



Interim Report

January – September 2017

STOCKHOLM 25 OCTOBER 2017

S|E|B

Interim report – the first nine months 2017

First nine months 2017

(Compared with the first nine months 2016)

- Operating income SEK 33.8bn (32.2*), operating expenses SEK 16.3bn (22.1*), operating profit SEK 16.6bn (9.3*) and net profit SEK 13.1bn (6.4*).
- Net credit losses SEK 703m (709) with a credit loss level of 0.06 per cent (0.07).
- Return on equity 12.5 per cent (6.3*), return on equity excluding items affecting comparability* 12.4 per cent (11.2) and earnings per share SEK 6.02 (2.92*).

* See page 5 for information on items affecting comparability.

Third quarter 2017

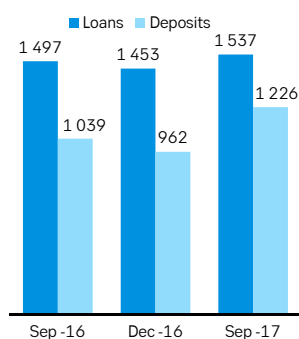
(Compared with the second quarter 2017)

- Operating income SEK 11.1bn (11.4), operating expenses SEK 5.4bn (5.5), operating profit SEK 5.4bn (5.7) and net profit SEK 4.2bn (4.5).
- Net credit losses SEK 284m (214) with a credit loss level of 0.07 per cent (0.06).
- Return on equity 12.1 per cent (13.2*), return on equity excluding items affecting comparability* 12.1 per cent (12.7) and earnings per share SEK 1.96 (2.09).

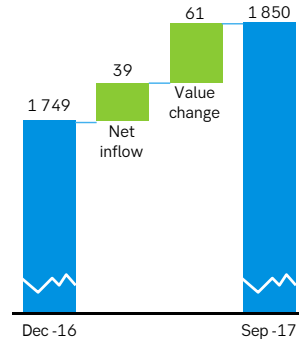
* See page 5 for information on items affecting comparability.

Volumes and key ratios

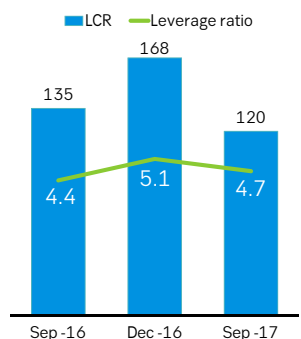
Loans to and deposits from the public
SEK bn



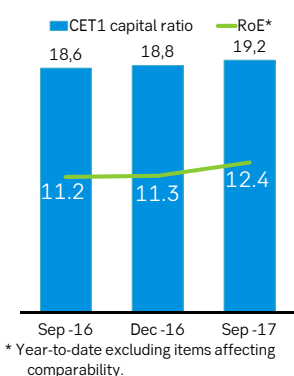
Assets under management
SEK bn



Liquidity coverage & Leverage ratios
Per cent



CET 1 capital ratio/Return on equity
Per cent



President's comment

The world economy is on a positive trajectory. Strong sentiment indicators have increasingly been confirmed by actual facts, especially in the eurozone, China and Japan, but also in the US following labour market improvements. At the same time, strong corporate balance sheets, less dependence of inventory cycles and increased financial sector regulation have dampened business cycle volatility. Higher global growth fuels more jobs, higher asset prices, higher consumption and increases trade. Capital market volatility is, in the prevailing low interest rate environment, at very low levels despite heightened geopolitical uncertainty. The world economy is still supported by extreme monetary stimulus. The USD 15,000bn in global central bank liquidity is expected to increase further to reach USD 16,000bn next year. There are large long-term imbalances such as the record-high indebtedness that need to be addressed.



Solid result in an uneventful quarter

In the prevailing market environment, large corporate customers also this quarter took advantage of the attractive capital markets for refinancing. Financial institutions continued their search for higher yield. Operating profit between the third and second quarter fell by 5 per cent as a result of low financial market volatility and thus lower customer activity. Compared to last year operating profit increased by 3 per cent.

In the first nine months of the year, all income lines improved compared to last year. In the Baltic countries, both corporate and household lending was higher. In Sweden, SME and private customer interaction was high in all channels – in our branches, in our 24/7 contact centre and in our digital channels and we continued to attract new customers. Over the past months, the Swedish housing market has seen some healthy signs of stabilisation. SEB has grown its mortgage portfolio by 4.1 per cent vs 7.2 per cent market growth per annum. Nordic and German large corporate demand for traditional bank lending, as well as Swedish SMEs' loan demand, remained subdued, while equity capital market and IPO activity was strong. The lower market volatility reduced customers' demand for risk management services.

Operating expenses amounted to SEK 16.3bn. For eight years in a row, SEB has reported stable or lower costs. We remain committed to our annual cost cap of below SEK 22bn through 2018. In SEB we know our customers well and asset quality remained high with a credit loss level of 0.06 per cent. Operating profit for the first nine months increased by 13 per cent, excluding items affecting comparability, to SEK 16.6bn. This means that with the Common Equity Tier 1 capital ratio at 19.2 per cent, return on equity reached 12.4 per cent.

Accelerated transformation agenda

We remain determined to deliver on our three-year business plan aiming for world-class service to our customers. The plan focuses on growth in areas of strength as well as on a major transformation agenda. Our ambition is to capture the full potential that digitalisation and usage of data provide, both in terms of added customer value, as well as increased internal efficiency. At the same time, we are adapting to a number of major regulations aiming at increased customer transparency and protection that will come into effect during the course of 2018, for example MiFiD2, GDPR and PSD2. We support the intention behind these regulations. They have a major impact on banks' and institutions' adaption of internal systems and processes. Even so, we are continuing to launch new and enhanced services to our customers, in some cases together with partners. Some recent examples include an initiative together with Nasdaq to develop a new fund trading platform based on blockchain technology and our partnership with the fintech company Capcito to facilitate SME financing. Banking is all about taking a long-term perspective without ever losing the ability to be agile and adapt to changing customer behaviours. Therefore, we again were proud to be included in the Dow Jones Sustainability Index as the only Nordic bank.

Finally, for avoidance of doubt: SEB is a Nordic bank and will remain domiciled in Sweden. The importance of a level playing field between banks in different countries must again be stressed.



The first nine months 2017

Operating profit increased by 78 per cent to SEK 16,590m (9,309). Excluding items affecting comparability in 2016 (see page 5), *operating profit* increased by 13 per cent from SEK 14,738m. *Net profit (after tax)* amounted to SEK 13,061m (6,374).

Operating income

Total operating income increased by 5 per cent to SEK 33,750m (32,153). Excluding items affecting comparability in 2016 (see page 5), *total operating income* increased by 7 per cent from SEK 31,633m.

Net interest income amounted to SEK 14,709m representing an increase of 6 per cent year-on-year (13,940). Both the Swedish repo rate and the ECB euro refinancing interest rate remained unchanged, at -0.5 and zero per cent, respectively.

SEK m	Jan-Sep		Change %
	2017	2016	
Customer-driven NII	16 307	15 040	8
NII from other activities	-1 598	-1 100	45
Total	14 709	13 940	6

Year-on-year customer-driven net interest income increased by SEK 1,267m. Lending volumes and lending margins contributed positively in roughly equal parts. Deposit margins were down, however, due to effects from the negative interest rates that were not reflected in customer pricing. The deposit volume effect was negligible.

Net interest income from other activities decreased by SEK 498m year-on-year. Regulatory fees, including resolution fund and deposit guarantee fees, increased by SEK 377m to SEK 1,408m (1,031). Total regulatory fees are expected to amount to around SEK 1.9bn in total in 2017, versus SEK 1.4bn in 2016. In 2016, a resolution fund fee of 4.5 basis points applied to the adjusted balance sheet volumes was charged, versus 9 basis points for the year 2017. The future appropriate level of the resolution fund fee is being considered by the Swedish authorities. See page 8 for a summary.

Net fee and commission income increased by 8 per cent to SEK 12,985m (12,019). Corporate customers were active in the capital markets taking advantage of the low interest rate levels. The related fees from the issue of securities and advisory fees increased by SEK 281m year-on-year. Corporate demand for traditional lending was limited, especially among large

corporations, and lending fees were down by 8 per cent compared to the first nine months 2016. The stock market values improved during the first nine months. Both the market values and new business volumes increased fee income from assets under management and custody – by SEK 516m to SEK 5,830m. Of this total, performance and transaction fees amounted to SEK 132m (63). Net payments and card fees increased by 5 per cent year-on-year and net life insurance commissions relating to the unit-linked insurance business increased to SEK 812m (763).

Net financial income increased by 5 per cent to SEK 5,249m (5,018). The high volatility and market activity from the beginning of the year subsided, especially during the seasonally slower summer months. These market conditions affected credit spreads which in turn led to a positive change in the fair value credit adjustment¹⁾. For the first nine months 2017, the fair value credit adjustment changed by SEK 590m to SEK 149m (-442).

Net other income decreased by 31 per cent to SEK 807m (1,176). Adjusted for a 2016 item affecting comparability (see page 5), net other income increased by SEK 151m year-on-year. Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses decreased by 26 per cent to SEK 16,331m (22,052). The decrease is explained by items affecting comparability (see page 5). Excluding these items, operating expenses were up by 1 per cent. The average number of full time equivalents decreased by 370 compared to the first nine months 2016, to 14,957. In the same time period, staff costs decreased by 3 per cent. The cost cap for the full years 2017 and 2018 remain unchanged at SEK 22bn.

Credit losses and provisions

Net credit losses were stable at SEK 703m (709). The credit loss level was 6 basis points (7).

Income tax expense

Income tax expense increased by 20 per cent to SEK 3,530m (2,935). In 2016, there were tax effects from the items affecting comparability (see page 5). The effective tax rate for the first nine months was 21 per cent.

In 2017, new legislation was introduced in Sweden, which discontinued the tax deductibility of interest

Comparative numbers (in parenthesis):

The result for the first nine months is compared to the first nine months 2016. The quarterly result is compared to the second quarter 2017. Business volumes are compared to year-end 2016, unless otherwise stated.

¹⁾ Valuation of counterparty risk (CVA) and own credit risk in derivatives (DVA) as well as own credit risk for issued bonds at fair value (OCA).

expenses on subordinated debt that qualifies as Tier 1 or Tier 2 capital. This increased income tax expenses by SEK 281m. The total estimated effect in 2017 is approximately SEK 360m.

A dividend from the subsidiary in Estonia in the first quarter 2017 was taxed at the time of pay-out to the parent company. The tax amounted to SEK 72m.

Return on equity

Return on equity for the first nine months was 12.5 per cent (6.3). Excluding items affecting comparability (see below) the *return on equity* was 12.4 per cent (11.2).

Other comprehensive income

Other comprehensive income amounted to SEK 652m (-2,171).

The value of the pension plan assets exceeds the defined benefit obligations. The discount rate used for the pension obligation in Sweden was 2.2 per cent (2.4 at year-end) while in Germany the discount rate was 1.9 per cent (1.7 at year-end). The net value of the defined benefit pension plan assets and liabilities increased since year-end leading to other comprehensive income of SEK 1,710m (-3,758).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. the total of cash-flow hedges, available-for-sale financial assets and translation of foreign operations, was negative in the amount of SEK -1,059m (1,587). In 2016, the holdings in Visa Sweden were reflected in the valuation of available-for-sale financial assets.

The third quarter 2017

Operating profit decreased by 5 per cent compared with the second quarter to SEK 5,380m (5,681). Compared with the third quarter 2016, operating profit increased by 3 per cent. *Net profit (after tax)* decreased by 6 per cent to SEK 4,243m (4,528). Compared with the third quarter 2016, net profit increased by 2 per cent.

Operating income

Total operating income decreased by 2 per cent to SEK 11,141m compared with the second quarter (11,405) and increased by 3 per cent from SEK 10,795m in the third quarter 2016.

Net interest income, which amounted to SEK 5,080m, increased by 3 per cent compared with the previous quarter (4,913) and increased by 9 per cent year-on-year. Both the Swedish repo rate and the ECB euro refinancing interest rate were unchanged at -0.5 and zero per cent, respectively.

	Q3	Q2	Q3
SEK m	2017	2017	2016
Customer-driven NII	5 481	5 399	5 051
NII from other activities	-401	-486	-394
Total	5 080	4 913	4 657

Customer-driven net interest income increased by SEK 82m compared with the second quarter 2017. Lending margins were positive but were offset by an effect from lower lending volumes.

Net interest income from other activities improved by SEK 85m compared to the second quarter 2017. The change is mainly due to lower funding costs. Regulatory fees, including resolution fund and deposit guarantee fees, amounted to SEK 453m (429).

Items affecting comparability:

1. In the second quarter 2016, the settlement of the transaction of SEB's Baltic holdings in Visa Europe resulted in a gain of SEK 520m, accounted for as net other income. The gain generated a tax expense of SEK 24m.
2. In the first quarter 2016, SEB implemented a new customer-oriented organisation. The reorganisation resulted in an impairment of goodwill in the amount of SEK 5,334m accounted for as operating expense. This expense was not tax deductible.
3. In the first quarter 2016, financial effects from restructuring activities in the Baltic and German businesses and a write-down (derecognition) of intangible IT assets no longer in use were booked. In total, these items affected operating expenses by SEK 615m and there was a positive tax effect amounting to SEK 101m.

In the financial reporting relating to 2017, the only impact from the items affecting comparability is on the return on equity measurement. This is because the items affecting comparability are part of the opening balance of equity.

The following table compares the operating profit for the first nine months 2017 with 2016 excluding the items affecting comparability:

	Jan-Sep		Change
SEK m	2017	2016	%
Total operating income	33 750	31 633	7
Total operating expenses	-16 331	-16 103	1
Profit before credit losses	17 419	15 530	12
Net credit losses etc	-828	-792	5
Operating profit	16 590	14 738	13

Net fee and commission income decreased by 14 per cent to SEK 4,026m (4,691) and decreased by 1 per cent compared with the third quarter 2016.

There was a marked, partly seasonal, customer activity slowdown in the third quarter and corporate activity both in the capital markets and in traditional lending was down. Fees from the issue of securities and advisory fees decreased by SEK 293m compared to the second quarter and by SEK 71m year-on-year while lending fees were down by SEK 62m in the quarter. Average stock market values declined during the quarter and fee income from assets under management and custody at SEK 1,942m decreased by 6 per cent. Year-on-year these fees were up by 7 per cent, however, primarily due to a volume increase.

Performance and transaction fees amounted to SEK 39m (55). Net payment and card fees decreased somewhat and net commissions relating to the unit-linked life insurance business were fairly flat.

Net financial income increased by 18 per cent to SEK 1,726m (1,461) and was down by 10 per cent compared to the third quarter 2016. There was a positive change in the fair value credit adjustment¹⁾ and it amounted to SEK 291m in the third quarter (-81). The financial markets were calm with low volatility and activity levels and institutional customers had a limited need to reallocate their portfolios or adjust their hedging solutions. The net financial income relating mainly to the traditional life insurance operations in Sweden and Denmark increased by SEK 58m to SEK 494m (436).

Net other income decreased by 10 per cent to SEK 308m (341) in the third quarter and increased by 76 per cent compared to the third quarter 2016. Realised capital gains and unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses decreased by 1 per cent to SEK 5,423m (5,473). Staff costs decreased by 4 per cent both compared to the second quarter and year-on-year.

Credit losses and provisions

Net credit losses increased by 32 per cent to SEK 284m (214) and increased – from a low level – by 44 per cent compared to the third quarter 2016. The credit loss level was 7 basis points (6).

Income tax expense

Total *income tax expense* decreased by 1 per cent to SEK 1,138m (1,153). The effective tax rate for the third quarter was 21 per cent (20).

Return on equity

Return on equity for the third quarter was 12.1 per cent (13.2). Excluding items affecting comparability, the *return on equity* was 12.1 per cent (12.7).

Other comprehensive income

The *other comprehensive income* amounted to SEK -75m (-485).

The value of the pension plan assets exceeds the defined benefit obligations. The discount rate for the pension obligation in Sweden at 2.2 per cent was unchanged in the quarter. In Germany, the discount rate was changed to 1.9 per cent (1.85 at the end of the second quarter). The defined benefit obligation decreased while the market value of the pension assets was virtually unchanged. Thus the net effect from the net defined benefit obligation on other comprehensive income was SEK 266m (-86).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. the total of cash-flow hedges, available-for-sale financial assets and translation of foreign operations, was negative in the amount of SEK -342m (-399).

¹⁾ Valuation of counterparty risk (CVA) and own credit risk in derivatives (DVA) as well as own credit risk for issued bonds at fair value (OCA).

Business volumes

Total assets at the end of the period were SEK 2,933bn, an increase by SEK 313bn since year-end (2,621).

SEK bn	Sep	Dec	Sep
	2017	2016	2016
General governments	27	28	30
Households	569	549	545
Corporates	800	786	776
Repos	107	63	112
Debt securities	14	15	15
Other	20	12	19
Loans to the public	1537	1453	1497

Loans to the public amounted to SEK 1,537bn, an increase of SEK 84bn since year-end. Excluding repos, the main changes were increases in mortgage lending and financing to housing co-operative associations in Sweden as well as growth in both private and corporate lending in the Baltic region.

SEB's total credit portfolio (in which both on- and off-balance sheet volumes are included) amounted to SEK 2,153bn (2,143). During the first nine months total household loans and commitments increased by SEK 28bn. The combined corporate and real estate management loans and commitments decreased by SEK 20bn in the same time period, primarily due to foreign currency effects.

SEK bn	Sep	Dec	Sep
	2017	2016	2016
General governments	67	35	54
Households	292	277	275
Corporates	792	605	647
Repos	36	1	18
Other	40	44	45
Deposits and borrowings from the public	1226	962	1039

Deposits from the public amounted to SEK 1,226bn. Corporate deposits increased by SEK 187bn since year-end. The increase was primarily short-term in nature. Household deposits increased by SEK 15bn.

Total assets under management amounted to SEK 1,850bn (1,749¹⁾). The net inflow of assets during the year was SEK 39bn and the market value increased by SEK 61bn.

Assets under custody increased partly reflecting the increased stock market values since year-end and amounted to SEK 7,801bn (6,859).

¹⁾ Refer to page 8 for information on adjusted reporting of assets under management.

Risk and capital

Market risk

SEB's business model is driven by customer demand. Value-at-Risk (VaR) in the trading operations averaged SEK 92m in the first nine months of 2017 (114m first nine months 2016) and the full year 2016 average was SEK 112m. On average, the Group does not expect to lose more than this amount during a period of ten trading days, with 99 per cent probability. VaR was relatively stable during the first nine months of 2017, although a bit lower during the slower summer months.

Liquidity and long-term funding

Short-term funding in the form of commercial paper and certificates of deposit decreased by SEK 3bn from year-end 2016.

SEK 69bn of long-term funding matured during the first nine months of 2017 (of which SEK 37bn covered bonds, SEK 25bn senior debt and SEK 7bn subordinated debt). During the same time, new issues amounted to SEK 64bn (of which SEK 40bn constituted covered bonds, SEK 19bn senior debt and SEK 5bn additional tier 1 subordinated debt). SEB's inaugural own green bond in the amount of EUR 500m was part of the senior funding raised.

The liquidity reserve, as defined by the Swedish Bankers' Association, amounted to SEK 655bn at the end of the quarter (427).

The Liquidity Coverage Ratio (LCR), according to the rules adapted for Sweden by the Swedish Financial Supervisory Authority (SFS), must be at least 100 per cent in total and in EUR and USD, respectively. At the end of the period, the LCR was 120 per cent (168). The USD and EUR LCRs were 146 and 143 per cent, respectively.

The Bank is committed to a stable funding base. SEB's internal structural liquidity measure, which measures the proportion of stable funding in relation to illiquid assets, Core Gap, was 111 per cent (114).

Rating

Moody's rates SEB's long-term senior unsecured debt at Aa3 with a stable outlook due to SEB's asset quality, earnings stability and diversification as well as increased efficiency.

Fitch rates SEB's long-term senior unsecured debt at AA- with a stable outlook. The outlook is based on SEB's long-term strategy, earnings stability and diversification.

S&P rates SEB's long-term senior unsecured debt at A+ with a stable outlook. The outlook is based on the bank's strong capital and well diversified earnings in terms of geography and business areas.

Capital position

SEB's Common Equity Tier 1 (CET1) capital ratio was 19.2 per cent. 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 SFSA – was 17.0 per cent at the end of September 2017. Per 30 September 2017, SEB received the annual SREP (Supervisory Review and Evaluation Process) assessment from the SFSA which confirmed the assessment above. In the first quarter, the SFSA increased the countercyclical buffer requirement by 0.5 percentage points to 2.0 per cent. The Bank aims to have a buffer of around 150 basis points above the capital requirement.

SEB's application to use a revised internal model for corporate exposure risk-weights is under consideration by the SFSA. If approved, the risk exposure amount (REA) is expected to increase, however the temporary pillar 2 capital buffer requirement, currently 0.5 per cent, will be discontinued.

The following table shows the REA and capital ratios according to Basel III:

Own funds requirement, Basel III	Sep	Dec	Sep
	2017	2016	2016
Risk exposure amount, SEK bn	615	610	603
Common Equity Tier 1 capital ratio, %	19.2	18.8	18.6
Tier 1 capital ratio, %	21.5	21.2	20.9
Total capital ratio, %	24.0	24.8	23.3
Leverage ratio, %	4.7	5.1	4.4

Total REA increased by SEK 5bn from year-end 2016. Credit volumes increased somewhat contributing to higher REA, however partly offset by foreign exchange movements and better asset quality. As from the second quarter the SFSA no longer allows risk-weighting of sovereign exposures according to the standardised method. This increased REA by around SEK 9bn.

The total capital ratio decreased when issued Tier 2 subordinated debt in the amount of EUR 750m was repaid in September. Also, SEB will call certain subordinated debt in the amount of EUR 500m. Given the approval from the SFSA to call the capital, it can no longer be included in the capital base, which decreases the Tier 1, total capital and leverage ratios.

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.

Reporting adjustments as of the beginning of 2017

Rounding

In line with market practice, numbers in the tables of this report will not be rounded for the purpose of making totals agree. The change was done for practical reasons and had no material impact. Historical information was not restated.

Assets under management

The definition of assets under management was refined to better define and reflect all asset classes. Certain deposits, that previously were included in the definition pending an investment decision from the customer, are now excluded. Further, certain other assets that previously were not defined as assets under management have been included in the definition. The net effect on the 2017 opening balance was a decrease of SEK 32bn. For comparison purposes, the quarterly information for 2015 and 2016 was recalculated pro forma.

Business equity

The allocation of capital to the divisions, so-called business equity, was reviewed and updated in connection with the business planning process. Adjustments were made to reflect risk profile changes, regulatory updates, etc. For instance, the regulatory requirement of a charge for the maturity adjustment factor in the risk exposure amount was reflected in the business equity of the Large Corporates & Financial Institutions and Corporate & Private Customers divisions.

Changes in regulatory requirements

Swedish authorities are proposing a resolution fund fee of 0.125 per cent in 2018, applied to the adjusted 2016 balance sheet volumes. The fee is proposed to be reduced to 0.09 per cent for 2019 and 0.05 per cent from 2020 until the fund target is met. The fund target level, which is proposed to be 3 per cent of guaranteed deposits, is expected to be reached by the year 2025.

Within SEB an IFRS Programme has been set up for implementation of the new accounting standards, which

was described in the Annual Report 2016. IFRS 9 Financial Instruments introduces, among other things, a new impairment model based on expected loss instead of the incurred loss model applicable today. SEB's assessment is that the expected loss model will increase loan loss provisions and decrease equity at transition and that volatility in the credit loss line item in the income statement will increase with the new rules. The European Commission has proposed that incremental provisions under IFRS 9 should be phased in to the capital base over a five year period.

As previously communicated, tentative decisions have been taken regarding IFRS 9. For classification of financial liabilities, IFRS 9 allows the possibility to early adopt the presentation of changes in fair value as a result of changes in own credit risk for financial liabilities designated to fair value through profit or loss in Other comprehensive income instead of Profit or loss. SEB does not intend to adopt this possibility early. When it comes to hedge accounting, IFRS 9 allows for an accounting policy choice and SEB plans to continue to apply the hedge accounting requirements in IAS 39. Further information regarding the impact of IFRS 9 will be communicated in the Annual Accounts 2017.

In addition to IFRS 9, there is also a transition effect from the application of IFRS 15 Revenue from Contracts with Customers as of 1 January 2018. SEB has identified that the treatment of contract costs for investment contracts within Life will change and as a result of the new more specific requirements, a smaller part of deferred acquisition costs will be recognised as an asset. The change will result in an estimated decrease of the deferred acquisition cost in the Balance sheet of SEK 2.6bn. The effect will be recognised as a reduction of Retained earnings at 1 January 2017. There will also be a restatement of the net fees and commissions in the Income statement for 2017 in the amount of SEK -0.1bn. Capital adequacy and large exposures will not be affected.

Risks 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 2016 (see page 40-45 and notes 17, 19 and 20) and in the Capital Adequacy and Risk Management Report for 2016 and the quarterly additional Pillar 3 disclosures for 2017. Further information is presented in the Fact Book on a quarterly basis.

The outlook for the world economy is somewhat more positive and risks are less prominent. However, large global economic imbalances remain and the potential reduction of liquidity support to financial markets from central banks world-wide may create

direct and indirect effects that are difficult to assess. There are signs that the Swedish central bank may not further cut interest rates and may introduce a hike during spring 2018. Geopolitical uncertainty has increased. The process forward for Brexit has added to the uncertainty. Recently there have been signs of a slow-down in the residential Swedish real estate market.

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. The circular states an intention to examine transactions executed prior to the change in tax legislation that was enacted 1 January 2016. Following a review, SEB is of the opinion that the cross-border securities lending and derivative transactions of SEB up until 1 January 2016 were conducted in compliance with then prevailing rules. It can nevertheless not be ruled out that a change in policy of German authorities may have financial effects on SEB.

Visa transaction

In 2015, Visa Inc. announced its planned acquisition of Visa Europe (a membership-owned organisation) with the purpose of creating a single global Visa company. The transaction was approved by the European Commission in 2016. It consisted of a combination of consideration in cash and shares. SEB is a member of Visa Europe through several direct and indirect memberships.

The closing of the transaction of SEB's Visa memberships in the Baltic countries was finalised and settled in 2016.

In Sweden, where SEB is an indirect member via Visa Sweden, SEB's holdings are classified as available-for-sale financial assets. The fair value changes are booked in *other comprehensive income*. Once the distribution between the Swedish indirect members is finalised it will be reclassified to *net other income*.

Subsequent event

As previously communicated, SEB is planning to move a large part of its German business to the German branch of the parent company Skandinaviska Enskilda Banken AB (publ.) from its German subsidiary, SEB AG. Once finalised, the change will simplify reporting and administration of the German operations.

On 16 October 2017, the Swedish FSA published its approval of the transaction. Approval from the German FSA is still pending.

All financial consequences of the transformation will be communicated in conjunction with the publication of the Annual Accounts 2017.

Stockholm, 25 October 2017

The President declares that the Interim Report for the period January to September 2017 provides a fair overview of the Parent Company's and the Group's operations, their financial position and results and describe material risks and uncertainties facing the Parent Company and the Group.

Johan Torgeby

President and Chief Executive Officer

Press conference and webcasts

The press conference at 9 am CET on 25 October 2017, at Kungsträdgårdsgatan 8 with the President and CEO Johan Torgeby can be followed live in Swedish on www.sebgroup.com/sv/ir. A simultaneous translation into English will be available on www.sebgroup.com/ir. A replay will be available afterwards.

Access to telephone conference

The telephone conference at 1.30 pm CET 25 October 2017 with the President and CEO, Johan Torgeby, the CFO Jan Erik Back and the Head of Investor Relations, Jonas Söderberg, can be accessed by telephone, +44(0)20 7162 0077. Please quote conference id: 962712 and call at least 10 minutes in advance. A replay of the conference call will be available on www.sebgroup.com/ir.

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www.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 www.sebgroup.com/ir.

Financial information calendar 2018

31 January	Annual Accounts 2017	The silent period starts 10 January
6 March	Annual Report 2017 published on sebgroup.com	
26 March	Annual General Meeting	
30 April	Interim Report January-March	The silent period starts 10 April
17 July	Interim Report January-June	The silent period starts 7 July
25 October	Interim Report January-September	The silent period starts 8 October

The financial information calendar for 2019 will be published in conjunction with the Interim Report for January-September 2018.

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 2017 there are clarifications of several IFRS standards. *IAS 12 Income Taxes* has been amended regarding recognition of deferred tax assets for unrealised losses. *IAS 7 Statements of Cash Flows* has been amended and *IFRS 12 Disclosure of Interests in Other Entities* has been clarified. These amendments were applicable as of 1 January 2017, but have not yet been endorsed by the EU. The changes will not have 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 2016 Annual Report.

Review report

We have reviewed this interim report for the period 1 January 2017 to 30 September 2017 for Skandinaviska Enskilda Banken AB (publ.). The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, 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.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit institutions and Securities Companies regarding the Group, and with the Swedish Annual Accounts Act for Credit institutions and Securities Companies, regarding the Parent Company.

Stockholm 25 October 2017

PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant
Partner in charge

Martin By
Authorised Public Accountant

The SEB Group

Income statement – SEB Group

SEK m	Q3		Q2		Q3		Jan–Sep			Full year
	2017	2017	%	2016	%	2017	2016	%	2016	
Net interest income	5 080	4 913	3	4 657	9	14 709	13 940	6	18 738	
Net fee and commission income	4 026	4 691	-14	4 048	-1	12 985	12 019	8	16 628	
Net financial income	1 726	1 461	18	1 915	-10	5 249	5 018	5	7 056	
Net other income	308	341	-10	175	76	807	1 176	-31	1 349	
Total operating income	11 141	11 405	-2	10 795	3	33 750	32 153	5	43 771	
Staff costs	-3 378	-3 533	-4	-3 530	-4	-10 502	-10 788	-3	-14 562	
Other expenses	-1 719	-1 741	-1	-1 624	6	-5 117	-4 976	3	-6 703	
Depreciation, amortisation and impairment of tangible and intangible assets ¹⁾	-325	-199	64	-201	62	-713	-6 288	-89	-6 496	
Total operating expenses	-5 423	-5 473	-1	-5 355	1	-16 331	-22 052	-26	-27 761	
Profit before credit losses	5 719	5 933	-4	5 440	5	17 419	10 101	72	16 010	
Gains less losses from tangible and intangible assets	-54	-37	46	-14		-126	-83	51	-150	
Net credit losses	-284	-214	32	-197	44	-703	-709	-1	-993	
Operating profit	5 380	5 681	-5	5 229	3	16 590	9 309	78	14 867	
Income tax expense	-1 138	-1 153	-1	-1 080	5	-3 530	-2 935	20	-4 249	
Net profit	4 243	4 528	-6	4 149	2	13 061	6 374	105	10 618	

1) First quarter 2016: SEB implemented a new customer-oriented organisation. The reorganisation resulted in a new structure of cash generating units and an impairment of goodwill in the amount of SEK 5,334m.

Attributable to shareholders	4 243	4 528	-6	4 149	2	13 061	6 374		10 618
Basic earnings per share, SEK	1.96	2.09		1.91		6.02	2.92		4.88
Diluted earnings per share, SEK	1.95	2.08		1.90		6.00	2.91		4.85

Statement of comprehensive income – SEB Group

SEK m	Q3		Q2		Q3		Jan–Sep			Full year
	2017	2017	%	2016	%	2017	2016	%	2016	
Net profit	4 243	4 528	-6	4 149	2	13 061	6 374	105	10 618	
<i>Items that may subsequently be reclassified to the income statement:</i>										
Available-for-sale financial assets	-84	-127	-33	-13		-180	1 081		990	
Cash flow hedges	-286	-308	-7	-312	-8	-946	-338	180	-811	
Translation of foreign operations	30	36	-17	392	-92	67	844	-92	750	
<i>Items that will not be reclassified to the income statement:</i>										
Defined benefit plans	266	-86		-781		1 710	-3 758		-1 875	
Other comprehensive income (net of tax)	-75	-485	-85	-714	-90	652	-2 171		-946	
Total comprehensive income	4 168	4 043	3	3 435	21	13 712	4 203		9 672	
Attributable to shareholders	4 168	4 043	3	3 435	21	13 712	4 203		9 672	

Balance sheet – SEB Group

SEK m	30 Sep 2017	31 Dec 2016	30 Sep 2016
Cash and cash balances with central banks	413 960	151 078	262 866
Other lending to central banks	22 274	66 730	33 039
Loans to credit institutions ¹⁾	65 496	50 527	103 550
Loans to the public	1 536 710	1 453 019	1 497 011
Financial assets at fair value through profit or loss ²⁾	774 874	785 026	818 060
Fair value changes of hedged items in a portfolio hedge	68	111	156
Available-for-sale financial assets ²⁾	30 585	35 747	36 090
Assets held for sale	323	587	451
Investments in subsidiaries and associates	1 209	1 238	1 131
Tangible and intangible assets	19 668	20 158	20 398
Other assets	68 163	56 425	78 211
Total assets	2 933 330	2 620 646	2 850 963
Deposits from central banks and credit institutions ³⁾	161 831	119 864	193 520
Deposits and borrowing from the public ³⁾	1 226 234	962 028	1 039 239
Liabilities to policyholders	423 962	403 831	395 946
Debt securities issued	659 457	668 880	705 079
Financial liabilities at fair value through profit or loss	191 441	213 496	252 595
Fair value changes of hedged items in a portfolio hedge	1 284	1 537	1 772
Other liabilities	87 326	67 082	91 711
Provisions	1 812	2 233	2 915
Subordinated liabilities	37 414	40 719	32 708
Total equity	142 568	140 976	135 478
Total liabilities and equity	2 933 330	2 620 646	2 850 963
1) Loans to credit institutions and liquidity placements with other direct participants in interbank fund transfer systems.			
2) Whereof bonds and other interest bearing securities.	260 676	252 421	278 361
3) Deposits covered by deposit guarantees.	285 446	252 815	216 110

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

Pledged assets, contingent liabilities and commitments – SEB Group

SEK m	30 Sep 2017	31 Dec 2016	30 Sep 2016
Pledged assets for own liabilities ¹⁾	434 401	478 998	519 537
Pledged assets for liabilities to insurance policyholders	423 962	403 831	395 946
Other pledged assets ²⁾	155 562	154 518	169 606
Pledged assets	1 013 925	1 037 347	1 085 089
Contingent liabilities ³⁾	116 729	120 231	113 338
Commitments	605 335	655 350	704 741
Contingent liabilities and commitments	722 064	775 581	818 079

1) Of which collateralised for covered bonds SEK 346,635m (346,585/346,077).

2) Of which securities lending SEK 73,829m (61,498/90,600) and pledged but unencumbered bonds SEK 62,135m (80,718/67,379).

3) Of which credit guarantees SEK 9,916m (14,309/12,765).

Key figures – SEB Group

	Q3	Q2	Q3	Jan–Sep		Full year
	2017	2017	2016	2017	2016	2016
Return on equity, %	12.13	13.22	12.34	12.46	6.28	7.80
Return on equity excluding items affecting comparability ¹⁾ , %	12.13	12.73	11.79	12.41	11.16	11.30
Return on total assets, %	0.59	0.62	0.58	0.61	0.30	0.37
Return on risk exposure amount, %	2.76	2.94	2.79	2.84	1.47	1.80
Cost/income ratio	0.49	0.48	0.50	0.48	0.69	0.63
Cost/income ratio excluding items affecting comparability ¹⁾	0.49	0.48	0.50	0.48	0.51	0.50
Basic earnings per share, SEK	1.96	2.09	1.91	6.02	2.92	4.88
Weighted average number of shares ²⁾ , millions	2 168	2 168	2 168	2 168	2 181	2 178
Diluted earnings per share, SEK	1.95	2.08	1.90	6.00	2.91	4.85
Weighted average number of diluted shares ³⁾ ,	2 179	2 178	2 178	2 178	2 191	2 188
Net worth per share, SEK	73.91	71.96	70.26	73.91	70.26	73.00
Equity per share, SEK	65.80	63.87	62.47	65.80	62.47	65.00
Average shareholders' equity, SEK, billion	139.9	137.0	134.5	139.8	135.3	136.2
Credit loss level, %	0.07	0.06	0.05	0.06	0.07	0.07
Liquidity Coverage Ratio (LCR) ⁴⁾ , %	120	120	135	120	135	168
<u>Own funds requirement, Basel III</u>						
Risk exposure amount, SEK m	614 619	616 523	603 140	614 619	603 140	609 959
Expressed as own funds requirement, SEK m	49 169	49 322	48 251	49 169	48 251	48 797
Common Equity Tier 1 capital ratio, %	19.2	18.9	18.6	19.2	18.6	18.8
Tier 1 capital ratio, %	21.5	22.1	20.9	21.5	20.9	21.2
Total capital ratio, %	24.0	25.7	23.3	24.0	23.3	24.8
Leverage ratio, %	4.7	5.0	4.4	4.7	4.4	5.1
Number of full time equivalents ⁵⁾	14 752	14 988	15 101	14 957	15 327	15 279
Assets under custody, SEK bn	7 801	7 679	6 637	7 801	6 637	6 859
Assets under management ⁶⁾ , SEK bn	1 850	1 835	1 722	1 850	1 758	1 749

1) Impairment of goodwill and restructuring effects in Q1 2016. Sale of shares in VISA Europe in the Baltic region in Q2 2016.

2) The number of issued shares was 2,194,171,802. SEB owned 25,177,693 Class A shares for the equity based programmes at year-end 2016. During 2017 SEB has purchased 6,986,000 shares and 4,795,749 shares have been sold. Thus, at 30 September 2017 SEB owned 27,367,944 Class A-shares with a market value of SEK 2,937m.

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

4) According to Swedish FSA regulations for respective period.

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

6) Adjusted definition implemented Q1 2017, comparatives 2016 calculated pro forma.

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

Income statement on quarterly basis - SEB Group

SEK m	Q3	Q2	Q1	Q4	Q3
	2017	2017	2017	2016	2016
Net interest income	5 080	4 913	4 716	4 798	4 657
Net fee and commission income	4 026	4 691	4 268	4 609	4 048
Net financial income	1 726	1 461	2 063	2 038	1 915
Net other income	308	341	157	173	175
Total operating income	11 141	11 405	11 204	11 618	10 795
Staff costs	-3 378	-3 533	-3 590	-3 774	-3 530
Other expenses	-1 719	-1 741	-1 657	-1 727	-1 624
Depreciation, amortisation and impairment of tangible and intangible assets	- 325	- 199	- 189	- 208	- 201
Total operating expenses	-5 423	-5 473	-5 436	-5 709	-5 355
Profit before credit losses	5 719	5 933	5 767	5 909	5 440
Gains less losses from tangible and intangible assets	- 54	- 37	- 34	- 67	- 14
Net credit losses	- 284	- 214	- 204	- 284	- 197
Operating profit	5 380	5 681	5 529	5 558	5 229
Income tax expense	-1 138	-1 153	-1 239	-1 314	-1 080
Net profit	4 243	4 528	4 290	4 244	4 149
Attributable to shareholders	4 243	4 528	4 290	4 244	4 149
Basic earnings per share, SEK	1.96	2.09	1.98	1.96	1.91
Diluted earnings per share, SEK	1.95	2.08	1.97	1.95	1.90

Income statement by division – SEB Group

Jan-Sep 2017, SEK m	Large Corporates & Financial Institutions		Corporate & Private Customers	Life & Investment Management		Other ¹⁾	Eliminations	SEB Group
	Net interest income	6 072	7 122	1 732	- 66	- 189	38	14 709
Net fee and commission income	4 617	4 206	965	3 212	18	- 32	12 985	
Net financial income	2 599	328	171	1 270	845	36	5 249	
Net other income	368	64	- 7	12	377	- 8	807	
Total operating income	13 656	11 720	2 862	4 429	1 051	33	33 750	
Staff costs	-2 902	-2 471	- 538	-1 159	-3 458	26	-10 502	
Other expenses	-3 781	-2 855	- 747	- 699	3 024	- 59	-5 117	
Depreciation, amortisation and impairment of tangible and intangible assets	- 43	- 43	- 44	- 28	- 555		- 713	
Total operating expenses	-6 727	-5 370	-1 328	-1 885	- 989	- 33	-16 331	
Profit before credit losses	6 929	6 350	1 533	2 544	62	0	17 419	
Gains less losses from tangible and intangible assets	1		- 127				- 126	
Net credit losses	- 509	- 216	19		3		- 703	
Operating profit	6 421	6 134	1 425	2 544	66	0	16 590	

1) Other consists of business support units, treasury and staff units.

Large Corporates & Financial Institutions

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

Income statement

SEK m	Q3			Q2			Q3			Jan — Sep			Full year
	2017	2017	%	2016	%	2017	2016	%	2017	2016	%	2016	
Net interest income	1 971	2 057	-4	1 935	2	6 072	6 105	-1	8 307				
Net fee and commission income	1 306	1 781	-27	1 444	-10	4 617	4 405	5	6 095				
Net financial income	913	729	25	1 050	-13	2 599	2 968	-12	4 187				
Net other income	137	199	-31	58	136	368	252	46	389				
Total operating income	4 327	4 766	-9	4 487	-4	13 656	13 730	-1	18 978				
Staff costs	-951	-932	2	-1 000	-5	-2 902	-3 030	-4	-4 062				
Other expenses	-1 242	-1 294	-4	-1 242	0	-3 781	-3 872	-2	-5 080				
Depreciation, amortisation and impairment of tangible and intangible assets	-15	-15	-3	-8	86	-43	-129	-66	-140				
Total operating expenses	-2 208	-2 241	-1	-2 250	-2	-6 727	-7 031	-4	-9 282				
Profit before credit losses	2 119	2 525	-16	2 237	-5	6 929	6 699	3	9 696				
Gains less losses from tangible and intangible assets						1	1	5					
Net credit losses	-210	-155	35	-103	104	-509	-363	40	-563				
Operating profit	1 910	2 370	-19	2 134	-11	6 421	6 337	1	9 133				
Cost/Income ratio	0.51	0.47		0.50		0.49	0.51		0.49				
Business equity, SEK bn	66.0	66.2		62.8		66.1	61.6		62.4				
Return on business equity, %	8.7	10.7		10.5		9.7	10.6		11.3				
Number of full time equivalents ¹⁾	2 031	2 050		2 073		2 055	2 152		2 134				

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

- Customers continued to take advantage of favourable financing conditions, but in historically low volatility markets
- Pilot launch of new fund trading platform based on blockchain technology
- Operating profit amounted to SEK 6,421m and return on business equity was 9.7 per cent

Comments on the first nine months

An increasingly positive and predictable macro-economic outlook in Europe combined with favourable capital markets and an abundance of liquidity contributed to improving business sentiment.

The *Large Corporates* segment was active with customers taking advantage of low interest rates and attractive conditions in the capital markets for refinancing. Demand for traditional bank lending remained subdued although demand from private equity companies was stronger as this segment continued to raise new funds often with a focus on infrastructure investments. Equity capital markets activity was strong in the Nordic region with initial public offerings of start-up companies as well as mature companies returning to the public markets.

Financial Institution clients continued to search for higher yielding investments, while preparing for the potential tightening of monetary conditions by central banks. Despite geopolitical tension, volatility remained low, reducing demand for hedging services. Regulatory

reform, including implementation of MiFID II and EMIR, were increasingly in focus. Assets under custody amounted to SEK 7,801bn (6,859).

The division continued to invest in new technology and services. New functionality was added to the global custody platform, Investor World. In the third quarter SEB initiated a project with Nasdaq to test a new fund trading platform based on blockchain technology.

Operating income was stable at SEK 13,656m (13,730). Net interest income was in line with last year despite higher resolution fund fees. Net fee and commission income increased, primarily driven by capital markets activities, but was negatively affected by lower activity during the summer. Net financial income was lower, a consequence of historically low volatility that left investors in a wait-and-see mode. Operating expenses, excluding items affecting comparability in 2016, continued to be stable. Net credit losses were SEK 509m, equivalent to a credit loss level of 10 basis points.

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	Q3		Q2		Q3		Jan—Sep			Full year
	2017	2017	%	2016	%	2017	2016	%	2016	
Net interest income	2 415	2 376	2	2 222	9	7 122	6 651	7	8 982	
Net fee and commission income	1 342	1 472	-9	1 348	0	4 206	3 989	5	5 414	
Net financial income	98	122	-20	95	3	328	283	16	394	
Net other income	35	15	138	9		64	36	78	55	
Total operating income	3 890	3 985	-2	3 674	6	11 720	10 959	7	14 845	
Staff costs	-804	-814	-1	-817	-2	-2 471	-2 489	-1	-3 339	
Other expenses	-944	-985	-4	-892	6	-2 855	-2 704	6	-3 713	
Depreciation, amortisation and impairment of tangible and intangible assets	-14	-14	-3	-18	-23	-43	-51	-15	-69	
Total operating expenses	-1 762	-1 813	-3	-1 727	2	-5 370	-5 244	2	-7 121	
Profit before credit losses	2 128	2 171	-2	1 947	9	6 350	5 715	11	7 724	
Gains less losses from tangible and intangible assets										
Net credit losses	-86	-48	78	-84	3	-216	-313	-31	-376	
Operating profit	2 042	2 123	-4	1 863	10	6 134	5 402	14	7 348	
Cost/Income ratio	0.45	0.46		0.47		0.46	0.48		0.48	
Business equity, SEK bn	40.4	41.1		37.7		40.6	36.9		37.3	
Return on business equity, %	15.2	15.5		15.2		15.1	15.0		15.2	
Number of full time equivalents ¹⁾	3 485	3 549		3 608		3 533	3 699		3 667	

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

- Modest growth in both household and corporate lending portfolios
- SEB entered into a partnership with the Swedish fintech company Capcito, facilitating SME financing
- Operating profit amounted to SEK 6,134m and return on business equity was 15.1 per cent

Comments on the first nine months

Customer activity remained high, mainly driven by increased interaction in digital channels and via the contact centre. Mobile interactions reached another all-time high for both the private and corporate customer segments.

In the *private segment*, 14,100 private customers have been onboarded digitally since the service was launched in March. Household mortgage lending reached SEK 464bn (449*), partly due to an enhanced digital mortgage application service. In the *corporate segment*, the demand for financing continued to grow and total volumes amounted to SEK 219bn (210*). The number of full-service corporate customers reached 173,800 (168,200). SEB entered into a partnership with the Swedish fintech company, Capcito. Based on online information about corporate customers' cash flow and accounts receivable, fast working capital financing is provided – via SEB – all digitally. On the savings side, assets under management increased as a result of positive asset price development and new

inflows. Customers increasingly demanded higher risk savings while total deposit volumes remained stable at SEK 371bn (371).

Operating profit increased by 14 per cent to SEK 6,134m year-on-year. Net interest income increased to SEK 7,122m and net fee and commission income amounted to SEK 4,206m. Operating expenses increased by 2 per cent to SEK 5,370m whereas credit losses decreased to SEK 216m, corresponding to a credit loss level of 4 basis points.

The annual EPSI (SKI) survey on bank customer satisfaction was published in October. The main finding was a continued industry-wide negative trend in customer satisfaction, in which SEB maintained its second place ranking among peers within the corporate and private segments.

* The real estate loan portfolio for the customer segment sole traders was reclassified in the division. As a result, the year-end reported corporate lending of SEK 224bn was adjusted to SEK 210bn and similarly the year-end reported mortgage balance of SEK 433bn was adjusted to SEK 449bn. The reclassification was already reflected on group level.

Baltic

The division provides full banking and advisory services to private individuals and small and medium-sized corporate customers in Estonia, Latvia and Lithuania. The Baltic real estate holding companies (RHC) are part of the division.

Income statement (excl. RHC)

SEK m	Q3		Q2		Q3		Jan — Sep			Full year
	2017	2017	%	2016	%	2017	2016	%	2016	
Net interest income	603	578	4	545	11	1 733	1 562	11	2 150	
Net fee and commission income	334	325	3	298	12	965	846	14	1 171	
Net financial income	56	53	5	75	-26	171	180	-5	218	
Net other income	-1	-1	45	3		2	4	-55	-1	
Total operating income	992	956	4	921	8	2 871	2 592	11	3 538	
Staff costs	-171	-179	-4	-177	-3	-528	-537	-2	-734	
Other expenses	-250	-247	2	-237	6	-742	-785	-6	-1 016	
Depreciation, amortisation and impairment of tangible and intangible assets	-13	-16	-19	-13	2	-43	-39	10	-62	
Total operating expenses	-435	-442	-2	-427	2	-1 312	-1 361	-4	-1 812	
Profit before credit losses	557	513	8	494	13	1 559	1 231	27	1 726	
Gains less losses from tangible and intangible assets	-7	1		4		-5	8		9	
Net credit losses	11	-11		-13		19	-35		-57	
Operating profit	561	504	11	485	16	1 573	1 204	31	1 678	
Cost/Income ratio	0.44	0.46		0.46		0.46	0.53		0.51	
Business equity, SEK bn	7.9	7.7		7.7		7.8	7.6		7.6	
Return on business equity, %	25.0	22.9		22.1		23.8	18.6		19.3	
Number of full time equivalents ¹⁾	2 405	2 403		2 520		2 409	2 549		2 534	

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

Baltic Division (incl. RHC)

Operating profit	507	453	12	449	13	1 425	1 065	34	1 451
Cost/Income ratio	0.44	0.47		0.48		0.46	0.54		0.53
Business equity, SEK bn	8.0	7.9		8.0		7.9	7.9		7.9
Return on business equity, %	22.3	20.2		19.9		21.2	15.9		16.2
Number of full time equivalents ¹⁾	2 430	2 430		2 552		2 436	2 582		2 565

- Continued growth in all three Baltic countries
- Digital solutions that enhance customer experience were increasingly utilised
- Operating profit amounted to SEK 1,573m and return on business equity was 23.8 per cent

Comments on the first nine months

The strong underlying sentiment was supported by improving growth in main export countries, healthy investment levels and private consumption levels. Real household income continued to increase due to falling unemployment and real pay increases. There was strong rebound of GDP growth in all countries and expectations going forward are favourable.

SEB launched the Financial Advisory Tool in Latvia thus providing the offering in all Baltic countries. More than 1,200 entrepreneurs have visited the Innovation Lab in Tallinn after the launch in the second quarter. E-Academy, with educational videos, training and test modules for start-up businesses and entrepreneurs, was launched in Latvia and is now running in all Baltic countries. The total number of home banking customers was 1,013,000 (1,003,000).

SEB's digitalised its Baltic financial literacy initiative and designed a 10-lectures based e-course for

schools addressing topics like innovation, investments, credits, career and entrepreneurship.

Loan volumes amounted to SEK 125bn (118) with an increase in all countries. Deposits were stable at SEK 107bn (106). Net interest income increased by 11 per cent year-on-year, due to increased volumes, higher margins on new lending and lower regulatory fees. Net fee and commission income was 14 per cent higher year-on-year as a result of overall increased customer activity in card usage and payments. Asset quality continued to be strong with risk focus on portfolio growth. The operating profit was 31 per cent higher year-on-year, also including an item that affected comparison in the first quarter 2016 (page 5).

The real estate holding companies (RHC) held assets with a total book value of SEK 410m (837).

Life & Investment Management

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

Income statement

SEK m	Q3		Q2		Q3		Jan — Sep			Full year
	2017	2017	%	2016	%	2017	2016	%	2016	
Net interest income	-24	-23	5	-14	72	-66	-43	53	-60	
Net fee and commission income	1 053	1 116	-6	982	7	3 212	2 830	14	4 059	
Net financial income	481	425	13	441	9	1 270	1 280	-1	1 764	
Net other income		-2		11		12	65	-81	-17	
Total operating income	1 509	1 517	0	1 420	6	4 429	4 132	7	5 746	
Staff costs	-383	-394	-3	-367	4	-1 159	-1 145	1	-1 560	
Other expenses	-243	-235	3	-251	-3	-699	-741	-6	-984	
Depreciation, amortisation and impairment of tangible and intangible assets	-10	-9	11	-11	-10	-28	-35	-21	-45	
Total operating expenses	-636	-639	0	-629	1	-1 885	-1 921	-2	-2 589	
Profit before credit losses	874	878	-1	791	10	2 544	2 211	15	3 157	
Gains less losses from tangible and intangible assets										
Net credit losses										
Operating profit	874	878	-1	791	10	2 544	2 211	15	3 157	
Cost/Income ratio	0.42	0.42		0.44		0.43	0.46		0.45	
Business equity, SEK bn	11.0	11.0		11.7		11.0	11.6		11.6	
Return on business equity, %	27.4	27.4		23.3		26.5	21.9		23.5	
Number of full time equivalents ¹⁾	1 451	1 482		1 465		1 475	1 463		1 468	

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

- Increased demand for both corporate and private insurance solutions
- Customers continued to demand sustainability focused fund products
- Operating profit amounted to SEK 2,544m and return on business equity was 26.5 per cent

Comments on the first nine months

The demand for insurance solutions is increasing. Companies demand a full range of products for their employees including insurance, pension products and a full-service bank offering. For private individuals, insurance and pensions are still complex issues. SEB continued to support customers and share knowledge, for instance through the remote advisory centre which offers a combination of personal advice using the latest technology. During the year the number of remote advisory service sessions increased.

Life: The total pension market in Sweden, as measured per 30 June, increased by 14 per cent over the last 12 months. SEB reached SEK 21bn in annual new sales at the same time, and in tough competition SEB's market share was 9.4 per cent (9.6 one year ago).

In Denmark, the well diversified investments portfolios with a balanced share of less liquid investments resulted in strong performance.

In the Baltic region, a newly launched private risk insurance solution was well-received by the customers in the third quarter.

Investment Management: The work of further incorporating sustainability in the fund management continues in line with customers' increasing demand for products with sustainability focus. SEB Hållbarhetsfond Sverige has, as one of the first funds, been certified by the official Nordic Swan Ecolabel. In the annual assessment by PRI (Principles for Responsible Investment) on progress in sustainable investments, the highest score A+ was received for the second year in a row.

For the division as a whole, net fee and commission income increased by 14 per cent due to higher values on assets under management during the year. Expenses decreased by 2 per cent, thereby improving operating profit by 15 per cent.

Total assets in the unit-linked insurance business increased by SEK 17bn to SEK 336bn from year-end.

The SEB Group

Net interest income – SEB Group

SEK m	Q3			Q2			Q3			Jan–Sep			Full year
	2017	2017	%	2016	%	2017	2016	%	2017	2016	%	2016	
Interest income	9 161	9 209	-1	8 701	5	27 288	26 342	4	35 202				
Interest expense	-4 080	-4 296	-5	-4 044	1	-12 579	-12 402	1	-16 464				
Net interest income	5 080	4 913	3	4 657	9	14 709	13 940	6	18 738				

Net fee and commission income – SEB Group

SEK m	Q3			Q2			Q3			Jan–Sep			Full year
	2017	2017	%	2016	%	2017	2016	%	2017	2016	%	2016	
Issue of securities and advisory	137	430	-68	208	-34	850	569	49	800				
Secondary market and derivatives	547	765	-29	745	-27	2 004	2 511	-20	3 353				
Custody and mutual funds	1 942	2 063	-6	1 811	7	5 830	5 314	10	7 264				
<i>Whereof performance and transaction fees</i>	<i>39</i>	<i>55</i>	<i>-29</i>	<i>21</i>	<i>86</i>	<i>132</i>	<i>63</i>	<i>110</i>	<i>275</i>				
Payments, cards, lending, deposits, guarantees and other	2 350	2 444	-4	2 251	4	7 147	6 844	4	9 430				
<i>Whereof payments and card fees</i>	<i>1 366</i>	<i>1 377</i>	<i>-1</i>	<i>1 310</i>	<i>4</i>	<i>4 031</i>	<i>3 847</i>	<i>5</i>	<i>5 203</i>				
<i>Whereof lending</i>	<i>519</i>	<i>581</i>	<i>-11</i>	<i>563</i>	<i>-8</i>	<i>1 653</i>	<i>1 804</i>	<i>-8</i>	<i>2 527</i>				
Life insurance commissions	424	432	-2	418	1	1 278	1 215	5	1 653				
Fee and commission income	5 400	6 135	-12	5 454	-1	17 109	16 453	4	22 500				
Fee and commission expense	-1 373	-1 444	-5	-1 385	-1	-4 124	-4 434	-7	-5 872				
Net fee and commission income	4 026	4 691	-14	4 069	-1	12 985	12 019	8	16 628				
<i>Whereof Net securities commissions</i>	<i>1 986</i>	<i>2 454</i>	<i>-19</i>	<i>2 072</i>	<i>-4</i>	<i>6 533</i>	<i>6 070</i>	<i>8</i>	<i>8 378</i>				
<i>Whereof Net payments and card fees</i>	<i>840</i>	<i>885</i>	<i>-5</i>	<i>821</i>	<i>2</i>	<i>2 546</i>	<i>2 416</i>	<i>5</i>	<i>3 263</i>				
<i>Whereof Net life insurance commissions</i>	<i>264</i>	<i>282</i>	<i>-7</i>	<i>268</i>	<i>-2</i>	<i>812</i>	<i>763</i>	<i>6</i>	<i>1 039</i>				

Net financial income – SEB Group

SEK m	Q3			Q2			Q3			Jan–Sep			Full year
	2017	2017	%	2016	%	2017	2016	%	2017	2016	%	2016	
Equity instruments and related derivatives	473	320	48	669	-29	1 441	717	101	1 173				
Debt securities and related derivatives	-7	-183	-96	-176	-96	-540	296		228				
Currency and related derivatives	740	868	-15	892	-17	2 974	2 585	15	3 699				
Other life insurance income, net	494	436	13	512	-3	1 308	1 370	-4	1 919				
Other	27	20	36	18	48	65	50	29	37				
Net financial income	1 726	1 461	18	1 915	-10	5 249	5 018	5	7 056				
<i>Whereof unrealized valuation changes from counterparty risk and own credit standing in derivatives and own issued securities.</i>	<i>291</i>	<i>-81</i>		<i>-84</i>		<i>149</i>	<i>-442</i>		<i>-219</i>				

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

For the third quarter the effect from structured products offered to the public was approximately SEK 205m (Q2 2017: 195, Q3 2016: 510) in Equity related derivatives and a corresponding effect in Debt related derivatives SEK -75m (Q2 2017: -95, Q3 2016: -395).

Net credit losses – SEB Group

SEK m	Q3		Q2		Q3		Jan–Sep			Full year
	2017	2017	%	2016	%	2017	2016	%	2016	
<i>Provisions:</i>										
Net collective provisions for individually assessed loans	172	178	-3	-196		217	-263		-218	
Net collective provisions for portfolio assessed loans	34	17	99	45	-25	19	152	-88	260	
Specific provisions	-469	-499	-6	-71		-1 324	-565	134	-734	
Reversal of specific provisions no longer required	64	259	-75	72	-12	727	264	175	338	
Net provisions for contingent liabilities	5	-8		59	-91	-4	41		43	
Net provisions	-195	-54		-91	114	-365	-371	-2	-311	
<i>Write-offs:</i>										
Total write-offs	-196	-375	-48	-370	-47	-739	-878	-16	-1 480	
Reversal of specific provisions utilized for write-offs	34	156	-78	186	-82	208	378	-45	584	
Write-offs not previously provided for	-162	-219	-26	-184		-531	-500	6	-896	
Recovered from previous write-offs	73	59	25	78	-6	193	162	19	214	
Net write-offs	-89	-161	-45	-106	-16	-338	-338	0	-682	
Net credit losses	-284	-214	32	-197	44	-703	-709	-1	-993	

Statement of changes in equity – SEB Group

SEK m	Other reserves ¹⁾					Retained earnings	Total Shareholders' equity	Minority interests	Total Equity
	Share capital	Available-for-sale financial assets	Cash flow hedges	Translation of foreign operations	Defined benefit plans				
Jan-Sep 2017									
Opening balance	21 942	1 638	2 399	-1 193	2 595	113 595	140 976		140 976
Net profit						13 061	13 061		13 061
Other comprehensive income (net of tax)		-180	-946	67	1 710		652		652
Total comprehensive income		-180	-946	67	1 710	13 061	13 712		13 712
Dividend to shareholders						-11 935	-11 935		-11 935
Equity-based programmes ³⁾						-349	-349		-349
Change in holdings of own shares						164	164		164
Closing balance	21 942	1 458	1 453	-1 126	4 305	114 536	142 568		142 568
Jan-Dec 2016									
Opening balance	21 942	648	3 210	-1 943	4 470	114 471	142 798		142 798
Change in valuation of insurance contracts ²⁾						-440	-440		-440
Adjusted opening balance	21 942	648	3 210	-1 943	4 470	114 031	142 358		142 358
Net profit						10 618	10 618		10 618
Other comprehensive income (net of tax)		990	-811	750	-1 875		-946		-946
Total comprehensive income		990	-811	750	-1 875	10 618	9 672		9 672
Dividend to shareholders						-11 504	-11 504		-11 504
Equity-based programmes ³⁾						433	433		433
Change in holdings of own shares						17	17		17
Closing balance	21 942	1 638	2 399	-1 193	2 595	113 595	140 976		140 976
Jan-Sep 2016									
Opening balance	21 942	648	3 210	-1 943	4 470	114 471	142 798		142 798
Change in valuation of insurance contracts ²⁾						-440	-440		-440
Adjusted opening balance	21 942	648	3 210	-1 943	4 470	114 031	142 358		142 358
Net profit						6 374	6 374		6 374
Other comprehensive income (net of tax)		1 081	-338	844	-3 758		-2 171		-2 171
Total comprehensive income		1 081	-338	844	-3 758	6 374	4 203		4 203
Dividend to shareholders						-11 504	-11 504		-11 504
Equity-based programmes ³⁾						267	267		267
Change in holdings of own shares						154	154		154
Closing balance	21 942	1 729	2 872	-1 099	712	109 322	135 478		135 478

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 the sale of Available for sale financial assets, dissolved Cash flow hedges or Translation of foreign operations when SEB ceases to consolidate a foreign operation. Amounts related to Defined benefit plans will not be reclassified to the income statement.

2) The valuation methodology of insurance contracts in Denmark has migrated towards the Solvency II principles and the effect on Group as of 1st of January 2016 is SEK -440m.

3) Number of shares owned by SEB:

	Jan-Sep 2017	Jan-Dec 2016	Jan-Sep 2016
Number of shares owned by SEB, million	2017	2016	2016
Opening balance	25,2	0,9	0,9
Repurchased shares for equity-based programmes	7,0	29,8	29,8
Sold/distributed shares	-4,8	-5,5	-4,4
Closing balance	27,4	25,2	26,3

Market value of shares owned by SEB, SEK m

	2 937	2 406	2 263
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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 – SEB Group

SEK m	Jan–Sep			Full year
	2017	2016	%	2016
Cash flow from operating activities	285 754	173 152	65	42 591
Cash flow from investment activities	266	858	- 69	852
Cash flow from financing activities	- 15 320	- 10 105	52	- 2 198
Net increase in cash and cash equivalents	270 700	163 905	65	41 245
Cash and cash equivalents at the beginning of year	158 315	110 770	43	110 770
Exchange rate differences on cash and cash equivalents	- 4 993	4 268		6 300
Net increase in cash and cash equivalents	270 700	163 905	65	41 245
Cash and cash equivalents at the end of period¹⁾	424 022	278 943	52	158 315

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.

Financial assets and liabilities – SEB Group

SEK m	30 Sep 2017		31 Dec 2016		30 Sep 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Loans	2 039 809	2 041 904	1 704 291	1 715 801	1 878 923	1 896 178
Equity instruments	85 440	85 440	74 173	74 173	78 370	78 370
Debt securities	265 950	266 132	253 443	253 653	276 928	277 121
Derivative instruments	156 248	156 248	212 355	212 355	226 566	226 566
Financial assets–policyholders bearing the risk	311 419	311 419	295 908	295 908	287 731	287 731
Other	33 543	33 543	38 942	38 942	60 181	60 181
Financial assets	2 892 409	2 894 686	2 579 112	2 590 832	2 808 699	2 826 147
Deposits	1 418 626	1 413 501	1 045 056	1 046 864	1 194 485	1 197 260
Equity instruments	13 127	13 127	10 071	10 071	13 465	13 465
Debt securities issued	729 504	731 382	755 984	768 613	811 023	829 995
Derivative instruments	127 585	127 585	174 651	174 651	186 971	186 971
Liabilities to policyholders–investment contracts	311 904	311 904	296 618	296 618	288 642	288 642
Other	44 746	44 746	60 297	60 297	81 237	81 237
Financial liabilities	2 645 492	2 642 245	2 342 677	2 357 114	2 575 823	2 597 570

SEB has aggregated 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 39 in the Annual Report 2016.

Assets and liabilities measured at fair value – SEB Group

SEK m	30 Sep 2017				31 Dec 2016			
	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								
Financial assets - policyholders bearing the risk	289 722	16 732	4 965	311 419	275 894	15 589	4 425	295 908
Equity instruments at fair value	59 857	13 603	12 672	86 132	50 331	13 215	11 101	74 647
Debt instruments at fair value	104 238	146 238	1 877	252 353	102 894	133 664	1 779	238 337
Derivative instruments at fair value	1 615	149 118	5 515	156 248	2 593	201 621	8 141	212 355
Investment properties	0	0	6 792	6 792			7 401	7 401
Assets held for sale	0	323	0	323		587		587
Total	455 432	326 014	31 821	813 267	431 712	364 676	32 847	829 235
Liabilities								
Liabilities to policyholders - investment contracts	289 888	17 082	4 934	311 904	276 666	15 542	4 410	296 618
Equity instruments at fair value	12 882	0	245	13 127	9 798	2	271	10 071
Debt instruments at fair value	24 608	34 772	0	59 380	7 027	33 514		40 541
Derivative instruments at fair value	1 328	123 040	3 217	127 585	2 808	168 207	3 636	174 651
Other financial liabilities	0	18 095	0	18 095		19 225		19 225
Total	328 706	192 989	8 396	530 091	296 299	236 490	8 317	541 106

Fair value measurement

The objective of 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 valuation process and 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 ASC (Accounting Standards 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. Risk Control 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.

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 counterparty. 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 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 2016. 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.

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 and 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.

Assets and liabilities measured at fair value – continued - SEB Group

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. No significant transfers or reclassifications have occurred during the first nine months of 2017.

	Closing balance		Gain/loss in Other comprehensive income	Purchases	Sales	Issues	Settlements	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Closing balance 30 Sep 2017
	31 Dec 2016	Gain/loss in Income statement									
Changes in level 3											
Assets											
Financial assets - policyholders bearing the risk	4 425	-10		4 265	-3 716				-40	41	4 965
Equity instruments at fair value	11 101	-354	136	3 462	-1 837			88		76	12 672
Debt instruments at fair value	1 779	5		190	-108					11	1 877
Derivative instruments at fair value	8 141	-2 732		61	-31		28			48	5 515
Investment properties	7 401	-31		549	-1 185					58	6 792
Total	32 847	-3 122	136	8 527	-6 877	0	28	88	-40	234	31 821
Liabilities											
Liabilities to policyholders - investment contracts	4 410	-10		4 236	-3 704				-40	42	4 934
Equity instruments at fair value	271	-16		-14	3					1	245
Debt instruments at fair value											
Derivative instruments at fair value	3 636	-851		274			137			21	3 217
Total	8 317	-877	0	4 496	-3 701	0	137	0	-40	64	8 396

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	30 Sep 2017				31 Dec 2016			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments ¹⁾²⁾⁴⁾	685	-960	-275	41	780	-940	-160	49
Equity instruments ³⁾⁶⁾	1 406	-244	1 162	233	1 441	-271	1 170	229
Insurance holdings - Financial instruments ⁴⁾⁵⁾⁷⁾	15 256	-2 337	12 919	1 610	18 477	-2 695	15 782	1 807
Insurance holdings - Investment properties ⁶⁾⁷⁾	6 792		6 792	679	7 401		7 401	740

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 per cent (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 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.

Financial assets and liabilities subject to offsetting or netting arrangements – SEB Group

SEK m	Financial assets and liabilities subject to offsetting or netting arrangements						Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
	Gross amounts	Offset	Net amounts in balance sheet	Related arrangements		Net amounts		
				Master netting arrangements	Collaterals received/pledged			
30 Sep 2017								
Derivatives	159 589	-4 469	155 120	-86 495	-46 118	22 507	1 129	156 249
Reversed repo receivables	142 087	-24 935	117 152	-34 260	-92 405	-9 513	825	117 977
Securities borrowing	22 601		22 601	-4 711	-17 882	8	18 451	41 052
Client receivables	3 402	-3 402					29 237	29 237
Assets	327 679	-32 806	294 873	-125 466	-156 405	13 002	49 642	344 515
Derivatives	131 323	-4 469	126 854	-86 495	-37 469	2 890	732	127 586
Repo payables	64 618	-24 935	39 683	-34 260	-5 286	137		39 683
Securities lending	20 565		20 565	-4 711	-8 424	7 430	3 163	23 728
Client payables	3 402	-3 402					23 063	23 063
Liabilities	219 908	-32 806	187 102	-125 466	-51 179	10 457	26 958	214 060
31 Dec 2016								
Derivatives	215 367	-4 447	210 920	-123 698	-34 841	52 381	1 435	212 355
Reversed repo receivables	99 828	-35 332	64 496	-682	-63 612	202	1	64 497
Securities borrowing	25 265		25 265	-7 616	-17 649		5 525	30 790
Client receivables	43	-42	1			1	5 861	5 862
Assets	340 503	-39 821	300 682	-131 996	-116 102	52 584	12 822	313 504
Derivatives	176 773	-4 447	172 326	-123 698	-31 547	17 081	2 325	174 651
Repo payables	36 926	-35 332	1 594	-682	-795	117		1 594
Securities lending	25 155		25 155	-7 616	-8 765	8 774	6	25 161
Client payables	42	-42					7 044	7 044
Liabilities	238 896	-39 821	199 075	-131 996	-41 107	25 972	9 375	208 450
30 Sep 2016								
Derivatives	229 381	-4 412	224 969	-128 112	-43 772	53 085	1 596	226 565
Reversed repo receivables	151 976	-17 490	134 486	-24 592	-109 734	160	1	134 487
Securities borrowing	56 269		56 269	-7 642	-48 627		7 305	63 574
Client receivables	4 425	-4 424	1			1	30 738	30 739
Assets	442 051	-26 326	415 725	-160 346	-202 133	53 246	39 640	455 365
Derivatives	190 185	-4 412	185 773	-128 112	-35 649	22 012	1 199	186 972
Repo payables	49 485	-17 490	31 995	-24 592	-7 403			31 995
Securities lending	44 751		44 751	-7 642	-30 744	6 365	8	44 759
Client payables	4 424	-4 424					30 164	30 164
Liabilities	288 845	-26 326	262 519	-160 346	-73 796	28 377	31 371	293 890

The table shows financial assets and liabilities that are presented net in the balance sheet or with potential rights to off-set associated with enforceable master netting arrangements or similar arrangements, together with related collateral.

Financial assets and liabilities are presented net in the balance sheet when SEB has legally enforceable rights to off-set, in the ordinary course of business and in the case of bankruptcy, and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Repos with central counterparty clearing houses that SEB has agreements with and client receivables and client payables are examples of instruments that are presented net in the balance sheet.

Financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements that are not presented net in the balance sheet are arrangements that are usually enforceable in the case of bankruptcy or default but not in the ordinary course of business or arrangements where SEB does not have the intention to settle the instruments simultaneously.

Assets and liabilities that are not subject to offsetting or netting arrangements, i.e. those that are only subject to collateral agreements, are presented as Other instruments in balance sheet not subject to netting arrangements.

Non-performing loans – SEB Group

	30 Sep	31 Dec	30 Sep
SEK m	2017	2016	2016
Individually assessed loans			
Impaired loans	4 897	5 037	4 634
Specific reserves	- 2 261	- 1 928	- 2 036
Collective reserves	- 1 321	- 1 539	- 1 586
Impaired loans net	1 315	1 570	1 012
Specific reserve ratio for individually assessed impaired loans	46.2%	38.3%	43.9%
Total reserve ratio for individually assessed impaired loans	73.2%	68.8%	78.2%
Net level of impaired loans	0.16%	0.21%	0.16%
Gross level of impaired loans	0.30%	0.33%	0.29%
Portfolio assessed loans			
Loans past due > 60 days	2 397	2 597	2 745
Restructured loans	12	9	131
Collective reserves for portfolio assessed loans	- 1 308	- 1 322	- 1 437
Reserve ratio for portfolio assessed loans	54.3%	50.7%	50.0%
Non-performing loans¹⁾			
Non-performing loans	7 305	7 643	7 510
NPL coverage ratio	67.6%	63.2%	68.0%
NPL per cent of lending	0.45%	0.51%	0.47%

1) Consists of impaired loans, portfolio assessed loans past due more than 60 days and restructured portfolio assessed loans.

Reserves

Specific reserves	- 2 261	- 1 928	- 2 036
Collective reserves	- 2 629	- 2 861	- 3 023
Reserves for off-balance sheet items	- 48	- 44	- 47
Total reserves	- 4 938	- 4 833	- 5 106

Seized assets – SEB Group

	30 Sep	31 Dec	30 Sep
SEK m	2017	2016	2016
Properties, vehicles and equipment	259	417	874
Shares	43	46	44
Total seized assets	302	463	918

Assets and liabilities held for sale – SEB Group

	30 Sep	31 Dec	30 Sep
SEK m	2017	2016	2016
Other assets	323	587	451
Total assets held for sale	323	587	451
Other liabilities			
Total liabilities held for sale	0	0	0

The Baltic division has a divestment plan for investment properties. Through the continuation of the plan, additional properties were reclassified as assets held for sale until the derecognition at concluded sales agreement. The net amount of these activities during the third quarter was SEK -53m.

SEB consolidated situation

Capital adequacy analysis for SEB consolidated situation

SEK m	30 Sep 2017	31 Dec 2016	30 Sep 2016
Own funds			
Common Equity Tier 1 capital	117 978	114 419	112 064
Tier 1 capital	131 877	129 157	126 324
Total own funds	147 270	151 491	140 753
Own funds requirement			
Risk exposure amount	614 619	609 959	603 140
Expressed as own funds requirement	49 169	48 797	48 251
Common Equity Tier 1 capital ratio	19.2%	18.8%	18.6%
Tier 1 capital ratio	21.5%	21.2%	20.9%
Total capital ratio	24.0%	24.8%	23.3%
Own funds in relation to own funds requirement	3.00	3.10	2.92
Regulatory Common Equity Tier 1 capital requirement including buffer	10.9%	10.7%	10.7%
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	0.9%	0.7%	0.7%
Common Equity Tier 1 capital available to meet buffer ¹⁾	14.7%	14.3%	14.1%
Transitional floor 80% of capital requirement according to Basel I			
Minimum floor own funds requirement according to Basel I	87 626	86 884	85 621
Own funds according to Basel I	148 173	151 814	140 740
Own funds in relation to own funds requirement Basel I	1.69	1.75	1.64
Leverage ratio			
Exposure measure for leverage ratio calculation	2 819 403	2 549 149	2 851 319
of which on balance sheet items	2 432 288	2 120 587	2 402 066
of which off balance sheet items	387 115	428 562	449 253
Leverage ratio	4.7%	5.1%	4.4%

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%.

Internally assessed capital requirement

As per 30 September 2017, the internally assessed capital requirement including insurance risk amounted to SEK 63bn (63). 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 Swedish Financial Supervisory Authority due to differences in assumptions and methodologies.

Own funds for SEB consolidated situation

SEK m	30 Sep 2017	31 Dec 2016	30 Sep 2016
Shareholders equity according to balance sheet ¹⁾	142 568	140 976	135 480
Deductions related to the consolidated situation and other foreseeable charges	-11 912	-14 303	-11 255
Common Equity Tier 1 capital before regulatory adjustments ²⁾	130 656	126 673	124 225
Additional value adjustments	-706	-1 169	-1 425
Intangible assets	-7 001	-6 835	-6 804
Deferred tax assets that rely on future profitability	-105	-208	-490
Fair value reserves related to gains or losses on cash flow hedges	-1 454	-2 400	-2 874
Negative amounts resulting from the calculation of expected loss amounts	-1 017	-381	-146
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	114	-115	-68
Defined-benefit pension fund assets	-2 269	-920	-144
Direct and indirect holdings of own CET1 instruments	-215	-191	-172
Securitisation positions with 1,250% risk weight	-27	-35	-37
Total regulatory adjustments to Common Equity Tier 1	-12 679	-12 254	-12 160
Common Equity Tier 1 capital	117 978	114 419	112 064
Additional Tier 1 instruments	13 900	9 959	9 447
Grandfathered additional Tier 1 instruments		4 779	4 813
Tier 1 capital	131 877	129 157	126 324
Tier 2 instruments	17 853	24 851	16 845
Net provisioning amount for IRB-reported exposures	115	58	158
Holdings of Tier 2 instruments in financial sector entities	-2 575	-2 575	-2 575
Tier 2 capital	15 393	22 334	14 428
Total own funds	147 270	151 491	140 753

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).

Risk exposure amount for SEB consolidated situation

SEK m	30 Sep 2017		31 Dec 2016		30 Sep 2016	
	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	10 620	850				
Exposures to institutions	29 833	2 387	26 254	2 100	25 408	2 033
Exposures to corporates	328 940	26 315	335 413	26 833	335 910	26 873
Retail exposures	57 526	4 602	55 617	4 449	56 277	4 502
of which secured by immovable property	35 446	2 836	34 079	2 726	33 895	2 712
of which retail SME	4 534	363	4 723	378	5 079	406
of which other retail exposures	17 547	1 404	16 815	1 345	17 303	1 384
Securitisation positions	1 491	119	3 066	246	3 169	254
Total IRB approach	428 409	34 273	420 350	33 628	420 764	33 662
Credit risk standardised approach						
Exposures to central governments or central banks	946	76	1 801	144	1 431	114
Exposures to regional governments or local authorities			51	4	57	5
Exposures to public sector entities	7	1	29	2	7	1
Exposures to institutions	1 423	114	1 316	105	1 336	107
Exposures to corporates	18 087	1 447	16 422	1 314	16 265	1 301
Retail exposures	16 886	1 351	16 186	1 295	16 029	1 282
Exposures secured by mortgages on immovable property	3 450	276	3 803	304	3 896	312
Exposures in default	360	29	384	31	423	34
Exposures associated with particularly high risk	870	70	1 477	118	1 459	116
Securitisation positions	218	17	216	17	218	17
Exposures in the form of collective investment undertakings (CIU)	40	3	66	5	61	5
Equity exposures	1 657	133	2 119	170	2 009	161
Other items	6 844	548	8 880	711	6 153	492
Total standardised approach	50 789	4 063	52 750	4 220	49 344	3 947
Market risk						
Trading book exposures where internal models are applied	25 546	2 044	30 042	2 403	26 413	2 113
Trading book exposures applying standardised approaches	12 074	966	9 398	752	11 521	922
Foreign exchange rate risk	5 627	450	3 773	302	4 252	340
Total market risk	43 247	3 460	43 213	3 457	42 186	3 375
Other own funds requirements						
Operational risk advanced measurement approach	47 078	3 766	47 901	3 832	47 427	3 794
Settlement risk	0	0	0	0	0	0
Credit value adjustment	6 854	548	7 818	625	7 390	591
Investment in insurance business	16 633	1 331	16 633	1 331	16 633	1 331
Other exposures	5 932	475	6 547	524	5 365	429
Additional risk exposure amount ²⁾	15 677	1 254	14 747	1 180	14 031	1 122
Total other own funds requirements	92 174	7 374	93 646	7 492	90 846	7 267
Total	614 619	49 169	609 959	48 797	603 140	48 251

¹⁾ Own funds requirement 8% of risk exposure amount according to the Capital Requirements Regulation (EU).

²⁾ The Additional REA was established in 2015 in agreement with the SFSA as a measure of prudence. Capital Requirements Regulation (EU) No 575/2013 (CRR) Article 3.

Change in risk exposure amount (REA)

REA increased by SEK 5bn since year-end 2016, primarily driven by credit risk. The increase in credit volumes from year-end was partly offset by foreign exchange movements and improved asset quality. Also contributing to higher credit risk REA was SFSA's requirement in the second quarter that all Swedish IRB (internal ratings based) banks shall use the IRB approach for sovereigns and municipalities.

The Additional REA that was established in 2015 in agreement with the SFSA as a measure of prudence, increased by SEK 930m to SEK 15.7bn.

SEK bn	30 Sep 2017
Balance 31 Dec 2016	610
Asset size	11
Asset quality	-6
Foreign exchange movements	-7
Model updates, methodology & policy, other	8
Underlying market and operational risk changes	-2
Balance 30 Sep 2017	615

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-weight and can vary considerably in volume, thus making numbers less comparable.

IRB reported credit exposures (less repos and securities lending)	30 Sep 2017	31 Dec 2016	30 Sep 2016
Average risk-weight			
Exposures to central governments or central banks	1.9%		
Exposures to institutions	23.7%	25.1%	25.9%
Exposures to corporates	31.7%	31.4%	32.1%
Retail exposures	9.9%	9.9%	10.0%
of which secured by immovable property	6.9%	6.9%	6.9%
of which retail SME	80.8%	73.4%	74.4%
of which other retail exposures	28.7%	28.0%	28.2%
Securitisation positions	31.1%	50.6%	50.2%

Skandinaviska Enskilda Banken AB (publ.)

Income statement – Skandinaviska Enskilda Banken AB (publ.)

In accordance with FSA regulations	Q3			Q2		Q3		Jan–Sep			Full year
SEK m	2017	2017	%	2016	%	2017	2016	%	2016		
Interest income	8 170	8 264	-1	7 197	14	24 295	21 529	13	29 022		
Leasing income	1 375	1 379	0	1 350	2	4 099	4 066	1	5 443		
Interest expense	-4 427	-4 620	-4	-3 682	20	-13 439	-11 083	21	-15 223		
Dividends	1 018	2 792	-64	269		5 774	5 329	8	6 581		
Fee and commission income	2 750	3 276	-16	2 646	4	8 977	8 298	8	11 648		
Fee and commission expense	-576	-697	-17	-500	15	-1 947	-1 800	8	-2 805		
Net financial income	1 075	989	9	1 239	-13	3 531	3 183	11	4 642		
Other income	258	330	-22	167	54	833	556	50	817		
Total operating income	9 643	11 713	-18	8 686	11	32 123	30 078	7	40 125		
Administrative expenses	-3 350	-3 682	-9	-3 661	-9	-10 681	-11 130	-4	-15 039		
Depreciation, amortisation and impairment of tangible and intangible assets	-1 384	-1 346	3	-1 305	6	-4 045	-4 456	-9	-5 775		
Total operating expenses	-4 733	-5 028	-6	-4 966	-5	-14 726	-15 586	-6	-20 814		
Profit before credit losses	4 909	6 685	-27	3 720	32	17 397	14 492	20	19 311		
Net credit losses	-326	-189	73	-187	74	-587	-541	8	-789		
Impairment of financial assets ¹⁾	-54	-48	13	-120	-55	-149	-3 697	-96	-3 841		
Operating profit	4 529	6 448	-30	3 413	33	16 661	10 254	62	14 681		
Appropriations	355	360	-1	212	68	1 221	555	120	2 437		
Income tax expense	-935	-935	0	-562	66	-2 919	-1 675	74	-2 877		
Other taxes	0	4	-93			24	9	169	137		
Net profit	3 949	5 878	-33	3 063	29	14 986	9 143	64	14 378		

1) As a result of impairment of goodwill in SEB Group, impairment of shares in subsidiaries has affected the parent company in Q1 2016 with an amount of SEK 2,687m.

Statement of comprehensive income – Skandinaviska Enskilda Banken AB (publ.)

	Q3			Q2		Q3		Jan–Sep			Full year
SEK m	2017	2017	%	2016	%	2017	2016	%	2016		
Net profit	3 949	5 878	-33	3 063	29	14 986	9 143	64	14 378		
<i>Items that may subsequently be reclassified to the income statement:</i>											
Available-for-sale financial assets	-79	-115	-31			-119	1 114		1 130		
Cash flow hedges	-286	-309	-7	-312	-8	-946	-338	180	-811		
Translation of foreign operations	4	-27		36	-89	2	61	-97	25		
Other comprehensive income (net of tax)	-361	-451	-20	-276	31	-1 063	837		344		
Total comprehensive income	3 588	5 427	-34	2 787	29	13 923	9 980	40	14 722		

Balance sheet - Skandinaviska Enskilda Banken AB (publ.)

Condensed SEK m	30 Sep 2017	31 Dec 2016	30 Sep 2016
Cash and cash balances with central banks	396 122	70 671	227 651
Loans to credit institutions	199 492	287 059	247 666
Loans to the public	1 246 367	1 172 095	1 205 867
Financial assets at fair value	300 774	322 195	365 957
Available-for-sale financial assets	11 215	12 063	12 679
Investments in associates	1 024	1 025	894
Shares in subsidiaries	50 970	50 611	50 683
Tangible and intangible assets	37 322	37 186	39 196
Other assets	56 842	46 939	65 862
Total assets	2 300 128	1 999 844	2 216 455
Deposits from credit institutions	216 490	168 852	230 154
Deposits and borrowing from the public ¹⁾	1 041 225	782 584	858 334
Debt securities	655 539	664 186	698 900
Financial liabilities at fair value	156 991	172 678	202 895
Other liabilities	67 494	47 610	73 286
Provisions	95	80	92
Subordinated liabilities	37 414	40 719	32 708
Untaxed reserves	21 760	21 761	23 466
Total equity	103 120	101 374	96 620
Total liabilities, untaxed reserves and shareholders' equity	2 300 128	1 999 844	2 216 455
1) Private and SME deposits covered by deposit guarantee	185 697	177 381	114 191
Private and SME deposits not covered by deposit guarantee	116 087	127 507	143 708
All other deposits	739 441	477 696	600 435
Total deposits from the public	1 041 225	782 584	759 226

Pledged assets, contingent liabilities and commitments - Skandinaviska Enskilda Banken AB (publ.)

SEK m	30 Sep 2017	31 Dec 2016	30 Sep 2016
Pledged assets for own liabilities	403 240	392 227	420 085
Other pledged assets	132 138	152 317	139 827
Pledged assets	535 378	544 544	559 912
Contingent liabilities	97 169	97 642	90 926
Commitments	478 466	468 953	494 792
Contingent liabilities and commitments	575 635	566 595	585 718

Capital adequacy - Skandinaviska Enskilda Banken AB (publ.)

SEK m	30 Sep 2017	31 Dec 2016	30 Sep 2016
Own funds			
Common Equity Tier 1 capital	101 969	97 144	97 002
Tier 1 capital	115 868	111 882	111 262
Total own funds	131 147	134 384	126 058
Own funds requirement			
Risk exposure amount	505 428	515 826	502 672
Expressed as own funds requirement	40 434	41 266	40 214
Common Equity Tier 1 capital ratio	20.2%	18.8%	19.3%
Tier 1 capital ratio	22.9%	21.7%	22.1%
Total capital ratio	25.9%	26.1%	25.1%
Own funds in relation to capital requirement	3.24	3.26	3.13
Regulatory Common Equity Tier 1 capital requirement including buffers	8.2%	7.9%	7.9%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which countercyclical capital buffer requirement	1.2%	0.9%	0.9%
Common Equity Tier 1 capital available to meet buffers ¹⁾	15.7%	14.3%	14.8%

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%.

The internally assessed capital requirement for the parent company amounted to SEK 60bn (60).

Definitions - Alternative Performance Measures*

Items affecting comparability

To facilitate the comparison of SEB's 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 separately described, e.g. impairment of goodwill, restructuring, net profit from divestments and other income or costs that are not recurring.

Operating profit

Total profit before tax.

Return on equity

Net profit attributable to shareholders in relation to average¹⁾ 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 average¹⁾ shareholders' equity.

Return on business equity

Operating profit by division, reduced by a standard tax rate, in relation to the divisions' average¹⁾ business equity (allocated capital).

Return on total assets

Net profit attributable to shareholders, in relation to average¹⁾ total assets.

Return on risk exposure amount

Net profit attributable to shareholders in relation to average¹⁾ risk exposure amount.

Cost/income ratio

Total operating expenses in relation to total operating income.

Cost/income ratio excluding items affecting comparability

Total operating expenses excluding items affecting comparability in relation to total operating income excluding items affecting comparability.

Basic earnings per share

Net profit attributable to shareholders in relation to the weighted average²⁾ number of shares outstanding.

Diluted earnings per share

Net profit attributable to shareholders in relation to the weighted average²⁾ diluted number of shares. The calculated dilution is based on the estimated economic value of the long-term incentive programmes.

Net worth per share

Shareholders' equity plus the equity portion of any surplus values in the holdings of interest-bearing 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.

Credit loss level

Net credit losses as a percentage of the opening balance of loans to the public, loans to credit institutions and loan guarantees less specific, collective and off balance sheet reserves.

Gross level of impaired loans

Individually assessed impaired loans, gross, as a percentage of loans to the public and loans to credit institutions before reduction of reserves.

Net level of impaired loans

Individually assessed impaired loans, net (less specific reserves), as a percentage of net loans to the public and loans to credit institutions less specific reserves and collective reserves.

Specific reserve ratio for individually assessed impaired loans

Specific reserves as a percentage of individually assessed impaired loans.

Total reserve ratio for individually assessed impaired loans

Total reserves (specific reserves and collective reserves for individually assessed loans) as a percentage of individually assessed impaired loans.

Reserve ratio for portfolio assessed loans

Collective reserves for portfolio assessed loans as a percentage of portfolio assessed loans past due more than 60 days or restructured.

Non-performing loans (NPL)

SEB's term for loans that are either impaired or not performing according to the loan contract. Includes individually assessed impaired loans, portfolio assessed loans, past due > 60 days and restructured portfolio assessed loans.

NPL coverage ratio

Total reserves (specific, collective and off balance sheet reserves) as a percentage of non-performing loans.

NPL per cent of lending

Non-performing loans as a percentage of loans to the public and loans to credit institutions before reduction of reserves.

** 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 the performance of SEB and provide additional relevant information and tools to enable a view on 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.*

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

¹⁾ Average year to date, calculated on month-end figures.

²⁾ Average, calculated on a daily basis.

Definitions

According to the EU Capital Requirements Regulation no 575/2013 (CRR)

Risk exposure amount

Total assets and off balance sheet items, 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 items 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.

Tier 2 capital

Mainly subordinated loans 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 cash outflows over the next 30 calendar days.

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>Leading customer experience – develop long-term relationships based on trust so that customers feel that the services and advice offered are insightful about their needs, are convenient and accessible on their terms and that SEB shares knowledge and acts proactively in their best interest.</p> <p>Growth in areas of strength – pursue growth in three selected core areas – offering to all customer segments in Sweden, large corporations and financial institutions in the Nordic countries and Germany and savings offering to private individuals and corporate customers.</p> <p>Resilience and flexibility – maintain resilience and flexibility in order to adapt operations to the prevailing market conditions. Resilience is based upon cost and capital efficiency.</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 www.sebgroup.com/ir