Capital Adequacy & Risk Management Report – Pillar 3

2020

SEB

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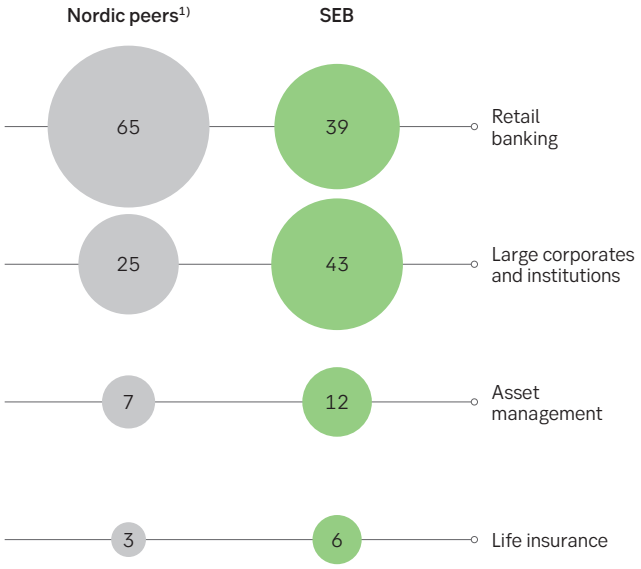
SEB in summary

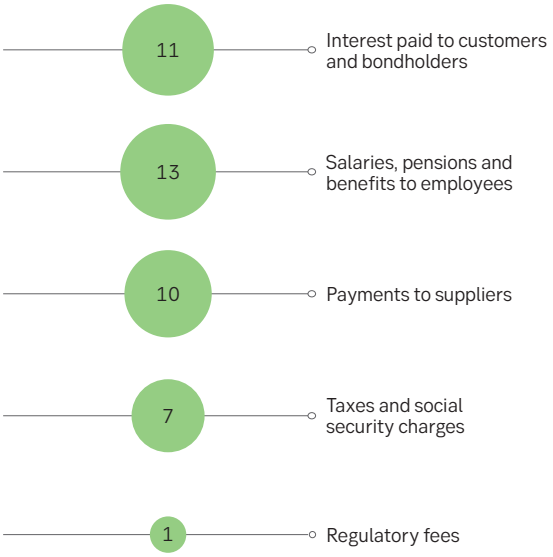
Our business is strong and diversified, creating value for all our stakeholders.

Diversified income 2020, %



1) Income breakdown for Swedbank, SHB, Nordea, Danske Bank and DNB. Business units only (indicative).

Financial value created 2020, SEK 42bn



No dividends to the shareholders were paid in 2020 (for 2019).

Important events and trends

The Covid-19 pandemic temporarily halted the global economy, followed by unprecedented political and monetary response. SEB has not received any governmental relief, and throughout the year, our financial strength enabled us to support our customers. SEK 139bn in pandemic-related credit requests from large corporates was processed.

The surprisingly strong housing market in Sweden supported continued demand for mortgages. Private consumption held up well, while corporate card utilisation was negatively impacted by restricted travelling and remote work.

Demand for sustainability-related products continued to grow. SEB advised on vaccine-related bonds, green bonds, and sustainability-linked financing solutions.

SEB was ranked as number 1 in Prospera's annual survey among Nordic large corporates, an advancement from the number 1 position among Swedish large corporates in 2019.

The Swedish FSA closed its review on SEB's governance and internal controls of the Baltic subsidiaries and issued an administrative fine of SEK 1bn. SEB continued focusing on the fight against financial crime and money laundering.

The Board of Directors proposes a dividend of SEK 4.10 per share, in line with the Swedish FSA's recommendation of distributing maximum 25 per cent of 2019 and 2020 net profits.

Key targets and figures

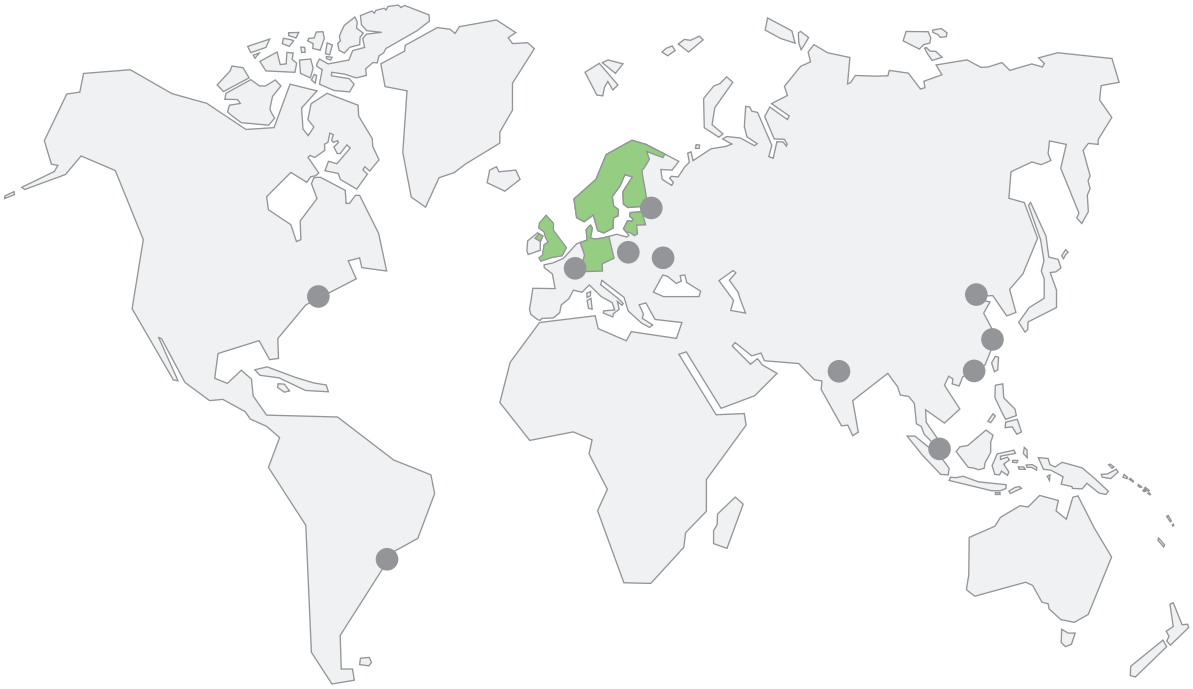
Board's financial targets	2020	2019
Dividend payout ratio at 40 per cent or more of earnings per share, per cent	53[1]	0[2]
Common Equity Tier 1 capital ratio of around 150 basis points over requirement[3], basis points	840	250
Return on equity competitive with peers[4], per cent	10.3	13.8

The financial targets are revised from 2021.

Key figures		
Operating income, SEK m	49,717	50,134
Operating profit, SEK m	20,846	24,894
Return on equity, per cent	9.7	13.7
Cost/income ratio	0.46	0.46
Earnings per share, SEK	7.28	9.33
Dividend per share, SEK	4.10[1]	0.00[2]
Leverage ratio, per cent	5.1	5.1
Liquidity Coverage Ratio (LCR), per cent	163	218

1) Board proposal.
2) The 2019 dividend proposal was reverted and the AGM decided that no dividend would be paid out.
3) Regulatory requirement estimated by SEB: 12.6% (15.1).
4) Outcome excluding items affecting comparability.

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

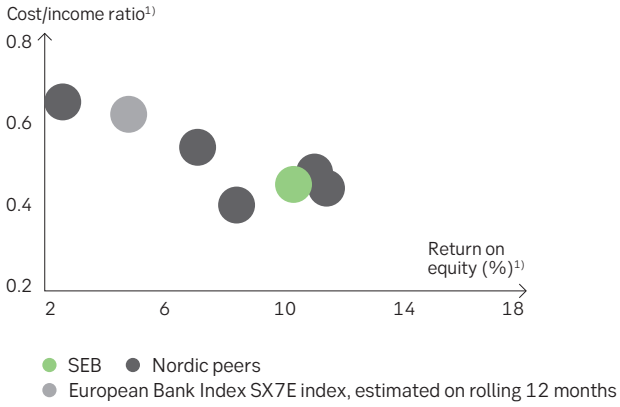


Home markets
- Sweden
- Norway
- Denmark
- Finland
- Estonia
- Latvia
- Lithuania
- Germany
- United Kingdom

International network
- Beijing
- Hong Kong
- Kiev
- Luxembourg
- New Delhi
- New York
- São Paulo
- Shanghai
- Singapore
- St. Petersburg
- Warsaw

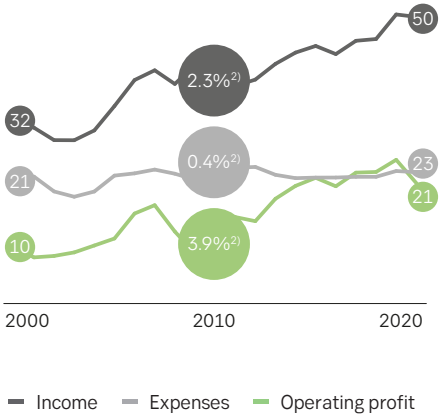
We are well positioned versus our peers with a track record of strong profitable growth.

Our peers 2020



1) Excluding items affecting comparability.

Our profit development[1)], SEK bn



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

About this report

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

Regulatory framework for disclosures

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

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

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

Pillar 3 – Market discipline enabled by disclosures.

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

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

Basis for SEB's Pillar 3 disclosures

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

Together with the Annual Report, this report and the additional quarterly and semi-annual Pillar 3 disclosures provide information on SEB's material risks, including details on the group's risk profile, which form the basis for the calculation of the capital requirement. The Pillar 3 disclosures complement the Annual Report with additional information, and is intended to be read in conjunction with the Annual Report, in particular the sections entitled Risk, liquidity and capital management and Corporate Governance, as well as the Notes to the Financial Statements. Disclosures in relation to remuneration are also included in those sections of the Annual Report, in particular in note 8.

This Pillar 3 report is based on the group consolidated situation as at 31 December 2020. The group consolidated situation represents the regulatory scope of consolidation according to CRR, established for the purposes of prudential supervision, and differs from the group's consolidated financial statements as set out in the Annual Report. The relationship between the group consolidated situation and the group consolidated financial statements is set out in Tables 58–60 in this report.

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

The report is produced in accordance with the group's disclosure policy, and is formally approved by the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO). All the Pillar 3 disclosures can be found on SEB's website www.sebgroup.com.

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

SEK m	31 Dec 2020	31 Dec 2019
Available capital (amounts)		
1 Common Equity Tier 1 capital (CET1)	152,124	131,155
2 Tier 1 capital	164,403	155,398
3 Total capital	181,835	173,382
Risk-weighted assets (amounts)		
4 Total risk-weighted assets (RWA)	725,560	745,637
Risk-based capital ratios as a percentage of RWA		
5 Common Equity Tier 1 ratio (%)	21.0%	17.6%
6 Tier 1 ratio (%)	22.7%	20.8%
7 Total capital ratio (%)	25.1%	23.3%
Additional CET1 buffer requirements as a percentage of RWA		
8 Capital conservation buffer requirement (%)	2.5%	2.5%
9 Countercyclical buffer requirement (%)	0.1%	1.5%
10 Bank G-SIB and/or D-SIB additional requirements (%)	4.0%	3.0%
11 Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	6.6%	7.0%
12 CET1 available after meeting the bank's minimum capital requirements (%)	9.9%	6.1%
Basel III leverage ratio		
13 Total Basel III leverage ratio exposure measure	3,226,866	3,063,481
14 Basel III leverage ratio (%) (row 2 / row 13)	5.1%	5.1%
Liquidity Coverage Ratio		
15 Total HQLA	604,621	457,770
16 Total net cash outflow	370,659	209,733
17 LCR ratio (%)	163%	218%

Risk management

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

Risk management framework

SEB defines risk as the possibility of a negative deviation from an expected financial outcome. SEB´s profitability is directly dependent on its ability to evaluate, manage and price the risks encountered, while maintaining an adequate capital and liquidity position to meet unforeseen events. SEB´s main risk is credit risk. Other risks include market risk, insurance and pension risk, liquidity risk, operational risk, business risk and reputational risk. Sustainability-related risks are not regarded as a separate risk category, but as risk factors that have bearing on the existing risk categories. This means that the management of sustainability-related risks is integrated into existing governance and processes for identifying, measuring, monitoring, and reporting risks.

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

Risk tolerance

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

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

Three lines of defence

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

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

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

→ For further information about SEB's risk management and the development of the risk profile in 2020, please refer to the Annual Report – Risk, liquidity and capital management.

Risk tolerance statements in brief

SEB shall:

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

Risk governance

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

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

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

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

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

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

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

Group Risk is responsible for identifying, measuring, monitoring, and reporting on SEB's risks. The unit also develops and maintains the bank's risk measurement models. The Head of Group Risk is appointed by the President, upon recommendation by the CRO, and reports to the CRO.

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

The CRO Office aggregates and analyses data across risk types and the group's credit portfolios and handles general matters surrounding risk governance and risk disclosure. The unit also supports the CRO, Group Risk and Group Credits.

A *Group Executive Sustainability Committee* (GESC) was established in 2020, addressing matters related to corporate sustainability activities in SEB. In 2020, SEB also established a Cyber Risk and Cybersecurity Committee to support the Board of Directors, the President and the CRO in their responsibilities with knowledge, skills and expertise and to advise in decision-making of risk-taking activities. A Group Internal Control and Compliance Committee (GICC) was established in 2021, handling matters and follow-up in the area of internal control and regulatory compliance.

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

Credit risk

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

Risk management

The predominant risk in SEB is credit risk, which arises from lending activities and through commitments to customers, including large companies, small and medium-sized companies, financial institutions, public sector entities and private individuals.

SEB's credit portfolio includes loans, contingent liabilities and trading products and is well-balanced with a stable risk profile. The main focus is on corporate customers in the Nordics, Germany and the Baltics and households in Sweden and the Baltics. More than half of the credit portfolio consists of exposure to corporates, primarily Nordic and German large corporates active in a wide range of industries and geographies. The household portfolio, accounting for 27 per cent of the total credit portfolio, is dominated by Swedish household mortgages. This portfolio is of high quality with low and stable historical credit losses, a sound portfolio loan-to-value ratio and proven strong repayment capacity among customers. Exposure to real estate management (including housing co-operative associations) accounts for 16 per cent of the total credit portfolio and is comprised of residential real estate in primarily Sweden and commercial real estate in the Nordic region. Of the total credit portfolio, the Baltic countries account for 7 per cent.

Credit risk policy and approval process

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

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

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

Managing sustainability risks in the credit portfolio

SEB integrates an assessment of the impact of sustainability-related risks on repayment capacity in the bank's counterparty credit analysis. In order to do this in a systematic way, SEB has developed a proprietary framework for the integration of these risks in the financial analysis of corporate customers. In 2020, ESG specialists were recruited to the credit analysis department to further develop the framework. SEB's credit policies also reflect the bank's corporate sustainability strategy as described in the Corporate Sustainability Policy, the Environmental Policy and the Credit Policy on Corporate Sustainability, with emphasis on opportunities as well as risks relating to environmental, social and governance aspects. SEB's position statements on climate change, child labour and access to fresh water as well as a number of industry sector policies shall be considered in the credit granting process and are also used in customer dialogues. Environmental, social and governance risks are considered in the credit analysis.

→ For further information about how SEB manages sustainability risks in its credit portfolio, and particularly climate risks, please refer to the Sustainability Report in the Annual Report.

Limits and monitoring

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

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

Allowances are made for expected credit losses of financial assets in scope of the accounting standard IFRS9 Financial Instruments. The guiding principle of the expected credit loss model is to reflect the general pattern of deterioration or improvement in the credit quality of the assets.

→ For a description of the methodology and assumptions made to estimate the expected credit losses, refer to note 1 and note 18 in the Annual Report.

Credit exposure and asset quality development

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

Table 2. Overview of credit risk exposure

SEK m **31 Dec 2020**	EAD post CRM and post CCF	Average EAD for the year	RWAs	Minimum own funds requirement [1]	Average risk weight (%)[2]
Central governments or central banks	518,738	557,887	13,893	1,111	2.7
Institutions	225,346	234,050	46,522	3,722	20.6
Corporates	1,253,533	1,282,684	342,199	27,376	27.3
of which large corporates	*936,178*	*958,784*	*273,976*	*21,918*	*29.3*
of which SME corporates	*278,276*	*285,778*	*51,313*	*4,105*	*18.4*
of which Specialised Lending	*39,079*	*38,122*	*16,910*	*1,353*	*43.3*
Retail exposures	679,313	671,437	63,740	5,099	9.4
of which secured by real estate property	*609,036*	*599,792*	*40,817*	*3,265*	*6.7*
of which retail SME	*10,640*	*10,744*	*5,278*	*422*	*49.6*
of which other retail exposures	*59,637*	*60,901*	*17,644*	*1,412*	*29.6*
Securitisation positions	12,001	12,603	1,973	158	16.4
Total IRB approach	**2,688,931**	**2,758,661**	**468,326**	**37,466**	**17.4**
Central governments or central banks	4,309	3,879	966	77	22.4
Corporates	6,508	7,453	4,905	392	75.4
Retail	22,721	22,819	13,528	1,082	59.5
Other exposures	33,805	34,733	18,461	1,477	54.6
Total Standardised approach	**67,343**	**68,884**	**37,860**	**3,029**	**56.2**
TOTAL	**2,756,274**	**2,827,545**	**506,186**	**40,495**	**18.4**

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

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

Loans where the contractual terms have been amended in favour of the customer due to the customer's financial difficulties are referred to as forborne loans. Forbearance measures range from amortisation holidays (the most common measure) to refinancing with new terms and debt forgiveness. Changes in contractual terms may be so significant that the loan is also considered impaired. Both forbearance measures and the classification of the loan as being forborne are required to be approved by the relevant credit approval body.

Credit portfolio analysis and stress tests

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

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

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

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

SEK m	a	b	a	b
	31 Dec 2020		31 Dec 2019	
	Net value of exposures at the end of the period	Average net exposures over the period	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	452,876	504,988	305,521	296,471
Institutions	199,398	201,087	204,596	209,503
Corporates	1,445,247	1,453,094	1,395,847	1,364,541
of which large corporates	*1,120,021*	*1,127,594*	*1,066,331*	*1,038,742*
of which SME corporates	*284,686*	*285,742*	*292,602*	*292,209*
of which Specialised Lending	*40,540*	*39,758*	*36,914*	*33,590*
Retail exposures	711,292	705,405	678,380	673,197
of which secured by real estate property	*633,331*	*626,372*	*592,672*	*587,711*
of which retail SME	*11,582*	*11,519*	*12,943*	*12,886*
of which other retail exposures	*66,379*	*67,514*	*72,765*	*72,599*
Total IRB approach	**2,808,812**	**2,864,574**	**2,584,344**	**2,543,712**
Central governments or central banks	4,309	3,934	5,151	3,095
Corporates	8,296	8,414	9,564	14,481
Retail	24,822	24,653	25,013	28,050
Other exposures	25,670	24,572	30,224	29,944
Total Standardised approach	**63,096**	**61,573**	**69,953**	**75,570**
TOTAL	**2,871,908**	**2,926,147**	**2,654,296**	**2,619,282**

COMMENT

- *SEB´s net value of credit exposures increased to SEK 2,872bn (2,654), driven by an increase in central governments or central banks, corporates and retail exposures.*

Table 4. EU CRB-C – Geographical breakdown of exposures

SEK m	Net value of exposure										
31 Dec 2020	**Sweden**	**Denmark**	**Norway**	**Finland**	**Estonia**	**Latvia**	**Lithuania**	**Germany**	**United Kingdom**	**Other**	**Total**
Central governments or central banks	191,860	6,424	4,060	6,915	8,150	9,905	23,749	133,320	1,519	66,974	**452,876**
Institutions	49,315	7,589	3,946	2,034	24	43	39	35,187	12,058	89,162	**199,398**
Corporates	645,013	97,338	107,806	108,823	33,980	23,522	43,295	106,049	73,825	205,596	**1,445,247**
of which large corporates	*420,990*	*94,216*	*96,817*	*91,359*	*23,647*	*16,097*	*31,877*	*99,385*	*60,140*	*185,493*	***1,120,021***
of which SME corporates	*216,297*	*2,275*	*5,553*	*13,241*	*10,087*	*7,223*	*10,415*	*4,143*	*461*	*14,993*	***284,686***
of which Specialised Lending	*7,727*	*847*	*5,436*	*4,223*	*246*	*203*	*1,003*	*2,521*	*13,223*	*5,110*	***40,540***
Retail exposures	613,900	4,506	17,662	1,662	28,325	11,160	29,102	339	897	3,740	**711,292**
of which secured by real estate property	*563,664*	*138*	*610*	*224*	*26,052*	*9,880*	*28,238*	*320*	*737*	*3,468*	***633,331***
of which retail SME	*8,292*	*256*	*815*	*538*	*837*	*357*	*340*	*0*	*134*	*14*	***11,582***
of which other retail exposures	*41,944*	*4,113*	*16,237*	*900*	*1,436*	*923*	*524*	*18*	*25*	*259*	***66,379***
Total IRB approach	**1,500,088**	**115,857**	**133,474**	**119,434**	**70,479**	**44,631**	**96,185**	**274,894**	**88,298**	**365,472**	**2,808,812**
Central governments or central banks	614									3,695	**4,309**
Corporates	3,403	137	841	39	51	7	10	66	8	3,734	**8,296**
Retail	10,404	722	1,495	794	3,837	1,889	2,536	131	1,405	1,609	**24,822**
Other exposures	15,649	66	1,738	695	182	3	27	674	1,713	4,924	**25,670**
Total Standardised approach	**30,069**	**925**	**4,074**	**1,528**	**4,069**	**1,898**	**2,573**	**871**	**3,126**	**13,962**	**63,096**
TOTAL	**1,530,157**	**116,783**	**137,548**	**120,961**	**74,548**	**46,529**	**98,758**	**275,766**	**91,423**	**379,434**	**2,871,908**

SEK m	Net value of exposure										
31 Dec 2019	**Sweden**	**Denmark**	**Norway**	**Finland**	**Estonia**	**Latvia**	**Lithuania**	**Germany**	**United Kingdom**	**Other**	**Total**
Central governments or central banks	83,625	2,294	5,951	5,583	11,276	9,141	20,660	91,165	1,205	74,621	**305,521**
Institutions	48,188	8,336	3,365	3,503	10	61	21	33,843	14,169	93,100	**204,596**
Corporates	596,041	83,336	129,422	96,799	34,962	24,069	45,299	102,043	55,787	228,087	**1,395,847**
of which large corporates	*378,056*	*80,221*	*106,229*	*88,008*	*21,814*	*12,302*	*27,142*	*94,815*	*45,642*	*212,102*	***1,066,331***
of which SME corporates	*208,760*	*2,230*	*17,594*	*5,845*	*12,798*	*11,524*	*17,151*	*4,700*	*1,343*	*10,657*	***292,602***
of which Specialised Lending	*9,225*	*885*	*5,599*	*2,946*	*351*	*243*	*1,006*	*2,529*	*8,802*	*5,327*	***36,914***
Retail exposures	575,547	5,275	21,732	2,124	28,509	11,583	28,794	355	794	3,667	**678,380**
of which secured by real estate property	*523,729*	*119*	*595*	*232*	*26,025*	*9,958*	*27,734*	*295*	*734*	*3,251*	***592,672***
of which retail SME	*8,600*	*590*	*1,224*	*772*	*860*	*355*	*371*	*29*	*27*	*115*	***12,943***
of which other retail exposures	*43,218*	*4,566*	*19,912*	*1,121*	*1,624*	*1,269*	*689*	*31*	*33*	*301*	***72,765***
Total IRB approach	**1,303,401**	**99,241**	**160,470**	**108,009**	**74,757**	**44,855**	**94,774**	**227,407**	**71,955**	**399,474**	**2,584,344**
Central governments or central banks					4			5,005		142	**5,151**
Corporates	610	134	255	290	7	2	1,267	4,317	23	2,660	**9,564**
Retail	869	4,059	786	164	1,959	2,505	1,743	3,562	1,197	8,170	**25,013**
Other exposures	5,911	127	740	720	3	21	2,217	9,474	2,096	8,915	**30,224**
Total Standardised approach	**7,390**	**4,320**	**1,780**	**1,174**	**1,973**	**2,527**	**5,227**	**22,358**	**3,316**	**19,887**	**69,953**
TOTAL	**1,310,790**	**103,561**	**162,251**	**109,183**	**76,730**	**47,382**	**100,001**	**249,765**	**75,271**	**419,362**	**2,654,296**

Geography based on taxed country.

COMMENT

- *SEB's credit exposures are mainly in Sweden and the other Nordic countries, Germany and the Baltic region. SEB's credit exposure grew strongly in the Nordic markets during the year, driven mainly by corporate activity and retail exposures in Sweden. The growth in corporate exposures was offset by the stronger Swedish krona. In the Baltic region, the credit exposure remained relatively stable.*
- *The US and Luxembourg are the two largest contributors to the exposure in the category Other.*

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

SEK m 31 Dec 2020	Finance and insurance	Wholesale and retail	Transportation	Shipping	Business and household services	Construction	Manufacturing	Agriculture, forestry and fishing	Mining, oil and gas extraction	Electricity, water and gas supply	Commercial real-estate management	Residential real estate management	Housing co-operative associations	Banks	Public Administration	Households	Other	Total
Central governments or central banks	1,423	4	2,708		2,089		497	0		3,381	0	67		367,425	73,244		2,038	**452,876**
Institutions	102,734	4,553	536	22	7,201	70	6,476		0	36	0	0		67,174	3,122		7,474	**199,398**
Corporates	63,585	133,489	50,481	56,466	232,281	31,071	270,033	29,156	44,680	106,807	187,129	134,966	65,852	369	6,964	111	31,809	**1,445,247**
of which large corporates	*49,724*	*113,698*	*42,034*	*51,726*	*185,314*	*22,125*	*255,508*	*11,769*	*41,933*	*79,103*	*145,510*	*80,735*	*12,785*	*339*	*6,955*	*46*	*20,718*	***1,120,021***
of which SME corporates	*11,062*	*19,791*	*6,841*	*2,805*	*35,053*	*7,467*	*14,193*	*17,386*	*2,028*	*10,306*	*40,702*	*54,231*	*53,066*	*30*	*8*	*66*	*9,649*	***284,686***
of which Specialised Lending	*2,799*		*1,606*	*1,934*	*11,914*	*1,479*	*332*	*0*	*718*	*17,397*	*917*						*1,443*	***40,540***
Retail exposures	684	6,598	1,418	88	21,634	5,014	2,739	5,755	25	155	3,207	4,256	31	151	68	648,721	10,747	**711,292**
of which secured by real estate property	*393*	*3,881*	*1,091*	*52*	*16,772*	*3,710*	*1,758*	*5,194*	*11*	*97*	*2,760*	*4,105*	*29*	*3*	*13*	*584,146*	*9,315*	***633,331***
of which retail SME	*263*	*2,614*	*298*	*34*	*4,006*	*1,222*	*948*	*363*	*13*	*56*	*304*	*45*	*2*	*148*	*55*	*1*	*1,209*	***11,582***
of which other retail exposures	*28*	*103*	*29*	*3*	*856*	*83*	*33*	*198*	*0*	*2*	*143*	*106*	*0*		*0*	*64,574*	*222*	***66,379***
Total IRB approach	**168,426**	**144,644**	**55,144**	**56,576**	**263,205**	**36,155**	**279,744**	**34,911**	**44,704**	**110,378**	**190,337**	**139,289**	**65,883**	**435,119**	**83,397**	**648,832**	**52,068**	**2,808,812**
Central governments or central banks					81									3,441	788			**4,309**
Corporates	3,992	304	80	24	1,398	311	1,089	18	17	14	363	22		243	16	79	325	**8,296**
Retail	32	1,166	493	4	1,114	841	779	1,711	15	32	219	43		0	0	17,895	477	**24,822**
Other exposures	3,178	154	447	22	2,224	30	152	213		205	128	185	1	12,139	8	4,277	2,308	**25,670**
Total Standardised approach	**7,202**	**1,624**	**1,019**	**50**	**4,816**	**1,182**	**2,020**	**1,942**	**32**	**250**	**711**	**250**	**1**	**15,823**	**812**	**22,251**	**3,110**	**63,096**
TOTAL	**175,628**	**146,269**	**56,163**	**56,626**	**268,021**	**37,338**	**281,764**	**36,853**	**44,736**	**110,629**	**191,048**	**139,540**	**65,883**	**450,942**	**84,209**	**671,083**	**55,178**	**2,871,908**

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

COMMENT

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

Table 6. EU CRB-E – Maturity of exposures

SEK m	a	b	c	d	e	f
		Net exposure value				
31 Dec 2020	On demand	≤1 year	>1 year ≤5 years	>5 years	No stated maturity	Total
Central governments or central banks	358,702	7,905	56,371	29,898		**452,876**
Institutions	37,190	23,536	93,282	45,390		**199,398**
Corporates	92,547	112,919	542,558	697,223		**1,445,247**
of which large corporates	*81,846*	*91,409*	*395,265*	*551,501*		***1,120,021***
of which SME corporates	*10,680*	*21,469*	*143,938*	*108,599*		***284,686***
of which Specialised Lending	*21*	*42*	*3,355*	*37,123*		***40,540***
Retail exposures	50,601	58,975	214,135	387,580		**711,292**
of which secured by real estate property	*48,896*	*3,803*	*204,640*	*375,993*		***633,331***
of which retail SME	*647*	*5,137*	*4,304*	*1,494*		***11,582***
of which other retail exposures	*1,058*	*50,035*	*5,192*	*10,094*		***66,379***
Total IRB approach	**539,041**	**203,334**	**906,345**	**1,160,091**		**2,808,812**
Central governments or central banks	3,447	204	578	81		**4,309**
Corporates	2,004	2,587	1,963	1,741		**8,296**
Retail	1,169	1,592	8,085	13,975		**24,822**
Other exposures	12,907	119	4,185	8,459		**25,670**
Total Standardised approach	**19,527**	**4,502**	**14,811**	**24,256**		**63,096**
TOTAL	**558,568**	**207,837**	**921,156**	**1,184,347**		**2,871,908**

SEK m	a	b	c	d	e	f
		Net exposure value				
31 Dec 2019	On demand	≤1 year	>1 year ≤5 years	>5 years	No stated maturity	Total
Central governments or central banks	187,945	10,348	73,876	33,352		**305,521**
Institutions	43,985	20,961	92,823	46,827		**204,596**
Corporates	108,776	81,680	479,209	726,181		**1,395,847**
of which large corporates	*94,215*	*59,425*	*341,091*	*571,601*		***1,066,331***
of which SME corporates	*14,551*	*22,193*	*133,839*	*122,018*		***292,602***
of which Specialised Lending	*10*	*63*	*4,279*	*32,561*		***36,914***
Retail exposures	35,720	65,297	203,280	374,083		**678,380**
of which secured by real estate property	*34,363*	*3,156*	*193,115*	*362,038*		***592,672***
of which retail SME	*547*	*7,333*	*3,515*	*1,548*		***12,943***
of which other retail exposures	*810*	*54,809*	*6,649*	*10,497*		***72,765***
Total IRB approach	**376,427**	**178,286**	**849,188**	**1,180,442**		**2,584,344**
Central governments or central banks	4,920	20	128	83		**5,151**
Corporates	3,361	2,396	2,263	1,544		**9,564**
Retail	3,014	1,370	7,353	13,276		**25,013**
Other exposures	13,393	359	9,018	7,453		**30,224**
Total Standardised approach	**24,689**	**4,145**	**18,762**	**22,357**		**69,953**
TOTAL	**401,116**	**182,432**	**867,950**	**1,202,799**		**2,654,296**

COMMENT

- *On demand exposures increased during the year driven by increased exposures to central governments or central banks.*

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

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
31 Dec 2020	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Central governments or central banks	0	452,877	2			–3	**452,876**
Institutions	447	199,198	247			98	**199,398**
Corporates	12,736	1,440,322	7,811		182	1,808	**1,445,247**
of which large corporates	*9,673*	*1,115,760*	*5,412*		*4*	*1,122*	***1,120,021***
of which SME	*2,670*	*284,193*	*2,177*		*19*	*685*	***284,686***
of which Specialised Lending	*393*	*40,369*	*222*		*159*	*1*	***40,540***
Retail exposures	2,356	710,877	1,941		17	–83	**711,292**
of which secured by real estate property	*1,089*	*632,839*	*597*			*–3*	***633,331***
of which retail SME	*175*	*11,646*	*239*		*14*	*9*	***11,582***
of which other retail exposures	*1,092*	*66,392*	*1,105*		*3*	*–89*	***66,379***
Total IRB approach	**15,539**	**2,803,273**	**10,000**		**199**	**1,821**	**2,808,812**
Central governments or central banks		4,309	0			0	**4,309**
Corporates	5	8,348	58			20	**8,296**
Retail	38	24,883	99			22	**24,822**
Other exposures	0	25,677	7			2	**25,670**
Total Standardised approach	**44**	**63,217**	**164**			**43**	**63,096**
TOTAL	**15,583**	**2,866,490**	**10,164**		**199**	**1,864**	**2,871,908**
Of which: Loans	14,773	1,942,063	9,512		199	2,082	**1,947,324**
Of which: Debt securities		131,380					**131,380**
Of which: Off-balance-sheet exposures	807	768,280	653			–218	**768,434**

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
30 Jun 2020	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Central governments or central banks	47	557,058	5			3	**557,100**
Institutions	491	202,446	160			77	**202,777**
Corporates	13,144	1,455,708	7,911		190	3,624	**1,460,941**
of which large corporates	*8,571*	*1,131,929*	*5,331*		*4*	*2,762*	***1,135,168***
of which SME	*4,051*	*284,990*	*2,244*		*20*	*787*	***286,797***
of which Specialised Lending	*522*	*38,789*	*335*		*165*	*75*	***38,976***
Retail exposures	2,617	699,040	2,140		20	282	**699,518**
of which secured by real estate property	*1,235*	*618,816*	*638*			*70*	***619,413***
of which retail SME	*231*	*11,473*	*248*		*13*	*52*	***11,456***
of which other retail exposures	*1,151*	*68,751*	*1,253*		*7*	*160*	***68,648***
Total IRB approach	**16,299**	**2,914,253**	**10,215**		**210**	**3,985**	**2,920,336**
Central governments or central banks		3,559				0	**3,559**
Corporates	22	8,539	29			31	**8,532**
Retail	45	24,558	119		1	31	**24,484**
Other exposures	1	23,481	7			1	**23,474**
Total Standardised approach	**67**	**60,137**	**155**		**1**	**63**	**60,049**
TOTAL	**16,366**	**2,974,390**	**10,370**		**211**	**4,047**	**2,980,386**
Of which: Loans	15,477	1,967,091	9,477		211	3,581	**1,973,091**
Of which: Debt securities		230,474					**230,474**
Of which: Off-balance-sheet exposures	887	754,980	893			466	**754,974**

COMMENT

- *In 2020, overall asset quality remained stable despite the exceptional economic slow-down triggered by the pandemic. The impact of Covid-19 was limited for the bank's larger portfolios such as large corporates, real estate, small and medium-sized companies and households. During the second half of the year defaulted exposures decreased to SEK 15.6bn (16.4). The decrease was related to the stronger Swedish krona and write-offs.*

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

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
31 Dec 2020	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Finance and insurance	7	175,682	61			−7	**175,628**
Wholesale and retail	479	146,233	443		2	5	**146,269**
Transportation	137	56,212	186			80	**56,163**
Shipping	1,495	55,702	572			29	**56,626**
Business and household services	1,553	267,757	1,289		3	−147	**268,021**
Construction	402	37,215	279		68	132	**37,338**
Manufacturing	3,136	280,301	1,673		8	−2	**281,764**
Agriculture, forestry and fishing	125	36,804	77		0	−4	**36,853**
Mining, oil and gas extraction	5,352	42,661	3,276			1,694	**44,736**
Electricity, water and gas supply	176	110,589	136			33	**110,629**
Commercial real estate management	398	190,910	261		107	−10	**191,048**
Residential real estate management	36	139,560	56			−10	**139,540**
Housing co-operative associations Sweden	3	65,882	2			−2	**65,883**
Banks	0	450,950	8			−8	**450,942**
Public Administration	0	84,215	6			−2	**84,209**
Households	2,021	670,736	1,675		3	−16	**671,083**
Other	262	55,081	165		8	98	**55,178**
TOTAL	**15,583**	**2,866,490**	**10,164**		**199**	**1,864**	**2,871,908**

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
30 Jun 2020	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Finance and insurance	9	163,461	70			19	**163,400**
Wholesale and retail	758	132,139	802		2	186	**132,095**
Transportation	46	57,525	114		0	74	**57,457**
Shipping	2,005	67,229	1,116			437	**68,118**
Business and household services	2,612	305,951	1,760		2	648	**306,803**
Construction	247	40,594	153		71	57	**40,688**
Manufacturing	2,747	278,562	1,532		9	156	**279,777**
Agriculture, forestry and fishing	141	33,082	86		0	23	**33,136**
Mining, oil and gas extraction	4,658	52,904	2,173			1,764	**55,389**
Electricity, water and gas supply	229	107,165	217			33	**107,177**
Commercial real estate management	503	193,611	293		112	48	**193,821**
Residential real estate management	37	133,598	67			48	**133,567**
Housing co-operative associations Sweden	3	64,214	4			2	**64,213**
Banks	0	559,121	6			18	**559,115**
Public Administration	47	87,738	8			1	**87,777**
Households	2,227	658,592	1,871		7	268	**658,948**
Other	94	38,905	97		8	266	**38,902**
TOTAL	**16,366**	**2,974,390**	**10,370**		**211**	**4,047**	**2,980,386**

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

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
31 Dec 2020	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Sweden	2,722	1,529,834	2,399		17	–81	**1,530,157**
Denmark	496	116,675	388			–21	**116,783**
Norway	1,614	137,266	1,332			187	**137,548**
Finland	903	120,553	494			25	**120,961**
Estonia	413	74,449	314		2	35	**74,548**
Latvia	999	45,921	391			46	**46,529**
Lithuania	1,054	98,348	644		181	40	**98,758**
Germany	1,643	275,144	1,021			162	**275,766**
United Kingdom	759	90,991	326			40	**91,423**
Other countries	4,979	377,309	2,854		0	1,431	**379,434**
TOTAL	**15,583**	**2,866,490**	**10,164**		**199**	**1,864**	**2,871,908**

SEK m	a	b	c	d	e	f	g
	Gross carrying values of						
30 Jun 2020	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values a+b-c-d
Sweden	2,922	1,501,324	2,637		21	880	**1,501,609**
Denmark	504	123,061	440			112	**123,125**
Norway	2,689	143,538	1,854			1,119	**144,373**
Finland	839	119,640	477			214	**120,002**
Estonia	477	78,291	294		2	92	**78,474**
Latvia	1,009	46,155	394			107	**46,769**
Lithuania	1,144	99,346	655		188	94	**99,835**
Germany	1,766	299,077	962			86	**299,880**
United Kingdom	493	73,348	329			260	**73,512**
Other countries	4,524	490,610	2,328		0	1,083	**492,806**
TOTAL	**16,366**	**2,974,390**	**10,370**		**211**	**4,047**	**2,980,386**

Table 10. EU CQ1 – Credit quality of forborne exposures

SEK m	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Non-performing forborne						
31 Dec 2020	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
1 Loans and advances	1,924	11,381	10,255	10,249	90	5,478	7,400	6,288
2 *Central banks*								
3 *General governments*	*1*				*0*			
4 *Credit institutions*								
5 *Other financial corporations*	*79*	*455*	*406*	*406*	*1*	*210*		
6 *Non-financial corporations*	*1,346*	*10,520*	*9,546*	*9,541*	*75*	*5,128*	*6,714*	*6,045*
7 *Households*	*498*	*406*	*303*	*302*	*14*	*140*	*686*	*244*
8 Debt Securities								
9 Loan commitments given	125	155	155	155	2	26	69	69
10 **TOTAL**	**2,049**	**11,535**	**10,410**	**10,403**	**92**	**5,504**	**7,470**	**6,358**

SEK m	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Non-performing forborne						
30 Jun 2020	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
1 Loans and advances	4,488	10,857	10,430	9,841	495	4,455	9,118	5,697
2 *Central banks*								
3 *General governments*	*1*				*0*			
4 *Credit institutions*								
5 *Other financial corporations*	*82*	*477*	*426*	*426*	*1*	*128*		
6 *Non-financial corporations*	*3,931*	*9,899*	*9,640*	*9,012*	*485*	*4,127*	*8,450*	*5,447*
7 *Households*	*474*	*481*	*364*	*402*	*10*	*200*	*668*	*250*
8 Debt Securities								
9 Loan commitments given	143	12	12	12	15	12	–12	–12
10 **TOTAL**	**4,631**	**10,870**	**10,443**	**9,853**	**511**	**4,467**	**9,106**	**5,684**

COMMENT

- *Forborne credit exposures are exposures where the contractual terms have been amended in favour of the customer due to financial difficulties. Forbearance measures range from amortisation holidays (the most common measure) to refinancing with new terms and debt forgiveness.*
- *Total performing and non-performing forborne exposures decreased to SEK 13.6bn (15.5). The decrease is partly related to the strengthening of the Swedish krona.*

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

SEK m	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
31 Dec 2020		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1 Loans and advances	2,031,649	2,030,615	1,035	16,169	12,988	592	737	837	443	526	47	14,853
2 *Central banks*	*329,119*	*329,119*	*0*	*0*	*0*	*0*	*0*	*0*				
3 *General governments*	*15,514*	*15,507*	*7*	*1*		*0*	*0*	*1*				*1*
4 *Credit institutions*	*39,141*	*39,074*	*67*	*22*	*5*	*15*	*2*	*0*	*0*	*0*	*1*	
5 *Other financial corporations*	*93,165*	*93,120*	*44*	*459*	*235*	*0*	*223*	*0*	*0*	*0*	*0*	*407*
6 *Non-financial corporations*	*899,007*	*898,796*	*210*	*13,345*	*11,554*	*371*	*300*	*582*	*204*	*334*	*0*	*12,296*
7 *Of which SMEs*	*309,511*	*309,456*	*55*	*1,866*	*1,231*	*23*	*43*	*149*	*192*	*228*	*0*	*1,707*
8 *Households*	*655,704*	*654,998*	*706*	*2,342*	*1,194*	*205*	*212*	*255*	*239*	*191*	*46*	*2,150*
9 Debt securities	13,842	13,842										
10 *Central banks*												
11 *General governments*	*3,090*	*3,090*										
12 *Credit institutions*												
13 *Other financial corporations*	*10,752*	*10,752*										
14 *Non-financial corporations*												
15 Off-balance-sheet exposures	776,787			768								691
16 *Central banks*	*4*											
17 *General governments*	*22,447*			*0*								
18 *Credit institutions*	*22,073*			*39*								
19 *Other financial corporations*	*53,118*			*30*								*30*
20 *Non-financial corporations*	*582,533*			*679*								*642*
21 *Households*	*96,611*			*19*								*18*
22 **TOTAL**	**2,822,278**	**2,044,456**	**1,035**	**16,937**	**12,988**	**592**	**737**	**837**	**443**	**526**	**47**	**15,543**

SEK m	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
30 Jun 2020		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1 Loans and advances	2,050,476	2,049,467	1,008	16,514	12,617	1,146	1,058	337	479	815	63	15,488
2 *Central banks*	*327,727*	*327,727*	*0*	*292*	*123*	*52*	*115*	*0*	*2*	*0*	*1*	
3 *General governments*	*15,984*	*15,983*	*1*	*55*	*53*	*0*	*0*	*1*				*49*
4 *Credit institutions*	*36,376*	*36,370*	*5*	*12*	*7*	*5*						*0*
5 *Other financial corporations*	*101,358*	*101,302*	*56*	*491*	*370*	*117*	*2*	*1*	*0*	*0*	*0*	*427*
6 *Non-financial corporations*	*929,040*	*928,758*	*281*	*13,079*	*10,884*	*723*	*634*	*102*	*165*	*570*	*0*	*12,671*
7 *Of which SMEs*	*310,728*	*310,625*	*104*	*1,675*	*1,035*	*82*	*125*	*63*	*83*	*287*	*0*	*1,546*
8 *Households*	*639,991*	*639,327*	*664*	*2,584*	*1,180*	*248*	*306*	*233*	*311*	*244*	*63*	*2,341*
9 Debt securities	14,601	14,601										
10 *Central banks*												
11 *General governments*	*3,178*	*3,178*										
12 *Credit institutions*												
13 *Other financial corporations*	*11,424*	*11,424*										
14 *Non-financial corporations*												
15 Off-balance-sheet exposures	759,058			1,404								866
16 *Central banks*	*4*											
17 *General governments*	*23,024*			*0*								
18 *Credit institutions*	*22,370*			*55*								
19 *Other financial corporations*	*51,287*			*58*								*58*
20 *Non-financial corporations*	*563,610*			*1,212*								*793*
21 *Households*	*98,762*			*79*								*16*
22 **TOTAL**	**2,824,135**	**2,064,069**	**1,008**	**17,918**	**12,617**	**1,146**	**1,058**	**337**	**479**	**815**	**63**	**16,355**

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

SEK m	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
31 Dec 2020		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
1 Loans and advances	2,031,649	1,971,159	60,490	16,169	1,280	14,889	2,064	972	1,092	7,447	116	7,331	323	975,483	4,319
2 *Central banks*	*329,119*	*329,119*	*0*	*0*			*0*	*0*	*0*						
3 *General governments*	*15,514*	*15,435*	*79*	*1*		*1*	*5*	*1*	*4*	*1*		*1*		*5,103*	
4 *Credit institutions*	*39,141*	*37,249*	*1,892*	*22*	*8*	*14*	*2*	*1*	*1*	*4*	*0*	*4*		*4,726*	*1*
5 *Other financial corporations*	*93,165*	*92,204*	*961*	*459*	*49*	*410*	*33*	*27*	*6*	*212*	*0*	*212*		*11,810*	*0*
6 *Non-financial corporations*	*899,007*	*866,583*	*32,423*	*13,345*	*990*	*12,354*	*1,311*	*611*	*700*	*6,211*	*99*	*6,111*	*305*	*395,251*	*3,455*
7 *Of which SMEs*	*309,511*	*294,552*	*14,959*	*1,866*	*112*	*1,754*	*109*	*56*	*53*	*469*	*1*	*468*	*9*	*237,922*	*753*
8 *Households*	*655,704*	*630,569*	*25,134*	*2,342*	*232*	*2,110*	*713*	*331*	*382*	*1,020*	*17*	*1,003*	*18*	*558,592*	*863*
9 Debt securities	13,842	13,842					0	0							
10 *Central banks*															
11 *General governments*	*3,090*	*3,090*					*0*	*0*							
12 *Credit institutions*															
13 *Other financial corporations*	*10,752*	*10,752*					*0*	*0*							
14 *Non-financial corporations*															
15 Off-balance-sheet exposures	776,787	760,479	16,308	768	68	700	431	260	171	222	5	218		27,112	145
16 *Central banks*	*4*	*4*					*0*	*0*							
17 *General governments*	*22,447*	*22,437*	*10*	*0*		*0*	*1*	*0*	*0*	*0*		*0*		*102*	
18 *Credit institutions*	*22,073*	*20,678*	*1,395*	*39*	*39*		*6*	*1*	*5*	*0*	*0*			*620*	
19 *Other financial corporations*	*53,118*	*52,565*	*552*	*30*		*30*	*4*	*4*	*0*	*16*		*16*		*38*	
20 *Non-financial corporations*	*582,533*	*571,644*	*10,889*	*679*	*28*	*651*	*355*	*216*	*139*	*201*	*5*	*196*		*22,861*	*142*
21 *Households*	*96,611*	*93,151*	*3,461*	*19*	*0*	*18*	*65*	*38*	*26*	*5*	*0*	*5*		*3,492*	*3*
22 TOTAL	**2,822,278**	**2,745,480**	**76,798**	**16,937**	**1,347**	**15,589**	**2,495**	**1,232**	**1,263**	**7,669**	**121**	**7,549**	**323**	**1,002,595**	**4,464**

SEK m	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
30 Jun 2020		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
1 Loans and advances	2,050,476	1,986,577	63,898	16,514	1,550	14,926	2,661	1,287	1,375	6,815	122	6,694	302	947,435	5,009
2 *Central banks*	*327,727*	*327,727*	*0*	*292*	*292*		*0*	*0*	*0*					*47*	*0*
3 *General governments*	*15,984*	*15,912*	*72*	*55*	*0*	*55*	*3*	*1*	*2*	*4*	*0*	*4*		*5,180*	*6*
4 *Credit institutions*	*36,376*	*35,186*	*1,189*	*12*	*7*	*5*	*3*	*2*	*1*	*2*	*0*	*2*		*5,016*	*0*
5 *Other financial corporations*	*101,358*	*99,878*	*1,479*	*491*	*61*	*430*	*30*	*23*	*7*	*128*	*0*	*128*		*12,766*	*9*
6 *Non-financial corporations*	*929,040*	*895,498*	*33,542*	*13,079*	*973*	*12,068*	*1,841*	*875*	*966*	*5,533*	*106*	*5,428*	*279*	*384,752*	*4,038*
7 *Of which SMEs*	*310,728*	*294,886*	*15,842*	*1,675*	*87*	*1,585*	*120*	*77*	*43*	*381*	*0*	*381*	*9*	*230,777*	*654*
8 *Households*	*639,991*	*612,375*	*27,615*	*2,584*	*217*	*2,367*	*785*	*386*	*399*	*1,148*	*15*	*1,132*	*23*	*539,675*	*955*
9 Debt securities	14,601	14,601					1	1							
10 *Central banks*															
11 *General governments*	*3,178*	*3,178*					*0*	*0*							
12 *Credit institutions*															
13 *Other financial corporations*	*11,424*	*11,424*					*1*	*1*							
14 *Non-financial corporations*															
15 Off-balance-sheet exposures	759,058	743,335	15,723	1,404	356	825	614	402	212	279	16	263		7,521	45
16 *Central banks*	*4*	*4*					*0*	*0*							
17 *General governments*	*23,024*	*23,014*	*10*	*0*		*0*	*1*	*0*	*0*	*0*		*0*			
18 *Credit institutions*	*22,370*	*20,782*	*1,588*	*55*	*1*		*7*	*1*	*6*	*0*	*0*				
19 *Other financial corporations*	*51,287*	*50,795*	*492*	*58*		*58*	*5*	*4*	*1*	*10*		*10*		*34*	
20 *Non-financial corporations*	*563,610*	*554,199*	*9,411*	*1,212*	*355*	*751*	*537*	*356*	*182*	*263*	*16*	*247*		*4,368*	*37*
21 *Households*	*98,762*	*94,540*	*4,222*	*79*	*1*	*16*	*64*	*41*	*23*	*6*	*0*	*6*		*3,118*	*8*
22 TOTAL	**2,824,135**	**2,744,513**	**79,621**	**17,918**	**1,907**	**15,751**	**3,276**	**1,690**	**1,587**	**7,094**	**137**	**6,957**	**302**	**954,956**	**5,054**

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

SEK m	a	b	a	b
	31 Dec 2020		30 Jun 2020	
	Collateral obtained by taking possession		Collateral obtained by taking possession	
31 Dec 2020	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
1 Property, plant and equipment (PP&E)				
2 Other than PP&E	6			
3 *Residential immovable property*				
4 *Commercial Immovable property*	*6*			
5 *Movable property (auto, shipping, etc.)*				
6 *Equity and debt instruments*				
7 *Other*				
8 TOTAL	**6**			

Table 14. Information on loans and advances subject to legislative and non-legislative moratoria

SEK m	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
31 Dec 2020			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		*Of which: exposures with forbearance measures*	*Of which: Unlikely to pay that are not past-due or past-due <= 90 days*	*Inflows to non-performing exposures*
1 **Loans and advances subject to moratorium**	**58,223**	**58,205**	**24**	**2,242**	**18**		**5**	**–33**	**–32**	**0**	**–22**	**–1**		**0**	**11**
2 of which: Households	58,215	*58,197*	18	2,236	*18*		*5*	–33	*–32*	0	–22	*–1*		*0*	*11*
3 *of which: Collateralised by residential immovable property*	*54,138*	*54,122*	*17*	*2,065*	*17*		*5*	*–29*	*–28*	*0*	*–20*	*–1*		*0*	*10*
4 of which: Non-financial corporations	*8*	*8*	*6*	*6*				*0*	*0*	*0*	*0*				
5 *of which: Small and Medium-sized Enterprises*	*8*	*8*	*6*	*6*				*0*	*0*	*0*	*0*				
6 *of which: Collateralised by commercial immovable property*	*3*	*3*	*3*	*3*				*0*	*0*	*0*	*0*				

SEK m	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
30 Jun 2020			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		*Of which: exposures with forbearance measures*	*Of which: Unlikely to pay that are not past-due or past-due <= 90 days*	*Inflows to non-performing exposures*
1 **Loans and advances subject to moratorium**	**40,715**	**40,703**	**41**	**1,985**	**12**	**1**	**6**	**–34**	**–31**	**–3**	**–21**	**–2**	**0**	**–2**	**26**
2 of which: Households	39,075	*39,063*	23	1,803	*12*	*1*	*6*	–27	*–25*	0	–17	*–2*	*0*	*–2*	*26*
3 *of which: Collateralised by residential immovable property*	*35,947*	*35,936*	*22*	*1,662*	*11*	*1*	*5*	*–24*	*–22*	*0*	*–15*	*–2*	*0*	*–2*	*26*
4 of which: Non-financial corporations	*1,640*	*1,640*	*18*	*181*				*–6*	*–6*	*–3*	*–4*				
5 *of which: Small and Medium-sized Enterprises*	*1,609*	*1,609*	*18*	*168*				*–6*	*–6*	*–3*	*–4*				
6 *of which: Collateralised by commercial immovable property*	*1,408*	*1,408*		*131*				*–3*	*–3*		*–1*				

COMMENT

- *Following the pandemic, authorities have enabled measures to support corporates and private individuals, including amortisation exemptions on household mortgages. In line with EBA guidelines and the SFSA's recommendations, such moratorium measures do not automatically trigger a significant increase in credit risk. As at 31 December 2020, SEB had granted moratorium on loans amounting to SEK 58bn, the vast majority being household mortgages. Only SEK 18m of these were non-performing loans.*

Table 15. Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

SEK m	a	b	c	d	e	f	g	h	i
		Gross carrying amount							
					Residual maturity of moratoria				
31 Dec 2020	Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1 **Loans and advances for which moratorium was offered**	**31,898**	**62,535**							
2 **Loans and advances subject to moratorium (granted)**	**31,376**	**61,381**	**22**	**3,158**	**1,565**	**1,209**	**54,167**	**1,274**	**5**
3 *of which: Households*		*59,790*	*22*	*1,575*	*1,559*	*1,207*	*54,167*	*1,274*	*5*
4 *of which: Collateralised by residential immovable property*		*55,574*		*1,436*	*1,439*	*1,129*	*50,401*	*1,161*	*5*
5 *of which: Non-financial corporations*		*1,591*		*1,582*	*6*	*3*			
6 *of which: Small and Medium-sized Enterprises*		*1,563*		*1,554*	*6*	*3*			
7 *of which: Collateralised by commercial immovable property*		*1,225*		*1,222*	*3*				

SEK m	a	b	c	d	e	f	g	h	i
		Gross carrying amount							
					Residual maturity of moratoria				
30 Jun 2020	Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1 **Loans and advances for which moratorium was offered**	**22,620**	**41,551**							
2 **Loans and advances subject to moratorium (granted)**	**22,274**	**40,715**	**21**	**371**	**3,079**	**2,169**	**1,631**	**869**	**32,967**
3 *of which: Households*		*39,075*	*21*	*234*	*1,858*	*1,759*	*1,630*	*863*	*32,965*
4 *of which: Collateralised by residential immovable property*		*35,947*		*204*	*1,672*	*1,633*	*1,503*	*803*	*30,337*
5 *of which: Non-financial corporations*		*1,640*		*137*	*1,221*	*410*	*1*	*6*	*2*
6 *of which: Small and Medium-sized Enterprises*		*1,609*		*135*	*1,190*	*410*	*1*	*6*	*2*
7 *of which: Collateralised by commercial immovable property*		*1,408*		*59*	*1,051*	*350*	*1*	*6*	*2*

Table 16. Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

SEK m	a	b	c	d
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
31 Dec 2020		of which: forborne	Public guarantees received	Inflows to non-performing exposures
1 **Newly originated loans and advances subject to public guarantee schemes**	**313**		**234**	
2 *of which: Households*				
3 *of which: Collateralised by residential immovable property*				
4 *of which: Non-financial corporations*	*313*		*234*	
5 *of which: Small and Medium-sized Enterprises*	*128*			
6 *of which: Collateralised by commercial immovable property*	*25*			

SEK m	a	b	c	d
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
30 Jun 2020		of which: forborne	Public guarantees received	Inflows to non-performing exposures
1 **Newly originated loans and advances subject to public guarantee schemes**	**78**	**73**	**62**	
2 *of which: Households*				
3 *of which: Collateralised by residential immovable property*				
4 *of which: Non-financial corporations*	*78*	*73*	*62*	
5 *of which: Small and Medium-sized Enterprises*	*39*			
6 *of which: Collateralised by commercial immovable property*	*7*			

Table 17. EU CR2-A – Changes in the stock of general and specific credit risk adjustments

SEK m 31 Dec 2020	a Accumulated specific credit risk adjustment	b Accumulated general credit risk adjustment
1 **Opening balance 30 Jun**	**9,477**	
2 Increases due to amounts set aside for estimated loan losses during the period	1,427	
3 Decreases due to amounts reversed for estimated loan losses during the period	–865	
4 Decreases due to amounts taken against accumulated credit risk adjustments	–1,405	
5 Transfers between credit risk adjustments	1,479	
6 Impact of exchange rate differences	–629	
7 Business combinations, including acquisitions and disposals of subsidiaries		
8 Other adjustments	27	
9 **CLOSING BALANCE**	**9,512**	
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	–91	
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	160	

Table 18. EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

SEK m 31 Dec 2020	a Gross carrying value defaulted exposures
1 **Opening balance 30 Jun**	**14,927**
2 Loans and debt securities that have defaulted or impaired since the last reporting period	2,713
3 Returned to non-defaulted status	–134
4 Amounts written off	–1,405
5 Other changes	–1,212
6 **CLOSING BALANCE**	**14,890**

Credit risk mitigation and collateral

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

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

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

→ See also the section Counterparty Credit Risk on p. 30.

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

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

Table 19. **EU CR3 – Credit risk mitigation techniques – overview**

SEK m	a	b	c	d	e
31 Dec 2020	**Exposures unsecured – Carrying amount**	**Exposures secured – Carrying amount**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives**
1 Total loans	942,070	1,005,254	931,381	73,872	
2 Total debt securities	130,452	928		928	
3 **TOTAL EXPOSURES**	**1,072,522**	**1,006,182**	**931,381**	**74,800**	
4 Of which defaulted	6,377	1,143	1,103	40	

SEK m	a	b	c	d	e
30 Jun 2020	**Exposures unsecured – Carrying amount**	**Exposures secured – Carrying amount**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives**
1 Total loans	991,273	981,818	905,344	76,474	
2 Total debt securities	229,207	1,266		1,266	
3 **TOTAL EXPOSURES**	**1,220,481**	**983,084**	**905,344**	**77,741**	
4 Of which defaulted	7,524	1,319	1,273	46	

COMMENT

- *There were no significant changes in SEB's use of credit risk mitigation techniques in 2020. Around half of the loans and debt securities were secured by either collateral or financial guarantees.*

Measurement of credit risk

Internal risk classification system

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

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

Scoring systems

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

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

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

Credit risk estimation

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

Probability of default

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

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

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

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

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

Table 20. Structure of risk class scale in PD dimension

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

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

Exposure at default

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

Loss Given Default

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

Maturity

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

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

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

Validation of rating systems

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

Table 21. Exposure by model approach

SEK bn	A-IRB			F-IRB			Standardised		
31 Dec 2020	EAD	RWAs	Portfolios	EAD	RWAs	Portfolios	EAD	RWAs	Portfolios
SEB AB	1,585	271	Retail, corporate & institutions	645	85	Corporate & institutions, Sovereign & municipalities	41	20	Retail, corporate & other
Baltic subsidiaries	69	11	Retail exposures	134	59	Corporate & institutions, Sovereign & municipalities	12	6	Retail & other
Other subsidiaries	41	11	Retail, corporate & institutions	33	9	Corporate & institutions, Sovereign & municipalities	10	10	Retail, corporate & other
TOTAL	**1,695**	**293**		**812**	**153**		**62**	**37**	

IRB approval

SEB was first approved to report legal capital adequacy using the IRB approach for its main non-retail and retail mortgage portfolios in February 2007, when the Basel II framework came into force in Sweden. Since then, a number of portfolios and countries have been added.

For the parent company, the bank operates with an IRB-Advanced approval for all major portfolios and, since June 2017, with an IRB-Foundation approval for the sovereign portfolio. In the Baltic subsidiaries, SEB holds IRB-Advanced approval for all major retail portfolios and IRB-Foundation approval for its non-retail portfolio. Following the transition of the majority of the group's German operations to a branch, the IRB-Foundation is used for the group's German branch exposure. For the group, as at 31 December 2020, 97 per cent of the credit risk-weighted exposure amount was covered by the IRB approach and only smaller, less significant portfolios are being reported under the standardised approach.

Regulatory developments

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

Credit risk exposures under the standardised approach

The standardised approach is used for calculating risk-weighted exposure amounts for a number of minor portfolios, including some smaller sovereign exposures in certain foreign subsidiaries. According to the regulation, either the rating from an export credit agency (such as the Swedish Export Credits Guarantee Board) shall be used, or, where not available, the country rating from eligible credit assessment agencies such as Moody's, S&P, Fitch and DBRS.

Table 22. **EU CR4 – Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects**

SEK m	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post CCF and CRM			
31 Dec 2020	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	Average risk weight (%)
1 Central governments or central banks	4,309		4,309		966	22.4
6 Institutions	3,757	0	3,910	236	662	16.0
7 Corporates	5,361	2,987	4,127	907	4,693	93.2
8 Retail	22,493	2,401	18,136	803	13,527	71.4
9 Secured by mortgages on immovable property	5,835	107	5,835	53	1,935	32.9
10 Exposures in default	44	2	42	1	52	120.8
11 Items associated with particularly high risk	695		695		1,043	150.0
14 Claims in the form of CIU	57		57		57	100.0
15 Equity exposures	1,041		4,139		4,139	100.0
16 Other items	14,171		12,831		10,327	80.5
17 **TOTAL**	**57,763**	**5,497**	**54,081**	**2,000**	**37,401**	**66.7**

SEK m	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post CCF and CRM			
30 Jun 2020	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	Average risk weight (%)
1 Central governments or central banks	3,559		3,559		344	9.7
6 Institutions	2,860	0	3,421	213	531	14.6
7 Corporates	6,486	2,053	5,025	644	5,134	90.6
8 Retail	22,251	2,302	17,753	804	13,241	71.4
9 Secured by mortgages on immovable property	5,728	197	5,728	98	1,917	32.9
10 Exposures in default	69	3	65	1	79	118.5
11 Items associated with particularly high risk	665		665		998	150.0
14 Claims in the form of CIU	55		55		55	100.0
15 Equity exposures	540		3,638		3,638	100.0
16 Other items	13,434		12,649		10,311	81.5
17 **TOTAL**	**55,649**	**4,555**	**52,560**	**1,761**	**36,249**	**66.7**

Table 23. EU CR5 – Standardised approach – exposures by asset classes and risk weights

SEK m	Risk weight											Total credit exposure amount (post CCF and post-CRM)	Of which unrated
31 Dec 2020	**0%**	**2%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Others**	**Deducted**		
1 Central governments or central banks	3,008				670		631					**4,309**	
6 Institutions		936	3,206		2		2					**4,145**	3,846
7 Corporates			0		320		4,713	0				**5,034**	5,027
8 Retail						18,939						**18,939**	18,939
9 Secured by mortgages on immovable property				5,885	3							**5,888**	5,888
10 Exposures in default							25	18				**43**	42
11 Items associated with particularly high risk								695				**695**	695
14 Claims in the form of CIU							57					**57**	57
15 Equity exposures							4,139					**4,139**	4,034
16 Other items	2,155		215		1		9,758		456	246		**12,831**	12,831
17 **TOTAL**	**5,163**	**936**	**3,421**	**5,885**	**997**	**18,939**	**19,324**	**713**	**456**	**246**		**56,081**	**51,360**

SEK m	Risk weight											Total credit exposure amount (post CCF and post-CRM)	Of which unrated
30 Jun 2020	**0%**	**2%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Others**	**Deducted**		
1 Central governments or central banks	3,188				54		317					**3,559**	
6 Institutions		1,101	2,529		2		2					**3,634**	3,619
7 Corporates			0		670		4,999	0				**5,669**	5,661
8 Retail						18,557						**18,557**	18,557
9 Secured by mortgages on immovable property				5,813	13							**5,827**	5,827
10 Exposures in default							42	25				**66**	66
11 Items associated with particularly high risk								665				**665**	665
14 Claims in the form of CIU							55					**55**	55
15 Equity exposures							3,638					**3,638**	3,594
16 Other items	2,148		1				9,846		402	252		**12,649**	12,649
17 **TOTAL**	**5,336**	**1,101**	**2,530**	**5,813**	**739**	**18,557**	**18,899**	**690**	**402**	**252**		**54,321**	**50,694**

COMMENT

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

Credit risk exposures under IRB approaches

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

Table 24. EU CR6 – IRB – Credit risk exposures by exposure class and PD range

SEK m		a	b	c	d	e	f	g	h	i	j	k	l
31 Dec 2020	**PD scale**	**Original on-balance sheet gross exposure**	**Off-balance sheet exposures pre CCF**	**Average CCF (%)**	**EAD post CRM and post- CCF**	**Average PD (%)**	**Number of obligors[1)]**	**Average LGD (%)**	**Average maturity (years)**	**RWAs**	**Average risk weight (%)**	**EL**	**Value adjustments and Provisions**
F-IRB Central governments or central banks	0.00 to < 0.15	427,927	22,856	72	468,231	0.0	907	44.7	1.4	12,458	2.7	11	
	0.15 to < 0.25	731	1,073	75	1,536	0.2	30	44.5	2.5	694	45.2	1	
	0.25 to < 0.50	203	1	71	159	0.3	30	39.7	2.5	83	52.0	0	
	0.50 to < 0.75												
	0.75 to < 2.50	38	1	73	38	1.0	20	40.2	2.5	34	88.5	0	
	2.50 to < 10.00	43			1	4.1	10	45.0	2.5	1	149.1	0	
	10.00 to < 100.00	4	0	50	4	11.4	12	45.0	2.5	9	213.4	0	
	100.00 (Default)		0	50	0	100.0	1	45.0	2.5	0	0.0	0	
Sub-total		**428,946**	**23,931**	**72**	**469,970**	**0.0**	**1,010**	**44.7**	**1.4**	**13,279**	**2.8**	**13**	**2**
F-IRB Corporate	0.00 to < 0.15	50,973	63,672	62	85,484	0.1	581	39.1	2.5	16,517	19.3	20	
	0.15 to < 0.25	31,494	34,892	63	53,170	0.2	1,007	36.3	2.5	18,961	35.7	37	
	0.25 to < 0.50	30,315	11,650	64	37,828	0.4	1,321	37.2	2.5	17,583	46.5	50	
	0.50 to < 0.75	21,345	7,647	46	24,301	0.6	1,129	37.4	2.5	14,166	58.3	55	
	0.75 to < 2.50	56,551	13,270	58	62,852	1.2	3,322	38.0	2.5	47,084	74.9	289	
	2.50 to < 10.00	6,540	1,215	42	6,938	4.4	756	38.8	2.5	7,536	108.6	118	
	10.00 to < 100.00	474	110	12	469	16.3	65	35.0	2.5	586	124.9	26	
	100.00 (Default)	2,929	339	68	3,159	100.0	138	43.4	2.5	0	0.0	1,372	
Sub-total		**200,622**	**132,796**	**61**	**274,201**	**1.7**	**8,319**	**37.9**	**2.5**	**122,433**	**44.7**	**1,968**	**2,044**
F-IRB Institution	0.00 to < 0.15	44,956	14,528	63	53,938	0.0	193	25.6	2.5	6,753	12.5	5	
	0.15 to < 0.25	1,944	7,717	56	5,928	0.2	51	43.8	2.5	2,652	44.7	5	
	0.25 to < 0.50	1,183	1,220	68	2,017	0.4	36	37.8	2.5	1,169	57.9	3	
	0.50 to < 0.75	91			91	0.7	1	35.0	2.5	60	66.4	0	
	0.75 to < 2.50	3,152	1,027	72	3,892	1.2	35	44.2	2.5	3,975	102.1	21	
	2.50 to < 10.00	1,111	561	59	1,444	3.9	17	45.0	2.5	2,168	150.2	25	
	10.00 to < 100.00	3	136	20	30	16.5	6	20.8	2.5	35	115.0	1	
	100.00 (Default)	417	30	82	442	100.0	3	45.0	2.5	0	0.0	199	
Sub-total		**52,857**	**25,218**	**62**	**67,781**	**0.9**	**342**	**29.2**	**2.5**	**16,812**	**24.8**	**259**	**234**
A-IRB Corporate	0.00 to < 0.15	147,192	241,117	58	288,485	0.1	3,170	28.9	2.0	39,926	13.8	60	
	0.15 to < 0.25	114,982	94,029	56	172,785	0.2	4,429	26.8	2.0	40,149	23.2	89	
	0.25 to < 0.50	138,120	47,685	51	156,750	0.4	7,794	16.2	2.2	30,066	19.2	93	
	0.50 to < 0.75	123,091	19,352	58	136,210	0.6	6,305	13.4	2.1	25,593	18.8	107	
	0.75 to < 2.50	131,451	27,451	49	138,498	1.1	6,668	18.3	2.1	51,562	37.2	295	
	2.50 to < 10.00	14,771	7,859	52	16,877	4.2	10,772	27.4	2.1	13,746	81.4	196	
	10.00 to < 100.00	2,438	504	50	2,201	20.1	267	28.0	1.4	2,939	133.5	124	
	100.00 (Default)	9,165	432	60	9,296	100.0	239	2.4	1.6	2,814	30.3	4,610	
Sub-total		**681,209**	**438,430**	**56**	**921,102**	**1.5**	**39,644**	**22.2**	**2.0**	**206,796**	**22.5**	**5,574**	**5,766**
A-IRB Institution	0.00 to < 0.15	65,989	32,807	51	81,560	0.1	1,848	40.3	1.5	14,414	17.7	20	
	0.15 to < 0.25	6,560	4,962	25	7,372	0.2	2,116	35.3	1.1	2,120	28.8	5	
	0.25 to < 0.50	1,696	2,432	37	2,411	0.4	364	43.1	1.6	1,533	63.6	4	
	0.50 to < 0.75	0			0	0.6	4	39.7	1.0	0	66.1	0	
	0.75 to < 2.50	1,551	2,185	15	1,890	1.1	188	35.5	1.3	1,434	75.9	8	
	2.50 to < 10.00	1,023	1,288	14	970	5.3	152	55.0	0.8	1,954	201.4	29	
	10.00 to < 100.00	348	730	19	414	12.2	147	54.0	1.0	1,146	276.9	27	
	100.00 (Default)	0			0	100.0	22	49.8	1.0	1	622.1	0	
Sub-total		**77,166**	**44,404**	**44**	**94,617**	**0.2**	**4,841**	**40.1**	**1.5**	**22,602**	**23.9**	**94**	**13**
A-IRB Retail Mortgage	0.00 to < 0.15	191,686	4,599	59	194,381	0.1	288,341	6.7		3,080	1.6	12	
	0.15 to < 0.25	191,488	8,737	56	196,402	0.2	283,605	9.7		6,786	3.5	30	
	0.25 to < 0.50	122,035	30,730	51	137,625	0.3	220,676	15.1		11,970	8.7	63	
	0.50 to < 0.75	32,823	7,018	52	36,494	0.7	57,843	14.5		5,319	14.6	35	
	0.75 to < 2.50	23,300	1,821	73	24,627	1.3	34,550	13.8		5,249	21.3	46	
	2.50 to < 10.00	13,246	487	64	13,559	4.4	17,428	11.7		5,016	37.0	71	
	10.00 to < 100.00	4,835	35	66	4,858	24.5	8,266	11.2		3,026	62.3	125	
	100.00 (Default)	1,088	1	100	1,089	100.0	2,792	17.3		370	34.0	165	
Sub-total		**580,500**	**53,428**	**53**	**609,036**	**0.7**	**913,501**	**10.5**		**40,817**	**6.7**	**548**	**597**
A-IRB Other Retail	0.00 to < 0.15	5,721	28,466	81	28,986	0.1	1,002,117	42.7		2,322	8.0	8	
	0.15 to < 0.25	1,384	2,862	76	3,887	0.2	83,914	47.6		728	18.7	3	
	0.25 to < 0.50	4,706	2,980	70	6,885	0.3	54,276	50.2		1,908	27.7	11	
	0.50 to < 0.75	6,265	5,519	69	10,383	0.7	302,435	43.5		3,992	38.4	30	
	0.75 to < 2.50	7,020	3,515	71	9,589	1.3	676,331	48.3		5,108	53.3	62	
	2.50 to < 10.00	6,418	1,790	75	7,924	4.2	123,950	54.0		6,389	80.6	185	
	10.00 to < 100.00	1,144	245	76	1,356	25.2	74,822	54.4		1,703	125.6	188	
	100.00 (Default)	1,262	5	77	1,266	100.0	24,145	50.5		772	61.0	578	
SUB-TOTAL		**33,922**	**45,383**	**77**	**70,277**	**3.1**	**2,341,990**	**46.2**		**22,922**	**32.6**	**1,066**	**1,344**

1) Within the exposure class retail the number of exposures which were separately assigned to a certain rating grade or pool shall be reported. An obligor may be considered in more than one grade.

Table 24. EU CR6 – IRB – Credit risk exposures by exposure class and PD range

SEK m		a	b	c	d	e	f	g	h	i	j	k	l
30 Jun 2020	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF (%)	EAD post CRM and post- CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWAs	Average risk weight (%)	EL	Value adjustments and Provisions
F-IRB Central governments or central banks	0.00 to < 0.15	529,792	24,576	97	569,887	0.0	945	44.7	1.3	13,287	2.3	12	
	0.15 to < 0.25	743	1,668	71	1,761	0.2	26	44.7	2.5	766	43.5	1	
	0.25 to < 0.50	225	2	74	181	0.3	29	39.9	2.5	94	52.3	0	
	0.50 to < 0.75												
	0.75 to < 2.50	45	2	74	46	1.1	19	42.6	2.5	44	95.0	0	
	2.50 to < 10.00	1			1	4.0	9	45.0	2.5	2	148.1	0	
	10.00 to < 100.00	5	0	50	5	11.3	13	45.0	2.5	10	213.3	0	
	100.00 (Default)	47	0	50	47	100.0	2	45.0	2.5	0	0.0	21	
Sub-total		**530,857**	**26,248**	**95**	**571,928**	**0.0**	**1,043**	**44.7**	**1.3**	**14,203**	**2.5**	**35**	**5**
F-IRB Corporate	0.00 to < 0.15	49,752	60,533	61	81,280	0.1	652	40.5	2.5	16,444	20.2	20	
	0.15 to < 0.25	38,006	33,808	64	59,060	0.2	1,189	35.7	2.5	20,975	35.5	41	
	0.25 to < 0.50	31,224	11,337	64	38,637	0.4	1,416	37.6	2.5	18,438	47.7	52	
	0.50 to < 0.75	21,964	6,405	46	24,887	0.6	1,196	37.6	2.5	14,827	59.6	57	
	0.75 to < 2.50	60,734	12,445	59	66,091	1.2	3,597	38.3	2.5	50,643	76.6	304	
	2.50 to < 10.00	6,067	936	36	6,279	4.2	1,136	39.7	2.5	6,998	111.5	103	
	10.00 to < 100.00	738	116	31	753	16.7	70	35.8	2.5	1,096	145.5	44	
	100.00 (Default)	3,089	171	61	3,193	100.0	163	43.3	2.5	0	0.0	1,384	
Sub-total		**211,573**	**125,751**	**61**	**280,180**	**1.7**	**9,419**	**38.3**	**2.5**	**129,421**	**46.2**	**2,005**	**2,031**
F-IRB Institution	0.00 to < 0.15	46,424	14,985	58	54,827	0.0	217	25.4	2.5	6,847	12.5	5	
	0.15 to < 0.25	1,172	8,183	56	5,417	0.2	124	44.9	2.5	2,471	45.6	5	
	0.25 to < 0.50	2,460	426	65	2,450	0.4	40	39.7	2.5	1,483	60.5	4	
	0.50 to < 0.75	94			94	0.7	5	35.0	2.5	63	66.4	0	
	0.75 to < 2.50	4,911	842	64	5,449	1.3	51	44.5	2.5	5,667	104.0	31	
	2.50 to < 10.00	1,310	436	58	1,564	3.9	23	45.0	2.5	2,346	150.0	27	
	10.00 to < 100.00	27	226	32	99	16.1	7	24.7	2.5	137	138.5	3	
	100.00 (Default)	433	58	81	480	100.0	3	45.0	2.5	0	0.0	216	
Sub-total		**56,830**	**25,155**	**57**	**70,379**	**0.9**	**470**	**29.5**	**2.5**	**19,013**	**27.0**	**290**	**150**
A-IRB Corporate	0.00 to < 0.15	153,315	241,427	57	292,682	0.1	3,227	29.4	2.1	42,932	14.7	63	
	0.15 to < 0.25	123,620	98,103	57	180,443	0.2	4,429	27.7	2.0	44,806	24.8	98	
	0.25 to < 0.50	144,477	39,525	46	159,862	0.4	7,623	16.6	2.3	32,878	20.6	96	
	0.50 to < 0.75	116,126	20,175	55	128,318	0.6	6,050	12.8	2.1	23,678	18.5	96	
	0.75 to < 2.50	134,627	23,165	55	141,679	1.1	6,686	17.9	2.2	52,694	37.2	302	
	2.50 to < 10.00	17,638	4,913	55	19,558	3.9	10,667	25.5	2.0	14,938	76.4	204	
	10.00 to < 100.00	3,840	602	41	3,674	14.8	243	24.8	1.6	4,301	117.1	138	
	100.00 (Default)	9,323	652	60	9,624	100.0	253	2.9	1.8	3,432	35.7	4,056	
Sub-total		**702,967**	**428,562**	**56**	**935,841**	**1.5**	**39,178**	**22.5**	**2.1**	**219,659**	**23.5**	**5,052**	**5,880**
A-IRB Institution	0.00 to < 0.15	64,452	31,690	51	79,188	0.1	2,076	40.4	1.6	12,630	15.9	18	
	0.15 to < 0.25	7,697	5,932	25	9,152	0.2	2,167	34.7	1.1	2,628	28.7	7	
	0.25 to < 0.50	1,889	3,277	24	2,666	0.4	440	48.6	1.0	1,831	68.7	6	
	0.50 to < 0.75	1			1	0.7	2	37.2	1.0	0	53.1	0	
	0.75 to < 2.50	1,178	2,293	16	1,546	1.2	210	43.4	1.3	1,507	97.5	8	
	2.50 to < 10.00	790	902	16	832	5.4	137	54.6	0.5	1,632	196.2	24	
	10.00 to < 100.00	167	682	12	238	12.8	138	54.0	0.6	655	274.7	17	
	100.00 (Default)	0	0	0	0	100.0	22	51.8	1.0	1	648.0	0	
Sub-total		**76,174**	**44,777**	**42**	**93,623**	**0.2**	**5,192**	**40.3**	**1.5**	**20,886**	**22.3**	**80**	**9**
A-IRB Retail Mortgage	0.00 to < 0.15	189,410	4,266	59	191,926	0.1	288,965	6.9		3,131	1.6	12	
	0.15 to < 0.25	184,807	8,961	56	189,787	0.2	280,274	9.8		6,658	3.5	30	
	0.25 to < 0.50	118,191	30,312	51	133,672	0.3	218,493	15.0		11,493	8.6	61	
	0.50 to < 0.75	31,022	7,447	53	34,951	0.7	56,392	14.6		5,097	14.6	34	
	0.75 to < 2.50	23,364	1,901	72	24,723	1.3	34,349	13.4		5,101	20.6	44	
	2.50 to < 10.00	13,365	618	58	13,730	4.3	18,199	12.0		5,146	37.5	73	
	10.00 to < 100.00	5,076	78	61	5,124	23.8	8,956	11.7		3,307	64.5	134	
	100.00 (Default)	1,235	1	100	1,235	100.0	3,122	18.1		423	34.2	196	
Sub-total		**566,468**	**53,583**	**54**	**595,147**	**0.8**	**908,750**	**10.6**		**40,357**	**6.8**	**583**	**638**
A-IRB Other Retail	0.00 to < 0.15	5,694	29,264	81	29,669	0.1	1,056,158	42.5		2,370	8.0	8	
	0.15 to < 0.25	1,363	2,579	73	3,600	0.2	86,842	48.0		680	18.9	3	
	0.25 to < 0.50	4,792	2,831	69	6,854	0.3	56,114	50.4		1,916	27.9	11	
	0.50 to < 0.75	6,390	6,375	70	11,128	0.7	344,807	43.3		4,271	38.4	32	
	0.75 to < 2.50	6,582	3,816	71	9,370	1.3	627,443	50.1		5,179	55.3	63	
	2.50 to < 10.00	6,927	2,081	75	8,657	4.2	145,515	53.6		6,956	80.4	201	
	10.00 to < 100.00	1,247	283	76	1,486	24.2	78,835	54.0		1,837	123.6	197	
	100.00 (Default)	1,375	7	78	1,380	100.0	27,330	50.5		918	66.5	624	
Sub-total		**34,370**	**47,236**	**77**	**72,143**	**3.3**	**2,423,044**	**46.4**		**24,127**	**33.4**	**1,140**	**1,501**

On 31 December 2020, the credit risk exposure under IRB amounted to SEK 2,507bn compared to SEK 2,619bn on 30 June 2020. RWA decreased to SEK 446bn from 468bn during the same period.

Table 25. EU CR7 – IRB approach – effect on RWA of credit derivatives used as CRM techniques

SEK m	a	b	a	b
	31 Dec 2020		30 Jun 2020	
	Pre-credit derivatives RWAs	Actual RWAs	Pre-credit derivatives RWAs	Actual RWAs
1 **Exposures under FIRB**	**152,524**	**152,524**	**162,637**	**162,637**
2 Central governments or central banks	13,279	13,279	14,203	14,203
3 Institutions	16,812	16,812	19,013	19,013
4 Corporates – SMEs	24,477	24,477	35,652	35,652
5 Corporates – Specialised lending	4,257	4,257	4,531	4,531
6 Corporates – Other	93,699	93,699	89,238	89,238
7 **Exposures under AIRB**	**293,137**	**293,137**	**305,029**	**305,029**
9 Institutions	22,602	22,602	20,886	20,886
10 Corporates – SMEs	26,232	26,232	27,353	27,353
11 Corporates – Specialised lending	11,471	11,471	10,342	10,342
12 Corporates – Other	169,093	169,093	181,963	181,963
13 Retail – Secured by real estate SME	1,469	1,469	1,597	1,597
14 Retail – Secured by real estate non-SME	39,348	39,348	38,761	38,761
16 Retail – Other SME	5,278	5,278	5,219	5,219
17 Retail – Other non-SME	17,644	17,644	18,908	18,908
20 **TOTAL**	**445,662**	**445,662**	**467,665**	**467,665**

COMMENT

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

Table 26. Back-testing of PD

31 Dec 2020	Exposure (SEK m)	PD (counterparty weighted)	PD (exposure weighted)	Observed Default Frequency (ODF) (counterparty weighted)	Observed Default Frequency (ODF) (exposure weighted)
Non-retail	1,892,355	0.81%	0.31%	0.31%	0.55%
Retail Sweden[1)]	508,039	0.49%	0.51%	0.10%	0.11%
Retail Baltics[1)]	61,434	1.13%	1.01%	0.31%	0.25%

31 Dec 2019	Exposure (SEK m)	PD (counterparty weighted)	PD (exposure weighted)	Observed Default Frequency (ODF) (counterparty weighted)	Observed Default Frequency (ODF) (exposure weighted)
Non-retail	1,619,863	0.94%	0.45%	0.35%	0.43%
Retail Sweden[1)]	479,492	0.48%	0.49%	0.09%	0.10%
Retail Baltics[1)]	55,944	1.2%	1.09%	0.43%	0.41%

1) Retail mortgage.

COMMENT

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

Equity exposures not included in the trading book

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

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

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

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

→ Further information regarding accounting principles and valuation methodologies can be found in the Annual Report note 1 and note 36. Further information regarding SEB's investments in associates can be found in the Annual Report note 22.

Table 27. **Equity exposures not included in the trading book**

SEK m **31 Dec 2020**	Book value	Fair value	Fair value of listed shares	Unrealised gains/losses	Realised gains/losses
Associates (venture capital holdings)	586	586	60	228	–178
Associates (strategic investments)	548	548			
Other strategic investments	5,676	5,676	1,076	467	–14
Seized shares	104	104			
TOTAL	**6,914**	**6,914**	**1,137**	**695**	**–192**

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

Counterparty credit risk

Management of counterparty credit risk

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

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

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

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

Measurement of counterparty credit risk

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

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

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

Table 28. EU CCR1 – Analysis of CCR exposure by approach

SEK m	b	c	d	e	f	g
31 Dec 2020	Replacement cost/Current market value	Potential future exposure	Effective expected positive exposure (EEPE)	Multiplier	EAD post CRM	RWAs
1 Mark to market	5,216	16,678			21,894	2,507
4 Internal Model Method (for derivatives and SFTs)			85,336	1.4	119,470	15,882
5 of which Securities Financing Transactions			*25,729*	*1.4*	*36,020*	*37*
6 of which derivatives & Long Settlement Transactions			*59,607*	*1.4*	*83,450*	*15,845*
9 Financial collateral comprehensive method (for SFTs)					31,886	2,577
11 **TOTAL**						**20,966**

SEK m	b	c	d	e	f	g
30 Jun 2020	Replacement cost/Current market value	Potential future exposure	Effective expected positive exposure (EEPE)	Multiplier	EAD post CRM	RWAs
1 Mark to market	10,344	18,142			28,486	3,891
4 Internal Model Method (for derivatives and SFTs)			82,451	1.5	123,676	19,302
5 of which Securities Financing Transactions			*18,306*	*1.5*	*27,459*	*36*
6 of which derivatives & Long Settlement Transactions			*64,145*	*1.5*	*96,218*	*19,265*
9 Financial collateral comprehensive method (for SFTs)					26,132	2,495
11 **TOTAL**						**25,688**

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

Table 29. EU CCR2 – CVA capital charge

SEK m	31 Dec 2020		30 Jun 2020	
	Exposure value	RWAs	Exposure value	RWAs
4 All portfolios subject to the Standardised Method	43,335	7,336	45,009	8,272
5 **TOTAL SUBJECT TO THE CVA CAPITAL CHARGE**	**43,335**	**7,336**	**45,009**	**8,272**

Table 30. EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights

SEK m	Risk weight						
31 Dec 2020	0%	20%	50%	75%	100%	Total	Of which unrated
6 Institutions	3,075	0	0			**3,076**	1,500
7 Corporates					220	**220**	220
8 Retail				1		**1**	1
11 **TOTAL**	**3,075**	**0**	**0**	**1**	**220**	**3,297**	**1,721**

SEK m	Risk weight						
30 Jun 2020	0%	20%	50%	75%	100%	Total	Of which unrated
6 Institutions	2,670	0	0			**2,670**	2,670
7 Corporates					337	**337**	337
8 Retail				1		**1**	1
11 **TOTAL**	**2,670**	**0**	**0**	**1**	**337**	**3,008**	**3,008**

COMMENT

- *Only a small part of SEB´s counterparty credit risk is according to Standardised approach, and increased from SEK 3bn on 30 June 2020 to SEK 3.3bn at year-end 2020.*

Table 31. EU CCR4 – IRB approach – CCR exposures by portfolio and PD scale

SEK m		a	b	c	d	e	f	g	a	b	c	d	e	f	g
		31 Dec 2020							30 Jun 2020						
	PD scale	EAD post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWAs	Average risk weight (%)	EAD post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWAs	Average risk weight (%)
F-IRB Central governments or central banks	0.00 to < 0.15	48,766	0.0	130	43.9	1.0	611	1.3	41,940	0.0	134	44.0	1.1	630	1.5
	0.15 to < 0.25														
	0.25 to < 0.50														
	0.50 to < 0.75														
	0.75 to < 2.50	2	2.0	1	45.0	2.5	3	121.7	38	2.0	1	45.0	2.5	47	121.7
	2.50 to < 10.00														
	10.00 to < 100.00														
	100.00 (Default)														
Sub-total		**48,768**	**0.0**	**131**	**43.9**	**1.0**	**614**	**1.3**	**41,978**	**0.0**	**135**	**44.0**	**1.1**	**676**	**1.6**
F-IRB Corporates	0.00 to < 0.15	3,067	0.1	92	18.3	2.5	272	8.9	4,460	0.1	105	14.6	2.5	381	8.5
	0.15 to < 0.25	696	0.2	60	33.0	2.5	237	34.1	770	0.2	53	17.4	2.5	139	18.1
	0.25 to < 0.50	373	0.4	52	30.3	2.5	152	40.7	326	0.4	54	21.6	2.5	95	29.1
	0.50 to < 0.75	52	0.6	15	45.0	2.5	37	72.2	63	0.6	17	35.2	2.5	37	58.1
	0.75 to < 2.50	294	1.2	102	29.1	2.5	161	55.0	289	1.1	103	32.0	2.5	173	59.9
	2.50 to < 10.00	23	3.4	14	17.0	2.5	10	42.9	36	2.8	13	0.5	2.5	0	1.1
	10.00 to < 100.00														
	100.00 (Default)	0	100.0	1	45.0	2.5	0	0.0							
Sub-total		**4,504**	**0.2**	**336**	**22.6**	**2.5**	**870**	**19.3**	**5,943**	**0.2**	**346**	**16.3**	**2.5**	**825**	**13.9**
F-IRB Institutions	0.00 to < 0.15	10,203	0.0	176	0.7	2.5	50	0.5	6,806	0.0	205	0.7	2.5	29	0.4
	0.15 to < 0.25	872	0.2	43	14.7	2.5	137	15.7	1,127	0.2	51	7.4	2.5	92	8.1
	0.25 to < 0.50	1,266	0.4	101	0.5	2.5	8	0.6	1,120	0.4	94	0.2	2.5	3	0.3
	0.50 to < 0.75	10	0.6	3	44.7	2.5	8	79.0	10	0.6	3	43.2	2.5	7	76.4
	0.75 to < 2.50	96	1.6	13	17.0	2.5	45	46.6	116	1.3	26	24.2	2.5	69	59.3
	2.50 to < 10.00														
	10.00 to < 100.00														
	100.00 (Default)														
Sub-total		**12,448**	**0.1**	**336**	**1.8**	**2.5**	**247**	**2.0**	**9,179**	**0.1**	**379**	**1.8**	**2.5**	**200**	**2.2**
A-IRB Corporates	0.00 to < 0.15	35,502	0.1	566	30.0	2.2	4,731	13.3	40,991	0.1	580	30.5	2.3	5,712	13.9
	0.15 to < 0.25	5,927	0.2	279	30.2	1.9	1,576	26.6	7,836	0.2	298	30.7	2.1	2,191	28.0
	0.25 to < 0.50	4,755	0.4	270	30.2	2.5	1,935	40.7	5,666	0.4	312	29.1	2.5	2,144	37.8
	0.50 to < 0.75	3,792	0.6	250	27.1	3.0	1,787	47.1	5,039	0.6	294	27.7	3.0	2,465	48.9
	0.75 to < 2.50	2,901	1.1	280	22.8	2.1	1,313	45.3	4,505	1.2	335	26.9	1.9	2,408	53.4
	2.50 to < 10.00	799	3.4	142	35.3	1.4	750	93.9	612	3.7	166	34.4	1.8	584	95.4
	10.00 to < 100.00	5	19.1	4	35.8	1.0	8	177.9	2	21.0	4	36.5	1.0	3	190.2
	100.00 (Default)	45	100.0	1	0.0	1.1	0	0.0	63	100.0	5	0.0	2.2	0	0.0
Sub-total		**53,726**	**0.3**	**1,792**	**29.5**	**2.2**	**12,101**	**22.5**	**64,714**	**0.4**	**1,994**	**29.9**	**2.3**	**15,508**	**24.0**
A-IRB Institutions	0.00 to < 0.15	45,586	0.0	892	40.6	1.1	4,954	10.9	47,709	0.0	950	40.5	1.3	5,710	12.0
	0.15 to < 0.25	1,541	0.2	85	40.9	0.4	398	25.8	1,769	0.2	91	41.6	0.6	493	27.9
	0.25 to < 0.50	2,999	0.4	135	40.8	0.4	1,151	38.4	3,314	0.4	150	40.6	0.3	1,198	36.1
	0.50 to < 0.75	4	0.6	1	78.0	1.0	4	104.9	7	0.6	2	78.0	1.0	7	105.8
	0.75 to < 2.50	282	1.3	26	40.7	1.5	262	92.9	581	1.0	39	40.7	2.3	595	102.5
	2.50 to < 10.00	87	3.7	2	41.0	0.2	91	104.1	85	3.7	2	41.0	0.2	89	104.1
	10.00 to < 100.00														
	100.00 (Default)														
Sub-total		**50,500**	**0.1**	**1,141**	**40.6**	**1.0**	**6,861**	**13.6**	**53,465**	**0.1**	**1,234**	**40.6**	**1.2**	**8,092**	**15.1**

COMMENT

- *On 31 December 2020, the counterparty credit risk exposure under IRB was SEK 169bn compared to SEK 175bn on 30 June 2020. RWA decreased to SEK 21bn from SEK 25bn during the same period.*

Netting and collateral management

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

Netting and collateral agreements can contain rating triggers. SEB has a restrictive policy in respect of rating-based levels for thresholds and minimum transfer amounts. In addition, asymmetrical rating trigger levels require specific approval from a deviation committee. Rating-based thresholds have only been accepted for a very limited number of counterparties. If SEB were downgraded, the impact would be limited. In the event of a downgrade, SEB would need to post additional collateral of approximately SEK 2,640m for a one-notch downgrade and approximately SEK 6,690m for a two-notch downgrade. Furthermore, as a general rule, rating triggered termination events are not accepted.

Counterparty credit risk can also be mitigated by steering exposure and risks to clearing houses, which is common for a range of products to reduce bilateral counterparty credit risk. Exposure to qualified counterparty clearing houses (QCCPs), excluding initial margin and default fund contributions, amounted to SEK 3.3bn as at year-end. Risk can also be closed out through various portfolio compression activities. A small part of the counterparty credit risk exposure is reduced by credit derivatives. SEB conducts credit derivative transactions primarily in connection with counterparty risk and mainly trades with counterparties where an ISDA CSA agreement has been established. Rather than using credit derivatives to mitigate counterparty credit risk in its trading operations, SEB prefers to make use of collateral arrangements.

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

Table 32. **EU CCR5-A – Impact of netting and collateral held on exposure values**

SEK m	a	b	c	d	e
31 Dec 2020	**Gross positive fair value or net carrying amount**	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
1 Derivatives	349,526	–261,701	87,824	–81,150	6,674
2 STFs	56,647	–5,192	51,454	–37,884	13,570
3 Cross-product netting					
4 **TOTAL**	**406,172**	**–266,894**	**139,279**	**–119,034**	**20,245**

SEK m	a	b	c	d	e
30 Jun 2020	**Gross positive fair value or net carrying amount**	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
1 Derivatives	362,586	–274,892	87,693	–72,214	15,479
2 STFs	49,686	–6,664	43,022	–32,487	10,535
3 Cross-product netting					
4 **TOTAL**	**412,272**	**–281,556**	**130,716**	**–104,701**	**26,015**

Table 33. EU CCR5-B – Composition of collateral for exposures to CCR

SEK m	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
31 Dec 2020	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash – domestic currency	24	14,725		3,241	3,879	417
Cash – other currencies	737	51,825		58,240	14,577	21,392
Domestic sovereign debt	30	4,249	3,356	9	25,200	4,946
Other sovereign debt	5,509	9,340	11,595	3,201	47,940	11,531
Institutions	517	13,308	14,563	2,463	78,981	43,315
Corporates	4	271			1,967	518
Equity securities	1,546	454	1,116		80,951	64,284
Other collateral						
TOTAL	**8,366**	**94,171**	**30,631**	**67,154**	**253,497**	**146,402**

SEK m	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
30 Jun 2020	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash – domestic currency	20	11,033		3,167	2,662	939
Cash – other currencies	152	44,611		49,836	10,905	27,331
Domestic sovereign debt	23	3,384	1,925	106	44,133	20,631
Other sovereign debt	3,128	10,838	11,946	3,381	60,831	12,158
Institutions	442	12,740	14,899	639	173,312	56,701
Corporates		262			1,714	25
Equity securities	2,276	341	394	954	82,835	54,492
Other collateral					190	
TOTAL	**6,042**	**83,209**	**29,164**	**58,084**	**376,581**	**172,276**

Table 34. EU CCR6 – Credit derivatives exposures

SEK m	a	b	c	a	b	c
	31 Dec 2020			30 Jun 2020		
	Credit derivative hedges		Other credit derivatives	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold		Protection bought	Protection sold	
Notionals						
Single-name credit default swaps			2,096			1,932
Index credit default swaps			1,993	6,595		3,073
Total return swaps						
Credit options						
Other credit derivatives						
TOTAL NOTIONALS			**4,089**	**6,595**		**5,005**
Fair values						
Positive fair value (asset)			***88***			***292***
Negative fair value (liability)			***–127***	***–116***		***–187***

Table 35. EU CCR8 – Exposures to CCPs

SEK m	a	b	a	b
	31 Dec 2020		30 Jun 2020	
	EAD post CRM	RWAs	EAD post CRM	RWAs
1 **Exposures to QCCPs (total)**		**73**		**76**
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	3,345	67	3,292	66
3 (i) OTC derivatives	722	14	700	14
4 (ii) Exchange-traded derivatives	2,623	52	2,592	52
5 (iii) Securities financing transactions	0	0	0	0
6 (iv) Netting sets where cross-product netting has been approved				
7 Segregated initial margin [1]	3,764		4,906	
8 Non-segregated initial margin [1]	5,597		4,896	
9 Prefunded default fund contributions	1,856	184	1,787	80
10 Alternative calculation of own funds requirements for exposures				

1) Posted initial margin, excluding client clearing.

Securitisations

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

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

Table 36. Securitisations in banking book by rating category

SEK m	31 Dec 2020					31 Dec 2019				
			Reported as risk exposure amount					Reported as risk exposure amount		
	Total exposure	Of which deducted	Exposure	Average risk weight (%)	RWAs	Total exposure	Of which deducted	Exposure	Average risk weight (%)	RWAs
AAA/Aaa	10,034		10,034	11.2	1,128	10,156		10,156	7.4	754
AA/Aa										
A/A	1,967		1,967	43.0	845	2,266		2,266	19.5	441
BBB/Baa										
BB/Ba										
TOTAL	**12,001**		**12,001**	**16.4**	**1,973**	**12,422**		**12,422**	**9.6**	**1,195**

Table 37. Securitisations in banking book by asset type

SEK m	31 Dec 2020					31 Dec 2019				
			Reported as risk exposure amount					Reported as risk exposure amount		
	Total exposure	Of which deducted	Exposure	Average risk weight (%)	RWAs	Total exposure	Of which deducted	Exposure	Average risk weight (%)	RWAs
Collateralised loan obligations (CLO)										
Commercial mortgage backed securitisations (CMBS)										
Collateralised mortgage obligations (CMO)										
Residential mortgage backed securitisations (RMBS)										
Securities backed with other assets	9,101		9,101	13.8	1,253	9,233		9,233	9.7	898
Liquidity facilities	2,900		2,900	24.8	720	3,189		3,189	9.3	297
TOTAL	**12,001**		**12,001**	**16.4**	**1,973**	**12,422**		**12,422**	**9.6**	**1,195**

COMMENT

- *SEB's securitisation exposure amounted to SEK 12.0bn (12.4) as at 31 December 2020, of which the majority was AAA-rated exposures.*

Market risk

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

Risk management

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

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

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

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

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

Market risk limits and control

A market risk framework is in place to ensure proper oversight of all types of market risks, including both the trading-related risks, the market risk in the banking book and the market risk related to fair value adjustments. The Board of Directors defines how much market risk is acceptable by setting the overall market risk limits and general instructions. The limits are based on recommendations from the Risk and Capital Committee of the Board of Directors, upon proposals made by the CRO. The Group Risk Committee delegates the market risk mandate set by the Board of Directors to the divisions and treasury function which, in turn, further delegate the limits internally. The Board of Directors has decided on a number of key risk measures to limit the

Market risk types

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

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

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

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

Equity price risk: 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, complemented with sensitivities for derivative positions.

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

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

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

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

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

total market risk exposure: Value-at-Risk (VaR), Delta 1%, Aggregated FX and stop-loss limits, maximum losses in stress tests (historical and forward-looking) and valuation uncertainty in fair value positions for capital. Within the divisions and the treasury function, limits are also imposed on different position and sensitivity measures and stress tests are conducted as appropriate to the various businesses.

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

→ For further information about prudent valuation and valuation methodologies, refer to note 36 in the Annual Report.

Measurement of market risk

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

VaR and stressed VaR

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

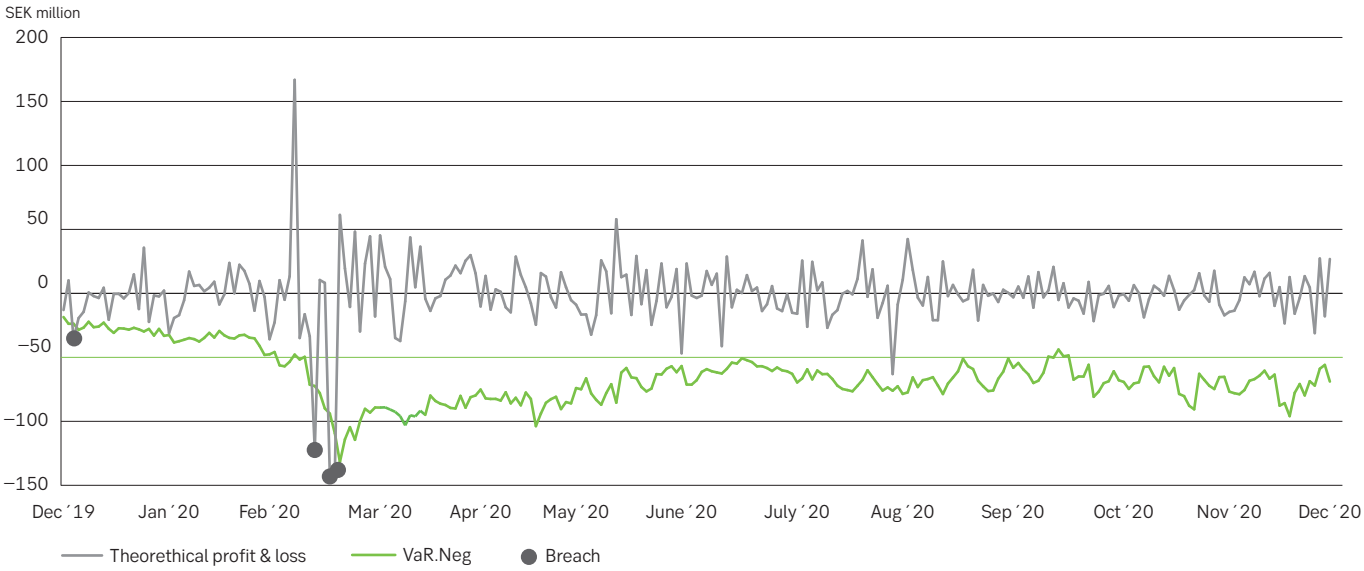
A limitation of SEB's VaR model is that it uses historical data to estimate potential market changes. As such it may not predict all outcomes, especially in a rapidly changing market. Also, VaR does not take into account any actions to reduce risk as the model assumes that the portfolio is unchanged.

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

Back-testing of regulatory VaR-model

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

Table 38. **EU MR4 – Comparison of VaR estimates with losses**
(SEK million, unweighted VaR vs. theoretical profit and loss, 99% confidence interval and one-day holding period)



COMMENT

- *The chart above compares daily VaR of the trading book with theoretical losses in 2020.*
- *In 2020, the theoretical loss for the trading book exceeded VaR on four occasions.*

Table 39. Trading book VaR and Stressed VaR

SEK m	Value at Risk (99 per cent, ten days)					Stressed Value at Risk (99 per cent, ten days)				
Value at Risk (99 per cent, ten days)	Min	Max	**31 Dec 2020**	**Average 2020**	Average 2019	Min	Max	**31 Dec 2020**	**Average 2020**	Average 2019
Commodities risk	18	105	72	34	21	13	64	43	31	51
Credit spread risk	23	129	78	76	29	143	365	217	233	216
Equity risk	9	69	43	23	48	22	223	78	59	172
Foreign exchange risk	10	104	29	45	42	23	291	53	125	121
Interest rate risk	39	346	187	196	65	216	632	472	393	390
Volatilities risk	9	75	13	26	33	7	95	14	25	83
Diversification			–195	–191	–140			–453	–473	–479
TOTAL	**107**	**829**	**228**	**210**	**98**	**424**	**1,670**	**424**	**393**	**554**

Table 40. Banking book VaR

SEK m	Value at Risk (99 per cent, ten days)				
Value at Risk (99 per cent, ten days)	Min	Max	**31 Dec 2020**	**Average 2020**	Average 2019
Credit spread risk	39	217	139	160	52
Equity price risk	34	132	80	96	46
Foreign exchange rate risk	0	13	13	1	1
Interest rate risk	158	366	237	259	171
Diversification			–57	–71	–76
TOTAL	**231**	**728**	**412**	**444**	**194**

COMMENT

- *In 2020, the 10-day VaR in SEB's trading-related activities averaged SEK 210m, compared to SEK 98m in 2019. The average banking book VaR increased from SEK 194m in 2019 to SEK 444m in 2020. For both the trading and banking book, VaR increased sharply in March due to extreme volatility caused by the COVID-19 pandemic and remained on an elevated level throughout the year.*

Expected Shortfall

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

Stress tests and scenario analyses

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

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

Risk type-specific measures

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

Delta 1%

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

Aggregated FX positions

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

Stop-loss limits

Stop-loss limits are used throughout the group's trading activities. A stop-loss limit is a specified loss amount at which loss limiting measures must be executed in order to restrict potential

losses of a position, portfolio or entity. Since it focuses on actual losses, the stop-loss framework covers all risk events and risk drivers, and helps limit losses under stressed market conditions.

Capital requirement for market risk in the trading book

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

Table 41. EU MR1 – Market risk under the standardised approach

SEK m		a	b	a	b
		31 Dec 2020		30 Jun 2020	
		RWAs	Capital requirements	RWAs	Capital requirements
	Outright products	8,742	699	9,412	753
1	Interest rate risk (general and specific)	7,845	628	8,583	687
2	Equity risk (general and specific)	897	72	829	66
3	Foreign exchange risk				
4	Commodity risk				
	Options				
5	Simplified approach				
6	Delta-plus method				
7	Scenario approach				
8	Securitisation (specific risk)				
9	**TOTAL**	**8,742**	**699**	**9,412**	**753**

Table 42. EU MR2-A – Market risk under the IMA

SEK m		a	b	a	b
		31 Dec 2020		30 Jun 2020	
		RWAs	Capital requirements	RWAs	Capital requirements
1	**VaR**	**8,634**	**691**	**11,795**	**944**
(a)	Previous day's VaR (Article 365(1) of the CRR (VARt-1)	2,725	218	2,246	180
(b)	Average of the daily VaR (Article 365(1)) of the CRR on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 of the CRR	8,634	691	11,795	944
2	**SVaR**	**19,453**	**1,556**	**16,601**	**1,328**
(a)	Latest SVaR (article 365(2) of the CRR (SVaRt-1)	5,304	424	4,278	342
(b)	Average of the SVaR (article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (mc) (Article 366 of the CRR)	19,453	1,556	16,601	1,328
5	**Other**				
6	**TOTAL**	**28,088**	**2,247**	**28,396**	**2,272**

COMMENT

- *Total RWA remains relatively unchanged where lower VaR contribution is offset by an increase in stressed VaR contribution.*

Table 43. EU MR3 – IMA values for trading portfolios

SEK m	31 Dec 2020	30 Jun 2020
VaR (10 day 99%)		
Maximum value	303	417
Average value	210	204
Minimum value	139	70
Period end	218	180
SVaR (10 day 99%)		
Maximum value	577	505
Average value	426	353
Minimum value	280	233
Period end	424	342
ICR (99.9%)		
Maximum value		
Average value		
Minimum value		
Period end		
Comprehensive risk capital charge (99.9%)		
Maximum value		
Average value		
Minimum value		
Period end		

Operational risk

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

Risk management

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

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

The business divisions and staff functions own the risk inherent in their operations, including 3rd party/outsourcing arrangements. As the first line of defense, all managers throughout SEB have the responsibility to identify, assess, monitor and mitigate operational risks in their operations. Operational risk managers are embedded within the first line of defence and are dedicated to assist managers in the day-to-day operational risk management. They are delegated the task to ensure an effective implementation of the operational risk management and internal control framework.

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

SEB's structured approach for working with operational risk has resulted in a reduced number of incidents as well as increased risk awareness over the years. Net losses from operational incidents increased to SEK 1,235m in 2020 (120), mainly due to the SEK 1bn administrative fine issued by the Swedish FSA following its supervisory review of SEB's routines and processes with regards to the regulatory frameworks that govern anti-money laundering. Excluding the fine, operational losses in 2020 were characterized by a few incidents with higher financial impact compared to the relatively low loss amount in 2019.

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

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

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

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

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

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

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

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

Despite a robust operational risk management framework, SEB strives to continuously improve its framework and risk practices to mitigate existing and emerging risks.

The cyber threat environment for instance is becoming increasingly sophisticated. To ensure availability of the bank's services and protect assets SEB is taking a holistic approach to cybersecurity. All security functions have been gathered in one global organisation and IT-systems, applications, networks and devices are systematically tested and monitored. Risk awareness training and proactive communication to all SEB employees are part of the security work. External and internal assessments and audits are performed regularly to test the operational resilience. In 2020, SEB established a Cyber Risk and Cybersecurity Committee to support the Board of Directors, the President and the CRO in their responsibilities with knowledge, skills and expertise and to advise in decision-making of risk-taking activities.

Data management and data ethics are also growing in importance as regulatory requirements related to, for instance, financial reporting, the Payment Services Directive and money laundering lead to an increased need for data, data processing and data-sharing with third-party providers. SEB has well defined processes for managing risks related to this area and in 2020 a group-wide information governance framework was implemented including group-wide data councils and data management tools and processes.

As a bank, SEB is exposed to the risk of being used for corruption, money laundering and financing of terrorism. Work to strengthen SEB's defense against money laundering continues to be of high priority. SEB has a clear governance model for its preventive work with mandates, instructions and responsibilities. Work includes regular risk assessments, risk-based customer due diligence process and efficient transaction monitoring. External co-operations are becoming increasingly important and include the creation of a joint know-your-customer platform (Invidem) with five other Nordic banks and SAMLIT (Swedish Anti-Money Laundering Intelligence Task Force), a cooperation between the Swedish Police Authority and the large Swedish banks to increase information sharing.

→ Please refer to the chapter Risk, liquidity and capital management of the Annual Report for further description of operational risks and other non-financial risks.

Measurement of operational risk

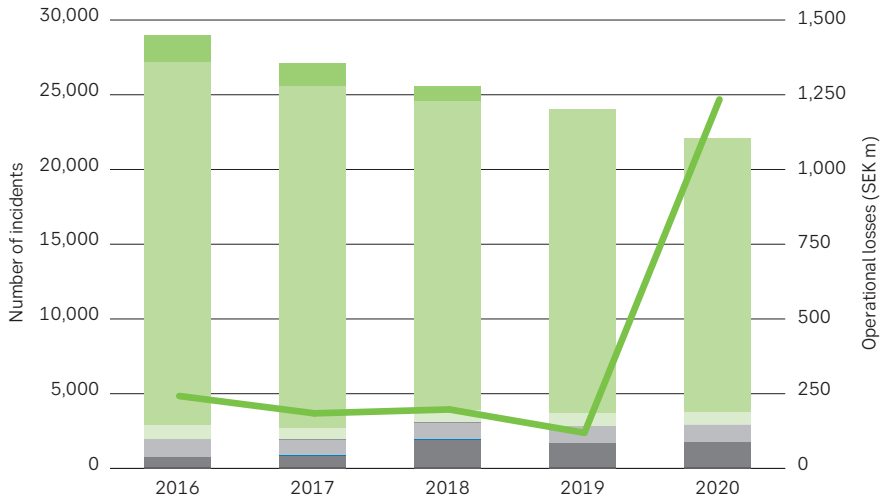
SEB has received regulatory approval to use the Advanced Measurement Approach (AMA) to calculate the capital requirement for operational risk. This regulatory approval is a confirmation of SEB's experience and expertise in operational risk management, including incident reporting, operational loss reporting,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

Using the AMA model, SEB quantifies operational risk with a loss distribution approach, using internal data and external operational losses in the global financial sector. The AMA model is structured along the regulatory-defined business lines for operational risk where SEB's business volume serves as a risk estimate in the modelling. Once the capital requirement for the group has been calculated, it can be allocated in a fashion that is similar to the methodology used in the Standardised Approach, however using capital multipliers representing each business line's riskiness as assessed in the model. The quality of the risk management of the divisions, based upon their self-assessment, is taken into account as well. As a result of the bank's efficient operational risk management, the capital SEB is required to hold with respect to operational risk is reduced.

The capital requirement for operational risk is not affected by any external insurance agreement to reduce or transfer the impact of operational risk losses. The total capital requirement for operational risk was SEK 4.0bn (3.8) at the end of 2020.

The Basel Committee has decided on a standardised approach to calculate the operational capital requirement and it will replace all existing methods, including AMA, to calculate capital for operational risk. The standardised approach uses multipliers to banks' financial income statement, where also internal loss statistics will be considered. The standardised approach will come into effect on 1 January 2023.

Table 44. Operational risk incidents registered and analysed



COMMENT

- *Net losses from operational incidents increased to SEK 1,235m in 2020 from SEK 120m in 2019 due to the SEK 1bn fine issued by the Swedish FSA following its supervisory review of SEB's routines and process with regards to the regulatory frameworks that govern anti-money laundering.*

Loss amount
Service and availability
Execution, delivery and process management
Technology and infrastructure failure
Natural disasters and public safety
Clients, products and business practices
Employee practices and workplace safety
External Fraud
Internal Fraud

Liquidity risk

Risk management

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

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

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

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

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

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

Liquid assets

To mitigate liquidity risk and ensure that SEB is able to meet its payment obligations, SEB holds liquid assets which are managed by the treasury function. SEB's liquid assets, in accordance with the Liquidity Coverage Ratio (LCR) in CRR amounted to SEK 617bn (470) at year-end 2020. The increase is mainly due to the increased inflow of deposits during the year.

→ For details on the liquid assets, please refer to Annual Report note 40.

Internal liquidity adequacy assessment process

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

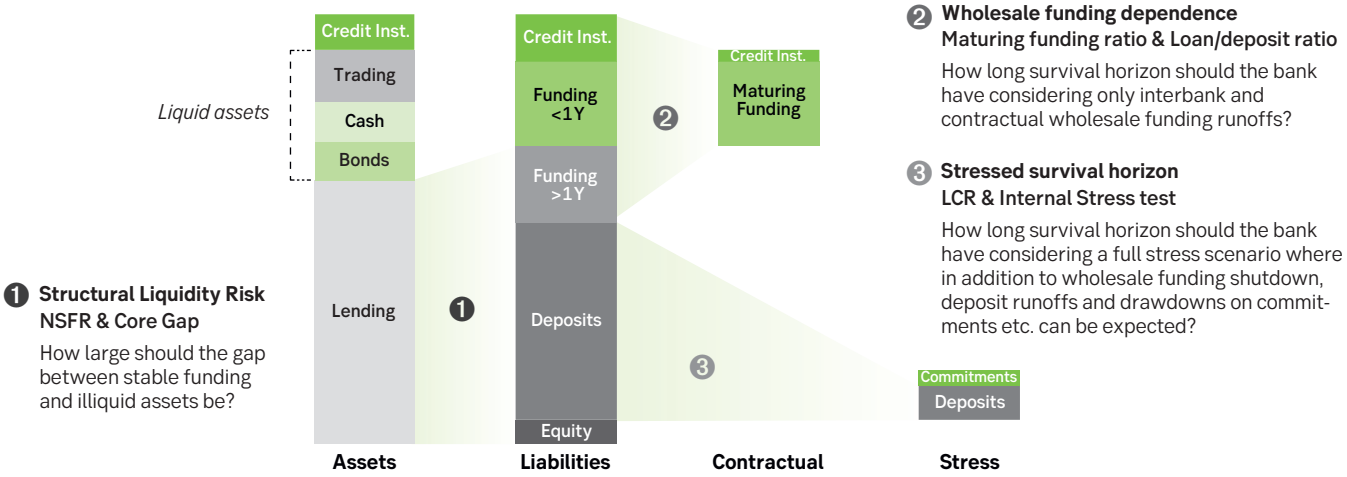
Measurement of liquidity risk

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

Structural liquidity risk

In order to maintain a sound structural liquidity position, the structure of the liability side should be based on the composition of assets. The more long-term lending and other illiquid assets, the more stable funding is required. In SEB, this is measured as the Core Gap ratio, which is conceptually equivalent to the regulatory defined Net Stable Funding Ratio (NSFR), i.e. a ratio between stable funding (over 1 year maturity) and illiquid assets (over 1 year maturity). The difference between the internal Core

Balance sheet structure illustrative



Gap ratio and the external NSFR is that the Core Gap ratio is calculated and parameterised on a more detailed level, based on internal statistics resulting in different weightings of available stable funding and required stable funding.

SEB's Core Gap ratio amounted to 113 per cent at year-end 2020 (109). SEB manages its liquidity position in line with the upcoming regulatory NSFR requirement of 100 per cent, which will be effective as at mid-2021.

Wholesale funding dependence

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

SEB's loan to deposit ratio amounted to 122 per cent (143) as at year-end 2020.

Stressed survival horizon

Severe stress can be modelled by combining assumptions of a wholesale funding market shutdown with assumptions of deposit outflows and drawdowns on commitments, etc. The outcome is captured by the regulatory defined LCR where, in a stressed scenario, modelled net outflows during a 30-day period are related to the amount of total liquid assets. Since 1 January 2018, EU's definition of the LCR is used. Since March 2020, the Swedish FSA allows banks to temporarily fall below the LCR requirement for individual and total currencies which normally must be at least 100 per cent. SEB also measures the time it would take for the liquid assets to be depleted in an internally defined severely stressed scenario, expressed as the stressed survival horizon. In addition, SEB monitors various rating agencies' survival metrics.

SEB's LCR amounted to 163 per cent (218) as at year-end 2020. This shows that the bank is well funded in the event of a short-term stress in the funding markets.

Table 45. **LCR summary**

Disclosure according to Article 435 of Regulation (EU) No 575/2013

SEK bn		Total unweighted value (average)				Total weighted value (average)			
		Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)					534	594	642	669
Cash-outflows									
2	Retail deposits and deposits from small business customers, of which:	449	440	442	452	35	33	33	34
3	*Stable deposits*	*279*	*285*	*290*	*297*	*14*	*14*	*15*	*15*
4	*Less stable deposits*	*170*	*155*	*151*	*155*	*21*	*19*	*18*	*19*
5	Unsecured wholesale funding	788	858	915	959	353	378	403	423
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*472*	*562*	*637*	*709*	*115*	*149*	*177*	*209*
7	*Non-operational deposits (all counterparties)*	*257*	*236*	*222*	*198*	*179*	*169*	*169*	*161*
8	*Unsecured debt*	*59*	*60*	*57*	*53*	*59*	*60*	*57*	*53*
9	Secured wholesale funding					26	38	50	62
10	Additional requirements	565	561	579	591	75	78	84	89
11	*Outflows related to derivative exposures and other collateral requirements*	*33*	*35*	*38*	*40*	*18*	*20*	*23*	*26*
12	*Outflows related to loss of funding on debt products*								
13	*Credit and liquidity facilities*	*532*	*526*	*541*	*551*	*57*	*58*	*61*	*64*
14	Other contractual funding obligations	83	74	61	51	18	17	17	18
15	Other contingent funding obligations	11	68	116	165	1	4	7	9
16	**TOTAL CASH OUTFLOWS**					**506**	**548**	**594**	**635**
Cash-inflows									
17	Secured lending (eg reverse repos)	337	360	250	367	62	71	79	87
18	Inflows from fully performing exposures	160	144	128	112	119	107	95	83
19	Other cash inflows	18	23	25	28	18	23	25	28
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	**TOTAL CASH INFLOWS**	**515**	**526**	**404**	**506**	**199**	**201**	**200**	**198**
EU-20a	***Fully exempt inflows***								
EU-20b	***Inflows Subject to 90% Cap***								
EU-20c	***Inflows Subject to 75% Cap***	***400***	***407***	***404***	***391***	***199***	***201***	***200***	***198***
21	**LIQUIDITY BUFFER**					**534**	**594**	**642**	**669**
22	**TOTAL NET CASH OUTFLOWS**					**307**	**348**	**394**	**437**
23	**LIQUIDITY COVERAGE RATIO (%)**					**175%**	**175%**	**169%**	**158%**

Asset encumbrance

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

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

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

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

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

Table 46. Asset encumbrance

Encumbered and unencumbered assets

SEK m	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
31 Dec 2020		*of which notionally elligible EHQLA and HQLA*		*of which notionally elligible EHQLA and HQLA*		*of which EHQLA and HQLA*		*of which EHQLA and HQLA*
Assets of the reporting institution	**501,047**	***41,837***			**2,376,719**	***548,356***		
Equity instruments	13,539		13,539		34,044	*3,778*	34,011	*3,778*
Debt securities	41,893	*41,837*	41,893	*41,837*	283,564	*223,346*	284,793	*223,346*
of which: covered bonds	*19,807*	*18,780*	*19,807*	*18,780*	*76,378*	*66,038*	*76,378*	*66,038*
of which: asset-backed securities					*8,957*	*5,842*	*8,694*	*5,842*
of which: issued by general governments	*17,072*	*17,072*	*17,072*	*17,072*	*50,765*	*35,486*	*50,659*	*39,912*
of which: issued by financial corporations	*19,807*	*18,780*	*19,807*	*18,780*	*137,729*	*116,858*	*139,114*	*116,858*
of which: issued by non-financial corporations	*0*		*0*		*7,487*	*1,003*	*7,487*	*1,003*
Other assets	444,076				2,032,166	*325,748*		
of which: mortgage loans	*388,204*				*534,514*			
of which: loans and advances other then loans on demand and mortgage loans					*1,030,196*			

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

Table 46. Asset encumbrance

Collateral received

SEK m	Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
31 Dec 2020		*of which notionally elligible EHQLA and HQLA*		*of which EHQLA and HQLA*
Collateral received by the reporting institution	**163,016**	**98,985**	**197,496**	**151,012**
Loans on demand				
Equity instruments	55,370		23,056	
Debt securities	107,646	98,985	172,852	151,012
of which: covered bonds	*49,876*	*47,367*	*81,476*	*63,636*
of which: asset-backed securities				
of which: issued by general governments	*46,348*	*43,699*	*64,671*	*63,676*
of which: issued by financial corporations	*56,517*	*54,008*	*100,894*	*83,835*
of which: issued by non-financial corporations	*320*	*242*	*1,836*	*383*
Loans and advances other than loans on demand				
Other collateral received				
Own debt securities issued other than own covered bonds or asset-backed securities			**86**	
Own covered bonds and asset-backed securities issued and not yet pledged				
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**656,807**	**137,707**		

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

Sources of encumbrance

SEK m	31 Dec 2020		31 Dec 2019	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**614,948**	**656,807**	**609,039**	**645,321**
of which: derivatives	*70,381*	*92,120*	*48,327*	*65,835*
of which: repos	*26,960*	*26,960*	*35,286*	*35,299*
of which: securites financing	*23,292*	*25,322*	*22,026*	*22,132*
of which: covered bonds	*345,572*	*352,500*	*357,257*	*364,415*
of which: collateral management	*95,213*	*100,026*	*124,570*	*129,331*
of which: collateralized deposits other than repurchase agreemnets	*54,810*	*58,271*	*25,014*	*26,089*
of which: other		*1,396*		*1,417*

Other risks

Insurance risk

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

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

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

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

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

Risk management and measurement

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

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

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

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

Solvency II

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

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

Pension risk

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

Business risk

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

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

Capital management and own funds

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

Capital management

Governance

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

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

Capital management

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

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

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

Regulatory capital requirements

On 29 December 2020 new capital requirements started to apply for Swedish banks, since the EU Banking package was transposed into Swedish law. Capital requirements are built up of four main parts:

1. A Pillar 1 minimum requirements of 8 per cent
2. Pillar 2 requirements (P2R)
3. A combined buffer requirement and
4. A Pillar 2 guidance (P2G).

SEB's applicable CET1 capital requirement per the end of the year was approximately 12.6 per cent (15.1), whereof the pillar 2 requirement was 1.5 per cent. In 2020, SEB's countercyclical buffer requirement decreased from 1.5 per cent to 0.1 per cent, since most countries in March decided to remove or reduce the requirement. Further changes during the year was due to the removal of the pillar 2 requirement for systemic risk and introduction of a buffer requirement for other systemically important institutions (O-SII) as part of the Swedish FSA's implementation of the EU Banking package into Swedish law. In addition, a pillar 2 requirement for Swedish commercial real estate exposures was implemented.

In 2021, the remaining parts of the Banking package will be implemented. As part of the 2021 SREP, the Swedish FSA will introduce a Pillar 2 Guidance (P2G) and remove the pillar 2 requirement for the corporate maturity floor. Based on Swedish FSA's communication around P2G SEB expects the net effect of these changes to increase the required level of CET1 capital with approximately 1 percentage point.

The components of the SFSA's estimated capital requirements for SEB as at year-end 2020 are illustrated in the table below.

Table 47. Regulatory capital requirement

31 Dec 2020		CET1	AT1	Tier 2	Total
Pillar 1		**4.5%**	**1.5%**	**2.0%**	**8.0%**
Pillar 2	1)				
Corporate exposures – Commercial real estate RW-floor	*5.7*	*0.6%*	*0.1%*	*0.1%*	*0.8%*
Corporate exposures – Maturity floor	*2.8*	*0.3%*	*0.0%*	*0.1%*	*0.4%*
Credit concentration risk	*3.2*	*0.2%*	*0.1%*	*0.1%*	*0.4%*
Interest rate risk in the banking book	*3.8*	*0.3%*	*0.1%*	*0.1%*	*0.5%*
Pension risk	*1.4*	*0.1%*	*0.0%*	*0.0%*	*0.2%*
Total Pillar 2	**16.9**	**1.5%**	**0.3%**	**0.5%**	**2.3%**
Total SREP capital requirement (TSCR)		**6.0%**	**1.8%**	**2.5%**	**10.3%**
Institution specific buffer requirement					
Capital conservation buffer		*2.5%*			*2.5%*
Systemic risk buffer		*3.0%*			*3.0%*
Other Systemically Important Institution buffer (O-SII)		*1.0%*			*1.0%*
Countercyclical capital buffer		*0.1%*			*0.1%*
Combined buffer requirement (CBR)		**6.6%**			**6.6%**
Overall capital requirement (TSCR+CBR)		**12.6%**	**1.8%**	**2.5%**	**16.9%**

1) Amounts in SEK bn are requirements according to 2020 SREP.

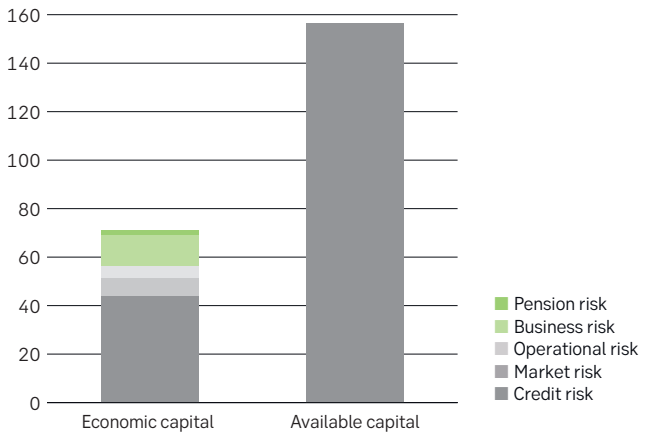
Capitalisation target

The Board of Directors sets SEB's capitalisation target to ensure that the group's capital is sufficient both to support its business strategy and risk tolerance and to safeguard that the bank can maintain its capital ratios above regulatory requirements also in less favourable economic conditions. With the new financial goals announced in connection with the year-end report for 2020, SEB aims to have a buffer of 100 to 300 basis points above the capital requirement. The buffer shall cover sensitivity to currency fluctuations in REA, changes in the net value of the Swedish defined benefit pension plan as well as general macroeconomic uncertainties. With a CET1 capital ratio of 21.0 per cent as at year-end 2020, the buffer is approximately 840 basis points.

Economic capital

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

Table 48. **Economic capital for the consolidated situation**
Economic capital including diversification effects, SEK bn



COMMENT

- *The economic capital or internally assessed capital requirement for the consolidated situation amounted to SEK 71bn (65). During Q4 2020, a review of the economic capital methodology and processes resulted in a number of improvements leading to an increase in economic capital although underlying risk remained in principle unchanged.*
- *Available capital to cover for the economic capital amounted to SEK 157bn (141), which shows that SEB is well capitalised in relation to its risks.*

Capital allocation and business equity

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

Stress testing

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

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

SEB typically works with different stress test scenarios designed to reflect both probable and hypothetical scenarios. The probable scenarios have a sufficient connection with historical observation to enable calculation of the likely effect, whereas the hypothetical scenarios represent tail events where historical data is scarce or not available. Care is taken to ensure that the

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

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

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

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

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

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 Board's Risk and Capital Committee, the Group Risk Committee and the Group Asset and Liability Committee. The risk organisation is responsible for the stress test methodologies.

In addition to the internal stress tests, SEB's capital adequacy is regularly stress tested by regulatory supervisors and other authorities. In 2018, the EBA conducted its bi-annual EU-wide stress test, in which SEB participated. The results confirmed SEB's strong capital position and asset quality. The 2020 EU-wide stress test was postponed to 2021 due to the Covid-19 pandemic.

Update on regulatory requirements affecting capital

Finalisation of the Basel III framework

In December 2017, the Basel Committee presented the framework for revisions to the Basel III framework (also referred to as Basel IV). The revised framework includes restrictions to internal risk measurement models, as well as an output floor based on the standardised method. While SEB has assessed the capital effects of the revised framework, it is still too early to have a firm opinion about such effects. This is due to the fact that a number of issues are to be finalised with respect to the adaptation to national supervisory regimes. In March 2020 the Basel Committee changed the implementation timeline of Basel IV. The implementation date was deferred one year to 1 January 2023 and the transitional arrangements for the output floor was also extended one year to 1 January 2028.

The European Commission is planning to release its proposal for the implementation of Basel IV into EU legislation by mid-2021. Following the release, political negotiations will commence, and it is expected that the EU will not meet the Basel Committee's implementation deadline.

Own funds and capital requirements

Table 49. EU OV1 – Overview of RWAs

SEK m Breakdown by risk type	31 Dec 2020	30 Sep 2020	Minimum capital requirements 31 Dec 2020
1 Credit risk (excluding counterparty credit risk)	483,063	504,233	38,645
2 *of which standardised approach (SA)*	*37,401*	*37,905*	*2,992*
3 *of which foundation internal rating-based (F-IRB) approach*	*152,524*	*163,878*	*12,202*
4 *of which advanced internal rating-based (A-IRB) approach*	*293,137*	*302,450*	*23,451*
6 Counterparty credit risk	28,487	32,736	2,279
7 *of which mark to market*	*5,084*	*5,731*	*407*
10 *of which internal model method (IMM)*	*15,882*	*18,280*	*1,271*
11 *of which risk exposure amount for contributions to the default fund of a CCP*	*184*	*205*	*15*
12 *of which CVA*	*7,336*	*8,519*	*587*
13 Settlement risk	3	1	0
14 Securitisation exposures in banking book	1,973	2,259	158
19 Market risk	36,830	34,009	2,946
20 *of which standardised approach*	*8,742*	*10,777*	*699*
21 *of which internal model approach (IMA)*	*28,088*	*23,233*	*2,247*
22 Large exposures			
23 Operational risk	50,483	50,421	4,039
26 *of which advanced measurement approach*	*50,483*	*50,421*	*4,039*
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	21,870	20,866	1,750
Additional risk exposure amount due to Article 458 CRR	102,851	101,782	8,228
29 **TOTAL**	**725,560**	**746,308**	**58,045**

Table 50. EU CR8 – RWA flow statements of credit risk exposures under the IRB approach

SEK m	a RWA amounts	b Capital requirements
1 **RWA as at 30 Sep 2020**	**466,328**	**37,306**
2 Asset size	–705	–56
3 Asset quality	–323	–26
4 Model updates		
5 Methodology and policy	–3,400	–272
6 Acquisitions and disposals		
7 Foreign exchange movements	–16,238	–1,299
8 Other		
9 **RWA as at 31 Dec 2020**	**445,662**	**35,653**

Table 51. EU CCR7 – RWA flow statements of CCR exposures under Internal Model Method (IMM)

SEK m		a	b
		RWA amounts	Capital requirements
1	**RWA as at 30 Sep 2020**	**18,280**	**1,462**
2	Asset size	–2,670	–214
3	Credit quality of counterparties	466	37
4	Model updates (IMM only)		
5	Methodology and policy (IMM only)		
6	Acquisitions and disposals		
7	Foreign exchange movements	–194	–16
8	Other		
9	**RWA as at 31 Dec 2020**	**15,882**	**1,271**

Table 52. EU MR2-B – RWA flow statements of market risk exposures under the IMA

SEK m		a	b	c	d	e	f	g
		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total capital requirements
1	**RWA as at 30 Sep 2020**	**8,247**	**14,986**				**23,233**	**1,859**
1a	Regulatory adjustment	–5,949	–8,383				**–14,332**	**–1,147**
1b	RWAs at the previous quarter-end (end of day)	2,298	6,603				**8,901**	**712**
2	Movement in risk levels	504	–1,300				**–796**	**–64**
3	Model updates/changes	25					**25**	**2**
4	Methodology and policy							
5	Acquisitions and disposals							
6	Foreign exchange movements							
7	Other	–102					**–102**	**–8**
8a	RWAs at the end of the reporting period (end of day)	2,725	5,304				**8,028**	**642**
8b	Regulatory adjustment	5,910	14,150				**20,060**	**1,605**
8	**RWA as at 31 Dec 2020**	**8,634**	**19,453**				**28,088**	**2,247**

COMMENT

- *Foreign exchange movements decreased credit risk RWA, while credit volumes and asset quality had limited impact during the quarter.*
- *Model and methodology updates decreased credit risk REA by 3bn, related to implementation of the temporary capital requirement policy change aiming to support credit flows to small and medium-sized companies in the Baltic division.*
- *Counterparty credit risk RWA decreased somewhat.*
- *Market Risk RWA increased by SEK 4.9bn during the fourth quarter resulting in a total increase for 2020 of SEK 6.9bn.*
- *Risk exposure amount for operational risk was stable.*

Table 53. EU INS1 – Non-deducted participations in insurance undertakings

SEK m	31 Dec 2020	30 Jun 2020
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk weighting)	6,653	6,653
TOTAL RISK EXPOSURE AMOUNT	**16,633**	**16,633**

Table 54. Own funds disclosure template for SEB consolidated situation

Disclosure according to Article 5 in EU Regulation No 1423/2013

	SEK m	31 Dec 2020	30 Sep 2020	Regulation (EU) no 575/2013 article reference
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	21,942	21,942	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: share capital	*21,942*	*21,942*	*EBA list 26 (3)*
2	Retained earnings	95,512	94,064	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	38,326	38,500	26 (1)
3a	Funds for general banking risk			26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1			486 (2)
5	Minority Interests (amount allowed in consolidated CET1)			84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	6,312		26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**162,091**	**154,505**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustements			
7	Additional value adjustments (negative amount)	−894	−1,071	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	−5,935	−6,527	36 (1) (b), 37, 472 (4)
9	Empty Set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	−11	−8	36 (1) (c), 38, 472 (5)
11	Fair value reserves related to gains or losses on cash flow hedges	47	57	33 (a)
12	Negative amounts resulting from the calculation of expected loss amounts		−101	36 (1) (d), 40, 159, 472 (6)
13	Any increase in equity that results from securitised assets (negative amount)			32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	3	14	33 (1) (b) (c)
15	Defined-benefit pension fund assets (negative amount)	−3,008	−1,776	36 (1) (e) , 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	−169	−159	36 (1) (f), 42, 472 (8)
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			36 (1) (g), 44
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)			36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			36 (1) (i), 43, 45, 47, 48, (1) (b), 49 (1) to (3), 79
20	Empty Set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative			36 (1) (k)
20b	*of which qualifiying holdings outside the financial sector (negative amount)*			*36 (1) (k) (i), 89 to 91*
20c	*of which: securitisation positions (negative amount)*			*36 (1) (k) (ii), 89 to 91, 243 (1) (b), 244 (1) (b), 258*
20d	*of which: free deliveries (negative amount)*			*36 (1) (k) (ii), 379(3)*
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)			36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)			48 (1)
23	*of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*			*36 (1) (i), 48 (1) (b)*
24	Empty Set in the EU			
25	*of which: deferred tax assets arising from temporary differences*			*36 (1) (c), 38, 48 (1) (a)*
25a	Losses for the current financial year (negative amount)			36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)			36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)			36 (1) (j)
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**−9,967**	**−9,572**	
29	**Common Equity Tier 1 (CET1) capital**	**152,124**	**144,934**	
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	12,279	13,484	51, 52
31	*of which: classified as equity under applicable accounting standards*			
32	*of which: classified as liabilities under applicable accounting standards*	*12,279*	*13,484*	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1			486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties			85, 86
35	*of which: instruments issued by subsidiaries subject to phase out*			*486 (3)*
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**12,279**	**13,484**	
	Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)			52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)			56 (d), 59, 79
41	Empty Set in the EU			
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)			56 €
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**			
44	**Additional Tier 1 (AT1) capital**	**12,279**	**13,484**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**164,403**	**158,417**	

Table 54. **Own funds disclosure template for SEB consolidated situation** Disclosure according to Article 5 in EU Regulation No 1423/2013

	SEK m	31 Dec 2020	30 Sep 2020	Regulation (EU) no 575/2013 article reference
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	18,606	19,497	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2			486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			87, 88
49	*of which: instruments issued by subsidiaries subject to phase out*			*486 (4)*
50	Credit risk adjustments	476	449	62 (c) (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	**19,082**	**19,945**	
	Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)			63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			66 (b), 68
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			66 (c), 69, 70, 79
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,650	–1,650	66 (d), 69, 79, 477 (4)
56	Empty Set in the EU			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–1,650**	**–1,650**	
58	**Tier 2 (T2) capital**	**17,432**	**18,295**	
59	**Total capital (TC = T1 + T2)**	**181,835**	**176,713**	
60	**Total risk weighted assets**	**725,560**	**746,308**	
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	21.0%	19.4%	92 (2) (a), 465
62	Tier 1 (as a percentage of risk exposure amount)	22.7%	21.2%	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	25.1%	23.7%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	11.1%	10.1%	CRD 128, 129, 130
65	*of which : capital conservation buffer requirements*	*2.5%*	*2.5%*	
66	*of which : countercyclical buffer requirements*	*0.1%*	*0.1%*	
67	*of which : systemic risk buffer requirements*	*3.0%*	*3.0%*	
67a	*of which : Global Systemically Important Institutions (G-SII) or Other Systemically Important Institutions (O-SII) buffer*	*1.0%*		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	16.5%	14.9%	CRD 128
69	(Non relevant in EU regulation)			
70	(Non relevant in EU regulation)			
71	(Non relevant in EU regulation)			
	Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,756	2,548	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4) 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	6,803	6,791	36 (1) (i), 45, 48, 470, 472 (11)
74	Empty Set in the EU			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)			36 (1) (c), 38, 48
	Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)			62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach			62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)			62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	2,810	2,954	62
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements			484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase out arrangements			484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements			484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			484 (5), 486 (4) & (5)

Table 55. Capital instruments' main features

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

31 Dec 2020

1	Issuer	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)	Skandinaviska Enskilda Banken AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1072796870	XS1511589605	XS1584880352	XS2076169668
3	Governing law(s) of the instrument	English and Swedish Law	English and Swedish Law	English and Swedish Law	English and Swedish Law
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Dated Subordinated Notes	Dated Subordinated Notes	Additional Tier 1 Notes	Additional Tier 1 Notes
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 10,057m	SEK 8,549m	SEK 4,912m	SEK 7,367m
9	Nominal amount of instrument	EUR 1,000m	EUR 850m	USD 600m	USD 900m
9a	Issue price	99,361%	99%	100%	100%
9b	Redemption price	100%	100%	N/A	N/A
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	2014-05-28	2016-10-31	2017-03-23	2019-11-05
12	Perpeptual or dated	Dated	Dated	Perpetual	Perpetual
13	Original maturity date	2026-05-28	2028-10-31	N/A	N/A
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	2021-05-28, 100%. In addition Tax/ Regulatory call	2023-10-31, 100%. In addition Tax/ Regulatory call	2022-05-13 or at any time thereafter. At Prevailing Principal Amount	2025-05-13 or at any time thereafter. At Prevailing Principal Amount
16	Subsequent call dates, if applicable	N/A	N/A	At any time thereafter. At Prevailing Principal Amount.	At any time thereafter. At Prevailing Principal Amount.
Coupons / dividends					
17	Fixed or floating dividend/coupon	Fixed, Annually Payments in arrear	Fixed, Annually Payments in arrear	Fixed, Semi-annually Payments in arrear	Fixed, Semi-annually Payments in arrear
18	Coupon rate and any related index	2.50% pa. If not called then new fixed rate set to Euro Swap Rate+Reset margin that is 3.10%pa.	1.375% pa. If not called then new fixed rate set to Euro Swap Rate+Reset margin that is 1.35%pa.	5.625% pa. If not called then new fixed rate set to USD Mid-Swap Rate for the relevant 5 Year period+Reset margin that is 3.493%pa.	5.125% pa. If not called then new fixed rate set to USD Mid-Swap Rate for the relevant 5 Year period+Reset margin that is 3.463%pa.
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing	Mandatory	Mandatory	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	N/A	N/A	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Convertible	Convertible
24	If convertible, conversion trigger (s)	N/A	N/A	5.125% for the Bank and 8% for the Group	5.125% for the Bank and 8% for the Group
25	If convertible, fully or partially	N/A	N/A	Fully	Fully
26	If convertible, conversion rate	N/A	N/A	Higher of (i) the current market price, (ii) the floor price or (iii) the nominal value.	Higher of (i) the current market price, (ii) the floor price or (iii) the nominal value.
27	If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory
28	If convertible, specifiy instrument type convertible into	N/A	N/A	A shares	A shares
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	Issuer	Issuer
30	Write-down features	No	No	No	No
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Senior Debt	Senior Debt	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features				

N/A inserted if the question is not applicable.

Table 56. Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

Disclosure according to Regulation (EU) 2015/1555

SEK m	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
31 Dec 2020	Exposure value for standardised approach	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for standardised approach	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	**Total**	Own funds requirement weights	Counter-cyclical capital buffer rate
Breakdown by country												
Sweden	22,498	1,167,683	2,490				22,067	161		**22,228**	51.4%	
Denmark	895	78,488	38				1,848	3		**1,851**	4.3%	
Norway	3,869	107,574	1,106				2,581	37		**2,618**	6.1%	1.0%
Finland	647	101,053	134				1,921	11		**1,932**	4.5%	
Estonia	4,658	57,436	0				1,980	0		**1,980**	4.6%	
Latvia	1,787	29,886					1,122			**1,122**	2.6%	
Lithuania	4,179	66,374	0				2,390	0		**2,390**	5.5%	
Germany	1,141	85,660	35			8,171	2,971	2	89	**3,062**	7.1%	
United Kingdom	2,598	57,174	69			3,830	1,576	5	69	**1,650**	3.8%	
Other	5,990	181,519	98				4,388	7		**4,395**	10.2%	
TOTAL	**48,260**	**1,932,846**	**3,971**			**12,001**	**42,843**	**227**	**158**	**43,228**	**100%**	

Amount of institution-specific countercyclical buffer

Disclosure according to Regulation (EU) 2015/1555

SEK m	**31 Dec 2020**	31 Dec 2019
Total risk exposure amount	725,560	745,637
Institution-specific countercyclical buffer rate	0.1%	1.5%
Institution-specific countercyclical buffer requirement	458	11,451

COMMENT

- *As at year-end 2020, SEB's countercyclical buffer rate amounted to 0.1 per cent (1.5) and the countercyclical buffer requirement amounted to SEK 0.5bn (11.5).*
- *The countercyclical buffer requirement decreased in 2020, due to the SFSA's reduction of the buffer requirement for Swedish exposures from 2.5 per cent to 0 in March following the outbreak of the Covid-19 pandemic. Authorities in other countries also reduced or removed the countercyclical buffer requirement.*

Table 57. Leverage ratio

Disclosure according to Regulation (EU) 2016/200

SEK m		31 Dec 2020	31 Dec 2019
Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		Applicable amount	Applicable amount
1	Total assets as per published financial statements	3,040,432	2,856,648
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	−359,956	−340,628
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)		
4	Adjustments for derivative financial instruments	−69,346	−23,469
5	Adjustment for securities financing transactions (SFTs)	106,975	84,310
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	548,345	508,856
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)		
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)		
7	Other adjustments	−39,583	−22,235
8	**Leverage ratio total exposure measure**	**3,226,866**	**3,063,481**

Table LRCom: Leverage ratio common disclosure		CRR leverage ratio exposures	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,368,978	2,183,122
2	(Asset amounts deducted in determining Tier 1 capital)	−12,787	−13,212
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**2,356,191**	**2,169,909**
Derivatives exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	50,417	53,313
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	74,377	71,302
EU–5a	Exposure determined under Original Exposure Method		
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	−42,899	−23,064
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives	11,796	15,387
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	−3,729	−4,537
11	**Total derivatives exposures (sum of lines 4 to 10)**	**89,962**	**112,401**
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	215,026	259,968
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty credit risk exposure for SFT assets	17,342	12,347
EU–14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013		
15	Agent transaction exposures		
EU–15a	(Exempted CCP leg of client-cleared SFT exposure)		
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**232,368**	**272,315**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	1,059,143	937,892
18	(Adjustments for conversion to credit equivalent amounts)	−510,798	−429,036
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**548,345**	**508,856**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off-balance sheet)			
EU–19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off-balance sheet))		
EU–19b	(Exposures exempted in accordance with Article 429(14) of Regulation (EU) No 575/2013 (on and off-balance sheet))		
Capital and total exposure measure			
20	Tier 1 capital	164,403	155,398
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	3,226,866	3,063,481
Leverage ratio			
22	Leverage ratio	5.1%	5.1%
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU–23	Choice on transitional arrangements for the definition of the capital measure		
EU–24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013		

Table 57. **Leverage ratio** Disclosure according to Regulation (EU) 2016/200

SEK m		31 Dec 2020	31 Dec 2019
Table LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		**CRR leverage ratio exposures**	**CRR leverage ratio exposures**
EU–1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,339,437	2,183,122
EU–2	Trading book exposures	124,272	71,268
EU–3	Banking book exposures, of which:	2,215,166	2,111,853
EU–4	Covered bonds		
EU–5	Exposures treated as sovereigns	449,259	305,374
Eu–6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns		
EU–7	Institutions	104,633	117,458
EU–8	Secured by mortgages of immovable properties	952,665	908,744
EU–9	Retail exposures	66,082	71,919
EU–10	Corporate	478,828	557,004
EU–11	Exposures in default	7,546	6,205
EU–12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	156,153	145,150

COMMENT

- *SEB's leverage ratio was stable at 5.1 per cent (5.1) as at year-end.*
- *The leverage ratio is calculated as the Tier 1 capital as a percentage of total assets and certain off-balance sheet exposures. Both SEB´s Tier 1 capital and total assets increased due to higher earnings generated and higher business volumes, resulting in a stable development of the leverage ratio.*
- *The leverage ratio is one of the capital adequacy measures used by SEB in its capital planning to ensure that the bank does not take on excessive leverage.*

SEB's consolidated situation

Scope of application of the regulatory framework

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

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

The consolidated SEB Group must also comply with capital requirements concerning combined banking and insurance groups, i.e. financial conglomerates. The combined capital requirement for the SEB financial conglomerate was SEK 155.3bn while the own funds amounted to SEK 222.2bn. In these total figures, SEB Life and Pension Holding AB has contributed with Solvency II figures from September 30, 2020.

Table 58. EU LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

SEK m	a	b	c	d	e	f	g
			Carrying values of items:				
31 Dec 2020	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirem ents or subject to deduction from capital
ASSETS							
Cash and cash balances at central banks	323,776	323,776	323,776				
Loans to central banks	3,633	3,633	404	3,229		3,229	
Loans to credit institutions	50,791	49,702	39,449	10,253		4,858	
Loans to the public	1,770,161	1,772,121	1,657,625	111,910	11,687	111,910	
Debt securites	265,433	253,643	127,370			115,522	1,650
Equity instruments	82,240	64,228	5,780			58,448	
Financial assets for which the customers bear the investment risk	330,950						
Derivatives	164,909	159,309		159,309		159,309	
Other assets	48,539	54,064	44,941				9,123
TOTAL ASSETS	**3,040,432**	**2,680,476**	**2,199,345**	**284,701**	**11,687**	**453,276**	**10,773**
LIABILITIES							
Deposits from central banks and credit institutions	111,309	110,150					
Deposits and borrowing from the public	1,371,227	1,381,780					
Financial liabilities for which the customers bear the investment risk	332,392						
Liabilities to policyholders	29,624						
Debt securities issued	749,502	749,502					
Short positions	30,409	30,409					
Derivatives	161,561	157,534		157,534		157,534	
Other financial liabilities	744	744					
Other liabilities	81,720	79,422					
TOTAL LIABILITIES	**2,868,489**	**2,509,542**		**157,534**		**157,534**	
Total equity	**171,943**	**170,934**					
TOTAL LIABILITIES AND EQUITY	**3,040,432**	**2,680,476**					

Table 59. EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

SEK m		a	b	c	d	e
			Items subject to:			
Dec 31 2020		**Total**	**Credit risk framework**	**Counterparty credit risk framework**	**Securitisation framework**	**Market risk framework**
1	**Asset carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**2,949,009**	**2,199,345**	**284,701**	**11,687**	**453,276**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	315,068		157,534		157,534
3	Total net amount under regulatory scope of consolidation	2,949,009	2,199,345	284,701	11,687	453,276
4	Off-balance sheet amounts	1,059,143	515,149	32,882	314	
	Differences due to impact of collaterals	*–5,843*	*–5,843*			
	Differences due to different netting rules, other than those already included in row 2	*–473,417*		*–143,156*		*–330,261*
10	**EXPOSURE AMOUNTS CONSIDERED FOR REGULATORY PURPOSES**	**3,528,892**	**2,708,651**	**174,427**	**12,001**	**123,015**

Table 60. EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

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

Own funds of significant subsidiaries

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

Table 61. Capital position of significant subsidiaries

SEK m	SEB Pank AS Estonia[1]		SEB Banka AS Latvia[1]		SEB bankas AB Lithuania[1]	
	www.seb.ee		www.seb.lv		www.seb.lt	
	31 Dec 2020	31 Dec 2019	**31 Dec 2020**	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
Own funds						
Common Equity Tier 1 capital	9,360	9,795	3,765	3,309	7,686	6,674
Tier 1 capital	9,360	9,795	3,765	3,309	7,686	6,674
Total own funds	9,404	9,795	3,765	3,309	7,791	6,792
Own funds requirement						
Risk exposure amount	33,050	31,143	18,211	19,097	38,535	35,170
Expressed as own funds requirement	2,644	2,491	1,457	1,528	3,083	2,814
Common Equity Tier 1 capital ratio	28.3%	31.5%	20.7%	17.3%	20.0%	19.0%
Tier 1 capital ratio	28.3%	31.5%	20.7%	17.3%	20.0%	19.0%
Total capital ratio	28.5%	31.5%	20.7%	17.3%	20.2%	19.3%
Own funds in relation to own funds requirement	3.6	3.9	2.6	2.2	2.5	2.4
Regulatory Common Equity Tier 1 capital requirement including buffers	9.0%	10.0%	8.8%	8.8%	9.0%	10.0%
of which capital conservation buffer requirement	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
of which systemic risk buffer requirement		*1.0%*				
of which countercyclical capital buffer requirement						*1.0%*
of which: Global Systemically Important Institutions (G-SII) or Other Systemically Important Institutions (O-SII) buffer	*2.0%*	*2.0%*	*1.8%*	*1.8%*	*2.0%*	*2.0%*
Common Equity Tier 1 capital available to meet buffer[2]	23.8%	27.0%	16.2%	12.8%	15.5%	14.5%
Leverage ratio						
Exposure measure for leverage ratio calculation	80,419	76,719	46,960	44,842	111,655	95,349
of which on-balance sheet items incl. derivatives and SFTs	*75,240*	*71,562*	*43,004*	*41,484*	*102,815*	*89,093*
of which off-balance sheet items	*5,178*	*5,157*	*3,956*	*3,358*	*8,840*	*6,257*
Leverage ratio	11.6%	12.8%	8.0%	7.4%	6.9%	7.0%

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

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Systemic risk buffer Buffer requirement for systemically important banks.

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

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

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

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

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

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

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