Interim Report
January–June 2018

STOCKHOLM 17 JULY 2018

Interim report – the first six months 2018

First six months 2018 result

(Compared with the first six months 2017)

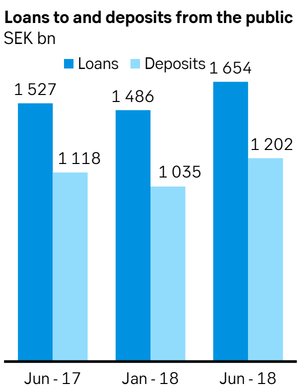
- Operating income SEK 22.7bn (22.6) and operating expenses SEK 11.0bn (10.9).
- Operating profit before items affecting comparability SEK 11.4bn (11.2).
- Net profit SEK 14.0bn (8.8).
- Net expected credit losses SEK 330m, with a net expected credit loss level of 0.03 per cent.
- Return on equity 20.5 per cent (12.8) and return on equity excluding items affecting comparability 13.9 per cent (12.7).
- Earnings per share SEK 6.48 (4.05).

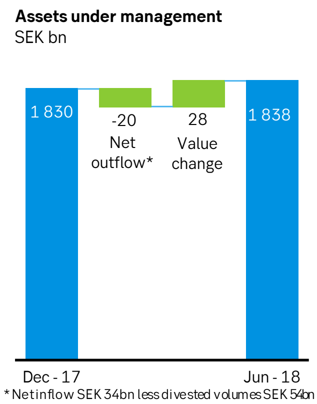
Second quarter 2018 result

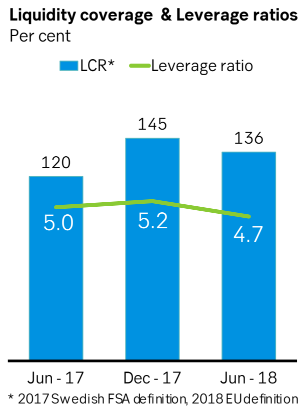
(Compared with the first quarter 2018)

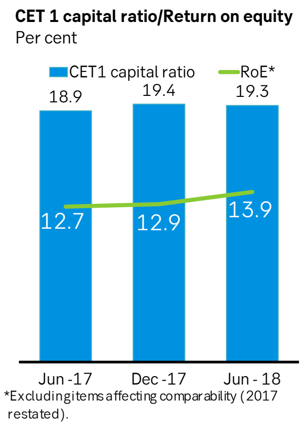
- Operating income SEK 11.9bn (10.8) and operating expenses SEK 5.5bn (5.4).
- Operating profit before items affecting comparability SEK 6.2bn (5.3).
- Net profit SEK 10.0bn (4.0).
- Net expected credit losses SEK 221m (109), with a net expected credit loss level of 0.04 per cent (0.02)
- Return on equity 29.9 per cent (11.6) and return on equity excluding items affecting comparability 16.5 per cent (11.6).
- Earnings per share SEK 4.63 (1.84).

Volumes and key ratios









President's comment

Low interest rates, labour market strength and capital spending, in new technologies and due to high capacity utilisation, are driving continued global growth. However, we are in the late cyclical phase with this upturn being the longest ever for the US economy. In the beginning of the year, equity markets saw increased volatility on the back of the implementation of trade tariffs and heightened geopolitical risks, whilst political uncertainties in southern Europe impacted fixed income markets. The Eurozone and Sweden are now into the fourth year of negative rates and the Swedish krona weakened further in the period. We start to see inflationary tendencies on the back of global capacity constraints, but the return to a more normalised monetary policy will take time and global imbalances from abundant liquidity will remain.

Higher customer activity following a muted start of the year

Activity picked up across customer segments in the second quarter, following a muted start of the year. Large corporate clients benefitted from the prolonged strong business cycle. Advisory and event-driven financing increased and we saw higher demand for traditional bank lending. The implementation of MiFID II at the beginning of the year negatively affected financial institutions' activity levels, but they recovered in the second quarter. Assets under custody and assets under management continued to increase together with deposit volumes from private, institutional and corporate customers. Swedish small and medium-sized companies were active throughout the period and demand for lending increased. This quarter, SEB became the first bank in Sweden to offer green household mortgages to customers. Housing prices have gradually stabilised and SEB's mortgage lending grew at around 3 per cent year-on-year. Business sentiment continued to be positive in the Baltic countries and lending to both private and corporate customers increased. In June, SEB completed the divestment of SEB Pension in Denmark – a business we have developed considerably over the past ten years. The divestment creates further flexibility to grow and invest in our core customer segments and areas of strengths.

All in all, higher customer activity in the second quarter resulted in an operating profit before items affecting comparability of SEK 11.4bn for the first half of the year and in line with previous performance. Asset quality remained high with a net expected credit loss level of 0.03 per cent. With the Common Equity Tier 1 capital ratio at 19.3 per cent, return on equity excluding items affecting comparability reached 13.9 per cent. Our buffer above the estimated regulatory requirement of 16.7 per cent is 260 basis points.

Focus on customers – advisory is at the heart of what we do

Digitalisation and the rapid technological developments are impacting customer behaviours and disrupting banks' existing business models. Going forward, we believe speed will be even more important and that anything that can be automated will be automated. We will reinvigorate our growth agenda in core areas of strength and accelerate the transformation of the bank including changing ways of working and becoming more data-driven. The importance of customer relationships that are built on trust, valuable advice and a strong financial position will be key. Advisory will remain at the heart of what we do. By striving for world-class service in the eyes of our customers, we are convinced that we will deliver long-term sustainable shareholder value.

The Group

The financial effects of the transition to IFRS 15 and IFRS 9 are described on page 33-40.

The first six months 2018

Operating profit before items affecting comparability increased by 2 per cent and amounted to SEK 11,424m (11,171). *Items affecting comparability* amounted to SEK 4,506m (0) and *net profit* amounted to SEK 14,019m (8,779).

Operating income

Total operating income increased by 1 per cent and amounted to SEK 22,690m (22,570).

Net interest income amounted to SEK 10,488m, which was an increase of 9 per cent compared to the first half of 2017 (9,628).

	Jan–Jun		Change
SEK m	2018	2017	%
Customer-driven NII	11 273	10 826	*4*
NII from other activities	-785	-1 198	*-34*
Total	**10 488**	**9 628**	***9***

Customer-driven net interest income increased by SEK 447m compared to the first six months 2017. Net interest income increased both from growing loan volumes and improved lending margins. The increase was somewhat offset by a negative deposit margin effect from the negative interest rates environment that remains unchanged. The deposit volume effect was negligible.

Net interest income from other activities improved by SEK 413m compared to the first six months of 2017. Funding costs relating to both senior and subordinated debt were lower in the first half 2018 compared to the same period last year. In 2018, the resolution fund fee increased by 3.5 basis points to 12.5 basis points applied to the adjusted balance sheet volumes. Therefore regulatory fees, including both resolution fund and deposit guarantee fees, were SEK 290m higher than the first six months 2017 and amounted to SEK 1,245m (955). The resolution fund fee beyond 2018 will be lower, as outlined on page 9.

Net fee and commission income increased by 1 per cent to SEK 9,005m (8,920). Demand for traditional corporate lending picked up compared to last year and lending fee income increased by 13 per cent to SEK 1,285m in the first six months 2018. However, the very high activity among corporate customers in capital markets in the first half of 2017 was not matched in 2018 and net securities commissions decreased by 11 per cent, or SEK 511m, to SEK 4,036m. Fee income from custody and mutual funds increased by 2 per cent to SEK 3,972m (3,888) driven by increased volumes and market values. Performance fees, which are part of the funds fee income, decreased by SEK 64m to SEK 29m compared to the first half 2017. One purpose of MiFID II was to increase transparency on fees. The implementation in SEB resulted in a change in retrocession fees, the compensation to fund companies, which decreased the net fee and commission income by approximately SEK 35m compared to the corresponding period last year. Net payments and card fees increased by 10 per cent compared to the first half of 2017 and the life insurance commissions related to the unit-linked insurance business amounted to SEK 972m (854).

Net financial income decreased by 13 per cent to SEK 3,062m (3,523). In the first half of 2017, there was an unusually high market valuation effect in the short-term liquidity management portfolio. The financial institutions' activity levels were low in the first quarter of 2018 partly due to the introduction of MiFID II. This impacted net financial income, but the activity resumed in the second quarter. The movements in credit spreads affected the fair value credit adjustment[1)]. In the first six months, the valuation change was SEK -53m (-143). Other life insurance income, net, decreased by 17 per cent from the first half of 2017 to SEK 673m. The risk level in the Danish life portfolios was decreased and SEB Pension was divested at the end of the period (see Items affecting comparability on page 6).

Net other income decreased by 73 per cent to SEK 136m (499). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses were virtually flat at SEK 10,957m (10,909). Staff costs were 1 per cent lower than the first six months 2017. The average number of full-time equivalents decreased to 14,818

<u>Comparative numbers</u> (in parenthesis):
The second quarter 2018 result is compared to the first quarter 2018.
The first six months 2018 result is compared to the first six months 2017.
Business volumes are compared to year-end 2017, unless otherwise stated.

1) Unrealised valuation change from counterparty risk (CVA) and own credit risk standing in derivatives (DVA). Own credit risk for issued securities (OCA) effect is reflected in Other comprehensive income as per the IFRS 9 requirements.

(14,995). Approximately 250 employees moved to Danica with the divestment of SEB Pension (see page 6). Regulatory fees to the supervisory authorities amounted to SEK 76m (85).

SEB's cost cap remains unchanged at SEK 22bn for 2018.

Net expected credit losses

Net expected credit losses amounted to SEK 330m. Asset quality remained high and the net expected credit loss level was 3 basis points.

Items affecting comparability

The *items affecting comparability* in the first six months amounted to SEK 4,506m (0). See page 6 and 24 for detailed information on items affecting comparability.

Income tax expense

Income tax expense amounted to SEK 1,911m (2,392). The effective tax rate was significantly lower than the corresponding period 2017. See comments on income tax expense for the second quarter (page 6) for several specific tax-related factors.

Return on equity

Return on equity for the first six months was 20.5 per cent (12.8). Excluding items affecting comparability return on equity was 13.9 per cent (12.7).

Other comprehensive income

Other comprehensive income amounted to SEK 39m (727).

The value of the pension plan assets exceeded the defined benefit obligations. The discount rate used for the pension obligation in Sweden was 2.1 per cent (2.2 at year-end 2017). The net value of the defined benefit pension plan assets and liabilities decreased compared to the first six months 2017 affecting other comprehensive income by SEK -445m (1,444).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash-flow hedges and translation of foreign operations amounted to SEK 384m (-622).

The second quarter 2018

Operating profit before items affecting comparability increased by 17 per cent to SEK 6,167m (5,256), compared to the first quarter and increased by 9 per cent from SEK 5,661m one year ago. *Items affecting comparability* amounted to SEK 4,506m (0) and *net profit* to SEK 10,024m (3,995).

Operating income

Total operating income increased by 10 per cent to SEK 11,903m (10,787) and increased by 5 per cent from the second quarter 2017.

Net interest income increased by 10 per cent to SEK 5,500m (4,988) and by 12 per cent compared to the second quarter 2017. Compared to the first quarter 2018, both the development of the currency exchange rates and large business volumes that were short-term in nature affected the net interest income positively.

SEK m	Q2 2018	Q1 2018	Q2 2017
Customer-driven NII	5 805	5 468	5 399
NII from other activities	-305	-480	-486
Total	**5 500**	**4 988**	**4 913**

Customer-driven net interest income increased by SEK 337m in the quarter. Margins on lending were stable while deposit margins improved compared to the previous quarter. In addition, increased lending volumes contributed to the increase of the net interest income.

Net interest income from other activities improved by SEK 175m compared to the previous quarter and by SEK 181m, year-on-year. Funding costs in the second quarter 2018 were in line with the first quarter. Other short-term volumes contributed positively to the net interest income. Regulatory fees, including both resolution fund and deposit guarantee fees, were in line with the first quarter 2018 and amounted to SEK 620m (625).

Net fee and commission income increased by 15 per cent to SEK 4,814m (4,190) and was 3 per cent higher than the corresponding quarter 2017. The unusually low corporate customer activity in the first quarter 2018 reversed in the second quarter. In the field of corporate transactions, the issue of securities and advisory fee income increased by SEK 162m. Corporate demand for new traditional financing also increased and lending fee income increased by SEK 283m compared to the first quarter. Custody and mutual funds fees that amounted to SEK 2,049m were up compared to the first quarter (1,923) and in line with the second quarter last year. Performance fees, which are part of the mutual funds fee income decreased by SEK 19m to SEK 5m during the quarter. Performance fees in the second quarter 2017 amounted to SEK 55m. Net payments and card fees increased by 10 per cent compared to the first quarter and increased by 12 per cent year-on-year driven by higher activity. Gross life insurance commissions related to the unit-linked insurance business were unchanged compared to the first quarter 2018 but increased by SEK 55m to SEK 487m year-on-year.

Net financial income increased by 10 per cent compared to both the first quarter 2018 and the second quarter 2017 and amounted to SEK 1,606m (1,455). The unusual market conditions of the first quarter in which financial institutions were less active normalised in the second quarter. The market conditions affected credit spreads which, in turn, changed the fair value credit adjustment[1]. In the second quarter, the adjustment was SEK -55m (3). Other life insurance income, net, increased by 121 per cent from the low first quarter. The outcome was driven by financial effects from closing the SEB Pension divestment (see items affecting comparability below).

Net other income decreased by 112 per cent to SEK -18m (153). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses increased to SEK 5,527m (5,430) and increased by 1 per cent year-on-year. Staff costs increased by 1 per cent from the first quarter and were unchanged year-on-year. Regulatory fees to the supervisory authorities amounted to SEK 38m (38).

Net expected credit losses

Net expected credit losses amounted to SEK 221m (109). Asset quality remained high and the net ECL (expected credit loss) level was 4 basis points.

Items affecting comparability

Items affecting comparability amounted to SEK 4,506m (0). See page 24 for more information.

On 29 June 2018, the acquisition by the listed Finnish credit information company Asiakastieto Group Plc ("Asiakastieto") of UC AB was finalised. SEB received 2,441,920 shares in Asiakastieto, equivalent to 10.2 per cent of the company, and SEK 0.3bn in cash. The transaction resulted in a tax-exempt capital gain of SEK 941m.

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

Income tax expense

Income tax expense amounted to SEK 649m (1,261). The effective tax rate was significantly lower than the previous quarter for three reasons. First, the gains on the divestments of UC and SEB Pension were tax-exempt except for a small part (see the section on Items affecting comparability). Second, the decision in June 2018 by the Swedish Parliament to reduce the corporate tax rate from 22 per cent to 21.4 per cent in 2019 and to 20.6 per cent in 2021 led to a revaluation of deferred taxes, which reduced income tax expense. Third, the decision of the administrative court in Stockholm regarding tax-exempt treatment of a sale of a subsidiary. The combined effect of the two latter reasons was SEK 593m, which reduced income tax expense.

Return on equity

Return on equity for the second quarter was 29.9 per cent (11.6). Excluding items affecting comparability *return on equity* was 16.5 per cent (11.6).

Other comprehensive income

Other comprehensive income amounted to SEK -848m (887).

The value of the pension plan assets exceeded the defined benefit obligations. The discount rate used for the pension obligation in Sweden was 2.1 per cent (2.3 at the end of the first quarter 2018). Therefore, the net value of the defined benefit pension plan assets and liabilities decreased in the second quarter affecting other comprehensive income by SEK -739m (295). As previously communicated, the core business in Germany was transferred from SEB AG to SEB's German branch. The related transfer of the pension obligation under the defined benefit plan in SEB AG to Versicherungsverein des Bankgewerbes a.G (BVV) was executed as planned in the second quarter 2018.

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash-flow hedges and translation of foreign operations amounted to SEK -197m (581).

[1] Unrealised valuation change from counterparty risk (CVA) and own credit risk standing in derivatives (DVA). Own credit risk for issued securities (OCA) effect is reflected in Other comprehensive income as per the IFRS 9 requirements.

Business volumes

Total assets at 30 June 2018 amounted to SEK 2,818bn, representing an increase of SEK 262bn since year-end (2,556).

As at 1 January 2018, IFRS 9 Financial Instruments entered into force. The presentation of the balance sheet has changed to reflect business volumes under the new rules. The historical information in the balance sheet was restated per 1 January 2018. See page 33-40 for more detailed information.

Loans

SEK bn	30 Jun 2018	1 Jan 2018	30 Jun 2017
General governments	25	34	26
Financial corporations	80	69	61
Non-financial corporations	812	734	746
Households	591	576	563
Margins of safety	50	29	34
Reverse repos	96	42	96
Loans to the public	**1 654**	**1 486**	**1 527**

Loans to the public (on the balance sheet) amounted to SEK 1,654bn (1,486).

The credit portfolio (in which loans, commitments and derivatives are included) increased by SEK 144bn to SEK 2,205bn (2,061), excluding banks. The corporate credit portfolio increased by SEK 118bn, of which approximately half related to currency effects. The household credit portfolio increased by SEK 22bn.

Deposits

SEK bn	30 Jun 2018	1 Jan 2018	30 Jun 2017
General governments	40	17	43
Financial corporations	297	216	261
Non-financial corporations	438	432	418
Households	318	300	291
Margins of safety	53	35	45
Repos	31	6	28
Registered bonds	26	29	31
Deposits and borrowings from the public	**1 202**	**1 035**	**1 118**

Deposits and borrowings from the public amounted to SEK 1,202bn (1,035). Deposits from non-financial corporations and households increased by SEK 24bn during the first six months. Deposits from financial corporations and repos, which are generally more short-term in nature, increased by SEK 106bn during the first six months.

Assets under management and custody

Total assets under management amounted to SEK 1,838bn (1,830). The net inflow of assets during the first six months was SEK 34bn and the market value increased by SEK 28bn. In addition, the assets under management decreased by SEK 54bn with the divestment of SEB Pension (see page 6).

Assets under custody increased since year-end and amounted to SEK 8,169bn (8,046).

Risk and capital

Market risk

SEB's business model is mainly driven by customer demand. Value-at-Risk (VaR) in the trading book increased in the first half of 2018 and averaged SEK 95m. The Group does not expect to lose more than this amount, on average, during a period of ten trading days, with 99 per cent probability.

An increase in the first quarter is mainly explained by the growing balance sheet and more volatile markets. In the second quarter, especially the weakened Swedish krona and volatile equity markets affected the VaR development.

Liquidity and long-term funding

Short-term funding, in the form of commercial paper and certificates of deposit, increased by SEK 88bn from year-end 2017.

SEK 78bn of long-term funding matured during the first half of 2018 (of which SEK 58bn covered bonds and SEK 20bn senior debt). During the first half of the year new issuance amounted to SEK 70bn (of which SEK 39bn constituted covered bonds and SEK 31bn senior debt).

The liquidity reserve, as defined by the Swedish Bankers' Association, amounted to SEK 556bn at the end of June 2018 (340).

The Liquidity Coverage Ratio (LCR) must be at least 100 per cent. At the end of the quarter, the LCR was 136 per cent (145). From 1 January 2018, SEB reports LCR according to the EU definition.

The Bank is committed to a stable funding base. SEB's internal structural liquidity measure, Core Gap, which measures the proportion of stable funding in relation to illiquid assets was 108 per cent (108).

Rating

Moody's rates SEB's long-term senior unsecured debt at Aa2 with a stable outlook due to SEB's asset quality, solid capitalisation, and improved earnings stability and diversification.

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 19.3 per cent (19.4). 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 16.7 per cent per the end of the period. The Bank aims to have a buffer of around 150 basis points above the capital requirement. Currently the buffer is 260 basis points.

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

Own funds requirement, Basel III	30 Jun 2018	31 Dec 2017	30 Jun 2017
Risk exposure amount, SEK bn	637	611	617
Common Equity Tier 1 capital ratio, %	19.3	19.4	18.9
Tier 1 capital ratio, %	21.7	21.6	22.1
Total capital ratio, %	24.7	24.2	25.7
Leverage ratio, %	4.7	5.2	5.0

Total REA increased by SEK 26bn to SEK 637bn since year-end. Foreign exchange movements and an increase in credit volumes contributed to higher credit risk REA, partly offset by improved asset quality and the implementation of IFRS 9. The underlying market risk REA increase of SEK 15bn was mainly driven by volatile markets during the second quarter and increased risk exposures.

In the first quarter 2018, the SFSA approved SEB's application to use a revised internal model for corporate exposure risk-weights, which, as expected, increased REA by SEK 16bn. The additional REA amount that was established by SEB in 2015 in agreement with the SFSA, and which at year-end amounted to SEK 15.8bn, was removed. Furthermore, SFSA's related temporary Pillar 2 capital buffer requirement, which has been 0.5 per cent, was discontinued.

The total effect from implementing IFRS 9 amounted to SEK 3,280m which reduced equity at 1 January 2018. The implementation of IFRS 15 did not affect the capital adequacy.

The SFSA has proposed a change in its regulation requiring a risk weight floor for Swedish mortgages. The current Pillar 2 capital requirement is proposed to be changed to a Pillar 1 requirement. The purpose is to ensure that all banks on the Swedish mortgage market have the same capital requirements. SEB is monitoring this development and is participating in the discussion, the result of which is expected to be entered into force per 31 December 2018.

The effect on the Common Equity Tier 1 ratio from the SEB Pension divestment was approximately 0.6 percentage points. The corresponding effect from the UC divestment was approximately 0.1 percentage points.

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.

Resolution fund fee requirement changes

Swedish authorities have decided that the resolution fund fee for 2018 shall be 0.125 per cent applied to the adjusted 2016 balance sheet volumes. The fee will be reduced to 0.09 per cent for 2019 and to 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 in Sweden, is expected to be reached by the year 2021.

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 2017 (see page 44-49 and notes 17, 19 and 20), in the Capital Adequacy and Risk Management Report for 2017 and the quarterly additional Pillar 3 disclosures. Further information is presented in the Fact Book on a quarterly basis.

The overall outlook for the world economy is still positive, while the geopolitical uncertainty remains. The possibility of trade disputes increased with tariffs introduced in the second quarter and the beginning of July. The 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 introduce an interest rate hike in the beginning of 2019. There is a gradual stabilisation 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.

Stockholm, 17 July 2018

The President and the Board of Directors declare that the Interim Report for the period 1 January through 30 June 2018 provides a fair overview of the Parent Company's and the Group's operations, their financial position and results and describes material risks and uncertainties facing the Parent Company and the Group.

Marcus Wallenberg
Chairman

Sven Nyman
Vice chairman

Jesper Ovesen
Vice chairman

Johan H. Andresen
Director

Signhild Arnegård Hansen
Director

Samir Brikho
Director

Winnie Fok
Director

Tomas Nicolin
Director

Helena Saxon
Director

Anna-Karin Glimström
*Director**

Håkan Westerberg
*Director**

Johan Torgeby
President and Chief Executive Officer
Director

* *Appointed by the employees*

Press conference and webcasts

The press conference held at 9.00 CEST on 17 July 2018, at Kungsträdgårdsgatan 8 with the President and CEO Johan Torgeby can be followed live in Swedish on sebgroup.com/sv/ir. A simultaneous translation into English will be available on sebgroup.com/ir. A replay will also be available afterwards.

Access to telephone conference

The telephone conference at 12.00 CEST 17 July 2018 with the President and CEO, Johan Torgeby, the Finance Director Masih Yazdi and the Head of Investor Relations, Christoffer Geijer, can be accessed by telephone, +44(0)1452 555 566. Please quote conference id: 5282479 and call at least 10 minutes in advance. A replay of the conference call will be available on sebgroup.com/ir.

Further information is available from:

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

Financial information calendar 2018

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 2018 there are significant changes to the accounting policies from the application of IFRS 9 Financial Instruments and of IFRS 15 Revenue from Contracts with Customers, see notes 1 and 1a in the Annual Report 2017. For information about transitional effects from IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, please see page 37 in the Annual Report 2017 and the transition disclosure on pages 33-40. There are also some smaller changes to IFRS; IFRS 2 Share-based Payment has been amended regarding classification and measurement of share-based payment transactions. IAS 40 has been amended with clarification when transfers of investment property can be made. IFRIC 22 Foreign Currency Transactions and Advance Consideration has been issued clarifying which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. Within the annual improvement cycle 2014–2016 IAS 28 Investments in associates and Joint Ventures has been clarified regarding the measurement of an associate or joint venture at fair value. These amendments have been applied from 1 January 2018 and have 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 2017 Annual Report.

Review report

We have reviewed this Interim Report for the period 1 January through 30 June 2018 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 17 July 2018

PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant
Partner in charge

Martin By
Authorised Public Accountant

The SEB Group

Income statement – SEB Group

SEK m	Q2 2018	Q1 2018	%	Q2 2017	%	Jan–Jun 2018	Jan–Jun 2017	%	Full year 2017
Net interest income	5 500	4 988	*10*	4 913	*12*	10 488	9 628	*9*	19 893
Net fee and commission income	4 814	4 190	*15*	4 671	*3*	9 005	8 920	*1*	17 677
Net financial income	1 606	1 455	*10*	1 461	*10*	3 062	3 523	*-13*	6 880
Net other income	- 18	153	*-112*	341	*-105*	136	499	*-73*	1 112
Total operating income	**11 903**	**10 787**	***10***	**11 386**	***5***	**22 690**	**22 570**	***1***	**45 561**
Staff costs	-3 547	-3 516	*1*	-3 533	*0*	-7 064	-7 123	*-1*	-14 025
Other expenses	-1 797	-1 733	*4*	-1 741	*3*	-3 529	-3 398	*4*	-6 947
Depreciation, amortisation and impairment of tangible and intangible assets	- 183	- 181	*1*	- 199	*-8*	- 364	- 387	*-6*	- 964
Total operating expenses	**-5 527**	**-5 430**	***2***	**-5 473**	***1***	**-10 957**	**-10 909**	***0***	**-21 936**
Profit before credit losses	**6 376**	**5 357**	***19***	**5 913**	***8***	**11 733**	**11 661**	***1***	**23 625**
Gains less losses from tangible and intangible assets	13	8	*59*	- 37		21	- 72		- 162
Net expected credit losses[1)]	- 221	- 109	*104*			- 330			
Net credit losses[2)]				- 214			- 419		- 808
Operating profit before items affecting comparability	**6 167**	**5 256**	***17***	**5 661**	***9***	**11 424**	**11 171**	***2***	**22 655**
Items affecting comparability	4 506					4 506			-1 896
Operating profit	**10 674**	**5 256**	***103***	**5 661**	***89***	**15 930**	**11 171**	***43***	**20 759**
Income tax expense	- 649	-1 261	*-49*	-1 153	*-44*	-1 911	-2 392	*-20*	-4 562
NET PROFIT	**10 024**	**3 995**	***151***	**4 508**	***122***	**14 019**	**8 779**	***60***	**16 197**

1) Based on IFRS 9 expected loss model.
2) Based on IAS 39 incurred loss model.

SEK m	Q2 2018	Q1 2018	%	Q2 2017	%	Jan–Jun 2018	Jan–Jun 2017	%	Full year 2017
Attributable to shareholders	10 024	3 995	*151*	4 508	*122*	14 019	8 779	*60*	16 197
Basic earnings per share, SEK	4.63	1.84		2.08		6.48	4.05		7.47
Diluted earnings per share, SEK	4.61	1.83		2.07		6.44	4.03		7.44

Statement of comprehensive income – SEB Group

SEK m	Q2 2018	Q1 2018	%	Q2 2017	%	Jan–Jun 2018	Jan–Jun 2017	%	Full year 2017
NET PROFIT	**10 024**	**3 995**	***151***	**4 508**	***122***	**14 019**	**8 779**	***60***	**16 197**
Items that may subsequently be reclassified to the income statement:									
Available-for-sale financial assets				- 127			- 95		- 909
Cash flow hedges	- 300	- 259	*16*	- 308	*-3*	- 559	- 659	*-15*	-1 207
Translation of foreign operations	103	840	*-88*	36	*187*	943	37		296
Items that will not be reclassified to the income statement:									
OCA[1)]	88	12				100			
Defined benefit plans	- 739	295		- 86		- 445	1 444		784
OTHER COMPREHENSIVE INCOME	**- 848**	**887**	***-196***	**- 485**	***75***	**39**	**727**	***-95***	**- 1 036**
TOTAL COMPREHENSIVE INCOME	**9 176**	**4 882**	***88***	**4 023**	***128***	**14 058**	**9 506**	***48***	**15 160**
Attributable to shareholders	9 176	4 882	*88*	4 023	*128*	14 058	9 506	*48*	15 160

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

Balance sheet – SEB Group

SEK m	30 Jun 2018	1 Jan[3)] 2018	31 Dec 2017	30 Jun 2017	1 Jan[4)] 2017
Cash and cash balances with central banks	302 064	177 222	177 222	224 841	151 078
Loans to central banks	13 089	12 778	12 778	21 607	66 730
Loans to credit institutions[2)]	59 250	38 715	38 717	73 920	79 323
Loans to the public	1 654 460	1 485 808	1 486 765	1 526 818	1 438 295
Debt securities	234 176	168 928	169 269	286 255	253 443
Equity instruments	58 604	59 204	59 204	89 508	74 172
Financial assets for which the customers bear the investment risk	295 762	283 420	283 420	308 995	295 908
Derivatives	142 568	104 868	104 868	179 038	212 356
Other assets	57 888	224 662	224 664	63 320	46 701
TOTAL ASSETS	**2 817 862**	**2 555 605**	**2 556 908**	**2 774 302**	**2 618 006**
Deposits from central banks and credit institutions[1)]	145 519	95 504	95 489	133 911	149 786
Deposits and borrowings from the public[1)]	1 202 453	1 034 704	1 032 048	1 118 052	962 028
Financial liabilities for which the customers bear the investment risk	296 697	284 291	284 291	309 718	296 618
Liabilities to policyholders	20 889	18 911	18 911	110 112	107 213
Debt securities issued	745 371	614 087	614 033	649 373	668 880
Short positions	41 681	24 985	24 985	49 556	19 598
Derivatives	119 139	85 434	85 434	149 351	174 652
Other financial liabilities	4 398	3 894	3 894	18 230	19 247
Other liabilities	102 142	255 836	256 585	100 321	81 650
Total liabilities	**2 678 290**	**2 417 647**	**2 415 671**	**2 638 623**	**2 479 670**
Total equity	**139 573**	**137 958**	**141 237**	**135 679**	**138 336**
TOTAL LIABILITIES AND EQUITY	**2 817 862**	**2 555 605**	**2 556 908**	**2 774 302**	**2 618 006**
1) Deposits covered by deposit guarantees.	284 401	285 439	285 439	284 259	252 815

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

3) IFRS 9 Financial Instruments is applied from 1 January 2018.

4) IFRS 15 Revenue from Contracts with Customers is applied retrospectively from 1 January 2018.

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

Pledged assets and obligations – SEB Group

SEK m	30 Jun 2018	31 Dec 2017	30 Jun 2017
Pledged assets for own liabilities[1)]	433 807	477 220	442 313
Pledged assets for liabilities to insurance policyholders	317 586	436 890	419 830
Other pledged assets[2)]	176 558	136 998	184 784
Pledged assets	**927 952**	**1 051 109**	**1 046 926**
Contingent liabilities[3)]	129 151	122 896	114 239
Commitments	609 757	563 181	655 114
Obligations	**738 909**	**686 077**	**769 353**

1) Of which collateralised for own issued covered bonds SEK 338,385m (355,587/342,670).

2) Of which securities lending SEK 83,515m (59,443/89,450) and pledged but unencumbered bonds SEK 65,415m (57,390/75,135).

3) Of which financial guarantees SEK 24,261m (22,145/11,562).

Key figures – SEB Group

	Q2 2018	Q1 2018	Q2 2017	Jan–Jun 2018	Jan–Jun 2017	Full year 2017
Return on equity, %	29.86	11.63	13.43	20.52	12.80	11.70
Return on equity excluding items affecting comparability[1], %	16.51	11.60	13.43	13.93	12.73	12.86
Return on total assets, %	1.36	0.57	0.62	0.98	0.62	0.57
Return on risk exposure amount, %	6.38	2.62	2.93	4.53	2.87	2.64
Cost/income ratio	0.46	0.50	0.48	0.48	0.48	0.48
Basic earnings per share, SEK	4.63	1.84	2.08	6.48	4.05	7.47
Weighted average number of shares[2], millions	2 164	2 166	2 168	2 165	2 168	2 168
Diluted earnings per share, SEK	4.61	1.83	2.07	6.44	4.03	7.44
Weighted average number of diluted shares[3], millions	2 176	2 178	2 178	2 177	2 179	2 178
Net worth per share, SEK	71.96	69.49	70.72	71.96	70.72	73.60
Equity per share, SEK	64.52	60.13	62.63	64.52	62.63	65.18
Average shareholders' equity, SEK, billion	134.3	137.4	134.3	136.7	137.2	138.5
Net ECL level, %	0.04	0.02		0.03		
Credit loss level, %			0.06		0.06	0.05
Liquidity Coverage Ratio (LCR)[4], %	136	138	120	136	120	145
Own funds requirement, Basel III						
Risk exposure amount, SEK m	637 037	615 308	616 523	637 037	616 523	610 819
Expressed as own funds requirement, SEK m	50 963	49 225	49 322	50 963	49 322	48 866
Common Equity Tier 1 capital ratio, %	19.3	19.0	18.9	19.3	18.9	19.4
Tier 1 capital ratio, %	21.7	21.3	22.1	21.7	22.1	21.6
Total capital ratio, %	24.7	24.1	25.7	24.7	25.7	24.2
Leverage ratio, %	4.7	4.6	5.0	4.7	5.0	5.2
Number of full time equivalents[5]	14 695	14 820	14 988	14 818	14 995	14 946
Assets under custody, SEK bn	8 169	7 985	7 679	8 169	7 679	8 046
Assets under management, SEK bn	1 838	1 854	1 835	1 838	1 835	1 830

1) Sale of SEB Pension and UC AB in Q2 2018. Dividend from VISA in Sweden, transformation of SEB's German business and impairments and derecognitions of intangible IT assets in Q4 2017.
2) The number of issued shares was 2,194,171,802. SEB owned 27,125,923 Class A shares for the equity based programmes at year-end 2017. During 2018 SEB has purchased 6,622,000 shares and 2,724,538 shares have been sold. Thus, at 30 June 2018 SEB owned 31,023,385 Class A-shares with a market value of SEK 2,642m.
3) Calculated dilution based on the estimated economic value of the long-term incentive programmes.
4) 2018: EU definition. 2017: Swedish FSA definition.
5) Quarterly numbers are for end of quarter. Accumulated numbers are average for the period.

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

Income statement on quarterly basis – SEB Group

SEK m	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net interest income	5 500	4 988	5 184	5 080	4 913
Net fee and commission income	4 814	4 190	4 728	4 029	4 671
Net financial income	1 606	1 455	1 630	1 726	1 461
Net other income	- 18	153	305	308	341
Total operating income	**11 903**	**10 787**	**11 847**	**11 144**	**11 386**
Staff costs	-3 547	-3 516	-3 523	-3 378	-3 533
Other expenses	-1 797	-1 733	-1 830	-1 719	-1 741
Depreciation, amortisation and impairment of tangible and intangible assets	- 183	- 181	- 252	- 325	- 199
Total operating expenses	**-5 527**	**-5 430**	**-5 605**	**-5 423**	**-5 473**
Profit before credit losses	**6 376**	**5 357**	**6 242**	**5 721**	**5 913**
Gains less losses from tangible and intangible assets	13	8	- 37	- 54	- 37
Net expected credit losses[1)]	- 221	- 109			
Net credit losses[2)]			- 105	- 284	- 214
Operating profit before items affecting comparability	**6 167**	**5 256**	**6 101**	**5 383**	**5 661**
Items affecting comparability	4 506		-1 896		
Operating profit	**10 674**	**5 256**	**4 204**	**5 383**	**5 661**
Income tax expense	- 649	-1 261	-1 032	-1 138	-1 153
NET PROFIT	**10 024**	**3 995**	**3 172**	**4 246**	**4 508**

1) Based on IFRS 9 expected loss model.
2) Based on IAS 39 incurred loss model.

Attributable to shareholders	10 024	3 995	3 172	4 246	4 508
Basic earnings per share, SEK	4.63	1.84	1.46	1.96	2.08
Diluted earnings per share, SEK	4.61	1.83	1.46	1.95	2.07

Income statement by division – SEB Group

Jan-Jun 2018, SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other[1)]	Eliminations	SEB Group
Net interest income	4 021	4 649	1 353	- 25	698	- 208	10 488
Net fee and commission income	3 187	2 771	696	2 377	24	- 50	9 005
Net financial income	1 710	209	126	634	362	21	3 062
Net other income	80	36	- 15	12	25	- 3	136
Total operating income	**8 997**	**7 665**	**2 159**	**2 998**	**1 109**	**- 239**	**22 690**
Staff costs	-1 812	-1 661	- 387	- 793	-2 418	9	-7 064
Other expenses	-2 554	-1 827	- 515	- 477	1 613	231	-3 529
Depreciation, amortisation and impairment of tangible and intangible assets	- 26	- 29	- 26	- 17	- 267		- 364
Total operating expenses	**-4 392**	**-3 517**	**- 928**	**-1 287**	**-1 073**	**239**	**-10 957**
Profit before credit losses	**4 605**	**4 148**	**1 231**	**1 711**	**37**	**0**	**11 733**
Gains less losses from tangible and intangible assets			21				21
Net expected credit losses[2)]	- 156	- 215	34	- 1	19	- 11	- 330
Operating profit before items affecting comparability	**4 449**	**3 933**	**1 286**	**1 710**	**56**	**- 11**	**11 424**
Items affecting comparability					4 506		4 506
Operating profit	**4 449**	**3 933**	**1 286**	**1 710**	**4 562**	**- 11**	**15 930**

1) Other consists of business support, treasury, staff units and German run-off operations.
2) Based on IFRS 9 expected loss model.

Large Corporates & Financial Institutions

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

Income statement

	Q2	Q1		Q2		Jan — Jun			Full year
SEK m	**2018**	**2018**	*%*	**2017**	*%*	**2018**	**2017**	*%*	**2017**
Net interest income	2 283	1 738	*31*	2 057	*11*	4 021	4 100	*-2*	8 043
Net fee and commission income	1 814	1 373	*32*	1 781	*2*	3 187	3 311	*-4*	6 236
Net financial income	766	944	*-19*	729	*5*	1 710	1 687	*1*	3 465
Net other income	34	46	*-27*	199	*-83*	80	231	*-66*	573
Total operating income	**4 897**	**4 101**	***19***	**4 766**	***3***	**8 997**	**9 329**	***-4***	**18 318**
Staff costs	-898	-914	*-2*	-932	*-4*	-1 812	-1 951	*-7*	-3 862
Other expenses	-1 282	-1 272	*1*	-1 294	*-1*	-2 554	-2 539	*1*	-5 046
Depreciation, amortisation and impairment of tangible and intangible assets	-13	-13	*2*	-15	*-16*	-26	-29	*-10*	-59
Total operating expenses	**-2 193**	**-2 199**	***0***	**-2 241**	***-2***	**-4 392**	**-4 519**	***-3***	**-8 967**
Profit before credit losses	**2 703**	**1 902**	***42***	**2 525**	***7***	**4 605**	**4 810**	***-4***	**9 351**
Gains less losses from tangible and intangible assets							1		1
Net expected credit losses	-110	-46	*138*			-156			
Net credit losses				-155			-299		-529
Operating profit before Items affecting comparability	**2 594**	**1 856**	***40***	**2 370**	***9***	**4 449**	**4 512**	***-1***	**8 823**
Items affecting comparability									
Operating profit	**2 594**	**1 856**	***40***	**2 370**	***9***	**4 449**	**4 512**	***-1***	**8 823**
Cost/Income ratio	0.45	0.54		0.47		0.49	0.48		0.49
Business equity, SEK bn	63.8	63.0		66.2		63.4	66.2		65.8
Return on business equity, %	12.2	8.8		10.7		10.5	10.2		10.1
Number of full time equivalents[1)]	1 993	1 971		2 050		1 975	2 058		2 049

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

- Corporate activity picked up during the second quarter after the slow beginning of the year
- Increased volatility led to improved customer activity in financial institutions
- Operating profit amounted to SEK 4,449m and return on business equity was 10.5 per cent

Comments on the first six months

Despite geopolitical tensions, the uncertainty following the Italian election and protectionist headwinds, activity levels improved during the period and the market sentiment was in general positive. The favourable conditions in the capital markets remain.

Large Corporate activity continued to increase across all segments during the second quarter and materialised in increased business – after the pick-up in business sentiment noted towards the end of last year. The Private Equity market was characterised by high activity boosted by a healthy macro environment and high liquidity.

Financial Institutional activity improved with the increased volatility during the period. The implementation of MiFID II increased the number of transactions on electronic platforms and the increased transparency resulted in increased competition and margin pressure in the market. Customers showed continued interest in sustainability related advice.

Assets under custody amounted to SEK 8,169bn (8,046).

In the second quarter, SEB Fund Services was divested to Fund Rock in Luxembourg. A cooperation agreement will secure and further strengthen SEB's customer offering.

Operating income for the first six months decreased to SEK 8,997m compared to last year. Net interest income decreased to SEK 4,021m. Net fee and commission income was SEK 3,187m, a decrease mainly explained by reduced income for Corporate Finance and lower activity in Debt Capital Markets compared to the strong period last year. Net financial income increased to SEK 1,710m because of valuation effects. Operating expenses decreased by 3 per cent mainly due to lower staff costs. Asset quality was high and net expected credit losses amounted to SEK 156m with an expected credit loss level of 3 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

	Q2	Q1		Q2		Jan — Jun			Full year
SEK m	**2018**	**2018**	*%*	**2017**	*%*	**2018**	**2017**	*%*	**2017**
Net interest income	2 363	2 286	*3*	2 376	*-1*	4 649	4 707	*-1*	9 442
Net fee and commission income	1 445	1 326	*9*	1 472	*-2*	2 771	2 864	*-3*	5 678
Net financial income	111	98	*14*	122	*-9*	209	230	*-9*	441
Net other income	29	7		15	*99*	36	29	*26*	87
Total operating income	**3 948**	**3 717**	***6***	**3 985**	***-1***	**7 665**	**7 830**	***-2***	**15 648**
Staff costs	-822	-840	*-2*	-814	*1*	-1 661	-1 667	*0*	-3 298
Other expenses	-931	-896	*4*	-985	*-6*	-1 827	-1 911	*-4*	-3 872
Depreciation, amortisation and impairment of tangible and intangible assets	-14	-14	*2*	-14	*2*	-29	-29	*-3*	-57
Total operating expenses	**-1 767**	**-1 750**	***1***	**-1 813**	***-3***	**-3 517**	**-3 608**	***-3***	**-7 226**
Profit before credit losses	**2 181**	**1 967**	***11***	**2 171**	***0***	**4 148**	**4 222**	***-2***	**8 422**
Gains less losses from tangible and intangible assets									
Net expected credit losses	-128	-87	*47*			-215			
Net credit losses				-48			-130		-276
Operating profit before Items affecting comparability	**2 053**	**1 880**	***9***	**2 123**	***-3***	**3 933**	**4 092**	***-4***	**8 146**
Items affecting comparability									
Operating profit	**2 053**	**1 880**	***9***	**2 123**	***-3***	**3 933**	**4 092**	***-4***	**8 146**
Cost/Income ratio	0.45	0.47		0.46		0.46	0.46		0.46
Business equity, SEK bn	42.0	41.1		41.1		41.5	40.7		40.6
Return on business equity, %	14.7	13.7		15.5		14.2	15.1		15.0
Number of full time equivalents[1)]	3 606	3 559		3 549		3 575	3 525		3 531

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

- Increased demand for corporate lending
- Launch of green household mortgages to promote sustainable housing
- Operating profit amounted to SEK 3,933m and return on business equity was 14.2 per cent

Comments on the first six months

Customer activity continued to increase, driven by proactivity as well as high activity in digital and remote channels. Customers demand a wider range of digital services and want personal support in the transition towards those digital channels. In the area of open banking, SEB made its programming interfaces public on its portal where developers currently focus on payments and account information for private customers.

In the *private segment*, household mortgage lending was up by SEK 8bn and reached SEK 476bn (468). 15,700 customers were on-boarded digitally, at a rate similar to last year, and 28 per cent of household mortgage applications were submitted digitally. SEB became the first bank in Sweden to offer green household mortgages to customers buying sustainable housing. In cooperation with UC and seven other banks SEB launched Tambur, a common platform for banks and brokers to facilitate and increase efficiency in the final stages of a home purchase.

In the *corporate segment*, the demand for lending was higher compared to last year and total volumes amounted to SEK 233bn (221). The number of full-service corporate customers reached 163,400 (158,800). SEB entered into a partnership with PE Accounting to provide integrated solutions of an enterprise resource planning system and SEB's banking services. This will simplify corporate customers' everyday banking.

In savings, customers' risk appetite was stable, where corporates invested in fixed income, equity and asset allocation funds while private customers preferred equity and asset allocation funds. Assets under management continued to increase, especially in Private Banking. New product launches with continued focus on discretionary portfolio management supported increased ancillary business with existing clients. Total deposit volumes excluding repos increased to SEK 402bn (384).

Net interest income was affected by higher resolution fees and decreased to SEK 4,649m. Net fee and commission income was affected by lower compensation from fund companies related to MiFID II. Net expected credit losses amounted to SEK 215m with an expected credit loss level of 5 basis points.

Baltic

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

Income statement (excl. RHC)

SEK m	Q2 2018	Q1 2018	%	Q2 2017	%	Jan — Jun 2018	Jan — Jun 2017	%	Full year 2017
Net interest income	706	646	*9*	578	*22*	1 352	1 130	*20*	2 373
Net fee and commission income	369	327	*13*	325	*14*	696	632	*10*	1 320
Net financial income	73	53	*38*	53	*37*	126	115	*9*	231
Net other income	1			-1		1	3		2
Total operating income	**1 150**	**1 026**	***12***	**956**		**2 175**	**1 879**	***16***	**3 926**
Staff costs	-206	-176	*17*	-179	*15*	-382	-356	*7*	-711
Other expenses	-260	-252	*3*	-247	*5*	-512	-491	*4*	-959
Depreciation, amortisation and impairment of tangible and intangible assets	-13	-13	*5*	-16	*-17*	-26	-30	*-11*	-77
Total operating expenses	**-479**	**-441**	*9*	**-442**	***8***	**-920**	**-877**	***5***	**-1 746**
Profit before credit losses	**670**	**585**	***15***	**513**	***31***	**1 255**	**1 002**	***25***	**2 180**
Gains less losses from tangible and intangible assets	1	2	*-42*	1	*35*	4	2	*131*	-5
Net expected credit losses	17	17	*-4*			34			
Net credit losses				-11			8		-7
Operating profit before Items affecting comparability	**688**	**604**	***14***	**504**	***37***	**1 293**	**1 012**	***28***	**2 167**
Items affecting comparability									
Operating profit	**688**	**604**	***14***	**504**	***37***	**1 293**	**1 012**	***28***	**2 167**
Cost/Income ratio	0.42	0.43		0.46		0.42	0.47		0.44
Business equity, SEK bn	9.8	8.5		7.7		9.1	7.7		7.8
Return on business equity, %	23.4	23.5		22.9		23.5	23.2		24.4
Number of full time equivalents[1)]	2 399	2 344		2 403		2 366	2 404		2 406

Baltic Division (incl. RHC)	Q2 2018	Q1 2018	%	Q2 2017	%	Jan — Jun 2018	Jan — Jun 2017	%	Full year 2017
Operating profit before Items affecting comparability	**681**	**605**	***12***	**453**		**1 286**	**918**	***40***	**1 977**
Items affecting comparability									
Operating profit	**681**	**605**	***12***	**453**		**1 286**	**918**	**40**	**1 977**
Cost/Income ratio	0.43	0.43		0.47		0.43	0.47		0.45
Business equity, SEK bn	9.8	8.6		7.9		9.2	7.8		8.0
Return on business equity, %	23.1	23.4		20.2		23.2	20.6		21.9
Number of full time equivalents[1)]	2 417	2 367		2 430		2 388	2 430		2 431

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

- Economic growth remained robust with increasing demand for household and corporate lending
- Increased customer activity and digital banking solution usage
- Operating profit amounted to SEK 1,293m and return on business equity was 23.5 per cent

Comments on the first six months

The economic environment remained favourable with above EU average GDP growth supported by exports and domestic consumption.

Customer activity in digital banking solutions continued to increase in line with the strategic focus on customer experience, digitalization and Open Banking. The number of mobile banking app users reached 329,000 (248,000 at year-end 2017) with further functionality enhancements launched. The number of video meetings reached 2,761 (105 Jan-Jun 2017), and the number of digitally signed documents increased to 115,000 (20,000 Jan-Jun 2017).

The number of home banking customers was 1,033,000 (1,019,000). Overall, FX effects improved the financial outcome. Lending volumes amounted to SEK 146bn (129) where both mortgage and corporate lending portfolios increased in all three Baltic countries.

Deposit volumes grew to SEK 127bn (114) due to increased savings in the private as well as corporate segment. Net interest income increased by 20 per cent due to loan portfolio growth and higher margins on new lending. Net fee and commission income was 10 per cent higher mainly from increased customer activity and card usage. The asset quality was strong and the operating profit increased by 28 per cent.

The liquidation processes for the RHC companies were initiated.

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

	Q2	Q1		Q2		Jan — Jun			Full year
SEK m	**2018**	**2018**	*%*	**2017**	*%*	**2018**	**2017**	*%*	**2017**
Net interest income	-13	-12	*6*	-23	*-44*	-25	-42	*-40*	-90
Net fee and commission income	1 215	1 161	*5*	1 096	*11*	2 377	2 121	*12*	4 471
Net financial income	331	304	*9*	425	*-22*	634	789	*-20*	1 674
Net other income	0	12	*-98*	-2	*-111*	12	13	*-3*	17
Total operating income	**1 533**	**1 465**	***5***	**1 497**	***2***	**2 998**	**2 881**	***4***	**6 072**
Staff costs	-385	-409	*-6*	-394	*-2*	-793	-776	*2*	-1 561
Other expenses	-245	-232	*6*	-235	*4*	-477	-456	*5*	-963
Depreciation, amortisation and impairment of tangible and intangible assets	-8	-9	*-15*	-9	*-15*	-17	-18	*-6*	-37
Total operating expenses	**-637**	**-650**	***-2***	**-639**	***0***	**-1 287**	**-1 249**	***3***	**-2 561**
Profit before credit losses	**896**	**815**	***10***	**859**	***4***	**1 711**	**1 632**	***5***	**3 511**
Gains less losses from tangible and intangible assets									
Net expected credit losses	-1	-1	*-21*			-1			
Net credit losses									
Operating profit before Items affecting comparability	**896**	**814**	***10***	**859**	**4**	**1 710**	**1 632**	**5**	**3 511**
Items affecting comparability									
Operating profit	**896**	**814**	***10***	**859**	**4**	**1 710**	**1 632**	**5**	**3 511**
Cost/Income ratio	0.42	0.44		0.43		0.43	0.43		0.42
Business equity, SEK bn	8.4	8.3		8.4		8.4	8.4		8.4
Return on business equity, %	36.6	33.8		35.1		35.2	33.3		35.8
Number of full time equivalents[1)]	1 227	1 472		1 482		1 433	1 484		1 478

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

- The divestment of SEB Pension in Denmark finalised
- Enhanced integration of sustainability into the fund offering
- Operating profit amounted to SEK 1,710m and return on business equity was 35.2 per cent

Comments on the first six months

The focus on providing customers integrated access to SEB's full-service product and advisory offering in both the Baltic and Swedish markets continued.

Life: In Sweden, the service level surrounding care insurance was strengthened via an improved accessibility level. Customers' interest in SEB's traditional insurance offer remained and inflows continued. The core business occupational pensions developed positively. In the most recent market statistics the annual new sales once again reached SEK 21bn, corresponding to a market share of 9.2 per cent (9.9 per cent the same period last year). In Denmark, the divestment of SEB Pension was finalised at the end of the period (see page 6).

Investment Management: The high client demand for products with a sustainability profile remained and SEB launched its sixth Micro Finance fund. Incorporating sustainability into the fund selection process also proceeded and paired with other customer specific projects, such as the facilitation of solar projects for an institutional mandate, the franchise surrounding sustainability was further strengthened.

Net fee and commission income increased by 12 per cent year-on-year, largely due to higher distribution fees paid under MiFID II. Operating profit improved by 5 per cent year-on-year to SEK 1,710m. Excluding SEB Pension, total income increased by 13 per cent year-on-year, while expenses increased by 7 per cent and operating profit increased by 18 per cent.

The SEB Group

Net interest income – SEB Group

SEK m	Q2 2018	Q1 2018	%	Q2 2017	%	Jan–Jun 2018	Jan–Jun 2017	%	Full year 2017
Interest income[1]	10 074	9 283	*9*	9 209	*9*	19 357	18 127	*7*	36 472
Interest expense	-4 574	-4 295	*7*	-4 296	*6*	-8 869	-8 499	*4*	-16 580
Net interest income	**5 500**	**4 988**	***10***	**4 913**	***12***	**10 488**	**9 628**	***9***	**19 893**
1) Whereof interest income calculated using the effective interest method	8 686	7 628	*14*	7 456	*16*	15 845	14 549	*9*	29 735

Net fee and commission income – SEB Group

SEK m	Q2 2018	Q1 2018	%	Q2 2017	%	Jan–Jun 2018	Jan–Jun 2017	%	Full year 2017
Issue of securities and advisory	298	136	*119*	430	*-31*	434	713	*-39*	1 167
Secondary market and derivatives	594	514	*16*	765	*-22*	1 108	1 457	*-24*	2 565
Custody and mutual funds	2 049	1 923	*7*	2 063	*-1*	3 972	3 888	*2*	8 040
Whereof performance fees	*5*	*24*	*-79*	*55*	*-91*	*29*	*93*	*-69*	*357*
Payments, cards, lending, deposits, guarantees and other	2 847	2 628	*8*	2 444	*16*	5 475	4 797	*14*	9 717
Whereof payments and card fees	*1 509*	*1 410*	*7*	*1 377*	*10*	*2 919*	*2 665*	*10*	*5 460*
Whereof lending	*784*	*501*	*56*	*581*	*35*	*1 285*	*1 134*	*13*	*2 254*
Life insurance commissions	487	485	*0*	432	*13*	972	854	*14*	1 707
Fee and commission income	**6 274**	**5 687**	***10***	**6 135**	***2***	**11 961**	**11 709**	***2***	**23 196**
Fee and commission expense	**-1 460**	**-1 496**	***-2***	**-1 463**	***0***	**-2 956**	**-2 789**	***6***	**-5 519**
Net fee and commission income	**4 814**	**4 190**	***15***	**4 671**	***3***	**9 005**	**8 920**	***1***	**17 677**
Whereof Net securities commissions	*2 116*	*1 920*	*10*	*2 454*	*-14*	*4 036*	*4 547*	*-11*	*8 889*
Whereof Net payments and card fees	*988*	*895*	*10*	*885*	*12*	*1 883*	*1 706*	*10*	*3 454*
Whereof Net life insurance commissions	*349*	*317*	*10*	*263*	*33*	*665*	*510*	*30*	*1 061*

Fee and commission income by product – SEB Group

SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other[1] & eliminations	SEB Group
Jan–Jun 2018						
Issue of securities and advisory	412	14	8			434
Secondary market and derivatives	845	249	16	1	-3	1 108
Custody and mutual funds	1 765	893	92	3 012	-1 790	3 972
Payments, cards, lending, deposits, guarantees and other	2 528	2 472	884	214	-623	5 475
Life insurance commissions				1 047	-75	972
Fee and commission income	**5 550**	**3 628**	**1 001**	**4 273**	**-2 492**	**11 961**
Jan–Jun 2017						
Issue of securities and advisory	691	14	7		1	713
Secondary market and derivatives	1 132	316	11	4	-7	1 457
Custody and mutual funds	2 033	1 036	83	2 825	-2 090	3 888
Payments, cards, lending, deposits, guarantees and other	2 098	2 302	789	316	-707	4 797
Life insurance commissions				1 085	-230	854
Fee and commission income	**5 955**	**3 668**	**890**	**4 229**	**-3 033**	**11 709**

[1] Other consists of business support units, treasury and staff units and German run-off operations.
Fee and commission income is disaggregated in major types of service tied to primary geographical markets and operating segments. Revenue from Issue of securities, Advisory, Secondary market, Derivatives, Payments, cards, lending and deposits are mainly recognised at a point in time. Revenue from Custody, Mutual funds and Life insurance commissions are mainly recognised over time.

Net financial income – SEB Group

SEK m	Q2 2018	Q1 2018	%	Q2 2017	%	Jan–Jun 2018	Jan–Jun 2017	%	Full year 2017
Equity instruments and related derivatives	372	- 27		320	*16*	345	969	*-64*	1 410
Debt instruments and related derivatives	- 343	397		- 183	*88*	53	- 532		- 369
Currency and related derivatives	1 044	731	*43*	868	*20*	1 775	2 235	*-21*	4 023
Other life insurance income, net	463	210	*121*	436	*6*	673	814	*-17*	1 738
Other	70	145	*-52*	20		215	38		78
Net financial income	**1 606**	**1 455**	***10***	**1 461**	***10***	**3 062**	**3 523**	***-13***	**6 880**
Whereof unrealized valuation changes from counterparty risk and own credit standing in derivatives and own issued securities [1)]	*-55*	*3*		*-81*	*-32*	*-53*	*-143*	*-63*	*-210*

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

For the second quarter the effect from structured products offered to the public was approximately SEK 115m (Q1 2018: 175) in Equity related derivatives and a corresponding effect in Debt related derivatives SEK 50m (Q1 2018: -20).

1) Own credit standing from own issued securities is as of 1 January 2018 presented in Other comprehensive income.

Net expected credit losses – SEB Group

SEK m	Q2 2018	Q1 2018	%	Q2 2017	%	Jan–Jun 2018	Jan–Jun 2017	%	Full year 2017
Impairment gains or losses[1)]	**- 150**	**- 67**				**- 217**			
Net provisions[2)]				**- 54**			**- 170**		**12**
Write-offs and recoveries									
Total write-offs	- 232	- 700		- 375		- 931	- 543	*72*	-1 367
Reversals of ECL allowance	105	607	*-83*	156		711	174		318
Write-offs not previously provided for	- 127	- 93	*37*	- 219		- 220	- 369	*-40*	-1 050
Recovered from previous write-offs	55	52	*7*	59		107	120	*-11*	230
Net write-offs	- 72	- 41	*73*	- 161		- 113	- 249	*-54*	- 820
Net expected credit losses[1)]	**- 221**	**- 109**	***104***			**- 330**			
Net credit losses[2)]				**- 214**			**- 419**		**- 808**

1) Based on IFRS 9 expected loss model. Consists of increases due to origination, decreases due to derecognition and changes due to changes in credit risk.

2) Based on IAS 39 incurred loss model.

	Q2 2018	Q1 2018	%	Q2 2017	%	Jan–Jun 2018	Jan–Jun 2017	%	Full year 2017
Net ECL level, %	0.04	0.02				0.03			
Credit loss level, %				0.06			0.06		0.05

Items affecting comparability – SEB Group

SEK m	Q2 2018	Q1 2018	%	Q2 2017	%	Jan–Jun 2018	Jan–Jun 2017	%	Full year 2017
Other income	4 506					4 506			494
Total operating income	**4 506**					**4 506**			**494**
Staff costs									-1 320
Other expenses									- 92
Depreciation, amortisation and impairment of tangible and intangible assets									- 978
Total operating expenses									**-2 390**
Items affecting comparability	**4 506**					**4 506**			**-1 896**
Income tax on IAC	22					22			215
Items affecting comparability after tax	**4 528**					**4 528**			**-1 681**

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

Items affecting comparability 2018

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

SEB Pension (2018 Q2)

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

UC (2018 Q2)

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

Items affecting comparability 2017

The total expense in the income statement from Items affecting comparability was SEK 1,896m before tax and SEK 1,681m after tax. In total, the items affecting comparability, including the effect on other comprehensive income of SEK 494m, decreased equity by SEK 2,175m.

Visa Sweden (2017 Q4)

The settlement of the acquisition of Visa Europe by Visa Inc. consisted of a combination of cash and shares to be paid to the different Visa Europe members. In Sweden, SEB was an indirect member. In the fourth quarter a dividend of SEK 494m was received. There was no tax effect.

The holdings in Visa have been classified as Available-for-sale asset where the change in value is recognised in Other comprehensive income. The dividend received has reduced the amount in Other comprehensive income by SEK 494m.

SEB's German business (2017 Q4)

In line with previous communication, the operations in Germany were transformed and the core business was transferred from SEB AG to the German branch of the parent company, Skandinaviska Enskilda Banken AB, as per 2 January 2018. The purpose of the change is to simplify the reporting and administration of the German operations. The non-core business that was not transferred to the branch from SEB AG will be dismantled over time.

The provisions related to redundancy and excess premises amounting to a total of SEK 521m were recognised in the fourth quarter. In addition, SEB entered into an agreement to transfer the pension obligations under the defined benefit plan in SEB AG to Versicherungsverein des Bankgewerbes a.G (BVV) at a total cost of SEK 891m in the fourth quarter. The transfer took place in the second quarter 2018.

Impairment and derecognition of intangible IT assets (2017 Q4)

An impairment and a derecognition of intangible IT assets led to an expense in an amount of SEK 978m. The positive tax effect was SEK 215m.

Statement of changes in equity – SEB Group

SEK m	Share capital	Other reserves[1)] Available-for-sale financial assets	OCA[2)]	Cash flow hedges	Translation of foreign operations	Defined benefit plans	Retained earnings	Total Shareholders' equity
Jan-Jun 2018								
Opening balance	21 942	729		1 192	-897	3 379	114 892	**141 237**
Effect of applying IFRS 9[3)]		-729	-507				-2 044	**-3 280**
Restated balance at 1 January 2018	**21 942**	**0**	**-507**	**1 192**	**-897**	**3 379**	**112 848**	**137 958**
Net profit							14 019	**14 019**
Other comprehensive income (net of tax)			100	-559	943	-445		**39**
Total comprehensive income			**100**	**-559**	**943**	**-445**	**14 019**	**14 058**
Dividend to shareholders							-12 459	**-12 459**
Equity-based programmes[5)]							-199	**-199**
Change in holdings of own shares							215	**215**
Closing balance	**21 942**		**-407**	**633**	**46**	**2 934**	**114 425**	**139 573**
Jan-Dec 2017								
Opening balance	21 942	1 638		2 399	-1 193	2 595	113 595	**140 976**
Effect of applying IFRS 15[4)]							-2 640	**-2 640**
Restated balance at 1 January 2017	**21 942**	**1 638**		**2 399**	**-1 193**	**2 595**	**110 955**	**138 336**
Net profit[4)]							16 197	**16 197**
Other comprehensive income (net of tax)		-909		-1 207	296	784		**-1 036**
Total comprehensive income		**-909**		**-1 207**	**296**	**784**	**16 197**	**15 160**
Dividend to shareholders							-11 935	**-11 935**
Equity-based programmes[5)]							-246	**-246**
Change in holdings of own shares							-78	**-78**
Closing balance	**21 942**	**729**		**1 192**	**-897**	**3 379**	**114 893**	**141 237**
Jan-Jun 2017								
Opening balance	21 942	1 638		2 399	-1 193	2 595	113 595	**140 976**
Effect of applying IFRS 15[4)]							-2 640	**-2 640**
Restated balance at 1 January 2017	**21 942**	**1 638**		**2 399**	**-1 193**	**2 595**	**110 955**	**138 336**
Net profit[4)]							8 779	**8 779**
Other comprehensive income (net of tax)		-95		-659	37	1 444		**727**
Total comprehensive income		**-95**		**-659**	**37**	**1 444**	**8 779**	**9 506**
Dividend to shareholders							-11 935	**-11 935**
Equity-based programmes[5)]							-436	**-436**
Change in holdings of own shares							208	**208**
Closing balance	**21 942**	**1 543**		**1 740**	**-1 156**	**4 039**	**107 571**	**135 679**

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

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

3) IFRS 9 Financial Instruments is applied from 1 January 2018.

4) IFRS 15 Revenue from Contracts with Customers is applied retrospectively from 1 January 2018.

5) Number of shares owned by SEB:

Number of shares owned by SEB, million	Jan-Jun 2018	Jan-Dec 2017	Jan-Jun 2017
Opening balance	27.1	25.2	25.2
Repurchased shares for equity-based programmes	6.6	7.0	7.0
Sold/distributed shares	-2.7	-5.0	-4.4
Closing balance	**31.0**	**27.1**	**27.7**
Market value of shares owned by SEB, SEK m	2 642	2 612	2 827

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–Jun 2018	Jan–Jun 2017	%	Full year 2017
Cash flow from operating activities	117 446	86 727	*35*	41 526
Cash flow from investment activities	7 344	176		7 964
Cash flow from financing activities	- 12 459	- 7 656	*63*	- 20 030
Net increase in cash and cash equivalents	**112 331**	**79 247**	***42***	**29 460**
Cash and cash equivalents at the beginning of year	184 429	158 315	*16*	158 315
Exchange rate differences on cash and cash equivalents	13 884	- 3 369		- 3 346
Net increase in cash and cash equivalents	112 331	79 247	*42*	29 460
Cash and cash equivalents at the end of period[1)]	**310 644**	**234 193**	***33***	**184 429**

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 Jun 2018 Carrying amount	30 Jun 2018 Fair value	31 Dec 2017 Carrying amount	31 Dec 2017 Fair value	30 Jun 2017 Carrying amount	30 Jun 2017 Fair value
Loans	2 026 896	2 031 282	1 713 518	1 717 729	1 844 885	1 853 409
Debt securities	234 176	234 177	169 268	169 368	286 255	286 452
Equity instruments	58 604	58 604	59 203	59 203	89 509	89 509
Financial assets for which the customers bear the investment risk	295 762	295 762	283 420	283 420	308 995	308 995
Derivatives	142 568	142 568	104 868	104 868	179 038	179 038
Other	28 440	28 440	15 106	15 106	22 673	22 673
Financial assets	**2 786 446**	**2 790 833**	**2 345 383**	**2 349 694**	**2 731 355**	**2 740 076**
Deposits	1 347 973	1 349 009	1 127 538	1 132 231	1 251 963	1 257 629
Financial liabilities for which the customers bear the investment risk	296 697	296 697	284 291	284 291	309 718	309 718
Debt securities issued	780 030	775 144	646 475	651 403	694 356	702 197
Short positions	41 681	41 681	24 985	24 985	49 556	49 556
Derivatives	119 139	119 139	85 432	85 432	149 351	149 351
Other	53 956	53 956	18 060	18 060	40 424	40 424
Financial liabilities	**2 639 476**	**2 635 626**	**2 186 781**	**2 196 402**	**2 495 368**	**2 508 875**

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 2017.

Assets and liabilities measured at fair value – SEB Group

SEK m	30 Jun 2018				31 Dec 2017			
Assets	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**
Loans		102 607		**102 607**				
Debt securities	78 442	137 640	4	**216 086**	71 626	84 041	571	**156 238**
Equity instruments	49 259	4 969	4 375	**58 603**	52 082	4 573	2 414	**59 069**
Financial assets for which the customer bear the investment risk	287 539	7 537	687	**295 763**	275 737	7 053	630	**283 420**
Derivatives	2 077	139 701	790	**142 568**	1 251	102 929	688	**104 868**
Investment in associates	283		376	**659**	251		592	**843**
Non-current assets held for sale					89 229	63 657	29 550	**182 436**
Total	**417 600**	**392 454**	**6 232**	**816 286**	**490 176**	**262 253**	**34 445**	**786 874**
Liabilities								
Deposits		44 090		**44 090**				
Financial liabilities for which the customer bear the investment risk	288 394	7 624	679	**296 697**	276 482	7 185	624	**284 291**
Liabilities to policyholders - insurance	20 807	83		**20 890**				
Debt securities issued		22 786		**22 786**	6 206	28 991		**35 197**
Short positions	32 144	9 472	65	**41 681**	13 984		244	**14 228**
Derivatives	1 329	116 975	836	**119 140**	911	83 724	799	**85 434**
Other financial liabilities at fair value	168	4 229		**4 397**		3 842		**3 842**
Liabilities in disposal groups held for sale					21 055	42 536	8 899	**72 490**
Total	**342 842**	**205 259**	**1 580**	**549 681**	**318 638**	**166 278**	**10 566**	**495 482**

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 ARC (Accounting Reporting Committee).

In order to arrive at the fair value of a financial instrument SEB uses different methods; quoted prices in active markets, valuation techniques incorporating observable data and valuation techniques based on internal models. For disclosure purposes, financial instruments carried at fair value are classified in a fair value hierarchy according to the level of market observability of the inputs. 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 counterpart. These adjustments are calculated on a counterparty level based on estimates of exposure at default, probability of default and recovery rates. Probability of default and recovery rate information is generally sourced from the CDS markets. For counterparties where this information is not available, or considered unreliable due to the nature of the exposure, alternative approaches are taken where the probability of default is based on generic credit indices for specific industry and/or rating. When valuing financial liabilities at fair value 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 2017. 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 counterparts 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.

Changes in level 3	Closing balance 31 Dec 2017	Changes due to IFRS 9 implemen-tation	Gain/loss in Income statement	Gain/loss in Other compre-hensive income	Purchases	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Closing balance 30 Jun 2018
Assets											
Debt securities	571	-567									4
Equity instruments	2 414	986	552		717	-411			-1	118	4 375
Financial assets for which the customer bear the investment risk	630		-36		123	-71				41	687
Derivatives	688		61				29			12	790
Investment in associates	592		-192		14	-42				4	376
Total	**4 895**	**419**	**385**		**854**	**-524**	**29**		**-1**	**175**	**6 232**
Liabilities											
Financial liabilities for which the customer bear the investment risk	624		-36		122	-71				40	679
Short positions	244		6		-188					3	65
Derivatives	799		-38				63			12	836
Total	**1 667**		**-68**		**-66**	**-71**	**63**			**55**	**1 580**

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.

	30 Jun 2018				31 Dec 2017			
SEK m	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments[1) 2) 4)]	789	-835	-47	51	688	-798	-110	38
Equity instruments[3) 6)]	889	-65	824	167	1 245	-244	1 001	209
Insurance holdings - Financial instruments[4) 5) 7)]	3 476		3 476	446	2 380		2 380	331
Assets-liabilities held for sale [4) 5) 6) 7)]					16 070	-2 395	13 675	1 657

1) Sensitivity from a shift of inflation linked swap spreads by 16 basis points (16) and implied volatilities by 5 percentage points (5).
2) Sensitivity from a shift of swap spreads by 5 basis points (5).
3) Valuation is estimated in a range of reasonable outcomes. Sensitivity analysis is based on 20 per cent (20) shift in market values.
4) Shift in implied volatility by 10 percentage points (10).
5) Sensitivity analysis is based on a shift in private equity of 20 per cent (20), structured credits 10 per cent (10) and derivative market values of 10 per cent (10).
6) Sensitivity from a shift of investment properties/real estate funds 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
				Related arrangements				
	Gross amounts	Offset	Net amounts in balance sheet	Master netting arrangements	Collaterals received/ pledged	Net amounts		
30 Jun 2018								
Derivatives	145 442	-4 705	**140 737**	-80 811	-41 498	**18 428**	1 831	**142 568**
Reversed repo receivables	138 465	-37 504	**100 961**	-33 564	-67 397		1 749	**102 711**
Securities borrowing	36 734		**36 734**	-5 610	-30 956	**167**	293	**37 027**
Client receivables	4 917	-4 917					23 489	**23 489**
Assets	**325 558**	**-47 126**	**278 432**	**-119 986**	**-139 851**	**18 595**	**27 362**	**305 794**
Derivatives	122 853	-4 705	**118 149**	-80 811	-28 725	**8 613**	990	**119 139**
Repo payables	71 285	-37 504	**33 781**	-33 564		**217**		**33 781**
Securities lending	24 090		**24 090**	-5 610	-17 896	**584**	2	**24 092**
Client payables	4 917	-4 917					26 002	**26 002**
Liabilities	**223 146**	**-47 126**	**176 020**	**-119 986**	**-46 621**	**9 413**	**26 994**	**203 014**
31 Dec 2017								
Derivatives	111 634	-7 826	**103 808**	-58 922	-29 374	**15 512**	1 060	**104 868**
Reversed repo receivables	104 354	-61 735	**42 620**	-6 613	-36 007			**42 620**
Securities borrowing	3 782		**3 782**	-3 165	-512	**105**	12 955	**16 736**
Client receivables							11 817	**11 817**
Assets	**219 770**	**-69 560**	**150 210**	**-68 701**	**-65 892**	**15 617**	**25 832**	**176 042**
Derivatives	92 496	-7 826	**84 670**	-58 922	-18 293	**7 455**	763	**85 434**
Repo payables	68 348	-61 735	**6 613**	-6 613				**6 613**
Securities lending	9 604		**9 604**	-3 165	-6 152	**287**	911	**10 515**
Client payables							10 894	**10 894**
Liabilities	**170 448**	**-69 560**	**100 888**	**-68 701**	**-24 445**	**7 742**	**12 569**	**113 456**
30 Jun 2017								
Derivatives	182 846	-4 615	**178 231**	-99 117	-48 439	**30 675**	807	**179 038**
Reversed repo receivables	150 332	-38 650	**111 682**	-31 635	-79 599	**448**	239	**111 921**
Securities borrowing	27 590		**27 590**	-5 451	-22 139		14 027	**41 617**
Client receivables	4 046	-4 046	**0**			**0**	18 928	**18 928**
Assets	**364 813**	**-47 310**	**317 503**	**-136 202**	**-150 177**	**31 123**	**34 001**	**351 504**
Derivatives	152 333	-4 615	**147 718**	-99 117	-45 849	**2 752**	1 633	**149 351**
Repo payables	70 529	-38 650	**31 880**	-31 635		**245**		**31 880**
Securities lending	24 577		**24 577**	-5 451	-10 167	**8 959**	1 260	**25 836**
Client payables	4 046	-4 046	**0**				18 345	**18 345**
Liabilities	**251 484**	**-47 310**	**204 174**	**-136 202**	**-56 015**	**11 956**	**21 238**	**225 412**

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 cause 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.

Expected credit loss (ECL) allowances and credit exposure by stage (IFRS 9) – SEB Group

SEK m	30 Jun 2018	1 Jan 2018
Stage 1 (12-month ECL)		
Gross carrying amounts/Nominal amounts	2 155 636	1 901 083
ECL allowances	-831	-787
Carrying amounts/Net amounts	2 154 805	1 900 296
ECL coverage ratio, %	0.04	0.04
Stage 2 (lifetime ECL)[1)]		
Gross carrying amounts/Nominal amounts	89 024	101 027
ECL allowances	-1 613	-1 425
Carrying amounts/Net amounts	87 411	99 602
ECL coverage ratio, %	1.81	1.41
Stage 3 (credit impaired/lifetime ECL)		
Gross carrying amounts/Nominal amounts	8 726	11 437
ECL allowances	-3 459	-3 917
Carrying amounts/Net amounts	5 268	7 520
ECL coverage ratio, %	39.64	34.25
Total		
Gross carrying amounts/Nominal amounts	2 253 387	2 013 547
ECL allowances	-5 903	-6 129
Carrying amounts/Net amounts	2 247 484	2 007 418
ECL coverage ratio, %	0.26	0.30

1) Whereof gross carrying amounts SEK 1,355m (1,223) and ECL allowances SEK 1m (2) under Lifetime ECLs - simplified approach for trade receivables.

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

Non-performing loans – SEB Group

SEK m	31 Dec 2017	30 Jun 2017
Individually assessed loans		
Impaired loans	**5 999**	**5 328**
Specific reserves	- 2 187	- 1 908
Collective reserves	- 1 120	- 1 493
Impaired loans net	**2 692**	**1928**
Specific reserve ratio for individually assessed impaired loans	36.5%	35.8%
Total reserve ratio for individually assessed impaired loans	55.1%	63.8%
Net level of impaired loans	0.25%	0.21%
Gross level of impaired loans	0.39%	0.33%
Portfolio assessed loans		
Loans past due > 60 days	2 273	2 477
Restructured loans	11	11
Collective reserves for portfolio assessed loans	- 1 170	- 1 338
Reserve ratio for portfolio assessed loans	51.2%	53.8%
Non-performing loans [1]		
Non-performing loans	8 283	7 817
NPL coverage ratio	54.9%	61.3%
NPL per cent of lending	0.54%	0.49%

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

Reserves		
Specific reserves	- 2 187	- 1 908
Collective reserves	- 2 290	- 2 831
Reserves for off-balance sheet items	- 75	- 54
Total reserves	**- 4 552**	**- 4 792**

Seized assets – SEB Group

SEK m	30 Jun 2018	31 Dec 2017	30 Jun 2017
Properties, vehicles and equipment	182	207	452
Shares	41	42	43
Total seized assets	**223**	**249**	**495**

Non-current assets and disposal groups classified as held for sale – SEB Group

SEK m	30 Jun 2018	31 Dec 2017	30 Jun 2017
Financial assets at fair value through profit or loss		175 506	
Other assets		8 505	376
Non-current assets and disposal groups classified as held for sale		**184 011**	**376**
Liabilities to policyholders		133 688	
Financial liabilities at fair value through profit or loss		34 469	
Other liabilities		10 553	
Liabilities of disposal groups classified as held for sale		**178 710**	

In December 2017 SEB signed an agreement to sell all shares in SEB Pensionsforsikring A/S and SEB Administration A/S (SEB Pension) to Danica Pension Livsforsikringsaktieselskab (Danica, a subsidiary to Danske Bank). SEB Pension consists of a portfolio of life and pension contracts and approximately 275 employees. All conditions for the sale have been fulfilled and the business including employees, customer contracts and systems are transferred from SEB to Danica on 7 June 2018. SEB Pension was reported in the Life & Investment Management division.

During the second quarter the Baltic division completed the divestment of investment properties. No additional impairment was recognised during the second quarter.

IFRS 9 and 15 transition disclosures – SEB Group

The transition disclosures on pages 33-40 correspond to the transition disclosures published on sebgroup.com on 28 March 2018. They outline the changes to SEB's financial statements as of 1 January 2018 from primarily three areas: (1) the effects of IFRS 15 Revenue from Contracts with Customers and the restatement of the income statement and the balance sheet, (2) a change in the presentation of SEB's balance sheet to better reflect the new requirements under IFRS 9 Financial Instruments and (3) the effects of transition from IAS 39 to IFRS 9 as per 1 January 2018. Additional information about SEB's adoption of IFRS 15 and IFRS 9 is available in the Annual Report 2017 note 1a "Significant changed accounting policies applicable from 1 January 2018" (page 90-93).

IFRS 15: As communicated in the Annual Accounts 2017, the main effect from IFRS 15 is the change in the treatment of contract costs for investment contracts within Life where a smaller part of deferred acquisition costs (DAC) is now recognised as an asset. This change has resulted in a decrease of the deferred acquisition cost in the balance sheet of SEK 2,640m. The effect was recognised in the first quarter 2018, as a reduction of the opening balance of retained earnings as per 1 January 2017. Similarly, net fees and commissions in the 2017 income statement were restated reducing income by SEK 47m.

IFRS 9: As of 1 January 2018, IFRS 9 introduced new requirements for classification and measurement, impairment and hedge accounting. SEB's balance sheet has been adjusted to better reflect the measurement categories and accounting policies under IFRS 9. The new balance sheet applies from 1 January 2018. In order to facilitate comparison, the balance sheet per 31 December 2017 is presented in both the new and old format. The new balance sheet and more detailed information about the differences between IAS 39 and IFRS 9 are presented on page 34-35.

The new requirements implied a change in the classification and measurement of financial assets and liabilities which reduced the 2018 opening balance for retained earnings by SEK 3,281m. The available-for-sale category under IAS 39, where fair value changes were reported in Other comprehensive income, ceased and valuations of fair value are reported in Net financial income. Certain holdings in Treasury that were classified as available-for-sale are now classified as amortised cost. As a result, a positive fair value in the amount of SEK 264m was derecognised. Regarding the classification and measurement of financial liabilities, the rules entail a change of reporting the own credit risk adjustment (OCA). Under IAS 39, the change in OCA was reported in Net financial income and is now reported in Other comprehensive income. The classification of bonds issued by SEB AG maturing beyond the year 2020 changed to fair value through profit or loss from amortised cost. This reduced the opening balance of retained earnings by SEK 1,847m. An aggregate overview of the transitional effects from classification and measurement under IFRS 9, along with a detailed description for each portfolio, is presented on page 36-39.

The impairment model for credit losses was changed from an incurred loss model to an expected loss model which resulted in an increase of allowances amounting to SEK 1,578m. The net effect after tax is a SEK 1,170m reduction of retained earnings. The increase in allowances was driven by three main factors: First, *all* items in scope were each assigned a reserve. Second, there was an increase of allowances for off-balance sheet commitments mainly in the retail portfolios. Third, a forward-looking view of the macroeconomic development was incorporated in the calculation of expected credit losses. There are three different scenarios that reflect SEB's view on macroeconomic development. Further information on expected credit losses and gross carrying amounts is provided on page 40.

Under the current Capital Requirements Regulation (CRR), any shortfall between accounting provisions and regulatory expected losses is deducted from Common Equity Tier 1 (CET1) capital, while any excess is added back to Tier 2 capital. The first time application of the new expected credit loss model had a positive effect on SEB's CET1 capital amounting to SEK 30m. The negative effect on equity from increased provisions was offset by a reduction in the shortfall deduction. Further, the total risk exposure amount (REA) decreased by SEK 5bn due to lower capital requirements for defaulted exposures.

The net effect from IFRS 9 following shortfall adjustments and reduced REA reduced SEB's CET1 ratio by 18 bps.

Transition disclosures – Change in presentation of balance sheet

SEB (previous presentation)	Restated Closing balance[1] 31 December 2017	Change in presentation	New presentation of Closing balance 31 December 2017	SEB (new presentation)
Cash and cash balances at central banks	177 222		177 222	Cash and cash balances with central banks
Other lending to central banks	12 778		12 778	Loans to central banks
Loans to credit institutions	34 715	4 002	38 717	Loans to credit institutions
Loans to the public	1 484 803	1 962	1 486 765	Loans to the public
Financial assets at fair value through profit or loss	575 955	-575 955		
Available-for-sale financial assets	27 776	-27 776		
		169 269	169 269	Debt securities
		59 204	59 204	Equity instruments
		283 420	283 420	Financial assets for which the customers bear the investment risk
		104 868	104 868	Derivatives
Other assets[1]	243 659	-18 994	224 664	Other assets
TOTAL ASSETS	**2 556 908**	**0**	**2 556 908**	**TOTAL ASSETS**

1) IFRS 15 Revenue from Contracts with Customers is applied retrospectively from 1 January 2018.

SEB (previous presentation)	Restated Closing balance[1] 31 December 2017	Change in presentation	New presentation of Closing balance 31 December 2017	SEB (new presentation)
Deposits from central banks and credit institutions	89 076	6 413	95 489	Deposits from central banks and credit institutions
Deposits and borrowing from the public	1 004 721	27 327	1 032 048	Deposits and borrowings from the public
Liabilities to policyholders - investment contracts	*284 291*		284 291	Financial liabilities for which the customers bear the investment risk
Liabilities to policyholders - insurance contracts	*18 911*		18 911	Liabilities to policyholders
Debt securities issued	614 033		614 033	Debt securities issued
Financial liabilities at fair value through profit or loss	114 313	-114 313		
		24 985	24 985	Short positions
		85 434	85 434	Derivatives
		3 894	3 894	Other financial liabilities
Other liabilities	290 325	-33 740	256 585	Other liabilities
Total liabilities	**2 415 671**	**0**	**2 415 671**	**Total liabilities**
Total equity[1]	**141 237**		**141 237**	**Total equity**
TOTAL LIABILITIES AND EQUITY	**2 556 908**	**0**	**2 556 908**	**TOTAL LIABILITIES AND EQUITY**

1) IFRS 15 Revenue from Contracts with Customers is applied retrospectively from 1 January 2018.

IFRS 15 Revenue from Contracts with Customers is applicable as of 1 January 2018. As communicated in the third quarter interim report, the main effect from IFRS 15 on SEB relates to the treatment of contract costs for investment contracts within Life that has changed so that a smaller part of deferred acquisition costs (DAC) is recognised as an asset. The change has resulted in a decrease of the deferred acquisition cost in the balance sheet of SEK 2,640m. The effect has been recognised in the first quarter 2018 as a reduction of the opening balance of retained earnings as per 1 January 2017. Similarly, net fees and commissions in the 2017 income statement has been restated reducing income by SEK 47m. These changes are included in the restated balance sheet.

As of 1 January 2018, SEB has changed its presentation of the balance sheet in order to better reflect the measurement categories and accounting principles under IFRS 9. The table demonstrates the remapping of SEB Group's balance sheet, where the closing balances under IAS 39 (previous presentation layout) has been restated with respect to IFRS 15, and then presented under the new balance sheet structure in order to facilitate for an efficient reconciliation between closing balances under IAS 39 and the opening balances under IFRS 9 (see table 2). The table also provides information on the amounts that have been moved between the balance sheet items under the previous presentation structure to the balance sheet items under the new presentation structure.

Transition disclosures – from IAS 39 to IFRS 9

SEK m	New presentation of Closing balance 31 December 2017	IFRS 9 Financial instruments Change of Classifications	Change in ECL allowances	Opening balance 1 January 2018
Cash and cash balances with central banks	177 222			177 222
Loans to central banks	12 778		0	12 778
Loans to credit institutions	38 717		-2	38 715
Loans to the public	1 486 765	14	-972	1 485 808
Debt securities	169 269	-341	-1	168 928
Equity instruments	59 204			59 204
Financial assets for which the customers bear the investment risk	283 420			283 420
Derivatives	104 868			104 868
Other assets	224 664		-2	224 662
TOTAL ASSETS	**2 556 908**	**-327**	**-977**	**2 555 605**

SEK m	New presentation of Closing balance 31 December 2017	IFRS 9 Financial instruments Change of Classifications	Change in ECL allowances	Opening balance 1 January 2018
Deposits from central banks and credit institutions	95 489	15		95 504
Deposits and borrowings from the public	1 032 048	2 656		1 034 704
Financial liabilities for which the customers bear the investment risk	284 291			284 291
Liabilities to policyholders	18 911			18 911
Debt securities issued	614 033	54		614 087
Short positions	24 985			24 985
Derivatives	85 434			85 434
Other financial liabilities	3 894			3 894
Other liabilities [1] [2]	256 585	-942	193	255 836
Total liabilities	**2 415 671**	**1 783**	**193**	**2 417 647**
Total equity	**141 237**	**-2 110**	**-1 170**	**137 958**
TOTAL LIABILITIES AND EQUITY	**2 556 908**	**-327**	**-977**	**2 555 605**

1) Remeasurement of portfolio hedges (SEK -868m), current tax liabilities (SEK -72m) and deferred tax liabilities (SEK -2m).

2) ECL allowance (SEK 601m), current tax liabilities (SEK -413m) and deferred tax liabilities (SEK 5m).

The tables show the transition effects of IFRS 9 on SEB's balance sheet as a result of new measurement categories and ECL allowance under the new balance sheet structure, reconciling the closing balances under IAS 39 as per 31 December 2017 with the opening balances under IFRS 9 as per 1 January 2018.

Transition disclosures – overview of changes to measurement categories on transition to IFRS 9

Assets, SEK m	Closing balance 2017-12-31 under IAS 39 Accounting categories							Opening balance 2018-01-01 under IFRS 9 Accounting categories						
	HFT	FVO	AFS	LaR	HTM	Other [1]	Total	FVHFT	FVMPL	FVDPL	FVOCI	AmC	Other [1]	Total
Cash and cash balances with central banks				177 222			**177 222**					177 222		**177 222**
Loans to central banks				12 778			**12 778**	334				12 444		**12 778**
Loans to credit institutions				38 717			**38 717**	56				38 659		**38 715**
Loans to the public				1 486 765			**1 486 765**	42 250	1 012			1 442 546		**1 485 808**
Debt securities	109 513	20 902	25 824	13 030			**169 269**	33 983	108 135	7 647		19 162		**168 928**
Equity instruments	48 371	8 880	1 952				**59 204**	48 371	10 832					**59 204**
Financial assets for which the customers bear the investment risk		283 420					**283 420**		283 420					**283 420**
Derivatives	98 281					6 587	**104 868**	98 281					6 587	**104 868**
Other assets				13 041		211 623	**224 664**					13 039	211 623	**224 662**
TOTAL	**256 165**	**313 203**	**27 776**	**1 741 554**		**218 211**	**2 556 908**	**223 275**	**403 400**	**7 647**		**1 703 072**	**218 211**	**2 555 605**

Liabilities, SEK m	Closing balance 2017-12-31 under IAS 39 Accounting categories							Opening balance 2018-01-01 under IFRS 9 Accounting categories						
	HFT	FVO		AmC		Other [1]	Total	FVHFT		FVDPL		AmC	Other [1]	Total
Deposits from central banks and credit institutions				95 489			**95 489**	731		63		94 710		**95 504**
Deposits and borrowings from the public				1 032 048			**1 032 048**	5 893		11 831		1 016 980		**1 034 704**
Financial liabilities for which the customers bear the investment risk		284 291					**284 291**			284 291				**284 291**
Liabilities to policyholders						18 911	**18 911**						18 911	**18 911**
Debt securities issued		24 388		589 645			**614 033**			24 630		589 457		**614 087**
Short positions	24 985						**24 985**	24 985						**24 985**
Derivatives	84 571					863	**85 434**	84 571					863	**85 434**
Other financial liabilities	3 894						**3 894**	3 894						**3 894**
Other liabilities				13 142		243 443	**256 585**					13 142	242 694	**255 836**
Equity						141 237	**141 237**						137 958	**137 958**
TOTAL	**113 450**	**308 679**		**1 730 325**		**404 455**	**2 556 908**	**120 074**		**320 815**		**1 714 289**	**400 426**	**2 555 605**

1) Refers to non-financial assets and liabilities, equity and hedge accounting derivatives measure at fair value through profit and loss.

These tables provides a complete overview of the transition from measurement categories and carrying amounts under IAS 39 as per 31 December 2017 to the measurement categories and carrying amounts under IFRS 9 as per 1 January 2018. The change in carrying amounts following transition is a result of new measurement categories for financial assets and liabilities and ECL allowance (expected credit losses) for financial assets valued at amortised cost and off-balance sheet exposures under IFRS 9. For more details on the change in classification and measurement, see the detailed classification and measurement tables below.

IAS 39 abbreviations: Held for trading (HFT), Fair Value Option (FVO), Available-for-sale (AFS), Loans and Receivables (LaR), Amortised Cost (AmC) and Held to Maturity (HTM).
IFRS 9 abbreviations: Fair Value Through Profit or Loss Held for Trading (FVHFT/FVTPL held for trading), Fair Value Through Profit or Loss Mandatorily (FVMPL/FVTPL mandatorily), Fair Value Through Profit or Loss Designated (FVDPL/FVTPL designated), Fair Value Through Other Comprehensive Income (FVOCI) and Amortised Cost (AmC).

Transition disclosures – detailed presentation of changes to measurement categories on transition to IFRS 9

The following tables reconcile the previous classification categories under IAS 39 as per 31 December 2017 with the classification categories under IFRS 9 as per 1 January 2018.

Assets

IAS 39		Classification & Measurement		ECL allowances	IFRS 9	
Loans, SEK m **Classification**	**Carrying amount 31 December 2017**	**Change**	**Remeasurement**	**Impairment**	**Carrying amount 1 January 2018**	**Classification**
Loans and receivables	**1 538 260**	-1 538 260				
Reclassified to FVTPL held for trading		42 625	14		**42 640**	**FVTPL held for trading**
Reclassified to FVTPL mandatorily		1 012			**1 012**	**FVTPL mandatorily**
To Amortised cost		1 494 623		-974	**1 493 649**	**Amortised cost**
Total	**1 538 260**	**0**	**14**	**-974**	**1 537 300**	

As part of the business model assessment, SEB's repurchase agreement portfolio (reverse repos) has been assessed to meet the criteria for a 'held for trading' business model. As such, these instruments have been reclassified from loans & receivables to fair value through profit or loss held for trading as of 1 January 2018. The effect of this reclassification amounts to SEK 14m which has been recorded in retained earnings as of 1 January 2018.

As part of the business model assessment, a portion of loans within the loan syndication business has been assessed to meet the criteria for a 'hold to sell' business model. As such, these instruments have been reclassified from loans & receivables to fair value through profit or loss mandatorily.

IAS 39		Classification & Measurement		ECL allowances	IFRS 9	
Debt securities, SEK m **Classification**	**Carrying amount 31 December 2017**	**Change**	**Remeasurement**	**Impairment**	**Carrying amount 1 January 2018**	**Classification**
Held for trading	**109 513**	-109 513				
Reclassified to FVTPL mandatorily		75 530			**75 530**	**FVTPL mandatorily**
To FVTPL held for trading		33 983			**33 983**	**FVTPL held for trading**
Total	**109 513**	**0**	**0**	**0**	**109 513**	

As of 1 January 2018, SEB has reclassified SEK 76bn of securities held for trading as fair value through profit or loss mandatorily. The portfolio is managed and evaluated on a fair value basis and is no longer considered to meet the definition of trading assets.

Fair value option	**20 902**	-20 902				
Reclassified to FVTPL mandatorily		13 255			**13 255**	**FVTPL mandatorily**
To FVTPL designated		7 647			**7 647**	**FVTPL designated**
Total	**20 902**	**0**	**0**	**0**	**20 902**	

As of 1 January 2018, SEB will no longer apply fair value option for a portion of its debt instruments. These instruments are managed and evaluated on a fair value basis and are therefore mandatorily measured at fair value through profit or loss under IFRS 9.

Available-for-sale	**25 824**	-25 824				
Reclassified to FVTPL mandatorily		19 350			**19 350**	**FVTPL mandatorily**
Reclassified to Amortised cost		6 474	-341	-1	**6 132**	**Amortised cost**
Total	**25 824**	**0**	**-341**	**-1**	**25 482**	

As part of the business model assessment, a portion of SEB's debt securities previously classified as available-for-sale has been assessed to meet the criteria for FVTPL mandatorily as these bonds are managed and evaluated on a fair value basis. As such, these instruments have been reclassified from available-for-sale to fair value through profit or loss mandatorily. The accumulated OCI for these debt instruments was SEK 1m as of 31 December 2017 and has been recognised in retained earnings as of 1 January 2018.

As of 1 January 2018, SEB has measured a portion of its portfolio previously classified as available-for-sale as debt securities at amortised cost. These instruments are held in a hold to collect business model and meet the IFRS 9 (SPPI) criteria. The fair value of these instruments 31 December 2017 was SEK 6 474m. The accumulated OCI for the debt securities was SEK 402m as of 31 of December 2017 and where a positive market valuation of SEK has been removed as of 1 January 2018. The effect on equity from remeasurement (SEK 341m), accumulated OCI and tax adjustment was SEK 264m.
As of 30 June 2018 the fair value of the debt securities at amortised cost, but previously classified as available-for-sale, was SEK 6 802m. A fair value loss of SEK 65m would have been recognised if the financial assets had not been reclassified.

Loans and receivables	**13 030**	-13 030				
To Amortised cost		13 030		0	**13 030**	**Amortised cost**
Total	**13 030**	**0**	**0**	**0**	**13 030**	

Transition disclosures – detailed presentation of changes to measurement categories on transition to IFRS 9, cont.

Assets, cont.

IAS 39		Classification & Measurement		ECL allowances	IFRS 9	
Equity instruments, SEK m **Classification**	**Carrying amount 31 December 2017**	**Change**	**Remeasurement**	**Impairment**	**Carrying amount 1 January 2018**	**Classification**
Held for trading	**48 371**	-48 371				
To FVTPL held for trading		48 371			**48 371**	**FVTPL held for trading**
Total	**48 371**	**0**	**0**	**0**	**48 371**	
Fair value option	**8 880**	-8 880				
Reclassified to FVTPL mandatorily		8 880			**8 880**	**FVTPL mandatorily**
Total	**8 880**	**0**	**0**	**0**	**8 880**	

As of 1 January 2018, SEB will no longer apply fair value option for a portion of its equity instruments. Equity instruments are mandatorily measured at fair value through profit or loss in line with IFRS 9 criteria.

Avalable-for-sale	**1 952**	-1 952				
Reclassified to FVTPL mandatorily		1 952			**1 952**	**FVTPL mandatorily**
Total	**1 952**	**0**	**0**	**0**	**1 952**	

Equity instruments are mandatorily measured at fair value through profit or loss in line with IFRS 9. The accumulated OCI for these equity instruments was SEK 212m as of 31 December 2017 and this amount has been recognised into retained earnings as of 1 January 2018.

IAS 39		Classification & Measurement		ECL allowances	IFRS 9	
Financial assets - policyholders bearing the investment risk, SEK m **Classification**	**Carrying amount 31 December 2017**	**Change**	**Remeasurement**	**Impairment**	**Carrying amount 1 January 2018**	**Classification**
Fair value option	**283 420**	-283 420				
Reclassified to FVTPL mandatorily		283 420			**283 420**	**FVTPL mandatorily**
Total	**283 420**	**0**	**0**	**0**	**283 420**	

Financial assets where the policyholder bears the investment risk are managed based on fair value. Under IAS 39 fair value option was applied for these instruments, but under IFRS 9 these are mandatorily measured at fair value through profit or loss.

IAS 39		Classification & Measurement		ECL allowances	IFRS 9	
Derivatives, SEK m **Classification**	**Carrying amount 31 December 2017**	**Change**	**Remeasurement**	**Impairment**	**Carrying amount 1 January 2018**	**Classification**
Held for trading	**98 281**	-98 281				
To FVTPL held for trading		98 281			**98 281**	**FVTPL held for trading**
Total	**98 281**	**0**	**0**	**0**	**98 281**	

IAS 39		Classification & Measurement		ECL allowances	IFRS 9	
Other financial assets, SEK m **Classification**	**Carrying amount 31 December 2017**	**Change**	**Remeasurement**	**Impairment**	**Carrying amount 1 January 2018**	**Classification**
Loans and receivables	**13 041**	-13 041				
To Amortised cost		13 041		**-2**	**13 039**	**Amortised cost**
Total	**13 041**	**0**	**0**	**-2**	**13 039**	

Transition disclosures – detailed presentation of changes to measurement categories on transition to IFRS 9, cont.

Liabilities

IAS 39		Classification & Measurement		ECL allowances	IFRS 9	
Deposits, SEK m **Classification**	**Carrying amount 31 December 2017**	**Change**	**Remeasurement**	**Impairment**	**Carrying amount 1 January 2018**	**Classification**
Amortised cost	**1 127 538**	-1 127 538				
Reclassified to FVTPL held for trading		6 613	11		**6 624**	**FVTPL held for trading**
Reclassified to FVTPL designated		9 234	2 660		**11 894**	**FVTPL designated**
To Amortised cost		1 111 690			**1 111 690**	**Amortised cost**
Total	**1 127 538**	**0**	**2 671**	**0**	**1 130 208**	

SEB has assessed that its repurchase agreement portfolio (repos) meets the criteria for held for trading liabilities. As such, these instruments have been reclassified from amortised cost to fair value through profit or loss as of 1 January 2018.
As of 1 January 2018, SEB has elected to apply the fair value option for a portion of its deposit portfolio in order to avoid accounting mismatch.

IAS 39		Classification & Measurement		ECL allowances	IFRS 9	
Debt securities issued, SEK m **Classification**	**Carrying amount 31 December 2017**	**Change**	**Remeasurement**	**Impairment**	**Carrying amount 1 January 2018**	**Classification**
Fair value option	**24 388**	-24 388				
To FVTPL designated		24 388			**24 388**	**FVTPL designated**
Total	**24 388**	**0**	**0**	**0**	**24 388**	
Amortised cost	**589 645**	-589 645				
Reclassified to FVTPL designated		188	54		**242**	**FVTPL designated**
To Amortised cost		589 457			**589 457**	**Amortised cost**
Total	**589 645**	**0**	**54**	**0**	**589 699**	

As of 1 January 2018, SEB has elected to apply the fair value option for a portion of the issued debt securities previously valued at amortised cost in order to avoid an accounting mismatch.

Transition disclosures – impairment provisions - IAS 39 and IFRS 9

Financial assets, SEKm	Classification IAS 39	Classification IFRS 9	Provision for impairment IAS 39 31 Decembr 2017	Changes in allowances	ECL allowance IFRS 9 1 January 2018
Cash and cash balances at central banks	Loans and receivables	Amortised cost			
Other lending to central banks	Loans and receivables	Amortised cost			
Loans to credit institutions	Loans and receivables	Amortised cost		-2	-2
Loans to the public	Loans and receivables	Amortised cost	-4 476	-972	-5 448
Debt securities	Loans and receivables	Amortised cost		-1	-1
Debt securities	Available for sale	Amortised cost			
Other assets	Loans and receivables	Amortised cost		-2	-2
TOTAL			**-4 476**	**-977**	**-5 453**

Loan commitments and Financial guarantees, SEKm	Classification under IAS 39	Classification under IFRS 9	Provision for impairment IAS 37 31 December 2017	Changes in loss allowances	ECL allowance IFRS 9 1 January 2018
TOTAL	N/A	N/A	**-75**	**-601**	**-676**

The table reconciles the closing period's impairment allowance measured in accordance with the IAS 39 incurred loss model and the provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018. For each asset class the new measurement category under IFRS 9 is compared to the previous measurement category under IAS 39 and demonstrating the change in allowances between IAS 39 and IFRS 9. The increase in the allowances is driven by three main factors: Firstly, all items in scope are each assigned a reserve. Secondly, an increase of allowances for off-balance sheet commitments mainly in the retail portfolios. Thirdly, the incorporation of a forward-looking view of the macroeconomic development (based on three different scenarios reflecting SEB's view on macroeconomic developments) in the calculation of expected credit losses.

Transition disclosures – impairment provisions, IAS 39 and IFRS 9, ECL allowances by impairment stages

SEB Group Opening balance 1 January 2018, SEK m	Stage 1 (12m ECL)	Stage 2 (lifetime ECL)[1)]	Stage 3 (credit impaired/ lifetime ECL)	Total
Gross carrying amounts/Nominal amounts	1 901 083	101 027	11 437	2 013 547
ECL allowances	-787	-1 425	-3 917	-6 129
Carrying amounts/Net amounts	1 900 296	99 602	7 520	2 007 418
ECL coverage ratio, %	0.04	1.41	34.25	0.30

1) Whereof gross carrying amounts SEK 1,223m and ECL allowances SEK 2m under Lifetime ECLs - simplified approach.

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

SEB consolidated situation

Capital adequacy analysis for SEB consolidated situation

SEK m	30 Jun 2018	31 Dec 2017	30 Jun 2017
Own funds			
Common Equity Tier 1 capital	123 228	118 204	116 813
Tier 1 capital	138 483	132 127	135 945
Total own funds	157 126	147 849	158 495
Own funds requirement			
Risk exposure amount	637 037	610 819	616 523
Expressed as own funds requirement	50 963	48 866	49 322
Common Equity Tier 1 capital ratio	19.3%	19.4%	18.9%
Tier 1 capital ratio	21.7%	21.6%	22.1%
Total capital ratio	24.7%	24.2%	25.7%
Own funds in relation to own funds requirement	3.08	3.03	3.21
Regulatory Common Equity Tier 1 capital requirement including buffer	11.0%	10.9%	10.9%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which systemic risk buffer requirement	3.0%	3.0%	3.0%
of which countercyclical capital buffer requirement	1.0%	0.9%	0.9%
Common Equity Tier 1 capital available to meet buffer [1)]	14.8%	14.9%	14.4%
Leverage ratio			
Exposure measure for leverage ratio calculation	2 954 414	2 519 532	2 742 940
of which on balance sheet items	2 506 532	2 140 093	2 321 268
of which off balance sheet items	447 882	379 439	421 672
Leverage ratio	4.7%	5.2%	5.0%

[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 June 2018, the internally assessed capital requirement including insurance risk amounted to SEK 67bn (64). 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 Jun 2018	31 Dec 2017	30 Jun 2017
Shareholders equity according to balance sheet [1]	139 573	143 925	138 358
Deductions related to the consolidated situation and other foreseeable charges	-6 651	-14 357	-8 714
Common Equity Tier 1 capital before regulatory adjustments [2]	**132 922**	**129 568**	**129 644**
Additional value adjustments	-774	-663	-738
Intangible assets	-6 405	-6 225	-6 938
Deferred tax assets that rely on future profitability	-18	-75	-167
Fair value reserves related to gains or losses on cash flow hedges	-633	-1 192	-1 740
Negative amounts resulting from the calculation of expected loss amounts	-141	-1 307	-737
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	210	99	72
Defined-benefit pension fund assets	-1 764	-1 807	-2 348
Direct and indirect holdings of own CET1 instruments	-170	-193	-204
Securitisation positions with 1,250% risk weight			-30
Total regulatory adjustments to Common Equity Tier 1	**-9 694**	**-11 364**	**-12 830**
Common Equity Tier 1 capital	**123 228**	**118 204**	**116 813**
Additional Tier 1 instruments	15 255	13 922	14 321
Grandfathered additional Tier 1 instruments			4 811
Tier 1 capital	**138 483**	**132 127**	**135 945**
Tier 2 instruments	19 332	18 171	25 019
Net provisioning amount for IRB-reported exposures	510	126	106
Holdings of Tier 2 instruments in financial sector entities	-1 200	-2 575	-2 575
Tier 2 capital	**18 642**	**15 722**	**22 550**
Total own funds	**157 126**	**147 849**	**158 495**

[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 Jun 2018		31 Dec 2017		30 Jun 2017	
Credit risk IRB approach	**Risk exposure amount**	**Own funds requirement [1]**	**Risk exposure amount**	**Own funds requirement [1]**	**Risk exposure amount**	**Own funds requirement [1]**
Exposures to central governments or central banks	11 389	911	9 319	745	9 160	733
Exposures to institutions	53 762	4 301	32 838	2 627	30 329	2 426
Exposures to corporates	341 258	27 301	326 317	26 105	332 217	26 577
Retail exposures	62 979	5 038	62 296	4 984	56 546	4 524
of which secured by immovable property	36 916	2 953	36 558	2 925	35 317	2 825
of which retail SME	7 103	568	7 033	563	4 213	337
of which other retail exposures	18 961	1 517	18 704	1 496	17 016	1 361
Securitisation positions	977	78	838	67	1 833	147
Total IRB approach	**470 366**	**37 629**	**431 607**	**34 529**	**430 085**	**34 407**
Credit risk standardised approach						
Exposures to central governments or central banks	1 924	154	4 060	325	763	61
Exposures to regional governments or local authorities						
Exposures to public sector entities					7	1
Exposures to institutions	1 589	127	844	68	1 125	90
Exposures to corporates	14 694	1 176	18 197	1 456	17 651	1 412
Retail exposures	13 610	1 089	12 084	967	16 159	1 293
Exposures secured by mortgages on immovable property	2 732	219	2 539	203	3 457	277
Exposures in default	42	3	112	9	386	31
Exposures associated with particularly high risk	731	58	866	69	1 294	104
Securitisation positions			222	18	218	17
Exposures in the form of collective investment undertakings (CIU)	47	4	41	3	39	3
Equity exposures	3 031	242	1 972	158	1 723	138
Other items	8 508	681	7 801	624	7 609	609
Total standardised approach	**46 909**	**3 753**	**48 739**	**3 899**	**50 431**	**4 034**
Market risk						
Trading book exposures where internal models are applied	28 939	2 315	24 892	1 991	26 539	2 123
Trading book exposures applying standardised approaches	12 317	985	9 881	790	13 147	1 052
Foreign exchange rate risk	2 867	229	4 022	322	4 872	390
Total market risk	**44 123**	**3 530**	**38 794**	**3 104**	**44 558**	**3 565**
Other own funds requirements						
Operational risk advanced measurement approach	47 465	3 797	48 219	3 858	46 901	3 752
Settlement risk	1	0	38	3	1	0
Credit value adjustment	7 485	599	6 767	541	6 510	521
Investment in insurance business	16 633	1 331	16 633	1 331	16 633	1 331
Other exposures	4 056	325	4 219	338	5 611	449
Additional risk exposure amount [2]			15 802	1 264	15 793	1 263
Total other own funds requirements	**75 640**	**6 051**	**91 678**	**7 334**	**91 448**	**7 316**
Total	**637 037**	**50 963**	**610 819**	**48 866**	**616 523**	**49 322**

[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 26bn since year-end. Foreign exchange movements and an increase in credit volumes contributed to higher credit risk REA, partly offset by improved asset quality and the implementation of IFRS 9. The underlying market risk REA increase of SEK 15bn is mainly driven by volatile markets and increased risk exposures during the second quarter. Due to reclassification of assets and changes in provisions, credit risk REA decreased by SEK 2bn and market risk REA decreased by SEK 9bn (on the line item model updates, methodology & policy, other).

SEK bn	YTD
Balance 31 Dec 2017	**611**
Asset size	12
Asset quality	-10
Foreign exchange movements	25
Model updates, methodology & policy, other	-15
Underlying market and operational risk changes	15
Balance 30 Jun 2018	**637**

During the first quarter, SEB's application to recalibrate corporate PDs (probability of default) was approved, resulting in a REA increase of SEK 16 bn. The Additional REA, that amounted to SEK 15.8bn at year-end and that was established in 2015 in agreement with the SFSA as a measure of prudence, has been released following the approval.

Average risk-weight
The following table summarises average risk-weights (risk exposure amount divided by exposure at default, EAD) for exposures, where the risk exposure amount is calculated according to the internal ratings based (IRB) approach. Repos and securities lending transactions are excluded from the analysis, since they carry low risk-weights, and can vary considerably in volume, thus making numbers less comparable.

IRB reported credit exposures (less repos and securities lending) Average risk-weight	30 Jun 2018	31 Dec 2017	30 Jun 2017
Exposures to central governments or central banks	2.4%	3.3%	2.3%
Exposures to institutions	25.9%	24.0%	25.2%
Exposures to corporates	31.1%	31.6%	31.5%
Retail exposures	10.3%	10.4%	9.8%
of which secured by immovable property	6.9%	7.0%	6.9%
of which retail SME	57.4%	59.6%	80.6%
of which other retail exposures	30.1%	30.7%	28.2%
Securitisation positions	10.5%	10.6%	38.1%

Skandinaviska Enskilda Banken AB (publ.)

Income statement – Skandinaviska Enskilda Banken AB (publ.)

In accordance with FSA regulations	Q2	Q1		Q2		Jan–Jun			Full year
SEK m	2018	2018	%	2017	%	2018	2017	%	2017
Interest income	*9 562*	*8 404*	*14*	*8 264*	*16*	*17 966*	*16 125*	*11*	*32 285*
Leasing income	*1 434*	*1 393*	*3*	*1 379*	*4*	2 827	*2 724*	*4*	*5 481*
Interest expense	*-5 318*	*-4 508*	*18*	*-4 620*	*15*	-9 825	*-9 011*	*9*	*-17 750*
Dividends	*4 593*	*3 017*	*52*	*2 792*	*64*	*7 610*	*4 756*	*60*	*6 981*
Fee and commission income	*3 561*	*3 070*	*16*	*3 276*	*9*	*6 631*	*6 227*	*6*	*12 153*
Fee and commission expense	*- 825*	*- 841*	*-2*	*- 697*	*18*	*-1 666*	*-1 372*	*21*	*-2 596*
Net financial income	*845*	*1 152*	*-27*	*989*	*-15*	*1 997*	*2 456*	*-19*	*4 493*
Other income	*1 344*	*166*		*330*		*1 509*	*575*	*162*	*1 342*
Total operating income	**15 196**	**11 853**	***28***	**11 713**	***30***	**27 049**	**22 480**	***20***	**42 390**
Administrative expenses	*-3 806*	*-3 769*	*1*	*-3 682*	*3*	-7 575	-7 332	*3*	-14 252
Depreciation, amortisation and impairment of tangible and intangible assets	*-1 395*	*-1 357*	*3*	*-1 346*	*4*	-2 751	-2 661	*3*	-6 377
Total operating expenses	**-5 200**	**-5 126**	***1***	**-5 028**	***3***	**-10 326**	**-9 993**	***3***	**-20 629**
Profit before credit losses	**9 996**	**6 727**	***49***	**6 685**	***50***	**16 723**	**12 488**	***34***	**21 761**
Net expected credit losses[1)]	-156	-197	*-21*			-353			
Net credit losses[2)]				*- 189*			- 261		- 749
Impairment of financial assets	*- 78*	*-2 264*	*-97*	*- 48*	*61*	-2 342	- 95		-1 497
Operating profit	**9 762**	**4 266**	***129***	**6 448**	***51***	**14 028**	**12 131**	***16***	**19 515**
Appropriations	*306*	*279*	*10*	*360*	*-15*	585	866	*-32*	1 885
Income tax expense	*- 701*	*- 612*	*15*	*- 935*	*-25*	-1 313	-1 984	*-34*	-3 633
Other taxes	*- 272*	*230*	-	*4*		- 42	24		43
NET PROFIT	**9 096**	**4 163**	***118***	**5 878**	***55***	**13 259**	**11 037**	***20***	**17 811**

1) Expected credit loss figures for 2018 according to IFRS 9.
2) Incurred credit loss figures for 2017 according to IAS 39.

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

	Q2	Q1		Q2		Jan–Jun			Full year
SEK m	2018	2018	%	2017	%	2018	2017	%	2017
NET PROFIT	**9 096**	**4 163**	***118***	**5 878**	***55***	**13 259**	**11 037**	***20***	**17 811**
Items that may subsequently be reclassified to the income statement:									
Available-for-sale financial assets				- 115			- 40		- 878
Cash flow hedges	- 300	- 259	*16*	- 309	*-3*	- 559	- 660	*-15*	-1 207
Translation of foreign operations	2	45	*-96*	- 27	- 107	47	- 2		- 8
OTHER COMPREHENSIVE INCOME	**- 298**	**- 214**	***39***	**- 451**	***-34***	**- 512**	**- 702**	***-27***	**-2 093**
TOTAL COMPREHENSIVE INCOME	**8 798**	**3 949**	***123***	**5 427**	***62***	**12 747**	**10 335**	***23***	**15 718**

Balance sheet - Skandinaviska Enskilda Banken AB (publ.)

SEK m	30 Jun 2018	1 Jan 2018	31 Dec 2017	30 Jun 2017
Cash and cash balances with central banks	291 941	97 741	97 741	197 212
Loans to central banks	9 187	8 832	8 832	21 012
Loans to credit institutions	116 025	189 949	189 949	198 995
Loans to the public	1 408 869	1 207 024	1 208 169	1 246 519
Debt securities	195 972	124 732	125 070	175 510
Equity instruments	45 907	50 098	50 098	55 810
Derivatives	140 508	104 220	104 220	137 355
Other assets	124 248	108 082	108 084	121 549
TOTAL ASSETS	**2 332 659**	**1 890 678**	**1 892 163**	**2 153 963**
Deposits from central banks and credit institutions	197 250	134 562	134 561	188 917
Deposits and borrowings from the public[1)]	1 022 564	849 488	849 479	933 754
Debt securities issued	742 487	610 292	610 292	644 991
Short positions	41 681	24 985	24 985	49 556
Derivatives	117 652	86 990	86 990	118 749
Other financial liabilities	4 398	3 894	3 894	18 230
Other liabilities	81 371	55 443	55 772	78 500
Untaxed reserves	21 423	21 429	21 429	21 760
Total equity	103 833	103 595	104 762	99 506
TOTAL LIABILITIES, UNTAXED RESERVES AND TOTAL EQUITY	**2 332 659**	**1 890 678**	**1 892 163**	**2 153 963**
1) Private and SME deposits covered by deposit guarantee	199 491	186 674	186 674	183 940
Private and SME deposits not covered by deposit guarantee	145 182	135 254	135 254	123 656
All other deposits	677 890	500 224	500 224	591 836
Total deposits from the public	**1 022 564**	**822 151**	**822 151**	**899 431**

Pledged assets and obligations - Skandinaviska Enskilda Banken AB (publ.)

SEK m	30 Jun 2018	31 Dec 2017	30 Jun 2017
Pledged assets for own liabilities	406 473	447 925	397 684
Other pledged assets	158 341	114 494	160 636
Pledged assets	**564 814**	**562 419**	**558 320**
Contingent liabilities	134 530	103 059	98 511
Commitments	551 338	435 488	494 436
Obligations	**685 868**	**538 547**	**592 947**

Capital adequacy - Skandinaviska Enskilda Banken AB (publ.)

SEK m	30 Jun 2018	31 Dec 2017	30 Jun 2017
Own funds			
Common Equity Tier 1 capital	107 444	101 810	101 651
Tier 1 capital	122 699	115 733	120 783
Total own funds	141 410	131 328	143 227
Own funds requirement			
Risk exposure amount	564 692	514 328	513 076
Expressed as own funds requirement	45 175	41 146	41 046
Common Equity Tier 1 capital ratio	19.0%	19.8%	19.8%
Tier 1 capital ratio	21.7%	22.5%	23.5%
Total capital ratio	25.0%	25.5%	27.9%
Own funds in relation to capital requirement	3.13	3.19	3.49
Regulatory Common Equity Tier 1 capital requirement including buffers	8.1%	8.2%	8.1%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which countercyclical capital buffer requirement	1.1%	1.2%	1.1%
Common Equity Tier 1 capital available to meet buffers [1]	14.5%	15.3%	15.3%

[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 70bn (61). This assessment was done without diversification effects.

Definitions - Alternative Performance Measures[1)]

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

Operating profit
Total profit before tax.

Operating profit before items affecting comparability
Total profit before items affecting comparability and tax.

Return on equity
Net profit attributable to shareholders in relation to average[2)] 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 average[2)] shareholders' equity.

Return on business equity
Operating profit by division, reduced by a standard tax rate, in relation to the divisions' average[2)] business equity (allocated capital).

Return on total assets
Net profit attributable to shareholders, in relation to average[2)] total assets.

Return on risk exposure amount
Net profit attributable to shareholders in relation to average[2)] risk exposure amount.

Cost/income ratio
Total operating expenses in relation to total operating income.

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

Basic earnings per share
Net profit attributable to shareholders in relation to the weighted average[3)] number of shares outstanding before dilution.

Diluted earnings per share
Net profit attributable to shareholders in relation to the weighted average[3)] diluted number of shares. The calculated dilution is based on the estimated economic value of the long-term equity-based programmes.

Net worth per share
The sum of shareholders' equity and 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.

APMs related to credit risk:
Based upon IFRS 9
Expected credit Losses, ECL
Probability weighted credit losses with the respective risk of a default.

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

Net ECL level
Net credit impairments as a percentage of the opening balance of debt securities and loans to the public and credit institutions measured at amortised cost, financial guarantees and loan commitments, less ECL allowances.

ECL coverage ratio
ECL allowances as a percentage of underlying gross carrying amounts and nominal amounts of financial guarantees and loan commitments.

APMs related to credit risk:
Pre IFRS 9 implementation
Credit loss level
Net credit losses in relation to the sum of the opening balances 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, in relation to the sum 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), in relation to the sum 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 in relation to individually assessed impaired loans.

Total reserve ratio for individually assessed impaired loans
Total reserves (specific reserves and collective reserves for individually assessed impaired loans) in relation to individually assessed impaired loans.

Reserve ratio for portfolio assessed loans
Collective reserves for portfolio assessed loans in relation to portfolio assessed loans past due more than 60 days or restructured loans.

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 more than 60 days and restructured portfolio assessed loans.

NPL coverage ratio
Total reserves (specific, collective and off balance sheet reserves) in relation to non-performing loans.

NPL per cent of lending
Non-performing loans in relation to the sum of loans to the public and loans to credit institutions before reduction of reserves.

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

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, 274,000 SME and 1.4 million private full-service customers bank with SEB.
Our strategic priorities	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. 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, Germany and the United Kingdom and savings offering to private individuals and corporate customers. 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.
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 sebgroup.com/ir