified across industries and includes market leaders in the respective industry. Around 70 per cent of the large corporate customers operate internationally and are thus exposed to higher growth potential and more diversified geographical risk profiles.

SEB has strengthened its position among small and medium-sized companies in Sweden, growing its market share of home bank customers from 8 to 16 per cent in the last decade. This is a segment with growth potential with opportunities to develop and deepen the banking offering to these customers as they grow.

Among private customers, SEB focuses on a full-service offering in urban growth areas in Sweden. SEB is a Nordic market leader in private banking, providing services with global reach to Nordic high net-worth individuals.

SEB is the second largest universal bank in the Baltic countries, which is a region with high economic growth during the past five years and with potential for further development of banking services.

Owners with a long-term perspective

Many of SEB's larger institutional investors have had ownership stakes in SEB for more than ten years. SEB is one of the core investments of Investor AB, northern Europe's largest industrial holding company, which owns more than 20 per cent of the share capital.

With a large share of engaged and long-term institutional owners, the perspective goes beyond business cycles, taking a long-term structural rather than cyclical perspective.

Diversified business model and financial strength

Our earnings base and risk profile are diversified in terms of customer base, full-service product offering and geographic exposure.

SEB has demonstrated strong profitable growth over time and continuously strives to improve its operating leverage through deepened customer relationships and diligent efficiency improvements.

Our strong balance sheet and capitalisation create flexibility for the future, enabling us to grow with our customers.

No. 1

Ranking by Prospera

Large corporate and financial institutions survey Sweden 2019

No. 1

Bank in life and pension

With around 9 per cent of the total life and pension market in Sweden

No. 2

Baltic bank

for both small and medium-sized companies as well as private customers

Return on equity

13.8%

excluding items affecting comparability

Cost / income ratio

0.46

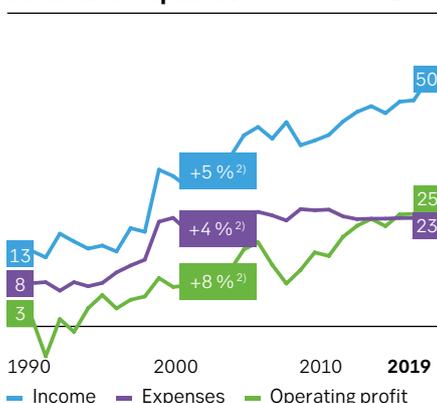
Capital adequacy

17.6%

Common Equity Tier 1 capital ratio

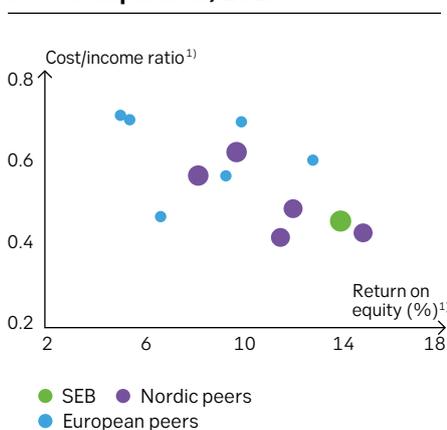
Profit development¹⁾

SEK bn



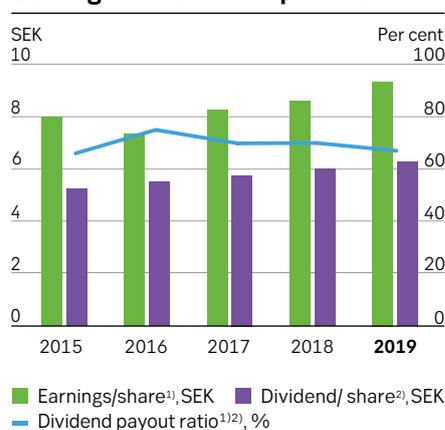
1) Excluding items affecting comparability.
2) Compound Annual Growth Rate (CAGR).

Peer comparison, 2019



Size of circle indicates CET 1 ratio (less or more than 15%)
1) For Nordic banks, excluding items affecting comparability

Earnings and dividend per share



1) Excluding items affecting comparability.
2) Excluding extraordinary dividend in 2018.

Report of the Directors



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Sustainability Report

SEB has a strong ambition to create value for customers, shareholders, employees and society at large. Through long-term relationships SEB aims to support its customers, also in their transition towards a more sustainable world.

It is SEB's ambition to be a role model in sustainability within the financial industry and the bank is committed to the integration of economic, social and environmental aspects in its business in the short- and long-term perspectives. SEB aims to avoid or minimise negative impacts of its products and services and strives to identify business opportunities to create positive impacts in line with the bank's purpose, vision and strategy. SEB strives to integrate sustainability aspects into the business – a strategic initiative in the business plan.

➤ *The sustainability work is described on the following pages, as well as on p. 20–22.*

SEB's sustainability framework

Sustainability is integrated in SEB's business activities through a framework consisting of success factors and fundamental enablers. Four success factors are prioritised:

- **Responsible and proactive advice** – SEB seeks to facilitate customers' understanding and control of their financial situation. SEB is also committed to understanding its customers' needs and preferences in their transition.
- **Sustainable financing** – SEB strives to contribute to reorienting capital flows to low-carbon activities, to increase the share

of green and transition financing, and to support its customers' sustainability focus.

- **Sustainable investments** – SEB aims to have a comprehensive and competitive offering where environmental, social and governance factors are fully integrated into all investment processes. SEB performs its ownership role responsibly.
- **Innovation and entrepreneurship** – SEB is guided by a strong belief that entrepreneurial minds and innovative companies are key to creating a better world. SEB supports innovation and entrepreneurship to drive the economic development and contribute to the creation of new jobs and growth in society.

Environmental and climate aspects are essential parts in all four success factors, both from risk and opportunity perspectives.

The fundamental enablers – financial strength and resilience, risk management, business ethics and conduct, crime prevention and people aspects – are at the core of SEB's long-term success. As a company in the business of trust, shortcomings in any of these areas would limit the bank from being able to create long-term value for stakeholders.

UN Sustainable Development Goals

SEB believes that global challenges need global collaboration and recognises the importance of international commitments that

SEB's sustainability framework



Four prioritised Sustainable Development Goals (SDG)



SEB prioritises four of UN's Sustainable Development Goals. In addition, the bank also addresses several of the other goals, as indicated at each chapter headline.

About this report

This report constitutes SEB's statutory sustainability report 2019. It describes the bank's work with sustainability, policies and processes as well as the indirect and direct impacts of its business, development and outcome. Areas covered include climate and environment, human rights, labour rights and social relations, and anti-corruption.

Key aspects of the bank's sustainability work are described in applicable parts of the Annual Report:

- SEB's business model ➤ p. 28
- Sustainability development and outcome related to SEB's 2019–2021 business plan ➤ p. 20–22
- The diversity policy for the Board ➤ p. 62
- Risk, liquidity and capital management ➤ p. 52–57
- Corporate governance ➤ p. 60–72
- Crime prevention ➤ p. 56.

help businesses to operate in a more sustainable way. The United Nations' Sustainable Development Goals (SDGs), launched in 2015, have set a global agenda for nations, businesses and societies on how to achieve sustainable economic growth, social inclusion and environmental protection. The financial sector has a critical role to play in this work. Many of SEB's customers work actively to support the SDGs. Thereby, the bank contributes to most of the goals directly and indirectly. Four of them, in particular, are closely linked to SEB's history and business strategy: no. 8, no. 9, no. 13 and no. 16. In 2019, SEB further developed its range of products that contribute to the SDGs. [Read more here, in the Sustainability Fact Book and at *sebgroup.com*.](#)

Commitments, guidelines and policies

SEB supports the following international agreements:

- The UN Sustainable Development Goals
- The Paris Agreement
- The UN Universal Declaration of Human Rights
- The UN Guiding Principles on Business and Human Rights
- The ILO Core Conventions on Labour Standards
- The Children's Rights and Business Principles
- The OECD Guidelines for Multinational Enterprises

SEB has joined or publicly endorsed the following principles:

- The UN Global Compact
- UNEP FI Principles For Responsible Banking
- Principles for Responsible Investments (PRI)
- The Equator Principles
- Task Force on Climate Related Financial Disclosure (TCFD)

SEB has developed various guiding documents in the area of sustainability, among them the Corporate Sustainability Policy, the Environmental Policy, the Human Rights Policy, the Inclusion and Diversity Policy, the Code of Conduct, the Code of Conduct for Suppliers and the Tax Policy. SEB has three position statements (Child Labour, Climate Change and Fresh Water) and six sector policies (Arms and Defence, Forestry, Fossil Fuel, Mining and Metals, Renewable Energy and Shipping). These provide guidelines on good practice as well as on the international conventions and standards that the bank adheres to.

SEB's approach to tax

In SEB's business, tax management and tax governance are relevant and important. Operating in more than 20 countries, SEB acknowledges the changing landscape around tax from both regulators and society and puts strong efforts in securing compliance with applicable tax laws and regulations. Products and services offered by SEB impact the tax situation for SEB and its customers and must always have business rationale. SEB must not use, encourage or facilitate products or services in conflict with tax legislation or anti-tax avoidance law. SEB must not co-operate with external parties to facilitate products or services in conflict with tax legislation or anti-tax avoidance law. SEB's Tax Policy is reviewed annually. [See the Tax Policy on *sebgroup.com*](#)

Responsible and proactive advice



Banking is based on relationships and trust. SEB aims to facilitate customers' control and understanding of their financial situation. SEB supports its customers in their transition to sustainable solutions and integrates risks and opportunities related to environmental, social and governance (ESG) aspects into customer dialogues, policies and processes.

It is crucial for SEB not only to adhere to all laws and regulations in the countries where the bank is active but also to maintain high ethical standards. The Code of Conduct describes SEB's way of working and guides employees and others in how to act in business relationships. The code is also SEB's policy on ethical matters.

Managing potential negative impacts

SEB works to identify and assess areas related to climate and environment, human rights, labour law and social relations as well as anti-corruption where it may have negative impacts through its business relationships. Based on prioritisation, proportionality and level of influence, findings are acted upon to prevent, mitigate and remediate potential negative impacts. Provided that the customer is willing and has the financial capacity to implement the required corrective measures, SEB can maintain relationships with customers exposed to sustainability risk.

SEB expects its customers to respect all human rights and the ILO Core Conventions on Labour Standards through appropriate due diligence systems. Moreover, SEB commits to identify and manage corruption risks in transactions.

Strengthening customer dialogues

In Sweden a pilot project was initiated during the year focusing on how to better support corporate customer advisers in their customer dialogues about sustainability-related risks. The advisers were provided with an overview of these risks with questions related to environment, human rights and labour law as well as anti-corruption adapted to specific sectors. These sectors were transportation, construction and real estate, wholesale, retail as well as business and household services. The response to this support tool from the selected customers and the customer advisers was positive, as this approach increased the risk understanding and deepened the relationship.

The Baltic division is conducting meetings with its corporate customers to gain a better understanding of their sustainability agendas and establish a dialogue on future developments. An assessment guideline was developed and integrated into the credit granting process to increase attention, knowledge and compliance with SEB's sustainability policies and to support customers regarding sustainability.

In 2019, SEB further developed advisory tools for customers. One example is the Impact Metric Tool, which is offered to institutional customers. In SEB's Life division sustainability advising has been strengthened. [See p. 21–22.](#)

Sustainable financing



Responsible financing and lending are cornerstones of SEB's business. SEB's policies define how the bank is to take ESG risks into account in financing activities. All transactions are to meet the group-wide sustainability-related policies. SEB takes a restrictive stance to business activities in industries with a high risk for negative human rights or labour rights impacts and businesses that operate in jurisdictions with weak, low or no respect for human rights, without proper mitigations in place.

Tools for analysing, documenting and monitoring SEB's exposure to ESG risks were further developed in 2019. As an example, SEB started to develop an ESG classification framework to assess customers' ESG impacts. The framework will inform and support SEB's ambition to gradually shift its credit portfolio towards more sustainable financing, among other things by identifying climate related risks and transition risks in particular.

➤ See p. 55.

Green financing

In the ongoing transition related to climate change, SEB is working continuously to support its customers and identify opportunities that contribute to positive impact. For more than a decade, SEB has supported large corporations and financial institutions in finding green financing solutions.

Underwriting green bonds

As one of the innovators behind green bonds, SEB has an ambition to drive the green financing market. The green bond market continued to perform well in 2019 and reached USD 263bn (182) globally. The financial and corporate sectors continued to be the dominant issuers in the market, which has become more diversified in terms of countries and sectors, and in 2019 included record high issuances from government agencies. In 2019, SEB's global share of underwriting was 3.8 per cent (3.7), corresponding to a volume of USD 7bn. This makes SEB the 7th largest underwriter globally in 2019 and the 4th largest underwriter globally since inception. In the Nordic market SEB maintained its leading position during the year, with a share of 32.3 per cent.

The EU Action Plan on Sustainable Finance

The European Commission's Action Plan on Sustainable Finance took important steps in 2019 when its Technical Expert Group, TEG, published four reports with recommendations on what is needed to reorient capital flows towards investments made to achieve sustainable and inclusive growth:

- report on the EU Taxonomy
- report on the EU Green Bond standard
- report on Climate Benchmarks and Disclosure
- guidelines on how to report climate-related information, the EU's Non-Binding Guidelines on Non-Financial Reporting

The taxonomy report, regarded as the cornerstone for all present and future measures of sustainable finance, sets out criteria for 67 economic activities that can make a substantial contribution to climate change mitigation.

SEB, which has been one of 35 members in the TEG, considers all reports as important tools for increasing comparability and clarity of what is to be defined as sustainable, and thus creating the conditions for investors to make long-term sustainable decisions.

Implementing TCFD recommendations

Climate change is one of the most urgent challenges facing the world today. Scientific evidence points to substantial risks to the planet. SEB recognises the importance of limiting the average global temperature rise to well below 2°C and striving for 1.5°C in line with the Paris Agreement. This makes transition to a low-carbon economy vital. Banks have a crucial role to play in enabling the transition to more efficient low-carbon alternatives.

SEB has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), a global initiative that aims to increase and harmonise companies' climate-related financial disclosure to stakeholders. As part of this endorsement the bank is working to implement the recommendations, under the sponsorship of the Chief Risk Officer, targeting four main areas – governance, strategy, risk management, and metrics and targets. During 2019 SEB enhanced its method for estimating the consequences of climate change. ➤ See p. 55–56.

Climate change governance at SEB

The Board of Directors oversees SEB's sustainability work and has adopted the Corporate Sustainability Policy, which includes SEB's environmental commitment. The Board of Directors also oversees SEB's risk management framework. SEB's position statement on Climate Change is approved by the President.

Climate change strategy

SEB is committed to supporting its customers in the transition to a more sustainable world and actively participates in the global green transformation. Activities include international initiatives such as implementing the TCFD recommendations

SEB's own green bond is financing green credits

As part of its funding strategy, SEB issued its first green bond in 2017 of EUR 500m. Backed by SEB's sustainability strategy, Environmental Policy and accompanying sector policies, the Green Bond Framework ensures that SEB's green bond, by financing green loans, is used for low-carbon and climate change-resilient projects and investments. In addition, green bonds should promote environmental and ecosystem improvements and thereby support the UN Sustainable Development Goals.

In 2019, SEB launched a green construction loan, which is a form of financing that is suitable for companies and tenant-owner associations that want to take environmental considerations into account in the new production of real estate. Since 2018 SEB offers green mortgages to private customers. In 2019, SEB's green loan portfolio grew from SEK 16bn to SEK 19bn.

Sustainability-linked loans

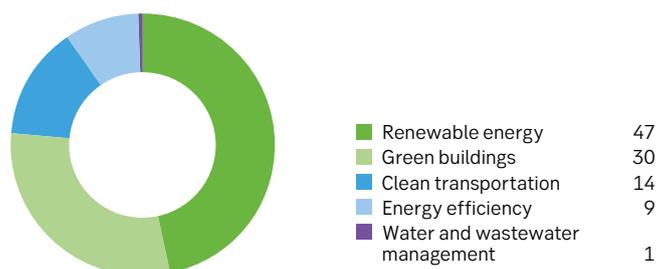
2019 saw growth for other sustainable financing products, such as sustainability-linked loans. These loans include sustainability features in the loan documentation, but unlike the criteria for

bonds, the use of proceeds is not specified, rather one or more sustainability-linked targets are outlined by the borrower. The performance in relation to the targets is assessed once a year, where the outcome may trigger either a reduction or premium on the margin of the loan, as determined in cooperation with the lender.

SEB provides such loans to customers in the Nordic countries and Central Europe in the energy, construction, chemicals, technology and municipality sectors. The loan volume globally increased to USD 121.5bn in 2019 (46.1bn).

SEB's green loan portfolio by sector

Per cent



and the UNEP FI's Principles for Responsible Banking. Furthermore, SEB participates in the work of EU's Action Plan on Sustainable Finance, and recognises the importance of the proposed EU taxonomy.

In SEB's business, addressing climate change means for example that lending, investments and business development decisions should take climate impact into account. In line with the 2019–2021 business plan, SEB aims to further develop ways of working, to focus on managing risks and opportunities related to climate change and to classify its credit and investment portfolios. The goal is to gradually align the credit portfolio with the Paris Agreement. In addition SEB is exploring how to quantify its credit exposure in line with TCFD guidance on carbon-related assets.

SEB does not enter into new business relations with companies with major business in coal mining and aims to lower its exposure to coal producers in its fund holdings. Moreover, SEB works to grow the green loan portfolio and to continuously launch new green products. SEB is also enhancing its advisory capacity to capture opportunities in a transforming energy sector. [See p. 15.](#)

Managing climate-related risk

Climate change can have an impact on SEB's credit portfolio and assets under management, and it is important that this is taken into account in the bank's risk analysis and management. The bank works strategically with two equally important aspects of climate risks: assessing customers' climate impact, and assessing the effect of climate change on SEB's customers' repayment capacity and how this impacts the bank's asset quality. Two main factors are taken into account in this work: transition risks and physical risks. During the year, SEB

has developed a draft for an ESG classification framework to assess customers' climate impact. The framework will initially be applied for large corporate customers, but will eventually be used throughout the bank. SEB is developing methods to measure the climate impact of the credit portfolio and assets under management. The Impact Metric Tool is developed for customer use and measures sustainability, including carbon emissions, of equity portfolios.

SEB's climate disclosure based on TCFD recommendations

- Governance**
 - Climate change governance [See p. 34](#)
 - Sustainability governance [See p. 67](#)
 - Environmental Policy and Climate Change position statement [See p. 33 and sebgroup.com](#)
- Strategy**
 - Climate change strategy [See p. 34](#)
 - Sustainability in the business plan [See p. 20](#)
 - Sustainability and climate-related products and initiatives [See p. 21–22](#)
- Risk management**
 - Sustainability and climate-related risk [See p. 55](#)
 - Managing climate-related risks [See p. 56](#)
- Targets and metrics**
 - SEB's targets are set in relation to the bank's indirect and direct impact. [See p. 36 and SEB Sustainability Fact Book & GRI Index.](#)

Project financing – Equator Principles

SEB has adhered to the Equator Principles (EP) since 2007, a voluntary set of guidelines used by financial institutions to assess the social and environmental impacts of large projects and to support their customers in managing them. In 2019, an updated version of the Equator Principles, EP4, was adopted by the Equator Principles Association. SEB has been part of the climate change working group. In 2019, SEB had three project finance transactions under the Equator Principles, all in category B (projects with potential limited adverse environmental and social risks). SEB had no projects in category A (projects with potential significant adverse environmental and social risks).

A marketplace for reducing CO₂ in the atmosphere

During the year, SEB together with a group of other Nordic companies initiated Puro, a pioneer project aimed at creating a marketplace for reducing CO₂ in the atmosphere. The marketplace trades CO₂ removal certificates (CORCs), which are independent documents that confirm that one tonne of carbon dioxide has been removed from the atmosphere. Sellers develop technology for removing and binding carbon dioxide for example, and buyers are entities interested in offsetting their carbon emissions. SEB is the only bank participating in the initiative and is serving as an adviser and is providing financing for the certificates. SEB used CORCs to offset flights for attendees to the Sustainable Finance Summit in Frankfurt, which the bank hosted in 2019. [Read about more activities on p. 21.](#)

Targets and outcome for sustainability

SEB's 2019–2021 business plan has a strengthened focus on sustainability. SEB has started to classify and gradually transform its credit and investment portfolios. This will be underpinned by

increased transparency and disclosures of progress. Metrics and targets will continuously be developed and aligned with future national and international requirements and expectations.

Area	Description	Outcome 2019	Outcome 2018	Outcome 2017	Target 2019	Target 2020
Innovation	• Create sustainable finance innovation centre to develop and launch new sustainable products and services	Established	Decided	-	Establish	Develop and launch 5 new sustainable products or services
Sustainable finance	• Green loan portfolio	SEK 19bn	SEK 16bn	SEK 13bn	Increase	Increase
	• Green mortgage portfolio	SEK 1.5bn	SEK 0.2bn	-	Increase	Increase
	• Green bonds, underwriter, Nordic bank ranking ¹⁾	#1	#1	#1	#1	#1
	• Gradually shift credit portfolio towards increased sustainable financing	Framework for classification established and pilot tested in automotive sector	Decided	-	Classify and set targets	Gradual transformation of credit portfolio to increase share of transitional and sustainable assets
Sustainable investment	• Total Assets under Management (AuM) managed with sustainability criteria, share of total AuM	13%	11%	8%	Increase	Increase
	• SEB funds managed with sustainability criteria, share of Fund company AuM	35%	30%	25%	Increase	Increase
	• SEB funds assessed with human rights criteria, share of Fund Company AuM	100%	100%	100%	100%	100%
	• SEB impact and thematic funds ²⁾ (AuM), SEK bn	SEK 11.2bn	SEK 8.0bn	SEK 5.6bn	Increase	Increase
People	• Integrate sustainability into KPIs for senior managers	Implemented for GEC	Decided	-	Define and launch	Implement for all direct reports to GEC
	• Gender by management type, (male/female):					
	- Group Executive Committee (GEC)	69/31% ³⁾	77/23%	83/17%	Increase balance in senior management	Increase balance in senior management towards long-term ambition of 50/50 ±10%
- Senior management	64/36%	66/34%	69/31%			
Business ethics and conduct	• Employees that have completed training in Code of Conduct ⁴⁾	88%	90%	85%	Increase towards 100%	Increase towards 100%
Environment, direct impact	• Reduce total carbon emissions with 20% 2016–2020 ⁵⁾ , tonnes	22,525	23,606	24,487	Decrease towards target	18,500

1) Bloomberg (Ranking by volume).

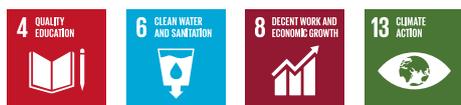
2) Includes SEB Micro Finance Funds, SEB Impact Opportunity Fund, SEB Green Bond Fund and Lyxor SEB Impact Fund.

3) As of 1 January 2020.

4) Includes consultants, excludes employees on leave of absence.

5) Results recalculated for 2018 and 2017 mainly due to improved calculation of carbon dioxide emissions for air travel and paper consumption.

Sustainable investments



SEB is one of the largest institutional investors in the Nordic region with SEK 2,041bn in assets under management for private, corporate and institutional clients. SEB has been a signatory of the Principles for Responsible Investments (PRI) since 2008 and has been reporting yearly on its compliance with the six principles. In PRI's grading of sustainable investments in 2019, SEB's fund company, with assets under management of SEK 736bn, received an A.

In line with the business plan, SEB continued to strengthen its sustainable investment offering during the year. At year-end, close to 35 per cent (30), SEK 256bn, of SEB's fund company's assets under management were managed according to the fund company's highest level of sustainability criteria. Of SEB's total assets under management, approximately 13 per cent (11) were managed according to the same criteria.

SEB's fund company strives to integrate sustainability into all types of investments and in all asset classes. The investment strategies are based on the inclusion of companies that perform well in sustainability or have well-defined transition plans, exclusion of sectors or companies that do not abide by SEB's fund company's sustainability criteria and continuous engagement with the companies in which it invests.

Focus on inclusion

Customer interest in sustainable mutual funds is high. SEB invests in businesses that actively manage the environmental, social and governance aspects of their operations. The belief is that in doing so they will be more successful over time, which will add value for customers, companies and society. In SEB's sustainability funds, the fund managers focus on companies that have a reduced climate impact in areas such as carbon emissions, water use and management of toxic waste. [Read more about the transition of the mutual funds offering on p. 22.](#)

Exclusion criteria

All of SEB's mutual funds exclude companies involved in the production or marketing of controversial weapons and the development or production of nuclear weapons. In addition, SEB's funds do not invest in companies that fail to respect international conventions and guidelines, such as the UN Universal Declaration of Human Rights, the UN Global Compact, the eight ILO Core Conventions on Labour Standards, and the OECD Guidelines for Multinational Enterprises. In 2019, 100 per cent (100) of SEB's funds were managed with respect to human rights criteria. SEB does not invest in companies involved in thermal coal extraction, i.e., mining activities in which thermal coal accounts for more than 5 per cent of the company's or group's turnover. From 2020, SEB's funds also exclude tobacco companies and companies that produce cannabis for non-medical use.

SEB's sustainable and ethical funds also exclude companies that derive more than five per cent of their turnover from alcohol, weapons, commercial gambling or pornography. Furthermore, SEB's sustainability funds do not invest in companies that extract fossil fuels. SEB reviews the fund holdings with its adviser ISS-ESG semi-annually. [The results are presented on sebgroupp.com.](#)

Engaging as an owner

SEB's fund company works actively to influence companies at the Swedish, Nordic and international levels. In Swedish and Nordic companies in which SEB is one of the largest shareholders, this engagement is conducted directly through dialogues with the company's executive management and board of directors. SEB also actively participates in companies' annual shareholder meetings by voting and in 2019 was represented on 33 nomination committees of Swedish companies.

For investments outside the Nordic region, SEB cooperates with other investors through organisations such as the Institutional Investors Group on Climate Change (IIGCC), PRI Clearinghouse and Hermes Equity Ownership Services, one of the world's leading actors in corporate dialogues. In total during the year SEB conducted 1,564 engagement dialogues (direct and indirect) with portfolio companies. [Read more on p. 22.](#)

Water and human rights

SEB works together with CDP (formerly the Carbon Disclosure Project) on water issues. Through this engagement approximately 840 companies around the world have reported to CDP on their water management, risks and opportunities. This was an increase of more than 10 per cent compared with 2018.

In 2019 SEB signed the Access to Medicine Index Investor Statement, certifying its commitment to an initiative that promotes access to medicine in developing countries and supports human rights. The index is one of many tools for assessing pharmaceutical companies' license to operate globally and the measures they are taking to improve access to medicine. Total assets under management for all signatory investors were in January 2020 more than USD 13 trillion.

Carbon footprint disclosures

SEB is a signatory of the Montreal Carbon Pledge and has thereby committed to reporting yearly on its carbon footprint. In 2019, 94 per cent of SEB's equity funds were measured and reported on SEB's website. SEB reports on the carbon footprint from all three central emission areas (scope 1–3) according to the Greenhouse Gas Protocol. For the remaining 6 per cent of the equity funds, there is no official benchmark and in some funds the underlying data is currently insufficient for accurate reporting of carbon footprint.

Evaluation of external funds

SEB offers mutual funds that are managed by external parties (external funds) and are evaluated by a special fund analysis team at SEB. The sustainability evaluation is integrated in the entire decision-making process, both in the selection of external funds and the monitoring of selected managers. The evaluation currently covers 64 funds in various asset classes and the managers are located all over the world. All new external fund management companies are required to sign the Principles for Responsible Investments (PRI) and to exclude companies involved in controversial weapons. At year-end 2019, 100 per cent (100) of these companies had signed the PRI. SEB also actively engages with external fund managers and discusses their performance. Furthermore, in 2019 an evaluation of SEB's own funds was initiated to achieve harmonisation between SEB's internal and external offering of sustainable funds.

Impact investing

[Read about impact investment products on p. 21.](#)

Innovation and entrepreneurship



SEB believes that thriving businesses lead to growth and new jobs, as well as opportunities to solve environmental and societal challenges. SEB has supported entrepreneurs and innovative ideas for more than 160 years, and is committed to assisting companies to develop new ideas that create value for society.

SEB can play a key role in financing and investing in the innovative long-term solutions that are needed. SEB's 2019–2021 business plan has a strong focus on accelerating innovation in sustainable financial services. This is illustrated, for example, by SEB's emphasis on product launches, advisory leadership in renewable energy and new technologies, and partnerships with academia and social entrepreneurs dedicated to solving societal challenges. Additionally, SEB strives to strengthen the business climate through partnerships with Sweden's leading entrepreneurship organisations at all levels. See p. 23.

Facts

The Sustainability Report covers the SEB group, that is the parent company Skandinaviska Enskilda Banken AB (publ) and its subsidiaries. SEB reports in accordance with the Swedish Annual Accounts Act, Chapter 6, and the Global Reporting Initiative, GRI Standards, core option. A description of SEB's materiality analysis, stakeholder dialogues, a wide range of KPIs and the GRI Index are presented in SEB Sustainability Fact Book on sebgrou.com. EY has performed limited assurance procedures for both SEB's Sustainability Report and SEB's Sustainability Fact Book & GRI Index. See Auditor's report on p. 178.

Ways of working

Strengthening policies

SEB continuously reviews its policies and work procedures as part of its efforts to strengthen the business and be aligned with international and national requirements. The policy on climate change is being significantly reworked in order to reflect the strategy and commitments in this area.

Integrating sustainability KPIs

SEB sees the importance of aligning its incentive structures with its sustainability ambitions. This work was developed in 2019 when the allotment of long-term incentive programmes was further integrated with sustainability KPIs for members of SEB's Group Executive Committee (GEC).

Building competence

As sustainability is a critical concern for SEB and its customers, the need for high competence in this area among employees is of vital importance. On SEB's digital platform, SEB Campus, the bank offers an in-depth training on sustainability, developed in a strategic collaboration between SEB and a number of international players and with the UN as a host. This interactive and practice-oriented course covers the basics of sustainable finance. In 2019, the bank also launched a refreshed e-learning for all employees globally on how SEB works in the area.

Suppliers

SEB has established procedures to evaluate and select suppliers and contractors, based on financial, environmental and social aspects. These aspects include human rights, labour rights, social relations and anti-corruption and are to be taken into account in procurement decisions along with other risk factors and commercial aspects. SEB monitors suppliers' processes and performance where appropriate.

In 2019, SEB updated the sustainability requirements included in its supplier agreement templates and published an updated version of the Supplier Code of Conduct. During 2020 SEB will work on strengthening the related follow-up procedures of the requirements with its suppliers.

SEB's own environmental impact

SEB recognises the importance of, and is working actively to, reduce its direct environmental impact, even though most of its environmental impact is indirect. SEB has set a goal to reduce its total carbon emissions by 20 per cent from 2016 to 2020. In 2019, the bank reduced its total carbon emissions by 4.6 per cent. During the year several measures were taken to accelerate the reduction of the bank's own emissions. Special focus was put on reducing air travel. This contributed to a 10 per cent reduction of carbon emissions related to business travel (air and train), which accounted for just over 50 per cent of total CO₂ emissions. Emissions from energy consumption decreased slightly while emissions from paper consumption increased somewhat. Going forward, SEB will further focus on reducing emissions related to air travel. See Sustainability Fact Book for more information.

Financial review of the group

The business sentiment in SEB's markets of operations was in general positive and SEB's operating profit increased by 9 per cent. The bank's financial position is strong and a dividend of SEK 6.25 per share is proposed by the Board.

Result and profitability

Operating profit before items affecting comparability increased by SEK 2,115, 9 per cent, and amounted to SEK 24,894m (22,779). There were no items affecting comparability in 2019, but in 2018 two such items affected operating profit positively by SEK 4,506m. Operating profit (including items affecting comparability) was SEK 24,894m (27,285) and net profit amounted to SEK 20,177m (23,134).

Operating income

Total operating income increased by SEK 4,266m, 9 per cent, and amounted to SEK 50,134m (45,868).

Net interest income amounted to SEK 22,950m, which represented an increase of 9 per cent compared with 2018 (21,022).

SEK m	2019	2018	Change, %
Customer-driven net interest income	25,356	23,217	9
Net interest income from other activities	-2,406	-2,195	10
Net interest income	22,950	21,022	9

Customer-driven net interest income includes the net interest income derived from loans to and deposits from the public and also reflects an internal funding pricing element. Customer-driven net interest income increased by SEK 2,139m compared with 2018. Lending volumes increased, but the related increase in net interest income was offset by lower margins. The repo rate in Sweden increased during the year and the compensation to the divisions for deposits from Treasury was higher. In all, this led to a positive deposit margin effect.

Net interest income from other activities (which includes funding and other Treasury-activities as well as trading and regulatory fees) was SEK 211m lower than 2018. One explanatory factor was Treasury's compensation to the divisions for deposits. Applying IFRS 16, the new accounting rules for leases, increased interest expense by SEK 92m. Regulatory fees charged for the resolution fund and the deposit guarantee are accounted for as net interest

income. The fee amounted to SEK 2,129m (2,495). In 2019, the resolution fund fee was reduced to 0.09 per cent from 0.125 in 2018.

Net fee and commission income was 2 per cent higher than 2018 and amounted to SEK 18,709m (18,364). Demand for capital market financing, advisory services and corporate lending was high throughout the year. Compared with 2018, gross fees from the issuance of securities and advisory services increased by 25 per cent to SEK 1,312m. Gross lending fees increased by SEK 342m to SEK 2,869m year-on-year as the number of loan transactions increased.

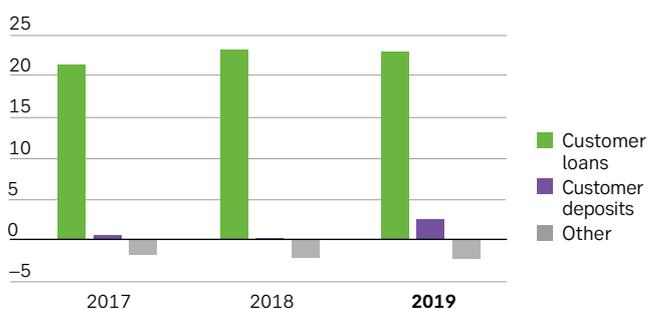
On the investment management side, gross fee income from custody and mutual funds, excluding performance fees, decreased by SEK 194m to SEK 7,661m year-on-year, primarily driven by an adverse product mix effect on margins. Performance fees decreased by SEK 106m to SEK 121m year-on-year mainly due to a valuation adjustment in the Investment Management business.

Net payment and card fees increased by 6 per cent year-on-year to SEK 4,096m (3,851). Large corporate customers were active in cash management and card payment volumes were high.

The net life insurance commissions related to the unit-linked insurance business decreased by SEK 85m year-on-year of which SEK 79m was due to the divestment of SEB Pension in Denmark in 2018. See note 13.

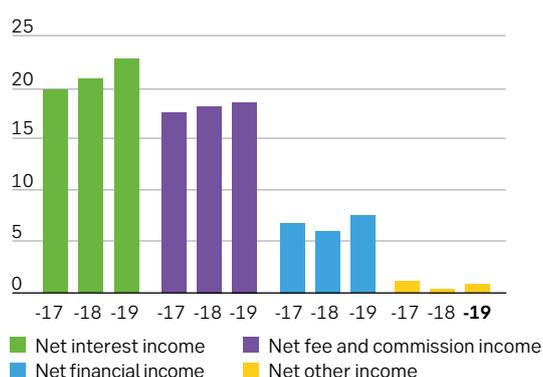
Net interest income

SEK bn



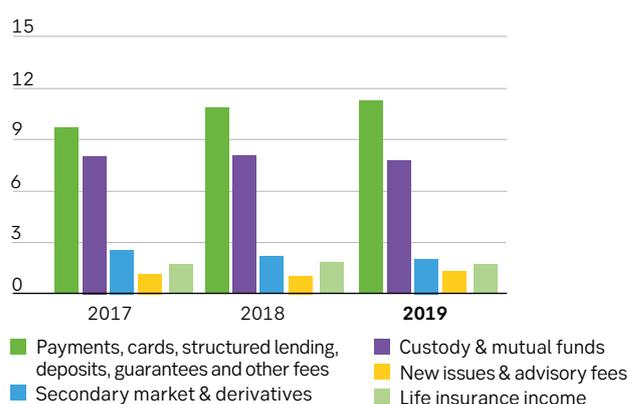
Operating income

SEK bn



Fee and commission income, gross

SEK bn



Net financial income increased by 25 per cent to SEK 7,617m (6,079). Both corporate and institutional customers were actively managing risk and investment portfolios, especially in parts of the year when market volatility was higher. There were also positive market valuation effects. The effect in the fair value credit adjustment amounted to SEK –1m (–119). Other life insurance income, net, decreased by SEK 262m to SEK 722m year-on-year, of which SEK 274m was due to the divestment of SEB Pension in Denmark. See note 13.

Net other income increased to SEK 858m (402). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item. The divestment of SEB's holding in LR Realkredit A/S to Nykredit Realkredit A/S, in accordance with the agreement announced on 11 April 2019, was completed. The result was a capital gain of SEK 259m.

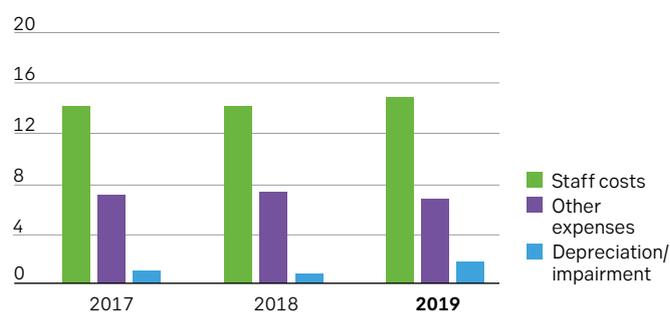
Operating expenses

Total operating expenses increased by 5 per cent to 22,945m (21,940), primarily driven by the strategic initiatives (see p. 14–18) and an acceleration of investments in capabilities to prevent financial crime. Staff costs increased by 5 per cent due to a higher number of full-time equivalents, salary inflation and accruals for variable long-term remuneration. The average number of full-time equivalents increased to 14,939 (14,751). Offsetting IFRS 16 Leases effects decreased other expenses and increased depreciation costs. Ordinary supervisory fees amounted to SEK 153m (153).

The cost target in the business plan for 2019–2021 is described on page 13. Operating expenses related to the strategic initiatives increased according to plan and the three-year cost target remains unchanged.

Operating expenses

SEK bn



Net expected credit losses

Net expected credit losses increased to SEK 2,294m (1,166), driven by a few corporate engagements. The asset quality for 2019 was overall high and the net expected credit loss level was continued low at 10 basis points (6).

Items affecting comparability

There were no *items affecting comparability* in 2019. In 2018, items affecting comparability amounted to SEK 4,506m. See note 13.

Income tax expense

Income tax expense amounted to SEK 4,717m (4,152) with an effective tax rate of 19 per cent (15).

Important events and trends in 2019

First quarter

- Despite the uncertain macroeconomic situation with falling long-term interest rates, counteracted by signals of continued expansionary financial conditions, customer activity was high.
- The Swedish central bank increased the repo rate to –0.25 per cent.
- Strong quarter within division Large Corporates & Financial Institutions, driven by corporate activity.

Second quarter

- Market sentiment and economic data continued to diverge. Trade and political uncertainty issues remained high on the agenda for investors and businesses.
- High client activity with broad-based demand for lending and capital market financing, as well as payments and household mortgages.
- SEB enhanced its largest mutual fund so that its investments that amounted to more than SEK 40bn conform to the sustainability criteria.

Third quarter

- The macroeconomic environment softened and there was a seasonal slowdown.
- Assets under custody increased by SEK 563bn, with significant new mandates and market value increases.
- Broad-based demand for advisory services, lending and capital market financing.
- SEB signed the UNEP FI Principles for Responsible Banking.

Fourth quarter

- The global economic outlook stabilised.
- The Swedish central bank decided to increase the repo rate by 25 basis points to zero.
- SEB was ranked number one in Sweden by both corporate and institutional customers in Prospera's ranking of Nordic banks.
- The Swedish Financial Supervisory Authority initiated a sanction evaluation process of SEB's internal control and governance of its subsidiary banks in the Baltic countries.

As per 1 January 2019, the Swedish corporate tax rate decreased from 22 to 21.4 per cent, which had a small effect on SEB's effective tax rate. In 2018, the effective tax rate was affected by items affecting comparability. Adjusted for items affecting comparability, the effective tax rate for 2018 was 18 per cent.

Return on equity

Return on equity for 2019 was 13.7 per cent (16.3). Excluding items affecting comparability return on equity for 2019 was 13.8 per cent (13.4).

Other comprehensive income

Other comprehensive income amounted to SEK 1,160m (–923).

The value of SEB's pension plan assets exceeded the defined benefit obligations to the employees. The discount rate used for the pension obligation in Sweden was changed to 1.1 per cent (2.0) which increased the pension obligation. At the same time, in the favourable financial markets, the value of the pension assets was higher and the net value of the defined benefit pension plans increased, which affected other comprehensive income by SEK 1,366m (–846).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, that is cash flow hedges and translation of foreign operations, amounted to SEK –153m (–298).

Regulatory supervision of SEB

Regulatory supervision is a part of every-day banking operations. SEB's main supervisor is the Swedish FSA, but SEB continuously has numerous ongoing supervisory activities in all the countries where the bank operates. Far from all reviews are formally categorised as inspections, but nevertheless require significant resources to ensure timely responses with high quality. In 2019, there were around 60 supervisory reviews handled by SEB in Sweden, and some 40 were concluded.

In the past few years there has been an increased attention by the authorities on anti-money laundering matters, but all banking processes are subject to supervision.

Looking ahead

Risks

SEB assumes various risks. The risk composition of the group, as well as the related risk, liquidity and capital management, are described on pages 52–57 and notes 40 and 41, in the Capital Adequacy and Risk Management Report for 2019, as well as the quarterly additional Pillar 3 disclosures, Fact Books and the quarterly reports.

Uncertainties

World economic growth is accelerating cautiously, despite political uncertainty and labour force limitations. Central bank signals of low key rates for a long period will provide support to the economy but in the long term there is a risk of debt build-up and elevated asset prices. The Swedish central bank does not signal any change in its repo rate, currently zero per cent, until the end of 2022. Fiscal stimulus, for instance public sector investments, may play a larger role but rigid rules and weak government finance in many countries pose obstacles.

The German Federal Ministry of Finance issued a circular on 17 July 2017 with administrative guidance in relation to withholding taxes on dividends in connection with certain cross-border securities lending and derivative transactions, so-called cum-cum transactions. The circular states an intention to examine transactions executed prior to the change in tax legislation that was enacted 1 January 2016. Ongoing audits by the local tax administration have to date resulted in preliminary minor reclaims on selected tax years. SEB has requested that these reclaims should be revoked. Following a review, SEB is of the opinion that the cross-border securities lending and derivative transactions of SEB in Germany up until 1 January 2016 were conducted in compliance with then prevailing rules. Hence, to date no provisions have been made. Nevertheless, it cannot be ruled out that the outcome of potential future tax claims may have a negative financial effect on SEB.

SEB is subject to various legal regimes and requirements in

all jurisdictions where the bank operates. Over the past years, the rules and regulations of the financial industry have expanded and further sharpened and the regulators have increased their supervision. This is a development which is expected to continue to evolve. Supervisory authorities regularly conduct reviews of SEB's regulatory compliance, including areas such as financial stability, transaction reporting, anti-money laundering, investor protection, and data privacy. SEB has policies and procedures in place with the purpose to always comply with applicable rules and regulations. It cannot, however, be ruled out that current and future supervisory reviews could lead to criticism or sanctions. Anti-money laundering (AML) reviews are ongoing in several jurisdictions, including the Nordic and the Baltic countries. As part of its ongoing supervisory review, the Swedish Financial Supervisory Authority (SFS) has publicly stated that it has initiated a sanction evaluation process regarding SEB's governance and control of measures against money laundering in the bank's subsidiaries in the Baltic countries. The outcome of the sanction evaluation process is expected to be communicated by the SFS in April 2020. The outcome of this process is uncertain and could lead to sanctions.

Events after the reporting date

Skandinaviska Enskilda Banken AB (publ) (SEB AB) and Skandinaviska Enskilda Banken SA in Luxembourg (SEB SA) decided on 19 June 2019 to dissolve SEB SA without liquidation by transfer of all assets and liabilities to SEB AB in a cross-border merger. The purpose was to simplify the group's governance structure and increase efficiency. Starting from 2 January 2020, the bank's activities in Luxembourg are operated through SEB AB's Luxembourg branch.

On 7 February 2020, Jonas Ahlström was named head of the Baltic division. Riho Unt will remain as chair in SEB's supervisory council for the Baltic banks and as strategic adviser until fall of 2020.

Financial structure

Total assets at 31 December 2019 amounted to SEK 2,857bn (2,573), representing an increase of SEK 284bn in 2019.

Loans

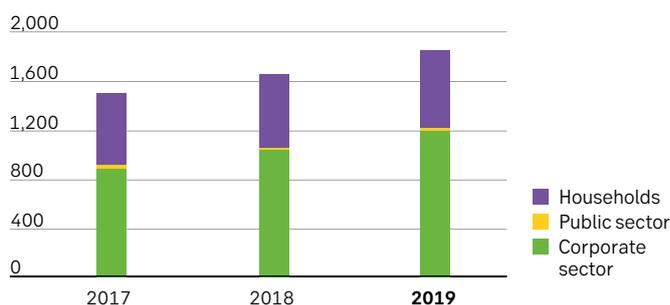
Total loans to the public increased by SEK 193bn during the year and amounted to SEK 1,838bn (1,645).

SEB's credit portfolio, which includes loans, contingent liabilities and derivatives, increased by SEK 206bn to SEK 2,498bn (2,292). The corporate credit portfolio increased by SEK 122bn, 11 per cent, reflecting a broad-based growth across segments. The currency-adjusted corporate growth was 8 per cent. The household credit portfolio (mortgage loans and other household credits) increased by SEK 39bn and the commercial and residential real estate management portfolios increased by SEK 23bn combined, with limited growth in the commercial segment.

Credit-impaired loans, gross (stage 3) increased during the year by SEK 3,238m to SEK 11,396m. The gross credit-impaired loans (stage 3) were 0.67 per cent of total loans.

Loans to the public

SEK bn



Debt securities

Debt securities held for the purpose of serving customer risk management and trading needs as well as internal liquidity management on the balance sheet amounted to SEK 239bn (156). SEB is a market maker in certain debt securities. The short position (liability) in the debt securities amounted to SEK 10bn (10). SEB's credit risk exposure in the debt securities portfolio, which consists of debt securities, certain credit derivatives and futures amounted to SEK 208bn (141). [See note 19, 30 and 40a.](#)

Key figures

	2019	2018	2017	2016	2015
Return on equity, %	13.7	16.3	11.7	7.8	12.2
Return on equity excluding items affecting comparability, %	13.8	13.4	12.9	11.3	12.9
Return on tangible equity, %	14.5	17.3	12.5	8.6	14.0
Return on tangible equity excluding items affecting comparability, %	14.6	14.2	13.7	12.4	14.7
Return on total assets, %	0.7	0.8	0.6	0.4	0.6
Return on risk exposure amount, %	2.7	3.7	2.6	1.8	2.7
Cost/income ratio	0.46	0.48	0.48	0.50	0.49
Basic earnings per share, SEK	9.33	10.69	7.47	4.88	7.57
Weighted average number of shares ¹⁾ , million	2,162	2,164	2,168	2,178	2,191
Diluted earnings per share, SEK	9.28	10.63	7.44	4.85	7.53
Weighted average number of diluted shares ²⁾ , million	2,175	2,177	2,178	2,188	2,203
Net expected credit loss level ³⁾ , %	0.10	0.06	0.05	0.07	0.06
Stage 3 loans/Total loans, gross, %	0.67	0.50			
Stage 3 loans/Total loans, net, %	0.36	0.30			
Liquidity Coverage Ratio (LCR) ⁴⁾ , %	218	147	145	168	128
Risk exposure amount, SEK m	745,637	716,498	610,819	609,959	570,840
Risk exposure amount, expressed as own funds requirement, SEK m	59,651	57,320	48,866	48,797	45,667
Common Equity Tier 1 capital ratio, %	17.6	17.6	19.4	18.8	18.8
Tier 1 capital ratio, %	20.8	19.7	21.6	21.2	21.3
Total capital ratio, %	23.3	22.2	24.2	24.8	23.8
Leverage ratio, %	5.1	5.1	5.2	5.1	4.9
Number of full time equivalents ⁵⁾	14,939	14,751	14,946	15,279	15,605
Assets under custody, SEK billion	10,428	7,734	8,046	6,859	7,196
Assets under management, SEK billion	2,041	1,699	1,830	1,749	1,668

1) The number of issued shares was 2,194,171,802. SEB owned 30,276,332 Class A shares for the equity based programmes at year-end 2018. During 2019 SEB repurchased 8,657,889 shares and sold 7,434,900 shares. Thus, at 31 December 2019 SEB owned 31,499,321 Class A shares with a market value of SEK 2,774m.

2) Calculated dilution based on the estimated economic value of the long-term incentive programmes.

3) 2018–2019: Net ECL level based on IFRS 9 expected loss model. 2015–2017: Credit loss level based on IAS 39 incurred loss model.

4) 2018–2019: According to EU definition. 2015–2017: According to Swedish FSA regulations for respective period.

5) Average for the year.

■ See p. 170–171 for a five-year summary of the Group and the Parent bank's income statements and balance sheets.

■ See p. 179–180 for definitions.

Equity instruments

Equity instruments held for the purpose of customer risk management and trading needs as well as to facilitate the bank's role as a market maker amounted to SEK 78bn (50). The short position (liability) in equity instruments amounted to SEK 17bn (13).

➤ See note 20 and 30.

Insurance assets and liabilities

Financial assets within the insurance operations amounted to SEK 345bn (295). Out of this, financial assets where policyholders carry the risk (mostly unit-linked insurance), amounted to SEK 317bn (270) and other assets (mostly traditional and risk insurance) amounted to an additional SEK 28bn (25).

Liabilities in the insurance operations amounted to SEK 344bn (292). Out of this, SEK 317bn (270) was related to financial commitments for investment contracts (mostly unit-linked insurance), while SEK 27bn (22) was related to insurance contracts (mostly traditional and risk insurance). The insurance liabilities are mainly covered by financial assets. ➤ See note 28, 42 and 43.

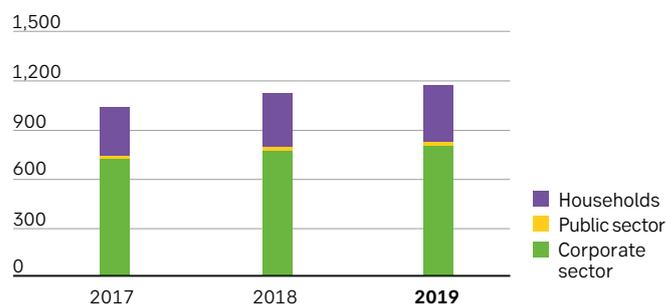
Derivatives

The fair value of the derivative contracts is booked as assets and liabilities on the balance sheet. They amounted to SEK 139bn (115) and SEK 122bn (97) respectively.

The mix and volumes of derivatives reflect the demand for derivatives by the bank's customers for their management of financial risks. The bank is a market maker for derivatives and also uses derivatives for the purpose of protecting its own cash flows and fair value of its financial assets and liabilities from for instance interest rate fluctuations. ➤ See note 21.

Deposits from the public

SEK bn



Deposits and borrowings

The financing of the group consists of deposits from the public (households, corporates, etc.), borrowings from financial institutions as well as issuance of money market instruments, bonds, covered bonds and subordinated debt. ➤ See p. 57 and note 40f for information on liquidity management.

Deposits and borrowings from the public amounted to SEK 1,161bn (1,111). Household deposits increased by SEK 23bn while deposits from non-financial corporations increased by SEK 47bn during the year.

Debt securities issued

Short-term funding, in the form of commercial paper and certificates of deposit, increased by SEK 59bn during the year. SEK 109bn of long-term funding matured during 2019 (of which SEK 52bn covered bonds and SEK 57bn senior debt). The bank issued SEK 140bn (of which SEK 81bn constituted covered bonds, SEK 51bn senior debt and SEK 9bn additional tier 1 capital) during the year. Subordinated debt amounted to SEK 45bn (35).

➤ See note 34.

Rating

Moody's rates SEB's long-term senior unsecured debt at Aa2 with a stable outlook based on the bank's strong asset quality, robust capital ratios and good profitability, albeit with a view that the corporate business focus might add earnings cyclicality.

S&P rates SEB's long-term senior unsecured debt at A+ with a stable outlook. The rating is based on the stable and low-risk operating environment in Sweden, the bank's stable revenue base and position among leading Nordic corporates, sound market shares in corporate and household mortgage lending, profitability in line with peers and strong capitalisation.

Fitch rates SEB's long-term senior unsecured debt at AA- with a stable outlook. The rating is based on SEB's low risk appetite, stable and well-executed strategy, robust asset quality and capitalisation as well as a supportive operating environment.

Moody's		Standard & Poor's (S&P)		Fitch	
Short ¹⁾	Long ²⁾	Short ¹⁾	Long ²⁾	Short ¹⁾	Long ²⁾
P-1	Aaa	A-1+	AAA	F1+	AAA
P-2	Aa1	A-1	AA+	F1	AA+
P-3	Aa2	A-2	AA	F2	AA
	Aa3	A-3	AA-	F3	AA-
	A1		A+		A+
Outlook stable		Outlook stable		Outlook stable	

1) Short-term debt and commercial paper.

2) Long-term senior unsecured debt.

Assets under management and custody

Assets under management amounted to SEK 2,041bn (1,699). The net inflow of volumes during the year was SEK 73bn (45). With the upturn in the financial markets, the increase in the value of the assets under management was SEK 269bn (-60).

Assets under custody increased in 2019 when several new custody mandates were won. The year-end balance which also reflected a market value increase was SEK 10,428bn (7,734).

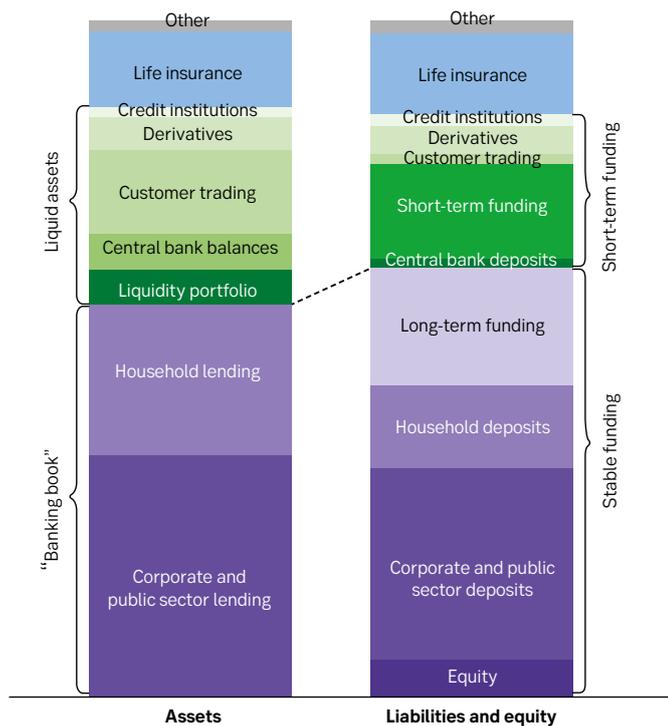
Assets under management

	SEK bn		
	2019	2018	2017 ¹⁾
Beginning of the year	1,699	1,830	1,749
Inflow	585	536	491
Outflow	-512	-491	-477
Acquisition/disposal, net	0	-116	0
Change in value	269	-60	66
End of the year	2,041	1,699	1,830

1) Pro forma

Balance sheet structure

31 December 2019



Holistic management

Creating sustainable value is a continuous process in an environment that is under constant change. The Board of Directors sets the conditions by deciding on the bank's long-term strategic direction, financial targets, business plans and overall risk tolerance. Profitability targets are set within the framework of the risk tolerance level and the capital adequacy targets.

In order to maximise customer and shareholder value, the financial consequences of business decisions are evaluated and operations are managed proactively based on these aspects:

1. growth, mix and risk level of business volumes
2. capital and liquidity requirements driven by the business
3. profitability.

Pricing in accordance with risk is thereby a natural part of the business and monitoring nominal and risk-based returns is an important part of management.

The Board's overarching risk tolerance statements convey the direction and level of risk, funding structure, liquidity buffers and capital targets. SEB's main risk is credit risk. In the last several years, climate-related challenges have been increasingly in focus. Such challenges are reflected throughout SEB's risk management. SEB strives to continuously identify and manage potential future risks, for instance by using stress tests and scenario analysis. The capital buffer and liquidity reserves are held to cover the risk in case of unforeseen events.

All activities are carried out responsibly and in accordance with regulations and expectations – all in order to maintain the trust of the stakeholders.



Total equity

Total equity at the opening of 2019 amounted to SEK 149bn. In accordance with a resolution of the Annual General Meeting in 2019, SEK 14bn of equity was used for the dividend for the year 2018 (12). Net profit amounted to SEK 20bn and other comprehensive income increased equity by SEK 1bn. At year-end 2019, total equity was SEK 156bn.

SEB's share capital amounts to SEK 21,942m distributed on 2,194 million shares. Each Class A share entitles the holder to one vote and each Class C share to 1/10 of a vote.

Dividend

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 6.25 per Class A and Class C share, which corresponds to a payout ratio of 67 per cent. The total dividend amounts to SEK 13.5bn calculated on the total number of issued shares as per 31 December 2019, excluding own shares held.

In 2018, there was an ordinary dividend of SEK 6.00 per share and an extraordinary dividend of SEK 0.50 per share, in total SEK 6.50 per share. The dividend payout ratio in 2018 was 61 per cent.

The proposed record date for the dividend is 25 March 2020. If the Annual General Meeting resolves in accordance with the proposal, the share will be traded ex-dividend on 24 March 2020 and the dividend is expected to be disbursed by Euroclear Sweden AB on 30 March 2019.

Dividend policy

SEB strives to achieve long-term dividend growth without negatively impacting the fulfilment of the group's capital targets. The annual dividend per share shall correspond to 40 per cent or more of earnings per share. Each year's dividend is assessed in the light of prevailing economic conditions and the group's earnings, growth possibilities, regulatory requirements and capital position.

Market capitalisation

	SEK m				
	2019	2018	2017	2016	2015
Year-end market capitalisation ¹⁾	193,345	188,925	211,293	209,645	194,146
Turnover ²⁾	106,915	128,241	123,889	133,790	142,188

1) Based on the Nasdaq Stockholm share price (in 2019: SEK 88.08 for Class A shares and SEK 91.50 for Class C shares).

2) Shares traded at Nasdaq Stockholm.

Number of outstanding shares

	31 December 2019		
	Share Class A	Share Class C	Total no. of shares
Total number of issued shares	2,170,019,294	24,152,508	2,194,171,802
Repurchased own shares for equity-based programmes ¹⁾	-31,499,321	0	-31,499,321
Repurchased own shares for capital purposes ²⁾	0	0	0
Total number of outstanding shares	2,138,519,973	24,152,508	2,162,672,481

1) Utilisation of authorisation from the Annual General Meeting 2019 to acquire own shares for long-term equity programmes.

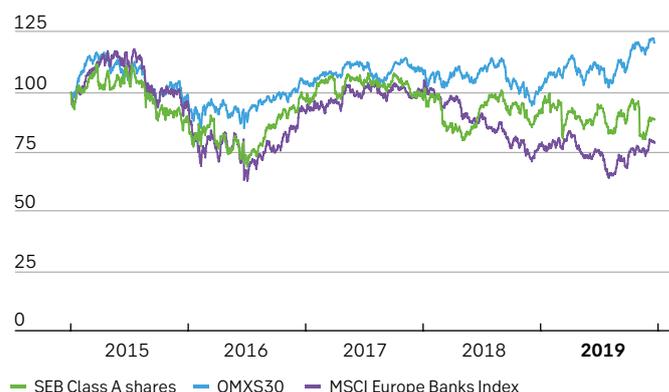
2) 2019 AGM decision, no repurchases made.

Share value and stock exchange trading

The closing price of the SEB class A share was SEK 88.08 (86.10). Earnings per share amounted to SEK 9.33 (10.69). The SEB share is listed on Nasdaq Stockholm, but is also traded on other exchanges such as Chicago Board of Exchange, London Stock Exchange, Turquoise among other.

Share price development SEB Class A share

Index 1 January 2015=100



Data per share

	2019	2018	2017	2016	2015
Basic earnings, SEK	9.33	10.69	7.47	4.88	7.57
Diluted earnings, SEK	9.28	10.63	7.44	4.85	7.53
Shareholders' equity, SEK	71.99	68.76	65.18	65.00	65.11
Net worth, SEK	78.42	74.74	73.60	73.00	72.09
Net expected credit losses ¹⁾ , SEK	1.06	0.54	0.37	0.46	0.40
Dividend per A and C share, SEK	6.25 ²⁾	6.50 ³⁾	5.75	5.50	5.25
Year-end share price ⁴⁾ , SEK					
per Class A share	88.08	86.10	96.30	95.55	89.40
per Class C share	91.50	86.40	96.05	95.20	88.85
Highest price paid ⁴⁾ , SEK					
per Class A share	99.38	102.70	109.00	99.75	111.50
per Class C share	102.20	103.60	109.90	101.10	112.50
Lowest price paid ⁴⁾ , SEK					
per Class A share	78.88	79.16	94.05	67.75	83.45
per Class C share	81.70	80.50	95.15	70.35	83.75
Dividend as a percentage of earnings (payout ratio), %	67.0	60.8	77.0	112.8	69.4
Dividend yield, %	7.1	7.5	6.0	5.8	5.9
P/E (share price at year-end/earnings)	9.4	8.1	12.9	19.6	11.8
Number of outstanding shares					
million average	2,161.7	2,164.4	2,167.6	2,177.6	2,191.2
at year-end	2,162.7	2,163.9	2,167.0	2,169.0	2,193.3

1) 2018–2019: Net ECL level based on IFRS 9 expected loss model. 2015–2017: Credit loss level based on IAS 39 incurred loss model.

2) As proposed by the Board of Directors.

3) Ordinary dividend of SEK 6.00 per share and extraordinary dividend of SEK 0.50 per share.

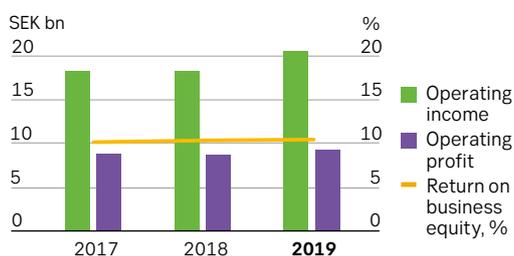
4) Source: Nasdaq Stockholm.

Divisions

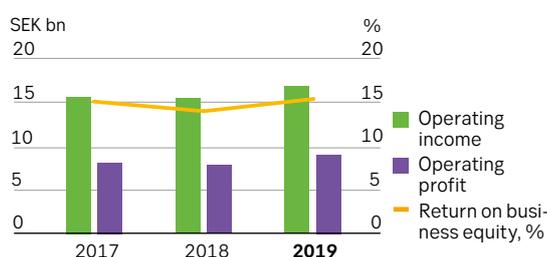
Division	Business offering
<p>Large Corporates & Financial Institutions</p>  <p>Co-heads: Joachim Alpen William Paus</p>	<p>The division serves 2,000 large corporate customers and 1,100 financial institutions and offers advisory-driven commercial and investment banking services in the Nordic region, Germany, United Kingdom and through the international presence. The division has a full-service offering supporting enterprises with capital and offering investment opportunities for pension funds and other investors.</p> <p>Customers are offered capital markets transaction services (equity and debt); financing as well as advice relating to investment banking activities (mergers and acquisitions, etc); products and services for cash management and trade finance; brokerage and trading services; post trade investor services such as custody, risk and valuation services and collateral management; macroeconomic analysis and securities research.</p>
<p>Corporate & Private Customers</p>  <p>Head: Mats Torstendahl</p>	<p>The division serves some 494,000 private and 170,000 corporate home bank customers in Sweden with universal banking services through digital meeting points, 113 physical meeting places and a contact centre with 24/7 accessibility.</p> <p>The division has a broad offering to both private and corporate customers, ranging from everyday banking services to private individuals and smaller companies, to Private Banking services with global reach for high net worth individuals in the Nordic countries. In addition, complex banking and advisory services are provided to medium-sized companies (mid-corp). The division also issues cards in the Nordic countries under SEB's own brands as well as for Eurocard and several other partner brands.</p>
<p>Baltic</p>  <p>Head: Riho Unt</p>	<p>The division provides universal banking and advisory services to private individuals and all corporate customer segments in Estonia, Latvia and Lithuania, with significant market shares across key segments and products in all three countries.</p> <p>The division has 71 branch offices in the three Baltic countries and serves approximately 979,000 private home bank customers and 102,000 home bank customers among small and medium-sized companies. Services are increasingly provided through digital meeting places such as mobile applications, electronic document signing and remote video advice.</p>
<p>Life</p>  <p>Head: David Teare</p>	<p>The division provides life insurance solutions to about 641,000 private and 95,000 corporate customers with 358,000 policyholders. Operations are carried out mainly in the Nordic and Baltic countries through digital and remote meeting points, physical meeting places and contact centres.</p> <p>The insurance offering includes unit-linked, portfolio bond and traditional insurance as well as health and sickness insurance. The division aims to serve clients throughout life with long-term advice and solutions in order to provide companies and individuals with the right insurance coverage.</p>
<p>Investment Management</p>  <p>Head: Javiera Ragnartz</p>	<p>The division offers asset management services through a broad range of funds and tailored portfolio mandates to institutional investors, as well as retail and Private Banking clients. The operations are carried out in Sweden, Denmark and Finland, as well as in the Baltic countries. Assets are managed across equities, fixed income, alternative investments and multi-strategy management. The products are distributed mainly via the bank's other divisions, but also via external parties.</p> <p>The division is aiming to be the advisory leader with a goal to enhance and deepen the focus on the sustainable product offering in order to meet customer needs and expectations.</p>

Operating income and profit

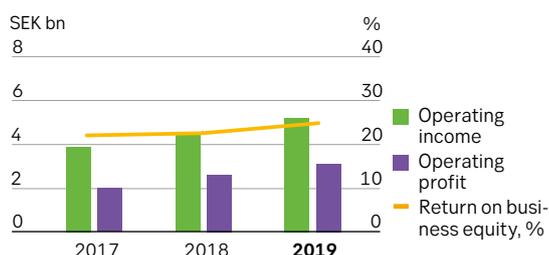
Large Corporates & Financial Institutions



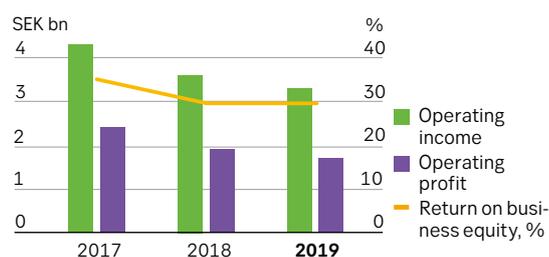
Corporate & Private Customers



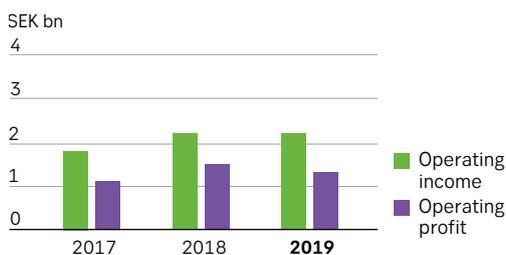
Baltic



Life



Investment management



Comments on the 2019 result

Operating profit increased by 6 per cent to SEK 9,254m. Net interest income grew, driven by business volumes, and net fee and commission income increased slightly. Increased customer activity and positive financial markets improved net financial income. Operating expenses increased due to the strategic initiatives and regulatory requirements. Net expected credit losses were up due to a few corporate engagements and net expected credit loss level was 16 basis points.

Operating profit increased by 15 per cent to SEK 8,983m. Net interest income increased due to volume growth and less negative interest rates. Net fee and commission was virtually unchanged with strong card income. Operating expenses increased slightly, partly due to the strategic initiatives, IT and regulatory requirements. The net expected credit loss level was 4 basis points.

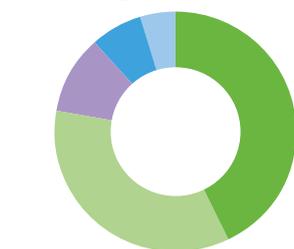
Operating profit increased by 19 per cent (16 in local currency) to SEK 3,104m. Net interest income increased due mainly to loan volume growth and margin expansion. Net fee and commission income was higher mainly from increased customer activity and more card transactions. Operating expenses increased. The net expected credit loss level was 3 basis points.

Operating profit decreased by 11 per cent to SEK 1,715m. Excluding the remaining effects of the 2018 divestment of SEB Pension in Denmark, operating profit was flat. The divestment affected all income types. In Sweden the division experienced margin pressure and a negative effect from the low long-term interest rates.

Operating profit decreased by 10 per cent to SEK 1,320m. Base commissions were flat but the performance fees were down due to a valuation adjustment in a specific customer mandate. Operating expenses increased due to staff cost, IT and information services.

Divisions' share of:

Operating income¹⁾

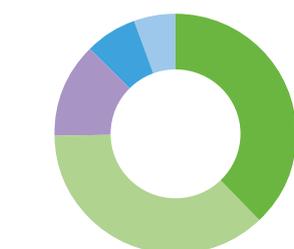


2019 Per cent

Division	Per cent
Large Corporates & Financial Institutions	43
Corporate & Private	35
Baltic	11
Life	7
Investment Management	5

1) Excluding group functions

Operating profit²⁾



2019 Per cent

Division	Per cent
Large Corporates & Financial Institutions	38
Corporate & Private	37
Baltic	13
Life	7
Investment Management	5

2) Excluding group functions

Employees



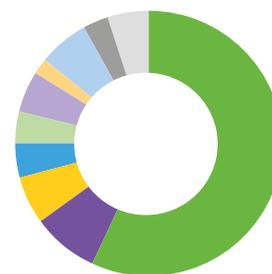
2019 Per cent

Division	Per cent
Large Corporates & Financial Institutions	14
Corporate & Private Customer	24
Baltic	16
Life	7
Investment Management	1
Group functions, including support and staff	38

Geographic markets

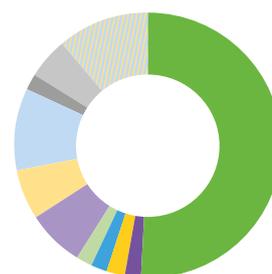
	Market	Comment
	Global with Sweden Johan Torgeby <i>President and CEO</i>	Universal banking Sweden is SEB's main market with a complete banking, pension and insurance offering to a wide range of customers. Both corporate and private segment business volumes grew during the year. The financial markets were beneficial and market valuations positive.
	Estonia Allan Parik <i>Country manager</i>	Universal banking Estonia's economic growth was strong, fuelled by the information and technology sector and export of IT services. Digital transformation is also ongoing in the bank and the digital sales ratio increased from 52 to 61 per cent in the year. The expansion of SEB's digital and sustainable product offering continued.
	Latvia Ieva Tetere <i>Country manager</i>	Universal banking The banking market remains highly competitive. SEB is the second largest bank in terms of deposits and largest in terms of credits to corporate business customers. SEB continued the digital development, including several remote facilities like video meetings, chatbot, mobile wallet and Open Banking solutions.
	Lithuania Raimondas Kvedaras <i>Country manager</i>	Universal banking Economic growth in Lithuania remained strong and balanced. SEB prepared for a roll-out of a new core banking IT platform and focused on delivery of digital novelties, such as instant payments. SEB is the leading bank in Lithuania measured in terms of loan volumes.
	Denmark Peter Høltermand <i>Country manager</i>	Corporate banking Corporate banking activity continued to develop positively in line with the underlying macroeconomic climate in Denmark, whereas demand for investment banking services was lower than in the previous year. International institutional investors continued to drive the growth in assets under management.
	Norway John Turesson <i>Country manager</i>	Corporate banking The Norwegian economy was strong which resulted in several rate hikes. The positive economic environment triggered increased client activity in the Markets business. SEB experienced substantial growth in lending to large corporate clients and high demand for investment banking services.
	Finland Marcus Nystén <i>Country manager</i>	Corporate banking Customer activity was high across all segments, resulting in increased business volumes, particularly in financing and investor services. SEB continued to further expand existing customer relationships, with a growing focus on energy, infrastructure and sustainable banking solutions.
	Germany Johan Andersson <i>Country manager</i>	Corporate banking After contracting at the beginning of the year, the German economy showed resilience. At the same time the international economic slowdown and heightened uncertainty impacted the German manufacturing sector negatively. SEB's customers mainly requested financing solutions, in many instances in connection with international acquisitions.
	United Kingdom Mark Luscombe <i>Country manager</i>	Corporate banking Uncertainty around Brexit dominated the political landscape in the UK during the year. However, SEB benefited from strong and profitable growth as the customer base developed positively. Demand for advisory and financial services was driven by existing large corporate relationships.
	Other markets The international network	Corporate banking SEB continued to serve customers in its branch offices in Luxembourg, Poland, Russia, Ukraine, China, Hong Kong, Singapore, India, United States and Brazil and the 2019 result was strong.

Share of SEB's operating profit



2019	Per cent
Sweden	57
Denmark	8
Norway	6
Finland	4
Germany	4
Estonia	5
Latvia	2
Lithuania	6
United Kingdom	3
Other markets	5

Share of SEB's employees



2019	Per cent
Sweden	51
Denmark	2
Norway	2
Finland	2
Germany	2
Estonia	7
Latvia	6
Lithuania	10
United Kingdom	2
Other markets	5
Global services in Latvia/Lithuania	11

Market shares and customer contacts

SEB's market shares and market growth

Per cent

	2019	2018	Total market, SEK bn 2019	Market growth
Lending to general public				
Sweden	14.4	14.1	6,588	4
Lending to households	12.6	12.5	4,190	5
Lending to companies	17.5	17.0	2,398	4
Estonia ¹⁾	27.3	25.7	211	4
Lending to households	28.2	26.6	92	1
Lending to companies	26.6	25.0	119	7
Latvia ¹⁾	21.9	22.0	149	3
Lending to households	18.7	18.5	58	3
Lending to companies	23.9	24.2	91	3
Lithuania ¹⁾	32.1	31.9	212	0
Lending to households	29.2	29.2	104	5
Lending to companies	34.9	34.3	108	-4

Deposits from general public

Sweden	16.3	16.0	3,187	8
Deposits from households	11.5	11.4	2,007	5
Deposit from companies	24.4	24.3	1,180	12
Estonia ¹⁾	22.2	24.8	215	13
Deposits from households	21.2	22.3	97	18
Deposit from companies	23.0	26.7	119	10
Latvia ¹⁾	17.9	16.5	177	7
Deposits from households	17.9	18.2	96	11
Deposit from companies	17.9	14.7	81	3
Lithuania ¹⁾	29.0	28.4	246	11
Deposits from households	29.6	29.5	148	11
Deposit from companies	28.0	26.6	98	11

Equity trading

Stockholm	6.6	5.9	8,462	-5
Oslo	2.7	3.1	2,404	-12
Helsinki	4.7	3.9	2,778	-1
Copenhagen	2.7	2.7	3,404	-11

SEK-denominated corporate bonds	18.7	18.8	189	21
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Mutual funds, total volumes²⁾

Sweden	10.6	11.4	5,055	27
Finland	1.4	2.5	1,302	15

Unit-linked insurance, premium income

Sweden ³⁾	14.1	16.0	67	1
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Total life insurance, premium income

Sweden ³⁾	7.4	8.6	239	4
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1) Excluding financial institutions & leasing. Estonia, Latvia and Lithuania per September 2019. Market growth in local currency.

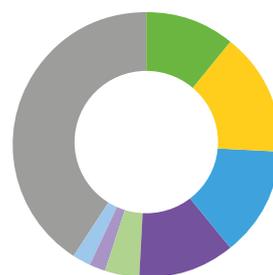
2) Excluding third-party funds.

3) Per September 2019.

Sources: Statistics Sweden, Estonian Finantsinspektion, Finance Latvia Association, Association of Lithuanian Banks, Swedish Insurance Federation, Nasdaq, etc.

Household savings, Sweden

Per cent

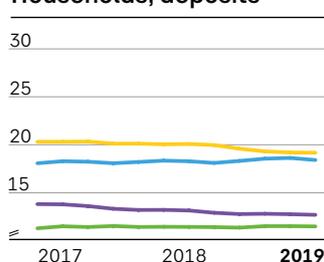


Total household savings in Sweden – bank accounts and mutual funds – amounted to SEK 7,061bn as of 31 December 2019.

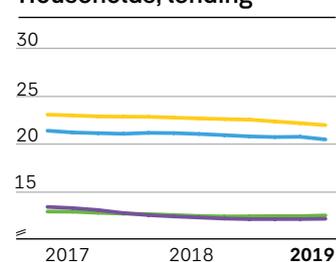
Market shares, Sweden

Per cent

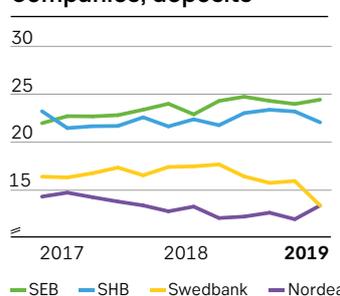
Households, deposits



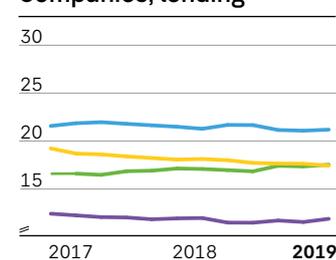
Households, lending



Companies, deposits



Companies, lending



Customer contacts

	2019	2018	2017
Number of syndicated loans in Nordic countries	78	69	61
Number of equity capital market transactions in the Nordic countries	25	24	31
Number of Nordic mergers and acquisitions	31	19	16
International Private Banking branch offices	12	12	12
Number of Swish payments via SEB's app (million)	45	37	28
Number of external life insurance intermediaries and brokers	1,780	1,850	2,200
Number of branch offices	184	189	196
Number of ATMs ¹⁾	2,370	2,504	2,649

1) of which 1,600 jointly owned by major Nordic banks

Profit related to business volumes

Customers' financial needs are the source of SEB's business volumes and result. Here, the general relationships between customer-driven business volumes reported on- and off-balance sheet, and the income statement as well as external factors are outlined.

The macroeconomic situation is of great importance for customer behaviour and, together with the bank's own actions, it is a major factor impacting the business and the result.

In times of positive economic development both businesses and private individuals are more likely to invest and consume. This may lead to increased lending, more payments, a higher number of corporate transactions, among other things, all of which affect net interest and net commission income positively.

In an unfavourable part of the business cycle, customers may be more restrictive and growth in business and transaction volumes may level out while credit losses may increase. On the other hand customers hedge their risks in uncertain and volatile times, which may increase net financial income.

Income statement, simplified		SEK m
		2019
A	Net interest income	22,950
B	Net fee and commission income	18,709
C	Net financial income	7,617
D	Net other income	858
Total operating income		50,134
Total operating expenses		-22,945
2	3	
4	5	
	Net expected credit losses and other	-2,295
Operating profit		24,894
	Income tax expense	-4,717
NET PROFIT		20,177

Business volumes in the balance sheet

ASSETS		2019	LIABILITIES AND EQUITY		2019
1	Cash and cash balances with central banks	146,691	9	Deposits from central banks and credit institutions	88,041
2	Loans to central banks	4,494	10	Deposits and borrowings from the public	1,161,485
3	Loans to credit institutions	46,995	11	Financial liabilities for which the customers bear the investment risk	317,574
4	Loans to the public	1,837,605	12	Liabilities to policyholders	26,547
5	Debt securities	238,578	13	Debt securities issued	858,173
6	Equity instruments	78,482	14	Short positions ¹⁾	27,343
7	Financial assets for which the customers bear the investment risk	316,776		- of which equity instruments	17,352
8	Derivatives	139,427		- of which debt securities	9,991
	Other assets	47,598	15	Derivatives	122,192
TOTAL ASSETS		2,856,648	16	Other financial liabilities	2,449
				Other liabilities	97,144
			17	- of which subordinated debt	44,639
				Total equity	155,700
			TOTAL LIABILITIES AND EQUITY		2,856,648

1) Short position – a negative item in the inventory held for customer trades

Sample business volumes outside the balance sheet (in accordance with accounting principles)

		2019			SEK bn	
18	Assets under management	Customers invest in for instance mutual funds	2,041	18	Payments and cash management	Customers make payments and manage account balances
18	Assets under custody	The bank safekeeps securities and administers dividends and interest on customers' behalf	10,428	18	Card transactions	Customers make and receive card payments
18	Commitments	Preapproved customer credits	638	18	Securities transactions	Customers use the bank as an intermediary in securities transactions, for instance equity trading
18	Guarantees	The bank assists customers with credit risk management	139	18	Corporate transactions	Corporate customers seek advice and assistance for various corporate transactions, such as acquisitions, IPOs, etc.

Operating income in relation to customers' business volumes

A Net interest income	B Net fee and commission income	C Net financial income	D Net other income	
Net interest income is the difference between income from lending and expenses associated with deposits and borrowings. Margins and business volumes have a major bearing. Interest margins differ in various markets, mainly due to varying maturities and risk.	Net fee and commission income increases with growing transaction volumes. Commissions may increase in advantageous financial markets and with increased business volumes, and vice versa.	Net financial income includes both the market value and realised gains and losses on transactions with securities, currencies and derivatives. The development in financial markets plays a major role.	Items in net other income occur sporadically with no clear link to macroeconomic factors.	
Customer loans and cash balances generate interest income over the life of the loan. Up-front fees on new loans are treated as interest income. 1 2 3 4	SEB participates in, or leads, syndications of loans leading to net fee and commission income or expenses. 4			Loans
SEB maintains an inventory of debt securities for customer trades and liquidity management. They accrue interest over life. 5 14		SEB holds debt securities for customer trading and liquidity management. The customer trading activity as well as the market value of the inventory affect net financial income. 5 14 ¹⁾	Sales from the bank's inventory of debt securities held for liquidity management or investment affect this item. 5	Debt instruments
	Brokerage fees in equity trading are received or paid. 18	SEB holds equity instruments for customer trading and is a counterpart in equity swaps. The customer trading, changes in the market value, dividends and realised gains/losses affect this item. 6 14 ¹⁾	Dividend from the bank's own equity holdings affect the item. 6	Equity instruments
Interest rate derivatives that are used by SEB to reduce volatility in the result (so-called hedging) accrue interest over life. 6 15	In certain cases, SEB charges and pays fees when trading in derivatives. 8 15	SEB is a counterparty for customers wishing to manage risk (for instance foreign exchange and interest rate risk) using derivative instruments. Both customer trades and the market value of the holdings affect financial income. 8 15	The market value of derivatives that SEB uses for hedging. 8 15	Derivatives
Customer deposits generate interest expense. 9 10	Certain bank accounts generate fee income. 9 10			Deposits and borrowings
	SEB provides savings in unit-linked insurance, deposit insurance and similar products where the customer bears the risk. Invested volumes generate fee income. In addition, distribution generates fee expenses. 7 11 18	SEB provides savings in traditional pension with a certain guaranteed return, sickness and health insurance and related services. SEB invests mainly in equity instruments and debt securities to safeguard the outcome of insurance claims. 5 6 12		Insurance and savings
SEB's operations are partly funded by long and short-term interest-bearing securities, all of which generate interest expense. 13 17	Index-linked bonds generating fee income are provided for the purpose of customer investment. 13 18	The market value including the credit risk in SEB's issued index-linked bonds affects the item. 13	Early redemption by SEB of its debt instruments affects this item. 13 17	Issued securities and subordinated debt
	Various customer services are provided which generate both fee and commission income and expense. Most fees are fixed and transaction based; some are market value based. 18			Business volumes outside the balance sheet

Risk, liquidity and capital management

Managing risk is an integral part of banking and risk awareness is deeply embedded in SEB's corporate culture. The bank has a comprehensive framework for risk, liquidity and capital management, which is continuously developed to reflect the current environment and enable the creation of customer value while maintaining the bank's resilience.

Risk management

Risk development in 2019

2019 was a year of strong credit volume growth. SEB demonstrated continued resilience through high asset quality, low credit losses, a stable liquidity position and robust capital adequacy.

The economic outlook stabilised toward the end of the year, however the global economy is still fragile and the geopolitical environment remains unpredictable. The credit cycle has likely reached its peak and non-financial risks remain high on the agenda.

Risks related to environmental, social and governance (ESG) factors continue to grow in importance for customers and investors at the same time as regulatory activity and reporting requirements are increasing. Climate-related risks are likely to directly or indirectly impact most risk types, including credit, market and operational risk.

SEB's preventive work against money laundering and terrorism financing continued to be strengthened, including further development of Know-Your-Customer (KYC) and risk assessment processes as well as transaction monitoring. Rules and regulations of the financial industry were expanded and further sharpened and the regulators intensified their supervision.

Digitalisation continued to transform the banking industry. Changing customer behaviour, new types of competitors and the movement towards Open Banking and information sharing are reshaping the playing field for banks which can lead to new types of risks. In addition to the strategic opportunities and challenges this entails, cyber and information risks are increasing and becoming more complex.

Growth in the credit portfolio

The credit portfolio (which includes loans, loan commitments and derivatives) grew significantly in 2019 despite the weaker macroeconomic development. Growth was primarily driven by high activity in the corporate segment and efforts to sustain SEB's growth in the Swedish market for residential mortgages. The total credit portfolio amounted to SEK 2,498bn (2,292).

Strong corporate credit growth

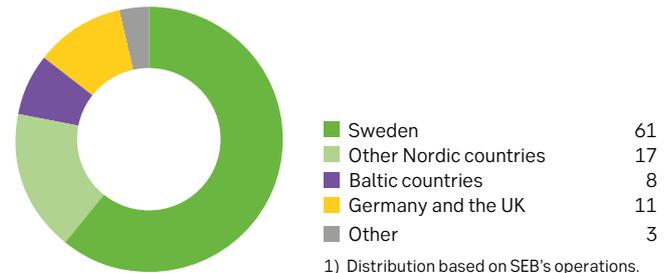
More than half of SEB's credit portfolio consists of exposure to corporates. Growth was strong during the year across geographies and divisions and the portfolio increased to SEK 1,268bn (1,146). SEB is unique among peers in that its corporate portfolio consists primarily of large corporate customers – mainly Nordic and German customers in a wide range of industries, the largest being manufacturing. Exposure to small and medium-sized enterprises (SMEs) accounted for 11 per cent (12) of the bank's corporate portfolio, and is mainly in Sweden. The SME portfolio grew to SEK 143bn (141) during the year.

Robust Swedish household mortgage portfolio

In 2019, housing prices began to recover, driven by a lower supply of new housing and expectations for continued low interest rates.

Credit portfolio, distribution by geography¹⁾

Per cent



The growth rate of SEB's Swedish household mortgage portfolio caught up and is now in line with that of the market. The portfolio amounted to SEK 520bn at year-end 2019 (487) and is of high asset quality with low historical credit losses, sound loan-to-value (LTV) ratios and with a strong repayment capacity among customers.

Lending decisions are based on the borrower's repayment capacity, including the ability to manage a stress scenario with a higher interest rate. When applicable, the stress scenario takes into account the borrower's share of the housing association's total debt. New mortgage loans can normally not exceed five times the household's gross income. Of all new loans granted in 2019 with an LTV above 50 per cent, 97 per cent (98) had an amortisation plan. Property values are continuously assessed and monitored.

Solid real estate portfolio

SEB's credit exposure to residential real estate management is mainly Swedish and consists of high quality, private and publicly owned real estate companies as well as institutional investors. The portfolio amounted to SEK 131bn at year-end (110). SEB also has SEK 63bn (63) in exposure to co-operative housing associations, a common residential housing form in Sweden.

SEB's exposure to commercial real estate companies consists mainly of strong counterparties in the Nordic region with sound financing structures. The portfolio amounted to SEK 188bn (186).

SEB governs its exposure to the real estate sector through a group-wide risk tolerance level for the commercial real estate portfolio, divisional volume growth limits and through a strict real estate credit policy set by the Board.

Balanced growth in the Baltics

Economic growth in the Baltic markets is slowing from high levels, while labour shortages and wage inflation persist. SEB's Baltic credit portfolio continued to grow during the year, but at a slower pace, and amounted to SEK 188bn (182) at year-end. The portfolio consists mainly of corporate and household exposures, while the real estate management portfolio is limited. Lithuania represents SEB's largest market in terms of credit exposure in the Baltic countries, followed by Estonia and Latvia.

Risk profile

The Board of Directors decides on the overarching risk tolerance. The President and CEO is responsible for managing SEB's risks overall and ensuring that the risk profile lies within the Board's risk tolerance and capital adequacy targets.

Risk type	Board's risk tolerance statements in brief. SEB shall:	2019 development and position	Measurement	2019	2018
Credit risk and asset quality	Have a robust credit culture based on long-term relationships, knowledge about the customers and focus on their repayment capacity. This will lead to a high-quality credit portfolio.	<ul style="list-style-type: none"> SEB has a well-balanced credit portfolio mainly focused on Nordic large corporates and Swedish households. Asset quality remains strong with low credit losses. 	<ul style="list-style-type: none"> Total loans, loan commitments and derivatives (SEK bn) Expected credit losses in relation to total exposure (%) Share of loans that are classified as credit-impaired (%) 	2,498 0.10 0.67	2,292 0.06 0.50
Market risk	Achieve low earnings volatility by generating revenues based on customer-driven business.	<ul style="list-style-type: none"> Market risk arises in SEB's customer-driven trading activity and in its liquidity portfolio. Generally, SEB's market risk is low. Interest rate risk arises due to mismatches in rates and maturities in the bank's assets and liabilities, and is managed by the Treasury function. 	<ul style="list-style-type: none"> Statistical measure of the largest trading loss that can be expected in a ten-day period (VaR) (SEK m) 	98	90
Operational, business and reputational risk	Mitigate operational, business and reputational risk in all activities and maintain the bank's good reputation.	<ul style="list-style-type: none"> Low operational losses. Managing cyber and information risks are key priorities to ensure secure and available information, services and products for customers. 	<ul style="list-style-type: none"> Operational risk losses in relation to operating income (%) 	0.30	0.43
Liquidity and funding risk	Have a soundly structured liquidity position , a balanced wholesale funding dependence and sufficient liquid assets to meet potential net outflows in a stressed scenario.	<ul style="list-style-type: none"> SEB's primary funding sources are customer deposits and wholesale funding. The funding base is diversified in terms of maturities and currencies to ensure that payment obligations are met. 	<ul style="list-style-type: none"> Short-term funds in relation to short-term payments (liquidity coverage ratio) (%) Long-term funds in relation to long-term cash flows (core gap ratio) (%) 	218 109	147 110
Aggregated risk and capital adequacy	Maintain satisfactory capital strength in order to sustain aggregated risks , and guarantee the bank's long-term survival and its position as a financial counterparty, while operating within regulatory requirements and meeting rating targets.	<ul style="list-style-type: none"> SEB is well capitalised in relation to regulatory capital requirements, internal targets and peers. The aim is to hold a capital adequacy buffer of around 150 basis points above the regulatory requirement. 	<ul style="list-style-type: none"> Risk-weighted business volumes (risk exposure amount) (SEKbn) Capital in relation to the risk exposure amount (CET1) (%) Capital in relation to total assets (leverage ratio) (%) 	746 17.6 5.1	716 17.6 5.1

➤ For detailed information on risk, liquidity and capital management, refer to notes 40 and 41.

High asset quality

Asset quality remained high and credit losses low and in line with expectations. The 2019 credit losses are driven by a few corporate engagements and there are no signs of a broader asset quality deterioration. Net expected credit losses (ECL) amounted to SEK 2,294m (1,166), corresponding to a net ECL level of 10 basis points (6). Stage 3 loans (loans that are credit-impaired) amounted to SEK 11.4bn at year-end (8.2), corresponding to 0.67 per cent of the gross lending (0.50).

Market risk at low levels

Risk in the customer-driven trading is measured as Value-at-Risk (VaR), which averaged SEK 98m in 2019 (90). This means that the bank does not expect to lose more than this amount during a period of ten trading days, with 99 per cent probability. VaR increased during the first six months of the year driven by interest rate and equity exposures. The development reversed in the second half of the year and 2019 ended with the lowest VaR of the year.

Market risk also arises in the form of interest rate risk in the banking book as a result of balance sheet mismatches in currencies, interest terms and interest rate periods. This risk was relatively stable in 2019.

Unchanged insurance risk

SEB's life insurance business consists mainly of unit-linked products, where the market risk remains with the customer. In 2019, unit-linked products accounted for 63 per cent of total premium income (69). SEB also offers traditional life insurance, occupational pensions and private health insurance products in Sweden. The traditional life insurance portfolios expose SEB to financial market risk due to the guaranteed elements of the products. However, the difference between the value of the assets and the guaranteed commitments serves as a buffer against earnings volatility. This buffer increased throughout the year as asset returns and new business volumes were only partially offset by the negative impact from lower interest rates. The environment with low interest rates is challenging for the insurance industry both with regards to capitalisation and to generating competitive asset returns. Portfolio allocations to alternative investments are likely to remain material.

Low operational losses

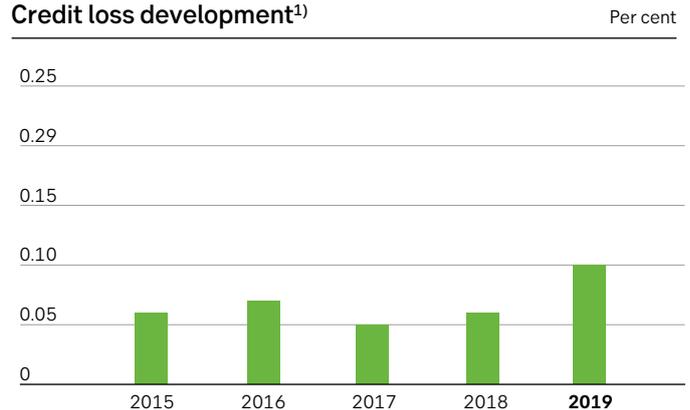
SEB works continuously to mitigate operational risks in the daily business and processes and thereby minimise operational losses and, in particular, to avoid larger losses. By continuously developing and improving governance and risk practices, the bank strives to mitigate both traditional and emerging risks.

Net losses from operational incidents amounted to SEK 120m in 2019 (197). Benchmarking against members of the ORX, a global operational risk association in the financial services sector, shows that SEB's operational losses are below international peer average.

Cyber and information risk

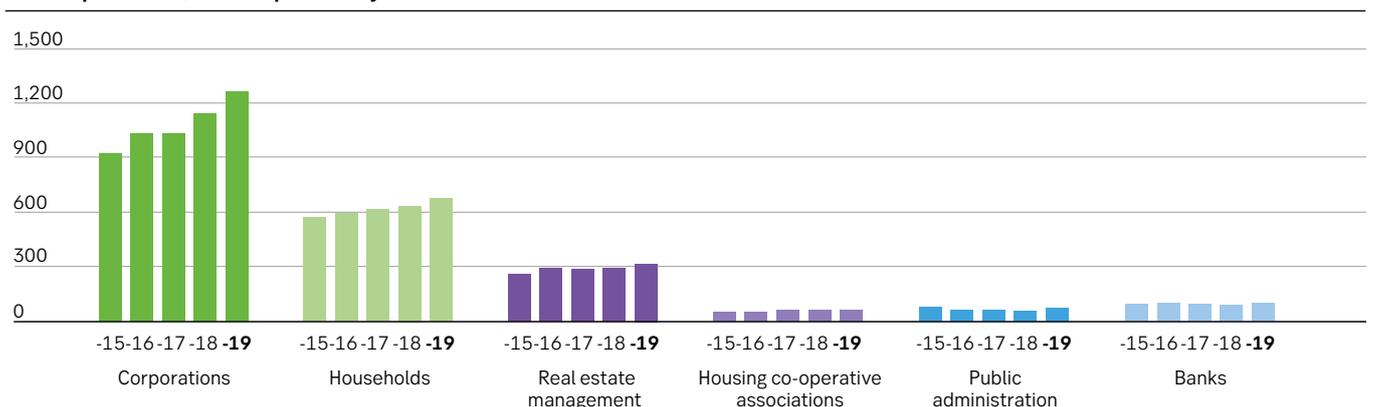
Cyber and information risks are increasing in pace with rapid technological development and the increased use of data in the banking industry. These risks involve not only technology but people, processes, systems, culture and physical surroundings and their complex nature means they are more challenging to assess and mitigate than traditional operational risks. The bank invests continuously in its security, and regular technical security updates and upgrades of systems and platforms are prioritised in order to strengthen resilience. During the year focus was on further strengthening governance and the framework for cyber and information security risk management.

Credit loss development¹⁾



1) 2018–2019: Net ECL level based on IFRS 9 expected loss model. 2015–2017: Credit loss level based on IAS 39 incurred loss model

Credit portfolio, development by sector



The work to detect and prevent fraud, both internally and in cooperation with the police, is continuously evolving to adjust to new criminal behaviour. In 2019, successful efforts were made to develop new capabilities for real time transaction monitoring, as well as improved processes for digital identification and signing.

Data ethics, i.e. how customer data is used with respect to confidentiality, privacy rules and data protection, is also growing in importance as regulatory requirements related to for instance the anti-money laundering and payment services directives are leading to a need for more data and data processing as well as for sharing data with third-party providers.

SEB's Code of Conduct and core values, mandatory training and dialogues on ethical and value-related dilemmas strengthen employees' awareness of the importance of their conduct. Employees and others are urged to report unethical or illegal incidents, if needed through an independent, external whistleblowing procedure.

Business and reputational risks

SEB's business is built on trust. The bank's reputation is based on long-term customer relationships, a strong business and risk culture based on high ethical standards, social and environmental responsibility and professionalism. Reputational risk often arises from a development within another risk type inherent in the business, such as credit, liquidity, compliance or ESG risk.

Environmental, social and governance risks

As a bank, SEB plays an important role in society by providing credit and managing financial assets in ways that promote sustainable economic growth and prosperity. Both in its customer on-boarding and credit granting process, SEB considers environmental, social and governance (ESG) risks and the extent to which such risks can impact a customer's ultimate repayment capacity and SEB's ambition to be a sustainable bank. SEB's sustainability-related policies define how the bank shall consider ESG risks.  See p. 33.

Tools for analysing, documenting and monitoring ESG risks are being further developed on a continuous basis. For example, SEB is developing a classification framework in order to assess customers' impact from an ESG perspective, including the overall ESG impact of 88 sectors and sub-sectors. It has been benchmarked against external standards and classifications (EU taxonomy, MSCI Industry and Sector ESG Intensity and SASB Materiality Map) and will include climate change, water, biodiversity, labour rights, human rights and anti-corruption.

Environmental – climate-related risks

Climate-related risk is not a new risk type but rather carries risk factors that are likely to have bearing on most traditional risk types, such as credit, market, reputational and operational risk. Thus, climate-related risk management is a part of the existing risk governance and processes.

Climate-specific risks

The effects of climate change on SEB involve two specific risk factors. *Transition risks* are the financial risks that may arise from the transition to a lower-carbon economy. Disruptive events such as changes in climate policy, regulation, technology or market sentiment could impact business models of companies in sectors that rely on fossil fuels or are energy intensive. *Physical risks* arise from increased severity and frequency of climate and extreme weather-related events, such as droughts, floods, storms and sea-level rise. Physical risks can have direct impact such as damage to property and indirect impact through subsequent events such as the disruption of global supply chains.

Different types of climate-related risks may potentially affect SEB over different time horizons. In the short to medium term, reputational risk may increase as a result of growing concerns among stakeholders related to SEB's handling of climate issues, increased scrutiny from regulators and stricter regulations. In a longer perspective, both physical and transition risks may affect customers' creditworthiness or collateral values.

The bank's strategic work in relation to climate change takes two perspectives into consideration. One is the need to understand SEB's customers' impact on climate; the other is the effect of climate change on SEB's customers' business models and repayment capacity.

Assessing climate impact

SEB's ESG classification framework is the basis for assessing the climate impact of the customers. A climate impact sector map was developed in 2019. The map defines sectors with high, medium and low climate impact and enables a high-level classification and quantification of the climate impact of SEB's corporate credit portfolio.

This framework will be further developed to enable assessment of the compatibility of customers' strategies and targets with the Paris agreement. It will provide an in-depth understanding of customers' current performance and plans and where possible also their roadmap towards phasing out fossil fuels.

Carbon-related assets – TCFD disclosure

SEB recognizes the crucial role of consistent and comparable disclosure to foster an early assessment of climate-related risks and to facilitate market discipline as recommended by the Task Force for Climate related Financial Disclosure (TCFD).

A first attempt to quantify the credit exposure to carbon-related assets¹⁾ was performed during 2019. The result was that this exposure amounted to between 6 and 7 per cent of SEB's total credit exposure as per year-end 2019.

SEB will continue to enhance the definition and quantification of its credit exposure and to actively support widespread and consistent TCFD disclosures.

The quantification of carbon-related assets provides an overview of the sectors that are potentially exposed to material climate-related transition risks. It does not, however, constitute a comprehensive measurement of SEB's transition risks as counterparties' sensitivity to such risks may differ within a given industry.

 See p. 34 for a description of SEB's TCFD-related work.

1) Carbon-related assets are defined as those assets tied to the energy and utility sectors under the Global Industry Classification Standard (GICS), excluding water utilities and independent power and renewable electricity producer industries.

This will support SEB's ambition to gradually shift its credit portfolio towards more sustainable financing and help identify transition risks. The framework is being further refined and tested with the aim to be fully rolled out during 2020.

Assessing the effect of climate change on SEB's customers

SEB recognises that banks have a crucial role to play in contributing to limit the average global temperature rise and has the ambition to align its risk appetite and strategy to be consistent with the Paris agreement targets. SEB is continuously developing and refining its risk identification capabilities and methodologies to identify, assess and measure transition risks at counterparty level. An assessment of the effect of climate change on customers' repayment capacity is integrated in the bank's holistic counterparty credit analysis which is included in the material submitted to the bank's credit committees. SEB has developed a proprietary framework to facilitate systematic integration of climate risks in the financial analysis of corporate counterparties. The framework provides sector-specific guidance on the most material issues to be assessed for customers active within carbon intensive sectors.

Measuring the financial risks from climate change is complex. It involves the assessment of the combined impact of physical and transition risks under multiple scenarios. SEB is developing scenario analysis and methods to measure the impact of transition risks on its credit portfolio at different time horizons and under different assumptions.

SEB regularly performs qualitative reviews for sectors with high climate impact, which are presented to the Group Risk Committee and the Risk and Capital Committee. In connection with the reviews, sector-specific business strategies and risk appetite levels are defined. SEB's ambition to support its customers' needs in the transition to a low-carbon economy and to mitigate physical and transition risks is considered in the reviews.

In 2019, SEB defined a risk appetite in absolute terms for its oil & gas portfolio (exploration & production, offshore and oilfield services). SEB will continue to support its customers active within the oil and gas sector on their transition journey and engage with them to encourage sustainable practices.

Social – human rights and labour law

Conducting responsible business entails an obligation to respect and promote human rights and labour law. SEB assesses the risk for human rights violation in accordance with an internal policy and international agreements (see p. 33). A customer with low human rights ambitions, who might expose people to, for example, danger or violations, can become a credit risk for the bank. In addition, investing in such companies carries a high reputational risk. This type of risk is to be assessed and monitored in the credit and investment processes. SEB's Human Rights Policy, sector policies and ESG data from external suppliers serve as guidance.

SEB's fund company has strict criteria for how its actively managed funds shall relate to holdings that verifiably breach international norms regarding human rights criteria. Moreover, SEB engages directly in dialogue with companies' management and board regarding how to achieve improvements.

Governance – preventing corruption, money laundering and financing of terrorism

SEB works actively to prevent corruption, money laundering and financing of terrorism in line with applicable rules and regulations. It is also important for SEB to maintain high ethical standards. Knowledge, awareness and a strong risk culture must be firmly embedded in the entire organisation, from the board of directors to individual employees.

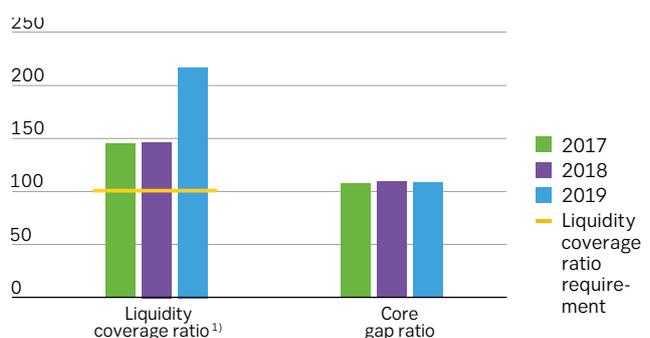
With globalisation and greater movement across borders, money laundering and financing of terrorism have become a serious international problem. To prevent and combat this problem, both national and international agreements as well as common measures and rules are needed. At the same time, it is not possible for any bank to guarantee that it has not been, or will be, used for such purposes. SEB has a clear governance model for its preventive work in this area, with mandates, instructions and responsibilities.

SEB's preventive work against corruption, money laundering and the financing of terrorism is constantly being developed. A key part of the preventive work is to have a diligent risk-based KYC process to collect and assess information in order to understand the business relationship and the risk associated with the customer. The KYC process is performed when on-boarding new customers and with regular intervals throughout the relationship. An enhanced KYC level (due diligence) is applied to customers, products and countries where the bank is believed to be most exposed.

Preventive measures also include regular risk assessments to understand how the bank could be used for money laundering or financing of terrorism. These assessments provide the basis for developing internal procedures to mitigate the identified risks. Monitoring to detect suspicious transactions and behaviours and sanction screening to prevent payments to persons or entities on sanctions lists are other equally important aspects of the preventive work. SEB works continuously to develop its capabilities in the above areas by reinforcing internal controls and procedures in the business units and at the geographic locations where the bank operates, utilising new technologies and conducting employee training to strengthen awareness.

Any suspicious activity that is discovered is reported to the relevant authorities. In such cases, SEB will consider terminating or limiting the business relationship if the identified risk cannot be managed. In 2019, SEB reported more than 3,000 Suspicious Activity Reports to the authorities in the countries where it operates.

Liquidity coverage ratio¹⁾ and core gap ratio Per cent



1) 2018–2019: As defined by the EU, 2017 as defined by the Swedish FSA.

Liquidity and capital management

Sound liquidity and funding strategy

Access to the liquidity and funding markets is vital in all circumstances. SEB's liquidity and funding strategy are managed from three perspectives: (1) optimising the liquidity structure of the balance sheet to ensure that less-liquid assets are matched with stable funding, (2) monitoring wholesale funding dependence, and (3) ensuring that the bank has sufficient liquidity reserves to withstand a severely stressed scenario.

In 2019, SEB saw continued good market demand for its issuance of short- and long-term funding. A high credit rating is important as it is the basis for the cost for SEB's wholesale funding.

See p. 43 for SEB's credit ratings and new funding.

SEB's liquid assets amounted to SEK 470bn at year-end (403). The size and composition of the liquid assets are regularly analysed and assessed against estimated needs.

The Core gap ratio, which is SEB's internal measure of the extent to which long-term lending is matched by long-term funding, was 109 per cent (110), which is well within the Board's risk tolerance for a sound structural liquidity risk position. SEB also manages its liquidity position in line with the upcoming Net Stable Funding Ratio (NSFR) regulatory requirement of at least 100 per cent, which is expected to take effect in 2021.

The Liquidity Coverage Ratio (LCR) measures to what extent SEB's liquid assets are sufficient to cover short-term cash outflows in a short-term stressed scenario. SEB's LCR was 218 per cent at year-end (147) and is thus in compliance with the minimum requirement of 100 per cent.

During the year, the Swedish FSA introduced an additional LCR requirement of 75 per cent for individual significant currencies. The new requirement is applied from 2019, through the Pillar 2 process. For EUR and USD, the LCR requirement remains at 100 per cent. SEB meets the minimum LCR requirement for individual currencies.

Strong capital position

Despite a strong risk culture and risk management, unexpected losses can occur in banking. SEB's capital management is designed to ensure that the bank has sufficient capital to absorb such unexpected losses. The Board of Directors sets SEB's capital target taking into consideration financial stability requirements by the regulators, debt investors and business counterparties, as well as the Board's view of capital need and credit rating ambitions. These requirements must be balanced with the shareholders' required rate of return.

The Swedish FSA's requirement for SEB's Common Equity Tier 1 (CET1) capital ratio consists of two parts. The Pillar 1 requirement is a general requirement for all banks. The Pillar 2 requirement is institution specific. The Swedish FSA's CET1 capital requirement on SEB was 15.1 per cent as of year-end.

The Board's target is to maintain a CET1 capital ratio of around 150 basis points above the Swedish FSA's requirement. This constitutes a buffer against potential variability in the capital position deriving, in particular, from changes in foreign exchange rates and interest rate risk in the pension obligations.

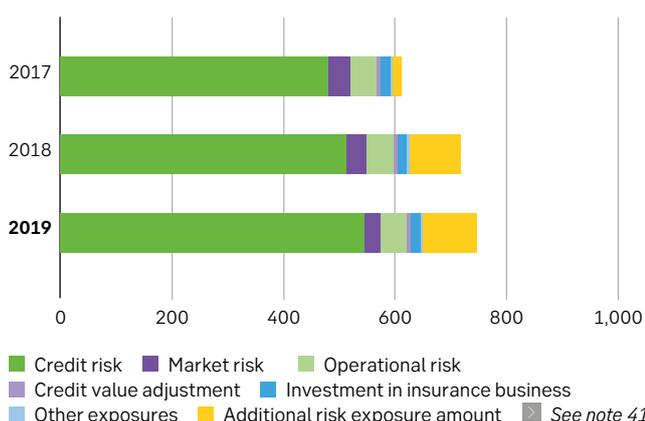
At year-end, SEB's CET1 capital ratio was 17.6 per cent (17.6), implying a buffer of 250bps above the regulatory requirement. The risk exposure amount increased to SEK 746bn (716) mainly as a result of increased credit volumes and foreign exchange effects. The CET1 capital increased to SEK 131bn (126).

SEB's leverage ratio, a non-risk-based ratio of Tier 1 capital to total assets, was 5.1 per cent at year-end (5.1), which is above the European Banking Authority's proposed minimum requirement of 3 per cent.

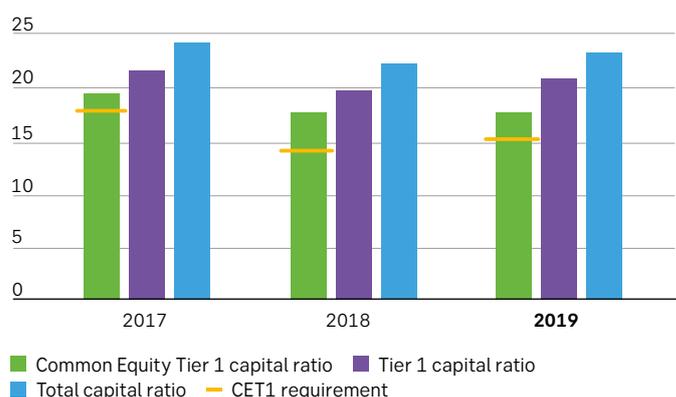
The capital requirements for Swedish banks are currently higher than EU minimum levels and Swedish banks are well capitalised compared with banks elsewhere in Europe, both from a risk-weighted and non-risk-based perspective.

For information on new capital regulations, see p. 58.

Development of risk exposure amount (REA) SEK bn



Capital adequacy Per cent



Regulatory requirements

The inflow of new regulations governing the financial industry subsided somewhat during 2019, but the work involved in implementing them and adapting SEB's business operations to be able to take advantage of their benefits continues with full force. In the area of sustainability, society's expectations are rising, and with them so are regulatory requirements on the financial sector.

The regulations can be classified into three main areas. In the area of financial stability the aim is to ensure the financial system's resilience to economic shocks and disturbances as well as prevent the failure of a single financial institution from leading to a systemic collapse. In the area of market conduct the aim is to promote efficient pricing and execution in the financial markets, and prevent market manipulation through transparency and risk mitigation. Finally, in the area of consumer protection the aim is to ensure fair treatment of customers and raise their financial literacy through relevant and correct information. This puts demands on marketing and packaging of financial services, and investment advice services.

In 2019 SEB worked with some 13 major regulatory projects at an estimated cost of SEK 433m. In addition, the bank is working continuously on implementing technical standards and guidelines from the EU's three supervisory authorities for banking, insurance and the securities markets, as well as from national financial supervisory authorities in countries in which SEB has operations. In pace with implementation of these rules and regulations, both the bank – in its internal processes – and the supervisory authorities are stepping up their controls of compliance.

High-impact regulations

Three important new regulations with high impact on the business operations of the bank are described below.

Financial stability	<p>Reform packages to increase banks' financial stability</p> <p>Ever since the 2008 financial crisis, regulators have taken initiatives to increase the resilience and stability of the financial system, and improvements are still ongoing.</p> <p>In 2017, the Basel Committee agreed on a reform package for capital adequacy (the so-called Basel IV package) that sets restrictions for internal risk models along with minimum requirements for measured results. A legislative proposal from the EU, based on Basel IV, is expected to be ready for implementation in 2020. The EU finalised its banking reform package in 2018, amending the regulations for capital requirements as well as plans for recovery and resolution, including a leverage ratio requirement and a binding net</p>	<p>stable funding ratio (NSFR). Meanwhile, the European Banking Authority (EBA) is working to harmonise internal capital adequacy models. It is yet too early to conclude what impact these initiatives, which will be phased in over a number of years starting in 2022, will have for SEB.</p> <p>In 2019, the Basel Committee began expanding its focus areas to include future structural risks such as cyberattacks, the growth in financial technology, crypto-assets and the transition from Libor to new benchmark rates. Future regulatory requirements in these areas may impact the financial market.</p>
Market conduct	<p>Money laundering and financing of terrorism</p> <p>Countering of money laundering and the financing of terrorism as well as other financial crime is a permanent work in progress that will continue to have a high priority at SEB. As regulations and technical tools evolve so do the activities in this area. In 2018, SEB's governance model for prevention of money laundering was updated to conform to the AML4 (the EU's 4th Anti-Money Laundering Directive), with partly new roles and responsibilities. During 2019, this work was focused on further improving the bank's know-your-customer routines and processes.</p>	<p>The AML5 (the 5th Anti-Money Laundering Directive) will be implemented in Sweden in 2020. Among other things it lays out new information requirements, greater transparency regarding beneficial owners (the people who ultimately own or control a legal entity), harmonisation of required measures to be taken in commercial relations or transactions with high-risk third-party countries as defined by the EU. The AML 5 also requires EU member states to implement searchable national bank account registers that can be accessed by the financial intelligence units (FIUs).</p>
Consumer protection	<p>Insurance</p> <p>The Insurance Distribution Directive (IDD) began to be implemented in Sweden in 2018, through enactment of a new Insurance Distribution Act. Above all, the IDD ensures stronger consumer protection by requiring customers to be provided with more information on products and services as well as greater transparency regarding costs. The directive is also aimed at harmonising the insurance market within the EU. The IDD directive is similar in many ways with the regulations that promote customer protection for the securities market (MiFID).</p>	<p>The bank continued with its implementation of the IDD in 2019, among other things through continuing education for members of the Board of Directors and the Group Executive Committee, requesting a waiver in accordance with transitional provisions and development of customer information in accordance with the new regulations. SEB looks favourably on the support provided to the industry by the IDD directive, which clarifies how information on products and services can be further developed to make them more easily understood by consumers.</p>

Regulation surrounding sustainability

International regulatory requirements related to sustainability continued to develop during 2019, complemented by voluntary undertakings. Going forward a merging of regulatory and voluntary actions can be expected.

The European Commission's Action Plan on Sustainable Finance continued to make an impact during the year. Its Technical Expert Group (TEG), of which SEB is one of 35 members, published reports that clarify and set standards in the area of sustainability. Perhaps the most significant report was on the EU Taxonomy, a classification tool aimed to help investors and companies make environmentally sustainable investment decisions. The taxonomy is expected to enter into legislation during 2020. SEB welcomes all efforts that increase the clarity of what is sustainable and acknowledges the importance of the EU Taxonomy. SEB has begun to use the taxonomy in its product offering, such as in the Impact Metric Tool. [See p. 21.](#)

The UNEP FI Principles for Responsible Banking provide a framework for a sustainable banking system. By signing the voluntary principles SEB has committed to ensuring that its business strategy contributes to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Agreement and relevant national and regional frameworks.

In 2019, the European Banking Authority (EBA) released its action plan on sustainable finance, which outlines its approach related to environmental, social and governance factors. The focus of the action plan will be first on key metrics and disclosures to support banks' green strategies and then the need for any adjustments to risk-weights in the capital adequacy calculations.

[See p. 32 and the Sustainability Fact Book for information on SEB's work with the Sustainable Development Goals.](#)

Significant rules and regulations

Rules and regulations improve customer services and processes, but also increase the administrative work.

Major regulations introduced between 2015 and 2019

	Major regulations introduced between 2015 and 2019
Financial stability	BCBS 239 Principles for effective risk data aggregation and risk reporting BRRD Bank Recovery and Resolution Directive CRD IV/CRR Capital Requirements Directive and Capital Requirements Regulations IFRS 9 Accounting principles for financial instruments
	IFRS 15 Accounting principles for revenue from contracts with customers IFRS 16 Accounting principles for leases KRITA/AnaCredit Reporting of corporate loans MCD Mortgage credit directive Solvency II/Omnibus II Capital requirements on insurance companies VINN Reporting of securities
Market conduct	AML 4 Anti-Money Laundering Directive MAD/MAR Market Abuse Directive and Market Abuse Regulation MiFID 2/MiFIR Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation PSD 2 Payment Services Directive
	SEPA Single Euro Payments Area SFTR Securities Financing Transactions Regulation
Consumer protection	ePR Privacy Regulation (integrity and electronic communication) GDPR General Data Protection Regulation IDD Insurance Distribution Directive
	PAD Payment Accounts Directive PRIIPS Packaged Retail and Insurance-based Investment Products Regulation

Regulatory focus areas from 2020

Basel Committee's final reform package BRRD 2 Bank Recovery and Resolution Directive CRD V/CRR 2 Capital Requirements Directive and Capital Requirements Regulation
AML 5 Anti-Money Laundering Directive ATAD 2 Anti-Tax Avoidance Directive CSDR Central Securities Depositories Regulation DAC 6 Directive on Cross-Border Tax Arrangements EMIR European Market Infrastructure Regulation UCITS VI Directive on Undertakings for Collective Investment in Transferable Securities
IDD amendment taking sustainability issues into account MiFID 2 amendment integrating sustainability risks and factors



The global problem of financial crime was high on the Board's agenda in 2019. Banks have an important responsibility to safeguard confidence in the financial system. This is vital for us, in order to conduct business successfully.

For SEB it is of paramount importance to have the highest standards of corporate governance, regulatory compliance and risk management. Our risk culture is to be characterised by professionalism and strong values.

With the aim to prevent money laundering, and detect and report any suspected cases of such crime, we increasingly use artificial intelligence and new tools to monitor flows and transactions. We have strengthened, and will continue to strengthen, our capabilities in order to maintain a robust defence and to uphold our trust.”

Marcus Wallenberg, *Chair, Board of Directors*



Corporate governance

The importance of corporate governance

To maintain the important societal function as a bank, it is of utmost importance for SEB that customers, shareholders, employees and other stakeholders have great confidence and trust in the bank's operations. Professional employees who are guided by a high standard of business conduct are crucial, as is maintaining a sound risk culture. A robust corporate governance framework with clearly defined roles and responsibilities and internal control also helps prevent conflicts of interest.

Rules and regulations

As a Swedish public limited liability financial institution with securities listed on Nasdaq Stockholm, SEB is subject to numerous rules and regulations. The external framework for corporate governance includes the following rules and regulations:

- the Companies Act
- the Annual Accounts Act
- the Nasdaq Stockholm Issuer Rules
- the Swedish Corporate Governance Code
- the Banking and Financing Business Act
- the rules and guidelines issued by the Swedish Financial Supervisory Authority and other authorities.

➤ See p. 58 for information on new rules and regulations.

SEB also adheres to an internal framework that includes, among other things, the Articles of Association, which are adopted by the general meeting of shareholders. Policies and instructions that define the segregation of duties within the group are tools for the Board of Directors (the Board) and the President and Chief Executive Officer (the President) in their governing and controlling roles. Such policies and instructions include, among others:

- The Board's Rules of Procedure and the Instructions for the board committees
- Instructions for the President and the Group's Internal Governance
- Group Credit Instruction and Risk Policy
- Instruction for Handling of Conflicts of Interest
- Instruction for procedures against money laundering and terrorist financing
- See extract on sebgroupp.com
- Code of Conduct¹⁾
- Remuneration Policy
- Information Security Policy
- Corporate Sustainability Policy¹⁾
- Inclusion & Diversity Policy¹⁾
- Policies on Suitability, Diversity and Composition of the Board, the Group Executive Committee (GEC) and other key function holders.

1) See sebgroupp.com

SEB's ethical and sustainability endeavours are an integral part of the business and is regularly on the Board's agenda. SEB's Code of Conduct describes the bank's values, ethics and standards of business conduct and provides guidance on how to live by these values. Policies and instructions for sustainability and group-wide position statements and industry sector policies addressing environmental, social and governance issues are also of vital importance.

The Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code (the Code). SEB strives to follow the Code where appropriate and has no deviations to report for 2019.  *More information about SEB's corporate governance is available on sebgroup.com*

Shareholders and general meetings of shareholders

The shareholders' exercise their influence at general meetings of shareholders by, among other things, electing directors of the Board and the external auditor.

SEB has approximately 265,000 shareholders. SEB's share capital consists of two classes of shares – A shares and C shares. Each Class A share carries one vote and each Class C share carries one-tenth of a vote.

The Annual General Meeting (AGM) of shareholders is held, in Stockholm, in Swedish. All shareholders listed in the shareholder

register who have duly notified their attendance have the right to participate at the AGM and to vote for the full number of their shares. Shareholders who cannot attend may appoint a representative. The 2019 AGM was held on 26 March. A total of 1,916 shareholders, representing 60 per cent of the votes, attended the AGM. An electronic system for televoters was used at the AGM. The main resolutions made at the AGM were:

- approval of the ordinary dividend of SEK 6.00 per share and the extraordinary dividend of SEK 0.50 per share
- decision that the number of directors on the Board shall be eleven
- re-election of nine directors and election of two new directors, Anne-Catherine Berner and Lars Ottersgård
- re-election of Marcus Wallenberg as Chair of the Board
- election of Ernst & Young AB as new external auditor
- adoption of guidelines for remuneration of the President and the other members of the GEC
- adoption of three long-term equity programmes
- issuance of a mandate to the Board concerning purchases and sales of own shares for SEB's securities business, for the long-term equity programmes and for capital management purposes
- authorisation for the Board to decide on the issuance of convertibles.

 *The minutes from the AGM are available on sebgroup.com*

The largest shareholders

31 December 2019

	No. of shares	Of which Class C shares	Share of capital, %		
			Share of capital, %	2019	2018
Investor	452,198,555	4,000,372	20.8	20.8	20.8
Alecta	143,152,500		6.5	6.6	7.0
Trygg Foundation	114,673,802		5.2	5.3	5.2
Swedbank Robur Funds	86,729,239		4.0	4.0	4.2
AMF Försäkring & Fonder	83,539,784		3.8	3.8	4.0
BlackRock	59,474,231		2.7	2.7	2.4
Vanguard	42,487,359	525,003	2.0	2.0	1.2
SEB Funds	34,526,185		1.6	1.6	1.6
SEB own shareholding ¹⁾	31,499,321		1.4	1.4	1.4
Fourth Swedish National Pension Fund	27,920,856		1.3	1.3	1.1
XACT Funds	24,714,654		1.1	1.1	1.2
Nordea Funds	21,466,934		1.0	1.0	1.2
Norges bank	21,097,516	5,714	1.0	1.0	0.5
SEB Foundation	10,000,000	5,871,173	0.7	0.5	0.4
AFA Insurance	15,509,616		0.7	0.7	0.8

1)  See table Number of outstanding shares on p. 45.

Source: Euroclear and Holdings

Different voting power of class A shares (voting power 1) compared to C shares (voting power 0.1) gives minor differences in share of votes vs. share of capital.

The majority of the bank's approximately 265,000 shareholders are private individuals with small holdings. The ten largest shareholders account for 49 per cent of the capital and votes.

Distribution of shares by size of holding

31 December 2019

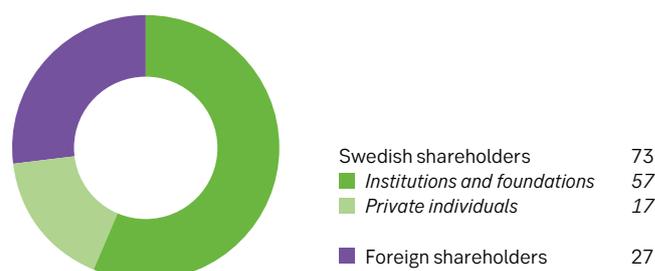
Size of holding	No. of shareholders		
	No. of shares	Per cent	
1–500	156,048	30,523,854	1.1
501–1,000	13,819	31,037,629	0.3
1,001–5,000	66,210	98,027,809	3.2
5,001–10,000	18,751	42,783,476	2.7
10,001–20,000	5,989	33,670,840	1.9
20,001–50,000	2,396	33,809,269	1.5
50,001–100,000	1,087	21,992,258	1.5
100,001–500,000	315	61,591,808	1.0
500,001–1,000,000	278	39,809,826	2.8
1,000,001–	167	1,800,925,033	83.9
Total	265,060	2,194,171,802	100.0

Source: Euroclear and Holdings

Shareholder structure

Per cent

Percentage holdings of equity on 31 December 2019

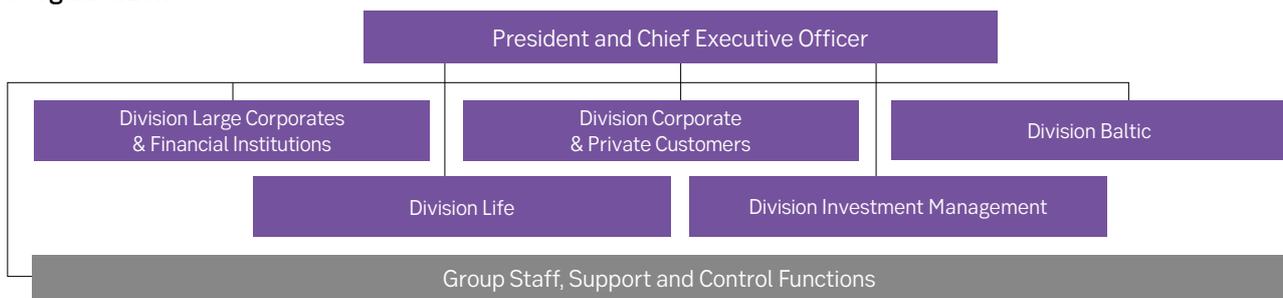


Corporate governance structure

SEB's business operations are managed, controlled and followed up in accordance with policies and instructions established by the Board and the President.



SEB's organisation



Nomination Committee

The primary task of the Nomination Committee is to submit recommendations to the AGM for the Chair and directors of the Board as well as the external auditor.

The Nomination Committee nominates the Chair, the directors of the Board and the external auditor and makes recommendations regarding directors' fees and fees for committee work.

Pursuant to a decision by the AGM, the Nomination Committee is to be composed of the Chair of the Board along with representatives of the bank's four largest shareholders that are interested in appointing a member. One of the independent directors shall be appointed as additional member of the Nomination Committee.

The composition of the Nomination Committee meets the requirements laid out in the Code. The Nomination Committee has access to relevant information about SEB's operations and financial and strategic position, provided by the Chair of the Board and the additional member.

The Board's composition shall adhere to applicable laws and regulations and to the Policy on Suitability, Diversity and Composition of the Board of Directors, adopted by the Board. An important principle is that the Board's size and composition shall be such as to serve the bank in the best possible way. Therefore, as the starting point for its work, the Nomination Committee is tasked with assessing the degree to which the Board meets the

Nomination Committee for the 2020 AGM

Member	Representing	Votes (%) 31 Aug. 2019
Petra Hedengran, <i>chair</i>	Investor	20.8
Magnus Billing	Alecta	6.4
Lars Heikensten	Trygg-Stiftelsen	5.2
Johan Sidenmark	AMF Försäkring och Fonder	3.6
Marcus Wallenberg	SEB, Chair of the Board	

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Sven Nyman, additional member, appointed by the Board. Swedbank Robur Fonder, which was the bank's fourth largest shareholder, declined to appoint a member of the Nomination Committee.

➤ The Nomination Committee's proposals for decisions, including motivated account as regards directors, are available on sebgroup.com

demands that will be placed on the Board in view of the bank's operations, organisation and future direction.

The Board's size and composition is discussed and reviewed in terms of suitable competence and experience, in the financial sector as well as other sectors. The directors should also have sufficient time to perform their duties and understand the bank's business and its main risks. The Nomination Committee also reviews the evaluations of the Board's directors and Chair.

➤ See p. 66.

The Nomination Committee shall ensure diversity within the Board in terms of the directors' educational and professional backgrounds, gender, age and geographical provenance.

Furthermore, the Nomination Committee discusses succession matters with particular emphasis on continuity and long-term perspective in ensuring the Board's competence and composition.

The Nomination Committee for the 2020 AGM was appointed in the autumn of 2019. No fee has been paid to the members of the Nomination Committee.

Board of Directors

The Board has overarching responsibility for the organisation, administration and operations of the SEB group.

The Board has adopted Rules of Procedure that regulate the Board's role and ways of working as well as special instructions for the Board's committees.

The Board has the following duties, among others:

- deciding on the objectives, strategy and framework for the business activities as well as the business plan
- regularly following up and evaluating the operations in relation to the objectives and guidelines established by the Board
- ensuring that the business is organised in such a way that the accounting, treasury management and risks inherent in the business as well as financial conditions in other respects are controlled in a satisfactory manner, in accordance with external and internal rules
- adopting policies and instructions for the business operations
- deciding on major acquisitions and divestments as well as other major investments
- appointing or dismissing of the President, members of the GEC, the Chief Risk Officer (CRO), and the Head of Group Internal Audit, as well as setting the remuneration of these individuals.

The Chair of the Board organises and leads the work of the Board and ensures among other things that the directors on a regular basis receive information and education on changes in rules concerning the bank's operations and on responsibilities of

directors of a listed financial company. Educational and specialisation seminars are held each year – in 2019 for instance on the EU Insurance Distribution Directive. New directors are offered educational seminars with information on, and discussions about, SEB's various operations, including control functions.

The directors are elected by the shareholders at the AGM for a one-year term. Since the 2019 AGM the Board shall consist of eleven AGM-elected directors, without deputies, and of two directors with two deputies who serve as employee representatives and are appointed by the trade unions. In order for a quorum to exist at a board meeting, more than half of the directors must be present. The President is the only AGM-elected director employed by the bank. The Nomination Committee has made a collective assessment of the directors' independence in relation to the bank and the bank's management as well as in relation to shareholders controlling 10 per cent or more of the shares or votes and has found that the composition of the Board meets the requirements of the Code.

The Board's work follows a yearly plan. In 2019, the Board held 14 meetings. The President attends all board meetings except those dealing with matters in which the President has an interest that may be in conflict with the interests of the bank, such as when the President's work is evaluated. Other members of the GEC participate whenever required.

Directors' fees

The AGM sets the total fees for the directors of the Board and decides how the fees should be distributed among the directors and the Board's committees.

The 2019 AGM resolved that the total directors' fees shall amount to SEK 10,240,000. Directors' fees are paid on a running basis during the mandate period. Following a recommendation by the Nomination Committee, the Board has adopted a policy that recommends that directors use 25 per cent of their fee to purchase and hold SEB shares up to an amount corresponding to one year's fee. Neither the President nor the directors appointed by the employees receive any directors' fee.

On the Board's agenda in 2019

Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> • AGM notice and AGM proposals • Macroeconomic review • Balance sheet, capital and dividend matters • Annual Report 2018 • Internal and external audit reports as well as Group Compliance report • Financial governance model and financial targets • Remuneration of the President, the GEC and control functions • Statutory meeting • Group talent review and succession planning • IT plan 2019 • Training on the EU Insurance Distribution Directive • Review of new business unit SEBx 	<ul style="list-style-type: none"> • IT plan, including cloud services • Macroeconomic review • Internal Capital and Liquidity Adequacy Assessment (ICAAP and ILAAP) • Remuneration policy • Follow-up of compliance with new regulations • Anti-money laundering update • Update on Open Banking • Update on strategic initiatives on sustainability • Revision of Tax Policy 	<ul style="list-style-type: none"> • SEB's long-term strategy • Update of business plan • Capital forecast • Employee survey • Onsite visit, Silicon Valley, USA • SEB cloud services update 	<ul style="list-style-type: none"> • Recovery and Resolution plan • Business plan update, financial plans and forecasts • SEB Campus (the bank's digital corporate university) • Annual review of policies and instructions • SEB's Code of Conduct • Board evaluation • Risk seminar • Investor World update • Anti-money laundering update

SEB's quarterly report, reports from the board committees and a summary of SEB's risk position, asset quality, credit portfolio and liquidity position are on the Board's agenda each quarter.



Board of Directors

	1 Marcus Wallenberg	2 Sven Nyman	3 Jesper Ovesen	4 Johan H. Andresen	5 Signhild Arnegård Hansen
Position	Chair since 2005	Vice Chair since 2017	Vice Chair since 2014	Director	Director
Committee	● RCC ● ACC ● RemCo		● RCC ● ACC		● RemCo
Year elected	2002	2013	2004	2011	2010
Born	1956	1959	1957	1961	1960
Education	B.Sc. (Foreign Service)	B.Sc. (Business and Econ.)	B.Sc. (Econ.) and MBA	B.A. (Government and Policy Studies) and MBA	B.Sc. (Human Resources) and journalism studies
Other assignments	Chair of Saab and FAM. Vice Chair of Investor. Director of AstraZeneca plc., Temasek Holdings Ltd and the Knut and Alice Wallenberg Foundation. Council member of the International Advisory Council of Hong Kong Exchanges and Clearing Limited.	Chair of RAM Rational Asset Management. Director of RAM ONE, Ferd AS, Nobel Foundation's Investment Committee, Stockholm School of Economics, Stockholm School of Economics Association and Axel and Margaret Ax:son Johnson's Foundation.	Director of Sunrise Communications Group AG.	Owner and Chair of Ferd AS. Chair of Council on Ethics for the Government Pension Fund Global. Director of SWIX Sport AS, NMI-Nordic Microfinance Initiative and Junior Achievement Europe.	Chair of SnackCo of America Corp. Vice Chair of the Swedish-American Chamber of Commerce (SACC). Director of Business Sweden, Entrepreneurship and Small Business Research Institute (ESBRI), SOS Children Villages Sweden and SACC New York. Member of IVA.
Background	Citibank in New York, Deutsche Bank, S G Warburg Co, Citicorp and Stora Feldmühle. Executive Vice President of Investor and CEO of Investor. Several assignments as chair and director of large public companies.	Broad experience from the financial business field. Managerial positions within Investor. CEO and founder of Lancelot Asset Management and Arbitech. Several directorships.	Price Waterhouse. Vice President and later CEO of Baltica Bank A/S. Vice President and Head of Finance of Novo Nordisk A/S. CEO of Kirkbi Group. CFO of Den Danske Bank A/S, LEGO Holding A/S and TDC A/S. Several directorships.	International Paper Co. Partner of Ferd AS. CEO of Ferd AS.	President of Svenska LantChips. Chair of the Confederation of Swedish Enterprise. Vice Chair of Business Europe. Several directorships.
Nationality	Swedish	Swedish	Danish	Norwegian	Swedish
Own and closely related persons' shareholdings	753,584 Class A shares and 720 Class C shares	10,440 Class A shares and 10,200 Class C shares	25,000 Class A shares	100,000 Class A shares	5,387 Class A shares
Independent in relation to bank/major shareholders	Yes/No	Yes/Yes	Yes/Yes	Yes/Yes	Yes/Yes
Attendance at Board/Committee meetings¹⁾	13 of 13 / 31 of 32	14 of 14	12 of 14 / 27 of 27	12 of 14	14 of 14 / 6 of 6
Remuneration, Board meetings, SEK	3,100,000	980,000	980,000	740,000	740,000
Remuneration, Committee meetings, SEK	835,000	–	865,000	–	387,500

● Chair ● Vice Chair ● Member

1) Includes only the meetings that the Director could attend without conflict of interest.

2) of which 5,826 Class A shares, 113,627 share rights and 193,139 conditional share rights.

3) Lars Ottersgård has waived the board fee.



6 Anne-Catherine Berner	7 Samir Brikho	8 Winnie Fok	9 Lars Ottersgård	10 Helena Saxon	11 Johan Torgeby
Director	Director	Director	Director	Director	Director (President and CEO)
● RemCo	● RCC	● ACC		● ACC	
2019	2013	2013	2019	2016	2017
1964	1958	1956	1964	1970	1974
B.Sc. (Econ.) and MBA (Leadership)	M.Sc. (Engineering, Thermal Technology), Hon. Dr. (Cranfield University).	Bachelor of Commerce. Fellow of CPA Australia and of Institute of Chartered Accountants in England and Wales. Associate member of Hong Kong Institute of Certified Public Accountants.	Technical College Exam (Electro technics), Diploma in Management from The Open University Business School and multiple IBM internal training.	M.Sc. (Business and Econ.)	B.Sc. (Econ.)
Chair of Oy Vallila Interior. Chair of the board, and founder, of the Association for the support of the New Children's Hospital in Helsinki.	Director of EuroChem Group AG. UK Business Ambassador. Co-Chair of the UK-UAE Business Council and the UK-ROK CEO Forum. Member of Advisory Board of Stena. Chair of the Step Change Charity.	Director of Volvo Car Corporation, G4S plc and Foscam Properties Limited. Senior advisor to WFAB.	Head of Market Technology, Nasdaq Inc. Chair and CEO of Nasdaq Technology.	CFO at Investor. Director of Swedish Orphan Biovitrum.	Director of the Swedish Bankers' Association, of the Institute of International Finance and Mentor Sweden. Board member of European Banking Federation. Several organisation memberships.
Member of the Finnish Parliament and Minister of Transport and Communications in the Finnish Government. Director of Ilmarinen, Soprano Oyi, Koskisen Oy, Karelia/Kährs Holding and European Family Businesses (GEEF). CEO of Oy Vallila Interior.	Broad international experience from management and leadership, especially within the industrial sector. Leading positions within ABB, e.g. as Division Head and CEO of significant subsidiaries. Member of the GEC of ABB Ltd. and CEO of Amec Foster Wheeler plc.	Broad experience from the financial business field. Industrial advisor and senior advisor to Investor and Husqvarna. CEO and Senior Partner of EQT Partners Asia Ltd and CEO of New Asia Partners Ltd.	Various leading positions in Nasdaq. Head of Sales for Market Technology at OMX. Various management positions within IBM for the Nordics and Europe, Middle-East & Africa.	Financial analyst at Goldman Sachs and Investor, CFO at Synchron International and Hallvarsson and Halvarsson. Investment Manager at Investor.	Robur asset management and Morgan Stanley. Co-head of division Large Corporates & Financial Institutions.
Swiss and Finnish	Swedish and Swiss	British	Swedish	Swedish	Swedish
0 shares	0 shares	3,000 Class A shares	0 shares	12,500 Class A shares	312,592 shares and share rights ²⁾ .
Yes/Yes	Yes/Yes	Yes/Yes	Yes/Yes	Yes/No	No/Yes
8 of 8 / 3 of 3	14 of 14 / 18 of 18	12 of 14 / 8 of 8	12 of 12	13 of 13 / 7 of 8	14 of 14
616,667	740,000	740,000	— ³⁾	740,000	—
162,500	375,000	265,000		425,000	

Tomas Nicolin was a director of the Board until the AGM 2019, when he left at his own request.

Directors appointed by the employees



	Anna-Karin Glimström	Håkan Westerberg	Annika Dahlberg	Charlotta Lindholm
Position	Director	Director	Deputy Director	Deputy Director
Year elected	2016	2015 ¹⁾	2016 ²⁾	2015
Born	1962	1968	1967	1959
Education	University studies in mathematics, statistics and law.	Engineering logistics.	University studies in working environment.	LLB
Other assignments	Chair of Financial Sector Union in SEB and Financial Sector Union Western section in SEB, Director EB-SB Fastigheter and EB-SB Holding.	Board member of the Association of University Graduates in SEB.	First deputy Chair of Financial Sector Union in SEB and Financial sector union regional club Group Operations in SEB.	Chair of the Association of University Graduates at SEB. Director of the Foundation of Alma Detthows.
Background	Office manager and various other positions in SEB. Various specialist and leader roles within Trygg-Hansa. Director of SEB's Profit Sharing Foundation.	Sales manager at Trygg-Hansa in the property insurance business. SEB in various positions in systems management and IT development. Team Manager, Group Technology.	Employed at Fixed Income, Group Operations. Director of SEB's Profit Sharing Foundation and Result Premium Foundation.	Various client responsibility positions in several divisions and subsidiaries in SEB. Client executive at Private Banking Foundations.
Nationality	Swedish	Swedish	Swedish	Swedish
Own and closely related persons' shareholdings	0 shares and 775 conditional share rights	4,344 Class A shares and 775 conditional share rights	339 Class A shares and 775 conditional share rights	221 Class A shares and 775 conditional share rights
Attendance at Board meetings	12 of 14	14 of 14	10 of 11	11 of 11

1) Deputy Director 2011–2014 2) Deputy Director 2014

Evaluation of the Board of Directors, the President and the Group Executive Committee

The Board uses an annual self-assessment method, which among other things includes a questionnaire, followed by discussions within the Board. Through this process the activities and work methods of the Board, the Chair of the Board and the respective committees are evaluated. Among the issues examined are:

- the extent to which the individual directors take an active part in board and committee discussions
- whether directors contribute independent opinions
- whether the meeting atmosphere is conducive to open discussions.

The outcome of the evaluation is presented to and discussed by the Board and the Nomination Committee. The evaluation process and its outcome contribute to further improvement of the Board's work and help the Nomination Committee determine the appropriate size and composition of the Board.

The Chair of the Board formally evaluates each individual director's work once a year. Marcus Wallenberg does not participate in the evaluation of the Chair's work, which in 2019 was conducted by Vice Chair Jesper Ovesen. The Board evaluates the work of the President and the GEC on a regular basis without participation by the President or any other member of the GEC.

Board committees

The Board's overarching responsibility cannot be delegated, however, the Board has established committees to handle certain defined issues and to prepare such issues for decision by the Board.

At present, there are three board committees: the Risk and Capital Committee (RCC), the Audit and Compliance Committee (ACC),

and the Remuneration and Human Resources Committee (RemCo). These committees report to the Board on a regular basis. An important principle is that as many directors as possible shall participate in committee work. The Chair of the Board serves as vice chair of the three committees. Neither the President nor any other officer of the bank is a member of the committees.

Remuneration and Human Resources Committee (RemCo)

The RemCo prepares, for decision by the Board, appointments of the President and the members of the GEC. The Committee develops, monitors and evaluates SEB's remuneration system and remuneration practice, incentive programmes and risk adjustment of deferred variable remuneration.



Signhild Arnegård Hansen
Chair of the RemCo

Main focus in 2019

- Follow-up and participation in the work with the bank's global talent management, succession planning for key executives and appointment of new senior employees and members of the Group Executive Committee
- Follow-up of the bank's work with competence development and the introduction of SEB Campus, the new platform for continuous development and learning.

The RemCo monitors and evaluates application of the guidelines established by the AGM for remuneration of the President and the members of the GEC. An independent auditor's review report on the adherence of SEB's remuneration system to the Remuneration Policy is presented to the Committee annually.

The RemCo reviews, in consultation with the RCC, the bank's Remuneration Policy and ensures that the bank's remuneration structure takes into account risks and the cost of capital and liquidity. This review is based on, among other things, the risk analysis performed jointly by Group Risk, Group Compliance and Group HR.

In addition, the committee oversees the group's pension obligations and, together with the RCC, the measures taken to secure the group's pension obligations, including developments in the bank's pension foundations. The RemCo held six meetings in 2019.

The President, together with the Head of Group HR, makes presentations to the Committee on matters in which there are no conflicts of interest. [See the Remuneration Report on p. 74.](#)

RemCo members

Signhild Arnegård Hansen (Chair), Marcus Wallenberg (Vice Chair) and Anne-Catherine Berner.

Audit and Compliance Committee (ACC)

The ACC supports the Board in its work with quality assurance of, and internal control over, the bank's financial reporting and reporting to the supervisory authorities. The ACC also monitors the effectiveness of internal controls regarding compliance and audit matters.



Helena Saxon
Chair of the ACC

Main focus in 2019

- Follow-up and control of the work to prevent the bank from being used for money laundering or the financing of terrorism
- Introduction of the new external auditor, Ernst & Young AB, elected by the 2019 AGM.

When required, the ACC prepares, for decision by the Board, a recommendation for the appointment or dismissal of the Head of Group Internal Audit. The Committee maintains regular contact with the bank's external and internal auditors and discusses the co-ordination of their activities. The Committee also ensures that any remarks and observations from the auditors are addressed, and evaluates the external auditor's work and independence. When required, a recommendation from the President on appointment or dismissal of the Head of Group Compliance is subject to the Committee's approval.

The ACC held eight meetings in 2019. The Chief Financial Officer, the external auditors, the Head of Group Internal Audit and the Head of Group Compliance submit reports for the Committee's consideration. In addition, the President and the CRO regularly participate in the meetings. [See p. 73 for the Report on Internal Control over Financial Reporting.](#)

ACC members

Helena Saxon (Chair), Marcus Wallenberg (Vice Chair), Jesper Ovesen and Winnie Fok.

Sustainability governance

The Board of Directors is responsible for deciding on SEB's strategy and sustainability approach, and for adopting the Corporate Sustainability Policy. The President takes decisions in the Group Executive Committee (GEC) on the development of the sustainability work, in line with the strategy set by the Board. An operational steering committee has been assigned

by the President to take responsibility for and monitor the bank's sustainability work. Clear and effective structures for segregation of duties ensure that SEB's sustainability efforts address relevant issues and that these are implemented across the entire group. [For a description of SEB's sustainability governance, see *sebgroup.com*](#)

Risk and Capital Committee (RCC)

The RCC supports the Board in its work in ensuring that SEB is organised and managed in such a way that risks inherent in the group's business are monitored and managed 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 and liquidity situation on a continuous basis.



Jesper Ovesen
Chair of the RCC

Main focus in 2019

- Follow-up of SEB's capital and liquidity position in light of the future banking reform packages, the business plan and the economic forecast, to ensure adequate capitalisation and liquidity position at every point in time
- Review of the credit portfolio, focusing on household mortgage market trends, sustainability issues and business sectors in transition, such as energy and retail.

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 short and long term. The Committee prepares a recommendation for the appointment and dismissal of the CRO. It also decides on individual credit matters of major importance or of importance as to principles and assists the RemCo in providing a risk- and capital-based view on the remuneration system. The RCC held 19 meetings in 2019.

The group's Chief Financial Officer 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 for risk and credit matters. The President, the Chief Financial Officer and the CRO regularly participate in the meetings. ▶ *The CRO function is described on p. 72. Information on risk, liquidity and capital management is provided on p. 52.*

RCC members

Jesper Ovesen (Chair), Marcus Wallenberg (Vice Chair) and Samir Brikho.

The President

The President, who is also the Chief Executive Officer, is responsible for the day-to-day management of the activities of SEB in accordance with the Board's directives.

The President shall ensure that SEB's organisation and administration are suitable. The President has overarching responsibility for SEB's risk management in accordance with the Board's policies and instructions as well as their intentions as stated in the Board's risk tolerance statements.

The Board has adopted an instruction for the President's duties and role. The President reports to the Board and at each board meeting submits a report on, among other things, the performance of the business in relation to the decisions made by the Board. The President appoints the heads of the divisions and the heads of the various staff and support functions that report directly to the President.

The President's committees

The President has three main committees at his disposal for the purpose of managing the operations.

The Group Executive Committee (GEC)

To best safeguard the interests of the group as a whole, the President consults with the GEC on matters of major importance or of importance as to principles. The GEC addresses, among other things, matters of common concern to several divisions, strategic issues, sustainability issues, compliance issues, IT, business plans and financial forecasts and reports. The GEC held 39 meetings in 2019. As of 1 January 2020 the GEC has 12 members apart from the President. The President has also appointed nine managers as additional members of the GEC. They participate in GEC meetings from time to time to provide expertise and insight primarily in their respective areas of responsibility.

Asset and Liability Committee (ALCO)

The ALCO, chaired by the President and with the Chief Financial Officer as vice chair, is a group-wide decision-making, monitoring and consultative body. The ALCO, which held 13 meetings in 2019, handles the following matters, among others:

- financial stability, particularly in the new regulatory framework

On the GEC agenda in 2019

- Macroeconomic development
- Annual accounts and quarterly reports
- AGM preparations
- Review of the bank's businesses and home markets
- Follow up of Business Plan 2019–2021
- SEB's long-term strategy and update of the Business Plan
- Development of sustainability
- Update of know-your-customer and anti-money laundering
- Financial crime prevention program
- Discussion on capital requirements, asset quality and risk
- Quarterly reports from Group Compliance, Internal Audit and Group Risk.
- Review of, and discussion on, the digitalisation work, including development and launch of enhanced customer functionality as well as internal automation initiatives
- Review of outsourced activities
- Review and discussion on IT, including investments, security, agile way of working and cloud services
- Discussion on strategic investments and co-operation with fintech and digitalisation companies
- Discussion on customer satisfaction, branding and image position as well as customer insight work
- Employee survey 2019 – discussion of survey result and actions
- Investor World update
- Review process for handling of customer complaints
- Annual review of policies and instructions, including SEB's Code of Conduct
- Review of competence and leadership development
- Workshop on risks
- Review of the Modern Slavery Act Transparency Statement
- SEB's commitment to the Principles for Responsible Banking.

- strategic capital and liquidity issues, including internal capital allocation and principles for internal pricing
- structural issues and issues related to the bank's balance sheet and business volumes
- financing of wholly-owned subsidiaries
- the group's balance sheet and funding strategy.

Group Risk Committee (GRC)

The GRC, chaired by the President and with the CRO as vice chair, is a group-wide, decision-making committee that addresses all types of risk at the group level, including sustainability and reputational risks, in order to evaluate portfolios, products and customers from a comprehensive risk perspective. The GRC held 67 meetings in 2019. The GRC is tasked with:

- making important credit decisions
- ensuring that all risks inherent in the group's activities are identified, measured, monitored and reported in accordance with internal and external rules
- supporting the President in ensuring that decisions regarding the group's long-term risk tolerance are followed in the business organisation
- ensuring 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.

Divisions and business areas

SEB's business is organised in divisions with a number of business areas. Each division is responsible for the subsidiaries included in the division.

The Board regulates the activities of the group through an instruction for internal governance which establishes how the group's divisions, including the international activities conducted through

branches and subsidiaries, are to be governed and organised. The head or co-heads of a division have overall responsibility for the activities in the business areas and appoint, after consultation with the President, heads of the business areas within the division.

A Country Manager is appointed for the countries outside Sweden in which SEB conducts business operations. The Country Manager co-ordinates the group's business locally and reports to a specially designated member of the GEC.

Group Support functions and Group Staff functions

Group Support functions and Group Staff functions are cross-divisional functions established to leverage economies of scale and support to the business.

The *Group Support functions* support the SEB group through centralised and cross-divisional functions, established primarily to leverage economies of scale in various transactional, processing and IT services. The Group Support functions are divided in two units: Group Technology and Business Support & Operations.

The *Group Staff functions* are set up to add value and support the business, and to manage certain regulated areas such as finance, human resources and legal. The Group Staff functions have global responsibility and support the organisation with services in the areas of financial control, human resources, legal affairs, digitalisation & innovation, communication, marketing and corporate sustainability.

The three lines of defence in risk management

1

The business units make up the first line of defence. The business units ensure that transactions are correctly priced and that the assumed risks are managed throughout the life of the transactions. Long-term customer relationships and a sound risk culture provide a solid foundation for risk-taking decisions. Initial risk assessments are made of both the customer and the proposed transaction. Larger transactions are reviewed by a credit committee. The business units are responsible for ensuring that the activities comply with applicable group-wide policies and instructions and are supported by a clear decision-making hierarchy.

2

The risk and compliance functions make up the second line of defence. These units are independent from the business operations. The risk function is responsible for identifying, measuring, monitoring and reporting risks. Risks are measured both on detailed and aggregated levels. Internal measurement models have been developed for most of the credit portfolio as well as for market and operational risk, and the models have been approved by the Swedish FSA for calculating capital adequacy. Risks are controlled through limits at transactional, desk and portfolio levels. Asset quality and the risk profile are monitored continuously, such as through stress testing. The compliance function works proactively with quality assurance of SEB's compliance, and focuses on matters such as customer protection, conduct in the financial market, prevention of money laundering and the financing of terrorism and regulatory requirements and controls.

3

Internal Audit is the third line of defence. Risk management is regularly reviewed and evaluated by Internal Audit to ensure that it is adequate and effective. The internal auditors are in turn evaluated by the external auditor. Based on the evaluations of the third line of defence, the processes in the first and second lines of defence are continuously strengthened. SEB's governance framework, sound risk culture and business acumen constitute the cornerstones of effective risk management.


Group Executive Committee (as per 1 January 2020)

	1 Johan Torgeby	2 Magnus Carlsson	3 Magnus Agustsson	4 Jeanette Almborg	5 Joachim Alpen	6 Nicolas Moch
Position	President and CEO since 2017	Deputy President & CEO since 2014	Chief Risk Officer since 2017	Head of Group Human Resources since 2016	Executive Vice President. Co-Head of the Large Corporates & Financial institutions division since 2017	Chief Information Officer since 2018
GEC member since	2014	2005	2017	2016	2014	2020
SEB employee since	2009	1993	2009	2008	2001	2008
Born	1974	1956	1973	1965	1967	1972
Education	B.Sc. (Econ.)	B.Sc. (Econ.)	C.Sc and M.Sc	B.Sc. (Econ.)	MBA, M.A. (International relations)	M.Sc.(Physics)
Nationality	Swedish	Swedish	Icelandic and Finnish	Swedish	Swedish	Swedish and French
Own and closely related persons' shareholdings	312,592 shares and share rights, of which 5,826 Class A shares, 113,627 share rights and 193,139 conditional share rights.	236,801 shares and share rights, of which 54,998 Class A shares, 112,032 share rights and 69,771 conditional share rights.	50,319 shares and share rights, of which 8,744 Class A shares, 14,220 share rights and 27,355 conditional share rights.	111,551 shares and share rights, of which 10,939 Class A shares, 23,220 share rights and 77,392 conditional share rights.	286,001 shares and share rights, of which 6,112 Class A shares, 128,629 share rights and 151,260 conditional share rights.	47,772 shares and share rights, of which 2,428 Class A shares, 12,407 share rights and 32,937 conditional share rights.

Additional members of the Group Executive Committee (as per 1 January 2020)

	14 Johan Andersson	15 Peter Høltermand	16 Martin Johansson	17 Mark Luscombe	18 Ausra Matusevicienė	19 Marcus Nystén
Position	Country Manager SEB Germany since 2016	Country Manager SEB Denmark since 2002	Senior Advisor to the CEO since 2020	Country Manager SEB United Kingdom since 2017	Head of Operations since 2015	Country Manager SEB Finland since 2010
Additional member since	2009	2011	2020	2020	2018	2014
SEB employee since	1980	1997	2005	2010	2002	1998
Born	1957	1963	1962	1969	1973	1960
Education	B.Sc. (Econ.)	B.Sc. (Econ.)	B.Sc. (Econ.)	Cand.oec. (M. Sc. in Finance & Economics)	MBA	M.Sc. (Econ.)
Nationality	Swedish	Danish	Swedish	British	Lithuanian	Finnish
Own and closely related persons' shareholdings	52,127 shares and share rights, of which 52,105 Class A and 22 Class C shares.	220,725 shares and share rights, of which 775 Class A shares, 42,489 share rights and 177,461 conditional share rights.	253,198 shares and share rights, of which 236 Class A shares, 84,102 share rights and 168,860 conditional share rights.	101,391 shares and share rights, of which 41,821 share rights and 59,570 conditional share rights.	62,387 shares and share rights, of which 10,229 Class A shares, 18,511 share rights and 33,647 conditional share rights.	236,189 shares and share rights, of which 119,847 Class A shares, 13,824 share rights and 102,518 conditional share rights.



7 William Paus	8 Nina Korfu-Pedersen	9 Mats Torstendahl	10 Riho Unt	11 Masih Yazdi	12 Petra Ålund	13 Sara Öhrvall
Executive Vice President. Co-Head of Large Corporates & Financial Institutions division since 2018	Head of Business Support and Operations since 2020	Executive Vice President. Head of Corporate & Private Customers division since 2018. Group Data Privacy Senior Manager since 2018	Head of Baltic division since 2016. Group AML Senior Manager since 2018	Chief Financial Officer (CFO) since 2020	Head of Group Technology since 2019. Group Outsourcing Senior Manager since 2020	Chief Digital, Customer Experience and Communication Officer since 2018
2018	2018	2009	2016	2018	2020	2018
1992	2010	2009	2001	2013	2017	2018
1967	1973	1961	1978	1980	1967	1971
M.Sc. (Econ.)	Master of Business and Economics	M.Sc. (Engineering Physics)	MBA, MA (Public Administration)	B.Sc. (Econ)	M.Sc. (Int. Economics)	Master of Business and Economics
Norwegian	Norwegian	Swedish	Estonian	Swedish	Swedish	Swedish
210,013 shares and share rights, of which 52,900 Class A shares, 11,219 share rights and 145,894 conditional share rights.	53,131 shares and share rights, of which 775 Class A shares, 20,259 share rights and 32,097 conditional share rights.	406,115 shares and share rights, of which 104,218 Class A shares, 102,046 share rights and 199,851 conditional share rights.	102,058 shares and share rights, of which 1,231 Class A shares, 15,232 share rights and 85,595 conditional share rights.	92,513 shares and share rights, of which 10,596 Class A shares, 33,128 share rights and 48,789 conditional share rights.	16,438 shares and share rights, of which 3,592 Class A shares and 12,846 conditional share rights.	11,473 shares and share rights, of which 1,150 Class A shares and 10,323 conditional share rights.

20 Javiera Ragnartz	21 David Teare	22 John Turesson
Head of the Investment Management division since 2019	Head of Life division since 2019	Country Manager SEB Norway since 2018
2020	2019	2018
2019	2006	2006
1969	1963	1978
Ph.Lic. (Financial economy)	B. Comm.	Master of Business and Economics
Swedish	Canadian and British	Swedish
No shares or share rights.	214,275 shares and share rights, of which 54,932 Class A shares, 83,428 share right and 75,915 conditional share rights.	83,285 shares and share rights, of which 7,248 share rights and 76,037 conditional share rights.



The CRO function

The CRO function is responsible for identifying, measuring, analysing and controlling SEB's risks and is independent from the business.

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

The main objective for Group Risk is to ensure that all risks in SEB's activities are identified, measured, monitored and reported in accordance with external and internal rules. They also manage models for risk measurement. CRO Office aggregates and analyses data across risk types and the group's credit portfolios and handles general matters surrounding risk governance and risk disclosure. Group Credits is responsible for managing the credit approval process, for certain individual credit decisions as well as for monitoring compliance with 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 hierarchy.

Head of Group Risk and Head of Group Credits are appointed by the President, upon recommendation by the CRO, and report to the CRO.  For information about risk, liquidity and capital management see p. 52.

Group Internal Audit

Group Internal Audit is a group-wide control function commissioned by the Board to independently evaluate the group's activities. The Head of Group Internal Audit is appointed by the Board.

The main task of Group Internal Audit is to evaluate and give assurance to the Board and the President that governance, risk management and internal controls are adequate and effective. The work is done with a risk-based approach in accordance with the Institute of Internal Auditors' methods.

Each year the ACC adopts a plan for the work of Internal Audit. The Head of Internal Audit reports the findings of completed audits, actions taken and the status of previously reported findings to the ACC and also provides reports to the RCC and the Board.

The President and GEC are regularly informed about internal audit matters. Group Internal Audit's work is evaluated in a quality assessment, at least every fifth year, by an independent party. Group Internal Audit co-ordinates its work covering the bank's financial reporting with the bank's external auditor. The bank's external auditor relies to some extent on the work of Group Internal Audit in its assignment to review the group's financial reporting. This requires that the external auditor evaluates Group Internal Audit's work. The conclusion of this evaluation is reported to the ACC and Group Internal Audit.



Magnus Agustsson
Chief Risk Officer



Björn Rosenkvist
Head of Group Internal Audit

Group Compliance

The Group Compliance function has the responsibility to inform, control and follow up on compliance matters.

Group Compliance is independent from the business organisation.

The Group Compliance function advises the business and management, in order to secure that SEB's business is carried out in compliance with regulatory requirements, and thereby promoting trust from customers, shareholders and the financial markets. Special areas of responsibility are:

- customer protection
- conduct in the financial market
- prevention of money laundering and financing of terrorism
- regulatory requirements and controls.

The Head of Group Compliance, who is appointed by the President after approval by the ACC, reports regularly on compliance matters to the President, the GEC and the ACC, and annually to the RCC and the Board. Based on an analysis of the group's risks in this area, the President adopts, after approval by the ACC, an annual compliance plan. The Instruction for Group Compliance is adopted by the Board.



Gent Jansson
Head of Group Compliance

Auditor

Born 1965; Lead Audit Partner since 2019. Authorised Public Accountant, member of FAR since 1992 and FAR Certified Financial Institution Auditor in Sweden.

Other major assignments:
Skanska, Essity, Husqvarna and SCA

Previous major assignments:
Vattenfall, Hexagon, If P&C Insurance

Information about the auditor

According to SEB's Articles of Association, the bank shall have at least one and not more than two auditors with at most an equal number of deputies. A registered auditing firm may also be appointed auditor.

Ernst & Young AB was elected the bank's auditor in 2019 for the period up to and including the 2020 AGM.

 The fees charged by the auditors for the auditing of the 2018 and 2019 financial statements and for other assignments invoiced during these periods are shown in note 9.



Hamish Mabon
Auditor, Ernst & Young

Internal control over financial reporting

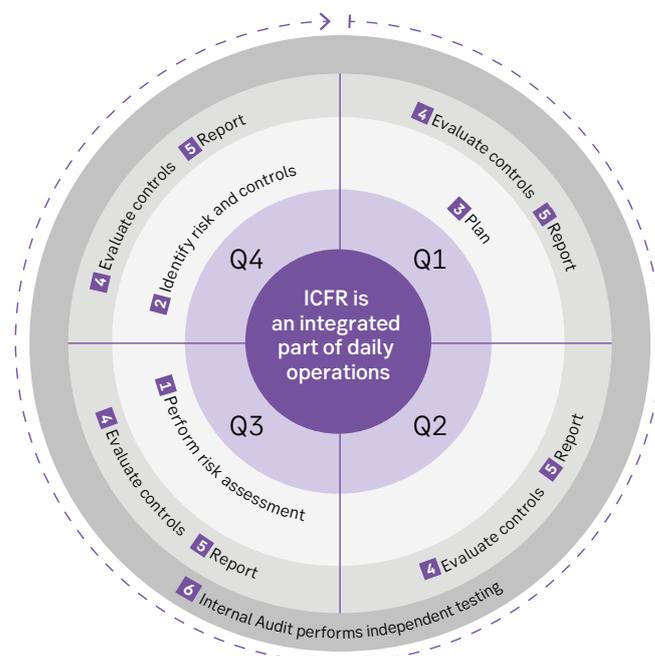
Internal Control over Financial Reporting (ICFR) is a well-established process designed to provide reasonable assurance regarding the reliability of financial reporting and reduce the risk for misstatements. ICFR is based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and is applied by SEB in a yearly cycle.

1 Perform risk assessment
To identify and understand which risks that are relevant and material for the reporting process, financial results and balance sheets are analysed at SEB group and unit levels. The outcome is used to determine which units, processes and systems are to be covered by the ICFR process in the coming year.

2 Identify risks and controls
People with expertise in the divisions and finance department evaluate if existing controls are effective, if new risks have been identified and if new controls need to be implemented to mitigate the identified material risks more effectively. The controls are communicated to involved parties within the bank in order to clarify expectations and responsibilities. The framework consists of group-wide controls as well as controls covering business processes and IT – such as analysis of the balance sheet and income statement, account reconciliations and controls of system access rights.

3 Plan
Every year a plan is prepared based on the risk assessments and identified controls. The plan clarifies who is responsible for evaluating the respective controls within each unit, what type of evaluation should be conducted and how the results are to be reported. At this stage the plan is coordinated with the plans of internal and external audit.

4 Evaluate controls
The controls are evaluated on a continuous basis throughout the year by the control owners through self-assessments. In this way the bank's weaknesses can be identified, compensating controls can be implemented and improvements can be made. Furthermore, reporting is done quarterly by financial managers to give an assurance of the reported figures from each unit. The evaluation describes material financial reporting risks and comments on material deviations compared with previous quarters.



5 Report
The result of the evaluations of controls are analysed to assess the risk for misstatements in the financial reporting. Monitoring reports are submitted on a quarterly basis to the CFO in connection with the quarterly external financial reporting. Reporting is also done quarterly to Group Internal Audit and yearly to the Audit and Compliance Committee (ACC).

The consolidated ICFR report includes a description of residual risk, an assessment of identified control gaps and whether they are compensated by other controls as well as progress within the remediation activities. The report contributes to transparency within SEB and enables prioritisation of improvement activities based on residual risk.

6 Independent testing
In addition to this process, Group Internal Audit performs independent testing of the ICFR framework.

Focus areas 2019

In addition to the ongoing work during 2019, the following main areas were in focus within the internal control framework:

- Continued work on strengthening controls in the financial closing process and IFRS 9 (ICFR)

- Expansion of the framework of internal controls over supervisory reporting (ICSR) in the Baltic countries
- Design and implementation of a new framework for internal control over risk reporting (ICRR).

Remuneration report

SEB aims to attract and retain ambitious employees who are eager to continuously develop, embrace new ways of working and contribute to the bank's long-term success. Remuneration is part of the total offering that enhances SEB's attractiveness as an employer. The overall ambition is to promote long-term commitment to creating sustainable value for customers and shareholders.

Remuneration policy

SEB's remuneration principles and governance structure are laid out in the Remuneration Policy. The policy stipulates that employee remuneration shall be aligned with the bank's strategy, goals, values and long-term interests and ensure that conflicts of interest are avoided. This shall promote value creation, encourage high performance and risk-taking that is aligned with the level of risk tolerance set by the Board of Directors, and sound and responsible behaviour based on SEB's values.

An employee's remuneration level shall reflect the complexity, responsibility and leadership qualities required of the role as well as the individual's own performance. SEB regularly evaluates employee performance and development based on transparent and individual financial and non-financial goals, among other things.

The policy lays out the principles for identification and remuneration of employees in positions with a material impact on the group's risk profile (Identified Staff). This also applies for employees who can impact the risk profiles of mutual funds, who provide investment advice, or who have a material impact on what services and products are offered. In 2019 a total of 984 positions (974) were categorised as Identified Staff.

Employees in control functions shall be remunerated in a manner that is independent from the business areas they oversee, that is commensurate with their key roles in the organisation, and that is based on goals that are compatible with their functions. The policy also sets the governance structure for all remuneration decisions, both in general and at the individual level. All decisions are to be approved at a level corresponding to the remuneration-setting managers' manager (grandfather principle).

Remuneration structure

The bank's remuneration structure consists mainly of base salary, variable remuneration, and pension and other benefits.

Base salary

The base salary is the foundation of an employee's remuneration. It shall be market aligned and reflect the requirements on the position and the employee's long-term performance. SEB conducts annual equal pay reviews to identify and close potential gaps in terms of gender-neutral pay. The outcome of the review is published internally.

Variable remuneration

All variable remuneration is based on SEB's risk-adjusted performance and is adapted to applicable rules governing the maximum share of an employee's base salary, the deferred portion of remuneration, shares and fund units, and the right to withhold and reduce remuneration that has not yet been paid. For Identified Staff, variable remuneration may not exceed 100 per cent of their base salary.

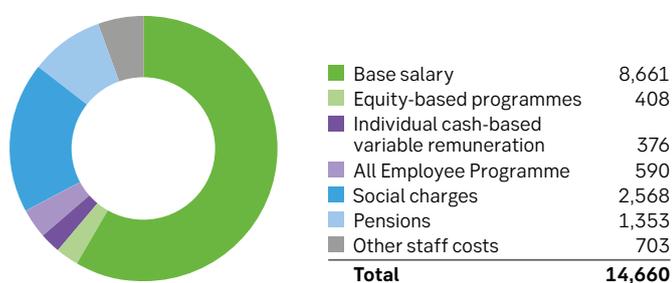
The models for variable remuneration are based on financial and non-financial key performance indicators at group, unit and individual level, including an evaluation of the employees' conduct. Non-financial goals take into account factors such as customer satisfaction, compliance and sustainability performance related to, for example, the bank's own environmental impact and integration of sustainability into the business model. At the individual level, key parameters include compliance with rules and policies for risk-taking in the group, SEB's Code of Conduct and the requirements on internal controls in the respective business area. Performance is evaluated over several years.

Collective profit-sharing

The largest variable remuneration programme is the SEB All Employee Programme 2019 (AEP), which covers essentially all employees. The programme's targets are linked to SEB's business plan and consist of the financial targets for return on equity and the bank's cost development, which are also communicated externally, and the non-financial target for customer satisfaction. The outcome for 2019 was determined to be 56.5 per cent (60) of the maximum amount, which in Sweden is SEK 75,000. The outcome reflects the strong financial results and a positive customer satisfaction development in 2019, but also the increase in cost level compared with 2018.

Staff costs, 2019

SEK m



All Employee Programmes (AEP)

	2019 ¹⁾	2018 ²⁾
Number of participants	15,300	14,950
Outcome in relation to maximum amount ³⁾ , %	56.5	60
Shares allotted, thousands	3,080	3,200
Market value per 31 December, SEK m	270	270
Total outcome per participant ⁴⁾ , SEK	42,500	45,000

Payout year: 1) 2023 2) 2022 3) SEK 75,000 in Sweden 4) in Sweden

Share Deferral and Restricted Share Programmes

	2019			2018		
	Restricted Share Programme	Share Deferral Programme	Total	Restricted Share Programme	Share Deferral Programme	Total
Number of participants	422	877	1,299	439	802	1,241
Shares allotted, thousands	1,505	4,173	5,678	1,450	3,385	4,835
Market value, 31 December, SEK m	133	367	500	125	335	460

Remuneration in SEB in 2019

SEK thousands

	Base salary	Cash-based variable remuneration	Expensed amount equity based programmes	Benefits	Total	Pensions
President and CEO Johan Torgeby ¹⁾	12,000		3,138	373	15,511	3,912
Other ordinary members of the GEC ²⁾	56,439		16,292	1,713	74,444	16,878
Total	68,439	0	19,430	2,086	89,955	20,790
SEB excluding GEC	8,592,788	724,833	629,618	60,749	10,007,989	1,332,705
SEB Total	8,661,227	724,833	649,048	62,835	10,097,944	1,353,495

1) Johan Torgeby did not exercise any share rights in 2019.

2) The number of members may differ somewhat during the year. At the end of the year the number of members was eleven. In 2019, Other ordinary members of GEC exercised rights to a value of SEK 1,960,501

Individual variable remuneration

Senior managers, other key employees and employees in certain business units where it is standard market practice, are offered individual variable remuneration. The ambition is that a large part of the remuneration is deferred and paid out in SEB shares. Equity-based remuneration is a mean to attract and retain employees with key competence. It also provides an incentive for employees to be shareholders of SEB which promotes long-term commitment that is aligned with the shareholders' interests. In addition, financial industry regulations require that a portion of variable remuneration be paid out in the form of shares or fund units.

SEB has two separate individual equity-based programmes – the SEB Share Deferral Programme 2019 (SDP) for members of the Group Executive Committee, certain other senior managers and a number of other key employees, and the SEB Restricted Share Programme 2019 (RSP), for employees in certain business units. For regulatory reasons, the latter programme also exists in a form where the outcome is linked to the performance of mutual funds. Both programmes include scope for risk adjustment for current and future risks. The final outcome may therefore subsequently be reduced or cancelled entirely in accordance with applicable rules, such as taking into account the bank's earnings and the capital and liquidity required for its operations. Almost 10 per cent of employees are offered individual variable remuneration. Approximately 7 per cent of the employees – such as those in investment banking – receive variable remuneration

with a cash component, but only in cases where it entails low or no residual risk for SEB. Variable remuneration above a certain level is always partly deferred and revocable. In 2019, cash-based variable remuneration accounted for 3 per cent (3) of SEB's total staff costs.

Remuneration of the President and members of the Group Executive Committee

Remuneration of the President and members of the Group Executive Committee (GEC) shall be in line with the guidelines set by the Annual General Meeting (AGM) and consists of base salary, equity-based remuneration (the SEB Share Deferral Programme, SDP), and pension and other benefits. No cash-based variable remuneration is paid to members of the GEC, nor are they eligible for the SEB All Employee Programme.

The pension plans are defined-contribution solutions, with the exception of a defined-benefit component provided under collective agreements.

For termination of employment initiated by the bank, a maximum of 12 months' severance pay is payable, after the agreed notice period of maximum 12 months. SEB has the right to deduct income earned from other employment from any severance pay.

➤ For information about SEB's remuneration structure, see note 8 and the AGM information on sebgroup.com.

Governance model for remuneration at SEB
Remuneration policy and annual evaluation of SEB's remuneration structure

The Remuneration Policy is revised and adopted annually by the Board of Directors based on an evaluation and recommendation by the Remuneration and Human Resources Committee (RemCo).

The remuneration structure is reviewed by the Risk and Capital Committee (RCC) to verify that it takes into account SEB's risks, long-term earnings capacity and cost of liquidity and capital. The review is

based on a risk analysis performed by Group Risk, Group Compliance and Group HR.

SEB's equity-based programmes

The Annual General Meeting adopts the equity-based programmes based on RemCo's annual proposal.

Guidelines for remuneration of the President and members of the GEC

The guidelines for remuneration of the President and members of the GEC are adopted by the AGM.

These guidelines are evaluated on a continuous basis throughout the year by the RemCo. Prior to each AGM, the bank's external auditor issues a statement to the Board assuring that SEB has adhered to the guidelines adopted by the previous year's AGM.

Remuneration of the President and members of the GEC

The Board of Directors decides on the remuneration of the President and members of the GEC, based on evaluation and recommendation by

the RemCo. RemCo obtains information from the Head of Group Human Resources, the Head of Group Internal Audit and the external auditor, and for the GEC members, also from the President.

In addition, external remuneration analyses are performed yearly of relevant sectors and markets. The internal and external information constitute a key component for ensuring that remuneration is competitive and aligned with the market.

➤ For information on RemCo, see p. 67.

Financial statements

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Income Statement

SEB Group

SEK m	Note	2019	2018
<i>Interest income¹⁾</i>		41,722	39,299
<i>Interest expense²⁾</i>		-18,772	-18,277
Net interest income	4	22,950	21,022
<i>Fee and commission income</i>		24,176	24,018
<i>Fee and commission expense</i>		-5,467	-5,654
Net fee and commission income	5	18,709	18,364
Net financial income	6	7,617	6,079
<i>Dividends</i>		3	73
<i>Profit and loss from investments in associates and joint ventures</i>		125	152
<i>Gains less losses from investment securities</i>		173	-244
<i>Other operating income</i>		558	421
Net other income	7	858	402
Total operating income		50,134	45,868
Staff costs	8	-14,660	-14,004
Other expenses	9	-6,623	-7,201
Depreciation, amortisation and impairment of tangible and intangible assets	10	-1,662	-735
Total operating expenses		-22,945	-21,940
Profit before credit losses		27,190	23,928
Gains less losses from tangible and intangible assets	11	-2	18
Net expected credit losses	12	-2,294	-1,166
Operating profit before items affecting comparability		24,894	22,779
Items affecting comparability	13		4,506
Operating profit		24,894	27,285
Income tax expense	15	-4,717	-4,152
NET PROFIT		20,177	23,134
1) Of which interest income calculated using the effective interest method SEK 35,217m (32,907).			
2) Of which interest expense calculated using the effective interest method SEK 20,828m (18,602).			
Attributable to shareholders		20,177	23,134
Basic earnings per share, SEK	16	9.33	10.69
Diluted earnings per share, SEK	16	9.28	10.63

Statement of comprehensive income

SEB Group

SEK m	2019	2018
NET PROFIT	20,177	23,134
Valuation gains (losses) during the year	-385	-1,118
Income tax on valuation gains (losses) during the year	87	249
Transferred to profit or loss for the year ¹⁾		-13
Income tax on transfers to profit or loss for the year		3
Cash flow hedges	-298	-880
Translation of foreign operations	23	232
Taxes on translation effects	122	350
Translation of foreign operations	145	582
Items that may be reclassified subsequently to profit or loss	-153	-298
Own credit risk adjustment (OCA), net of tax²⁾	-53	221
Remeasurement of pension obligations, including special salary tax	-5,665	-981
Valuation gains (losses) on plan assets during the year	7,062	-59
Deferred tax on pensions	-32	194
Defined benefit plans	1,366	-846
Items that will not be reclassified to profit or loss	1,313	-625
OTHER COMPREHENSIVE INCOME	1,160	-923
TOTAL COMPREHENSIVE INCOME	21,336	22,211
1) Net interest income.		
2) Own credit risk adjustment from financial liabilities FVTPL.		
Attributable to shareholders	21,336	22,211

The method used to hedge currency risks related to investments in foreign subsidiaries creates a tax expense (tax income) in the parent company. Fair value changes on the hedging instruments impact the taxable result contrary to the

currency revaluation of the foreign operations. In the group this tax effect is reported in Other comprehensive income.

Balance sheet

SEB Group

SEK m	Note	31 Dec 2019	1 Jan 2019 ¹⁾	31 Dec 2018
Cash and cash balances at central banks	17	146,691	209,115	209,115
Loans to central banks	18	4,494	33,294	33,294
Loans to credit institutions	18	46,995	44,287	44,287
Loans to the public	18	1,837,605	1,644,825	1,644,825
Debt securities	19	238,578	156,128	156,128
Equity instruments	20	78,482	50,434	50,434
Financial assets for which the customers bear the investment risk		316,776	269,613	269,613
Derivatives	21	139,427	115,463	115,463
Fair value changes of hedged items in a portfolio hedge of interest rate risk			67	67
Investments in subsidiaries, associates and joint ventures	22	997	1,195	1,195
Intangible assets	23	8,186	8,157	8,157
Properties and equipment	24	1,368	1,300	1,300
Right-of-use assets	49	5,288	5,747	
Current tax assets	15	6,549	6,404	6,404
Deferred tax assets	15	259	302	251
Retirement benefit assets	8 b	5,545	4,104	4,104
Other assets	25	17,171	20,550	20,409
Prepaid expenses and accrued income	26	2,235	2,471	2,471
TOTAL ASSETS		2,856,648	2,573,455	2,567,516
Deposits from central banks and credit institutions	27	88,041	135,719	135,719
Deposits and borrowing from the public	27	1,161,485	1,111,390	1,111,390
Financial liabilities for which the customers bear the investment risk	28	317,574	270,556	270,556
Liabilities to policyholders	28	26,547	21,846	21,846
Debt securities issued	29	858,173	680,670	680,670
Short positions	30	27,343	23,144	23,144
Derivatives	21	122,192	96,872	96,872
Other financial liabilities		2,449	3,613	3,613
Fair value changes of hedged items in a portfolio hedge		420	22	22
Current tax liabilities	15	1,764	1,734	1,734
Deferred tax liabilities	15	7,117	7,141	7,141
Other liabilities	31	36,389	30,300	23,995
Accrued expenses and prepaid income	32	5,360	5,260	5,260
Provisions	33	1,095	1,695	1,817
Retirement benefit liabilities	8 b	359	427	427
Subordinated liabilities	34	44,639	34,521	34,521
Total liabilities		2,700,947	2,424,910	2,418,727
<i>Share capital</i>		21,942	21,942	21,942
<i>Other reserves</i>		3,404	2,244	2,244
<i>Retained earnings</i>		130,355	124,360	124,604
Shareholders' equity		155,700	148,545	148,789
Total equity		155,700	148,545	148,789
TOTAL LIABILITIES AND EQUITY		2,856,648	2,573,455	2,567,516

1) IFRS 16 Leases is applied from 1 January 2019. For transition disclosures, see note 49 Leases.

Statement of changes in equity

SEB Group

SEK m	Other reserves							Total equity ⁴⁾
	Share capital ³⁾	Available-for-sale financial assets	OCA ⁵⁾	Cash flow hedges	Translation of foreign operations	Defined benefit plans	Retained earnings	
2019								
Opening balance	21,942		-286	313	-315	2,533	124,604	148,789
Effect of applying IFRS 16 ⁵⁾							-244	-244
Restated balance at 1 January 2019	21,942		-286	313	-315	2,533	124,360	148,545
Net profit							20,177	20,177
Other comprehensive income (net of tax)			-53	-298	145	1,366		1,160
Total comprehensive income			-53	-298	145	1,366	20,177	21,336
Dividend to shareholders ¹⁾							-14,069	-14,069
Equity-based programmes ²⁾							-136	-136
Change in holding of own shares							24	24
CLOSING BALANCE	21,942		-339	15	-170	3,898	130,355	155,700
2018								
Opening balance	21,942	729		1,192	-897	3,379	114,893	141,237
Effect of applying IFRS 9		-729	-507				-1,160	-2,396
Restated balance at 1 January 2018	21,942		-507	1,192	-897	3,379	113,732	138,841
Net profit							23,134	23,134
Other comprehensive income (net of tax)			221	-880	582	-846		-923
Total comprehensive income			221	-880	582	-846	23,134	22,211
Dividend to shareholders ¹⁾							-12,459	-12,459
Equity-based programmes ²⁾							-111	-111
Change in holding of own shares							307	307
CLOSING BALANCE	21,942		-286	313	-315	2,533	124,604	148,789

1) Dividend paid in 2019 for 2018 was SEK 6.50 (5.75) per Class A share and SEK 6.50 (5.75) per Class C share. Proposed dividend for 2019 is SEK 6.25 Further information can be found on page 45. Dividend to shareholders is reported excluding dividend on own shares.

2) As of 31 December 2017 SEB owned 27.1 million Class A shares for the long-term incentive programmes. In 2018 3.8 million Class A shares were sold as stock options were exercised. During 2018, SEB also repurchased 6.9 million Class A shares. As of 31 December 2018 SEB owned 30.3 million Class A shares with a market value of SEK 2,607m. Another 7.4 million Class A shares have been sold during 2019 as stock options were exercised. During 2019, SEB repurchased 8.7 million Class A shares. As of 31 December 2019 SEB owned 31.5 million Class A shares with a market value of SEK 2,774m.

3) 2,170,019,294 Class A shares (2,170,019,294); 24,152,508 Class C shares (24,152,508), both classes with a nominal value of SEK 10 per share.

4) Information about capital requirements can be found in note 41 Capital adequacy.

5) IFRS 16 Leases applied from 1 January 2019. For transition disclosures, see note 49.

6) Own credit risk adjustment from financial liabilities FVTPL.

Cash flow statement

SEB Group

SEK m	2019	2018
Interest received	41,332	38,648
Interest paid	-19,592	-19,113
Commission received	24,176	24,018
Commission paid	-5,467	-5,654
Net received from financial transactions	-4,211	3,997
Other income	776	-231
Paid expenses	-28,178	-16,868
Taxes paid	-4,833	-5,029
Cash flow from the income statement	4,002	19,768
Increase (-)/decrease (+) in portfolios	-100,712	5,795
Increase (+)/decrease (-) in issued securities	179,214	69,447
Increase (-)/decrease (+) in lending to credit institutions and central banks	28,252	-23,059
Increase (-)/decrease (+) in lending to the public	-196,648	-155,341
Increase (+)/decrease (-) in liabilities to credit institutions	-47,595	40,391
Increase (+)/decrease (-) in deposits and borrowings from the public	50,396	79,507
Increase (-)/decrease (+) in insurance portfolios	-145	72
Change in other assets	2,694	-11,916
Change in other liabilities	19,029	3,597
Cash flow from operating activities	-61,513	28,259
Sales of shares and bonds	260	115
Sales of intangible and tangible fixed assets	5	6
Dividends received	3	73
Investments/divestments in subsidiaries		7,717
Investments/divestments in shares and bonds	198	119
Investments in intangible and tangible assets	-1,079	-1,016
Cash flow from investing activities	-612	7,014
Issue of subordinated liabilities	8,842	
Dividend paid	-14,069	-12,459
Cash flow from financing activities	-5,227	-12,459
NET CHANGE IN CASH AND CASH EQUIVALENTS	-67,352	22,814
Cash and cash equivalents at beginning of year	219,579	184,429
Exchange rate differences on cash and cash equivalents	7,108	12,336
Net increase in cash and cash equivalents	-67,352	22,814
CASH AND CASH EQUIVALENTS AT END OF PERIOD^{1) 2)}	159,335	219,579

¹⁾ Cash and cash equivalents

Cash	2,507	2,249
Cash balances at central banks	144,185	206,866
On demand deposits with credit institutions	12,643	10,464
TOTAL	159,334	219,579

2) Of which SEK 6,337m (4,729) not available for use by the Group due to local central bank regulations.

Cash outflow from leasing, where SEB is lessee, amounts to SEK 933m.

Reconciliation of liabilities from financing activities

Opening balance	34,521	32,390
Cash flows	8,842	
Non-cash flow, currency exchange	939	2,145
Non-cash flow, fair value changes	263	-32
Non-cash flow, interest accruals	74	18
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	44,639	34,521

Income Statement

Parent company

SEK m	Note	2019	2018
<i>Interest income</i> ¹⁾		34,826	32,548
<i>Leasing income</i>		5,792	5,656
<i>Interest expense</i> ¹⁾		-17,217	-16,344
Net interest income	4	23,402	21,860
Dividends received		5,168	9,130
<i>Fee and commission income</i>		13,544	13,281
<i>Fee and commission expense</i>		-3,083	-3,218
Net fee and commission income	5	10,461	10,064
Net financial income	6	5,838	4,574
Other income	7	1,762	1,770
Total operating income		46,631	47,398
<i>Staff costs</i>	8	-10,684	-9,902
<i>Other expenses</i>	9	-5,660	-5,361
Administrative expenses		-16,345	-15,263
Depreciation, amortisation and impairment of tangible and intangible assets	10	-5,749	-5,512
Total operating expenses		-22,094	-20,775
Profit before credit losses		24,537	26,623
Net expected credit losses	12	-2,044	-1,020
Impairment of financial assets		-741	-2,928
Operating profit		21,752	22,675
Appropriations	14	2,694	2,716
Income tax expense	15	-4,189	-3,789
Other taxes	15	48	118
NET PROFIT		20,305	21,720

1) The presentation between Interest Income and Interest Expense of financing costs has been aligned with the group presentation. The movement amounted to SEK 5,523m for 2018.

Statement of comprehensive income

Parent company

SEK m	2019	2018
NET PROFIT	20,305	21,720
Valuation gains (losses) during the year	-385	-1,118
Income tax on valuation gains (losses) during the year	87	249
Transferred to profit or loss for the year ¹⁾		-13
Income tax on transfers to profit or loss for the year		2
Cash flow hedges	-298	-880
Translation of foreign operations	33	-11
Translation of foreign operations	33	-11
Items that may be reclassified subsequently to profit or loss	-265	-891
OTHER COMPREHENSIVE INCOME	-265	-891
TOTAL COMPREHENSIVE INCOME	20,040	20,829

1) Net interest income.

The method used to hedge currency risks related to investments in foreign subsidiaries creates a tax expense (tax income) in the parent company. Fair value changes on the hedging instruments impact the taxable result contrary to the

currency revaluation of the foreign operations. In the group this tax effect is reported in Other comprehensive income.

Balance sheet

Parent company

SEK m	Note	31 Dec 2019	31 Dec 2018
Cash and cash balances at central banks	17	110,104	164,081
Loans to central banks	18	2,904	29,665
Loans to credit institutions	18	89,546	90,668
Loans to the public	18	1,601,243	1,410,687
Debt securities	19	211,417	119,227
Equity instruments	20	61,802	36,993
Derivatives	21	135,713	113,282
Fair value changes of hedged items in a portfolio hedge of interest rate risk			38
Investments in subsidiaries, associates and joint ventures	22	50,633	51,600
Intangible assets	23	1,875	1,776
Properties and equipment	24	30,224	34,009
Current tax assets	15	2,998	2,813
Deferred tax assets	15	3	
Other assets	25	17,807	21,065
Prepaid expenses and accrued income	26	2,404	2,371
TOTAL ASSETS		2,318,672	2,078,275
Deposits from central banks and credit institutions	27	126,891	160,022
Deposits and borrowing from the public	27	973,834	927,224
Debt securities issued	29	857,968	680,396
Short positions	30	27,343	23,144
Derivatives	21	119,511	95,269
Other financial liabilities		2,449	3,613
Current tax liabilities	15	717	655
Deferred tax liabilities	15	0	85
Other liabilities	31	24,035	16,543
Accrued expenses and prepaid income	32	2,917	2,871
Provisions	33	407	385
Subordinated liabilities	34	44,189	34,521
Total liabilities		2,180,262	1,944,725
Untaxed reserves	35	19,875	20,855
<i>Share capital</i>		21,942	21,942
<i>Statutory reserve</i>		12,260	12,260
<i>Development cost reserve</i>		1,391	1,039
<i>Fair value reserve</i>		-259	5
<i>Retained earnings</i>		62,896	55,729
<i>Net profit</i>		20,305	21,720
Total equity		118,535	112,695
TOTAL LIABILITIES AND EQUITY		2,318,672	2,078,275

Statement of changes in equity

Parent company

SEK m	Restricted equity			Non-restricted equity ⁴⁾				Total Equity
	Share capital ⁵⁾	Statutory reserve	Development cost reserve	Available-for-sale financial assets ⁵⁾	Cash flow hedges ⁵⁾	Translation of foreign operations ⁵⁾	Retained earnings	
2019								
Opening balance	21,942	12,260	1,039		313	-308	77,449	112,695
Net profit							20,305	20,305
Other comprehensive income (net of tax)					-298	33		-265
Total comprehensive income					-298	33	20,305	20,040
Dividend to shareholders ¹⁾							-14,069	-14,069
Equity-based programmes ²⁾							-185	-185
Change in holding of own shares							24	24
Other changes			352				-321	31
CLOSING BALANCE	21,942	12,260	1,391		15	-274	83,202	118,535
2018								
Opening balance	21,942	12,260	1,166	580	1,193	-295	67,917	104,762
Effect of applying IFRS 9				-580			22	-558
Restated balance at 1 January 2018	21,942	12,260	1,166		1,193	-295	67,939	104,204
Net profit							21,720	21,720
Other comprehensive income (net of tax)					-880	-11		-891
Total comprehensive income					-880	-11	21,720	20,829
Dividend to shareholders ¹⁾							-12,459	-12,459
Equity-based programmes ²⁾							-185	-185
Change in holding of own shares							307	307
Other changes			-127				125	-2
CLOSING BALANCE	21,942	12,260	1,039		313	-308	77,449	112,695

1) Dividend paid in 2019 for 2018 was SEK 6.50 (5.75) per Class A share and SEK 6.50 (5.75) per Class C share. Proposed dividend for 2019 is SEK 6.25 Further information can be found on page 45. Dividend to shareholders is reported excluding dividend on own shares.

2) As of 31 December 2017 SEB owned 27.1 million Class A shares for the long-term incentive programmes. In 2018 3.8 million Class A shares were sold as stock options were exercised. During 2018, SEB also repurchased 6.9 million Class A shares. As of 31 December 2018 SEB owned 30.3 million Class A shares with a market value of SEK 2,607m. Another 7.4 million Class A shares have been sold during 2019 as stock options were exercised. During 2019, SEB repurchased 8.7 million Class A shares. As of 31 December 2019 SEB owned 31.5 million Class A shares with a market value of SEK 2,774m.

3) 2,170,019,294 Class A shares (2,170,019,294); 24,152,508 Class C shares (24,152,508), both classes with a nominal value of SEK 10 per share.

4) The closing balance is equivalent to Distributable items according to Regulation (EU) No 575/2013 (CRR).

5) Fair value fund.

Cash flow statement

Parent company

SEK m	2019	2018
Interest received	43,714	38,795
Interest paid	-21,460	-18,154
Commission received	13,295	13,033
Commission paid	-2,798	-2,979
Net received from financial transactions	-2,391	8,221
Other income	-618	-3,221
Paid expenses	-20,413	-14,519
Taxes paid	-3,679	-3,619
Cash flow from the profit and loss statement	5,652	17,556
Increase (-)/decrease (+) in trading portfolios	-108,659	-2,720
Increase (+)/decrease (-) in issued securities	178,988	72,913
Increase (-)/decrease (+) in lending to credit institutions	31,940	71,941
Increase (-)/decrease (+) in lending to the public	-190,240	-195,121
Increase (+)/decrease (-) in liabilities to credit institutions	-33,057	25,444
Increase (+)/decrease (-) in deposits and borrowings from the public	46,591	77,719
Change in other assets	-1,613	-5,876
Change in other liabilities	14,283	-2,997
Cash flow from operating activities	-56,115	58,859
Dividends received	5,046	9,127
Investments/divestments in shares and bonds	1,503	1,030
Investments in intangible and tangible assets	-826	-855
Cash flow from investment activities	5,723	9,302
Issue of subordinated liabilities	8,688	
Dividend paid	-14,069	-12,459
Cash flow from financing activities	-5,382	-12,459
NET CHANGE IN CASH AND CASH EQUIVALENTS	-55,773	55,701
Cash and cash equivalents at beginning of year	187,701	126,287
Exchange rate differences on cash and cash equivalents	3,669	5,713
Net increase in cash and cash equivalents	-55,773	55,701
CASH AND CASH EQUIVALENTS AT END OF PERIOD ¹⁾²⁾	135,598	187,701

¹⁾ Cash and cash equivalents

Cash	65	155
Cash balances at central banks	110,039	163,925
On demand deposits with credit institutions	25,494	23,621
TOTAL	135,598	187,701

2) Of which SEK 4,235m (2,850) not available for use by the parent company due to local central bank regulations.

Reconciliation of liabilities from financing activities

Opening balance	34,521	32,390
Cash flows	8,688	
Non-cash flow, currency exchange	643	2,145
Non-cash flow, fair value changes	263	-32
Non-cash flow, interest accruals	74	18
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	44,189	34,521

Notes to the financial statements

SEK m, unless otherwise stated.

Corporate information

The SEB Group provides corporate, retail, investment and private banking services. The group also provides asset management and life insurance services.

Skandinaviska Enskilda Banken AB (publ) is the parent company of the group. The parent company is a Swedish limited liability company with its registered office in Stockholm, Sweden.

The parent company is included in the Large Cap segment of the NASDAQ Stockholm stock exchange.

The consolidated accounts for the financial year 2019 were approved for publication by the Board of Directors on 18 February and will be presented for adoption at the 2020 Annual General Meeting.

Exchange rates used for converting main currencies in the group Consolidation

	Income Statement			Balance sheet		
	2019	2018	Change, %	2019	2018	Change, %
DKK	1.418	1.376	3	1.398	1.374	2
EUR	10.589	10.257	3	10.446	10.263	2
NOK	1.075	1.069	1	1.061	1.029	3
USD	9.460	8.692	9	9.324	8.971	4

1 Accounting policies

Significant accounting policies for the group

STATEMENT OF COMPLIANCE

The group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the EU. The accounting also follows the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulation and general guidelines issued by the Swedish Financial Supervisory Authority, Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25). In addition to this the Supplementary Accounting Rules for Groups RFR 1 and the additional UFR statements issued by the Swedish Financial Reporting Board have been applied.

BASIS OF PREPARATION

The consolidated accounts are based on amortised cost, except for the fair value measurement of financial assets at fair value through other comprehensive income, financial assets and liabilities measured at fair value through profit or loss including derivatives and investment properties measured at fair value. The carrying amount of financial assets and liabilities subject to hedge accounting at fair value has been adjusted for changes in fair value attributable to the hedged risk. The financial statements are presented in million Swedish kronor (SEKm) unless indicated otherwise.

CONSOLIDATION

Subsidiaries

The consolidated accounts combine the financial statements of the parent company and its subsidiaries. Subsidiaries are companies, over which the group has control. The group controls an entity when it has power over an investee, is exposed to, or has rights to, variable returns from its involvement and has the ability to use its power to affect the amount of the returns. Control is deemed to exist when the parent company holds, directly or indirectly, more than 50 per cent of the voting rights, unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities of the entity. Companies in which the parent company or its subsidiaries hold more than 50 per cent of the votes, but are unable to exercise control due to contractual or legal reasons, are not included in the consolidated accounts. The group also assesses if control exists when it holds less than 50 per cent of the voting rights. This may arise if the group has contractual arrangements with other vote holders. The size and dispersion of holdings of other vote holders may also indicate that the group has the practical ability to direct the relevant activities of the investee.

When voting rights are not relevant in deciding who has power over an entity, such as interests in some funds or special purpose entities (SPE), all facts and circumstances are considered in determining if the group controls the entity. In

the assessment whether to consolidate SPEs and any entities where there is not immediately clear where control rests, an analysis is made to identify which party has power over the activities which most affects the returns of the entity and if that party is significantly exposed or have significant rights to the returns from that entity.

The financial statements of the parent company and the consolidated subsidiaries refer to the same period and have been drawn up according to the accounting policies applicable to the group. A subsidiary is included in the consolidated accounts from the time of acquisition, being the date when the parent company gains control over the subsidiary. The subsidiary is included in the consolidated accounts until the date when control over the company ceases to exist.

The consolidated accounts are prepared in accordance with the acquisition method. The acquisition value is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed.

The identifiable assets acquired, the liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on acquisition date, irrespective of any minority interest. The excess of the consideration transferred for the acquisition over the fair value of the group's share of the identifiable acquired net assets is recorded as goodwill. If the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly against profit or loss.

Goodwill is allocated between the cash-generating units or groups of units which are expected to generate cash flows. The cash-generating units to which goodwill is allocated correspond to the lowest level within the group in which goodwill is monitored for internal management purposes.

Intra-group transactions, balance sheet items and unrealised gains and losses on transactions between group companies are eliminated. The minority interest in the profit or loss in subsidiaries is included in the reported net profit in the consolidated income statement, while the minority share of net assets is included in equity in the consolidated balance sheet.

Associated companies and joint ventures

The consolidated accounts also include associated companies and joint ventures that are companies in which the group has significant influence or joint control, but not sole control. Significant influence means that the group can participate in the financial and operating policy decisions of the company, whilst not determining or controlling such financial and operating policies. A significant influence is generally deemed to exist if the group, directly or indirectly, holds between 20 and 50 per cent of the voting rights of an entity. A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

According to the main principle, associated companies and joint ventures are

consolidated in accordance with the equity method. This means that the holding is initially reported at its acquisition cost. Associated companies and joint ventures are subsequently carried at a value that corresponds to the group's share of the net assets. However, the group has chosen to designate investments in associates held by the group's venture capital organisation at fair value through profit or loss on the basis that these are managed and evaluated based on fair value.

SEGMENT REPORTING

An operating segment is identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The business divisions are identified as separate operating segments, considering size and regulatory environment. Investment Management & Group functions consists of Investment Management, business support, treasury, staff units and German run-off operations. In the context of defining the segments the President and Chief Executive Officer (CEO) is the group's chief operating decision maker.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. On subsequent balance sheet dates monetary items in foreign currency are translated using the closing rate. Non-monetary items, which are measured in terms of historical cost in foreign currency, are translated using the exchange rate on the date of the transaction. Non-monetary items, which are measured at fair value in a foreign currency, are translated applying the exchange rate on the date on which the fair value is determined.

Gains and losses arising as a result of exchange rate differences on settlement or translation of monetary items are recognised in profit or loss. Translation differences on non-monetary items, classified as financial assets or financial liabilities at fair value through profit or loss, are included in the change in fair value of those items. Translation differences from non-monetary items, e.g. financial assets at fair value through other comprehensive income, are recognised in other comprehensive income. Exchange rate differences referring to monetary items comprising part of a net investment in a foreign operation are reported in other comprehensive income.

The income statements and balance sheets of group entities, with a functional currency other than the group's presentation currency, are translated to SEK in the consolidated accounts. Assets and liabilities in foreign group entities are translated at the closing rate and income and expenses in the income statement are translated at the average exchange rate for the year. The exchange rate differences are recognised as a separate component of other comprehensive income.

Goodwill arising in conjunction with acquisitions of foreign group entities, as well as adjustments to the fair value of assets and liabilities made in conjunction with acquisitions are included in the assets and liabilities of the foreign entity in question and are translated at the closing rate.

FINANCIAL ASSETS AND LIABILITIES

Financial assets are recognised on the balance sheet when the group becomes a party to the contractual provisions of the instrument and are measured at fair value on initial recognition. Transaction costs are included in the fair value on initial recognition except for financial assets at fair value through profit or loss where transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows have expired, the group has transferred substantially all risks and rewards and upon substantial modification. Transfers of financial assets with retention of all or substantially all risks and rewards include for example repurchase transactions and securities lending transactions. Financial assets at fair value are recognised on the balance sheet on trade date, with exception of loans and reversed repos which are recognised on settlement date. Financial assets measured at amortised cost are recognised on settlement date.

Financial liabilities are measured at fair value on initial recognition. In the case of financial liabilities measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or the issuance of the financial liability are recognised in profit or loss. For other financial liabilities direct transaction cost are recognised as a deduction from the fair value. Financial liabilities are derecognised when extinguished, that is, when the obligation is discharged, cancelled or expired.

Classification of financial assets and liabilities

The group classifies and subsequently measures its financial assets in the following categories: financial instruments at fair value through profit or loss; fair value through other comprehensive income and amortised cost. The classification will depend on if the financial asset is a debt instrument, an equity instrument or a derivative.

Debt instruments (Loans and debt securities)

The classification is based on a combination of assessing the business model for managing the financial assets and whether the contractual cash flow characteristics consist of solely payments of principal and interest ('SPPI'). The business model assessment is performed for homogenous portfolios identified based on how the business is managed in the divisions of the group. The assessment is based on reasonable scenarios taking into consideration how the portfolio is evaluated and reported to management; the risks affecting the performance of the portfolio and how these risks are managed; how managers are compensated; and the frequency, value and timing of sales including the reasons for the sales. In determining if the cash flows consist solely of principal and interest, the principal is defined as the fair value of the debt instrument at initial recognition, which can change over the life if there are repayments or capitalisation of interest. Interest cash flows are consistent with components per a basic lending arrangement including consideration for time value of money, credit risk, liquidity risk as well as administrative costs and profit margin. If there are contractual features introducing an exposure to other risks or volatility, it is not considered to consist of solely payments of principal and interest. Debt instruments are presented in the balance sheet items; Cash and cash balances at central banks, Loans to credit institutions, Loans to the public and Debt securities, and include instruments in the following measurement categories.

Fair value through profit or loss: Debt instruments are classified in this category if not meeting the criteria for amortised cost or fair value through other comprehensive income. This is the case if the business model is held for trading; where financial assets are considered held for trading if they are held with the intention to be sold in the short-term and for the purpose of generating profits. Debt instruments are mandatorily measured at fair value through profit or loss if the assets are managed and evaluated on a fair value basis or the assets are held with an intention to sell alternatively if the cash flows do not consist of solely payments of principal and interest. Debt instruments that would otherwise be classified as fair value through other comprehensive income or amortised cost are also included in this category if, upon initial recognition, designated at fair value through profit or loss (fair value option). The fair value option can be applied only in situations where such designation reduces measurement inconsistencies.

Fair value through other comprehensive income: Debt instruments are classified in this category if both of the following criteria are met (a) the business model objective is to both hold assets to collect contractual cash flows and to sell the assets (b) the contractual cash flow characteristics consist of solely payments of principal and interest. The assets are measured at fair value and gains and losses arising from changes in fair value are reported in other comprehensive income and accumulated in equity. The cumulative gain or loss is reclassified from equity to profit or loss upon derecognition of the debt instrument. Interest calculated by applying the effective interest method on interest-bearing financial assets and expected credit losses are recognised in profit or loss.

Amortised cost: Debt instruments are classified in this category if both of the following criteria are met (a) the business model objective is to hold assets to collect contractual cash flows and (b) the contractual cash flow characteristics consist of solely payments of principal and interest. The gross carrying amount of these assets is measured using the effective interest method and adjusted for expected credit losses.

Equity instruments

Equity instruments are classified as financial assets at fair value through profit or loss. An irrevocable election can be made on initial recognition to classify equity instruments (not held for trading) at fair value through other comprehensive income. This election has not been applied in the group.

Derivatives

Derivatives are classified as fair value through profit or loss (held for trading) unless designated as hedging instruments. If designated as hedging instruments, the principles for hedge accounting are applied.

Financial liabilities

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss are either classified as held for trading or designated as fair value through profit or loss on initial recognition (fair value option). Changes in fair value are recognised in profit or loss within Net financial income, with the exception of changes in fair value due to changes in the group's own credit risk. Such changes are presented in other comprehensive income, with no subsequent reclassification to the income statement. The fair value option can be applied for classification of financial liabilities if meeting either of the following criteria; the contracts include one or more embedded derivatives, the instruments are managed and evaluated on a fair value basis or in situations where such designation reduces measurement inconsistencies. Liabilities to policyholders and some debt securities are included in this category. Financial liabilities held for trading are primarily short positions in interest-bearing securities, equity instruments and derivatives not designated as hedging instruments.

Other financial liabilities: The category other financial liabilities primarily include the group's short-term and long-term borrowings. After initial recognition other financial liabilities are measured at amortised cost, using the effective interest method. The balance sheet items Deposits from central banks and credit institutions, Deposits and borrowings from the public and Debt securities issued are included in this category.

Embedded derivatives

Some combined contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. If the host contract is a financial asset in scope of IFRS 9 the contract is assessed for classification in its entirety and the embedded derivative is not separated. For other hybrid instruments (i.e. the host contract is not a financial asset in scope of IFRS 9) where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the income statement. This does not apply if the host contract is carried at fair value through profit or loss.

Certain combined instruments are classified as financial liabilities at fair value through profit or loss according to the fair value option. The designation implies that the entire combined instrument is measured at fair value through profit and loss.

Offsetting financial transactions

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal right to offset transactions and an intention to settle net or realise the asset and settle the liability simultaneously.

Repurchase agreements

Securities may be lent or sold subject to a commitment to repurchase them (a 'repo') at a fixed price and at a predetermined date. Such securities are retained on the balance sheet and in addition included separately as collateral pledged for own liabilities when cash consideration is received. Depending on the counterparty, payment received is recognised under Deposits by credit institutions or as Deposits and borrowing from the public.

Similarly, where the group borrows or purchases securities subject to a commitment to resell them (a 'reverse repo'), the securities are not included in the balance sheet. Payments made are recognised as Loans to credit institutions or as Loans to the public.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest method.

Securities borrowing and lending

Securities borrowing and lending transactions are entered into on a collateralised basis. Fair values of securities received or delivered are monitored on a daily basis to require or provide additional collateral. Cash collateral delivered is derecognised from the balance sheet and a corresponding receivable is recognised. Cash collateral received is recognised in the balance sheet and a corresponding obligation to return it, is recognised. Securities lent remain on the balance sheet and are in addition reported as pledged assets. Borrowed securities are not recognised as assets. When borrowed securities are sold (short position), an amount corresponding to the fair value of the securities is booked as a liability. Securities received in a borrowing or lending transaction are disclosed as obligations.

Modification

The group may renegotiate loans and modify contractual terms. If the new terms are substantially different from the original terms, the group derecognises the original financial asset and recognises a new asset. The group also assesses whether the new financial asset is credit-impaired at initial recognition. If the terms are not substantially different, the modification does not result in derecognition and the group recalculates the gross carrying amount based on the new cash flows using the original effective interest rate of the financial asset and recognises a modification gain or loss.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly market between market participants at the measurement date.

The fair value of financial instruments quoted in an active market is based on quoted market prices. If the asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances is used.

The fair value of financial instruments that are not quoted in an active market is determined by applying various valuation techniques with maximum use of observable inputs. The valuation techniques used are for example discounted cash flows, option pricing models, valuations with reference to recent transactions in the same instrument and valuations with reference to other financial

instruments that are substantially the same. When valuing financial liabilities at fair value the group's own credit standing is reflected.

Any differences between the transaction price and the fair value calculated using a valuation technique with unobservable inputs, the Day 1 profit, is amortised over the life of the transaction. Day 1 profit is then recognised in profit or loss either when realised through settlement or when inputs used to calculate fair value are based on observable prices or rates.

Fair value is generally measured for individual financial instruments. In addition, portfolio adjustments are made to cover market risks and the credit risk of each of the counterparties on groups of financial assets and liabilities on the basis of the net exposure to these risks. When assets and liabilities have offsetting market risks, mid-market prices are used for establishing fair value of the risk positions that offset each other. To reflect counterparty risk and own credit risk in OTC derivatives, adjustments are made based on the net exposure towards each counterpart.

Impairment of financial assets

Measurement

The impairment requirements are based on an expected credit loss (ECL) model. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. All financial assets measured at amortised cost and fair value through other comprehensive income, as well as lease receivables, financial guarantees contracts, contract assets and certain loan commitments are in scope for expected credit loss.

ECLs on financial assets measured at amortised cost and lease receivables are presented as allowances, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the gross carrying amount. ECLs on loan commitments and financial guarantee contracts are presented as provisions, i.e., as a liability, in the balance sheet. Adjustment to the loss allowance and provision due to changes in ECLs is recognised in the income statement as Net expected credit losses.

The assessment of credit risk, and the estimation of ECL, shall be unbiased and probability-weighted, and shall incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. SEB uses both models and expert credit judgement (ECJ) for calculating ECLs.

The ECL model has a three-stage approach based on changes in the credit risk. A 12-month ECL (Stage 1) applies to all items, unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), lifetime ECL applies.

Significant increase in credit risk

At the end of each reporting period the group performs an assessment of whether credit risk has increased significantly since initial recognition. The assessment of whether there has been a significant change in credit risk is based on quantitative and qualitative indicators. Both historic and forward-looking information is used in the assessment.

For arrangements with an initial origination date as of 1 January 2018 or later, the primary indicator is changes in lifetime probability of default (PD) by comparing the scenario-weighted annualised lifetime PD at the reporting date with the scenario-weighted annualised lifetime PD at initial recognition. For arrangements with an initial origination date prior to 1 January 2018 changes in SEB's internal risk classifications since initial origination are used as the primary indicator.

Regardless of the quantitative indicator, a significant increase in credit risk is triggered if the following back-stop indicators occur:

- payments are past due >30 days but <90 days; or
- financial assets have been classified as watch-listed; or
- financial assets are forborne (where due to the customer's financial difficulties the contractual terms of the loans have been revised and concessions given)

Back-stop indicators normally overlap with the quantitative indicator of significant increase in credit risk.

In case there has been a significant increase in credit risk since initial recognition, an allowance for lifetime ECL shall be recognised and the financial instrument is transferred to Stage 2. The approach is symmetrical, meaning that in subsequent reporting periods, if the credit quality of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the financial assets moves back to Stage 1.

Definition of default

Financial instruments in default are in Stage 3. SEB applies a definition of default for accounting purposes that is consistent with how it is defined in the capital requirements regulation, which includes financial assets past due more than 90 days. All financial assets in Stage 3 are considered to be credit-impaired.

Modelling

The ECL is calculated as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD), as well as the timing of the loss. The group's IFRS 9 methodology for ECL measurement is based on existing internal rating-based risk models (IRB) to the extent allowed under IFRS 9. As the objectives of these frameworks differ, the manner in which the expected credit losses are calculated also differs and appropriate adjustments are made to the IRB parameters to meet IFRS 9 requirements. Adjustments include the conversion of through-the-cycle and downturn parameters used in IRB risk models to point-in-time parameters used under IFRS 9 that considers forward-looking information.

PD represents the likelihood that a loan will not be repaid and will go into default in either a 12-month or lifetime horizon. The expected PD for each individual instrument incorporates a consideration of past events, current market conditions and reasonable and supportable information about future economic conditions. SEB uses IFRS 9 specific PD models. The models are calibrated based on a combination of geography, assets class and product type. EAD represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. For IFRS 9, EAD models are adjusted for a 12-month or lifetime horizon. LGD is the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held as well as the probability of cure, whereby the borrower repays all his past due obligations on the defaulted loan and recommences contractual repayments. SEB uses existing LGD models adjusted to meet IFRS 9 requirements.

When measuring ECL, SEB uses the maximum contractual period during which SEB is exposed to risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For revolving facilities, such as credit cards, and retail mortgage facilities the expected life is modelled based on historical behaviour. The residual behavioural expected life for such facilities is based on historically observed survival curve and it is affected by the time since origination of the arrangement.

Forward-looking information

The group uses internally developed macroeconomic forecasts as the basis for the forward-looking information incorporated in the ECL measurement. In order to ensure an unbiased estimation of credit losses under IFRS 9, at least three scenarios are used. One of the scenarios is the base case scenario, representing the most likely outcome, which is also applied in the financial planning and budgeting process, while other case scenarios represent more positive or negative outcomes.

The forward-looking scenarios are prepared by SEB's Economic Research Department. The scenarios are approved by the Group Risk Committee. A scenario consists of a qualitative description of the macroeconomic development and a quantitative part, with forecasts of key macroeconomic variables for three subsequent years, as well as the likelihood of occurrence (scenario-weight). The scenarios are reviewed and updated on a quarterly basis. In case of significant changes in the macroeconomic environment and outlook, the scenarios will be updated more frequently. The base scenario variables are benchmarked to various external sources of similar forward-looking scenarios, e.g. from OECD, IMF, EU and National Statistics Offices.

Expert Credit Judgement (ECJ)

The group uses both models and expert credit judgement (ECJ) in order to determine ECLs. The degree of judgement that is required to estimate ECL depends on the model outcome, materiality and the availability of detailed information. The model provides guidance and transparency as to how economic events could affect the impairment of financial assets. ECJ may be applied to the modelled outcome to incorporate an estimated impact of factors not captured by the model. Such judgemental adjustment to the model-generated ECLs may be applied to significant exposures at a counterparty level. The adjustments are decided by the relevant credit committee using the model ECLs as guidance. In addition, there may be a need for adjustments at a portfolio level, which is decided by the Group Risk Committee.

Hedge accounting

Derivatives are used to hedge interest rate, exchange rate and equity exposures. Where derivatives are held for risk management purposes and when transactions meet the required criteria, the group applies fair value hedge accounting, cash flow hedge accounting or hedging of a net investment in a foreign operation as appropriate to the risks being hedged. The group documents and designates, at inception, the relationship between the hedged item and the hedging instrument as well as the risk objective and hedge strategy. The group also documents its assessment, both at inception and on an ongoing basis, whether the derivatives used are both prospectively, and retrospectively highly effective in offsetting the hedged risk. As part of the prospective test the group also assesses and documents that the likelihood of forecasted

transactions to take place is highly probable. **▶ More information regarding hedge accounting can be found in note 21 Derivatives and hedge accounting.**

Hedge accounting is applied when derivatives are used to reduce risks such as interest rate risks and currency risks in financial instruments. Furthermore, hedge accounting can be applied to liabilities hedging currency risk in net investments in subsidiaries. The group applies different hedge accounting models depending on the purpose of the hedge:

- Hedges of fair value of recognised assets or liabilities (fair value hedge);
- Hedges of the fair value of the interest rate risk of a portfolio (portfolio hedge);
- Hedges of highly probable future cash flows attributable to recognised assets or liabilities (cash flow hedge);
- Hedges of a net investment in a foreign operation (net investment hedge).

The group discontinues hedge accounting when:

- The derivative has ceased to be highly effective as a hedging instrument;
- The derivative expires, is sold, terminated, or exercised;
- The hedged item matures, is sold or repaid; or
- The forecast transaction is no longer deemed highly probable.

Fair value hedge

Fair value hedges are used to protect the group against undesirable exposures to changes in the market prices of recognised assets or liabilities.

Changes in fair value of derivatives that qualify and are designated as hedging instruments are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk as Net other income.

Where the group hedges the fair value of interest rate exposure in a portfolio including financial assets or financial liabilities, so called portfolio hedging of interest rate risk, the gains or losses attributable to the hedged item are reported as a separate item under assets or as a separate item under liabilities in the balance sheet.

When hedge relationships are discontinued, any adjustment to the carrying amount of the hedged item is amortised to profit or loss over the period to maturity of the hedged item.

Cash flow hedge

Cash flow hedging is applied for the hedging of exposure to variations in future interest payments on assets or liabilities with variable interest rates. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss as Net other income.

Gains or losses on hedging instruments that have been accumulated in equity are recognised in profit or loss in the same period as interest income and interest expense from the hedged asset or liability.

When cash flow hedges are discontinued but future cash flows still are expected to occur, accumulated gains or losses from the hedging instrument will remain as a separate item in equity until the hedged future cash flows occur. Accumulated gains or losses are subsequently reported in profit or loss in Net interest income in the same period in which the previously hedged interest flows are recognised in profit or loss.

Net investment hedge

Hedge of a net investment is applied to protect the group from translation differences due to net investments in foreign subsidiaries. Foreign currency loans constitute the major portion of hedging instruments in these transactions. The translation differences arising on the hedging instruments are recognised in other comprehensive income and accumulated in equity as translation of foreign operations, to the extent the hedge is effective. Any ineffective part is recognised as Net financial income. When a foreign operation is partially disposed of or sold, exchange differences accumulated in equity are recognised in the income statement as part of the gain or loss on the sale.

OPERATING INCOME

Interest income and interest expense

The effective interest method is applied to recognise interest income and interest expenses in profit or loss for financial assets and financial liabilities measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest income and interest expenses. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. The calculation of the effective interest rate includes transaction costs, fees and points to be received and paid that are an integral part of the effective interest rate.

Net fee and commission income

The recognition of revenue from contracts with customers is reported as fee and commission income. The group recognises revenue when it transfers control over a service to a customer.

Fees that are included in the calculation of the effective interest rate of a financial instrument measured at amortised cost, such as loan origination fees, are allocated over the expected tenor of the instrument applying the effective interest method and presented in Net interest income.

Fee and commission income is recognised to depict the transfer of promised services to the customers in an amount that reflects the consideration to which SEB expects to be entitled in exchange for the service. The major types of fees are described below.

Fee and commission income for asset custody and asset management to customers is recognised as revenue over the period in which the services are provided. Performance based fees are recognised when it is highly probable that a significant reversal of recognised revenue will not occur, which is when the performance criteria are fulfilled.

Fee and commission income from loan syndications in which SEB acts as arranger are recognised as income when the syndication is completed and the group has retained no part of the loan or retained a part of the loan at the same effective interest rate as other participants. Brokerage fees, commission and fees from negotiating a transaction for a third party, such as arrangement of acquisitions or purchase or sale of a business, are recognised on completion of the transaction.

Expenses that are directly related to the generation of fee and commission income are recognised as fee and commission expense.

Net financial income

Gains and losses arising from changes in fair value of financial assets and liabilities measured at fair value through profit or loss are reported under the item Net financial income. For financial liabilities designated at fair value through profit or loss the change in fair value relating to change in own credit risk is accounted for in other comprehensive income.

Dividend income

Dividends are recognised when the entity's right to receive payment is established.

Seized assets

Seized assets are assets taken over to protect a claim. SEB may refrain from a loan receivable and instead seize the asset that served as collateral for the loan. Seized assets may consist of financial assets, properties and other tangible assets. Seized asset are recognised on the same line item in the balance sheet as similar assets that have been acquired otherwise. At inception seized assets are measured at fair value. The fair value at initial recognition becomes the acquisition value. Subsequently seized assets are measured according to type of asset with the exception of impairment on tangible seized assets that is reported as Gains less losses from tangible and intangible assets rather than as Depreciation, amortisation and impairment of tangible and intangible assets. The purpose is to better reflect the similar character of impairment of assets that are taken over to protect claims on counterparties and credit losses.

Tangible assets

Tangible assets, with the exception of investment properties held in insurance operations, are measured at cost and are depreciated according to plan on a straight line basis over the estimated useful life of the asset. The maximum depreciation period for buildings is 50 years. The depreciation period for other tangible assets is between 3 and 8 years.

Tangible assets are tested for impairment whenever there is an indication of impairment.

Leasing (under IFRS 16 Leases as of 1 January 2019)

The group has applied IFRS 16 *Leases* using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 *Leases* and related interpretations.

►► For more information about the changes and the transitional effects from adopting IFRS 16, see note 49.

Lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate. The right-of-use asset is depreciated over the shorter of the asset's useful life and

the lease term on a straight-line basis. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate.

The group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases for low-value assets. The group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lessor

A finance lease is a lease that transfers, from the lessor to the lessee, substantially all risks and rewards incidental to the ownership of an asset. In the group, essentially all leasing contracts in which the group is the lessor are classified as finance leases. Finance leases are reported as lending, which implies that the leasing income is reported within Net interest income.

Investment properties

Investments in properties held in order to receive rental income and/or for capital appreciation are reported as investment properties. The recognition and measurement of such properties differs, depending upon the entity owning the property. Investment properties held in the insurance operations, used to match liabilities providing a yield directly associated with the fair values of specified assets, including the investment properties themselves, are accounted for using the fair value model. Holdings of investment properties in the banking operations are measured at depreciated cost.

Intangible assets

Goodwill is measured, after initial recognition, at cost, less any accumulated impairment losses. In order to test goodwill from business combinations for impairment, it is allocated upon acquisition to the cash generating unit or units that are expected to benefit from the acquisition. Each group represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment. Goodwill and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. An impairment loss is recognised in profit or loss whenever the carrying amount, with respect to a cash-generating unit or a group of cash-generating units to which the goodwill is attributed, exceeds the recoverable amount. Impairment losses attributable to goodwill are not reversed, regardless of whether the cause of the impairment has ceased to exist.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are measured on the same basis as intangible assets acquired separately.

Other intangible assets are measured at cost, including directly attributable borrowing costs, less accumulated amortization and any impairment losses. Development expenditures on an individual project are recognised as an intangible asset, provided that future economic benefits are probable, costs can be measured reliably and the product and process is technically and commercially feasible. Research costs are expensed as incurred.

Intangible assets with finite useful lives, i.e. all intangible assets except goodwill, are amortised on a straight-line basis over their useful lives and tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount of the asset. Internally generated intangible assets, such as software development, are amortised over a period of between 3 and 8 years.

Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Provisions are made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn by a debtor in financial difficulties. ECLs on loan commitments and financial guarantee contracts are presented as provisions. Provisions and changes in provisions are recognised in the income statement as Net credit losses.

Provisions are evaluated at each balance sheet date and are adjusted as necessary.

Financial guarantees

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value (which most often equals the premium received) and subsequently at the higher of the amount determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments* and the amount initially recognised less, where appropriate, the cumulative amount of income recognised. The contractual amounts according to financial guarantees are not recognised in the balance sheet but disclosed as obligations.

Employee benefits

Pensions

There are both defined contribution and defined benefit pension plans within the group, of which most have plan assets. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will get on retirement depending on factors such as age, years of service and compensation. A defined contribution plan is a pension plan where the group pays a contribution to separate entities and has no further obligation once the contribution is paid.

The pension commitments of the group with respect to defined benefit plans are covered by the pension funds of the group or through insurance solutions.

The defined benefit obligation is calculated quarterly by independent actuaries using the Projected Unit Credit Method. ► *The assumptions upon which the calculations are based are found in note 8 b addressing Staff costs.* All changes in the net defined benefit liability (asset) are recognised as they occur, as follows: (i) service cost and net interest in the income statement; and (ii) remeasurements of both defined benefit obligations and plan assets in other comprehensive income.

Pension costs for defined contribution pension plans are recognised as an expense during the period the employees carry out the service to which the payment relates.

Share-based payments

The group operates a number of share-based incentive programmes, under which it awards SEB equity instruments to its employees. Equity-settled share-based incentive programmes entitle employees to receive SEB equity instruments. Cash-settled share-based incentive programmes entitle employees to receive cash based on the price or value of equity instruments of SEB. Fair value of these rights is determined by using appropriate valuation models, taking into account the terms and conditions of the award and the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. Social security charges are accounted for over the vesting period and the provision for social security charges is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

The cost of equity-settled share-based incentive programmes is measured by reference to the fair value of equity instruments on the date they are granted and recognised as an expense on a straight-line basis over the vesting period with a corresponding increase in equity. The vesting period is the period that the employees have to remain in service in SEB in order for their rights to vest. For cash-settled share-based incentive programmes, the services acquired and liability incurred are measured at the fair value of the liability and recognised as an expense over the vesting period, during which the employees render service. Until settlement, the fair value of the liability is remeasured, with changes in fair value recognised in the income statement.

Short-term cash-based remuneration

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

TAXES

The group's tax for the period consists of current and deferred tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or from tax authorities using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Current tax is calculated based on the taxable results for the period. Deferred tax arises due to temporary differences between the tax bases of assets and liabilities and their carrying amounts.

Current tax and deferred tax are generally recognised in profit or loss. However, tax that relates to items recognised in other comprehensive income is also reported directly in other comprehensive income. Examples of such items are gains or losses on hedging instruments in cash flow hedges.

Deferred tax assets are recognised in the balance sheet to the extent that it is probable that future taxable profits will be available against which they can be utilized. The group's deferred tax assets and tax liabilities have been calculated at the tax rate of 21.4 per cent and 20.6 per cent as of 2021 in Sweden, and at each respective country's tax rate for foreign companies.

INSURANCE AND INVESTMENT CONTRACTS

Insurance contracts are contracts under which the group accepts significant insurance risk – defined as a transfer of an absolute risk of minimum 5 percent of the underlying value – from the policyholder by agreeing to compensate the policyholder or other beneficiaries on the occurrence of a defined insured event. Investment contracts are financial instruments that do not meet the definition of an insurance contract, as they do not transfer significant insurance risk from the policyholder to the group.

Insurance contracts

Insurance contracts are classified as short-term (non-life) or long-term (life). Short-term insurance comprise sickness, disability, health-care, and rehabilitation insurance. Long-term insurance comprises mainly traditional life insurance. In the group accounts short-term and long-term insurance are presented aggregated as Insurance contracts.

Measurement of short-term insurance contracts (non-life)

The provision for unearned premiums is intended to cover the anticipated cost of claims and operating expenses arising during the remaining policy period of the insurance contracts in force. The provision for unearned premiums is usually strictly proportional over the period of the insurance contracts. If premiums are judged to be insufficient to cover the anticipated cost for claims and operating expenses, the provision for unearned premiums is strengthened with a provision for unexpired risks.

For anticipated future claims that have been incurred but not yet paid, provision for claims outstanding is recognised. The provision is intended to cover the anticipated future payment of all claims incurred, including claims incurred but not reported (IBNR provisions). This provision should also cover all costs for claims settlement. The provision for claims outstanding is not discounted, with the exception of provisions for sickness annuities, which are discounted using standard actuarial methods.

Measurement of long-term insurance contracts (life)

For long-term life insurance contracts, a liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability equals the sum of the discounted value of expected benefit payments and future administration expenses, less any outstanding future contractual premium payments. Liabilities for long-term life insurance are discounted using standard actuarial methods.

Liability adequacy test

Swedish actuarial procedures involve performing liability adequacy tests on insurance liabilities. This is to ensure that the carrying amount of the liabilities is sufficient in the light of estimated future cash flows. The carrying amount of a liability is the value of the liability itself less any related intangible asset or asset for deferred acquisition costs. The current best estimates of future contractual cash flows, as well as claims handling and administration costs, are used in performing these liability adequacy tests. These cash flows are discounted and compared to the carrying amount of the liability. Any deficit is immediately recognised in profit or loss.

Revenue recognition

Premiums for insurance contracts are recognised as revenue when they are paid by the policyholders. For contracts where insurance risk premiums received during a period are intended to cover insurance claims arising in that period those premiums are recognised as revenue proportionally during the period of coverage.

Recognition of expenses

Costs for insurance contracts are recognised as an expense when incurred, with the exception of commissions and other variable acquisition costs that vary with and are directly related to securing new contracts and the renewal of existing contracts. These costs are capitalised as deferred acquisition costs. These costs are mainly incremental acquisition costs paid to sales personnel, brokers and other distribution channels. Deferred acquisition costs are amortised as the related revenue is recognised. The asset is tested for impairment every accounting period, ensuring that the economic future benefits expected to arise from the contracts exceed its face amount. All other costs, such as non-incremental acquisition costs or maintenance costs, are recognised in the accounting period in which they arise. Insurance compensation is recorded as an expense when incurred.

Reinsurance

Contracts with re-insurers, whereby compensation for losses is received by the group, are classified as ceded reinsurance. For ceded reinsurance, the benefits to which the group is entitled under the terms of the reinsurance contract are reported as the re-insurers' share of insurance provisions. Amounts recoverable from re-insurers are measured consistently with the amounts associated with

the reinsurance contracts and in accordance with the terms of each reinsurance contract.

Investment contracts

The majority of the group's unit linked insurance is classified as investment contracts where no significant insurance risk is transferred from the policyholder to the group. A minor part of the group's unit linked insurance business is classified as insurance contracts.

Measurement

Investment contracts are financial commitments whose fair value is dependent on the fair value of the underlying financial assets. The underlying assets are mandatorily measured at fair value through profit or loss and the related liabilities are designated at fair value through profit or loss (fair value option). The choice to use the fair value option for the liabilities has been made for the purpose of eliminating the measurement inconsistency that would occur if different bases for measurement would have been used for assets and liabilities. The fair value of the unit linked financial liabilities is determined using the fair value of the financial assets linked to the financial liabilities attributed to the policyholder on the balance sheet date. However, if the liability is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender.

Revenue recognition

Amounts received from and paid to policyholders are reported in the balance sheet as deposits or withdrawals. Fees charged for managing investment contracts are recognised as revenue. The revenue for these management services is evenly distributed over the tenor of the contracts.

Recognition of expenses

Incremental costs of obtaining investment contracts with customers are deferred if they are expected to be recovered. Incremental costs are costs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained. These costs are up-front acquisition costs in the form of sales commissions paid for obtaining investment contracts. They are expected to be recovered from the fee income earned from the investment contracts. Deferred acquisition costs are reported in profit or loss as the related revenue is recognised. The asset is tested for impairment during each accounting period to ensure that the future economic benefits expected to arise from the contract exceed the carrying amount of the asset. All other costs, such as commissions to brokers paid during the tenor of the investment contracts or commission to own staff acting as sales agents or ongoing administration cost, are recognised in the accounting period in which they arise.

Contracts with discretionary participation features (DPF)

Some traditional pension saving contracts include a discretionary participation feature. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. All contracts that include a discretionary participation feature are reported as insurance contracts. The amounts referring to the guaranteed element and to the discretionary participation feature are reported as liabilities to policyholders.

Changes in accounting policies implemented 2019

The group adopted IFRS 16 *Leases* which replaces IAS 17 *Leases* and related interpretations. The new standard significantly changes how SEB as a lessee accounts for leases by introducing a single, on-balance sheet lease accounting model requiring the recognition of lease assets (right-of-use assets) and corresponding lease liabilities. ►► *For more information about the new accounting policies and the transitional effects from adopting IFRS 16, see note 49.*

There are also some smaller changes to other IFRS standards. IFRIC 23 *Uncertainty over Income Tax Treatments* has been issued and specifies how to reflect the effects of uncertainty in accounting for income taxes. IAS 28 *Interests in Associates and Joint Ventures* has been amended so companies should apply IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. Amendments have been made to IFRS 9 *Financial Instruments* regarding prepayment features with negative compensation. IAS 19 *Employee Benefits* was amended in regards to plan amendment, curtailment or settlement that arises during the reporting period. IAS 23 *Borrowing Costs*, IAS 12 *Income Taxes*, IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* have been amended within the Annual improvement cycle 2015–2017. The changes have not had a material effect on the financial statements of the group or on capital adequacy and large exposures.

Amended standards early adopted

The group has elected to early adopt the Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (IBOR) issued in September 2019. In accordance with the transition provisions, the amendments have been adopted

retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In summary, the reliefs provided by the amendments that apply to the group are:

- When considering the 'highly probable' requirement, the group has assumed that the USD LIBOR and the GBP LIBOR interest rates on which our hedged item are based do not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the group has assumed that the USD LIBOR and the GBP LIBOR interest rates on which the cash flows and the fair value of the hedged item and the hedging item that hedges them are based are not altered by IBOR reform.
- The group will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80–125% range.
- The group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

►► *Note 21 provides the required disclosures of the uncertainty arising from IBOR reform for hedging relationships for which the group applied the reliefs.*

Changes in IFRSs not yet applied

IFRS 17 *Insurance Contracts* was published in May 2017. This standard should be applied as from 1 January 2021 and has not yet been endorsed by EU. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of issued insurance contracts. It also requires similar principles to be applied to held reinsurance contracts and issued investment contracts with discretionary participation features. IFRS 17 replaces IFRS 4 *Insurance Contracts*. SEB is currently evaluating the impact of the change to the financial statements of the group.

Amendments to IFRS 3 *Business Combinations* and the definition of business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The amendments have not yet been endorsed by EU. IASB has issued a changed definition of material. The revised definition of material will be updated in both IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments, effective for annual reporting periods beginning on or after 1 January 2020 and endorsed by EU, are intended to clarify and align the definition of material. The changes will not have a material effect on the financial statements of the group or on capital adequacy and large exposures. Amendments to References to the Conceptual Framework in IFRS Standards intends to update references in IFRS Standards to previous versions of the Conceptual Framework. The amendments are endorsed by EU and effective 1 January 2020.

Significant accounting policies of the parent company

Skandinaviska Enskilda Banken (SEB) AB is a public limited liability company with corporate number 502032-9081 and with registered office in Stockholm, Sweden.

The financial statements of the parent company are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the regulation and general guidelines issued by the Swedish Financial Supervisory Authority, Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25) and statements from the Swedish Financial Reporting Board, RFR 2 and the additional UFR statements.

In accordance with the Financial Supervisory Authority's regulation, the parent company applies statutory IFRS. This means that the International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of Swedish legislation and considering the close tie between financial reporting and taxation. The accounting principles of the parent company differ, in certain aspects, from the accounting principles applied by the SEB Group. The essential differences are described below.

CHANGED ACCOUNTING POLICIES

The changed group accounting policies and future accounting developments also applies to the parent company. The Swedish Annual Accounts Act for Credit Institutions and Securities Companies has been updated where the main change is new requirements to publish a sustainability and diversity report. In all other material aspects the accounting policies, basis for preparation and

presentation for the parent company are unchanged in comparison with the annual report for 2018.

With effect from 1 January 2018 the regulations and general guidelines issued by the Swedish Financial Supervisory Authority have been updated. The changes are mainly related to the implementation of IFRS 9 and IFRS 15, e.g. the presentation of different items in the income statement and classification of seized assets. With effect from 1 January 2019 the regulations and general guidelines issued by the Swedish Financial Supervisory Authority have been updated. The changes are mainly related to the implementation of IFRS 16 *Leases*, which the parent company has chosen not to apply.

PRESENTATION FORMAT

The presentation format for the balance sheet and the profit and loss account according to the Annual Accounts Act for Credit Institutions and Securities Companies is not in conformity with IFRS. Credit institutions and securities companies applying IFRS as adopted by the EU in their consolidated financial statements have the option to deviate from the presentation format for the balance sheet as stipulated by law, but may not deviate from the stipulated profit and loss account.

HOLDINGS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Shares and participating interests in subsidiaries and associated companies are measured at cost. Dividends on shares in subsidiaries and associated companies are recognised as income in profit or loss. Merger of subsidiaries through absorption are accounted for at consolidated values. The merger effect is reported in equity.

Financial assets and liabilities

The group's accounting policies in regard to financial assets and liabilities also applies to the parent company, with the exception of financial liabilities designated as fair value through profit or loss where the change in fair value relating to change in own credit risk is accounted for in profit or loss.

LEASING

IFRS 16 *Leases* is not applied in the parent company. When the parent company is acting as a lessee, it recognises leasing fees as costs on a straight-line basis over the lease period (ie, like an operating lease). When the parent company acts as a lessor, it reports all leasing agreements as operational leases.

PENSIONS

The parent company does not apply the provisions of IAS 19 concerning accounting for defined benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This is a requirement by the Swedish tax regulation. In Sweden, actuarial pension commitments are guaranteed by a pension foundation.

The recognised net cost of pensions is calculated as pensions paid and pension premiums less any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's profit and loss account. Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with IAS 38, goodwill is not amortised in the consolidated financial statements. In the parent company financial statements, goodwill is amortised as any other intangible asset on a straight line basis.

TAXES

In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves comprise accelerated depreciation under tax regulations, including the deferred tax component. In the consolidated financial statements, untaxed reserves are reported in retained earnings and deferred tax liability.

GROUP CONTRIBUTIONS

The net of group contributions received and paid is reported in the parent company as appropriations.

Critical judgements in applying the accounting policies

Applying the group's accounting policies requires in some cases the use of estimates and assumptions that have a material impact on the amounts reported in the financial statements. The estimates are based on expert judgements and assumptions that management believes are true and fair. The management continuously evaluates these judgements and estimates. The most significant assumptions and estimates are associated with the areas described below:

CONSOLIDATION OF MUTUAL LIFE INSURANCE COMPANIES AND FUNDS

Within the life insurance operations of the SEB Group, Gamla Livförsäkrings AB SEB Trygg Liv operates as a mutual life insurance company. The entity is not consolidated, as the judgement of the group is that it does not have control of the entity. Control is seen to imply the power to govern the financial and operating policies of an entity in order to affect the amount of its returns from the entity. Life insurance entities operated as mutual life insurance companies cannot pay dividends which is why the group deems that it cannot obtain benefits. In Gamla Livförsäkrings AB SEB Trygg Liv there are specific policies specifying the composition of the board, which implies that the SEB Group is not able to govern the financial and operating policies of the entity.

In the assessment whether to consolidate funds, an assessment is made whether the group is considered to be an agent or a principal. The group is considered a principal, and hence controls the fund, when it is the fund manager, cannot be removed without cause, has significant right to returns from the fund by holding units and earning fee income and has the practical ability to influence its return by using its power. Funds managed by the group in which entities within the group owns more than 20 per cent are analysed further for consolidation.

The policyholders in SEB's unit-linked company choose to invest in a variety of funds. The insurance company providing unit-linked products invests in the funds chosen by the customers. By doing so SEB might, in some cases, hold more than 50 per cent of the funds, which it holds on behalf of the customers for whom it acts as investment manager. Due to the legislation regarding fund operations, SEB considers that it does not have the power to govern the financial and operating policies of such investment funds to obtain benefits. This applies irrespective of whether the funds held on behalf of customers are greater or less than 50 per cent of a fund. It is the policyholders who carry the investment risk, not SEB. Consequently, the policyholders are entitled to all of the returns generated by the funds. SEB only charges fees, on market conditions, for managing the funds. SEB has come to the conclusion that these funds which it manages should not be consolidated. However, the shares that the group holds in such funds on behalf of its customers are recognised in the balance sheet.

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The objective of the fair value measurement is to arrive at the price at which an orderly transaction would take place between market participants at the measurement date under current market conditions. The best evidence of fair value is a quoted price for the instrument being measured in an actively traded market. Where the market for a financial instrument is not active, fair value is calculated using an established valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. When valuing financial liabilities at fair value own credit standing is reflected. Given the uncertainty and subjective nature of valuing financial instruments at fair value, it is possible that the outcomes in the next financial year could differ from the assumptions used.

For some of the group's financial assets and liabilities, especially for certain derivatives, quoted prices are not available, and valuation models are used to estimate fair value. As part of the fair value measurement, valuation adjustments are made when valuing derivative financial instruments, to incorporate counterparty and own credit risk. The methodologies for estimating valuation adjustments are continuously revised as a result of changing market practices in response to regulatory and accounting policy changes, as well as general market developments.

The group has an established control environment for the determination of fair values of financial instruments that includes a review, independently from the business, of valuation models and prices. If the validation principles are not adhered to, the Head of Group Finance shall be informed. Exceptions with material and principal importance require approval from the Valuation Committee and the SEB ARC (Accounting Policy and Financial Reporting Committee).

►► For disclosure purposes, fair values are classified in a fair value hierarchy according to the level of observability of the inputs, see note 36.

IMPAIRMENT OF FINANCIAL ASSETS AND GOODWILL

Financial assets

When calculating expected credit loss (ECL) there are a number of key concepts that require a high level of judgement. Estimating expected credit loss is, by its very nature, uncertain and the accuracy of these estimates depends on many factors, e.g. macro-economic forecasts and involves complex modelling and judgements.

The assessment of significant increase in credit risk is a new concept under IFRS 9 *Financial Instruments* and will require significant judgement. At the end of each reporting period the group shall perform an assessment of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial

instrument, using key risk indicators that are used in the group's existing risk management processes.

Another area requiring significant judgement is the incorporation of forward-looking information and macro-economic scenarios. IFRS 9 requires an unbiased and probability-weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. SEB uses internally developed macro-economic forecasts as the basis for the forward-looking information in the ECL measurement. SEB uses both models and expert credit judgement (ECJ) in order to determine ECLs. The objective of applying ECJ is to incorporate the estimated impact of factors not captured in the modelled ECL. The degree of judgement that is required to estimate expected credit losses depends on the outcome from calculations, materiality and the availability of detailed information. The models, assessment and assumptions are regularly reviewed by the risk organisation of the group and approved by the Group Risk Committee.

Goodwill

Judgement is involved in determining the cash-generating units. The annual impairment test of goodwill is based on the value in use with forecasted cash flows for five years. The cash flows beyond five years are determined based on sustainable growth.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. ►► *Note 23 describe intangible assets in more detail.*

CALCULATION OF INSURANCE LIABILITIES

Calculation of the group's insurance liabilities is based on a number of estimates and assumptions, both financial and actuarial, such as interest rates, mortality, health, expenses, inflation and taxes. One of the important financial assumptions is the interest rate used for discounting future cash flows.

Assumption on interest rates is based on regulations from each local Financial Supervisory Authority (FSA). All other assumptions are based on internally acquired experience.

ASSETS RECOGNISED FROM THE COSTS TO OBTAIN OR FULFIL A CONTRACT, DEFERRED ACQUISITION COSTS

SEB recognise as an asset, costs to obtain contracts that would not have incurred if the contract had not been obtained, mainly sales commissions to obtain insurance and investment contracts.

The amortisation period for the asset is based on assumptions about average lifetime of the contracts including assumptions about surrenders and lapses.

FAIR VALUE OF INVESTMENT PROPERTY

Investment properties in the insurance operations are fair valued with the assistance of external expertise. The valuation method applied means that the related expected cash flows are discounted to present value. The assumptions concerning expected cash flows are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirement and market interest. Assumptions are in line with the assessments that the market can be expected to make under current market conditions. The yield requirement is based on local analysis of comparable property purchases.

VALUATION OF DEFERRED TAX ASSETS

Deferred tax assets that are relying on future profitability can be recognised only to the extent they can be offset against future taxable income and the valuation of deferred tax assets is influenced by management's assessment of SEB's future profitability, future taxable profits and future reversals of existing taxable temporary differences. The expected outcome of uncertain tax positions is determined as the single most likely outcome.

PROVISIONS

Judgement is involved in determining whether a present obligation exists, and in estimating the probability, timing and amount of any outflows. Provisions for claims in civil lawsuits and regulatory matters typically require a higher degree of judgement than other types of provisions.

ACTUARIAL CALCULATIONS OF DEFINED BENEFIT PLANS

The calculation of the group's expense and obligations for defined benefit plans is based on actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. One of the important financial assumptions is the interest rate used for discounting future cash flows. The estimation of the discount rate is subject to uncertainty whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. The discount rate is based on high quality corporate bonds in a deep market, in Sweden covered bonds. The covered bonds in Sweden are at least AAA-rated and the maturity is in line with the estimated maturity of obligations for post-employment benefits. The discount rate for the defined benefit obligation is revised quarterly and other assumptions are revised each year or when a significant change has occurred.

►► *Note 8 b describing staff costs contain a list of the most critical assumptions used when calculating the defined benefit obligation.*

2 Operating segments

Group business segments							
	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & Group functions	Eliminations	Total
Income statement, 2019							
Interest income	24,418	15,648	3,436	5	44,346	-46,130	41,722
Interest expense	-15,046	-4,928	-218	-20	-44,724	46,165	-18,772
Net interest income	9,371	10,721	3,218	-16	-378	34	22,950
Fee and commission income	10,911	7,240	2,317	3,636	6,499	-6,428	24,176
Fee and commission expense	-4,353	-1,695	-678	-1,105	-4,108	6,472	-5,467
Net fee and commission income	6,558	5,546	1,638	2,531	2,392	44	18,709
Net financial income	4,462	507	321	711	1,605	11	7,617
Net other income	221	25	-8	77	554	-11	858
Total operating income	20,613	16,798	5,169	3,304	4,173	78	50,134
<i>of which internally generated</i>	-1,620	2	178	1,173	189	78	
Staff costs	-4,293	-3,372	-856	-860	-5,294	15	-14,660
Other expenses	-5,186	-3,979	-1,123	-706	4,465	-93	-6,623
Depreciation, amortisation and impairment of tangible and intangible assets	-69	-68	-30	-21	-1,475		-1,662
Total operating expenses	-9,548	-7,418	-2,009	-1,587	-2,304	-78	-22,945
Gains less losses on disposals of tangible and intangible assets	1	-4	2		-1		-2
Net expected credit losses	-1,812	-393	-58	-1	-22	-7	-2,294
Operating profit before items affecting comparability	9,254	8,983	3,104	1,715	1,846	-7	24,894
Items affecting comparability							
OPERATING PROFIT	9,254	8,983	3,104	1,715	1,846	-7	24,894
Business equity, SEK bn	67.9	44.9	10.8	5.4			
Return on business equity, %	10.4	15.3	24.7	29.4			
Risk exposure amount, SEK bn	380	225	83		57		746
Lending to the public ²⁾ , SEK bn	661	823	157		13		1,653
Deposits from the public ²⁾ , SEK bn	531	457	153		16		1,157
Income statement, 2018							
Interest income	19,620	12,447	3,049	4	16,865	-12,685	39,299
Interest expense	-11,409	-2,974	-211	-32	-16,356	12,706	-18,277
Net interest income	8,211	9,473	2,837	-28	509	21	21,022
Fee and commission income	10,956	7,182	2,091	3,752	6,525	-6,488	24,018
Fee and commission expense	-4,523	-1,712	-642	-1,097	-4,132	6,453	-5,654
Net fee and commission income	6,433	5,470	1,449	2,655	2,393	-35	18,364
Net financial income	3,384	429	257	953	1,026	31	6,079
Net other income	309	47	-21	-8	91	-16	402
Total operating income	18,337	15,418	4,522	3,572	4,018	1	45,868
<i>of which internally generated</i>	-1,765	-140	151	1,178	575	1	
Staff costs	-3,858	-3,353	-811	-1,017	-4,982	17	-14,004
Other expenses	-4,990	-3,735	-1,021	-615	3,178	-18	-7,201
Depreciation, amortisation and impairment of tangible and intangible assets	-55	-58	-53	-20	-549		-735
Total operating expenses	-8,903	-7,146	-1,885	-1,653	-2,353	-1	-21,940
Gains less losses on disposals of tangible and intangible assets	1		19		-2		18
Net expected credit losses	-702	-427	-55	-2	25	-5	-1,166
Operating profit before items affecting comparability	8,733	7,845	2,600	1,917	1,689	-5	22,779
Items affecting comparability					4,506		4,506
OPERATING PROFIT	8,733	7,845	2,600	1,917	6,195	-5	27,285
Business equity, SEK bn	63.8	42.4	9.6	5.8			
Return on business equity, %	10.3	13.9	22.4	29.4			
Risk exposure amount, SEK bn	360	220	82		57		716
Lending to the public ²⁾ , SEK bn	600	781	148		13		1,547
Deposits from the public ²⁾ , SEK bn	473	421	138		16		1,108

1) Profit and loss from associated companies accounted for under the equity method are recognised in Net other income at an amount of SEK 125m (152). The aggregated investments are SEK 386m (295).

2) Excluding repos.

Financial statements – Notes

Note 2 continued Operating segments

Balance sheet

	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & Group functions	Eliminations	Total
2019							
Assets	1,736,081	901,082	192,812	363,773	2,685,806	-3,022,907	2,856,648
Liabilities	1,654,920	846,973	178,540	356,631	2,686,796	-3,022,907	2,700,947
Investments	58	64	185	77	775		1,159
2018							
Assets	1,407,180	857,821	176,175	313,838	2,439,209	-2,626,706	2,567,516
Liabilities	1,330,962	806,043	164,108	305,100	2,439,233	-2,626,706	2,418,727
Investments	71	51	161	337	756		1,376

Parent company business segments

	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & Group functions	Eliminations	Total
2019							
Gross income	38,950	18,972	24	133	8,851		66,930
Assets	1,630,351	817,092	9	180	1,582,791	-1,711,752	2,318,672
Investments	54	35			728		817
2018							
Gross income	32,989	15,735	13	132	18,091		66,960
Assets	1,306,705	774,421	51	296	1,430,912	-1,434,110	2,078,275
Investments	66	47			751		865

Business segment

The Business segments are presented on a management reporting basis. The different divisions assist different groups of customers. The customers' demands decide the type of products that are offered. Large Corporates & Financial Institutions offers wholesale and investment banking services to large corporations and institutions. Corporate & Private Customers offers products and private banking services mainly to retail customers (private customers and

small and medium-sized corporates). Division Baltic offers products mainly to retail customers (private customers and small and medium-sized corporates) and private banking services in the Baltic countries. Division Life offers life, sickness, healthcare and pension insurance. Investment Management performs asset management. Group functions consists of business support units, treasury and staff units and German run-off operations. Eliminations of internal transactions between the business segments are reported separately.

Gross income by product for external customers

	Group		Parent company	
	2019	2018	2019	2018
Core banking	42,695	38,699	31,883	28,212
Capital market	15,004	11,665	14,164	10,844
Asset management	8,374	8,681	2,154	2,227
Life insurance and pension	2,463	2,832		
Other	5,838	7,921	18,729	25,678
TOTAL	74,374	69,799	66,930	66,960

Core banking consists of loan, leasing, card and payment related products. Capital market consists of trading and issues on financial markets. Asset management consists of advisory, custody and fund management. Life insurance and

pension consists of unit-linked and traditional life insurance products. Other consists of income from treasury operations and other activities.

3 Geographical information

Group by country	2019					2018				
	Gross Income ¹⁾	Operating profit ²⁾	Income tax expense ³⁾	Assets	Investments	Gross Income ¹⁾	Operating profit ²⁾	Income tax expense ³⁾	Assets	Investments
Sweden	50,658	14,151	-2,564	2,486,380	839	46,119	17,533	-1,882	2,197,181	930
Norway	8,817	1,994	-456	149,486	5	7,453	2,105	-502	117,872	24
Denmark	2,907	1,590	-332	160,764	5	3,724	1,450	-306	168,226	
Finland	1,899	953	-189	103,513	9	2,333	1,118	-209	69,612	13
Estonia	2,164	1,288	-181	67,199	85	1,900	1,035	-349	62,327	60
Latvia	1,455	542	-22	42,098	39	1,299	461		38,532	52
Lithuania	2,855	1,565	-252	90,946	103	2,522	1,328	-191	81,194	90
Germany	2,549	898	-361	66,927	1	2,881	599	-329	98,244	5
United Kingdom	2,374	725	-203	91,654	2	1,802	555	-138	84,817	7
United States ⁴⁾	7,845	131	-26	211,987	5	6,461	142	-16	192,876	
Ireland	646	234	-21	78,118	9	561	155	-20	68,698	176
Luxembourg	1,533	452	-8	44,956	12	1,539	531	-101	41,291	3
China	954	119	-34	27,269	10	646	139	-53	25,537	
Singapore	593	103	-28	25,518	2	755	17	-17	30,424	10
Russia	565	51	-19	6,869	2	464	36	-16	6,666	4
Poland	143	51	-14	5,320	2	168	55	-16	5,398	2
Hong Kong	199	34	0	4,550		184	40		3,770	
Ukraine	84	15	-6	640	3	67	16	-5	600	1
Netherlands	0	0		0		-14	-14		11	
Group eliminations	-13,869	-1	0	-807,546	27	-11,066	-18		-725,758	1
TOTAL	74,374	24,894	-4,717	2,856,648	1,159	69,799	27,285	-4,152	2,567,516	1,376

1) Gross income in the group is defined as the sum of Interest income, Fee and commission income, Net financial income and Net other income according to IFRS. The basis for the income allocation is SEB's presence in each country, with the exception of when the local companies / branches serve as sales offices and receive commission payments and the transaction is booked in the central unit.

2) Before tax.

3) For more information about tax see note 15.

4) Including Cayman Islands, where the parent company is represented by a branch office which is a United States tax resident entity, why tax expense related to Cayman income is reported in US.

Parent company by country

	2019			2018		
	Gross Income ¹⁾	Assets	Investments	Gross Income ¹⁾	Assets	Investments
Sweden	48,196	1,951,994	768	49,619	1,729,789	814
Norway	3,657	75,122	5	3,558	63,783	24
Denmark	2,264	117,040	5	1,954	99,081	
Finland	1,588	73,613	7	1,550	42,899	11
Other countries	11,225	100,903	32	10,279	142,723	16
TOTAL	66,930	2,318,672	817	66,960	2,078,275	865

1) Gross income in the parent company is defined as the sum of Interest income, Leasing income, Dividends, Fee and commission income, Net Financial income and Other income. The basis for the income allocation is SEB's presence in each country, with the exception of when the local companies / branches serve as sales offices and receive commission payments and the transaction is booked in the central unit.

Transfer pricing

The internal transfer pricing objective in the SEB Group is to measure net interest income, to transfer interest rate risk and liquidity and to manage liquidity.

The internal price is based on SEB's actual or implied market-based cost of funds for a specific interest and liquidity term. Transactions between Business segments are conducted at arm's length.

4 Net interest income

2019	Group			Parent company		
	Average balance	Interest	Interest rate	Average balance	Interest	Interest rate
Loans to credit institutions and central banks	288,257	2,148	0.75%	314,319	2,044	0.65%
Loans to the public	1,618,642	32,831	2.03%	1,404,225	26,889	1.91%
Debt securities	15,902	238	1.50%	17,280	261	1.51%
Total interest earning assets AmC	1,922,801	35,217	1.83%	1,735,824	29,195	1.68%
Debt securities	239,277	3,391	1.42%	194,677	3,246	1.67%
Loans	176,085	-218	-0.12%	176,154	-218	-0.12%
Total interest earning assets at FVTPL	415,362	3,173	0.76%	370,830	3,028	0.82%
Total interest earning assets	2,338,163	38,390	1.64%	2,106,655	32,223	1.53%
Derivatives and other assets	557,828	3,333		282,662	2,603	
TOTAL ASSETS	2,895,991	41,722		2,389,317	34,826	
Deposits from credit institutions	134,495	-1,228	-0.91%	184,329	-1,741	-0.94%
Deposits and borrowing from the public	1,160,495	-5,292	-0.46%	978,624	-4,449	-0.45%
Debt securities issued	807,545	-12,934	-1.60%	807,470	-12,934	-1.60%
Subordinated liabilities	37,601	-1,373	-3.65%	37,567	-1,373	-3.66%
Total interest bearing liabilities AmC	2,140,135	-20,828	-0.97%	2,007,989	-20,497	-1.02%
Deposits	38,280	152	0.40%	30,024	432	1.44%
Debt securities short position	34,235	-856	-2.50%	34,235	-856	-2.50%
Debt securities issued	19,680	-810	-4.12%	19,508	-810	-4.15%
Total interest bearing liabilities at FVTPL	92,196	-1,515	-1.64%	83,767	-1,234	-1.47%
Total interest bearing liabilities	2,232,331	-22,343	-1.00%	2,091,756	-21,732	-1.04%
Derivatives and other liabilities	516,733	3,571		189,736	4,515	
Equity	146,927			107,825		
TOTAL LIABILITIES AND EQUITY	2,895,991	-18,772		2,389,317	-17,217	
NET INTEREST INCOME		22,950			17,610	
NET YIELD ON INTEREST EARNING ASSETS			0.98%			0.84%

2018

Loans to credit institutions and central banks	363,075	2,822	0.78%	409,394	2,568	0.63%
Loans to the public	1,516,485	29,790	1.96%	1,302,034	24,062	1.85%
Debt securities	19,164	294	1.54%	18,020	326	1.81%
Total interest earning assets AmC	1,898,724	32,907	1.73%	1,729,447	26,956	1.56%
Debt securities	179,560	2,680	1.49%	154,391	2,529	1.64%
Loans	100,609	-551	-0.55%	100,702	-552	-0.55%
Total interest earning assets at FVTPL	280,169	2,128	0.76%	255,093	1,976	0.77%
Total interest earning assets	2,178,894	35,035	1.61%	1,984,540	28,932	1.46%
Derivatives and other assets	637,597	4,264		317,683	3,616	
TOTAL ASSETS¹⁾	2,816,491	39,299		2,302,224	32,548	
Deposits from credit institutions	135,823	-1,253	-0.92%	186,993	-1,647	-0.88%
Deposits and borrowing from the public	1,156,434	-5,414	-0.47%	985,460	-4,245	-0.43%
Debt securities issued	682,160	-10,714	-1.57%	679,711	-10,714	-1.58%
Subordinated liabilities	34,025	-1,220	-3.59%	34,025	-1,220	-3.59%
Total interest bearing liabilities AmC	2,008,442	-18,602	-0.93%	1,886,190	-17,826	-0.95%
Deposits	31,221	132	0.42%	23,307	490	2.10%
Debt securities short position	24,195	-721	-2.98%	24,195	-721	-2.98%
Debt securities issued	23,533	-830	-3.53%	21,509	-829	-3.86%
Total interest bearing liabilities at FVTPL	78,949	-1,419	-1.80%	69,011	-1,060	-1.54%
Total interest bearing liabilities	2,087,392	-20,020	-0.96%	1,955,201	-18,886	-0.97%
Derivatives and other liabilities	587,357	1,743		246,390	2,542	
Equity	141,742			100,631		
TOTAL LIABILITIES AND EQUITY¹⁾	2,816,491	-18,277		2,302,223	-16,344	
NET INTEREST INCOME		21,022			16,204	
NET YIELD ON INTEREST EARNING ASSETS			0.96%			0.82%

1) The presentation between Interest Income and Interest Expense of financing costs has been aligned with the group presentation. The movement amounted to SEK 5,523m for 2018.

Net interest income

	Parent company	
	2019	2018
Interest income	34,826	32,548
Income from leases ¹⁾	5,792	5,656
Interest expense	-17,217	-16,344
Depreciation of leased equipment ¹⁾	-5,082	-4,985
TOTAL	18,320	16,877

1) In the group Net income from leases is classified as interest income. In the parent company depreciation of leased equipment is reported as Depreciation, amortisation and impairment of tangible and intangible assets.

5 Net fee and commission income

	Group		Parent company	
	2019	2018	2019	2018
Issue of securities	720	451	1,069	745
Secondary market	1,645	1,758	1,161	1,342
Custody and mutual funds	7,782	8,082	3,554	3,654
Securities commissions	10,147	10,291	5,784	5,742
Payments	2,085	1,968	1,707	1,667
Card fees	4,214	3,986	581	545
Payment commissions	6,299	5,955	2,288	2,212
Life insurance commissions	1,741	1,848		
Advisory	592	599	560	585
Lending	2,869	2,527	2,752	2,413
Deposits	305	293	53	61
Guarantees	608	598	600	573
Derivatives	403	421	493	501
Other	1,211	1,486	1,012	1,194
Other commissions	5,988	5,924	5,471	5,328
Fee and commission income	24,176	24,018	13,544	13,281
Securities commissions	-1,968	-2,071	-1,462	-1,446
Payment commissions	-2,204	-2,104	-703	-838
Life insurance commissions	-543	-565		
Other commissions	-753	-914	-918	-934
Fee and commission expense	-5,467	-5,654	-3,083	-3,218
Securities commissions, net	8,179	8,220	4,322	4,296
Payment commissions, net	4,096	3,851	1,586	1,375
Life insurance commissions, net	1,198	1,283		
Other commissions, net	5,236	5,010	4,554	4,393
TOTAL	18,709	18,364	10,461	10,064

Fee and commission income by segment

	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & Group functions ¹⁾	Eliminations	Total
Group, 2019							
Issue of securities and advisory	1,258	35	18		2		1,312
Secondary market and derivatives	1,596	431	20				2,047
Custody and mutual funds	3,369	1,615	190	168	6,025	-3,585	7,782
Payments, cards, lending, deposits, guarantees and other	4,688	5,160	2,088	222	473	-1,338	11,293
Life insurance commissions				3,246		-1,504	1,741
TOTAL	10,911	7,240	2,317	3,636	6,499	-6,428	24,176
Group, 2018							
Issue of securities and advisory	996	35	17		2		1,050
Secondary market and derivatives	1,694	465	22		-1		2,179
Custody and mutual funds	3,519	1,700	192	167	6,122	-3,618	8,082
Payments, cards, lending, deposits, guarantees and other	4,747	4,982	1,861	214	402	-1,347	10,858
Life insurance commissions				3,371		-1,523	1,848
TOTAL	10,956	7,182	2,091	3,752	6,525	-6,488	24,018

1) Group functions consists of business support units, treasury and staff units and German run-off operations.

Fee and commission income is disaggregated in major types of service tied to primary geographical markets and operating segments.

Revenue from Issue of securities, Advisory, Secondary market, Derivatives,

Payments, cards, lending and deposits are mainly recognised at a point in time.

Revenue from Custody, Mutual funds and Life insurance commissions are mainly recognised over time.

6 Net financial income

	Group		Parent company	
	2019	2018	2019	2018
Equity instruments and related derivatives	2,628	637	2,091	398
Debt instruments and related derivatives	-37	636	-2,506	1,408
Currency and related derivatives	4,119	3,580	3,520	3,209
Other life insurance income, net	722	984		
Other	185	242	2,733	-441
TOTAL	7,617	6,079	5,838	4,574

Gains (losses) on financial assets and liabilities held for trading are presented on different rows based on type of underlying financial instrument. Changes in the treasury result are due to changes in interest rates and credit spreads. The net effect from trading operations is fairly stable over time, but shows volatility

between rows. There were effects from structured products offered to the public in the amounts of approximately SEK 1,120m (1,340) in equity related derivatives and a corresponding effect in debt securities of SEK -340m (-640).

	Group		Parent company	
	2019	2018	2019	2018
Derivatives – counterparty risk	26	-147	-17	-173
Derivatives – own credit standing	-27	27	23	46
TOTAL	-1	-119	7	-127

Group, 2019	FVHFT	FVMPL	FVDPL	Other life insurance income, net	Total
Equity instruments and related derivatives	1,218	1,410			2,628
Debt instruments and related derivatives	2,136	722	-2,895		-37
Currency and related derivatives	4,119				4,119
Other life insurance income, net				722	722
Other	185				185
TOTAL	7,658	2,132	-2,895	722	7,617

Group, 2018	FVHFT	FVMPL	FVDPL	Other life insurance income, net	Total
Equity instruments and related derivatives	100	537			637
Debt instruments and related derivatives	-1,233	-184	2,054		636
Currency and related derivatives	3,580				3,580
Other life insurance income, net				984	984
Other	242				242
TOTAL	2,688	352	2,054	984	6,079

Parent company, 2019	FVHFT	FVMPL	FVDPL	Total
Equity instruments and related derivatives	1,085	1,006		2,091
Debt instruments and related derivatives	-368	669	-2,806	-2,506
Currency and related derivatives	3,572			3,572
Other	2,733			2,733
TOTAL	7,020	1,675	-2,806	5,889

Parent company, 2018	FVHFT	FVMPL	FVDPL	Total
Equity instruments and related derivatives	106	292		398
Debt instruments and related derivatives	-525	-60	1,994	1,408
Currency and related derivatives	3,209			3,209
Other	-441			-441
TOTAL	2,348	232	1,994	4,574

7 Net other income

	Group		Parent company	
	2019	2018	2019	2018
Dividends ¹⁾	3	73		
Investments in associates	125	152		
Gains less losses from investment securities	-86	-275	890	1,175
Gains less losses from tangible assets ²⁾			19	20
Gains less losses from divestment of shares	259	31		
Other income	558	421	853	576
TOTAL	858	402	1,762	1,770

1) Reported separately in the Income Statement for parent company.

2) See note 11 for the group.

Dividends

	2019	2018	2019	2018
Equity instruments	3	73	122	217
Investments in associates				9
Dividends from subsidiaries			5,046	8,904
TOTAL	3	73	5,168	9,130

Gains less losses from investment securities

	2019	2018	2019	2018
Equity instruments		87	276	8
Debt securities				
Buy back liabilities ²⁾	1	2	614	1,167
Gains	1	90	890	1,175
Equity instruments		-87		
Debt securities				
Loans ¹⁾		-157		
Buy back liabilities ²⁾	-87	-121		
Losses	-87	-365		
TOTAL	-86	-275		1,175

1) Loans at amortised cost (AmC) were realised 2018 as preparation activities related to the wind down of DSK Hyp AG (former SEB AG).

2) Liabilities at amortised cost (AmC) are realised as preparation activities related to the wind down of DSK Hyp AG (former SEB AG) and active liability management.

Other income

	2019	2018	2019	2018
Fair value adjustment in hedge accounting	55	33	62	-63
Operating result from non-life insurance, run off	178	210		
Other income	325	178	792	638
TOTAL	558	421	853	576

Fair value adjustment in hedge accounting

	2019	2018	2019	2018
Fair value changes of the hedged items attributable to the hedged risk	-1,384	125	-1,384	126
Fair value changes of the hedging derivatives	1,423	-167	1,423	-168
Amortisation of discontinued hedge items		-21		
Fair value hedges	39	-63	39	-42
Fair value changes of the hedging derivatives	-4	-13	-4	-13
Cash-flow hedges – ineffectiveness	-4	-13	-4	-13
Fair value changes of the hedged items	-458	5	-458	5
Fair value changes of the hedging derivatives	485	-12	485	-12
Amortisation of discontinued hedge items	-7	116		
Fair value portfolio hedge of interest rate risk – ineffectiveness	20	109	27	-7
TOTAL	55	33	62	-63

8 Staff costs

	Group		Parent company	
	2019	2018	2019	2018
Base salary	-8,661	-8,200	-6,338	-5,868
Cash-based variable remuneration	-725	-635	-566	-487
Long-term equity-based remuneration	-649	-596	-547	-455
Salaries and other compensations	-10,035	-9,432	-7,451	-6,810
Social charges	-2,568	-2,553	-1,981	-1,886
Defined benefit retirement plans ¹⁾	-409	-395		4
Defined contribution retirement plans ¹⁾	-944	-867	-718	-644
Benefits and redundancies ²⁾	-178	-282	-122	-207
Education and other staff related costs	-525	-474	-412	-359
TOTAL	-14,660	-14,004	-10,684	-9,902

1) Pension costs in the Group are accounted for according to IAS 19 Employee benefits. Pension costs in the parent company are calculated in accordance with the Act on Safeguarding Pensions Obligations and the Swedish Financial Supervisory Authority's regulations. Non-recurring costs of SEK 98m (95m) for early retirement have been charged to the pension funds of the bank.

2) Includes costs for redundancies of SEK 115m (201) for the group and SEK 79m (160) for the parent company.

8a Remuneration

Presented in note 8a is the statement of remuneration for the Consolidated situation and significant units within the Group according to Regulation on prudential requirements for credit institutions and investment firms. In the

SEB Group 984 (974) positions are defined as Identified Staff. SEB has chosen to include the remuneration also in the insurance operations that are not part of the Financial group of undertakings but part of the SEB Group.

Remuneration by division

	Group				Parent company			
	Fixed ¹⁾		Variable ¹⁾		Fixed ¹⁾		Variable ¹⁾	
	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs
2019								
Large Corporates & Financial Institutions	-2,736	2,057	-730	1,989	-2,604	1,990	-693	1,922
Corporate & Private Customers	-2,426	3,564	-170	3,557	-1,723	2,893	-137	2,886
Baltic	-646	2,350	-64	2,350				
Life	-617	1,046	-44	1,040				
Investment Management & Group functions ²⁾	-3,768	5,922	-367	5,825	-2,877	4,584	-283	4,487
TOTAL	-10,193	14,939	-1,374	14,761	-7,204	9,467	-1,113	9,295
whereof collective variable pay ³⁾			-590	14,761				9,295
2018								
Large Corporates & Financial Institutions	-2,521	1,986	-580	1,919	-2,251	1,895	-571	1,828
Corporate & Private Customers	-2,394	3,596	-196	3,588	-1,564	2,904	-156	2,895
Baltic	-541	2,377	-69	2,377				
Life	-745	1,146	-47	1,138				
Investment Management & Group functions ²⁾	-3,544	5,647	-338	5,550	-2,905	4,271	-215	4,172
TOTAL	-9,745	14,751	-1,231	14,570	-6,720	9,071	-942	8,896
whereof collective variable pay ³⁾			-487	14,570				8,896

Financial statements – Notes

Note 8 a continued Remuneration

2019	SEB Pank AS, Estonia				SEB Banka AS, Latvia			
	Fixed ¹⁾		Variable ¹⁾		Fixed ¹⁾		Variable ¹⁾	
	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs
Baltic	-181	703	-20	703	-144	617	-15	617
Other ⁴⁾	-106	312	-17	312	-59	216	-7	216
TOTAL	-286	1,015	-37	1,015	-204	833	-22	833
2018								
Baltic	-165	706	-20	706	-163	621	-16	621
Other ⁴⁾	-96	312	-16	312	-72	229	-6	229
TOTAL	-261	1,018	-36	1,018	-235	850	-21	850

2019	SEB bankas AB, Lithuania			
	Fixed ¹⁾		Variable ¹⁾	
	Remuneration	FTEs	Remuneration	FTEs
Baltic	-299	1,012	-25	1,012
Other ⁴⁾	-150	431	-12	431
TOTAL	-450	1,443	-37	1,443
2018				
Baltic	-216	1,020	-28	1,020
Other ⁴⁾	-97	384	-9	384
TOTAL	-313	1,404	-38	1,404

1) Variable pay is defined as short-term cash-based remuneration and long-term equity-based remuneration. All other remuneration is reported as fixed remuneration and includes: base pay, pensions, severance pay, fees and benefits such as e.g. company car and domestic services, in accordance with FFFS 2011:1. The reported remuneration does not include social charges.

2) Including Life, Investment Management & Group functions and Baltic in the parent company.

3) Collective short-term and long-term remuneration. Collective short-term and long-term remuneration compared to expected outcome is reported in Other.

4) Including Life, Investment Management & Group functions in Baltic countries. In Lithuania also Large Corporates & Financial Institutions are included.

Remuneration by category

2019	Group						Parent company					
	Remuneration			FTEs			Remuneration			FTEs		
	Identified Staff ⁶⁾	Other employees	Total	Identified Staff ⁶⁾	Other employees	Total	Identified Staff ⁶⁾	Other employees	Total	Identified Staff ⁶⁾	Other employees	Total
Fixed remuneration ¹⁾	-1,258	-8,935	-10,193	930	14,009	14,939	-1,030	-6,174	-7,204	740	8,727	9,467
Variable pay ¹⁾	-336	-1,038	-1,374	541	14,220	14,761	-295	-818	-1,113	469	8,826	9,295
whereof:												
Short-term cash-based	-136	-588	-725				-123	-443	-566			
Long-term equity-based ²⁾	-200	-449	-649				-172	-402	-574			
Deferred variable pay ³⁾	-232	-417	-649				-204	-371	-574			
Accrued and paid remuneration ⁴⁾	-1,594	-9,973	-11,567				-1,326	-6,992	-8,318			
Severance pay ⁵⁾			-122			294			-86			160
Agreed not yet paid severance pay			-521			219			-190			101
Highest single amount			-3						-3			
2018												
Fixed remuneration ¹⁾	-1,161	-8,584	-9,745	908	13,843	14,751	-632	-6,087	-6,720	537	8,534	9,071
Variable pay ¹⁾	-342	-889	-1,231	571	13,999	14,570	-173	-768	-942	336	8,560	8,896
whereof:												
Short-term cash-based	-146	-489	-635				-65	-422	-487			
Long-term equity-based ²⁾	-195	-400	-596				-108	-347	-455			
Deferred variable pay ³⁾	-232	-364	-596				-124	-331	-455			
Accrued and paid remuneration ⁴⁾	-1,532	-9,444	-10,976				-816	-6,845	-7,661			
Severance pay ⁵⁾			-209			491			-166			237
Agreed not yet paid severance pay			-301			284			-274			218
Highest single amount			-8						-8			

Financial statements – Notes

Note 8a continued Remuneration

2019	SEB Pank AS, Estonia						SEB Banka AS, Latvia					
	Remuneration			FTEs			Remuneration			FTEs		
	Identified Staff ⁶⁾	Other employees	Total	Identified Staff ⁶⁾	Other employees	Total	Identified Staff ⁶⁾	Other employees	Total	Identified Staff ⁶⁾	Other employees	Total
Fixed remuneration ¹⁾	-19	-267	-286	23	992	1,015	-13	-191	-204	18	815	833
Variable pay ¹⁾	-3	-34	-37	9	1,006	1,015	-1	-21	-22	6	827	833
whereof:												
Short-term cash-based		-18	-18					-11	-11			
Long-term equity-based ²⁾	-3	-16	-19				-1	-10	-11			
Deferred variable pay ³⁾	-3	-16	-19				-1	-10	-11			
Accrued and paid remuneration ⁴⁾	-22	-301	-323				-14	-200	-215			
Severance pay ⁵⁾			-1			14			-1			19
2018												
Fixed remuneration ¹⁾	-15	-246	-261	21	997	1,018	-11	-224	-235	16	834	850
Variable pay ¹⁾	-2	-34	-36	9	1,009	1,018	-1	-20	-21	11	839	850
whereof:												
Short-term cash-based		-17	-17					-9	-9			
Long-term equity-based ²⁾	-2	-17	-19				-1	-11	-13			
Deferred variable pay ³⁾	-2	-14	-16				-1	-12	-13			
Accrued and paid remuneration ⁴⁾	-18	-279	-297				-12	-245	-257			
Severance pay ⁵⁾			-2			19			-9			86

2019	SEB bankas AB, Lithuania					
	Remuneration			FTEs		
	Identified Staff ⁶⁾	Other employees	Total	Identified Staff ⁶⁾	Other employees	Total
Fixed remuneration ¹⁾	-24	-426	-450	22	1,421	1,443
Variable pay ¹⁾	-3	-35	-37	8	1,435	1,443
whereof:						
Short-term cash-based		-19	-19			
Long-term equity-based ²⁾	-3	-15	-18			
Deferred variable pay ³⁾	-3	-15	-18			
Accrued and paid remuneration ⁴⁾	-26	-461	-487			
Severance pay ⁵⁾			-4			37
2018						
Fixed remuneration ¹⁾	-20	-293	-313	22	1,382	1,404
Variable pay ¹⁾	-3	-35	-38	5	1,399	1,404
whereof:						
Short-term cash-based		-15	-15			
Long-term equity-based ²⁾	-3	-20	-23			
Deferred variable pay ³⁾	-3	-20	-23			
Accrued and paid remuneration ⁴⁾	-23	-328	-351			
Severance pay ⁵⁾			-12			78

1) Variable pay is defined as short-term cash-based remuneration and long-term equity-based remuneration. All other remuneration is reported as fixed remuneration and includes: base pay, pensions, severance pay, fees and benefits such as e.g. company car and domestic services, in accordance with FFFS 2011:1. The reported remuneration does not include social security charges.

2) Long-term equity based remuneration encompasses three different programmes; All Employee Programme, Share Deferral Programme and Restricted Share Programme.

3) The deferred variable pay is locked the first year. Short-term cash-based remuneration can thereafter be paid pro rata over three years after a possible risk adjustment.

Long-term equity-based programmes are locked for a minimum of three years or paid out pro rata depending on programme.

4) In Accrued and paid remuneration amounts paid within the first quarter after the accrual is included. Deferred variable pay has been subject to risk adjustment.

5) The amount also includes sign-on payments.

6) Employees with material impact on SEB's risk profile, in accordance with FFFS 2011:1.

Loans to Executives

	Group		Parent company	
	2019	2018	2019	2018
Managing Directors and Deputy Managing Directors ¹⁾	120	102	46	27
Boards of Directors ²⁾	361	342	117	126
TOTAL	482	444	163	153

1) Comprises current President and Deputy President in the parent company and Managing Directors and Deputy Managing Directors in subsidiaries. Total number of executives was 39 (39) of which 10 (11) female.

2) Comprises current Board members and their substitutes in the parent company and subsidiaries. Total number of persons was 127 (128) of which 37 (34) female.

Pension commitments to Executives

Pension disbursements made	97	101	75	77
Change in commitments	27	32	11	15
Commitments at year-end	1,381	1,359	817	825

The above commitments are covered by the bank's pensions funds or through Bank-owned endowment assurance schemes. They include active and retired

Presidents and vice Presidents in the parent company and Managing directors and Deputy Managing directors in subsidiaries, in total 92 persons (91).

8b Pensions

Retirement benefit obligations

The group has established pension schemes in the countries where business is performed. There are both defined benefit plans and defined contribution plans. The major pension schemes are final salary defined benefit plans and are funded. The defined benefit plan in Sweden is closed to new employees and a defined contribution plan was established during 2013. In Germany a major part was transferred from SEB in 2018. The defined contribution plans follow the local regulations in each country. Multiemployer defined benefit plans exist for employees in some parts of the group. These plans are accounted for as defined contribution plans since sufficient information of SEB's share of the liability/asset and cost is not available.

Defined benefit plans

The major defined benefit plans exist in Sweden and Germany and cover most employees in these countries. Independent actuarial calculations according to the Projected Unit Credit Method (PUCM) are performed quarterly to decide the value of the defined benefit obligation. The benefits covered include retirement benefits, disability, death and survivor pensions according to the respec-

tive countries' collective agreements. The plan assets are kept separate in specific pension foundations. In case of a deficit in the pension obligation according to local rules SEB is obliged to meet this with contribution to the foundation or insure a deficit. The asset allocation is determined to meet the various risks in the pension obligations and is decided by the board/trustees in the pension foundations. The assets are booked at market value. The pension and interest costs are presented in Staff costs.

Defined contribution plans

Defined contribution plans exist both in Sweden and abroad. In Sweden a smaller part of the closed collective retirement agreement is defined contribution based. Over a certain salary level the employees could also choose to leave the defined benefit plan and replace it by a defined contribution plan. The current plan for new employees is fully contribution based. Most other countries have defined contribution plans except for the Baltic countries where the company to a limited extent contributes to the employees retirement. The defined contribution plans are not recognised in the balance sheet but accounted for as an expense among Staff costs.

DEFINED BENEFIT PLANS IN SEB GROUP

Net amount recognised in the Balance sheet	2019			2018		
	Sweden ¹⁾	Foreign ¹⁾	Group ¹⁾	Sweden ¹⁾	Foreign ¹⁾	Group ¹⁾
Defined benefit obligation at the beginning of the year	25,436	1,245	26,682	24,372	6,448	30,820
Curtailment, acquisitions and reclassification ²⁾		-653	-653		-5,371	-5,371
Service costs	472	7	479	494	15	509
Interest costs	506	8	514	533	47	580
Benefits paid	-791	-5	-795	-772	-148	-920
Exchange differences		-14	-14		84	84
Remeasurements of pension obligation	5,248	416	5,664	809	172	981
Defined benefit obligation at the end of the year	30,872	1,005	31,876	25,436	1,245	26,682
Fair value of plan assets at the beginning of the year	29,541	818	30,359	29,652	5,123	34,775
Curtailment, acquisitions and reclassification ²⁾		-158	-158		-4,263	-4,263
Calculated interest on plan assets	583	0	583	644	49	694
Benefits paid/contributions	-766	5	-761	-751		-751
Exchange differences		-24	-24		-36	-36
Valuation gains (losses) on plan assets	7,059	3	7,062	-5	-54	-59
Fair value of plan assets at the end of the year	36,417	645	37,062	29,541	818	30,359

Change in the net assets or net liabilities

Defined benefit obligation at the beginning of the year	4,104	-427	3,677	5,280	-1,325	3,955
Curtailment, acquisitions and reclassification		495	495		1,108	1,108
Total expense in staff costs	-394	-15	-409	-383	-13	-395
Pension paid	791	5	796	772	148	920
Benefits paid/contributions	-766		-766	-751		-751
Exchange differences		-5	-5		-120	-120
Remeasurements	1,811	-413	1,398	-814	-226	-1,040
NET AMOUNT RECOGNISED IN THE BALANCE SHEET	5,545	-359	5,186	4,104	-427	3,677

1) The net defined benefit obligation is recognised in the balance sheet either as an asset or liability depending on the situation for each legal entity.

2) Pension obligations and plan assets under the defined benefit plan in DSK Hyp AG (former SEB AG), have been transferred to Versicherungsverein des Bankgewerbes a.G (BVV) in 2019.

In 2019 a contribution of SEK 7m (15) was paid to the German pension foundation. Contribution to the foundations cannot be ruled out in 2020 due to uncertainty in interest rate levels.

Financial statements – Notes

Note 8 b continued Pensions

Principal actuarial assumptions used

	2019		2018	
	Sweden	Foreign	Sweden	Foreign
Discount rate	1.1%	1.4%	2.0%	2.0%
Inflation rate	1.5%	1.8%	1.5%	1.8%
Expected rate of salary increase	3.5%	2.5%	3.5%	2.5%
Expected rate of increase in the income basis amount	3.0%		3.0%	

The discount rate is based set on high-quality corporate bonds in a deep market, in Sweden covered bonds which are at least AAA-rated. An extrapolation of the maturity of the covered bonds is made based on swaps. This extrapolated maturity is in line with the estimated maturity of obligations for post-employment benefits. Life expectancy assumptions in Sweden are established by the Actuarial Research Board (FTN) and are based on DUS14 for white-collar workers. In Germany the Heubeck Sterbetafeln is used. Weighted average duration for the obligation is 23 years in Sweden and 14 years in Germany.

A decrease of the discount rate for Sweden of 0.5 per cent would imply an increase of the Swedish pension obligation by SEK 3,472m while the same change in the inflation assumption for Sweden would have the opposite effect and decrease the obligation by SEK 2,613m. An increase of the discount rate by same ratio would reduce the obligation with SEK 2,978m and an increased in-

flation rate of 0.5 per cent gives an increased obligation of SEK 3,067m. A decrease in assumption for expected salary increase in Sweden of 0.5 per cent would have a positive effect on the obligation by SEK 348m an increase would have a negative effect of SEK 423m.

The obligation in Germany would increase with SEK 62m if the discount rate was reduced by 0.5 per cent. An increase by the same percentage would decrease the obligation by SEK 54m. If the inflation assumption for Germany increases by 0.25 per cent the pension obligation would increase by SEK 9m and corresponding decrease would be SEK 8m at a lower inflation assumption. A change in expected salary increases in Germany by 0.25 per cent would with a higher rate give an increase of the obligation with SEK 24m and with a lower rate reduce the obligation with SEK 24m.

Allocation of plan assets

	2019			2018		
	Sweden	Foreign	Group	Sweden	Foreign	Group
Cash and cash equivalents	1,158	16	1,174	719	198	918
Equity instruments with a quoted market price in an active market	22,619		22,619	17,470		17,470
Equity instruments not listed in an active market	5,562		5,562	4,907		4,907
Debt instruments with a quoted market price in an active market		629	629		620	620
Debt instruments not listed in an active market	4,203		4,203	3,621		3,621
Properties	2,875		2,875	2,824		2,824
TOTAL	36,417	645	37,062	29,541	818	30,359

The pension plan assets include SEB shares with a fair value of SEK 1,418m (1,213). Buildings in Sweden are occupied by SEB.

Amounts recognised in Income statement

	2019			2018		
	Sweden	Foreign	Group	Sweden	Foreign	Group
Service costs	-472	-7	-479	-494	-15	-509
Interest costs	-506	-8	-514	-533	-47	-580
Calculated interest on plan assets	583	0	583	644	49	694
INCLUDED IN STAFF COSTS	-394	-15	-409	-383	-13	-395

Amounts recognised in Other comprehensive income

Remeasurements of pension obligation	-5,248	-416	-5,664	-809	-172	-981
<i>where of experience adjustments</i>	-160	-172	-332	175	-55	119
<i>where of due to changes in financial assumptions</i>	-5,088	-244	-5,332	-984	-116	-1,100
<i>where of due to changes in demographic assumptions</i>						
Valuation gains (losses) on plan assets	7,059	3	7,062	-5	-54	-59
Deferred tax pensions	-373	342	-31	208	-15	194
INCLUDED IN OTHER COMPREHENSIVE INCOME	1,437	-71	1,366	-606	-240	-846

DEFINED CONTRIBUTION PLANS IN SEB GROUP

	2019			2018		
	Sweden	Foreign	Group	Sweden	Foreign	Group
Net amount recognised in Income statement						
Expense in Staff costs including special salary tax	-688	-256	-944	-653	-214	-867

Note 8 b continued Pensions

DEFINED BENEFIT PLANS IN THE PARENT COMPANY

	Parent company	
	2019	2018
Net amount recognised in the Balance sheet		
Defined benefit obligation at the beginning of the year	24,170	24,213
Imputed pensions premium	213	227
Interest costs and other changes	2,776	386
Early retirement	97	95
Pension disbursements	-766	-751
DEFINED BENEFIT OBLIGATION AT THE END OF THE YEAR	26,490	24,170
Fair value of plan assets at the beginning of the year	28,504	28,621
Return on assets	7,375	635
Benefits paid	-766	-751
FAIR VALUE OF PLAN ASSETS AT THE END OF THE YEAR	35,113	28,504

The above defined benefit obligation is calculated according to tryggandelagen. The parent company consequently adopts the discount rate set by the Swedish FSA before year-end. The obligation is fully covered by assets in the pension foundation and is not included in the balance sheet.

The assets in the foundation are mainly equity related SEK 27,172m (21,575)

and to a smaller extent interest earning SEK 5,170m (4,187). The assets include SEB shares at a market value of SEK 1,367m (1,170) and buildings occupied by the company valued at SEK 2,772m (2,742). The return on assets was 26 per cent (2) before pension compensation.

Amounts recognised in Income statement

	Parent company	
	2019	2018
Pension disbursements	-766	-751
Compensation from pension foundations	766	751
TOTAL	0	0

Principal actuarial assumptions used

	2019	2018
Gross interest rate	0.3%	0.7%
Interest rate after tax	0.2%	0.6%

The actuarial calculations are based on salaries and pensions on the balance sheet date.

DEFINED CONTRIBUTION PLANS IN THE PARENT COMPANY

	Parent company	
	2019	2018
Net amount recognised in Income statement		
Expense in Staff costs including special salary tax	-718	-644

Pension foundations

	Pension commitments		Market value of asset	
	2019	2018	2019	2018
SEB-Stiftelsen, Skandinaviska Enskilda Bankens Pensionsstiftelse	26,490	24,170	35,113	28,504
SEB Kort AB:s Pensionsstiftelse	1,080	970	1,304	1,036
TOTAL	27,569	25,140	36,417	29,541

8c Remuneration to the Board and the Group Executive Committee

Guidelines for remuneration

The guidelines for remuneration to the President and the other members of the Group Executive Committee (GEC) were prepared by the Board of Directors and its Remuneration and Human Resources Committee and approved by the Annual General Meeting 2019.

The remuneration structure for the President and the other members of the GEC is in accordance with the remuneration policy for the Bank. No member of the GEC has been entitled to cash based variable remuneration since 2009. Thus, the remuneration is based upon three main components; base pay, equity-

based remuneration and pensions and other benefits. Other benefits may consist of e.g. company car and domestic services.

►► For more information, see page 74–75.

Identified staff

The President and all other members of the GEC are considered employees who have a material impact on SEB's risk profile according to the Swedish Financial Supervisory Authority regulations (FFFS 2011:1).

Remuneration to the Board¹⁾, SEK

	2019				2018			
	Base pay	Directors' fee	Benefits ²⁾	Total	Base pay	Directors' fee	Benefits ²⁾	Total
Chairman of the Board, Marcus Wallenberg		3,935,000		3,935,000	3,745,000			3,745,000
Vice chairman of the Board, Sven Nyman		980,000		980,000	930,000			930,000
Vice chairman of the Board, Jesper Ovesen		1,845,000		1,845,000	1,745,000			1,745,000
Johan H. Andresen		740,000		740,000	700,000			700,000
Signhild Arnegård Hansen		1,127,500		1,127,500	1,087,500			1,087,500
Anne-Catherine Berner		779,167		779,167				
Samir Brikho		1,115,000		1,115,000	1,045,000			1,045,000
Winnie Fok		1,005,000		1,005,000	965,000			965,000
Tomas Nicolin ³⁾					1,240,000			1,240,000
Lars Ottersgård		740,000		740,000				
Helena Saxon		1,165,000		1,165,000	1,125,000			1,125,000
Sara Öhrvall ⁴⁾					350,000			350,000
President and CEO, Johan Torgeby	12,000,000		372,552	12,372,552	11,000,000		345,965	11,345,965
TOTAL	12,000,000	13,431,667	372,552	25,804,219	11,000,000	12,932,500	345,965	24,278,465

1) The number of Board members decided by the AGM in 2019 is eleven (eleven) of which seven (seven) men and four (four) women.

2) Includes benefits such as company car and holiday pay.

3) Resigned as a member of the Board as from the AGM 2019.

4) Sara Öhrvall left the Board 30 June 2018 to take up a position in the SEB Group.

Remuneration to the Group Executive Committee, SEK¹⁾

	2019	2018
Base pay	56,439,324	57,643,578
Benefits ²⁾	1,712,537	2,164,512
TOTAL	58,151,861	59,808,090

1) GEC excluding the President and CEO. The members partly differ between the years but in average eleven (twelve) members are included. At the end of the year the number of members were eleven (twelve) of which eight (nine) men and three (three) women. Additional members are not included.

2) Includes benefits such as company car.

Long-term equity programmes

Under the Share Deferral Programme members of the GEC may be granted an individual number of conditional share rights based on the fulfilment of pre-determined Group, business unit and individual target levels as outlined in SEB's business plan. The targets are evaluated from a multi year perspective and based on the three year business plan as a mix of the financial targets Return on Equity/Return on Business Equity and cost development and the non-financial target customer satisfaction and sustainability among others. For GEC the initial allotment may not exceed 100 per cent of the base pay.

Ownership of 50 per cent of the share rights are transferred to the participant after a qualification period of three years, 50 per cent after a qualification period of five years. After each respective qualification period there is

an additional holding period of one year after which the share rights can be exercised. Each share right carries the right to receive one Class A share in the Bank. There is normally a requirement for vesting that the participant remains with SEB during the first three years, but some exemption apply. A further requirement for vesting is that the participant holds shares in SEB equal to a predetermined amount, for GEC equivalent to one year salary net of taxes, acquired no later than on a pro-rata basis during the initial three year vesting period.

GEC is not participating in the SMP 2012–2015 nor the All Employee Programme (AEP) except for outstanding rights earned before being member of GEC.

Long-term equity programmes (expensed amounts for ongoing programmes), SEK

	2019	2018
President and CEO, Johan Torgeby	3,138,254	2,105,704
Other members of the Group Executive committee ¹⁾	16,292,054	12,649,319
TOTAL	19,430,308	14,755,023

1) GEC excluding the President and CEO. The members partly differ between the years but in average eleven (twelve) members are included. At the end of the year the number of members were eleven (twelve). Additional members are not included. 2018 years figures have been updated.

Some of the GEC members have previously received rights in the All Employee Programme. The corresponding calculated costs and number of outstanding rights/shares are not included in the tables.

Note 8 c continued Remuneration to the Board and the Group Executive Committee

Number outstanding by 2019-12-31

	Number outstanding			First day of exercise	Performance criteria
	President and CEO Johan Torgeby	Other members of the GEC	Total		
2012: Share matching rights	25,309		25,309	2015	final vesting 100% ¹⁾
2013: Share matching rights	39,072	69,473	108,545	2016	final vesting 92%
2014: Share matching rights	20,026	28,168	48,194	2017	final vesting 63%
2013: Share rights		112,086	112,086	2017;2019 ²⁾	–
2014: Conditional share rights/Share rights		84,141	84,141	2018;2020 ²⁾	–
2015: Conditional share rights/Share rights	13,246	187,804	201,050	2019;2021 ²⁾	–
2016: Conditional share rights/Share rights	45,194	277,830	323,024	2020;2022 ²⁾	–
2017: Conditional share rights	34,280	214,239	248,519	2021;2023 ²⁾	–
2018: Conditional share rights	57,826	278,259	336,085	2022;2024 ²⁾	–
2019: Conditional share rights	71,813	307,810	379,623	2023;2025 ²⁾	–

1) Share Matching Programme 2012 vested in 2015 with 100% matching, since the programme had reached its cap the outcome after adjustment related to the cap was 92%.

The exercise period for GEC members is extended during the period that they are GEC members.

2) The qualification period ends after three or five years respectively and are followed by a holding period of one year, thereafter there is normally an exercise period of three years.

During the year the President and CEO has exercised rights to a value of SEK 0 (0). The corresponding value for the GEC excluding the President is SEK 1,960,501 (25,128,614).

Pension and severance pay

The pension agreement of the President is contribution-based. The pension contribution is a fixed amount.

Termination of employment by the bank is subject to a maximum 12-month period of notice and entitles to a severance pay of 12 months' salary.

As regards pension benefits and severance pay the following is applicable

to the members of the GEC excluding the President. The pension plans are inviolable and defined contribution-based except for a portion in the collective agreement.

Termination of employment by the bank is subject to a maximum 12-month period of notice and entitles to a severance pay of 12 months' salary.

Pension costs (service costs and interest costs and defined contribution premiums), SEK

	2019	2018
President and CEO, Johan Torgeby	3,912,235	3,834,302
Other members of the Group Executive committee ¹⁾	16,878,160	16,963,710
TOTAL	20,790,395	20,798,012

1) GEC excluding the President and CEO. The members partly differ between the years but in average eleven (twelve) members are included. At the end of the year the number of members were eleven (twelve). Additional members are not included.

For information about related parties see note 4.5.

8d Share-based payments

Long-term equity-based programmes				
2019	Restricted share programme	All employee programme	Share deferral programme	Share matching programme ¹⁾
Outstanding at the beginning of the year	1,441,322	11,032,302	20,546,286	1,607,835
Granted ²⁾	1,898,254	3,718,657	11,488,750	72,840
Forfeited	-379,810	-536,438	-6,477,429	-2,309
Exercised ³⁾	-454,372	-3,324,223	-3,935,480	-882,743
Expired	-8,295	0	-2,233	
OUTSTANDING AT THE END OF THE YEAR	2,497,099	10,890,298	21,619,894	800,241
<i>of which exercisable</i>	0		1,093,607	800,241

2018				
	Restricted share programme	All employee programme	Share deferral programme	Share matching programme ¹⁾
Outstanding at the beginning of the year		10,564,099	17,750,711	1,967,361
Granted ²⁾	1,449,922	3,083,545	9,589,041	123,696
Forfeited	-8,600	-243,305	-5,395,913	-2,309
Exercised ³⁾		-2,372,037	-1,397,553	-480,913
Expired		0		
OUTSTANDING AT THE END OF THE YEAR	1,441,322	11,032,302	20,546,286	1,607,835
<i>of which exercisable</i>	0	0	978,586	1,607,835

- 1) Numbers include investments done by participants, as well as allocated matching share rights.
 2) Including compensation for dividend.
 3) Weighted average share price for SMP and SDP at exercise SEK 91.45 (89.59).

Total Long-term equity-based programmes

	Original no of holders ⁴⁾	No of issued (maximum outcome)	No of outstanding 2019 ⁵⁾	No of outstanding 2018 ⁵⁾	A share per option/share	Validity	First date of exercise
2012: Share matching programme ¹⁾	432	7,024,168	25,309	677,895	4	2012–2019	2015 ²⁾
2012: Share matching programme ¹⁾	213	3,485,088	520,224	627,663	4	2013–2020	2016 ²⁾
2012: Share matching programme ¹⁾	96	1,300,288	254,708	302,277	4	2014–2021	2017 ²⁾
2012: Share deferral programme – equity settled	86	1,199,504	41,348	276,644	1	2012–2021	2015/2017 ³⁾
2013: Share deferral programme – equity settled	263	1,361,861	520,195	1,059,004	1	2013–2022	2016/2018 ³⁾
2014: Share deferral programme – equity settled	622	1,909,849	1,427,919	1,520,505	1	2014–2023	2017/2019 ³⁾
2015: Share deferral programme – equity settled	816	2,603,843	1,548,877	2,604,856	1	2015–2024	2018/2020 ³⁾
2015: Share deferral programme – cash settled	513	1,717,150	153,926	1,705,862		2015–2021	2018/2020 ³⁾
2016: Share deferral programme – equity settled	874	3,593,155	3,509,278	3,297,588	1	2016–2025	2019/2021 ³⁾
2016: Share deferral programme – cash settled	500	2,017,622	2,076,858	1,953,743		2016–2022	2019/2021 ³⁾
2017: Share deferral programme – equity settled ¹⁾	1,373	4,439,824	4,311,263	4,142,224	1	2017–2026	2020/2022 ³⁾
2017: Share deferral programme – cash settled	75	206,125	212,529	206,464		2017–2023	2020/2022 ³⁾
2018: Share deferral programme – equity settled ¹⁾	788	3,785,769	3,587,318	3,681,626	1	2018–2027	2021/2023 ³⁾
2018: Share deferral programme – cash settled	14	97,770	97,770	97,770		2018–2024	2021/2023 ³⁾
2019: Share deferral programme – equity settled ¹⁾	861	4,033,160	4,033,160			2019–2028	2022/2023 ³⁾
2019: Share deferral programme – cash settled	16	109,028	109,028			2019–2025	2022/2022 ³⁾
2018: Restricted Share programme – equity settled	411	1,378,367	954,219	1,369,767	1	2018–2022	2019/2022 ³⁾
2018: Restricted Share programme – cash settled	28	71,555	48,909	71,555		2018–2022	2019/2022 ³⁾
2019: Restricted Share programme – equity settled	413	1,420,596	1,420,596			2019–2023	2020/2022 ³⁾
2019: Restricted Share programme – cash settled	29	73,375	73,375			2019–2023	2020/2022 ³⁾
2013: All employee programme – equity settled	8,347	1,255,838			1	2013–2016	2017
2013: All employee programme – cash settled	5,358	532,184				2013–2016	2017
2014: All employee programme – equity settled	8,709	1,786,471			1	2014–2017	2018
2014: All employee programme – cash settled	5,216	964,436				2014–2017	2018
2015: All employee programme – equity settled	8,319	2,290,359		2,043,001	1	2015–2018	2019
2015: All employee programme – cash settled	6,745	1,220,463		993,735		2015–2018	2019
2016: All employee programme – equity settled	8,209	1,731,922	1,568,121	1,588,616	1	2016–2019	2020
2016: All employee programme – cash settled	6,517	933,905	810,201	831,973		2016–2019	2020
2017: All employee programme – equity settled	7,954	1,613,740	1,543,175	1,569,640	1	2017–2020	2021
2017: All employee programme – cash settled	6,867	924,166	821,259	848,781		2017–2020	2021
2018: All employee programme – equity settled	8,086	1,969,746	1,911,128	1,969,746	1	2018–2021	2022
2018: All employee programme – cash settled	6,863	1,186,810	1,157,747	1,186,810		2018–2021	2022
2019: All employee programme – equity settled	8,137	1,832,363	1,832,363		1	2019–2022	2023
2019: All employee programme – cash settled	7,159	1,246,304	1,246,304			2019–2022	2023
TOTAL		61,316,804	35,817,107	34,627,745			

- 1) The exercise period for GEC members is extended during the period that they are GEC members.
 2) As soon as practically possible following the end of the performance period, the establishing of the outcome of number of Matching Shares and the allocation of the A shares and, if applicable, the Matching Shares.
 3) As soon as possible following the end of the performance period the outcome is established. For the equity-settled programmes the ownership of the performance shares is transferred upon registration, but the shares are withheld for one additional year. Cash-settled programmes are paid out in connection with the following payroll run.
 4) In total approximately 2,000 individuals (1,900) participated in any of the programmes, All Employee Programme excluded.
 5) Including additional deferral rights for dividend compensation.

Long-term equity-based programmes

The Annual General meeting 2019 decided on three Long-term equity based programmes, one *Share Deferral Programme*, one *Restricted Share Programme* and one *All Employee Programme*.

The first *Share Deferral Programme* was introduced in 2012 for the Group Executive Committee and certain other executive managers and key employees with critical competences. The participants are granted an individual number of conditional share rights based on pre-determined Group, division/business unit and individual target levels, both financial (Return on Equity/Return on Business Equity and cost development) and non-financial (customer satisfaction and parameters such as compliance, employee commitment, SEB's corporate sustainability and risk management), set on an annual basis.

For GEC members and other senior executives 50 per cent of the share rights ownership is transferred after a qualification period of three years and 50 per cent after a qualification period of five years. For other participants the qualification period is three years. The requirement for vesting is normally that the participant remains with SEB during the first three years and that the participant holds shares in SEB equal to a predetermined amount, acquired no later than on a pro-rata basis during the initial three year period. After each respective qualification period there is an additional holding period of one year after which the share rights can be exercised, normally during a period of three years. Each share right carries the right to receive one Class A share in the bank. In countries mainly outside Europe the participants receives so called phantom shares that gives the right to receive cash adjusted for the share price development during the qualification period and thereafter the total shareholder return of the SEB A share at the end of the holding period.

In the 2018 and 2019 programmes the holders are only compensated for dividends after the qualification period, in the previous programmes the holders are compensated for dividends to the shareholders during the full period. Thus, the number of share rights will be recalculated, after the Annual General Meeting each year, taking the dividend into account depending on programme. The share rights are not securities that can be sold, pledged or transferred to others. However, an estimated value per share right has been calculated for 2019 to SEK 59 (61) for a qualification period of three years and SEK 56 (57) for a qualification period of five years (based upon an average closing price of one SEB Class A share at the time of grant).

In 2018 a *Restricted Share Programme* was introduced in order to ensure a competitive and attractive remuneration model within certain business units and to comply with new regulations implemented. The participants are selected employees on the level below senior executives. They are granted an individual

number of conditional / share rights based on the fulfilment of pre-determined Group, business unit and individual targets as outlined in SEB's business plan, set on an annual basis as a mix of financial and non-financial targets.

The ownership of the share rights are transferred to the participants during a three year period in either three or four annual instalments. The share rights are subject to restrictions in terms of e.g. certain regulatory and employment requirements during the period between initial allotment and the transfer of the ownership. After the transfer of ownership there is an additional holding period of one year before the share rights can be exercised. Each share right carries the right to receive one SEB Class A share. The share rights are not securities that can be sold, pledged or transferred to others. However, an estimated value per share right has been calculated for 2019 to SEK 84 (86) for the first installment to SEK 75 (77) for the remaining instalments (based upon an average closing price of one SEB Class A share at the time of grant).

In 2013 an *All Employee Programme* was introduced for most employees, where 50 per cent of the outcome is paid in cash and 50 per cent is deferred for three years and paid in SEB A shares. Deferrals will normally only be obtained under the condition that the employee remains with SEB. In Sweden the deferred part is paid out in SEB A shares, adjusted for dividends. In all other countries the deferred part is paid out in cash adjusted for total shareholder return of the SEB A share. The initial outcome is capped at a maximum amount, which was adjusted in 2016, for each geography and is based on the fulfilment of pre-determined Group targets outlined in SEB's business plan, both financial (Return on Equity and cost development) and non-financial (customer satisfaction). The outcome in 2019 year's programme was 57 per cent (60) of the maximum amount. In Sweden the maximum amount is SEK 75,000.

Previously allotted programmes

Between 2009 and 2014 a *Share Matching Programme* for a number of selected senior executives and other key employees has been run. The programmes are based on performance, have a vesting period of three years and are settled with SEB Class A shares. All programmes require own investment. The investment amount is pre-determined and capped for each participant. After three years, if still employed, the participant receives one Class A share/share rights for each invested share/share right and a conditional number of performance based matching shares for each invested share / share right. From 2012 the settlement is in the form of share rights with an exercise period of four years. The 2014 programme was closed in 2017 with 63 per cent matching.

► Further details of the outstanding programmes are found in the table above.

8e Number of employees

Average number of employees	Group			Parent company		
	Men	Women	Total	Men	Women	Total
2019						
Sweden	3,889	4,124	8,013	3,437	3,329	6,766
Norway	226	154	380	197	107	304
Denmark	197	130	327	171	78	249
Finland	155	126	281	135	97	232
Estonia	287	865	1,152			
Latvia	450	1,183	1,633	226	397	624
Lithuania	931	1,828	2,759	502	599	1,101
Germany	189	132	321	136	89	225
United Kingdom	71	39	110	71	39	110
Poland	13	27	40	13	27	40
Ukraine	18	34	52			
China	14	29	43	14	29	43
Ireland	51	68	119			
Luxembourg	103	93	196			
Russia	20	70	90			
Singapore	30	70	100	30	65	95
United States	31	16	47	26	13	39
Other countries ¹⁾	14	14	28	14	14	28
TOTAL	6,689	9,002	15,691	4,974	4,881	9,855
2018						
Sweden	3,913	4,059	7,972	3,348	3,393	6,741
Norway	225	155	380	192	106	298
Denmark	270	188	458	168	72	240
Finland	155	129	284	118	95	213
Estonia	284	894	1,178			
Latvia	423	1,137	1,560	186	328	514
Lithuania	840	1,769	2,609	403	551	954
Germany	232	160	392	57	46	103
United Kingdom	73	40	113	73	40	113
Poland	12	29	41	12	29	41
Ukraine	18	36	54			
China	11	30	41	11	30	41
Ireland	51	72	123			
Luxembourg	111	97	208			
Russia	23	66	89			
Singapore	32	73	105	28	66	94
United States	30	18	48	24	16	40
Other countries ¹⁾	15	14	29	15	14	29
TOTAL	6,719	8,964	15,684	4,635	4,786	9,421

1) Brazil and Hong Kong.

9 Other expenses

	Group		Parent company	
	2019	2018	2019	2018
Costs for premises ^{1) 3)}	-726	-1,604	-1,261	-1,254
IT costs	-3,494	-3,377	-2,651	-2,406
Travel and entertainment	-417	-394	-327	-312
Consultants	-797	-731	-639	-564
Marketing	-278	-286	-134	-148
Information services	-715	-623	-635	-551
Other operating costs ²⁾	-195	-186	-14	-124
TOTAL	-6,623	-7,201	-5,660	-5,361
1) Of which rental costs		-1,130	-913	-954

2) Net after deduction for capitalised costs, see also note 23.

3) IFRS 16 Leases is applied for the group from 1 January 2019. The group has decided to apply the modified retrospective approach (no restatement made). Interest expense on lease liabilities and depreciation of right-of-use assets are replacing nearly all lease costs for premises from 2019.

Fees and expense allowances to appointed auditors and audit firms¹⁾

	Group		Parent company	
	2019	2018	2019	2018
Audit assignment	-27		-12	
Audit related services	-2		-2	
Tax advisory	0			
Other services	0			
Ernst & Young	-30		-14	
Audit assignment	-10	-26	-5	-12
Audit related services	-2	-12	-2	-1
Tax advisory	-3	-12		-8
Other services	-13	-8	-2	-2
PricewaterhouseCoopers	-29	-58	-9	-24

1) The parent company includes the foreign branches.

Audit assignment is defined as the audit of annual financial statements, the administration of the Board of Directors and the President, other tasks resting upon the auditor as well as consulting and other assistance, which have been initiated by the findings in performing audit work or implementation of such tasks. The audit related services include quarterly reviews, regulatory report-

ing and services in connection with issuing of certificates and opinions. Tax advisory include general expatriate services and other tax services work. Other services include consultation on financial accounting, services related to mergers and acquisitions activities, operational effectiveness and assessments of internal control.

10 Depreciation, amortisation and impairment of tangible and intangible assets

	Group		Parent company	
	2019	2018	2019	2018
Depreciation of tangible assets	-337	-250	-241	-159
Depreciation of equipment leased to clients			-5,082	-4,985
Depreciation of right-of-use assets ¹⁾	-843			
Amortisation of intangible assets	-521	-480	-426	-369
Impairment of tangible assets	-1	-4		
Reversal of impairment on intangible assets	40			
TOTAL	-1,662	-735	-5,749	-5,512

1) IFRS 16 Leases is applied for group from 1 January 2019. For transition disclosures, see note 49 Leases.

11 Gains less losses from tangible and intangible assets

	Group	
	2019	2018
Investment properties		34
Properties and equipment	5	6
Gains	5	40
Investment properties		-20
Properties and equipment	-7	-2
Losses	-7	-22
TOTAL	-2	18

12 Net expected credit losses

	Group		Parent company	
	2019	2018	2019	2018
Impairment gains or losses – Stage 1	24	-117	26	-106
Impairment gains or losses – Stage 2	457	-134	407	-123
Impairment gains or losses – Stage 3	-2,777	-613	-2,475	-506
Impairment gains or losses	-2,296	-864	-2,042	-735
Write-offs and recoveries				
Total write-offs	-1,113	-1,768	-471	-1,280
Reversals of allowances for write-offs	845	1,267	360	931
Write-offs not previously provided for	-269	-501	-111	-349
Recovered from previous write-offs	271	199	108	64
Net write-offs	2	-302	-2	-285
NET EXPECTED CREDIT LOSSES	-2,294	-1,166	-2,044	-1,020
Net ECL level, %	0.10	0.06	0.10	0.07

13 Items affecting comparability

	Group	
	2019	2018
Other income		4,506
Total operating income		4,506
Items affecting comparability		4,506
Income tax on items affecting comparability		22
ITEMS AFFECTING COMPARABILITY AFTER TAX		4,528

Items affecting comparability 2018

The total income in the income statement from Items affecting comparability was SEK 4,506m before tax and SEK 4,528m after tax.

SEB Pension

SEB divested all shares in SEB Pensionsforsikring A/S and SEB Administration A/S (SEB Pension) to Danica Pension Livsforsikringsaktieselskab (Danica), a subsidiary to Danske Bank. The entire business, including employees, customer contracts and systems, transferred from SEB to Danica on 7 June 2018.

The in principle tax-exempt capital gain from the transaction amounted to SEK 3,565m.

UC

On 29 June 2018, the acquisition by the listed Finnish credit information company Asiakastieto Group Plc ("Asiakastieto") of UC AB ("UC") was finalised. SEB received shares in Asiakastieto, equivalent to 10.2 per cent of the company, and SEK 0.3bn in cash. The transaction resulted in a tax-exempt capital gain of SEK 941m.

14 Appropriations

	Parent company	
	2019	2018
Group contribution	1,713	2,149
Accelerated tax depreciation	980	568
TOTAL	2,694	2,716

15 Taxes

Major components of tax expense	Group		Parent company	
	2019	2018	2019	2018
Current tax	-5,036	-5,217	-4,189	-3,789
Deferred tax	311	618		
Tax for current year	-4,725	-4,599	-4,189	-3,789
Current tax for previous years	8	447	48	118
INCOME TAX EXPENSE	-4,717	-4,152	-4,140	-3,671
Relationship between tax expenses and accounting profit				
Net profit	20,177	23,134	20,305	21,720
Income tax expense	4,717	4,152	4,140	3,671
Accounting profit before tax	24,895	27,285	24,446	25,391
Current tax at Swedish statutory rate of 21.4 per cent (22.0)	-5,327	-6,003	-5,231	-5,586
Tax effect relating to other tax rates in other jurisdictions	353	399		
Tax effect relating to not tax deductible expenses	-385	-799	-543	-998
Tax effect relating to non-taxable income	588	1,525	1,586	2,795
Tax effect relating to a previously recognised tax loss, tax credit or temporary difference	-274	-362		
Tax effect relating to a previously unrecognised tax loss, tax credit or temporary difference	9	23		
Current tax	-5,036	-5,217	-4,189	-3,789
Tax effect relating to origin and reversal of tax losses, tax credits and temporary differences	274	362		
Tax effect relating to changes in tax rates or the imposition of new taxes	1	286		
Tax effect relating to a previously unrecognised tax loss, tax credit or temporary difference	37	-30		
Deferred tax	311	618		
Current tax for previous years	8	447	48	118
INCOME TAX EXPENSE¹⁾	-4,717	-4,152	-4,140	-3,671

1) Total income tax expense was SEK 4,717m (4,152). The effective tax rate for the year was 18.9 per cent (15.2). Excluding Items affecting comparability, the effective tax rate was 18.9 per cent (18.3).

Deferred tax income and expense recognised in income statement

Accelerated tax depreciation	140	137
Pension plan assets, net	-77	91
Tax losses carry forwards	6	-75
Other temporary differences	242	465
TOTAL	311	618

Current tax assets

	Group		Parent company	
	2019	2018	2019	2018
Other	6,549	6,395	2,998	2,813
Recognised in profit and loss	6,549	6,395	2,998	2,813
Other		9		
Recognised in Shareholders' equity		9		
TOTAL	6,549	6,404	2,998	2,813

Deferred tax assets

Tax losses carry forwards	6			
Pension plan assets, net	1	1		
Other temporary differences ¹⁾	406	252		
Recognised in profit and loss	413	253		
Unrealised result in cash flow hedges	3		3	
Unrealised result in financial assets/liabilities	-157	-2		
Recognised in Shareholders' equity	-154	-2	3	
TOTAL	259	251	3	

1) Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Tax losses carried forward in the SEB Group for which the tax assets are not recognised in the balance sheet amount to SEK 6,375m (5,080) gross. These are not recognised due to the uncertainty in the possibility to use them. This

includes losses where the amount can only be used for trade tax. The potential tax asset not recognised is SEK 1,523m (1,108).

Note 15 continued Taxes

Current tax liabilities

	Group		Parent company	
	2019	2018	2019	2018
Other	1,764	1,734	717	655
Recognised in profit and loss	1,764	1,734	717	655
TOTAL	1,764	1,734	717	655

Deferred tax liabilities

Accelerated tax depreciation	5,944	6,084		
Pension plan assets and obligations, net	-224	-302		
Other temporary differences ¹⁾	-48	40		
Recognised in profit and loss	5,672	5,822		
Pension plan assets and obligations, net	1,383	1,164		
Unrealised result in cash flow hedges		85		85
Unrealised result in financial assets/liabilities	61	70		
Recognised in Shareholders' equity	1,445	1,318		85
TOTAL	7,117	7,141		85

1) Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Taxable temporary differences give rise to deferred tax assets and liabilities.

As from 2018, advance income tax payments on profits in Estonia at a rate of 14 per cent are made quarterly. The income tax paid in advance can be netted against tax payable on dividend distributions, where the tax rate is between 20 and 14 per cent. No deferred tax liability is recognised related to possible

future tax costs on dividends from Estonia. Since 2018 no income tax is paid in Latvia unless profit is distributed. No deferred tax liability is recognised related to possible future tax costs on dividends from Latvia. The tax rate applicable to dividends in Latvia is 20 per cent.

16 Earnings per share

	Group	
	2019	2018
Net profit attributable to shareholders, SEK m	20,177	23,134
Weighted average number of shares, millions	2,162	2,164
Basic earnings per share, SEK	9.33	10.69
Net profit attributable to shareholders, SEK m	20,177	23,134
Weighted average number of diluted shares, millions	2,175	2,177
Diluted earnings per share, SEK	9.28	10.63

Dilution¹⁾

Weighted average number of shares, millions	2,162	2,164
Adjustment for diluted weighted average number of additional Class A shares, millions	13	13
Weighted average number of diluted shares, millions	2,175	2,177

1) Calculated dilution based on the estimated economic value of the long-term incentive programmes.

17 Cash and cash balances at central banks

	Group		Parent company	
	2019	2018	2019	2018
Cash	2,507	2,249	65	155
Cash balances at central banks	144,185	206,866	110,039	163,925
TOTAL	146,691	209,115	110,104	164,081

18 Loans

	Group		Parent company	
	2019	2018	2019	2018
Lending	1,990	33,294	400	29,665
Reverse repos	2,504		2,504	
Loans to central banks	4,494	33,294	2,904	29,665
Lending	39,113	37,631	82,246	84,694
Collateral margins	6,532	5,197	7,249	5,774
Reverse repos	1,350	1,458	52	200
Loans to credit institutions	46,995	44,287	89,546	90,668
Lending	1,607,853	1,490,771	1,371,860	1,256,596
Collateral margins	45,602	56,118	45,275	56,164
Reverse repos	184,150	97,936	184,109	97,926
Loans to the public	1,837,605	1,644,825	1,601,243	1,410,687
TOTAL	1,889,095	1,722,406	1,693,693	1,531,020

Loans by measurement category

2019	Group				Parent company			
	FVHFT	FVMPL	AmC	Total	FVHFT	FVMPL	AmC	Total
Loans to central banks	2,504		1,990	4,494	2,504		400	2,904
Loans to credit institutions	52		46,943	46,995	52		89,495	89,546
Loans to the public	184,150	3,384	1,650,071	1,837,605	184,150	3,384	1,413,708	1,601,243
TOTAL	186,706	3,384	1,699,004	1,889,095	186,706	3,384	1,503,603	1,693,693
2018	Group				Parent company			
Loans to central banks			33,294	33,294			29,665	29,665
Loans to credit institutions	200		44,087	44,287	200		90,468	90,668
Loans to the public	97,936	1,901	1,544,988	1,644,825	97,936	1,901	1,310,850	1,410,687
TOTAL	98,136	1,901	1,622,368	1,722,406	98,136	1,901	1,430,982	1,531,020

Financial statements – Notes

Note 18 continued Loans

Exposure and expected credit loss (ECL) allowances by stage

The table shows gross carrying amounts for exposures on balance measured at amortised cost and nominal amounts for exposures off-balance divided by stage as a mean to put ECL allowances in context to total exposure. For trade

receivables a simplified approach based on past-due information is used to calculate loss allowances.

Group, 2019

	Gross carrying amounts/ Nominal amounts	ECL allowances	Carrying amounts/ Net amounts	ECL coverage ratio, %
Stage 1 (12-month ECL)				
Debt securities	14,589	-1	14,588	
Loans ¹⁾	1,623,030	-643	1,622,387	
Financial assets	1,637,619	-644	1,636,975	
Financial guarantees and Loan commitments	636,447	-189	636,258	
Total	2,274,066	-832	2,273,234	0.04
Stage 2 (lifetime ECL)				
Loans ^{1) 2)}	72,459	-1,058	71,401	
Financial assets	72,459	-1,058	71,401	
Financial guarantees and Loan commitments	13,900	-127	13,773	
Total	86,360	-1,185	85,174	1.37
Stage 3 (credit impaired/lifetime ECL)				
Loans ^{1) 3)}	11,396	-5,211	6,184	
Financial assets	11,396	-5,211	6,184	
Financial guarantees and Loan commitments	441	-138	303	
Total	11,836	-5,349	6,487	45.19
Total				
Debt securities	14,589	-1	14,588	
Loans ¹⁾	1,706,885	-6,912	1,699,972	
Financial assets	1,721,474	-6,913	1,714,561	
Financial guarantees and Loan commitments	650,788	-454	650,335	
TOTAL	2,372,262	-7,367	2,364,895	0.31

1) Excluding demand deposits credit institutions.

2) Whereof gross carrying amounts SEK 1,372m and ECL allowances SEK 2m under Lifetime ECLs -simplified approach for trade receivables.

3) Whereof gross carrying amounts SEK 2,309m and ECL allowances SEK 1,002m for Purchased or Originated Credit Impaired loans.

Stage 3 loans / Total loans – gross, %	0.67
Stage 3 loans / Total loans – net, %	0.36

Group, 2018

	Gross carrying amounts/ Nominal amounts	ECL allowances	Carrying amounts/ Net amounts	ECL coverage ratio, %
Stage 1 (12-month ECL)				
Debt securities	16,337	-1	16,336	
Loans ¹⁾	1,552,954	-643	1,552,311	
Financial assets	1,569,291	-643	1,568,647	
Financial guarantees and Loan commitments	602,884	-195	602,689	
Total	2,172,175	-838	2,171,337	0.04
Stage 2 (lifetime ECL)				
Loans ^{1) 2)}	70,125	-1,364	68,761	
Financial assets	70,125	-1,364	68,761	
Financial guarantees and Loan commitments	16,712	-240	16,472	
Total	86,837	-1,605	85,233	1.85
Stage 3 (credit impaired/lifetime ECL)				
Loans ^{1) 3)}	8,158	-3,331	4,827	
Financial assets	8,158	-3,331	4,827	
Financial guarantees and Loan commitments	242	-38	203	
Total	8,400	-3,370	5,030	40.11
Total				
Debt securities	16,337	-1	16,336	
Loans ¹⁾	1,631,237	-5,338	1,625,899	
Financial assets	1,647,574	-5,339	1,642,235	
Financial guarantees and Loan commitments	619,838	-474	619,365	
TOTAL	2,267,412	-5,813	2,261,600	0.26

1) Excluding demand deposits credit institutions.

2) Whereof gross carrying amounts SEK 1,169m and ECL allowances SEK 2m under Lifetime ECLs -simplified approach for trade receivables.

3) Whereof gross carrying amounts SEK 1,281m and ECL allowances SEK 349m for Purchased or originated credit impaired loans.

Stage 3 loans / Total loans – gross, %	0.50
Stage 3 loans / Total loans – net, %	0.30

Financial statements – Notes

Note 18 continued Loans

Parent company, 2019

	Gross carrying amounts/ Nominal amounts	ECL allowances	Carrying amounts/ Net amounts	ECL coverage ratio, %
Stage 1 (12-month ECL)				
Debt securities	17,936	-1	17,935	
Loans ¹⁾	1,426,665	-540	1,426,125	
Financial assets	1,444,602	-542	1,444,060	
Financial guarantees and Loan commitments	592,605	-160	592,445	
Total	2,037,207	-701	2,036,505	0.03
Stage 2 (lifetime ECL)				
Loans ^{1) 2)}	61,848	-832	61,016	
Financial assets	61,848	-832	61,016	
Financial guarantees and Loan commitments	10,918	-91	10,828	
Total	72,766	-922	71,844	1.27
Stage 3 (credit impaired/lifetime ECL)				
Loans ^{1) 3)}	8,071	-3,722	4,349	
Financial assets	8,071	-3,722	4,349	
Financial guarantees and Loan commitments	352	-120	232	
Total	8,424	-3,842	4,582	45.61
Total				
Debt securities	17,936	-1	17,935	
Loans ¹⁾	1,496,585	-5,094	1,491,490	
Financial assets	1,514,521	-5,095	1,509,426	
Financial guarantees and Loan commitments	603,875	-370	603,505	
TOTAL	2,118,396	-5,465	2,112,931	0.26

1) Excluding demand deposits credit institutions.

2) Whereof gross carrying amounts SEK 1,427m and ECL allowances SEK 2m under Lifetime ECLs -simplified approach for trade receivables.

3) Whereof gross carrying amounts SEK 2,258m and ECL allowances SEK 952m for Purchased or originated credit impaired loans.

Stage 3 loans / Total loans, gross, %	0.54
Stage 3 loans / Total loans, net, %	0.29

Parent company, 2018

	Gross carrying amounts/ Nominal amounts	ECL allowances	Carrying amounts/ Net amounts	ECL coverage ratio, %
Stage 1 (12-month ECL)				
Debt securities	17,537	-1	17,536	
Loans ¹⁾	1,370,604	-534	1,370,070	
Financial assets	1,388,141	-534	1,387,606	
Financial guarantees and Loan commitments	544,335	-177	544,158	
Total	1,932,475	-711	1,931,764	0.04
Stage 2 (lifetime ECL)				
Debt securities	32		32	
Loans ^{1) 2)}	59,135	-1,104	58,031	
Financial assets	59,167	-1,104	58,063	
Financial guarantees and Loan commitments	12,655	-195	12,460	
Total	71,822	-1,299	70,523	1.81
Stage 3 (credit impaired/lifetime ECL)				
Loans ^{1) 3)}	4,587	-1,705	2,882	
Financial assets	4,587	-1,705	2,882	
Financial guarantees and Loan commitments	70	-11	59	
Total	4,656	-1,716	2,941	36.85
Total				
Debt securities	17,569	-1	17,568	
Loans ¹⁾	1,434,325	-3,343	1,430,982	
Financial assets	1,451,895	-3,344	1,448,551	
Financial guarantees and Loan commitments	557,060	-382	556,677	
TOTAL	2,008,954	-3,726	2,005,228	0.19

1) Excluding demand deposits credit institutions.

2) Whereof gross carrying amounts SEK 1,225m and ECL allowances SEK 2m under Lifetime ECLs -simplified approach for trade receivables.

3) Whereof gross carrying amounts SEK 1,227m and ECL allowances SEK 296m for Purchased or originated credit impaired loans.

Stage 3 loans / Total loans, gross, %	0.32
Stage 3 loans / Total loans, net, %	0.20

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Note 18 continued Loans

Loans and expected credit loss (ECL) allowances by industry

The table shows gross carrying amounts for loans measured at amortised cost and ECL allowances as a mean to put ECL allowances in context to overall lending.

Group, 2019	Gross carrying amounts				ECL allowances				Net carrying amount
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Total
Banks	64,952	1,665		66,617	-5	-2		-7	66,610
Finance and insurance	111,610	960	57	112,627	-33	-10	-5	-49	112,579
Wholesale and retail	78,052	3,080	1,092	82,224	-48	-38	-706	-792	81,433
Transportation	35,169	581	41	35,791	-17	-4	-14	-35	35,757
Shipping	54,975	1,871	1,771	58,616	-24	-11	-669	-704	57,912
Business and household services	136,838	9,673	843	147,354	-154	-408	-421	-983	146,372
Construction	11,201	1,083	201	12,484	-8	-9	-83	-101	12,384
Manufacturing	97,737	3,280	2,671	103,688	-56	-44	-1,331	-1,431	102,257
Agriculture, forestry and fishing	21,654	1,501	190	23,345	-8	-7	-44	-58	23,287
Mining, oil and gas extraction	26,608	5,695	1,343	33,645	-12	-53	-558	-624	33,021
Electricity, gas and water supply	43,940	407	211	44,558	-17	-34	-78	-129	44,429
Other	39,564	2,762	151	42,477	-22	-46	-49	-117	42,360
Corporates	657,347	30,894	8,571	696,812	-398	-666	-3,959	-5,022	691,789
Commercial real estate management	150,747	2,287	377	153,410	-14	-12	-140	-166	153,244
Residential real estate management	114,923	1,804	48	116,775	-8	-1	-1	-10	116,765
Real Estate Management	265,670	4,091	425	270,186	-22	-13	-141	-176	270,009
Housing co-operative associations	52,598	7,410	3	60,011			-2	-3	60,008
Public Administration	15,284	276	53	15,613	-1	-4	-2	-6	15,607
Household mortgages	527,100	22,765	1,137	551,003	-49	-136	-360	-546	550,457
Other	40,079	5,358	1,207	46,644	-167	-239	-747	-1,153	45,491
Households	567,179	28,124	2,344	597,646	-216	-375	-1,107	-1,698	595,948
TOTAL	1,623,030	72,459	11,396	1,706,885	-643	-1,059	-5,212	-6,913	1,699,972

Excluding demand deposits credit institutions and including trade and client receivables presented as other assets.

Group, 2018

Banks	97,795	900		98,695	-2	-2		-4	98,691
Finance and insurance	97,505	660	15	98,180	-17	-4	-11	-32	98,148
Wholesale and retail	77,427	3,120	550	81,097	-42	-82	-181	-306	80,792
Transportation	34,437	691	105	35,232	-14	-7	-77	-97	35,135
Shipping	50,121	963	1,694	52,779	-18	-5	-407	-430	52,349
Business and household services	140,094	7,035	862	147,991	-143	-227	-351	-721	147,271
Construction	9,981	1,281	223	11,486	-7	-14	-47	-68	11,418
Manufacturing	90,701	3,642	730	95,073	-82	-73	-529	-683	94,390
Agriculture, forestry and fishing	19,859	1,258	128	21,245	-8	-7	-40	-55	21,190
Mining, oil and gas extraction	14,615	6,046	530	21,191	-30	-421	-97	-548	20,644
Electricity, gas and water supply	38,990	761	2	39,752	-15	-44		-60	39,692
Other	44,385	2,857	115	47,357	-57	-72	-237	-366	46,991
Corporates	618,115	28,314	4,955	651,384	-433	-956	-1,977	-3,365	648,019
Commercial real estate management	142,857	2,750	561	146,169	-17	-19	-188	-224	145,945
Residential real estate management	90,985	824	87	91,897	-5	-1	-31	-37	91,860
Real Estate Management	233,843	3,574	648	238,065	-23	-19	-219	-261	237,805
Housing co-operative associations	54,807	8,695		63,502	-1		-2	-4	63,498
Public Administration	13,013	280	2	13,296	-1	-4	-2	-7	13,289
Household mortgages	497,351	23,132	1,374	521,856	-54	-148	-422	-623	521,233
Other	38,029	5,230	1,179	44,438	-129	-236	-710	-1,074	43,364
Households	535,381	28,362	2,552	566,295	-182	-383	-1,132	-1,698	564,597
TOTAL	1,552,954	70,125	8,158	1,631,237	-643	-1,364	-3,331	-5,338	1,625,899

Excluding demand deposits credit institutions and including trade and client receivables presented as other assets.

Financial statements – Notes

Note 18 continued Loans

Stage 3 loans (credit-impaired) and collaterals by industry

The table shows gross carrying amounts and ECL allowances for credit-impaired loans divided by stage 3 and the fair value of collaterals for these assets.

Group, 2019	Gross carrying amounts	ECL allowances	Carrying amounts	Fair value of collaterals
Banks	0	0	0	0
Corporates	8,571	-3,959	4,612	4,374
Real Estate Management ¹⁾	425	-141	283	370
Public Administration	53	-2	51	1
Household	2,347	-1,109	1,237	1,016
TOTAL	11,396	-5,212	6,184	5,761
Group, 2018				
Banks	0	0	0	0
Corporates	4,977	-1,979	2,998	2,920
Real Estate Management ¹⁾	655	-222	433	526
Public Administration	2	-2	1	1
Household	2,524	-1,129	1,395	1,236
TOTAL	8,158	-3,331	4,827	4,683

1) Including co-operative associations.

Exposure by risk classification category

The table shows gross carrying amounts for exposures on balance and nominal amounts for exposures off-balance divided by stage and risk classification category. The risk classification categories are further explained in Note 40.

Group, 2019	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL) ¹⁾	Total
Investment grade	1,734,473	23,990		1,758,463
Standard monitoring	534,250	39,310		573,559
Watch list	5,343	23,060		28,403
Default			11,836	11,836
TOTAL	2,274,066	86,360	11,836	2,372,262
Group, 2018				
Investment grade	1,469,235	18,693		1,487,928
Standard monitoring	702,940	42,885		745,825
Watch list		25,260		25,260
Default			8,400	8,400
TOTAL	2,172,175	86,837	8,400	2,267,412

1) Whereof gross carrying amounts SEK 2,309m (1,281) and ECL allowances SEK 1,002m (349) for Purchased or originated credit impaired loans.

Movements in allowances for expected credit losses

Reconciliation of movements of allowance accounts for on balance exposures (Loans and Debt securities measured at amortised cost) and off balance exposures (Financial guarantees and Loan commitments).

2019	Group				Parent company			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total
Loans and Debt securities								
Opening balance	643	1,364	3,331	5,339	534	1,104	1,705	3,344
New and derecognised financial assets, net	366	-78	77	365	356	-37	101	420
Changes due to change in credit risk	-370	-257	2,606	1,979	-354	-266	2,258	1,638
Changes due to modifications		16	0	16		11	0	11
Changes due to methodology change	-8	-15	-8	-31	-4	-4	4	-4
Decreases in ECL allowances due to write-offs			-845	-845			-360	-360
Exchange rate differences	12	29	49	90	9	23	14	46
TOTAL	644	1,058	5,211	6,913	542	832	3,722	5,095
Financial guarantees and Loan commitments								
Opening balance	195	240	38	474	177	195	11	382
New and derecognised financial assets, net	56	-74	-5	-24	49	-78	14	-16
Changes due to change in credit risk	-67	-47	107	-7	-72	-32	98	-6
Changes due to modifications		0				0		
Changes due to methodology change	-1	-2	-1	-3	0	-1	-1	-2
Decreases in ECL allowances due to write-offs								
Exchange rate differences	6	9	-2	13	6	8	-2	11
TOTAL	189	127	138	454	160	91	120	370
Total Loans, Debt securities, Financial guarantees and Loan commitments								
Opening balance	838	1,605	3,370	5,813	711	1,299	1,716	3,726
New and derecognised financial assets, net	422	-152	72	342	405	-115	114	404
Changes due to change in credit risk	-437	-304	2,713	1,972	-426	-298	2,356	1,632
Changes due to modifications		16	0	16		11	0	11
Changes due to methodology change	-9	-17	-8	-34	-4	-5	4	-6
Decreases in ECL allowances due to write-offs			-845	-845			-360	-360
Exchange rate differences	18	38	47	103	15	31	11	58
TOTAL	832	1,185	5,349	7,367	701	922	3,842	5,465

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Note 18 continued Loans

The increase in total ECL allowances in 2019 was due to growth in exposures and higher ECL allowances as a consequence of changes in credit risk.

There was exposure growth in Stage 1 while the amount of ECL allowances was unchanged since growth due to new exposures was offset by a migration resulting from changes in credit risk.

In stage 2 both exposures and ECL allowances was reduced primarily because of a migration to stage 3 due to credit quality deterioration.

There was an inflow of exposures and ECL allowances to stage 3 due to changes in credit risk, which was partly off-set by write-offs.

2018	Group				Parent company			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total
Loans and Debt securities								
ECL allowance as of 1 January 2018	624	1,142	3,688	5,453	399	876	2,013	3,288
New and derecognised financial assets, net	542	-361	158	339	520	-324	132	328
Changes due to change in credit risk	-448	543	614	710	-434	489	513	568
Decreases in ECL allowances due to write-offs			-1,267	-1,267			-931	-931
Exchange rate differences	-74	40	139	104	49	63	-21	91
TOTAL	643	1,364	3,331	5,339	534	1,104	1,705	3,344
Financial guarantees and Loan commitments								
ECL allowance as of 1 January 2018	164	283	229	676	133	109	140	381
New and derecognised financial assets, net	68	-224	-86	-242	52	-230	-74	-253
Changes due to change in credit risk	-44	175	-73	58	-32	189	-64	92
Exchange rate differences	8	7	-32	-18	25	128	10	162
TOTAL	195	240	38	474	177	195	11	382
Total Loans, Debt securities, Financial guarantees and Loan commitments								
ECL allowance as of 1 January 2018	787	1,425	3,917	6,129	532	985	2,152	3,669
New and derecognised financial assets, net	610	-585	72	97	572	-554	58	75
Changes due to change in credit risk	-492	718	541	768	-466	678	448	660
Decreases in ECL allowances due to write-offs			-1,267	-1,267			-931	-931
Exchange rate differences	-66	46	107	87	74	191	-11	253
TOTAL	838	1,605	3,370	5,813	711	1,299	1,716	3,726

The decrease in total ECL allowances in 2018 was due to write-offs of exposures in Stage 3.

ECL allowances in Stage 1 increased due to the growth in exposures.

While Stage 2 exposures decreased the Stage 2 ECL allowances increased as a result of negative migration of exposures with higher ECL cover ratio. There was also an outflow of exposures from Stage 2 to Stage 3 due to credit quality deterioration and to Stage 1 driven by improvements in data quality.

Stage 3 exposures and ECL allowances were significantly reduced by write-offs, partly off-set by an inflow of exposures to Stage 3 due to deterioration in credit risk.

Key macroeconomic variable assumptions for calculating ECL allowances

The group uses internally developed macroeconomic forecasts as the basis for the forward-looking information incorporated in the ECL measurement. In order to ensure an unbiased estimation of credit losses under IFRS 9, at least three scenarios are used. One of the scenarios is the base case scenario, representing the most likely outcome, which is also applied in the financial planning and budgeting process, while the other case scenarios represent more positive or negative outcomes. The probability weights assigned to each scenario are determined using a combination of statistical analysis and expert judgment. The scenarios are reviewed four times a year, or more frequently when appropriate due to rapid developments. The most significant macroeconomic variable assumptions of the Base scenario used as of 31 December 2019, are set out below. Individual scenarios for SEB's home markets are used.

	2019	2020	2021	2022
Domestic GDP growth, SEB's home markets	0.5% – 3.6%	0.6% – 3.2%	1.1% – 3.3%	1.5% – 3.0%
World GDP (PPP) growth	2.9%	3.0%	3.3%	3.4%
Household Consumption expenditure growth, Sweden	0.7%	1.3%	1.7%	2.0%
Interest rate (STIBOR)	0.2%	0.2%	0.2%	0.75%
Residential real estate price growth, Sweden	1.0%	2.0%	3.0%	3.0%
Unemployment rate, Baltic countries	5.3% – 6.5%	5.8% – 6.2%	6.2% – 6.4%	6.0% – 6.2%
Inflation rate, Baltic countries	2.2% – 2.8%	2.0% – 2.3%	2.2% – 2.5%	2.0% – 2.2%
Nominal wage growth, Baltic countries	7.3% – 8.2%	6.0% – 6.5%	4.5% – 5.8%	4.5% – 5.0%

The most significant assumptions affecting the ECL allowance of the non-retail and retail portfolios, respectively, are as follows:

Non-retail portfolios	
(i) GDP	impact on companies' performance
(ii) Real estate price growth	impact on collateral valuations
Retail portfolios	
(i) Household consumption expenditure growth	impact on borrowers' ability to meet their contractual obligations
(ii) Residential real estate price growth	impact on mortgage collateral values
(iii) Unemployment rate	impact on borrowers' ability to meet their contractual obligations
(iv) Interest rates	impact on borrowers' ability to meet their contractual obligations
(v) Inflation rate	impact on borrowers' ability to meet their contractual obligations
(vi) Nominal wage growth	impact on borrowers' ability to meet their contractual obligations

As of 31 December 2019, the probability of the negative scenario was estimated to 20–25 per cent and the probability of the positive scenario was 17 per cent.

Note 18 continued Loans

Sensitivity analysis of macroeconomic assumptions

In general, a worsening of the outlook on forecasted macroeconomic variables for each scenario or an increase in the probability of the negative scenario occurring will both increase the number of loans migrating from Stage 1 to Stage 2 and increase the estimated ECL allowances. On the other hand, an improvement in the outlook on forecasted macroeconomic variables or an

increase in the probability of the positive scenario occurring will have the opposite positive impact.

Should the positive and negative scenarios be assigned 100 per cent probability of occurring, the model calculated ECL allowances would increase by 7 per cent and decrease by 4 per cent, respectively compared to the weighted scenario.

		ECL allowances resulting from scenario	Difference from the probability weighted ECL allowances, %
Group	Negative scenario	7,854	7%
	Positive scenario	7,088	-4%
Large Corporates & Financial Institutions	Negative scenario	4,582	6%
	Positive scenario	4,163	-3%
Corporates & Private Customers	Negative scenario	1,910	9%
	Positive scenario	1,661	-6%
Baltic	Negative scenario	1,224	5%
	Positive scenario	1,129	-3%

Key assumptions for triggering significant increase in credit risk (SICR)

For arrangements with initial origination date as of 1 January 2018 or later, the primary indicator is changes in lifetime probability of default (PD) by comparing

the scenario weighted annualised lifetime PD at the reporting date with the scenario weighted annualised lifetime PD at initial recognition. For arrangements with an initial origination date prior to 1 January 2018 changes in SEB internal risk classification since initial origination are used as the primary indicator.

Quantitative measures for triggering significant increase in credit risk (SICR)

	For arrangements originated prior to 1 January 2018	For arrangements originated on or after 1 January 2018
Watch list	1)	1)
Investment grade	2–7 grades	Annualised lifetime PD increase by 200% and ≥ 50 basis points
Standard monitoring	1–2 grades	

1) Placement of a financial asset on watch list automatically classifies it as a significant increase in credit risk and places it in Stage 2.

Regardless of the quantitative indicator, a significant increase in credit risk is triggered if the following back-stop indicators occur:

- payments are past due >30 days but <90 days, or
- financial assets are forbore (where due to the customer's financial difficulties the contractual terms of the loans have been revised and concessions given).

Back stop indicators normally overlap with the quantitative indicator of significant increase in credit risk.

Sensitivity analysis of significant increase in credit risk (SICR) trigger assumptions

The sensitivity of ECL to changes in the quantitative triggering approach is analysed regularly, including tests of the following alternative triggers:

- recognising as Stage 2 SICR all exposures that have a worsened risk grade of 1 notch or more;
- reduction of Stage 2 SICR triggering thresholds to 30bp increase in annualised lifetime PD.

Total ECL as at 31 December 2019 would increase by 3.2 per cent when recognising all exposures which have been downgraded by one notch or more compared to the grade at origination as Stage 2. The impact on total ECL as at 31 December 2019 from reduction of the Stage 2 SICR trigger threshold to 30bps is below 0.1 per cent. The sensitivities are minor due to the fact that backstop indicators capture a large portion of exposures in Stage 2 regardless of the changes in the quantitative trigger measures. In addition, the impact of severe adverse macroeconomic developments on the loan portfolio is tested as part of the regular ICAAP process, described in more detail in note 41 Capital adequacy.

Past due loans

	Group		Parent company	
	2019	2018	2019	2018
≤ 30 days	12,644	3,540	10,133	1,708
>30 ≤ 90 days	2,871	2,560	2,514	2,062
> 90 days	2,753	4,350	1,521	1,883
TOTAL	18,269	10,450	14,169	5,653

Forborne loans

	Group		Parent company	
	2019	2018	2019	2018
Total forborne loans of which performing ¹⁾	15,439	13,339	12,493	9,911
	6,746	7,793	5,533	6,095

1) According to EBA definition.

19 Debt securities

Group, 2019							
Debt securities by issuers	Swedish government	Swedish municipalities	Swedish mortgage institutions	Other Swedish issuers	Foreign government	Other foreign issuers	Total
Eligible debt securities¹⁾							
Held for trading	2,686	49			1,882	9,038	13,655
Fair value through profit or loss mandatorily	7,636	3,430	1,351	34,144	46,135	4,880	97,575
Fair value through profit or loss designated	1,011		4,260		1,134	96	6,500
Amortised cost					5,231	3	5,234
Total	11,333	3,480	5,611	34,144	54,381	14,017	122,965
Other debt securities							
Held for trading			13,230	3,755		29,539	46,525
Fair value through profit or loss mandatorily	321	7,241	18,172	5,375	377	26,961	58,447
Fair value through profit or loss designated	50		1	17		262	331
Amortised cost						9,231	9,231
Total	371	7,241	31,403	9,147	377	65,994	114,534
Accrued interest							1,080
TOTAL	11,704	10,721	37,014	43,291	54,758	80,011	238,578
Group, 2018							
Eligible debt securities¹⁾							
Held for trading	3,786				7,652	2,168	13,607
Fair value through profit or loss mandatorily	7,392	2,725	1,048	187	34,461	2,713	48,527
Fair value through profit or loss designated	950	111	3,947		1,066	95	6,168
Amortised cost					8,509		8,509
Total	12,128	2,836	4,995	187	51,688	4,976	76,811
Other debt securities							
Held for trading			2,638	3,725	5	24,224	30,592
Fair value through profit or loss mandatorily	377	3,840	9,396	4,049	912	21,434	40,008
Fair value through profit or loss designated	50		1	22		152	225
Amortised cost						7,649	7,649
Total	427	3,840	12,035	7,796	918	53,458	78,474
Accrued interest							844
TOTAL	12,555	6,676	17,030	7,983	52,606	58,435	156,128

1) Eligible papers are considered as such if they, according to national legislation, are accepted by the Central bank in the country in which SEB is located.

Parent company, 2019							
Debt securities by issuers	Swedish government	Swedish municipalities	Swedish mortgage institutions	Other Swedish issuers	Foreign government	Other foreign issuers	Total
Eligible debt securities¹⁾							
Held for trading	2,686	49			1,439	9,029	13,204
Fair value through profit or loss mandatorily	6,834	3,430		34,043	30,442	3,117	77,866
Amortised cost				3,350	5,231		8,581
Total	9,520	3,480		37,393	37,112	12,146	99,651
Other debt securities							
Held for trading			13,230	3,755		29,532	46,517
Fair value through profit or loss mandatorily		7,241	16,953	3,913		26,931	55,038
Amortised cost						9,231	9,231
Total		7,241	30,183	7,668		65,694	110,786
Accrued interest							979
TOTAL	9,520	10,721	30,183	45,062	37,112	77,840	211,417
Parent company, 2018							
Eligible debt securities¹⁾							
Held for trading	3,786				7,470	2,144	13,400
Fair value through profit or loss mandatorily	6,840	2,725			11,409	1,486	22,461
Amortised cost					8,509		8,509
Total	10,626	2,725			27,389	3,630	44,370
Other debt securities							
Held for trading			2,638	3,725		24,179	30,543
Fair value through profit or loss mandatorily		3,840	7,973	2,707		21,416	35,937
Amortised cost						7,649	7,649
Total		3,840	10,612	6,432		53,244	74,128
Accrued interest							729
TOTAL	10,626	6,565	10,612	6,432	27,389	56,874	119,227

1) Eligible papers are considered as such if they, according to national legislation, are accepted by the Central bank in the country in which SEB is located.

20 Equity instruments

	Group		Parent company	
	2019	2018	2019	2018
Fair value through profit or loss held for trading	56,795	33,192	56,794	33,191
Fair value through profit or loss mandatorily	21,687	17,242	5,008	3,801
TOTAL¹⁾	78,482	50,434	61,802	36,993

1) Of which seized shares for protection of claim SEK 29m (29).

21 Derivatives and hedge accounting

Derivatives	Group		Parent company	
	2019	2018	2019	2018
Interest-related	71,371	56,262	68,013	54,598
Currency-related	56,604	42,260	56,358	41,879
Equity-related	3,118	4,428	3,007	4,432
Other	8,335	12,513	8,335	12,373
Positive replacement values	139,427	115,463	135,713	113,282
Interest-related	45,774	35,701	44,366	35,723
Currency-related	63,022	41,976	61,872	40,490
Equity-related	5,002	3,825	4,877	3,825
Other	8,395	15,371	8,395	15,231
Negative replacement values	122,192	96,872	119,511	95,269

Group, 2019	Positive replacement values		Negative replacement values	
	Nominal amount	Book value	Nominal amount	Book value
Options	206,711	5,033	302,354	5,139
Futures	1,867,853	98	2,024,963	104
Swaps	5,898,123	66,239	5,549,161	40,531
Interest-related	7,972,687	71,371	7,876,479	45,774
<i>of which exchange traded</i>	<i>2,970</i>	<i>3</i>	<i>2,000</i>	<i>11</i>
Options	155,197	912	80,502	1,036
Futures	515,004	29,358	610,572	29,388
Swaps	1,517,122	26,334	1,670,363	32,597
Currency-related	2,187,323	56,604	2,361,437	63,022
<i>of which exchange traded</i>		<i>5</i>		<i>29</i>
Options	10,721	1,450	9,424	2,039
Futures	275	333	275	393
Swaps	28,157	1,335	43,126	2,570
Equity-related	39,153	3,118	52,825	5,002
<i>of which exchange traded</i>		<i>479</i>		<i>1,416</i>
Options	45,110	2,673	70,914	2,745
Futures	70,764	4,077	77,921	4,713
Swaps	27,330	1,584	33,404	936
Other	143,205	8,335	182,240	8,395
<i>of which exchange traded</i>	<i>41,676</i>	<i>1,055</i>	<i>15,851</i>	<i>1,954</i>
TOTAL	10,342,368	139,427	10,472,981	122,192
<i>of which exchange traded</i>	<i>44,646</i>	<i>1,542</i>	<i>17,851</i>	<i>3,411</i>

Group, 2018				
Options	178,317	2,923	180,630	2,931
Futures	2,003,207	75	1,822,075	57
Swaps	4,534,026	53,264	3,925,372	32,713
Interest-related	6,715,550	56,262	5,928,077	35,701
<i>of which exchange traded</i>	<i>1,226</i>	<i>139</i>	<i>25</i>	<i>103</i>
Options	227,898	1,658	130,787	1,863
Futures	677,737	12,158	666,221	11,096
Swaps	1,838,641	28,444	1,802,621	29,017
Currency-related	2,744,276	42,260	2,599,629	41,976
<i>of which exchange traded</i>		<i>9</i>		<i>60</i>
Options	13,019	1,124	13,078	1,721
Futures		991		1,104
Swaps	36,170	2,314	15,921	1,000
Equity-related	49,189	4,428	29,000	3,825
<i>of which exchange traded</i>		<i>721</i>		<i>2,041</i>
Options	37,252	3,010	58,610	3,065
Futures	54,981	8,780	52,439	10,564
Swaps	18,687	723	36,699	1,742
Other	110,920	12,513	147,748	15,371
<i>of which exchange traded</i>	<i>31,443</i>	<i>5,071</i>	<i>7,454</i>	<i>6,018</i>
TOTAL	9,619,936	115,463	8,704,454	96,872
<i>of which exchange traded</i>	<i>32,669</i>	<i>5,941</i>	<i>7,479</i>	<i>8,222</i>

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Note 21 continued Derivatives and hedge accounting

Parent company, 2019	Positive replacement values		Negative replacement values	
	Nominal amount	Book value	Nominal amount	Book value
Options	125,813	1,675	129,349	2,099
Futures	1,864,883	97	2,022,963	103
Swaps	5,906,652	66,241	5,553,158	42,163
Interest-related	7,897,348	68,013	7,705,471	44,366
<i>of which exchange traded</i>		2		11
Options	154,201	894	78,809	1,025
Futures	515,020	29,353	611,047	29,404
Swaps	1,506,434	26,111	1,657,151	31,443
Currency-related	2,175,655	56,358	2,347,007	61,872
<i>of which exchange traded</i>		5		29
Options	10,721	1,450	9,424	2,026
Futures		326		386
Swaps	26,746	1,230	41,715	2,466
Equity-related	37,467	3,007	51,139	4,877
<i>of which exchange traded</i>		368		1,305
Options	45,126	2,673	70,914	2,745
Futures	70,764	4,077	77,921	4,713
Swaps	27,330	1,584	33,404	936
Other	143,221	8,335	182,240	8,395
<i>of which exchange traded</i>	41,676	1,055	15,851	1,954
TOTAL	10,253,691	135,713	10,285,857	119,511
<i>of which exchange traded</i>	41,676	1,430	15,851	3,299
Parent company, 2018				
Options	148,362	1,857	148,640	2,015
Futures	2,001,981	74	1,822,050	57
Swaps	4,538,798	52,667	3,928,277	33,651
Interest-related	6,689,140	54,598	5,898,967	35,723
Options	228,913	1,662	131,213	1,864
Futures	501,649	12,152	509,422	11,081
Swaps	1,831,138	28,066	1,811,430	27,544
Currency-related	2,561,699	41,879	2,452,065	40,490
<i>of which exchange traded</i>		9		60
Options	13,019	1,124	13,063	1,721
Futures		991		1,104
Swaps	36,155	2,318	15,921	1,000
Equity-related	49,174	4,432	28,985	3,825
<i>of which exchange traded</i>		721		2,041
Options	36,253	2,892	57,611	2,948
Futures	53,838	8,758	51,296	10,542
Swaps	18,687	723	36,699	1,742
Other	108,778	12,373	145,606	15,231
<i>of which, cleared</i>	29,301	4,931	5,312	5,878
TOTAL	9,408,792	113,282	8,525,623	95,269
<i>of which exchange traded</i>	29,301	5,662	5,312	7,980

Hedge accounting

Accounting policy

As the International Accounting Standards Board issued the new accounting standard IFRS 9 they provided entities with an accounting policy choice between applying the hedge accounting requirements in IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting. SEB has decided to continue to apply hedge accounting requirements in IAS 39.

IBOR Reform (Interest Rate Benchmark Reform)

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and GBP LIBOR among other interbank offered rates has become a priority for global regulators. There is uncertainty around the timing and precise nature of these changes. SEB's hedging accounting risk exposure that is directly affected by the interest rate benchmark reform is USD LIBOR and GBP LIBOR.

It is currently expected that SOFR (Secured Overnight Financing Rate) will replace USD LIBOR and SONIA (Sterling Overnight Index) will replace GBP LIBOR. There are key differences between USD LIBOR and SOFR and GBP LIBOR and SONIA. USD and GBP LIBOR are 'term rates', which means that they are published for a borrowing period (such as 3 months), and are 'forward-looking', because they are published at the beginning of the borrowing period. SOFR and SONIA are currently 'backward-looking' rates; they are based on overnight rates from actual transactions and are published at the end of the overnight borrowing period. Furthermore, USD and GBP LIBOR include a credit spread over the risk-free rate, which SOFR and SONIA do not. To transition existing contracts and agreements that reference USD LIBOR to SOFR and GBP LIBOR and SONIA, adjustments for term differences and credit differences might need to be applied to SOFR and SONIA, to enable the benchmark rates to be economically equivalent on transition.

The group has applied its best judgement to analyse market expectations when determining the fair value of the hedging instrument and present value of estimated cash flows of the hedged item.

The table below indicates the nominal amount and risk of hedging items that will be affected by IBOR reform. Risk figures are expressed as one basis point's parallel shift of the interest rate curve in each currency.

Fair value hedges of interest rate risk	Notional	Asset	Liability
USD Libor	USD 11 bn		USD 1.7m
GBP Libor	GBP 900m		GBP 0.2m

Cash flow hedges of interest rate risk	Notional	Asset	Liability
USD Libor	USD 54bn		USD 3,600
GBP Libor	GBP 84m		GBP 9,800

The group has established a project to lead the transition to alternative benchmark rates. This transition project will coordinate needed changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. At the same time, the group is continuously monitoring and actively participating in market discussions to further prepare for a smooth transition.

The IASB is currently working through Phase 2 of amendments to IAS 39 and IFRS 9 for IBOR reform (see Accounting principles for information about Phase 1), which is expected to focus on, amongst other topics, accounting for modifications for contracts following IBOR reform, and amendments to hedge accounting documentation for IBOR reform. The group continues to follow the status of the IASB's IBOR reform project, and it will assess the impact for the group as further information becomes available.

Risk management strategy

The Board of Directors defines how much market risk is acceptable by setting the overall market risk limits and general instructions. The market risk tolerance and limits are defined for the trading book, banking book and defined benefit plans. The Group Risk Committee delegates the market risk mandate to the divisions and the treasury function, which in turn further allocate the limits internally. The treasury function has overall responsibility for managing these risks, which are consolidated centrally.

Risk category and designated risk exposure

Interest rate risk is the designated risk exposure for fair value and cash flow hedge accounting. Interest rate risk in the banking book arises from changes in market interest rates as a result of mismatches in interest terms and interest rate periods on the balance sheet.

Fair value hedges and portfolio hedges

The group holds a portfolio of long-term fixed rate mortgages and long-term fixed rate issued debt securities of which are exposed to fluctuations in fair value due to movements in market interest rates. The interest rate risk component is determined as the change in fair value of the long-term fixed rate mortgages and issued debt securities arising solely from changes in discounting rates such as applicable IBOR rates. The group hedges a portion of its existing interest rate risk from these financial assets and financial liabilities against changes in fair value. For this purpose the group are entering pay fixed/receive floating interest rate swaps for hedging of long-term fixed rate mortgages and receive fixed/pay floating interest swaps for hedging of long-term fixed rate issued debt securities thus resulting in fixed interest rates on the hedged item being swapped to floating interest rates. The hedges are executed item by item for long-term fixed rate issued debt securities and by aggregation of items grouped by maturity for long-term fixed rate mortgages.

Sources of hedge ineffectiveness

The effectiveness of the hedge strategy is assessed by the degree to which changes in fair value of the hedged item that are attributable to the changes in benchmark rate used for discounting are offset by changes in fair value of the hedging instrument. Possible sources of hedge ineffectiveness are as follows:

- (i) *the discounted cash flow from floating rate payments from the hedging instrument does not have an equivalent cash flow from the long-term fixed mortgages or issued debt securities thus give rise to hedge inefficiencies;*
- (ii) *deviations in critical factors between the hedged item and the fixed rate leg in the hedging instrument ('proxy bond') will give rise to hedge inefficiencies;*
- (iii) *different benchmark rates used for discounting of the hedged item and the hedging instrument. For example the use of either secured or unsecured benchmark rate depending on the collateralised characteristics of hedging instrument while unsecured benchmark rates are applied for the hedged item;*
- (iv) *funding value adjustments which impacts the fair value of hedging instruments for which central counterparty clearing is not applied. Equivalent fair value adjustment is not applicable for the hedged item;*
- (v) *the effects of the forthcoming reforms to USD LIBOR and GBP LIBOR, because these might take effect at a different time and have a different impact on the hedged item and the hedging instrument. Further details of these reforms are set out above.*

Cash flow hedges

The group holds a portfolio of lending and deposits with floating interest rates of which are exposed to fluctuations in cash flow due to movements in market interest rates. The interest rate risk component is determined as the variability in cash flows from floating rate lending and floating rate deposits arising solely from changes in applicable benchmark rates. The group hedges a portion of its existing exposure from these financial assets and financial liabilities against variability in cash flows. For this purpose the group are entering interest rate swaps where the net exposures of lending and deposits with floating rates are swapped to fixed interest. Group either pays or receives the fixed leg of the interest rate swap depending on whether volumes on floating rate lending outweighs floating rate deposits or vice versa. Interest flows from deposits and lending with floating interest rates are expected to be amortised to profit or loss during the period 2020 to 2037.

Sources of hedge ineffectiveness

The effectiveness of the hedge strategy is assessed by the degree to which changes in present value of the hedged expected future cash flows that are attributable to the changes in benchmark rate used for estimating future cash flows are offset by changes in fair value of the hedging instrument. Possible sources of hedge ineffectiveness are as follows:

- (i) *deviations in critical factors between the hedged item ('hypothetical derivative') and the floating rate leg in the hedging instrument will give rise to hedge inefficiencies;*
- (ii) *funding value adjustments which impacts the fair value of hedging instruments for which central counterparty clearing is not applied. Equivalent fair value adjustment is not applicable for the hedged item.*
- (iii) *the effects of the forthcoming reforms to USD LIBOR and GBP LIBOR, because these might take effect at a different time and have a different impact on the hedged item and the hedging instrument. Further details of these reforms are set out above.*

Net investment hedges

The group hedges the currency translation risk of net investments in foreign operations through currency borrowings. Borrowing in foreign currency to an amount of SEK 47,708m (46,983) were designated as hedges of net investments in foreign operations. Ineffectiveness in the hedges has been reported in Net financial income (note 6).

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Note 21 continued Derivatives and hedge accounting

Hedging instruments

Group, 2019	Positive replacement values			Negative replacement values		
	Nominal amount	Book value	Change in value	Nominal amount	Book value	Change in value
Derivatives	75,622	3,662	-854	430,724	415	2,276
Fair value hedges of interest rate risk	75,622	3,662	-854	430,724	415	2,276
Derivatives	180,750	93	503	9,500	0	-19
Portfolio fair value hedges of interest rate risk	180,750	93	503	9,500	0	-19
Derivatives	18,345	404	-386	5,883	730	-3
Portfolio cash flow hedges of interest rate risk	18,345	404	-386	5,883	730	-3
TOTAL	274,717	4,159	-736	446,107	1,145	2,254

Group, 2018

Derivatives	386,505	4,372	-41	44,892	0	-126
Fair value hedges of interest rate risk	386,505	4,372	-41	44,892	0	-126
Derivatives	10,750	0	3	84,400	10	-15
Portfolio fair value hedges of interest rate risk	10,750	0	3	84,400	10	-15
Derivatives	39,990	723	-1,129	28,750	707	-15
Portfolio cash flow hedges of interest rate risk	39,990	723	-1,129	28,750	707	-15
TOTAL	437,245	5,095	-1,167	158,043	717	-157

Fair value hedges of interest rate risk

Group, 2019	Book value hedged item	The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	Remaining accumulated adjustments for discontinued micro hedges	Hedge ineffectiveness recognized in profit or loss
Income Statement Net other Income					39
Balance sheet Debt securities issued	516,766	-5,455	-1,384		
Fair value hedges of interest rate risk	516,766	-5,455	-1,384		39
Income Statement Net other Income					27
Balance sheet Loans to the public Fair value changes of hedged items in a portfolio hedge	269,737	-420	-458		
Portfolio fair value hedges of interest rate risk	269,737	-420	-458		27
TOTAL	786,503	-5,875	-1,842		66

Group, 2018

Income Statement Net other Income					-42
Balance sheet Debt securities issued	440,227	-3,913	125		
Fair value hedges of interest rate risk	440,227	-3,913	125		-42
Income Statement Net other Income					-7
Balance sheet Loans to the public Fair value changes of hedged items in a portfolio hedge	189,373	38	5	-7	
Portfolio fair value hedges of interest rate risk	189,373	38	5	-7	-7
TOTAL	629,600	-3,876	130	-7	-49

Note 21 continued Derivatives and hedge accounting

Portfolio cash flow hedges of interest rate risk

	The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	The balances in the cash flow reserve		Hedging gains/losses of the reporting period that were recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	The amount reclassified from cash flow reserve for which hedge accounting had previously been used
		Continuing hedges	Discontinued hedges			
Group, 2019						
Income Statement						
Net other Income					-4	1
Statement of comprehensive income						
Cash flow hedges				-385		
Balance sheet						
Loans to the public and deposits and borrowing from the public	385					
Equity						
Cash flow hedges		-158	172			
TOTAL	385	-158	172	-385	-4	1

Group, 2018

Income Statement						
Net other Income					-13	
Statement of comprehensive income						
Cash flow hedges				-1,132		
Balance sheet						
Loans to the public and deposits and borrowing from the public	1,132					
Equity						
Cash flow hedges		313				
TOTAL	1,132	313		-1,132	-13	

Hedging instruments

	Positive replacement values			Negative replacement values		
	Nominal amount	Book value	Change in value	Nominal amount	Book value	Change in value
Parent company, 2019						
Derivatives	75,622	3,662	-854	430,724	415	2,276
Fair value hedges of interest rate risk	75,622	3,662	-854	430,724	415	2,276
Derivatives	180,750	93	503	9,500		-19
Portfolio fair value hedges of interest rate risk	180,750	93	503	9,500		-19
Derivatives	18,345	404	-386	5,883	730	-3
Portfolio cash flow hedges of interest rate risk	18,345	404	-386	5,883	730	-3
TOTAL	274,717	4,159	-736	446,107	1,145	2,254
2018						
Derivatives	386,505	4,372	-42	44,892		-126
Fair value hedges of interest rate risk	386,505	4,372	-42	44,892		-126
Derivatives	10,750		3	84,400	10	-15
Portfolio fair value hedges of interest rate risk	10,750		3	84,400	10	-15
Derivatives	39,990	723	-1,129	28,750	707	-15
Portfolio cash flow hedges of interest rate risk	39,990	723	-1,129	28,750	707	-15
TOTAL	437,245	5,095	-1,168	158,043	717	-157

Financial statements – Notes

Note 21 continued Derivatives and hedge accounting

Parent company, 2019	Book value	The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	Hedge ineffectiveness recognized in profit or loss
Income Statement				
Net other Income				39
Balance sheet				
Debt securities issued	516,766	-5,455	-1,384	
Fair value hedges of interest rate risk	516,766	-5,455	-1,384	39
Income Statement				
Net other Income				27
Balance sheet				
Loans to the public	269,737			
Fair value changes of hedged items in a portfolio hedge		-420	-458	
Portfolio fair value hedges of interest rate risk	269,737	-420	-458	27
TOTAL	786,503	-5,875	-1,842	66

Parent company, 2018				
Income Statement				
Net other Income				-42
Balance sheet				
Debt securities issued	440,227	-3,913	126	
Fair value hedges of interest rate risk	440,227	-3,913	126	-42
Income Statement				
Net other Income				-7
Balance sheet				
Loans to the public	189,373			
Fair value changes of hedged items in a portfolio hedge		38	5	
Portfolio fair value hedges of interest rate risk	189,373	38	5	-7
TOTAL	629,600	-3,876	131	-49

Parent company, 2019	The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	The balances in the cash flow reserve		Hedging gains/losses of the reporting period that were recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	The amount reclassified from cash flow reserve for which hedge accounting had previously been used
		Continuing hedges	Discontinued hedges			
Income Statement						
Net other Income					-4	1
Statement of comprehensive income						
Cash flow hedges				-385		
Balance sheet						
Loans to the public and deposits and borrowing from the public	385					
Equity						
Cash flow hedges		-158	172			1
TOTAL	385	-158	172	-385	-4	1

Parent company, 2018						
Income Statement						
Net other Income					-13	
Statement of comprehensive income						
Cash flow hedges				-1,132		
Balance sheet						
Loans to the public and deposits and borrowing from the public	1,132					
Equity						
Cash flow hedges		313				
TOTAL	1,132	313		-1,132	-13	

22 Investments in subsidiaries, associates and joint ventures

	Group		Parent company	
	2019	2018	2019	2018
Shares in Swedish subsidiaries			14,531	15,646
Shares in foreign subsidiaries ¹⁾	144	142	35,365	35,007
Investments in associates and joint ventures, strategic investments	386	295	270	189
Investments in associates, venture capital holdings	466	758	466	758
TOTAL	997	1,195	50,632	51,600
<i>of which holdings in credit institutions</i>			<i>33,951</i>	<i>33,755</i>

1) Some dormant subsidiaries in the Group are consolidated using the equity method.

Swedish subsidiaries	Country	2019			2018		
		Book value	Dividend	Ownership, %	Book value	Dividend	Ownership, %
Aktiv Placering AB, Stockholm	Sweden	38		100	38		100
Enskilda Kapitalförvaltning SEB AB, Stockholm	Sweden	0		100	0		100
Försäkringsaktiebolaget Skandinaviska Enskilda Captive, Stockholm	Sweden	100		100	100		100
Parkeringshuset Lasarettet HGB KB, Stockholm	Sweden	0		99	0		99
Repono Holding AB, Stockholm	Sweden	3,227		100	3,227		100
SEB Förvaltnings AB, Stockholm	Sweden	5		100	5		100
SEB Internal Supplier AB, Stockholm	Sweden	12		100	12		100
SEB Investment Management AB, Stockholm	Sweden	541		100	541		100
SEB Kort Bank AB, Stockholm	Sweden	3,760	828	100	3,760	508	100
SEB Life and Pension Holding AB, Stockholm	Sweden	6,424	1,500	100	6,424	5,000	100
SEB Portföljförvaltning AB, Stockholm	Sweden				1,115		100
SEB Strategic Investments AB, Stockholm	Sweden	424	322	100	424		100
Skandinaviska Kreditaktiebolaget, Stockholm	Sweden	0		100	0		100
TOTAL		14,531	2,649		15,646	5,508	
Foreign subsidiaries							
Baltectus B.V., Amsterdam	Netherlands				0	214	100
DSK Hyp AG, (former SEB AG), Frankfurt am Main	Germany	16,121		100	16,563	300	100
SEB Bank JSC, St Petersburg	Russia	458		100	458		100
SEB Banka, AS, Riga	Latvia	1,911	478	100	1,853	730	100
SEB bankas, AB, Vilnius	Lithuania	6,871	1,105	100	6,750	1,107	100
SEB Corporate Bank, PJSC, Kiev	Ukraine	138		100	138		100
SEB do Brasil Representações LTDA, Sao Paulo	Brazil	0		100	0		100
SEB Fund Services S.A., Luxembourg	Luxembourg					115	
SEB Leasing Oy, Helsinki	Finland	4,672		100	4,555		100
SEB Njord AS, Oslo	Norway	0		100	0		100
SEB Pank, AS, Tallinn	Estonia	3,125	658	100	2,706	716	100
SEB Securities Inc, New York	USA	52		100	48		100
Skandinaviska Enskilda Banken S.A., Luxembourg	Luxembourg	1,567	157	100	1,528	214	100
Skandinaviska Enskilda Ltd, London	Great Britain	451		100	409		100
TOTAL		35,365	2,397		35,007	3,396	

Information about the corporate registration numbers and numbers of shares of the subsidiaries is available upon request.

Note 22 continued Investments in subsidiaries, associates and joint ventures

Significant restrictions on the ability to use assets and settle liabilities of the group

Skandinaviska Enskilda Banken AB (Publ) can obtain distributions of capital, use assets and settle liabilities of members of the group within the limitation of some regulatory, statutory and contractual restrictions. These restrictions are:

Regulatory requirements

Regulated subsidiaries are subject to prudential regulatory capital requirements in the countries in which they are regulated. These subsidiaries are required to maintain a certain level of own funds in relation to their exposures, restricting their ability to distribute cash or other assets to the parent

company. To meet these requirements the subsidiaries hold capital instruments and other forms of subordinated liabilities.

Statutory requirements

Subsidiaries are required to have a certain level of solvency and are restricted to make distributions of capital and profits leading to a solvency below that level.

Contractual requirements

The group pledges some of its financial assets as collateral for financing and liquidity purposes. Encumbered assets can't be transferred within the group. Such assets are described further in the note 47 Pledged assets.

Investments in associates and joint ventures – Strategic investments	Assets ¹⁾	Liabilities ¹⁾	Revenues ¹⁾	Profit or loss ¹⁾	Book value	Ownership, %
Bankomat AB, Stockholm	4,734	4,350	720	10	66	20
BGC Holding AB, Stockholm	741	141	885	9	103	33
Getswish AB, Stockholm	115	37	176	13	19	20
Nordic KYC Utility AB					24	17
P27 Nordic Payments AB					57	17
USE Intressenter AB, Stockholm	1	0	0	0	0	28
Parent company holdings					270	
Holdings of subsidiaries					19	
Group adjustments					97	
GROUP HOLDINGS					386	

1) Retrieved from respective Annual report 2018.

Investments in associates – Venture capital holdings	2019		2018	
	Book value	Ownership, %	Book value	Ownership, %
Airsonett AB, Ängelholm	25	37	18	33
Apica AB, Stockholm	73	29	39	28
Avidicare Holding AB, Ängelholm	19	33	22	37
Capres A/S, Copenhagen			136	42
Coinify ApS, Herlev	0	23	12	18
InDex Pharmaceuticals Holding AB, Stockholm	76	15	94	21
Leasify AB, Stockholm	10	19	10	19
Now Interact Nordic AB, Stockholm	11	11	11	11
NuEvolution AB, Stockholm			156	20
OssDsign AB, Uppsala	47	15	61	24
Scandinova Systems AB, Uppsala	65	22	78	30
Scibase Holding AB, Stockholm	9	13	7	13
Senion AB, Linköping	18	34	19	34
TSS Holding AB, Stockholm	113	43	95	43
Parent company holdings	466		758	
GROUP HOLDINGS	466		758	

Information about the corporate registration numbers and numbers of shares of the associates is available upon request.

Strategic investments in associates in the group are accounted for using the equity method.

Investments in associates held by the venture capital organisation of the group have, in accordance with IAS 28, been designated as at fair value through profit and loss.

Some entities, in which the bank has an ownership of less than 20 per cent, has been classified as investments in associates. The reason is that the bank is represented in the board of directors and participates in the policy making processes of those entities.

All financial assets within the group's venture capital business are managed and its performance is 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 is substantially the same, and valuation with reference to observable market transactions in the same financial instrument.

23 Intangible assets

	Group					Parent company			
	Goodwill ¹⁾	Deferred acquisition costs	Internally developed IT-systems	Other intangible assets	Total	Goodwill ¹⁾	Internally developed IT-systems	Other intangible assets	Total
2019									
Opening balance	4,762	5,921	4,920	3,300	18,903	1,377	4,506	850	6,732
Additions from acquisitions and capitalisations		74	635	9	718		523		523
Reclassifications			-9	9					
Retirements and disposals				-36	-36			-5	-5
Exchange rate differences	30	47	5	33	116		1	1	3
Acquisition value	4,792	6,042	5,551	3,316	19,701	1,377	5,029	846	7,252
Opening balance		-4,694	-3,257	-2,796	-10,746	-1,377	-2,944	-635	-4,956
Current year's amortisations		-272	-395	-126	-793		-363	-63	-426
Impairments reversed			0	40	40				
Reclassifications			1	-1					
Retirements and disposals				36	36			5	5
Exchange rate differences		-25	-2	-25	-52		-1	0	0
Accumulated depreciations		-4,991	-3,653	-2,872	-11,515	-1,377	-3,308	-692	-5,377
TOTAL	4,792	1,051	1,898	444	8,186	0	1,721	154	1,875

1) Goodwill has an indefinite useful life. All other intangible assets have a definite useful life. Amortisation methods are described in note 1.

2018

Opening balance	4,727	4,941	4,623	3,475	17,765	1,377	4,320	901	6,598
Additions from acquisitions and capitalisations		259	580	89	928		477	69	546
Reclassifications		657		-213	444				
Retirements and disposals			-293	-132	-425		-293	-120	-413
Exchange rate differences	35	64	11	80	191		2	-1	1
Acquisition value	4,762	5,921	4,920	3,300	18,903	1,377	4,506	850	6,732
Opening balance		-3,660	-3,012	-3,062	-9,734	-1,377	-2,917	-706	-5,001
Current year's amortisations		-337	-343	-137	-817		-320	-48	-369
Reclassifications		-657	-192	333	-515				
Retirements and disposals			293	132	425		293	120	413
Exchange rate differences		-41	-4	-61	-106		0	1	0
Accumulated depreciations	0	-4,694	-3,257	-2,796	-10,746	-1,377	-2,944	-635	-4,956
TOTAL	4,762	1,227	1,663	505	8,157		1,561	215	1,776

Goodwill

The Cash Generating Units (CGU) structure is aligned with the business unit (BU) combined with geography to reflect the importance of steering and measuring the customer-oriented organisation.

CGUs	Acquisition year	Opening balance 2018	Exchange rate differences	Closing balance 2018	Exchange rate differences	Closing balance 2019
Card, Norway & Denmark ¹⁾	2002/2004	880	35	915	30	945
Life Sweden	1996/1997	2,343		2,343		2,343
Investment Management Sweden	1997/1998	1,504		1,504		1,504
TOTAL		4,727	35	4,762		4,792

1) The CGU:s are presented together since both acquisitions are related to the Eurocard business.

Impairment test 2019

Result of impairment test

The yearly impairment test for 2019 was performed in the fourth quarter. The impairment test did not result in any indication of impairment.

Estimates and assumptions used: future cash flows

The impairment test on goodwill is based on value in use and builds on the business plan for 2020–2022 and projected cash flows for 2023–2024. The long-term growth is based on expectations on inflation 1.5 per cent. The allocated capital is derived from the group's internal capital allocation model that has been aligned with the regulatory capital requirements including the management buffer. The cash flows in the business plan starts with the assumptions from the most recent Nordic outlook published. The main assumptions are: GDP growth in Sweden from 1.2 per cent to 2.0 per cent over three years and other Nordic countries excluding Sweden from 2.1 per cent to 1.9 per cent; inflation in Sweden 1.6 per cent to 1.9 per cent and in Other Nordic countries from 1.6 per cent to 1.8 per cent. The repo rate in Sweden is assumed to be 0.00 per cent end of 2021.

Estimates and assumptions used: Cost of Equity (CoE) – discount rate

The discount rate used is 10.0 per cent post-tax for SEB Group and is determined based on information from external sources and applied on all CGUs except Investment Management. The higher discount rate for Investment Management, 12.0 per cent, is applied due to uncertainty related to limitations to retrocessions, possible further margin squeeze and the current low interest environment that can create squeezed asset prices and volatility.

Sensitivities

An increase of one percentage of the discount rate (CoE), a decrease of the average growth rates by one percentage point for earnings before amortisations during the projection period and a decrease of one percentage point of the long term growth was applied in the sensitivity analysis. The sensitivity analysis carried out did not result in any indication of impairment.

Note 23 continued Intangible assets

Impairment test 2018
Result of impairment test

The yearly impairment test for 2018 was performed in the fourth quarter. The impairment test did not result in any indication of impairment.

Estimates and assumptions used: future cash flows

The impairment test on goodwill is based on value in use and builds on the business plan for 2019–2021 and projected cash flows for 2022–2023. The long-term growth is based on expectations on inflation 1.5 per cent. The allocated capital is derived from the Group's internal capital allocation model that has been aligned with the regulatory capital requirements including the management buffer. The cash flows in the business plan starts with the assumptions from the most recent Nordic outlook published at the commencement of this business plan process. The main assumptions are; GDP growth in Sweden from 2.2 per cent to 2.1 per cent over three years and other Nordic countries excluding Sweden from 2.4 per cent to 2.0 per cent; inflation in Sweden 2.1 per cent throughout the period and in Other Nordic countries from 1.5 per cent to 1.9 per cent. The repo rate in Sweden is assumed to be 0.75 per cent end of 2020.

Estimates and assumptions used: Cost of Equity (CoE) – discount rate

The discount rate used is 9.5 per cent post-tax for SEB Group and is determined based on information from external sources and applied on all CGUs except Investment Management. The higher discount rate for Investment Management, 11.5 per cent, is applied due to uncertainty related to limitations to retrocessions, possible further margin squeeze and the current negative interest environment that can create squeezed asset prices and volatility.

Sensitivities

An increase of one percentage of the discount rate (CoE), a decrease of the average growth rates by one percentage point for earnings before amortisations during the projection period and a decrease of one percentage point of the long term growth was applied in the sensitivity analysis. The sensitivity analysis carried out did not result in any indication of impairment.

24 Properties and equipment

	Group			Parent company			
	Equipment	Properties for own operations	Total	Equipment	Equipment leased to clients ¹⁾	Properties for own operations	Total
2019							
Opening balance	2,794	26	2,820	1,722	48,888	2	50,612
Additions from acquisitions and capitalisations	434	0	434	294	6,502		6,796
Reclassifications	-33	0	-33				
Retirements and disposals	-201		-201	-13	-10,480		-10,493
Exchange rate differences	49	4	52	26			26
Acquisition value	3,042	30	3,072	2,029	44,910	2	46,941
Opening balance	-1,510	-9	-1,519	-731	-15,872		-16,603
Current year's depreciations	-336	-1	-337	-241	-5,082		-5,323
Current year's impairments	-1		-1				
Reclassifications	0	0	0				
Retirements and disposals	188		188	8	4,960		4,968
Exchange rate differences	-34	-1	-35	-17	258		241
Accumulated depreciations	-1,692	-12	-1,704	-981	-15,736		-16,717
TOTAL	1,350	18	1,368	1,048	29,174	2	30,224
2018							
Opening balance	2,500	28	2,528	1,410	48,903	2	50,316
Additions from acquisitions and capitalisations	433	0	433	322	5,602		5,923
Reclassifications	-1	-1	-2				
Retirements and disposals	-189		-189	-16	-5,616		-5,632
Exchange rate differences	51	-2	49	6			6
Acquisition value	2,794	26	2,820	1,722	48,888	2	50,612
Opening balance	-1,389	-9	-1,398	-568	-15,260		-15,829
Current year's depreciations	-249	-1	-250	-160	-4,985		-5,144
Current year's impairments	-3	-1	-4				
Reclassifications	1	0	2				
Retirements and disposals	179	1	180	13	3,995		4,008
Exchange rate differences	-50	1	-49	-16	377		361
Accumulated depreciations	-1,510	-9	-1,519	-731	-15,872		-16,603
TOTAL	1,284	17	1,300	991	33,016	2	34,009

1) Equipment leased to clients are recognised as financial leases and presented as loans in the group. See note 51.

25 Other assets

	Group		Parent company	
	2019	2018	2019	2018
Trade receivables	1,381	1,169	1,427	1,225
Client receivables	12,476	12,826	11,951	12,429
Other assets	3,313	6,414	4,429	7,411
TOTAL	17,171	20,409	17,807	21,065

26 Prepaid expenses and accrued income

	Group		Parent company	
	2019	2018	2019	2018
Prepaid expenses	1,715	1,775	1,880	1,762
Accrued income	478	664	270	274
Other	42	32	255	335
TOTAL	2,235	2,471	2,404	2,371

27 Deposits

	Group		Parent company	
	2019	2018	2019	2018
Deposits	36,385	47,830	36,384	47,830
Deposits from central banks	36,385	47,830	36,384	47,830
Deposits	45,272	70,002	84,683	95,262
Margins of safety	2,692	17,296	2,245	16,915
Repos	3,580	192	3,579	15
Registered bonds ¹⁾	113	399		
Deposits from credit institutions	51,656	87,889	90,508	112,192
General governments	22,140	26,712	11,586	16,956
Financial corporations	215,091	226,434	199,684	206,272
Non-financial corporations	507,727	461,219	450,380	414,352
Households	346,455	323,100	250,211	236,954
Margins of safety	57,418	49,424	57,127	49,292
Repos	4,848	3,396	4,846	3,396
Registered bonds ¹⁾	7,808	21,103		
Deposits and borrowings from the public	1,161,485	1,111,390	973,834	927,224
TOTAL	1,249,526	1,247,109	1,100,726	1,087,246

1) Of which SEK 6,676m (8,911) at Fair Value Through Profit or Loss Designated (FVDPL) for the group. The group's contractual liability is SEK 5,228m (6,951). Difference between carrying amount and the amount the company is contractually obligated to pay to holders of registered bonds at maturity are, for the group SEK 1,447m (1,960). The accumulated impact from reflecting the group's own credit standing in the fair value measurement amounts to SEK 170m (166), of which SEK 4m (-210) relates to 2019.

For registered bonds at Fair Value Through Profit or Loss Designated (FVDPL) change in fair value attributable to change in credit risk is determined, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the registered bonds. Market conditions which give rise to market risk include

changes in the benchmark interest rate.

The company believes that this approach most faithfully represents the amount of change in fair value due to own credit risk, as the changes in factors contributing to the fair value of the registered bonds other than changes in the benchmark interest rate are not deemed to be significant.

28 Liabilities to policyholders

Financial liabilities for which the customers bear the investment risk, investment contracts ¹⁾	Group	
	2019	2018
Opening balance	270,556	284,291
Reclassification to insurance contracts	-86	
Change in investment contract provisions ²⁾	45,734	-15,827
Exchange rate differences	1,369	2,092
TOTAL	317,574	270,556

1) Insurance provisions where the policyholders are carrying the risk. The liabilities and the underlying assets are reported at fair value mandatory through profit or loss.

2) The net of premiums received during the year, return on investment funds less payments to the policyholders and deduction of fees and policyholders' tax.

Liabilities to policyholders, insurance contracts	Group	
	2019	2018
Opening balance	21,846	18,911
Reclassification from investment contracts	86	
Change in other insurance contract provisions ¹⁾	4,579	2,844
Exchange rate differences	36	90
TOTAL	26,547	21,846

1) The net of premiums received during the year, allocated return on investment funds less payments to the policyholders and deduction of fees and policyholders' tax.

29 Debt securities issued

	Group		Parent company	
	2019	2018	2019	2018
Senior bonds ¹⁾	193,991	203,729	193,859	203,528
Senior non-preferred bonds	10,258		10,258	
Covered bonds	364,901	334,244	364,901	334,244
Commercial Papers/Certificates of Deposits	289,023	142,697	288,949	142,624
TOTAL	858,173	680,670	857,968	680,396

1) Of which SEK 20,207m (18,518) at Fair Value Through Profit or Loss Designated (FVDPL) for the group and 20,075m (18,316) at Fair Value Through Profit or Loss Designated (FVDPL) for the parent company. The group's contractual liability is SEK 18,785m (19,310) and for the parent company SEK 18,655m (19,110). Difference between carrying amount and the amount the company is contractually obligated to pay to holders of issued securities at maturity are, for the group SEK 1,422m (-792) and for the parent company SEK 1,420m (-794). The accumulated impact from reflecting the group's own credit standing in the fair value measurement amounts to SEK 13 m (34), of which SEK -21 m (-113) relates to 2019. The corresponding amount for the parent company is SEK 14 m (34), of which SEK -20 m (-113) relates to 2019.

For issued securities at Fair Value Through Profit or Loss Designated (FVDPL) change in fair value attributable to change in credit risk is determined, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the issued securities. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the embed-

ded derivatives are excluded from the assessment of market risk fair value changes.

The company believes that this approach most faithfully represents the amount of change in fair value due to own credit risk, as the changes in factors contributing to the fair value of the issued securities other than changes in the benchmark interest rate are not deemed to be significant.

30 Short positions

	Group		Parent company	
	2019	2018	2019	2018
Equity instruments	17,352	13,498	17,352	13,498
Debt securities	9,991	9,646	9,991	9,646
TOTAL	27,343	23,144	27,343	23,144

31 Other liabilities

	Group		Parent company	
	2019	2018	2019	2018
Trade payables	1,049	1,305	867	1,023
Client payables	8,298	9,572	6,603	8,509
Lease liabilities ¹⁾	5,854			
Other liabilities	21,189	13,117	16,566	7,010
TOTAL	36,389	23,995	24,035	16,543

1) IFRS 16 Leases is applied for group from 1 January 2019. For transition disclosures, see note 49 Leases.

32 Accrued expenses and prepaid income

	Group		Parent company	
	2019	2018	2019	2018
Accrued expenses	4,123	3,845	2,701	2,659
Prepaid income	1,162	1,351	144	145
Other	75	65	72	66
TOTAL	5,360	5,260	2,917	2,871

33 Provisions

	Group		Parent company	
	2019	2018	2019	2018
Other restructuring and redundancy reserves	142	550	37	3
Provisions for Financial guarantees and Loan commitments (note 18)	454	474	370	382
Other provisions	499	793		
TOTAL	1,095	1,817	407	385

Other restructuring and redundancy reserves

Opening balance	550	810	3	28
Additions	35	1	35	
Amounts used	-156	-215		
Other movements	-302	-80		-25
Exchange differences	15	34		
TOTAL	142	550	37	3

The main part of the reserve will cover redundancy costs to be used within three years.

Other provisions

Opening balance	793	799		38
Effect from transition to IFRS 16	-122			
Additions	1	108		30
Amounts used	-79	-113		-68
Unused amounts reversed	-77	-15		
Other movements	-24			
Exchange differences	7	14		
TOTAL	499	793		0

Other provisions mainly consist of costs for re-organisation within the group to be used within four years and unsettled claims covering all operating segments.

34 Subordinated liabilities

	Group		Parent company	
	2019	2018	2019	2018
Debenture loans	19,776	18,987	19,326	18,987
Debenture loans, perpetual	24,243	15,251	24,243	15,251
Change in the value due to hedge accounting at fair value	257	-7	257	-7
Accrued interest	364	290	364	290
TOTAL	44,639	34,521	44,189	34,521

Debenture loans

	Currency	Original nom. amount	Book value	Rate of interest, %
2014/2026	EUR	1,000	10,446	2.500
2016/2028	EUR	850	8,880	1.380
Total parent company			19,326	
Debenture loans issued by other subsidiaries			450	
TOTAL			19,776	

Debenture loans, perpetual

	Currency	Original nom. amount	Book value	Rate of interest, %
2014	USD	1,100	10,257	5.750
2017	USD	600	5,595	5.625
2019	USD	900	8,392	5.125
TOTAL			24,243	

35 Untaxed reserves¹⁾

	Parent company	
	2019	2018
Depreciation in excess of plan on office equipment/leased assets	19,875	20,855
TOTAL	19,875	20,855

1) In the balance sheet of the group untaxed reserves are reclassified partly as deferred tax liability and partly as restricted equity.

Parent company

	Excess depreciation	Other untaxed reserves	Total
Opening balance	21,423	6	21,429
Reversals	-568		-568
Exchange rate differences		-6	-6
Closing balance 2018	20,855	0	20,855
Reversals	-980		-980
Exchange rate differences			
CLOSING BALANCE 2019	19,875	0	19,875

36 Fair value measurement of assets and liabilities

2019	Group				Parent company			
	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Assets								
Loans		190,090		190,090		190,090		190,090
Debt securities	110,101	113,884	5	223,990	86,494	106,988		193,481
Equity instruments	59,029	6,403	13,050	78,482	52,799	6,197	2,805	61,802
Financial assets for which the customers bear the investment risk	308,909	7,236	631	316,776				0
Derivatives – Interest related	65	66,669	478	67,211	64	63,312	478	63,854
Derivatives – Equity related	308	2,699	0	3,007	308	2,699	0	3,007
Derivatives – Currency related	522	56,081		56,604	64	56,294		56,358
Derivatives – Credit related		1,579		1,579		1,579		1,579
Derivatives – Commodities related		6,756		6,756		6,756		6,756
Derivatives – Other related	111			111				0
Derivatives – Hedge accounting		4,159		4,159		4,159		4,159
Investment in associates ¹⁾	85		381	466	85		381	466
TOTAL	479,130	455,557	14,544	949,231	139,813	438,075	3,665	581,552
Liabilities								
Deposits		15,103		15,103		8,427		8,427
Financial liabilities for which the customers bear the investment risk	309,772	7,178	625	317,574				0
Liabilities to policyholders	25,399	1,147		26,547				0
Debt securities issued		20,207		20,207				0
Short positions debt securities	8,322	1,669		9,991	8,322	1,669		9,991
Short positions equity instruments	17,311		41	17,352	17,311	0	41	17,352
Derivatives – Interest related	78	44,209	342	44,629	78	42,801	342	43,221
Derivatives – Equity related	290	4,601		4,891	277	4,601		4,877
Derivatives – Currency related	1,075	61,947		63,022	81	61,791		61,872
Derivatives – Credit related		891		891		891		891
Derivatives – Commodities related		7,504		7,504		7,504		7,504
Derivatives – Other related	111			111				0
Derivatives – Hedge accounting		1,145		1,145		1,145		1,145
Other financial liabilities	44	2,405		2,449	44	2,405		2,449
Debt securities at fair value through profit and loss				0		20,075		20,075
TOTAL	362,402	168,004	1,008	531,414	26,113	151,309	383	177,805

1) Venture capital activities designated at fair value through profit and loss.

Financial statements – Notes

Note 36 continued Fair value measurement of assets and liabilities

2018	Group				Parent company			
	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Assets								
Loans		100,037		100,037		100,037		100,037
Debt securities	62,812	76,976	4	139,792	34,711	66,948		101,659
Equity instruments	38,697	3,835	7,902	50,434	33,317	1,576	2,099	36,993
Financial assets for which the customers bear the investment risk	261,056	7,943	614	269,613				
Derivatives – Interest related	75	50,583	510	51,168	74	48,920	510	49,503
Derivatives – Equity related	562	3,865		4,427	562	3,869	0	4,432
Derivatives – Currency related	550	41,710		42,260	85	41,794		41,879
Derivatives – Credit related		683		683		683		683
Derivatives – Commodities related		11,690		11,690		11,690		11,690
Derivatives – Other related	140			140				
Derivatives – Hedge accounting		5,095		5,095		5,095		5,095
Investment in associates ¹⁾	256		501	758	256		501	758
TOTAL	364,148	302,417	9,531	676,096	69,005	280,614	3,110	352,729
Liabilities								
Deposits		12,497		12,497		3,411		3,411
Financial liabilities for which the customers bear the investment risk	262,029	7,924	603	270,556				
Liabilities to policyholders	21,752	95		21,847				
Debt securities issued		18,518		18,518				
Short positions debt securities	5,275	4,371		9,646	5,275	4,371		9,646
Short positions equity instruments	13,435			13,498	13,435	0	63	13,498
Derivatives – Interest related	57	34,453	473	34,983	57	34,486	473	35,015
Derivatives – Equity related	1,408	2,416		3,824	1,409	2,416		3,825
Derivatives – Currency related	1,011	40,965		41,976	46	40,443		40,490
Derivatives – Credit related		1,744		1,744		1,744		1,744
Derivatives – Commodities related		13,488		13,488		13,488		13,488
Derivatives – Other related	140			140				
Derivatives – Hedge accounting		717		717		708		708
Other financial liabilities	18	3,595		3,613	18	3,595		3,613
Debt securities at fair value through profit and loss						18,316		18,316
TOTAL	305,125	140,783	1,139	447,047	20,240	122,976	536	143,753

1) Venture capital activities designated at fair value through profit and loss.

Fair value measurement

The objective of the fair value measurement is to arrive at the price at which an orderly transaction would take place between market participants at the measurement date under current market conditions.

The group has an established control environment for the determination of fair values of financial instruments that includes a review, independent from the business, of valuation models and prices. If the validation principles are not adhered to, the Head of Group Finance shall be informed. Exceptions of material and principal importance require approval from the GRMC (Group Risk Measurement Committee) and the ARC (Accounting Reporting Committee).

In order to arrive at the fair value of a financial instrument SEB uses different methods; quoted prices in active markets, valuation techniques incorporating observable data and valuation techniques based on internal models. For disclosure purposes, financial instruments carried at fair value are classified in a fair value hierarchy according to the level of market observability of the inputs. Group Risk classifies and continuously reviews the classification of financial instruments in the fair value hierarchy. The valuation process is the same for financial instruments in all levels.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. The objective is to arrive at a price at which a transaction without modification or repackaging would occur in the principal market for the instrument to which SEB has immediate access.

Fair value is generally measured for individual financial instruments, in addition

portfolio adjustments are made to cover the credit risk. To reflect counterparty risk and own credit risk in OTC derivatives, adjustments are made based on the net exposure towards each counterpart. These adjustments are calculated on a counterparty level based on estimates of exposure at default, probability of default and recovery rates. Probability of default and recovery rate information is generally sourced from the CDS markets. For counterparties where this information is not available, or considered unreliable due to the nature of the exposure, alternative approaches are taken where the probability of default is based on generic credit indices for specific industry and/or rating. The impact from these adjustments are shown in note 6.

When valuing financial liabilities at fair value own credit standing is reflected. Fair values of financial assets and liabilities by class can be found in note 37.

In order to arrive at the fair value of investment properties a market participant's ability to generate economic benefit by using the asset in its highest and best use are taken into account. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible. The current use of the investment properties in SEB is in accordance with the highest and best use. The valuation of investment properties is described in the accounting policies in note 1. The valuation of the investment properties is performed semi-annually, they are presented and approved by the board in each real estate company. The valuation principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is in accordance with international valuation principles and in accordance with IFRS.

Note 36 continued Fair value measurement of assets and liabilities

Level 1: Quoted market prices

Valuations in Level 1 are determined by reference to unadjusted quoted market prices for identical instruments in active markets where the quoted prices are readily available and the prices represent actual and regularly occurring market transactions on an arm's length basis.

Examples of Level 1 financial instruments are listed equity securities, debt securities, and exchange-traded derivatives. Instruments traded in an active market for which one or more market participants provide a binding price quotation on the balance sheet date are also examples of Level 1 financial instruments.

Level 2: Valuation techniques with observable inputs

In Level 2 valuation techniques, all significant inputs to the valuation models are observable either directly or indirectly. Level 2 valuation techniques include using discounted cash flows, option pricing models, recent transactions and the price of another instrument that is substantially the same.

Examples of observable inputs are foreign currency exchange rates, binding securities price quotations, market interest rates (Stibor, Libor, etc.), volatilities implied from observable option prices for the same term and actual transactions with one or more external counterparties executed by SEB. An input can transfer from being observable to being unobservable during the holding period due to e.g. illiquidity of the instrument.

Examples of Level 2 financial instruments are most OTC derivatives such as options and interest rate swaps based on the Libor swap rate or a foreign-denominated yield curve. Other examples are instruments for which SEB recently entered into transactions with third parties and instruments for which SEB interpolates between observable variables.

Level 3: Valuation techniques with significant unobservable inputs

Level 3 valuation techniques incorporate significant inputs that are unobservable. These techniques are generally based on extrapolating from observable inputs for similar instruments, analysing historical data or other analytical techniques.

Examples of Level 3 financial instruments are more complex OTC derivatives, long term options for which the volatility is extrapolated or derivatives that depend on an unobservable correlation. Other examples are instruments for which there is currently no active market or binding quotes, such as unlisted equity instruments and private equity holdings.

If the fair value of financial instruments includes more than one unobservable input, the unobservable inputs are aggregated in order to determine the classification of the entire instrument. The level in the fair value hierarchy within which a financial instrument is classified is determined on the basis of the lowest level of input that is significant to the fair value in its entirety.

Significant transfers and reclassifications between levels

Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committee of each relevant division decides on material shifts between levels. At the end of the third quarter 2019 Equity instruments (Fund assets) within the insurance holdings at the amount of SEK 2.3bn have been transferred from level 2 into level 3. The transfers are a result of calibration of the classification methodology, in particular with regards to investment funds and other collective investment vehicles. The reclassification generates an increase of the sensitivity of Level 3 assets and liabilities to unobservable inputs of SEK 293m. The largest open market risk within Level 3 financial instruments remains in the traditional life insurance investment portfolios within the insurance business.

Changes in level 3

Group, 2019									
Assets	Opening balance	Reclassification	Gain/loss in Income statement ^(1) 2)	Purchases	Sales	Settlements	Transfers into Level 3	Exchange rate differences	Total
Debt securities	4							1	5
Equity instruments	7,902	32	1,542	3,069	-1,832		2,281	56	13,050
Financial assets for which the customers bear the investment risk	614		38	4	-200		164	11	631
Derivatives – Interest related	510		-68			34		2	478
Investment in associates ¹⁾	501		-65	70	-126			1	381
TOTAL	9,531	32	1,447	3,143	-2,158	34	2,445	70	14,544

Liabilities

Financial liabilities for which the customers bear the investment risk	603		43		-195		164	10	625
Short positions equity instruments	63		-3	-24	5				41
Derivatives – Interest related	473		-132		5	-4			342
TOTAL	1,139		-92	-24	-185	-4	164	10	1,008

Group, 2018

Assets	Opening balance	Changes due to IFRS 9 implementation	Gain/loss in Income statement ^(1) 2)	Purchases	Sales	Settlements	Transfers into Level 3	Exchange rate differences	Total
Debt securities	571	-567							4
Equity instruments	1,787	2,497	1,084	2,594	-447		279	108	7,902
Financial assets for which the customers bear the investment risk	630		-53	105	-97			29	614
Derivatives – Interest related	686		76	5	-121	-136		0	510
Derivatives – Equity related	2		-1	0	0			-1	0
Equity instruments available-for-sale	627	-627							0
Investment in associates ¹⁾	592		-120	66	-42			5	501
TOTAL	4,895	1,303	986	2,770	-707	-136	279	141	9,531

Liabilities

Financial liabilities for which the customers bear the investment risk	624		-53	100	-96	0		28	603
Short positions equity instruments	244		19	-203				3	63
Derivatives – Interest related	799		-75	-114	5	-142			473
TOTAL	1,667		-109	-217	-91	-142		31	1,139

1) Fair value gains and losses recognised in the income statement are included in Net financial income and Net other income.

2) Gains/losses recognised in the income statement relating to instruments held as of 31 December are SEK 1,357m (1,179).

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Note 36 continued Fair value measurement of assets and liabilities

Changes in level 3

Parent company, 2019	Opening balance	Gain/loss in Income statement ^{1) 2)}	Purchases	Sales	Settlements	Exchange rate differences	Total
Assets							
Equity instruments	2,099	954	115	-415		52	2,806
Derivatives – Interest related	510	-68	0		34	2	478
Investment in associates ¹⁾	501	-64	70	-126			381
TOTAL	3,110	822	185	-541	34	55	3,665
Liabilities							
Short positions equity instruments	63	-4	-24	5		1	41
Derivatives – Interest related	473	-132		5	-4		342
TOTAL	536	-136	-24	10	-4	1	383

Parent company, 2018

Assets	Opening balance	Changes due to IFRS 9 implementation	Gain/loss in Income statement ^{1) 2)}	Purchases	Sales	Settlements	Exchange rate differences	Total
Equity instruments	181	1,485	323	233	-224		100	2,099
Derivatives – Interest related	761		18	5	-121	-153	0	510
Derivatives – Equity related	2		-1				0	0
Equity instruments available-for-sale	474	-474						0
Investment in associates ¹⁾	592		-120	66	-42		6	501
TOTAL	2,010	1,011	220	303	-387	-153	106	3,110
Liabilities								
Short positions equity instruments	244		19	-203			3	63
Derivatives – Interest related	799		-75	-114	5	-142		473
TOTAL	1,043		-56	-317	5	-142	3	536

1) Fair value gains and losses recognised in the income statement are included in Net financial income and Net other income.

2) Gains/losses recognised in the income statement relating to instruments held as of 31 December are SEK 774m (461).

Sensitivity of Level 3 financial instruments to unobservable inputs

The table below illustrates the potential Profit or Loss impact of the relative uncertainty in the fair value of assets and liabilities that for their valuation are dependent on unobservable inputs. The sensitivity to unobservable inputs is assessed by altering the assumptions to the valuation techniques, illustrated below by changes in index-linked swap spreads, implied volatilities, credit

spreads or comparator multiples. It is unlikely that all unobservable inputs would be simultaneously at the extremes of their ranges of reasonably possible alternatives. There have been no significant changes during 2019. The largest open market risk within Level 3 financial instruments is found within the insurance business.

Group	2019				2018			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments ^{1) 2) 5)}	478	-342	136	36	510	-473	37	45
Equity instruments ^{3) 6) 7)}	2,399	-40	2,359	475	1,957	-63	1,894	380
Investments in associates ³⁾	788		788	158	627		627	125
Insurance holdings – Financial instruments ^{4) 5) 7) 8)}	9,960		9,960	1,110	5,576		5,576	697

1) 2019: Sensitivity quantified as the absolute value of range prices per maturity bucket multiplied by exposure in bps, and standard deviation multiplied by the confidence interval 1.28 and exposure in basis points. 2018: Sensitivity from a shift of inflation linked swap spreads by 16 basis points and implied volatilities by 5 percentage points.

2) 2019: Sensitivity from a shift of SEK denominated Bermudan swaption Vega exposures grouped by option maturities. 2018: Sensitivity from a shift of swap spreads by 5 basis points.

3) Valuation is estimated in a range of reasonable outcomes. Sensitivity analysis is based on 20 per cent (20) shift in market values.

4) Sensitivity for debt securities is generally quantified as shift in market values of 5 per cent (5) except for credit opportunity 10 per cent (10), distressed debt and structured credits 15 (15) are applied.

5) Shift in implied volatility by 10 per cent (10).

6) Sensitivity analysis is based on a shift in market values of hedge funds 5 per cent (20), private equity of 20 per cent (20), structured credits 15 per cent (10).

7) Sensitivity from a shift of investment properties/real estate funds market values of 10 per cent (10) and infrastructure/infrastructure funds market values of 20 per cent (10).

8) The sensitivity show changes in the value of the insurance holdings which do not at all times affect the P/L of the Group since any surplus in the traditional life portfolios are consumed first.

37 Financial assets and liabilities by class

Group, 2019	Book value						Fair value			
	FVHFT	FVMPL	FVDPL	Hedge instruments	AmC	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Assets										
Loans ¹⁾	186,706	3,384			1,843,189	2,033,280	29,544	194,020	1,810,085	2,033,650
Debt securities	60,454	156,666	6,870		14,588	238,578	112,878	125,996	5	238,878
Equity instruments	56,795	21,687				78,482	59,029	6,403	13,050	78,482
Financial assets for which the customers bear the investment risk		316,776				316,776	308,909	7,236	631	316,776
Derivatives	135,268			4,159		139,427	1,006	137,943	478	139,427
Other					16,584	16,584	2,507		14,078	16,584
Financial assets	439,223	498,513	6,870	4,159	1,874,362	2,823,127	513,873	471,598	1,838,326	2,823,797
Other assets (non-financial)						33,521				
TOTAL	439,223	498,513	6,870	4,159	1,874,362	2,856,648				

Liabilities

Deposits	8,427		6,676		1,234,423	1,249,526	35,023	21,860	1,191,956	1,248,839
Financial liabilities for which the customers bear the instruments investment risk			317,574			317,574	309,772	7,178	625	317,574
Debt securities issued			20,207		882,606	902,812	51	895,671	473	896,194
Short positions debt securities	9,991					9,991	8,322	1,669		9,991
Short positions equity instruments	17,352					17,352	17,311		41	17,352
Derivatives	121,047			1,145		122,192	1,554	120,296	342	122,192
Other	2,449		420		15,580	18,449	139	2,642	15,671	18,451
Financial liabilities	159,266		344,877	1,145	2,132,608	2,637,896	372,171	1,049,314	1,209,108	2,630,593
Liabilities to policyholders						26,547				
Other liabilities (non-financial)						36,505				
Total equity						155,700				
TOTAL	159,266		344,877	1,145	2,132,608	2,856,648				

1) Includes Cash balances at central banks SEK 144,185m.

Group, 2018	Book value						Fair value			
	FVHFT	FVMPL	FVDPL	Hedge instruments	AmC	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Assets										
Loans ¹⁾	98,136	1,901			1,829,234	1,929,272	29,234	105,813	1,795,423	1,930,470
Debt securities	44,461	88,896	6,435		16,336	156,128	68,871	87,254	4	156,129
Equity instruments	33,192	17,242				50,434	38,697	3,835	7,902	50,434
Financial assets for which the customers bear the investment risk		269,613				269,613	261,056	7,943	614	269,613
Derivatives	110,368			5,095		115,463	1,327	113,626	510	115,463
Other			67		17,127	17,194	2,249		14,945	17,194
Financial assets	286,158	377,652	6,502	5,095	1,862,697	2,538,104	401,434	318,471	1,819,398	2,539,303
Other assets (non-financial)						29,412				
TOTAL	286,158	377,652	6,502	5,095	1,862,697	2,567,516				

Liabilities

Deposits	3,586		8,911		1,234,613	1,247,109	35,054	18,636	1,192,268	1,245,958
Financial liabilities for which the customers bear the instruments investment risk			270,556			270,556	262,029	7,924	603	270,556
Debt securities issued			18,518		696,674	715,192	50	713,910	23	713,983
Short positions debt securities	9,646					9,646	5,275	4,371		9,646
Short positions equity instruments	13,498					13,498	13,435		63	13,498
Derivatives	96,155			717		96,872	2,616	93,783	473	96,872
Other	3,613		22		11,087	14,722	93	3,596	11,033	14,722
Financial liabilities	126,497		298,007	717	1,942,374	2,367,595	318,552	842,220	1,204,463	2,365,235
Liabilities to policyholders						21,847				
Other liabilities (non-financial)						29,285				
Total equity						148,789				
TOTAL	126,497		298,007	717	1,942,374	2,567,516				

1) Includes Cash balances at central banks SEK 206,866m.

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Note 37 continued Financial assets and liabilities by class

Parent company, 2019	Book value					Total
	FVHFT	FVMPL	FVDPL	Hedge instruments	AmC	
Assets						
Loans ¹⁾	186,706	3,384			1,613,642	1,803,732
Debt securities	59,995	133,486			17,935	211,417
Equity instruments	56,794	5,008			49,896	111,698
Derivatives	131,553			4,159		135,713
Other					14,183	14,183
Financial assets	435,049	141,878		4,159	1,695,656	2,276,742
Other assets (non-financial)						41,930
TOTAL	435,049	141,878		4,159	1,695,656	2,318,672
Liabilities						
Deposits	8,427				1,092,298	1,100,726
Debt securities issued			20,075		882,082	902,157
Derivatives	118,366			1,145		119,511
Other	29,792				8,267	38,059
Financial liabilities	156,585		20,075	1,145	1,982,647	2,160,452
Other liabilities (non-financial)						19,810
Total equity and untaxed reserves						138,410
TOTAL	156,585		20,075	1,145	1,982,647	2,318,672

1) Includes Cash balances at central banks SEK 110,039m.

Parent company, 2018	Book value					Total
	FVHFT	FVMPL	FVDPL	Hedge instruments	AmC	
Assets						
Loans ¹⁾	98,136	1,901			1,594,908	1,694,945
Debt securities	44,172	57,486			17,568	119,227
Equity instruments	33,191	3,801			50,653	87,646
Derivatives	108,188			5,095		113,282
Other			38		14,763	14,801
Financial assets	283,688	63,189	38	5,095	1,677,893	2,029,902
Other assets (non-financial)						48,373
TOTAL	283,688	63,189	38	5,095	1,677,893	2,078,275
Liabilities						
Deposits	3,411				1,083,835	1,087,246
Debt securities issued			18,316		696,600	714,917
Derivatives	94,551			717		95,269
Other	26,757				9,743	36,500
Financial liabilities	124,719		18,316	717	1,790,178	1,933,931
Other liabilities (non-financial)						10,794
Total equity and untaxed reserves						133,550
TOTAL	124,719		18,316	717	1,790,178	2,078,275

1) Includes Cash balances at central banks SEK 163,925m.

SEB has classified its financial instruments by class taking into account the characteristics of the instruments:

Loans and deposits includes financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Loans are further specified in note 18 and 40f.

Equity instruments includes shares, rights issues and similar contractual rights of other entities.

Debt instruments includes contractual rights to receive or obligations to deliver cash on a predetermined date. These are further specified in note 19 and 40f.

Derivatives includes options, futures, swaps and other derived products

held for trading and hedging purposes. These are further specified in note 21.

Investment contracts include those assets and liabilities in the Life insurance operations where the policyholder is carrying the risk of the contractual agreement (is not qualified as an insurance contract under IFRS 4). The Life insurance operations are further specified in note 42.

Insurance contracts includes those assets and liabilities in the Life insurance operations where SEB is carrying the insurance risk of a contractual agreement (is qualified as an insurance contract under IFRS 4). The Life insurance operations are further specified in note 42.

Other includes other financial assets and liabilities recognised in accordance with IFRS 9, i.e. Trade and client receivables and payables.

38 Assets and liabilities distributed by main currencies

Group, 2019	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances and loans to central banks	7,252	101,852	32,162	260	1,355	4,024	4,281	151,186
Loans to credit institutions	3,280	8,847	17,822	3,026	1,449	1,724	10,845	46,995
Loans to the public	1,051,572	388,169	180,674	31,076	90,356	67,875	27,884	1,837,605
Other financial assets	488,904	112,295	107,895	11,550	25,212	35,835	5,649	787,341
Other assets	5,388	24,819	1,100	399	906	514	395	33,521
TOTAL ASSETS	1,556,396	635,982	339,653	46,312	119,278	109,972	49,054	2,856,648
Deposits from central banks	426	12,542	14,248	858	0	0	8,312	36,385
Deposits from credit institutions	15,029	15,728	6,681	683	5,990	4,358	3,187	51,656
Deposits and borrowing from the public	577,486	307,743	130,735	39,800	35,673	43,038	27,011	1,161,485
Other financial liabilities	640,071	308,155	372,161	35,395	14,816	8,024	3,894	1,382,517
Other liabilities	44,229	10,695	3,364	742	3,967	3,888	2,021	68,905
Total equity	155,700							155,700
TOTAL LIABILITIES AND EQUITY	1,432,940	654,863	527,189	77,478	60,447	59,307	44,425	2,856,648

Group, 2018

Cash and cash balances and loans to central banks	25,253	79,844	75,738	271	6,111	1,628	53,564	242,408
Loans to credit institutions	3,163	7,568	19,201	2,656	896	1,450	9,353	44,287
Loans to the public	942,874	368,465	134,514	25,688	79,289	61,950	32,045	1,644,825
Other financial assets	356,893	113,651	79,282	5,267	18,424	26,898	6,169	606,584
Other assets	1,124	25,746	947	111	892	236	357	29,412
TOTAL ASSETS	1,329,306	595,276	309,681	33,993	105,611	92,162	101,486	2,567,516
Deposits from central banks	411	3,582	20,534	797		16,731	5,775	47,830
Deposits from credit institutions	18,410	12,129	32,712	645	3,156	13,058	7,779	87,889
Deposits and borrowing from the public	538,153	274,963	153,034	48,810	26,378	42,495	27,556	1,111,390
Other financial liabilities	555,042	265,362	249,171	32,140	9,983	4,199	4,589	1,120,487
Other liabilities	30,545	10,623	3,160	672	2,340	1,844	1,946	51,131
Total equity	148,789							148,789
TOTAL LIABILITIES AND EQUITY	1,291,350	566,659	458,611	83,064	41,857	78,327	47,645	2,567,516

Parent company, 2019	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances at central banks	7,229	65,660	32,087	0	1,320	1,485	2,324	110,104
Loans to credit institutions	8,832	39,161	17,519	4,881	4,361	8,274	9,423	92,450
Loans to the public	1,020,111	202,412	178,661	27,948	86,246	60,147	25,718	1,601,243
Other financial assets	202,143	85,937	104,667	11,984	26,759	35,756	5,698	472,945
Other assets	12,890	22,489	1,307	858	881	3,135	371	41,930
TOTAL ASSETS	1,251,204	415,659	334,240	45,671	119,566	108,797	43,534	2,318,672
Deposits from central banks	426	12,541	14,248	858	0	0	8,312	36,384
Deposits from credit institutions	28,566	29,035	13,089	1,284	6,395	7,750	4,390	90,508
Deposits and borrowing from the public	573,969	146,006	120,383	39,171	35,103	39,594	19,608	973,834
Other financial liabilities	360,132	264,871	372,920	35,375	14,779	7,866	3,783	1,059,727
Other liabilities	7,174	1,234	2,950	432	3,080	3,025	1,915	19,810
Shareholders' equity and untaxed reserves	138,410	0	0	0	0	0	0	138,410
TOTAL LIABILITIES AND EQUITY	1,108,676	453,687	523,590	77,120	59,356	58,236	38,007	2,318,672

Parent company, 2018

Cash and cash balances at central banks	891	34,903	75,675		1,261	1,617	49,734	164,081
Loans to credit institutions	35,172	38,121	20,475	3,612	8,559	5,900	8,494	120,333
Loans to the public	906,762	188,945	132,227	22,030	75,444	55,143	30,135	1,410,687
Other financial assets	118,923	83,189	76,209	5,396	18,430	26,758	5,897	334,801
Other assets	17,540	24,459	1,209	1,132	892	2,786	356	48,373
TOTAL ASSETS	1,079,287	369,615	305,795	32,170	104,587	92,204	94,616	2,078,275
Deposits from central banks	411	3,582	20,534	797		16,731	5,775	47,830
Deposits from credit institutions	25,110	22,259	37,903	984	3,182	14,471	8,283	112,192
Deposits and borrowing from the public	533,911	116,319	142,857	47,550	25,797	39,869	20,920	927,224
Other financial liabilities	321,998	224,158	249,791	32,131	9,939	4,162	4,506	846,685
Other liabilities	2,208	648	2,821	545	1,761	901	1,911	10,794
Shareholders' equity and untaxed reserves	133,550							133,550
TOTAL LIABILITIES AND EQUITY	1,017,188	366,966	453,906	82,007	40,679	76,134	41,395	2,078,275

39 Current and non-current assets and liabilities

Group	2019			2018		
	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
Assets						
Cash and cash balances at central banks	146,691		146,691	209,115		209,115
Loans to central banks	4,494		4,494	33,294		33,294
Loans to credit institutions	41,793	5,202	46,995	38,963	5,324	44,287
Loans to the public	741,676	1,095,930	1,837,605	745,077	899,748	1,644,825
Debt securities	238,578		238,578	156,128		156,128
Equity instruments	78,482		78,482	50,434		50,434
Financial assets for which the customers bear the investment risk	316,776		316,776	269,613		269,613
Derivatives	139,427		139,427	115,463		115,463
Fair value changes of hedged items in a portfolio hedge of interest rate risk				67		67
Investments in subsidiaries, associates and joint ventures		997	997	0	1,195	1,195
Intangible assets	793	7,393	8,186	817	7,340	8,157
Properties and equipment	337	1,031	1,368	251	1,049	1,300
Right-of-use assets	5,288		5,288			
Current tax assets	6,549		6,549	6,404		6,404
Deferred tax assets		259	259	0	251	251
Retirement benefit assets	5,545		5,545	4,104		4,104
Other assets	17,171		17,171	20,409		20,409
Prepaid expenses and accrued income	2,235		2,235	2,471		2,471
TOTAL	1,745,837	1,110,811	2,856,648	1,652,609	914,907	2,567,516

Liabilities	2019			2018		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Deposits from central banks and credit institutions	86,641	1,400	88,041	133,501	2,218	135,719
Deposits and borrowing from the public	1,145,895	15,590	1,161,485	1,088,202	23,188	1,111,390
Financial liabilities for which the customers bear the investment risk	16,397	301,177	317,574	744	269,812	270,556
Liabilities to policyholders	1,891	24,656	26,547	1,494	20,352	21,846
Debt securities issued	402,477	455,696	858,173	248,316	432,354	680,670
Short positions	27,343		27,343	23,144		23,144
Derivatives	122,192		122,192	96,872		96,872
Other financial liabilities	2,449		2,449	3,613		3,613
Fair value changes of hedged items in a portfolio hedge	420		420	22		22
Current tax liabilities	1,764		1,764	1,734		1,734
Deferred tax liabilities		7,117	7,117		7,141	7,141
Other liabilities	36,389		36,389	23,995		23,995
Accrued expenses and prepaid income	5,360		5,360	5,260		5,260
Provisions		1,095	1,095		1,817	1,817
Retirement benefit liabilities		359	359		427	427
Subordinated liabilities	364	44,275	44,639	290	34,231	34,521
TOTAL	1,849,583	851,364	2,700,947	1,627,187	791,540	2,418,727

Assets and liabilities are classified as current assets and current liabilities when they are cash or cash equivalents, are held for trading purposes, are expected to be sold, settled or consumed in normal business, and are expected to be

realised within twelve months. All other assets and liabilities are classified as non-current.

40 Risk disclosures

SEB assumes credit, market, operational, business, insurance, liquidity and environmental, social and governance (ESG) risks. 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. The Board of Directors is responsible for setting the maximum acceptable levels of risks to be taken by the bank. The risk tolerance statements of the Board conveys the direction and level of risk, funding structure, and necessary liquidity and capital buffers.

SEB's main risk is credit risk. Other risks include market risk, operational risk, business risk, insurance and pension risk, and liquidity risk. In order to cover

the risks, SEB holds a capital buffer and liquidity reserves in case of unforeseen events. SEB strives to continuously identify and manage risks in its operations, both existing and emerging risks, in a designated risk management process. The aggregate risk profile of SEB is regularly monitored and reported to the GRC and Board. In the annual capital adequacy process, the capital needs are evaluated based on the risk profile and future business strategy, taking into consideration the financial stability requirements of the regulators, debt investors, business counterparties and shareholders' required rate of return.

►► Further information about SEB's risk, liquidity and capital management is available on pages 52–57, notes 18 and 41 and in SEB's report under Pillar 3: Capital Adequacy and Risk Management Report (available on www.sebgroup.com).

40a Credit risk

Definition

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, settlement risk, and credit concentration risk.

Credit risk is the main risk in SEB, which arises in the lending and commitments to customers, including corporates, financial institutions, public sector entities and private individuals. This is referred to as the credit portfolio. SEB's total credit exposure consists of the credit portfolio as well as debt instruments and repos.

Risk management

Credit policies and approval process

The main principle in SEB's general credit policy is that all lending is based on credit analysis and is proportionate to the customer's cash flow and ability to repay. The customer shall be known by the bank and the purpose of the loan shall be fully understood. 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 also includes a risk classification of the customer based on this analysis. The process differs depending on the type of customer (e.g., retail, corporate or institutional), risk level, and 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 is often based on credit scoring models. Every credit decision of significance requires approval from an independent credit officer. Credit decision-making is based on a hierarchical structure, with the Group Risk Committee being the highest credit granting body, subject to limited exceptions. Below the Group Risk Committee, there 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 group's approach to sustainability as described in the Corporate Sustainability Policy, the Environmental Policy, the Human Rights Policy, and the Credit Policy on Corporate Sustainability. Position statements on climate change, child labour, and access to fresh water, as well as a number of industry sector policies, including Forestry, Fossil fuel, Mining and metals, Renewable energy and Shipping, shall be considered in the credit granting process and are also used in customer dialogues. Environmental, social and governance risks shall be considered in the credit analysis.

Risk mitigation

In order to reduce the credit risk, a number of credit risk mitigation techniques are used. The method used depends on its suitability for the product and the customer in question, its legal enforceability, and on SEB's experience and capacity to manage and control the particular technique. The most important credit risk mitigation techniques are collateral 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 often mitigated by the use of covenants. In the trading operations, daily margin arrangements are frequently used to mitigate net open counterparty exposures at any point in time.

Limits and monitoring

To manage the credit risk for individual customers or customer groups, a limit is established that reflects the maximum exposure that SEB is willing to accept. Limits are also established for total exposure in countries in certain risk classes, certain customer segments and for settlement risks in the trading operations.

SEB continuously reviews the quality of its credit exposures. All 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 are subject to more frequent reviews. The objective is to identify credit exposures with an elevated risk of loss at an early stage and to work together with the customer towards a solution that enables the customer to meet its financial obligations and SEB to avoid 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 IFRS 9 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 loss allowance, refer to note 1 and note 18.*

Loans where the contractual terms have been amended in favour of the customer due to financial difficulties are referred to as forbore 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 can also be considered impaired. A relevant credit approval body shall approve the forbearance measures as well as the classification of the loan as being forbore or not.

Credit portfolio analysis and stress tests

The risk organisation regularly reviews and assesses the aggregate credit portfolio based on industry, geography, risk class, product type, size and other parameters. Risk concentrations in geographic and industry sectors as well as in large single names are thoroughly analysed, both in respect of direct and indirect exposures and in the form of collateral, guarantees and credit derivatives. As of year-end, the 20 largest corporate exposures (including real estate management) corresponded to 93 per cent of the capital base (87). 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.

Risk measurement

Credit risk is measured for all exposures, both in the banking book and the trading book. An internal ratings-based (IRB) risk classification system approved by the regulator is used for the majority of the bank's portfolios and reflects the risk of default on payment obligations. SEB received approval for a significant amendment of its risk classification system for the nonretail portfolio in the parent company at the end of 2015 and for SEB AG in 2016. Approval for the Baltic subsidiaries was received in 2018.

For significant corporate portfolios, the risk classification system contains specific rating tools and PD (probability of default) scales. Larger and mid-sized counterparties are measured on a risk class scale of 1–16, while Small and Medium-sized Enterprises (SMEs) are measured on a scale of 1–12. Defaulted counterparties are given the highest risk class, and the three risk classes prior to default are defined as "watch list". For each risk class scale, SEB makes individual one-year, through-the-cycle probability of default estimates, which are based on more than 20 years of internal and external data.

For private individuals and small businesses, SEB uses credit scoring systems to estimate PD for the customer. To achieve greater accuracy, SEB uses different credit scoring models for different regions and product segments, as both data accessibility and customer characteristics normally vary by country and product.

The exposure weighted PD of the total credit portfolio increased to 0.57 per cent at year-end (0.58). ► *The risk distribution of the non-retail and household portfolios is shown on page 148.*

Counterparty credit risk in derivative contracts

SEB enters into derivative contracts primarily to support customers in the management of their financial exposures. SEB also uses derivatives to protect cash flows and fair values of financial assets and liabilities in its own book from market fluctuations.

Counterparty credit risk in derivative contracts is the risk of a counterparty not living up to its contractual obligations where SEB has a claim on the counterparty. The claim on the counterparty corresponds to a net positive exposure in favour of SEB. Since the market value of a derivative fluctuates during the term to maturity, the uncertainty of future market conditions must be taken into account. The potential future exposure (PFE) is calculated by applying an add-on to current market value. The add-on is generated either through simulation (internal model method) or by applying a standard add-on which is set by a fixed value depending on product type and time to maturity which reflects potential market movements for the specific contract (standardised method).

SEB's simulation-based approach for calculating potential future exposure (internal model method) is approved by the Swedish FSA for external capital reporting of counterparty credit risk of repos, interest rate derivatives and FX derivatives in the parent company.

Counterparty credit risk in derivative contracts 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, and through collateral arrangements.

Counterparty credit risk in derivative contracts affects the profit and loss through credit/debit valuation adjustments (CVA/DVA) reflecting the credit risk associated with derivative positions. These adjustments depend on market risk factors such as interest rate, foreign exchange rates and credit spreads. There is also a regulatory capital requirement for credit valuation adjustments under Basel III.

Financial statements – Notes

Note 40 a continued Credit risk

Credit exposure by industry

Total credit exposure comprises the group's credit portfolio (lending, contingent liabilities and counterparty risks arising from derivative, repo and collateral margin contracts) and debt instruments. Counterparty risks are reported based on exposure-at-default calculations. Exposures are presented before allow-

ances. Debt instruments comprise all interest-bearing instruments at nominal amounts, considering credit derivatives and futures. Debt instruments in the Life and Investment Management divisions are excluded.

Group	Lending		Contingent liabilities		Derivatives, repos and collateral margins		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Banks	38,207	31,536	25,649	21,094	35,197	40,701	99,053	93,331
Finance and insurance	93,029	73,437	50,143	48,132	45,425	39,650	188,597	161,219
Wholesale and retail	83,637	81,793	43,156	39,097	1,393	1,062	128,185	121,952
Transportation	36,305	36,788	23,900	24,678	2,636	3,186	62,841	64,652
Shipping	58,781	52,927	13,728	13,001	1,846	1,565	74,355	67,492
Business and household services	152,487	137,313	108,900	96,724	5,747	4,733	267,134	238,770
Construction	12,564	11,446	25,502	21,286	581	555	38,647	33,287
Manufacturing	108,139	96,158	146,881	141,186	12,516	11,404	267,537	248,748
Agriculture, forestry and fishing	23,371	21,275	2,550	3,138	72	74	25,992	24,487
Mining, oil and gas extraction	33,998	21,535	27,741	27,146	1,283	1,121	63,023	49,802
Electricity, gas and water supply	52,913	50,080	47,494	38,603	13,519	10,754	113,926	99,437
Other	14,073	20,841	22,748	15,008	822	386	37,642	36,235
Corporates	669,297	603,593	512,742	467,999	85,839	74,490	1,267,879	1,146,082
Commercial real estate management	156,559	158,077	26,557	23,558	4,783	3,880	187,900	185,515
Residential real estate management	116,858	98,629	8,820	7,205	5,454	4,452	131,132	110,286
Real Estate Management	273,417	256,706	35,378	30,763	10,237	8,332	319,031	295,801
Housing co-operative associations	60,002	59,195	2,616	4,081	1	2	62,619	63,278
Public Administration	16,271	16,512	23,059	21,580	32,566	16,850	71,896	54,942
Household mortgage	551,001	521,912	38,066	29,809			589,067	551,720
Other	45,683	44,287	42,032	42,197	766	185	88,482	86,669
Households	596,684	566,199	80,098	72,006	766	185	677,549	638,389
Credit portfolio	1,653,878	1,533,740	679,543	617,523	164,607	140,559	2,498,028	2,291,823
Debt instruments							207,900	141,174
TOTAL							2,705,928	2,432,997

Certain balances in the credit portfolio disclosure were reclassified during the first quarter 2019 to better reflect the portfolio characteristics. Furthermore, collateral margin is reflected based on an exposure-at-default amount rather

than a nominal amount and repos are now included, also based on an exposure-at-default value. Historic information has been restated.

Credit portfolio by industry and geography

Total credit portfolio comprises the group's lending, contingent liabilities and counterparty risks arising from derivative, repos and collateral margin contracts.

Counterparty risks are reported based on exposure-at-default calculations. Exposures are presented before allowances.

Group, 2019	Sweden	Other Nordic countries	Baltic countries	Germany, UK	Other	Total
Banks	60,416	16,112	1,282	5,203	16,040	99,053
Finance and insurance	127,389	13,819	456	39,646	7,286	188,597
Wholesale and retail	50,599	30,795	25,699	11,237	9,856	128,185
Transportation	18,699	20,600	11,128	12,202	212	62,841
Shipping	17,704	26,020	867	22,445	7,319	74,355
Business and household services	124,987	52,156	7,890	77,770	4,351	267,134
Construction	19,129	7,331	3,638	5,668	2,881	38,647
Manufacturing	107,737	82,265	15,133	42,857	19,545	267,537
Agriculture, forestry and fishing	15,685	2,110	8,012	84	103	25,992
Mining, oil and gas extraction	6,268	51,707	755	3,139	1,155	63,023
Electricity, gas and water supply	26,665	50,474	12,924	23,719	144	113,926
Other	28,496	2,123	819	5,694	510	37,642
Corporates	543,358	339,399	87,321	244,462	53,340	1,267,879
Commercial real estate management	107,188	42,398	23,902	12,941	1,472	187,900
Residential real estate management	125,488	2,609		3,031	4	131,132
Real Estate Management	232,676	45,007	23,902	15,972	1,475	319,031
Housing co-operative associations	62,618	2				62,619
Public Administration	55,178	3,859	4,001	4,742	4,116	71,896
Household mortgage	519,647	1,198	62,238		5,984	589,067
Other	46,691	29,386	9,450		2,954	88,482
Households	566,338	30,585	71,688		8,938	677,549
TOTAL	1,520,584	434,963	188,194	270,379	83,909	2,498,028

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Note 40 a continued Credit risk

Group, 2018	Sweden	Other Nordic countries	Baltic countries	Germany, UK	Other	Total
Banks	59,493	10,705	2,198	5,562	15,373	93,331
Finance and insurance	112,623	10,943	772	30,276	6,606	161,219
Wholesale and retail	50,521	25,211	25,087	12,221	8,912	121,952
Transportation	17,589	24,217	11,162	11,638	46	64,652
Shipping	14,386	23,074	991	23,044	5,997	67,492
Business and household services	116,204	41,465	9,281	67,993	3,827	238,770
Construction	15,631	6,516	4,197	4,264	2,680	33,287
Manufacturing	105,603	68,648	13,722	42,059	18,717	248,748
Agriculture, forestry and fishing	14,246	1,852	8,283	97	8	24,487
Mining, oil and gas extraction	6,518	39,984	815	2,167	318	49,802
Electricity, gas and water supply	24,730	36,345	11,777	26,457	129	99,437
Other	25,894	4,865	777	4,117	583	36,235
Corporates	503,942	283,120	86,864	224,334	47,822	1,146,082
Commercial real estate management	100,835	44,136	23,718	15,274	1,552	185,515
Residential real estate management	106,280	217		3,787	2	110,286
Real Estate Management	207,115	44,353	23,718	19,061	1,554	295,801
Housing co-operative associations	63,278					63,278
Public Administration	36,820	4,411	3,666	8,656	1,389	54,942
Household mortgage	487,253	1,302	57,044		6,121	551,720
Other	45,284	29,609	8,857	6	2,913	86,669
Households	532,537	30,911	65,901	6	9,034	638,389
TOTAL	1,403,184	373,501	182,348	257,619	75,172	2,291,823

As of 2019, the geographic split of the credit portfolio is based on SEB's operations, in order to more accurately match where profit is reported. The credit portfolio in previous periods have been restated to reflect these changes.

Credit portfolio by PD range

Group, 2019	Probability of Default (PD) range	S&P/Moody's ¹⁾	Total, excluding households					Households		
			Banks	Corporates	Real estate management	Housing Co-ops	Public Admin.	Total	Households ²⁾ PD range	
Investment grade	0 < 0.01%	AAA/Aaa	3.0%	0.5%	0.1%	0.0%	77.5%	3.6%	0 < 0.2%	63.1%
	0.01 < 0.03%	AA/Aa	40.1%	11.3%	6.4%	0.0%	12.4%	11.6%	0.2 < 0.4%	21.0%
	0.03 < 0.12%	A/A	35.5%	30.0%	8.9%	9.3%	9.4%	25.0%	0.4 < 0.6%	0.3%
	0.12 < 0.46%	BBB/Baa	10.5%	36.3%	53.1%	86.0%	0.5%	38.3%		
Standard monitoring	0.46 < 1.74%	BB/Ba	6.6%	16.4%	29.9%	4.0%	0.1%	17.2%	0.6 < 1%	7.8%
	1.74 < 7%	B/B	2.3%	3.6%	1.3%	0.8%	0.0%	2.9%	1 < 5%	5.5%
Watch list	7 < 9%	B/B	0.8%	0.5%	0.1%	0.0%	0.0%	0.4%	5 < 10%	0.9%
	9 < 22%	CCC/Caa	1.3%	0.6%	0.1%	0.0%	0.0%	0.5%	10 < 30%	0.8%
	22 < 100%	C/C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	30 < 50%	0.3%
Default	100%	D	0.0%	0.7%	0.1%	0.0%	0.1%	0.5%	50 < 100%	0.4%
TOTAL			100%	100%	100%	100%	100%	100%	TOTAL	100%

Group, 2018

Investment grade	0 < 0.01%	AAA/Aaa	5.2%	0.8%	0.3%	0.0%	70.8%	3.4%	0 < 0.2%	65.0%
	0.01 < 0.03%	AA/Aa	42.4%	11.2%	6.8%	0.0%	15.2%	11.9%	0.2 < 0.4%	19.5%
	0.03 < 0.12%	A/A	32.2%	29.2%	10.0%	9.8%	12.6%	24.7%	0.4 < 0.6%	0.4%
	0.12 < 0.46%	BBB/Baa	10.5%	37.3%	52.6%	86.1%	0.8%	39.1%		
Standard monitoring	0.46 < 1.74%	BB/Ba	5.0%	16.5%	28.8%	4.0%	0.3%	17.0%	0.6 < 1%	7.3%
	1.74 < 7%	B/B	1.7%	3.4%	1.2%	0.2%	0.1%	2.7%	1 < 5%	5.5%
Watch list	7 < 9%	B/B	0.6%	0.6%	0.0%	0.0%	0.0%	0.5%	5 < 10%	0.9%
	9 < 22%	CCC/Caa	2.3%	0.5%	0.1%	0.0%	0.0%	0.5%	10 < 30%	0.8%
	22 < 100%	C/C	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	30 < 50%	0.3%
Default	100%	D	0.0%	0.4%	0.2%	0.0%	0.0%	0.3%	50 < 100%	0.4%
TOTAL			100%	100%	100%	100%	100%	100%	TOTAL	100%

1) Estimated link between internal PDs and external ratings based on comparison of historical default outcomes.

2) Household exposure based on internal ratings based (IRB) reported as exposure in the event of a default (EAD – exposure at default).

Financial statements – Notes

Note 40 a continued Credit risk

Credit portfolio protected by guarantees, credit derivatives and collaterals¹⁾

	Group				Parent company			
	Credit portfolio	Protection via guarantees and credit derivatives	Protection via pledged collaterals	Of which, financial collaterals	Credit portfolio	Protection via guarantees and credit derivatives	Protection via pledged collaterals	Of which, financial collaterals
2019								
Banks	99,053	2,599	7,748	1,781	95,453	2,599	7,748	1,781
Corporates, Real estate management and Housing co-operative associations	1,649,530	26,377	403,549	27,907	1,490,334	24,719	345,804	27,376
Public Administration	71,896		866	1	64,840		574	
Households	677,549	8	504,604	292	545,028		443,033	152
TOTAL	2,498,028	28,983	916,766	29,982	2,195,655	27,317	797,159	29,309
2018								
Banks	93,331	2,312	12,318	7,145	88,952	2,312	12,317	7,145
Corporates, Real estate management and Housing co-operative associations	1,505,161	24,397	353,424	23,789	1,354,218	22,793	292,092	23,033
Public Administration	54,942		1,165	326	46,524		947	325
Households	638,389	8	477,053	454	512,098		420,892	303
TOTAL	2,291,823	26,717	843,960	31,715	2,001,792	25,105	726,248	30,805

1) Only risk mitigation arrangements eligible in capital adequacy reporting are represented in the tables above.

For information on collaterals that have been taken in possession, see note 20 Equity instruments.

Debt instruments

At year-end 2019, SEB's credit exposure in the bond portfolio amounted to SEK 208m (141). The exposure comprises all interest-bearing instruments at nominal amounts including certain credit derivatives and futures.

Distribution by geography

	Central & local governments		Corporates		Covered bonds		Asset-backed securities		Financials		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Sweden	26.3%	13.8%	0.7%	0.8%	10.5%	9.4%			0.1%	7.0%	37.5%	31.0%
Germany	12.9%	23.7%	0.2%	0.1%	0.2%	0.3%			0.0%	0.1%	13.4%	24.2%
US	12.4%	6.6%		0.0%					0.0%	0.0%	12.4%	6.6%
Norway	3.0%	6.0%	0.2%	0.0%	5.6%	5.9%			1.8%	1.2%	10.7%	13.1%
Denmark	2.4%	1.4%	0.0%	0.1%	6.2%	9.0%			0.0%	0.1%	8.7%	10.6%
Luxembourg	2.4%	3.2%					4.4%				6.8%	3.2%
Finland	1.5%	2.8%	0.0%	0.1%	3.0%	1.7%			0.9%	0.1%	5.5%	4.7%
Baltics	0.7%	1.8%									0.7%	1.8%
Netherlands	0.3%	0.4%		0.0%	0.0%				0.1%	0.0%	0.4%	0.4%
Europe, other	1.7%	2.2%	0.0%	0.0%					0.0%	0.1%	1.7%	2.3%
Rest of world	2.2%	2.0%	0.0%								2.2%	2.0%
TOTAL	65.8%	63.9%	1.2%	1.1%	25.6%	26.3%	4.4%	0.0%	2.9%	8.6%	100.0%	100.0%

Distribution by rating

AAA	52.7%	43.9%	0.1%	0.2%	25.3%	25.8%	3.6%		0.3%	0.1%	82.0%	70.0%
AA	7.7%	12.1%	0.0%	0.0%		0.1%			1.0%	0.2%	8.7%	12.5%
A	0.7%	0.6%	0.1%	0.0%			0.9%		0.1%	0.2%	1.8%	0.9%
BBB			0.4%	0.5%					0.0%	0.1%	0.4%	0.7%
BB/B			0.0%	0.0%						0.0%	0.0%	0.1%
CCC/CC				0.0%							0.0%	0.0%
No issue rating ¹⁾	4.8%	7.2%	0.5%	0.4%	0.3%	0.3%			1.4%	7.9%	7.0%	15.8%
TOTAL	65.8%	63.9%	1.2%	1.1%	25.6%	26.3%	4.4%	0.0%	2.9%	8.6%	100.0%	100.0%

1) Mainly German local governments (Bundesländer).

40b Market risk

Definition

Market risk is the risk of losses in balance sheet positions and obligations, 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. 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 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.

Risk management

Market risk in the trading book arises from SEB's customer-driven trading activities. The trading activities are carried out by the Large Corporates & Financial Institutions division in its capacity as market maker in international foreign exchange, equity and debt capital markets.

Market risk also arises in the form of interest rate risk in the banking book as a result of balance sheet mismatches in currencies, interest terms and interest rate periods. The treasury function has overall responsibility for managing these risks, which are consolidated centrally. The treasury function also manages a liquidity portfolio, which is part of SEB's liquidity reserve. Market risk in the liquidity portfolio arises from credit spread risk and interest rate risk in pledgeable and highly liquid bonds. For capital adequacy purposes, the assets

in this portfolio are classified as assets in the banking book as of 1 January 2018, while from a risk management perspective they are monitored together with trading-related market risk.

Market risk also arises in the bank's traditional life insurance operations and the defined benefit plans for employees as a result of mismatches between the market value of assets and liabilities. Market risk in the pension obligations and the life insurance business are not included in the market risk figures below.

▶▶ Refer to note 40 e for information on market risk in the life insurance business.

The Board of Directors defines how much market risk is acceptable by setting the overall market risk limits. Limits are defined for the trading book, banking book and defined benefit plans. The Group Risk Committee delegates the market risk mandate to the divisions and the treasury function, which in turn further allocate the limits internally. The trading book risks are managed at the different trading locations within a comprehensive set of limits including VaR, stop-loss, sensitivities and stress tests.

The risk organisation measures the market risk taken by the various units within the group on a daily basis. The risk organisation also independently verifies the valuation of positions held at fair value and calculates the capital buffer for prudent valuation. The risk control function is present in the trading rooms and monitors limit compliance and market prices at closing as well as valuation standards and the introduction of new products. Market risks are reported at least on a monthly basis to the Group Risk Committee and the Board's Risk and Capital Committee.

SEB is exposed to the following market risk types:

Risk type	Defined as the risk of loss or reduced income due to	Source
Interest rate risk	Changes in interest rates	Inherent in all banking business
Credit spread risk	A change in the creditworthiness of an issuer of, for instance, a bond or a credit derivative	Primarily present in the bank's bond holdings
Foreign exchange risk	Variations in the exchange rates	Foreign exchange trading and the bank's operations in various markets
Equity price risk	Variations in equity prices	Market making and customer activity in equities and equity derivatives
Commodity price risk	Variations in commodity prices	Customer-driven activities in commodities
Volatility risk	Changes in implied volatility	Market making and customer activity of options across all asset classes
Inflation risk	Change in inflation	Bond holdings, value of assets on balance sheet
Market liquidity risk	Bid-ask spread widenings	Sale of assets or closing of positions
Credit value adjustment ¹⁾	Variations in the counterparty credit risk based on the expected future exposure	OTC derivative contracts

¹⁾ Credit value adjustment is fundamentally credit risk, but the exposure is calculated using market risk drivers (interest rate, currency, etc.).

Risk measurement

When assessing the market risk exposure, SEB uses measures that capture losses under both 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.

Value at Risk and Stressed Value at Risk

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 exposure 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 is calculated for the current portfolio using market data from a historic, turbulent time period covering the Lehman Brothers' default. The VaR model is validated using back-testing analysis.

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 Swedish FSA for calculation of regulatory capital requirements for all the general market risks in the bank's trading book in the parent bank and the subsidiary Skandinaviska Enskilda Banken S.A. in Luxembourg.

Value at Risk

Trading Book (99%, ten days)	2019				
	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 price risk	21	90	21	48	35
Foreign exchange rate 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
Banking Book (99%, ten days)					
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

Note 40b continued Market risk

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 takes the whole loss distribution into account and calculates the expected loss of all of the worst outcomes. SEB currently uses ES to calculate economic capital for market risk in the trading book.

Scenario analysis and stress tests

Scenario analysis and stress tests are a key part of the risk management framework, complementing the VaR measure. In particular, they test portfolios using scenarios other than those available in the VaR simulation window and cover longer time horizons. 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 (hypothetical or forward-looking scenarios). Reverse stress tests are also used for the total trading portfolio as well as for individual divisions and business units, to identify scenarios that would lead to a given significant loss, for instance, the breach of a stop-loss limit. This type of analysis provides management with a view on the potential impact that large market movements in individual risk factors, as well as broader market scenarios, could have on a portfolio. The risk tolerance framework includes limits on different stress test scenarios.

Specific risk measures

VaR and stress tests are complemented by specific risk measures including Delta 1% for interest risk, and Single and Aggregated FX for currency risk.

In addition, all units that handle risk for financial instruments valued at market are limited by a stop-loss limit. The stop-loss limit indicates the maximum loss a unit can incur before mitigating actions are taken.

CVA/DVA sensitivities

The credit and debit valuation adjustments (CVA/DVA) are sensitive to market movements, in particular to movements in interest rates, credit spreads and foreign exchange rates.

In order to monitor this sensitivity, SEB stresses these asset classes on a regular basis and calculates the impact on the valuation adjustments. This is done

by comparing the original CVA/DVA numbers with the stressed CVA/DVA numbers where the current rates and credit spreads have been moved up 100 basis points and where SEK has appreciated 5 per cent to all other currencies compared with the current level.

2019	CVA	DVA	Total
Interest rates + 100bp	176	57	233
Credit spreads + 100bp	-892	390	-503
SEK + 5%	17	-4	13
2018			
Interest rates + 100bp	173	78	251
Credit spreads + 100bp	-696	387	-309
SEK + 5%	21	-3	18

Interest rate risk

Interest rate risk refers to the risk that the value of the group's assets, liabilities and interest-related derivatives will be negatively affected by changes in interest rates or other relevant risk factors.

The majority of the group's interest rate risks are structural and arise within the banking operations when there is a mismatch between the interest fixing

periods of assets and liabilities, including derivatives.

The table below shows the sensitivity to a +100 basis point change in the interest rates on the banking and trading book by currency and in different buckets of maturity. This is calculated as the value change for a shift of 1 basis point and then scaled up to reflect a 100 basis point move.

Interest rate sensitivity in trading book per time buckets

2019	< 3 months	3-12 months	1-2 years	2-5 years	5-10 years	>10 years	Total
EUR	-20	48	105	479	-69	-482	61
SEK	-50	-130	122	103	-65	32	12
USD	-40	98	-20	20	-46	-29	-17
Other	-41	63	-205	-307	-81	506	-65
TOTAL	-151	79	2	295	-261	27	-9
2018							
EUR	1	-137	617	-46	-268	-70	97
SEK	-19	-24	27	34	71	-29	60
USD	-44	48	-62	43	-35	1	-49
Other	-19	113	-505	31	208	192	20
TOTAL	-81	0	77	62	-24	94	128

Interest rate sensitivity in banking book per time buckets¹⁾

2019	< 3 months	3-12 months	1-2 years	2-5 years	5-10 years	>10 years	Total
EUR	-5	-271	-187	-267	-47	111	-666
SEK	-216	-466	-290	-285	-370	43	-1,584
USD	-39	115	34	47	55	112	324
Other	0	-66	-22	-24	-2	0	-114
TOTAL	-260	-688	-465	-529	-364	266	-2,040
2018							
EUR	14	-309	-221	-294	29	128	-653
SEK	-179	-675	-321	-586	-205	56	-1,910
USD	-7	36	39	-6	8	131	201
Other	-24	-92	-11	-33	-3	0	-163
TOTAL	-196	-1,040	-514	-919	-171	315	-2,525

1) by currency SEK m/100 basis points

40c Operational risk

Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems (e.g. breakdown of IT systems, mistakes, fraud, other deficiencies in internal control) or from external events (natural disasters, external crime, etc.). The definition includes conduct, compliance, legal and financial reporting, information-, cyber- and physical security, and venture execution risks, but excludes strategic and reputational risk.

Risk management

Operational risk is inherent in all of SEB's operations and the responsibility to manage operational risks rests with all managers throughout the bank. 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.

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. The process is also used for yearly reviews of significant outsourcing arrangements in the group.

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 designed to identify and mitigate significant operational risks embedded in SEB's various business and support processes, from an end-to-end perspective. There is comprehensive participation by each business unit throughout the organisation. The RCSA framework is used to analyse SEB's operational risk profile and achieving operational excellence and high performance.

A model risk framework has been implemented to capture risks embedded in models and processes across the bank.

SEB ensures that the organisation is prepared to respond to and operate throughout a period of major disruption by identifying critical activities and maintaining updated, annually tested and communicated business continuity plans in a group-wide system for this purpose.

All employees are required to escalate and register risk-related events or incidents so that risks can be properly identified, assessed, monitored, mitigated and reported. SEB uses a group-wide IT application to capture risk events, loss levels and other operational risk data for analysis and benchmarking towards peers.

SEB conducts regular training and education in key areas, including mandatory training for all staff in information security, fraud prevention, anti-money laundering, know-your-customer procedures, GDPR and SEB's Code of Conduct. SEB also has a formal external whistle-blower procedure that encourages employees to report improprieties and unethical or illegal conduct.

SEB's approach to meet cyber and other security threats is to prioritise technical protection, raise awareness and continuously enhance the cyber risk culture among both employees and customers. Necessary security updates, system upgrades, and implementation of new features and secure measurements are performed on a regular basis.

The risk organisation is responsible for measuring and reporting SEB's operational risks. Significant incidents and the risk level, both on Group and divisional/site level, are analysed and reported monthly to the Group Executive Committee, the Group Risk Committee and the Board's Risk and Capital Committee as well as local/divisional management. In 2019, the total losses from operational incidents amounted to SEK 120m (197).

Risk measurement

SEB uses the Advanced Measurement Approach (AMA) to calculate the regulatory capital requirement for operational risk.

40d Business risk

Definition

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.

Risk management

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. Corporate sustainability 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, with 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.

40e Insurance risk

Definition

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

Market risk in the insurance business is 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 for example interest rates, credit spreads, equity prices, exchange rates and implied volatilities.

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 average 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

In unit-linked insurance, the market risk is borne by the policyholder, while the underwriting risk is limited. However, there is an indirect exposure to market risk through the policyholders' investments, since a significant part of the future income stream of the life insurance business is based on assets under management. The profitability for existing and new business is closely monitored.

Market risk in the traditional life insurance products with guaranteed returns is 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, if positive, constitutes a buffer which can act as a mitigant for any potential P&L 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 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 move 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 risk organisation is responsible for measuring and controlling the risks inherent in SEB's life insurance operations. Measurement and monitoring of ALM risk measures, VaR, scenario analysis and stress tests are performed on a regular basis for each insurance company. The risk organisation also has the role of independent risk management function in the respective insurance companies from a Solvency II perspective. Key risks are reported regularly to the Group Risk Committee, the Board's Risk and Capital Committee and to the boards of each insurance company.

Solvency II, effective as of 1 January 2016, is a harmonised regulatory framework with respect to governance, internal control and capital requirements across insurance companies in the EU. Solvency II calculations are performed regularly, and the required reporting is submitted to the financial supervisors on a quarterly basis. With regards to current regulatory requirements, calculations show that SEB's life companies are financially strong and resilient to different stressed scenarios.

40f Liquidity risk

Definition

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 group is forced to borrow at unfavourable rates or is forced to sell assets at a loss in order to meet its payment commitments.

Liquidity management and risk measurement

The Board of Directors has established a comprehensive framework for managing the bank's liquidity requirements in the short- and long-term. The aim of SEB's liquidity risk management is to ensure that the group has a controlled liquidity risk situation, with adequate volumes of liquid assets in all relevant currencies to timely meet its liquidity requirements in all foreseeable circumstances, without incurring substantial cost.

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 certain currencies. The treasury function has the overall responsibility for liquidity management and funding, supported by local treasury centres in the group's major markets. The risk function regularly measures and reports limit utilisation based on different market conditions and liquidity stress tests to the Group Risk Committee and the Board's Risk and Capital Committee. While liquidity management is an ongoing process, an internal evaluation of the liquidity need is performed annually to identify potential gaps relative SEB's long-term liquidity targets and to ensure that liquidity management is sufficient.

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.

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 on a more detailed level based on internal statistics, which results in different weightings of available and required stable funding.

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.

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. As of 1 January 2018, EU's definition of LCR is used. SEB also measures the time it would take for the liquid assets to be depleted in a severely stressed scenario, expressed as the stressed survival horizon. In addition, SEB monitors various rating agencies' survival metrics.

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 ILAAP 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.

Liquid assets¹⁾

	2019					2018				
	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other	Total
Cash and balances with central banks	7,251	97,437	31,182	4,193	140,063	25,252	76,610	74,934	51,613	228,409
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	56,531	16,270	69,527	23,801	166,128	8,140	29,137	33,144	8,947	79,368
Securities issued by municipalities and PSEs	3,522	5,720	3,404	4,429	17,074	2,725	7,035	1,124	2,318	13,203
Extremely high quality covered bonds	73,879	954	507	43,906	119,244	26,672	657	448	38,770	66,546
Other assets										
Level 1 assets	141,182	120,380	104,620	76,329	442,510	62,789	113,438	109,650	101,648	387,525
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs			187	0	187					
High quality covered bonds	16,786		1,262	9,351	27,399	4,569	15		9,609	14,193
Corporate debt securities (lowest rating AA-)		11		0	11			118		118
Other assets										
<i>Level 2A assets</i>	<i>16,786</i>	<i>11</i>	<i>1,449</i>	<i>9,351</i>	<i>27,597</i>	<i>4,569</i>	<i>15</i>	<i>118</i>	<i>9,609</i>	<i>14,311</i>
Asset-backed securities										
High quality covered bonds										
Corporate debt securities (rated A+ to BBB-)		299		0	299		687	2	0	688
Shares (major stock index)										
Other assets										
<i>Level 2B assets</i>		<i>299</i>		<i>0</i>	<i>299</i>		<i>687</i>	<i>2</i>	<i>0</i>	<i>688</i>
Level 2 assets	16,786	310	1,449	9,351	27,896	4,569	702	120	9,609	15,000
TOTAL LIQUID ASSETS	157,968	120,690	106,069	85,680	470,406	67,358	114,140	109,770	111,257	402,525

1) The liquid assets are presented in accordance with the template defined by the Swedish Bankers' Association. All definitions are in accordance with Liquidity coverage Ratio in CRR.

Liquidity risk management measures

	2019	2018
Core Gap ratio ¹⁾	109%	110%
Loan to deposit ratio	143%	137%
Liquidity Coverage Ratio	218%	147%

1) Core Gap ratio represents the Parent company, DSK Hyp AG (former SEB AG, Germany), SEB Pank AS (Estonia), SEB Banka AS (Latvia), SEB bankas AB (Lithuania), Skandinaviska Enskilda Banken S.A. (Luxembourg) and SEB Kort AB (Sweden).

Financial statements – Notes

Note 40 f continued Liquidity risk

Contractual maturities

The following tables present cash flows by remaining contractual maturities at the balance sheet date and applies the earliest date on which the group can be required to pay regardless of probability assumptions. The cash flows are not

discounted. Derivatives are reported at fair value. Obligations such as loan commitments are reported as when the obligation matures.

Group, 2019

Balance sheet (contractual maturity dates)	Payable on demand	< 3 months ¹⁾	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Cash and cash balances at central banks	146,691						146,691		146,691
Loans to central banks		4,103	402				4,504	-10	4,494
Loans to credit institutions	13,441	20,869	7,563	4,808	507		47,189	-194	46,995
of which repos		1,353					1,353	-3	1,350
General governments	521	6,833	1,283	6,177	5,513		20,326	-1,036	19,290
Households ²⁾	6,561	16,791	29,827	50,837	605,902		709,918	-78,317	631,601
Corporates	53,340	460,885	167,456	437,803	106,432		1,225,917	-39,202	1,186,715
Loans to the public	60,422	484,508	198,566	494,817	717,847		1,956,160	-118,555	1,837,605
of which repos		185,084	1				185,085	-934	184,151
Debt securities		51,414	26,842	142,496	25,483		246,235	-7,657	238,578
of which eligible debt securities		46,581	11,913	60,137	7,356		125,987	-3,022	122,965
of which other debt securities		4,250	14,461	82,341	18,117		119,169	-4,635	114,534
Equity instruments						78,482	78,482		78,482
Derivatives						139,427	139,427		139,427
Financial assets for which the customers bear the investment risk						316,776	316,776		316,776
Financial assets at fair value		51,414	26,842	142,496	25,483	534,685	780,920	-7,657	773,263
Other assets		13,856	218	84	329	33,139	47,626	-28	47,598
of which other financial assets		12,284	16	3	108	1,695	14,106	-28	14,078
Total assets	220,555	574,750	233,591	642,205	744,166	567,824	2,983,092	-126,444	2,856,648
of which accrued interest loans						2,513	2,513		2,513
of which accrued interest debt securities						1,080	1,080		1,080

Deposits from central banks and credit institutions	32,196	31,242	23,434	613	852		88,337	-296	88,041
of which repos		3,588					3,588	-8	3,580
General governments	11,896	1,423	5,449	713	2,774		22,255	-115	22,140
Households	317,211	22,046	6,154	1,005	99		346,515	-60	346,455
Corporates	692,803	86,309	2,849	7,391	3,849		793,200	-310	792,890
Deposits and borrowings from the public	1,021,910	109,778	14,452	9,109	6,722		1,161,970	-485	1,161,485
of which deposits	901,775	81,700	10,106	5,886	2,734		1,002,201	-279	1,001,922
of which borrowing		5,179		57	63		5,299	-9	5,290
of which repos		4,853	1				4,854	-6	4,848
Financial liabilities for which the customers bear the investment risk						317,574	317,574		317,574
Liabilities to policyholders		525	1,422	5,722	18,878		26,547		26,547
Certificates		79,891	208,928	3,129			291,948	-2,925	289,023
Covered bonds		10,852	52,479	284,877	31,504		379,712	-14,811	364,901
Other bonds		9,084	45,289	143,057	14,349		211,779	-7,530	204,249
Debt securities issued		99,827	306,696	431,063	45,853		883,439	-25,266	858,173
Debt securities		137	3,284	2,670	4,840		10,931	-940	9,991
Equity instruments						17,352	17,352		17,352
Derivatives						122,192	122,192		122,192
Other liabilities		1,027	1,420	8		420	2,875	-6	2,869
Financial liabilities at fair value		1,164	4,704	2,678	4,840	139,964	153,350	-946	152,404
Other liabilities		9,125	1,228	1,658	5,651	34,497	52,158	-73	52,085
of which other financial liabilities		8,369	175	-27	903	158	9,579	-73	9,506
of which lease liabilities		50	123	1,093	4,057		5,323	531	5,854
Subordinated liabilities		1	374		55,594		55,969	-11,330	44,639
Equity						155,700	155,700		155,700
Total Liabilities and Equity	1,054,106	251,662	352,309	450,842	138,389	647,735	2,895,044	-38,396	2,856,648
of which accrued interest deposits and borrowing						646	646		646
of which accrued interest issued securities						3,147	3,147		3,147

Off balance sheet items

Loan commitments	8,161	275,686	62,895	276,623	14,646	337	638,348		638,348
Acceptances and other financial facilities		115,113	10,731	4,828	8,627	163	139,462		139,462
Total liabilities, equity and off balance sheet items	1,062,267	642,461	425,935	732,293	161,662	648,235	3,672,854	-38,396	3,634,458

1) Includes items available overnight.

2) For 2019, the households mortgages are presented based on contractual maturity dates for the loan agreements. 2018, the contractual maturity dates were set to the interest reset dates.

Financial statements – Notes

Note 40 f continued Liquidity risk

Group, 2018

Balance sheet (contractual maturity dates)	Payable on demand	<3 months ¹⁾	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Cash and cash balances at central banks	209,115						209,115		209,115
Loans to central banks	24,346	8,491	476	0			33,313	-19	33,294
Loans to credit institutions	10,812	20,268	8,049	4,857	506		44,492	-205	44,287
<i>of which repos</i>		<i>1,461</i>					<i>1,461</i>	<i>-3</i>	<i>1,458</i>
General governments	420	5,283	2,316	6,341	5,396		19,756	-1,009	18,747
Households ²⁾	5,928	31,434	170,899	352,985	63,344		624,590	-26,822	597,768
Corporates	50,402	349,863	138,686	415,092	110,825		1,064,868	-36,557	1,028,311
Loans to the public	56,750	386,580	311,901	774,418	179,565		1,709,213	-64,388	1,644,825
<i>of which repos</i>		<i>98,417</i>					<i>98,417</i>	<i>-481</i>	<i>97,936</i>
Debt securities		16,747	26,576	94,183	24,353		161,859	-5,731	156,128
<i>of which eligible debt securities</i>		<i>14,570</i>	<i>14,827</i>	<i>39,834</i>	<i>10,049</i>		<i>79,280</i>	<i>-2,469</i>	<i>76,811</i>
<i>of which other debt securities</i>		<i>1,803</i>	<i>11,332</i>	<i>54,313</i>	<i>14,288</i>		<i>81,736</i>	<i>-3,262</i>	<i>78,474</i>
Equity instruments						50,434	50,434		50,434
Derivatives						115,463	115,463		115,463
Financial assets for which the customers bear the investment risk						269,613	269,613		269,613
Financial assets at fair value		16,747	26,576	94,183	24,353	435,510	597,370	-5,731	591,639
Other assets		14,581	357	8	717	28,751	44,414	-57	44,357
<i>of which other financial assets</i>		<i>14,425</i>	<i>5</i>	<i>564</i>	<i>9</i>	<i>15,003</i>		<i>-57</i>	<i>14,946</i>
Total assets	301,023	446,667	347,358	873,466	205,141	464,261	2,637,916	-70,400	2,567,516
<i>of which accrued interest loans</i>						<i>2,423</i>	<i>2,423</i>		<i>2,423</i>
<i>of which accrued interest debt securities</i>						<i>845</i>	<i>845</i>		<i>845</i>
Deposits from central banks and credit institutions	50,840	66,045	16,886	1,167	1,146		136,083	-364	135,719
<i>of which repos</i>		<i>192</i>					<i>192</i>		<i>192</i>
General governments	9,609	8,130	5,321	782	3,006		26,848	-133	26,715
Households	290,845	25,065	6,300	928	25		323,164	-63	323,101
Corporates	558,381	175,884	8,624	10,113	9,217		762,219	-645	761,574
Deposits and borrowings from the public	858,836	209,079	20,246	11,823	12,247		1,112,231	-841	1,111,390
<i>of which deposits</i>	<i>761,616</i>	<i>170,390</i>	<i>10,008</i>	<i>7,169</i>	<i>5,960</i>		<i>955,143</i>	<i>-506</i>	<i>954,637</i>
<i>of which borrowing</i>		<i>3,722</i>	<i>5</i>	<i>52</i>	<i>87</i>		<i>3,866</i>	<i>-8</i>	<i>3,858</i>
<i>of which repos</i>		<i>3,400</i>					<i>3,400</i>	<i>-4</i>	<i>3,396</i>
Financial liabilities for which the customers bear the investment risk						270,556	270,556		270,556
Liabilities to policyholders		10,875	1,050	3,103	6,818		21,846		21,846
Certificates		33,316	107,164	3,739			144,219	-1,522	142,697
Covered bonds		2,584	46,848	271,287	27,007		347,726	-13,482	334,244
Other bonds		25,562	28,969	151,945	3,809		210,285	-6,556	203,729
Debt securities issued		61,462	182,981	426,971	30,816		702,230	-21,560	680,670
Debt securities		70		7,008	3,144		10,222	-576	9,646
Equity instruments						13,498	13,498		13,498
Derivatives						96,872	96,872		96,872
Other liabilities		1,315	2,047	285			3,647	-12	3,635
Financial liabilities at fair value		1,385	2,047	7,293	3,144	110,370	124,239	-588	123,651
Other liabilities		11,820	1,049	605	869	26,065	40,408	-35	40,373
<i>of which other financial liabilities</i>		<i>10,863</i>	<i>16</i>	<i>16</i>	<i>170</i>	<i>60</i>	<i>11,125</i>	<i>-35</i>	<i>11,090</i>
Subordinated liabilities			298		42,825		43,123	-8,602	34,521
Equity						148,789	148,789		148,789
Total Liabilities and Equity	909,675	360,666	224,557	450,962	97,866	555,780	2,599,506	-31,990	2,567,516
<i>of which accrued interest deposits and borrowing</i>						<i>1,048</i>	<i>1,048</i>		<i>1,048</i>
<i>of which accrued interest issued securities</i>						<i>3,704</i>	<i>3,704</i>		<i>3,704</i>
Off balance sheet items									
Loan commitments	7,453	241,376	50,268	262,779	26,780	376	589,032		589,032
Acceptances and other financial facilities	16,577	26,474	27,759	26,394	39,076	154	136,434		136,434
Operating lease commitments		249	746	2,757	3,466		7,218		7,218
Total liabilities, equity and off balance sheet items	933,705	628,765	303,330	742,892	167,188	556,310	3,332,190	-31,990	3,300,200

1) Includes items available overnight.

2) For 2019, the households mortgages are presented based on contractual maturity dates for the loan agreements. 2018, the contractual maturity dates were set to the interest reset dates.

Financial statements – Notes

Note 40 f continued Liquidity risk

Parent company, 2019									
Balance sheet (contractual maturity dates)	Payable on demand	<3 months ¹⁾	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Cash and cash balances at central banks	110,082	22					110,104		110,104
Loans to credit institutions	26,271	24,658	22,293	18,519	1,207		92,947	-497	92,450
<i>of which repos</i>		2,560					2,560		2,560
General governments	510	6,136	357	1,250	954		9,206	-204	9,002
Households ²⁾	6,545	7,743	21,298	21,273	547,285		604,144	-65,999	538,145
Corporates	57,349	432,691	149,167	362,010	83,462		1,084,678	-30,582	1,054,096
Loans to the public	64,403	446,569	170,821	384,533	631,701		1,698,028	-96,785	1,601,243
<i>of which repos</i>		185,031					185,031	-882	184,149
Debt securities		49,589	22,862	122,766	23,352		218,569	-7,152	211,417
<i>of which eligible debt securities</i>		45,551	9,081	41,877	5,465		101,974	-2,323	99,651
<i>of which other debt securities</i>		4,038	13,781	80,889	17,886		116,594	-4,829	111,765
Equity instruments						112,434	112,434		112,434
Derivatives						135,713	135,713		135,713
Financial assets at fair value		49,589	22,862	122,766	23,352	248,147	466,716	-7,152	459,564
Other assets		14,273	1,654	17,802	8,852	12,756	55,338	-27	55,311
<i>of which other financial assets</i>		13,282	16		107		13,405	-27	13,378
Total assets	200,756	535,112	217,630	543,620	665,112	260,903	2,423,133	-104,461	2,318,672
<i>of which accrued interest loans</i>						2,201	2,201		
<i>of which accrued interest debt securities</i>						979	979		
Deposits by credit institutions	56,995	33,666	31,872	4,142	658		127,332	-441	126,891
<i>of which repos</i>		3,588					3,588	-8	3,580
General governments	2,327	1,157	4,919	648	2,640		11,692	-106	11,586
Households	239,353	7,844	2,543	423	73		250,236	-25	250,211
Corporates	630,800	74,957	2,137	4,283			712,177	-140	712,037
Deposits and borrowings from the public	872,480	83,958	9,599	5,354	2,714		974,105	-271	973,834
<i>of which deposits</i>	872,480	78,784	9,599	5,354	2,715		968,932	-266	968,666
<i>of which borrowing</i>		5,174					5,174	-6	5,168
<i>of which repos</i>		4,852					4,852	-6	4,846
Certificates		79,817	208,928	3,129			291,873	-2,924	288,949
Covered bonds		10,852	52,480	284,878	31,503		379,714	-14,813	364,901
Other bonds		9,084	45,289	142,921	14,348		211,643	-7,525	204,118
Issued securities		99,753	306,698	430,927	45,852		883,230	-25,262	857,968
Debt securities		137	3,262	2,614	4,581		10,594	-603	9,991
Equity instruments						17,352	17,352		17,352
Derivatives						119,511	119,511		119,511
Other liabilities						2,449	2,449		2,449
Financial liabilities at fair value		137	3,262	2,614	4,581	139,311	149,905	-603	149,302
Other liabilities		7,766	100	265	97	19,860	28,088	-11	28,077
<i>of which other financial liabilities</i>		7,686	72	67	34	420	8,278	-11	8,267
Subordinated liabilities		1	374		55,041		55,415	-11,226	44,189
Untaxed reserves						19,875	19,875		19,875
Equity						118,535	118,535		118,535
Total Liabilities and Equity	929,475	225,281	351,904	443,302	108,943	297,581	2,356,486	-37,814	2,318,672
<i>of which accrued interest deposits and borrowing</i>						742	742		742
<i>of which accrued interest issued securities</i>						3,021	3,021		3,021
Off balance sheet items									
Loan commitments		54,058	57,578	261,473	12,397		385,506		385,506
Acceptances and other financial facilities		21,031	32,636	48,646	43,854		146,166		146,166
Operating lease commitments		3	40	673	4,844		5,560	-494	5,066
Total liabilities, equity and off balance sheet items	929,475	300,372	442,159	754,094	170,037	297,581	2,893,719	-38,308	2,855,411

1) Includes items available overnight.

2) For 2019, the households mortgages are presented based on contractual maturity dates for the loan agreements. 2018, the contractual maturity dates were set to the interest reset dates.

Financial statements – Notes

Note 40 f continued Liquidity risk

Parent company, 2018

Balance sheet (contractual maturity dates)	Payable on demand					Not distributed	Subtotal	Discount effect	Total
		< 3 months ¹⁾	3–12 months	1–5 years	>5 years				
Cash and cash balances at central banks	164,081						164,081		164,081
Loans to credit institutions	23,619	67,330	14,388	14,784	640		120,761	-428	120,333
<i>of which repos</i>		200					200		200
General governments	55	3,665	1,655	1,346	320		7,040	-136	6,904
Households ²⁾	5,346	22,314	162,301	324,270	13,630		527,861	-18,208	509,653
Corporates	50,360	327,093	121,898	341,048	81,278		921,676	-27,546	894,130
Loans to the public	55,760	353,072	285,854	666,663	95,228		1,456,577	-45,890	1,410,687
<i>of which repos</i>		98,377					98,377	-451	97,926
Debt securities		7,443	21,074	74,137	22,648		125,301	-6,074	119,227
<i>of which eligible debt securities</i>		6,440	10,250	21,482	8,218		46,391	-2,021	44,370
<i>of which other debt securities</i>		1,002	10,823	52,655	14,429		78,910	-4,053	74,857
Equity instruments						87,646	87,646		87,646
Derivatives						113,282	113,282		113,282
Financial assets at fair value		7,443	21,074	74,137	22,648	200,928	326,230	-6,074	320,156
Other assets		14,408	2,222	16,997	13,821	15,615	63,063	-44	63,019
<i>of which other financial assets</i>		13,143	5		558	38	13,743	-44	13,699
Total assets	243,460	442,252	323,538	772,581	132,336	216,543	2,130,711	-52,436	2,078,275
<i>of which accrued interest loans</i>						1,936	1,936		1,936
<i>of which accrued interest debt securities</i>						729	729		729

Deposits by credit institutions	36,025	89,482	25,665	8,509	944		160,626	-604	160,022
<i>of which repos</i>		15					15		15
General governments	1,352	7,677	4,506	725	2,812		17,072	-113	16,959
Households	225,810	8,481	2,286	398			236,975	-20	236,955
Corporates	547,548	115,335	1,711	6,021	2,976		673,591	-281	673,310
Deposits and borrowings from the public	774,710	131,493	8,503	7,144	5,787		927,638	-414	927,224
<i>of which deposits</i>	774,710	127,771	8,502	7,144	5,787		923,915	-409	923,506
<i>of which borrowing</i>		3,722					3,722	-4	3,718
<i>of which repos</i>		3,400					3,400	-4	3,396
Certificates		33,243	107,168	3,741			144,151	-1,527	142,624
Covered bonds		2,584	46,851	271,324	27,016		347,775	-13,531	334,244
Other bonds		25,562	28,970	151,756	3,811		210,099	-6,571	203,528
Issued securities		61,388	182,989	426,821	30,827		702,025	-21,629	680,396
Debt securities		70		7,009	3,146		10,225	-579	9,646
Equity instruments						13,498	13,498		13,498
Derivatives						95,269	95,269		95,269
Other liabilities		1,283	2,006	285		48	3,623	-10	3,613
Financial liabilities at fair value		1,353	2,006	7,294	3,146	108,815	122,614	-589	122,025
Other liabilities		9,765	48	205	282	10,269	20,569	-31	20,538
<i>of which other financial liabilities</i>		9,574	15	16	170		9,774	-31	9,743
Subordinated liabilities		0	298		42,825		43,123	-8,602	34,521
Untaxed reserves						20,855	20,855		20,855
Equity						112,695	112,695		112,695
Total Liabilities and Equity	810,735	293,483	219,509	449,973	83,811	252,634	2,110,144	-31,869	2,078,275
<i>of which accrued interest deposits and borrowing</i>						873	873		873
<i>of which accrued interest issued securities</i>						3,530	3,530		3,530

Off balance sheet items

Loan commitments		47,788	44,320	258,401	15,704		366,213		366,213
Acceptances and other financial facilities		24,817	30,273	32,101	47,126		134,317		134,317
Operating lease commitments		180	541	2,080	3,307		6,108		6,108
Total liabilities, equity and off balance sheet items	810,735	366,267	294,643	742,555	149,949	252,634	2,616,782	-31,869	2,584,914

1) Includes items available overnight.

2) For 2019, the households mortgages are presented based on contractual maturity dates for the loan agreements. 2018, the contractual maturity dates were set to the interest reset dates.

Average remaining maturity (years)	Group		Parent company	
	2019	2018	2019	2018
Loans to credit institutions	0.56	0.60	0.90	0.56
Loans to the public	4.29	2.45	4.27	2.11
Deposits from credit institutions	0.32	0.24	0.33	0.38
Deposits from the public	0.06	0.11	0.06	0.11
Borrowing from the public	0.27	0.38	0.13	0.13
Certificates	0.51	0.57	0.51	0.57
Covered bonds	3.12	3.16	3.12	3.16
Other bonds	2.79	2.42	2.79	2.42

41 Capital adequacy

Capital management

SEB takes various types of risks in line with the bank's strategy and business plan. In order to sustain these risks and guarantee SEB's long-term survival, the bank must maintain satisfactory capital strength. At the same time, SEB must balance the trade-off between financial reward and overall risk tolerance. In particular, SEB's capital management balances the following dimensions:

1. regulatory: the capital requirements established by the EU regulation and directives through Swedish law on capital adequacy, and by the bank's supervisory authorities,
2. access to debt investors: the capitalisation level required to support a certain rating level in order to reach a debt investor base necessary for conducting SEB's business activities,
3. access to financial products: the capital level required by corporate clients and other counterparties to facilitate the bank's activity in the capital markets, including derivatives and foreign exchange, and
4. optimal return on equity: the balance between the shareholders' expected return on capital and risks taken.

To meet expectations of shareholders, supervisors and market participants, SEB's capitalisation is based on an assessment of all risks incurred in SEB's business, and forward-looking, aligned with long- and short-term business plans and with expected macroeconomic developments. Furthermore, the capitalisation is stress-tested to identify the potential effect of adverse changes to SEB's financial situation.

Internal capital adequacy assessment process

The internal capital adequacy assessment process (ICAAP) encompasses SEB's 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 bank's survival is not jeopardised. Thus, the ICAAP is integrated with SEB's business planning, internal governance framework and internal control systems.

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. It is forward-looking, taking into account current and planned business volumes as well as strategic initiatives. The capital plan is stress tested to potential down-turns in the macroeconomic environment, to strategic risk factors identified in the business planning, and to other relevant scenarios. The capital plan is established annually, and updated as needs arise during the year.

Economic capital constitutes an important part of capital adequacy assessment. It is an internal measurement of risk, similar to the rules for capital adequacy in that many of the underlying risk components are the same. The economic capital calculation is based on a confidence level of 99.97 per cent, which is equivalent to the capital requirement for a very high rating. The economic capital or internally assessed capital requirement for SEB Group including insurance risk amounted to SEK 68bn (67).

SEB employs an internal capital allocation framework for measuring return on risk, named business equity. It is similar to regulatory capital models including Pillar 2 requirements and is calibrated with SEB's capital targets.

The regulatory supervisors annually assess SEB and its ICAAP in accordance with the parameters of the Supervisory Review and Evaluation Process (SREP). The assessment covers SEB's capital adequacy, risk measurement models and risk governance, among other things, and in the SREP 2019 it was concluded that SEB is sufficiently capitalised and adequately measures and manages risks.

Regulatory requirements

The capital adequacy requirements have evolved over the last few years, both in terms of which risks that are covered and in terms of the capital base components. The requirements are split into Pillar 1 (general minimum requirements for all institutions) and Pillar 2 (requirements based on an individual assessment of each institution). Pillar 1 requirements for CET1 is expressed as a REA ratio requirement and consists of the following components:

- i) a legal minimum requirement of 4.5 per cent,
- ii) a capital conservation buffer of 2.5 per cent,
- iii) a systemic risk buffer of 3.0 per cent, and
- iv) countercyclical buffers of 1.5 per cent.

As opposed to Pillar 1, the Pillar 2 requirements for CET1 are not calculated as a percentage of the total REA. As a result, the Pillar 2 requirements, expressed as capital ratio requirements (except the systemic risk requirement), are likely to vary in relation to REA over time. The Pillar 2 requirements consist of the following components:

- v) specific own funds requirement for systemic risk ("Systemic risk requirement") expressed as a CET1 ratio requirement of 2.0 per cent; and
- vi) other specific risks. The risks currently identified by the Swedish FSA that apply to all Swedish banks are a) credit concentration risks, b) interest rate risk in the banking book, c) pension risk, and d) a maturity floor for corporate exposures. In addition to this, SEB-specific requirements for other risks can be added as part of the SREP.

The requirements are specified below.

Ratio requirement (explicit or implicit)

Pillar 1	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%
Subtotal	10.0%	1.5%	2.0%	13.5%
Countercyclical buffer	1.5%			1.5%
TOTAL	11.5%	1.5%	2.0%	15.0%
Pillar 2	CET1	AT1	Tier 2	Total
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	3.6%	0.2%	0.3%	4.2%
Total requirement	15.1%	1.7%	2.3%	19.2%

Note 41 continued Capital adequacy

Capital adequacy analysis

	Consolidated situation		Parent company	
	2019	2018	2019	2018
Own funds				
Common Equity Tier 1 capital	131,155	125,857	113,893	108,336
Tier 1 capital	155,398	141,108	138,136	123,587
Total own funds	173,382	159,331	155,921	141,904
Own funds requirement				
Risk exposure amount	745,637	716,498	668,708	640,442
Expressed as own funds requirement	59,651	57,320	53,497	51,235
Common Equity Tier 1 capital ratio	17.6%	17.6%	17.0%	16.9%
Tier 1 capital ratio	20.8%	19.7%	20.7%	19.3%
Total capital ratio	23.3%	22.2%	23.3%	22.2%
Own funds in relation to own funds requirement	2.91	2.78	2.91	2.77
Regulatory Common Equity Tier 1 capital requirement including buffer	11.5%	11.2%	8.6%	8.3%
<i>of which capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	2.5%
<i>of which systemic risk buffer requirement</i>	3.0%	3.0%		
<i>of which countercyclical capital buffer requirement</i>	1.5%	1.2%	1.6%	1.3%
Common Equity Tier 1 capital available to meet buffer ¹⁾	13.1%	13.1%	12.5%	12.4%
Leverage ratio				
Exposure measure for leverage ratio calculation	3,063,481	2,773,608		
<i>of which on balance sheet items</i>	2,554,625	2,311,250		
<i>of which off balance sheet items</i>	508,856	462,358		
Leverage ratio	5.1%	5.1%		

1) CET1 ratio less minimum capital requirement of 4.5 per cent excluding buffers. In addition to the CET1 requirements there is a total capital requirement of an additional 3.5 per cent.

Own funds

	Consolidated situation		Parent company	
	2019	2018	2019	2018
Total equity according to balance sheet¹⁾	155,700	148,789	134,299	128,962
Deductions related to the consolidated situation and other foreseeable charges	-14,075	-14,227	-13,493	-14,017
Common Equity Tier 1 capital before regulatory adjustments²⁾	141,626	134,562	120,806	114,944
Additional value adjustments	-1,033	-868	-1,014	-839
Intangible assets	-6,688	-6,467	-5,233	-5,134
Fair value reserves related to gains or losses on cash flow hedges	-15	-313	-15	-313
Negative amounts resulting from the calculation of expected loss amounts	-816	-78	-325	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	19	8	-151	-151
Defined-benefit pension fund assets	-1,761	-816		
Direct and indirect holdings of own CET1 instruments	-176	-172	-176	-172
Total regulatory adjustments to Common Equity Tier 1	-10,471	-8,705	-6,914	-6,608
Common Equity Tier 1 capital	131,155	125,857	113,893	108,336
Additional Tier 1 instruments	24,243	15,251	24,243	15,251
Tier 1 capital	155,398	141,108	138,136	123,587
Tier 2 instruments	19,326	18,987	19,326	18,987
Net provisioning amount for IRB-reported exposures	309	436	109	529
Holdings of Tier 2 instruments in financial sector entities	-1,650	-1,200	-1,650	-1,200
Tier 2 capital	17,985	18,222	17,785	18,316
TOTAL	173,382	159,331	155,921	141,904

1) For the parent company Total equity includes Untaxed reserves net of tax.

2) The Common Equity Tier 1 capital is presented on a consolidated basis, and differs from total equity according to IFRS. The insurance business contribution to equity is excluded and there is a dividend deduction calculated according to Regulation (EU) No 575/2013 (CRR).

Financial statements – Notes

Note 41 continued Capital adequacy

	Consolidated situation				Parent company			
	2019		2018		2019		2018	
	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾
Risk exposure amount								
Credit risk IRB approach								
Exposures to central governments or central banks	12,283	983	11,602	928	6,908	553	6,232	499
Exposures to institutions	54,421	4,354	51,033	4,083	52,865	4,229	49,759	3,981
Exposures to corporates	369,055	29,524	342,713	27,417	302,737	24,219	275,630	22,050
Retail exposures	67,255	5,380	63,171	5,054	40,717	3,257	37,322	2,986
<i>of which secured by immovable property</i>	39,616	3,169	36,720	2,938	30,762	2,461	28,189	2,255
<i>of which retail SME</i>	7,094	567	7,027	562			498	40
<i>of which other retail exposures</i>	20,546	1,644	19,424	1,554	9,955	796	9,133	731
Securitisation positions	1,195	96	987	79	1,195	96	987	79
Total IRB approach	504,210	40,337	469,506	37,560	404,423	32,354	369,931	29,594
Credit risk standardised approach								
Exposures to central governments or central banks	1,361	109	2,241	179				
Exposures to institutions	1,057	85	649	52	19,000	1,520	17,793	1,423
Exposures to corporates	6,505	520	14,539	1,163	3,025	242	11,072	886
Retail exposures	13,691	1,095	13,310	1,065	7,939	635	7,881	630
Exposures secured by mortgages on immovable property	2,278	182	2,184	175	537	43	614	49
Exposures in default	82	7	168	13	30	2	12	1
Exposures associated with particularly high risk	933	75	761	61	933	75	761	61
Exposures in the form of collective investment undertakings (CIU)	58	5	45	4				
Equity exposures	3,589	287	4,045	324	39,676	3,174	41,586	3,327
Other items	10,735	859	5,885	471	2,688	215	4,456	356
Total standardised approach	40,290	3,223	43,827	3,506	73,827	5,906	84,176	6,734
Market risk								
Trading book exposures where internal models are applied	21,195	1,696	25,020	2,002	21,172	1,694	24,990	1,999
Trading book exposures applying standardised approaches	6,913	553	7,711	617	6,746	540	7,534	603
Foreign exchange rate risk			2,889	231	3,934	315	2,844	228
Total market risk	28,107	2,249	35,620	2,850	31,852	2,548	35,368	2,829
Other own funds requirements								
Operational risk advanced measurement approach	47,444	3,796	47,151	3,772	36,363	2,909	35,310	2,825
Settlement risk	0	0	9	1	0	0	9	1
Credit value adjustment	7,932	635	7,605	608	7,868	629	7,428	594
Investment in insurance business	16,633	1,331	16,633	1,331	16,633	1,331	16,633	1,331
Other exposures	4,870	390	4,556	365	1,597	128		
Additional risk exposure amount ²⁾	96,151	7,692	91,591	7,327	96,147	7,692	91,587	7,327
Total other own funds requirements	173,030	13,842	167,545	13,404	158,606	12,688	150,967	12,078
TOTAL	745,637	59,651	716,498	57,320	668,708	53,497	640,442	51,235

1) The Own funds requirement is 8 per cent of risk exposure amount according to Regulation (EU) No 575/2013 (CRR).

2) Additional risk exposure amount according to Article 458, Regulation (EU) No 575/2013 (CRR), for risk-weight floors in the Swedish mortgage portfolio.

Average risk-weight

	Consolidated situation		Parent company	
	2019	2018	2019	2018
Exposures to central governments or central banks	3.7%	3.0%	2.5%	2.0%
Exposures to institutions	24.9%	25.4%	25.0%	25.5%
Exposures to corporates	30.2%	31.0%	27.3%	27.8%
Retail exposures	10.3%	10.2%	7.6%	7.4%
<i>of which secured by immovable property</i>	6.9%	6.8%	6.0%	5.8%
<i>of which retail SME</i>	57.3%	57.7%	35.5%	35.5%
<i>of which other retail exposures</i>	31.8%	30.8%	41.8%	37.8%
Securitisation positions	9.6%	9.3%	9.6%	9.3%

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.

42 Life insurance operations

Income statement	Group	
	2019	2018
Premium income, net	4,811	6,863
Income investment contracts		
– Own fees including risk gain/loss	1,455	1,471
– Commissions from fund companies	1,791	1,899
	3,246	3,371
Net investment income	1,819	747
Other operating income	485	420
Total income, gross	10,361	11,401
Claims paid, net	–1,538	–4,901
Change in insurance contract provisions	–4,544	–1,984
Total income, net	4,279	4,516
<i>Of which from other units within the SEB Group</i>	<i>1,489</i>	<i>1,483</i>
Direct acquisition costs investment and insurance contracts	–811	–953
Change in deferred acquisition costs	–277	–112
	–1,089	–1,065
Commissions received and profit share from ceded reinsurance	113	121
Other expenses	–1,587	–1,653
Total expenses	–2,563	–2,596
Net expected credit losses	–1	–2
OPERATING PROFIT	1,715	1,917
Change in surplus values in division life		
Present value of new sales ¹⁾	967	1,054
Return on existing policies	1,190	1,557
Realised surplus value in existing policies	–2,347	–2,665
Actual outcome compared to assumptions ²⁾	–39	–1,486
Change in surplus values from ongoing business, gross	–228	–1,541
Capitalisation of acquisition costs	–74	–319
Amortisation of capitalised acquisition costs	351	431
Change in deferred front end fees	–21	23
Change in surplus values from ongoing business, net³⁾	29	–1,406
Financial effects due to short-term market fluctuations ⁴⁾	2,334	–1,664
Change in assumptions ⁵⁾	–838	–762
TOTAL CHANGE IN SURPLUS VALUES⁶⁾	1,525	–3,833

Calculations of surplus value in the life insurance operations are based on assumptions of the future development of existing insurance contracts and a risk-adjusted discount rate. The most important assumptions (Swedish unit-linked – which represent 86 per cent (85) of the total surplus value).

	2019	2018
Discount rate	6.5%	7.0%
Growth in fund units, gross before fees and taxes	4.7%	5.0%
Transfer rate	3.81%	3.47%
Lapse rate of regular premiums unit-linked	8.2%	8.2%
Surrender of endowment insurance contracts: contracts signed within 1 year / 1-4 years / 5 years / 6 years / thereafter	2%/6%/13%/12%/8%	2%/6%/15%/13%/8%
Inflation CPI / Inflation expenses	2% / 3%	2% / 3%
Mortality	The group's experience	The group's experience

1) Sales defined as new contracts and extra premiums in existing contracts.

2) The actual outcome of previously signed contracts is compared with previous assumptions and deviations are calculated. Important components are the duration of contracts and cancellations.

3) Acquisition costs are capitalised and amortised according to plan. Certain front end fees are also recorded on the balance sheet and recognized as revenue in the income statement during several years. The reported change in surplus values is adjusted by the net effect of changes in deferred acquisition costs and front end fees during the period.

4) Assumed investment return (growth in fund values) is 4.7 per cent (5.0) gross before fees and taxes. Actual returns results in positive or negative financial effects.

5) Effect of changes in assumptions such as frequency of surrenders, transfers out and assumed expenses. The negative effect in 2018 mainly relates to increase in expected transfers out of policies and higher assumed expenses. The negative effect in 2019 is related to various changes in assumptions such as: positive effect from lower discount rate and negative effect from transfers out, lower growth in funds and higher expenses.

6) The calculated surplus value is not included in the SEB Group's consolidated accounts. The surplus value is net of capitalised acquisition costs and deferred front end fees.

SUMMARISED FINANCIAL INFORMATION FOR GAMLA LIVFÖRSÄKRINGSBOLAGET SEB TRYGG LIV*

Income statement, condensed	2019	2018
Life insurance technical result	12,175	4,444
Other costs and appropriations	13	16
Taxes	–229	–291
NET RESULT	11,958	4,169
Balance sheet, condensed		
TOTAL ASSETS	184,226	176,190
Total liabilities	87,364	84,451
Consolidation fund / equity	96,767	91,631
Untaxed reserves	95	108
TOTAL LIABILITIES AND EQUITY	184,226	176,190

* SEB owns all shares of Gamla Livförsäkringsbolaget SEB Trygg Liv except for a golden share owned by Trygg-Stiftelsen. Gamla Livförsäkringsbolaget SEB Trygg Liv is not consolidated as subsidiary of the group, since the ownership of SEB in Gamla Livförsäkringsbolaget SEB Trygg Liv does not result in control. Current year figures are unaudited.

43 Assets in unit-linked operations

Within the unit-linked business SEB holds, for its customers' account, a share of more than 50 per cent in 19 (43) funds, where SEB is the investment manager.

The total value of those funds amounted to SEK 145,039m (124,353) of which SEB, for its customers' account, holds SEK 97,936m (89,547).

44 Interest in unconsolidated structured entities

Assets, 2019	Group			Parent company		
	Special purpose entities	Asset management ¹⁾	Total	Special purpose entities	Asset management ¹⁾	Total
Loans to the public	11,177	148	11,324	11,177	148	11,324
Financial assets	8	298,794	298,802	8	1,380	1,388
of which derivatives	8		8	8		8
TOTAL	11,185	298,941	310,126	11,185	1,527	12,712
Liabilities						
Deposits and borrowings from the public	501	1,594	2,094	501	1,594	2,094
Financial liabilities	1		1	1		1
of which derivatives	1		1	1		1
TOTAL	502	1,594	2,095	502	1,594	2,096
Obligations	444		444	444		444
The group's maximum exposure to loss	11,629	16,873	28,501	11,629	1,527	13,156

1) Investments in SEB- and non-SEB managed funds

Assets, 2018

Loans to the public	9,778	184	9,962	9,778	184	9,962
Financial assets	3	249,894	249,897	3	1,081	1,084
of which derivatives	3	3	6	3	3	6
TOTAL	9,781	250,078	259,859	9,781	1,265	11,046
Liabilities						
Deposits and borrowings from the public	375	230	605	375	230	605
Financial liabilities	0	0	0	0	0	0
of which derivatives	0	0	0	0	0	0
TOTAL	376	230	606	376	230	606
Obligations	341		341	341		341
The group's maximum exposure to loss	10,122	5,939	16,060	10,122	1,265	11,387

1) Investments in SEB- and non-SEB managed funds

Interests in unconsolidated structured entities refers to cases when the group has interests in structured entities which it does not control. A structured entity is an entity that is designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The group enters into transactions with structured entities in the normal cause of business for various reasons. Depending on the type of structured entity the purpose is to support customer transactions, to engage in specific investment opportunities and to facilitate the start-up of certain entities.

The group has interests in the following types of structured entities:

Interests in funds

The group establishes and manages funds to provide customers with investment opportunities, SEB is considered to be the sponsor of those funds. Total assets under management represent the size of a fund. Total assets under management of funds managed by SEB are SEK 736bn (622). The total assets of non-SEB managed funds are not publically available and not considered meaningful for understanding related risks, and have therefore not been presented. In some cases the group facilitates the start-up of funds by holding units and it may hold units in funds managed by the group or by a third party for investment purposes within the life business. The funds managed by the group generate income in the form of management fees and performance fees based on the assets under management. The income from asset management is presented in note 5. The maximum exposure to loss is limited to the carrying amount of units held by the group. This amount does not reflect the probable loss.

Interests in other structured entities

The group has had a role in establishing structured entities to support customer transactions. The purpose of these entities is to provide alternative funding and liquidity improvement to the sellers and investment opportunities to investors by purchasing assets and obtain funding for the purchases with the assets as collateral. The group provides senior revolving credit facilities and administrative services to the entities and earn fee and interest income on market based conditions.

The group holds the most senior investments in debt instruments issued by banks, through securitisation vehicles (SPV) whose purpose is to provide alternative funding to the issuers and investment opportunities to investors. The SPVs purchase pools of asset from the originating banks balance sheet, e.g. credit card loans, residential mortgage loans, loans to small and medium sized enterprises and fund these purchases by issuing debt securities with the assets as collateral. The securities have multiple tranches of subordination.

The maximum exposure to loss regarding investments in other structured entities is limited to the carrying amount of the investments and may occur only after losses by creditors with junior exposures. The maximum exposure to loss does not reflect the probability of loss and hedging or collateral arrangements are not considered. The total assets for these entities are not considered meaningful information for the purpose of understanding the related risks and therefore have not been presented.

45 Related parties

	Group					
	Associated companies		Key management		Other related parties	
	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Group, 2019						
Loans to the public	653	12	256	4	7	0
Notional amount of derivatives					2,870	
Deposits and borrowings from the public	15	0	30		715	-1
Group, 2018						
Loans to the public	830	18	246	4	71	1
Notional amount of derivatives					2,837	
Deposits and borrowings from the public	51		38		717	

	Parent company			
	Associated companies		Group companies	
	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Parent company, 2019				
Loans to credit institutions			39,224	197
Loans to the public	653	13	5,895	16
Interest-bearing securities			3,350	23
Positive replacement values of derivatives			836	
Other assets	6		1,298	0
TOTAL	659	13	50,602	236
Deposits from credit institutions			41,475	-565
Deposits and borrowings from the public	15	-1	13,057	-19
Negative replacement values of derivatives			2,649	
Other liabilities	0		191	-3
TOTAL	15	-1	57,371	-587

Parent company, 2018				
Loans to credit institutions			39,575	106
Loans to the public	830	17	6,638	56
Interest-bearing securities			1,233	32
Positive replacement values of derivatives			580	
Other assets	5		726	5
TOTAL	835	17	48,752	199
Deposits from credit institutions			28,955	-470
Deposits and borrowings from the public	51	1	13,884	-19
Negative replacement values of derivatives			1,641	
Other liabilities	1		147	-4
TOTAL	52	1	44,627	-493

Key management above refers to the Board of Directors and the Group Executive Committee. Entities with significant influence or significantly influenced by key management in the group, and post-employment benefit plans are presented as other related parties. Investor AB and the pension foundation SEB-stiftelsen are within this category as well as close family members to key management. In addition the Group has insurance administration and asset management agreements with Gamla Livförsäkringsbolaget SEB Trygg Liv based on

conditions on the market. SEB has received SEK 123m (120) under the insurance administration agreement and SEK 256m (402) under the asset management agreement. For more information on Gamla Livförsäkringsbolaget SEB Trygg Liv, see note 42.

The parent company is a related party to its subsidiaries and associates. See note 22 Investments in associates and subsidiaries for disclosures of investments.

46 Financial assets and liabilities subject to offsetting or netting arrangements

Group, 2019	Financial assets and liabilities subject to offsetting or netting arrangements						Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
	Gross amounts	Offset	Net amounts in balance sheet	Related arrangements		Net amounts		
				Master netting arrangements	Collaterals received/pledged			
Derivatives	143,112	-4,391	138,721	-80,251	-35,229	23,242	706	139,427
Reversed repo receivables	267,841	-81,176	186,664	-8,426	-178,238		1,299	187,963
Securities borrowing	20,099		20,099		-19,753	347	593	20,692
Client receivables	82	-82					12,476	12,476
ASSETS	431,134	-85,649	345,484	-88,677	-233,220	23,588	15,074	360,558
Derivatives	125,074	-4,391	120,682	-80,251	-27,189	13,242	1,510	122,192
Repo payables	89,602	-81,176	8,426	-8,426				8,426
Securities lending	11,502		11,502		-10,849	653	4	11,506
Client payables	82	-82					8,298	8,298
LIABILITIES	226,260	-85,649	140,610	-88,677	-38,038	13,896	9,812	150,423

Group, 2018

Derivatives	119,346	-4,593	114,753	-59,473	-32,842	22,439	710	115,463
Reversed repo receivables	158,494	-60,367	98,127	-2,892	-95,235		1,258	99,385
Securities borrowing	28,690		28,690		-28,497	193	208	28,898
Client receivables	190	-190					12,826	12,826
ASSETS	306,720	-65,150	241,570	-62,364	-156,574	22,632	15,002	256,572
Derivatives	100,059	-4,593	95,467	-59,473	-25,894	10,100	1,406	96,872
Repo payables	63,433	-60,367	3,066	-2,892		175	522	3,588
Securities lending	26,059		26,059		-25,388	670	3	26,062
Client payables	190	-190					9,572	9,572
LIABILITIES	189,742	-65,150	124,591	-62,364	-51,283	10,945	11,502	136,094

Parent company, 2019	Financial assets and liabilities subject to offsetting or netting arrangements						Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
	Gross amounts	Offset	Net amounts in balance sheet	Related arrangements		Net amounts		
				Master netting arrangements	Collaterals received/pledged			
Derivatives	135,713		135,713	-77,518	-34,863	23,331		135,713
Reversed repo receivables	267,841	-81,176	186,664	-8,426	-178,238			186,664
Securities borrowing	19,861		19,861		-19,861			19,861
Client receivables	82	-82					11,951	11,951
ASSETS	423,496	-81,258	342,238	-85,944	-232,963	23,331	11,951	354,189
Derivatives	119,511		119,511	-77,518	-27,189	14,803		119,511
Repo payables	89,602	-81,176	8,426	-8,426				8,426
Securities lending	10,849		10,849		-10,849			10,849
Client payables	82	-82					6,603	6,603
LIABILITIES	220,043	-81,258	138,785	-85,944	-38,038	14,803	6,603	145,388

Parent company, 2018

Derivatives	113,282		113,282	-58,486	-32,642	22,154		113,282
Reversed repo receivables	158,494	-60,367	98,127	-2,892	-95,235			98,127
Securities borrowing	28,700		28,700	-6,966	-21,733			28,700
Client receivables	190	-190					12,429	12,429
ASSETS	300,666	-60,557	240,109	-68,344	-149,610	22,154	12,429	252,538
Derivatives	95,269		95,269	-58,486	-25,894	10,888		95,269
Repo payables	63,259	-60,367	2,892	-2,892			519	3,411
Securities lending	25,388		25,388	-6,966	-18,422			25,388
Client payables	190	-190					8,509	8,509
LIABILITIES	184,106	-60,557	123,548	-68,344	-44,316	10,888	9,029	132,577

The table shows financial assets and liabilities that are presented net in the balance sheet or with potential rights to off-set associated with enforceable master netting arrangements or similar arrangements, together with related collateral.

Financial assets and liabilities are presented net in the balance sheet when SEB has legally enforceable rights to set-off, in the ordinary course of business and in the case of bankruptcy, and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Repos with central counterparty clearing houses that SEB has agreements with and client receivables and client payables are examples of instruments that are presented net in the balance sheet.

Financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements that are not presented net in the balance sheet are arrangements that are usually enforceable in the case of bankruptcy or default but not in the ordinary course of business or arrangements where SEB does not have the intention to settle the instruments simultaneously.

Assets and liabilities that are not subject to offsetting or netting arrangements, i.e. those that are only subject to collateral agreements, are presented as Other instruments in balance sheet not subject to netting arrangements.

47 Pledged assets

	Group		Parent company	
	2019	2018	2019	2018
Pledged assets and comparable securities for own liabilities	496,406	510,424	486,823	489,784
Pledged assets for own liabilities to insurance policyholders	344,121	292,402		
Other pledged assets and comparable securities	91,477	97,713	86,088	82,072
TOTAL	932,004	900,539	572,911	571,856

Pledged assets and comparable securities for own liabilities*

Repos	15,184	31,531	15,184	31,356
Assets collateralised for issued mortgage covered bonds	366,154	342,758	362,444	332,889
Assets collateralised for issued public covered bonds	2,801	7,042		
Other collateral of which group internal	112,267	129,093	109,195 168	125,539 22
TOTAL	496,406	510,424	486,823	489,784

* Transfers that do not qualify for derecognition.

Pledged assets for own liabilities to insurance policyholders

Assets pledged for insurance contracts	26,547	21,846
Assets pledged for investment contracts ¹⁾	317,574	270,556
TOTAL	344,121	292,402

1) Shares in funds.

Other pledged assets and comparable collateral

Bonds ¹⁾	58,523	58,652	58,523	58,652
Securities lending	5,389	15,641		
Other	27,565	23,419	27,565	23,419
TOTAL	91,477	97,713	86,088	82,072

1) Pledged but unencumbered bonds.

Transferred financial assets entirely recognized¹⁾

Group, 2019	Transferred assets				Associated liabilities				Associated collateral received ²⁾
	Securities lending	Repurchase agreements	Other ³⁾	Total	Securities lending	Repurchase agreements	Other ³⁾	Total	Securities lending
Equity instruments	17,102		407	17,509	2,344		234	2,578	14,636
Debt securities	7,444	452	684	8,580	310	452	524	1,286	7,088
Financial assets held for trading	24,546	452	1,090	26,089	2,654	452	757	3,863	21,724

Group, 2018

Equity instruments	13,255		1,211	14,467	3,734		939	4,674	8,852
Debt securities	6,420	307	3,656	10,383	182	305	2,690	3,177	6,528
Financial assets held for trading	19,676	307	4,867	24,850	3,916	305	3,630	7,850	15,380

Parent company, 2019	Transferred assets				Associated liabilities				Associated collateral received ²⁾
	Securities lending	Repurchase agreements	Other ³⁾	Total	Securities lending	Repurchase agreements	Other ³⁾	Total	Securities lending
Equity instruments	17,145		407	17,552	2,343		366	2,709	14,659
Debt securities	7,444	452	123	8,019	315	452		767	7,081
Financial assets held for trading	24,590	452	530	25,571	2,658	452	366	3,476	21,740

Parent company, 2018

Equity instruments	13,170		1,211	14,381	3,710		898	4,608	8,794
Debt securities	6,420	307	732	7,459	177	305		481	5,940
Financial assets held for trading	19,590	307	1,943	21,840	3,886	305	898	5,089	14,734

1) Carrying amount and fair value are the same.

2) Other than cash collateral.

3) Assets provided as collateral for derivatives trading, clearing etc.

Pledged assets

Assets are transferred for repurchase agreements and securities lending agreements. The counterpart has the right to sell or repledge the assets. Other transferred assets refer to assets provided as collateral for derivatives trading, clearing etc., where the title to the instrument has been transferred to the counterparty. The assets continue to be recognised on SEB's balance sheet since SEB is still exposed to changes in the fair value of the assets. The carrying value and fair value of the assets transferred as collateral for liabilities or contingent liabilities are shown in the table above.

SEB issues covered bonds secured by mortgage loans pledged as security according to the local legislation. The pledged securities are mainly residential mortgages in single family homes, tenant owned homes or other residential

apartment buildings. The loan-to-value ratio does not exceed 75 per cent. In the event of SEB's insolvency, the holders of the covered bonds have priority to the assets registered as collateral.

Obtained collateral

SEB obtains collateral under reverse repurchase agreements and securities borrowing agreements. Under the terms of standard financial market agreements SEB has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transactions.

More information about the accounting of repurchase agreements and securities lending can be found in the accounting principles.

48 Obligations

	Group		Parent company	
	2019	2018	2019	2018
Contingent liabilities	139,462	136,435	146,166	134,317
Commitments	638,348	589,032	578,619	535,168
TOTAL	777,810	725,467	724,786	669,486

Contingent liabilities

	Group		Parent company	
	2019	2018	2019	2018
Own acceptances	2,721	1,297	2,663	1,232
Financial guarantees given ¹⁾ <i>of which group internal</i>	8,705	19,932	22,525	22,546
Other guarantees given <i>of which group internal</i>	128,035	115,206	120,978	110,539
			1,209	3,129
Guarantees given	136,740	135,138	143,504	133,085
TOTAL	139,462	136,435	146,166	134,317

1) SEB does not regularly securitise its assets and has no outstanding own issues.

Other contingent liabilities

The parent company has issued a deposit guarantee for DSK Hyp AG (former SEB AG) in Germany to the Bundesverband deutscher Banken e.V.

The parent company has issued an irrevocable standby letter of credit in favor of MasterCard in the amount of USD 215m related to card business in the subsidiaries.

Legal proceedings

Within the ordinary course of business SEB is engaged in various legal proceedings, both in Sweden and in other jurisdictions. SEB does not expect these current legal proceedings to have a significant adverse effect on the financial position of the group.

Commitments

	Group		Parent company	
	2019	2018	2019	2018
Granted undrawn credit facilities <i>of which group internal</i>	401,174	377,440	385,506	361,371
Unutilised part of overdraft facilities <i>of which group internal</i>	112,575	104,027	76,074	66,183
Repledged collaterals <i>of which group internal</i>	98,162	99,239	12,231	9,643
Other commitments given	26,437	8,325	98,218	99,289
			163	247
TOTAL	638,348	589,032	578,619	535,168

Discretionary managed assets

Discretionary managed assets in the parent company amounted to SEK 395bn (385).

49 Leases

Lessee	Group	
	2019	
Income statement		
Interest expense on lease liabilities (Net interest income)		92
Expenses relating to short-term leases (Other expenses)		42
Expenses relating to leases of low-value assets (Other expenses)		72
Depreciation expense of right-of-use assets (Depreciation, amortisation) ¹⁾		843
Balance sheet		
Right-of-use assets – additions		62
Right-of-use assets – closing balance ²⁾		5,288
Lease liabilities (Other liabilities)		5,854

1) of which Property leases SEK 805m and Other (mainly IT equipment) SEK 38m.

2) of which Property leases SEK 5,227m and Other (mainly IT equipment) SEK 61m.

Lessor

Finance lease	Group	
	2019	2018
Undiscounted lease payments expected after reporting date and within		
year 1	8,382	7,994
year 2	10,021	9,739
year 3	10,565	10,137
year 4	7,778	9,641
year 5	7,157	8,173
year 6 and later	20,219	22,027
Total undiscounted lease payments receivable	64,123	67,710
Unearned finance income	-3,196	-4,254
NET INVESTMENT LEASES	60,927	63,456
Finance income (interest income) on the net investment	1,232	1,214

Lessor portfolio mainly includes transport vehicles, machinery and facilities. Residual value risk is not significant, because of the existence of a secondary market.

IFRS 16 Leases – transition disclosures – SEB Group

IFRS 16 Leases replaces IAS 17 Leases and related interpretations. The standard is effective as from 1 January 2019 and is endorsed by the EU. The new standard significantly changes how SEB as a lessee accounts for leases by introducing a single, on-balance sheet lease accounting model requiring the recognition of lease assets (right-of-use assets) and corresponding lease liabilities. In the income statement, the straight-line operating lease expense is replaced by depreciation of the lease assets and an interest expense on the lease liability. The accounting requirements for lessors are in practice unchanged.

Upon transition to IFRS 16, the group has decided to apply the modified retrospective approach. For the purpose of applying the modified retrospective approach to the leases, the group has elected, lease-by-lease, to measure the right-of-use assets either, (i) to an amount as if the group had applied IFRS 16 since the commencement date using the incremental borrowing rate at the date of initial application or, (ii) to an amount equal to the lease liability. In addition, the group decided to apply the practical expedients to use hindsight when assessing the lease term, not to recognise a right-of-use asset or lease liability to leases for which the lease term ends within 12 months of the date of initial application and not to include assets of low value.

The main impact on the group's financial statements is from the accounting of property leases. There is no significant impact on the income statement, although the presentation in the income statement changes as other expenses will be replaced by depreciation of the right-of-use asset and interest expenses on the lease liability. There is no significant impact on large exposures and capital adequacy.

The new standard also introduces new estimates and judgements that affect the measurement of lease liabilities. SEB measures the lease liability at the commencement date and may be required to revise it, e.g. the assessment of whether an option is reasonably certain to be exercised. As this will increase financial statement volatility, this is revised and monitored by the group continuously. The new standard will not be applied in the legal entity reporting for the parent company.

The tables show the transition effects of IFRS 16 on SEB's balance sheet reconciling the closing balances under IAS 17 as of 31 December 2018 with the opening balances under IFRS 16 as of 1 January 2019.

SEK m	Closing balance 31 December 2018	IFRS 16 transition	Opening balance 1 January 2019
Cash and cash balances at central banks	209,115		209,115
Loans to central banks	33,294		33,294
Loans to credit institutions	44,287		44,287
Loans to the public	1,644,825		1,644,825
Debt securities	156,128		156,128
Equity instruments	50,434		50,434
Financial assets for which the customers bear the investment risk	269,613		269,613
Derivatives	115,463		115,463
Other assets ¹⁾	44,357	5,939	50,296
TOTAL ASSETS	2,567,516	5,939	2,573,455

SEK m	Closing balance 31 December 2018	IFRS 16 transition	Opening balance 1 January 2019
Deposits from central banks and credit institutions	135,719		135,719
Deposits and borrowings from the public	1,111,390		1,111,390
Financial liabilities for which the customers bear the investment risk	270,556		270,556
Liabilities to policyholders	21,846		21,846
Debt securities issued	680,670		680,670
Short positions	23,144		23,144
Derivatives	96,872		96,872
Other financial liabilities	3,613		3,613
Other liabilities ²⁾	74,916	6,183	81,099
Total liabilities	2,418,727	6,183	2,424,910
Total equity	148,789	-244	148,545
TOTAL LIABILITIES AND EQUITY	2,567,516	5,939	2,573,455

1) Increase in Other assets comes from increases in Right-of-use assets SEK 5,747m, Deferred tax assets SEK 51m and Other assets SEK 141m.

2) Increase in Other liabilities comes from an increase in Lease liabilities SEK 6,337m offset by decreases in Provisions SEK 122m and Other liabilities SEK 32m.

Bridge showing the transition from IAS 17 to IFRS 16 accounting for leases

SEK m	
Future minimum payments for operational leases per 31 December 2018	7,217
Discounting ¹⁾	-727
Present value for lease liabilities previously classified as operating leases applying IAS 17	6,490
Short-term leases expensed on a straight-line basis over the lease term	-43
Leases for which the underlying assets is of low-value expensed on a straight-line basis	-109
Other	-1
Lease liabilities as of 1 January 2019 applying IFRS16	6,337

1) The weighted average incremental borrowing rate is 1.53 per cent.

50 Events after the balance sheet date

Cross-border merger of Skandinaviska Enskilda Banken SA

Skandinaviska Enskilda Banken AB (publ.) (SEB AB) and Skandinaviska Enskilda Banken SA in Luxembourg (SEB SA) decided on 19 June 2019 to dissolve SEB SA without liquidation by transfer of all assets and liabilities to SEB AB in a cross-border merger. The purpose is to simplify the group's governance structure and increase efficiency. Starting from 2 January 2020, the

bank's activities in Luxembourg are operated through SEB AB's Luxembourg branch.

On 7 February 2020, Jonas Ahlström was named head of the Baltic division. Riho Unt will remain as chair in SEB's supervisory council for the Baltic banks and as strategic adviser until fall of 2020..

The SEB Group

Income Statement

SEK m	2019	2018	2017 ³⁾	2016 ²⁾	2015 ¹⁾²⁾
Net interest income	22,950	21,022	19,893	18,738	19,020
Net fee and commission income	18,709	18,364	17,677	16,628	18,345
Net financial income	7,617	6,079	6,880	7,056	6,298
Net other income	858	402	1,112	829	1,002
Total operating income	50,134	45,868	45,561	43,251	44,665
Staff costs	-14,660	-14,004	-14,025	-14,422	-14,436
Other expenses	-6,623	-7,201	-6,947	-6,619	-6,355
Depreciation, amortisation and impairment of tangible and intangible assets	-1,662	-735	-964	-771	-1,011
Total operating expenses	-22,945	-21,940	-21,936	-21,812	-21,802
Gains less losses on disposals of tangible and intangible assets	-2	18	-162	-150	-213
Net expected credit losses ⁴⁾	-2,294	-1,166	-808	-993	-883
Operating profit before items affecting comparability	24,894	22,779	22,655	20,296	21,767
Items affecting comparability		4,506	-1,896	-5,429	-902
Operating profit	24,894	27,285	20,759	14,867	20,865
Income tax expense	-4,717	-4,152	-4,562	-4,249	-4,284
NET PROFIT	20,177	23,134	16,197	10,618	16,581
Attributable to shareholders	20,177	23,134	16,197	10,618	16,581

1) Comparable figures for 2015 restated in line with changed reporting of life insurance business.

2) Items affecting comparability restated.

3) The 2017 income statement has been restated for the transition to IFRS 15.

4) 2018–2019: IFRS 9 expected loss model. 2015–2017: IAS 39 incurred loss model.

Balance sheet

SEK m	2019	2018	2017 ²⁾	2016 ¹⁾	2015 ¹⁾
Cash and cash balances and loans to central banks	151,186	242,408	190,000	217,808	133,651
Loans to central banks and credit institutions	46,995	44,287	38,717	50,527	58,542
Loans to the public	1,837,605	1,644,825	1,486,765	1,467,960	1,359,092
Other financial assets	787,341	606,584	629,907	842,817	894,161
Other assets	33,521	29,412	211,520	41,534	50,518
TOTAL ASSETS	2,856,648	2,567,516	2,556,908	2,620,646	2,495,964
Deposits from central banks and credit institutions	88,041	135,719	95,489	119,864	118,506
Deposits and borrowing from the public	1,161,485	1,111,390	1,032,048	991,950	911,829
Other financial liabilities	1,414,917	1,120,487	1,059,241	1,230,863	1,187,794
Other liabilities	36,505	51,131	228,892	136,993	135,037
Total equity	155,700	148,789	141,237	140,976	142,798
TOTAL LIABILITIES AND EQUITY	2,856,648	2,567,516	2,556,908	2,620,646	2,495,964

1) 2015–2017 have been restated for changes in the presentation of the balance sheet.

2) 2017 has been restated for the transition to IFRS 15.

Key figures

	2019	2018	2017 ³⁾	2016	2015
Return on equity, %	13.7	16.3	11.7	7.8	12.2
Return on equity excluding items affecting comparability, %	13.8	13.4	12.9	11.3	12.9
Basic earnings per share, SEK	9.33	10.69	7.47	4.88	7.57
Cost/Income ratio	0.46	0.48	0.48	0.50	0.49
Net ECL level ¹⁾ , %	0.10	0.06	0.05	0.07	0.06
Common Equity Tier 1 capital ratio ²⁾ , %	17.6	17.6	19.4	18.8	18.8
Tier 1 capital ratio ²⁾ , %	20.8	19.7	21.6	21.2	21.3
Total capital ratio ²⁾ , %	23.3	22.2	24.2	24.8	23.8

1) 2018–2019: Net ECL level based on IFRS 9 expected loss model. 2015–2017: Credit loss level based on IAS 39 incurred loss model.

2) Basel III.

3) 2017 has been restated for the transition to IFRS 15.

Parent company

Income Statement

SEK m	2019	2018	2017	2016	2015
Net interest income	23,402	21,860	20,017	19,242	19,488
Net fee and commission income	10,461	10,064	9,557	8,843	9,200
Net financial income	5,838	4,574	4,493	4,642	3,428
Other income	6,930	10,900	8,323	7,398	9,165
Total operating income	46,631	47,398	42,390	40,125	41,281
Administrative expenses	-16,345	-15,263	-14,252	-15,039	-13,458
Depreciation, amortisation and impairment of tangible and intangible assets	-5,749	-5,512	-6,377	-5,775	-5,447
Total operating costs	-22,094	-20,775	-20,629	-20,814	-18,905
Profit before credit losses	24,537	26,623	21,761	19,311	22,376
Net expected credit losses	-2,044	-1,020		-789	-520
Net credit losses			-749	-3,841	-775
Impairment of financial assets	-741	-2,928	-1,497		
Operating profit	21,752	22,675	19,515	14,681	21,081
Appropriations including pension compensation	2,694	2,716	1,885	2,437	781
Taxes	-4,140	-3,671	-3,590	-2,740	-3,817
NET PROFIT	20,305	21,720	17,811	14,378	18,045

Balance sheet

SEK m	2019	2018	2017 ¹⁾	2016 ¹⁾	2015 ¹⁾
Cash and cash balances at central banks	110,104	164,081	97,741	70,671	55,712
Loans to central banks and credit institutions	92,450	120,333	198,781	287,059	164,852
Loans to the public	1,601,243	1,410,687	1,205,906	1,192,569	1,090,488
Other financial assets	472,945	334,801	343,890	401,831	508,072
Other assets	41,930	48,373	45,845	47,714	47,480
TOTAL ASSETS	2,318,672	2,078,275	1,892,163	1,999,844	1,866,605
Deposits from central banks and credit institutions	126,891	160,022	134,561	168,852	134,816
Deposits and borrowing from the public	973,834	927,224	849,479	812,506	718,345
Other financial liabilities	1,059,727	846,685	770,333	885,528	877,577
Other liabilities	19,810	10,794	11,599	9,823	14,621
Total equity and untaxed reserves	138,410	133,550	126,191	123,135	121,246
TOTAL LIABILITIES, UNTAXED RESERVES AND EQUITY	2,318,672	2,078,275	1,892,163	1,999,844	1,866,605

1) 2015–2017 have been restated for changes in the presentation of the balance sheet.

Key figures

	2019	2018	2017	2016	2015
Return on equity, %	15.9	18.1	16.3	12.6	16.5
Cost/income ratio	0.47	0.44	0.49	0.52	0.46
Net ECL level ¹⁾ , %	0.10	0.07	0.05	0.06	0.04
Common Equity Tier 1 capital ratio ²⁾ , %	16.9	16.9	19.8	18.8	19.2
Tier 1 capital ratio ²⁾ , %	20.6	19.3	22.5	21.7	22.1
Total capital ratio ²⁾ , %	23.2	22.2	25.5	26.1	25.0

1) 2018–2019: Net ECL level based on IFRS 9 expected loss model. 2015–2017: Credit loss level based on IAS 39 incurred loss model.

2) Basel III.

Proposal for the distribution of profit

Standing at the disposal of the Annual General Meeting in accordance with the balance sheet of Skandinaviska Enskilda Banken AB:

	SEK
Fair value reserve	-259,365,642
Retained earnings	62,896,371,755
Net profit for the year	20,305,199,643
Total¹⁾	82,942,205,757

The Board proposes that, following approval of the balance sheet of Skandinaviska Enskilda Banken AB for the financial year 2019, the Annual General Meeting should distribute the earnings as follows:

	SEK
Dividend to shareholders:	
– SEK 6.25 per Class A share	13,562,620,588
– SEK 6.25 per Class C share	150,953,175
To be carried forward to:	
– retained earnings	69,228,631,994
Total	82,942,205,757

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands which are imposed by the nature, scope, and risks associated with the business and the size of the parent company's and the group's equity and need for consolidation, liquidity and financial position in general.

1) The parent company's equity would have been SEK 12,416m lower if assets and liabilities had not been measured at fair value in accordance with Chapter 4, Section 14 of the Swedish Annual Accounts Act.

Signatures of the Board of Directors and the President

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a relevant and faithful representation of the group's financial position and results of operations.

The financial statements of the parent company have been prepared in accordance with generally accepted accounting

principles in Sweden and give a true and fair view of the parent company's financial position and results of operations.

The Report of the Directors for the group and the parent company provides a fair review of the development of the group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and companies included in the group.

Stockholm 18 February 2020



Marcus Wallenberg
Chair



Sven Nyman
Vice chair



Jesper Ovesen
Vice chair



Johan H. Andresen
Director



Signhild Arnegård Hansen
Director



Anne-Catherine Berner
Director



Samir Brikho
Director



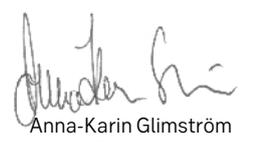
Winnie Fok
Director



Lars Ottersgård
Director



Helena Saxon
Director



Anna-Karin Glimström
Director
Appointed by the employees



Håkan Westerberg
Director
Appointed by the employees



Johan Torgeby
President and Chief Executive Officer
Director

Auditor's report

To the general meeting of the shareholders of Skandinaviska Enskilda Banken AB (publ),
corporate identity number 502032-9081

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Skandinaviska Enskilda Banken AB (publ) ("SEB" or "the Group") for the year 2019 with the exception of the sustainability report on pages 32–38. The annual accounts and consolidated accounts of the company are included on pages 32–173 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the Group as of 31 of December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. A corporate governance statement has been prepared.

Our opinions do not cover the statutory sustainability report on pages 32–38. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Provision for expected credit losses

Description

As of 31 December 2019, loans amounts to 1 889 094 mSEK for the Group, which represents 66 % of the Group's total assets. The total credit risk exposure, including off-balance commitments, amounts to 2 357 673 mSEK for the Group. The provision for expected credit losses on loans amounts to 6 912 mSEK for the Group.

In order to provide for expected credit losses, management uses both a model-based approach and individual assessments to consider factors not captured by this model. Expected credit losses shall be measured in a way that reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes and is based on past events, current conditions and forecasts of future economic conditions.

To calculate the provision SEB is required to make estimates and assumptions regarding for example criteria to identify a significant increase in credit risk and methods to calculate expected credit losses. Due to the complexity of the calculation and that it requires SEB to make estimates and assumptions, provisioning for expected credit losses is considered a key audit matter.

▣ Detailed information and description of the key audit matter is provided in the annual accounts in notes 1 and 18.

How our audit addressed this key audit matter

We have tested the design and operating effectiveness of key controls in the credit process, credit approval, credit review, rating classification as well as identifying and determining credits to be in default. We have also tested controls relating to input data to models and the general IT-controls including the handling of authorizations within these systems.

We have assessed the ECL model including the model assumptions and input parameters as well as assessed how the model calculates. Our assessment of input parameters includes probability of default, loss given default, exposure at default and staging criteria, parameters determining a significant increase in credit risk at engagement level in accordance with IFRS 9.

We have on a sample basis challenged SEB's initial and current engagement risk rating. We have tested that data used from supporting systems used in the ECL model, is complete and accurate. We have also assessed the model validations which have been performed and reviewed the reasonableness of the macroeconomic data used in the ECL model. We have assessed the reasonableness of the manual adjustments made by SEB.

In our audit we have used our internal model specialists to support us when performing the audit procedures.

We have also ensured that the disclosures presented in the annual accounts regarding credit risk are appropriate.

Valuation of financial instruments at fair value

Description

SEB holds financial instruments where unadjusted quoted market prices are not readily available, thus fair value is determined either using valuation techniques based on observable market parameters (categorized as level 2 under IFRS fair value hierarchy) or using valuation techniques with significant unobservable inputs (categorized as level 3 under IFRS fair value hierarchy).

The Group has financial assets and financial liabilities in level 2 of 455 557 mSEK and 168 004 mSEK and financial assets and liabilities in level 3 of 14 544 mSEK and 1 008 mSEK. The main part of the financial instruments in level 2 are comprised of repurchase agreements, debt securities and derivative contracts. Financial instruments in level 3 primarily consist of unlisted equity securities. Due to the complexity in the calculation of fair value as well as the need for SEB to make assessments of valuation parameters, the valuation of financial instruments with no readily available unadjusted quoted market prices is deemed to be a key audit matter.

▣ Detailed information and description of the key audit matter is provided in the annual accounts in notes 1 and 36.

How our audit addressed this key audit matter

We have assessed the SEB approach for valuing financial instruments with no readily available quoted market prices, including the classification in the valuation hierarchy in accordance with IFRS 13.

We have tested the key controls in the valuation process, including SEB's assessment and approval of assumptions and methods used in model-based calculation, control of data quality as well as handling of changes in internal valuation models. We have also tested the general IT-controls with respect to relevant IT-systems for the valuation process.

Further, we have evaluated the methods and assumptions made when valuing financial instruments with no readily available quoted market prices available. We have compared the valuation models with valuation guidelines and industry practice. We have compared assumptions with appropriate reference sources and examined any significant deviations.

We have also checked the accuracy of the valuations by conducting sample tests and performed our own independent valuations.

We have engaged our internal valuation specialists to support us when performing our audit procedures.

Provision for uncertain tax positions

Description

SEB is subject to taxation in many jurisdictions and in many cases the final tax treatment is not determined until resolved with the relevant tax authority. Consequently, SEB makes judgements about the probability and amount of tax liabilities which are subject to assessments by tax authorities and potentially associated with legal processes. Given the complexity of calculations and the need for SEB to make assessments, provision for uncertain tax positions is deemed to be a key audit matter.

▣ *Detailed information and description of the key audit matter is provided in the annual accounts in notes 1 and 15.*

How our audit addressed this key audit matter

We have evaluated whether SEB's method for assessing provisions for uncertain tax positions is in accordance with IFRS. We have substantively tested the process for uncertain taxes. In performing these procedures, we have used our specialists to examine potential implications of ongoing tax audits and similar processes. We have obtained correspondence with tax authorities and opinions SEB received from its external legal advisers.

We have also independently assessed matters in dispute and the provisions made by SEB.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–31 and 179–180. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

▣ *A further description of our responsibilities for the audit of the annual accounts and the consolidated accounts is located at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.*

Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Skandinaviska Enskilda Banken AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

✕ *A further description of our responsibilities for the audit of the administration is located at at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.*

Auditor's report on the statutory sustainability report

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2019 on pages 32–38 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A statutory sustainability report has been prepared.

Ernst & Young AB was appointed auditor of Skandinaviska Enskilda Banken AB (publ) by the general meeting of the shareholders on the 26 of March 2019 and has been the company's auditor since the 26 of March 2019.

Other matters

The audit of the annual accounts for 2018 was performed by another auditor who submitted an auditor's report dated February 19, 2019, with unmodified opinions in the Report on the annual accounts.

Stockholm February 18, 2020

Ernst & Young AB



Hamish Mabon
Authorized Public Accountant

Auditor's Limited Assurance Report on Skandinaviska Enskilda Banken AB (publ)'s Sustainability Report

*This is the translation of the auditor's report in Swedish.
To Skandinaviska Enskilda Banken AB (publ), corporate, identity number 502032-9081*

Introduction

We have been engaged by the Board of Directors of Skandinaviska Enskilda Banken AB (publ) to undertake a limited assurance engagement of Skandinaviska Enskilda Banken AB (publ)'s Sustainability Report for the year 2019. The sustainability report includes the pages 32–38 in this document, which is the statutory sustainability report, as well as the Sustainability Fact Book including the GRI index. We refer to these publications collectively as the "Sustainability Report".

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 32, and are the parts of the Sustainability Reporting Guidelines published by Global Reporting Initiative (GRI) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our review is limited to the information in this document as well as the document Sustainability Fact Book & GRI Index 2019, and to historical information and does therefore not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary

in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Skandinaviska Enskilda Banken AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed, consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

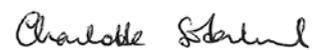
Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm February 18, 2020
Ernst & Young AB



Hamish Mabon
Authorized Public Accountant



Charlotte Söderlund
Authorized Public Accountant

Definitions

Alternative Performance Measures (APMs)¹⁾

Items affecting comparability

To facilitate the comparison of operating profit between current and previous periods, items with significant impact that management considers affect the comparability or are relevant for the understanding of the financial result, are identified and presented separately, for example impairment of goodwill, restructuring, gains and losses from divestments and other income or costs that are not recurring.

Operating profit

Total profit before tax.

Operating profit before items affecting comparability

Total profit before items affecting comparability and tax.

Net profit

Total profit after tax.

Return on equity

Net profit attributable to shareholders in relation to average²⁾ shareholders' equity.

Return on equity excluding items affecting comparability

Net profit attributable to shareholders, excluding items affecting comparability and their related tax effect, in relation to average²⁾ shareholders' equity.

Return on tangible equity

Net profit attributable to shareholders in relation to average²⁾ shareholders' equity less intangible assets.

Return on tangible equity excluding items affecting comparability

Net profit attributable to shareholders, excluding items affecting comparability and their related tax effect, in relation to average²⁾ shareholders' equity less intangible assets and items affecting comparability.

Return on business equity

Operating profit by division, reduced by a standard tax rate, in relation to the divisions' average²⁾ business equity (allocated capital).

Return on total assets

Net profit attributable to shareholders, in relation to average²⁾ total assets.

Return on risk exposure amount

Net profit attributable to shareholders in relation to average²⁾ risk exposure amount.

Cost/income ratio

Total operating expenses in relation to total operating income.

Basic earnings per share

Net profit attributable to shareholders in relation to the weighted average³⁾ number of shares outstanding before dilution.

Diluted earnings per share

Net profit attributable to shareholders in relation to the weighted average³⁾ diluted number of shares. The calculated dilution is based on the estimated economic value of the long-term equity-based programmes.

Net worth per share

The total of shareholders' equity, the equity portion of any surplus values in the holdings of debt securities and the surplus value in life insurance operations in relation to the number of shares outstanding.

Equity per share

Shareholders' equity in relation to the number of shares outstanding.

Core Gap ratio

Structural liquidity risk measure defined as total liabilities deemed to mature beyond one year in relation to total assets deemed to mature beyond one year.

Expected credit losses, ECL

Probability weighted credit losses with the respective risk of a default.

ECL allowances

The allowance for expected credit losses on financial assets, contract assets, loan commitments and financial guarantee contracts.

Net ECL level

Net credit impairments in relation to the opening balance of the year of debt securities, loans to the public and loans to credit institutions measured at amortised cost, financial guarantees and loan commitments, net of ECL allowances.

ECL coverage ratio

ECL allowances in relation to underlying gross carrying amounts for loans and debt securities as well as nominal amounts of financial guarantees and loan commitments.

Stage 3 loans / Total loans, gross

Gross carrying amount for stage 3 loans (credit-impaired loans) in relation to gross carrying amount for total loans measured at amortised cost (excluding demand deposits credit institutions and including trade and client receivables presented as other assets).

Stage 3 loans / Total loans, net

Carrying amount for stage 3 loans (credit-impaired loans) in relation to carrying amounts for total loans measured at amortised cost (excluding demand deposits, credit institutions and including trade and client receivables presented as other assets).

► *The excel file Alternative Performance Measures, available on sebgroup.com/ir, provides information on how the measures are calculated.*

1) Alternative Performance Measures, APMs, are financial measures of historical or future financial performance, financial position, or cash flows, other than those defined in the applicable financial reporting framework (IFRS) or in the EU Capital Requirements Regulation and Directive CRR/CRD IV. APMs are used by SEB when relevant to assess and describe SEB's financial situation and provide additional relevant information and tools to enable analysis of SEB's performance. APMs on basic earnings per share, diluted earnings per share, net worth per share, equity per share, return on equity, return on tangible equity, return on total assets and return on risk exposure amount provide relevant information on the performance in relation to different investment measurements. The cost/income ratio provides information on SEB's cost efficiency. APMs related to lending provide information on provisions in relation to credit risk. All these measures may not be comparable to similarly titled measures used by other companies.

2) Average for the year, calculated on month-end figures.

3) Average, calculated on a daily basis.

Definitions

According to the EU Capital Requirements Regulation no 575/2013 (CRR)

Risk exposure amount

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 exposures deducted from own funds.

Common Equity Tier 1 capital

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

Tier 1 capital

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

Tier 2 capital

Mainly subordinated liabilities not qualifying as Tier 1 capital contribution.

Own funds

The total of Tier 1 and Tier 2 capital.

Common Equity Tier 1 capital ratio

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

Tier 1 capital ratio

Tier 1 capital as a percentage of risk exposure amount.

Total capital ratio

Total own funds as a percentage of risk exposure amount.

Leverage ratio

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

Liquidity Coverage Ratio (LCR)

High-quality liquid assets in relation to the estimated net cash outflows over the next 30 calendar days.

Abbreviations

IFRS 9 abbreviations:

FVTPL	Fair Value Through Profit or Loss
FVHFT	Fair Value Through Profit or Loss Held for Trading
FVMPL	Fair Value Through Profit or Loss Mandatorily
FVDPL	Fair Value Through Profit or Loss Designated
FVOCI	Fair Value Through Other Comprehensive Income
AmC	Amortised Cost

Calendar

Annual Report	2 March 2020
Annual General Meeting	23 March 2020
Quarterly report January – March	29 April 2020
Quarterly report April– June	15 July 2020
Quarterly report July– September	22 October 2020



SEB corporate website

Financial information, publications and other information regarding SEB is available at sebgroup.com

Financial information and publications



Annual Report
Information on SEB's business, strategy, risk management and corporate governance. Detailed information on SEB's financial position and results. Includes SEB's Sustainability Report.



Annual Review
An abbreviated version of the Annual Report.



Interim Reports and Fact Books
Quarterly reports on SEB's financial position and results. Detailed information in Fact Books.



Capital Adequacy & Risk Management Report (Pillar 3)
Disclosure on capital adequacy and risk management in accordance with regulatory requirements.



Sustainability Fact Book & GRI Index
Detailed information on sustainability matters and a GRI (Global Reporting Initiative) Index.



SEB Green Bond Impact Report
Overview of SEB's green loan portfolio and the green bond that was issued in 2017.

New shareholders are automatically offered a subscription of the Annual Report or the Annual Review. Order printed copies of the Annual Report and the Annual Review on sebgroup.com/ir. Subscribe to digital versions of the quarterly reports (pdf) and the Fact Book (pdf) on sebgroup.com/press



Annual General Meeting

The Annual General Meeting will be held on Monday 23 March 2020 at 1 pm (CET) at Stockholm Concert Hall, Hötorget, Stockholm, Sweden.

A notice convening the Annual General Meeting, including an agenda, is available on sebgroup.com

Shareholders who wish to attend the Annual General Meeting shall at the latest on Tuesday 17 March 2020:

- be registered in the shareholder register kept by Euroclear Sweden AB, and
- have notified the bank in either of the following ways:
 - by telephone 0771 23 18 18 (+46 771 23 18 18 from outside Sweden) between 9 am and 4.30 pm (CET) or
 - at sebgroup.com or
 - in writing to the following address: Skandinaviska Enskilda Banken c/o Euroclear Sweden, Box 191, 101 23 Stockholm, Sweden

Dividend

The Board proposes a dividend of SEK 6.25 per share for 2019.

Wednesday 25 March 2020 is proposed as record date for the dividend payments. If the Annual General Meeting resolves in accordance with the proposal, the share will be traded ex-dividend on Tuesday 24 March 2020 and dividend payments are expected to be distributed by Euroclear Sweden AB on Monday 30 March 2020.

Head office

Postal address SEB, SE-106 40 Stockholm, Sweden
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Malin Schenkenberg

Financial Information Officer
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TRANSLATION FROM THE SWEDISH ORIGINAL

Auditor's report in accordance with Chapter 8, Section 54 of the Swedish Companies Act (2005:551) on whether the guidelines adopted by the General Meeting regarding remuneration to Group Executive Management have been complied with

To the General Meeting of Skandinaviska Enskilda Banken AB (publ), corporate identity 502032-9081

We have examined whether the Board of Directors and the Managing Director of Skandinaviska Enskilda Banken AB (publ), have, for the year 2019, complied with the guidelines on remuneration to Group Executive Management, adopted at the General Meeting on 26 March 2018 and the General Meeting on 26 March 2019, respectively.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for compliance with the guidelines and for the internal control the Board of Directors and the Managing Director determine is necessary to ensure compliance with the guidelines.

Auditor's responsibility

Our responsibility is to issue a report, based on our examination, to the General Meeting regarding whether the guidelines have been complied with. The examination has been performed in accordance with FAR's recommendation RevR 8 *Granskning av ersättningar till ledande befattningshavare i aktiemarknadsbolag* (Examination of Remuneration to Group Executive Management in Listed Companies). Those standards require us to comply with the ethical requirements, and also to plan and perform the examination in such a manner that we may obtain reasonable assurance about whether the guidelines on remuneration have been complied with. The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of Skandinaviska Enskilda Banken AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The examination has covered the company's organization and documentation of issues concerning remuneration for Group Executive Management, new decisions concerning remuneration, as well as a selection of the financial year's payments to Group Executive Management. The procedures selected depend on the auditor's judgement, including the assessment of the risk that the guidelines have not, in all material respects, been complied with. In making this risk assessment, the auditor considers internal control relevant to the company's compliance with the guidelines in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We believe that our examination provides a reasonable basis for our conclusion.

Conclusion

In our opinion the Board of Directors and the Managing Director of Skandinaviska Enskilda Banken AB (publ) have, during the year 2019, complied with the guidelines on remuneration to Group Executive Management, which were adopted by the General Meeting on 26 March 2018 and 26 March 2019, respectively.

Stockholm, 7 February 2020

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Item 14**Information about proposed Directors of the Board of Skandinaviska Enskilda Banken AB at the Annual General Meeting on 29 June 2020**

Signhild Arnegård Hansen

Born 1960.

B.Sc. (Human Resources) and journalism studies.

Director since 2010. Chair of Remuneration and Human Resources Committee.

Other assignments

Chair of SnackCo of America Corp. (USA)

Vice Chair of the Swedish-American Chamber of Commerce (SACC, USA).

Director of Business Sweden, Entrepreneurship and Small Business Research Institute (ESBRI), SOS Children Villages Sweden, SACC New York, and IVA.

Background

President of Svenska LantChips AB. Chair of the Confederation of Swedish Enterprise (*Sw. Swedisht Näringsliv*). Vice Chair of Business Europe. Director of Innventia AB, IFL at Stockholm School of Economics, Research Institute of Industrial Economics, Loomis AB, University of Lund, Magnora AB, King Carl XVI Gustaf's Foundation for Young Leadership and Transatlantic Business Dialogue.

Nationality: Swedish.

Own and closely related persons' shareholding: 5,387 Class A-shares.

Independent in relation to the bank and the bank's management, independent in relation to major shareholders.

Anne-Catherine Berner

Born 1964.

B.Sc. (Econ.) and MBA (Leadership)

Director since 2019. Member of Remuneration and Human Resources Committee.

Other assignments

Director of Calefactio Investments HoldCo AB, Calefactio Investments AB, CV VC AG (Swiss) and Avesco AG (Swiss). Chair of the board, and founder of the Association for the support of the New Children's Hospital in Helsinki.

Background

Member of the Finnish Parliament and Minister of Transport and Communications in the Finnish Government. Director of the Finnish mutual insurance company Ilmarinen, Director of the Helsinki listed company Soprano Oyi, Director in Koskisen Oy, Director of Karelia/Kährs Holding AB and Director of European Family Businesses (GEEF), Brussels. Chair and CEO of Vallila Interior Oy.

Nationality: Swiss and Finnish.

Own and closely related persons' shareholding: 0

Independent in relation to the bank and the bank's management, independent in relation to major shareholders.

Samir Brikho

Born 1958.

Hon Dr (Cranfield University), M.Sc. (Engineering, Thermal Technology)

Director since 2013. Member of Risk and Capital Committee.

Other assignments

Chair of EuroChem Group AG. Member of Advisory Board of Stena AB. Chair of the Step Change Charity.

Background

Broad international experience from management and leadership, especially within the industrial sector. Leading positions within ABB, e.g. as Member of the Executive team in ABB Ltd (Swiss), Division Head and CEO of significant subsidiaries.. CEO of Amec Foster Wheeler plc. (UK). UK Business Ambassador. Co-Chairman of the UK-UAE Business Council and the UK-ROK CEO Forum.

Nationality: Swedish and Swiss

Own and closely related persons' shareholding: 0.

Independent in relation to the bank and the bank's management, independent in relation to major shareholders.

Winnie Fok

Born 1956.

Bachelor of Commerce. Fellow of CPA Australia and of Institute of Chartered Accountants in England and Wales. Associate member of Hong Kong Institute of Certified Public Accountants.

Director since 2013. Member of Audit and Compliance Committee.

Other assignments

Director of Volvo Car Corporation AB, G4S plc and Foscam Properties Ltd. Senior Advisor to WFAB.

Background

Broad experience from the financial business field. Industrial advisor and Senior Advisor to Investor AB and Husqvarna AB. CEO and Senior Partner of EQT Partners Asia Ltd and CEO of New Asia Partners Ltd.

Nationality: British.

Own and closely related persons' shareholding: 3,000 Class A-shares.

Independent in relation to the bank and the bank's management, independent in relation to major shareholders.

Sven Nyman

Born 1959.

B.Sc. (Business and Econ.)

Vice Chair since 2017. Director since 2013.

Other assignments

Chairman of RAM Rational Asset Management AB. Director of RAM ONE, Ferd AS (Norway), Nobel Foundation's Investment Committee, Stockholm School of Economics, Stockholm School of Economics Association and Axel and Margaret Ax:son Johnson's Foundation.

Background

Broad experience from the financial business field. Managerial positions within Investor. CEO and founder of Lancelot Asset Management AB and Arbitech AB. Several directorships.

Nationality: Swedish.

Own and closely related persons' shareholding: 10,440 Class A-shares and 10,200 Class C-shares.

Independent in relation to the bank and the bank's management, independent in relation to major shareholders.

Lars Ottersgård

Born 1964.

Technical Collage Exam (Electro technics), Diploma in Management from The Open University Business School, and multiple IBM internal training.

Director since 2019.

Other assignments

Head of Market Technology, Nasdaq Inc. (USA). Chair and CEO of Nasdaq Technology AB.

Background

Various leading positions in Nasdaq. Head of Sales for Market Technology at OMX, and for a long succession of years, various management positions within IBM for the Nordics and EMEA (Europe, Middle-East & Africa).

Nationality: Swedish.

Own and closely related persons' shareholding: 0.

Independent in relation to the bank and the bank's management, independent in relation to major shareholders.

Jesper Ovesen

Born 1957.

B. Sc. (Econ) and MBA.

Vice Chair since 2014. Chair of Risk and Capital Committee and member of Audit and Compliance Committee.

Director since 2004.

Other assignments

Director of Sunrise Communications Group AG (Switzerland).

Background

PriceWaterhouse. Vice President and later CEO of Baltica Bank A/S. Vice President and Head of Finance Novo Nordisk A/S. CEO of Kirkbi Group. CFO of Den Danske Bank A/S, LEGO Holding A/S and TDC A/S. Several directorships.

Nationality: Danish.

Own and closely related persons' shareholding: 25,000 Class A-shares.

Independent in relation to the bank and the bank's management, independent in relation to major shareholders.

Helena Saxon

Born 1970.

M.Sc. (Business and Econ.)

Chair of Audit and Compliance Committee

Director since 2016.

Other assignments

CFO at Investor AB. Director: Swedish Orphan Biovitrum AB.

Background

Financial analyst at Goldman Sachs and Investor AB. CFO at Synchron International and

Hallvarsson & Halvarsson. Investment Manager at Investor AB.

Nationality: Swedish

Own and closely related persons' shareholding: 12,500 Class A-shares

Independent in relation to the bank and the bank's management, non-independent in relation to major shareholders (CFO at Investor).

Johan Torgeby

Born 1974

B.Sc. (Econ)

Director since 2017.

Other assignments

Director of the Swedish Bankers' Association, the Institute of International Finance, Mentor Sweden, and the European Banking Federation. Several organisation memberships.

Background:

Portfolio Manager & Macro Economist, Robur Asset Management (Swedbank), Head of Nordic & Dutch Corporate Debt Capital Markets & Risk Management and Executive Director, Financial Sponsors Group Private Equity at Morgan Stanley in London. Co-head of division Large Corporates & Financial Institutions, SEB.

Nationality: Swedish

Own and closely related persons' shareholding: 312,592 shares and share rights, of which 5,826 Class A-shares, 113,627 share rights, 193,139 conditional share rights.

Non-independent in relation to the bank and the bank's management (President and CEO of SEB from 29 March 2017), independent in relation to major shareholders

Marcus Wallenberg

Born 1956.

B.Sc. (Foreign Service).

Chair since 2005. Vice Chair in Audit and Compliance Committee, Risk and Capital Committee and Remuneration and Human Resources Committee.

Director since 2002.

Other assignments

Chair of Saab AB and FAM AB. Vice Chair of Investor AB. Director of AstraZeneca Plc (UK), Temasek Holdings Ltd (Singapore) and Knut and Alice Wallenberg's Foundation. Council member of the International Advisory Council of Hong Kong Exchanges and Clearing.

Background

Citibank in New York, Deutsche Bank (Germany), S G Warburg Co in London, Citicorp in Hong Kong, and Stora Feldmühle (Germany). Executive Vice President of Investor AB and

CEO of Investor AB. Several assignments as Chair and Director of large public companies.

Nationality: Swedish.

Own and closely related persons' shareholding: 753,584 Class A-shares and 720 Class C-shares.

Independent in relation to the bank and the bank's management, non-independent in relation to major shareholders (Vice chairman of Investor AB).

Item 16

The Board of Directors' of Skandinaviska Enskilda Banken AB (publ) proposal at the Annual General Meeting on 29 June 2020 on guidelines for salary and other remuneration for the President and members of the Group Executive Committee

Proposal

The Board of Directors of Skandinaviska Enskilda Banken AB (publ) ("SEB") proposes that the Annual General Meeting (AGM) 2020 approves the below referred guidelines (the "Guidelines") for salary and other remuneration to be applied with regard to the President and members of the Group Executive Committee (together the "Executives").

Each remuneration which the shareholders resolve on at the AGM falls outside of the scope of the Guidelines. The long-term equity-based remuneration to the Executives and remuneration to the board members for the board assignment are consequently excluded from these Guidelines.

Board members might be contracted to perform consultancy services for SEB separate to their board assignments. Any such undertaking will be managed according to internal rules and with due considerations to potential conflict of interest. These Guidelines are not applicable on such contract unless it is for a position that is covered by these Guidelines. Information about the remuneration for such contract will be included in the Annual Report and the Remuneration Report.

The Guidelines are forward-looking, meaning that they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the Guidelines at the AGM 2020. These Guidelines do not apply to any remuneration decided or approved by the AGM 2020 or at earlier shareholders' meetings.

The purpose of the Guideline is to increase the shareholders' participation and insight in matters regarding remuneration for the Executives and to ensure that shareholders can influence the framework for the remuneration for the Executives. It is the Board of Directors that resolves upon the specific and individual remuneration for the Executives within the framework of the Guidelines.

Regulatory framework

The Guidelines comply with the Swedish Financial Supervisory Authority (FSA) regulations on remuneration in financial companies, the Swedish Companies Act as well as with the Swedish Corporate Governance Code and other Swedish and international regulations and guidelines in relevant parts.

The Bank shall identify employees whose professional activities have a material impact on the SEB Group's risk profile. The Executives are included in this category.

SEB business strategy

SEB's business strategy is to be the leading Nordic corporate and institutional bank, as well as the top universal bank in Sweden and the Baltic countries, maintaining a strong financial position including capital, liquidity and cost control to deliver long-term shareholder value. For more information regarding SEB's business strategy, please see www.sebgroup.com.

Guidelines

SEB aims to attract and retain committed and competent employees who contribute to SEB's long-term success. Employee remuneration should encourage high performance, sound and responsible behaviour and risk-taking that are aligned with SEB's values and the level of risk tolerance set by the Board of Directors. It should promote the employees' long-term commitment to create sustainable value for customers and shareholders. Performance is evaluated on the basis of financial and non-financial goals, with SEB's values as a starting point.

A prerequisite for the implementation of SEB's business strategy and its sustainable long-term success is that SEB is able to recruit and retain qualified senior executives. It is necessary that SEB offers competitive remuneration in the markets and segments where SEB operates in order to reward high performing employees. SEB's competitors consist of both local and regional financial institutions as well as global firms in the markets on which SEB operates.

These Guidelines enable SEB to offer the Executives a competitive total remuneration.

Long-term equity programmes have been implemented in SEB since 1999. Such programmes have been resolved on by relevant general shareholders' meetings and are therefore excluded from these Guidelines. The long-term equity programmes include, among others, the Executives. The performance criteria used to assess the initial allotment of these long-term equity programmes are distinctly linked to the business strategy, the current three year business plan and thereby to SEB's long-term value creation, including its sustainability. At present, these performance criteria comprise e.g. SEB's operating income and expense, return on equity, customer satisfaction, employee engagement, IT & digitalisation, sustainability, conduct and strategic initiatives. The maximum annual allotment of long-term equity programmes may not exceed 100 per cent of the Executives' base pay in accordance with applicable laws and regulations. For more information regarding these programmes, including the criteria which the outcome depends on, please see the Board of Directors' proposal for decision at the AGM on Long-term equity programmes.

Types of remuneration etc.

The remuneration structure for the Executives shall be on market terms and may consist of **base pay (fixed cash salary), pension benefits and other benefits**. Additionally, the general shareholders' meeting may – irrespective of these Guidelines – resolve on, among other things **equity-based remuneration**.

The total remuneration shall reflect the complexity, responsibility and leadership skills required as well as the performance of the individual Executive. The remuneration structure does not include cash-based variable remuneration.

The **base pay** forms the foundation of the market oriented total remuneration required to attract senior executives. The individual base pay shall be linked to the requirements on the position as well as the sustainable performance of the Executives.

The **pension** benefit for the President, including health insurance, shall be defined contribution plan and the pension premium shall amount to not more than 50 per cent of the annual base pay. For the other Executives the pension benefit, including health insurance, shall be defined contribution based with individual exemption of a defined benefit component according to the collective agreement covering all employees and capped at a maximum pensionable salary of 30 income base amount (*Sw. Inkomstbasbelopp*). The pension premium for the defined contribution plan, shall amount to not more

than 50 per cent of the annual base pay. The pension plan shall be in line with the Remuneration Policy for the SEB Group.

Other benefits may include, for example, life insurance, medical insurance, health promoting support, company car and domestic services offered and shall be on market terms. Such benefits may amount to not more than 20 per cent of the annual base pay.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these Guidelines.

Termination of employment

Upon termination of an employment, the notice period may not exceed twelve months. Base pay during the notice period and severance pay may together not exceed an amount equivalent to the Executive's base pay for two years. SEB has the right to deduct any income from other employments from the severance pay. When termination is made by the Executive, the notice period may not exceed six months, without any right to severance pay.

Additionally, remuneration may be paid for non-compete undertakings. Such non-compete remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed Executive is not entitled to severance pay. The non-compete remuneration shall be based on the base pay at the time of termination of employment and amount to not more than 100 per cent of the monthly base pay at the time of termination of employment and be paid during the time the non-compete undertaking applies, however, not for more than 18 months following the termination of employment.

The decision-making process to determine, review and implement the Guidelines

The Board of Directors has established a Remuneration and HR Committee ("Remuneration committee"). The Remuneration committee's tasks include preparing the Board of Directors' decision to propose these Guidelines. The Board of Directors shall prepare a proposal for new Guidelines at least every fourth year and submit it to the general shareholders' meeting. The Guidelines shall be in force until new Guidelines are adopted by a general shareholders' meeting. The Remuneration committee shall also monitor and evaluate programmes for variable remuneration for the Executives, the application of the Guidelines for salary and other remuneration to the Executives as well as the current remuneration structures and compensation levels in the SEB Group. The members of the Remuneration committee are independent of SEB, its management and are not employed by SEB. Executives do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these Guidelines, the salary and employment conditions for employees have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time in the Remuneration committee's and the Board of Directors' basis of decision when evaluating whether the Guidelines and the limitations set out herein are reasonable.

Derogation from the Guidelines

The Board of Directors may temporarily resolve to derogate from the Guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve SEB's long-term interests, including its sustainability, or to ensure SEB's financial viability. As set out above,

the Remuneration committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This also includes any resolutions to derogate from the Guidelines.

Stockholm in May 2020

Skandinaviska Enskilda Banken AB (publ)

THE BOARD OF DIRECTORS

Item 17 a) – c)**The Board of Directors' of Skandinaviska Enskilda Banken AB (publ) proposal for decision at the Annual General Meeting on 29 June 2020 on Long-term equity programmes for 2020**

Background

SEB aims to attract and retain committed and competent employees who contribute to the Bank's long-term success. Employee remuneration should encourage high performance, sound and responsible behaviour and risk-taking that is aligned with SEB's values and the level of risk tolerance set by the Board of Directors (Board). It should promote the employees' long-term commitment to create sustainable value for customers and shareholders. The total remuneration reflects the complexity, responsibility and leadership skills required in each position as well as the performance of the individual employee. Performance is evaluated on the basis of financial and non-financial goals, with SEB's values as a starting point.

Equity-based remuneration is a means to attract and retain staff with key competences in SEB. It is also an incentive for the employees to become shareholders of SEB, which builds and strengthens long-term commitment in the interests of the shareholders. Furthermore, regulatory requirements for financial institutions demand that variable remuneration to a large extent is paid out in equity or equity-related instruments.

SEB first introduced long-term equity programmes in 1999. Information about the programmes has been provided in the annual reports and at the Annual General Meetings (AGMs). The scope of the outstanding programmes can be found in the Annual Report 2019.

Long-term equity programmes 2020

The programmes are evaluated on a continuous basis throughout the year by the Remuneration and Human Resources Committee of the Board (RemCo). RemCo also monitors the employees' participation in the programmes.

The evaluation has, as last year, focused on keeping the same structure as in previous year, while also considering the effectiveness, attractiveness and competitiveness of the Bank's programmes. Furthermore, market, shareholder preferences and society trends are analysed as well as the external and internal communication. The outcome of the evaluation is reported to the Board and also discussed with the major shareholders together with the suggested proposal for the upcoming AGM.

Based on the evaluation and discussions with major shareholders in SEB, it is proposed that the AGM resolves on the following three long-term equity programmes for 2020 with the same structure as previous year:

- a) SEB All Employee Programme 2020 (AEP) for all employees in most of the countries where SEB operates,
- b) SEB Share Deferral Programme 2020 (SDP) for the Group Executive Committee (GEC), certain other senior managers and key employees, and
- c) SEB Restricted Share Programme 2020 (RSP) for some employees in certain business units.

The proposed programmes allow for risk adjustment for current as well as future risks. The final outcome may therefore be cancelled partly or entirely in accordance with regulations, among other things taking the Bank's result and capital and liquidity required in the business into account.

The preparation of the proposal

The proposal has been prepared by the Board and RemCo. The Board's and RemCo's view is that the proposal strikes an appropriate balance between motivating the employees and achieving a long-term, well-balanced and competitive remuneration.

SEB All Employee Programme 2020 (AEP) (17 a)

SEB All Employee Programme 2020 (AEP) is a programme for all employees in most of the countries where SEB operates. 50 per cent of the outcome is paid in cash and 50 per cent is deferred for three years and paid in SEB A-shares in Sweden and in SEB A-shares or cash adjusted for the SEB A-share's Total Shareholder Return (TSR) outside of Sweden. The AEP requires, with certain exemptions such as retirement, disability and orderly transition, the employee to be employed during three years from allotment to be eligible for payment. The individual maximum allotment is capped in Sweden at SEK 75,000 and the outcome is based on the fulfilment of pre-determined Group targets, the financial targets (i) Return on Equity and (ii) cost development and the non-financial target (iii) customer satisfaction. Outcome is subject to a proposal at the AGM 2021 on dividend distribution to the shareholders for 2020. Should the total outcome under the AEP be below approximately 20 per cent of the maximum outcome, the total outcome may be paid in cash without deferral.

The programme is proposed to comprise an obligation for the Bank to deliver a maximum of approximately 7.4 million shares. The expected outcome for the programme is approximately 2.6 million shares.

SEB Share Deferral Programme 2020 (SDP) (17 b)

SEB Share Deferral Programme 2020 (SDP) is a programme for GEC and certain other senior managers and key employees, approximately 1,000 participants in total. The participants are granted an individual number of conditional share rights based on the fulfilment of pre-determined Group, business unit and individual targets outlined in SEB's business plan. The targets are set on an annual basis as a mix of the financial target Return on Equity/Return on Business Equity, cost development as well as on e.g. customer satisfaction and parameters such as compliance, employee commitment, SEB's corporate sustainability and risk management. For GEC the initial allotment may not exceed 100 per cent of the base pay.

For GEC and other senior managers, ownership of 50 per cent of the share rights is transferred to the participant after a qualification period of three years, 50 per cent after a qualification period of five years. For other participants, ownership of 100 per cent of the share rights is transferred after three years. After each respective qualification period there is an additional holding period of one year after which the share rights can be exercised during a period of three years. In order to facilitate share ownership and strengthening the shareholder alignment, in addition to the above mentioned exercise period, the exercise period for GEC members is extended during the period that they are members of GEC. Each share right carries the right to receive one Class A-share in the Bank.

For participants in countries mainly outside of SEB's European locations, the outcome may be deferred and paid in cash adjusted for the SEB A-shares' Total Shareholder Return, excluding the

dividend distribution. 50 per cent of the final outcome is paid out after four years and 50 per cent after six years for senior managers. For other participants in these countries the deferred amount is paid out after four years.

The SDP requires, with certain exemptions such as retirement, disability and orderly transition, the employee to be employed during three years from allotment to be eligible for payment. A further requirement for GEC and other senior managers is that they hold shares in SEB equal to a pre-determined amount, for GEC equivalent to one year salary net of taxes, acquired no later than during the initial three year vesting period. If these requirements are not fulfilled, the share rights may be forfeited.

The holders are compensated for dividends to the shareholders after the qualification period. Thus, the number of share rights/the deferred amount will be recalculated, after the AGM each applicable year, after the qualification period, taking the dividend into account.

The programme is proposed to comprise an obligation for the Bank to deliver a maximum of approximately 5.4 million shares.

SEB Restricted Share Programme 2020 (RSP) (17c)

SEB Restricted Share Programme 2020 (RSP) is a programme for selected employees on the level below senior executives within certain business units of SEB, approximately 1,000 participants in total. The participants are granted an individual number of share rights based on the fulfilment of pre-determined Group, business unit and individual targets as outlined in SEB's business plan. The targets are set on an annual basis as a mix of financial targets and non-financial targets.

The ownership of the share rights is transferred to the participants during a three year period in either four (starting 2020) or three (starting 2021) annual instalments. The share rights are subject to restrictions in terms of e.g. certain regulatory forfeiture and employment requirements during the period between the initial allotment and the transfer of the ownership.

After the transfer of the ownership there is an additional holding period of one year after which the share rights can be converted to shares and transferred to the participant. Each share right carries the right to receive one Class A-share in the Bank.

For participants in countries mainly outside SEB's European locations the outcome may be deferred and paid in cash adjusted for the SEB A-shares' Total Shareholder Return, excluding the dividend distribution. The deferred amount is paid out after each respective holding period.

The programme is proposed to comprise an obligation for the Bank to deliver a maximum of approximately 3.6 million shares.

Allotment under the programmes

The maximum number of shares that can be transferred under the programmes is 16.4 million. The calculated expected outcome is approximately 10.6 million shares. The maximum number of shares under the programmes equals approximately 0.74 per cent including and 0.41 per cent excluding the SEB All Employee Programme (expected outcome equals approximately 0.48 per cent including and 0.36 per cent excluding the SEB All Employee Programme) of the total number of shares in the Bank. The delivery of Class A-shares is proposed to be effected with existing shares. Allotment under the programmes shall be made before the 2021 AGM.

The number of shares which each participant may receive in the programmes may be subject to recalculation under the terms and conditions of the programmes as a consequence of AGM decisions on issues of bonus shares to shareholders, splits, preferential issues and similar measures.

Participation in the programmes requires that it is legally and appropriately possible in the jurisdiction concerned and that such participation in the Bank's judgement is possible with reasonable administrative and financial costs.

Shares received and purchased under the programmes are ordinary SEB Class A-shares with the right to a dividend. The share rights are not securities that can be sold, pledged or transferred to others.

General

Before final outcome of the AEP, SDP and RSP programmes are determined, the Board, or if the Board so decides RemCo, shall examine whether the outcome inter alia from a risk perspective is reasonable considering SEB's financial results and position, the conditions on the stock market, conditions related to the participant and other circumstances such as changes in accounting principles, and if not, as determined by the Board and within the limit of the total programme, change the outcome to a number deemed appropriate. The outcome may be set to zero. Any change shall be communicated in connection with SEB's first financial report following the decision.

The Board, or if it so decides RemCo, is authorised to decide on the detailed terms and conditions for the AEP, SDP and RSP programmes based on the aforementioned principles. The aggregate total maximum number of shares under the programmes may be distributed between the programmes as decided by the Board or RemCo.

The Board, or if it so decides, RemCo is authorised to make changes to the AEP, SDP and RSP programmes from time to time if so deemed advisable and provided that the programmes following such changes are within the limits of the maximum number of shares, the maximum number of shares as percentage of total number of shares and the calculated maximum costs for the programmes combined.

Taxation

The programmes have been designed in such a way that participants will normally be taxed for the benefit of receiving shares in the income year when the shares are received. The taxable value of the benefit will normally be equal to the closing price for the shares when the shares are received. The value of the benefit is taxed as income from employment for the participant. Thus, social security contributions will in most cases be charged on the benefit amount and be a cost for the employer.

The cost for the programmes

The *maximum* annual charge for the deferred part, i.e. shares and cash adjusted for TSR, of the AEP that may affect the profit and loss account is SEK 150m, out of which SEK 32m is related to social charges. The annual charge to the profit and loss account for the expected calculated outcome under the programme is estimated to SEK 63m, out of which SEK 14m is related to social charges. The expected aggregated charges during the total programme period in the profit and loss account are SEK 250m.

The *maximum* annual charge for the SDP that may affect the profit and loss account is SEK 130m, out of which SEK 30m is related to social charges. The annual charge to the profit and loss account

for the *expected* calculated outcome under the programme is estimated to SEK 110m, out of which SEK 25m is related to social charges. The expected aggregated charge during the total programme period in the profit and loss account is SEK 445m.

Based on the structure of the RSP, where part of the ownership is transferred immediately and part is distributed pro-rata, the annual charge will differ each year during the programme length. The *maximum* annual charge for the RSP that may affect the profit and loss account is SEK 195m the first year and SEK 20m the last year, out of which SEK 45m and SEK 5m respectively is related to social charges. The annual charge to the profit and loss account for the *expected* calculated outcome under the programme is estimated to SEK 190m and SEK 20m respectively, out of which SEK 45m and SEK 5m respectively is related to social charges. The expected aggregated charge during the total programme period in the profit and loss account is SEK 340m.

The maximum calculated annual charge is based on the assumptions that the price of the SEB Class A-share is SEK 75 and that no participant is leaving SEB during the employment requirement period. Furthermore, it should be noted that should the SEB share price increase from the assumed SEK 75 the increase in maximum calculated annual charge will be approximately SEK 3m for every SEK in increase. The part of the programmes that will be settled in cash will create a higher volatility in the Income statement since the change in the share price is reported when it occurs.

The expected average annual charge in the profit and loss account for the three programmes is equivalent to approximately 1.8 per cent of the total annual staff costs in the SEB Group.

Hedging and transfer of shares

The AEP, SDP and RSP programmes lead to certain financial exposure for the Bank, due to market price changes for the SEB share. The aim is to hedge this exposure by the acquisition of own shares (item 18 b on the agenda for the AGM) or by equity swap contracts with third parties. The social security contribution is not hedged. Based on the current interest level, it is estimated that the annual interest expense for the hedging arrangement for the programmes is negligible.

There are different methods for effectuating the transfer of shares to the participants under the programmes, such as delivery of own shares and an agreement with a third party under which the third party transfers shares to the participants under the programmes. The Board considers delivery of own shares as the most cost efficient and flexible method. Therefore this is the main alternative (item 18 c on the agenda for the AGM).

Proposed decision concerning Long-term Equity Programmes for 2020 (item 17 a – c on the agenda)

The Board of Directors proposes that the AGM decides on long-term equity programmes for 2020 based on the scope and main guidelines referred to above in the form of:

- a) SEB All Employee Programme 2020 (AEP) for all employees in most of the countries where SEB operates,
- b) SEB Share Deferral Programme 2020 (SDP) for the Group Executive Committee, certain other senior managers and key employees, and
- c) SEB Restricted Share Programme 2020 (RSP) for some employees in certain business units.

There is a requirement for resolutions to be passed in accordance with the Board of Directors' proposal that the resolutions of the AGM are supported by shareholders representing more than half of the votes cast.

Stockholm in May 2020

Skandinaviska Enskilda Banken AB (publ)

THE BOARD OF DIRECTORS

Item 18 a) – c)**The Board of Directors' of Skandinaviska Enskilda Banken AB (publ) proposals for decisions at the Annual General Meeting on 29 June 2020 concerning acquisition and sale of own shares**

Purpose with the proposed resolutions related to acquisition and sale of own shares

The Board proposes in the items 18 a) – c) on the agenda that the Annual General Meeting shall decide on a number of actions related to acquisition and sale of the Bank's own shares. The proposals are aimed at creating:

- possibilities for securities business purposes related to the Bank's own share (proposal 18 a)),
- possibilities to manage the Bank's capital structure through acquisitions of own shares, including the possibility to use acquired own shares as payment in connection with acquisitions of companies or businesses or in order to finance acquisitions of companies or businesses (proposal 18 b)),
- possibilities to acquire the Bank's own shares for the proposed long-term equity programmes 2020 and for previous years' programmes in order to be able to deliver shares to the participants and for hedging purposes (proposal 18 b)),
- a possibility to sell the Bank's own shares, which are no longer needed for the long-term equity programmes, on the stock exchange, e.g. due to participants resigning from the Bank before the exercise period (proposal 18 b)) and
- a possibility to transfer the Bank's own shares to the participants in the long-term equity programmes 2020 (proposal 18 c)).

Proposed decisions**18 a) The Board's proposal concerning the acquisition of the Bank's own shares in its securities business**

The Board proposes that the Annual General Meeting resolves that the Bank shall be allowed to purchase shares in the Bank in its securities business on a regular basis during the time up to and including the 2021 Annual General Meeting in accordance with Chapter 7, Section 6 of the Securities Markets Act (lagen (2007:528) om värdepappersmarknaden) up to such a number as implies that the number of such shares does not exceed 1.0 per cent of the total number of shares issued at each time in the Bank. The price of the shares purchased shall be the market price prevailing at the time of acquisition.

There is a requirement for a resolution to be passed in accordance with the Board's proposal that the resolution of the Meeting is supported by shareholders representing at least 2/3 of both the votes cast and of the shares represented at the Meeting.

Rationale for Proposal 18 a)

The proposal to acquire the Bank's own shares in the Bank's securities business is a prerequisite for conducting a regular securities business. Pursuant to statutory law, trading in own shares in the Bank's securities business is subject to the Annual General Meeting's resolution.

18 b) The Board's proposal concerning the acquisition and sale of the Bank's own shares for capital purposes and for the long-term equity programmes

The Board proposes that the Annual General Meeting resolves to authorise the Board to decide on the acquisition and sale of the Bank's own Class A-shares and/or Class C-shares, where the following conditions shall apply.

1. Acquisition of shares shall exclusively take place on NASDAQ Stockholm at a price within the price interval at any time recorded, and this shall refer to the interval between the highest buying price and the lowest selling price.
2. Sale of shares may be made on NASDAQ Stockholm at a price within the price interval at any time recorded, and this shall refer to the interval between the highest buying price and the lowest selling price. Sale may also be made outside NASDAQ Stockholm, with or without deviation from the shareholders preferential rights and with or without stipulations on contribution in kind or right of offset, to be used as consideration for acquisitions of companies or businesses or in order to finance acquisitions of companies or businesses. In cases where the sale is made outside NASDAQ Stockholm, the remuneration for shares sold must correspond to an estimated market value and may be payable in other forms than cash.
3. The authorisation may be utilised on one or more occasions, however not longer than until the 2021 Annual General Meeting.
4. The Bank may purchase at the most so many shares that the Bank's total holding of own shares not exceeds 10 per cent of the total number of shares in the Bank.

There is a requirement for a resolution to be passed in accordance with the Board's proposal that the resolution of the Meeting is supported by shareholders representing at least 2/3 of both the votes cast and of the shares represented at the Meeting.

Rationale for Proposal 18 b)

The purpose of the proposal is to create possibilities to manage the capital structure of the Bank and enable acquisition and sale of the Bank's own shares for the long-term equity programmes.

The mandate to repurchase the Bank's own shares provides the Board with an efficient tool to improve flexibility in the management of the capital structure and return excess capital to shareholders if other alternatives – such as organic growth – are less attractive.

With the purpose of creating an optimal capital structure at every point in time while at the same time retaining the possibility to pursue the strategy set by the Board to grow through add-on acquisitions etc., it is proposed that the Board also for the proposed acquisition mandate shall have the possibility to sell acquired own shares on NASDAQ Stockholm, or outside NASDAQ Stockholm, as payment in connection with acquisitions of companies or businesses or in order to finance acquisitions of companies or businesses.

The long-term equity programmes entail an exposure to share price movements. The Board proposes that this risk is hedged by acquisition of own shares. It is also proposed that own shares, which are no

longer needed for the long-term equity programmes, e.g. due to participants resigning from the Bank before the exercise period, may be sold.

The proposed long-term equity programmes 2020 (item 17 on the agenda) consist of an All Employee Programme, a Share Deferral Programme and a Restricted Share Programme. The maximum number of own shares required for 2020 year's programmes and prior years' programmes can be estimated to 47.0 million.

As of April 30, 2020, the Bank had in its possession approximately 28.7 million shares to hedge the outstanding long-term equity programmes.

18 c) The Board's proposal concerning the sale and transfer of the Bank's own shares to participants in the 2020 long-term equity programmes

The Board proposes that the Annual General Meeting resolves that a maximum of 16.4 million of the acquired Class A-shares in the Bank may be sold/transferred as follows.

1. Participants, in the year 2020 long-term equity programmes who are entitled to acquire/receive shares, shall have a preferential right to acquire/receive the shares, to a number that follows from the terms and conditions of the programmes. Subsidiaries within the SEB Group shall furthermore be entitled to acquire the shares for nil consideration, where such subsidiary shall within the scope of the terms and conditions of the programmes be obliged immediately to transfer the shares to the participants.
2. The right to acquire/receive shares may be exercised in the period when the participants are entitled to acquire/receive shares under the programmes.

There is a requirement for a resolution to be passed in accordance with the Board's proposal that the resolution of the Meeting is supported by shareholders representing at least 9/10 of both the votes cast and of the shares represented at the Meeting.

Rationale for Proposal 18 c)

The maximum number of shares required for the 2020 long-term equity programmes has been calculated to 16.4 million shares.

In order to be able to transfer shares to the participants in a cost efficient and flexible way the Board proposes that the shares repurchased by the Bank, may be sold/transferred to those who are entitled to acquire/receive shares in the proposed 2020 long-term equity programmes. For flexibility and tax efficiency purposes local programmes, i.e. agreements between the participants and their local employers, may be used. Thus, the resolution is proposed to admit transfer of shares to subsidiaries to the Bank for further transfer to the participants.

Total holding

The Bank's total holding of own shares shall according to law not exceed 10 per cent of the total number of shares in the Bank.



Preparation of the proposals

The proposals have been prepared by the Board of Directors and the Risk and Capital Committee of the Board.

The Board of Directors' statement under Chapter 19 Section 22 of the Companies Act

The financial position of the Bank and the SEB Group

The financial position of the Bank and the SEB Group as of 31 December 2019 is presented in the Annual Report for the financial year 2019. Furthermore, the principles applied for valuation of assets, provisions and debt are presented in the Annual Report.

The rationale of the authorisation to acquire and transfer own shares

With reference to the above, and to other information that has come to the knowledge of the Board, it is the opinion of the Board that the proposed authorisation to acquire and transfer own shares, aimed at i) enabling delivery of shares to the participants in the proposed long-term equity programmes and previous programmes as well as creating an efficient hedging arrangement for all long-term equity programmes and ii) creating a flexible tool to reach an efficient capital structure, is defensible with reference to the demands that the nature, scope and risks of SEB's operations place on the size of the Bank's and the Group's equity, and the Bank's and the Group's consolidation needs, liquidity and position in general.

Stockholm in May 2020

Skandinaviska Enskilda Banken AB (publ)

THE BOARD OF DIRECTORS

Item 19

The Board of Directors' of Skandinaviska Enskilda Banken AB (publ) proposal for decision at the Annual General Meeting on 29 June 2020 on authorisation for the Board to resolve on the issuance of Additional Tier 1 instruments with conversion into Class A shares

Proposal

The Board of Directors proposes that the Annual General Meeting (AGM) authorises the Board of Directors to resolve on the issuance of convertibles as set out below:

1. The authorisation may be utilised on one or several occasions prior to the AGM in 2021.
2. The issuance of the convertibles shall be made with deviation from the shareholders' pre-emption rights; see also 5 below.
3. The convertibles shall mandatorily convert into Class A shares under the conditions stated in the terms and conditions of the convertibles, but not be convertible at the option of the holders.
4. Loan amounts and conditions for conversion shall be set so that the total number of shares which may be issued upon conversion of convertibles, by virtue of this authorisation, may not exceed ten (10) per cent of the total number of shares in the bank at the time of issuance of the convertibles.
5. The Board of Directors shall resolve on all other terms and conditions for issuance according to this authorisation. The terms and conditions of the convertibles will include a provision according to which the shares issued upon conversion shall be offered for sale with preferential rights for the shareholders to buy such shares at a price corresponding to the conversion price.

The President shall be authorised to make such minor adjustments to this decision that may be necessary in connection with the registration of the authorisation.

Rationale for the proposal

The purpose of the authorisation is to create flexibility for the Board, if and when deemed necessary, to resolve on the issuance of subordinated convertible loans that qualifies as Additional Tier 1 capital, in order to be able to optimize the Bank's capital base. The convertible loans would be mandatorily converted to shares under certain pre-determined conditions in a potential future financially distressed situation for the Bank.

Under the current regulatory capital framework that came into force 1 January 2014, banks have been subject to higher capital requirements overall. In addition to share capital, certain types of subordinated debt instrument may be included in the capital base. Such instruments need to be able to absorb losses in a going-concern situation. A subordinated debt instrument must, in order to be eligible for inclusion as Additional Tier 1 capital in the capital base, contain conditions to the effect either that the instrument shall be converted into shares or written down if the Bank's Common Equity Tier 1 ratio falls below a certain

level. For reasons relating to Profit & Loss volatility, tax and general costs, the most efficient alternative is to issue an Additional Tier 1 capital instrument that converts into shares. An issue of such a convertible instrument can only be made in accordance with the rules of the Swedish Companies Act on issuance of convertibles. A flexible capital management and optimisation is helped if the Bank has the possibility to issue convertible subordinated debt and if the Board of Directors has been given a mandate to decide on issuance of Additional Tier 1 instruments with conversion into shares.

Additional Tier 1 instruments with a mandatory conversion are likely to meet investor interest mainly from international institutional investors. It is therefore proposed that the Board of Directors should be allowed to deviate from the shareholders' preferential right in conjunction with such an issue.

Majority requirement

A resolution in accordance with the Board's proposal is only valid if supported by shareholders representing at least 2/3 of both the votes cast and of the shares represented at the Meeting.

Stockholm in May 2020

Skandinaviska Enskilda Banken AB (publ)

THE BOARD OF DIRECTORS

Item 20

Proposal concerning the appointment of auditors of foundations that have delegated their business to Skandinaviska Enskilda Banken AB (publ) – Annual General Meeting 29 June 2020

Foundation	Auditing firm	Auditor
G A Lilljas stiftelse	Grant Thornton Sweden	Lena Johnson
Stiftelsen Carl och Fredrika Svenssons understödsfond	Grant Thornton Sweden	Lena Johnson
Stiftelsen Borgmästare Carl Wallanders minnesfond	Grant Thornton Sweden	Lena Johnson
Stiftelsen Emanuel Västers stipendiefond	Grant Thornton Sweden	Lena Johnson
Anna och Sture Assarssons stiftelse	Mazars SET Revisionsbyrå	Karin Westerlund
Stiftelsen Ingenjör Ernst Johnsons fond	Mazars SET Revisionsbyrå	Karin Westerlund
Stiftelsen Elin Johnsons stipendiefond för elever vid Kungliga GCI	Mazars SET Revisionsbyrå	Karin Westerlund
Stiftelsen Ernst Johnsons stipendiefond för musikstuderande	Mazars SET Revisionsbyrå	Karin Westerlund
Stiftelsen Axel Lennart Larssons Donationsfond	Mazars SET Revisionsbyrå	Karin Westerlund
Kristina Stenborgs stiftelse för vetenskaplig forskning	Mazars SET Revisionsbyrå	Karin Westerlund
Margareta (Meg)Göthe-Dalgrems stiftelse	Mazars SET Revisionsbyrå	Karin Westerlund
von Willebrandska understödsstiftelsen	Mazars SET Revisionsbyrå	Karin Westerlund

Stiftelsen landsfiskalen Werner Larssons och hans maka Elisabeth Larssons från Kungsbacka fond	Mazars SET Revisionsbyrå	Karin Westerlund
Stiftelsen W M Philipsons Donationsfond	Ernst & Young	Theodor Hugosson
Stiftelsen J C:son Kjellbergs Donationsfond	Ernst & Young	Theodor Hugosson
Stiftelsen A Andrésens Minnesgåva	Ernst & Young	Theodor Hugosson

Stockholm in May 2020

Skandinaviska Enskilda Banken AB (publ)

THE BOARD OF DIRECTORS

Item 21

The Board of Directors' of Skandinaviska Enskilda Banken AB (publ) proposal at the Annual General Meeting on 29 June 2020 for amendment of the Articles of Association

The Board of Directors proposes that Section 9 in the Articles of Association is amended so that the Board of Directors, may collect proxies pursuant to the procedure stated in Chapter 7, Section 4, second paragraph of the Companies Act (2005: 551), and so that the Board of Directors may decide that the Shareholders shall be able to exercise their voting rights by post before the General Meeting of Shareholders pursuant to the procedure stated in Chapter 7, Section 4a of the Companies Act (2005: 551).

Current wording

Proposed wording

<p>Section 9 A General Meeting of Shareholders shall be opened by the Chairman of the Board or by such person as the Board of Directors has appointed for such purpose.</p> <p>The Chairman of the General Meeting of Shareholders shall be elected by the Meeting.</p> <p>At a General Meeting of Shareholders each person who is entitled to vote may vote for the full number of shares owned or represented by him without limitation of the number of votes.</p>	<p>Section 9 A General Meeting of Shareholders shall be opened by the Chairman of the Board or by such person as the Board of Directors has appointed for such purpose.</p> <p>The Chairman of the General Meeting of Shareholders shall be elected by the Meeting.</p> <p>At a General Meeting of Shareholders each person who is entitled to vote may vote for the full number of shares owned or represented by him without limitation of the number of votes.</p> <p>The Board of Directors may collect proxies pursuant to the procedure stated in Chapter 7, Section 4, second paragraph of the Companies Act (2005: 551).</p> <p>The Board of Directors may decide before the General Meeting of Shareholders that the Shareholders shall be able to exercise their voting rights by post before the General</p>
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	Meeting of Shareholders pursuant to the procedure stated in Chapter 7, Section 4a of the Companies Act (2005: 551).
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For a resolution to be passed at the Annual General Meeting in accordance with the Board's proposal, it is required that it is supported by shareholders representing at least 2/3 of both the votes cast and of the shares represented at the Meeting.

Stockholm in May 2020

Skandinaviska Enskilda Banken AB (publ)

THE BOARD OF DIRECTORS