Annual Accounts
2018

STOCKHOLM 30 JANUARY 2019

SEB Annual Accounts 2018

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Full year 2018

(Compared with the full year 2017)

- Operating income SEK 45.9bn (45.6) and operating expenses SEK 21.9bn (21.9).
- Operating profit before items affecting comparability SEK 22.8bn (22.7).
- Net profit SEK 23.1bn (16.2).
- Net expected credit losses SEK 1.2bn, with a net expected credit loss level of 0.06 per cent.
- Return on equity 16.3 per cent (11.7) and return on equity excluding items affecting comparability 13.4 per cent (12.9).
- Earnings per share SEK 10.69 (7.47).

Fourth quarter 2018

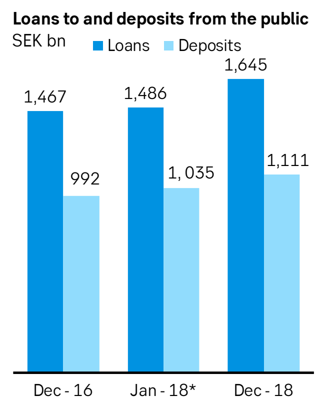
(Compared with the third quarter 2018)

- Operating income SEK 11.7bn (11.4) and operating expenses SEK 5.6bn (5.4).
- Operating profit before items affecting comparability SEK 5.8bn (5.6).
- Net profit SEK 4.6bn (4.5).
- Net expected credit losses SEK 0.4bn (0.4), with a net expected credit loss level of 0.08 per cent (0.08).
- Return on equity 12.4 per cent (12.7) and return on equity excluding items affecting comparability 12.8 per cent (13.1).
- Earnings per share SEK 2.12 (2.10).

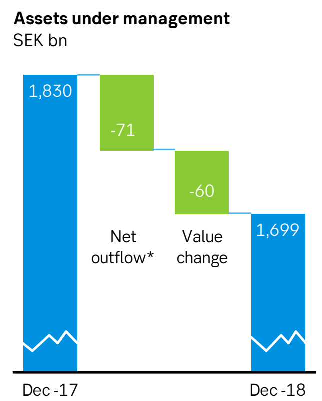
Dividend

- The Board of Directors proposes an ordinary dividend to the shareholders of SEK 6.00 per share (5.75) and an extraordinary dividend of SEK 0.50 per share.

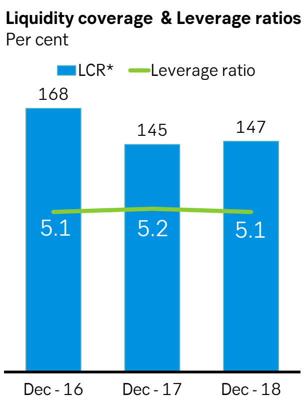
Volumes and key ratios



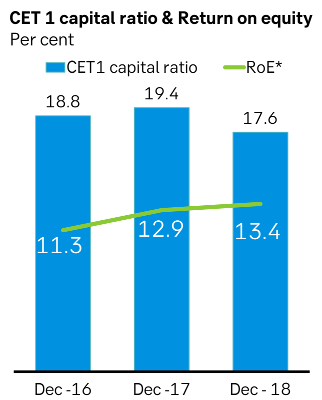
* 1 January 2018



* Net inflow SEK 45bn less divested volumes SEK 116bn



* 2016/2017 SFSA definition, 2018 EU definition



*Excluding items affecting comparability (2017 restated)

President's comment

Looking back at 2018, we conclude that the financial markets' long-lasting resilience came to a halt in the fourth quarter. The positive business and market sentiment turned to late cyclical growth concerns , spurred by global trade disputes as well as credit tightening in China. In December, the Swedish Central Bank decided to hike the repo rate – by 25 basis points – for the first time since 2011.

Diversified business mix combined with high customer activity generated stable results

SEB aspires to be the leading Nordic bank for corporations and institutions, and the top universal bank in Sweden and the Baltic countries. In 2018, the corporate customer segments were the main drivers of financial performance growth. Demand for traditional bank lending, as well as advisory services and event-driven financing, continued to grow as large corporate customers benefitted from the prolonged strong business cycle. Financial institutions became more active towards the end of the year as volatility picked up, leading to a recovery in SEB's Markets business. Small and medium-sized corporate customers in Sweden and the Baltic countries increased their demand for lending. SEB also experienced continued growth in payment and card fees, following higher customer transaction activity.

Assets under management decreased to SEK 1,699bn following weak equity markets in the fourth quarter and the divestment of SEB Pension in Denmark. Net inflows, excluding the divested volumes, amounted to SEK 45bn, mainly driven by Private Banking customers. SEB's mortgage portfolio growth was close to half of the market growth. All in all, our diversified business mix generated stable financial results. Asset quality remained high and operating profit before items affecting comparability grew by 1 per cent, amounting to SEK 23bn. The Common Equity Tier 1 capital ratio amounted to 17.6 per cent and return on equity before items affecting comparability reached 13.4 per cent, 50 basis points higher than 2017. SEB's Board of Directors proposes an ordinary dividend per share of SEK 6.00 and an extraordinary dividend per share of SEK 0.50 for 2018 to the annual general meeting.

Our strategic direction for the years ahead

As we now close the books for 2018 and enter into 2019, we also embark on the next phase of our journey towards SEB's vision of delivering world-class service to our customers. During 2018 we revisited our long-term strategic direction to ensure we remain the preferred choice for our customers in the years to come, and the business plan for 2019–2021 is our first step of putting this strategy into action. Going forward, SEB will continue to build on its core business while addressing new opportunities that emerge as customers become more sophisticated and digitally mature. The strategic initiatives, which will be invested in as part of this business plan, are expected to lead to both improved revenue growth and cost efficiencies, improving return on equity over time. By investing to enhance our advisory capabilities, increase transformational speed and extend our digital distribution and offering, we aim at delivering long-term value to our customers and shareholders in a continuously changing banking landscape.

The Group

The financial effects of the transition to IFRS 15 and IFRS 9 are described on page 34-41.

The full year 2018

Operating profit before items affecting comparability increased by 1 per cent and amounted to SEK 22,779m (22,655). *Items affecting comparability* amounted to SEK 4,506m (-1,896) and *net profit* amounted to SEK 23,134m (16,197).

Operating income

Total operating income increased by 1 per cent and amounted to SEK 45,868m (45,561).

Net interest income amounted to SEK 21,022m, which represented an increase of 6 per cent compared with 2017 (19,893) in spite of an increase in regulatory fees of SEK 697m compared with 2017.

	Jan–Dec		Change
SEK m	**2018**	**2017**	**%**
Customer-driven NII	23 217	21 794	*7*
NII from other activities	-2 195	-1 901	*15*
Total	**21 022**	**19 893**	***6***

Customer-driven net interest income increased by SEK 1,423m compared with 2017. The net interest income increased primarily from growth in loan volumes whereas the lending margins have been stable. The negative interest rate environment continued to have a negative effect on deposit margins.

Net interest income from other activities was SEK 294m lower than 2017. Funding costs relating to both senior and subordinated debt were lower in 2018 than 2017. However, in 2018, the resolution fund fee increased by 3.5 basis points to 12.5 basis points applied to the adjusted balance sheet volumes. Therefore regulatory fees, including both resolution fund and deposit guarantee fees, were SEK 697m higher than 2017 and amounted to SEK 2,495m (1,798). The resolution fund fee beyond 2018 will be lower, as outlined on page 8.

Net fee and commission income increased by 4 per cent to SEK 18,364m (17,677). The very high activity among corporate and institutional customers in the capital markets in 2017 was not repeated in 2018 and net securities commissions decreased by SEK 669m. Gross fee income from custody and mutual funds, excluding performance fees, increased by SEK 172m driven by increased volumes and market values, despite the large drop in the fourth quarter. One purpose of the new regulations under MiFID II is to increase transparency on fees. The implementation in SEB resulted in a change in retrocession fees (compensation to fund companies) which decreased the net fees by approximately SEK 146m compared with 2017. Given the more challenging financial market conditions in late 2018, performance fees decreased by SEK 130m compared with 2017. High customer activity fuelled an increase in net fees relating to payments and cards of SEK 397m. Gross lending fees increased by SEK 273m as loan volumes increased. The net life insurance commissions related to the unit-linked insurance business increased by SEK 222m compared to 2017.

Net financial income decreased by 12 per cent to SEK 6,079m (6,880). Financial institutions were increasingly active during the latter part of the year as volatility also increased. However, the movements in credit spreads affected the fair value credit adjustment[1)]. This valuation change amounted to SEK -119m and compared to 2017 the change was SEK -329m. Other life insurance income, net, decreased by SEK 754m. The main reason was the divestment of SEB Pension, SEB's life business in Denmark, at the end of the second quarter 2018 (see Items affecting comparability on page 25).

Net other income decreased by 64 per cent to SEK 402m (1,112). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item. There were fewer such items in 2018.

Operating expenses

Total operating expenses were virtually unchanged at SEK 21,940m (21,936) and below the current cost cap of SEK 22bn. The cost target under the new business plan 2019-2021 is outlined on page 8.

Staff costs were unchanged, while other expenses increased by 4 per cent offset, however, by lower depreciation and amortisation expense. The average number of full-time equivalents decreased to

Comparative numbers (in parenthesis):
The fourth quarter 2018 result is compared with the third quarter 2018.
The full year 2018 result is compared with the full year 2017.
Business volumes are compared with year-end 2017, unless otherwise stated.

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

14,751 (14,946). Approximately 250 employees moved to Danica with the divestment of SEB Pension (see page 25). Ordinary supervisory fees amounted to SEK 153m (168).

Net expected credit losses
Net expected credit losses amounted to SEK 1,166m. Asset quality remained high and the net expected credit loss level was continued low at 6 basis points.

Items affecting comparability
The *items affecting comparability* for 2018 amounted to SEK 4,506m (-1,896). See page 25 for detailed information on items affecting comparability.

Income tax expense
Income tax expense amounted to SEK 4,152m (4,562) with an effective tax rate of 15 per cent (22).

Income tax expense and the effective tax rate were low for three reasons. First, the gains on the divestments of UC and SEB Pension were tax-exempt since they were held for business purposes (except for a small part; see the section on items affecting comparability, page 25). Second, the decision to reduce the Swedish corporate tax rate from 22 per cent to 21.4 per cent in 2019 and to 20.6 per cent in 2021 led to a revaluation of deferred taxes, which reduced income tax expense. Third, the Administrative Court in Stockholm decided in favour of SEB in an issue related to a tax-exempt treatment of a sale of a subsidiary. The combined effect of the two latter reasons, including a revaluation effect in the fourth quarter, was SEK 608m, which reduced the income tax expense.

Return on equity
Return on equity for 2018 was 16.3 per cent (11.7). Excluding items affecting comparability return on equity was 13.4 per cent (12.9).

Other comprehensive income
Other comprehensive income amounted to SEK -923m (-1,036).

The value of the pension plan assets exceeded the defined benefit obligations. The discount rate used for the pension obligation in Sweden was 2.0 per cent (2.2 at year-end 2017). The net value of the defined benefit pension plan assets and liabilities decreased which affected other comprehensive income by SEK -846m (784).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash-flow hedges and translation of foreign operations amounted to SEK-298m (-1,820).

The fourth quarter 2018

Operating profit before items affecting comparability increased by 3 per cent to SEK 5,768m (5,587), compared with the third quarter and decreased by 5 per cent from SEK 6,101m one year ago. *Net profit* amounted to SEK 4,576m (4,539).

Operating income
Total operating income increased by 3 per cent to SEK 11,744m (11,433) but decreased by 1 per cent compared with the fourth quarter 2017.

Net interest income decreased by 2 per cent to SEK 5,215m (5,319) but increased by 1 per cent compared with the fourth quarter 2017.

SEK m	Q4 2018	Q3 2018	Q4 2017
Customer-driven NII	5 903	6 041	5 487
NII from other activities	-688	-722	-303
Total	**5 215**	**5 319**	**5 184**

Customer-driven net interest income decreased by SEK 139m in the fourth quarter. There was a positive lending volume effect which was offset by lower deposit margins. Year-on-year customer-driven net interest income improved by SEK416m.

Net interest income from other activities improved by SEK 34m in the quarter. Regulatory fees, including both resolution fund and deposit guarantee fees, were in line with the third quarter 2018 and amounted to SEK 624m (626).

Net fee and commission income increased by 7 per cent to SEK 4,848m (4,512). Compared with the fourth quarter 2017, the increase was 3 per cent. Net securities commissions increased by SEK 114m in the quarter. With the decline in the stock markets in the fourth quarter, gross fee income from custody and mutual funds, excluding performance fees, decreased by SEK 135m. Performance fees, the majority of which relate to the full year, increased by SEK 175m. Net payments and card fees decreased by SEK 25m compared with the third quarter but increased by SEK 63m year-on-year. Gross lending fees increased by SEK 88m compared with the third quarter. Net life insurance commissions related to the unit-linked insurance business decreased by SEK 42m due to the equity market conditions.

Net financial income was unchanged at SEK 1,512m (1,506) but decreased by 7 per cent compared with the fourth quarter 2017. Market volatility increased in the fourth quarter contributing to an improved result. However, the financial market conditions affected credit spreads which, in turn, changed the fair value credit adjustment[1]. The change in the adjustment was

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

SEK -247m. Other life insurance income, net, decreased by SEK 77m in the quarter, due to market valuations. Year-on-year, other life insurance income, net, decreased by SEK 312m, mainly due to the divestment of SEB Pension (see page 25).

Net other income amounted to SEK 169m (97). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses increased by 3 per cent to SEK 5,561m (5,421) and were 1 per cent lower year-on-year. Ordinary supervisory fees amounted to SEK 35m (42).

Net expected credit losses

Net expected credit losses amounted to SEK 413m (424). Asset quality remained high and the net expected credit loss level remained low at 8 basis points (8).

Income tax expense

Income tax expense amounted to SEK 1,192m (1,048). The effective tax rate was 21 per cent (19).

Return on equity

Return on equity for the fourth quarter was 12.4 per cent (12.7). Excluding items affecting comparability *return on equity* was 12.8 per cent (13.1).

Other comprehensive income

Other comprehensive income amounted to SEK -2,330m (1,368).

The value of the pension plan assets exceeded the defined benefit obligations. The pension obligation increased in the fourth quarter when the discount rate used for the pension obligation in Sweden was changed to 2.0 per cent from 2.1 per cent. At the same time, the value of the plan assets decreased. The net negative effect in other comprehensive income was SEK -2,098m (1,697).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash-flow hedges and translation of foreign operations amounted to SEK -370m (-312).

Business volumes

Total assets at 31 December 2018 amounted to SEK 2,568bn, representing an increase of SEK 12bn since 1 January 2018 (2,556).

As at 1 January 2018, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers entered into force. The presentation of the balance sheet was changed to reflect business volumes under the new rules. The historical information was restated per 1 January 2018. See page 34-41 for more detailed information.

Loans

SEK bn	31 Dec 2018	1 Jan 2018	31 Dec 2017
General governments	19	34	34
Financial corporations	68	69	69
Non-financial corporations	806	734	735
Households	598	576	576
Margins of safety	56	29	29
Reverse repos	98	42	42
Loans to the public	**1 645**	**1 486**	**1 487**

Loans to the public (on the balance sheet) increased by SEK 159bn and amounted to SEK 1,645bn (1,486).

The credit portfolio (in which loans, commitments and derivatives are included) increased by SEK 159bn to SEK 2,220bn (2,061), excluding banks. The corporate credit portfolio increased by SEK 143bn, of which approximately SEK41bn related to currency effects. The household credit portfolio increased by SEK 19bn.

Deposits

SEK bn	31 Dec 2018	1 Jan 2018	31 Dec 2017
General governments	27	17	17
Financial corporations	226	216	213
Non-financial corporations	461	432	432
Households	323	300	300
Margins of safety	49	35	35
Repos	3	6	6
Registered bonds	21	29	29
Deposits and borrowings from the public	**1 111**	**1 035**	**1 032**

Deposits and borrowings from the public amounted to SEK 1,111bn (1,035). Deposits from non-financial corporations and households increased by SEK 52bn in 2018. Deposits from financial corporations and repos, both generally short-term in nature, increased by SEK 7bn in 2018.

Assets under management and custody

Total assets under management amounted to SEK 1,699bn (1,830). The market value decreased by SEK 60bn and the net inflow of assets during the year was SEK 45bn. With the divestment of SEB Pension assets under management decreased by SEK 54bn in the second quarter (see page 25). In the fourth quarter, one remaining SEB Pension mandate in the amount of SEK 62bn was also transferred out.

Assets under custody decreased compared with year-end and amounted to SEK 7,734bn (8,046).

Risk and capital

Market risk

SEB's business model is mainly driven by customer demand. Value-at-Risk (VaR) in the trading book increased during 2018 and averaged SEK 90m. The Group does not expect to lose more than this amount, on average, during a period of ten trading days, with 99 per cent probability.

The VaR development during the year was driven by increased market volatility, especially in the currency and equity markets and due to higher interest rate exposure.

Liquidity and long-term funding

Short-term funding, in the form of commercial paper and certificates of deposit, increased by SEK 59bn during the year.

SEK 100bn of long-term funding matured during 2018 (of which SEK 65bn covered bonds and SEK 35bn senior debt). During the year new issuance amounted to SEK 101bn (of which SEK 67bn constituted covered bonds and SEK 34bn senior debt).

The liquidity reserve, as defined by the Swedish Bankers' Association, amounted to SEK 473bn at the end of the year (340).

The Liquidity Coverage Ratio (LCR) must be at least 100 per cent. At the end of the year, the LCR was 147 per cent (145). From 1 January 2018, SEB reports LCR according to the EU definition.

The bank is committed to a stable funding base. SEB's internal structural liquidity measure, Core Gap, which measures the proportion of stable funding in relation to illiquid assets, was 110 per cent (108).

Rating

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

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

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

Capital position

SEB's Common Equity Tier 1 (CET1) capital ratio was 17.6 per cent (19.4). SEB's estimate of the full Pillar 1 and 2 CET1 capital requirements – where the Pillar 2 requirements were calculated according to the methods set by the Swedish Financial Supervisory Authority (SFSA) – was 14.9 per cent per the end of the period. The bank aims to have a buffer of around 150 basis points above the capital requirement. Currently the buffer is 270 basis points.

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

Own funds requirement, Basel III	31 Dec 2018	31 Dec 2017
Risk exposure amount, SEK bn	716	611
Common Equity Tier 1 capital ratio, %	17.6	19.4
Tier 1 capital ratio, %	19.7	21.6
Total capital ratio, %	22.2	24.2
Leverage ratio, %	5.1	5.2

REA increased by SEK 105bn to SEK 716bn during the year. The main reason was that additional REA in the amount of SEK 92bn was added in December 2018 in response to the change in the SFSA's requirements for risk-weighting the Swedish mortgage portfolio that went into effect as at 31 December 2018. The mortgage floor that was previously a pillar 2 capital requirement was converted to REA and reported under pillar 1 with an effect on the CET 1 ratio of 2.6 percentage points. See page 45 for more information on REA development.

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

Dividend

The Board of Directors proposes to the Annual General Meeting an ordinary dividend of SEK 6.00 per Class A and Class C share, which corresponds to a payout ratio of 56 per cent. The total ordinary dividend amounts to SEK 13.0bn.

The Board of Directors also proposes to the Annual General Meeting an extraordinary dividend of SEK 0.50 per Class A and Class C share.

Thus, the total dividend per Class A share and Class C share is SEK 6.50 (including the extraordinary dividend), which corresponds to a payout ratio of 61 per cent. The total ordinary and extraordinary dividend amounts to SEK 14.1bn (12.5), calculated on the total number of issued shares as per 31 December 2018, excluding own shares held.

The payout ratio for the ordinary dividend based on the net profit excluding items affecting comparability is 70 per cent.

The proposal shall be seen with reference to the dividend policy, the outlook for the economic environment, the Group's earnings generation and capital situation.

The SEB share will be traded ex-dividend on 27 March 2019. The proposed record date for the dividend is 28 March 2019 and dividend payments will be disbursed on 2 April 2019.

Other information

Updated strategy and new business plan

During the year management, together with the Board of Directors, have revisited and updated SEB's long-term road map for the bank, Vision 2025 and specified the ambition in a three-year business plan 2019-2021.

SEB sees great potential to accelerate transformation and use new technology to meet future customer needs, tap into new revenue pools and drive efficiency. SEB will continue to build on its core strengths while addressing new revenue and cost efficiency opportunities within three targeted areas: operational excellence, advisory leadership and extended presence. More information about the business plan was published at sebgroup.com on 12 December 2018 and will be included in the Annual Report for 2018.

SEB will continue to operate with a strict cost discipline ensuring that its current operations are run in a cost-efficient manner. The new strategic initiatives, on an accumulated basis, are estimated to lead to total additional investments of SEK 2-2.5bn during the three year period 2019-2021. This translates into an annual cost increase of SEK 1bn by 2021, and a new total cost target of around SEK 23bn by 2021, assuming 2018 FX-rates. The pace of investments will be dependent on progress and will be gradually ramped up over the next three years. The strategic initiatives are expected to lead to both improved revenue growth and cost efficiencies, improving return on equity over time.

Long-term financial targets

SEB's long-term financial targets were revisited by the Board of Directors in connection with adopting the new three year-business plan. The financial targets remain unchanged and are:

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

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

Resolution fund fee requirement changes

Swedish authorities have decided that the resolution fund fee for 2018 shall be 0.125 per cent applied to the adjusted 2016 balance sheet volumes. The fee will be reduced to 0.09 per cent for 2019 and to 0.05 per cent from 2020 until the fund target is met. The fund target level, which is proposed to be 3 per cent of guaranteed deposits in Sweden, is expected to be reached by the year 2021.

Risks and uncertainties

SEB assumes credit, market, liquidity, IT and operational as well as life insurance risks. The risk composition of the Group, as well as the related risk, liquidity and capital management, are described in SEB's Annual Report for 2017 (see page 44-49 and notes 17, 19 and 20), in the Capital Adequacy and Risk Management Report for 2017 as well as the quarterly additional Pillar 3 disclosures and in the Fact Book.

After reaching its highest point since 2011, global growth turned less positive towards the end of the year. The geopolitical uncertainty and the large global economic imbalances remain. 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 January 2019, the Swedish repo rate was raised by 0.25 percentage points to -0.25 per cent and the expectation is that more hikes will be made. There has been a gradual stabilisation in the Swedish residential real estate market. However, there is an oversupply of unsold newly constructed apartments in the main cities that may put pressure on prices.

The German Federal Ministry of Finance issued a circular on 17 July 2017 with administrative guidance in relation to withholding taxes on dividends in connection with certain cross-border securities lending and derivative transactions; so-called cum-cum transactions. The circular states an intention to examine transactions executed prior to the change in tax legislation that was enacted 1 January 2016. Ongoing audits by the local tax administration have to date resulted in preliminary minor reclaims on selected tax years. SEB has requested that these reclaims should be revoked.

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

SEB AG change of name to DSK Hyp AG
In 2018 SEB AG transferred its main business activities to the Frankfurt branch of SEB AB and on 4 December 2018, SEB AG's name was changed to DSK Hyp AG (Deutsch-Skandinavische Hypothekenbank).

DSK Hyp is mainly involved in covered bonds (Pfandbriefgeschäft) and holds the mandatory mortgage cover pool. The name change will help avoid mix-ups with the operations in the Frankfurt branch of SEB AB. More information is available at dskhyp.de.

Effects from the implementation of IFRS 16 Leases
IFRS 16 Leases replaces IAS 17 Leases and related interpretations. The standard is effective as from 1 January 2019 and is endorsed by the EU. The new standard significantly changes how SEB as a lessee accounts for leases by introducing a single, on-balance sheet lease accounting model requiring the recognition of lease assets (right-of-use assets) and lease liabilities. Upon transition to IFRS 16, the group has decided to apply the modified retrospective approach. The main impact on the group's financial statements is from the accounting of property leases. The total of right-of-use assets amount of approximately SEK 5.7bn will be recognised on the balance sheet and an amount of approximately SEK 0.3bn will reduce equity. The implementation of IFRS 16 will not significantly affect net profit in 2019 compared to 2018.

Organisational changes
As per 1 January 2019, SEB reorganised and the division Life & Investment Management was split into two separate divisions. The new organisation will be reflected in the first quarterly report in 2019.

The Life division is headed by David Teare, who reports to Mats Torstendahl, head of Corporate & Private Customers. David Teare is adjunct member of the Group Executive Committee.

The head of the Investment Management division will report to the President and CEO and be appointed as an adjunct member of the Group Executive Committee. The recruitment process for the position is currently ongoing.

Stockholm, 30 January 2019

The President declares that the Annual Accounts for the year 2018 provide a fair overview of the parent company's and the group's operations, their financial position and results and describes material risks and uncertainties facing the parent company and the group.

Johan Torgeby
President and Chief Executive Officer

Press conference and webcasts
The press conference held at 9.00 CET on 30 January 2019, at Kungsträdgårdsgatan 8 with the President and CEO Johan Torgeby can be followed live in English on sebgroup.com/ir. A replay will be available afterwards.

Access to telephone conference
The telephone conference at 13.00 CET on 30 January 2019 with the President and CEO, Johan Torgeby, the Finance Director Masih Yazdi and the Head of Investor Relations, Christoffer Geijer, can be accessed by telephone, +44 (0)2071 928 000. Please quote conference id: 8065028 and call at least 10 minutes in advance. A replay of the conference call will be available on sebgroup.com/ir.

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

Financial information calendar 2019

5 March	Annual Report published on sebgroup.com	
26 March	Annual General Meeting	
27 March	The SEB share traded ex-dividend	
28 March	Record date for the dividend	
2 April	Dividend disbursement	
30 April	Interim Report January-March	The silent period starts 8 April
12 July	Interim Report January-June	The silent period starts 5 July
23 October	Interim Report January-September	The silent period starts 8 October

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

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 the Annual Accounts Act for Credit Institutions and Securities Companies, the Swedish Financial Supervisory Authority's Regulations and General Guidelines (FFFS 2008:25) on Annual Reports in Credit Institutions and Securities Companies and the Supplementary Accounting Rules for Legal Entities (RFR 2) issued by the Swedish Financial Reporting Board.

As of 1 January 2018 there are significant changes to the accounting policies from the application of IFRS 9 Financial Instruments and of IFRS 15 Revenue from Contracts with Customers, see notes 1 and 1a in the Annual Report 2017. For information about transitional effects from IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, please see page 37 in the Annual Report 2017 and the transition disclosure on pages 34-41 in this report. There are also some smaller changes to IFRS; IFRS 2 Share-based Payment has been amended regarding classification and measurement of share-based payment transactions. IAS 40 has been amended with clarification when transfers of investment property can be made. IFRIC 22 Foreign Currency Transactions and Advance Consideration has been issued clarifying which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. Within the annual improvement cycle 2014–2016 IAS 28 Investments in associates and Joint Ventures has been clarified regarding the measurement of an associate or joint venture at fair value. These amendments have been applied from 1 January 2018 and have been endorsed by the EU. The changes will not have a material effect on the financial statements of the Group or on capital adequacy and large exposures.

In all other material aspects, the Group's and the Parent Company's accounting policies, basis for calculations and presentations are unchanged in comparison with the 2017 Annual Report.

Review report

We have reviewed this Interim Report for the period 1 January through 31 December 2018 for Skandinaviska Enskilda Banken AB (publ). The Board of Directors and the CEO are responsible for the preparation and presentation of this Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this Interim Report based on our review.

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

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

Stockholm, 30 January 2019

PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant
Partner in charge

Martin By
Authorised Public Accountant

The SEB Group

Income statement – SEB Group

SEK m	Q4 2018	Q3 2018	%	Q4 2017	%	Jan–Dec 2018	Jan–Dec 2017	%
Net interest income	5 215	5 319	*-2*	5 184	*1*	21 022	19 893	*6*
Net fee and commission income	4 848	4 512	*7*	4 728	*3*	18 364	17 677	*4*
Net financial income	1 512	1 506	*0*	1 630	*-7*	6 079	6 880	*-12*
Net other income	169	97	*74*	305	*-44*	402	1 112	*-64*
Total operating income	**11 744**	**11 433**	***3***	**11 847**	***-1***	**45 868**	**45 561**	***1***
Staff costs	-3 382	-3 559	*-5*	-3 523	*-4*	-14 004	-14 025	*0*
Other expenses	-1 991	-1 681	*19*	-1 830	*9*	-7 201	-6 947	*4*
Depreciation, amortisation and impairment of tangible and intangible assets	- 188	- 182	*3*	- 252	*-25*	- 735	- 964	*-24*
Total operating expenses	**-5 561**	**-5 421**	***3***	**-5 605**	***-1***	**-21 940**	**-21 936**	***0***
Profit before credit losses	**6 183**	**6 012**	***3***	**6 242**	***-1***	**23 928**	**23 625**	***1***
Gains less losses from tangible and intangible assets	- 2	- 1	*33*	- 37	*-95*	18	- 162	
Net expected credit losses[1]	- 413	- 424	*-3*			-1 166		
Net credit losses[2]				- 105			- 808	
Operating profit before items affecting comparability	**5 768**	**5 587**	***3***	**6 101**	***-5***	**22 779**	**22 655**	***1***
Items affecting comparability				-1 896	*-100*	4 506	-1 896	
Operating profit	**5 768**	**5 587**	***3***	**4 204**	***37***	**27 285**	**20 759**	***31***
Income tax expense	-1 192	-1 048	*14*	-1 032	*15*	-4 152	-4 562	*-9*
NET PROFIT	**4 576**	**4 539**	***1***	**3 172**	***44***	**23 134**	**16 197**	***43***

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

	Q4 2018	Q3 2018	%	Q4 2017	%	Jan–Dec 2018	Jan–Dec 2017	%
Attributable to shareholders	4 576	4 539	*1*	3 172	*44*	23 134	16 197	*43*
Basic earnings per share, SEK	2.12	2.10		1.46		10.69	7.47	
Diluted earnings per share, SEK	2.10	2.09		1.46		10.63	7.44	

Statement of comprehensive income – SEB Group

SEK m	Q4 2018	Q3 2018	%	Q4 2017	%	Jan–Dec 2018	Jan–Dec 2017	%
NET PROFIT	**4 576**	**4 539**	***1***	**3 172**	***44***	**23 134**	**16 197**	***43***
Items that may subsequently be reclassified to the income statement:								
Available-for-sale financial assets				- 729			- 909	
Cash flow hedges	- 207	- 114	*82*	- 261	*-21*	- 880	-1 207	*-27*
Translation of foreign operations	- 163	- 198	*-18*	230		582	296	*97*
Items that will not be reclassified to the income statement:								
Own credit risk adjustment (OCA)[1]	138	- 17				221		
Defined benefit plans	-2 098	1 697		- 927	*126*	- 846	784	
OTHER COMPREHENSIVE INCOME	**- 2 330**	**1 368**		**- 1 688**	***38***	**- 923**	**- 1 036**	***-11***
TOTAL COMPREHENSIVE INCOME	**2 246**	**5 906**	***-62***	**1 484**	***51***	**22 211**	**15 160**	***47***
Attributable to shareholders	2 246	5 906	*-62*	1 484	*51*	22 211	15 160	*47*

1) Own credit risk adjustment from financial liabilities FVTPL.

Balance sheet – SEB Group

SEK m	31 Dec 2018	1 Jan[3)5)] 2018	31 Dec 2017	1 Jan[4)] 2017
Cash and cash balances at central banks	209 115	177 222	177 222	151 078
Loans to central banks	33 294	12 778	12 778	66 730
Loans to credit institutions[2)]	44 287	38 715	38 717	50 145
Loans to the public	1 644 825	1 485 808	1 486 765	1 467 472
Debt securities	156 128	168 928	169 269	253 443
Equity instruments	50 434	60 087	59 204	74 172
Financial assets for which the customers bear the investment risk	269 613	283 420	283 420	295 908
Derivatives	115 463	104 868	104 868	212 356
Other assets	44 357	224 662	224 664	46 701
TOTAL ASSETS	**2 567 516**	**2 556 489**	**2 556 908**	**2 618 006**
Deposits from central banks and credit institutions	135 719	95 504	95 489	119 864
Deposits and borrowings from the public[1)]	1 111 390	1 034 704	1 032 048	991 950
Financial liabilities for which the customers bear the investment risk	270 556	284 291	284 291	296 618
Liabilities to policyholders	21 846	18 911	18 911	107 213
Debt securities issued	680 670	614 087	614 033	668 880
Short positions	23 144	24 985	24 985	19 598
Derivatives	96 872	85 434	85 434	174 652
Other financial liabilities	3 613	3 894	3 894	19 247
Other liabilities	74 916	255 836	256 585	81 650
Total liabilities	**2 418 727**	**2 417 647**	**2 415 671**	**2 479 670**
Equity	**148 789**	**138 841**	**141 237**	**138 336**
TOTAL LIABILITIES AND EQUITY	**2 567 516**	**2 556 489**	**2 556 908**	**2 618 006**

1) Deposits covered by deposit guarantees.	292 238	285 439	285 439	252 815

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

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

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

5) Equity instruments and Equity restated in fourth quarter 2018 (see page 34).

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

Pledged assets and obligations – SEB Group

SEK m	31 Dec 2018	31 Dec 2017
Pledged assets for own liabilities[1)]	510 424	477 220
Pledged assets for liabilities to insurance policyholders	292 402	436 890
Other pledged assets[2)]	97 713	136 998
Pledged assets	**900 539**	**1 051 109**
Contingent liabilities[3)]	136 435	122 896
Commitments	589 032	563 181
Obligations	**725 467**	**686 077**

1) Of which collateralised for own issued covered bonds SEK 349,800m (355,587).

2) Of which securities lending SEK 15,641m (59,443) and pledged but unencumbered bonds SEK 58,652m (57,390).

3) Of which financial guarantees SEK 19,932m (22,145).

Key figures – SEB Group

	Q4 2018	Q3 2018[6)]	Q4 2017	Jan–Dec 2018	Jan–Dec 2017
Return on equity, %	12.40	12.66	8.97	16.34	11.70
Return on equity excluding items affecting comparability[1)], %	12.79	13.07	13.68	13.36	12.86
Return on total assets, %	0.67	0.65	0.45	0.82	0.57
Return on risk exposure amount, %	2.80	2.87	2.07	3.66	2.64
Cost/income ratio	0.47	0.47	0.47	0.48	0.48
Basic earnings per share, SEK	2.12	2.10	1.46	10.69	7.47
Weighted average number of shares[2)], millions	2 164	2 163	2 168	2 164	2 168
Diluted earnings per share, SEK	2.10	2.09	1.46	10.63	7.44
Weighted average number of diluted shares[3)], millions	2 177	2 177	2 179	2 177	2 178
Net worth per share, SEK	74.74	75.07	73.60	74.74	73.60
Equity per share, SEK	68.76	67.60	65.18	68.76	65.18
Average shareholders' equity, SEK, billion	147.6	143.4	141.5	141.6	138.5
Net ECL level, %	0.08	0.08		0.06	
Credit loss level, %			0.03		0.05
Liquidity Coverage Ratio (LCR)[4)], %	147	129	145	147	145
Own funds requirement, Basel III					
Risk exposure amount, SEK m	716 498	631 958	610 819	716 498	610 819
Expressed as own funds requirement, SEK m	57 320	50 557	48 866	57 320	48 866
Common Equity Tier 1 capital ratio, %	17.6	19.7	19.4	17.6	19.4
Tier 1 capital ratio, %	19.7	22.1	21.6	19.7	21.6
Total capital ratio, %	22.2	25.0	24.2	22.2	24.2
Leverage ratio, %	5.1	4.8	5.2	5.1	5.2
Number of full time equivalents[5)]	14 749	14 531	14 951	14 751	14 946
Assets under custody, SEK bn	7 734	8 335	8 046	7 734	8 046
Assets under management, SEK bn	1 699	1 871	1 830	1 699	1 830

1) Sale of SEB Pension and UC AB in Q2 2018. Dividend from VISA in Sweden, transformation of SEB's German business and impairments and derecognitions of intangible IT assets in Q4 2017.
2) The number of issued shares was 2,194,171,802. SEB owned 27,125,923 Class A shares for the equity based programmes at year-end 2017. During 2018 SEB has purchased 6,983,110 shares and 3,791,742 shares have been sold. Thus, at 31 December 2018 SEB owned 30,317,291 Class A-shares with a market value of SEK 2,610m.
3) Calculated dilution based on the estimated economic value of the long-term incentive programmes.
4) 2018: EU definition. 2017: Swedish FSA definition.
5) Quarterly numbers are for end of quarter. Accumulated numbers are average for the period.
6) Opening balance 2018 of equity has been restated in fourth quarter 2018 with a positive amount of SEK 884m (see page 34). Related key figures have been restated.

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

Income statement on quarterly basis – SEB Group

SEK m	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net interest income	5 215	5 319	5 500	4 988	5 184
Net fee and commission income	4 848	4 512	4 814	4 190	4 728
Net financial income	1 512	1 506	1 606	1 455	1 630
Net other income	169	97	- 18	153	305
Total operating income	**11 744**	**11 433**	**11 903**	**10 787**	**11 847**
Staff costs	-3 382	-3 559	-3 547	-3 516	-3 523
Other expenses	-1 991	-1 681	-1 797	-1 733	-1 830
Depreciation, amortisation and impairment of tangible and intangible assets	- 188	- 182	- 183	- 181	- 252
Total operating expenses	**-5 561**	**-5 421**	**-5 527**	**-5 430**	**-5 605**
Profit before credit losses	**6 183**	**6 012**	**6 376**	**5 357**	**6 242**
Gains less losses from tangible and intangible assets	- 2	- 1	13	8	- 37
Net expected credit losses[1)]	- 413	- 424	- 221	- 109	
Net credit losses[2)]					- 105
Operating profit before items affecting comparability	**5 768**	**5 587**	**6 167**	**5 256**	**6 101**
Items affecting comparability			4 506		-1 896
Operating profit	**5 768**	**5 587**	**10 674**	**5 256**	**4 204**
Income tax expense	-1 192	-1 048	- 649	-1 261	-1 032
NET PROFIT	**4 576**	**4 539**	**10 024**	**3 995**	**3 172**

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

Attributable to shareholders	4 576	4 539	10 024	3 995	3 172
Basic earnings per share, SEK	2.12	2.10	4.63	1.84	1.46
Diluted earnings per share, SEK	2.10	2.09	4.61	1.83	1.46

Income statement by division – SEB Group

Jan-Dec 2018, SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other[1)]	Eliminations	SEB Group
Net interest income	8 211	9 473	2 837	- 54	535	20	21 022
Net fee and commission income	6 433	5 470	1 449	4 918	111	- 17	18 364
Net financial income	3 384	429	257	955	1 043	12	6 079
Net other income	309	47	- 21	- 6	88	- 14	402
Total operating income	**18 337**	**15 418**	**4 522**	**5 813**	**1 777**	**1**	**45 868**
Staff costs	-3 858	-3 353	- 811	-1 391	-4 608	18	-14 004
Other expenses	-4 990	-3 735	-1 021	-1 012	3 576	- 19	-7 201
Depreciation, amortisation and impairment of tangible and intangible assets	- 55	- 58	- 53	- 25	- 544		- 735
Total operating expenses	**-8 903**	**-7 146**	**-1 885**	**-2 429**	**-1 576**	**- 1**	**-21 940**
Profit before credit losses	**9 434**	**8 272**	**2 637**	**3 384**	**201**	**0**	**23 928**
Gains less losses from tangible and intangible assets	1		19		- 2		18
Net expected credit losses[2)]	- 702	- 427	- 55	- 2	25	- 5	-1 166
Operating profit before items affecting comparability	**8 733**	**7 845**	**2 600**	**3 382**	**224**	**- 5**	**22 779**
Items affecting comparability					4 506		4 506
Operating profit	**8 733**	**7 845**	**2 600**	**3 382**	**4 730**	**- 5**	**27 285**

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

Large Corporates & Financial Institutions

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

Income statement

	Q4	Q3		Q4		Jan — Dec		
SEK m	**2018**	**2018**	%	**2017**	%	**2018**	**2017**	%
Net interest income	2 010	2 181	-8	1 972	2	8 211	8 043	2
Net fee and commission income	1 802	1 445	25	1 619	11	6 433	6 236	3
Net financial income	902	772	17	866	4	3 384	3 465	-2
Net other income	200	30		205	-3	309	573	-46
Total operating income	**4 913**	**4 427**	**11**	**4 662**	**5**	**18 337**	**18 318**	
Staff costs	-1 030	-1 016	1	-959	7	-3 858	-3 862	
Other expenses	-1 230	-1 205	2	-1 265	-3	-4 990	-5 046	-1
Depreciation, amortisation and impairment of tangible and intangible assets	-15	-14	7	-16	-2	-55	-59	-7
Total operating expenses	**-2 275**	**-2 235**	**2**	**-2 240**	**2**	**-8 903**	**-8 967**	**-1**
Profit before credit losses	**2 637**	**2 192**	**20**	**2 422**	**9**	**9 434**	**9 351**	**1**
Gains less losses from tangible and intangible assets						1	1	-38
Net expected credit losses	-259	-287	-10			-702		
Net credit losses				-20			-529	
Operating profit before items affecting comparability	**2 378**	**1 905**	**25**	**2 402**	**-1**	**8 733**	**8 823**	**-1**
Items affecting comparability								
Operating profit	**2 378**	**1 905**	**25**	**2 402**	**-1**	**8 733**	**8 823**	**-1**
Cost/Income ratio	0.46	0.50		0.48		0.49	0.49	
Business equity, SEK bn	63.8	64.4		64.9		63.8	65.8	
Return on business equity, %	11.2	8.9		11.1		10.3	10.1	
Number of full time equivalents[1)]	1 997	1 990		2 028		1 986	2 049	

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

- Significant increase in mergers and acquisitions
- Financial institutions' activity picked up in the second half of the year
- Operating profit amounted to SEK 8,733m and return on business equity was 10.3 per cent

Comments on 2018

The Nordic economies continued to grow at a healthy pace in contrast to a slowdown in the Eurozone. Key themes during the year were the geopolitical tension as well as trade-related protectionist headwinds.

Large Corporates' activity picked up across all segments after a somewhat cautious start of the year with a robust increase in the credit portfolio. Customers were active in mergers and acquisitions, which contributed to an increase in event-driven financing. Compared to the record year 2017, customers were less inclined to issue new bonds.

Financial Institutions experienced challenging market conditions affecting customer activity and the start of the year was slow. In the second half of the year, the expectation that the Swedish repo rate would rise led to higher market volatility and increased demand for risk management services in SEB's Markets business. Customers' demand for sustainability-related advice and services increased. SEB acted as lead manager for the World Bank 10-year anniversary Green Bond transaction. Assets under custody amounted to SEK 7,734bn (8,046), a decrease caused mainly by the decline in the stock markets.

Operating income was in line with last year at SEK 18,337m. The increase in net interest income to SEK 8,211m primarily related to cash management services, which developed positively in both the corporate and institutional segment. Net fee and commission income increased to SEK 6,433m, as a result of improved investment banking activity. Despite an improvement in the fourth quarter from underlying customer activity, net financial income decreased to SEK 3,384m, in the challenging macro environment. Operating expenses were slightly down. Asset quality remained high and net expected credit losses amounted to SEK 702m with a net expected credit loss level of 7 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

	Q4	Q3		Q4		Jan — Dec		
SEK m	**2018**	**2018**	*%*	**2017**	*%*	**2018**	**2017**	*%*
Net interest income	2 371	2 453	*-3*	2 320	*2*	9 473	9 442	
Net fee and commission income	1 312	1 387	*-5*	1 472	*-11*	5 470	5 678	*-4*
Net financial income	119	101	*18*	113	*5*	429	441	*-3*
Net other income	5	5	*12*	23	*-77*	47	87	*-47*
Total operating income	**3 806**	**3 946**	***-4***	**3 929**	***-3***	**15 418**	**15 648**	***-1***
Staff costs	-854	-838	*2*	-827	*3*	-3 353	-3 298	*2*
Other expenses	-997	-911	*9*	-1 017	*-2*	-3 735	-3 872	*-4*
Depreciation, amortisation and impairment of tangible and intangible assets	-15	-14	*5*	-13	*12*	-58	-57	*3*
Total operating expenses	**-1 865**	**-1 764**	***6***	**-1 857**	***0***	**-7 146**	**-7 226**	***-1***
Profit before credit losses	**1 941**	**2 182**	***-11***	**2 072**	***-6***	**8 272**	**8 422**	***-2***
Gains less losses from tangible and intangible assets								
Net expected credit losses	-115	-97	*19*			-427		
Net credit losses				-60			-276	
Operating profit before items affecting comparability	**1 826**	**2 086**	***-12***	**2 012**	***-9***	**7 845**	**8 146**	***-4***
Items affecting comparability								
Operating profit	**1 826**	**2 086**	***-12***	**2 012**	***-9***	**7 845**	**8 146**	***-4***
Cost/Income ratio	0.49	0.45		0.47		0.46	0.46	
Business equity, SEK bn	43.2	43.1		40.7		42.4	40.6	
Return on business equity, %	12.7	14.5		14.8		13.9	15.0	
Number of full time equivalents[1)]	3 594	3 583		3 548		3 596	3 531	

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

- Private and corporate lending grew by SEK 16bn and 21bn, respectively
- Continued focus on integration of services, such as bookkeeping, in cooperation with external parties
- Operating profit amounted to SEK 7,845m and return on business equity was 13.9 per cent

Comments on 2018

Customer activity continued to be high throughout the year, especially in the digital channels. Corporate and private mobile interaction increased by 25 and 20 per cent, respectively, compared to last year.

In the *private segment*, household mortgage lending increased by SEK 13bn (20) and reached SEK 482bn (468). Digitally onboarded private customers increased by around 33 per cent, having onboarded 33,800 customers during the year. Almost 30 per cent of the household mortgage applications were digitally submitted in 2018. New card self-service functionalities were enabled in the SEB app, such as being able to block a payment card.

In the *corporate* segment, the market sentiment continued to be positive. Lending increased compared to last year, where new lending was SEK 21bn and total lending amounted to SEK 242bn (221). The number of full-service corporate customers reached 165,700 (158,800). Corporate customers are offered simplified account reporting and signing of payment files in the Fortnox interface, an enterprise resource planning system (ERP) via a new function integrated in SEB's systems.

In savings, private customers' risk appetite was slightly lower in the fourth quarter, as inflow in fixed income funds increased while inflow in equity funds decreased. The inflow of new assets under management in Private Banking during the fourth quarter continued. Corporate customers' risk appetite remained stable.

Total deposit volumes for both private and corporate customers increased to SEK 421bn (385), excluding repos.

Net interest income was affected by higher resolution fees but increased slightly to SEK 9,473m. Net fee and commission income was affected by lower compensation from fund companies related to MiFID II. Net expected credit losses amounted to SEK 427m with a net expected credit loss level of 5 basis points.

Baltic

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

Income statement (excl. RHC)

	Q4	Q3		Q4		Jan — Dec		
SEK m	**2018**	**2018**	*%*	**2017**	*%*	**2018**	**2017**	*%*
Net interest income	749	735	*2*	640	*17*	2 836	2 373	*20*
Net fee and commission income	377	375		355	*6*	1 449	1 320	*10*
Net financial income	56	75	*-26*	60	*-7*	257	231	*11*
Net other income	-2					-1	2	*-170*
Total operating income	**1 180**	**1 186**		**1 055**	***12***	**4 541**	**3 926**	***16***
Staff costs	-216	-203	*6*	-183	*18*	-801	-711	*13*
Other expenses	-244	-257	*-5*	-217	*13*	-1 014	-959	*6*
Depreciation, amortisation and impairment of tangible and intangible assets	-13	-14	*-8*	-34	*-63*	-53	-77	*-31*
Total operating expenses	**-473**	**-474**		**-434**	***9***	**-1 868**	**-1 746**	***7***
Profit before credit losses	**707**	**711**	***-1***	**621**	***14***	**2 673**	**2 180**	***23***
Gains less losses from tangible and intangible assets	-1				*50*	3	-5	*-164*
Net expected credit losses	-45	-44	*3*			-55		
Net credit losses				-26			-7	
Operating profit before items affecting comparability	**661**	**668**	***-1***	**595**	***11***	**2 621**	**2 167**	***21***
Items affecting comparability								
Operating profit	**661**	**668**	***-1***	**595**	***11***	**2 621**	**2 167**	***21***
Cost/Income ratio	0.40	0.40		0.41		0.41	0.44	
Business equity, SEK bn	10.1	10.1		8.1		9.6	7.8	
Return on business equity, %	21.8	22.0		26.0		22.6	24.4	
Number of full time equivalents[1)]	2 340	2 346		2 386		2 363	2 406	
Baltic Division (incl. RHC)								
Operating profit before items affecting comparability	**652**	**662**	***-2***	**552**	***18***	**2 600**	**1 977**	***32***
Items affecting comparability								
Operating profit	**652**	**662**	***-2***	**552**	***18***	**2 600**	**1 977**	**32**
Cost/Income ratio	0.41	0.40		0.42		0.42	0.45	
Business equity, SEK bn	10.1	10.1		8.1		9.6	8.0	
Return on business equity, %	21.5	21.8		23.9		22.4	21.9	
Number of full time equivalents[1)]	2 341	2 350		2 409		2 377	2 431	

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

- Supportive macroeconomic environment
- Customer usage of digital channels accelerating
- Operating profit amounted to SEK 2,621m and return on business equity was 22.6 per cent

Comments on 2018

The overall macroeconomic situation in the Baltic countries remained healthy. Private consumption, supported by higher employment, rapid wage growth, and exports were significant contributors though the growth rate of exports decelerated. Housing prices and household indebtedness grew in tandem with increases in disposable income.

An increasingly wider range of customers used digital channels and an acceleration was noted in the last quarter of 2018 when corporate functionality in the mobile app was introduced, among other things. The number of home banking customers was 1,054,000 (1,019,000).

Currency effects generally improved the financial results in terms of volume, income and profit growth. Lending volumes amounted to SEK 148bn (129). Both mortgage and corporate lending portfolios increased in all three Baltic countries with broad-based growth across sectors. Deposit volumes grew to SEK 138bn (114) due to increased savings in the private as well as corporate segments. Net interest income increased by 20 per cent due both to volume growth and margin expansion. Net fee and commission income was 10 per cent higher mainly from increased customer activity. Asset quality remained strong and the operating profit increased by 21 per cent.

The remaining real estate properties in the RHC companies have been divested and liquidation processes are in progress, with Estonian and Latvian entities closed during the latter half of 2018.

Life & Investment Management

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

Income statement

	Q4	Q3		Q4		Jan — Dec		
SEK m	**2018**	**2018**	*%*	**2017**	*%*	**2018**	**2017**	*%*
Net interest income	-15	-14	*4*	-24	*-38*	-54	-90	*-40*
Net fee and commission income	1 292	1 250	*3*	1 295	*0*	4 918	4 471	*10*
Net financial income	127	194	*-35*	404	*-69*	955	1 674	*-43*
Net other income	-7	-11	*-32*	5		-6	17	*-135*
Total operating income	**1 396**	**1 419**	***-2***	**1 679**	***-17***	**5 813**	**6 072**	***-4***
Staff costs	-290	-308	*-6*	-402	*-28*	-1 391	-1 561	*-11*
Other expenses	-290	-245	*18*	-264	*10*	-1 012	-963	*5*
Depreciation, amortisation and impairment of tangible and intangible assets	-5	-4	*8*	-10	*-53*	-25	-37	*-32*
Total operating expenses	**-584**	**-558**	***5***	**-676**	***-14***	**-2 429**	**-2 561**	***-5***
Profit before credit losses	**812**	**861**	***-6***	**1 003**	***-19***	**3 384**	**3 511**	***-4***
Gains less losses from tangible and intangible assets								
Net expected credit losses	-1					-2		
Net credit losses								
Operating profit before items affecting comparability	**811**	**861**	***-6***	**1 003**	***-19***	**3 382**	**3 511**	***-4***
Items affecting comparability								
Operating profit	**811**	**861**	***-6***	**1 003**	***-19***	**3 382**	**3 511**	***-4***
Cost/Income ratio	0.42	0.39		0.40		0.42	0.42	
Business equity, SEK bn	7.6	7.7		8.5		8.0	8.4	
Return on business equity, %	36.5	38.6		40.8		36.3	35.8	
Number of full time equivalents[1]	1 243	1 203		1 491		1 328	1 478	

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

- Further steps taken to provide bancassurance services
- Continued improvements in the digital customer offering
- Operating profit amounted to SEK 3,382m and return on business equity was 36.3 per cent

Comments on 2018

The high customer interest in products with a focus towards sustainability remained throughout the year and the core business of occupational pension continued to attract solid customer attention.

Life: In Sweden, a selection of Private Banking customers were offered the possibility of remote insurance advice, representing one more step toward being a full bancassurance provider (combined banking and insurance services). The digital offering within risk-related products was also improved by the possibility for customers to provide and verify digital health declarations. In the most recent market statistics SEB's annual new sales in Sweden remained stable at SEK 22bn, with occupational pension being the main driver, corresponding to a market share of 9.4 per cent (9.3 per cent 2017). In the Baltic countries the fund offering was enhanced via the introduction of new life cycle funds.

Investment Management: Institutional customers showed a continued interest in specialised fixed income products and the fund offering was further enhanced by the introduction of the new concept of "factor funds". The two new sustainability factor funds also contributed to the strong sustainability offering. Assets under management that fulfill SEB:s sustainability criteria amount to approximately SEK 188bn.

Net fee and commission income increased by 10 per cent year-on-year mainly because of MiFID II restrictions compensation is no longer paid out by the fund companies of the division. Net financial income decreased mainly due to the divestment of SEB Pension Denmark (see page 25). Operating profit decreased by 4 per cent to SEK 3,382m year-on-year. Total assets in the unit-linked insurance business decreased by SEK 78bn year on year to SEK 270bn, mainly also relating to the divestment of SEB Pension.

Excluding SEB Pension, income increased by 10 per cent, expenses increased by 5 per cent and operating profit by 15 per cent.

SEB's markets

In Sweden and the Baltic countries, SEB offers financial advice and a wide range of financial services. In Denmark, Finland, Norway, Germany and the United Kingdom, the operations focus on a full-service offering to corporate and institutional clients. SEB also serves its corporate and institutional customers through its international network.

Profit per country

Distribution by country Jan - Dec	Total operating income			Total operating expenses			Operating profit			Operating profit in local currency		
SEK m	**2018**	**2017**	**%**	**2018**	**2017**	**%**	**2018**	**2017**	**%**	**2018**	**2017**	**%**
Sweden[1)]	28 572	27 845	*3*	-14 510	-14 235	*2*	17 533	12 288	*43*	17 533	12 288	*43*
Norway	3 357	3 075	*9*	-1 300	-1 194	*9*	2 105	1 859	*13*	1 970	1 800	*9*
Denmark	2 785	3 411	*- 18*	-1 210	-1 409	*- 14*	1 450	1 918	*- 24*	1 054	1 481	*- 29*
Finland	1 965	1 954	*1*	- 838	- 771	*9*	1 118	1 171	*- 5*	109	122	*- 10*
Germany[2)]	1 561	1 609	*- 3*	-1 021	-1 200	*- 15*	599	- 923		58	- 96	
Estonia	1 672	1 475	*13*	- 627	- 596	*5*	1 035	927	*12*	101	96	*5*
Latvia	1 058	974	*9*	- 562	- 525	*7*	461	368	*25*	45	39	*17*
Lithuania	2 140	1 778	*20*	- 818	- 737	*11*	1 328	1 014	*31*	130	105	*23*
United Kingdom	888	1 477	*- 40*	- 337	- 409	*- 18*	555	1 076	*- 48*	48	98	*- 51*
International network and eliminations	1 871	1 961	*- 5*	- 718	- 860	*- 17*	1 101	1 061	*4*			
Total	**45 868**	**45 561**	***1***	**-21 940**	**-21 936**	***0***	**27 285**	**20 759**	***31***			

1) Sweden: Operating profit before items affecting comparability amounted to SEK 13,027m for 2018 and SEK 12,772m for 2017.
2) Germany: Operating profit before items affecting comparability amounted to SEK 489m for 2017.

- Robust development in Sweden despite negative interest rates and volatile equity markets
- Positive economic development and high customer activity in the Nordic and Baltic countries
- In Germany and the United Kingdom customer activity picked up over the course of the year

Comments on 2018

Sweden: Despite negative interest rates and a decline in the equity markets activity picked up after a slow start of the year. Large corporate and investor services business grew as well as corporate and retail lending and income increased by 3 per cent from 2017. Including items affecting comparability, the divestment of SEB Pension and UC, operating profit increased by 43 per cent (see page 25).

Norway: The Norwegian economy was boosted by increasing oil prices in the beginning of the year. Despite tough competition and pressured margins, SEB was involved in a large number of bond issuance transactions and the demand for financing services was high throughout the year.

Denmark: The banking activities continued to show positive development in line with the robust macro climate in Denmark. In particular, growing business volumes improved revenues in Corporate Banking, Investment Banking and Asset Management with inflow from both domestic and international investors. The divestment of SEB Pension closed which reduced the 2018 result somewhat.

Finland: The macroeconomic conditions improved during the year and SEB cemented the position as the leading bank for an increasing number of core customers. Customer activity was solid across all segments with focus on expanding existing customer relationships.

Germany: The German banking market continued to be highly competitive. In general, the US trade position had a dampening effect on the larger corporations but SEB's customers stayed active throughout the year. Customers requested various debt financing products as well as trade financing products. Excluding an item affecting comparability (page 25), Germany's operating profit increased by 23 per cent. The main business of SEB AG was transferred to the German branch of SEB AB and SEB AG changed name to DSK Hyp AG.

Baltic countries: Currency effects improved the financial results. Income increased in all three countries due to growth in lending volumes, in all segments, and also improved margins. Net expected credit loss provisions returned to more normalised levels in all three countries (see page 19).

United Kingdom: General market conditions led to a muted start to the year, with Brexit contributing to uncertainties. Thereafter customer activity picked up across the product spectrum partly driven by customers putting in place contingency measures ahead of Brexit. The 2017 result included among other things some divestments with capital gains.

The SEB Group

Net interest income – SEB Group

SEK m	Q4 2018	Q3 2018	%	Q4 2017	%	Jan–Dec 2018	Jan–Dec 2017	%
Interest income[1]	9 875	10 068	*- 2*	9 185	*8*	39 299	36 472	*8*
Interest expense	-4 660	-4 749	*- 2*	-4 001	*16*	-18 277	-16 580	*10*
Net interest income	**5 215**	**5 319**	***- 2***	**5 184**	***1***	**21 022**	**19 893**	***6***
1) Whereof interest income calculated using the effective interest method	9 255	9 039	*2*	8 014	*15*	32 907	29 735	*11*

Net fee and commission income – SEB Group

SEK m	Q4 2018	Q3 2018	%	Q4 2017	%	Jan–Dec 2018	Jan–Dec 2017	%
Issue of securities and advisory	448	168	*166*	317	*41*	1 050	1 167	*- 10*
Secondary market and derivatives	575	496	*16*	561	*3*	2 179	2 565	*- 15*
Custody and mutual funds	2 075	2 036	*2*	2 210	*- 6*	8 082	8 040	*1*
Whereof performance fees	*187*	*12*		*225*	*- 17*	*227*	*357*	*- 36*
Payments, cards, lending, deposits, guarantees and other	2 756	2 628	*5*	2 570	*7*	10 858	9 717	*12*
Whereof payments and card fees	*1 537*	*1 498*	*3*	*1 429*	*8*	*5 955*	*5 460*	*9*
Whereof lending	*665*	*577*	*15*	*602*	*10*	*2 527*	*2 254*	*12*
Life insurance commissions	427	449	*- 5*	429	*0*	1 848	1 707	*8*
Fee and commission income	**6 281**	**5 777**	***9***	**6 087**	***3***	**24 018**	**23 196**	***4***
Fee and commission expense	**-1 433**	**-1 265**	***13***	**-1 359**	***5***	**-5 654**	**-5 519**	***2***
Net fee and commission income	**4 848**	**4 512**	***7***	**4 728**	***3***	**18 364**	**17 677**	***4***
Whereof Net securities commissions	*2 149*	*2 035*	*6*	*2 356*	*- 9*	*8 220*	*8 889*	*- 8*
Whereof Net payments and card fees	*971*	*996*	*- 2*	*908*	*7*	*3 851*	*3 454*	*12*
Whereof Net life insurance commissions	*288*	*330*	*- 13*	*285*	*1*	*1 283*	*1 061*	*21*

Fee and commission income by division – SEB Group

SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other[1] & eliminations	SEB Group
Jan–Dec 2018						
Issue of securities and advisory	996	35	17		2	1 050
Secondary market and derivatives	1 694	465	22	4	-5	2 179
Custody and mutual funds	3 519	1 700	192	6 223	-3 551	8 082
Payments, cards, lending, deposits, guarantees and other	4 747	4 982	1 861	426	-1 158	10 858
Life insurance commissions				1 982	-134	1 848
Fee and commission income	**10 956**	**7 182**	**2 091**	**8 635**	**-4 846**	**24 018**
Jan–Dec 2017						
Issue of securities and advisory	1 118	34	14		2	1 167
Secondary market and derivatives	1 920	803	24	6	-189	2 565
Custody and mutual funds	4 112	2 102	177	5 931	-4 282	8 040
Payments, cards, lending, deposits, guarantees and other	4 216	4 625	1 637	604	-1 366	9 717
Life insurance commissions				2 167	-460	1 707
Fee and commission income	**11 366**	**7 565**	**1 852**	**8 708**	**-6 295**	**23 196**

[1] Other consists of business support units, treasury and staff units and German run-off operations.

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

Net financial income – SEB Group

SEK m	Q4 2018	Q3 2018	%	Q4 2017	%	Jan–Dec 2018	Jan–Dec 2017	%
Equity instruments and related derivatives	- 157	449	*-135*	- 32		637	1 410	*-55*
Debt instruments and related derivatives	343	240	*43*	170	*101*	636	- 369	
Currency and related derivatives	1 121	684	*64*	1 049	*7*	3 580	4 023	*-11*
Other life insurance income, net	117	194	*-39*	429	*-73*	984	1 738	*-43*
Other	88	- 61		13		242	78	
Net financial income	**1 512**	**1 506**	***0***	**1 630**	***-7***	**6 079**	**6 880**	***-12***
Whereof unrealized valuation changes from counterparty risk and own credit standing in derivatives and own issued securities [1)]	*-157*	*90*		*61*		*-119*	*210*	*-157*

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

For the fourth quarter the effect from structured products offered to the public was approximately SEK -770m (Q3 2018: 220) in Equity related derivatives and a corresponding effect in Debt related derivatives SEK 940m (Q3 2018: -25).

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

Staff costs – SEB Group

SEK m	Jan–Dec 2018	Jan–Dec 2017	%
Salaries[1)]	-10 414	-10 251	*2*
Short-term incentive[1)]	- 805	- 862	*-7*
Long-term incentive[1)]	- 716	- 743	*-4*
Pension costs	-1 263	-1 354	*-7*
Redundancy costs[1)]	- 251	- 221	*13*
Other staff costs	- 555	- 594	*-7*
Staff costs	**-14 004**	**-14 025**	***0***

1) Including social charges.

SEK m	Jan–Dec 2018	Jan–Dec 2017	%
Short-term incentive (STI) to staff	- 635	- 666	*-5*
Social benefit charges on STI	- 170	- 196	*-13*
Short-term incentive remuneration	**- 805**	**- 862**	***-7***

SEK m	Jan–Dec 2018	Jan–Dec 2017	%
Long-term incentive (LTI) to staff	- 596	- 616	*-3*
Social benefit charges on LTI	- 121	- 127	*-5*
Long-term incentive remuneration	**- 716**	**- 743**	***-4***

Defined benefit pension plans – SEB Group

Balance sheet, SEK m	Jan–Dec 2018	Jan–Dec 2017	%
Defined benefit obligation	26 682	30 821	*-13*
Fair value of plan assets	30 359	34 775	*-13*
Net amount recognised in the balance sheet	**3 677**	**3 955**	***-7***

Income statement, SEK m	Jan–Dec 2018	Jan–Dec 2017	%
Service costs	- 509	- 548	*-7*
Interest costs	- 580	- 651	*-11*
Calculated interest on plan assets	694	727	*-5*
Included in staff costs	**- 395**	**- 472**	***-16***

Other comprehensive income, SEK m	Jan–Dec 2018	Jan–Dec 2017	%
Defined benefit pension plans	- 846	784	

Net expected credit losses – SEB Group

	Q4	Q3		Q4		Jan–Dec		
SEK m	**2018**	**2018**	**%**	**2017**	**%**	**2018**	**2017**	**%**
Impairment gains or losses[1)]	**- 282**	**- 365**	***-23***			**- 864**		
Net provisions[2)]				**377**			**12**	
Write-offs and recoveries								
Total write-offs	- 618	- 218	*183*	- 628		-1 768	-1 367	*29*
Reversals of allowance for write-offs	443	113		110		1 267	318	
Write-offs not previously provided for	- 175	- 105	*67*	- 519		- 501	-1 050	*-52*
Recovered from previous write-offs	45	47	*-3*	37		199	230	*-14*
Net write-offs	**- 130**	**- 59**	***123***	**- 482**		**- 302**	**- 820**	***-63***
Net expected credit losses[1)]	**- 413**	**- 424**	***-3***			**-1 166**		
Net credit losses[2)]				**- 105**			**- 808**	

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

2) Based on IAS 39 incurred loss model.

	Q4 2018	Q3 2018	Q4 2017	Jan–Dec 2018	Jan–Dec 2017
Net ECL level, %	0.08	0.08		0.06	
Credit loss level, %			0.03		0.05

Items affecting comparability – SEB Group

	Q4	Q3		Q4		Jan–Dec		
SEK m	**2018**	**2018**	**%**	**2017**	**%**	**2018**	**2017**	**%**
Other income				494		4 506	494	
Total operating income				**494**		**4 506**	**494**	
Staff costs				-1 320			-1 320	
Other expenses				- 92			- 92	
Depreciation, amortisation and impairment of tangible and intangible assets				- 978			- 978	
Total operating expenses				**-2 390**			**-2 390**	
Items affecting comparability				**-1 896**		**4 506**	**-1 896**	
Income tax on IAC				215		22	215	
Items affecting comparability after tax				**-1 681**		**4 528**	**-1 681**	

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

Items affecting comparability 2018

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

SEB Pension (2018 Q2)

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

UC (2018 Q2)

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

Items affecting comparability 2017

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

Visa Sweden (2017 Q4)

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

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

SEB's German business (2017 Q4)

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

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

Impairment and derecognition of intangible IT assets (2017 Q4)

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

Statement of changes in equity – SEB Group

SEK m	Share capital	Other reserves[1] Available-for-sale financial assets	OCA[2]	Cash flow hedges	Translation of foreign operations	Defined benefit plans	Retained earnings	Equity
Jan-Dec 2018								
Opening balance	21 942	729		1 192	-897	3 379	114 893	**141 237**
Effect of applying IFRS 9[3]		-729	-507				-1 160	**-2 396**
Restated balance at 1 January 2018	**21 942**	**0**	**-507**	**1 192**	**-897**	**3 379**	**113 732**	**138 841**
Net profit							23 134	**23 134**
Other comprehensive income (net of tax)			221	-880	582	-846		**-923**
Total comprehensive income			**221**	**-880**	**582**	**-846**	**23 134**	**22 211**
Dividend to shareholders							-12 459	**-12 459**
Equity-based programmes[5]							-111	**-111**
Change in holdings of own shares							307	**307**
Closing balance	**21 942**	**0**	**-286**	**313**	**-315**	**2 533**	**124 604**	**148 789**
Jan-Dec 2017								
Opening balance	21 942	1 638		2 399	-1 193	2 595	113 595	**140 976**
Effect of applying IFRS 15[4]							-2 640	**-2 640**
Restated balance at 1 January 2017	**21 942**	**1 638**		**2 399**	**-1 193**	**2 595**	**110 955**	**138 336**
Net profit[4]							16 197	**16 197**
Other comprehensive income (net of tax)		-909		-1 207	296	784		**-1 036**
Total comprehensive income		**-909**		**-1 207**	**296**	**784**	**16 197**	**15 160**
Dividend to shareholders							-11 935	**-11 935**
Equity-based programmes[5]							-246	**-246**
Change in holdings of own shares							-78	**-78**
Closing balance	**21 942**	**729**		**1 192**	**-897**	**3 379**	**114 893**	**141 237**

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

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

3) IFRS 9 Financial Instruments is applied from 1 January 2018. Opening balance 2018 has been restated in fourth quarter 2018 with a positive amount of SEK 884m (see page 34).

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

5) Number of shares owned by SEB:

Number of shares owned by SEB, million	Jan-Dec 2018	Jan-Dec 2017
Opening balance	27,1	25,2
Repurchased shares for equity-based programmes	7,0	7,0
Sold/distributed shares	-3,8	-5,0
Closing balance	**30,3**	**27,1**
Market value of shares owned by SEB, SEK m	2 610	2 612

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

Cash flow statement – SEB Group

	Jan–Dec		
SEK m	2018	2017	%
Cash flow from operating activities	28 259	41 526	*- 32*
Cash flow from investment activities	7 014	7 964	*- 12*
Cash flow from financing activities	- 12 459	- 20 030	*- 38*
Net increase in cash and cash equivalents	**22 814**	**29 460**	***- 23***
Cash and cash equivalents at the beginning of year	184 429	158 315	*16*
Exchange rate differences on cash and cash equivalents	12 336	- 3 346	
Net increase in cash and cash equivalents	22 814	29 460	*- 23*
Cash and cash equivalents at the end of period[1)]	**219 579**	**184 429**	***19***

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

	31 Dec 2018		31 Dec 2017	
SEK m	Carrying amount	Fair value	Carrying amount	Fair value
Loans	1 929 272	1 930 470	1 713 518	1 717 729
Debt securities	156 128	156 129	169 268	169 368
Equity instruments	50 434	50 434	59 203	59 203
Financial assets for which the customers bear the investment risk	269 613	269 613	283 420	283 420
Derivatives	115 463	115 463	104 868	104 868
Other	17 194	17 194	15 106	15 106
Financial assets	**2 538 104**	**2 539 303**	**2 345 383**	**2 349 694**
Deposits	1 247 109	1 245 958	1 127 538	1 132 231
Financial liabilities for which the customers bear the investment risk	270 556	270 556	284 291	284 291
Debt securities issued	715 192	713 983	646 475	651 403
Short positions	23 144	23 144	24 985	24 985
Derivatives	96 872	96 872	85 432	85 432
Other	14 722	14 722	18 060	18 060
Financial liabilities	**2 367 595**	**2 365 235**	**2 186 781**	**2 196 402**

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

Assets and liabilities measured at fair value – SEB Group

SEK m	31 Dec 2018				31 Dec 2017			
Assets	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	**Total**	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	**Total**
Loans		100 037		**100 037**				
Debt securities	62 812	76 976	4	**139 792**	71 626	84 041	571	**156 238**
Equity instruments	38 697	3 835	7 902	**50 434**	52 082	4 573	2 414	**59 069**
Financial assets for which the customer bear the investment risk	261 056	7 943	614	**269 613**	275 737	7 053	630	**283 420**
Derivatives	1 327	113 626	510	**115 463**	1 251	102 929	688	**104 868**
Investment in associates	256		501	**757**	251		592	**843**
Non-current assets held for sale					89 229	63 657	29 550	**182 436**
Total	**364 148**	**302 417**	**9 531**	**676 096**	**490 176**	**262 253**	**34 445**	**786 874**
Liabilities								
Deposits		12 497		**12 497**				
Financial liabilities for which the customer bear the investment risk	262 029	7 924	603	**270 556**	276 482	7 185	624	**284 291**
Liabilities to policyholders - insurance	21 752	95		**21 847**				
Debt securities issued		18 518		**18 518**	6 206	28 991		**35 197**
Short positions	18 710	4 371	63	**23 144**	13 984		244	**14 228**
Derivatives	2 616	93 783	473	**96 872**	911	83 724	799	**85 434**
Other financial liabilities at fair value	18	3 595		**3 613**		3 842		**3 842**
Liabilities in disposal groups held for sale					21 055	42 536	8 899	**72 490**
Total	**305 125**	**140 783**	**1 139**	**447 047**	**318 638**	**166 278**	**10 566**	**495 482**

Fair value measurement

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

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

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

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

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

In order to arrive at the fair value of investment properties a market participant's ability to generate economic benefit by using the asset in its highest and best use are taken into account. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible. The current use of the investment properties in SEB is in accordance with the highest and best use. The valuation of investment properties is described in the Accounting policies in the 2017 Annual Report. The valuation of the investment properties is performed semi-annually, they are presented and approved by the board in each real estate company. The valuation principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is in accordance with international valuation principles and in accordance with IFRS.

Level 1: Quoted market prices

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

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

Level 2: Valuation techniques with observable inputs

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

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

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

Level 3: Valuation techniques with significant unobservable inputs

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

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

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

Significant transfers and reclassifications between levels

Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committee of each relevant division decides on material shifts between levels. At the end of the third quarter 2018 Equity instruments (Fund assets) within the insurance holdings at the amount of SEK 279m have been transferred from level 2 into level 3 as a result of calibration of the classification methodology.

Changes in level 3	Closing balance 31 Dec 2017	Changes due to IFRS 9 implemen-tation1)	Gain/loss in Income statement	Gain/loss in Other compre-hensive income	Purchases	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Closing balance 31 Dec 2018
Assets											
Debt securities	571	-567									4
Equity instruments	2 414	1 870	1 084		2 594	-447		279		108	7 902
Financial assets for which the customer bear the investment risk	630		-53		105	-97				29	614
Derivatives	688		75		5	-121	-136			-1	510
Investment in associates	592		-120		66	-42				5	501
Total	**4 895**	**1 303**	**986**		**2 770**	**-707**	**-136**	**279**		**141**	**9 531**
Liabilities											
Financial liabilities for which the customer bear the investment risk	624		-53		100	-96				28	603
Short positions	244		19		-203					3	63
Derivatives	799		-75		-114	5	-142				473
Total	**1 667**		**-109**		**-217**	**-91**	**-142**			**31**	**1 139**

1) Equity instruments restated in fourth quarter 2018.

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.

	31 Dec 2018					31 Dec 2017			
SEK m	Assets	Liabilities	Net	Sensitivity		Assets	Liabilities	Net	Sensitivity
Derivative instruments1) 2) 4)	510	-473	38	45		688	-798	-110	38
Equity instruments3) 6)	2 584	-63	2 521	505		1 245	-244	1 001	209
Insurance holdings - Financial instruments4) 5) 7)	5 576		5 576	697		2 380		2 380	331
Assets-liabilities held for sale 4) 5) 6) 7)						16 070	-2 395	13 675	1 657

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

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

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

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

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

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

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

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

SEK m	Gross amounts	Offset	Net amounts in balance sheet	Related arrangements: Master netting arrangements	Related arrangements: Collaterals received/pledged	Net amounts	Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
	Financial assets and liabilities subject to offsetting or netting arrangements							
31 Dec 2018								
Derivatives	119 346	-4 593	**114 753**	-59 473	-32 842	**22 439**	710	**115 463**
Reversed repo receivables	158 494	-60 367	**98 127**	-2 892	-95 235		1 258	**99 385**
Securities borrowing	28 690		**28 690**		-28 497	**193**	208	**28 898**
Client receivables	190	-190					12 826	**12 826**
Assets	**306 720**	**-65 150**	**241 570**	**-62 364**	**-156 574**	**22 632**	**15 002**	**256 572**
Derivatives	100 059	-4 593	**95 467**	-59 473	-25 894	**10 100**	1 406	**96 872**
Repo payables	63 433	-60 367	**3 066**	-2 892		**175**	522	**3 588**
Securities lending	26 059		**26 059**		-25 388	**670**	3	**26 062**
Client payables	190	-190					9 572	**9 572**
Liabilities	**189 742**	**-65 150**	**124 591**	**-62 364**	**-51 283**	**10 945**	**11 502**	**136 094**
31 Dec 2017								
Derivatives	111 634	-7 826	**103 808**	-58 922	-29 374	**15 512**	1 060	**104 868**
Reversed repo receivables	104 354	-61 735	**42 620**	-6 613	-36 007			**42 620**
Securities borrowing	3 782		**3 782**	-3 165	-512	**105**	12 955	**16 736**
Client receivables							11 817	**11 817**
Assets	**219 770**	**-69 560**	**150 210**	**-68 701**	**-65 892**	**15 617**	**25 832**	**176 042**
Derivatives	92 496	-7 826	**84 670**	-58 922	-18 293	**7 455**	763	**85 434**
Repo payables	68 348	-61 735	**6 613**	-6 613				**6 613**
Securities lending	9 604		**9 604**	-3 165	-6 152	**287**	911	**10 515**
Client payables							10 894	**10 894**
Liabilities	**170 448**	**-69 560**	**100 888**	**-68 701**	**-24 445**	**7 742**	**12 569**	**113 456**

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

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

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

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

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

SEK m	31 Dec 2018	1 Jan 2018
Stage 1 (12-month ECL)		
Gross carrying amounts/Nominal amounts	2 172 175	1 901 083
ECL allowances	-838	-787
Carrying amounts/Net amounts	**2 171 337**	**1 900 296**
ECL coverage ratio, %	0.04	0.04
Stage 2 (lifetime ECL)[1)]		
Gross carrying amounts/Nominal amounts	86 837	101 027
ECL allowances	-1 605	-1 425
Carrying amounts/Net amounts	**85 233**	**99 602**
ECL coverage ratio, %	1.85	1.41
Stage 3 (credit impaired/lifetime ECL)[2)]		
Gross carrying amounts/Nominal amounts	8 400	11 437
ECL allowances	-3 370	-3 917
Carrying amounts/Net amounts	**5 030**	**7 520**
ECL coverage ratio, %	40.11	34.25
Total		
Gross carrying amounts/Nominal amounts	2 267 412	2 013 547
ECL allowances	-5 813	-6 129
Carrying amounts/Net amounts	**2 261 600**	**2 007 418**
ECL coverage ratio, %	0.26	0.30

1) Whereof gross carrying amounts SEK 1,169m (1,223) and ECL allowances SEK 2m (2) under Lifetime ECLs - simplified approach for trade receivables.

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

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

Non-performing loans – SEB Group

SEK m	31 Dec 2017
Individually assessed loans	
Impaired loans	**5 999**
Specific reserves	- 2 187
Collective reserves	- 1 120
Impaired loans net	**2 692**
Specific reserve ratio for individually assessed impaired loans	36.5%
Total reserve ratio for individually assessed impaired loans	55.1%
Net level of impaired loans	0.25%
Gross level of impaired loans	0.39%
Portfolio assessed loans	
Loans past due > 60 days	2 273
Restructured loans	11
Collective reserves for portfolio assessed loans	- 1 170
Reserve ratio for portfolio assessed loans	51.2%
Non-performing loans[1)]	
Non-performing loans	8 283
NPL coverage ratio	54.9%
NPL per cent of lending	0.54%

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

Reserves	
Specific reserves	- 2 187
Collective reserves	- 2 290
Reserves for off-balance sheet items	- 75
Total reserves	**- 4 552**

Seized assets – SEB Group

SEK m	31 Dec 2018	31 Dec 2017
Properties, vehicles and equipment	5	207
Shares	29	42
Total seized assets	**33**	**249**

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

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

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

During the second quarter the Baltic division completed the divestment of investment properties.

IFRS 9 and 15 transition disclosures – SEB Group

The transition disclosures on pages 35-41 correspond to the transition disclosures published on sebgroup.com on 28 March 2018. They outline the changes to SEB's financial statements as of 1 January 2018 from primarily three areas: (1) the effects of IFRS 15 Revenue from Contracts with Customers and the restatement of the income statement and the balance sheet, (2) a change in the presentation of SEB's balance sheet to better reflect the new requirements under IFRS 9 Financial Instruments and (3) the effects of transition from IAS 39 to IFRS 9 as per 1 January 2018. Additional information about SEB's adoption of IFRS 15 and IFRS 9 is available in the Annual Report 2017 note 1a "Significant changed accounting policies applicable from 1 January 2018" (page 90-93).

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

IFRS 9: As of 1 January 2018, IFRS 9 introduced new requirements for classification and measurement, impairment and hedge accounting. SEB's balance sheet was adjusted to better reflect the measurement categories and accounting policies under IFRS 9. The new balance sheet applies from 1 January 2018. In order to facilitate comparison, the balance sheet per 31 December 2017 is presented in both the new and old format. The new balance sheet and more detailed information about the differences between IAS 39 and IFRS 9 are presented on page 35-36.

The new requirements implied a change in the classification and measurement of financial assets and liabilities which reduced the 2018 opening balance for retained earnings by SEK 3,281m. In the fourth quarter 2018, the opening balance of some equity instruments classified as fair value through profit and loss has been restated. The positive effect from the restatement of SEK 884m reduces the effect on retained earnings from the implementation of IFRS 9 to SEK 2,396m. The available-for-sale category under IAS 39, where fair value changes were reported in Other comprehensive income, ceased and valuations of fair value are reported in Net financial income. Certain holdings in Treasury that were classified as available-for-sale are now classified as amortised cost and fair value to profit or loss, mandatorily. As a result, a positive fair value in the amount of SEK 620m was recognised. Regarding the classification and measurement of financial liabilities, the rules entail a change of reporting the own credit risk adjustment (OCA). Under IAS 39, the change in OCA was reported in Net financial income and is now reported in Other comprehensive income. The classification of bonds issued by SEB AG maturing beyond the year 2020 changed to fair value through profit or loss from amortised cost. This reduced the opening balance of retained earnings by SEK 1,847m. An aggregate overview of the transitional effects from classification and measurement under IFRS 9, along with a detailed description for each portfolio, is presented on page 37-40.

The impairment model for credit losses was changed from an incurred loss model to an expected loss model which resulted in an increase of allowances amounting to SEK 1,578m. The net effect after tax is a SEK 1,170m reduction of retained earnings. The increase in allowances was driven by three main factors: First, *all* items in scope were each assigned a reserve. Second, there was an increase of allowances for off-balance sheet commitments mainly in the retail portfolios. Third, a forward-looking view of the macroeconomic development was incorporated in the calculation of expected credit losses. There are three different scenarios that reflect SEB's view on macroeconomic development. Further information on expected credit losses and gross carrying amounts is provided on page 41.

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

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

Transition disclosures – Change in presentation of balance sheet

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

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

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

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

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

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

Transition disclosures – from IAS 39 to IFRS 9

SEK m	New presentation of Closing balance 31 December 2017	IFRS 9 Financial instruments: Change of Classifications[3]	IFRS 9 Financial instruments: Change in ECL allowances	Opening balance 1 January 2018
Cash and cash balances at central banks	177 222			177 222
Loans to central banks	12 778		0	12 778
Loans to credit institutions	38 717		-2	38 715
Loans to the public	1 486 765	14	-972	1 485 808
Debt securities	169 269	-341	-1	168 928
Equity instruments	59 204	884		60 087
Financial assets for which the customers bear the investment risk	283 420			283 420
Derivatives	104 868			104 868
Other assets	224 664		-2	224 662
TOTAL ASSETS	**2 556 908**	**557**	**-977**	**2 556 489**

SEK m	New presentation of Closing balance 31 December 2017	IFRS 9 Financial instruments: Change of Classifications[3]	IFRS 9 Financial instruments: Change in ECL allowances	Opening balance 1 January 2018
Deposits from central banks and credit institutions	95 489	15		95 504
Deposits and borrowings from the public	1 032 048	2 656		1 034 704
Financial liabilities for which the customers bear the investment risk	284 291			284 291
Liabilities to policyholders	18 911			18 911
Debt securities issued	614 033	54		614 087
Short positions	24 985			24 985
Derivatives	85 434			85 434
Other financial liabilities	3 894			3 894
Other liabilities [1] [2]	256 585	-942	193	255 836
Total liabilities	**2 415 671**	**1 783**	**193**	**2 417 647**
Equity	**141 237**	**-1 227**	**-1 170**	**138 841**
TOTAL LIABILITIES AND EQUITY	**2 556 908**	**557**	**-977**	**2 556 489**

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

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

3) Equity instruments and Equity restated in fourth quarter 2018.

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

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

Assets, SEK m	Closing balance 2017-12-31 under IAS 39 measurement categories							Opening balance 2018-01-01 under IFRS 9 measurement categories						
	HFT	FVO	AFS	LaR	HTM	Other [1]	Total	FVHFT	FVMPL [2]	FVDPL	FVOCI	AmC	Other [1]	Total
Cash and cash balances at central banks				177 222			**177 222**					177 222		**177 222**
Loans to central banks				12 778			**12 778**	334				12 444		**12 778**
Loans to credit institutions				38 717			**38 717**	56				38 659		**38 715**
Loans to the public				1 486 765			**1 486 765**	42 250	1 012			1 442 546		**1 485 808**
Debt securities	109 513	20 902	25 824	13 030			**169 269**	33 983	108 135	7 647		19 162		**168 928**
Equity instruments	48 371	8 880	1 952				**59 204**	48 371	11 716					**60 087**
Financial assets for which the customers bear the investment risk		283 420					**283 420**		283 420					**283 420**
Derivatives	98 281					6 587	**104 868**	98 281					6 587	**104 868**
Other assets				13 041		211 623	**224 664**					13 039	211 623	**224 662**
TOTAL	**256 165**	**313 203**	**27 776**	**1 741 554**		**218 211**	**2 556 908**	**223 275**	**404 283**	**7 647**		**1 703 072**	**218 211**	**2 556 489**

Liabilities, SEK m	Closing balance 2017-12-31 under IAS 39 measurement categories							Opening balance 2018-01-01 under IFRS 9 measurement categories						
	HFT	FVO		AmC		Other [1]	Total	FVHFT		FVDPL		AmC	Other [1)2)]	Total
Deposits from central banks and credit institutions				95 489			**95 489**	731		63		94 710		**95 504**
Deposits and borrowings from the public				1 032 048			**1 032 048**	5 893		11 831		1 016 980		**1 034 704**
Financial liabilities for which the customers bear the investment risk		284 291					**284 291**			284 291				**284 291**
Liabilities to policyholders						18 911	**18 911**						18 911	**18 911**
Debt securities issued		24 388		589 645			**614 033**			24 630		589 457		**614 087**
Short positions	24 985						**24 985**	24 985						**24 985**
Derivatives	84 571					863	**85 434**	84 571					863	**85 434**
Other financial liabilities	3 894						**3 894**	3 894						**3 894**
Other liabilities				13 142		243 443	**256 585**					13 142	242 694	**255 836**
Equity						141 237	**141 237**						138 841	**138 841**
TOTAL	**113 450**	**308 679**		**1 730 325**		**404 455**	**2 556 908**	**120 074**		**320 815**		**1 714 289**	**401 310**	**2 556 489**

1) Refers to non-financial assets and liabilities, equity and hedge accounting derivatives measure at fair value through profit and loss.
2) Equity instruments and Equity restated in fourth quarter 2018.

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

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

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

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

Assets

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

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

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

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

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

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

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

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

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

As of 1 January 2018, SEB has measured a portion of its portfolio previously classified as available-for-sale as debt securities at amortised cost. These instruments are held in a hold to collect business model and meet the IFRS 9 (SPPI) criteria. The fair value of these instruments 31 December 2017 was SEK 6 474m. The accumulated OCI for the debt securities was SEK 402m as of 31 of December 2017 and where a positive market valuation of SEK has been removed as of 1 January 2018. The effect on equity from remeasurement (SEK 341m), accumulated OCI and tax adjustment was SEK 264m.

As of 31 December 2018 the fair value of the debt securities at amortised cost, but previously classified as available-for-sale, was SEK 6 239m. A fair value loss of SEK 158 would have been recognised if the financial assets had not been reclassified.

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

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

Assets, cont.

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

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

Available-for-sale	**1 952**	-1 952				
Reclassified to FVTPL mandatorily[1)]		1 952	884		**2 836**	**FVTPL mandatorily**
Total	**1 952**	**0**	**884**	**0**	**2 836**	

1) Restated in fourth quarter 2018.

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

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

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

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

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

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

Liabilities

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

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

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

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

Transition disclosures – impairment provisions - IAS 39 and IFRS 9

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

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

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

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

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

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

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

SEB consolidated situation

Capital adequacy analysis for SEB consolidated situation

SEK m	31 Dec 2018	31 Dec 2017
Own funds		
Common Equity Tier 1 capital	125 857	118 204
Tier 1 capital	141 108	132 127
Total own funds	159 331	147 849
Own funds requirement		
Risk exposure amount	716 498	610 819
Expressed as own funds requirement	57 320	48 866
Common Equity Tier 1 capital ratio	17.6%	19.4%
Tier 1 capital ratio	19.7%	21.6%
Total capital ratio	22.2%	24.2%
Own funds in relation to own funds requirement	2.78	3.03
Regulatory Common Equity Tier 1 capital requirement including buffer	11.2%	10.9%
of which capital conservation buffer requirement	2.5%	2.5%
of which systemic risk buffer requirement	3.0%	3.0%
of which countercyclical capital buffer requirement	1.2%	0.9%
Common Equity Tier 1 capital available to meet buffer [1)]	13.1%	14.9%
Leverage ratio		
Exposure measure for leverage ratio calculation	2 773 608	2 519 532
of which on balance sheet items	2 311 250	2 140 093
of which off balance sheet items	462 358	379 439
Leverage ratio	5.1%	5.2%

[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 31 December 2018, the internally assessed capital requirement, including insurance risk, amounted to SEK 67bn (64). The internal capital requirement is assessed using SEB's internal models for economic capital and is not fully comparable to the estimated capital requirement published by the Swedish Financial Supervisory Authority due to differences in assumptions and methodologies.

Own funds for SEB consolidated situation

SEK m	31 Dec 2018	31 Dec 2018
Shareholders equity according to balance sheet [1]	148 789	143 925
Deductions related to the consolidated situation and other foreseeable charges	-14 227	-14 357
Common Equity Tier 1 capital before regulatory adjustments [2]	**134 562**	**129 568**
Additional value adjustments	-868	-663
Intangible assets	-6 467	-6 225
Deferred tax assets that rely on future profitability		-75
Fair value reserves related to gains or losses on cash flow hedges	-313	-1 192
Negative amounts resulting from the calculation of expected loss amounts	-78	-1 307
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	8	99
Defined-benefit pension fund assets	-816	-1 807
Direct and indirect holdings of own CET1 instruments	-172	-193
Total regulatory adjustments to Common Equity Tier 1	**-8 705**	**-11 364**
Common Equity Tier 1 capital	**125 857**	**118 204**
Additional Tier 1 instruments	15 251	13 922
Tier 1 capital	**141 108**	**132 127**
Tier 2 instruments	18 987	18 171
Net provisioning amount for IRB-reported exposures	436	126
Holdings of Tier 2 instruments in financial sector entities	-1 200	-2 575
Tier 2 capital	**18 222**	**15 722**
Total own funds	**159 331**	**147 849**

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

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

Risk exposure amount for SEB consolidated situation

SEK m	31 Dec 2018		31 Dec 2017	
Credit risk IRB approach	**Risk exposure amount**	**Own funds requirement [1]**	**Risk exposure amount**	**Own funds requirement [1]**
Exposures to central governments or central banks	11 602	928	9 319	745
Exposures to institutions	51 033	4 083	32 838	2 627
Exposures to corporates	342 713	27 417	326 317	26 105
Retail exposures	63 171	5 054	62 296	4 984
of which secured by immovable property	36 720	2 938	36 558	2 925
of which retail SME	7 027	562	7 033	563
of which other retail exposures	19 424	1 554	18 704	1 496
Securitisation positions	987	79	838	67
Total IRB approach	**469 506**	**37 560**	**431 607**	**34 529**
Credit risk standardised approach				
Exposures to central governments or central banks	2 241	179	4 060	325
Exposures to institutions	649	52	844	68
Exposures to corporates	14 539	1 163	18 197	1 456
Retail exposures	13 310	1 065	12 084	967
Exposures secured by mortgages on immovable property	2 184	175	2 539	203
Exposures in default	168	13	112	9
Exposures associated with particularly high risk	761	61	866	69
Securitisation positions			222	18
Exposures in the form of collective investment undertakings (CIU)	45	4	41	3
Equity exposures	4 045	324	1 972	158
Other items	5 885	471	7 801	624
Total standardised approach	**43 827**	**3 506**	**48 739**	**3 899**
Market risk				
Trading book exposures where internal models are applied	25 020	2 002	24 892	1 991
Trading book exposures applying standardised approaches	7 711	617	9 881	790
Foreign exchange rate risk	2 889	231	4 022	322
Total market risk	**35 620**	**2 850**	**38 794**	**3 104**
Other own funds requirements				
Operational risk advanced measurement approach	47 151	3 772	48 219	3 858
Settlement risk	9	1	38	3
Credit value adjustment	7 605	608	6 767	541
Investment in insurance business	16 633	1 331	16 633	1 331
Other exposures	4 556	365	4 219	338
Additional risk exposure amount [2]	91 591	7 327	15 802	1 264
Total other own funds requirements	**167 545**	**13 404**	**91 678**	**7 334**
Total	**716 498**	**57 320**	**610 819**	**48 866**

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

[2] At 31 December 2018 an amount of SEK 91,591m was established in Additional REA in compliance with the change in SFSA's regulatory requirements, according to Article 458, for risk-weight floors in the Swedish mortgage portfolio. At 31 December 2017, Additional REA amounted to SEK 15,802m, established in 2015 in agreement with the SFSA as a measure of prudence under Capital Requirements Regulation (EU) No 575/2013 (CRR) Article 3. This amount was removed in Q1 2018 following the approval of SEB's recalibrated corporate PD model.

Change in risk exposure amount (REA)

REA increased by SEK 105bn in 2018 to SEK 716bn.

A number of *model, methodology and policy* changes impacted REA during the year. In the first quarter, SEB's application to recalibrate corporate PDs (probability of default) was approved, resulting in a REA increase of SEK 16bn. The additional REA, established in 2015 in agreement with the SFSA as a measure of prudence, that amounted to SEK 15.8bn at year-end 2017 was released following the approval. IFRS 9 was implemented with reclassification of assets and changes in allowances generating a decrease of SEK 2bn in credit risk REA and a decrease of SEK 9bn in market risk REA. At year-end 2018, based on requirements from the Swedish FSA, the mortgage risk-weight floor was moved to Pillar 1, corresponding to an increase in REA of SEK 92bn.

An increase in credit volumes contributed to higher credit risk REA (*asset size*), partly offset by improved *asset quality*. *Foreign exchange movements* also contributed to increased REA. Underlying market and operational risk changes (excluding model changes) includes an increase in market risk REA of SEK 12bn due to increased risk exposures.

SEK bn	
Balance 31 Dec 2017	**611**
Asset size	29
Asset quality	-22
Foreign exchange movements	18
Model updates, methodology & policy, other	68
Underlying market and operational risk changes	12
Balance 31 Dec 2018	**716**

Average risk-weight

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

IRB reported credit exposures (less repos and securities lending) **Average risk-weight**	**31 Dec 2018**	**31 Dec 2017**
Exposures to central governments or central banks	3.0%	3.3%
Exposures to institutions	25.4%	24.0%
Exposures to corporates	31.0%	31.6%
Retail exposures	10.2%	10.4%
of which secured by immovable property	6.8%	7.0%
of which retail SME	57.7%	59.6%
of which other retail exposures	30.8%	30.7%
Securitisation positions	9.3%	10.6%

Skandinaviska Enskilda Banken AB (publ)

Income statement – Skandinaviska Enskilda Banken AB (publ)

In accordance with FSA regulations	Q4	Q3		Q4		Jan–Dec		
SEK m	**2018**	**2018**	**%**	**2017**	**%**	**2018**	**2017**	**%**
Interest income	10 295	9 811	*5*	7 990	*29*	38 071	32 285	*18*
Leasing income	1 416	1 413	*0*	1 382	*2*	5 656	5 481	*3*
Interest expense	-6 305	-5 737	*10*	-4 311	*46*	-21 867	-17 750	*23*
Dividends	676	844	*-20*	1 207	*-44*	9 130	6 981	*31*
Fee and commission income	3 519	3 132	*12*	3 176	*11*	13 281	12 153	*9*
Fee and commission expense	- 825	- 727	*13*	- 649	*27*	-3 218	-2 596	*24*
Net financial income	1 594	983	*62*	962	*66*	4 574	4 493	*2*
Other income	77	184	*-58*	509	*-85*	1 770	1 342	*32*
Total operating income	**10 446**	**9 903**	***5***	**10 267**	***2***	**47 398**	**42 390**	***12***
Administrative expenses	-3 914	-3 775	*4*	-3 571	*10*	-15 263	-14 252	*7*
Depreciation, amortisation and impairment of tangible and intangible assets	-1 386	-1 375	*1*	-2 332	*-41*	-5 512	-6 377	*-14*
Total operating expenses	**-5 300**	**-5 150**	***3***	**-5 903**	***-10***	**-20 775**	**-20 629**	***1***
Profit before credit losses	**5 146**	**4 753**	***8***	**4 364**	***18***	**26 623**	**21 761**	***22***
Net expected credit losses[1)]	-296	-371	*-20*			-1 020		
Net credit losses[2)]				- 162			- 749	
Impairment of financial assets	- 128	- 458	*-72*	-1 347	*-90*	-2 928	-1 497	*96*
Operating profit	**4 722**	**3 924**	***20***	**2 855**	***65***	**22 675**	**19 515**	***16***
Appropriations	1 561	570	*174*	664	*135*	2 716	1 885	*44*
Income tax expense	-1 366	-1 111	*23*	- 713	*91*	-3 789	-3 633	*4*
Other taxes	138	22		19		118	43	*176*
NET PROFIT	**5 056**	**3 406**	***48***	**2 825**	***79***	**21 720**	**17 811**	***22***

1) Expected credit loss figures for 2018 according to IFRS 9.

2) Incurred credit loss figures for 2017 according to IAS 39.

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

	Q4	Q3		Q4		Jan–Dec		
SEK m	**2018**	**2018**	**%**	**2017**	**%**	**2018**	**2017**	**%**
NET PROFIT	**5 056**	**3 406**	***48***	**2 825**	***79***	**21 720**	**17 811**	***22***
Items that may subsequently be reclassified to the income statement:								
Available-for-sale financial assets				- 759			- 878	
Cash flow hedges	- 207	- 114	*82*	- 261	*-21*	- 880	-1 207	*-27*
Translation of foreign operations	- 60	2		- 10		- 11	- 8	*38*
OTHER COMPREHENSIVE INCOME	**- 267**	**- 112**	***138***	**-1 030**	***-74***	**- 891**	**-2 093**	***-57***
TOTAL COMPREHENSIVE INCOME	**4 789**	**3 294**	***45***	**1 795**	***167***	**20 829**	**15 718**	***33***

Balance sheet - Skandinaviska Enskilda Banken AB (publ)

SEK m	31 Dec 2018	1 Jan 2018	31 Dec 2017
Cash and cash balances with central banks	164 081	97 741	97 741
Loans to central banks	29 665	8 832	8 832
Loans to credit institutions	90 668	189 949	189 949
Loans to the public	1 410 687	1 204 761	1 205 906
Debt securities	119 227	124 732	125 070
Equity instruments	36 993	50 981	50 098
Derivatives	113 282	104 220	104 220
Other assets	113 672	110 345	110 347
TOTAL ASSETS	**2 078 275**	**1 891 561**	**1 892 163**
Deposits from central banks and credit institutions	160 022	134 562	134 561
Deposits and borrowings from the public[1)]	927 224	849 488	849 479
Debt securities issued	680 396	610 292	610 292
Short positions	23 144	24 985	24 985
Derivatives	95 269	86 990	86 990
Other financial liabilities	3 613	3 894	3 894
Other liabilities	55 059	55 717	55 772
Untaxed reserves	20 855	21 429	21 429
Equity	112 695	104 204	104 762
TOTAL LIABILITIES, UNTAXED RESERVES AND EQUITY	**2 078 275**	**1 891 561**	**1 892 163**
1) Private and SME deposits covered by deposit guarantee	202 823	186 674	186 674
Private and SME deposits not covered by deposit guarantee	154 785	135 254	135 254
All other deposits	569 616	527 560	527 551
Total deposits from the public	**927 224**	**849 488**	**849 479**

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

SEK m	31 Dec 2018	31 Dec 2017
Pledged assets for own liabilities	489 784	447 925
Other pledged assets	82 072	114 494
Pledged assets	**571 856**	**562 419**
Contingent liabilities	134 317	103 059
Commitments	535 168	435 488
Obligations	**669 486**	**538 547**

Statement of equity - Skandinaviska Enskilda Banken AB (publ)

SEK m	31 Dec 2018	1 Jan 2018	31 Dec 2017
Share capital	21 942	21 942	21 942
Other restricted reserves	13 298	13 425	13 425
Equity, restricted	**35 240**	**35 367**	**35 367**
Change in holdings of own shares	-2 649	-2 657	-2 657
Other reserves	5	897	1 476
Other non-restricted equity	58 378	52 787	52 765
Net profit for the year	21 720	17 811	17 811
Equity, non-restricted[1]	**77 454**	**68 837**	**69 395**
TOTAL	**112 695**	**104 204**	**104 762**

1) The closing balance is equivalent to Distributable items according to Regulation (EU) No 575/2013 (CRR).

Capital adequacy - Skandinaviska Enskilda Banken AB (publ)

SEK m	31 Dec 2018	31 Dec 2017
Own funds		
Common Equity Tier 1 capital	108 336	101 810
Tier 1 capital	123 587	115 733
Total own funds	141 904	131 328
Own funds requirement		
Risk exposure amount	640 442	514 328
Expressed as own funds requirement	51 235	41 146
Common Equity Tier 1 capital ratio	16.9%	19.8%
Tier 1 capital ratio	19.3%	22.5%
Total capital ratio	22.2%	25.5%
Own funds in relation to capital requirement	2.77	3.19
Regulatory Common Equity Tier 1 capital requirement including buffers	8.3%	8.2%
of which capital conservation buffer requirement	2.5%	2.5%
of which countercyclical capital buffer requirement	1.3%	1.2%
Common Equity Tier 1 capital available to meet buffers [1]	12.4%	15.3%

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

The internally assessed capital requirement for the parent company amounted to SEK 62bn (61).

Definitions - Alternative Performance Measures[1)]

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

Operating profit
Total profit before tax.

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

Net profit
Total profit after tax

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

Return on equity excluding items affecting comparability
Net profit attributable to shareholders, excluding items affecting comparability and their related tax effect, in relation to average[2)] shareholders' equity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APMs related to credit risk:
Pre IFRS 9 implementation
Credit loss level
Net credit losses in relation to the total of the opening balances of the year of loans to the public, loans to credit institutions and loan guarantees net of specific, collective and off balance sheet reserves.

Gross level of impaired loans
Individually assessed impaired loans, gross, in relation to the total of loans to the public and loans to credit institutions net of reserves.

Net level of impaired loans
Individually assessed impaired loans, net of specific reserves, in relation to the total of net loans to the public and loans to credit institutions net of specific reserves and collective reserves.

Specific reserve ratio for individually assessed impaired loans
Specific reserves in relation to individually assessed impaired loans.

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

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

Non-performing loans (NPL)
SEB's term for loans that are either impaired or non-performing according to the loan agreement. Includes individually assessed impaired loans, portfolio assessed loans, past due more than 60 days and restructured portfolio assessed loans.

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

NPL per cent of lending
Non-performing loans in relation to the total of loans to the public and loans to credit institutions net of reserves.

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

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

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

Common Equity Tier 1 capital
Shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets and certain other regulatory adjustments defined in EU Regulation no 575/2013 (CRR).

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

Tier 2 capital
Mainly subordinated loans liabilities not qualifying as Tier 1 capital contribution.

Own funds
The sum of Tier 1 and Tier 2 capital.

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

Tier 1 capital ratio
Tier 1 capital as a percentage of risk exposure amount.

Total capital ratio
Total own funds as a percentage of risk exposure amount.

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

Liquidity Coverage Ratio (LCR)
High-quality liquid assets in relation to the estimated net cash outflows over the next 30 calendar days.

This is SEB

Our vision	To deliver world-class service to our customers.
Our purpose	We believe that entrepreneurial minds and innovative companies are key to creating a better world. We are here to enable them to achieve their aspirations and succeed through good times and bad.
Our overall ambition	To be the undisputed leading Nordic bank for corporations and institutions and the top universal bank in Sweden and the Baltic countries.
Whom we serve	2,300 large corporations, 700 financial institutions, 267,000 SME and 1.4 million private full-service customers bank with SEB.
Our strategic priorities	Leading customer experience – develop long-term relationships based on trust so that customers feel that the services and advice offered are insightful about their needs, are convenient and accessible on their terms and that SEB shares knowledge and acts proactively in their best interest. Growth in areas of strength – pursue growth in three selected core areas – offering to all customer segments in Sweden, large corporations and financial institutions in the Nordic countries, Germany and the United Kingdom and savings offering to private individuals and corporate customers. Resilience and flexibility – maintain resilience and flexibility in order to adapt operations to the prevailing market conditions. Resilience is based upon cost and capital efficiency.
Values	Guided by our Code of Business Conduct and our core values: customers first, commitment, collaboration and simplicity.
People	Around 15,000 highly skilled employees serving customers from locations in some 20 countries; covering different time zones, securing reach and local market knowledge.
History	160 years of business, trust and sharing knowledge. The bank has always acted responsibly in society promoting entrepreneurship, international outlook and long-term relationships.

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