CAPITAL ADEQUACY AND RISK MANAGEMENT REPORT (PILLAR 3)

2014

SEB

TABLE OF CONTENTS

I. ABOUT THIS REPORT

SEB IS COMMITTED TO MAINTAINING PUBLIC TRANSPARENCY *with regard to its business, financial performance and risks. Extensive information is provided in financial reports, including SEB's Annual Report, quarterly Interim Reports and quarterly Fact Books. In this report – Capital Adequacy and Risk Management Report (Pillar 3) – SEB provides additional detailed information on its risk management and capital adequacy.*

ABOUT PILLAR 3

The aim of Pillar 3 is to allow for market discipline to supplement the regulation of banks. The Basel Committee on Banking Supervision (BCBS) set out, in its Basel II framework (2004), a concept of three pillars for banking regulation:

Pillar 1 – Minimum capital requirements to meet credit, market and operational risk;
Pillar 2 – Supervisory review process, and the bank's internal process for assessing overall capital and liquidity adequacy in accordance with its risks; and
Pillar 3 – Market discipline enabled by disclosures.

Pillar 3 entails extended disclosures by banks with regard to capital adequacy and risk management, in order to allow investors and other market participants to understand the risk profiles of individual banks.

ABOUT BASEL III AND CRD IV / CRR

In 2010–2011, the Basel Committee on Banking Supervision set out Basel III, the third instalment of its recommendations on banking regulations. The Basel III standards introduced much more stringent capital requirements for banks and introduced new requirements for liquidity risk and leverage. Basel III was implemented in the European Union in revised EU legislation, comprising a Capital Requirements Directive (CRD IV) and Capital Requirements Regulation (CRR) adopted by the European Parliament in 2013. The CRR applied throughout the EU from 1 January 2014. In Swedish law, the CRR part automatically took effect upon EU adoption while the CRD IV part was implemented by the Swedish Financial Supervisory Authority during the fall.

The major changes introduced by the CRR (EU Regulation No 575/2013) / CRD IV (Directive No 2013/36/EU) are as follows:

Definition of capital

– New rules for eligible Tier 1 and Tier 2 capital instruments
– More stringent requirements for Common Equity Tier 1 (CET1) capital
– Tier 3 capital instruments no longer eligible.

Capital requirements

– More stringent solvency ratio requirements, with transition rules for implementation in EU
– Capital buffers (counter-cyclical capital buffer, capital conservation buffer and systemic risk buffer)

Liquidity risk

– Requirements for liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) with transition rules for implementation in EU
– Monitoring tools to support supervisory aspects of liquidity risk.

Counterparty credit risk

– Capital charge for credit valuation adjustments
– New collateral management requirements
– Incentives to use central clearing parties and clearing houses.

Leverage risk

– Introduction of a leverage ratio to limit the excessive indebtedness of banks and their use of off-balance sheet leverage products.

Pillar 2 & 3

– Raising standards of prudential supervision and market discipline.

BASIS FOR SEB'S PILLAR 3 REPORT

The Pillar 3 report is prepared in accordance with the requirements of EU and Swedish regulations, in particular the CRR (EU Regulation No 575/2013, Part 8), the European Banking Authority's (EBA's) implementing technical standards (ITS) with regard to disclosure of own funds (EU Regulation No 1423/2013), and the Swedish Financial Supervisory Authority Finansinspektionen's regulations on prudential requirements and capital buffers (FFFS 2014:12).

Together with the Annual Report, this report provides information on SEB's material risks as part of the Pillar 3 framework, including details on the Group's risk profile and business volumes by customer categories and risk classes, which form the basis for the calculation of the capital requirement. The Pillar 3 report complements the Annual Report with additional information, and is intended to be read in conjunction with the Annual Report, in particular the Annual Report sections entitled Risk, liquidity and capital management and Corporate Governance in SEB, as well as the Notes to the financial statements. Information on pension, insurance and business risk is included in those sections of the Annual Report. Disclosures in relation to remuneration are also included in those sections of the Annual Report.

The Pillar 3 report is based upon the Group consolidated

situation as of 31 December 2014. The Group consolidated situation represents the regulatory scope of consolidation according to CRR, established for the purposes of prudential supervision, and differs from the Group's consolidated financial statements as set out in the Annual Report. The relationship between the Group consolidated situation and the Group consolidated financial statements is set out in Table 2 in the Pillar 3 report.

The Group consolidated situation is based upon its financial position established by the accounting policies of the Group, in accordance with International Financial Reporting Standards (IFRS) and interpretations of those standards as adopted by the European Commission. The significant accounting policies for the Group are presented in the Annual Report, Note 1 – Accounting Policies.

The information in this report is not required to be, and has not been, subject to external audit.

CHANGES IN PILLAR 3 REQUIREMENTS IMPLEMENTED IN 2014

In 2014, SEB's Pillar 3 report has been aligned with Basel III and the respective EU and Swedish regulations with regard to CRR, EBA's ITS on own funds and Finansinspektionen's FFFS 2014:12.

COMPARATIVE INFORMATION

The Basel III framework introduced significant changes in terminology and definitions. As a result, a number of measures reported in SEB's Pillar 3 report for 2014 are not directly comparable with previous disclosures made under Basel II. In the Pillar 3 report for 2014, comparative information for 2013 has been included, where possible, in order to aid the understanding of the user: in certain specified cases, the 2013 comparatives have been restated in order to be consistent with Basel III and for comparability with 2014; in other cases, no restatement for comparability was necessary. In a few cases, information comparable with 2014 was not available and, accordingly, no comparative information is given.

II. RISK MANAGEMENT

MANAGING RISK IS A CORE ACTIVITY IN A BANK *and therefore fundamental to long-term profitability and stability. Risk is closely related to business activities and business development and, therefore, to customer needs. Of the various risks that SEB assumes in providing its customers with financial solutions and products, credit risk is the most significant.*

RISK MANAGEMENT FRAMEWORK

SEB's profitability is directly dependent upon its ability to evaluate, manage and price the risks encountered, while maintaining an adequate capitalisation and liquidity to meet unforeseen events. To secure the bank's financial stability, risk and capital-related issues are identified, monitored and managed at an early stage. They also form an integral part of the long-term strategic and business planning process.

SEB applies a robust framework for its risk management, having long since established independent risk control, credit analysis and credit approval functions supported by a range of advanced internal models. The cornerstones of SEB's risk and capital management include Board supervision and risk tolerance, an explicit decision-making structure, a high level of risk awareness among staff, common definitions and principles, controlled risk-taking within established limits and a high degree of transparency in external disclosures.

Risk tolerance

The Board of Directors is responsible for setting the maximum acceptable levels of risks to be taken by the bank. This is formulated in a Risk Tolerance Statement, which is reviewed annually in connection with the annual approval of the bank's business plan and applies to the entire group. The Board's Risk Tolerance Statements represent a long-term view of the boundaries within which the Board expects the bank to operate. In order to monitor that SEB operates within the Board's limits, the President and the Group Risk Committee has established a framework of risk measures for the group, divisions, and business areas. SEB's risk profile in relation to the risk tolerance is monitored and followed up regularly by the risk organisation and presented to the Group Risk Committee, the Group Executive Committee, the Board's Risk and Capital Committee and the Board of Directors.

Three lines of defense

SEB's risk culture is based on long experience, strong customer relationships and sound banking principles, and provides a solid foundation for the bank's risk governance. The business units are responsible for the risks that arise in their operations. Therefore the first defense against potential future losses is ensuring that correct decisions are made from the start and the resulting risks are managed throughout the life of the transaction. The business units are responsible for making the initial risk assessment both of the customer relationship and the individually proposed transactions. Larger transactions are then reviewed by the risk organisation. The business units are responsible for ensuring that activities are in compliance with applicable rules. The business is supported by group-wide rules and policies and an established decision-making hierarchy.

The risk and compliance organisations constitute the second line of defense and are independent from the business. The risk organisation is responsible for identifying, measuring and controlling risks. Risks are measured both on a detailed and aggregated level. SEB has approval from the Swedish Financial Supervisory Authority to use advanced risk measurement methods for a majority of the credit portfolio as well as for market and operational risk. Risks are controlled through limit structures, both at the transactional and portfolio levels. Asset quality in the credit portfolio is monitored and analysed continuously, among other ways through stress testing. The compliance organisation ensures compliance quality and focuses on compliance issues, such as legal risk, implementation of new regulatory requirements and internal controls, under direction of the Board and management.

The quality of risk management is reviewed on a regular basis by both internal audit – the third line of defense – and the external auditors.

RISK TOLERANCE STATEMENTS IN BRIEF

- *SEB shall have a high quality credit portfolio as well as a robust credit culture based on long-term relationships, knowledge about the customers and with focus on repayment ability.*
- *SEB shall achieve low earnings volatility by generating revenue based on customer-driven business.*
- *SEB shall strive to mitigate operational risks in all business activities and maintain the bank's excellent reputation.*
- *SEB shall have a soundly structured liquidity position, a balanced wholesale funding dependence and sufficient liquid reserves to meet potential net outflows in a stressed scenario.*
- *SEB shall maintain satisfactory capital strength in order to sustain its aggregated risks and guarantee the bank's long-term survival and position as a financial counterparty while operating safely within regulatory requirements and meeting rating targets.*

RISK GOVERNANCE

The Board of Directors defines the principles for management, reporting and control of risks in a comprehensive policy framework. The risk policies are supplemented by instructions issued by the Chief Risk Officer. Risk mandates are established by the Board and allocated by board committees and executive management committees. A comprehensive risk management governance structure ensures that policies approved by the Board of Directors are effectively complied with in all of SEB's risk-taking activities.

The Board of Directors has the ultimate responsibility for the risk organisation and for the maintenance of satisfactory internal control, including appointment of the Chief Risk Officer. The Board establishes the overall risk and capital policies and monitors the development of risk exposure. The Board's Risk and Capital Committee works to ensure that all risks inherent in the bank's activities are identified, defined, measured, monitored and controlled in accordance with external and internal rules.

Responsibility for day-to-day risk management rests with the divisions, treasury function and support functions. Each of these have dedicated risk management organisations or, in the case of certain support functions, a dedicated risk manager.

The Chief Risk Officer is responsible for monitoring all of the risks in SEB, primarily credit risk, market risk, insurance and pension risk, operational risk and liquidity risk and to this end manages units responsible for credit approval, risk aggregation and reporting and risk control, together referred to as the CRO Function. The risk control unit works closely with the business operations within each division and at each site while maintaining its independence as part of the risk organisation.

Subordinated to the Board of Directors and the President are committees with mandates to make decisions depending upon the type of risk. The Group Risk Committee is the highest credit-granting body within the bank. However, certain matters are reserved for the Risk and Capital Committee of the Board.

The Group Asset and Liability Committee is a group-wide decision-making, monitoring and consultative body that handles financial stability, the trade-off between financial reward and risk tolerance, strategic capital and liquidity issues (including internal funds transfer pricing), balance sheet structure and development and financing issues.

The Group Risk Measurement Committee assists management in assuring that all of the risk methods, tools and measurements are of sufficient quality and approved. This committee involves business representatives, divisional risk managers and independent risk controllers and is chaired by senior management from the risk organisation.

III. CAPITAL MANAGEMENT

IN COMPETING FOR CUSTOMERS AND BUSINESS, *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.*

CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

SEB's capital management balances the following dimensions:

1. the minimum capital levels, and the supervisory expectation that banks operate safely above this minimum level, established by the EU directives through Swedish law on capital adequacy;
2. 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. 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. the shareholders' demand to optimise total shareholders' return while balancing the risks taken.

The Board of Directors sets SEB's capital target based on regulatory requirements, internal views of capital need and a rating ambition. Currently, the Boards capital target is to maintain a Common Equity Tier 1 (CET1) capital ratio of around 150 basis points above the Swedish requirement.

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 survival of the bank is not jeopardised. Thus, the ICAAP is integrated with SEB's business planning, internal governance framework and its internal control systems. The Chief Financial Officer is responsible for the ICAAP. The process is run by the treasury function with input from the risk and finance organisations.

SEB's capital planning 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.

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

Economic capital

Economic capital constitutes an important input to the ICAAP. It is an internal measurement of risk, similar to the Basel III 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.

At the end of 2014, the internal capital requirement in economic capital terms was SEK 69bn (65), while available capital was SEK 135bn (132). Diversification effects between risk types reduces the total amount of economic capital, since unexpected losses requiring capital buffers are not likely to occur simultaneously for all risk types.

TABLE 1. Economic capital

SEK bn	2014	2013
Credit risk	51	47
Market risk	3	4
Operational risk	8	6
Business risk	10	9
Insurance risk	18	16
Pension risk	18	15
Diversification	–39	–32
TOTAL ECONOMIC CAPITAL	**69**	**65**

Capital allocation

In addition to ensuring that SEB has an adequate capital buffer, capital management also ensures that capital is used where it can generate the best risk-adjusted returns. Capital is managed centrally, meeting also local requirements as regards statutory and internal capital.

SEB employs an internal capital allocation framework for measuring risk and profitability. The basis for this framework, called business equity, is similar to regulatory capital models including Pillar 2 requirements and is calibrated with SEB's capital targets. The business equity framework allocates the total level of capital needed to maintain a desired capital adequacy to the business units in proportion to risks undertaken. Thus business equity is a risk measure,

since individual transactions are allocated business equity in proportion to their risks.

A clear governance process is in place for capital injections from the parent bank to subsidiaries.

STRESS TESTING

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

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

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

Performing this kind of stress testing constitutes an important part of SEB's process for capital assessment over the long-term planning horizon. Available and required capital is computed, contingent on the stressed environment, for each year in the scenarios. This makes it possible to assess SEB's financial strength under even more adverse conditions than those assumed in financial plans. Stress test scenarios and results are discussed in the Group Risk Committee and the Group Asset and Liability Committee. The risk function is responsible for the stress test methodologies.

In addition to the internal stress tests, SEB's capital adequacy is regularly stress tested by the regulatory supervisors. A comprehensive stress test was conducted in 2014 by the European Banking Authority and the European Central Bank in cooperation. In the adverse scenario, the Group's CET1 capital ratio, based on the fully implemented CRD IV framework, would be reduced from 14.7 per cent (at December 31, 2013) to a low of 12.8 per cent at the end of 2014. In November and December 2014, the SFSA and the Swedish Riksbank performed forward looking stress tests on Swedish banks. According to the SFSA stress test, SEB's CET1 capital ratio, based on the fully implemented CRD IV framework, would be reduced from 16.2 per cent (at June 30, 2014) to a low of 14.7 per cent at the end of 2016. The Swedish Riksbank's stress test showed a reduction in SEB's CET1 capital ratio, based on the fully implemented CRD IV framework, from 16.2 per cent (at September 30, 2014) to 15.0 per cent at the end of the stress period in the third quarter of 2017.

SEB's stress testing framework covers all main risk types, with particular focus on the risk of credit losses:

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

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

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

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

SEB'S CONSOLIDATED SITUATION

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

The consolidated SEB Group should also comply with own funds requirements concerning combined banking and insurance groups, i.e. financial conglomerates. The combined capital requirements for the SEB financial conglomerate were SEK 59.3bn (57.0), while the capital amounted to SEK 148.1bn (118.4). The capital requirement for the financial conglomerate has been calculated in accordance with the deduction and aggregation method.

TABLE 2. SEB's consolidated situation

		Accounting treatment		Prudential treatment	
		Consolidation		Consolidation	
Type of entity	Ownership, %	Full	Equity method	Full	Equity method
Finance operations					
Möller Bilfinans AS, Oslo	51	✓		✓	
SEB Corporate Bank, PJSC, Kiev	100	✓		✓	
SEB AG, Frankfurt am Main	100	✓		✓	
SEB Bank JSC, St Petersburg	100	✓		✓	
SEB Banka, AS, Riga	100	✓		✓	
SEB bankas, AB, Vilnius	100	✓		✓	
SEB Kort Bank AB, Stockholm	100	✓		✓	
SEB Leasing Oy, Helsinki	100	✓		✓	
SEB Njord AS, Oslo	100	✓		✓	
SEB Pank, AS, Tallinn	100	✓		✓	
Skandinaviska Enskilda Banken S.A., Luxembourg	100	✓		✓	
Skandinaviska Enskilda Ltd, London	100	✓		✓	
Investment operations					
Aktiv Placering AB, Stockholm	100	✓		✓	
Key Asset Management (UK) Limited, London	100	✓		✓	
SEB Asset Management America Inc, Stamford	100	✓		✓	
SEB Asset Management S.A., Luxembourg	100	✓		✓	
SEB Enskilda, UAB, Vilnius	100	✓		✓	
SEB Fondbolag Finland Ab, Helsinki	100	✓		✓	
SEB Fund Services S.A., Luxembourg	100	✓		✓	
SEB Förvaltnings AB, Stockholm	100	✓		✓	
SEB Investment Management AB, Stockholm	100	✓		✓	
SEB Kapitalförvaltning Finland Ab, Helsinki	100	✓		✓	
SEB Portföljförvaltning AB, Stockholm	100	✓		✓	
SEB Securities Inc., New York	100	✓		✓	
SEB Strategic Investments AB, Stockholm	100	✓		✓	
Insurance operations					
SEB Trygg Liv Holding AB, Stockholm	100	✓			
Repono Holding AB, Stockholm	100	✓			
Försäkringsaktiebolaget Skandinaviska Enskilda Captive, Stockholm	100	✓			
Other operations					
Baltectus B.V., Amsterdam	100	✓		✓	
Bankomat AB, Stockholm	20		✓		✓
Bankomatcentralen AB, Stockholm	28		✓		✓
BDB Bankernas Depå AB, Stockholm	20		✓		✓
BGC Holding AB, Stockholm	33		✓		✓
Domena Property Sp. Z o.o., Warsaw	100	✓		✓	
Enskilda Kapitalförvaltning SEB AB, Stockholm	100	✓		✓	
Getswish AB, Stockholm	20		✓		✓
Interscan Servicos de Consultoria Ltda, Sao Paulo	100	✓		✓	
Parkeringshuset Lasarettet HGB KB, Stockholm	99	✓		✓	
Postep Property Sp. Z o.o., Warsaw	100	✓		✓	
SEB Hong Kong Trade Services Ltd, Hong Kong	100	✓		✓	
SEB Internal Supplier AB, Stockholm	100	✓		✓	
Skandinaviska Kreditaktiebolaget, Stockholm	100	✓		✓	
UC AB, Stockholm	28		✓		✓

CAPITAL RATIOS AND OWN FUNDS

The following table shows own funds, risk exposure amount and capital ratios according to Basel III. The increase in the risk exposure amount of SEK 18bn is primarily related to credit growth and FX effects from the loan volumes. The capital ratios improved with the 2014 result as well as a new issue of additional Tier 1 capital in the amount of USD 1.1bn. In addition the total capital ratio increased due to a new issue of subordinated debt in the amount of EUR 1bn during the year.

TABLE 3. Capital ratios

SEK m	31 Dec 2014	31 Dec 2013
Own funds		
Common Equity Tier 1 capital	100,569	89,826
Tier 1 capital	120,317	102,462
Total own funds	136,899	108,260
Own funds requirement		
Risk exposure amount	616,531	598,324
Expressed as own funds requirement	49,322	47,866
Common Equity Tier 1 capital ratio	16.3%	15.0%
Tier 1 capital ratio	19.5%	17.1%
Total capital ratio	22.2%	18.1%
Own funds in relation to own funds requirement	2.78	2.26
Regulatory Common Equity Tier 1 capital requirement including buffer	7.0%	
of which capital conservation buffer requirement	*2.5%*	
Common Equity Tier 1 capital available to meet buffer [1)]	11.8%	
Transitional floor 80% of capital requirement according to Basel I		
Minimum floor own funds requirement according to Basel I	79,581	74,054
Own funds according to Basel I	136,015	109,042
Own funds in relation to own funds requirement Basel I	1.71	1.47
Leverage ratio		
Exposure measure for leverage ratio calculation	2,505,146	2,327,121
of which on balance sheet items	*2,165,651*	*2,118,326*
of which off balance sheet items	*339,495*	*208,795*
Leverage ratio	4.8%	4.2%

1) CET1 ratio 16.3% less minimum capital requirement of 4.5% excluding buffers. In addition to the CET1 requirements there is a total capital requirement of additional 3.5%.

TABLE 4. Own funds

Disclosure according to Article 5 in Commission implementing regulation (EU) No 1423/2013.

	Transitional own funds disclosure template	31 Dec 2014	31 Dec 2013 according to CRR	Amounts Subject to Pre- Regulation (EU) N° 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) N° 575/2013	BS Cross reference
	Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	21,942	21,942	N/A	a
	of which: Instrument type 1			N/A	
	of which: Instrument type 2			N/A	
	of which: Instrument type 3			N/A	
2	Retained earnings	45,167	41,050	N/A	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	48,215	45,019	N/A	c
3 a	Funds for general banking risk			N/A	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1			N/A	
5	Minority Interests (amount allowed in consolidated CET1)			N/A	
5 a	Independently reviewed interim profits net of any foreseeable charge or dividend	6,509	3,207	N/A	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**121,833**	**111,218**	N/A	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	–1,314	–848	N/A	
8	Intangible assets (net of related tax liability) (negative amount)	–12,168	–12,248	N/A	
9	Empty Set in the EU			N/A	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	–603	–649	N/A	
11	Fair value reserves related to gains or losses on cash flow hedges	–3,877	–783	N/A	d
12	Negative amounts resulting from the calculation of expected loss amounts	–188	–782	N/A	
13	Any increase in equity that results from securitised assets (negative amount)			N/A	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	400		N/A	e
15	Defined-benefit pension fund assets (negative amount)		–2,298	N/A	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–1,294	–975	N/A	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			N/A	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)			N/A	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			N/A	
20	Empty Set in the EU			N/A	
20 a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	–594	–1,294	N/A	
20 b	*of which qualifiying holdings outside the financial sector (negative amount)*			N/A	
20 c	*of which: securitisation positions (negative amount)*	–594	–1,294	N/A	
20 d	*of which: free deliveries (negative amount)*			N/A	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)			N/A	
22	Amount exceeding the 17.65% threshold (negative amount)			N/A	
23	*of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*			N/A	
24	Empty Set in the EU			N/A	
25	*of which: deferred tax assets arising from temporary differences*			N/A	
25 a	Losses for the current financial year (negative amount)			N/A	
25 b	Foreseeable tax charges relating to CET1 items (negative amount)			N/A	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatent			N/A	
26 a	Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468	–1,626	–1,515	N/A	
	of which : ... filter for unrealised gain 1	*–1,626*	*–1,515*	N/A	
	of which : ... filter for unrealised gain 2			N/A	

TABLE 4. Own funds (cont.)

	Transitional own funds disclosure template	31 Dec 2014	31 Dec 2013 according to CRR	Amounts Subject to Pre- Regulation (EU) N° 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) N° 575/2013	BS Cross reference
26 b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additionnal filters and deductions required pre CRR			N/A	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)			N/A	
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–21,264**	**–21,392**	N/A	
29	**Common Equity Tier 1 (CET1) capital**	**100,569**	**89,826**	N/A	
	Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	8,545		N/A	
31	*of which: classified as equity under applicable accounting standards*			N/A	
32	*of which: classified as liabilities under applicable accounting standards*	8,545		N/A	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	14,004	14,004	N/A	
	Public sector capital injections grandfathered until 1 January 2018			N/A	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties			N/A	
35	*of which: instruments issued by subsidiaries subject to phase out*			N/A	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**22,549**	**14,004**	N/A	
	Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)			N/A	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			N/A	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)			N/A	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)			N/A	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)	–2,801	–1,368	N/A	
41 a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			N/A	
41 b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			N/A	
41 c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR			N/A	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)			N/A	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–2,801**	**–1,368**	N/A	
44	**Additional Tier 1 (AT1) capital**	**19,748**	**12,636**	N/A	f
45	**Tier 1 capital (T1 = CET1 + AT1)**	**120,317**	**102,462**	N/A	
	Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	16,552	7,746	N/A	g
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	1,533	627	N/A	g
	Public sector capital injections grandfathered until 1 January 2018			N/A	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			N/A	
49	*of which: instruments issued by subsidiaries subject to phase out*			N/A	
50	Credit risk adjustments	1,072		N/A	
51	**Tier 2 (T2) capital before regulatory adjustments**	**19,157**	**8,373**	N/A	
	Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)			N/A	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			N/A	

TABLE 4. Own funds (cont.)

	Transitional own funds disclosure template	31 Dec 2014	31 Dec 2013 according to CRR	Amounts Subject to Pre- Regulation (EU) N° 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) N° 575/2013	BS Cross reference
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			N/A	
54 a	*of which new holdings not subject to transitional arrangements*			N/A	
54 b	*of which holdings existing befor 1 January 2013 and subject to transitional arrangements*			N/A	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–2,575	–2,575	N/A	
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			N/A	
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			N/A	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			N/A	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR			N/A	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–2,575**	**–2,575**	N/A	
58	**Tier 2 (T2) capital**	**16,582**	**5,798**		
59	**Total capital (TC = T1 + T2)**	**136,899**	**108,260**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)			N/A	
	of which:... items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)			N/A	
	of which:...items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)			N/A	
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)			N/A	
60	**Total risk weighted assets**	**616,531**	**598,324**		
	Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.3%	15.0%	N/A	
62	Tier 1 (as a percentage of risk exposure amount)	19.5%	17.1%	N/A	
63	Total capital (as a percentage of risk exposure amount)	22.2%	18.1%	N/A	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.0%		N/A	
65	*of which : capital conservation buffer requirements*	2.5%		N/A	
66	*of which : countercyclical buffer requirements*			N/A	
67	*of which : systemic risk buffer requirements*			N/A	
67a	*of which : Global Systemically Important Institutions (G-SII) or Other Systemically Important Institutions (O-SII) buffer*			N/A	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.8%		N/A	
69	(Non relevant in EU regulation)			N/A	
70	(Non relevant in EU regulation)			N/A	
71	(Non relevant in EU regulation)			N/A	
	Amounts below the thresholds for deduction (before risk weighting)			N/A	
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)			N/A	
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	6,210	6,210	N/A	
74	Empty Set in the EU			N/A	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	603	649	N/A	

TABLE 4. Own funds (cont.)

Transitional own funds disclosure template	31 Dec 2014	31 Dec 2013 according to CRR	Amounts Subject to Pre- Regulation (EU) N° 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) N° 575/2013	BS Cross reference
Applicable caps on the inclusion of provisions in Tier 2				
76 Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)			N/A	
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach			N/A	
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)			N/A	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	2,613	2,457	N/A	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)				
80 Current cap on CET1 instruments subject to phase out arrangements			N/A	
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			N/A	
82 Current cap on AT1 instruments subject to phase out arrangements	11,203	12,604	N/A	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–1,544	–1,646	N/A	
84 Current cap on T2 instruments subject to phase out arrangements	1,533	1,724	N/A	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			N/A	

TABLE 5. Balance sheet reconciliation

Balance sheet items, SEK m	31 Dec 2014		31 Dec 2013		Cross reference to the own funds template
	SEB Consolidated situation	SEB Group	SEB Consolidated situation	SEB Group	
Cash and cash balances with central banks	104,557	103,098	174,327	173,950	
Other lending to central banks	16,817	16,817	9,661	9,661	
Loans to other credit institutions	90,057	90,945	101,976	102,623	
Loans to the public	1,362,101	1,355,680	1,308,886	1,302,568	
Financial assets at fair value	543,621	936,844	452,294	776,624	
Available-for-sale financial assets	60,505	46,014	60,809	48,903	
Held-to-maturity investments	91	91	85	85	
Assets held for sale	841	841	0	0	
Investments in associates	1,103	1,251	3,917	1,274	
Tangible and intangible assets	9,412	27,524	10,701	28,924	
Other assets	60,757	62,141	37,763	40,222	
TOTAL ASSETS	**2,249,862**	**2,641,246**	**2,160,419**	**2,484,834**	
Deposits from central banks and credit institutions	114,357	115,186	176,304	176,191	
Deposits and borrowing from the public	953,406	943,114	855,351	849,475	
Liabilities to policyholders		364,354		315,512	
Debt securities	689,893	689,863	714,018	713,990	
of which gains or losses on liabilities valued at fair value resulting from changes in own credit standing	*400*				e
Other financial liabilities at fair value	252,498	280,763	203,679	213,945	
Other liabilities	64,470	70,257	63,581	68,106	
Provisions	2,743	2,868	1,863	1,992	
Subordinated liabilities	40,265	40,265	22,809	22,809	
of which Additional Tier 1 instruments	19,748		12,636		f
of which Tier 2 instruments	18,085		8,373		g
Total equity	132,230	134,576	122,814	122,814	
of which CET1 paid-in share capital	21,942		21,942		a
of which retained earnings	45,167		41,050		b
of which accumulated other comprehensive income (loss), other than cash flow hedge reserves and forex unrealised gain/losses	48,215		45,019		c
of which cash flow hedge reserves	3,877		783		d
TOTAL LIABILITIES AND EQUITY	**2,249,862**	**2,641,246**	**2,160,419**	**2,484,834**	

TABLE 6. Capital instruments' main features

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013

	31 Dec 2014							
1	Issuer	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	XS0828014133	XS1072796870	XS0058537373	XS1136391643	XS0337453202	XS0454821462	US830505AM53
3	Governing law(s) of the instrument	English and Swedish Law	English and Swedish Law	English and Swedish Law	English and Swedish Law	English and Swedish Law	English and Swedish Law	New York and Swedish Law
	Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Tier 2	Ineligible	Additional Tier 1	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Dated Subordinated Notes	Dated Subordinated Notes	Perpetual Subordinated Notes	Additional Tier 1 Notes	Capital Contribution Notes	Capital Contribution Notes	Capital Contribution Securities
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 7,094m	SEK 9,458m	SEK 652m	SEK 8,545m	SEK 4,483m	SEK 4,483m	SEK 3,118m
9	Nominal amount of instrument	EUR 750m	EUR 1,000m	JPY 10,000m	USD 1,100m	EUR 500m	EUR 500m	USD 423,405,000 (Original Amount USD600m)
9a	Issue price	99,698%	99,361%	100%	100%	100%	100%	100%
9b	Redemption price	100%	100%	100%	N/A	100%	100%	100%
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	2012-09-12	2014-05-28	1995-06-26	2014-11-13	2007-12-21	2009-10-01	2005-03-23
12	Perpeptual or dated	Dated	Dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	2022-09-12	2026-05-28	N/A	N/A	N/A	N/A	N/A
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	No	No	Yes
15	Optional call date, contingent call dates, and redemption amount	2017-09-12, 100%. In addition Tax/Regulatory call.	2021-05-28, 100%. In addition Tax/Regulatory call.	2015-11-24 at 100%	2020-05-13. At Prevailing Pricipal Amount. In addition Tax/ Regulatory call.	2017-12-21, 100%. In addition Tax/Regulatory call.	2015-03-31 at 100%. In addition Tax/Regulatory call.	2015-03-23 at 100%. In addition Tax/Regulatory call.
16	Subsequent call dates, if applicable	N/A	N/A	24 May and 24 Nov in each year after the first call date.	At any time thereafter. At Prevailing Pricipal Amount.	21 Mar, 21 Jun, 21 Sep and 21 Dec in each year after the first call.	31 Mar in each year thereafter, 100%.	23 Mar, 23 Jun, 23 Sep and 23 Dec in each year after the first call.
	Coupons / dividends							
17	Fixed or floating dividend/coupon	Fixed, Annually Payments in arrear	Fixed, Annually Payments in arrear	Fixed to call and then if not called Floating, semiannually in arrear	Fixed, Semi-annually Payments in arrear	Fixed to Floating	Fixed	Fixed to Floating
18	Coupon rate and any related index	4.00% pa. If not called then new fixed rate set to Euro Swap Rate+Reset margin that is 3.10%pa.	2.50% pa. If not called then new fixed rate set to Euro Swap Rate+Reset margin that is 3.10%pa.	4.40% pa. If not called then new rate set to 6M JPYLibor+Reset margin that is 2.00%pa.	5.75% pa. If not called then new fixed rate set to USD Mid-Swap Rate for the relevant 5 Year period+Reset margin that is 3.85%pa.	7.0922% pa to call date. If not called then rate set to 3M Euroibor+Reset margin that is 3.40%pa.	9.25% pa. If not called then new fixed rate set to EUR Mid-Swap Rate for the relevant 5 Year period+Reset margin that is 6.40%pa.	5.471% pa. If not called then new fixed rate set to USD 3M Libor+Reset margin that is 1.54%pa.
19	Existence of a dividend stopper	No	No	Yes, following Write-down	No	Yes	Yes	Yes

TABLE 6. Capital instruments' main features (cont.)

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013

	31 Dec 2014							
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing	Mandatory	Mandatory	Partially discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Partially discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No	Yes	No	No	No	No
22	Noncumulative or cumulative	N/A	N/A	Cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	None-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	No	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger (s)	N/A	N/A	When equity is less than half of the registered share capital	5.125% for the Bank and 8% for the Group	When equity is less than half of the registered share capital or in case of Regulatory breach	When equity is less than half of the registered share capital or in case of Regulatory breach	When equity is less than half of the registered share capital
32	If write-down, full or partial	N/A	N/A	Partial	Full Write-Down	Partial	Partial	Partial
33	If write-down, permanent or temporary	N/A	N/A	Temporary	Temporary Write-Down	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	N/A	N/A	Shareholders resolution regarding Reconversion and Reinstatement made out of unappropriated earnings	Discreationary out of Net Profit subject to MDA	Shareholders resolution regarding Reconversion and Reinstatement made out of unappropriated earnings	Shareholders resolution regarding Reconversion and Reinstatement made out of unappropriated earnings	Shareholders resolution regarding Reconversion and Reinstatement made out of unappropriated earnings
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Senior Debt	Senior Debt	Dated Subordinated Debt	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	Yes	No	Yes	Yes	Yes
37	If yes, specifiy non-compliant features			Instrument issued according to earlier rules. Features include step-up		Instrument issued according to earlier rules. Conditions do not include CET1 trigger or full discretion on interest payments. Write down/up do not meet CRDIV/ CRR requirements.	Instrument issued according to earlier rules. After its first call date, the instrument could be called annually. Features do not include CET1 trigger or full discretion on interest payments. Write down/up do not meet CRDIV/ CRR requirements.	Instrument issued according to earlier rules. Conditions do not include CET1 trigger or full discretion on interest payments. Write down/up do not meet CRDIV/CRR requirements.

The full terms and conditions of all Additional Tier 1 and Tier 2 instruments can be found on SEB's website: http://sebgroup.com/investor-relations/debt-investors/debt-transactions

TABLE 7. Own funds requirement

SEK m	31 Dec 2014 Risk exposure amount	31 Dec 2014 Own funds requirement [1]	31 Dec 2013 Risk exposure amount	31 Dec 2013 Own funds requirement [1]
Credit risk IRB approach				
Exposures to institutions	34,013	2,721	29,936	2,395
Exposures to corporates	344,576	27,566	328,458	26,277
of which large corporates	*259,947*	*20,796*	*232,185*	*18,575*
of which SME corporates	*69,599*	*5,568*	*85,801*	*6,864*
of which specialised lending	*15,030*	*1,202*	*10,472*	*838*
Retail exposures	51,826	4,146	53,470	4,278
of which secured by immovable property	*31,905*	*2,552*	*41,433*	*3,315*
of which qualifying revolving retail exposures	*1,498*	*120*	*1,358*	*109*
of which retail SME	*3,099*	*248*	*1,517*	*121*
of which other retail exposures	*15,324*	*1226*	*9,162*	*733*
Securitisation positions	5,035	403	4,827	386
Total credit risk IRB approach	**435,450**	**34,836**	**416,691**	**33,336**
Credit risk standardised approach				
Exposures to central governments or central banks	743	59	321	26
Exposures to regional governments or local authorities	40	3	695	56
Exposures to public sector entities	7	1	15	1
Exposures to institutions	1,222	98	607	49
Exposures to corporates	16,743	1,339	15,010	1,201
Retail exposures	16,593	1,327	23,136	1,851
Exposures secured by mortgages on immovable property	4,161	333	3,987	319
Exposures in default	634	51	1,645	132
Exposures associated with particularly high risk	1,791	143	2,086	167
Securitisation positions	40	3		
Exposures in the form of collective investment undertakings (CIU)	48	4	40	3
Equity exposures	2,371	190	3,330	266
Other items	10,216	817	8,294	664
Total credit risk standardised approach	**54,609**	**4,368**	**59,166**	**4,735**
Market risk				
Trading book exposures where internal models are applied	25,144	2,012	27,933	2,235
Trading book exposures applying standardised approaches	18,813	1,505	22,160	1,773
Foreign exchange rate risk	5,010	401	6,485	519
Total market risk	**48,967**	**3,918**	**56,578**	**4,527**
Other own funds requirements				
Operational risk advanced measurement approach	48,126	3,850	38,313	3,065
Settlement risk	42	3	11	1
Credit value adjustment	9,286	743	13,300	1,064
Investment in insurance business	15,525	1,242	11,949	956
Other exposures	4,526	362	2,316	185
Total other own funds requirements	**77,505**	**6,200**	**65,889**	**5,271**
TOTAL	**616,531**	**49,322**	**598,324**	**47,869**

1) Own funds requirement 8% of risk exposure amount according to Regulation (EU) No 575/2013 (CRR).

CAPITAL POSITION OF SIGNIFICANT SUBSIDIARIES

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

TABLE 8. Capital position of significant subsidiaries

	SEB AG Germany		SEB Pank AS Estonia		SEB Banka AS Latvia		SEB bankas AB Lithuania	
	www.seb.de		www.seb.ee		www.seb.lv		www.seb.lt	
SEK m	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Own funds								
Common Equity Tier 1 capital	18,718	14,239	7,314	6,235	3,609	3,661	6,412	6,033
Tier 1 capital	18,718	14,239	7,314	6,235	3,609	3,661	6,412	6,033
Total own funds	19,058	18,567	7,366	6,288	3,609	3,661	6,598	6,213
Own funds requirement								
Risk exposure amount	108,760	105,024	18,969	19,043	19,437	24,260	32,235	39,857
Expressed as own funds requirement	8,701	8,402	1,518	1,905	1,555	1,941	2,579	3,189
Common Equity Tier 1 capital ratio	17.2%	13.6%	38.6%	36.2%	18.6%	15.1%	19.9%	15.1%
Tier 1 capital ratio	17.2%	13.6%	38.6%	36.2%	18.6%	15.1%	19.9%	15.1%
Total capital ratio	17.5%	17.7%	38.8%	36.4%	18.6%	15.1%	20.5%	15.6%
Own funds in relation to own funds requirement	2.19	2.21	4.85	3.30	2.32	1.89	2.56	1.95
Regulatory Common Equity Tier 1 capital requirement including buffers	4.5%		9.0%		7.0%		4.5%	
of which capital conservation buffer requirement			*2.5%*		*2.5%*			
of which systemic risk buffer requirement			*2.0%*					
Common Equity Tier 1 capital available to meet buffer requirements [1]	12.7%		34.1%		14.1%		15.4%	

1) CET1 ratio less minimum capital requirement of 4.5% excluding buffers. In addition to the CET1 requirements there is a total capital requirement of additional 3.5%.

IV. CREDIT RISK

CREDIT RISK IS THE RISK OF LOSS DUE TO THE FAILURE OF AN OBLIGOR *to fulfil its obligations towards SEB. The definition also comprises counterparty risk derived from the trading operations, country risk and settlement risk.*

CREDIT RISK MANAGEMENT

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

Credit risk policy and approval process

The main principle in SEB's credit policy is that all lending shall be based on credit analysis and be proportionate to the customer's cash flow and ability to repay. Customers shall be known to the bank and the purpose of the loan shall be fully understood. Every credit decision of significance requires approval from an independent credit officer.

SEB's credit policies reflect the bank's approach to corporate sustainability as described in the Corporate Sustainability Policy and the Environmental Policy. Position statements on climate change, child labour and access to fresh water as well as industry sector policies are part of the credit granting process and are used in customer dialogues.

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, collateral, etc. The credit approval process takes the proposed transaction into account as well as the customer's total business with the bank. The process differs depending on the type of customer (e.g. retail, corporate or institutional), the customer's risk level, and the size and type of transaction. Independent and professional credit analysis is particularly important for large corporate customers. For households and small businesses, the credit approval process is often based on credit scoring systems.

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

Limits and risk reviews

To manage the credit risk for each individual customer or customer group, 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 trading operations.

All total limits and risk classes are reviewed at least annually by a credit approval body (a credit committee consisting of at least two bank officers as authorized by the Group's Credit Instruction, adopted by the Board). High-risk exposures (risk classes 13–16) 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 SEB to reduce or avoid credit losses.

Credit risk mitigation and collateral

In the selection of a particular credit risk mitigation technique, consideration is given to its suitability for the product and customer in question, its legal enforceability, and on the experience and capacity to manage and control the particular technique. The most important credit risk mitigation techniques are pledges, guarantees and netting agreements. The most common types of pledges are real estate, floating charges and financial securities.

For large corporate customers, credit risk is commonly mitigated through the use of restrictive covenants in the credit agreements, including negative pledges. Independent and professional credit analysis is particularly important for this customer segment. A credit analysis function within the Merchant Banking division provides independent analysis and credit opinions to business units throughout the bank where relevant as well as to the credit committees.

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

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

The general control process for various credit risk mitigation techniques includes credit review and approval requirements, specific credit product policies and credit risk monitoring and control. The value of both the exposure and the mitigating collateral are monitored on a regular basis. The frequency depends on the type of counterparty, the structure of the transaction and the type of collateral. The control process does differ among instruments and business units. For example within the Merchant Banking division there is a collateral management unit responsible for the

daily collateralisation of exposures in trading products, i.e. FX and derivative contracts, repos and securities lending transactions.

Credit portfolio analysis, risk concentration and stress tests
The aggregate credit portfolio is reviewed and assessed regularly based on industry, geography, risk class, product type, size and other parameters. Thorough analysis is made on risk concentrations in geographic and industry sectors as well as in single large names, both in respect of direct and indirect exposures and in the form of collateral, guarantees and credit derivative protection.

The credit portfolio is stressed at least annually as a part of SEB's internal capital adequacy assessment process. In addition, specific analyses and stress tests, including reversed stress tests, are performed when the market development requires a more careful examination of certain sectors or the entire credit portfolio. EBA's and ECB's asset quality review and stress test of European banks during the year confirmed the high asset quality of SEB's credit portfolio.

MEASUREMENT OF CREDIT RISK

Internal risk class assignment system
Risk class assignment (RCA) is a central part of SEB's credit risk assessment of non-retail obligors including corporates, property management, financial institutions and specialised lending. SEB's internal RCA system is a tool for assigning risk classes between 1 and 16, where risk class 1 represents the lowest default risk and risk class 16 an already defaulted counterparty.

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

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

SEB's RCA system is based on both qualitative and quantitative risk analysis and assesses the counterparty's financial risk and business risk profile, including environmental, social and governance aspects. Understanding repayment capacity by combining financial analysis and an assessment of ownership and management, and thorough knowledge of the customer's business model are key components of SEB's credit culture. In the RCA system, the obligor's circumstances are assessed against a set of descriptive definitions. Financial ratios, peer group comparison and scoring tools are used to enhance the risk assessment of obligors. The RCA system uses a template in the form of a risk class worksheet which is reviewed by SEB's credit granting authorities in conjunction with review of the obligor and facilities in each credit application.

During the year, the RCA system was reviewed in order to further improve the quality in terms of improved transparency and objectivity of risk measurement and risk management. The implementation will continue in 2015 and regulatory approvals are pending.

Credit risk estimation
The methodology for calculating capital requirements and expected loss using the IRB approach addresses risk parameters including Probability of Default (PD), Exposure at Default (EAD), Maturity (M) and Loss Given Default (LGD).

Probability of default
SEB's RCA system is primarily used to measure probability of default (PD), or the risk that a counterparty defaults on its payment obligations, which is the main driver of lending losses. The segment-specific risk class is mapped to a segment-specific PD scale based on historical default statistics of that segment. While SEB uses the same risk classes, PD scale and overall rating approach for all obligors, some fine-tuning of components is made to reflect the special characteristics of certain industries, for example financial institutions and shipping. Statistical analysis confirms that SEB's risk classes historically have shown differentiated patterns of default, e.g. worse risk classes display higher default ratios than better risk classes in both good times and bad.

The table below gives lower and upper PD values for aggregates of SEB's risk classes, and displays an approximate relation to two rating agencies' rating scales. Such relation is based on similarity between the method and the definitions used by SEB and these agencies to rate obligors, a similarity which in turn leads to reasonable correspondence between SEB's mapping of risk classes onto PD values, and default statistics published by the agencies.

TABLE 9. Structure of risk class scale in PD dimension

	Risk class	Lower PD	Moody's	S&P
Investment grade	1	0.03%	Aaa/Aa1	AAA/AA+
	2	0.03%	Aa2/Aa3	AA/AA-
	3	0.03%	A1/A2	A+/A
	4	0.05%	A3	A-
	5	0.09%	Baa1	BBB+
	6	0.15%	Baa2	BBB
	7	0.21%	Baa3	BBB-
On-going business	8	0.31%	Ba1	BB+
	9	0.43%	Ba2	BB
	10	1.30%	Ba3	BB-
	11	2.00%	B1	B+
	12	4.00%	B2	B
Watch list	13	12.00%	B3	B-
	14	15.00%	Caa1/Caa2	CCC+/CCC
	15	25.00%	Caa3	CCC-
	16	100.00%	Ca/C	CC/D

PD values are calculated as averages of the internal historical observed default frequencies over one or more full credit cycles. In geographies where internal data has been insuf-

ficient, relevant external bankruptcy data has been used to extend the time series to span full credit cycles in order to predict a through-the-cycle level.

While SEB's PD rating scale aims to rate each customer on a through-the-cycle basis, industry trends and movements in creditworthiness of individual borrowers together tend to move the average risk class in line with the economic cycle. The movements in rating classes resulting from annual and more frequent re-ratings are referred to as "risk class migration". SEB's corporate and property management portfolios in the Nordic countries and Germany showed limited risk class migration in 2014. The Baltic portfolio improved slightly as the economies continued to stabilise.

For mortgages and other retail exposures (private individuals and small businesses), SEB uses credit scoring systems when granting a credit and to estimate the probability of default for the customer. The most important factors of the credit scoring systems are measures of payment behaviour. New exposures without a history in the bank are scored using publicly available information and well tested risk indicators. SEB uses local, customised credit scoring models for different regions and product segments, as both data accessibility and customer characteristics normally vary by country and product.

Loss Given Default and Credit Conversion Factor
Loss Given Default (LGD) and Credit Conversion Factor (CCF) estimates are based on the Group's historical data together with relevant external data used, e.g. for credit cycle calibration. LGD represents an estimation of loss on an outstanding exposure in case of default, and takes into account collateral provided, customer segment, etc. SEB bases its estimates on internal and external historical experience from at least 11 years and the specific details of each relevant transaction.

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

The maturity parameter (M) is calculated as the effective maturity of every transaction.

SEB's economic capital methodology for credit risk brings all risk parameters discussed above into play, combining them for use in a portfolio model which also considers risk concentrations in industrial and geographic sectors as well as in large individual exposures.

As a member of PECDC (Pan-European Credit Data Consortium), SEB participates in a data-sharing program where comparison of historical EAD and LGD experience is possible with a large number of global banks. Pooled data is also used for estimating parameters for low default portfolios such as large corporates and banks. LGD estimates are set conservatively to reflect the conditions in a severe economic downturn.

TABLE 10. EAD split by Advanced IRB, Foundation IRB and Standardised models

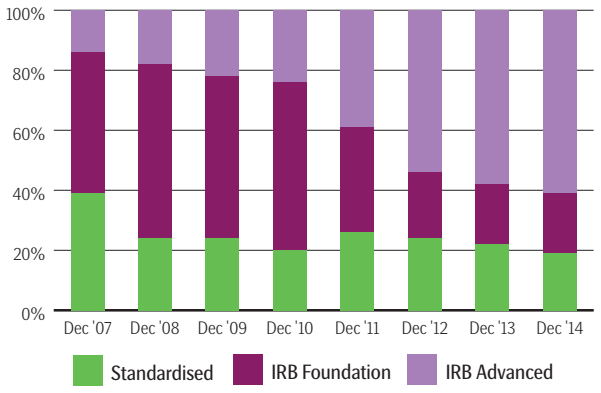
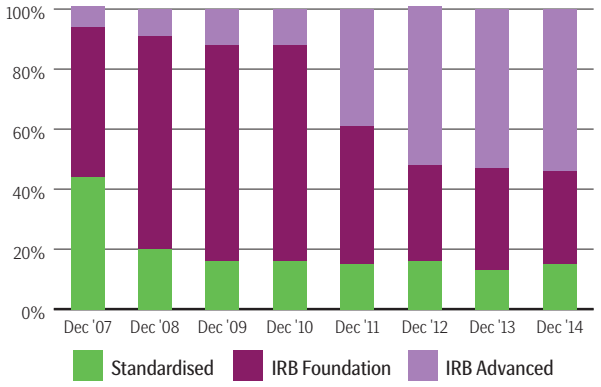


TABLE 11. REA split by Advanced IRB, Foundation IRB and Standardised models



Validation of rating and scoring models
The performance of the risk rating system itself is regularly reviewed by the risk organisation in accordance with the Instruction for Approval, Review and Validation of Risk Measurement Systems. The validation is done in order to secure that SEB's RCA system is working satisfactorily and that it is used in accordance with external regulations, the internal rules and instructions. The discriminatory power and the through-the-cycle PD levels in SEB's Master Scale are assessed and evaluated on a quarterly basis. The validation is performed by a unit within the risk organisation which is independent of those responsible for risk class assignment of counterparties.

Back-testing of PD and LGD
Non-retail portfolios
In the 2014 validation of the Risk Classification systems used in SEB Group, the observed default frequency (ODF) for the non-retail portfolio, covering the corporates and institutions exposure classes, was 0.37 per cent, in comparison with the counterparty weighted PD of 1.59 per cent for the non-retail portfolio as of 31 December 2013. This means that the ODF is still significantly below the portfolio PD supported by the economic recovery in the Baltic countries and the overall low default rates in Sweden.

Retail portfolios
As of year-end 2014, approximately 90 per cent of SEB's Advanced IRB retail portfolio consisted of mortgage lending. In 2014, the portfolio showed good quality and the ODF was 0.17 per cent compared to the estimated PD of 0.49 per cent. For the Baltic household mortgage portfolio the ODF was 1.08 per cent compared to the estimated PD of 1.64 per cent showing signs of an overall stabilizing mortgage market.

IRB and standardised models
IRB approval and implementation plan
For calculation of regulatory capital requirements, SEB has used internally developed PD models for the majority of the non-retail portfolios and internally developed PD, LGD and CCF models for the Swedish and Baltic retail portfolios since 2008. Since then the parent company SEB AB has been approved to use internally developed CCF and LGD models for unsecured and secured lending to corporates and institutions. End of 2014, 85 per cent of the non-retail portfolio within the parent company was reported under the Advanced IRB approach.

SEB has agreed a roll-out plan with the Swedish FSA and local supervisors for the remaining non-retail and retail portfolios of significant size. For SEB Group, the only remaining significant portfolio under the standardised approach (excluding sovereigns) is the Retail Corporate portfolio. As soon as the final approval is granted for this portfolio, SEB is ready to start advanced reporting during 2015. For the Baltic subsidiaries an Advanced IRB application was filed during 2014, covering the non-retail portfolios. A similar application is in the plan for the German subsidiary SEB AG during the first half of 2015.

TABLE 12. Standardised approach

		Exposure, SEK m	
Credit quality step	Equivalent S&P's rating	31 Dec 2014	31 Dec 2013
1	AAA/AA	277,038	326,409
2	A	205	667
3	BBB	1,041	1,561
4/5	BB/B	205	87
6	CCC and worse	11	10
TOTAL		**278,500**	**328,734**

Standardised approach
The standardised approach is used for exposures to central governments, central banks and local governments and authorities and for a number of minor portfolios. According to the regulation, either the rating from an export credit agency (such as the Swedish Export Credits Guarantee Board) shall be used, or, where not available, the country rating from eligible credit assessment agencies such as Moody's, S&P, Fitch and DBRS. In no case has it been necessary to apply an issue rating where an issuer rating was missing.

Following regulation, local authorities, e.g. in Sweden and Germany, are risk-weighted based on the rating of the corresponding central government, and not on the local authorities' own rating.

The table below displays Basel III reported exposures to central governments, central banks and local governments and authorities, broken down by credit quality.

CREDIT RISK INFORMATION

The credit risk tables in this section include exposure amounts for off-balance sheet items based on application of relevant credit conversion factors. The tables do not include exposures that are reported according to trading book rules.

TABLE 13. Credit risk overview

31 Dec 2014, SEK m	Original exposure pre CCF	EAD	Average exposure amount	Risk weighted exposure amount	Own funds requirement [1]	Average risk weighting [2]
Institutions	170,079	153,729	147,506	34,013	2,721	22.1%
Corporates	1,117,504	957,462	925,518	344,576	27,566	36.0%
of which large corporates	*851,431*	*706,377*	*680,107*	*259,947*	*20,796*	*36.8%*
of which SME corporates	*234,536*	*221,310*	*218,445*	*69,599*	*5,568*	*31.4%*
of which specialised lending	*31,537*	*29,775*	*26,966*	*15,030*	*1,202*	*50.5%*
Retail exposures	550,852	531,591	508,230	51,826	4,146	9.7%
of which secured by immovable property	*471,055*	*462,610*	*456,303*	*31,905*	*2,552*	*6.9%*
of which qualifying revolving retail exposures [3]	*22,953*	*20,099*	*19,424*	*1,498*	*120*	*7.5%*
of which retail SME	*5,159*	*5,680*	*3,722*	*3,099*	*248*	*54.6%*
of which other retail exposures	*51,685*	*43,202*	*28,781*	*15,324*	*1,226*	*35.5%*
Securitisation positions	11,576	11,576	12,279	5,035	403	43.5%
IRB approach	**1,850,011**	**1,654,358**	**1,593,533**	**435,450**	**34,836**	**26.3%**
Standardised approach	**392,605**	**374,497**	**470,074**	**54,609**	**4,368**	**14.6%**
TOTAL	**2,242,616**	**2,028,855**	**2,063,607**	**490,059**	**39,204**	**24.2%**
31 Dec 2013, SEK m						
Institutions	149,797	136,200	149,910	29,936	2,395	22.0%
Corporates	993,164	856,178	841,243	328,458	26,277	38.4%
of which large corporates	*703,823*	*584,572*	*577,320*	*232,185*	*18,575*	*39.7%*
of which SME corporates	*271,268*	*254,473*	*246,857*	*85,801*	*6,864*	*33.7%*
of which specialised lending	*18,073*	*17,133*	*17,066*	*10,472*	*838*	*61.1%*
Retail exposures	493,516	482,521	475,318	53,470	4,278	11.1%
of which secured by immovable property	*444,370*	*436,342*	*430,259*	*41,433*	*3,315*	*9.5%*
of which qualifying revolving retail exposures [3]	*21,573*	*18,904*	*18,483*	*1,358*	*109*	*7.2%*
of which retail SME	*3,557*	*3,587*	*3,513*	*1,517*	*121*	*42.3%*
of which other retail exposures	*24,016*	*23,688*	*23,063*	*9,162*	*733*	*38.7%*
Securitisation positions	12,381	12,381	13,249	4,827	386	39.0%
IRB approach	**1,648,858**	**1,487,280**	**1,479,720**	**416,691**	**33,336**	**28.0%**
Standardised approach	**444,969**	**410,759**	**473,558**	**59,166**	**4,735**	**14.4%**
TOTAL	**2,093,827**	**1,898,039**	**1,953,278**	**475,857**	**38,071**	**25.1%**

1) Own funds requirement 8% of risk exposure amount according to Regulation (EU) No 575/2013 (CRR).
2) Average risk weighting including defaults, repos and securities lending.
3) On 18 December 2014 the Swedish Financial Supervisory Authority ruled that all conditions for using the asset class Qualifying Revolving Retail Exposures could not be met but granted extension of the former approval for the year-end reporting. These exposures will henceforth be reported under asset class Other Retail Exposures.

TABLE 14. EAD by exposure class and geography

31 Dec 2014, SEK m	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Institutions	13,867	14,058	14,159	4,379	15	16	2,514	16,213	88,508	**153,729**
Corporates	404,689	45,405	70,094	66,269	22,464	17,866	29,909	109,922	190,844	**957,462**
of which large corporates	*252,535*	*42,429*	*64,847*	*57,144*	*9,065*	*7,295*	*12,040*	*91,657*	*169,365*	***706,377***
of which SME corporates	*142,989*	*2,116*	*5,247*	*5,763*	*12,402*	*10,529*	*9,043*	*18,265*	*14,956*	***221,310***
of which specialised lending	*9,165*	*860*		*3,362*	*997*	*42*	*8,826*		*6,523*	***29,775***
Retail exposures	459,338	4,506	16,219	1,641	17,745	9,337	19,466	288	3,051	**531,591**
of which secured by immovable property	417,504	116	422	17	16,075	7,002	18,657	218	2,599	**462,610**
of which qualifying revolving retail exposures	19,476				88	533			2	**20,099**
of which retail SME	776	781	1,068	656	764	1,318	304		13	**5,680**
of which other retail exposures	21,582	3,609	14,729	968	818	484	505	70	437	**43,202**
Securitisation positions									11,576	**11,576**
IRB approach	**877,894**	**63,969**	**100,472**	**72,289**	**40,224**	**27,219**	**51,889**	**126,423**	**293,979**	**1,654,358**
Standardised approach	**78,053**	**7,330**	**22,326**	**9,806**	**15,083**	**10,575**	**19,226**	**108,907**	**103,191**	**374,497**
TOTAL	**955,947**	**71,299**	**122,798**	**82,095**	**55,307**	**37,794**	**71,115**	**235,330**	**397,170**	**2,028,855**

31 Dec 2013, SEK m										
Institutions	14,177	11,524	10,144	4,568	7	33	548	15,156	80,043	**136,200**
Corporates	374,032	31,108	60,646	54,905	19,932	18,527	30,691	99,266	167,071	**856,178**
of which large corporates	*206,564*	*29,346*	*54,185*	*50,304*	*5,613*	*5,517*	*9,342*	*78,293*	*145,408*	***584,572***
of which SME corporates	*164,722*	*1,349*	*6,461*	*4,601*	*13,183*	*13,002*	*13,441*	*20,973*	*16,741*	***254,473***
of which specialised lending	*2,746*	*413*			*1,136*	*8*	*7,908*		*4,922*	***17,133***
Retail exposures	434,410	111	363	32	16,352	9,280	18,565	311	3,097	**482,521**
of which secured by immovable property	*394,378*	*97*	*345*	*17*	*14,095*	*7,102*	*17,698*	*220*	*2,390*	***436,342***
of which qualifying revolving retail exposures	*18,283*				*83*	*536*			*2*	***18,904***
of which retail SME	*742*				*1,384*	*1,140*	*320*		*1*	***3,587***
of which other retail exposures	*21,007*	*14*	*18*	*15*	*790*	*502*	*547*	*91*	*704*	***23,688***
Securitisation positions									12,381	**12,381**
IRB approach	**822,619**	**42,743**	**71,153**	**59,505**	**36,291**	**27,840**	**49,804**	**114,733**	**262,592**	**1,487,280**
Standardised approach	**69,316**	**6,111**	**28,301**	**7,890**	**6,855**	**9,164**	**11,504**	**107,639**	**163,979**	**410,759**
TOTAL	**891,935**	**48,854**	**99,454**	**67,395**	**43,146**	**37,004**	**61,308**	**222,372**	**426,571**	**1,898,039**

Geographical distribution according to obligor's domicile.

TABLE 15. Average risk weighting by exposure class and geography

31 Dec 2014	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Institutions	23.4%	21.6%	12.1%	22.1%	67.4%	60.6%	20.7%	20.7%	23.9%	22.1%
Corporates	28.8%	43.2%	35.8%	40.0%	57.1%	71.1%	71.3%	45.8%	31.3%	36.0%
of which large corporates	*33.5%*	*44.6%*	*35.2%*	*41.8%*	*56.8%*	*67.9%*	*63.3%*	*44.5%*	*30.2%*	*36.8%*
of which SME corporates	*20.1%*	*27.4%*	*42.7%*	*25.2%*	*56.7%*	*73.2%*	*81.6%*	*52.4%*	*32.4%*	*31.4%*
of which specialised lending	*34.2%*	*9.5%*		*34.4%*	*66.2%*	*96.3%*	*71.7%*		*55.6%*	*50.5%*
Retail exposures	6.8%	68.3%	28.1%	45.0%	17.0%	36.4%	27.2%	7.7%	10.3%	9.7%
of which secured by immovable property	*5.2%*	*20.2%*	*12.3%*	*5.7%*	*13.7%*	*37.0%*	*26.5%*	*5.6%*	*8.2%*	*6.9%*
of which qualifying revolving retail exposures	*6.3%*	*7.5%*	*43.1%*	*39.1%*	*23.7%*	*46.8%*	*86.5%*	*34.7%*	*26.6%*	*7.5%*
of which retail SME	*80.9%*	*62.1%*	*93.4%*	*38.1%*	*41.0%*	*25.4%*	*25.1%*		*107.1%*	*54.6%*
of which other retail exposures	*34.6%*	*71.2%*	*23.9%*	*50.4%*	*58.6%*	*45.6%*	*56.3%*	*40.2%*	*19.6%*	*35.5%*
Securitisation positions									43.5%	43.5%
IRB approach	**17.2%**	**40.2%**	**31.2%**	**39.0%**	**39.4%**	**59.2%**	**52.3%**	**42.6%**	**29.3%**	**26.3%**
Standardised approach	**30.8%**	**26.8%**	**18.2%**	**15.2%**	**13.2%**	**16.1%**	**14.4%**	**3.3%**	**12.7%**	**14.6%**
TOTAL	**18.3%**	**38.8%**	**28.8%**	**36.2%**	**32.3%**	**47.1%**	**42.1%**	**24.4%**	**25.0%**	**24.2%**
31 Dec 2013										
Institutions	18.3%	8.0%	11.1%	16.7%	122.2%	44.2%	39.6%	17.0%	17.8%	22.0%
Corporates	28.7%	46.4%	39.9%	44.9%	61.3%	84.4%	77.1%	49.5%	34.5%	38.4%
of which large corporates	*33.7%*	*46.2%*	*40.3%*	*46.0%*	*52.9%*	*66.9%*	*64.4%*	*47.8%*	*33.3%*	*39.7%*
of which SME corporates	*22.4%*	*58.7%*	*36.2%*	*32.7%*	*64.2%*	*91.9%*	*84.6%*	*55.9%*	*38.4%*	*33.7%*
of which specialised lending	*21.8%*	*22.6%*			*68.4%*	*3.2%*	*79.3%*		*55.5%*	*61.1%*
Retail exposures	9.2%	40.4%	17.5%	37.8%	18.8%	40.9%	32.4%	14.3%	16.1%	11.1%
of which secured by immovable property	*7.7%*	*38.1%*	*16.0%*	*16.1%*	*15.1%*	*41.9%*	*31.9%*	*9.3%*	*12.1%*	*9.5%*
of which qualifying revolving retail exposures	*6.0%*	*7.9%*	*43.1%*	*51.8%*	*23.9%*	*46.2%*	*64.6%*	*34.1%*	*32.3%*	*7.2%*
of which retail SME	*78.2%*				*33.7%*	*30.1%*	*38.7%*		*20.7%*	*42.3%*
of which other retail exposures	*37.7%*	*56.7%*	*45.0%*	*61.6%*	*57.4%*	*45.4%*	*44.9%*	*49.3%*	*29.9%*	*38.7%*
Securitisation positions									39.0%	39.0%
IRB approach	**18.2%**	**36.0%**	**35.6%**	**42.7%**	**42.1%**	**69.9%**	**60.0%**	**45.1%**	**29.4%**	**28.0%**
Standardised approach	**29.9%**	**61.3%**	**29.8%**	**14.7%**	**37.5%**	**17.3%**	**24.6%**	**2.8%**	**7.2%**	**14.4%**
TOTAL	**19.0%**	**39.2%**	**34.0%**	**39.4%**	**41.4%**	**56.8%**	**53.4%**	**24.7%**	**20.9%**	**25.1%**

Geographical distribution according to obligor's domicile.
Average risk weighting including defaults, repos and securities lending.

TABLE 16. EAD by remaining maturity

31 Dec 2014, SEK m	< 3 months	3 < 6 months	6 < 12 months	1 < 5 years	5 years <	Total
Institutions	66,942	10,086	20,802	37,097	18,802	**153,729**
Corporates	159,442	65,966	120,374	480,861	130,819	**957,462**
of which large corporates	*119,984*	*45,995*	*78,372*	*366,240*	*95,786*	***706,377***
of which SME corporates	*37,321*	*18,928*	*40,066*	*99,860*	*25,135*	***221,310***
of which specialised lending	*2,137*	*1,043*	*1,936*	*14,761*	*9,898*	***29,775***
Retail exposures	55,836	46,947	143,339	232,451	53,018	**531,591**
of which secured by immovable property	*50,368*	*44,867*	*97,681*	*225,585*	*44,109*	***462,610***
of which qualifying revolving retail exposures	*81*	*43*	*19,587*	*388*		***20,099***
of which retail SME	*340*	*250*	*3,696*	*959*	*435*	***5,680***
of which other retail exposures	*5,047*	*1,787*	*22,375*	*5,519*	*8,474*	***43,202***
Securitisation positions			37	3,881	7,658	**11,576**
IRB approach	**282,220**	**122,999**	**284,552**	**754,290**	**210,297**	**1,654,358**
Exposures to central governments or central banks	133,798	3,691	2,949	23,267	14,751	**178,456**
Exposures to regional governments or local authorities	35,579	4,062	5,578	34,682	20,143	**100,044**
Exposures to public sector entities	214	7	7	2,174	1,838	**4,240**
Exposures to institutions	3,566	701	559	2,388	1,658	**8,872**
Exposures to corporates	12,649	1,589	3,262	10,879	553	**28,932**
Retail exposures	5,504	1,112	3,596	11,593	2,629	**24,434**
Exposures secured by mortgages on immovable property	557	604	1,536	6,276	3,563	**12,536**
Exposures in default	186	181	27	50	7	**451**
Exposures associated with particularly high risk	57			776	361	**1,194**
Securitisation positions				40		**40**
Exposures in the form of collective investment undertakings (CIU)				48		**48**
Equity exposures	331		1	1,773	265	**2,370**
Other items	937		504	11,222	217	**12,880**
Standardised approach	**193,378**	**11,947**	**18,019**	**105,168**	**45,985**	**374,497**
TOTAL	**475,598**	**134,946**	**302,571**	**859,458**	**256,282**	**2,028,855**

31 Dec 2013, SEK m						
Institutions	52,605	8,086	10,128	41,448	23,933	**136,200**
Corporates	138,477	60,806	103,459	436,126	117,310	**856,178**
of which large corporates	*91,426*	*36,395*	*55,300*	*319,652*	*81,799*	***584,572***
of which SME corporates	*44,613*	*23,660*	*46,797*	*107,708*	*31,695*	***254,473***
of which specialised lending	*2,438*	*751*	*1,362*	*8,766*	*3,816*	***17,133***
Retail exposures	56,888	34,227	70,976	269,770	50,660	**482,521**
of which secured by immovable property	*51,472*	*32,345*	*48,434*	*262,769*	*41,322*	***436,342***
of which qualifying revolving retail exposures	*106*	*57*	*18,340*	*401*		***18,904***
of which retail SME	*390*	*254*	*1,211*	*1,300*	*432*	***3,587***
of which other retail exposures	*4,920*	*1,571*	*2,991*	*5,300*	*8,906*	***23,688***
Securitisation positions			723	2,122	9,536	**12,381**
IRB approach	**247,970**	**103,119**	**185,286**	**749,466**	**201,439**	**1,487,280**
Exposures to central governments or central banks	193,892	2,980	1,559	15,541	16,492	**230,464**
Exposures to regional governments or local authorities	35,506	5,154	7,893	25,930	23,787	**98,270**
Exposures to public sector entities	126	1	229	477	5,039	**5,872**
Exposures to institutions	1,493	9	169			**1,671**
Exposures to corporates	7,368	952	2,144	4,413	170	**15,047**
Retail exposures	5,736	1,440	11,033	9,025	3,718	**30,952**
Exposures secured by mortgages on immovable property	629	580	804	5,171	4,016	**11,200**
Exposures in default	202	188	635	73	38	**1,136**
Exposures associated with particularly high risk	57		7	979	348	**1,391**
Securitisation positions						
Exposures in the form of collective investment undertakings (CIU)				40		**40**
Equity exposures	144		1,353	1,629	204	**3,330**
Other items	524	88	530	9,823	421	**11,386**
Standardised approach	**245,677**	**11,392**	**26,356**	**73,101**	**54,233**	**410,759**
TOTAL	**493,647**	**114,511**	**211,642**	**822,567**	**255,672**	**1,898,039**

TABLE 17. IRB reported credit exposures by PD

		31 Dec 2014, SEK m				31 Dec 2013, SEK m			
	Risk class	PD	EAD	REA	Average risk weighting	PD	EAD	REA	Average risk weighting
Exposures to institutions	1	0.03%	4,236	220	5.2%	0.03%	3,465	329	9.5%
	2	0.03%	11,814	1,467	12.4%	0.03%	8,725	1,245	14.3%
	3	0.03%	59,197	7,641	12.9%	0.03%	52,937	7,359	13.9%
	4	0.05%	33,727	5,880	17.4%	0.05%	31,666	4,814	15.2%
	5	0.09%	14,668	3,454	23.5%	0.09%	13,912	3,962	28.5%
	6	0.15%	6,071	2,136	35.2%	0.15%	7,632	2,390	31.3%
	7	0.21%	7,649	3,035	39.7%	0.21%	7,422	3,189	43.0%
	8	0.31%	5,427	2,708	49.9%	0.31%	4,265	1,815	42.6%
	9	0.43%	6,055	1,694	28.0%	0.43%	3,595	1,224	34.0%
	10	1.30%	3,334	2,941	88.2%	1.30%	972	491	50.5%
	11	2%	319	440	138.0%	2%	932	1,344	144.2%
	12	4%	875	1,563	178.5%	4%	462	977	211.5%
	13	12%	139	397	286.3%	12%	108	347	321.3%
	14	15%	66	182	278.1%	15%	51	181	354.9%
	15	25%	128	139	108.3%	25%	30	121	403.3%
	16	100%	24	116	488.7%	100%	26	148	569.2%
TOTAL			**153,729**	**34,013**	**22.1%**		**136,200**	**29,936**	**22.0%**

		31 Dec 2014, SEK m				31 Dec 2013, SEK m			
	Risk class	PD	EAD	REA	Average risk weighting	PD	EAD	REA	Average risk weighting
Exposures to corporates	1	0.03%	3,780	180	4.8%	0.03%	6,587	101	1.5%
large corporates	2	0.03%	18,896	1,542	8.2%	0.03%	12,040	1,103	9.2%
SME corporates	4	0.05%	81,200	11,493	14.2%	0.05%	71,732	9,055	12.6%
specialised lending	3	0.03%	62,689	7,054	11.3%	0.03%	56,336	6,654	11.8%
	5	0.09%	77,936	15,452	19.8%	0.09%	60,486	10,724	17.7%
	6	0.15%	98,184	24,052	24.5%	0.15%	82,210	20,386	24.8%
	7	0.21%	127,921	40,345	31.5%	0.21%	105,127	31,002	29.5%
	8	0.31%	161,332	51,118	31.7%	0.31%	149,276	48,266	32.3%
	9	0.43%	161,120	63,782	39.6%	0.43%	151,811	61,562	40.6%
	10	1.30%	95,737	65,170	68.1%	1.30%	84,012	60,428	71.9%
	11	2%	25,415	20,576	81.0%	2%	24,543	20,910	85.2%
	12	4%	19,916	16,573	83.2%	4%	25,953	25,702	99.0%
	13	12%	7,613	11,178	146.8%	12%	9,981	15,457	154.9%
	14	15%	3,638	6,285	172.8%	15%	4,978	8,747	175.7%
	15	25%	2,519	4,871	193.4%	25%	3,511	6,978	198.7%
	16	100%	9,566	4,905	51.3%	100%	7,595	1,383	18.2%
TOTAL			**957,462**	**344,576**	**36.0%**		**856,178**	**328,458**	**38.4%**

	31 Dec 2014, SEK m				31 Dec 2013, SEK m			
	PD range	EAD	REA	Average risk weighting	PD range	EAD	REA	Average risk weighting
Retail exposures	0 < 0.2%	290,382	5,722	2.0%	0 < 0.2%	235,925	6,530	2.8%
secured by immovable property	0.2 < 0.4%	76,567	4,644	6.1%	0.2 < 0.4%	102,515	7,070	6.9%
	0.4 < 0.6%	36,131	4,297	11.9%	0.4 < 0.6%	0	0	0.0%
	0.6 < 1.0%	20,273	3,705	18.3%	0.6 < 1.0%	52,262	8,409	16.1%
	1.0 < 5.0%	29,296	7,224	24.7%	1.0 < 5.0%	30,300	8,907	29.4%
	5.0 < 10%	3,836	2,551	66.5%	5.0 < 10%	5,867	4,100	69.9%
	10 < 30%	1,745	2,103	120.6%	10 < 30%	4,088	4,135	101.1%
	30 < 50%	1,665	1,016	61.0%	30 < 50%	2,083	1,616	77.6%
	50 < 100%	1	0	6.9%	50 < 100%	1	0	34.4%
	100%	2,714	643	23.7%	100%	3,301	666	20.2%
TOTAL		**462,610**	**31,905**	**6.9%**		**436,342**	**41,433**	**9.5%**

TABLE 17. IRB reported credit exposures by PD (cont.)

	31 Dec 2014, SEK m				31 Dec 2013, SEK m			
	PD range	EAD	REA	Average risk weighting	PD range	EAD	REA	Average risk weighting
Other retail exposures	0 < 0.2%	32,748	2,511	6.9%	0 < 0.2%	18,845	514	6.2%
qualifying revolving retail exposures	0.2 < 0.4%	4,360	1,053	24.1%	0.2 < 0.4%	3,804	897	23.6%
retail SME	0.4 < 0.6%	2,592	903	34.9%	0.4 < 0.6%	1,761	557	31.7%
other retail exposures	0.6 < 1.0%	13,952	4,377	31.4%	0.6 < 1.0%	9,589	2,536	47.7%
	1.0 < 5.0%	9,238	6,262	67.8%	1.0 < 5.0%	8,394	5,302	64.1%
	5.0 < 10%	2,929	2,046	69.8%	5.0 < 10%	2,059	1,253	63.7%
	10 < 30%	1,347	1,481	110.0%	10 < 30%	717	806	115.5%
	30 < 50%	335	494	147.1%	30 < 50%	92	105	129.6%
	50 < 100%	77	111	144.4%	50 < 100%	46	62	135.3%
	100%	1,403	683	48.7%	100%	872	5	0.6%
TOTAL		**68,981**	**19,921**	**28.9%**		**46,179**	**12,037**	**26.1%**

	31 Dec 2014, SEK m				31 Dec 2013, SEK m			
	Rating	EAD	REA	Average risk weighting	Rating	EAD	REA	Average risk weighting
Securitisation positions	AAA/Aaa	4,768	373	7.7%	AAA/Aaa	7,305	566	7.8%
	AA/Aa	924	78	8.5%	AA/Aa	1,806	153	8.5%
	A/A	4,418	621	17.5%	A/A	1,364	308	22.6%
	BBB/Baa	886	959	120.1%	BBB/Baa	1,331	1,567	117.7%
	BB/Ba	580	3,004	452.8%	BB/Ba	575	2,233	388.2%
TOTAL		**11,576**	**5,035**	**43.5%**		**12,381**	**4,827**	**39.0%**

TABLE 18. EAD by industry and geography for IRB corporates

31 Dec 2014, SEK m	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Business and household services	46,977	12,352	11,983	4,478	2,086	2,639	2,009	21,085	18,904	**122,513**
Construction	7,249	387	276	1,251	643	665	867	3,125	2,779	**17,243**
Finance and insurance	21,259	888	5,542	4,556	375	6	40	8,445	27,510	**68,621**
Manufacturing	65,423	15,842	14,403	20,484	3,859	2,092	4,098	25,702	36,870	**188,775**
Transportation	5,989	2,870	2,055	2,398	832	1,683	2,613	7,230	14,333	**40,004**
Wholesale and retail	28,793	3,087	2,535	1,404	2,744	1,962	8,212	4,403	13,061	**66,201**
Agriculture, forestry and fishing	5,123	127		40	1,609	1,394	666	62	25	**9,046**
Mining, oil and gas extraction	2,024	166	11,069	423	29	114	25		17,405	**31,257**
Electricity, gas and water supply	12,615	2,074	1,839	16,914	1,894	1,394	2,258	9,970	4,703	**53,661**
Shipping	3,013	3,230	6,393	1,516	1,520	21	150	468	39,846	**56,157**
Public administration	392	29	868	354			3		949	**2,595**
Commercial real estate management	83,508	3,735	12,303	10,113	6,560	4,890	8,812	21,625	9,704	**161,248**
Residential real estate management	65,789		208	359		396		7,371	725	**74,847**
Housing co-operative associations	43,169						7		25	**43,200**
Other	13,367	617	621	1,978	313	608	148	437	4,004	**22,092**
TOTAL IRB CORPORATES	**404,690**	**45,404**	**70,094**	**66,269**	**22,463**	**17,866**	**29,909**	**109,922**	**190,844**	**957,462**
31 Dec 2013, SEK m										
Business and household services	46,840	7,011	10,873	4,934	1,846	2,922	1,627	15,868	16,341	**108,262**
Construction	6,563	456	105	1,256	513	855	869	1,928	2,383	**14,928**
Finance and insurance	15,542	806	5,159	2,051	306	2	11	7,807	27,936	**59,620**
Manufacturing	57,590	10,201	11,585	20,669	3,424	1,639	5,641	17,092	31,328	**159,169**
Transportation	5,160	3,476	2,708	482	1,018	1,776	2,253	4,482	15,875	**37,230**
Wholesale and retail	24,876	1,918	2,390	1,332	2,174	2,448	7,317	4,232	10,601	**57,288**
Agriculture, forestry and fishing	4,875	1,001		33	1,365	1,464	545	62	32	**9,377**
Mining, oil and gas extraction	1,394		7,785	395	17	104	51		11,624	**21,370**
Electricity, gas and water supply	11,252	1,672	1,457	9,407	1,666	1,485	2,998	11,789	4,251	**45,977**
Shipping	2,394	2,261	4,949	647	1,188	21	219	418	27,100	**39,197**
Public administration	149	29	832	326			2		929	**2,267**
Commercial real estate management	80,259	1,665	11,409	10,616	6,267	4,672	8,998	22,692	9,954	**156,532**
Residential real estate management	59,489		744	578		418	8	11,761	1,295	**74,293**
Housing co-operative associations	42,243									**42,243**
Other	15,407	613	650	2,178	148	721	151	1,135	7,422	**28,425**
TOTAL IRB CORPORATES	**374,033**	**31,109**	**60,646**	**54,904**	**19,932**	**18,527**	**30,690**	**99,266**	**167,071**	**856,178**

Geographical distribution according to obligor's domicile.

TABLE 19. IRB reported exposures with own estimates of LGD

SEK m	31 Dec 2014 EAD	31 Dec 2014 LGD	31 Dec 2013 EAD	31 Dec 2013 LGD
Institutions	50,556	44.7%	40,596	45.8%
Corporates	661,695	27.1%	583,079	27.0%
of which large corporates	*496,721*	*29.8%*	*405,405*	*30.0%*
of which SME corporates	*145,999*	*16.9%*	*169,699*	*18.5%*
of which specialised lending	*18,975*	*24.3%*	*7,975*	*27.0%*
Retail exposures	527,191	15.3%	478,288	14.8%
of which secured by immovable property	*459,896*	*10.7%*	*433,041*	*12.1%*
of which qualifying revolving retail exposures	*19,927*	*35.7%*	*18,879*	*35.8%*
of which retail SME	*5,550*	*49.3%*	*3,429*	*34.0%*
of which other retail exposures	*41,818*	*44.8%*	*22,939*	*43.5%*

Defaulted exposures are excluded in table above.

TABLE 20. Exposure weighted average PD and LGD by exposure class and geography for IRB exposures

31 Dec 2014, SEK m	Sweden		Denmark		Norway		Finland		Estonia		Latvia		Lithuania		Germany		Other	
	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD
Institutions, %	0.05	41.67	0.08	32.85	0.13	19.12	0.47	36.57	0.10	45.00	0.75	45.00	0.06	42.11	0.05	39.21	0.27	38.36
Corporates, %	0.55	26.58	0.53	33.28	0.61	27.41	0.47	32.07	0.90	39.14	2.13	40.70	2.29	40.19	0.64	42.04	0.48	27.94
of which large corporates, %	*0.47*	*30.48*	*0.54*	*33.87*	*0.51*	*27.75*	*0.50*	*32.73*	*0.49*	*39.53*	*0.99*	*43.24*	*0.68*	*40.34*	*0.42*	*42.73*	*0.42*	*28.16*
of which SME corporates, %	*0.73*	*19.07*	*0.66*	*24.69*	*2.03*	*22.75*	*0.25*	*29.39*	*1.21*	*38.91*	*3.13*	*38.42*	*3.49*	*41.50*	*2.06*	*37.60*	*0.93*	*25.70*
of which specialised lending, %	*0.45*	*22.74*	*0.09*	*15.72*			*0.23*	*23.41*	*2.15*	*37.00*	*4.38*	*43.97*	*3.61*	*38.40*			*1.24*	*27.10*
Retail exposures, %	0.49	12.80	2.31	69.66	1.06	42.44	2.71	44.42	1.34	17.05	3.31	26.43	1.64	20.20	1.66	8.74	1.01	12.72
of which secured by immovable property, %	*0.43*	*10.12*	*2.91*	*13.65*	*1.94*	*9.08*	*0.44*	*9.27*	*1.23*	*13.43*	*3.49*	*21.43*	*1.55*	*19.40*	*1.67*	*6.30*	*1.01*	*9.33*
of which qualifying revolving retail exposures, %	*0.53*	*34.77*	*2.00*	*62.50*	*2.10*	*62.50*	*2.28*	*52.16*	*1.40*	*46.66*	*3.04*	*62.50*	*8.04*	*62.50*	*1.91*	*60.96*	*2.11*	*58.36*
of which retail SME, %	*7.25*	*63.00*	*0.70*	*100.00*	*6.51*	*58.00*	*2.09*	*47.00*	*1.95*	*39.75*	*2.09*	*26.49*	*3.46*	*28.21*			*7.49*	*61.41*
of which other retail exposures, %	*1.46*	*43.37*	*2.53*	*66.91*	*0.80*	*42.38*	*2.91*	*44.03*	*2.41*	*47.50*	*4.90*	*42.65*	*3.57*	*44.66*	*1.47*	*47.31*	*0.77*	*31.66*
TOTAL IRB APPROACH, %	**0.49**	**21.00**	**0.55**	**35.44**	**0.64**	**29.13**	**0.52**	**32.55**	**1.06**	**30.60**	**2.48**	**36.33**	**1.94**	**33.24**	**0.58**	**41.67**	**0.41**	**30.09**
31 Dec 2013, SEK m																		
Institutions, %	0.05	42.72	0.06	16.84	0.16	19.21	0.10	39.22	0.17	45.00	0.53	44.72	0.20	45.21	0.05	38.05	0.23	38.91
Corporates, %	0.57	25.51	0.71	33.30	0.80	28.73	0.80	33.02	1.01	38.94	2.24	44.59	2.09	42.53	0.90	42.01	0.63	29.85
of which large corporates, %	*0.46*	*29.89*	*0.69*	*33.40*	*0.75*	*28.98*	*0.84*	*33.05*	*0.52*	*37.91*	*0.73*	*44.58*	*0.67*	*43.38*	*0.66*	*42.85*	*0.60*	*29.83*
of which SME corporates, %	*0.75*	*19.28*	*1.42*	*29.68*	*1.25*	*26.44*	*0.31*	*32.52*	*1.23*	*39.44*	*2.91*	*44.60*	*3.17*	*41.89*	*2.00*	*38.12*	*0.70*	*30.28*
of which specialised lending, %	*0.33*	*23.47*	*0.03*	*37.00*					*2.54*	*35.90*	*3.76*	*45.00*	*5.13*	*40.52*			*1.53*	*28.92*
Retail exposures, %	0.69	14.07	4.86	20.75	2.31	13.93	1.79	30.19	1.43	18.21	3.80	28.11	1.73	23.82	2.05	14.19	1.83	15.85
of which secured by immovable property, %	*0.65*	*11.45*	*4.91*	*17.70*	*2.33*	*12.31*	*1.05*	*13.55*	*1.34*	*14.58*	*4.04*	*23.26*	*1.65*	*23.17*	*2.15*	*9.00*	*1.92*	*10.81*
of which qualifying revolving retail exposures, %	*0.58*	*34.75*	*2.00*	*62.50*	*2.10*	*62.50*	*2.98*	*52.16*	*1.41*	*46.66*	*3.00*	*62.50*	*5.10*	*62.50*	*1.90*	*60.86*	*2.46*	*58.33*
of which retail SME, %	*5.44*	*62.95*							*1.66*	*28.37*	*2.24*	*28.16*	*3.42*	*31.21*			*2.66*	*21.15*
of which other retail exposures, %	*1.56*	*43.61*	*4.51*	*42.40*	*1.83*	*45.98*	*2.60*	*48.35*	*2.36*	*47.52*	*5.79*	*41.55*	*3.57*	*44.38*	*1.37*	*49.48*	*1.48*	*33.28*
TOTAL IRB APPROACH, %	**0.59**	**21.29**	**0.57**	**29.49**	**0.73**	**27.56**	**0.75**	**33.41**	**1.22**	**30.34**	**2.71**	**39.55**	**2.34**	**35.71**	**0.80**	**41.50**	**0.50**	**31.30**

Geographical distribution according to obligor's domicile.
Defaulted exposures are excluded in tables above.
Retail SME for Nordic countries consists only of SEB:s card business.

TABLE 21. IRB reported exposures with own estimates of CCF

SEK m	31 Dec 2014 Original exposure pre CCF	31 Dec 2014 Exposure after CCF	31 Dec 2014 Average CCF	31 Dec 2013 Original exposure pre CCF	31 Dec 2013 Exposure after CCF	31 Dec 2013 Average CCF
Institutions	28,112	13,221	47.0%	19,312	7,995	41.4%
Corporates	307,591	176,512	57.4%	263,826	152,822	57.9%
of which large corporates	*278,256*	*159,091*	*57.2%*	*229,153*	*132,249*	*57.7%*
of which SME corporates	*25,664*	*15,092*	*58.8%*	*32,495*	*19,200*	*59.1%*
of which specialised lending	*3,671*	*2,329*	*63.4%*	*2,178*	*1,373*	*63.0%*
Retail exposures	67,089	44,844	66.8%	43,353	31,402	72.4%
of which secured by immovable property	*25,226*	*16,529*	*65.5%*	*23,143*	*15,080*	*65.2%*
of which qualifying revolving retail exposures	*15,682*	*12,293*	*78.4%*	*14,703*	*11,510*	*78.3%*
of which retail SME	*1,062*	*774*	*72.9%*	*501*	*324*	*64.7%*
of which other retail exposures	*25,119*	*15,248*	*60.7%*	*5,006*	*4,488*	*89.7%*

TABLE 22. Credit risk mitigation

31 Dec 2014, SEK m	EAD	Protection via guarantees and credit derivatives	Protection via pledged collaterals	Of which, financial collaterals
Institutions	153,729	3,368	32,065	27,912
Corporates	957,462	34,539	377,676	30,440
of which large corporates	*706,377*	*15,817*	*221,049*	*29,333*
of which SME corporates	*221,310*	*18,722*	*147,219*	*518*
of which specialised lending	*29,775*		*9,408*	*589*
Retail exposures	531,592	3,035	464,936	214
of which secured by immovable property	*462,610*	*2,902*	*462,610*	*66*
of which qualifying revolving retail exposures	*20,099*		*2*	*1*
of which retail SME	*5,680*	*131*	*1,991*	*117*
of which other retail exposures	*43,202*	*2*	*333*	*30*
Securitisation positions	11,576			
IRB approach	**1,654,358**	**40,942**	**874,677**	**58,566**
Exposures to central governments or central banks	178,456	14,038	100	100
Exposures to regional governments or local authorities	100,044	20,984	5	5
Exposures to public sector entities	4,240	157	147	147
Exposures to institutions	8,872	149	206	206
Exposures to corporates	28,932		331	331
Retail exposures	24,434		41	41
Exposures secured by mortgages on immovable property	12,536		12,536	
Exposures in default	451		68	
Exposures associated with particularly high risk	1,194			
Securitisation positions	40			
Exposures in the form of collective investment undertakings (CIU)	48			
Equity exposures	2,370			
Other items	12,879			
Standardised approach	**374,497**	**35,328**	**13,434**	**830**
TOTAL	**2,028,855**	**76,270**	**888,111**	**59,396**

TABLE 22. Credit risk mitigation (cont.)

31 Dec 2013, SEK m	EAD	Protection via guarantees and credit derivatives	Protection via pledged collaterals	Of which, financial collaterals
Institutions	136,200	11,099	23,633	20,072
Corporates	856,178	61,610	331,474	25,034
of which large corporates	*584,572*	*19,099*	*172,748*	*24,057*
of which SME corporates	*254,473*	*42,511*	*152,242*	*897*
of which specialised lending	*17,133*		*6,484*	*80*
Retail exposures	482,521	269	438,102	191
of which secured by immovable property	*436,342*	*162*	*436,342*	*103*
of which qualifying revolving retail exposures	*18,904*		*2*	
of which retail SME	*3,587*		*1,410*	
of which other retail exposures	*23,688*	*107*	*348*	*88*
Securitisation positions	12,381			
IRB approach	**1,487,280**	**72,978**	**793,209**	**45,297**
Exposures to central governments or central banks	230,464	1,189	96	96
Exposures to regional governments or local authorities	98,270	49		
Exposures to public sector entities	5,872	42		
Exposures to institutions	1,671	196		
Exposures to corporates	15,047		29	29
Retail exposures	30,951		102	102
Exposures secured by mortgages on immovable property	11,200		11,200	
Exposures in default	1,137		99	
Exposures associated with particularly high risk	1,391			
Securitisation positions				
Exposures in the form of collective investment undertakings (CIU)	40			
Equity exposures	3,330			
Other items	11,386			
Standardised approach	**410,759**	**1,476**	**11,526**	**228**
TOTAL	**1,898,039**	**74,454**	**804,735**	**45,525**

The table comprises only those mitigation arrangements that are eligible in capital adequacy reporting.

TABLE 23. Impaired loans (gross) by industry

	31 Dec 2014			31 Dec 2013		
SEK m	Impaired loans past due >= 60 days	Impaired loans performing or past due < 60 days	Total	Impaired loans past due >= 60 days	Impaired loans performing or past due < 60 days	Total
Business and household services	894	26	**920**	266	11	**277**
Construction	126	2	**128**	165		**165**
Finance and insurance	9		**9**	3		**3**
Manufacturing	642	46	**688**	724	9	**733**
Transportation	46	1	**47**	101	3	**104**
Wholesale and retail	275	50	**325**	326	45	**371**
Agriculture, forestry and fishing	21		**21**	31	1	**32**
Mining, oil and gas extraction	9		**9**	1		**1**
Electricity, gas and water supply	193	15	**208**	5	27	**32**
Shipping	2,116		**2,116**	158		**158**
Property management	1,781	46	**1,827**	2,232	204	**2,436**
Other	429	64	**493**	597	22	**619**
TOTAL	**6,541**	**250**	**6,791**	**4,609**	**322**	**4,931**

Total lending in corporate exposure classes.
For definition of impaired loans, please see Annual Report.

TABLE 24. Impaired loans (gross) by geography

SEK m	31 Dec 2014			31 Dec 2013		
	Impaired loans past due >= 60 days	Impaired loans performing or past due < 60 days	Total	Impaired loans past due >= 60 days	Impaired loans performing or past due < 60 days	Total
Sweden	3,236	56	**3,292**	582	12	**594**
Other Nordic	369		**369**	140		**140**
Germany	825	21	**846**	1,338	98	**1,436**
Estonia	288	1	**289**	279	12	**291**
Latvia	428		**428**	459		**459**
Lithuania	1,140	172	**1,312**	1,516	200	**1,716**
Other Europe	119		**119**	121		**121**
Other	136		**136**	174		**174**
TOTAL	**6,541**	**250**	**6,791**	**4,609**	**322**	**4,931**

Total lending in corporate exposure classes.
Geographical distribution according to where the loan is booked.
For definition of impaired loans, please see Annual Report.

TABLE 25. Provisions and write-offs on impaired loans and portfolio assessed loans

SEK m	Jan–Dec 2014	Jan–Dec 2013
Provisions:		
Net collective provisions	873	774
Specific provisions	–1,448	–756
Reversal of specific provisions no longer required	279	381
Net provisions for contingent liabilities	–42	11
Net provisions	**–338**	**410**
Write-offs:		
Total write-offs	–2,401	–3,755
Reversal of specific provisions utilized for write-offs	1,229	2,067
Write-offs not previously provided for	**–1,172**	**–1,688**
Recovered from previous write-offs	186	123
Net write-offs	**–986**	**–1,565**
NET CREDIT LOSSES	**–1,324**	**–1,155**

TABLE 26. Change of reserves for impaired loans and portfolio assessed loans

SEK m	Collective reserves	Specific reserves	Contingent liabilities reserves
Opening balance, 1 Jan 2014	**4,014**	**2,521**	**275**
Net collective provisions	–873		
Specific provisions		1,448	
Net provisions for contingent liabilities			42
Reversal of specific provisions utilized for write-offs		–971	–258
Reversal of specific provisions no longer required		–279	
Currency differences, group structure changes, reclassifications etc.	182	115	28
CLOSING BALANCE, 31 DEC 2014	**3,323**	**2,834**	**87**
Opening balance, 1 Jan 2013	**4,704**	**4,165**	**299**
Net collective provisions	–774		
Specific provisions		756	
Net provisions for contingent liabilities			–11
Reversal of specific provisions utilized for write-offs		–2,067	
Reversal of specific provisions no longer required		–381	
Currency differences, group structure changes, reclassifications etc.	84	48	–13
CLOSING BALANCE, 31 DEC 2013	**4,014**	**2,521**	**275**

COUNTERPARTY RISK IN DERIVATIVE CONTRACTS

Management of counterparty risk in derivative contracts
SEB enters into derivatives contracts primarily to support customers in their management of financial exposures. Derivatives are also used to protect cash flows and fair values of financial asset and liabilities in SEB's own book from market fluctuations. Counterparty risk in derivative contracts is the risk of a counterparty not fulfilling its contractual obligations to SEB when a contract has a positive market value. Since market values fluctuate during the term to maturity, the uncertainty of future market conditions must be taken into account. This is done by applying an add-on to the current market value that reflects potential market movements for the specific contract. The total credit exposure on the counterparty, the credit risk equivalent, is the sum of the market value of the contract and the add-on.

Counterparty risk is reduced through the use of close-out netting agreements, where all positive and negative market values under an agreement can be netted at the counterparty level. The netting agreement is often supplemented with a collateral agreement where the net market value exposure is reduced further by postings of collateral. Close-out netting is in place for the vast majority of counterparties, and collateral arrangements are used to a large extent.

Netting and collateral agreements could contain rating triggers. SEB has a very restrictive policy in respect of rating-based levels for thresholds and minimum transfer amounts. In addition, asymmetrical levels require specific approval from a deviation committee. Rating-based thresholds have only been accepted for a very limited number of counterparties. Furthermore, as a general rule, rating triggered termination events are not accepted. Deviations require approval from head of Group Financial Management, a unit within the treasury function.

Measurement of counterparty risk
For calculation of regulatory capital for derivatives counterparty risk, SEB uses the Current Exposure Method, which is the common method of choice to calculate counterparty derivatives exposures for banks without approval to apply an internal model method. The Current Exposure Method has two components; the current exposure which is the current mark-to-market value and a Potential Future Exposure (PFE) that is the maximum amount of exposure expected to occur on a future date. The PFE is approximated with schematic add-ons and the handling of netting effects is limited in the Current Exposure Method.

For the daily measurement of counterparty risk, SEB uses an internal model method for calculating PFE for OTC derivatives, securities financing transactions and central counterparty cleared transactions. The internal model method is simulation-based and takes close-out netting agreements and collateral agreements into account. The internal model method is subject to regulatory approval for calculating capital adequacy. In addition to the internal model method, counterparty risk is monitored through nominal-, tenor- and settlement-based risk measures.

Credit valuation adjustment and Debit valuation adjustment
Counterparty risk in derivative contracts also affects 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, FX and credit spreads. There is also an external capital requirement for credit valuation adjustments under Basel III.

TABLE 27. Derivative contracts

Credit risk mitigation effects, SEK m	31 Dec 2014	31 Dec 2013
Gross positive fair value of contracts	258,071	142,377
Close out netting benefits	–170,004	–106,074
Value after close out netting benefits	88,067	36,303
Collateral benefits	–23,898	–10,135
Value after close out netting and collateral benefits	64,169	26,168

Overall Exposure At Default for credit risk in derivative contracts is SEK 174bn (91).

This number is after netting benefits but before collateral benefits, and includes add-on for potential future exposure.

TABLE 28. Credit derivatives

	31 Dec 2014		31 Dec 2013	
Nominal amounts, SEK m	Reduces the risk	Adds to the risk	Reduces the risk	Adds to the risk
Credit derivatives hedging exposures in own credit portfolios				
Credit default swaps	0	0	0	0
Total return swaps	0	0	0	0
Credit linked notes	0	0	0	0
Total	**0**	**0**	**0**	**0**
Credit derivatives in trading operations				
Credit default swaps	3,288	–1,703	3,319	2,513
Total return swaps	0	0	0	0
Credit linked notes	0	–1,249	125	1,073
Total	**3,288**	**–2,952**	**3,444**	**3,586**
TOTAL	**3,288**	**–2,952**	**3,444**	**3,586**

Credit derivatives in the trading operations to a large extent represent hedges of bonds that are held for trading.

SECURITISATIONS

SEB does not regularly securitise its assets and has no outstanding own issues. In addition, the Group does not operate any Asset Backed Commercial Paper (ABCP) conduit or similar structure. Thus, most of the securitisation regulatory framework is of less relevance for the Group.

SEB provides liquidity facilities and term facilities to a small number of U.S. and European conduits; these can only be used for clients' trade, lease or consumer receivables transactions and not for other assets.

As part of its diversified investment portfolio SEB holds securitisation positions in others' issues. These are reported according to the External Rating approach, and the absolute majority consists of the most senior tranches. Some holdings have been downgraded from an original AAA but all are performing. Holdings with lower than BB/Ba rating would receive a risk weight of 1.325 per cent but are instead, as prescribed in regulation, deducted from own funds.

Securitisation positions (except those held for trading) are accounted for as available for sale assets or as loans and receivables.

Interest rate risk in the structured bonds portfolio is of less importance, due to the absolute domination of floating rate bonds. The credit risk is diversified into several industries. There are no interest rate hedges or credit default swaps hedges. The structured bonds portfolio is part of the bank's liquidity portfolio and is funded by commercial papers/certificates of deposit with maturity up to one year.

The majority of bonds consist of the most senior tranches. All structured bonds are performing and amortise according to schedule. Stress tests are performed on a monthly basis which takes into consideration underlying levels of the position.

TABLE 29. Securitisations in banking book by rating category

31 Dec 2014, SEK m		Total exposure	Of which deducted	Reported as risk exposure amount		
				Exposure	Risk weight	REA
	AAA/Aaa	4,690		4,690	7.4%	348
	AA/Aa	924		924	8.4%	78
	A/A	4,367		4,367	13.6%	593
	BBB/Baa	795		795	64.7%	514
	BB/Ba	500		500	491.6%	2,458
	sub BB/Ba	393	393		(1.325%)	(deducted)
Total securitisation		**11,669**	**393**	**11,276**	**35.4%**	**3,991**
	AAA/Aaa	79		79	31.6%	25
	A/A	51		51	52.9%	27
	BBB/Baa	131		131	371.0%	486
	BB/Ba	79		79	691.1%	546
	sub BB/Ba	201	201		(1.325%)	(deducted)
Total resecuritisation		**541**	**201**	**340**	**318.8%**	**1,084**
TOTAL		**12,210**	**594**	**11,616**	**43.7%**	**5,075**

31 Dec 2013, SEK m		Total exposure	Of which deducted	Reported as risk exposure amount		
				Exposure	Risk weight	REA
	AAA/Aaa	7,195		7,195	7.4%	532
	AA/Aa	1,806		1,806	8.5%	153
	A/A	1,255		1,255	15.3%	192
	BBB/Baa	1,189		1,157	80.5%	931
	BB/Ba	454		454	320.2%	1,453
	sub BB/Ba	837	837		(1.325%)	(deducted)
Total securitisation		**12,736**	**837**	**11,867**	**27.5%**	**3,260**
	AAA/Aaa	110		110	31.8%	35
	A/A	109		109	106.0%	116
	BBB/Baa	174		174	366.2%	636
	BB/Ba	122		122	641.7%	780
	sub BB/Ba	457	457		(1.325%)	(deducted)
Total resecuritisation		**971**	**457**	**514**	**304.9%**	**1,567**
TOTAL		**13,707**	**1,294**	**12,381**	**39.0%**	**4,827**

TABLE 30. Securitisations in banking book by asset type

31 Dec 2014, SEK m		Total exposure	Of which deducted	Reported as risk exposure amount		
				Exposure	Risk weight	REA
	CLO, Collateralised loan obligations	3,054		3,054	7.6%	233
	CMBS, Commercial mortgage backed securitisations	479	14	465	184.9%	860
	CMO, Collateralised mortgage obligations	215		215	7.4%	16
	RMBS, Residential mortgage backed securitisations	2,937	379	2,558	84.6%	2,163
	of which sub-prime	*90*	*90*		*(1.325%)*	*(deducted)*
	Securities backed with other assets	1,549		1,549	15.9%	247
	Liquidity facilities	3,435		3,435	13.7%	472
Total securitisation		**11,669**	**393**	**11,276**	**35.4%**	**3,991**
	CDO, Collateralised debt obligations	462	201	261	405.7%	1,059
	CLO, Collateralised loan obligations	79		79	31.6%	25
Total resecuritisation		**541**	**201**	**340**	**318.8%**	**1,084**
TOTAL		**12,210**	**594**	**11,616**	**43.7%**	**5,075**

31 Dec 2013, SEK m		Total exposure	Of which deducted	Reported as risk exposure amount		
				Exposure	Risk weight	REA
	CLO, Collateralised loan obligations	5,313		5,313	7.9%	420
	CMBS, Commercial mortgage backed securitisations	1,042	186	857	67.1%	575
	CMO, Collateralised mortgage obligations	232		232	6.4%	15
	RMBS, Residential mortgage backed securitisations	3,545	651	2,894	63.1%	1,826
	of which sub-prime	*97*	*97*		*(1.325%)*	*(deducted)*
	Securities backed with other assets	1,679		1,647	20.9%	345
	Liquidity facilities	925		925	8.6%	79
Total securitisation		**12,736**	**837**	**11,867**	**27.5%**	**3,260**
	CDO, Collateralised debt obligations	861	457	404	378.9%	1,532
	CLO, Collateralised loan obligations	110		110	31.8%	35
Total resecuritisation		**971**	**457**	**514**	**304.9%**	**1,567**
TOTAL		**13,707**	**1,294**	**12,381**	**39.0%**	**4,827**

TABLE 31. Securitisations in trading book by rating category

31 Dec 2014, SEK m	Total exposure	Of which deducted	Of which reported as risk exposure amount		
			Exposure	Risk weight	REA
AAA/Aaa	114		114	7.0%	8
sub BB/Ba	16		16	1.250%	196
TOTAL	**130**	**0**	**130**	**156.9%**	**204**
31 Dec 2013, SEK m					
AAA/Aaa	157		157	7.0%	11
sub BB/Ba	15		15	1.250%	189
TOTAL	**172**	**0**	**172**	**116.3%**	**200**

V. MARKET RISK

MARKET RISK IS THE RISK OF LOSS OR REDUCTION OF FUTURE NET INCOME *following changes in interest rates, foreign exchange rates, credit spreads, commodity and equity prices, including price risk in connection with the sale of assets or closing of positions.*

MARKET RISK MANAGEMENT

A clear distinction is made between market risks related to trading activity, i.e., trading book risks, and structural market and net interest income risks, i.e., banking book risks. Whereas the trading book is under a daily mark-to-market regime, positions in the banking book are typically held at amortised cost.

Market risks in the trading book arise from the SEB's customer-driven trading activity and in the liquidity portfolio. The trading activity is carried out by Merchant Banking in its capacity as market maker in international foreign exchange, equity and capital markets. The liquidity portfolio, which is managed by the treasury function, consists of investments in pledgeable and highly liquid bonds.

Market risk in the banking book arises as a result of balance sheet mismatches in currencies, interest terms and interest rate periods in the balance sheet as well as from limited equity related holdings not part of trading activities. The treasury function has overall responsibility for managing these risks, which are consolidated centrally. Small market risk mandates are granted to subsidiaries where cost-efficient, in which case the treasury function is represented on the local Asset and Liability Committee for co-ordination and information sharing. The centralised operations create a cost-efficient matching of liquidity and interest rate risk in all non-trading related business.

Market risk also arises in the bank's pension obligations (defined benefit plans for the employees) and life insurance operations as a result of mismatches between assets and liabilities. The market value of assets fluctuates with changes in, e.g., equity prices, while the present value of liabilities is affected by changes in interest rates. Lower interest rates increase the present value of future obligations. Market risks in the pension obligations and life insurance business are not included in the market risk figures below.

The Board of Directors defines how much market risk is acceptable by setting the overall market risk tolerance, 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 treasury function, which in turn further allocates the limits internally.

The market risk control function measures, follows up and reports the market risk taken by the various units within the Group on a daily basis. Market risks are reported on a monthly basis to the Group Risk Committee and the Board's Risk and Capital Committee. The risks are managed at the different trading locations within a comprehensive set of limits in VaR, sensitivities, stop-loss and stress tests. The market risk control function is present in the trading room and monitors limit compliance and market prices at closing, as well as valuation standards and the introduction of new products.

MARKET RISK TYPES

Interest rate risk: Interest rate risk is the risk of loss or reduction of future net income following changes in interest rates, including price risk in connection with the sale of assets or closing of positions. To measure and limit interest rate risk, SEB uses the VaR method, as well as Delta 1%.

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

Credit spread risk: Credit spread risk is the risk of change in the value of an investment caused by moves in credit spreads. As opposed to credit risk, which applies for all credit exposures, only assets that are marked to market are exposed to credit spread risk.

Foreign exchange risk: Foreign exchange risk arises both through SEB's foreign exchange trading in international market places and through its activities in various currencies. While foreign exchange trading positions are measured and managed within the overall VaR framework, the Group measures and manages the structural foreign exchange risk inherent in the structure of the balance sheet and earnings separately. The structural foreign exchange risk related to SEB's subsidiaries in the Baltic countries is managed in such a way as to neutralize the effects of adverse currency movements.

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

Commodities risk: Commodity risk is the risk associated to the movements of commodity prices including cost of closing out the positions.

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

MEASUREMENT OF MARKET RISK

When assessing market risk exposure, SEB uses measures that capture losses under normal market conditions as well as measures that focus on extreme market situations. Market risks under normal market circumstances are measured using Value at Risk (VaR) as well as specific measures that are relevant for the various types of risk. These measures are complemented by stress tests and scenario analyses, in which potential losses under extreme market conditions are estimated. Since no measurement 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

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, control and report VaR. The model aggregates market risk exposures for all risk types and covers a wide range of risk factors in all asset classes. SEB also uses a stressed VaR measure, where VaR calculations for the current portfolio are performed using market data from a historic, turbulent time period covering the Lehman Brothers default (April 2008–April 2009).

The limitation of VaR 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. The VaR and stressed VaR models have been approved by the Swedish Financial Supervisory Authority for calculation of legal capital requirements for all the general market risks in SEB's trading book, the parent company and the subsidiary Skandinaviska Enskilda Banken S.A. in Luxembourg.

The VaR model is validated using back-testing analysis. Back-testing is performed by comparing the VaR model loss predictions with the daily trading results. For this analysis, the daily theoretical result is calculated from end of day positions using full revaluation and updated market data. Back-testing is used to verify that actual losses do not exceed the VaR level in more than one per cent of the trading days in line with the model confidence level.

Stress tests and scenario analyses

Scenario analyses and stress tests are a key part of the risk management framework complementing the VaR measure which is not designed to identify worst case losses. In particular, they test the 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 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 moves in individual risk factors, as well as broader market scenarios, could have on a portfolio. The risk tolerance framework includes limits on stress test scenarios.

Specific measures of risk

VaR and stress tests are supplemented by specific risk measures including Delta 1% for interest risk, and single and aggregated FX for currency risk. Delta 1% is a measure of interest rate risk that is calculated for all interest rate-based products and is defined as the change in market value arising from an adverse one percentage point parallel shift in all interest rates in each currency. Single FX represents the single largest net position, short or long, for all currencies other than SEK. Aggregated FX is arrived at by calculating the sum of all short non-SEK positions and the sum of all long non-SEK positions. Aggregated FX is the larger of these two absolute values. In addition, all units that handle risk for market valued financial instruments are limited by a stop-loss limit. The stop-loss limit indicates the maximum loss a unit can incur before the risk is reduced or eliminated.

MARKET RISK INFORMATION

Market risk in the trading book

VaR in SEB's trading operations averaged SEK 98m in 2014 compared to SEK 141m in 2013. The decrease mainly reflects the low activity and low volatility in the market.

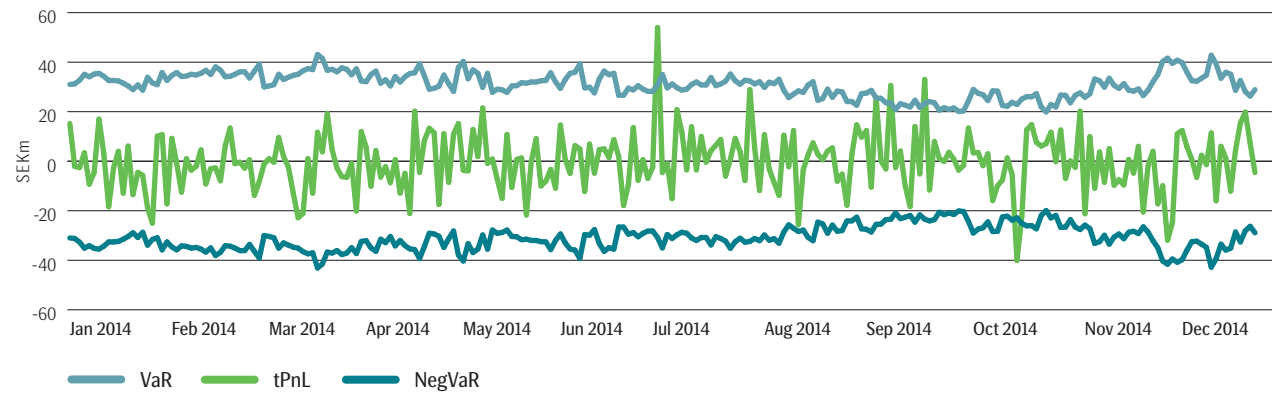
TABLE 32. Trading book VaR and Stressed VaR

Value at Risk (99 per cent, ten days), SEK m	Min	Max	30 Dec 2014	Average 2014	Average 2013
Commodities	5	52	19	14	15
Credit spread	47	109	59	70	102
Equity	12	77	16	23	29
FX	13	94	30	31	42
Interest rate	34	118	66	60	65
Volatilities	23	49	32	34	64
Diversification	–	–	–131	–134	–176
TOTAL	**58**	**142**	**91**	**98**	**141**

Stressed Value at Risk (99 per cent, ten days), SEK m	Min	Max	30 Dec 2014	Average 2014	Average 2013
Commodities risk	15	109	33	44	38
Credit spread risk	379	506	469	430	447
Equity risk	46	368	85	123	112
Foreign exchange risk	28	220	108	84	93
Interest rate risk	184	632	293	360	276
Volatilities risk	41	86	53	63	83
Diversification	–	–	–538	–547	–532
TOTAL	**394**	**1,024**	**503**	**557**	**517**

The VaR & Stressed VaR numbers shown in tables above, are part of the input to the market risk capital requirements shown on page [•] (which are scaled up with regulatory multiplications).

TABLE 33. Trading book back-testing



Trading book back-testing 2014:
Theoretical profit and loss vs. VaR on the 99% confidence level and 1 day holding period.
As can be seen losses exceed the 99th percentile during one out of the year's business days.

Market risk in the banking book

Banking book market risk is monitored both from a value perspective (Delta 1% and VaR) and from an income perspective (sensitivity in net interest income, NII). The NII risk depends on the overall business profile, especially mismatches between interest-bearing assets and liabilities in terms of volumes and repricing periods. The NII is also exposed to a "floor" risk. Asymmetries in pricing of products create a margin squeeze in times of low interest rates, making it relevant to analyse both "up" and "down" changes. SEB monitors NII risk but it is not assigned a specific limit in terms of market risk exposure. Further information is found in the table below of re-pricing periods for SEB's assets and liabilities.

As concerns the value perspective, the Delta 1% measure is defined as the change in market value of the bank's interest-bearing assets and liabilities arising from an adverse one percentage unit parallel shift in all interest rates in each currency. By year-end, this sensitivity amounted to SEK 2bn (1.5) in the banking book.

The table below displays VaR for the banking book. The average banking book VaR in 2014 was SEK 260m compared to the average VaR in 2013 of SEK 294m. The lower VaR was mainly due to lower interest rate risk.

TABLE 34. Banking book VaR

Value at Risk, Banking book, SEK m	Min	Max	31 Dec 2014	Average 2014	Average 2013
Credit spread risk	95	215	95	143	159
Equity risk	23	49	29	28	24
Foreign exchange risk	–	20	–	1	2
Interest rate risk	161	269	173	198	234
Volatilities risk	–	1	–		1
Diversification	–	–	–85	–110	–126
TOTAL	**200**	**342**	**212**	**260**	**294**

TABLE 35. Repricing periods for the Group's overall balance sheet

In the table below, assets and liabilities which influence net interest income have been allocated to time-slots based on remaining maturity. An exception has been made for the assets and liabilities in the life insurance business which are placed in the column "Insurance". Assets and liabilities without contractual repricing periods are placed in the column "<1 month" while assets and liabilities that do not affect net interest income are placed in the column "Non-interest bearing".

Assets, 31 Dec 2014, SEK m	<1 month	1<3 months	3<6 months	6<12 months	1<3 years	3<5 years	>5 years	Non-interest bearing	Insurance	Total
Cash, cash balances and other lending to central banks	119,915									**119,915**
Loans to credit institutions	58,651	7,072	6,533	6,162	5,971	4,257	1,331	80	888	**90,945**
Loans to the public	283,471	234,855	114,239	158,680	302,785	144,842	104,596	12,212		**1,355,680**
Other financial assets	103,021	41,228	28,270	47,252	125,909	68,288	109,138	118,146	383,214	**1,024,466**
Other assets	11,834	44	30	5	599	103	203	16,929	20,493	**50,240**
TOTAL	**576,892**	**283,199**	**149,072**	**212,099**	**435,264**	**217,490**	**215,268**	**147,367**	**404,595**	**2,641,246**
Liabilities and equity										
Deposits from credit institutions	78,616	11,760	13,361	1,187	2,387	1,430	4,986		1,459	**115,186**
Deposits from the public	758,228	65,089	28,295	11,172	20,501	18,698	22,145	12,508		**936,636**
Borrowing from the public	6,478									**6,478**
Issued securities	54,714	126,987	92,984	27,902	168,228	178,574	80,739			**730,128**
Other liabilities	58,480	23,523	13,208	9,877	40,567	39,931	103,581	26,873	402,202	**718,242**
Total equity								134,576		**134,576**
TOTAL	**956,516**	**227,359**	**147,848**	**50,138**	**231,683**	**238,633**	**211,451**	**173,957**	**403,661**	**2,641,246**
Interest rate sensitive, net	–379,624	55,840	1,224	161,961	203,581	–21,143	3,817	–26,590	934	
Cumulative sensitive	–379,624	–323,784	–322,560	–160,599	42,982	21,839	25,656	–934	0	

Assets, 31 Dec 2013, SEK m										
Cash, cash balances and other lending to central banks	183,611									**183,611**
Loans to credit institutions	68,807	6,983	6,882	4,709	7,392	3,707	2,806	690	647	**102,623**
Loans to the public	258,500	200,289	102,427	142,016	330,615	148,777	107,272	12,672		**1,302,568**
Other financial assets	154,547	17,176	24,180	31,483	117,600	56,111	98,222	21,622	324,847	**845,788**
Other assets	11,616	0	0	0	535	259	328	17,897	19,609	**50,244**
TOTAL	**677,081**	**224,448**	**133,489**	**178,208**	**456,142**	**208,854**	**208,628**	**52,881**	**345,103**	**2,484,834**
Liabilities and equity										
Deposits from credit institutions	131,988	21,615	12,146	1,278	1,872	2,192	5,098	2		**176,191**
Deposits and borrowing from the public	658,331	80,242	24,339	19,207	19,464	13,933	33,711	248		**849,475**
Issued securities	47,567	127,526	151,122	28,830	172,003	140,678	69,026	47		**736,799**
Other liabilities	54,706	3,335	5,595	3,432	48,151	33,581	92,531	26,157	332,067	**599,555**
Total equity								122,814		**122,814**
TOTAL	**892,592**	**232,718**	**193,202**	**52,747**	**241,490**	**190,384**	**200,366**	**149,268**	**332,067**	**2,484,834**
Interest rate sensitive, net	–215,511	–8,270	–59,713	125,461	214,652	18,470	8,262	–96,387	13,036	
Cumulative sensitive	–215,511	–223,781	–283,494	–158,033	56,619	75,089	83,351	–13,036	0	

The presentation of deposits and borrowing to the public has been separated in this table which is a change compared to 2013.

Equity exposures not included in the trading book

Investments in associates held by SEB's venture capital unit have in accordance with IAS 28 been designated as at fair value through profit or loss. Therefore, these holdings are accounted for under IAS 39. All financial assets within the bank'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 are substantially the same, or valuation with reference to observable market transactions in the same financial instrument.

Strategic investments in associates are on group level accounted for using the equity method.

Some entities where the bank has an ownership of less than 20 per cent, have been classified as investments in associates. The reason is that the bank is represented in the board of directors and participating in the policy making processes of those entities.

Equity instruments measured at cost do not have a quoted market price in an active market. Further, it has not been possible to reliably measure the fair values of those equity instruments. Most of these investments are held for strategic reasons and are not intended to be sold in the near future.

In capital adequacy reporting the holdings detailed below are reported following the Standardised approach.

Further information regarding accounting principles and valuation methodologies can be found in the Annual Report.

TABLE 36. Equity exposures not included in the trading book

31 Dec 2014, SEK m	Book value	Fair value	Fair value of listed shares	Unrealised gains/losses	Realised gains/losses
Associates (venture capital holdings)	1,049	1,049		–67	349
Associates (strategic investments)	202	202			
Other strategic investments	2,859	2,859	2,500	95	272
Seized shares	48	48			
TOTAL	**4,158**	**4,158**	**2,500**	**28**	**621**
31 Dec 2013, SEK m					
Associates (venture capital holdings)	1,101	1,101		–8	18
Associates (strategic investments)	173	173			–5
Other strategic investments	4,134	4,134	1,795	–15	86
Seized shares	44	44			
TOTAL	**5,452**	**5,452**	**1,795**	**–23**	**99**

VI. OPERATIONAL RISK

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.). Operational risk also includes compliance, legal and financial reporting, information security, security and venture execution risk, but excludes strategic and reputational risk.*

OPERATIONAL RISK MANAGEMENT

SEB's structured approach to working with operational risk has resulted in improved processes over the years; however, it is essential to make continuous improvements in order to mitigate operational risks. In 2014, operational losses amounted to SEK 311m (234). The level is in line with previous years. Benchmarking against members of the Operational Risk Data Exchange Association (ORX) shows that SEB's operational losses historically have been below the ORX average. Focus during the year was on decreasing operational risks in outsourcing agreements and on reviewing and improving significant processes in the bank. Cybercrime and organized crime are emerging risks that have increased in recent years. SEB is continuously working to improve IT tools, processes and controls to meet these risks.

Self-assessments
All business and support units regularly perform self-assessments according to a group-wide methodology in order to identify and mitigate significant risks embedded in the organisation's various business and support processes.

New Product Approval Process
Through a joint New Product Approval Process (NPAP) for all new or changed products, processes and/or systems, operational risks are identified and mitigated to protect SEB from entering into unintended risk-taking that cannot be immediately managed by the organisation. In 2014, the SEB's approach to corporate sustainability was reinforced as part of the NPAP.

Business Continuity Management
Business Continuity Management is the process of identifying critical functions and processes and creating plans and strategies that will enable SEB to continue Business operations and recover quickly in case of disruptions. The current way of managing business continuity was set in place in 1997 and is well established throughout SEB.

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

Incident reporting
SEB uses an IT-based infrastructure for managing operational risk, security issues and compliance. All employees are required to register risk-related events so that risks can be properly identified, assessed, monitored, mitigated and reported.

Risk reporting
The risk control function within the risk organisation is responsible for assessing, measuring and reporting SEB's operational risk. The risk level is analyzed quarterly and reported to the Group Executive Committee, the Group Risk Committee and the Board's Risk and Capital Committee.

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

MEASUREMENT OF OPERATIONAL RISK

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

SEB's AMA model is structured along the regulatory-defined business lines for operational risk. SEB quantifies operational risk with a loss distribution approach, using internal data and external statistics of operational losses that have occurred in the global financial sector. SEB's business volume serves as a risk estimate in the modelling. Once the capital requirement for the Group has been calculated, it can be allocated in a fashion that is similar to the methodology used in the Standardised approach – however using capital multipliers representing each business line's riskiness as assessed in the model. The quality of the risk management of the divisions, based upon their self-assessment, is taken into account as well. Efficient operational risk management results in a reduction of allocated capital and insufficient risk management results in an increase.

The capital requirement for operational risk is not affected by any external insurance agreement to reduce or transfer the impact of operational risk losses.

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

TABLE 37. Operational risk incidents registered and analysed

VII. LIQUIDITY RISK

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

MANAGEMENT OF LIQUIDITY RISK

The Board of Directors has established a comprehensive framework for managing SEB's short- and long-term liquidity requirements. The treasury function has the overall responsibility for liquidity management and funding, supported by local treasury centers in the bank's major markets. Liquidity risk management is governed by limits set by the Board, which are further allocated throughout the group by the Group Risk Committee. SEB uses three perspectives described below when setting the liquidity limits for the bank and further allocation to certain legal entities and branches as well as for setting limits by currency.

The risk function regularly measures and reports exposures against the liquidity risk limits, as well as the outcome of liquidity stress tests, to the Group Risk Committee and the Board's Risk and Capital Committee.

Three perspectives of liquidity

Liquidity management and the structuring of the balance sheet from a liquidity point of view are built on three basic perspectives:

– Structural liquidity risk, in which stable funding is put in relation to illiquid assets;
– Wholesale funding dependence; and
– Stressed survival horizon where SEB experiences a severe stress with e.g. outflow of deposits in combination with a shutdown of the wholesale funding market.

The three perspectives are summarized in the simplified balance sheet below.

Structural liquidity risk

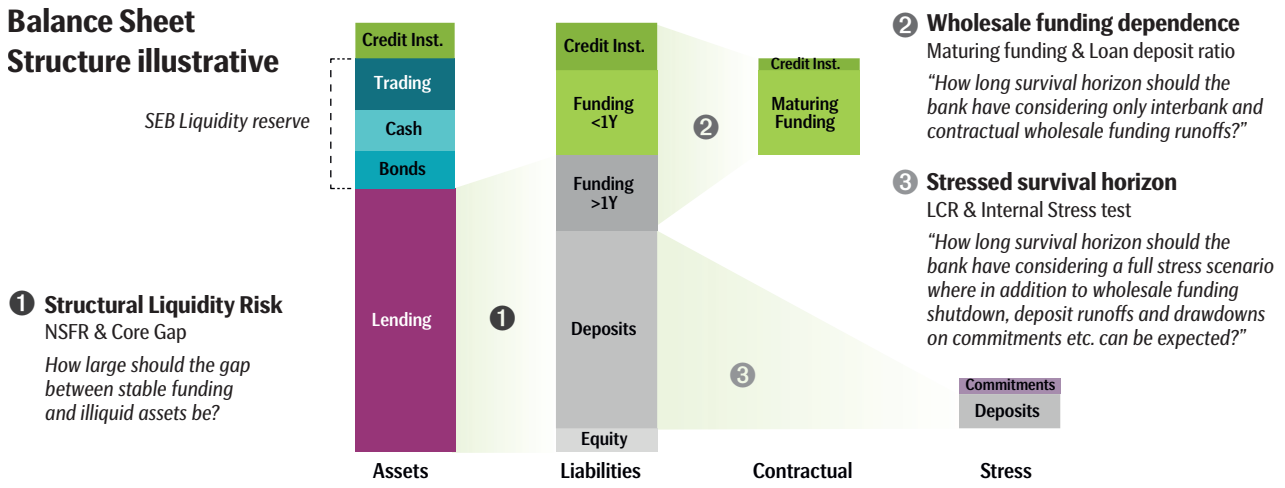
In order to maintain a sound structural liquidity position, the structure of the liability side should be based on the composition of assets, as long-term lending and other illiquid assets require more stable funding. In SEB, this risk is measured as the Core Gap ratio, which is conceptually equivalent to the Basel Committee's Net Stable Funding Ratio (NSFR), i.e. a ratio comparing stable funding (liabilities with maturity beyond one year, including equity) against illiquid assets (assets with maturity beyond one year). The difference between the internal Core Gap ratio and the external NSFR is that the Core Gap ratio is calculated and parameterised on internal statistics and that the weightings of available stable funding and required stable funding differ. To complement the Core Gap ratio and gain an understanding of how regulators, rating agencies and other external stakeholders view the bank's structural liquidity position, SEB also monitors the NSFR and other structural liquidity risk metrics. SEB's Core Gap ratio amounted to 119 per cent at year-end 2014 (114).

Wholesale funding dependence

It is important to monitor the sensitivity for deteriorating market conditions and to assess how long SEB's liquid assets can be utilised in a shutdown of the wholesale and interbank funding markets. One way of assessing wholesale funding dependence is through the balance sheet metric loan to deposit ratio which shows to what degree lending is funded with deposits relative to wholesale funding. SEB's loan to deposit ratio amounted to 134 per cent (142) as of year-end 2014.

Stressed survival horizon

Stress testing is conducted on a regular basis to identify potential sources of liquidity strain and to ensure that current exposures remain within the established tolerance levels. Severe stress outcomes can be modelled e.g. by combining assumptions of a wholesale funding market shutdown with assumptions of deposit outflows and drawdowns on commitments etc. The Basel Committee's Liquidity Coverage Ratio



(LCR) reflects a stressed scenario and models net cash flows during a 30-day period in relation to the amount of liquid assets. Another way to measure this is to calculate the time it would take for the liquid assets to be depleted in a severely stressed scenario and express the result as a survival horizon. SEB monitors the LCR and an internal stressed survival metric, as well as other internal and external metrics measuring short-term liquidity risk under different scenarios. SEB's LCR according to the Swedish Financial Authority's definition amounted to 115 per cent as of year-end (129).

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

Liquidity reserve

To mitigate liquidity risk and ensure that SEB is able to meet its payment obligations, SEB holds a liquidity reserve which is managed by the treasury function. SEB's core liquidity reserve, in accordance with the template defined by the Swedish Bankers' Association, amounted to 410bn (465) at year-end 2014. *For details on the liquidity reserve, please refer to Annual Report Note 18 f.*

Asset encumbrance

The primary source of asset encumbrance in SEB is the issuance of covered bonds, which is a funding source used to fund residential mortgages. SEB maintains a certain level of over-collateralisation in the cover pool to be able to withstand a significant property price fall caused by a disruption in the real estate market. Furthermore, asset encumbrance is also driven by client facilitation within the Markets business where secured financing transactions such as repos and securities lending and borrowings give rise to the need for collateral both on and off the balance sheet. Other sources of asset encumbrance include collateral management and derivatives. The level of encumbered assets and collateral vary somewhat throughout the year and is generally higher during the dividend season.

TABLE 38. Asset encumbrance

Carrying amount of selected financial liabilities, 31 Dec 2014, SEK m

			Of which: Encumbered Assets						Of which: Encumbered Collateral					
	Total Sources of Encumbrance	Total Encumbrance	Bonds issued by General Governments and Central Banks	Covered bonds	Other debt securities	Equities	Loans and other assets	Total encumbered assets	Bonds issued by General Governments and Central Banks	Covered bonds	Other debt securities	Equities	Other	Total encumbered collateral
Derivatives	58,135	56,193	3,277	1,883	47	118	40,881	**46,206**	7,524	2,392	30	40	0	**9,987**
Repos	11,428	12,127	5,443	1,272	0	0	123	**6,838**	3,147	2,033	109	0	0	**5,290**
Securities financing	70,062	79,776	6,096	607	0	50,980	4,398	**62,081**	1,894	93	279	15,429	0	**17,695**
Covered bonds	367,191	374,345	6,730	721	3,077	0	363,817	**374,345**	0	0	0	0	0	**0**
Collateral management	107,552	111,368	0	0	0	0	0	**0**	33,119	8,305	236	69,708	0	**111,368**
Total	**614,369**	**633,809**	**21,546**	**4,482**	**3,125**	**51,098**	**409,219**	**489,470**	**45,685**	**12,824**	**654**	**85,177**	**0**	**144,340**
Non-encumbered assets and collateral			85,352	148,240	15,762	53,078	1,461,932	**1,764,364**	28,573	54,784	482	12,150	0	**95,989**
Total encumbrance and non-encumbrance			**106,899**	**152,722**	**18,887**	**104,176**	**1,871,150**	**2,253,833**	**74,257**	**67,608**	**1,136**	**97,328**	**0**	**240,329**
Encumbered asset ratio	21.7%													
Encumbered collateral ratio	60.1%													
Total encumbrance ratio	**25.4%**													

Comparison figures for 2013 not available.

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) is part of the ICAAP. The assessment is governed by the treasury function with input from the risk and finance organisations. The ILAAP process is designed to identify potential gaps against SEB's long-term desired level of liquidity adequacy, taking into account that effective liquidity management is an ongoing improvement process.

MEASUREMENT OF LIQUIDITY RISK

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

DEFINITIONS

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

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

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

Common Equity Tier 1 capital (CET1) The highest quality form of capital under Basel III. Comprises common shares issued and related share premium, retained earnings and other reserves, less specified regulatory adjustments.

Common Equity Tier 1 capital ratio CET1 capital expressed as a percentage of total risk exposure amount.

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

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

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

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

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

Expected loss (EL) Amount expected to be lost on an exposure using a 12 month horizon. Calculated by multiplying PD, EAD and LGD.

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

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

Internal ratings-based approach (IRB) Method for determining own funds requirement were banks are allowed to use their own models to estimate the risk. There are two variants of the IRB approach; with and without own estimates of LGD and CCF.

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

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

Liquidity Coverage Ratio (LCR) High-quality liquid assets in relation to the estimated net cash outflows over the next 30 calendar days, as defined by Swedish regulations. (The Swedish Financial Supervisory Authority's code FFFS 2012:6 for 2013 and FFFS 2011:37 for 2012).

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

Net Stable Funding Ratio (NSFR) Defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis.

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

Own funds requirement Total own funds must exceed 8% of risk exposure amount. Own funds must also cover additional requirments due to institution specific buffers.

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

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

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

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

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

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

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

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

Systemic risk buffer Buffer requirement for systemically important banks.

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

Tier 1 capital Shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets and certain other regulatory adjustments. Tier 1 capital can also include qualifying forms of subordinated loans (Additional Tier 1 instruments).

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

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

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

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