AS SEB Pank

Annual Report

(translation of the Estonian original)

2009

Contents

Statement of the Management Board

Management Board of AS SEB Pank confirms that the Annual Report 2009 consists of the following parts and reports:

The financial and other additional information published in the Annual Report 2009 is true and complete. There is no financial or other information, missing from the Annual Report 2009, which could affect the meaning or contents of the report. Consolidated financial statements give a true and fair view of the actual financial position, results of operations and cash flows of the Group.

Consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards, as adopted by the European Union and as stipulated in § 17 of the Estonian Accounting Law. The Annual Report 2009 has been compiled in accordance with the requirements of Estonian laws. AS SEB Pank and subsidiaries of the consolidated group are assumed to be going concern.

The audit of consolidated financial statements for the year 2009 was conducted in accordance with International Standards of Auditing. The Annual Report 2009 will be submitted for the approval to the ultimate shareholder SEB AB. Previous Annual Report 2008 was approved on 14.04.2009.

Members of Management Board:

"04" March 2010 Riho Unt

"04" march 2010 Paulius Tarbūnas

"04" March 2010 Allan Parik

"04" March 2010 Erki Pugal

I. Introduction - general information

1. Credit institution

Company name	AS SEB Pank
Address	Tornimäe Str. 2, Tallinn 15010, Estonia
Registred in	Republic of Estonia
Registry date	08.12.1995
Registry code	10004252 (Estonian Commercial Register)
Phone	+372 6 655 100
Fax	+372 6 655 102
SWIFT	EEUHEE2X
e-mail	info@seb.ee
Internet homepage	http://www.seb.ee

2. Auditor

Audit company	AS PricewaterhouseCoopers
Registry code	10142876
Address	Pärnu Str. 15, 10141 Tallinn, Estonia
Reporting date	31.12.2009
Reporting period	01.01.2009 - 31.12.2009
Report currency	Estonian kroon (EEK), millions

II. Management Report

1. Credit institution's group as defined in Credit Institutions Law

1.1. Consolidated group

Company name	Registtry code	Reg.date	Address	Activity	Holding (%) ***	At an acqui-sition cost (EEK mio)
AS SEB Liising	10281767	03.10.97	Tallinn, Tornimäe 2	Leasing	100.0%	23.4
AS SEB Kindlustusmaakler*	10723587	16.01.01	Tallinn, Tornimäe 2	Insurance brokerage	100.0%	-
AS Rentacar*	10303546	20.10.97	Haapsalu, Karja 27	Leasing	100.0%	-
AS SEB Varahaldus	10035169	22.05.96	Tallinn, Tornimäe 2	Asset management	100.0%	42.5
AS SEB Elu- ja Pensionikindlustus****	10525330	21.01.99	Tallinn, Tornimäe 2	Life and pension insurance	100.0%	30.0
AS Bangalo	10088272	18.10.96	Tallinn, Tornimäe 2	Rental of computers	100.0%	5.0
AS SEB Enskilda	11354037	16.02.07	Tallinn, Tornimäe 2	Financial consulting	100.0%	11.5
OÜ Estectus****	10141919	23.04.97	Tallinn, Tornimäe 2	Real estate	100.0%	26.2
SEB IT Partner Estonia OÜ**	10002566	20.11.95	Tallinn, Liimi 1B	IT consulting, programming	35.0%	0.3
AS Sertifitseerimiskeskus**	10747013	27.03.01	Tallinn, Pärnu mnt 12	Data communication services	25.0%	15.0
OÜ TietoEnator Support **	11065244	30.08.04	Tallinn, Roosikrantsi 11	IT consulting, programming	20.0%	0.6
						154.5

All enterprises are registered in Estonian Commercial Register.

* Consolidated subsidiaries of AS SEB Liising
** Associates
*** For all investments the percentage of holding equals to both, the holding from the number of shares as well as from the number of votes.
**** Investments to be disposed in 2010 (Note 23).

Parent company of the Group is AS SEB Pank, its activity is banking (information on page 3).

The “consolidated group” in the meaning of Credit Institutions Law in Estonia and the “Group” for IFRS consolidation purposes are identical.

Non-profit association SEB Heategevusfond is an association, not belonging to the consolidation group, registered on 06.01.2006. The founders of the association are AS SEB Pank and AS SEB Elu- ja Pensionikindlustus. The association is aimed at raising and distributing funds for charitable cause to organisations, dealing with children, who have been deprived of parental care. Upon dissolution of the association, the assets remaining after satisfaction of the claims of creditors shall be transferred to a non-profit association or foundation with similar objectives, entered to the list of associations subject to income tax incentive of the Government of the Republic, or a legal person in public law, state or local government.

Non-profit association Spordiklubi United is an association, not belonging to the consolidation group, which started activitiy from September 2008. The association is founded by AS SEB Pank. The association is aimed at organising on hobby and competition level sport events and organising promotions for advertising of own and supporter´s activities. Upon dissolution of the association, the assets shall be transferred to a non-profit association, foundation or other persons filling the objectives by articles in public interests.

Changes in the consolidated group during the accounting period and plans for year 2010
In January 2009 investment in AS Bangalo was decreased by 42.0 EEK mio as a result of distribution to shareholder (AS SEB Pank).

The name of OÜ Strongler was changed to OÜ Estectus in February 2009.

In December 2009 decisions were made to sell AS SEB Elu- ja Pensionikindlustus and OÜ Estectus to related parties within SEB Group.

The SEB Group's life insurance company SEB Trygg Liv Holding AB is the new owner of AS SEB Elu- ja Pensionikindlustus from 28 January 2010. The change does not concern the clients of AS SEB Elu- ja Pensionikindlustus as the company's name, contracts and services remain the same: this is an internal change where life insurance companies in different countries will become legally owned by the life insurance company of the SEB Group (see also Note 36).

Developments in financial markets regarding the liquidity and the volatility as well the impact of the macroeconomic downturn in Estonian economy in 2009 and of related expectations for 2010 are described in Note 1.2 on page 15-17. No such events or trends have occurred by the time of publishing the report, which would affect the strategy of the group in 2010.

1.2. Members of Management and Supervisory Board and shares held by them

Members of the Management Board: Riho Unt, Paulius Tarbūnas, Allan Parik, Erki Pugal.

Members of the Supervisory Board: Martin Johansson, Stefan Stignäs, Mark Payne, Stefan Davill, Anders Arozin.

The members of AS SEB Pank Management and Supervisory Board and their confidants, as well as the commercial undertakings controlled jointly or severally by the mentioned persons did not hold any shares of AS SEB Pank as of 31.12.2009.

1.3. Strategy and organisation

SEB Pank Group, a member of SEB Group, is an Estonian financial group that serves private individuals, companies and the public sector. The bank is a universal bank that offers its customers a wide range of financial services.

SEB was founded in 1856 and is now one of Northern Europe's leading financial Groups for corporate customers, institutions and private individuals with 600 branch offices in Sweden, Germany, the Baltic States, Poland, Russia and Ukraine. SEB Group customers include around 2,500 large companies and institutions, 400,000 small and medium-sized companies as well as 5 million private individuals.

SEB Pank Group brings the vision of the SEB Group, which is to be the leading bank in Northern Europe based on entrepreneurship, an international presence and long-term relationships, to life in Estonia. We promise our customers a rewarding relationship and keep this promise by always taking an innovative approach.

SEB Pank Group is a leading universal bank in Estonia. We are leading within a number of areas including cash management, asset management and life insurance. AS SEB Pank acts as a Centre of Excellence within the SEB Group for Asset Management activities concerning Eastern Europe.

More than 812,500 customers of SEB Pank Group are served by 1,444 employees. The customers are served through many different channels such as 54 branch offices, 226 on-line post offices, 350 ATMs, 6,191 POS-terminals. There are more than 500,000 debit and credit cards issued by AS SEB Pank in use. In addition, over 71% of our customers use our SEB Internet Bank and SEB Internet Bank for Business services.

Customer surveys during 2009 showed that we continue to have very satisfied customers. This is a key strength of our group, a strength that we are determined to maintain.

AS SEB Pank is 100% owned by Scandinaviska Enskilda Banken (SEB AB), which is a financial group with a remarkable history of business. We receive a lot of support from our parent company and SEB group companies in providing our customers with even better services. In many product/service areas our owner is the strongest bank in the Nordic arena – expertise that we can draw on to serve our customers. In addition, we receive strong support in controlling and managing our risks – something that is especially important given changed economic environment in Estonia but also in our region.

2. Highlights

Efficiency and development

In 2008 AS SEB Pank launched package-based products for private individuals. In terms of pricing the more relevant banking products are free of charge for clients and there is just one fixed monthly fee instead of various bank charges. The packages have proven to be very popular and AS SEB Pank has attracted a number of new active customers. Due to package-based pricing AS SEB Pank is outperforming competitors in everyday banking area with increasing market share in debit cards and demand deposits. SEB Packages won the title of the Most Innovative Marketing Deed awarded within the framework of the Year of Innovation in 2009.

Due to difficult economic situation the state suspended its contributions to the second pension pillar system from 1 June 2009. Clients were able to continue making contributions to their second pension pillar funds voluntarily for the period starting 1. January 2010. SEB clients have been very active in continuation, 47% of all clients decided to continue payments voluntarily; with that SEB increased its market share in pension second pillar product clients in 2010 to 35%, in 2009 it was 29%.

Starting from 28 July 2009, new companies will be able to open start-up accounts in SEB over the Internet – a service they would previously have had to visit a branch of the bank to use.

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In 2009 the state started paying out pensions through bank accounts instead of the branch networks of post-offices like before. The transfer to the new system was smooth and the senior clients of AS SEB Pank have quickly adopted to use modern banking channels.

SEB Enskilda advised TeliaSonera in a public cash offer for 40% of shares in AS Eesti Telekom that it did not yet own. Launched in September 2009, the 5.1bn EEK voluntary offer was by far the largest transaction in the Baltics in 2009.

SEB Enskilda advised SEB in the sale of minority holdings in Tallinn and Vilnius stock exchanges. In line with the initiative to revitalise Baltic equity markets, Nasdaq OMX approached SEB in spring 2009 with a proposal to acquire SEB's holdings in both stock exchange companies. SEB Enskilda assisted SEB in the negotiations, resulting in the transactions executed in October 2009.

In September 2009 AS SEB Pank and Eesti Gaas signed a loan agreement for 580 EEKmio. AS SEB Pank will be financing the purchase of winter gas by Eesti Gaas from Gazprom with a loan to the value of 37 EURmio.

Together with other major banks AS SEB Pank signed 207 EURmio syndicate loan agreement with new Estonian transmission system operator Elering OÜ in December 2009.

Number of international companies selected AS SEB Pank as their cash management partner in the Baltic States. In addition to key clients, AS SEB Pank also started offering cash management consultations to SMEs.

<u>Organisation</u>
In 2009 SEB organised the majority of its activities in Estonia, Latvia and Lithuania into a separate division - SEB Baltic. Martin Johansson, previously Head of Client Relationship Management in the Merchant Banking division in Sweden, is now responsible for the division. Responsibility for the Baltic operations was previously within the Retail Banking division.

In November 2009 SEB made changes in AS SEB Pank Supervisory Board. As of 18 November 2009 the members of the supervisory board of AS SEB Pank comprises:

- Martin Johansson, Head of Baltic Division, SEB Group;
- Stefan Stignäs, Head of Corporates and Institutions of Baltic Division, SEB Group;
- Mark Payne, Chief Financial Officer of Baltic Division, SEB Group;
- Stefan Davill, Head of Support Units of Baltic Division, SEB Group;
- Anders Arozin, Head of Baltic Development and Integration, SEB Group.

Chairman of the Management Board of AS SEB Pank Ahti Asmann started managing the Ukrainian bank of SEB from 1 January 2010. Riho Unt, member of the Bank's Management Board and Head of Retail Banking and Technology Area, will be the acting chairman of the Management Board of AS SEB Pank until the appointment of the new chairman.

From 28th September 2009 Allan Parik is a member of the Management Board of AS SEB Pank and the manager of the Corporates & Institutions Area of the bank. Allan Parik has long-term experience in banking and management. He started working in the bank in

1995. In 1997, he became the head of the Corporations Department. In 2000, he was the manager of the Corporate Banking Division and he has worked as the deputy manager of the Corporates & Institutions Area since 2007. The SEB Corporates & Institutions Area had for the last two years been managed by Kristoffer Lindberg, who returned to Finland where he has worked in different positions in SEB Finland since 1994.

Customer relations and customer satisfaction

Emeafinance Magazine selected AS SEB Pank the best bank in Estonia in 2009. The international Trade Finance Magazine named SEB the best financer of foreign trade in the Nordic and Baltic region.

In the financial publication Euromoney's Awards for Excellence SEB won two awards for the Nordic and Baltic region. SEB Enskilda got for second consecutive year award for Best Mergers & Acquisitions House for the Nordics and Baltics. SEB got for the sixth consecutive year Euromoney's award for best cash management bank in the Nordic and Baltic region.

SEB Pank Group implemented Net Promoter Score (NPS) as a customer satisfaction monitoring tool. Customer satisfaction index improved by 12% during 2009.

Social responsibility and sponsorship

AS SEB Pank is the main sponsor of Tartu Marathon, the biggest ski marathon in Estonia. More than 5,000 skiers took part in the top skiing event of the winter in February 2009 and more than 6 million people watched the marathon on TV internationally.

AS SEB Pank and the Estonian National Opera signed an agreement in August 2009 which will see AS SEB Pank's gold sponsorship status – which it has already enjoyed for six years – extended for a further three seasons. The agreement was signed by Aivar Mäe, the new General Manager of the Estonian National Opera, and Chairman of the AS SEB Pank Management Board Ahti Asmann in the presence of Minister of Culture Laine Jänes.

In 2009 the MTÜ SEB Heategevusfond (Charity Fund) conducted several campaigns to raise money to support children without parental care. Since the foundation of the fund in 2006 almost 11 EEKmio has been raised in support of children's shelters and safe houses all over Estonia. Our aim is to provide children who have no parental care with more equal opportunities, allowing them to feel that they are on the same level as peers raised in conventional families, to be active and to broaden their horizons. The AS SEB Pank provides the fund with two million kroons in support every year. To date over 6,200 bank customers have joined us in our efforts and are making donations on a regular basis.

3. Key Figures

(millions of EEK)	31.12.09	31.12.08
Net loss / profit	-1,381.9	766.4
Average equity	8,147.7	8,457.8
Return on equity (ROE), %	-16.96	9.06
Average assets	79,746.8	86,625.7
Return on assets (ROA), %	-1.73	0.88
Net interest income	1,328.4	1,873.3
Average interest earning assets	76,362.3	81,912.7
Net interest margin (NIM), %	1.74	2.29
Credit losses adjusted net interest income/expense	-651.2	1,119.4
Average interest earning assets	76,362.3	81,912.7
Credit losses adjusted net interest margin, %	-0.85	1.37
Interest income	3,093.4	4,993.4
Average interest earning assets	76,362.3	81,912.7
Yield on interest earning assets, %	4.05	6.10
Interest expenses	1,765.0	3,120.1
Interest bearing liabilities, average	68,641.8	73,660.0
Cost of interest bearing liabilities, %	2.57	4.24
Spread, %	1.48	1.86
Cost / Income ratio, %	72.5	43.0
Ratio of individually impaired loans, %	4.41	1.33

Explanations

Return on equity (ROE) = Net profit / Average equity * 100

Average equity = (Equity of current year end + Equity of previous year end) / 2

Return on assets (ROA) = Net profit / Average assets * 100

Average assets = (Assets of current year end + Assets of previous year end) / 2

Net interest margin (NIM) = Net interest income / Average interest earning assets * 100

Yield on interest earning assets = Interest income / Average interest earning assets *100

Cost of interest bearing liabilities = Interest expenses / Average interest bearing liabilities *100

Spread = Yield on interest earning assets - Cost of interest bearing liabilities

Cost / Income Ratio = Total Operating Expenses / Total Income * 100

Ratio of individually impaired loans = Individually impaired loans / Loans to customers * 100

Interest earning assets:
Balances with central bank
Loans and advances to credit institutions
Loans and advances to customers
(all without accrued interests)

Interest bearing liabilities:
Due to credit institutions
Due to customers
Loan funds
Issued debt securities
Subordinated loans
(all without accrued interests)

Total Operating Expenses:
Personnel expenses
Other expenses
Depreciation, amortisation and impairment of tangible and intangible assets

Total Income:
Net interest income
Net fee and commission income
Net income from foreign exchange
Gains less losses from financial assets at fair value through profit or loss
Income from insurance activities
Income from dividends
Gains less losses from investment securities
Share of profit of associates
Other income

Assets quality

(millions of EEK)	**31.12.09**	**31.12.08**
Total assets	74,397.1	85,096.4
Overdue loans and receivables*	3,253.6	1,826.8
Overdue / Total assets, %	4.37	2.15
Allowances for losses on amounts due from customers and credit institutions	3,056.5	1,093.9

* this part of the loan principal that has become overdue

III. Consolidated Financial Statements

1. Consolidated income statement

(millions of EEK)	Note	2009	2008
Interest and similar income	3	*3,093.4*	*4,993.4*
Interest expenses and similar charges	4	*-1,765.0*	*-3,120.1*
Net interest income		1,328.4	1,873.3
Fee and commission income	5	*855.8*	*1,045.2*
Fee and commission expense	6	*-253.3*	*-317.8*
Net fee and commission income		602.5	727.4
Net income from foreign exchange	7	116.5	134.0
Gains less losses from financial assets at fair value through profit or loss	8	65.4	-198.3
Income from dividends		1.9	30.0
Gains less losses from investment securities	17	25.3	148.8
Share of profit of associates	19	0.9	1.6
Other income	9	18.5	13.4
Personnel expenses	10	-594.5	-655.6
Other expenses	11	-545.6	-399.3
Depreciation, amortisation and impairment of tangible and intangible assets	20, 21	-450.9	-64.5
Profit before impairment losses on loans and advances		**568.4**	**1,610.8**
Impairment losses on loans and advances	12	-1,996.7	-761.0
Loss/Profit before income tax		**-1,428.3**	**849.8**
Income tax	13	0.0	-3.6
Net loss/profit from continuing operations		**-1,428.3**	**846.2**
Net loss/profit from discontinued operations	23	46.4	-79.8
Net loss/profit		**-1,381.9**	**766.4**
Loss/Profit attributable to:			
Sole equity holder of the parent entity (total)		-1,381.9	766.4
-Net loss/profit from continuing operations		-1,428.3	846.2
-Net loss/profit from discontinued operations		46.4	-79.8
		-1,381.9	766.4

2. Consolidated statement of comprehensive income

	2009	2008
Net loss/profit	**-1,381.9**	**766.4**
Other comprehensive expense/income		
Revaluation of available-for-sale financial assets	13.5	-18.9
Translation reserve	0.0	0.8
Total other comprehensive expense/income	**13.5**	**-18.1**
Total comprehensive expense/income	**-1,368.4**	**748.3**
Sole equity holder of the parent entity (total)	-1,368.4	748.3
-Total comprehensive expense/income from continuing operations	-1,414.8	828.1
-Total comprehensive expense/income from discontinuing operations	46.4	-79.8
	-1,368.4	**748.3**

The notes on pages 15 - 100 are integral part of these consolidated financial statements.

3. Consolidated statement of financial position

(millions of EEK)	Note	31.12.09	31.12.08
ASSETS			
Cash		638.9	712.1
Balances with central bank	14	4,827.1	5,739.4
Loans and advances to credit institutions	15	4,633.4	6,026.6
Loans and advances to customers	16	61,846.3	69,619.0
Financial assets held for trading	17	366.2	399.2
Financial assets at fair value through profit or loss	17	0.0	1,043.3
Available-for-sale financial assets	17	99.6	412.4
Other assets	18	662.8	598.1
Investments in associates	19	10.1	9.2
Intangible assets	20	9.6	390.5
Property, plant and equipment	21	116.8	146.6
Investment properties	22	25.4	0.0
		73,236.2	**85,096.4**
Assets classified as discontinued operations	23	1,160.9	0.0
TOTAL ASSETS		**74,397.1**	**85,096.4**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to credit institutions	24	29,786.0	35,776.4
Due to customers	25	31,824.2	35,006.2
Loan funds	26	188.5	129.9
Other liabilities	27	851.1	1,516.2
Issued debt securities	28	0.0	106.1
Financial liabilities at fair value through profit or loss	29	358.5	497.6
Provisions	30	2.6	611.2
Subordinated loans	31	2,615.9	2,620.9
		65,626.8	**76,264.5**
Liabilities included in assets classified as discontinued operations	23	1,306.8	0.0
Total Liabilities		**66,933.6**	**76,264.5**
Share capital	32	665.6	665.6
Share premium		1,346.6	1,346.6
Other reserves	34	332.0	318.9
Retained earnings		5,119.3	6,500.8
Total shareholders' equity		**7,463.5**	**8,831.9**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**74,397.1**	**85,096.4**

The notes on pages 15 - 100 are integral part of these consolidated financial statements.

4. Consolidated statement of cash flows

(millions of EEK)

	Note	2009	2008
I. Cash flows from operating activities			
Interest received		3,234.7	4,987.1
Interest paid		-2,124.7	-3,070.2
Dividends received		1.9	29.9
Fee and commission received	5	855.8	1,045.2
Fee and commission paid	6	-253.4	-317.8
Net trading income and other operating income		627.8	302.3
Personnel expenses and other operating expenses		-899.4	-1,018.1
Income taxes paid		0.0	-3.5
Revaluation adjustments		1.2	-19.0
Cash flows from operating activities before changes in the operating assets and liabilities, continued operations		**1,443.9**	**1,935.9**
Cash flows from operating activities before changes in the operating assets and liabilities, discontinued operations		**46.9**	**-79.3**
Changes in operating assets:			
Loans and advances to credit institutions		67.8	2,013.5
Loans and advances to customers		4,973.5	1,231.6
Other assets		201.1	468.1
Changes of operating liabilities:			
Due to credit institutions		-5,684.0	-1,766.1
Due to customers		-3,129.7	-923.6
Loan funds		58.6	-14.2
Other liabilities		-183.6	-254.9
Cash flow from (used in) operating activities, continued operations		**-2,205.5**	**2,611.0**
Cash flow from (used in) operating activities, discontinued operations		**1.1**	**-319.9**
II. Cash flows from investing activities			
Net increase-/decrease+ of investment portfolio securities		348.3	-219.0
Proceeds from sale and liquidation of associates	19	4.9	46.1
Purchase of investment properties, tangible and intangible assets	20, 21	-68.7	-51.8
Proceeds from sale of investment properties, tangible and intangible assets	20, 21	2.1	4.8
Cash flow from (used in) investing activities, continued operations		**286.6**	**-219.9**
Cash flow from (used in) investing activities, discontinued operations		**-35.4**	**418.5**
III. Cash flows from financing activities			
Proceeds from debt securities (issuing)	28	0.0	250.1
Repurchasing of debt securities	28	-103.4	-810.0
Cash used in financing activities, continued operations		**-103.4**	**-559.9**
Cash used in financing activities, discontinued operations		**0.0**	**0.0**
Net decrease/increase in cash and cash equivalents		**-2,056.6**	**1,929.8**
Cash and cash equivalents at the beginning of period		**12,153.1**	**10,219.9**
Effect of exchange rate changes on cash and cash equivalents		-2.5	3.4
Cash and cash equivalents at the end of period		**10,094.0**	**12,153.1**

Cash and cash equivalents includes:	**31.12.09**	**31.12.08**
Cash on hand	638.9	712.1
Balances with the central bank	4,826.1	5,730.4
Liquid deposits in other credit institutions, continued	4,614.4	5,694.8
Liquid deposits in other credit institutions, discontinued	0.1	0.0
Trading portfolio	14.5	15.8
	10,094.0	**12,153.1**

All cash eqivalents are freely available for use by the Group with maturity of less than 3 months.

The notes on pages 15 - 100 are integral part of these consolidated financial statements.

5. Consolidated statement of changes in shareholders' equity

(millions of EEK)

	Share capital (Note 32)	Share premium	Other reserves (Note 34)	Translation reserve	Retained earnings	Total share-holders' equity
Year beginning 01.01.2008	**665.6**	**1,346.6**	**332.9**	**-0.8**	**5,739.3**	**8,083.6**
Statutory reserve	0.0	0.0	2.9	0.0	-2.9	0.0
Profit for the year	0.0	0.0	0.0	0.0	766.4	766.4
Other comprehensive income:						
Net change in available for sale financial assets	0.0	0.0	-16.9	0.0	-2.0	-18.9
Currency translation differences	0.0	0.0	0.0	0.8	0.0	0.8
Total other comprehensive income	0.0	0.0	-16.9	0.8	-2.0	-18.1
Final balance 31.12.2008	**665.6**	**1,346.6**	**318.9**	**0.0**	**6,500.8**	**8,831.9**
Year beginning 01.01.2009	**665.6**	**1,346.6**	**318.9**	**0.0**	**6,500.8**	**8,831.9**
Statutory reserve	0.0	0.0	1.1	0.0	-1.1	0.0
Profit for the year	0.0	0.0	0.0	0.0	-1,381.9	-1,381.9
Other comprehensive income:						
Net change in available for sale financial assets	0.0	0.0	12.0	0.0	1.5	13.5
Total other comprehensive income	0.0	0.0	12.0	0.0	1.5	13.5
Final balance 31.12.2009	**665.6**	**1,346.6**	**332.0**	**0.0**	**5,119.3**	**7,463.5**

The notes on pages 15 - 100 are integral part of these consolidated financial statements.

Note 1

ACCOUNTING PRINCIPLES

AS SEB Pank (Reg. No. 10004252) is a credit institution registered in Tallinn (Estonia), Tornimäe Street 2, the sole shareholder of which is SEB AB, who is also the ultimate controlling party, registered in Sweden (Note 32).

As at the end of year 2009 SEB Pank Group employed 1,444 people (2008 1,562). These consolidated financial statements for the year ended 31 December 2009 have been approved for issue by the Management Board and are subject to approval by the ultimate shareholder.

1.1. Basis of preparation

These consolidated financial statements of SEB Pank Group (the Group) are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared under the historical cost convention, except as disclosed in some of the accounting policies below (i.e. financial assets at fair value). Financial statements have been prepared according to accrual principle of accounting. The group classifies its expenses by nature of expense method.

These consolidated financial statements have been prepared in millions of Estonian kroons.

When the presentation or classification of items in the consolidated financial statements is amended, comparative amounts for the previous period are also reclassified, if not referred differently in specific accounting principle (Note 1.11).

Certain new standards, amendments and interpretations to existing standards have been published by the time of compiling these financial statements that are mandatory for the company's accounting periods beginning after 1 January 2009 or later periods. The overview of these standards and the Group management estimate of the potential impact of applying the new standards and interpretations is given at the end of this section (Note 1.26). Note 1.26 gives also overview of the new IFRS standards, amendments and interpretations that became effective for the first time for these financial statements and their effect to them.

1.2. Critical accounting estimates and judgments

The preparation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Although these estimates are based on management's best knowledge and judgement of current events and actions, the actual outcome and the results ultimately may significantly differ from those estimates. More detailed overview of the estimates made is provided under accounting principles or disclosures set out below.

Critical estimates and judgement are specifically used in the following areas:

a) Impairment losses on loans and advances, including assessment of fair value of collateral (Note 2.2)
b) Fair value of financial assets and liabilities (Note 2.8)
c) Impairment assessment for goodwill (Note 20)

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under these circumstances. Changes in assumptions may have a significant impact on the financial statements in the period assumptions change. Management believes that the underlying assumptions are appropriate and the Group´s financial statements therefore present the financial position and results fairly.

Recent volatility in global financial markets

The global credit crunch that began in mid-2007 has since the last spring exhibited vital signs of recovery, at least as financial markets are concerned. The Dow Jones global equity index has by the end of this January snatched back by some 70% from its trough in March of the last year and the TED spread that peaked at 450 basis points in October of 2008 was a year later back at 22 basis points. Although the US economy – the focal point of the crisis – grew already by 5.7% in the fourth quarter of 2009, its unemployment rate has doubled in the last two years to 10%. This year will in all likelihood be characterised by rising tensions between increasingly robust financial markets and delicately fragile labour market.

Estonian economy was also characterised by normalisation of the money market situation in 2009. 3-month TALIBOR that had peaked at almost 7% in November of 2008 was down to 4.5% by mid-October of 2008 and plummeted on the back of euro expectations to 1% in February 2010. The labour market, on the other hand, is still in the doldrums, the unemployment rate has increased by more than 10 percentage point from the second quarter of 2008 and the weekly figures on registered joblessness are yet to show visible signs of improvement.

Impact on customers / borrowers

Borrowers of the Group have been affected by the lower liquidity situation and deteriorated general business environment which has impacted their ability to repay the amounts owed. Deteriorating operating conditions for borrowers have hade and may further have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has put main risk position in several industries under special regular observation and has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Impact on collateral (especially real estate)
The amount of provision for impaired loans is based on management's appraisals of these assets at the reporting date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The market in Estonia for many types of collateral, especially real estate, has been severely affected by the recent volatility in global financial markets and macroeconomic decline in Estonia resulting in there being a low level or non-existent of liquidity for certain types of assets. Assets experiencing temporary non-existent market liquidity have been evaluated case by case in accordance to the cash flow model approved on the Group level based on long-term discounted potential cash flow generating capability of asset.

Recovery of an active market for quoted financial instruments
In 2009 the activity of transactions on an arm's length basis for financial instruments quoted on financial markets improved. Hence determining fair value as of 31.12.2009, the valuation technique were used only for a few instruments. The objective of the valuation technique is to establish what the transaction price for non-actively traded instrument would have been on the reporting date, considering market conditions, including the relative liquidity of the market, interest rates and credit spreads. Valuation techniques had to be used mainly to determine fair value for securities of issuers having solvency problems (Note 1.6.2, 1.6.3).

Recovery and stabilisation have been visible in the financial markets. It is complicated for management to reliably estimate the effects on the Group's financial position of the changes in the liquidity and the volatility of financial markets. Since there are no plans to increase our fairly low trading exposures, result is mostly generated from trades with the clients. Management believes it is taking all the necessary measures to support the sustainability of the Group's business in the current circumstances.

1.3. Consolidation

These consolidated financial statements of the SEB Pank Group comprise of the financial statements of the parent company AS SEB Pank and its subsidiaries as of 31 December 2009. The subsidiaries being consolidated are listed on page 4 (see Table 1.1).

In the group's consolidated financial statements, the financial statements of the parent bank and its subsidiaries have been combined on a line-by-line basis. AS SEB Elu- ja Pensionikindlustus and OÜ Estectus are presented as discontinued operations (Note 1.11). Intra-group balances and intra-group transactions and unrealised gains on transactions between group companies have been eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. All the subsidiaries that are controlled by AS SEB Pank have been consolidated (AS SEB Elu- ja Pensionikindlustus and OÜ Estectus on two lines in assets and liabilities). The accounts of the subsidiaries used for consolidation have been prepared in conformity with the accounting principles of the parent company.
Subsidiaries
Subsidiary is an entity controlled by the parent company. Control is presumed to exist when the parent owns, directly or indirectly, more than 50% of the voting power of an enterprise or otherwise has power to govern the financial and operating policies and is able to exercise control over them in order to benefit from their activities. Subsidiaries are

consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases to exist.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. According to the purchase method all the identifiable assets and liabilities of the subsidiary acquired are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest, and the excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (Note 1.10). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Revenues and expenses of the subsidiaries acquired within the financial year are consolidated into the Group income statement starting from the date of acquisition to the end of the financial year. Result of operations of subsidiaries disposed of during the year is consolidated into Group income statement from the beginning of the financial year until the date of disposal.

Associates

Associate is an entity over which the Group has significant influence, but which it does not control. Generally, significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights.

Investments in associates are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 1.10). Investments in associates are accounted for under the equity method of accounting. Under this method, the investment in Group financial statements is increased by the share of post-acquisition profit and reduced by the share of loss or distribution of profit received from the associated company and attributable to the Group and any goodwill impairment. The Group's share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Parent company separate financial statements – primary statements

In the parent separate primary financial statements, disclosed to these consolidated financial statements (see Note 38), the investments into the shares of subsidiaries and associated companies are accounted for at cost less any impairment recognised.

1.4. Foreign currency transactions and assets and liabilities denominated in a foreign currency

Functional currency

The financial statements of the Group companies have been prepared using the currency (*functional currency*) which best reflects the company's economic environment. The consolidated financial statements have been presented in Estonian kroons, which is also the functional currency of the parent company.

Foreign currency transactions

Foreign currency transactions have been recorded based on foreign currency exchange rates of the Bank of Estonia (Central Bank) prevailing on the transaction dates. In the case of differences in the transfer of cash (i.e. settlement) and exchange rates prevailing on the transaction date, the exchange rate differences are recorded in the income statement on the line "Net income from foreign exchange".

Assets and liabilities denominated in foreign currencies

Monetary assets and liabilities and non-monetary assets and liabilities valued at fair value and denominated in foreign currencies have been translated into Estonian kroons based on the foreign currency exchange rates of the Bank of Estonia prevailing on the reporting date. Gains and losses on translation form monetary assets and liabilities are recorded in the income statement on the line "Net income from foreign exchange". Changes in the fair value of monetary securities denominated in foreign currency classified as available- for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss as "Net income from foreign exchange", and other changes in the carrying amount are recognised in fair value reserve in equity. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss on line "Gains less losses from financial assets at fair value through profit or loss". Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency. Income statements and cash flows of foreign entities are translated into Estonian kroons at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) for the year and their statements of financial position are translated at the exchange rates ruling on 31 December 2009, the reporting date. Unrealised exchange differences arising from the translation are taken to a separate account in shareholders' equity. When a foreign entity is sold (or part of it is sold), such exchange differences are recognised in the income statement as part of the gain or loss on sale. By the end of the 2008 all foreign operations have been disposed of.

1.5. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are cash at hand, available for use deposits due from Central Bank and readily available deposits in other credit institutions and also less than 3-month maturity liquid securities acquired for trading purpose or decided to be recognised at fair value through profit or loss at inception.

1.6. Financial assets

The SEB Pank Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

Category (as defined by IAS 39) **Class (as determined by the Group)**

<table>
<tr><td rowspan="15">Financial assets</td><td rowspan="6">Loans and receivables</td><td colspan="3">Loans and advances to credit institutions</td></tr>
<tr><td rowspan="5">Loans and advances to customers</td><td rowspan="2">Loans to individuals</td><td>Housing loans</td></tr>
<tr><td>Other loans to Private</td></tr>
<tr><td rowspan="3">Loans to corporate entities</td><td>Loans to Corporates</td></tr>
<tr><td>Leases to Corporates</td></tr>
<tr><td>Public sector</td></tr>
<tr><td rowspan="5">Financial assets at fair value through profit or loss</td><td rowspan="3">Financial assets held for trading</td><td colspan="2">Debt securities</td></tr>
<tr><td colspan="2">Equity securities</td></tr>
<tr><td colspan="2">Derivatives – non-hedging</td></tr>
<tr><td rowspan="2">Financial assets designated at fair value through profit and loss</td><td colspan="2">Debt securities</td></tr>
<tr><td colspan="2">Equity securities</td></tr>
<tr><td rowspan="4">Available-for-sale financial assets</td><td rowspan="2">Investment securities – debt securities</td><td colspan="2">Listed</td></tr>
<tr><td colspan="2">Unlisted</td></tr>
<tr><td rowspan="2">Investment securities – equity securities</td><td colspan="2">Listed</td></tr>
<tr><td colspan="2">Unlisted</td></tr>
</table>

Financial assets are any assets that are cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable or an equity instrument of another enterprise. The SEB Pank Group classifies its financial assets in the following categories:
1.6.1. loans and receivables,
1.6.2. financial assets at fair value through profit or loss,
1.6.3. available-for-sale financial assets.

Management determines the classification of its investments at initial recognition. The SEB Pank Group has not classified any financial assets to the SEB Pank Group "held to maturity".

1.6.1. Loans and receivables

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the SEB Pank Group provides money, goods or services directly to a debtor with no intention of trading the resulting receivable.

Loans and receivables are initially recognised in the consolidated statement of financial position at fair value including any transaction costs, when the cash is paid to the borrower or right to demand payment has arisen and are derecognised only when they are repaid or written-off, regardless of the fact that part of them may be recognised as costs through providing allowances for loans. The loan allowances are presented on the respective line of statement of financial position at negative value. Loans have been recognised in the statement of financial position at amortised cost using the effective interest rate method. Accrued interest on the loans and not yet collected is recorded in the respective line of statement of financial position. For overdrafts and credit cards, the actual use of the limit by the borrower is stated in the statement of financial position. The unused credit limit is recognised as contingent commitment.

Repurchase agreements

Securities purchased under agreements to resell (“reverse repos”) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Leasing receivables

Financial lease claims include receivables from financial lease, consumer factoring and installment sale and agreements of payments. A financial lease is a lease transaction where all major risks and rights deriving from the use of the leased assets are transferred from the leasing firm to the lessee. Legal ownership to the property may be transferred to the lessee at the end of the lease period.

The receivables from the financial lease agreements are recognised in net present value of the minimum lease payments, from which the payments of principal received have been deducted, plus unguaranteed residual value at the end of contract. Lease payments collected are allocated between repayment of principal and financial income. Financial income is recognised over the rental period based on the pattern reflecting a constant periodic rate of return on the lessor’s net investment in the financial lease. Initial service fees collected at issuance are included into the calculation of effective interest rate and lessor’s net investment. Lessor’s direct expenses, related to the contract, are part of effective interest rate and are booked as decrease of leasing income over the period of leasing contract. Allowances for lease receivables are presented on the respective line of statement of financial position at negative value.

The lease receivable to the client is recognised in the statement of financial position as of the moment of delivering the assets being the object of the agreement to the client. In case of transactions, in which the assets being the object of the agreement having a long delivery term have not yet been delivered to the client, the payments received from the lessees under these agreements are recognised in the statement of financial position as prepayments of buyers in on line “Accrued expenses and deferred income”. The amounts paid by the leasing firm for the assets under lease agreements not yet delivered are recognise in the statement of financial position as prepayments to suppliers on line “Accrued income and prepaid expenses”.

Factoring and warehouse receipt financing receivables

Factoring transactions are considered to be financing transactions where the leasing firm provides the financial resources to its selling partners through transfer of the rights to the receivables from these sales transactions. The leasing firm acquires the right for the receivables payable by the buyer subject to the sales contract.

Factoring is the transfer of receivables. Depending on the terms of the factoring contract the buyer either accepts the transfer of substantially all the risks and rewards of the ownership of the receivable (non-recourse factoring) or retains the right to transfer the risks and rewards back to the seller during a pre-specified term (recourse factoring). Transaction is booked as financing in case the leasing company does not own all the rights related to claim. The claim is booked in statement of financial position until payment is received or recourse is expired. If contract does not include seller’s guarantee and leasing company acquires control of all rights at the moment of selling the claim, the transactions is booked as acquisition of claim in fair value. Later on it is booked in acquisition cost. Derecognition of factoring assets and liabilities follows the regulation in IAS 39 and the assessment is made based on each specific agreement type and status.

Warehouse receipt financing transactions are financing transactions, where the lease firm finances its partners, by granting them a loan against pledged stock reserves.

Factoring and warehouse receipt financing receivables are recorded in the statement of financial position at amortised cost, from which the payments of principal claim collected have been deducted. Allowances for factoring receivables are presented on the respective line of statement of financial position at negative value. The receivable to the client is recognised as of the moment of factoring the purchase-sale agreement, i.e. as of assuming the receivable.

Valuation of loans and receivables

The Group assesses consistently whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For valuation of loans and receivables several risks are prudently considered. AS SEB Pank introduced a customer rating system for evaluating corporate loans, corresponding to the principles used in SEB AB, the parent bank of AS SEB Pank. Valuation of the customer receivables is based on the client’s company’s financial position, situation of the industry, trustworthiness of the borrower, competence of the management of the client, timely fulfilment of contractual obligations and other factors, all of which together help to assess the value of the receivable and the amount of incurred loss in the portfolio of loans. Valuation of loans to private individuals is based on timely fulfilment of contractual obligations, solvency and collateral, age, educational status, length of employment, saving practices and other factors, affecting the credit risk.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

For assessment of loan losses, the expected collections from the loan and interest payments over the coming periods are considered, as well as expected collections and anticipated proceeds from the realisation of collateral, discounted at the financial asset's original effective interest rate (excluding future credit losses that have not been incurred), which together form a recoverable amount of the loan and help to assess the amount of loss incurred of the loan. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (recoverable amount). For these assessed incurred loan losses, the relevant allowance has been established. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Specific and collective (based on incurred loss estimation on the group basis) allowances are provided for individually assessed loans, and group based allowances for homogenous loan groups.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in "Impairment losses on loans and advances".

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.
Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as normal loans.

More detailed overview of the credit risk management principles is given in Note 2 "Risk policy and management" (see page 41).

Interest income on loans is presented on the income statement on line "Interest and similar income".

1.6.2. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include:
• financial assets held for trading
• financial assets designated at fair value through profit or loss at inception

<u>Financial assets held for trading</u>
This group of financial assets includes securities acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, and derivatives.

<u>Securities acquired or incurred principally for the purpose of selling or repurchasing in the near term</u>
This group includes shares and bonds acquired for trading purpose. Trading securities are initially recognised at fair value excluding transaction costs on the trade date and are subsequently presented in fair value.

The fair value of held for trading securities quoted on an active market are based on current mid-prices, because trading portfolio is maintained to enable client trading and assets and liabilities to have an offsetting market risk.

The shares and debt securities not actively traded on an active market are valued in fair value according to the last quotation from an acknowledged provider with a presumption that there have been regular quotations available for the shares / debt securities and the price volatility has been in normal range for similar instruments. If the price is not available from quotations or there is no sufficient regularity of the quotations or the volatility of the instrument price quotations is outside the normal range, the shares / debt securities are revaluated into fair value based on all available information regarding the issuer to benchmark the financial instrument price against similar instruments available on active market to determine the fair value. For held for trading debt securities, for which the quoted prices from an active market are not available, cash flows are discounted at market interest rates, issuer's risk added. For fund participations (units) NAV bid quotation is used for fair value assessment.

In any case, if the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.
The unrealised and realised result of the trading securities is recorded in income statement under "Gains less losses from financial assets at fair value through profit or loss".

Dividend income from financial assets that are classified as held for trading, is recognised in income statement on line "Gains less losses from financial assets at fair value through profit or loss" when the entity's right to receive payment is established.

Derivatives
Derivatives (forward-, swap- and option transactions) are initially recognised at fair value excluding transaction costs on the trade date and are subsequently presented at fair value. If derivatives are quoted on an active market, market value is used as a fair value. If not, the valuation techniques are used to find the fair value.

These transactions are booked in the statement of financial position as assets, if their fair value is positive and as liabilities, if the fair value is negative. The fair values of derivative assets and liabilities recorded in the statement of financial position are not netted. The Group does not apply hedge accounting principles for the accounting of derivative financial instruments.

Currency forward and swap transactions are valued by discounting future cash flows using market interest rate. Respective interest income and the realised profit and unrealised gain / loss from the revaluation of derivatives is recorded in the income statement under "Gains less losses from financial assets at fair value through profit or loss".

Currency and equity options are revalued to market value, if active market exists. If a reliable market value can not be obtained, the fair value of options is calculated by using the Black-Scholes model.

Financial assets designated at fair value through profit or loss at inception
In this class of securities are classified securities where the company has upon initial recognition designated the securities to be recorded as at fair value through profit or loss and as a result the changes in the fair value of these securities are consistently recognised in the profit or loss of the reporting period.

In the current reporting period this class of securities included the portfolio of investments acquired and held to cover the insurance and investment contracts concluded by the life insurance company belonging to the group, which is presented as discontinued operation in these financial statements. The realised and unrealised result from the revaluation of these securities and interest income on these instruments are recorded in the consolidated income statement on line "Profit for the year from discontinued operations", prior period is restated accordingly.

1.6.3. Available-for-sale financial assets

Securities are classified as available-for-sale financial assets, if they do not belong to one of the aforementioned categories: financial assets held for trading or other financial assets designated at fair value through profit or loss. Available-for-sale investments are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices; or investments with strategic purpose for long-term holding.

Available-for-sale financial assets are recorded at fair value plus transaction costs on their settlement date. Subsequently they are carried at fair value. If the assessment of fair value is not reliable, the securities will be presented at amortised cost (i.e. original acquisition cost less possible write-downs for impairment). The gains and losses arising from changes in the fair value of available for sale financial assets are recognised in the consolidated statement of comprehensive income on line “revaluation of available-for-sale financial assets”.

The Group assesses consistently whether there is objective evidence that a financial asset available-for-sale is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. Debt instrument is considered to be impaired when there is a change in expected cash flows to be collected from the instrument. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from statement of comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. In a subsequent period, if the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

When the financial asset is derecognised the cumulative gain previously recognised in statement of comprehensive income on that specific instrument is to the extent reversed from the statement of comprehensive income and the remaining portion is recognised in income statement on line “Gains less losses from investment securities”.

Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity’s right to receive payment is established.

1.7. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only, when there is a legally enforceable right to offset and there is an intention to settle on net basis or realise the asset and settle the liability simultaneously.

1.8. Tangible and intangible assets other than goodwill

Land, buildings, IT equipment, office equipment and other assets of long-term use are recognised in the statement of financial position as tangible non-current assets. Intangible assets are identifiable, non-monetary assets without physical substance and currently comprise of acquired software.

Tangible non-current assets and intangible assets are initially recognised at acquisition cost, consisting of the purchase price, non-refundable taxes and other direct costs related to taking the asset into use.

The subsequent expenditure of an item of property, plant and equipment shall be recognised as an asset if these are in accordance with definition of fixed assets and if it is probable that future economic benefits associated with the item will flow to the entity. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Tangible non-current assets and intangible assets with finite useful lives are subsequently stated at historical cost less depreciation / amortisation and any impairment losses. Depreciation / amortisation is calculated starting from the month of acquisition until the carrying value reaches the residual value of the asset or if that is considered being insignificant the asset is fully depreciated. For assets having a substantial residual value, only the difference between the acquisition cost and the residual value is depreciated to expense over the useful lifetime of the asset. Assets are depreciated / amortised on straight-line basis.

Depreciation / amortisation calculation is based on useful life of the asset, which serves as basis for forming the depreciation / amortisation rates. Buildings are depreciated over 20-50 years, intangible assets with limited lifetime are amortised over 3-5 years, and other non-current tangible assets are depreciated over 3-7 years. Land is not depreciated and intangible assets with indefinite useful life are not amortised. The appropriateness of depreciation / amortisation rates, methods and residual values are each reporting date assessed.

Depreciation, amortisation and impairment is recorded in the income statement on line "Depreciation, amortisation and impairment losses of tangible and intangible assets".

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income / expenses in the income statement.

<u>Capitalisation of expenses</u>
Reconstruction expenditures of bank offices are capitalised as tangible assets and are subsequently charged to the income statement on a straight-line basis over five or more years or over the period of the lease.

<u>Development costs</u>
Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Advertising expenses and the expenses for launching of new products, services and processes are recognised as an expense as incurred. Expenditures related to trademarks etc., developed by the company itself, are also recorded as expense as incurred.

1.9. Investment properties

Investment properties comprise property (land, buildings), which is held for the purposes to earn rental income or gain from the growth in its market value (capital appreciation), and which is not occupied by the Group for its own business activities. Investment properties are initially recorded at acquisition cost, consisting of the purchase price and other direct costs related to its acquisition. Subsequently investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is allocated over the useful life of the asset which normally for a building is considered to be maximum 50 years. Land is considered to have an unlimited useful life and is therefore not depreciated. Investment property held at cost less depreciation are tested for impairment on a continuous basis.

Depreciation and impairment is recorded in the income statement on line “Depreciation, amortisation and impairment losses of tangible and intangible assets”.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other income / expenses in the income statement.

1.10. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company’s share of the net assets acquired at the date of acquisition, reflecting the part of the acquisition cost that was paid for the assets that are not separately identifiable for the statement of financial position purposes. Goodwill acquired from acquisition of a subsidiary is recorded in statement of financial position as an intangible asset on a separate line. Goodwill acquired from acquisition of an associate is included in the cost of an associate in the statement of financial position (Note 1.3).

Goodwill is recorded in the statement of financial position at the date of acquisition. Subsequently goodwill is recorded in its historical cost less any impairment losses recognised. Goodwill arising from business combinations is not depreciated. Goodwill is instead tested annually (or more frequently if events or changes in circumstances indicate that the impairment may have incurred) for impairment by comparing the carrying amount of the goodwill to its recoverable amount. Goodwill is allocated to cash-generating units for the purpose of impairment testing and the recoverable amount is determined by discounting the expected cash flows of the relevant cash generating unit. An impairment loss is recognised for the amount by which the carrying amount of the goodwill exceeds its recoverable amount.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.11. Discontinued operations

The Group presents result from discontinued operations in a separate line in the consolidated income statement if an entity or a component of an entity has been disposed of or is classified as held for sale. The single line items of assets and liabilities of the discontinued operations have been presented in the consolidated statement of financial position after elimination of inter-company balances.

Net profit from discontinued operations disposed of includes the net total of operating profit and loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group's operations and cash flows. Prior periods are restated in the consolidated income statement for the operations (entities) classified as discontinued operations in these financial statements.

Assets and liabilities related to discontinued operations and analysis of result of discontinued operations have been presented in a separate section (Note 23).

1.12. Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortisation and are tested annually for impairment, comparing the carrying value of the asset to its recoverable value. Assets that are subject to amortisation / depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In such circumstances the recoverable value of the asset is assessed and compared to its carrying value. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.13. Leases – the group is the lessee

Leases of assets where the lessee acquires substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the repayment of a liability and finance charges (interest expense). The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period (effective interest rate method). Tangible non-current assets acquired under finance leases are depreciated similarly to acquired assets over the shorter of the useful life of the asset or the lease term.

Operating lease payments are recognised in income statement as expense over the rental period on straight line basis. The Group uses operating lease mainly for renting the buildings / premises. Rental expense is recognised in income statement as “Other expenses”.

1.14. Financial liabilities

The classification made can be seen in the table below:

Category (as defined by IAS 39) **Class (as determined by the Group)**

<table>
<tr><td rowspan="7">Financial liabilities</td><td rowspan="5">Financial liabilities at amortised cost</td><td colspan="2">Deposits from credit institutions</td></tr>
<tr><td rowspan="2">Deposits from customers</td><td>Corporate customers</td></tr>
<tr><td>Private individuals</td></tr>
<tr><td colspan="2">Debt securities in issue</td></tr>
<tr><td colspan="2">Subordinated debt</td></tr>
<tr><td rowspan="2">Financial liabilities at fair value through profit or loss</td><td colspan="2">Financial liabilities held for trading (Derivatives – Non Hedging only)</td></tr>
<tr><td colspan="2">Designated at fair value through profit and loss – Debt securities in issue</td></tr>
<tr><td rowspan="2">Off-balance sheet financial instruments</td><td colspan="3">Loan commitments</td></tr>
<tr><td colspan="3">Guarantees and other financial facilities</td></tr>
</table>

Customer Deposits
Deposits are recognised in the statement of financial position on their settlement date at fair value net of transaction costs and are subsequently measured at amortised cost using effective interest rate method and recorded on line “Due to customers”, accrued interests is presented on line a respective line in liabilities. Interest expenses are recorded in the income statement on line “Interest expenses and similar charges”.

Borrowings and issued securities
Borrowings and issued securities are recognised initially at fair value net of transaction costs (the proceeds received, net of transaction costs incurred). Borrowings and issued securities are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the instrument using effective interest rate.

The effective interest rate is the rate that exactly discounts the expected stream of future cash payments through maturity. The amortisation of the transaction costs is presented in the income statement together with the interest expenses. The respective interest expenses are recorded in the income statement on line “Interest expenses and similar charges”.

In case there is an unused limit for any borrowings, this is presented as contingent asset.

Financial liabilities of an investment contract
The life insurance company issues two types of investment contracts: unit-linked investment contracts and investment contracts with guaranteed interest.

Unit linked contracts are financial liabilities whose fair value depends on the fair value of certain underlying financial assets, derivatives and / or investment property. These liabilities are at their initial recognition classified into group "At fair value through profit or loss". The company has classified these liabilities into the group "At fair value through profit or loss", since this eliminates or reduces significantly the asset and liability mismatch, which would occur, if profit and loss from the given assets and liabilities are calculated based on different principles.

Financial liability from investment contracts with guaranteed annual rate of return is recognised at amortised cost. Insurance payments are treated as liability, increased by interest calculated on contracts, less fees relating to contract management and risk covers and disbursements under the contracts. The guaranteed annual rate of interest on these contracts is between 3%-4%, depending on the type of contract, time of conclusion and the currency of the contract. Depending on the type of contract, the interest rate is guaranteed either until expiry of the contract or for 5 years from the beginning of the contract, after which it may be adjusted. The financial liability also includes additional profits allocated to the policyholders in previous financial years and the estimated additional profit determined for the financial year.

<u>Short-term and termination benefits to employees</u>
Short-term employee benefits are employee benefits (other than termination benefits) which fall due within twelve months after the end of the period in which the employees render the related services. Short-term employee benefits include items such as wages, salaries and social security contributions; benefits related to temporary suspension of the employment contract (such as paid annual leave).

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of another offer made to encourage voluntary redundancy. Benefits due more than 12 months after the reporting date are discounted to present value.

1.15. Embedded derivatives

Embedded derivatives are usually separated from the host contract and accounted for in the same way as other derivatives (Note 1.6.2.). Embedded derivatives are not separated, if their economic characteristics and risks are closely related to the economic characteristics and risks of the host contract. However, in some circumstances also not closely related embedded derivatives may be not separated.

Some combined instruments (for example structured bonds), i.e. contracts that contain one or more embedded derivatives, are classified as a financial asset or financial liability at fair value through profit or loss. This choice means that the whole combined instrument is valued at fair value and that changes in fair value are recognised in profit or loss.

Other type of combined instruments (for example index-linked deposits) are separated, so that host contract is recognised as deposit and measured at amortised cost using effective interest rate method, and embedded derivatives are recognised and measured at fair value.

1.16. Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions, companies and other bodies on behalf of customers to secure loans, other banking facilities and liabilities to other parties.

Financial guarantees are initially recognised in the financial statements at fair value (contract value) on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are recognised at the outstanding value of guarantee. In the income statement the fee income earned on a guarantee is recognised straight-line basis over the life of the guarantee. The amounts disbursed to settle the guarantee obligation are recognised in the statement of financial position on the date it becomes evident that the guarantee is to be disbursed.

1.17. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows.

When it is probable that the provision is expected to realise later than 12 months after the reporting date it is recorded at discounted value (present value of expected outflows), unless the discounting effect is immaterial. Expense from provisions and from change in carrying value of provisions is recorded in the income statement for the period.

<u>Liabilities from insurance contracts</u>
Liability from insurance contracts consists of life insurance technical provision, bonus provision and provision for outstanding claims.

<u>Life insurance provision</u>
Life insurance provision consists of the expected discounted value of future contractual benefits and estimated administration expenses less expected discounted future premiums. The liability is based on assumptions (mortality, expenses, investment income) used at the time the contract was issued. The estimated annual interest rate on these contracts is between 2% and 4%, depending on the type of contract, time of issue and the currency of the specific contract. Life insurance provisions also include bonuses allocated to policyholders in previous financial years.

Bonus provision

Bonus provision for insurance contracts includes amounts, which by the decision of management are allocated additionally to the insurance contracts for the reporting period and on the account of which the life insurance provisions and financial liabilities will be increased or bonus disbursements made to the clients in the following reporting periods.

Provision for outstanding claims

Provision for outstanding claims equals the amount that covers the estimated costs related to the benefits and surrendered amounts, which arose from insured events or surrenders that the insurer was notified of before the reporting date and relating to insured events that occurred before the reporting date, but that were the insurer was not notified of by the reporting date. Claims, reported before the reporting date, are assessed on an individual basis. The provision for claims, which are incurred but not reported, is calculated using a statistical estimate based on prior experience related to a time difference between the date of reporting and the date of incurring the claims.

Liability adequacy test

At each reporting date, a liability adequacy test is performed to review the adequacy of liabilities arising from insurance contracts. The test is performed for liabilities net of deferred acquisition costs. In the liability adequacy test, the best estimate of future contractual cash flows and claims handling and contract management expenses are used. These cash flows are discounted using risk free interest rates. Any deficiency is recognised in profit or loss by first writing off deferred acquisition costs and if this is not adequate, then a provision is set up to cover the losses arising from the liability adequacy test (provision for unexpired risks).

Any deferred acquisition costs written off as a result cannot be reinstated.

1.18. Classification and accounting principles of life insurance contracts

According to International Financial Reporting Standard IFRS 4, the contracts issued by the life insurance company are classified as insurance contracts or investment contracts.

All contracts, which transfer significant insurance risk are classified as insurance contracts. Those contracts can also transfer financial risk. As a general guideline, an insurance risk is considered to be significant, when the benefits payable in case of an insured event is at least 10% higher than the benefits payable had the insured event did not occur.

Investment contracts are contracts, which transfer financial risk without any significant insurance risk.

Revenue recognition

Premiums are recognised as revenue at the moment when they become receivable upon in the insurance contract and their receipt is reliable. Concurrently with the recognition of insurance premium revenue, the liability arising from the insurance contract is recorded as "life insurance provision".

Amounts received from and paid to the policyholders of investment contracts are accounted for as deposits received or repaid. Fees charged for managing investment contracts are recognised as revenue. These services are provided equally over the lifetime of a contract.

Recognition of costs

Costs for insurance contracts are recognised as an expense when incurred, with the exception of commissions and other acquisition costs that are directly related to acquisition of new contracts or renewing existing contracts. These are capitalised as deferred acquisition costs. Benefits are recognised as expenses, when they have incurred. Benefits are recorded under the provision for outstanding claims if the client has informed the company of the loss. Provision for outstanding claims is adjusted with estimation of the benefits of claims incurred but not yet reported.

Incremental costs directly attributable to securing an investment contract are deferred (Note1.19). All other costs of investment contracts, such as non-incremental acquisition costs or maintenance costs, are recognised in the accounting period in which they arise.

1.19. Deferred acquisition costs

Acquisition costs, which are related to premiums to be collected in the future accounting periods, are capitalised as an intangible assets. Only direct acquisition costs, like part of the performance salary paid for concluding the contracts are subject to capitalisation. Deferred acquisition costs are amortised on straight-line basis, within period of two months to one year depending on the type of insurance contract. The amortisation period is shorter than the average life of contracts, since life insurance provision is based on zillmerizing. Other acquisition costs are recognised as expense when incurred.

1.20. Revenue recognition

Interest income and expense

Interest income and expense is recognised in income statement for all interest-bearing financial instruments carried at amortised cost using the effective interest rate method. Interest income includes also similar income on interest bearing financial instruments classified at fair value through profit or loss (i.e. traded bonds etc).

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all significant fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

<u>Fee and commission income</u>
Revenue is recognised in the fair value of the consideration received or receivable for the services provided in the ordinary course of the Group's activities. Fees and commissions are generally recognised on an accrual basis when the service has been provided. Credit issuance fees for loans / leases that, are deferred and recognised as an adjustment to the effective interest rate on the credit. Portfolio management and other advisory service fees, as well as wealth management and custody service fees are recognised based on the applicable service contracts, usually on an accrual basis. Asset management fees related to management of investment funds are recognised over the period the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

Other transaction fee income and other income are recognised on accrual basis at the moment of executing the respective transactions.

1.21. Dividend income

Dividends are recognised in the income statement when the entity's right to receive payment is established.

1.22. Recognition of day one profit and loss

The best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Profits on day one can be recognised when a valuation technique is used whose variables include data from observable markets. In other circumstances the day one profit is deferred over the life of transaction.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The financial instrument (separated embedded derivative) is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the income statement without reversal of deferred day one profits and losses.

1.23. Share-based payments

Group employees receive compensation through share-based incentive programmes, based on SEB AB shares. The programmes, now referred to, are the Performance Share Programme, Employee Stock Option and the Share Savings Programmes. The bookings for costs related to these programmes and accrued social charges, if applicable, are made accordingly. The allocation of this amount implies that profit and loss are impacted at the same time as the corresponding increase in equity is recognised.

The Group engages in equity settled share-based payment transactions in respect of services received from certain of its employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the consolidated income statement over the period that the services are received, which is the vesting period.

1.24. Taxation

Corporate income tax
According to the Income Tax Act, the annual profit earned by enterprises is not taxed in Estonia and thus there are no temporary differences between the tax bases and carrying values of assets and liabilities and no deferred tax assets or liabilities arise. Instead of taxing the net profit, the distribution of retained earnings is subject to the taxation at the rate of 21/79 on the amount paid out as net dividends. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

Corporate income tax of foreign subsidiaries
Profits earned by foreign subsidiaries, adjusted with temporary and permanent differences between the tax bases of assets and liabilities and their carrying values in the statement of financial position, are subject to corporate income tax. The tax rate applicable to JSC SEB Leasing belonging until 30.06.2008 to the SEB Pank Group and is registered in Russia was 24% from taxable income in 2008.

Deferred income tax
Deferred tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying values in the statement of financial position. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Main temporary differences arise from different treatment of FX translation gains / losses for accounting and taxation purposes, depreciation of fixed assets and tax losses carried forward. Deferred tax assets are recognised in the statement of financial position only if their realisation is probable.

1.25. Fiduciary activities

The Group provides asset management services and offers fund management services. The assets owned by third parties, but managed by the Group, and income arising thereon, are excluded from these financial statements, as they are not assets of the Group.

1.26. New International Financial Reporting Standards, amendments to published standards and interpretations by the International Financial Reporting Interpretations Committee

Standards, amendments to published standards and interpretations mandatory for the Group's accounting periods beginning on 1 January 2009

IAS 1, Presentation of Financial Statements, revised in September 2007 The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group has elected to present a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009 The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

These following new standards and interpretations mandatory for the Group's accounting periods beginning on 1 January 2009 but did not have significant impact on the Group's financial statements

IFRS 8, Operating Segments The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The interpretation did not have any effect on the Group's financial statements because segment report is not applicable for current reporting period.

IFRIC 12, Service Concession Arrangements The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements.

IAS 23, Borrowing Costs, revised in March 2007 The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Such borrowing costs form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009.

Improvements to International Financial Reporting Standards, issued in May 2008 The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following standards: IAS 1, 7, 16, 19, 20, 23, 27, 28, 31, 36, 38, 39, 40, 41, IFRS 5. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting.

Puttable Financial Instruments and Obligations Arising on Liquidation - IAS 32 and IAS 1 Amendment The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities.

Vesting Conditions and Cancellations - Amendment to IFRS 2, Share-based Payment The amendment clarified that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IFRIC 13, Customer Loyalty Programmes IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

IFRIC 15, Agreements for the Construction of Real Estate The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate - IFRS 1 and IAS 27 Amendment, issued in May 2008 The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss for the year rather than as a recovery of the investment.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009 The amendments clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied.

IFRIC 17, Distributions of Non-Cash Assets to Owners The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised.

IFRIC 18, Transfers of Assets from Customers The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.

<u>Standards, amendments to published standards and interpretations issued, but not yet effective for current accounting period</u>

IFRS 3, Business Combinations, revised in January 2008 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquire's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. IFRS 3 is not relevant to the Group as it does not expect a business combination to occur.

IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1) (effective for annual periods beginning on or after 1 July 2009). The amendment to IFRS 5 is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that an entity committed to a sale plan involving loss of control of a subsidiary would classify the subsidiary's assets and liabilities as held for sale. The revised guidance should be applied prospectively from the date at which the entity first applied IFRS 5. The amendment will not have an impact on Group`s financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurement, issued in November 2009 (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

IAS 27, Consolidated and Separate Financial Statements, revised in January 2008 (effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases).

Eligible Hedged Items - Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

IFRS 1, First-time Adoption of International Financial Reporting Standards, revised in December 2008 (effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The Group is currently assessing the impact of the interpretation on its financial statements.

<u>These following new standards and interpretations, not yet effective for current accounting period, will not have any impact on the Group's financial statements</u>

Classification of Rights Issues - Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, "Determining Whether an Arrangement Contains a Lease" when the application of their national accounting requirements produced the same result.

Improvements to International Financial Reporting Standards, issued in April 2009 (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the above cited standards and interpretations.

Amendment to IAS 24, Related Party Disclosures, issued in November 2009 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

Prepayments of a Minimum Funding Requirement - Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 "Financial Instruments: Disclosures". This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7.

The Group has not early adopted any of the new or amended standards in 2009.

2. Risk policy and management

2.1. Risk policy and structure

In providing its customers with financial solutions and products AS SEB Pank assumes various risks that must be managed. The ability of the organisation to identify, measure and control different risks, while maintaining an adequate capitalisation to meet unforeseen events, is an important input for the profitability of the entire SEB Pank Group. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

AS SEB Pank defines risk as the possibility of a negative deviation from an expected financial outcome. Risk management includes all activities relating to risk-taking, risk mitigation, risk analysis, risk control and follow-up. Independent risk control comprises the identification, measurement, monitoring, stress testing, analysis, reporting and follow-up of risks, separate from the risk-taking functions.

The Group's risk management policies are designed to identify and analyse the risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk, market risk and operational risk (which are discussed below).

The Management Board is responsible for establishing the main principles for management, control and co-ordination of all risks of AS SEB Pank and to decide on the limits for the various risks. Subordinated to the Management Board are established different committees with mandates to make decisions depending upon the type of risk. The Assets and Liabilities Committee (ALCO) plays the central role in risk management, approving of risk procedures, dealing with issues relating to the overall risk level and deciding and monitoring of various risk limits.

Risk management and control is always a prioritised area for the Group, continuously under development. During last years, the main development focus of risk management has been related with implementation of Basel II capital adequacy rules: continuous improvement of Internal Rating Based (IRB) credit risk assessment models, improvement of operational risk measurement and management framework. In 2008 AS SEB Pank received approval from the supervisory authorities to apply the internal models - IRB approach for reporting credit risk capital requirement and Advanced Measurement Approach (AMA) for reporting operational risk capital requirement.

During 2009 one of the most important improvements was establishment of New Product Committee which aim is to secure that the Group activities are performed with excellence – the Group is not entering into activities containing unintended forms of risks or risks that are not immediately managed and controlled by the organisation. In the market risk control area the major project was to improve liquidity risk measurement which enables daily analysis of the Group's cash flows, liquidity position and assess funding need.

2.2. Credit risk

Assets open to credit risk are receivables from customers, receivables from credit institutions and debt securities and derivatives. Credit risk is a potential loss that may occur in case of improper fulfilment or non-compliance of the client with the contractual obligations as a result of failure of the client's business operations or other factors.

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The principles for measuring and taking credit risk are established with the SEB Pank Group credit policy.

The principles of credit policy are the following:
a) lending should be in line with credit policy;
b) lending should be based upon analysis;
c) the basis of all lending activity is credibility;
d) the purpose of the credit should be fully understood;
e) lending must be in proportion to the capacity to repay;
f) borrower should have an identified source of repayment and also a secondary source for repaying the loan;
g) the own (equity) investment of the borrower must be significant in relationship to the loan;
h) lending activity shall take into account any potential adverse effects in the business cycle;
i) lending shall be in line with the bank's profit goals.

Credit risk analysis related to a certain client involves several different activities, like evaluation of the risk of the borrower's background, structure, management and owner, industry and position of the borrower in that industry, economic environment and position of the borrower, analysis and evaluation of the business plan and submitted cash flow prognosis; evaluation of the reputation, reliability and credit history of the client. Deciding on the risk taking is performed collegially by credit committees and by the authorised persons in accordance with the decision-making limits established by the bank's management.

Deciding on the risk taking in debt securities is part of general credit decision making process. Limit for investing into certain issuer's debt securities has to be approved by relevant credit committee or by the authorised persons. Credit risk management in AS SEB Elu- ja Pensionikindlustus is described below (see page 55). Normally AS SEB Pank is not taking investment positions, including credit risk bearing positions in debt securities, excluding limited volume of trading portfolio, which is regulated by trading portfolio total limit established by ALCO. Majority of extraordinary investment position established from taking over assets of liquidity fund was liquidated by the end of 2009 (see Note 8).

Credit risk related to debt securities is considered low in volume and has therefore not been discussed in detail below. Credit risk related to derivatives is largely associated with the parent company and has not been assessed significant and not discussed in further detail below. So we concentrate on credit risk arising from loans and receivables from customers and credit institutions (other banks).

Credit risk measurement
The prime credit risk measure of AS SEB Pank is defined as the maximum potential loss over a certain time horizon at a certain level of confidence. Credit risk is being quantified monthly using the following components: Probability of Default (PD), Exposure At Default (EAD) and Loss Given Default (LGD) or the aggregate measure Risk Weighted Assets (RWA).

Having estimated PD, EAD and LGD it is possible to calculate expected loss and unexpected loss. Expected loss (EL) can be interpreted as the “normal level” of credit losses and shall be considered as a cost of doing business from a risk point of view. Thus it shall be covered through transaction pricing and risk reserves. Appropriate efforts shall be made to minimise expected losses through ensuring sound internal practices and good internal controls. Unexpected losses (UL) are commonly referred to as the unusual and large credit losses and are not foreseen to be completely absorbed by day to day transaction profits. The primary protections against such losses are sound internal practices, good internal controls, insurance policies and earnings. The last loss-absorbing resource for unexpected losses is the capital of AS SEB Pank.

PD is a measure of probability of default of a given counterparty risk class during the next year, through it’s risk classification, pooling or rating. LGD is an estimate, expressed as a fraction of EAD, of the expected amount of loss in case of counterparty default. The LGD estimates used differ among other things on if it is a secured or unsecured exposure, type of collateral and seniority of the exposure. EAD is defined as the expected outstanding liability of the counterparty at the time of default both on- and off-balance sheet exposures. Conceptually EAD consists of two parts, the current exposure and an estimate of potential future exposure. Estimation of potential future drawdowns of available but unused credit commitments are known as credit conversion factors (CCFs). Since the CCF is the only random or uncertain portion of EAD, estimating EAD amounts to estimating these CCFs.

Credit risks are mainly measured on two levels – on portfolio and exposure level.

For verifying the loan portfolio’s exposure to credit risk, AS SEB Pank uses a portfolio diversification method. The division of financial obligations is monitored by different client segments, products, clients and industries. The Credit Area performs monthly analysis on the credit risk of loan portfolio and informs the bank’s managing bodies of the results. These results are discussed as well as any need for specific attention to or specific analysis for any identified issues.

In respect to individual clients the bank prepares regular (annual, quarterly or if needed more often) analyses on the borrowers' situation as well as their risk level. The analyses are based on annual and quarterly reports and on cash flow prognosis, on basis of which the financial situation is evaluated, as well as on credit history and information originating from other sources. Evaluation of the borrowers' reliability is of critical importance.

AS SEB Pank divides loan portfolio into two broad segments:
A) corporate portfolio including loans to legal entities belonging to counterparty group's with credit risk assumed by SEB Pank Group exceeding 4,500,000 EEK or with consolidated sales or assets of more than 150,000,000 EEK and
B) retail portfolio consisting of small corporates' and private individuals' sub-segments.

Based on the results of the analysis, the corporate clients are divided into sixteen risk classes in accordance with the AS SEB Pank risk classification system. Sixteen risk classes belong to 5 quality classes of businesses.

As of end of 2009 the corporate portfolio amounted to 44% of total loan portfolio (2008: 46%).

According to the risk classification system the risk class assignment is not required for companies or a group of companies with credit risk assumed by the SEB Pank Group less than 4,500,000 EEK and with consolidated sales or assets of less than 150,000,000 EEK, i.e. small corporates belonging to retail portfolio. Scoring model is used for evaluation of these borrowers.

The scoring model for small corporates considers financial condition based on last two annual reports, last interim report and next year prognosis, credit history with the bank and based on external credit history register, experience of the customer. The analyst evaluates correctness and quality of the information. The risk level of particular industry has a certain level of impact as well. The outcome of the scoring model is credit score, expressing risk level and determining decision-making level. Depending on the score clients are divided into quality classes A, B, C and D, where A is the best and D is the worst quality class. Small corporates amounted to 6% of the total portfolio as of end of 2009 (2008: 5%).

Starting from 01.01.2010 the portfolio classification has been changed to some extent and now small corporate companies or a group of companies are considered with credit risk assumed by the SEB Pank Group less than 7,500,000 EEK and with consolidated sales or assets of less than 150,000,000 EEK. This resulted in 1.4 EEKbio corporate portfolio being reclassified to retail portfolio.

In analysing loans to private individuals the credit scoring and left-to-live model is used. The model considers among other matters credit history, income, age, employment conditions and the value of real estate owned. The output of the model is credit score and lending recommendation derived the score. Based on the score the clients are divided into quality classes A, B, C and D similarly to small corporates. Private individuals amounted to 43% of the total portfolio as of end of 2009 (2008: 41%).

The remaining 7% of portfolio amounted advances to credit institutions (2008: 8%).

Credit risk monitoring and mitigation

Review of the situation and risk level of legal entities is performed on regular basis, depending on the client segment, the risk class assigned previously and any additional information available to the bank at least once a year. During the review the bank assesses the client's financial condition, risk level, regularity of fulfilling existing financial obligations and need for financing. As an important outcome, a risk class is updated for all the corporate portfolio clients and groups which shall be valid for one year (risk classes 1-10) or half a year (risk classes 11-16). Risk classes 13-16 are regarded as Watch-list and separately reviewed at least on quarterly bases. Monthly High Risk meetings are held by Special Credits Management (SCM) in order to monitor exposures and developments identified as high risk customers.

The distribution of non-retail portfolio by the quality classes is given in the next table.

Risk class	Business quality class
1	Ordinary Business
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	Restricted Business
12	Special Observation
13	Watch-list
14	
15	
16	Default

Corporate Portfolio by risk classes	% of rated portfolio 31.12.09	31.12.08
Ordinary Business	42.4%	66.0%
Restricted Business	10.7%	13.7%
Special Observation	13.4%	8.7%
Watch-list	22.8%	7.9%
Default	10.7%	3.7%
Total	**100.0%**	**100.0%**

For regular monitoring of private individuals and small corporates - retail portfolio - the behavioural scoring models are in use. The models are based on the application scoring models used in loans analysis process. In behavioural scoring there is used a separate quality class E for defaulted clients' exposures and an additional class N for small corporates' exposures to whom according to the bank's assessment there is not enough information to assign any other class. Part of the information (payment behaviour, financial situation of the small corporate) is updated regularly (monthly, quarterly), partly is used older available information. Client executives have an obligation to update financials of small corporates at least once a year. Behavioural score is calculated monthly for all private individuals and small corporates loans. The distribution of retail portfolio by quality classes is given in the table below.

Score	Business quality class
A	Ordinary Business
B	
C	Special Observation
D	
E	Default
N	Insufficient information

Retail portfolio by behavioral scores	% of scored portfolio 31.12.09	31.12.08
Ordinary Business	75.4%	78.3%
Special Observation	18.1%	18.3%
Default	5.6%	2.3%
Insufficient information	0.9%	1.1%
Total	**100.0%**	**100.0%**

Loans and advances to customers by quality classes (gross)
(millions of EEK)

31.12.09	Credit institutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
Ordinary Business	4,629.8	9,082.3	2,552.1	2,836.8	19,570.0	4,511.1	43,182.1
Restricted Business	0.6	2,768.4	543.2	8.9	0.0	0.0	3,321.1
Special Observation	0.0	5,048.7	1,511.4	0.1	3,355.6	1,067.9	10,983.7
Watch-list	0.1	5,704.6	1,370.7	0.0	0.0	0.0	7,075.4
Default	0.0	2,950.3	365.1	0.0	1,106.3	448.8	4,870.5
Not Classified	0.1	0.0	0.0	6.7	0.0	0.0	6.8
Accrued Intersts	2.8	47.1	12.8	4.6	34.3	33.1	134.7
Deferred Origination Fees	0.0	-11.4	-4.5	-1.2	-12.6	-8.4	-38.1
	4,633.4	**25,590.0**	**6,350.8**	**2,855.9**	**24,053.6**	**6,052.5**	**69,536.2**

31.12.08	Credit institutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
Ordinary Business	6,018.5	16,480.5	5,678.8	2,765.0	20,697.4	5,048.5	56,688.7
Restricted Business	0.2	4,010.2	753.3	0.1	0.0	0.0	4,763.8
Special Observation	0.4	3,817.2	1,829.7	0.0	3,339.0	1,241.0	10,227.3
Watch-list	0.0	2,412.3	345.1	0.0	0.0	0.0	2,757.4
Default	0.0	1,122.9	182.6	0.0	0.0	0.0	1,305.5
Not Classified	0.2	9.4	0.0	38.4	479.5	217.0	744.5
Accrued Intersts	7.3	99.3	24.8	14.6	84.4	41.1	271.5
Deferred Origination Fees	0.0	-6.6	-1.5	-0.6	-7.6	-2.9	-19.2
	6,026.6	**27,945.2**	**8,812.8**	**2,817.5**	**24,592.7**	**6,544.7**	**76,739.5**

Primary responsibility for monitoring the quality of specific client and its loans lies with client executives, who should inform immediately their department head and if necessary the credit area management of occurred problems and accordingly take necessary measures for identification and minimisation of potential credit losses. Review of the situation and risk level of small corporates is performed by client executives on regular basis and at least once a year. During the review the client's financial condition, risk level and regularity of fulfilling existing financial obligations is assessed. The review of small corporates with behavioural score C or D and with exposure exceeding 2 EEKmio is confirmed collegially by credit committees and by the authorised persons in accordance with the decision-making limits established by the bank's management. From 2010 the review of small corporates with behavioural score C or D will be confirmed collegially if their exposure exceeds 4.5 EEKmio.

Collateral

In order to diminish credit risk the bank has established a requirement for the borrowers to provide the bank with collateral in the form of registered immovable property, registered movable property and/or personal sureties as security. The group has implemented guidelines on the acceptability of specific classes of collateral on credit risk mitigation. The principles for granting an unsecured loan are stated in the credit policy and this kind of lending is clearly limited and restricted.

The pledged assets have to be insured throughout the loan period in an insurance company accepted by the bank at least for the restoration value. In case of a housing loan also life insurance is required, if the borrower is contributing majority to the family's income. The aforementioned measures help to control and manage the credit risk as they serve as an alternative source for collecting the loan, in case the borrower is not able to repay the loan from primary cash flow. The balance of unsecured credits is disclosed just below.

Loans against collateral

(millions of EEK)

	31.12.09	31.12.08
Mortgage, real estate	45,318.7	44,943.0
Securities and deposits	584.2	326.6
Guarantee by state, central bank or municipality	3,735.5	3,576.5
Guarantee by credit institutions	4,632.2	6,019.3
Unsecured loans*	2,890.8	2,985.5
Repos with customers (securities as collateral)	5.0	4.6
Factoring (receivables as collateral)	693.8	962.4
Leasing (leased assets as collateral)	8,197.2	10,959.9
Life Insurance receivables	0.0	2.8
Other (floating charges, vehicles, warranties, other)	3,345.7	6,687.4
Accrued interest receivable	133.1	271.5
Allowances	-3,056.5	-1,093.9
TOTAL**	**66,479.7**	**75,645.6**

* Includes credit cards and other unsecured loans.

** Includes loans and advances to customers and credit institutions (Notes 15, 16) by type of the main collateral.

In 2009 the new guidelines for in-house valuation of real estate collaterals were implemented in order to ensure consistency in our relevant approach across all three Baltic countries. Revaluation process was then initiated with the focus on commercial real estate bearing the potential to generate cash flow today or in the foreseeable future. The bulk of our watch-list corporate real estate collaterals were reassessed accordingly during Q4 2009 resulting in additional allowances having been made.

Collateral values of living spaces and land are being adjusted with indexes calculated in-house based on transaction statistics of Estonian Land Board. Indexed collateral values are being taken into account in assessment of collateral values and loan to values of retail portfolio.

Impairment and allowance policies

The internal rating system is primarily used to measure one of the major sources of risk that drives the occurrence of lending losses - the risk that the counterparty will default on its payment obligations, being probability of default. This is distinct from the risk of loss finally arising after all attempts to recover payments from defaulted counterparties.

The internal rating systems described in “Credit risk monitoring and mitigation” focus on expected credit losses - that is, taking into account the risk of future events giving rise to losses. In contrast, impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the date of the consolidated statement of financial position based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- delinquency in contractual payments of principal or interest;
- cash flow difficulties experienced by the borrower (e.g. equity ratio, operating income or EBITDA margin, debt service coverage etc);
- breach of loan covenants or conditions;
- initiation of bankruptcy proceedings;
- deterioration of the borrower's competitive position.

The SEB Pank Group's policy requires that all exposures above 4.5 EEKmio are reviewed individually at least annually (see above). Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment also encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgement and statistical techniques.

Credit risk managers in head office and branch credit risk management department perform regular in-depth monitoring of the quality of the loan portfolio. Also the banks' internal audit carries out reviews on valuation of the loan portfolio. During the control for adherence to procedures, availability of required information and documents, regularity of loan servicing (repayments), adequacy of collateral and other factors influencing the risks is verified.

Impaired loans

A loan should be classified as impaired if it is probable that the contractual payments will not be fulfilled and the expected proceeds available from the realisation of the collateral do not cover both principal and accrued interest including penalty fees, i.e. the recoverable amount from expected future cash flows (including from realisation of collateral) discounted using original effective interest rate (if the loan has floating interest rate then the rate used for the current interest period adjusted by origination fees) is less than the carrying amount. In these cases all the borrower's loans in the SEB Pank Group shall be considered for impairment, unless there are specific reasons calling for a different evaluation.

Impaired loans are classified to the following two groups:

• Impaired non-performing loans: The loan is past due and the expected cash flow from the collateral does not cover both principal and accrued interest and penalty fees;

• Impaired performing loans: AS SEB Pank has determined that the expected cash flow from the collateral does not cover both principal and accrued interest and penalty fee and there has been identified an incurred loss event, but no payments are yet past due more than 60 days.

Provided, during the valuation of the loan it becomes evident that the collection of the loan or part of it is doubtful and the collateral is insufficient for covering the loan amount together with accrued interest and penalties, an impairment loss is to be recognised and allowance will be established for the loan. Specific and collective allowances are established for individually appraised loans and separate collective allowances used for homogeneous groups of loans appraised on a homogenous group level. The purpose is to calculate and present the value of the loan portfolio as fairly and objectively as possible based on the future discounted cash flow expectation.

Problem loans and recovering written-off loans are handled by Special Credit Management Division by using several specialised methods: negotiations with clients, rehabilitation, execution, bankruptcy proceedings. Special Credit Management Division specialists are involved with problem loans (or potential problem loans) at the early stage to ensure most valuable outcome for both the client and the bank.

Allowances for credit losses related to on-balance sheet items are provided either specific, collective or on homogenous group basis. The total impairment allowance for loans and advances as at 31.12.2009 is 3,056.5 EEKmio (2008: 1,093.9) of which 1,607.0 (2008: 543.6) represents the allowance for individually impaired loans and the remaining amount of 1,449.5 (2008: 550.3) represents collective and homogenous groups allowances. At the end of 2009 collective allowances included also additional collective allowance in amount of 215 EEKmio. This was determined based on expert judgement to cover incurred losses not yet identified due to the deteriorating portfolio quality along with exceptionally increased work load in the credit committees. This expert judgement was based on analysis of the quality of portfolio data indicating some potential loss factors not yet sufficiently taken into consideration in process level and therefore needing additional consideration for impairment.

SEB Group Retail Provisioning Model's principles were used to determine homogenous groups' allowances. The calculated incurred loss levels were adjusted by expert opinion taking into account non-performing loans (NPL) levels for different product groups which additionally reflect portfolio quality. Totally at the end of 2009 the homogenous groups' allowances were established at around 45% of NPL level. If using 10% different level of allowances as proportion to NPL the effect on impairment loss would be 159 EEKmio.

Individually impaired loans and allowances

(millions of EEK)	**31.12.09**	**31.12.08**
Impaired, non-performing loans	2,071.2	830.0
Impaired, performing loans	862.7	179.4
Total individually impaired loans	**2,933.9**	**1,009.4**
Specific allowances	-1,607.0	-543.7
Collective allowances on individually assessed loans	-525.3	-138.0
Collective allowances for homogeneous groups	-709.2	-412.2
Other collective allowances for incurred but not identified losses	-215.0	0.0
Total allowances	**-3,056.5**	**-1,093.9**
Specific allowance ratio (Specific allowances / Individually impaired loans)	55%	54%
Ratio of impaired loans (Individually impaired loans / Loans to customers)	4.41%	1.33%

Loans and advances to customers and credit institutions by classes
(millions of EEK)

31.12.09	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
1) Neither past due nor impaired	**4,630.6**	**21,771.7**	**5,583.2**	**2,852.4**	**22,178.8**	**5,313.3**	**62,330.0**
2) Past due, but not impaired	0.0	1,182.0	439.7	0.1	1,852.5	701.3	4,175.6
fair value of collateral	0.0	1,300.9	444.1	0.1	1,841.8	396.0	3,982.9
3) Individually impaired	0.0	2,600.6	319.6	0.0	0.6	13.2	2,934.0
fair value of collateral	0.0	1,373.4	143.8	0.0	0.2	2.7	1,520.1
4) Accrued interests	2.8	47.1	12.8	4.6	34.3	33.1	134.7
5) Deferred origination fees	0.0	-11.4	-4.5	-1.2	-12.6	-8.4	-38.1
Total gross	**4,633.4**	**25,590.0**	**6,350.8**	**2,855.9**	**24,053.6**	**6,052.5**	**69,536.2**
Specific allowances	0.0	-1,386.8	-210.4	0.0	-0.3	-9.5	-1,607.0
Collective allowances	0.0	-682.6	-57.7	0.0	0.0	0.0	-740.3
Group allowances (homogeneous)	0.0	-123.6	-106.5	0.0	-276.9	-202.2	-709.2
Total net of allowances	**4,633.4**	**23,397.0**	**5,976.2**	**2,855.9**	**23,776.4**	**5,840.8**	**66,479.7**

31.12.08	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
1) Neither past due nor impaired	**6,019.3**	**24,911.6**	**8,087.9**	**2,773.6**	**22,897.4**	**5,933.4**	**70,623.2**
2) Past due, but not impaired	0.0	2,119.8	529.8	29.9	1,618.0	557.1	4,854.6
fair value of collateral	0.0	3,154.6	621.6	28.4	2,130.6	385.0	6,320.2
3) Individually impaired	0.0	821.1	171.8	0.0	0.5	16.0	1,009.4
fair value of collateral	0.0	420.0	58.7	0.0	0.3	10.3	489.3
4) Accrued interests	7.3	99.3	24.8	14.6	84.4	41.1	271.5
5) Deferred origination fees	0.0	-6.6	-1.5	-0.6	-7.6	-2.9	-19.2
Total gross	**6,026.6**	**27,945.2**	**8,812.8**	**2,817.5**	**24,592.7**	**6,544.7**	**76,739.5**
Specific allowances	0.0	-412.5	-124.8	0.0	-0.3	-6.1	-543.7
Collective allowances	0.0	-119.5	-18.5	0.0	0.0	0.0	-138.0
Group allowances (homogeneous)	0.0	-61.7	-20.3	0.0	-210.8	-119.4	-412.2
Total net of allowances	**6,026.6**	**27,351.5**	**8,649.2**	**2,817.5**	**24,381.6**	**6,419.2**	**75,645.6**

Quality of loans by classes

(millions of EEK)

31.12.09	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
Normal loans	4,630.6	22,953.8	6,022.9	2,852.5	24,031.3	6,014.6	66,505.7
Impaired non-performing*	0.0	1,852.2	205.6	0.0	0.2	13.2	2,071.2
Impaired performing**	0.0	748.3	114.0	0.0	0.4	0.0	862.7
Accrued interest receivable	2.8	47.1	12.8	4.6	34.3	33.1	134.7
Deferred origination fees	0.0	-11.4	-4.5	-1.2	-12.6	-8.4	-38.1
	4,633.4	**25,590.0**	**6,350.8**	**2,855.9**	**24,053.6**	**6,052.5**	**69,536.2**
Specific allowances	0.0	-1,386.8	-210.4	0.0	-0.3	-9.5	-1,607.0
Collective and group allowances	0.0	-806.2	-164.2	0.0	-276.9	-202.2	-1,449.5
	4,633.4	**23,397.0**	**5,976.2**	**2,855.9**	**23,776.4**	**5,840.8**	**66,479.7**

31.12.08	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
Normal loans	6,019.3	27,031.4	8,617.7	2,803.5	24,515.3	6,490.6	75,477.8
Impaired non-performing*	0.0	668.5	146.6	0.0	0.1	14.8	830.0
Impaired performing**	0.0	152.6	25.2	0.0	0.5	1.1	179.4
Accrued interest receivable	7.3	99.3	24.8	14.6	84.4	41.1	271.5
Deferred origination fees	0.0	-6.6	-1.5	-0.6	-7.6	-2.9	-19.2
	6,026.6	**27,945.2**	**8,812.8**	**2,817.5**	**24,592.7**	**6,544.7**	**76,739.5**
Specific allowances	0.0	-412.5	-124.8	0.0	-0.3	-6.1	-543.7
Collective and group allowances	0.0	-181.2	-38.8	0.0	-210.8	-119.4	-550.2
	6,026.6	**27,351.5**	**8,649.2**	**2,817.5**	**24,381.6**	**6,419.2**	**75,645.6**

* Impaired non-performing loan: The loan is past due and the expected cash flow from the collateral does not cover both principal and accrued interest and penalty fees.

** Impaired performing loan: The bank has determined that the expected cash flow from the collateral does not cover both principal and accrued interest and penalty fee and there has been identified an incurred loss event, but no payments are yet past due more than 60 days.

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due put not impaired. Therefore loans and advances less than 60 days past due are not usually considered impaired, unless other information is available to indicate the contrary. Also not all impaired loans and advances are past due.

Past due by maturity period of overdue by classes
(millions of EEK)

31.12.09	**Credit insti-tutions**	**Loans to Corporates**	**Leases to Corporates**	**Public sector**	**Housing loans**	**Other loans to Private individuals**	**Accrued interest receivable**	**TOTAL**
< 30 days	0.0	634.8	210.3	0.1	829.5	267.8	6.3	1,948.8
incl. impaired	0.0	57.9	29.3	0.0	0.0	0.0		87.2
30 < 60 days	0.0	212.7	114.6	0.0	170.1	57.4	4.4	559.2
incl. impaired	0.0	78.2	17.8	0.0	0.0	0.0		96.0
over 60 days	0.0	2,481.4	404.2	0.0	853.1	389.3	109.7	4,237.7
incl. impaired	0.0	2,010.9	242.3	0.0	0.2	13.2		2,266.6
	0.0	**3,328.9**	**729.1**	**0.1**	**1,852.7**	**714.5**	**120.4**	**6,745.7**

31.12.08	**Credit insti-tutions**	**Loans to Corporates**	**Leases to Corporates**	**Public sector**	**Housing loans**	**Other loans to Private individuals**	**Accrued interest receivable**	**TOTAL**
< 30 days	0.0	1,322.5	362.1	31.5	933.0	262.0	13.6	2,924.7
incl. impaired	0.0	93.9	2.0	0.0	0.0	0.0		95.9
30 < 60 days	0.0	292.6	105.0	0.7	257.8	84.7	9.0	749.8
incl. impaired	0.0	1.9	4.0	0.0	0.0	0.0		5.9
over 60 days	0.0	1,323.5	232.2	0.0	427.4	226.3	59.1	2,268.5
incl. impaired	0.0	723.2	163.2	0.0	0.9	16.5		903.8
	0.0	**2,938.6**	**699.3**	**32.2**	**1,618.2**	**573.0**	**81.7**	**5,943.0**

The table indicates the total exposure of the credit where part is overdue as of 31.12.09.

Group is calculating interest income from loans with 60 days or more overdue based on cash received. Until 60 days overdue limit has not been breached interest income is recognized continuously based on contractual rate. The difference comparing to full effective interest income recognition was estimated for 2009 and 2008 to result in immaterial misstatement.

<u>Information about loans and advances, restructured during the 2009</u>
A loan is restructured if the relevant credit committee – due to the borrower's financial problems or deteriorated financial standing – has agreed to some type of concession in terms of the loan amount or the interest payments or the repayment schedule that the bank would otherwise not consider. Restructured loans in the context of IFRS 7 are the loans that would otherwise be past due or impaired unless they had not been renegotiated.

Restructured loans and advances by classes
(millions of EEK)

31.12.09	Credit institutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
	0.0	2,307.7	406.7	0.0	133.0	90.6	**2,938.0**

In annual reports of previous years restructured loans and advances were not shown, as they were considered not significant in volume for disclosure purposes.

The maximum exposure for on and off-balance sheet items, subject to credit risk, without taking account of collateral held or other credit enhancements, as of 31.12.2009 was 83.5 EEKbio and as of 31.12. 2008 was 94.4 EEKbio.

Large exposures	**31.12.09**		**31.12.08**	
	number/ amount	**% from net own funds**	**number/ amount**	**% from net own funds**
Number of customers with large exposures	2	-	2	-
Due from customers with large exposures	2,191.7	21.65	2,378.9	21.77
Due from management board members and related persons	24.9	0.25	15.7	0.14
	2,216.6	**21.90**	**2,394.6**	**21.91**
Own funds included in calculation of capital adequacy (see page 70)	10,124.7		10,929.8	

Large exposures contain due from central bank, credit institutions or customers (loans, interests, securities) and off-balance sheet commitments to central bank, credit institutions or customers, which may turn into claims.

The following is deducted from large exposures:
1) claims and off-balance sheet commitments to credit institutions with a term less than one year;
2) central bank, central government and state guaranteed study loans and claims secured with deposits and securities (credit risk 0%);
3) due from central bank, central government and government authorities, which belong to a group with credit risk considered at 0%;
4) loans to private non-residents, secured with I rank mortgage (credit risk considered at 50%).

Large credit risk exposure is defined by the Credit Institutions Law and is the total exposure of one party or related parties to the group which exceeds 10% of the group's net own funds, 1,012.5 EEKmio as at 31.12.2009 (1,093.0 EEKmio as at 31.12.2008), see Note 2.9 on page 69. All instruments where credit risk may arise to the group are taken into consideration. The maximum rate of total large exposures altogether allowed is 800%. The limit of the total exposure of one party or related parties is 25%. As of 31.12.2009 the SEB Pank Group had 2 large risk exposures (2 large risk exposures in 31.12.2008). Total exposure of any group of related parties did not exceed the limit of 25%.

Credit risk in AS SEB Elu- ja Pensionikindlustus

Credit risk in SEB Elu- ja Pensionikindlustus is the risk that counterparty to a financial instrument causes monetary loss to the other counterparty due to inability to fulfil its obligations. Credit risk arises from the following counterparties of transaction:

- Credit institutions
- Reinsurers
- Issuers of bonds
- Policyholders

To manage credit risk, AS SEB Elu- ja Pensionikindlustus has established a condition to the reinsurance partners upon risk reinsurance that they must have at least rating A by Standard&Poor's. The Company's reinsurers Swiss Re has a rating of A+ (Standard&Poor's) and Kölnische Rückversicherungs-Gesellschaft AG (Cologne Re) AAA (Standard&Poor's) as at 31.12.2009. Credit risk related to debt securities is managed through the investment policy, which sets the weighted average rating and lowest allowed rating for debt securities.

Repossessed collateral

During 2009, the Group obtained assets by taking possession of collateral held as security as follows:

Nature of assets	Carrying amount
Property	24.7

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the consolidated statement of financial position within investment property.

2.3. Market risk

AS SEB Pank defines market risk as the risk of loss or reduction of future net income following changes in interest rates, foreign exchange and equity prices, including price risk in connection with the sale of assets or closing of positions.

Market risk may arise from the bank's activity at the financial markets and it has an impact on the majority of bank products: loans, deposits, securities, credit lines. AS SEB Pank measures the risks using different methods of risk valuation and management pursuant to the type of risk. Important role in risk prevention is diversification of risk assets and limitation for trading positions.

Maximum limits approved by the committees, which are in compliance with the limits set by the Bank of Estonia, form the basis for controlling and monitoring the risk of various instrument portfolios.

For positions related to market risk nominal limits are applied, which are monitored by trading portfolios on daily basis by Risk Control. Any limit breach shall be reported in accordance with the regulations of Market Risk Policy. In addition to the aforementioned, also scenario analysis is applied in market risk management, which is used for valuing the performance of trading positions in case of more extreme fluctuations in market variables.

The overall market risk is measured by using the Value at Risk (VaR) model. VaR is defined as a maximum potential loss that can arise with a certain degree of probability during a certain period of time. For day-to-day risk management, AS SEB Pank has chosen a probability level of 99% and a ten-day time horizon. VaR model enables to effectively measure market risks associated with different instruments and the results are homogeneously comparable. Banking book ten-day average VaR in 2009 was 30 EEKmio (in 2008 23 EEKmio). AS SEB Pank's trading risk is relatively small, mainly arising from FX trading. Average trading risk 10 day VaR in 2009 was 6 EEKmio (in 2008 19 EEKmio). Actual outcomes are monitored regularly to test the validity of assumptions and factors used in VaR calculation. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Value at Risk
(millions of EEK)

	Min	Max	31.12.09	Average 2009	Average 2008
Trading book	2.0	12.4	6.5	6.4	18.9
Banking book	18.9	37.4	18.9	30.0	23.4

VaR by risk type
(millions of EEK)

	31.12.09		31.12.08	
	Trading book	Banking book	Trading book	Banking book
Interest rate risk	-0.016	14.490	0.003	18.997
Currency risk	6.501	-0.007	3.369	0.002
Equity risk	0.001	4.443	0.004	14.138
TOTAL	**6.487**	**18.926**	**3.376**	**33.137**

2.3.1. Foreign exchange risk

Foreign exchange risk arises both through the bank's foreign exchange trading and because the group's activities are carried out in various currencies. The Group's main objective for taking foreign exchange risk is to facilitate smooth foreign exchange trading for its customers and to manage the flows from customers' deals effectively. Together with the customers' deals related flows the Group manages the structural foreign exchange risk inherent in the structure of the balance sheet and earnings.

Foreign exchange positions are measured within the overall VaR framework. As a complement ALCO has set limits for open foreign currency positions by individual currencies and also on an aggregated level as a sum of long or short positions, depending of which one is higher on absolute terms. Management of open foreign currency positions is the responsibility of the Foreign Exchange department, and analysing and limit follow-up that of the Risk Control department.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the reporting date.

Currency position
(millions of EEK)

31.12.09	EEK	EUR	USD	SEK	Other currencies	TOTAL
ASSETS						
Cash and balances with central bank	5,233.5	186.6	12.3	5.6	28.0	5,466.0
Loans and advances to credit institutions	21.5	4,364.0	168.1	0.3	79.5	4,633.4
Loans and advances to customers	11,123.1	50,576.5	145.1	1.0	0.6	61,846.3
Securities	27.3	374.1	13.1	0.2	61.2	475.9
Other assets	370.3	130.7	124.5	28.5	160.6	814.6
TOTAL ASSETS	**16,775.7**	**55,631.9**	**463.1**	**35.6**	**329.9**	**73,236.2**
LIABILITIES						
Due to credit institutions	468.8	29,181.0	95.3	2.5	38.4	29,786.0
Deposits	22,261.9	7,946.6	1,478.2	154.4	171.6	32,012.7
Other liabilities	263.6	3,183.7	158.5	48.6	173.7	3,828.1
TOTAL LIABILITIES	**22,994.3**	**40,311.3**	**1,732.0**	**205.5**	**383.7**	**65,626.8**
Net on-balance sheet position	**-6,218.6**	**15,320.6**	**-1,268.9**	**-169.9**	**-53.8**	**7,609.4**
FX derivative assets	2,429.1	1,067.4	1,580.3	294.1	363.0	5,733.9
FX derivative liabilities	736.4	4,260.4	304.5	122.9	259.9	5,684.1

31.12.08	EEK	EUR	USD	SEK	Other currencies	TOTAL
ASSETS						
Cash and balances with central bank	6,280.7	127.3	15.1	6.0	22.4	6,451.5
Loans and advances to credit institutions	9.3	5,424.3	50.6	317.1	225.3	6,026.6
Loans and advances to customers	17,373.6	51,684.7	543.8	1.7	15.2	69,619.0
Securities	479.3	1,196.7	85.3	2.8	100.0	1,864.1
Other assets	969.7	101.2	33.0	18.0	13.3	1,135.2
TOTAL ASSETS	**25,112.6**	**58,534.2**	**727.8**	**345.6**	**376.2**	**85,096.4**
LIABILITIES						
Due to credit institutions	788.4	34,432.7	482.8	0.5	72.0	35,776.4
Deposits	25,128.6	7,637.6	1,838.9	108.0	423.0	35,136.1
Other liabilities	1,811.7	3,346.6	142.2	22.4	29.1	5,352.0
TOTAL LIABILITIES	**27,728.7**	**45,416.9**	**2,463.9**	**130.9**	**524.1**	**76,264.5**
Net on-balance sheet position	**-2,616.1**	**13,117.3**	**-1,736.1**	**214.7**	**-147.9**	**8,831.9**
FX derivative assets	814.7	1,529.7	2,117.1	120.9	681.0	5,263.4
FX derivative liabilities	1,302.2	2,815.9	421.3	332.3	480.5	5,352.2

FX options are weighted with delta. Other FX derivative assets and liabilities include currency-related derivatives and are shown here in their contractual nominal value. Net position of every currency was under 1% level of net own funds, 1,012.5 EEKmio as at 31.12.2009 (1,093.0 EEKmio as at 31.12.2008). Net positsion is calculated without EEK and EUR in Estonia because EEK is pegged to EUR at 15.6466 EEK : 1 EUR).

2.3.2. Interest rate risk

Interest rate risk is the risk of loss or reduction of future net income following changes in interest rates, including price risk in connection with the sale of assets or closing of positions. To measure and limit interest rate risk the Group uses the VaR method, supplemented with Delta1% method.

The Group uses Delta1% methodology for measuring the ALM (assets-liability mismatch) risk, arising from the structure of interest earning assets and interest bearing liabilities. Delta1% is defined as the change in market value arising from an adverse one percentage unit parallel shift in all interest rates in each currency. Delta1% method enables to effectively measure the impact of interest rate changes to interest bearing assets and liabilities. Delta1% limit is monitored as a negative or positive net position respectively, depending of which one is higher. Delta1% should be kept within the limit set by ALCO. Daily management of interest rate risk is the responsibility of the Treasury, and analysing that of the Risk Control department.

As per year end, Delta1% was -51 EEKmio (2008: -61 EEKmio). 2009 average Delta1% was -48 EEKmio (2008: -58 EEKmio). The Group Delta1% has been negative which means that the average duration of interest bearing assets is higher than average duration of interest bearing liabilities and the Group is more exposed to interest rate increase. The biggest contributors to the Delta1% figure are loans from the asset side and deposits and funding from the parent company from the liabilities side which balance the mismatch from loans. Further information on interest rate sensitivity can be found through table below “Interest earning assets and interest bearing liabilities by interest fixation period”.

AS SEB Pank has been keeping assets-liabilities mismatch at relatively low level. Flexibility to assets-liabilities mismatch management is assured by the possibility to adjust funding from parent company.

The next table summarises the Group exposure to interest rate risk. It includes the Group’s financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity date.

Interest earning assets and interest bearing liabilities by interest fixation period
(millions of EEK)

31.12.09

ASSETS	< 1 month	1-3 months	3-12 months	1-2 years	2-5 years	over 5 years	Total	Statement of financial position
Due from central bank	4,826.1	0.0	0.0	0.0	0.0	0.0	4,826.1	4,827.1
Due from credit institutions	1,881.7	2,750.5	0.0	0.0	0.0	0.0	4,632.2	4,633.4
Due from customers	18,323.4	19,158.4	16,442.6	1,162.7	3,612.8	3,052.7	61,752.6	61,846.3
Securities	0.0	3.6	25.2	0.0	16.7	15.6	61.1	38.5
TOTAL ASSETS	**25,031.2**	**21,912.5**	**16,467.8**	**1,162.7**	**3,629.5**	**3,068.3**	**71,272.0**	**71,345.3**
LIABILITIES								
Due to credit institutions	6,488.0	8,112.5	10,674.9	3,230.2	1,133.6	36.4	29,675.6	29,786.0
Due to customers	22,305.8	4,975.5	3,437.9	533.6	482.9	50.4	31,786.1	31,824.2
Lending funds	2.4	28.1	37.1	19.4	34.7	66.4	188.1	188.4
Issued debt securities	0.0	0.0	17.4	0.0	0.0	0.0	17.4	9.1
Subordinated liabilities	0.0	782.3	1,830.7	0.0	0.0	0.0	2,613.0	2,615.9
TOTAL LIABILITIES	**28,796.2**	**13,898.4**	**15,998.0**	**3,783.2**	**1,651.2**	**153.2**	**64,280.2**	**64,423.6**
Total interest repricing gap of on-balance sheet position	**-3,765.0**	**8,014.1**	**469.8**	**-2,620.5**	**1,978.3**	**2,915.1**	**6,991.8**	**6,921.7**
Derivative assets	4,392.4	1,532.5	463.2	145.1	258.0	43.4	6,834.6	351.7
Irrevocable and revocable interest related assets	0.0	0.0	0.0	0.0	0.0	391.2	391.2	0.0
Derivative liabilities	4,384.1	1,508.6	463.2	145.1	258.1	43.4	6,802.5	349.4
Irrevocable and revocable interest related liabilities	758.1	1,564.1	2,219.9	18.7	156.2	53.9	4,770.9	0.0
Total interest repricing gap	**-4,514.8**	**6,473.9**	**-1,750.1**	**-2,639.2**	**1,822.0**	**3,252.4**	**2,644.2**	**6,924.0**

Table includes only interest earning assets and interest bearing liabilities. Also the table does not include the liabilities from factoring (Note 27), commissions for loans and discounting of deposits.

31.12.08

ASSETS	< 1 month	1-3 months	3-12 months	1-2 years	2-5 years	over 5 years	Total	Statement of financial position
Due from central bank	5,730.5	0.0	0.0	0.0	0.0	0.0	5,730.5	5,739.4
Due from credit institutions	6,019.3	0.0	0.0	0.0	0.0	0.0	6,019.3	6,026.6
Due from customers	22,070.9	19,706.2	18,453.2	1,197.3	4,578.8	3,364.7	69,371.1	69,619.0
Securities	182.9	126.9	24.8	11.1	90.6	185.2	621.5	747.1
TOTAL ASSETS	**34,003.6**	**19,833.1**	**18,478.0**	**1,208.4**	**4,669.4**	**3,549.9**	**81,742.4**	**82,132.1**
LIABILITIES								
Due to credit institutions	8,775.7	8,383.3	12,786.6	1,415.0	3,917.9	91.2	35,369.7	35,776.4
Due to customers	26,935.4	3,830.8	3,271.2	416.7	403.3	64.4	34,921.8	35,006.2
Lending funds	2.2	3.9	16.3	19.2	40.9	47.1	129.6	129.9
Issued debt securities	0.0	0.0	0.0	115.9	0.0	0.0	115.9	114.3
Subordinated liabilities	0.0	782.3	1,830.7	0.0	0.0	0.0	2,613.0	2,620.9
TOTAL LIABILITIES	**35,713.3**	**13,000.3**	**17,904.8**	**1,966.8**	**4,362.1**	**202.7**	**73,150.0**	**73,647.7**
Total interest repricing gap of on-balance sheet position	**-1,709.7**	**6,832.8**	**573.2**	**-758.4**	**307.3**	**3,347.2**	**8,592.4**	**8,484.4**
Derivative assets	3,279.6	1,857.8	461.7	105.1	201.7	36.8	5,942.7	343.3
Irrevocable and revocable interest related assets	0.0	0.0	0.0	0.0	0.0	286.3	286.3	0.0
Derivative liabilities	3,299.8	1,915.1	471.9	105.1	201.7	36.8	6,030.4	427.6
Irrevocable and revocable interest related liabilities	870.9	1,009.8	3,700.6	120.0	60.1	46.0	5,807.4	0.0
Total interest repricing gap	**-2,600.8**	**5,765.7**	**-3,137.6**	**-878.4**	**247.2**	**3,587.5**	**2,983.6**	**8,400.1**

2.3.3. Market risk related to life insurance asset-liability matching

The market risk is one of the most important risks for AS SEB Elu- ja Pensionikindlustus. Market risk in a life insurance company derives from the risk of investing the assets under insurance contracts and financial liabilities investment contracts with guaranteed interest. This risk is managed in AS SEB Elu- ja Pensionikindlustus with an investment policy, which establishes investment restrictions of the aforementioned assets between different asset classes, as well as the diversification requirements of assumed positions towards the clients (Note 23). In the European Union from 2012 new insurers capital adequacy requirements named Solvency II are taking effect. The assessment of market risk plays a major part in new requirements. AS SEB Elu- ja Pensionikindlustus is making efforts to assess its market risk in conformity with the Solvency II and in line with the practices of other SEB Group life insurance companies.

2.3.4. Equity price risk

Equity price risk arises within market making and trading in equities and related instruments. In 2009 AS SEB Pank closed equity trading portfolio which was significantly reduced already in 2008 (equity trading portfolio amounted to 4 EEKmio as of end 2008).

2.4. Insurance risk

In its business activities, AS SEB Elu- ja Pensionikindlustus concludes contracts which transfer insurance risk from the policyholder to the company. The insurance risk with regard to an individual contract is defined as a probability that an event, set out in the contract will take place (the insured event) and as uncertainty about the amount payable as a result of it. A corresponding individual risk as the main basis of insurance is incidental and therefore unpredictable. With regard to the portfolio of insurance contracts whose income (premium rates) and provisions are calculated on the basis of the theory of probability, the insurance risk lies in the fact that the actual payments of damages and claims prove to be larger than the recognised (calculated) insurance liabilities. Such a situation may appear if the frequency of the insured events or the amount of individual events exceed the expectations and assumptions of the company. The occurrence of insured events is incidental and therefore the amount of damages and claims differs by years from the assumptions created by using statistical techniques. The larger the portfolio of insurance contracts with similar risk, the smaller the estimated difference of the actual result from the statistical calculated assumption. In addition, a larger variety of risks leads to a smaller probability of the occurrence of one-way events and hence also to a smaller risk of the whole portfolio.

The company offers the products which cover the risk of death and longevity. Besides these main insurances, additionally insurance for critical illnesses, accidental covers and total and permanent disability are offered. AS SEB Elu- ja Pensionikindlustus uses different methods to control and manage insurance risk. The company will use new death rate tables if the tariffs established on the basis of the current death rate tables do not cover sufficiently the insurance risks. The company controls and manages insurance risk also through risk management (underwriting) procedures. The company has also applied the medical examination requirement to the policyholders, if the insured amount of the insurance contract entered into is over 1,000,000 EEK. In addition to the above, the company has delimited its participation in respect of the maximum loss of an individual case through a reinsurance contract, under which all risks from individual event, which exceed 20,000 - 1,000,000 EEK (subject to a contract) are covered by the reinsurer. SEB Elu- ja Pensionikindlustus reinsurance partners are reinsurance companies Swiss Re and Kölnische Rückversicherungs-Gesellschaft AG (Cologne Re).

2.5. Concentration of risks

Geographic concentration of assets and liabilities
(millions of EEK)

31.12.09	Cash and balances with central bank	Loans and advances to credit institu-tions	Loans and advances to custo-mers	Securi-ties	Other assets	Total assets	Due to to credit institu-tions	Due to custo-mers	Other liabilities	Total liabilities	Contingent liabilities
Sweden	5.6	9.2	28.3	111.0	10.1	164.2	28,849.4	100.8	2,860.9	31,811.1	26.9
Estonia	5,233.5	109.4	61,380.7	347.3	713.0	67,783.9	191.5	28,206.8	1,103.1	29,501.4	7,876.0
United Kingdom	2.5	21.2	39.8	1.2	0.0	64.7	80.5	1,472.5	0.3	1,553.3	5.6
Russia	5.2	41.0	13.5	0.0	0.0	59.7	10.4	214.8	1.6	226.8	0.0
Germany	130.4	4,352.6	5.2	0.0	0.0	4,488.2	568.2	50.5	0.0	618.7	115.3
United States	12.3	45.1	17.8	12.9	0.2	88.3	2.5	241.5	0.1	244.1	0.2
Canada	1.2	0.1	0.0	0.0	0.0	1.3	3.7	10.6	0.0	14.3	0.0
Japan	0.7	0.0	0.0	0.0	0.0	0.7	0.0	1.1	0.0	1.1	0.0
Finland	0.0	0.7	290.3	3.4	0.5	294.9	2.6	120.9	0.2	123.7	17.5
Latvia	4.4	3.6	0.2	0.0	0.0	8.2	25.4	34.4	3.0	62.8	0.0
Lithuania	2.5	6.1	0.5	0.1	0.0	9.2	13.6	46.9	0.2	60.7	0.0
Luxembourg	0.0	15.9	0.0	0.0	0.0	15.9	1.9	0.0	0.0	1.9	0.0
Netherlands	0.0	0.1	9.7	0.0	0.1	9.9	0.0	3.2	0.1	3.3	0.0
Other Western Europe	7.0	16.4	43.2	0.0	0.3	66.9	35.4	628.9	0.2	664.5	12.6
Other Eastern Europe	3.0	7.4	0.6	0.0	0.2	11.2	0.6	30.0	0.4	31.0	1.6
Other countries	57.7	4.6	16.5	0.0	90.2	169.0	0.3	661.3	46.5	708.1	1.0
	5,466.0	**4,633.4**	**61,846.3**	**475.9**	**814.6**	**73,236.2**	**29,786.0**	**31,824.2**	**4,016.6**	**65,626.8**	**8,056.7**

31.12.08	Cash and balances with central bank	Loans and advances to credit institu-tions	Loans and advances to custo-mers	Securi-ties	Other assets	Total assets	Due to to credit institu-tions	Due to custo-mers	Other liabilities	Total liabilities	Contingent liabilities
Sweden	6.1	469.3	34.9	192.6	0.0	702.9	34,740.9	176.0	2,712.2	37,629.1	37.0
Estonia	6,280.7	1.2	69,055.6	934.6	1,058.6	77,330.7	285.5	30,965.4	2,552.6	33,803.5	9,912.4
United Kingdom	1.9	4.7	41.9	44.3	0.0	92.8	32.2	1,587.4	0.6	1,620.2	5.6
Russia	2.5	122.8	17.5	50.7	0.0	193.5	29.3	268.1	0.2	297.6	0.0
Germany	64.8	5,344.0	48.4	53.5	0.0	5,510.7	542.1	24.1	0.2	566.4	89.6
United States	15.1	50.3	24.5	18.4	0.3	108.6	5.5	431.0	0.1	436.6	0.4
Canada	0.6	0.3	0.0	0.0	0.1	1.0	0.7	34.7	0.0	35.4	0.0
Japan	0.7	1.7	0.0	2.1	0.1	4.6	0.0	1.9	0.0	1.9	0.0
Finland	0.0	0.5	294.5	131.4	0.0	426.4	4.0	116.6	0.3	120.9	23.1
Latvia	4.1	11.5	0.3	20.6	0.0	36.5	31.3	36.2	0.0	67.5	0.0
Lithuania	2.4	0.8	0.7	18.2	0.2	22.3	16.0	9.8	0.8	26.6	0.1
Luxembourg	0.0	2.0	9.7	145.6	6.2	163.5	2.4	0.2	3.2	5.8	0.0
Netherlands	0.0	0.3	10.0	39.0	0.0	49.3	0.0	5.0	0.0	5.0	0.1
Other Western Europe	6.8	10.6	45.7	161.5	0.1	224.7	23.5	645.2	0.3	669.0	16.4
Other Eastern Europe	2.9	5.3	0.6	28.9	0.2	37.9	60.2	24.8	1.8	86.8	1.8
Other countries	62.9	1.3	34.7	22.7	69.4	191.0	2.8	679.8	209.6	892.2	2.4
	6,451.5	**6,026.6**	**69,619.0**	**1,864.1**	**1,135.2**	**85,096.4**	**35,776.4**	**35,006.2**	**5,481.9**	**76,264.5**	**10,088.9**

Contingent liabilities include here guarantees and pledges, loan commitments, forwards, swaps, options, spots, interest rate based derivatives, revocable transactions, stand-by loans, other revocable transactions, options of structured products and are presented in contract amount of contingent liabilities, detailed view in Note 35.

Securities include here financial assets held for trading, financial assets designated at fair value through profit or loss, available-for-sale financial assets, investments in associates.

Concentration of financial assets and liabilities by economic sector

(millions of EEK)

31.12.09	In statement of financial position: Cash and loans to central bank, credit institutions and customers	In statement of financial position: Securities	Contingent liabilities
Real estate	11,212.3	1.2	129.4
Finance	10,184.8	52.0	316.3
Industry	4,481.3	16.9	1,467.3
Trading	3,900.4	20.6	868.8
Transport	3,013.1	0.0	301.3
Energy, gas and steam plants	2,545.0	0.0	1,842.2
Government and state defence	1,784.4	0.7	335.5
Agriculture, fishing, forestry	1,605.4	0.0	75.5
Construction	1,094.6	0.0	1,027.4
Hotels, restaurants	1,039.3	0.0	5.6
Health services, social work	822.0	0.0	105.6
Administration and assistance	595.2	0.0	96.3
Art, showbusiness, leisure	539.2	0.0	32.3
Water supply, canalisation, waste management	335.6	0.0	50.7
Education	329.0	0.0	95.8
Professional, science and technical work	261.0	0.0	63.8
Information and telecommunication	244.3	15.1	88.8
Mining	135.8	0.0	5.5
Exterritorial organisations	0.1	0.0	0.5
Other government and social services	774.9	17.7	32.8
Individuals	30,104.5	0.0	1,115.3
Derivatives	0.0	351.7	0.0
Allowances	-3,056.5	-	-
	71,945.7	**475.9**	**8,056.7**

31.12.08	In statement of financial position: Cash and loans to central bank, credit institutions and customers	In statement of financial position: Securities	Contingent liabilities
Finance	12,496.2	260.5	239.9
Real estate	11,502.3	597.1	674.4
Industry	5,628.6	48.3	1,465.9
Trading	5,123.6	138.6	2,380.7
Transport	3,860.1	35.8	458.5
Energy, gas and steam plants	2,353.6	0.0	843.6
Agriculture, fishing, forestry	2,043.7	4.4	102.9
Government and state defence	1,769.2	3.7	299.1
Construction	1,389.0	47.4	1,440.8
Hotels, restaurants	1,208.8	6.4	13.5
Health services, social work	935.1	12.1	110.0
Administration and assistance	840.7	34.9	201.8
Art, showbusiness, leisure	580.7	40.5	58.6
Professional, science and technical work	351.2	0.0	44.0
Water supply, canalisation, waste management	339.5	0.0	90.2
Information and telecommunication	315.0	41.4	106.2
Education	286.6	0.0	143.0
Mining	58.4	11.6	4.6
Exterritorial organisations	0.1	2.3	0.5
Other government and social services	973.1	192.9	63.8
Individuals	31,135.5	2.8	1,346.9
Derivatives	0.0	383.4	0.0
Allowances	-1,093.9	-	-
	82,097.1	**1,864.1**	**10,088.9**

Contingent liabilities include here guarantees and pledges, loan commitments, forwards, swaps, options, spots, interest rate based derivatives, revocable transactions, stand-by loans, other revocable transactions, options of structured products and are presented in contract amount of contingent liabilities, detailed view in Note 35.

Securities include here financial assets held for trading, financial assets designated at fair value through profit or loss, available-for-sale financial assets, investments in associates.

2.6. Liquidity risk

Liquidity risk is defined as the risk of a loss or substantially higher costs than calculated due to the AS SEB Pank being forced to make business changes or borrow at unfavourable rates in order to meet its payment commitments on time.

The banks' liquidity risk is regulated and managed on basis of the mandatory reserve of the Bank of Estonia and internal liquidity limits determined by ALCO. Liquidity risk is measured as cumulative cash flows arising from the assets and liabilities of the bank in various time bands. Liquidity management is based on special models reflecting cash flow behaviour in the case of different scenarios including crisis scenario.

The Group's liquidity management process, as carried out within the group and monitored by Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of highly marketable assets to fulfil mandatory reserve requirement;
- Monitoring liquidity gaps against internal limits; and
- Managing the concentration and profile of debt maturities.

Long-term liquidity of the bank is planned and control over liquidity risk management is executed by ALCO. Central and daily management of the bank's liquidity is the responsibility of the Treasury, and analysing that of the Risk Control department.

Additional assurance for AS SEB Pank to manage long-term liquidity gives belonging to the international banking group. Liquidity is managed in co-operation with SEB Group Treasury. Through the parent company AS SEB Pank has better access to the international money markets than on individual basis.

Next table presents the cash flows payable by the Group under financial liabilities by remaining contractual maturity at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Liquidity risk (by remaining maturity)
(millions of EEK)

31.12.09	On demand and less 1 than month	1-3 months	3-12 months	1-2 years	2-5 years	over 5 years	Total	Carrying value in statement of financial position
Due to credit institutions	1,039.8	99.0	3,095.7	10,855.9	15,641.1	562.5	31,294.0	29,675.6
Due to customers	22,594.2	5,050.4	3,732.2	458.0	519.5	141.6	32,495.9	31,910.3
Issued debt securities	0.0	0.0	17.0	0.0	0.0	0.0	17.0	9.1
Subordinated loans	0.0	2.9	38.2	57.0	323.0	2,890.0	3,311.1	2,613.0
Other liabilities	847.3	0.6	3.2	0.0	0.0	0.0	851.1	851.1
Loans related to off-balance sheet commitments*	612.0	1,524.6	2,272.1	18.7	156.2	53.9	4,637.5	0.0
Gross settled								
Derivatives inflow	-4,392.4	-1,532.5	-463.2	-145.1	-258.0	-43.4	-6,834.6	-291.1
Derivatives outflow	4,384.1	1,508.6	463.2	145.1	-258.1	-43.4	6,199.5	266.2
Net settled								
Derivatives	1.3	0.0	24.5	15.1	19.2	0.0	60.1	60.1
	25,086.3	**6,653.6**	**9,182.9**	**11,404.7**	**16,142.9**	**3,561.2**	**72,031.6**	**65,094.3**

31.12.08	On demand and less 1 than month	1-3 months	3-12 months	1-2 years	2-5 years	over 5 years	Total	Carrying value in statement of financial position
Due to credit institutions	3,714.1	485.3	5,544.9	6,496.1	21,886.6	284.2	38,411.2	35,369.7
Due to customers	26,988.8	3,908.4	3,437.0	446.2	471.4	132.5	35,384.3	34,981.5
Issued debt securities	0.0	0.0	5.5	124.6	0.0	0.0	130.1	115.9
Subordinated loans	0.0	7.7	89.9	83.9	273.4	2,879.1	3,334.0	2,613.0
Other liabilities	870.5	625.1	2.3	0.0	0.0	0.0	1,497.9	1,497.9
Loans related to off-balance sheet commitments*	1,043.5	669.6	3,516.4	120.0	10.1	96.1	5,455.7	0.0
Gross settled								
Derivatives inflow	-3,279.6	-1,857.8	-461.7	-105.1	-201.8	-36.7	-5,942.7	-343.3
Derivatives outflow	3,299.8	1,915.1	471.9	105.1	201.8	36.7	6,030.4	427.6
Net settled								
Derivatives	0.1	0.0	1.9	30.8	5.8	0.0	38.6	38.6
	32,637.2	**5,753.4**	**12,608.1**	**7,301.6**	**22,647.3**	**3,391.9**	**84,339.5**	**74,700.9**

* credit-related off-balance sheet commitments are unused credit limits on reporting day

Assets available to meet these liabilities include cash, central bank balances, highly liquid bonds held for reserve purposes, loans and advances to banks and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Group would also be able to meet unexpected net cash outflows by selling securities. Reporting date spot rate of Eesti Pank is used for assets / liabilities in foreign currencies.

2.7. Operational risk

Operational risk is the risk of loss due to external events (natural disasters, external crime, etc) or internal factors (e.g. breakdown of IT systems, mistakes, fraud, non-compliance with external and internal rules, other deficiencies in internal controls).

AS SEB Pank has established Operational Risk Committee (ORC) – top level advisory group to group's management on operational risk issues. Operational Risk Committee is a body guiding and co-ordinating the operational risk management in all units, including dealing with security issues, evaluation of technological risks and quality management, acting within the authority granted by the AS SEB Pank Management Board. Operational Risk Policy states minimum standards for operational risk management.

AS SEB Pank has developed several techniques to identify, analyse, report and mitigate operational risk:

- Reporting of operational risk events (losses, near misses and extraordinary gains) with automated routing of issues to responsible managers;
- Regular monitoring of Key Risk Indicators. Key indicators serve as early warning signals about changes in risk level and business efficiency. Fluctuations of indicators and reasons of such fluctuations are discussed at monthly ORC meetings;
- Regular process of operational risk self-assessments (ORSA);
- Follow-up compliance with New Product Approval Process requirements to minimize operational risk in product development;
- Business continuity planning - establishing business continuity plans for most critical business processes, recovery plans for IT and insuring physical security in crisis situations.

AS SEB Pank uses an IT-based infrastructure for management of operational risk, security and compliance, the system is in use all over SEB Group. The system enables all staff to register risk-related issues and management at all levels to assess, monitor and mitigate risks and to compile prompt and timely reports. This facilitates management of risk exposures and minimises the severity of incidents in progress. The system also provides input to SEB group's model for calculating the capital requirement under the Advanced Measurement Approaches. This model, which is used also for economic capital, is based on internal data and on operational losses of a considerable size that have actually occurred in the global financial sector. The quality of the risk management of the units, based upon their self-assessment, is taken into account. Effective operational risk management results in a lower allocation of capital.

Insurance agreements concluded by SEB AB apply to AS SEB Pank and cover the following:

- crime insurance,
- professional indemnity,
- directors and officers liability,
- damage caused to a third party resulting from the activity of the bank.

2.8. Fair value of financial assets and liabilities
(millions of EEK)

A) Financial instruments not measured at fair value

	31.12.09		31.12.08	
	Carrying value	Fair value	Carrying value	Fair value
ASSETS				
Cash	638.9	638.9	712.1	712.1
Balances with central bank	4,827.1	4,827.1	5,739.4	5,739.4
Loans and advances to credit institutions	4,633.4	4,632.2	6,026.6	6,026.6
Loans and advances to customers	61,846.3	54,608.6	69,619.0	64,922.6
Other assets	662.8	662.8	598.1	598.1
TOTAL ASSETS	**72,608.5**	**65,369.6**	**82,695.2**	**77,998.8**
LIABILITIES				
Due to credit institutions	29,786.0	29,625.4	35,776.4	35,651.3
Due to customers	31,824.2	31,788.2	35,006.2	34,968.1
Loan funds	188.5	182.2	129.9	129.9
Other financial liabilities	851.1	851.1	1,516.2	1,510.9
Issued debt securities	0.0	0.0	106.1	101.6
Subordinated loans	2,615.9	2,306.8	2,620.9	2,433.9
Total Liabilities	**65,265.7**	**64,753.7**	**75,155.7**	**74,795.7**

AS SEB Pank assesses fair value of those financial assets and liabilities which are not presented in the Group's statement of financial position at their fair value.

When calculating fair value for floating interest rate loans and for fixed-interest rate lending, future cash flows are discounted based on the market interest curve, which has been adjusted for applicable margins of new lending. Similarly have been calculated also fixed-interest rate deposits, floating interest rate and fixed-interest rate balances due to credit institutions.

As of reporting date fair value of loans and advances to customers was 11.70% lower than the carrying value. As of 31.12.2008 fair value of loans and advances to customers was 6.75% lower than the carrying value.

Balances due to credit institutions (29,786.0 EEKmio as of 31.12.2009) include credit lines borrowed from the parent bank SEB AB (28,236.0 EEKmio as of 31.12.2009). As of reporting date fair value of balances due to credit institutions was 0.54% (2008: 0.35%) lower than the carrying value.

As of reporting date fair value of balances due to customers was 0.11% (2008: 0.11%) lower than the carrying value.

As of reporting date fair value of lending funds was 3.34% (2008: 0.00%) lower than the carrying value. Fair value of subordinated loans was 11.82% (2008: 7.13%) lower than the carrying value.

B) Financial instruments measured at fair value

				31.12.09
	Level 1	Level 2	Level 3	**TOTAL**
Finacial assets at fair value through profit and loss				
Financial assets held for trading	**352.7**	**13.5**	**0.0**	**366.2**
Debt securities	1.0	13.5	0.0	14.5
Equity securities	0.0	0.0	0.0	0.0
Derivatives	351.7	0.0	0.0	351.7
Available for sale financial assets	**60.7**	**3.3**	**35.6**	**99.6**
Investment securities- debt	0.0	3.3	20.6	23.9
Investment securities-equity	60.7	0.0	15.0	75.7
TOTAL ASSETS	**413.4**	**16.8**	**35.6**	**465.8**
Financial liabilities at fair value through profit and loss				
Financial liabilities held for trading	349.4	0.0	0.0	349.4
Financial liabilities designated at fair value	9.1	0.0	0.0	9.1
TOTAL LIABILITIES	**358.5**	**0.0**	**0.0**	**358.5**

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges but also instruments quoted by market participants.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of input parameters like Euro yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

Reconciliation of Level 3 Items

	Available-for-sale financial assets		
	Investment securities - debt	Investment securities - equity	TOTAL ASSETS
At 1 January 2009	**0.0**	**18.1**	**18.1**
Profit or loss	0.0	-3.7	**-3.7**
Other comprehensive income	-6.5	5.4	-1.1
Settlements	0.0	-4.8	-4.8
Transfers into or out of Level 3	27.2	0.0	27.2
At 31 December 2009	**20.6**	**15.0**	**35.6**
Total losses for the period included in profit or loss for assets/liabilities held at 31.12.09	0.0	0.1	0.1

2.9. Capital management

The Group's Capital Policy defines how capital management should support the business goals. Shareholders' return requirement shall be balanced against the capital requirements of the regulators and the equity necessary to conduct the business of the Group.

ALCO and the Chief Financial Officer are responsible for the process linked to overall business planning, to assess capital requirements in relation to the Group's risk profile, and to propose a strategy for maintaining the desired capital levels. Together with continuous monitoring, and reporting of the capital adequacy to the Management Board, this ensures that the relationships between shareholders' equity and regulatory based requirements are managed in such a way that the Group does not jeopardise the profitability of the business and the financial strength of the Group.

Capital ratios are the main communication vehicle for capital strength. Following the SEB Group Capital Policy the parent company shall promptly arrange for additional capital if SEB Pank requires capital injections to meet the decided level. The Group analyses the capital effects of Basel II by regularly assessing RWA levels under the new framework and by continuously observing national regulatory developments. The quality of the Group's credit portfolio and the internal risk management culture translate into substantial RWA reductions – though limited by supervisory floors during the first years of the regime. However, this cannot be equated with a similar capital release, due to the framework's increased business cycle sensitivity, supervisory evaluation and rating agency considerations.

Good risk management notwithstanding, the Group must keep capital buffers against unexpected losses. The regulatory capital requirements serve as one measure of the necessary capital buffer to meet these risks. Requiring a more precise and risk-sensitive measure for internal capital assessment and performance evaluation, SEB group uses an economic capital framework. The Group's performance evaluation shall be based on the Return on Business Equity ("RoBE") methodology.

The Authority requires each bank or banking group to: (a) hold the minimum level of the regulatory capital: net-owners' equity must be over 5 EURmio (78.2 EEKmio), and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above minimum of 10%.

According to Insurance Activities Act, the minimum share capital of an insurance undertaking shall be at 3 EURmio (46.9 EEKmio) if the insurance undertaking has the right to engage in life insurance (AS SEB Elu- ja Pensionikindlustus).

According to Investment Funds Act, the share capital of a management company shall be equivalent to at least 3 EURmio (46.9 EEKmio), if the management company manages a mandatory pension fund (AS SEB Varahaldus).

According to Securities Market Act, the share capital of an investment firm shall be equivalent to at least 125 EURthousand (1.96 EEKmio), if the firm is providing services of securities portfolio management and is organising the issuance of securities or public offers (AS SEB Enskilda).

Capital adequacy

(millions of EEK)

CAPITAL BASE	31.12.09	31.12.08
Paid-in share capital	665.6	665.6
Premium	1,346.6	1,346.6
General banking reserves	306.0	304.9
Retained earnings	6,428.2	5,571.0
Unrealised profit for previous periods on shares of subsidiaries and associated companies (negative)	-3.8	-3.7
Intangibles	-9.6	-390.5
Loss for the period (group without life insurance)	-1,427.1	0.0
Audited profit for the period (group without life insurance)	0.0	856.8
Total primary own funds	7,305.9	8,350.7
Subordinated debt	2,613.0	2,613.0
Available-for-sale financial instruments	2.9	-2.5
Unrealised part of profit on shares of subsidiaries and associated companies	1.7	1.7
Allowances and adjustments exceeding expected loss	231.2	0.5
Total supplementary own funds	2,848.8	2,612.7
Majority holding in other credit and financial institutions	0.0	3.6
Majority holding in insurers	30.0	30.0
Total deductions	30.0	33.6
Total third level own funds	-	-
Primary own funds after deductions	7,290.9	8,333.9
Supplementary own funds included in calculation of capital adequacy	2,833.8	2,595.9
Own funds included in calculation of capital adequacy	10,124.7	10,929.8

CAPITAL REQUIREMENTS	31.12.09	31.12.08
Central government and central banks with standardised approach	0.0	22.4
Municipalities and regions with standardised approach	92.0	90.2
State agencies, non-profit institutions and associations with standardised approach	2.1	2.0
Retail claims with standardised approach	223.7	289.2
Overdue claims with standardised approach	19.7	3.9
Shares of investment funds with standardised approach	6.1	5.4
Other assets with standardised approach	52.6	91.3
Credit institutions, investment firms and municipalities with IRB	35.5	20.4
Other companies with IRB	3,058.1	2,816.1
Retail claims with IRB	760.3	715.5
Total capital requirements for covering the credit risk and counterparty credit risk	4,250.1	4,056.4
Capital requirement for covering interest position risk	28.9	19.2
Capital requirement for covering equity position risk	0.5	0.6
AMA of operational risk	95.5	145.8
Capital requirements total	4,375.0	4,222.0
Transition period floor of own funds if using IRB	5,036.1	6,510.8
Capital requirements for calculating capital adequacy	5,036.1	6,510.8

Basel II calculations are made for the Group without AS SEB Elu- ja Pensionikindlustus (life insurance), holding in insurer is deducted.

CAPITAL RATIOS

	31.12.09	31.12.08
Capital adequacy, %	20.10	16.79
Tier 1 Capital Ratio, %	14.48	12.80
Tier 2 Capital Ratio, %	5.62	3.99

MEMBERS OF CONSOLIDATION GROUP, INCLUDED TO CAPITAL ADEQUACY CALCULATION	MEMBERS OF CONSOLIDATION GROUP, NOT INCLUDED TO CAPITAL ADEQUACY CALCULATION
AS SEB Pank	AS SEB Elu- ja Pensionikindlustus
AS SEB Liising Group	
AS SEB Varahaldus	
AS Bangalo	
AS SEB Enskilda	
OÜ Estectus	

In Estonia the Basel II capital adequacy rules are in effect from January 1, 2007. Basel II is new capital adequacy framework which aims to converge regulative capital to the actual capital need of the bank according to its risk profile. Capital requirements for credit risk are reflecting the actual risk better than the previous rules, capital requirements for operational risk are introduced and the risk management and internal capital assessment of banks are subject to stricter scrutiny by the supervisors. In period 01.01.2008 - 30.06.2008 SEB Pank Group used standard method for calculation of credit risk and market risk and base method for calculating operational risk. From July 1, 2008, after respective permissions were granted by the supervisors, SEB Pank Group started to use the internal ratings based approach for reporting of credit risk and advanced approach for reporting of operational risk under Basel II.

2.10. Internal control system

Internal control system is a management tool that covers the activities of the entire banking Group and forms an integral part of the internal processes in the bank and in the Group. The responsibility for the establishment and operation of internal control system lies with the Management Board; the need for and the scope of controls is determined by the extent and nature of the risks involved.

The bank's Supervisory Board carries out supervision of the activities of the bank and the entire Group by establishing the general risk management principles.

To achieve the approved business goals, the Management Board of the bank establishes in accordance with the statutory requirements the necessary sub-plans, incl. competence and scope of liability as well as the internal rules that regulate activities, the accounting rules and the procedure for preparing and submitting operating reports.

Risk Control department measures and monitors risks taken by units within the Group and regularly informs the management on the risk situation.

The Internal Audit department and SEB Audit Committee are responsible for monitoring of the existence and functioning of efficient internal control system.

The SEB Audit Committee co-ordinates the (internal) audit work in accordance with the group's business objectives and overall risk assessment.

2.11. Compliance function

Compliance function in SEB Pank Group is global and independent from the business organisation. Its tasks are to mitigate compliance risks, ensure compliance quality, drive and promote compliance issues. Compliance supports the business and management by securing that the business in SEB Pank Group is carried out in compliance with regulatory requirements. In matters of common interest, Compliance co-operates with the Legal, Internal Audit, Risk Control and Security functions.

The areas of responsibility for the Compliance function relate to areas of customer protection, market conduct, prevention of money laundering and terrorist financing, regulatory systems and controls. The SEB Pank Group's instruction for the handling of conflicts of interests, ethics policy, market abuse instruction, instruction on measures to prevent money laundering, Code of Business Conduct are of special importance.

Notes 3 - 38 to Financial Statements of AS SEB Pank Group

(millions of EEK)

3. Interest and similar income

	2009	2008
Loans	2,600.7	4,021.7
Leasing	446.9	769.2
Deposits with other banks	29.4	189.5
Fixed income securities	16.4	13.0
	3,093.4	**4,993.4**

Group is calculating interest income from loans with 60 days or more overdue based on cash received. Until 60 days overdue limit has not been breached interest income is recognized continously based on contractural rate. The difference comparing to full effective interest income recognition was estimated for 2009 and 2008 to result in immaterial misstatement.

4. Interest expenses and similar charges

	2009	2008
Credit institutions	-885.0	-1,714.9
Time and other saving deposits	-555.3	-680.3
Demand deposits	-237.9	-543.3
Subordinated debts	-77.7	-147.2
Issued bonds	-2.5	-28.5
Loan funds	-6.2	-5.6
Other	-0.4	-0.3
	-1,765.0	**-3,120.1**

5. Fee and commission income

	2009	2008
Credit and payment cards	303.4	376.4
Securities market services	181.4	199.3
Transaction fees	119.0	131.2
Credit contracts*	65.0	139.8
Non-life insurance brokerage fees	38.7	46.9
Income from leasing agreements (full service)	35.3	45.3
Corporate Finance fees	32.4	35.9
Other settlement fees	23.3	14.2
Income from electronic channels	16.8	16.8
Cash handling fees	13.2	13.6
Other	27.3	25.8
	855.8	**1,045.2**

* Credit contracts include loan, leasing, letter of credit and guarantee contracts signed with customers, which are short-term and do not constitute interest income, but are of administrative nature for arrangement or reorganisation of credits.

6. Fee and commission expense

	2009	2008
Credit and payment cards	-124.1	-169.5
Cash collecting fees	-27.6	-27.1
Expenses to leasing agreements (full service)	-26.7	-35.0
Securities market	-20.7	-39.2
Transaction fees	-16.6	-18.6
Expenses of electronic channels	-13.9	-12.0
Corporate Finance fees	-8.3	-1.1
Other	-15.4	-15.3
	-253.3	**-317.8**

7. Net income from foreign exchange

	2009	2008
Gain/loss from transactions	25.4	-144.0
Currency translation differences	91.1	278.0
	116.5	**134.0**

8. Gains less losses from financial assets at fair value through profit or loss

	2009	2008
Gain/loss from trading securities	**-5.6**	**-43.9**
Gain/loss from shares	-0.1	-50.0
Gain/loss from fixed income securities	-5.5	6.1
Gain/loss from financial assets at fair value	**7.0**	**7.0**
Gained from fixed income securities	7.0	7.0
Derivatives	**64.0**	**-161.4**
Equity derivatives*	11.5	-168.9
Currency derivatives	40.5	-5.5
Interest derivatives	12.0	13.0
	65.4	**-198.3**

* AS SEB Pank has guaranteed 100% principal amount protection for Liquidity Fund´s investors. The guarantee is financial derivative, which exercised when fund’s NAV droped below 100% and realised in losses amount of 174.2 EEKmio in 2008 (0 EEK in 2009). Exercising the derivative means purchasing all the assets (excluding assets, which are classified as cash in the meaning of current annual accounts) from Liquidity Fund and remunerating the loss to investors from NAV drop below 100%. The group had no further similar financial derivatives as of 31.12.2008 or 31.12.2009.

The value of assets that were taken over in 2008 was assessed at 340.7 EEKmio. Majority of these debt securities have been disposed of (via redemption or sale) during 2009. The closing balance of the portfolio as at 31 December 2009 was 23.9 EEKmio.

Respective assets are disclosed in Notes 17 and 35.

9. Other income

	2009	2008
Rental income	1.0	1.3
Penalties	6.7	4.2
Other income	10.8	7.9
	18.5	**13.4**

10. Personnel expenses

	2009	2008
Personnel expenses*	-425.5	-469.0
Social security expenses	-145.9	-156.6
Other personnel expenses (hiring, training)	-23.1	-30.0
	-594.5	**-655.6**

* Costs related to the Long Term Incentive programmes are booked under personnel expences in total amount 1.6 EEKmio in 2009 (Note 1.23).

11. Other expenses

	2009	2008
Premises cost (rental and utilities)	-137.4	-134.7
IT related expenses	-63.9	-65.7
Advertising and marketing	-42.4	-68.3
Other administrative cost	-41.5	-57.9
Information services	-12.2	-12.6
Legal services	-10.7	-11.1
Penalties	-1.0	-2.3
Consulting*	0.0	-17.4
Other operating expenses**	-236.5	-29.3
	-545.6	**-399.3**

* In 2008 consulting included SEB allocated costs 7.5 EEKmio. In 2009 similar costs incl. tax 27.0 EEKmio are booked in other operating costs. Other 9.9 EEKmio are the consulting service development model, investment sales and data analysis and reporting.

** AS SEB Pank acted as arranger of the corporate bond issued by OÜ TR Majad in June 2007. OÜ TR Majad was declared bankrupt on 28 November 2008 and has not honored its commitments.

The obligations under the OÜ TR Majad bond were secured with financial collateral and AS SEB Pank held the collateral on behalf of the investors. As the collateral agent AS SEB Pank had certain obligations to inform the investors of significant events within a time limit of ten days. The bank became aware of such an event, the disposal of assets that formed part of the collateral for the bond, on 29 February 2008. Thus AS SEB Pank should have informed the investors no later than on 10 March 2008, but failed to do so until 9 April 2008.

AS SEB Pank has compensated all investors as of 10 March 2008 for the losses made on the investment in the OÜ TR Majad bond. The total compensation amount was 176.5 EEKmio, which equals 100% of principal amount and coupon interest of the bond until maturity.

Development costs

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Advertising expenses and the launch of new products, services and processes are expensed as incurred. Expenditures related to trademarks, etc., to be developed inside the company are also expensed at the moment of their occurrence.

In 2009 AS SEB Pank had expenses for the developing IT systems and electronic products in total amount of 42.1 EEKmio (44.0 EEKmio in 2008).

12. Impairment losses on loans and advances

2009	**Credit insti-tutions**	**Loans to Corporates**	**Leases to Corporates**	**Housing loans**	**Other loans to Private individuals**	**Seized assets**	**TOTAL**
Allowances for loans and advances to customers	**0.0**	**-1,611.9**	**-215.5**	**-66.0**	**-86.0**	**0.0**	**-1,979.4**
new loan allowances (Note 16)	0.0	-1,694.5 *	-260.0	-235.2	-151.0	0.0	-2,340.7
recoveries from write-offs (Note 16)	0.0	0.9	0.0	0.0	1.1	0.0	2.0
reversals of allowances (Note 16)	0.0	81.7	44.4	169.2	64.0	0.0	359.3
Allowances for off-balance sheet commitments	0.0	-0.2	0.0	0.0	0.0	0.0	-0.2
Assets held for sale	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-17.1**	**-17.1**
reappraisal	0.0	0.0	0.0	0.0	0.0	10.1	10.1
realised losses	0.0	0.0	0.0	0.0	0.0	-27.2	-27.2
	0.0	**-1,612.1**	**-215.5**	**-66.0**	**-86.0**	**-17.1**	**-1,996.7**

2008	**Credit insti-tutions**	**Loans to Corporates**	**Leases to Corporates**	**Housing loans**	**Other loans to Private individuals**	**Seized assets**	**TOTAL**
Allowances for loans and advances to customers	**0.0**	**-481.5**	**-141.0**	**-93.3**	**-38.0**	**0.0**	**-753.8**
new loan allowances (Note 16)	0.0	-516.4	-145.8	-128.4	-41.3	0.0	-831.9
recoveries from write-offs (Note 16)	0.0	4.7	3.4	0.0	0.1	0.0	8.2
reversals of allowances (Note 16)	0.0	30.2	1.4	35.1	3.2	0.0	69.9
Assets held for sale	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-7.2**	**-7.2**
reappraisal	0.0	0.0	0.0	0.0	0.0	-9.1	-9.1
realised gains	0.0	0.0	0.0	0.0	0.0	1.9	1.9
	0.0	**-481.5**	**-141.0**	**-93.3**	**-38.0**	**-7.2**	**-761.0**

* includes allowance for receivables from bond issuer in amount of 6.6 EEKmio.

13. Income tax

	2009	2008
Current income tax	0.0	-1.8
Deferred tax expense	0.0	-1.8
	0.0	**-3.6**

The Group activities include activities in Estonia and Russia.

According to Estonian Income tax law profits earned by the Group are not subject to income tax. The Group's activities in Russia are subject to Russian Income tax.

The income tax rate in Russia in 2008 was 24% of the taxable income. All deferred income tax expense is related to JSC SEB Leasing. Following is the reconcilation of the net income before tax earned in Russia to the effective tax expense:

	2009	2008
Profit before tax in Russia	0.0	25.5
Income tax per tax rate applicable in Russia (in 2008 24%)	0.0	-6.1
Tax on expenses not deductible for tax purposes	0.0	2.5
Income tax expense	0.0	-3.6

14. Balances with central bank

	31.12.09	31.12.08
Balances with the central bank	4,827.1	5,739.4
Mandatory reserve fulfilment, monitored on basis of December average	8,849.2	10,142.1
Mandatory reserve requirement, monitored on basis of December average	8,814.5	9,507.3
Mandatory reserve overbalance, monitored on basis of December average	34.7	634.8

Estonian commercial banks are obliged to maintain mandatory reserves on their clearing accounts with the Eesti Pank, calculated on 15% of the mandatory reserve basis.

Mandatory reserve on the correspondent account of the Eesti Pank is monitored on basis of monthly average. Since 01.07.2001 the reserve may be filled with external financial assets in the amount of 50% from the monthly average mandatory reserve requirement. As at December 2009 the reserve requirement was filled by balances with central bank and external financial assets.

Mandatory reserve deposits are available for use by the Group's day-to-day business. Mandatory reserve earns interest at 0,25%. In 2009 the Group earned interest in amount of 18.9 EEKmio (2008 159.9 EEKmio).

15. Loans and advances to credit institutions

	31.12.09	31.12.08
Reverse repos*	4,345.8	5,334.6
Demand deposits*	268.6	360.2
Time deposits	17.8	324.5
Accrued interest receivable	1.2	7.3
	4,633.4	**6,026.6**
* Cash equivalents in continuing operations	4,614.4	5,694.8
Due from credit institutions, registered in EU	4,431.5	5,847.6
Due from credit institutions, registered in Estonia	109.4	1.2
Due from credit institutions, registered in other countries	92.5	177.8
	4,633.4	**6,026.6**

16. Loans and advances to customers

	31.12.09	31.12.08
Loans to Corporates	23,397.0	27,351.5
Leases to Corporates	5,976.2	8,649.2
Public sector	2,855.9	2,817.5
Housing loans	23,776.4	24,381.6
Other loans to Private individuals	5,840.8	6,419.2
	61,846.3	**69,619.0**
Due from customers, registered in EU	403.4	472.7
Due from customers, registered in Estonia	61,380.7	69,055.6
Due from customers, registered in other countries	62.2	90.7
	61,846.3	**69,619.0**

Loan portfolio by economic sector presented in Note 2 "Risk policy and management", on page 63.
Due from customers by currency is presented in Note 2, on page 57.
Due from customers by maturity is presented in Note 2, on page 65 and interest restatement see pages 59-60.
Past due is presented in Note 2, on page 53.
Geographic concentration of assets and liabilities is presented in Note 2, on page 62.

Gross and net investments on finance leases

	31.12.09	31.12.08
Gross investment	**8,793.7**	**12,397.2**
up to 1 year	3,255.9	3,960.3
1 - 5 years	5,116.0	7,825.7
over 5 years	421.8	611.2
Unearned future finance income on finance leases (-)	**-585.6**	**-1,433.9**
Net investment in finance leases*	**8,208.1**	**10,963.3**
up to 1 year	3,019.3	3,445.0
1 - 5 years	4,805.3	7,018.9
over 5 years	383.5	499.4

* Net investment in finance leases are presented above on lines: Public sector, Housing loans, Other loans to Private individuals.

	31.12.09	31.12.08
Net investment in finance leases by interest rates	**8,208.1**	**10,963.3**
<= 5%	5,389.6	2,152.5
5-10%	2,810.1	8,790.6
10-15%	7.9	19.8
>15%	0.5	0.4

	31.12.09	31.12.08
Net investment in finance leases by base currencies	**8,208.1**	**10,963.3**
EEK	69.7	137.2
EEK related to EUR	2,572.2	4,625.9
USD	63.5	274.1
EUR	5,502.7	5,926.1

Allowances for impaired debt

2009	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Housing loans	Other loans to Private individuals	TOTAL
At the beginning of period (January, 1)	0.0	593.6	163.7	211.1	125.5	1,093.9
New loan allowances (Note 12)	0.0	1,687.9 *	260.0	235.2	151.0	2,334.1
Reversals of allowances (Note 12)	0.0	-81.7	-44.4	-169.2	-64.0	-359.3
Loans and advances written off	0.0	-6.3	-4.6	0.0	-0.8	-11.7
Exchange rate adjustments	0.0	-0.5	0.0	0.0	0.0	-0.5
At the end of period (December, 31)	**0.0**	**2,193.0**	**374.7**	**277.1**	**211.7**	**3,056.5**
Recoveries from write-offs (Note 12)	0.0	-0.9	0.0	0.0	-1.1	-2.0

2008	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Housing loans	Other loans to Private individuals	TOTAL
At the beginning of period (January, 1)	0.0	108.8	30.1	117.9	89.1	345.9
New loan allowances (Note 12)	0.0	516.4	145.8	128.4	41.3	831.9
Reversals of allowances (Note 12)	0.0	-30.2	-1.4	-35.1	-3.2	-69.9
Loans and advances written off	0.0	-3.8	-11.3	0.0	-1.7	-16.8
Exchange rate adjustments	0.0	2.4	0.4	0.0	0.0	2.8
At the end of period (December, 31)	**0.0**	**593.6**	**163.6**	**211.2**	**125.5**	**1,093.9**
Recoveries from write-offs (Note 12)	0.0	-4.7	-3.4	0.0	-0.1	-8.2

* allowance for receivables from bond issuer in amount of 6.6 EEKmio is not included.

17. Financial investments

	31.12.09	31.12.08
Financial assets held for trading	**14.5**	**15.8**
Shares and fund participations	0.0	3.9
incl. listed	0.0	3.9
Debt securities and other fixed income securities	14.5	11.9
incl. listed	14.1	11.9
Derivatives (Note 35)	**351.7**	**383.4**
Financial assets at fair value through profit or loss at inception	**0.0**	**1,043.3**
Shares and fund participations	0.0	551.0
incl. listed	0.0	93.5
Debt securities and other fixed income securities	0.0	492.3
incl. valued with discounted cash flow method *	0.0	63.0
incl. listed	0.0	369.3
Available for sale financial assets	**99.6**	**412.4**
Shares and fund participations**	75.7	71.7
incl. listed	0.0	1.0
Debt securities and other fixed income securities	23.9	340.7
incl. valued with discounted cash flow method *	3.3	257.6
incl. listed	20.6	0.2
Total	**465.8**	**1,854.9**

Securities of entities, registered in EU	115.7	824.2
Securities of entities, registered in Estonia	337.2	925.4
Securities of entities, registered in other countries	12.9	105.3
	465.8	**1,854.9**

Generally financial investments are revalued in fair value based on active market quotations.

* Yield curves for discounted cash flow method were determined based on market interest rates for respective currency and credit spreads for respective issuer. Estonian kroon yield curve for longer maturities was constructed using Estonian Government Credit Default Swap spread. To capture each bond issuer credit risk, SEB internal credit rating (risk class) was used as based for credit spread.

** Includes participations in pension funds managed by AS SEB Varahaldus in the total value of 60.7 EEKmio (2008 53.6 EEKmio), ownership of which is required (1-2% of the specific managed fund) according to the Investment Fund's Act.

Movements of financial investments

	Financial assets held for trading	Derivatives (Note 35)	Financial assets at fair value through profit or loss at inception	Available-for-sale financial assets	TOTAL
At the beginning of period (01.01.08)	**192.3**	**334.8**	**1,461.8**	**66.2**	**2,055.1**
Acquisitions	25,671.4	0.0	1,749.2	595.1 *	28,015.7
Disposals and redemptions	-25,851.3	0.0	-1,722.8	-248.8	-27,822.9
Changes of value	3.4	-256.0	-441.9	-0.5	-695.0
Changes of currency rate	0.0	304.6	-3.0	0.4	302.0
At the end of period (31.12.08)	**15.8**	**383.4**	**1,043.3**	**412.4**	**1,854.9**
At the beginning of period (01.01.09)	**15.8**	**383.4**	**1,043.3**	**412.4**	**1,854.9**
Acquisitions	20,172.7	0.0	0.0	9.5	20,182.2
Disposals and redemptions	-20,175.8	0.0	0.0	-320.4	-20,496.2
Changes of value	1.8	20.3	0.0	-1.4	20.7
Changes of currency rate	0.0	-52.0	0.0	-0.5	-52.5
Moved to the Discontinued operations	0.0	0.0	-1,043.3	0.0	-1,043.3
At the end of period (31.12.09)	**14.5**	**351.7**	**0.0**	**99.6**	**465.8**

Financial investments available for sale with ownership in shares over 10%, presented in the statement of financial position on line "Available-for-sale financial assets", are: Kaarsar OÜ, Silverlaw OÜ, OÜ Munga Maja, total value of which was 0.1 EEKmio as at 31.12.2009 (31.12.2008 3.7). The aforementioned companies are located in Estonia.

* Fixed income securities taken over by the bank from the Liquidity Fund in the amount 590.1 EEKmio (Note 8) and further redemptions/disposals of these investments. Group's intention is to dispose of these investments in due course and not to hold an availble-for-sale financial asset portfolio beyond legal requirements set for asset management subsidiary regarding its managed fund participations (Note 17).

18. Other assets

	31.12.09	31.12.08
Payments in transit*	503.8	218.7
Accured revenue and prepaid expenses**	151.8	319.0
Accrued interest receivable	4.5	0.0
Prepaid taxes	2.1	13.5
Assets held for sale***	0.6	57.6
Allowances for losses from other recievables	0.0	-10.7
	662.8	**598.1**

* Increase in securities clearing in 2009 by approximately 265 EEKmio is from intermediate payments in transit with future value date. No specific transaction or client.

** Decrease 162 EEKmiop in payments of leasing suppliers.

*** Assets held for sale include assets taken over by the Group from leasing / loans contracts, where clients failed to pay or returned the assets after the lease term. The Group has disposed these assets on secondary markets through intermediaries.

19. Investments in associates

Movements of investments in associates

	At the beginning of period	Acqui-sitions	Disposals and redemp-tions	Profit from equity method	At the end of period
2009	**9.2**	0.0	0.0	0.9	**10.1**
2008	**53.7**	0.0	-46.1	1.6	**9.2**

Associated companies

	Nominal value (EEK)	Assets	Liabili-ties	Total revenues	AS SEB Pank in calculated profit/-loss	Balance value	Owner-ship, %
2009							
SEB IT Partner Estonia OÜ	17,500	9.1	1.7	0.2	-0.4	2.6	35.00%
AS Sertifitseerimiskeskus	100,000	30.7	9.3	40.1	0.8	5.4	25.00%
OÜ TietoEnator Support	20,000	11.3	2.6	20.8	0.5	2.1	20.00%
Total		**51.1**	**13.6**	**61.1**	**0.9**	**10.1**	
2008							
SEB IT Partner Estonia OÜ	17,500	10.6	2.2	19.0	0.4	2.9	35.00%
AS Sertifitseerimiskeskus	100,000	23.9	5.6	22.1	-1.6	4.6	25.00%
Pankade Kaardikeskuse AS	0	0.0	0.0	0.0	2.1	0.0	0.00%
OÜ TietoEnator Support	20,000	9.4	3.2	20.9	0.7	1.7	20.00%
Total		**43.9**	**11.0**	**62.0**	**1.6**	**9.2**	

Acquisitions and disposals of associated companies and subsidiaries

Acquisitions

No acquisitions occurred in 2009 and 2008.

Disposals

No disposals occurred in 2009.

In January 2008 HF Liisingu AS was liquidated, respective entry was made by Estonian Commercial Register on 31.01.2008. In June 2008 was sold ownership in Pankade Kaardikeskus AS (card centre). In June 2008 also was sold JSC SEB Leasing (Russian entity), which was moved in SEB Group to direct ownership by SEB AB, see Note 21. Percentage of JSC SEB Leasing assets was 2,6% from SEB Pank group assets. Sales revenue of Pankade Kaardikeskus AS was 138.9 EEK mio and profit 98.9 EEKmio (carrying value at time of disposal 40 EEKmio). Sales revenue of JSC SEB Leasing was 101.2 EEK mio and profit 49.6 EEKmio. Profit from investment portfolio was 0.3 EEKmio. As a result a total gain of 148.8 EEKmio was recognised as "gains less losses from investment securities" in PNL for 2008.

20. Intangible assets

	Goodwill	Other	Total
At the beginning of period (01.01.08)			
Cost	379.1	79.8	458.9
Accumulated amortisation	0.0	-66.0	-66.0
Carrying value	**379.1**	**13.8**	**392.9**
Opening carrying value	**379.1**	**13.8**	**392.9**
Additions	0.0	3.4	3.4
Amortisation charge	0.0	-5.8	-5.8
Closing carrying value	**379.1**	**11.4**	**390.5**
At end of period (31.12.08)			
Cost	379.1	83.0	462.1
Accumulated amortisation	0.0	-71.6	-71.6
Carrying value	**379.1**	**11.4**	**390.5**
At the beginning of period (01.01.09)			
Cost	379.1	83.2	462.3
Accumulated amortisation	0.0	-71.9	-71.9
Carrying value	**379.1**	**11.3**	**390.4**
Opening carrying value	**379.1**	**11.3**	**390.4**
Additions	0.0	4.4	4.4
Amortisation charge	0	-6.1	-6.1
Impairment loss recognised	-379.1	0.0	-379.1
Closing carrying value	**0.0**	**9.6**	**9.6**
At end of period (31.12.09)			
Cost	0.0	87.2	87.2
Accumulated amortisation	0.0	-77.6	-77.6
Carrying value	**0.0**	**9.6**	**9.6**

Goodwill

The gross carrying amount of goodwill was 379 EEK mio as of 31.12.2008. The goodwill originated from the acquisition of the Tallinna Pank group in 1998. The goodwill generated cash flows in Retail Banking and Merchant Banking segments. The carrying amount of goodwill in Retail Banking segment was 379 EEK mio.

The goodwill is to be revised for impairment annually, or more frequently when there are indications that impairment may have occurred. In line with that principle, the goodwill impairment test was performed as of 30.06.2009. The reason for that was substantial worsening of economic outlook and revised forecasted budgets of the AS SEB Pank Group (compared to the perspectives presumed for the goodwill impairment test conducted as of 31.12.2008).

The most significant changes since 31.12.2008 affecting expected cash flows used in the impairment test as of 30.06.2009 were as follows:
1) Significantly increased loan impairment loss levels which were based on the actual results from first half of the 2009 and expected further developments;

2) Significantly more pessimistic views taken towards to the recovery of the economy after the crisis would be lived through and duration of the expected recovery time.

The goodwill had been allocated to the Retail Banking and Merchant Banking segments for impairment testing. The impairment test was based on the asset's value in use with forecasted cash flows for a period of five years plus residual value. The cash flows were determined based on short- and long-term trends in income and expense (including loan allowances) growth. The annual growth rate used after five years was 3% which embodied the expected long-term inflation rate adjusted for industry-specific expectations. The discount rate used was 13% which exhibited required rate of return of owners' equity at that point in time. The assumptions specified here were for impairment test purposes only.

The goodwill impairment test performed as of 30.06.2009 indicated that the impairment had occurred and the value in use of the goodwill is zero, therefore the management decided to recognise the goodwill impairment loss in full amount equal to its carrying amount. Had the impairment loss not been identified as of 30.06.2009 and the test were performed as of 31.12.2009, the results may have been different.

There was no impairment identified in 2008, nor had been there any accumulated impairment losses from previous periods. No additions to the carrying amount of goodwill took place in 2009. As of 31.12.2009 the carrying amount of goodwill is nil (379 EEK mio as of 31.12.2008).

21. Property, plant and equipment

	Land	Buildings	Other tangible assets	Total
At the beginning of period (01.01.08)				
Cost	0.5	34.1	503.9	538.5
Accumulated depreciation	0.0	-19.8	-356.5	-376.3
Carrying value	**0.5**	**14.3**	**147.4**	**162.2**
Opening carrying value	**0.5**	**14.3**	**147.4**	**162.2**
Additions	0.0	15.0	33.3	48.3
Disposals (carrying value)*	0.0	0.0	-3.3	-3.3
Impairment charge (carrying value)				
Depreciation charge	0.0	-5.1	-53.8	-58.9
Exchange rate adjustments	0.0	0.0	0.0	0.0
Reclassification	0.0	14.0	-14.0	0.0
Closing carrying value	**0.5**	**38.2**	**109.6**	**148.3**
Disposal of selling JSC SEB Leasing (subsidiary), (Note 19)				
Cost			-2.0	-2.0
Accumulated depreciation			0.3	0.3
Carrying value			**-1.7**	**-1.7**
At end of period (31.12.08)				
Cost	0.5	62.3	458.3	521.1
Accumulated depreciation	0.0	-24.1	-350.4	-374.5
Carrying value	**0.5**	**38.2**	**107.9**	**146.6**

* Sales revenue 0.2 EEK mio, sales profit 0,0 EEK mio, writing off 3.1 EEK mio

	Land	Buildings	Other tangible assets	Total
At the beginning of period (01.01.09)				
Cost	0.5	62.3	458.3	521.1
Accumulated depreciation	0.0	-24.1	-350.4	-374.5
Carrying value	**0.5**	**38.2**	**107.9**	**146.6**
Opening carrying value	**0.5**	**38.2**	**107.9**	**146.6**
Additions	0.0	3.7	35.3	39.0
Disposals (carrying value)*	0.0	-2.4	-7.9	-10.3
Depreciation charge	0.0	-7.0	-49.5	-56.5
Discontinued operations	0.0	-0.8	-0.6	-1.4
Closing carrying value	**0.5**	**31.7**	**85.2**	**117.4**
At end of period (31.12.09)				
Cost	0.5	55.9	441.2	497.6
Accumulated depreciation	0.0	-23.4	-355.4	-378.8
Discontinued operations	0.0	-0.6	-1.4	-2.0
Carrying value	**0.5**	**31.9**	**84.4**	**116.8**

* Sales revenue 7.1 EEK mio, sales profit 0.0 EEK mio, writing off 3.2 EEK mio

22. Investment properties

At the beginning of the period (01.01.08)	
Cost	0.0
Accumulated depreciation	0.0
Carrying value (31.12.08)	**0.0**
Opening carrying value (01.01.09)	**0.0**
Additions	27.1
Depreciation charge	-2.0
Reclassification*	27.4
Discontinued operations	-27.1
At the end of the period (31.12.09)	**25.4**
At end of period (31.12.09)	
Cost	54.6
Accumulated depreciation	-2.1
Discontinued operations	-27.1
Carrying value (31.12.09.)	**25.4**

* Includes repossessed property from loan portfolio (at cost 25.0 EEK mio and carring value 24.7 EEK mio) see also Note 2.2 on page 55.

23. Discontinued operations

The assets and liabilites related to AS SEB Elu- ja Pensionikindlustus and OÜ Estectus have been presented as discontinued operations following the approval of the Group´s management on a proposal for the sale, respective decisions were made on December 2009. The sale of AS SEB Elu- ja Pensionikindlustus has been completed in January 2010.

A) Assets classified as discontinued operations

	31.12.09	**31.12.08**
Loans and advances to credit institutions	54.8	0.0
Loans and advances to customers	2.3	0.0
Financial assets held for trading	9.7	0.0
Financial assets at fair value through profit or loss	1,050.4	0.0
Other assets	14.7	0.0
Property, plant and equipment	2.0	0.0
Investment properties	27.1	0.0
	1,161.0	**0.0**

B) Liabilities included in assets classified as discontinued operations

	31.12.09	**31.12.08**
Financial liabilities	626.4	0.0
Provisions	680.4	0.0
	1,306.8	**0.0**

C) Net loss/profit from discontinued operations

	2009	**2008**
Net insurance premium revenue	182.5	189.8
Income from investments	34.0	-104.2
Fee income from investment contracts	13.4	21.4
Other operating income	-1.0	0.7
Net insurance claims and disbursements	-153.0	-152.3
Income from insurance activities	**75.9**	**-44.6**
Personnel expenses	-19.3	-22.0
Other expenses	-9.7	-12.7
Depreciation, amortisation and impairment of tangible and intangible assets	-0.5	-0.5
Net loss/profit from discontinued operations	**46.4**	**-79.8**

24. Due to credit institutions

	31.12.09	31.12.08
Demand deposits	835.2	1,816.3
Time deposits and loans (remaining maturity up to 1 year)	5,658.3	6,723.9
Time deposits and loans (remaining maturity more than 1 year)	23,182.1	26,829.6
Accrued interest payable to credit institutions	110.4	406.6
	29,786.0	**35,776.4**

	31.12.09	31.12.08
Due to credit institutions, registered in EU	29,576.8	35,415.3
Due to credit institutions, registered in Estonia	191.5	285.5
Due to credit institutions, registered in other countries	17.7	75.6
	29,786.0	**35,776.4**

29.1 EEKbio as at 31.12.2009 and 35.1 EEKbio as at 31.12.2008 are due from group to parent bank SEB (Note 37).

In 2009 the KFW Bankengruppe credit line contract was fully used in total amount of 25 EURmio. The disbursed loan amount was 6.7 EURmio and EU Grants were in the amount of 1.06 EURmio.

25. Due to customers

	31.12.09	31.12.08
Demand deposits	17,391.6	18,686.1
Time deposits and other saving deposits	13,253.2	14,703.1
Investment deposits (index-linked)	1,077.4	1,462.6
Accrued interest payable to customers	102.0	154.4
	31,824.2	**35,006.2**
Non-residents	3,712.8	4,170.6
Residents	28,111.4	30,835.6
	31,824.2	**35,006.2**
Due to customers by type of customer		
Due to corporate customers	18,629.9	21,173.4
Due to individuals	13,194.3	13,832.8
	31,824.2	**35,006.2**
Due to customers, registered in EU	2,414.3	2,552.5
Due to customers, registered in Estonia	28,206.8	30,965.4
Due to customers, registered in other countries	1,203.1	1,488.3
	31,824.2	**35,006.2**

See by remaining maturity in Note 2, page 65 and interest restatement maturity page 59-60.
See by currency in Note 2, page 57.

Customer assets under management of the group

As of 31.12.2009 the customer securities portfolios under management of the group amounted to 1,863.4 EEKmio (including 770.8 EEKmio in portfolio of AS SEB Elu- ja Pensionikindlustus). The total volume of aforementioned portfolios as of 31.12.2008 was 1,942.9 EEKmio (including 720.7 EEKmio in portfolio of AS SEB Elu- ja Pensionikindlustus). Commission fee is received from management of these portfolios and no credit or market risk is arised by the Group.

As at 31.12.2009 the group's Asset Management Company belonging to the Group (AS SEB Varahaldus) managed 14 investment and pension funds (i.e. 8 open-end investment funds, 4 mandatory pension funds and 2 voluntary pension fund) with average total volume of 5.9 EEbio. As at 31.12.2008 the Asset Management Company belonging to the Group managed 12 investment and pension funds (i.e. 8 open-end investment funds, 2 mandatory pension funds and 2 voluntary pension fund) with average total volume of 4.5 EEKbio. Investment management service is also performed to the SEB (parent Group) funds (4 funds) 16.1 EEKbio, as at 2008 5.2 EEKbio.

26. Loan funds

Credit line resources from Maaelu Edendamise Sihtasutus (MES) were disbursed with the intended purpose to finance small and medium enterprises operating in rural areas. Under mentioned credit line investments have to be made outside Tallinn, Tartu, Narva, Kohtla-Järve and Pärnu (major towns in Estonia).

27. Other liabilities

	31.12.09	31.12.08
Payments in transit	576.3	534.5
Other prepaid income	126.7	98.5
Factoring balances	54.9	86.9
Tax debts	43.1	54.6
Other accrued costs	20.2	57.7
Accrued interest payable	15.2	18.2
Prepayments from leasing customers	14.7	50.2
Insurance financial liabilities from investment contracts with insurance clients*	0.0	615.0
Other financial liabilities	0.0	0.6
	851.1	**1,516.2**

* discontinued operation (Note 23).

28. Issued debt securities

31.12.09

AS SEB Pank has no any class of debt or equity instruments in a public market since 16.06.2009.

Therefore also segment analysis according to IFRS 8 is not described.

31.12.08

Buyer / Registry holder	Amount in issued currency (mio)	Amount in EEKmio	Interest rate	Maturity date
Issued bonds by AS SEB Pank				
Estonian Central Register of Securities	103.1 EEK	103.1	5.30%	14.06.10
Accrued interest payable		3.0		
		106.1		

Issued bonds by AS SEB Pank were quoted in Tallinn Stock Exchange list of Securities since September, 12 2008 until June, 16 2009.

29. Financial liabilities at fair value through profit or loss

	31.12.09	31.12.08
Structured bonds*	9.1	8.2
Derivatives (Note 35)	349.4	489.4
	358.5	**497.6**

* Nominal amount of structured bonds as of 31.12.2009 was 12.7 EEKmio and as of 31.12.2008 20.7 EEKmio. Further decrease is from change in fair value.

30. Provisions

	Life insurance provision	Life insurance provision of unsettled claims	Life insurance bonus provision	Provisions in bank	Provisions total
Provisions as at 01.01.08	**514.2**	**3.2**	**8.8**	0.0	**526.2**
Added to the provisions	8.8	0.0	-8.8	0.0	0.0
Calculated during the period under review	84.3	0.7	0.0	0.0	85.0
Total provisions as at 31.12.08	**607.3**	**3.9**	**0.0**	0.0	**611.2**
Provisions as at 01.01.09	**607.3**	**3.9**	**0.0**	0.0	**611.2**
Calculated during the period under review	0.0	0.0	0.0	2.6	2.6
Discontinued operations (Note 23).	-607.3	-3.9	0.0	0.0	-611.2
Total provisions as at 31.12.09	**0.0**	**0.0**	**0.0**	2.6	**2.6**

	Carrying	**Future expected undiscounted cash flows by years**				
31.12.08	amount	0-5 years	5-10 years	10-15 years	15-20 years	>20 years
Provisions	611.2	-250.3	148.6	349.9	333.5	725.6

	Carrying	**Future expected undiscounted cash flows by years**				
31.12.09	amount	0-5 years	5-10 years	10-15 years	15-20 years	>20 years
Provisions	2.6	2.6	0.0	0.0	0.0	0.0

31. Subordinated loans

31.12.09

Issuer	**Amount in issued currency (mio)**	**Amount in EEKmio**	**Interest rate at reporting date**	**Maturity date**
SEB AB	17.0 EUR	266.0	1.75	21.12.16
SEB AB	50.0 EUR	782.3	1.51	23.09.15
SEB AB	50.0 EUR	782.4	1.74	26.05.16
SEB AB	50.0 EUR	782.3	1.74	29.05.17
Accrued interest payable		2.9		
		2,615.9		

31.12.08

Issuer	**Amount in issued currency (mio)**	**Amount in EEKmio**	**Interest rate at reporting date**	**Maturity date**
SEB AB	17.0 EUR	266.0	3.95	21.12.16
SEB AB	50.0 EUR	782.3	3.88	23.09.15
SEB AB	50.0 EUR	782.4	4.77	26.05.16
SEB AB	50.0 EUR	782.3	4.71	29.05.17
Accrued interest payable		7.9		
		2,620.9		

Subordinated debt may be considered as hybrid instrument, which means that due to their partial capital nature may be included under the bank's own funds in case certain requirements are met. In calculation of capital adequacy, loans with the remaining maturity over 5 years meeting certain requirements are included in own funds. Regarding loans with maturity less than 5 years, a 20% straight-line depreciation is applied in each following year. The loan is not considered own funds when the remaining maturity period is less than one year.

Subordinated debt is issued at a variable interest rate and the interest restatement is scheduled in 12 month from the reporting date (see Note 2 page 59-60). Interest is restated for 6 months period in advance. Subordinated debt is repayable at the option of the borrower if the remaining maturity is less than 5 years.

32. Shareholders

	Country	Number of shares	% from total number
Shareholders of AS SEB Pank at 31.12.2009:			
Skandinaviska Enskilda Banken (SEB)	Sweden	66,562,381	100.00
Shareholders of AS SEB Pank at 31.12.2008:			
Skandinaviska Enskilda Banken (SEB)	Sweden	66,562,381	100.00

Nominal value of shares: 10 EEK

Maximum number of shares in articles of association: 240 000 000

All issued shares are paid for.

SEB AB is the ultimate parent of AS SEB Pank. SEB AB (incorporated in Sweden) does not have a controlling parent company.

See capital adequacy calculation on page 70.

Share information	**31.12.09**	**31.12.08**
Number of shares of AS SEB Pank at end of period	66,562,381	66,562,381
Average number of shares, adjusted with issues	66,562,381	66,562,381
Net loss/profit, EEKmio	-1,381.9	766.4

33. Dividend policy

AS SEB Pank is 100%-owned by SEB AB. In working out the strategy for equity management, profit distribution and formation of reserves the bank is following the common approach of future risks and performance strategy of the SEB Group. The Group has not paid any dividend since aquisition by SEB AB.

34. Other reserves

	31.12.09	31.12.08
General banking reserve	298.5	298.5
Statutory reserve	27.0	25.9
Revaluation reserve of Available-for-sale financial assets	6.5	-5.5
	332.0	**318.9**

Movements of other reserves

	General banking reserve	Revaluation reserve of Available-for-sale financial assets	Statutory reserve	Total other reserves
Balance at the beginning of the period (01.01.08)	**298.5**	**11.4**	**23.0**	**332.9**
Transfer from the retained profits	-	-	2.8	2.8
Net gain/loss from the change in fair value	-	-16.8	-	-16.8
Balance at the end of the period (31.12.08)	**298.5**	**-5.4**	**25.8**	**318.9**
Transfer from the retained profits	-	-	1.2	1.2
Net gain/loss from the change in fair value	-	11.9	-	11.9
Balance at the end of the period (31.12.09)	**298.5**	**6.5**	**27.0**	**332.0**

According to the Income Tax Act valid until 2000 the credit institutions were able to form a tax exempt general banking reserve up to 5% of the loan portfolio to cover potential losses. Allocations to this reserve could be deducted from the taxable income.

According to the Commercial Code at least 5% of the net income has to be transferred into the statutory reserve capital every year, until the reserve capital comprises 10% of the share capital. The statutory reserve capital may be used for covering losses.

AS SEB Pank profit for the year 1994-1997 has been allocated to that general banking reserve (except for 6.2 EEKmio from the 1995-year profit). The reserve amounts to 298.5 EEKmio, including also the bank's statutory reserve capital according to the Commercial Code. In 1998-2008 the bank made no allocations to the reserves. In 2001-2008 the subsidiaries of AS SEB Pank made allocations to the statutory reserves from their undistributed profits in the amount of 27.0 EEKmio.

35. Contingent assets and liabilities and commitments

31.12.09	Contract amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable transactions	**1,049.7**	**8,056.7**	**0.0**	**0.0**
1.1. Guarantees and pledges	658.5	3,285.8	0.0	0.0
incl. financial guarantees	*625.9*	*1,288.5*	*0.0*	*0.0*
1.2. Loan commitments	391.2	4,770.9	0.0	0.0
2. Derivatives	**12,843.7**	**12,775.8**	**351.7**	**349.4**
2.1. Currency related derivatives	6,196.5	6,164.3	45.2	15.7
2.2. Interest related derivatives	5,627.5	5,627.4	246.0	245.9
2.3. Equity related derivatives*	1,019.7	984.1	60.5	87.8
	13,893.4	**20,832.5**	**351.7**	**349.4**

31.12.08	Contract amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable transactions	**926.6**	**10,088.9**	**0.0**	**0.0**
1.1. Guarantees and pledges	640.3	4,280.5	0.0	0.0
incl. financial guarantees	*625.9*	*1,624.9*	*0.0*	*0.0*
1.2. Loan commitments	286.3	5,807.4	0.0	0.0
1.3. Other off-balance sheet commitments	0.0	1.0	0.0	0.0
2. Derivatives	**11,258.3**	**11,250.1**	**383.4**	**489.4**
2.1. Currency related derivatives	5,422.0	5,509.7	68.1	152.4
2.2. Interest related derivatives	4,215.6	4,223.3	275.2	275.2
2.3. Equity related derivatives*	1,620.7	1,517.1	40.1	61.8
	12,184.9	**21,339.0**	**383.4**	**489.4**

* Derivative transactions are executed to cover the client's position and the derivative risks are not taken to own portfolio. All risks arising from these transactions are fully mitigated with parent company. The equity option prices are calculated using for all input data (e.g. underlying prices or volumes) either independently sourced input (e.g. the underlying prices) or an independent price verification is performed on the next day to compare the values to independently sourced market data (e.g. for volumes), see Note 17.

Potential income tax on distribution of dividends

The retained earnings of the Group as at 31 December 2009 were 5,119.3 (31 December 2008: 6,500.8) EEKmio. Distribution of retained earnings as dividends to the owners is subject to the income tax at the rate of 21/79 since 1 January 2008 on the amount paid out as net dividends. Therefore, from the retained earnings available at the reporting date it is possible to pay out to the shareholders as dividends 4,044.2 EEKmio and the corresponding income tax would amount to 1,075.1 EEKmio. As of 31 December 2008 it would have been possible to pay out dividends the amount of 5,135.6 EEKmio, and the corresponding income tax would have amounted to 1,365.2 EEKmio.

As at 31 December 2009 (and 31 December 2008) 100% shares of AS SEB Pank are owned by SEB AB, who makes the decisions about profit distribution. SEB AB has decided not to pay out dividends from the retained profit of AS SEB Pank.

Potential liabilities arising from tax inspection

In 2009 the tax authority did not conduct tax audit in the AS SEB Pank and subsidiaries. The tax authorities may at any time inspect the books and records of the company within 6 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties.
The management of AS SEB Pank is not aware of any circumstances which may give rise to a potential material liability in this respect.

Legal disputes

There are no outstanding legal disputes from which AS SEB Pank Group could suffer major losses.

36. Events after end of the financial year

No such material events have occurred after the end of the financial year in AS SEB Pank, that would affect the conditions of the assets and liabilities as at the reporting date 31.12.2009.

In January 2010 100% shares in AS SEB Elu- ja Pensionikindlustus were sold according to the Management Board resolution from December 2009. Purchaser was SEB Trygg Liv Holding AB, a company, which belong to the SEB AB Group. Sales price of AS SEB Elu- ja Pensionikindlustus was 219 EEKmio and profit from the transaction was 51.2 EEKmio (see also Note 23).

37. Related parties

	31.12.09	31.12.08
Loans and advances to members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons	19.5	15.3
Contingent liabilities to members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons (credit lines and commitments to extend credit)	-5.4	-0.4
Deposits of members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons	-178.7	-6.5
Loans and advances to parent company	125.9	581.6
Due to parent company	-31,726.6	-37,741.7
incl. subordinated liabilities	-2,613.0	-2,613.0
Contingent assets and commitments to parent company	0.0	652.2
Contingent liabilities and commitments to parent company	-3.0	0.0
Loans and advances to enterprises of parent company's consolidation group	4,383.5	5,376.9
Due to enterprises of parent company's consolidation group	-59.1	-68.9
Contingent assets and commitments to enterprises of parent company's consolidation group	259.9	152.4
Contingent liabilities and commitments to enterprises of parent company's consolidation group	-44.9	-2.2
Interest and similar income from parent company	157.0	173.7
Interest expenses and similar charges to parent company	-1,074.4	-1,787.6
Fee and commission income from parent company	4.5	2.4
Fee and commission expense to parent company	-2.3	-1.5
Interest and similar income from enterprises of parent company's consolidation group	35.0	11.0
Interest expenses and similar charges to enterprises of parent company's consolidation group	-4.1	-2.1
Fee and commission income from enterprises of parent company's consolidation group	20.7	1.4
Fee and commission expense to enterprises of parent company's consolidation group	-5.1	-0.4

Interest rates of the loans given to related parties do not differ materially from interest rates of the loans to customers. Transactions with related parties have been based on market terms.

Related parties are:
- parent company
- subsidiaries of parent company;
- associates of parent company;
- associates of the Group;
- members of Management Board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons.

	2009	2008
Salaries and other benefits to the management in AS SEB Pank		
Members of Management Board	15.4	14.3
- salaries	11.0	12.6
- other benefits to the key management	4.4	1.7
Salaries and other benefits to the management in subsidiaries of AS SEB Pank		
Members of Management Board	11.7	24.5
- salaries	11.7	22.2
- termination benefits to the management leaving the group	0.0	2.3

Members of Supervisory Boards in AS SEB Pank and in it's subsidiaries have no salaries or other benefits in 2009 and 2008.

Compensations to key management personnel

Key management personnel is paid a compensation amounting up to 12-month remuneration if they are not re-elected as management board members or if the management board member refuses to accept the position offered under employment contract in AS SEB Pank or a company belonging to the same consolidation group with AS SEB Pank,

The members of AS SEB Pank's Management Board and members of the Management Team have an initial allotment of 134,540 perfomance shares and 5,722 matching shares of SEB AB as of 31.12.2009. The closing price of SEB AB A-share as of 30.12.2009 was 44.34 SEK.

38. Primary statements of parent company as a separate entity

In accordance with the Estonian Accounting Act information on the separate primary financial statements of a consolidated entity shall be disclosed in the notes to the financial statements.

1. Income statement, Bank

(millions of EEK)

	2009	**2008**
Interest and similar income	*2,611.6*	*4,173.1*
Interest expenses and similar charges	*-1,538.7*	*-2,629.0*
Net interest income	1,072.9	1,544.1
Fee and commission income	*650.9*	*809.3*
Fee and commission expense	*-208.0*	*-258.4*
Net fee and commission income	442.9	550.9
Net income from foreign exchange	118.6	137.6
Gains less losses from financial assets at fair value through profit or loss	64.2	-200.7
Income from dividends	1.9	29.9
Gains less losses from investment securities	24.8	240.4
Other income	187.3	45.7
Personnel expenses	-541.6	-561.6
Other expenses	-638.9	-365.7
Depreciation, amortisation and impairment of tangible and intangible assets	-434.3	-53.3
Profit before impairment losses on loans and advances	**297.8**	**1,367.3**
Impairment losses on loans and advances	-1,745.8	-636.0
Loss/profit before income tax	**-1,448.0**	**731.3**
Net loss/profit	**-1,448.0**	**731.3**
Attributable to the sole equity holder	-1,448.0	731.3

2. Statement of comprehensive income, Bank

(millions of EEK)

	2009	**2008**
Net loss/profit	**-1,448.0**	**731.3**
Other comprehensive expense/income	**0.0**	**0.0**
Revaluation of available-for-sale financial assets	1.9	6.5
Total other comprehensive expense/income	**1.9**	**6.5**
Total comprehensive expense/income	**-1,446.1**	**737.8**
Sole equity holder of the parent entity (total)	-1,446.1	737.8
-Total comprehensive expense/income from continuing operations	-1,446.1	737.8
	-1,446.1	**737.8**

3. Statement of financial position, Bank

(millions of EEK)	31.12.09	31.12.08
ASSETS		
Cash	638.9	712.1
Balances with central bank	4,827.1	5,739.4
Loans and advances to credit institutions	4,633.4	6,026.0
Loans and advances to customers	53,397.3	57,967.7
Financial assets held for trading	366.2	400.7
Available-for-sale financial assets	39.0	358.8
Other assets	574.0	311.4
Investments in subsidiaries and associates	154.6	196.5
Intangible assets	9.6	390.5
Property, plant and equipment	99.5	114.2
Investment properties	0.6	0.0
TOTAL ASSETS	**64,740.2**	**72,217.3**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to credit institutions	22,739.0	24,403.7
Due to customers	32,646.4	36,863.8
Loan funds	141.6	64.0
Other liabilities	721.9	691.6
Issued debt securities	0.0	106.1
Financial liabilities at fair value through profit or loss	362.2	510.4
Provisions	14.8	16.9
Subordinated loans	2,615.9	2,620.9
Total Liabilities	**59,241.8**	**65,277.4**
Share capital	665.6	665.6
Share premium	1,346.6	1,346.6
Other reserves	305.3	300.4
Retained earnings	3,180.9	4,627.3
Total shareholders' equity	**5,498.4**	**6,939.9**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**64,740.2**	**72,217.3**

4. Statement of cash flows, Bank

(millions of EEK)

	2009	2008
I. Cash flows from operating activities		
Interest received	2,735.0	4,159.2
Interest paid	-1,813.2	-2,573.6
Dividends received	1.9	29.9
Fee and commission received	650.9	809.3
Fee and commission paid	-208.0	-258.4
Net trading income and other operating income	728.7	73.7
Personnel expenses and other operating expenses	-972.3	-1,022.2
Revaluation adjustments	2.7	-14.0
Cash flows from operating activities before changes in the operating assets and liabilities, continued operations	**1,125.7**	**1,203.9**
Changes in operating assets:		
Loans and advances to credit institutions	26.7	2,041.8
Loans and advances to customers	2,143.1	10.3
Other assets	55.1	-48.1
Changes of operating liabilities:		
Due to credit institutions	-1,417.7	-763.9
Due to customers	-4,161.3	75.4
Loan funds	77.5	16.9
Other liabilities	-155.8	107.1
Cash flow from (used in) operating activities, continued operations	**-2,306.7**	**2,643.4**
II. Cash flows from investing activities		
Net increase-/decrease+ of investment portfolio securities	345.0	-109.4
Proceeds from sale and liquidation of subsidaries	42.0	1.9
Proceeds from sale and liquidation of associates	5.8	4.0
Purchase of investment properties, tangible and intangible assets	-39.4	-41.8
Proceeds from sale of investment properties, tangible and intangible assets	0.1	1.2
Cash flow from (used in) investing activities, continued operations	**353.5**	**-144.1**
III. Cash flows from financing activities		
Proceeds from debt securities (issuing)	0.0	250.1
Repurchasing of debt securities	-106.5	-810.0
Cash used in financing activities, continued operations	**-106.5**	**-559.9**
Net decrease/increase in cash and cash equivalents	**-2,059.7**	**1,939.4**
Cash and cash equivalents at the beginning of period	**12,153.1**	**10,214.1**
Effect of exchange rate changes on cash and cash equivalents	0.5	-0.4
Cash and cash equivalents at the end of period	**10,093.9**	**12,153.1**

Cash and cash equivalents includes:	**31.12.09**	**31.12.08**
Cash on hand	638.9	712.1
Balances with the central bank	4,826.1	5,730.4
Liquid deposits in other credit institutions, continued	4,614.4	5,694.8
Trading portfolio	14.5	15.8
	10,093.9	**12,153.1**

All cash eqivalents are freely available for use by the Group with maturity of less than 3 months.

5. Statement of changes in shareholders' equity, Bank

(millions of EEK)

	Share capital (Note 32)	Share premium	Other reserves (Note 34)	Retained earnings	Total share-holders' equity
Year beginning 01.01.2008	**665.6**	**1,346.6**	**298.5**	**3,896.0**	**6,206.7**
Profit for the year	0.0	0.0	0.0	731.3	731.3
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	1.9	0.0	1.9
Total other comprehensive income	0.0	0.0	1.9	0.0	1.9
Final balance 31.12.2008	**665.6**	**1,346.6**	**300.4**	**4,627.3**	**6,939.9**
Book value of holdings under control or significant influence					-212.4
Value of holdings under control or significant influence, calculated by equity method					2,104.4
Adjusted unconsolidated equity as at 31.12.2008	**665.6**	**1,346.6**	**300.4**	**4,627.3**	**8,831.9**
Year beginning 01.01.2009	**665.6**	**1,346.6**	**300.4**	**4,627.3**	**6,939.9**
Profit for the year	0.0	0.0	0.0	-1,448.0	-1,448.0
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	4.9	1.6	6.5
Total other comprehensive income	0.0	0.0	4.9	1.6	6.5
Final balance 31.12.2009	**665.6**	**1,346.6**	**305.3**	**3,180.9**	**5,498.4**
Book value of holdings under control or significant influence					-168.9
Value of holdings under control or significant influence, calculated by equity method					2,107.5
Adjusted unconsolidated equity as at 31.12.2009	**665.6**	**1,346.6**	**305.3**	**3,180.9**	**7,437.0**

PRICEWATERHOUSECOOPERS

AS PricewaterhouseCoopers
Pärnu mnt. 15
10141 Tallinn
Estonia

Telephone +372 614 1800
Facsimile +372 614 1900
www.pwc.ee

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholder of AS SEB Pank

We have audited the accompanying consolidated financial statements of AS SEB Pank and its subsidiaries (the Group) which comprise the consolidated statement of financial position as of 31 December 2009 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Financial Statements

Management Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tiit Raimla
AS PricewaterhouseCoopers

4 March 2010

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* *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

AS SEB PANK
Located at Tornimäe 2, Tallinn
MANAGEMENT BOARD RESOLUTION No 27

In Tallinn March 04th, 2010

1. To make a proposal to the sole shareholder to cover the loss of the financial year 2009 in the amount of -1,448,014,553 EEK (one billion, forty hundred and forty-eight million, fourteen thousand, five hundred and fifty-three Estonian kroons) with retained earnings.

2. To submit the present resolution to the Supervisory Board of AS SEB Pank for review.

Riho Unt
Chairman of the Management Board

Signatures of Supervisory Board to annual report

The Management Board has prepared the management report and the annual accounts of AS SEB Pank for the financial year ended 31 December 2009.

The Supervisory Board of AS SEB Pank has reviewed the Annual Report 2009, prepared by the Management Board, consisting of the management report, the annual accounts, the Management Board's proposal for loss coverage and the independent auditors' report, and has approved the annual report for presentation to the sole shareholder.

The annual report has been signed by all members of the Supervisory Board :

"22" March 2010 Martin Johansson

"22" March 2010 Stefan Stignäs

"22" March 2010 Mark Payne

"22" March 2010 Stefan Davill

"22" March 2010 Anders Arozin