

Annual Accounts 2017

STOCKHOLM 31 JANUARY 2018



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The fourth quarter result included several items affecting comparability that are described on page 9. In order to simplify the reporting and analysis of SEB's result, the net of operating income and operating expenses is presented in a new line in the income statement – Operating profit before items affecting comparability. Below this line, another new line is presented – Items affecting comparability.

Full year 2017

(Compared with the full year 2016)

- Operating income SEK 45.6bn (43.3), operating expenses SEK 21.9bn (21.8), operating profit before items affecting comparability SEK 22.7bn (20.3) and net profit SEK 16.2bn (10.6).
- Net credit losses SEK 808m (993) with a credit loss level of 0.05 per cent (0.07).
- Return on equity 11.5 per cent (7.8), return on equity excluding items affecting comparability 12.7 per cent (11.3) and earnings per share SEK 7.49 (4.88).

Fourth quarter 2017

(Compared with the third quarter 2017)

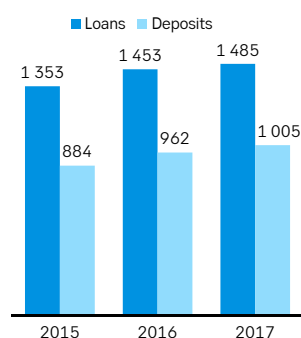
- Operating income SEK 11.9bn (11.1), operating expenses SEK 5.6bn (5.4), operating profit before items affecting comparability SEK 6.1bn (5.4) and net profit SEK 3.2bn (4.2).
- Net credit losses SEK 105m (284) with a credit loss level of 0.03 per cent (0.07).
- Return on equity 8.8 per cent (12.1), return on equity excluding items affecting comparability 13.5 per cent (12.1) and earnings per share SEK 1.47 (1.96).

Dividend

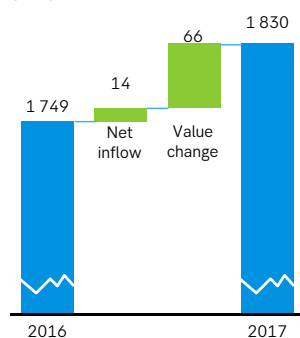
- The Board of Directors proposes a dividend to the shareholders of SEK 5.75 per share (5.50).

Volumes and key ratios

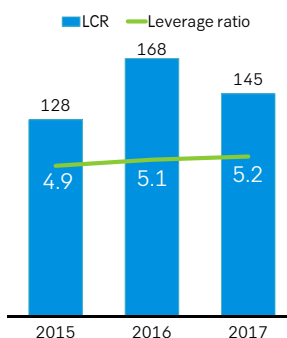
Loans to and deposits from the public
SEK bn



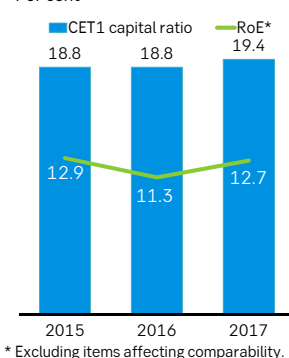
Assets under management
SEK bn



Liquidity coverage & Leverage ratios
Per cent



CET 1 capital ratio/Return on equity
Per cent



President's comment

As we close the books on 2017 we can conclude that the macroeconomic sentiment – and thereby business sentiment – has grown more positive. Spurred by more jobs, higher asset prices and higher investment levels as well as increased trade, the world economy is gearing up despite heightened geopolitical uncertainty. The Eurozone as well as Sweden have now experienced negative rates for more than three years. Global equity markets have risen by more than 50 per cent in the past two years while market volatility has remained low. At the same time, long-term trends such as the demographic shift with ageing populations and technology change seem to affect the global economic environment towards an extended period of increased savings and low interest rates. Central banks have a difficult balancing act to return to a more conventional monetary policy going forward.

High customer activity and diverse business mix generate robust profit growth

SEB has set the strategic aspiration to be the leading Nordic bank for corporations and institutions and the top universal bank in Sweden and the Baltic countries. During the year, all customer segments increased their activity levels. Large corporate clients benefitted from favourable financing conditions and improved growth prospects. IPO and M&A activity picked up and debt capital markets saw high activity, albeit demand for traditional bank financing was subdued. Financial institution customers continued to enjoy strong equity markets but were also challenged by the abundance of liquidity and diverging bond markets. Financial institutions face an increasingly complex regulatory environment and here we have been able to support them through our broad custody offering including also administrative and back office services. In the more positive business sentiment, small and medium-sized corporate customers in Sweden and the Baltic countries increased their demand for lending. As part of the implementation of the new MiFID regulation, we enhanced our offering to private banking customers. Assets under management increased by SEK 80bn to SEK 1,830bn. The Swedish housing market seem to be stabilising and SEB grew the mortgage portfolio below market pace.

All in all, operating income grew by 5 per cent, while underlying operating expenses were stable at below SEK 22bn. Asset quality remained very high and operating profit before items affecting comparability grew by 12 per cent. This means that with the Common Equity Tier 1 capital ratio at 19.4 per cent, return on equity reached 12.7 per cent.

Growing SEB's core business and stepping up the transformation agenda

Since the start of our business plan for 2016-2018, we have grown corporate lending by 6 per cent, FX-adjusted. In the LC&FI division, new clients account for 15 per cent of client income. In Sweden we have broadened our corporate foothold with 16 500 more SME customers. In the private segment, we see that digital on-boarding is appreciated by customers. Close to one third of all digital mortgage applications are converted into loans. We have stepped up our transformation agenda by increasingly focusing on areas where we have scale and can add value as well as simplifying processes and increasing customer convenience and accessibility.

In an environment of rapid technological development but also more complexity, speed, agility and transparency are increasingly important. Two weeks ago, we communicated the impact of new accounting principles, impairment of IT assets and restructuring costs for the transformation of our German business into a branch with full focus on German corporate and financial institution customers. In December, we signed an agreement with Danica (a subsidiary to Danske Bank) to divest SEB Pension in Denmark – a business that we have developed considerably over the past ten years. The regulatory approval is pending. The divestment creates further flexibility to continue to grow and invest in our core customer segments.

We are well positioned to continue to deliver solid customer value and profit growth as we are now starting the work to set the direction for the next phase from 2019 and onwards for our Vision 2025. However, first we want to continue to deliver on the last year of our current business plan and financial targets including our cost cap of SEK 22bn. The whole SEB team is deeply committed to deliver world-class service in everything we do so that we can be the preferred choice over the long-term in the eyes of our customers.



The full year 2017

Operating profit before items affecting comparability increased by 12 per cent and amounted to SEK 22,702m (20,296). Net profit (after tax) amounted to SEK 16,244m (10,618).

Operating income

Total operating income increased by 5 per cent to SEK 45,609m (43,251).

Net interest income amounted to SEK 19,893m representing an increase of 6 per cent year-on-year (18,738). Both the Swedish repo rate and the ECB euro refinancing interest rate remained unchanged, at -0.5 and zero per cent, respectively.

SEK m	Jan–Dec		Change %
	2017	2016	
Customer-driven NII	21 794	20 464	6
NII from other activities	-1 901	-1 726	10
Total	19 893	18 738	6

Year-on-year, customer-driven net interest income increased by SEK 1,330m. Lending volumes and lending margins contributed positively in roughly equal parts. Deposit margins were down due to effects from the negative interest rates that were not reflected in customer pricing. The deposit volume effect on the change in net interest income was negligible.

Net interest income from other activities decreased by SEK 175m, year-on-year. Regulatory fees, including resolution fund and deposit guarantee fees were SEK 436m higher than 2016 and amounted to SEK 1,798m (1,362). In 2016, a resolution fund fee of 4.5 basis points applied to the adjusted balance sheet volumes was charged, versus 9 basis points for the year 2017. In 2018, the fee will be 12.5 basis points. The resolution fund fee beyond 2018 is outlined on page 10.

Net fee and commission income increased by 7 per cent and amounted to SEK 17,725m (16,628). Corporate customers were active in the capital markets taking advantage of the low interest rate levels. The gross related fees from the issue of securities and advisory fees increased by SEK 367m year-on-year. Corporate demand for new traditional lending was lower, especially among large corporations, and gross

lending fees were down by 11 per cent compared to 2016. The stock market values increased during the year. Both market values and new business volumes combined led to an increase in gross fee income related to custody and mutual funds in the amount of SEK 776m to SEK 8,040m. Out of this amount, total performance and transaction fees increased by SEK 81m to SEK 356m (275). Net payments and card fees increased by 6 per cent, SEK 191m, year-on-year. Gross life insurance commissions related to the unit-linked insurance business increased by SEK 54m.

Net financial income decreased by 3 per cent to SEK 6,880m (7,056). High volatility and market activity characterised the beginning of 2017, but this subsided to a low level for the rest of the year. The market conditions affected credit spreads which in turn led to a positive change in the fair value credit adjustment¹⁾. Compared to 2016, this adjustment increased by SEK 429m to SEK 210m (-219).

Net other income increased by 34 per cent to SEK 1,112m (829). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses were stable at SEK 21,936m (21,812). A 3 per cent decrease in staff costs was offset by an increase in other expenses. The average number of full time equivalents decreased by 333 compared to 2016, to 14,946. SEB's cost cap remains unchanged at SEK 22bn for 2018.

Net credit losses and provisions

Net credit losses were low at SEK 808m (993). The credit loss level was 5 basis points (7).

Items affecting comparability

The net total of items affecting comparability, was an expense of SEK -1,896m (-5,429). See page 9 for detailed information.

Comparative numbers (in parenthesis):

The result for the full year 2017 is compared to the full year 2016.

The fourth quarter 2017 result is compared to the third quarter 2017.

Business volumes are compared to year-end 2016, unless otherwise stated.

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

Income tax expense

Income tax expense increased by 7 per cent and amounted to SEK 4,562m (4,249). The effective tax rate for the year was 22 per cent. In both 2017 and 2016, there were tax effects from the items affecting comparability (see page 9). In 2017, new legislation was introduced in Sweden, which discontinued the tax deductibility of interest expenses on subordinated debt that qualifies as Tier 1 or Tier 2 capital. This increased income tax expenses by SEK 362m.

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

Return on equity

Return on equity for the full year was 11.5 per cent (7.8). Excluding items affecting comparability *return on equity* was 12.7 per cent (11.3).

Other comprehensive income

Other comprehensive income amounted to SEK -1,036m (-946).

The value of the pension plan assets exceeds the defined benefit obligations. The discount rate used for the pension obligation in Sweden was 2.2 per cent (2.4 at year-end 2016). The net value of the defined benefit pension plan assets and liabilities increased since year-end leading to other comprehensive income of SEK 784m (-1,875).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. the total of cash-flow hedges, available-for-sale financial assets and translation of foreign operations, was negative and amounted to SEK -1,820m (929). A dividend in the amount of SEK 494m was received from Visa Sweden and was reported as an item affecting comparability (see page 9). The dividend reduced the valuation of the holdings in Visa Sweden, which was recognised in the line item available-for-sale.

The fourth quarter 2017

Operating profit before items affecting comparability increased by 14 per cent compared with the third quarter to SEK 6,112m (5,380). Compared with the fourth quarter 2016, operating profit before items affecting comparability increased by 10 per cent. *Net profit (after tax)* decreased by 25 per cent to SEK 3,184m (4,243).

Operating income

Total operating income increased by 6 per cent to SEK 11,858m compared with the third quarter (11,141) and increased by 2 per cent from SEK 11,618m in the fourth quarter 2016.

Net interest income, which amounted to SEK 5,184m, increased by 2 per cent compared with the previous quarter (5,080) and increased by 8 per cent year-on-year. Both the Swedish repo rate and the ECB euro refinancing interest rate were unchanged, at -0.5 and zero per cent respectively.

	Q4	Q3	Q4
SEK m	2017	2017	2016
Customer-driven NII	5 487	5 481	5 424
NII from other activities	-303	-401	-626
Total	5 184	5 080	4 798

Customer-driven net interest income was virtually unchanged compared with the third quarter 2017. Both lending volumes and margins contributed positively at an equal degree to the net interest income, but this contribution was offset by a negative deposit margin effect.

Net interest income from other activities improved by SEK 98m compared to the third quarter 2017. Resolution fund and deposit guarantee fees combined decreased by SEK 64m to SEK 389m (453) since the actual deposit guarantee fee debited for the year was lower than expected. Compared with the fourth quarter 2016, the resolution fund and deposit guarantee fees increased by SEK 58m.

Net fee and commission income increased by 18 per cent to SEK 4,739m (4,026) and increased by 3 per cent compared with the fourth quarter 2016.

The seasonal slowdown in customer activity noted in the third quarter reversed and corporate activity both in capital markets and customer demand for traditional lending increased. Gross fees from the issue of securities and advisory fees increased by SEK 180m compared to the third quarter and by SEK 86m year-on-year while gross lending fees were up by SEK 83m in the quarter.

Average stock market values increased during the quarter and gross fee income from custody and mutual funds at SEK 2,210m increased by 14 per cent, SEK 268m. Total performance and transaction fees increased by SEK 186m and amounted to SEK 225m (39). Net payments and card fees increased by 8 per cent, while net commissions relating to the unit-linked life insurance business were almost flat.

Net financial income decreased by 6 per cent to SEK 1,630m (1,726) and was down by 20 per cent compared to the fourth quarter 2016. The fair value credit adjustment¹⁾ decreased by SEK 230m in the fourth quarter and amounted to SEK 61m (291). The financial markets were calm with low volatility and activity levels. Institutional customers had a limited need to reallocate their portfolios or adjust their hedging solutions. The net financial income relating mainly to the traditional life insurance operations in Sweden and Denmark decreased by SEK 65m to SEK 429m (494).

Net other income was virtually unchanged at SEK 305m (308) in the fourth quarter and increased by 76 per cent compared to the fourth quarter 2016. Realised capital gains and unrealised valuation as well as hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses increased by 3 per cent to SEK 5,605m (5,423). There was a seasonal increase in staff costs in the amount of SEK 145m.

Net credit losses and provisions

Net credit losses decreased by 63 per cent to SEK 105m (284). The credit loss level was 3 basis points (7).

Items affecting comparability

The net total of items affecting comparability was an expense of SEK 1,896m (0). See page 9 for detailed information.

Income tax expense

Total *income tax expense* decreased by 9 per cent to SEK 1,032m (1,138). The effective tax rate for the fourth quarter was 24 per cent (21).

Return on equity

Return on equity for the fourth quarter was 8.8 per cent (12.1). Excluding items affecting comparability, the *return on equity* was 13.5 per cent (12.1).

Other comprehensive income

The *other comprehensive income* amounted to SEK -1,688m (-75).

The value of the pension plan assets exceeds the defined benefit obligations. The discount rate for the pension obligation in Sweden at 2.2 per cent was unchanged in the quarter. In Germany, the discount rate was unchanged at 1.9 per cent. The defined benefit obligation decreased while the market value of the pension assets was virtually unchanged. The net effect from the net defined benefit obligation on other comprehensive income was SEK -927m (266).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. the total of cash-flow hedges, available-for-sale financial assets and translation of foreign operations, was negative in the amount of SEK -760m (-340). A dividend in the amount of SEK 494m was received from Visa Sweden and was reported as an item affecting comparability (see page 9). The dividend reduced the valuation recognised in the line item available-for-sale with the same amount.

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

Business volumes

Total assets at the end of the year were SEK 2,560bn, which was a decrease by SEK 61bn during the year (2,621).

Loans

SEK bn	Dec	Dec
	2017	2016
General governments	34	28
Households	576	549
Corporates	805	786
Repos	42	63
Debt securities	13	15
Other	14	12
Loans to the public	1 485	1 453

Loans to the public (on the balance sheet) amounted to SEK 1,485bn, an increase of SEK 32bn during the year. The credit portfolio (in which loans, commitments and derivatives are included), excluding banks, increased by SEK 25bn to SEK 2,061bn (2,036).

The credit portfolio increased mainly due to growth in Swedish and Baltic household mortgage lending in the amount of SEK 22bn and Swedish housing cooperative associations by SEK 7bn. The real estate management credit portfolio decreased by SEK 8bn year-on-year, while the corporate credit portfolio remained stable.

Deposits

SEK bn	Dec	Dec
	2017	2016
General governments	17	35
Households	300	277
Corporates	645	605
Repos	6	1
Other	37	44
Deposits and borrowings from the public	1 005	962

Deposits and borrowings from the public amounted to SEK 1,005bn. Corporate deposits increased by SEK 40bn during the year. Household deposits increased by SEK 23bn.

Assets under management and custody

Total assets under management amounted to SEK 1,830bn (1,749). The net inflow of assets during the year was SEK 14bn and the market value increased by SEK 66bn.

Assets under custody increased partly reflecting the increased stock market values since year-end and amounted to SEK 8,046m (6,859).

Risk and capital

Market risk

SEB's business model is driven by customer demand. Value-at-Risk (VaR) in the trading operations averaged SEK 91m in 2017 (112). On average, the Group does not expect to lose more than this amount during a period of ten trading days, with 99 per cent probability.

VaR was relatively stable during the year as the volatility across all asset classes continued to be limited while exposure from equity options was reduced. In the fourth quarter, tighter credit spreads and smaller FX exposures also contributed to lower VaR.

Liquidity and long-term funding

Short-term funding in the form of commercial paper and certificates of deposit decreased by SEK 44bn from year-end 2016.

SEK 87bn of long-term funding matured during 2017 (of which SEK 47bn covered bonds, SEK 28bn senior debt and SEK 12bn subordinated debt). During the year new issues amounted to SEK 80bn (of which SEK 55bn constituted covered bonds, SEK 20bn senior debt and SEK 5bn additional tier 1 subordinated debt). SEB's inaugural own green bond in the amount of EUR 500m was part of the senior funding raised.

The liquidity reserve, as defined by the Swedish Bankers' Association, amounted to SEK 340bn at the end of the year (427).

The Liquidity Coverage Ratio (LCR), according to the rules adapted for Sweden by the Swedish Financial Supervisory Authority (SFSA), must be at least 100 per cent in total and in EUR and USD, respectively. At the end of the period, the LCR was 145 per cent (168). The USD and EUR LCRs were 284 and 217 per cent, respectively.

The Bank is committed to a stable funding base. SEB's internal structural liquidity measure, which measures the proportion of stable funding in relation to illiquid assets, Core Gap, was 108 per cent (114).

Rating

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

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

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

Capital position

SEB's Common Equity Tier 1 (CET1) capital ratio was 19.4 per cent. SEB's estimate of the full pillar 1 and 2 CET1 capital requirements – where the pillar 2 requirements were calculated according to the methods set by the SFSA – was 17.2 per cent per year-end 2017. In the first quarter, the SFSA increased the countercyclical buffer requirement by 0.5 percentage points to 2.0 per cent. The Bank aims to have a buffer of around 150 basis points above the capital requirement.

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

On 7 December 2017, the Group of Governors and Heads of Supervision agreed a package to complete the revisions to Basel III standards ("Basel IV"). The standards cover the standardised and internal ratings based approaches to credit risk, operational risk, and the application of an output floor. The output floor was set at 72.5 per cent based on the standardised approaches with a gradual phase-in starting in 2022 with full application in 2027.

SEB has a solid capital position as well as capital generation which, combined with the long phase-in period, provides the bank with a strong basis to comply with the finalised Basel III standards and the current dividend policy can be maintained. There are, however, still large uncertainties regarding the final calibration of the proposals and possible implications for SEB. These uncertainties mainly consist of how the standards might be revised when implemented into EU legislation and to what degree the SFSA might change the calibration of the current Swedish capital requirements.

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

	Dec	Dec
Own funds requirement, Basel III	2017	2016
Risk exposure amount, SEK bn	611	610
Common Equity Tier 1 capital ratio, %	19.4	18.8
Tier 1 capital ratio, %	21.6	21.2
Total capital ratio, %	24.2	24.8
Leverage ratio, %	5.2	5.1

Total REA remained unchanged over the year. The increase in credit volumes led to higher credit risk REA, which however was largely offset by foreign exchange movements and improved asset quality. Market risk REA decreased by SEK 4bn.

The total capital ratio decreased when issued Tier 2 subordinated debt in the amount of EUR 750m was repaid in September. SEB also called subordinated debt in the amount of EUR 500m in December. The capital base reflected this event already as of 30 September, since SEB had applied for approval from the SFSA to call the capital.

The effects from the items affecting comparability are included in the CET1 ratio for 2017. The effects from IFRS 9 and 15 will be included in the first quarter 2018.

Long-term financial targets

SEB's long-term financial targets are:

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

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

Dividend

The Board proposes to the Annual General Meeting a dividend of SEK 5.75 per Class A and Class C share, which corresponds to a pay-out ratio of 77 per cent. Excluding items affecting comparability the pay-out ratio was 70 per cent. The total dividend amounts to SEK 12.5bn (11.9), calculated on the total number of issued shares as per 31 December 2017, excluding own shares held. 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 2018. The proposed record date for the dividend is 28 March 2018 and dividend payments will be disbursed on 4 April 2018.

Other information

On 19 January 2018, SEB communicated the financial impact of items affecting comparability and changes in accounting policies.

Items affecting comparability

In order to facilitate the comparison of SEB's underlying operating profit between time periods, SEB has moved items affecting comparability to be presented as a separate line in the income statement.

For a summary and an analysis of which lines in the income statement that would have been impacted without the presentation change, see table Items affecting comparability on page 27.

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

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

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

SEB's German business

In line with previous communication, the core business in Germany 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 cost of SEK 891m in the fourth quarter. The transfer will take place in the second quarter 2018.

Impairment and derecognition of intangible IT assets

In the fourth quarter, 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.

Items affecting comparability 2016

The total effect of Items affecting comparability in 2016 was a cost in the amount of SEK 5,429m before tax and SEK 5,352m after tax.

Visa Baltic

The settlement of the transaction of SEB's Baltic holdings in Visa Europe resulted in a gain of SEK 520m in the second quarter 2016. The gain generated a tax expense of SEK 24m.

Reorganisation and restructuring

SEB implemented a new customer-oriented organisation which resulted in an impairment of goodwill in the amount of SEK 5,334m in the first quarter 2016. This expense was not tax deductible.

There were financial effects from restructuring activities in the Baltic and German businesses as well as an impairment and derecognition of intangible IT assets no longer in use. The total amount was SEK 615m and there was a positive tax effect amounting to SEK 101m in the first quarter 2016.

Changes in accounting policies in 2018

As of 1 January 2018, *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers* came into force. IFRS 9 replaced *IAS 39 Financial Instruments: Recognition and Measurement* and IFRS 15 replaced *IAS 18 Revenue*.

The impact from IFRS 9 will be recognised as an adjustment to retained earnings at 1 January 2018. The impact from IFRS 15 will be recognised as an adjustment of retained earnings at 1 January 2017. The adjustments will reduce retained earnings by SEK 5 967m.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements in mainly three areas that are described below. The total effect will reduce the 2018 opening retained earnings balance by SEK 3,281m.

1. Classification and measurement

The requirements imply a smaller change in the classification and measurement of financial assets. The Available-for-sale category under IAS 39, where market valuations were reported in Other comprehensive income, will cease and valuations of fair value will going forward be reported in Net financial income. Certain holdings in Treasury that were classified as Available-for-sale will now be measured at amortised cost. As a result, the positive fair value in the amount of SEK 264m will be derecognised.

Regarding the classification and measurement of financial liabilities the rules entail a change of reporting own credit risk adjustment (OCA). Under IAS 39, the change in OCA was reported in Net financial income but will going forward be reported in Other comprehensive income. The classification of bonds issued by SEB AG maturing beyond the year 2020 will be changed to fair value through profit or loss from amortised cost. This will reduce opening balance of retained earnings by SEK 1,847m.

2. Impairment of credit losses

The impairment model for credit losses was changed from an incurred loss model to an expected loss model. The increase in the credit loss reserves is driven by three main factors: Firstly, all items in scope are each assigned a reserve. Secondly, an increase of credit reserves on the retail portfolios. Thirdly, the incorporation of a negative scenario in the calculation of the expected losses.

The change will lead to an increase of the credit reserves at an amount of SEK 1,578m. The net effect after tax will be a SEK 1,170m reduction of retained earnings. Going forward the application of the IFRS 9 requirements will probably increase volatility in profit and loss.

3. Hedge accounting

The new hedge accounting rules do not yet cover macro hedge accounting. There is an option to remain with IAS 39 accounting standards which SEB has chosen to utilise.

IFRS 15 Revenue from Contracts with Customers

As communicated in the third quarter interim report, the main effect from IFRS 15 on SEB is that the treatment of contract costs for investment contracts within Life will change so that a smaller part of deferred acquisition costs (DAC) is recognised as an asset. The change will result in a decrease of the deferred acquisition cost in the balance sheet of SEK 2,640m. The effect will be 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 will be restated reducing income by SEK 47m.

Changes in resolution fund fee requirements

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, is expected to be reached by the year 2025.

Divestment of SEB Pension Denmark

On 14 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) for total proceeds of DKK 6.5bn, consisting of a cash consideration of DKK 5.0bn and a pre-closing dividend of DKK 1.5bn. The pre-closing dividend will be in addition to the dividend of DKK 1.1bn which SEB received in the first six months of 2017.

As per year-end 2017, assets under management by SEB Pension amounted to DKK 101bn, and the net profit contribution was DKK 490m for the year. The effect on key financial ratios, on a pro forma basis will be limited. The Common Equity Tier 1 ratio will improve by approximately 0.60 percentage points and earnings per share will see a limited negative impact. The divestment reduces SEB's exposure to market risk.

The completion of the sale is among other things conditional upon regulatory approvals and certain preparations for separation and is currently expected to occur during the summer of 2018.

There was no profit or loss effect from the transaction in 2017, but the assets and liabilities pertaining to SEB Pension were reclassified to Assets and liabilities held for sale as of the fourth quarter.

Risks and uncertainties

SEB assumes credit, market, liquidity, IT and operational as well as life insurance risks. The risk composition of the Group, as well as the related risk, liquidity and capital management, are described in SEB's Annual Report for 2016 (see page 40-45 and notes 17, 19 and 20), in the Capital Adequacy and Risk Management Report for 2016 and the quarterly additional Pillar 3 disclosures for 2017. Further information is presented in the Fact Book on a quarterly basis.

The outlook for the world economy is increasingly positive and risks are less prominent. However, large global economic imbalances remain and the potential

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

The German Federal Ministry of Finance issued a circular on 17 July 2017 with administrative guidance in relation to withholding taxes on dividends in connection with certain cross-border securities lending and derivative transactions. The circular states an intention to examine transactions executed prior to the change in tax legislation that was enacted 1 January 2016. Following a review, SEB is of the opinion that the cross-border securities lending and derivative transactions of SEB up until 1 January 2016 were conducted in compliance with then prevailing rules. It can nevertheless not be ruled out that a change in policy of German authorities may have financial effects on SEB.

Stockholm, 31 January 2018

The President declares that the Annual Accounts for the year 2017 provide a fair overview of the Parent Company's and the Group's operations, their financial position and results and describe material risks and uncertainties facing the Parent Company and the Group.

Johan Torgeby

President and Chief Executive Officer

Press conference and webcasts

The press conference at 9.30 CET on 31 January 2018, at Kungsträdgårdsgatan 8 with the President and CEO Johan Torgeby can be followed live in Swedish on sebgroupp.com/sv/ir. A simultaneous translation into English will be available on sebgroupp.com/ir. A replay will be available afterwards.

Access to telephone conference

The telephone conference at 13.00 CET 31 January 2018 with the President and CEO, Johan Torgeby, the CFO Jan Erik Back and the Head of Investor Relations, Jonas Söderberg, can be accessed by telephone, +44(0)1452 541 003. Please quote conference id: 9890317 and call at least 10 minutes in advance. A replay of the conference call will be available on sebgroupp.com/ir.

Further information is available from:

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

Financial information calendar 2018

5 March	Annual Report 2017 published on sebgroupp.com
26 March	Annual General Meeting
30 April	Interim Report January-March
17 July	Interim Report January-June
25 October	Interim Report January-September

The silent period starts 10 April
The silent period starts 7 July
The silent period starts 8 October

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

Accounting policies

This Interim Report is presented in accordance with IAS 34 *Interim Financial Reporting*. The Group's consolidated accounts have been prepared in accordance with the *International Financial Reporting Standards (IFRS)* and interpretations of these standards as adopted by the European Commission. The accounting also follows the *Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559)* and the regulation and general guidelines issued by the Swedish Financial Supervisory Authority: *Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25)*. In addition, the *Supplementary Accounting Rules for Groups (RFR 1)* from the Swedish Financial Reporting Board have been applied. The Parent Company has prepared its accounts in accordance with *Swedish Annual Act for Credit Institutions and Securities Companies*, the Swedish Financial Supervisory Authority's *Regulations and General Guidelines (FFFS 2008:25) on Annual Reports in Credit Institutions and Securities Companies* and the *Supplementary Accounting Rules for Legal Entities (RFR 2)* issued by the Swedish Financial Reporting Board.

As of 1 January 2017 there are clarifications of several IFRS standards. *IAS 12 Income Taxes* has been amended regarding recognition of deferred tax assets for unrealised losses. *IAS 7 Statements of Cash Flows* has been amended and *IFRS 12 Disclosure of Interests in*

Other Entities has been clarified. These amendments were applicable as of 1 January 2017. The EU has endorsed the amendment to IAS 12 and IAS 7, but not yet the amendment of IFRS 12. The changes have not had a material effect on the financial statements of the Group or on capital adequacy and large exposures.

See page 9, Changes in accounting policies in 2018, for information on the impact from *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers*.

The Group changed the presentation of the income statement in the fourth quarter 2017 by adding a line, Items affecting comparability. The Group also added a line with the net of operating income and operating expenses, Operating profit before items affecting comparability. See page 42 for a definition of items affecting comparability. The purpose of the change is to simplify reporting and facilitate the comparison of operating profit between time periods. The change applies as of 1 January 2017 and comparative numbers have been changed.

In all other material aspects, the Group's and the Parent Company's accounting policies, basis for calculations and presentations are unchanged in comparison with the 2016 Annual Report.

Review report

We have reviewed this interim report for the period 1 January 2017 to 31 December 2017 for Skandinaviska Enskilda Banken AB (publ.). The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

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

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

Stockholm 31 January 2018

PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant
Partner in charge

Martin By
Authorised Public Accountant

The SEB Group

Income statement – SEB Group

SEK m	Q4			Q3			Q4			Jan–Dec		
	2017	2017	%	2016	%	2017	2016 ¹⁾	%	2017	2016 ¹⁾	%	
Net interest income	5 184	5 080	2	4 798	8	19 893	18 738	6				
Net fee and commission income	4 739	4 026	18	4 609	3	17 725	16 628	7				
Net financial income	1 630	1 726	-6	2 038	-20	6 880	7 056	-3				
Net other income	305	308	-1	173	76	1 112	829	34				
Total operating income	11 858	11 141	6	11 618	2	45 609	43 251	5				
Staff costs	-3 523	-3 378	4	-3 774	-7	-14 025	-14 422	-3				
Other expenses	-1 830	-1 719	6	-1 727	6	-6 947	-6 619	5				
Depreciation, amortisation and impairment of tangible and intangible assets	-252	-325	-23	-208	21	-964	-771	25				
Total operating expenses	-5 605	-5 423	3	-5 709	-2	-21 936	-21 812	1				
Profit before credit losses	6 253	5 719	9	5 909	6	23 672	21 439	10				
Gains less losses from tangible and intangible assets	-37	-54	-32	-67	-45	-162	-150	8				
Net credit losses	-105	-284	-63	-284	-63	-808	-993	-19				
Operating profit before items affecting comparability	6 112	5 380	14	5 558	10	22 702	20 296	12				
Items affecting comparability	-1 896					-1 896	-5 429					
Operating profit	4 216	5 380	-22	5 558	-24	20 806	14 867	40				
Income tax expense	-1 032	-1 138	-9	-1 314	-21	-4 562	-4 249	7				
Net profit	3 184	4 243	-25	4 244	-25	16 244	10 618	53				

1) Items affecting comparability reclassified.

Attributable to shareholders	3 184	4 243	-25	4 244	-25	16 244	10 618				
Basic earnings per share, SEK	1.47	1.96		1.96		7.49	4.88				
Diluted earnings per share, SEK	1.46	1.95		1.95		7.46	4.85				

Statement of comprehensive income – SEB Group

SEK m	Q4			Q3			Q4			Jan–Dec		
	2017	2017	%	2016	%	2017	2016	%	2017	2016	%	
Net profit	3 184	4 243	-25	4 244	-25	16 244	10 618	53				
<i>Items that may subsequently be reclassified to the income statement:</i>												
Available-for-sale financial assets	-729	-84		-91		-909	990					
Cash flow hedges	-261	-286	-9	-473	-45	-1 207	-811	49				
Translation of foreign operations	230	30		-94		296	750	-61				
<i>Items that will not be reclassified to the income statement:</i>												
Defined benefit plans	-927	266		1 883		784	-1 875					
Other comprehensive income (net of tax)	-1 688	-75		1 225		-1 036	-946	10				
Total comprehensive income	1 495	4 168	-64	5 469	-73	15 208	9 672	57				
Attributable to shareholders	1 495	4 168	-64	5 469	-73	15 208	9 672	57				

Balance sheet – SEB Group

SEK m	31 Dec 2017	31 Dec 2016
Cash and cash balances with central banks	177 222	151 078
Other lending to central banks	12 778	66 730
Loans to credit institutions ¹⁾	34 715	50 527
Loans to the public	1 484 803	1 453 019
Financial assets at fair value through profit or loss ²⁾	575 955	785 026
Fair value changes of hedged items in a portfolio hedge	93	111
Available-for-sale financial assets ²⁾	27 776	35 747
Investments in subsidiaries and associates	1 314	1 238
Tangible and intangible assets	12 052	20 158
Other assets	48 877	56 425
Non-current assets and disposal groups classified as held for sale	184 011	587
Total assets	2 559 596	2 620 646
Deposits from central banks and credit institutions ³⁾	89 076	119 864
Deposits and borrowing from the public ³⁾	1 004 721	962 028
Liabilities to policyholders	303 202	403 831
Debt securities issued	614 033	668 880
Financial liabilities at fair value through profit or loss	114 313	213 496
Fair value changes of hedged items in a portfolio hedge	1 046	1 537
Other liabilities	75 170	67 082
Provisions	3 009	2 233
Subordinated liabilities	32 390	40 719
Liabilities of disposal groups classified as held for sale	178 710	
Total equity	143 925	140 976
Total liabilities and equity	2 559 596	2 620 646
1) Loans to credit institutions and liquidity placements with other direct participants in interbank fund transfer systems.		
2) Whereof bonds and other interest bearing securities.	162 827	252 421
3) Deposits covered by deposit guarantees.	285 439	252 815

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

Pledged assets, contingent liabilities and commitments – SEB Group

SEK m	31 Dec 2017	31 Dec 2016
Pledged assets for own liabilities ¹⁾	477 220	478 998
Pledged assets for liabilities to insurance policyholders	436 890	403 831
Other pledged assets ²⁾	136 998	154 518
Pledged assets	1 051 109	1 037 347
Contingent liabilities ³⁾	122 896	120 231
Commitments	563 181	655 350
Contingent liabilities and commitments	686 077	775 581

1) Of which collateralised for covered bonds SEK 355,587m (346,585).

2) Of which securities lending SEK 59,443m (61,498) and pledged but unencumbered bonds SEK 57,390m (80,718).

3) Of which credit guarantees SEK 11,419m (14,309).

Key figures – SEB Group

	Q4	Q3	Q4	Jan–Dec	
	2017	2017	2016	2017	2016
Return on equity, %	8.83	12.13	12.28	11.53	7.80
Return on equity excluding items affecting comparability ¹⁾ , %	13.45	12.13	11.75	12.67	11.30
Return on total assets, %	0.45	0.59	0.60	0.57	0.37
Return on risk exposure amount, %	2.08	2.76	2.76	2.65	1.80
Cost/income ratio	0.47	0.49	0.49	0.48	0.50
Basic earnings per share, SEK	1.47	1.96	1.96	7.49	4.88
Weighted average number of shares ²⁾ , millions	2 168	2 168	2 168	2 168	2 178
Diluted earnings per share, SEK	1.46	1.95	1.95	7.46	4.85
Weighted average number of diluted shares ³⁾ ,	2 179	2 179	2 178	2 178	2 188
Net worth per share, SEK	74.84	73.91	73.00	74.84	73.00
Equity per share, SEK	66.42	65.80	65.00	66.42	65.00
Average shareholders' equity, SEK, billion	144.2	139.9	138.2	140.9	136.2
Credit loss level, %	0.03	0.07	0.08	0.05	0.07
Liquidity Coverage Ratio (LCR) ⁴⁾ , %	145	120	168	145	168
Own funds requirement, Basel III					
Risk exposure amount, SEK m	610 819	614 619	609 959	610 819	609 959
Expressed as own funds requirement, SEK m	48 866	49 169	48 797	48 866	48 797
Common Equity Tier 1 capital ratio, %	19.4	19.2	18.8	19.4	18.8
Tier 1 capital ratio, %	21.6	21.5	21.2	21.6	21.2
Total capital ratio, %	24.2	24.0	24.8	24.2	24.8
Leverage ratio, %	5.2	4.7	5.1	5.2	5.1
Number of full time equivalents ⁵⁾	14 951	14 752	15 087	14 946	15 279
Assets under custody, SEK bn	8 046	7 801	6 859	8 046	6 859
Assets under management ⁶⁾ , SEK bn	1 830	1 850	1 749	1 830	1 749

1) Impairment of goodwill and restructuring effects in Q1 2016. Sale of shares in VISA Europe in the Baltic region in Q2 2016. Settlement of sale of shares in VISA Europe 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 25,177,693 Class A shares for the equity based programmes at year-end 2016. During 2017 SEB has purchased 6,986,000 shares and 5,037,770 shares have been sold. Thus, at 31 December 2017 SEB owned 27,125,923 Class A-shares with a market value of SEK 2,612m.

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

4) According to Swedish FSA regulations for respective period.

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

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

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

Income statement on quarterly basis - SEB Group

SEK m	Q4	Q3	Q2	Q1	Q4
	2017	2017	2017	2017	2016
Net interest income	5 184	5 080	4 913	4 716	4 798
Net fee and commission income	4 739	4 026	4 691	4 268	4 609
Net financial income	1 630	1 726	1 461	2 063	2 038
Net other income	305	308	341	157	173
Total operating income	11 858	11 141	11 405	11 204	11 618
Staff costs	-3 523	-3 378	-3 533	-3 590	-3 774
Other expenses	-1 830	-1 719	-1 741	-1 657	-1 727
Depreciation, amortisation and impairment of tangible and intangible assets	- 252	- 325	- 199	- 189	- 208
Total operating expenses	-5 605	-5 423	-5 473	-5 436	-5 709
Profit before credit losses	6 253	5 719	5 933	5 767	5 909
Gains less losses from tangible and intangible assets	- 37	- 54	- 37	- 34	- 67
Net credit losses	-105	-284	-214	-204	-284
Operating profit before items affecting comparability	6 112	5 380	5 681	5 529	5 558
Items affecting comparability	-1 896				
Operating profit	4 216	5 380	5 681	5 529	5 558
Income tax expense	-1 032	-1 138	-1 153	-1 239	-1 314
Net profit	3 184	4 243	4 528	4 290	4 244
Attributable to shareholders	3 184	4 243	4 528	4 290	4 244
Basic earnings per share, SEK	1.47	1.96	2.09	1.98	1.96
Diluted earnings per share, SEK	1.46	1.95	2.08	1.97	1.95

Income statement by division – SEB Group

Jan-Dec 2017, SEK m	Large		Baltic	Life & Investment Management	Other ¹⁾	Eliminations	SEB Group
	Corporates & Financial Institutions	Corporate & Private Customers					
Net interest income	8 043	9 442	2 373	- 90	76	48	19 893
Net fee and commission income	6 236	5 678	1 320	4 519	27	- 54	17 725
Net financial income	3 465	441	231	1 674	1 008	60	6 880
Net other income	573	87	- 10	17	448	- 4	1 112
Total operating income	18 318	15 648	3 914	6 120	1 558	51	45 609
Staff costs	- 3 862	- 3 298	- 724	- 1 561	- 4 616	35	- 14 025
Other expenses	- 5 046	- 3 872	- 965	- 963	3 984	- 85	- 6 947
Depreciation, amortisation and impairment of tangible and intangible assets	- 59	- 57	- 78	- 37	- 734		- 964
Total operating expenses	- 8 967	- 7 226	- 1 766	- 2 561	- 1 365	- 51	- 21 936
Profit before credit losses	9 351	8 422	2 148	3 558	193	0	23 672
Gains less losses from tangible and intangible assets	1		- 164		1		- 162
Net credit losses	- 529	- 276	- 7		4		- 808
Operating profit before items affecting comparability	8 823	8 146	1 977	3 558	198	0	22 702
Items affecting comparability					- 1 896		- 1 896
Operating profit	8 823	8 146	1 977	3 558	- 1 698	0	20 806

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

Large Corporates & Financial Institutions

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

Income statement

SEK m	Q4		Q3		Q4		Jan — Dec	
	2017	2017	%	2016	%	2017	2016	%
Net interest income	1 972	1 971	0	2 202	-10	8 043	8 307	-3
Net fee and commission income	1 619	1 306	24	1 690	-4	6 236	6 095	2
Net financial income	866	913	-5	1 219	-29	3 465	4 187	-17
Net other income	205	137	50	137	50	573	389	47
Total operating income	4 662	4 327	8	5 248	-11	18 318	18 978	-3
Staff costs	-959	-951	1	-1 032	-7	-3 862	-3 922	-2
Other expenses	-1 265	-1 242	2	-1 208	5	-5 046	-4 972	1
Depreciation, amortisation and impairment of tangible and intangible assets	-16	-15	5	-11	42	-59	-34	74
Total operating expenses	-2 240	-2 208	1	-2 251	0	-8 967	-8 928	0
Profit before credit losses	2 422	2 119	14	2 997	-19	9 351	10 050	-7
Gains less losses from tangible and intangible assets				-1		1		
Net credit losses	-20	-210	-90	-200	-90	-529	-563	-6
Operating profit before items affecting comparability	2 402	1 910	26	2 796	-14	8 823	9 487	-7
Items affecting comparability							-354	
Operating profit	2 402	1 910	26	2 796	-14	8 823	9 133	-3
Cost/Income ratio	0,48	0,51		0,43		0,49	0,47	
Business equity, SEK bn	64,9	66,0		64,9		65,8	62,4	
Return on business equity, %	11,1	8,7		13,3		10,1	11,3	
Number of full time equivalents ¹⁾	2 028	2 031		2 063		2 049	2 134	

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

- Active primary markets, low volatility and subdued demand for traditional bank financing during the year
- New regulatory rules dampened institutional activity but increased demand for custody-related services
- Operating profit amounted to SEK 8,823m and return on business equity was 10.1 per cent

Comments on 2017

Business sentiment improved during the year supported by a positive macroeconomic outlook in Europe as well as continued favourable capital markets and access to liquidity.

Large Corporate clients were active during the year, benefitting from low interest rates, favourable financing conditions and improved growth prospects. Demand for traditional bank financing was subdued except within the private equity segment. However, debt capital markets saw high issuance volumes and there was a pick-up in M&A activity. As in 2016, equity capital market activity was high. Customers showed continued increased interest in sustainability matters and SEB's role as advisor became even more important.

Financial Institutions' activity was in general dampened as a consequence of low volatility and adaptation to new regulations such as MiFID II and EMIR. However, in the active primary markets institutional clients played an important role participating in new issues. Excess liquidity challenged insurance and pension funds searching for high-yield

investments – a trend that was present throughout the year. The increasingly complex regulatory environment for financial institutions drove demand for administrative and back office services such as clearing, collateral management and reporting. These services are part of the custody offering – one of SEB's focus areas. Assets under custody amounted to SEK 8,046bn (6,859).

SEB is continuously exploring new open banking related opportunities through the use of APIs. They are the basis for distributing products on new market platforms and allow third party developers to build applications and services on top of SEB's infrastructure.

Net interest income decreased due to higher resolution fund fees. Net fee and commission income was higher as a result of corporate clients being more active. Net financial income decreased as a consequence of low market activity with investors in a wait-and-see mode. Operating expenses were stable. Credit losses were SEK 529m, corresponding to 8 basis points.

Corporate & Private Customers

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

Income statement

SEK m	Q4			Q3			Q4			Jan — Dec		
	2017	2017	%	2016	%	2017	2016	%	2017	2016	%	
Net interest income	2 320	2 415	-4	2 331	0	9 442	8 982	5				
Net fee and commission income	1 472	1 342	10	1 425	3	5 678	5 414	5				
Net financial income	113	98	16	111	2	441	394	12				
Net other income	23	35	-33	19	23	87	55	59				
Total operating income	3 929	3 890	1	3 886	1	15 648	14 845	5				
Staff costs	-827	-804	3	-850	-3	-3 298	-3 339	-1				
Other expenses	-1 017	-944	8	-1 009	1	-3 872	-3 713	4				
Depreciation, amortisation and impairment of tangible and intangible assets	-13	-14	-2	-18	-25	-57	-69	-18				
Total operating expenses	-1 857	-1 762	5	-1 877	-1	-7 226	-7 121	1				
Profit before credit losses	2 072	2 128	-3	2 009	3	8 422	7 724	9				
Gains less losses from tangible and intangible assets	0	0		0		0	0					
Net credit losses	-60	-86	-30	-63	-5	-276	-376	-27				
Operating profit before items affecting comparability	2 012	2 042	-1	1 946	3	8 146	7 348	11				
Items affecting comparability												
Operating profit	2 012	2 042	-1	1 946	3	8 146	7 348	11				
Cost/Income ratio	0.47	0.45		0.48		0.46	0.48					
Business equity, SEK bn	40.7	40.4		38.7		40.6	37.3					
Return on business equity, %	14.8	15.2		15.5		15.0	15.2					
Number of full time equivalents ¹⁾	3 548	3 485		3 551		3 531	3 667					

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

- All-time high usage of mobile services
- Continued growth in both the private and corporate lending portfolios
- Operating profit amounted to SEK 8,146m and return on business equity was 15 per cent

Comments on 2017

Customer activity increased throughout the year, driven by positive market sentiment. Customers also appreciated the proactive contacts from the bank and that service was more accessible through the continued digitalisation. Customers' usage of mobile services reached an all-time high as mobile interactions, measured as monthly average, increased by more than 25 per cent compared to last year. Open-banking based functions are being developed and examples of this are the collaboration with Tink and on the card side, Fitbit.

In the *private segment*, the launch of an all-digital customer on-boarding process and the continued enhancement of a digital mortgage application process enabled 22,500 new private customers to on-board digitally and the rate of digital household mortgage applications to more than double. The growth rate in household mortgage lending was 4.5 per cent and total volumes amounted to SEK 468bn (449*).

In the *corporate segment*, SEB enhanced its value proposition through the launch of the service concept Greenhouse, targeting companies with growth

ambitions, where SEB provides both seminars and external partners. Corporate lending, partly driven by financing of residential properties, increased to SEK 221bn (210*) and the number of full-service corporate customers reached 175,000 (168,000).

Within the savings area, assets under management increased as a result of positive asset price development and new net inflows, mainly driven by Private Banking. Total deposit volumes from corporate and private customers amounted to SEK 385bn (371).

Year-on-year, operating profit increased by 11 per cent to SEK 8,146m, mainly driven by continued growth in net interest income which amounted to SEK 9,442m and net fee and commission income which reached SEK 5,678m. Operating expenses increased marginally to SEK 7,226m, while credit losses remained low at SEK 276m, corresponding to a credit loss level of 3 basis points.

* The real estate loan portfolio for the customer segment sole traders was reclassified in the division. As a result, the year-end 2016 reported corporate lending of SEK 224bn was adjusted to SEK 210bn and similarly the year-end 2016 reported mortgage balance of SEK 433bn was adjusted to SEK 449bn. The reclassification was already reflected on group level.

Baltic

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

Income statement (excl. RHC)

SEK m	Q4		Q3		Q4		Jan—Dec	
	2017	2017	%	2016	%	2017	2016	%
Net interest income	640	603	6	588	9	2 373	2 150	10
Net fee and commission income	355	334	6	325	9	1 320	1 171	13
Net financial income	60	56	7	38	58	231	218	6
Net other income		-1		-5		2	-1	
Total operating income	1 055	992	6	946	11	3 926	3 538	11
Staff costs	-183	-171	7	-197	-7	-711	-734	-3
Other expenses	-217	-250	-13	-231	-6	-959	-948	1
Depreciation, amortisation and impairment of tangible and intangible assets	-34	-13	156	-23	47	-77	-62	23
Total operating expenses	-434	-435	0	-451	-4	-1 746	-1 744	0
Profit before credit losses	621	557	12	495	25	2 180	1 794	21
Gains less losses from tangible and intangible assets		-7	-95	1	-134	-5	9	
Net credit losses	-26	11		-22	17	-7	-57	-88
Operating profit before Items affecting comparability	595	561	6	474	25	2 167	1 746	24
Items affecting comparability							-68	
Operating profit	595	561	6	474	25	2 167	1 678	29
Cost/Income ratio	0.41	0.44		0.48		0.44	0.49	
Business equity, SEK bn	8.1	7.9		7.7		7.8	7.6	
Return on business equity, %	26.0	25.0		21.6		24.4	19.3	
Number of full time equivalents ¹⁾	2 386	2 405		2 456		2 406	2 534	

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

Baltic Division (incl. RHC)

Operating profit before Items affecting comparability	552	507	9	386	43	1 977	1 519	30
Items affecting comparability							-68	
Operating profit	552	507	9	386	43	1 977	1 451	36
Cost/Income ratio	0.42	0.44		0.49		0.45	0.51	
Business equity, SEK bn	8.1	8.0		7.9		8.0	7.9	
Return on business equity, %	23.9	22.3		17.1		21.9	16.2	
Number of full time equivalents ¹⁾	2 409	2 430		2 484		2 431	2 565	

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

- Synchronised growth in all three Baltic countries
- Continued strategic focus on service digitalisation and process automation
- Operating profit amounted to SEK 2,167m and return on business equity was 24.4 per cent

Comments on 2017

In the Baltic countries, GDP growth rates were above the EU average. Unemployment rates dropped and salary inflation was high in all Baltic countries. Household debt rose in tandem with disposable income and household deposit growth.

Customers increasingly appreciated and used digital services. SEB held more than 1,500 remote advisory sessions with high customer satisfaction and there were 250,000 bank mobile app users and 210,000 Smart ID users at the end of the year. An EU Instant payments functionality, launched in Estonia and Latvia, and an automated credit decision process for consumer loans simplified banking for customers. The launch of an open banking information page and a developer portal with API for cooperation with external parties will lead to new service solutions.

The number of home banking customers was 1,019,000 (1,003,000). Loan volumes amounted to SEK 129bn (118) and there was an increase in all three Baltic banks. Deposits increased to SEK 114bn (106), mainly driven by increased savings in the private segment. Net interest income increased by 10 per cent year-on-year due to increased volumes and higher margins on new lending. Net fee and commission income was 13 per cent higher year-on-year as a result of overall increased customer cards and payments activity. The asset quality was high and the operating profit was 24 per cent higher than 2016.

The real estate holding companies (RHC) held assets with a total book value of SEK 279m (837).

Life & Investment Management

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

Income statement

SEK m	Q4		Q3		Q4		Jan—Dec		
	2017	2017	%	2016	%	2017	2016	%	
Net interest income	-24	-24	1	-17	42	-90	-60	50	
Net fee and commission income	1 306	1 053	24	1 229	6	4 519	4 059	11	
Net financial income	404	481	-16	484	-17	1 674	1 764	-5	
Net other income	5	0		-82	-106	17	-17		
Total operating income	1 691	1 509	12	1 614	5	6 120	5 746	7	
Staff costs	-402	-383	5	-415	-3	-1 561	-1 560	0	
Other expenses	-264	-243	9	-243	9	-963	-984	-2	
Depreciation, amortisation and impairment of tangible and intangible assets	-10	-10	-2	-10	-3	-37	-45	-17	
Total operating expenses	-676	-636	6	-668	1	-2 561	-2 589	-1	
Profit before credit losses	1 014	874	16	946	7	3 558	3 157	13	
assets									
Net credit losses									
Operating profit before items affecting comparability	1 014	874	16	946	7	3 558	3 157	13	
Items affecting comparability									
Operating profit	1 014	874	16	946	7	3 558	3 157	13	
Cost/income ratio	0.40	0.42		0.41		0.42	0.45		
Business equity, SEK bn	11.1	11.0		11.7		11.0	11.6		
Return on business equity, %	31.5	27.4		27.9		27.8	23.5		
Number of full time equivalents ¹⁾	1 491	1 451		1 491		1 478	1 468		

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

- Strong demand for both insurance and asset management related products
- SEB signed an agreement to divest SEB Pension to Danica
- Operating profit amounted to SEK 3,558m and return on business equity was 27.8 per cent

Comments on 2017

Demand for insurance solutions remained on a high level throughout the year, at the same time as competition intensified. In this landscape, customers increasingly appreciated SEB's accessible offering. SEB increased insurance sales by 10 per cent and continued to attract assets under management.

Life: In Sweden, continued steps were taken within the digital agenda aiming at improving the accessibility for the corporate clients and as per 30 September the annual new sales reached SEK 21bn, corresponding to a market share of 9.3 per cent. In Denmark, the strong portfolio management enabled SEB Pension to deliver the highest return for savings products on the market. At the end of 2017, an agreement to divest all shares in SEB Pension was signed with Danica (see page 10).

In the Baltic region, new products were launched and the customer experience was strengthened within the pension area. In addition, efficiency in providing the full

service offering, covering both insurance products as well as banking products increased.

Investment Management: The fourth quarter continued in line with the previous quarters of 2017 in terms of strong institutional inflow. The high demand spanned across several products. The strong performance strengthened the institutional offering. The focus on sustainability continued throughout the year, in line with the increasing client interest for products with an emphasis on climate and social responsibility.

Net fee and commission income increased by 11 per cent due to higher asset values during the year. Operating expenses decreased by 1 per cent, thereby improving operating profit by 13 per cent to a record-high SEK 3,558m. Total assets in the unit-linked insurance business increased by SEK 29bn to SEK 348bn from year-end 2016.

SEB's markets

In Sweden and the Baltic countries, SEB offers universal 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										Operating profit in local currency		
SEK m	Total operating income			Total operating expenses			Operating profit			2017	2016	%
	2017	2016	%	2017	2016	%	2017	2016	%			
Sweden	27 890	25 397	10	-14 235	-13 992	2	12 333	4 917	151	12 333	4 917	151
Norway	3 075	3 659	-16	-1 194	-1 234	-3	1 859	2 366	-21	1 800	2 319	-22
Denmark	3 411	3 563	-4	-1 409	-1 421	-1	1 918	2 142	-10	1 481	1 684	-12
Finland	1 954	1 807	8	-771	-745	4	1 171	1 043	12	122	110	10
Germany ¹⁾	2 010	1 994	1	-1 108	-1 315	-16	-433	507		-45	54	
Estonia	1 475	1 339	10	-596	-581	3	927	916	1	96	97	-1
Latvia	976	954	2	-525	-536	-2	371	468	-21	39	49	-22
Lithuania	1 778	1 559	14	-737	-760	-3	1 014	831	22	105	88	20
Great Britain	1 477	1 187	24	-409	-445	-8	1 076	727	48	98	63	56
International network and eliminations	1 562	1 790	-13	-953	-784	21	571	951	-40			
Total	45 609	43 251	5	-21 936	-21 812	1	20 806	14 867	40			

¹⁾ Excluding Treasury operations.

- Positive macroeconomic development in all home markets
- Transformation of the German business into a branch structure
- Profitable growth in the United Kingdom

Comments on 2017

Sweden: Positive macroeconomic factors and growing business volumes improved outcome in all income categories. Non-recurring costs relating to the move to new premises in Arenastaden increased operating expenses. Many of the items affecting comparability are reflected in the outcome for Sweden.

Norway: The development in parts of the Norwegian economy receded, for instance within the oil and gas industry. SEB was however chosen as business partner both for refinancing and new loans, by existing as well as new customers. The bank was involved in several large corporate transactions.

Denmark: An improved business climate led to enhanced demand for investment banking related products and services, while historically low volatility led to lower activity in Markets. Investment Management continued to attract large foreign inflows of funds. The divestment of SEB Pension was announced (see page 10).

Finland: Improving macroeconomic conditions had a positive effect on customer activity across all segments. Among several important transactions, SEB acted as joint global coordinator in the largest private equity IPO to date in Finland and the largest IPO of the year in the Nordic countries.

Germany: There were few signals of change regarding competition, margins and excess liquidity in the markets. Corporate borrowers enjoyed extremely competitive pricing. The main activities of companies and institutions were refinancing and bond issues.

Nevertheless, SEB was involved in both leveraged and structured finance deals. See page 9 for information on the transformation of SEB AG to a branch.

United Kingdom: The profitable growth continued from adding new clients and deepening existing client relationships. UK corporate clients welcomed SEB's focused efforts and demanded all types of service offerings, but in particular capital markets products.

Baltic countries: In *Lithuania*, income increased due to growth in lending volumes and margins as well due to higher client activity. There was a positive trend in *Latvia* - portfolio growth with somewhat higher income. In *Estonia*, the household and corporate loan portfolio growth continued, with low credit provisions. See Baltic division.

International network: Global economic optimism resulted in good customer activity in SEB's international sites, particularly in Asia. Many customers have large cash balances which minimise their need for financing. During the year, progress was made in broadening the customer base and strengthening the product offering.

The SEB Group

Net interest income – SEB Group

SEK m	Q4		Q3		Q4		Jan–Dec		
	2017	2017	%	2016	%	2017	2016	%	
Interest income	9 185	9 161	0	8 860	4	36 472	35 202	4	
Interest expense	-4 001	-4 080	-2	-4 062	-2	-16 580	-16 464	1	
Net interest income	5 184	5 080	2	4 798	8	19 893	18 738	6	

Net fee and commission income – SEB Group

SEK m	Q4		Q3		Q4		Jan–Dec		
	2017	2017	%	2016	%	2017	2016	%	
Issue of securities and advisory	317	137	131	231	37	1 167	800	46	
Secondary market and derivatives	561	547	2	842	-33	2 565	3 353	-24	
Custody and mutual funds	2 210	1 942	14	1 950	13	8 040	7 264	11	
<i>Whereof performance and transaction fees</i>	225	39		212	6	357	275	30	
Payments, cards, lending, deposits, guarantees and other	2 570	2 350	9	2 586	-1	9 717	9 430	3	
<i>Whereof payments and card fees</i>	1 429	1 366	5	1 356	5	5 460	5 203	5	
<i>Whereof lending</i>	602	519	16	723	-17	2 254	2 527	-11	
Life insurance commissions	429	424	1	438	-2	1 707	1 653	3	
Fee and commission income	6 087	5 400	13	6 047	1	23 196	22 500	3	
Fee and commission expense	-1 348	-1 373	-2	-1 438	-6	-5 472	-5 872	-7	
Net fee and commission income	4 739	4 026	18	4 609	3	17 725	16 628	7	
<i>Whereof Net securities commissions</i>	2 356	1 986	19	2 308	2	8 889	8 378	6	
<i>Whereof Net payments and card fees</i>	908	840	8	847	7	3 454	3 263	6	
<i>Whereof Net life insurance commissions</i>	296	264	12	276	7	1 109	1 039	7	

Net financial income – SEB Group

SEK m	Q4		Q3		Q4		Jan–Dec		
	2017	2017	%	2016	%	2017	2016	%	
Equity instruments and related derivatives	-32	473		456		1 410	1 173	20	
Debt securities and related derivatives	170	-7		-68		-369	228		
Currency and related derivatives	1 049	740	42	1 114	-6	4 023	3 699	9	
Other life insurance income, net	429	494	-13	549	-22	1 738	1 919	-9	
Other	13	27	-50	-13		78	37	111	
Net financial income	1 630	1 726	-6	2 038	-20	6 880	7 056	-3	
<i>Whereof unrealized valuation changes from counterparty risk and own credit standing in derivatives and own issued securities.</i>	61	291	-79	223	-73	210	-219		

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 5m (Q3 2017: 205, Q4 2016: 535) in Equity related derivatives and a corresponding effect in Debt related derivatives SEK 110m (Q3 2017: -75, Q4 2016: -355).

Staff costs – SEB Group

SEK m	Jan–Dec		
	2017	2016	%
Salaries ¹⁾	-10 251	-10 267	0
Short-term incentive ¹⁾	- 862	- 853	1
Long-term incentive ¹⁾	- 743	- 962	-23
Pension costs	-1 354	-1 368	-1
Redundancy costs ^{1) 2)}	- 221	- 397	-44
Other staff costs	- 594	- 575	3
Staff costs	-14 025	-14 422	-3

1) Including social charges.

2) Restructuring activities in 2016 reclassified to Items affecting comparability.

SEK m	Jan–Dec		
	2017	2016	%
Short-term incentive (STI) to staff	- 666	- 684	-3
Social benefit charges on STI	- 196	- 169	16
Short-term incentive remuneration	- 862	- 853	1

SEK m	Jan–Dec		
	2017	2016	%
Long-term incentive (LTI) to staff	- 616	- 702	-12
Social benefit charges on LTI	- 127	- 260	-51
Long-term incentive remuneration	- 743	- 962	-23

Defined benefit pension plans

Balance sheet, SEK m	Jan–Dec		
	2017	2016	%
Defined benefit obligation	30 821	29 081	6
Fair value of plan assets	34 775	32 277	8
Net amount recognised in the balance sheet	3 955	3 196	24

Income statement, SEK m	Jan–Dec		
	2017	2016	%
Service costs	- 548	- 480	14
Interest costs	- 651	- 733	-11
Calculated interest on plan assets	727	900	-19
Included in staff costs	- 472	- 313	51

Other comprehensive income, SEK m	Jan–Dec		
	2017	2016	%
Defined benefit pension plans	784	-1 875	

Net credit losses – SEB Group

SEK m	Q4			Q3			Q4			Jan–Dec		
	2017	2017	%	2016	%	2017	2016	%	2017	2016	%	
<i>Provisions:</i>												
Net collective provisions for individually assessed loans	206	172	20	45		423	-218					
Net collective provisions for portfolio assessed loans	149	34		108	38	168	260	-35				
Specific provisions	14	-469		-169		-1309	-734	78				
Reversal of specific provisions no longer required	33	64	-48	74	-55	760	338	125				
Net provisions for contingent liabilities	-26	5		2		-30	43					
Net provisions	377	-195		60		12	-311	-104				
<i>Write-offs:</i>												
Total write-offs	-628	-196		-602	4	-1367	-1480	-8				
Reversal of specific provisions utilized for write-offs	110	34		206	-47	318	584	-46				
Write-offs not previously provided for	-519	-162		-396		-1050	-896	17				
Recovered from previous write-offs	37	73	-50	52	-29	230	214	7				
Net write-offs	-482	-89		-344	40	-820	-682	20				
Net credit losses	-105	-284	-63	-284	-63	-808	-993	-19				

Items affecting comparability – SEB Group

SEK m	Q4	Q3	Q4	Jan–Dec	
	2017	2017	2016	2017	2016
Other income	494			494	520
Total operating income	494	0	0	494	520
Staff costs	-1 320			-1 320	- 140
Other expenses	- 92			- 92	- 84
Depreciation, amortisation and impairment of tangible and intangible assets	- 978			- 978	-5 725
Total operating expenses	-2 390	0	0	-2 390	-5 949
Items affecting comparability	-1 896	0	0	-1 896	-5 429
Income tax on IAC	215			215	77
Items affecting comparability after tax	-1 681	0	0	-1 681	-5 352

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 will take place in the second quarter 2018.

Impairment and derecognition of intangible IT assets (2017 Q4)

In the fourth quarter, 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.

Items affecting comparability 2016

The total effect of Items affecting comparability in 2016 was a cost in the amount of SEK 5,429m before tax and SEK 5,352m after tax.

Visa Baltic (2016 Q2)

The settlement of the transaction of SEB's Baltic holdings in Visa Europe resulted in a gain of SEK 520m. The gain generated a tax expense of SEK 24m.

Reorganisation and restructuring (2016 Q1)

SEB implemented a new customer-oriented organisation which resulted in an impairment of goodwill in the amount of SEK 5,334m in the first quarter 2016. This expense was not tax deductible.

There were financial effects from restructuring activities in the Baltic and German businesses as well as an impairment and derecognition of intangible IT assets no longer in use. The total amount was SEK 615m and there was a positive tax effect amounting to SEK 101m in the first quarter 2016.

Cash flow statement – SEB Group

SEK m	Jan–Dec		
	2017	2016	%
Cash flow from operating activities	41 526	42 591	- 3
Cash flow from investment activities	7 964	852	
Cash flow from financing activities	- 20 030	- 2 198	
Net increase in cash and cash equivalents	29 460	41 245	- 29
Cash and cash equivalents at the beginning of year	158 315	110 770	43
Exchange rate differences on cash and cash equivalents	- 3 346	6 300	
Net increase in cash and cash equivalents	29 460	41 245	- 29
Cash and cash equivalents at the end of period¹⁾	184 429	158 315	16

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

Financial assets and liabilities – SEB Group

SEK m	31 Dec 2017		31 Dec 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans	1 694 524	1 698 735	1 704 291	1 715 801
Equity instruments	59 203	59 203	74 173	74 173
Debt securities	169 268	169 368	253 443	253 653
Derivative instruments	104 868	104 868	212 355	212 355
Financial assets–policyholders bearing the risk	283 420	283 420	295 908	295 908
Other	34 100	34 100	38 942	38 942
Financial assets	2 345 383	2 349 694	2 579 112	2 590 832
Deposits	1 093 798	1 098 491	1 045 056	1 046 864
Equity instruments	14 228	14 228	10 071	10 071
Debt securities issued	657 232	662 160	755 984	768 613
Derivative instruments	85 432	85 432	174 651	174 651
Liabilities to policyholders–investment contracts	284 291	284 291	296 618	296 618
Other	51 800	51 800	60 297	60 297
Financial liabilities	2 186 781	2 196 402	2 342 677	2 357 114

SEB has aggregated its financial instruments by class taking into account the characteristics of the instruments. The fair value of each class of financial assets and liabilities are compared with its carrying amount. A description of the characteristics of the classes can be found in note 39 in the Annual Report 2016.

Assets and liabilities measured at fair value – SEB Group

SEK m	31 Dec 2017				31 Dec 2016			
	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Assets								
Financial assets - policyholders bearing the risk	275 737	7 053	630	283 420	275 894	15 589	4 425	295 908
Equity instruments at fair value	52 333	4 573	3 006	59 912	50 331	13 215	11 101	74 647
Debt instruments at fair value	71 626	84 041	571	156 238	102 894	133 664	1 779	238 337
Derivative instruments at fair value	1 250	102 930	688	104 868	2 593	201 621	8 141	212 355
Investment properties				0			7 401	7 401
Assets held for sale	89 229	63 657	29 550	182 436		587		587
Total	490 175	262 254	34 445	786 874	431 712	364 676	32 847	829 235
Liabilities								
Liabilities to policyholders - investment contracts	276 482	7 185	624	284 291	276 666	15 542	4 410	296 618
Equity instruments at fair value	13 984		244	14 228	9 798	2	271	10 071
Debt instruments at fair value	6 206	28 991		35 197	7 027	33 514		40 541
Derivative instruments at fair value	910	83 723	799	85 432	2 808	168 207	3 636	174 651
Other financial liabilities		3 842		3 842		19 225		19 225
Liabilities held for sale	21 055	42 536	8 899	72 490				0
Total	318 637	166 277	10 566	495 480	296 299	236 490	8 317	541 106

Fair value measurement

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

The Group has an established valuation process and control environment for the determination of fair values of financial instruments that includes a review, independent from the business, of valuation models and prices. If the validation principles are not adhered to, the Head of Group Finance shall be informed. Exceptions of material and principal importance require approval from the GRMC (Group Risk Measurement Committee) and the 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 counterparty. These adjustments are calculated on a counterparty level based on estimates of exposure at default, probability of default and recovery rates. Probability of default and recovery rate information is generally sourced from the CDS markets. For counterparties where this information is not available, or considered unreliable due to the nature of the exposure, alternative approaches are taken where the probability of default is based on generic credit indices for specific industry and/or rating.

When valuing financial liabilities at fair value own credit standing is reflected.

In order to arrive at the fair value of investment properties a market participant's ability to generate economic benefit by using the asset in its highest and best use are taken into account. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible. The current use of the investment properties in SEB is in accordance with the highest and best use. The valuation of investment properties is described in the Accounting policies in Annual Report 2016. The valuation of the investment properties is performed semi-annually, they are presented and approved by the board in each real estate company. The valuation principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is in accordance with international valuation principles and in accordance with IFRS.

Level 1: Quoted market prices

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

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

Level 2: Valuation techniques with observable inputs

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

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

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

Level 3: Valuation techniques with significant unobservable inputs

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

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

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

Significant transfers and reclassifications between levels

Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committee of each relevant division decides on material shifts between levels. As a result of the decision to divest SEB Pension a re-classifications in the balance sheet have been performed. All assets and liabilities belonging to SEB Pension has been re-classified to Assets- and liabilities held for sale in accordance with IFRS 5. The re-classifications was executed at the end of the fourth quarter 2017.

Changes in level 3	Closing	Gain/loss in Income	Gain/loss in Other compre- hensive income	Purchases	Sales	Settle- ments	Transfers	Transfers	Reclassifi- cation	Exchange rate differences	Closing
	balance 31 Dec 2016						into Level 3	out of Level 3			balance 31 Dec 2017
Assets											
Financial assets - policyholders bearing the risk	4 425	-65		3	-1			-40	-3 735	43	630
Equity instruments at fair value	11 101	369	-9	1 212	-911		61	-229	-8 655	67	3 006
Debt instruments at fair value	1 779	29		184	-20			-227	-1 181	7	571
Derivative instruments at fair value	8 141	-146				47			-7 413	59	688
Investment properties	7 401								-7 454	53	0
Total	32 847	187	-9	1 399	-932	47	61	-496	-28 438	229	4 895
Liabilities											
Liabilities to policyholders - investment contracts	4 410	-66						-40	-3 724	44	624
Equity instruments at fair value	271	-18		-14	3					2	244
Derivative instruments at fair value	3 636	-1003		-12		28			-1875	25	799
Total	8 317	-1 087	0	-26	3	28	0	-40	-5 599	71	1 667

Sensitivity of Level 3 assets and liabilities to unobservable inputs

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

SEK m	31 Dec 2017				31 Dec 2016			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments ¹⁾²⁾⁴⁾	688	-798	-110	38	780	-940	-160	49
Equity instruments ³⁾⁶⁾	1 245	-244	1 001	209	1 441	-271	1 170	229
Insurance holdings - Financial instruments ⁴⁾⁵⁾⁷⁾	2 380		2 380	331	18 477	-2 695	15 782	1 807
Insurance holdings - Investment properties ⁶⁾⁷⁾					7 401		7 401	740
Assets-liabilities held for sale⁴⁾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 per cent (10).

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

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

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

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

SEK m	Financial assets and liabilities subject to offsetting or netting arrangements						Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
	Gross amounts	Offset	Net amounts in balance sheet	Related arrangements		Net amounts		
				Master netting arrangements	Collaterals received/pledged			
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		0		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
31 Dec 2016								
Derivatives	215 367	-4 447	210 920	-123 698	-34 841	52 381	1 435	212 355
Reversed repo receivables	99 828	-35 332	64 496	-682	-63 612	202	1	64 497
Securities borrowing	25 265		25 265	-7 616	-17 649		5 525	30 790
Client receivables	43	-42	1			1	5 861	5 862
Assets	340 503	-39 821	300 682	-131 996	-116 102	52 584	12 822	313 504
Derivatives	176 773	-4 447	172 326	-123 698	-31 547	17 081	2 325	174 651
Repo payables	36 926	-35 332	1 594	-682	-795	117		1 594
Securities lending	25 155		25 155	-7 616	-8 765	8 774	6	25 161
Client payables	42	-42					7 044	7 044
Liabilities	238 896	-39 821	199 075	-131 996	-41 107	25 972	9 375	208 450

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

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

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

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

Non-performing loans – SEB Group

	31 Dec	31 Dec
SEK m	2017	2016
Individually assessed loans		
Impaired loans	5 999	5 037
Specific reserves	- 2 187	- 1 928
Collective reserves	- 1 120	- 1 539
Impaired loans net	2 692	1 570
Specific reserve ratio for individually assessed impaired loans	36.5%	38.3%
Total reserve ratio for individually assessed impaired loans	55.1%	68.8%
Net level of impaired loans	0.25%	0.21%
Gross level of impaired loans	0.39%	0.33%
Portfolio assessed loans		
Loans past due > 60 days	2 273	2 597
Restructured loans	11	9
Collective reserves for portfolio assessed loans	- 1 170	- 1 322
Reserve ratio for portfolio assessed loans	51.2%	50.7%
Non-performing loans¹⁾		
Non-performing loans	8 283	7 643
NPL coverage ratio	54.9%	63.2%
NPL per cent of lending	0.54%	0.51%

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

Reserves

Specific reserves	- 2 187	- 1 928
Collective reserves	- 2 290	- 2 861
Reserves for off-balance sheet items	- 75	- 44
Total reserves	- 4 552	- 4 833

Seized assets – SEB Group

	31 Dec	31 Dec
SEK m	2017	2016
Properties, vehicles and equipment	207	417
Shares	42	46
Total seized assets	249	463

Assets and liabilities held for sale – SEB Group

SEK m	31 Dec 2017	31 Dec 2016
Financial assets at fair value through profit or loss	175 506	
Other assets	8 505	587
Non-current assets and disposal groups classified as held for sale	184 011	587
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	0

As announced on 14 December 2017, SEB has 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. The completion of the sale is among other things conditional upon regulatory approvals and certain preparations for separation and is currently expected to occur around the summer of 2018. In the consolidated balance sheet, assets and liabilities relating to SEB Pension are separated from other assets and liabilities. SEB Pension is reported in the Life & Investment Management division.

The Baltic division has a divestment plan for investment properties. Through the continuation of the plan, additional properties were reclassified as assets held for sale until the derecognition at concluded sales agreement. The net amount of these activities during the fourth quarter was SEK -49m.

SEB consolidated situation

Capital adequacy analysis for SEB consolidated situation

SEK m	31 Dec 2017	31 Dec 2016
Own funds		
Common Equity Tier 1 capital	118 204	114 419
Tier 1 capital	132 127	129 157
Total own funds	147 849	151 491
Own funds requirement		
Risk exposure amount	610 819	609 959
Expressed as own funds requirement	48 866	48 797
Common Equity Tier 1 capital ratio	19.4%	18.8%
Tier 1 capital ratio	21.6%	21.2%
Total capital ratio	24.2%	24.8%
Own funds in relation to own funds requirement	3.03	3.10
Regulatory Common Equity Tier 1 capital requirement including buffer	10.9%	10.7%
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	0.9%	0.7%
Common Equity Tier 1 capital available to meet buffer ¹⁾	14.9%	14.3%
Transitional floor 80% of capital requirement according to Basel I		
Minimum floor own funds requirement according to Basel I	89 774	86 884
Own funds according to Basel I	149 030	151 814
Own funds in relation to own funds requirement Basel I	1.66	1.75
Leverage ratio		
Exposure measure for leverage ratio calculation	2 519 532	2 549 149
of which on balance sheet items	2 140 093	2 120 587
of which off balance sheet items	379 439	428 562
Leverage ratio	5.2%	5.1%

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 2017, the internally assessed capital requirement including insurance risk amounted to SEK 64bn (63). The internal capital requirement is assessed using SEB's internal models for economic capital and is not fully comparable to the estimated capital requirement published by the Swedish Financial Supervisory Authority due to differences in assumptions and methodologies.

Own funds for SEB consolidated situation

SEK m	31 Dec 2017	31 Dec 2016
Shareholders equity according to balance sheet ¹⁾	143 925	140 976
Deductions related to the consolidated situation and other foreseeable charges	-14 357	-14 303
Common Equity Tier 1 capital before regulatory adjustments ²⁾	129 568	126 673
Additional value adjustments	-663	-1 169
Intangible assets	-6 225	-6 835
Deferred tax assets that rely on future profitability	-75	-208
Fair value reserves related to gains or losses on cash flow hedges	-1 192	-2 400
Negative amounts resulting from the calculation of expected loss amounts	-1 307	-381
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	99	-115
Defined-benefit pension fund assets	-1 807	-920
Direct and indirect holdings of own CET1 instruments	-193	-191
Securitisation positions with 1,250% risk weight		-35
Total regulatory adjustments to Common Equity Tier 1	-11 364	-12 254
Common Equity Tier 1 capital	118 204	114 419
Additional Tier 1 instruments	13 922	9 959
Grandfathered additional Tier 1 instruments		4 779
Tier 1 capital	132 127	129 157
Tier 2 instruments	18 171	24 851
Net provisioning amount for IRB-reported exposures	126	58
Holdings of Tier 2 instruments in financial sector entities	-2 575	-2 575
Tier 2 capital	15 722	22 334
Total own funds	147 849	151 491

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 2017		31 Dec 2016	
	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾
Credit risk IRB approach				
Exposures to central governments or central banks	9 319	745		
Exposures to institutions	32 838	2 627	26 254	2 100
Exposures to corporates	326 317	26 105	335 413	26 833
Retail exposures	62 296	4 984	55 617	4 449
of which secured by immovable property	36 558	2 925	34 079	2 726
of which retail SME	7 033	563	4 723	378
of which other retail exposures	18 704	1 496	16 815	1 345
Securitisation positions	838	67	3 066	246
Total IRB approach	431 607	34 529	420 350	33 628
Credit risk standardised approach				
Exposures to central governments or central banks	4 060	325	1 801	144
Exposures to regional governments or local authorities			51	4
Exposures to public sector entities			29	2
Exposures to institutions	844	68	1 316	105
Exposures to corporates	18 197	1 456	16 422	1 314
Retail exposures	12 084	967	16 186	1 295
Exposures secured by mortgages on immovable property	2 539	203	3 803	304
Exposures in default	112	9	384	31
Exposures associated with particularly high risk	866	69	1 477	118
Securitisation positions	222	18	216	17
Exposures in the form of collective investment undertakings (CIU)	41	3	66	5
Equity exposures	1 972	158	2 119	170
Other items	7 801	624	8 880	711
Total standardised approach	48 739	3 899	52 750	4 220
Market risk				
Trading book exposures where internal models are applied	24 892	1 991	30 042	2 403
Trading book exposures applying standardised approaches	9 881	790	9 398	752
Foreign exchange rate risk	4 022	322	3 773	302
Total market risk	38 794	3 104	43 213	3 457
Other own funds requirements				
Operational risk advanced measurement approach	48 219	3 858	47 901	3 832
Settlement risk	38	3		
Credit value adjustment	6 767	541	7 818	625
Investment in insurance business	16 633	1 331	16 633	1 331
Other exposures	4 219	338	6 547	524
Additional risk exposure amount ²⁾	15 802	1 264	14 747	1 180
Total other own funds requirements	91 678	7 334	93 646	7 492
Total	610 819	48 866	609 959	48 797

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

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

Change in risk exposure amount (REA)

Total REA remained unchanged over the year. The increase in credit volumes led to higher credit risk REA, which however was offset by foreign exchange movements and improved asset quality. Also contributing to higher credit risk REA was the Swedish FSA's requirement in the second quarter that all Swedish IRB (internal ratings based) banks shall use the IRB approach for sovereigns and municipalities. Market risk REA was stable over the first three quarters but decreased by SEK 4bn before year-end.

The Additional REA that was established in 2015 in agreement with the SFSA as a measure of prudence, increased by SEK 1.1bn to SEK 15.8bn.

	31 Dec
SEK bn	2017
Balance 31 Dec 2016	610
Asset size	10
Asset quality	-6
Foreign exchange movements	-3
Model updates, methodology & policy, other	6
Underlying market and operational risk changes	-5
Balance 31 Dec 2017	611

Average risk-weight

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

IRB reported credit exposures (less repos and securities lending)	31 Dec	31 Dec
Average risk-weight	2017	2016
Exposures to central governments or central banks	3.3%	
Exposures to institutions	24.0%	25.1%
Exposures to corporates	31.6%	31.4%
Retail exposures	10.4%	9.9%
of which secured by immovable property	7.0%	6.9%
of which retail SME	59.6%	73.4%
of which other retail exposures	30.7%	28.0%
Securitisation positions	10.6%	50.6%

Skandinaviska Enskilda Banken AB (publ.)

Income statement – Skandinaviska Enskilda Banken AB (publ.)

In accordance with FSA regulations	Q4			Q3		Q4		Jan–Dec		
SEK m	2017	2017	%	2016	%	2017	2016	%		
Interest income	7 990	8 170	-2	7 493	7	32 285	29 022	11		
Leasing income	1 382	1 375	1	1 377	0	5 481	5 443	1		
Interest expense	-4 311	-4 427	-3	-4 140	4	-17 750	-15 223	17		
Dividends	1 207	1 018	19	1 252	-4	6 981	6 581	6		
Fee and commission income	3 176	2 750	15	3 350	-5	12 153	11 648	4		
Fee and commission expense	- 649	- 576	13	-1 005	-35	-2 596	-2 805	-7		
Net financial income	962	1 075	-10	1 459	-34	4 493	4 642	-3		
Other income	509	258	98	261	95	1 342	817	64		
Total operating income	10 267	9 643	6	10 047	2	42 390	40 125	6		
Administrative expenses	-3 571	-3 350	7	-3 909	-9	-14 252	-15 039	-5		
Depreciation, amortisation and impairment of tangible and intangible assets	-2 332	-1 384	69	-1 319	77	-6 377	-5 775	10		
Total operating expenses	-5 903	-4 733	25	-5 228	13	-20 629	-20 814	-1		
Profit before credit losses	4 364	4 909	-11	4 819	-9	21 761	19 311	13		
Net credit losses	- 162	- 326	-50	- 248	-35	- 749	- 789	-5		
Impairment of financial assets ¹⁾	-1 347	- 54		- 144		-1 497	-3 841	-61		
Operating profit	2 855	4 529	-37	4 427	-36	19 515	14 681	33		
Appropriations	664	355	87	1 882	-65	1 885	2 437	-23		
Income tax expense	- 713	- 935	-24	-1 202	-41	-3 633	-2 877	26		
Other taxes	19	0		128	-86	43	137	-69		
Net profit	2 825	3 949	-28	5 235	-46	17 811	14 378	24		

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

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

	Q4			Q3		Q4		Jan–Dec		
SEK m	2017	2017	%	2016	%	2017	2016	%		
Net profit	2 825	3 949	-28	5 235	-46	17 811	14 378	24		
<i>Items that may subsequently be reclassified to the income statement:</i>										
Available-for-sale financial assets	- 759	- 79		16		- 878	1 130	-178		
Cash flow hedges	- 261	- 286	-9	- 473	-45	-1 207	- 811	49		
Translation of foreign operations	- 10	4		- 36	-72	- 8	25	-132		
Other comprehensive income (net of tax)	-1 030	- 361	185	- 493	109	-2 093	344			
Total comprehensive income	1 795	3 588	-50	4 742	-62	15 718	14 722	7		

Balance sheet - Skandinaviska Enskilda Banken AB (publ.)

Condensed SEK m	31 Dec 2017	31 Dec 2016
Cash and cash balances with central banks	97 741	70 671
Loans to credit institutions	192 591	287 059
Loans to the public	1 196 824	1 172 095
Financial assets at fair value	261 857	322 195
Fair value changes of hedged items in a portfolio hedge	32	
Available-for-sale financial assets	10 521	12 063
Investments in associates	1 032	1 025
Shares in subsidiaries	50 567	50 611
Tangible and intangible assets	36 084	37 186
Other assets	44 914	46 939
Total assets	1 892 163	1 999 844
Deposits from credit institutions	127 539	168 852
Deposits and borrowing from the public ¹⁾	822 151	782 584
Debt securities	610 292	664 186
Financial liabilities at fair value	115 869	172 678
Other liabilities	57 618	47 610
Provisions	113	80
Subordinated liabilities	32 390	40 719
Untaxed reserves	21 429	21 761
Total equity	104 762	101 374
Total liabilities, untaxed reserves and shareholders' equity	1 892 163	1 999 844
1) Private and SME deposits covered by deposit guarantee	186 674	177 381
Private and SME deposits not covered by deposit guarantee	135 254	127 507
All other deposits	500 224	477 696
Total deposits from the public	822 151	782 584

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

SEK m	31 Dec 2017	31 Dec 2016
Pledged assets for own liabilities	447 925	392 227
Other pledged assets	114 494	152 317
Pledged assets	562 419	544 544
Contingent liabilities	103 059	97 642
Commitments	435 488	468 953
Contingent liabilities and commitments	538 547	566 595

Statement of changes in equity – Skandinaviska Enskilda Banken AB (publ.)

SEK m	31 Dec 2017	31 Dec 2016
Share capital	21 942	21 942
Other restricted reserves	13 425	12 701
Equity, restricted	35 367	34 643
Change in holdings of own shares	-2 657	-2 269
Other reserves	1 476	3 571
Other non-restricted equity	52 765	51 051
Net profit for the year	17 811	14 378
Equity, non-restricted¹⁾	69 395	66 731
TOTAL	104 762	101 374

1) The opening 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 2017	31 Dec 2016
Own funds		
Common Equity Tier 1 capital	101 810	97 144
Tier 1 capital	115 733	111 882
Total own funds	131 328	134 384
Own funds requirement		
Risk exposure amount	514 328	515 826
Expressed as own funds requirement	41 146	41 266
Common Equity Tier 1 capital ratio	19.8%	18.8%
Tier 1 capital ratio	22.5%	21.7%
Total capital ratio	25.5%	26.1%
Own funds in relation to capital requirement	3.19	3.26
Regulatory Common Equity Tier 1 capital requirement including buffers	8.2%	7.9%
of which capital conservation buffer requirement	2.5%	2.5%
of which countercyclical capital buffer requirement	1.2%	0.9%
Common Equity Tier 1 capital available to meet buffers ¹⁾	15.3%	14.3%

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 61bn (60).

Definitions - Alternative Performance Measures¹

Items affecting comparability

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

Operating profit

Total profit before tax.

Operating profit before items affecting comparability

Total profit before items affecting comparability and tax.

Return on equity

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

Return on equity excluding items affecting comparability

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

Return on business equity

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

Return on total assets

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

Return on risk exposure amount

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

Cost/income ratio

Total operating expenses in relation to total operating income.

Basic earnings per share

Net profit attributable to shareholders in relation to the weighted average³ number of shares outstanding before dilution.

Diluted earnings per share

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

Net worth per share

The sum of shareholders' equity and the equity portion of any surplus values in the holdings of interest-bearing securities and the surplus value in life insurance operations in relation to the number of shares outstanding.

Equity per share

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

Credit loss level

Net credit losses in relation to the sum of the opening balances of loans to the public, loans to credit institutions and loan guarantees less specific, collective and off balance sheet reserves.

Gross level of impaired loans

Individually assessed impaired loans, gross, in relation to the sum of loans to the public and loans to credit institutions before reduction of reserves.

Net level of impaired loans

Individually assessed impaired loans, net (less specific reserves), in relation to the sum of net loans to the public and loans to credit institutions less specific reserves and collective reserves.

Specific reserve ratio for individually assessed impaired loans

Specific reserves in relation to individually assessed impaired loans.

Total reserve ratio for individually assessed impaired loans

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

Reserve ratio for portfolio assessed loans

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

Non-performing loans (NPL)

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

NPL coverage ratio

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

NPL per cent of lending

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

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.

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

Definitions

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

Risk exposure amount

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

Common Equity Tier 1 capital

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

Tier 1 capital

Common Equity Tier 1 capital plus qualifying forms of subordinated loans.

Tier 2 capital

Mainly subordinated loans not qualifying as Tier 1 capital contribution.

Own funds

The sum of Tier 1 and Tier 2 capital.

Common Equity Tier 1 capital ratio

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

Tier 1 capital ratio

Tier 1 capital as a percentage of risk exposure amount.

Total capital ratio

Total own funds as a percentage of risk exposure amount.

Leverage ratio

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

Liquidity Coverage Ratio (LCR)

High-quality liquid assets in relation to the estimated net cash outflows over the next 30 calendar days.

This is SEB

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

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