AS SEB Pank

Annual Report

(translation of the Estonian original)

2011

Contents

I. Introduction - general information

1. Credit institution

Company name	AS SEB Pank
Address	Tornimäe Str. 2, Tallinn 15010, Estonia
Registered 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 (Estonian Commercial Register)
Address	Pärnu Str. 15, 10141 Tallinn, Estonia
Reporting date	31.12.2011
Reporting period	01.01.2011 - 31.12.2011
Reporting currency	Euro (EUR), millions

II. Management Report

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

1.1.Consolidated group

Company name	Registry code	Reg.date	Address	Activity	Holding (%) ***	At an acqui-sition cost (EUR mio)
AS SEB Liising	10281767	03.10.97	Tallinn, Tornimäe 2	Leasing	100.0%	1.5
AS SEB Kindlustusmaakler*	10723587	16.01.01	Tallinn, Tornimäe 2	Insurance brokerage	100.0%	0.0
AS Rentacar*	10303546	20.10.97	Haapsalu, Karja 27	Leasing	100.0%	0.0
AS SEB Varahaldus	10035169	22.05.96	Tallinn, Tornimäe 2	Asset management	100.0%	2.7
AS Bangalo	10088272	18.10.96	Tallinn, Tornimäe 2	Rental of computers	100.0%	0.3
AS Sertifitseerimiskeskus**	10747013	27.03.01	Tallinn, Pärnu mnt 141	Data communication services	25.0%	1.0
Tieto Estonia Services OÜ **	11065244	30.08.04	Tallinn, Tammsaare tee 47	Information processing and network management	20.0%	0.0
						5.5

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 which were disposed in 2011 (Note 18).
Investments which were disposed in 2010 (Note 22).

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 Estonian 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 activity 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 2012
On March 3, 2011 the subsidiary AS SEB Enskilda was sold (100% of the shares held by AS SEB Pank).

Developments in financial markets known as the credit crisis that has caused tensions in advanced economies since the autumn of 2008 and entered into the new phase in 2011, related geopolitical implications, consequences on Estonian private and public sectors and related expectations for 2012 are described in Note 1.2 on page 18-20. No such events or trends have occurred by the time of publishing the report, which would affect the strategy of the group in 2012.

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, Eerika Vaikmäe-Koit.

Members of the Supervisory Board: Martin Johansson, Stefan Stignäs, Mark Payne, Stefan Davill, Tony Kylberg.

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 31.12.2011.

1.3. Strategy and organisation

AS SEB Pank is 100% owned by ultimate shareholder Skandinaviska Enskilda Banken AB (publ) – parent company, which belongs to a financial group with a remarkable history of business. 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 is a leading Nordic financial services group. As a relationship bank, SEB in Sweden and the Baltic countries offers financial advice and a wide range of financial services. In Denmark, Finland, Norway and Germany the bank's operations have a strong focus on corporate and investment banking based on a full-service offering to corporate and institutional clients. The international nature of SEB's business is reflected in its presence in 20 countries worldwide. The Group has about 17,000 employees.

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. AS SEB Pank 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 833 900 customers of SEB Pank Group are served by 1210 employees. The customers are served through many different channels such as 36 branch offices, 240 on-line post offices, 353 ATMs, 6684 POS-terminals. There are more than 510 500 debit and credit cards in use. In addition, over 75% of our customers use our Internet Bank for Private services and Internet Bank for Business services.

2. Highlights

Efficiency and development
2011 was a first year for Estonia to use euro. Adaption of the euro was the biggest project in the history of Estonian banking and SEB Pank played leading role in the banking sector in order to ensure shift to euro. Conversion of the SEB's Estonian banking system to the euro was completed successfully. All processes in SEB Pank were transferred to the new currency and our customers were well kept.

SEB Pank has taken a leading role in the development and popularisation of e-channels. At the end of the 2010, SEB Pank opened the most modern internet bank in Estonia with a novel Financial Planner function. In the first quarter of 2011, SEB Pank introduced a POS terminal solution for small merchants, that added several hundreds of new points-of-sale in rural areas. In spring SEB Pank launched a new mobile bank, which can be operated with a modern smartphone as well as ordinary mobile phone. SEB Pank has also become the first bank in Estonia to offer a special Internet bank application for iPhone, while also providing a special application for Android smartphones. In November SEB Pank introduced thoroughly renewed internetbank for businesses. Within one year, SEB Pank has renewed all of its e-channels.

In 2011 SEB Pank started selling exclusive property insurance products of RSA Kindlustus through the bank's service network. From 16 May the following products of RSA Kindlustus are available in the service network of SEB Pank: motor third party liability insurance and full coverage car insurance, home and travel insurance, and business property insurance. The cooperation has proved to be very successful. RSA's turnover raised in 2011 66%.

Starting from June SEB Pank clients will no longer need to come into a branch to collect their new bank cards – they will be sent to them free of charge by post. SEB Pank is first bank in Estonia to offer that kind of service to whole client base. In future 80% of clients' will receive new bankcard by post, which will save at least 120,000 clients the worry of having to come into a branch just to collect their new bankcard.

In autumn SEB Leasing introduced special leasing for vehicles with low CO2 emission, thus being the first in Estonia to offer more favourable leasing terms to retail banking customers, if the new car purchased is environmentally friendly (i.e. the vehicle's CO2 emissions are up to 130g/km). SEB Pank also combats carbon footprint in the selection of company cars. All new SEB Pank company cars must have an emission level below 130g/km.

SEB Pank was chosen to the partner to pay out insurance indemnities to the clients of the Estonian branch of AB Bankas Snoras that's bankrupted in November in Lithuania.

Organisation
SEB Pank changed the current structure of retail banking and divided the network of branches into four regions. Operations in the northern, southern, western and eastern Estonian regions are headed by regional directors with expanded decision-making power who will be

responsible for developing and managing customer relationships in their respective regions. With a change SEB Pank directed more attention at business opportunities in the counties and that is why SEB's pan-Estonian operating model was improved.

SEB Pank got several awards during 2011:

The global finance monthly magazine The Banker named SEB Pank the Best Bank in Estonia for 2011.

Euromoney named SEB Pank the Best Bank in the Baltic States and the Nordic countries. In addition to the titles obtained in the competition Euromoney's Awards for Excellence 2011, SEB Pank was also a nominee in a number of other categories: best performer of M&A transactions and best provider of cash management services in the Baltic States and Nordic countries.

Based on the activities made on 2011, Global Finance named SEB Pank the Best Trade Finance Bank in Estonia for 2012.

Baltic E-Banking Report 2011 compiled by Metasite ranked SEB's internetbank as number 1 in Estonia.

The Estonian Security Association issued its '2010 Security Solution of the Year' award to SEB Pank, which installed antiskimmers in all of its cash machines during the year in order to thwart attempts to copy bankcard data. The devices were supplied and installed by AS Hansab.

Customer relations and customer satisfaction
According to a survey conducted by EPSI Baltic in 2011, clients consider SEB Pank to be the leading bank in Estonia. Among main players and main competitors SEB Pank got highest ranking in not only in private and business segment, but also in CSR activity.

Social responsibility and sponsorship
SEB Pank and the Tartu Marathon Club signed a sponsorship deal which will see the bank continuing to support the club's events from 2011 to 2015. Tartu Marathon Club is organizing the complex event that consists of the most professionally organised mass sports events in the Baltic States, which attract considerable attention and large numbers of participants.

SEB Pank is a sponsor of several sports events that are also biggest in our region. In 2011 more than 17,000 runners participated in SEB Tallinn Marathon, which was biggest sporting event ever held in the Baltics. 1,400 people took part in the 5th SEB Tartu Rollerblading Marathon. More than 7,000 riders participated in the SEB 14th Tartu Cycling Marathon.

AS SEB Pank and AS Tallink Grupp laid the foundations for a non-profit organisation called the SEB Tallink Tennis Team in first quarter of 2011, which will develop a professional preparatory system for talented young tennis players and help them achieve their goals at the world level. The strategic goal of the team, which has been designed as a long-term undertaking, is to develop a pool of young talent with the potential to break through in the international game.

SEB Pank supports Estonia’s leading business plan competition ‘Ajujaht’, which is designed to contribute to the creation of new knowledge-based companies and to boost the business skills of students and young scientists. The winner of the 2011 competition was announced in May and it was company Virtual Garden. More than 300 business plans were issued in October for 2012 competition and 20 finalists were announced in December. Winner will be announced in spring 2012.

SEB Pank has been engaged in charity for years, paying special attention to the next generation. Until now, one of the most distressing social problems in our country is children without parental care. To help these children, SEB Pank founded in 2005 a non-profit association – SEB Charity Fund (SEB Heategevusfond). Already for the third year in a row, SEB Charity Fund asked before Christmas for the help of the employees of substitute homes and shelters to forward children’s Christmas wishes. The Fund posted the wishes on a Christmas tree in most popular portal where people across Estonia had the opportunity to make a personal donation and give a gift to one or more children. The list of wishes of 1060 children was very diverse, but it did not take more than a week for good people to find the wishes and help a dream become reality. During a period of one week, more than a thousand people made a donation. Thanks to these donations, on the Christmas Eve, we were able to fulfil precisely those wishes that were whispered into the ears of educators.

Starting from 2003 SEB Pank is a gold sponsor of the Estonian National Opera. In 2011 SEB Pank introduced SEB Public Choice Award and visitors to the Estonia National Opera picked opera soloists Helen Lokuta and Oliver Kuusik as the winners of the SEB Public Choice Awards for 2011.

3. Statement of remuneration in SEB Pank Group

<u>Remuneration policy</u>

SEB Pank Group vision is to be the trusted partner for customers with aspirations. To drive and support the achievement of this vision, it is of vital importance that SEB Pank Group is able to attract, retain, develop and reward the right talents.

The Remuneration Policy of SEB Pank Group provides a framework for rewarding sustainable long-term value creation in line with shareholders interest. It is based on the efficient performance culture in combination with sound risk management, also taking into account sufficient capital and the necessary liquidity.

SEB Pank Group believes in and promotes a sound and dynamic performance culture as a means for achieving long-term success and encourages performance and the right behaviors. A cornerstone in the performance culture is the performance management process with transparent and aligned target setting, evaluation and rewards.

SEB Pank Group remuneration structure consists of three components:

a) base pay or hourly rate (the fixed component of the remuneration);
b) variable pay:
    a. short-term cash-based variable compensation;
    b. long-term equity-based variable compensation;
    c. one-off bonuses;
c) other benefits.

The Remuneration and Human Resources Committee of the SEB Group is responsible for monitoring the remuneration policy and remuneration practice within the SEB Group, which includes SEB Pank Group.

SEB Pank has established Remuneration Committee. The Remuneration and Human Resources Committee consists of four members, of which three members are also members of the supervisory board of AS SEB Pank. The remuneration committee is responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the SEB Pank Group. The Chair and the members of the remuneration committee are persons who do not perform any executive functions in the SEB Pank Group. When preparing such decisions, the remuneration committee takes into account the long-term interests of shareholders, investors and other stakeholders in the credit institution.

The remuneration policy is adopted by the Supervisory Board of AS SEB Pank. The Head of HR and Training Division conducts a yearly review of the Remuneration policy and can, after having consulted among others the bank's control functions propose amendments to the policy. The Head of HR and Training Division gives a proposal to the Management Board and the Remuneration Committee, who prepares the proposal for final adoption by the Supervisory Board.

Performance measurement and risk management

Financial performance is measured on group, divisional and business unit level in the SEB Pank Group. Skandinaviska Enskilda Banken AB (publ) has an established model for calculating and allocating risk capital in the business. The allocation of risk capital reflects the risk exposure of each line of business. The risk adjustment of financial performance is based on this allocation model, further the competitive situation and estimated current and future risks are taken into account. Individual performance and behaviour are also important parameters in the remuneration model. Skandinaviska Enskilda Banken AB (publ) has a group wide process for evaluating and documenting the performance and behaviour of each employee, in which setting and evaluating qualitative as well as quantitative individual targets is of major importance.

Purpose and parameters for variable pay

SEB Pank Group believes in encouraging strong performance, desired behaviours and balanced risk-taking. Variable pay aims to drive and reward performance and behaviours that create short and long term shareholder value, and is also an essential way of achieving flexibility in the remuneration cost.

Short-term variable cash-based compensation in SEB Pank Group is based on the annual performance and behaviours of the individual as well as the team/business unit and the SEB Pank Group and SEB Group as a whole.

Statement of remuneration of the specially regulated staff

The Estonian Parliament has in 2011 implemented a new law "Law of Changes in the Law of Investment Funds and other related legislation" which came into force as of 3 April 2011. This law sets new regulations on remuneration to secure that all financial institutions in Estonia have a sound and controlled risk taking and that the remuneration systems support such sound risk taking. These regulations are in line with the European Union legislation and

CEBS (the Committee of European Banking Supervisors) guidelines on Remuneration Policies and Practices.

In accordance with the new regulations, SEB Pank has defined specially regulated staff according to the four categories given in the regulations:

A. Senior management (including members of Management Board).
B. Responsible persons within control functions.
C. Risk takers; i.e. employees having material impact on the risk profile of the credit institution (taking decisions that effect the risk positions of the bank), incl. risk managers or compliance employees.
D. Employees within the same remuneration bracket as members of Management Board.

Supervisory Board of AS SEB Pank shall approve the list of specially regulated staff according to Management Board proposal. The list shall be compiled by Compliance Department and Risk Control Department.

The remuneration shall consist of base pay and variable pay. Variable pay shall be linked to operational performance and may be awarded and paid out on a cash and/or non-cash basis.

Maximum variable pay levels

SEB Pank Group shall provide a sound balance between fixed and variable remuneration and align the payout horizon of variable pay with the risk horizon. This implies that certain maximum levels and deferral arrangements apply for specially regulated staff. Variable pay shall not exceed 100% of annual base salary.

A certain part of variable pay shall be deferred for three to five years in order to evaluate the operational performance used in determining the variable pay, as well as the sustainability thereof and any risks associated with it.

SEB Pank Group reserves the right to withhold a part of or the whole deferred variable payment or demand partial or full repayment of the disbursed variable remuneration following the evaluation of the performance in the accounting year, should the performance of SEB Pank Group fall short of the business targets set.

Deferral structure

Based on Credit Institutions Act, Article 57’, subsection 2, considering the nature, scope and complexity of the bank’s business operations and the fact that for practical reasons it was not considered as possible to develop a programme for issuing the shares of SEB Pank (the 100% owner of the shares of which is Skandinaviska Enskilda Banken AB) to the SEB Pank employees, the SEB Pank group has decided not to implement payment of variable pay in the form of the shares of the credit institution, stock options or other similar rights and establish the following procedure for the payment of variable pay.

Employees in categories referred to as specially regulated staff, with an annual variable pay of:

a) 10,000 EUR or more and;

b) exceeds 40% of employee’s total compensation annually (not applied on employees included in Skandinaviska Enskilda Banken AB’s List of Specially Regulated Staff, as defined by Skandinaviska Enskilda Banken AB's policies), will be subject to a deferral of the variable pay.

The required deferral is at least 40 per cent. SEB Pank has defined 103 employees as specially regulated staff including the Management Board.The long-term share-based variable pay system, established in the SEB Group is a programme based on the shares of Skandinaviska Enskilda Banken AB, established throughout the SEB Group and this is applicable to the selected managers and key employees.

Remuneration in 2011

(millions of EUR)	Remuneration			Number of employees		
	Specially regulated staff	**Other employees**	**TOTAL**	**Specially regulated staff**	**Other employees**	**TOTAL**
Fixed remuneration	4.1	17.5	21.7	97	1306	1403*
Variable Pay	0.7	1.6	2.2	90	1140	1230
whereof:						
Short-term cash-based	*0.5*	*1.5*	*2.0*			
Long-term equity-based	*0.2*	*0.1*	*0.2*			
Deferred variable pay	0.4	0.2	0.6			
Accrued and paid remuneration	0.5	0.0	0.5			
Severance pay **			0.5			97
Agreed but not yet paid severance pay			-			

* 193 of them were non-active employees.
** Highest single amount was 32 988 euros.

4. Key figures

(millions of EUR)

	31.12.11	31.12.10
Net profit	98.1	54.5
Average equity	581.1	504.4
Return on equity (ROE), %	16.88	10.81
Average assets	4,214.9	4,540.3
Return on assets (ROA), %	2.33	1.20
Net interest income	88.7	75.2
Average interest earning assets	4,101.7	4,375.9
Net interest margin (NIM), %	2.16	1.72
Credit losses adjusted net interest income	113.5	66.1
Average interest earning assets	4,101.7	4,375.9
Credit losses adjusted net interest margin, %	2.77	1.51
Interest income	129.8	124.5
Average interest earning assets	4,101.7	4,375.9
Yield on interest earning assets, %	3.16	2.85
Interest expense	41.1	49.3
Interest bearing liabilities, average	3,537.8	3,896.5
Cost of interest bearing liabilities, %	1.16	1.27
Spread, %	2.00	1.58
Cost / Income ratio, %	45.1	49.1
Ratio of individually impaired loans, %	2.25	3.51

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
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 dividends
Gains less losses from investment securities
Share of profit of associates
Other income

Assets quality

(millions of EUR)	**31.12.11**	**31.12.10**
Total assets	4,104.0	4,325.8
Overdue loans and receivables*	166.4	205.3
Overdue/Total assets, %	4.05	4.75
Allowances for losses on amounts due from customers and credit institutions	131.0	179.5

* This part of the loan principal that has become overdue.

III. Consolidated Financial Statements

1. Consolidated income statement

(millions of EUR)	Note	2011	2010
Interest and similar income	3	*129.8*	*124.5*
Interest expenses and similar charges	4	*-41.1*	*-49.3*
Net Interest Income		88.7	75.2
Fee and commission income	5	*51.1*	*52.9*
Fee and commission expense	6	*-13.9*	*-14.3*
Net fee and commission income		37.2	38.6
Net income from foreign exchange	7	4.9	7.7
Gains less losses from financial assets at fair value through profit or loss	8	2.2	-2.2
Gains less losses from investment securities	16	-0.2	0.1
Share of profit of associates	18	0.1	0.0
Other income	9	0.5	2.3
Personnel expenses	10	-34.8	-34.1
Other expenses	11	-22.3	-23.7
Depreciation, amortisation and impairment of tangible and intangible assets	19, 20, 21	-3.0	-3.6
Profit before impairment losses on loans and advances		**73.3**	**60.3**
Impairment losses on loans and advances	12	24.8	-9.1
Profit before income tax		**98.1**	**51.2**
Income tax		0.0	0.0
Net profit from continued operations		**98.1**	**51.2**
Net profit from discontinued operations	22	0.0	3.3
Net profit		**98.1**	**54.5**
Profit attributable to the sole equity holder		98.1	54.5

2. Consolidated statement of comprehensive income

	2011	2010
Net profit	**98.1**	**54.5**
Other comprehensive income/expense		
Revaluation of available-for-sale financial assets	-0.1	0.0
Total other comprehensive income/expense	**-0.1**	**0.0**
Total comprehensive income	**98.0**	**54.5**
Sole equity holder of the parent entity (total)	98.0	54.5
-Total comprehensive income from continued operations	98.0	51.2
-Total comprehensive income from discontinued operations	0.0	3.3
	98.0	**54.5**

The notes on pages 18 - 92 are integral part of these consolidated financial statements.

3. Consolidated statement of financial position

(millions of EUR)	Note	31.12.11	31.12.10
ASSETS			
Cash		38.7	38.9
Balances with central bank	13	49.5	316.2
Loans and advances to credit institutions	14	423.0	279.5
Loans and advances to customers	15	3,540.5	3,606.7
Financial assets held for trading	16	21.0	21.9
Available-for-sale financial assets	16	4.9	5.0
Other assets	17	18.0	47.8
Investments in associates	18	0.5	0.4
Intangible assets	19	0.4	0.5
Property, plant and equipment	20	7.5	7.3
Investment properties	21	0.0	1.6
TOTAL ASSETS		**4,104.0**	**4,325.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to credit institutions	23	948.5	1,419.4
Due to customers	24	2,378.8	2,149.4
Loan funds	25	18.1	13.3
Other liabilities	26	54.8	72.1
Financial liabilities at fair value through profit or loss	27	20.5	22.3
Provisions	28	2.9	0.3
Subordinated loans	29	50.1	117.2
Total Liabilities		**3,473.7**	**3,794.0**
Share capital	30	42.5	42.5
Share premium		86.1	86.1
Other reserves	32	19.8	19.9
Retained earnings		481.9	383.3
Total shareholders' equity		**630.3**	**531.8**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,104.0**	**4,325.8**

The notes on pages 18 - 92 are integral part of these consolidated financial statements.

4. Consolidated statement of cash flows

(millions of EUR)

	Note	2011	2010
I. Cash flows from operating activities			
Interest received		128.9	126.4
Interest paid		-41.8	-53.3
Fee and commission received	5	51.1	52.9
Fee and commission paid	6	-13.9	-14.4
Net trading income and other operating income		4.3	79.1
Personnel expenses and other operating expenses		-53.1	-53.0
Revaluation adjustments		0.0	-0.1
Cash flows from operating activities before changes in the operating assets and liabilities		**75.5**	**137.6**
Changes in operating assets:			
Loans and advances to credit institutions and mandatory reserve in central bank		-322.1	165.3
Loans and advances to customers		91.0	259.8
Other assets		1.9	2.9
Changes of operating liabilities:		0.0	
Due to credit institutions		-481.7	-508.2
Due to customers		228.7	118.8
Loan funds		4.8	1.3
Other liabilities		-4.4	-41.1
Cash flow from (used in) operating activities		**-406.3**	**136.4**
II. Cash flows from investing activities			
Net increase-/decrease+ of investment portfolio securities		-0.3	69.0
Proceeds from sale and liquidation of associates and subsidiaries		0.4	0.2
Purchase of investment properties, tangible and intangible assets	19, 20, 21	-3.4	-3.2
Proceeds from sale of investment properties, tangible and intangible assets	19, 20, 21	1.9	1.9
Cash flow from (used in) investing activities, continued operations		**-1.4**	**67.9**
Cash flow from (used in) investing activities, discontinued operations		**0.0**	**3.3**
III. Cash flows from financing activities			
Repurchasing of debt securities		0.0	-0.5
Repayments of subordinated loans		-67.0	-50.0
Cash used in financing activities		**-67.0**	**-50.5**
Net decrease/increase in cash and cash equivalents		**-474.7**	**157.1**
Cash and cash equivalents at the beginning of period		**562.0**	**405.3**
Effect of exchange rate changes on cash and cash equivalents		0.0	-0.4
Cash and cash equivalents at the end of period		**87.3**	**562.0**

Cash and cash equivalents includes:	**31.12.11**	**31.12.10**
Cash on hand	38.7	38.9
Balances with the central bank without mandatory reserve	0.0	272.8
Liquid deposits in other credit institutions	47.4	248.9
Trading portfolio	1.2	1.4
	87.3	**562.0**

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

The notes on pages 18 - 92 are integral part of these consolidated financial statements.

5. Consolidated statement of changes in shareholders' equity

(millions of EUR)

	Share capital (Note 30)	Share premium	Other reserves (Note 32)	Retained earnings	Total share-holders' equity
Year beginning 01.01.2010	**42.5**	**86.1**	**21.2**	**327.2**	**477.0**
Statutory reserve	0.0	0.0	-1.2	1.2	0.0
Other	0.0	0.0	0.0	0.3	0.3
Net profit	0.0	0.0	0.0	54.5	54.5
Total comprehensive income	**0.0**	**0.0**	**0.0**	**54.5**	**54.5**
Final balance 31.12.2010	**42.5**	**86.1**	**20.0**	**383.2**	**531.8**
Year beginning 01.01.2011	**42.5**	**86.1**	**20.0**	**383.2**	**531.8**
Statutory reserve	0.0	0.0	-0.1	0.1	0.0
Other	0.0	0.0	0.0	0.5	0.5
Net profit	0.0	0.0	0.0	98.1	98.1
Other comprehensive expense:					
Net change in available-for-sale financial assets	0.0	0.0	-0.1	0.0	-0.1
Total other comprehensive expense	0.0	0.0	-0.1	0.0	-0.1
Total comprehensive income/expense	**0.0**	**0.0**	**-0.1**	**98.1**	**98.0**
Final balance 31.12.2011	**42.5**	**86.1**	**19.8**	**481.9**	**630.3**

The notes on pages 18 - 92 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 Skandinaviska Enskilda Banken AB (publ), who is also the ultimate controlling party, registered in Sweden (Note 30).

As at the end of year 2011 SEB Pank Group employed 1,210 people (2010 1,322). These consolidated financial statements for the year ended 31 December 2011 have been approved for issue by the Management Board and are subject to approval by the ultimate shareholder.

Functional and presentation currency
On 1 January 2011, the Republic of Estonia joined the Euro area and adopted the Euro as its national currency, replacing the Estonian kroon. Consequently, the functional currency of the parent company AS SEB Pank and the subsidiaries since 1 January 2011 is Euro. Change in the functional currency has been accounted for prospectively. The parent company and its subsidiary have translated the balances on their accounts as of 1 January 2011 by applying the currency rate of 15,6466 kroon/euro.

2011 consolidated financial statements have been presented in euros. Comparative figures presented in the financial statements have been translated from Estonian kroons to euros using the conversion rate of 15.6466 kroon/euro. As the exchange rate has been the same during previous periods, no differences in currency arose in translation.

For the convenience of the users, these financial statements have been presented in millions of euros, unless stated otherwise.

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.

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.

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 2011 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 1.22). Note 1.22 gives also overview of the new IFRS standards, amendments and interpretations that became effective for the Group's annual periods beginning on or after 1.01.2012 and which the Group has not early adopted.

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 financial impact of fair value of collateral (Note 2.2)
b) Fair value of financial assets and liabilities (Note 2.7)

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.

Developments in global financial markets

The credit crisis that has hampered the developed part of the world economy since the autumn 2008 entered a new phase in 2011. The predicament that started from the US housing market has now transformed into European sovereign credit crisis that has subsequently started to threaten the stability of the eurozone and some of the founding structures of European integration. We now expect eurozone to report a 0.4 per cent decline in real output in 2012 (a year ago anticipated a real growth of 1.5 per cent).

On a global scale, the credit crisis will very likely sooner or later have certain geopolitical implications. Year 2012 is a good candidate for some of these implications to emerge, as this is a year in which we have presidential elections in Russia and in the US, and the intergenerational transfer of power in China. Each of these are equally capable of affecting the global or regional balance of power.

Notwithstanding the adverse developments in the eurozone, the Baltic Sea region – driven as it is by Germany and Sweden – has endured rather robustly so far. Indeed, it is a fairly telling fact that the five most optimistic countries are Germany, Sweden and the three Baltic states, if all the countries of the EU were ranked according to their index of economic sentiment. However, it is worth following the developments in Swedish real estate market. For it is fairly obvious that unexpectedly unfavourable outcome there may have profound consequences on Estonian economy.

Impact on customers / borrowers

Continuously unstable financial markets, slow recovery of recession and general uncertainty has negative impact on borrowers confidence but ability to repay the amounts owed based on real financial results have improved. Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets confirm general stable outlook. To the extent that information is available, management has identified main risk position in several industries and is performing special regular observation. Management 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 still affected by the general macroeconomic decline and uncertainty in Estonia and other markets resulting there being a low level of liquidity for certain types of assets. Majority of assets sellable have been sold on estimated levels. Assets experiencing temporary low market liquidity or assets potentially under realization have been evaluated case by case in accordance to the cash flow model approved by Group.

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 2011. 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. 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. 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 group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, 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. 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 profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates. The Group's share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income and presented separately. 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 36), 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

All other currencies except for the functional currency (the functional currency of the parent company and subsidiaries is Euro (Estonian kroon until 31 December 2010)) constitute foreign currencies. Foreign currency transactions have been translated to functional currencies based on the foreign currency exchange rates of the European Central Bank prevailing on the transaction date (until 31 December 2010 the currency exchange rates of the Bank of Estonia). Monetary assets and liabilities denominated in a foreign currency have been translated into functional currency based on the foreign currency exchange rates of the European Central Bank (until 31 December 2010 the currency exchange rates of the Bank of Estonia) prevailing on the balance sheet date. Foreign exchange gains and losses are recognised in the income statement as income or expenses of that period. Non-monetary assets and liabilities denominated in a foreign currency measured at fair value, have been translated into functional currency based on the foreign currency exchange rates of the European Central Bank (until 31 December 2010 the currency exchange rates of the Bank of Estonia) prevailing on the balance sheet date.

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.

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:

<table>
<tr><th colspan="2">Category (as defined by IAS 39)</th><th colspan="3">Class (as determined by the Group)</th></tr>
<tr><td rowspan="13">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 individuals</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>Loans to Public sector</td></tr>
<tr><td rowspan="3">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="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 party, a contractual right to exchange financial instruments with another party under conditions that are potentially favourable or an equity instrument of another party.

Management determines the classification of its investments at initial recognition.
The SEB Pank Group has not classified any financial assets to the category “Held to maturity” and “Financial assets designated at fair value through profit or loss at inception” in the reporting period.

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 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 loan 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 instalment 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”.

<u>Factoring and warehouse receipt financing receivables</u>
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. Subsequently 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.

<u>Valuation of loans and receivables</u>
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 Skandinaviska Enskilda Banken AB (publ), the parent bank of AS SEB Pank. Valuation of the customer receivables is based on the legal entities 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 and 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 38).

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 held for trading
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.

Securities acquired or incurred principally for the purpose of selling or repurchasing in the near term
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.

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 cost. 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.

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.

Capitalisation of expenses

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 years or over the period of the lease (if period of the lease is less than five years).

Development costs

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, inc. subsequent costs), 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. The appropriateness of depreciation / amortisation rates, methods and residual values are each reporting date assessed.

Subsequent costs to be capitalized include improvements and costs of replacing parts of the property. Subsequent costs of day-to-day servicing are expensed as incurred.

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. 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.

1.11. 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 commencement date 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".

1.12. Financial liabilities

The classification made can be seen in the table below:

<table>
<tr><th colspan="2">Category (as defined by IAS 39)</th><th colspan="2">Class (as determined by the Group)</th></tr>
<tr><td rowspan="8">Financial liabilities</td><td rowspan="5">Financial liabilities at amortised cost</td><td colspan="2">Deposits from credit institutions</td></tr>
<tr><td rowspan="3">Deposits from customers</td><td>Corporate customers</td></tr>
<tr><td>Public sector</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>

Deposits from credit institutions and customers

Deposits are recognised in the statement of financial position on their settlement date at fair value net of transaction costs and subsequently measured at amortised cost using effective interest rate method and recorded on lines “Due to credit institutions” and “Due to customers”, accrued interests is presented on a respective lines 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.

Short-term and termination benefits to employees

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 vacation pay).

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.

1.13. 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.

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.

1.14. 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.

1.15. Provisions for liabilities and charges

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.

1.16. 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.

Fee and commission income
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 (e.g. payment cards related commissions). 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.

1.17. Dividend income

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

1.18. 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.

1.19. Share-based payments

Group employees receive compensation through share-based incentive programmes, based on Skandinaviska Enskilda Banken AB (publ) shares. The programmes, now referred to, are the Performance Share Programme, Employee Stock Option and the Share Savings Programmes. The bookings for expenses 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.

1.20. 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.

In Estonia income tax (that is accounted for as income tax cost in P&L) is accounted for only in cases when the taxable event occurs (like payment of dividends and payments decreasing the equity). Because of the specifics of the Estonian tax system permanent and temporary differences are not accounted for and thus effective income tax is not currently accounted for as well.

1.21. 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. Commissions received from fiduciary activities are shown in fee and commission income.

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

The following new or revised standards and interpretations became effective for the Group from 1.01.2011:

Improvements to International Financial Reporting Standards, issued in May 2010 (effective for annual periods beginning on or after 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments. The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements. The financial effect of collateral required to be disclosed by the amendments to IFRS 7 is presented in these financial statements by disclosing collateral values separately those financial assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets).

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1.01.2011, that would be expected to have a material impact to the Group.

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1.01.2012 and which the Group has not early adopted.

IFRS 9, Financial Instruments : Classification and Measurement (effective for annual periods beginning on or after 1 January 2015; not yet adopted by the EU). IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities, and in December 2011 to change its effective date and add transition disclosures. Key features of the standard 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 payments of principal and interest only (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.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

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

IFRS 10, Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 12, Disclosure of Interest in Other Entities (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 13, Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on its financial statements.

IAS 27 (revised 2011), Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The objective of the revised standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Group is currently assessing the impact of the amended standard on its financial statements.

Presentation of Items of Other Comprehensive Income, amendments to IAS 1, (effective for annual periods beginning on or after 1 July 2012; not yet adopted by the EU). The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19, Employee Benefits (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU), makes significant changes (i) to the recognition and measurement of defined benefit pension expense and termination benefits, and (ii) to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group is currently assessing the impact of the amended standard on its financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Risk policy and management

2.1. Risk policy and structure

Managing risk is a core activity in a bank and therefore fundamental to long-term profitability and stability. Risk is closely related to business activities and business development and, therefore, to customer needs. Of the various risks that SEB assumes in providing its customers with financial solutions and products, credit risk is the most significant.

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

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 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. Board supervision, an explicit decision-making structure, a high level risk awareness among staff, common definitions and principles and controlled risk-taking within established limits are the cornerstones of SEB's risk and capital management.
Risk management and control is a prioritised area for the Group, continuously under development. Since 2008 AS SEB Pank holds supervisory approvals to use its internal models for calculating regulatory capital: Internal Rating Based (IRB) approach for credit risk and Advanced Measurement Approach (AMA) for operational risk. During last years, the main development focus of risk management has been continuous improvement of implemented Basel II models and preparations for the new regulatory regime – Basel III.

In 2011 one of the most important development projects, started 2010, was remodelling of retail credit risk scoring models to replace current expert judgment based models with regression models. In addition a project was initiated for preparation to switchover to internal credit risk models in non-retail asset class. In the market risk control area an enhanced SEB Group's ARMS risk model was taken into use to calculate value-at-risk (VaR).

2.2. Credit risk

Assets exposed 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. 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 the Assets and Liabilities Committee (ALCO). Credit risk related to debt securities is considered low in volume and has therefore not been discussed in detail below.

AS SEB Pank enters into derivatives contracts primarily to offer clients products for management of their financial exposures and then manages the resulting positions by entering offsetting contracts with the parent company. Positive market values in derivatives contracts imply a credit exposure on the counterparty; to reflect also future uncertainty in market conditions, a credit risk equivalent is calculated. Credit risk related to derivatives 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 depend among other things on if it is a secured or unsecured exposure, type of collateral and seniority of the exposure.

Conceptually EAD consists of two parts, the current exposure and an estimate of potential future exposure at the time of default. 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 500,000 EUR (2010: 479,337 EUR) 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 2011 the corporate portfolio amounted to 39% of total loan portfolio (2010: 41%).

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 500,000 EUR (2010: 479,337 EUR) 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 2011 (2010: 7%).

Starting from 01.01.2011 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 500,000 EUR irrespective of consolidated sales or assets. 2010 small corporate segment consisted of companies or a group of companies with credit risk assumed by the SEB Pank Group less than 479,337 EUR and with consolidated sales or assets of less than 9,586,747 EUR. This resulted in 16.5 million EUR corporate portfolio having been reclassified to retail portfolio during 2011.

In analysing loans to private individuals the credit scoring and left-to-live model (this measures the customer's ability to service the loan taking into account net income and cost of living) 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 44% of the total portfolio as of end of 2011 (2010: 46%).

The remaining 10% of portfolio amounted advances to credit institutions (2010: 7%).

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 31.12.11	31.12.10
Ordinary Business	64.1%	50.1%
Restricted Business	11.1%	11.0%
Special Observation	10.6%	11.4%
Watch-list	7.9%	17.6%
Default	6.1%	9.9%
Insufficient information	0.2%	0.0%
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 next table.

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 31.12.11	31.12.10
Ordinary Business	77.5%	74.5%
Special Observation	16.0%	18.8%
Default	6.1%	6.3%
Insufficient information	0.4%	0.4%
Total	**100.0%**	**100.0%**

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

31.12.11	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
Ordinary Business	422.3	783.7	190.6	167.1	1,231.6	258.5	3,053.8
Restricted Business	0.0	160.8	15.1	0.0	0.0	0.0	175.9
Special Observation	0.0	236.5	41.0	0.0	174.2	49.8	501.5
Watch-list	0.0	121.3	3.8	0.0	0.0	0.0	125.1
Default	0.0	102.4	17.8	0.0	74.5	28.2	222.9
Not Classified	0.0	9.9	1.8	0.3	0.0	0.0	12.0
Accrued Interests	0.7	2.2	0.5	0.3	2.6	1.5	7.8
Deferred Origination Fees	0.0	-1.8	-0.8	-0.1	-1.0	-0.8	-4.5
	423.0	**1,415.0**	**269.8**	**167.6**	**1,481.9**	**337.2**	**4,094.5**

31.12.10	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
Ordinary Business	279.5	587.1	155.4	173.6	1,234.4	264.2	2,694.2
Restricted Business	0.0	163.0	18.7	0.1	0.0	0.0	181.8
Special Observation	0.0	261.8	72.0	0.1	201.2	64.0	599.1
Watch-list	0.0	264.7	26.0	0.0	0.0	0.0	290.7
Default	0.0	164.1	29.4	0.0	73.7	29.3	296.5
Not Classified	0.0	0.0	0.0	0.2	0.0	0.0	0.2
Accrued Interests	0.0	2.3	0.5	0.3	2.2	1.7	7.0
Deferred Origination Fees	0.0	-1.4	-0.5	-0.1	-1.1	-0.7	-3.8
	279.5	**1,441.6**	**301.5**	**174.2**	**1,510.4**	**358.5**	**4,065.7**

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 300,000 euro is confirmed collegially by credit committees or by the authorised persons in accordance with the decision-making limits established by the bank's management. Collegial confirming of the reviews of small corporates by credit committees or by the authorised persons is going to be discontinued in 2012.

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 below.

Loans against collateral

(millions of EUR)

	31.12.11	31.12.10
Mortgage, real estate	2,591.7	2,716.9
Securities and deposits	13.0	21.9
Guarantee by state, central bank or municipality	218.3	233.8
Guarantee by credit institutions	422.3	279.5
Unsecured loans*	180.7	187.9
Repos with customers (securities as collateral)	0.1	0.1
Factoring (receivables as collateral)	48.0	28.3
Leasing (leased assets as collateral)	370.6	403.8
Other (floating charges, vehicles, warranties, other)	242.0	186.5
Accrued interest receivable	7.8	7.0
Allowances	-131.0	-179.5
TOTAL**	**3,963.5**	**3,886.2**

* Includes credit cards and other unsecured loans.

** Includes loans and advances to customers and credit institutions (Notes 14, 15) by type of the main collateral.

Client executives have an obligation to review collateral values at least once a year and update if necessary.

Collateral values of living spaces and land are being adjusted with indexes calculated in-house based on transaction statistics of Estonian Land Board.

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 500,000 euro (2010: 479,337 euro) 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 officers in credit department and risk managers in head office 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 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 31.12.2011 is 131.0 EUR mio (2010: 179.5 EUR mio) of which 61.8 (2010: 90.2) represents the allowance for individually impaired loans and the remaining amount of 69.2 (2010: 89.3) represents collective and homogenous groups allowances.

At the end of 2011 collective allowances included also additional collective allowance in amount of 6.0 EUR mio (2010: 4.6). The amount of additional collective allowance is calculated based on SEB Group model for credit losses for exposures to customers in risk class 1-12 (IBNI model), which estimates Incurred But Not Identified loss events.

SEB Group Retail Provisioning Model's principles were used to determine homogenous groups' allowances. The calculated incurred loss levels for specific product groups were adjusted by expert opinion taking into account non-performing loans levels for these product groups which additionally reflect portfolio quality.

Financial effect of collateral, individually assessed loans and contingent liabilities, gross (Watch-list or Default clients)*

2011	Credit-institutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
Over-collateralised assets	0	37.0	0.8	0	0	0	37.8
Under-collateralised assets	0	178.6	13.6	0	0	0	192.2
Fair value of collateral	*0*	*100.7*	*6.8*	*0*	*0*	*0*	*107.5*

2010	Credit-institutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
Over-collateralised assets	0	83.9	11.8	0	0	0	95.7
Under-collateralised assets	0	355.2	34.0	0	0	0	389.2
Fair value of collateral	*0*	*205.4*	*26.7*	*0*	*0*	*0*	*232.1*

* The effect of collateral is not taken into account if client risk class is 1-12, because these liabilities are presumed to be fulfilled from primary cash flow.

Individually impaired loans and allowances

(millions of EUR)	**31.12.11**	**31.12.10**
Impaired, non-performing loans	85.6	124.4
Impaired, performing loans	3.6	12.1
Total individually impaired loans	**89.2**	**136.5**
Specific allowances	-61.8	-90.2
Collective allowances on individually assessed loans	-7.8	-22.8
Collective allowances for homogeneous groups	-55.4	-61.9
Other collective allowances for incurred but not identified losses	-6.0	-4.6
Total allowances	**-131.0**	**-179.5**
Specific allowance ratio (Specific allowances / Individually impaired loans)	69%	66%
Ratio of impaired loans (Individually impaired loans / Loans to customers)	2.25%	3.51%

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

31.12.11	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	**422.3**	**1,296.7**	**247.2**	**166.9**	**1,369.7**	**299.4**	**3,802.2**
Ordinary Business	422.3	782.5	188.4	166.6	1,228.8	256.9	3,045.5
Restricted Business	0.0	160.4	15.0	0.0	0.0	0.0	175.4
Special Observation	0.0	230.2	38.5	0.0	127.5	39.4	435.6
Watch-list	0.0	110.4	3.2	0.0	0.0	0.0	113.6
Default	0.0	3.5	0.4	0.0	13.4	3.1	20.4
Not classified	0.0	9.7	1.7	0.3	0.0	0.0	11.7
2) Past due, but not impaired	**0.0**	**38.4**	**13.2**	**0.5**	**110.6**	**37.1**	**199.8**
3) Individually impaired	**0.0**	**79.5**	**9.7**	**0.0**	**0.0**	**0.0**	**89.2**
4) Accrued interests	**0.7**	**2.2**	**0.5**	**0.3**	**2.6**	**1.5**	**7.8**
5) Deferred origination fees	**0.0**	**-1.8**	**-0.8**	**-0.1**	**-1.0**	**-0.8**	**-4.5**
Total gross	**423.0**	**1,415.0**	**269.8**	**167.6**	**1,481.9**	**337.2**	**4,094.5**
Specific allowances	0.0	-53.8	-8.0	0.0	0.0	0.0	-61.8
Collective allowances	0.0	-12.8	-1.0	0.0	0.0	0.0	-13.8
Group allowances (homogeneous)	0.0	-7.0	-7.0	0.0	-31.7	-9.7	-55.4
Total net of allowances	**423.0**	**1,341.4**	**253.8**	**167.6**	**1,450.2**	**327.5**	**3,963.5**

31.12.10	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	**279.5**	**1,273.1**	**265.2**	**173.4**	**1,400.4**	**316.4**	**3,708.0**
Ordinary Business	279.5	586.7	154.6	173.0	1,231.9	262.9	2,688.6
Restricted Business	0.0	163.0	18.6	0.1	0.0	0.0	181.7
Special Observation	0.0	254.7	68.1	0.1	156.8	50.3	530.0
Watch-list	0.0	251.0	21.3	0.0	0.0	0.0	272.3
Default	0.0	17.7	2.6	0.0	11.7	3.2	35.2
Not classified	0.0	0.0	0.0	0.2	0.0	0.0	0.2
2) Past due, but not impaired	**0.0**	**49.5**	**18.4**	**0.6**	**108.9**	**40.5**	**217.9**
3) Individually impaired	**0.0**	**118.1**	**17.9**	**0.0**	**0.0**	**0.6**	**136.6**
4) Accrued interests	**0.0**	**2.3**	**0.5**	**0.3**	**2.2**	**1.7**	**7.0**
5) Deferred origination fees	**0.0**	**-1.4**	**-0.5**	**-0.1**	**-1.1**	**-0.7**	**-3.8**
Total gross	**279.5**	**1,441.6**	**301.5**	**174.2**	**1,510.4**	**358.5**	**4,065.7**
Specific allowances	0.0	-74.4	-15.3	0.0	0.0	-0.5	-90.2
Collective allowances	0.0	-26.6	-0.8	0.0	0.0	0.0	-27.4
Group allowances (homogeneous)	0.0	-13.9	-7.3	0.0	-26.8	-13.9	-61.9
Total net of allowances	**279.5**	**1,326.7**	**278.1**	**174.2**	**1,483.6**	**344.1**	**3,886.2**

Quality of loans by classes

(millions of EUR)

31.12.11	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
Normal loans	422.3	1,335.1	260.4	167.4	1,480.3	336.5	4,002.0
Impaired non-performing*	0.0	76.5	9.1	0.0	0.0	0.0	85.6
Impaired performing**	0.0	3.0	0.6	0.0	0.0	0.0	3.6
Accrued interest receivable	0.7	2.2	0.5	0.3	2.6	1.5	7.8
Deferred origination fees	0.0	-1.8	-0.8	-0.1	-1.0	-0.8	-4.5
	423.0	**1,415.0**	**269.8**	**167.6**	**1,481.9**	**337.2**	**4,094.5**
Specific allowances	0.0	-53.8	-8.0	0.0	0.0	0.0	-61.8
Collective and group allowances	0.0	-19.8	-8.0	0.0	-31.7	-9.7	-69.2
	423.0	**1,341.4**	**253.8**	**167.6**	**1,450.2**	**327.5**	**3,963.5**

31.12.10	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Public sector	Housing loans	Other loans to Private individuals	TOTAL
Normal loans	279.5	1,322.6	283.6	174.0	1,509.3	357.0	3,926.0
Impaired non-performing*	0.0	107.0	16.9	0.0	0.0	0.5	124.4
Impaired performing**	0.0	11.1	1.0	0.0	0.0	0.0	12.1
Accrued interest receivable	0.0	2.3	0.5	0.3	2.2	1.7	7.0
Deferred origination fees	0.0	-1.4	-0.5	-0.1	-1.1	-0.7	-3.8
	279.5	**1,441.6**	**301.5**	**174.2**	**1,510.4**	**358.5**	**4,065.7**
Specific allowances	0.0	-74.4	-15.3	0.0	0.0	-0.5	-90.2
Collective and group allowances	0.0	-40.5	-8.1	0.0	-26.8	-13.9	-89.3
	279.5	**1,326.7**	**278.1**	**174.2**	**1,483.6**	**344.1**	**3,886.2**

* 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 EUR)

31.12.11	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	14.5	4.6	0.5	52.5	12.1	0.2	84.4
incl. impaired	0.0	1.2	0.0	0.0	0.0	0.0		1.2
30 < 60 days	0.0	4.7	1.0	0.0	9.1	2.4	0.1	17.3
incl. impaired	0.0	0.3	0.1	0.0	0.0	0.0		0.4
over 60 days	0.0	97.0	16.8	0.0	49.1	22.6	7.1	192.6
incl. impaired	0.0	76.3	9.1	0.0	0.0	0.0		85.4
	0.0	**116.2**	**22.4**	**0.5**	**110.7**	**37.1**	**7.4**	**294.3**

31.12.10	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	20.6	9.1	0.6	48.8	12.2	0.2	91.5
incl. impaired	0.0	1.8	0.6	0.0	0.0	0.0		2.4
30 < 60 days	0.0	6.0	2.5	0.0	9.0	3.8	0.1	21.4
incl. impaired	0.0	2.1	0.4	0.0	0.0	0.0		2.5
over 60 days	0.0	137.8	24.1	0.0	51.1	25.0	7.2	245.2
incl. impaired	0.0	104.9	15.7	0.0	0.0	0.6		121.2
	0.0	**164.4**	**35.7**	**0.6**	**108.9**	**41.0**	**7.5**	**358.1**

The table indicates the total exposure of the credit where part is overdue as of 31.12.11.

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 2011 and 2010 to result in immaterial misstatement.

Maximum exposure to credit risk before collateral held or other enhancements
(millions of EUR)

	31.12.11	31.12.10
Loans and advances to credit institutions and central bank	472.5	595.7
Loans and advances to customers	3,671.5	3,786.1
Financial assets held for trading		
Debt securities	1.3	1.4
Derivative financial instruments	19.7	20.5
Debt securities investment	0.0	0.2
Other assets	19.4	50.2
	4,184.4	**4,454.1**
Exposures related to off-balance sheet items and guarantees	707.7	476.4
Maximum exposure	4,892.1	4,930.4

Large exposures	**31.12.11**		**31.12.10**	
	Number/ Amount	**% from net own funds**	**Number/ Amount**	**% from net own funds**
Number of customers with large exposures	4	-	3	-
Due from customers with large exposures (EUR mio)	269.1	38.98	167.3	25.36
Due from management board members and related persons (EUR mio)	1.3	0.18	1.1	0.16
	270.3	**39.16**	**168.3**	**25.52**
Own funds included in calculation of capital adequacy (see page 66)	690.3		659.7	

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:
- claims to the parent company of the bank and their subsidiaries which are under the consolidated supervison of financial incpections of concerned states;
- central bank, central government and state guaranteed study loans and claims secured with deposits and securities (credit risk 0%);
- due from central bank, central government and government authorities, which belong to a group with credit risk considered at 0%;
- 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, 69.0 EUR mio as at 31.12.2011 (66.0 EUR mio as at 31.12.2010), see Note 2.8. All instruments where credit risk may arise to the group are taken into consideration. The limit of the total exposure of one party or related parties is 25%. As of 31.12.2011 the SEB Pank Group had 4 large risk exposures (3 large risk exposures in 31.12.2010). Total exposure of any group of related parties did not exceed the limit of 25%.

Repossessed collateral

During 2011 and 2010, the Group obtained assets by taking possession of collateral held as security as follows:

(millions of EUR)

Nature of assets	Carrying amount	
	2011	2010
Property	0.0	1.5

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

Market risk is the risk of loss or reduction of future net income following changes in interest rates, foreign exchange rates, equity prices and commodity 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 market risk regulations. 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. Stress tests can also be a tool in the limit setting process.

The overall market risks are measured by the Value at Risk (VaR) approach based on historical simulation and market risk type specific measures. Group wide measures should cover the following risk factors: interest rates, currencies, equities, commodities, credit spread, inflation and volatilities.

VaR is defined as a maximum potential loss that can arise with a certain degree of probability during a certain period of time. The Group has chosen a probability level of 99% and a ten-day holding period for monitoring and reporting VaR in the trading book and the banking book. In the day-to-day risk management of trading positions, AS SEB Pank follows up limits with a 1-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 2011 was 0.5 EUR mio (2010: 0.8 EUR mio), mainly arising from interest rate risk. AS SEB Pank's trading portfolio market risk is relatively small, mainly arising from FX trading. Average trading risk 1 day VaR in 2011 was 0.02 EUR mio (2010: 0.03 EUR mio). 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 (10 day)
(millions of EUR)

	Min	Max	31.12.11	Average 2011	Average 2010
Trading book	0.0	0.3	0.1	0.1	0.1
Banking book	0.2	1.0	0.4	0.5	0.8

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 EUR)

31.12.11	EEK	EUR	USD	SEK	Other currencies	TOTAL
ASSETS						
Cash and balances with central bank	0.2	82.7	1.4	1.1	2.8	88.2
Loans and advances to credit institutions	0.0	209.4	169.5	14.8	29.3	423.0
Loans and advances to customers	0.0	3,519.0	21.0	0.1	0.4	3,540.5
Securities	0.0	21.4	0.6	0.1	4.3	26.4
Other assets	0.0	23.0	1.7	0.7	0.5	25.9
TOTAL ASSETS	**0.2**	**3,855.5**	**194.2**	**16.8**	**37.3**	**4,104.0**
LIABILITIES						
Due to credit institutions	0.0	925.3	22.1	0.5	0.6	948.5
Deposits	0.0	2,178.1	173.4	14.4	31.0	2,396.9
Other liabilities	0.0	113.9	6.9	2.2	5.3	128.3
TOTAL LIABILITIES	**0.0**	**3,217.3**	**202.4**	**17.1**	**36.9**	**3,473.7**
Net on-balance sheet position	**0.2**	**638.2**	**-8.2**	**-0.3**	**0.4**	**630.3**
FX derivatives (notionals, due from)	0.0	43.8	34.8	4.8	20.7	104.1
FX derivatives (notionals due to)	0.0	55.1	26.9	4.7	17.1	103.8

31.12.10	EEK	EUR	USD	SEK	Other currencies	TOTAL
ASSETS						
Cash and balances with central bank	269.3	82.8	0.5	0.7	1.8	355.1
Loans and advances to credit institutions	1.5	246.5	1.6	12.0	17.9	279.5
Loans and advances to customers	584.3	3,014.2	8.1	0.1	0.0	3,606.7
Securities	1.3	21.1	0.4	0.1	4.4	27.3
Other assets	17.8	21.2	3.7	3.9	10.6	57.2
TOTAL ASSETS	**874.2**	**3,385.8**	**14.3**	**16.8**	**34.7**	**4,325.8**
LIABILITIES						
Due to credit institutions	45.5	1,370.3	2.2	0.4	1.0	1,419.4
Deposits	1,389.3	594.5	148.2	10.6	20.1	2,162.7
Other liabilities	11.8	174.6	6.3	7.2	12.0	211.9
TOTAL LIABILITIES	**1,446.6**	**2,139.4**	**156.7**	**18.2**	**33.1**	**3,794.0**
Net on-balance sheet position	**-572.4**	**1,246.4**	**-142.4**	**-1.4**	**1.6**	**531.8**
FX derivatives (notionals, due from)	0.0	63.2	170.8	3.1	53.5	290.6
FX derivatives (notionals due to)	0.0	214.0	28.5	1.5	46.9	290.9

FX derivative assets and liabilities include currency-related derivatives and are shown here in their contractual nominal value. Net currency position was under 2% level of net own funds, 13.8 EUR mio as at 31.12.2011 (13.2 EUR mio as at 31.12.2010). Net position is calculated without EEK and EUR in Estonia because EEK was 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 -2.7 EUR mio (2010: -2.8 EUR mio). 2011 average Delta1% was -3.9 EUR mio (2010: -2.6 EUR mio). 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 repricing 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 EUR)

31.12.11 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	49.4	0.0	0.0	0.0	0.0	0.0	49.4	49.5
Due from credit institutions	243.3	60.1	118.9	0.0	0.0	0.0	422.3	423.0
Due from customers	1,091.0	1,175.3	1,011.3	57.7	98.6	104.1	3,538.0	3,540.5
Securities	1.2	0.0	1.0	0.0	0.0	0.0	2.2	1.2
TOTAL ASSETS	**1,384.9**	**1,235.4**	**1,131.2**	**57.7**	**98.6**	**104.1**	**4,011.9**	**4,014.2**
LIABILITIES								
Due to credit institutions	141.7	280.9	423.3	41.5	54.6	1.3	943.3	948.5
Due to customers	1,848.8	162.3	321.1	30.3	13.9	0.8	2,377.2	2,378.8
Lending funds	0.6	0.3	0.7	0.9	4.2	11.4	18.1	18.1
Subordinated liabilities	0.0	0.0	0.0	50.0	0.0	0.0	50.0	50.1
TOTAL LIABILITIES	**1,991.1**	**443.5**	**745.1**	**122.7**	**72.7**	**13.5**	**3,388.6**	**3,395.5**
Total interest repricing gap of on-balance sheet position	**-606.2**	**791.9**	**386.1**	**-65.0**	**25.9**	**90.6**	**623.3**	**618.7**
Derivative assets	110.2	12.0	8.5	7.4	7.0	1.1	146.2	19.7
Irrevocable and revocable interest related assets	0.0	0.0	0.0	0.0	6.5	0.0	6.5	0.0
Derivative liabilities	110.0	12.0	8.5	7.4	7.0	1.1	146.0	20.5
Irrevocable and revocable interest related liabilities	69.0	58.3	204.1	24.8	2.6	1.0	359.8	0.0
Total interest repricing gap	**-675.0**	**733.6**	**182.0**	**-89.8**	**29.8**	**89.6**	**270.2**	**617.9**

Table includes only interest earning assets and interest bearing liabilities. Also the table does not include the liabilities from factoring (Note 26), commissions for loans and discounting of deposits.

31.12.10 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	316.1	0.0	0.0	0.0	0.0	0.0	316.1	316.2
Due from credit institutions	262.5	0.0	17.0	0.0	0.0	0.0	279.5	279.5
Due from customers	1,151.2	1,100.8	985.4	78.6	144.6	143.0	3,603.6	3,606.7
Securities	1.4	0.0	0.0	2.7	0.0	0.0	4.1	1.5
TOTAL ASSETS	**1,731.2**	**1,100.8**	**1,002.4**	**81.3**	**144.6**	**143.0**	**4,203.3**	**4,203.9**
LIABILITIES								
Due to credit institutions	434.2	276.5	607.3	47.5	45.5	1.8	1,412.8	1,419.4
Due to customers	1,789.9	104.5	178.8	36.7	35.4	4.4	2,149.7	2,149.4
Lending funds	0.1	0.3	1.0	0.6	3.9	7.4	13.3	13.3
Subordinated liabilities	0.0	0.0	117.0	0.0	0.0	0.0	117.0	117.2
TOTAL LIABILITIES	**2,224.2**	**381.3**	**904.1**	**84.8**	**84.8**	**13.6**	**3,692.8**	**3,699.3**
Total interest repricing gap of on-balance sheet position	**-493.0**	**719.5**	**98.3**	**-3.5**	**59.8**	**129.4**	**510.5**	**504.6**
Derivative assets	297.8	44.7	50.2	15.8	11.3	1.6	421.4	20.5
Irrevocable and revocable interest related assets	0.0	0.0	0.0	0.0	12.5	0.0	12.5	0.0
Derivative liabilities	298.1	44.8	50.1	15.8	11.3	1.6	421.7	22.3
Irrevocable and revocable interest related liabilities	54.6	34.4	159.3	15.1	11.9	3.5	278.8	0.0
Total interest repricing gap	**-547.9**	**685.0**	**-60.9**	**-18.6**	**60.4**	**125.9**	**243.9**	**502.8**

2.3.3. Equity price risk

Equity price risk arises within market making and trading in equities and related instruments. In 2011 AS SEB Pank did not have any risks open in equity trading portfolio.

2.4. Concentration of risks

(millions of EUR)

Geographic concentration of assets and liabilities

31.12.11	Cash, balances with central bank, loans and advances to credit institutions	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	403.3	1.6	3.1	0.3	408.3	862.8	9.8	66.8	939.4	1.3
Estonia	88.3	3,496.8	22.1	19.8	3,627.0	24.6	2,088.8	73.0	2,186.4	695.4
United Kingdom	0.4	2.2	0.3	0.0	2.9	6.9	17.8	0.1	24.8	0.2
Russia	2.5	0.4	0.0	0.0	2.9	0.4	17.2	0.0	17.6	0.1
Germany	0.2	0.2	0.0	0.0	0.4	33.2	2.3	0.0	35.5	7.4
United States	2.8	0.8	0.5	0.0	4.1	0.2	51.9	0.0	52.1	0.1
Canada	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.8	0.0
Japan	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.4	0.0
Finland	0.0	19.2	0.0	0.5	19.7	0.0	8.1	0.4	8.5	2.0
Latvia	5.2	0.1	0.0	0.0	5.3	17.7	1.8	0.0	19.5	0.0
Lithuania	1.5	0.0	0.0	0.1	1.6	0.3	2.1	0.0	2.4	0.0
Luxembourg	1.1	0.0	0.0	0.4	1.5	0.1	0.0	0.0	0.1	0.0
Netherlands	0.0	0.5	0.0	0.0	0.5	0.0	1.3	0.0	1.3	0.0
Other Western Europe	5.1	18.1	0.0	0.1	23.3	2.2	14.8	0.0	17.0	1.1
Other Eastern Europe	0.7	0.0	0.2	0.0	0.9	0.0	1.9	0.0	1.9	0.0
Other countries	0.1	0.6	0.2	4.7	5.6	0.1	159.8	6.1	166.0	0.0
	511.2	**3,540.5**	**26.4**	**25.9**	**4,104.0**	**948.5**	**2,378.8**	**146.4**	**3,473.7**	**707.6**

31.12.10	Cash, balances with central bank, loans and advances to credit institutions	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	258.5	2.2	5.6	0.3	266.6	1,324.0	9.6	132.2	1,465.8	1.2
Estonia	355.2	3,568.9	21.2	47.9	3,993.2	14.6	1,891.0	88.3	1,993.9	465.5
United Kingdom	0.6	1.9	0.2	0.0	2.7	1.4	28.3	0.1	29.8	0.3
Russia	0.8	0.5	0.0	0.0	1.3	0.9	15.7	0.0	16.6	0.1
Germany	0.3	2.2	0.0	0.0	2.5	69.9	3.5	0.0	73.4	5.5
United States	0.5	0.9	0.3	0.2	1.9	0.1	24.9	0.0	25.0	0.1
Canada	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.1	0.8	0.0
Japan	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2	0.0
Finland	0.2	18.6	0.0	0.0	18.8	0.0	8.5	0.0	8.5	2.1
Latvia	7.0	0.1	0.0	0.0	7.1	2.4	2.4	0.0	4.8	0.0
Lithuania	3.3	0.0	0.0	0.0	3.3	2.1	1.6	0.0	3.7	0.0
Luxembourg	1.8	0.0	0.0	0.5	2.3	0.0	0.0	0.0	0.0	0.0
Netherlands	0.0	0.6	0.0	0.0	0.6	0.0	0.2	0.0	0.2	0.0
Other Western Europe	5.3	10.1	0.0	0.0	15.4	3.9	23.7	0.0	27.6	1.6
Other Eastern Europe	1.1	0.0	0.0	0.0	1.1	0.0	1.6	0.0	1.6	0.0
Other countries	0.0	0.7	0.0	8.3	9.0	0.1	137.5	4.5	142.1	0.0
	634.6	**3,606.7**	**27.3**	**57.2**	**4,325.8**	**1,419.4**	**2,149.4**	**225.2**	**3,794.0**	**476.4**

Contingent liabilities include here guarantees and pledges, loan commitments, revocable transactions, stand-by loans, other revocable transactions and are presented in contract amount of contingent liabilities, detailed view in Note 33. 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 assets and liabilities by economic sector

31.12.11	In the statement of financial position: Cash and loans to central bank, credit institutions and customers	In the statement of financial position: Securities	Contingent liabilities
Real estate	629.1	0.1	20.5
Finance	515.6	3.9	15.4
Industry	259.6	1.0	154.4
Trading	198.7	0.0	88.4
Energy, gas and steam plants	116.6	0.0	140.4
Agriculture, fishing, forestry	109.3	0.0	12.7
Transport	108.5	0.0	80.0
Government and state defence	106.9	0.0	21.1
Information and telecommunication	53.2	0.7	7.7
Hotels, restaurants	46.8	0.0	0.7
Health services, social work	46.4	0.0	7.1
Administration and assistance	44.5	0.0	7.6
Construction	43.2	0.0	63.2
Education	23.0	0.0	6.3
Art, show business, leisure	15.5	0.0	0.6
Water supply, canalisation, waste management	12.9	0.0	4.4
Professional, science and technical work	9.1	0.0	3.6
Mining	2.6	0.0	0.2
Other government and social services	22.0	1.0	7.1
Individuals	1,819.2	0.0	66.2
Derivatives	0.0	19.7	0.0
Allowances	-131.0	-	-
	4,051.7	**26.4**	**707.6**

31.12.10	In the statement of financial position		Contingent liabilities
	Cash and loans to central bank, credit institutions and customers	Securities	
Real estate	671.8	0.1	6.7
Finance	639.7	4.0	16.6
Industry	284.4	1.4	109.0
Trading	170.9	0.0	68.2
Energy, gas and steam plants	147.7	0.0	27.3
Transport	112.5	0.0	43.1
Government and state defence	106.7	0.0	20.3
Agriculture, fishing, forestry	91.0	0.0	7.3
Hotels, restaurants	54.2	0.0	0.3
Construction	50.6	0.0	54.4
Health services, social work	47.8	0.0	7.6
Administration and assistance	37.0	0.0	6.0
Information and telecommunication	28.3	0.4	25.0
Art, show business, leisure	28.1	0.0	1.7
Education	26.5	0.0	5.0
Water supply, canalisation, waste management	15.9	0.0	2.0
Professional, science and technical work	13.1	0.0	5.6
Mining	2.6	0.0	0.3
Other government and social services	23.0	1.0	3.7
Individuals	1,869.0	0.0	66.3
Derivatives	0.0	20.4	0.0
Allowances	-179.5	-	-
	4,241.3	**27.3**	**476.4**

Contingent liabilities include here guarantees and pledges, loan commitments, revocable transactions, stand-by loans, other revocable transactions and are presented in contract amount of contingent liabilities, detailed view in Note 33. 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.

2.5. Liquidity risk

Liquidity risk is the risk that the Group, over a specific time horizon, is unable to meet the demand for additional liquidity. Liquidity risk also entails the risk that the Group is forced to borrow at unfavourable rates or is forced to sell assets at a loss in order to meet its payment commitments.

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 EUR)

31.12.11	On demand and less than 1 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	55.9	9.5	594.4	131.3	180.8	4.6	976.5	948.5
Due to customers	1,843.3	164.0	327.6	35.1	20.3	16.8	2,407.1	2,396.9
Subordinated loans	0.0	0.0	1.2	1.5	8.2	51.9	62.8	50.1
Other liabilities	51.3	0.0	3.4	0.0	0.0	0.0	54.7	54.8
Irrevocable and revocable off-balance sheet commitments.	707.6	0.0	0.0	0.0	0.0	0.0	707.6	0.0
Gross settled								
Derivatives inflow	-113.4	-8.8	-8.5	-7.4	-7.0	-1.1	-146.2	-18.6
Derivatives outflow	113.2	8.8	8.5	7.4	7.0	1.1	146.0	18.3
Net settled								
Derivatives	0.1	0.0	0.4	0.5	0.2	0.0	1.2	1.2
	2,658.0	**173.5**	**927.0**	**168.4**	**209.5**	**73.3**	**4,209.7**	**3,451.2**

31.12.10	On demand and less than 1 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	56.7	15.2	633.6	603.6	140.1	9.3	1,458.5	1,419.4
Due to customers	1,793.6	105.5	182.8	37.8	40.6	9.6	2,169.9	2,162.7
Subordinated loans	0.0	0.0	2.2	3.0	16.6	125.2	147.0	117.2
Other liabilities	70.7	0.0	1.4	0.0	0.0	0.0	72.1	72.1
Irrevocable and revocable off-balance sheet commitments.	476.4	0.0	0.0	0.0	0.0	0.0	476.4	0.0
Gross settled								
Derivatives inflow	-297.8	-44.7	-50.2	-15.8	-11.3	-1.6	-421.4	-16.9
Derivatives outflow	298.1	44.8	50.1	15.8	11.4	1.6	421.8	17.2
Net settled								
Derivatives	0.0	0.2	1.2	1.3	0.9	0.0	3.6	3.6
	2,397.7	**121.0**	**821.1**	**645.7**	**198.3**	**144.1**	**4,327.9**	**3,775.3**

Assets available to meet these liabilities include cash, central bank balances, 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 European Central Bank is used for assets / liabilities in foreign currencies.

2.6. 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).

Minimum standards for operational risk management of AS SEB Pank are established with Operational Risk Policy. Requirements for business continuity planning, operational risk self-assessment, etc., are established with relevant instructions.

Several techniques have been developed to manage operational risk:

- Handling-registering of operational risk events (losses, near misses and extraordinary gains), risk assessment and preparation of action plans. The Bank has implemented a risk management system used all over the Group;
- Regular monitoring of Key Risk Indicators. Key indicators serve as early warning signals about changes in risk level and business efficiency;
- Regular process of operational risk self-assessment (ORSA);
- Regular quality assessment of business units based on implementation of operational risk requirements;
- Compliance with New Product Approval Process in product development, main focus being on identification and mitigation of operational risk;
- Business continuity planning - establishing business continuity plans for most critical business processes, recovery plans for IT and ensuring physical security in crisis situations.

Starting from 2008, AS SEB Pank uses the Advanced Measurement Approach (AMA) for measuring the operational risk and calculating the capital requirement.

Capital for operational risk is quantified using internal data and external statistics about actual operational losses in the global financial sector. When calculating the Expected Losses (EL), data on Group's internal operational risk losses is used; for Unexpected Losses (UL), data from external databases is used.

AS SEB Pank has established Operational Risk Committee (ORC) – for guiding and co-ordinating the operational risk management. The main tasks of the committee are to carry out supervision over operational risk management and control handling of operational risks.

In 2009, New Product Approval Committee was founded, the purpose of which being to ensure the high quality of the Group's products and services – the Group shall not initiate activities, which involve undefined risks or such risks, which the Group is not able to immediately manage or control.

AS SEB Pank has concluded insurance contracts for mitigating material risks.

Total amount of operational risk losses, occurred in 2011 remained on the lower level than in 2010.

2.7. Fair value of financial assets and liabilities
(millions of EUR)

A) Financial instruments not measured at fair value

	31.12.11		31.12.10	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
ASSETS				
Cash	38.7	38.7	38.9	38.9
Balances with central bank	49.5	49.5	316.2	316.2
Loans and advances to credit institutions	423.0	423.0	279.5	279.5
Loans and advances to customers	3,540.5	3,348.1	3,606.7	3,314.5
Loans to Corporates	*1,762.8*	*1,721.2*	*1,779.0*	*1,683.5*
Loans to Private individuals	*1,777.7*	*1,626.9*	*1,827.7*	*1,631.0*
Other assets	18.0	18.0	47.8	47.8
TOTAL ASSETS	**4,069.7**	**3,877.3**	**4,289.1**	**3,996.9**
LIABILITIES				
Due to credit institutions	948.5	945.9	1,419.4	1,416.4
Due to customers	2,378.8	2,377.9	2,149.4	2,154.9
Due to Corporates	*1,370.7*	*1,370.0*	*1,232.7*	*1,241.0*
Due to Private Individuals	*1,008.1*	*1,007.9*	*916.7*	*913.9*
Loan funds	18.1	18.1	13.3	13.0
Other financial liabilities	54.8	54.8	72.1	72.1
Subordinated loans	50.1	49.2	117.2	108.7
TOTAL LIABILITIES	**3,450.3**	**3,445.9**	**3,771.4**	**3,765.1**

AS SEB Pank conducts an assessment of fair value for 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 5.43% lower than the carrying value. As of 31.12.2010 fair value of loans and advances to customers was 8.10% lower than the carrying value.

Balances due to credit institutions (948.5 million EUR as of 31.12.2011) include credit lines borrowed from the parent bank Skandinaviska Enskilda Banken AB (publ) (862.8 million EUR as of 31.12.2010). As of reporting date fair value of balances due to credit institutions was 0.28% (2010: 0.21%) lower than the carrying value.
As of reporting date fair value of balances due to customers was 0.04% lower (2010: 0.26% higher) than the carrying value.

As of reporting date fair value of lending funds was 0.13% higher (2010: 2.76% lower) than the carrying value. Fair value of subordinated loans was 1.85% (2010: 7.25%) lower than the carrying value.

B) Financial instruments measured at fair value

				31.12.11				31.12.10
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets at fair value through profit and loss								
Financial assets held for trading	**3.7**	**17.3**	**0.0**	**21.0**	**20.7**	**1.2**	**0.0**	**21.9**
Debt securities	1.2	0.0	0.0	1.2	0.2	1.2	0.0	1.4
Derivatives	2.5	17.3	0.0	19.8	20.5	0.0	0.0	20.5
Available for sale financial assets	**4.4**	**0.0**	**0.4**	**4.8**	**4.6**	**0.2**	**0.3**	**5.1**
Investment securities - debt	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2
Investment securities - equity	4.4	0.0	0.4	4.8	4.6	0.0	0.3	4.9
TOTAL ASSETS	**8.1**	**17.3**	**0.4**	**25.8**	**25.3**	**1.4**	**0.3**	**27.0**
Financial liabilities at fair value through profit and loss								
Financial liabilities held for trading	1.0	19.5	0.0	20.5	22.3	0.0	0.0	22.3
TOTAL LIABILITIES	**1.0**	**19.5**	**0.0**	**20.5**	**22.3**	**0.0**	**0.0**	**22.3**

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 Thomson 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**
At 1 January 2010	**1.3**	**0.9**	**2.2**
Profit or loss	0.4	0.0	**0.4**
Purchases	0.0	0.2	0.2
Settlements	-1.7	0.0	-1.7
Transfers into or out of Level 3	0.0	-0.8	-0.8
At 31 December 2010	**0.0**	**0.3**	**0.3**
Total losses for the period included in profit or loss for assets/liabilities held at 31.12.10.	0.0	0.0	0.0
At 1 January 2011	**0.0**	**0.3**	**0.3**
Other comprehensive income	0.0	-0.2	-0.2
Purchases	0.0	0.4	0.4
Settlements	0.0	-0.1	-0.1
At 31 December 2011	**0.0**	**0.4**	**0.4**
Total losses for the period included in profit or loss for assets/liabilities held at 31.12.11.	0.0	-0.2	-0.2

2.8. 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 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. This process, the Internal Capital Adequacy Assessment Process (ICAAP), is managed by Risk Control.

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.

Capital ratios are the main communication vehicle for capital strength. Good risk management notwithstanding, the Group must keep capital buffers against unexpected losses. In the SEB Group capital is managed centrally, meeting also local requirements as regards statutory and internal capital. 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. As a matter of practice, the Bank may prepay outstanding subordinated debt to optimise the capital structure.

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 EUR mio, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above minimum of 10%.

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

Capital adequacy
(millions of EUR)

CAPITAL BASE	**31.12.11**	**31.12.10**
Paid-in share capital	42.5	42.5
Premium	86.1	86.1
General banking reserves	19.5	19.6
Retained earnings / loss	383.8	328.7
Unrealised profit for previous periods on shares of subsidiaries and associated companies (negative)	-0.1	-0.1
Intangibles	-0.4	-0.5
Audited profit for the period	98.1	54.6
Total primary own funds	629.5	530.9
Subordinated debt	50.0	117.0
Available for sale financial instruments	0.1	0.2
Unrealised part of profit on shares of subsidiaries and associated companies	0.1	0.0
Allowances and adjustments exceeding expected loss	10.6	11.6
Total supplementary own funds	60.8	128.8
Total deductions	0.0	0.0
Primary own funds after deductions	629.5	530.9
Supplementary own funds after deductions	60.8	128.8
Own funds included in calculation of capital adequacy	690.3	659.7

CAPITAL REQUIREMENTS	**31.12.11**	**31.12.10**
Municipalities and regions with standardised approach	5.4	5.4
State agencies, non-profit institutions and associations with standardised approach	0.1	0.1
Retail claims with standardised approach	13.9	14.1
Overdue claims with standardised approach	1.2	1.3
Shares of investment funds with standardised approach	0.4	0.4
Other assets with standardised approach	2.1	3.2
Credit institutions, investment firms and municipalities with IRB	7.0	4.9
Other companies with IRB	128.2	141.3
Retail claims with IRB	41.8	47.4
Total capital requirements for covering the credit risk and counterparty credit risk	200.1	218.1
Capital requirement for covering interest position risk	1.0	1.3
Capital requirement for covering equity position risk	0.0	0.0
Capital requirement for covering AMA of operational risk	11.2	8.4
Capital requirements total	212.3	227.8
Transition period floor of own funds if using IRB	301.5	300.0
Capital requirements for calculating capital adequacy	301.5	300.0

CAPITAL RATIOS

	31.12.11	31.12.10
Capital adequacy, %	22.90	21.99
Tier 1 Capital Ratio, %	20.88	17.69
Tier 2 Capital Ratio, %	2.02	4.30

MEMBERS OF CONSOLIDATION GROUP, INCLUDED TO CAPITAL ADEQUACY CALCULATION
AS SEB Pank
AS SEB Liising Group
AS SEB Varahaldus
AS Bangalo
AS SEB Enskilda (sold in March, 2011, no more in consolidation group)

2.9. 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.

2.10. Control functions

The Group has three control functions which are independent from the business operations: Risk Control, Compliance and Internal Audit.

The Group's risk control function responsibilities are to ensure that risks are identified and analysed and to measure, follow-up and report risks taken by units within the Group (see further on p. 2.1-2.8). Risk Control function is performed by

- Risk Control department, responsible for market, operational and liquidity risk control and
- Risk Center, responsible for credit risk control.

Risk Control department and Risk Center are subordinated to the Head of Credits and Risk, Member of the Management Board and are also regularly reporting directly to the Management Board and ALCO.

The 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 Department, directly subordinated to the Chairman of the Management Board, 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.

The Internal Audit Department is directly subordinated to the Supervisory Board. Internal Audit Department and SEB Audit and Compliance Committee are responsible for monitoring of the existence and functioning of efficient internal control system, providing objective and independent assurance over effectiveness of governance, risk management and controls, and recommending actions in order to improve internal controls.

The SEB Audit and Compliance Committee co-ordinates the Internal Audit and Compliance work in accordance with the group's business objectives and overall risk assessment.

Notes 3 - 36 to Financial Statements of AS SEB Pank Group

(millions of EUR)

3. Interest and similar income

	2011	2010
Loans	108.8	104.1
Leasing	16.9	18.5
Deposits with other banks	4.0	1.8
Fixed income securities	0.1	0.1
	129.8	**124.5**

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 2011 and 2010 to result in immaterial misstatement.

4. Interest expenses and similar charges

	2011	2010
Credit institutions	-22.9	-29.4
Time and other saving deposits	-10.9	-13.9
Demand deposits	-5.0	-3.0
Subordinated debts	-1.9	-2.7
Loan funds	-0.4	-0.3
	-41.1	**-49.3**

5. Fee and commission income

	2011	2010
Payment cards related commissions	19.6	19.3
Securities market services *	12.2	12.2
Transaction fees	5.5	7.4
Credit contracts**	4.0	3.9
Non-life insurance brokerage fees	3.0	2.4
Other settlement fees	1.9	1.9
Income from leasing agreements (full service)	1.5	1.6
Income from electronic channels	1.2	1.1
Cash handling fees	1.0	1.1
Corporate Finance fees	0.0	0.4
Commodity futures fees	0.1	0.1
Other	1.1	1.5
	51.1	**52.9**

* Securities market services includes asset management fees of investment funds and securties portfolios, custody services, advisory fees and other with securities transactions related fees.

** Credit contracts include loan, leasing, letter of credit and guarantee contracts, 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

	2011	2010
Credit and payment cards	-7.6	-7.4
Cash collecting fees	-1.9	-2.0
Expenses to leasing agreements (full service)	-1.9	-1.2
Securities market	-1.2	-1.2
Transaction fees	-0.6	-0.8
Expenses of electronic channels	-0.5	-0.7
Other	-0.2	-1.0
	-13.9	**-14.3**

7. Net income from foreign exchange

	2011	2010
Gain(loss) from transactions	-1.2	12.3
Currency translation differences	6.1	-4.6
	4.9	**7.7**

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

	2011	2010
Gain(loss) from trading securities	**0.0**	**-3.1**
Gain(loss) from shares	0.0	-3.4
Gain(loss) from fixed income securities	0.0	0.3
Gain(loss) from financial assets at fair value	**0.2**	**0.4**
Gained from fixed income securities	0.2	0.4
Derivatives	**2.2**	**0.5**
Equity derivatives	0.9	1.0
Currency derivatives	0.4	0.7
Interest derivatives	0.9	-1.2
Impairment of financial assets	**-0.2**	**0.0**
	2.2	**-2.2**

Respective assets are disclosed in Notes 16 and 33.

9. Other income

	2011	2010
Rental income	0.1	0.0
Penalties	0.1	0.3
Other income	0.3	2.0
	0.5	**2.3**

10. Personnel expenses

	2011	2010
Personnel expenses*	-25.7	-24.8
Social security expenses**	-8.3	-8.5
Other personnel expenses (hiring, training)	-0.8	-0.8
	-34.8	**-34.1**

* Costs related to the Long Term Incentive programmes are booked under personnel expenses in total amount 0.5 EUR mio in 2011 (0.3 EUR mio in 2010). These programmes are the Performance Share Programme, Employee Stock Option and the Share Savings Programmes (Note 1.19).

** Social security tax payments include contribution to state pension funds. The Group has no legal or constructive obligation to make pension or similar payments beyond social security tax.

11. Other expenses

	2011	2010
Rooms rent	-6.3	-6.2
Premises cost (utilities)	-3.2	-2.7
IT related expenses	-4.5	-4.8
Advertising and marketing	-1.9	-2.1
Other administrative cost	-1.7	-1.9
Information services	-0.8	-0.8
Legal services	-1.3	-1.1
Penalties	-0.1	-0.2
Consulting	-0.1	-0.1
Other operating expenses	-2.4	-3.8
	-22.3	**-23.7**

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 2011 AS SEB Pank had expenses for the developing IT systems and electronic products in total amount of 3,0 million euros (3,3 million euros in 2010).

12. Impairment losses on loans and advances

2011	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Housing loans	Other loans to Private individuals	Seized assets	TOTAL
Impairment losses	**0.0**	**22.9**	**6.5**	**-5.5**	**3.6**	**0.0**	**27.5**
impairment losses of reporting period (Note 15)	0.0	-5.1	-2.2	-6.1	-1.3	0.0	-14.7
recoveries from write-offs (Note 15)	0.0	0.2	0.0	0.0	0.0	0.0	0.2
decreasing of impairment losses of previous period (Note 15)	0.0	27.8	8.7	0.6	4.9	0.0	42.0
Impairment losses for contingent liabilities	**0.0**	**-2.7**	**0.0**	**0.0**	**0.0**	**0.0**	**-2.7**
	0.0	**20.2**	**6.5**	**-5.5**	**3.6**	**0.0**	**24.8**

2010	Credit insti-tutions	Loans to Corporates	Leases to Corporates	Housing loans	Other loans to Private individuals	Seized assets	TOTAL
Impairment losses	**0.0**	**3.3**	**-2.1**	**-9.2**	**-0.9**	**0.0**	**-8.9**
impairment losses of reporting period (Note 15)	0.0	-31.0	-7.1	-12.2	-5.9	0.0	-56.2
recoveries from write-offs (Note 15)	0.0	0.1	0.0	0.0	0.1	0.0	0.2
decreasing of impairment losses of previous period (Note 15)	0.0	34.2	5.0	3.0	4.9	0.0	47.1
Impairment losses for contingent liabilities	**0.0**	**-0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.2**
	0.0	**3.1**	**-2.1**	**-9.2**	**-0.9**	**0.0**	**-9.1**

13. Balances with central bank

	31.12.11	**31.12.10**
Demand deposits	49.5	316.1
incl -mandatory reserve requirement	49.5	43.3
-demand deposits, cash equivalents	0.0	272.8
Accrued interest receivable	0.0	0.1
	49.5	316.2

Mandatory reserve deposits are available for use by the Group's day-to-day business. Mandatory reserve earns interest at 0,25%. In 2011 the Group earned interest in amount of 0.6 EUR mio (2010 0.8 EUR mio).

14. Loans and advances to credit institutions

	31.12.11	**31.12.10**
Demand deposits*	47.4	248.9
Time deposits	374.9	30.6
Accrued interest receivable	0.7	0.0
	423.0	**279.5**
* Cash equivalents.	47.4	248.9
Due from credit institutions, registered in EU (except Estonia)	413.7	273.9
Due from credit institutions, registered in Estonia	0.1	0.1
Due from credit institutions, registered in other countries	9.2	5.5
	423.0	**279.5**

15. Loans and advances to customers

	31.12.11	31.12.10
Loans to Corporates	1,341.4	1,326.7
Leases to Corporates	253.8	278.1
Public sector	167.6	174.2
Housing loans	1,450.2	1,483.6
Other loans to Private individuals	327.5	344.1
	3,540.5	**3,606.7**
Due from customers, registered in EU (except Estonia)	40.6	34.9
Due from customers, registered in Estonia	3,496.8	3,568.9
Due from customers, registered in other countries	3.1	2.9
	3,540.5	**3,606.7**

Loan portfolio by economic sector presented in Note 2 "Risk policy and management", on page 58.

Due from customers by currency is presented in Note 2, on page 53.

Due from customers by maturity is presented in interest restatement by maturity on pages 55-56.

Past due is presented in Note 2, on page 49.

Geographic concentration of assets and liabilities is presented in Note 2, on page 57.

Loans and advances to customers by remaining maturity

	Less than 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
31.12.11	174.2	509.0	1,390.1	517.9	949.3	3,540.5
31.12.10	207.6	387.6	1,465.5	542.8	1,003.2	3,606.7

Gross and net investments on finance leases

	31.12.11	31.12.10
Gross investment	**401.2**	**431.9**
up to 1 year	154.9	181.8
1 - 5 years	231.5	232.7
over 5 years	14.8	17.4
Unearned future finance income on finance leases (-)	**-29.0**	**-26.9**
Net investment in finance leases*	**372.2**	**405.0**
up to 1 year	142.6	170.1
1 - 5 years	216.3	219.1
over 5 years	13.3	15.8

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

	31.12.11	31.12.10
Net investment in finance leases by interest rates	**372.2**	**405.0**
<= 5%	279.1	278.5
5-10%	92.8	126.2
10-15%	0.3	0.3
>15%	0.0	0.0

	31.12.11	31.12.10
Net investment in finance leases by base currencies	**372.2**	**405.0**
EEK	0.0	2.9
EEK related to EUR	0.0	86.7
USD	0.3	2.4
EUR	371.9	313.0

Allowances for impaired debt

2011	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**	**114.9**	**23.3**	**26.8**	**14.5**	**179.5**
Allowances of reporting period (Note 12)	0.0	5.1	2.2	6.1	1.3	14.7
Decreasing of allowances of previous period (Note 12)	0.0	-27.8	-8.7	-0.6	-4.9	-42.0
Loans and advances written off	0.0	-18.6	-0.8	-0.6	-1.2	-21.2
At the end of period (December, 31)	**0.0**	**73.6**	**16.0**	**31.7**	**9.7**	**131.0**
Recoveries from write-offs (Note 12)	0.0	-0.2	0.0	0.0	0.0	-0.2

2010	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	140.2	23.9	17.7	13.5	195.3
Allowances of reporting period (Note 12)	0.0	31.0	6.6	12.2	5.9	55.7
Decreasing of allowances of previous period (Note 12)	0.0	-34.2	-5.0	-3.0	-4.9	-47.1
Loans and advances written off	0.0	-22.3	-2.2	-0.1	0.0	-24.6
Exchange rate adjustments	0.0	0.2	0.0	0.0	0.0	0.2
At the end of period (December, 31)	**0.0**	**114.9**	**23.3**	**26.8**	**14.5**	**179.5**
Recoveries from write-offs (Note 12)	0.0	-0.1	0.0	0.0	-0.1	-0.2

16. Financial investments

	31.12.11	31.12.10
Financial assets held for trading	**21.0**	**21.9**
Securities held for trading	1.2	1.4
Debt securities and other fixed income securities	1.2	1.4
incl. valued with discounted cash flow method *	0.0	0.0
incl. listed	1.2	1.4
Derivatives (Note 33)	19.8	20.5
Available for sale financial assets	**4.9**	**5.0**
Shares and fund participations**	4.9	4.9
incl. listed	0.0	0.0
Debt securities and other fixed income securities	0.0	0.1
incl. valued with discounted cash flow method *	0.0	0.1
incl. listed	0.0	0.0
Total	**25.9**	**26.9**
Securities of entities, registered in EU (except Estonia)	3.4	5.8
Securities of entities, registered in Estonia	21.6	20.8
Securities of entities, registered in other countries	0.9	0.3
	25.9	**26.9**

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. To capture 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 3.9 EUR mio (2010 4.1 EUR mio), 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 33)	Financial assets at fair value through profit or loss at inception	Available-for-sale financial assets	TOTAL
At the beginning of period (01.01.10)	**0.9**	**22.5**	**0.0**	**6.4**	**29.8**
Acquisitions	507.8	0.0	0.0	0.2	508.0
Disposals and redemptions	-507.3	0.0	0.0	-2.1	-509.4
Changes of value	0.0	-0.2	0.0	0.0	-0.2
Changes of currency rate	0.0	-1.8	0.0	0.5	-1.3
At the end of period (31.12.10)	**1.4**	**20.5**	**0.0**	**5.0**	**26.9**
At the beginning of period (01.01.11)	**1.4**	**20.5**	**0.0**	**5.0**	**26.9**
Acquisitions	796.4	0.0	0.0	0.6	797.0
Disposals and redemptions	-796.6	0.0	0.0	-0.5	-797.1
Changes of value	0.0	-0.4	0.0	-0.2	-0.6
Changes of currency rate	0.0	-0.3	0.0	0.0	-0.3
At the end of period (31.12.11)	**1.2**	**19.8**	**0.0**	**4.9**	**25.9**

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" as of 31.12.2011 is Silverlaw OÜ, total value of shares was 3.3 thousand EUR (31.12.2010 was 3.3 thousand EUR). The aforementioned company is located in Estonia.

On June 25, 2010 all 29% ownership of shares in non-consolidated enterprise OÜ Munga Maja was sold.

On August 31, 2010 non-consolidated enterprise Kaarsar OÜ was liquidated (100% of the shares held by AS SEB Pank).

17. Other assets

	31.12.11	31.12.10
Payments in transit	8.5	37.2
Accrued revenue and prepaid expenses	8.7	10.0
Prepaid taxes	0.7	0.5
Assets held for sale	0.1	0.1
	18.0	**47.8**

18. Investments in associates

Movements of investments in associates

	At the beginning of period	Disposals and redemp-tions	Profit from equity method	Paid dividends	At the end of period
2011	**0.4**	0.0	0.1	0.0	**0.5**
2010	**0.6**	-0.1	0.0	-0.1	**0.4**

Associated companies

	Nominal value	Assets	Liabili-ties	Total revenues	AS SEB Pank in calculated profit/-loss	Balance value	Owner-ship, %
2011	without						
AS Sertifitseerimiskeskus	nominal value	1.8	0.3	2.7	0.1	0.4	25.00%
Tieto Estonia Services OÜ	1278 EUR	0.5	0.2	1.8	0.0	0.1	20.00%
Total		**2.3**	**0.5**	**4.5**	**0.1**	**0.5**	
2010							
AS Sertifitseerimiskeskus	100000 EEK	1.7	0.3	1.8	0.0	0.1	25.00%
OÜ TietoEnator Support	20000 EEK	0.5	0.2	1.3	0.0	0.3	20.00%
Total		**2.2**	**0.5**	**3.1**	**0.0**	**0.4**	

Acquisitions and disposals of associated companies and subsidiaries

Acquisitions
No acquisitions occurred in 2011 and 2010.

Disposals

On January 28, 2010 AS SEB Elu- ja Pensionikindlustus was sold (100% of the shares held by AS SEB Pank), see Note 22.

On February 26, 2010 OÜ Estectus was sold (100% of the shares held by AS SEB Pank), see Note 22.

On June 17, 2010 an associate SEB IT Partner Estonia OÜ was liquidated (35% of the shares held by AS SEB Pank).

On March 3, 2011 the subsidiary AS SEB Enskilda was sold (100% of the shares held by AS SEB Pank) to the Scandinaviska Enskilda Banken AB (publ). Sale price of shares of AS SEB Enskilda was 2.1 EUR mio, which was the book value of net assets.

19. Intangible assets

At the beginning of period (01.01.10)	
Cost	5.6
Accumulated amortisation	-5.0
Carrying value	**0.6**
Opening carrying value	**0.6**
Additions	0.3
Amortisation charge	-0.4
Closing carrying value	**0.5**
At end of period (31.12.10)	
Cost	5.7
Accumulated amortisation	-5.2
Carrying value	**0.5**
Opening carrying value	**0.5**
Additions	0.2
Amortisation charge	-0.3
Closing carrying value	**0.4**
At end of period (31.12.11)	
Cost	5.8
Accumulated amortisation	-5.4
Carrying value	**0.4**

20. Property, plant and equipment

	Buildings	Other tangible assets	Total
At the beginning of period (01.01.10)			
Cost	3.6	28.2	31.8
Accumulated depreciation	-1.5	-22.7	-24.2
Discontinued operations	0.0	-0.1	-0.1
Carrying value	**2.1**	**5.4**	**7.5**
Opening carrying value	2.1	5.4	7.5
Additions	0.2	2.9	3.1
Disposals (carrying value)*	0.0	-0.3	-0.3
Depreciation charge	-0.5	-2.5	-3.0
Closing carrying value	**1.8**	**5.5**	**7.3**
At end of period (31.12.10)			
Cost	3.5	24.5	28.0
Accumulated depreciation	-1.7	-19.0	-20.7
Carrying value	**1.8**	**5.5**	**7.3**
Opening carrying value	**1.8**	**5.5**	**7.3**
Additions	0.8	2.4	3.2
Disposals (carrying value)**	-0.2	-0.1	-0.3
Depreciation charge	-0.4	-2.3	-2.7
Closing carrying value	**2.0**	**5.5**	**7.5**
At end of period (31.12.11)			
Cost	3.4	23.5	26.9
Accumulated depreciation	-1.4	-18.0	-19.4
Carrying value	**2.0**	**5.5**	**7.5**

* Sales revenue in 2010 0.0 EUR mio, sales profit 0.0 EUR mio, writing off 0.2 EUR mio.

** Sales revenue in 2011 0.0 EUR mio, sales profit 0.0 EUR mio, writing off 0.0 EUR mio.

21. Investment properties

At the beginning of the period (01.01.10)	
Cost	1.7
Accumulated depreciation	-0.1
Carrying value	**1.6**
Opening carrying value	**1.6**
Additions	0.0
Depreciation charge	0.0
Closing carrying value	**1.6**
At end of period (31.12.10)	
Cost	1.8
Accumulated depreciation	-0.2
Carrying value	**1.6**
Opening carrying value	**1.6**
Additions	0.0
Disposals (carrying value)	-1.6
Depreciation charge	0.0
Closing carrying value	**0.0**
At end of period (31.12.11)	
Cost	0.1
Accumulated depreciation	-0.1
Carrying value	**0.0**

22. Discontinued operations

On January 28, 2010 AS SEB Pank sold 100% shares in AS SEB Elu- ja Pensionikindlustus according to the Management Board resolution from December 2009. Purchaser was SEB Trygg Liv Holding AB, a company, which belongs to the Skandinaviska Enskilda Banken AB (publ) Group.

On February 26, 2010 AS SEB Pank sold 100% ownership in OÜ Estectus according to the Management Board resolution from December 2009. Purchaser was Warehold B.V., a company, which located in Holland (later renamed to Baltectus B.V.) and belongs to the Skandinaviska Enskilda Banken AB (publ) Group.

Net gain from sales of discontinued operations was 3.3 EUR mio.

23. Due to credit institutions

	31.12.11	31.12.10
Demand deposits	33.7	52.5
Time deposits and loans (remaining maturity up to 1 year)	608.6	628.7
Time deposits and loans (remaining maturity more than 1 year)	301.0	731.6
Accrued interest payable to credit institutions	5.2	6.6
	948.5	**1,419.4**

	31.12.11	31.12.10
Due to credit institutions, registered in EU (except Estonia)	923.1	1,403.5
Due to credit institutions, registered in Estonia	24.6	14.6
Due to credit institutions, registered in other countries	0.8	1.3
	948.5	**1,419.4**

862.8 EUR mio as at 31.12.2011 and 1331.4 EUR mio as at 31.12.2010 are due from group to parent bank Skandinaviska Enskilda Banken AB (Note 35).

In 2011 EU grants related to the KFW Bankengruppe credit line, loan agreement 26.11.2007 in a total amount of 25 EUR mio, were disbursed in amount of 25 thousand euros. The credit line from 31.12.2009 was disbursed and used in 2011 amount of 6.0 EUR mio.

24. Due to customers

	31.12.11	31.12.10
Demand deposits	1,555.3	1,554.9
Time deposits and other saving deposits	753.7	520.0
Investment deposits (index-linked)	65.9	71.4
Accrued interest payable to customers	3.9	3.1
	2,378.8	**2,149.4**
Non-residents	290.0	258.4
Residents	2,088.8	1,891.0
	2,378.8	**2,149.4**
Due to customers by type of customer		
Due to corporate customers	1,220.8	1,076.1
Public sector	149.9	156.6
Due to individuals	1,008.1	916.7
	2,378.8	**2,149.4**
Due to customers, registered in EU (except Estonia)	53.6	68.3
Due to customers, registered in Estonia	2,088.8	1,891.0
Due to customers, registered in other countries	236.4	190.1
	2,378.8	**2,149.4**

Due from customers by currency is presented in Note 2, on page 53.

Due from customers by maturity is presented in Note 2, on page 61 and interest restatement by maturity on pages 55-56.

Customer assets under management of the group

As of 31.12.2011 the customer securities portfolios under management of the group amounted to 134.9 million euros (including 71.6 million in portfolio of SEB Elu- ja Pensionikindlustus). The total volume of aforementioned portfolios as of 31.12.2010 was 138.1 million euros (including 67.1 million in portfolio of SEB Elu- ja Pensionikindlustus). Commission fee is received from management of these portfolios and no credit or market risk is born by the group.

As at 31.12.2011 the group's asset management company belonging to the Group (AS SEB Varahaldus) managed 13 investment and pension funds (i.e. 6 open-end investment funds, 1 closed-end investment fund, 4 mandatory pension funds and 2 voluntary pension fund) with average total volume of 392.0 million euros. As at 31.12.2010 AS SEB Varahaldus managed 14 investment and pension funds (i.e. 7 open-end investment funds, 1 closed-end investment fund, 4 mandatory pension funds and 2 voluntary pension fund) with average total volume of 408.7 million euros. Investment management service was also performed to the SEB (parent Group) Eastern-European funds: (4 funds) as at 2011 807.0 million euros, as at 2010 1484.7 million euros.

AS SEB Varahaldus submitted request to Financial Inspection for liquidation of Likviidsusfond and this was liquidated at 05.05.2011.

25. 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). Loan funds include also a credit line from Credit and Export Guarantee Fund KredEx, granted to apartment associations for energy efficient renovation works. The funds are for relending with a tenor of up to 20 years.

26. Other liabilities

	31.12.11	31.12.10
Payments in transit	32.3	49.6
Other prepaid income	4.7	7.4
Factoring balances	10.8	5.7
Tax debts	1.6	1.7
Other accrued costs	2.6	4.5
Accrued interest payable	0.8	0.8
Prepayments from leasing customers	2.0	2.4
	54.8	**72.1**

27.Financial liabilities at fair value through profit or loss

	31.12.11	31.12.10
Derivatives (Note 33)	20.5	22.3
	20.5	**22.3**

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.

28. Provisions

	Provisions in bank	Provisions total
Provisions as at 01.01.10	**0.2**	**0.2**
Calculated during the period under review	0.1	0.1
Total provisions as at 31.12.10	**0.3**	**0.3**
Provisions as at 01.01.11	**0.3**	**0.3**
Calculated during the period under review	2.6	2.6
Total provisions as at 31.12.11	**2.9**	**2.9**

In the note is presented provisions for contingent liabilities.

	Carrying	**Future expected undiscounted cash flows by years**				
31.12.10	amount	0-5 years	5-10 years	10-15 years	15-20 years	>20 years
Provisions	0.3	0.3	0.0	0.0	0.0	0.0

	Carrying	**Future expected undiscounted cash flows by years**				
31.12.11	amount	0-5 years	5-10 years	10-15 years	15-20 years	>20 years
Provisions	2.9	2.9	0.0	0.0	0.0	0.0

29. Subordinated loans

31.12.11	Amount	Interest rate at reporting date (%)	Maturity date
Issuer			
Skandinaviska Enskilda Banken AB (publ)	50.0	2.45	29.05.17
Accrued interest payable	0.1		
	50.1		

31.12.10	Amount	Interest rate at reporting date (%)	Maturity date
Issuer			
Skandinaviska Enskilda Banken AB (publ)	17.0	2.00	21.12.16
Skandinaviska Enskilda Banken AB (publ)	50.0	2.01	26.05.16
Skandinaviska Enskilda Banken AB (publ)	50.0	2.01	29.05.17
Accrued interest payable	0.2		
	117.2		

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 55-56). 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.

30. Shareholders

	Country	Number of shares	% from total number
Shareholders of AS SEB Pank at 31.12.2011:			
Skandinaviska Enskilda Banken AB (publ)	Sweden	66,562,381	100.00
Shareholders of AS SEB Pank at 31.12.2010:			
Skandinaviska Enskilda Banken AB (publ)	Sweden	66,562,381	100.00

Share capital, EUR	42,541,115
Nominal value of shares, EUR	0.64

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

All issued shares are paid for.

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

See capital adequacy calculation on page 66.

Share information	**31.12.11**	**31.12.10**
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 profit, EUR mio	98.1	54.5

31. Dividend policy

AS SEB Pank is 100%-owned by Skandinaviska Enskilda Banken AB (publ). 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 acquisition by Skandinaviska Enskilda Banken AB (publ).

32. Other reserves

	31.12.11	31.12.10
General banking reserve	19.1	19.1
Statutory reserve	0.4	0.4
Revaluation reserve of Available-for-sale financial assets	0.3	0.4
	19.8	**19.9**

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 (01.01.10)	**19.1**	**0.4**	**1.7**	**21.2**
Transfer from the retained profits	0.0	0.0	-1.3	-1.3
Balance at the end of the period (31.12.10)	**19.1**	**0.4**	**0.4**	**19.9**
Balance at the beginning of the period (01.01.11)	**19.1**	**0.4**	**0.4**	**19.9**
Net gain/loss from the change in fair value	0.0	-0.1	0.0	-0.1
Balance at the end of the period (31.12.11)	**19.1**	**0.3**	**0.4**	**19.8**

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 0.4 million euros from the 1995-year profit). The reserve amounts to 19.1 million euros, including also the bank's statutory reserve capital according to the Commercial Code. In 1998 - 2010 the bank made no allocations to the reserves. In 2001 - 2010 the subsidiaries of AS SEB Pank made allocations to the statutory reserves from their undistributed profits in the amount of 0.4 million euros.

33. Contingent assets and liabilities and commitments

31.12.11	Contract amount		Balance value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable and revocable transactions	**7.2**	**707.6**	**0.0**	**0.0**
1.1. Guarantees and other similar off-balance sheet irrovocable liabilitieas and claims	0.7	244.7	0.0	0.0
incl. financial guarantees	*0.0*	*76.5*	*0.0*	*0.0*
1.2. Loan commitments	6.5	362.9	0.0	0.0
1.3. Other revocable transactions	0.0	100.0	0.0	0.0
2. Derivatives	**506.9**	**505.9**	**19.8**	**20.5**
2.1. Currency related derivatives	119.8	119.5	1.3	1.1
2.2. Interest related derivatives	346.5	346.4	17.3	17.2
2.3. Equity related derivatives*	40.6	40.0	1.2	2.2
	514.1	**1,213.5**	**19.8**	**20.5**

31.12.10	Contract amount		Balance value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable transactions	**15.0**	**476.4**	**0.0**	**0.0**
1.1. Guarantees and other similar off-balance sheet irrovocable liabilitieas and claims	2.5	197.5	0.0	0.0
incl. financial guarantees	*0.0*	*82.6*	*0.0*	*0.0*
1.2. Loan commitments	12.5	278.9	0.0	0.0
2. Derivatives	**784.0**	**782.8**	**20.5**	**22.3**
2.1. Currency related derivatives	388.8	389.1	1.7	2.0
2.2. Interest related derivatives	345.6	345.6	15.2	15.2
2.3. Equity related derivatives*	49.6	48.1	3.6	5.1
	799.0	**1,259.2**	**20.5**	**22.3**

* 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 16.

Pursuant to the Law of Obligations Act, the operating lease agreements, concluded by AS SEB Liising are partially related to a contingent liability, the likelihood and the amount of which can not be definitely determined. According to the management of the company, based on the previous practice, realisation of the obligation is unlikely.

Potential income tax on distribution of dividends
The retained earnings of the Group as at 31 December 2011 were 481.9 (31 December 2010: 383.3) EURmio. Distribution of retained earnings as dividends to the owners is subject to the income tax at the rate of 21/79 on the amount paid out as net dividends. Therefore, taking into account minimum requirement for Net Own funds for calcuation of capital adequacy, from the retained earnings available at the reporting date it is possible to pay out to the shareholders as dividends 307.2 EUR mio and the corresponding income tax would amount to 81.6 EUR mio. As of 31 December 2010, taking into account minimum requirement for Net Own funds for calcuation of capital adequacy, it would have been possible to pay out dividends the amount of 240.8 EUR mio, and the corresponding income tax would have amounted to 64.0 EUR mio (see page 66).

As at 31 December 2011 (and 31 December 2010) 100% shares of AS SEB Pank are owned by Skandinaviska Enskilda Banken AB (publ), who makes the decisions about profit distribution. Skandinaviska Enskilda Banken AB (publ) has decided not to pay out dividends from the retained profit of AS SEB Pank.

Potential liabilities arising from tax inspection
In 2011 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.

34. Subsequent events

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 31.12.2011.

35. Related parties

	31.12.11	31.12.10
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	1.2	0.9
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)	0.0	0.2
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	4.8	6.9
Loans and advances to parent company	406.3	264.0
In 2011, the loans and advances to parent company includes demand deposits 31.5 EUR mio and term deposits with a term up to one year (EUR, GBP, SEK, USD) 374.8 EUR mio with interest rate 0.1-2.96%.		
In 2010, the loans and advances to parent company includes demand deposits 233.8 EUR mio and term deposits with a term up to one year (SEK, EUR) 30.2 EUR mio with interest rate 0.66 – 1.35%.		
Due to parent company	930.6	1,458.6
In 2011, due to parent company includes 50 EUR mio subordinated loan (Note 29) and credit lines in EUR with contractual tenor of 2-10 years, interest rate 1.736 – 5.438%, in amount of 857.8 EUR mio (in Note 23 together with interests 862.8 EUR mio).		
In 2010, due to parent company includes 117.0 EUR mio subordinated loan (Note 29) and credit lines in EUR with a tenor of 2-10 years, interest rate 1.005 – 5.438%, in amount of 1317.2 EUR mio (in Note 23 together with interests 1331.4 EUR mio).		
Contingent assets and commitments to parent company	55.0	55.0
Contingent liabilities and commitments to parent company	0.3	0.2
Loans and advances to enterprises of parent company's consolidation group	12.2	14.0
Due to enterprises of parent company's consolidation group	23.5	43.9
Contingent assets and commitments to enterprises of parent company's consolidation group	0.2	6.6
Contingent liabilities and commitments to enterprises of parent company's consolidation group	3.0	0.0
Interest and similar income from parent company	3.2	0.9
Interest expenses and similar charges to parent company	-24.0	-31.3
Fee and commission income from parent company	0.0	0.1
Fee and commission expense to parent company	-0.1	-0.1
Interest and similar income from enterprises of parent company's consolidation group	0.1	0.7
Interest expenses and similar charges to enterprises of parent company's consolidation group	-0.1	-0.4
Fee and commission income from enterprises of parent company's consolidation group	4.2	3.9
Fee and commission expense to enterprises of parent company's consolidation group	-0.4	-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.

	2011	2010
Salaries and other benefits to the management in AS SEB Pank		
Members of Management Board	0.7	0.5
- salaries	0.6	0.4
- other benefits to the key management	0.1	0.1
Salaries and other benefits to the management in subsidiaries of AS SEB Pank		
Members of Management Board	0.3	0.5
- salaries	0.3	0.5

Members of Supervisory Boards in AS SEB Pank and in it's subsidiaries have no salaries or other benefits in 2011 and 2010.

Remuneration and compensations to key management personnel

Management Board members of AS SEB Pank and its subsidiaries are paid compensation amounting up to 12 times average monthly pay, if they are not elected to the management board for a new term or if they are removed from office pre-term. Compensation will not be paid, if the person continues to work in a company belonging to the SEB group under contract of employment or is elected to the management board of another company belonging to the SEB group or the agreement is terminated due to violation of obligations by the member of the management board.

The members of AS SEB Pank's Management Board and members of the Management Team have an initial allotment of 163,590 perfomance shares as of 31.12.2010, with 3 year qualification period. The members of AS SEB Pank's Management Board and members of the Management Team have an initial allotment of 13,173 saving shares as of 31.12.2011. The closing price of Skandinaviska Enskilda Banken AB (publ) share as of 29.12.2011 was 40.02 SEK.

36. 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 EUR)

	2011	2010
Interest and similar income	*111.5*	*105.3*
Interest expenses and similar charges	*-32.1*	*-40.0*
Net Interest Income	79.4	65.3
Fee and commission income	*40.7*	*42.2*
Fee and commission expense	*-12.0*	*-12.3*
Net fee and commission income	28.7	29.9
Net income from foreign exchange	4.8	7.7
Gains less losses from financial assets at fair value through profit or loss	2.2	-2.2
Income from dividends	0.0	0.1
Gains less losses from investment securities	1.1	13.7
Share of profit of associates	0.0	0.1
Other income	0.5	5.2
Personnel expenses	-32.7	-31.4
Other expenses	-18.3	-22.4
Depreciation, amortisation and impairment of tangible and intangible assets	-3.0	-3.4
Profit before impairment losses on loans and advances	**62.7**	**62.6**
Impairment losses on loans and advances	18.7	-6.6
Profit before income tax	**81.4**	**56.0**
Net profit	**81.4**	**56.0**
Profit attributable to the sole equity holder	81.4	56.0

2. Statement of comprehensive income, Bank

(millions of EUR)	2011	2010
Net profit	**81.4**	**56.0**
Other comprehensive income/expense		
Revaluation of available-for-sale financial assets	0.1	-0.3
Total other comprehensive income/expense	**0.1**	**-0.3**
Total comprehensive income	**81.5**	**55.7**
Sole equity holder of the parent entity (total)	81.5	55.7
-Total comprehensive income from continued operations	81.5	55.7
	81.5	**55.7**

3. Statement of financial position, Bank

(millions of EUR)

	31.12.11	31.12.10
ASSETS		
Cash	38.7	38.9
Balances with central bank	49.5	316.2
Loans and advances to credit institutions	423.0	279.5
Loans and advances to customers	3,141.3	3,218.4
Financial assets held for trading	21.0	21.9
Available-for-sale financial assets	0.9	0.6
Other assets	13.5	41.9
Investments in subsidiaries and associates	5.5	6.3
Intangible assets	0.4	0.5
Property, plant and equipment	7.5	7.0
TOTAL ASSETS	**3,701.3**	**3,931.2**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to credit institutions	658.5	1,129.7
Due to customers	2,424.2	2,180.7
Loan funds	15.5	11.5
Other liabilities	40.3	62.1
Financial liabilities at fair value through profit or loss	20.5	22.3
Provisions	2.9	0.4
Subordinated loans	50.1	117.2
Total Liabilities	**3,212.0**	**3,523.9**
Share capital	42.5	42.5
Share premium	86.1	86.1
Other reserves	19.3	19.2
Retained earnings	341.4	259.5
Total shareholders' equity	**489.3**	**407.3**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,701.3**	**3,931.2**

4. Statement of cash flows, Bank

(millions of EUR)

	2011	2010
I. Cash flows from operating activities		
Interest received	110.7	106.6
Interest paid	-32.5	-44.4
Dividends received	0.0	0.1
Fee and commission received	40.7	42.2
Fee and commission paid	-12.0	-12.3
Net trading income and other operating income	16.0	77.5
Personnel expenses and other operating expenses	-58.8	-58.1
Cash flows from operating activities before changes in the operating assets and liabilities	**64.1**	**111.6**
Changes in operating assets:		
Loans and advances to credit institutions and mandatory reserve in central bank	-321.7	162.0
Loans and advances to customers	95.7	124.5
Other assets	0.4	1.6
Changes of operating liabilities:		
Due to credit institutions	-488.0	-310.4
Due to customers	242.7	98.0
Loan funds	3.9	2.5
Other liabilities	-3.1	2.7
Cash flow from (used in) operating activities	**-406.0**	**192.5**
II. Cash flows from investing activities		
Net increase-/decrease+ of investment portfolio securities	-0.5	2.3
Proceeds from sale and liquidation of subsidiaries	2.1	17.2
Purchase of investment properties, tangible and intangible assets	-3.3	-4.4
Proceeds from sale of investment properties, tangible and intangible assets	0.0	0.4
Cash flow from (used in) investing activities, continued operations	**-1.7**	**15.5**
III. Cash flows from financing activities		
Repurchasing of debt securities	0.0	-0.8
Repayments of subordinated loans	-67.0	-50.0
Cash used in financing activities	**-67.0**	**-50.8**
Net decrease/increase in cash and cash equivalents	**-474.7**	**157.2**
Cash and cash equivalents at the beginning of period	**562.0**	**405.3**
Effect of exchange rate changes on cash and cash equivalents	0.0	-0.5
Cash and cash equivalents at the end of period	**87.3**	**562.0**

Cash and cash equivalents includes:	**31.12.11**	**31.12.10**
Cash on hand	38.7	38.9
Balances with the central bank without mandatory reserve	0.0	272.8
Liquid deposits in other credit institutions	47.4	248.9
Trading portfolio	1.2	1.4
	87.3	**562.0**

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 EUR)

	Share capital (Note 30)	Share premium	Other reserves (Note 32)	Retained earnings	Total share-holders' equity
Year beginning 01.01.2010	**42.5**	**86.1**	**19.5**	**203.3**	**351.4**
Other	0.0	0.0	0.0	0.2	0.2
Net profit	0.0	0.0	0.0	56.0	56.0
Other comprehensive expense:					
Net change in available-for-sale financial assets	0.0	0.0	-0.3	0.0	-0.3
Total other comprehensive expense	0.0	0.0	-0.3	0.0	-0.3
Total comprehensive income/expense	**0.0**	**0.0**	**-0.3**	**56.0**	**55.7**
Final balance 31.12.2010	**42.5**	**86.1**	**19.2**	**259.5**	**407.3**
Book value of holdings under control or significant influence					6.3
Value of holdings under control or significant influence, calculated by equity method					130.8
Adjusted unconsolidated equity as at 31.12.2010	**42.5**	**86.1**	**19.2**	**259.5**	**531.8**

Year beginning 01.01.2011	**42.5**	**86.1**	**19.2**	**259.5**	**407.3**
Other	0.0	0.0	0.0	0.5	0.5
Net profit	0.0	0.0	0.0	81.4	81.4
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	0.1	0.0	0.1
Total other comprehensive income	0.0	0.0	0.1	0.0	0.1
Total comprehensive income	**0.0**	**0.0**	**0.1**	**81.4**	**81.5**
Final balance 31.12.2011	**42.5**	**86.1**	**19.3**	**341.4**	**489.3**
Book value of holdings under control or significant influence					5.5
Value of holdings under control or significant influence, calculated by equity method					146.5
Adjusted unconsolidated equity as at 31.12.2011	**42.5**	**86.1**	**19.3**	**341.4**	**630.3**

Independent Auditor's Report (page 1)

Independent Auditor's Report (page 2)

AS SEB PANK
Located at Tornimäe 2, Tallinn
MANAGEMENT BOARD RESOLUTION NO 33

In Tallinn March 5th, 2012

Distribution of the profit of the financial year 2011

1. To make a proposal to the sole shareholder not to distribute the profit of the financial year 2011 in the amount of 81,437,334 EUR (eighty-one million, four hundred and thirty-seven thousand, three hundred and thirty-four euros).

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

Allan Parik
Member 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 2011.

The Supervisory Board of AS SEB Pank has reviewed the Annual Report 2011, prepared by the Management Board, consisting of the management report, the annual accounts, the Management Board's proposal for profit distribution 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 :

"_____"_______________2012 ________________________ Martin Johansson

"_____"_______________2012 ________________________ Stefan Stignäs

"_____"_______________2012 ________________________ Mark Payne

"_____"_______________2012 ________________________ Stefan Davill

"_____"_______________2012 ________________________ Tony Kylberg