Interim Report

January–June 2016

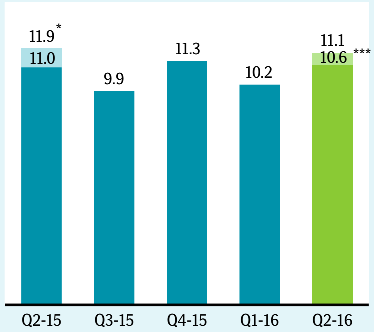
STOCKHOLM 14 JULY 2016

"This quarter demonstrates that with our diverse business mix we can support our customers also in an uncertain and volatile environment."

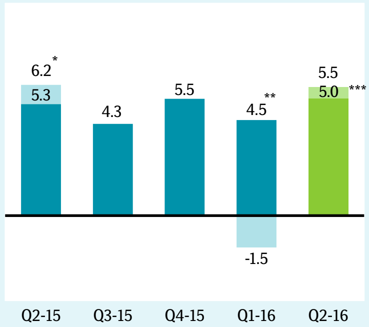
Annika Falkengren

Interim Report – the first six months 2016

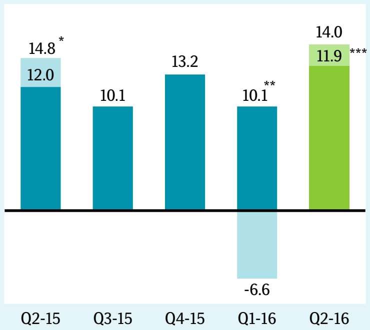
Operating income
SEK bn



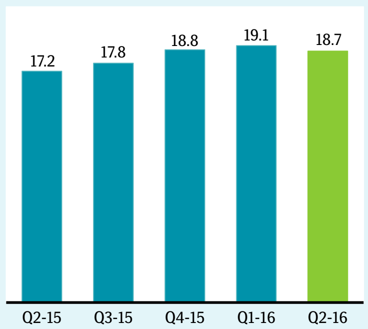
Operating profit
SEK bn



Return on Equity
Per cent



Common Equity Tier 1 capital ratio (Basel III)
Per cent



* Excluding Swiss withholding tax decision.
** Excluding goodwill impairment and other one-off items.
*** Excluding Visa Europe in the Baltic region.

First six months 2016

(Compared with the first six months 2015)

- Operating income SEK 21.4bn (22.5), operating expenses SEK 16.7bn (11.0), operating profit SEK 4.1bn (11.0) and net profit SEK 2.2bn (8.6).
- Excluding one-off items, operating income amounted to SEK 20.8bn, operating expenses to SEK 10.7bn and operating profit to SEK 9.5bn.
- Net credit losses SEK 0.5bn (0.4). Credit loss level 0.07 per cent (0.06).
- Return on equity 3.3 per cent (12.9) and earnings per share SEK 1.02 (3.92). Excluding one-off items, return on equity was 10.9 per cent.

Second quarter 2016

(Compared with the first quarter 2016)

- Operating income SEK 11.1bn (10.2), operating expenses SEK 5.3bn (11.4), operating profit SEK 5.5bn (-1.5) and net profit SEK 4.5bn (-2.3).
- Excluding one-off items operating income amounted to SEK 10.6bn and operating profit amounted to SEK 5.0bn.
- Net credit losses SEK 0.2bn (0.3). Credit loss level 0.06 per cent (0.08).
- Return on equity 14.0 per cent (-6.6) and earnings per share SEK 2.07 (-1.05). Excluding one-off items, return on equity was 11.9 per cent.

Volumes, capital and liquidity

(Compared with 31 December 2015)

- Loans to the public SEK 1,455bn (1,353).
- Deposits and borrowings from the public SEK 944bn (884).
- Assets under management SEK 1,657bn (1,700).
- Common Equity Tier 1 capital ratio 18.7 per cent (18.8).
- Leverage ratio 4.7 per cent (4.9).
- Liquidity Coverage Ratio (LCR) 129 per cent (128).
- Core liquidity reserve SEK 411bn (352).

President's comment

Global growth is still not strong and we continuously see risks for new set-backs. The historically low interest rates are really a symptom of the underlying problems for the real economy with high indebtedness, global imbalances and low growth in productivity. During the quarter, market uncertainty increased as the EU referendum in the UK approached. The unexpected outcome, Brexit, was followed by high volatility, sharp drops in equity markets and bond yields and high FX activity. Even though the overall long-term impact from Brexit on global growth might not be so large, we believe that with the Brexit outcome the period with low and negative interest rates in Europe will be extended. From a risk perspective, the direct impact from Brexit on SEB is limited.

Diverse business mix key in volatile and uncertain environment

Our diverse business mix is key for delivering sustainable profitable growth. In the prevailing environment of uncertainty, customers' need for advisory and risk management services have continued to increase. This is also reflected in higher net fee and net financial income between the first and the second quarter. Excluding the negative one-off effects in the first quarter and the positive one-off effect from SEB's Baltic Visa membership this quarter, operating profit increased by 12 per cent between the quarters and return on equity reached 11.9 per cent.

However, for the first half of this year and excluding both positive and negative one-off effects, all income lines were lower compared to the first half of 2015 mirroring the impact of negative interest rates and a more cautious business sentiment. SEB's underlying operating profit excluding the one-off effects reached SEK 9.5bn and a return on equity of 10.9 per cent. We have a strong and resilient balance sheet. Asset quality remained robust with a credit loss level of 7 basis points. The Common Equity Tier 1 capital ratio was 18.7 per cent.

Cautious business sentiment

On the back of the heightened volatility levels, corporate and institutional customers' demand for hedging interest rate and FX risks increased. Following Brexit and the drop in bond yields, institutional customers accentuated their search for yield at the expense of liquidity. Macro uncertainties clearly dampened business sentiment, even though the Nordic IPO market continued to be active. The broad-based credit demand among large corporate customers remained subdued except for a few larger event-driven transactions. We saw a substantial increase in bond issuances among both institutional and corporate customers in the second quarter.

Over the past year, we have seen a clear trend of a more positive business sentiment among SME customers in Sweden. We continue to attract full-service customers and have strengthened our position as the corporate bank in Sweden. During the last 12 months we have increased lending to Swedish SMEs by SEK 23bn or 12 per cent. Corporate lending has increased also in the Baltic countries on the back of strong export and private consumption.

Private individuals continued to demand low-risk savings products, reallocating from equities to lower-risk investments, such as deposits and traditional insurance. Overall, both among private individuals and institutional investors we see a clear increase in the demand for sustainability focused investments. Step by step, we are integrating sustainability in our investment process and some of the more recent steps include sustainability criteria for all our funds as well as reducing coal exposure and the launch of our fourth micro finance fund.

Rapidly changing customer behaviour

Digitisation rapidly changes customer behaviours while promoting further internal simplicity and efficiency. We continuously develop our digital offering by upgrading our mobile banking apps with new functionality. We see that customers want to interact with us more often and in new ways like for example through remote advisory services. Customers' demand for convenience also speeds up the need for automating internal end-to-end processes. Already by the end of this year we will have finalised automation of three major end-to-end processes further increasing efficiency.

We have set out on an ambitious journey to deliver world-class service to our customers. It reflects our view of the future in which customer orientation and digitisation increase in importance. The market environment is challenging but we are determined – and well positioned – to support our customers, also in a protracted low growth scenario with volatile financial markets and low or negative interest rates.

The Group

Second quarter excluding one-off item

The settlement of the transaction of SEB's Baltic holdings in Visa Europe resulted in a one-off gain in net other income of SEK 520m in the second quarter with a related tax expense of SEK 24m. Read more on page 7.

The following table displays the second quarter 2016 result with and without the one-off gain.

SEK m	Underlying Q2 2016	One-off items	Reported Q2 2016
Total operating income	10 616	520	11 136
Total operating expenses	-5 332		-5 332
Profit before credit losses	**5 284**	**520**	**5 804**
Net credit losses etc	-268		-268
Operating profit	**5 016**	**520**	**5 536**

Second quarter isolated

The operating profit amounted to SEK 5,536m (-1,456) and net *profit (after tax)* amounted to SEK 4,519m (-2,294).

Operating income

Total operating income amounted to SEK 11,136m (10,222).

Net interest income which amounted to SEK 4,647m, was stable compared with both the previous quarter (4,636) and year-on-year. The Swedish repo rate was unchanged at -0.5 per cent throughout the quarter and the ECB Euro refinancing interest rate was zero per cent.

SEK m	Q2 2016	Q1 2016	Q2 2015
Customer-driven NII	5 022	4 967	4 600
NII from other activities	-375	-331	32
Total	**4 647**	**4 636**	**4 632**

Customer-driven net interest income increased by SEK 55m compared to the first quarter. Loan volume related net interest income increased by SEK 238m, primarily in the retail operations. This was counteracted by decreased margins both on loans and deposits which in total decreased net interest income by SEK 183m.

Net interest income from other activities decreased by SEK 44m compared to the first quarter. Regulatory fees, including resolution and deposit guarantee fees, amounted to SEK 354m, which was SEK 25m more than the first quarter. Year-on-year, net interest income from other activities decreased by SEK 407m. The second quarter 2015 included an interest expense at an amount of SEK 82m relating to the Swiss Supreme Court decision. See box page 5.

Net fee and commission income increased by 5 per cent to SEK 4,074m (3,897). Card fees rebounded from the seasonally slower first quarter. The decrease in card fees year-on-year was mainly due to the regulatory cap on interchange fees. Gross lending fees were up 16 per cent compared to the first quarter. Fees relating to assets under management and custody were unchanged between the first and second quarter. Year-on-year they decreased substantially, by SEK 442m, due to the negative development in the stock markets which lowered the market value of assets under management. Performance and transaction fees amounted to SEK 20m (22). Net commissions relating to the life insurance business amounted to SEK 395m, only somewhat below the first quarter and year-on-year.

Net financial income increased by 24 per cent to SEK 1,718m during the quarter (1,385). The quarter was characterised by the increasing uncertainty around Brexit and customers' risk management activities increased. The unrealised net negative valuation adjustment from counterparty risk (CVA) and own credit (DVA) in derivatives as well as issued structured bonds (OCA), lowered the result by SEK 205m (153).

Net other income amounted to SEK 697m (304). Both the first and second quarter contained a combination of realised capital gains and unrealised valuation and hedge accounting effects. A one-off item in the second quarter 2016 affects comparison. See box.

Operating expenses

Total operating expenses amounted to SEK 5,332m (11,365). One-off items in the first quarter affect comparison. See box on page 5. Excluding the one-off items, operating expenses decreased by SEK 84m in the quarter primarily due to lower staff costs.

Credit losses and provisions

Net credit losses amounted to SEK 221m (291). The credit loss level was 6 basis points (8).

Income tax expense

Total *income tax expense* was SEK 1,017m (838). The effective tax rate for the second quarter was 18.4 per cent. It was affected by the fact that the gain from the settlement of the Baltic holdings in Visa Europe was tax-exempt in Estonia and Latvia.

Other comprehensive income

The *other comprehensive income* amounted to SEK 886m (-2,343).

The discount rate in Sweden was unchanged at 2.5 per cent. In Germany the discount rate was lowered to 1.4 per cent (1.7). Both the defined benefit pension plan liabilities and the market value of the plan assets were virtually unchanged in the second quarter.

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, e.g. cash-flow hedges, available-for-sale financial assets and translation of foreign operations, was positive in the amount of SEK 758m (762). The valuation of available-for-sale financial assets included the fair value of SEB's indirect membership in Visa Sweden. This was offset by the value of the Baltic Visa holdings which was reclassified to net other income in the second quarter.

Comparative numbers (in parenthesis):
Quarterly result – refers to the previous quarter.
Half-year result – refers to the corresponding period 2015.
Business volumes – refers to year-end 2015, unless otherwise stated.

The first six months – excluding one-off items

The table below shows the operating profit for the first six months 2016 and 2015, excluding the following one-off items:

1. *The settlement of the transaction of SEB's Baltic holdings in Visa Europe resulted in a one-off gain of SEK 520m in the second quarter 2016 accounted for as net other income. The gain generated a tax expense of SEK 24m. Read more on page 7.*
2. *In the first quarter 2016, SEB implemented a customer-oriented organisation. See page 15. The reorganisation resulted in an impairment of goodwill in the amount of SEK 5,334m accounted for as operating expenses. This expense was not tax deductible.*
3. *In the first quarter 2016 there were other one-off financial effects from restructuring activities in the Baltic and German businesses and a write-down (derecognition) of intangible IT-assets no longer in use. In total, these items affected operating expenses by SEK 615m and there was a positive tax effect amounting to SEK 101m.*
4. *As disclosed in May 2015 the Swiss Supreme Court denied SEB's application for a refund of withholding tax dating back to the years 2006 through 2008. This led to a decrease of net financial income in the amount of SEK 820m and an additional interest expense of SEK 82m in the second quarter 2015. There was no tax effect.*

	Jan - Jun		Change
SEK m	**2016**	**2015**	*%*
Total operating income	20 838	23 436	*-11*
Total operating expenses	-10 748	-11 002	*-2*
Profit before credit losses	**10 090**	**12 434**	***-19***
Net credit losses etc	-581	-490	*19*
Operating profit	**9 509**	**11 944**	***-20***

The first six months

The operating profit amounted to SEK 4,080m (11,042) and *net profit (after tax)* amounted to SEK 2,225m (8,577).

Operating income

Total operating income amounted to SEK 21,358m (22,534).

Net interest income amounted to SEK 9,283m (9,578). The Swedish repo rate was lowered from -0.35 to -0.50 per cent during the first quarter and the ECB lowered the Euro refinancing interest rate to zero in March.

	Jan - Jun		Change
SEK m	**2016**	**2015**	*%*
Customer-driven NII	9 989	9 159	*9*
NII from other activities	-706	419	
Total	**9 283**	**9 578**	***-3***

Customer-driven net interest income increased by SEK 830m compared to the first six months 2015. Lending related net interest income increased by SEK 372m, with SEK 82m relating to higher volumes and SEK 290m to positive margin development. In the prevailing negative interest rate environment, the bank has supported the divisions' intake of customer deposits. Hence, customer deposit-related net interest income increased by SEK 458m. The effect from deposit volumes was largely unchanged.

Net interest income from other activities decreased by SEK 1,125m compared to the first six months 2015. A one-off item in 2015 affected comparison. See box. Year-on-year, the lower interest rate levels led to a reduction of net interest income by approximately SEK 600m. Regulatory fees, including resolution and deposit guarantee fees, amounted to SEK 683m, and were SEK 141m higher than the first six months 2015.

Net fee and commission income decreased by 19 per cent to SEK 7,971m (9,864). Asset under management and custody fees decreased in the wake of the negative development in the stock markets with lower market value of assets under management. In particular, performance and transaction fees decreased and amounted to SEK 42m (510), a decrease of SEK 468m year-on-year. As communicated in previous quarters, there has been a need to reduce seasonality in balance sheet usage, in line with the new regulatory liquidity framework. This led to reduced stock lending activities and lower related fees in the first six months. Card fees decreased by an estimated SEK 240m due to the regulatory cap on interchange fees. Commissions relating to the life insurance business amounted to SEK 797m (832).

Net financial income increased by SEK 400m to SEK 3,103m (2,703), driven by customer activity. Towards the end of the period markets were impacted by the uncertainty around Brexit where customers' risk management activities increased substantially. Net financial income relating to the traditional life insurance operations in Sweden and Denmark increased by SEK 176m year-on-year. Non-customer related impact includes a one-off item in 2015. See box. In addition, the net negative valuation adjustments from counterparty risk (CVA) and own credit risk (DVA) in derivatives as well as issued structured bonds (OCA), amounted to SEK -358m. In 2015 this item was positive in the amount of SEK 476m, i.e. a negative change of SEK 834m year-on-year.

Net other income amounted to SEK 1,001m (389). Both the first and second quarter 2016 contained a combination of realised capital gains and unrealised valuation and hedge accounting effects. A one-off item in the second quarter 2016 affected comparison. See box.

Operating expenses

Total operating expenses amounted to SEK 16,697m (11,002). One-off items in 2016 affect the comparison. See box. Excluding one-off effects, underlying operating expenses were SEK 10,748m. The decrease compared to the corresponding period last year was due to lower staff costs.

In the beginning of the year the reporting of the life insurance operations was changed. Deferred acquisition costs were moved from *operating expenses* to *net fee and commission income.* As a result, SEB's cost cap of SEK 22.5bn was adjusted. The cap on operating expenses is now SEK 22bn for the year 2016 and 2017. The operating expenses run rate is below the cost cap.

Credit losses and provisions

Net credit losses amounted to SEK 512m (408). The credit loss level was 7 basis points (6).

Income tax expense

Total *income tax expense* was SEK 1,855m (2,465). The effective tax rate for the first six months was 19.7 per cent, excluding the goodwill impairment recognised in the first quarter which was not tax deductible. This was line with SEB's expected tax rate.

The tax expense included tax on a dividend from SEB's subsidiary bank in Estonia. The dividend amounted to SEK 186m. The subsidiary's result is taxed when it is paid out in the form of a dividend.

Other comprehensive income

The *other comprehensive income* amounted to SEK -1,457m (926).

The net revaluation of the defined benefit pension plans had a negative effect of SEK 2,977m in the first half-year versus a positive effect in the corresponding period 2015 of SEK 1,787m. The market value of the plan assets decreased while the pension obligation increased when discount rates were lowered. The discount rate in Sweden was changed to 2.5 per cent (3.1) and the discount rate in Germany was changed in two steps to 1.4 per cent (2.4).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, e.g. cash-flow hedges, available-for-sale financial assets and translation of foreign operations, was positive in the amount of SEK 1,520m (-861). The valuation of available-for-sale financial assets included the revaluation of the holdings in Visa Sweden. This was offset by the value of the Baltic holdings in Visa Europe which was realised in net other income in the second quarter.

Business volumes

Total assets at the end of the period were SEK 2,677bn, an increase by SEK 181bn compared to year-end (2,496). At year-end the volume of trading and repo activities was low, which led to lower issuance of commercial papers and certificates of deposits as well as lower volumes of short-term deposits placed by financial corporates. These activities have rebounded since year-end.

Loans to the public amounted to SEK 1,455bn, an increase of SEK 102bn during the first six months. Excluding repos and debt instruments, loans to the public increased by SEK 55bn. Approximately half of the increase is driven by currency effects. There was growth in all segments.

	Jun	Dec	Jun
SEK bn	**2016**	**2015**	**2015**
General governments	32	38	47
Households	540	530	527
Corporates	759	708	706
Repos	109	59	94
Debt securities	15	18	21
Loans to the public	**1 455**	**1 353**	**1 395**

SEB's total credit portfolio (which includes both on- and off-balance sheet volumes) amounted to SEK 2,069bn (2,065). During the first six months total household loans and commitments increased by SEK 18bn. The combined corporate and property management loans and commitments increased by SEK 52bn.

Deposits from the public amounted to SEK 944bn, which was an increase of SEK 60bn compared to year-end.

	Jun	Dec	Jun
SEK bn	**2016**	**2015**	**2015**
General governments	29	29	65
Households	274	262	260
Corporates	628	586	627
Repos	13	7	18
Deposits and borrowings from the public	**944**	**884**	**970**

Compared to year-end, household deposits increased by SEK 12bn while in particular short-term financial corporate deposits increased by SEK 42bn.

Total assets under management amounted to SEK 1,657bn (1,700). The net inflow of assets during the first six months was SEK 21bn and the total market value decreased by SEK 64bn.

Assets under custody decreased reflecting the drop in stock market values and amounted to SEK 6,476bn (7,196).

Market risk

SEB's business model is customer flow-driven. Value-at-Risk (VaR) in the trading operations averaged SEK 108m in the second quarter 2016 (first quarter 2016 average 113). On average, the Group is not expected to lose more than this amount during a period of ten trading days, with 99 per cent probability.

The first quarter of 2016 showed high volatility and was characterised by swings in credit spreads and equity markets, falling interest rates as well as central bank interventions.

Markets were less volatile during the second quarter than during the first, which led to a slight decrease in average VaR. However, in the days before the EU referendum and after the Brexit in late June most financial markets showed a significant increase in volatility.

Liquidity and long-term funding

Since year-end 2015 SEK 75bn of long-term funding matured (of which SEK 59bn covered bonds and SEK 16bn senior debt) and SEK 80bn was issued (of which SEK 48bn constituted covered bonds and SEK 32bn senior debt). Commercial papers and certificates of deposits increased by SEK 17bn during the first half of 2016.

The core liquidity reserve at the end of the period amounted to SEK 411bn (352).

The Liquidity Coverage Ratio (LCR), according to the rules adapted for Sweden by the Swedish Financial Supervisory Authority (SFSA), must be at least 100 per cent in total and in EUR and USD, separately. At the end of the period, the LCR was 129 per cent (128). The USD and EUR LCRs were 164 and 425 per cent, respectively.

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

Rating

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

In May, Fitch upgraded its rating of SEB's long-term senior unsecured debt from A+ to AA- with a stable outlook. The upgrade was based on SEB's strong execution of its long-term strategy, improving earnings stability and diversification.

S&P rates SEB's long-term senior unsecured debt at A+ with a stable outlook. The outlook is based on the bank's strong capital and earnings development which may off-set the effect of heightened economic risks in Sweden as perceived by S&P.

Capital position

SEB's Common Equity Tier 1 (CET1) capital ratio was 18.7 per cent. SEB's estimate of the full pillar 1 and 2 CET1 capital requirements – where the pillar 2 requirements were calculated according to the methods set by the SFSA – was 16.0 per cent at year-end 2015 and was estimated at 16.3 per cent at 30 June 2016. The bank aims to have a buffer of about 150 basis points above the regulatory requirement.

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

Own funds requirement, Basel III	Jun 2016	Dec 2015	Jun 2015
Risk exposure amount, SEK bn	588	571	614
Common Equity Tier 1 capital ratio, %	18.7	18.8	17.2
Tier 1 capital ratio, %	21.1	21.3	19.4
Total capital ratio, %	23.5	23.8	21.7
Leverage ratio, %	4.7	4.9	4.4

REA increased by SEK 17bn compared to year-end 2015. The growth was driven by an increase in corporate credit volumes partially offset by a decrease in market risk. Approximately half of the increase is due to currency effects. The Additional REA that was established in the fourth quarter of 2015 in agreement with the SFSA as a measure of prudence, increased by SEK 1.7bn to SEK 10.6bn.

The capital base increased in line with the net profit. Since goodwill is required to be deducted from the capital base, the effect from the goodwill impairment on the capital ratios was insignificant.

The CET 1 capital ratio was 0.1 percentage points below the year-end level.

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.

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 2015 (see p 40-46 and notes 18-20) and in the Capital Adequacy and Risk Management report for 2015. Further information is presented in the Fact Book on a quarterly basis.

The macroeconomic development remains uncertain, 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. In addition, there is uncertainty around the effects on the bank from a potential prolongation of the current low or negative interest rates. The unexpected outcome of the British EU-referendum, Brexit, adds to the uncertainty. Even though the long-term impact on global growth might not be so large, the period with low and negative interest rates in Europe is likely to be extended.

Visa transaction

In 2015, Visa Inc. announced its planned acquisition of Visa Europe (a membership-owned organisation) with the purpose of creating a single global Visa company. The transaction was approved by the European Commission on 3 June 2016. It consists of a combination of consideration in cash and shares. SEB is member of Visa Europe through several direct and indirect memberships.

The closing of the transaction of SEB's Visa memberships in the Baltic countries resulted in a realisation of the fair value recognised in *other comprehensive income* in the first quarter to a one-off gain of SEK 520m recognised in *net other income* in the second quarter.

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

Subsequent events

Jeanette Almberg, presently Head of SEB Kort, has been appointed new Head of Group HR and member of the Group Executive Committee. Ulf Peterson, the present Head of Group HR will take on a position as Senior Advisor to the President and CEO. The appointments are effective as of 1 September 2016.

Stockholm 14 July 2016

The President and the Board of Directors declare that the Interim Accounts for January – June 2016 provide a fair overview of the Parent Company's and the Group's operations, their financial position and results and describe material risks and uncertainties facing the Parent Company and the Group.

Marcus Wallenberg
Chairman

Urban Jansson
Deputy chairman

Jesper Ovesen
Deputy chairman

Johan H. Andresen
Director

Signhild Arnegård Hansen
Director

Samir Brikho
Director

Winnie Fok
Director

Birgitta Kantola
Director

Tomas Nicolin
Director

Sven Nyman
Director

Helena Saxon
Director

Sara Öhrvall
Director

Anna-Karin Glimström
*Director**

Håkan Westerberg
*Director**

Annika Falkengren
President and Chief Executive Officer

** appointed by the employees*

Press conference and webcasts
The press conference at 9 am on 14 July 2016, at Kungsträdgårdsgatan 8 with the President and CEO Annika Falkengren can be followed live in Swedish on www.sebgroup.com/sv/ir. A simultaneous translation into English will be available on www.sebgroup.com/ir. A replay will be available afterwards.

Access to telephone conference
The telephone conference at 1 pm on 14 July 2016 with the President and CEO Annika Falkengren, the CFO Jan Erik Back and the Head of Investor Relations Jonas Söderberg, can be accessed by telephone, +44(0)20 7162 0077 or +46(0)8 5052 0110. Please quote conference id: 958924 and call at least 10 minutes in advance. A replay of the conference call will be available on www.sebgroup.com/ir.

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

Financial information calendar

20 October 2016	Interim report January-September 2016	The silent period starts 7 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 Leg*al Entities (RFR 2) issued by the Swedish Financial Reporting Board.

As of 1 January 2016 amendments and clarifications of several IFRS standards came into force. IAS 27 Separate Financial Statements have been amended regarding the equity method in separate financial statements. IFRS 11 Joint Arrangements have been amended regarding accounting for acquisitions of interests in joint operations. IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets have been clarified regarding acceptable methods of depreciation and amortisation. IAS 1 Presentation of Financial Statements has been amended with clarifications of, for example, materiality and disclosure requirements. Annual Improvements 2012–2014 Cycle has narrowly amended several IFRS standards. These changes have not had a material impact on the financial statements of the Group or on capital adequacy and large exposures.

IFRS 4 *Insurance Contracts* allows non-uniform accounting policies for insurance contracts. A change in accounting policies for calculating insurance liabilities in Denmark was made as of 1 January 2016 to be aligned with Solvency II principles.

The reorganisation as of 1 January 2016 amended the reportable segments of the Group and goodwill was reallocated to business unit and geographical level rather than the divisional level in accordance with IFRS 8 *Operating Segments* and IAS 36 *Impairment of Assets*.

For the Parent company the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority have been updated. The main changes relates to alignement to IFRS regarding presentation and disclosures of contingent liabilities. Further a restricted reserve within equity has been implemented for intangible assets related to internally generated development expenses.

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 2015 Annual Report.

Review report

We have reviewed this interim report for the period 1 January 2016 to 30 June 2016 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 14 July 2016

PricewaterhouseCoopers AB

Peter Nyllinge

Authorised Public Accountant

Partner in charge

The SEB Group

Income statement – SEB Group

SEK m	Q2 2016	Q1 2016	%	Q2 2015	%	Jan - Jun 2016	Jan - Jun 2015	%	Full year 2015
Net interest income	4 647	4 636	*0*	4 632	*0*	9 283	9 578	*-3*	18 938
Net fee and commission income	4 074	3 897	*5*	5 194	*-22*	7 971	9 864	*-19*	18 345
Net financial income	1 718	1 385	*24*	994	*73*	3 103	2 703	*15*	5 478
Net other income	697	304	*129*	176		1 001	389	*157*	1 002
Total operating income	**11 136**	**10 222**	***9***	**10 996**	***1***	**21 358**	**22 534**	***-5***	**43 763**
Staff costs	-3 507	-3 751	*-7*	-3 754	*-7*	-7 258	-7 310	*-1*	-14 436
Other expenses	-1 648	-1 704	*-3*	-1 505	*10*	-3 352	-3 188	*5*	-6 355
Depreciation, amortisation and impairment of tangible and intangible assets	- 177	-5 910	*-97*	- 259	*-32*	-6 087	- 504		-1 011
Total operating expenses	**-5 332**	**-11 365**	***-53***	**-5 518**	***-3***	**-16 697**	**-11 002**	***52***	**-21 802**
Profit before credit losses	**5 804**	**-1 143**		**5 478**	***6***	**4 661**	**11 532**	***-60***	**21 961**
Gains less losses from tangible and intangible assets	- 47	- 22	*114*	- 6		- 69	- 82	*-16*	- 213
Net credit losses	- 221	- 291	*-24*	- 220	*0*	- 512	- 408	*25*	- 883
Operating profit	**5 536**	**-1 456**		**5 252**	***5***	**4 080**	**11 042**	***-63***	**20 865**
Income tax expense	-1 017	- 838	*21*	-1 326	*-23*	-1 855	-2 465	*-25*	-4 284
Net profit	**4 519**	**-2 294**		**3 926**	***15***	**2 225**	**8 577**	***-74***	**16 581**
Attributable to minority interests									
Attributable to shareholders	4 519	-2 294		3 926	*15*	2 225	8 577		16 581
Basic earnings per share, SEK	2.07	-1.05		1.79		1.02	3.92		7.57
Diluted earnings per share, SEK	2.06	-1.04		1.78		1.01	3.89		7.53

Statement of comprehensive income – SEB Group

SEK m	Q2 2016	Q1 2016	%	Q2 2015	%	Jan - Jun 2016	Jan - Jun 2015	%	Full year 2015
Net profit	**4 519**	**-2 294**		**3 926**	***15***	**2 225**	**8 577**	***-74***	**16 581**
Items that may subsequently be reclassified to the income statement:									
Available-for-sale financial assets	596	498	*20*	- 388		1 094	- 293		- 719
Cash flow hedges	- 216	190		- 743	*-71*	- 26	- 245	*-89*	- 667
Translation of foreign operations	378	74		- 96		452	- 323		- 573
Items that will not be reclassified to the income statement:									
Defined benefit plans	128	-3 105		2 554	*-95*	-2 977	1 787		4 178
Other comprehensive income (net of tax)	**886**	**- 2 343**		**1 327**	***-33***	**- 1 457**	**926**		**2 219**
Total comprehensive income	**5 405**	**- 4 637**		**5 253**	***3***	**768**	**9 503**	***-92***	**18 800**
Attributable to minority interests									
Attributable to shareholders	5 405	-4 637		5 253	*3*	768	9 503	*-92*	18 800

Balance sheet – SEB Group

SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Cash and cash balances with central banks	149 159	101 429	202 714
Other lending to central banks	15 678	32 222	9 183
Loans to credit institutions[1]	78 052	58 542	88 606
Loans to the public	1 454 970	1 353 386	1 395 426
Financial assets at fair value through profit or loss [2]	846 765	826 945	912 681
Fair value changes of hedged items in a portfolio hedge	161	104	102
Available-for-sale financial assets[2]	36 123	37 368	39 359
Assets held for sale	542	801	1 113
Investments in associates	1 060	1 181	1 107
Tangible and intangible assets	20 584	26 203	26 515
Other assets	74 229	57 783	83 633
Total assets	**2 677 323**	**2 495 964**	**2 760 439**
Deposits from central banks and credit institutions	177 661	118 506	185 724
Deposits and borrowing from the public	944 353	883 785	969 897
Liabilities to policyholders	377 536	370 709	379 040
Debt securities issued	660 983	639 444	701 802
Financial liabilities at fair value through profit or loss	265 562	230 785	262 464
Fair value changes of hedged items in a portfolio hedge	1 770	1 608	1 671
Liabilities held for sale			218
Other liabilities	82 424	75 084	92 543
Provisions	2 864	1 873	2 043
Subordinated liabilities	32 242	31 372	31 667
Total equity	131 928	142 798	133 370
Total liabilities and equity	**2 677 323**	**2 495 964**	**2 760 439**
1) Loans to credit institutions and liquidity placements with other direct participants in interbank fund transfer systems.			
2) Whereof bonds and other interest bearing securities.	287 513	295 409	341 516

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

Pledged assets, contingent liabilities and commitments – SEB Group

SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Pledged assets for own liabilities[1]	484 365	496 825	492 699
Pledged assets for liabilities to insurance policyholders	377 536	370 709	379 040
Other pledged assets[2]	155 359	146 521	144 640
Pledged assets	**1 017 260**	**1 014 055**	**1 016 379**
Contingent liabilities[3]	111 826	109 297	110 880
Commitments	632 708	609 872	611 704
Contingent liabilities and commitments	**744 534**	**719 169**	**722 584**

1) Of which collateralised for covered bonds SEK 338,074m (354,651/330,953).

2) Of which securities lending SEK 70,336m (63,528/63,991) and pledged but unencumbered bonds SEK 72,989m (73,781/71,899).

3) Of which credit guarantees SEK 13,757m (33 855/34 445).

Key figures – SEB Group

	Q2 2016	Q1 2016	Q2 2015	Jan - Jun 2016	Jan - Jun 2015	Full year 2015
Return on equity, %	14.03	-6.58	12.04	3.29	12.88	12.24
Return on equity excluding one-off items[1], %	11.88	10.09	14.75	10.87	14.21	12.85
Return on total assets, %	0.63	-0.33	0.53	0.16	0.58	0.57
Return on risk exposure amount, %	3.16	-1.61	2.54	0.78	2.77	2.71
Cost/income ratio	0.48	1.11	0.50	0.78	0.49	0.50
Cost/income ratio excluding one-off items[1]	0.50	0.53	0.46	0.52	0.47	0.49
Basic earnings per share, SEK	2.07	-1.05	1.79	1.02	3.92	7.57
Weighted average number of shares[2], millions	2 182	2 192	2 191	2 187	2 190	2 191
Diluted earnings per share, SEK	2.06	-1.04	1.78	1.01	3.89	7.53
Weighted average number of diluted shares[3], millions	2 193	2 202	2 202	2 198	2 202	2 203
Net worth per share, SEK	68.28	64.43	67.91	68.28	67.91	72.09
Equity per share, SEK	60.87	57.61	60.84	60.87	60.84	65.11
Average shareholders' equity, SEK, billion	128.8	139.5	130.5	135.3	133.2	135.5
Credit loss level, %	0.06	0.08	0.06	0.07	0.06	0.06
Liquidity Coverage Ratio (LCR)[4], %	129	132	123	129	123	128
Own funds requirement, Basel III						
Risk exposure amount, SEK m	587 590	562 754	614 063	587 590	614 063	570 840
Expressed as own funds requirement, SEK m	47 007	45 020	49 125	47 007	49 125	45 667
Common Equity Tier 1 capital ratio, %	18.7	19.1	17.2	18.7	17.2	18.8
Tier 1 capital ratio, %	21.1	21.5	19.4	21.1	19.4	21.3
Total capital ratio, %	23.5	23.9	21.7	23.5	21.7	23.8
Leverage ratio, %	4.7	4.6	4.4	4.7	4.4	4.9
Number of full time equivalents[5]	15 367	15 416	15 773	15 388	15 714	15 605
Assets under custody, SEK bn	6 476	6 712	7 621	6 476	7 621	7 196
Assets under management, SEK bn	1 657	1 637	1 780	1 657	1 780	1 700

1) Swiss withholding tax decision in Q2 2015. Impairment of goodwill and restructuring effects in Q1 2016. Sale of shares in VISA Europe in the Baltic region in Q2 2016.
2) The number of issued shares was 2,194,171,802. SEB owned 850,426 Class A shares for the equity based programmes at year end 2015. During 2016 SEB has purchased 29,520,000 shares and 3,495,977 shares have been sold. Thus, at June 30 2016 SEB owned 26,874,449 Class A-shares with a market value of SEK 1,960m.
3) Calculated dilution based on the estimated economic value of the long-term incentive programmes.
4) According to Swedish FSA regulations for respective period.
5) Quarterly numbers are for end of quarter. Accumulated numbers are average for the period.

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

Income statement on quarterly basis - SEB Group

	Q2	Q1	Q4	Q3	Q2
SEK m	**2016**	**2016**	**2015**	**2015**	**2015**
Net interest income	4 647	4 636	4 677	4 683	4 632
Net fee and commission income	4 074	3 897	4 395	4 086	5 194
Net financial income	1 718	1 385	1 623	1 152	994
Net other income	697	304	585	28	176
Total operating income	**11 136**	**10 222**	**11 280**	**9 949**	**10 996**
Staff costs	-3 507	-3 751	-3 524	-3 602	-3 754
Other expenses	-1 648	-1 704	-1 731	-1 436	-1 505
Depreciation, amortisation and impairment of tangible and intangible assets	- 177	-5 910	- 223	- 284	- 259
Total operating expenses	**-5 332**	**-11 365**	**-5 478**	**-5 322**	**-5 518**
Profit before credit losses	**5 804**	**-1 143**	**5 802**	**4 627**	**5 478**
Gains less losses from tangible and intangible assets	- 47	- 22	- 78	- 53	- 6
Net credit losses	- 221	- 291	- 219	- 256	- 220
Operating profit	**5 536**	**-1 456**	**5 505**	**4 318**	**5 252**
Income tax expense	-1 017	- 838	- 904	- 915	-1 326
Net profit	**4 519**	**-2 294**	**4 601**	**3 403**	**3 926**
Attributable to minority interests					
Attributable to shareholders	4 519	-2 294	4 601	3 403	3 926
Basic earnings per share, SEK	2.07	-1.05	2.10	1.55	1.79
Diluted earnings per share, SEK	2.06	-1.04	2.09	1.54	1.78

Income statement by division – SEB Group

Jan-Jun 2016, SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other	Eliminations	SEB Group
Net interest income	4 170	4 429	1 014	- 29	- 294	- 7	9 283
Net fee and commission income	2 961	2 641	548	1 848	25	- 52	7 971
Net financial income	1 918	188	105	839	29	24	3 103
Net other income[1)]	194	27	- 10	54	738	- 2	1 001
Total operating income	**9 243**	**7 285**	**1 657**	**2 712**	**498**	**- 37**	**21 358**
Staff costs	-2 030	-1 672	- 367	- 778	-2 430	19	-7 258
Other expenses	-2 630	-1 812	- 554	- 490	2 116	18	-3 352
Depreciation, amortisation and impairment of tangible and intangible assets[2)]	- 121	- 33	- 28	- 24	-5 881		-6 087
Total operating expenses	**-4 781**	**-3 517**	**- 949**	**-1 292**	**-6 195**	**37**	**-16 697**
Profit before credit losses	**4 462**	**3 768**	**708**	**1 420**	**-5 697**		**4 661**
Gains less losses from tangible and intangible assets	1		- 70				- 69
Net credit losses	- 260	- 229	- 22		- 1		- 512
Operating profit	**4 203**	**3 539**	**616**	**1 420**	**-5 698**		**4 080**

1) The settlement of the transaction of SEB's Baltic holdings in VISA Europe is presented within Other.

2) The impairment of goodwill is presented within Other.

As communicated on 17 November 2015, the bank reorganised to be truly customer-centric, in line with its strategy, as of the beginning of the year 2016. The division Large Corporates & Financial Institutions covers the operations of the former Merchant Banking as well as institutional clients' business activities from the former Wealth Management division. The division Corporate & Private Customers serves small & medium-sized companies and private customers, including Private Banking, in Sweden. The division Life & Investment Management supports the customer-oriented divisions. It includes the Life division as well as the investment management operations which were part of the Wealth Management division. The Baltic division remains unchanged.

Large Corporates & Financial Institutions

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

Income statement

	Q2	Q1		Q2		Jan - Jun			Full year
SEK m	**2016**	**2016**	%	**2015**	%	**2016**	**2015**	%	**2015**
Net interest income	2 089	2 081	*0*	1 859	*12*	4 170	3 920	*6*	7 953
Net fee and commission income	1 577	1 384	*14*	2 226	*-29*	2 961	3 758	*-21*	6 789
Net financial income	1 021	897	*14*	647	*58*	1 918	1 882	*2*	3 987
Net other income	19	175	*-89*	97	*-80*	194	163	*19*	528
Total operating income	**4 706**	**4 537**	***4***	**4 829**	***-3***	**9 243**	**9 723**	***-5***	**19 257**
Staff costs	- 943	-1 087	*-13*	- 981	*-4*	-2 030	-1 949	*4*	-3 860
Other expenses	-1 275	-1 355	*-6*	-1 295	*-2*	-2 630	-2 541	*4*	-5 008
Depreciation, amortisation and impairment of tangible and intangible assets	- 7	- 114	*-94*	- 23	*-70*	- 121	- 46	*163*	- 109
Total operating expenses	**-2 225**	**-2 556**	***-13***	**-2 299**	***-3***	**-4 781**	**-4 536**	***5***	**-8 977**
Profit before credit losses	**2 481**	**1 981**	***25***	**2 530**	***-2***	**4 462**	**5 187**	***-14***	**10 280**
Gains less losses from tangible and intangible assets	1			1	*0*	1	1		1
Net credit losses	- 138	- 122	*13*	-26		- 260	- 119	*118*	- 299
Operating profit	**2 344**	**1 859**	***26***	**2 505**	***-6***	**4 203**	**5 069**	***-17***	**9 982**
Cost/Income ratio	0.47	0.56		0.48		0.52	0.47		0.47
Business equity, SEK bn	60.4	61.6		67.7		61.0	67.4		66.4
Return on business equity, %	12.0	9.3		11.4		10.6	11.6		11.6
Number of full time equivalents[1)]	2 153	2 176		2 305		2 183	2 303		2 293

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

- Continued market uncertainty hampered customer sentiment
- High customer demand for risk management products in volatile market environment
- Operating profit increased by 26 per cent in the second quarter

Comments on the first six months

Market uncertainty increased as the EU referendum in the UK approached. The unexpected outcome of the referendum, Brexit, was followed by high volatility, sharp drops in equity markets and high FX activity and lower bond rates.

Client activity within the *Financial Institutions* segment was affected by macro turbulence and uncertainty. Clients increasingly hedged their risks, and activity in both fixed income and foreign exchange areas picked up with the increased volatility. The latest quantitative easing program in which ECB invests in corporate bonds resulted in a substantial increase in institutional and corporate customer bond issuances in the second quarter. Assets under custody amounted to SEK 6,476bn (7,196) reflecting lower equity prices; the OMXS30 fell for example by 9 per cent.

The *Large Corporate* segment was characterised by limited demand for traditional bank financing except for a few larger event-driven transactions. Macroeconomic uncertainty dampened business environment, but the Nordic IPO-market was active. Customer demand for risk management products increased towards the end of the period and in general corporate clients were cautious.

The division's underlying business was solid. Overall the development in all Nordic markets was stable. While Norway showed high client activity, the German business was continuously impacted by strong competition fuelled by ECB activities and strategic reduction of non-core businesses. A number of large transactions were done in Finland and in Denmark the result was driven by risk management products demand.

Operating income decreased to SEK 9,243m (9,723). Net interest income increased slightly as a result of modest volume growth and improved deposit margins. Fee and commission income remained subdued due to lower market values, fewer event-driven transactions and a decrease of stock lending for liquidity purposes. Net financial income increased with customer activity but was affected by negative valuation adjustments related to counterparty risk (CVA). Operating expenses, excluding one-off effects, decreased by 2 per cent compared to last year due to operational efficiencies. Net credit losses amounted to SEK 260m (119). The low credit losses were equivalent to a credit loss level of 8 basis points.

Corporate & Private Customers

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

Income statement

	Q2	Q1		Q2		Jan - Jun			Full year
SEK m	**2016**	**2016**	%	**2015**	%	**2016**	**2015**	%	**2015**
Net interest income	2 241	2 188	*2*	2 044	*10*	4 429	4 099	*8*	8 353
Net fee and commission income	1 366	1 275	*7*	1 457	*-6*	2 641	3 005	*-12*	5 800
Net financial income	98	90	*9*	150	*-35*	188	290	*-35*	522
Net other income	21	6		33	*-36*	27	42	*-36*	67
Total operating income	**3 726**	**3 559**	***5***	**3 684**	***1***	**7 285**	**7 436**	***-2***	**14 742**
Staff costs	-828	-844	*-2*	-874	*-5*	-1 672	-1 741	*-4*	-3 418
Other expenses	-924	-888	*4*	-873	*6*	-1 812	-1 714	*6*	-3 463
Depreciation, amortisation and impairment of tangible and intangible assets	-17	-16	*6*	-16	*6*	-33	-37	*-11*	-134
Total operating expenses	**-1 769**	**-1 748**	***1***	**-1 763**	***0***	**-3 517**	**-3 492**	***1***	**-7 015**
Profit before credit losses	**1 957**	**1 811**	***8***	**1 921**	***2***	**3 768**	**3 944**	***-4***	**7 727**
Gains less losses from tangible and intangible assets									
Net credit losses	-110	-119	*-8*	-123	*-11*	-229	-227	*1*	-459
Operating profit	**1 847**	**1 692**	***9***	**1 798**	***3***	**3 539**	**3 717**	***-5***	**7 268**
Cost/Income ratio	0.47	0.49		0.48		0.48	0.47		0.48
Business equity, SEK bn	36.9	36.1		38.4		36.5	38.2		38.1
Return on business equity, %	15.4	14.4		14.4		14.9	15.0		14.7
Number of full time equivalents[1)]	3 703	3 714		3 912		3 714	3 816		3 796

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

- SEB continued to attract small and medium-sized corporate customers and corporate lending increased
- SEB entered into a partnership with the Swedish fintech company Tink and continued to develop its digital offering
- Operating profit decreased due to lower market values and lower interchange fees on cards

Comments on the first six months

The risk aversion among customers accelerated in the wake of the outcome of the UK EU-referendum. Private customers continuously reallocated towards lower-risk investments, such as deposits, in order to reduce their overall portfolio risk. In the *private segment* net new inflows of assets under management were offset by lower market values. Household mortgages continued to increase and reached SEK 426bn (419) while the number of full-service private customers remained stable at 484,000 (482,000). Total private and corporate deposits increased to SEK 372bn (346). As of 1 June Swedish regulations require customers with new mortgages to amortise if the loan-to-value ratio exceeds 50 per cent. The new rules have a limited impact on SEB as the bank implemented similar procedures already in 2011.

The *corporate segment* was somewhat more resistant to the market turbulence with continued increase in corporate lending, reaching SEK 214bn (198). The number of full-service customers amounted to 164,900 (158,800) resulting in an increased market share to 14.9 per cent (14.5).

Customer behaviour continues to change rapidly. Private customers' mobile interactions averaged 14.9 million per month during the first six months, reaching an all-time high and thus close to four times as high as customers' internet bank interactions. To accelerate the development of the digital offering and provide new functionalities, SEB entered into a partnership with the Swedish fintech start-up Tink. SEB also launched its youth app that allows customers below the age of 18 to better manage their personal finances.

Operating profit decreased to SEK 3,539m (3,717) year-on-year. The main driver was the reduction in net fee and commission income to SEK 2,641m (3,005), which was caused by the drop in market values of assets under management. Due to new regulations, interchange fees within the cards business were lower. Net interest income, on the other hand, continued to increase to SEK 4,429m (4,099) while operating expenses remained stable at SEK 3,517m (3,492). Credit losses remained at low levels at SEK 229m (227) which corresponded to a credit loss level of 7 basis points.

Baltic

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

Income statement (excl. RHC)

	Q2	Q1		Q2		Jan - Jun			Full year
SEK m	**2016**	**2016**	**%**	**2015**	**%**	**2016**	**2015**	**%**	**2015**
Net interest income	508	509	*0*	509	*0*	1 017	1 028	*-1*	2 019
Net fee and commission income	284	264	*8*	276	*3*	548	540	*1*	1 115
Net financial income	51	54	*-6*	53	*-4*	105	139	*-24*	241
Net other income	0	1	*-100*	24	*-100*	1	24	*-96*	59
Total operating income	**843**	**828**	***2***	**862**	***-2***	**1 671**	**1 731**	***-3***	**3 434**
Staff costs	- 182	- 178	*2*	- 177	*3*	- 360	- 352	*2*	- 713
Other expenses	- 231	- 317	*-27*	- 244	*-5*	- 548	- 485	*13*	- 959
Depreciation, amortisation and impairment of tangible and intangible assets	- 13	- 13	*0*	-16	*-19*	- 26	-32	*-19*	- 62
Total operating expenses	**- 426**	**- 508**	***-16***	**- 437**	***-3***	**- 934**	**- 869**	***7***	**-1 734**
Profit before credit losses	**417**	**320**	***30***	**425**	***-2***	**737**	**862**	***-15***	**1 700**
Gains less losses from tangible and intangible assets	2	2	*0*	1	*100*	4	1		1
Net credit losses	27	- 49		- 42		- 22	- 33	*-33*	- 128
Operating profit	**446**	**273**	***63***	**384**	***16***	**719**	**830**	***-13***	**1 573**
Cost/Income ratio	0.51	0.61		0.51		0.56	0.50		0.50
Business equity, SEK bn	7.5	7.6		7.5		7.6	7.8		7.5
Return on business equity, %	20.8	12.7		18.2		16.7	18.9		18.6
Number of full time equivalents[1)]	2 535	2 565		2 650		2 559	2 677		2 643

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

Baltic Division (incl. RHC)

	Q2 2016	Q1 2016	%	Q2 2015	%	Jan - Jun 2016	Jan - Jun 2015	%	Full year 2015
Operating profit	**383**	**233**	***64***	**357**	***7***	**616**	**708**	***-13***	**1 281**
Cost/Income ratio	0.52	0.63		0.52		0.57	0.52		0.52
Business equity, SEK bn	7.8	7.9		7.9		7.8	8.2		7.9
Return on business equity, %	17.3	10.4		16.1		13.8	15.3		14.4
Number of full time equivalents[1)]	2 568	2 597		2 685		2 592	2 713		2 678

- Lending growth in all three Baltic countries
- Usage of digital remote channels continued to grow
- Operating profit lower mainly due to negative interest rates and market volatility

Comments on the first six months

In general, GDP development in the Baltic countries continued to be positive, driven by exports and private consumption.

Baltic corporate and mortgage loan volumes increased from year-end to SEK 111bn (106). There was growth in all Baltic countries, especially in Lithuania. Lending margins remained relatively stable across the portfolio with slightly higher margins on new loans.

Baltic deposit volumes increased to SEK 100bn (94). Despite the low deposit margins prevailing in the Baltic countries, net interest income was only slightly lower. It was offset by higher fee and commission income in turn driven by increasing customer activity. There were in total 985,000 Baltic full-service customers.

Digital channels usage continued to grow at a high pace in the Baltic region – for instance mobile log-ins increased by 61 per cent year-on-year – while the number of physical customer visits to branches declined by more than 9 per cent. SEB Lithuania was voted Most Desired Employer by CV Market and SEB Latvia received Golden category in Sustainability index.

Operating profit, excluding a one-off expense for unused premises in the amount of SEK 68m in the first quarter, was slightly lower. Underlying operating expenses were stable. Credit quality was in general solid with some positive credit loss reversals in the second quarter.

The real estate holding companies held assets at a total book value of SEK 1,312m (1,739).

Life & Investment Management

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

Income statement

	Q2	Q1		Q2		Jan - Jun			Full year
SEK m	**2016**	**2016**	%	**2015**	%	**2016**	**2015[1]**	%	**2015**
Net interest income	- 15	- 14	*7*	- 9	*67*	- 29	- 20	*45*	- 43
Net fee and commission income	931	917	*2*	1 171	*- 20*	1 848	2 500	*- 26*	4 600
Net financial income	472	367	*29*	227	*108*	839	672	*25*	1 339
Net other income	36	18	*100*	35	*3*	54	49	*10*	85
Total operating income	**1 424**	**1 288**	***11***	**1 424**	***0***	**2 712**	**3 201**	***- 15***	**5 981**
Staff costs	- 404	- 374	*8*	- 413	*- 2*	- 778	- 874	*- 11*	-1 669
Other expenses	- 258	- 232	*11*	- 273	*- 5*	- 490	- 551	*- 11*	-1 144
Depreciation, amortisation and impairment of tangible and intangible assets	- 11	- 13	*- 15*	- 15	*- 27*	- 24	- 31	*- 23*	- 58
Total operating expenses	**- 673**	**- 619**	***9***	**- 701**	***- 4***	**-1 292**	**-1 456**	***- 11***	**-2 871**
Profit before credit losses	**751**	**669**	***12***	**723**	***4***	**1 420**	**1 745**	***- 19***	**3 110**
Gains less losses from tangible and intangible assets									
Net credit losses									
Operating profit	**751**	**669**	***12***	**723**	***4***	**1 420**	**1 745**	***- 19***	**3 110**
Cost/Income ratio	0.47	0.48		0.49		0.48	0.45		0.48
Business equity, SEK bn	11.6	11.5		8.7		11.6	8.7		8.7
Return on business equity, %	22.4	20.1		28.1		21.2	33.9		30.3
Number of full time equivalents[2]	1 470	1 472		1 603		1 466	1 613		1 554

[1] Comparative numbers include SEB Asset Management AG which was divested in August 2015. No business equity allocated to Investment Management in 2015.

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

- Intensified effort to integrate sustainability into the investment process
- Digital customer advisory tools further developed
- Improved result during second quarter despite financial turbulence

Comments on the first six months

Challenging demographic development and low overall confidence in pension systems increase the need for savings ahead of retirement. In response, SEB continued to develop digital customer offerings with, for example, a further improved advisory tool for financial security – Trygghets-planeraren.

In March, the Swedish life insurance company complemented its offering with a new traditional life insurance product for the occupational pension. It was well received and as per 30 June, more than 2,000 traditional insurance policies were signed. The Danish life insurance business continued to improve the customer satisfaction and SEB Pension was named as the number one company in the corporate clients segment (Aalund). In a dynamic regulatory and economic environment, SEB's market position in Baltic life insurance business was stable.

SEB maintained a leading position in Morningstar's long-term performance valuation of the largest fund providers in Sweden. Several funds won prizes in a range of European countries underlining SEB's strong offering in an international perspective. The intensified effort to integrate sustainability factors into the investment processes is materialising. Institutional clients showed great interest in SEB's fourth micro finance fund, launched during the period. SEB made it easier for customers to choose funds based on sustainability criteria by increasing transparency and through labelling.

Operating profit decreased in the first half year primarily due to lower asset values, which reduced base commissions and performance fee income. In the life business, total premium income from both new and existing life insurance policies decreased with 6 per cent compared to last year. Weighted sales decreased by 9 percent compared to last year to SEK 27bn.

The SEB Group

Net interest income – SEB Group

SEK m	Q2 2016	Q1 2016	%	Q2 2015	%	Jan - Jun 2016	Jan - Jun 2015	%	Full year 2015
Interest income	8 752	8 889	*- 2*	9 398	*- 7*	17 641	19 601	*- 10*	37 726
Interest expense	-4 105	-4 253	*- 3*	-4 766	*- 14*	-8 358	-10 023	*- 17*	-18 788
Net interest income	**4 647**	**4 636**	***0***	**4 632**	***0***	**9 283**	**9 578**	***-3***	**18 938**

Net fee and commission income – SEB Group

SEK m	Q2 2016	Q1 2016	%	Q2 2015	%	Jan - Jun 2016	Jan - Jun 2015	%	Full year 2015
Issue of securities and advisory	211	150	*41*	270	*- 22*	361	388	*- 7*	834
Secondary market and derivatives	612	449	*36*	1 787	*- 66*	1 061	2 463	*- 57*	3 350
Custody and mutual funds	1 759	1 744	*1*	2 201	*- 20*	3 503	4 518	*- 22*	8 507
Payments, cards, lending, deposits, guarantees and other	2 741	2 557	*7*	2 537	*8*	5 298	5 015	*6*	9 963
Whereof payments and card fees	*1 290*	*1 247*	*3*	*1 387*	*- 7*	*2 537*	*2 739*	*- 7*	*5 521*
Whereof lending	*666*	*575*	*16*	*649*	*3*	*1 241*	*1 297*	*- 4*	*2 445*
Life insurance commissions	395	402	*- 2*	411	*- 4*	797	832	*- 4*	1 686
Fee and commission income	**5 718**	**5 302**	***8***	**7 206**	***- 21***	**11 020**	**13 216**	***- 17***	**24 340**
Fee and commission expense	**-1 644**	**-1 405**	***17***	**-2 012**	***- 18***	**-3 049**	**-3 352**	***- 9***	**-5 995**
Net fee and commission income	**4 074**	**3 897**	***5***	**5 194**	***- 22***	**7 971**	**9 864**	***- 19***	**18 345**
Whereof Net securities commissions	*1 609*	*1 684*	*- 4*	*2 901*	*- 45*	*3 293*	*5 330*	*- 38*	*9 459*
Whereof Net payments and card fees	*839*	*756*	*11*	*879*	*- 5*	*1 595*	*1 724*	*- 7*	*3 435*
Whereof Net life insurance commissions	*250*	*245*	*2*	*301*	*- 17*	*495*	*615*	*- 20*	*1 154*

Net financial income – SEB Group

SEK m	Q2 2016	Q1 2016	%	Q2 2015	%	Jan - Jun 2016	Jan - Jun 2015	%	Full year 2015
Equity instruments and related derivatives[1)]	276	- 228		-1 300	*- 121*	48	251	*-81*	- 141
Debt securities and related derivatives	112	360	*-69*	1 159	*- 90*	472	- 131		266
Currency and related derivatives	896	797	*12*	853	*5*	1 693	1 815	*-7*	3 831
Other life insurance income, net	489	369	*33*	228	*114*	858	682	*26*	1 360
Other	- 55	87	*-163*	54		32	86	*-63*	162
Net financial income	**1 718**	**1 385**	***24***	**994**	***73***	**3 103**	**2 703**	***15***	**5 478**
Whereof unrealized valuation changes from counterparty risk and own credit standing in derivatives and own issued securities.	*-205*	*-153*	*34*	*342*	*-160*	*- 358*	*476*	*-175*	*603*

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

For second quarter the effect from structured products offered to the public was approximately SEK 70m (Q1 2016: -565, Q2 2015: -730) in Equity related derivatives and a corresponding effect in Debt securities and related derivatives SEK 165m (Q1 2016: 490, Q2 2015: 1,090) and Credit related derivatives SEK -160m (Q1 2016: 85, Q2 2015: -300).

1) During the second quarter 2015 a negative one-off item of SEK 820m is included within Equity instruments and related derivatives in accordance with the Swiss Supreme Court's decision as disclosed in SEB's press release dated May 5th 2015.

Net credit losses – SEB Group

	Q2	Q1		Q2		Jan - Jun			Full year
SEK m	**2016**	**2016**	**%**	**2015**	**%**	**2016**	**2015**	**%**	**2015**
Provisions:									
Net collective provisions for individually assessed loans	- 180	113		- 138	*30*	- 67	- 46	*46*	74
Net collective provisions for portfolio assessed loans	76	31	*145*	63	*21*	107	145	*-26*	362
Specific provisions	- 51	- 443	*-88*	- 223	*-77*	- 494	- 607	*-19*	-1 058
Reversal of specific provisions no longer required	67	125	*-46*	242	*-72*	192	390	*-51*	507
Net provisions for contingent liabilities		- 18		- 5	*-100*	- 18	- 5		3
Net provisions	**- 88**	**- 192**	***-54***	**- 61**	***44***	**- 280**	**- 123**		**- 112**
Write-offs:									
Total write-offs	- 262	- 246	*7*	- 614	*-57*	- 508	- 993	*-49*	-2 256
Reversal of specific provisions utilized for write-offs	92	100	*-8*	410	*-78*	192	624	*-69*	1 301
Write-offs not previously provided for	- 170	- 146	*16*	- 204	*-17*	- 316	- 369	*-14*	- 955
Recovered from previous write-offs	37	47	*-21*	45	*-18*	84	84		184
Net write-offs	**- 133**	**- 99**	***34***	**- 159**	***-16***	**- 232**	**- 285**	***-19***	**- 771**
Net credit losses	**- 221**	**- 291**	***-24***	**- 220**	***0***	**- 512**	**- 408**	***25***	**- 883**

Statement of changes in equity – SEB Group

SEK m	Share capital	Retained earnings	Other reserves[1] Available-for-sale financial assets	Cash flow hedges	Translation of foreign operations	Defined benefit plans	Total Share-holders' equity	Minority interests	Total Equity
Jan-Jun 2016									
Opening balance	21 942	114 471	648	3 210	-1 943	4 470	**142 798**		**142 798**
Change in valuation of insurance contracts[2]		-440					**-440**		**-440**
Adjusted opening balance	**21 942**	**114 031**	**648**	**3 210**	**-1 943**	**4 470**	**142 358**		**142 358**
Net profit		2 225					**2 225**		**2 225**
Other comprehensive income (net of tax)			1 094	-26	452	-2 977	**-1 457**		**-1 457**
Total comprehensive income		**2 225**	**1 094**	**-26**	**452**	**-2 977**	**768**		**768**
Dividend to shareholders		-11 504					**-11 504**		**-11 504**
Equity-based programmes[3]		173					**173**		**173**
Change in holdings of own shares		133					**133**		**133**
Closing balance	**21 942**	**105 058**	**1 742**	**3 184**	**-1 491**	**1 493**	**131 928**		**131 928**
Jan-Dec 2015									
Opening balance	21 942	108 435	1 367	3 877	-1 370	292	**134 543**	33	**134 576**
Net profit		16 581					**16 581**		**16 581**
Other comprehensive income (net of tax)			-719	-667	-573	4 178	**2 219**		**2 219**
Total comprehensive income		**16 581**	**-719**	**-667**	**-573**	**4 178**	**18 800**		**18 800**
Dissolvement of minority interest								-33	**-33**
Dividend to shareholders		-10 400					**-10 400**		**-10 400**
Equity-based programmes[3]		-164					**-164**		**-164**
Change in holdings of own shares		19					**19**		**19**
Closing balance	**21 942**	**114 471**	**648**	**3 210**	**-1 943**	**4 470**	**142 798**		**142 798**
Jan-Jun 2015									
Opening balance	21 942	108 435	1 367	3 877	-1 370	292	**134 543**	33	**134 576**
Net profit		8 577					**8 577**		**8 577**
Other comprehensive income (net of tax)			-293	-245	-323	1 787	**926**		**926**
Total comprehensive income		**8 577**	**-293**	**-245**	**-323**	**1 787**	**9 503**		**9 503**
Dissolvement of minority interest								**-33**	**-33**
Dividend to shareholders		-10 400					**-10 400**		**-10 400**
Equity-based programmes[3]		-368					**-368**		**-368**
Change in holdings of own shares		92					**92**		**92**
Closing balance	**21 942**	**106 336**	**1 074**	**3 632**	**-1 693**	**2 079**	**133 370**		**133 370**

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

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

3) Number of shares owned by SEB:

Number of shares owned by SEB, million	Jan-Jun 2016	Jan-Dec 2015	Jan-Jun 2015
Opening balance	0,9	5,5	5,5
Repurchased shares[3]	29,5	3,4	2,6
Sold/distributed shares	-3,5	-8,0	-6,3
Closing balance	**26,9**	**0,9**	**1,8**
Market value of shares owned by SEB, SEK m	1 960	76	195

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. In 2015, the item includes changes in nominal amounts of equity swaps used for hedging of equity-based programmes.

Cash flow statement – SEB Group

SEK m	Jan - Jun 2016	Jan - Jun 2015	%	Full year 2015
Cash flow from operating activities	56 253	110 084	- 49	21 002
Cash flow from investment activities	797	1 032	- 23	903
Cash flow from financing activities	- 10 499	- 8 268	27	- 19 102
Net increase in cash and cash equivalents	**46 551**	**102 848**	***- 55***	**2 803**
Cash and cash equivalents at the beginning of year	110 770	105 848	5	105 848
Exchange rate differences on cash and cash equivalents	2 203	2 374	- 7	2 119
Net increase in cash and cash equivalents	46 551	102 848	- 55	2 803
Cash and cash equivalents at the end of period[1)]	**159 524**	**211 070**	***- 24***	**110 770**

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

Financial assets and liabilities – SEB Group

SEK m	30 Jun 2016 Carrying amount	30 Jun 2016 Fair value	31 Dec 2015 Carrying amount	31 Dec 2015 Fair value	30 Jun 2015 Carrying amount	30 Jun 2015 Fair value
Loans	1 680 385	1 697 964	1 522 503	1 529 152	1 667 444	1 680 040
Equity instruments	93 653	93 653	98 207	98 207	126 986	126 986
Debt instruments	286 008	286 165	299 943	300 106	350 983	351 208
Derivative instruments	245 765	245 765	215 551	215 551	225 335	225 335
Financial assets - policyholders bearing the risk	272 966	272 966	271 613	271 613	275 453	275 453
Other	55 029	55 029	37 666	37 666	61 823	61 823
Financial assets	**2 633 806**	**2 651 542**	**2 445 483**	**2 452 295**	**2 708 024**	**2 720 845**
Deposits	1 081 745	1 080 239	957 599	957 895	1 108 965	1 110 255
Equity instruments	13 124	13 124	12 927	12 927	14 759	14 759
Debt instruments	764 458	761 825	725 950	745 370	810 694	823 957
Derivative instruments	205 399	205 399	190 039	190 039	197 030	197 030
Liabilities to policyholders - investment contracts	273 769	273 769	271 995	271 995	276 014	276 014
Other	65 703	65 703	59 619	59 619	74 326	74 326
Financial liabilities	**2 404 198**	**2 400 059**	**2 218 129**	**2 237 845**	**2 481 788**	**2 496 341**

SEB has aggregated its financial instruments by class taking into account the characteristics of the instruments. The fair value of each class of financial assets and liabilities are compared with its carrying amount. A description of the characteristics of the classes can be found in note 39 in the Annual Report 2015.

Assets and liabilities measured at fair value – SEB Group

SEK m	30 Jun 2016				31 Dec 2015			
Assets	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Financial assets - policyholders bearing the risk	254 819	13 397	4 749	**272 965**	255 175	13 831	2 607	**271 613**
Equity instruments at fair value	70 999	11 971	11 041	**94 011**	75 565	11 473	11 677	**98 715**
Debt instruments at fair value	121 696	147 483	1 325	**270 504**	132 789	144 948	1 204	**278 941**
Derivative instruments at fair value	5 098	229 176	11 491	**245 765**	2 061	202 261	11 229	**215 551**
Investment properties			7 366	**7 366**			7 169	**7 169**
Assets held for sale		542		**542**		801		**801**
Total	**452 612**	**402 569**	**35 972**	**891 153**	**465 590**	**373 314**	**33 886**	**872 790**
Liabilities								
Liabilities to policyholders - investment contracts	255 551	13 445	4 773	**273 769**	255 581	13 812	2 602	**271 995**
Equity instruments at fair value	12 840	2	283	**13 125**	12 445	37	445	**12 927**
Debt instruments at fair value	16 840	47 340		**64 180**	7 025	38 191		**45 216**
Derivative instruments at fair value	3 977	197 218	4 204	**205 399**	2 534	176 103	11 401	**190 038**
Other financial liabilities		16 074		**16 074**		17 377		**17 377**
Total	**289 208**	**274 079**	**9 260**	**572 547**	**277 585**	**245 520**	**14 448**	**537 553**

Fair value measurement

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

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

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

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

Fair value is generally measured for individual financial instruments, in addition portfolio adjustments are made to cover the credit risk. To reflect counterparty risk and own credit risk in OTC derivatives, adjustments are made based on the net exposure towards each 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 2015. The valuation of the investment properties is performed semi-annually, they are presented and approved by the board in each real estate company. The valuation principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is in accordance with international valuation principles and in accordance with IFRS.

Level 1: Quoted market prices

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

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

Level 2: Valuation techniques with observable inputs

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

Examples of observable inputs are foreign currency exchange rates, binding securities price quotations, market interest rates (Stibor, Libor, etc.), volatilities implied from observable option prices for the same term and actual transactions with one or more external counterparts executed by SEB. An input can transfer from being observable to being unobservable during the holding period due to e.g. illiquidity of the instrument.

Examples of Level 2 financial instruments are most OTC derivatives such as options and interest rate swaps based on the Libor swap rate or a foreign-denominated yield curve. Other examples are instruments for which SEB recently entered into transactions with third parties and instruments for which SEB interpolates between observable variables.

Level 3: Valuation techniques with significant unobservable inputs

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

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

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

Significant transfers and reclassifications between levels

Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committee of each relevant division decides on material shifts between levels. At the end of Q2 2016 Derivative liabilities (European Swaptions), within the insurance holdings, at the amount of SEK 5.3bn have been transferred from Level 3 into Level 2, the availability of market data motivates the transfer.

Changes in level 3	Closing balance 31 Dec 2015	Gain/loss in Income statement	Gain/loss in Other comprehensive income	Purchases	Sales	Issues	Settlements	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Closing balance 30 Jun 2016
Assets											
Financial assets - policyholders bearing the risk	2 607	33		4 093	-2 088					104	4 749
Equity instruments at fair value	11 677	-659	350	1 409	-1 993				-12	269	11 041
Debt instruments at fair value	1 204	-70		396	-228					23	1 325
Derivative instruments at fair value	11 229	-170		176	-4		32		-74	302	11 491
Investment properties	7 169	5		4	-18					206	7 366
Total	**33 886**	**-861**	**350**	**6 078**	**-4 331**	**0**	**32**	**0**	**-86**	**904**	**35 972**
Liabilities											
Liabilities to policyholders - investment contracts	2 602	33		4 118	-2 084					104	4 773
Equity instruments at fair value	445	56		-221						3	283
Debt instruments at fair value	0										0
Derivative instruments at fair value	11 401	-2 334		148	-1		96		-5 299	193	4 204
Total	**14 448**	**-2 245**	**0**	**4 045**	**-2 085**	**0**	**96**	**0**	**-5 299**	**300**	**9 260**

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. At the end of Q1 2016, basis for calculating sensitivities for Interest Rate Swaptions, within Insurance Holdings - Financial instruments, have changed from stressing the market value to stressing the implied volatility.

	30 Jun 2016				**31 Dec 2015**			
SEK m	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments 1) 2) 4)	915	-1 082	-167	88	919	-813	106	97
Equity instruments 3) 6)	1 455	-282	1 173	222	1 517	-445	1 072	233
Insurance holdings - Financial instruments 4 5 7)	21 131	-3 123	18 008	1 563	21 415	-10 595	10 820	1 539
Insurance holdings - Investment properties 6 7)	7 366		7 366	737	7 169		7 169	717

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

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

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

4) Shift in implied volatility by 10 per cent (10).

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

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

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

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

SEK m	Financial assets and liabilities subject to offsetting or netting arrangements						Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
				Related arrangements				
	Gross amounts	Offset	**Net amounts in balance sheet**	Master netting arrangements	Collaterals received/ pledged	**Net amounts**		
30 Jun 2016								
Derivatives	248 507	-4 558	**243 949**	-145 245	-42 988	**55 716**	1 817	**245 766**
Reversed repo receivables	143 480	-12 020	**131 460**	-17 669	-113 599	**192**	3	**131 463**
Securities borrowing	29 528		**29 528**	-6 785	-22 743		5 276	**34 804**
Client receivables	9 363	-9 362	**1**			**1**	22 451	**22 452**
Assets	**430 878**	**-25 940**	**404 938**	**-169 699**	**-179 330**	**55 909**	**29 547**	**434 485**
Derivatives	208 665	-4 558	**204 107**	-145 245	-38 926	**19 936**	1 292	**205 399**
Repo payables	35 181	-12 020	**23 161**	-17 669	-5 492			**23 161**
Securities lending	33 108		**33 108**	-6 785	-20 835	**5 488**	9	**33 117**
Client payables	9 362	-9 362					15 729	**15 729**
Liabilities	**286 316**	**-25 940**	**260 376**	**-169 699**	**-65 253**	**25 424**	**17 030**	**277 406**
31 Dec 2015								
Derivatives	219 186	-4 514	**214 672**	-133 854	-33 135	**47 683**	879	**215 551**
Reversed repo receivables	71 161	-10 850	**60 311**	-4 604	-55 468	**239**	5	**60 316**
Securities borrowing	22 582	-75	**22 507**	-5 976	-16 531		5 984	**28 491**
Client receivables	335	-333	**2**			**2**	11 752	**11 754**
Assets	**313 264**	**-15 772**	**297 492**	**-144 434**	**-105 134**	**47 924**	**18 620**	**316 112**
Derivatives	192 675	-4 514	**188 161**	-133 854	-49 311	**4 996**	1 878	**190 039**
Repo payables	20 459	-10 850	**9 609**	-4 604	-4 128	**877**		**9 609**
Securities lending	17 538	-75	**17 463**	-5 976	-11 260	**227**	6	**17 469**
Client payables	333	-333					9 812	**9 812**
Liabilities	**231 005**	**-15 772**	**215 233**	**-144 434**	**-64 699**	**6 100**	**11 696**	**226 929**
30 Jun 2015								
Derivatives	228 918	-4 646	**224 272**	-144 898	-48 434	**30 940**	1 063	**225 335**
Reversed repo receivables	117 535	-23 662	**93 873**	-28 040	-10 529	**55 304**	13 688	**107 561**
Securities borrowing	31 775		**31 775**	-7 256	-24 519		8 124	**39 899**
Client receivables	3 363	-3 361	**2**			**2**	39 541	**39 543**
Assets	**381 591**	**-31 669**	**349 922**	**-180 194**	**-83 482**	**86 246**	**62 416**	**412 338**
Derivatives	199 971	-4 646	**195 325**	-144 898	-46 207	**4 220**	1 705	**197 030**
Repo payables	52 587	-23 662	**28 925**	-28 040	-328	**557**	10 926	**39 851**
Securities lending	14 939		**14 939**	-7 256	-6 743	**940**	10 120	**25 059**
Client payables	3 361	-3 361					25 436	**25 436**
Liabilities	**270 858**	**-31 669**	**239 189**	**-180 194**	**-53 278**	**5 717**	**48 187**	**287 376**

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

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

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

Non-performing loans – SEB Group

SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Individually assessed loans			
Impaired loans	**5 015**	**4 900**	**6 257**
Specific reserves	- 2 191	- 2 044	- 2 408
Collective reserves	- 1 379	- 1 304	- 1 424
Impaired loans net	**1 445**	**1 552**	**2 425**
Specific reserve ratio for individually assessed impaired loans	43.7%	41.7%	38.5%
Total reserve ratio for individually assessed impaired loans	71.2%	68.3%	61.2%
Net level of impaired loans	0.18%	0.20%	0.26%
Gross level of impaired loans	0.33%	0.35%	0.42%
Portfolio assessed loans			
Loans past due > 60 days	2 791	2 922	3 370
Restructured loans	202	205	218
Collective reserves for portfolio assessed loans	- 1 455	- 1 530	- 1 756
Reserve ratio for portfolio assessed loans	48.6%	48.9%	49.0%
Non-performing loans[1]			
Non-performing loans	8 008	8 027	9 845
NPL coverage ratio	64.1%	61.8%	57.7%
NPL per cent of lending	0.52%	0.57%	0.66%

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

Reserves			
Specific reserves	- 2 191	- 2 044	- 2 408
Collective reserves	- 2 834	- 2 834	- 3 180
Reserves for off-balance sheet items	- 105	- 81	- 91
Total reserves	**- 5 130**	**- 4 959**	**- 5 679**

Seized assets – SEB Group

SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Properties, vehicles and equipment	938	1 116	1 383
Shares	44	39	46
Total seized assets	**982**	**1 155**	**1 429**

Intangible assets, specification of goodwill impairment – SEB Group

Jan-Jun 2016	Group	Parent
Opening balance	10 003	1 444
Retirements and disposals/impairments	-5 334	-1 444
Exchange rate differences	57	
Acquisition value	**4 726**	**0**
Opening balance		-1 201
Retirements and disposals		1 201
Accumulated depreciations	**0**	**0**
Total	**4 726**	**0**

Event triggering reallocation of goodwill
In conjunction with SEB´s reorganisation as of 1 January 2016 goodwill has been reallocated to appropriate Cash Generating Units (CGUs) The CGU structure for impairment testing purposes before the re-organisation was to a large extent aligned with operating segments, except for Card and Life. The new customer centric organisation will be fundamental for management in steering and measuring the business going forward. Management´s focus on different customer segments will increase and therefore the change of CGU to be aligned with the business unit (BU) combined with geography to reflect the importance of steering and measuring the new customer centric organisation.

Principle for allocation of goodwill
The new and more customer centric organisation leads to that the former Wealth division is integrated into the current customer-oriented divisions and the supporting division Life & Investment Management. The reorganisation triggers the reallocation. The guiding principle for the allocation of goodwill has been to identify the original acquisition from where the goodwill derives and match that with the new CGU (BU and geography). The appropriate CGUs have been deemed to be the CGUs at the time of the acquisitions made between 1996 and 2008. In total 104 CGUs have been identified and goodwill has been allocated to 14 as presented in the table below. Until year-end 2015 there were six CGUs presented in the table below. The CGUs equalled the operating segments with the exception of Card and Life.

CGUs	Old allocation 2015
Merchant Banking	1 020
Retail Sweden	929
Card	826
Wealth Management	4 595
Life Sweden	2 334
Life Denmark	299
Total	**10 003**

CGUs	Acquisition year	New allocation 2016	Exchange rate differences	Impairment	Balance 30 Jun 2016	Remaining book value[2)]
Equities & Corp, Sweden & Norway[1)]	*2000*	879		-879	0	645
Transaction Services Poland	*2008*	141		-141	0	373
Internet/Telephone Sweden	*1997*	929		-929	0	0
Retail Norway	*2005*	406		-406	0	0
Card, Norway & Denmark[1)]	*2002/2004*	826	53		879	
Life Sweden	*1996/1997*	2 334	9		2 343	
Life Denmark	*2004*	299	-5	-294	0	3 056
Investment Management Sweden	*1997/1998*	3 117		-1 613	1 504	1 919
Investment Management, Finland & Denmark[1)]	*1997/2002*	340		-340	0	9
Investment Management, UK & BVI[1)]	*2008*	732		-732	0	0
Total		**10 003**	**57**	**-5 334**	**4 726**	

1) In the table some of the 14 CGU:s are presented together due to that the acquisitions are related. The Equities and Corporate business in Sweden and Norway were acquired in a linked transaction and the Investment Management activities in UK and BVI as well. Card in Norway and Sweden is related to the Eurocard business and Investment Management in Finland and Denmark represents the same type of business and the amounts are minor.
2) Internally assessed.

CGUs with no future cash flow
For four of the new CGUs that had an original goodwill allocated there is no future cash flow due to changes in strategy for Internet/Telephone bank in Sweden, Retail Norway and Investment Management based in UK and British Virgin Islands and therefore the goodwill is impaired.

Result of impairment test
Impairment test results in six units where the goodwill is fully impaired and one unit where it is partially impaired. Three units have goodwill with no need of impairment. The impairment is reported as Depreciation, amortisation and impairment of tangible and intangible assets within Other in the income statement.

Estimates and assumptions used - future cash flows
Future cash flows
The impairment test on goodwill is based on value in use and builds on the business plans for year 1-3 and projected cash flows for year 4-5. The long term growth in all geographies is based on expectations on inflation 1.5 per cent. The allocated capital is derived from the Group's internal capital allocation model that has been aligned with the regulatory capital requirements including the management buffer. The cash flows in the business plans starts with the assumptions from the most recent Nordic outlook published. The main assumptions are; GDP growth in Sweden from 3.6 per cent to 2.5 per cent over three years and other Nordic countries excluding Sweden from 1.5 per cent to 2.0 per cent; inflation in Sweden from 1.0 per cent to 2.3 per cent and in Other Nordic countries from 1.5 per cent to 2.0 per cent. The repo rate in Sweden is assumed to increase to 0.75 per cent end of 2017. In addition to the assumptions financial effects from specific actions according to SEB's long term strategy are added. Year 4-5 projections includes regulatory uncertainties like Basel III proposals that increase capital needs.

Cost of Equity (CoE) - discount rate
The associated risk in each specific business unit and geography has been reflected in the respective CoE for each CGU. Investment Management´s discount rate is higher, 11.5 per cent than the SEB Group´s average due to regulatory uncertainty related to limitations to retrocessions, possible further margin squeeze and the current negative interest environment that can create squeezed asset prices and volatility. For Life Denmark discount rate is higher, 11.5 per cent, than the SEB Group´s average due to the distribution model might be more dependent on own channels and uncertainty related to limitations in retrocessions. The base discount rate used in the impairment test at the end of 2015 is unchanged at 9.5 per cent post-tax for SEB Group and is determined based on information from external sources.

Sensitivities
The sensitivity analysis carried out did not result in calculated recoverable amounts below the carrying amounts for Card Norway, Card Denmark and Life Sweden. However, calculated recoverable amounts for Investment Management Sweden is sensitive to changes in the main assumptions. An increase of one percentage of the discount rate (CoE), a decrease of the growth rates by one percentage point for earnings before amortisations during the projection period and a decrease of one percentage point of the long term growth would lead to a recoverable amount of SEK 307m lower than the carrying amount. The increase in the discount rate implies lower value of the cashflows due to time value of money, the decrease of the growth rate of earnings before amortisations year 1-5 leads to lower result and thereby lower cashflows. The lowering of the long term growth has the same effect on earnings before amortization and the decrease of the long term growth rate on allocated internal capital leads to lower capital needs and thereby releases of cash flows.

Assets and liabilities held for sale – SEB Group

SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Other assets	542	801	1 113
Total assets held for sale	**542**	**801**	**1 113**
Other liabilities			218
Total liabilities held for sale	**0**	**0**	**218**

The Baltic division has a divestment plan for investment properties. Through the continuation of the plan, additional properties were reclassified as assets held for sale until the derecognition at concluded sales agreement. The net amount of these activities during the second quarter was SEK -76m.

SEB consolidated situation

Capital adequacy analysis for SEB consolidated situation

SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Own funds			
Common Equity Tier 1 capital	110 074	107 535	105 547
Tier 1 capital	124 135	121 391	119 244
Total own funds	138 239	135 782	133 504
Own funds requirement			
Risk exposure amount	587 590	570 840	614 063
Expressed as own funds requirement	47 007	45 667	49 125
Common Equity Tier 1 capital ratio	18.7%	18.8%	17.2%
Tier 1 capital ratio	21.1%	21.3%	19.4%
Total capital ratio	23.5%	23.8%	21.7%
Own funds in relation to own funds requirement	2.94	2.97	2.72
Regulatory Common Equity Tier 1 capital requirement including buffer	10.6%	10.5%	10.0%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which systemic risk buffer requirement	3.0%	3.0%	3.0%
of which countercyclical capital buffer requirement	0.6%	0.5%	
Common Equity Tier 1 capital available to meet buffer [1)]	14.2%	14.3%	12.7%
Transitional floor 80% of capital requirement according to Basel I			
Minimum floor own funds requirement according to Basel I	82 823	79 123	80 753
Own funds according to Basel I	138 188	135 478	133 630
Own funds in relation to own funds requirement Basel I	1.67	1.71	1.65
Leverage ratio			
Exposure measure for leverage ratio calculation	2 642 640	2 463 479	2 680 201
of which on balance sheet items	2 236 420	2 094 445	2 326 800
of which off balance sheet items	406 220	369 034	353 401
Leverage ratio	4.7%	4.9%	4.4%

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

Internally assessed capital requirement

As per 30 June 2016, the internally assessed capital requirement including insurance risk amounted to SEK 60bn (59). The internal capital requirement is assessed using SEB's internal models for economic capital and is not fully comparable to the estimated capital requirement published by the Swedish Financial Supervisory Authority due to differences in assumptions and methodologies.

Own funds for SEB consolidated situation

SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Shareholders equity	21 942	21 942	21 942
Retained earnings	60 605	53 458	53 739
Accumulated other comprehensive income and other reserves	47 156	50 817	49 112
Independently reviewed result [1)]	2 225	16 581	8 577
Total equity according to balance sheet	**131 928**	**142 798**	**133 370**
Deductions related to the consolidated situation and other foreseeable charges [2)]	-7 893	-14 808	-7 641
Common Equity Tier 1 capital before regulatory adjustments [3)]	**124 035**	**127 990**	**125 729**
Additional value adjustments	-1 546	-937	-921
Intangible assets	-6 769	-11 942	-12 125
Deferred tax assets that rely on future profitability	-510	-501	-421
Fair value reserves related to gains or losses on cash flow hedges	-3 185	-3 210	-3 632
Negative amounts resulting from the calculation of expected loss amounts	-125	-571	-126
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-263	-145	36
Defined-benefit pension fund assets	-1 378	-2 927	-1 130
Direct and indirect holdings of own CET1 instruments	-146	-179	-1 425
Securitisation positions with 1,250% risk weight	-39	-43	-438
Total regulatory adjustments to Common Equity Tier 1	**-13 961**	**-20 455**	**-20 182**
Common Equity Tier 1 capital	**110 074**	**107 535**	**105 547**
Additional Tier 1 instruments	9 346	9 258	9 080
Grandfathered additional Tier 1 instruments	4 715	4 598	4 617
Tier 1 capital	**124 135**	**121 391**	**119 244**
Tier 2 instruments	16 503	16 091	16 160
Grandfathered Tier 2 instruments			675
Net provisioning amount for IRB-reported exposures	176	875	
Holdings of Tier 2 instruments in financial sector entities	-2 575	-2 575	-2 575
Tier 2 capital	**14 104**	**14 391**	**14 260**
Total own funds	**138 239**	**135 782**	**133 504**

[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 deduction for dividend is calculated on profit before impairment of goodwill.

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

Risk exposure amount for SEB consolidated situation

SEK m	30 Jun 2016		31 Dec 2015		30 Jun 2015	
Credit risk IRB approach	**Risk exposure amount**	**Own funds requirement [1)]**	**Risk exposure amount**	**Own funds requirement [1)]**	**Risk exposure amount**	**Own funds requirement [1)]**
Exposures to institutions	27 004	2 160	22 701	1 816	31 591	2 527
Exposures to corporates	322 539	25 803	307 618	24 609	327 703	26 217
Retail exposures	54 219	4 338	53 163	4 253	52 967	4 237
of which secured by immovable property	33 626	2 690	32 784	2 623	30 052	2 404
of which qualifying revolving retail exposures [2)]			248	20	251	20
of which retail SME	3 825	306	3 255	260	3 888	311
of which other retail exposures	16 768	1 342	16 876	1 350	18 776	1 502
Securitisation positions	3 440	275	4 114	329	3 531	282
Total IRB approach	**407 202**	**32 576**	**387 596**	**31 007**	**415 792**	**33 263**
Credit risk standardised approach						
Exposures to central governments or central banks	1 538	123	1 425	114	854	68
Exposures to regional governments or local authorities	53	4	51	4	38	3
Exposures to public sector entities	7	1	5	0	276	22
Exposures to institutions	949	76	1 062	85	2 214	177
Exposures to corporates	16 507	1 321	15 568	1 245	15 613	1 251
Retail exposures	15 849	1 268	14 821	1 186	14 306	1 144
Exposures secured by mortgages on immovable property	3 696	296	4 159	333	4 553	364
Exposures in default	438	35	520	42	471	38
Exposures associated with particularly high risk	1 447	115	1 823	146	1 831	146
Securitisation positions	213	16	208	17		
Exposures in the form of collective investment undertakings (CIU)	58	5	56	4	52	4
Equity exposures	2 097	168	2 182	175	2 028	162
Other items	6 460	516	6 364	509	7 322	586
Total standardised approach	**49 312**	**3 944**	**48 244**	**3 860**	**49 558**	**3 965**
Market risk						
Trading book exposures where internal models are applied	27 380	2 190	34 233	2 739	46 019	3 681
Trading book exposures applying standardised approaches	11 201	896	11 608	929	21 270	1 702
Foreign exchange rate risk	4 569	366	4 778	382	4 849	388
Total market risk	**43 150**	**3 452**	**50 619**	**4 050**	**72 138**	**5 771**
Other own funds requirements						
Operational risk advanced measurement approach	47 482	3 799	47 804	3 824	48 677	3 894
Settlement risk	0	0	1	0		
Credit value adjustment	7 939	635	6 910	553	8 060	645
Investment in insurance business	16 633	1 331	15 525	1 242	15 525	1 242
Other exposures	5 260	421	5 243	419	4 313	345
Additional risk exposure amount [3)]	10 612	849	8 898	712		
Total other own funds requirements	**87 926**	**7 035**	**84 381**	**6 750**	**76 575**	**6 126**
Total	**587 590**	**47 007**	**570 840**	**45 667**	**614 063**	**49 125**

[1)] Own funds requirement 8% of risk exposure amount according to Regulation (EU) No 575/2013 (CRR).
[2)] Reported as other retail exposures from 1 January 2016.
[3)] Regulation (EU) No 575/2013 (CRR) Article 3.

Change in risk exposure amount

The risk exposure amount increased by SEK 17bn since year-end 2015. The growth was driven by an increase in corporate credit volumes partially offset by a decrease in market risk. Approximately half of the increase is driven by currency effects. The Additional REA that was established in the fourth quarter of 2015 in agreement with the SFSA as a measure of prudence, increased by SEK 1.7bn to SEK 10.6bn.

Risk exposure amount	SEK bn
Balance 31 December 2015	571
Volume and mix changes	16
Currency effect	7
Process and regulatory changes	-2
Risk class migration	0
Underlying market and operational risk changes	-4
Balance 30 June 2016	588

Average risk-weight

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

IRB reported credit exposures (less repos and securities lending) Average risk-weight	30 Jun 2016	31 Dec 2015	30 Jun 2015
Exposures to institutions	27.3%	24.4%	22.6%
Exposures to corporates	32.0%	32.3%	34.4%
Retail exposures	9.8%	9.8%	9.6%
of which secured by immovable property	6.9%	6.9%	6.3%
of which qualifying revolving retail exposures		42.4%	41.7%
of which retail SME	69.9%	62.9%	70.7%
of which other retail exposures	27.9%	28.4%	29.8%
Securitisation positions	49.8%	46.5%	34.0%

Skandinaviska Enskilda Banken AB (publ.)

Income statement – Skandinaviska Enskilda Banken AB (publ.)

In accordance with FSA regulations	Q2	Q1		Q2		Jan - Jun			Full year
SEK m	**2016**	**2016**	**%**	**2015**	**%**	**2016**	**2015**	**%**	**2015**
Interest income	*7 086*	*7 246*	*-2*	*7 516*	*-6*	*14 332*	*15 634*	*-8*	*30 092*
Leasing income	*1 365*	*1 351*	*1*	*1 368*	*0*	*2 716*	*2 703*	*0*	*5 439*
Interest expense	*-3 644*	*-3 757*	*-3*	*-4 122*	*-12*	*-7 401*	*-8 580*	*-14*	*-16 043*
Dividends	*3 518*	*1 542*	*128*	*4 968*	*-29*	*5 060*	*6 313*	*-20*	*8 028*
Fee and commission income	*2 887*	*2 905*	*-1*	*3 494*	*-17*	*5 792*	*6 439*	*-10*	*12 258*
Fee and commission expense	*- 609*	*- 831*	*-27*	*- 979*	*-38*	*-1 440*	*-1 615*	*-11*	*-3 058*
Net financial income	*1 119*	*825*	*36*	*437*	*156*	*1 944*	*1 468*	*32*	*3 428*
Other income	*153*	*236*	*-35*	*240*	*-36*	*389*	*497*	*-22*	*1 137*
Total operating income	**11 875**	**9 517**	***25***	**12 922**	***-8***	**21 392**	**22 859**	***-6***	**41 281**
Administrative expenses	*-3 943*	-3 526	*12*	-3 524	*12*	-7 469	-6 867	*9*	-13 458
Depreciation, amortisation and impairment of tangible and intangible assets	*-1 639*	-1 512	*8*	-1 329	*23*	-3 151	-2 690	*17*	-5 447
Total operating expenses	**-5 582**	**-5 038**	***11***	**-4 853**	***15***	**-10 620**	**-9 557**	***11***	**-18 905**
Profit before credit losses	**6 293**	**4 479**	***41***	**8 069**	***-22***	**10 772**	**13 302**	***-19***	**22 376**
Net credit losses	*- 233*	- 121	*93*	- 131	*78*	- 354	- 270	*31*	- 520
Impairment of financial assets[1)]	*- 890*	-2 687	*-67*	- 425	*109*	-3 577	- 425		- 775
Operating profit	**5 170**	**1 671**		**7 513**	***-31***	**6 841**	**12 607**	***-46***	**21 081**
Appropriations	*347*	- 4		313	*11*	343	827	*-59*	781
Income tax expense	*- 475*	- 638	*-26*	- 995	*-52*	-1 113	-2 096	*-47*	-3 679
Other taxes	*27*	- 18		- 2		9	10	*-10*	- 138
Net profit	**5 069**	**1 011**		**6 829**	***-26***	**6 080**	**11 348**	***-46***	**18 045**

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

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

	Q2	Q1		Q2		Jan - Jun			Full year
SEK m	**2016**	**2016**	**%**	**2015**	**%**	**2016**	**2015**	**%**	**2015**
Net profit	**5 069**	**1 011**		**6 829**	***-26***	**6 080**	**11 348**	***-46***	**18 045**
Items that may subsequently be reclassified to the income statement:									
Available-for-sale financial assets	1 059	55		- 141		1 114	- 57		- 423
Cash flow hedges	- 216	190		- 744	*-71*	- 26	- 245	*-89*	- 665
Translation of foreign operations	12	13	*-8*	- 18		25	16	*56*	- 41
Other comprehensive income (net of tax)	**855**	**258**		**- 903**		**1 113**	**- 286**		**-1 129**
Total comprehensive income	**5 924**	**1 269**		**5 926**	***0***	**7 193**	**11 062**	***-35***	**16 916**

Balance sheet - Skandinaviska Enskilda Banken AB (publ.)

Condensed SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Cash and cash balances with central banks	125 867	55 712	139 744
Loans to credit institutions	200 042	166 267	223 602
Loans to the public	1 175 997	1 080 438	1 107 062
Financial assets at fair value	413 255	415 321	493 715
Available-for-sale financial assets	12 564	12 985	13 579
Held-to-maturity investments			
Investments in associates	862	1 001	939
Shares in subsidiaries	49 881	52 398	52 787
Tangible and intangible assets	39 399	40 577	41 213
Other assets	59 716	41 906	69 259
Total assets	**2 077 583**	**1 866 605**	**2 141 900**
Deposits from credit institutions	232 065	134 816	250 625
Deposits and borrowing from the public[1)]	759 226	690 301	742 849
Debt securities	654 841	632 403	695 515
Financial liabilities at fair value	218 562	202 791	233 819
Other liabilities	63 309	53 532	72 360
Provisions	141	144	144
Subordinated liabilities	32 242	31 372	31 667
Untaxed reserves	23 466	23 466	23 103
Total equity	93 731	97 780	91 818
Total liabilities, untaxed reserves and shareholders' equity	**2 077 583**	**1 866 605**	**2 141 900**

1) Private and SME deposits covered by deposit guarantee	115 120	111 990	110 409
Private and SME deposits not covered by deposit guarantee	140 375	124 753	118 475
All other deposits	503 731	453 558	513 965
Total deposits from the public	**759 226**	**690 301**	**742 849**

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

SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Pledged assets for own liabilities	397 273	399 047	390 985
Other pledged assets	144 083	135 864	133 284
Pledged assets	**541 356**	**534 911**	**524 269**
Contingent liabilities	90 310	87 798	94 026
Commitments	456 637	434 656	414 275
Contingent liabilities and commitments	**546 947**	**522 454**	**508 301**

Capital adequacy - Skandinaviska Enskilda Banken AB (publ.)

SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Own funds			
Common Equity Tier 1 capital	96 401	91 951	90 237
Tier 1 capital	110 462	105 806	103 935
Total own funds	124 821	119 472	118 195
Own funds requirement			
Risk exposure amount	496 116	478 376	533 815
Expressed as own funds requirement	39 689	38 270	42 705
Common Equity Tier 1 capital ratio	19.4%	19.2%	16.9%
Tier 1 capital ratio	22.3%	22.1%	19.5%
Total capital ratio	25.2%	25.0%	22.1%
Own funds in relation to capital requirement	3.14	3.12	2.77
Regulatory Common Equity Tier 1 capital requirement including buffers	7.9%	7.6%	7.0%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which countercyclical capital buffer requirement	0.9%	0.6%	
Common Equity Tier 1 capital available to meet buffers [1]	14.9%	14.7%	12.4%

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

The internally assessed capital requirement for the parent company amounted to SEK 45bn (44).

Definitions

Alternative Performance Measures

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. These non-GAAP financial measures are used by SEB when relevant to assess and describe the performance of SEB and to provide additionally useful information to users' of the financial reports. These measures may not be comparable to similarly titled measures used by other companies.

Return on equity
Net profit attributable to shareholders in relation to average[1] shareholders' equity.

Return on equity excluding one-off items
Net profit excluding one-off items and their related tax effect in relation to average[1] shareholders' equity.

Return on business equity
Operating profit by division, reduced by a standard tax rate, in relation to the divisions' average[1] business equity.

Return on total assets
Net profit attributable to shareholders, in relation to average[1] total assets.

Return on risk exposure amount
Net profit attributable to shareholders in relation to average[1] risk exposure amount.

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

Cost/income ratio excluding one-off items
Total operating expenses excluding one-off items in relation to total operating income excluding one-off items.

Basic earnings per share
Net profit attributable to shareholders in relation to the weighted average[2] number of shares outstanding.

Diluted earnings per share
Net profit attributable to shareholders in relation to the weighted average[2] diluted number of shares. The calculated dilution is based on the estimated economic value of the long-term incentive programmes.

Net worth per share
Shareholders' equity plus the equity portion of any surplus values in the holdings of interest-bearing securities and 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.

1 Average year-to-date, calculated on month-end figures.
2 Average, calculated on a daily basis.

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

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

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

Specific reserve ratio for individually assessed impaired loans
Specific reserves as a percentage of individually assessed impaired loans.

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

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

Non-performing loans
SEB's term for loans that are either impaired or not performing according to the loan contract. Includes individually assessed impaired loans, portfolio assessed loans, past due > 60 days and restructured portfolio assessed loans (based on IFRS concessions).

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

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

One-off items
To facilitate the comparison of SEB's underlying operating profit between periods, items that management consider as one-offs are identified and separately described. Affected key figures are presented excluding one-off items.

Definitions - continued

Key figures defined by 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 regulation 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 standardized 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, 257,000 SME and 1,3 million private full-service customers bank with SEB. They are served mainly in eight countries around the Baltic Sea.
Our strategic priorities	Leading customer experience – develop long-term relationships based on trust so that customers feel that the services and advice offered are insightful about their needs, are convenient and accessible on their terms and that SEB shares knowledge and acts proactively in their best interest. Growth in areas of strength – pursue growth in three selected core areas – large corporations and financial institutions, small and medium-sized enterprises in Sweden, and savings offering to private individuals and corporate customers. Resilience and flexibility – maintain resilience and flexibility in order to adapt operations to the prevailing market conditions. Resilience is based upon cost and capital efficiency.
Values	Guided by our Code of Business Conduct and our core values: customers first, commitment, collaboration and simplicity.
People	Around 15,500 highly skilled employees serving customers from locations in some 20 countries; covering different time zones, securing reach and local market knowledge.
History	160 years of business, trust and sharing knowledge. The Bank has always acted responsibly in society promoting entrepreneurship, international outlook and long-term relationships.

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