Annual and Sustainability Report

2020

Our customers and stakeholders

We are always putting our customers' needs at the core of our business. Their high expectations for both personal and digital services, for quality advice and sustainable solutions drive SEB's business development and offerings. Our 15,500 employees work as a team to serve our customers and create value for our shareholders and for the societies where we operate.

2,000
Large corporations

1,100
Financial institutions

400,000
Small and medium-sized companies
Of these, some 272,000 are home bank customers.

4,000,000
Private individuals
Of these some 1.5 million are home bank customers.

15,500
Employees

268,000
Shareholders

Society

Contents

Pages 59–191 constitute SEB's formal annual report.

SEB's sustainability work is described in the sustainability report on pages 40–58 and 196–213.

We enable people and businesses to realise their ideas

Being a leading northern European corporate bank, innovation, entrepreneurship and an international perspective are part of our DNA. Our vision is to provide world-class service. We do this through long-term relationships, personal advice and digital services – and by supporting our customers in the transition to a more sustainable world.

Curiosity about the future for more than 160 years

We have a long tradition of supporting people and companies and helping drive development. Engagement and curiosity about the future have guided us ever since we welcomed our first customer more than 160 years ago. With value-creating advice, innovation and a focus on long-term relationships, we are changing together with our customers and the communities in which we operate.

1856

With his leg in a splint, after falling in the slush on a street in Stockholm's Old Town, entrepreneur André Oscar Wallenberg founds Stockholms Enskilda Bank. His goal during this period of pioneering spirit in Sweden is to provide inventors and entrepreneurs with capital for industrial initiatives.

1878

The industrial revolution is followed by an international structural crisis. The bank is dragged into the economic downturn and is forced to choose between declaring some companies bankrupt or actively helping them get back on their feet. In many cases – Atlas Copco is an example – the bank decided on the latter course of action. Still today, we are there for our customers in both good times and bad.

1972

Stockholms Enskilda Bank and Skandinaviska Banken merge to become Skandinaviska Enskilda Banken, a name that is later changed to SEB. A key rationale for the merger was to give the banks a better chance to meet growing international competition.

1864

Not a day too soon, Alida Rossander becomes the first female employee in our bank and in the global banking industry. As André Oscar Wallenberg put it: *"womenfolk possess attributes of orderliness, conscientiousness and perseverance not inferior to those of men"*.

1927

Sven Wingquist, inventor of the ball bearing and founder of industry giant SKF, was an early customer of SEB. When his co-workers Gustaf Larson and Assar Gabrielsson want to build a machine based on his inventions, SEB also helps out. The company is called Volvo, and the first car rolls out of the factory on 14 April 1927.

1996

SEB becomes one of the first banks in the world to provide all its services on the Internet for private customers. After just a couple of weeks, the bank has 40,000 Internet banking customers, and today the majority of our customer interactions are digital, which in turn frees up time for in-person meetings.

2000
We have a long history of following our customers as they expand internationally. In the early 2000s, we expand our home markets to also include Germany and the Baltic countries. More than half the bank's workforce is now employed outside of Sweden and today, 20 years later, SEB is represented in 20 countries.

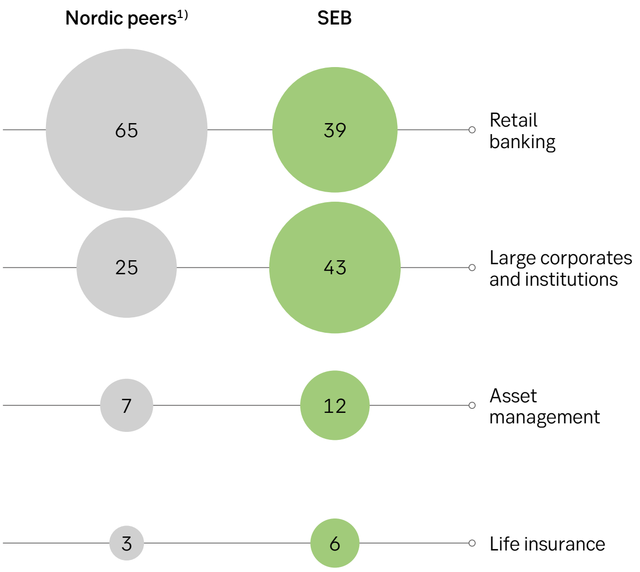
2008
SEB works together with the World Bank to create the first green bond, earmarked for projects in developing countries aimed at reducing carbon dioxide emissions. As a bank we have an important role in the sustainable transition and work actively to support our customers and contribute to a more sustainable world.

2020 and onwards
With the effects of the Covid-19 pandemic hurting people and businesses, we are doing our utmost to support our customers. We are standing firmly by their side – just as we have during previous crises – and are continuing our work to create long-term value for customers, employees, shareholders and the communities in which we operate.

SEB in summary

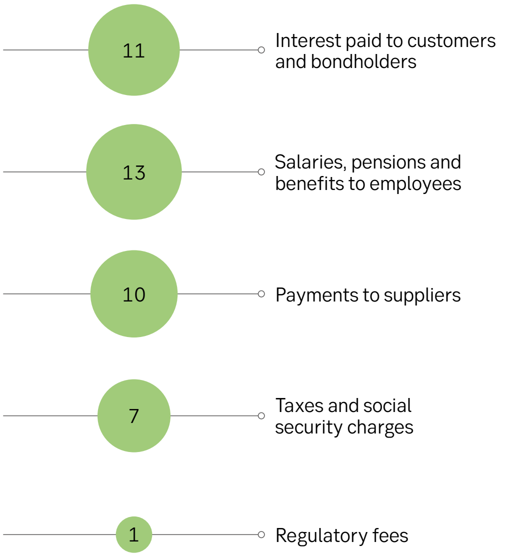
Our business is strong and diversified, creating value for all our stakeholders.

Diversified income 2020, %



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

Financial value created 2020, SEK 42bn



No dividends to the shareholders were paid in 2020 (for 2019). See p. 65.

Important events and trends

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

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

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

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

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

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

Key targets and figures

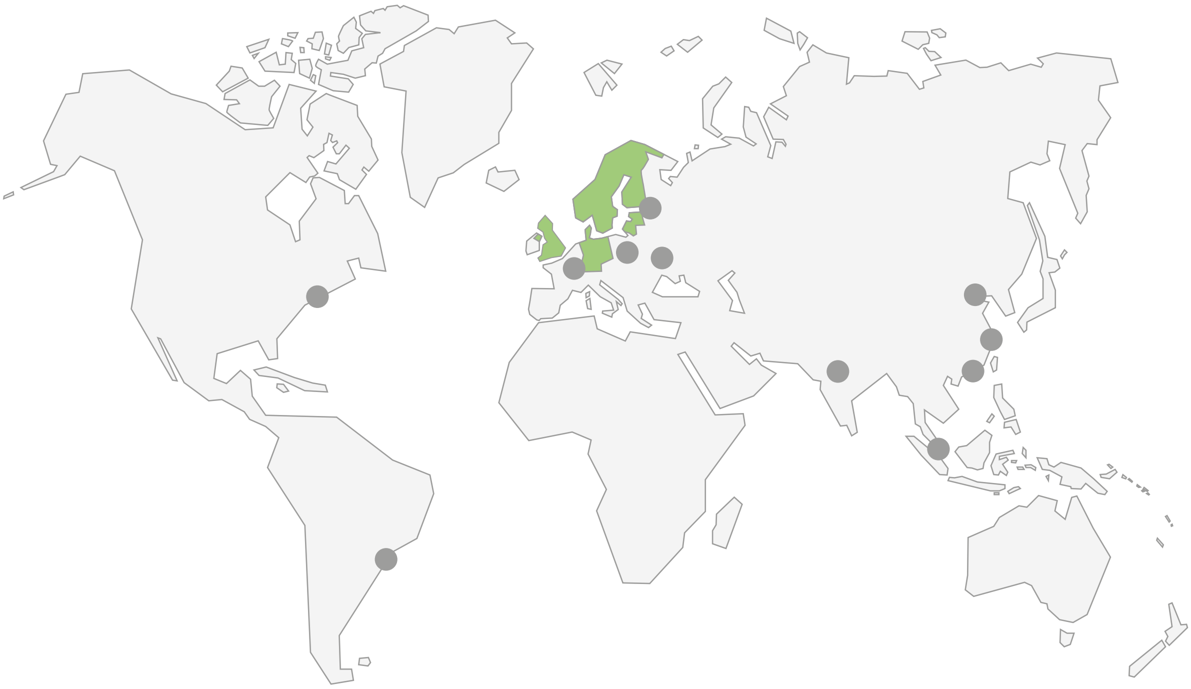
Board's financial targets	**2020**	2019
Dividend payout ratio at 40 per cent or more of earnings per share, per cent	53[1)]	0[2)]
Common Equity Tier 1 capital ratio of around 150 basis points over requirement[3)], basis points	840	250
Return on equity competitive with peers[4)], per cent	10.3	13.8

The financial targets are revised from 2021. See p. 66.

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

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

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

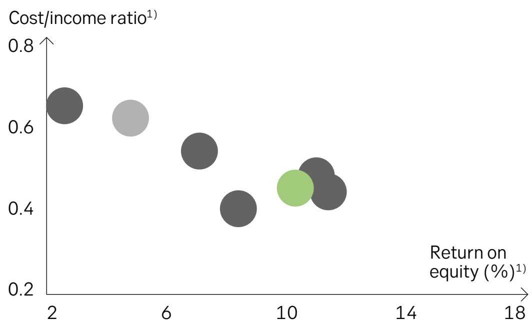


Home markets
- Sweden
- Norway
- Denmark
- Finland
- Estonia
- Latvia
- Lithuania
- Germany
- United Kingdom

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

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

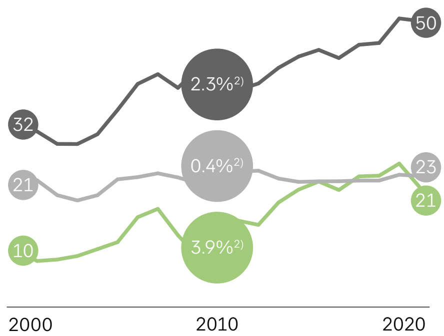
Our peers 2020



● SEB ● Nordic peers
● European Bank Index SX7E, estimated on rolling 12 months

1) Excluding items affecting comparability.

Our profit development[1], SEK bn



— Income — Expenses — Operating profit

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

Standing strong in a changing world

2020 was a challenging year for most people, families and businesses. My thoughts go out to all who have been affected by the pandemic. On the part of SEB, we have done our utmost to stand by our customers' side during these tough times.

The ability of people and organisations to come together to counter the effects of the pandemic has been remarkable. Vaccines have been developed in record time, thanks to high-quality life science and rapid technological development. We have seen targeted policy changes and relief measures from governments, corporations and financial actors to ease the burden on people and businesses alike. This is an unprecedented global mobilisation that brings hope for the future.

"We uphold our critical role in society and keep the wheels turning also in challenging times."

Our collective response to the crisis shows the importance of collaboration within communities, countries and globally. Protectionism and trade barriers are the wrong answers, especially in times like these when we need one another more than ever fighting a pandemic.

Critical role in society

Payment of a dividend is an important factor for investors in a company. This is the case also for SEB's shareholders, who include more than 200,000 private savers, some of Sweden's largest pension funds and indirectly also foundations that support research and education. The dividend we pay is therefore an important contribution to the economy and to development of society, but in line with guidelines from authorities, it was decided that no dividend would be paid during the year. However, the bank's financial position is strong, and the Board has now proposed a dividend for 2020 which is in line with the authorities' guidelines.

Thanks to our solid financial and liquidity situation, we entered 2020 from a position of strength. This enabled us to support our customers with credit requests, amortisation grace periods, tailored advice and other products and services to get through the crisis. Ever since 1856 we have been standing by our customers' side in both good times and bad, and 2020 was no exception. We uphold our critical role in society and keep the wheels turning also in challenging times.

This is all thanks to our knowledgeable and dedicated employees around the world. Throughout the year they worked hard to support our customers – in branch offices, in digital channels, through support functions and in business development. Although the level of lockdowns has varied in the 20 countries where SEB is operating, the effects on people's everyday lives have been tangible everywhere. On behalf of the Board, I want to express my sincere thank you to all 15,500 employees, for your flexibility, professionalism, hard work and proactivity during this exceptional year.

Expecting the unexpected

Proactivity is a key component also moving forward. The pandemic has shown that life as we know it can change almost overnight. The rapid development of both society and the banking industry means that we should always expect the unexpected. And we must stay humble and realise that risk per definition is not fully controllable. Therefore, we need to further improve our preparedness to meet the changing risk landscape. Managed in a responsible way, risks could also entail great opportunities for us as a bank.

The two megatrends of digitalisation and sustainability are two such examples that will grow in importance in the coming years. Although the digital development may pose challenges, there are many positive aspects of digital technology. We have seen how people's digital behaviours have changed drastically during the pandemic, and a growing number of our customers now have convenient alternatives to access their banking relationships. Be it advisory, transactions or otherwise handling their financial needs, technology certainly has proven helpful. We have been improving our digital offerings for many years, and we are now speeding up our efforts even further so that we can continue to meet our customers on their terms – both in person and in the digital realm.

At the same time, cyber threats are a challenge for all of society. As a provider of financial services, trust is our licence to operate, and we are constantly monitoring these risks. We work in a dedicated way to strengthen our defences – both in our own capacities and in collaboration with others, to protect the integrity of our customers.

Accelerating the sustainable transition

Another area where we are transforming our business is within sustainability. Climate change is in focus for all customer segments and in all markets where we operate, and as a bank we have an important role to accelerate the transition. It is necessary for the planet, but also for us to stay relevant for our customers and shareholders.

SEB's ambition is to play a leading and engaged role in supporting our customers in achieving their sustainability goals. We are committed to a number of global initiatives in the sustainability area, but our impact will be most effective when supporting our customers' transformation objectives. We wish to stay closely engaged with our customers and support them on their pathway to transition. This dialogue and cooperation will be fundamental in the years to come. SEB pioneered the green bond market back in 2008, and we have continued to provide advice and develop new innovative, sustainable financial products and services for our customers.

Just as the digital transformation, also the sustainability transition will most likely gain speed faster than previously anticipated. Actively engaging in these megatrends is crucial for a bank like SEB. This is one of the more important factors for the development of our long-term strategy.

High standard of corporate governance

In June, the Swedish Financial Supervisory Authority closed its review of SEB's routines and processes to counter money laundering in our Baltic subsidiary banks, which resulted in a remark and an administrative fine. After an overall assessment we decided not to appeal the decision, although we do not agree with parts of the conclusions. It is regrettable and unfortunate to receive this kind of criticism and sanction. I want to emphasise that having a high standard of corporate governance and risk management is of great importance to SEB. This is an area that is constantly evolving and that we take very seriously, and we need to heighten our efforts in pace with growing expectations.

The issue of money laundering has been a challenge for society and for the financial system for a long time. At SEB, although there are no perfect systems, we are constantly strengthening our abilities to prevent, detect and report suspicious activity. In this endeavour, we also need to create new technical solutions. This work is of highest priority for the bank – and so is regulatory compliance also in other areas. We do our utmost to adhere to increased regulations and our own internal standards to continue to earn the trust from all our stakeholders.

In conclusion, the changing risk landscape underlines the importance of always trying to look around the corner and think the unthinkable. We are navigating through changing market conditions while at the same time leveraging the opportunities emerging from this changing world to continue to serve our customers in the best possible way.

At SEB we have been curious about what the future brings for 165 years. We will continue to use that curiosity, paired with knowledge, experience and foresight, to serve our customers and create long-term value for our shareholders.

Stockholm, February 2021

Marcus Wallenberg
Chair of the Board

Higher transformational pace to support our customers

As the wheels in the banking industry and society are turning at an ever-increasing speed, embracing change and adapting to current market conditions are more important than ever. This was further emphasised during 2020 as the Covid-19 pandemic unfolded globally.

Supporting our customers in good times and bad continues to be our highest priority. Throughout this year we leveraged our financial strength to support our customers' individual needs to the best of our abilities. We did so by providing lending solutions and advisory services, while also enabling access to government-related support measures. In addition, SEB – in collaboration with public and private actors – arranged a number of Covid-19 related transactions to support people, companies and countries affected by the pandemic. Despite the challenging economic environment, SEB's business model proved resilient during the year, delivering operating income in local currencies that was broadly unchanged compared to 2019. SEB was able to make necessary investments in business development and regulatory compliance while at the same time remaining in line with the 2021 cost target. However, the overall global economic situation continues to be fragile, with remaining uncertainty and unknowns.

"Supporting our customers throughout business cycles is our highest priority."

Strategy for long-term growth

While we recognise the severity and uniqueness of the Covid-19 crisis, we have also seen how the consequences of the pandemic have accelerated numerous trends in our industry. So while I am pleased to see that our strategic decision to further invest in our business during the year has contributed to a higher transformational pace and improved customer satisfaction, there is still need to further leverage these trends and accelerate our pace of execution. Therefore, our strategic work will remain concentrated to the areas of *advisory leadership, operational excellence* and *extended presence*, with particular emphasis on geographical expansion, digitalisation, sustainability, savings and investments, as well as regulatory compliance – all with the overarching ambition to become a leading northern European bank for corporates and institutions, and the top universal bank in Sweden and the Baltic countries.

Expanding our presence

Over the years our corporate customers have continued to grow their international footprint, and so have we as we follow them around the globe. The banking industry is experiencing changing market dynamics, with one example being the withdrawal of our Nordic peers from their international presence. SEB, however, remains present in some 20 countries, and financial performance in our international network has overall been positive. Our ability to serve our customers locally is one of our core strengths, and therefore we will expand our corporate banking business to the Netherlands while also strengthening our advisory services and corporate banking efforts in both Austria and Switzerland.

Providing personalised advice in a digital format

We persistently strive to meet our customers on their terms. As they become more digital, they expect proactive and personalised advisory services also in a digital format. This is reflected in increasing digital activity, with mobile interactions representing more than 80 per cent of customer interactions within the Corporate & Private Customers division. Therefore, we will continue to execute on our digital transformation agenda, focusing on connectivity, automation and analytics. By doing so, we aim to enhance the customer experience, increase speed and robustness, reduce risks, and free up time for our advisors to focus more on activities that generate value for our customers.

Supporting the green transition

The ongoing green transition affects SEB as well as our customers, and as a signatory of the UN Global Compact and the Principles for Responsible Banking we are committed to adapt our business to the UN Sustainable Development Goals and the Paris Agreement. In the development towards a low-carbon society we recognise that there is a need for private sector investments as a complement to the vast public sector efforts. In the EU alone it is estimated that the investment gap will be more than EUR 3,000bn during the period 2021–2027. Thus we believe that the private sector, including SEB, has an important role to play. We will do this by supporting our customers in their transition and by aligning our business with our continuously increasing standards through product innovation, classification of SEB's credit portfolio based on greenhouse gas emissions, and development of our sustainability policy framework.

Enabling savings and investments

Another area where we aim to accelerate our efforts is in savings and investments. Customer demand is continuously growing, driven by a combination of structural changes and cyclical trends such as an ageing population, accelerating digitalisation and stimulative monetary policy. The combination of these factors has led to a growing propensity for individuals to save and invest, reflected in an average savings ratio of approximately 17 per cent in Sweden – an increase of 10 percentage points since 2008. To enable our customers to save and invest, our efforts going forward will be focused on product innovation, investment performance and distribution, including our physical, remote and digital channels.

Ensuring trust

Our stakeholders' trust in SEB is critical and a prerequisite for us to be able to conduct successful business that benefits both our customers and our shareholders. To remain compliant we are continuing to develop secure and efficient processes to manage new emerging risks and to live up to both external and internal rules and regulations. In terms of countering money laundering and other financial crime, we as a bank have a responsibility to prevent, detect and report suspicious activity. However, this is a moving target, and we are constantly trying to improve our routines and processes. In June the Swedish Financial Supervisory Authority (FSA) issued a remark and an administrative fine of SEK 1bn after closing its review of SEB's routines and processes to avoid being exploited for money laundering in the Baltic subsidiary banks. While SEB did not agree with all parts of the decision, it is regrettable to receive this type of criticism.

Creating shareholder value based on a long-term customer perspective

To ensure progress in our strategic work and create shareholder value, we have established long-term aspirations for our business divisions in terms of profitability and cost efficiency. In 2020 we also revised our financial targets for the SEB Group in order to create further financial flexibility to enable us to better support our customers over time. This entails a target of a yearly dividend of around 50 per cent of earnings per share and a Common Equity Tier 1 capital ratio of 100–300 basis points above the requirement from the Swedish FSA. Share repurchases will be the main form of capital distribution when SEB's capital buffer exceeds, and is projected to remain above, the target range of 100–300 basis points. In addition, the target of having a return on equity competitive with peers, currently resulting in a long-term aspiration of 15 per cent, remains unchanged.

Nothing of what we do would be possible without our devoted and skilled employees. People are at the core of everything we do, allowing us to support our customers and develop in line with the society around us. Supporting our customers throughout business cycles is our highest priority, enabled by a strong financial position that provides resilience and flexibility. By applying this long-term perspective, combining customer satisfaction with a robust balance sheet and sound credit exposure, we aim to create value for our shareholders as well as society at large.

Stockholm, February 2021

Johan Torgeby
President & CEO

We create long-term value

We stand by our customers, in both good times and bad. We always have. By enabling people and businesses realise their ideas, dreams and ambitions we also develop the communities in which we operate and contribute to a more sustainable world. That is how we create long-term value for our customers, employees, shareholders and society at large.

A changing environment

The Covid-19 pandemic has had a global, critical impact during 2020 from many perspectives. Apart from the health, social and macroeconomic effects of the pandemic, we have also seen acceleration of the two megatrends of sustainability and digitalisation during the year.

Two megatrends that drive development

Sustainable transition

Climate change is one of the greatest long-term challenges facing the world. Action is urgent, and in the shadow of the Covid-19 pandemic the pace of the sustainable shift has accelerated. New technology, higher environmental standards and changed customer behaviours are interacting to drive development and create a business logic where more capital is being channelled to investments in climate technologies, fossil-free transports and green infrastructure. Here the financial sector has a key role to play as an advisor, as a capital intermediary, and to help manage the risks that arise when asset values quickly change.

One of the drivers of this development is EU's new, green taxonomy, which stipulates that companies and organisations report on how their operations are living up to the Paris Agreement's goal to limit global warming to well below 2 degrees Celsius. The taxonomy defines the threshold values that a business must stay within to be consistent with the Paris Agreement.

At SEB, we see climate change as the largest challenge of our time, and we are and will be part of the sustainability transition by taking responsibility for how we conduct our business, what we finance and what we invest in. We support our customers in their transition by continuously developing sustainable financial products and services to meet their increasing demands. To ensure that sustainability is integrated in our everyday business, during the year the bank established a new sustainability organisation that is taking a holistic approach from a strategic as well as a business perspective.

→ See p. 45.

Accelerated digitalisation

During 2020 the digitalisation wave that is sweeping across all industries, companies and societal sectors gained speed from the Covid-19 pandemic. Social distancing, working from home and a reduction in in-person shopping have led to explosive growth of e-commerce, digital customer channels and virtual meeting forms.

Beneath the surface, the more in-depth digital transformation is continuing in areas such as artificial intelligence, machine learning, data analytics and the internet of things, where autonomous systems are interconnected and communicate with each other. Other noticeable trends are the emergence of digital, platform-based ecosystems and greater use of cloud systems for software as well as for systems and infrastructure.

Within the financial sector this opens up new ways to meet customers' needs and create better customer experiences at the same time that internal processes can be made more efficient.

At SEB, the digital shift encompasses all aspects of our business. The experiences from the Covid-19 pandemic have brought into focus the importance of accelerating our opportunity to offer digital solutions for all types of services and products and speeding up our internal development of technologies for remote meetings, collaboration tools and further automation. Business and technological development are conducted in an agile organisation, and the bank's IT strategy is built upon a flexible, component-based architecture, data analytics, increased use of cloud services, founded on secure and reliable IT operations.

→ See p. 24.

Commentary from Robert Bergqvist — SEB's chief economist

Turbulence in the wake of the pandemic

2020 will go down as a momentous chapter in economic history books. During a couple of weeks in spring 2020 roughly 85 per cent of the world economy was essentially shut down. Even global crisis policies were unprecedented. In terms of size, the fiscal policy stimulus of around USD 12,500bn was five times larger than during the global financial crisis from 2007–2008, and more powerful and effective due to a functioning global banking system. Credit supply could thereby be maintained during a difficult period.

Fiscal and monetary policies worked in concert to support the recovery. Record-large government budget deficits were funded to a very great extent by extensive purchases of sovereign debt by central banks. Debt instruments were paid for by newly created central bank money. The world thereby witnessed a far from risk-free experiment. This has given rise to questions for the future. A protracted period of extensive support policies has a downside in the form of, for example, economic inequality, a lower need for transformation and skewed competition as well as the risk of abuse of support systems.

Since the global recession took hold in late 2008, global central banks have expanded their balance sheets by an enormous USD 18,000bn. The multi-trillion asset purchases in 2020 were intended to uphold a downward pressure on yield curves. As the long-term inflation expectations gradually recovered from the second quarter, real sovereign bond yields remained deeply negative. Hence, different asset classes, including global equities and home prices, were strongly supported by expansionary financial conditions.

When the Covid-19 pandemic broke out, factories were closed and demand for critical products rose significantly. Still, the resilience of global value chains in 2020 was surprising. This contributed to a recovery for the manufacturing industry, global trade and GDP. A surprisingly strong economic recovery during the third quarter – following an easing of restrictions during the summer – gave reason for cautious optimism: companies showed a willingness to produce, and households showed a willingness to consume. However, owing to a second, strong wave of the virus during the late autumn – with renewed restrictions in many countries – growth slowed toward the end of 2020. This, in turn, demanded a new round of economic and political support measures.

The pandemic has exposed system weaknesses. Companies' global value chains have been challenged by – among other things – closed production plants, the elevated significance of national borders and disruptions in transport routes even within the EU. The pandemic, combined with recent years' trade conflicts, has prompted businesses and governments to consider measures that reduce vulnerability through greater risk diversification, which can thereby increase resilience to new system disruptions.

The Covid-19 pandemic has given rise to and accelerated behavioural changes regarding consumption, production and investments in digital technology, among other areas. Production and delivery reliability have been given high priority. At the same time, climate impact presents another argument whereby companies' and suppliers' production plants and customers should be found in close proximity to each other. Companies are now being urged to find a model that provides an optimal balance between delivery and production reliability on the one hand and cost efficiency on the other.

Meanwhile, the Brexit negotiations continued throughout the year. Only a couple of days before the end of the transition period on December 31, the United Kingdom and the EU finally reached a deal, 4.5 years after the Brexit referendum. Hence, a hard Brexit was avoided. Although the trade uncertainty declined, the British economy was expected to continue to be negatively affected by leaving the EU.

"The Covid-19 pandemic has given rise to and accelerated behavioural changes regarding consumption, production and investments in digital technology."

Robert Bergqvist

Long-term value creation

Customer centricity, long-term perspective and financial strength form the foundation for meeting the expectations of customers, employees and the communities in which we operate. Ultimately, this creates value for our shareholders.

Meeting stakeholders' expectations

Customers – 1.8 million corporate and private home bank customers
Our customers' needs are at the core of our business. Their high expectations on personal and digital service, quality advice and sustainable solutions drive our business development and offerings.

Employees – 15,500
Our employees build and deepen customer relationships. Their commitment, skills and continuous learning are key in future-proofing our business.

Shareholders – 268,000
The capital provided by SEB's shareholders is a prerequisite for conducting our business. Our shareholders expect a competitive and sustainable return on their investments. Many of the major owners have a long-term perspective on their engagement in the bank.

Society
Banks play a crucial role in society and are vital for creating economic growth, social value and for the transition to a low-carbon society. We take great responsibility for how we act, to enable society to develop in a sustainable way.

via SEB's business model

Our financial and technological strength...
SEB has high standards for corporate governance and regulatory compliance, a sound risk culture and strong business acumen. This sets the foundation for our financial strength, which gives us the resilience and flexibility required to serve our customers in both good times and bad.

We future-proof our systems by implementing new technologies in order to secure and protect SEB's and our customers' information, and to continue our customer-driven innovation.

...enables us to create long-term customer value
We provide people and businesses with financial advice, products and services. We are available for our customers at their convenience – via the mobile app, on the web, by phone and in our branch offices in 20 countries across the globe. We believe in a combination of in-person and digital meetings, and our employees provide pro-active and personalised advice to meet the unique needs of our customers. By supporting our customers, through long-term relationships, we also uphold a critical function in society and contribute to the stability of the financial systems.

Trust is our licence to operate
As a bank, SEB has a critical role in society by providing the infrastructure for payments and transactions, and by acting as an intermediary for financing and savings solutions, risk management and financial advice. In that mission, it is crucial that we continuously earn the trust from our customers, shareholders, employees and from society. To uphold that trust we as a bank are constantly vigilant of the changing regulations and market conditions as well as new customer behaviours. In everything that we do, we act with a strong business acumen and in line with external expectations and our high internal ethical standards.

→ Read more about our Code of Conduct on p. 32 and on sebgroup.com

creates sustainable value.

SEK 55bn in value created per year 2016–2020

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

→ See p. 28.

For our employees
Our employees value the opportunities for continuous learning within the bank. Employees also participate in SEB's many partnerships to help communities develop and prosper.

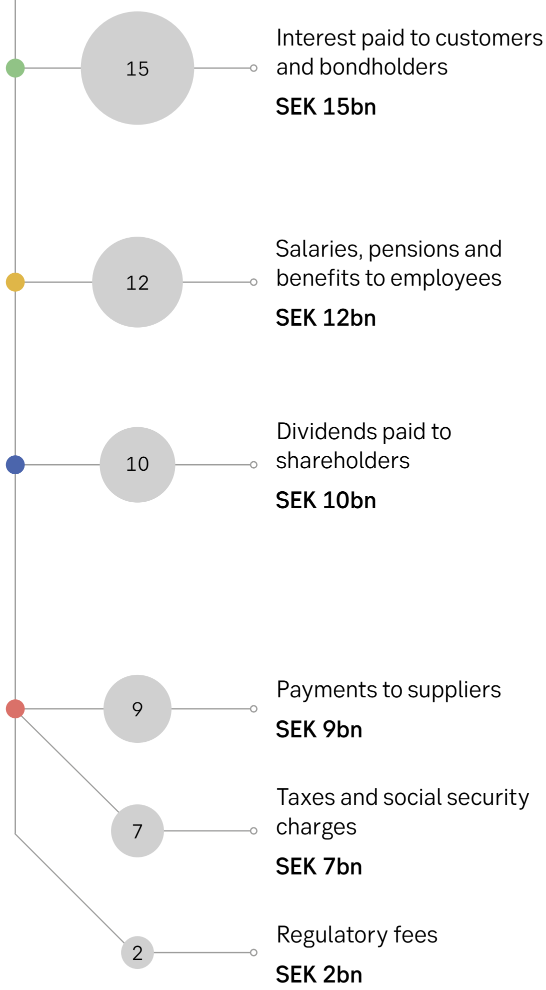
→ See p. 32.

For our shareholders
Dividends and growth in market value over time contribute to our shareholders' financial security and enable new investments. By integrating environmental, social and governance aspects into our business operations, we increase our competitiveness and reduce long-term risks.

→ See p. 36.

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

→ See p. 38.



Overall targets and outcome

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

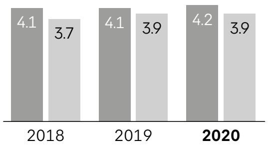
Customers

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

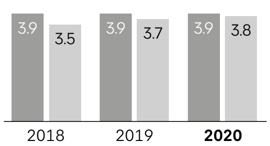
Target
Leading position in selected customer segments and meeting or exceeding the internal customer satisfaction targets.

Overall performance

Nordic large corporations[1)]



Nordic financial institutions[1)]



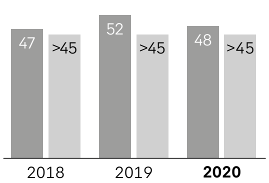
1) According to Prospera's ranking.

SEB   Industry average

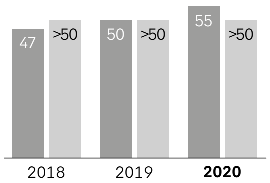
Prospera
In Sweden, SEB was ranked as number 1 by both large corporations and financial institutions.

Customers' willingness to recommend SEB

Small companies in Sweden[2)]



Private individuals in Sweden[2)]



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

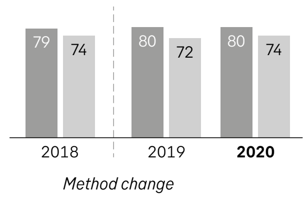
Outcome   Target

Employees

Motivation and engagement
SEB conducts an annual employee survey to measure employee engagement and the employees' views of SEB as a place to work.

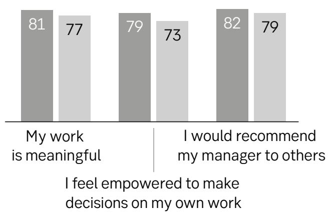
Target
SEB's target is to be the most attractive employer in the financial sector, particularly within banking. Progress is measured through an annual employee survey.

Employee engagement, index



SEB   Financial sector average

Key aspects of employee engagement, 2020



SEB   Financial sector average

Comment
Some 13,600 employees, or around 90 per cent of the work force, completed the survey in 2020.

Shareholders

Financial targets

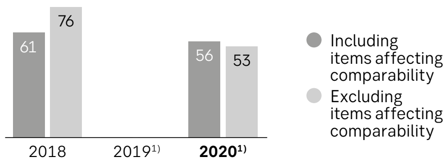
Through the resilience and flexibility that come from a strong capital base, good access to funding, high credit ratings and cost efficiency, SEB can create shareholder value in varying market conditions. The Board of Directors has set three financial targets that contribute to financial strength. The targets are revised from 2021. See p. 66.

Dividend payout ratio

Target

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

Per cent



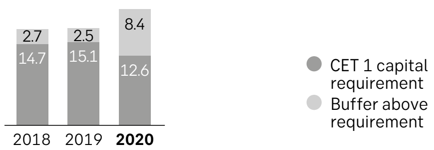
1) Dividends for 2019 and 2020 were decided in accordance with the Swedish FSA recommendation following the Covid-19 pandemic. See p. 65.

Common Equity Tier 1 capital ratio

Target

SEB shall maintain a Common Equity Tier 1 (CET1) capital ratio that is around 1.5 percentage points above the regulatory requirement. At year-end 2020 SEB's buffer was 8.4 percentage points. SEB's applicable CET1 requirement from the Swedish Financial Supervisory Authority was 12.6 per cent.

Per cent

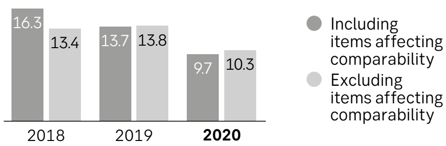


Return on equity (ROE)

Target

SEB shall generate a competitive return on equity. In the long term SEB aspires to deliver a sustainable return on equity of 15 per cent.

Per cent



Society

Sustainability

SEB's strategy is to expand its customer offering of sustainability products.

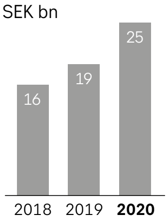
Target

The target is to increase sustainability-related business volumes.

Sustainable financing

Green loan portfolio

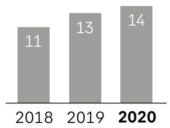
SEK bn



Sustainable investments[1)]

Assets managed with sustainability criteria

Per cent



1) Share of total assets under management.

Comment

Sustainability is a strategic initiative in the business plan where SEB aims to gradually transform credit and investment portfolios towards a sustainable profile.

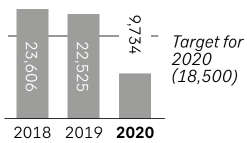
As a bank, SEB has relatively low direct environmental impact. However, the ambition is to lower the internal CO_2 impact.

Target

Reduce CO_2 emissions by 20 per cent between 2016 and 2020, to reach 18,500 tonnes CO_2 emissions.

CO_2 emissions

Tonnes



Comment

The 2020 target was reached, mainly due to significantly reduced travel in the wake of the pandemic. A new target has been set. See p. 55.

→ See p. 43 for sustainability key performance indicators and targets.

Reputation

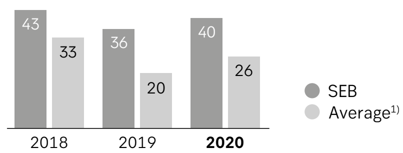
SEB monitors the result of Kantar Sifo's Corporate Reputation Index, which measures the bank's reputation among the general public.

Corporate reputation index

Target

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

Sweden



1) SEB, SHB, Swedbank, Nordea, Danske Bank.

Comment

SEB was ranked as no. 2 in Sweden.

We meet our customers on their terms

Earning our customers' trust is the foundation for our business. With financial products and tailored advisory services, we enable people and companies to realise their aspirations and business ideas. We help our customers contribute to a low-carbon society.

Navigating in a changing world

Staying relevant for our customers and other stakeholders requires that we continuously adapt, innovate and challenge our business. With our strategy and business plan we aim to accelerate transformation, strengthen SEB's long-term profitability and create long-term value for our customers, shareholders and employees.

Strategy: Vision 2025

Our customers' needs and behaviours are continuously changing. Competition keeps rising, regulations are tightening, and the emergence of new technologies and the continued digitalisation of society also affects our business and the expectations we face from our customers. In parallel, climate change is accelerating the necessary shift towards a low-carbon economy, and as a bank we have a responsibility for how we conduct our business and a key role in supporting our customers in the transition towards a sustainable future.

As the wheels of society and the financial sector are turning faster, it is becoming increasingly important to embrace change and adapt to new market conditions. To navigate in this landscape and leverage the business opportunities that emerge from these changes, we continuously adapt and enhance our business offering.

Our current long-term strategy, named Vision 2025, was initially launched five years ago and has been adjusted along the way in order for us to continue to deliver long-term value to our customers, shareholders and employees. The mega trends of digitalisation and sustainability are expected to remain drivers of transformation and hence continue to require investments. The economic and societal consequences of the Covid-19 pandemic during 2020 have further accelerated transformation, both in SEB and in society. This is presenting both challenges and opportunities that we incorporate into our strategic direction in order to ensure that we remain the preferred choice for our customers.

During 2021, we will update our long-term strategy for SEB. By continuing to invest in our future we strive to become one of the leading Northern European banks for corporates and institutions, and the top universal bank in Sweden and the Baltic countries.

Business plan 2019–2021

The long-term strategy, Vision 2025, forms the foundation for the current three-year business plan 2019–2021, in which our overall targets and three focus areas are key components. Another important measure is the cost target.

Overall targets

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

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

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

→ In early 2021, SEB amended the financial targets. See p. 66.

SEB aims to ensure progress by evaluating the business in terms of customer satisfaction, employee engagement, sustainability and financial development.

→ See p. 16 for outcome of the overall targets.

Cost target 2019–2021

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

The business plan defines a number of strategic initiatives which, on an accumulated basis, are estimated to lead to total additional investments of SEK 2–2.5bn over the three-year period 2019–2021. This translates into a total cost increase of SEK 1bn, and a new total cost target of around SEK 23bn (+/– SEK 200m) by 2021, assuming 2018 foreign exchange (FX) rates. Based on the FX rates as of 31 December 2020, the cost target implies a cost level of around SEK 23bn in 2021. The pace of investments will be dependent on progress and will be gradually ramped up over the three-year period. The strategic initiatives are expected to lead to both revenue growth and cost efficiencies, improving return on equity over time.

Focus areas

To fulfil our vision and deliver in line with our long-term strategy, we have set out the way forward in our business plan for 2019–2021. We have identified three focus areas on which to base our efforts going forward: strengthening our advisory capabilities, accelerating operational efficiency and extending our offering digitally. Within our business plan, we also have a selection of strategic initiatives, which aim to accelerate transformation and strengthen SEB's long-term profitability.

During the year we saw an increased demand for our advisory capabilities as a response to the Covid-19 pandemic, and we have identified new business opportunities given the change in customer needs and market dynamics. Digitalisation and sustainability are two such areas where we accelerated our work during the year, both in the way we support our customers and in our own ways of working. The activities during the year have been concentrated to our three focus areas, including the strategic initiatives, and we are progressing broadly in line with our plan. Each focus area is presented in more detail on the following pages.

Advisory leadership

Offer customers proactive, tailored and value-adding advice, based on their specific needs and behaviours, through in-person and digital interaction.

→ Read more on p. 22.

Operational excellence

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

→ Read more on p. 24.

Extended presence

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

→ Read more on p. 26.

Advisory leadership

During the year we saw how customer behaviours continued to change. The effects of the Covid-19 pandemic have further accelerated the need for qualified advisory services, digital solutions and support in the transition to a low-carbon society.

Thanks to our financial strength, we were able to quickly adapt our financing and advisory services to mitigate the impact of the pandemic for our customers. Examples include extended funding, amortisation grace periods on corporate lending and household mortgages, and other support measures to meet the unique needs of every customer.

Our ability to transfer capital serves a critical function in society and is reinforced in times like these, as we enable capital to flow to where it is needed the most. In collaboration with issuers within the public as well as the private sectors, including the World Bank, the Nordic Investment Bank and the med-tech company Getinge, SEB arranged several transactions in response to the Covid-19 pandemic. These included social bonds, health bonds and commercial paper – all with the purpose of supporting people, companies and countries affected by the pandemic.

To meet the increased demand for sustainability products, services and advisory we have continued to develop our sustainability offering. The green transition affects all our customers, and as a bank we have a key role in enabling them to contribute to a low-carbon society. In our ambition to accelerate the pace of the transition we have established a new sustainability organisation, where we have gathered the bank's expertise and take a comprehensive approach to sustainability from a strategic as well as a business perspective. In addition, we are classifying our credit portfolios in order to be able to provide customers more tailored advice while also providing the bank with a better basis for our sustainability reporting to stakeholders.

Our strategic initiatives:

- Enhance advisory capabilities within *new technologies* and *energy transition*
- Strengthen the *Private Banking* offering, including the digital customer experience
- Accelerate innovation in *sustainable financial solutions*
- Improve the *savings and investment offering* through innovative products, enhanced performance and improved distribution.

“The aim is to build a bridge from now to a better future. We believe that many companies will need more capital to weather the pandemic.”

Jan Amethier, CEO of Cinder Invest

Financial support during the Covid-19 pandemic

SEB has, together with AMF, the Fourth National Swedish Pension Fund (AP4), AFA Insurance and FAM (which represents the three largest Wallenberg foundations) formed a jointly owned company that will invest in Swedish companies in need of capital to ride out the pandemic. The company opened for business during the autumn and has total investment capital of SEK 5bn of which SEB invested SEK 1bn.

Cinder Invest AB, as the company is called, will invest in medium-sized Swedish companies – mainly unlisted private and family-owned companies that do not have access to the capital market. The target group is companies with at least 250 employees and annual sales of more than SEK 300m.

“We will focus on companies that have had historically good profitability and sound business models, and which we believe will continue to be successful after the Covid-19 pandemic”, comments Jan Amethier, who left his previous role to serve as CEO of the new, standalone company.

Cinder Invest will acquire minority positions in the selected companies with the express goal that the existing owners will be able to buy out Cinder Invest’s ownership stake after the pandemic. The plan is to invest between SEK 50m and SEK 500m per company. The idea is that the investments will have a holding period of around five years and the intention is for Cinder Invest to remain active for a total of ten years.

Advice for green transactions

The market for sustainable financing has gained real momentum, and SEB has served as advisor in the issuance of a large number of green and sustainability-linked bonds and loans. The single largest example is the Swedish government’s issuance of its first sovereign green bond during the year. The SEK 20bn bond is the largest green bond to be issued to date in the Nordic countries and in a Nordic currency. The money raised will be tied to expenditures in the state budget that contribute to achieving Sweden’s environmental and climate objectives. SEB served as the Swedish National Debt Office’s special advisor in setting up the framework – an assignment that the bank in autumn 2019 won in competition with some 15 banks. SEB was also involved in placing the bond on the market.

SEB served as sole structural advisor when the global mobility company Daimler created a green framework for financing its shift to a zero-emission vehicle fleet and sustainable production processes. In the same way, SEB was the sole structural advisor for the Volvo Group in creating a green framework to finance investments and projects in the area of clean transports. The bank was also involved in placing Daimler’s and Volvo’s first green bonds on the market.

During the year, SEB served as advisor in the issuance of a sustainability-linked fund financing credit for the global investment organisation EQT. The solution, which is one of the first of its kind in the fund financing market, entails that the interest on the loan is tied to how well EQT’s portfolio companies meet defined sustainability targets for, among other things, the shift to renewable energy and gender equality on boards.

Operational excellence

Our customers' use of digital channels is continuously increasing and has accelerated during the pandemic. We are dedicated to strengthening the digital customer experience, and during the year we continued to digitalise and automate products and processes while also adding new functionality to our digital channels.

In a world that is changing faster than ever, operational efficiency and speed are essential. By digitalising and automating our business we free up time for meeting with customers – both digitally and in person. This combination of digital and personal interactions increases customer value.

During the year we continued to develop the functionality in our digital channels – both the mobile app and the web. Among other things, we have enabled digital communication with our private customers through secure messages in the mobile app while also improving functionality in the digital channels available for large corporates and private banking customers. We also made further improvements to our mobile app, enabling customers to buy and sell mutual funds, which is a first step in a planned roll-out that also will enable equity trading. We are already seeing results from this, with increases in the number of digital fund transactions as well as in the share of digital fund purchases.

Furthermore, we continued to automate products and processes in the areas of household mortgages and corporate lending, to mention a couple. We are also automating and improving our transaction monitoring, giving us improved possibilities to oversee large numbers of transactions so that we identify and prevent attempts of fraud, money laundering or other financial crime.

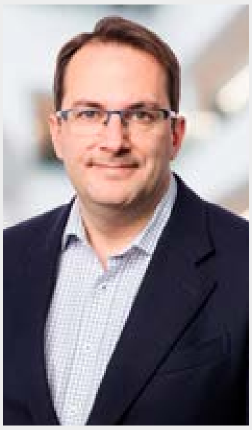
Our digital transformation agenda is continuing, with new ways of working and a focus on connectivity, automation and analytics.

Our strategic initiatives:

- Accelerate *automation* of processes and centralisation to global service centres
- Become more *data-driven* through clean and organised data
- Establish *agile* processes throughout the organisation
- Enhance *employee competences* to meet future customer needs.

"In order to stay ahead of criminal actors seeking to misuse the banking system for money laundering, we continue to invest and further develop our technology."

Petra Ålund, head of Group Technology and Nicolas Moch, CIO



Effective fight against financial crime

During the year SEB combined its resources that work with combating financial crime into a joint, virtual organisation. The aim is to be even more effective in the work against fraud, money laundering and other types of financial crime that affect customers, the bank and society. The organisation gathers business and tech specialists who work with transaction and market monitoring.

"We are continually developing our monitoring processes and systems in pace with changes in regulations, technology, knowledge and criminal behaviour", says Petra Ålund, head of Group Technology, in discussion with Nicolas Moch, Chief Information Officer (CIO). They both see that we are delivering much better and faster in our agile way of working, as one team.

Strong focus is on accelerating technological development surrounding the use of Artificial Intelligence (AI) and visualisation technologies for detecting suspicious deviations. This type of technology is already being used with success to prevent fraud and will gradually be implemented in SEB within the entire area of crime prevention.

The power of digitalisation in the Baltic division

During the initial phase of the pandemic, the authorities in the Baltic countries ordered extensive shutdowns of society to slow the virus spread. SEB's branches were open for in-person visits by appointment only, and the bank worked intensively to increase its remote service capacity, entailing that most services today are available via remote channels.

In connection with this, previous initiatives in the Baltic countries were accelerated. The use of telephone service and video advisory services increased significantly, and the chatbot that was implemented at the end of 2019 was also put to great use. The decision to only allow in-person visits to bank branches by appointment put a higher burden on SEB's call centres, and to ease the pressure, in the following months the bank devised a solution that allows customers to book branch visits themselves online. Staffing at the telephone customer centres has also been strengthened.

During the year a solution was introduced to onboard new private customers digitally in Latvia, while in Lithuania a paperless branch solution was launched.

In parallel with the development of digital channels, during 2020 the rollout of a joint core bank system for SEB's banks in the three Baltic countries was completed. The bank thereby has a joint IT platform in the three countries, which is facilitating continued development and launching of new functionality.

Extended presence

Through new partnerships with leading providers of new technology and new financial services we improved our customer offering during the year.

Developing our business in cooperation with external partners means that we can be available on our customers' terms – also on digital platforms outside the bank. As an example, during the past year we continued our work on offering our small and medium-sized corporate customers digital eco-systems that connect SEB with their own business systems. That way, they get an overview of relevant data and can make better business decisions based on better information.

In collaboration with the third-party vendor Verified, SEB rolled out a cloud-based e-signature solution for large and medium-sized companies in Sweden and Norway, enabling digital signing of agreements. In the Baltic countries, SEB entered a partnership with Fitek, which provides an e-invoice portal through which SEB's corporate customers can sign contracts, use e-invoices, collect payments and archive invoices – all in one place. Initially this service will be available via the internet bank in Estonia.

Furthermore, as the first bank, we joined the Nordic Smart Government collaborative initiative, launched by the Nordic Ministers of Business. The initiative aims to simplify daily life for small and medium-sized companies by creating digital connections with governmental units via API structures.

Within the area of Open Banking, a number of new APIs and services have been developed to support the transformation towards a modern technology architecture and speed up development and customer value delivery.

Our strategic initiatives:
- Develop *Open Banking* collaborations with external parties
- Develop *digital ecosystems* for small and medium-sized enterprise (SME) customers
- Improve digital distribution capabilities within the business area for *fixed income, currencies and commodities*
- Explore new technologies and develop new business concepts through *SEBx.*

“With the help of blockchain technology we expect to be able to shorten lead times in trade finance deals by 90 per cent.”

Paula da Silva, head of Transaction Services

Cooperation for efficient trade finance

In 2020 Contour went live, a global blockchain-based platform for trade finance transactions. SEB has been involved in developing the platform and has established its own operating environment that is an application of the blockchain within the bank.

Letters of credit are important instruments for eliminating counterparty risk in connection with global trade. But since the associated contracts and documents are sent physically by post, their handling is slow and inefficient. “By using the Contour platform, lead times can be shortened from an average of 10 days to less than 24 hours”, says Paula da Silva at SEB Transaction Services.

The first step was taken in 2015 when SEB joined an international bank consortium to develop a blockchain-based platform. This resulted in the formation of the US-based company R3, which has launched an infrastructure platform called Corda. SEB has been part-owner of this company since 2017.

During the same year a project was started to develop a trade finance solution based on the Corda platform. It is this solution that has now been put in operation globally by Contour, a company founded by eight international banks – including SEB, which is a part-owner and represented on the board.

Extended customer cooperation

During the year SEB established a strategic partnership with the fintech company Oxceed, which has developed a cloud-based tool for small and medium-sized enterprises (SMEs) with which they can get a better overview and control of their finances within the digital ecosystem. By integrating Oxceed with its business system, a company can visualise and analyse its bookkeeping data in real time and thereby make more informed decisions.

Through a partnership with PE Accounting and a number of other business system vendors, companies have the opportunity to link their business systems with SEB and thereby achieve a seamless integration of bookkeeping and banking services.

A third example is our partnership with the fintech company Capcito. Using technology from this company SEB has developed a service in which customers – by sharing their bookkeeping data with the bank on a daily basis – receive an automatic calculation of their borrowing scope and thereby eliminate large amounts of paperwork in connection with a credit application.

Our four customer segments

All customers have their individual needs, but smart digital solutions and personal relationships are key building blocks within all our four main customer segments. Our customers are looking for a partner who is proactive, provides a long-term perspective and can offer objective advice in order for them to reach their goals.

Large corporates

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

Financial institutions

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

Development in 2020

Large corporate and institutional customers carried out their business activities with caution given the Covid-19 pandemic. Liquidity positions were monitored carefully and demand for liquidity facilities and risk management products increased. Cash management activity was high throughout the year driven by the highly liquid markets. Mergers and acquisitions activity was low but, with positive news related to Covid-19 vaccines, customers raised new financing, taking advantage of the low interest rates. A number of customers in the oil-related offshore segment were challenged by the adverse oil price development.

Financial markets were very volatile with high institutional customer activity especially in the beginning of the year. There was strong demand for products and advisory services within the sustainability area throughout the year. Equities execution and debt capital market issuance activities increased in the latter part of the year.

All in all, operating income for the Large Corporates & Financial Institutions division increased by 6 per cent compared to 2019. With net expected credit losses at 41 basis points, the divisional operating result decreased by 20 per cent. See p. 68 for more information on our divisions and comments on the result.

Small and medium-sized companies

SEB has an established position as the bank for entrepreneurs and small business owners and currently serves some 400,000 small and medium-sized companies. Of these, 175,000 were home bank customers in Sweden and 98,000 in the Baltic countries. The segment includes around 610 mid-corps – many with international operations – as well as customers in the real estate and public sectors in Sweden, such as government agencies, state-owned companies and municipalities.

Private individuals

SEB is one of the major banks in Sweden, Estonia, Latvia and Lithuania. In Sweden, we have a strong position and the bank is one of the market leaders in the Nordic countries in private banking. SEB provides a comprehensive range of services to private customers and private-banking services with global reach to Nordic high-net-worth individuals. We have approximately four million private customers in Sweden and the Baltic countries. Of these, 497,000 are home bank customers in Sweden and 1,003,000 in the Baltic countries. We have around 34,000 Private Banking customers.

Development in 2020

Customer behaviour in both Sweden and the Baltic countries changed rapidly with the outbreak of Covid-19 which weakened the macroeconomic development and caused societal restrictions. The number of digital transactions and remote services increased significantly while in-person meetings declined, and customers were less active using cards and payments services.

In Sweden, private customers' demand for mortgages continued to grow. The volatile stock market resulted in high brokerage activity. Throughout the year Private Banking customers showed increased interest in alternative investment funds. Small and medium-sized companies' loan demand was subdued but deposits increased. Customer satisfaction was high.

Both private and corporate customers in the Baltic countries were apprehensive and loan demand was unchanged while deposits increased. Companies remained cautious regarding making new investment decisions.

All in all, operating income for the Corporate & Private Customers division increased by 5 per cent. Net expected credit losses increased, which limited the increase in operating profit to 2 per cent. Operating income for the Baltic division declined by 3 per cent. With unchanged expenses, but with increased net expected credit losses, operating profit declined by 17 per cent. See p. 68 for more information on our divisions and comments on the result.

Meet our customers

Our customers contribute to the development of society. We assist them in realising their plans as well as in solving day-to-day challenges. Customer satisfaction is one of the most important factors in our business.

Getinge

Getinge is a global medtech company that provides products and services for operating rooms, intensive care units, sterilisation departments, and research institutes and pharmaceutical companies.

The Covid-19 pandemic has led to a spike in demand for advanced ICU (Intensive Care Unit) ventilators, among other things. Getinge also manufactures products for vaccine producers and during the year had between 1,600 and 1,800 service technicians deployed to hospitals around the world to maintain sophisticated health care equipment.

"The most important part of a banking relationship is having a proactive partner that is looking ahead, monitoring current developments and that offers suggestions for solutions", says Lars Sandström, Getinge's CFO. "We work very well together with SEB, such as early in the pandemic, when it was uncertain how the situation would unfold. SEB was proactive, got in touch with us and made it clear that the bank was there if needed".

Getinge has a broad-based customer relationship with SEB as its home bank for cash management solutions and one of its core banks for lending, issuing commercial paper and bonds, and M&A financing. "SEB served as structural adviser for the issuance of our Covid-related commercial paper", says Lars Sandström. "Even though the commercial paper market was stone-cold, we succeeded with SEB's help in borrowing one billion kronor to ramp up production".

"SEB was proactive, got in touch with us and made it clear that the bank was there if needed."

Lars Sandström, Chief Financial Officer

CIP

Copenhagen Infrastructure Partners, CIP, is a fund management company specialised in investments in energy infrastructure assets, in particular within renewables.

CIP was founded in 2012 with just one investor. Since then, the business has grown significantly in terms of the number of investors and, today, CIP has investments across the world in projects including onshore and offshore wind, solar PV, waste-to-energy, power transmission and energy storage.

Simon Kjaer is an Associate Partner at CIP. "The most important thing in a bank relationship is the capacity to understand our activities. It is also vital that the bank has an international platform, since one of our strategic focuses is to broaden the investment base globally", he says.

SEB is one of CIP's home banks for financing the funds and also plays a key role in issuing guarantees and letters of credit. "One example was the start of construction of a large offshore wind farm in Taiwan in early 2020. SEB played a key role in collaboration with other banks in designing a whole set of guarantees which enabled us to complete the financial transaction and immediately start construction work".

"It is vital that the bank has an international platform."

Simon Kjaer, Associate Partner

EQL Pharma

EQL Pharma is a generics- and specialty pharma company, dedicated to providing cost-effective pharmaceuticals to the Nordic market.

Christer Fåhræus is founder and CEO, and Jennie Sterning is CFO of the rapidly growing pharmaceutical company EQL Pharma. SEB is the company's home bank, and both Christer Fåhræus and Jennie Sterning are happy with the relationship.

"All good relationships require an understanding of each other's business and that both parties have the same view of reality. SEB takes an interest and is highly engaged in what we do", says Christer Fåhræus.

Jenny Sterning emphasises the importance of proactivity. "It is important that the bank approaches us with own initiatives and suggestions, sees opportunities and perhaps offers solutions that we don't even know existed", she says.

Another important factor is speed of response, Fåhræus adds. "In this regard SEB is superb. They are always quick to respond, and we have direct access to the branch manager when we need it".

One example was in connection with the Covid-19 pandemic, when EQL Pharma, through personal inroads with Chinese manufacturers, was able to supply the health care system in Skåne with essential personal protective equipment. Since global demand was enormous, all manufacturers required advance payment. "SEB helped us with lightning speed at getting payments directly in to the Chinese banking system", Fåhræus recalls. "That was key, because otherwise it would have been tough for us to land these contracts since they drained us of so much temporary capital".

"They are always quick to respond, and we have direct access to the branch manager."

Jennie Sterning, CFO and Christer Fåhræus, CEO

"The most important thing in a banking relationship is trust."

Maire Kurm

Maire Kurm

Maire Kurm is a private banking customer at SEB in Estonia.

Maire Kurm, from Tallinn, is CFO for Swedish forest products company SCA's Baltic operations. With a background as portfolio manager for a bank and thereafter as head of Treasury for the City of Tallinn, she has worked in the financial sector her entire life. Through her work she has close business relationships with SEB, but she has also been a private customer for nearly 20 years.

"I have the knowledge required to be able to handle my finances myself, but I don't have time", she says. "Regarding my personal economy it's kind of like the 'shoemaker's children'. So it's very convenient for me to be a private banking customer of SEB. It makes life easier. I highly value the help I get taking care of everything from small matters such as a credit card issue to tips and advice on investments".

Maire has three nearly grown-up children and lives an active life. Aside from work and family life, she spends most of her free time on sports and exercise.

"The most important thing in a banking relationship is trust", says Maire. "You have to be able to trust that your bank is offering what's best for you as a customer. I appreciate that SEB gives me tips and good investment ideas, but they don't overdo it. The bank has to know the limit between being there for me, and not being pushy. I think SEB has struck a good balance".

Working at SEB

At SEB our employees are at the core of everything we do, and we support their development. To work at SEB is to be a positive force in society by helping customers achieve their goals.

The annual employee survey shows that our employees are engaged and feel that they are given opportunities to grow and develop. The survey also shows that employees share a strong belief in SEB's future, that they have confidence in SEB's management, and that they feel they have the opportunity to influence their work and express their views. The key performance indicators for employee engagement continue to be high and are above the average for the financial sector. Development areas include communication and cooperation between different parts of the bank.

From the employees' perspective, although the year was dominated by the Covid-19 pandemic, major steps were taken with respect to leadership, learning, inclusion and new ways of working.

Continuous learning

In a rapidly changing world, continuous learning of new skills is a basic precondition for ensuring strategic competences. During 2019 we launched SEB Campus, a platform for self-driven learning designed to support competence development and guide SEB's employees through change. It is a platform in which internal experts in specific fields in SEB share their knowledge, but also a place where SEB offers access to the latest research from prestigious universities such as MIT, IMD Business School and the Stockholm School of Economics. A number of new courses were introduced during the year, and as one of the highlights in 2020, a new, mandatory sustainability seminar was launched. At year-end 2020 SEB Campus had 15,136 active users.

Our core values

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

Customers first

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

Commitment

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

Collaboration

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

Simplicity

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

→ Read the Code of Conduct on sebgroup.com

We are changing our ways of working and leadership

By developing ways of working and leadership, SEB is evolving in pace with a complex world that is constantly changing. Since 2018 SEB has implemented agile work methods to increase the bank's ability to act quickly and flexibly. The Covid-19 pandemic has further accelerated the pace of change in our ways of working. With many employees working from home, managers have quickly adapted their leadership and found new ways of working in order to effectively lead remotely with digital tools, but while still maintaining personal contact. During 2020 SEB further developed the focus areas in its leadership philosophy to support leaders in driving change, promoting innovation and contributing to an inclusive culture. The framework for SEB's leadership philosophy is built upon scientific research and has been developed in cooperation with SEB's strategic partners, such as IMD Business School.

Diversity for innovation and growth

Inclusion and diversity are crucial for driving innovation and growth at SEB, and for the bank's ability to provide world-class service to its customers. Diversity – in all senses of the word – provides valuable perspectives, enhances creativity, promotes problem-solving and contributes to sound risk management and good decision-making. During 2020 a number of activities were carried out in this area, including training and workshops. A study of sexual harassment within the banking sector in Sweden has shown that 1.5 per cent of SEB´s employees have experienced harassment at the workplace. Harassment is not acceptable. The result is below average for the banking sector as a whole and measures have been further strengthened to prevent and act upon any new occurrences. The diversity perspective has also been implemented through a new system which will promote neutral recruitment. At the senior management levels, SEB is working to increase the gender balance, including by setting targets through new key performance indicators.

→ See p. 43.

Recruiting and retaining talent

It is our employees who deliver value to our customers and create the change that is leading to a better and more sustainable world. The employees are engaged by a value-creating and inclusive culture with opportunities to develop and advance. In 2020 SEB was ranked as the most attractive employer in its sector by both business and IT students in Sweden. SEB was ranked as number one by young business professionals and as number two by IT professionals. SEB's trainee programme was ranked as the third best among business students. To secure its role as an attractive employer among tomorrow's critical competences, SEB is refining its employer brand strategy, and we are currently at work on launching a new career portal and new recruitment platform that both improves external recruitment and is creating a dynamic internal job market.

Labour law and unions

Our employees are covered by central cross-sector collective agreements and local company-specific collective agreements. SEB has a European works council with representatives from all EU and EEA countries in which the bank is active. Any reorganisations or layoffs are handled in accordance with applicable laws, collective agreements, special procedures and redundancy agreements that have been agreed upon with the unions. Training and support are offered both to employees and managers who are involved in a reorganisation. Employees also get support in finding new work, whether internally or externally.

Well-being and safe work environment

SEB works long-term and preventively to offer a safe and sound workplace in an effort to contribute to its employees' well-being and promote a good work/life balance. In Sweden, SEB's sickness-related absenteeism remains low, at just over 3 per cent, compared with other industries as well as the financial sector. Sickness-related absenteeism was marginally higher in 2020 compared with a year earlier, owing to the Covid-19 pandemic. SEB offers services and benefits to its employees along with a wellness subsidy to promote a healthy and balanced lifestyle. During the Covid-19 pandemic SEB further strengthened its measures to promote employee health and well-being also with respect to working remotely.

Employee statistics

	2020	2019	2018
Employees, average full-time equivalents	15,335	14,939	14,751
Employees, average	16,007	15,691	15,683
Sweden	*8,238*	*8,013*	*7,972*
Other Nordic countries	*975*	*988*	*1,121*
Baltic countries	*5,729*	*5,544*	*5,348*
Other countries	*1,065*	*1,146*	*1,243*
Employees at year end	16,193	15,819	15,562
Employee turnover, %	8.6[1)]	12.1	12.9
Sick leave, % (in Sweden)	3.3	2.9	2.9
Female managers, %	48	47	45
Employee engagement	80	80	[2)]

1) The definition of employee turnover was updated in 2020.
2) Method changed (no comparable data).

Meet our employees

Our 15,500 employees have different experiences, backgrounds, skills and perspectives. Through them, we create long-term customer value and contribute to drive progress in society.

Many opportunities to grow

Around the time when Zainab Imam Din was looking to move on from her previous job at Scania, she had her sights set on the finance sector. Her choice of SEB came down to, among other factors, the major transformation that the bank is currently in the midst of.

"From having conducted a product-based business, SEB is currently transforming in line with the vision of world-class service", she says. "Being a part of that shift I think is very exciting. And then it is important for me to work for a large organisation in which there are many opportunities for growth".

Zainab has worked as a full stack software developer at SEB for nearly two years, and has now taken on expanded responsibility as scrum master, a leader role in agile development. She spends her days writing and implementing code – the entire time in close collaboration with other developers as well as UX (user experience) designers and business analysts.

Zainab highlights that what she appreciates most about her job is that she learns something new every day and the courses offered on SEB Campus allows her to stay updated.

"I feel that SEB values my knowledge and that my voice is heard", she says. "I can be transparent and open with my bosses, and vice versa. They see my potential and help me achieve my goals".

"I feel that SEB values my knowledge and that my voice is heard."

Zainab Imam Din, full stack software developer and scrum master

Everyone supports each other

Lauri Stark is a quantitative analyst working at SEB's Markets department in Helsinki. He has a master's degree in Finance. During his studies he conducted an internship program at SEB, and continued working part-time in the bank.

After the program he was selected for SEB's International Trainee Program, after which he joined the Markets team. In parallel with his job at SEB Lauri is currently completing his second master's degree, now with focus on the mathematical and technical side of finance.

"I'm working with numerical data and modelling of different financial instruments that are traded on the market. Currently, I'm working on a sustainability-related project. We try to calculate sustainability numbers for companies, and based on this data we can evaluate several sustainability metrics for different kinds of portfolios".

Lauri Stark appreciates the work culture at SEB and the possibility to combine work with personal life. "The company culture is amazing. I just had my first child, and everybody has been very supportive about me taking parental leave. It was unusual to work remotely before Covid-19, and now having my baby, my manager and colleagues have encouraged me to work from home. My colleagues and I have a tight community – we know each other well and everyone supports each other".

"The company culture is amazing. I just had my first child and everyone has been very supportive."

Lauri Stark, quantitative analyst in Markets

I appreciate the professional engagement

As an analyst in Financial Strategy at SEB in Denmark, Christian Hjort Pedersen works with strategic advisory for large corporate customers in the areas of capital structure, credit ratings and sustainability.

"Our job is to provide guidance for our customers by conducting product-neutral analyses of their needs to discuss which proactive financial considerations they can benefit from", he says.

Christian feels it is important to share SEB's values, culture and ambitions, and also to have opportunities to learn and develop as a young employee.

"I have now worked at SEB for three years and have always felt a great sense of engagement from the HR and management teams", he says. "This was clear already from my initial project employment through to my most recent transition from intern to a full-time analyst, which took place a year before I graduated. As an employer SEB is very attentive to continuously supporting the development of its employees' competences, which I have personally benefited from in the form of rewarding courses and new professional challenges".

"I appreciate the social environment at SEB, which supports the well-working cooperation that is prevalent across departments and professional roles", he continues. "It also facilitates internal job rotation. The culture at SEB gives you great opportunities to shape your own work duties and your career track. You are not regarded just as one in the crowd, but instead you feel involved and gain knowledge about the bank's other business areas".

"The culture at SEB gives you great opportunities to shape your own work duties."

Christian Hjort Pedersen, analyst in Financial Strategy

Making a difference in people's lives

Roxana Cisternas was born and raised in Romania, where she also got her education and economics degree. In 1985 she moved to Sweden, studied Swedish for immigrants and joined SEB on an internship in 1989. A year later Roxana was offered a permanent position and has since then held various management positions in the bank. Today Roxana is head of SEB's branch in Täby, which is one of the bank's largest branches with a high level of customer satisfaction and good profitability.

"I am driven by the ambition to generate results, have satisfied customers and engaged colleagues, and to deliver strong figures on the bottom line. I have had this level of ambition since my time as an elite gymnast in grade school", says Roxana.

Throughout her career at SEB, Roxana has felt that she has had support from helpful managers who have encouraged her. The dialogue climate has been characterised by openness and a positive approach. "It has enabled me to flourish and grow as a leader", she says.

In her role, Roxana tries to apply the same principles. "We work in support of each other and are driven by loyalty and by making a difference in people's lives", she says. "For example, instead of regarding a home mortgage as merely a tick in our statistics, we know that it is a family's life we are dealing with and that every individual is unique".

"I am driven by the ambition to generate results and to have satisfied customers and engaged colleagues."

Roxana Cisternas, branch manager Täby office

Shareholder value in SEB

SEB has a unique customer base and market position, committed owners with a long-term perspective, a solid financial buffer and the strength to grow and create shareholder value.

SEB is a northern European financial services group, founded in 1856. We strive to be a leading northern European corporate bank in our home markets with an international presence, connecting corporates and institutions with the rest of the world. In Sweden and the Baltic countries we aim to be a top universal bank. Our home markets are the Nordic and Baltic countries, Germany and the United Kingdom.

Engaged and long-term focused shareholder base

Many of SEB's larger institutional investors have had an ownership stake in SEB for more than a decade. SEB's largest shareholder is Investor AB, where SEB is a core investment. Investor AB, northern Europe's largest industrial holding company was founded by the Wallenberg family in 1916 and owns more than 20 per cent of the share capital in SEB. Investor is currently represented on the bank's board with two seats, including the chair. The engaged and long-term focused shareholder base of SEB enables us to look beyond business cycles, taking a long-term, structural perspective.

→ For information on our shareholders, see p. 81.

Diversified business, profitable growth and financial strength

Our earnings base and risk profile are diversified in terms of customer base, full-service product offering and geographic exposure. SEB has demonstrated strong profitable growth over time and continuously strives to improve its operating leverage through deepened customer relationships and continuous efficiency improvements. Our strong balance sheet creates flexibility for the future, enabling us to grow with our customers.

Digitalisation and sustainability are key drivers in SEB's business plan

SEB is now two years into its three-year business plan, which focuses on advisory leadership, operational excellence and extended presence. By also focusing on customer segments with growth potential while leveraging on the digitalisation and sustainability trends, the main aim is to strengthen SEB's long-term profitability.

→ See p. 21 for information on the business plan.

Shareholder value

The shareholder value created can be measured as total shareholder return (TSR), which means that market values and dividends paid during a period are taken into consideration. In 2020, the TSR for SEB's shareholders was –4 per cent. SEB's regulator, the Swedish FSA, recommended, in line with other European regulators, that banks not pay dividends given the uncertainties amid the Covid-19 pandemic. SEB adhered to the recommendation. Additionally, in 2020 SEB's share price declined to SEK 84.50 from SEK 88.08 even though the year-high price was SEK 104.90.

Financial targets

SEB has financial targets in place in order to create lasting, long-term shareholder value. These targets are focused on the financial performance of SEB and capital repatriation to shareholders, while at the same time securing a solid financial buffer for the bank.

The outcome of the financial targets for 2020:

- Dividend: The SEB Board of Directors proposed a dividend corresponding to a payout ratio of 56 per cent
- Common Equity Tier 1 (CET 1) capital ratio: 840 basis points of capital buffer above the Common Equity Tier 1 requirement
- Return on equity (RoE): 10.3 per cent (excluding items affecting comparability), whereas the average return on equity for Nordic peers was 8.1 per cent and for European peers 9 per cent.

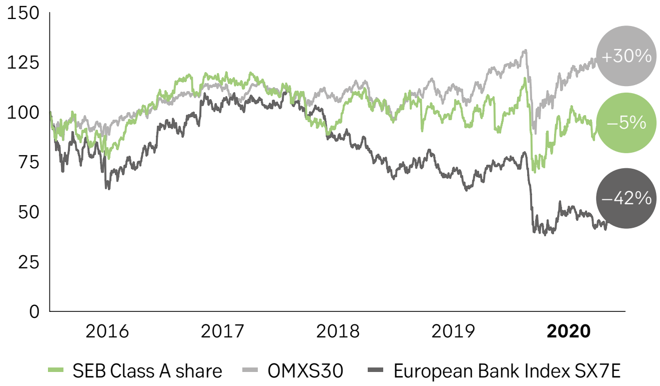
→ SEB's revised targets from 2021 are described on p. 66.

Total shareholder return

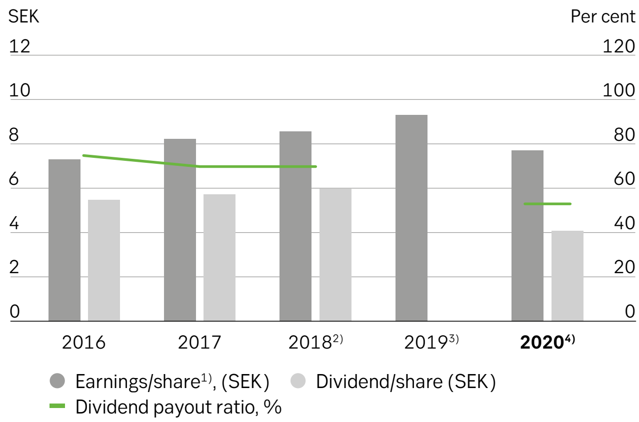
–4%	20%	120%
2020	2016–2020	2011–2020

Share price development SEB Class A share

Index 1 January 2016=100



Earnings and dividend per share



1) Excluding items affecting comparability.
2) Excluding extraordinary dividend in 2018.
3) The 2019 dividend proposal was reverted and the AGM decided that no dividend would be paid out.
4) A dividend of SEK 4.10 per share is proposed for 2020.

A critical role in society

Through our products and services, we provide the necessary infrastructure for society to function. We also contribute to creating economic growth and social value, and drive progress and transformation by supporting our customers.

SEB makes it possible for households, entrepreneurs and businesses to finance, invest, and manage payments and savings. We identify and manage risks as well as opportunities, thereby promoting economic development, growth, new jobs and international trade, and contributing to financial security.

Despite the Covid-19 pandemic, throughout 2020 we kept business open in all of the countries in which we work to be able to serve our customers and fulfil our mission as an essential part of society and the economy. Even in the countries that were subject to an almost total shutdown, SEB was able to uphold all the critical functions of the bank.

SEB is also an active societal actor in the local communities in which we work. We are committed to enabling progress of society, promoting entrepreneurship and sustainability, and supporting initiatives and ideas with a long-term positive impact.

SEB is also an active participant in the public debate to spread economic knowledge and contribute to financial inclusion.

New ways to participate in the public debate

To prevent the spread of Covid-19, in 2020 the bank cancelled all types of larger seminars and other customer events, but in their place intensified its communication in new, own digital channels.

In the spring we built a studio where we now have produced and recorded more than a hundred broadcasts. Our news broadcast SEB Morgon, with economic analysis from the bank's experts, has got almost 700,000 views in nine months.

We also launched SEB Talks, a series of webcast seminars in which the bank's experts share their insights, forecasts and advice on everything from running a business and personal economy to sustainability and entrepreneurship. In this way, we have been able to invite more participants and spread knowledge to more people than at our traditional customer meetings. During the year a total of 11 SEB Talks episodes were webcast, attracting more than 15,000 viewers.

Sustainability seminars in the Baltic countries

In the Baltic countries SEB has initiated a similar endeavour with a seminar series on Facebook under the theme societal development from a sustainability perspective. The plan is to conduct panel discussions in which entrepreneurs, researchers and experts discuss the changes in learning, work life, transport, travel and the economy that we can expect from a five-year perspective, and how we can prepare for them. The first seminar was conducted with the same set-up in all three countries and attracted around 12,000 viewers in total.

Supporting entrepreneurial minds

The pandemic meant that several thousand summer jobs disappeared, and to help young people find meaningful employment, SEB was involved in and provided funding to Beredskapslyftet (the Skill Shift Initiative), the goal of which was to create 1,000 summer jobs in Stockholm. The programme was carried out at the initiative of the City of Stockholm.

In addition to our financial contribution we also provided training in entrepreneurship to inspire young people in the area of running a business.

SEB collaborates with the non-profit organisation Mentor, which works with mentorships for young people in need of adult role models. During 2020, we participated in the We_Change tour, Sweden's largest sustainability venture for young people, that spreads knowledge and promotes innovation surrounding sustainable development. In 2020 the tour was conducted entirely digitally, and in addition to the bank's financial support, SEB employees participated in various parts of the programme and hackathons.

Aiming for better financial equality

In 2020 SEB started the Financial Equality initiative, which was launched with the film Why Women Don't Own. The film, which was produced in cooperation with the think tank Ownershift and a group of female entrepreneurs within SEB's network, e.g. Moa Gürbüzer, founder of Oddbird, Polina Otto, founder of Carrus Network and Alice Moradian, co-founder of Earth Bite (picture left). The film takes as its starting premise the fact that women account for only 15 per cent of private land ownership, 25 per cent of real estate values, and 33 per cent of privately owned equities. This is illuminated through a historic look back at four women's lives between the 1840s and today. The purpose of the initiative is to shine a light on the problem and point to what SEB can do to encourage greater equality in savings and ownership.

Ownershift is a think tank dedicated to substantially increasing ownership among women and thereby giving women more power over their own life decisions and improving equality in society. We deepened our cooperation with Ownershift through a long-term sponsorship that will stretch over the coming three years.

The Financial Equality initiative was recognised with the 2020 Anna Equality and Diversity Award. The award has been handed out yearly since 1993 by the Central Equality and Diversity Committee, which is a joint collaboration between BAO (the Swedish banking sector's employer organisation) and Finansförbundet (the Financial Sector Union of Sweden). The award is handed out to an individual, company, chapter, project or work team in the banking and financial sector.

New collaboration for combating money laundering

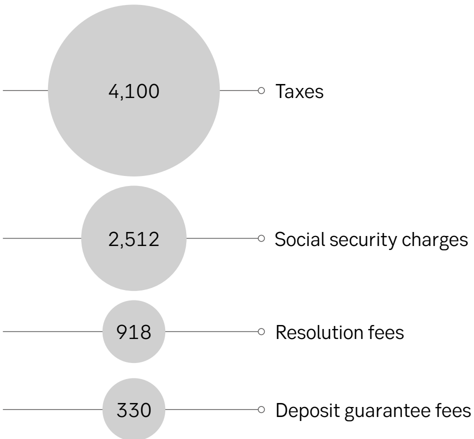
Money laundering is a major societal problem, and we are working continuously and resolutely to strengthen our ability to prevent money laundering. To further strengthen society's ability to combat financial crime, during the year SEB helped initiate SAMLIT (the Swedish Anti-Money Laundering Intelligence Initiative), a collaboration between Sweden's major banks and the Swedish Police's intelligence unit. The aim is to test new forms of information-sharing within the framework of applicable legislation and to also look at which possible regulatory changes may be needed to make this work even more effective in the future.

The collaboration started out as a pilot project in summer 2020 and is planned to be launched across a broad front in 2021.

How we contribute financially to society

We contribute financially to society by paying taxes and regulatory fees according to local rules where we operate. In addition to the corporate tax relating to the operating result we pay social security charges based on remuneration costs. Regulatory fees consist mainly of deposit guarantee fees and resolution fund fees, designed to protect the stability of the financial system.

Taxes and fees paid, SEK m



→ See p. 62 for SEB's approach to tax.

Sustainability report

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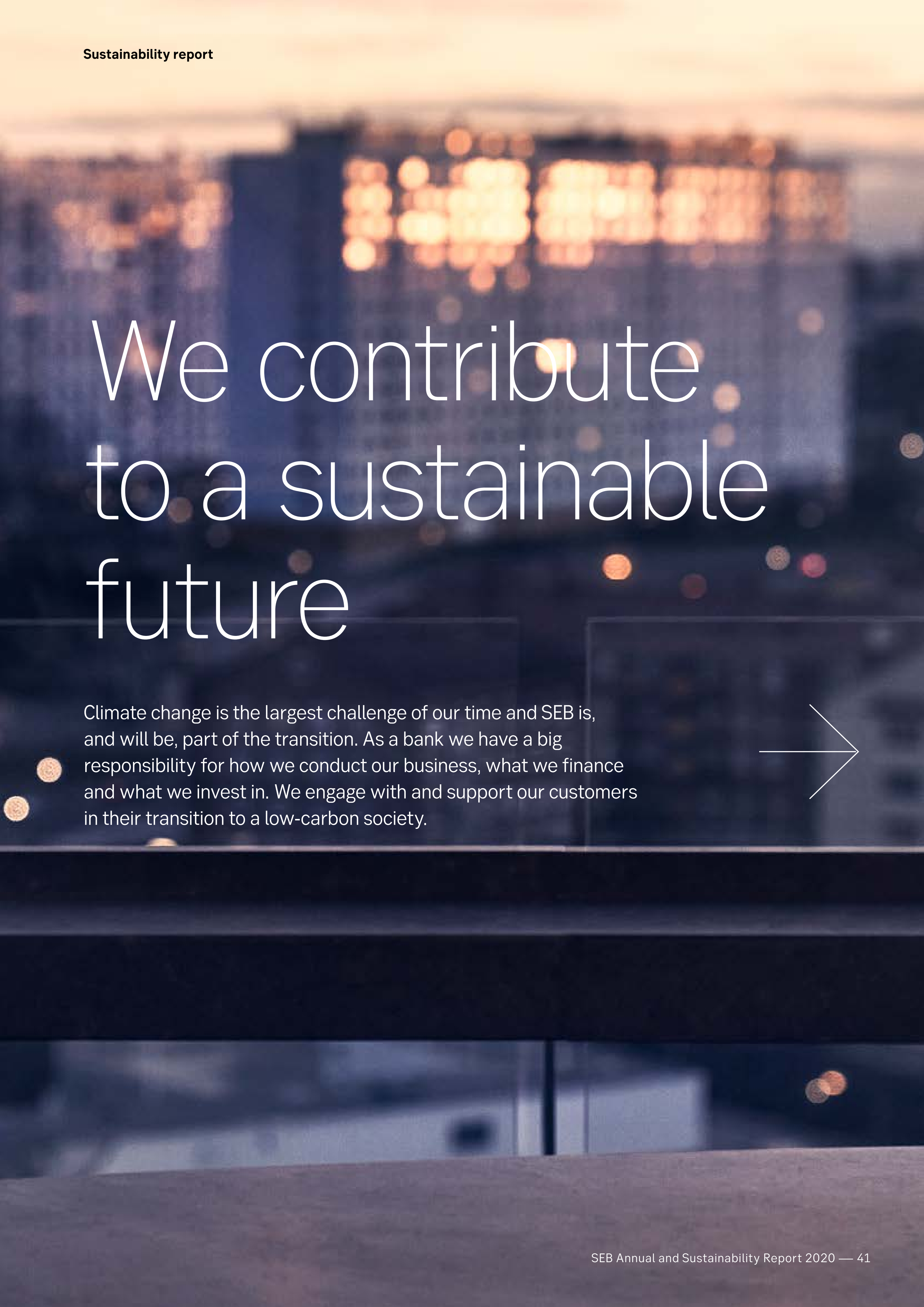


We contribute to a sustainable future

Climate change is the largest challenge of our time and SEB is, and will be, part of the transition. As a bank we have a big responsibility for how we conduct our business, what we finance and what we invest in. We engage with and support our customers in their transition to a low-carbon society.

Sustainability Report

SEB has a strong ambition to contribute to a prosperous and sustainable future for people, businesses and society. We are committed to supporting our customers in the transition to a low-carbon economy by offering advisory leadership, innovative and sustainable financing and investment solutions. Our aim is to create value for all our stakeholders.

We are convinced that companies that incorporate sustainability into their operations and business decisions have the prerequisites to be more successful in the long term. To us, the integration of economic, social and environmental aspects into our business is fundamental. SEB's sustainability strategy sets out the areas where we have the opportunity to impact in the short, medium and long term. By adapting the strategy for our financing and investment activities in accordance with the UN Sustainable Development Goals (SDGs) and with the Paris Agreement, we aim to create sustainable value for our stakeholders. This includes the areas of climate and environment, human rights, social relations and anti-corruption.

Striving to reorient capital flows

Through our business in sustainable financing and investments, advisory, innovation and people, we serve private, corporate and institutional customers in our home markets and international network, and strive to reorient capital flows to support sustainable purposes, in line with the bank's vision and business strategy. We focus on growing our offering while continuing the integration of sustainability risks into processes and ways of working. Concurrently, we strive to avoid causing, contributing or being directly linked to negative impacts on people and environment from our activities, products and services.

Several areas serve as the foundation for our long-term achievements. Financial strength and resilience, risk management, business ethics and conduct, and crime prevention are all considered to be important in the long term for our stakeholders and are thus material for our business.

Impact in two dimensions

SEB has direct and indirect impacts on stakeholders, and regards impacts in two dimensions: on the one hand SEB's and our stakeholders' impacts on the planet and society, and on the other hand the impacts that the planet and society have on SEB's stakeholders and on its customers' business models and thereby repayment capacity (see p. 55).

In 2020, we focused our impact assessment work on climate issues. Our main indirect impact concerns primarily the products and services that we provide. In financing, our main credit exposure relates to lending to companies in a diverse range of sectors where climate impact is a common denominator. Mitigating climate change is a key priority in the countries where we operate, in northern Europe as well as globally. In investments, the indirect impacts also largely pertain to climate change. The main indirect impact of SEB's fund company is global, with a focus on Europe and the Nordic countries.

For 2021 the ambition is to extend our sustainability impact analysis work to other areas related to for example social and governance issues. For a full description of SEB's management of climate impact aspects, see p. 52–58.

International commitments and collaboration

We believe that global challenges need global collaboration and we recognise the importance of participating in and supporting international commitments. The Paris Agreement and the SDGs (see p. 44) are predominant guiding principles for SEB. In addition, we support and have signed a broad range of international agreements and commitments that guide us in our work.

International agreements and commitments

SEB supports the following international agreements:
The UN Sustainable Development Goals, the Paris Agreement, the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the ILO Core Conventions on Labour Standards, the Children's Rights and Business Principles and the OECD Guidelines for Multinational Enterprises.

Additionally SEB has joined or publicly endorsed:
The UN Global Compact, the UNEP FI Principles for Responsible Banking, the Principles for Responsible Investments (PRI), the Equator Principles, the Task Force on Climate-related Financial Disclosures (TCFD) and the Poseidon Principles.

Transforming our business

SEB is strongly committed to accelerating the pace of change to reach a low-carbon economy. We have continuous focus on transforming our own business, on innovation and on assisting our customers in their transition to a better society. In 2020, we established a new central sustainability organisation, and strengthened processes and policies. We intensified the work on classifying the credit portfolio whereby we analyse our corporate customers' current climate impacts as well as their future transition plans (see p. 52–58).

We continued to contribute to the growth of sustainable financing solutions and at year-end we were the seventh largest underwriter of green bonds in the world since inception in 2008 (see p. 46).

At the end of 2020, SEB Investment Management established an updated Sustainability Policy through which the investment rules will be sharpened for all SEB's funds (see p. 48 and 57).

For SEB employees, special focus was put on increasing knowledge about climate change. A research-based training, mandatory for all employees, was launched globally (see p. 51).

SEB sets and publishes targets and outcome for areas where we have the most significant impacts. Our ambition is to further increase transparency and disclosures of progress. These efforts will be aligned with future national and international requirements and expectations.

Targets and outcome

Area	Description	Outcome 2020	Outcome 2019	Outcome 2018	Target 2020	Target 2021
Innovation	• Create sustainable finance innovation centre to develop and launch new sustainable products and services	12	Established	Decided	5 new sustainable products or services	5 new sustainable products or services
Sustainable financing	• Green loans[1]	SEK 25 bn	SEK 19bn	SEK 16bn	Increase	Increase
	• Green mortgages	SEK 4.0bn	SEK 1.5bn	SEK 0.2bn	Increase	Increase
	• Green bonds, underwriter, Nordic bank ranking[2]	#2	#1	#1	#1	#1
	• Gradually shift credit portfolio towards increased sustainable financing	Sector-based climate-impact-classification of corporate credit portfolio performed.	Framework for classification established and pilot tested in automotive sector.	Decided	Gradual transformation of credit portfolio to increase share of transitional and sustainable assets.	Gradual transformation of credit portfolio to increase share of transitional and sustainable assets.
Sustainable investment	• Total Assets under Management (AuM) assessed with sustainability criteria, as share of AuM (SEB total)	14%	13%	11%	Increase	Increase
	• SEB funds assessed with sustainability criteria, as share of AuM (SEB Fund company)	45%	37%[3]	30%	Increase	Increase
	• SEB funds assessed with human rights criteria, as share of AuM (SEB Fund Company)	100%	100%	100%	100%	100%
	• SEB Impact and Thematic funds, total AuM[4]	SEK 12.2bn	SEK 11.2bn	SEK 8.0bn	Increase	Increase
People	• Integrate sustainability into KPIs for senior managers	67%	Implemented for GEC	Decided	Implement for all direct reports to GEC.	Implement for all direct reports to GEC.
	• Gender by management type, (male/female):				Increase balance in senior management towards long-term ambition of 50/50±10%.	Increase balance in senior management towards long-term ambition of 50/50±10%.
	- Group Executive Committee (GEC)	64/36%	69/31%[5]	77/23%		
	- Senior management	64/36%	64/36%	66/34%		
Business ethics and conduct	• Employees that have completed mandatory training[6]	81%	88%	90%	Increase towards 100%	Increase towards 100%
Environment, direct impact	• Reduce total carbon emissions with 20% 2016–2020, tonnes	9,734	22,525	23,606	18,500	Reduce to 17,137 ±5% tonnes by 2025. Net zero emission from 2021.

1) Green loans include project financing within EU, the UK and the Nordic region, which fulfil the sustainability criteria in SEB Green Bond Framework.
2) Bloomberg (ranking by volume).
3) 2019 restated from 35% to 37% (Total AuM in SEB fund company reduced with SEK 51bn).
4) Includes SEB Micro Finance Funds, SEB Impact Opportunity Fund, SEB Green Bond Fund and Lyxor SEB Impact Fund.
5) As of 1 January 2020.
6) Mandatory training: Code of Conduct, AML and Combating Terrorist Financing, Fraud prevention, Cyber Security, GDPR (updated in 2020), Sustainability Training on Climate Change (new in 2020). Includes consultants, excludes employees on leave of absence. See p. 200.

SEB and the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs), formulated in 2015, form the framework for nations, businesses and societies on how to achieve long-term economic growth, social inclusion and environmental protection. The 17 SDGs define the main objectives which are broken down into 169 targets with the aim to identify concrete actions. The financial sector has a decisive role to play in closing the existing investment gap to reach the main objectives.

SEB's main contribution to the SDGs is by supporting its customers in their transition. By signing the Principles for Responsible Banking, we have also committed to aligning our business strategy and contributing to the SDGs.

We have identified and prioritised five of the goals that are clearly linked to our business strategy and sustainability work, and where we have a great opportunity to make an impact. They are related to the bank's strong heritage of creating long-term growth and innovation as well as maintaining responsibility and international outlook.

13 CLIMATE ACTION

Climate action is addressed throughout our business, from our long history and pioneering role in green financing, to the more recent work on classifying our corporate customers' climate impact. In our investments we take a restrictive approach to companies engaged in fossil fuels.

8 DECENT WORK AND ECONOMIC GROWTH

Through our business we drive economic development and contribute to creating new jobs and growth in society, for example by supporting entrepreneurs. Our microfinance funds give individuals and companies access to capital and financial services.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Through our history of maintaining long-term relationships with industrial companies we contribute to strengthened infrastructure and enable technological advancements. We cherish the innovation capacity in society. In 2020, we established SEB Greentech to support Nordic companies in the green technology sector.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

We work to reduce corruption and bribery in all their forms. We protect our business and are committed to preventing money laundering, cybercrime, sabotage, intrusion attempts and financing of terrorism.

5 GENDER EQUALITY

Through the Financial Equality initiative, SEB and the think tank Ownershift shed light on women's ownership and on the fact that women in Sweden own only 15 per cent of private land and 33 per cent of privately owned equity shares. SEB is also working to increase the gender balance in SEB's senior management.

Engaging with stakeholders

We are engaged in continuous dialogues with key stakeholders in order to ensure that we prioritise the most important issues and secure responsible business. In 2020, all stakeholder groups were affected by the Covid-19 pandemic, both in terms of areas that were addressed and the way we interacted with them.

Customers

During the year customers increasingly looked for availability, proactivity and support from banks in the light of the pandemic. In addition, large corporate customers and financial institutions also increasingly required an understanding of their specific challenges and strong industrial competence from SEB. With respect to sustainability, their need for support and relevant advisory services remained strong. We made considerable efforts to meet these needs, for example through our work with classifying the credit portfolio (see p. 52–58).

For private customers the bank made improvements in its digital services, particularly the mobile app. SEB's sustainability engagement also increased as evidenced by customers' views in a survey on the bank's performance with respect to the SDGs. In 2020, more than 9,000 private customers in Sweden responded to the survey (see p. 49).

Investors, shareholders and analysts

The focus of investors, shareholders and analysts was predominantly on Covid-19 and its impact on economic development and how our customers, especially corporates, were affected, particularly concerning the risk for higher credit losses. Another area was the strong recommendation by authorities to refrain from paying dividends, even for well capitalised banks like SEB. Sustainability continued to be an area of central focus. Dialogues also focused on governance, anti-money laundering capabilities and potential investment needs in the light of the outcomes of the reviews by the Swedish and the Baltic countries' Financial Services Authorities.

Employees

SEB's annual employee survey showed high scores for engagement and satisfaction. Among areas of improvement, employees noted cross-functional collaboration and further improvement of the customer experience. A special survey on employee satisfaction during the pandemic showed that employees generally feel well-supported, but that they are also looking for better collaboration. The digital interaction increased overall.

Society – regulators, media and NGOs

We engage with regulators and supervisors at the national as well as international levels through bilateral and multilateral meetings and in various industry forums. Among emphasised topics were anti-money laundering, integration of sustainability and climate risk in processes, and disclosure and investment advice.

We met with non-governmental organisations (NGOs), consumer advocate groups and the media through local community engagements, round table discussions, press conferences and one-on-one meetings. Main issues in NGO dialogues pertained to climate change and human rights. Focus in media interactions was on the impact of Covid-19 on SEB, our customers, the economy and society at large. Of key interest were also areas such as anti-money laundering, crime prevention and sustainability.

Sustainability governance

To accelerate the pace of the transformation, SEB established a considerably strengthened sustainability organisation in 2020 – Sustainable Banking. This central team gathers SEB's expertise and takes a holistic approach both strategically and commercially. SEB now has designated sustainability managers in all of the Nordic countries.

The *Board of Directors* is responsible for establishing a strategy for corporate sustainability and an organisation to execute this strategy. The Board approves SEB's business plan, including sustainability strategy considerations, the Corporate Sustainability Policy and the Sustainability Report, which is included in the Annual Report. The Board is regularly updated on corporate sustainability matters.

The *President and Chief Executive Officer* is responsible for execution of the sustainability strategy and implementation of the governance structure set by the Board. The President has established a *Group Executive Sustainability Committee (GESC)* to manage execution of the sustainability strategy. The GESC is a decision-making body that is chaired by the President. The President approves SEB's position statement on climate change.

Sustainable Banking is an operational body, responsible for coordinating and driving the overall sustainability agenda in close collaboration with the divisions, group staff and support functions. The Chief Sustainability Officer heads this unit and is a member of the GESC and SEB's Group Risk Committee (see p. 89).

Through the *Sustainability Product Committee (SPC)* SEB centralises assessments of new products. SPC is a committee that decides on the right for SEB units to use any sustainability reference in the marketing or distribution of products or services, such as, reference to the ESG (Environmental, Social, Governance) factors, the SDGs and the EU Taxonomy.

Each *Head of Division, Head of Group Support function* and *Head of Group Staff function* is responsible for ensuring that procedures and controls are in place in order to implement and adhere to the sustainability objectives, strategy and policies set by the Board, the President and the GESC.

The *Sustainability Business Risk Committees* in the divisions assess and decide on new customers or transactional proposals from a sustainability risk perspective before bringing the onboarding or transaction for decision by the relevant decision body.

Investment Management is an SEB division and thereby included in SEB's governance structure. The division operates in the form of a subsidiary, SEB Investment Management AB. The fund company is a separate legal entity with its own board of directors. The company operates in accordance with the Sustainability Policy for SEB Investment Management and Principles for Shareholder Engagement for SEB Investment Management. Within the executive management team, the Head of Sustainability and Governance is responsible for developing and coordinating this work, including climate change. For a full description of governance in SEB Investment Management AB, see sebgroup.com.

Policy framework

SEB's policy framework (see below) provides guidelines on best practice and on the international conventions and standards that we encourage companies to follow. We aim to work with our customers and portfolio companies towards improved business practices and continuously review policies in order to strengthen the business and to be aligned with international and national requirements. In 2020, two new sector policies were published, on Gambling and Tobacco, and in early 2021 a review of the sector policy on Fossil Fuel was finalised. An updated framework for the implementation of SEB's policies will be introduced in 2021.

SEB's steering documents for sustainability

- Policies: the Corporate Sustainability Policy, the Credit Policy on Corporate Sustainability, the Customer Acceptance Standards, the Environmental Policy, the Human Rights Policy, the Inclusion and Diversity Policy, the Code of Conduct, the Code of Conduct for Suppliers and the Tax Policy.
- Position statements: Child Labour, Climate Change, Fresh Water and the UK Modern Slavery Act.
- Sector policies: Arms and Defence, Forestry, Fossil Fuel, Gambling, Mining and Metals, Renewable Energy, Shipping, Tobacco.

About this report

The Sustainability Report covers the SEB Group, i.e. the parent company Skandinaviska Enskilda Banken AB (publ) and its subsidiaries. SEB reports in accordance with the Swedish Annual Accounts Act and the Global Reporting Initiative, GRI Standards, core option. The report is aligned with the TCFD (Task Force on Climate-related Financial Disclosures) and UNEP FI Principles for Responsible Banking. Areas covered include the climate and environment, human rights, labour rights and social relations, and anti-corruption. Key aspects of the bank's sustainability work are also described in applicable parts of the Annual Report (Risk management p. 74, Business ethics and conduct p. 77, Crime prevention p. 77). The diversity policy applied for the Board is described in the Corporate Governance Report (see p. 82). SEB has published a sustainability report since 2007. This report covers the fiscal year 2020. The previous report was published in March 2020. No significant changes have been made in the scope and boundaries. SEB's auditor EY has expressed an opinion that a statutory sustainability report has been prepared according to the Swedish Annual Accounts Act, and has performed a limited review of the sustainability report according to GRI Standards, core option.

Contact: Chief Sustainability Officer, Hans Beyer, tel: +46 771 62 10 00, www.sebgroup.com.

Sustainable financing

Sustainable financing is an increasingly important driver in the transition to a low-carbon economy, both in the global market and in SEB's business.

In close cooperation and dialogue with our customers, we are committed to finding solutions that are tailored to their needs and that offer the possibility to contribute to positive impacts.

Responsible financing and lending are cornerstones of our business. SEB's group-wide policies (see p.45) define how the bank is to take sustainability risks into account in financing activities. All transactions are to meet the policies. SEB takes a restrictive stance to doing business in industries with a high risk for corruption, negative human rights and labour rights impacts, and businesses that operate in jurisdictions with weak, low or no respect for human rights, without proper mitigations in place.

In 2020, SEB further integrated sustainability risk aspects into processes and customer dialogues. The main focus was on climate change. Through the work with our sustainability classification model (see p. 55) it is clear that this topic in our customer dialogues allows us to deepen our relationships. By jointly developing an understanding of what areas in a particular industry drive financial performance we create a better understanding of our customers' risks and potential performance. This dialogue has proven valuable for our customers when they create metrics and reporting in order to help investors understand the value of their work in this area. This will also allow the customers to link ambitions to a wider range of appropriate financing solutions.

Sustainable financing solutions

SEB offers sustainable financial solutions for private and corporate customers and for institutions. For large corporate and institutional customers the landscape of sustainable financing solutions continues to broaden. The green bond market is being expanded by increased prevalence of social bonds, sustainable bonds, sustainability-linked bonds, green loans and sustainability-linked loans. For the latter, we saw a significant increase in demand and knowledge. In the Nordic countries the market increased from USD 1.6bn to USD 16.9bn from 2019 to 2020.

The Covid-19 pandemic initially had a negative impact on the market which, however, soon showed its strength and ability to contribute to combating the pandemic and its effects. SEB played a decisive role in many transactions, including the issuance of SEK 1bn in commercial paper for medtech company Getinge, a SEK 11bn issuance for the World Bank, and acting as co-arranger for a NOK 2bn issuance for the International Finance Facility for Immunisation (IFFIm), raising money to support the development of a Covid-19 vaccine.

SEB is a pioneer in green bonds, having developed the concept in 2007/2008 together with the World Bank. Since inception we are the seventh largest underwriter globally. In 2020, SEB had a leading position in the Nordic market with a share of 20 per cent of global transactions by Nordic banks. In 2020, SEB has underwritten an aggregate volume of USD 4.7bn of green bonds and USD 0.5bn of social and sustainability bonds. This corresponds to SEK 48bn in sustainability-related bonds underwritten by SEB.

Sweden is the country in the world with the largest proportion of green bonds: 14 per cent of all bonds issued in SEK are green. Swedish investors consider climate impact and sustainability in their investment decisions to such an extent that issuers globally are turning to Sweden to raise capital.

Since the inception of green bonds in 2008 SEB has built up major expertise as an advisor and underwriter. This was an

important factor when the bank was selected as special advisor to the Swedish government when establishing its green bond framework and in the issuance of a bond of SEK 20bn (see p. 23).

During 2020 SEB was involved in several transactions with industrial companies, which are now increasingly seeking funding for green purposes. SEB was sole structural advisor for Daimler in the creation of its green framework for financing the company's shift to a zero-emission vehicle fleet and served as joint lead manager when the company issued its first green bond of EUR 1bn. Moreover, we acted as green structuring advisor for Volvo Group in the creation of its green finance framework and helped Volvo Cars issue a green bond of EUR 500m.

SEB granted a sustainability-linked loan and a revolving credit facility for a combined total of SEK 600m to Green Cargo, a Swedish state-owned sustainable logistics company. The interest rate is linked to how well the company meets its targets for reduced carbon dioxide emissions and lower energy consumption.

Growing market for social bonds

The market for social bonds also continues to grow. During 2020, the Stockholm Regional Council issued a health impact bond that will be used to finance preventative measures for people at risk of developing type 2 diabetes. Skandia is the investor, and SEB served as advisor and financial arranger of the bond. The financial model for the bond is among the first of its kind, even internationally. If the project is successful and results in cost savings for the Stockholm Regional Council, the investor Skandia will get a return that is somewhat higher than the regional council would have paid for regular financing. If the project fails to achieve the expected health effects, and thereby the expected cost savings, Skandia will receive a lower return.

SEB will continue to work with institutional investors to drive sustainable financial solutions and to ensure presence and intelligence. We are involved in a number of international platforms, such as in the executive committee of ICMA's (International Capital Market Association) working group for Green Bond, Social Bond and Sustainability-linked Bond Principles.

For private customers green mortgages continued to grow, reaching SEK 4bn. In 2020, SEB also launched green, long-term property financing for small and medium-sized companies. Green car leasing is offered to companies and organisations interested in leasing electric or biogas cars.

SEB's own green bond is financing green loans

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

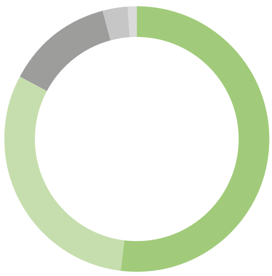
In 2020, we granted the first green loan in the Baltic region with the purpose to finance the construction of solar parks in Estonia. At year-end SEB's green loan portfolio amounted to SEK 21bn, an increase of almost SEK 8bn since 2017.

Equator Principles

For project financing SEB has adhered to the Equator Principles (EP) since 2007, a voluntary set of guidelines used by financial institutions to assess the social and environmental impacts of large projects and to assist the customers in managing them. In 2020 the updated version of the Equator Principles, EP4, was implemented by the member financial institutions. Changes in EP4 are mainly in the areas of human rights, climate change, indigenous peoples and biodiversity.

In 2020, we conducted four project finance transactions under the Equator Principles, three in category B (projects with potential limited adverse environmental and social risks) and one in category C (projects with minimal or no social or environmental impacts). As regards project related corporate loans, we were involved in one category A transaction (projects with potential significant adverse environmental and social risks).

SEB's green loan portfolio by sector Per cent



Renewable energy	52.3
Green buildings	30.6
Clean transportation	13.3
Energy efficiency	3.4
Water and wastewater management	0.5

Sustainable investments

SEB's fund company, SEB Investment Management, is one of the Nordic region's largest institutional investors with SEK 672bn in assets under management for private, corporate and institutional customers.

As customers are increasingly demanding sustainable products, SEB Investment Management strives to integrate such aspects into all types of investments and asset classes. The investment strategies are based on the inclusion of companies that conduct good work in this area or have well-defined transition plans, exclusion of industries and companies that do not meet the fund company's sustainability criteria, and continuous engagement in the companies in which we invest.

The fund company strives to improve its work by constantly updating strategies, improving processes and developing new products for the customers. In the coming years, new EU regulations on transparency and reporting will also enter into force, which will affect our work.

SEB became a signatory of the UN Principles for Responsible Investment (PRI) in 2008 and has since reported annually on its compliance with the six principles. In PRI's classification of sustainable investments in 2020, SEB's fund company received the highest possible rating (A+) for strategy and governance, and a rating of A in all other categories.

In 2020, four of SEB's six index funds were converted to index tracker funds. These funds now exclude companies engaged in the extraction of fossil fuels as well as energy companies that generate power from fossil fuels.

In December 2020, a strengthened Sustainability Policy was adopted by the fund company's board of directors along with a climate strategy. Going forward we will apply the same methods and exclusions for all funds, which for instance means that all funds will exclude companies that produce or extract fossil fuels. See p. 57.

Focus on inclusion

The fund company invests in companies that actively manage environmental, social and governance factors in their operations. We believe that these will be more successful over time and thereby create value for customers, companies and society. Analysis of sustainability risks and opportunities is integrated in the management of all SEB funds. In 2020, certain funds, such as sustainability funds, were managed using stricter exclusion and inclusion criteria. Assets under management in these funds amounted to SEK 304bn at year-end, or 45 per cent of the fund company's total assets under management.

Criteria for exclusion

All of SEB's funds managed by the fund company exclude companies involved in the production or marketing of controversial weapons and the development or production of nuclear weapons programmes. In 2020, SEB funds did not invest in companies that extract thermal coal, i.e. mining operations where coal accounts for more than five per cent of the company's or group's turnover, nor in tobacco companies and companies that produce cannabis for non-medical use. The funds also did not invest in companies that fail to respect international conventions and guidelines, such as the UN Global Compact, OECD Guidelines for Multinational Enterprises, the UN Universal Declaration of Human Rights, the UN's Guiding Principles on Business and Human Rights, the ILO Core Conventions on Labour Standards and Children's Rights and Business Principles. In 2020, 100 per cent (100) of SEB's funds were managed in accordance with human rights criteria.

In 2020, SEB's sustainability funds also excluded companies where more than five per cent of their turnover came from alcohol, weapons, gambling or pornography. In addition, these funds did not invest in companies that extract fossil fuels. The fund company reviews its holdings every six months through its advisor ISS ESG. For renewed exclusion criteria 2021, see p.57.

Ownership and engagement

SEB Investment Management works actively to influence the companies in which it invests. In Swedish and Nordic companies, where the fund company is often one of the largest shareholders, this commitment is implemented directly through dialogues with the company's executive management and board. The fund company also actively participates as an owner through votes at annual general meetings of shareholders. In 2020, the fund company voted at 286 annual and extraordinary general meetings, and participated on nomination committees in 33 listed Swedish companies.

Collaboration

For investments outside the Nordic region, we collaborate with other investors through organisations such as The Institutional Investors Group on Climate Change (IIGCC, see below), PRI Clearinghouse, and Federated Hermes Equity Ownership Services. During the year, SEB conducted more than 2,000 dialogues (direct and indirect) with portfolio companies.

The Investors Policy Dialogue on Deforestation (IPDD) is a unique investor commitment that coordinates dialogues with governments, public authorities and industry associations on systematic and sustainable land use and management of natural resources. In partnership with other institutional investors, we have had several meetings with the Brazilian government and the central bank to combat deforestation, fires and the loss of biodiversity in the Amazon.

We are also part of Swedish Investors for Sustainable Development (SISD), where we collaborate with other Swedish institutional investors and the Swedish International Development Cooperation Agency (SIDA).

Customer survey

Every year SEB Investment Management conducts a survey in which we ask private customers with holdings in equity funds which of the SDGs they believe we should focus on in the company dialogues. As in previous years the survey showed that customers want SEB to contribute to combating climate change and promoting clean water and sanitation and good education. Biodiversity was also highly ranked.

Based in part on the response of the customer survey, we are collaborating with the Institutional Investors Group on Climate Change (IIGCC). This is part of the Climate Action 100+ initiative for active advocacy work with the 161 companies that account for the largest carbon dioxide emissions globally, mainly companies in the gas and oil industry, which together account for 80 per cent of industrial emissions worldwide. These are judged to have great opportunities to drive the transition to fossil-free energy. As a result of the initiative, Nestlé, among others, has committed itself to being climate neutral by 2050.

SEB is also involved in the international organisation CDP's water programme. During 2020, data was collected from nearly 1,000 companies worldwide on how they are working to reduce their water consumption. Every year CDP compiles this information and through an independent method distributes points to show the companies' progress.

Impact investments

SEB is one of Europe's largest managers of *microfinance funds*, providing individuals and companies with access to capital and financial services that would not otherwise have access to these basic services. Through the microfinance institutions, the funds reach more than 22 million entrepreneurs in about 60 developing countries and the total assets under management amount to more than SEK 8bn. *SEB's Impact Opportunity Fund* also works with impact investments, but with a broader mandate to invest in various sectors with a positive impact on development and the environment. Micro, Small and Medium-sized Enterprises (MSMEs) are one of the strongest drivers of economic development, innovation and employment. The largest part of the portfolio within the Impact Opportunity Fund is invested in financial institutions that specialize in MSME financing. In developing economies, MSMEs account for around 40 per cent of GDP and 7 out of 10 jobs, making them crucial for job creation and growth. The Microfinance and the Impact Opportunity funds are together supporting around 2.4 million jobs.

The *Lyxor SEB Impact Fund* invests in companies that, through their products or services, offer innovative solutions to environmental or social challenges. The fund is managed according to a multi-strategy concept with five focus areas in which the fund invests, including sustainable energy and resource efficiency. The goal is to give investors broad exposure to companies that are well positioned to benefit from the global transition to a more sustainable society.

Advisory and innovation

Our ability to meet our customers' sustainability preferences is key for the future, and our advisory and innovation capacity will be crucial. This is why we develop products and services that help customers make informed decisions and that contribute to counter global warming, promote equality and support green-tech entrepreneurs, for example.

The foundation for the advisory role consists of our efforts to identify and assess areas related to climate change and the environment, human rights, labour rights, social relations and anti-corruption that may have negative impacts through our business. We expect our customers to respect human rights and labour rights through appropriate due diligence systems, and we are committed to identifying and managing corruption risks in transactions.

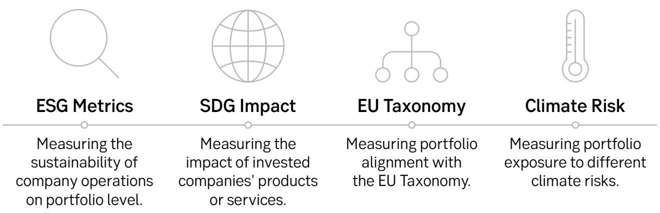
SEB acts on findings based on prioritisation, proportionality and level of influence in order to prevent, mitigate and remediate potential negative impacts. Our history of long-term relationships is important when our dialogues now increasingly include sustainability aspects.

Training programme for SME customers

SEB believes that companies that take social and environmental responsibility will be more profitable in the long run. In Sweden, we have launched the Sustainability Business Programme in collaboration with the auditing and consulting firm Grant Thornton. For six months, companies with revenues of SEK 50 million and higher are provided with knowledge, guidance and tools to help them identify their most important sustainability issues and integrate measurable goals into their operations. The aim is to help companies structure their sustainability work and thereby strengthen their competitiveness. During 2020, eight companies participated in the programme.

SEB Impact Metric Tool

The Impact Metric Tool – a quantitative analysis tool developed by SEB – facilitates dialogues between companies and portfolio managers and is an appreciated advisory service. The tool consists of modules that allow measurement of environmental, social and governance (ESG) aspects of company operations at the portfolio level. It also assesses positive and negative impacts with respect to the SDGs and helps align investment portfolios to the EU Taxonomy that aims to define environmentally sustainable economic activities. In 2020, a TCFD-compatible climate risk model was developed in collaboration with Stockholm Resilience Centre that measures the impact of physical and transition risks on portfolios. More than 100 customer portfolios were analysed with this tool during the year.



Investing in entrepreneurs within green technology

SEB has created a new venture capital unit, SEB Greentech, to invest in Nordic companies in the green technology sector. SEB believes it is critical that young greentech companies gain access to funding at an early stage so they can realise the creation of technologies, products and services that can benefit society, our customers and shareholders.

The unit is starting out with SEK 300m in investment capital, with an ambition to increase to SEK 1bn over time. It will invest in companies that develop solutions which in a decisive way can improve the use of natural resources and reduce negative ecological impacts.

SEAM – ESG in equity research

In 2020, SEB Equity Research launched a new methodology called SEAM (SEB Research's ESG Assessment Methodology), which quantifies what ESG factors will have a material impact on companies' financial performance. The analyses are performed individually at the company level. In addition to valuation and responsibility analyses, the framework also encompasses assessment of a company's performance with respect to the climate impact thresholds that are laid out in the EU Taxonomy. The results are integrated in SEB's equity analyses, and are accessible for all customers that subscribe to Equity Research's analysis service.

SEB as an expert – regulatory development in the EU

The European Union drives the sustainability agenda at a high speed, as reflected in the European Green Deal and the EU's Action Plan on Sustainable Finance, which was further developed in 2020.

During the year, the European Commission established the EU Taxonomy, which is expected to enter into force in December 2021. The taxonomy defines the threshold values that a business must stay within to be aligned with the Paris Agreement's goal to limit global warming. This will be of great importance for financial flows in the future and will affect the business community, including SEB and our customers. We have started to incorporate the taxonomy into our business, in advisory services and products such as in the Impact Metric Tool (see to the left). SEB was a member of the Technical Expert Group from the start in 2018 and contributed to the creation of the taxonomy. As a result there is an increased demand for SEB's competence, from customers, the media and other stakeholders.

In 2020, the EU took the next step and established a new expert group, The Platform on Sustainable Finance, which will work on developing a taxonomy also for areas such as protection of biodiversity, the transition to a circular economy, protection of water and marine resources, and pollution prevention. The platform will also assess the need for a conceptual approach of a social taxonomy and a taxonomy for environmentally harmful activities. SEB is also a member of this expert group, which includes some 50 members, that will work over a two-year period. The financial sector is represented by SEB, Allianz and BNP Paribas. As a member of this platform SEB will contribute to the development of the new taxonomy areas.

People and competence

As an employer, SEB has a responsibility to ensure that all employees are treated equally and with respect, and with equal opportunities for all. Everyone should feel included and be given the same opportunities for professional and personal development. Values and behaviours as well as individual ability and ambition are important long-term success factors for being part of our team.

Our employees are at the core for our ability to be a successful company that can support our customers in fulfilling their ambitions. Continuous learning, inclusion and diversity and a healthy work environment are among the areas we focus on (see p. 32).

Building competence among employees
SEB maintains a strong focus on strengthening responsible business behaviours and sustainability competence among employees. This is driven by increased expectations and demands from customers in all segments as well as from other stakeholders, such as investors and regulators.

Since long the bank has a mandatory training in Code of Conduct in place, and in 2020 special focus was put on increasing knowledge about climate change. Consequently, SEB launched a training that is now mandatory for all 15,500 employees globally. The training consists of a digital lecture with Lisen Schultz, researcher and scientist at the Stockholm Resilience Centre, and founder and director of the Executive Programme in Resilient Thinking. Based on decades of research as well as the latest findings, the training gives a comprehensive view of how the climate is changing, current and future effects, and what SEB as a bank can do to contribute.

Training for increased knowledge and awareness
In connection with our work on classifying our corporate customers' climate impact, during the year a tailor-made training was launched to support customer executives and advisors prior to customer dialogues related to climate change. Workshops and seminars were also carried out in all divisions with corporate customers.

In the Baltic countries, major internal communication efforts during recent years have led to increased awareness among employees, which was noted in the employee Insight survey in 2020. Public sustainability webinars were also launched with the key objective to raise the awareness about sustainability in society. About 12,000 people attended.

Going forward, SEB will further expand the range of sustainability-related training for employees, adapted according to roles and needs.

Integrating sustainability KPIs
SEB sees the importance of aligning incentive structures with its sustainability ambitions. Sustainability KPIs are integrated in the long-term incentive structures for members of SEB's Group Executive Committee (GEC). In 2020, this was further integrated also for managers who report to members of the GEC.

Suppliers
SEB has established procedures to evaluate and select suppliers and contractors, based on financial, environmental, governance and social aspects. These aspects include human rights, labour rights, social relations and anti-corruption and are to be taken into account in procurement decisions along with other risk factors and commercial aspects. We monitor suppliers' processes and performance where appropriate. These standards are described in SEB's Code of Conduct for Suppliers.

To identify sustainability risks among our suppliers, SEB starts with an initial assessment. The sustainability risk level for each supplier is determined by country, industry sector and business criticality. Suppliers identified as having a potential elevated risk level in the risk assessment are subject to an enhanced assessment. SEB's largest suppliers are mainly in professional services, facilities management, IT and banking services.

In 2021, SEB aims to further strengthen routines within selected areas. For instance, SEB's Group Technology – responsible for IT procurement and cloud providers, among other areas – has the ambition to deepen its assessment of key suppliers.

Climate disclosure – TCFD Report

The Financial Stability Board (FSB) established the industry-led Task Force on Climate-related Financial Disclosures (TCFD) in 2015 in order to develop recommendations for more transparent and informative climate-related financial disclosures. With reliable climate-related financial information at hand, financial markets will be able to better understand and correctly price climate-related risks and opportunities. Investors, lenders and insurers will have a clearer idea of what companies will endure when regulations come into force, new technologies emerge and customer behaviours shift.

SEB endorsed the recommendations of the TCFD in 2018 and is committed to implementing these under the sponsorship of the Chief Risk Officer. The recommendations focus on four pillars: strategy, governance, risk management as well as metrics and targets. In 2020, SEB took important steps towards implementing the TCFD recommendations. The bank is committed to continuing this journey.

This TCFD report covers the SEB Group including the subsidiary SEB Investment Management (the fund company).

Climate change

Climate change is accelerating and has become the greatest and most urgent challenge of our generation. SEB recognises the importance of limiting the average global temperature rise to well below 2°C compared with pre-industrial levels and to strive towards limiting it to 1.5°C – in line with the Paris Agreement. To achieve this, a transition to a low carbon economy is vital. SEB does not rule out that the transition will be faster and more far-reaching than is generally expected. As a bank, SEB has both a responsibility and an ability to create financial solutions that accelerate and support the transition.

The large-scale and long-term nature of climate change makes it unusual and extremely challenging, especially in the context of economic decision-making. Moreover, the understanding of the financial risks posed by climate change to companies, investors, and the financial system as a whole, is still relatively new.

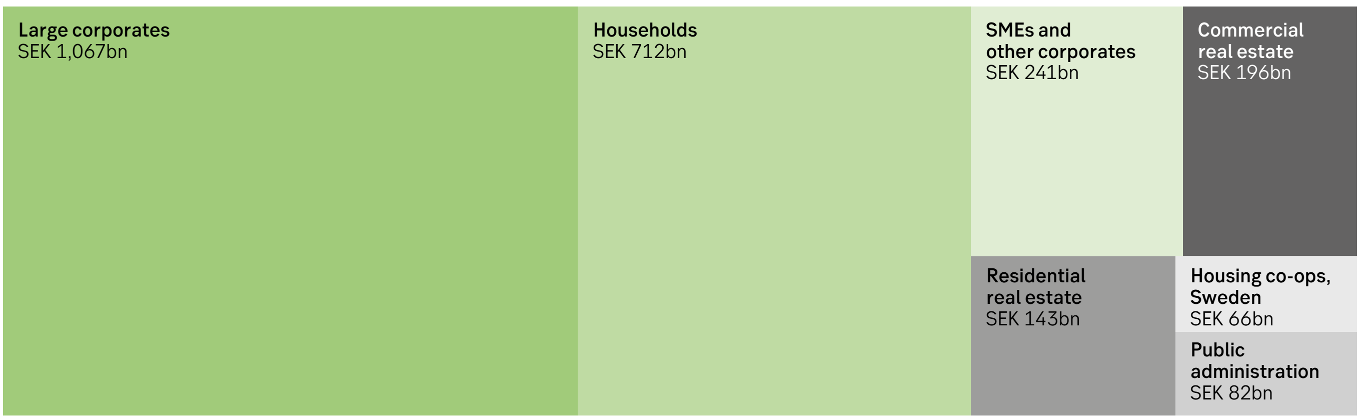
SEB's approach to climate change risks

SEB believes that the transformation of large corporates, especially in sectors with a material carbon footprint, will be one of the main drivers of the transition to a low-carbon economy. As a long-term major financial partner to Nordic large corporates and a prime Nordic asset manager, SEB is uniquely positioned to contribute to this transformation. While small- and medium-sized company customers will also have to participate in the transition, engaging with larger corporates will yield larger decreases in carbon emissions faster. SEB's ambition is to participate in the transformation by offering advisory leadership, innovative and sustainable financing, and investment solutions.

SEB's approach to managing climate change risk is integrated in the bank's overall business strategy and is articulated around three areas:

- *Support customers on their transition journeys towards a low-carbon economy.* As a signatory of the UN Principles of Responsible Banking, SEB has committed to align its strategy with the Paris Agreement. This involves supporting customers in meeting the objectives of the Paris Agreement. SEB understands the challenges of the transition journey its customers are about to embark upon. Active dialogue and follow-up on the customers' transition plans will be an important part of the relationship. Customers that lack credible plans to reduce emissions and transform shall be avoided. This means that SEB will require customers to transparently share their plans and their progress. SEB believes that this stance to engage and include rather than exit will be the best way to achieve the objectives of the Paris Agreement.
- *Manage the bank's climate impact.* SEB's impact on the climate is both direct through its own emissions and indirect through its customers' emissions. In order to manage the bank's direct impact, the bank sets targets for its carbon emissions. To manage the indirect impact, in 2020 the bank developed a model that will be used for assessing corporate and real estate customers' current and future climate impacts.
- *Manage climate-related risks.* SEB has long incorporated environmental, social and governance (ESG) risks in credit assessments and customer selection processes. Capabilities and methodologies are continuously enhanced to reflect the growing understanding of how climate-related risks impact customers' business models, repayment capacity and ability to access financing.

SEB is uniquely positioned to contribute to the transformation due to its position as a large corporate bank
SEK 2,506bn non-bank credit portfolio as per 31 Dec. 2020



Governance

SEB's governance for understanding and managing the risks and opportunities associated with climate change is an integrated part of the sustainability governance framework as well as the general risk management governance. The Group Executive Sustainability Committee is responsible for executing the sustainability strategy and for adopting climate-related policies. The Group Risk Committee is the management escalation forum for all risks, including sustainability and climate risks. See p. 45.

Key policies and customer due diligence

SEB has adopted policies that set out the framework for climate-related work, establishing a common ground for a future-oriented dialogue on key issues with customers and portfolio companies. In 2021, SEB will continue to develop and strengthen its sustainability policy framework and guidelines. This is part of the bank's continuous work on addressing the threats posed by climate change and contributing to the transition that is necessary to achieve the goals of the Paris Agreement and contribute to the UN Sustainable Development Goals. In February 2021, SEB sharpened its sector policy for lending to companies with fossil activities. The fund company strengthened its sustainability policy in 2020 and introduced uniform exclusion rules for all its funds, including stricter exclusion rules for the fossil fuel industry. The policy changes are further described in the section to the right and on p. 57.

In addition to policies, and in order to emphasise SEB's commitment to the Paris Agreement, one of the principles in the bank's Customer Acceptance Standards (CAS), established in 2020, states that "customers in industries with a high negative climate impact and without a credible plan to manage the transition to a low-carbon economy in line with the Paris Agreement shall be avoided". SEB's CAS are described on p. 77.

To manage its credit exposure to customer segments with a material carbon footprint, the bank defines risk strategies for these sub-portfolios. The strategies are reviewed on an annual basis.

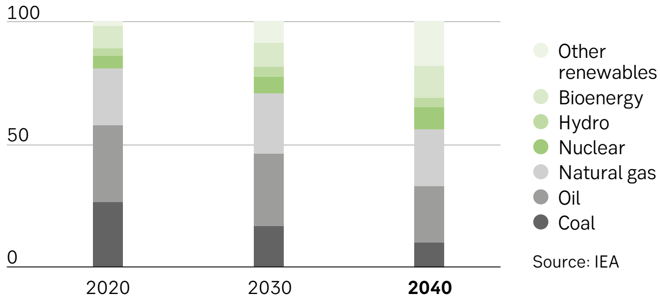
Climate impact of SEB's power generation exposure

SEB's credit exposure to power generation companies is largely a reflection of the national energy mixes in SEB's home markets. SEB's credit exposure to the power generation sector (conventional/mixed and renewables) amounted to SEK 106bn as of year-end 2020, of which exposure to renewable power generation amounted to SEK 32bn. This reflects SEB's expertise in renewables financing and its goal to gradually transform the total credit portfolio towards a sustainable profile.

An emissions intensity indicator is used to assess the climate impact of the credit exposure in the power generation sector. The indicator measures the directly financed emissions arising per unit of power produced (g CO_2/kWh).

SEB's power generation portfolio's average financed emissions intensity amounted to 181g CO_2/kWh in 2020, which compares to an EU average of 269g CO_2 /kWh in 2018 (source: IEA Tracking power 2020 – June 2020). The average financed emissions intensity calculations are based on reported scope 1 emissions for counterparties accounting for 84 per cent of the total credit exposure to the power generation sector.

Projected global energy demand by source %



Source: IEA

Energy sector at the epicentre of the transition

Energy production and use is the largest source of global greenhouse gas (GHG) emissions. A major transformation of the global energy system is therefore crucial for achieving the objectives of the Paris Agreement.

The International Energy Agency's (IEA) Sustainable Development Scenario (SDS) sets out a future that simultaneously achieves the three main energy-related UN Sustainable Development Goals on access, air pollution and climate change. SEB's interpretation of the IEA's SDS is that to ensure universal access to reliable and affordable energy for both domestic and commercial use, the transition will be gradual and thus coal and oil will remain part of the mix during a transition period.

There are multiple possible pathways to achieve the necessary transition. In most science-based scenarios fossil fuels decline to between 30 and 70 per cent of total primary energy supply by 2040, although the transformation must happen faster in the EU and other developed countries. SEB has worked with a number of science-based scenarios to develop an understanding of what a Paris Agreement-aligned energy transition may look like and has based the strategy for the bank's energy portfolio on this.

SEB has long-term relationships with corporate customers in both conventional/mixed and renewable power generation, as well as in oil & gas-related activities. The customer base is largely a reflection of the national energy and industry mixes in SEB's home markets, i.e. the Nordic countries, the Baltic countries, Germany and the United Kingdom.

Thermal coal financing

SEB's policy since several years is to exclude the financing of new coal-fired power plants and not enter into new business relationships with companies with major business in coal mining. SEB also does not provide financial services to greenfield or brownfield coal mining expansions or new coal-fired power plants, nor to projects dedicated to coal extraction and infrastructure. In February 2021 SEB strengthened its guidelines further and will phase out its already limited exposure to coal. The ambition is that this phase-out will be completed by 2030. In Germany, the phase-out will be completed by 2038 in line with the German Coal Phase-out Act. SEB's exposure to thermal coal is almost entirely comprised of conventional power companies that have thermal coal as part of their generation mix. These customers are required to have a credible transition plan.

Oil & gas-related financing
SEB's portfolio of customers with oil & gas upstream-related activities is comprised of exploration and production (68 per cent), oilfield services (17 per cent) and offshore (15 per cent). SEB recognises the need for society to reduce its dependency on oil and oil-related products given their significant negative climate impact and has in line with this adopted a strategy for customers in this sector. The strategy involves a gradual shift away from companies without a transition plan aligned with the Paris Agreement. In 2019, SEB defined a risk appetite in absolute terms for the exploration and production of oil & gas and oilfield services segments. The risk appetite is revised downwards on an annual basis and is informed and guided by Paris Agreement-aligned transition pathways developed by independent agencies. In 2020, the bank put in place an exit strategy for the offshore segment. Further, the bank will abstain from providing dedicated financing to oil & gas activities in sensitive areas such as the Arctic.

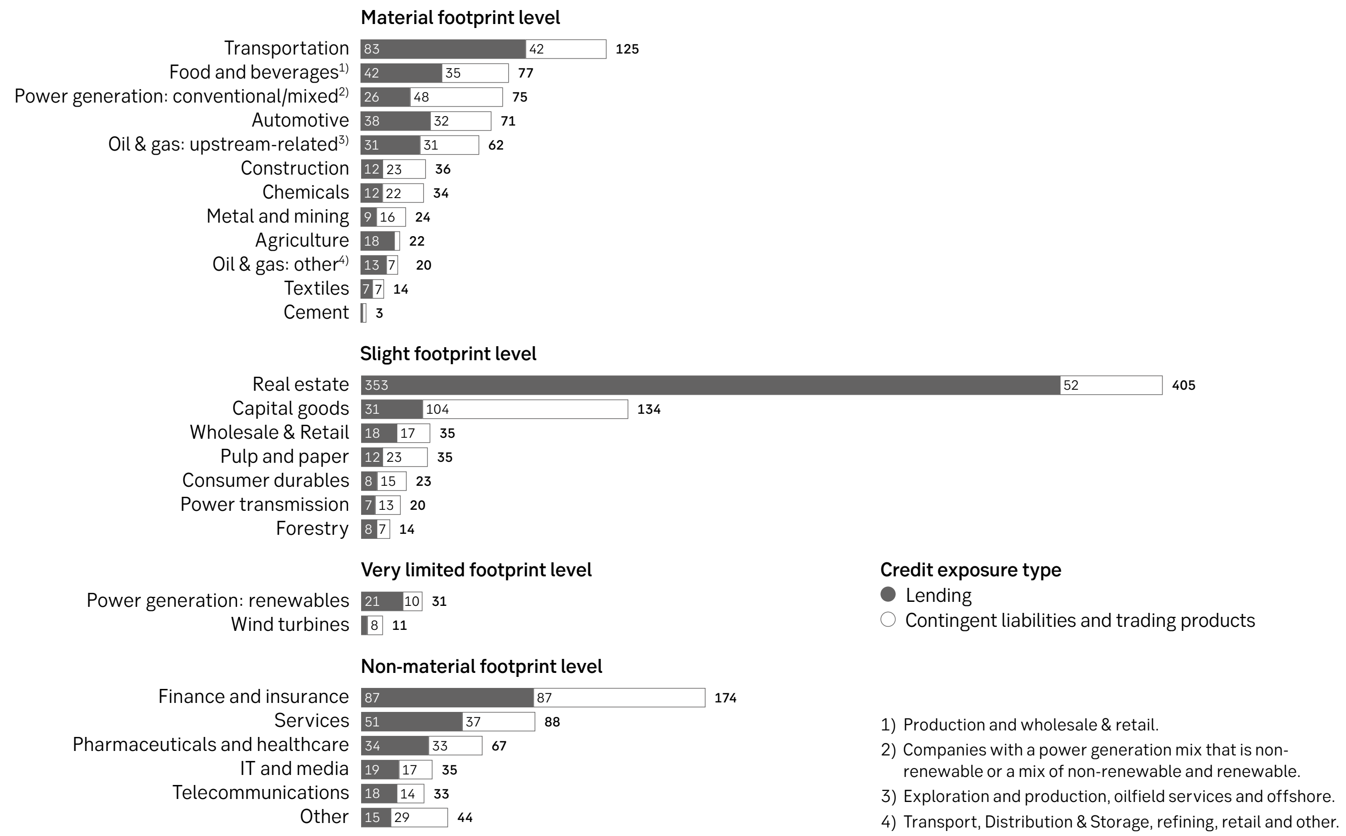
During the transition period, SEB aims to only work with oil companies that have the lowest scope 1 and scope 2 emissions and to primarily engage with existing core customers in home markets. Transition risks related to SEB's current exposure to oil & gas exploration and production and oilfield services are mitigated by the fact that the exposure consists primarily of high-quality companies with production assets mainly in the North Sea with low break-even costs and scope 1 emissions below the global average.

Scope 1: Direct emissions	**Scope 2: Indirect emissions**	**Scope 3: Indirect emissions**
Greenhouse gas emissions from sources that are owned or controlled by the company.	Greenhouse gas emissions resulting from the generation of electricity, heat or steam purchased by the company.	Greenhouse gas emissions from sources not owned or directly controlled by a company but related to the company's activities. For banks, customers' emissions are included.
Buildings, vehicles.	Purchased electricity, heat, steam or cooling.	Goods and services, fuel, travel and transportation, waste, investments.

According to the TCFD recommendations to increase transparency in financial reporting, SEB has categorised its corporate and real estate credit portfolio on a more granular level. The graph below shows the credit portfolio broken down into detailed industry sectors, and then categorised into four levels from material to non-material climate impact. The categories reflect the sectors' carbon footprint but do not account for the fact that individual counterparties within a sector can have different carbon footprint. To reflect this, SEB in 2020 developed a customer sustainability classification model which is described in the section "Managing SEB's indirect climate impact". For each sector in the graph, the credit exposure is also broken down by type; lending as well as contingent liabilities and trading products.

Break-down of SEB's corporate and real estate credit portfolio reflecting the sector's carbon footprint
SEK 1,713bn, representing 66 per cent of the total credit portfolio, as per 31 Dec. 2020

SEK bn



1) Production and wholesale & retail.
2) Companies with a power generation mix that is non-renewable or a mix of non-renewable and renewable.
3) Exploration and production, oilfield services and offshore.
4) Transport, Distribution & Storage, refining, retail and other.

Risk management

Risk management takes two perspectives: (i) the need to understand SEB's own and its customers' climate impact, measured in terms of carbon emissions, and (ii) the need to understand the impact of climate change on business models as well as credit worthiness of both SEB's customers and investments held in the fund company.

Managing SEB's direct and indirect climate impact

Managing SEB's direct climate impact from own emissions

SEB recognises the consequences of the bank's direct environmental impact and is working actively to reduce it. Since 2008 the bank measures its carbon emissions from energy consumption, use of paper, company cars and business travel. Between 2008 and 2019, emissions were reduced by 55 per cent.

In 2020, the pandemic accelerated the reduction as a result of sharply reduced business travel. Emissions dropped by 57 per cent from 22,525 tonnes in 2019 to 9,734 tonnes in 2020, well below the bank's target of a maximum of 18,500 tonnes.

In 2020, SEB raised the ambition for reducing its own emissions by setting new goals for the future. Through climate compensation, the bank aims to be climate-neutral already in 2021 The long-term ambition is to reduce its carbon emissions to close to zero in 2045. Milestones include a reduction of carbon emissions, compared with 2008, of 66 per cent by 2025 and 75 per cent by 2030.

SEB believes that the effect of new ways of working and reduced business travel following the pandemic is likely to contribute to a reduced carbon footprint in the coming years.

Managing SEB's indirect climate impact

Most of SEB's climate impact is indirect through its financing and investments. Understanding and assessing the climate impact of customers requires tools specifically designed for such tasks. Toward this end in 2020 SEB developed a customer sustainability classification model that will provide a foundation for measuring how corporate and real estate customers impact the planet and people from a sustainability perspective and for assessing and classifying transition pathways. When fully implemented, the model will be a key component of both business strategy and risk management.

The customer classification will provide SEB with a more in-depth understanding of customers' climate impacts and the challenges and opportunities they face in shifting their operations towards a low-carbon economy. The customer classification is being used as a tool to engage with customers in constructive dialogues about their decarbonisation strategies. This enables the bank to support customers in transition with advisory services and financing for potential investment needs.

The customer classification can also serve as input for the overall portfolio and counterparty credit analysis by facilitating the identification of transition risks. Finally, the model will enable SEB to measure and report on the aggregate climate impact of its credit portfolio and ultimately to set strategic goals for shifting and aligning SEB's activities with the climate objectives of the Paris Agreement.

SEB's customer sustainability classification model

SEB's customer classification is a hands-on tool for the bank's client executives. The classification is performed in two steps. In the first step, a sector breakdown is conducted where customers are sorted into four different categories based on the average carbon footprint of their respective sectors:

- Sectors with a material carbon footprint. This includes sectors such as power generation, transportation, automotive, aviation, construction and animal-based agricultural production.
- Sectors with a slight carbon footprint, such as retail, capital goods, real estate and non-animal agricultural production.
- Sectors with no, very limited or even a positive carbon footprint, such as producers of renewable energy.
- Sectors that are currently out of scope due to their non-material carbon footprint. The service sector is an example of such a sector.

Classifying customers by transition strategies

The second step of the customer sustainability classification focuses on customer transition strategies. Companies within the same sector can have different climate impact depending on, for instance, the technology used and mitigating activities. Furthermore, depending on their transition ambitions and strategies, their future impacts may differ even more.

To evaluate customers' current and future climate impact SEB collects information about each customer's current emission reduction compared to a baseline year as well as information about the customer's future emission reduction targets (if available). The customer's future emission reduction pathway can then be understood and compared to a sector-specific emission reduction pathway. The sector-specific pathway outlines the level of emissions reduction necessary for that sector as a whole to reach the objectives of the Paris Agreement. Based on this, the customer's climate impact is classified in five categories:

Selection of sector methodologies for the customer sustainability classification model

The availability and accuracy of greenhouse gas emissions data differ between companies and sectors. For large companies active in sectors where regulatory thresholds are either defined or in scope for the EU Taxonomy (e.g., power generation, automotive), indicators are often publicly disclosed, which allows the modelling of forward-looking transition paths. For other sectors like capital goods and food processing, where scope 3 emissions related to the supply chain are significant, data availability, while improving, remains limited. For the shipping sector, SEB will use the Poseidon Principles, which we signed in 2020. The principles are consistent with the goal of the International Maritime Organisation to reduce greenhouse gas emissions from the shipping sector by at least 50 per cent by 2050.

The table below shows a selection of sector methodologies and which indicators and reference frameworks are used in the customer sustainability classification model.

Sector	Indicators used	References	Measurability
Power generation	g CO_2/kWh	EU Taxonomy and EU regulation	High
Automotive	g CO_2/km – tailpipe emissions	EU Taxonomy and EU regulation	High
Food and beverages	Scope 1&2&3 supply chain	Paris Agreement	Medium to low
Capital goods	Scope 1&2&3 materials	Paris Agreement	Medium to Low

- *Sustainable:* Companies with very limited greenhouse gas (GHG) emissions
- *Paris-aligned transition:* Companies in transition with plans aligned with the Paris Agreement target to limit global warming to 1.5°C (net zero GHG emissions by 2050)
- *Transition:* Companies in transition with plans aligned with a target to limit global warming to around 2°C (net zero GHG emissions by 2070)
- *Gradual change:* Companies in transition but with plans that are not aligned with the 2 degrees target
- *Status quo:* Companies with no or limited transition plans.

This approach draws on definitions, targets and transition indicators set in the EU Taxonomy, the Paris Agreement as well as EU or country-specific regulations or initiatives. The model covers 30 industry sub-sectors with a slight or material carbon footprint, and currently covers more than 70 per cent of SEB's corporate and real estate credit portfolio. In the graph below a fictitious customer's emissions reduction pathway between 2020 and 2050 has been plotted against the relevant sector-specific pathway.

Concluding on customer sustainability classification
The model enables SEB to assess to what extent customers' business activities are in line with the climate objectives of the Paris Agreement instead of only focusing on current emissions or a standardised assessment of the emissions in a specific sector. As a result, it is possible for a company that is active in a sector with a material carbon footprint to obtain a better individual classification if it has a credible plan for transitioning in line with the objectives of the Paris Agreement.

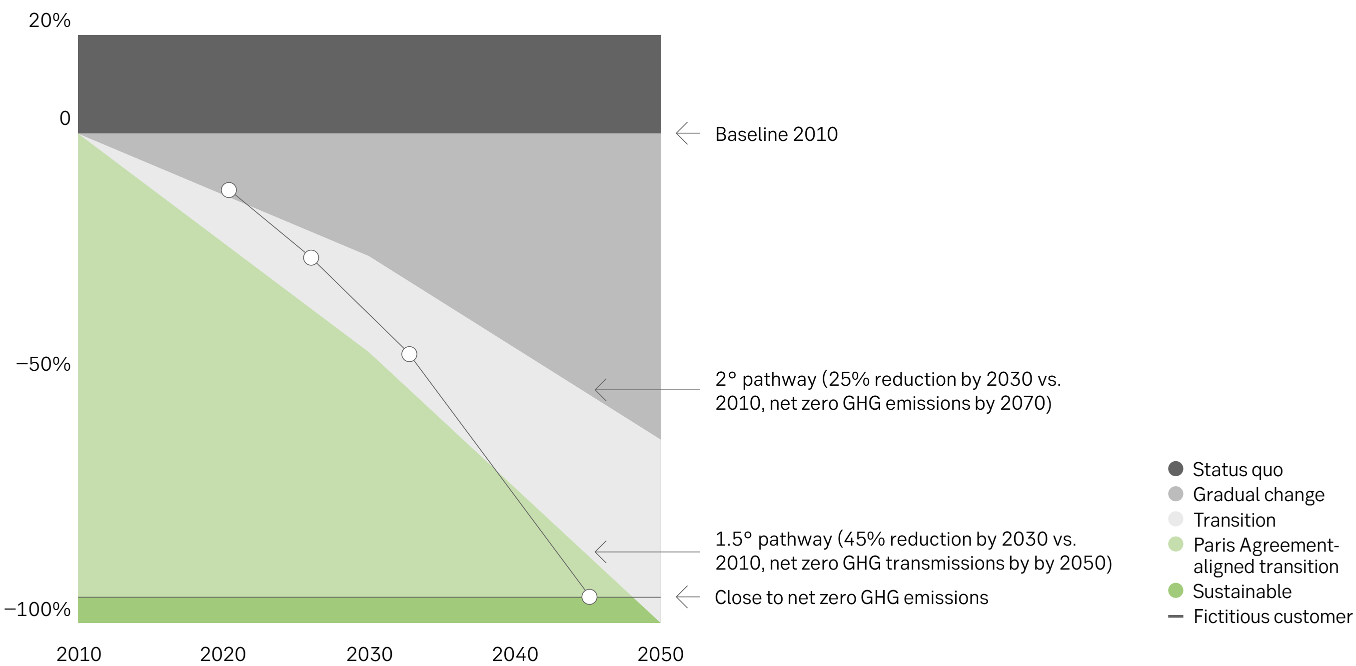
The model was developed in 2020 and was tested in a pilot project on a large share of customers in various corporate and real estate sectors. The model will be implemented in the bank's business and credit processes in 2021.

Management of climate-related risks
Defining climate-related risks
SEB does not view climate-related risks as a separate category, but as a risk factor that will have a bearing on existing risks such as credit, market and operational risk. This means that the management of climate-related risks is integrated into existing governance and processes for identifying, monitoring, measuring and reporting risks.

Transition and physical risks
Two climate-specific risk factors are considered in risk management: transition risk and physical risk. Transition risks are the financial risks that may arise from the transition to a lower-carbon society. This entails the effects on customers' business models from disruptive events such as changes in climate policy, regulation, technology or market sentiment. Depending on the nature, speed and focus of these changes, transition risks may pose varying degrees of risk to companies. In general, sectors that rely on fossil fuels or are energy-intensive are expected to be affected first and most by transition risk.

Physical risks arise from increased severity and frequency of climate and extreme weather-related events such as droughts, floods, storms and sea-level rise. Physical risks can also be more gradual, arising from longer-term chronic shifts in climate patterns. The impact can be direct, e.g. through damage to property, or indirect as a result of subsequent events such as the disruption of global supply chains.

Paris Agreement transition pathways required to reach temperature target
Greenhouse gas reduction from 2010



Integrating climate-related risks in the credit process
SEB integrates an assessment of sustainability risks including climate change on business models, repayment capacity and the ability to access financing in the bank's holistic counterparty credit analysis. To do this in a systematic way, SEB has developed a proprietary framework for the integration of climate risks in the financial analysis of corporate customers. The framework provides sector-specific guidance on the most material issues to be assessed for customers in sectors with a material carbon footprint. In 2020, ESG specialists were recruited to the credit analysis department to further refine the framework. In 2021, focus will be on further integrating climate-related risks, including output from the customer sustainability classification model, in the credit process.

SEB also regularly performs targeted portfolio reviews of sectors with material climate impact which are presented to the Group Risk Committee and the Board's Risk and Capital Committee. In connection with these reviews, sector-specific business strategies and risk appetite levels are defined.

Climate scenario analysis for measuring climate-related risk
Measuring financial risks from climate change is complex, as it involves assessing the combined impact of physical and transition risks under multiple climate scenarios. The time perspective for climate-related risks is also much longer than in traditional credit analysis, which typically covers one to five years.

In 2020, SEB developed a methodology for assessing transition risks for customers over time under various climate scenarios. A transition risk pilot project was conducted for SEB's portfolio of customers in the oil & gas sector during the year. For 2021, the aim is to apply this methodology to a number of other sectors with a material carbon footprint.

→ The pilot project is described on the next page.

Investment management

SEB Investment Management (the fund company), which manages SEK 672bn in assets, aims to reduce climate-related risks and enable a transition to sustainable and low-carbon fund management solutions. In 2020, a strengthened Sustainability Policy was adopted by the fund company's board of directors. This policy will be implemented during the first quarter of 2021 along with a statement outlining the fund company's strategy to contribute to accelerating de-carbonisation of the global economy while upholding its primary fiduciary duty of delivering positive long-term risk-adjusted returns. The fund company aims to align the investments with the Paris Agreement, but with the aim to reach net zero greenhouse gas emissions already by 2040. In addition, the aim is to reorient capital flows to climate solutions and climate-resilient and transitionary business models, to exit from investments in activities that contribute negatively to climate change. Through active ownership and dialogue the fund company shall promote climate resilience in business models.

Managing indirect climate impact in investments

Engagement and exclusion
In line with the updated sustainability policy, the fund company has a strict approach to fossil fuels. All funds exclude companies that extract or process fossil fuels, including extraction of unconventional fossil fuels, such as oil sands and deep-sea drilling in particularly sensitive areas.

Similar restrictions apply for power generation and distribution of fossil fuels. Exceptions can be made for companies that have clear targets and show ongoing active transition plans in line with the Paris Agreement. See sebgroup.com.

Direct engagement with companies on climate change is an important tool for SEB Investment Management. Through engagement, the fund company can affect change and support companies to include climate-related strategies and practices in their business models. This is done either directly with companies or through investor collaboration. The fund company has been involved in dialogues with the world's largest greenhouse gas emitting companies through IIGCC Climate Action 100+. See p.49.

Measuring the carbon footprint of funds
The carbon footprint of certain SEB Investment Management equity funds has been measured since 2014. SEB Investment Management signed an international climate agreement – the Montreal Carbon Pledge – in 2015, and as part of this commitment began measuring and reporting the carbon footprint of SEB's own equity funds annually. Carbon footprint is one of few metrics that has been available to measure climate-related risk in funds.

As of 2020 a new industry standard was introduced that uses risk-based metric-weighted carbon intensity. This standard is aligned with the Swedish Fund Association's guidelines. The new measurement focuses on information of the fund's exposure to carbon-intensive companies instead of portfolio emissions. The carbon data is based on all three central emission areas (Scope 1–3) according to the Greenhouse Gas Protocol and it shows how carbon-efficient a company is. In 2020, 95 per cent of SEB's equity funds were measured and reported on sebgroup.com. For the remaining part of the equity funds, there is no official benchmark and, in some funds, the underlying data is currently insufficient for accurate carbon footprint reporting. The next step is to include and report on more asset classes.

The most recent measurement, as per December 2019, using the new carbon footprint methodology, based on available information, shows that SEB's own sustainability equity funds on an aggregate level are more carbon-efficient than their respective benchmarks.

Although weighted average carbon intensity and other carbon footprint metrics provide some visibility into the carbon exposure of certain assets at a fixed point in time, they provide little insight into the potential future exposure. See the fund company's document "Our sustainability report" on sebgroup.com.

Climate scenario analysis for fund investments
In 2020, a climate scenario analysis of SEB Investment Management's corporate bond and equity exposure was performed for sectors most affected by the transition to a low-carbon economy. The tool used was the Paris Agreement Capital Transition Assessment (PACTA) tool, developed for institutional investors by the 2° Investing Initiative, with the support of the UN Principles for Responsible Investment (PRI).

The PACTA analysis has been done for approximately 60 per cent of the fund company's assets under management. The analysis showed that the total equity and corporate bond exposure to sectors included in the scenario analysis was 10.5 per cent and that the exposure to coal, oil & gas production was below 1.5 per cent of total equity and corporate bonds under management.

Climate scenario analysis – a transition risk pilot

The purpose of scenario analysis for transition risk is to consider a broad range of potential future states in which the average global temperature increase is limited to well below 2°C. SEB has developed a methodology to measure the impact of such scenarios on its credit portfolio. The oil & gas sector was selected for a pilot evaluation due to its direct transition risk exposure. In total, five sub-segments were included in the pilot: exploration & production, offshore, oilfield services, oil tankers and liquified gas carriers. In 2021, the ambition is to expand the scope of climate scenario analysis to cover other sectors with material transition risk, e.g. transportation and power generation.

Methodology overview

The methodology integrates science-based climate scenarios with more traditional credit risk measurement approaches. The overall structure is aligned with the outcomes from United Nations Environment Programme Finance Initiative (UNEP FI) and TCFD Banking Pilot Projects, where the details have been tailored to SEB's portfolio and home markets. It is predominantly a bottom-up approach where each counterparty is assessed based on its current operations under a transition scenario.

Individual results are then extrapolated to portfolio level. The assessment does not take into consideration any counterparty-specific transition agenda, but rather assesses the transition risks based on status quo operations.

Climate scenarios

The first step is to define the climate scenario, representing a credible view of how the economy and energy transition might evolve over the next few decades, in order to limit global warming. SEB's model is compatible with a range of external climate scenarios, both existing and potential future scenarios. Three representative scenarios prescribed by The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) have been used as a starting point for the analysis. The NGFS climate scenarios have been developed to provide a common reference for analysing climate risks to the economy and financial system. The modelling horizon for these scenarios are decades instead of years, as some climate-related risks will materialise over a longer time frame. SEB has also developed customised short-term carbon tax scenarios to assess a potential disorderly transition emerging over a three-year time horizon.

Key drivers and financial impact

The climate scenarios are translated into a set of key drivers for companies' performance: price, demand, unit cost, capital expenditures and asset value. Subsequently, the key drivers are projected on the companies' financial statements to assign a scenario-adjusted credit risk rating.

Key findings and observations

Most of the 2°C scenarios have limited impact on SEB's oil & gas portfolio credit quality until 2040, whereas the 1.5°C scenarios results in moderate asset quality deterioration across the oil & gas value chain in 2040, given status quo operations.

No single road to Paris

The climate scenarios differ in the assumptions regarding future oil demand and price levels. According to some scenarios, global warming can be limited to 2°C while global oil use expands until 2040. In contrast, the 1.5°C scenario assumes that global oil production decreases by 68 per cent by 2040 compared to 2020 levels. The assumptions depend on other key assumptions, for instance coal and natural gas as well as carbon sequestration. Most models are built for macroeconomic and policy purposes with the objective to optimise global welfare, not to exhibit the most likely transition path. Therefore, a broad range of scenarios is applied, without assigning probabilities to their respective outcome.

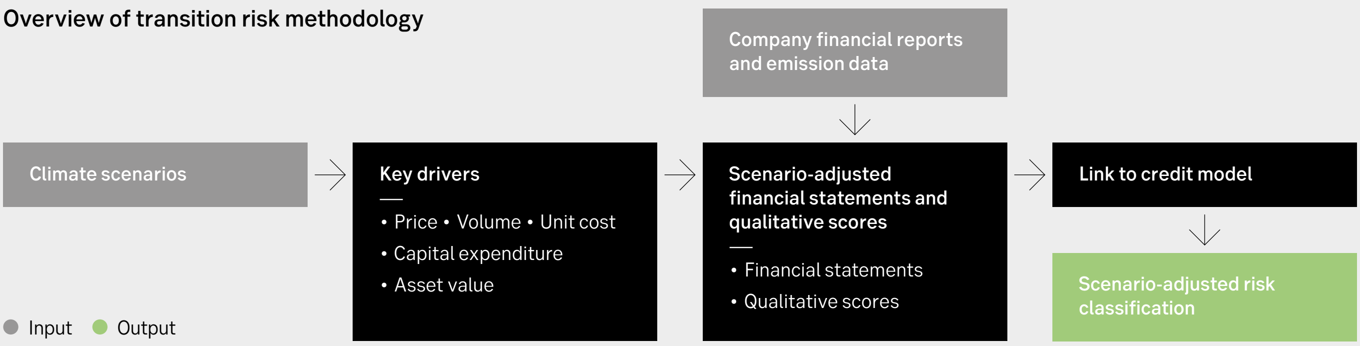
Low lifting cost and production emissions increase resilience

The break-even cost of an oilfield will determine its desirability in a scenario with diminishing demand and falling prices. The majority of SEB's customers within exploration and production have producing assets in the North Sea with relatively low break-even cost compared to the global average. Their scope 1 emissions are also lower than the global average. These factors increase the transition resilience and mitigate some of the stranded assets risk.

Increased focus on refinancing risk

As investors and credit markets pay further attention to the energy transition, the risk of rising cost of capital during the terms of the contract intensifies. In extreme cases, some companies may not be able to refinance their maturing debt at any price, leading to debt restructurings. Cautious credit structures with extra focus on access to capital markets are one way of managing refinancing risk.

Overview of transition risk methodology



Board of Directors

Stockholm, 23 February 2021

Skandinaviska Enskilda Banken AB (publ)
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Report of the Directors

CONTENTS

Financial review of the group

Despite the challenging economic environment, SEB's business model proved resilient during the year, delivering operating income in line with 2019. The bank's financial position is strong with a Common Equity Tier 1 capital ratio of 21 per cent and the Board of Directors proposes a dividend of SEK 4.10 per share.

Result and profitability

Profit before credit losses decreased by SEK 220m to SEK 26,970m (27,190). *Operating profit before items affecting comparability* decreased by SEK 4,048m to SEK 20,846m (24,894). Including an *item affecting comparability* of SEK –1,000m, *operating profit* amounted to SEK 19,846m (24,894) and *net profit* reached SEK 15,746m (20,177).

Operating income

Total operating income decreased by SEK 417m, 1 per cent, and amounted to SEK 49,717m (50,134).

Net interest income amounted to SEK 25,143m, which represented an increase of 10 per cent compared with 2019 (22,950).

SEK m	2020	2019	Change, %
Customer-driven net interest income	27,585	25,356	9
Net interest income from other activities	–2,442	–2,406	1
Net interest income	**25,143**	**22,950**	**10**

Customer-driven net interest income includes the net interest income derived from loans to and deposits from the public and also reflects both deposit guarantee fees and an internal funding pricing element.

Customer-driven net interest income increased by SEK 2,229m compared with 2019. Lending volumes increased, but the related increase in net interest income was offset by lower margins. The repo rate increase in Sweden in the beginning of the year affected deposit margins positively.

Deposit guarantee fees decreased by SEK 74m to SEK 330m. In addition, the compensation to the divisions for deposits from Treasury was higher.

Net interest income from other activities (which includes funding and other Treasury-activities as well as trading and regulatory fees) was SEK 36m lower than 2019. One explanatory factor was Treasury's higher compensation to the divisions for deposits. The resolution fund fees which are accounted for as net interest income from other activities amounted to SEK 918m (1,725). In 2020, the resolution fund fee was reduced to 0.05 per cent of eligible assets (0.09).

Net fee and commission income decreased by 3 per cent compared with 2019 and amounted to SEK 18,063m (18,709).

Since the first quarter, payment and card fees were significantly affected by lower activity due to the Covid-19 restrictions and decreased by SEK 823m to SEK 3,273m, year-on-year.

Since corporate transaction activity was lower, gross fees from the issuance of securities and advisory services decreased by 15 per cent to SEK 1,111m compared with 2019. On the other hand, higher lending activity generated an increase in gross lending fees of 5 per cent to SEK 3,004m.

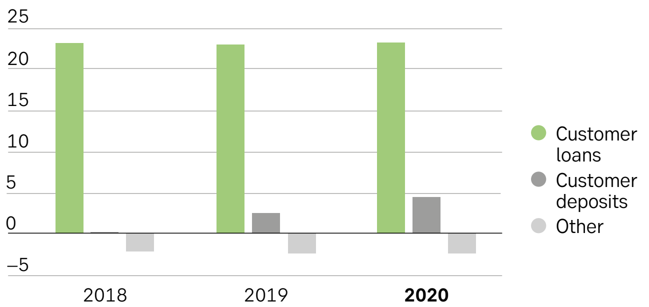
Gross fee income from custody and mutual funds, excluding performance fees, increased by SEK 11m to SEK 7,672m year-on-year. Performance fees amounted to SEK 304m, an increase of SEK 183m compared with 2019.

Net life insurance commissions decreased by 10 per cent compared with 2019, to SEK 1,084m, mainly related to the unit-linked insurance and margin pressure from a shift towards more index-based products.

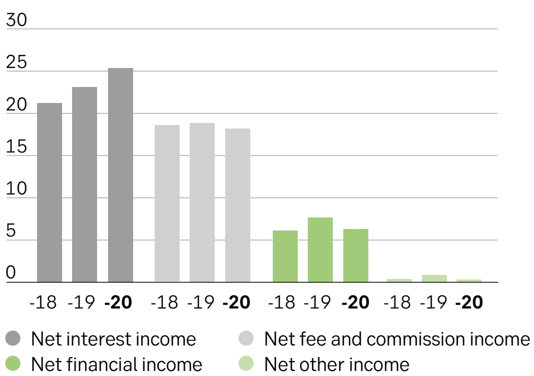
Net financial income decreased by 18 per cent to SEK 6,275m (7,617). The Covid-19 effects leading to volatility in asset prices and credit spreads were evident throughout the year.

The change in market value of certain strategic holdings was

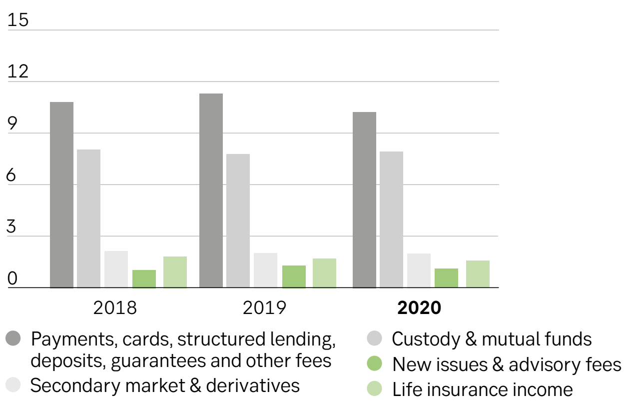
Net interest income SEK bn



Operating income SEK bn



Fee and commission income, gross SEK bn



positive but was SEK 733m lower year-on-year. The fair value credit adjustment decreased net financial income by SEK 210m. Other life insurance income, net, decreased by SEK 61m compared with the full year 2019, primarily due to the development in the traditional portfolios in Sweden and the Baltic countries. The effect from market valuations in Treasury as well as Markets' holdings, and Markets' underlying business, was minor.

Net other income amounted to SEK 236m (858). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item. In 2019 SEB's holding in LR Realkredit A/S was divested with a capital gain of SEK 259m.

Operating expenses

Total operating expenses decreased by 1 per cent compared with 2019 and amounted to SEK 22,747m (22,945).

Staff costs increased by 2 per cent year-on-year partly related to SEB's strategic initiatives and the strengthening of the anti-money laundering capabilities. The average number of full-time equivalents increased to 15,335 during the year (14,939). Consequences of Covid-19 restrictions affected other expenses, which decreased by 11 per cent, with fewer consultants and lower travelling costs among other things. Supervisory fees amounted to SEK 156m (153).

The cost target in the business plan for 2019–2021 is described on p. 21. Operating expenses related to the strategic initiatives increased according to plan and the three-year cost target remains unchanged.

Net expected credit losses

Net expected credit losses amounted to SEK 6,118m, corresponding to a net expected credit loss level of 26 basis points, an increase of SEK 3,824m compared with 2019 (2,294 and 10 basis points). The development was driven by increased provisions for individual counterparties in the offshore segment (rigs, accommodation rigs and platform support vessels) of the oil portfolio and model overlays on portfolio-level for Covid-19-related effects and oil-related exposures.

The majority of the net expected credit losses, SEK 4,865m, was related to the Large Corporates & Financial Institutions division, and was mainly driven by the challenges in the offshore segment.

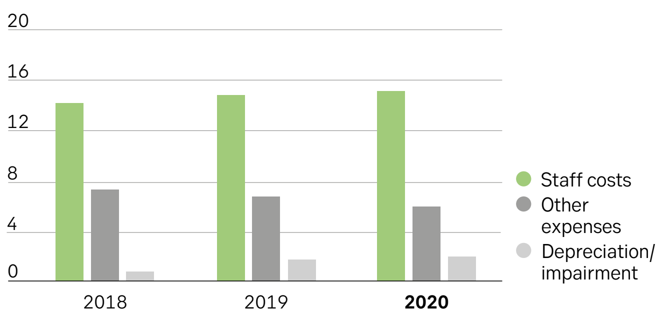
→ See further comments on credit risk on p. 74, Uncertainties on p. 62 and notes 12 and 18.

Items affecting comparability

Items affecting comparability amounted to SEK –1,000m. The Swedish Financial Supervisory Authority (FSA) presented its sanction decision relating to SEB's routines and processes with regard to the regulatory frameworks that govern anti-money laundering. The FSA issued SEB a remark which is a lower degree of administrative sanction that is issued when a breach has not been deemed to be severe. The FSA also issued SEB an administrative fine of SEK 1bn. Despite the fact that SEB did not agree with the FSA's decision in all parts, the bank decided after an overall assessment not to proceed with an appeal.

→ See note 13.

Operating expenses



Important events and trends in 2020

First quarter

- The Covid-19 epidemic turned into a pandemic with lockdowns of economies globally.
- The sharp drop in oil prices gave rise to economic and geopolitical concerns and resulted in SEB making additional credit provisions for the offshore portfolio.
- The pandemic led to strong demand for credits and amortisation grace periods on lending for customers in need of additional liquidity.

Second quarter

- Following extensive support measures by governments and central banks, there was a positive turnround in the financial markets and improvement in customer activity.
- The Swedish Financial Supervisory Authority (FSA) presented its decision to issue SEB an administrative fine of SEK 1bn which SEB decided not to appeal.
- SEB's annual general meeting, which was held on 29 June 2020, approved the Board of Directors' proposal that no dividend payment for 2019 would be made and that the entire amount available would be carried forward.

Third quarter

- Continued stabilisation of financial markets and customer behaviour, but the signs of optimism were challenged by a second wave of virus spread in several countries.
- SEB acted joint lead manager in the issuance of Sweden's first sovereign green bond. The SEK 20bn that were raised will be linked to expenditures that contribute to achieving Sweden's environmental and climate goals.
- A new sustainability organisation was established, gathering SEB expertise and taking a comprehensive approach from a strategic and business perspective.
- SEB Greentech, a new venture capital unit that will invest in green technology, was launched

Fourth quarter

- As many countries re-imposed restrictive measures, the recovery of the global real economy slowed down.
- SEB was ranked the leading corporate bank in the Nordic countries by large corporates according to Prospera.
- SEB revised its financial targets for the group and set financial aspirations for the divisions.

Income tax expense

In line with the decrease in operating result *income tax expense* decreased by 13 per cent to SEK 4,100m (4,717) with an effective tax rate of 21 per cent (19).

Return on equity

Return on equity for 2020 was 9.7 per cent (13.7). Excluding items affecting comparability return on equity for 2020 was 10.3 per cent (13.8).

Other comprehensive income

Other comprehensive income amounted to SEK 637m (1,160). The value of SEB's pension plan assets exceeded the defined benefit obligations to the employees. The net value of the defined benefit pension plans increased which affected other comprehensive income by SEK 1,839m (1,366).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash flow hedges and translation of foreign operations amounted to SEK –1,070m (145). The main reason was that the Swedish krona strengthened during the year which had a large negative effect on the translation of foreign operations.

SEB's approach to tax

In SEB's business, tax management and tax governance are relevant and important. Operating in more than 20 countries, SEB acknowledges the changing landscape around tax from both regulators and society and puts strong efforts in securing compliance with applicable tax laws and regulations, and strives to have high standards for tax governance, monitoring risks and ensuring tax compliance.

Products and services offered by SEB impact the tax situation for SEB and its customers and must always have business rationale. SEB must not use, encourage or facilitate – nor co-operate with external parties to facilitate – products or services in conflict with tax legislation or anti-tax avoidance law.

SEB has policies and procedures in place, and works actively with risk assessment, frameworks and controls, in order to ensure compliance with applicable tax laws and regulations related to its business. SEB is committed to meet expectations on transparency in respect of its tax management. The Tax Policy is adopted by the Board and is reviewed annually.

→ See SEB Group Tax Policy on sebgroup.com

Regulatory supervision of SEB

Regulatory supervision is a part of every-day banking operations. SEB's main supervisor is the Swedish FSA, but SEB continuously has numerous ongoing supervisory activities in all the countries where the bank operates. Far from all reviews are formally categorised as inspections, but nevertheless require significant resources to ensure timely responses with high quality. In 2020, there were around 49 supervisory reviews handled by SEB in Sweden, and some 33 were concluded.

In the past few years, authorities have increased their attention on anti-money laundering matters, but all banking processes are subject to supervision.

Looking ahead

Risks

SEB assumes credit, market, liquidity, IT and operational as well as life insurance risks. The risk composition of the group, as well as the related risk, liquidity and capital management, are described on p. 74–79 and notes 40 and 41, in the Capital Adequacy and Risk Management Report for 2020 as well as the quarterly additional Pillar 3 disclosures. Further information is available in the Fact Book that is published quarterly.

Uncertainties

The pandemic outbreak of Covid-19 and governments' response measures in an attempt to limit its spread, have rapidly and significantly affected societies, economies and financial markets globally. The negative financial and economic consequences have been extensive in SEB's home markets and the recovery is dependent on the pandemic development and government measures. At the same time, the recent oil price development and ongoing energy transformation are a challenge for the oil and gas industry. SEB is continuously assessing the asset quality of its credit portfolio using several different scenarios for the pandemic and the economic development, including the oil industry development. The assessment includes the effects of the measures taken by governments and the full consequences on the economy.

Financial markets are expected to continue to be volatile given the prevailing uncertainty. This may adversely impact fair values of certain financial instruments and holdings, and consequently, net financial income and capital.

The interest rate levels – in Sweden in particular the repo rate – are key factors affecting net interest income and operating profit. At year-end the Swedish central bank did not forecast any change to its repo rate, which is currently zero per cent, until the end of 2023.

The German Federal Ministry of Finance issued a circular on 17 July 2017 with administrative guidance in relation to withholding taxes on dividends in connection with certain cross-border securities lending and derivative transactions. The circular states an intention to examine transactions executed prior to the change in tax legislation that was enacted 1 January 2016. As communicated by SEB in a press release on 22 December 2020, the tax authority in Frankfurt has requested SEB's German subsidiary DSK Hyp AG to retroactively repay transparently reported withholding tax from more than five years ago. These claims are based on federal administrative guidance that have been applied with a retroactive effect and that are still not clear. It is therefore not possible for SEB to have a well-founded opinion about amounts or timing of potential further reclaims.

SEB is of the opinion that the cross-border securities lending and derivative transactions of SEB under review in Germany were conducted in compliance with then prevailing rules. SEB's external legal advisors conclude that the tax authority's reclaims are in violation of both EU law and German law. DSK Hyp will appeal these claims. Hence, to date and in accordance with current accounting rules, no provisions have been made on group level. The legal proceedings are estimated to take up to five years.

SEB is subject to various legal regimes, laws and requirements in all jurisdictions where the bank operates. Over the past years, the laws and regulations of the financial industry have expanded and further sharpened, and the regulators have increased their supervision. This is a development which is expected to continue to evolve. Competent authorities regularly conduct reviews of SEB's regulatory compliance, including areas such as financial stability, transaction reporting, anti-money laundering, investor protection, and data privacy. SEB has policies and procedures in place with the purpose to comply with applicable laws and regulations and has continuous dialogues and co-operates with authorities. SEB has received requests from authorities in jurisdictions where it operates, including U.S. authorities, to provide information concerning measures against money laundering, which SEB is responding to in dialogue with these authorities. It cannot be ruled out that current and future supervisory activities and requests from authorities could lead to criticism or sanctions.

Financial structure

Total assets at 31 December 2020 amounted to SEK 3,040bn (2,857). The increase amounted to SEK 184bn in spite of a negative currency effect of SEK 84bn, a result of the strengthened Swedish krona during the year.

Loans

Total loans to the public decreased by SEK 68bn during the year and amounted to SEK 1,770bn (1,838).

SEB's credit portfolio, which includes loans, contingent liabilities and derivatives, increased by SEK 93bn to SEK 2,591bn (2,498). The corporate credit portfolio increased by SEK 40bn, 3 per cent. The household credit portfolio (mortgage loans and other household credits) increased by SEK 33bn. The commercial and residential real estate management portfolios increased by SEK 20bn combined, with less growth in the commercial segment.

Credit-impaired loans, gross (stage 3) increased during the year by SEK 3,494m to SEK 14,890m (11,396). The gross credit-impaired loans (stage 3) were 0.87 per cent of total loans (0.67).

→ See note 18 and 40a.

Debt securities

Debt securities held for the purpose of serving customer risk management and trading needs as well as internal liquidity management on the balance sheet amounted to SEK 265bn (239). SEB is a market maker in certain debt securities. The short position (liability) in the debt securities amounted to SEK 20bn (10). SEB's credit risk exposure in the total portfolio, which consists of debt securities, certain credit derivatives and futures, amounted to SEK 241bn (208).

→ See note 19, 30 and 40a.

Equity instruments

Equity instruments held for the purpose of customer risk management and trading needs as well as to facilitate the bank's role as a market maker amounted to SEK 82bn (78). The short position (liability) in equity instruments amounted to SEK 11bn (17).

→ See note 20 and 30.

Insurance assets and liabilities

Financial assets within the insurance operations amounted to SEK 363bn (345). Out of this, financial assets where policyholders carry the risk (mostly unit-linked insurance) amounted to SEK 331bn (317) and other assets (mostly traditional and risk insurance) amounted to an additional SEK 32bn (28).

Liabilities in the insurance operations amounted to SEK 362bn (344). Out of this, SEK 332bn (317) was related to financial commitments for investment contracts (mostly unit-linked insurance), while SEK 30bn (27) was related to insurance contracts (mostly traditional and risk insurance). The insurance liabilities are mainly covered by financial assets.

→ See note 28, 42 and 43.

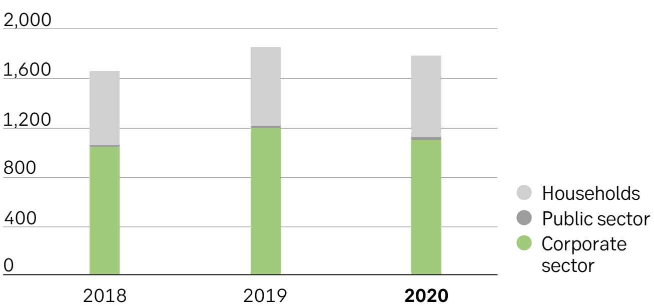
Derivatives

The fair value of the derivative contracts is presented as assets and liabilities on the balance sheet. They amounted to SEK 165bn (139) and SEK 162bn (122) respectively.

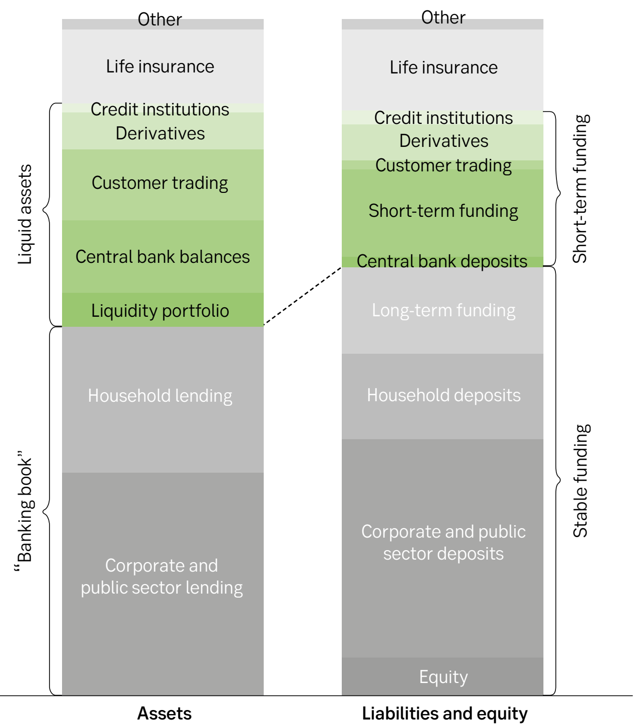
The mix and volumes of derivatives reflect the demand for derivatives by the bank's customers for their management of financial risks. The bank is a market maker for derivatives and also uses derivatives for the purpose of protecting its own cash flows and fair value of its financial assets and liabilities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

→ See note 21.

Loans to the public SEK bn



Balance sheet structure 31 December 2020



The financing of the group consists of deposits from the public (households, corporates, etc.), borrowings from financial institutions as well as issuance of money market instruments, bonds, covered bonds and subordinated debt.

Deposits and borrowings
Deposits and borrowings from the public amounted to SEK 1,371bn (1,161). Household deposits increased by SEK 37bn while deposits from non-financial corporations increased by SEK 97bn during the year.

Debt securities issued
Short-term funding, in the form of commercial paper and certificates of deposit, decreased by SEK 45bn during the year. Approximately SEK 127bn of long-term funding matured or was called during 2020 (consisting of SEK 62bn covered bonds, SEK 55bn senior debt). An AT1 bond (subordinated debt) in the amount of SEK 10bn was repurchased. As part of the bank's funding management, the bank issued SEK 117bn (consisting of SEK 78bn constituted covered bonds, SEK 28bn senior debt and SEK 11bn senior non-preferred debt) during the year. Subordinated liabilities amounted to SEK 32bn.

→ See p. 78 and note 40f for liquidity management information.

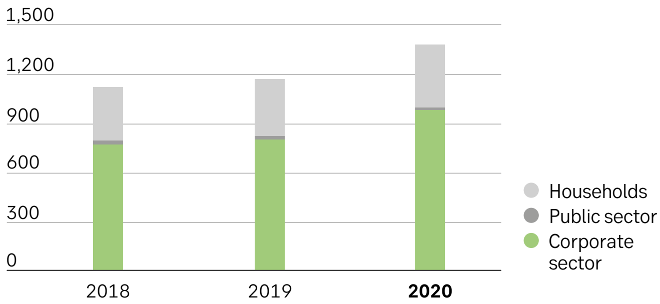
Assets under management and custody
Assets under management amounted to SEK 2,106bn (2,041). The net outflow of volumes during the year was SEK 13bn (73). With the upturn in the financial markets, the increase in the value of the assets under management was SEK 78bn (269).

Assets under custody increased in 2020 when several new custody mandates were won. The year-end balance, which also reflected a market value increase, was SEK 12,022bn (10,428).

Total equity
Total equity at the opening of 2020 amounted to SEK 156bn. In accordance with a resolution by Annual General Meeting in 2020, no dividend for the year 2019 was made and the entire amount available was carried forward. Net profit amounted to SEK 16bn and other comprehensive income increased equity by SEK 1bn. At year-end 2020, total equity was SEK 172bn.

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

Deposits from the public
SEK bn



Assets under management
SEK bn

	2020	2019	2018
Start of period	**2,041**	**1,699**	**1,830**
Inflow	499	585	536
Outflow	–512	–512	–491
Acquisition/disposal, net	0	0	–116
Change in value	78	269	–60
End of period	**2,106**	**2,041**	**1,699**

Number of outstanding shares
31 December 2020

	Share Class A	Share Class C	Total no. of shares
Total number of issued shares	**2,170,019,294**	**24,152,508**	**2,194,171,802**
Repurchased own shares for equity-based programmes[1]	–32,211,451	0	**–32,211,451**
Repurchased own shares for capital purposes[2]	0	0	**0**
Total number of outstanding shares	**2,137,807,843**	**24,152,508**	**2,161,960,351**

1) Utilisation of authorisation from the Annual General Meeting 2020 to acquire own shares for long-term equity programmes.
2) 2020 AGM decision, no repurchases made.

Rating
Fitch rates SEB's long-term senior unsecured debt at AA-. The rating is based on SEB's low risk appetite, stable and well-executed strategy, robust asset quality and capitalisation as well as strong market position. In September, Fitch affirmed SEB's rating and assigned a negative outlook to the long-term rating, reflecting the downside risks, particularly to asset quality and profitability, of a deeper or more prolonged economic downturn than what is currently expected.

Moody's rates SEB's long-term senior unsecured debt at Aa2 with a stable outlook based on the bank's strong asset quality and robust capital ratios. While the bank has good underlying earnings generation, the corporate business focus could add earnings cyclicality, particularly in the current economic downturn. In March, Moody's affirmed the stable outlook of the Swedish banking system due to the strong capital position and capital generation capacity of banks and in September, SEB's rating was affirmed.

S&P rates SEB's long-term senior unsecured debt at A+ with a stable outlook. The rating is based on the stable and low-risk operating environment in Sweden, the bank's stable and well-diversified revenue base and leading position among large Nordic corporates, robust capitalisation and resilient earnings, despite expected increasing pressure on revenues and asset quality in the current economic environment. In September, S&P affirmed SEB's rating.

Moody's		**S&P global**		**Fitch**	
Short[1]	Long[2]	Short[1]	Long[2]	Short[1]	Long[2]
P–1	Aaa	A–1+	AAA	F1+	AAA
P–2	Aa1	A–1	AA+	F1	AA+
P–3	Aa2	A–2	AA	F2	AA
	Aa3	A–3	AA–	F3	AA–
	A1		A+		A+
Outlook stable		Outlook stable		Outlook negative	

1) Short-term debt and commercial paper.
2) Long-term senior unsecured debt.

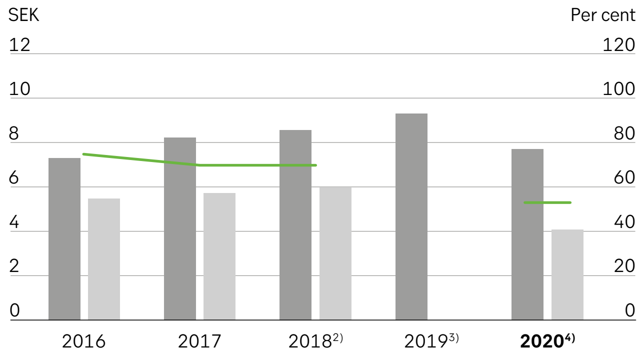
Dividend

The 2020 Annual General Meeting (AGM) was originally scheduled for 23 March 2020. Given the Covid-19 restrictions on events and travels introduced by the authorities in Sweden, the Board on 19 March 2020 postponed the AGM to 29 June 2020. During that time the Board re-evaluated its dividend proposal for 2019 (SEK 6.50 per share) given the Covid-19 development. In order to ensure enough room for SEB to act in the interest of customers and shareholders, the Board proposed to the AGM that no dividend would be paid. The AGM decided accordingly.

The Board proposes a dividend of SEK 4.10 per share which is in line with the recommendation by the Swedish Financial Supervisory Authority of 25 per cent of the net profit for 2019 and 2020. In total, the dividend amounts to SEK 8.9bn, excluding own shares held. The proposal shall be seen with reference to the Swedish FSA's communication as per 18 December 2020 that banks should be restrictive with respect to dividends and share repurchases up until 30 September 2021.

The proposed record date for the dividend is 1 April 2021. If the Annual General Meeting resolves in accordance with the proposal, the share will be traded ex-dividend on 31 March 2021 and the dividend is expected to be disbursed by Euroclear Sweden AB on 8 April 2021.

Earnings and dividend per share



1) Excluding items affecting comparability.
2) Excluding extraordinary dividend.
3) The 2019 dividend proposal was reverted and the AGM decided that no dividend would be distributed.
4) A dividend of SEK 4.10 per share is proposed for 2020.

Key figures

	2020	2019	2018	2017	2016
Return on equity, %	9.7	13.7	16.3	11.7	7.8
Return on equity excluding items affecting comparability[1)], %	10.3	13.8	13.4	12.9	11.3
Return on tangible equity, %	10.2	14.5	17.3	12.5	8.6
Return on tangible equity excluding items affecting comparability[1)], %	10.8	14.6	14.2	13.7	12.4
Return on total assets, %	0.5	0.7	0.8	0.6	0.4
Return on risk exposure amount, %	2.1	2.7	3.7	2.6	1.8
Cost/income ratio	0.46	0.46	0.48	0.48	0.50
Basic earnings per share, SEK	7.28	9.33	10.69	7.47	4.88
Weighted average number of shares[2)], million	2,163	2,162	2,164	2,168	2,178
Diluted earnings per share, SEK	7.23	9.28	10.63	7.44	4.85
Weighted average number of diluted shares[3)], million	2,177	2,175	2,177	2,178	2,188
Net expected credit loss level[4)], %	0.26	0.10	0.06	0.05	0.07
Stage 3 loans/Total loans, gross, %	0.87	0.67	0.50		
Stage 3 loans/Total loans, net, %	0.44	0.36	0.30		
Liquidity Coverage Ratio (LCR)[5)], %	163	218	147	145	168
Risk exposure amount, SEK m	725,560	745,637	716,498	610,819	609,959
Risk exposure amount, expressed as own funds requirement, SEK m	58,045	59,651	57,320	48,866	48,797
Common Equity Tier 1 capital ratio, %	21.0	17.6	17.6	19.4	18.8
Tier 1 capital ratio, %	22.7	20.8	19.7	21.6	21.2
Total capital ratio, %	25.1	23.3	22.2	24.2	24.8
Leverage ratio, %	5.1	5.1	5.1	5.2	5.1
Number of full time equivalents[6)]	15,335	14,939	14,751	14,946	15,279
Assets under custody, SEK billion	12,022	10,428	7,734	8,046	6,859
Assets under management, SEK billion	2,106	2,041	1,699	1,830	1,749

1) Administrative fine in 2020.
2) The number of issued shares was 2,194,171,802. SEB owned 31,499,321 Class A shares for the equity based programmes at year-end 2019. During 2020 SEB has purchased 10,896,142 shares and 10,184,012 shares have been sold. Thus, at 31 December 2020 SEB owned 32,211,451 Class A-shares with a market value of SEK 2,722m.
3) Calculated dilution based on the estimated economic value of the long-term incentive programmes.
4) 2018–2020: Net ECL level based on IFRS 9 expected loss model. 2016–2017 : Credit loss level based on IAS 39 incurred loss model.
5) 2018–2020: In accordance with the EU delegated act. 2016–2017: According to Swedish FSA regulations for respective period.
6) Average for the year.

→ See p. 188–189 for a five-year summary of the Group and the Parent bank's income statements and balance sheets.
→ See p. 215 for definitions.

Share value and stock exchange trading

The closing price at year-end of the SEB class A share was SEK 84.50 (88.08). Earnings per share amounted to SEK 7.28 (9.33).

The SEB share is listed on Nasdaq Stockholm but is also traded on other exchanges such as Chicago Board of Exchange, London Stock Exchange, Turquoise among others.

Market capitalisation

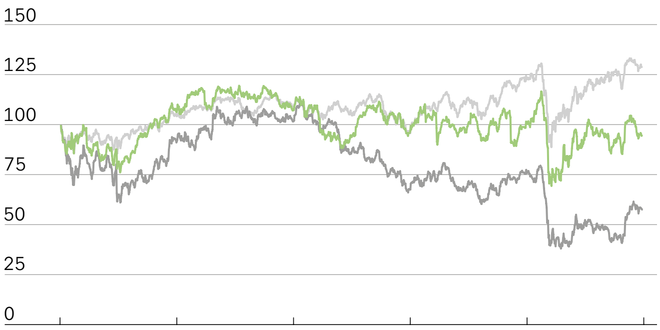
SEK m

	2020	2019	2018	2017	2016
Year-end market capitalisation	185,485[1]	193,345	188,925	211,293	209,645
Turnover[2]	121,000	106,915	128,241	123,889	133,790

1) Based on Nasdaq Stockholm share price of SEK 84.50 for Class A shares and SEK 87.70 for Class C shares.
2) Shares traded at Nasdaq Stockholm.

Share price development SEB Class A share

Index 1 January 2016=100



Data per share

	2020	2019	2018	2017	2016
Basic earnings, SEK	7.28	9.33	10.69	7.47	4.88
Diluted earnings, SEK	7.23	9.28	10.63	7.44	4.85
Shareholders' equity, SEK	79.53	71.99	68.76	65.18	65.00
Net worth, SEK	85.99	78.42	74.74	73.60	73.00
Net expected credit losses[1], SEK	2.83	1.06	0.54	0.37	0.46
Dividend per A and C share, SEK	4.10[2]	0.00[3]	6.50[4]	5.75	5.50
Year-end share price[5], SEK					
per Class A share	84.50	88.08	86.10	96.30	95.55
per Class C share	87.70	91.50	86.40	96.05	95.20
Highest price paid[5], SEK					
per Class A share	104.90	99.38	102.70	109.00	99.75
per Class C share	112.00	102.20	103.60	109.90	101.10
Lowest price paid[5], SEK					
per Class A share	59.80	78.88	79.16	94.05	67.75
per Class C share	69.50	81.70	80.50	95.15	70.35
Dividend as a percentage of earnings (payout ratio), %	56.3[2]	0.0[3]	60.8	77.0	112.8
Dividend yield, %	4.9	0.0[3]	7.5	6.0	5.8
P/E (share price at year-end/earnings)	11.6	9.4	8.1	12.9	19.6
Number of outstanding shares					
million average	2,163.1	2,161.7	2,164.4	2,167.6	2,177.6
at year-end	2,162.0	2,162.7	2,163.9	2,167.0	2,169.0

1) 2018–2020: Net ECL level based on IFRS 9 expected loss model. 2016–2017: Credit loss level based on IAS 39 incurred loss model.
2) As proposed by the Board of Directors.
3) The 2019 dividend proposal was reverted and the AGM decided that no dividend be paid.
4) Ordinary dividend of SEK 6.00 per share and extraordinary dividend of SEK 0.50 per share.
5) Source: Nasdaq Stockholm.

Change in long-term financial targets for the group

With the purpose to increase capital management flexibility, in 2021 the Board of Directors decided to change the long-term financial targets.

The new targets are:

- to pay a yearly dividend that is around 50 per cent of the earnings per share excluding items affecting comparability, and distribute potential capital in excess of the targeted capital position mainly through share repurchases,
- to maintain a Common Equity Tier 1 capital ratio of 100–300 basis points above the requirement from the Swedish Financial Supervisory Authority (FSA), and
- to generate a return on equity that is competitive with peers.

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

CET 1 ratio target

The current target to maintain a management buffer of around 150 basis points to applicable regulatory requirements is replaced with a targeted buffer of 100–300 basis points.

The change towards a range is intended to offer SEB more flexibility to manage its capital position and to grow its business. A buffer range is also more in line with peers.

Dividend target

The current target to pay a dividend of more than 40 per cent of earnings per share is replaced by a target to pay a yearly dividend of around 50 per cent of earnings per share excluding items affecting comparability, combined with distributing potential capital in excess of the targeted capital position mainly through share repurchases.

The use of a combination of annual dividends and share repurchases is intended to provide the benefit of increased financial flexibility.

Share repurchase will be the main form for distributing excess capital. It will be considered when SEB's capital buffer exceeds, and is projected to remain above, the targeted range based on a forward-looking assessment. Since share repurchases are conducted throughout the year, SEB retains the flexibility to adjust the repurchased amounts, based on the current or projected financial position.

Holistic management

Creating sustainable value is a continuous process in an environment that is under constant change. The Board of Directors sets the conditions by deciding on the bank's long-term strategic direction, financial targets, business plans and overall risk tolerance. Profitability targets are set within the framework of the risk tolerance level and the capital adequacy targets. In order to maximise customer and shareholder value, the financial consequences of business decisions are evaluated and operations are managed proactively based on these aspects:

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

Pricing in accordance with risk is thereby a natural part of the business and monitoring nominal and risk-based returns is an important part of management. The Board's overarching risk tolerance statements convey the direction and level of risk, funding structure, liquidity buffers and capital targets. SEB's main risk is credit risk. In 2020, Covid-19, and in the last several years, climate-related challenges were increasingly in focus. Such challenges are reflected throughout SEB's risk management. SEB strives to continuously identify and manage potential future risks, for instance by using stress tests and scenario analysis. The capital buffer and liquidity reserves are held to cover the risk in case of unforeseen events. All activities are carried out responsibly and in accordance with regulations and expectations – all in order to maintain the trust of the stakeholders.

SEB's sustainability report
SEB's sustainability work is described on p. 40–58 and 196–213. The statutory sustainability report prepared in accordance with the Annual Accounts Act is presented on p. 42–58.

Return on equity target
The current target of a return on equity that is competitive with peers remains unchanged.

Financial aspirations for the divisions
SEB is introducing long-term divisional aspirations for profitability (RoBE) and cost efficiency (C/I-ratio). The aspirations for each division have been set mainly based on two factors. Firstly, each division will have the ambition to achieve best-in-class profitability and cost efficiency compared to similar businesses among relevant peers. Secondly, each division's aspirations are set so that they enable SEB to achieve its long-term aspiration of 15 per cent return on equity on group level. These long-term aspirations will be evaluated annually.

Cost target
SEB's business plan for 2019–2021 defines a number of strategic initiatives which, on an accumulated basis, are estimated to lead to total additional investments of SEK 2–2.5bn during the three-year period 2019–2021. This translates into an annual cost increase of SEK 1bn by 2021, and a new total cost target of around SEK 23bn by 2021, assuming 2018 foreign exchange rates. With the foreign exchange rates as of 31 December 2020, the implied cost target is around SEK 23bn in 2021. The pace of investments will be dependent on progress and will be gradually ramped up over the three years. The strategic initiatives are expected to lead to both improved revenue growth and cost efficiencies, improving return on equity over time.

Divisional aspirations

Division	Return on business equity	Cost/ income ratio
Large Corporates & Financial Institutions	>13%	<0.50
Corporate & Private Customers	>17%	<0.40
Baltic	>20%	<0.35
Life	>30%	<0.45
Investment Management	>40%	<0.40

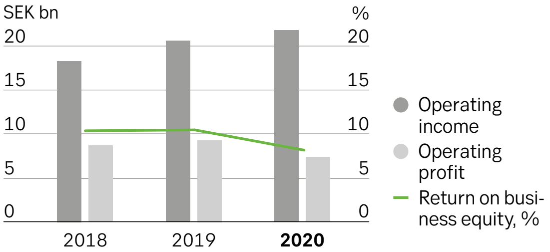
Divisions

	Business offering	Divisional heads
Large Corporates & Financial Institutions	The division serves 2,000 large corporate customers and 1,100 financial institutions and offers advisory-driven commercial and investment banking services in the Nordic region, Germany, United Kingdom and through the international presence. The division has a full-service offering supporting enterprises with capital and offering investment opportunities for pension funds and other investors. Customers are offered capital markets transaction services (equity and debt); financing as well as advice relating to investment banking activities (mergers and acquisitions, etc); products and services for cash management and trade finance; brokerage and trading services; post trade investor services such as custody, risk and valuation services and collateral management; macroeconomic analysis and securities research.	 Joachim Alpen, William Paus
Corporate & Private Customers	The division serves some 497,000 private and 175,000 corporate home bank customers in Sweden with universal banking services through digital meeting points, about 100 physical meeting places and a contact centre with 24/7 accessibility. The division has a broad offering for both private and corporate customers, ranging from everyday banking services to private individuals and smaller companies, to Private Banking services with global reach for high net worth individuals in the Nordic countries. In addition, complex banking and advisory services are provided to medium-sized companies. The division also issues cards in the Nordic countries under SEB's own brand as well as for Eurocard and several other partner brands.	 Mats Torstendahl[1]
Baltic	The division provides universal banking including advisory services to private individuals and all corporate customer segments in Estonia, Latvia and Lithuania, with significant market shares across key segments and products in all three countries. The division has 62 branch offices in the three Baltic countries and serves approximately 1 million private home bank customers and 98 000 home bank customers among small and medium-sized companies. Services are increasingly provided through digital meeting places such as mobile applications, electronic document signing and remote video advice.	 Jonas Ahlström
Life	The division provides life insurance solutions to about 808,000 private and 94,000 corporate customers with 380,000[2] policyholders. Operations are carried out mainly in the Nordic and Baltic countries through digital and remote meeting points, physical meeting places and contact centres. The insurance offering includes unit-linked, portfolio bond and traditional insurance as well as health and sickness insurance. The division aims to serve customers throughout life with long-term advice and solutions in order to provide companies and individuals with the right insurance coverage.	 David Teare
Investment management	The division offers asset management services through a broad range of funds and tailored portfolio mandates to institutional investors, as well as retail and Private Banking customers. The operations are carried out in Sweden, Denmark and Finland, as well as in the Baltic countries. Assets are managed across equities, fixed income, alternative investments and multi-strategy management. The products are distributed mainly via the bank's other divisions, but also via external parties. The division is aiming to be the advisory leader with a goal to enhance and deepen the focus on the sustainable product offering in order to meet customer needs and expectations.	 Javiera Ragnartz

1) Jonas Söderberg was named new head of division Corporate & Private Customers from 1 January 2021.
2) Segmentation of private and corporate customers has changed between 2019 and 2020.

Operating income and profit

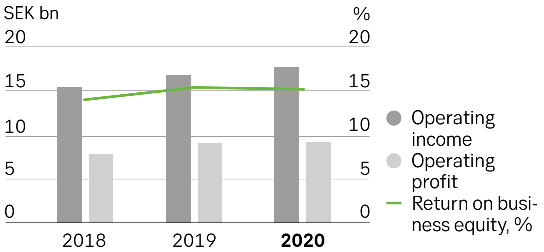
Large Corporates & Financial Institutions



Comments on the 2020 result

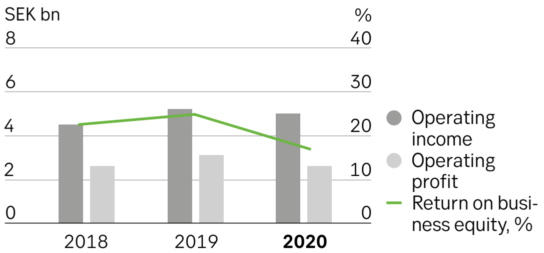
Operating profit decreased by 20 per cent to SEK 7,425m. Net interest income grew by 18 per cent, driven by business volumes. Net fee and commission income as well as net financial income decreased due to the uncertain markets related to Covid-19. Operating expenses were flat compared to 2019. Net expected credit losses increased as an effect of increased provisions in the oil-related sector and net expected credit loss level was 41 basis points.

Corporate & Private Customers



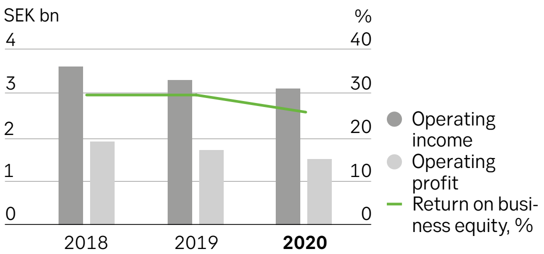
Operating profit increased by 2 per cent to SEK 9,182m. Net interest income increased due to volume growth and favourable interest rates. Net fee and commission decreased, primarily driven by a drop in card turnover related to the pandemic. Operating expenses increased slightly. Net expected credit losses increased, driven by increased provisions related to the pandemic. The net expected credit loss level was 9 basis points.

Baltic



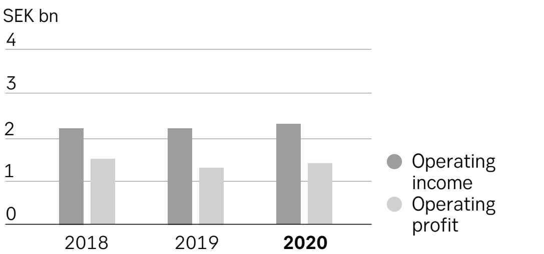
Operating profit decreased by 17 per cent (16 in local currency) to SEK 2,579m. Net interest income decreased as result of lower corporate loan demand and a one-time effect from pre-payment of wholesale funding, among other things. Net fee and commission income was lower mainly from decreased customer activity and less card usage. Operating expenses increased slightly. The net expected credit loss level was 23 basis points, mainly related to the pandemic.

Life



Operating profit decreased by 14 per cent to SEK 1,468m. The result was affected by Covid-19 and a continued margin pressure. In the beginning of the year, the impact on the financial markets affected asset values and the operating profit negatively. Thereafter, the result recovered and at the end of the year assets under management reached its highest reported value ever at SEK 404bn.

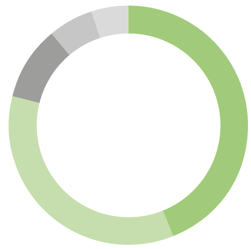
Investment management



Operating profit increased by 10 per cent to SEK 1,447m. Base commissions were flat but the performance fees more than doubled. Operating expenses increased slightly.

Divisions' share of:

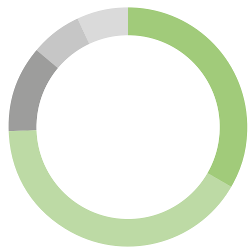
Operating income[1]



	Per cent
Large Corporates & Financial Institutions	44
Corporate & Private Customers	35
Baltic	10
Life	6
Investment Management	5

1) Excluding group functions.

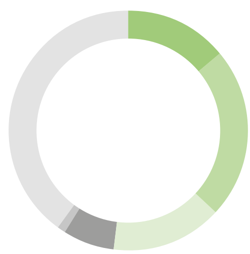
Operating profit[2]



	Per cent
Large Corporates & Financial Institutions	34
Corporate & Private Customers	42
Baltic	12
Life	7
Investment Management	7

2) Excluding group functions.

Employees

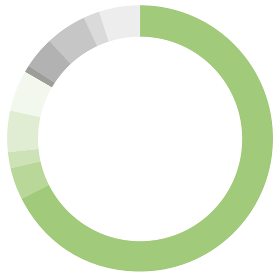


	Per cent
Large Corporates & Financial Institutions	14
Corporate & Private Customers	23
Baltic	15
Life	7
Investment Management	1
Group functions, including support and staff	40

Geographic markets

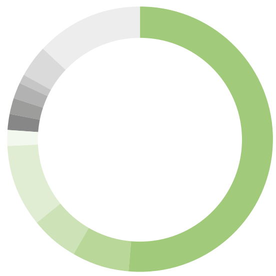
	Market	Comment
	**Global with Sweden** Johan Torgeby *President and CEO*	**Universal banking** Sweden is SEB's main market with a complete banking, pension and insurance offering to a wide range of customers. Despite substantial Covid-19 effects, both corporate and private segment business volumes grew during the year.
	**Estonia** Allan Parik *Country manager*	**Universal banking** The impact from the Covid-19 pandemic on the Estonian economy was smaller than anticipated. SEB focused on providing customers assistance with for instance amortisation grace periods or new financing. Digital services increased and around two thirds of total sales were made digitally and 15,000 video meetings were held.
	**Latvia** Ieva Tetere *Country manager*	**Universal banking** The economy in Latvia weathered the Covid-19 pandemic reasonably well. SEB continued to support customers and improve digital means. Customers increasingly used digital communication – mobile app, video meetings and participated in SEB's digital public events.
	**Lithuania** Raimondas Kvedaras *Country manager*	**Universal banking** Lithuania was one of the EU countries least impacted by the economic downturn following Covid-19. SEB implemented a new core bank system and focused on managing the challenges of pandemic: continued support to customers, new remote possibilities and improved digital services.
	**Denmark** Peter Høltermand *Country manager*	**Corporate banking** The extensive support to the banks' corporate customers throughout the Covid-19 pandemic has substantially increased corporate lending. Capital Markets activities increased accordingly, whereas the demand for investment banking services continued to be lower than average.
	**Norway** John Turesson *Country manager*	**Corporate banking** Given the challenging economic environment combined with volatility and high asset values, SEB was involved in a great number of deals within fixed income, currencies and commodities and investment banking. The result was negatively impacted by oil-related net expected credit losses.
	**Finland** Marcus Nystén *Country manager*	**Corporate banking** Despite the circumstances brought by Covid-19, customer activity was high. This resulted in strong growth in corporate lending business volumes and high demand for advisory within currencies and commodities. SEB expanded existing customer relationships and continued to grow in energy, infrastructure and sustainable banking solutions.
	**Germany** Johan Andersson *Country manager*	**Corporate banking** Massive support measures by the German government stabilised the economy during a challenging year. Many corporate customers turned to SEB in order to secure access to funding and the bank strengthened its advisory position. A significant number of new financing mandates were won, not the least in the sustainability area.
	**United Kingdom** Anders Engstrand *Country manager*	**Corporate banking** Two key themes dominated the UK: uncertainty regarding the outcome of Brexit and the impact of the Covid-19 pandemic. Throughout the year, SEB has supported existing customers and added new corporate relationships further expanding our presence.
	Other markets The international network	SEB continued to serve customers through its presence in Luxembourg, Poland, Russia, Ukraine, China, Hong Kong, Singapore, India, USA and Brazil.

Share of SEB's operating income



	Per cent
Sweden	69
Estonia	4
Latvia	2
Lithuania	5
Denmark	5
Norway	1
Finland	4
Germany	5
United Kingdom	2
Other markets	5

Share of SEB's employees



	Per cent
Sweden	52
Estonia	7
Latvia	6
Lithuania	10
Denmark	2
Norway	2
Finland	2
Germany	2
United Kingdom	1
Other markets	4
Global services in Latvia and Lithuania	13

Market shares and customer contacts

SEB's market shares

Per cent

	2020	2019	Total market, SEK bn 2020	Market growth
Lending to general public				
Sweden	14.4	14.4	6,898	5
Lending to households	12.6	12.6	4,421	6
Lending to companies	17.6	17.5	2,476	3
Estonia[1]	27.5	27.7	218	3
Lending to households	26.4	26.7	102	11
Lending to companies	28.4	28.5	115	−3
Latvia[1]	23.2	22.6	140	−6
Lending to households	19.2	19.0	57	−2
Lending to companies	25.9	25.0	84	−9
Lithuania[1]	31.2	31.9	204	−4
Lending to households	28.9	29.2	109	5
Lending to companies	33.9	34.6	94	−13
Deposits from general public				
Sweden	16.5	16.3	3,731	17
Deposits from households	11.6	11.5	2,225	11
Deposit from companies	23.8	24.4	1,507	28
Estonia[1]	21.3	22.3	240	11
Deposits from households	21.5	21.6	104	8
Deposit from companies	21.2	22.9	135	14
Latvia[1]	18.2	18.0	187	6
Deposits from households	18.1	18.1	104	9
Deposit from companies	18.3	17.9	83	2
Lithuania[1]	28.6	28.2	301	22
Deposits from households	29.5	29.4	170	15
Deposit from companies	27.5	26.3	131	34
Equity trading				
Stockholm	4.8	6.6	11,263	33
Oslo	2.1	2.7	2,115	−12
Helsinki	2.8	4.7	3,154	14
Copenhagen	2.0	2.7	4,785	36
SEK-denominated corporate bonds	13.2	18.7	152	−20
Mutual funds, total volumes[2]				
Sweden	10.2	10.6	5,455	8
Finland	1.2	1.4	1,330	2
Unit-linked insurance, premium income				
Sweden	13.2	13.8	70.1	4
Total life insurance, premium income				
Sweden	7.8	8.1	273.5	11

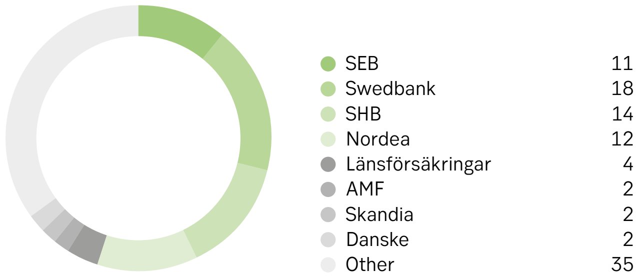
1) Excluding financial institutions & leasing. Estonia, Latvia and Lithuania per September 2020, compared with September 2019. Market growth in local currency.

2) Excluding third-party funds.

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

Household savings, Sweden

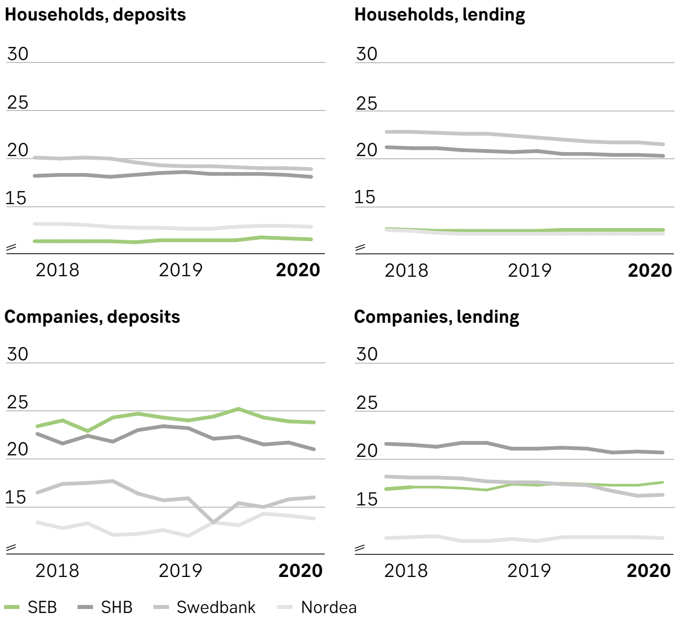
Per cent



Total household savings in Sweden – bank accounts and mutual funds – amounted to SEK 7,680bn as of 31 December 2020.

Market shares, Sweden

Per cent



Customer contacts

	2020	2019	2018
Number of syndicated loans in Nordic countries	69	78	69
Number of equity capital market transactions in the Nordic countries	28	25	24
Number of Nordic mergers and acquisitions	10	31	19
International Private Banking branch offices	12	12	12
Number of Swish payments via SEB's app (million)	49	45	37
Number of external life insurance intermediaries and brokers	1,750	1,780	1,850
Number of branch offices	172	184	189
Number of ATMs[1]	2,293	2,370	2,504

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

Profit related to business volumes

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

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

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

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

Income statement, simplified

SEK m

		2020
A	Net interest income	25,143
B	Net fee and commission income	18,063
C	Net financial income	6,275
D	Net other income	236
	Total operating income	**49,717**
	Total operating expenses	**–22,747**
2 3 4 5	Net expected credit losses and other	–6,124
	Operating profit before IAC	**20,846**
	Items affecting comparability	–1,000
	Operating profit	**19,846**
	Income tax expense	–4,100
	NET PROFIT	**15,746**

Business volumes in the balance sheet

SEK m

	ASSETS	2020
1	Cash and cash balances with central banks	323,776
2	Loans to central banks	3,633
3	Loans to credit institutions	50,791
4	Loans to the public	1,770,161
5	Debt securities	265,433
6	Equity instruments	82,240
7	Financial assets for which the customers bear the investment risk	330,950
8	Derivatives	164,909
	Other assets	48,539
	TOTAL ASSETS	**3,040,432**

	LIABILITIES AND EQUITY	2020
9	Deposits from central banks and credit institutions	111,309
10	Deposits and borrowings from the public	1,371,227
11	Financial liabilities for which the customers bear the investment risk	332,392
12	Liabilities to policyholders	29,624
13	Debt securities issued	749,502
14	Short positions	30,409
	– of which equity instruments	*10,873*
	– of which debt securities	*19,536*
15	Derivatives	161,561
	Other liabilities	82,464
16	*– of which subordinated debt*	*32,287*
	Total equity	171,943
	TOTAL LIABILITIES AND EQUITY	**3,040,432**

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

SEK bn

			2020
17	Assets under management	Customers invest in for instance mutual funds	2,106
17	Assets under custody	The bank safekeeps securities and administrates dividends and interest on customers' behalf	12,022
17	Commitments	Preapproved customer credits	725
17	Guarantees	The bank assists customers with credit risk management	137

17	Payments and cash management	Customers make payments and manage account balances
17	Card transactions	Customers make and receive card payments
17	Securities transactions	Customers use the bank in securities transactions, for instance equity trading
17	Corporate transactions	Corporate customers seek advice and assistance for various corporate transactions, such as acquisitions, IPOs, etc.

Operating income in relation to customer-driven business volumes

A **Net interest income** Net interest income is the difference between income from lending and expenses associated with deposits and borrowings. Margins and business volumes have a major bearing. Interest margins differ in various markets, mainly due to varying maturities and risk.	B **Net fee and commission income** Net fee and commission income increases with growing transaction volumes. Commissions may increase in advantageous financial markets and with increased business volumes, and vice versa.	C **Net financial income** Net financial income includes both the market value and realised gains and losses on transactions with securities, currencies and derivatives. The development in financial markets plays a major role.	D **Net other income** Items in net other income occur sporadically with no clear link to macroeconomic factors.	
Customer loans and cash balances generate interest income over the life of the loan. Up-front fees on new loans are treated as interest income. 1 2 3 4	SEB participates in, or leads, syndications of loans leading to net fee and commission income or expenses. 4			**Loans**
SEB maintains an inventory of debt securities for customer trades and liquidity management. They accrue interest over life. 5 14		SEB holds debt securities for customer trading and liquidity management. The customer trading activity as well as the market value of the inventory affect net financial income. 5 14	Sales from the bank's inventory of debt securities held for liquidity management or investment affect this item. 5	**Debt instruments**
	Brokerage fees in equity trading are received or paid. 17	SEB holds equity instruments for customer trading and is a counterpart in equity swaps. The customer trading, changes in the market value, dividends and realised gains/losses affect this item. 6 14	Dividends from the bank's own equity holdings affect the item. 6	**Equity Instruments**
Interest rate derivatives that are used by SEB to reduce volatility in the result (so-called hedging) accrue interest over life. 8 15	In certain cases, SEB charges and pays fees when trading in derivatives. 8 15	SEB is a counterparty for customers wishing to manage risk (for instance foreign exchange and interest rate risk) using derivative instruments. Both customer trades and the market value of the holdings affect financial income. 8 15	The market value of derivatives that SEB uses for hedging. 8 15	**Derivatives**
SEB pays interest on customers' deposits. 9 10	Certain bank accounts generate fee income. 9 10			**Deposits and borrowings**
	SEB provides savings in unit-linked insurance, deposit insurance and similar products where the customer bears the risk. Invested volumes generate fee income. In addition, distribution generates fee expenses. 7 11 17	SEB provides savings in traditional pension with a certain guaranteed return, sickness and health insurance and related services. SEB invests mainly in equity instruments and debt securities to safeguard the outcome of insurance claims. 5 6 12		**Insurance and savings**
SEB's operations are partly funded by long and short-term interest-bearing securities, all of which generate interest expense. 13 16	Index-linked bonds generating fee income are provided for the purpose of customer investment. 13 17	The market value including the credit risk in SEB's issued index-linked bonds affects this item. 13	Early redemption by SEB of its debt instruments affects this item. 13 16	**Issued securities and subordinated debt**
	Various customer services are provided which generate both fee and commission income and expense. Most fees are fixed and transaction based; some are market value based. 17			**Business volumes outside the balance sheet**

Risk, liquidity and capital management

Managing risk is an integral part of banking, and risk awareness is deeply embedded in SEB's corporate culture. The bank has a comprehensive framework for risk, liquidity and capital management that is continuously being developed to reflect the current environment. This has enabled SEB to continue to create customer value during the Covid-19 pandemic while maintaining the bank's resilience.

Risk management

Risk development in 2020

2020 was an extraordinary year from a risk perspective, with the Covid-19 pandemic testing the resilience of the financial system. When the pandemic erupted, global growth prospects experienced an unprecedented shock as restrictions and lockdowns were implemented around the world. Estimating the extent of the economic damage was at that point impossible. Financial markets reacted to the uncertainty with volatility that exceeded levels seen during the 2007–2008 financial crisis and the oil price fell sharply. Corporate customers approached banks to secure liquidity facilities and governments struggled to put together suitable support programs for both corporates and individuals. The shock to the economy also created massive uncertainty regarding expected credit losses among banks.

SEB has managed the crisis well. Focus has been on supporting customers while at the same time managing the increasing risks. The bank's crisis management and pandemic plans were activated already at the onset of the pandemic and have resulted in completely new ways of working without major disturbances to the bank's significant processes. Operational risk incidents and related losses remained low. Market volatility was handled within existing risk frameworks and financial markets recovered swiftly. SEB's liquidity position and capital adequacy have remained strong throughout the turbulence. Net expected credit losses saw an increase during the year but were primarily concentrated to the offshore segment in the oil industry, which was deeply affected by the lower oil prices. In addition, model overlays were made for potential Covid-19-related effects. The effects from the pandemic on the overall credit quality remained limited throughout the year.

The economic recovery that began in the third quarter was soon interrupted by a second wave of infections. The outlook for 2021 contains both hope for a return to normal as vaccination programmes are rolled out, and a concern that, for some companies, future income will not compensate for increasing debt levels during the crisis. There are also companies whose business models may be at risk given the accelerated digitalisation.

While the Covid-19 pandemic dominated risk management in 2020, it is clear that risks related to environmental, social and governance (ESG) continue to grow in importance. Climate-related risks in particular are being increasingly analysed, measured and integrated into strategic decision-making. Risks related to money laundering and financing of terrorism remain in focus, and preventive work is being continuously strengthened.

SEB continues to develop its risk management in order to manage new types of risks emerging from trends or events such as pandemics, climate change, technological innovation or geopolitical events. This is done through developing relevant taxonomies, a control framework focused on prevention, an integrated risk and control assessment that considers emerging risks, and a quantitative assessment of the risk.

Overall stable asset quality

SEB has a well-balanced credit portfolio (which includes loans, contingent liabilities and derivatives) mainly focused on Nordic

Risk profile

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

Board's risk tolerance statements in brief. SEB shall:	Measurement	2020	2019
Credit risk and asset quality Have a robust credit culture based on long-term relationships, knowledge about customers and focus on their repayment capacity. This will lead to a high-quality credit portfolio.	• Total loans, contingent liabilities and derivatives (SEK bn) • Expected credit losses in relation to total exposure (%) • Share of loans that are classified as credit-impaired (%)	2,591 0.26 0.87	2,498 0.10 0.67
Market risk Achieve low earnings volatility by generating revenues based on customer-driven business.	• Statistical measure of the largest trading loss that can be expected in a ten-day period (VaR) (SEK m)	210	98
Operational, business and reputational risk Mitigate operational, business and reputational risk in all activities and maintain the bank's good reputation.	• Operational risk losses in relation to operating income (%)	1.94[1)]	0.30
Liquidity and funding risk Have a soundly structured liquidity position, a balanced wholesale funding dependence and sufficient liquid assets to meet potential net outflows in a stressed scenario.	• Short-term funds in relation to short-term payments (Liquidity Coverage Ratio) (%) • Long-term funds in relation to long-term cash flows (Core Gap ratio) (%)	163 113	218 109
Aggregated risk and capital adequacy Maintain satisfactory capital strength in order to sustain aggregated risks and guarantee the bank's long-term survival and its position as a financial counterparty, while operating within regulatory requirements and meeting rating targets.	• Risk-weighted business volumes (risk exposure amount) (SEK bn) • Capital in relation to the risk exposure amount (CET1) (%) • Capital in relation to total assets (leverage ratio) (%)	726 21.0 5.1	746 17.6 5.1

1) Excluding an administrative fee of SEK 1,000m issued by the Swedish FSA, the operational risk loss in relation to operating income would have been 0.45%.

large corporates and Swedish households. In 2020, overall asset quality remained stable despite the exceptional economic slow-down triggered by the pandemic. The impact of Covid-19 was limited for the bank's larger portfolios such as large corporates, real estate, small and medium-sized companies and households. At the end of the year, there were still no signs of a broad structural deterioration of customers' financial positions.

Monthly filings of bankruptcies in Sweden peaked in March and April but remained below the level in 2019 thereafter. Late payments and drawdowns on overdraft facilities remained low and stable throughout the year. However, the expectation is that the underlying financial profile of many companies has weakened as an effect of lost income and increased debt levels. This could eventually lead to weakening asset quality in banks. Industry sectors deemed to be most at risk are oil-related, travel and transportation, retailers and retail space. During the pandemic, SEB's prime focus has been to work closely with customers and actively manage risk.

There was limited impact from the Covid-19 pandemic and SEB's net expected credit losses were concentrated to exposures which were weaker already before the outbreak, including the offshore segment in the oil industry. The sharp decline in oil prices early in the year prompted oil and gas companies to take drastic measures, including significant capital expenditure cutbacks. Many sectors within the oil service industry were already struggling with overcapacity, thus necessitating more severe restructuring measures. SEB's offshore portfolio (rigs, accommodation rigs and platform support vessels) has been subject to enhanced monitoring since 2015 but, with a few exceptions, restructurings have now been concluded or are in the process of being concluded. Performance and/or recovery on an individual customer basis will continue to depend largely on the length and depth of the overcapacity issue as well as on owners' willingness and ability to engage in, and support, consensual restructurings with regard to the few remaining offshore exposures still subject to ongoing restructuring discussions.

Net expected credit losses (ECL) amounted to SEK 6,118m (2,294), corresponding to a net ECL level of 26 basis points (10). The development was driven by increased provisions for individual counterparties in the offshore segment and model overlays on portfolio level for potential Covid-19-related effects and oil-related exposures.

Credit-impaired loans (gross loans in Stage 3) amounted to SEK 15.6bn at year-end (11.8), corresponding to 0.87 per cent of gross lending (0.67). The Stage 3 ECL coverage ratio increased during the year from 45.2 per cent to 48.4 per cent.

Robust credit portfolio growth in challenging times

Credit volume growth was good in 2020, driven mainly by large corporate demand for Covid-19 related contingent liquidity facilities during the first wave of the pandemic as well as strong growth in the Swedish household mortgage portfolio. The total credit portfolio amounted to SEK 2,591bn (2,498).

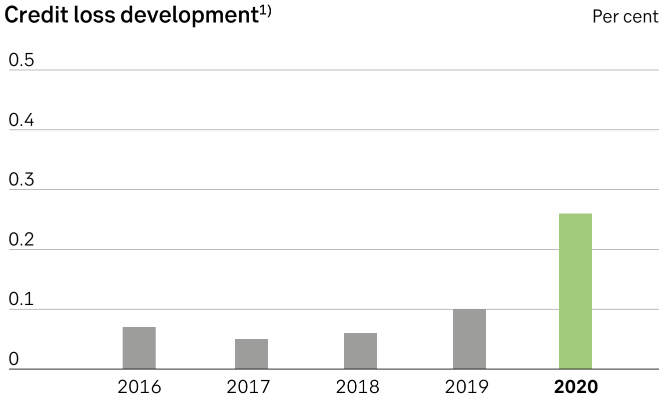
Strong credit demand from large corporates

More than half of SEB's credit portfolio consists of exposure to corporates. SEB is unique among its peers in that its corporate portfolio consists primarily of large corporate customers – mainly Nordic and German customers in a wide range of industries, the largest being manufacturing.

In general, SEB's large corporate customers have remained resilient during the crisis. At the outbreak of the Covid-19 pandemic, demand from large corporates for liquidity facilities increased, and as a result, the majority of counterparties entered the economic downturn with strong buffers. For SEB this was the main driver of corporate credit growth in 2020. Activity among large corporate customers gradually returned to more normal levels during the second half of the year and in total, the corporate portfolio grew to SEK 1,308bn (1,268).

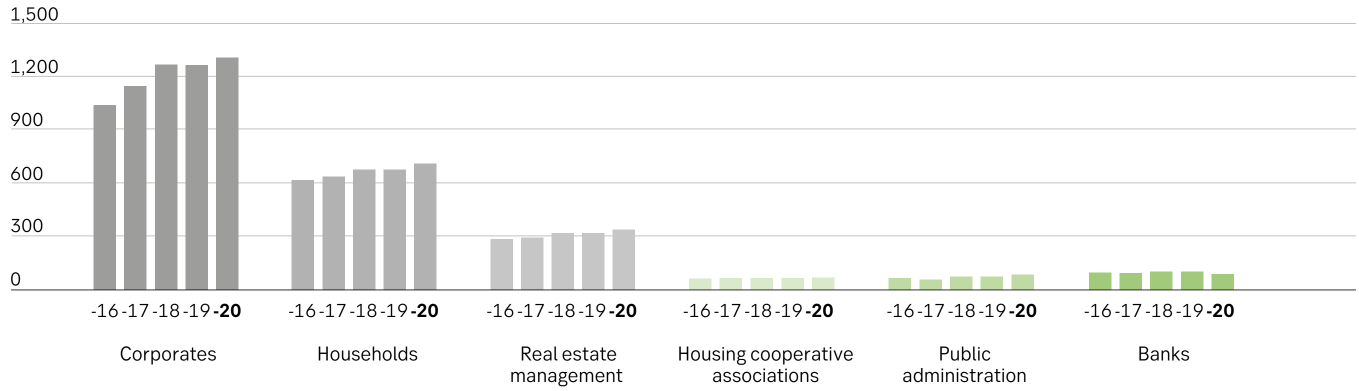
Among small and medium-sized enterprises (SMEs) demand for liquidity facilities was much less pronounced during the pandemic and credit demand from the segment was stable. SEB's SME portfolio grew to SEK 149 bn (143bn). SEB's exposure to SMEs is mainly in Sweden and accounts for 11 per cent (11) of the total corporate portfolio.

Credit loss development[1)]



1) 2018–2020: Net ECL level based on IFRS 9 expected loss model.
2016–2017: Credit loss level based on IAS 39 incurred loss model.

Credit portfolio, development by customer segment



Strong growth in Swedish household mortgages

Activity remained high in the housing market in 2020 despite the unusual situation, supported by continued low interest rates and a labour market underpinned by forceful government measures. The majority of Swedish municipalities continue to report housing deficits and strong demand especially for smaller apartments. At the same time, the Covid-19 pandemic has resulted in growing demand for larger apartments and houses outside city centres. SEB's Swedish household mortgage portfolio continued to grow in line with the market at around 5 per cent and amounted to SEK 560bn at year-end (520bn). The portfolio is of high quality with low historical credit losses, a sound portfolio loan-to-value (LTV) ratio (weighted average max LTV of 54 per cent) and a proven strong repayment capacity among customers.

Lending decisions are based on the borrower's repayment capacity, including the ability to manage a stressed scenario with a higher interest rate. Where applicable, the stressed scenario takes into account the borrower's share of the housing association's total debt. New mortgage loans normally may not exceed five times the household's gross income.

The general exception from the amortisation requirement law implemented by the Swedish FSA when the Covid-19 pandemic escalated has not affected lending standards. In 2020 SEB granted the temporary exception to close to 30,000, or 17 per cent, of its Swedish mortgage customers, while asset quality indicators remained intact. The exception expires in August 2021.

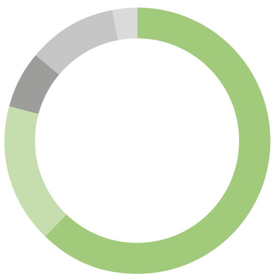
Solid real estate portfolio

SEB's credit exposure to residential real estate management is mainly Swedish and consists of high quality, private and publicly owned real estate companies as well as institutional investors. Average loan-to-value for the portfolio was 46.5 per cent at year-end (46.6). Demand for residential real estate in Sweden is stable and non-cyclical due to the structural housing deficit.

Growth in the residential real estate portfolio was strong in 2020 driven mainly by high activity among existing customers as well as a growing supply of newly produced properties coming on to the market. The portfolio amounted to SEK 143bn (131). SEB also has SEK 66bn (63) in exposure to housing cooperative associations, a common form of residential home ownership in Sweden.

SEB's exposure to commercial real estate companies consists mainly of strong counterparties in the Nordic region with sound financing structures and diversified property portfolios. Average loan-to-value for the portfolio was 45.5 per cent at the end of 2020 (45.2). The market outlook for commercial real estate continues to be supported by low interest rates. The acceleration of trends such as e-commerce and remote working as well as reduced travelling during the Covid-19 pandemic has impacted segments such as retail-related properties and hotels. SEB's commercial real estate portfolio amounted to SEK 196bn (188) at year-end.

Credit portfolio, distribution by geography[1] Per cent



Sweden	63
Other Nordic countries	17
Baltic countries	7
Germany and the UK	11
Other	2

1) Distribution based on SEB's operations.

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

Balanced growth in the Baltic countries

SEB's Baltic credit portfolio consists mainly of corporate and household exposures, while the real estate management portfolio is limited. Lithuania is SEB's largest market in terms of credit exposure in the Baltic countries, followed by Estonia and Latvia.

Lockdowns were implemented in all three Baltic countries when the pandemic erupted. The economic impact turned out to be less severe than initially expected, however, as comprehensive government support programmes were put in place. Corporate and household activity picked up gradually during the third quarter, and in total SEB's Baltic credit portfolio was unchanged at SEK 188bn.

Increased market risk

Market risk arises in SEB's customer-driven trading activity and in its liquidity portfolio. It also arises in the form of interest rate risk in the banking book as a result of balance sheet mismatches in currencies, interest terms and interest rate periods. Risk in customer-driven trading is measured as Value-at-Risk (VaR), which estimates the maximum loss the bank expects to make during a period of ten trading days, with 99 per cent probability.

When the Covid-19 pandemic started in the first quarter of the year, financial market volatility exceeded levels seen during the financial crisis in 2007–2008 and VaR reached a peak of SEK 420m. The volatility was managed by reducing risk in certain portfolios while at the same time supporting customer needs. Financial markets recovered swiftly after the initial turmoil but VaR, which is based on changes in market risk factors over the past twelve months, has remained at an elevated level, averaging SEK 210m for the year (98).

Unchanged insurance risk

SEB's life insurance business consists mainly of unit-linked products, where the market risk remains with the customer. In 2020, unit-linked products accounted for 67 per cent of total premium income (63). In addition to unit-linked, SEB also offers traditional life and risk insurance as well as occupational pension and private health insurance products in Sweden. The traditional life insurance portfolios expose SEB to financial market risk due to the guaranteed elements of the products. However, the difference between the value of the assets and the guaranteed commitments serves as a buffer against earnings volatility. While these buffers decreased in the first quarter 2020 due to the volatile financial markets, the subsequent market recovery and new business volumes resulted in slightly higher levels for the year. An environment with continued low interest rates is challenging for the life insurance industry both with regards to capitalisation and to generating competitive asset returns. While portfolio allocations to alternative investments have been somewhat lower than previous years, they are likely to remain material at around 40 per cent.

Managing operational risks during the pandemic

Crisis management plans were activated across SEB at the outbreak of the pandemic. A pandemic response scenario devised in 2008 as part of SEB's business continuity planning formed the backbone of the bank's response and has evolved in pace with the progression of the Covid-19 pandemic. Crisis management has resulted in completely new ways of working and an enormous speed of change. There were some initial challenges related to having a large share of employees working remotely but these were managed without any major disturbances to the bank's significant processes.

Net operational losses from incidents increased to SEK 1,235m in 2020 (120), mainly due to the SEK 1bn administrative fine issued by the Swedish FSA (see p. 61). By continuously developing and improving governance and risk practices, SEB strives to mitigate operational risks – both traditional and emerging risks – in its daily business and in processes.

Cybersecurity and data management

The cyber threat environment is becoming increasingly sophisticated. In order to ensure availability of the bank's services and protect assets, SEB takes a holistic approach to cybersecurity and works at various levels to identify, protect and respond to cyber threats. All security functions have been gathered in one global organisation. IT-systems and applications, networks and devices are systematically tested for vulnerabilities and monitored with the help of machine learning to detect any deviant behaviour.

Risk awareness training and proactive communication to all SEB employees are important parts of the security work. External and internal assessments and audits are performed regularly to test the operational resilience. In January 2021, SEB established a Cyber Risk and Cybersecurity Committee to support the Board of Directors, the President and the CRO with knowledge, skills and expertise in their decision-making and risk assessment. At the same, the cyber-related framework was updated and a new group-wide cyber risk policy was adopted. SEB took a number of actions that handle specific challenges in cybersecurity that occurred in the wake of the pandemic.

Data management and data ethics continue to grow in importance as regulatory requirements related to, for instance, financial reporting, the Payment Services Directive (PSD2) and money laundering are leading to an increased need for data and data processing as well as for data-sharing with third-party providers. SEB's well-defined processes for managing such risks are being continuously adapted. In 2020, a group-wide information governance framework was implemented, including the establishment of group-wide data councils and data management tools and processes. Model risk is another area affected by evolving regulatory requirements. A model risk policy framework has been in place for a few years. During 2020, significant improvements were made to the independent validation of models used for financial crime prevention, pricing of lending products and algorithmic trading.

Continuous strengthening of the risk culture

SEB's credibility and reputation are essential to the bank's success and are built on long-term customer relationships, a strong business and risk culture based on high ethical standards, social and environmental responsibility and professionalism.

SEB's reputation is also dependent on the type of customers SEB is associated with. In 2020 a new unit called Customer Risk was established within the CRO function with the responsibility for performing second-line assessment of the new customer on-boarding process and reviewing existing customers. The assessment will be done in line with SEB's new Customer Acceptance Standards that were put in place in 2020 to further reinforce a sound risk culture in the area of customer acceptance.

The work to detect and prevent fraud, both internally and in cooperation with the police, is continuously evolving to adjust to new criminal behaviours. SEB's Code of Conduct and core values, mandatory training and dialogues on ethical and value-related dilemmas strengthen employees' awareness of the importance of their conduct. Employees and others are urged to report unethical or illegal incidents, if needed through an independent, external whistle-blowing procedure.

Prevention of corruption, money laundering and financing of terrorism

By being active in the financial market with a diverse and global offering, SEB as a bank is exposed to the risk of being used for corruption, money laundering and financing of terrorism. SEB works actively to prevent such risks in line with applicable rules and regulations as well as its own high ethical standards. Knowledge, awareness and a strong risk culture are firmly embedded in the entire organisation, from the Board of Directors to individual employees.

SEB's Customer Acceptance Standards (CAS) represent what the bank considers to be critical requirements when accepting new and existing customers. They complement internal and external rules and aim to further institutionalise and reinforce SEB's sound risk culture. In situations where legal requirements, the CAS and other relevant SEB policies, procedures and instructions are not fulfilled, the decision to onboard a new customer or maintain an existing relationship, needs to be escalated to the appropriate higher decision-making body. At the same time long-term customer relationships are at the core of SEB's risk culture, and potential conflicts with CAS are to be discussed openly with the customers.

The principles for SEB's Customer Acceptance Standards are:
1. SEB's active choice. To be a customer of SEB shall be the result of an active decision by the bank. Customer relationships are built on trust, and the relationship will be reviewed as required.
2. The purpose of the relationship must be fully understood. SEB shall have a good understanding of the customer's purpose for using SEB and why it makes sense that SEB provides those services.
3. Transparency is a requirement. Openness and the ability to provide satisfactory information is a requirement to become and remain a customer of SEB.
4. Customers shall comply with laws and regulations with a respectful distance to grey zones.
5. Customers in industries with a significant negative climate impact and without a credible plan to manage the transition to a low-carbon economy shall be avoided. SEB is committed to aligning its business strategy with the Paris Climate Agreement and encourages sustainable practices in partnership with customers.
6. Industries with negative social impact shall be avoided. SEB is committed to aligning its business with the UN Guiding Principles on Business and Human Rights and therefore has a very restrictive attitude to business activities in industries that could be seen as creating negative conditions for people involved in them.
7. Customers domiciled in high risk countries, where legal systems, infrastructures or financial disclosures are considered deficient and where corruption is high, shall be avoided.
8. Customers with heightened money laundering or sanction risk shall be treated with caution. Certain customers carry, by virtue of their activities, domicile, ownership, employees or payment patterns, a heightened risk for money laundering.
9. Customer acceptance shall be based on an approved business strategy, and SEB shall have the capacity to follow up and control customers and related risks.

In June 2020, the Swedish FSA announced a sanction decision related to SEB's routines and processes to avoid being exploited for money laundering in its Baltic subsidiary banks. The FSA issued SEB a remark, which is a lower degree of administrative sanction that is issued when a breach has not been deemed to be severe. The FSA also assessed SEB an administrative fine of SEK 1bn. Work to strengthen SEB's defence against money laundering will continue to be of high priority for the bank.

SEB has a clear governance model for its preventive work against corruption, money laundering and financing of terrorism, with mandates, instructions and responsibilities. The preventive work is constantly being developed to adapt to new criminal behaviour and to be aligned with evolving regulation. To understand how the bank could be used for money laundering or financing of terrorism, risk assessments are performed and serve as the basis for developing internal procedures to mitigate identified risks.

One of the most important processes of the preventive work is the risk-based customer due diligence process. In this process, information to understand the business relationship and potential risks associated with the customer is collected and assessed. Customer due diligence is performed both when onboarding new customers and on an ongoing basis throughout the relationship. Enhanced due diligence is applied for customers in areas where the bank is believed to be more exposed, such as for customers with specific products or that have ties with high-risk countries.

Another important process is transaction monitoring, which is used to detect suspicious transactions and behaviours. Any suspicious activity that is discovered is reported to the relevant authorities. In such cases SEB will consider terminating or limiting the business relationship if the identified risk cannot be managed. In 2020 SEB reported more than 3,000 Suspicious Activity Reports to the authorities in the countries where it operates. SEB also performs sanction screening to prevent payments to and from persons or entities on sanctions lists.

SEB works continuously to develop its capabilities in the above areas by reinforcing internal controls and procedures in the business units and at the geographic locations where the bank operates, utilising new technologies and conducting employee training to strengthen awareness.

External cooperation is also an essential part of the preventive work. In 2020 SEB continued to work with the joint know-your-customer platform that was established together with five other Nordic banks in 2019. A cooperation with the Swedish Police Authority to form an anti-money laundering intelligence task force with the aim to increase information sharing was initiated during the year together with the large Swedish banks.

Sustainability risks in credit analysis and customer onboarding

As a bank, SEB plays an important role in society by providing credit and managing financial assets in ways that promote sustainable economic growth and prosperity. Both in its customer onboarding and credit granting processes, SEB considers sustainability risks and the extent to which such risks can impact SEB's ambition to be a sustainable bank as well as the customer's ultimate repayment capacity. SEB's sustainability-related policies define how the bank is to consider sustainability risks.

Tools for identifying, defining, monitoring, measuring and controlling sustainability risks are developed continuously. For example, during 2020 SEB developed a classification model for assessing the climate impact of its corporate and real estate customers. The model can be used both for identifying and mitigating transition risks and for aggregating and measuring the credit portfolio's alignment with the Paris Agreement. SEB's strategic initiatives to manage and report on climate-related risks are further described in the Task Force on Climate-related Financial Disclosures (TCFD) report on p. 52.

Human rights and labour law

Conducting responsible business entails an obligation to respect and promote human rights and labour law. SEB assesses the risk for human rights violations in accordance with SEB's Human Rights Policy and international agreements. A customer with low human rights ambitions, that might expose people to, for example, danger or violations, could in addition to the risk of causing negative impacts on human beings present a credit risk for the bank. In addition, investing in such companies also carries a high reputational risk. This type of risk is to be assessed and monitored in the credit and investment processes. SEB's Human Rights Policy, sector policies and ESG data from external suppliers serve as guidance.

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

Liquidity and capital management

Sound liquidity and funding strategy

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

In 2020, deposits significantly outgrew lending, resulting in a historically low loan to deposit ratio of 122 per cent (143) and a lower need for funding in the financial markets. Financial markets were well functioning and offered attractive funding opportunities supported by central banks' quantitative easing measures. SEB raised long-term funding in an amount of SEK 117bn. SEB maintained its ratings during 2020. A high credit rating is important as it is the basis for the cost for SEB's wholesale funding.

→ See p. 64 for credit ratings and composition of new funding.

The Core Gap ratio, which is SEB's internal measure of the extent to which long-term lending is matched by long-term funding, was 113 per cent (109), which is well within the Board's risk tolerance for a sound structural liquidity risk position. SEB also manages its liquidity position in line with the upcoming Net Stable Funding Ratio (NSFR) regulatory requirement of at least 100 per cent, which enters into force in 2021.

SEB's liquid assets amounted to SEK 617bn at year-end (470). The size and composition of liquid assets are regularly analysed and assessed against estimated needs.

The Liquidity Coverage Ratio (LCR) measures to what extent SEB's liquid assets are sufficient to cover short-term cash outflows in a short-term stressed scenario. SEB's LCR was 163 per cent at year-end (218) and is thus in compliance with the minimum requirement of 100 per cent. SEB also meets the minimum LCR requirement for individual currencies, including euro, dollar and other significant currencies.

Strong capital position

Despite a strong risk culture and risk management, unexpected losses can occur in banking. SEB's capital management is designed to ensure that the bank has sufficient capital to absorb such unexpected losses. The Board of Directors sets SEB's capital target taking into consideration financial stability requirements by the regulators, debt investors and business counterparties, as well as the Board's view of capital need and credit rating ambitions. These requirements must be balanced with the shareholders' required rate of return.

On 29 December 2020 new capital requirements started to apply for Swedish banks, since the EU Banking package was transposed into Swedish law. Capital requirements are built up of four main parts:
1. A Pillar 1 minimum requirement
2. Pillar 2 requirements (P2R)
3. A combined buffer requirement and
4. A Pillar 2 guidance (P2G)

The Swedish FSA requirement on SEB's Common Equity Tier 1 capital ratio (CET1) per the end of the year was 12.6 per cent (15.1), of which the pillar 2 requirement was 1.5 per cent and the combined buffer requirement was 6.6 per cent. As part of the 2021 Supervisory Review and Evaluation Process (SREP) the Swedish FSA will introduce the Pillar 2 Guidance (P2G).

At year-end, SEB's CET1 capital ratio was 21.0 per cent (17.6), implying a buffer of 840bps above the regulatory requirement. The risk exposure amount decreased to SEK 726bn (746) mainly as a result of foreign exchange effects. With the 2020 result and given that no dividend for 2019 was made, the CET1 capital increased to SEK 152bn (131).

SEB's leverage ratio, a non-risk-based ratio of Tier 1 capital to total assets, was 5.1 per cent at year-end (5.1), which is above the requirement of 3 per cent, which will be implemented in 2021.

The capital requirements for Swedish banks are currently higher than EU levels and Swedish banks are well capitalised compared with banks elsewhere in Europe, both from a risk-weighted and non-risk-based perspective.

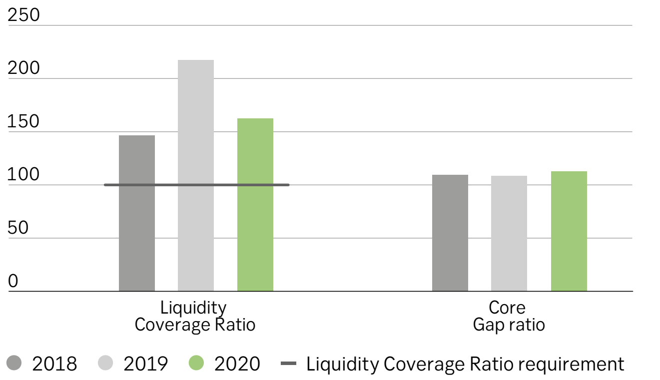
→ For information on the Board's capital-related financial targets, see p. 66.

Reform packages to increase banks' financial stability

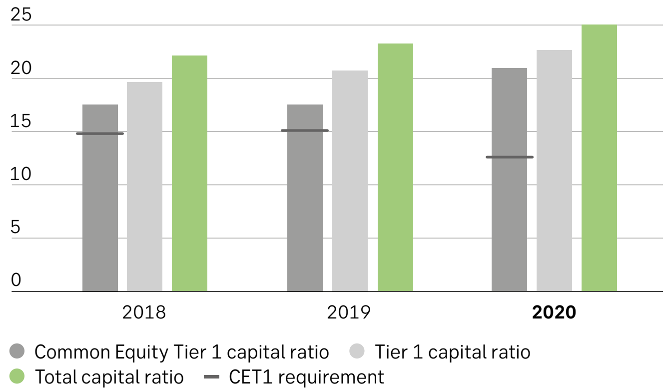
Ever since the 2008 financial crisis, regulators have taken initiatives to increase the resilience and stability of the financial system, and improvements are still ongoing.

In 2017, the Basel Committee agreed on a reform package for capital adequacy (the so-called Basel IV package) that sets restrictions for internal risk models along with minimum requirements for measured results. In 2020 the Basel Committee changed the implementation timeline of Basel IV. The Implementation date was deferred one year to 1 January 2023 and the transitional arrangements for the output floor was also extended one year to 1 January 2028. The European Commission is planning to release its proposal for the implementation of Basel IV into EU legislation by 2021. Following the release, political negotiations will commence. In 2019, the Basel Committee began expanding its focus areas to include future structural risks such as cyberattacks, the growth in financial technology, crypto-assets and the transition from Libor to new benchmark rates. Future regulatory requirements in these areas may impact the financial market.

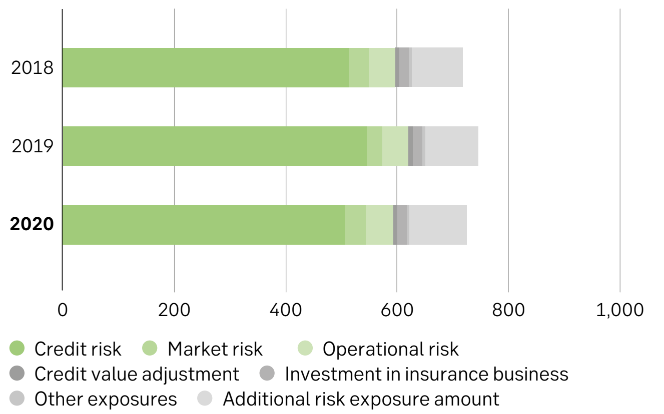
Liquidity coverage and Core Gap ratio Per cent



Capital adequacy Per cent



Development of risk exposure amount (REA) SEK bn



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

Corporate governance

To maintain the important societal function as a bank, it is of utmost importance for SEB that customers, shareholders, employees and other stakeholders have great confidence and trust in the bank's operations. Professional employees who are guided by a high standard of business conduct are crucial, as is maintaining a sound risk culture. A robust corporate governance framework with clearly defined roles and responsibilities and internal control also helps prevent conflicts of interest.

Rules and regulations

As a Swedish public limited liability financial institution with securities listed on Nasdaq Stockholm, SEB is subject to numerous rules and regulations. The external framework for corporate governance includes the following rules and regulations:

- Companies Act
- Annual Accounts Act
- Nasdaq Stockholm Issuer Rules
- Swedish Corporate Governance Code
- Banking and Financing Business Act
- Rules and guidelines issued by the Swedish Financial Supervisory Authority and other authorities.

SEB also adheres to an internal framework that includes, among other things, the Articles of Association, which are adopted by the general meeting of shareholders. Policies and instructions that define the division of duties within the group are tools for the Board of Directors (the Board) and the President and Chief Executive Officer (the President) in their governing and controlling roles. Such policies and instructions include, among others:

- The Board's Rules of Procedure and the Instructions for the board committees
- Instructions for the President and the Group's Internal Governance
- Group Credit Instruction and Risk Policy
- Instruction for Handling of Conflicts of Interest
- Instruction for procedures against Money Laundering and Terrorist Financing[1)]
- Code of Conduct[1)]
- Remuneration Policy
- Information Security Policy
- Corporate Sustainability Policy[1)]
- Inclusion & Diversity Policy[1)]
- Policies on Suitability, Diversity and Composition of the Board, the Group Executive Committee (GEC) and other key function holders.

1) See sebgroup.com

SEB's ethical and sustainability endeavours are an integral part of the business and are regularly included on the Board's agenda. SEB's Code of Conduct describes the bank's values, ethics and standards of business conduct and provides guidance on how employees are to abide by these values. Policies and instructions for sustainability and group-wide position statements and industry sector policies addressing environmental, social and governance issues are also of vital importance.

This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code (the Code). SEB strives to follow the Code where appropriate and has no deviations to report for 2020.

→ More information about SEB's corporate governance is available on sebgroup.com

Shareholders and general meetings of shareholders

The shareholders exercise their influence at general meetings of shareholders by, among other things, electing directors of the Board and the external auditor.

SEB has approximately 268,000 shareholders. SEB's share capital consists of two classes of shares – A shares and C shares. Each Class A share carries one vote and each Class C share carries one-tenth of a vote.

The Annual General Meeting (AGM) of shareholders is held in Stockholm, in Swedish. All shareholders listed in the shareholder register who have duly notified their attendance have the right to participate at the AGM and to vote for the full number of their shares. Shareholders who cannot attend may appoint a representative. The 2020 AGM was held on 29 June at the bank's head office in Stockholm. As a safety measure to prevent the spread of the coronavirus, the AGM was conducted without the physical presence of shareholders and members of the Board of Directors other than the Chair and the President. The shareholders were able to exercise their voting rights by post and submit questions in writing prior to the AGM in accordance with Section 22 of the Act (2020:198) on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations.

A total of 986 shareholders, representing 61 per cent of the votes, were represented at the AGM. The main resolutions made at the AGM were:

- no dividend shall be paid for 2019 and the entire amount available shall be carried forward
- the number of directors on the Board shall be nine

- re-election of nine directors
- re-election of Marcus Wallenberg as Chair of the Board
- re-election of Ernst & Young AB as external auditor
- adoption of guidelines for salary and other remuneration of the President and the members of the Group Executive Committee (GEC)
- adoption of three long-term equity programmes
- issuance of a mandate to the Board concerning purchases and sales of own shares for SEB's securities business, for the long-term equity programmes and for capital management purposes
- authorisation for the Board to decide on the issuance of convertibles
- amendment of the Articles of Association so that the Board may collect proxies and decide that the shareholders shall be able to exercise their voting rights by post before the AGM.

→ The minutes from the AGM are available on sebgroup.com

The largest shareholders

31 December 2020

	No. of shares	*Of which Class C shares*	Share of capital, %	Share of votes, % 2020	Share of votes, % 2019
Investor	456,198,927	*4,000,372*	20.8	20.8	20.8
Alecta	144,152,500		6.6	6.6	6.6
Trygg Foundation	114,673,802		5.2	5.3	5.3
Swedbank Robur Funds	90,663,696		4.1	4.2	4.0
AMF	82,274,779		3.7	3.8	3.8
BlackRock	57,864,612		2.6	2.7	2.7
SEB Funds	45,149,867		2.1	2.1	2.0
Vanguard	38,004,065	*250,202*	1.7	1.7	1.6
Handelsbanken Funds	32,629,187		1.5	1.5	1.4
SEB own shareholding[1]	32,211,451		1.5	1.5	1.3
Fourth Swedish national Pension Fund	28,139,745		1.3	1.3	1.1
First Swedish national Pension Fund	19,495,944		0.9	0.9	1.0
Second Swedish national Pension Fund	16,926,124		0.8	0.8	0.5
Skandia	16,922,551	*477,269*	0.8	0.8	0.2
Nordea Funds	15,098,603		0.7	0.7	1.0

1) See table Number of outstanding shares on p. 64.

Source: Euroclear and Holdings.

Different voting power of Class A shares (voting power 1) compared to Class C shares (voting power 0.1) gives minor differences in share of votes vs. share of capital.

The majority of the bank's approximately 268 000 sharesholders are private individuals with small holdings. The ten largest shareholders account for 54 per cent of the capital and votes.

Distribution of shares by size of holding

31 December 2020

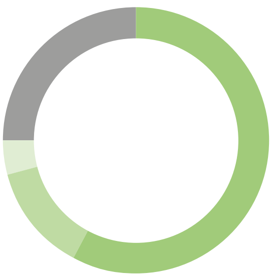
Size of holding	No. of shareholders	No. of shares	Per cent
1–500	172,947	30,537,451	1.4
501–1,000	39,566	30,221,219	1.4
1,001–5,000	45,240	99,562,993	4.5
5,001–10,000	6,125	43,743,531	2.0
10,001–20,000	2,507	35,254,755	1.6
20,001–50,000	1,206	37,337,701	1.7
50,001–100,000	300	21,242,447	1.0
100,001–500,000	277	61,551,039	2.8
500,001–1,000,000	54	38,787,232	1.8
1,000,001–	106	1,795,933,434	81.9
Total	**268,328**	**2,194,171,802**	**100.0**

Source: Euroclear and Holdings

Shareholder structure

Per cent

Percentage holdings of equity on 31 December 2020



Swedish shareholders	75
Institutions and foundations	*58*
Private persons	*13*
Other	*4*
Foreign shareholders	25

Source: Euroclear and Holdings

Corporate governance structure

SEB's business operations are managed, controlled and followed up in accordance with policies and instructions established by the Board and the President.

SEB's organisation

Nomination Committee

> The primary task of the Nomination Committee is to submit recommendations to the AGM for the Chair and directors of the Board as well as the external auditor.

The Nomination Committee nominates the Chair, the directors of the Board and the external auditor and makes recommendations regarding directors' fees and fees for committee work.

Pursuant to a decision by the AGM, the Nomination Committee is to be composed of the Chair of the Board along with representatives of the bank's four largest shareholders that are interested in appointing a member. One of the independent directors shall be appointed as a co-opted member of the Nomination Committee.

The composition of the Nomination Committee meets the requirements laid out in the Code. The Nomination Committee has access to relevant information about SEB's operations and financial and strategic position, provided by the Chair of the Board and the co-opted member.

The Board's composition shall adhere to applicable laws and regulations and to the Policy on Suitability, Diversity and Composition of the Board of Directors, adopted by the Board. An important principle is that the Board's size and composition shall be such as to serve the bank in the best possible way. Therefore, as the starting point for its work, the Nomination Committee is tasked with assessing the degree to which the Board meets the demands that will be placed on the Board in view of the bank's operations, organisation and future direction.

The Board's size and composition is discussed and reviewed in terms of suitable competence and experience in the financial sector as well as other sectors. In addition, the directors should have sufficient time to perform their duties and understand the bank's business and its main risks. The Nomination Committee also reviews the evaluations of the Board's directors and Chair.

→ See p. 86.

The Nomination Committee shall ensure diversity within the Board in terms of the directors' educational and professional backgrounds, gender, age and geographical provenance.

Furthermore, the Nomination Committee discusses succession matters with particular emphasis on continuity and long-term perspective in ensuring the Board's competence and composition. The Nomination Committee for the 2021 AGM was appointed in the autumn of 2020. No fee has been paid to the members of the Nomination Committee.

→ The Nomination Committee's proposals for decisions, including a motivated account as regards directors, are available on sebgroup.com.

Nomination Committee for the 2020 AGM

Member	Representing	Votes (%) 31 Aug. 2020
Petra Hedengran, *chair*	Investor	20.8
Magnus Billing	Alecta	6.6
Lars Heikensten	Trygg Foundation	5.3
Johan Sidenmark	AMF	3.9
Marcus Wallenberg	SEB, Chair of the Board	
		37

Sven Nyman, co-opted member, appointed by the Board.
Swedbank Robur Funds, which was the bank's fourth largest shareholder, declined to appoint a member of the Nomination Committee.

Board of Directors

The Board has overarching responsibility for the organisation, administration and operations of the SEB group.

The Board has adopted Rules of Procedure that regulate the Board's role and ways of working as well as special instructions for the Board's committees.
The Board has the following duties, among others:
- deciding on the objectives, strategy and framework of the business activities as well as the business plan
- regularly following up and evaluating operations in relation to the objectives and guidelines established by the Board
- ensuring that the business is organised in such a way that the accounting, treasury management and risks inherent in the business as well as financial conditions in other respects are controlled in a satisfactory manner, in accordance with external and internal rules
- adopting policies and instructions for the business operations
- deciding on major acquisitions and divestments as well as other major investments
- appointing or dismissing of the President, members of the GEC, the Chief Risk Officer (CRO), and the Head of Group Internal Audit, as well as setting the remuneration for these individuals
- deciding on a framework for granting loans and other transactions with the directors of the Board and other persons in a managerial position in SEB and their related parties as well as deciding on such transactions.

The Chair of the Board organises and leads the work of the Board and ensures among other things that the directors on a regular basis receive information and education on changes in rules concerning the bank's operations and on responsibilities of directors of a listed financial company. Educational and specialisation seminars are held each year. New directors are offered educational seminars with information on, and discussions about, SEB's various operations, including control functions.

The directors are elected by the shareholders at the AGM for a one-year term. Since the 2020 AGM the Board shall consist of nine AGM-elected directors, without deputies, and of two directors with two deputies who serve as employee representatives and are appointed by the trade unions. In order for a quorum to exist at a board meeting, more than half of the directors must be present. The President is the only AGM-elected director employed by the bank. The Nomination Committee has made a collective assessment of the directors' independence in relation to the bank and the bank's management as well as in relation to shareholders controlling 10 per cent or more of the shares or votes and has found that the composition of the Board meets the requirements of the Code.

The Board's work follows a yearly plan. In 2020, the Board held 21 meetings. The President attends all board meetings except when they deal with matters in which the President has an interest that may be in conflict with the interests of the bank, such as when the President's work is evaluated. Other members of the GEC participate whenever required.

Directors' fees

The AGM sets the total fees for the directors of the Board and decides how the fees are to be distributed among the directors and the Board's committees.

The 2020 AGM resolved on unchanged fees for each of the Chair, the Vice Chairs and other directors, as well as for committee work, in light of the Covid-19 pandemic. Directors' fees are paid on a running basis during the mandate period. Following a recommendation by the Nomination Committee, the Board has adopted a policy that recommends that directors use 25 per cent of their fee to purchase and hold SEB shares up to an amount corresponding to one year's fee. Neither the President nor the directors appointed by the employees receive any directors' fee.

On the Board's agenda in 2020

First quarter
- Annual Report 2019
- Anti-money laundering update and supervisory authorities sanction cases
- Balance sheet, capital and dividend matters
- Financial governance model and financial targets
- Group talent review and succession planning
- Internal and external audit reports as well as Group Compliance report
- Macroeconomic review
- Prospera 2020 results and actions
- Remuneration of the President, the GEC and control functions

Second quarter
- AGM notice and AGM proposals
- Anti-money laundering update and supervisory authorities sanction cases
- Corporate sustainability policy and instruction
- Covid-19 business update
- Governance of potential conflicts of interest within the Board
- Internal Capital and Liquidity Adequacy Assessment (ICAAP and ILAAP)
- Macroeconomic review
- Risk seminar
- SEB's long-term strategy
- Statutory meeting
- Visit of the Director General of the SFSA

Third quarter
- Business plan update, financial plans and forecasts
- Covid-19 business update
- Decision regarding Greentech Venture Capital
- Follow-up of SFSA sanction decision
- Update on International Network
- Update on strategic initiative Nordic Advisory Powerhouse

Fourth quarter
- Annual review of policies and instructions
- Business plan 2021–2023
- Board evaluation
- Covid-19 business update
- Employee survey
- Governance review
- Group insurance coverage
- Investor World update
- Macroeconomic review
- Recovery and resolution plan
- Succession planning
- Update on Investment Management
- Update on strategic initiative Private Banking Powerhouse

SEB's quarterly report, reports from the board committees and a summary of SEB's risk position, asset quality, credit portfolio and liquidity position are on the Board's agenda each quarter.

Board of Directors

	Marcus Wallenberg	**Sven Nyman**	**Jesper Ovesen**	**Signhild Arnegård Hansen**
Position	Chair since 2005	Vice Chair since 2017	Vice Chair since 2014	Director
Committee	Vice Chair RCC, ACC, RemCo	Member RCC	Chair RCC, member ACC	Chair RemCo
Year elected	2002	2013	2004	2010
Born	1956	1959	1957	1960
Education	B.Sc. (Foreign Service)	B.Sc. (Business and Econ.)	B.Sc. (Econ.) and MBA	B.Sc. (Human Resources) and journalism studies
Other assignments	Chair of Saab and FAM. Vice Chair of Investor. Director of AstraZeneca Plc. and the Knut and Alice Wallenberg Foundation. Council member of the International Advisory Council of Hong Kong Exchanges and Clearing Limited.	Director of Ferd AS, the Nobel Foundation's Investment Committee, Stockholm School of Economics, Stockholm School of Economics Association and the Axel and Margaret Ax:son Johnson Foundation.		Chair of SnackCo of America Corp. Vice Chair of the Swedish-American Chamber of Commerce (USA). Director of Business Sweden, Entrepreneurship and Small Business Research Institute (ESBRI), SOS Children's Villages Sweden and SACC New York. Member of IVA.
Background	Chair of Electrolux, International Chamber of Commerce (ICC) and LKAB. Director of EQT Holdings, Stora Enso and Temasek Holding. Executive Vice President of Investor and CEO of Investor. Several assignments as chair and director of large public companies.	Broad experience from the financial business field. Managerial positions within Investor. CEO and founder of RAM Rational Asset Management, Lancelot Asset Management and Arbitech. Several directorships.	Price Waterhouse. Vice President and later CEO of Baltica Bank A/S. Vice President and Head of Finance of Novo Nordisk A/S. CEO of Kirkbi Group. CFO of Danske Bank A/S, LEGO Holding A/S and TDC A/S. Several directorships.	President of the family-owned company Svenska LantChips. Chair of the Confederation of Swedish Enterprise. Vice Chair of Business Europe. Several directorships.
Nationality	Swedish	Swedish	Danish	Swedish, American
Own and closely related persons' shareholdings	752,000 Class A shares	10,440 Class A shares and 10,200 Class C shares	25,000 Class A shares	5,387 Class A shares
Independent in relation to bank/major shareholders	Yes/No	Yes/Yes	Yes/Yes	Yes/Yes
Attendance at board/ committee meetings[1]	21 of 21 / 47 of 47	21 of 21 / 10 of 10	21 of 21 / 37 of 37	20 of 21 / 9 of 10
Fee, board meetings, SEK	3,100,000	980,000	980,000	740,000
Fee, committee meetings, SEK	835,000	375,000	865,000	387,500

1) Includes only the meetings that the director could attend without conflict of interest.





Anne-Catherine Berner	**Winnie Fok**	**Lars Ottersgård**	**Helena Saxon**	**Johan Torgeby**
Director	Director	Director	Director	Director (President and CEO)
Member RemCo	Member ACC		Chair ACC	
2019	2013	2019	2016	2017
1964	1956	1964	1970	1974
B.Sc. (Econ.) and MBA (Leadership)	Bachelor of Commerce. Fellow of CPA Australia and of Institute of Chartered Accountants in England and Wales. Associate member of Hong Kong Institute of Certified Public Accountants.	Technical College Exam (electrical engineering), Diploma in Management from The Open University Business School and numerous IBM internal training courses.	M.Sc. (Business and Econ.)	B.Sc. (Econ.)
Director of Calefactio Investments HoldCo AB, Calefactio Investments AB, CV VC AG (Swiss) and Avesco AG (Swiss). Chair of the board, and founder of the Association for the Support of the New Children's Hospital in Helsinki.	Director of Volvo Car Corporation, G4S plc and Foscam Properties Limited. Senior advisor to WFAB.	Head of Market Technology, Nasdaq Inc. Chair and CEO of Nasdaq Technology. Director in EKO Respecta.	CFO of Investor. Director of Swedish Orphan Biovitrum.	Chair of the Swedish Bankers' Association. Director of the Institute of International Finance and Mentor Sweden. Board member of European Banking Federation. Several organisation memberships.
Member of Finnish Parliament and Minister of Transport and Communications in the Finnish government. Director of Ilmarinen, Soprano Oyi, Koskisen Oy, Karelia/ Kährs Holding AB and European Family Businesses (GEEF). Chair and CEO of Vallila Interior Oy.	Broad experience from the financial business field. Industrial advisor and senior advisor to Investor and Husqvarna. CEO and Senior Partner of EQT Partners Asia Ltd and CEO of New Asia Partners Ltd.	Various leading positions in Nasdaq. Head of Sales for Market Technology at OMX. Various management positions within IBM for the Nordics and Europe, Middle East & Africa.	Financial analyst at Goldman Sachs and Investor, CFO at Syncron International and Hallvarsson and Halvarsson. Investment Manager at Investor.	Robur Asset Management and Morgan Stanley. Co-head of Large Corporates & Financial Institutions division.
Swiss and Finnish	British	Swedish	Swedish	Swedish
4,600 Class A shares	3,000 Class A shares	No shares	12,500 Class A shares	387,843 shares and share rights[2].
Yes/Yes	Yes/Yes	Yes/Yes	Yes/No	No/Yes
21 of 21 / 10 of 10	19 of 21 / 8 of 8	21 of 21	21 of 21 / 8 of 8	21 of 21
740,000	740,000	–[3]	740,000	–
195,000	265,000		425,000	

2) of which 5,826 Class A shares, 137,390 share rights and 244,627 conditional share rights.
3) Lars Ottersgård has declined his director's fee.

Johan H. Andresen and Samir Brikho were directors of the Board until the 2020 AGM, when they left at their own request.

Directors appointed by the employees




	Anna-Karin Glimström	Charlotta Lindholm	Annika Dahlberg	Magnus Olsson
Position	Director	Director	Deputy director	Deputy director
Year elected	2016	2015	2016	2020
Born	1962	1959	1967	1963
Education	University studies in mathematics, statistics and law.	LLB	University studies in working environment.	B.Sc. (Econ.)
Other assignments	Chair of the Financial Sector Union in SEB and Financial Sector Union Western section in SEB, Director EB-SB Fastigheter and EB-SB Holding.	Chair of the Association of University Graduates at SEB. Director of the Foundation of Alma Detthows.	First deputy Chair of Financial Sector Union in SEB and Financial Sector Union regional club Storstockholm in SEB.	Business advisor SEB Lund.
Background	Office manager and various other positions in SEB. Various specialist and leader roles within Trygg-Hansa. Director of SEB's Profit Sharing Foundation.	Various client responsibility positions in several divisions and subsidiaries in SEB. Client executive at Private Banking Foundations.	Employed at Fixed Income, Group Operations. Director of SEB's Profit Sharing Foundation and Result Premium Foundation.	Various positions at SEB, including Head of branch office, account manager Merchant Banking (MB), business manager MB, business advisor at branch offices.
Nationality	Swedish	Swedish	Swedish	Swedish
Own and closely related persons' shareholdings	No shares and 749 conditional share rights	822 Class A shares and 749 conditional share rights	No shares and 749 conditional share rights	3,000 Class A shares and 749 conditional share rights
Attendance at Board meetings	21 of 21	18 of 19	18 of 19	7 of 7

Evaluation of the Board of Directors, the President and the Group Executive Committee

The Board uses an annual self-assessment method, which among other things includes a questionnaire, followed by discussions within the Board. Through this process the activities and work methods of the Board, the Chair of the Board and the respective committees are evaluated. Among the issues examined are:

- the extent to which the individual directors take an active part in board and committee discussions
- whether directors contribute independent opinions
- whether the meeting atmosphere is conducive to open discussions.

The outcome of the evaluation is presented to and discussed by the Board and the Nomination Committee. The evaluation process and its outcome contribute to further improvement of the Board's work and help the Nomination Committee determine the appropriate size and composition of the Board. The Chair of the Board formally evaluates each individual director's work once a year. Marcus Wallenberg does not participate in the evaluation of the Chair's work, which in 2020 was conducted by Vice Chair Jesper Ovesen. The Board evaluates the work of the President and the GEC on a regular basis without participation by the President or any other member of the GEC.

Board committees

The Board's overarching responsibility cannot be delegated. However, the Board has established committees to handle certain defined issues and to prepare such issues for decision by the Board.

At present, there are three board committees: the Risk and Capital Committee (RCC), the Audit and Compliance Committee (ACC), and the Remuneration and Human Resources Committee (RemCo). These committees report to the Board on a regular basis. An important principle is that as many independent directors as possible shall actively participate in the committee work. Neither the President nor any other officer of the bank is a member of the committees. All committees are chaired by a director who is able to exercise objective judgement. The Chair of the Board serves as vice chair of the three committees. The committees are not composed of the same group of directors that forms another committee, and the bank occasionally rotates chairs and directors of the committees, taking into account the specific experience, knowledge and skills that are individually or collectively required for the committees.

Remuneration and Human Resources Committee (RemCo)

The RemCo prepares, for decision by the Board, appointments of the President and GEC members. The committee also develops, monitors and evaluates SEB's remuneration system, incentive models and risk adjustment and evaluates SEB's talent, learning and succession planning activities.

Signhild Arnegård Hansen
Chair of the RemCo

Main focus in 2020

- Follow-up and participation in the bank's global talent management and succession planning for key executives and appointment of new senior employees and members of the Group Executive Committee.
- Follow-up of the bank's work with competence development and the success of SEB Campus, the new platform for continuous development and learning.
- Follow-up of upcoming regulations and guidelines regarding variable remuneration for 2020 and 2021 in light of the current market and regulatory situation.

The RemCo monitors and evaluates application of the guidelines established by the AGM for salary and other remuneration for the President and the members of the GEC. An independent auditor's review on the adherence to SEB's Remuneration Policy and applicable regulations is presented to the committee annually.

The RemCo reviews, in consultation with the RCC, the bank's Remuneration Policy and ensures that the bank's remuneration structure takes into account the risks and the cost of capital and liquidity. This review is based on, among other things, the risk analysis performed jointly by Group Risk and Group Compliance.

In addition, the committee oversees the group's pension obligations and, together with the RCC, the measures taken to secure the group's pension obligations, including development of the bank's pension foundations. The RemCo held 10 meetings in 2020.

The President, together with the Head of Group HR, makes presentations to the Committee on matters in which there are no conflicts of interest.

→ See the Remuneration chapter on p. 94.

RemCo members
Signhild Arnegård Hansen (Chair), Marcus Wallenberg (Vice Chair) and Anne-Catherine Berner.

Audit and Compliance Committee (ACC)

The ACC supports the Board in its work with quality assurance of, and internal control over, the bank's financial reporting and reporting to the supervisory authorities. The ACC also monitors the effectiveness of internal controls regarding compliance and audit matters.

Helena Saxon
Chair of the ACC

Main focus in 2020

- Follow-up and control of the work to prevent the bank from being used for money laundering or financing of terrorism, and follow-up of ongoing sanction cases with the supervisory authorities.

When required, the ACC prepares, for decision by the Board, a recommendation for the appointment or dismissal of the Head of Group Internal Audit. The committee maintains regular contact with the bank's external and internal auditors and discusses the coordination of their activities. The committee also ensures that any remarks and observations from the auditors are addressed and evaluates the external auditor's work and independence. When required, a recommendation from the President on appointment or dismissal of the Head of Group Compliance is subject to the committee's approval.

The ACC held 8 meetings in 2020. The Chief Financial Officer, the external auditor, the Head of Group Internal Audit and the Head of Group Compliance submit reports for the committee's consideration. In addition, the President and the CRO regularly participate in the meetings.

→ See p. 93 for the Report on Internal Control over Financial Reporting.

ACC members
Helena Saxon (Chair), Marcus Wallenberg (Vice Chair), Jesper Ovesen and Winnie Fok.

Risk and Capital Committee (RCC)

The RCC supports the Board in its work on ensuring that SEB is organised and managed in such a way that risks inherent in the group's business are monitored and managed in accordance with the Board's risk tolerance statement as well as with external and internal rules. The RCC also monitors the group's capital and liquidity situation on a continuous basis.

Jesper Ovesen
Chair of the RCC

Main focus in 2020

- Follow-up of SEB's capital and liquidity position in light of the Covid-19 pandemic and the forthcoming banking reform packages, and of the business plan and economic forecast to ensure the bank has an adequate capitalisation and liquidity position at every point in time
- Review of the credit portfolio in light of the Covid-19 pandemic, focusing on business sectors in transition, such as shipping and oil & gas.

The RCC sets the principles and parameters for measuring and allocating risk and capital within the group and oversees risk management systems and the risk tolerance and strategy for the short and long term. The committee prepares a recommendation for the appointment and dismissal of the CRO. It also decides on individual credit matters of major importance or of importance as to principles, and assists the RemCo in providing a risk- and capital-based view of the remuneration system. The RCC held 29 meetings in 2020.

The group's Chief Financial Officer has overall responsibility for informing and submitting proposals to the RCC on matters related to capital and funding. The CRO has the same overall responsibility for risk and credit matters. The President, the Chief Financial Officer and the CRO regularly participate in the meetings.

→ The CRO function is described on p. 92. Information on risk, liquidity and capital management is provided on p. 74.

RCC members
Jesper Ovesen (Chair), Marcus Wallenberg (Vice Chair) and Sven Nyman.

The President

The President, who is also the Chief Executive Officer, is responsible for the day-to-day management of the activities of SEB in accordance with the Board's directives.

The President shall ensure that SEB's organisation and administration are suitable. The President has overarching responsibility for SEB's risk management in accordance with the Board's policies and instructions as well as their intentions as stated in the Board's risk tolerance statements.

The Board has adopted an instruction for the President's duties and role. The President reports to the Board and at each board meeting submits a report on, among other things, the performance of the business in relation to the decisions made by the Board. The President appoints the heads of the divisions and the heads of the various staff and support functions that report directly to the President.

The President's committees

The President has four main committees at his disposal for the purpose of managing the operations.

The Group Executive Committee (GEC)

To best safeguard the interests of the group as a whole, the President consults with the GEC on matters of major importance or of importance as to principles. The GEC addresses, among other things, matters of common concern to several divisions, strategic issues, issues in the areas of sustainability, compliance and IT, business plans and financial forecasts and reports. The GEC held 39 meetings in 2020. The GEC has 14 members apart from the President. The President has also appointed ten managers as additional members of the GEC. They participate in GEC meetings from time to time to provide expertise and insight primarily in their respective areas of responsibility.

Asset and Liability Committee (ALCO)

The ALCO, chaired by the President and with the Chief Financial Officer as vice chair, is a group-wide decision-making, monitoring and consultative body. The ALCO, which held 26 meetings in 2020, handles the following matters, among others:

- financial stability, particularly in the new regulatory framework
- strategic capital and liquidity issues, including internal capital allocation and principles for internal pricing

On the GEC agenda in 2020

Non-recurring agenda items

- AGM preparations
- Annual accounts
- Annual review of policies and instructions, including SEB's Code of Conduct
- Development of sustainability
- Discussions on customer satisfaction, branding and image position as well as customer insight work
- Discussion on strategic investments and cooperation with fintech and digitalisation actors
- Employee survey 2020 – discussion of survey result and actions
- Financial crime prevention programme
- Investor World update
- Review of competence and leadership development
- Review of, and discussions on digitalisation work, including development and launch of enhanced customer functionality as well as internal automation initiatives
- Review of outsourced activities.

Recurring agenda items

- Covid-19 business update
- Discussion on capital requirements, asset quality and risk
- Macroeconomic development
- Review and discussions on IT, including investments, security, agile way of working and cloud services
- Review of the bank's business operations and home markets
- Review process for handling of customer complaints
- Quarterly reports
- SEB's long-term strategy and follow-up of the business plan
- Update of sanction cases with the supervisory authorities regarding anti-money laundering.

- structural issues and issues related to the bank's balance sheet and business volumes
- financing of wholly-owned subsidiaries
- the group's balance sheet and funding strategy.

Group Risk Committee (GRC)
The GRC, chaired by the President and with the CRO as vice chair, is a group-wide, decision-making committee that addresses all types of risk at the group level, including sustainability and reputational risks, in order to evaluate portfolios, products and customers from a comprehensive risk perspective. The GRC held 74 meetings in 2020. The GRC is tasked with:
- making important credit decisions
- ensuring that all risks inherent in the group's activities are identified, measured, monitored and reported in accordance with internal and external rules
- supporting the President in ensuring that decisions regarding the group's long-term risk tolerance are followed in the business organisation
- ensuring that the Board's guidelines for risk management and risk control are implemented and that the necessary rules and policies for risk-taking in the group are maintained and enforced.

Group Executive Sustainability Committee (GESC)
The GESC was established in 2020, with the President as chair and the Chief Transformation Officer as vice chair. It is a group-wide, decision-making committee that addresses matters related to corporate sustainability activities in SEB. The GESC held 5 meetings in 2020. The GESC decides on the following matters in the corporate sustainability area in order to secure the best interest of the group:
- matters that are to be presented to the Board
- matters of major importance or of importance as to principles
- matters of common concern to several divisions, Group Support functions or Group Staff functions
- SEB's sustainability-related policies and position statements
- KPIs and targets for the divisions.

Group Internal Control and Compliance Committee
The Group Internal Control and Compliance Committee (GICC) is a newly established Group-wide committee that primarily handles matters and follow-up in the area of internal control and regulatory compliance. GICC is a consultative forum to the President and consists of the President, the CFO and Deputy CEO(s). GICC will hold its first meeting during the first quarter of 2021.

Divisions and business areas

SEB's business is organised in divisions with a number of business areas. Each division is responsible for the subsidiaries included in the division.

The Board regulates the activities of the group through an instruction for internal governance which establishes how the group's divisions, including the international activities conducted through branches and subsidiaries, are to be governed and organised. The head or co-heads of a division have overall responsibility for the activities in the business areas and appoint, after consultation with the President, heads of the business areas within the division.

A Country Manager is appointed for the countries outside Sweden in which SEB conducts business operations. The Country Manager coordinates the group's business locally and reports to a specially designated member of the GEC.

Group Support functions and Group Staff functions

The Group Support functions and Group Staff functions are cross-divisional functions established to leverage economies of scale and support to the business.

The *Group Support functions* support the SEB group through centralised and cross-divisional functions, established primarily to leverage economies of scale in various transactional, processing and IT services. The Group Support functions are divided in three units: Group Technology, Business Support & Operations and Group Transformation Office.

The *Group Staff functions* are set up to add value and support the business, and to manage certain regulated areas such as finance, human resources and legal. The Group Staff functions have global responsibility and support the organisation with services in the areas of financial control, human resources, legal affairs, communication and marketing.

The three lines of defence in risk management

The business units make up the first line of defence. The business units ensure that transactions are correctly priced and that the assumed risks are managed throughout the life of the transactions. Long-term customer relationships and a sound risk culture provide a solid foundation for risk-taking decisions. Initial risk assessments are made of both the customer and the proposed transaction. Larger transactions are reviewed by a credit committee. The business units are responsible for ensuring that the activities comply with applicable group-wide policies and instructions and are supported by a clear decision-making hierarchy.

The risk and compliance functions make up the second line of defence. These units are independent from the business operations. The risk function is responsible for identifying, measuring, monitoring and reporting risks. Risks are measured both on detailed and aggregated levels. Internal measurement models have been developed for most of the credit portfolio as well as for market and operational risk, and the models have been approved by the Swedish FSA for calculating capital adequacy. Risks are controlled through limits at transactional, desk and portfolio levels. Asset quality and the risk profile are monitored continuously, such as through stress testing. The compliance function works proactively with quality assurance of SEB's compliance, and focuses on matters such as customer protection, conduct in the financial market, prevention of money laundering and the financing of terrorism, and regulatory requirements and controls.

Internal Audit is the third line of defence. Risk management is regularly reviewed and evaluated by Internal Audit to ensure that it is adequate and effective. The internal auditors are in turn evaluated by the external auditor. Based on the evaluations of the third line of defence, the processes in the first and second lines of defence are continuously strengthened. SEB's governance framework, sound risk culture and business acumen constitute the cornerstones of effective risk management.

Group Executive Committee (as from 1 January 2021)

					
	Johan Torgeby	**Magnus Carlsson**	**Mats Torstendahl**	**Magnus Agustsson**	**Jonas Ahlström**
Position	President and CEO since 2017	Deputy President and CEO since 2014	Deputy President and CEO since 2021. Group Data Privacy Senior Manager since 2018	Chief Risk Officer since 2017	Head of Baltic division since 2020
GEC member since	2014	2005	2009	2017	2020
SEB employee since	2009	1993	2009	2009	2005
Born	1974	1956	1961	1973	1978
Education	B.Sc. (Econ.)	B.Sc. (Econ.)	M.Sc. (Engineering Physics)	C.Sc and M.Sc	M. Sc. (Business and Econ.)
Nationality	Swedish	Swedish	Swedish	Icelandic and Finnish	Swedish
Own and closely related persons' shareholdings	387,843 shares and share rights, of which 5,826 Class A shares, 137,390 share rights and 244,627 conditional share rights.	221,801 shares and share rights, of which 54,998 Class A shares, 129,402 share rights and 37,401 conditional share rights.	407,620 shares and share rights, of which 104,218 Class A shares, 91,857 share rights and 211,545 conditional share rights.	47,057 shares and share rights, of which 8,744 Class A shares, 20,381 share rights and 17,932 conditional share rights.	70,723 shares and share rights, of which 3,049 Class A shares, 21,702 share rights and 45,972 conditional share rights.

					
	Jeanette Almberg	**Joachim Alpen**	**Karin Lepasoon**	**Nina Korfu-Pedersen**	**Nicolas Moch**
Position	Head of Group Human Resources since 2016	Executive Vice President. Co-head of the Large Corporates & Financial institutions division since 2014	Head of Group Marketing and Communication since 2020	Head of Business Support & Operations since 2020	Chief Information Officer since 2018
GEC member since	2016	2014	2020	2018	2020
SEB employee since	2008	2001	2020	2010	2008
Born	1965	1967	1968	1973	1972
Education	B.Sc. (Econ.)	MBA, M.A. (International relations)	LL.M Swedish and international laws. Master of European Community Laws	Master of Business and Economics	M.Sc.(Physics)
Nationality	Swedish	Swedish	Swedish	Norwegian	Swedish and French
Own and closely related persons' shareholdings	138,307 shares and share rights, of which 11,135 Class A shares, 34,437 share rights and 92,735 conditional share rights.	336,425 shares and share rights, of which 6,369 Class A shares, 150,731 share rights and 179,325 conditional share rights.	No shares or share rights.	74,034 shares and share rights, of which 1,037 Class A shares, 23,241 share rights and 49,756 conditional share rights.	47,645 shares and share rights, of which 2,428 Class A shares, 6,610 share rights and 38,607 conditional share rights.

					
	William Paus	**Jonas Söderberg**	**Masih Yazdi**	**Petra Ålund**	**Sara Öhrvall**
Position	Executive Vice President. Co-head of Large Corporates & Financial Institutions division since 2018. Group AML Senior Manager since 2020	Head of Corporate & Private Customers division since 2021	Chief Financial Officer since 2020	Head of Group Technology since 2019. Group Outsourcing Senior Manager since 2020	Chief Transformation Officer since 2020
GEC member since	2018	2021	2018	2020	2018
SEB employee since	1992	1999	2013	2017	2018
Born	1967	1976	1980	1967	1971
Education	M.Sc. (Econ.)	B.Sc. (Int. Business Administration)	B.Sc. (Econ)	M.Sc. (Int. Economics)	Master of Business and Economics
Nationality	Norwegian	Swedish	Swedish	Swedish	Swedish
Own and closely related persons' shareholdings	248,961 shares and share rights, of which 52,900 Class A shares, 24,390 share rights and 171,671 conditional share rights.	77,394 shares and share rights, of which 30,895 Class A shares, 8,529 share rights and 37,970 conditional share rights.	122,597 shares and share rights, of which 15,858 Class A shares, 42,721 share rights and 64,018 conditional share rights.	29,837 shares and share rights, of which 5,467 Class A shares, 119 share rights and 24,251 conditional share rights.	36,557 shares and share rights, of which 1,150 shares and 35,407 conditional share rights.

Additional members of the Group Executive Committee (as from 1 January 2021)

The President appoints additional members of the GEC. They participate in GEC meetings from time to time to provide expertise and insight primarily in their respective areas of responsibility.

Country managers

					
	Johan Andersson	**Anders Engstrand**	**Peter Høltermand**	**Marcus Nystén**	**John Turesson**
Position	Country Manager SEB Germany since 2016	Country Manager SEB United Kingdom since 2020	Country Manager SEB Denmark since 2002	Country Manager SEB Finland since 2010	Country Manager SEB Norway since 2018
SEB employee since	1980	1995	1997	1998	2006
Nationality	Swedish	Swedish	Danish	Finnish	Swedish

	Heads of divisions		**Key functions**		
					
	Javiera Ragnartz	**David Teare**	**Hans Beyer**	**Martin Johansson**	**Ausra Matuseviciené**
Position	Head of Investment Management division since 2019	Head of the Life division since 2019	Chief Sustainability Officer since 2020	Senior Advisor to the CEO since 2020	Head of Operations since 2015
SEB employee since	2019	2006	2002	2005	2002
Nationality	Swedish	Canadian and British	Swedish	Swedish	Lithuanian

Jonas Söderberg replaced Mats Torstendahl as division head 1 January 2021. Jonas Ahlström replaced Riho Unt in February 2020. Anders Engstrand replaced Mark Luscombe in August 2020.

Group Control functions

The Group Control functions are global control functions independent from the business activities. The three Group Control functions are i) the CRO function, ii) Group Compliance and iii) Group Internal Audit.

The CRO function

The CRO function is responsible for identifying, measuring, analysing and controlling SEB's risks and is independent from the business.

Magnus Agustsson
Chief Risk Officer

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

The main objective for Group Risk is to ensure that all risks in SEB's activities are identified, measured, monitored and reported in accordance with external and internal rules. The unit also manages models for risk measurement. The CRO Office aggregates and analyses data across risk types and the group's credit portfolios and handles general matters surrounding risk governance and risk disclosure.

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

The Head of Group Risk and the Heads of Group Credits are appointed by the President, upon recommendation by the CRO, and report to the CRO.

→ For information about risk, liquidity and capital management, see p. 74.

Group Compliance

The Group Compliance function is responsible for informing, controlling and following up on compliance matters.

Gent Jansson
Head of Group Compliance

Group Compliance is independent from the business organisation. The Group Compliance function advises the business and management to ensure that SEB's business is carried out in compliance with regulatory requirements and thereby instil trust in the bank from customers, shareholders and the financial markets. Special areas of responsibility are:

- customer protection
- conduct in the financial market
- prevention of money laundering and financing of terrorism
- regulatory requirements and controls.

The Head of Group Compliance, who is appointed by the President after approval by the ACC, reports regularly on compliance matters to the President, the GEC and the ACC, and annually to the RCC and the Board. Based on an analysis of the group's risks in this area, the President adopts, after approval by the ACC, an annual compliance plan. The Instruction for Group Compliance is adopted by the Board.

Group Internal Audit

Group Internal Audit is a group-wide control function commissioned by the Board to independently evaluate the group's activities. The Head of Group Internal Audit is appointed by the Board.

Björn Rosenkvist
Head of Group Internal Audit

The main task of Group Internal Audit is to evaluate and give assurance to the Board and the President that governance, risk management and internal controls are adequate and effective. The work is done with a risk-based approach in accordance with the Institute of Internal Auditors' methods.

Each year the ACC adopts a plan for the work of Internal Audit. The Head of Internal Audit reports the findings of completed audits, actions taken and the status of previously reported findings to the ACC and also provides reports to the RCC and the Board. The President and GEC are regularly informed about internal audit matters. Group Internal Audit's work is evaluated in a quality assessment, at least every fifth year, by an independent party.

Group Internal Audit coordinates its work covering the bank's financial reporting with the bank's external auditor. The bank's external auditor relies to some extent on the work of Group Internal Audit in its assignment to review the group's financial reporting. This requires that the external auditor evaluates Group Internal Audit's work. The conclusion of this evaluation is reported to the ACC and Group Internal Audit.

External Audit

Auditor

Born 1965. Lead Audit Partner since 2019. Authorised Public Accountant, member of FAR since 1992 and FAR Certified Financial Institution Auditor in Sweden.

Hamish Mabon
Auditor, Ernst & Young

Other major assignments
Skanska, Essity, Husqvarna and ASSA ABLOY

Previous major assignments
Vattenfall, Hexagon, If P&C Insurance and SCA

Information about the auditor
According to SEB's Articles of Association, the bank shall have at least one and not more than two auditors with at most an equal number of deputies. A registered auditing firm may also be appointed auditor. Ernst & Young AB was elected the bank's auditor in 2020 for the period up to and including the 2021 AGM.

→ The fees charged by the auditors for the auditing of the 2019 and 2020 financial statements and for other assignments invoiced during these periods are shown in note 9.

Internal control over financial reporting

Internal Control over Financial Reporting (ICFR) is a well-established process designed to provide reasonable assurance regarding the reliability of financial reporting and reduce the risk for misstatements. ICFR is based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and is applied by SEB in a yearly cycle.

ICFR is an integrated part of daily operations

Q3	Q4	Q1	Q2
1. Perform risk assessment	2. Identify risk & controls	3. Plan	
—	—	—	—
4. Evaluate controls 5. Report	4. Evaluate controls 5. Report	4. Evaluate controls 5. Report	4. Evaluate controls 5. Report

6. Group Internal Audit performs independent reviews

1. Perform risk assessment
To identify and understand which risks that are relevant and material for the reporting process, financial results and balance sheets are analysed at SEB group and unit levels. The outcome is used to determine which units, processes and systems are to be covered by the ICFR process in the coming year.

2. Identify risks and controls
People with expertise in the divisions and finance department evaluate if existing controls are effective, if new risks have been identified and if new controls need to be implemented to mitigate the identified material risks more effectively. The controls are communicated to involved parties within the bank in order to clarify expectations and responsibilities. The framework consists of group-wide controls as well as controls covering business processes and IT – such as analysis of the balance sheet and income statement, account reconciliations and controls of system access rights.

3. Plan
Every year a plan is prepared based on the risk assessments and identified controls. The plan clarifies who is responsible for evaluating the respective controls within each unit, what type of evaluation should be conducted and how the results are to be reported. At this stage the plan is coordinated with the audit plans of internal and external audit.

4. Evaluate controls
The controls are evaluated on a continuous basis throughout the year by the control owners through self-assessments. In this way the bank's weaknesses can be identified, compensating controls can be implemented and improvements can be made. Furthermore, reporting is done quarterly by financial managers to give an assurance of the reported figures from each unit. The evaluation describes material financial reporting risks and comments on material deviations compared with previous quarters.

5. Report
The result of the evaluations of controls are analysed to assess the risk for misstatements in the financial reporting. Monitoring reports are submitted on a quarterly basis to the CFO in connection with the quarterly external financial reporting. Reporting is also done quarterly to Group Internal Audit and yearly to the Audit and Compliance Committee (ACC).

The consolidated ICFR report includes a description of residual risk, an assessment of identified control gaps and whether they are compensated by other controls as well as progress within the remediation activities. The report contributes to transparency within SEB and enables prioritisation of improvement activities based on residual risk.

6. Independent review
In addition to this process, Group Internal Audit performs independent reviews of the ICFR framework.

Focus areas 2020

In addition to the ongoing work during 2020, the following main areas were in focus within the internal control framework:
- Continued work on strengthening controls in the financial closing and lending processes within the requirements of the ICFR
- Expanded the application of the framework of internal control over supervisory reporting (ICSR) to include reporting to the Swedish National Debt Office.

Remuneration

SEB aims to attract and retain ambitious employees who are eager to continuously develop, embrace new ways of working and contribute to the bank's long-term success. Remuneration is part of the total offering that enhances SEB's attractiveness as an employer. The overall ambition is to promote long-term commitment to creating sustainable value for customers and shareholders.

Remuneration policy

SEB's remuneration principles and governance structure are laid out in the Remuneration Policy. The policy stipulates that remuneration shall be aligned with the bank's strategy, goals, values and long-term interests and ensure that conflicts of interest are avoided. This shall build value for both SEB and the shareholders while promoting the best interest of the customers, encourage high performance and risk-taking that is aligned with the level of risk tolerance set by the Board of Directors, and sound and responsible behaviour based on SEB's values.

An employee's remuneration shall reflect the complexity, responsibility and leadership qualities required of the role as well as the individual's own performance. SEB regularly evaluates employee performance and development based on transparent and individual financial and non-financial goals, among other things.

Employees in control functions shall be remunerated in a manner that is independent from the business areas they oversee, commensurate with their key roles, and based on goals that are compatible with their functions.

The policy lays out the principles for identification and remuneration of employees in positions with a material impact on the group's risk profile (Identified Staff). This also applies for employees who can impact the risk profiles of mutual funds, who provide investment advice, or who have a material impact on what services and products are offered. In 2020, a total of 923 positions (984) were categorised as Identified Staff.

The policy also sets the requirements for all remuneration decisions, both in general and at the individual level. All decisions are to be approved at least at a level corresponding to the remuneration-setting managers' manager (grandparent principle).

Remuneration structure

The bank's remuneration structure consists mainly of base salary, variable remuneration, and pension and other benefits.

Base salary

The base salary is the foundation of an employee's remuneration. It shall be market aligned and reflect the requirements on the position and the employee's long-term performance. SEB conducts annual equal pay reviews to identify and close potential gaps in terms of gender-neutral pay. The outcome of the review is published internally.

Variable remuneration

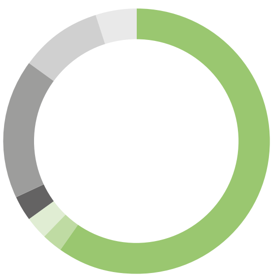
All variable remuneration is based on SEB's risk-adjusted performance and is adapted to applicable rules governing the maximum share of an employee's base salary, the deferred portion of remuneration, shares and fund units, and the right to withhold and reduce remuneration that has not yet been paid. For Identified Staff, variable remuneration may not exceed 100 per cent of their base salary.

The models for individual variable remuneration are based on financial and non-financial key performance indicators at group, unit and individual level, including an evaluation of the employees' conduct. Non-financial goals take into account factors such as customer satisfaction, compliance and sustainability performance related to, for example, the bank's own environmental impact and integration of sustainability risks into the business model. At the individual level, key parameters include compliance with rules and policies for risk-taking in the group, SEB's Code of Conduct and the requirements on internal controls in the respective business area. Performance is evaluated over several years.

Collective profit-sharing

The largest variable remuneration programme is the SEB All Employee Programme 2020 (AEP), which covers essentially all employees. The programme's targets are linked to SEB's business plan and consist of the financial targets for return on equity and the bank's cost development, which are also communicated externally, and the non-financial target for customer satisfaction. The outcome for 2020 was determined to be 44.7 per cent (56.5) of the maximum amount, which in Sweden is SEK 75,000. The lower outcome compared with last year reflects the weaker financial result, a balanced customer satisfaction development and a cost level within the set target. Also, the employees

Staff costs, 2020



	SEK m
Base salary	8,969
Equity-based programmes	361
Individual cash-based variable remuneration	414
All Employee Programme	488
Social charges	2,512
Pensions	1,522
Other staff costs	711
Total	**14,976**

All employee programmes (AEP)

	2020[1)]	2019[2)]
Number of participants	**15,540**	15,300
Outcome in relation to maximum amount[3)], %	**44.7**	56.5
Shares allotted, thousands	**2,388**	3,080
Market value per 31 December, SEK m	**202**	270
Total outcome per participant[4)], SEK	**33,500**	42,500

Payout year: 1) 2024 2) 2023 3) SEK 75,000 in Sweden 4) in Sweden

Share deferral and restricted share programmes

	2020			2019		
	Restricted Share Programme	Share Deferral Programme	**Total**	Restricted Share Programme	Share Deferral Programme	**Total**
Number of participants	437	922	**1,359**	422	877	**1,299**
Shares allotted, thousands	1,350	4,182	**5,532**	1,505	4,173	**5,678**
Market value, 31 December, SEK m	114	353	**467**	133	367	**500**

Remuneration in SEB in 2020

SEK thousands

	Base salary	Cash-based variable remuneration	Expensed amount equity based programmes	Benefits	**Total**	Pensions
President and CEO Johan Torgeby[1)]	12,500		3,663	385	**16,548**	4,071
Other ordinary members of the GEC[2)]	62,840		14,820	1,703	**79,363**	18,893
Total	**75,340**	**0**	**18,483**	**2,088**	**95,911**	**22,964**
SEB excluding GEC	8,893,989	680,839	562,811	64,307	**10,201,946**	1,498,811
SEB Total	**8,969,329**	**680,839**	**581,294**	**66,395**	**10,297,857**	**1,521,775**

1) Johan Torgeby did not exercise any share rights in 2020.

2) The number and composition of members may differ somewhat during the year. At the end of the year, the number of members was thirteen. During the year Other ordinary members of GEC have exercised rights to a value of SEK 7,485,759.

extraordinary efforts in supporting the customers and each other under severe conditions has been taken into account.

Individual variable remuneration

Senior managers, other key employees and employees in certain business units where it is standard market practice, are offered individual variable remuneration. The ambition is that a large part of the remuneration is deferred and paid out in SEB shares. Equity-based remuneration is a mean to attract and retain employees with key competence. It also provides an incentive for employees to be shareholders of SEB which promotes long-term commitment that is aligned with the shareholders' interests. In addition, financial industry regulations require that a portion of variable remuneration is paid out in the form of shares or fund units.

SEB has two individual equity-based programmes – the SEB Share Deferral Programme 2020 for members of the Group Executive Committee, certain other senior managers and a number of other key employees, and the SEB Restricted Share Programme 2020, for employees in certain business units. For regulatory reasons, the latter programme also exists in a form where the outcome is linked to the performance of mutual funds. Both programmes include scope for risk adjustment for current and future risks. The final outcome may therefore subsequently be reduced or cancelled entirely in accordance with applicable rules, such as taking into account the bank's earnings and the capital and liquidity required for its operations. Approximately 10 per cent of employees are offered individual variable remuneration. Approximately 5 per cent of the employees – such as those in investment banking – receive variable remuneration with a cash component, but only in cases where it entails low or no residual risk for SEB. Variable remuneration above a certain level is always partly deferred and revocable. In 2020, individual cash-based variable remuneration accounted for 3 per cent (3) of SEB's total staff costs.

Remuneration of the President and members of the Group Executive Committee

Remuneration of the President and CEO as well as members of the Group Executive Committee (GEC) shall be in line with the guidelines set by the Annual General Meeting (AGM) and consists of base salary, equity-based remuneration (the SEB Share Deferral Programme), pension and other benefits. No cash-based variable remuneration is paid to members of the GEC, nor are they eligible for the SEB All Employee Programme.

The pension plans are defined-contribution based, with the exception of a defined-benefit component provided under collective agreements.

For termination of employment initiated by the bank, a maximum of 12 months' severance pay is payable, after the agreed notice period of maximum 12 months. SEB has the right to deduct income earned from other employment from any severance pay.

The Shareholder Rights Directive

The Shareholder Rights Directive was implemented in 2020. The new guidelines for salary and other remuneration of the President and CEO as well as the GEC are adopted by the AGM, and are valid for up to four years. As of 2021 a new remuneration report will also be taken to the AGM.

Governance model

Remuneration policy and remuneration structure

- **Group Risk and Group Compliance** – provide risk analysis.
- **Risk and Capital Committee(RCC)** – reviews to verify that the remuneration structure takes into account SEB's risks, long-term earnings capacity and cost of liquidity and capital.
- **RemCo** – evaluates and recommends policy.
- **Board of Directors** – annually reviews and adopts policy.

Equity-based programmes

- **RemCo** – prepares.
- **Board of Directors** – proposes.
- **Annual General Meeting** – decides on the equity-based programmes.

Remuneration guidelines for the President and CEO as well as GEC

- **RemCo** – evaluates on a continuous basis throughout the year.
- **External auditor** – issues a statement to the Board, prior to the AGM, assuring that SEB has adhered to the guidelines that applied during the year.
- **Board of Directors** – proposes.
- **Annual General Meeting** – adopts the guidelines.

Remuneration of the President and CEO as well as the GEC

- **Head of Group HR and**, for GEC, also **the President and CEO** – ensure to RemCo, ensuring that remuneration is competitive and market aligned. External analyses are also performed yearly of relevant sectors and markets.
- **RemCo** – evaluates and recommends.
- **Board of Directors** – decides on remuneration to the President and CEO as well as the GEC.

→ For information on the remuneration structure see note 8, AGM information see sebgroup.com and RemCo p. 87.

Financial statements

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Income statement

SEB Group

SEKm	Note	2020	2019
Interest income[1)]		*37,578*	*41,722*
Interest expense[2)]		*–12,435*	*–18,772*
Net interest income	4	25,143	22,950
Fee and commission income		*22,933*	*24,176*
Fee and commission expense		*–4,870*	*–5,467*
Net fee and commission income	5	18,063	18,709
Net financial income	6	6,275	7,617
Dividends		*0*	*3*
Profit and loss from investments in associates and joint ventures		*68*	*125*
Gains less losses from investment securities		*–33*	*173*
Other operating income		*202*	*558*
Net other income	7	236	858
Total operating income		**49,717**	**50,134**
Staff costs	8	–14,976	–14,660
Other expenses	9	–5,864	–6,623
Depreciation, amortisation and impairment of tangible and intangible assets	10	–1,906	–1,662
Total operating expenses		**–22,747**	**–22,945**
Profit before credit losses		**26,970**	**27,190**
Gains less losses from tangible and intangible assets	11	–7	–2
Net expected credit losses	12	–6,118	–2,294
Operating profit before items affecting comparability		**20,846**	**24,894**
Items affecting comparability	13	–1,000	
Operating profit		**19,846**	**24,894**
Income tax expense	15	–4,100	–4,717
NET PROFIT		**15,746**	**20,177**

1) Of which interest income calculated using the effective interest method SEK 30,966m (35,217).
2) Of which interest expense calculated using the effective interest method SEK 11,615m (20,828).

Attributable to shareholders in Skandinaviska Enskilda Banken AB (publ)		15,746	20,177

Basic earnings per share, SEK	16	7.28	9.33
Diluted earnings per share, SEK	16	7.23	9.28

Statement of comprehensive income

SEB Group

SEKm	2020	2019
NET PROFIT	**15,746**	**20,177**
Valuation gains (losses) during the year	−72	−385
Income tax on valuation gains (losses) during the year	10	87
Cash flow hedges	**−62**	**−298**
Translation of foreign operations	−534	23
Taxes on translation effects	−537	122
Translation of foreign operations	**−1,070**	**145**
Items that may be reclassified subsequently to profit or loss	−1,132	−153
Own credit risk adjustment (OCA), net of tax[1)]	**−70**	**−53**
Remeasurement of pension obligations, including special salary tax	−188	−5,665
Valuation gains (losses) on plan assets during the year	2,487	7,062
Deferred tax on pensions	−460	−32
Defined benefit plans	**1,839**	**1,366**
Items that will not be reclassified to profit or loss	**1,769**	**1,313**
OTHER COMPREHENSIVE INCOME	**637**	**1,160**
TOTAL COMPREHENSIVE INCOME	**16,383**	**21,336**

1) Own credit risk adjustment from financial liabilities FVTPL.

Attributable to shareholders in Skandinaviska Enskilda Banken AB (publ)	16,383	21,336

The method used to hedge currency risks related to investments in foreign subsidiaries creates a tax expense (tax income) in the parent company. Fair value changes on the hedging instruments impact the taxable result contrary to the currency revaluation of the foreign operations. In the group this tax effect is reported in Other comprehensive income.

Balance sheet

SEB Group

SEKm	Note	31 Dec 2020	31 Dec 2019
Cash and cash balances at central banks	17	323,776	146,691
Loans to central banks	18	3,633	4,494
Loans to credit institutions	18	50,791	46,995
Loans to the public	18	1,770,161	1,837,605
Debt securities	19	265,433	238,578
Equity instruments	20	82,240	78,482
Financial assets for which the customers bear the investment risk		330,950	316,776
Derivatives	21	164,909	139,427
Fair value changes of hedged items in a portfolio hedge of interest rate risk		496	
Investments in subsidiaries, associates and joint ventures	22	1,272	997
Intangible assets	23	7,808	8,186
Properties and equipment	24	1,286	1,368
Right-of-use assets	49	5,141	5,288
Current tax assets	15	6,070	6,549
Deferred tax assets	15	444	259
Retirement benefit assets	8 b	7,287	5,545
Other assets	25	16,494	17,171
Prepaid expenses and accrued income	26	2,242	2,235
TOTAL ASSETS		**3,040,432**	**2,856,648**
Deposits from central banks and credit institutions	27	111,309	88,041
Deposits and borrowing from the public	27	1,371,227	1,161,485
Financial liabilities for which the customers bear the investment risk	28	332,392	317,574
Liabilities to policyholders	28	29,624	26,547
Debt securities issued	29	749,502	858,173
Short positions	30	30,409	27,343
Derivatives	21	161,561	122,192
Other financial liabilities		744	2,449
Fair value changes of hedged items in a portfolio hedge			420
Current tax liabilities	15	993	1,764
Deferred tax liabilities	15	7,212	7,117
Other liabilities	31	34,616	36,389
Accrued expenses and prepaid income	32	5,208	5,360
Provisions	33	990	1,095
Retirement benefit liabilites	8 b	414	359
Subordinated liabilities	34	32,287	44,639
Total liabilities		**2,868,489**	**2,700,947**
Share capital		*21,942*	*21,942*
Other reserves		*4,040*	*3,404*
Retained earnings		*145,961*	*130,355*
Shareholders' equity		171,943	155,700
Total equity		**171,943**	**155,700**
TOTAL LIABILITIES AND EQUITY		**3,040,432**	**2,856,648**

Statement of changes in equity

SEB Group

SEK m		Other reserves					
2020	**Share capital[3)]**	**OCA[6)]**	**Cash flow hedges**	**Translation of foreign operations**	**Defined benefit plans**	**Retained earnings**	**Total equity[4)]**
Opening balance	21,942	−339	15	−170	3,898	130,355	**155,700**
Net profit						15,746	**15,746**
Other comprehensive income (net of tax)		−70	−62	−1,070	1,839		**637**
Total comprehensive income		**−70**	**−62**	**−1,070**	**1,839**	**15,746**	**16,383**
Equity-based programmes[2)]						−142	**−142**
Change in holding of own shares						2	**2**
CLOSING BALANCE	**21,942**	**−409**	**−47**	**−1,241**	**5,737**	**145,961**	**171,943**
2019							
Opening balance	21,942	−286	313	−315	2,533	124,604	**148,789**
Effect of applying IFRS 16[5)]						−244	**−244**
Restated balance at 1 January 2019	**21,942**	**−286**	**313**	**−315**	**2,533**	**124,360**	**148,545**
Net profit						20,177	**20,177**
Other comprehensive income (net of tax)		−53	−298	145	1,366		**1,160**
Total comprehensive income		**−53**	**−298**	**145**	**1,366**	**20,177**	**21,336**
Dividend to shareholders[1)]						−14,069	**−14,069**
Equity-based programmes[2)]						−136	**−136**
Change in holding of own shares						24	**24**
CLOSING BALANCE	**21,942**	**−339**	**15**	**−170**	**3,898**	**130,355**	**155,700**

1) No dividend was paid in 2020 for 2019. Proposed dividend for 2020 is SEK 4.10. Further information can be found on page 67. Dividend to shareholders is reported excluding dividend on own shares.
2) As at 31 December 2018 SEB owned 30.3 million Class A shares for the long-term incentive programmes. In 2019 7.4 million Class A shares were sold as stock options were exercised. During 2019, SEB also repurchased 8.7 million Class A shares. As at 31 December 2019 SEB owned 31.5 million Class A shares with a market value of SEK 2,774m. Another 10.2 million Class A shares have been sold during 2020 as stock options were exercised. During 2020, SEB repurchased 10.9 million Class A shares. As at 31 December 2020 SEB owned 32.2 million Class A shares with a market value of SEK 2,722m.
3) 2,170,019,294 Class A shares (2,170,019,294); 24,152,508 Class C shares (24,152,508), both classes with a nominal value of SEK 10 per share.
4) Information about capital requirements can be found in note 41 Capital adequacy.
5) IFRS 16 Leases applied from 1 January 2019.
6) Own credit risk adjustment from financial liabilities FVTPL.

Cash flow statement

SEB Group

SEKm	2020	2019
Interest received	38,630	41,332
Interest paid	−13,906	−19,592
Commission received	22,933	24,176
Commission paid	−4,870	−5,467
Net received from financial transactions	19,621	−4,211
Other income	237	776
Paid expenses	−23,588	−28,178
Taxes paid	−4,392	−4,833
Cash flow from the income statement	34,664	4,002
Increase (–)/decrease (+) in trading portfolios	−18,792	−100,712
Increase (+)/decrease (–) in issued securities	−109,525	179,214
Increase (–)/decrease (+) in lending to credit institutions and central banks	−8,169	28,252
Increase (–)/decrease (+) in lending to the public	58,177	−196,648
Increase (+)/decrease (–) in liabilities to credit institutions	23,332	−47,595
Increase (+)/decrease (–) in deposits and borrowings from the public	209,908	50,396
Increase (–)/decrease (+) in insurance portfolios	644	−145
Change in other assets	−469	2,694
Change in other liabilities	545	19,029
Cash flow from operating activities	**190,316**	**−61,513**
Sales of shares and bonds	20	260
Sales of intangible and tangible fixed assets	4	5
Dividends received	0	3
Investments/divestments in shares and bonds	−275	198
Investments in intangible and tangible assets	307	−1,079
Cash flow from investing activities	**56**	**−612**
Issue of subordinated liabilities		8,842
Repayment of subordinated loans	−10,257	
Dividend paid		−14,069
Cash flow from financing activities	**−10,257**	**−5,227**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**180,116**	**−67,352**

Cash and cash equivalents at beginning of year	159,335	219,579
Exchange rate differences on cash and cash equivalents	−8,203	7,108
Net changes in cash and cash equivalents	180,116	−67,352
CASH AND CASH EQUIVALENTS AT END OF PERIOD[1) 2)]	**331,247**	**159,335**

[1)] Cash and cash equivalents

Cash	2,155	2,507
Cash balances at central banks	321,621	144,185
On demand deposits with credit institutions	7,471	12,643
TOTAL	**331,247**	**159,335**

2) Of which SEK 4,991m (6,337) not available for use by the group due to local central bank regulations.

Cash outflow from leasing, where SEB is lessee, amounts to SEK 949m (933).

Reconciliation of liabilities from financing activities

Opening balance	44,639	34,521
Cash flows	−10,257	8,842
Non-cash flow, currency exchange	−2,427	939
Non-cash flow, fair value changes	438	263
Non-cash flow, interest accruals	−106	74
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**32,287**	**44,639**

Income statement

Parent company

SEKm	Note	2020	2019
Interest income		*31,460*	*34,826*
Leasing income		*5,365*	*5,792*
Interest expense		*–11,118*	*–17,217*
Net interest income	4	25,707	23,402
Dividends received		3,121	5,168
Fee and commission income		*13,734*	*13,544*
Fee and commission expense		*–3,036*	*–3,083*
Net fee and commission income	5	10,698	10,461
Net financial income	6	5,297	5,838
Other income	7	411	1,762
Total operating income		**45,234**	**46,631**
Staff costs	8	*–11,168*	*–10,684*
Other expenses	9	*–6,204*	*–5,660*
Administrative expenses		–17,372	–16,345
Depreciation, amortisation and impairment of tangible and intangible assets	10	–5,683	–5,749
Total operating expenses		**–23,055**	**–22,094**
Profit before credit losses		**22,179**	**24,537**
Net expected credit losses	12	–5,550	–2,044
Impairment of financial assets		–220	–741
Operating profit		**16,409**	**21,752**
Appropriations	14	2,390	2,694
Income tax expense	15	–4,636	–4,189
Other taxes	15	451	48
NET PROFIT		**14,614**	**20,305**

Statement of comprehensive income

Parent company

SEKm	2020	2019
NET PROFIT	**14,614**	**20,305**
Valuation gains (losses) during the year	–72	–385
Income tax on valuation gains (losses) during the year	10	87
Cash flow hedges	**–62**	**–298**
Translation of foreign operations	–158	33
Translation of foreign operations	**–158**	**33**
Items that may be reclassified subsequently to profit or loss	**–220**	**–265**
OTHER COMPREHENSIVE INCOME	**–220**	**–265**
TOTAL COMPREHENSIVE INCOME	**14,394**	**20,040**

The method used to hedge currency risks related to investments in foreign subsidiaries creates a tax expense (tax income) in the parent company. Fair value changes on the hedging instruments impact the taxable result contrary to the currency revaluation of the foreign operations. In the group this tax effect is reported in Other comprehensive income.

Balance sheet

Parent company

SEKm	Note	31 Dec 2020	31 Dec 2019
Cash and cash balances at central banks	17	294,391	110,104
Loans to central banks	18	3,537	2,904
Loans to credit institutions	18	67,490	89,546
Loans to the public	18	1,569,310	1,601,243
Debt securities	19	239,928	211,417
Equity instruments	20	63,825	61,802
Derivatives	21	159,380	135,713
Fair value changes of hedged items in a portfolio hedge of interest rate risk		496	
Investments in subsidiaries, associates and joint ventures	22	47,285	50,633
Intangible assets	23	1,776	1,875
Properties and equipment	24	28,045	30,224
Current tax assets	15	2,516	2,998
Deferred tax assets	15	185	3
Other assets	25	16,418	17,807
Prepaid expenses and accrued income	26	2,527	2,404
TOTAL ASSETS		**2,497,110**	**2,318,672**
Deposits from central banks and credit institutions	27	147,831	126,891
Deposits and borrowing from the public	27	1,198,833	973,834
Debt securities issued	29	749,415	857,968
Short positions	30	30,409	27,343
Derivatives	21	157,529	119,511
Other financial liabilities		744	2,449
Current tax liabilities	15	376	717
Deferred tax liabilities	15	0	0
Other liabilities	31	23,601	24,035
Accrued expenses and prepaid income	32	3,399	2,917
Provisions	33	640	407
Subordinated liabilities	34	31,837	44,189
Total liabilities		**2,344,614**	**2,180,262**
Untaxed reserves	35	**18,628**	**19,875**
Share capital		*21,942*	*21,942*
Statutory reserve		*12,260*	*12,260*
Development cost reserve		*1,474*	*1,391*
Fair value reserve		*−480*	*−259*
Retained earnings		*84,058*	*62,896*
Net profit		*14,614*	*20,305*
Total equity		**133,868**	**118,535**
TOTAL LIABILITIES AND EQUITY		**2,497,110**	**2,318,672**

Statement of changes in equity

Parent company

SEK m	Restricted equity			Non-restricted equity[4]			
2020	Share capital[3]	Statutory reserve	Development cost reserve	Cash flow hedges[5]	Translation of foreign operations[5]	Retained earnings	Total Equity
Opening balance	21,942	12,260	1,391	15	−274	83,202	**118,535**
Net profit						14,614	**14,614**
Other comprehensive income (net of tax)				−62	−158		**−220**
Total comprehensive income				**−62**	**−158**	**14,614**	**14,394**
Equity-based programmes[2]						−211	**−211**
Change in holding of own shares						2	**2**
Other changes			83			1,064	**1,147**
CLOSING BALANCE	**21,942**	**12,260**	**1,474**	**−47**	**−432**	**98,671**	**133,868**

2019							
Opening balance	21,942	12,260	1,039	313	−308	77,449	**112,695**
Net profit						20,305	**20,305**
Other comprehensive income (net of tax)				−298	33		**−265**
Total comprehensive income				**−298**	**33**	**20,305**	**20,040**
Dividend to shareholders[1]						−14,069	**−14,069**
Equity-based programmes[2]						−185	**−185**
Change in holding of own shares						24	**24**
Other changes			352			−321	**31**
CLOSING BALANCE	**21,942**	**12,260**	**1,391**	**15**	**−274**	**83,202**	**118,535**

1) No dividend was paid in 2020 for 2019. Proposed dividend for 2020 is SEK 4.10. Further information can be found on page 67. Dividend to shareholders is reported excluding dividend on own shares.
2) As at 31 December 2018 SEB owned 30.3 million Class A shares for the long-term incentive programmes. In 2019 7.4 million Class A shares were sold as stock options were exercised. During 2019, SEB also repurchased 8.7 million Class A shares. As at 31 December 2019 SEB owned 31.5 million Class A shares with a market value of SEK 2,774m. Another 10.2 million Class A shares have been sold during 2020 as stock options were exercised. During 2020, SEB repurchased 10.9 million Class A shares. As at 31 December 2020 SEB owned 32.2 million Class A shares with a market value of SEK 2,722m.
3) 2,170,019,294 Class A shares (2,170,019,294); 24,152,508 Class C shares (24,152,508), both classes with a nominal value of SEK 10 per share.
4) The closing balance is equivalent to Distributable items according to Regulation (EU) No 575/2013 (CRR).
5) Fair value fund.

Cash flow statement

Parent company

SEKm	2020	2019
Interest received	36,112	43,714
Interest paid	−10,843	−21,460
Commission received	13,592	13,295
Commission paid	−2,914	−2,798
Net received from financial transactions	17,030	−2,391
Other income	−197	−618
Paid expenses	−16,702	−20,413
Taxes paid	−3,544	−3,679
Cash flow from the profit and loss statement	32,534	5,652
Increase (−)/decrease (+) in trading portfolios	−18,440	−108,659
Increase (+)/decrease (−) in issued securities	−108,922	178,988
Increase (−)/decrease (+) in lending to credit institutions	2,913	31,940
Increase (−)/decrease (+) in lending to the public	24,680	−190,240
Increase (+)/decrease (−) in liabilities to credit institutions	21,003	−33,057
Increase (+)/decrease (−) in deposits and borrowings from the public	225,058	46,591
Change in other assets	−3,160	−1,613
Change in other liabilities	928	14,283
Cash flow from operating activities	**176,595**	**−56,115**
Dividends received	3,091	5,046
Investments/divestments in shares and bonds	3,357	1,503
Investments in intangible and tangible assets	−673	−826
Cash flow from investment activities	**5,774**	**5,723**
Issue of subordinated liabilities		8,688
Repayment of subordinated liabilities	−10,742	
Dividend paid		−14,069
Cash flow from financing activities	**−10,742**	**−5,382**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**171,627**	**−55,773**
Cash and cash equivalents at beginning of year	135,598	187,701
Exchange rate differences on cash and cash equivalents	−6,552	3,669
Net changes in cash and cash equivalents	171,627	−55,773
CASH AND CASH EQUIVALENTS AT END OF PERIOD [1] [2]	**300,673**	**135,598**

[1] Cash and cash equivalents

Cash	11	65
Cash balances at central banks	294,380	110,039
On demand deposits with credit institutions	6,282	25,494
TOTAL	**300,673**	**135,598**

2) Of which SEK 3,317m (4,235) not available for use by the parent company due to local central bank regulations.

Reconciliation of liabilities from financing activities

Opening balance	44,189	34,521
Cash flows	−10,742	8,688
Non-cash flow, currency exchange	−1,942	643
Non-cash flow, fair value changes	438	263
Non-cash flow, interest accruals	−107	74
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**31,837**	**44,189**

Notes to the financial statements

SEKm, unless otherwise stated.

Corporate information

The SEB Group provides corporate, retail, investment and private banking services. The group also provides asset management and life insurance services.

Skandinaviska Enskilda Banken AB (publ) is the parent company of the group. The parent company is a Swedish limited liability company with its registered office in Stockholm, Sweden.

The parent company is included in the Large Cap segment of the NASDAQ Stockholm stock exchange.

The consolidated accounts for the financial year 2020 were approved for publication by the Board of Directors on 23 February 2021 and will be presented for adoption at the 2021 Annual General Meeting.

Mandatory information

Name of reporting entity	Skandinaviska Enskilda Banken AB (publ)
Domicile of entity	Sweden
Legal form of entity	Public limited company
Country of incorporation	Sweden
Address of entity's registered office	Kungsträdgårdsgatan 8, SE-106 40 Stockholm, Sweden
Principal place of business	Sweden
Description of nature of entity's operations and principal activities	Bank and Insurance
Name of parent entity	Skandinaviska Enskilda Banken AB (publ)
Name of ultimate parent of group	Skandinaviska Enskilda Banken AB (publ)

Exchange rates used for converting main currencies in the group Consolidation

	Income Statement			Balance sheet		
	2020	2019	Change, %	2020	2019	Change, %
DKK	1.407	1.418	−1	1.352	1.398	−3
EUR	10.487	10.589	−1	10.057	10.446	−4
NOK	0.979	1.075	−9	0.955	1.061	−10
USD	9.204	9.460	−3	8.186	9.324	−12

1 Accounting policies

Significant accounting policies for the group

STATEMENT OF COMPLIANCE

The group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the EU. The accounting also follows the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulation and general guidelines issued by the Swedish Financial Supervisory Authority, Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25). In addition to this the Supplementary Accounting Rules for Groups RFR 1 and the additional UFR statements issued by the Swedish Financial Reporting Board have been applied.

BASIS OF PREPARATION

The consolidated accounts are based on amortised cost, except for the fair value measurement of financial assets at fair value through other comprehensive income, financial assets and liabilities measured at fair value through profit or loss including derivatives and investment properties measured at fair value. The carrying amount of financial assets and liabilities subject to hedge accounting at fair value has been adjusted for changes in fair value attributable to the hedged risk. The financial statements are presented in million Swedish kronor (SEKm) unless indicated otherwise.

CONSOLIDATION

Subsidiaries

The consolidated accounts combine the financial statements of the parent company and its subsidiaries. Subsidiaries are companies, over which the group has control. The group controls an entity when it has power over an investee, is exposed to, or has rights to, variable returns from its involvement and has the ability to use its power to affect the amount of the returns. Control is deemed to exist when the parent company holds, directly or indirectly, more than 50 per cent of the voting rights, unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities of the entity. Companies in which the parent company or its subsidiaries hold more than 50 per cent of the votes, but are unable to exercise control due to contractual or legal reasons, are not included in the consolidated accounts. The group also assesses if control exists when it holds less than 50 per cent of the voting rights. This may arise if the group has contractual arrangements with other vote holders. The size and dispersion of holdings of other vote holders may also indicate that the group has the practical ability to direct the relevant activities of the investee.

When voting rights are not relevant in deciding who has power over an entity, such as interests in some funds or special purpose entities (SPE), all facts and circumstances are considered in determining if the group controls the entity. In the assessment whether to consolidate SPEs and other entities, an analysis is made to identify which party has power over the activities which most affects the returns of the entity and if that party is significantly exposed or have significant rights to the returns from that entity.

The financial statements of the parent company and the consolidated subsidiaries refer to the same period and have been drawn up according to the accounting policies applicable to the group. A subsidiary is included in the consolidated accounts from the time of acquisition, being the date when the parent company gains control over the subsidiary. The subsidiary is included in the consolidated accounts until the date when control over the company ceases to exist.

The consolidated accounts are prepared in accordance with the acquisition method. The acquisition value is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed.

The identifiable assets acquired, the liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on acquisition date, irrespective of any non-controlling interest. The excess of the consideration transferred for the acquisition over the fair value of the group's share of the identifiable acquired net assets is recorded as goodwill. If the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly against profit or loss.

Goodwill is allocated between the cash-generating units or groups of units which are expected to generate cash flows. The cash-generating units to which goodwill is allocated correspond to the lowest level within the group in which goodwill is monitored for internal management purposes.

Intra-group transactions, balance sheet items and unrealised gains and losses on transactions between group companies are eliminated. The non-controlling interest of the profit or loss in subsidiaries is included in the reported net profit in the consolidated income statement, while the non-controlling share of net assets is included in equity in the consolidated balance sheet.

Associated companies and joint ventures

The consolidated accounts also include associated companies and joint ventures that are companies in which the group has significant influence or joint control, but not sole control. Significant influence means that the group can participate in the financial and operating policy decisions of the company, whilst not determining or controlling such financial and operating policies. A significant influence is generally deemed to exist if the group, directly or indirectly, holds between 20 and 50 per cent of the voting rights of an entity. A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

According to the main principle, associated companies and joint ventures are consolidated in accordance with the equity method. This means that the holding is initially reported at its acquisition cost. Associated companies and joint ventures are subsequently carried at a value that corresponds to the group's share of the net assets. However, the group has chosen to designate investments in associates held by the group's venture capital organisation at fair value through profit or loss on the basis that these are managed and evaluated based on fair value.

SEGMENT REPORTING

An operating segment is identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The business divisions are identified as separate operating segments, considering size and regulatory environment. Investment Management & Group functions consists of Investment Management, business support, treasury, staff units and German run-off operations. In the context of defining the segments the President and Chief Executive Officer (CEO) is the group's chief operating decision maker.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. On subsequent balance sheet dates monetary items in foreign currency are translated using the closing rate. Non-monetary items, which are measured in terms of historical cost in foreign currency, are translated using the exchange rate on the date of the transaction. Non-monetary items, which are measured at fair value in a foreign currency, are translated applying the exchange rate on the date on which the fair value is determined.

Gains and losses arising as a result of exchange rate differences on settlement or translation of monetary items are recognised in profit or loss. Translation differences on non-monetary items, classified as financial assets or financial liabilities at fair value through profit or loss, are included in the change in fair value of those items. Translation differences from non-monetary items, e.g. financial assets at fair value through other comprehensive income, are recognised in other comprehensive income. Exchange rate differences referring to monetary items comprising part of a net investment in a foreign operation are reported in other comprehensive income.

The income statements and balance sheets of group entities, with a functional currency other than the group's presentation currency, are translated to SEK in the consolidated accounts. Assets and liabilities in foreign group entities are translated at the closing rate and income and expenses in the income statement are translated at the average exchange rate for the year. The exchange rate differences are recognised as a separate component of other comprehensive income.

Goodwill arising in conjunction with acquisitions of foreign group entities, as well as adjustments to the fair value of assets and liabilities made in conjunction with acquisitions are included in the assets and liabilities of the foreign entity in question and are translated at the closing rate.

FINANCIAL ASSETS AND LIABILITIES

Financial assets are recognised on the balance sheet when the group becomes a party to the contractual provisions of the instrument and are measured at fair value on initial recognition. Transaction costs are included in the fair value on initial recognition except for financial assets at fair value through profit or loss where transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows have expired, the group has transferred substantially all risks and rewards and upon substantial modification. Transfers of financial assets with retention of all or substantially all risks and rewards include for example repurchase transactions and securities lending transactions. Financial assets at fair value are recognised on the balance sheet on trade date, with exception of loans and reversed repos which are recognised on settlement date. Financial assets measured at amortised cost are recognised on settlement date.

Financial liabilities are measured at fair value on initial recognition. In the case of financial liabilities measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or the issuance of the financial liability are recognised in profit or loss. For other financial liabilities direct transaction cost are recognised as a deduction from the fair value. Financial liabilities are derecognised when extinguished, that is, when the obligation is discharged, cancelled or expired.

Classification of financial assets and liabilities

The group classifies and subsequently measures its financial assets in the following categories: financial instruments at fair value through profit or loss; fair value through other comprehensive income and amortised cost. The classification will depend on if the financial asset is a debt instrument, an equity instrument or a derivative.

Debt instruments (Loans and debt securities)

The classification is based on a combination of assessing the business model for managing the financial assets and whether the contractual cash flow characteristics consist of solely payments of principal and interest ('SPPI'). The business model assessment is performed for homogenous portfolios identified based on how the business is managed in the divisions of the group. The assessment is based on reasonable scenarios taking into consideration how the portfolio is evaluated and reported to management; the risks affecting the performance of the portfolio and how these risks are managed; how managers are compensated; and the frequency, value and timing of sales including the reasons for the sales. In determining if the cash flows consist solely of principal and interest, the principal is defined as the fair value of the debt instrument at initial recognition, which can change over the life if there are repayments or capitalisation of interest. Interest cash flows are consistent with components with a basic lending arrangement including consideration for time value of money, credit risk, liquidity risk as well as administrative costs and profit margin. If there are contractual features introducing an exposure to other risks or volatility, it is not considered to consist of solely payments of principal and interest. Debt instruments are presented in the balance sheet items; Cash and cash balances at central banks, Loans to credit institutions, Loans to the public and Debt securities, and include instruments in the following measurement categories.

Fair value through profit or loss: Debt instruments are classified in this category if not meeting the criteria for amortised cost or fair value through other comprehensive income. This is the case if the business model is held for trading; where financial assets are considered held for trading if they are held with the intention to be sold in the short-term and for the purpose of generating profits. Debt instruments are mandatorily measured at fair value through profit or loss if the assets are managed and evaluated on a fair value basis or the assets are held with an intention to sell alternatively if the cash flows do not consist of solely payments of principal and interest. Debt instruments that would otherwise be classified as fair value through other comprehensive income or amortised cost are also included in this category if, upon initial recognition, designated at fair value through profit or loss (fair value option). The fair value option can be applied only in situations where such designation reduces measurement inconsistencies.

Fair value through other comprehensive income: Debt instruments are classified in this category if both of the following criteria are met (a) the business model objective is to both hold assets to collect contractual cash flows and to sell the assets (b) the contractual cash flow characteristics consist of solely payments of principal and interest. The assets are measured at fair value and gains and losses arising from changes in fair value are reported in other comprehensive income and accumulated in equity. The cumulative gain or loss is reclassified from equity to profit or loss upon derecognition of the debt instrument. Interest calculated by applying the effective interest method on interest-bearing financial assets and expected credit losses are recognised in profit or loss.

Amortised cost: Debt instruments are classified in this category if both of the following criteria are met (a) the business model objective is to hold assets to collect contractual cash flows and (b) the contractual cash flow characteristics consist of solely payments of principal and interest. The gross carrying amount of these assets is measured using the effective interest method and adjusted for expected credit losses.

Equity instruments

Equity instruments are classified as financial assets at fair value through profit or loss. An irrevocable election can be made on initial recognition to classify equity instruments (not held for trading) at fair value through other comprehensive income. This election has not been applied in the group.

Derivatives

Derivatives are classified as fair value through profit or loss (held for trading) unless designated as hedging instruments. If designated as hedging instruments, the principles for hedge accounting are applied.

Financial liabilities

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss are either classified as held for trading or designated as fair value through profit or loss on initial recognition (fair value option). Changes in fair value are recognised in profit or loss within Net financial income, with the exception of changes in fair value due to changes in the group's own credit risk. Such changes are presented in other comprehensive income, with no subsequent reclassification to the income statement. The fair value option can be applied for classification of financial liabilities if meeting either of the following criteria; the contracts include one or more embedded derivatives, the instruments are managed and evaluated on a fair value basis or in situations where such designation reduces measurement inconsistencies. Liabilities to policyholders and some debt securities are included in this category. Financial liabilities held for trading are primarily short positions in interest-bearing securities, equity instruments and derivatives not designated as hedging instruments.

Other financial liabilities: The category other financial liabilities primarily include the group's short-term and long-term borrowings. After initial recognition other financial liabilities are measured at amortised cost, using the effective interest method. The balance sheet items Deposits from central banks and credit institutions, Deposits and borrowings from the public and Debt securities issued are included in this category.

Embedded derivatives

Some combined contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. If the host contract is a financial asset in scope of IFRS 9 the contract is assessed for classification in its entirety and the embedded derivative is not separated. For other hybrid instruments (i.e. the host contract is not a financial asset in scope of IFRS 9) where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the income statement. This does not apply if the host contract is carried at fair value through profit or loss.

Certain combined instruments are classified as financial liabilities at fair value through profit or loss according to the fair value option. The designation implies that the entire combined instrument is measured at fair value through profit and loss.

Offsetting financial transactions

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal right to offset transactions and an intention to settle net or realise the asset and settle the liability simultaneously.

Repurchase agreements

Securities may be lent or sold subject to a commitment to repurchase them (a 'repo') at a fixed price and at a predetermined date. Such securities are retained on the balance sheet and in addition included separately as collateral pledged for own liabilities when cash consideration is received. Depending on the counterparty, payment received is recognised under Deposits by credit institutions or as Deposits and borrowing from the public.

Similarly, where the group borrows or purchases securities subject to a commitment to resell them (a 'reverse repo'), the securities are not included in the balance sheet. Payments made are recognised as Loans to credit institutions or as Loans to the public.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest method.

Securities borrowing and lending

Securities borrowing and lending transactions are entered into on a collateralised basis. Fair values of securities received or delivered are monitored on a daily basis to require or provide additional collateral. Cash collateral delivered is derecognised from the balance sheet and a corresponding receivable is recognised. Cash collateral received is recognised in the balance sheet and a corresponding obligation to return it, is recognised. Securities lent remain on the balance sheet and are in addition reported as pledged assets. Borrowed securities are not recognised as assets. When borrowed securities are sold (short position), an amount corresponding to the fair value of the securities is booked as a liability. Securities received in a borrowing or lending transaction are disclosed as obligations.

Modification

The group may renegotiate loans and modify contractual terms. If the new terms are substantially different from the original terms, the group derecognises the original financial asset and recognises a new asset. The group also assesses whether the new financial asset is credit-impaired at initial recognition. If the terms are not substantially different, the modification does not result in derecognition and the group recalculates the gross carrying amount based on the new cash flows using the original effective interest rate of the financial asset and recognises a modification gain or loss.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly market between market participants at the measurement date.

The fair value of financial instruments quoted in an active market is based on quoted market prices. If the asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances is used.

The fair value of financial instruments that are not quoted in an active market is determined by applying various valuation techniques with maximum use of observable inputs. The valuation techniques used are for example discounted cash flows, option pricing models, valuations with reference to recent transactions in the same instrument and valuations with reference to other financial instruments that are substantially the same. When valuing financial liabilities at fair value the group's own credit standing is reflected.

Any differences between the transaction price and the fair value calculated using a valuation technique with unobservable inputs, the Day 1 profit, is amortised over the life of the transaction. Day 1 profit is then recognised in profit or loss either when realised through settlement or when inputs used to calculate fair value are based on observable prices or rates.

Fair value is generally measured for individual financial instruments. In addition, portfolio adjustments are made to cover market risks and the credit risk of each of the counterparties on groups of financial assets and liabilities on the basis of the net exposure to these risks. When assets and liabilities have offsetting market risks, mid-market prices are used for establishing fair value of the risk positions that offset each other. To reflect counterparty risk and own credit risk in OTC derivatives, adjustments are made based on the net exposure towards each counterpart.

Impairment of financial assets

Measurement

The impairment requirements are based on an expected credit loss (ECL) model. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. All financial assets measured at amortised cost and fair value through other comprehensive income, as well as lease receivables, financial guarantees contracts, contract assets and certain loan commitments are in scope for expected credit loss.

ECLs on financial assets measured at amortised cost and lease receivables are presented as allowances, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the gross carrying amount. ECLs on loan commitments and financial guarantee contracts are presented as provisions, i.e., as a liability, in the balance sheet. Adjustment to the loss allowance and provision due to changes in ECLs is recognised in the income statement as Net expected credit losses.

The assessment of credit risk, and the estimation of ECL, shall be unbiased and probability-weighted, and shall incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. SEB uses both models and expert credit judgement (ECJ) for calculating ECLs.

The ECL model has a three-stage approach based on changes in the credit risk. A 12-month ECL (Stage 1) applies to all items, unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), lifetime ECL applies.

Significant increase in credit risk

At the end of each reporting period the group performs an assessment of whether credit risk has increased significantly since initial recognition. The assessment of whether there has been a significant change in credit risk is based on quantitative and qualitative indicators. Both historic and forward-looking information is used in the assessment.

For arrangements with an initial origination date as at 1 January 2018 or later, the primary indicator is changes in lifetime probability of default (PD) by comparing the scenario-weighted annualised lifetime PD at the reporting date with the scenario-weighted annualised lifetime PD at initial recognition. For arrangements with an initial origination date prior to 1 January 2018 changes in SEB's internal risk classifications since initial origination are used as the primary indicator.

Regardless of the quantitative indicator, a significant increase in credit risk is triggered if the following back-stop indicators occur:

- payments are past due >30 days but < 90 days; or
- financial assets have been classified as watch-listed; or
- financial assets are forborne (where due to the customer's financial difficulties the contractual terms of the loans have been revised and concessions given)

Back-stop indicators normally overlap with the quantitative indicator of significant increase in credit risk.

In case there has been a significant increase in credit risk since initial recognition, an allowance for lifetime ECL shall be recognised and the financial instrument is transferred to Stage 2. The approach is symmetrical, meaning that in subsequent reporting periods, if the credit quality of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the financial assets moves back to Stage 1.

Definition of default

Financial instruments in default are in Stage 3. SEB applies a definition of default for accounting purposes that is consistent with how it is defined in the capital requirements regulation, which includes financial assets past due more than 90 days. All financial assets in Stage 3 are considered to be credit-impaired.

Modelling
The ECL is calculated as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD), as well as the timing of the loss. The group's IFRS 9 methodology for ECL measurement is based on existing internal rating-based risk models (IRB) to the extent allowed under IFRS 9. As the objectives of these frameworks differ, the manner in which the expected credit losses are calculated also differs and appropriate adjustments are made to the IRB parameters to meet IFRS 9 requirements. Adjustments include the conversion of through-the-cycle and downturn parameters used in IRB risk models to point-in-time parameters used under IFRS 9 that considers forward-looking information.

PD represents the likelihood that a loan will not be repaid and will go into default in either a 12-month or lifetime horizon. The expected PD for each individual instrument incorporates a consideration of past events, current market conditions and reasonable and supportable information about future economic conditions. SEB uses IFRS 9 specific PD models. The models are calibrated based on a combination of geography, assets class and product type. EAD represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. For IFRS 9, EAD models are adjusted for a 12-month or lifetime horizon. LGD is the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held as well as the probability of cure, whereby the borrower repays all his past due obligations on the defaulted loan and recommences contractual repayments. SEB uses existing LGD models adjusted to meet IFRS 9 requirements.

When measuring ECL, SEB uses the maximum contractual period during which SEB is exposed to risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For revolving facilities, such as credit cards, and retail mortgage facilities the expected life is modelled based on historical behaviour. The residual behavioural expected life for such facilities is based on historically observed survival curve and it is affected by the time since origination of the arrangement.

Forward-looking information
The group uses internally developed macroeconomic forecasts as the basis for the forward-looking information incorporated in the ECL measurement. In order to ensure an unbiased estimation of credit losses under IFRS 9, at least three scenarios are used. One of the scenarios is the base case scenario, representing the most likely outcome, which is also applied in the financial planning and budgeting process, while other case scenarios represent more positive or negative outcomes.

The forward-looking scenarios are prepared by SEB Macro & FICC Research Department. The scenarios are approved by the Group Risk Committee. A scenario consists of a qualitative description of the macroeconomic development and a quantitative part, with forecasts of key macroeconomic variables for three subsequent years, as well as the likelihood of occurrence (scenario-weight). The scenarios are reviewed and updated on a quarterly basis. In case of significant changes in the macroeconomic environment and outlook, the scenarios will be updated more frequently. The scenario variables are benchmarked to various external sources of similar forward-looking scenarios, e.g. from OECD, IMF, EU, national central banks, ECB and governments/ministries of Finance.

Expert Credit Judgement (ECJ)
The group uses both models and expert credit judgement (ECJ) in order to determine ECLs. The degree of judgement that is required to estimate ECL depends on the model outcome, materiality and the availability of detailed information. The model provides guidance and transparency as to how economic events could affect the impairment of financial assets. Model overlay may be applied to the modelled outcome to incorporate an estimated impact of factors not captured by the model. Such judgemental adjustment to the model-generated ECLs may be applied to significant exposures at a counterparty level. The overlays are decided by the relevant credit committee using the model ECLs as guidance. In addition, there may be a need for overlays at a portfolio level, which is decided by the Group Risk Committee.

Hedge accounting
Derivatives are used to hedge interest rate, exchange rate and equity exposures. Where derivatives are held for risk management purposes and when transactions meet the required criteria, the group applies fair value hedge accounting, cash flow hedge accounting or hedging of a net investment in a foreign operation as appropriate to the risks being hedged. The group documents and designates, at inception, the relationship between the hedged item and the hedging instrument as well as the risk objective and hedge strategy. The group also documents its assessment, both at inception and on an ongoing basis, whether the derivatives used are both prospectively, and retrospectively highly effective in offsetting the hedged risk. As part of the prospective test the group also assesses and documents that the likelihood of forecasted transactions to take place is highly probable.

→ More information regarding hedge accounting can be found in note 21 Derivatives and hedge accounting.

Hedge accounting is applied when derivatives are used to reduce risks such as interest rate risks and currency risks in financial instruments. Furthermore, hedge accounting can be applied to liabilities hedging currency risk in net investments in subsidiaries. The group applies different hedge accounting models depending on the purpose of the hedge:

- Hedges of fair value of recognised assets or liabilities (fair value hedge);
- Hedges of the fair value of the interest rate risk of a portfolio (portfolio hedge);
- Hedges of highly probable future cash flows attributable to recognised assets or liabilities (cash flow hedge);
- Hedges of a net investment in a foreign operation (net investment hedge).

The group discontinues hedge accounting when:

- The derivative has ceased to be highly effective as a hedging instrument;
- The derivative expires, is sold, terminated, or exercised;
- The hedged item matures, is sold or repaid; or
- The forecast transaction is no longer deemed highly probable.

Fair value hedge
Fair value hedges are used to protect the group against undesirable exposures to changes in the market prices of recognised assets or liabilities. Changes in fair value of derivatives that qualify and are designated as hedging instruments are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk as Net other income.

Where the group hedges the fair value of interest rate exposure in a portfolio including financial assets or financial liabilities, so called portfolio hedging of interest rate risk, the gains or losses attributable to the hedged item are reported as a separate item under assets or as a separate item under liabilities in the balance sheet.

When hedge relationships are discontinued, any adjustment to the carrying amount of the hedged item is amortised to profit or loss over the period to maturity of the hedged item.

Cash flow hedge
Cash flow hedging is applied for the hedging of exposure to variations in future interest payments on assets or liabilities with variable interest rates. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss as Net other income.

Gains or losses on hedging instruments that have been accumulated in equity are recognised in profit or loss in the same period as interest income and interest expense from the hedged asset or liability.

When cash flow hedges are discontinued but future cash flows still are expected to occur, accumulated gains or losses from the hedging instrument will remain as a separate item in equity until the hedged future cash flows occur. Accumulated gains or losses are subsequently reported in profit or loss in Net interest income in the same period in which the previously hedged interest flows are recognised in profit or loss.

Net investment hedge
Hedge of a net investment is applied to protect the group from translation differences due to net investments in foreign subsidiaries. Foreign currency loans constitute the major portion of hedging instruments in these transactions. The translation differences arising on the hedging instruments are recognised in other comprehensive income and accumulated in equity as translation of foreign operations, to the extent the hedge is effective. Any ineffective part is recognised as Net financial income. When a foreign operation is partially disposed of or sold, exchange differences accumulated in equity are recognised in the income statement as part of the gain or loss on the sale.

OPERATING INCOME

Interest income and interest expense
The effective interest method is applied to recognise interest income and interest expenses in profit or loss for financial assets and financial liabilities measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest income and interest expenses. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. The calculation of the effective interest rate includes transaction costs, fees and points to be received and paid that are an integral part of the effective interest rate.

Net fee and commission income
The recognition of revenue from contracts with customers is reported as fee and commission income. The group recognises revenue when it transfers control over a service to a customer.

Fees that are included in the calculation of the effective interest rate of a financial instrument measured at amortised cost, such as loan origination fees, are allocated over the expected tenor of the instrument applying the effective interest method and presented in Net interest income.

Fee and commission income is recognised to depict the transfer of promised services to the customers in an amount that reflects the consideration to which SEB expects to be entitled in exchange for the service. The major types of fees are described below.

Fee and commission income for asset custody and asset management to customers is recognised as revenue over the period in which the services are provided. Performance based fees are recognised when it is highly probable that a significant reversal of recognised revenue will not occur, which is when the performance criteria are fulfilled.

Fee and commission income from loan syndications in which SEB acts as arranger are recognised as income when the syndication is completed and the group has retained no part of the loan or retained a part of the loan at the same effective interest rate as other participants. Brokerage fees, commission and fees from negotiating a transaction for a third party, such as arrangement of acquisitions or purchase or sale of a business, are recognised on completion of the transaction.

Expenses that are directly related to the generation of fee and commission income are recognised as fee and commission expense.

Net financial income

Gains and losses arising from changes in fair value of financial assets and liabilities measured at fair value through profit or loss are reported under the item Net financial income. For financial liabilities designated at fair value through profit or loss the change in fair value relating to change in own credit risk is accounted for in other comprehensive income.

Dividend income

Dividends are recognised when the entity's right to receive payment is established.

Seized assets

Seized assets are assets taken over to protect a claim. SEB may refrain from a loan receivable and instead seize the asset that served as collateral for the loan. Seized assets may consist of financial assets, properties and other tangible assets. Seized asset are recognised on the same line item in the balance sheet as similar assets that have been acquired otherwise. At inception seized assets are measured at fair value. The fair value at initial recognition becomes the acquisition value. Subsequently seized assets are measured according to type of asset with the exception of impairment on tangible seized assets that is reported as Gains less losses from tangible and intangible assets rather than as Depreciation, amortisation and impairment of tangible and intangible assets. The purpose is to better reflect the similar character of impairment of assets that are taken over to protect claims on counterparties and credit losses.

Tangible assets

Tangible assets, with the exception of investment properties held in insurance operations, are measured at cost and are depreciated according to plan on a straight line basis over the estimated useful life of the asset. The maximum depreciation period for buildings is 50 years. The depreciation period for other tangible assets is between 3 and 8 years.

Tangible assets are tested for impairment whenever there is an indication of impairment.

LEASING

Lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases for low-value assets. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lessor

A finance lease is a lease that transfers, from the lessor to the lessee, substantially all risks and rewards incidental to the ownership of an asset. In the group, essentially all leasing contracts in which the group is the lessor are classified as finance leases. Finance leases are reported as lending, which implies that the leasing income is reported within Net interest income.

Investment properties

Investments in properties held in order to receive rental income and/or for capital appreciation are reported as investment properties. The recognition and measurement of such properties differs, depending upon the entity owning the property. Investment properties held in the insurance operations, used to match liabilities providing a yield directly associated with the fair values of specified assets, including the investment properties themselves, are accounted for using the fair value model. Holdings of investment properties in the banking operations are measured at depreciated cost.

Intangible assets

Goodwill is measured, after initial recognition, at cost, less any accumulated impairment losses. In order to test goodwill from business combinations for impairment, it is allocated upon acquisition to the cash generating unit or units that are expected to benefit from the acquisition. Each group represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment. Goodwill and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. An impairment loss is recognised in profit or loss whenever the carrying amount, with respect to a cash-generating unit or a group of cash-generating units to which the goodwill is attributed, exceeds the recoverable amount. Impairment losses attributable to goodwill are not reversed, regardless of whether the cause of the impairment has ceased to exist.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are measured on the same basis as intangible assets acquired separately.

Other intangible assets are measured at cost, including directly attributable borrowing costs, less accumulated amortisation and any impairment losses. Development expenditures on an individual project are recognised as an intangible asset, provided that future economic benefits are probable, costs can be measured reliably and the product and process is technically and commercially feasible. Research costs are expensed as incurred.

Intangible assets with finite useful lives, i.e. all intangible assets except goodwill, are amortised on a straight-line basis over their useful lives and tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount of the asset. Internally generated intangible assets, such as software development, are amortised over a period of between 3 and 8 years.

Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Provisions are made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn by a debtor in financial difficulties. ECLs on loan commitments and financial guarantee contracts are presented as provisions. Provisions and changes in provisions are recognised in the income statement as Net credit losses.

Provisions are evaluated at each balance sheet date and are adjusted as necessary.

Financial guarantees

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value (which most often equals the premium received) and subsequently at the higher of the amount determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments* and the amount initially recognised less, where appropriate, the cumulative amount of income recognised. The contractual amounts according to financial guarantees are not recognised in the balance sheet but disclosed as obligations.

Employee benefits

Pensions

There are both defined contribution and defined benefit pension plans within the group, of which most have plan assets. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will get on retirement depending on factors such as age, years of service and compensation. A defined contribution plan is a pension plan where the group pays a contribution to separate entities and has no further obligation once the contribution is paid.

The pension commitments of the group with respect to defined benefit plans are covered by the pension funds of the group or through insurance solutions.

The defined benefit obligation is calculated quarterly by independent actuaries using the Projected Unit Credit Method.

→ The assumptions upon which the calculations are based are found in note 8b addressing Staff costs.

All changes in the net defined benefit liability (asset) are recognised as they occur, as follows: (i) service cost and net interest in the income statement; and (ii) remeasurements of both defined benefit obligations and plan assets in other comprehensive income.

Pension costs for defined contribution pension plans are recognised as an expense during the period the employees carry out the service to which the payment relates.

Share-based payments

The group operates a number of share-based incentive programmes, under which it awards SEB equity instruments to its employees. Equity-settled share-based incentive programmes entitle employees to receive SEB equity instruments. Cash-settled share-based incentive programmes entitle employees to receive cash based on the price or value of equity instruments of SEB. Fair value of these rights is determined by using appropriate valuation models, taking into account the terms and conditions of the award and the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. Social security charges are accounted for over the vesting period and the provision for social security charges is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

The cost of equity-settled share-based incentive programmes is measured by reference to the fair value of equity instruments on the date they are granted and recognised as an expense on a straight-line basis over the vesting period with a corresponding increase in equity. The vesting period is the period that the employees have to remain in service in SEB in order for their rights to vest. For cash-settled share-based incentive programmes, the services acquired and liability incurred are measured at the fair value of the liability and recognised as an expense over the vesting period, during which the employees render service. Until settlement, the fair value of the liability is remeasured, with changes in fair value recognised in the income statement.

Short-term cash-based remuneration

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

TAXES

The group's tax for the period consists of current and deferred tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or from tax authorities using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Current tax is calculated based on the taxable results for the period. Deferred tax arises due to temporary differences between the tax bases of assets and liabilities and their carrying amounts.

Current tax and deferred tax are generally recognised in profit or loss. However, tax that relates to items recognised in other comprehensive income is also reported directly in other comprehensive income. Examples of such items are gains or losses on hedging instruments in cash flow hedges.

Deferred tax assets are recognised in the balance sheet to the extent that it is probable that future taxable profits will be available against which they can be utilised. The group's deferred tax assets and tax liabilities have been calculated at the tax rate of 20.6 per cent as at 2021 in Sweden, and at each respective country's tax rate for foreign companies.

INSURANCE AND INVESTMENT CONTRACTS

Insurance contracts are contracts under which the group accepts significant insurance risk – defined as a transfer of an absolute risk of minimum 5 percent of the underlying value – from the policyholder by agreeing to compensate the policyholder or other beneficiaries on the occurrence of a defined insured event. Investment contracts are financial instruments that do not meet the definition of an insurance contract, as they do not transfer significant insurance risk from the policyholder to the group.

Insurance contracts

Insurance contracts are classified as short-term (non-life) or long-term (life). Short-term insurance comprise sickness, disability, health-care, and rehabilitation insurance. Long-term insurance comprises mainly traditional life insurance. In the group accounts short-term and long-term insurance are presented aggregated as Insurance contracts.

Measurement of short-term insurance contracts (non-life)

The provision for unearned premiums is intended to cover the anticipated cost of claims and operating expenses arising during the remaining policy period of the insurance contracts in force. The provision for unearned premiums is usually strictly proportional over the period of the insurance contracts. If premiums are judged to be insufficient to cover the anticipated cost for claims and operating expenses, the provision for unearned premiums is strengthened with a provision for unexpired risks.

For anticipated future claims that have been incurred but not yet paid, provision for claims outstanding is recognised. The provision is intended to cover the anticipated future payment of all claims incurred, including claims incurred but not reported (IBNR provisions). This provision should also cover all costs for claims settlement. The provision for claims outstanding is not discounted, with the exception of provisions for sickness annuities, which are discounted using standard actuarial methods.

Measurement of long-term insurance contracts (life)

For long-term life insurance contracts, a liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability equals the sum of the discounted value of expected benefit payments and future administration expenses, less any outstanding future contractual premium payments. Liabilities for long-term life insurance are discounted using standard actuarial methods.

Liability adequacy test

Swedish actuarial procedures involve performing liability adequacy tests on insurance liabilities. This is to ensure that the carrying amount of the liabilities is sufficient in the light of estimated future cash flows. The carrying amount of a liability is the value of the liability itself less any related intangible asset or asset for deferred acquisition costs. The current best estimates of future contractual cash flows, as well as claims handling and administration costs, are used in performing these liability adequacy tests. These cash flows are discounted and compared to the carrying amount of the liability. Any deficit is immediately recognised in profit or loss.

Revenue recognition

Premiums for insurance contracts are recognised as revenue when they are paid by the policyholders. For contracts where insurance risk premiums received during a period are intended to cover insurance claims arising in that period those premiums are recognised as revenue proportionally during the period of coverage.

Recognition of expenses

Costs for insurance contracts are recognised as an expense when incurred, with the exception of commissions that are capitalised as deferred acquisition costs. These costs are amortised as the related revenue is recognised. The asset is tested for impairment every period, ensuring that the economic future benefits expected to arise from the contracts exceed its face amount.

Reinsurance

Contracts with re-insurers, whereby compensation for losses is received by the group, are classified as ceded reinsurance. For ceded reinsurance, the benefits to which the group is entitled under the terms of the reinsurance contract are reported as the re-insurers' share of insurance provisions. Amounts recoverable from re-insurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract.

Investment contracts

The majority of the group's unit linked insurance is classified as investment contracts where no significant insurance risk is transferred from the policyholder to the group. A minor part of the group's unit linked insurance business is classified as insurance contracts.

Measurement

Investment contracts are financial commitments whose fair value is dependent on the fair value of the underlying financial assets. The underlying assets are mandatorily measured at fair value through profit or loss and the related liabilities are designated at fair value through profit or loss (fair value option). The choice to use the fair value option for the liabilities has been made for the purpose of eliminating the measurement inconsistency that would occur if different bases for measurement would have been used for assets and liabilities. The fair value of the unit linked financial liabilities is determined using the fair value of the financial assets linked to the financial liabilities attributed to the policyholder on the balance sheet date. However, if the liability is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender.

Revenue recognition

Amounts received from and paid to policyholders are reported in the balance sheet as deposits or withdrawals. Fees charged for managing investment contracts are recognised as revenue. The revenue for these management services is evenly distributed over the tenor of the contracts.

Recognition of expenses
Incremental costs of obtaining investment contracts with customers are deferred if they are expected to be recovered. Incremental costs are costs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained. These costs are up-front acquisition costs in the form of sales commissions paid for obtaining investment contracts. They are expected to be recovered from the fee income earned from the investment contracts. The asset is tested for impairment during each period to ensure that the future economic benefits expected to arise from the contract exceed the carrying amount of the asset. All other costs, such as commissions to brokers paid during the tenor of the investment contracts or commission to own staff acting as sales agents or ongoing administration cost, are recognised in the period in which they arise.

Contracts with discretionary participation features (DPF)
Some traditional pension saving contracts include a discretionary participation feature. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. All contracts that include a discretionary participation feature are reported as insurance contracts. The amounts referring to the guaranteed element and to the discretionary participation feature are reported as liabilities to policyholders.

CHANGED ACCOUNTING POLICIES
Changes in accounting policies implemented 2020
The group adopted Definition of Material (Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors)*. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". An amendment to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The changes have not had a material effect on the financial statements of the group or on capital adequacy and large exposures.

Changes in IFRSs not yet applied
Interest Rate Benchmark Reform (IBOR) – Phase 2. The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues that might affect financial reporting as a result of the IBOR reform, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in the standards. The amendments are effective for annual reporting periods beginning on or after 1 January 2021 have been endorsed by the EU.

IFRS 17 *Insurance Contracts* was published in May 2017. This standard should be applied as from 1 January 2023. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of issued insurance contracts. It also requires similar principles to be applied to held reinsurance contracts and issued investment contracts with discretionary participation features. IFRS 17 replaces IFRS 4 *Insurance Contracts*. SEB is currently evaluating the impact of the change to the financial statements of the group.

Amendments to IFRS 3 *Business Combinations* are intended to replace a reference to the latest Framework for the Preparation and Presentation of Financial Statements without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Amendments to IAS 37 *Provision*s, *Contingent Liabilities and Contingent assets*, *Onerous Contracts* – Costs of Fulfilling a Contract specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022. The IASB has issued amendments to IAS 1 *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. As part of its 2018–2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective for annual reporting periods beginning on or after 1 January 2022. None of the amendments effective after 2021 have yet been endorsed by the EU.

Significant accounting policies of the parent company

Skandinaviska Enskilda Banken (SEB) AB is a public limited liability company with corporate number 502032-9081 and with registered office in Stockholm, Sweden.

The financial statements of the parent company are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the regulation and general guidelines issued by the Swedish Financial Supervisory Authority, Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25) and statements from the Swedish Financial Reporting Board, RFR 2 and the additional UFR statements.

In accordance with the Financial Supervisory Authority's regulation, the parent company applies statutory IFRS. This means that the International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of Swedish legislation and considering the close tie between financial reporting and taxation. The accounting principles of the parent company differ, in certain aspects, from the accounting principles applied by the group. The essential differences are described below.

CHANGED ACCOUNTING POLICIES
The changed group accounting policies and future accounting developments also apply to the parent company. In all other material aspects, the accounting policies, basis for preparation and presentation for the parent company are unchanged in comparison with the annual report for 2019.

PRESENTATION FORMAT
The presentation format for the balance sheet and the profit and loss account according to the Annual Accounts Act for Credit Institutions and Securities Companies is not in conformity with IFRS. Credit institutions and securities companies applying IFRS as adopted by the EU in their consolidated financial statements have the option to deviate from the presentation format for the balance sheet as stipulated by law but may not deviate from the stipulated profit and loss account.

HOLDINGS IN SUBSIDIARIES AND ASSOCIATED COMPANIES
Shares and participating interests in subsidiaries and associated companies are measured at cost less any impairment. Dividends on shares in subsidiaries and associated companies are recognised as income in profit or loss. Merger of subsidiaries through absorption are accounted for at consolidated values. The merger effect is reported in equity.

FINANCIAL ASSETS AND LIABILITIES
The group's accounting policies in regard to financial assets and liabilities also applies to the parent company, with the exception of financial liabilities designated as fair value through profit or loss where the change in fair value relating to change in own credit risk is accounted for in profit or loss.

LEASING
IFRS 16 *Leases* is not applied in the parent company. When the parent company is acting as a lessee, it recognises leasing fees as costs on a straight-line basis over the lease period (i.e., like an operating lease). When the parent company acts as a lessor, it reports all leasing agreements as operational leases.

PENSIONS
The parent company does not apply the provisions of IAS 19 *Employee benefits* concerning accounting for defined benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This is a requirement by the Swedish tax regulation. In Sweden, actuarial pension commitments are guaranteed by a pension foundation.

The recognised net cost of pensions is calculated as pensions paid and pension premiums less any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's profit and loss account. Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

GOODWILL AND OTHER INTANGIBLE ASSETS
In accordance with IAS 38, goodwill is not amortised in the consolidated financial statements. In the parent company financial statements, goodwill is amortised as any other intangible asset on a straight line basis.

TAXES
In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves comprise accelerated depreciation under tax regulations, including the deferred tax component. In the consolidated financial statements, untaxed reserves are reported in retained earnings and deferred tax liability.

APPROPRIATIONS
The net of group contributions received and paid is reported in the parent company as appropriations.

Critical judgements in applying the accounting policies
Applying the group's accounting policies requires in some cases the use of estimates and assumptions that have a material impact on the amounts reported in the financial statements. The estimates are based on expert judgements and assumptions that management believes are true and fair. The management continuously evaluates these judgements and estimates. The most significant assumptions and estimates are associated with the areas described below:

CONSOLIDATION OF MUTUAL LIFE INSURANCE COMPANIES AND FUNDS
Within the life insurance operations of the SEB Group, Gamla Livförsäkrings AB SEB Trygg Liv operates as a mutual life insurance company. The entity is not consolidated, as the judgement of the group is that it does not have control of the entity. Control is seen to imply the power to govern the financial and operating policies of an entity in order to affect the amount of its returns from the entity. Life insurance entities operated as mutual life insurance companies cannot pay dividends which is why the group deems that it cannot obtain benefits. In Gamla Livförsäkrings AB SEB Trygg Liv there are specific policies specifying the composition of the board, which implies that the SEB Group is not able to govern the financial and operating policies of the entity.

In the assessment whether to consolidate funds, an assessment is made whether the group is considered to be an agent or a principal. The group is considered a principal, and hence controls the fund, when it is the fund manager, cannot be removed without cause, has significant right to returns from the fund by holding units and earning fee income and has the practical ability to influence its return by using its power. Funds managed by the group in which entities within the group owns more than 20 per cent are analysed further for consolidation.

The policyholders in SEB's unit-linked company choose to invest in a variety of funds. The insurance company providing unit-linked products invests in the funds chosen by the customers. By doing so SEB might, in some cases, hold more than 50 per cent of the funds, which it holds on behalf of the customers for whom it acts as investment manager. Due to the legislation regarding fund operations, SEB considers that it does not have the power to govern the financial and operating policies of such investment funds to obtain benefits. This applies irrespective of whether the funds held on behalf of customers are greater or less than 50 per cent of a fund. It is the policyholders who carry the investment risk, not SEB. Consequently, the policyholders are entitled to all of the returns generated by the funds. SEB only charges fees, on market conditions, for managing the funds. SEB has come to the conclusion that these funds which it manages should not be consolidated. However, the shares that the group holds in such funds on behalf of its customers are recognised in the balance sheet.

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS
The objective of the fair value measurement is to arrive at the price at which an orderly transaction would take place between market participants at the measurement date under current market conditions. The best evidence of fair value is a quoted price for the instrument being measured in an actively traded market. Where the market for a financial instrument is not active, fair value is calculated using an established valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. When valuing financial liabilities at fair value own credit standing is reflected. Given the uncertainty and subjective nature of valuing financial instruments at fair value, it is possible that the outcomes in the next financial year could differ from the assumptions used.

For some of the group's financial assets and liabilities, especially for certain derivatives, quoted prices are not available, and valuation models are used to estimate fair value. As part of the fair value measurement, valuation adjustments are made when valuing derivative financial instruments, to incorporate counterparty and own credit risk. The methodologies for estimating valuation adjustments are continuously revised as a result of changing market practices in response to regulatory and accounting policy changes, as well as general market developments.

The group has an established control environment for the determination of fair values of financial instruments that includes a review, independently from the business, of valuation models and prices. If the validation principles are not adhered to, the Head of Group Finance shall be informed. Exceptions with material and principal importance require approval from the Valuation Committee and the SEB ARC (Accounting Policy and Financial Reporting Committee).

→ For disclosure purposes, fair values are classified in a fair value hierarchy according to the level of observability of the inputs, see note 36.

IMPAIRMENT OF FINANCIAL ASSETS AND GOODWILL
Financial assets

When calculating expected credit loss (ECL) there are a number of key concepts that require a high level of judgement. Estimating expected credit loss is, by its very nature, uncertain and the accuracy of these estimates depends on many factors, e.g. macroeconomic forecasts and involves complex modelling and judgements.

At the end of each reporting period the group performs an assessment of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument, using key risk indicators that are used in the group's existing risk management processes.

Another area requiring significant judgement is the incorporation of forward-looking information and macroeconomic scenarios. IFRS 9 requires an unbiased and probability-weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. SEB uses internally developed macroeconomic forecasts as the basis for the forward-looking information in the ECL measurement. SEB uses both models and expert credit judgement (ECJ) in order to determine ECLs. The objective of applying ECJ is to incorporate the estimated impact of factors not captured in the modelled ECL. The degree of judgement that is required to estimate expected credit losses depends on the outcome from calculations, materiality and the availability of detailed information. The models, assessment and assumptions are regularly reviewed by the risk organisation of the group and approved by the Group Risk Committee.

→ Note 18 describes Loans and expected credit losses (ECL) in more detail.

Goodwill

Judgement is involved in determining the cash-generating units. The annual impairment test of goodwill is based on the value in use with forecasted cash flows for five years. The cash flows beyond five years are determined based on sustainable growth.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business.

→ Note 23 describes intangible assets in more detail.

CALCULATION OF INSURANCE LIABILITIES
Calculation of the group's insurance liabilities is based on a number of estimates and assumptions, both financial and actuarial, such as interest rates, mortality, health, expenses, inflation and taxes. One of the important financial assumptions is the interest rate used for discounting future cash flows.

Assumption on interest rates is based on regulations from each local Financial Supervisory Authority (FSA). All other assumptions are based on internally acquired experience.

ASSETS RECOGNISED FROM THE COSTS TO OBTAIN OR FULFIL A CONTRACT, DEFERRED ACQUISITION COSTS
SEB recognises as an asset, costs to obtain contracts that would not have incurred if the contract had not been obtained, mainly sales commissions to obtain insurance and investment contracts.

The amortisation period for the asset is based on assumptions about average lifetime of the contracts including assumptions about surrenders and lapses.

FAIR VALUE OF INVESTMENT PROPERTY
Investment properties in the insurance operations are fair valued with the assistance of external expertise. The valuation method applied means that the related expected cash flows are discounted to present value. The assumptions concerning expected cash flows are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirement and market interest. Assumptions are in line with the assessments that the market can be expected to make under current market conditions. The yield requirement is based on local analysis of comparable property purchases.

VALUATION OF DEFERRED TAX ASSETS
Deferred tax assets that are relying on future profitability can be recognised only to the extent they can be offset against future taxable income and the valuation of deferred tax assets is influenced by management's assessment of SEB's future profitability, future taxable profits and future reversals of existing taxable temporary differences. The expected outcome of uncertain tax positions is determined as the single most likely outcome.

PROVISIONS AND CONTINGENT LIABILITIES
Judgement is applied in determining whether a present obligation exists, and in estimating the probability, timing and amount of any outflow of resources. In cases where the probability of an outflow of resources or a negative outcome is assessed as not probable (less likely than not), no provision is recognised and a contingent liability is disclosed. Assessments of claims in civil lawsuits, tax and regulatory matters, typically require a higher degree of judgement than other types of cases due to the inherent uncertainty and complexity of the matters.

ACTUARIAL CALCULATIONS OF DEFINED BENEFIT PLANS
The calculation of the group's expense and obligations for defined benefit plans is based on actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. One of the important financial assumptions is the interest rate used for discounting future cash flows. The estimation of the discount rate is subject to uncertainty whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. The discount rate is based on high quality corporate bonds in a deep market, in Sweden covered bonds. The covered bonds in Sweden are at least AAA-rated and the maturity is in line with the estimated maturity of obligations for post-employment benefits. The discount rate for the defined benefit obligation is revised quarterly and other assumptions are revised each year or when a significant change has occurred.

→ Note 8 b describing staff costs contains a list of the most critical assumptions used when calculating the defined benefit obligation.

2 Operating segments

Group business segments

Income statement, 2020	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & Group functions	Eliminations	Total
Interest income	*16,897*	*17,490*	*3,377*	*2*	*17,092*	*–17,281*	***37,578***
Interest expense	*–5,838*	*–5,153*	*–264*	*–34*	*–18,257*	*17,110*	***–12,435***
Net interest income	11,060	12,337	3,113	–31	–1,165	–170	**25,143**
Fee and commission income	*10,899*	*6,113*	*2,246*	*3,517*	*6,530*	*–6,372*	***22,933***
Fee and commission expense	*–4,427*	*–1,197*	*–662*	*–1,063*	*–3,873*	*6,352*	***–4,870***
Net fee and commission income	6,472	4,915	1,584	2,454	2,657	–19	**18,063**
Net financial income	4,226	379	325	660	684	2	**6,275**
Net other income	87	30	–2	5	120	–4	**236**
Total operating income	**21,845**	**17,661**	**5,019**	**3,088**	**2,295**	**–191**	**49,717**
of which internally generated	*–496*	*390*	*18*	*1,039*	*–745*	*–205*	
Staff costs	–4,238	–3,444	–880	–867	–5,562	15	**–14,976**
Other expenses	–5,250	–4,138	–1,105	–733	5,185	176	**–5,864**
Depreciation, amortisation and impairment of tangible and intangible assets	–68	–69	–32	–21	–1,717		**–1,906**
Total operating expenses	**–9,555**	**–7,651**	**–2,017**	**–1,621**	**–2,094**	**191**	**–22,747**
Gains less losses on disposals of tangible and intangible assets	1		2		–9		**–7**
Net expected credit losses	–4,865	–827	–425	1	–4	2	**–6,118**
Operating profit before items affecting comparability	**7,425**	**9,182**	**2,579**	**1,468**	**189**	**2**	**20,846**
Items affecting comparability					–1,000		**–1,000**
OPERATING PROFIT	**7,425**	**9,182**	**2,579**	**1,468**	**–811**	**2**	**19,846**
Business equity, SEK bn	70.3	46.6	13.1	5.3			
Return on business equity, %	8.1	15.1	16.8	25.5			
Risk exposure amount, SEK bn	366	227	80		52		**725**
Lending to the public[2)], SEK bn	645	857	149		8		**1,658**
Deposits from the public[2)], SEK bn	641	529	175		18		**1,364**

Income statement, 2019	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & Group functions	Eliminations	Total
Interest income	*24,418*	*15,648*	*3,436*	*5*	*44,346*	*–46,130*	***41,722***
Interest expense	*–15,046*	*–4,928*	*–218*	*–20*	*–44,724*	*46,165*	***–18,772***
Net interest income	9,371	10,721	3,218	–16	–378	34	**22,950**
Fee and commission income	*10,911*	*7,240*	*2,317*	*3,636*	*6,499*	*–6,428*	***24,176***
Fee and commission expense	*–4,353*	*–1,695*	*–678*	*–1,105*	*–4,108*	*6,472*	***–5,467***
Net fee and commission income	6,558	5,546	1,638	2,531	2,392	44	**18,709**
Net financial income	4,462	507	321	711	1,605	11	**7,617**
Net other income	221	25	–8	77	554	–11	**858**
Total operating income	**20,613**	**16,798**	**5,169**	**3,304**	**4,173**	**78**	**50,134**
of which internally generated	*–1,620*	*2*	*178*	*1,173*	*189*	*78*	
Staff costs	–4,293	–3,372	–856	–860	–5,294	15	**–14,660**
Other expenses	–5,186	–3,979	–1,123	–706	4,465	–93	**–6,623**
Depreciation, amortisation and impairment of tangible and intangible assets	–69	–68	–30	–21	–1,475		**–1,662**
Total operating expenses	**–9,548**	**–7,418**	**–2,009**	**–1,587**	**–2,304**	**–78**	**–22,945**
Gains less losses on disposals of tangible and intangible assets	1	–4	2		–1		**–2**
Net expected credit losses	–1,812	–393	–58	–1	–22	–7	**–2,294**
Operating profit before items affecting comparability	**9,254**	**8,983**	**3,104**	**1,715**	**1,846**	**–7**	**24,894**
Items affecting comparability							
OPERATING PROFIT	**9,254**	**8,983**	**3,104**	**1,715**	**1,846**	**–7**	**24,894**
Business equity, SEK bn	67.9	44.9	10.8	5.4			
Return on business equity, %	10.4	15.3	24.7	29.4			
Risk exposure amount, SEK bn	380	225	83		57		**746**
Lending to the public[2)], SEK bn	661	823	157		13		**1,653**
Deposits from the public[2)], SEK bn	531	457	153		16		**1,157**

1) Profit and loss from associated companies accounted for under the equity method are recognised in Net other income at an amount of SEK 68m (125). The aggregated investments are SEK 548m (386).
2) Excluding repos.

Note 2 continued Operating segments

Balance sheet

2020	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & Group functions	Eliminations	Total
Assets	1,929,449	944,384	211,915	382,346	2,634,212	−3,061,874	**3,040,432**
Liabilities	1,851,066	888,360	197,307	376,149	2,617,487	−3,061,874	**2,868,489**
Investments	−64	70	204	77	752		**1,039**
2019							
Assets	1,736,081	901,082	192,812	363,773	2,685,806	−3,022,907	**2,856,648**
Liabilities	1,654,920	846,973	178,540	356,631	2,686,796	−3,022,907	**2,700,947**
Investments	58	64	185	77	775		**1,159**

Parent company business segments

2020	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & Group functions	Eliminations	Total
Gross income	32,410	21,629	24	4	5,322		**59,388**
Assets	1,852,153	884,273	7	142	1,507,104	−1,746,569	**2,497,110**
Investments	−67	27			730		**689**
2019							
Gross income	38,950	18,972	24	133	8,851		**66,930**
Assets	1,630,351	817,092	9	180	1,582,791	−1,711,752	**2,318,672**
Investments	54	35			728		**817**

Business segment
The Business segments are presented on a management reporting basis. The different divisions assist different groups of customers. The customers' demands decide the type of products that are offered. Large Corporates & Financial Institutions offers wholesale and investment banking services to large corporates and institutions. Corporate & Private Customers offers products and private banking services mainly to retail customers (private customers and small and medium-sized corporates). Division Baltic offers products mainly to retail customers (private customers and small and medium-sized corporates) and private banking services in the Baltic countries. Division Life offers life, sickness, healthcare and pension insurance. Investment Management performs asset management. Group functions consists of business support units, treasury and staff units and German run-off operations. Eliminations of internal transactions between the business segments are reported separately.

Gross income by product for external customers

	Group		Parent company	
	2020	2019	**2020**	2019
Core banking	40,024	42,695	30,857	31,883
Capital market	12,968	15,004	12,404	14,164
Asset management	8,149	8,374	1,935	2,154
Life insurance and pension	2,240	2,463		
Other	3,640	5,838	14,192	18,729
TOTAL	**67,022**	**74,374**	**59,388**	**66,930**

Core banking consists of loan, leasing, card and payment related products. Capital market consists of trading and issues on financial markets. Asset management consists of advisory, custody and fund management. Life insurance and pension consists of unit-linked and traditional life insurance products. Other consists of income from treasury operations and other activities.

3 Geographical information

Group by country

	2020					2019				
	Gross Income[1)]	Operating profit[2)]	Income tax expense[3)]	Assets	Investments	Gross Income[1)]	Operating profit[2)]	Income tax expense[3)]	Assets	Investments
Sweden	49,953	12,572	−2,462	2,725,758	730	50,658	14,151	−2,564	2,486,380	839
Norway	1,944	−928	−2	170,086	4	8,817	1,994	−456	149,486	5
Denmark	1,569	1,185	−142	184,951	−2	2,907	1,590	−332	160,764	5
Finland	1,665	1,051	−201	178,452	14	1,899	953	−189	103,513	9
Estonia	2,139	1,099	−244	71,208	70	2,164	1,288	−181	67,199	85
Latvia	1,434	415	−15	43,524	23	1,455	542	−22	42,098	39
Lithuania	2,746	1,305	−242	104,398	134	2,855	1,565	−252	90,946	103
Germany	2,418	1,390	−410	54,837	1	2,549	898	−361	66,927	1
United Kingdom	1,534	393	−106	95,005	1	2,374	725	−203	91,654	2
United States[4)]	2,905	222	−11	194,390	0	7,845	131	−26	211,987	5
Ireland	526	147	−16	86,604	40	646	234	−21	78,118	9
Luxembourg	1,666	516	−113	43,353	1	1,533	452	−8	44,956	12
China	463	117	−65	20,273	2	954	119	−34	27,269	10
Singapore	709	147	−26	22,361	0	593	103	−28	25,518	2
Russia	440	89	−24	7,862	3	565	51	−19	6,869	2
Poland	126	46	−11	7,122	12	143	51	−14	5,320	2
Hong Kong	204	70	−7	4,178		199	34	0	4,550	
Ukraine	53	6	−2	910	1	84	15	−6	640	3
Netherlands					2	0	0		0	
Group eliminations	−5,470	5	0	−974,839	3	−13,869	−1	0	−807,546	27
TOTAL	**67,022**	**19,846**	**−4,100**	**3,040,432**	**1,039**	**74,374**	**24,894**	**−4,717**	**2,856,648**	**1,159**

1) Gross income in the group is defined as the sum of Interest income, Fee and commission income, Net financial income and Net other income according to IFRS. The basis for the income allocation is SEB's presence in each country, with the exception of when the local companies / branches serve as sales offices and receive commission payments and the transaction is booked in the central unit.
2) Before tax.
3) For more information about tax see note 15 and Sustainability notes pages 191–201.
4) Including Cayman Islands, where the parent company is represented by a branch office which is a United States tax resident entity, why tax expense related to Cayman income is reported in US.

Parent company by country

	2020			2019		
	Gross Income[1)]	Assets	Investments	Gross Income[1)]	Assets	Investments
Sweden	48,310	2,068,937	648	48,196	1,951,994	768
Norway	333	87,075	4	3,657	75,122	5
Denmark	1,689	107,461	−2	2,264	117,040	5
Finland	1,517	124,268	14	1,588	73,613	7
Other countries	7,539	109,369	25	11,225	100,903	32
TOTAL	**59,388**	**2,497,110**	**689**	**66,930**	**2,318,672**	**817**

1) Gross income in the parent company is defined as the sum of Interest income, Leasing income, Dividends, Fee and commission income, Net Financial income and Other income. The basis for the income allocation is SEB's presence in each country, with the exception of when the local companies / branches serve as sales offices and receive commission payments and the transaction is booked in the central unit.

Transfer pricing
The internal transfer pricing objective in the SEB Group is to measure net interest income, to transfer interest rate risk and liquidity and to manage liquidity.

The internal price is based on SEB's actual or implied market-based cost of funds for a specific interest and liquidity term. Transactions between Business segments are conducted at arm's length.

4 Net interest income

2020	Group Average balance	Group Interest	Group Interest rate	Parent company Average balance	Parent company Interest	Parent company Interest rate
Loans to credit institutions and central banks	344,589	–25	–0.01%	348,897	–77	–0.02%
Loans to the public	1,676,301	30,829	1.84%	1,482,945	25,492	1.72%
Debt securities	13,526	163	1.20%	16,876	198	1.17%
Total interest earning assets AmC	**2,034,415**	**30,966**	**1.52%**	**1,848,718**	**25,613**	**1.39%**
Debt securities	294,556	3,199	1.09%	265,344	3,136	1.18%
Loans	204,177	–15	–0.01%	204,342	–15	–0.01%
Total interest earning assets at FVTPL	**498,733**	**3,184**	**0.64%**	**469,686**	**3,122**	**0.66%**
Total interest earning assets	**2,533,148**	**34,150**	**1.35%**	**2,318,404**	**28,735**	**1.24%**
Derivatives and other assets	601,263	3,429		296,773	2,726	
TOTAL ASSETS	**3,134,411**	**37,578**		**2,615,177**	**31,461**	
Deposits from credit institutions	153,196	–513	–0.34%	183,466	–628	–0.34%
Deposits and borrowing from the public	1,336,139	–1,240	–0.09%	1,173,390	–851	–0.07%
Debt securities issued	811,491	–8,513	–1.05%	811,473	–8,513	–1.05%
Subordinated liabilities	38,925	–1,348	–3.46%	38,475	–1,348	–3.50%
Total interest bearing liabilities AmC	**2,339,752**	**–11,615**	**–0.50%**	**2,206,803**	**–11,339**	**–0.51%**
Deposits	30,635	44	0.14%	26,214	204	0.78%
Debt securities short position	21,224	–624	–2.94%	21,224	–624	–2.94%
Debt securities issued	14,599	–800	–5.48%	14,475	–800	–5.53%
Total interest bearing liabilities at FVTPL	**66,457**	**–1,381**	**–2.08%**	**61,913**	**–1,221**	**–1.97%**
Total interest bearing liabilities	**2,406,210**	**–12,996**	**–0.54%**	**2,268,716**	**–12,560**	**–0.55%**
Derivatives and other liabilities	565,982	560		4,766,065	1,442	
Equity	162,219			117,828		
TOTAL LIABILITIES AND EQUITY	**3,134,411**	**–12,435**		**2,615,177**	**–11,118**	
NET INTEREST INCOME		**25,143**			**20,342**	
NET YIELD ON INTEREST EARNING ASSETS			**0.99%**			**0.88%**

2019	Group Average balance	Group Interest	Group Interest rate	Parent company Average balance	Parent company Interest	Parent company Interest rate
Loans to credit institutions and central banks	288,257	2,148	0.75%	314,319	2,044	0.65%
Loans to the public	1,618,642	32,831	2.03%	1,404,225	26,889	1.91%
Debt securities	15,902	238	1.50%	17,280	261	1.51%
Total interest earning assets AmC	**1,922,801**	**35,217**	**1.83%**	**1,735,824**	**29,195**	**1.68%**
Debt securities	239,277	3,391	1.42%	194,677	3,246	1.67%
Loans	176,085	–218	–0.12%	176,154	–218	–0.12%
Total interest earning assets at FVTPL	**415,362**	**3,173**	**0.76%**	**370,830**	**3,028**	**0.82%**
Total interest earning assets	**2,338,163**	**38,390**	**1.64%**	**2,106,655**	**32,223**	**1.53%**
Derivatives and other assets	557,828	3,333		282,662	2,603	
TOTAL ASSETS	**2,895,991**	**41,722**		**2,389,317**	**34,826**	
Deposits from credit institutions	134,495	–1,228	–0.91%	184,329	–1,741	–0.94%
Deposits and borrowing from the public	1,160,495	–5,292	–0.46%	978,624	–4,449	–0.45%
Debt securities issued	807,545	–12,934	–1.60%	807,470	–12,934	–1.60%
Subordinated liabilities	37,601	–1,373	–3.65%	37,567	–1,373	–3.66%
Total interest bearing liabilities AmC	**2,140,135**	**–20,828**	**–0.97%**	**2,007,989**	**–20,497**	**–1.02%**
Deposits	38,280	152	0.40%	30,024	432	1.44%
Debt securities short position	34,235	–856	–2.50%	34,235	–856	–2.50%
Debt securities issued	19,680	–810	–4.12%	19,508	–810	–4.15%
Total interest bearing liabilities at FVTPL	**92,196**	**–1,515**	**–1.64%**	**83,767**	**–1,234**	**–1.47%**
Total interest bearing liabilities	**2,232,331**	**–22,343**	**–1.00%**	**2,091,756**	**–21,732**	**–1.04%**
Derivatives and other liabilities	516,733	3,571		189,736	4,515	
Equity	146,927			107,825		
TOTAL LIABILITIES AND EQUITY	**2,895,991**	**–18,772**		**2,389,317**	**–17,217**	
NET INTEREST INCOME		**22,950**			**17,610**	
NET YIELD ON INTEREST EARNING ASSETS			**0.98%**			**0.84%**

Net interest income

	Parent company 2020	Parent company 2019
Interest income	31,461	34,826
Income from leases [1]	5,365	5,792
Interest expense	–11,118	–17,217
Depreciation of leased equipment [1]	–4,814	–5,082
TOTAL	**20,893**	**18,320**

1) In the group Net income from leases is classified as interest income. In the parent company depreciation of leased equipment is reported as Depreciation, amortisation and impairment of tangible and intangible assets.

5 Net fee and commission income

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Issue of securities	776	720	1,177	1,069
Secondary market	1,592	1,645	1,210	1,161
Custody and mutual funds	7,976	7,782	3,611	3,554
Securities commissions	10,344	10,147	5,998	5,784
Payments	2,145	2,085	1,740	1,707
Card fees	2,994	4,214	578	581
Payment commissions	5,139	6,299	2,318	2,288
Life insurance commissions	1,578	1,741		
Advisory	335	592	351	560
Lending	3,004	2,869	2,873	2,752
Deposits	310	305	47	53
Guarantees	627	608	596	600
Derivatives	420	403	507	493
Other	1,175	1,211	1,045	1,012
Other commissions	5,871	5,988	5,419	5,471
Fee and commission income	**22,933**	**24,176**	**13,734**	**13,544**
Securities commissions	−1,834	−1,968	−1,454	−1,462
Payment commissions	−1,866	−2,204	−744	−703
Life insurance commissions	−494	−543		
Other commissions	−675	−753	−837	−918
Fee and commission expense	**−4,870**	**−5,467**	**−3,036**	**−3,083**
Securities commissions, net	8,510	8,179	4,544	4,322
Payment commissions, net	3,273	4,096	1,574	1,586
Life insurance commissions, net	1,084	1,198		
Other commissions, net	5,196	5,236	4,581	4,554
TOTAL	**18,063**	**18,709**	**10,698**	**10,461**

Fee and commission income by segment

Group, 2020	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & Group functions[1]	Eliminations	Total
Issue of securities and advisory	1,072	39	0	0	0		**1,111**
Secondary market and derivatives	1,602	385	36	1	−11	0	**2,012**
Custody and mutual funds	3,482	1,771	184	210	5,975	−3,647	**7,976**
Payments, cards, lending, deposits, guarantees and other	4,743	3,918	2,026	197	565	−1,193	**10,256**
Life insurance commissions				3,110		−1,532	**1,578**
TOTAL	**10,899**	**6,113**	**2,246**	**3,517**	**6,530**	**−6,372**	**22,933**
Group, 2019							
Issue of securities and advisory	1,258	35	18		2		**1,312**
Secondary market and derivatives	1,596	431	20				**2,047**
Custody and mutual funds	3,369	1,615	190	168	6,025	−3,585	**7,782**
Payments, cards, lending, deposits, guarantees and other	4,688	5,160	2,088	222	473	−1,338	**11,293**
Life insurance commissions				3,246		−1,504	**1,741**
TOTAL	**10,911**	**7,240**	**2,317**	**3,636**	**6,499**	**−6,428**	**24,176**

1) Group functions consists of business support units, treasury and staff units and German run-off operations.

Fee and commission income is disaggregated in major types of service tied to primary geographical markets and operating segments.

Revenue from Issue of securities, Advisory, Secondary market, Derivatives, Payments, cards, lending and deposits are mainly recognised at a point in time.

Revenue from Custody, Mutual funds and Life insurance commissions are mainly recognised over time.

6 Net financial income

	Group		Parent company	
	2020	2019	**2020**	2019
Equity instruments and related derivatives	1,197	2,628	1,120	2,091
Debt instruments and related derivatives	244	−37	3,430	−2,506
Currency and related derivatives	3,864	4,119	3,503	3,520
Other life insurance income, net	661	722		
Other	309	185	−2,756	2,733
TOTAL	**6,275**	**7,617**	**5,297**	**5,838**

Gains (losses) on financial assets and liabilities held for trading are presented on different rows based on type of underlying financial instrument. Changes in the treasury result are due to changes in interest rates and credit spreads. The net effect from trading operations is fairly stable over time, but shows volatility between rows. There were effects from structured products offered to the public in the amounts of approximately SEK −70 m (1,120) in equity related derivatives and a corresponding effect in debt securities of SEK 880 m (−340).

	Group		Parent company	
	2020	2019	**2020**	2019
Derivatives – counterparty risk	−315	26	104	−17
Derivatives – own credit standing	104	−27	−247	23
TOTAL	**−211**	**−1**	**−144**	**7**

Group, 2020	FVHFT	FVMPL	FVDPL	Other	Total
Equity instruments and related derivatives	658	538			**1,197**
Debt instruments and related derivatives	−2,907	1,328	1,823		**244**
Currency and related derivatives	3,756			107	**3,864**
Other life insurance income, net				661	**661**
Other	309				**309**
TOTAL	**1,817**	**1,866**	**1,823**	**769**	**6,275**
Group, 2019					
Equity instruments and related derivatives	1,218	1,410			**2,628**
Debt instruments and related derivatives	2,136	722	−2,895		**−37**
Currency and related derivatives	4,119				**4,119**
Other life insurance income, net				722	**722**
Other	185				**185**
TOTAL	**7,658**	**2,132**	**−2,895**	**722**	**7,617**

Parent company, 2020	FVHFT	FVMPL	FVDPL	Other	Total
Equity instruments and related derivatives	659	461			**1,120**
Debt instruments and related derivatives	97	1,625	1,708		**3,430**
Currency and related derivatives	3,503				**3,503**
Other	−2,683	−73			**−2,756**
TOTAL	**1,576**	**2,013**	**1,708**		**5,297**
Parent company, 2019					
Equity instruments and related derivatives	1,085	1,006			**2,091**
Debt instruments and related derivatives	−368	669	−2,806		**−2,506**
Currency and related derivatives	3,572				**3,572**
Other	2,733				**2,733**
TOTAL	**7,020**	**1,675**	**−2,806**		**5,889**

7 Net other income

	Group		Parent company	
	2020	2019	**2020**	2019
Dividends[1]	0	3		
Investments in associates	68	125		
Gains less losses from investment securities	–33	–86	–214	890
Gains less losses from tangible assets[2]	–2		16	19
Gains less losses from divestment of shares	0	259		
Other income	203	558	609	853
TOTAL	**236**	**858**	**411**	**1,762**

1) Reported separately in the Income Statement for parent company.
2) See note 11 for the group.

Dividends

Equity instruments	0	3	30	122
Investments in associates				
Dividends from subsidiaries			3,091	5,046
TOTAL	**0**	**3**	**3,121**	**5,168**

Gains less losses from investment securities

Equity instruments			0	276
Debt securities				
Buy back liabilities[1]	18	1		614
Gains	**18**	**1**	**0**	**890**
Equity instruments				
Debt securities				
Loans				
Buy back liabilities[1]	–51	–87	–214	
Losses	**–51**	**–87**	**–214**	
TOTAL	**–33**	**–86**	**–214**	

1) Liabilities at amortised cost (AmC) are realised as preparation activities related to the wind down of DSK Hyp AG (former SEB AG) and active liability management.

Other income

Fair value adjustment in hedge accounting	–27	55	–27	62
Operating result from non-life insurance, run off	90	178		
Other income	141	325	636	792
TOTAL	**203**	**558**	**609**	**853**

Fair value adjustment in hedge accounting

Fair value changes of the hedged items attributable to the hedged risk	–2,594	–1,384	–2,594	–1,384
Fair value changes of the hedging derivatives	2,584	1,423	2,584	1,423
Amortisation of discontinued hedge items				
Fair value hedges	**–11**	**39**	**–11**	**39**
Fair value changes of the hedging derivatives	3	–4	3	–4
Cash-flow hedges – ineffectiveness	**3**	**–4**	**3**	**–4**
Fair value changes of the hedged items	917	–458	917	–458
Fair value changes of the hedging derivatives	–936	485	–936	485
Amortisation of discontinued hedge items		–7		
Fair value portfolio hedge of interest rate risk – ineffectiveness	**–19**	**20**	**–19**	**27**
TOTAL	**–27**	**55**	**–27**	**62**

8 Staff costs

	Group		Parent company	
	2020	2019	**2020**	2019
Base salary	−8,969	−8,661	−6,807	−6,338
Cash-based variable remuneration	−681	−725	−574	−566
Long-term equity-based remuneration	−581	−649	−457	−547
Salaries and other compensations	**−10,231**	**−10,035**	**−7,838**	**−7,451**
Social charges	−2,512	−2,568	−1,977	−1,981
Defined benefit retirement plans [1]	−536	−409		
Defined contribution retirement plans [1]	−986	−944	−774	−718
Benefits and redundancies [2]	−263	−178	−231	−122
Education and other staff related costs	−448	−525	−349	−412
TOTAL	**−14,976**	**−14,660**	**−11,168**	**−10,684**

1) Pension costs in the group are accounted for according to IAS 19 Employee benefits. Pension costs in the parent company are calculated in accordance with the Act on Safeguarding Pensions Obligations and the Swedish Financial Supervisory Authority's regulations. Non-recurring costs of SEK 122m (98m) for early retirement have been charged to the pension funds of the bank.
2) Includes costs for redundancies of SEK 197m (115) for the group and SEK 182m (79) for the parent company.

8a Remuneration

Presented in note 8a is the statement of remuneration for the Consolidated situation and significant units within the group according to Regulation on prudential requirements for credit institutions and investment firms. In the SEB Group 923 (984) positions are defined as Identified Staff. SEB has chosen to include the remuneration also in the insurance operations that are not part of the Financial group of undertakings but part of the SEB Group.

Remuneration by division

	Group				Parent company			
	Fixed[1]		Variable[1]		Fixed[1]		Variable[1]	
2020	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs
Large Corporates & Financial Institutions	−2,795	2,080	−631	2,017	−2,619	2,031	−623	1,968
Corporate & Private Customers	−2,497	3,587	−185	3,581	−1,886	3,009	−160	3,002
Baltic	−681	2,285	−61	2,285				
Life	−621	1,046	−45	1,041				
Investment Management & Group functions[2]	−4,161	6,337	−340	6,243	−3,307	5,090	−248	4,995
TOTAL	**−10,755**	**15,335**	**−1,262**	**15,165**	**−7,812**	**10,130**	**−1,031**	**9,965**
whereof collective variable pay[3]			−488	15,165				
2019								
Large Corporates & Financial Institutions	−2,736	2,057	−730	1,989	−2,604	1,990	−693	1,922
Corporate & Private Customers	−2,426	3,564	−170	3,557	−1,723	2,893	−137	2,886
Baltic	−646	2,350	−64	2,350				
Life	−617	1,046	−44	1,040				
Investment Management & Group functions[2]	−3,768	5,922	−367	5,825	−2,877	4,584	−283	4,487
TOTAL	**−10,193**	**14,939**	**−1,374**	**14,761**	**−7,204**	**9,467**	**−1,113**	**9,295**
whereof collective variable pay[3]			−590	14,761				

2020	SEB Pank AS, Estonia				SEB Banka AS, Latvia			
	Fixed[1]		Variable[1]		Fixed[1]		Variable[1]	
	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs
Baltic	−195	695	−19	695	−147	604	−13	604
Other[4]	−108	306	−13	306	−60	210	−6	210
TOTAL	**−303**	**1,002**	**−32**	**1,002**	**−207**	**814**	**−19**	**814**
2019								
Baltic	−181	703	−20	703	−144	617	−15	617
Other[4]	−106	312	−17	312	−59	216	−7	216
TOTAL	**−286**	**1,015**	**−37**	**1,015**	**−204**	**833**	**−22**	**833**

2020	SEB bankas AB, Lithuania			
	Fixed[1]		Variable[1]	
	Remuneration	FTEs	Remuneration	FTEs
Baltic	−316	969	−24	969
Other[4]	−158	443	−15	443
TOTAL	**−474**	**1,412**	**−39**	**1,412**
2019				
Baltic	−299	1,012	−25	1,012
Other[4]	−150	431	−12	431
TOTAL	**−450**	**1,443**	**−37**	**1,443**

1) Variable pay is defined as short-term cash-based remuneration and long-term equity-based remuneration. All other remuneration is reported as fixed remuneration and includes: base pay, pensions, severance pay, fees and benefits such as e.g. company car and domestic services, in accordance with FFFS 2011:1. The reported remuneration does not include social charges.
2) Including Life, Investment Management & Group functions and Baltic in the parent company.
3) Collective short-term and long-term remuneration. Collective short-term and long-term remuneration compared to expected outcome is reported in Other.
4) Including Life, Investment Management & Group functions in Baltic countries. In Lithuania also Large Corporates & Financial Institutions are included.

Remuneration by category

2020	Group						Parent company					
	Remuneration			FTEs			Remuneration			FTEs		
	Identified Staff[6]	Other employees	Total	Identified Staff[6]	Other employees	Total	Identified Staff[6]	Other employees	Total	Identified Staff[6]	Other employees	Total
Fixed remuneration[1]	−1,215	−9,540	**−10,755**	876	14,459	**15,335**	−997	−6,815	**−7,812**	715	9,415	**10,130**
Variable pay[1]	−323	−940	**−1,262**	575	14,590	**15,165**	−288	−743	**−1,031**	496	9,469	**9,965**
whereof:												
Short-term cash-based	*−127*	*−554*	***−681***				*−115*	*−459*	***−574***			
Long-term equity-based[2]	*−196*	*−386*	***−581***				*−173*	*−284*	***−457***			
Deferred variable pay[3]	−226	−386	**−612**				−202	−284	**−486**			
Accrued and paid remuneration[4]	−1,538	−10,479	**−12,017**									
Severance pay[5]			**−197**			**366**			**−182**			**190**
Agreed not yet paid severance pay			**−432**			**239**			**−215**			**115**
Highest single amount			**−7**						**−7**			
2019												
Fixed remuneration[1]	−1,258	−8,935	**−10,193**	930	14,009	**14,939**	−1,030	−6,174	**−7,204**	740	8,727	**9,467**
Variable pay[1]	−336	−1,038	**−1,374**	541	14,220	**14,761**	−295	−818	**−1,113**	469	8,826	**9,295**
whereof:												
Short-term cash-based	*−136*	*−588*	***−725***				*−123*	*−443*	***−566***			
Long-term equity-based[2]	*−200*	*−449*	***−649***				*−172*	*−402*	***−574***			
Deferred variable pay[3]	−232	−417	**−649**				−204	−371	**−574**			
Accrued and paid remuneration[4]	−1,594	−9,973	**−11,567**				−1,326	−6,992	**−8,318**			
Severance pay[5]			**−122**			**294**			**−86**			**160**
Agreed not yet paid severance pay			**−521**			**219**			**−190**			**101**
Highest single amount			**−3**						**−3**			

Note 8a continued *Remuneration*

SEB Pank AS, Estonia

2020	Remuneration: Identified Staff[6]	Remuneration: Other employees	Remuneration: Total	FTEs: Identified Staff[6]	FTEs: Other employees	FTEs: Total
Fixed remuneration[1]	–11	–292	**–303**	11	991	**1,002**
Variable pay[1]	–2	–30	**–32**	5	997	**1,002**
whereof:						
Short-term cash-based		*–15*	***–15***			
Long-term equity-based[2]	*–2*	*–15*	***–17***			
Deferred variable pay[3]	–2	–15	**–17**			
Accrued and paid remuneration[4]	–13	–322	**–335**			
Severance pay[5]			**–2**			**26,3**
2019						
Fixed remuneration[1]	–19	–267	**–286**	23	992	**1,015**
Variable pay[1]	–3	–34	**–37**	9	1,006	**1,015**
whereof:						
Short-term cash-based		*–18*	***–18***			
Long-term equity-based[2]	*–3*	*–16*	***–19***			
Deferred variable pay[3]	–3	–16	**–19**			
Accrued and paid remuneration[4]	–22	–301	**–323**			
Severance pay[5]			**–1**			**14**

SEB Banka AS, Latvia

2020	Remuneration: Identified Staff[6]	Remuneration: Other employees	Remuneration: Total	FTEs: Identified Staff[6]	FTEs: Other employees	FTEs: Total
Fixed remuneration[1]	–9	–198	**–207**	9	805	**814**
Variable pay[1]	–2	–18	**–19**	7	807	**814**
whereof:						
Short-term cash-based		*–7*	***–7***			
Long-term equity-based[2]	*–2*	*–10*	***–12***			
Deferred variable pay[3]	–2	–10	**–12**			
Accrued and paid remuneration[4]			**–226**			
Severance pay[5]			**–2**			**32**
2019						
Fixed remuneration[1]	–13	–191	**–204**	18	815	**833**
Variable pay[1]	–1	–21	**–22**	6	827	**833**
whereof:						
Short-term cash-based		*–11*	***–11***			
Long-term equity-based[2]	*–1*	*–10*	***–11***			
Deferred variable pay[3]	–1	–10	**–11**			
Accrued and paid remuneration[4]	–14	–200	**–215**			
Severance pay[5]			**–1**			**19**

SEB bankas AB, Lithuania

2020	Remuneration: Identified Staff[6]	Remuneration: Other employees	Remuneration: Total	FTEs: Identified Staff[6]	FTEs: Other employees	FTEs: Total
Fixed remuneration[1]	–20	–455	**–474**	18	1,394	**1,412**
Variable pay[1]				7	1,405	**1,412**
whereof:	–1	–38	**–39**			
Short-term cash-based		*–17*	***–17***			
Long-term equity-based[2]	*–1*	*–21*	***–22***			
Deferred variable pay[3]	–1	–21	**–22**			
Accrued and paid remuneration[4]	–21	–492	**–513**			
Severance pay[5]			**–13**			**78**
2019						
Fixed remuneration[1]	–24	–426	**–450**	22	1,421	**1,443**
Variable pay[1]	–3	–35	**–37**	8	1,435	**1,443**
whereof:						
Short-term cash-based		*–19*	***–19***			
Long-term equity-based[2]	*–3*	*–15*	***–18***			
Deferred variable pay[3]	–3	–15	**–18**			
Accrued and paid remuneration[4]	–26	–461	**–487**			
Severance pay[5]			**–4**			**37**

1) Variable pay is defined as short-term cash-based remuneration and long-term equity-based remuneration. All other remuneration is reported as fixed remuneration and includes: base pay, pensions, severance pay, fees and benefits such as e.g. company car and domestic services, in accordance with FFFS 2011:1. The reported remuneration does not include social security charges.
2) Long-term equity-based remuneration encompasses three different programmes; All Employee Programme, Share Deferral Programme and Restricted Share Programme.
3) The deferred variable pay is locked the first year. Short-term cash-based remuneration can thereafter be paid pro rata over three years after a possible risk adjustment. Long-term equity-based programmes are locked for a minimum of three years or paid out pro rata depending on programme.
4) In Accrued and paid remuneration amounts paid within the first quarter after the accrual is included. Deferred variable pay has been subject to risk adjustment.
5) The amount also includes sign-on payments.
6) Employees with material impact on SEB's risk profile, in accordance with FFFS 2011:1.

Loans to Executives

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Managing Directors and Deputy Managing Directors[1]	141	120	67	46
Boards of Directors[2]	270	361	70	117
TOTAL	**411**	**482**	**137**	**163**

1) Comprises current President and Deputy President in the parent company and Managing Directors and Deputy Managing Directors in subsidiaries. Total number of executives was 36 (39) of which 7 (10) female.
2) Comprises current Board members and their substitutes in the parent company and subsidiaries. Total number of persons was 112 (127) of which 38 (37) female.

Pension commitments to Executives

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Pension disbursements made	96	97	74	75
Change in commitments	25	27	9	11
Commitments at year-end	1,369	1,381	794	817

The above commitments are covered by the Bank's pensions funds or through Bank-owned endowment assurance schemes. They include active and retired Presidents and vice Presidents in the parent company and Managing directors and Deputy Managing directors in subsidiaries, in total 91 persons (92).

8b Pensions

Retirement benefit obligations
The group has established pension schemes in the countries where business is performed. There are both defined benefit plans and defined contribution plans. The major pension schemes are final salary defined benefit plans and are funded. The defined benefit plan in Sweden is closed to new employees and a defined contribution plan was established during 2013. In Germany a major part was transferred from SEB in 2018. The defined contribution plans follow the local regulations in each country. Multiemployer defined benefit plans exist for employees in some parts of the group. These plans are accounted for as defined contribution plans since sufficient information of SEB's share of the liability/asset and cost is not available.

Defined benefit plans
The major defined benefit plans exist in Sweden and Germany and cover most employees in these countries. Independent actuarial calculations according to the Projected Unit Credit Method (PUCM) are performed quarterly to decide the value of the defined benefit obligation. The benefits covered include retirement benefits, disability, death and survivor pensions according to the respective countries' collective agreements. The plan assets are kept separate in specific pension foundations. In case of a deficit in the pension obligation according to local rules SEB is obliged to meet this with contribution to the foundation or insure a deficit. The asset allocation is determined to meet the various risks in the pension obligations and is decided by the board/trustees in the pension foundations. The assets are booked at market value. The pension and interest costs are presented in Staff costs.

Defined contribution plans
Defined contribution plans exist both in Sweden and abroad. In Sweden a smaller part of the closed collective retirement agreement is defined contribution based. Over a certain salary level the employees could also choose to leave the defined benefit plan and replace it by a defined contribution plan. The current plan for new employees is fully contribution based. Most other countries have defined contribution plans except for the Baltic countries where the company to a limited extent contributes to the employees retirement. The defined contribution plans are not recognised in the balance sheet but accounted for as an expense among Staff costs.

DEFINED BENEFIT PLANS IN SEB GROUP

	2020			2019		
Net amount recognised in the Balance sheet	Sweden[1]	Foreign[1]	Group[1]	Sweden[1]	Foreign[1]	Group[1]
Defined benefit obligation at the beginning of the year	30 872	1 005	**31 876**	25,436	1,245	**26,682**
Curtailment, acquisitions and reclassification[2]		−36	**−57**		−653	**−653**
Service costs	578	12	**590**	472	7	**479**
Interest costs	339	3	**−341**	506	8	**514**
Benefits paid	−796	−8	**−804**	−791	−5	**−795**
Exchange differences					−14	**−14**
Remeasurements of pension obligation	235	−47	**188**	5,248	416	**5,664**
Defined benefit obligation at the end of the year	**31 228**	**928**	**32 156**	**30,872**	**1,005**	**31,876**
Fair value of plan assets at the beginning of the year	36 417	645	**37 062**	29,541	818	**30,359**
Curtailment, acquisitions and reclassification[2]		−156			−158	**−158**
Calculated interest on plan assets	396			583	0	**583**
Benefits paid/contributions	−768	8	**−760**	−766	5	**−761**
Exchange differences					−24	**−24**
Valuation gains (losses) on plan assets	2 470	17	**2 487**	7,059	3	**7,062**
Fair value of plan assets at the end of the year	**38 515**	**514**	**39 029**	**36,417**	**645**	**37,062**

Change in the net assets or net liabilities

Defined benefit obligation at the beginning of the year	5 545	−359	**5 186**	4,104	−427	**3,677**
Curtailment, acquisitions and reclassification		−120	**−120**		495	**495**
Total expense in staff costs	−520	−15	**−536**	−394	−15	**−409**
Pension paid	796	8	**804**	791	5	**796**
Benefits paid/contributions	−768		**−768**	−766		**−766**
Exchange differences		9	**9**		−5	**−5**
Remeasurements	2 235	64	**2 299**	1,811	−413	**1,398**
NET AMOUNT RECOGNISED IN THE BALANCE SHEET	**7 287**	**−414**	**6 873**	**5,545**	**−359**	**5,186**

1) The net defined benefit obligation is recognised in the balance sheet either as an asset or liability depending on the situation for each legal entity.
2) Pension obligations and plan assets under the defined benefit plan in DSK Hyp AG (former SEB AG), have been transferred to Versicherungsverein des Bankgewerbes a.G (BVV).

In 2020 a contribution of SEK 6m (7) was paid to the German pension foundation. Contribution to the foundations cannot be ruled out in 2021 due to uncertainty in interest rate levels.

Note 8 b continued Pensions

Principal actuarial assumptions used

	2020		2019	
	Sweden	Foreign	Sweden	Foreign
Discount rate	0.9%	1.2%	1.1%	1.4%
Inflation rate	1.5%	1.8%	1.5%	1.8%
Expected rate of salary increase	3.0%	2.0%	3.5%	2.5%
Expected rate of increase in the income basis amount	2.8%		3.0%	

The discount rate is based set on high-quality corporate bonds in a deep market, in Sweden covered bonds which are at least AAA-rated. An extrapolation of the maturity of the covered bonds is made based on swaps. This extrapolated maturity is in line with the estimated maturity of obligations for post-employment benefits. Life expectancy assumptions in Sweden are established by the Actuarial Research Board (FTN) and are based on DUS14 for white-collar workers. In Germany the Heubeck Sterbetafeln is used. Weighted average duration for the obligation is 23 years in Sweden and 14 years in Germany.

A decrease of the discount rate for Sweden of 0.5 per cent would imply an increase of the Swedish pension obligation by SEK 3,430m while the same change in the inflation assumption for Sweden would have the opposite effect and decrease the obligation by SEK 2,386m. An increase of the discount rate by same ratio would reduce the obligation with SEK 2,965m and an increased inflation rate of 0.5 per cent gives an increased obligation of SEK 2,679m. A decrease in assumption for expected salary increase in Sweden of 0.5 per cent would have a positive effect on the obligation by SEK 299m an increase would have a negative effect of SEK 329m.

The obligation in Germany would increase with SEK 52m if the discount rate was reduced by 0.5 per cent. An increase by the same percentage would decrease the obligation by SEK 46m. If the inflation assumption for Germany increases by 0.25 per cent the pension obligation would increase by SEK 7m and corresponding decrease would be SEK 6m at a lower inflation assumption. A change in expected salary increases in Germany by 0.25 per cent would with a higher rate give an increase of the obligation with SEK 22m and with a lower rate reduce the obligation with SEK 24m.

Allocation of plan assets

	2020			2019		
	Sweden	Foreign	Group	Sweden	Foreign	Group
Cash and cash equivalents	1,529	312	**1,841**	1,158	16	**1,174**
Equity instruments with a quoted market price in an active market	25,832		**25,832**	22,619		**22,619**
Equity instruments not listed in an active market	5,227		**5,227**	5,562		**5,562**
Debt instruments with a quoted market price in an active market		202	**202**		629	**629**
Debt instruments not listed in an active market	2,999		**2,999**	4,203		**4,203**
Properties	2,929		**2,929**	2,875		**2,875**
TOTAL	**38,515**	**514**	**39,029**	**36,417**	**645**	**37,062**

The pension plan assets include SEB shares with a fair value of SEK 1,275m (1,418). Buildings in Sweden are occupied by SEB.

Amounts recognised in Income statement

	2020			2019		
	Sweden	Foreign	Group	Sweden	Foreign	Group
Service costs	−578	−12	**−590**	−472	−7	**−479**
Interest costs	−339	−3	**−341**	−506	−8	**−514**
Calculated interest on plan assets	396		**396**	583	0	**583**
INCLUDED IN STAFF COSTS	**−520**	**−15**	**−536**	**−394**	**−15**	**−409**

Amounts recognised in Other comprehensive income

Remeasurements of pension obligation	−235	47	**−188**	−5,248	−416	**−5,664**
where of experience adjustments	*523*	*−6*	***516***	*−160*	*−172*	***−332***
where of due to changes in financial assumptions	*−758*	*53*	***−705***	*−5,088*	*−244*	***−5,332***
where of due to changes in demographic assumptions						
Valuation gains (losses) on plan assets	2,470	17	**2,487**	7,059	3	**7,062**
Deferred tax pensions	−461	1	**−460**	−373	342	**−31**
INCLUDED IN OTHER COMPREHENSIVE INCOME	**1,774**	**66**	**1,839**	**1,437**	**−71**	**1,366**

DEFINED CONTRIBUTION PLANS IN SEB GROUP

	2020			2019		
Net amount recognised in Income statement	Sweden	Foreign	Group	Sweden	Foreign	Group
Expense in Staff costs including special salary tax	−758	−228	**−986**	−688	−256	**−944**

DEFINED BENEFIT PLANS IN THE PARENT COMPANY

Net amount recognised in the Balance sheet	Parent company 2020	Parent company 2019
Defined benefit obligation at the beginning of the year	26,490	24,170
Imputed pensions premium	202	213
Interest costs and other changes	2,048	2,776
Early retirement	122	97
Pension disbursements	–768	–766
DEFINED BENEFIT OBLIGATION AT THE END OF THE YEAR	**28,094**	**26,490**

Fair value of plan assets at the beginning of the year	35,113	28,504
Return on assets	2,764	7,375
Benefits paid	–768	–766
FAIR VALUE OF PLAN ASSETS AT THE END OF THE YEAR	**37,109**	**35,113**

The above defined benefit obligation is calculated according to tryggandelagen. The parent company consequently adopts the discount rate set by the Swedish FSA before year-end. The obligation is fully covered by assets in the pension foundation and is not included in the balance sheet.

The assets in the foundation are mainly equity related SEK 29,842m (27,172) and to a smaller extent interest earning SEK 4,339m (5,170). The assets include SEB shares at a market value of SEK 1,230m (1,367) and buildings occupied by the company valued at SEK 2,929m (2,772). The return on assets was 6 per cent (26) before pension compensation.

Amounts recognised in Income statement

	Parent company 2020	Parent company 2019
Pension disbursements	–768	–766
Compensation from pension foundations	768	766
TOTAL	**0**	**0**

Principal actuarial assumptions used

Gross interest rate	–0.1%	0.3%
Interest rate after tax	–0.1%	0.2%

The actuarial calculations are based on salaries and pensions on the balance sheet date.

DEFINED CONTRIBUTION PLANS IN THE PARENT COMPANY

Net amount recognised in Income statement	Parent company 2020	Parent company 2019
Expense in Staff costs including special salary tax	–774	–718

Pension foundations

	Pension commitments 2020	Pension commitments 2019	Market value of asset 2020	Market value of asset 2019
SEB-Stiftelsen, Skandinaviska Enskilda Bankens Pensionsstiftelse	28,094	26,490	37,109	35,113
SEB Kort AB:s Pensionsstiftelse	1,151	1,080	1,406	1,304
TOTAL	**29,245**	**27,569**	**38,515**	**36,417**

8c Remuneration to the Board and the Group Executive Committee

Guidelines for remuneration

The guidelines for remuneration to the President and the other members of the Group Executive Committee (GEC) were prepared by the Board of Directors and its Remuneration and Human Resources Committee and approved by the Annual General Meeting 2020.

The remuneration structure for the President and the other members of the GEC is in accordance with the remuneration policy for the bank. No member of the GEC has been entitled to cash based variable remuneration since 2009. Thus, the remuneration is based upon three main components; base pay, equity-based remuneration and pensions and other benefits. Other benefits may consist of e.g. company car, health promoting support and domestic services.

→ For more information, see page 92–93.

Identified staff

The President and the other members of the GEC are considered employees who have a material impact on SEB's risk profile according to the Swedish Financial Supervisory Authority regulations (FFFS 2011:1).

Remuneration to the Board[1], SEK

	2020				2019			
	Base pay	Directors' fee	Benefits[2]	Total	Base pay	Directors' fee	Benefits[2]	Total
Chairman of the Board, Marcus Wallenberg		3,935,000		**3,935,000**		3,935,000		**3,935,000**
Vice chairman of the Board, Sven Nyman		1,355,000		**1,355,000**		980,000		**980,000**
Vice chairman of the Board, Jesper Ovesen		1,845,000		**1,845,000**		1,845,000		**1,845,000**
Johan H. Andresen				**0**		740,000		**740,000**
Signhild Arnegård Hansen		1,127,500		**1,127,500**		1,127,500		**1,127,500**
Anne-Catherine Berner		935,000		**935,000**		779,167		**779,167**
Samir Brikho				**0**		1,115,000		**1,115,000**
Winnie Fok		1,005,000		**1,005,000**		1,005,000		**1,005,000**
Lars Ottersgård[3]				**0**				**0**
Helena Saxon		1,165,000		**1,165,000**		1,165,000		**1,165,000**
President and CEO, Johan Torgeby	12,500,000		385,067	**12,885,067**	12,000,000		372,552	**12,372,552**
TOTAL	**12,500,000**	**11,367,500**	**385,067**	**24,252,567**	**12,000,000**	**12,691,667**	**372,552**	**25,064,219**

1) The number of Board members decided by the AGM in 2020 is nine (eleven) of which five (seven) are men and four (four) women.
2) Includes benefits such as company car and holiday pay.
3) Lars Ottersgård has declined his director's fee.

Remuneration to the Group Executive Committee, SEK[1]

	2020	2019
Base pay	62,839,817	56,439,324
Benefits[2]	1,702,888	1,712,537
TOTAL	**64,542,705**	**58,151,861**

1) GEC excluding the President and CEO. The members partly differ between the years but in average twelwe (eleven) members are included. At the end of the year the number of members were thirteen (eleven) of which eight (eight) were men and five (three) women. Additional members are not included.
2) Includes benefits such as company car.

Long-term equity-based programmes

Under the Share Deferral Programme members of the GEC may be granted an individual number of conditional share rights based on the fulfilment of pre-determined Group, business unit and individual targets as outlined in SEB's business plan. The targets are set on an annual basis as a mix of the financial targets Return on Equity/Return on Business Equity and cost development and the non-financial targets customer satisfaction and sustainability among others. For GEC the initial allotment may not exceed 100 per cent of the base pay.

Ownership of 50 per cent of the share rights are transferred to the participant after a qualification period of three years, 50 per cent after a qualification period of five years. After each respective qualification period there is an additional holding period of one year after which the share rights can be excercised. Each share right carries the right to receive one Class A share in the bank. There is normally a requirement for vesting that the participant remains with SEB during the first three years, but some exemption apply. A further requirement for vesting for GEC members is that they hold shares in SEB equivalent to one year salary net of taxes, acquired no later than on a pro-rata basis during the initial three year vesting period.

GEC is not participating in the SMP 2012–2015 nor the All Employee Programme (AEP) except for outstanding rights earned before being member of GEC.

Long-term equity-based programmes (expensed amounts for ongoing programmes), SEK

	2020	2019
President and CEO, Johan Torgeby	3,662,898	3,138,254
Other members of the Group Executive committee[1]	14,819,988	16,292,054
TOTAL	**18,482,886**	**19,430,308**

1) GEC excluding the President and CEO. The members partly differ between the years but in average twelwe (eleven) members are included. At the end of the year the number of members were thirteen (eleven). Additional members are not included.

Some of the GEC members have previously received rights in the All Employee Programme. The corresponding calculated costs and number of outstanding rights/shares are not included in the tables.

Number outstanding by 2020-12-31

	Number outstanding			
	President and CEO Johan Torgeby	Other members of the GEC	Total	First day of exercise
2012: Share matching rights	25,309		**25,309**	2015
2013: Share matching rights	39,072	69,473	**108,545**	2016
2014: Share matching rights	20,026	28,168	**48,194**	2017
2013: Share rights		34,618	**34,618**	2017;2019[1)]
2014: Conditional share rights/Share rights		45,696	**45,696**	2018;2020[1)]
2015: Conditional share rights/Share rights	13,246	150,278	**163,524**	2019;2021[1)]
2016: Conditional share rights/Share rights	45,194	226,390	**271,584**	2020;2022[1)]
2017: Conditional share rights	34,280	179,960	**214,240**	2021;2023[1)]
2018: Conditional share rights	57,826	227,824	**285,650**	2022;2024[1)]
2019: Conditional share rights	71,813	256,644	**328,457**	2023;2025[1)]
2020: Conditional share rights	75,251	293,061	**368,312**	2024;2026[1)]

1) The qualification period ends after three or five years respectively and are followed by a holding period of one year.

During the year the President and CEO has exercised rights to a value of SEK 0 (0). The corresponding value for the GEC excluding the President is SEK 7,485,759 (1,960,501).

Pension and severance pay

The pension agreement of the President is contribution-based and inviolable. The pension contribution is a fixed amount.

Termination of employment by the bank is subject to a maximum 12-month period of notice and entitles to a severance pay of 12 months' salary.

As regards pension benefits and severance pay the following is applicable to the members of the GEC excluding the President. The pension plans are inviolable and defined contribution-based except for a portion in the collective agreement for some GEC members employed in the bank before 1 May 2013.

Termination of employment by the bank is subject to a maximum 12-month period of notice and entitles to a severance pay of 12 months' salary.

Pension costs (service costs and interest costs and defined contribution premiums), SEK

	2020	2019
President and CEO, Johan Torgeby	4,071,351	3,912,235
Other members of the Group Executive committee[1)]	18,893,127	16,878,160
TOTAL	**22,964,479**	**20,790,395**

1) GEC excluding the President and CEO. The members partly differ between the years but in average twelwe (eleven) members are included. At the end of the year the number of members were thirteen (eleven).

For information about related parties see note 45.

8d Share-based payments

Long-term equity-based programmes

2020	Restricted share programme	All employee programme	Share deferral programme	Share matching programme[1]
Outstanding at the beginning of the year	2,497,099	10,890,298	21,619,894	800,241
Granted[2]	1,704,136	2,387,512	8,704,718	
Forfeited	−383,252	−424,145	−4,817,089	
Exercised[3]	−745,016	−2,622,389	−5,450,676	−465,654
Expired	−17,988		−6,994	−39,071
OUTSTANDING AT THE END OF THE YEAR	**3,054,979**	**10,231,276**	**20,049,853**	**295,516**
of which exercisable			*2,622,920*	*295,516*

2019	Restricted share programme	All employee programme	Share deferral programme	Share matching programme[1]
Outstanding at the beginning of the year	1,441,322	11,032,302	20,546,286	1,607,835
Granted[2]	1,898,254	3,718,657	11,488,750	72,840
Forfeited	−379,810	−536,438	−6,477,429	−2,309
Exercised[3]	−454,372	−3,324,223	−3,935,480	−882,743
Expired	−8,295	0	−2,233	
OUTSTANDING AT THE END OF THE YEAR	**2,497,099**	**10,890,298**	**21,619,894**	**800,241**
of which exercisable			*1,093,607*	*800,241*

1) Numbers include investments done by participants, as well as allocated matching share rights.
2) Including compensation for dividend.
3) Weighted average share price for SMP and SDP at exercise SEK 84.33 (91.45).

Total Long-term equity-based programmes

	Original no of holders[4]	No of issued (maximum outcome)	No of outstanding 2020[5]	No of outstanding 2019[5]	A share per option/ share	Validity	First date of exercise
2012: Share matching programme[1]	432	7,024,168	25,309	25,309	4	2012–2019	2015[2]
2013: Share matching programme[1]	213	3,485,088	108,545	520,224	4	2013–2020	2016[2]
2014: Share matching programme[1]	96	1,300,288	161,662	254,708	4	2014–2021	2017[2]
2012: Share deferral programme – equity settled	86	1,199,504	15,962	41,348	1	2012–2021	2015/2017[3]
2013: Share deferral programme – equity settled	263	1,361,861	173,334	520,195	1	2013–2022	2016/2018[3]
2014: Share deferral programme – equity settled	622	1,909,849	620,647	1,427,919	1	2014–2023	2017/2019[3]
2015: Share deferral programme – equity settled	816	2,603,843	1,048,976	1,548,877	1	2015–2024	2018/2020[3]
2015: Share deferral programme – cash settled	513	1,717,150	153,926	153,926		2015–2021	2018/2020[3]
2016: Share deferral programme – equity settled	874	3,593,155	1,601,304	3,509,278	1	2016–2025	2019/2021[3]
2016: Share deferral programme – cash settled	500	2,017,622	199,032	2,076,858		2016–2022	2019/2021[3]
2017: Share deferral programme – equity settled[1]	1,373	4,439,824	4,289,603	4,311,263	1	2017–2026	2020/2022[3]
2017: Share deferral programme – cash settled	75	206,125	212,529	212,529		2017–2023	2020/2022[3]
2018: Share deferral programme – equity settled[1]	788	3,785,769	3,486,743	3,587,318	1	2018–2027	2021/2023[3]
2018: Share deferral programme – cash settled	14	97,770	97,770	97,770		2018–2024	2021/2023[3]
2019: Share deferral programme – equity settled[1]	861	4,023,585	3,862,029	4,023,585		2019–2028	2022/2023[3]
2019: Share deferral programme – cash settled	16	109,028	105,587	109,028		2019–2025	2022/2022[3]
2020: Share deferral programme – equity settled[1]	901	4,053,085	4,053,085			2020–2029	2023/2025[3]
2020: Share deferral programme – cash settled	21	129,326	129,326			2020–2026	2023/2025[3]
2018: Restricted Share programme – equity settled	411	1,378,367	612,677	954,219	1	2018–2022	2019/2022[3]
2018: Restricted Share programme – cash settled	28	71,555	31,358	48,909		2018–2022	2019/2022[3]
2019: Restricted Share programme – equity settled	413	1,420,596	1,012,553	1,420,596		2019–2023	2020/2022[3]
2019: Restricted Share programme – cash settled	29	73,375	48,543	73,375		2019–2023	2020/2022[3]
2020: Restricted Share programme – equity settled	408	1,274,946	1,274,946			2020–2024	2021/2023[3]
2020: Restricted Share programme – cash settled	29	74,902	74,902			2020–2024	2021/2023[3]
2016: All employee programme – equity settled	8,209	1,731,922		1,568,121	1	2016–2019	2020
2016: All employee programme – cash settled	6,517	933,905		810,201		2016–2019	2020
2017: All employee programme – equity settled	7,954	1,613,740	1,441,981	1,543,175	1	2017–2020	2021
2017: All employee programme – cash settled	6,867	924,166	744,200	821,259		2017–2020	2021
2018: All employee programme – equity settled	8,086	1,969,746	1,780,403	1,911,128	1	2018–2021	2022
2018: All employee programme – cash settled	6,863	1,186,810	1,046,189	1,157,747		2018–2021	2022
2019: All employee programme – equity settled	8,137	1,832,363	1,704,156	1,832,363	1	2019–2022	2023
2019: All employee programme – cash settled	7,159	1,246,304	1,126,835	1,246,304		2019–2022	2023
2020: All employee programme – equity settled	8,346	1,534,896	1,534,896		1	2020–2023	2024
2020: All employee programme – cash settled	7,192	852,616	852,616			2020–2023	2024
TOTAL		**61,177,249**	**33,631,624**	**35,807,532**			

1) The exercise period for GEC members is extended during the period that they are GEC members.
2) As soon as practically possible following the end of the performance period, the establishing of the outcome of number of Matching Shares and the allocation of the A shares and, if applicable, the Matching Shares.
3) As soon as possible following the end of the performance period the outcome is established. For the equity-settled programmes the ownership of the performance shares is transferred upon registration, but the shares are withheld for one additional year. Cash-settled programmes are paid out in connection with the following payroll run.
4) In total approximately 2,000 individuals (2,000) participated in any of the programmes, All Employee Programme excluded.
5) Including additional deferral rights for dividend compensation.

Long-term equity-based programmes

The Annual General meeting 2020 decided on three Long-term equity-based programmes, one *Share Deferral Programme*, one *Restricted Share Programme* and one *All Employee Programme*.

The first *Share Deferral Programme* was introduced in 2012 for the Group Executive Committee and certain other executive managers and key employees with critical competences. The participants are granted an individual number of conditional share rights based on pre-determined Group, division/business unit and individual target levels, both financial (Return on Equity/Return on Business Equity and cost development) and non-financial (customer satisfaction and parameters such as compliance, employee commitment, SEB's corporate sustainability and risk management), set on an annual basis.

For GEC members and other senior executives 50 per cent of the share rights ownership is transferred after a qualification period of three years and 50 per cent after a qualification period of five years. For other participants the qualification period is three years. The requirement for vesting is normally that the participant remains with SEB during the first three years and for GEC members and their direct reports that the participant holds shares in SEB equal to a pre-determined amount, acquired no later than on a pro-rata basis during the initial three year period. After each respective qualification period there is an additional holding period of one year after which the share rights can be exercised, normally during a period of three years. Each share right carries the right to receive one Class A share in the bank. In countries mainly outside Europe the participants receives so called phantom shares that gives the right to receive cash adjusted for the share price development during the qualification period and thereafter the total shareholder return of the SEB A share at the end of the holding period.

In the programs starting from 2018 and 2019 programmes the holders are only compensated for dividends after the qualification period, in the previous programmes the holders are compensated for dividends to the shareholders during the full period. Thus, the number of share rights will be recalculated, after the Annual General Meeting each year, taking the dividend into account depending on programme. The share rights are not securities that can be sold, pledged or transferred to others. However, an estimated value per share right has been calculated for 2020 to SEK 63 (59) for a qualification period of three years and SEK 60 (56) for a qualification period of five years (based upon an average closing price of one SEB Class A share at the time of grant).

In 2018 a *Restricted Share Programme* was introduced in order to ensure a competitive and attractive remuneration model within certain business units and to comply with new regulations implemented. The participants are selected employees on the level below senior executives. They are granted an individual number of conditional / share rights based on the fulfilment of pre-determined Group, business unit and individual targets as outlined in SEB's business plan, set on an annual basis as a mix of financial and non-financial targets.

The ownership of the share rights are transferred to the participants during a three or four year period in either three or four annual instalments. The share rights are subject to restrictions in terms of e.g. certain regulatory and employment requirements during the period between initial allotment and the transfer of the ownership. After the transfer of ownership there is an additional holding period of one year before the share rights can be exercised. Each share right carries the right to receive one SEB Class A share. The share rights are not securities that can be sold, pledged or transferred to others. However, an estimated value per share right has been calculated for 2020 to SEK 84 (84) for the first instalment to SEK 77 (75) for the remaining instalments (based upon an average closing price of one SEB Class A share at the time of grant).

In 2013 an *All Employee Programme* was introduced for most employees, where 50 per cent of the outcome is paid in cash and 50 per cent is deferred for three years and paid in SEB A shares. Deferrals will normally only be obtained under the condition that the employee remains with SEB. In Sweden the deferred part is paid out in SEB A shares, adjusted for dividends. In all other countries the deferred part is paid out in cash adjusted for total shareholder return of the SEB A-share. The initial outcome is capped at a maximum amount, which was adjusted in 2016, for each geography and is based on the fulfilment of pre-determined Group targets outlined in SEB's business plan, both financial (Return on Equity and cost development) and non-financial (customer satisfaction). The outcome in 2020 year's programme was 45 per cent (57) of the maximum amount. In Sweden the maximum amount is SEK 75,000.

Previously allotted programmes

Between 2009 and 2014 a *Share Matching Programme* for a number of selected senior executives and other key employees has been run. The programmes are based on performance, have a vesting period of three years and are settled with SEB Class A shares. All programmes require own investment. The investment amount is pre-determined and capped for each participant. After three years, if still employed, the participant receives one Class A share/share rights for each invested share/share right and a conditional number of performance based matching shares for each invested share / share right. From 2012 the settlement is in the form of share rights with an exercise period of four years. The 2014 programme was closed in 2017 with 63 per cent matching.

→ Further details of the outstanding programmes are found in the table above.

8e Number of employees

Average number of employees 2020	Group			Parent company		
	Men	Women	Total	Men	Women	Total
Sweden	4,035	4,203	**8,238**	3,549	3,410	**6,959**
Norway	226	149	**375**	194	109	**303**
Denmark	207	121	**328**	166	78	**244**
Finland	151	121	**272**	131	103	**234**
Estonia	294	850	**1,144**			
Latvia	490	1,227	**1,717**	276	471	**747**
Lithuania	996	1,872	**2,868**	558	682	**1,240**
Germany	162	116	**278**	133	93	**226**
United Kingdom	64	40	**104**	64	40	**104**
Poland	26	35	**61**	26	35	**61**
Ukraine	17	34	**51**			
China	15	26	**41**	15	26	**41**
Ireland	48	58	**106**			
Luxembourg	93	85	**178**	41	34	**75**
Russia	19	70	**89**			
Singapore	27	66	**93**	25	68	**93**
United States	27	13	**40**	19	14	**33**
Hong Kong	11	13	**24**	11	13	**24**
TOTAL	**6,908**	**9,099**	**16,007**	**5,208**	**5,174**	**10,382**

2019	Men	Women	Total	Men	Women	Total
Sweden	3,889	4,124	**8,013**	3,437	3,329	**6,766**
Norway	226	154	**380**	197	107	**304**
Denmark	197	130	**327**	171	78	**249**
Finland	155	126	**281**	135	97	**232**
Estonia	287	865	**1,152**			
Latvia	450	1,183	**1,633**	226	397	**624**
Lithuania	931	1,828	**2,759**	502	599	**1,101**
Germany	189	132	**321**	136	89	**225**
United Kingdom	71	39	**110**	71	39	**110**
Poland	13	27	**40**	13	27	**40**
Ukraine	18	34	**52**			
China	14	29	**43**	14	29	**43**
Ireland	51	68	**119**			
Luxembourg	103	93	**196**			
Russia	20	70	**90**			
Singapore	30	70	**100**	30	65	**95**
United States	31	16	**47**	26	13	**39**
Hong Kong	14	14	**28**	14	14	**28**
TOTAL	**6,689**	**9,002**	**15,691**	**4,974**	**4,881**	**9,855**

9 Other expenses

	Group		Parent company	
	2020	2019	2020	2019
Costs for premises[1)]	−709	−726	−1,293	−1,261
IT costs	−3,361	−3,494	−2,825	−2,651
Travel and entertainment	−126	−417	−107	−327
Consultants	−687	−797	−553	−639
Marketing	−279	−278	−148	−134
Information services	−736	−715	−656	−635
Other operating costs[2)]	33	−195	−622	−14
TOTAL	**−5,864**	**−6,623**	**−6,204**	**−5,660**
1) Of which rental costs including leasing cost for premises			−975	−913

2) Net after deduction for capitalised costs, see also note 23.

Fees and expense allowances to appointed auditors and audit firms[1)]

	Group		Parent company	
	2020	2019	2020	2019
Audit assignment	−26	−27	−12	−12
Audit related services	−4	−2	−3	−2
Tax advisory	0	0		
Other services	−2	0		
Ernst & Young	**−32**	**−30**	**−15**	**−14**

1) The parent company includes the foreign branches.

Audit assignment is defined as the audit of annual financial statements, the administration of the Board of Directors and the President, other tasks resting upon the auditor as well as consulting and other assistance, which have been initiated by the findings in performing audit work or implementation of such tasks. The audit related services include quarterly reviews, regulatory reporting and services in connection with issuing of certificates and opinions. Tax advisory include general expatriate services and other tax services work. Other services include consultation on financial accounting, services related to mergers and acquisitions activities, operational effectiveness and assessments of internal control.

10 Depreciation, amortisation and impairment of tangible and intangible assets

	Group		Parent company	
	2020	2019	2020	2019
Depreciation of tangible assets	−354	−337	−265	−241
Depreciation of equipment leased to clients			−4,814	−5,082
Depreciation of right-of-use assets	−848	−843		
Amortisation of intangible assets	−613	−521	−500	−426
Impairment of tangible assets		−1		
Impairment of right-of-use assets	−11			
Reversal of impairment on intangible assets	25	40		
Retirement and disposal on intangible assets	−105		−104	
TOTAL	**−1,906**	**−1,662**	**−5,683**	**−5,749**

11 Gains less losses from tangible and intangible assets

	Group	
	2020	2019
Properties and equipment	4	5
Gains	**4**	**5**
Properties and equipment	−11	−7
Losses	**−11**	**−7**
TOTAL	**−7**	**−2**

12 Net expected credit losses

	Group		Parent company	
	2020	2019	**2020**	2019
Impairment gains or losses – Stage 1	−452	24	−201	26
Impairment gains or losses – Stage 2	−293	457	−230	407
Impairment gains or losses – Stage 3	−5,166	−2,777	−4,932	−2,475
Impairment gains or losses	**−5,911**	**−2,296**	**−5,364**	**−2,042**
Write-offs and recoveries				
Total write-offs	−2,757	−1,113	−2,281	−471
Reversals of allowances for write-offs	2,364	845	2,030	360
Write-offs not previously provided for	−393	−269	−250	−111
Recovered from previous write-offs	187	271	64	108
Net write-offs	**−206**	**2**	**−186**	**−2**
NET EXPECTED CREDIT LOSSES	**−6,118**	**−2,294**	**−5,550**	**−2,044**
Net ECL level, %	0.26	0.10	0.26	0.10

13 Items affecting comparability

	Group	
	2020	2019
Other expense	−1,000	
Total operating expense	**−1,000**	
Items affecting comparability	**−1,000**	
Income tax on items affecting comparability		
Items affecting comparability after tax	**−1,000**	

The table shows the rows in which the Items affecting comparability would have been reported if not presented as an item affecting comparability.

Items affecting comparability 2020
The Swedish Financial Supervisory Authority (FSA) finalised its review of SEB's governance and control of measures against money laundering in SEB's Baltic banks. The Swedish FSA decided to issue SEB a remark, which is a lower degree of an administrative sanction that is issued when a breach has not been deemed to be serious. The Swedish FSA also decided to issue SEB an administrative fine of SEK 1,000m, which corresponds to about 14 per cent of the maximum amount the Swedish FSA can impose in this case.

14 Appropriations

	Parent company	
	2020	2019
Group contribution	1,105	1,713
Accelerated tax depreciation	1,285	980
TOTAL	**2,390**	**2,694**

15 Taxes

Major components of tax expense	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Current tax	−4,836	−5,036	−4,636	−4,189
Deferred tax	456	311	172	
Tax for current year	−4,380	−4,725	−4,463	−4,189
Current tax for previous years	280	8	278	48
INCOME TAX EXPENSE	**−4,100**	**−4,717**	**−4,185**	**−4,140**

Relationship between tax expenses and accounting profit

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Net profit	15,746	20,177	14,614	20,305
Income tax expense	4,100	4,717	4,185	4,140
Accounting profit before tax	**19,846**	**24,895**	**18,799**	**24,446**
Current tax at Swedish statutory rate of 21.4 per cent	−4,246	−5,327	−4,023	−5,231
Tax effect relating to other tax rates in other jurisdictions	181	353		
Tax effect relating to not tax deductible expenses	−1,350	−385	−1,304	−543
Tax effect relating to non-taxable income	911	588	692	1,586
Tax effect relating to a previously recognised tax loss, tax credit or temporary difference	−339	−274		
Tax effect relating to a previously unrecognised tax loss, tax credit or temporary difference	6	9		
Current tax	**−4,836**	**−5,036**	**−4,636**	**−4,189**
Tax effect relating to origin and reversal of tax losses, tax credits and temporary differences	339	274		
Tax effect relating to changes in tax rates or the imposition of new taxes	13	1		
Tax effect relating to a previously unrecognised tax loss, tax credit or temporary difference	104	37	172	
Deferred tax	**456**	**311**	**172**	
Current tax for previous years	**280**	**8**	**278**	**48**
INCOME TAX EXPENSE [1]	**−4,100**	**−4,717**	**−4,185**	**−4,140**

1) Total income tax expense in the SEB Group was SEK 4,100m (4,717). The effective tax rate for the year was 20.7 per cent (18.9). Excluding Items affecting comparability, the effective tax rate was 19.7 per cent (18.9).

Deferred tax income and expense recognised in income statement

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Accelerated tax depreciation	341	140		
Pension plan assets, net	118	−77		
Tax losses carry forwards	5	6		
Other temporary differences	−8	242	172	
TOTAL	**456**	**311**	**172**	

Current tax assets

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Other	6,070	6,549	2,516	2,998
Recognised in profit and loss	**6,070**	**6,549**	**2,516**	**2,998**
TOTAL	**6,070**	**6,549**	**2,516**	**2,998**

Deferred tax assets

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Tax losses carry forwards	11	6		
Pension plan assets, net	1	1		
Other temporary differences[1]	424	406	172	
Recognised in profit and loss	**436**	**413**	**172**	
Unrealised result in cash flow hedges	7	3	13	3
Unrealised result in financial assets/liabilities		−157		
Recognised in Shareholders' equity	**7**	**−154**	**13**	**3**
TOTAL	**444**	**259**	**185**	**3**

1) Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Tax losses carried forward in the SEB Group for which the tax assets are not recognised in the balance sheet amount to SEK 7,154m (6,375) gross. These are not recognised due to the uncertainty in the possibility to use them. This includes losses where the amount can only be used for trade tax. The potential tax asset not recognised is SEK 1,782m (1,523).

All losses carried forward recognized and unrecognized are without time restrictions however all losses carried forward but SEK 33m have conditions that there are no change of control.

Note 15 continued Taxes

Current tax liabilities

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Other	993	1,764	376	717
Recognised in profit and loss	**993**	**1,764**	**376**	**717**
TOTAL	**993**	**1,764**	**376**	**717**

Deferred tax liabilities

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Accelerated tax depreciation	5,603	5,944		
Pension plan assets and obligations, net	−342	−224		
Other temporary differences[1)]	106	−48		
Recognised in profit and loss	**5,367**	**5,672**		
Pension plan assets and obligations, net	1,774	1,383		
Unrealised result in cash flow hedges	71			
Unrealised result in financial assets/liabilities		61		
Other			36	
Recognised in Shareholders' equity	**1,845**	**1,445**	**36**	
TOTAL	**7,212**	**7,117**	**36**	

1) Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Taxable temporary differences give rise to deferred tax assets and liabilities.

As from 2018, advance income tax payments on profits in Estonia at a rate of 14 per cent are made quarterly. The income tax paid in advance can be netted against tax payable on dividend distributions, where the tax rate is between 20 and 14 per cent. No deferred tax liability is recognised related to possible future tax costs on dividends from Estonia. Since 2018 no income tax is paid in Latvia unless profit is distributed. No deferred tax liability is recognised related to possible future tax costs on dividends from Latvia. The tax rate applicable to dividends in Latvia is 20 per cent.

16 Earnings per share

	Group 2020	Group 2019
Net profit attributable to shareholders in Skandinaviska Enskilda Banken AB (publ), SEK m	15,746	20,177
Weighted average number of shares, millions	2,163	2,162
Basic earnings per share, SEK	7.28	9.33
Net profit attributable to shareholders in Skandinaviska Enskilda Banken AB (publ), SEK m	15,746	20,177
Weighted average number of diluted shares, millions	2,177	2,175
Diluted earnings per share, SEK	7.23	9.28

Dilution[1)]

	Group 2020	Group 2019
Weighted average number of shares, millions	2,163	2,162
Adjustment for diluted weighted average number of additional Class A shares, millions	14	13
Weighted average number of diluted shares, millions	2,177	2,175

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

17 Cash and cash balances at central banks

	Group		Parent company	
	2020	2019	**2020**	2019
Cash	2,155	2,507	11	65
Cash balances at central banks	321,621	144,185	294,380	110,039
TOTAL	**323,776**	**146,691**	**294,391**	**110,104**

18 Loans

	Group		Parent company	
	2020	2019	**2020**	2019
Lending	404	1,990	308	400
Reverse repos	3,229	2,504	3,229	2,504
Loans to central banks	**3,633**	**4,494**	**3,537**	**2,904**
Lending	27,776	39,113	50,430	82,246
Collateral margins	12,762	6,532	12,202	7,249
Reverse repos	10,253	1,350	4,858	52
Loans to credit institutions	**50,791**	**46,995**	**67,490**	**89,546**
Lending	1,599,492	1,607,853	1,398,079	1,371,860
Collateral margins	58,759	45,602	59,322	45,275
Reverse repos	111,910	184,150	111,910	184,109
Loans to the public	**1,770,161**	**1,837,605**	**1,569,310**	**1,601,243**
TOTAL	**1,824,586**	**1,889,095**	**1,640,337**	**1,693,693**

Loans by measurement category

	Group				Parent company			
2020	FVHFT	FVMPL	AmC	Total	FVHFT	FVMPL	AmC	Total
Loans to central banks	3,229		404	**3,633**	3,229		308	**3,537**
Loans to credit institutions	4,858		45,933	**50,791**	4,858		62,632	**67,490**
Loans to the public	111,910	127	1,658,124	**1,770,161**	111,910	127	1,457,273	**1,569,310**
TOTAL	**119,997**	**127**	**1,704,461**	**1,824,586**	**119,997**	**127**	**1,520,213**	**1,640,337**
2019								
Loans to central banks	2,504		1,990	**4,494**	2,504		400	**2,904**
Loans to credit institutions	52		46,943	**46,995**	52		89,495	**89,546**
Loans to the public	184,150	3,384	1,650,071	**1,837,605**	184,150	3,384	1,413,708	**1,601,243**
TOTAL	**186,706**	**3,384**	**1,699,004**	**1,889,095**	**186,706**	**3,384**	**1,503,603**	**1,693,693**

Note 18 continued Loans

Exposure and expected credit loss (ECL) allowances by stage

The table shows gross carrying amounts for exposures on balance measured at amortised cost and nominal amounts for exposures off-balance divided by stage as a mean to put ECL allowances in context to total exposure. For trade receivables a simplified approach based on past-due information is used to calculate loss allowances.

Group, 2020

Stage 1 (12-month ECL)	Gross carrying amounts/ Nominal amounts	ECL allowances	Carrying amounts/ Net amounts	ECL coverage ratio, %
Debt securities	12,191	0	12,191	
Loans[1]	1,641,422	–972	1,640,449	
Financial assets	1,653,613	–972	1,652,640	
Financial guarantees and Loan commitments	740,472	–260	740,213	
Total	**2,394,086**	**–1,232**	**2,392,852**	**0.05**
Stage 2 (lifetime ECL)				
Loans[1)2)]	61,745	–1,208	60,537	
Financial assets	61,745	–1,208	60,537	
Financial guarantees and Loan commitments	16,375	–176	16,199	
Total	**78,120**	**–1,384**	**76,736**	**1.77**
Stage 3 (credit impaired/lifetime ECL)				
Loans[1)3)]	14,890	–7,331	7,559	
Financial assets	14,890	–7,331	7,559	
Financial guarantees and Loan commitments	700	–218	482	
Total	**15,590**	**–7,549**	**8,042**	**48.42**
Total Stage 1-3				
Debt securities	12,191	0	12,191	
Loans[1]	1,718,057	–9,512	1,708,545	
Financial assets	1,730,249	–9,512	1,720,736	
Financial guarantees and Loan commitments	757,547	–653	756,895	
TOTAL	**2,487,796**	**–10,165**	**2,477,630**	**0.41**

1) Excluding demand deposits credit institutions.
2) Whereof gross carrying amounts SEK 1,327m and ECL allowances SEK 2m under Lifetime ECLs -simplified approach for trade receivables.
3) Whereof gross carrying amounts SEK 2,274m and ECL allowances SEK 1,392m for Purchased or Originated Credit Impaired loans.

Stage 3 loans / Total loans – gross, %	0.87
Stage 3 loans / Total loans – net, %	0.44

Group, 2019

Stage 1 (12-month ECL)	Gross carrying amounts/ Nominal amounts	ECL allowances	Carrying amounts/ Net amounts	ECL coverage ratio, %
Debt securities	14,589	–1	14,588	
Loans[1]	1,623,030	–643	1,622,387	
Financial assets	1,637,619	–644	1,636,975	
Financial guarantees and Loan commitments	636,447	–189	636,258	
Total	**2,274,066**	**–832**	**2,273,234**	**0.04**
Stage 2 (lifetime ECL)				
Loans[1)2)]	72,459	–1,058	71,401	
Financial assets	72,459	–1,058	71,401	
Financial guarantees and Loan commitments	13,900	–127	13,773	
Total	**86,360**	**–1,185**	**85,174**	**1.37**
Stage 3 (credit impaired/lifetime ECL)				
Loans[1)3)]	11,396	–5,211	6,184	
Financial assets	11,396	–5,211	6,184	
Financial guarantees and Loan commitments	441	–138	303	
Total	**11,836**	**–5,349**	**6,487**	**45.19**
Total Stage 1-3				
Debt securities	14,589	–1	14,588	
Loans[1]	1,706,885	–6,912	1,699,972	
Financial assets	1,721,474	–6,913	1,714,561	
Financial guarantees and Loan commitments	650,788	–454	650,335	
TOTAL	**2,372,262**	**–7,367**	**2,364,895**	**0.31**

1) Excluding demand deposits credit institutions.
2) Whereof gross carrying amounts SEK 1,372m and ECL allowances SEK 2m under Lifetime ECLs -simplified approach for trade receivables.
3) Whereof gross carrying amounts SEK 2,309m and ECL allowances SEK 1,002m for Purchased or Originated Credit Impaired loans.

Stage 3 loans / Total loans – gross, %	0.67
Stage 3 loans / Total loans – net, %	0.36

Parent company, 2020

Stage 1 (12-month ECL)	Gross carrying amounts/ Nominal amounts	ECL allowances	Carrying amounts/ Net amounts	ECL coverage ratio, %
Debt securities	15,542	0	15,541	
Loans[1]	1,464,246	−693	1,463,553	
Financial assets	1,479,788	−693	1,479,094	
Financial guarantees and Loan commitments	697,137	−179	696,957	
Total	**2,176,925**	**−873**	**2,176,052**	**0.04**
Stage 2 (lifetime ECL)				
Loans[1] [2]	56,039	−904	55,136	
Financial assets	56,039	−904	55,136	
Financial guarantees and Loan commitments	13,186	−154	13,032	
Total	**69,225**	**−1,058**	**68,167**	**1.53**
Stage 3 (credit impaired/lifetime ECL)				
Loans[1] [3]	11,881	−6,027	5,854	
Financial assets	11,881	−6,027	5,854	
Financial guarantees and Loan commitments	462	−192	270	
Total	**12,343**	**−6,219**	**6,124**	**50.38**
Total Stage 1-3				
Debt securities	15,542	0	15,541	
Loans[1]	1,532,167	−7,624	1,524,543	
Financial assets	1,547,708	−7,624	1,540,084	
Financial guarantees and Loan commitments	710,784	−525	710,259	
TOTAL	**2,258,493**	**−8,149**	**2,250,344**	**0.36**

1) Excluding demand deposits credit institutions.
2) Whereof gross carrying amounts SEK 1,409m and ECL allowances SEK 3m under Lifetime ECLs -simplified approach for trade receivables.
3) Whereof gross carrying amounts SEK 2,196m and ECL allowances SEK 1,337m for Purchased or originated credit impaired loans.

Stage 3 loans / Total loans, gross, %	0.78
Stage 3 loans / Total loans, net, %	0.38

Parent company, 2019

Stage 1 (12-month ECL)	Gross carrying amounts/ Nominal amounts	ECL allowances	Carrying amounts/ Net amounts	ECL coverage ratio, %
Debt securities	17,936	−1	17,935	
Loans[1]	1,426,665	−540	1,426,125	
Financial assets	1,444,602	−542	1,444,060	
Financial guarantees and Loan commitments	592,605	−160	592,445	
Total	**2,037,207**	**−701**	**2,036,505**	**0.03**
Stage 2 (lifetime ECL)				
Loans[1] [2]	61,848	−832	61,016	
Financial assets	61,848	−832	61,016	
Financial guarantees and Loan commitments	10,918	−91	10,828	
Total	**72,766**	**−922**	**71,844**	**1.27**
Stage 3 (credit impaired/lifetime ECL)				
Loans[1] [3]	8,071	−3,722	4,349	
Financial assets	8,071	−3,722	4,349	
Financial guarantees and Loan commitments	352	−120	232	
Total	**8,424**	**−3,842**	**4,582**	**45.61**
Total Stage 1-3				
Debt securities	17,936	−1	17,935	
Loans[1]	1,496,585	−5,094	1,491,490	
Financial assets	1,514,521	−5,095	1,509,426	
Financial guarantees and Loan commitments	603,875	−370	603,505	
TOTAL	**2,118,396**	**−5,465**	**2,112,931**	**0.26**

1) Excluding demand deposits credit institutions.
2) Whereof gross carrying amounts SEK 1,427m and ECL allowances SEK 2m under Lifetime ECLs -simplified approach for trade receivables.
3) Whereof gross carrying amounts SEK 2,258m and ECL allowances SEK 952m for Purchased or originated credit impaired loans.

Stage 3 loans / Total loans, gross, %	0.54
Stage 3 loans / Total loans, net, %	0.29

Note 18 continued Loans

Loans and expected credit loss (ECL) allowances by industry

The table shows gross carrying amounts for loans measured at amortised cost and ECL allowances as a mean to put ECL allowances in context to overall lending.

	Gross carrying amounts				ECL allowances				Net carrying amount
Group, 2020	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Total
Banks	**86,112**	**1,917**	**14**	**88,043**	**–6**	**–2**	**–4**	**–12**	**88,031**
Finance and insurance	109,335	653	25	**110,014**	–43	–4	–7	**–54**	**109,959**
Wholesale and retail	69,523	2,215	459	**72,196**	–99	–65	–198	**–362**	**71,835**
Transportation	28,916	1,671	227	**30,814**	–36	–49	–74	**–159**	**30,656**
Shipping	42,697	2,895	1,480	**47,073**	–10	–20	–530	**–560**	**46,513**
Business and household services	132,841	6,834	1,559	**141,234**	–167	–237	–759	**–1,164**	**140,070**
Construction	10,736	706	356	**11,799**	–20	–35	–188	**–243**	**11,555**
Manufacturing	83,313	3,381	2,779	**89,473**	–89	–98	–1,372	**–1,559**	**87,914**
Agriculture, forestry and fishing	22,558	916	117	**23,591**	–19	–13	–29	**–61**	**23,530**
Mining, oil and gas extraction	16,797	1,498	4,963	**23,258**	–8	–205	–2,873	**–3,086**	**20,172**
Electricity, gas and water supply	45,216	608	175	**46,000**	–21	–26	–85	**–131**	**45,869**
Other	44,592	3,034	232	**47,859**	–33	–34	–93	**–161**	**47,698**
Corporates	**606,524**	**24,412**	**12,373**	**643,310**	**–546**	**–785**	**–6,209**	**–7,539**	**635,771**
Commercial real estate management	158,927	3,343	410	**162,680**	–72	–49	–127	**–248**	**162,432**
Residential real estate management	125,844	1,528	27	**127,399**	–36	–6	0	**–42**	**127,357**
Real Estate Management	**284,771**	**4,871**	**437**	**290,079**	**–108**	**–55**	**–127**	**–290**	**289,789**
Housing co-operative associations	**55,884**	**6,615**	**3**	**62,501**	**0**	**0**	**–2**	**–2**	**62,498**
Public Administration	**14,989**	**72**	**1**	**15,061**	**–1**	**–4**	**–1**	**–5**	**15,056**
Household mortgages	554,967	20,445	971	**576,383**	–86	–154	–307	**–547**	**575,836**
Other	38,176	3,414	1,090	**42,680**	–226	–209	–682	**–1,117**	**41,563**
Households	**593,143**	**23,859**	**2,062**	**619,063**	**–313**	**–363**	**–988**	**–1,664**	**617,399**
TOTAL	**1,641,422**	**61,745**	**14,890**	**1,718,057**	**–972**	**–1,208**	**–7,331**	**–9,512**	**1,708,545**

Excluding demand deposits credit institutions and including trade and client receivables presented as other assets.

Group, 2019	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Total
Banks	**64,952**	**1,665**		**66,617**	**–5**	**–2**		**–7**	**66,610**
Finance and insurance	111,610	960	57	**112,627**	–33	–10	–5	**–49**	**112,579**
Wholesale and retail	78,052	3,080	1,092	**82,224**	–48	–38	–706	**–792**	**81,433**
Transportation	35,169	581	41	**35,791**	–17	–4	–14	**–35**	**35,757**
Shipping	54,975	1,871	1,771	**58,616**	–24	–11	–669	**–704**	**57,912**
Business and household services	136,838	9,673	843	**147,354**	–154	–408	–421	**–983**	**146,372**
Construction	11,201	1,083	201	**12,484**	–8	–9	–83	**–101**	**12,384**
Manufacturing	97,737	3,280	2,671	**103,688**	–56	–44	–1,331	**–1,431**	**102,257**
Agriculture, forestry and fishing	21,654	1,501	190	**23,345**	–8	–7	–44	**–58**	**23,287**
Mining, oil and gas extraction	26,608	5,695	1,343	**33,645**	–12	–53	–558	**–624**	**33,021**
Electricity, gas and water supply	43,940	407	211	**44,558**	–17	–34	–78	**–129**	**44,429**
Other	39,564	2,762	151	**42,477**	–22	–46	–49	**–117**	**42,360**
Corporates	**657,347**	**30,894**	**8,571**	**696,812**	**–398**	**–666**	**–3,959**	**–5,022**	**691,789**
Commercial real estate management	150,747	2,287	377	**153,410**	–14	–12	–140	**–166**	**153,244**
Residential real estate management	114,923	1,804	48	**116,775**	–8	–1	–1	**–10**	**116,765**
Real Estate Management	**265,670**	**4,091**	**425**	**270,186**	**–22**	**–13**	**–141**	**–176**	**270,009**
Housing co-operative associations	**52,598**	**7,410**	**3**	**60,011**			**–2**	**–3**	**60,008**
Public Administration	**15,284**	**276**	**53**	**15,613**	**–1**	**–4**	**–2**	**–6**	**15,607**
Household mortgages	527,100	22,765	1,137	**551,003**	–49	–136	–360	**–546**	**550,457**
Other	40,079	5,358	1,207	**46,644**	–167	–239	–747	**–1,153**	**45,491**
Households	**567,179**	**28,124**	**2,344**	**597,646**	**–216**	**–375**	**–1,107**	**–1,698**	**595,948**
TOTAL	**1,623,030**	**72,459**	**11,396**	**1,706,885**	**–643**	**–1,059**	**–5,212**	**–6,913**	**1,699,972**

Excluding demand deposits credit institutions and including trade and client receivables presented as other assets.

Note 18 continued Loans

Stage 3 loans (credit-impaired) and collaterals by sector

The table shows gross carrying amounts and ECL allowances for credit-impaired loans (Stage 3) and the collaterals received for these assets.

Group, 2020	Gross carrying amounts	ECL allowances	Carrying amounts	Collaterals received
Banks	14	–4	10	1
Corporates	12,373	–6,209	6,164	5,501
Real Estate Management	437	–127	310	404
Household co-operative associations	3	–2	1	2
Public Administration	1	–1	0	
Households	2,062	–988	1,074	853
TOTAL	**14,890**	**–7,331**	**7,559**	**6,761**
Group, 2019				
Banks	0	0	0	
Corporates	8,571	–3,959	4,612	4,374
Real Estate Management	425	–141	283	370
Household co-operative associations	3	–2	1	2
Public Administration	53	–2	51	1
Households	2,344	–1,107	1,237	1,014
TOTAL	**11,396**	**–5,212**	**6,184**	**5,761**

Exposure by risk classification category

The table shows gross carrying amounts for exposures on balance and nominal amounts for exposures off-balance by stage and risk classification category. The risk classification categories are further explained in Note 40.

Group, 2020	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)[1]	Total
Investment grade	1,803,559	19,177		**1,822,736**
Standard monitoring	584,778	42,071		**626,850**
Watch list	5,748	16,872		**22,620**
Default			15,590	**15,590**
TOTAL	**2,394,086**	**78,120**	**15,590**	**2,487,796**
Group, 2019				
Investment grade	1,734,473	23,990		**1,758,463**
Standard monitoring	534,250	39,310		**573,559**
Watch list	5,343	23,060		**28,403**
Default			11,836	**11,836**
TOTAL	**2,274,066**	**86,360**	**11,836**	**2,372,262**

1) Whereof gross carrying amounts SEK 2,274m (2,309) and ECL allowances SEK 1,392m (1,002) for Purchased or originated credit impaired loans.

Movements in allowances for expected credit losses

Reconciliation of movements of allowance accounts for on balance exposures (Loans and Debt securities measured at amortised cost) and off balance exposures (Financial guarantees and Loan commitments).

2020	Group				Parent company			
Loans and Debt securities	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total
Opening balance	644	1,058	5,211	**6,913**	542	832	3,722	**5,095**
New and derecognised financial assets, net	300	–287	846	**860**	300	–209	777	**868**
Changes due to change in credit risk	99	428	4,224	**4,751**	–99	393	4,079	**4,373**
Changes due to modifications	2	39	1	**41**		37	0	**37**
Changes due to methodology change	–35	51	–2	**14**	–31	–67	–11	**–109**
Decreases in ECL allowances due to write-offs			–2,364	**–2,364**			–2,030	**–2,030**
Exchange rate differences	–37	–82	–585	**–704**	–18	–82	–510	**–610**
TOTAL	**972**	**1,208**	**7,331**	**9,512**	**693**	**904**	**6,027**	**7,624**
Financial guarantees and Loan commitments								
Opening balance	189	127	138	**454**	160	91	120	**370**
New and derecognised financial assets, net	77	–50	–173	**–147**	75	–48	–119	**–92**
Changes due to change in credit risk	42	102	271	**415**	–10	123	206	**319**
Changes due to methodology change	–33	9	0	**–23**	–33	0	0	**–33**
Exchange rate differences	–15	–12	–18	**–45**	–12	–12	–15	**–39**
TOTAL	**260**	**176**	**218**	**653**	**179**	**154**	**192**	**525**
Total Loans, Debt securities, Financial guarantees and Loan commitments								
Opening balance	832	1,185	5,349	**7,367**	701	922	3,842	**5,465**
New and derecognised financial assets, net	377	–337	673	**713**	375	–257	658	**775**
Changes due to change in credit risk	141	530	4,495	**5,166**	–110	517	4,285	**4,692**
Changes due to modifications	2	39	1	**41**		37	0	**37**
Changes due to methodology change	–68	61	–2	**–9**	–64	–66	–11	**–141**
Decreases in ECL allowances due to write-offs	0	0	–2,364	**–2,364**			–2,030	**–2,030**
Exchange rate differences	–52	–94	–603	**–750**	–30	–95	–525	**–649**
TOTAL	**1,232**	**1,384**	**7,549**	**10,165**	**873**	**1,058**	**6,219**	**8,149**

Note 18 continued Loans

2019	Group				Parent company			
Loans and Debt securities	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total
Opening balance	643	1,364	3,331	**5,339**	534	1,104	1,705	**3,344**
New and derecognised financial assets, net	366	−78	77	**365**	356	−37	101	**420**
Changes due to change in credit risk	−370	−257	2,606	**1,979**	−354	−266	2,258	**1,638**
Changes due to modifications		16	0	**16**		11	0	**11**
Changes due to methodology change	−8	−15	−8	**−31**	−4	−4	4	**−4**
Decreases in ECL allowances due to write-offs			−845	**−845**			−360	**−360**
Exchange rate differences	12	29	49	**90**	9	23	14	**46**
TOTAL	**644**	**1,058**	**5,211**	**6,913**	**542**	**832**	**3,722**	**5,095**
Financial guarantees and Loan commitments								
Opening balance	195	240	38	**474**	177	195	11	**382**
New and derecognised financial assets, net	56	−74	−5	**−24**	49	−78	14	**−16**
Changes due to change in credit risk	−67	−47	107	**−7**	−72	−32	98	**−6**
Changes due to methodology change	−1	−2	−1	**−3**	0	−1	−1	**−2**
Exchange rate differences	6	9	−2	**13**	6	8	−2	**11**
TOTAL	**189**	**127**	**138**	**454**	**160**	**91**	**120**	**370**
Total Loans, Debt securities, Financial guarantees and Loan commitments								
Opening balance	838	1,605	3,370	**5,813**	711	1,299	1,716	**3,726**
New and derecognised financial assets, net	422	−152	72	**342**	405	−115	114	**404**
Changes due to change in credit risk	−437	−304	2,713	**1,972**	−426	−298	2,356	**1,632**
Changes due to modifications		16	0	**16**		11	0	**11**
Changes due to methodology change	−9	−17	−8	**−34**	−4	−5	4	**−6**
Decreases in ECL allowances due to write-offs			−845	**−845**			−360	**−360**
Exchange rate differences	18	38	47	**103**	15	31	11	**58**
TOTAL	**832**	**1,185**	**5,349**	**7,367**	**701**	**922**	**3,842**	**5,465**

Development of exposures and ECL allowances

In 2020, Stage 1 gross exposures and ECL allowances increased reflecting large corporates' demand for contingent liquidity facilities following the Covid-19 pandemic outbreak and growth in Swedish household mortgages. This was partly offset by the reducing effect from the stronger Swedish krona on both gross exposures and ECL allowances. In Stage 3, there was a migration from Stage 2 and an increase in provisioning for individual counterparties in the Large Corporates & Financial Institutions division, predominantly in the offshore segment of the oil portfolio. To some extent the increase in Stage 3 gross exposures and ECL allowances was offset by writeoffs. In Stage 2, gross exposures decreased due to the migration to Stage 3, while Stage 2 ECL allowances increased as most of the model overlays were allocated to Stage 1 and 2.

Of the total net expected credit losses of SEK 6.1bn, model overlays made during the year amounted to SEK 1.3bn, of which SEK 1.1bn relates to potential negative effects on asset quality due to Covid-19 in the C&PC and Baltic divisions and SEK 0.2bn relates to the oil portfolio in the LC&FI division.

Following the pandemic, authorities have enabled measures to support corporates and private individuals, including amortisation exemptions on household mortgages. In line with EBA guidelines and the SFSA's recommendations, such moratorium measures do not automatically trigger a significant increase in credit risk. As at 31 December 2020, SEB had granted moratorium on loans amounting to SEK 58bn, the vast majority being household mortgages. Only SEK 18m of these were non-performing loans. Reference is made to the Pillar 3 disclosures for details on moratorium loans.

The increase in total ECL allowances in 2019 was due to growth in exposures and higher ECL allowances as a consequence of changes in credit risk. There was exposure growth in Stage 1 while the amount of ECL allowances was unchanged since growth due to new exposures was offset by a migration resulting from changes in credit risk. In stage 2 both exposures and ECL allowances was reduced primarily because of a migration to stage 3 due to credit quality deterioration. There was an inflow of exposures and ECL allowances to stage 3 due to changes in credit risk, which was partly off-set by write-offs.

Measurement of ECL allowances

SEB uses both models and expert credit judgement (ECJ) for calculating ECL allowances. The degree of judgement depends on model outcome, materiality and information available and ECJ may be applied to incorporate factors not captured by the models. In 2020, expert credit judgement was used to estimate model overlays to capture potential negative effects on the asset quality arising from the uncertain economic outlook in light of the Covid-19-pandemic as well as the challenges facing the oil industry. The model overlays were determined through top-down scenario analysis combined with bottom-up customer analysis of larger corporate customers in the LC&FI, C&PC and Baltic divisions and exposed sector analysis for other customer segments.

Key macroeconomic variable assumptions for calculating ECL allowances

Macroeconomic forecasts made by SEB Macro & FICC Research are used as the basis for the forward-looking information incorporated in the ECL measurement. In order to ensure an unbiased estimation under IFRS 9, at least three scenarios are used with different probability weightings. The base case scenario represents the most likely outcome and is also applied in the financial planning and budgeting process, while the other scenarios represent more positive and negative outcomes respectively. The probability weightings assigned to each scenario are determined using a combination of statistical analysis and expert judgment. The scenarios and their probability weightings are reviewed every quarter, or more frequently when appropriate due to rapid or significant changes in the economic environment.

In 2020, the scenarios have been reviewed and updated to reflect the changing economic outlook as a result of the Covid-19 pandemic. No changes have been made to the method used for incorporating forward-looking information in the modelling. The three scenarios – base, positive and negative scenarios – are based on different assumptions around how rapidly economies will reopen following the pandemic, which may depend both on strategic trade-offs between medical and economic aspects, but also on the continued spread of the coronavirus and the vaccination process. The base scenario assumes that the world must go through the winter without mass vaccinations and the risk of a worsening pandemic situation. Large scale vaccination is assumed to be available during the second half of 2021, reducing the need for restrictions. The table below sets out the key macroeconomic assumptions of the latest base case scenario which was used for estimating ECL allowances as at 31 December 2020. A further description of the scenarios is available in SEB's Nordic Outlook from November 2020.

Base case scenario assumptions	2021	2022	2023
Global GDP growth	5.1%	3.9%	3.9%
OECD GDP growth	3.8%	3.4%	2.8%
Sweden			
GDP growth	2.7%	4.4%	2.8%
Household consumption expenditure growth	2.5%	3.6%	2.7%
Interest rate (STIBOR)	−0.1%	−0.1%	−0.1%
Residential real estate price growth	2.0%	2.0%	2.0%
Baltic countries			
GDP growth	3.0% – 4.3%	3.3% – 3.5%	3.5%
Household consumption expenditure growth	3.9% – 5.7%	3.1% – 3.5%	3.0% – 3.5%
Inflation rate	1.8% – 2.0%	2.3% – 2.4%	2.5%
Nominal wage growth	2.1% – 4.7%	4.5% – 6.0%	4.5% – 5.0%

The positive scenario assumes that large scale vaccinations starting early 2021 and are more effective or that economic policy stimulus is more effective than estimated. The negative scenario reflects the risk that the pandemic will take off severely again during the winter in such a severe way and that vaccines are not as effective as expected such that extensive new lockdowns and tougher restrictions are necessary, resulting in a direct effect on GDP and a severe negative impact on confidence both in the real economy and in financial markets. In the estimation of ECL allowances as at 31 December 2020, the probabilities of the three scenarios were 55 per cent (58 per cent as at year-end 2019) for the base scenario, 20 per cent (17) for the positve scenario and 25 per cent (25) for the negative scenario.

The most significant assumptions affecting the ECL allowance of the non-retail and retail portfolios, respectively, are as follows:

Non-retail portfolios

(i) GDP	impact on companies' performance
(ii) Real estate price growth	impact on collateral valuations

Retail portfolios

(i) Household consumption expenditure growth	impact on borrowers' ability to meet their contractual obligations
(ii) Residential real estate price growth	impact on mortgage colleral values
(iii) Unemployment rate	impact on borrowers' ability to meet their contractual obligations
(iv) Interest rates	impact on borrowers' ability to meet their contractual obligations
(v) Inflation rate	impact on borrowers' ability to meet their contractual obligations
(vi) Nominal wage growth	impact on borrowers' ability to meet their contractual obligations

Sensitivity analysis of macroeconomic assumptions

In general, a worsening of the economic development or an increase in the probability of the negative scenario occurring is expected to increase the number of loans migrating from Stage 1 to Stage 2 and increase the estimated ECL allowances. On the other hand, an improvement in the economic development or an increase in the probability of the positive scenario occurring is expected to have the opposite, positive impact.

Should the positive and negative scenarios be assigned 100 per cent probability of occurring, the model calculated ECL allowances would decrease by 4 per cent and increase by 5 per cent, respectively compared to the weighted scenario.

		ECL allowances resulting from scenario	Difference from the probability weighted ECL allowances, %
Group	Negative scenario	10,678	5%
	Positive scenario	9,778	–4%
Large Corporates & Financial Institutions	Negative scenario	2,426	9%
	Positive scenario	2,047	–8%
Corporate & Private Customers	Negative scenario	6,718	4%
	Positive scenario	6,298	–3%
Baltic	Negative scenario	1,501	4%
	Positive scenario	1,394	–3%

Determination of significant increase in credit risk (SICR)

For arrangements with initial origination date as at 1 January 2018 or later, the primary indicator is changes in lifetime probability of default (PD) by comparing the scenario weighted annualised lifetime PD at the reporting date with the scenario weighted annualised lifetime PD at initial recognition. For arrangements with an initial origination date prior to 1 January 2018 changes in SEB internal risk classification since initial origination are used as the primary indicator.

Quantitative measures for triggering significant increase in credit risk (SICR)

	For arrangements originated prior to 1 January 2018	For arrangements originated on or after 1 January 2018
Watch list	1)	1)
Investment grade	2–7 grades	Annualised lifetime PD increase by 200% and ≥ 50 basis points
Standard monitoring	1–2 grades	

1) Placement of a financial asset on watch list automatically classifies it as a significant increase in credit risk and places it in Stage 2.

Regardless of the quantitative indicator, a significant increase in credit risk is triggered if the following back-stop indicators occur:
– payments are past due >30 days but <90 days, or
– financial assets are forborne (where due to the customer's financial difficulties the contractual terms of the loans have been revised and concessions given).

Back stop indicators normally overlap with the quantitative indicator of significant increase in credit risk.

Sensitivity analysis of significant increase in credit risk (SICR) trigger assumptions

The sensitivity of ECL to changes in the quantitative triggering approach is analysed regularly, including tests of the following alternative triggers:
– recognising as Stage 2 SICR all exposures that have a worsened risk grade of 1 notch or more;
– reduction of Stage 2 SICR triggering thresholds to 30bp increase in annualised lifetime PD.

Total ECL as at 31 December 2020 would increase by 1.9 per cent when recognising all exposures which have been downgraded by one notch or more compared to the grade at origination as Stage 2. The impact on total ECL as at 31 December 2020 from reduction of the Stage 2 SICR trigger threshold to 30bps is below 0.1 per cent. The sensitivities are minor due to the fact that backstop indicators capture a large portion of exposures in Stage 2 regardless of the changes in the quantitative trigger measures. In addition, the impact of severe adverse macroeconomic developments on the loan portfolio is tested as part of the regular ICAAP process, described in more detail in note 41 Capital adequacy.

Past due loans

	Group		Parent company	
	2020	2019	2020	2019
≤ 30 days	11,672	12,644	10,425	10,133
>30 ≤ 90 days	2,628	2,871	2,497	2,514
> 90 days	1,827	2,753	794	1,521
TOTAL	**16,127**	**18,269**	**13,716**	**14,169**

Forborne loans

	Group		Parent company	
	2020	2019	2020	2019
Total forborne loans	13,305	15,439	10,714	12,493
of which performing[1)]	1,924	6,746	824	5,533

1) According to EBA definition.

19 Debt securities

Group, 2020							
Debt securities by issuers	Swedish government	Swedish municipalities	Swedish mortgage institutions	Other Swedish issuers	Foreign government	Other foreign issuers	Total
Eligible debt securities[1]							
Held for trading	14,286	225			6,036	7,338	**27,885**
Fair value through profit or loss mandatorily	7,182	3,352	1,775	24,644	17,534	5,069	**59,556**
Fair value through profit or loss designated	1,247		5,348		835	85	**7,515**
Amortised cost					3,020		**3,020**
Total	**22,716**	**3,576**	**7,123**	**24,644**	**27,425**	**12,492**	**97,976**
Other debt securities							
Held for trading		9,244	42,525	6,740		28,697	**87,207**
Fair value through profit or loss mandatorily	264	6,911	19,152	5,257	589	37,744	**69,917**
Fair value through profit or loss designated	51		12	24		203	**290**
Amortised cost						9,101	**9,101**
Total	**314**	**16,155**	**61,689**	**12,021**	**589**	**75,746**	**166,515**
Accrued interest							**943**
TOTAL	**23,030**	**19,731**	**68,812**	**36,665**	**28,014**	**88,238**	**265,433**
Group, 2019							
Eligible debt securities[1]							
Held for trading	2,686	49			1,882	9,038	**13,655**
Fair value through profit or loss mandatorily	7,636	3,430	1,351	34,144	46,135	4,880	**97,575**
Fair value through profit or loss designated	1,011		4,260		1,134	96	**6,500**
Amortised cost					5,231	3	**5,234**
Total	**11,333**	**3,480**	**5,611**	**34,144**	**54,381**	**14,017**	**122,965**
Other debt securities							
Held for trading			13,230	3,755		29,539	**46,525**
Fair value through profit or loss mandatorily	321	7,241	18,172	5,375	377	26,961	**58,447**
Fair value through profit or loss designated	50		1	17		262	**331**
Amortised cost						9,231	**9,231**
Total	**371**	**7,241**	**31,403**	**9,147**	**377**	**65,994**	**114,534**
Accrued interest							**1,080**
TOTAL	**11,704**	**10,721**	**37,014**	**43,291**	**54,758**	**80,011**	**238,578**

1) Eligible papers are considered as such if they, according to national legislation, are accepted by the Central bank in the country in which SEB is located.

Parent company, 2020							
Debt securities by issuers	Swedish government	Swedish municipalities	Swedish mortgage institutions	Other Swedish issuers	Foreign government	Other foreign issuers	Total
Eligible debt securities[1]							
Held for trading	14,286	225			5,925	7,338	**27,774**
Fair value through profit or loss mandatorily	5,749	3,352		24,544	5,389	2,785	**41,819**
Amortised cost				3,350	3,020		**6,370**
Total	**20,035**	**3,576**		**27,894**	**14,334**	**10,123**	**75,963**
Other debt securities							
Held for trading		9,244	42,525	6,740		28,697	**87,207**
Fair value through profit or loss mandatorily		6,911	18,193	3,971		37,716	**66,791**
Amortised cost						9,101	**9,101**
Total		**16,155**	**60,719**	**10,711**		**75,514**	**163,099**
Accrued interest							**866**
TOTAL	**20,035**	**19,731**	**60,719**	**38,606**	**14,334**	**85,637**	**239,928**
Parent company, 2019							
Eligible debt securities[1]							
Held for trading	2,686	49			1,439	9,029	**13,204**
Fair value through profit or loss mandatorily	6,834	3,430		34,043	30,442	3,117	**77,866**
Amortised cost				3,350	5,231		**8,581**
Total	**9,520**	**3,480**		**37,393**	**37,112**	**12,146**	**99,651**
Other debt securities							
Held for trading			13,230	3,755		29,532	**46,517**
Fair value through profit or loss mandatorily		7,241	16,953	3,913		26,931	**55,038**
Amortised cost						9,231	**9,231**
Total		**7,241**	**30,183**	**7,668**		**65,694**	**110,786**
Accrued interest							**979**
TOTAL	**9,520**	**10,721**	**30,183**	**45,062**	**37,112**	**77,840**	**211,417**

1) Eligible papers are considered as such if they, according to national legislation, are accepted by the Central bank in the country in which SEB is located.

20 Equity instruments

	Group		Parent company	
	2020	2019	**2020**	2019
Fair value through profit or loss held for trading	58,448	56,795	58,448	56,794
Fair value through profit or loss mandatorily	23,792	21,687	5,377	5,008
TOTAL[1)]	**82,240**	**78,482**	**63,825**	**61,802**

1) Of which seized shares for protection of claim SEK 104m (29).

21 Derivatives and hedge accounting

	Group		Parent company	
	2020	2019	**2020**	2019
Interest-related	89,152	71,371	84,079	68,013
Currency-related	58,217	56,604	57,762	56,358
Equity-related	3,497	3,118	3,497	3,007
Other	14,043	8,335	14,043	8,335
Positive replacement values	**164,909**	**139,427**	**159,380**	**135,713**
Interest-related	66,288	45,774	62,357	44,366
Currency-related	71,530	63,022	71,429	61,872
Equity-related	8,957	5,002	8,957	4,877
Other	14,786	8,395	14,786	8,395
Negative replacement values	**161,561**	**122,192**	**157,529**	**119,511**

	Positive replacement values		Negative replacement values	
Group, 2020	Nominal amount	Book value	Nominal amount	Book value
Options	124,401	1,528	118,026	2,026
Futures	3,975,887	51	7,635,281	89
Swaps	6,563,615	87,573	6,202,231	64,172
Interest-related	**10,663,903**	**89,152**	**13,955,539**	**66,288**
of which exchange traded	*2,649,309*	*15*	*6,104,201*	*12*
Options	131,638	827	67,607	824
Futures	381,732	19,569	526,060	23,666
Swaps	1,356,850	37,820	1,526,853	47,040
Currency-related	**1,870,219**	**58,217**	**2,120,521**	**71,530**
of which exchange traded		*3*		*3*
Options	5,466	787	5,278	2,926
Futures	10,919	1,698	10,772	1,555
Swaps	21,381	1,013	45,530	4,477
Equity-related	**37,766**	**3,497**	**61,581**	**8,957**
of which exchange traded	*8,642*	*900*	*2,485*	*2,724*
Options	40,216	4,411	43,121	4,323
Futures	120,978	9,073	119,594	9,133
Swaps	19,710	559	28,998	1,330
Other	**180,904**	**14,043**	**191,712**	**14,786**
of which exchange traded	*65,038*	*1,190*	*33,364*	*1,800*
TOTAL	**12,752,792**	**164,909**	**16,329,353**	**161,561**
of which exchange traded	*2,722,989*	*2,109*	*6,140,050*	*4,539*
Group, 2019				
Options	206,711	5,033	302,354	5,139
Futures	1,867,853	98	2,024,963	104
Swaps	5,898,123	66,239	5,549,161	40,531
Interest-related	**7,972,687**	**71,371**	**7,876,479**	**45,774**
of which exchange traded	*2,970*	*3*	*2,000*	*11*
Options	155,197	912	80,502	1,036
Futures	515,004	29,358	610,572	29,388
Swaps	1,517,122	26,334	1,670,363	32,597
Currency-related	**2,187,323**	**56,604**	**2,361,437**	**63,022**
of which exchange traded		*5*		*29*
Options	10,721	1,450	9,424	2,039
Futures	275	333	275	393
Swaps	28,157	1,335	43,126	2,570
Equity-related	**39,153**	**3,118**	**52,825**	**5,002**
of which exchange traded		*479*		*1,416*
Options	45,110	2,673	70,914	2,745
Futures	70,764	4,077	77,921	4,713
Swaps	27,330	1,584	33,404	936
Other	**143,205**	**8,335**	**182,240**	**8,395**
of which exchange traded	*41,676*	*1,055*	*15,851*	*1,954*
TOTAL	**10,342,368**	**139,427**	**10,472,981**	**122,192**
of which exchange traded	*44,646*	*1,542*	*17,851*	*3,411*

Note 21 continued Derivatives and hedge accounting

Parent company, 2020	Positive replacement values		Negative replacement values	
	Nominal amount	Book value	Nominal amount	Book value
Options	124,394	1,528	118,033	2,026
Futures	3,975,887	51	7,635,281	89
Swaps	6,506,783	82,500	6,076,600	60,242
Interest-related	**10,607,063**	**84,079**	**13,829,915**	**62,357**
of which exchange traded	*2,649,309*	*15*	*6,104,201*	*12*
Options	131,628	783	67,710	786
Futures	380,607	19,533	525,903	23,688
Swaps	1,359,785	37,445	1,529,220	46,956
Currency-related	**1,872,020**	**57,762**	**2,122,833**	**71,429**
of which exchange traded		*3*		*3*
Options	5,466	786	5,278	2,925
Futures	10,919	1,698	10,772	1,555
Swaps	21,381	1,013	45,530	4,477
Equity-related	**37,766**	**3,497**	**61,581**	**8,957**
of which exchange traded	*8,642*	*900*	*2,485*	*2,724*
Options	40,231	4,411	43,121	4,323
Futures	120,978	9,073	119,594	9,133
Swaps	19,710	559	28,998	1,330
Other	**180,919**	**14,043**	**191,712**	**14,786**
of which exchange traded	65,038	1,190	33,364	1,800
TOTAL	**12,697,768**	**159,380**	**16,206,041**	**157,529**
of which exchange traded	*2,722,989*	*2,109*	*6,140,050*	*4,539*

Parent company, 2019	Positive replacement values		Negative replacement values	
	Nominal amount	Book value	Nominal amount	Book value
Options	125,813	1,675	129,349	2,099
Futures	1,864,883	97	2,022,963	103
Swaps	5,906,652	66,241	5,553,158	42,163
Interest-related	**7,897,348**	**68,013**	**7,705,471**	**44,366**
of which exchange traded		*2*		*11*
Options	154,201	894	78,809	1,025
Futures	515,020	29,353	611,047	29,404
Swaps	1,506,434	26,111	1,657,151	31,443
Currency-related	**2,175,655**	**56,358**	**2,347,007**	**61,872**
of which exchange traded		*5*		*29*
Options	10,721	1,450	9,424	2,026
Futures		326		386
Swaps	26,746	1,230	41,715	2,466
Equity-related	**37,467**	**3,007**	**51,139**	**4,877**
of which exchange traded		*368*		*1,305*
Options	45,126	2,673	70,914	2,745
Futures	70,764	4,077	77,921	4,713
Swaps	27,330	1,584	33,404	936
Other	**143,221**	**8,335**	**182,240**	**8,395**
of which exchange traded	*41,676*	*1,055*	*15,851*	*1,954*
TOTAL	**10,253,691**	**135,713**	**10,285,857**	**119,511**
of which exchange traded	*41,676*	*1,430*	*15,851*	*3,299*

Hedge accounting

Accounting policy
As the International Accounting Standards Board issued the new accounting standard IFRS 9 they provided entities with an accounting policy choice between applying the hedge accounting requirements in IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting. SEB has decided to continue to apply hedge accounting requirements in IAS 39.

IBOR Reform (Interest Rate Benchmark Reform)
Interbank Offered Rates (IBORs), including London Interbank offered Rate (LIBOR), serve as widely used benchmarks interest rates as well as the preferred benchmark interest rates for lending between banks. Following the financial crisis, and a slowdown in the interbank market global regulators called for reform of IBORs.

In 2013, The European Commission adopted a regulation on indices used as benchmark in financial instruments and financial contracts. The resulting Benchmark regulation (BMR) entered into force in end of June 2016. In July 2017, the United Kingdom Financial Conduct Authority (FCA) announced its intention to phase out LIBOR by end of 2021, and that they will no longer compel LIBOR panel banks to continue making LIBOR submission after the end of 2021. The exact timing of the transition will vary by currency and product.

The expectation is that USD LIBOR will be replaced by Secured Overnight Finance Rate (SOFR) and that GBP LIBOR will be replaced by Sterling Overnight Index (SONIA). There are key differences between the LIBORs and their replacement benchmarks. The LIBORs are term rate benchmarks across multiple tenors and are forward-looking as they are published in the beginning of the interest period. SOFR and SONIA are transaction based backward-looking overnight rates published at the end of the interest period, with no term element. Furthermore, USD and GBP LIBOR include a credit spread over the risk-free rate, which SOFR and SONIA do not. To transition existing contracts and agreements that reference USD LIBOR to SOFR and GBP LIBOR to SONIA, adjustments for term differences and credit differences might need to be applied to SOFR and SONIA, to enable the benchmark rates to be economically equivalent on transition.

SEB's hedging accounting risk exposure that is affected by the interest rate benchmark reform is USD LIBOR and GBP LIBOR. The group has applied its best judgement to analyse market expectations when determining the fair value of the hedging instrument and present value of estimated cash flows of the hedged item.

The table below indicates the nominal amount and risk of hedging items that will be affected by IBOR reform. Risk figures are expressed as one basis point's parallel shift of the interest rate curve in each currency.

Fair value hedges of interest rate risk	Notional	Asset	Liability
USD Libor	USD 5.6 bn		USD 1.4m
GBP Libor	GBP 600m		GBP 0.1m

Cash flow hedges of interest rate risk	Notional	Asset	Liability
USD Libor	USD 14bn		USD 1,770m
GBP Libor	GBP 22m		GBP 4,270m

The group has established a project to lead the transition to alternative benchmark rates. This transition project will coordinate needed changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. At the same time, the group is continuously monitoring and actively participating in market discussions to further prepare for a smooth transition.

The group elected to early adopt the Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (IBOR) – Phase 1 as at year 2019. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

Interest Rate Benchmark Reform (IBOR) – Phase 2. The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues that might affect financial reporting as a result of the IBOR reform, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in the standards. The amendments are effective for annual reporting periods beginning on or after 1 January 2021.

Risk management strategy

The Board of Directors defines how much market risk is acceptable by setting the overall market risk limits and general instructions. The market risk tolerance and limits are defined for the trading book, banking book and defined benefit plans. The Group Risk Committee delegates the market risk mandate to the divisions and the treasury function, which in turn further allocate the limits internally. The treasury function has overall responsibility for managing these risks, which are consolidated centrally.

Risk category and designated risk exposure

Interest rate risk is the designated risk exposure for fair value and cash flow hedge accounting. Interest rate risk in the banking book arises from changes in market interest rates as a result of mismatches in interest terms and interest rate periods on the balance sheet.

Fair value hedges and portfolio hedges

The group holds a portfolio of long-term fixed rate mortgages and long-term fixed rate issued debt securities of which are exposed to fluctuations in fair value due to movements in market interest rates. The interest rate risk component is determined as the change in fair value of the long-term fixed rate mortgages and issued debt securities arising solely from changes in discounting rates such as applicable IBOR rates. The group hedges a portion of its existing interest rate risk from these financial assets and financial liabilities against changes in fair value. For this purpose the group are entering pay fixed/receive floating interest rate swaps for hedging of long-term fixed rate mortgages and receive fixed/pay floating interest swaps for hedging of long-term fixed rate issed debt securities thus resulting in fixed interest rates on the hedged item being swapped to floating interest rates. The hedges are executed item by item for long-term fixed rate issued debt securities and by aggregation of items grouped by maturity for long-term fixed rate mortgages.

Sources of hedge ineffectiveness

The effectiveness of the hedge strategy is assessed by the degree to which changes in fair value of the hedged item that are attributable to the changes in benchmark rate used for discounting are offset by changes in fair value of the hedging instrument. Possible sources of hedge ineffectiveness are as follows:

(i) the discounted cash flow from floating rate payments from the hedging instrument does not have an equivalent cash flow from the long-term fixed mortgages or issued debt securities thus give rise to hedge inefficiencies;

(ii) deviations in critical factors between the hedged item and the fixed rate leg in the hedging instrument ('proxy bond') will give rise to hedge inefficiencies;

(iii) different benchmark rates used for discounting of the hedged item and the hedging instrument. For example the use of either secured or unsecured benchmark rate depending on the collaterialised characteristisc of hedging instrument while unsecured benchmark rates are applied for the hedged item;

(iv) funding value adjustments which impacts the fair value of hedging instruments for which central counterparty clearing is not applied. Equivalent fair value adjustment is not applicable for the hedged item;

(v) the effects of the forthcoming reforms to USD LIBOR and GBP LIBOR, because these might take effect at a different time and have a different impact on the hedged item and the hedging instrument. Further details of these reforms are set out above.

Cash flow hedges

The group holds a portfolio of lending and deposits with floating interest rates of which are exposed to fluctuations in cash flow due to movements in market interest rates. The interest rate risk component is determined as the variability in cash flows from floating rate lending and floating rate deposits arising solely from changes in applicable benchmark rates. The group hedges a portion of its existing exposure from these financial assets and financial liabilities against variability in cash flows. For this purpose the group are entering interest rate swaps where the net exposures of lending and deposits with floating rates are swapped to fixed interest. Group either pays or receives the fixed leg of the interest rate swap depending on whether volumes on floating rate lending outweighs floating rate deposits or vice versa. Interest flows from deposits and lending with floating interest rates are expected to be amortised to profit or loss during the period 2021 to 2037.

Sources of hedge ineffectiveness

The effectiveness of the hedge strategy is assessed by the degree to which changes in present value of the hedged expected future cash flows that are attributable to the changes in benchmark rate used for estimating future cash flows are offset by changes in fair value of the hedging instrument. Possible sources of hedge ineffectiveness are as follows:

(i) deviations in critical factors between the hedged item ('hypothetical derivative') and the floating rate leg in the hedging instrument will give rise to hedge inefficiencies;

(ii) funding value adjustments which impacts the fair value of hedging instruments for which central counterparty clearing is not applied. Equivalent fair value adjustment is not applicable for the hedged item.

(iii) the effects of the forthcoming reforms to USD LIBOR and GBP LIBOR, because these might take effect at a different time and have a different impact on the hedged item and the hedging instrument. Further details of these reforms are set out above.

Net investment hedges

The group hedges the currency translation risk of net investments in foreign operations through currency borrowings. Borrowing in foreign currency at an amount of SEK 44,918m (47,708) were designated as hedges of net investments in foreign operations. Ineffectiveness in the hedges has been reported in Net financial income (note 6).

Note 21 continued Derivatives and hedge accounting

Hedging instruments

	Positive replacement values			Negative replacement values		
Group, 2020	Nominal amount	Book value	Change in value	Nominal amount	Book value	Change in value
Derivatives	226,507	2,958	1,713	219,129	13	871
Fair value hedges of interest rate risk	**226,507**	**2,958**	**1,713**	**219,129**	**13**	**871**
Derivatives	208,000	29	−139	14,500	1	−797
Portfolio fair value hedges of interest rate risk	**208,000**	**29**	**−139**	**14,500**	**1**	**−797**
Derivatives	7,485	356	−73	6,139	731	4
Portfolio cash flow hedges of interest rate risk	**7,485**	**356**	**−73**	**6,139**	**731**	**4**
TOTAL	**441,992**	**3,343**	**1,500**	**239,768**	**745**	**78**
Group, 2019						
Derivatives	75,622	3,662	−854	430,724	415	2,276
Fair value hedges of interest rate risk	**75,622**	**3,662**	**−854**	**430,724**	**415**	**2,276**
Derivatives	180,750	93	503	9,500	0	−19
Portfolio fair value hedges of interest rate risk	**180,750**	**93**	**503**	**9,500**	**0**	**−19**
Derivatives	18,345	404	−386	5,883	730	−3
Portfolio cash flow hedges of interest rate risk	**18,345**	**404**	**−386**	**5,883**	**730**	**−3**
TOTAL	**274,717**	**4,159**	**−736**	**446,107**	**1,145**	**2,254**

Fair value hedges of interest rate risk

Group, 2020	Book value hedged item	The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	Hedge ineffectiveness recognized in profit or loss
Income Statement				
Net other Income				−11
Balance sheet				
Debt securities issued	457,131	7,142	−2,594	
Fair value hedges of interest rate risk	**457,131**	**7,142**	**−2,594**	**−11**
Income Statement				
Net other Income				−19
Balance sheet				
Loans to the public	320,618			
Fair value changes of hedged items in a portfolio hedge		496	917	
Portfolio fair value hedges of interest rate risk	**320,618**	**496**	**917**	**−19**
TOTAL	**777,749**	**7,639**	**−1,678**	**−30**
Group, 2019				
Income Statement				
Net other Income				39
Balance sheet				
Debt securities issued	516,766	−5,455	−1,384	
Fair value hedges of interest rate risk	**516,766**	**−5,455**	**−1,384**	**39**
Income Statement				
Net other Income				27
Balance sheet				
Loans to the public	269,737			
Fair value changes of hedged items in a portfolio hedge		−420	−458	
Portfolio fair value hedges of interest rate risk	**269,737**	**−420**	**−458**	**27**
TOTAL	**786,503**	**−5,875**	**−1,842**	**66**

Note 21 continued Derivatives and hedge accounting

Portfolio cash flow hedges of interest rate risk

Group, 2020	The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	The balances in the cash flow reserve		Hedging gains/losses of the reporting period that were recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	The amount reclassified from cash flow reserve for which hedge accounting had previously been used
		Continuing hedges	Discontinued hedges			
Income Statement						
Net other Income					3	17
Statement of comprehensive income						
Cash flow hedges				−72		
Balance sheet						
Loans to the public and deposits and borrowing from the public	72					
Equity						
Cash flow hedges		156	−109			
TOTAL	**72**	**156**	**−109**	**−72**	**3**	**17**
Group, 2019						
Income Statement						
Net other Income					−4	1
Statement of comprehensive income						
Cash flow hedges				−385		
Balance sheet						
Loans to the public and deposits and borrowing from the public	385					
Equity						
Cash flow hedges		−158	172			
TOTAL	**385**	**−158**	**172**	**−385**	**−4**	**1**

Hedging instruments

	Positive replacement values			Negative replacement values		
Parent company, 2020	Nominal amount	Book value	Change in value	Nominal amount	Book value	Change in value
Derivatives	226,507	2,958	1,713	219,129	13	871
Fair value hedges of interest rate risk	**226,507**	**2,958**	**1,713**	**219,129**	**13**	**871**
Derivatives	208,000	29	−139	14,500	1	−797
Portfolio fair value hedges of interest rate risk	**208,000**	**29**	**−139**	**14,500**	**1**	**−797**
Derivatives	7,485	356	−73	6,139	731	4
Portfolio cash flow hedges of interest rate risk	**7,485**	**356**	**−73**	**6,139**	**731**	**4**
TOTAL	**441,992**	**3,343**	**1,500**	**239,768**	**745**	**78**
Parent company, 2019						
Derivatives	75,622	3,662	−854	430,724	415	2,276
Fair value hedges of interest rate risk	**75,622**	**3,662**	**−854**	**430,724**	**415**	**2,276**
Derivatives	180,750	93	503	9,500		−19
Portfolio fair value hedges of interest rate risk	**180,750**	**93**	**503**	**9,500**		**−19**
Derivatives	18,345	404	−386	5,883	730	−3
Portfolio cash flow hedges of interest rate risk	**18,345**	**404**	**−386**	**5,883**	**730**	**−3**
TOTAL	**274,717**	**4,159**	**−736**	**446,107**	**1,145**	**2,254**

Note 21 continued Derivatives and hedge accounting

Fair value hedges of interest rate risk

Parent company, 2020	Book value	The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	Hedge ineffectiveness recognized in profit or loss
Income Statement				
Net other Income				−11
Balance sheet				
Debt securities issued	457,131	7,142	−2,594	
Fair value hedges of interest rate risk	**457,131**	**7,142**	**−2,594**	**−11**
Income Statement				
Net other Income				−19
Balance sheet				
Loans to the public	320,618			
Fair value changes of hedged items in a portfolio hedge		496	917	
Portfolio fair value hedges of interest rate risk	**320,618**	**496**	**917**	**−19**
TOTAL	**777,749**	**7,639**	**−1,678**	**−30**

Parent company, 2019				
Income Statement				
Net other Income				39
Balance sheet				
Debt securities issued	516,766	−5,455	−1,384	
Fair value hedges of interest rate risk	**516,766**	**−5,455**	**−1,384**	**39**
Income Statement				
Net other Income				27
Balance sheet				
Loans to the public	269,737			
Fair value changes of hedged items in a portfolio hedge		−420	−458	
Portfolio fair value hedges of interest rate risk	**269,737**	**−420**	**−458**	**27**
TOTAL	**786,503**	**−5,875**	**−1,842**	**66**

Portfolio cash flow hedges of interest rate risk

	The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	The balances in the cash flow reserve		Hedging gains/losses of the reporting period that were recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	The amount reclassified from cash flow reserve for which hedge accounting had previously been used
Parent company, 2020		Continuing hedges	Discontinued hedges			
Income Statement						
Net other Income					3	17
Statement of comprehensive income						
Cash flow hedges				−72		
Balance sheet						
Loans to the public and deposits and borrowing from the public	72					
Equity						
Cash flow hedges		156	−109			
TOTAL	**72**	**156**	**−109**	**−72**	**3**	**17**
Parent company, 2019						
Income Statement						
Net other Income					−4	1
Statement of comprehensive income						
Cash flow hedges				−385		
Balance sheet						
Loans to the public and deposits and borrowing from the public	385					
Equity						
Cash flow hedges		−158	172			1
TOTAL	**385**	**−158**	**172**	**−385**	**−4**	**1**

22 Investments in subsidiaries, associates and joint ventures

	Group		Parent company	
	2020	2019	2020	2019
Shares in Swedish subsidiaries			14,641	14,531
Shares in foreign subsidiaries[1)]	137	144	31,715	35,365
Investments in associates and joint ventures, strategic investments	548	386	343	270
Investments in associates, venture capital holdings	586	466	544	466
TOTAL	**1,272**	**997**	**47,243**	**50,632**
of which holdings in credit institutions			*30,627*	*33,951*

1) Some dormant subsidiaries in the group are consolidated using the equity method.

		2020			2019		
Swedish subsidiaries	Country	Book value	Dividend	Ownership, %	Book value	Dividend	Ownership, %
Aktiv Placering AB, Stockholm	Sweden	38		100	38		100
Enskilda Kapitalförvaltning SEB AB, Stockholm	Sweden	0		100	0		100
Försäkringsaktiebolaget Skandinaviska Enskilda Captive, Stockholm	Sweden	100		100	100		100
IFA DBB AB, Stockholm	Sweden	330		100			
Parkeringshuset Lasarettet HGB KB, Stockholm	Sweden	0		99	0		99
Repono Holding AB, Stockholm	Sweden	3,227		100	3,227		100
SEB Förvaltnings AB, Stockholm	Sweden	5		100	5		100
SEB Internal Supplier AB, Stockholm	Sweden	12		100	12		100
SEB Investment Management AB, Stockholm	Sweden	541	400	100	541		100
SEB Kort Bank AB, Stockholm	Sweden	3,760	602	100	3,760	828	100
SEB Life and Pension Holding AB, Stockholm	Sweden	6,424	1,000	100	6,424	1,500	100
SEB Strategic Investments AB, Stockholm	Sweden	204		100	424	322	100
Skandinaviska Kreditaktiebolaget, Stockholm	Sweden	0		100	0		100
TOTAL		**14,641**	**2,002**		**14,531**	**2,649**	
Foreign subsidiaries							
DSK Hyp AG, (former SEB AG), Frankfurt am Main	Germany	15,533		100	16,121		100
SEB Bank JSC, St Petersburg	Russia	458		100	458		100
SEB Banka, AS, Riga	Latvia	1,753		100	1,911	478	100
SEB bankas, AB, Vilnius	Lithuania	6,560		100	6,871	1,105	100
SEB Corporate Bank, PJSC, Kiev	Ukraine	138		100	138		100
SEB do Brasil Representacões LTDA, Sao Paulo	Brazil	0	1	100	0		100
SEB Leasing Oy, Helsinki	Finland	4,423		100	4,672		100
SEB Njord AS, Oslo	Norway	0		100	0		100
SEB Pank, AS, Tallinn	Estonia	2,425	1,010	100	3,125	658	100
SEB Securities Inc, New York	USA	30		100	52		100
Skandinaviska Enskilda Banken S.A., Luxembourg	Luxembourg				1,567	157	100
Skandinaviska Enskilda Ltd, London	Great Britain	395	78	100	451		100
TOTAL		**31,715**	**1,089**		**35,365**	**2,397**	

Information about the corporate registration numbers and numbers of shares of the subsidiaries is available upon request.

For more information on subsidiaries, directly owned or indirectly owned (via subsidiaries) by Skandinaviska Enskilda Banken AB (publ), during the financial year and/or at end of the financial year, see Sustainability notes pages 191–201.

Note 22 continued   Investments in subsidiaries, associates and joint ventures

Significant restrictions on the ability to use assets and settle liabilities of the group
Skandinaviska Enskilda Banken AB (Publ) can obtain distributions of capital, use assets and settle liabilities of members of the group within the limitation of some regulatory, statutory and contractual restrictions. These restrictions are:

Regulatory requirements
Regulated subsidiaries are subject to prudential regulatory capital requirements in the countries in which they are regulated. These subsidiaries are required to maintain a certain level of own funds in relation to their exposures, restricting their ability to distribute cash or other assets to the parent company. To meet these requirements the subsidiaries hold capital instruments and other forms of subordinated liabilities.

Statutory requirements
Subsidiaries are required to have a certain level of solvency and are restricted to make distributions of capital and profits leading to a solvency below that level.

Contractual requirements
The group pledges some of its financial assets as collateral for financing and liquidity purposes. Encumbered assets can't be transferred within the group. Such assets are described further in the note 47 Pledged assets.

Investments in associates and joint ventures – Strategic investments	Assets[1]	Liabilities[1]	Revenues[1]	Profit or loss[1]	Book value	Ownership, %
Bankomat AB, Stockholm	3,832	3,420	691	5	66	20
BGC Holding AB, Stockholm	814	126	940	85	103	33
Cinder Invest AB, Stockholm					11	26
Finansiell ID-Teknik BID AB, Stockholm	89	40	222	−19	7	18
Getswish AB, Stockholm	118	21	219	18	19	20
Invidem AB (former Nordic KYC Utility AB), Stockholm	123	26	0	−54	48	17
P27 Nordic Payments AB	584	40	0	−149	88	17
USE Intressenter AB, Stockholm	1	0	0	0	0	28
Parent company holdings					**343**	
Holdings of subsidiaries					**104**	
Group adjustments					**102**	
GROUP HOLDINGS					**548**	

1) Retrieved from respective Annual report 2019.

Investments in associates – Venture capital holdings	2020		2019	
	Book value	Ownership, %	Book value	Ownership, %
Airsonett AB, Ängelholm	29	33	25	37
Apica AB, Stockholm	83	31	73	29
Avidicare Holding AB, Ängelholm	19	33	19	33
Cparta Cyber Defense AB, Stockholm	42	49		
InDex Pharmaceuticals Holding AB, Stockholm	60	15	76	15
Leasify AB, Stockholm	14	21	10	19
Now Interact Nordic AB, Stockholm	8	11	11	11
NuEvolution AB, Stockholm	0	20	0	20
OssDsign AB, Uppsala	44	12	47	15
Scandinova Systems AB, Uppsala	65	22	65	22
Scibase Holding AB, Stockholm	0	4	9	13
Senion AB, Linköping	24	39	18	34
TSS Holding AB, Stockholm	198	42	113	43
Parent company holdings	**586**		**466**	
GROUP HOLDINGS	**586**		**466**	

Information about the corporate registration numbers and numbers of shares of the associates is available upon request.

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

Investments in associates held by the venture capital organisation of the group have, in accordance with IAS 28, been designated as at fair value through profit and loss.

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

All financial assets within the group's venture capital business are managed and its performance is evaluated on a fair value basis in accordance with documented risk management and investment strategies.

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

23 Intangible assets

2020	Group					Parent company			
	Goodwill[1]	Deferred acquisition costs	Internally developed IT-systems	Other intangible assets	Total	Goodwill[1]	Internally developed IT-systems	Other intangible assets	Total
Opening balance	4,792	6,042	5,551	3,316	**19,701**	1,377	5,029	846	**7,252**
Additions from acquisitions and capitalisations		74	612	5	**690**		509		**509**
Reclassifications and mergers			6	−6				20	**20**
Retirements and disposals			−115	−380	**−495**		−115		**−115**
Exchange rate differences	−93	−94	−20	−59	**−266**		−4	−4	**−8**
Acquisition value	**4,699**	**6,022**	**6,035**	**2,875**	**19,631**	**1,377**	**5,420**	**862**	**7,659**
Opening balance		−4,991	−3,653	−2,872	**−11,515**	−1,377	−3,308	−692	**−5,377**
Current year's amortisations		−236	−502	−110	**−849**		−452	−48	**−500**
Impairments reversed			25		**25**				
Reclassifications and mergers			6	−6			8	−32	**−23**
Retirements and disposals			9	380	**389**		11		**11**
Exchange rate differences		69	9	49	**127**		4	3	**7**
Accumulated depreciations		**−5,157**	**−4,106**	**−2,559**	**−11,823**	**−1,377**	**−3,737**	**−769**	**−5,883**
TOTAL	**4,699**	**865**	**1,929**	**316**	**7,808**	**0**	**1,683**	**93**	**1,776**

1) Goodwill has an indefinite useful life. All other intangible assets have a definite useful life. Amortisation methods are described in note 1.

2019	Goodwill[1]	Deferred acquisition costs	Internally developed IT-systems	Other intangible assets	Total	Goodwill[1]	Internally developed IT-systems	Other intangible assets	Total
Opening balance	4,762	5,921	4,920	3,300	**18,903**	1,377	4,506	850	**6,732**
Additions from acquisitions and capitalisations		74	635	9	**718**		523		**523**
Reclassifications			−9	9					
Retirements and disposals				−36	**−36**			−5	**−5**
Exchange rate differences	30	47	5	33	**116**		1	1	**3**
Acquisition value	**4,792**	**6,042**	**5,551**	**3,316**	**19,701**	**1,377**	**5,029**	**846**	**7,252**
Opening balance		−4,694	−3,257	−2,796	**−10,746**	−1,377	−2,944	−635	**−4,956**
Current year's amortisations		−272	−395	−126	**−793**		−363	−63	**−426**
Impairments reversed			0	40	**40**				
Reclassifications			1	−1					
Retirements and disposals				36	**36**			5	**5**
Exchange rate differences		−25	−2	−25	**−52**		−1	0	**0**
Accumulated depreciations		**−4,991**	**−3,653**	**−2,872**	**−11,515**	**−1,377**	**−3,308**	**−692**	**−5,377**
TOTAL	**4,792**	**1,051**	**1,898**	**444**	**8,186**	**0**	**1,721**	**154**	**1,875**

Goodwill

The Cash Generating Units (CGU) structure is aligned with the business unit (BU) combined with geography to reflect the importance of steering and measuring the customer-oriented organisation.

CGUs	Acquisition year	Opening balance 2019	Exchange rate differences	Closing balance 2019	Exchange rate differences	Closing balance 2020
Card, Norway & Denmark[1]	*2002/2004*	915	30	945	−93	852
Life Sweden	*1996/1997*	2,343		2,343		2,343
Investment Management Sweden	*1997/1998*	1,504		1,504		1,504
TOTAL		**4,762**		**4,792**		**4,699**

1) The CGU:s are presented together since both acquisitions are related to the Eurocard business.

Impairment test 2020

Result of impairment test

The yearly impairment test for 2020 was performed in the fourth quarter. The impairment test did not result in any indication of impairment.

Estimates and assumptions used: future cash flows

The impairment test on goodwill is based on value in use and builds on the business plan for 2021–2023 and projected cash flows for 2024–2025. The long-term growth is based on expectations on inflation 1.5 per cent. The allocated capital is derived from the group's internal capital allocation model that has been aligned with the regulatory capital requirements including the management buffer. The cash flows in the business plan starts with the assumptions from the most recent Nordic Outlook published. The main assumptions are; GDP growth in Sweden from −3.1 per cent to 2.8 per cent over three years and other Nordic countries excluding Sweden from −3.4 per cent to 2.8 per cent; inflation in Sweden 0.5 per cent to 1.8 per cent and in Other Nordic countries from 0.7 per cent to 1.8 per cent. The repo rate in Sweden is assumed to be 0.00 per cent end of 2022.

Estimates and assumptions used: Cost of Equity (CoE) – discount rate

The discount rate used is 10.0 per cent post-tax for SEB Group and is determined based on information from external sources and applied on all CGUs.

Sensitivities

An increase of one percentage of the discount rate (CoE), a decrease of the average growth rates by one percentage point for earnings before amortisations during the projection period and a decrease of one percentage point of the long term growth was applied in the sensitivity analysis. With these changes in key assumptions, the carrying amount for the CGU Card Norway would exceed the recoverable amount. Earnings before amortisations in the beginning of the projection period has decreased compared to previous estimates. The main explanatory factor was card fees which decreased significantly with the lower customer activity levels in the wake of the Covid-19 pandemic. The caution among customers is expected to ease after vaccine rollout why the earnings before amortisation is deemed to recover by the mid of the projection period. The recoverable amount for the CGU Card Norway exceeds the carrying amount by SEK 261m. The recoverable amount would be equal to the carrying amount should the discount rate (CoE) applied be 10.9 per cent or the annual growth rate applied be −9 per cent.

Note 23 continued Intangible assets

Impairment test 2019

Result of impairment test

The yearly impairment test for 2019 was performed in the fourth quarter. The impairment test did not result in any indication of impairment.

Estimates and assumptions used: future cash flows

The impairment test on goodwill is based on value in use and builds on the business plan for 2020–2022 and projected cash flows for 2023–2024. The long-term growth is based on expectations on inflation 1.5 per cent. The allocated capital is derived from the group's internal capital allocation model that has been aligned with the regulatory capital requirements including the management buffer. The cash flows in the business plan starts with the assumptions from the most recent Nordic outlook published. The main assumptions are; GDP growth in Sweden from 1.2 per cent to 2.0 per cent over three years and other Nordic countries excluding Sweden from 2.1 per cent to 1.9 per cent; inflation in Sweden 1.6 per cent to 1.9 per cent and in Other Nordic countries from 1.6 per cent to 1.8 per cent. The repo rate in Sweden is assumed to be 0.00 per cent end of 2021.

Estimates and assumptions used: Cost of Equity (CoE) – discount rate

The discount rate used is 10.0 per cent post-tax for SEB Group and is determined based on information from external sources and applied on all CGUs except Investment Management. The higher discount rate for Investment Management, 12.0 per cent, is applied due to uncertainty related to limitations to retrocessions, possible further margin squeeze and the current low interest environment that can create squeezed asset prices and volatility.

Sensitivities

An increase of one percentage of the discount rate (CoE), a decrease of the average growth rates by one percentage point for earnings before amortisations during the projection period and a decrease of one percentage point of the long term growth was applied in the sensitivity analysis. The sensitivity analysis carried out did not result in any indication of impairment.

24 Properties and equipment

	Group			Parent company			
2020	Equipment	Properties for own operations	Total	Equipment	Equipment leased to clients[1]	Properties for own operations	Total
Opening balance	3,042	30	**3,072**	2,029	44,910	2	**46,941**
Additions from acquisitions and capitalisations	341	1	**342**	183	5,042	1	**5,226**
Reclassifications and mergers	–20	0	**–20**	169			**169**
Retirements and disposals	–224	–1	**–225**	–13	–7,772		**–7,785**
Exchange rate differences	–104	–7	**–111**	–72		0	**–72**
Acquisition value	**3,036**	**22**	**3,059**	**2,296**	**42,180**	**2**	**44,479**
Opening balance	–1,692	–12	**–1,704**	–981	–15,736		**–16,717**
Current year's depreciations	–352	–1	**–354**	–265	–4,814		**–5,079**
Reclassifications and mergers	1	0	**1**	–63			**–63**
Retirements and disposals	207	1	**208**	9	5,947		**5,956**
Exchange rate differences	72	3	**75**	50	–580		**–530**
Accumulated depreciations	**–1,765**	**–9**	**–1,773**	**–1,250**	**–15,183**		**–16,434**
TOTAL	**1,272**	**14**	**1,286**	**1,046**	**26,997**	**2**	**28,045**
2019							
Opening balance	2,794	26	**2,820**	1,722	48,888	2	**50,612**
Additions from acquisitions and capitalisations	434	0	**434**	294	6,502		**6,796**
Reclassifications	–33	0	**–33**				
Retirements and disposals	–201		**–201**	–13	–10,480		**–10,493**
Exchange rate differences	49	4	**52**	26			**26**
Acquisition value	**3,042**	**30**	**3,072**	**2,029**	**44,910**	**2**	**46,941**
Opening balance	–1,510	–9	**–1,519**	–731	–15,872		**–16,603**
Current year's depreciations	–336	–1	**–337**	–241	–5,082		**–5,323**
Current year's impairments	–1		**–1**				
Reclassifications	0	0	**0**				
Retirements and disposals	188		**188**	8	4,960		**4,968**
Exchange rate differences	–34	–1	**–35**	–17	258		**241**
Accumulated depreciations	**–1,692**	**–12**	**–1,704**	**–981**	**–15,736**		**–16,717**
TOTAL	**1,350**	**18**	**1,368**	**1,048**	**29,174**	**2**	**30,224**

1) Equipment leased to clients are recognised as financial leases and presented as loans in the group. See note 49.

25 Other assets

	Group		Parent company	
	2020	2019	2020	2019
Trade receivables	1,342	1,381	1,409	1,427
Client receivables	9,764	12,476	9,204	11,951
Other assets	4,796	3,313	5,806	4,429
TOTAL	**15,901**	**17,171**	**16,418**	**17,807**

26 Prepaid expenses and accrued income

	Group		Parent company	
	2020	2019	**2020**	2019
Prepaid expenses	1,764	1,715	1,925	1,880
Accrued income	462	478	336	270
Other	16	42	266	255
TOTAL	**2,242**	**2,235**	**2,527**	**2,404**

27 Deposits

	Group		Parent company	
	2020	2019	**2020**	2019
Deposits	47,134	36,385	47,134	36,384
Deposits from central banks	**47,135**	**36,385**	**47,134**	**36,384**
Deposits	48,290	45,272	85,707	84,683
Margins of safety	14,225	2,692	13,386	2,245
Repos	1,604	3,580	1,604	3,579
Registered bonds[1)]	56	113		
Deposits from credit institutions	**64,174**	**51,656**	**100,697**	**90,508**
General governments	16,976	22,140	8,014	11,586
Financial corporations	284,796	215,091	290,241	199,684
Non-financial corporations	604,743	507,727	535,887	450,380
Households	382,852	346,455	286,121	250,211
Margins of safety	71,281	57,418	71,297	57,127
Repos	7,272	4,848	7,272	4,846
Registered bonds[1)]	3,307	7,808		
Deposits and borrowings from the public	**1,371,227**	**1,161,485**	**1,198,833**	**973,834**
TOTAL	**1,482,536**	**1,249,526**	**1,346,663**	**1,100,726**

1) Of which SEK 3,362m (6,676) at Fair Value Through Profit or Loss Designated (FVDPL) for the group. The group's contractual liability is SEK 2,922m (5,228). Difference between carrying amount and the amount the company is contractually obligated to pay to holders of registered bonds at maturity are, for the group SEK 441m (1,447). The accumulated impact from reflecting the group's own credit standing in the fair value measurement amounts to SEK 162m (170), of which SEK –8m (4) relates to 2020.

For registered bonds at Fair Value Through Profit or Loss Designated (FVDPL) change in fair value attributable to change in credit risk is determined, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the registered bonds. Market conditions which give rise to market risk include changes in the benchmark interest rate.

The company believes that this approach most faithfully represents the amount of change in fair value due to own credit risk, as the changes in factors contributing to the fair value of the registered bonds other than changes in the benchmark interest rate are not deemed to be significant.

28 Liabilities to policyholders

Financial liabilities for which the customers bear the investment risk, investment contracts[1)]	Group	
	2020	2019
Opening balance	317,574	270,556
Reclassification to insurance contracts		–86
Change in investment contract provisions[2)]	16,692	45,734
Exchange rate differences	–1,874	1,369
TOTAL	**332,392**	**317,574**

1) Insurance provisions where the policyholders are carrying the risk. The liabilities and the underlying assets are reported at fair value mandatory through profit or loss.
2) The net of premiums received during the year, return on investment funds less payments to the policyholders and deduction of fees and policyholders' tax.

Liabilities to policyholders, insurance contracts	Group	
	2020	2019
Opening balance	26,547	21,846
Reclassification from investment contracts		86
Change in other insurance contract provisions[1)]	3,168	4,579
Exchange rate differences	–90	36
TOTAL	**29,624**	**26,547**

1) The net of premiums received during the year, allocated return on investment funds less payments to the policyholders and deduction of fees and policyholders' tax.

29 Debt securities issued

	Group		Parent company	
	2020	2019	**2020**	2019
Senior bonds[1)]	151,118	193,991	151,042	193,859
Senior non-preferred bonds	20,500	10,258	20,500	10,258
Covered bonds	333,756	364,901	333,756	364,901
Commercial Papers/Certificates of Deposits	244,128	289,023	244,117	288,949
TOTAL	**749,502**	**858,173**	**749,415**	**857,968**

1) Of which SEK 13,618m (20,207) at Fair Value Through Profit or Loss Designated (FVDPL) for the group and 13,542m (20,075) at Fair Value Through Profit or Loss Designated (FVDPL) for the parent company. The group's contractual liability is SEK 13,848m (18,785) and for the parent company SEK 13,773m (18,655). Difference between carrying amount and the amount the company is contractually obligated to pay to holders of issed securities at maturity are, for the group SEK –231m (1,422) and for the parent company SEK –232m (1,420). The accumulated impact from reflecting the group's own credit standing in the fair value measurement amounts to SEK 110 m (13), of which SEK 97m relates to 2020 (–21). The corresponding amount for the parent company is SEK 110m (13), of which SEK 97m relates to 2020 (–21).

For issued securities at Fair Value Through Profit or Loss Designated (FVDPL) change in fair value attributable to change in credit risk is determined, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the issued securities. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the embedded derivatives are excluded from the assessment of market risk fair value changes.

The company believes that this approach most faithfully represents the amount of change in fair value due to own credit risk, as the changes in factors contributing to the fair value of the issued securities other than changes in the benchmark interest rate are not deemed to be significant.

30 Short positions

	Group		Parent company	
	2020	2019	**2020**	2019
Equity instruments	10,873	17,352	10,873	17,352
Debt securities	19,536	9,991	19,536	9,991
TOTAL	**30,409**	**27,343**	**30,409**	**27,343**

31 Other liabilities

	Group		Parent company	
	2020	2019	**2020**	2019
Trade payables	1,530	1,049	870	867
Client payables	11,599	8,298	10,488	6,603
Lease liabilities	5,639	5,854		
Other liabilities	15,708	21,189	12,244	16,566
TOTAL	**34,476**	**36,389**	**23,601**	**24,035**

32 Accrued expenses and prepaid income

	Group		Parent company	
	2020	2019	**2020**	2019
Accrued expenses	4,289	4,123	3,232	2,701
Prepaid income	884	1,162	137	144
Other	35	75	30	72
TOTAL	**5,208**	**5,360**	**3,399**	**2,917**

33 Provisions

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Other restructuring and redundancy reserves	124	142	59	37
Provisions for Financial guarantees and Loan commitments (note 18)	653	454	525	370
Other provisions	213	499	56	
TOTAL	**990**	**1,095**	**640**	**407**

Other restructuring and redundancy reserves

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Opening balance	142	550	37	3
Additions	51	35	51	35
Amounts used		−156		
Other movements	−67	−302	−29	
Exchange differences	−2	15		
TOTAL	**124**	**142**	**59**	**37**

The main part of the reserve will cover redundancy costs to be used within three years.

Other provisions

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Opening balance	499	793		
Effect from transition to IFRS 16		−122		
Additions	8	1		
Amounts used	−2	−79		
Unused amounts reversed	−294	−77		
Other movements	2	−24	56	
Exchange differences		7		
TOTAL	**213**	**499**	**56**	

Other provisions mainly consist of costs for re-organisation within the group to be used within four years and unsettled claims covering all operating segments.

34 Subordinated liabilities

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Debenture loans	19,056	19,776	18,606	19,326
Debenture loans, perpetual	12,279	24,243	12,279	24,243
Change in the value due to hedge accounting at fair value	695	257	695	257
Accrued interest	257	364	257	364
TOTAL	**32,287**	**44,639**	**31,837**	**44,189**

Debenture loans

	Currency	Original nom. amount	Book value	Rate of interest, %
2014/2026	EUR	1,000	10,057	2.500
2016/2028	EUR	850	8,549	1.380
Total parent company			**18,606**	
Debenture loans issued by other subsidiaries			450	
TOTAL			**19,056**	

Debenture loans, perpetual

	Currency	Original nom. amount	Book value	Rate of interest, %
2017	USD	600	4,912	5.625
2019	USD	900	7,367	5.125
TOTAL			**12,279**	

35 Untaxed reserves[1)]

	Parent company	
	2020	2019
Depreciation in excess of plan on office equipment/leased assets	18,590	19,875
TOTAL	**18,590**	**19,875**

1) In the balance sheet of the group untaxed reserves are reclassified partly as deferred tax liability and partly as restricted equity.

Parent company

	Excess depreciation	Total
Opening balance	20,855	**20,855**
Reversals	−980	**−980**
Closing balance 2019	**19,875**	**19,875**
Reversals	−1,285	**−1,285**
Closing balance 2020	**18,590**	**18,590**

36 Fair value measurement of assets and liabilities

2020	Group				Parent company			
Assets	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Loans		120,124		**120,124**		120,124		**120,124**
Debt securities	100,088	153,154		**253,242**	74,205	150,182		**224,387**
Equity instruments	65,762	3,117	13,360	**82,240**	58,120	2,930	2,775	**63,825**
Financial assets for which the customers bear the investment risk	324,650	5,835	465	**330,950**				
Derivatives – Interest related	47	85,337	425	**85,810**	47	80,293	425	**80,765**
Derivatives – Equity related	900	2,597		**3,497**	899	2,597		**3,496**
Derivatives – Currency related	56	58,161		**58,217**	56	57,705		**57,761**
Derivatives – Credit related		558		**558**		558		**558**
Derivatives – Commodities related		13,485		**13,485**		13,485		**13,485**
Derivatives – Hedge accounting		3,343		**3,343**		3,326		**3,326**
Investment in associates[1)]	60		526	**586**	60		526	**586**
TOTAL	**491,563**	**445,711**	**14,776**	**952,051**	**133,387**	**431,200**	**3,726**	**568,313**
Liabilities								
Deposits		12,238		**12,238**		8,876		**8,876**
Financial liabilities for which the customers bear the investment risk	326,166	5,773	453	**332,392**				
Liabilities to policyholders	28,511	1,113		**29,624**				
Debt securities issued		13,618		**13,618**				
Short positions debt securities	13,300	6,236		**19,536**	13,300	6,236		**19,536**
Short positions equity instruments	10,873			**10,873**	10,873			**10,873**
Derivatives – Interest related	84	65,052	406	**65,543**	84	61,124	406	**61,614**
Derivatives – Equity related	673	8,284		**8,957**	672	8,283		**8,955**
Derivatives – Currency related	49	71,481		**71,530**	51	71,379		**71,430**
Derivatives – Credit related		1,328		**1,328**		1,328		**1,328**
Derivatives – Commodities related		13,458		**13,458**		13,458		**13,458**
Derivatives – Hedge accounting		745		**745**		744		**744**
Other financial liabilities	123	621		**744**	123	621		**744**
Debt securities at fair value through profit and loss				**0**		13,542		**13,542**
TOTAL	**379,779**	**199,949**	**859**	**580,586**	**25,103**	**185,591**	**406**	**211,100**

1) Venture capital activities designated at fair value through profit and loss.

2019	Group				Parent company			
Assets	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Loans		190,090		**190,090**		190,090		**190,090**
Debt securities	110,101	113,884	5	**223,990**	86,494	106,988		**193,481**
Equity instruments	59,029	6,403	13,050	**78,482**	52,799	6,197	2,805	**61,802**
Financial assets for which the customers bear the investment risk	308,909	7,236	631	**316,776**				
Derivatives – Interest related	65	66,669	478	**67,211**	64	63,312	478	**63,854**
Derivatives – Equity related	308	2,699	0	**3,007**	308	2,699	0	**3,007**
Derivatives – Currency related	522	56,081		**56,604**	64	56,294		**56,358**
Derivatives – Credit related		1,579		**1,579**		1,579		**1,579**
Derivatives – Commodities related		6,756		**6,756**		6,756		**6,756**
Derivatives – Other related	111			**111**				**0**
Derivatives – Hedge accounting		4,159		**4,159**		4,159		**4,159**
Investment in associates[1]	85		381	**466**	85		381	**466**
TOTAL	**479,130**	**455,557**	**14,544**	**949,231**	**139,813**	**438,075**	**3,665**	**581,552**
Liabilities								
Deposits		15,103		**15,103**		8,427		**8,427**
Financial liabilities for which the customers bear the investment risk	309,772	7,178	625	**317,574**				
Liabilities to policyholders	25,399	1,147		**26,547**				
Debt securities issued		20,207		**20,207**				
Short positions debt securities	8,322	1,669		**9,991**	8,322	1,669		**9,991**
Short positions equity instruments	17,311		41	**17,352**	17,311	0	41	**17,352**
Derivatives – Interest related	78	44,209	342	**44,629**	78	42,801	342	**43,221**
Derivatives – Equity related	290	4,601		**4,891**	277	4,601		**4,877**
Derivatives – Currency related	1,075	61,947		**63,022**	81	61,791		**61,872**
Derivatives – Credit related		891		**891**		891		**891**
Derivatives – Commodities related		7,504		**7,504**		7,504		**7,504**
Derivatives – Other related	111			**111**				**0**
Derivatives – Hedge accounting		1,145		**1,145**		1,145		**1,145**
Other financial liabilities	44	2,405		**2,449**	44	2,405		**2,449**
Debt securities at fair value through profit and loss				**0**		20,075		**20,075**
TOTAL	**362,402**	**168,004**	**1,008**	**531,414**	**26,113**	**151,309**	**383**	**177,805**

1) Venture capital activities designated at fair value through profit and loss.

Fair value measurement

The objective of the fair value measurement is to arrive at the price at which an orderly transaction would take place between market participants at the measurement date under current market conditions.

The group has an established control environment for the determination of fair values of financial instruments that includes a review, independent from the business, of valuation models and prices. If the validation principles are not adhered to, the Head of Group Finance shall be informed. Exceptions of material and principal importance require approval from the GRMC (Group Risk Measurement Committee) and the ARC (Accounting Reporting Committee).

In order to arrive at the fair value of a financial instrument SEB uses different methods; quoted prices in active markets, valuation techniques incorporating observable data and valuation techniques based on internal models. For disclosure purposes, financial instruments carried at fair value are classified in a fair value hierarchy according to the level of market observability of the inputs. Group Risk classifies and continuously reviews the classification of financial instruments in the fair value hierarchy. The valuation process is the same for financial instruments in all levels.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. The objective is to arrive at a price at which a transaction without modification or repackaging would occur in the principal market for the instrument to which SEB has immediate access.

Fair value is generally measured for individual financial instruments, in addition portfolio adjustments are made to cover the credit risk. To reflect counterparty risk and own credit risk in OTC derivatives, adjustments are made based on the net exposure towards each counterpart. These adjustments are calculated on a counterparty level based on estimates of exposure at default, probability of default and recovery rates. Probability of default and recovery rate information is generally sourced from the CDS markets. For counterparties where this information is not available, or considered unreliable due to the nature of the exposure, alternative approaches are taken where the the probability of default is based on generic credit indices for specific industry and/or rating. The impact from these adjustments are shown in note 6.

When valuing financial liabilities at fair value own credit standing is reflected. Fair values of financial assets and liabilities by class can be found in note 37.

In order to arrive at the fair value of investment properties a market participant's ability to generate economic benefit by using the asset in its highest and best use are taken into account. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible. The current use of the investment properties in SEB is in accordance with the highest and best use. The valuation of investment properties is described in the accounting policies in note 1. The valuation of the investment properties is performed semi-annually, they are presented and approved by the board in each real estate company. The valuation principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is in accordance with international valuation principles and in accordance with IFRS.

Note 36 continued Fair value measurement of assets and liabilities

Level 1: Quoted market prices
Valuations in Level 1 are determined by reference to unadjusted quoted market prices for identical instruments in active markets where the quoted prices are readily available and the prices represent actual and regularly occurring market transactions on an arm's length basis.

Examples of Level 1 financial instruments are listed equity securities, debt securities, and exchange-traded derivatives. Instruments traded in an active market for which one or more market participants provide a binding price quotation on the balance sheet date are also examples of Level 1 financial instruments.

Level 2: Valuation techniques with observable inputs
In Level 2 valuation techniques, all significant inputs to the valuation models are observable either directly or indirectly. Level 2 valuation techniques include using discounted cash flows, option pricing models, recent transactions and the price of another instrument that is substantially the same.

Examples of observable inputs are foreign currency exchange rates, binding securities price quotations, market interest rates (Stibor, Libor, etc.), volatilities implied from observable option prices for the same term and actual transactions with one or more external counterparts executed by SEB. An input can transfer from being observable to being unobservable during the holding period due to e.g. illiquidity of the instrument.

Examples of Level 2 financial instruments are most OTC derivatives such as options and interest rate swaps based on the Libor swap rate or a foreign-denominated yield curve. Other examples are instruments for which SEB recently entered into transactions with third parties and instruments for which SEB interpolates between observable variables.

Level 3: Valuation techniques with significant unobservable inputs
Level 3 valuation techniques incorporate significant inputs that are unobservable. These techniques are generally based on extrapolating from observable inputs for similar instruments, analysing historical data or other analytical techniques.

Examples of Level 3 financial instruments are more complex OTC derivatives, long term options for which the volatility is extrapolated or derivatives that depend on an unobservable correlation. Other examples are instruments for which there is currently no active market or binding quotes, such as unlisted equity instruments and private equity holdings.

If the fair value of financial instruments includes more than one unobservable input, the unobservable inputs are aggregated in order to determine the classification of the entire instrument. The level in the fair value hierarchy within which a financial instrument is classified is determined on the basis of the lowest level of input that is significant to the fair value in its entirety.

Significant transfers and reclassifications between levels
Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committee of each relevant division decides on material shifts between levels. The largest open market risk within Level 3 financial instruments remains in the traditional life insurance investment portfolios within the insurance business.

Changes in level 3

Group, 2020 Assets	Opening balance	Reclassification	Gain/loss in Income statement[1) 2)]	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Total
Debt securities	5				−5					**0**
Equity instruments	13,050		−912	3,128	−1,782			−7	−116	**13,360**
Financial assets for which the customers bear the investment risk	631		−153	7	−10		165	−158	−17	**465**
Derivatives – Interest related	478		−250	65		132				**425**
Investment in associates[1)]	381		67	78						**526**
TOTAL	**14,544**		**−1,248**	**3,278**	**−1,797**	**132**	**165**	**−165**	**−133**	**14,776**
Liabilities										
Financial liabilities for which the customers bear the investment risk	625		−154		−8		165	−158	−17	**453**
Short positions equity instruments	41		−53		11				1	**0**
Derivatives – Interest related	342		102	−104	69	−3				**406**
TOTAL	**1,008**		**−105**	**−104**	**72**	**−3**	**165**	**−158**	**−16**	**859**

Group, 2019

Assets	Opening balance	Reclassification	Gain/loss in Income statement[1) 2)]	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Total
Debt securities	4								1	**5**
Equity instruments	7,902	32	1,542	3,069	−1,832		2,281		56	**13,050**
Financial assets for which the customers bear the investment risk	614		38	4	−200		164		11	**631**
Derivatives – Interest related	510		−68			34			2	**478**
Investment in associates[1)]	501		−65	70	−126				1	**381**
TOTAL	**9,531**	**32**	**1,447**	**3,143**	**−2,158**	**34**	**2,445**		**70**	**14,544**
Liabilities										
Financial liabilities for which the customers bear the investment risk	603		43		−195		164		10	**625**
Short positions equity instruments	63		−3	−24	5					**41**
Derivatives – Interest related	473		−132		5	−4				**342**
TOTAL	**1,139**		**−92**	**−24**	**−185**	**−4**	**164**		**10**	**1,008**

1) Fair value gains and losses recognised in the income statement are included in Net financial income and Net other income.
2) Gains/losses recognised in the income statement relating to instruments held as at 31 December are SEK 1,044m (1,357).

Changes in level 3

Parent company, 2020 Assets	Opening balance	Gain/loss in Income statement[1) 2)]	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Total
Equity instruments	2,806	−9	152	−72			−7	−108	**2,762**
Derivatives – Interest related	478	−250	65		132				**425**
Investment in associates[1)]	381	67	78						**526**
TOTAL	**3,665**	**−192**	**295**	**−72**	**132**		**−7**	**−108**	**3,713**
Liabilities									
Short positions equity instruments	41	−52		11					**0**
Derivatives – Interest related	342	102	−104	69	−3				**406**
TOTAL	**383**	**50**	**−104**	**80**	**−3**				**406**

Parent company, 2019

Assets	Opening balance	Gain/loss in Income statement[1) 2)]	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out ofLevel 3	Exchange rate differences	Total
Equity instruments	2,099	954	115	−415				52	**2,806**
Derivatives – Interest related	510	−68	0		34			2	**478**
Investment in associates[1)]	501	−64	70	−126					**381**
TOTAL	**3,110**	**822**	**185**	**−541**	**34**			**55**	**3,665**
Liabilities									
Short positions equity instruments	63	−4	−24	5				1	**41**
Derivatives – Interest related	473	−132		5	−4				**342**
TOTAL	**536**	**−136**	**−24**	**10**	**−4**			**1**	**383**

1) Fair value gains and losses recognised in the income statement are included in Net financial income and Net other income.
2) Gains/losses recognised in the income statement relating to instruments held as at 31 December are SEK −142m (774).

Sensitivity of Level 3 financial instruments to unobservable inputs
The table below illustrates the potential Profit or Loss impact of the relative uncertainty in the fair value of assets and liabilities that for their valuation are dependent on unobservable inputs. The sensitivity to unobservable inputs is assessed by altering the assumptions to the valuation techniques, illustrated below by changes in index-linked swap spreads, implied volatilities, credit spreads or comparator multiples. It is unlikely that all unobservable inputs would be simultaneously at the extremes of their ranges of reasonably possible alternatives. There have been no significant changes during 2020. The largest open market risk within Level 3 financial instruments is found within the insurance business.

	2020				2019			
Group	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments[1) 4)]	427	−406	21	55	478	−342	136	36
Equity instruments[2) 5) 6)]	2,251		2,251	419	2,399	−40	2,359	475
Investments in associates [2)]	1,034		1,034	207	788		788	158
Insurance holdings – Financial instruments[3) 4) 6) 7)]	10,367		10,367	1,230	9,960		9,960	1,110

1) Volatility valuation inputs for Bermudan swaptions are unobservable. Volatilities used for ordinary swaptions are adjusted further in order to reflect the additional uncertainty associated with the valuation of Bermudan style swaptions. The sensitivity is calculated from shift in implied volatilities and aggregated from each currency and maturity bucket.
2) Valuation is estimated in a range of reasonable outcomes. Sensitivity analysis is based on 20 per cent shift in market values.
3) Sensitivity for debt securities is generally quantified as shift in market values of 5 per cent except for credit opportunity 10 per cent and for distressed debt and structured credits 15 per cent.
4) Shift in implied volatility by 10 per cent.
5) Sensitivity analysis is based on a shift in market values of hedge funds 5 per cent, private equity of 20 per cent, structured credits 15 per cent.
6) Sensitivity from a shift of investment properties/real estate funds market values of 10 per cent and infrastructure/infrastructure funds market values of 20 per cent.
7) The sensitivity show changes in the value of the insurance holdings which do not at all times affect the P/L of the group since any surplus in the traditional life portfolios are consumed first.

37 Financial assets and liabilities by class

Group, 2020	Book value						Fair value			
Assets	FVHFT	FVMPL	FVDPL	Hedge instru-ments	AmC	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observa-ble inputs (Level 3)	Total
Loans[1]	119,997	127			2,026,082	**2,146,206**	17,280	127,740	2,012,705	**2,157,725**
Debt securities	115,522	129,880	7,840		12,191	**265,433**	100,607	164,648	0	**265,254**
Equity instruments	58,448	23,792				**82,240**	65,762	3,117	13,360	**82,240**
Financial assets for which the customers bear the investment risk		330,950				**330,950**	324,650	5,835	465	**330,950**
Derivatives	161,566			3,343		**164,909**	1,003	163,481	425	**164,909**
Other			496		13,479	**13,975**	2,155		11,820	**13,975**
Financial assets	**455,533**	**484,749**	**8,336**	**3,343**	**2,051,751**	**3,003,712**	**511,457**	**464,821**	**2,038,775**	**3,015,052**
Other assets (non-financial)						**36,720**				
TOTAL	**455,533**	**484,749**	**8,336**	**3,343**	**2,051,751**	**3,040,432**				
Liabilities										
Deposits	8,876		3,362		1,470,297	**1,482,536**	410	20,352	1,462,539	**1,483,301**
Financial liabilities for which the customers bear the instru-ments investment risk			332,392			**332,392**	326,166	5,773	453	**332,392**
Debt securities issued	0		13,618		768,172	**781,789**	0	794,016	461	**794,477**
Short positions debt securities	19,536					**19,536**	13,300	6,236	0	**19,536**
Short positions equity instruments	10,873					**10,873**	10,873	0	0	**10,873**
Derivatives	160,816			745		**161,561**	806	160,349	406	**161,561**
Other	744				19,084	**19,828**	204	782	18,889	**19,875**
Financial liabilities	**200,845**		**349,372**	**745**	**2,257,553**	**2,808,515**	**351,759**	**987,509**	**1,482,748**	**2,822,015**
Liabilities to policyholders						**29,624**				
Other liabilities (non-financial)						**30,349**				
Total equity						**171,943**				
TOTAL	**200,845**	**0**	**349,372**	**745**	**2,257,553**	**3,040,432**				

1) Includes Cash balances at central banks SEK 321,621m.

Group, 2019	Book value						Fair value			
Assets	FVHFT	FVMPL	FVDPL	Hedge instru-ments	AmC	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observa-ble inputs (Level 3)	Total
Loans[1]	186,706	3,384			1,843,189	**2,033,280**	29,544	194,020	1,810,085	**2,033,650**
Debt securities	60,454	156,666	6,870		14,588	**238,578**	112,878	125,996	5	**238,878**
Equity instruments	56,795	21,687				**78,482**	59,029	6,403	13,050	**78,482**
Financial assets for which the customers bear the investment risk		316,776				**316,776**	308,909	7,236	631	**316,776**
Derivatives	135,268			4,159		**139,427**	1,006	137,943	478	**139,427**
Other					16,584	**16,584**	2,507		14,078	**16,584**
Financial assets	**439,223**	**498,513**	**6,870**	**4,159**	**1,874,362**	**2,823,127**	**513,873**	**471,598**	**1,838,326**	**2,823,797**
Other assets (non-financial)						**33,521**				
TOTAL	**439,223**	**498,513**	**6,870**	**4,159**	**1,874,362**	**2,856,648**				
Liabilities										
Deposits	8,427		6,676		1,234,423	**1,249,526**	35,023	21,860	1,191,956	**1,248,839**
Financial liabilities for which the customers bear the instru-ments investment risk			317,574			**317,574**	309,772	7,178	625	**317,574**
Debt securities issued			20,207		882,606	**902,812**	51	895,671	473	**896,194**
Short positions debt securities	9,991					**9,991**	8,322	1,669		**9,991**
Short positions equity instruments	17,352					**17,352**	17,311		41	**17,352**
Derivatives	121,047			1,145		**122,192**	1,554	120,296	342	**122,192**
Other	2,449		420		15,580	**18,449**	139	2,642	15,671	**18,451**
Financial liabilities	**159,266**		**344,877**	**1,145**	**2,132,608**	**2,637,896**	**372,171**	**1,049,314**	**1,209,108**	**2,630,593**
Liabilities to policyholders						**26,547**				
Other liabilities (non-financial)						**36,505**				
Total equity						**155,700**				
TOTAL	**159,266**		**344,877**	**1,145**	**2,132,608**	**2,856,648**				

1) Includes Cash balances at central banks SEK 144,185m.

Note 37 continued   Financial assets and liabilities by class

Parent company, 2020	Book value					
Assets	FVHFT	FVMPL	FVDPL	Hedge instruments	AmC	Total
Loans[1]	119,997	127			1,814,593	**1,934,717**
Debt securities	115,411	108,976			15,541	**239,928**
Equity instruments	58,448	5,377			46,356	**110,181**
Derivatives	156,037			3,343		**159,380**
Other					12,049	**12,049**
Financial assets	**449,893**	**114,480**		**3,343**	**1,888,539**	**2,456,255**
Other assets (non-financial)						**40,854**
TOTAL	**449,893**	**114,480**		**3,343**	**1,888,539**	**2,497,110**
Liabilities						
Deposits	8,876				1,337,788	**1,346,664**
Debt securities issued			13,542		767,710	**781,252**
Derivatives	156,784			745		**157,529**
Other	31,153				11,589	**42,742**
Financial liabilities	**196,813**		**13,542**	**745**	**2,117,087**	**2,328,187**
Other liabilities (non-financial)						**16,427**
Total equity and untaxed reserves						**152,496**
TOTAL	**196,813**		**13,542**	**745**	**2,117,087**	**2,497,110**

1) Includes Cash balances at central banks SEK 294,380m.

Parent company, 2019	Book value					
Assets	FVHFT	FVMPL	FVDPL	Hedge instruments	AmC	Total
Loans[1]	186,706	3,384			1,613,642	**1,803,732**
Debt securities	59,995	133,486			17,935	**211,417**
Equity instruments	56,794	5,008			49,896	**111,698**
Derivatives	131,553			4,159		**135,713**
Other					14,183	**14,183**
Financial assets	**435,049**	**141,878**		**4,159**	**1,695,656**	**2,276,742**
Other assets (non-financial)						**41,930**
TOTAL	**435,049**	**141,878**		**4,159**	**1,695,656**	**2,318,672**
Liabilities						
Deposits	8,427				1,092,298	**1,100,726**
Debt securities issued			20,075		882,082	**902,157**
Derivatives	118,366			1,145		**119,511**
Other	29,792				8,267	**38,059**
Financial liabilities	**156,585**		**20,075**	**1,145**	**1,982,647**	**2,160,452**
Other liabilities (non-financial)						**19,810**
Total equity and untaxed reserves						**138,410**
TOTAL	**156,585**		**20,075**	**1,145**	**1,982,647**	**2,318,672**

1) Includes Cash balances at central banks SEK 110,039m.

SEB has classified its financial instruments by class taking into account the characteristics of the instruments:

Loans and deposits includes financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Loans are further specified in note 18 and 40f.

Equity instruments includes shares, rights issues and similar contractual rights of other entities.

Debt instruments includes contractual rights to receive or obligations to deliver cash on a predetermined date. These are further specified in note 19 and 40f.

Derivatives includes options, futures, swaps and other derived products held for trading and hedging purposes. These are further specified in note 21.

Investment contracts include those assets and liabilities in the Life insurance operations where the policyholder is carrying the risk of the contractual agreement (is not qualified as an insurance contract under IFRS 4). The Life insurance operations are further specified in note 42.

Insurance contracts includes those assets and liabilities in the Life insurance operations where SEB is carrying the insurance risk of a contractual agreement (is qualified as an insurance contract under IFRS 4). The Life insurance operations are further specified in note 42.

Other includes other financial assets and liabilities recognised in accordance with IFRS 9, i.e. Trade and client receivables and payables.

38 Assets and liabilities distributed by main currencies

Group, 2020	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances and loans to central banks	124,990	150,428	38,839	158	981	5,436	6,578	**327,409**
Loans to credit institutions	5,389	8,948	18,483	1,788	761	1,758	13,664	**50,791**
Loans to the public	1,035,355	400,450	130,015	30,436	82,110	72,222	19,572	**1,770,161**
Other financial assets	575,781	104,405	78,415	24,417	27,017	41,134	4,182	**855,351**
Other assets	1,644	30,920	2,150	294	1,073	286	353	**36,720**
TOTAL ASSETS	**1,743,159**	**695,152**	**267,902**	**57,093**	**111,943**	**120,836**	**44,348**	**3,040,432**
Deposits from central banks	35,010	215	7,181				4,729	**47,135**
Deposits from credit institutions	17,182	12,650	8,695	78	9,307	14,495	1,767	**64,174**
Deposits and borrowing from the public	705,202	361,933	156,297	48,652	34,575	37,624	26,943	**1,371,227**
Other financial liabilities	677,198	270,450	315,430	25,493	16,270	13,074	2,425	**1,320,341**
Other liabilities	41,166	16,271	2,332	815	2,625	1,123	1,280	**65,612**
Total equity	171,943							**171,943**
TOTAL LIABILITIES AND EQUITY	**1,647,701**	**661,519**	**489,935**	**75,039**	**62,778**	**66,317**	**37,144**	**3,040,432**

Group, 2019	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances and loans to central banks	7,252	101,852	32,162	260	1,355	4,024	4,281	**151,186**
Loans to credit institutions	3,280	8,847	17,822	3,026	1,449	1,724	10,845	**46,995**
Loans to the public	1,051,572	388,169	180,674	31,076	90,356	67,875	27,884	**1,837,605**
Other financial assets	488,904	112,295	107,895	11,550	25,212	35,835	5,649	**787,341**
Other assets	5,388	24,819	1,100	399	906	514	395	**33,521**
TOTAL ASSETS	**1,556,396**	**635,982**	**339,653**	**46,312**	**119,278**	**109,972**	**49,054**	**2,856,648**
Deposits from central banks	426	12,542	14,248	858			8,312	**36,385**
Deposits from credit institutions	15,029	15,728	6,681	683	5,990	4,358	3,187	**51,656**
Deposits and borrowing from the public	577,486	307,743	130,735	39,800	35,673	43,038	27,011	**1,161,485**
Other financial liabilities	640,071	308,155	372,161	35,395	14,816	8,024	3,894	**1,382,517**
Other liabilities	44,229	10,695	3,364	742	3,967	3,888	2,021	**68,905**
Total equity	155,700							**155,700**
TOTAL LIABILITIES AND EQUITY	**1,432,940**	**654,863**	**527,189**	**77,478**	**60,447**	**59,307**	**44,425**	**2,856,648**

Parent company, 2020	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances at central banks	124,967	121,632	38,801		967	2,179	5,846	**294,391**
Loans to credit institutions	9,050	25,571	17,954	1,258	2,384	7,429	7,380	**71,027**
Loans to the public	1,009,456	234,629	129,334	30,392	79,860	67,108	18,532	**1,569,310**
Other financial assets	266,466	80,256	77,584	24,810	27,012	41,135	4,267	**521,530**
Other assets	11,206	23,145	2,281	421	961	2,435	404	**40,852**
TOTAL ASSETS	**1,421,144**	**485,232**	**265,954**	**56,881**	**111,184**	**120,285**	**36,429**	**2,497,110**
Deposits from central banks	35,010	214	7,181				4,729	**47,134**
Deposits from credit institutions	19,605	41,125	12,779	808	9,402	14,823	2,153	**100,697**
Deposits and borrowing from the public	713,942	194,462	150,807	48,720	34,491	37,313	19,098	**1,198,833**
Other financial liabilities	378,402	230,522	315,398	25,471	16,273	13,064	2,394	**981,523**
Other liabilities	8,365	2,507	2,197	618	1,847	550	344	**16,427**
Shareholders' equity and untaxed reserves	152,496							**152,496**
TOTAL LIABILITIES AND EQUITY	**1,307,820**	**468,830**	**488,361**	**75,617**	**62,013**	**65,750**	**28,719**	**2,497,110**

Parent company, 2019	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances at central banks	7,229	65,660	32,087	0	1,320	1,485	2,324	**110,104**
Loans to credit institutions	8,832	39,161	17,519	4,881	4,361	8,274	9,423	**92,450**
Loans to the public	1,020,111	202,412	178,661	27,948	86,246	60,147	25,718	**1,601,243**
Other financial assets	202,143	85,937	104,667	11,984	26,759	35,756	5,698	**472,945**
Other assets	12,890	22,489	1,307	858	881	3,135	371	**41,930**
TOTAL ASSETS	**1,251,204**	**415,659**	**334,240**	**45,671**	**119,566**	**108,797**	**43,534**	**2,318,672**
Deposits from central banks	426	12,541	14,248	858			8,312	**36,384**
Deposits from credit institutions	28,566	29,035	13,089	1,284	6,395	7,750	4,390	**90,508**
Deposits and borrowing from the public	573,969	146,006	120,383	39,171	35,103	39,594	19,608	**973,834**
Other financial liabilities	360,132	264,871	372,920	35,375	14,779	7,866	3,783	**1,059,727**
Other liabilities	7,174	1,234	2,950	432	3,080	3,025	1,915	**19,810**
Shareholders' equity and untaxed reserves	138,410							**138,410**
TOTAL LIABILITIES AND EQUITY	**1,108,676**	**453,687**	**523,590**	**77,120**	**59,356**	**58,236**	**38,007**	**2,318,672**

39 Current and non-current assets and liabilities

Group	2020			2019		
Assets	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
Cash and cash balances at central banks	323,776		**323,776**	146,691		**146,691**
Loans to central banks	3,633		**3,633**	4,494		**4,494**
Loans to credit institutions	46,213	4,579	**50,791**	41,793	5,202	**46,995**
Loans to the public	618,518	1,151,643	**1,770,161**	741,676	1,095,930	**1,837,605**
Debt securities	265,433		**265,433**	238,578		**238,578**
Equity instruments	82,240		**82,240**	78,482		**78,482**
Financial assets for which the customers bear the investment risk	330,950		**330,950**	316,776		**316,776**
Derivatives	164,909		**164,909**	139,427		**139,427**
Fair value changes of hedged items in a portfolio hedge of interest rate risk	496		**496**			
Investments in subsidiaries, associates and joint ventures		1,272	**1,272**		997	**997**
Intangible assets	849	6,960	**7,808**	793	7,393	**8,186**
Properties and equipment	354	932	**1,286**	337	1,031	**1,368**
Right-of-use assets	5,141		**5,141**	5,288		**5,288**
Current tax assets	6,070		**6,070**	6,549		**6,549**
Deferred tax assets		444	**444**		259	**259**
Retirement benefit assets	7,287		**7,287**	5,545		**5,545**
Other assets	16,494		**16,494**	17,171		**17,171**
Prepaid expenses and accrued income	2,242		**2,242**	2,235		**2,235**
TOTAL	**1,874,603**	**1,165,829**	**3,040,432**	**1,745,837**	**1,110,811**	**2,856,648**

	2020			2019		
Liabilities	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Deposits from central banks and credit institutions	73,699	37,610	**111,309**	86,641	1,400	**88,041**
Deposits and borrowing from the public	1,361,872	9,355	**1,371,227**	1,145,895	15,590	**1,161,485**
Financial liabilities for which the customers bear the investment risk	16,812	315,580	**332,392**	16,397	301,177	**317,574**
Liabilities to policyholders	2,127	27,497	**29,624**	1,891	24,656	**26,547**
Debt securities issued	381,744	367,758	**749,502**	402,477	455,696	**858,173**
Short positions	30,409		**30,409**	27,343		**27,343**
Derivatives	161,561		**161,561**	122,192		**122,192**
Other financial liabilities	744		**744**	2,449		**2,449**
Fair value changes of hedged items in a portfolio hedge				420		**420**
Current tax liabilities	993		**993**	1,764		**1,764**
Deferred tax liabilities		7,212	**7,212**		7,117	**7,117**
Other liabilities	34,616		**34,616**	36,389		**36,389**
Accrued expenses and prepaid income	5,208		**5,208**	5,360		**5,360**
Provisions		990	**990**		1,095	**1,095**
Retirement benefit liabilites		414	**414**		359	**359**
Subordinated liabilities	10,375	21,912	**32,287**	364	44,275	**44,639**
TOTAL	**2,080,160**	**788,329**	**2,868,489**	**1,849,583**	**851,364**	**2,700,947**

Assets and liabilities are classified as current assets and current liabilities when they are cash or cash equivalents, are hold for trading purposes, are expected to be sold, settled or consumed in normal business, and are expected to be realised within twelve months. All other assets and liabilities are classified as non-current.

40 Risk disclosures

SEB defines risk as the possibility of a negative deviation from an expected financial outcome. SEB's profitability is directly dependent upon its ability to evaluate, manage and price the risks encountered, while maintaining an adequate capital and liquidity position to meet unforeseen events. The Board of Directors is responsible for setting the maximum acceptable levels of risks to be taken by the bank. The risk tolerance statements of the Board conveys the direction and level of risk, funding structure, and necessary liquidity and capital buffers.

SEB's main risk is credit risk. Other risks include market risk, operational risk, business risk, insurance and pension risk, and liquidity risk. In order to cover the risks, SEB holds a capital buffer and liquidity reserves in case of unforeseen events. SEB strives to continuously identify and manage risks in its operations, both existing and emerging risks, in a designated risk management process. The aggregate risk profile of SEB is regularly monitored and reported to the GRC and Board. In the annual capital adequacy process, the capital needs are evaluated based on the risk profile and future business strategy, taking into consideration the financial stability requirements of the regulators, debt investors, business counterparties and shareholders' required rate of return.

→ Further information about SEB's risk, liquidity and capital management is available on pages 72–77, notes 18 and 41 and in SEB's report under Pillar 3: Capital Adequacy and Risk Management Report (available on www.sebgroup.com).

40a Credit risk

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

Credit risk is the main risk in SEB, which arises in the lending and commitments to customers, including corporates, financial institutions, public sector entities and private individuals. This is referred to as the credit portfolio. SEB's total credit exposure consists of the credit portfolio as well as debt instruments.

Risk management
Credit policies and approval process
The main principle in SEB's general credit policy is that all lending is based on credit analysis and is proportionate to the customer's cash flow and ability to repay. The customer shall be known by the bank and the purpose of the loan shall be fully understood. The business units take full responsibility of the credit risk until repayment.

A credit approval is based on an evaluation of the customer's creditworthiness and the type of credit. Relevant factors include the customer's current and anticipated financial position and protection provided by covenants and collateral. A credit approval takes the proposed transaction into account as well as the customer's total business with the bank. The credit decision also includes a risk classification of the customer based on this analysis. The process differs depending on the type of customer (e.g., retail, corporate or institutional), risk level, and size and type of transaction. For larger corporate customers, independent and professional credit analysis is particularly important, and the decisions are mostly taken by a credit committee. For private individuals and small businesses, the credit approval is often based on credit scoring models. Every credit decision of significance requires approval from an independent credit officer. Credit decision-making is based on a hierarchical structure, with the Group Risk Committee being the highest credit granting body, subject to limited exceptions. Below the Group Risk Committee, there are divisional credit committees and, in turn, local credit committees depending on the location of the customer, with small approval authorities for certain bank officers. The approval mandates for each level are set on a risk-adjusted basis using both quantitative and qualitative criteria.

SEB's credit policies reflect the group's approach to sustainability as described in the Corporate Sustainability Policy, the Environmental Policy, the Human Rights Policy, and the Credit Policy on Corporate Sustainability. Position statements on climate change, child labour, and access to fresh water, as well as a number of industry sector policies, including Forestry, Fossil fuel, Mining and metals, Renewable energy and Shipping, shall be considered in the credit granting process and are also used in customer dialogues. Environmental, social and governance risks shall be considered in the credit analysis.

Risk mitigation
In order to reduce the credit risk, a number of credit risk mitigation techniques are used. The method used depends on its suitability for the product and the customer in question, its legal enforceability, and on SEB's experience and capacity to manage and control the particular technique. The most important credit risk mitigation techniques are collateral pledges, guarantees and netting agreements. The most common types of pledges are real estate, floating charges and financial securities. For large corporate customers, credit risk is often mitigated by the use of covenants. In the trading operations, daily margin arrangements are frequently used to mitigate net open counterparty exposures at any point in time.

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

SEB continuously reviews the quality of its credit exposures. All limits and risk classes are reviewed at least annually by a credit approval body (a credit committee consisting of at least two bank officers as authorised by the group's Credit Instruction, adopted by the Board).

Weak or impaired exposures are subject to more frequent reviews. The objective is to identify credit exposures with an elevated risk of loss at an early stage and to work together with the customer towards a solution that enables the customer to meet its financial obligations and SEB to avoid or limit credit losses. In its core markets, SEB maintains local restructuring teams that are engaged in problem exposures. These are supported by a global restructuring function with overall responsibility for managing problem exposures.

Allowances are made for expected credit losses of financial assets in scope of the accounting standard IFRS 9 Financial Instruments. The guiding principle of the expected credit loss model is to reflect the general pattern of deterioration or improvement in the credit quality of the assets.

→ For a description of the methodology to estimate the expected credit loss allowance, refer to note 1 and note 18.

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

Credit portfolio analysis and stress tests
The risk organisation regularly reviews and assesses the aggregate credit portfolio based on industry, geography, risk class, product type, size and other parameters. Risk concentrations in geographic and industry sectors as well as in large single names are thoroughly analysed, both in respect of direct and indirect exposures and in the form of collateral, guarantees and credit derivatives. As of year-end, the 20 largest corporate exposures (including real estate management) corresponded to 100 per cent of the capital base (93). Stress tests of the credit portfolio, including reverse stress tests, are performed regularly as a part of SEB's annual internal capital adequacy assessment process. Specific analyses and stress tests of certain sectors or sub-portfolios are performed as required.

Risk measurement
Credit risk is measured for all exposures, both in the banking book and the tradingbook. An internal ratings-based (IRB) risk classification system approved by the regulator is used for the majority of the bank's portfolios and reflects the risk of default on payment obligations. As at 31 December 2020, 97 per cent of the credit risk-weighted exposure amount was covered by the IRB approach.

For significant corporate portfolios, the risk classification system contains specific rating tools and PD (probability of default) scales. Larger and mid-sized counterparties are measured on a risk class scale of 1–16, while Small- and Medium-sized Enterprises (SMEs) are measured on a scale of 1–12. Defaulted counterparties are given the highest risk class, and the three risk classes prior to default are defined as "watch list". For each risk class scale, SEB makes individual one-year, through-the-cycle probability of default estimates, which are based on more than 20 years of internal and external data.

For private individuals and small businesses, SEB uses credit scoring systems to estimate PD for the customer. To achieve greater accuracy, SEB uses different credit scoring models for different regions and product segments, as both data accessibility and customer characteristics normally vary by country and product.

The exposure weighted PD of the total credit portfolio decreased to 0.50 per cent at year-end (0.57).

→ The risk distribution of the non-retail and household portfolios is shown on page 168.

Counterparty credit risk in derivative contracts
SEB enters into derivative contracts primarily to support customers in the management of their financial exposures. SEB also uses derivatives to protect cash flows and fair values of financial assets and liabilities in its own book from market fluctuations.

Counterparty credit risk in derivative contracts is the risk of a counterparty not living up to its contractual obligations where SEB has a claim on the counterparty. The claim on the counterparty corresponds to a net positive exposure in favour of SEB. Since the market value of a derivative fluctuates during the term to maturity, the uncertainty of future market conditions must be taken into account. The potential future exposure (PFE) is calculated by applying an add-on to current market value. The add-on is generated either through simulation (internal model method) or by applying a standard add-on which is set by a fixed value depending on product type and time to maturity which reflects potential market movements for the specific contract (standardised method).

SEB's simulation-based approach for calculating potential future exposure (internal model method) is approved by the Swedish FSA for external capital reporting of counterparty credit risk of repos, interest rate derivatives and FX derivatives in the parent company.

Counterparty credit risk in derivative contracts is reduced through the use of close-out netting agreements, where all positive and negative market values under an agreement can be netted at the counterparty level, and through collateral arrangements.

Counterparty credit risk in derivative contracts affects the profit and loss through credit/debit valuation adjustments (CVA/DVA) reflecting the credit risk associated with derivative positions. These adjustments depend on market risk factors such as interest rate, foreign exchange rates and credit spreads. There is also a regulatory capital requirement for credit valuation adjustments under Basel III.

Credit exposure by industry

Total credit exposure comprises the group's credit portfolio (lending, contingent liabilities and counterparty risks arising from derivative, repo and collateral margin contracts) and debt instruments. Counterparty risks are reported based on exposure-at-default calculations. Exposures are presented before allowances. Debt instruments comprise all interest-bearing instruments at nominal amounts. Debt instruments in the Life and Investment Management divisions are excluded.

Group	Lending		Contingent liabilities		Derivatives, repos and collateral margins		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Banks	**23,813**	**38,207**	**22,762**	**25,649**	**38,474**	**35,197**	**85,049**	**99,053**
Finance and insurance	98,381	93,029	59,502	50,143	39,043	45,425	**196,925**	**188,597**
Wholesale and retail	72,671	83,637	70,331	43,156	2,335	1,393	**145,337**	**128,185**
Transportation	32,795	36,305	22,588	23,900	3,868	2,636	**59,251**	**62,841**
Shipping	47,208	58,781	9,925	13,728	2,247	1,846	**59,379**	**74,355**
Business and household services	138,906	152,487	112,480	108,900	5,414	5,747	**256,799**	**267,134**
Construction	11,894	12,564	22,669	25,502	551	581	**35,113**	**38,647**
Manufacturing	91,875	108,139	190,238	146,881	6,993	12,516	**289,106**	**267,537**
Agriculture, forestry and fishing	24,469	23,371	9,322	2,550	106	72	**33,896**	**25,992**
Mining, oil and gas extraction	23,627	33,998	24,359	27,741	1,458	1,283	**49,444**	**63,023**
Electricity, gas and water supply	54,909	52,913	56,297	47,494	17,737	13,519	**128,943**	**113,926**
Other	29,113	14,073	23,965	22,748	963	822	**54,041**	**37,642**
Corporates	**625,846**	**669,297**	**601,676**	**512,742**	**80,713**	**85,839**	**1,308,236**	**1,267,879**
Commercial real estate management	163,234	156,559	26,846	26,557	5,495	4,783	**195,575**	**187,900**
Residential real estate management	127,391	116,858	9,977	8,820	5,695	5,454	**143,063**	**131,132**
Real Estate Management	**290,625**	**273,417**	**36,824**	**35,378**	**11,190**	**10,237**	**338,638**	**319,031**
Housing co-operative associations	**62,490**	**60,002**	**3,380**	**2,616**	**1**	**1**	**65,870**	**62,619**
Public Administration	**15,939**	**16,271**	**24,141**	**23,059**	**41,864**	**32,566**	**81,943**	**71,896**
Household mortgage	576,383	551,001	52,575	38,066			**628,958**	**589,067**
Other	41,683	45,683	40,850	42,032	63	766	**82,596**	**88,482**
Households	**618,066**	**596,684**	**93,426**	**80,098**	**63**	**766**	**711,554**	**677,549**
Credit portfolio	**1,636,777**	**1,653,878**	**782,208**	**679,543**	**172,304**	**164,607**	**2,591,289**	**2,498,028**
Debt instruments							240,898	**207,900**
TOTAL							**2,832,187**	**2,705,928**

Credit portfolio by industry and geography

Total credit portfolio comprises the group's lending, contingent liabilities and counterparty risks arising from derivative, repos and collateral margin contracts. Counterparty risks are reported based on exposure-at-default calculations. Exposures are presented before allowances.

Group, 2020	Sweden	Other Nordic countries	Baltic countries	Germany, UK	Other	Total
Banks	**56,582**	**12,906**	**1,904**	**5,491**	**8,165**	**85,049**
Finance and insurance	143,207	18,064	685	27,398	7,571	**196,925**
Wholesale and retail	53,384	32,249	23,690	28,398	7,616	**145,337**
Transportation	20,134	18,539	10,524	9,642	411	**59,251**
Shipping	13,882	21,113	964	17,904	5,516	**59,379**
Business and household services	121,525	57,989	8,168	62,155	6,964	**256,799**
Construction	19,588	3,964	3,675	5,004	2,883	**35,113**
Manufacturing	107,312	94,036	13,936	57,423	16,399	**289,106**
Agriculture, forestry and fishing	21,766	3,795	7,807	92	436	**33,896**
Mining, oil and gas extraction	5,905	40,106	677	2,581	176	**49,444**
Electricity, gas and water supply	31,912	55,144	14,356	27,262	269	**128,943**
Other	34,308	1,013	717	17,204	799	**54,041**
Corporates	**572,922**	**346,012**	**85,199**	**255,063**	**49,041**	**1,308,236**
Commercial real estate management	123,052	38,595	24,055	8,841	1,032	**195,575**
Residential real estate management	138,168	2,092		2,742	61	**143,063**
Real Estate Management	**261,220**	**40,687**	**24,055**	**11,584**	**1,092**	**338,638**
Housing co-operative associations	**65,721**	**150**				**65,870**
Public Administration	**66,015**	**5,880**	**4,320**	**2,817**	**2,912**	**81,943**
Household mortgage	560,197	877	63,291		4,593	**628,958**
Other	46,431	24,617	8,762		2,786	**82,596**
Households	**606,628**	**25,494**	**72,054**		**7,378**	**711,554**
TOTAL	**1,629,087**	**431,129**	**187,532**	**274,954**	**68,588**	**2,591,289**

Note 40 a continued Credit risk

Group, 2019	Sweden	Other Nordic countries	Baltic countries	Germany, UK	Other	Total
Banks	**60,416**	**16,112**	**1,282**	**5,203**	**16,040**	**99,053**
Finance and insurance	127,389	13,819	456	39,646	7,286	**188,597**
Wholesale and retail	50,599	30,795	25,699	11,237	9,856	**128,185**
Transportation	18,699	20,600	11,128	12,202	212	**62,841**
Shipping	17,704	26,020	867	22,445	7,319	**74,355**
Business and household services	124,987	52,156	7,890	77,770	4,331	**267,134**
Construction	19,129	7,331	3,638	5,668	2,881	**38,647**
Manufacturing	107,737	82,265	15,133	42,857	19,545	**267,537**
Agriculture, forestry and fishing	15,685	2,110	8,012	84	103	**25,992**
Mining, oil and gas extraction	6,268	51,707	755	3,139	1,155	**63,023**
Electricity, gas and water supply	26,665	50,474	12,924	23,719	144	**113,926**
Other	28,496	2,123	819	5,694	510	**37,642**
Corporates	**543,358**	**339,399**	**87,321**	**244,462**	**53,340**	**1,267,879**
Commercial real estate management	107,188	42,398	23,902	12,941	1,472	**187,900**
Residential real estate management	125,488	2,609		3,031	4	**131,132**
Real Estate Management	**232,676**	**45,007**	**23,902**	**15,972**	**1,475**	**319,031**
Housing co-operative associations	**62,618**	**2**				**62,619**
Public Administration	**55,178**	**3,859**	**4,001**	**4,742**	**4,116**	**71,896**
Household mortgage	519,647	1,198	62,238		5,984	**589,067**
Other	46,691	29,386	9,450		2,954	**88,482**
Households	**566,338**	**30,585**	**71,688**		**8,938**	**677,549**
TOTAL	**1,520,584**	**434,963**	**188,194**	**270,379**	**83,909**	**2,498,028**

Credit portfolio by PD range

Group, 2020			Total, excluding households						Households	
Category	Probability of Default (PD) range	S&P/Moody's[1]	Banks	Corporates	Real estate management	Housing Co-ops	Public Admin.	Total	Households[2] PD range	
Investment grade	0 < 0.01%	AAA/Aaa	3.9%	0.6%	0.1%	0.0%	78.9%	**4.1%**		
	0.01 < 0.03%	AA/Aa	44.3%	10.1%	6.0%	0.1%	13.3%	**10.5%**	0 < 0.2%	**64.0%**
	0.03 < 0.12%	A/A	32.9%	33.1%	8.8%	8.1%	6.9%	**26.6%**	0.2 < 0.4%	**21.2%**
	0.12 < 0.46%	BBB/Baa	8.3%	34.7%	53.8%	87.0%	0.4%	**37.5%**	0.4 < 0.6%	**0.3%**
Standard monitoring	0.46 < 1.74%	BB/Ba	5.7%	15.8%	29.5%	4.7%	0.5%	**16.8%**	0.6 < 1%	**7.3%**
	1.74 < 7%	B/B	2.0%	3.8%	1.5%	0.0%	0.1%	**3.0%**	1 < 5%	**5.3%**
Watch list	7 < 9%	B/B	1.5%	0.4%	0.1%	0.0%	0.0%	**0.4%**	5 < 10%	**0.8%**
	9 < 22%	CCC/Caa	1.6%	0.3%	0.1%	0.0%	0.0%	**0.3%**	10 < 30%	**0.6%**
	22 < 100%	C/C	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	30 < 50%	**0.3%**
Default	100%	D	0.0%	1.0%	0.1%	0.0%	0.0%	**0.7%**	50 < 100%	**0.3%**
TOTAL			**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**TOTAL**	**100%**

Group, 2019

Investment grade	0 < 0.01%	AAA/Aaa	3.0%	0.5%	0.1%	0.0%	77.5%	**3.6%**		
	0.01 < 0.03%	AA/Aa	40.1%	11.3%	6.4%	0.0%	12.4%	**11.6%**	0 < 0.2%	**63.1%**
	0.03 < 0.12%	A/A	35.5%	30.0%	8.9%	9.3%	9.4%	**25.0%**	0.2 < 0.4%	**21.0%**
	0.12 < 0.46%	BBB/Baa	10.5%	36.3%	53.1%	86.0%	0.5%	**38.3%**	0.4 < 0.6%	**0.3%**
Standard monitoring	0.46 < 1.74%	BB/Ba	6.6%	16.4%	29.9%	4.0%	0.1%	**17.2%**	0.6 < 1%	**7.8%**
	1.74 < 7%	B/B	2.3%	3.6%	1.3%	0.8%	0.0%	**2.9%**	1 < 5%	**5.5%**
Watch list	7 < 9%	B/B	0.8%	0.5%	0.1%	0.0%	0.0%	**0.4%**	5 < 10%	**0.9%**
	9 < 22%	CCC/Caa	1.3%	0.6%	0.1%	0.0%	0.0%	**0.5%**	10 < 30%	**0.8%**
	22 < 100%	C/C	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	30 < 50%	**0.3%**
Default	100%	D	0.0%	0.7%	0.1%	0.0%	0.1%	**0.5%**	50 < 100%	**0.4%**
TOTAL			**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**TOTAL**	**100%**

1) Estimated link between internal PDs and external ratings based on comparison of historical default outcomes.
2) Household exposure based on internal ratings based (IRB) reported as exposure in the event of a default (EAD – exposure at default).

Credit portfolio protected by guarantees, credit derivatives and collaterals[1)]

	Group				Parent company			
2020	Credit portfolio	Protection via guarantees and credit derivatives	Protection via pledged collaterals	Of which, financial collaterals	Credit portfolio	Protection via guarantees and credit derivatives	Protection via pledged collaterals	Of which, financial collaterals
Banks	85,049	1,726	7,974	2,503	81,149	1,726	7,972	2,502
Corporates, Real estate management and Housing co-operative associations	1,712,744	23,872	431,462	26,218	1,566,791	22,660	378,842	25,671
Public Administration	81,943		1,042	1	74,997		589	
Households	711,554	18	555,497	11,197	592,977		492,475	11,014
TOTAL	**2,591,289**	**25,616**	**995,974**	**39,919**	**2,315,914**	**24,386**	**879,879**	**39,187**
2019								
Banks	99,053	2,599	7,748	1,781	95,453	2,599	7,748	1,781
Corporates, Real estate management and Housing co-operative associations	1,649,530	26,377	403,549	27,907	1,490,334	24,719	345,804	27,376
Public Administration	71,896		866	1	64,840		574	
Households	677,549	8	504,604	292	545,028		443,033	152
TOTAL	**2,498,028**	**28,983**	**916,766**	**29,982**	**2,195,655**	**27,317**	**797,159**	**29,309**

1) Only risk mitigation arrangements eligible in capital adequacy reporting are represented in the tables above.

For information on collaterals that have been taken in possession, see note 20 Equity instruments.

Debt instruments

At year-end 2020, SEB's credit exposure in the bond portfolio amounted to SEK 241m (208). The exposure comprises all interest-bearing instruments at nominal amounts including certain credit derivatives and futures.

Distribution by geography

	Central & local governments		Corporates		Covered bonds		Asset-backed securities		Financials		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Sweden	26.7%	26.3%	0.4%	0.7%	20.7%	10.5%			0.1%	0.1%	**47.8%**	**37.5%**
Germany	10.2%	12.9%	0.0%	0.2%	0.1%	0.2%			0.0%	0.0%	**10.3%**	**13.4%**
Denmark	3.0%	2.4%	0.0%	0.0%	6.8%	6.2%			0.0%	0.0%	**9.8%**	**8.7%**
Finland	1.7%	1.5%	0.0%	0.0%	6.8%	3.0%			0.1%	0.9%	**8.6%**	**5.5%**
Norway	2.5%	3.0%	0.4%	0.2%	3.5%	5.6%			1.2%	1.8%	**7.6%**	**10.7%**
Luxembourg	3.0%	2.4%					3.8%	4.4%			**6.8%**	**6.8%**
US	3.8%	12.4%	0.0%							0.0%	**3.8%**	**12.4%**
Baltics	1.1%	0.7%									**1.1%**	**0.7%**
Europe, other	1.7%	2.0%		0.0%		0.0%				0.1%	**1.7%**	**2.1%**
Rest of world	2.3%	2.2%	0.0%	0.0%					0.2%		**2.4%**	**2.2%**
TOTAL	**55.9%**	**65.8%**	**0.8%**	**1.2%**	**37.9%**	**25.6%**	**3.8%**	**4.4%**	**1.6%**	**2.9%**	**100.0%**	**100.0%**

Distribution by rating

	Central & local governments 2020	Central & local governments 2019	Corporates 2020	Corporates 2019	Covered bonds 2020	Covered bonds 2019	Asset-backed securities 2020	Asset-backed securities 2019	Financials 2020	Financials 2019	Total 2020	Total 2019
AAA	43.8%	52.7%	0.0%	0.1%	37.8%	25.3%	3.1%	3.6%	0.0%	0.3%	**84.7%**	**82.0%**
AA	5.9%	7.7%	0.0%	0.0%					0.4%	1.0%	**6.3%**	**8.7%**
A	1.1%	0.7%	0.1%	0.1%			0.7%	0.9%	0.1%	0.1%	**2.0%**	**1.8%**
BBB			0.2%	0.4%					0.0%	0.0%	**0.2%**	**0.4%**
BB/B	0.0%		0.0%	0.0%					0.0%		**0.0%**	**0.0%**
CCC/CC											**0.0%**	**0.0%**
No issue rating[1)]	5.1%	4.8%	0.5%	0.5%	0.1%	0.3%			1.0%	1.4%	**6.8%**	**7.0%**
TOTAL	**55.9%**	**65.8%**	**0.8%**	**1.2%**	**37.9%**	**25.6%**	**3.8%**	**4.4%**	**1.6%**	**2.9%**	**100.0%**	**100.0%**

1) Mainly German local governments (Bundesländer).

40b Market risk

Definition
Market risk is the risk of losses in balance sheet positions and obligations, arising from adverse movements in market prices. Market risk can arise from changes in interest rates, foreign exchange rates, credit spreads, commodity and equity prices, implied volatilities, inflation and market liquidity. A clear distinction is made between market risks related to trading activity, i.e. trading book risks, and structural market and net interest income risks, i.e. banking book risks. Whereas positions in the trading book are held with a trading intent and under a daily mark-to-market regime, positions in the banking book do not have a trading intent and are typically held at amortised cost.

Risk management
Market risk in the trading book arises from SEB's customer-driven trading activities. The trading activities are carried out by the Large Corporates & Financial Institutions division in its capacity as market maker in international foreign exchange, equity and debt capital markets.

Market risk also arises in the form of interest rate risk in the banking book as a result of balance sheet mismatches in currencies, interest terms and interest rate periods. The treasury function has overall responsibility for managing these risks, which are consolidated centrally. The treasury function also manages a liquidity portfolio, which is part of SEB's liquidity reserve. Market risk in the liquidity portfolio arises from credit spread risk and interest rate risk in pledgeable and highly liquid bonds. For capital adequacy purposes, the assets in this portfolio are classified as assets in the banking book as at 1 January 2018, while from a risk management perspective they are monitored together with trading-related market risk.

Market risk also arises in the bank's traditional life insurance operations and the defined benefit plans for employees as a result of mismatches between the market value of assets and liabilities. Market risk in the pension obligations and the life insurance business are not included in the market risk figures below.

→ Refer to note 40 e for information on market risk in the life insurance business.

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

The risk organisation measures the market risk taken by the various units within the group on a daily basis. The risk organisation also independently verifies the valuation of positions held at fair value and calculates the capital buffer for prudent valuation. The risk control function is present in the trading rooms and monitors limit compliance and market prices at closing as well as valuation standards and the introduction of new products. Market risks are reported at least on a monthly basis to the Group Risk Committee and the Board's Risk and Capital Committee.

SEB is exposed to the following market risk types:

Risk type	Defined as the risk of loss or reduced income due to	Source
Interest rate risk	Changes in interest rates	Inherent in all banking business
Credit spread risk	A change in the creditworthiness of an issuer of, for instance, a bond or a credit derivative	Primarily present in the bank's bond holdings
Foreign exchange risk	Variations in the exchange rates	Foreign exchange trading and the bank's operations in various markets
Equity price risk	Variations in equity prices	Market making and customer activity in equities and equity derivatives
Commodity price risk	Variations in commodity prices	Customer-driven activities in commodities
Volatility risk	Changes in implied volatility	Market making and customer activity of options across all asset classes
Inflation risk	Change in inflation	Bond holdings, value of assets on balance sheet
Market liquidity risk	Bid-ask spread widenings	Sale of assets or closing of positions
Credit value adjustment[1]	Variations in the counterparty credit risk based on the expected future exposure	OTC derivative contracts

1) Credit value adjustment is fundamentally credit risk, but the exposure is calculated using market risk drivers (interest rate, currency, etc.).

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

Value at Risk and Stressed Value at Risk
VaR expresses the maximum potential loss that could arise during a certain time period with a given degree of probability. SEB uses a historical simulation VaR model with a ten-day time horizon and 99 per cent confidence interval to measure, limit and report VaR. The model aggregates market risk exposure for all risk types and covers a wide range of risk factors in all asset classes. SEB also uses a stressed VaR measure, where VaR is calculated for the current portfolio using market data from a historic, turbulent time period covering the Lehman Brothers' default. The VaR model is validated using back-testing analysis.

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

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

Value at Risk

	2020				
Trading Book (99%, ten days)	Min	Max	31 Dec 2020	Average 2020	Average 2019
Commodities risk	18	105	72	34	21
Credit spread risk	23	129	78	76	29
Equity price risk	9	69	43	23	48
Foreign exchange rate risk	10	104	29	45	42
Interest rate risk	39	346	187	196	65
Volatilities risk	9	75	13	26	33
Diversification	0	0	–195	–191	–140
TOTAL	**107**	**829**	**228**	**210**	**98**
Banking Book (99%, ten days)					
Credit spread risk	39	217	139	160	52
Equity price risk	34	132	80	96	46
Foreign exchange rate risk	0	13	13	1	1
Interest rate risk	158	366	237	259	171
Diversification	0	0	–57	–71	–76
TOTAL	**231**	**728**	**412**	**444**	**194**

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

Scenario analysis and stress tests
Scenario analysis and stress tests are a key part of the risk management framework, complementing the VaR measure. In particular, they test portfolios using scenarios other than those available in the VaR simulation window and cover longer time horizons. SEB stresses its portfolios by applying extreme movements in market factors which have been observed in the past (historical scenarios) as well as extreme movements that could potentially happen in the future (hypothetical or forward-looking scenarios). Reverse stress tests are also used for the total trading portfolio as well as for individual divisions and business units, to identify scenarios that would lead to a given significant loss, for instance, the breach of a stop-loss limit. This type of analysis provides management with a view on the potential impact that large market movements in individual risk factors, as well as broader market scenarios, could have on a portfolio. The risk tolerance framework includes limits on different stress test scenarios.

Specific risk measures
VaR and stress tests are complemented by specific risk measures including Delta 1% for interest risk, and Single and Aggregated FX for currency risk.

In addition, all units that handle risk for financial instruments valued at market are limited by a stop-loss limit. The stop-loss limit indicates the maximum loss a unit can incur before mitigating actions are taken.

CVA/DVA sensitivities

The credit and debit valuation adjustments (CVA/DVA) are sensitive to market movements, in particular to movements in interest rates, credit spreads and foreign exchange rates.

In order to monitor this sensitivity, SEB stresses these asset classes on a regular basis and calculates the impact on the valuation adjustments. This is done by comparing the original CVA/DVA numbers with the stressed CVA/DVA numbers where the current rates and credit spreads have been moved up 100 basis points and where SEK has appreciated 5 per cent to all other currencies compared with the current level.

2020	CVA	DVA	Total
Interest rates + 100bp	281	60	**341**
Credit spreads + 100bp	−1,088	551	**−536**
SEK + 5%	16	−7	**9**
2019			
Interest rates + 100bp	176	57	**233**
Credit spreads + 100bp	−892	390	**−503**
SEK + 5%	17	−4	**13**

Interest rate risk

Interest rate risk refers to the risk that the value of the group's assets, liabilities and interest-related derivatives will be negatively affected by changes in interest rates or other relevant risk factors.

The majority of the group's interest rate risks are structural and arise within the banking operations when there is a mismatch between the interest fixing periods of assets and liabilities, including derivatives.

The table below shows the sensitivity to a +100 basis point change in the interest rates on the banking and trading book by currency and in different buckets of maturity. This is calculated as the value change for a shift of 1 basis point and then scaled up to reflect a 100 basis point move.

Interest rate sensitivity in trading book per time buckets

2020	< 3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
EUR	10	23	−294	1,252	−344	−414	**233**
SEK	20	154	−415	−154	−627	100	**−922**
USD	−48	−47	78	−60	−29	2	**−103**
Other	−41	25	121	−1,183	458	356	**−264**
TOTAL	**−59**	**155**	**−510**	**−144**	**−542**	**44**	**−1,056**
2019							
EUR	−20	48	105	479	−69	−482	**61**
SEK	−50	−130	122	103	−65	32	**12**
USD	−40	98	−20	20	−46	−29	**−17**
Other	−41	63	−205	−307	−81	506	**−65**
TOTAL	**−151**	**79**	**2**	**295**	**−261**	**27**	**−9**

Interest rate sensitivity in banking book per time buckets[1)]

2020	< 3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
EUR	−8	−331	−101	−125	2	−1	**−565**
SEK	−289	−649	−301	−209	−208	29	**−1,627**
USD	−33	283	32	8	77	74	**440**
Other	−10	−56	−13	−22	−2	0	**−103**
TOTAL	**−340**	**−753**	**−384**	**−348**	**−131**	**101**	**−1,855**
2019							
EUR	−5	−271	−187	−267	−47	111	**−666**
SEK	−216	−466	−290	−285	−370	43	**−1,584**
USD	−39	115	34	47	55	112	**324**
Other	0	−66	−22	−24	−2	0	**−114**
TOTAL	**−260**	**−688**	**−465**	**−529**	**−364**	**266**	**−2,040**

1) by currency SEK m/100 basis points

40c Operational risk

Definition
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems (e.g. breakdown of IT systems, mistakes, fraud, other deficiencies in internal control) or from external events (natural disasters, external crime, etc.). The definition includes conduct, compliance, legal and financial reporting, information-, cyber- and physical security, and venture execution risks, but excludes strategic and reputational risk.

Risk management
Operational risk is inherent in all of SEB's operations and the responsibility to manage operational risks rests with all managers throughout the bank. SEB aims to maintain a sound risk culture with low operational risk and loss level through an effective internal control environment by ensuring a structured and consistent usage of risk mitigating tools and processes.

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

All business units with significant risk embedded in their operations shall regularly complete Risk and Control Self-Assessments (RCSA) according to a group-wide methodology. The assessments are designed to identify and mitigate significant operational risks embedded in SEB's various business and support processes, from an end-to-end perspective. There is comprehensive participation by each business unit throughout the organisation. The RCSA framework is used to analyse SEB's operational risk profile and achieving operational excellence and high performance.

A model risk framework has been implemented to capture risks embedded in models and processes across the bank.

SEB ensures that the organisation is prepared to respond to and operate throughout a period of major disruption by identifying critical activities and maintaining updated, annually tested and communicated business continuity plans in a group-wide system for this purpose.

All employees are required to escalate and register risk-related events or incidents so that risks can be properly identified, assessed, monitored, mitigated and reported. SEB uses a group-wide IT application to capture risk events, loss levels and other operational risk data for analysis and benchmarking towards peers.

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

SEB's approach to meet cyber and other security threats is to prioritise technical protection, raise awareness and continuously enhance the cyber risk culture among both employees and customers. Necessary security updates, system upgrades, and implementation of new features and secure measurements are performed on a regular basis.

The risk organisation is responsible for measuring and reporting SEB's operational risks. Significant incidents and the risk level, both on Group and divisional/site level, are analysed and reported monthly to the Group Executive Committee, the Group Risk Committee and the Board's Risk and Capital Committee as well as local/divisional management. In 2020, the net losses from operational incidents amounted to SEK 1,235m (120) including the fine of SEK 1,000m from the Swedish FSA.

Risk measurement
SEB uses the Advanced Measurement Approach (AMA) to calculate the regulatory capital requirement for operational risk.

40d Business risk

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

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

40e Insurance risk

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

Market risk in the insurance business is the risk of losses on traditional life insurance policies with guaranteed benefits due to changes in fair value of assets and liabilities. Such changes in fair value can be caused by changes in for example interest rates, credit spreads, equity prices, exchange rates and implied volatilities.

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

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

Market risk in the traditional life insurance products with guaranteed returns is mitigated through standard market risk hedging schemes and monitored through asset/liability management (ALM) risk measures and stress tests. This is supplemented by market risk tools such as VaR and scenario analysis. In the traditional products, the difference between asset values and the guaranteed obligations constitutes a buffer which is intended to cover SEB's market risk.

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 transfer their policies from SEB. The utilisation of this option has been very low historically. Nevertheless, to safeguard against unplanned cash outflows, sufficient liquid investments are maintained. Regular cash flow analysis is conducted to mitigate this risk.

The risk organisation is responsible for measuring and controlling the risks inherent in SEB's life insurance operations. Measurement and monitoring of ALM risk measures, VaR, scenario analysis and stress tests are performed on a regular basis for each insurance company. The risk organisation also has the role of independent risk management function in the respective insurance companies from a Solvency II perspective. Key risks are reported regularly to the Group Risk Committee, the Board's Risk and Capital Committee and to the boards of each insurance company.

Solvency II, effective as at 1 January 2016, is a harmonised regulatory framework with respect to governance, internal control and capital requirements across insurance companies in the EU. Solvency II calculations are performed at least monthly, and the required reporting is submitted to the financial supervisors on a quarterly basis. Calculations show that SEB's life companies are adequately capitalised and resilient to different stressed scenarios.

40f Liquidity risk

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

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

The liquidity risk is managed through the limits set by the Board which are further allocated by the Group Risk Committee. Liquidity limits are set for the group, branches and specific legal entities, as well as for exposures in certain currencies. The treasury function has the overall responsibility for liquidity management and funding, supported by local treasury centres in the group's major markets. The risk function regularly measures and reports limit utilisation based on different market conditions and liquidity stress tests to the Group Risk Committee and the Board's Risk and Capital Committee. While liquidity management is an ongoing process, an internal evaluation of the liquidity need is performed annually to identify potential gaps relative to SEB's long-term liquidity targets and to ensure that liquidity management is sufficient.

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

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

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

Stressed survival horizon
Severe stress can be modelled by combining assumptions of a wholesale funding market shutdown with assumptions of deposit outflows and drawdowns on commitments, etc. The outcome is captured by the regulatory defined Liquidity Coverage Ratio (LCR) where, in a stressed scenario, modelled net outflows during a 30-day period are related to the amount of total liquid assets. As at 1 January 2018, EU's definition of LCR is used. SEB also measures the time it would take for the liquid assets to be depleted in a severely stressed scenario, expressed as the stressed survival horizon. In addition, SEB monitors various rating agencies' survival metrics.

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

Liquid assets[1)]

	2020					2019				
	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other	Total
Cash and balances with central banks	124,989	146,567	37,856	7,988	**317,399**	7,251	97,437	31,182	4,193	**140,063**
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	58,340	20,001	37,111	37,791	**153,242**	56,531	16,270	69,527	23,801	**166,128**
Securities issued by municipalites and PSEs	3,619	2,624	5,703	9,807	**21,753**	3,522	5,720	3,404	4,429	**17,074**
Extremely high quality covered bonds	49,042	268	256	38,371	**87,937**	73,879	954	507	43,906	**119,244**
Other assets										
Level 1 assets	**235,990**	**169,460**	**80,925**	**93,956**	**580,331**	**141,182**	**120,380**	**104,620**	**76,329**	**442,510**
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs			1,620	364	**1,984**			187	0	**187**
High quality covered bonds	16,091		1,713	9,736	**27,540**	16,786		1,262	9,351	**27,399**
Corporate debt securities (lowest rating AA–)		1		0	**1**		11		0	**11**
Other assets										
Level 2A assets	*16,091*	*1*	*3,333*	*10,100*	***29,525***	*16,786*	*11*	*1,449*	*9,351*	***27,597***
Asset-backed securities		6,801		24	**6,825**					
High quality covered bonds										
Corporate debt securities (rated A+ to BBB–)	49	411	1	1	**462**		299		0	**299**
Shares (major stock index)										
Other assets										
Level 2B assets	*49*	*7,211*	*1*	*26*	***7,287***		*299*		*0*	***299***
Level 2 assets	**16,140**	**7,213**	**3,334**	**10,126**	**36,812**	**16,786**	**310**	**1,449**	**9,351**	**27,896**
TOTAL LIQUID ASSETS	**252,129**	**176,672**	**84,259**	**104,082**	**617,143**	**157,968**	**120,690**	**106,069**	**85,680**	**470,406**

1) All definitions are in accordance with Liquidity Coverage Ratio in CRR.

Liquidity risk management measures

	2020	2019
Core Gap ratio[1)]	113%	109%
Loan to deposit ratio	122%	143%
Liquidity Coverage Ratio	163%	218%

1) Core Gap ratio represents the parent company, DSK Hyp AG (former SEB AG, Germany), SEB Pank AS (Estonia), SEB Banka AS (Latvia), SEB bankas AB (Lithuania), Skandinaviska Enskilda Banken S.A. (Luxembourg) and SEB Kort Bank AB (Sweden). In 2020, former Skandinaviska Enskilda Banken S.A. (Luxembourg) became a branch of the parent company.

Note 40 f continued Liquidity risk

Contractual maturities

The following tables present cash flows by remaining contractual maturities at the balance sheet date and applies the earliest date on which the group can be required to pay regardless of probability assumptions. The cash flows are not discounted. Derivatives are reported at fair value. Obligations such as loan commitments are reported as when the obligation matures.

Group, 2020

Balance sheet (contractual maturity dates)	Payable on demand	< 3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Cash and cash balances at central banks	323,776						323,776		323,776
Loans to central banks	74	3,453	107	0			3,633		3,633
Loans to credit institutions	9,789	31,133	5,290	4,445	133		50,789	2	50,791
of which repos		10,253					10,253		10,253
General governments	704	8,310	1,864	7,336	6,101		24,315	−1,081	23,234
Households	8,036	13,174	30,198	50,399	628,770		730,577	−74,400	656,177
Corporates	49,627	300,078	212,874	473,173	90,381		1,126,133	−35,383	1,090,750
Loans to the public	58,367	321,562	244,936	530,908	725,252		1,881,025	−110,864	1,770,161
of which repos		112,425					112,425	−515	111,910
Debt securities		42,852	52,483	151,340	25,095		271,770	−6,337	265,433
of which eligible debt securities		37,505	22,323	33,622	6,139		99,589	−1,613	97,976
of which other debt securities		4,949	29,622	117,713	18,955		171,239	−4,724	166,515
Equity instruments						82,240	82,240		82,240
Derivatives						164,909	164,909		164,909
Financial assets for which the customers bear the investment risk						330,950	330,950		330,950
Financial assets at fair value		42,852	52,483	151,340	25,095	578,098	849,868	−6,337	843,531
Other assets		10,718	398	84	581	36,758	48,539		48,539
of which other financial assets		10,613	1	6	569	628	11,817		11,817
Total assets	392,005	409,718	303,214	686,776	751,061	614,856	3,157,631	−117,199	3,040,432
of which accrued interest loans						1,654	1,654		1,654
of which accrued interest debt securities						943	943		943
Deposits from central banks and credit institutions	33,233	35,506	5,003	36,611	1,334		111,687	−378	111,309
of which repos		1,604					1,604	−1	1,603
General governments	14,190	1,281	23	112	1,380		16,986	−9	16,977
Households	355,391	20,521	5,878	903	169		382,864	−12	382,852
Corporates	866,250	96,530	1,831	5,993	836		971,440	−42	971,398
Deposits and borrowings from the public	1,235,831	118,333	7,732	7,008	2,385		1,371,290	−63	1,371,227
of which deposits	1,125,323	94,514	4,574	4,527	1,459		1,230,397	−44	1,230,353
of which borrowing		7,598	2	58	34		7,692	−2	7,690
of which repos		7,274					7,274	−2	7,272
Financial liabilities for which the customers bear the investment risk						332,392	332,392		332,392
Liabilities to policyholders		537	1,553	6,380	21,118	36	29,624		29,624
Certificates		88,024	155,952	1,645			245,621	−1,493	244,128
Covered bonds		16,258	64,258	228,694	33,209		342,419	−8,663	333,756
Other bonds		24,345	35,244	93,473	22,848		175,910	−4,292	171,618
Debt securities issued		128,627	255,454	323,812	56,057		763,950	−14,448	749,502
Debt securities			778	14,722	6,105		21,605	−2,069	19,536
Equity instruments						10,873	10,873		10,873
Derivatives						161,561	161,561		161,561
Other liabilities		242	491	11			744		744
Financial liabilities at fair value		242	1,269	14,733	6,105	172,434	194,783	−2,069	192,714
Other liabilities		13,079	2,036	2,976	3,374	28,001	49,466	−33	49,433
of which other financial liabilities		10,959	273	258	921	40	12,451	−33	12,418
of which lease liabilities		324	639	2,215	2,122		5,300	339	5,639
Subordinated liabilities			10,645	23,319	559		34,523	−2,236	32,287
Equity						171,943	171,943		171,943
Total Liabilities and Equity	1,269,064	296,324	283,693	414,839	90,932	704,807	3,059,659	−19,227	3,040,432
of which accrued interest deposits and borrowing						435	435		435
of which accrued interest issued securities						1,961	1,961		1,961

Off balance sheet items

Off balance sheet items	Payable on demand	< 3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Loan commitments	534	296,675	86,800	305,360	35,564		724,933		724,933
Acceptances and other financial facilities		117,577	6,657	4,778	8,328		137,340		137,340
Total liabilities, equity and off balance sheet items	1,269,598	710,576	377,150	724,977	134,824	704,807	3,921,932	−19,227	3,902,705

1) Includes items available overnight.

Note 40 f continued Liquidity risk

Group, 2019

Balance sheet (contractual maturity dates)	Payable on demand	<3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Cash and cash balances at central banks	146,691						146,691		146,691
Loans to central banks		4,103	402				4,504	−10	4,494
Loans to credit institutions	13,441	20,869	7,563	4,808	507		47,189	−194	46,995
of which repos		*1,353*					*1,353*	*−3*	*1,350*
General governments	521	6,833	1,283	6,177	5,513		20,326	−1,036	19,290
Households	6,561	16,791	29,827	50,837	605,902		709,918	−78,317	631,601
Corporates	53,340	460,885	167,456	437,803	106,432		1,225,917	−39,202	1,186,715
Loans to the public	60,422	484,508	198,566	494,817	717,847		1,956,160	−118,555	1,837,605
of which repos		*185,084*	*1*				*185,085*	*−934*	*184,151*
Debt securities		51,414	26,842	142,496	25,483		246,235	−7,657	238,578
of which eligible debt securities		*46,581*	*11,913*	*60,137*	*7,356*		*125,987*	*−3,022*	*122,965*
of which other debt securities		*4,250*	*14,461*	*82,341*	*18,117*		*119,169*	*−4,635*	*114,534*
Equity instruments						78,482	78,482		78,482
Derivatives						139,427	139,427		139,427
Financial assets for which the customers bear the investment risk						316,776	316,776		316,776
Financial assets at fair value		51,414	26,842	142,496	25,483	534,685	780,920	−7,657	773,263
Other assets		13,856	218	84	329	33,139	47,626	−28	47,598
of which other financial assets		*12,284*	*16*	*3*	*108*	*1,695*	*14,106*	*−28*	*14,078*
Total assets	220,555	574,750	233,591	642,205	744,166	567,824	2,983,092	−126,444	2,856,648
of which accrued interest loans						*2,513*	*2,513*		*2,513*
of which accrued interest debt securities						*1,080*	*1,080*		*1,080*
Deposits from central banks and credit institutions	32,196	31,242	23,434	613	852		88,337	−296	88,041
of which repos		*3,588*					*3,588*	*−8*	*3,580*
General governments	11,896	1,423	5,449	713	2,774		22,255	−115	22,140
Households	317,211	22,046	6,154	1,005	99		346,515	−60	346,455
Corporates	692,803	86,309	2,849	7,391	3,849		793,200	−310	792,890
Deposits and borrowings from the public	1,021,910	109,778	14,452	9,109	6,722		1,161,970	−485	1,161,485
of which deposits	*901,775*	*81,700*	*10,106*	*5,886*	*2,734*		*1,002,201*	*−279*	*1,001,922*
of which borrowing		*5,179*		*57*	*63*		*5,299*	*−9*	*5,290*
of which repos		*4,853*	*1*				*4,854*	*−6*	*4,848*
Financial liabilities for which the customers bear the investment risk						317,574	317,574		317,574
Liabilities to policyholders		525	1,422	5,722	18,878		26,547		26,547
Certificates		79,891	208,928	3,129			291,948	−2,925	289,023
Covered bonds		10,852	52,479	284,877	31,504		379,712	−14,811	364,901
Other bonds		9,084	45,289	143,057	14,349		211,779	−7,530	204,249
Debt securities issued		99,827	306,696	431,063	45,853		883,439	−25,266	858,173
Debt securities		137	3,284	2,670	4,840		10,931	−940	9,991
Equity instruments						17,352	17,352		17,352
Derivatives						122,192	122,192		122,192
Other liabilities		1,027	1,420	8		420	2,875	−6	2,869
Financial liabilities at fair value		1,164	4,704	2,678	4,840	139,964	153,350	−946	152,404
Other liabilities		9,125	1,228	1,658	5,651	34,497	52,158	−73	52,085
of which other financial liabilities		*8,369*	*175*	*−27*	*903*	*158*	*9,579*	*−73*	*9,506*
of which lease liabilities		*50*	*123*	*1,093*	*4,057*		*5,323*	*531*	*5,854*
Subordinated liabilities		1	374		55,594		55,969	−11,330	44,639
Equity						155,700	155,700		155,700
Total Liabilities and Equity	1,054,106	251,662	352,309	450,842	138,389	647,735	2,895,044	−38,396	2,856,648
of which accrued interest deposits and borrowing						*646*	*646*		*646*
of which accrued interest issued securities						*3,147*	*3,147*		*3,147*
Off balance sheet items									
Loan commitments	8,161	275,686	62,895	276,623	14,646	337	638,348		638,348
Acceptances and other financial facilities		115,113	10,731	4,828	8,627	163	139,462		139,462
Total liabilities, equity and off balance sheet items	1,062,267	642,461	425,935	732,293	161,662	648,235	3,672,854	−38,396	3,634,458

1) Includes items available overnight.

Note 40 f continued Liquidity risk

Parent company, 2020

Balance sheet (contractual maturity dates)	Payable on demand	<3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Cash and cash balances at central banks	**294,391**						**294,391**		**294,391**
Loans to credit institutions	**9,571**	**35,048**	**7,319**	**19,074**	**0**		**71,013**	**14**	**71,027**
of which repos		*8,087*					*8,087*		***8,087***
General governments	475	7,961	183	3,049	1,423		13,091	−315	**12,776**
Households	8,036	8,191	23,106	27,090	570,353		636,775	−62,706	**574,069**
Corporates	45,266	290,189	194,435	408,577	72,324		1,010,791	−28,326	**982,465**
Loans to the public	**53,776**	**306,340**	**217,724**	**438,715**	**644,101**		**1,660,657**	**−91,347**	**1,569,310**
of which repos		*112,391*					*112,391*	*−481*	***111,910***
Debt securities		41,098	46,538	133,064	25,479		246,178	−6,250	**239,928**
of which eligible debt securities		*36,607*	*17,664*	*15,888*	*7,053*		*77,212*	*−1,249*	***75,963***
of which other debt securities		*4,491*	*28,874*	*117,176*	*18,426*		*168,966*	*−5,001*	***163,965***
Equity instruments						111,110	111,110		**111,110**
Derivatives						159,380	159,380		**159,380**
Financial assets at fair value		**41,098**	**46,538**	**133,064**	**25,479**	**270,490**	**516,669**	**−6,250**	**510,419**
Other assets		**12,867**	**4,691**	**14,606**	**5,554**	**14,244**	**51,962**	**1**	**51,963**
of which other financial assets		*10,451*	*0*		*163*	*0*	*10,614*	*1*	*10,615*
Total assets	**357,738**	**395,353**	**276,273**	**605,459**	**675,134**	**284,735**	**2,594,692**	**−97,582**	**2,497,110**
of which accrued interest loans						*1,354*	*1,354*		
of which accrued interest debt securities						*866*	*866*		
Deposits by credit institutions	**33,497**	**68,632**	**7,430**	**37,536**	**1,159**		**148,254**	**−423**	**147,831**
of which repos		*659*					*659*	*−1*	***658***
General governments	5,396	1,224	15	60	1,352		8,049	−34	**8,015**
Households	273,859	9,058	2,654	457	115		286,143	−22	**286,121**
Corporates	810,811	89,223	1,305	3,466			904,805	−108	**904,697**
Deposits and borrowings from the public	**1,090,066**	**99,506**	**3,975**	**3,983**	**1,467**		**1,198,997**	**−164**	**1,198,833**
of which deposits	*1,090,066*	*91,842*	*3,967*	*3,956*	*1,439*		*1,191,270*	*−33*	***1,191,237***
of which borrowing		*7,597*					*7,597*	*−1*	***7,596***
of which repos		*7,273*					*7,273*	*−1*	***7,272***
Certificates		88,013	155,952	1,645			245,610	−1,493	**244,117**
Covered bonds		16,258	64,259	228,694	33,209		342,419	−8,663	**333,756**
Other bonds		24,344	35,244	93,395	22,848		175,832	−4,290	**171,542**
Issued securities		**128,615**	**255,455**	**323,734**	**56,057**		**763,861**	**−14,446**	**749,415**
Debt securities		0	767	14,074	5,434		20,274	−738	**19,536**
Equity instruments						10,873	10,873		**10,873**
Derivatives						157,529	157,529		**157,529**
Other liabilities		242	491	11			744		**744**
Financial liabilities at fair value		**242**	**1,258**	**14,084**	**5,434**	**168,402**	**189,420**	**−738**	**188,682**
Other liabilities		**11,794**	**61**	**270**	**103**	**15,790**	**28,018**	**−2**	**28,016**
of which other financial liabilities		*11,527*	*6*	*45*	*13*	*0*	*11,591*	*−2*	***11,589***
Subordinated liabilities			**10,648**	**23,341**			**33,989**	**−2,152**	**31,837**
Untaxed reserves						**18,628**	**18,628**		**18,628**
Equity						**133,868**	**133,868**		**133,868**
Total Liabilities and Equity		**308,789**	**278,827**	**402,948**	**64,219**	**318,060**	**2,515,035**	**−17,925**	**2,497,110**
of which accrued interest deposits and borrowing						*471*	*471*		***471***
of which accrued interest issued securities						*1,886*	*1,886*		***1,886***

Off balance sheet items

	Payable on demand	<3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Loan commitments		163,667	74,487	195,850	32,478		466,481		**466,481**
Acceptances and other financial facilities		22,953	40,084	39,286	39,446		141,769		**141,769**
Operating lease commitments		225	507	1,931	2,371		5,034	−253	**4,781**
Total liabilities, equity and off balance sheet items		**495,634**	**393,904**	**640,015**	**138,514**	**318,060**	**3,128,319**	**−18,178**	**3,110,141**

1) Includes items available overnight.

Parent company, 2019

Balance sheet (contractual maturity dates)	Payable on demand	< 3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Cash and cash balances at central banks	110,082	22					110,104		110,104
Loans to credit institutions	26,271	24,658	22,293	18,519	1,207		92,947	−497	92,450
of which repos		*2,560*					*2,560*		*2,560*
General governments	510	6,136	357	1,250	954		9,206	−204	9,002
Households	6,545	7,743	21,298	21,273	547,285		604,144	−65,999	538,145
Corporates	57,349	432,691	149,167	362,010	83,462		1,084,678	−30,582	1,054,096
Loans to the public	64,403	446,569	170,821	384,533	631,701		1,698,028	−96,785	1,601,243
of which repos		*185,031*					*185,031*	*−882*	*184,149*
Debt securities		49,589	22,862	122,766	23,352		218,569	−7,152	211,417
of which eligible debt securities		*45,551*	*9,081*	*41,877*	*5,465*		*101,974*	*−2,323*	*99,651*
of which other debt securities		*4,038*	*13,781*	*80,889*	*17,886*		*116,594*	*−4,829*	*111,765*
Equity instruments						112,434	112,434		112,434
Derivatives						135,713	135,713		135,713
Financial assets at fair value		49,589	22,862	122,766	23,352	248,147	466,716	−7,152	459,564
Other assets		14,273	1,654	17,802	8,852	12,756	55,338	−27	55,311
of which other financial assets		*13,282*	*16*		*107*		*13,405*	*−27*	*13,378*
Total assets	200,756	535,112	217,630	543,620	665,112	260,903	2,423,133	−104,461	2,318,672
of which accrued interest loans						*2,201*	*2,201*		
of which accrued interest debt securities						*979*	*979*		
Deposits by credit institutions	56,995	33,666	31,872	4,142	658		127,332	−441	126,891
of which repos		*3,588*					*3,588*	*−8*	*3,580*
General governments	2,327	1,157	4,919	648	2,640		11,692	−106	11,586
Households	239,353	7,844	2,543	423	73		250,236	−25	250,211
Corporates	630,800	74,957	2,137	4,283			712,177	−140	712,037
Deposits and borrowings from the public	872,480	83,958	9,599	5,354	2,714		974,105	−271	973,834
of which deposits	*872,480*	*78,784*	*9,599*	*5,354*	*2,715*		*968,932*	*−266*	*968,666*
of which borrowing		*5,174*					*5,174*	*−6*	*5,168*
of which repos		*4,852*					*4,852*	*−6*	*4,846*
Certificates		79,817	208,928	3,129			291,873	−2,924	288,949
Covered bonds		10,852	52,480	284,878	31,503		379,714	−14,813	364,901
Other bonds		9,084	45,289	142,921	14,348		211,643	−7,525	204,118
Issued securities		99,753	306,698	430,927	45,852		883,230	−25,262	857,968
Debt securities		137	3,262	2,614	4,581		10,594	−603	9,991
Equity instruments						17,352	17,352		17,352
Derivatives						119,511	119,511		119,511
Other liabilities						2,449	2,449		2,449
Financial liabilities at fair value		137	3,262	2,614	4,581	139,311	149,905	−603	149,302
Other liabilities		7,766	100	265	97	19,860	28,088	−11	28,077
of which other financial liabilities		*7,686*	*72*	*67*	*34*	*420*	*8,278*	*−11*	*8,267*
Subordinated liabilities		1	374		55,041		55,415	−11,226	44,189
Untaxed reserves						19,875	19,875		19,875
Equity						118,535	118,535		118,535
Total Liabilities and Equity	929,475	225,281	351,904	443,302	108,943	297,581	2,356,486	−37,814	2,318,672
of which accrued interest deposits and borrowing						*742*	*742*		*742*
of which accrued interest issued securities						*3,021*	*3,021*		*3,021*
Off balance sheet items									
Loan commitments		54,058	57,578	261,473	12,397		385,506		385,506
Acceptances and other financial facilities		21,031	32,636	48,646	43,854		146,166		146,166
Operating lease commitments		3	40	673	4,844		5,560	−494	5,066
Total liabilities, equity and off balance sheet items	929,475	300,372	442,159	754,094	170,037	297,581	2,893,719	−38,308	2,855,411

1) Includes items available overnight.

Average remaining maturity (years)	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Loans to credit institutions	0.43	0.56	0.93	0.90
Loans to the public	4.60	4.29	4.58	4.27
Deposits from credit institutions	1.16	0.32	0.92	0.33
Deposits from the public	0.03	0.06	0.03	0.06
Borrowing from the public	0.19	0.27	0.13	0.13
Certificates	0.46	0.51	0.46	0.51
Covered bonds	3.06	3.12	3.06	3.12
Other bonds	2.98	2.79	2.98	2.79

41 Capital adequacy

Capital management

SEB takes various types of risks in line with the bank's strategy and business plan. In order to sustain these risks and guarantee SEB's long-term survival, the bank must maintain satisfactory capital strength. At the same time, SEB must balance the trade-off between financial reward and overall risk tolerance. In particular, SEB's capital management balances the following dimensions:

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

To meet expectations of shareholders, supervisors and market participants, SEB's capitalisation is based on an assessment of all risks incurred in SEB's business, and forward-looking, aligned with long- and short-term business plans and with expected macroeconomic developments. Furthermore, the capitalisation is stress-tested to identify the potential effect of adverse changes to SEB's financial situation.

Internal capital adequacy assessment process

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

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

Economic capital constitutes an important part of capital adequacy assessment. It is an internal measurement of risk, similar to the rules for capital adequacy in that many of the underlying risk components are the same. The economic capital calculation is based on a confidence level of 99.97 per cent, which is equivalent to the capital requirement for a very high rating. The economic capital or internally assessed capital requirement for SEB Group including insurance risk amounted to SEK 84bn (68). During the fourth quarter, a review of the economic capital methodology and processes resulted in a number of adjustments. This led to an increase in the internal capital requirement though underlying risk remained in principle unchanged.

SEB employs an internal capital allocation framework for measuring return on risk, named business equity. It is similar to regulatory capital models including Pillar 2 requirements and is calibrated with SEB's capital targets.

The regulatory supervisors annually assess SEB and its ICAAP in accordance with the parameters of the Supervisory Review and Evaluation Process (SREP). The assessment covers SEB's capital adequacy, risk measurement models and risk governance, among other things, and in the SREP 2020 it was concluded that SEB is sufficiently capitalised and adequately measures and manages risks.

Regulatory capital requirements

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

i) a Pillar 1 minimum requirements of 8 per cent,
ii) a Pillar 2 requirements (P2R),
iii) a combined buffer requirement, and
iv) a Pillar 2 guidance (P2G).

Per year-end 2020, SEB's applicable CET1 capital requirement was approximately 12.6 per cent (15.1), whereof the pillar 2 requirement was 1.5 per cent. In 2020, the countercyclical buffer for SEB decreased from 1.5 per cent to 0.1 per cent, since most countries in March decided to adopt a countercyclical rate of 0 per cent. Further changes compared to the previous year was attributable to removal of the pillar 2 requirement for systemic risk as part of the Swedish FSA's implementation of the EU Banking package into Swedish law. In addition, a buffer requirement for other systemically important institutions (O-SII) and a pillar 2 requirement for Swedish commercial real estate exposures was implemented. During 2021, the remaining parts of the Banking package will be implemented. As part of the 2021 SREP, the Swedish FSA will introduce the Pillar 2 Guidance (P2G) and remove the pillar 2 requirement for the corporate maturity floor. Based on Swedish FSA's communication around P2G, SEB expects the net effect of these changes to increase the required level of CET1 capital by approximately 1 percentage point.

SEB Consolidated situation – Prudential requirements (explicit or implicit) Dec 2020

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

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

Capital adequacy analysis

	Consolidated situation		Parent company	
	2020	2019	**2020**	2019
Own funds				
Common Equity Tier 1 capital	152,124	131,155	134,055	113,893
Tier 1 capital	164,403	155,398	146,334	138,136
Total own funds	181,835	173,382	163,646	155,921
Own funds requirement				
Risk exposure amount	725,560	745,637	659,989	668,708
Expressed as own funds requirement	58,045	59,651	52,799	53,497
Common Equity Tier 1 capital ratio	21.0%	17.6%	20.3%	17.0%
Tier 1 capital ratio	22.7%	20.8%	22.2%	20.7%
Total capital ratio	25.1%	23.3%	24.8%	23.3%
Own funds in relation to own funds requirement	3.13	2.91	3.10	2.91
Regulatory Common Equity Tier 1 capital requirement including buffer	11.1%	11.5%	7.1%	8.6%
of which capital conservation buffer requirement	*2.5%*	*2.5%*	*2.5%*	*2.5%*
of which systemic risk buffer requirement	*3.0%*	*3.0%*		
of which other systemically important institution buffer requirement (O-SII)	*1.0%*			
of which countercyclical capital buffer requirement	*0.1%*	*1.5%*	*0.1%*	*1.6%*
Common Equity Tier 1 capital available to meet buffer[1)]	16.5%	13.1%	15.8%	12.5%
Leverage ratio				
Exposure measure for leverage ratio calculation	3,226,866	3,063,481	3,025,643	2,948,155
of which on balance sheet items	*2,678,521*	*2,554,625*	*2,487,526*	*2,444,432*
of which off balance sheet items	*548,345*	*508,856*	*538,118*	*503,724*
Leverage ratio	5.1%	5.1%	4.8%	4.7%

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

Own funds

	Consolidated situation		Parent company	
	2020	2019	**2020**	2019
Total equity according to balance sheet[1)]	**171,943**	**155,700**	**148,628**	**134,299**
Accrued dividend	−8,864		−8,864	−13,517
Deconsolidation of insurance companies and other foreseeable charges	−988	−14,075	21	24
Common Equity Tier 1 capital before regulatory adjustments[2)]	**162,091**	**141,626**	**139,786**	**120,806**
Additional value adjustments	−894	−1,033	−874	−1,014
Goodwill	−4,378	−4,471	−3,358	−3,358
Intangible assets	−1,557	−2,217	−1,217	−1,875
Deferred tax assets that rely on future profitability	−11			
Fair value reserves related to gains or losses on cash flow hedges	47	−15	47	−15
Negative amounts resulting from the calculation of expected loss amounts		−816		−325
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	3	19	−159	−151
Defined-benefit pension fund assets	−3,008	−1,761		
Direct and indirect holdings of own CET1 instruments	−169	−176	−169	−176
Total regulatory adjustments to Common Equity Tier 1	**−9,967**	**−10,471**	**−5,731**	**−6,914**
Common Equity Tier 1 capital	**152,124**	**131,155**	**134,055**	**113,893**
Additional Tier I instruments	12,279	24,243	12,279	24,243
Tier 1 capital	**164,403**	**155,398**	**146,334**	**138,136**
Tier 2 instruments	18,606	19,326	18,606	19,326
Net provisioning amount for IRB-reported exposures	476	309	355	109
Holdings of Tier 2 instruments in financial sector entities	−1,650	−1,650	−1,650	−1,650
Tier 2 capital	**17,432**	**17,985**	**17,311**	**17,785**
TOTAL	**181,835**	**173,382**	**163,646**	**155,921**

1) For the parent company Total equity includes Untaxed reserves net of tax.
2) The Common Equity Tier 1 capital is presented on a consolidated basis, and differs from total equity according to IFRS. The insurance business contribution to equity is excluded and there is a dividend deduction calculated according to Regulation (EU) No 575/2013 (CRR).

Note 41 continued *Capital adequacy*

Risk exposure amount

	Consolidated situation				Parent company			
	2020		2019		2020		2019	
Credit risk IRB approach	Risk exposure amount	Own funds requirement[1)]	Risk exposure amount	Own funds requirement[1)]	Risk exposure amount	Own funds requirement[1)]	Risk exposure amount	Own funds requirement[1)]
Exposures to central governments or central banks	13,893	1,111	12,283	983	8,221	658	6,908	553
Exposures to institutions	46,522	3,722	54,421	4,354	45,136	3,611	52,865	4,229
Exposures to corporates	342,199	27,376	369,055	29,524	281,603	22,528	302,737	24,219
Retail exposures	63,740	5,099	67,255	5,380	42,131	3,371	40,717	3,257
of which secured by immovable property	*40,817*	*3,265*	*39,616*	*3,169*	*32,283*	*2,583*	*30,762*	*2,461*
of which retail SME	*5,278*	*422*	*7,094*	*567*				
of which other retail exposures	*17,644*	*1,412*	*20,546*	*1,644*	*9,848*	*788*	*9,955*	*796*
Securitisation positions	1,973	158	1,195	96	1,973	158	1,195	96
Total IRB approach	**468,326**	**37,466**	**504,210**	**40,337**	**379,064**	**30,325**	**404,423**	**32,354**
Credit risk standardised approach								
Exposures to central governments or central banks	966	77	1,361	109				
Exposures to institutions	909	73	1,057	85	18,339	1,467	19,000	1,520
Exposures to corporates	4,905	392	6,505	520	3,024	242	3,025	242
Retail exposures	13,528	1,082	13,691	1,095	8,206	656	7,939	635
Exposures secured by mortgages on immovable property	1,935	155	2,278	182	1,931	155	537	43
Exposures in default	52	4	82	7	26	2	30	2
Exposures associated with particularly high risk	1,043	83	933	75	1,043	83	933	75
Exposures in the form of collective investment undertakings (CIU)	57	5	58	5				
Equity exposures	4,139	331	3,589	287	37,286	2,983	39,676	3,174
Other items	10,327	826	10,735	859	2,807	225	2,688	215
Total standardised approach	**37,860**	**3,029**	**40,290**	**3,223**	**72,662**	**5,813**	**73,827**	**5,906**
Market risk								
Trading book exposures where internal models are applied	28,088	2,247	21,195	1,696	28,088	2,247	21,172	1,694
Trading book exposures applying standardised approaches	8,742	699	6,913	553	8,675	694	6,746	540
Foreign exchange rate risk					3,377	270	3,934	315
Total market risk	**36,830**	**2,946**	**28,107**	**2,249**	**40,140**	**3,211**	**31,852**	**2,548**
Other own funds requirements								
Operational risk advanced measurement approach	50,483	4,039	47,444	3,796	39,928	3,194	36,363	2,909
Settlement risk	3	0	0	0	3	0	0	0
Credit value adjustment	7,336	587	7,932	635	7,336	587	7,868	629
Investment in insurance business	16,633	1,331	16,633	1,331	16,633	1,331	16,633	1,331
Other exposures	5,237	419	4,870	390	1,377	110	1,597	128
Additional risk exposure amount[2)]	102,851	8,228	96,151	7,692	102,845	8,228	96,147	7,692
Total other own funds requirements	**182,544**	**14,604**	**173,030**	**13,842**	**168,122**	**13,450**	**158,606**	**12,688**
TOTAL	**725,560**	**58,045**	**745,637**	**59,651**	**659,989**	**52,799**	**668,708**	**53,497**

1) The Own funds requirement is 8 per cent of risk exposure amount according to Regulation (EU) No 575/2013 (CRR).
2) Additional risk exposure amount according to Article 458, Regulation (EU) No 575/2013 (CRR), for risk-weight floors in the Swedish mortgage portfolio.

Average risk-weight

	Consolidated situation		Parent company	
	2020	2019	2020	2019
Exposures to central governments or central banks	2.9%	3.7%	1.9%	2.5%
Exposures to institutions	21.7%	24.9%	21.7%	25.0%
Exposures to corporates	27.5%	30.2%	24.7%	27.3%
Retail exposures	9.4%	10.3%	7.4%	7.6%
of which secured by immovable property	*6.7%*	*6.9%*	*5.9%*	*6.0%*
of which retail SME	*49.6%*	*57.3%*	*34.6%*	*35.5%*
of which other retail exposures	*29.6%*	*31.8%*	*40.1%*	*41.8%*
Securitisation positions	16.4%	9.6%	16.4%	9.6%

The consolidated SEB Group must also comply with capital requirements concerning combined banking and insurance groups, i.e. financial conglomerates. The combined capital requirement for the SEB financial conglomerate was SEK 155.3bn (181.9) while the Own funds amounted to SEK 222.2bn (219.1). In these total figures, SEB Life and Pension Holding AB has contributed with Solvency II figures from September 30, 2020.

42 Life insurance operations

Income statement	Group 2020	Group 2019
Premium income, net	4,688	4,811
Income investment contracts		
– Own fees including risk gain/loss	1,310	1,455
– Commissions from fund companies	1,801	1,791
	3,110	3,246
Net investment income	898	1,819
Other operating income	334	485
Total income, gross	**9,031**	**10,361**
Claims paid, net	−1,727	−1,538
Change in insurance contract provisions	−3,407	−4,544
Total income, net	**3,897**	**4,279**
Of which from other units within the SEB Group	*1,410*	*1,535*
Direct acquisition costs investment and insurance contracts	−705	−811
Change in deferred acquisition costs	−233	−277
	−937	−1,089
Commissions received and profit share from ceded reinsurance	128	113
Other expenses	−1,621	−1,587
Total expenses	**−2,430**	**−2,563**
Net expected credit losses	1	−1
OPERATING PROFIT	**1,468**	**1,715**

Change in surplus values in division life	2020	2019
Present value of new sales[1)]	955	967
Return on existing policies	1,184	1,190
Realised surplus value in existing policies	−2,485	−2,347
Actual outcome compared to assumptions[2)]	43	−39
Change in surplus values from ongoing business, gross	**−303**	**−228**
Capitalisation of acquisition costs	−74	−74
Amortisation of capitalised acquisition costs	307	351
Change in deferred front end fees	−19	−21
Change in surplus values from ongoing business, net[3)]	**−90**	**29**
Financial effects due to short-term market fluctuations[4)]	133	2,334
Change in assumptions[5)]	176	−838
TOTAL CHANGE IN SURPLUS VALUES[6)]	**219**	**1,525**

Calculations of surplus value in the life insurance operations are based on assumptions of the future development of existing insurance contracts and a risk-adjusted discount rate. The most important assumptions (Swedish unit-linked – which represent 85 per cent (86) of the total surplus value).

	2020	2019
Discount rate	6.5%	6.5%
Growth in fund units, gross before fees and taxes	4.65%	4.65%
Transfer rate	3.73%	3.81%
Lapse rate of regular premiums unit-linked	8.3%	8.2%
Surrender of endowment insurance contracts: contracts signed within 1 year / 1–4 years / 5 years / 6 years / thereafter	1%/5%/11%/9%/7%	2%/6%/13%/12%/8%
Inflation CPI / Inflation expenses	2% / 3%	2% / 3%
Mortality	The group's experience	The group's experience

1) Sales defined as new contracts and extra premiums in existing contracts.
2) The actual outcome of previously signed contracts is compared with previous assumptions and deviations are calculated. Important components are the duration of contracts and cancellations.
3) Acquisition costs are capitalised and amortised according to plan. Certain front end fees are also recorded on the balance sheet and recognized as revenue in the income statement during several years. The reported change in surplus values is adjusted by the net effect of changes in deferred acquisition costs and front end fees during the period.
4) Assumed investment return (growth in fund values) is 4.65 per cent (4.65) gross before fees and taxes. Actual returns results in positive or negative financial effects.
5) Effect of changes in assumptions such as frequency of surrenders, transfers out and assumed expenses. The negative effect in 2019 is related to various changes in assumptions such as positive effect from lower discount rate and negative effect from transfers out, lower growth in funds and higher expenses.
6) The calculated surplus value is not included in the SEB Group's consolidated accounts. The surplus value is net of capitalised acquisition costs and deferred front end fees.

SUMMARISED FINANCIAL INFORMATION FOR GAMLA LIVFÖRSÄKRINGSBOLAGET SEB TRYGG LIV[1)]

Income statement, condensed	2020	2019
Life insurance technical result	2,419	12,175
Other costs and appropriations	−2	13
Taxes	−235	−229
NET RESULT	**2,182**	**11,958**

Balance sheet, condensed		
TOTAL ASSETS	**175,870**	184,226
Total liabilities	84,228	87,364
Consolidation fund / equity	91,545	96,767
Untaxed reserves	97	95
TOTAL LIABILITIES AND EQUITY	**175,870**	**184,226**

1) SEB owns all shares of Gamla Livförsäkringsbolaget SEB Trygg Liv except for a golden share owned by Trygg-Stiftelsen. Gamla Livförsäkringsbolaget SEB Trygg Liv is not consolidated as subsidiary of the group, since the ownership of SEB in Gamla Livförsäkringsbolaget SEB Trygg Liv does not result in control. Current year figures are unaudited.

43 Assets in unit-linked operations

Within the unit-linked business SEB holds, for its customers' account, a share of more than 50 per cent in 25 (19) funds, where SEB is the investment manager. The total value of those funds amounted to SEK 130,879m (145,039) of which SEB, for its customers' account, holds SEK 92,727m (97,936).

44 Interest in unconsolidated structured entities

	Group			Parent company		
Assets, 2020	Special purpose entities	Asset management[1)]	Total	Special purpose entities	Asset management[1)]	Total
Loans to the public	10,549		**10,549**	10,549		**10,549**
Financial assets	16	311,770	**311,786**	16	1,540	**1,556**
of which derivatives	*16*		***16***	*16*		***16***
TOTAL	**10,565**	**311,770**	**322,335**	**10,565**	**1,540**	**12,105**
Liabilities						
Deposits and borrowings from the public	423	1	**424**	423	1	**424**
Financial liabilities	0		**0**			
of which derivatives	*0*		***0***			
TOTAL	**423**	**1**	**424**	**423**	**1**	**424**
Obligations	**669**		**669**	**669**		**669**
The group's maximum exposure to loss	**11,234**	**18,550**	**29,784**	**11,234**	**1,540**	**12,775**

1) Investments in SEB- and non-SEB managed funds

	Group			Parent company		
Assets, 2019	Special purpose entities	Asset management[1)]	Total	Special purpose entities	Asset management[1)]	Total
Loans to the public	11,177	148	**11,324**	11,177	148	**11,324**
Financial assets	8	298,794	**298,802**	8	1,380	**1,388**
of which derivatives	*8*		***8***	*8*		***8***
TOTAL	**11,185**	**298,941**	**310,126**	**11,185**	**1,527**	**12,712**
Liabilities						
Deposits and borrowings from the public	501	1,594	**2,094**	501	1,594	**2,094**
Financial liabilities	1		**1**	1		**1**
of which derivatives	*1*		***1***	*1*		***1***
TOTAL	**502**	**1,594**	**2,095**	**502**	**1,594**	**2,096**
Obligations	**444**		**444**	**444**		**444**
The group's maximum exposure to loss	**11,629**	**16,873**	**28,501**	**11,629**	**1,527**	**13,156**

1) Investments in SEB- and non-SEB managed funds

Interests in unconsolidated structured entities refers to cases when the group has interests in structured entities which it does not control. A structured entity is an entity that is designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The group enters into transactions with structured entities in the normal cause of business for various reasons. Depending on the type of structured entity the purpose is to support customer transactions, to engage in specific investment opportunities and to facilitate the start-up of certain entities.

The group has interests in the following types of structured entities:

Interests in funds

The group establishes and manages funds to provide customers with investment opportunities, SEB is considered to be the sponsor of those funds. Total assets under management represent the size of a fund. Total assets under management of funds managed by SEB are SEK 672bn (685). The total assets of non-SEB managed funds are not publically available and not considered meaningful for understanding related risks, and have therefore not been presented. In some cases the group facilitates the start-up of funds by holding units and it may hold units in funds managed by the group or by a third party for investment purposes within the life business. The funds managed by the group generate income in the form of management fees and performance fees based on the assets under management. The income from asset management is presented in note 5. The maximum exposure to loss is limited to the carrying amount of units held by the group. This amount does not reflect the probable loss.

Interests in other structured entities

The group has had a role in establishing structured entities to support customer transactions. The purpose of these entities is to provide alternative funding and liquidity improvement to the sellers and investment opportunities to investors by purchasing assets and obtain funding for the purchases with the assets as collateral. The group provides senior revolving credit facilities and administrative services to the entities and earn fee and interest income on market based conditions.

The group holds the most senior investments in debt instruments issued by banks, through securitisation vehicles (SPV) whose purpose is to provide alternative funding to the issuers and investment opportunities to investors. The SPVs purchase pools of asset from the originating banks balance sheet, e.g. credit card loans, residential mortgage loans, loans to small and medium sized enterprises and fund these purchases by issuing debt securities with the assets as collateral. The securities have multiple tranches of subordination.

The maximum exposure to loss regarding investments in other structured entities is limited to the carrying amount of the investments and may occur only after losses by creditors with junior exposures. The maximum exposure to loss does not reflect the probability of loss and hedging or collateral arrangements are not considered. The total assets for these entities are not considered meaningful information for the purpose of understanding the related risks and therefore have not been presented.

45 Related parties

	Group					
	Associated companies		Key management		Other related parties	
Group, 2020	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Loans to the public	1,198	14	211	3	71	1
Notional amount of derivatives					1,877	
Deposits and borrowings from the public	39	0	29		1,723	0
Group, 2019						
Loans to the public	653	12	256	4	7	0
Notional amount of derivatives					2,870	
Deposits and borrowings from the public	15	0	30		715	–1

	Parent company			
	Associated companies		Group companies	
Parent company, 2020	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Loans to credit institutions			29,491	117
Loans to the public	1,199	14	8,355	8
Interest-bearing securities			3,350	36
Positive replacement values of derivatives			533	
Other assets	6		1,512	0
TOTAL	**1,205**	**14**	**43,241**	**161**
Deposits from credit institutions			38,849	–143
Deposits and borrowings from the public	39	–2	13,634	4
Negative replacement values of derivatives			994	
Other liabilities	0		188	–3
TOTAL	**39**	**–2**	**53,665**	**–142**
Parent company, 2019				
Loans to credit institutions			39,224	197
Loans to the public	653	13	5,895	16
Interest-bearing securities			3,350	23
Positive replacement values of derivatives			836	
Other assets	6		1,298	0
TOTAL	**659**	**13**	**50,602**	**236**
Deposits from credit institutions			41,475	–565
Deposits and borrowings from the public	15	–1	13,057	–19
Negative replacement values of derivatives			2,649	
Other liabilities	0		191	–3
TOTAL	**15**	**–1**	**57,371**	**–587**

Key management above refers to the Board of Directors and the Group Executive Committee. Entities with significant influence or significantly influenced by key management in the group, and post-employment benefit plans are presented as other related parties. Investor AB and the pension foundation SEB-stiftelsen are within this category as well as close family members to key management. In addition the group has insurance administration and asset management agreements with Gamla Livförsäkringsbolaget SEB Trygg Liv based on conditions on the market. SEB has received SEK 118m (123) under the insurance administration agreement and SEK 256m (256) under the asset management agreement. For more information on Gamla Livförsäkringsbolaget SEB Trygg Liv, see note 42.

The parent company is a related party to its subsidiaries and associates. See note 22, Investments in subsidiaries, associates and joint ventures, for disclosures of investments.

46 Financial assets and liabilities subject to offsetting or netting arrangements

	Financial assets and liabilities subject to offsetting or netting arrangements							
				Related arrangements				
Group, 2020	Gross amounts	Offset	Net amounts in balance sheet	Master netting arrangements	Collaterals received/ pledged	Net amounts	Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
Derivatives	166,111	−1,323	**164,787**	−87,837	−53,700	**23,251**	121	**164,909**
Reversed repo receivables	153,867	−33,878	**119,989**	−8,876	−111,113		5,395	**125,384**
Securities borrowing	12,413		**12,413**		−11,908	**505**	307	**12,719**
Client receivables	1	−1					9,764	**9,764**
ASSETS	**332,391**	**−35,203**	**297,189**	**−96,712**	**−176,721**	**23,755**	**15,587**	**312,776**
Derivatives	162,624	−1,323	**161,300**	−87,837	−52,410	**21,054**	261	**161,561**
Repo payables	42,754	−33,878	**8,876**	−8,876				**8,876**
Securities lending	19,513		**19,513**		−18,408	**1,105**	1	**19,514**
Client payables	1	−1					11,599	**11,599**
LIABILITIES	**224,892**	**−35,203**	**189,689**	**−96,712**	**−70,817**	**22,159**	**11,861**	**201,550**
Group, 2019								
Derivatives	143,112	−4,391	**138,721**	−80,251	−35,229	**23,242**	706	**139,427**
Reversed repo receivables	267,841	−81,176	**186,664**	−8,426	−178,238		1,299	**187,963**
Securities borrowing	20,099		**20,099**		−19,753	**347**	593	**20,692**
Client receivables	82	−82					12,476	**12,476**
ASSETS	**431,134**	**−85,649**	**345,484**	**−88,677**	**−233,220**	**23,588**	**15,074**	**360,558**
Derivatives	125,074	−4,391	**120,682**	−80,251	−27,189	**13,242**	1,510	**122,192**
Repo payables	89,602	−81,176	**8,426**	−8,426				**8,426**
Securities lending	11,502		**11,502**		−10,849	**653**	4	**11,506**
Client payables	82	−82					8,298	**8,298**
LIABILITIES	**226,260**	**−85,649**	**140,610**	**−88,677**	**−38,038**	**13,896**	**9,812**	**150,423**

	Financial assets and liabilities subject to offsetting or netting arrangements							
				Related arrangements				
Parent company, 2020	Gross amounts	Offset	Net amounts in balance sheet	Master netting arrangements	Collaterals received/ pledged	Net amounts	Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
Derivatives	159,380		**159,380**	−84,448	−52,959	**21,973**		**159,380**
Reversed repo receivables	153,867	−33,878	**119,989**	−8,876	−111,113			**119,989**
Securities borrowing	11,908		**11,908**		−11,908			**11,908**
Client receivables	1	−1					9,204	**9,204**
ASSETS	**325,156**	**−33,880**	**291,277**	**−93,324**	**−175,980**	**21,973**	**9,204**	**300,481**
Derivatives	157,529		**157,529**	−84,448	−52,410	**20,671**		**157,529**
Repo payables	42,754	−33,878	**8,876**	−8,876				**8,876**
Securities lending	18,408		**18,408**		−18,408			**18,408**
Client payables	1	−1					10,488	**10,488**
LIABILITIES	**218,693**	**−33,880**	**184,813**	**−93,324**	**−70,817**	**20,671**	**10,488**	**195,301**
Parent company, 2019								
Derivatives	135,713		**135,713**	−77,518	−34,863	**23,331**		**135,713**
Reversed repo receivables	267,841	−81,176	**186,664**	−8,426	−178,238			**186,664**
Securities borrowing	19,861		**19,861**		−19,861			**19,861**
Client receivables	82	−82					11,951	**11,951**
ASSETS	**423,496**	**−81,258**	**342,238**	**−85,944**	**−232,963**	**23,331**	**11,951**	**354,189**
Derivatives	119,511		**119,511**	−77,518	−27,189	**14,803**		**119,511**
Repo payables	89,602	−81,176	**8,426**	−8,426				**8,426**
Securities lending	10,849		**10,849**		−10,849			**10,849**
Client payables	82	−82					6,603	**6,603**
LIABILITIES	**220,043**	**−81,258**	**138,785**	**−85,944**	**−38,038**	**14,803**	**6,603**	**145,388**

The table shows financial assets and liabilities that are presented net in the balance sheet or with potential rights to off-set associated with enforceable master netting arrangements or similar arrangements, together with related collateral.

Financial assets and liabilities are presented net in the balance sheet when SEB has legally enforceable rights to set-off, in the ordinary cause of business and in the case of bankruptcy, and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Repos with central counterparty clearing houses that SEB has agreements with and client receivables and client payables are examples of instruments that are presented net in the balance sheet.

Financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements that are not presented net in the balance sheet are arrangements that are usually enforceable in the case of bankruptcy or default but not in the ordinary course of business or arrangements where SEB does not have the intention to settle the instruments simultaneously.

Assets and liabilities that are not subject to offsetting or netting arrangements, i.e those that are only subject to collateral agreements, are presented as Other instruments in balance sheet not subject to netting arrangements.

47 Pledged assets

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Pledged assets and comparable securities for own liabilities	493,629	496,406	490,032	486,823
Pledged assets for own liabilities to insurance policyholders	362,016	344,121		
Other pledged assets and comparable securities	108,336	91,477	106,252	86,088
TOTAL	**963,981**	**932,004**	**596,284**	**572,911**

Pledged assets and comparable securities for own liabilities[1]

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Repos	47,425	15,184	47,425	15,184
Assets collateralised for issued mortgage covered bonds	332,821	366,154	331,128	362,444
Assets collateralised for issued public covered bonds	673	2,801		
Other collateral	112,710	112,267	111,479	109,195
of which group internal				*168*
TOTAL	**493,629**	**496,406**	**490,032**	**486,823**

1) Transfers that do not qualify for derecognition.

Pledged assets for own liabilities to insurance policyholders

	Group 2020	Group 2019
Assets pledged for insurance contracts	29,624	26,547
Assets pledged for investment contracts[1]	332,392	317,574
TOTAL	**362,016**	**344,121**

1) Shares in funds.

Other pledged assets and comparable collateral

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Bonds[1]	80,735	58,523	80,735	58,523
Securities lending	2,083	5,389		
Other	25,517	27,565	25,517	27,565
TOTAL	**108,336**	**91,477**	**106,252**	**86,088**

1) Pledged but unencumbered bonds.

Transferred financial assets entirely recognized[1]

	Transferred assets				Associated liabilities				Associated collateral received[2]
Group, 2020	Securities lending	Repurchase agreements	Other[3]	Total	Securities lending	Repurchase agreements	Other[3]	Total	Securities lending
Equity instruments	24,344		135	**24,480**	4,645			**4,645**	17,103
Debt securities	34,370	1,832	2,408	**38,610**	2,660	1,832	2,000	**6,491**	28,119
Financial assets held for trading	**58,715**	**1,832**	**2,543**	**63,090**	**7,304**	**1,832**	**2,000**	**11,136**	**45,221**
Group, 2019									
Equity instruments	17,102		407	**17,509**	2,344		234	**2,578**	14,636
Debt securities	7,444	452	684	**8,580**	310	452	524	**1,286**	7,088
Financial assets held for trading	**24,546**	**452**	**1,090**	**26,089**	**2,654**	**452**	**757**	**3,863**	**21,724**

	Transferred assets				Associated liabilities				Associated collateral received[2]
Parent company, 2020	Securities lending	Repurchase agreements	Other[3]	Total	Securities lending	Repurchase agreements	Other[3]	Total	Securities lending
Equity instruments	24,344			**24,344**	4,603			**4,603**	17,103
Debt securities	34,370	1,832	2,408	**38,610**	2,636	1,832	2,000	**6,467**	28,119
Financial assets held for trading	**58,715**	**1,832**	**2,408**	**62,954**	**7,238**	**1,832**	**2,000**	**11,070**	**45,221**
Parent company, 2019									
Equity instruments	17,145		407	**17,552**	2,343		366	**2,709**	14,659
Debt securities	7,444	452	123	**8,019**	315	452		**767**	7,081
Financial assets held for trading	**24,590**	**452**	**530**	**25,571**	**2,658**	**452**	**366**	**3,476**	**21,740**

1) Carrying amount and fair value are the same.
2) Other than cash collateral.
3) Assets provided as collateral for derivatives trading, clearing etc.

Pledged assets

Assets are transferred for repurchase agreements and securities lending agreements. The counterpart has the right to sell or repledge the assets. Other transferred assets refer to assets provided as collateral for derivatives trading, clearing etc., where the title to the instrument has been transferred to the counterparty. The assets continue to be recognised on SEB's balance sheet since SEB is still exposed to changes in the fair value of the assets. The carrying value and fair value of the assets transferred as collateral for liabilities or contingent liabilities are shown in the table above.

SEB issues covered bonds secured by mortgage loans pledged as security according to the local legislation. The pledged securities are mainly residential mortgages in single family homes, tenant owned homes or other residential apartment buildings. The loan-to-value ratio does not exceed 75 per cent. In the event of SEB's insolvency, the holders of the covered bonds have priority to the assets registered as collateral.

Obtained collateral

SEB obtains collateral under reverse repurchase agreements and securities borrowing agreements. Under the terms of standard financial market agreements SEB has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transactions.

More information about the accounting of repurchase agreements and securities lending can be found in the accounting principles.

48 Obligations

	Group		Parent company	
	2020	2019	**2020**	2019
Contingent liabilities	137,341	139,462	141,769	146,166
Commitments	724,933	638,348	667,824	578,619
TOTAL	**862,274**	**777,810**	**809,592**	**724,786**

Contingent liabilities

	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Own acceptances	**1,521**	**2,721**	**1,427**	**2,663**
Financial guarantees given[1]	8,573	8,705	21,045	22,525
of which group internal			*12,532*	*14,583*
Other guarantees given	127,247	128,035	119,296	120,978
of which group internal			*918*	*1,209*
Guarantees given	**135,820**	**136,740**	**140,341**	**143,504**
TOTAL	**137,341**	**139,462**	**141,769**	**146,166**

1) SEB does not regularly securitise its assets and has no outstanding own issues.

Other contingent liabilities

The parent company has a contingent liability to make up DSK HYP AG´s (former SEB AG) annual net losses unless the losses can be made up by withdrawals of other revenue reserve or of capital reserves.

The parent company has issued a deposit guarantee for DSK Hyp AG (former SEB AG) in Germany to the Bundesverband deutscher Banken e.V.

The parent company has issued an irrevocable standby letter of credit in favor of MasterCard in the amount of USD 215m related to card business in the subsidiaries.

Legal proceedings

Within the ordinary course of business SEB is engaged in various legal proceedings, both in Sweden and in other jurisdictions. SEB does not expect these current legal proceedings to have a significant adverse effect on the financial position of the group.

The German Federal Ministry of Finance issued a circular on 17 July 2017 with administrative guidance in relation to withholding taxes on dividends in connection with certain cross-border securities lending and derivative transactions. The circular states an intention to examine transactions executed prior to the change in tax legislation that was enacted 1 January 2016. As communicated by SEB in a press release on 22 December 2020, the tax authority in Frankfurt has requested SEB's German subsidiary DSK Hyp AG to retroactively repay transparently reported withholding tax from more than five years ago. These claims are based on federal administrative guidance that have been applied with a retroactive effect and that are still not clear. It is therefore not possible for SEB to have a well-founded opinion about amounts or timing of potential further reclaims.

SEB is of the opinion that the cross-border securities lending and derivative transactions of SEB under review in Germany were conducted in compliance with then prevailing rules. SEB's external legal advisors conclude that the tax authority's reclaims are in violation of both EU law and German law. Further, it contravenes the practice that the tax authority itself applied until 2016. DSK Hyp will appeal these claims. Hence, to date and in accordance with current accounting rules, no provisions have been made on group level. The legal proceedings are estimated to take up to five years.

Commitments

	Group		Parent company	
	2020	2019	**2020**	2019
Granted undrawn credit facilities	482,380	401,174	466,481	385,506
of which group internal			*23*	
Unutilised part of overdraft facilities	139,149	112,575	104,046	76,074
of which group internal			*17,754*	*12,231*
Repledged collaterals	80,260	98,162	80,282	98,218
of which group internal			*22*	*163*
Other commitments given	23,144	26,437	17,014	18,821
TOTAL	**724,933**	**638,348**	**667,824**	**578,619**

Discretionary managed assets

Discretionary managed assets in the parent company amounted to SEK 416bn (395).

49 Leases

Lessee	Group 2020	Group 2019
Income statement		
Interest expense on lease liabilities (Net interest income)	86	92
Expenses relating to short-term leases (Other expenses)	26	42
Expenses relating to leases of low-value assets (Other expenses)	96	72
Depreciation expense of right-of-use assets (Depreciation, amortisation)[1)]	848	843
TOTAL	**1,056**	**1,049**
Balance sheet		
Right-of-use assets – additions	325	62
Right-of-use assets – closing balance[2)]	5,141	5,288
Lease liabilities (Other liabilities)	5,639	5,854

1) of which Property leases SEK 818m (805) and Other (mainly IT equipment) SEK 30m (38).
2) of which Property leases SEK 5,102m (5,227) and Other (mainly IT equipment) SEK 39m (61).

Lessor

Finance lease	Group 2020	Group 2019
Undiscounted lease payments expected after reporting date and within		
year 1	9,978	8,382
year 2	10,247	10,021
year 3	9,786	10,565
year 4	6,619	7,778
year 5	4,998	7,157
year 6 and later	20,404	20,219
Total undiscounted lease payments receivable	**62,031**	**64,123**
Unearned finance income	−2,800	−3,196
NET INVESTMENT LEASES	**59,232**	**60,927**

Finance income (interest income) on the net investment	1,098	1,232

Lessor portfolio mainly includes transport vehicles, machinery and facilities. Residual value risk is not significant, because of the existence of a secondary market.

The SEB Group

Income Statement

SEK m	2020	2019	2018	2017[1)]	2016
Net interest income	25,143	22,950	21,022	19,893	18,738
Net fee and commission income	18,063	18,709	18,364	17,677	16,628
Net financial income	6,275	7,617	6,079	6,880	7,056
Net other income	236	858	402	1,112	829
Total operating income	**49,717**	**50,134**	**45,868**	**45,561**	**43,251**
Staff costs	−14,976	−14,660	−14,004	−14,025	−14,422
Other expenses	−5,864	−6,623	−7,201	−6,947	−6,619
Depreciation, amortisation and impairment of tangible and intangible assets	−1,906	−1,662	−735	−964	−771
Total operating expenses	**−22,747**	**−22,945**	**−21,940**	**−21,936**	**−21,812**
Gains less losses on disposals of tangible and intangible assets	−7	−2	18	−162	−150
Net expected credit losses[2)]	−6,118	−2,294	−1,166	−808	−993
Operating profit before items affecting comparability	**20,846**	**24,894**	**22,779**	**22,655**	**20,296**
Items affecting comparability	−1,000		4,506	−1,896	−5,429
Operating profit	**19,846**	**24,894**	**27,285**	**20,759**	**14,867**
Income tax expense	−4,100	−4,717	−4,152	−4,562	−4,249
NET PROFIT	**15,746**	**20,177**	**23,134**	**16,197**	**10,618**
Attributable to shareholders	15,746	20,177	23,134	16,197	10,618

1) The 2017 income statement has been restated for the transition to IFRS 15.
2) 2018–2020: IFRS 9 expected loss model. 2016–2017 : IAS 39 incurred loss model.

Balance sheet

SEK m	2020	2019	2018	2017[1) 2)]	2016[1)]
Cash and cash balances and loans to central banks	327,409	151,186	242,408	190,000	217,808
Loans to central banks and credit institutions	50,791	46,995	44,287	38,717	50,527
Loans to the public	1,770,161	1,837,605	1,644,825	1,486,765	1,467,960
Other financial assets	855,351	787,341	606,584	629,907	842,817
Other assets	36,720	33,521	29,412	211,520	41,534
TOTAL ASSETS	**3,040,432**	**2,856,648**	**2,567,516**	**2,556,908**	**2,620,646**
Deposits from central banks and credit institutions	111,309	88,041	135,719	95,489	119,864
Deposits and borrowing from the public	1,371,227	1,161,485	1,111,390	1,032,048	991,950
Other financial liabilities	1,355,604	1,414,917	1,120,487	1,059,241	1,230,863
Other liabilities	30,349	36,505	51,131	228,892	136,993
Total equity	171,943	155,700	148,789	141,237	140,976
TOTAL LIABILITIES AND EQUITY	**3,040,432**	**2,856,648**	**2,567,516**	**2,556,908**	**2,620,646**

1) 2016–2017 have been restated for changes in the presentation of the balance sheet.
2) 2017 has been restated for the transition to IFRS 15.

Key figures

	2020	2019	2018	2017[3)]	2016
Return on equity, %	9.7	13.7	16.3	11.7	7.8
Return on equity excluding items affecting comparability, %	10.3	13.8	13.4	12.9	11.3
Basic earnings per share, SEK	7.28	9.33	10.69	7.47	4.88
Cost/Income ratio	0.46	0.46	0.48	0.48	0.50
Net ECL level[1)], %	0.26	0.10	0.06	0.05	0.07
Common Equity Tier 1 capital ratio[2)], %	21.0	17.6	17.6	19.4	18.8
Tier 1 capital ratio[2)], %	22.7	20.8	19.7	21.6	21.2
Total capital ratio[2)], %	25.1	23.3	22.2	24.2	24.8

1) 2018–2020: Net ECL level based on IFRS 9 expected loss model. 2016–2017: Credit loss level based on IAS 39 incurred loss model.
2) Basel III.
3) 2017 has been restated for the transition to IFRS 15.

Parent company

Income Statement

SEKm	2020	2019	2018	2017	2016
Net interest income	25,707	23,402	21,860	20,017	19,242
Net fee and commission income	10,698	10,461	10,064	9,557	8,843
Net financial income	5,297	5,838	4,574	4,493	4,642
Other income	3,532	6,930	10,900	8,323	7,398
Total operating income	**45,234**	**46,631**	**47,398**	**42,390**	**40,125**
Administrative expenses	−17,372	−16,345	−15,263	−14,252	−15,039
Depreciation, amortisation and impairment of tangible and intangible assets	−5,683	−5,749	−5,512	−6,377	−5,775
Total operating costs	**−23,055**	**−22,094**	**−20,775**	**−20,629**	**−20,814**
Profit before credit losses	**22,179**	**24,537**	**26,623**	**21,761**	**19,311**
Net expected credit losses	−5,550	−2,044	−1,020		
Net credit losses				−749	−789
Impairment of financial assets	−220	−741	−2,928	−1,497	−3,841
Operating profit	**16,409**	**21,752**	**22,675**	**19,515**	**14,681**
Appropriations including pension compensation	2,390	2,694	2,716	1,885	2,437
Taxes	−4,185	−4,140	−3,671	−3,590	−2,740
NET PROFIT	**14,614**	**20,305**	**21,720**	**17,811**	**14,378**

Balance sheet

SEKm	2020	2019	2018	2017[1]	2016[1]
Cash and cash balances at central banks	294,391	110,104	164,081	97,741	70,671
Loans to central banks and credit institutions	71,027	92,450	120,333	198,781	287,059
Loans to the public	1,569,310	1,601,243	1,410,687	1,205,906	1,192,569
Other financial assets	521,530	472,945	334,801	343,890	401,831
Other assets	40,852	41,930	48,373	45,845	47,714
TOTAL ASSETS	**2,497,110**	**2,318,672**	**2,078,275**	**1,892,163**	**1,999,844**
Deposits from central banks and credit institutions	147,831	126,891	160,022	134,561	168,852
Deposits and borrowing from the public	1,198,833	973,834	927,224	849,479	812,506
Other financial liabilities	981,523	1,059,727	846,685	770,333	885,528
Other liabilities	16,427	19,810	10,794	11,599	9,823
Total equity and untaxed reserves	152,496	138,410	133,550	126,191	123,135
TOTAL LIABILITIES, UNTAXED RESERVES AND EQUITY	**2,497,110**	**2,318,672**	**2,078,275**	**1,892,163**	**1,999,844**

1) 2016–2017 have been restated for changes in the presentation of the balance sheet.

Key figures

	2020	2019	2018	2017	2016
Return on equity, %	10.4	15.9	18.1	16.3	12.6
Cost/Income ratio	0.51	0.47	0.44	0.49	0.52
Net ECL level[1], %	0.26	0.10	0.07	0.05	0.06
Common Equity Tier 1 capital ratio[2], %	20.3	16.9	16.9	19.8	18.8
Tier 1 capital ratio[2], %	22.2	20.6	19.3	22.5	21.7
Total capital ratio[2], %	24.8	23.2	22.2	25.5	26.1

1) 2018–2020: Net ECL level based on IFRS 9 expected loss model. 2016–2017: Credit loss level based on IAS 39 incurred loss model.
2) Basel III.

Proposal for the distribution of profit

Standing at the disposal of the Annual General Meeting in accordance with the balance sheet of Skandinaviska Enskilda Banken AB:

	SEK
Fair value fund	–480,020,354
Retained earnings	84,058,378,006
Net profit for the year	14,613,907,924
Total[1)]	**98,192,265,576**

The Board proposes that, following approval of the balance sheet of Skandinaviska Enskilda Banken AB for the financial year 2020, the Annual General Meeting should distribute the earnings as follows:

	SEK
Dividend to shareholders:	
– SEK 4.10 per Class A share	8,897,079,105
– SEK 4.10 per Class C share	99,025,283
To be carried forward to:	
– retained earnings	89,196,161,188
Total	**98,192,265,576**

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands which are imposed by the nature, scope, and risks associated with the business and the size of the parent company's and the group's equity and need for consolidation, liquidity and financial position in general.

1) The parent company's equity would have been SEK 4,996 m lower if assets and liabilities had not been measured at fair value in accordance with Chapter 4, Section 14 of the Swedish Annual Accounts Act.

Signatures of the Board of Directors and the President

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a relevant and faithful representation of the group's financial position and results of operations.

The financial statements of the parent company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the parent company's financial position and results of operations.

The Report of the Directors for the group and the parent company provides a fair review of the development of the group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and companies included in the group.

Stockholm 23 February 2021

Marcus Wallenberg
Chair

Sven Nyman
Vice chair

Jesper Ovesen
Vice chair

Signhild Arnegård Hansen
Director

Anne-Catherine Berner
Director

Winnie Fok
Director

Lars Ottersgård
Director

Helena Saxon
Director

Anna-Karin Glimström
Director
Appointed by the employees

Charlotta Lindholm
Director
Appointed by the employees

Johan Torgeby
President and Chief Executive Officer
Director

Auditor's report

To the general meeting of the shareholders of Skandinaviska Enskilda Banken AB (publ), corporate identity number 502032-9081

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Skandinaviska Enskilda Banken AB (publ) ("SEB" or "the Group") for the year 2020 except for the corporate governance statement on pages 80–95. The annual accounts and consolidated accounts of the company are included on pages 59–191 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the Group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 80–95. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Provision for Expected Credit Losses ("ECL")

Description

As of 31 December 2020, loans amount to 1 824 586 mSEK for the Group, which represents 64 % of the Group's total assets. The total credit risk exposure, including off-balance commitments, amounts to 2 487 796 mSEK for the Group. The provision for expected credit losses amounts to 10 165 mSEK for the Group.

In order to provide for expected credit losses, SEB uses both models and credit expert judgement to consider factors not captured by the models.

Expected credit losses shall be measured in a way that reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes and is based on past events, current conditions and forecasts of future economic conditions.

The provision for expected credit losses requires SEB to make assessments of the key model assumptions. For example, assessments are made of the criteria to identify a significant increase in credit risk, current and forward-looking information such as the effect of the current COVID-19 pandemic and the impact of development in specific industries on the ECL. Due to the use of judgement in applying the expected credit loss measurement criteria, the materiality of the credit risk exposure, the complexity of the calculation, and the effect on the ECL, provisioning for expected credit losses has been considered a key audit matter.

How our audit addressed this key audit matter

We have tested the design and operating effectiveness of key controls in the credit process, including credit approval, credit review, rating classification as well as identifying and determining loans in default. We have also tested controls relating to input data to models and the general IT-controls including the handling of authorizations within the relevant systems.

We have assessed the models including the assumptions and input parameters as well as assessed how the models calculates. Our assessment of input parameters includes probability of default, loss given default, exposure at default and staging criteria parameters determining a significant increase in credit risk at engagement level in accordance with IFRS 9. For engagements subject to individual assessment by SEB, we have assessed collateral valuation in the audit procedures, including in the assessment of model overlays and SEB's expert credit judgment.

We have on a sample basis assessed SEB's initial and current engagement risk rating. We have tested that data used from supporting systems used in the models, are complete and accurate. We have also assessed the model validations which have been performed and reviewed the reasonableness of the macroeconomic data used in the models. We have assessed the reasonableness of the credit expert judgement made by SEB, e.g. pertaining to effects of the COVID-19 pandemic and sector specific industry development on the ECL.

In our audit we have used our internal model specialists when performing our audit procedures.

We have assessed the disclosures in the annual accounts related to ECL. Such information is found in the annual accounts in notes 1 and 18.

Valuation of financial instruments at fair value

Description

SEB holds financial instruments where unadjusted quoted market prices are not readily available. For such instruments fair value is determined either using valuation techniques based on observable market parameters (categorized as level 2 under IFRS fair value hierarchy) or using valuation techniques with significant unobservable inputs (categorized as level 3 under IFRS fair value hierarchy).

The Group has financial assets and financial liabilities in level 2 of 445 711 mSEK and 199 949 mSEK and financial assets and liabilities in level 3 of 14 776 mSEK and 859 mSEK respectively. The main part of the financial instruments in level 2 are comprised of loans, deposits, debt securities and derivative contracts. Financial instruments in level 3 primarily consist of unlisted equity securities. Due to the complexity in the calculation of fair value, the materiality of the financial instruments, as well as the need for SEB to make judgements with respect to valuation parameters, the valuation of financial instruments with no readily available unadjusted quoted market prices, has been considered a key audit matter.

How our audit addressed this key audit matter

We have tested the key controls in the valuation process, including SEB's assessment and approval of assumptions and methods used in model-based calculations, control of data input as well as the handling of changes in internal valuation models. We have also tested the general IT-controls including the handling of authorizations with respect to relevant IT-systems for the valuation process.

We have assessed SEB method for valuing financial instruments with no readily available quoted market prices, including the classification in the valuation hierarchy in accordance with IFRS 13.

Furthermore, we have assessed the assumptions made by SEB when valuating financial instruments with no readily available quoted market prices. We have compared the valuation models to valuing guidelines and industry practice. We have compared input parameters to appropriate reference sources when available and examined any significant deviations.

We have also tested the mathematical accuracy of the valuations through sample tests and performed our own independent valuations.

In our audit we have engaged our internal valuation specialists when performing our audit procedures.

We have assessed the disclosures in the annual accounts related to Valuation of financial instruments at fair value. Disclosures on the financial instruments at fair value are found in the annual accounts in notes 1 and 36.

Uncertain tax positions

Description

SEB is subject to taxation in many jurisdictions and in many cases the final tax treatment is not determined until resolved with the relevant tax authority. Consequently, SEB makes judgements about the probability and amount of tax liabilities which are subject to assessments by tax authorities and potentially associated with legal processes. Given the complexity of the assessments, the expected time to resolutions that may be years into the future, and the wide range of possible outcomes, uncertain tax positions has been considered a key audit matter.

How our audit addressed this key audit matter

We have assessed whether SEB's method for assessing uncertain tax positions is in accordance with IFRS, including SEB's assessment of the probability thresholds in key cases. We have substantively tested the process for uncertain taxes and related tax assessments and tax liability estimates. In performing these procedures, we have used our specialists to examine potential implications of ongoing tax audits and similar processes. We have obtained correspondence with tax authorities and opinions SEB has received from its external legal advisers.

We have also independently assessed matters in dispute and the accounting treatment.

We have assessed of the disclosures in the annual accounts related to uncertain tax positions. Disclosures on the uncertain tax positions are found in the annual accounts in note 1 and 48.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–58 and 196–215. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and the consolidated accounts is located at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Skandinaviska Enskilda Banken AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the administration is located at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 80–95 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB was appointed auditor of Skandinaviska Enskilda Banken AB (publ) by the general meeting of the shareholders on the 29 of June 2020 and has been the company's auditor since the 26 of March 2019.

Stockholm February 23, 2021
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Sustainability notes and GRI Index

Contents	Page

Sustainability notes

Financial strength and resilience

Direct economic value generated and distributed	Note	Unit	2020	2019	2018	2017
Gross income	1	SEKm	67,022	74,374	67,799	67,660
Total operating income		SEKm	49,717	50,134	45,868	45,561
Total operating expenses		SEKm	22,747	22,945	21,940	21,936
Interest expense		SEKm	12,435	18,772	18,277	16,580
Fee and commission expense		SEKm	4,870	5,467	5,654	5,519
Other expenses		SEKm	5,864	6,623	7,201	6,947
Staff costs		SEKm	14,976	14,660	14,004	14,025
Employee salary and other compensation		*SEKm*	*10,231*	*10,035*	*9,432*	*9,355*
Employees – pension costs, benefits, education and other staff related costs		*SEKm*	*2,233*	*2,056*	*2,019*	*2,187*
Employee social charges		*SEKm*	*2,512*	*2,568*	*2,553*	*2,483*
Regulatory fees including resolution and deposit guarantee fees		SEKm	1,248	2,129	2,495	1,798
Income tax expense	2	SEKm	4,100	4,717	4,152	4,562
Dividends (to shareholders)	3	SEKm	8,996		14,065	12,461
Net profit		SEKm	15,746	20,177	23,134	16,197
Financial assistance received from government		SEKm				
Economic contribution to community investments	4	SEKm	42.9	46.6	50.2	50.7
This years profit that is reinvested into the bank		SEKm	6,750	20,177	9,069	3,783

1) Direct economic value generated and distributed is presented in accordance with the outline in SEB's annual report.
2) Tax by country, see p. 117 (Geographical information), and Country-by-country reporting, p. 207.
3) Proposed dividend for one financial year is paid out to shareholders the following year (dependent AGM resolution). The 2019 dividend proposal was withdrawn, 2019 table has been revised.
4) Previous years' figures have been revised, see page 205.

Advisory and innovation

	Note	Unit	2020	2019	2018	2017
Startups						
Number of startups	1	Number	17,399	16,628	15,388	17,731
Greenhouse concept	2					
Number of clients participating in Scaleup summit (event)		Number	718	500	600	
Number of clients participating in Scaleup club (digital events)		Number	5,000	600	800	
Number of companies participating in Scaleup lab (10 week program)	3	Number		13	18	
Number of companies participating in Scaleup Academy (12 month program)		Number	15	13	27	
Number of clients participating in Sustainability business program	4	Number	8			

1) Startup is defined as a company that has no previous organizational number or activity registered, but is classified as a payment customer.
2) The Greenhouse concept is a solution for growing companies with a turnover of around 10 million SEK or more. SEB provides services and carefully selected partners to help develop the business.
3) Previous program format transferred to individual partner-offering.
4) New initiative 2020.

Sustainable financing

	Note	Unit	2020	2019	2018	2017
Green loan						
Green loans	1	SEK bn	24.7	19.0	16.0	13.2
Green mortgages		SEK bn	4.0	1.5	0.2	
Green bonds						
Aggregated						
Green bonds underwritten by SEB since inception (excluding self-led)		USD bn	34.4	29.6	22.8	17.8
Green bonds underwritten by SEB since inception, global share		%	4.1	5.2	5.4	6.3
Current year						
Green bonds issued globally current year, total amount	2	USD bn	303.2	262.5	182.1	172.4
Green bonds underwritten by SEB current year (excluding self-led)		USD bn	4.7	7.0	5.0	4.0
Green bonds underwritten by SEB current year, global share		%	1.6	3.8	3.7	3.5
Green bonds underwritten by SEB current year, Nordic share	3	%	20.2	32.3	35.2	
Equator Principles						
Project finance transactions						
of which Category A transactions approved		Number	0	0	1	0
of which Category B transactions approved		Number	3	3	1	2
of which Category C transactions approved		Number	1	0	0	0
Project related corporate loans						
of which Category A transactions approved		Number	1	0	0	0
of which Category B transactions approved		Number	0	0	0	0
of which Category C transactions approved		Number	0	0	0	0

1) Green loans includes loans and leases to customers which promotes the transition to a low carbon and climate resilient development as well as environmental and ecosystem improvements. The green loans include project financing within EU, UK and Nordic region, which fulfil the sustainability criteria in SEB Green Bond framework.
2) The source for Green Bond data is Bloomberg, Green Bond League table, except for row Green Bonds issued globally, current year, where BloombergNEF is the source.
3) SEB's share of global transaction, all currencies, by Nordic banks.

Procurement

	Note	Unit	2020	2019	2018	2017
Suppliers						
Number of suppliers		Number	8,915	11,300	11,000	11,500
Total spent on procurement		SEK bn	10.4	10.7	9.5	8.6
Total number of suppliers screened and rated by EcoVadis (since 2014)		Number	226	224	213	
Number of suppliers screened and rated by EcoVadis, current year		Number	2	11		
Rating of suppliers screened by EcoVadis	1					
Outstanding rating 85-100p		%	0	0	0	0
Advanced rating 65-85p		%	15	14	15	15
Confirmed rating 45-64p		%	60	60	57	56
Partial rating 25-44p		%	25	26	28	29
No rating 0-24p		%	0	0	0	0

1) To identify the sustainability risks among our suppliers, we perform, when applicable, an initial assessment of suppliers using an internal risk model that takes country, industry sector and business criticality into account. The suppliers that are identified in the internal risk assessment as having an increased risk level will also go through EcoVadis' screening. These suppliers cover around 42 per cent of total supplier costs, i.e. around 200 of the total number of suppliers. The EcoVadis assessment focuses on four themes: Environment, Labor Practices & Human Rights, Fair Business Practices and Sustainable Procurement. The issues assessed and their relative weight vary based on the company's activities, size, and geographic location.

Sustainable investments

	Note	Unit	2020	2019	2018	2017
Assets under management						
Assets under management, AuM (SEB total)		SEKbn	2,106	2,041	1,699	1,830
Assets under management, AuM (managed by SEB Fund company)	1	SEKbn	672	685	567	
Principles for Responsible Investments, PRI						
AuM (SEB Fund company) evaluated according to PRI, share of AuM (SEB total)	1	%	32	33	32	34
AuM (SEB Fund company) evaluated according to PRI, share of AuM (SEB Fund company)	2	%	100	100	100	
SEB's external fund managers that have signed PRI, share		%	100	100	100	97
Carbon emission (CO_2) measurements						
SEB equity funds where carbon emissions are measured and have an official benchmark		%	95	94	92	92
Sustainability criteria assessment	3					
SEB funds assessed with sustainability criteria		SEKbn	304	256	188	158
AuM assessed with sustainability criteria, as share of AuM (SEB Fund company)	1	%	45	37	33	25
SEB funds assessed with sustainability criteria, as share of AuM (SEB total)		%	14	13	11	9
Human Rights assessment						
SEB funds assessed with human rights criteria, as share of AuM (SEB Fund company)		%	100	100	100	100
SEB funds assessed with human rights criteria, as share of AuM (SEB total)	1	%	32	32	32	34
Influence and engagement						
Total engagement dialogues with portfolio companies		Number	2,089	1,564	889	791
Share of engagement dialogues with Nordic portfolio companies		%	3	1	2	
Share of of engagement dialogues in collaboration with external parties		%	97	97	97	
Companies excluded from the investment portfolio in accordance with SEB's ethical investment guidelines		Number	1,540	1,062	835	814
Nomination committees		Number	33	33	33	31
Engagement themes						
Human rights		Number	20	20	52	52
Palm oil		Number	25	25	24	25
Environment		Number	160	161	177	114
Water disclosure		Number	965	515		
SEB Impact and Thematic funds						
Total value						
Microfinance funds, Impact Opportunity Fund, Green Bond Fund and Lyxor SEB Impact Fund		SEKbn	12.2	11.2	8.0	5.6
Microfinance funds	4					
Assets under Management (SEK)		SEKbn	8.1	8.6	7.0	5.6
Assets under Management (USD)		USDm	965	970	777	716
Number of microfinance funds		Number	7	7	6	6
Number of countries		Number	60	59	49	38
Number of customers reached via microfinance institutions (MFI:s)		Number	22,269,236	25,384,944	23,559,776	19,203,334
Green Bond Fund						
Assets under Management		SEKbn	2.0	1.2	1.0	
Lyxor SEB Impact Fund						
Assets under Management		SEKbn	2.1	1.4		

1) Definition of AuM for SEB-labelled mutual funds was further clarified, leading to an overall lower AuM figure. 2017-2019 figure has been adjusted proforma, also affecting calculated share.
2) Share of AuM, 2017-2019, excluding "SEB Sverige Indexfond".
3) Read more about SEB's sustainability criteria on www.sebgroup.com "About the fund management company SEB IM AB – our sustainability work".
4) All data concerning the microfinance funds also includes SEB Impact Opportunity Fund. The SEB Impact Opportunity Fund invests mainly in microfinance institutions but has a broader mandate, e.g. solar energy and education. Similar to the microfinance funds this fund invests in emerging and frontier markets.

Business ethics and conduct / Crime prevention / Competence

	Note	Unit	2020	2019	2018	2017
Whistleblowing						
Number of whistleblowing cases (WhistleB)	1		31	23	27	
Reporting						
Suspicious orders and transactions reported to Finansinspektionen (Market Abuse)		Number	9	33	36	63
Share of Market Abuse reports being manual tips from employees or external sources		%	3	6	14	21
Share of Market Abuse reports being insider dealing		%	8	79	89	81
Suspicious AML activity reports reported to Finanspolisen	2	Number	1,810	1,224	523	504
Share of AML reports being manual tips from employees or external sources		%	68	63	71	55
Employees that have completed mandatory training (sorted by employee category)	3					
All employees	4					
Anti-money laundering		*Total number (%)*	*16,321 (93.2)*	*18,589 (86)*	*96.1*	*93.4*
Fraud prevention		*Total number (%)*	*15,211 (86.9)*	*18,978 (87.8)*	*93.0*	*88.1*
Cyber security		*Total number (%)*	*15,404 (88)*	*19,194 (88.8)*	*92.6*	*84.4*
Code of Conduct		*Total number (%)*	*15,225 (87)*	*19,064 (88.2)*	*89.7*	*84.9*
General Data Protection Regulation/GDPR	*5*	*Total number (%)*	*12,340 (70.5)*	*19,000 (87.9)*	*85.7*	
Climate change	*5*	*Total number (%)*	*10,438 (59.6)*			
Top Management: Group Executive Committee						
Anti-money laundering		*Total number (%)*	*11 (78.6)*	*10 (83.3)*		
Fraud prevention		*Total number (%)*	*7 (50)*	*10 (83.3)*		
Cyber security		*Total number (%)*	*9 (64.3)*	*10 (83.3)*		
Code of Conduct		*Total number (%)*	*7 (50)*	*10 (83.3)*		
General Data Protection Regulation/GDPR	*5*	*Total number (%)*	*5 (35.7)*	*9 (75)*		
Climate change	*5*	*Total number (%)*	*5 (35.7)*			
Senior managers						
Anti-money laundering		*Total number (%)*	*242 (97.6)*	*247 (84.9)*		
Fraud prevention		*Total number (%)*	*217 (87.5)*	*250 (85.9)*		
Cyber security		*Total number (%)*	*224 (90.3)*	*253 (86.9)*		
Code of Conduct		*Total number (%)*	*214 (86.3)*	*250 (85.9)*		
General Data Protection Regulation/GDPR	*5*	*Total number (%)*	*173 (69.8)*	*252 (86.6)*		
Climate change	*5*	*Total number (%)*	*157 (63.3)*			
Employees that have completed mandatory training (sorted by region)	3					
Sweden						
Anti-money laundering		*Total number (%)*	*8,805 (91.5)*	*10,014 (83.3)*		
Fraud prevention		*Total number (%)*	*8,158 (84.7)*	*10,147 (84.4)*		
Cyber security		*Total number (%)*	*8,246 (85.7)*	*10,279 (85.5)*		
Code of Conduct		*Total number (%)*	*8,164 (84.8)*	*10,159 (84.5)*		
General Data Protection Regulation/GDPR	*5*	*Total number (%)*	*6,470 (67.2)*	*10,159 (84.5)*		
Climate change	*5*	*Total number (%)*	*5,495 (57.1)*			
Other Nordic countries						
Anti-money laundering		*Total number (%)*	*962 (95)*	*1,134 (74.9)*		
Fraud prevention		*Total number (%)*	*880 (86.9)*	*1,394 (92.1)*		
Cyber security		*Total number (%)*	*910 (89.8)*	*1,399 (92.4)*		
Code of Conduct		*Total number (%)*	*892 (88.1)*	*1,393 (92)*		
General Data Protection Regulation/GDPR	*5*	*Total number (%)*	*753 (74.3)*	*1,358 (89.7)*		
Climate change	*5*	*Total number (%)*	*644 (63.6)*			
Baltic countries						
Anti-money laundering		*Total number (%)*	*5,489 (97)*	*6,343 (93.3)*		
Fraud prevention		*Total number (%)*	*5,180 (91.6)*	*6,316 (92.9)*		
Cyber security		*Total number (%)*	*5,216 (92.2)*	*6,384 (93.9)*		
Code of Conduct		*Total number (%)*	*5,163 (91.3)*	*6,384 (93.9)*		
General Data Protection Regulation/GDPR	*5*	*Total number (%)*	*4,251 (75.1)*	*6,377 (93.8)*		
Climate change	*5*	*Total number (%)*	*3,550 (62.8)*			
Other world						
Anti-money laundering		*Total number (%)*	*1,065 (88.2)*	*1,091 (85.2)*		
Fraud prevention		*Total number (%)*	*993 (82.3)*	*1,124 (87.8)*		
Cyber security		*Total number (%)*	*1,032 (85.5)*	*1,129 (88.2)*		
Code of Conduct		*Total number (%)*	*1,006 (83.3)*	*1,126 (88)*		
General Data Protection Regulation/GDPR	*5*	*Total number (%)*	*866 (71.7)*	*1,102 (86.1)*		
Climate change	*5*	*Total number (%)*	*749 (62.1)*			

1) The external whistleblowing function has been in use since January 2018. The reported complaints cover different areas, such as breach of the Code of Conduct, fraud, harassment and money laundering.
2) The amount of reports has increased significantly throughout the Group, mainly due to high awareness and more resources being allocated for money laundering investigations during 2019.
3) The trainings are mandatory to perform either every year or every three years for all of SEB employees, including consultants. Employees that were on leave of absence during the whole year have been excluded. Anti-corruption is included in the Code of Conduct training.
4) In 2017 consultants were only included in the Code of Conduct training.
5) An updated GDPR training was released In August 2020 and a new training regarding Climate change in November 2020 (due in March 2021), which resulted in lower completion rates in 2020 compared to previous years.

Our people

	Note	Unit	2020	2019	2018	2017
Employee information						
Average number of employees	1	Number	16,007	15,691	15,684	15,946
Employees by gender						
Male		%	44.2	43.8	43.4	43.2
Female		%	55.8	56.2	56.6	56.8
Employees by age group						
Total employees						
<30 years		%	*18.2*	*18.1*	*17.6*	*16.6*
30-50 years		%	*55.2*	*57.9*	*55.8*	*56.6*
>50 years		%	*26.6*	*24.0*	*26.6*	*26.8*
All managers						
<30 years		%	*2*	*2*	*2*	*2*
30-50 years		%	*64*	*68*	*68*	*68*
>50 years		%	*34*	*30*	*30*	*30*
Gender by management type (male/female)						
Board of Directors	2	%	56/44	64/36	67/33	64/36
Top Management: Group Executive Committee	3	%	64/36	69/31	77/23	83/17
Senior managers		%	64/36	64/36	66/34	69/31
Employees by employment contract/type						
Permanent		%	95	95	95	95
Temporary		%	5	5	5	5
Employees working full-time		%	95	94	94	93
Employees working part-time		%	5	6	6	7
By gender and employment contract/type (male/female)						
Permanent		%	44/56	44/56	43/57	44/56
Temporary		%	48/52	45/55	46/54	43/57
Employees working full-time		%	46/54	45/55	45/55	45/55
Employees working part-time		%	19/81	20/80	18/82	20/80
By region						
Sweden						
Permanent		%	*95.4*	*94.4*	*94.5*	*94.8*
Temporary		%	*4.6*	*5.6*	*5.5*	*5.2*
Other Nordic countries						
Permanent		%	*97.5*	*96.5*	*95.4*	*96.0*
Temporary		%	*2.5*	*3.5*	*4.6*	*4.0*
Baltic countries						
Permanent		%	*96.4*	*95.6*	*96.0*	*95.7*
Temporary		%	*3.6*	*4.4*	*4.0*	*4.3*
Other world						
Permanent		%	*92.1*	*93.3*	*97.1*	*98.4*
Temporary		%	*7.9*	*6.7*	*2.9*	*1.6*
Parental leave in days (Sweden)						
Men		Number	24,800	24,700	24,600	24,400
Women		Number	55,100	59,900	57,600	63,400
Total		Number	79,900	84,600	82,200	87,800
Share of men		%	31	29	30	28
Share of women		%	69	71	70	72

New employee hires	Note	Unit	2020	2019	2018	2017
New employee hires, total		Number	1,921	1,998	1,893	1,622
By age group (% of total staff)						
≤29		*%*	*52*	*50*	*56*	*57*
30-39		*%*	*31*	*32*	*28*	*28*
40-49		*%*	*11*	*13*	*11*	*11*
50≥		*%*	*6*	*5*	*4*	*4*
By gender						
Male		*Number*	*942*	*971*	*899*	*697*
Female		*Number*	*979*	*1,027*	*994*	*925*
By region						
Sweden		*Number*	*935*	*704*	*721*	*606*
Estonia		*Number*	*100*	*113*	*87*	*101*
Latvia		*Number*	*311*	*315*	*267*	*193*
Lithuania		*Number*	*431*	*586*	*547*	*504*
Nordic countries (excl Sweden)		*Number*	*45*	*84*	*103*	*91*
Germany		*Number*	*15*	*72*	*36*	*14*
Other world		*Number*	*84*	*124*	*132*	*113*
Employee turnover						
Employee turnover, total		%	8.6	12.1	12.9	12.8
Male		%	8.3	12.6	13.2	13.8
Female		%	9.0	11.8	12.5	11.9
Voluntary turnover	4	%	7.1	10.8	11.5	
By age group (% of total staff)						
≤29		*%*	*14*	*22*	*21*	*21*
30-39		*%*	*9*	*13*	*13*	*12*
40-49		*%*	*6*	*9*	*9*	*10*
50≥		*%*	*9*	*7*	*11*	*11*
By country /region						
Sweden		*%*	*6.0*	*9.3*	*10.6*	*10.7*
Lithuania		*%*	*13.0*	*16*	*15.9*	*15.6*
Latvia		*%*	*11.4*	*17*	*16.8*	*15.1*
Estonia		*%*	*8.1*	*10.1*	*11.2*	*10.6*
Nordic countries (excl Sweden)		*%*	*9.1*	*6.8*	*10.3*	*11.4*
Germany		*%*	*22.9*	*32.9*	*29.0*	*27.1*
Other world		*%*	*7.9*	*17.6*	*15.5*	*16.2*
Labour management						
Minimum notice period regarding operational changes (Sweden)	5	Weeks	12	12	12	12
Percent of employees with collective or local bargaining agreement or covered by labour law		%	100	100	100	100
Percent of employees with collective or local bargaining agreement in Nordic countries, Germany and Luxembourg	6	%	96.1	96.0	96.0	96.3
Percentage of employees covered by collective bargaining agreement in Sweden		%	100	100	100	100
Health and workplace						
Absentee rate, share of ordinary working hours	7	%	3.75	3.3	3.34	3.34
Sick-leave rate, share of ordinary working hours						
Sweden		%	3.28	2.87	2.87	2.86
Women/Men		%	4.52/2.06	3.97/1.77	3.89/1.83	4.02/1.70
Health and work environment						
Share of documented annual work environment reviews	8	%	71	80	80	86
Share of employees covered by Health & Safety management system or similar		%	100	100	100	100
Share of employees represented in formal Health and safety committees	9	%	100	100	100	100

Learning and engagement	Note	Unit	2020	2019	2018	2017
Average hours of training	10					
Per employee		Hours	15	16	16	10
Per Female employee/Male employee		Hours	16/13	18/13	18/13	12/8
All Managers		Hours	14	20	18	18
Money invested in Learning and Development per employee	10	SEK	10,122	14,794	15,564	9,527
Employees participating in leadership/talent development programmes	10, 11	Number	1,444	1,896	1,335	820
By application		Male/ Female	571/781	1,012/770	190/256	284/202
By nomination		Male/ Female	43/49	66/48	431/458	183/151
Global Talent Review	10, 12	Number	1,639	1,785	1,826	1,815
Men		%	56	56	58	57
Women		%	44	44	42	43
Employee survey, Glint	13					
Employee participation rate in employee survey		%	91	92		
How happy are you working at SEB		%	80	80		
I would recommend SEB as a great place to work		%	80	79		
SEB's commitment to sustainability is genuine		%	79	79		
I have good opportunities to learn and grow at SEB		%	78	78		
Regardless of background everyone at SEB has equal opportunity to succeed		%	75	74		
People at SEB live the company values		%	74	74		
Employee survey, Insight (2017-2018)	13					
Employee participation rate in employee survey, Insight		%			88	88
Employee engagement index		%			79	77
Performance excellence index		%			82	81
I am satisfied with my opportunities for development		%			70	67
SEB's work to integrate sustainability is important for our business and the long term profitability of the bank		%			89	88

1) Information regarding average number of employees have been revised in this table for year 2017 and 2018 (previous figures referred to FTE), which are the figures used for compiling information per employee.
2) Deputy directors and directors appointed by the employees are not included. See p. 84–88 for full overview of the Board.
3) Group Executive Committee as per 2020-01-01 (2019). Additional members are not included.
4) Total number of employees leaving SEB in relation to number of employees at the start of the period (excluding employees leaving due to sold operations, retirements and redundancies).
5) Consultation procedures are outlined in both local collective agreements and the Swedish Co-Determination Act. Consultations with local trade unions shall be conducted prior any significant changes of operations.
6) Percentage of employees with collective or local bargaining agreements in Nordic countries, Germany and Luxembourg have been revised for 2017-2019.
7) Only Sweden. Absentee rate includes employee sick leave and employees taking care of sick children.
8) Only Sweden. All countries in the EU must conduct risk assessments and remedies on an ongoing basis.
9) 100 per cent within the European Union. We follow local laws and regulations in all countries where we are present.
10) Consultants and other temporary workforce employed on contractual basis have not been included.
11) Programmes with application: Lead with Impact, Learn 4 Growth, SEB Trainees, Tech, Boost Your Service, IMD, Leading Digital Acceleration, Change Management for Leaders, Develop your team – Making it last, Leadership Foundation, Starting a new team – Get to know each other, Starting a new team – Start working together. Programmes with nomination: Wallenberg Institute, Internal Business Seminar, Artex, Advanced Specialist Programme.
12) A global talent review is performed annually within SEB.
13) We have a new employee survey called Glint as of 2019. The questions in Glint are not comparable with the questions in the previous employee survey (Insight). The data reported for 2019 has been updated.

Environment

	Note	Unit	2020	2019	2018	2017
General indicators						
Net internal area of reporting offices covered	1	m²	335,564	288,409	345,681	419,363
Energy consumption within SEB						
Total energy consumption (in buildings)		MWh	64,705	67,322	80,614	93,436
Electricity (total)		MWh	43,481	45,516	56,768	62,729
Share of electricity from service centres		%	37	39	-	-
Change in total electricity consumption compared to previous year		MWh (%)	−2,035 (−4)	−11,252 (−20)	−5,961 (−10)	−4,990 (−7)
Renewable electricity, percentage of total electricity consumption		%	91	87	91	91
Heating/cooling		MWh	21,225	21,806	23,846	30,707
Total energy consumption / m2		MWh/m²	0.19	0.23	0.23	0.22
Total energy consumption / employee	2	MWh	4.0	4.3	5.1	5.9
Carbon Dioxide Emissions (CO_2)						
Total carbon emissions	3	Tonnes	9,734	22,525	23,606	24,487
Scope 1		*Tonnes*	*1*	*4*		
Scope 2		*Tonnes*	*1,619*	*2,191*		
Scope 3		*Tonnes*	*8,114*	*20,330*		
Carbon emissions from energy consumption (in buildings)		*Tonnes*	*5,125*	*7,326*	*7,458*	*8,810*
Carbon emissions from business travel		*Tonnes*	*2,471*	*12,426*	*13,807*	*13,076*
Carbon emissions from paper consumption		*Tonnes*	*1,160*	*1,361*	*1,155*	*1,311*
Carbon emissions from company cars		*Tonnes*	*978*	*1,413*	*1,186*	*1,290*
Total carbon emissions / employee	2	*Tonnes*	*0.61*	*1.46*	*1.51*	*1.54*
Change in carbon emissions, including percental change from baseline 2015		Tonnes (%)	−13,600 (−58.3)	−809 (−3.5)	272 (1.2)	1,153 (4.9)
Resource efficiency						
Paper						
Total paper consumption		Tonnes	792	929	930	811
Environmentally labelled paper consumption		Tonnes (%)	483 (61)	563 (61)	629 (68)	728 (90)
Waste	4					
Waste generation		Tonnes	1,160	1.895	1,395	2,020
Waste reuse or recyling		Tonnes	747	1,287	865	1,683
Waste generation after reuse or recycling / employee	2	Tonnes	0.026	0.039	0.034	0.021
Percentage waste reused or recycled		%	64	68	62	83
Water						
Total water consumption in buildings		m³	127,202	166,249	127,795	198,307
Total water consumption / employee	2	m³	7.95	10.60	8.15	12.44
Business travel & company car fleet						
Total business travel		Million km	14.8	72.6	79.2	77.4
Total business travel / employee	2	Km	923	4,625	5,047	4,854
Total air travel		Million km	13.2	67.0	74.1	72.3
Train travel (Sweden)		Million km	1.6	5.5	5.1	5.1
Environmentally certified company cars, share of company car fleet	5	%	62	58	76	90
Legal compliance & monetary fines						
Reported environmental prosecutions		Number	0	0	0	0
Monetary value of significant fines due to non-compliance with environmental laws and regulations		SEKm	0	0	0	0

1) The increase of office area in 2020 relates to areas in Swedish regional retail offices included in the reporting starting from 2020.
2) Data per employee for the year 2017 and 2018 have been recalculated based on the average number of employees (previously FTE).
3) SEB reports according to Greenhouse Gas Protocol. SEB has chosen to report according to GHG Protocol's financial control approach. Whether SEB owns or has financial leased or operational leased facilities and vehicles impact if emissions are disclosed in scope 1, scope 2 or scope 3. The emissions that are covered are energy consumption in facilities, business travel (air travel, train travel, car travel), paper consumption and leakage of refrigerants. Well established emission factors are used for the emission calculations, with sources as IEA, IVL, AIB, Swedish EPA and Swedish Energy Agency.
4) Waste is not included in the reported calculated emissions, however it is included in the reported generated waste in tonnes and share reused or recycled.
5) Environmental cars are cars that emit less than 130 g CO_2e/km.

Community engagement and sponsorship

	Note	Unit	2020	2019	2018	2017
Economic contributions to community engagement and sponsorship						
Total	1	SEKm	42.9	46.6	50.2	50.7
By focus area						
Entrepreneurship		SEKm	12.7	16.1	15.0	13.3
Inclusion & Diversity		SEKm	5.8	5.8	3.6	12.1
Equality (incl. Financial literacy)		SEKm	10.4	4.0	6.7	7.7
Environment (incl. Climate change) (new)	2	SEKm	1.4	0.4		
Sports and culture		SEKm	10.3	19.4	21.9	13.2
Other community investments	2	SEKm	2.3	6.5	3.0	4.4
Number of people coached in entrepreneurship (new)	3	Number	31,274			
Number of people trained in Inclusion & Diversity, and/or Equality (new)	3	Number	5,114			
Number of people engaged in an environmental activity (new)	3	Number	7,132			
By country						
Sweden		SEKm	33.3	37.2	37.6	38.4
Estonia		SEKm	3.2	3.1	3.1	4.0
Latvia		SEKm	1.7	2.0	3.1	3.0
Lithuania		SEKm	3.2	2.7	2.6	2.2
Denmark		SEKm	0.0	2.0	0.0	0.0
Norway		SEKm	0.4	0.9	3.3	2.0
Finland		SEKm	0.7	0.8	0.7	0.5
Other sites		SEKm	0.4	3.3	2.9	2.6
By type of engagement						
Employee volunteering hours	4	Hours	22,289	17,826	17,091	18,780

1) Previous years' figures have been revised (membership fees have been excluded). Net reduction during 2020 relates to new strategy and focus areas which have started to be implemented during 2020, and to planned activities which were cancelled due to the Corona pandemic.
2) Environment (incl. Climate change) – new reporting area for 2020. For comparison, the corresponding amount for 2019 has been separated from Other community investments.
3) New KPI based on new strategy 2020.
4) 2020 employee volunteer hours consist of on total employee hours reported for each engagement. 2019 employee volunteer hours were based on total employee hours reported for each engagement, however partly estimated – when only hours per month were reported they were multiplied by 10 to give an estimation of hours/year.

Country-by-country reporting – Companies by country

Companies[1] within SEB Group, by country[2]

Sweden
- *Aktiv Placering AB*
- *Enskilda Kapitalförvaltning SEB AB*
- *Försäkrings AB Suecia*
- *Försäkringsaktiebolaget Skandinaviska Enskilda Captive*
- *IFA DBB AB*
- *Onyx Leasing AB*
- *Parkeringshuset Lasarettet HGB KB*
- *Repono Consulting AB*
- *Repono Holding AB*
- *SEB Förvaltnings AB*
- *SEB Internal Supplier AB*
- *SEB Investment Management AB*
- *SEB Kort Bank AB*
- *SEB Life and Pension Holding AB*
- *SEB Pension och Försäkring AB*
- *SEB Portföljförvaltnings AB*
- *SEB Strategic Investments AB*
- *Skandinaviska Enskilda Banken AB (publ)*
- *Skandinaviska Kreditaktiebolaget*
- *Suecia Insurance Management AB*

Norway
- *Skandinaviska Enskilda Banken AB (publ), branch in Norway (P.E.)*
- *SEB Kort Bank AB, branch in Norway (P.E.)*
- *SEB Njord AS*

Denmark
- *Skandinaviska Enskilda Banken AB (publ), branch in Denmark (P.E.)*
- *SEB Kort Bank AB, branch in Denmark (P.E.)*
- *SEB Investment Management AB, branch in Denmark (P.E.)*

Finland
- *Skandinaviska Enskilda Banken AB (publ), branch in Finland (P.E.)*
- *SEB Kort Bank AB, branch in Finland (P.E.)*
- *SEB Leasing Oy*
- *SEB Life International Assurance Company Designated Activity Company, branch in Finland (P.E.)*
- *SEB Investment Management AB, branch in Finland (P.E.)*

Estonia
- *SEB Life and Pension Baltic SE, branch in Estonia (P.E.)*
- *Aktsiaselts SEB Liising*
- *Aktiaselts SEB Varahaldus*
- *AS Rentacar*
- *AS SEB Pank*

Latvia
- *Skandinaviska Enskilda Banken AB (publ), branch in Latvia (P.E.)*
- *SEB atklātais pensiju fonds, Akciju sabiedrība*
- *SEB banka, AS*
- *SEB Life and Pension AB, branch in Latvia (P.E.)*
- *SEB līzings, SIA*
- *IP AS SEB Investment Management*

Lithuania
- *AB SEB Bankas*
- *Skandinaviska Enskilda Banken AB (publ), branch in Lithuania (P.E.)*
- *SEB Life and Pension Baltic SE, branch in Lithuania (P.E.)*
- *UAB SEB investiciju valdymas*

Germany
- *FVH Frankfurter Vermögens-Holding GmbH*
- *Skandinaviska Enskilda Banken AB (publ), branch in Germany (P.E.)*
- *DSK Hyp AG*
- *SEB Financial Services GmbH*
- *SEB Immowert Beteiligungs GmbH*
- *SEB Leasing GmbH*
- *SEB Stiftung GmbH*

United Kingdom
- *Skandinaviska Enskilda Banken AB (publ), branch in the United Kingdom (P.E.)*
- *SEB UK Pension Trustees Limited*
- *Skandinaviska Enskilda Limited*
- *Suecia Re & Marine Insurance Co Limited*
- *EFL Futures Limited*
- *Enskilda Securities Limited*
- *Scandinavian Bank Limited*

USA
- *Skandinaviska Enskilda Banken AB (publ), branch in the United States of America (P.E.)*
- *SEB Securities Inc.*
- *Suecia Holding Corporation*
- *Suecia Insurance Company*

Ireland
- *Eskimo (ABC) Holdings Limited*
- *SEB Life International Assurance Company Designated Activity Company*

Luxembourg
- *Skandinaviska Enskilda Banken AB (publ), branch in Luxembourg (P.E.)*
- *SEB Life International Assurance Company Designated Activity Company, branch in Luxembourg (P.E.)*
- *SEB Investment Management AB, branch in Luxembourg (P.E.)*
- *SEB Private Equity Opportunity III Management S.A.*

China
- *Skandinaviska Enskilda Banken AB (publ), branch in China (P.E.)*

Singapore
- *Skandinaviska Enskilda Banken AB (publ), branch in Singapore (P.E.)*

Russia
- *SEB Bank JSC*

Poland
- *Skandinaviska Enskilda Banken AB (publ), branch in Poland (P.E.)*
- *SEB Commercial Finance sp. z o.o.*

Hong Kong
- *Skandinaviska Enskilda Banken AB (publ), branch in Hong Kong (P.E.)*

Ukraine
- *PJCS SEB Corporate Bank*

Cayman Islands
- *Skandinaviska Enskilda Banken AB (publ), branch in Cayman Islands (P.E.)*

Brazil
- *SEB do Brasil Representações*

Canada
- *Suecia Reinsurance Company*

1) Company refers to company, branch office or any other entity type being a tax subject in a tax jurisdiction.
2) Country refers to the tax jurisdiction where the entities are resident for tax purpose.

Country-by-country reporting – Company income tax by country

Company income tax, by country

Country[1]	Number of employees	Tangible assets[2]	Gross income, third-party[3]	Gross income, group[4]	Operating profit [5]	Calculated corporate income tax[6]	Tax effect relating to not tax deductible expenses / non-taxable income, net	Tax effect relating to a previously recognised / unrecognised tax loss / tax credit, net	Corporate income tax[7]	Corporate income tax, paid[8]
Sweden	8,238	758	50,809	−856	12,572	−2,553	−434	−97	−3,084	-3,197
Norway	375	44	2,737	−1,177	−928	200	−7	−235	−42	-427
Denmark	328	5	1,440	1,030	1,185	−263	−24		−287	-254
Finland	272	47	719	938	1,051	−196	0	4	−191	-141
Estonia	1,144	108	2,124	15	1,099	−129	−63		−192	-133
Latvia	1,717	63	1,434	0	415	−3	3		0	0
Lithuania	2,868	156	2,756	−10	1,305	−258	16	−5	−247	-354
Germany	278	3	918	1,538	1,390	−431	22		−410	-412
United Kingdom	104	50	673	861	393	−124	16		−108	-220
United States [9]	40	6	600	2,269	200	−58	60		2	-15
Ireland	106	3	506	20	147	−19	3		−16	-16
Luxembour	178	10	804	619	516	−121	−1		−122	-161
China	41	4	460	3	117	−32	−28		−60	-52
Singapore	93	5	462	151	147	−26	−1		−27	-21
Russia	89	12	424	16	89	−25			−25	-23
Poland	61	9	97	29	46	−9	−4		−13	-12
Hong Kong	24	1	121	79	70	−12	4		−7	-7
Ukraine	51	1	52	0	6	−2	0		−2	-3
Cayman Islands [9]				35	22	−5			−5	
Brazil										
Canada										
Group eliminations			−112	−80	5					
TOTAL	**16,007**	**1,286**	**67,022**	**5,481**	**19,846**	**−4,065**	**−438**	**−333**	**−4,836**	**−5,448**

The primary activities in the group entities, regardless of country, are finance and insurance activities.
The above information covers the reporting period 2020. Additional information, compared to Financial note 3, is based on GRI 207-4 reporting requirements.

1) Country refers to the tax jurisdiction, where the SEB Group entities are resident for tax purpose.
2) Tangible assets other than cash and cash equivalents (i.e. Properties and equipment).
3) Gross income, third party, refers to transactions with group external parties. Gross income is defined as the sum of Interst income, Fee and commission income, Net financial income and Net other income according to IFRS. The basis for the income allocation is SEB's presence in each country, with the exception of when the local companies / branches serve as sales offices and receive commission payments and the transaction is booked in the central unit.
4) Gross income, group, refers to transactions with group units in other tax jurisdictions.
5) Operating profit before tax.
6) Calculated corporate income tax at statutory rate in respective tax jurisdiction.
7) Corporate income tax refers to corporate current income tax, excluding deferred tax, reported during reporting period. For more informaton about tax see note 15.
8) Income tax, paid, refers to corporate current income tax, excluding deferred tax, paid during the year.
9) Cayman Island branch office is a United States tax resident entity, wherefore tax expense is reported in the US.

GRI Index

GRI 101: Foundation 2016

The report has been prepared in accordance with the Global Reporting Initiative, GRI Standards, Core option. EY has been enaged to undertake a limited assurance on SEB's Sustainability report, prepared in accordance with the Annual Accounts Act and the GRI reporting criteria. Page references are abbreviated as follows:

FC – Front cover of SEB Annual & Sustainability Report 2020
BC – Back cover of SEB Annual & Sustainability Report 2020

GRI 102: General Disclosures 2016

Disclosure	Description	Page reference/URL
Organizational profile		
102-1	Name of the organisation	Skandinaviska Enskilda Banken AB (publ)
102-2	Activities, brands, products and services	SEB offers advisory-driven commercial and investment banking services, acting as intermediary between Nordic and global financial markets to large corporations and financial institution, supporting their businesses and international expansion, p. 68, provides bank services for entrepreneurs and small business owners as well as medium sized companies and public sectors, p. 29, provides bank services to private individuals and private banking services, p. 68. The group also provides asset management and life insurance services, p. 68. For examples of products and services, p. 28–29 and 68. For examples of more sustainability-related products, p. 46–50.
102-3	Location of headquarters	Stockholm, Sweden, p. 106.
102-4	Location of operations	P. 117, 200
102-5	Ownership and legal form	The parent company is a Swedish limited liability company, p. 106.
102-6	Markets served	P. 5
102-7	Scale of the organisation	Total number of employees: p. 132, 201. Total number of operations: p. 115–116 (Operating segments), p. 117 (Geographical information). Net sales: p. 97 (Income statement), p. 118–121 Net interest – / Net fee and commission – / Net financial – / Net other income. Total capitalization: p. 99 (Balance sheet total), p. 63 (Financial structure). Examples of products and services: p. 48–49.
102-8	Information on employees and other workers	Sustainability Notes p. 201–203 (Our people). The data has been compiled through our internal HR system.
102-9	Supply chain	P. 51 (Suppliers), Sustainability Notes p. 198 (Procurement footnote 1).
102-10	Significant changes to the organisation and its supply chain	No significant changes.
102-11	Precautionary principle or approach	P. 74–78 (Risk management).
102-12	External initiatives	Sustainability Report p. 42.
102-13	Membership of associations	Some examples of memberships are UNEPFI, Swedish Bankers Association, Swedish Securities Market Association, ICC, Institute of International Banking Law & Practice, Bankers association for Finance and Trade, Swedish Leadership for Sustainable Development, Swedish Investors for Sustainable Development, Swedish Insurance Society, Swedish Investment Fund Association, IIF and European Banking Federation.

GRI 102: General Disclosures 2016

Disclosure	Description	Page reference/URL
Strategy		
102-14	Statement from senior decisionmaker	Statement from the Chair and statement from the President p. 6–9.
102-15	Key impacts, risks and opportunities	P. 42–58 (Sustainability Report) and p. 74–79 (Risk, liquidity and capital management).
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	Core values: p. 32. Risk culture: p 77. Norms of behaviour: SEB Code of Conduct.
Governance		
102-18	Governance structure	Corporate governance p. 80–95, Sustainability governance, including steering documents for sustainability p. 45.
Stakeholder engagement		
102-40	List of stakeholder groups	Customers, employees, shareholders and society at large, see front cover of SEB Annual and Sustainability Report, and p. 14–15.
102-41	Collective bargaining agreements	Sustainability Notes p. 202 (Labour management). European works council representatives p. 33.
102-42	Indentifying and selecting stakeholders	P. 44 (Engaging with stakeholders).
102-43	Approach to stakeholder engagement	P. 44 (Engaging with stakeholders).
102-44	Key topics and concerns raised	P. 44 (Engaging with stakeholders).
Reporting practice		
102-45	Entities included in the consolidated financial statements	The report cover all entities included in the SEB Group, p. 206.
102-46	Defining report content and topic Boundaries	The report content comprises SEB Group if nothing else is stated, see p. 45, 206. No significant changes in scope and boundaries since previous report.
102-47	List of material topics	P. 42, 210 (Material topics and its boundaries).
102-48	Restatements of information	Restatements are described in conjunction with each adjustment.
102-49	Changes in reporting	GRI 207 Tax has been added to the Index.
102-50	Reporting period	The reporting period corresponds to the reporting period of the annual report.
102-51	Date of most recent report	The previous report was published in March 2020.
102-52	Reporting cycle	P. 45 (About this report).
102-53	Contact point for questions regarding the report	P. 45 (About this report).
102-54	Claims of reporting in accordance with the GRI Standards	P. 45 (About this report).
102-55	GRI content index	P. 208–213.
102-56	External assurance	P. 45 (About this report).

GRI 103: Management Approach 2016

Disclosure	Description	
103-1	Explaination of the material topic and its boundaries	The integration of economic, social and environmental aspects in SEB's business is fundamental. The sustainability topics of importance for SEB, as identified in previously performed materiality analyses and through continuous interaction with stakeholders, remain valid. (See Engaging with stakeholders p. 44) The material topics are areas where we, through our core business, have the best opportunities to impact. The areas are climate and environment, human rights, social relations and anti-corruption. Through our bussiness in sustainable finance and investments, advisory services, innovation and people, we serve our customers and strive to reorient capital flow to support sustainable purposes, in line with the bank's vision and strategy and with the UN SDGs and Paris Agreement as guiding principles. (See SEB and the UN Sustainable Development Goals p. 43, 44) Financial strength and resilience, risk management, business ethics and conducts, and crime prevention is the foundation which enables the business to create positive impact on sustainability. Read more about the material topics and fundamental aspects; Sustainable financing (p. 43, 46–47, 198) Sustainable investments (p. 43, 48–49, 199) Advisory and Innovation (p. 22–23, 39, 43, 50, 197) People and Competence (p. 16, 32, 33, 39, 51, 201–203) Environment (p. 43, 52–58, 77–78, 204) Financial strength and resilience (p. 15, 17, 39, 78–79, 197) Risk management (p. 52–58, 74–78) Business ethics and conducts (15, 32, 51, 77–78, 80, 88) Crime prevention (24–25, 39, 44, 78, 80, 88, 172) SEB consider environment to be a material topic, especially with regards to the environmental impact from our products, i.e. with regards to sustainable finance and sustainable investments. See p. 46–58. Our own direct environmental impact may not be of major impact but is nevertheless considered to be material to some extent. See p. 43, 204. SEB has a direct and indirect impact on stakeholders. Most of the impact is indirect from our financing –, investment – and advisory products and services, but some impact is direct, such as our people (p. 32–33). SEB sees impact in two dimensions – SEB's and our stakeholders impact on the planet and society, and the impact that the planet and society has on SEB's stakeholders and on our customers' business models and repayment capacity. We continuously enhance processes and ways of working, defining and integrating sustainability risks and strategies. We strive to avoid causing, contributing or being directly linked to negative impacts on people and environment for our activities, products and services. In 2020 SEB's impact assessment work has focused on climate issues, primarily indirect climate impact related to financing and investments, in geographis where SEB is operating. The impact analysis will be extended to include also social and govenance issues.
103-2	The management approach and its components	All material topics are managed in the same way as all of SEB's activities, i.e. through management, control and follow-up according to our corporate governance structure (p. 80–82). SEB has further strengthened the sustainability organisation and governance structure (p. 45) for a comprehensive approach and focused progress from a strategic and business perspective. The sustainability material topics and aspects are managed by integrating the material aspects into our business activities. The purpose of the management approach, i.e. managing the material topics and impacts, is our ambition to support our customers in the transition to a low-carbon economy, thereby contributing to a climate-resilient economy and society. Several steering documents, which cover the material topics, provide guidelines for best practice as well as for international conventions and standards. They are part of our work to strengthen operations and align with international and national requirements and which we encourage companies to follow. See p. 45 (policies, position statements, sector policies), p. 42–44, 57 (international agreements and commitments). SEB's Corporate Sustainability Policy describes our sustainability organisation and governance model with established responsibilities (p. 45). Sustainability is integrated in SEB's core business, with sustainability competence, related procedures and controls implemented to ensure adherence to sustainability objectives, strategy and policies. Commitments and targets for SEB Group are followed up on a regular basis. For baseline and expected result, see p. 43. Grievance mechanisms are implemented through a whistleblowing process, see p. 77 (Risk Management). For examples of specific actions that have been taken during the year, see the following pages for relevant material topics **Sustainable financing:** e.g. customer sustainability classification model, innovative financing solutions, see p. 46–47. **Sustainable investments:** e.g. three of SEB's index funds converted to index tracker funds excluding fossil fuel extraction/ fossil-based energy, see p. 48, In end of 2020 a strengthened Sustainability Policy (fund company) was adopted, p. 48, customer SDG preference survey performed, p. 49. **Advisory and innovation:** innovative advisory services and -tools developed by SEB, p. 50. **People and competence:** e.g. climate-change related trainings, workshops and seminars for client executives and advisers, further integration of sustainability KPIs in incentive structures for managers reporting to GEC members, p.51. Financial strength and resilience: consideration and implementation of continuous development of regulatory requirements to ensure resilience and stability of the financial system, p. 79 **Risk management:** e.g. continued implementation of TCFD recommendations, p. 52–58 **Crime prevention:** SEB works continuously and actively to prevent and mitigate risks of being used for corruption, money laundering and financing of terrorism, p. 78. **Environment:** e.g. continued improvement of measures and ways of working to reduce our own CO_2 emissions and new climate goals, p. 53–54
103-3	Evaluation of the management approach	The responsibilities for managing risks and ensuring satisfactory internal controls related to the sustainability material topics and aspects are the same as for all SEB activities, see Corporate Governance p 80–95, and Sustainability Governance structure p. 45. The Corporate Sustainability Policy and Corporate Sustainability Governance instruction outlines the framework and governance model for the sustainability work in SEB. As for all activities within the Group, the Board has the ultimate responsibility for managing risks and ensuring satisfactory internal control. The President has overall responsibility for managing all risks in accordance with the Board's policies and instrucions, and shall ensure that the organisation and administration are appropriate and that the operations are in compliance with external and internal rules. Management at all levels within the divisions, the Group's business support and staff functions represent the first line of defence for risks in the organisation. The Group Risk organisation and Group Compliance form the second line of defence for ensuring that the Board's intent regarding risk management and risk controls are applied. Group Internal Audit provides independent assurance and is the third line of defence. The performance against SEB goals and targets related to the material topics are disclosed in the Sustainability report (p. 43). Measurement of indicators related to fundamental aspects are disclosed in Sustainability notes, p. 197–207.

GRI 200: Economic topics

Disclosure	Description	Material topic	Page reference/URL
GRI 201: Economic performance 2016			
201-1	Direct economic value generated and distributed	Financial strength and resilience	See frontcover to this report, and p. 197 (Financial strength and resilience).
201-2	Financial implications and other risks and opportunities due to climate change	Risk management	P. 52–58 (TCFD), p. 78 (Sustainability risks in credit analysis and customer onboarding).
GRI 205: Anti-Corruption 2016			
205-2	Communication and training about anti-corruption policies and procedures	Crime prevention	Combating financial crime p. 25, Prevention of corruption, money laundering and financing of terrorism p. 77–78, Business ethics and conduct / Crime prevention / Competence p. 200. SEB's anti-corruption procedures were communicated to the Board members on a risk seminar 10 December 2019. 81,8% of the Board members were present. Examples of Board/GEC agenda items during 2020 are AML, risk seminar, financial crime prevention program, p 83, 88.
GRI 207: Tax 2019			
207-1 207-2 207-3	Approach to tax Tax governance, control and risk management Stakeholder engagement and management of concerns related to tax	Financial strength and resilience	Operating in more than 20 countries, SEB acknowledges the changing landscape around tax from both regulators and society and puts strong efforts in securing compliance with applicable tax laws and regulations in all countries where SEB operates. SEB strives to have high standards for tax governance, monitoring risks and ensuring tax compliance. SEB's approach to tax is described in SEB Group Code of Conduct and SEB Group Tax Policy (see sebgroup.com), SEB's United Kingdom Tax Strategy, Transfer Pricing Policy and additional policies and instruction established for significant areas such as VAT, FATCA and CRS. SEB Group Tax Policy is adopted by the Board of Directors and reviewed annually. The CFO is responsible for the financial control, including control environment and governance in the SEB Group, which inludes Tax activities. A Tax and Accounting Committee, including the CFO and the Head of Group Tax, analyses important tax issues for SEB raised by the Board of Directors, the CFO, Group Tax, business areas or external parties, on a quarterly basis. In line with SEB's efforts to have high tax standards, SEB has implemented several controls within SEB's ICFR (Internal Control over Financial Reporting) framework, which is overseen by the Audit and Compliance Committee of the SEB Board. This means that controls over the data which underlies financial and tax reporting, and controls over reporting processes, are regularly reviewed. Identified weaknesses are prioritised and fed back into a process of continuous improvement. SEB's risk management processes include a New Product Approval Process focused on identifying and managing risks related to new or amended products. The tax department is represented in this process. The range of issues considered includes taxation matters in order to ensure tax compliance. The level of acceptable tax risk in SEB is low. Significant potential tax risks are reported to the Tax and Accounting Committee. Products and services offered by SEB impact the tax situation for SEB and its customers and must always have business rationale. SEB operates in accordance with applicable tax laws and regulations. SEB must not use, encourage or facilitate products or services in conflict with tax legislation or anti-tax avoidance law. SEB must not co-operate with external parties to facilitate products or services in conflict with tax legislation or anti-tax avoidance law. SEB works actively with risk assessments, frameworks and controls in order to ensure compliance. Wherever SEB operates, SEB seeks to establish and maintain good relationships with local tax authorities and other governmental bodies. SEB undertakes all dealings with them in a professional, transparent and timely manner, both when it comes to SEB's own tax matters and in reporting obligations regarding customers. If tax regulations differ between countries/localities, SEB transparently seeks a globally acceptable solution in dialogue with the governments and tax authorities of each country. SEB also encourages the development of an international framework for taxation in order to avoid double taxation. SEB's ethical and sustainability efforts are an integral part of the business and is regularly on the Board's agenda. SEB is committed to meet the heightened expectations on transparency in respect of its tax management, and continuously works to improve the scope of its communication around tax. Guidance from national tax authorities and international organisations like the OECD is important. SEB is also committed to fulfil its reporting obligations to tax authorities, relating to both corporate and customer information. This covers local reporting and adherence to third party requests as well as international exchange of information according to multilateral Convention on Mutual Administative Assistance in Tax Matters, CRS (Common Reporting Standard), FATCA (Foreign Accounts Tax Compliance Act) and DAC6 (Directive on Administrative Cooperation). If an employee discovers possible unethical or unlawful behaviour, this can be reported anonymously through SEB's digital whistleblowing service WhistleB. Alternatively, Group Compliance or Internal Audit can be contacted directly. SEB is a member of the Swedish Bankers' Association, which represents banks and financial institutions established in Sweden. One part of this association's work is to ensure good quality in proposed tax legislation, but also to advocate in public for reasonable tax treatment of banks and financial institutions.
207-4	Contry-by-country reporting		Tax jurisdictions and tax entities p. 200. Tax related information by tax jurisdiction p. 201.

GRI 300: Environmental topics

Disclosure	Description	Material topic	Page reference/URL
GRI 302: Energy 2016			
302-1	Energy consumption within the organisation	Direct Environment	Sustainability notes p. 204 (Environment)
GRI 305: Emissions 2016			
305-5	Reduction of GHG emissions	Direct Environment	Sustainability notes p. 204 (Environment), p. 43 (Targets and outcome) In 2015, the General Executive Committee, set a baseline for SEB's target to reduce CO_2 emissions with 20% by 2020, a target that is now reached. During 2020 there was a substantial decrease in CO_2 emissions as business travel was restricted due to the Corona pandemic. SEB report according to the Greenhouse Gas Protocol and apply the financial control approach. Well established emission factors are used for the calculations with sources as IEA, IVL, AIB, Swedish EPA and Swedish Energy Agency.
GRI 306: Effluents and Waste 2016			
306-2	Waste by type and disposal method	Direct environment	Sustainability notes p. 204 (Environment)
GRI 307: Environmental Compliance 2016			
307-1	Non-compliance with environ-mental laws and regulations	Direct/Indirect environment	Sustainability notes p. 204 (Environment)

GRI 400: Social topics

Disclosure	Description	Material topic	Page reference/URL
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	Our People	Sustainability notes p. 202 (New employee hires, Employee turnover).
GRI 402: Labour/Management Relations 2016			
402-1	Minimum notice periods regarding operational changes	Our People	Sustainability notes p. 202 (Labour management).
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	Our People	Sustainability notes p. 203 (Learning and engagement).
GRI 405: Diversity and Equal opportunity 2016			
405-1	Diversity of governance bodies and employees	Our People	Sustainability notes p. 201 (Employee information).
GRI 415: Public Policy 2016			
415-1	Political contributions	Financial strength and resilience	SEB does not support political parties through donations or otherwise, see Code of Conduct p. 7 at sebgroup.com
GRI 418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Crime prevention	**During 2020** SEB did not received any substantiated complaints from regulatory bodies regarding breaches of customer privacy and losses of customer data. SEB received no complaints from customers regarding breaches of customer privacy and the total number of identified breaches reported to the Supervising Authorities was 56. Included in the total number of breaches are incidents reported to Baltic Authorities that, due to stricter regulatory requirements, may not be breaches of GDPR. **During 2019** No substantiated complaints from regulatory bodies, two customer complaints on breach of customer privacy, and 56 identified breaches of customer data. **During 2018** No substantiated complaints from regulatory bodies, four customer complaints on breach of customer privacy, and 17 identified breaches of customer data.

Other disclosures

Disclosure	Description	Material topic	Page reference/URL
G4 – Product portfolio			
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose (excluding asset management)	Sustainable finance	P. 43 (Targets and outcome), p. 46–47 (Sustainable financing), p. 198 (Sustainable financing).
G4- Active Ownership			
G4-FS10	Number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Sustainable investments	P. 199 (Influence and engagement).
G4- Active Ownership			
G4- FS11	Percentage of assets subject to positive and negative environmental or social screening	Sustainable investments	P. 199 (Sustainability criteria assessment, Human Rights assessment).
SEB's own disclosure 1			
	Percentage of SEB funds assessed with sustainability criteria	Sustainable investments	P. 199 (Sustainability criteria assessment).
SEB's own disclosure 2			
	Contribution to entrepreneurial and innovation partnerships	Innovation and entrepreneurship	P. 38–39 (Supporting entrepreneurial minds), p. 50 (Investing in entrepreneurs within green technology), p. 197 (Advisory and Innovation), p. 205 (Community engagement and sponsorship).
SEB's own disclosure 3			
	Measurement of customer experience and satisfaction	Responsible and proactive advice	P. 16 (Customers).

SEB and the Principles for Responsible Banking

SEB has committed to comply with the Principles for Responsible Banking, launched 2019. This initiative, developed by the United Nations Environment Programme's Finance Initiative (UNEP FI), is a collaboration between the UN and the global financial sector. By committing to the principles, SEB is contributing to the establishment of an industry-wide framework aiming to increase the banks' positive impact on environment and society.

During 2020, SEB took important steps in the implementation of the six principles, particularly in three of them. Regarding Principle 1, Alignment, SEB published an updated Corporate Sustainability Policy, clearly linking the sustainability work to SEB's business strategy as well as the Paris Agreement and the UN Sustainable Development Goals. See p. 44.

As regards the Principle 2, Impact and Target setting, SEB has through the Customer Sustainability Classification Model started to assess the corporate customers' scale and intensity of climate impact. The model enables SEB to measure and report on the aggregate climate impact of its credit portfolio and set strategic goals and targets for shifting and aligning SEB's activities with the climate objectives of the Paris Agreement.

This work is also closely connected to Principle 3, Clients and Customers, as the model is being used as a tool to engage with customers in constructive dialogues about their decarbonisation strategies. See p. 52–58.

In relation to Principle 5, Governance & Culture, a renewed sustainability organisation and governance structure was established, two new sector policies were published (gambling and tobacco), and in early 2021 a review of the Policy on Fossil Fuel was finalised. Additionally, a training on climate change was launched, mandatory for all employees.

SEB is committed to contribute to a sustainable future and will going forward continue the implementation of the six principles.

An extended version of SEB's reporting on Principles for Responsible Banking 2020 will be published on www.sebgroup.com.

Auditor's Limited Assurance Report on Skandinaviska Enskilda Banken AB's Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.
To Skandinaviska Enskilda Banken AB (publ), Corp Id 502032-9081

Introduction

We have been engaged by the Board of Directors of Skandinaviska Enskilda Banken AB to undertake a limited assurance engagement of Skandinaviska Enskilda Banken AB's Sustainability Report for the year 2020. Skandinaviska Enskilda Banken AB has defined the scope of the Sustainability Report to the pages 40–58 and 196–213 in this document and the Statutory Sustainability Report to the pages 42–58.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 45 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our review is limited to the information in this document and to the historical information and does therefore not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard Rev R12 The auditor's opinion regarding the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Skandinaviska Enskilda Banken AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited review performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, February 23, 2021
Ernst & Young AB

Hamish Mabon	Charlotte Söderlund
Authorized Public Accountant	*Authorized Public Accountant*

Definitions

INCLUDING ALTERNATIVE PERFORMANCE MEASURES[1)]

Items affecting comparability
To facilitate the comparison of operating profit between current and previous periods, items with significant impact that management considers affect the comparability or are relevant for the understanding of the financial result, are identified and presented separately, for example impairment of goodwill, restructuring, gains and losses from divestments and other income or costs that are not recurring.

Operating profit
Total profit before tax.

Operating profit before items affecting comparability
Total profit before items affecting comparability and tax.

Net profit
Total profit after tax.

Return on equity
Net profit attributable to shareholders in relation to average[2)] shareholders' equity.

Return on equity excluding items affecting comparability
Net profit attributable to shareholders, excluding items affecting comparability and their related tax effect, in relation to average[2)] shareholders' equity.

Return on tangible equity
Net profit attributable to shareholders in relation to average[2)] shareholders' equity less intangible assets.

Return on tangible equity excluding items affecting comparability
Net profit attributable to shareholders, excluding items affecting comparability and their related tax effect, in relation to average[2)] shareholders' equity less intangible assets and items affecting comparability.

Return on business equity
Operating profit by division, reduced by a standard tax rate, in relation to the divisions' average[2)] business equity (allocated capital).

Return on total assets
Net profit attributable to shareholders, in relation to average[2)] total assets.

Return on risk exposure amount
Net profit attributable to shareholders in relation to average[2)] risk exposure amount.

Cost/income ratio
Total operating expenses in relation to total operating income.

Basic earnings per share
Net profit attributable to shareholders in relation to the weighted average[3)] number of shares outstanding before dilution.

Diluted earnings per share
Net profit attributable to shareholders in relation to the weighted average[3)] diluted number of shares. The calculated dilution is based on the estimated economic value of the long-term equity-based programmes.

Net worth per share
The total of shareholders' equity, the equity portion of any surplus values in the holdings of debt securities and the surplus value in life insurance operations in relation to the number ofshares outstanding.

Equity per share
Shareholders' equity in relation to the number of shares outstanding.

Core gap ratio
Structural liquidity risk measure defined as total liabilities deemed to mature beyond one year in relation to total assets deemed to mature beyond one year.

Expected credit losses, ECL
Probability-weighted credit losses with the respective risk of a default.

ECL allowances
The allowance for expected credit losses on financial assets, contract assets, loan commitments and financial guarantee contracts.

Net ECL level
Net credit impairments in relation to the opening balance of the year of debt securities, loans to the public and loans to credit institutions measured at amortised cost, financial guarantees and loan commitments, net of ECL allowances.

ECL coverage ratio
ECL allowances in relation to underlying gross carrying amounts for loans and debt securities as well as nominal amounts of financial guarantees and loan commitments.

Stage 3 loans / Total loans, gross
Gross carrying amount for stage 3 loans (credit-impaired loans) in relation to gross carrying amount for total loans measured at amortised cost (excluding demand deposits credit institutions and including trade and client receivables presented as other assets).

Stage 3 loans / Total loans, net
Carrying amount for stage 3 loans (credit-impaired loans) in relation to carrying amounts for total loans measured at amortised cost (excluding demand deposits credit institutions and including trade and client receivables presented as other assets).

The excel file Alternative Performance Measures, available on sebgroup.com/ir, provides information on how the measures are calculated.

DEFINITIONS

According to the EU Capital Requirements Regulation no 575/2013 (CRR)

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

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

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

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

Own funds
The sum of Tier 1 and Tier 2 capital.

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

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

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

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

Liquidity Coverage Ratio (LCR)
High-quality liquid assets in relation to the estimated net liquidity outflow over the next 30 calendar days

Abbreviations

IFRS 9 abbreviations

FVTPL	Fair Value Through Profit or Loss
FVHFT	Fair Value Through Profit or Loss Held for Trading
FVMPL	Fair Value Through Profit or Loss Mandatorily
FVDPL	Fair Value Through Profit or Loss Designated
FVOCI	Fair Value Through Other Comprehensive Income
AmC	Amortised Cost

1) Alternative Performance Measures, APMs, are financial measures of historical or future financial performance, financial position, or cash flows, other than those defined in the applicable financial reporting framework (IFRS) or in the EU Capital Requirements Regulation and Directive CRR/CRD IV. APMs are used by SEB when relevant to assess and describe SEB's financial situation and provide additional relevant information and tools to enable analysis of SEB's performance. APMs on basic earnings per share, diluted earnings per share, net worth per share, equity per share, return on equity, return on tangible equity, return on total assets and return on risk exposure amount provide relevant information on the performance in relation to different investment measurements. The cost/income ratio provides information on SEB's cost efficiency. APMs related to lending provide information on provisions in relation to credit risk. All these measures may not be comparable to similarly titled measures used by other companies.
2) Average year-to-date, calculated on month-end figures.
3) Average, calculated on a daily basis.

Photo

SEB employees:

Nicoleta Stepman p. 0
Group Technology

Anna Jepp p. 3
Large Corporates & Financial Institutions

Lars Hagne p. 3
Large Corporates & Financial Institutions

Mikaela Linder p. 3, 48
Corporate & Private Customers

Nina Jorsenius p. 20, 32
Group Staff, Support and Control Functions

Nazanin Aminjavahery p. 22, 32
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Sekou Soumaoro p. 24
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Mikael Warsén p. 28
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Cecil Allstrin p. 29
Corporate & Private Customers

Filip Urde p. 32
Corporate & Private Customers

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Natalie Embaye p. 40
Group Technology

Dimitrios Balogiannis p. 42
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Saida Zdoufal p. 42
Large Corporates & Financial Institutions

Rene Breitenberger p. 42
Large Corporates & Financial Institutions

Mikael Faghihi p. 51
Group Technology

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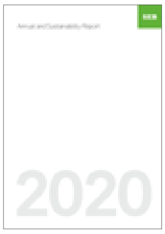
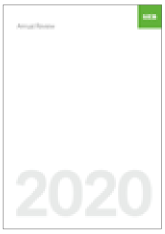
Financial information and publications



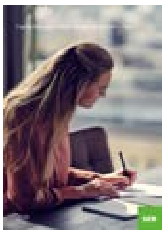
Annual and Sustainability Report
Information on SEB's business, financial performance and position, as well as the sustainability work.



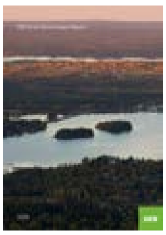
Annual Review
An abbreviated version of the Annual and Sustainability Report.

Digital Annual and Sustainability Report
A digital introduction to the Annual and Sustainability Report and SEB's film about 2020.
→ sebgroup.com/annualreport

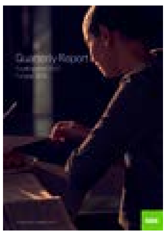
SEB corporate website
Financial information, publications and other information regarding SEB is available at
→ sebgroup.com

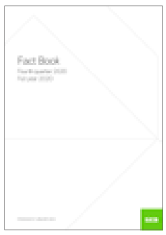


Capital Adequacy & Risk Management Report
(Pillar 3) Disclosure on capital adequacy and risk management in accordance with regulatory requirements.



SEB Green Bond Impact Report
Overview of SEB's green loan portfolio and the green bond that was issued in 2017.





Interim Reports and Fact Books
Quarterly reports on SEB's financial position and results. Detailed information in Fact Books.

New shareholders are automatically offered a subscription of the Annual Report or the Annual Review.
Order printed copies of the Annual Report and the Annual Review on → sebgroup.com/ir
Subscribe to digital versions of the quarterly reports (pdf) and the Fact Book (pdf) on → sebgroup.com/press

Calendar

Annual and Sustainability Report 2020	2 March 2021
Annual General Meeting	30 March 2021
Quarterly report January–March	28 April 2021
Quarterly report April–June	15 July 2021
Quarterly report July–September	20 October 2021

Annual General Meeting

The Annual General Meeting will be held on 30 March 2021.

A notice convening the Annual General Meeting, including an agenda, is available on www.sebgroup.com.

Due to the Covid-19 pandemic and the restrictions that have been introduced to limit the spread of the virus, the Board has decided that the Annual General Meeting shall be conducted without the physical presence of shareholders, proxies or third parties and that shareholders shall have the opportunity to exercise their voting rights only by postal voting in advance.

Shareholders will have the opportunity to ask questions in writing prior to the Annual General Meeting. These must be received by SEB no later than 20 March 2021 and will be answered no later than 25 March 2021. SEB will carry out a webcast with the Chair of the Board, the President and the external auditor on 24 March 2021 at www.sebgroup.com. In the webcast, the Chair and the President will, among other things, give their views on the past year and provide answers to questions received from shareholders.

Notifications, etc.

Shareholders who wish to attend the Annual General Meeting shall

- *both* be registered in the shareholders' register kept by Euroclear Sweden AB on 22 March 2021,
- *and* have registered by voting so that the postal vote is received by the Bank no later than 29 March 2021. Please note that the notification to the Annual General Meeting can only be made by postal voting.

Dividend

The Board proposes a dividend of SEK 4.10 per share for 2020. Thursday 1 April 2021 is proposed as record date for the dividend payments.

If the Annual General Meeting resolves in accordance with the proposal, the share will be traded ex-dividend on Wednesday 31 March 2021 and dividend payments are expected to be distributed by Euroclear Sweden AB on Thursday 8 April 2021.

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