

Interim Report

January–March 2019

STOCKHOLM 30 APRIL 2019



Interim report – the first quarter 2019

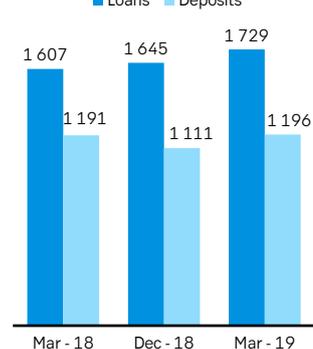
The quarter in brief

- Strong customer activity with equity and fixed income markets sending mixed signals
- Strong quarter within Large Corporate & Financial Institutions, driven by corporate activity and SEB Markets
- Strategic initiatives progressing according to plan

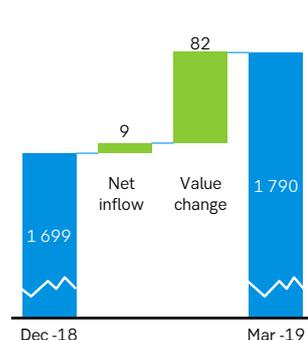
SEK m	Q1			Jan–Mar			Full year 2018
	2019	2018	%	2019	2018	%	
Total operating income	11 907	11 744	1	11 907	10 787	10	45 868
Total operating expenses	-5 622	-5 561	1	-5 622	-5 430	4	-21 940
Net expected credit losses	- 422	- 413	2	- 422	- 109		-1 166
Operating profit before items affecting comparability	5 864	5 768	2	5 864	5 256	12	22 779
Operating profit	5 864	5 768	2	5 864	5 256	12	27 285
NET PROFIT	4 681	4 576	2	4 681	3 995	17	23 134
Return on equity, %	12.7	12.4		12.7	11.6		16.3
Return on equity excluding items affecting comparability, %	12.8	12.8		12.8	11.5		13.4
Basic earnings per share, SEK	2.16	2.12		2.16	1.84		10.69

Volumes and key ratios

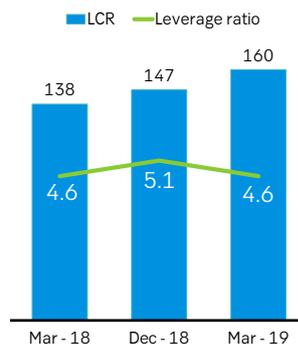
Loans to and deposits from the public
SEK bn



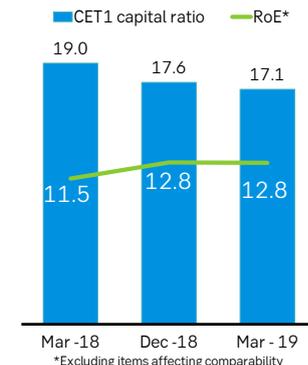
Assets under management
SEK bn



Liquidity coverage & Leverage ratios
Per cent



CET 1 capital ratio & Return on equity
Per cent



President's comment

Equity markets recovered during the first quarter, supported by signals of continued expansionary financial conditions. Fixed income markets, on the other hand, took hold of continued uncertainty related to the global macroeconomic outlook with long-term interest rates falling as a result.

Solid quarter with good client activity

Being a universal bank, we continued to benefit from our diversified business exposure. Client activity levels remained sound in the first quarter, despite the seasonal slowdown. The operating profit of SEK 5.9bn was 12 per cent higher than the first quarter last year.

Our division Large Corporates & Financial Institutions experienced its strongest first quarter since 2015 and reached a return on business equity of 11.8 per cent, which was three percentage points higher than last year. The result was supported by solid corporate activity, strong performance within SEB Markets and higher compensation for deposits from Treasury, though the latter was partly a temporary effect. Credit losses increased marginally but asset quality remained strong. The pipeline for lending and investment banking activity remained fairly unchanged at a high level.

The development within the division Corporate & Private Customers was more mixed. Demand for corporate lending remained solid among small and medium-sized companies and SEB continued to grow its market share. Mortgage lending growth improved during the quarter. We stay committed to the ambition of growing in line with the average market growth rate over time. Competition within the mortgage market continued to be fierce and margins remained under pressure. Within savings, net inflows in Private Banking remained solid while retail net inflows continued to be weaker. For SEB in total, assets under management increased by SEK 91bn to SEK 1,790bn.

The Baltic division experienced another quarter of sound business momentum with solid credit growth and high asset quality. From the first quarter, both Life and Investment Management are separate divisions. Within the Life division, margin pressure on insurance and pension products continues. Therefore, cross-selling and process automation will be vital for profitability to be maintained. Within the Investment Management division, a new head has been appointed who will be joining us in May.

SEB's asset quality remained high with net expected credit losses at 0.08 per cent. Our strong capital position combined with high liquidity provide the financial strength needed to support our customers going forward.

Expanding from green to blue financing

The global green bond market experienced another quarter of record-levels of issuance. Since helping the World Bank to arrange the first green bond ten years ago, SEB has continued to be at the forefront in this market. During the first quarter alone, SEB arranged USD 1.2bn in green bond issuance. In line with the strategic initiative to further develop financial solutions with positive climate impact, SEB arranged the first blue bond, issued by the Nordic Investment Bank. The proceeds from the Nordic-Baltic Blue Bond will target projects aiming to reduce water pollution and protect the marine environment in the Baltic Sea.

Trust is our license to operate

Trust in the financial system has always been crucial for us and other banks to be able to conduct successful business that benefits our customers, economic development and thus society at large. Recently the financial system's ability to prevent, detect and report suspicious activity has been in focus.

SEB calls for new collaborative initiatives between banks, regulators and law enforcement authorities. Financial crime is a global problem, and closer collaboration across national borders is needed.

For SEB, it has always been a priority to maintain the highest standards of corporate governance, compliance and risk management. We continue to invest in new technologies, processes and training to strengthen our capabilities even more.

We have a responsibility to know our customers and their businesses well – and to promptly report any suspicious activity. No bank can guarantee that it will never be used for criminal activity. However, we are doing our utmost to prevent, detect, and report suspicious cases.

Trust is our license to operate and thus fundamental to our ambition to generate long-term value to our customers and stakeholders.



A handwritten signature in blue ink that reads "Johan Toft". The signature is written in a cursive, flowing style.

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Reorganisation

As previously communicated, on 1 January 2019 SEB reorganised its operations by splitting the division Life & Investment Management into two separate divisions. The Life division is presented on a stand-alone basis. The Investment Management division is reported together with group functions as one segment. See income statement by segment on page 17. Earlier periods have been restated in the segment information.

New accounting standard IFRS 16 Leases

As previously communicated, effective 1 January 2019, IFRS 16 Leases replaced IAS 17 Leases. SEB applied the modified retrospective approach and has not restated the financial statements. Property leases are now reflected in the balance sheet with a related interest expense and depreciation expense. For information, see note 54 in the Annual Report for 2018.

Comparative numbers (in parenthesis):

The first quarter 2019 result is compared with the fourth quarter 2018. Business segments comparisons are year-to-date 2019 to year-to-date 2018. Business volumes are compared with year-end 2018, unless otherwise stated.

First quarter 2019 development

Operating profit increased by SEK 96m, 2 per cent, and amounted to SEK 5,864m (5,768). Net profit amounted to SEK 4,681m (4,576).

Operating income

Total operating income increased by SEK 163m, 1 per cent, compared with the fourth quarter 2018 and amounted to SEK 11,907m (11,744).

Net interest income amounted to SEK 5,345m, which represented an increase of 2 per cent compared with the fourth quarter 2018 (5,215) and an increase of 7 per cent year-on-year.

	Q1	Q4	Q1
SEK m	2019	2018	2018
Customer-driven NII	6 366	5 903	5 468
NII from other activities	-1 021	-688	-480
Total	5 345	5 215	4 988

Customer-driven net interest income includes the net interest income derived from loans to and deposits from the public and also reflects an internal funding element. Customer-driven net interest income increased by SEK 463m compared with the fourth quarter 2018. There was a negative lending margin effect while the deposit margins increased substantially, primarily driven by the higher Swedish repo rate in the first quarter and compensation for deposits from Treasury.

Net interest income from other activities (including for instance funding and other treasury activities, trading and regulatory fees) was SEK 333m lower than the fourth quarter 2018. There was an additional interest expense of SEK 23m due to the new accounting for leases when IFRS 16 was implemented. Regulatory fees, including both resolution fund and deposit guarantee fees, were SEK 140m lower than the fourth quarter 2018 and amounted to SEK 484m (624). The resolution fund fee was reduced to 0.09 per cent compared to 0.125 for 2018 (see page 9). In addition, there was an internal repricing effect.

Net fee and commission income was 11 per cent lower than the fourth quarter and amounted to SEK 4,292m (4,848). Year-on-year, net fee and commission income increased by 2 per cent. The high activity level in mergers and acquisitions among corporate customers in the fourth quarter 2018 also affected the first quarter 2019. Compared with the first quarter 2018, gross fees from the issuance of securities and advisory services increased by SEK 96m and compared with the high fourth quarter 2018 result, there was a decrease in the amount of SEK 216m. Gross fee income from custody and mutual funds, excluding performance fees, decreased by SEK 106m. The equity and fixed income markets gradually recovered from the sharp decline in the fourth quarter 2018, partially affecting the fee income positively. However, the income from assets under management and custody volumes was impacted by the product mix as well as the transaction frequency in the custody mandates. Performance fees, which were seasonally high in the fourth quarter 2018, decreased by SEK 175m. Net payment and card fees decreased by 3 per cent compared with the seasonally higher fourth quarter but increased by 5 per cent year-on-year. Gross lending fees increased by SEK 18m as loan volumes increased. Compared with the first quarter 2018, gross lending fees were up by SEK 182m. The net life insurance commissions related to the unit-linked insurance business decreased by 2 per cent compared with the fourth quarter 2018. The decrease of 11 per cent year-on-year is mainly due to the divestment of SEB Pension in the second quarter 2018 (see note 6, Items affecting comparability).

Net financial income increased by 40 per cent to SEK 2,118m (1,512) driven by higher customer activity. Both companies and financial institutions were active in managing their risks and investment portfolios especially in the first part of the quarter when market volatility was higher. There was a positive effect from market valuations in this item. There was also a positive effect in the fair value credit adjustment¹⁾. This adjustment amounted to SEK -6m (-157), a positive change of

¹⁾ Unrealised valuation change from counterparty risk (CVA) and own credit risk standing in derivatives (DVA). Own credit risk for issued securities (OCA) is reflected in Other comprehensive income.

SEK 151m in the first quarter. Other life insurance income, net, improved by 30 per cent quarter on quarter, to SEK 152m. The decrease of 27 per cent compared with the first quarter 2018 is mainly due to the divestment of SEB Pension, SEB's life business in Denmark, in the second quarter 2018.

Net other income decreased by 10 per cent to SEK 153m (169). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses increased by 1 per cent to 5,622m (5,561).

Staff costs increased by 7 per cent due to the strategic initiatives, salary inflation and accruals for variable long-term remuneration. The average number of full-time equivalents increased since year-end to 14,796 (14,751). Other expenses decreased by 20 per cent partially due to the implementation of IFRS 16 Leases where depreciation of right-of-use assets replaced nearly all lease costs for premises. Ordinary supervisory fees amounted to SEK 40m (35).

The cost target in the business plan for 2019-2021 is described on page 9. Operating expenses related to the strategic initiatives increased according to plan.

Net expected credit losses

Net expected credit losses remained low and amounted to SEK 422m (413). Asset quality remained high and the net expected credit loss level was continued low at 8 basis points.

Items affecting comparability

There were no *items affecting comparability* in the first quarter 2019. See note 6 for information on items affecting comparability from prior periods.

Income tax expense

Income tax expense amounted to SEK 1,182m (1,192) with an effective tax rate of 20 per cent (21). As per 1 January 2019, the Swedish corporate tax rate decreased from 22 to 21.4 per cent, which had small effect on SEB's effective tax rate.

Return on equity

Return on equity for the first quarter 2019 was 12.7 per cent (12.4). Items affecting comparability from prior reporting periods have affected average shareholders' equity. Therefore, return on equity excluding items affecting comparability was 12.8 per cent (12.8).

Other comprehensive income

Other comprehensive income amounted to SEK -452m (-2,330).

The value of the SEB pension plan assets exceeded the defined benefit obligations to the employees. The discount rate used for the pension obligation in Sweden was 1.5 per cent (2.0 at year-end 2018). The net value of the defined benefit pension plan assets and liabilities decreased which affected other comprehensive income by SEK -595m (-2,098).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash flow hedges and translation of foreign operations amounted to SEK 162m (-370).

Business volumes

Total assets at 31 March 2019 amounted to SEK 2,886bn, representing an increase of SEK 313bn since 1 January 2019 (2,573). As at 1 January 2019, IFRS 16 Leases entered into force. The balance sheet reflects an increase in the right-of-use assets and lease liabilities under the new rules, which both amounted to SEK 6bn.

Loans

SEK bn	31 Mar	31 Dec	31 Mar
	2019	2018	2018
General governments	18	19	26
Financial corporations	74	68	74
Non-financial corporations	827	806	765
Households	604	598	584
Collateral margin	57	56	34
Reverse repos	149	98	123
Loans to the public	1 729	1 645	1 607

Loans to the public (on the balance sheet) increased by SEK 84bn and amounted to SEK 1,729bn (1,645) since year-end 2018. Loans to non-financial corporations increased by SEK 21bn while household lending increased by SEK 6bn. While reverse repos increased significantly, these volumes are generally short-term in nature.

SEB measures and monitors its credit risk exposure in the so-called credit portfolio (in which loans, contingencies and derivatives are included). More information is available on page 7.

Deposits

SEK bn	31 Mar	31 Dec	31 Mar
	2019	2018	2018
General governments	35	27	55
Financial corporations	266	226	265
Non-financial corporations	483	461	431
Households	328	323	305
Collateral margin	50	49	39
Repos	17	3	64
Registered bonds	17	21	30
Deposits and borrowings from the public	1 196	1 111	1 191

Deposits and borrowings from the public increased by SEK 85bn to SEK 1,196bn (1,111). Deposits from non-financial corporations and households increased by SEK 27bn in 2019, from an unusually low level at year-end. Deposits from financial corporations as well as repos, both generally short-term in nature, increased by SEK 54bn in 2019.

Assets under management and custody

Total assets under management amounted to SEK 1,790bn (1,699). The market value increased by SEK 82bn when the stock markets recovered after the strong downturn in the fourth quarter 2018. The net inflow of assets during the quarter amounted to SEK 9bn.

Assets under custody increased compared with year-end and amounted to SEK 8,475bn (7,734). The increase was for the most part driven by the stock market appreciation.

Business development

The first quarter of 2019 represented the first of twelve quarters in SEB's business plan 2019-2021. This is a selection of transformative actions and initiatives launched to execute on this plan so far.

Advisory leadership

In SEB's efforts to strengthen the advisory offering to large corporates, SEB established a dedicated customer segment team to offer advice specifically aimed at supporting the ongoing trend in the energy sector towards renewable energy. A separate function, SEB Singular, was established to advise on digital business models and strategies – supporting large companies in their efforts to take advantage of emerging technologies. During the quarter, SEB also extended its Private Banking offering in order to address the specific needs of entrepreneurs working in high-growth companies.

In response to the ever-increasing demand with a positive climate impact, SEB collaborated with the Nordic Investment Bank and was the sole lead on the transaction, when they issued their inaugural Nordic-Baltic Blue Bond, aiming to protect the marine environment in the Baltic Sea. SEB also enhanced its investment offering by launching a sustainable credit fund, focusing on Nordic floating rate notes.

Furthermore, SEB was appointed Sustainability Player of the Year by a Swedish insurance broker. The award was a result of SEB's initiative to let 250,000 customers influence the investment agenda by prioritising among the UN's 17 sustainable development goals.

Operational excellence

To continue to improve customer experience, SEB initiated the process of reallocating certain insurance administration to its service support centre in the Baltics. The move, which is planned to be completed in the second quarter, is expected to enhance both operational efficiency and speed.

Extended presence

During the quarter, SEB launched a beta-version of a new digital channel for all corporate customers that will integrate all SEB's products and services as well as opening up to integrate products and services from third-party providers.

By investing in PE Accounting, SEB deepened the strategic partnership with the enterprise resource planning system provider. The aim is to develop integrated solutions to corporate customers – bringing SEB another step closer to its ambition of offering customers a seamless banking experience.

Supporting innovation

Ever since its foundation, SEB has contributed to innovative companies. This quarter, SEB supported the launch of a new venture capital fund. Fairpoint Capital, which is externally managed, will invest in business-to-business (B2B) companies developing emerging technologies and have SEB as its largest investor.

SEB Venture Capital increased its investment in the fintech company Tink to finance the expansion of its Open Banking platform, hence strengthening the strategic partnership established in 2016.

Risk, capital and uncertainties

SEB assumes credit, market, liquidity, IT and operational as well as life insurance risks. The risk composition of the Group, as well as the related risk, liquidity and capital management, are described in SEB's Annual Report for 2018 (see page 44-49 and notes 41 and 42), in the Capital Adequacy and Risk Management Report for 2018 as well as the quarterly additional Pillar 3 disclosures and in the Fact Book.

Credit risk

SEK bn	31 Mar	31 Dec	31 Mar
	2019	2018	2018
Banks	109	93	119
Corporates	1 178	1 146	1 088
Commercial real estate management	190	186	186
Residential real estate management	114	110	107
Housing co-operative associations Sweden	62	63	61
Public administration	63	55	73
Household mortgage	563	552	541
Household other	88	87	85
Total credit portfolio	2 367	2 292	2 260

SEB's credit portfolio which includes loans, contingencies and derivatives increased by SEK 75bn to SEK 2,367bn (2,292). The corporate credit portfolio increased by 3 per cent or SEK 32bn. The FX-adjusted corporate growth was 1 per cent. The household credit portfolio increased by SEK 12bn and commercial and residential real estate management increased by SEK 8bn.

Certain balances in the credit portfolio disclosure have been reclassified to better reflect the portfolio characteristics. Historic information has been restated. The geographic split of the credit portfolio, as presented in the Fact Book, is now based on SEB's operations which matches where the result is reported. Furthermore, collateral margin is reflected based on an exposure-at-default amount rather than a nominal amount and repos are now included, also based on an exposure-at-default value.

Credit-impaired loans, gross (stage 3) increased since year-end by SEK 1,032m to SEK 9,456m and increased by SEK 335m compared with the first quarter 2018. The related gross credit-impaired loans/total loans ratio was 0.56 per cent.

Market risk

SEB's business model is mainly driven by customer demand. Value-at-Risk (VaR) in the trading book increased slightly during the first quarter of 2019 and averaged SEK 93m, compared with SEK 90m for the year 2018. The Group does not expect to lose more than this amount, on average, during a period of ten trading days with 99 per cent probability. The VaR development during the quarter was mainly due to a higher interest rate exposure.

Liquidity and long-term funding

Short-term funding, in the form of commercial paper and certificates of deposit, increased by SEK 100bn in the first quarter 2019.

SEK 30bn of long-term funding matured during the first quarter (of which SEK 6bn covered bonds and SEK 23bn senior debt). New issuance during the quarter amounted to SEK 36bn (of which SEK 29bn was covered bonds and SEK 8bn senior preferred debt).

The liquidity reserve according to the Swedish Bankers' Association definition amounted to SEK 546bn at the end of the quarter (403). This liquidity reserve has been redefined in accordance with the EU delegated act with regard to liquidity coverage requirements. The Liquidity Coverage Ratio (LCR) must be at least 100 per cent. At the end of the quarter, the LCR was 160 per cent (147).

The bank is committed to a stable funding base. SEB's internal structural liquidity measure, Core Gap, which measures the proportion of stable funding in relation to illiquid assets, was 112 per cent (110).

Rating

Moody's rates SEB's long-term senior unsecured debt at Aa2 with a stable outlook reflecting SEB's asset quality and solid capitalisation underpinned by strong earnings generation capacity and good profitability.

Fitch rates SEB's long-term senior unsecured debt at AA- with a stable outlook. The rating is based on SEB's strong capital and leverage ratios, sound asset quality and healthy liquidity profile.

S&P rates SEB's long-term senior unsecured debt at A+ with a stable outlook. The rating is based on the bank's leading corporate franchise, strong capitalisation underpinned by stable earnings and sound asset quality.

Capital position

The following table shows the risk exposure amount (REA) and capital ratios according to Basel III:

	31 Mar	31 Dec	31 Mar
Own funds requirement, Basel III	2019	2018	2018
Risk exposure amount, SEK bn	739	716	615
Common Equity Tier 1 capital ratio, %	17.1	17.6	19.0
Tier 1 capital ratio, %	19.2	19.7	21.3
Total capital ratio, %	21.7	22.2	24.1
Leverage ratio, %	4.6	5.1	4.6

SEB's Common Equity Tier 1 (CET1) capital ratio was 17.1 per cent (17.6). SEB's estimate of the full Pillar 1 and 2 CET1 capital requirements – where the Pillar 2 requirements were calculated according to the methods set by the Swedish Financial Supervisory Authority (SFSA) – was 14.6 per cent per the end of the period (14.9). The implementation of IFRS 16 lowered the CET 1 ratio by 17 basis points. The bank aims to have a buffer of around 150 basis points above the capital requirement. Currently, the total buffer is 250 basis points.

Risk exposure amount

SEK bn	
Balance 31 Dec 2018	716
Asset size	7
Asset quality	-1
Foreign exchange movements	9
Model updates, methodology & policy, other	6
Underlying market and operational risk changes	2
- whereof market risk	2
- whereof operational risk	1
Balance 31 Mar 2019	739

Total REA increased by SEK 23bn to SEK 739bn. Foreign exchange rate movements and increased credit volumes contributed to higher credit risk REA. The implementation of

IFRS 16 increased credit risk REA by SEK 6bn (reflected on the row Model updates, methodology and policy).

In accordance with SFSA requirements, the additional risk exposure amount relating to the mortgage risk-weight floor was per 31 December 2018 reclassified from a Pillar 2 to a Pillar 1 requirement. This REA amounted to SEK 93bn at the end of the first quarter (92 at year-end).

Internally assessed capital requirement

As per 31 March 2019, the internally assessed capital requirement, including insurance risk, amounted to SEK 66bn (67). The internal capital requirement is assessed using SEB's internal models for economic capital and is not fully comparable to the estimated capital requirement published by the SFSA due to differences in assumptions and methodologies.

The internally assessed capital requirement for the parent company amounted to SEK 64bn (62).

Uncertainties

After reaching its highest point since 2011, global growth turned less positive towards the end of 2018 and there are signals that indicate a gradual future economic slow-down. The geopolitical uncertainty and the large global economic imbalances remain. The potential reduction of liquidity support to financial markets from central banks worldwide may create direct and indirect effects that are difficult to assess. In December 2018 the Swedish Central bank decided to raise the repo rate by 0.25 percentage points to -0.25 per cent. The new rate started to apply in January 2019. SEB does not currently forecast any additional hikes to be made this year. There has been a gradual stabilisation in the Swedish residential real estate market. However, there is an oversupply of unsold newly constructed apartments in the main cities that may put pressure on prices.

The German Federal Ministry of Finance issued a circular on 17 July 2017 with administrative guidance in relation to withholding taxes on dividends in connection with certain cross-border securities lending and derivative transactions; so-called cum-cum transactions. The circular states an intention to examine transactions executed prior to the change in tax legislation that was enacted 1 January 2016. Ongoing audits by the local tax administration have to date resulted in preliminary minor reclaims on selected tax years. SEB has requested that these reclaims should be revoked. Following a review, SEB is of the opinion that the cross-border securities lending and derivative transactions of SEB in Germany up until 1 January 2016 were conducted in compliance with then prevailing rules. Hence, to date no provisions have been made. Nevertheless, it cannot be ruled out that the outcome of potential future tax claims may have a negative financial effect on SEB.

Other information

Long-term financial targets

SEB's long-term financial targets are:

- to pay a yearly dividend that is 40 per cent or above of the earnings per share,
- to maintain a Common Equity Tier 1 capital ratio of around 150 bps above the current requirement from the SFSA, and
- to generate a return on equity that is competitive with peers.

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

Cost target

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

Resolution fund fee requirement change

Swedish authorities decided that the resolution fund fee for 2019 shall be reduced from 0.125 to 0.09 per cent applied to the adjusted 2017 balance sheet volumes. SEB amortises the expected annual fee for 2019 into net interest income based on an estimate, which may change in May 2019 when the invoiced amount is known.

The fee will be reduced to 0.05 per cent from 2020 until the resolution fund target is met. The fund target level, proposed to represent 3 per cent of guaranteed deposits in Sweden, is expected to be reached by the year 2021.

Currency effects

Compared with the fourth quarter 2018, operating income would have been SEK 37m lower with unchanged currency exchange rates while operating expenses would have been SEK 17m lower for the same period. The positive currency effect on loans and deposits to and from the public was SEK 15bn and 14bn, respectively. Total REA reflects a SEK 9bn positive currency effect while total assets was SEK 28bn higher.

Events after the report date

On 11 April 2019, SEB announced that the bank had entered into an agreement to sell its shareholding of 11.63 per cent in the Danish mortgage credit institution LR Realkredit A/S to Nykredit Realkredit A/S for DKK 302m. The sale is subject to the approval of the relevant authorities and is not expected to have a significant effect on SEB's earnings and capital ratios.

Petra Ålund was named new head of Technology with overarching responsibility for both IT Services and IT Solution Delivery. Petra has been head of IT Services since autumn 2017. She will be an adjunct member of the group executive committee and will assume her new role starting 1 June 2019.

Financial statements – SEB Group

Income statement, condensed

SEK m	Q1		Q4		Jan–Mar			Full year
	2019	2018	%		2019	2018	%	2018
Net interest income ¹⁾	5 345	5 215	2		5 345	4 988	7	21 022
Net fee and commission income	4 292	4 848	-11		4 292	4 190	2	18 364
Net financial income	2 118	1 512	40		2 118	1 455	46	6 079
Net other income	153	169	-10		153	153	-1	402
Total operating income	11 907	11 744	1		11 907	10 787	10	45 868
Staff costs	-3 633	-3 382	7		-3 633	-3 516	3	-14 004
Other expenses ¹⁾	-1 590	-1 991	-20		-1 590	-1 733	-8	-7 201
Depreciation, amortisation and impairment of tangible and intangible assets ¹⁾	-399	-188	112		-399	-181	120	-735
Total operating expenses	-5 622	-5 561	1		-5 622	-5 430	4	-21 940
Profit before credit losses	6 285	6 183	2		6 285	5 357	17	23 928
Gains less losses from tangible and intangible assets	0	-2	-125		0	8	-94	18
Net expected credit losses	-422	-413	2		-422	-109		-1 166
Operating profit before items affecting comparability	5 864	5 768	2		5 864	5 256	12	22 779
Items affecting comparability								4 506
Operating profit	5 864	5 768	2		5 864	5 256	12	27 285
Income tax expense	-1 182	-1 192	-1		-1 182	-1 261	-6	-4 152
NET PROFIT	4 681	4 576	2		4 681	3 995	17	23 134
Attributable to shareholders	4 681	4 576	2		4 681	3 995	17	23 134
Basic earnings per share, SEK	2.16	2.12			2.16	1.84		10.69
Diluted earnings per share, SEK	2.15	2.10			2.15	1.83		10.63

1) IFRS 16 Leases is applied from 1 January 2019. The group has decided to apply the modified retrospective approach (no restatement made). Interest expense on lease liabilities and depreciation of right-of-use assets are replacing nearly all lease costs for premises from 2019.

Statement of comprehensive income

SEK m	Q1		Q4		Jan–Mar			Full year
	2019	2018	%		2019	2018	%	2018
NET PROFIT	4 681	4 576	2		4 681	3 995	17	23 134
Cash flow hedges	- 173	- 207	-16		- 173	- 259	-33	- 880
Translation of foreign operations	335	- 163			335	840	-60	582
Items that may subsequently be reclassified to the income statement:	162	- 370			162	581	-72	- 298
Own credit risk adjustment (OCA) ¹⁾	- 18	138	-113		- 18	12		221
Defined benefit plans	- 595	- 2 098	-72		- 595	295		- 846
Items that will not be reclassified to the income statement:	- 614	- 1 960	-69		- 614	307		- 625
OTHER COMPREHENSIVE INCOME	- 452	- 2 330	-81		- 452	887	-151	- 923
TOTAL COMPREHENSIVE INCOME	4 230	2 246	88		4 230	4 882	-13	22 211
Attributable to shareholders	4 230	2 246	88		4 230	4 882	-13	22 211

1) Own credit risk adjustment from financial liabilities at fair value through profit or loss.

Balance sheet, condensed

	31 Mar	1 Jan ³⁾	31 Dec	31 Mar
SEK m	2019	2019	2018	2018
Cash and cash balances at central banks	281 159	209 115	209 115	244 283
Loans to central banks	18 645	33 294	33 294	7 785
Loans to credit institutions ²⁾	62 662	44 287	44 287	89 808
Loans to the public	1 728 745	1 644 825	1 644 825	1 607 055
Debt securities	240 566	156 128	156 128	231 013
Equity instruments	64 231	50 434	50 434	65 133
Financial assets for which the customers bear the investment risk	293 037	269 613	269 613	284 140
Derivatives	124 390	115 463	115 463	130 172
Other assets ³⁾⁴⁾	72 887	50 296	44 357	244 758
TOTAL ASSETS	2 886 322	2 573 455	2 567 516	2 904 147
Deposits from central banks and credit institutions	157 139	135 719	135 719	130 296
Deposits and borrowings from the public ¹⁾	1 195 752	1 111 390	1 111 390	1 190 991
Financial liabilities for which the customers bear the investment risk	294 407	270 556	270 556	285 518
Liabilities to policyholders	23 456	21 846	21 846	19 879
Debt securities issued	790 587	680 670	680 670	689 995
Short positions	67 358	23 144	23 144	44 017
Derivatives	96 642	96 872	96 872	109 619
Other financial liabilities	3 567	3 613	3 613	3 795
Other liabilities ³⁾⁴⁾	119 005	81 099	74 916	298 958
Total liabilities	2 747 912	2 424 910	2 418 727	2 773 067
Equity	138 410	148 545	148 789	131 080
TOTAL LIABILITIES AND EQUITY	2 886 322	2 573 455	2 567 516	2 904 147

1) Deposits covered by deposit guarantees 295 634 292 238 292 238 273 826

2) Loans to credit institutions and liquidity placements with other direct participants in interbank fund transfer systems.

3) IFRS 16 Leases is applied from 1 January 2019. The group has decided to apply the modified retrospective approach (i.e. no restatement made). Right-of-use assets are included in Other assets and lease liabilities are included in Other liabilities from 2019. Increase in Other assets at 1 January 2019 stems from an increase in Right-of-use assets SEK 5,747m, Deferred tax assets SEK 51m and Other assets SEK 141m. Increase in Other liabilities at 1 January is a result of an increase in Lease liabilities SEK 6,337m offset by decreases in Provisions SEK 122m and Other liabilities SEK 32m.

4) Non-current assets and disposal groups classified as held for sale amounted to SEK 193,283m and liabilities of disposal groups classified as held for sale amounted to SEK 186,781m as of 31 March 2018. For other periods there are no corresponding amounts.

A more detailed balance sheet is included in the Fact Book.

Statement of changes in equity

SEK m	Other reserves ¹⁾							Equity
	Share capital	Available-for-sale financial assets	OCA ²⁾	Cash flow hedges	Translation of foreign operations	Defined benefit plans	Retained earnings	
Jan-Mar 2019								
Opening balance	21 942		-286	313	-315	2 533	124 604	148 789
Effect of applying IFRS 16 ³⁾							-244	-244
Restated balance at 1 January 2018	21 942		-286	313	-315	2 533	124 360	148 545
Net profit							4 681	4 681
Other comprehensive income (net of tax)			-18	-173	335	-595		-452
Total comprehensive income			-18	-173	335	-595	4 681	4 230
Dividend to shareholders							-14 069	-14 069
Equity-based programmes ⁵⁾							-214	-214
Change in holdings of own shares							-81	-81
Closing balance	21 942		-304	140	20	1 937	114 676	138 410
Jan-Dec 2018								
Opening balance	21 942	729		1 192	-897	3 379	114 893	141 237
Effect of applying IFRS 9 ⁴⁾		-729	-507				-1 160	-2 396
Restated balance at 1 January 2017	21 942		-507	1 192	-897	3 379	113 732	138 841
Net profit							23 134	23 134
Other comprehensive income (net of tax)			221	-880	582	-846		-923
Total comprehensive income			221	-880	582	-846	23 134	22 211
Dividend to shareholders							-12 459	-12 459
Equity-based programmes ⁵⁾							-111	-111
Change in holdings of own shares							307	307
Closing balance	21 942		-286	313	-315	2 533	124 604	148 789
Jan-Mar 2018								
Opening balance	21 942	729		1 192	-897	3 379	114 893	141 237
Effect of applying IFRS 9 ⁴⁾		-729	-507				-1 160	-2 396
Restated balance at 1 January 2017	21 942		-507	1 192	-897	3 379	113 732	138 841
Net profit							3 995	3 995
Other comprehensive income (net of tax)			12	-259	840	295		887
Total comprehensive income			12	-259	840	295	3 995	4 882
Dividend to shareholders							-12 459	-12 459
Equity-based programmes ⁵⁾							-225	-225
Change in holdings of own shares							41	41
Closing balance	21 942		-495	933	-57	3 673	105 084	131 080

1) Amounts under Other reserves may be reclassified in the future to the income statement under certain circumstances, e.g. if they are related to dissolved Cash flow hedges or Translation of foreign operations when SEB ceases to consolidate a foreign operation. Amounts related to OCA and Defined benefit plans will not be reclassified to the income statement.

2) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in own credit risk.

3) IFRS 16 Leases is applied from 1 January 2019.

4) IFRS 9 Financial Instruments is applied from 1 January 2018. Opening balance 2018 has been restated in fourth quarter 2018 with a positive amount of SEK 884m.

5) Number of shares owned by SEB:

	Jan-Mar 2019	Jan-Dec 2018	Jan-Mar 2018
Number of shares owned by SEB, million			
Opening balance	30.3	27.1	27.1
Repurchased shares for equity-based programmes	4.5	6.9	3.6
Sold/distributed shares	-3.4	-3.8	-1.8
Closing balance	31.3	30.3	28.9
Market value of shares owned by SEB, SEK m	2 523	2 607	2 531

In accordance with the decision by the Annual General Meeting, SEB holds own shares of Class A for the long-term equity-based programmes. The transactions may take place at one or several occasions during the year. The acquisition cost for the purchase of own shares is deducted from shareholders' equity. The item includes changes in nominal amounts of equity swaps used for hedging of equity-based programmes.

Cash flow statement, condensed

SEK m	Jan–Mar			Full year
	2019	2018	%	2018
Cash flow from operating activities	89 947	75 831	19	28 259
Cash flow from investment activities	- 5 791	- 448		7 014
Cash flow from financing activities	-14 069	-12 459	13	-12 459
Net increase in cash and cash equivalents	70 087	62 924	11	22 814
Cash and cash equivalents at the beginning of year	219 579	184 429	19	184 429
Exchange rate differences on cash and cash equivalents	4 709	7 370	- 36	12 336
Net increase in cash and cash equivalents	70 087	62 924	11	22 814
Cash and cash equivalents at the end of period¹⁾	294 375	254 723	16	219 579

1) Cash and cash equivalents at the end of period is defined as Cash and cash balances with central banks and Loans to other credit institutions payable on demand.

Other financial information

Key figures

	Q1	Q4	Jan–Mar		Full year
	2019	2018	2019	2018	2018
Return on equity, %	12.7	12.4	12.7	11.6	16.3
Return on equity excluding items affecting comparability ¹⁾ , %	12.8	12.8	12.8	11.5	13.4
Return on total assets, %	0.7	0.7	0.7	0.6	0.8
Return on risk exposure amount, %	2.6	2.8	2.6	2.6	3.7
Cost/income ratio	0.47	0.47	0.47	0.50	0.48
Basic earnings per share, SEK	2.16	2.12	2.16	1.84	10.69
Weighted average number of shares ²⁾ , millions	2 163	2 164	2 163	2 166	2 164
Diluted earnings per share, SEK	2.15	2.10	2.15	1.83	10.63
Weighted average number of diluted shares ³⁾ , millions	2 175	2 177	2 175	2 178	2 177
Net worth per share, SEK	70.54	74.74	70.54	69.90	74.74
Equity per share, SEK	64.00	68.76	64.00	60.54	68.76
Average shareholders' equity, SEK, billion	147.7	147.6	147.7	138.3	141.6
Net ECL level, %	0.08	0.08	0.08	0.02	0.06
Stage 3 Loans / Total Loans, gross, %	0.56	0.50	0.56	0.58	0.50
Stage 3 Loans / Total Loans, net, %	0.35	0.30	0.35	0.36	0.30
Liquidity Coverage Ratio (LCR) ⁴⁾ , %	160	147	160	138	147
<u>Own funds requirement, Basel III</u>					
Risk exposure amount, SEK m	739 047	716 498	739 047	615 308	716 498
Expressed as own funds requirement, SEK m	59 124	57 320	59 124	49 225	57 320
Common Equity Tier 1 capital ratio, %	17.1	17.6	17.1	19.0	17.6
Tier 1 capital ratio, %	19.2	19.7	19.2	21.3	19.7
Total capital ratio, %	21.7	22.2	21.7	24.1	22.2
Leverage ratio, %	4.6	5.1	4.6	4.6	5.1
Number of full time equivalents ⁵⁾	14 804	14 749	14 796	14 858	14 751
Assets under custody, SEK bn	8 475	7 734	8 475	7 985	7 734
Assets under management, SEK bn	1 790	1 699	1 790	1 854	1 699

1) Sale of SEB Pension and UC AB in Q2 2018.

2) The number of issued shares was 2,194,171,802. SEB owned 30,276,332 Class A shares for the equity based programmes at year-end 2018. During 2019 SEB has purchased 4,499,596 shares and 3,426,345 shares have been sold. Thus, at 31 March 2019 SEB owned 31,349,583 Class A-shares with a market value of SEK 2,523m.

3) Calculated dilution based on the estimated economic value of the long-term incentive programmes.

4) According to EU delegated act.

5) Quarterly numbers are for end of quarter. Accumulated numbers are average for the period.

In SEB's Fact Book, this table is available with nine quarters of history.

Income statement on a quarterly basis

SEK m	Q1	Q4	Q3	Q2	Q1
	2019	2018	2018	2018	2018
Net interest income ¹⁾	5 345	5 215	5 319	5 500	4 988
Net fee and commission income	4 292	4 848	4 512	4 814	4 190
Net financial income	2 118	1 512	1 506	1 606	1 455
Net other income	153	169	97	-18	153
Total operating income	11 907	11 744	11 433	11 903	10 787
Staff costs	-3 633	-3 382	-3 559	-3 547	-3 516
Other expenses ¹⁾	-1 590	-1 991	-1 681	-1 797	-1 733
Depreciation, amortisation and impairment of tangible and intangible assets ¹⁾	-399	-188	-182	-183	-181
Total operating expenses	-5 622	-5 561	-5 421	-5 527	-5 430
Profit before credit losses	6 285	6 183	6 012	6 376	5 357
Gains less losses from tangible and intangible assets	0	-2	-1	13	8
Net expected credit losses	-422	-413	-424	-221	-109
Operating profit before items affecting comparability	5 864	5 768	5 587	6 167	5 256
Items affecting comparability				4 506	
Operating profit	5 864	5 768	5 587	10 674	5 256
Income tax expense	-1 182	-1 192	-1 048	-649	-1 261
NET PROFIT	4 681	4 576	4 539	10 024	3 995
Attributable to shareholders	4 681	4 576	4 539	10 024	3 995
1) IFRS 16 Leases is applied from 1 January 2019. The group has decided to apply the modified retrospective approach (no restatement made). Interest expense on lease liabilities and depreciation of right-of-use assets are replacing nearly all lease costs for premises from 2019.					
Basic earnings per share, SEK	2.16	2.12	2.10	4.63	1.84
Diluted earnings per share, SEK	2.15	2.10	2.09	4.61	1.83

Operating segments

Income statement by segment

Jan-Mar 2019, SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life ¹⁾	Investment Management & Group functions ¹⁾	Eliminations	SEB Group
Net interest income	2 278	2 772	762	- 3	- 373	- 90	5 345
Net fee and commission income	1 478	1 284	376	600	528	26	4 292
Net financial income	1 355	147	70	154	393	- 1	2 118
Net other income	11	7	- 1	51	94	- 9	153
Total operating income	5 121	4 210	1 207	801	641	- 74	11 907
Staff costs	-1 033	- 872	- 203	- 218	-1 312	5	-3 633
Other expenses	-1 284	- 961	- 262	- 172	1 020	69	-1 590
Depreciation, amortisation and impairment of tangible and intangible assets	- 17	- 14	- 8	- 5	- 356		- 399
Total operating expenses	-2 334	-1 846	- 473	- 395	- 647	74	-5 622
Profit before credit losses	2 787	2 364	734	406	- 6	0	6 285
Gains less losses from tangible and intangible assets	0		0		0		0
Net expected credit losses	- 322	- 71	- 20	0	- 2	- 7	- 422
Operating profit before items affecting comparability	2 465	2 293	715	406	- 8	- 7	5 864
Items affecting comparability							
Operating profit	2 465	2 293	715	406	- 8	- 7	5 864

1) Investment Management & Group functions consists of Investment Management, business support, treasury, staff units and German run-off operations. As previously communicated, on 1 January 2019 SEB reorganised its operations by splitting the division Life & Investment Management into two separate divisions. The Life division is presented on a stand-alone basis. The Investment Management division is combined and reported with group functions as one segment. Earlier periods have been restated in the segment information.

Large Corporates & Financial Institutions

The division offers commercial and investment banking services to large corporate and institutional clients, in the Nordic region, Germany and the United Kingdom. Customers are also served through an international network in some 20 offices.

Income statement

SEK m	Q1			Q4			Jan — Mar			Full year
	2019	2018	%	2019	2018	%	2019	2018	%	
Net interest income	2 278	2 010	13				2 278	1 738	31	8 211
Net fee and commission income	1 478	1 802	-18				1 478	1 373	8	6 433
Net financial income	1 355	902	50				1 355	944	44	3 384
Net other income	11	200	-94				11	46	-75	309
Total operating income	5 121	4 913	4				5 121	4 101	25	18 337
Staff costs	-1 033	-1 030	0				-1 033	-914	13	-3 858
Other expenses	-1 284	-1 230	4				-1 284	-1 272	1	-4 990
Depreciation, amortisation and impairment of tangible and intangible assets	-17	-15	13				-17	-13	35	-55
Total operating expenses	-2 334	-2 275	3				-2 334	-2 199	6	-8 903
Profit before credit losses	2 787	2 637	6				2 787	1 902	47	9 434
Gains less losses from tangible and intangible assets										1
Net expected credit losses	-322	-259	24				-322	-46		-702
Operating profit before items affecting comparability	2 465	2 378	4				2 465	1 856	33	8 733
Items affecting comparability										
Operating profit	2 465	2 378	4				2 465	1 856	33	8 733
Cost/Income ratio	0.46	0.46					0.46	0.54		0.49
Business equity, SEK bn	63.8	63.8					63.8	63.0		63.8
Return on business equity, %	11.8	11.2					11.8	8.8		10.3
Number of full time equivalents ¹⁾	2 045	1 997					2 028	1 969		1 986

¹⁾ Quarterly numbers are for end of quarter. Accumulated numbers are average for the period.

- Stable activity level among large corporate customers, with high income from mergers and acquisitions
- Both corporate and institutional customers were active managing their risks and portfolios
- Operating profit amounted to SEK 2,465m and return on equity was 11.8 per cent

Comments on the first quarter

In the *Large Corporate segment* falling rates and lower credit spreads were favourable for the bond market and issued volumes increased. Mergers and acquisitions related to activity at the end of 2018 were realised in the first quarter contributing to a more normal income level compared with the weaker first quarter 2018. The credit portfolio grew by 2 per cent and there was continued demand for export-financing related services. For the financial sponsor segment, the market continued to be competitive with customers being active particularly in the infrastructure and renewable energy areas.

For *Financial Institutions* the first quarter was characterised by high activity with a notable increase in risk sentiment and allocation shifts in the investment portfolios. In the beginning of the quarter cautionary signals from central banks led to appreciation in asset prices, tighter credit spreads and increased customer transactions related to hedging of currency risk. As the expected interest rate path levelled out during the quarter, activity levels decreased and volatility subsided. Customers reallocated from the interest rate market towards high yield bonds and alternative assets. Within

custody services, customers' demand for reporting services around regulations and sustainability continued to increase. Assets under custody increased to SEK 8,475bn (7,734) as an effect of the stock market recovery during the quarter.

Operating income increased compared with the first quarter 2018 to SEK 5,121m. Net interest income improved to SEK 2,278m mainly related to increased volumes for both lending and deposits and internal pricing on deposits. Another factor was the reduced resolution fund fee. Net fee and commission income increased to SEK 1,478m, mainly related to higher corporate finance activity. Net financial income increased to SEK 1,355m, primarily within SEB Markets, because of customers' high risk management activity. The fair value credit adjustment increased to SEK 26m²⁾. Operating expenses increased partially due to a higher number of full-time equivalents. Net expected credit losses amounted to SEK 322m with a net expected credit loss level of 11 basis points.

²⁾ Unrealised valuation change from counterparty risk (CVA) and own credit risk standing in derivatives (DVA).

Corporate & Private Customers

The division offers full banking and advisory services to private individuals and small and medium-sized corporate customers in Sweden, as well as card services in four Nordic countries. High net-worth individuals are offered leading Nordic private banking services.

Income statement

SEK m	Q1		Q4	Jan — Mar			Full year
	2019	2018	%	2019	2018	%	2018
Net interest income	2 772	2 371	17	2 772	2 286	21	9 473
Net fee and commission income	1 284	1 312	-2	1 284	1 326	-3	5 470
Net financial income	147	119	24	147	98	50	429
Net other income	7	5	27	7	7	-6	47
Total operating income	4 210	3 806	11	4 210	3 717	13	15 418
Staff costs	-872	-854	2	-872	-840	4	-3 353
Other expenses	-961	-997	-4	-961	-896	7	-3 735
Depreciation, amortisation and impairment of tangible and intangible assets	-14	-15	-9	-14	-14	-4	-58
Total operating expenses	-1 846	-1 865	-1	-1 846	-1 750	5	-7 146
Profit before credit losses	2 364	1 941	22	2 364	1 967	20	8 272
Gains less losses from tangible and intangible assets				0	0		
Net expected credit losses	-71	-115	-38	-71	-87	-19	-427
Operating profit before items affecting comparability	2 293	1 826	26	2 293	1 880	22	7 845
Items affecting comparability							
Operating profit	2 293	1 826	26	2 293	1 880	22	7 845
Cost/Income ratio	0.44	0.49		0.44	0.47		0.46
Business equity, SEK bn	45.0	43.2		45.0	41.1		42.4
Return on business equity, %	15.6	12.7		15.6	13.7		13.9
Number of full time equivalents ¹⁾	3 578	3 594		3 600	3 559		3 596

¹⁾ Quarterly numbers are for end of quarter. Accumulated numbers are average for the period.

- Continued strong corporate lending growth
- All time high customer satisfaction scores
- Operating profit amounted to SEK 2,293m and return on business equity was 15.6 per cent

Comments on the first quarter

In the first quarter, customer interaction remained high, especially in the digital channel, which is growing. Customer satisfaction reached all time high levels in the net promoter scores for both personal banking customers and small and medium-sized companies.

Operating profit increased by 22 per cent. Net interest income increased by 21 per cent or SEK 486m, driven by the less negative interest rate environment following the repo rate hike in January, internal deposit pricing, and volume growth. Total deposits amounted to SEK 430bn (421). There was a volume-driven increase in net interest income from corporate lending. In total, corporate lending amounted to SEK 248bn (242). Corporate customers were optimistic and the market growth was strong. SEB gained market share in the small- and medium-sized companies segment. Net interest income from mortgage lending decreased as a consequence of margin pressure. On the other hand, mortgage volumes continued to grow by SEK 3.9bn and amounted to SEK 486bn. In total, lending volumes grew by SEK 12bn to SEK 793bn.

In savings, corporate customers had a slightly lower risk appetite compared with the previous quarter; inflow in equity funds decreased and inflow in fixed income funds increased. Private customers indicated a somewhat increased risk appetite as inflow in equity funds and outflow in fixed income funds both increased. Assets under management within Private Banking increased.

Net fee and commission income decreased by 3 per cent compared with first quarter 2018 due to MiFID II. Net payment fees increased slightly as SEB's card company, SEB Kort, observed continued high volume growth. Total operating expenses increased by 5 per cent, mainly because of increased IT development. Net expected credit losses were low at SEK 71m with a net expected credit loss level of 3 basis points.

Baltic

The division provides full banking and advisory services to private individuals and small and medium-sized corporate customers in Estonia, Latvia and Lithuania.

Income statement

SEK m	Q1			Q4			Jan — Mar			Full year 2018
	2019	2018	%	2019	2018	%	2019	2018	%	
Net interest income	762	749	2	762	646	18	2 837			
Net fee and commission income	376	377	0	376	327	15	1 449			
Net financial income	70	56	26	70	53	33	257			
Net other income	-1	-6	-79	-1	-1	-17	-21			
Total operating income	1 207	1 177	3	1 207	1 025	18	4 522			
Staff costs	-203	-217	-7	-203	-179	13	-811			
Other expenses	-262	-248	6	-262	-253	4	-1 021			
Depreciation, amortisation and impairment of tangible and intangible assets	-8	-13	-41	-8	-13	-41	-53			
Total operating expenses	-473	-478	-1	-473	-445	6	-1 885			
Profit before credit losses	734	698	5	734	580	27	2 637			
Gains less losses from tangible and intangible assets	0	-1	-135	0	8	-96	19			
Net expected credit losses	-20	-45	-56	-20	17		-55			
Operating profit before items affecting comparability	715	652	10	715	605	18	2 600			
Items affecting comparability										
Operating profit	715	652	10	715	605	18	2 600			
Cost/Income ratio	0.39	0.41		0.39	0.43		0.42			
Business equity, SEK bn	10.5	10.1		10.5	8.6		9.6			
Return on business equity, %	23.3	21.5		23.3	23.4		22.4			
Number of full time equivalents ¹⁾	2 306	2 341		2 314	2 383		2 377			

¹⁾ Quarterly numbers are for end of quarter. Accumulated numbers are average for the period.

- Growth in both loan and deposit volumes
- Operating profit amounted to SEK 715m and return on business equity was 23.3 per cent
- General market themes included heightened focus on banks' historical AML and KYC conduct

Comments on the first quarter

The Baltic economies withstood the economic slowdown in other EU countries with only slightly weaker growth in the first quarter. Inflation remained below 3 per cent. Lending to the public across the region grew at a level below nominal GDP of 7 per cent. General market themes included heightened focus on banks' historical anti-money laundering (AML) and know-your-customer (KYC) conduct.

The demand for mortgage and other consumer loans from private segment customers was balanced. Growth in Estonia, however, is slowing as part of the natural economic cycle. Controlled growth was also observed in lending to the corporate segment with a general improvement in asset quality in terms of average risk class. Total lending volumes grew by 2 per cent in local currency in the first quarter and amounted to SEK 153bn (148).

Deposits grew steadily in both the private and corporate segments and total deposit volumes increased by 2 per cent in local currency and amounted to SEK 142bn (138).

Operating profit increased by 13 per cent in local currency or by SEK 110m, to SEK 715m. Higher income was partially offset by more normalised credit impairments and increased expenses. Net interest income increased 13 per cent in local currency mainly due to higher lending volumes, but also due to expanded margins. Net fee and commission income was 10 per cent higher in local currency, mainly from increased customer activity and more card transactions. Operating expenses increased marginally, by 2 per cent in local currency, largely reflecting the salary inflation pressures across the region. Net expected credit losses amounted to SEK 20m with a net expected credit loss level of 4 basis points.

Life

The division offers life insurance solutions to private as well as corporate and institutional clients mainly in the Nordic and Baltic countries.

Income statement

SEK m	Q1		Q4	Jan — Mar			Full year
	2019	2018	%	2019	2018	%	2018
Net interest income	-3	-7	-53	-3	-7	-55	-28
Net fee and commission income	600	607	-1	600	653	-8	2 655
Net financial income	154	118	30	154	313	-51	953
Net other income	51	-8		51	12		-8
Total operating income	801	710	13	801	971	-17	3 572
Staff costs	-218	-210	4	-218	-317	-31	-1 017
Other expenses	-172	-177	-3	-172	-138	25	-615
Depreciation, amortisation and impairment of tangible and intangible assets	-5	-4	29	-5	-7	-22	-20
Total operating expenses	-395	-392	1	-395	-462	-14	-1 653
Profit before credit losses	406	319	27	406	509	-20	1 920
Gains less losses from tangible and intangible assets							
Net expected credit losses	0	-1	-89	0	-1	-89	-2
Operating profit before items affecting comparability	406	318	28	406	508	-20	1 917
Items affecting comparability							
Operating profit	406	318	28	406	508	-20	1 917
Cost/Income ratio	0.49	0.55		0.49	0.48		0.46
Business equity, SEK bn	5.4	5.4		5.4	6.1		5.8
Return on business equity, %	27.8	20.8		27.8	29.7		29.4
Number of full time equivalents ¹⁾	1 050	1 056		1 057	1 303		1 146

¹⁾ Quarterly numbers are for end of quarter. Accumulated numbers are average for the period.

- Increased demand for SEB's traditional occupational pension
- Positive development in assets under management driven by higher asset values
- Operating profit amounted to SEK 406m and return on business equity was 27.8 per cent

Comments on the first quarter

The life insurance market in Sweden continued to grow. In 2018, the premium payments on the total market increased by SEK 20bn or 9 per cent, primarily within occupational pension. During the first quarter, the demand for SEB's traditional occupational pension increased and the premium income grew by 36 per cent compared with same period last year. Premium income and new sales in the unit-linked insurance business were lower in the first quarter compared with the same quarter last year.

Operating profit decreased by 20 per cent to SEK 406m year-on-year. The decrease in both operating income and expenses compared with the first quarter 2018 is explained by the sale of SEB Pension Denmark in the second quarter 2018. Excluding SEB Pension Denmark, total operating income increased by 3 per cent or SEK 26m while operating expenses

increased by 8 per cent or SEK 30m, resulting in a decrease in operating profit of SEK 4m.

Compared with the fourth quarter 2018, operating income improved by 13 per cent and amounted to SEK 801m. Financial markets were strong in the first quarter and most of the downturn in market values during the last quarter in 2018 recovered during the first quarter. Net financial income improved compared with the previous quarter primarily due to increasing asset values from lower interest rates in the portfolio for own equity. Net other income was positively affected by approximately SEK 40m when certain insurance contracts were moved. The expenses increased mainly in Sweden.

Total assets in the unit-linked insurance business increased by SEK 24bn from year-end to SEK 294bn. The increase is due to higher asset values in the equity market.

Investment Management & Group functions

The Investment Management division manages SEB funds and institutional mandates for the group's various customer segments. Group functions consist of business support, group treasury, the German run-off operations and other.

Income statement

SEK m	Q1			Q4			Jan — Mar			Full year
	2019	2018	%	2019	2018	%	2019	2018	%	
Net interest income	-373	-221	69	-373	432		-373	432		509
Net fee and commission income	528	744	-29	528	523	1	528	523	1	2 393
Net financial income	393	318	24	393	29		393	29		1 026
Net other income	94	-12		94	91	3	94	91	3	91
Total operating income	641	831	-23	641	1 075	-40	641	1 075	-40	4 018
Staff costs	-1 312	-1 075	22	-1 312	-1 271	3	-1 312	-1 271	3	-4 982
Other expenses	1 020	974	5	1 020	730	40	1 020	730	40	3 178
Depreciation, amortisation and impairment of tangible and intangible assets	-356	-141	151	-356	-135	163	-356	-135	163	-549
Total operating expenses	-647	-243	167	-647	-675	-4	-647	-675	-4	-2 353
Profit before credit losses	-6	588		-6	400		-6	400		1 665
Gains less losses from tangible and intangible assets	0	-2	-101	0	0	-61	0	0	-61	-2
Net expected credit losses	-2	0		-2	-15	-86	-2	-15	-86	25
Operating profit before items affecting comparability	-8	586		-8	385		-8	385		1 689
Items affecting comparability										4 506
Operating profit	-8	586		-8	385		-8	385		6 195
Cost/Income ratio	1.01	0.29		1.01	0.63		1.01	0.63		0.59
Number of full time equivalents ¹⁾	5 825	5 762		5 797	5 643		5 797	5 643		5 647
SEB labelled mutual funds, SEK bn	688	622		688	636		688	636		622
Net sales, SEK bn	-8	15		-8	8		-8	8		15

¹⁾ Quarterly numbers are for end of quarter. Accumulated numbers are average for the period.

- Asset values for SEB labelled mutual funds increased by 11 per cent
- Assets under management fulfilling SEB's sustainability criteria amounted to SEK 207bn
- Operating profit amounted to SEK -8m

Comments on the first quarter

Investment Management: The division manages funds and mandates for customers channelled via SEB's other divisions.

The positive market development in the first quarter led to an increase in asset values and SEB labelled mutual funds managed by the division amounted to SEK 688bn. The mixed fund asset class increased the most. Assets under management that fulfil SEB's sustainability criteria increased to approximately SEK 207bn (188). There is a high demand from customers for sustainable investment products.

Net fee and commission income decreased slightly year-on-year, and base commissions were stable. Customers that change their investment profile currently lean towards lower risk and lower-margin products.

Operating income increased by 3 per cent year-on-year to SEK 507m. Operating expenses increased year-on-year mainly due to increased staff costs within the portfolio management organisation.

Group Treasury: Net interest income decreased since the compensation paid to the business divisions for deposits increased. Net financial income decreased because of a mark-to-market valuation effect on own issued securities in the German run-off operations.

Business support supports the divisions with IT operations and development as well as back office services. All relevant costs are charged to be reflected in the result of the respective division.

Other consists of Group staff and other various small units. This reporting period valuation effects increased net financial income.

Notes to the financial statements - the SEB Group

Note 1 Accounting policies

This Interim Report is presented in accordance with IAS 34 Interim Financial Reporting. The group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the European Commission. The accounting also follows the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulation and general guidelines issued by the Swedish Financial Supervisory Authority: Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25). In addition, the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have been applied. The Parent Company has prepared its accounts in accordance with Swedish Annual Act for Credit Institutions and Securities Companies, the Swedish Financial Supervisory Authority's Regulations and General Guidelines (FFFS 2008:25) on Annual Reports in Credit Institutions and Securities Companies and the Supplementary Accounting Rules for Legal Entities (RFR 2) issued by the Swedish Financial Reporting Board.

As of 1 January 2019, the group adopted IFRS 16 Leases, which replaces IAS 17 and related interpretations. For more information about the new accounting policies and the transitional effects from adopting IFRS 16, see note 54 in the

Annual Report 2018. There are also some smaller changes to other IFRS standards. IFRIC 23 Uncertainty over Income Tax Treatments has been issued and specifies how to reflect the effects of uncertainty in accounting for income taxes. IAS 28 Interests in Associates and Joint Ventures has been amended so companies should apply IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. Amendments have been made to IFRS 9 Financial Instruments regarding prepayment features with negative compensation. IAS 19 Employee Benefits was amended in regards to plan amendment, curtailment or settlement that arises during the reporting period. IAS 23 Borrowing Costs, IAS 12 Income Taxes, IFRS 3 Business Combinations and IFRS 11 Joint Arrangements have been amended within the Annual improvement cycle 2015–2017. The changes have not had a material effect on the financial statements of the Group or on capital adequacy and large exposures.

In all other material aspects, the group's and the parent company's accounting policies, basis for calculations and presentations are unchanged in comparison with the 2018 Annual Report.

Note 2 Net interest income

SEK m	Q1		Q4	Jan–Mar			Full year
	2019	2018	%	2019	2018	%	2018
Interest income ¹⁾	9 949	9 875	1	9 949	9 283	7	39 299
Interest expense	-4 604	-4 660	-1	-4 604	-4 295	7	-18 277
Net interest income	5 345	5 215	2	5 345	4 988	7	21 022
1) Of which interest income calculated using the effective interest method	8 592	8 607	0	8 592	7 628	13	32 907

Note 3 Net fee and commission income

SEK m	Q1			Q4			Jan-Mar			Full year
	2019	2018	%	2019	2018	%	2019	2018	%	2018
Issue of securities and advisory	232	448	-48	232	136	70	232	136	70	1 050
Secondary market and derivatives	523	575	-9	523	514	2	523	514	2	2 179
Custody and mutual funds	1 794	2 075	-14	1 794	1 923	-7	1 794	1 923	-7	8 082
<i>Whereof performance fees</i>	12	187	-93	12	24	-48	12	24	-48	227
Payments, cards, lending, deposits, guarantees and other	2 705	2 756	-2	2 705	2 628	3	2 705	2 628	3	10 858
<i>Whereof payments and card fees</i>	1 483	1 537	-4	1 483	1 410	5	1 483	1 410	5	5 955
<i>Whereof lending</i>	683	665	3	683	501	36	683	501	36	2 527
Life insurance commissions	435	427	2	435	485	-10	435	485	-10	1 848
Fee and commission income	5 690	6 281	-9	5 690	5 687	0	5 690	5 687	0	24 018
Fee and commission expense	-1 398	-1 433	-2	-1 398	-1 496	-7	-1 398	-1 496	-7	-5 654
Net fee and commission income	4 292	4 848	-11	4 292	4 190	2	4 292	4 190	2	18 364
<i>Whereof Net securities commissions</i>	1 764	2 149	-18	1 764	1 920	-8	1 764	1 920	-8	8 220
<i>Whereof Net payments and card fees</i>	939	971	-3	939	895	5	939	895	5	3 851
<i>Whereof Net life insurance commissions</i>	282	288	-2	282	317	-11	282	317	-11	1 283

Fee and commission income by segment

SEK m	Large Corporates & Financial Institutions			Corporate & Private Customers	Baltic	Life ¹⁾	Investment Management & Group functions ¹⁾	Eliminations	SEB Group
	Jan-Mar 2019								
Issue of securities and advisory	224	3	4			0	0		232
Secondary market and derivatives	398	122	4		0	0	0	0	523
Custody and mutual funds	802	347	44		39	1 403	-842		1 794
Payments, cards, lending, deposits, guarantees and other	1 142	1 245	471		56	113	-322		2 705
Life insurance commissions					790		-355		435
Fee and commission income	2 566	1 717	524		885	1 517	-1 519		5 690
Jan-Mar 2018									
Issue of securities and advisory	128	4	4			0			136
Secondary market and derivatives	395	117	7		0	-5	0		514
Custody and mutual funds	873	425	48		40	1 435	-898		1 923
Payments, cards, lending, deposits, guarantees and other	1 204	1 197	412		54	97	-335		2 628
Life insurance commissions					860		-375		485
Fee and commission income	2 599	1 744	471		954	1 527	-1 609		5 687

1) Investment Management & Group functions consists of Investment Management, business support, treasury, staff units and German run-off operations. As previously communicated, on 1 January 2019 SEB reorganised its operations by splitting the division Life & Investment Management into two separate divisions. The Life division is presented on a stand-alone basis. The Investment Management division is combined and reported with group functions as one segment. Earlier periods have been restated in the segment information.

Fee and commission income is disaggregated in major types of service tied to primary geographical markets and operating segments. Revenues from Issue of securities and advisory, Secondary market and derivatives, Payments, cards, lending and deposits are mainly recognised at a point in time. Revenues from Custody and mutual funds and Life insurance commissions are mainly recognised over time.

Note 4 Net financial income

SEK m	Q1			Q4			Jan–Mar			Full year
	2019	2018	%	2019	2018	%	2019	2018	%	2018
Equity instruments and related derivatives	838	- 157					838	- 27		637
Debt instruments and related derivatives	- 59	343					- 59	397		636
Currency and related derivatives	1 097	1 121	-2				1 097	731	50	3 580
Other life insurance income, net	152	117	30				152	210	-27	984
Other	89	88	2				89	145	-38	242
Net financial income	2 118	1 512	40				2 118	1 455	46	6 079
<i>Whereof unrealized valuation changes from counterparty risk and own credit standing in derivatives and own issued securities</i>	-6	-157	-96				-6	3		-119

The result within Net financial income is presented on different rows based on type of underlying financial instrument.

For the first quarter the effect from structured products offered to the public was approximately SEK 420m (Q4 2018: -770) in Equity related derivatives and a corresponding effect in Debt related derivatives SEK -280m (Q4 2018: 940).

Note 5 Net expected credit losses

SEK m	Q1			Q4			Jan–Mar			Full year
	2019	2018	%	2019	2018	%	2019	2018	%	2018
Impairment gains or losses - Stage 1	- 47	10					- 47	- 75	-37	- 117
Impairment gains or losses - Stage 2	31	140	-78				31	124	-75	- 134
Impairment gains or losses - Stage 3	- 428	- 433	-1				- 428	- 116		- 613
Impairment gains or losses	- 444	- 282	57				- 444	- 67		- 864
Write-offs and recoveries										
Total write-offs	- 227	- 618	-63				- 227	- 700	-68	-1 768
Reversals of allowance for write-offs	169	443	-62				169	607	-72	1 267
Write-offs not previously provided for	- 57	- 175	-67				- 57	- 93	-39	- 501
Recovered from previous write-offs	79	45	75				79	52	54	199
Net write-offs	22	- 130					22	- 41		- 302
Net expected credit losses	- 422	- 413	2				- 422	- 109		-1 166
Net ECL level, %	0.08	0.08					0.08	0.02		0.06

Exposure and expected credit loss (ECL) allowances by stage, movements in allowances for expected credit losses and loans and expected credit loss allowances by industry are presented in notes 10-12.

Note 6 Items affecting comparability

SEK m	Q1		Q4		Jan–Mar			Full year
	2019	2018		%	2019	2018	%	2018
Other income								4 506
Total operating income								4 506
Items affecting comparability								4 506
Income tax on IAC								22
Items affecting comparability after tax								4 528

The table shows the rows in which the Items affecting comparability would have been reported if not reclassified.

Items affecting comparability 2018

The total income in the income statement from Items affecting comparability was SEK 4,506m before tax and SEK 4,528m after tax.

SEB Pension (2018 Q2)

SEB completed the sale of SEB Pension in Denmark following the approval by the Danish Competition Council, Konkurrencerådet, on 30 May 2018. SEB divested all shares in SEB Pensionsforsikring A/S and SEB Administration A/S (SEB Pension) to Danica Pension Livsforsikringsaktieselskab (Danica), a subsidiary to Danske Bank. The entire business, including employees, customer contracts and systems, transferred from SEB to Danica on 7 June 2018. The in principle tax-exempt capital gain from the transaction amounted to SEK 3,565m.

UC (2018 Q2)

On 29 June 2018, the acquisition by the listed Finnish credit information company Asiakastieto Group Plc (Asiakastieto) of UC AB (UC) was finalised. SEB received shares in Asiakastieto, equivalent to 10.2 per cent of the company, and SEK 0.3bn in cash. The transaction resulted in a tax-exempt capital gain of SEK 941m.

Note 7 Pledged assets and obligations

SEK m	31 Mar 2019	31 Dec 2018	31 Mar 2018
Pledged assets for own liabilities ¹⁾	533 183	510 424	464 109
Pledged assets for liabilities to insurance policyholders	317 863	292 402	444 444
Other pledged assets ²⁾	103 415	97 713	148 019
Pledged assets	954 461	900 539	1 056 573
Contingent liabilities ³⁾	132 096	136 435	128 105
Commitments	639 400	589 032	591 975
Obligations	771 495	725 467	720 081

1) Of which collateralised for own issued covered bonds SEK 365,928m (349,800/377,576).

2) Of which securities lending SEK 11,063m (15,641/69,997) and pledged but unencumbered bonds SEK 68,379m (58,652/55,975).

3) Of which financial guarantees SEK 7,912m (19,932/27,490)

Note 8 Financial assets and liabilities

SEK m	31 Mar 2019		31 Dec 2018		31 Mar 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Loans ¹⁾	2 089 279	2 097 428	1 929 272	1 930 470	1 946 891	1 948 683
Debt securities	240 566	239 956	156 128	156 129	231 013	231 013
Equity instruments	64 231	64 231	50 434	50 434	65 133	65 133
Financial assets for which the customers bear the investment risk	293 037	293 037	269 613	269 613	284 140	284 140
Derivatives	124 390	124 390	115 463	115 463	130 172	130 172
Other	38 139	38 139	17 194	17 194	23 724	23 724
Financial assets	2 849 643	2 857 182	2 538 104	2 539 303	2 681 073	2 682 865
Deposits	1 352 891	1 351 647	1 247 109	1 245 958	1 321 287	1 325 054
Financial liabilities for which the customers bear the investment risk	294 407	294 407	270 556	270 556	285 518	285 518
Debt securities issued ²⁾	826 393	821 787	715 192	713 983	723 748	722 855
Short positions	67 358	67 358	23 144	23 144	44 017	44 017
Derivatives	96 642	96 642	96 872	96 872	109 619	109 619
Other	42 180	42 180	14 722	14 722	53 859	53 859
Financial liabilities	2 679 870	2 674 020	2 367 595	2 365 235	2 538 048	2 540 922

1) Loans includes Cash balances at central banks (excluding Cash), Loans to central banks, Loans to credit institutions and Loans to the public.

2) Debt securities issued includes Debt securities issued and Subordinated liabilities (part of Other liabilities).

SEB has classified its financial instruments by class taking into account the characteristics of the instruments. The fair value of each class of financial assets and liabilities are compared with its carrying amount. A description of the characteristics of the classes can be found in note 38 in the Annual Report 2018.

Note 9 Assets and liabilities measured at fair value

SEK m	31 Mar 2019				31 Dec 2018			
	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Assets								
Loans		157 866		157 866		100 037		100 037
Debt securities	102 914	120 256	5	223 175	62 812	76 976	4	139 792
Equity instruments	50 119	5 041	9 072	64 231	38 697	3 835	7 902	50 434
Financial assets for which the customer bear the investment risk	284 012	8 587	438	293 037	261 056	7 943	614	269 613
Derivatives	1 057	122 851	481	124 390	1 327	113 626	510	115 463
Investment in associates ¹⁾	264		366	630	256		501	758
Total	438 367	414 601	10 362	863 330	364 148	302 417	9 531	676 096
Liabilities								
Deposits		31 458		31 458		12 497		12 497
Financial liabilities for which the customer bear the investment risk	285 441	8 538	428	294 407	262 029	7 924	603	270 556
Liabilities to policyholders - insurance	23 351	105		23 456	21 752	95		21 847
Debt securities issued		19 499		19 499		18 518		18 518
Short positions	47 345	19 947	66	67 358	18 710	4 371	63	23 144
Derivatives	736	95 431	475	96 642	2 616	93 783	473	96 872
Other financial liabilities at fair value	223	3 344		3 567	18	3 595		3 613
Total	357 096	178 322	969	536 387	305 125	140 783	1 139	447 047

1) Venture capital activities designated at fair value through profit and loss.

Fair value measurement

The objective of the fair value measurement is to arrive at the price at which an orderly transaction would take place between market participants at the measurement date under current market conditions.

The group has an established control environment for the determination of fair values of financial instruments that includes a review, independent from the business, of valuation models and prices. If the validation principles are not adhered to, the Head of Group Finance shall be informed. Exceptions of material and principal importance require approval from the GRMC (Group Risk Measurement Committee) and the ARC (Accounting Reporting Committee).

In order to arrive at the fair value of a financial instrument SEB uses different methods: quoted prices in active markets, valuation techniques incorporating observable data and valuation techniques based on internal models. For disclosure purposes, financial instruments carried at fair value are classified in a fair value hierarchy according to the level of market observability of the inputs. Group Risk classifies and continuously reviews the classification of financial instruments in the fair value hierarchy. The valuation process is the same for financial instruments in all levels.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. The objective is to arrive at a price at which a transaction without modification or repackaging would occur in the principal market for the instrument to which SEB has immediate access.

Fair value is generally measured for individual financial instruments, in addition portfolio adjustments are made to cover the credit risk. To reflect counterparty risk and own credit risk in OTC derivatives, adjustments are made based on the net exposure towards each counterpart. These adjustments are calculated on a counterparty level based on estimates of exposure at default, probability of default and recovery rates. Probability of default and recovery rate information is generally sourced from the CDS markets. For counterparties where this information is not available, or considered unreliable due to the nature of the exposure, alternative approaches are taken where the probability of default is based on generic credit indices for specific industry and/or rating.

When valuing financial liabilities at fair value SEB's own credit standing is reflected.

In order to arrive at the fair value of investment properties a market participant's ability to generate economic benefit by using the asset in its highest and best use are taken into account. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible. The current use of the investment properties in SEB is in accordance with the highest and best use. The valuation of investment properties is described in the accounting policies in Annual Report note 1. The valuation of the investment properties is performed semi-annually, they are presented and approved by the board in each real estate company. The valuation principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is in accordance with international valuation principles and in accordance with IFRS.

Level 1: Quoted market prices

Valuations in Level 1 are determined by reference to unadjusted quoted market prices for identical instruments in active markets where the quoted prices are readily available and the prices represent actual and regularly occurring market transactions on an arm's length basis.

Examples of Level 1 financial instruments are listed equity securities, debt securities, and exchange-traded derivatives. Instruments traded in an active market for which one or more market participants provide a binding price quotation on the balance sheet date are also examples of Level 1 financial instruments.

Level 2: Valuation techniques with observable inputs

In Level 2 valuation techniques, all significant inputs to the valuation models are observable either directly or indirectly. Level 2 valuation techniques include using discounted cash flows, option pricing models, recent transactions and the price of another instrument that is substantially the same.

Examples of observable inputs are foreign currency exchange rates, binding securities price quotations, market interest rates (Stibor, Libor, etc.), volatilities implied from observable option prices for the same term and actual transactions with one or more external counterparties executed by SEB. An input can transfer from being observable to being unobservable during the holding period due to e.g. illiquidity of the instrument. Examples of Level 2 financial instruments are most OTC derivatives such as options and interest rate swaps based on the Libor swap rate or a foreign-denominated yield curve. Other examples are instruments for which SEB recently entered into transactions with third parties and instruments for which SEB interpolates between observable variables.

Note 9, continued. Assets and liabilities measured at fair value

Level 3: Valuation techniques with significant unobservable inputs

Level 3 valuation techniques incorporate significant inputs that are unobservable. These techniques are generally based on extrapolating from observable inputs for similar instruments, analysing historical data or other analytical techniques. Examples of Level 3 financial instruments are more complex OTC derivatives, long dated options for which the volatility is extrapolated or derivatives that depend on an unobservable correlation. Other examples are instruments for which there is currently no active market or binding quotes, such as unlisted equity instruments, private equity holdings and investment properties.

If the fair value of financial instruments includes more than one unobservable input, the unobservable inputs are aggregated in order to determine the classification of the entire instrument. The level in the fair value hierarchy within which a financial instrument is classified is determined on the basis of the lowest level of input that is significant to the fair value in its entirety.

Significant transfers and reclassifications between levels

Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committee of each relevant division decides on material shifts between levels. There have been no significant transfers in 2019.

Changes in level 3, SEK m	Closing balance	Reclassi- fication	Gain/loss in	Gain/loss in	Purchases	Sales	Settle- ments	Transfers	Transfers	Exchange rate differences	Closing balance
	31 Dec 2018		Income statement ¹⁾	Other compre- hensive income				into Level 3	out of Level 3		31 Mar 2019
Assets											
Debt securities	4									1	5
Equity instruments	7 902		601		637	-107				39	9 072
Financial assets for which the customer bear the investment risk	614		1		1	-187				9	438
Derivatives	510		-33				5			-1	481
Investment in associates	501		-13		1	-123					366
Total	9 531		556		639	-417	5			48	10 362
Liabilities											
Financial liabilities for which the customer bear the investment risk	603		2			-185				8	428
Short positions	63		2							1	66
Derivatives	473		-24			1	25				475
Total	1 139		-20			-184	25			9	969

1) Fair value gains and losses recognised in the income statement are included in Net financial income and Net other income.

Sensitivity of Level 3 assets and liabilities to unobservable inputs

The table below illustrates the potential Profit or Loss impact of the relative uncertainty in the fair value of assets and liabilities that for their valuation are dependent on unobservable inputs. The sensitivity to unobservable inputs is assessed by altering the assumptions to the valuation techniques, illustrated below by changes in index-linked swap spreads, implied volatilities, credit spreads or comparator multiples. It is unlikely that all unobservable inputs would be simultaneously at the extremes of their ranges of reasonably possible alternatives.

SEK m	31 Mar 2019				31 Dec 2018			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments ¹⁾²⁾⁴⁾	481	-475	7	35	510	-473	37	45
Equity instruments ³⁾⁶⁾	2 719	-66	2 653	532	2 584	-63	2 521	505
Insurance holdings - Financial instruments ⁴⁾⁵⁾⁷⁾	6 463		6 463	801	5 576		5 576	697

1) Sensitivity from a shift of inflation linked swap spreads by 16 basis points (16) and implied volatilities by 5 percentage points (5).

2) Sensitivity from a shift of swap spreads by 5 basis points (5).

3) Valuation is estimated in a range of reasonable outcomes. Sensitivity analysis is based on 20 per cent (20) shift in market values.

4) Shift in implied volatility by 10 percentage points (10).

5) Sensitivity analysis is based on a shift in private equity of 20 per cent (20), structured credits 10 per cent (10) and derivative market values of 10 per cent (10).

6) Sensitivity from a shift of investment properties/real estate funds/infrastructure/infrastructure funds market values of 10 per cent (10).

7) The sensitivity show changes in the value of the insurance holdings which do not at all times affect the P&L of the Group since any surplus in the traditional life portfolios are consumed first.

Note 10 Exposure and expected credit loss (ECL) allowances by stage

SEK m	31 Mar 2019	31 Dec 2018	31 Mar 2018
Stage 1 (12-month ECL)			
Debt securities	17 391	16 337	20 075
Loans ¹⁾	1 596 682	1 552 954	1 502 557
Financial guarantees and Loan commitments	627 080	602 884	569 958
Gross carrying amounts/Nominal amounts Stage 1	2 241 154	2 172 175	2 092 589
Debt securities	-1	-1	0
Loans ¹⁾	-674	-643	-608
Financial guarantees and Loan commitments	-224	-195	-213
ECL allowances Stage 1	-900	-838	-821
Debt securities	17 390	16 336	20 075
Loans ¹⁾	1 596 008	1 552 311	1 501 948
Financial guarantees and Loan commitments	626 856	602 689	569 745
Carrying amounts/Net amounts Stage 1	2 240 254	2 171 337	2 091 768
Stage 2 (lifetime ECL)			
Loans ¹⁾²⁾	72 377	70 125	71 359
Financial guarantees and Loan commitments	19 409	16 712	16 796
Gross carrying amounts/Nominal amounts Stage 2	91 786	86 837	88 155
Loans ¹⁾²⁾	-1 260	-1 364	-1 159
Financial guarantees and Loan commitments	-345	-240	-203
ECL allowances Stage 2	-1 605	-1 605	-1 361
Loans ¹⁾²⁾	71 117	68 761	70 200
Financial guarantees and Loan commitments	19 064	16 472	16 593
Carrying amounts/Net amounts Stage 2	90 181	85 233	86 793
Stage 3 (credit impaired/lifetime ECL)			
Loans ¹⁾³⁾	9 456	8 158	9 121
Financial guarantees and Loan commitments	293	242	783
Gross carrying amounts/Nominal amounts Stage 3	9 749	8 400	9 905
Loans ¹⁾³⁾	-3 639	-3 331	-3 424
Financial guarantees and Loan commitments	-48	-38	-153
ECL allowances Stage 3	-3 687	-3 370	-3 577
Loans ¹⁾³⁾	5 817	4 827	5 698
Financial guarantees and Loan commitments	245	203	630
Carrying amounts/Net amounts Stage 3	6 062	5 030	6 327

The note continues on the next page

Note 10, continued. Exposure and expected credit loss (ECL) allowances by stage

SEK m	31 Mar 2019	31 Dec 2018	31 Mar 2018
Total			
Debt securities	17 391	16 337	20 075
Loans ¹⁾²⁾³⁾	1 678 515	1 631 237	1 583 037
Financial guarantees and Loan commitments	646 782	619 838	587 537
Gross carrying amounts/Nominal amounts	2 342 689	2 267 412	2 190 649
Debt securities	-1	-1	0
Loans ¹⁾²⁾³⁾	-5 574	-5 338	-5 191
Financial guarantees and Loan commitments	-617	-474	-569
ECL allowances	-6 192	-5 813	-5 760
Debt securities	17 390	16 336	20 075
Loans ¹⁾²⁾³⁾	1 672 942	1 625 899	1 577 846
Financial guarantees and Loan commitments	646 165	619 365	586 968
Carrying amounts/Net amounts	2 336 497	2 261 600	2 184 889

1) Excluding demand deposits credit institutions and including trade and client receivables presented as other assets.

2) Whereof gross carrying amounts SEK 1,264m (1,169/1,597) and ECL allowances SEK 2m (2/1) under Lifetime ECLs - simplified approach for trade receivables.

3) Whereof gross carrying amounts SEK 1,461m (1,281/0) and ECL allowances SEK 617m (349/0) for Purchased or Originated Credit Impaired loans.

The table shows gross carrying amounts for exposures on balance and nominal amounts for exposures off-balance divided by stage as a mean to put ECL allowances in context to overall exposure levels. For trade receivables a simplified approach based on past-due information is used to calculate loss allowances.

Stage 3 loans / Total loans, gross, %	0.56	0.50	0.58
Stage 3 loans / Total loans, net, %	0.35	0.30	0.36
ECL coverage ratio Stage 1, %	0.04	0.04	0.04
ECL coverage ratio Stage 2, %	1.75	1.85	1.54
ECL coverage ratio Stage 3, %	37.82	40.11	36.12
ECL coverage ratio, %	0.26	0.26	0.26

Note 11 Movements in allowances for expected credit losses

SEK m	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total
Loans and Debt securities				
ECL allowance as of 31 December 2018	643	1 364	3 331	5 339
New and derecognised financial assets, net	94	-2	-53	39
Changes due to change in credit risk	-67	-127	469	275
Changes due to modifications		5		5
Changes due to methodology change	-4	-6	2	-8
Decreases in ECL allowances due to write-offs			-169	-169
Exchange rate differences	10	25	59	94
ECL allowance as of 31 March 2019	675	1 260	3 639	5 575
Financial guarantees and Loan commitments				
ECL allowance as of 31 December 2018	195	240	38	474
New and derecognised financial assets, net	9	-15	4	-3
Changes due to change in credit risk	17	115	6	138
Changes due to modifications				0
Changes due to methodology change		-2	-1	-3
Decreases in ECL allowances due to write-offs				
Exchange rate differences	4	6	1	11
ECL allowance as of 31 March 2019	224	345	48	617
Total Loans, Debt securities, Financial guarantees and Loan commitments				
ECL allowance as of 31 December 2018	838	1 605	3 370	5 813
New and derecognised financial assets, net	102	-17	-48	37
Changes due to change in credit risk	-51	-11	475	413
Changes due to modifications		5		5
Changes due to methodology change	-5	-7	1	-11
Decreases in ECL allowances due to write-offs			-169	-169
Exchange rate differences	15	31	59	105
ECL allowance as of 31 March 2019	900	1 605	3 687	6 192

Note 12 Loans and expected credit loss (ECL) allowances by industry

SEK m	Gross carrying amounts				ECL allowances				Net carrying amount
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3	Total	Total
			(credit impaired/ lifetime ECL)				(credit impaired/ lifetime ECL)		
31 Mar 2019									
Banks	99 824	1 285	0	101 109	-7	-1	0	-8	101 101
Finance and insurance	123 970	754	83	124 808	-31	-13	-13	-57	124 751
Wholesale and retail	77 560	3 457	556	81 573	-49	-111	-203	-363	81 210
Transportation	34 100	1 398	102	35 600	-14	-20	-76	-110	35 491
Shipping	53 972	1 383	1 392	56 747	-21	-7	-549	-577	56 171
Business and household services	139 321	7 497	980	147 798	-157	-225	-430	-813	146 986
Construction	10 585	1 332	394	12 311	-8	-14	-40	-62	12 249
Manufacturing	92 665	3 893	857	97 415	-85	-77	-562	-724	96 691
Agriculture, forestry and fishing	20 161	1 411	146	21 718	-8	-7	-41	-57	21 661
Mining, oil and gas extraction	20 360	5 425	1 409	27 194	-40	-303	-196	-539	26 655
Electricity, gas and water supply	39 341	689	39	40 069	-17	-45	-19	-81	39 989
Other	37 910	3 172	421	41 503	-27	-43	-166	-236	41 267
Corporates	649 944	30 412	6 380	686 736	-456	-865	-2 295	-3 617	683 119
Commercial real estate management	144 648	2 903	487	148 038	-18	-18	-159	-195	147 843
Residential real estate management	96 806	905	74	97 785	-8	-1	-33	-41	97 744
Real Estate Management	241 454	3 808	561	245 823	-26	-19	-192	-236	245 586
Housing co-operative associations	50 922	8 390	2	59 313	0	0	-2	-3	59 311
Public Administration	14 696	321	5	15 022	-2	-3	-3	-8	15 014
Household mortgages	502 376	23 043	1 317	526 736	-43	-132	-216	-390	526 346
Other	37 465	5 119	1 191	43 775	-141	-241	-930	-1 312	42 464
Households	539 842	28 162	2 508	570 512	-184	-372	-1 146	-1 702	568 810
TOTAL	1 596 682	72 377	9 456	1 678 515	-674	-1 260	-3 639	-5 574	1 672 942
31 Dec 2018¹⁾									
Banks	97 795	900	0	98 695	-2	-2	0	-4	98 691
Finance and insurance	97 505	660	15	98 180	-17	-4	-11	-32	98 148
Wholesale and retail	77 427	3 120	550	81 097	-42	-82	-181	-306	80 792
Transportation	34 437	691	105	35 232	-14	-7	-77	-97	35 135
Shipping	50 121	963	1 694	52 779	-18	-5	-407	-430	52 349
Business and household services	140 094	7 035	862	147 991	-143	-227	-351	-721	147 271
Construction	9 981	1 281	223	11 486	-7	-14	-47	-68	11 418
Manufacturing	90 701	3 642	730	95 073	-82	-73	-529	-683	94 390
Agriculture, forestry and fishing	19 859	1 258	128	21 245	-8	-7	-40	-55	21 190
Mining, oil and gas extraction	14 615	6 046	530	21 191	-30	-421	-97	-548	20 644
Electricity, gas and water supply	38 990	761	2	39 752	-15	-44	0	-60	39 692
Other	44 385	2 857	115	47 357	-57	-72	-237	-366	46 991
Corporates	618 115	28 314	4 955	651 384	-433	-956	-1 977	-3 365	648 019
Commercial real estate management	142 857	2 750	561	146 169	-17	-19	-188	-224	145 945
Residential real estate management	90 985	824	87	91 897	-5	-1	-31	-37	91 860
Real Estate Management	233 843	3 574	648	238 065	-23	-19	-219	-261	237 805
Housing co-operative associations	54 807	8 695	0	63 502	-1	0	-2	-4	63 498
Public Administration	13 013	280	2	13 296	-1	-4	-2	-7	13 289
Household mortgages	497 351	23 132	1 374	521 856	-54	-148	-253	-454	521 402
Other	38 029	5 230	1 179	44 438	-129	-236	-879	-1 243	43 195
Households	535 381	28 362	2 552	566 295	-182	-383	-1 132	-1 698	564 597
TOTAL	1 552 954	70 125	8 158	1 631 237	-643	-1 364	-3 331	-5 338	1 625 899

1) Household mortgage lending to the customer segment sole proprietors has been reclassified. As a result the year-end 2018 reported household lending of SEK 528bn has been adjusted to SEK 565bn and the lending volumes in other segments have been reduced accordingly.

Excluding demand deposits credit institutions and including trade and client receivables presented as other assets.

SEB consolidated situation

Note 13 Capital adequacy analysis

SEK m	31 Mar 2019	31 Dec 2018	31 Mar 2018
Own funds			
Common Equity Tier 1 capital	126 106	125 857	117 111
Tier 1 capital	141 868	141 108	131 357
Total own funds	160 431	159 331	148 384
Own funds requirement			
Risk exposure amount	739 047	716 498	615 308
Expressed as own funds requirement	59 124	57 320	49 225
Common Equity Tier 1 capital ratio	17.1%	17.6%	19.0%
Tier 1 capital ratio	19.2%	19.7%	21.3%
Total capital ratio	21.7%	22.2%	24.1%
Own funds in relation to own funds requirement	2.71	2.78	3.01
Regulatory Common Equity Tier 1 capital requirement including buffer	11.2%	11.2%	11.0%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which systemic risk buffer requirement	3.0%	3.0%	3.0%
of which countercyclical capital buffer requirement	1.2%	1.2%	1.0%
Common Equity Tier 1 capital available to meet buffer ¹⁾	12.6%	13.1%	14.5%
Leverage ratio			
Exposure measure for leverage ratio calculation	3 108 939	2 773 608	2 833 269
of which on balance sheet items	2 584 801	2 311 250	2 406 997
of which off balance sheet items	524 138	462 358	426 271
Leverage ratio	4.6%	5.1%	4.6%

¹⁾ CET1 ratio less minimum capital requirement of 4.5% excluding buffers. In addition to the CET1 requirements there is a total capital requirement of additional 3.5%.

Note 14 Own funds

SEK m	31 Mar 2019	31 Dec 2018	31 Mar 2018
Shareholders equity according to balance sheet ¹⁾	138 410	148 789	130 196
Deductions related to the consolidated situation and other foreseeable charges	-3 508	-14 227	-2 201
Common Equity Tier 1 capital before regulatory adjustments ²⁾	134 902	134 562	127 995
Additional value adjustments	-1 016	-868	-850
Intangible assets	-6 494	-6 467	-6 356
Deferred tax assets that rely on future profitability			-53
Fair value reserves related to gains or losses on cash flow hedges	-140	-313	-933
Negative amounts resulting from the calculation of expected loss amounts	-82	-78	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	62	8	307
Defined-benefit pension fund assets	-966	-816	-2 825
Direct and indirect holdings of own CET1 instruments	-161	-172	-175
Total regulatory adjustments to Common Equity Tier 1	-8 796	-8 705	-10 884
Common Equity Tier 1 capital	126 106	125 857	117 111
Additional Tier 1 instruments	15 762	15 251	14 246
Tier 1 capital	141 868	141 108	131 357
Tier 2 instruments	19 260	18 987	19 089
Net provisioning amount for IRB-reported exposures	502	436	513
Holdings of Tier 2 instruments in financial sector entities	-1 200	-1 200	-2 575
Tier 2 capital	18 562	18 222	17 026
Total own funds	160 431	159 331	148 384

¹⁾ The Swedish Financial Supervisory Authority has approved SEB's application to use the net profit in measuring own funds on condition that the responsible auditors have reviewed the surplus, that the surplus is calculated in accordance with applicable accounting frameworks, that predictable costs and dividends have been deducted in accordance with EU regulation No 575/2013 and that the calculation was made in accordance with EU regulation No 241/2014.

²⁾ The Common Equity Tier 1 capital is presented on a consolidated basis, and differs from total equity according to IFRS. The insurance business contribution to equity is excluded and there is a dividend deduction calculated according to Regulation (EU) No 575/2013 (CRR).

Note 15 Risk exposure amount

SEK m	31 Mar 2019		31 Dec 2018		31 Mar 2018	
	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾
Credit risk IRB approach						
Exposures to central governments or central banks	11 200	896	11 602	928	11 077	886
Exposures to institutions	53 318	4 265	51 033	4 083	54 970	4 398
Exposures to corporates	351 423	28 114	342 713	27 417	331 141	26 491
Retail exposures	64 475	5 158	63 171	5 054	62 119	4 969
of which secured by immovable property	37 398	2 992	36 720	2 938	36 429	2 914
of which retail SME	7 454	596	7 027	562	7 098	568
of which other retail exposures	19 623	1 570	19 424	1 554	18 592	1 487
Securitisation positions	1 079	86	987	79	948	76
Total IRB approach	481 495	38 520	469 506	37 560	460 255	36 820
Credit risk standardised approach						
Exposures to central governments or central banks	2 132	171	2 241	179	1 272	102
Exposures to institutions	695	56	649	52	1 241	99
Exposures to corporates	15 712	1 257	14 539	1 163	20 400	1 632
Retail exposures	13 538	1 083	13 310	1 065	13 052	1 044
Exposures secured by mortgages on immovable property	2 379	190	2 184	175	2 698	216
Exposures in default	84	7	168	13	56	5
Exposures associated with particularly high risk	692	55	761	61	779	62
Securitisation positions						
Exposures in the form of collective investment undertakings (CIU)	49	4	45	4	43	3
Equity exposures	3 255	260	4 045	324	2 192	175
Other items	12 914	1 033	5 885	471	6 669	534
Total standardised approach	51 451	4 116	43 827	3 506	48 401	3 872
Market risk						
Trading book exposures where internal models are applied	23 251	1 860	25 020	2 002	17 635	1 411
Trading book exposures applying standardised approaches	11 487	919	7 711	617	11 332	907
Foreign exchange rate risk	2 922	234	2 889	231	2 362	189
Total market risk	37 660	3 013	35 620	2 850	31 329	2 506
Other own funds requirements						
Operational risk advanced measurement approach	47 707	3 817	47 151	3 772	47 402	3 792
Settlement risk	0	0	9	1	3	0
Credit value adjustment	7 289	583	7 605	608	7 523	602
Investment in insurance business	16 633	1 331	16 633	1 331	16 633	1 331
Other exposures	3 985	319	4 556	365	3 763	301
Additional risk exposure amount ²⁾	92 828	7 426	91 591	7 327		
Total other own funds requirements	168 442	13 475	167 545	13 404	75 323	6 026
Total	739 047	59 124	716 498	57 320	615 308	49 225

¹⁾ Own funds requirement 8% of risk exposure amount according to Regulation (EU) No 575/2013 (CRR).

²⁾ Additional risk exposure amount according to Article 458, Regulation (EU) No 575/2013 (CRR), for risk-weight floors in the Swedish mortgage portfolio.

Note 16 Average risk-weight

The following table summarises average risk-weights (risk exposure amount divided by exposure at default, EAD) for exposures, where the risk exposure amount is calculated according to the internal ratings based (IRB) approach. Repos and securities lending transactions are excluded from the

analysis, since they carry low risk-weights, and can vary considerably in volume, thus making numbers less comparable.

IRB reported credit exposures (less repos and securities lending)			
Average risk-weight	31 Mar 2019	31 Dec 2018	31 Mar 2018
Exposures to central governments or central banks	2.4%	3.0%	2.7%
Exposures to institutions	25.9%	25.4%	25.4%
Exposures to corporates	31.0%	31.0%	31.1%
Retail exposures	10.3%	10.2%	10.3%
of which secured by immovable property	6.8%	6.8%	6.9%
of which retail SME	59.1%	57.7%	57.2%
of which other retail exposures	30.8%	30.8%	30.2%
Securitisation positions	9.3%	9.3%	10.3%

Income statement

In accordance with FSA regulations SEK m	Q1			Q4			Jan–Mar			Full year
	2019	2018	%				2019	2018	%	2018
Interest income ¹⁾	8 337	8 532	-2				8 337	7 606	10	32 548
Leasing income	1 424	1 416	1				1 424	1 393	2	5 656
Interest expense ¹⁾	-4 248	-4 543	-6				-4 248	-3 710	15	-16 344
Dividends	2 698	676					2 698	3 017	-11	9 130
Fee and commission income	3 161	3 519	-10				3 161	3 070	3	13 281
Fee and commission expense	- 799	- 825	-3				- 799	- 841	-5	-3 218
Net financial income	1 580	1 594	-1				1 580	1 152	37	4 574
Other income	400	77					400	166	141	1 770
Total operating income	12 552	10 446	20				12 552	11 853	6	47 398
Administrative expenses	-4 042	-3 914	3				-4 042	-3 769	7	-15 263
Depreciation, amortisation and impairment of tangible and intangible assets	-1 409	-1 386	2				-1 409	-1 357	4	-5 512
Total operating expenses	-5 451	-5 300	3				-5 451	-5 126	6	-20 775
Profit before credit losses	7 101	5 146	38				7 101	6 727	6	26 623
Net expected credit losses	-357	-296	21				- 357	- 197	81	-1 020
Impairment of financial assets	- 315	- 128	146				- 315	-2 264	-86	-2 928
Operating profit	6 429	4 722	36				6 429	4 266	51	22 675
Appropriations	320	1 561	-80				320	279	15	2 716
Income tax expense	- 866	-1 366	-37				- 866	- 612	42	-3 789
Other taxes	0	138	-100				0	230	-100	118
NET PROFIT	5 883	5 056	16				5 883	4 163	41	21 720

Statement of comprehensive income

SEK m	Q1			Q4			Jan–Mar			Full year
	2019	2018	%				2019	2018	%	2018
NET PROFIT	5 883	5 056	16				5 883	4 163	41	21 720
Cash flow hedges	- 173	- 207	-16				- 173	- 259	-33	- 880
Translation of foreign operations	29	- 60	-148				29	45	-36	- 11
Items that may subsequently be reclassified to the income statement:	- 144	- 267	-46				- 144	- 214	-33	- 891
OTHER COMPREHENSIVE INCOME	- 144	- 267	-46				- 144	- 214	-33	- 891
TOTAL COMPREHENSIVE INCOME	5 739	4 789	20				5 739	3 949	45	20 829

1) An adjustment of financing costs has been made to the presentation between Interest Income and Interest Expense to align with the group's presentation. The adjustment amounts to SEK 1,762m in Q4 2018, SEK 798m in Q1 2018 and SEK 5,523m for the full year 2018.

Balance sheet, condensed

SEK m	31 Mar 2019	31 Dec 2018	31 Mar 2018
Cash and cash balances with central banks	266 196	164 081	233 863
Loans to central banks	15 014	29 665	5 669
Loans to credit institutions	106 951	90 668	144 699
Loans to the public	1 490 864	1 410 687	1 369 717
Debt securities	209 377	119 227	193 484
Equity instruments	49 249	36 993	53 039
Derivatives	122 345	113 282	130 233
Other assets	135 768	113 672	119 478
TOTAL ASSETS	2 395 765	2 078 275	2 250 182
Deposits from central banks and credit institutions	212 690	160 022	184 531
Deposits and borrowings from the public ¹⁾	1 007 326	927 224	1 015 909
Debt securities issued	790 310	680 396	687 147
Short positions	67 358	23 144	44 017
Derivatives	95 551	95 269	109 547
Other financial liabilities	3 567	3 613	3 795
Other liabilities	94 046	55 059	89 206
Untaxed reserves	20 855	20 855	21 423
Equity	104 062	112 695	94 607
TOTAL LIABILITIES, UNTAXED RESERVES AND EQUITY	2 395 765	2 078 275	2 250 182
1) Private and SME deposits covered by deposit guarantee	204 102	202 823	193 005
Private and SME deposits not covered by deposit guarantee	163 077	154 785	141 921
All other deposits	640 147	569 616	680 982
Total deposits from the public	1 007 326	927 224	1 015 909

Pledged assets and obligations

SEK m	31 Mar 2019	31 Dec 2018	31 Mar 2018
Pledged assets for own liabilities	516 863	489 784	434 846
Other pledged assets	92 352	82 072	125 888
Pledged assets	609 216	571 856	560 734
Contingent liabilities	142 510	134 317	132 267
Commitments	581 619	535 168	532 790
Obligations	724 129	669 486	665 057

Capital adequacy

SEK m	31 Mar 2019	31 Dec 2018	31 Mar 2018
Own funds			
Common Equity Tier 1 capital	110 938	108 336	101 962
Tier 1 capital	126 700	123 587	116 208
Total own funds	145 379	141 904	133 548
Own funds requirement			
Risk exposure amount	659 309	640 442	552 736
Expressed as own funds requirement	52 745	51 235	44 219
Common Equity Tier 1 capital ratio	16.8%	16.9%	18.4%
Tier 1 capital ratio	19.2%	19.3%	21.0%
Total capital ratio	22.1%	22.2%	24.2%
Own funds in relation to capital requirement	2.76	2.77	3.02
Regulatory Common Equity Tier 1 capital requirement including buffers	8.3%	8.3%	8.1%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which countercyclical capital buffer requirement	1.3%	1.3%	1.1%
Common Equity Tier 1 capital available to meet buffers ¹⁾	12.3%	12.4%	13.9%

¹⁾ CET1 ratio less minimum capital requirement of 4.5% excluding buffers. In addition to the CET1 requirements there is a total capital requirement of additional 3.5%.

Signature of the President

Stockholm, 30 April 2019

The President declares that the Interim Report for the period 1 January 2019 through 31 March 2019 provides a fair overview of the parent company's and the group's operations, their financial position and results and describes material risks and uncertainties facing the parent company and the group.

Johan Torgeby
President and Chief Executive Officer

Contacts and calendar

Results presentation and webcasts

The presentation of the results will be held at 9.00, Swedish time, on 30 April 2019, at Kungsträdgårdsgatan 8 with the President and CEO Johan Torgeby (in English). It can also be followed live on sebgroup.com/ir. A replay will be available afterwards.

Access to telephone conference

The telephone conference at 11.00, Swedish time, on 30 April 2019 with the President and CEO, Johan Torgeby, the Finance Director Masih Yazdi and the Head of Investor Relations, Christoffer Geijer, can be accessed by telephone, +44 (0)2071 928 000. Please quote conference id: 2170807 and call at least 10 minutes in advance. A replay of the conference call will be available on sebgroup.com/ir.

Financial information calendar 2019

12 July	Interim Report January-June
23 October	Interim Report January-September

Further information is available from:

Masih Yazdi, Finance Director
Tel: +46 771 621 000
Christoffer Geijer, Head of Investor Relations
Tel: +46 70 762 10 06
Frank Hojem, Head of Media Relations
Tel: +46 70 763 99 47

Skandinaviska Enskilda Banken AB (publ.)

SE-106 40 Stockholm, Sweden
Tel: +46 771 621 000
sebgroup.com
Corporate organisation number: 502032-9081

Further financial information is available in SEB's Fact Book and in the additional Pillar 3 disclosures which are published quarterly on sebgroup.com/ir.

The silent period starts 5 July
The silent period starts 8 October

The financial information calendar for 2020 will be published in conjunction with the Interim Report for January-September 2019.

Auditor's review report

To the Board of Directors in Skandinaviska Enskilda Banken AB (publ), 502032-9081

Introduction

We have reviewed the three-month interim financial statements for Skandinaviska Enskilda Banken AB (publ) as at 31 March 2019 and for the three-month period ending as at this date. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of these interim financial statements in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We have conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review differs from and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies regarding the Group, and in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies regarding the parent company.

Stockholm, 30 April 2019

Ernst & Young AB

Hamish Mabon

Authorised Public Accountant

Definitions - Alternative Performance Measures¹⁾

Items affecting comparability

To facilitate the comparison of operating profit between current and previous periods, items with significant impact that management considers affect the comparability or are relevant for the understanding of the financial result, are identified and presented separately, for example impairment of goodwill, restructuring, gains and losses from divestments and other income or costs that are not recurring.

Operating profit

Total profit before tax.

Operating profit before items affecting comparability

Total profit before items affecting comparability and tax.

Net profit

Total profit after tax.

Return on equity

Net profit attributable to shareholders in relation to average²⁾ shareholders' equity.

Return on equity excluding items affecting comparability

Net profit attributable to shareholders, excluding items affecting comparability and their related tax effect, in relation to average²⁾ shareholders' equity.

Return on business equity

Operating profit by division, reduced by a standard tax rate, in relation to the divisions' average²⁾ business equity (allocated capital).

Return on total assets

Net profit attributable to shareholders, in relation to average²⁾ total assets.

Return on risk exposure amount

Net profit attributable to shareholders in relation to average²⁾ risk exposure amount.

¹⁾ *Alternative Performance Measures, APMs, are financial measures of historical or future financial performance, financial position, or cash flows, other than those defined in the applicable financial reporting framework (IFRS) or in the EU Capital Requirements Regulation and Directive CRR/CRD IV. APMs are used by SEB when relevant to assess and describe SEB's financial situation and provide additional relevant information and tools to enable analysis of SEB's performance. APMs on basic earnings per share, diluted earnings per share, net worth per share, equity per share, return on equity, return on total assets and return on risk exposure amount provide relevant information on the performance in relation to different investment measurements. The cost/income ratio provides information on SEB's cost efficiency. APMs related to lending provide information on provisions in relation to credit risk. All these measures may not be comparable to similarly titled measures used by other companies.*

²⁾ *Average year-to-date, calculated on month-end figures.*

³⁾ *Average, calculated on a daily basis.*

Cost/income ratio

Total operating expenses in relation to total operating income.

Basic earnings per share

Net profit attributable to shareholders in relation to the weighted average³⁾ number of shares outstanding before dilution.

Diluted earnings per share

Net profit attributable to shareholders in relation to the weighted average³⁾ diluted number of shares. The calculated dilution is based on the estimated economic value of the long-term equity-based programmes.

Net worth per share

The total of shareholders' equity, the equity portion of any surplus values in the holdings of debt securities and the surplus value in life insurance operations in relation to the number of shares outstanding.

Equity per share

Shareholders' equity in relation to the number of shares outstanding.

Core gap ratio

Structural liquidity risk measure defined as total liabilities deemed to mature beyond one year in relation to total assets deemed to mature beyond one year.

Expected credit losses, ECL

Probability-weighted credit losses with the respective risk of a default.

ECL allowances

The allowance for expected credit losses on financial assets, contract assets, loan commitments and financial guarantee contracts.

Net ECL level

Net credit impairments in relation to the opening balance of the year of debt securities, loans to the public and loans to credit institutions measured at amortised cost, financial guarantees and loan commitments, net of ECL allowances.

ECL coverage ratio

ECL allowances in relation to underlying gross carrying amounts for loans and debt securities as well as nominal amounts of financial guarantees and loan commitments.

Stage 3 loans / Total loans, gross

Gross carrying amount for stage 3 loans (credit-impaired loans) in relation to gross carrying amount for total loans measured at amortised cost (excluding demand deposits credit institutions and including trade and client receivables presented as other assets).

Stage 3 loans / Total loans, net

Carrying amount for stage 3 loans (credit-impaired loans) in relation to carrying amounts for total loans measured at amortised cost (excluding demand deposits credit institutions and including trade and client receivables presented as other assets).

Definitions - According to the EU Capital Requirements Regulation no 575/2013 (CRR)**Risk exposure amount**

Total assets and off balance sheet items, risk-weighted in accordance with capital adequacy regulations for credit risk and market risk. The operational risks are measured and added as risk exposure amount. Risk exposure amounts are only defined for the consolidated situation, excluding insurance entities and exposures deducted from own funds.

Common Equity Tier 1 capital

Shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets and certain other regulatory adjustments defined in EU Regulation no 575/2013 (CRR).

Tier 1 capital

Common Equity Tier 1 capital plus qualifying forms of subordinated loans liabilities, so-called additional tier 1 instruments.

Tier 2 capital

Mainly subordinated loans liabilities not qualifying as Tier 1 capital contribution.

Own funds

The sum of Tier 1 and Tier 2 capital.

Common Equity Tier 1 capital ratio

Common Equity Tier 1 capital as a percentage of risk exposure amount.

Tier 1 capital ratio

Tier 1 capital as a percentage of risk exposure amount.

Total capital ratio

Total own funds as a percentage of risk exposure amount.

Leverage ratio

Tier 1 capital as a percentage of total assets including off balance sheet items with conversion factors according to the standardised approach.

Liquidity Coverage Ratio (LCR)

High-quality liquid assets in relation to the estimated net liquidity outflow over the next 30 calendar days.

The excel file Alternative Performance Measures, available on sebgroupp.com/ir, provides information on how the measures are calculated.

This is SEB

Our vision	To deliver world-class service to our customers.
Our purpose	We believe that entrepreneurial minds and innovative companies are key to creating a better world. We are here to enable them to achieve their aspirations and succeed through good times and bad.
Our overall ambition	To be the undisputed leading Nordic bank for corporations and institutions and the top universal bank in Sweden and the Baltic countries.
Whom we serve	2,300 large corporations, 700 financial institutions, 267,000 SME and 1.4 million private full-service customers bank with SEB.
Our strategic priorities	<p><i>Leading customer experience</i> – develop long-term relationships based on valuable advice, customers' trust in SEB as well as their appreciation of SEB's services.</p> <p><i>Resilience and flexibility</i> – maintain resilience and flexibility, based on capital and liquidity strength, to enable adaptation to prevailing market conditions.</p> <p><i>Growth in areas of strength</i> – focus on profitable organic growth in areas of strength.</p>
Business plan focus areas	<p><i>Advisory leadership</i> – Provide customers with proactive, customised and valuable advice, based on customer insight and data analysis, through human and digital interaction.</p> <p><i>Operational excellence</i> – Enhance customer value and increase process efficiency and speed by accelerating digitalisation and automation while extending the use of data.</p> <p><i>Extended presence</i> – Broaden the offering by supplying customers with external products and extend SEB's presence by providing products and services in customers' digital ecosystems.</p>
Values	Guided by our Code of Business Conduct and our core values: customers first, commitment, collaboration and simplicity.
People	Around 15,000 highly skilled employees serving customers from locations in some 20 countries; covering different time zones, securing reach and local market knowledge.
History	160 years of business, trust and sharing knowledge. The bank has always acted responsibly in society promoting entrepreneurship, international outlook and long-term relationships.

Additional financial information is available in SEB's Fact Book which is published quarterly on sebgroupp.com/ir