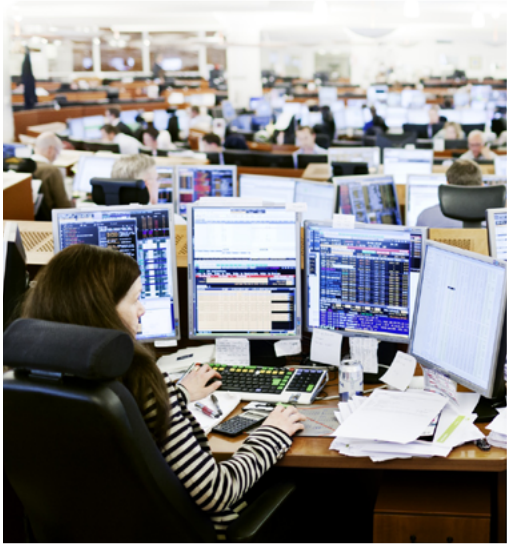

CAPITAL ADEQUACY AND RISK MANAGEMENT REPORT

• PILLAR 3 •

2015

SEB

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I. ABOUT THIS REPORT

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

ABOUT PILLAR 3

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

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

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

ABOUT BASEL III AND CRD IV / CRR

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

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

Definition of capital

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

Capital requirements

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

Liquidity risk

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

Counterparty credit risk

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

Leverage risk

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

Pillar 2 & 3

– Raising standards of prudential supervision and market discipline.

BASIS FOR SEB'S PILLAR 3 REPORT

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

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

The Pillar 3 report is based upon the Group consolidated situation as of 31 December 2015. The Group consolidated situation represents the regulatory scope of consolidation according to CRR, established for the purposes of prudential supervision, and differs from the Group's consolidated financial statements as set out in the Annual Report. The relationship between the Group consolidated situation and the Group consolidated financial statements is set out in Table 3 in the Pillar 3 report.

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

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

II. RISK MANAGEMENT

MANAGING RISK IS A CORE ACTIVITY IN A BANK *and fundamental to long-term profitability and stability. Risk is closely related to business activities and business development and, therefore, to customer needs.*

RISK MANAGEMENT FRAMEWORK

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

SEB applies a robust framework for its risk management, with independent risk control, credit analysis and credit approval functions supported by advanced internal models. The cornerstones of SEB's risk and capital management include Board supervision, an explicit decision-making structure, a high level of risk awareness among staff, common definitions and principles, controlled risk-taking within established limits and a high degree of transparency in external disclosures. 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 Statement, which is reviewed annually in connection with the annual approval of the bank's business plan and applies to the entire group. The Board's Risk Tolerance Statement represents a long-term view of the boundaries within which the Board expects the bank to operate. In order to monitor that SEB operates within the Board's limits, the President and the Group Risk Committee has established a framework of risk measures for the group, divisions, and business areas 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 Group Risk and presented to the Group Risk Committee, the Group Executive Committee, the Board's Risk and Capital Committee and the Board of Directors.

Three lines of defense

As the first line of defence, the business units are responsible for the risks that arise in their operations. The business units are responsible for making the initial risk assessment both of the customer relationship and the individually proposed transactions. Larger transactions are then reviewed by the risk organisation. The business units are responsible for ensuring that activities are in compliance with applicable rules. The business is supported by group-wide rules and policies and an established decision-making hierarchy.

The risk and compliance organisations constitute the second line of defense and are independent from the business.

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

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

RISK TOLERANCE STATEMENTS IN BRIEF

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

RISK GOVERNANCE

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

The Board of Directors has the ultimate responsibility for the risk organisation and for the maintenance of satisfactory internal control, including appointment of the Chief Risk Officer (CRO). The Board establishes the overall risk and capital policies and monitors the development of risk exposure.

The Board's Risk and Capital Committee works to ensure that all risks inherent in the Group's activities are identified, defined, measured, monitored and controlled in accordance with external and internal rules.

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

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

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

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

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

For further information about risk governance, please refer to the Annual Report – Corporate Governance.

III. CAPITAL MANAGEMENT

IN COMPETING FOR CUSTOMERS AND BUSINESS, *SEB takes various types of risks in line with the bank's strategy and business plan. In order to sustain these risks and guarantee SEB's long-term survival, the bank must maintain satisfactory capital strength. At the same time, SEB must balance the trade-off between financial reward and overall risk tolerance.*

CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

In its capital planning, SEB considers the following dimensions:

1. regulatory: the minimum capital levels, and the supervisory expectation that banks operate safely above this minimum level, established by the EU directives through Swedish law on capital adequacy;
2. access to debt investors: the capitalisation level required to support a certain rating level in order to reach a debt investor base necessary for conducting SEB's business activities;
3. access to financial products: the capital level required by corporate clients and other counterparties to facilitate the bank's activity in the capital markets, including derivatives and foreign exchange; and
4. optimal return on equity: the balance between the shareholders' expected return on capital and risks taken.

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

Regulatory capital requirements

The regulatory capital requirements have evolved in the last few years, both in terms of which risks that are covered and in terms of the capital base components. The current regulatory requirement is split into Pillar 1 – general minimum requirements for all institutions – and Pillar 2 requirements which are based on an individual assessment of each institution. SEB estimates the SFSA's capital requirement for 2016 to be 16.0 per cent. The components are illustrated in Table 1.

The countercyclical buffers in both Sweden and Norway are currently 1.0 per cent of the relative exposures in these countries, but will increase to 1.5 per cent in the second quarter of 2016. The SFSA has proposed that the countercyclical buffer for Sweden should be increased to 2 per cent as of 19 March 2017.

Internal capital adequacy assessment process

The internal capital adequacy assessment process (ICAAP) encompasses SEB's internal views on material risks and their development as well as risk measurement models, risk governance and risk mitigants. It is linked to overall business planning and establishes a strategy for maintaining appropriate capital levels. Together with continuous monitoring and reporting of the capital adequacy to the Board, this ensures that the relationship between shareholders' equity, economic capital, regulatory and rating-based requirements are managed so that the survival of the bank is not jeopardised. Thus, the ICAAP is integrated with SEB's business planning, internal governance framework and its internal control systems. The Chief Financial Officer is responsible for the ICAAP. The process is run by the treasury function with input from the risk and finance organisations.

SEB's capital planning covers the strategic planning horizon and projects economic and legal capital requirements, as well as available capital resources and relevant ratios. It is forward-looking, taking into account current and planned business volumes. The capital plan is stress tested to potential down-turns in the macroeconomic environment, to strategic risk factors identified in the business planning, and to other relevant scenarios. The capital plan is established annually, and updated as needs arise during the year.

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

TABLE 1. Regulatory capital requirements

31 Dec 2015	CET1	AT1	Tier 2	Total
Minimum requirement	4.5%	1.5%	2.0%	**8.0%**
Capital conservation buffer	2.5%			**2.5%**
Systemic risk buffer	3.0%			**3.0%**
Sub total excl countercyclical buffer	**10.0%**	**1.5%**	**2.0%**	**13.5%**
Countercyclical buffer	0.5%			**0.5%**
Total Pillar 1	**10.5%**	**1.5%**	**2.0%**	**14.0%**
Systemic risk requirement	2.0%			**2.0%**
Mortgage floor	1.9%	0.2%	0.3%	**2.4%**
Credit concentration risk	0.4%	0.1%	0.1%	**0.6%**
Interest rate risk in the banking book	0.4%	0.1%	0.1%	**0.6%**
Pension risk	0.7%	0.1%	0.1%	**0.9%**
Sovereign risk	0.1%	0.0%	0.0%	**0.1%**
Total Pillar 2	**5.5%**	**0.5%**	**0.6%**	**6.6%**
TOTAL REQUIREMENT	**16.0%**	**2.0%**	**2.6%**	**20.6%**

Economic capital

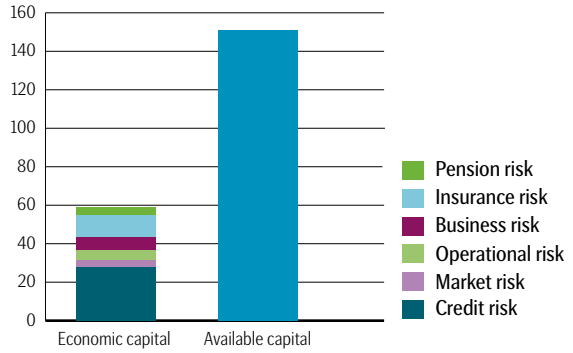
SEB uses an economic capital model to internally assess the capital requirement of the Group, which includes risks in the insurance operations and risks in the bank's pension obligations. The model is similar to the Basel III rules for capital adequacy in that many of the underlying risk components are 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 credit rating. Diversification effects between risk types reduces the total amount of economic capital, since unexpected losses requiring capital buffers are not likely to occur simultaneously for all risk types. The capital and other financial resources which can absorb unexpected losses are referred to as available capital.

As of 31 December 2015, the internally assessed capital requirement in economic capital terms amounted to SEK 59bn (69) for the Group, of which credit risk accounted for the largest part. Available capital to cover for the economic capital amounted to SEK 151bn (145), which shows that SEB is well capitalised in relation to its risks.

TABLE 2. Economic capital for SEB Group
Economic capital including diversification effects, SEK bn



Capital allocation

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

SEB employs an internal capital allocation framework for measuring risk and profitability. The basis for this framework, called business equity, is similar to regulatory capital models including Pillar 2 requirements and is calibrated with SEB's capital targets. The business equity framework allocates the total level of capital needed to maintain a desired capital adequacy to the business units in proportion to risks undertaken. Thus business equity is a risk measure, since individual transactions are allocated business equity in proportion to their risks. A clear governance process is in place for capital injections from the parent bank to subsidiaries.

NEW REGULATORY REQUIREMENTS

There are several ongoing regulatory considerations that could have an impact on the composition and level of SEB's capital base going forward.

- *The leverage ratio requirement of the Basel III framework (a non-risk based requirement) is a ratio between Tier 1 capital and total assets. It is being reviewed during an observation period, with a view to migrating it to a Pillar 1 requirement in 2018. SEB's leverage ratio was 4.9 per cent at year-end (4.8).*
- *The Basel Committee plans to address the issue of variability of risk exposure amounts among banks by introducing capital floors and greater restrictions on modelling parameters and assumptions during 2016. SEB is actively participating in discussions on this issue.*
- *Fundamental Review of the Trading Book is expected to be implemented in 2019. The framework was finalised by the Basel Committee in January 2016 and covers measuring and reporting regulatory capital for market risk. The effect on SEB's capital requirement is being reviewed.*
- *A new accounting principle, IFRS9, will be implemented in 2018, in which loan loss provisions will move from an 'incurred loss' concept to a 'probable future loss' for all exposures. Expected effects include a one-off deduction from capital when the requirement is implemented as well as increased volatility in net profit going forward.*
- *The Basel Committee has proposed revisions to the standardised approach for operational risk and is also expected to go forward with a proposal to remove the Advanced Measurement Approach (AMA) for operational risk from the regulatory framework. The effect of this removal for the AMA banks, SEB included, is still uncertain.*
- *The EU's Bank Recovery and Resolution directive was implemented in February 2016. It sets the crisis management procedure for failing banks in terms of capital, bailing-in or selling assets, and using resolution funds. It also covers the minimum requirements on banks' total loss absorbing capacity and requirements that certain debt investors shall absorb losses in certain circumstances.*

STRESS TESTING

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

Using recession scenarios and contrasting them to the base scenario underlying the established financial plan, the stress testing framework projects the risk level in relation to available capital resources. In the stressed scenarios, projected earnings for future years are lowered, credit losses are increased (considering both collective and specific impairments), and average risk weights in credit portfolios are increased due to risk class migration. The testing framework uses historical experience (such as the Swedish banking crisis in the early 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 more tail events where historical data is scarce or not available. Care is taken to ensure that the economic parameters fit with each other. A full stress test contains a number of scenarios where more probable outcomes for certain parameters are combined with hypothetical events for other parameters.

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

In addition to the internal stress tests, SEB's capital adequacy is regularly stress tested by the regulatory supervisors.

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 effect of large exposures is also handled by simulating the effect of default by one or more of these despite their investment grade rating.

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

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

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

SEB'S CONSOLIDATED SITUATION

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

The consolidated SEB Group should also comply with own funds requirements concerning combined banking and insurance groups, i.e. financial conglomerates. The combined capital requirements for the SEB financial conglomerate were SEK 55,4bn (59,3), while the capital amounted to SEK 150,2bn (148,1). The capital requirement for the financial conglomerate has been calculated in accordance with the deduction and aggregation method.

TABLE 3. SEB's consolidated situation

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

CAPITAL RATIOS AND OWN FUNDS

The following table shows own funds, risk exposure amount and capital ratios according to Basel III.

TABLE 4. Capital ratios

SEK m	31 Dec 2015	31 Dec 2014
Own funds		
Common Equity Tier 1 capital	107,535	100,569
Tier 1 capital	121,391	120,317
Total own funds	135,782	136,899
Own funds requirement		
Risk exposure amount	570,840	616,531
Expressed as own funds requirement	45,667	49,322
Common Equity Tier 1 capital ratio	18.8%	16.3%
Tier 1 capital ratio	21.3%	19.5%
Total capital ratio	23.8%	22.2%
Own funds in relation to own funds requirement	2.97	2.78
Regulatory Common Equity Tier 1 capital requirement including buffer	10.5%	7.0%
of which capital conservation buffer requirement	*2.5%*	*2.5%*
of which systemic risk buffer requirement	*3.0%*	
of which countercyclical capital buffer requirement	*0.5%*	
Common Equity Tier 1 capital available to meet buffer [1]	14.3%	11.8%
Transitional floor 80% of capital requirement according to Basel I		
Minimum floor own funds requirement according to Basel I	79,123	79,581
Own funds according to Basel I	135,478	136,015
Own funds in relation to own funds requirement Basel I	1.71	1.71
Leverage ratio		
Exposure measure for leverage ratio calculation	2,463,479	2,505,146
of which on balance sheet items	*2,094,445*	*2,165,651*
of which off balance sheet items	*369,034*	*339,495*
Leverage ratio	4.9%	4.8%

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

TABLE 5. Own funds reconciliation

SEK m	31 Dec 2015	31 Dec 2014
Total equity according to balance sheet	142,798	134,576
Anticipated dividend	–11,515	–10,396
Deductions related to the consolidated situation	–3,293	–2,347
Additional value adjustments	–937	–1,314
Intangible assets	–11,942	–12,168
Deferred tax assets that rely on future profitability	–501	–603
Fair value reserves related to gains or losses on cash flow hedges	–3,210	–3,877
Negative amounts resulting from the calculation of expected loss amounts	–571	–188
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–145	400
Defined-benefit pension fund assets	–2,927	
Direct and indirect holdings of own CET1 instruments	–179	–1,294
Securitisation positions with 1,250% risk weight	–43	–594
Adjustments relating to unrealised gains (AFS)		–1,626
Common Equity Tier 1 Capital	**107,535**	**100,569**
Additional Tier 1 capital	13,856	19,748
Total Tier 1 capital	**121,391**	**120,317**
Total Tier 2 capital	**14,391**	**16,582**
TOTAL OWN FUNDS	**135,782**	**136,899**

TABLE 6. Transitional own funds disclosure according to Article 5 in EU Regulation No 1423/2013

	SEK m	31 Dec 2015	31 Dec 2014	Amounts Subject to Pre- Regulation (EU) N° 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) N° 575/2013	BS Cross reference
	Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	21,942	21,942		d
	of which: Instrument type 1				
	of which: Instrument type 2				
	of which: Instrument type 3				
2	Retained earnings	53,458	45,167		e
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	50,817	48,215		f
3a	Funds for general banking risk				
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1				
5	Minority Interests (amount allowed in consolidated CET1)				
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,773	6,509		
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**127,990**	**121,833**		
	Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	–937	–1,314		
8	Intangible assets (net of related tax liability) (negative amount)	–11,942	–12,168		
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)	–501	–603		
11	Fair value reserves related to gains or losses on cash flow hedges	–3,210	–3,877		g
12	Negative amounts resulting from the calculation of expected loss amounts	–571	–188		
13	Any increase in equity that results from securitised assets (negative amount)				
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–145	400		a
15	Defined-benefit pension fund assets (negative amount)	–2,927			
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–179	–1,294		
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)				
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)				
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)				
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	–43	–594		
20b	*of which qualifiying holdings outside the financial sector (negative amount)*				
20c	*of which: securitisation positions (negative amount)*	*–43*	*–594*		
20d	*of which: free deliveries (negative amount)*				
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)				
22	Amount exceeding the 17,65% threshold (negative amount)				
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*				
24	Empty Set in the EU				
25	*of which: deferred tax assets arising from temporary differences*				
25a	Losses for the current financial year (negative amount)				
25b	Foreseeable tax charges relating to CET1 items (negative amount)				
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatent				
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468		–1,626		
	Of which : ... filter for unrealised gain 1		*–1,626*		
	Of which : ... filter for unrealised gain 2				

TABLE 6. Transitional own funds disclosure according to Article 5 in EU Regulation No 1423/2013 (cont.)

	Transitional own funds disclosure template	31 Dec 2015	31 Dec 2014	Amounts Subject to Pre- Regulation (EU) N° 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) N° 575/2013	BS Cross reference
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additionnal filters and deductions required pre CRR				
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)				
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–20,455**	**–21,264**		
29	**Common Equity Tier 1 (CET1) capital**	**107,535**	**100,569**		
	Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	9,258	8,545		
31	*of which: classified as equity under applicable accounting standards*				
32	*of which: classified as liabilities under applicable accounting standards*	*9,258*	*8,545*		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	4,598	12,747		
	Public sector capital injections grandfathered until 1 january 2018				
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				
35	*of which: instruments issued by subsidiaries subject to phase out*				
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**13,856**	**21,292**		
	Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)				
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)				
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)				
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)				
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)		–1,544		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013				
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013				
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR				
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)				
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	**–1,544**		
44	**Additional Tier 1 (AT1) capital**	**13,856**	**19,748**		b
45	**Tier 1 capital (T1 = CET1 + AT1)**	**121,391**	**120,317**		
	Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	16,091	16,552		c
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		1,533		c
	Public sector capital injections grandfathered until 1 January 2018				
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				
49	*of which: instruments issued by subsidiaries subject to phase out*				
50	Credit risk adjustments	875	1,072		
51	**Tier 2 (T2) capital before regulatory adjustments**	**16,966**	**19,157**		
	Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)				
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)				

TABLE 6. Transitional own funds disclosure according to Article 5 in EU Regulation No 1423/2013 (cont.)

	Transitional own funds disclosure template	31 Dec 2015	31 Dec 2014	Amounts Subject to Pre- Regulation (EU) N° 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) N° 575/2013	BS Cross reference
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)				
54a	*of which new holdings not subject to transitional arrangements*				
54b	*of which holdings existing befor 1 January 2013 and subject to transitional arrangements*				
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–2,575	–2,575		
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)				
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013				
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013				
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR				
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–2,575**	**–2,575**		
58	**Tier 2 (T2) capital**	**14,391**	**16,582**		
59	**Total capital (TC = T1 + T2)**	**135,782**	**136,899**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)				
	of which:... items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)				
	of which:...items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)				
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)				
60	**Total risk weighted assets**	**570,840**	**616,531**		
	Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.8%	16.3%		
62	Tier 1 (as a percentage of risk exposure amount)	21.3%	19.5%		
63	Total capital (as a percentage of risk exposure amount)	23.8%	22.2%		
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)	10.5%	7.0%		
65	*of which : capital conservation buffer requirements*	*2.5%*	*2.5%*		
66	*of which : countercyclical buffer requirements*	*0.5%*			
67	*of which : systemic risk buffer requirements*	*3.0%*			
67a	*of which : Global Systemically Important Institutions (G-SII) or Other Systemically Important Institutions (O-SII) buffer*				
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.3%	11.8%		
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)				
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	6,210	6,210		
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)				

TABLE 6. Transitional own funds disclosure according to Article 5 in EU Regulation No 1423/2013 (cont.)

Transitional own funds disclosure template	31 Dec 2015	31 Dec 2014	Amounts Subject to Pre- Regulation (EU) N° 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) N° 575/2013	BS Cross reference
Applicable caps on the inclusion of provisions in Tier 2				
76 Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)				
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach				
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)				
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	2,326	2,613		
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				
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)				
82 Current cap on AT1 instruments subject to phase out arrangements	9,803	11,203		
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		–1,544		
84 Current cap on T2 instruments subject to phase out arrangements		1,533		
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)				

TABLE 7. Balance sheet reconciliation

Balance sheet items, SEK m	31 Dec 2015 SEB Consolidated situation	31 Dec 2015 SEB Group	31 Dec 2014 SEB Consolidated situation	31 Dec 2014 SEB Group	Cross reference to the own funds template
Cash and cash balances with central banks	101,429	101,429	104,557	103,098	
Other lending to central banks	32,222	32,222	16,817	16,817	
Loans to credit institutions	55,353	58,542	90,057	90,945	
Loans to the public	1,361,783	1,353,386	1,362,101	1,355,680	
Financial assets at fair value through profit or loss	423,345	826,945	543,448	936,671	
Fair value changes of hedged items in a portfolio hedge	104	104	173	173	
Available-for-sale financial assets	51,849	37,368	60,505	46,014	
Held-to-maturity investments			91	91	
Assets held for sale	801	801	841	841	
Investments in associates	1,159	1,181	1,103	1,251	
Tangible and intangible assets	8,625	26,203	9,412	27,524	
Other assets	55,054	57,783	60,757	62,141	
TOTAL ASSETS	**2,091,724**	**2,495,964**	**2,249,862**	**2,641,246**	
Deposits from central banks and credit institutions	117,425	118,506	114,357	115,186	
Deposits and borrowing from the public	893,290	883,785	953,406	943,114	
Liabilities to policyholders		370,709		364,354	
Debt securities issued	639,474	639,444	689,893	689,863	
of which gains or losses on liabilities valued at fair value resulting from changes in own credit standing	*–145*		*400*		*a*
Financial liabilities at fair value through profit or loss	198,917	230,785	250,499	278,764	
Fair value changes of hedged items in a portfolio hedge	1,608	1,608	1,999	1,999	
Other liabilities	68,668	75,084	64,470	70,257	
Provisions	1,758	1,873	2,743	2,868	
Subordinated liabilities	31,372	31,372	40,265	40,265	
of which Additional Tier 1 instruments	*13,856*		*19,748*		*b*
of which Tier 2 instruments	*16,091*		*18,085*		*c*
Total equity	139,212	142,798	132,230	134,576	
of which CET1 paid-in share capital	*21,942*		*21,942*		*d*
of which retained earnings	*53,458*		*45,167*		*e*
of which accumulated other comprehensive income (loss), other than cash flow hedge reserves and forex unrealised gain/losses	*50,817*		*48,215*		*f*
of which cash flow hedge reserves	*3,210*		*3,877*		*g*
TOTAL LIABILITIES AND EQUITY	**2,091,724**	**2,495,964**	**2,249,862**	**2,641,246**	

TABLE 8. Capital instruments' main features

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

	31 Dec 2015				
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	XS0828014133	XS1072796870	XS1136391643	XS0337453202
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	Ineligible
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	Capital Contribution Notes
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 6,896m	SEK 9,195m	SEK 9,258m	SEK 4,598m
9	Nominal amount of instrument	EUR 750m	EUR 1,000m	USD 1,100m	EUR 500m
9a	Issue price	99,698%	99,361%	100%	100%
9b	Redemption price	100%	100%	N/A	100%
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	2012-09-12	2014-05-28	2014-11-13	2007-12-21
12	Perpeptual or dated	Dated	Dated	Perpetual	Perpetual
13	Original maturity date	2022-09-12	2026-05-28	N/A	N/A
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	2017-09-12, 100%. In addition Tax/Regulatory call	2021-05-28, 100%. In addition Tax/Regulatory call	2020-05-13 or at any time thereafter. At Prevailing Pricipal Amount	2017-12-21, 100%. In addition Tax/Regulatory call
16	Subsequent call dates, if applicable	N/A	N/A	At any time thereafter. At Prevailing Principal Amount.	21 Mar, 21 Jun, 21 Sep and 21 Dec in each year after the first call.
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Fixed, Annually Payments in arrear	Fixed, Annually Payments in arrear	Fixed, Semi-annually Payments in arrear	Fixed to Floating
18	Coupon rate and any related index	4.00% pa. If not called then new fixed rate set to Euro Swap Rate+Reset margin that is 3.10%pa.	2.50% pa. If not called then new fixed rate set to Euro Swap Rate+Reset margin that is 3.10%pa.	5.75% pa. If not called then new fixed rate set to USD Mid-Swap Rate for the relevant 5 Year period+Reset margin that is 3.85%pa.	7.0922% pa to call date. If not called then rate set to 3M Euroibor+Reset margin that is 3.40%pa.
19	Existence of a dividend stopper	No	No	No	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Fully discretionary	Partially discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Fully discretionary	Partially 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

TABLE 8. Capital instruments' main features (cont.)

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013					
	31 Dec 2015				
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	No	No	Yes	Yes
31	If write-down, write-down trigger (s)	N/A	N/A	5.125% for the Bank and 8% for the Group	When equity is less than half of the registered share capital or in case of Regulatory breach
32	If write-down, full or partial	N/A	N/A	Full	Partial
33	If write-down, permanent or temporary	N/A	N/A	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	N/A	N/A	Discreationary out of Net Profit subject to MDA	Shareholders resolution regarding Reconversion and Reinstatement made out of unappropriated earnings
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Senior Debt	Senior Debt	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	No	Yes
37	If yes, specifiy non-compliant features				Instrument issued according to earlier rules. Conditions do not include CET1 trigger or full discretion on interest payments. Write down/up do not meet CRDIV/CRR requirements.

N/A inserted if the question is not applicable.
The full terms and conditions of all Additional Tier 1 and Tier 2 instruments can be found on SEB's website: http://sebgroup.com/investor-relations/debt-investors/debt-transactions

TABLE 9. Risk exposure amount and own funds requirement

SEK m	31 Dec 2015 Risk exposure amount	31 Dec 2015 Own funds requirement [1]	31 Dec 2014 Risk exposure amount	31 Dec 2014 Own funds requirement [1]
Credit risk IRB approach				
Exposures to institutions	22,701	1,816	34,013	2,721
Exposures to corporates	307,618	24,609	344,576	27,566
of which large corporates	*227,836*	*18,227*	*259,947*	*20,796*
of which SME corporates	*57,177*	*4,574*	*69,599*	*5,568*
of which specialised lending	*22,605*	*1,808*	*15,030*	*1,202*
Retail exposures	53,163	4,253	51,826	4,146
of which secured by immovable property	*32,784*	*2,623*	*31,905*	*2,552*
of which qualifying revolving retail exposures	*248*	*20*	*1,498*	*120*
of which retail SME	*3,255*	*260*	*3,099*	*248*
of which other retail exposures	*16,876*	*1350*	*15,324*	*1226*
Securitisation positions	4,114	329	5,035	403
Total credit risk IRB approach	**387,596**	**31,007**	**435,450**	**34,836**
Credit risk standardised approach				
Exposures to central governments or central banks	1,425	114	743	59
Exposures to regional governments or local authorities	51	4	40	3
Exposures to public sector entities	5	0	7	1
Exposures to institutions	1,062	85	1,222	98
Exposures to corporates	15,568	1,245	16,743	1,339
Retail exposures	14,821	1,186	16,593	1,327
Exposures secured by mortgages on immovable property	4,159	333	4,161	333
Exposures in default	520	42	634	51
Exposures associated with particularly high risk	1,823	146	1,791	143
Securitisation positions	208	17	40	3
Exposures in the form of collective investment undertakings (CIU)	56	4	48	4
Equity exposures	2,182	175	2,371	190
Other items	6,364	509	10,216	817
Total credit risk Standardised approach	**48,244**	**3,860**	**54,609**	**4,368**
Market risk				
Trading book exposures where internal models are applied	34,233	2,739	25,144	2,012
Trading book exposures applying standardised approaches	11,608	929	18,813	1,505
Foreign exchange rate risk	4,778	382	5,010	401
Total market risk	**50,619**	**4,050**	**48,967**	**3,918**
Other own funds requirements				
Operational risk advanced measurement approach	47,804	3,824	48,126	3,850
Settlement risk	1	0	42	3
Credit value adjustment	6,910	553	9,286	743
Investment in insurance business	15,525	1,242	15,525	1,242
Other exposures	5,243	419	4,526	362
Additional risk exposure amount[2]	8,898	712		
Total other own funds requirements	**84,381**	**6,750**	**77,505**	**6,200**
TOTAL	**570,840**	**45,667**	**616,531**	**49,322**

1) Own funds requirement 8% of risk exposure amount according to Regulation (EU) No 575/2013 (CRR).
2) Regulation (EU) No 575/2013 (CRR) Article 3.

The risk exposure amount (REA) decreased by SEK 46bn in 2015. The decrease was mostly driven by a change in the volume and mix (SEK –23bn). The exchange rates were relatively volatile during the year, but the effect was fairly low at year-end (SEK –2bn). Risk models approved by the SFSA decreased REA by SEK 16bn. In light of the SFSA's upcoming review of corporate risk weights, SEB agreed with the regulator to increase additional REA by SEK 9bn as a measure of prudence. Corporate migration towards better risk classes lowered REA. Underlying market risk added to REA volatility during the year and its contribution was an increase of SEK 6bn at year-end.

TABLE 10. Leverage ratio

SEK m	31 Dec 2015
Total assets as per published financial statements	2,495,964
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	–404,240
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	–2,760
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	15,373
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	369,034
Other adjustments	–9,892
Exposure measure for leverage ratio calculation	**2,463,479**
Tier 1 capital	**121,391**
LEVERAGE RATIO	**4.9%**

CAPITAL POSITION OF SIGNIFICANT SUBSIDIARIES

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

TABLE 11. Capital position of significant subsidiaries

	SEB AG Germany		SEB Pank AS Estonia		SEB Banka AS Latvia		SEB bankas AB Lithuania	
	www.seb.de		www.seb.ee		www.seb.lv		www.seb.lt	
SEK m	31 Dec 2015	31 Dec 2014[2]	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Own funds								
Common Equity Tier 1 capital	17,811	18,718	7,807	7,314	3,593	3,609	6,360	6,412
Tier 1 capital	17,811	18,718	7,807	7,314	3,593	3,609	6,360	6,412
Total own funds	17,956	19,058	7,807	7,366	3,593	3,609	6,584	6,598
Own funds requirement								
Risk exposure amount	79,973	98,044	20,002	18,969	15,702	19,437	29,178	32,235
Expressed as own funds requirement	6,398	7,844	1,600	1,518	1,256	1,555	2,334	2,579
Common Equity Tier 1 capital ratio	22.3%	19.1%	39.0%	38.6%	22.9%	18.6%	21.8%	19.9%
Tier 1 capital ratio	22.3%	19.1%	39.0%	38.6%	22.9%	18.6%	21.8%	19.9%
Total capital ratio	22.5%	19.4%	39.0%	38.8%	22.9%	18.6%	22.6%	20.5%
Own funds in relation to own funds requirement	2,81	2,43	4,88	4,85	2,86	2,32	2,82	2,56
Regulatory Common Equity Tier 1 capital requirement including buffers	4.5%	4.5%	9.0%	9.0%	7.0%	7.0%	7,0%	4.5%
of which capital conservation buffer requirement			*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	
of which systemic risk buffer requirement			*2.0%*	*2.0%*				
Common Equity Tier 1 capital available to meet buffer requirements [1]	17.8%	14.6%	34.5%	34.1%	18.4%	14.1%	17.3%	15.4%

1) CET1 ratio less minimum capital requirement of 4.5% excluding buffers. In addition to the CET1 requirements there is a total capital requirement of additional 3.5%.
2) Basel 1 floor excluded for comparison reasons.

IV. CREDIT RISK

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

CREDIT RISK MANAGEMENT

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

Credit risk policy and approval process

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

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 process differs depending on the type of customer (e.g. retail, corporate or institutional), the customer's risk level, and the size and type of transaction. Independent and professional credit analysis is particularly important for large corporate customers. For households and small businesses, the credit approval process is often based on credit scoring systems. 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 specified bank officers. The approval mandates for each level are set on a risk adjusted basis using both quantitative and qualitative criteria.

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

Credit risk mitigation and collateral

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

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

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

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

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

Limits and monitoring

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

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 authorized by the Group's Credit Instruction, adopted by the Board). Weak and impaired exposures are monitored closely and reviewed

at least quarterly in terms of performance, outlook, debt service capacity and possible need for provisions. The objective is to identify, at an early stage, credit exposures with an elevated risk of loss and to work together with the customer towards a solution that enables the customer to meet its financial obligations and SEB to reduce or avoid credit losses.

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 amortization 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. A relevant credit approval body shall approve forbearance measures as well as the classification of the loan as being forborne or not.

Impairment provisioning process

Provisions are made for probable credit losses on individually assessed loans and for portfolio assessed loans. Loans to corporate, real estate and institutional counterparties are primarily individually assessed and specific provisions are made for identified impaired loans (individually assessed impaired loans). Loans that have been deemed to be impaired on an individual basis and which have similar characteristics are grouped together and assessed collectively for impairment. Valuations of loans to private individuals and small businesses are to a large extent made on a portfolio basis (portfolio assessed loans).

Credit portfolio analysis and stress tests

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

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.

MEASUREMENT OF CREDIT RISK

Internal risk class assignment system

For the Basel non-retail segment, SEB's Risk Class Assignment (RCA) process/system is a central part of the bank's credit risk assessment of corporates, property management, financial institutions and specialised lending. In the end of 2015, SEB AB received approval for a significant change of its risk classification system for the non-retail portfolio. The approvals for SEB AG and SEB's Baltic subsidiaries are pending. The amended risk classification system aims to improve transparency and objectivity for risk measurement and management while maintaining SEB's strong risk culture in place. The amended risk classification system for non-retail portfolios contains separate rating tools and probability of default (PD) scales for large corporate, mid-corporate and SME segments (further split by industry and geography if deemed appropriate). All segments are measured on individual scales with a constant increase of risk each risk class up to the worst risk class, which represents defaulted counterparties according to the Basel Default Definition. The three risk classes prior to default are defined as "watch list" risk classes.

For the Basel retail segment, mainly mortgages and other retail exposures (private individuals and small businesses), SEB uses credit scoring systems when granting a credit and to estimate the probability of default for the customer, which than gets allocated to a PD pool of customers with the similar PDs. The most important factors of the credit scoring systems are measures of payment behaviour which is available 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 are directly used in every credit risk decision as well as in the following areas:

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

SEB's RCA system is based on both qualitative and quantitative risk analysis and assesses the counterparty's financial risk and business risk profile, including environmental, social and governance aspects. Understanding repayment capacity by combining financial analysis and an assessment of ownership and management, and thorough knowledge of the customer's business model are key components of SEB's credit culture. In the RCA system, the obligor's risk profile is assessed against a set of descriptive definitions. 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 RCA system 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, all RCA systems are reviewed and validated from a quantitative and qualitative perspective, including a use test.

Credit risk estimation

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

Probability of default
SEB's RCA system is primarily used to measure probability of default (PD), or the risk that a counterparty defaults on its payment obligations. The segment-specific risk class is mapped to a segment-specific PD scale based on historical default statistics of that segment. Statistical analysis confirms that SEB's risk classes historically have shown differentiated patterns of default, e.g. worse risk classes display higher default ratios than better risk classes in both good and bad times, which supports the strength of risk differentiation capability of the RCA system.

Through-the-cycle Probability of Default (TTC PD) estimates are derived from long-term averages (up to 27 years) of internal historical observed default frequencies over one or more credit cycles including prudency buffers for uncertainty. In all geographies, internal data has been supplemented with relevant external default/bankruptcy statistics to benchmark SEB's internal time series and in order to predict a through-the-cycle level for each segment.

The table below shows lower and upper TTC PD values for aggregates of SEB's risk class segments, and displays an approximate relation to two rating agencies' rating scales. Such relation is based on similarity between the method and the definitions used by SEB and these agencies to rate obligors. The mapping is based on SEB's PD scale and S&P's published long-term default history per rating grade, which leads to a reasonable correspondence between SEB's mapping of risk classes onto the S&P scale.

TABLE 12. 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
On-going business	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
	100%	Default	Default

For the Basel retail segment, the PD values are organised in PD pools to build pools of counterparties with a similar risk behavior. 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.

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

Exposure at default
Exposure at default (EAD) is measured in nominal terms (such as for loans, bonds and leasing contracts), as a percentage of committed amounts (undrawn credit lines, letters of credit, guarantees and other off-balance sheet exposures), through current market values plus an amount for possibly increased exposure in the future, net of any eligible collateral (in the case of derivatives contracts with underlying assets other than FX and interest rates and securities lending), and through the simulation-based regulatory approved internal model method (repos, interest rate derivatives and FX derivatives).

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

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

As a member of the Global Credit Data Consortium (former PECDC - Pan-European Credit Data Consortium), 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 and scoring models
The performance of the risk rating system is regularly reviewed by the risk organisation in accordance with the Instruction for Approval, Review and Validation of Risk Measurement Systems. The validation is done in order to secure that SEB's RCA system is working satisfactorily and that it is used in accordance with external regulations, the internal rules and instructions. The validation is performed by a unit within the risk organisation which is independent of those responsible for risk class assignment of counterparties.

TABLE 13. Back-testing of PD

	Non-Retail		Retail Sweden[1)]		Retail Baltic[1)]	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
ODF (counterparty weighted)	0.39%	0.35%	0.13%	0.17%	1.26%	1.10%
ODF (exposure weighted)	0.29%	0.42%	0.10%	0.15%	1.74%	1.48%
PD (counterparty weighted)	1.38%	1.51%	0.49%	0.45%	1.45%	1.65%
PD (exposure weighted)	0.60%	0.69%	0.49%[2)]	0.49%[2)]	1.46%	1.61%

1) Household mortgages.
2) Regulatory floor on mortage portfolio of 0.49.

IRB and standardised models

IRB approval and implementation plan

SEB has been approved as an IRB Advanced bank for the non-retail portfolio of SEB AB which means that internally developed PD, LGD and CCF models are used for unsecured and secured lending to corporates and institutions. The non-retail portfolios outside SEB AB remain IRB-Foundation for the calculation of regulatory capital requirements, based on approved internally developed PD models.

Since 2008, the majority of the Swedish and Baltic retail portfolios are IRB Advanced with internally developed PD, LGD and CCF models.

SEB has agreed on a roll-out plan with the Swedish FSA and local supervisors for the remaining non-retail and retail portfolios of significant size. For SEB Group, the only remaining significant portfolio under the standardised approach (excluding sovereigns) is the Retail Corporate portfolio.

TABLE 14. EAD split by Advanced IRB, Foundation IRB and Standardised models

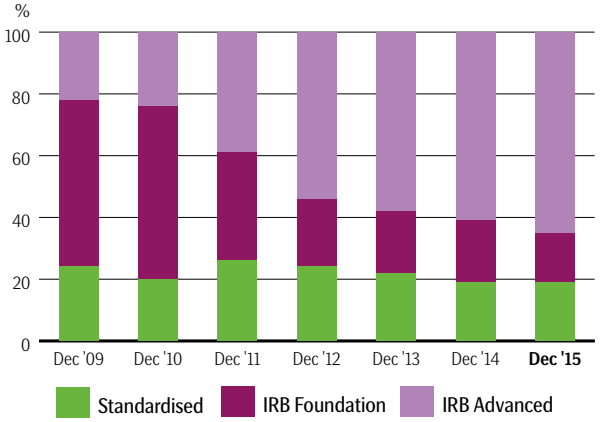
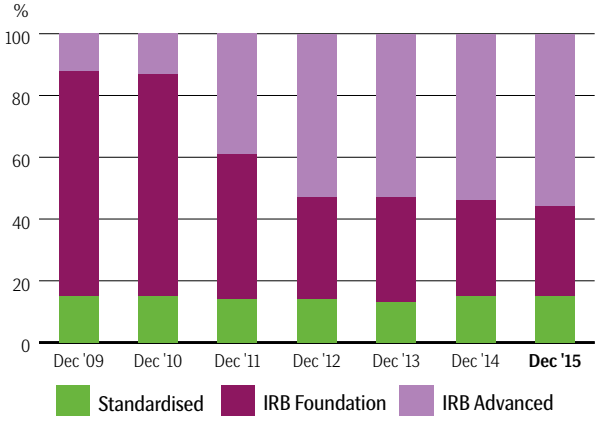


TABLE 15. REA split by Advanced IRB, Foundation IRB and Standardised models



Standardised approach

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

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

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

TABLE 16. Standardised approach

		Exposure, SEK m	
Credit quality step	Equivalent S&P's rating	31 Dec 2015	31 Dec 2014
1	AAA/AA	266,987	277,038
2	A	487	205
3	BBB	1,270	1,041
4/5	BB/B	343	205
6	CCC and worse	107	11
TOTAL		**269,194**	**278,500**

CREDIT RISK INFORMATION

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

TABLE 17. Credit risk overview

31 Dec 2015, SEK m	Original exposure pre CCF[1]	EAD	Average exposure amount	Risk exposure amount	Own funds requirement[2]	Average risk weight[3]
Institutions	110,512	98,464	143,418	22,701	1,816	23.1%
Corporates	1,123,810	953,763	964,358	307,618	24,609	32.3%
of which large corporates	*863,154*	*705,946*	*711,425*	*227,836*	*18,227*	*32.3%*
of which SME corporates	*211,407*	*201,118*	*211,065*	*57,177*	*4,574*	*28.4%*
of which specialised lending	*49,249*	*46,699*	*41,868*	*22,605*	*1,808*	*48.4%*
Retail exposures	560,449	539,937	543,298	53,163	4,253	9.8%
of which secured by immovable property	*485,247*	*475,158*	*475,910*	*32,784*	*2,623*	*6.9%*
of which qualifying revolving retail exposures	*808*	*584*	*641*	*248*	*20*	*42.4%*
of which retail SME	*4,683*	*5,173*	*5,511*	*3,255*	*260*	*62.9%*
of which other retail exposures	*69,711*	*59,022*	*61,236*	*16,876*	*1,350*	*28.6%*
Securitisation positions	8,854	8,854	10,255	4,114	329	46.5%
IRB approach	**1,803,625**	**1,601,018**	**1,661,329**	**387,596**	**31,007**	**24.2%**
Standardised approach	**403,808**	**371,042**	**449,772**	**48,244**	**3,860**	**13.0%**
TOTAL	**2,207,433**	**1,972,060**	**2,111,101**	**435,840**	**34,867**	**22.1%**

31 Dec 2014, SEK m	Original exposure pre CCF[1]	EAD	Average exposure amount	Risk exposure amount	Own funds requirement[2]	Average risk weight[3]
Institutions	170,079	153,729	147,506	34,013	2,721	22.1%
Corporates	1,117,504	957,462	925,518	344,576	27,566	36.0%
of which large corporates	*851,431*	*706,377*	*680,107*	*259,947*	*20,796*	*36.8%*
of which SME corporates	*234,536*	*221,310*	*218,445*	*69,599*	*5,568*	*31.4%*
of which specialised lending	*31,537*	*29,775*	*26,966*	*15,030*	*1,202*	*50.5%*
Retail exposures	550,852	531,591	508,230	51,826	4,146	9.7%
of which secured by immovable property	*471,055*	*462,610*	*456,303*	*31,905*	*2,552*	*6.9%*
of which qualifying revolving retail exposures	*22,953*	*20,099*	*19,424*	*1,498*	*120*	*7.5%*
of which retail SME	*5,159*	*5,680*	*3,722*	*3,099*	*248*	*54.6%*
of which other retail exposures	*51,685*	*43,202*	*28,781*	*15,324*	*1,226*	*35.5%*
Securitisation positions	11,576	11,576	12,279	5,035	403	43.5%
IRB approach	**1,850,011**	**1,654,358**	**1,593,533**	**435,450**	**34,836**	**26.3%**
Standardised approach	**392,605**	**374,497**	**470,074**	**54,609**	**4,368**	**14.6%**
TOTAL	**2,242,616**	**2,028,855**	**2,063,607**	**490,059**	**39,204**	**24.2%**

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

TABLE 18. EAD by exposure class and geography

31 Dec 2015, SEK m	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Institutions	12,174	4,548	5,789	2,430	12	8	1,270	9,124	63,109	**98,464**
Corporates	418,950	43,530	74,673	65,542	22,158	15,383	30,898	91,939	190,690	**953,763**
of which large corporates	*269,276*	*41,832*	*67,219*	*56,359*	*9,835*	*5,916*	*13,643*	*75,651*	*166,215*	***705,946***
of which SME corporates	*137,483*	*830*	*4,876*	*5,237*	*11,167*	*9,430*	*8,224*	*11,479*	*12,392*	***201,118***
of which specialised lending	*12,191*	*868*	*2,578*	*3,946*	*1,156*	*37*	*9,031*	*4,809*	*12,083*	***46,699***
Retail exposures	468,948	4,300	14,993	1,569	18,128	8,587	19,756	334	3,322	**539,937**
of which secured by immovable property	*429,469*	*116*	*481*	*18*	*16,602*	*6,504*	*18,838*	*261*	*2,869*	***475,158***
of which qualifying revolving retail exposures					*84*	*498*			*2*	***584***
of which retail SME	*764*	*723*	*938*	*636*	*601*	*1,154*	*355*		*2*	***5,173***
of which other retail exposures	*38,715*	*3,461*	*13,574*	*915*	*841*	*431*	*563*	*73*	*449*	***59,022***
Securitisation positions									8,854	**8,854**
IRB approach	**900,072**	**52,378**	**95,455**	**69,541**	**40,298**	**23,978**	**51,924**	**101,397**	**265,975**	**1,601,018**
Standardised approach	**106,970**	**3,672**	**14,690**	**11,286**	**11,549**	**11,126**	**17,553**	**95,805**	**98,391**	**371,042**
TOTAL	**1,007,042**	**56,050**	**110,145**	**80,827**	**51,847**	**35,104**	**69,477**	**197,202**	**364,366**	**1,972,060**

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

Geographical distribution according to obligor's domicile.

TABLE 19. Average risk weight by exposure class and geography

31 Dec 2015	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Institutions	25.0%	15.3%	16.1%	19.8%	54.2%	40.0%	15.9%	20.9%	24.4%	**23.1%**
Corporates	24.0%	36.1%	33.8%	33.6%	59.7%	67.5%	63.7%	44.2%	31.5%	**32.3%**
of which large corporates	*26.7%*	*36.7%*	*34.0%*	*34.0%*	*61.9%*	*70.8%*	*60.9%*	*43.3%*	*28.3%*	***32.3%***
of which SME corporates	*17.3%*	*34.7%*	*33.3%*	*29.2%*	*57.2%*	*65.5%*	*70.4%*	*40.8%*	*55.9%*	***28.4%***
of which specialised lending	*40.2%*	*5.8%*	*27.7%*	*33.1%*	*65.0%*	*71.0%*	*61.6%*	*66.1%*	*50.6%*	***48.4%***
Retail exposures	7.2%	68.0%	32.6%	71.1%	15.1%	30.4%	24.2%	10.6%	9.9%	**9.8%**
of which secured by immovable property	*5.6%*	*20.6%*	*11.5%*	*10.2%*	*12.3%*	*29.8%*	*23.2%*	*9.0%*	*8.7%*	***6.9%***
of which qualifying revolving retail exposures	*36.8%*	*6.1%*	*42.6%*	*33.1%*	*23.8%*	*45.6%*	*42.5%*	*35.0%*	*28.2%*	***42.4%***
of which retail SME	*83.6%*	*62.7%*	*119.5%*	*83.8%*	*26.9%*	*21.7%*	*26.4%*		*133.5%*	***62.9%***
of which other retail exposures	*22.9%*	*70.7%*	*27.3%*	*63.5%*	*60.9%*	*46.3%*	*57.0%*	*224.3%*	*17.0%*	***28.6%***
Securitisation positions									46.5%	**46.5%**
IRB approach	**15.3%**	**36.9%**	**32.5%**	**33.9%**	**39.6%**	**54.2%**	**47.5%**	**42.1%**	**30.1%**	**24.2%**
Standardised approach	**36.5%**	**53.5%**	**22.8%**	**13.6%**	**17.2%**	**12.0%**	**14.7%**	**3.6%**	**10.3%**	**13.0%**
TOTAL	**17.7%**	**38.0%**	**31.2%**	**31.1%**	**34.7%**	**40.8%**	**39.2%**	**23.4%**	**24.7%**	**22.1%**
31 Dec 2014										
Institutions	23.4%	21.6%	12.1%	22.1%	67.4%	60.6%	20.7%	20.7%	23.9%	**22.1%**
Corporates	28.8%	43.2%	35.8%	40.0%	57.1%	71.1%	71.3%	45.8%	31.3%	**36.0%**
of which large corporates	*33.5%*	*44.6%*	*35.2%*	*41.8%*	*56.8%*	*67.9%*	*63.3%*	*44.5%*	*30.2%*	***36.8%***
of which SME corporates	*20.1%*	*27.4%*	*42.7%*	*25.2%*	*56.7%*	*73.2%*	*81.6%*	*52.4%*	*32.4%*	***31.4%***
of which specialised lending	*34.2%*	*9.5%*		*34.4%*	*66.2%*	*96.3%*	*71.7%*		*55.6%*	***50.5%***
Retail exposures	6.8%	68.3%	28.1%	45.0%	17.0%	36.4%	27.2%	7.7%	10.3%	**9.7%**
of which secured by immovable property	*5.2%*	*20.2%*	*12.3%*	*5.7%*	*13.7%*	*37.0%*	*26.5%*	*5.6%*	*8.2%*	***6.9%***
of which qualifying revolving retail exposures	*6.3%*	*7.5%*	*43.1%*	*39.1%*	*23.7%*	*46.8%*	*86.5%*	*34.7%*	*26.6%*	***7.5%***
of which retail SME	*80.9%*	*62.1%*	*93.4%*	*38.1%*	*41.0%*	*25.4%*	*25.1%*		*107.1%*	***54.6%***
of which other retail exposures	*34.6%*	*71.2%*	*23.9%*	*50.4%*	*58.6%*	*45.6%*	*56.3%*	*40.2%*	*19.6%*	***35.5%***
Securitisation positions									43.5%	**43.5%**
IRB approach	**17.2%**	**40.2%**	**31.2%**	**39.0%**	**39.4%**	**59.2%**	**52.3%**	**42.6%**	**29.3%**	**26.3%**
Standardised approach	**30.8%**	**26.8%**	**18.2%**	**15.2%**	**13.2%**	**16.1%**	**14.4%**	**3.3%**	**12.7%**	**14.6%**
TOTAL	**18.3%**	**38.8%**	**28.8%**	**36.2%**	**32.3%**	**47.1%**	**42.1%**	**24.4%**	**25.0%**	**24.2%**

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

TABLE 20. EAD by remaining maturity

31 Dec 2015, SEK m	< 3 months	3 < 6 months	6 < 12 months	1 < 5 years	5 years <	Total
Institutions	50,274	6,973	13,024	20,228	7,965	**98,464**
Corporates	133,583	75,603	118,745	494,612	131,220	**953,763**
of which large corporates	*94,781*	*50,749*	*73,979*	*393,745*	*92,692*	***705,946***
of which SME corporates	*36,936*	*24,178*	*42,951*	*78,982*	*18,071*	***201,118***
of which specialised lending	*1,866*	*676*	*1,815*	*21,885*	*20,457*	***46,699***
Retail exposures	57,945	42,262	134,404	252,254	53,072	**539,937**
of which secured by immovable property	*53,256*	*40,064*	*89,836*	*246,154*	*45,848*	***475,158***
of which qualifying revolving retail exposures	*62*	*63*	*102*	*357*		***584***
of which retail SME	*280*	*226*	*3,430*	*806*	*431*	***5,173***
of which other retail exposures	*4,347*	*1,909*	*41,036*	*4,937*	*6,793*	***59,022***
Securitisation positions				4,178	4,676	**8,854**
IRB approach	**241,802**	**124,838**	**266,173**	**771,272**	**196,933**	**1,601,018**
Exposures to central governments or central banks	137,074	3,925	2,692	23,665	11,394	**178,750**
Exposures to regional governments or local authorities	10,394	9,040	10,251	39,854	20,905	**90,444**
Exposures to public sector entities	1	28	96	1,560	342	**2,027**
Exposures to institutions	5,130	180	281	2,205	27	**7,823**
Exposures to corporates	12,678	3,026	2,972	7,242	5,429	**31,347**
Retail exposures	5,829	1,998	4,321	10,197	2,282	**24,627**
Exposures secured by mortgages on immovable property	861	739	1,274	6,283	3,331	**12,488**
Exposures in default	250	11	81	33	5	**380**
Exposures associated with particularly high risk	66	273	68	342	466	**1,215**
Securitisation positions					922	**922**
Exposures in the form of collective investment undertakings (CIU)				56		**56**
Equity exposures	9,733		2	1,380	382	**11,497**
Other items	225		306	8,718	217	**9,466**
Standardised approach	**182,241**	**19,220**	**22,344**	**101,535**	**45,702**	**371,042**
TOTAL	**424,043**	**144,058**	**288,517**	**872,807**	**242,635**	**1,972,060**

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

TABLE 21. IRB reported credit exposures by PD

The new risk classification system was implemented in 2015 and consists of several risk class scales which are mapped onto a universal PD scale consisting of 24 steps as shown in the tables below. The previous system was less granular with 16 risk classes which can be seen in the comparison below.

	31 Dec 2015				31 Dec 2014			
SEK m	Lower PD	EAD	REA	Average risk weight	Lower PD	EAD	REA	Average risk weight
Exposures to institutions	0.00%	2,109	446	21.1%	0.00%	4,236	220	5.2%
	0.01%	9,290	1,047	11.3%	0.01%	11,814	1,467	12.4%
	0.017%	37,395	4,835	12.9%	0.017%	59,199	7,641	12.9%
	0.03%	15,982	2,406	15.1%	0.03%	33,727	5,880	17.4%
	0.06%	8,347	1,808	21.7%	0.06%			
	0.084%	7,406	2,026	27.4%	0.084%	14,668	3,454	23.5%
	0.12%	1,787	655	36.7%	0.12%	6,071	2,136	35.2%
	0.17%	6,135	2,355	38.4%	0.17%	7,649	3,035	39.7%
	0.24%	2,828	1,219	43.1%	0.24%	5,427	2,708	49.9%
	0.33%	2,053	1,053	51.3%	0.33%	6,055	1,694	28.0%
	0.46%	1,762	621	35.3%	0.46%			
	0.64%	243	184	75.5%	0.64%			
	0.89%				0.89%			
	1.24%	1,821	1,785	98.1%	1.24%	3,334	2,941	88.2%
	1.74%	782	1,202	153.8%	1.74%	319	440	138.0%
	2.43%				2.43%			
	3.41%	85	164	193.6%	3.41%	875	1,563	178.5%
	5.00%				5.00%			
	7.00%				7.00%			
	9.00%	59	169	287.1%	9.00%	139	397	286.3%
	13.00%	184	564	306.2%	13.00%	66	182	278.1%
	22.00%	181	89	49.1%	22.00%	128	139	108.3%
	40.00%				40.00%			
	100.00%	15	73	501.6%	100.00%	24	116	488.7%
TOTAL EXPOSURES TO INSTITUTIONS		**98,464**	**22,701**	**23.1%**		**153,729**	**34,013**	**22.1%**

	31 Dec 2015				31 Dec 2014			
SEK m	Lower PD	EAD	REA	Average risk weight	Lower PD	EAD	REA	Average risk weight
Exposures to corporates	0.00%	3,503	112	3.2%	0.00%	3,780	180	4.8%
large corporates	0.01%	20,510	1,777	8.7%	0.01%	18,896	1,542	8.2%
specialised lending	0.017%	69,469	7,687	11.1%	0.017%	62,690	7,054	11.3%
SME corporates	0.03%	76,887	9,394	12.2%	0.03%	81,200	11,493	14.2%
	0.06%	34,598	5,686	16.4%	0.06%			
	0.084%	74,738	15,575	20.8%	0.084%	77,936	15,452	19.8%
	0.12%	108,170	27,682	25.6%	0.12%	98,184	24,052	24.5%
	0.17%	77,379	18,997	24.6%	0.17%	127,922	40,346	31.5%
	0.24%	117,066	40,838	34.9%	0.24%	161,332	51,118	31.7%
	0.33%	151,823	53,527	35.3%	0.33%	161,120	63,782	39.6%
	0.46%	44,588	14,623	32.8%	0.46%			
	0.64%	41,249	12,150	29.5%	0.64%			
	0.89%	14,694	6,663	45.3%	0.89%			
	1.24%	79,706	50,983	64.0%	1.24%	95,737	65,170	68.1%
	1.74%	11,174	9,050	81.0%	1.74%	25,415	20,576	81.0%
	2.43%	575	360	62.6%	2.43%			
	3.41%	11,273	10,763	95.5%	3.41%	19,916	16,573	83.2%
	5.00%				5.00%			
	7.00%	36	19	52.8%	7.00%			
	9.00%	5,281	7,420	140.5%	9.00%	7,613	11,178	146.8%
	13.00%	2,242	3,695	164.8%	13.00%	3,638	6,285	172.8%
	22.00%	1,519	2,891	190.3%	22.00%	2,519	4,871	193.4%
	40.00%				40.00%			
	100.00%	7,283	7,726	106.1%	100.00%	9,566	4,905	51.3%
TOTAL EXPOSURES TO CORPORATES		**953,763**	**307,618**	**32.3%**		**957,462**	**344,576**	**36.0%**

TABLE 21. IRB reported credit exposures by PD (cont.)

SEK m	31 Dec 2015 Lower PD	EAD	REA	Average risk weight	31 Dec 2014 Lower PD	EAD	REA	Average risk weight
Retail exposures	0.0%	323,616	8,197	2.5%	0.0%	290,382	5,722	2.0%
secured by immovable property	0.2%	79,265	7,026	8.9%	0.2%	76,567	4,644	6.1%
	0.4%				0.4%	36,131	4,297	11.9%
	0.6%	41,961	6,238	14.9%	0.6%	20,273	3,705	18.3%
	1.0%	20,297	5,697	28.1%	1.0%	29,296	7,224	24.7%
	5.0%	3,834	2,331	60.8%	5.0%	3,836	2,551	66.5%
	10.0%	2,737	2,219	81.1%	10.0%	1,745	2,103	120.6%
	30.0%	1,343	661	49.2%	30.0%	1,665	1,016	61.0%
	50.0%	1	0	9.5%	50.0%	1		6.9%
	100.0%	2,104	415	19.7%	100.0%	2,714	643	23.7%
TOTAL RETAIL EXPOSURES		**475,158**	**32,784**	**6.9%**		**462,610**	**31,905**	**6.9%**

SEK m	31 Dec 2015 Lower PD	EAD	REA	Average risk weight	31 Dec 2014 Lower PD	EAD	REA	Average risk weight
Other retail exposures	0.0%	31,918	2,960	9.3%	0.0%	32,748	2,511	6.9%
qualifying revolving retail exposures	0.2%	4,069	1,040	25.6%	0.2%	4,360	1,053	24.1%
retail SME	0.4%	2,463	877	35.6%	0.4%	2,592	903	34.9%
other	0.6%	12,822	5,288	41.2%	0.6%	13,952	4,377	31.4%
	1.0%	7,920	5,303	67.0%	1.0%	9,238	6,262	67.8%
	5.0%	2,737	2,322	84.8%	5.0%	2,929	2,046	69.8%
	10.0%	1,224	1,417	115.8%	10.0%	1,347	1,481	110.0%
	30.0%	276	411	148.9%	30.0%	335	494	147.1%
	50.0%	81	125	154.3%	50.0%	77	111	144.4%
	100.0%	1,269	636	50.1%	100.0%	1,403	683	48.7%
TOTAL OTHER RETAIL EXPOSURES		**64,779**	**20,379**	**31.5%**		**68,981**	**19,921**	**28.9%**

SEK m	31 Dec 2015 Rating	EAD	REA	Average risk weight	31 Dec 2014 Rating	EAD	REA	Average risk weight
Securitisation positions	AAA/Aaa	3,409	265	7.8%	AAA/Aaa	4,768	373	7.7%
	AA/Aa	284	26	9.2%	AA/Aa	924	78	8.5%
	A/A	3,736	505	13.5%	A/A	4,418	621	17.5%
	BBB/Baa	1,032	865	83.8%	BBB/Baa	886	959	120.1%
	BB/Ba	393	2,453	624.2%	BB/Ba	580	3,004	452.8%
TOTAL SECURITISATION POSITIONS		**8,854**	**4,114**	**46.5%**		**11,576**	**5,035**	**43.5%**

TABLE 22. EAD by industry and geography for IRB corporates

31 Dec 2015, SEK m	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Business and household services	51,895	7,701	10,751	4,219	1,531	2,172	1,937	22,676	21,668	**124,550**
Construction	8,517	1,322	727	1,577	573	293	727	1,534	2,101	**17,371**
Finance and insurance	24,214	266	4,752	2,615	263	8	41	7,760	24,398	**64,317**
Manufacturing	61,350	12,498	12,969	21,966	3,112	1,887	3,960	17,880	35,719	**171,341**
Transportation	5,863	7,192	2,813	2,626	835	1,481	2,161	7,085	10,232	**40,288**
Wholesale and retail	20,162	5,110	3,048	1,492	4,122	1,836	9,251	3,919	14,627	**63,567**
Agriculture, forestry and fishing	6,587	65		52	1,365	1,365	774	58	21	**10,287**
Mining, oil and gas extraction	2,294		12,274	535	1,024	119	23		22,363	**38,632**
Electricity, gas and water supply	12,761	1,063	4,695	16,723	2,431	1,242	3,165	9,366	4,411	**55,857**
Shipping	3,120	3,721	8,182	371	684	22	126	33	43,607	**59,866**
Public administration	447	26	968	255			2	2	387	**2,087**
Commercial real estate management	83,399	4,527	12,906	11,544	6,103	4,216	8,595	15,630	8,656	**155,576**
Residential real estate management	73,379		174	349		347		5,791	54	**80,094**
Housing co-operative associations	48,371						6		24	**48,401**
Other	16,590	38	414	1,217	113	395	130	205	2,427	**21,529**
TOTAL IRB CORPORATES	**418,949**	**43,529**	**74,673**	**65,541**	**22,156**	**15,383**	**30,898**	**91,939**	**190,695**	**953,763**
31 Dec 2014, SEK m										
Business and household services	46,977	12,352	11,983	4,478	2,086	2,639	2,009	21,085	18,904	**122,513**
Construction	7,249	387	276	1,251	643	666	867	3,125	2,779	**17,243**
Finance and insurance	21,259	888	5,542	4,556	375	6	40	8,445	27,510	**68,621**
Manufacturing	65,423	15,842	14,403	20,485	3,859	2,093	4,098	25,703	36,871	**188,777**
Transportation	5,989	2,870	2,055	2,398	832	1,683	2,614	7,230	14,333	**40,004**
Wholesale and retail	28,793	3,087	2,535	1,404	2,744	1,962	8,212	4,403	13,061	**66,201**
Agriculture, forestry and fishing	5,123	127		40	1,609	1,394	666	62	25	**9,046**
Mining, oil and gas extraction	2,024	166	11,069	423	29	114	25		17,407	**31,257**
Electricity, gas and water supply	12,615	2,074	1,839	16,914	1,894	1,394	2,258	9,970	4,703	**53,661**
Shipping	3,013	3,230	6,393	1,516	1,520	21	150	468	39,846	**56,157**
Public administration	392	29	868	354			3		949	**2,595**
Commercial real estate management	83,508	3,735	12,302	10,113	6,560	4,890	8,812	21,625	9,703	**161,248**
Residential real estate management	65,789		208	359		396		7,369	726	**74,847**
Housing co-operative associations	43,169						7		24	**43,200**
Other	13,367	617	621	1,978	312	608	148	437	4,004	**22,092**
TOTAL IRB CORPORATES	**404,690**	**45,404**	**70,094**	**66,269**	**22,463**	**17,866**	**29,909**	**109,922**	**190,845**	**957,462**

Geographical distribution according to obligor's domicile.

TABLE 23. IRB reported exposures with own estimates of LGD

	31 Dec 2015		31 Dec 2014	
SEK m	EAD	LGD	EAD	LGD
Institutions	51,410	43.1%	50,556	44.7%
Corporates	684,957	23.6%	661,695	27.1%
of which large corporates	*515,741*	*26.1%*	*496,721*	*29.8%*
of which SME corporates	*142,358*	*14.5%*	*145,999*	*16.9%*
of which specialised lending	*26,857*	*24.5%*	*18,975*	*24.3%*
Retail exposures	539,937	14.7%	527,191	15.3%
of which secured by immovable property	*475,158*	*10.5%*	*459,896*	*10.7%*
of which qualifying revolving retail exposures	*584*	*60.2%*	*19,927*	*35.7%*
of which retail SME	*5,173*	*61.7%*	*5,550*	*49.3%*
of which other retail exposures	*59,022*	*43.6%*	*41,818*	*44.8%*

Defaulted exposures are excluded in table above.

TABLE 24. Exposure weighted average PD and LGD by exposure class and geography for IRB exposures

31 Dec 2015, %	Sweden		Denmark		Norway		Finland		Estonia		Latvia		Lithuania		Germany		Other	
	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD
Institutions	0.07	41.49	0.08	25.68	0.13	23.02	0.13	37.26	0.11	44.98	0.15	45.00	0.05	40.98	0.05	39.47	0.42	40.79
Corporates	0.60	23.79	0.62	30.74	0.89	26.62	0.38	30.77	1.65	39.47	6.05	40.06	4.41	41.59	1.68	42.53	1.27	27.25
of which large corporates	*0.38*	*27.09*	*0.53*	*30.95*	*0.87*	*26.87*	*0.39*	*30.77*	*1.01*	*40.18*	*4.18*	*42.36*	*0.98*	*41.57*	*1.24*	*43.04*	*1.02*	*27.18*
of which SME corporates	*1.09*	*16.51*	*5.35*	*18.61*	*1.20*	*22.81*	*0.26*	*30.75*	*2.50*	*38.54*	*7.73*	*37.98*	*10.36*	*41.64*	*5.64*	*37.87*	*4.96*	*28.37*
of which specialised lending	*0.50*	*24.35*	*0.09*	*9.57*	*0.29*	*23.98*	*0.34*	*22.76*	*5.04*	*39.26*	*16.20*	*44.36*	*15.46*	*38.23*	*1.79*	*44.83*	*1.87*	*32.01*
Retail exposures	0.68	12.68	6.15	67.16	1.54	49.60	5.29	64.40	3.41	15.45	10.13	22.45	6.90	17.65	2.57	9.37	1.51	12.49
of which secured by immovable property	*0.50*	*10.25*	*4.75*	*10.03*	*3.08*	*9.42*	*2.75*	*11.44*	*3.40*	*12.57*	*10.75*	*17.38*	*6.57*	*16.82*	*2.60*	*7.25*	*1.58*	*9.44*
of which qualifying revolving retail exposures	*1.62*	*55.95*	*84.76*	*9.72*	*2.00*	*62.50*	*1.64*	*51.61*	*1.65*	*46.17*	*3.74*	*61.59*	*2.14*	*62.41*	*16.38*	*52.59*	*32.33*	*39.29*
of which retail SME	*8.34*	*62.61*	*1.56*	*99.32*	*4.28*	*87.79*	*2.36*	*99.85*	*3.14*	*27.88*	*6.39*	*24.82*	*8.26*	*25.44*			*6.73*	*77.85*
of which other retail exposures	*2.49*	*37.90*	*6.80*	*64.54*	*1.38*	*48.89*	*6.21*	*54.38*	*3.90*	*46.78*	*20.61*	*35.33*	*16.78*	*39.65*	*1.77*	*47.67*	*0.85*	*32.40*
TOTAL IRB APPROACH, %	**0.61**	**19.18**	**0.97**	**32.75**	**0.95**	**30.45**	**0.48**	**31.31**	**2.40**	**30.18**	**7.32**	**34.57**	**7.06**	**32.32**	**1.53**	**42.27**	**1.09**	**30.63**
31 Dec 2014																		
Institutions	0.05	41.67	0.08	32.85	0.13	19.12	0.47	36.57	0.10	45.00	0.75	45.00	0.06	42.11	0.05	39.21	0.27	38.36
Corporates	0.55	26.58	0.53	33.28	0.61	27.41	0.47	32.07	0.90	39.14	2.13	40.70	2.29	40.19	0.64	42.04	0.48	27.94
of which large corporates	*0.47*	*30.48*	*0.54*	*33.87*	*0.51*	*27.75*	*0.50*	*32.73*	*0.49*	*39.53*	*0.99*	*43.24*	*0.68*	*40.34*	*0.42*	*42.73*	*0.42*	*28.16*
of which SME corporates	*0.73*	*19.07*	*0.66*	*24.69*	*2.03*	*22.75*	*0.25*	*29.39*	*1.21*	*38.91*	*3.13*	*38.42*	*3.49*	*41.50*	*2.06*	*37.60*	*0.93*	*25.70*
of which specialised lending	*0.45*	*22.74*	*0.09*	*15.72*			*0.23*	*23.41*	*2.15*	*37.00*	*4.38*	*43.97*	*3.61*	*38.40*			*1.24*	*27.10*
Retail exposures	0.49	12.80	2.31	69.66	1.06	42.44	2.71	44.42	1.34	17.05	3.31	26.43	1.64	20.20	1.66	8.74	1.01	12.72
of which secured by immovable property	*0.43*	*10.12*	*2.91*	*13.65*	*1.94*	*9.08*	*0.44*	*9.27*	*1.23*	*13.43*	*3.49*	*21.43*	*1.55*	*19.40*	*1.67*	*6.30*	*1.01*	*9.33*
of which qualifying revolving retail exposures	*0.53*	*34.77*	*2.00*	*62.50*	*2.10*	*62.50*	*2.28*	*52.16*	*1.40*	*46.66*	*3.04*	*62.50*	*8.04*	*62.50*	*1.91*	*60.96*	*2.11*	*58.36*
of which retail SME	*7.25*	*63.00*	*0.70*	*100.00*	*6.51*	*58.00*	*2.09*	*47.00*	*1.95*	*39.75*	*2.09*	*26.49*	*3.46*	*28.21*			*7.49*	*61.41*
of which other retail exposures	*1.46*	*43.37*	*2.53*	*66.91*	*0.80*	*42.38*	*2.91*	*44.03*	*2.41*	*47.50*	*4.90*	*42.65*	*3.57*	*44.66*	*1.47*	*47.31*	*0.77*	*31.66*
TOTAL IRB APPROACH, %	**0.49**	**21.00**	**0.55**	**35.44**	**0.64**	**29.13**	**0.52**	**32.55**	**1.06**	**30.60**	**2.48**	**36.33**	**1.94**	**33.24**	**0.58**	**41.67**	**0.41**	**30.09**

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

TABLE 25. IRB reported exposures with own estimates of CCF

	31 Dec 2015			31 Dec 2014		
SEK m	Original exposure pre CCF	Exposure after CCF	Average CCF	Original exposure pre CCF	Exposure after CCF	Average CCF
Institutions	21,652	11,601	53.6%	28,112	13,221	47.0%
Corporates	290,206	166,289	57.3%	307,591	176,512	57.4%
of which large corporates	*266,699*	*151,911*	*57.0%*	*278,256*	*159,091*	*57.2%*
of which SME corporates	*19,193*	*11,700*	*61.0%*	*25,664*	*15,092*	*58.8%*
of which specialised lending	*4,314*	*2,678*	*62.1%*	*3,671*	*2,329*	*63.4%*
Retail exposures	66,538	43,498	65.4%	67,089	44,844	66.8%
of which secured by immovable property	*25,305*	*15,183*	*60.0%*	*25,226*	*16,529*	*65.5%*
of which qualifying revolving retail exposures	*520*	*296*	*56.9%*	*15,682*	*12,293*	*78.4%*
of which retail SME	*1,044*	*782*	*74.9%*	*1,062*	*774*	*72.9%*
of which other retail exposures	*39,669*	*27,237*	*68.7%*	*25,119*	*15,248*	*60.7%*

TABLE 26. Credit risk mitigation

31 Dec 2015, SEK m	EAD	Protection via guarantees and credit derivatives	Protection via pledged collaterals	Of which, financial collaterals
Institutions	98,464	3,597	14,907	13,024
Corporates	953,763	44,172	415,896	27,498
of which large corporates	*705,946*	*32,413*	*256,998*	*26,302*
of which SME corporates	*201,118*	*11,759*	*148,416*	*374*
of which specialised lending	*46,699*		*10,482*	*822*
Retail exposures	539,937	2,673	477,174	159
of which secured by immovable property	*475,158*	*2,498*	*475,158*	*19*
of which qualifying revolving retail exposures	*584*		*1*	
of which retail SME	*5,173*	*171*	*1,658*	*127*
of which other retail exposures	*59,022*	*4*	*357*	*13*
Securitisation positions	8,854			
Total IRB approach	**1,601,018**	**50,442**	**907,977**	**40,681**
Exposures to central governments or central banks	178,750	12,184	228	228
Exposures to regional governments or local authorities	90,444	23,229	621	621
Exposures to public sector entities	2,027			
Exposures to institutions	7,823	423	352	352
Exposures to corporates	31,347	80	1,515	1,515
Retail exposures	24,627		2,453	2,453
Exposures secured by mortgages on immovable property	12,488		12,488	
Exposures in default	380		93	
Exposures associated with particularly high risk	1,215			
Securitisation positions	922			
Exposures in the form of collective investment undertakings (CIU)	56			
Equity exposures	11,497			
Other items	9,466			
Total credit risk Standardised approach	**371,042**	**35,916**	**17,750**	**5,169**
TOTAL	**1,972,060**	**86,358**	**925,727**	**45,850**

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

31 Dec 2014, SEK m				
Institutions	153,729	3,368	32,065	27,912
Corporates	957,462	34,539	377,676	30,440
of which large corporates	*706,377*	*15,817*	*221,049*	*29,333*
of which SME corporates	*221,310*	*18,722*	*147,219*	*518*
of which specialised lending	*29,775*		*9,408*	*589*
Retail exposures	531,592	3,035	464,936	214
of which secured by immovable property	*462,610*	*2,902*	*462,610*	*66*
of which qualifying revolving retail exposures	*20,099*		*2*	*1*
of which retail SME	*5,680*	*131*	*1,991*	*117*
of which other retail exposures	*43,202*	*2*	*333*	*30*
Securitisation positions	11,576			
IRB approach	**1,654,358**	**40,942**	**874,677**	**58,566**
Exposures to central governments or central banks	178,456	14,038	100	100
Exposures to regional governments or local authorities	100,044	20,984	5	5
Exposures to public sector entities	4,240	157	147	147
Exposures to institutions	8,872	149	206	206
Exposures to corporates	28,932		331	331
Retail exposures	24,434		41	41
Exposures secured by mortgages on immovable property	12,536		12,536	
Exposures in default	451		68	
Exposures associated with particularly high risk	1,194			
Securitisation positions	40			
Exposures in the form of collective investment undertakings (CIU)	48			
Equity exposures	2,370			
Other items	12,880			
Standardised approach	**374,497**	**35,328**	**13,434**	**830**
TOTAL	**2,028,855**	**76,270**	**888,111**	**59,396**

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

TABLE 27. Impaired loans by industry and geography

Individually assessed loans 31 Dec 2015, SEK m	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Banks	**1**									**1**
Finance and insurance		7								**7**
Wholesale and retail	44					31	130	288		**493**
Transportation	49					7	12	5		**73**
Shipping	1,019					60	124		74	**1,277**
Business and household services	183				4	6	81	2		**276**
Construction	8				17	9	71	9		**114**
Manufacturing	164		4		42	25	234	44		**513**
Agriculture, forestry and fishing					52	15	32			**99**
Mining, oil and gas extraction						13	5			**18**
Electricity, water and gas supply								29		**29**
Other	161			1				4		**166**
Corporates	**1,628**	**7**	**4**	**1**	**115**	**166**	**689**	**381**	**74**	**3,065**
Commercial real estate management	153				92	342	512	528		**1,627**
Residential real estate management						29				**29**
Housing co-operative associations										**0**
Property Management	**153**	**0**	**0**	**0**	**92**	**371**	**512**	**528**	**0**	**1,656**
Public Administration										**0**
Household mortgage			1				41			**42**
Other		1	54			68	13			**136**
Households	**0**	**1**	**55**	**0**	**0**	**68**	**54**	**0**	**0**	**178**
IMPAIRED LOANS	**1,782**	**8**	**59**	**1**	**207**	**605**	**1,255**	**909**	**74**	**4,900**

The geographical distribution is based on where the loan is booked. Amounts before provisions for credit losses.

Individually assessed loans 31 Dec 2014, SEK m										
Banks	**2**							**1**		**3**
Finance and insurance	3	6								**9**
Wholesale and retail	57				12	72	159	25		**325**
Transportation					1	11	30	5		**47**
Shipping	1,980								136	**2,116**
Business and household services	519	309			8	2	80	2		**920**
Construction	28				30	10	17	43		**128**
Manufacturing	251		21		90	44	233	49		**688**
Agriculture, forestry and fishing						16	5			**21**
Mining, oil and gas extraction	1					8				**9**
Electricity, water and gas supply	179							29		**208**
Other	186		1	1		1		1	111	**301**
Corporates	**3,204**	**315**	**22**	**1**	**141**	**164**	**524**	**154**	**247**	**4,772**
Commercial real estate management	72				148	178	718	691		**1,807**
Residential real estate management	8					6				**14**
Housing co-operative associations	6									**6**
Property Management	**86**	**0**	**0**	**0**	**148**	**184**	**718**	**691**	**0**	**1,827**
Public Administration										**0**
Household mortgage			1				70			**71**
Other		1	29			80			8	**118**
Households	**0**	**1**	**30**	**0**	**0**	**80**	**70**	**0**	**8**	**189**
IMPAIRED LOANS	**3,292**	**316**	**52**	**1**	**289**	**428**	**1,312**	**846**	**255**	**6,791**

The geographical distribution is based on where the loan is booked. Amounts before provisions for credit losses.

TABLE 28. Non performing portfolio assessed loans

31 Dec 2015, SEK m	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Total
Corporates	**23**	**9**	**32**	**55**	**22**	**60**	**28**	**229**
Household mortgage, past due > 60 days	215				161	498	575	1,449
Household mortgage restructured						1	204	205
Other	763	203	114	1	12	100	51	1,244
Households	**978**	**203**	**114**	**1**	**173**	**599**	**830**	**2,898**
Non performing	**1,001**	**212**	**146**	**56**	**195**	**659**	**858**	**3,127**
31 Dec 2014, SEK m								
Corporates	**24**	**11**	**26**	**60**	**24**	**84**	**59**	**288**
Household mortgage, past due > 60 days	277				214	646	722	1,859
Household mortgage restructured					40	1	233	274
Other	802	234	144	1	17	128	61	1,387
Households	**1,079**	**234**	**144**	**1**	**271**	**775**	**1,016**	**3,520**
Non performing	**1,103**	**245**	**170**	**61**	**295**	**859**	**1,075**	**3,808**

The geographical distribution is based on where the loan is booked.

TABLE 29. Provisions and write-offs on impaired loans and portfolio assessed loans

SEK m	Jan–Dec 2015	Jan–Dec 2014
Provisions:		
Net collective provisions	436	873
Specific provisions	–1,058	–1,448
Reversal of specific provisions no longer required	507	279
Net provisions for contingent liabilities	3	–42
Net provisions	**–112**	**–338**
Write-offs:		
Total write-offs	–2,256	–2,401
Reversal of specific provisions utilized for write-offs	1,301	1,229
Write-offs not previously provided for	**–955**	**–1,172**
Recovered from previous write-offs	184	186
Net write-offs	**–771**	**–986**
NET CREDIT LOSSES	**–883**	**–1,324**

TABLE 30. Change of reserves for impaired loans and portfolio assessed loans

	Loans to credit institutions		Loans to the public		Total	
Specific loan loss reserves[1)]	**2015**	2014	**2015**	2014	**2015**	2014
Opening balance	–1	–4	–2,833	–2,517	–2,834	–2,521
Reversals for utilisation	2		1,299	971	1,301	971
Provisions			–1,058	–1,448	–1,058	–1,448
Reversals		3	507	276	507	279
Exchange rate differences			40	–115	40	–115
Closing balance	**1**	**–1**	**–2,045**	**–2,833**	**–2,044**	**–2,834**
Collective loan loss reserves[2)]						
Opening balance	–7	–11	–3,316	–4,003	–3,323	–4,014
Net provisions		2	436	870	436	872
Exchange rate differences	–1	2	54	–183	53	–181
Closing balance	**–8**	**–7**	**–2,826**	**–3,316**	**–2,834**	**–3,323**
Contingent liabilities reserves						
Opening balance			–87	–275	–87	–275
Net provisions			3	–42	3	–42
Reversal for utilisation			5	258	5	
Exchange rate differences			–2	–28	–2	–28
Closing balance	**0**	**0**	**–81**	**–87**	**–81**	**–87**
TOTAL	**–7**	**–8**	**–4,952**	**–6,236**	**–4,959**	**–6,244**

1) Specific reserves for individually appraised loans.
2) Collective reserves for individually appraised loans, reserves for loans assessed on a portfolio basis and country risk reserves.

COUNTERPARTY RISK IN DERIVATIVE CONTRACTS

Management of counterparty risk in derivative contracts
SEB enters into derivatives contracts primarily to support customers in their management of financial exposures. Derivatives are also used to protect cash flows and fair values of financial asset and liabilities in SEB's own book from market fluctuations. Counterparty risk in derivative contracts is the risk of a counterparty not living up to its contractual obligations where SEB has a claim on the counterparty. The claim on the counterparty corresponds to a net positive market value in favour of SEB.

The size of counterparty exposures is restricted by setting credit limits in the regular credit process. The counterparty exposures are measured and followed up daily.

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 postings of collateral. Close-out netting is in place for the vast majority of counterparties, and collateral arrangements are used to a large extent.

Netting and collateral agreements could contain rating triggers. SEB has a very restrictive policy in respect of rating-based levels for thresholds and minimum transfer amounts. In addition, asymmetrical levels require specific approval from a deviation committee. Rating-based thresholds have only been accepted for a very limited number of counterparties. The impact if SEB would be downgraded is limited; it would result in a collateral outflow of SEK 248m and SEK 1,375m for a one-notch and two-notches downgrade, respectively. Furthermore, as a general rule, rating triggered termination events are not accepted. Deviations require approval from head of Group Financial Management, a unit within the treasury function.

Measurement of counterparty risk
Since market values fluctuate during the term to maturity, the uncertainty of future market conditions must be taken into account. For risk management purposes, this is done either through simulation of potential future exposures using an internal model method or by applying an add-on to the current market value, set by a fixed value depending on product type and time to maturity which reflects potential market movements for the specific contract. 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 (SWWR) transactions and collatral. Such contracts are moved out of the simulation model and the exposure of the transactions are calculated gross. With the add-on approach, the total credit exposure on the counterparty, the credit risk equivalent, is the sum of the market value of the contract and the add-on. In addition to measuring and monitoring of exposure, counterparty risk is monitored through nominal-, tenor- and settlement-based risk measures.

For calculation of regulatory capital for counterparty risk, SEB uses the regulatory approved internal model method for repos, interest rate derivatives and FX derivatives for SEB AB, which was approved by the Swedish FSA in December 2015. For other legal entities of the Group and for other derivatives for SEB AB, SEB uses the current exposure method, which is the common method of choice to calculate counterparty derivatives exposures for banks without approval to apply an internal model method. The current exposure method has two components: the current exposure which is the current mark-to-market value and a potential future exposure (PFE) that is the maximum amount of exposure expected to occur on a future date. The PFE is approximated with schematic add-ons and the handling of netting effects is limited in the current exposure method.

Credit valuation adjustment and Debit valuation adjustment
Counterparty risk in derivative contracts affect the profit and loss through credit/debit valuation adjustments (CVA/DVA) reflecting the credit risk associated with derivative positions. These adjustments depend on market risk factors such as interest rate, FX and credit spreads. There is also an external capital requirement for credit valuation adjustments under Basel III.

TABLE 31. Derivative contracts – credit risk mitigation effects

SEK m	31 Dec 2015	31 Dec 2014
Gross positive fair value of contracts	**175,726**	**258,071**
Close out netting benefits	–106,971	–170,004
Value after close out netting benefits	**68,755**	**88,067**
Collateral benefits	–24,264	–23,898
VALUE AFTER CLOSE OUT NETTING AND COLLATERAL BENEFITS	**44,491**	**64,169**

Overall EAD for counterparty credit risk in derivative contracts is SEK 121bn. For interest rate derivatives and FX derivatives EAD is calculated with the regulatory approved internal model method. For derivatives in other asset classes, this number is obtained after netting benefits but before collateral arrangements, and includes add-on for potential future exposure.

TABLE 32. Credit derivatives, nominal amounts

	31 Dec 2015		31 Dec 2014	
SEK m	Reduces the risk	Adds to the risk	Reduces the risk	Adds to the risk
Credit derivatives hedging exposures in own credit portfolios				
Credit default swaps	1,342			
Total return swaps				
Credit linked notes				
Subtotal	**1,342**			
Credit derivatives in trading operations				
Credit default swaps	6,992	–4,688	3,288	–1,703
Total return swaps				
Credit linked notes				–1,249
Subtotal	**6,992**	**–4,688**	**3,288**	**–2,952**
TOTAL	**8,334**	**–4,688**	**3,288**	**–2,952**

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

SECURITISATIONS

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

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

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

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

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

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

TABLE 33. Securitisations in banking book by rating category

31 Dec 2015, SEK m		Total exposure	Of which deducted	Reported as risk exposure amount		
				Exposure	Average risk weight	REA
	AAA/Aaa	4,202		4,202	9.9%	418
	AA/Aa	278		278	8.5%	24
	A/A	3,787		3,787	14.0%	530
	BBB/Baa	928		928	66.6%	618
	BB/Ba	242		242	515.5%	1,247
Total securitisation		**9,437**	**0**	**9,437**	**30.1%**	**2,836**
	AAA/Aaa	51		51	31.8%	16
	AA/Aa	6		6	42.4%	2
	A/A	27		27	53.0%	14
	BBB/Baa	104		104	238.5%	247
	BB/Ba	151		151	798.5%	1,206
	sub BB/Ba	43	43		(1,325%)	(deducted)
Total resecuritisation		**382**	**43**	**339**	**438.4%**	**1,486**
TOTAL		**9,819**	**43**	**9,776**	**44.2%**	**4,322**

31 Dec 2014, SEK m		Total exposure	Of which deducted	Reported as risk exposure amount		
				Exposure	Average risk weight	REA
	AAA/Aaa	4,689		4,689	7.4%	348
	AA/Aa	924		924	8.5%	78
	A/A	4,366		4,366	13.6%	593
	BBB/Baa	795		795	64.6%	514
	BB/Ba	500		500	491.1%	2,457
	sub BB/Ba	393	393		(1,325%)	(deducted)
Total securitisation		**11,669**	**393**	**11,275**	**35.4%**	**3,991**
	AAA/Aaa	79		79	31.8%	25
	A/A	51		51	53.0%	27
	BBB/Baa	131		131	371.0%	486
	BB/Ba	79		79	689.0%	546
	sub BB/Ba	201	201		(1,325%)	(deducted)
Total resecuritisation		**541**	**201**	**341**	**318.4%**	**1,084**
TOTAL		**12,210**	**594**	**11,616**	**43.7%**	**5,075**

TABLE 34. Securitisations in banking book by asset type

31 Dec 2015, SEK m	Total exposure	Of which deducted	Reported as risk exposure amount		
			Exposure	Average risk weight	REA
CLO, Collateralised loan obligations	1,713		1,713	7.6%	130
CMBS, Commercial mortgage backed securitisations	340		340	335.1%	1,139
CMO, Collateralised mortgage obligations	129		129	7.4%	10
RMBS, Residential mortgage backed securitisations	1,118		1,118	47.4%	529
Securities backed with other assets	2,627		2,627	13.5%	355
Liquidity facilities	3,511		3,511	19.2%	674
Total securitisation	**9,437**	**0**	**9,437**	**30.1%**	**2,836**
CDO, Collateralised debt obligations	331	43	288	510.7%	1,470
CLO, Collateralised loan obligations	51		51	31.8%	16
Total resecuritisation	**382**	**43**	**339**	**438.4%**	**1,486**
TOTAL	**9,819**	**43**	**9,776**	**44.2%**	**4,322**
31 Dec 2014, SEK m					
CLO, Collateralised loan obligations	3,054		3,054	7.6%	233
CMBS, Commercial mortgage backed securitisations	479	14	466	184.5%	860
CMO, Collateralised mortgage obligations	215		215	7.4%	16
RMBS, Residential mortgage backed securitisations	2,937	380	2,557	84.6%	2,163
of which sub-prime	*90*	*90*		*(1,325%)*	*(deducted)*
Securities backed with other assets	1,549		1,549	15.9%	247
Liquidity facilities	3,434		3,434	13.7%	472
Total securitisation	**11,669**	**393**	**11,275**	**35.4%**	**3,991**
CDO, Collateralised debt obligations	462	201	261	405.0%	1,059
CLO, Collateralised loan obligations	79		79	31.8%	25
Total resecuritisation	**541**	**201**	**341**	**318.4%**	**1,084**
TOTAL	**12,210**	**594**	**11,616**	**43.7%**	**5,075**

TABLE 35. Securitisations in trading book by rating category

31 Dec 2015, SEK m	Total exposure	Of which deducted	Of which reported as risk exposure amount		
			Exposure	Average risk weight	REA
AAA/Aaa	70		70	7.0%	5
sub BB/Ba	10		10	1,250.0%	121
TOTAL	**80**	**0**	**80**	**156.9%**	**126**
31 Dec 2014, SEK m					
AAA/Aaa	114		114	7.0%	8
sub BB/Ba	16		16	1,250.0%	196
TOTAL	**130**	**0**	**130**	**156.9%**	**204**

V. MARKET RISK

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

MARKET RISK MANAGEMENT

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

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

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

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

The Board of Directors defines how much market risk is acceptable by setting the overall market risk tolerance, risk limits and general instructions. The market risk tolerance and limits are defined for the trading book, banking book and defined benefit plans. The Group Risk Committee delegates the market risk mandate to the divisions and treasury function, which in turn further allocates the limits internally. The trading book risks are managed at the different trading locations within a comprehensive set of limits in VaR, sensitivities, stop-loss and stress tests.

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

MARKET RISK TYPES

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

Net interest income (NII) 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 analyze both upward and downward changes. SEB monitors NII risk, but it is not assigned a specific limit.

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

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

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

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

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

Credit value adjustment: Credit value adjustments arise from variations in the counterparty credit risk based on the expected future exposure.

MEASUREMENT OF MARKET RISK

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

Value at Risk and Stressed Value at Risk

Value at Risk (VaR) expresses the maximum potential loss that could arise during a certain time period with a given degree of probability. SEB uses a historical simulation VaR model with a ten-day time horizon and 99 per cent confidence interval to measure, 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.

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

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

Stress tests and scenario analyses

Scenario analyses and stress tests are a key part of the risk management framework, complementing the VaR measure, which is not designed to identify worst case losses. In particular, they test the portfolios using scenarios other than those available in the VaR simulation window and cover longer time horizons. SEB stresses its portfolios by applying extreme movements in market factors which have been observed in the past (historical scenarios) as well as extreme movements that could potentially happen in the future (hypothetical or forward-looking scenarios). Reverse stress tests are also used for the total trading portfolio as well as for individual divisions and business units, to identify scenarios that would lead to a given loss, for instance, the breach of a stop loss limit. This type of analysis provides management with a view on the potential impact that large market moves in individual risk factors, as well as broader market scenarios, could have on a portfolio. The risk tolerance framework includes limits on stress test scenarios.

Specific measures of risk

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

MARKET RISK INFORMATION

Market risk in the trading book

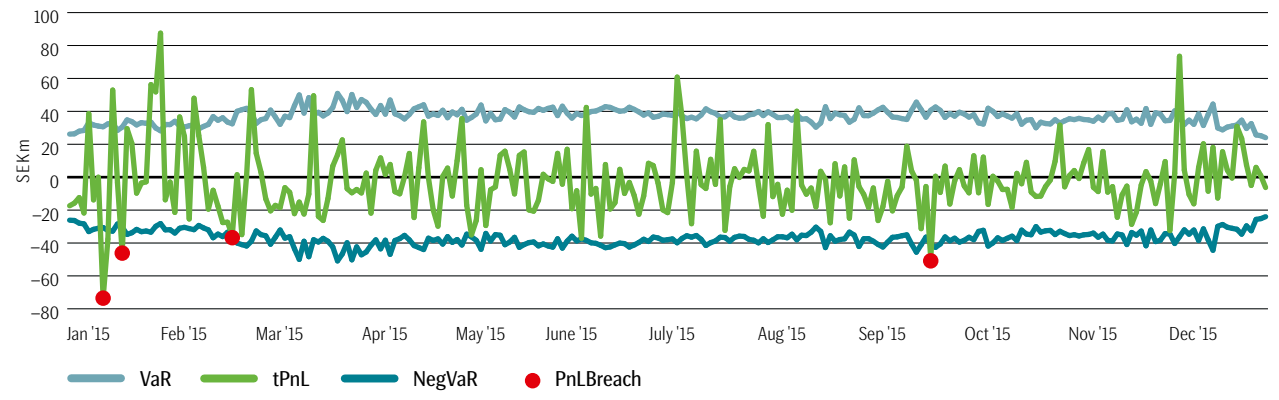
VaR in SEB's trading operations averaged SEK 117m in 2015 compared to SEK 98m in 2014. The increase mainly reflects the higher market volatility during the year.

TABLE 36. Trading book VaR and Stressed VaR

Value at Risk (99 per cent, ten days), SEK m	Min	Max	31 Dec 2015	Average 2015	Average 2014
Interest rate risk	46	149	46	95	60
Credit spread risk	52	111	60	66	70
Foreign exchange risk	12	76	17	34	31
Equity risk	8	74	23	29	23
Commodities risk	5	67	10	17	14
Volatilities risk	16	90	32	34	34
Diversification			–113	–158	–134
TOTAL	**75**	**160**	**75**	**117**	**98**

Stressed Value at Risk (99 per cent, ten days), SEK m	Min	Max	31 Dec 2015	Average 2015	Average 2014
Interest rate risk	242	610	292	417	360
Credit spread risk	391	630	399	486	430
Foreign exchange risk	28	254	54	80	84
Equity risk	28	319	147	116	123
Commodities risk	8	163	32	30	44
Volatilities risk	30	97	44	53	63
Diversification			–450	–411	–547
TOTAL	**470**	**1 108**	**518**	**771**	**557**

TABLE 37. Trading book back-testing



Trading book back-testing 2015:
Theoretical profit and loss vs. VaR on the 99% confidence level and 1 day holding period.
Theoretical losses exceed the 99th percentile for five out of the year's business days.

Market risk in the banking book

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

As concerns the value perspective, the Delta 1% measure is defined as the change in market value of the bank's interest-bearing assets and liabilities arising from an adverse one percentage unit parallel shift in all interest rates in each currency. By year-end, this sensitivity amounted to SEK 2.4bn (2) in the banking book. The table below displays VaR for the banking book. The banking book VaR increased during the year due to higher credit volumes. The average banking book VaR in 2015 was SEK 217m compared to the average VaR in 2014 of SEK 260m.

TABLE 38. Banking book VaR

Value at Risk (99 percent, ten days), SEK m	Min	Max	31 Dec 2015	Average 2015	Average 2014
Interest rate risk	125	330	330	189	198
Credit spread risk	78	111	78	97	143
Foreign exchange risk		7	1	1	1
Equity risk	21	39	39	28	28
Volatilities risk		1			
Diversification			–134	–98	–110
TOTAL	**164**	**314**	**314**	**217**	**260**

Equity exposures not included in the trading book

Investments in associates held by SEB's venture capital unit have in accordance with IAS 28 been designated as at fair value through profit or loss. Therefore, these holdings are accounted for under IAS 39. All financial assets within the bank's venture capital business are managed and its performance is evaluated on a fair value basis in accordance with documented risk management and investment strategies.

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

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

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

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

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

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

TABLE 39. Equity exposures not included in the trading book

31 Dec 2015, SEK m	Book value	Fair value	Fair value of listed shares	Unrealised gains/losses	Realised gains/losses
Associates (venture capital holdings)	958	958	58	–10	10
Associates (strategic investments)	223	223			
Other strategic investments	2,366	2,366	1,934	38	430
Seized shares	39	39			
TOTAL	**3,586**	**3,586**	**1,992**	**28**	**440**
31 Dec 2014, SEK m					
Associates (venture capital holdings)	1,049	1,049		–67	349
Associates (strategic investments)	202	202			
Other strategic investments	2,859	2,859	2,500	95	272
Seized shares	48	48			
TOTAL	**4,158**	**4,158**	**2,500**	**28**	**621**

VI. OPERATIONAL RISK

OPERATIONAL RISK IS THE RISK OF LOSS *resulting from inadequate or failed internal processes, people and systems (e.g., breakdown of IT systems, mistakes, fraud, other deficiencies in internal control) or from external events (natural disasters, external crime, etc.). Operational risk also includes compliance, legal and financial reporting, information security, security and venture execution risk, but excludes strategic and reputational risk.*

OPERATIONAL RISK MANAGEMENT

Operational risk is inherent in SEB's operations and can manifest itself in various ways, including fraud, business disruptions and system failures, misconduct by its employees, failure to comply with applicable laws and regulations or failures or mistakes on the part of suppliers or external service providers. These events could result in financial losses, litigation and regulatory fines, as well as reputational damage to SEB.

SEB maintains a robust operational risk management framework designed to provide a well-controlled environment to minimise operational risks. The framework comprises risk identification, analysis and reporting; risk monitoring; and risk measurement. The objective is to maintain sound risk culture, 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.

Risk self-assessments

Risk and Control Self-Assessments (RCSA) are regularly performed according to a group-wide methodology. The assessments are designed to identify and mitigate significant operational risks embedded in SEB's various business and support processes. There is comprehensive participation by each business unit throughout the organisation. The RCSA framework is used to analyse SEB's operational risk profile and help achieve operational excellence and high performance.

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 IT-application 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.

New Product Approval Process

Through a joint New Product Approval Process (NPAP) for all new or changed products, processes and/or systems, operational risks are identified and mitigated to protect SEB from entering into unintended risk-taking that cannot be immediately managed by the organisation.

Business Continuity Management

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

Training and whistleblower procedure

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

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.

Risk control

The risk control function 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 control function also regularly monitors, assesses and reports on SEB's operational risk environment. The conclusions are summarised and reported to senior management, risk committees and the Board from two main aspects: firstly, main operational risks for the Group, divisions and support functions, mitigating actions put in place and recommendations for further mitigating actions, and, secondly, how the bank's risk tools- and processes are being applied to mitigate operational risk on a day to day basis.

MEASUREMENT OF OPERATIONAL RISK

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

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

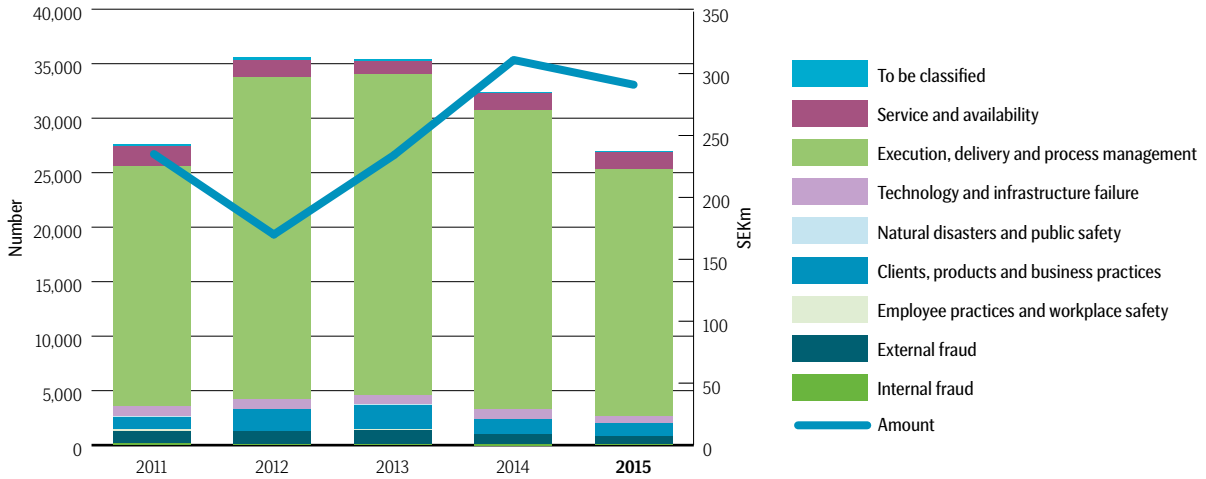
The capital requirement for operational risk is not affected by any external insurance agreement to reduce or transfer the impact of operational risk losses.

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

OPERATIONAL RISK INFORMATION

SEB's structured approach to working with operational risk has resulted in improved processes over the years; however, it is essential to make continuous improvements in order to mitigate operational risks. In 2015, operational losses amounted to SEK 291m (311). The level is slightly lower than in 2014. Benchmarking against members of the Operational Risk Data Exchange Association (ORX) shows that SEB's operational losses historically have been below the ORX average. Focus during the year was the definition, selection and implementation of Significant Processes for risk assessment purposes. Cybercrime and organized crime are continuously increasing and to mitigate these risks mitigating processes and tools are regularly reviewed, updated and communicated.

TABLE 40. Operational risk incidents registered and analysed



VII. INSURANCE RISK

INSURANCE RISK IN SEB *consists of all risk related to the Group's insurance operations. SEB's life insurance operations consist of unit-linked insurance and traditional life insurance. The main risks include market risk, underwriting risk and operational risk.*

INSURANCE RISK MANAGEMENT AND MEASUREMENT

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

Market risk in the insurance business is the risk for 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 values, exchange rates and implied volatilities.

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

In unit-linked insurance, the market risk is borne by the policyholder, while the underwriting risk is limited. However, there is an indirect exposure to market risk through the policyholders' investments, since a significant part of life insurance business' future income stream is based on assets under management.

Market risk in the traditional life insurance products with guaranteed returns is mitigated through standard market risk hedging schemes and monitored through asset/liability management (ALM) risk measures and stress tests. This is supplemented by market risk tools such as VaR and scenario analysis.

Underwriting risks are controlled through the use of actuarial analysis and stress tests of the existing insurance portfolio. Mortality and disability/morbidity risks are reinsured for large individual claims or for several claims attributable to the same event. Underwriting risk parameters are validated annually.

Policyholders within certain traditional life insurance products are free to move their policies from SEB. The utilisation of this option has been very low historically. Nevertheless, to safeguard against unplanned cash outflows the bank maintains sufficient liquid investments. Furthermore, continuous cash flow analysis is conducted to mitigate this risk.

In the traditional products, the difference between asset values and the guaranteed obligations constitutes a buffer which is intended to cover SEB's risk. In the unit-linked business, the profitability for 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 regime.

The risk control function is responsible for identifying, monitoring, measuring and controlling the risks in SEB's life insurance operations and reports the most important risks on a regular basis to the Group Risk Committee, the Board's Risk and Capital Committee and to the boards of SEB's respective insurance companies.

The Swedish and Danish FSAs use a "traffic light system" to evaluate the ALM risk in life insurance companies. These systems are regulatory tools for identifying insurance companies in need of closer monitoring of the relation between their assets and liabilities. None of SEB's Swedish and Danish companies have been identified for such closer monitoring.

Solvency II, the new regulatory framework for insurance companies, applies from 1 January 2016. SEB has prepared and implemented the framework in accordance with the guidelines for the insurance industry issued by the European Insurance and Occupational Pension Authority (EIOPA).

VIII. LIQUIDITY RISK

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

LIQUIDITY RISK MANAGEMENT

The Board of Directors has established a comprehensive framework for managing the bank's liquidity requirements in the short- and long-term. The aim of SEB's liquidity risk management is to ensure that the Group has a controlled liquidity risk situation, with adequate volumes of liquid assets in all relevant currencies to meet its liquidity requirements in all foreseeable circumstances, without incurring substantial cost.

Liquidity risk management is governed by limits set by the Board, which are further allocated throughout the Group by the Group Risk Committee. Limits are set for the Group, branches, and specific legal entities, as well as for exposures in certain currencies. The treasury function has the overall responsibility for liquidity management and funding, supported by local treasury centers in the bank's major markets. The risk function regularly measures and reports exposures against the liquidity risk limits, as well as the outcome of liquidity stress tests, to the Group Risk Committee and the Board's Risk and Capital Committee.

Liquidity management and the structuring of the balance sheet from a liquidity point of view are built on three basic perspectives: (i) structural liquidity risk, 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 the bank experiences a severe outflow of deposits in addition to a shutdown of the funding market.

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

Structural liquidity risk

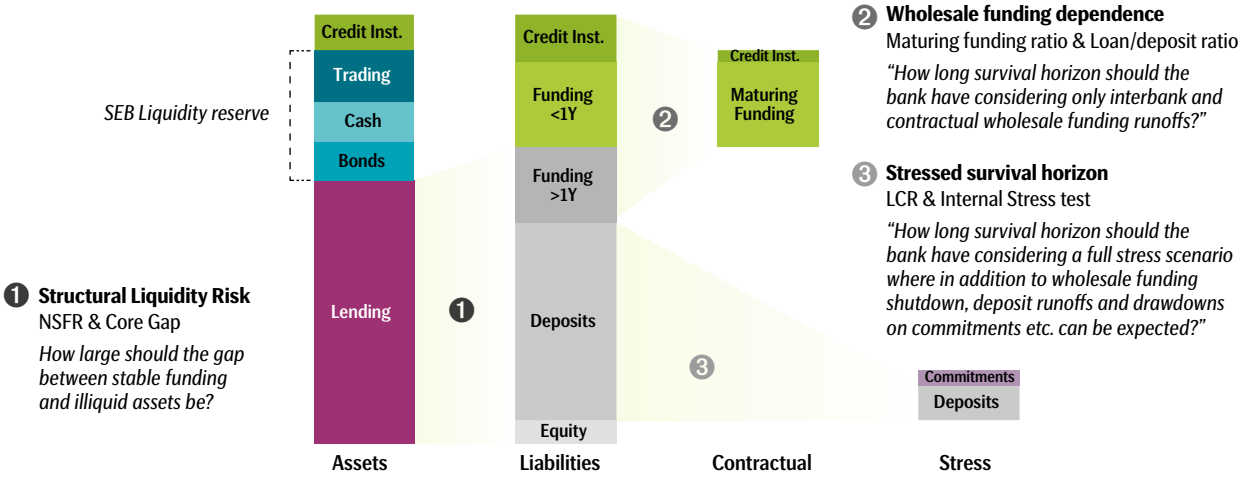
In order to maintain a sound structural liquidity position, the structure of the liability side should be based on the composition of assets. The more long-term lending and other illiquid assets, the more stable funding is required. In SEB, this risk is measured as the Core Gap ratio, which is conceptually equivalent to the Basel Committee's Net Stable Funding Ratio (NSFR), i.e. a ratio comparing stable funding (over one year maturity) against illiquid assets (over one year maturity). The difference between the internal Core Gap ratio and the external NSFR is that the Core Gap ratio is calculated and parameterised on internal statistics and that the weightings of available stable funding and required stable funding differ.

SEB's Core Gap ratio amounted to 111 per cent at year-end 2015 (119). SEB is on a migratory path to achieve a comfortable safety margin above the upcoming regulatory requirement of 100 per cent NSFR, which is likely to be effective as of January 2018. The work includes ensuring that mitigating actions are in place to manage the volatility in the measure on a daily basis once the requirement is introduced.

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

Balance Sheet Structure illustrative



would take to deplete the liquid assets in a scenario where all maturing funding must be repaid from liquid assets. The main advantage of this measure is that only contractual information is used and no assumptions are required. Wholesale funding dependence is measured as loan to deposit ratio, excluding repos and reclassified debt securities. SEB's loan to deposit ratio amounted to 146 per cent (134) as of year-end 2015.

Stressed survival horizon
Stress testing is conducted on a regular basis to identify potential sources of liquidity strain and to ensure that current exposures remain within the established tolerance levels. Severe stress outcomes can be modelled by combining assumptions of a wholesale funding market shutdown with assumptions of deposit outflows and drawdowns on commitments etc. The outcome is captured by the regulatory defined Liquidity Coverage Ratio (LCR) where, in a stressed scenario, modelled net cash outflows during a 30-day period are related to the total amount of liquid assets. SEB also measures the time it would take for the liquid assets to be depleted in a severely stressed scenario, expressed as the stressed survival horizon. In addition, SEB monitors various rating agencies' survival metrics. SEB's LCR according to the SFSA's definition amounted to 128 per cent as of year-end 2015 (115).

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

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.

Liquidity reserve
To mitigate liquidity risk and ensure that SEB is able to meet its payment obligations, SEB holds a liquidity reserve which is managed by the treasury function. SEB's core liquidity reserve, in accordance with the template defined by the Swedish Bankers' Association, amounted to SEK 352bn (410) at year-end 2015. *For details on the liquidity reserve, please refer to Annual Report Note 18 f.*

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

MEASUREMENT OF LIQUIDITY RISK

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

TABLE 41. Asset encumbrance

Carrying amount of selected financial liabilities, Median value 2015, SEK m

			Of which: Encumbered Assets						Of which: Encumbered Collateral					
	Total Sources of Encumbrance	Total Encumbrance	Bonds issued by General Governments and Central Banks	Covered bonds	Other debt securities	Equities	Loans and other assets	Total encumbered assets	Bonds issued by General Governments and Central Banks	Covered bonds	Other debt securities	Equities	Other	Total encumbered collateral
Derivatives	**40,886**	**49,595**	3,672	754	46	242	32,841	**37,556**	7,873	4,075	17	74		**12,040**
Repos	**28,293**	**25,624**	11,229	3,191			193	**14,613**	5,006	6,005				**11,011**
Securities financing	**64,837**	**61,686**	11,325	2,036	60	33,811	676	**47,909**	1,647	66	29	12,034		**13,777**
Covered bonds	**352,655**	**348,963**					348,963	**348,963**						**0**
Collateral management	**120,227**	**123,382**						**0**	37,617	8,996	448	76,321		**123,382**
Total	**606,898**	**609,251**	**26,227**	**5,981**	**106**	**34,053**	**382,674**	**449,041**	**52,143**	**19,143**	**494**	**88,430**	**0**	**160,210**
Non-encumbered assets and collateral			81,410	148,300	10,820	59,037	1,609,617	**1,909,184**	30,641	57,313	1,752	19,274	562	**109,541**
Total encumbrance and non-encumbrance			**107,637**	**154,281**	**10,926**	**93,090**	**1,992,291**	**2,358,225**	**82,784**	**76,456**	**2,247**	**107,703**	**562**	**269,751**
Encumbered asset ratio	19.0%													
Encumbered collateral ratio	59.4%													
Total encumbrance ratio	**23.2%**													

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

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

DEFINITIONS

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

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

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

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

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

Countercyclical capital buffer Capital buffer financial institutions are required to hold in addition to other minimum capital requirements. Aims to achieve the broader macroprudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the buildup of 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 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 variants of the IRB approach; with and without own estimates of LGD and CCF referred to as Advanced and Foundation, respectively.

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 in relation to the estimated net cash outflows over the next 30 calendar days, as defined by Swedish regulations. (The Swedish Financial Supervisory Authority's code FFFS 2012:6 and FFFS 2011:37).

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

Standardised approach Method of calculating and reporting credit risks based on standardised risk weights on the basis of the external rating. The standardised approach 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 Shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets and certain other regulatory adjustments. Tier 1 capital can also include qualifying forms of subordinated loans (Additional Tier 1 instruments).

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

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

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

Value at risk (VaR) A 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.