



AS SEB Pank
Capital Adequacy and Risk Management Report (Pillar 3)
2017

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Basis for the report

This report is prepared in accordance with the requirements of the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation No 575/2013 (CRR) Part 8 as well as the European Banking Authority's (EBA) implementing technical standards (ITS) with regard to disclosure of own funds (EU Regulation No 1423/2013), countercyclical capital buffer (EU Regulation No 2015/1555), and leverage ratio (EU Regulation No 2016/200). Templates recommended by the EBA's guidelines on disclosure requirements under Part 8 of the CRR have been used as relevant. According to CRR, information specified in articles 437, 438, 440, 442, 450, 451 and 453 of CRR shall be disclosed for material subsidiaries.

Together with the Annual Report, this report provides information on AS SEB Pank's (the "Bank") material risks as part of the Pillar 3 framework, including details on the Bank's risk profile and business volumes by customer categories and risk classes, which form the basis for the calculation of the capital requirement. The Pillar 3 report complements the Annual Report with additional information, and is intended to be read in conjunction with the Annual Report, in particular the Notes to the Consolidated Financial Statements, including Risk Policy and Management section within it, where the Bank's risk and capital management policies and practices are described. Reference is also made to SEB Group's Annual Report and Capital Adequacy and Risk Management Report (Pillar 3), which describes SEB Group's risk and capital management, including internal ratings systems, internal measurement approaches and principles for calculating own funds and capital adequacy. SEB Group's Pillar 3 report is available in English and is published on SEB Group's webpage www.sebgroup.com.

Disclosures in relation to remuneration are included in the Annual Report sections "Management Report", page 4. Significant accounting policies for the Bank are presented in the Annual Report, Note 1 – Introduction and Accounting Policies, page 26.

AS SEB Pank is a subsidiary of the consolidated group of Skandinaviska Enskilda Banken AB (publ) ("SEB Group") that is registered in Sweden. AS SEB Pank Group consists of two fully owned subsidiaries, AS SEB Liising Group and AS SEB Varahaldus, and the associated company SK ID Solutions AS, which is owned to 25%.

The report is based on the Bank's consolidated situation as of 31 December 2017. The Financial Group forms the basis for consolidation for prudential purposes, which requires the Bank to prepare consolidated accounts for the group entities engaged in financial service activities without consolidation of the entities involved in other activities. To comply with this requirement, the Bank has fully consolidated all its subsidiaries AS SEB Liising Group and AS SEB Varahaldus. Associated company SK ID Solutions AS is consolidated using equity method. The Consolidated Group in the Pillar 3 Report is same as in the Annual Report.

The information in this report is not required to be, and has not been, subject to external audit. The report has been approved by the Bank's Management Board.

Internal capital adequacy assessment process

SEB 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.

The Asset and Liability Committee (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 for proposing a strategy for maintaining the desired capital levels. The Group's capitalisation shall be risk-based and built on an assessment of all risks incurred in the Group's business. It shall be forward-looking and aligned with short- and long-term business plans as well as with expected macroeconomic developments.

Capital ratios are the main communication vehicle for capital strength. Good risk management notwithstanding, the Group must keep capital buffers against unexpected losses. Together with continuous monitoring, and reporting of the capital adequacy to the Management Board, this ensures that the relationships between shareholders' equity, ICAAP 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.

In the SEB Group, capital is managed centrally, meeting also local requirements as regards statutory and internal capital requirements. 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 Internal Capital Adequacy Assessment Process ("ICAAP") is performed for SEB Group and all material legal entities. The process is coordinated by Group Treasury and subsidiaries' ICAAPs are part of the SEB Group's ICAAP. The ICAAP is a continuous process within SEB, closely interrelated with the strategy and business planning, risk strategy and financial planning processes. Subsidiaries' ICAAPs are performed locally by the risk and treasury functions in close cooperation with the corresponding Group functions.

The ICAAP shall be approved annually by SEB Pank Management Board (the "Management Board") and by the SEB Pank Supervisory Council ("Council"). The ICAAP is revised on a yearly basis. The framework shall be maintained by SEB Pank Treasury in coordination with SEB Group Financial Management. Any changes or amendments need to be approved by the Management Board and Council and are to be proposed by SEB Pank Treasury after coordination with SEB Group Financial Management. The focus of SEB Group Financial Management and SEB Group Risk Control lies on methodology, while SEB Pank Treasury focuses on processes, monitoring, reporting and compliance with Estonian regulations.

Own funds and capital requirements

Table 1. Balance sheet reconciliation

EUR m	31 Dec 2017		Cross reference to the own funds template
	Financial Group	Group	
Cash	41	41	
Balances with central bank	1 010	1 010	
Loans and advances to credit institutions	172	172	
Loans and advances to customers	4 734	4 734	
Financial assets held for trading	24	24	
Financial assets designated at fair value through profit or loss at inception	89	89	
Available-for-sale financial assets	7	7	
Other assets	32	32	
Investments in associates	1	1	
Intangible assets	4	4	a
Property, plant and equipment	10	10	
TOTAL ASSETS	6 124	6 124	
Due to credit institutions	1 215	1 215	
Due to customers	3 747	3 747	
Other liabilities	97	97	
Financial liabilities at fair value through profit or loss	23	23	
<i>of which gains or losses on liabilities valued at fair value resulting from changes in own credit standing</i>	0	0	b
Provisions	0	0	
Total Liabilities	5 082	5 082	
Share capital	43	43	c
Share premium	86	86	d
Other reserves	21	21	
<i>of which funds for general banking risk</i>	19	19	e
<i>of which accumulated other comprehensive income</i>	2	2	f
Retained earnings	893	893	g
Total shareholders' equity	1 043	1 043	
TOTAL LIABILITIES AND EQUITY	6 124	6 124	

Table 2. Overview of own funds and capital adequacy

EUR m	31 Dec 2017	31 Dec 2016
Own funds		
Common Equity Tier 1 capital	959	945
Tier 1 capital	959	945
Total own funds	959	945
Own funds requirement		
Risk exposure amount	2 484	2 426
Expressed as own funds requirement	199	194
Common Equity Tier 1 capital ratio	38,6%	39,0%
Tier 1 capital ratio	38,6%	39,0%
Total capital ratio	38,6%	39,0%
Own funds in relation to own funds requirement	4,82	4,87
Regulatory Common Equity Tier 1 capital requirement including buffer requirement (Pillar 1 only)	10,0%	10,0%
of which capital conservation buffer requirement	2,5%	2,5%
of which systemic risk buffer requirement	1,0%	3,0%
of which countercyclical capital buffer requirement	0,0%	0,0%
of which other systemically important institution buffer	2,0%	0,0%
Common Equity Tier 1 capital available to meet buffer ¹⁾	34,1%	34,4%
Transitional floor 80% of capital requirement according to Basel I		
Minimum floor own funds requirement according to Basel I	268	255
Own funds according to Basel I	967	952
Own funds in relation to own funds requirement Basel I	3,58	3,70
Leverage ratio		
Exposure measure for leverage ratio calculation	6 684	6 236
of which on balance sheet items	6 109	5 764
of which off balance sheet items	575	472
Leverage ratio	14,3%	15,2%

¹⁾ CET1 ratio less minimum capital requirement of 4.5% excluding buffers.

Table 3. EU OV1 - Overview of RWAs

Breakdown by Risk Type EUR m	Risk Exposure Amount		Minimum own funds requirements
	31 Dec 2017	31 Dec 2016	31 Dec 2017
Credit risk (excluding counterparty credit risk) (CCR)	2 325	2 285	186
<i>of which standardised approach (SA)</i>	309	249	25
<i>of which foundation internal rating-based (F-IRB) approach</i>	1 702	1 737	136
<i>of which advanced internal rating-based (A-IRB) approach</i>	314	299	25
Counterparty credit risk	0	0	0
<i>of which CVA</i>	0	0	0
Settlement risk	0	0	0
Securitisation exposures in banking book	0	0	0
Market risk	24	17	2
<i>of which standardised approach</i>	24	17	2
Large exposures	0	0	0
Operational risk	135	123	11
<i>of which advanced measurement approach</i>	135	123	11
Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0
Floor adjustment	0	0	0
Additional risk exposure amount due to Article 3 CRR	0	0	0
Total	2 484	2 426	199

Total REA in reporting period increased by EUR 58m to EUR 2 484m as a result of natural growth in business. Major movements within credit risk exposure in standardised approach and foundation internal rating-based approach is due to bank's decision to place its liquid funds onto central banks account instead of previous holdings on credit institutions' accounts.

Table 4. Transitional own funds

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

EUR m	31 Dec 2017	31 Dec 2016	BS Cross reference
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1 Capital instruments and the related share premium accounts	129	129	
of which: share capital	43	43	c
of which: share premium	86	86	d
2 Retained earnings	823	807	g
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2	1	f
3a Funds for general banking risk	19	19	e
4 Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1			
5 Minority Interests (amount allowed in consolidated CET1)			
5a Independently reviewed interim profits net of any foreseeable charge or dividend			
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	973	956	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7 Additional value adjustments (negative amount)	0	0	
8 Intangible assets (net of related tax liability) (negative amount)	-4	-3	a
9 Empty Set in the EU			
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)			
11 Fair value reserves related to gains or losses on cash flow hedges			
12 Negative amounts resulting from the calculation of expected loss amounts	-10	-8	
13 Any increase in equity that results from securitised assets (negative amount)			
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0	b
15 Defined-benefit pension fund assets (negative amount)			
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)			
17 Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			
18 Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)			
19 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
20 Empty Set in the EU			
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative			
20b of which qualifying holdings outside the financial sector (negative amount)			
20c of which: securitisation positions (negative amount)			
20d of which: free deliveries (negative amount)			
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)			

EUR m	31 Dec 2017	31 Dec 2016	BS Cross reference
22			
23			
24			
25			
25a			
25b			
26			
26a			
	0	0	
26b			
27			
28	-14	-11	
29	959	945	
Additional Tier 1 (AT1) capital: instruments			
30			
31			
32			
33			
34			
35			
36	0	0	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37			
38			
39			
40			
41			

EUR m	31 Dec 2017	31 Dec 2016	BS Cross reference
41a			
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			
41b			
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			
41c			
Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR			
42			
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)			
43	0	0	
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
44	0	0	
Additional Tier 1 (AT1) capital			
45	959	945	
Tier 1 capital (T1 = CET1 + AT1)			
Tier 2 (T2) capital: instruments and provisions			
46			
Capital instruments and the related share premium accounts			
47			
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2			
Public sector capital injections grandfathered until 1 January 2018			
48			
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			
49			
of which: instruments issued by subsidiaries subject to phase out			
50			
Credit risk adjustments			
51	0	0	
Tier 2 (T2) capital before regulatory adjustments			
Tier 2 (T2) capital: regulatory adjustments			
52			
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)			
53			
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			
54			
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
54a			
of which new holdings not subject to transitional arrangements			
54b			
of which holdings existing before 1 January 2013 and subject to transitional arrangements			
55			
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)			
56			
Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a			
Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			
56b			
Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			

EUR m	31 Dec 2017	31 Dec 2016	BS Cross reference
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		
57	0	0	
58	0	0	
59	959	945	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)		
	of which: . . . items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		
	of which: . . . items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)		
60	2 484	2 426	
Capital ratios and buffers			
61	38,6%	39,0%	
62	38,6%	39,0%	
63	38,6%	39,0%	
64	10,0%	10,0%	
65	2,5%	2,5%	
66	0,0%	0,0%	
67	1,0%	3,0%	
67a	2,0%	0,0%	
68	34,1%	34,4%	
69			
70			
71			
Amounts below the thresholds for deduction (before risk weighting)			
72	3	2	
73			
74			

EUR m	31 Dec 2017	31 Dec 2016	BS Cross reference
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)			
75			
Applicable caps on the inclusion of provisions in Tier 2			
Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)			
76			
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	4	3	
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)			
78			
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	12	12	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80 Current cap on CET1 instruments subject to phase out arrangements Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
81			
82 Current cap on AT1 instruments subject to phase out arrangements Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
83			
84 Current cap on T2 instruments subject to phase out arrangements Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			
85			

Table 5. Capital instruments' main features

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

31 Dec 2017		
		AS SEB Pank
1	Issuer	reg. No 10004252
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	EE3100001793
3	Governing law(s) of the instrument	Estonian Law
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	43 EUR m
9	Nominal amount of instrument	43 EUR m
9a	Issue price	EUR 0,64
9b	Redemption price	n/a
10	Accounting classification	Share capital
11	Original date of issuance	06.05.1994
12	Perpetual or dated	Perpetual
13	Original maturity date	Perpetual
14	Issuer call subject to prior supervisory approval	NO
15	Optional call date, contingent call dates, and redemption amount	n/a
16	Subsequent call dates, if applicable	n/a
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	n/a
19	Existence of a dividend stopper	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	NO
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	n/a
25	If convertible, fully or partially	n/a
26	If convertible, conversion rate	n/a
27	If convertible, mandatory or optional conversion	n/a
28	If convertible, specify instrument type convertible into	n/a
29	If convertible, specify issuer of instrument it converts into	n/a
30	Write-down features	NO
31	If write-down, write-down trigger (s)	n/a
32	If write-down, full or partial	n/a
33	If write-down, permanent or temporary	n/a
34	If temporary write-down, description of write-up mechanism	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	n/a

Table 6. Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Disclosure according to EU Regulation No 1555/2015

31 Dec 2017, EUR m	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements			Total	Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value SA	Exposure value IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures			
Breakdown by country												
Estonia	381	4 992	0	0	0	0	175	0	0	175	99,1%	0,0%
Sweden	0	1	0	0	0	0	0	0	0	0	0,0%	2,0%
Norway	0	2	0	0	0	0	0	0	0	0	0,0%	2,0%
Other	3	32	0	0	0	0	2	0	0	2	0,8%	0,0%
Total	384	5 027	0	0	0	0	177	0	0	177	100,0%	0,0%

Table 7. Amount of institution-specific countercyclical capital buffer

Disclosure according to EU Regulation No 1555/2015

31 Dec 2017, EUR m	
Total risk exposure amount	5 411
Institution specific countercyclical buffer rate	0,0%
Institution specific countercyclical buffer requirement	0,0%

Table 8. Leverage ratio

Disclosure according to EU Regulation 2016/200

EUR m		31 Dec 2017	31 Dec 2016
Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		Applicable amount	
1	Total assets as per published financial statements	6 124	5 775
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation		
	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)		
3			
4	Adjustments for derivative financial instruments	5	11
5	Adjustment for securities financing transactions (SFTs)		
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	569	461
	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)		
EU-6a			
	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)		
EU-6b			
7	Other adjustments	-14	-11
8	Leverage ratio total exposure measure	6 684	6 236
Table LRCom: Leverage ratio common disclosure		CRR leverage ratio exposure	
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	6 101	5 752
2	(Asset amounts deducted in determining Tier 1 capital)	-14	-11
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	6 087	5 741
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	21	22
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	6	12
EU-5a	Exposure determined under Original Exposure Method		
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	Total derivatives exposures (sum of lines 4 to 10)	27	34
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions		
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty credit risk exposure for SFT assets		
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013		
15	Agent transaction exposures		
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)		
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	0	0

EUR m		31 Dec 2017	31 Dec 2016
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	1 258	1 096
18	(Adjustments for conversion to credit equivalent amounts)	-688	-635
19	Other off-balance sheet exposures (sum of lines 17 and 18)	570	461
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))		
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))		
Capital and total exposure measure			
20	Tier 1 capital	959	945
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	6 684	6 236
Leverage ratio			
22	Leverage ratio	14,3%	15,2%
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013		

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposure	
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	6 101	5 752
EU-2	Trading book exposures	0	0
EU-3	Banking book exposures, of which:	6 101	5 752
EU-4	Covered bonds		
EU-5	Exposures treated as sovereigns	1 258	488
EU-6	Exposures to regional governments, MDB, international organisations and PSE <u>not</u> treated as sovereigns		
EU-7	Institutions	172	983
EU-8	Secured by mortgages of immovable properties	3 543	3 290
EU-9	Retail exposures	410	370
EU-10	Corporate	564	466
EU-11	Exposures in default	58	63
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	96	92

Table LRQua: Free format text boxes for disclosure on qualitative items

Leverage ratio is considered in capital and risk management and planning. The leverage ratio is frequently monitored and risks involved are assessed.

In 2017, there were no significant factors impacting the leverage ratio.

Credit exposure

Table 9. EU CRB-B - Total and average net amount of exposures

EUR m	31 Dec 2017		31 Dec 2016	
	Net value of exposures at the end of the period	Average net exposures over the period	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks				
Institutions	27	27	28	19
Corporates	2 961	2 707	2 565	2 446
<i>of which large corporates</i>	1 229	1 011	1 049	1 012
<i>of which SME corporates</i>	1 655	1 610	1 436	1 360
<i>of which Specialised Lending</i>	77	85	81	74
Retail exposures	2 363	2 288	2 162	2 100
<i>of which secured by real estate property</i>	2 146	2 074	1 959	1 896
<i>of which retail SME</i>	69	69	68	69
<i>of which other retail exposures</i>	149	145	136	136
Total IRB approach	5 352	5 021	4 756	4 564
Central governments or central banks	1 291	767	642	570
Other exposures	488	434	409	397
Total Standardised approach	1 779	1 201	1 051	967
Total	7 131	6 222	5 807	5 531

Table 10. EU CRB-C - Geographical breakdown of exposures

Net value of exposure, EUR m	31 Dec 2017			31 Dec 2016		
	Estonia	Other *	Total	Estonia	Other *	Total
Central governments or central banks						
Institutions	0	27	27	0	28	28
Corporates	2 931	30	2 961	2 523	42	2 565
<i>of which large corporates</i>	1 216	13	1 229	1 010	39	1 049
<i>of which SME corporates</i>	1 638	17	1 655	1 433	3	1 436
<i>of which Specialised Lending</i>	77		77	81		81
Retail exposures	2 354	9	2 363	2 155	7	2 162
<i>of which secured by real estate property</i>	2 137	9	2 146	1 952	7	1 959
<i>of which retail SME</i>	69	0	69	68	0	68
<i>of which other retail exposures</i>	148	0	149	135	0	136
Total IRB approach	5 285	66	5 352	4 678	77	4 756
Central governments or central banks	1 202	89	1 291	555	87	642
Other exposures	487	1	488	408	0	409
Total Standardised approach	1 689	90	1 779	964	87	1 051
Total	6 974	156	7 131	5 642	165	5 807

* Credit exposure is primarily concentrated to Estonia. The category "Other countries" consists mainly Lithuania, Latvia, Netherlands and Turkey

Table 11. EU CRB-D - Concentration of exposures by industry

	Banks	Finance and insurance	Wholesale and retail	Transportation	Shipping	Business and household services	Construction	Manufacturing	Agriculture, forestry and fishing	Mining, oil and gas extraction	Electricity, water and gas supply	Commercial real estate management	Residential real estate management	Public Administration	Household mortgage	Other
31 Dec 2017, EUR m																
Central governments or central banks																
Institutions	27															
Corporates		71	510	144	61	176	102	474	156	115	408	723				21
<i>of which large corporates</i>		21	257	45	0	43	54	157	9	112	356	163				11
<i>of which SME corporates</i>		50	250	99	61	132	48	317	147	3	17	522				9
<i>of which Specialised Lending</i>		0	3	0	0	1	0	0	0	0	34	38				0
Retail exposures		0	20	4	0	70	6	15	18	0	1	16			2 063	149
<i>of which secured by real estate property</i>		0	16	3	0	12	5	13	18	0	1	16			2 063	0
<i>of which retail SME</i>		0	4	1	0	58	1	3	0	0	0	1				1
<i>of which other retail exposures</i>		0	0	0	0	0	0	0	0	0	0	0				149
Total IRB approach	27	71	530	148	61	246	108	490	175	115	408	739	0	0	2 063	170
Central governments or central banks	1 010													281		
Other exposures		0	20	17	0	22	25	20	11	1	1	3		139		229
Total Standardised approach	1 010	0	20	17	0	22	25	20	11	1	1	3	0	420	0	229
Total	1 037	72	551	165	61	268	132	509	186	116	409	742	0	420	2 063	399
31 Dec 2016, EUR m																
Central governments or central banks																
Institutions	28															
Corporates		58	553	94	25	132	77	336	155	121	251	750				15
<i>of which large corporates</i>		25	327	33	4	45	10	108	5	119	186	178				8
<i>of which SME corporates</i>		32	226	61	21	86	66	229	150	1	14	543				7
<i>of which Specialised Lending</i>		0	0	0	0	1	1	0	0	0	51	29				0
Retail exposures		0	21	3	0	70	6	15	17	0	1	16			1 876	136
<i>of which secured by real estate property</i>		0	16	2	0	13	5	12	17	0	1	15			1 876	0
<i>of which retail SME</i>		0	5	1	0	57	1	3	0	0	0	0				1
<i>of which other retail exposures</i>		0	0	0	0	0	0	0	0	0	0	0				136
Total IRB approach	28	58	573	97	25	202	83	352	172	121	252	766	0	0	1 876	152
Central governments or central banks	251													391		
Other exposures		0	18	16	0	21	21	19	12	0	1	3		89		209
Total Standardised approach	251	0	18	16	0	21	21	19	12	0	1	3	0	481	0	209
Total	279	58	591	113	25	222	104	371	184	121	252	769	0	481	1 876	360

Table 12. EU CRB-E - Maturity of exposures

31 Dec 2017, EUR m	On demand	<= 1 year	Net exposure value		No stated maturity	Total
			> 1 year <= 5 years	> 5 years		
Central governments or central banks						
Institutions	20	7	0	0		27
Corporates	444	630	1 748	139		2 961
<i>of which large corporates</i>	162	322	741	4		1 229
<i>of which SME corporates</i>	281	306	940	127		1 655
<i>of which Specialised Lending</i>	1	1	66	8		77
Retail exposures	81	74	174	2 035		2 363
<i>of which secured by real estate property</i>	25	16	117	1 987		2 146
<i>of which retail SME</i>	6	6	11	46		69
<i>of which other retail exposures</i>	49	52	46	2		149
Total IRB approach	545	711	1 922	2 174	0	5 352
Central governments or central banks	1 034	151	106	0		1 291
Other exposures	52	24	316	96		488
Total Standardised approach	1 086	176	422	96	0	1 779
Total	1 631	886	2 344	2 270	0	7 131

31 Dec 2016, EUR m	On demand	<= 1 year	Net exposure value		No stated maturity	Total
			> 1 year <= 5 years	> 5 years		
Central governments or central banks						
Institutions	20	8	0	0		28
Corporates	425	494	1 506	140		2 565
<i>of which large corporates</i>	179	244	592	33		1 049
<i>of which SME corporates</i>	225	250	863	98		1 436
<i>of which Specialised Lending</i>	21	0	51	9		81
Retail exposures	83	76	160	1 844		2 162
<i>of which secured by real estate property</i>	26	18	117	1 798		1 959
<i>of which retail SME</i>	7	7	9	45		68
<i>of which other retail exposures</i>	49	51	34	1		136
Total IRB approach	528	578	1 666	1 984	0	4 756
Central governments or central banks	458	76	95	14		642
Other exposures	38	23	265	82		409
Total Standardised approach	496	99	360	96	0	1 051
Total	1 024	676	2 026	2 080	0	5 807

Credit risk mitigation

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

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

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

The general control process for various credit risk mitigation techniques includes credit review and approval requirements, specific credit product policies and credit risk monitoring and control. The value of both the exposure and the mitigating collateral are monitored on a regular basis. The frequency depends on the type of counterparty, the structure of the transaction and the type of collateral.

The most common collateral is the real estate and from exposures secured by collateral, the residential real estate made 56%, commercial real estate 40% and other collateral types (floating charges, financial collaterals, etc.) 4%.

Table 13. EU CR3 - Credit risk mitigation techniques

	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
31 Dec 2017, EUR m					
Total loans	2 142	3 645	3 583	62	
Total debt securities	89				
Total exposures	2 220	3 645	3 583	62	0
Of which defaulted	10	36	36	0	
31 Dec 2016, EUR m					
Total loans	1 274	3 350	3 286	65	
Total debt securities	87				
Total exposures	1 353	3 350	3 286	65	0
Of which defaulted	15	34	33	1	

Credit quality

Bank's impairment process is described in the Annual Report Note 1.6. – Financial Assets.

If an obligor has not paid an amount of principal, interest or fee at the date it was due, this shall be recognised as a payment obligation past due. An overdraft exposure shall be considered as past due if the counterparty has breached an advised limit or been advised of a limit smaller than the amount outstanding.

Table 14. EU CR1-A - Credit quality of exposures by exposure class and instrument

	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
31 Dec 2017, EUR m							
Central governments or central banks							
Institutions	0	27	0		0	0	27
Corporates	22	2 949	10		22	0	2 961
<i>of which large corporates</i>	0	1 230	1		3	0	1 229
<i>of which SME corporates</i>	20	1 644	8		4	0	1 655
<i>of which Specialised Lending</i>	2	76	1		16	0	77
Retail exposures	35	2 337	9		71	0	2 363
<i>of which secured by real estate property</i>	33	2 119	6		25	0	2 146
<i>of which retail SME</i>	1	69	1		38	0	69
<i>of which other retail exposures</i>	1	149	2		8	0	149
Total IRB approach	57	5 313	19	0	93	0	5 352
Central governments or central banks	0	1 291	0		0	0	1 291
Other exposures	1	488	1		0	0	488
Total Standardised approach	1	1 779	1	0	0	0	1 779
Total	58	7 092	20	0	93	0	7 131
Of which: Loans	58	5 748	20		93		
Of which: Debt securities	0	89					
Of which: Off-balance-sheet exposures	0	1 255					
31 Dec 2016, EUR m							
Central governments or central banks							
Institutions	0	28	0		0	0	28
Corporates	24	2 555	14		29	1	2 565
<i>of which large corporates</i>	0	1 051	2		10	0	1 049
<i>of which SME corporates</i>	21	1 425	10		4	1	1 436
<i>of which Specialised Lending</i>	2	80	1		16	0	81
Retail exposures	38	2 134	10		72	0	2 162
<i>of which secured by real estate property</i>	37	1 930	8		24	0	1 959
<i>of which retail SME</i>	0	68	0		39	0	68
<i>of which other retail exposures</i>	1	136	1		9	0	136
Total IRB approach	62	4 717	24	0	102	1	4 756
Central governments or central banks	0	642	0		0	0	642
Other exposures	1	409	1		0	0	409
Total Standardised approach	1	1 051	1	0	0	0	1 051
Total	63	5 768	25	0	102	1	5 807
Of which: Loans	63	4 586	25		102		
Of which: Debt securities	0	87					
Of which: Off-balance-sheet exposures	0	1 095					

Table 15. EU CR1-B - Credit quality of exposures by industry or counterparty types

31 Dec 2017, EUR m	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Banks	0	1 037	0		0	0	1 037
Finance and insurance	0	72	0		4	0	72
Wholesale and retail	1	551	1		6	0	551
Transportation	1	164	1		1	0	165
Shipping	0	61	0		0	0	61
Business and household services	1	268	1		2	0	268
Construction	0	132	0		11	0	132
Manufacturing	2	509	1		15	0	509
Agriculture, forestry and fishing	10	180	3		0	0	186
Mining, oil and gas extraction	0	116	0		0	0	116
Electricity, water and gas supply	0	409	0		0	0	409
Commercial real estate management	10	736	4		20	0	742
Residential real estate management							0
Public Administration	0	420	0		0	0	420
Household mortgage	32	2 035	6		25	0	2 060
Other	2	402	2		9	0	402
Total	58	7 092	20	0	93	0	7 131

31 Dec 2016, EUR m	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Banks	0	279	0		0	0	279
Finance and insurance	0	58	0		4	0	58
Wholesale and retail	1	592	1		6	0	591
Transportation	4	110	1		1	1	113
Shipping	0	25	0		0	0	25
Business and household services	1	223	1		2	0	222
Construction	1	104	0		11	0	104
Manufacturing	2	370	2		22	0	371
Agriculture, forestry and fishing	8	180	4		1	0	184
Mining, oil and gas extraction	0	122	1		0	0	121
Electricity, water and gas supply	0	252	0		0	0	252
Commercial real estate management	10	764	5		20	0	769
Residential real estate management							0
Public Administration	0	481	0		0	0	481
Household mortgage	35	1 846	8		24	0	1 874
Other	1	363	2		10	0	363
Total	63	5 768	25	0	102	1	5 807

Table 16. EU CR1-C - Credit quality of exposures by geography

31 Dec 2017, EUR m	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Estonia	58	6 937	20		93	0	6 974
Other countries *	1	156	0		0	0	156
Total	58	7 092	20	0	93	0	7 131

*Other countries mainly comprise Latvia, Lithuania and Turkey

31 Dec 2016, EUR m	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Estonia	62	5 604	25		101	1	5 642
Other countries *	1	164	0		0	0	165
Total	63	5 768	25	0	102	1	5 807

*Other countries mainly comprise Latvia, Lithuania and Netherlands

Table 17. EU CR1-D - Ageing of past due exposures

31 Dec 2017, EUR m	Gross carrying values					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	63	5	3	4	2	18
Debt securities						
Total exposures	63	5	3	4	2	18

31 Dec 2016, EUR m	Gross carrying values					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	52	9	3	4	3	27
Debt securities						
Total exposures	52	9	3	4	3	27

Table 18. EU CR1-E - Non-performing and forborne exposures

	Gross carrying values						Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received		
	Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing			On performing exposures		On non-performing		On non-performing exposures	Of which forborne exposures		
			Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne				
31 Dec 2017, EUR m													
Debt securities	89												
Loans and advances	5 806	4	29	62	58	22	30	7	0	12	5	44	51
Off-balance-sheet exposures	1 255	0	0	0	0	0	0	0	0	0	0	0	0

	Gross carrying values						Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received		
	Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing			On performing exposures		On non-performing		On non-performing exposures	Of which forborne exposures		
			Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne				
31 Dec 2016, EUR m													
Debt securities	87												
Loans and advances	4 649	5	57	65	63	29	28	10	1	15	5	44	76
Off-balance-sheet exposures	1 095	0	0	0	0	0	0	0	0	0	0	0	0

Table 19. EU CR2-A - Changes in stock of general and specific risk adjustments

	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
31 Dec 2017, EUR m		
Opening balance		25
Increases due to amounts set aside for estimated loan losses during the period		0
Decreases due to amounts reversed for estimated loan losses during the period		-5
Decreases due to amounts taken against accumulated credit risk adjustments		0
Transfers between credit risk adjustments		0
Impact of exchange rate differences		0
Business combinations, including acquisitions and disposals of subsidiaries		0
Other adjustments		0
Closing balance		20
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss		-1
Specific credit risk adjustments directly recorded to the statement of profit or loss		1
31 Dec 2016, EUR m		
Opening balance		29
Increases due to amounts set aside for estimated loan losses during the period		3
Decreases due to amounts reversed for estimated loan losses during the period		-5
Decreases due to amounts taken against accumulated credit risk adjustments		-2
Transfers between credit risk adjustments		0
Impact of exchange rate differences		0
Business combinations, including acquisitions and disposals of subsidiaries		0
Other adjustments		0
Closing balance		25
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss		-2
Specific credit risk adjustments directly recorded to the statement of profit or loss		3

Table 20. EU CR2-B - Changes in stock of defaulted and impaired loans and debt securities

	Gross carrying value defaulted exposures
31 Dec 2017, EUR m	
Opening balance	63
Loans and debt securities that have defaulted or impaired since the last reporting period	10
Returned to non-defaulted status	-4
Amounts written off	-1
Other changes	-10
Closing balance	58
31 Dec 2016, EUR m	
Opening balance	75
Loans and debt securities that have defaulted or impaired since the last reporting period	11
Returned to non-defaulted status	-4
Amounts written off	-5
Other changes	-13
Closing balance	63

*Category "Other changes" consists repaid loans