

Interim Report

January – September 2018

STOCKHOLM 25 OCTOBER 2018



Interim report – the first nine months 2018

First nine months 2018 result

(Compared with the first nine months 2017)

- Operating income SEK 34.1bn (33.7) and operating expenses SEK 16.4bn (16.3).
- Operating profit before items affecting comparability SEK 17.0bn (16.6).
- Net profit SEK 18.6bn (13.0).
- Net expected credit losses SEK 753m, with a net expected credit loss level of 0.05 per cent.
- Return on equity 17.8 per cent (12.6) and return on equity excluding items affecting comparability 13.6 per cent (12.6).
- Earnings per share SEK 8.57 (6.01).

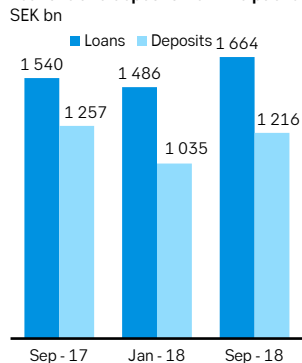
Third quarter 2018 result

(Compared with the second quarter 2018)

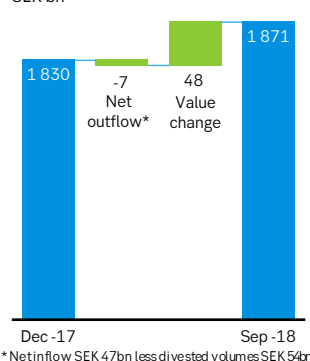
- Operating income SEK 11.4bn (11.9) and operating expenses SEK 5.4bn (5.5).
- Operating profit before items affecting comparability SEK 5.6bn (6.2).
- Net profit SEK 4.5bn (10.0).
- Net expected credit losses SEK 424m (221), with a net expected credit loss level of 0.08 per cent (0.04).
- Return on equity 12.7 per cent (29.9) and return on equity excluding items affecting comparability 13.2 per cent (16.5).
- Earnings per share SEK 2.10 (4.63).

Volumes and key ratios

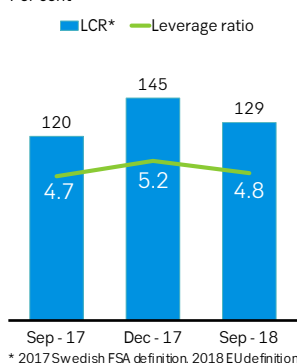
Loans to and deposits from the public
SEK bn



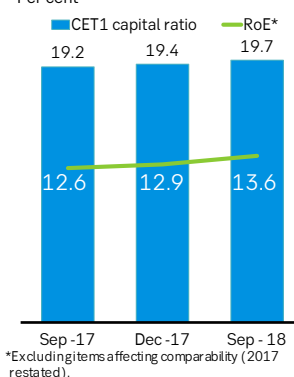
Assets under management
SEK bn



Liquidity coverage & Leverage ratios
Per cent



CET 1 capital ratio/Return on equity
Per cent



President's comment

Global growth remained solid, supported by low interest rates, labour market strength and capital spending. We saw strong equity markets during the third quarter, fuelled by positive corporate earnings trends. There was continued focus on the potential withdrawal of central banks' stimulus, political uncertainty in Europe and somewhat more fragile emerging markets. In the third quarter, most market participants expected the Swedish central bank to increase its repo rate towards the end of this year or in the beginning of next year.

Solid result despite seasonal slowdown

Nine months into the year, we look back at a period with customer activity and financial performance picking up despite a seasonal slowdown in the third quarter.

The uptick in demand for bank lending from large corporates as well as demand for advisory services continued throughout the period. On the institutional side, however, low volatility resulted in lower activity levels, impacting the performance of our Markets business. Swedish small and medium-sized companies remained active. SEB saw a growing number of customers as well as increasing demand for lending and payment services. On the private customer side, the Swedish housing market continued sideways while our household mortgage book grew by 2.7 per cent year-on-year. Business sentiment remained positive in the Baltic countries and lending to both private and corporate customers increased. Deposit volumes from the public remained broadly unchanged, while assets under management and assets under custody grew in the quarter.

All in all, supportive customer activity resulted in an operating profit before items affecting comparability of SEK 17.0bn for the first nine months which is marginally higher than last year's performance of SEK 16.6bn. Asset quality remained high with a net expected credit loss level of 0.05 per cent. The Common Equity Tier 1 capital ratio came in at 19.7 per cent and return on equity excluding items affecting comparability reached 13.6 per cent. The capital buffer above the estimated regulatory requirement of 16.6 per cent reached 310 basis points.

Sustainability in focus

SEB is committed to create sustainable value for our stakeholders. Recent months have been characterised by an industry-wide increased focus on combating financial crime. By being an integrated part of the financial system and society at large, SEB has an important role to play.

SEB has for many years applied a structured approach to continuously strengthen our capability in anti-money laundering. We apply the same framework and requirements regardless of geographic location. We put pride into knowing our customers well. We know that from a customer perspective the compliance processes sometimes can be cumbersome, but they are still vitally important given the environment we operate in. We would like to thank our customers for their contribution. We are dedicated to this important task and continue to work proactively and in close collaboration with regulators and authorities to combat financial crime.



The financial effects of the transition to IFRS 15 and IFRS 9 are described on page 32-39.

The first nine months 2018

Operating profit before items affecting comparability increased by 3 per cent and amounted to SEK 17,011m (16,554). Items affecting comparability amounted to SEK 4,506m (0) and net profit amounted to SEK 18,558m (13,025).

Operating income

Total operating income increased by 1 per cent and amounted to SEK 34,123m (33,714).

Net interest income amounted to SEK 15,807m, which was an increase of 7 per cent compared to the first nine months of 2017 (14,709).

SEK m	Jan-Sep		Change %
	2018	2017	
Customer-driven NII	17 314	16 307	6
NII from other activities	-1 507	-1 598	-6
Total	15 807	14 709	7

Customer-driven net interest income increased by SEK 1,007m compared to the first nine months 2017. This net interest income increased primarily from growth in loan volumes but also from improved lending margins. Deposit margins decreased in part due to the negative interest rate environment that remains unchanged. The deposit volume effect was negligible.

Net interest income from other activities improved by SEK 91m compared to the first nine months of 2017. Funding costs relating to both senior and subordinated debt were lower in the first nine months 2018 compared to the corresponding 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 463m higher than the first nine months 2017 and amounted to SEK 1,871m (1,408). The resolution fund fee beyond 2018 will be lower, as outlined on page 9.

Net fee and commission income increased by 4 per cent to SEK 13,517m (12,949). Demand for traditional corporate lending picked up compared to last year and lending fee income increased by 13 per cent to SEK 1,862m in the first nine months 2018. However, the very high activity among corporate customers in capital markets in the first nine months of 2017 was not matched in 2018 and net securities commissions decreased by 7 per cent, or SEK 462m, to SEK 6,071m. Fee income from custody and mutual funds increased by 3 per cent to SEK 6,007m (5,830) driven by increased volumes and market values. Performance fees, which are part of the funds fee income, decreased by SEK 90m to SEK 42m compared to the first nine months 2017. One purpose of the new regulations under MiFID II was to increase transparency on fees. The implementation in SEB resulted in a change in retrocession fees (compensation to fund companies) which decreased the net fee and commission income by approximately SEK 57m compared to the corresponding period last year. Net payments and card fees increased by 13 per cent, to SEK 2,880m, compared to the first nine months 2017, and the life insurance commissions related to the unit-linked insurance business amounted to SEK 1,421m (1,278).

Net financial income decreased by 13 per cent to SEK 4,567m (5,249). Financial institutions were generally less active in the beginning of the year and the markets remained challenging with low volatility and activity. In 2017, there was an unusually high market valuation effect in the short-term liquidity management portfolio. The movements in credit spreads affected the fair value credit adjustment¹⁾. In the first nine months, the valuation change was SEK 38m (149). Other life insurance income, net, decreased by 34 per cent compared to the corresponding period 2017 to SEK 867m (1,308). The main reason was the divestment of SEB Pension, SEB's life business in Denmark, at the end of the second quarter 2018 (see Items affecting comparability on page 23).

Comparative numbers (in parenthesis):

The third quarter 2018 result is compared to the second quarter 2018.
The first nine months 2018 result is compared to the first nine 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.

Net other income decreased by 71 per cent to SEK 233m (807). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses increased somewhat to SEK 16,379m (16,331). Staff costs were 1 per cent higher than the first nine months 2017. The average number of full-time equivalents decreased to 14,769 (14,957). Approximately 250 employees moved to Danica with the divestment of SEB Pension (see page 23). Ordinary supervisory fees amounted to SEK 118m (125).

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

Net expected credit losses

Net expected credit losses amounted to SEK 753m. Asset quality remained high and the net expected credit loss level was continued low at 5 basis points.

Items affecting comparability

The *items affecting comparability* in the first nine months amounted to SEK 4,506m (0). See page 23 for detailed information on items affecting comparability.

Income tax expense

Income tax expense amounted to SEK 2,959m (3,530) with an effective tax rate of 13.8 per cent (21.3). Income tax expense was low 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, page 23). Second, the decision to reduce the Swedish 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 Administrative Court in Stockholm decided in favour of SEB in an issue related to a tax-exempt treatment of a sale of a subsidiary. The combined effect of the two latter reasons was SEK 593m, which reduced the income tax expense.

Return on equity

Return on equity for the first nine months was 17.8 per cent (12.6). Excluding items affecting comparability return on equity was 13.6 per cent (12.6).

Other comprehensive income

Other comprehensive income amounted to SEK 1,407m (652).

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 increased which affected other comprehensive income by SEK 1,252m (1,710). 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 72m (-879).

The third quarter 2018

Operating profit before items affecting comparability decreased by 9 per cent to SEK 5,587m (6,167), compared to the second quarter and increased by 4 per cent from SEK 5,383m one year ago. There were no *items affecting comparability* in the third quarter, but in the second quarter they amounted to SEK 4,506m. *Net profit* amounted to SEK 4,539m (10,024).

Operating income

Total operating income decreased by 4 per cent to SEK 11,433m (11,903) but increased by 3 per cent compared to the third quarter 2017.

Net interest income decreased by 3 per cent to SEK 5,319m (5,500) but increased by 5 per cent compared to the third quarter 2017.

SEK m	Q3	Q2	Q3
	2018	2018	2017
Customer-driven NII	6 041	5 805	5 481
NII from other activities	-722	-305	-401
Total	5 319	5 500	5 080

Customer-driven net interest income increased by SEK 236m in the quarter driven by an increase in lending volumes and a positive deposit margin effect. There was a negative lending margin effect explained by large short-term high-margin business volumes that affected the net interest income positively in the second quarter.

Net interest income from other activities was SEK 417m lower than the previous quarter. In the second quarter certain short-term holdings in interest-bearing securities volumes contributed positively to the net interest income. Regulatory fees, including both resolution fund and deposit guarantee fees, were in line with the second quarter 2018 and amounted to SEK 626m (620).

Net fee and commission income decreased to SEK 4,512m (4,814) affected by a seasonally expected slower third quarter. Compared to the third quarter 2017, however, net fee and commission income was 12 per cent higher. Net securities commissions decreased by 4 per cent, SEK 81m, in the quarter, but increased by 3 per cent year-on-year. Corporate demand for new traditional financing was lower compared to the second quarter and gross lending fee income decreased by SEK 207m, but increased by SEK 58m year-on-year. Custody and mutual funds fees that amounted to SEK 2,036m were slightly down

compared to the second quarter (2,049) and 5 per cent higher than the third quarter last year. Performance fees, which are part of the mutual funds fee income, amounted to SEK 12m (5). Net payments and card fees increased by 1 per cent compared to the second quarter and increased by 19 per cent year-on-year driven by higher activity. Life insurance commissions related to the unit-linked insurance business amounted to SEK 449m, which was 8 per cent lower than the second quarter, but 6 per cent higher year-on-year.

Net financial income decreased by 6 per cent to SEK 1,506m (1,606) compared to the second quarter 2018 and by 13 per cent year-on-year. Market volatilities were generally low in the quarter and the financial institutions focused on illiquid and alternative assets in their search for yield. The financial market conditions affected credit spreads which, in turn, changed the fair value credit adjustment¹⁾. In the third quarter, the adjustment was SEK 90m (-55). Other life insurance income, net, decreased by 58 per cent, or SEK 269m, from the second quarter. This quarter the result was lower due to the divestment of SEB Pension in the second quarter (see page 23).

Net other income amounted to SEK 97m (-18). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses decreased by 2 per cent to SEK 5,421m (5,527) and were flat year-on-year. Ordinary supervisory fees amounted to SEK 42m (38).

Net expected credit losses

Net expected credit losses amounted to SEK 424m (221). Asset quality remained high and the net expected credit loss level remained low at 8 basis points (4).

Items affecting comparability

There were no *Items affecting comparability* in the third quarter (4,506).

Income tax expense

Income tax expense amounted to SEK 1,048m (649). The effective tax rate was 18.8 per cent (6.1).

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.

Return on equity

Return on equity for the third quarter was 12.7 per cent (29.9). Excluding items affecting comparability *return on equity* was 13.2 per cent (16.5).

Other comprehensive income

Other comprehensive income amounted to SEK 1,368m (-848).

The value of the pension plan assets exceeded the defined benefit obligations. The pension obligation was virtually unchanged for the third quarter and the discount rate used for the pension obligation in Sweden was unchanged at 2.1 per cent. At the same time, the value of the plan assets increased with a net positive effect in other comprehensive income of SEK 1,697m (-739).

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 -312m (-197).

Business volumes

Total assets at 30 September 2018 amounted to SEK 2,777bn, representing an increase of SEK 221bn since year-end (2,556).

As at 1 January 2018, IFRS 9 Financial Instruments entered into force. The presentation of the balance sheet was changed to reflect business volumes under the new rules. The historical information in the balance sheet was restated per 1 January 2018. See page 32-39 for more detailed information.

Loans

	30 Sep	1 Jan	30 Sep
SEK bn	2018	2018	2017
General governments	24	34	27
Financial corporations	76	69	63
Non-financial corporations	808	734	737
Households	592	576	569
Margins of safety	48	29	37
Reverse repos	116	42	107
Loans to the public	1 664	1 486	1 540

Loans to the public (on the balance sheet) amounted to SEK 1,664bn (1,486).

The credit portfolio (in which both loans, commitments and derivatives are included) increased by SEK 142bn to SEK 2,203bn (2,061), excluding banks. The corporate credit portfolio increased by SEK 124bn, of which approximately half related to currency effects. The household credit portfolio increased by SEK 20bn.

Deposits

	30 Sep	1 Jan	30 Sep
SEK bn	2018	2018	2017
General governments	27	17	67
Financial corporations	334	216	371
Non-financial corporations	447	432	421
Households	318	300	292
Margins of safety	53	35	40
Repos	14	6	36
Registered bonds	24	29	30
Deposits and borrowings from the public	1 216	1 035	1 257

Deposits and borrowings from the public amounted to SEK 1,216bn (1,035). Deposits from non-financial corporations and households increased by SEK 33bn since year-end 2017. Deposits from financial corporations and repos, which are generally more short-term in nature, increased by SEK 126bn during the first nine months.

Assets under management and custody

Total assets under management amounted to SEK 1,871bn (1,830). The net inflow of assets during the first nine months was SEK 47bn and the market value increased by SEK 48bn. Assets under management decreased by SEK 54bn with the divestment of SEB Pension in the second quarter (see page 23).

Assets under custody increased compared to year-end and amounted to SEK 8,335bn (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 averaged SEK 89m for the first nine months of 2018. The Group does not expect to lose more than this amount, on average, during a period of ten trading days, with 99 per cent probability.

Average VaR increased during the year mainly due to higher volatility, especially in FX and equity markets.

Liquidity and long-term funding

Short-term funding, in the form of commercial paper and certificates of deposit, increased by SEK 84bn from year-end 2017.

SEK 82bn of long-term funding matured during the first nine months of 2018 (of which SEK 59bn covered bonds and SEK 23bn senior debt). At the same time new issuance amounted to SEK 83bn (of which SEK 50bn constituted covered bonds and SEK 33bn senior debt).

The liquidity reserve, as defined by the Swedish Bankers' Association, amounted to SEK 559bn at the end of September 2018 (340).

The Liquidity Coverage Ratio (LCR) must be at least 100 per cent. At the end of the quarter, the LCR was 129 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 110 per cent (108).

Rating

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

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

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

Capital position

SEB's Common Equity Tier 1 (CET1) capital ratio was 19.7 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 Swedish Financial Supervisory Authority (SFSA) – was 16.6 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 310 basis points.

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

	30 Sep	31 Dec	30 Sep
Own funds requirement, Basel III	2018	2017	2017
Risk exposure amount, SEK bn	632	611	615
Common Equity Tier 1 capital ratio, %	19.7	19.4	19.2
Tier 1 capital ratio, %	22.1	21.6	21.5
Total capital ratio, %	25.0	24.2	24.0
Leverage ratio, %	4.8	5.2	4.7

Total REA increased by SEK 21bn to SEK 632bn since year-end 2017. 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.

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 released following the approval. 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 effect on the Common Equity Tier 1 ratio from the SEB Pension divestment was an improvement of approximately 0.6 percentage points. The corresponding effect from the UC divestment was also an improvement of approximately 0.1 percentage points.

The SFSA decided to amend its regulation requiring a risk-weight floor for Swedish mortgages. The current Pillar 2 capital requirement will change to a Pillar 1 requirement as of 31 December 2018. The purpose is to ensure that all banks on the Swedish mortgage market have the same capital requirements. Currently, the requirement on SEB corresponds to REA of SEK 91.5bn. Furthermore, the SFSA decided to raise the countercyclical buffer requirement from 2.0 to 2.5 per cent, due to increased systemic risks. The change will enter into force on 19 September 2019.

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 as well as the quarterly additional Pillar 3 disclosures and in the Fact Book.

The overall outlook for the world economy is still positive, while the geopolitical uncertainty remains. 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 late 2018 or early 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; so-called cum-cum transactions. The circular states an intention to examine transactions executed prior to the change in tax legislation that was enacted 1 January 2016. Ongoing audits by the local tax administration have to date resulted in preliminary minor reclaims on selected tax years. SEB has requested that these reclaims should be revoked.

Following a review, SEB is of the opinion that the cross-border securities lending and derivative transactions of SEB in Germany up until 1 January 2016 were conducted in compliance with then prevailing rules. Hence, to date no provisions have been made. Nevertheless, it cannot be ruled out that the outcome of potential future tax claims may have a negative financial effect on SEB.

Organisational changes

In order to take the next step towards SEB's vision of delivering world-class service, the division Life & Investment Management will be split into two separate divisions. Life will change from being a business area to become a division with its head, David Teare, reporting directly to Mats Torstendahl, head of Corporate & Private Customers. In addition, David Teare will be appointed adjunct member of the Group Executive Committee. Similar to the Life division, Investment Management will change from being a business area to become a division. Its head will report directly to the President and CEO and be appointed as an adjunct member of the Group Executive Committee. The recruitment process for this position is currently ongoing. These changes will come into effect 1 January 2019 and the new organisation will be reflected in the first quarterly report in 2019.

With the purpose of further strengthening focus on IT and automation across the SEB Group, Ausra Matuseviciene, head of Operations, and Nicolas Moch, Chief Information Officer, will be appointed adjunct members of the Group Executive Committee. These management changes will come into effect on 1 November 2018.

Stockholm, 25 October 2018

The President declares that the Interim Report for the period 1 January through 30 September 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.

Johan Torgeby

President and Chief Executive Officer

Press conference and webcasts

The press conference held at 9.00 CEST on 25 October 2018, at Kungsträdgårdsgatan 8 with the President and CEO Johan Torgeby can be followed live in Swedish on sebgroupp.com/sv/ir. A simultaneous translation into English will be available on sebgroupp.com/ir. A replay will also be available afterwards.

Access to telephone conference

The telephone conference at 12.30 CEST 25 October 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)2071 928000. Please quote conference id: 4191419 and call at least 10 minutes in advance. A replay of the conference call will be available on sebgroupp.com/ir.

Financial information calendar 2019

30 January	Annual Accounts
5 March	Annual Report published on sebgroupp.com
26 March	Annual General Meeting
30 April	Interim Report January-March
12 July	Interim Report January-June
23 October	Interim Report January-September

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

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 sebgroupp.com/ir.

The silent period starts 10 January

The silent period starts 8 April

The silent period starts 5 July

The silent period starts 8 October

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 32-39. 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 September 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, 25 October 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	Q3			Q2			Q3			Jan-Sep			Full year
	2018	2018	%	2017	%	2018	2017	%	2018	2017	%	2017	
Net interest income	5 319	5 500	-3	5 080	5	15 807	14 709	7	19 893				
Net fee and commission income	4 512	4 814	-6	4 029	12	13 517	12 949	4	17 677				
Net financial income	1 506	1 606	-6	1 726	-13	4 567	5 249	-13	6 880				
Net other income	97	-18		308	-69	233	807	-71	1 112				
Total operating income	11 433	11 903	-4	11 144	3	34 123	33 714	1	45 561				
Staff costs	-3 559	-3 547	0	-3 378	5	-10 622	-10 502	1	-14 025				
Other expenses	-1 681	-1 797	-6	-1 719	-2	-5 210	-5 117	2	-6 947				
Depreciation, amortisation and impairment of tangible and intangible assets	-182	-183	0	-325	-44	-547	-713	-23	-964				
Total operating expenses	-5 421	-5 527	-2	-5 423	0	-16 379	-16 331	0	-21 936				
Profit before credit losses	6 012	6 376	-6	5 721	5	17 745	17 383	2	23 625				
Gains less losses from tangible and intangible assets	-1	13		-54	-98	20	-126		-162				
Net expected credit losses ¹⁾	-424	-221	91			-753							
Net credit losses ²⁾				-284			-703		-808				
Operating profit before items affecting comparability	5 587	6 167	-9	5 383	4	17 011	16 554	3	22 655				
Items affecting comparability		4 506	-100			4 506			-1 896				
Operating profit	5 587	10 674	-48	5 383	4	21 517	16 554	30	20 759				
Income tax expense	-1 048	-649	61	-1 138	-8	-2 959	-3 530	-16	-4 562				
NET PROFIT	4 539	10 024	-55	4 246	7	18 558	13 025	42	16 197				
Attributable to shareholders	4 539	10 024	-55	4 246	7	18 558	13 025	42	16 197				
Basic earnings per share, SEK	2.10	4.63		1.96		8.57	6.01		7.47				
Diluted earnings per share, SEK	2.09	4.61		1.95		8.52	5.98		7.44				

1) Based on IFRS 9 expected loss model.

2) Based on IAS 39 incurred loss model.

Statement of comprehensive income – SEB Group

SEK m	Q3			Q2			Q3			Jan-Sep			Full year
	2018	2018	%	2017	%	2018	2017	%	2018	2017	%	2017	
NET PROFIT	4 539	10 024	-55	4 246	7	18 558	13 025	42	16 197				
<i>Items that may subsequently be reclassified to the income statement:</i>													
Available-for-sale financial assets				-84			-180		-909				
Cash flow hedges	-114	-300	-62	-286	-60	-673	-946	-29	-1 207				
Translation of foreign operations	-198	103		30		745	67		296				
<i>Items that will not be reclassified to the income statement:</i>													
Own credit risk adjustment (OCA) ¹⁾	-17	88				83							
Defined benefit plans	1 697	-739		266		1 252	1 710	-27	784				
OTHER COMPREHENSIVE INCOME	1 368	- 848		- 75		1 407	652	116	- 1 036				
TOTAL COMPREHENSIVE INCOME	5 906	9 176	-36	4 171		19 964	13 677	46	15 160				
Attributable to shareholders	5 906	9 176	-36	4 171		19 964	13 677	46	15 160				

1) Own credit risk adjustment from financial liabilities FVTPL.

Balance sheet – SEB Group

SEK m	30 Sep 2018	1 Jan ³⁾ 2018	31 Dec 2017	30 Sep 2017	1 Jan ⁴⁾ 2017
Cash and cash balances at central banks	263 494	177 222	177 222	413 960	151 078
Loans to central banks	17 481	12 778	12 778	22 274	66 730
Loans to credit institutions ²⁾	73 249	38 715	38 717	65 496	79 323
Loans to the public	1 664 468	1 485 808	1 486 765	1 540 007	1 438 295
Debt securities	216 908	168 928	169 269	265 949	253 443
Equity instruments	56 733	59 204	59 204	85 438	74 172
Financial assets for which the customers bear the investment risk	299 905	283 420	283 420	311 419	295 908
Derivatives	123 163	104 868	104 868	156 249	212 356
Other assets	61 979	224 662	224 664	69 860	46 701
TOTAL ASSETS	2 777 380	2 555 605	2 556 908	2 930 654	2 618 006
Deposits from central banks and credit institutions	124 805	95 504	95 489	161 831	149 786
Deposits and borrowings from the public ¹⁾	1 216 470	1 034 704	1 032 048	1 256 795	962 028
Financial liabilities for which the customers bear the investment risk	300 842	284 291	284 291	311 904	296 618
Liabilities to policyholders	21 638	18 911	18 911	112 058	107 213
Debt securities issued	714 503	614 087	614 033	659 457	668 880
Short positions	53 565	24 985	24 985	45 715	19 598
Derivatives	104 422	85 434	85 434	127 587	174 652
Other financial liabilities	4 417	3 894	3 894	18 139	19 247
Other liabilities	91 353	255 836	256 585	97 276	81 650
Total liabilities	2 632 016	2 417 647	2 415 671	2 790 762	2 479 670
Total equity	145 364	137 958	141 237	139 892	138 336
TOTAL LIABILITIES AND EQUITY	2 777 380	2 555 605	2 556 908	2 930 654	2 618 006

1) Deposits covered by deposit guarantees. 285 134 285 439 285 439 285 446 252 815

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 Sep 2018	31 Dec 2017	30 Sep 2017
Pledged assets for own liabilities ¹⁾	446 037	477 220	434 401
Pledged assets for liabilities to insurance policyholders	322 480	436 890	423 962
Other pledged assets ²⁾	185 285	136 998	155 562
Pledged assets	953 801	1 051 109	1 013 925
Contingent liabilities ³⁾	131 724	122 896	116 729
Commitments	605 767	563 181	605 335
Obligations	737 491	686 077	722 064

1) Of which collateralised for own issued covered bonds SEK 347,688m (355,587/346,635).

2) Of which securities lending SEK 95,475m (59,443/73,829) and pledged but unencumbered bonds SEK 64,211m (57,390/62,135).

3) Of which financial guarantees SEK 28,192m (22,145/9,916).

Key figures – SEB Group

	Q3	Q2	Q3	Jan–Sep		Full year
	2018	2018	2017	2018	2017	2017
Return on equity, %	12.74	29.86	12.37	17.84	12.64	11.70
Return on equity excluding items affecting comparability ¹⁾ , %	13.15	16.51	12.37	13.65	12.59	12.86
Return on total assets, %	0.65	1.36	0.59	0.87	0.61	0.57
Return on risk exposure amount, %	2.87	6.38	2.77	3.97	2.84	2.64
Cost/income ratio	0.47	0.46	0.49	0.48	0.48	0.48
Basic earnings per share, SEK	2.10	4.63	1.96	8.57	6.01	7.47
Weighted average number of shares ²⁾ , millions	2 163	2 164	2 168	2 165	2 168	2 168
Diluted earnings per share, SEK	2.09	4.61	1.95	8.52	5.98	7.44
Weighted average number of diluted shares ³⁾ , millions	2 177	2 176	2 179	2 177	2 178	2 178
Net worth per share, SEK	74.66	71.96	72.67	74.66	72.67	73.60
Equity per share, SEK	67.20	64.52	64.56	67.20	64.56	65.18
Average shareholders' equity, SEK, billion	142.5	134.3	137.3	138.7	137.4	138.5
Net ECL level, %	0.08	0.04		0.05		
Credit loss level, %			0.07		0.06	0.05
Liquidity Coverage Ratio (LCR) ⁴⁾ , %	129	136	120	129	120	145
<u>Own funds requirement, Basel III</u>						
Risk exposure amount, SEK m	631 958	637 037	614 619	631 958	614 619	610 819
Expressed as own funds requirement, SEK m	50 557	50 963	49 169	50 557	49 169	48 866
Common Equity Tier 1 capital ratio, %	19.7	19.3	19.2	19.7	19.2	19.4
Tier 1 capital ratio, %	22.1	21.7	21.5	22.1	21.5	21.6
Total capital ratio, %	25.0	24.7	24.0	25.0	24.0	24.2
Leverage ratio, %	4.8	4.7	4.7	4.8	4.7	5.2
Number of full time equivalents ⁵⁾	14 531	14 695	14 752	14 769	14 957	14 946
Assets under custody, SEK bn	8 335	8 169	7 801	8 335	7 801	8 046
Assets under management, SEK bn	1 871	1 838	1 850	1 871	1 850	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 6,983,110 shares and 3,206,379 shares have been sold. Thus, at 30 September 2018 SEB owned 30,902,654 Class A-shares with a market value of SEK 3,067m.

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	Q3	Q2	Q1	Q4	Q3
	2018	2018	2018	2017	2017
Net interest income	5 319	5 500	4 988	5 184	5 080
Net fee and commission income	4 512	4 814	4 190	4 728	4 029
Net financial income	1 506	1 606	1 455	1 630	1 726
Net other income	97	- 18	153	305	308
Total operating income	11 433	11 903	10 787	11 847	11 144
Staff costs	-3 559	-3 547	-3 516	-3 523	-3 378
Other expenses	-1 681	-1 797	-1 733	-1 830	-1 719
Depreciation, amortisation and impairment of tangible and intangible assets	- 182	- 183	- 181	- 252	- 325
Total operating expenses	-5 421	-5 527	-5 430	-5 605	-5 423
Profit before credit losses	6 012	6 376	5 357	6 242	5 721
Gains less losses from tangible and intangible assets	- 1	13	8	- 37	- 54
Net expected credit losses ¹⁾	- 424	- 221	- 109		
Net credit losses ²⁾				- 105	- 284
Operating profit before items affecting comparability	5 587	6 167	5 256	6 101	5 383
Items affecting comparability		4 506		-1 896	
Operating profit	5 587	10 674	5 256	4 204	5 383
Income tax expense	-1 048	- 649	-1 261	-1 032	-1 138
NET PROFIT	4 539	10 024	3 995	3 172	4 246
Attributable to shareholders	4 539	10 024	3 995	3 172	4 246
Basic earnings per share, SEK	2.10	4.63	1.84	1.46	1.96
Diluted earnings per share, SEK	2.09	4.61	1.83	1.46	1.95

1) Based on IFRS 9 expected loss model.

2) Based on IAS 39 incurred loss model.

Income statement by division – SEB Group

Jan-Sep 2018, SEK m	Large		Baltic	Life & Investment Management	Other ¹⁾	Eliminations	SEB Group
	Corporates & Financial Institutions	Corporate & Private Customers					
Net interest income	6 201	7 102	2 088	- 39	747	- 293	15 807
Net fee and commission income	4 632	4 158	1 072	3 626	58	- 29	13 517
Net financial income	2 482	310	201	828	726	20	4 567
Net other income	109	41	- 15	1	100	- 4	233
Total operating income	13 424	11 611	3 345	4 417	1 632	- 306	34 123
Staff costs	- 2 828	- 2 499	- 594	- 1 101	- 3 613	13	- 10 622
Other expenses	- 3 759	- 2 738	- 773	- 722	2 490	293	- 5 210
Depreciation, amortisation and impairment of tangible and intangible assets	- 40	- 43	- 40	- 21	- 403		- 547
Total operating expenses	- 6 628	- 5 281	- 1 407	- 1 844	- 1 526	306	- 16 379
Profit before credit losses	6 797	6 331	1 938	2 572	106	0	17 745
Gains less losses from tangible and intangible assets			20				20
Net expected credit losses ²⁾	- 443	- 312	- 10	- 2	25	- 12	- 753
Operating profit before items affecting comparability	6 354	6 018	1 948	2 571	132	- 12	17 011
Items affecting comparability					4 506		4 506
Operating profit	6 354	6 018	1 948	2 571	4 638	- 12	21 517

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

SEK m	Q3			Q2			Q3			Jan — Sep			Full year
	2018	2018	%	2017	%	2018	2017	%	2018	2017	%	2017	
Net interest income	2 181	2 283	-4	1 971	11	6 201	6 072	2	8 043				
Net fee and commission income	1 445	1 814	-20	1 306	11	4 632	4 617		6 236				
Net financial income	772	766	1	913	-15	2 482	2 599	-5	3 465				
Net other income	30	34	-12	137	-78	109	368	-70	573				
Total operating income	4 427	4 897	-10	4 327	2	13 424	13 656	-2	18 318				
Staff costs	-1 016	-898	13	-951	7	-2 828	-2 902	-3	-3 862				
Other expenses	-1 205	-1 282	-6	-1 242	-3	-3 759	-3 781	-1	-5 046				
Depreciation, amortisation and impairment of tangible and intangible assets	-14	-13	9	-15	-4	-40	-43	-8	-59				
Total operating expenses	-2 235	-2 193	2	-2 208	1	-6 628	-6 727	-1	-8 967				
Profit before credit losses	2 192	2 703	-19	2 119	3	6 797	6 929	-2	9 351				
Gains less losses from tangible and intangible assets							1		1				
Net expected credit losses	-287	-110	161			-443							
Net credit losses				-210			-509		-529				
Operating profit before items affecting comparability	1 905	2 594	-27	1 910		6 354	6 421	-1	8 823				
Items affecting comparability													
Operating profit	1 905	2 594	-27	1 910		6 354	6 421	-1	8 823				
Cost/Income ratio	0.50	0.45		0.51		0.49	0.49		0.49				
Business equity, SEK bn	64.4	63.8		66.0		63.8	66.1		65.8				
Return on business equity, %	8.9	12.2		8.7		10.0	9.7		10.1				
Number of full time equivalents ¹⁾	1 990	1 993		2 031		1 982	2 055		2 049				

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

- Solid activity in the Large Corporate segment
- Financial Institutions' activity picked up in the third quarter after a slow start of the year
- Operating profit amounted to SEK 6,354m and return on business equity was 10 per cent

Comments on the first nine months

The market was fundamentally positive, but affected by geopolitical tension and trade-related headwinds. In Sweden, the election and the central bank decision to keep interest rates unchanged affected activity levels in the third quarter.

Large Corporates saw good activity during the period across all segments, albeit with a marked seasonal slow-down during the summer. Customers prepared for expected interest rate hikes and a normalisation of liquidity levels as the period of central bank intervention (QE programs) is gradually ending. Capital market conditions generally remained favourable. The private equity market was active with strong demand and large appetite from lending banks. Both private equity and debt providers were highly liquid, however company valuations were elevated and pricing, for debt providers, was under sustained pressure.

In a historical perspective, *Financial Institutions'* activity was slow throughout the period. This improved in the second quarter when volatility temporarily increased. After the summer, activity picked up boosted

by the revised interest rate path communicated by the Swedish central bank. Clients showed continued interest in illiquid and alternative assets in their search for yield, such as infrastructure and loans, but also in sustainability products and advice. The increased administrative burden from new regulations created further interest in back-office and advisory services. SEB acted as advisor and arranger of the world's first green certificate for financing pre-defined green assets.

Operating income for the first nine months decreased by 2 per cent to SEK 13,424m. Net interest income increased to SEK 6,201m primarily due to increased activity within Transaction Services. Net fee and commission income was SEK 4,632m, which was in line with last year. Net financial income decreased to SEK 2,482m as a result of the challenging financial markets. Operating expenses decreased by 1 per cent mainly due to lower staff costs. Asset quality was high and net expected credit losses amounted to SEK 443m with a credit loss level of 6 basis points. Assets under custody were SEK 8,335bn (8,046).

Corporate & Private Customers

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

Income statement

SEK m	Q3			Q2		Q3		Jan — Sep			Full year
	2018	2018	%	2017	%	2018	2017	%	2017		
Net interest income	2 453	2 363	4	2 415	2	7 102	7 122		9 442		
Net fee and commission income	1 387	1 445	-4	1 342	3	4 158	4 206	-1	5 678		
Net financial income	101	111	-9	98	3	310	328	-5	441		
Net other income	5	29	-84	35	-86	41	64	-36	87		
Total operating income	3 946	3 948		3 890	1	11 611	11 720	-1	15 648		
Staff costs	-838	-822	2	-804	4	-2 499	-2 471	1	-3 298		
Other expenses	-911	-931	-2	-944	-3	-2 738	-2 855	-4	-3 872		
Depreciation, amortisation and impairment of tangible and intangible assets	-14	-14	-1	-14	4	-43	-43		-57		
Total operating expenses	-1 764	-1 767		-1 762		-5 281	-5 370	-2	-7 226		
Profit before credit losses	2 182	2 181		2 128	3	6 331	6 350		8 422		
Gains less losses from tangible and intangible assets											
Net expected credit losses	-97	-128	-25			-312					
Net credit losses				-86			-216		-276		
Operating profit before items affecting comparability	2 086	2 053	2	2 042	2	6 018	6 134	-2	8 146		
Items affecting comparability											
Operating profit	2 086	2 053	2	2 042	2	6 018	6 134	-2	8 146		
Cost/Income ratio	0.45	0.45		0.45		0.45	0.46		0.46		
Business equity, SEK bn	43.1	42.0		40.4		42.1	40.6		40.6		
Return on business equity, %	14.5	14.7		15.2		14.3	15.1		15.0		
Number of full time equivalents ¹⁾	3 583	3 606		3 485		3 601	3 533		3 531		

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

- Corporate customers' appetite for lending continued to increase
- SEB launched 'Ready for life', a new value proposition for private customers
- Operating profit amounted to SEK 6,018m and return on business equity was 14.3 per cent

Comments on the first nine months

Customers increasingly chose digital channels when interacting with the bank. Corporate and private mobile interaction increased by 26 and 21 per cent, respectively, compared to the first nine months 2017.

In the *private segment*, the demand for household mortgages was slightly lower compared to last year, but mortgage volumes increased by SEK 10bn since year-end to SEK 478bn (468). Year-to-date 24,000 customers chose the digital channel for onboarding and the share of household mortgage applications submitted digitally was stable at 28 per cent. SEB launched 'Ready for life', a value proposition providing guidance and advice tailored to customers' different life events.

Business sentiment in the *corporate segment* remained positive. The demand for lending continued to increase and total volumes amounted to SEK 240bn (221). The number of full-service corporate customers increased to 164,400 (158,800). SEB digitally onboarded its first corporate customer in an ongoing pilot. Corporate customers are already able to sign several products digitally and this new feature will simplify the new customer process.

Private and corporate customers had a slightly lower risk appetite and increased the share of fixed income funds in their portfolios. Assets under management continued to increase, especially in Private Banking. Total deposit volumes for both private and corporate customers increased to SEK 407bn (384), excluding repos.

Net interest income was negatively affected by higher resolution fees, partially offset by the increase in corporate lending and amounted to SEK 7,102m. Net fee and commission income was affected by lower compensation from fund companies related to MiFID II. Net expected credit losses amounted to SEK 312m with an expected credit loss level of 5 basis points.

The EPSI (SKI) survey on bank customer satisfaction, published in October, showed an overall satisfaction improvement relating to the banking industry, both from private and corporate customers. SEB kept its relative position in the private segment, but dropped one notch in the corporate segment.

Baltic

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

Income statement (excl. RHC)

SEK m	Q3		Q2		Q3		Jan — Sep			Full year
	2018	2018	%	2017	%	2018	2017	%	2017	
Net interest income	735	706	4	603	22	2 087	1 733	20	2 373	
Net fee and commission income	375	369	2	334	13	1 072	965	11	1 320	
Net financial income	75	73	3	56	35	201	171	18	231	
Net other income		1		-1	-87	1	2	-63	2	
Total operating income	1 186	1 150	3	992	20	3 361	2 871	17	3 926	
Staff costs	-203	-206	-1	-171	19	-585	-528	11	-711	
Other expenses	-257	-260	-1	-250	3	-769	-742	4	-959	
Depreciation, amortisation and impairment of tangible and intangible assets	-14	-13	3	-13	5	-40	-43	-6	-77	
Total operating expenses	-474	-479	-1	-435	9	-1 395	-1 312	6	-1 746	
Profit before credit losses	711	670	6	557	28	1 966	1 559	26	2 180	
Gains less losses from tangible and intangible assets	0	1	-92	-7	-102	4	-5	-178	-5	
Net expected credit losses	-44	17				-10				
Net credit losses				11			19		-7	
Operating profit before items affecting comparability	668	688	-3	561	19	1 960	1 573	25	2 167	
Items affecting comparability										
Operating profit	668	688	-3	561	19	1 960	1 573	25	2 167	
Cost/Income ratio	0.40	0.42		0.44		0.41	0.46		0.44	
Business equity, SEK bn	10.1	9.8		7.9		9.5	7.7		7.8	
Return on business equity, %	22.0	23.4		25.0		22.9	23.8		24.4	
Number of full time equivalents ¹⁾	2 346	2 399		2 405		2 372	2 409		2 406	

Baltic Division (incl. RHC)

Operating profit before items affecting comparability	662	681	-3	507	31	1 948	1 425	37	1 977
Items affecting comparability									
Operating profit	662	681	-3	507	31	1 948	1 425	37	1 977
Cost/Income ratio	0.40	0.43		0.44		0.42	0.46		0.45
Business equity, SEK bn	10.1	9.8		8.0		9.5	7.9		8.0
Return on business equity, %	21.8	23.1		22.3		22.7	21.2		21.9
Number of full time equivalents ¹⁾	2 350	2 417		2 430		2 389	2 436		2 431

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

- Macroeconomic development remained favourable
- Increased focus on Baltic venture capital investments
- Operating profit amounted to SEK 1,960m and return on business equity was 22.9 per cent

Comments on the first nine months

The Baltic economies remained in good health with continued promising growth prospects. Labour shortage was pushing companies to improve productivity and elevated wage inflation was a challenge.

Customers increasingly appreciated digital banking services, which continued to grow. During the third quarter, a new version of SEB's mobile app was released, with the number of app users reaching 371,000 (248,000 at year-end 2017). Usage of mobile- and smart-ID also continued to grow and the number of digitally signed documents represented more than one third of private customer agreements. During the third quarter, SEB increased its focus on Baltic fintech and is actively looking to invest in local start-ups with the purpose of providing new customer solutions.

The number of home banking customers was 1,017,000 (1,019,000). Lending volumes amounted to SEK 145bn (129) with both mortgage and corporate lending portfolios increasing in all three Baltic countries. Deposit volumes grew to SEK 129bn (114) due to increased savings in the private as well as corporate segments. FX effects generally improved the financial outcome. Net interest income increased by 20 per cent due to volume growth and margin expansion. Net fee and commission income was 11 per cent higher mainly from increased customer activity and card usage. Asset quality remained strong and operating profit increased by 25 per cent. All real estate properties in the RHC companies have been divested and liquidation processes for the 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

SEK m	Q3			Q2			Q3			Jan — Sep			Full year
	2018	2018	%	2017	%	2018	2017	%	2018	2017	%	2017	
Net interest income	-14	-13	12	-24	-40	-39	-66	-40	-90				
Net fee and commission income	1 250	1 215	3	1 056	18	3 626	3 176	14	4 471				
Net financial income	194	331	-41	481	-60	828	1 270	-35	1 674				
Net other income	-11					1	12	-89	17				
Total operating income	1 419	1 533	-7	1 512	-6	4 417	4 393	1	6 072				
Staff costs	-308	-385	-20	-383	-19	-1 101	-1 159	-5	-1 561				
Other expenses	-245	-245		-243	1	-722	-699	3	-963				
Depreciation, amortisation and impairment of tangible and intangible assets	-4	-8	-45	-10	-57	-21	-28	-25	-37				
Total operating expenses	-558	-637	-12	-636	-12	-1 844	-1 885	-2	-2 561				
Profit before credit losses	861	896	-4	877	-2	2 572	2 508	3	3 511				
Gains less losses from tangible and intangible assets													
Net expected credit losses			-1				-2						
Net credit losses													
Operating profit before items affecting comparability	861	896	-4	877	-2	2 571	2 508	2	3 511				
Items affecting comparability													
Operating profit	861	896	-4	877	-2	2 571	2 508	2	3 511				
Cost/Income ratio	0.39	0.42		0.42		0.42	0.43		0.42				
Business equity, SEK bn	7.7	8.4		8.4		8.1	8.4		8.4				
Return on business equity, %	38.6	36.6		35.9		36.3	34.2		35.8				
Number of full time equivalents ¹⁾	1 203	1 227		1 451		1 358	1 475		1 478				

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

- Continued customer interest in core products
- Continued focus on further integration of sustainability in the customer offering
- Operating profit amounted to SEK 2,571m and return on business equity was 36.3 per cent

Comments on the first nine months

The determination to provide customers with high quality products and advisory services on all platforms remained and sustainability was further highlighted as a key success factor.

Life: In Sweden, customer expectations continued to be in focus via the implementation of improved advisory tools and client reporting while also meeting the requirements of EU's overarching insurance distribution directive. The sustainability profile of the traditional insurance offering was strengthened by investments in the World Bank sustainable development goal number 11 bond. Client interest in the occupational pensions core business remained and this area continued to develop positively. In the most recent market statistics annual new sales reached SEK 22bn, corresponding to a market share of 9.4 per cent (9.4 per cent the same period last year).

Investment Management: Sustainability was high on the customer agenda and the offering was further enhanced. For example, the sustainability profile in one of the Nordic funds was strengthened by stricter

investment policies in terms of adherence to human rights, working conditions, environmental aspects and corruption. Institutional volumes remained high with a heightened focus on interest rate products. SEB was awarded the highest score (A+) relating to the UN-supported principles for responsible investments (PRI).

Net fee and commission income increased by 14 per cent year-on-year mainly because of MiFID II restrictions on compensation that can no longer be paid from the fund companies in the division. Net financial income decreased mainly due to the divestment of SEB Pension at the end of the second quarter (see page 23). Operating profit improved by 2 per cent to SEK 2,571m year-on-year. Excluding SEB Pension, total income increased by 15 per cent year-on-year, while expenses increased by 6 per cent, operating profit increased by 23 per cent. Total assets in the unit-linked insurance business increased by SEK 16bn to SEK 300bn from year-end.

The SEB Group

Net interest income – SEB Group

SEK m	Q3			Q2		Q3			Jan-Sep		Full year
	2018	2018	%	2017	%	2018	2017	%	2017		
Interest income ¹⁾	10 068	10 074	0	9 161	10	29 424	27 288	8	36 472		
Interest expense	-4 749	-4 574	4	-4 080	16	-13 618	-12 579	8	-16 580		
Net interest income	5 319	5 500	-3	5 080	5	15 807	14 709	7	19 893		
1) Whereof interest income calculated using the effective interest method	9 039	8 686	4	7 173	26	24 300	21 722	12	29 735		

Net fee and commission income – SEB Group

SEK m	Q3			Q2		Q3			Jan-Sep		Full year
	2018	2018	%	2017	%	2018	2017	%	2017		
Issue of securities and advisory	168	298	-44	137	22	603	850	-29	1 167		
Secondary market and derivatives	496	594	-16	547	-9	1 604	2 004	-20	2 565		
Custody and mutual funds	2 036	2 049	-1	1 942	5	6 007	5 830	3	8 040		
Whereof performance fees	12	5	147	39	-68	42	132	-68	357		
Payments, cards, lending, deposits, guarantees and other	2 628	2 847	-8	2 350	12	8 103	7 147	13	9 717		
Whereof payments and card fees	1 498	1 509	-1	1 366	10	4 417	4 031	10	5 460		
Whereof lending	577	784	-26	519	11	1 862	1 653	13	2 254		
Life insurance commissions	449	487	-8	424	6	1 421	1 278	11	1 707		
Fee and commission income	5 777	6 274	-8	5 400	7	17 737	17 109	4	23 196		
Fee and commission expense	-1 265	-1 460	-13	-1 371	-8	-4 221	-4 160	1	-5 519		
Net fee and commission income	4 512	4 814	-6	4 029	12	13 517	12 949	4	17 677		
Whereof Net securities commissions	2 035	2 116	-4	1 986	3	6 071	6 533	-7	8 889		
Whereof Net payments and card fees	996	988	1	840	19	2 880	2 546	13	3 454		
Whereof Net life insurance commissions	330	349	-5	266	24	996	777	28	1 061		

Fee and commission income by division – SEB Group

SEK m	Large Corporates & Financial Institutions		Corporate & Private Customers	Life & Investment Management		Other ¹⁾ & eliminations	SEB Group
	Jan-Sep 2018						
Issue of securities and advisory	565	24	12				603
Secondary market and derivatives	1 239	349	17	2		-3	1 604
Custody and mutual funds	2 657	1 338	145	4 564		-2 697	6 007
Payments, cards, lending, deposits, guarantees and other	3 591	3 710	1 373	318		-889	8 103
Life insurance commissions				1 531		-111	1 421
Fee and commission income	8 052	5 421	1 548	6 416		-3 700	17 737
Jan-Sep 2017							
Issue of securities and advisory	815	22	10			4	850
Secondary market and derivatives	1 551	439	17	4		-7	2 004
Custody and mutual funds	3 051	1 553	127	4 250		-3 152	5 830
Payments, cards, lending, deposits, guarantees and other	3 059	3 439	1 202	462		-1 015	7 147
Life insurance commissions				1 622		-344	1 278
Fee and commission income	8 475	5 453	1 357	6 338		-4 514	17 109

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.

Revenues from Issue of securities, Advisory, Secondary market, Derivatives, Payments, cards, lending and deposits are mainly recognised at a point in time. Revenues from Custody, Mutual funds and Life insurance commissions are mainly recognised over time.

Net financial income – SEB Group

SEK m	Q3			Q2			Q3			Jan–Sep			Full year
	2018	2018	%	2017	%	2018	2017	%	2018	2017	%	2017	
Equity instruments and related derivatives	449	372	21	473	-5	794	1 441	-45	1 410				
Debt instruments and related derivatives	240	-343	-170	-7		294	-540		-369				
Currency and related derivatives	684	1 044	-35	740	-8	2 459	2 974	-17	4 023				
Other life insurance income, net	194	463	-58	494	-61	867	1 308	-34	1 738				
Other	-61	70	-187	27		154	65	139	78				
Net financial income	1 506	1 606	-6	1 726	-13	4 567	5 249	-13	6 880				
<i>Whereof unrealized valuation changes from counterparty risk and own credit standing in derivatives and own issued securities¹⁾</i>	90	-55		291	-69	38	149	-75	-210				

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

For the third quarter the effect from structured products offered to the public was approximately SEK -230m (Q2 2018: 115) in Equity related derivatives and a corresponding effect in Debt related derivatives SEK 430m (Q2 2018: -50).

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	Q3			Q2			Q3			Jan–Sep			Full year
	2018	2018	%	2017	%	2018	2017	%	2018	2017	%	2017	
Impairment gains or losses¹⁾	-365	-150	144			-582							
Net provisions²⁾						-195			-365			12	
Write-offs and recoveries													
Total write-offs	-218	-232	-6	-196		-1 150	-739	56	-1 367				
Reversals of ECL allowance	113	105	8	34		825	208		318				
Write-offs not previously provided for	-105	-127	-17	-162		-325	-531	-39	-1 050				
Recovered from previous write-offs	47	55	-16	73		153	193	-21	230				
Net write-offs	-59	-72	-18	-89		-172	-338	-49	-820				
Net expected credit losses¹⁾	-424	-221	91			-753							
Net credit losses²⁾						-284			-703			-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.

Net ECL level, %	0.08	0.04			0.05			
Credit loss level, %				0.07		0.06		0.05

Items affecting comparability – SEB Group

SEK m	Q3		Q2		Q3		Jan–Sep		Full year
	2018	2018	%	2017	%	2018	2017	%	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 in principle tax-exempt capital gain from the transaction amounted to SEK 3,565m.

UC (2018 Q2)

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

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	Other reserves ¹⁾						Retained earnings	Total Shareholders' equity
	Share capital	Available-for-sale financial assets	OCA ²⁾	Cash flow hedges	Translation of foreign operations	Defined benefit plans		
Jan-Sep 2018								
Opening balance	21 942	729		1 192	-897	3 379	114 893	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							18 558	18 558
Other comprehensive income (net of tax)			83	-673	745	1 252		1 407
Total comprehensive income			83	-673	745	1 252	18 558	19 964
Dividend to shareholders							-12 459	-12 459
Equity-based programmes ⁵⁾							-245	-245
Change in holdings of own shares							146	146
Closing balance	21 942	0	-424	519	-152	4 630	118 848	145 364
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-Sep 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⁾							13 025	13 025
Other comprehensive income (net of tax)		-180		-946	67	1 710		652
Total comprehensive income		-180		-946	67	1 710	13 025	13 677
Dividend to shareholders							-11 935	-11 935
Equity-based programmes ⁵⁾							-349	-349
Change in holdings of own shares							164	164
Closing balance	21 942	1 458		1 453	-1 126	4 305	111 860	139 892

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:

	Jan-Sep 2018	Jan-Dec 2017	Jan-Sep 2017
Number of shares owned by SEB, million			
Opening balance	27.1	25.2	25.2
Repurchased shares for equity-based programmes	7.0	7.0	7.0
Sold/distributed shares	-3.2	-5.0	-4.8
Closing balance	30.9	27.1	27.4
Market value of shares owned by SEB, SEK m	3 067	2 612	2 937

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

Cash flow statement – SEB Group

SEK m	Jan–Sep			Full year
	2018	2017	%	2017
Cash flow from operating activities	81 078	285 754	- 72	41 526
Cash flow from investment activities	7 127	266		7 964
Cash flow from financing activities	- 12 459	- 15 320	- 19	- 20 030
Net increase in cash and cash equivalents	75 746	270 700	- 72	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	12 641	- 4 993		- 3 346
Net increase in cash and cash equivalents	75 746	270 700	- 72	29 460
Cash and cash equivalents at the end of period¹⁾	272 816	424 022	- 36	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 Sep 2018		31 Dec 2017		30 Sep 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Loans	2 016 812	2 018 325	1 713 518	1 717 729	2 039 809	2 041 904
Debt securities	216 908	216 909	169 268	169 368	265 950	266 132
Equity instruments	56 733	56 733	59 203	59 203	85 440	85 440
Financial assets for which the customers bear the investment risk	299 905	299 905	283 420	283 420	311 419	311 419
Derivatives	123 163	123 163	104 868	104 868	156 248	156 248
Other	30 725	30 725	15 106	15 106	33 543	33 543
Financial assets	2 744 246	2 745 760	2 345 383	2 349 694	2 892 409	2 894 686
Deposits	1 341 275	1 340 592	1 127 538	1 132 231	1 418 626	1 413 501
Financial liabilities for which the customers bear the investment risk	300 842	300 842	284 291	284 291	311 904	311 904
Debt securities issued	749 019	743 969	646 475	651 403	696 918	698 793
Short positions	53 565	53 565	24 985	24 985	45 716	45 716
Derivatives	104 422	104 422	85 432	85 432	127 585	127 585
Other	48 239	48 239	18 060	18 060	44 746	44 746
Financial liabilities	2 597 362	2 591 629	2 186 781	2 196 402	2 645 492	2 642 245

SEB has classified its financial instruments by class taking into account the characteristics of the instruments. The fair value of each class of financial assets and liabilities are compared with its carrying amount. A description of the characteristics of the classes can be found in note 39 in the Annual Report 2017.

Assets and liabilities measured at fair value – SEB Group

SEK m	30 Sep 2018				31 Dec 2017			
	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Assets								
Loans		127 554		127 554				
Debt securities	73 635	127 536	4	201 175	71 626	84 041	571	156 238
Equity instruments	46 385	4 459	5 889	56 733	52 082	4 573	2 414	59 069
Financial assets for which the customer bear the investment risk	291 375	7 867	663	299 905	275 737	7 053	630	283 420
Derivatives	1 080	121 499	584	123 163	1 251	102 929	688	104 868
Investment in associates	281		393	674	251		592	843
Non-current assets held for sale					89 229	63 657	29 550	182 436
Total	412 756	388 915	7 533	809 204	490 176	262 253	34 445	786 874
Liabilities								
Deposits		25 826		25 826				
Financial liabilities for which the customer bear the investment risk	292 012	8 176	654	300 842	276 482	7 185	624	284 291
Liabilities to policyholders - insurance	20 498	1 140		21 638				
Debt securities issued		21 115		21 115	6 206	28 991		35 197
Short positions	43 581	9 912	72	53 565	13 984		244	14 228
Derivatives	1 503	102 295	624	104 422	911	83 724	799	85 434
Other financial liabilities at fair value	366	4 052		4 418		3 842		3 842
Liabilities in disposal groups held for sale					21 055	42 536	8 899	72 490
Total	357 960	172 516	1 350	531 826	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, 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. At the end of the third quarter 2018 Equity instruments (Fund assets) within the insurance holdings at the amount of SEK 279m have been transferred from level 2 into level 3 as a result of calibration of the classification methodology.

Changes in level 3	Closing balance	Changes due to IFRS 9	Gain/loss in Income statement	Gain/loss in Other comprehensive income	Purchases	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Closing balance 30 Sep 2018
	31 Dec 2017	implemen-tation									2018
Assets											
Debt securities	571	-567									4
Equity instruments	2 414	986	742		1 872	-460		279		56	5 889
Financial assets for which the customer bear the investment risk	630		-56		128	-72				33	663
Derivatives	688		117			-121	-100				584
Investment in associates	592		-179		18	-42				4	393
Total	4 895	419	624		2 018	-695	-100	279		93	7 533
Liabilities											
Financial liabilities for which the customer bear the investment risk	624		-56		125	-72				33	654
Short positions	244		13		-188					3	72
Derivatives	799		-30		-114		-30			-1	624
Total	1 667		-73		-177	-72	-30			35	1 350

Sensitivity of Level 3 assets and liabilities to unobservable inputs

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

SEK m	30 Sep 2018				31 Dec 2017			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments ¹⁾²⁾⁴⁾	584	-624	-40	47	688	-798	-110	38
Equity instruments ³⁾⁶⁾	1 246	-72	1 174	166	1 245	-244	1 001	209
Insurance holdings - Financial instruments ⁴⁾⁵⁾⁷⁾	4 784		4 784	602	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/infrastructure/infrastructure funds market values of 10 per cent (10).

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

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

Financial assets and liabilities subject to offsetting or netting arrangements								
SEK m	Gross amounts	Offset	Net amounts in balance sheet	Related arrangements		Net amounts	Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
				Master netting arrangements	Collaterals received/pledged			
30 Sep 2018								
Derivatives	127 096	-4 612	122 484	-64 808	-32 640	25 037	679	123 163
Reversed repo receivables	169 523	-43 165	126 358	-15 655	-110 703		1 817	128 175
Securities borrowing	52 450		52 450	-6 078	-46 185	187	401	52 851
Client receivables	1 055	-1 055					27 011	27 011
Assets	350 124	-48 832	301 292	-86 540	-189 528	25 224	29 908	331 200
Derivatives	108 183	-4 612	103 571	-64 808	-20 872	17 892	850	104 422
Repo payables	59 155	-43 165	15 989	-15 655		334	49	16 038
Securities lending	23 618		23 618	-6 078	-16 703	837	3	23 621
Client payables	1 055	-1 055					19 623	19 623
Liabilities	192 011	-48 832	143 179	-86 540	-37 575	19 063	20 526	163 705
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 Sep 2017								
Derivatives	159 589	-4 469	155 120	-86 495	-46 118	22 507	1 129	156 249
Reversed repo receivables	142 087	-24 935	117 152	-34 260	-92 405	-9 513	825	117 977
Securities borrowing	22 601		22 601	-4 711	-17 882	8	18 451	41 052
Client receivables	3 402	-3 402					29 237	29 237
Assets	327 679	-32 806	294 873	-125 466	-156 405	13 002	49 642	344 515
Derivatives	131 323	-4 469	126 854	-86 495	-37 469	2 890	732	127 586
Repo payables	64 618	-24 935	39 683	-34 260	-5 286	137		39 683
Securities lending	20 565		20 565	-4 711	-8 424	7 430	3 163	23 728
Client payables	3 402	-3 402					23 063	23 063
Liabilities	219 908	-32 806	187 102	-125 466	-51 179	10 457	26 958	214 060

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

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

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

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

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

SEK m	30 Sep 2018	1 Jan 2018
Stage 1 (12-month ECL)		
Gross carrying amounts/Nominal amounts	2 155 551	1 901 083
ECL allowances	-854	-787
Carrying amounts/Net amounts	2 154 698	1 900 296
ECL coverage ratio, %	0.04	0.04
Stage 2 (lifetime ECL)¹⁾		
Gross carrying amounts/Nominal amounts	89 888	101 027
ECL allowances	-1 760	-1 425
Carrying amounts/Net amounts	88 128	99 602
ECL coverage ratio, %	1.96	1.41
Stage 3 (credit impaired/lifetime ECL)		
Gross carrying amounts/Nominal amounts	8 677	11 437
ECL allowances	-3 464	-3 917
Carrying amounts/Net amounts	5 214	7 520
ECL coverage ratio, %	39.92	34.25
Total		
Gross carrying amounts/Nominal amounts	2 254 116	2 013 547
ECL allowances	-6 077	-6 129
Carrying amounts/Net amounts	2 248 040	2 007 418
ECL coverage ratio, %	0.27	0.30

1.) Whereof gross carrying amounts SEK 1,318m (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

	31 Dec	30 Sep
SEK m	2017	2017
Individually assessed loans		
Impaired loans	5 999	4 897
Specific reserves	- 2 187	- 2 261
Collective reserves	- 1 120	- 1 321
Impaired loans net	2 692	1 315
Specific reserve ratio for individually assessed impaired loans	36.5%	46.2%
Total reserve ratio for individually assessed impaired loans	55.1%	73.2%
Net level of impaired loans	0.25%	0.16%
Gross level of impaired loans	0.39%	0.30%
Portfolio assessed loans		
Loans past due > 60 days	2 273	2 397
Restructured loans	11	12
Collective reserves for portfolio assessed loans	- 1 170	- 1 308
Reserve ratio for portfolio assessed loans	51.2%	54.3%
Non-performing loans¹⁾		
Non-performing loans	8 283	7 305
NPL coverage ratio	54.9%	67.6%
NPL per cent of lending	0.54%	0.45%

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

Reserves

Specific reserves	- 2 187	- 2 261
Collective reserves	- 2 290	- 2 629
Reserves for off-balance sheet items	- 75	- 48
Total reserves	- 4 552	- 4 938

Seized assets – SEB Group

	30 Sep	31 Dec	30 Sep
SEK m	2018	2017	2017
Properties, vehicles and equipment	186	207	259
Shares	28	42	43
Total seized assets	214	249	302

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

SEK m	30 Sep 2018	31 Dec 2017	30 Sep 2017
Financial assets at fair value through profit or loss		175 506	
Other assets		8 505	323
Non-current assets and disposal groups classified as held for sale		184 011	323
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.

IFRS 9 and 15 transition disclosures – SEB Group

The transition disclosures on pages 32-39 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 was the change in the treatment of contract costs for investment contracts within Life where a smaller part of deferred acquisition costs (DAC) was recognised as an asset. This change 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 was 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 33-34.

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 35-38.

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 39.

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		New presentation of	
	Closing balance ¹⁾	Change in presentation	Closing balance	SEB (new presentation)
	31 December 2017		31 December 2017	
Cash and cash balances at central banks	177 222		177 222	Cash and cash balances at 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		New presentation of	
	Closing balance ¹⁾	Change in presentation	Closing balance	SEB (new presentation)
	31 December 2017		31 December 2017	
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
<i>Liabilities to policyholders - investment contracts</i>	284 291		284 291	Financial liabilities for which the customers bear the investment risk
<i>Liabilities to policyholders - insurance contracts</i>	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 equity¹⁾	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	IFRS 9 Financial instruments			
	New presentation of	Change of Classifications	Change in ECL allowances	Opening balance
	Closing balance 31 December 2017			
Cash and cash balances at 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	IFRS 9 Financial instruments			
	New presentation of	Change of Classifications	Change in ECL allowances	Opening balance
	Closing balance 31 December 2017			
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 at 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
Debt securities issued		24 388		589 645	614 033		24 630		589 457	614 087
Short positions					24 985	24 985				24 985
Derivatives	84 571				85 434	84 571				85 434
Other financial liabilities	3 894				3 894	3 894				3 894
Other liabilities				13 142	256 585				13 142	242 694
Equity					141 237					137 958
TOTAL	113 450	308 679		1 730 325	404 455	120 074	320 815		1 714 289	400 426

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	Carrying amount 31 December 2017				Carrying amount 1 January 2018	
Classification		Change	Remeasurement	Impairment		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	Carrying amount 31 December 2017				Carrying amount 1 January 2018	
Classification		Change	Remeasurement	Impairment		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 September 2018 the fair value of the debt securities at amortised cost, but previously classified as available-for-sale, was SEK 6 570m. A fair value loss of SEK 115 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	Carrying amount 31 December 2017				Carrying amount 1 January 2018	
Classification		Change	Remeasurement	Impairment		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.

Available-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	Carrying amount 31 December 2017				Carrying amount 1 January 2018	
Classification		Change	Remeasurement	Impairment		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	Carrying amount 31 December 2017				Carrying amount 1 January 2018	
Classification		Change	Remeasurement	Impairment		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	Carrying amount 31 December 2017				Carrying amount 1 January 2018	
Classification		Change	Remeasurement	Impairment		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	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	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, SEK m	Classification		Provision for impairment IAS 39 31 December 2017	Changes in allowances	ECL allowance IFRS 9 1 January 2018
	IAS 39	IFRS 9			
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, SEK m	Classification		Provision for impairment IAS 37 31 December 2017	Changes in allowances	ECL allowance IFRS 9 1 January 2018
	IAS 39	IFRS 9			
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 stage

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 Sep 2018	31 Dec 2017	30 Sep 2017
Own funds			
Common Equity Tier 1 capital	124 699	118 204	117 978
Tier 1 capital	139 848	132 127	131 877
Total own funds	158 282	147 849	147 270
Own funds requirement			
Risk exposure amount	631 958	610 819	614 619
Expressed as own funds requirement	50 557	48 866	49 169
Common Equity Tier 1 capital ratio	19.7%	19.4%	19.2%
Tier 1 capital ratio	22.1%	21.6%	21.5%
Total capital ratio	25.0%	24.2%	24.0%
Own funds in relation to own funds requirement	3.13	3.03	3.00
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⁾	15.2%	14.9%	14.7%
Leverage ratio			
Exposure measure for leverage ratio calculation	2 914 154	2 519 532	2 819 403
of which on balance sheet items	2 475 559	2 140 093	2 432 288
of which off balance sheet items	438 595	379 439	387 115
Leverage ratio	4.8%	5.2%	4.7%

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

Internally assessed capital requirement

As per 30 September 2018, the internally assessed capital requirement, including insurance risk, amounted to SEK 66bn (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 Sep 2018	31 Dec 2017	30 Sep 2017
Shareholders equity according to balance sheet ¹⁾	145 364	143 925	142 568
Deductions related to the consolidated situation and other foreseeable charges	-9 845	-14 357	-11 912
Common Equity Tier 1 capital before regulatory adjustments ²⁾	135 519	129 568	130 656
Additional value adjustments	-726	-663	-706
Intangible assets	-6 458	-6 225	-7 001
Deferred tax assets that rely on future profitability		-75	-105
Fair value reserves related to gains or losses on cash flow hedges	-519	-1 192	-1 454
Negative amounts resulting from the calculation of expected loss amounts		-1 307	-1 017
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	196	99	114
Defined-benefit pension fund assets	-3 114	-1 807	-2 269
Direct and indirect holdings of own CET1 instruments	-198	-193	-215
Securitisation positions with 1,250% risk weight			-27
Total regulatory adjustments to Common Equity Tier 1	-10 820	-11 364	-12 679
Common Equity Tier 1 capital	124 699	118 204	117 978
Additional Tier 1 instruments	15 149	13 922	13 900
Tier 1 capital	139 848	132 127	131 877
Tier 2 instruments	19 095	18 171	17 853
Net provisioning amount for IRB-reported exposures	539	126	115
Holdings of Tier 2 instruments in financial sector entities	-1 200	-2 575	-2 575
Tier 2 capital	18 434	15 722	15 393
Total own funds	158 282	147 849	147 270

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

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

Risk exposure amount for SEB consolidated situation

SEK m	30 Sep 2018		31 Dec 2017		30 Sep 2017	
	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾
Credit risk IRB approach						
Exposures to central governments or central banks	11 129	890	9 319	745	10 620	850
Exposures to institutions	53 495	4 280	32 838	2 627	29 833	2 387
Exposures to corporates	337 835	27 027	326 317	26 105	328 940	26 315
Retail exposures	63 276	5 062	62 296	4 984	57 526	4 602
of which secured by immovable property	36 701	2 936	36 558	2 925	35 446	2 836
of which retail SME	7 422	594	7 033	563	4 534	363
of which other retail exposures	19 153	1 532	18 704	1 496	17 547	1 404
Securitisation positions	1 012	81	838	67	1 491	119
Total IRB approach	466 748	37 340	431 607	34 529	428 409	34 273
Credit risk standardised approach						
Exposures to central governments or central banks	2 018	161	4 060	325	946	76
Exposures to regional governments or local authorities						
Exposures to public sector entities					7	1
Exposures to institutions	649	52	844	68	1 423	114
Exposures to corporates	15 482	1 239	18 197	1 456	18 087	1 447
Retail exposures	13 079	1 046	12 084	967	16 886	1 351
Exposures secured by mortgages on immovable property	2 573	206	2 539	203	3 450	276
Exposures in default	165	13	112	9	360	29
Exposures associated with particularly high risk	694	56	866	69	870	70
Securitisation positions			222	18	218	17
Exposures in the form of collective investment undertakings (CIU)	47	4	41	3	40	3
Equity exposures	2 945	236	1 972	158	1 657	133
Other items	8 473	678	7 801	624	6 844	548
Total standardised approach	46 126	3 690	48 739	3 899	50 789	4 063
Market risk						
Trading book exposures where internal models are applied	27 550	2 204	24 892	1 991	25 546	2 044
Trading book exposures applying standardised approaches	12 595	1 008	9 881	790	12 074	966
Foreign exchange rate risk	3 079	246	4 022	322	5 627	450
Total market risk	43 223	3 458	38 794	3 104	43 247	3 460
Other own funds requirements						
Operational risk advanced measurement approach	47 205	3 776	48 219	3 858	47 078	3 766
Settlement risk	0	0	38	3	0	0
Credit value adjustment	7 670	614	6 767	541	6 854	548
Investment in insurance business	16 633	1 331	16 633	1 331	16 633	1 331
Other exposures	4 353	348	4 219	338	5 932	475
Additional risk exposure amount ²⁾			15 802	1 264	15 677	1 254
Total other own funds requirements	75 861	6 069	91 678	7 334	92 174	7 374
Total	631 958	50 557	610 819	48 866	614 619	49 169

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 21bn compared to year-end 2017. Foreign exchange movements and an increase in credit volumes (asset size) contributed to higher credit risk REA, which was partly offset by improved asset quality. IFRS 9 was implemented during the first quarter, with reclassification of assets and changes of allowances, generating a decrease of SEK 2bn in credit risk REA and a SEK 9bn decrease of market risk REA (on the line item model updates, methodology & policy, other). Underlying market and operational risk changes included an increase in market risk REA of SEK 14bn, due to volatile markets and increased risk exposures especially during the second quarter.

SEK bn	YTD
Balance 31 Dec 2017	611
Asset size	19
Asset quality	-16
Foreign exchange movements	21
Model updates, methodology & policy, other	-17
Underlying market and operational risk changes	14
Balance 30 Sep 2018	632

During the first quarter, SEB's application to recalibrate corporate PDs (probability of default) was approved, resulting in a REA increase of SEK 16bn. 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, was 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)	30 Sep 2018	31 Dec 2017	30 Sep 2017
Average risk-weight			
Exposures to central governments or central banks	2.6%	3.3%	1.9%
Exposures to institutions	25.7%	24.0%	23.7%
Exposures to corporates	31.1%	31.6%	31.7%
Retail exposures	10.3%	10.4%	9.9%
of which secured by immovable property	6.8%	7.0%	6.9%
of which retail SME	58.5%	59.6%	80.8%
of which other retail exposures	30.3%	30.7%	28.7%
Securitisation positions	10.3%	10.6%	31.1%

Skandinaviska Enskilda Banken AB (publ.)

Income statement – Skandinaviska Enskilda Banken AB (publ.)

In accordance with FSA regulations SEK m	Q3			Q2			Q3			Jan–Sep			Full year
	2018	2018	%	2017	%	2018	2017	%	2018	2017	%	2017	
Interest income	9 811	9 562	3	8 170	20	27 777	24 295	14	32 285				
Leasing income	1 413	1 434	-1	1 375	3	4 240	4 099	3	5 481				
Interest expense	-5 737	-5 318	8	-4 427	30	-15 562	-13 439	16	-17 750				
Dividends	844	4 593	-82	1 018	-17	8 454	5 774	46	6 981				
Fee and commission income	3 132	3 561	-12	2 750	14	9 763	8 977	9	12 153				
Fee and commission expense	- 727	- 825	-12	- 576	26	-2 393	-1 947	23	-2 596				
Net financial income	983	845	16	1 075	-9	2 980	3 531	-16	4 493				
Other income	184	1 344	-86	258	-28	1 694	833	103	1 342				
Total operating income	9 903	15 196	-35	9 643	3	36 952	32 123	15	42 390				
Administrative expenses	-3 775	-3 806	-1	-3 350	13	-11 349	-10 681	6	-14 252				
Depreciation, amortisation and impairment of tangible and intangible assets	-1 375	-1 395	-1	-1 384	-1	-4 126	-4 045	2	-6 377				
Total operating expenses	-5 150	-5 200	-1	-4 733	9	-15 476	-14 726	5	-20 629				
Profit before credit losses	4 753	9 996	-52	4 909	-3	21 476	17 397	23	21 761				
Net expected credit losses ¹⁾	-371	-156	138			- 724							
Net credit losses ²⁾				- 326			- 587		- 749				
Impairment of financial assets	- 458	- 78		- 54		-2 800	- 149		-1 497				
Operating profit	3 924	9 762	-60	4 529	-13	17 953	16 661	8	19 515				
Appropriations	570	306	86	355	60	1 155	1 221	-5	1 885				
Income tax expense	-1 111	- 701	58	- 935	19	-2 424	-2 919	-17	-3 633				
Other taxes	22	- 272	-108	0		- 20	24	-181	43				
NET PROFIT	3 406	9 096	-63	3 949	-14	16 664	14 986	11	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.)

SEK m	Q3			Q2			Q3			Jan–Sep			Full year
	2018	2018	%	2017	%	2018	2017	%	2018	2017	%	2017	
NET PROFIT	3 406	9 096	-63	3 949	-14	16 664	14 986	11	17 811				
<i>Items that may subsequently be reclassified to the income statement:</i>													
Available-for-sale financial assets				- 79			- 119		- 878				
Cash flow hedges	- 114	- 300	-62	- 286	-60	- 673	- 946	-29	-1 207				
Translation of foreign operations	2	2		4	-50	49	2		- 8				
OTHER COMPREHENSIVE INCOME	- 112	- 298	-62	- 361	-69	- 624	-1 063	-41	-2 093				
TOTAL COMPREHENSIVE INCOME	3 294	8 798	-63	3 588	-8	16 040	13 923	15	15 718				

Balance sheet - Skandinaviska Enskilda Banken AB (publ.)

SEK m	30 Sep 2018	1 Jan 2018	31 Dec 2017	30 Sep 2017
Cash and cash balances with central banks	248 224	97 741	97 741	396 122
Loans to central banks	13 463	8 832	8 832	21 466
Loans to credit institutions	125 904	189 949	189 949	178 025
Loans to the public ¹⁾	1 427 115	1 204 761	1 205 906	1 255 809
Debt securities	178 796	124 732	125 070	156 150
Equity instruments	43 150	50 098	50 098	49 450
Derivatives	120 902	104 220	104 220	113 841
Other assets ¹⁾	126 493	110 345	110 347	129 264
TOTAL ASSETS	2 284 047	1 890 678	1 892 163	2 300 128
Deposits from central banks and credit institutions	176 100	134 562	134 561	216 490
Deposits and borrowings from the public ²⁾	1 035 677	849 488	849 479	1 071 786
Debt securities issued	711 655	610 292	610 292	655 539
Short positions	53 565	24 985	24 985	45 715
Derivatives	103 399	86 990	86 990	93 137
Other financial liabilities	4 417	3 894	3 894	18 139
Other liabilities	71 066	55 443	55 772	74 443
Untaxed reserves	21 423	21 429	21 429	21 760
Total equity	106 745	103 595	104 762	103 120
TOTAL LIABILITIES, UNTAXED RESERVES AND TOTAL EQUITY	2 284 047	1 890 678	1 892 163	2 300 128

1) An adjustment of SEK 2,263m has been made for the comparative periods 31 Dec 2017 and 1 Jan 2018 between Loans to the public and Other assets compared to the Interim Report for the second quarter.

2) Private and SME deposits covered by deposit guarantee	200 155	186 674	186 674	185 697
Private and SME deposits not covered by deposit guarantee	150 624	135 254	135 254	116 087
All other deposits	684 898	527 560	527 551	770 002
Total deposits from the public	1 035 677	849 488	849 479	1 071 786

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

SEK m	30 Sep 2018	31 Dec 2017	30 Sep 2017
Pledged assets for own liabilities	419 832	447 925	403 240
Other pledged assets	168 239	114 494	132 138
Pledged assets	588 071	562 419	535 378
Contingent liabilities	134 804	103 059	97 169
Commitments	549 879	435 488	478 466
Obligations	684 684	538 547	575 635

Capital adequacy - Skandinaviska Enskilda Banken AB (publ.)

SEK m	30 Sep 2018	31 Dec 2017	30 Sep 2017
Own funds			
Common Equity Tier 1 capital	107 577	101 810	101 969
Tier 1 capital	122 726	115 733	115 868
Total own funds	141 319	131 328	131 147
Own funds requirement			
Risk exposure amount	557 621	514 328	505 428
Expressed as own funds requirement	44 610	41 146	40 434
Common Equity Tier 1 capital ratio	19.3%	19.8%	20.2%
Tier 1 capital ratio	22.0%	22.5%	22.9%
Total capital ratio	25.3%	25.5%	25.9%
Own funds in relation to capital requirement	3.17	3.19	3.24
Regulatory Common Equity Tier 1 capital requirement including buffers	8.1%	8.2%	8.2%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which countercyclical capital buffer requirement	1.1%	1.2%	1.2%
Common Equity Tier 1 capital available to meet buffers ¹⁾	14.8%	15.3%	15.7%

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 69bn (61). This assessment does not include diversification effects.

Definitions - Alternative Performance Measures¹⁾

Items affecting comparability

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

Operating profit

Total profit before tax.

Operating profit before items affecting comparability

Total profit before items affecting comparability and tax.

Return on equity

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

Return on equity excluding items affecting comparability

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

Return on business equity

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

Return on total assets

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

Return on risk exposure amount

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

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 average³⁾ number of shares outstanding before dilution.

Diluted earnings per share

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

Net worth per share

The 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.

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	<p>Leading customer experience – develop long-term relationships based on trust so that customers feel that the services and advice offered are insightful about their needs, are convenient and accessible on their terms and that SEB shares knowledge and acts proactively in their best interest.</p> <p>Growth in areas of strength – pursue growth in three selected core areas – offering to all customer segments in Sweden, large corporations and financial institutions in the Nordic countries, Germany and the United Kingdom and savings offering to private individuals and corporate customers.</p> <p>Resilience and flexibility – maintain resilience and flexibility in order to adapt operations to the prevailing market conditions. Resilience is based upon cost and capital efficiency.</p>
Values	Guided by our Code of Business Conduct and our core values: customers first, commitment, collaboration and simplicity.
People	Around 15,000 highly skilled employees serving customers from locations in some 20 countries; covering different time zones, securing reach and local market knowledge.
History	160 years of business, trust and sharing knowledge. The bank has always acted responsibly in society promoting entrepreneurship, international outlook and long-term relationships.

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