



## **Capital Adequacy and Risk Management information 2012**

The Capital Requirements Directive establishes the public disclosure of the Capital Adequacy and Risk Management information. The Capital Requirements Directive implements the Basel II framework in the European Union, in Estonia the new regime is in effect since 2007. The new Capital Requirements Directive (CRD), which implements the Basel III framework, has been delayed and is now expected to be implemented by 1 January 2014. The impact of Basel III on banks will include higher capital requirements and higher quality and consistency of capital, as well as the introduction of a non-risk based leverage ratio and new requirements for liquidity and funding.

On the basis of Credit Institutions Act, Eesti Pank Governor's Decree No 5 , 04.11.2011 Amendments to Eesti Pank Governor's Decree No 8, 02.11.2009 establishes requirements for information to be disclosed on credit institutions' risk management, own funds and capital adequacy.

AS SEB Pank belongs to the consolidation group of Skandinaviska Enskilda Banken AB (publ.) that is registered in another Member State Sweden. AS SEB Pank uses the same risk management strategy and rules of procedure as the parent company of the consolidation group including the same internal ratings system, internal measurement approaches and the principles of calculating own funds and capital adequacy.

The parent company Skandinaviska Enskilda Banken AB (publ) discloses Pillar 3 information for the whole SEB Group. The SEB Group's Capital Adequacy and Risk Management report (Pillar 3) 2012 is published on SEB webpage [www.seb.se](http://www.seb.se).

SEB applies the Internal Ratings-Based (IRB) approach for calculation of Risk Weighted Assets (RWA) and reporting of corporate and financial institutional exposures globally. In addition, SEB also applies the IRB approach for household mortgages and most retail and credit card portfolios in Sweden and the Baltic countries. In total, IRB calculated RWA corresponds to 86 per cent of total credit RWA. Remaining portfolios, including sovereign exposures in the banking book, are reported according to the Standardised approach. SEB plans to continue to roll-out the IRB approach to all material portfolios with the exception of sovereign exposures, which lack sufficient default observations to validate a PD model. SEB has been approved by supervisors to report operational risk according to the Advanced Measurement Approach (AMA) since 2008.

AS SEB Pank Annual Report 2012 (published on webpage [www.seb.ee](http://www.seb.ee)) provides information on the AS SEB Pank consolidation group's risk profile, the aggregate amount and composition of the capital requirements, the aggregate amount and composition of the own funds, which form the basis for the calculation of the capital adequacy ratio (please see on page 39 „Risk policy and management“, on page 66 „Capital management“ as well the other Notes to Consolidated Financial Statements).