

Quarterly Report

Second quarter 2021 | January – June 2021



STOCKHOLM 15 JULY 2021

SEB

”By further investing into our business, we strive to continuously develop our capabilities”

Statement from Johan Torgeby



A balancing act

During the second quarter, global economies have continued to recover despite concerns of increased inflation and challenges related to the spread of the virus, with advanced economies steadily returning to pre-pandemic GDP levels. As financial markets are trying to find the balance between inflationary concerns and re-opening optimism, interest rates have remained stable while equity markets have continued to develop positively, with the broad-based US stock market index, S&P 500, reaching new record highs.

Similar to the global economy, the Nordic region has continued to recover. In Sweden, this was exemplified by the improvement in sentiment among both corporates and consumers, as measured by the Swedish National Institute of Economic Research's Economic Tendency Indicator. This positive development was also reflected in SEB's Swedish Entrepreneur Indicator as well as the CFO survey conducted by SEB and Deloitte, indicating that both larger and smaller Swedish corporates have a positive view on the immediate future. In addition, a pent-up market demand for mergers and acquisitions going forward was noted in the survey. Within SEB's Investment Banking business, our corporate customers have been highly active, with equity capital market activity reaching historical highs.

Solid results driven by increased activity

During the quarter, SEB's return on equity (RoE) increased to 14.7 per cent, just below the long-term aspiration of 15 per cent. The improvement was driven by low net expected credit losses and higher customer activity, particularly within the Investment Banking business, which in turn had a positive effect on SEB's net commission income. In addition, the continued reopening of societies had a positive impact on SEB's private card business, with card turnover back at pre-pandemic levels, while the corporate card turnover remained muted.

Within the area of savings and investments, we have started to see some positive signs as a result of our focused efforts. During the quarter, net inflows of assets under management were generated from across our

customer segments and amounted to a total of SEK 25bn.

During the quarter, financial market volatility remained low, reducing our customers' need for risk management products, and in turn lowering net financial income in the divisions by 28 per cent compared to the previous quarter. Meanwhile, SEB Venture Capital signed an agreement to sell its shares in the Swedish fintech company Tink, resulting in a positive valuation effect on net financial income of SEK 0.5bn.

Net expected credit losses amounted to zero basis points in the quarter, with maintained model overlay on portfolio level, reflecting the global economic recovery and SEB's robust asset quality. Based on the improved macroeconomic outlook stated in SEB's Nordic Outlook, net expected credit losses in 2021 are expected to be below the 8-10 basis points previously indicated.

The Swedish FSA has recommended Swedish banks to be restrictive with dividends and share repurchases until 30 September 2021. SEB is currently awaiting the Swedish FSA's view on what will apply thereafter and will subsequently decide how the current overcapitalisation will be addressed. The capital buffer above the regulatory requirement amounted to 860 basis points in the quarter.

Contributing to the sustainability transition

In the second quarter, we continued to develop our sustainability-related customer offering. As an example, SEB launched sustainability-linked supply chain financing to our corporate customers, enabling them to create incentives that reward their suppliers financially as certain sustainability targets are met. In addition, SEB also launched a green savings account to private customers, directing the deposits to specific environment-related purposes such as lending to energy efficient housing.

During the quarter one of the companies enrolled in our incubator operation SEB ScaleCenter in Norway was the first participant to successfully exit the one-year long program. The incubator program aims to provide innovative and sustainability-related start-up companies with access to our advisory services and vast network of experts and partners.

Lastly, SEB was also selected as one of the banks in the primary dealer network when the EU Commission, in response to the pandemic, launched the EUR 800bn borrowing programme named *the Next Generation EU*. Through participation, SEB may take active part in the EU's path towards a sustainable recovery, enabling the transition towards a green, digital and resilient Europe.

Future-proofing our business

As the wheels in society and the banking industry turn at an ever-increasing speed, our ability to embrace change and adapt to new market conditions has continued to grow in importance. Throughout the years, we have continuously renewed our strategic focus. Over the last 20 years, this has included a refocus and strengthening of our core, for example through the consolidation of support functions into Group functions as well as through the corporate expansion in the Nordics and Germany. In more recent years, we have focused on transforming and growing our core, aiming for true customer-centricity, while executing on our digital transformation agenda. As we have adapted our strategy over time, our ambition has been to generate operating leverage, through cost efficiency and income growth, and this ambition will continue to guide us also going forward.

As the banking industry transforms, with new technologies emerging, the importance of sustainability increasing, regulations tightening and competition changing, our customers' needs and behaviours have continued to change. Against this backdrop, SEB is currently reviewing its strategic direction for the next years to come.

The megatrend of digitalisation has been further accelerated by the Covid-19 pandemic. Customers across all age groups now demand digital products and services, and the increased competition from digitally native companies requires an automated, scalable and robust technology platform. As a result, global companies are expected to increase their investments in the digital transformation by roughly 15 per cent per annum over the next three years, according to the International Data Corporation. In parallel, embedded finance – or Banking as a Service (BaaS) – offers new opportunities for SEB to establish partnerships in order to provide financial services to the growing ecosystem of fintechs, other start-ups and big techs.

The transition towards a low-carbon society is another megatrend that continues to influence our industry, being accelerated by the targets set out in the Paris Agreement and the growing amount of sustainability-related regulations, among other factors. As a result, the EU alone has estimated the investment gap to EUR 3,290bn between 2021-2027, requiring public sector efforts to be complemented by private sector investments. This presents a long-term opportunity for SEB to further support our customers with sustainability products and services.

In terms of changing customer needs, we have identified a growing demand for corporate and investment banking services, especially within energy advisory, sustainability-linked financing and primary capital markets in the Nordics. As corporate customers benefit from having diversified funding sources, future growth is expected to be continuously partly

driven by the changing composition of the European market for debt financing, where bank financing historically has been a more common funding source than capital markets financing. In the Nordic region this trend is already ongoing, evidenced by a growth in debt capital markets volumes by almost 300 per cent during 2010-2020.

A number of cyclical and structural trends are expected to drive private individuals' demand for savings and investments going forward. As an example, households in Sweden have demonstrated an increasing propensity to save, indicated by an increase of 18 percentage points in the savings ratio since 2000. Meanwhile, changes made to the Swedish pension system, requiring private individuals to take on a larger responsibility to finance their retirement, is expected to further contribute to the growth in demand. In addition, nearly half of all pensioners in the Baltics face the risk of falling into poverty according to the ECB. As a bank, SEB has an important role to play in the Baltic societies and a possibility to support individuals and corporates with savings and investments solutions.

Invest to accelerate income growth

We expect the above-mentioned examples of trends to drive growth in the banking industry over the years to come. By further investing into our business, we strive to continuously develop our capabilities in order to leverage these trends. Since 2009, SEB's cost income ratio has improved from 0.64 to below 0.45, based on a combination of growing income and a relatively stable cost base. Going forward, our ambition is a cost income ratio in line with our long-term financial aspiration. We believe this will allow us to make the investments needed to future-proof our business and in turn accelerate our income growth potential and enable us to reach our long-term financial aspiration of 15 per cent RoE. During the autumn, we will continue the work to outline our strategic direction while also developing our new three-year business plan for 2022-2024, further detailing how we aim to remain a leading northern European bank with international reach.

A hybrid way of working

This last year and a half, living with the pandemic and the restrictions in place, has shown the resilience and flexibility of society as well as of SEB. Our 15,500 employees have demonstrated that we can continue to support our customers and uphold our important role in society not only from the office, but also remote.

SEB wants to continue on this path and during the quarter adopted a new policy for working in a hybrid way, with the possibility of working up to two days a week remotely. However, we still believe in the face-to-face meeting, not only when interacting with our customers but also among employees. The policy, which will come into force when pandemic restrictions have been lifted, will enable us to combine the advantages of working at the office and working remotely, and to find a balance between these two going forward. By doing so, we will continue to support our customers to the best of our abilities, and in turn create shareholder value.



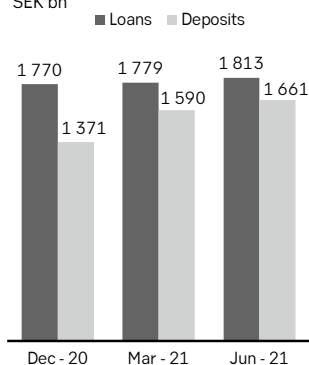
President and CEO

Second quarter 2021

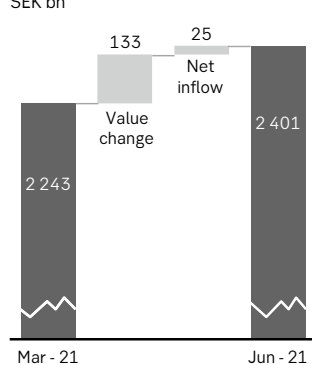
- Return on equity increased to 14.7 per cent and the management capital buffer amounted to 860 basis points
- Strong net commission income driven by high customer activity in Investment Banking, particularly within equity capital markets
- Reflecting the global economic recovery and SEB's robust asset quality in the second quarter, net expected credit losses in 2021 are expected to be below the 8–10 basis points previously indicated

SEK m	Q2		Q1		Q2		Jan–Jun			Full year
	2021	2021	%	2020	%	2021	2020	%	2020	
Total operating income	13 680	13 347	2	13 999	-2	27 028	24 089	12	49 717	
Total operating expenses	-5 759	-5 718	1	-5 712	1	-11 477	-11 358	1	-22 747	
Net expected credit losses	-7	-156	-96	-2 691	-100	-163	-4 185	-96	-6 118	
Operating profit before items affecting comparability	7 916	7 475	6	5 598	41	15 391	8 547	80	20 846	
Items affecting comparability				-1 000	-100		-1 000	-100	-1 000	
Operating profit	7 916	7 475	6	4 598	72	15 391	7 547	104	19 846	
NET PROFIT	6 574	6 018	9	3 501	88	12 591	5 856	115	15 746	
Return on equity, %	14.7	13.8		8.7		14.2	7.4		9.7	
Return on equity excluding items affecting comparability, %	14.7	13.8		11.2		14.2	8.6		10.3	
Basic earnings per share, SEK	3.04	2.78		1.62		5.82	2.70		7.28	

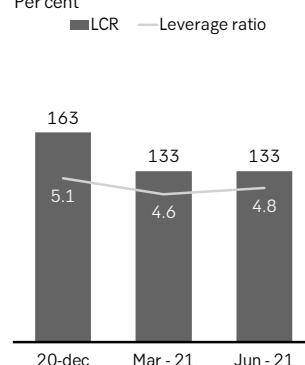
Loans to and deposits from the public
SEK bn



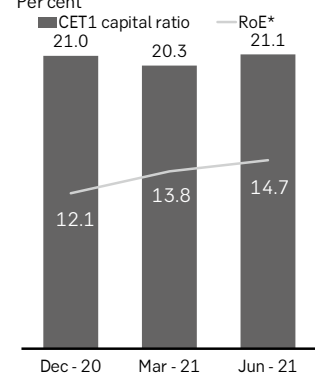
Assets under management
SEK bn



Liquidity coverage & leverage ratios
Per cent



CET 1 capital ratio & return on equity
Per cent



* Excluding items affecting comparability

Table of contents

SEB Group	
Income statement on a quarterly basis, condensed	6
Key figures	7
Second quarter	8
First six months	9
Business volumes	11
Risk and capital	12
Business development	13
Other information	14
Income statement by segment	16
Large Corporates & Financial Institutions	17
Corporate & Private Customers	18
Baltic	19
Life	20
Investment Management & group functions	21
Financial statements – SEB Group	22
Income statement, condensed	22
Statement of comprehensive income	22
Balance sheet, condensed	23
Statement of changes in equity	24
Cash flow statement, condensed	25
Notes to the financial statements - SEB Group	26
Note 1 Accounting policies	26
Note 2 Net interest income	26
Note 3 Net fee and commission income	27
Note 4 Net financial income	29
Note 5 Net expected credit losses	29
Note 6 Items affecting comparability	30
Note 7 Pledged assets and obligations	30
Note 8 Financial assets and liabilities	31
Note 9 Assets and liabilities measured at fair value	32
Note 10 Exposure and expected credit loss (ECL) allowances by stage	34
Note 11 Movements in allowances for expected credit losses (ECL)	37
Note 12 Loans and expected credit loss (ECL) allowances by industry	38
SEB consolidated situation	39
Note 13 Capital adequacy analysis	39
Note 14 Own funds	40
Note 15 Risk exposure amount	41
Note 16 Average risk-weight	41
Skandinaviska Enskilda Banken AB (publ) – parent company	42
Income statement	42
Statement of comprehensive income	42
Balance sheet, condensed	43
Pledged assets and obligations	43
Capital adequacy	44
Signatures of the President and the Board	47
Auditor's review report	48
Contacts and calendar	49
Definitions	50

Income statement on a quarterly basis, condensed

	Q2	Q1	Q4	Q3	Q2
SEK m	2021	2021	2020	2020	2020
Net interest income	6 570	6 396	6 559	6 336	6 047
Net fee and commission income	5 280	4 776	4 774	4 301	4 364
Net financial income	1 713	2 179	1 784	1 754	3 541
Net other income	118	- 4	- 51	172	47
Total operating income	13 680	13 347	13 066	12 563	13 999
Staff costs	-3 818	-3 897	-3 909	-3 654	-3 794
Other expenses	-1 467	-1 345	-1 473	-1 432	-1 362
Depreciation, amortisation and impairment of tangible and intangible assets	- 475	- 476	- 460	- 461	- 557
Total operating expenses	-5 759	-5 718	-5 842	-5 547	-5 712
Profit before credit losses	7 921	7 630	7 224	7 016	8 287
Gains less losses from tangible and intangible assets	2	1	- 6	- 2	1
Net expected credit losses	- 7	- 156	- 835	-1 098	-2 691
Operating profit before items affecting comparability	7 916	7 475	6 382	5 916	5 598
Items affecting comparability					-1 000
Operating profit	7 916	7 475	6 382	5 916	4 598
Income tax expense	-1 342	-1 457	-1 259	-1 150	-1 096
NET PROFIT	6 574	6 018	5 123	4 766	3 501
Attributable to shareholders of Skandinaviska Enskilda Banken AB	6 574	6 018	5 123	4 766	3 501
Basic earnings per share, SEK	3.04	2.78	2.37	2.21	1.62
Diluted earnings per share, SEK	3.02	2.76	2.35	2.19	1.61

Key figures

	Q2	Q1	Q2	Jan–Jun		Full year
	2021	2021	2020	2021	2020	2020
Return on equity, %	14.7	13.8	8.7	14.2	7.4	9.7
Return on equity excluding items affecting comparability ¹⁾ , %	14.7	13.8	11.2	14.2	8.6	10.3
Return on total assets, %	0.8	0.7	0.4	0.7	0.4	0.5
Return on risk exposure amount, %	3.5	3.2	1.8	3.4	1.5	2.1
Cost/income ratio	0.42	0.43	0.41	0.42	0.47	0.46
Basic earnings per share, SEK	3.04	2.78	1.62	5.82	2.70	7.28
Weighted average number of shares ²⁾ , millions	2 165	2 162	2 167	2 164	2 165	2 163
Diluted earnings per share, SEK	3.02	2.76	1.61	5.78	2.69	7.23
Weighted average number of diluted shares ³⁾ , millions	2 180	2 177	2 180	2 178	2 180	2 177
Net worth per share, SEK	91.89	87.65	79.79	91.89	79.79	85.99
Equity per share, SEK	84.79	80.81	73.91	84.79	73.91	79.53
Average shareholders' equity, SEK, billion	179.0	174.7	160.1	177.1	158.6	162.2
Net ECL level, %	0.00	0.03	0.46	0.01	0.35	0.26
Stage 3 Loans / Total Loans, gross, %	0.68	0.77	0.86	0.68	0.86	0.87
Stage 3 Loans / Total Loans, net, %	0.30	0.38	0.48	0.30	0.48	0.44
Liquidity Coverage Ratio (LCR) ⁴⁾ , %	133	133	138	133	138	163
Net Stable Funding Ratio (NSFR) ⁵⁾ , %	110	111		110		
<u>Own funds requirement, Basel III</u>						
Risk exposure amount, SEK m	754 768	761 144	745 457	754 768	745 457	725 560
Expressed as own funds requirement, SEK m	60 381	60 892	59 637	60 381	59 637	58 045
Common Equity Tier 1 capital ratio, %	21.1	20.3	17.8	21.1	17.8	21.0
Tier 1 capital ratio, %	22.8	22.1	19.7	22.8	19.7	22.7
Total capital ratio, %	23.9	23.1	22.2	23.9	22.2	25.1
Leverage ratio, %	4.8	4.6	4.3	4.8	4.3	5.1
Number of full time equivalents ⁶⁾	15 548	15 515	15 329	15 512	15 247	15 335
Assets under custody, SEK bn	13 607	12 877	10 053	13 607	10 053	12 022
Assets under management, SEK bn	2 401	2 243	1 909	2 401	1 909	2 106

1) Administrative fine in Q2 2020.

2) The number of issued shares was 2,194,171,802. SEB owned 32,211,451 Class A shares for the equity based programmes at year-end 2020. During 2021 SEB has purchased 2,205,024 shares and 6,378,260 shares have been sold. Thus, at 30 June 2021 SEB owned 28,038,215 Class A-shares with a market value of SEK 3,100m.

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

4) In accordance with the EU delegated act.

5) In accordance with CRR2.

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

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

Second quarter

Operating profit increased by 6 per cent to SEK 7,916m (7,475). Year-on-year, operating profit increased by 72 per cent while operating profit before items affecting comparability increased by 41 per cent. Net profit amounted to SEK 6,574m (6,018).

Operating income

Total operating income increased by SEK 333m, or 2 per cent, compared with the first quarter and amounted to SEK 13,680m (13,347). Compared with the second quarter 2020, total operating income decreased by 2 per cent.

Net interest income amounted to SEK 6,570m, which represented an increase of 3 per cent compared with the first quarter (6,396) and an increase of 9 per cent year-on-year. Compared with the previous quarter net interest income was positively impacted by a decrease in resolution fees and lower funding costs. There was one more day accruing interest in the second quarter versus the first which also had a positive effect.

SEK m	Q2	Q1	Q2
	2021	2021	2020
Customer-driven NII	6 594	6 711	6 821
NII from other activities	-24	-315	-774
Total	6 570	6 396	6 047

Customer-driven net interest income decreased by SEK 117m compared with the first quarter. Increased lending volumes had a positive impact on net interest income. An adjustment of the internal funds transfer pricing lowered customer-driven deposit margins and increased net interest income from other activities.

The negative effect on net interest income from other activities (including for instance funding and other Treasury activities, trading and regulatory fees) improved by SEK 291m to SEK -24m compared with the first quarter. Lower funding costs contributed positively, as maturing funding has not been fully replaced given the strong inflow of deposits. The Markets operations' contribution to net interest income remained at the same elevated level as in the first quarter.

The total resolution and deposit guarantee fees recognised in the second quarter decreased to SEK 329m (355).

Net fee and commission income increased by 11 per cent to SEK 5,280m (4,776). Year-on-year, net fee and commission income increased by 21 per cent.

Strong equity markets and low interest rates kept the equity capital markets on an elevated level and primary issuers of debt took advantage of the investor demand. Gross fee income from issuance of securities and advisory services increased significantly in the quarter to SEK 613m (322). Gross lending fees increased by SEK 69m to SEK 755m given increased activity in Leveraged Finance's fund financing operations. Secondary market and derivatives income was unchanged in the second quarter.

Net payment and card fees increased by SEK 89m to SEK 851m. The private card business continued to improve from the low level seen during the pandemic last year while the corporate card business remains subdued.

On the back of the positive development of the equity markets during the quarter, the gross fee income from custody and mutual funds, excluding performance fees, increased by SEK 166m to SEK 2,286m compared with the first quarter. Performance fees amounted to SEK 115m (219). The first quarter outcome was mainly driven by one large non-recurring item.

The net life insurance commissions related to the unit-linked insurance business amounted to SEK 290m (292).

Net financial income decreased by SEK 466m to SEK 1,713m compared with the first quarter. Year-on-year, net financial income decreased by SEK 1,828m. In the second quarter of 2020 there was a significant rebound of the negative market valuation effects resulting from the financial markets' initial reaction to the Covid-19 pandemic. In the second quarter of 2021, the net financial income overall reflected the low market volatility and the lowered customer need for risk management services.

Net financial income in Markets operations was significantly lower quarter-on-quarter as lower volatilities in interest rates impacted activity negatively within foreign exchange and fixed income. The low market volatility also led to lower net financial income within Treasury.

The change in market value of certain strategic holdings amounted to SEK -3m, a decrease of SEK 335m compared with the first quarter. The fair value credit adjustment¹ amounted to SEK 52m as credit spreads continued to tighten but decreased by SEK 160m compared with the first quarter.

The negative market related effects were offset by a SEK 514m valuation gain relating to the recently announced agreement where Visa Inc. will acquire SEB's shares in the fintech company Tink.

Net other income amounted to SEK 118m (-4). Unrealised valuation and hedge accounting effects are included in this line item.

Operating expenses

Total operating expenses amounted to SEK 5,759m (5,718). In total, operating expenses were stable with an increase of 1 per cent from the first quarter and year-on-year.

The increase in other expenses relates to consulting costs, marketing and supervisory fees. Supervisory fees amounted to SEK 51m (40).

The cost target in the business plan for 2019–2021 is described on page 14. Costs related to the strategic initiatives developed according to plan and the three-year cost target remains unchanged.

Comparative numbers (in parenthesis throughout the report)

Unless otherwise stated:

- the result for the reporting quarter is compared with the prior quarter
- the year-to-date result is compared with the corresponding period in the prior year
- business volumes are compared with the balances in the prior quarter

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

Net expected credit losses

Net expected credit losses amounted to SEK 7m (156), corresponding to a net expected credit loss level of zero basis points (3). Both corporate and private customers continue to demonstrate resilience and asset quality indicators such as past due loans remained stable. The macroeconomic outlook was slightly more positive in the second quarter compared with the first quarter. The portfolio overlays made in 2020 for the oil portfolio in the Large Corporates & Financial Institutions division and for potential negative Covid-19 effects in the Corporate & Private Customers and Baltic divisions were maintained. Government programs remain in place which may be delaying the real impact of restrictions and there is an uncertainty around a next wave of Covid-19 after the summer.

See further comments on Credit risk and asset quality and Uncertainties on page 12 and 14 and notes 10-12.

Items affecting comparability

There were no *items affecting comparability* in the second quarter of 2021, but in the second quarter 2020 an item affecting comparability was reported. See note 6.

Income tax expense

Income tax expense declined to SEK 1,342m (1,457) with an effective tax rate of 17.0 per cent (19.5). A number of factors affected the tax rate, among them was the valuation gain on the Tink transaction which was tax exempt.

Return on equity

Return on equity for the second quarter improved to 14.7 per cent (13.8).

Other comprehensive income

Other comprehensive income amounted to SEK 2,522m (5,797). The value of SEB's pension plan assets continued to exceed the defined benefit obligations to the employees and the change in net value of the defined benefit plans affected other comprehensive income by SEK 2,712m (5,310). The defined benefit pension obligations were unchanged with a limited impact from the small discount rate change from 1.45 to 1.50 per cent in the quarter.

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash flow hedges and translation of foreign operations amounted to SEK -183m (477).

First six months

Operating profit before items affecting comparability increased by 80 per cent to SEK 15,391m (8,547). *Net profit* amounted to SEK 12,591m (5,856).

Operating income

Total operating income increased by SEK 2,939m, or 12 per cent, compared with the first six months 2020 and amounted to SEK 27,028m (24,089).

Net interest income amounted to SEK 12,966m, which represented an increase of 6 per cent compared with the first six months 2020 (12,249).

SEK m	Jan-Jun		Change
	2021	2020	%
Customer-driven NII	13 305	13 681	-3
NII from other activities	-339	-1 433	-76
Total	12 966	12 249	6

Customer-driven net interest income decreased by SEK 376m year-on-year. Higher lending margins compensated for a decreased volume effect from corporate lending. An adjustment of the internal funds transfer pricing lowered customer-driven deposit margins and increased net interest income from other activities.

The negative effect on net interest income from other activities (including for instance funding and other Treasury activities, trading and regulatory fees) improved by SEK 1,094m to SEK -339m compared with the corresponding period 2020. Lower funding costs affected the results positively, as maturing funding has not been fully replaced given the strong inflow of deposits. The Markets operations' contribution to net interest income was elevated during the period.

The total resolution and deposit guarantee fees recognised in the first six months increased to SEK 684m (645).

Net fee and commission income amounted to SEK 10,055m (8,988), which was an increase of 12 per cent year-on-year.

The rebound of the equity and debt capital markets compared with the first six months of 2020 had a positive effect. Income from the issue of securities and advisory services increased by SEK 383m to SEK 935m. Gross lending fees decreased by SEK 120m to SEK 1,440m from the high level observed during the first six months 2020, associated with pandemic-related financing activity.

Net payment and card fees amounted to SEK 1,614m and were unchanged compared with the corresponding period 2020.

On the back of the positive development of the equity markets during the period, the gross fee income from custody and mutual funds, excluding performance fees, increased by SEK 535m to SEK 4,406m year-on-year. Performance fees amounted to SEK 334m and increased by SEK 215m compared with the first six months 2020.

The net life insurance commissions related to the unit-linked insurance business amounted to SEK 581m (530).

Net financial income increased by SEK 1,155m to SEK 3,892m year-on-year. The first six months of 2020 were characterised by significant negative market valuation effects, resulting from the financial markets' initial reaction to the Covid-19 pandemic, which have since been recovered.

Net financial income in both Markets and Treasury operations was lower year-on-year.

The change in market value of certain strategic holdings increased net financial income by SEK 329m, an increase of SEK 262m compared with the six-month period 2020.

The fair value credit adjustment¹) amounted to SEK 264m as credit spreads continued to tighten reflecting an improvement of SEK 965m compared with the first six months of 2020. The negative market related effects were offset by a SEK 514m valuation gain relating to the recently announced agreement where Visa Inc. will acquire SEB's shares in the fintech company Tink.

Net financial income within the Life division primarily related to the traditional life portfolios in Sweden improved significantly year-on-year.

Net other income amounted to SEK 115m (115).

Unrealised valuation and hedge accounting effects are included in this line item.

Operating expenses

Total operating expenses amounted to SEK 11,477m (11,358). In total, operating expenses were stable with an increase of 1 per cent year-on-year.

Staff costs increased by 4 per cent mainly due to social costs for long-term incentive programmes which increased in line with the appreciation of the SEB share price. Decreased travel and fewer events in the wake of Covid-19 decreased other expenses by 5 per cent. Supervisory fees amounted to SEK 92m (80).

Net expected credit losses

Net expected credit losses amounted to SEK 163m (4,185), corresponding to a net expected credit loss level of 1 basis point (35). The asset quality of the credit portfolio continued to be robust and the macroeconomic outlook has continuously been revised in a positive direction since the second quarter 2020. The portfolio overlays made in 2020 for the oil portfolio in the Large Corporates & Financial Institutions division and for potential negative Covid-19 effects in the Corporate & Private Customers and Baltic divisions were maintained. Government support programs remain in place which may be delaying the real impact of restrictions and there is an uncertainty around a next wave of Covid-19 after the summer.

See further comments on Credit risk and asset quality and Uncertainties on page 12 and 14 and notes 10-12.

Items affecting comparability

There were no *items affecting comparability* in the first six months of the year, but in 2020 an item affecting comparability was reported. See note 6.

Income tax expense

Income tax expense rose to SEK 2,800m (1,691) with an effective tax rate of 18.2 per cent (22.4). A number of factors affected the change in effective tax rates, mainly that the 2020 administrative fine described in note 6 was not tax deductible.

Return on equity

Return on equity for the first six months improved to 14.2 per cent (7.4). Return on equity excluding items affecting comparability was 14.2 per cent (8.6).

Other comprehensive income

Other comprehensive income amounted to SEK 8,319m (-1,535).

The value of SEB's pension plan assets continued to exceed the defined benefit obligations to the employees and the change in net value of the defined benefit plans affected other comprehensive income by SEK 8,022m (-1,275).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash flow hedges and translation of foreign operations amounted to SEK 295m (-255).

¹ *Unrealised valuation change from counterparty risk (CVA) and own credit risk standing in derivatives (DVA). Own credit risk for issued securities (OCA) is reflected in Other comprehensive income.*

Business volumes

Total assets at 30 June 2021 amounted to SEK 3,445bn, representing an increase of SEK 2bn from the first quarter (3,443) and an increase of SEK 404bn since year-end 2020 balance of SEK 3,040bn.

Loans

	30 Jun	31 Mar	31 Dec
SEK bn	2021	2021	2020
General governments	17	17	16
Financial corporations	88	83	79
Non-financial corporations	855	862	848
Households	679	665	656
Collateral margin	36	44	59
Reverse repos	139	108	112
Loans to the public	1 813	1 779	1 770

Loans to the public increased by SEK 34bn in the second quarter. Loans to non-financial corporations decreased by SEK 7bn mainly due to currency effects. Household lending grew by SEK 14bn in the second quarter driven by household mortgages in both Sweden and the Baltic countries.

Loans as well as credit commitments and derivatives are included and managed in the credit portfolio. See the section Risk and capital.

Deposits and borrowings

	30 Jun	31 Mar	31 Dec
SEK bn	2021	2021	2020
General governments	32	49	17
Financial corporations	488	413	285
Non-financial corporations	626	628	605
Households	409	390	383
Collateral margin	68	83	71
Repos	35	24	7
Registered bonds	3	3	3
Deposits and borrowings from the public	1 661	1 590	1 371

In the second quarter, the strong trend in which customers chose deposits to manage excess cash continued albeit at a slower pace than during 2020. Deposits and borrowings from the public increased by SEK 71bn to SEK 1,661bn (1,590). Since year-end deposits and borrowings from the public increased by SEK 290bn. Deposits from non-financial corporations and households combined increased by SEK 17bn in the second quarter while deposits from financial corporations increased by SEK 75bn.

Debt securities

Debt securities decreased by SEK 13bn to SEK 394bn in the second quarter. Compared with year-end debt securities increased by SEK 129bn. The securities are short-term in nature and have a high credit worthiness. The increase mirrors the higher number of customers active in this market as well as the increase in SEB's deposit base which was significant in 2021 and 2020 as customers were more cautious and chose low-risk alternatives for their excess cash.

Assets under management and custody

Total *assets under management* amounted to SEK 2,401bn (2,243). Driven by the equity market appreciation during the second quarter, the market value increased by SEK 133bn. Inflows and outflows of assets under management during the quarter netted to SEK 25bn.

Assets under custody increased as a consequence of the onboarding of new mandates together with increasing asset values driven by the equity market appreciation during the second quarter and amounted to SEK 13,607bn (12,877).

Risk and capital

SEB's business is exposed to many different types of risks. The risk composition of the group, as well as the related risk, liquidity and capital management, are described in SEB's Annual and Sustainability Report for 2020 (see page 74-79 and notes 40 and 41), in the Capital Adequacy and Risk Management Report for 2020 as well as the quarterly additional Pillar 3 disclosures. Further information is available in the Fact Book that is published quarterly.

Credit risk and asset quality

SEK bn	30 Jun	31 Mar	31 Dec
	2021	2021	2020
Banks	96	101	85
Corporates	1 315	1 326	1 308
Commercial real estate management	186	191	196
Residential real estate management	147	144	143
Housing co-operative associations Sweden	72	69	66
Public administration	78	67	82
Household mortgage	669	652	629
Household other	84	83	83
Total credit portfolio	2 647	2 633	2 591

SEB's credit portfolio, which includes loans, contingent liabilities and derivatives, increased by SEK 14bn in the second quarter to SEK 2,647bn (2,633). The corporate credit portfolio decreased by SEK 11bn, due to a stronger Swedish krona, while the underlying development was roughly unchanged. The household credit portfolio increased by SEK 18bn driven by a strong housing market in Sweden and growth in the Baltic countries. The commercial and residential real estate management portfolios were largely flat.

Asset quality indicators such as past due loans remained unchanged during the quarter. There was continued limited impact from the Covid-19 pandemic on the larger portfolios such as large corporates, households, and small and medium-sized companies in Sweden and the Baltic countries, which to some extent may be due to various government support measures.

Credit-impaired loans (gross loans in stage 3) continued to decrease in the second quarter to SEK 12.1bn (13.6), which corresponds to 0.68 per cent of total loans (0.77). The decrease was driven mainly by risk migration, write-offs and currency effects. Exposures in Stages 1 and 2 were relatively stable with limited migration. See net expected credit loss comment on page 9 and 10.

Notes 10 and 12 provide a more detailed breakdown of SEB's loan portfolio by industry and stage allocation as well as corresponding ECL allowances. Pages 27-29 in the Fact book provide a breakdown of SEB's credit portfolio and lending portfolio by industry and country.

Market risk

SEB's business model is mainly driven by customer demand. Value-at-Risk (VaR) in the regulatory trading book decreased and averaged SEK 97m in the second quarter (272 in the first quarter). The VaR decrease is mainly explained by reduced risk within the fixed income trading area in Markets. The group does not expect to lose more than this amount, on average, during a period of ten trading days with 99 per cent probability.

Liquidity and funding

SEB has maintained a strong and diversified liquidity and funding position in the quarter. The loan-to-deposit ratio was 103 per cent per 30 June 2021 versus 107 per cent at 31 March 2021.

As a consequence of the deposit inflows in 2020, which continued in 2021 albeit at a slower pace, SEB's long-term funding need in the second quarter continued to be limited. SEK 37bn of long-term funding matured, or was redeemed, during the quarter (of which SEK 13bn covered bonds, SEK 15bn senior debt and SEK 10bn subordinated debt) whereas new issuance amounted to SEK 23bn of which SEK 13bn constituted covered bonds and SEK 10bn senior non-preferred debt. Short-term funding in the form of commercial paper and certificates of deposit decreased by SEK 13bn during the second quarter.

Liquid assets defined according to the liquidity coverage ratio (LCR) requirements amounted to SEK 872bn at 30 June 2021 (893) and the LCR ratio was 133 per cent (133). Since March 2020, the Swedish FSA allows banks to temporarily fall below the LCR requirement for individual and total currencies.

The net stable funding ratio (NSFR) requirement, where stable funding is required to be at least 100 per cent of illiquid assets, entered into force per 28 June 2021. Per 30 June 2021, SEB's NSFR was 110 per cent (111).

Rating

Fitch rates SEB's long-term senior unsecured debt at AA-. The rating is based on SEB's low risk appetite, stable and well-executed strategy, robust asset quality and capitalisation as well as strong market position. In September 2020, Fitch affirmed SEB's rating and assigned a negative outlook to the long-term rating, reflecting the downside risks, particularly to asset quality and profitability, of a deeper or more prolonged economic downturn than what was expected.

Moody's rates SEB's long-term senior unsecured debt at Aa2 based on the bank's strong asset quality and robust capital ratios. While the bank has good underlying earnings generation, the corporate business focus could add earnings cyclicality, particularly in the current economic downturn. In November 2020, Moody's affirmed the stable outlook of the Swedish banking system due to the relative resilience of the country's banks and robust capital positions. In July 2021, Moody's affirmed SEB's rating but changed the outlook for the senior unsecured rating to negative following a change in rating methodology in combination with anticipated lower senior unsecured funding volumes.

S&P rates SEB's long-term senior unsecured debt at A+ with a stable outlook. The rating is based on the stable and low-risk operating environment in Sweden, the bank's stable and well-diversified revenue base and leading position among large Nordic corporates, robust capitalisation and resilient earnings, despite expected increasing pressure on revenues and asset quality in the economic environment. In May 2021, S&P affirmed SEB's rating.

Risk exposure amount

During the second quarter of the year, the total risk exposure amount (REA) decreased by SEK 6bn to SEK 755bn.

Primarily, the decrease was due to a reduction in market risk REA of SEK 13bn. Some of the decline was offset by REA increases related to methodology updates due to the

implementation of the EU Capital Requirements Regulation (CRR) II.

SEK bn	
Balance 31 Mar 2021	761
Underlying credit risk change	0
- whereof asset size	8
- whereof asset quality	-4
- whereof foreign exchange movements	-5
Underlying market risk change	-13
-whereof CVA risk	0
Underlying operational risk change	0
Model updates, methodology & policy, other	7
- whereof credit risk	3
Balance 30 June 2021	755

Capital position

The following table shows REA and capital ratios according to applicable capital regulation:

	30 Jun	31 Mar	31 Dec
Own funds requirement, Basel III	2021	2021	2020
Risk exposure amount, SEK bn	755	761	726
Common Equity Tier 1 capital ratio, %	21.1	20.3	21.0
Tier 1 capital ratio, %	22.8	22.1	22.7
Total capital ratio, %	23.9	23.1	25.1
Leverage ratio, %	4.8	4.6	5.1

SEB's Common Equity Tier 1 (CET1) capital ratio was 21.1 per cent (20.3). During the quarter, CET1 capital increased by approximately SEK 4.7bn mainly driven by the result net of dividend together with a change in the consolidation for the banking group according to which SEB's insurance activities are included in the consolidated situation applying the equity method. REA decreased by SEK 6bn.

SEB's applicable CET1 capital requirement per the end of the second quarter 2021 was 12.5 per cent (12.5). As part of the 2021 Supervisory Review and Evaluation Process (SREP), the Swedish FSA will introduce a Pillar 2 Guidance (P2G) and remove the pillar 2 requirement for the corporate maturity floor. SEB expects the net effect of these changes to increase the required level of CET1 capital by approximately 1-1.5 percentage points.

SEB's target is to have a buffer of 100 to 300 basis points above the capital requirement. The buffer shall cover sensitivity to currency fluctuations in REA, changes in the net value of the Swedish defined benefit pension plan as well as general macroeconomic uncertainties. The buffer is approximately 860 basis points (780).

Internally assessed capital requirement

As per 30 June 2021, the internally assessed capital requirement, including insurance risk, amounted to SEK 85bn (84). 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 SFSA due to differences in assumptions and methodologies. The internally assessed capital requirement for the parent company was SEK 75bn (75).

Business development

2021 is the last year of SEB's current three-year business plan and we continued to deliver on our strategic focus areas Advisory leadership, Operational excellence and Extended presence.

Advisory leadership

During the quarter, SEB continued to improve the private mobile app, through the launch of securities trading functionality and market data visualisation. In the private mobile app available in the Baltics, a Robo-Advisor was launched to provide customers with investment advice, initially focusing on SEB's funds. The aim is to increase accessibility and make it easier for customers to start saving in mutual funds which is relatively uncommon among the broad public in the Baltics.

SEB also continued to develop its sustainability-related offering, by launching a green savings account for private customers in Sweden. The deposits will be dedicated to specific environment-related purposes such as lending to energy efficient real estate. In addition to Eon, SEB has now also partnered with Swedish Vattenfall offering financing of solar cell panels to mortgage customers. Customers who finance solar panels with their mortgage loans receive an interest rate discount of 10 basis points. In addition, Private Banking customers can now view how their investments comply with certain sustainability parameters.

During the quarter, SEB also launched sustainability-linked supply chain financing to corporate customers, enabling them to create incentives that reward their suppliers financially as certain sustainability targets are met. Furthermore, a new sustainability fund, SEB Microfinance Fund IX, classified according to Article 9 in the Sustainable Finance Disclosure Regulation (SFDR), was launched to corporate and institutional customers.

Operational excellence

Digital signing of consumer loans is now available on the web for private customers. In addition, cash management customer services were moved from the Large Corporates & Financial Institutions division to the Global Service Centre in Vilnius, enabling increased standardisation, scalability and efficiency.

SEB continued to develop its custodian services. Within sub-custody, the Nordic automatic borrowing service, which gives institutional customers the ability to borrow from SEB's securities pool to cover short positions, has been fully automated, leading to efficiency gains but also supporting scalability of the solution.

Extended presence

SEB's partnership with the enterprise resource planning (ERP) system provider Oxceed was further extended, enabling corporate customers to read, order and access the accounting services through SEB's corporate web Business Arena.

In addition, a new factoring product, PE Block, was launched together with another of SEB's ERP partners, PE Accounting, targeting growth companies with a need for rapid access to financing on the back of accounts receivables. This service has previously mainly been available for larger companies.

Other information

Long-term financial targets for the group

With the overall purpose to increase capital management flexibility, the Board of Directors' long-term financial targets are:

- to pay a yearly dividend that is around 50 per cent of the earnings per share excluding items affecting comparability, and distribute potential capital in excess of the targeted capital position mainly through share repurchases,
- to maintain a Common Equity Tier 1 capital ratio of 100–300 basis points above the requirement from the Swedish Financial Supervisory Authority (FSA), 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.

These long-term financial targets were revised in the beginning of 2021. See the 2020 Annual and Sustainability Report or the Fourth Quarter report 2020 for more information.

Financial aspirations for the divisions

SEB has established long-term aspirations for its divisions which will be evaluated annually.

Division	Return on business equity	Cost/income ratio
LC&FI	>13%	<0.50
C&PC	>17%	<0.40
Baltic	>20%	<0.35
Life	>30%	<0.45
Investment Management	>40%	<0.40

Cost target

SEB's business plan for 2019-2021 defines a number of strategic initiatives which, on an accumulated basis, are estimated to lead to total additional investments of SEK 2-2.5bn during the three-year period 2019-2021. This translates into an annual cost increase of SEK 1bn by 2021, and a new total cost target of SEK 23bn (+/- 200m), assuming 2018 foreign exchange rates, by 2021. With the foreign exchange rates as of 30 June 2021, the cost target implies a cost level of around SEK 22.8bn in 2021. The strategic initiatives are expected to lead to both improved revenue growth and cost efficiencies, improving return on equity over time.

Impact from exchange rate fluctuations

The currency effect on operating profit for the second quarter 2021 was SEK 15m. Compared with the second quarter 2020, the currency effect on operating profit was SEK -118m.

Compared with the first quarter 2021, the stronger Swedish krona decreased loans to and deposits from the public by SEK 12bn and SEK 10bn, respectively. Total REA decreased by SEK 5bn while the decrease of total assets was SEK 20bn.

Changes in Group Executive Committee

It was announced on 17 May 2021 that Niina Äikäs, then Head of Large Corporates Coverage at SEB Finland, was appointed as the new Head of the Baltic division and member of the Group Executive Committee. She succeeded Jonas Ahlström who, as previously communicated, was appointed Co-Head of the Large Corporates & Financial Institutions division. Furthermore, Ulrika Lilja, currently at Stora Enso, has been appointed Head of Group Marketing and Communication at SEB. She will succeed Karin Lepasoon who has decided to leave SEB.

It was announced on 25 May 2021 that Mats Holmström, then Head of Corporate Banking in the Large Corporates & Financial Institutions division, was appointed Chief Risk Officer (CRO) and member of the Group Executive Committee. He succeeds Magnus Agustsson who has decided to leave SEB.

Uncertainties

The financial and economic consequences of the Covid-19 pandemic have been extensive in SEB's home markets and the continued recovery is dependent on the pandemic development and government and central bank measures. SEB is continuously assessing the asset quality of its credit portfolio using several different economic scenarios. Financial markets volatility may adversely impact fair values of certain financial instruments and holdings, and consequently, net financial income and capital.

The interest rate levels – in Sweden in particular the repo rate – are key factors affecting net interest income and operating profit. At the monetary policy meeting on 30 June 2021, the Executive Board of the Riksbank decided to hold the repo rate unchanged at zero per cent and it is expected to remain at this level over the coming three-year period.

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. As communicated by SEB in a press release on 22 December 2020, the tax authority in Frankfurt

has requested SEB's German subsidiary DSK Hyp AG to retroactively repay transparently reported withholding tax from more than five years ago. These claims are based on federal administrative guidance that have been applied with a retroactive effect and that are still not clear. It is therefore not possible for SEB to have a well-founded opinion about amounts or timing of potential further reclaims.

SEB is of the opinion that the cross-border securities lending and derivative transactions of SEB under review in Germany were conducted in compliance with then prevailing rules. SEB's external legal advisors conclude that the tax authority's reclaims are in violation of both EU law and German law. DSK Hyp will appeal these claims. Hence, to date and in accordance with current accounting rules, no provisions have been made on group level. The legal proceedings are estimated to take up to five years.

SEB is subject to various legal regimes, laws and requirements in all jurisdictions where the bank operates. Over the past years, the laws and regulations of the financial industry have expanded and further sharpened, and the regulators have increased their supervision. This is a development which is expected to continue to evolve. Competent authorities regularly conduct reviews of SEB's regulatory compliance, including areas such as financial stability, transaction reporting, anti-money laundering, investor protection, and data privacy. SEB has policies and procedures in place with the purpose to comply with applicable laws and regulations and has continuous dialogues and cooperates with authorities. SEB has received requests from authorities in jurisdictions where it operates, including US authorities, to provide information concerning measures against money laundering, which SEB is responding to in dialogue with these authorities. It cannot be ruled out that current and future supervisory activities and requests from authorities could lead to criticism or sanctions.

Business segments

Income statement by segment

Jan-Jun 2021, SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & group functions	Eliminations	SEB Group
Net interest income	5 649	6 055	1 464	- 13	- 158	- 31	12 966
Net fee and commission income	3 695	2 602	795	1 350	1 633	- 19	10 055
Net financial income	1 957	249	168	499	1 042	- 24	3 892
Net other income	- 6	12	4	32	75	- 3	115
Total operating income	11 295	8 918	2 431	1 868	2 593	- 77	27 028
Staff costs	-2 088	-1 728	- 415	- 440	-3 044	0	-7 715
Other expenses	-2 623	-2 170	- 535	- 330	2 769	76	-2 811
Depreciation, amortisation and impairment of tangible and intangible assets	- 34	- 43	- 16	- 10	- 847		- 951
Total operating expenses	-4 745	-3 942	- 965	- 780	-1 122	77	-11 477
Profit before credit losses	6 550	4 977	1 466	1 087	1 471	0	15 551
Gains less losses from tangible and intangible assets	0	0	1	0	1		3
Net expected credit losses	- 236	- 10	85	0	- 1	- 2	- 163
Operating profit before items affecting comparability	6 315	4 967	1 552	1 088	1 471	- 2	15 391
Items affecting comparability							
Operating profit	6 315	4 967	1 552	1 088	1 471	- 2	15 391

Jan-Jun 2020, SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & group functions	Eliminations	SEB Group
Net interest income	5 361	5 915	1 633	- 16	- 570	- 76	12 249
Net fee and commission income	3 330	2 433	780	1 197	1 240	8	8 988
Net financial income	1 957	186	129	117	353	- 5	2 737
Net other income	14	17	0	1	85	- 2	115
Total operating income	10 662	8 551	2 542	1 300	1 109	- 75	24 089
Staff costs	-2 089	-1 718	- 442	- 437	-2 735	8	-7 413
Other expenses	-2 606	-1 973	- 566	- 368	2 485	68	-2 960
Depreciation, amortisation and impairment of tangible and intangible assets	- 34	- 35	- 16	- 11	- 890		- 985
Total operating expenses	-4 728	-3 726	-1 025	- 815	-1 140	75	-11 358
Profit before credit losses	5 934	4 825	1 517	485	- 31	0	12 730
Gains less losses from tangible and intangible assets	0	0	1		0		1
Net expected credit losses	-3 117	- 747	- 337	0	16	1	-4 185
Operating profit before items affecting comparability	2 817	4 078	1 181	485	- 14	1	8 547
Items affecting comparability					-1 000		-1 000
Operating profit	2 817	4 078	1 181	485	-1 014	1	7 547

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	Q2			Q1		Q2		Jan–Jun			Full year
	2021	2021	%	2020	%	2021	2020	%	2020		
Net interest income	2 805	2 843	-1	2 697	4	5 649	5 361	5	11 060		
Net fee and commission income	2 044	1 651	24	1 656	23	3 695	3 330	11	6 472		
Net financial income	753	1 203	-37	2 430	-69	1 957	1 957	0	4 226		
Net other income	43	-49		34	27	-6	14		87		
Total operating income	5 645	5 650	0	6 817	-17	11 295	10 662	6	21 845		
Staff costs	-1 026	-1 062	-3	-1 063	-3	-2 088	-2 089	0	-4 238		
Other expenses	-1 322	-1 300	2	-1 284	3	-2 623	-2 606	1	-5 250		
Depreciation, amortisation and impairment of tangible and intangible assets	-17	-17	0	-17	0	-34	-34	2	-68		
Total operating expenses	-2 366	-2 379	-1	-2 364	0	-4 745	-4 728	0	-9 555		
Profit before credit losses	3 279	3 271	0	4 453	-26	6 550	5 934	10	12 289		
Gains less losses from tangible and intangible assets	0	0		0	-8	0	0	-15	1		
Net expected credit losses	-64	-172	-63	-2 211	-97	-236	-3 117	-92	-4 865		
Operating profit before items affecting comparability	3 216	3 098	4	2 243	43	6 315	2 817	124	7 425		
Items affecting comparability											
Operating profit	3 216	3 098	4	2 243	43	6 315	2 817	124	7 425		
Cost/Income ratio	0.42	0.42		0.35		0.42	0.44		0.44		
Business equity, SEK bn	65.5	63.9		74.4		64.7	71.7		70.3		
Return on business equity, %	15.1	14.9		9.2		15.0	6.0		8.1		
Number of full time equivalents ¹⁾	2 145	2 091		2 089		2 111	2 093		2 080		

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

- Highly active quarter for Investment Banking
- Increased demand for custody-related services increased assets under custody
- Operating profit amounted to SEK 3,216m and return on business equity was 15.1 per cent

Comments on the second quarter

Investment Banking benefited from strong market conditions in the quarter. Equity capital markets activity remained on elevated levels and primary issuers of debt are taking advantage of tight spreads with a healthy demand from investors.

In the *Large Corporate* customer segment demand for traditional lending continued to be stable throughout the quarter with demand mainly from refinancing activities in combination with client's focus on the transitional agenda driving demand for sustainability-linked loans and bonds. The less volatile environment reduced clients' need for risk management products impacting foreign exchange flows. Leveraged finance activity picked up in the latter part of the quarter with solid activity in the fund financing area.

Activity levels within the *Financial Institutions* customer segment remained stable in the second quarter. The high stock market valuations continued driven by lower interest rates. This was favourable for advisory and execution services in equities. Lower volatility in interest rates impacted activity negatively within foreign exchange and fixed income while activity in the credit markets benefited from favourable

funding conditions. The highly liquid market environment was evident as inflow of deposits continued in the quarter. Search for higher yield continued to support demand for alternative asset classes.

Assets under custody increased to SEK 13,607bn (12,877), driven by a combination of strong markets – where some market participation actors are changing strategies - and new mandates being entrusted to the bank.

Operating income amounted to SEK 5,645m. Net interest income decreased to SEK 2,805 mainly due to a change in the internal funds transfer pricing while fund financing activity affected net interest income positively. Net fee and commission income increased to SEK 2,044m mainly driven by increased investment banking activity. Net financial income decreased to SEK 753m due to lower demand for risk management services. Operating expenses decreased to SEK 2,366m. Net expected credit losses amounted to SEK 64m, with a net expected credit loss level of 2 basis points. See page 12.

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. Nordic high net-worth individuals are offered leading private banking services with global reach.

Income statement

SEK m	Q2			Q1		Q2			Jan–Jun			Full year
	2021	2021	%	2020	%	2021	2020	%	2020			
Net interest income	2 938	3 118	-6	2 913	1	6 055	5 915	2	12 337			
Net fee and commission income	1 349	1 253	8	1 118	21	2 602	2 433	7	4 915			
Net financial income	123	126	-2	77	59	249	186	34	379			
Net other income	4	8	-55	5	-19	12	17	-26	30			
Total operating income	4 413	4 505	-2	4 113	7	8 918	8 551	4	17 661			
Staff costs	-854	-874	-2	-844	1	-1 728	-1 718	1	-3 444			
Other expenses	-1 091	-1 078	1	-1 003	9	-2 170	-1 973	10	-4 138			
Depreciation, amortisation and impairment of tangible and intangible assets	-23	-21	10	-16	45	-43	-35	25	-69			
Total operating expenses	-1 968	-1 974	0	-1 863	6	-3 942	-3 726	6	-7 651			
Profit before credit losses	2 445	2 532	-3	2 251	9	4 977	4 825	3	10 010			
Gains less losses from tangible and intangible assets	0	0	13			0	0		0			
Net expected credit losses	43	-52	-182	-228		-10	-747	-99	-827			
Operating profit before items affecting comparability	2 487	2 480	0	2 023	23	4 967	4 078	22	9 182			
Items affecting comparability												
Operating profit	2 487	2 480	0	2 023	23	4 967	4 078	22	9 182			
Cost/Income ratio	0.45	0.44		0.45		0.44	0.44		0.43			
Business equity, SEK bn	46.8	45.8		47.8		46.3	46.8		46.6			
Return on business equity, %	16.4	16.7		13.0		16.5	13.3		15.1			
Number of full time equivalents ¹⁾	3 498	3 542		3 590		3 545	3 557		3 587			

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

- Real estate management lending increased together with other corporate lending
- Continued growth in mortgage lending and fund volumes
- Operating profit amounted to SEK 2,487m and return on business equity was 16.4 per cent

Comments on the second quarter

Customer satisfaction for advisory services, as measured by Net Promoter Score (NPS), remained at high levels. Compared with the first quarter, corporate customer scores improved while satisfaction among private customers was unchanged.

In the *corporate customer segment*, the net inflow of full-service customers continued. During the quarter, real estate lending increased as did other corporate and card lending. Overall, corporate lending increased by SEK 9bn and amounted to SEK 269bn (260). Corporate deposits continued to grow but at a pace below usual seasonality.

Among *private customers*, the mortgage business developed well, resulting in higher growth than the overall market and a market share on net new sales in line with last quarter. Mortgage volumes grew by SEK 12bn and amounted to SEK 560bn (548). Mutual fund volumes continued to increase, yet again supported by the strong development of the stock market but also as an effect of the net inflows. Furthermore, following investments in the savings offering, inflows have structurally improved compared with previous years. Within Private Banking, customer activity remained at

high levels and assets under management again reached all time high levels. Deposits saw a larger seasonal increase than previous years.

In total, lending volumes increased by SEK 21bn to SEK 891bn. Deposit volumes grew by SEK 30bn and amounted to SEK 569bn.

Operating profit was unchanged compared with the first quarter. Net interest income decreased by 6 per cent, or SEK 180m, explained by a declining internal funds transfer pricing for deposits. This was to some extent offset by increasing lending and deposit volumes. Net fee and commission income increased by 8 per cent, due to increasing fund volumes and higher turnover in the card business compared with previous quarter. Total operating expenses were unchanged. Due to reversals, net expected credit losses were positive at an amount of SEK 43m, with a net expected credit loss level of zero basis points in the second quarter. See page 12.

Baltic

The division provides full banking and advisory services to private individuals and small and medium-sized corporate customers in Estonia, Latvia and Lithuania.

Income statement

SEK m	Q2		Q1	Q2		Jan-Jun		Full year	
	2021	2021	%	2020	%	2021	2020	2020	
Net interest income	738	726	2	784	-6	1 464	1 633	-10	3 113
Net fee and commission income	423	372	14	381	11	795	780	2	1 584
Net financial income	90	78	16	96	-6	168	129	31	325
Net other income	1	3	-59	0		4	0		-2
Total operating income	1 253	1 178	6	1 262	-1	2 431	2 542	-4	5 019
Staff costs	-220	-195	13	-218	1	-415	-442	-6	-880
Other expenses	-268	-267	0	-288	-7	-535	-566	-6	-1 105
Depreciation, amortisation and impairment of tangible and intangible assets	-8	-8	1	-8	1	-16	-16	1	-32
Total operating expenses	-496	-470	6	-514	-4	-965	-1 025	-6	-2 017
Profit before credit losses	757	708	7	748	1	1 466	1 517	-3	3 002
Gains less losses from tangible and intangible assets	1	0	77	0	66	1	1	28	2
Net expected credit losses	19	66	-71	-260		85	-337		-425
Operating profit before items affecting comparability	777	775	0	488	59	1 552	1 181	31	2 579
Items affecting comparability									
Operating profit	777	775	0	488	59	1 552	1 181	31	2 579
Cost/Income ratio	0.40	0.40		0.41		0.40	0.40		0.40
Business equity, SEK bn	12.4	12.2		13.3		12.3	13.3		13.1
Return on business equity, %	21.4	21.6		12.5		21.5	15.2		16.8
Number of full time equivalents ¹⁾	2 196	2 206		2 299		2 200	2 322		2 285

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

- Easing of restrictions following reduction in Covid-19 cases helped recovery in Baltic economies
- Pickup in corporate customer demand coupled with increased private consumption
- Operating profit amounted to SEK 777m and return on business equity was 21.4 per cent

Comments on the second quarter

The Baltic economies continued the recovery in the second quarter as the rates of new Covid-19 cases decreased and containment measures eased gradually. This coupled with declining unemployment, record-high savings, fiscal measures and stronger consumer confidence released pent-up demand and boosted private consumption, which together with higher commodity prices pushed inflation upward.

Stronger external demand fueled industrial production growth as supply chain issues have so far been negligible and companies are tentatively resuming their investment plans, with some larger corporates shifting focus from long term borrowing into issuing their own debt.

On the other hand, the strong demand in residential property markets across the countries continued. Competitive price pressures increased accordingly.

Reflecting the economic and market conditions, lending volumes decreased slightly to corporate customers but increased to private customers. Total lending volumes increased by 1 per cent in local currency in the second quarter and amounted to SEK 151bn (152). Deposits from both

private and corporate customers grew and total deposits increased by 3 per cent in local currency to SEK 188bn (184).

Operating profit remained flat. Net interest income increased by 2 per cent in local currency, mainly due to the increased lending volumes and also by lower resolution fees than the previous quarter. Net fee and commission income increased by 14 per cent in local currency, driven by the higher consumer confidence driving an increase in card and payments activity. Additionally, the newly launched Robo-Advisor mobile app, which provides private customers with investment advice and enables the opening of securities accounts to invest in SEB funds, drove an increase in fund income. Net financial income increased by 16 per cent in local currency, where favourable customer activity was observed in debt capital markets. Operating expenses increased by 5 per cent in local currency, due in part to the annual wages review which reflected the region's long-standing salary inflation. Net expected credit losses were positive at SEK 19m due to low provisions and a largely positive macroeconomic update, while the Covid-19 related model overlays remain intact. See page 12.

Life

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

Income statement

SEK m	Q2		Q1		Q2		Jan-Jun		Full year
	2021	2021	%	2020	%	2021	2020	%	2020
Net interest income	-7	-7	0	-8	-17	-13	-16	-16	-31
Net fee and commission income	684	665	3	593	15	1 350	1 197	13	2 454
Net financial income	238	262	-9	235	1	499	117		660
Net other income	30	2		6		32	1		5
Total operating income	945	922	2	825	15	1 868	1 300	44	3 088
Staff costs	-213	-226	-6	-216	-1	-440	-437	1	-867
Other expenses	-162	-168	-4	-183	-12	-330	-368	-10	-733
Depreciation, amortisation and impairment of tangible and intangible assets	-5	-5	5	-5	3	-10	-11	-4	-21
Total operating expenses	-381	-400	-5	-405	-6	-780	-815	-4	-1 621
Profit before credit losses	565	523	8	420	34	1 087	485	124	1 467
Gains less losses from tangible and intangible assets		0				0			
Net expected credit losses	0	0	125	0		0	0		1
Operating profit before items affecting comparability	565	523	8	420	34	1 088	485	124	1 468
Items affecting comparability									
Operating profit	565	523	8	420	34	1 088	485	124	1 468
Cost/Income ratio	0.40	0.43		0.49		0.42	0.63		0.52
Business equity, SEK bn	5.2	5.4		5.3		5.3	5.4		5.3
Return on business equity, %	40.5	35.9		29.7		38.1	16.8		25.5
Number of full time equivalents ¹⁾	1 068	1 058		1 043		1 055	1 049		1 046

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

- Continued strong sales volumes in the second quarter
- Increased market share in Sweden
- Operating profit amounted to SEK 565m and return on business equity was 40.5 per cent

Comments on the second quarter

The demand for life insurance products continued to be high with sales volumes remaining at the high levels from the previous quarter. The strong interest from the corporate as well as private customers in the endowment market including the portfolio bond continued. In the Swedish business the occupational pension area continued to develop well although still somewhat affected by Covid-19. Baltic sales in the second quarter were to some extent challenged by the Estonian pension reform, which allows policyholders to withdraw pension funds.

With the strong sales development, SEB strengthened its life insurance market position with an increase in market share by 1.6 percentage points compared with the previous quarter. The market share was 12.9¹⁾ per cent, which represented a top two position in Sweden. In the Baltic countries the market position for SEB continued to be strong and SEB is ranked within the top three players in the unit-linked business.

Total assets under management for the division continued to increase during the second quarter, by SEK 23bn to SEK 458bn, of which the unit-linked assets represented SEK 379bn. Higher asset values in the financial markets contributed to the increase together with a positive net inflow

and strong demand for life insurance products. Within the unit-linked business, the second quarter showed a continued increased customer preference for equity funds at the expense of mixed funds.

Operating profit amounted to SEK 565m. Net fee and commission income increased by 3 per cent and amounted to SEK 684m. The increase was explained mainly by higher asset values in the unit-linked business and the positive inflow to the portfolio bond product. Margin pressure was to some extent compensated by increased interest in equity funds. Net financial income amounted to SEK 238m and showed stable underlying returns in the traditional life insurance portfolios and a strengthened risk insurance business both in Sweden as well as in the Baltics. The decrease in net financial income compared with the previous quarter reflects a normalisation of the strong outcome in the Baltic traditional portfolios over the two previous quarters. The traditional portfolios showed a 34 per cent increase of inflow in the second quarter compared with previous quarter and the stable returns in the Swedish traditional portfolios resulted in an increase in the customer bonus rates. Operating expenses decreased somewhat compared with previous quarter.

¹⁾ Latest available market statistics from the Swedish insurance trade association, measured as new business.

Investment Management & group functions

The Investment Management division manages SEB funds and mandates for customers channelled via the other divisions. Group functions consist of technology, business support, treasury, staff units and German run-off operations.

Income statement

SEK m	Q2		Q1		Q2		Jan–Jun			Full year
	2021	2021	%	2020	%	2021	2020	%	2020	
Net interest income	133	-291		-294		-158	-570	-72	-1 165	
Net fee and commission income	792	842	-6	634	25	1 633	1 240	32	2 657	
Net financial income	520	521	0	705	-26	1 042	353	195	684	
Net other income	41	34	18	3		75	85	-12	120	
Total operating income	1 486	1 107	34	1 048	42	2 593	1 109	134	2 295	
Staff costs	-1 501	-1 543	-3	-1 457	3	-3 044	-2 735	11	-5 562	
Other expenses	1 312	1 457	-10	1 335	-2	2 769	2 485	11	5 185	
Depreciation, amortisation and impairment of tangible and intangible assets	-422	-425	-1	-511	-17	-847	-890	-5	-1 717	
Total operating expenses	-611	-511	20	-633	-3	-1 122	-1 140	-2	-2 094	
Profit before credit losses	875	596	47	416	110	1 471	-31		202	
Gains less losses from tangible and intangible assets	0	0	-54	0		1	0		-9	
Net expected credit losses	-6	5		7		-1	16		-4	
Operating profit before items affecting comparability	869	602	44	422	106	1 471	-14		189	
Items affecting comparability				-1 000			-1 000		-1 000	
Operating profit	869	602	44	-578		1 471	-1 014		-811	
Number of full time equivalents ¹⁾	6 641	6 619		6 308		6 601	6 227		6 337	
SEB labelled mutual funds, SEK bn	757	706		614		757	614		672	

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

- SEB-labelled mutual funds' asset values increased to SEK 757bn
- Operating profit amounted to SEK 869m

Comments on the second quarter

Investment Management & group functions are reported combined but are distinctly different. The combined operating profit of SEK 869m (602) is best commented one by one.

Investment Management: The positive market development increased the assets under management by SEK 51bn, mainly in equity funds. Net sales for the quarter was positive and amounted to SEK 8bn where inflows in fixed income funds was the main driver. Total assets under management increased to SEK 757bn (706).

SEB-labelled mutual funds classified in line with Article 8 and 9¹ in the Sustainable Finance Disclosure Regulation (SFDR) amounted to SEK 633bn (576) which represented 84 per cent of assets under management.

Operating income amounted to SEK 697m (788). Base commissions amounted to SEK 592m (561) with an underlying increase of 9 per cent driven by higher assets under management. Performance fees remained at a high level and amounted to SEK 116m (220). Operating expenses were almost flat compared with the last quarter and

amounted to SEK 231m (223). Operating profit amounted to SEK 466m (565).

Treasury: Net interest income increased during the second quarter mainly explained by that internal funds transfer prices paid to division on deposits continued to trend downwards. Maturing long-term funding also had a positive effect on net interest income. Low market volatility in the quarter resulted in small movements in net financial income.

Support and staff units: Technology provides IT operations and development as well as architecture. Business support handles back office services for the divisions. Staff units include for instance compliance and risk functions and other various units. All relevant costs are charged to the divisions to be reflected in their results.

Other: Net financial income was positively affected by a revaluation of SEB's stake in Tink amounting to SEK 514m. Compared with the previous quarter, market valuation effects on certain strategic holdings had a negative effect amounting to SEK 335m.

¹ Article 8 refers to funds that promote environmental or social characteristics while Article 9 funds must have a sustainable investment objective. See esma.europa.eu.

Financial statements – SEB Group

Income statement, condensed

SEK m	Note	Q2			Q1			Jan–Jun			Full year 2020
		2021	2021	%	2020	%	2021	2020	%		
Net interest income	2	6 570	6 396	3	6 047	9	12 966	12 249	6	25 143	
Net fee and commission income	3	5 280	4 776	11	4 364	21	10 055	8 988	12	18 063	
Net financial income	4	1 713	2 179	-21	3 541	-52	3 892	2 737	42	6 275	
Net other income		118	-4		47	151	115	115	0	236	
Total operating income		13 680	13 347	2	13 999	-2	27 028	24 089	12	49 717	
Staff costs		-3 818	-3 897	-2	-3 794	1	-7 715	-7 413	4	-14 976	
Other expenses		-1 467	-1 345	9	-1 362	8	-2 811	-2 960	-5	-5 864	
Depreciation, amortisation and impairment of tangible and intangible assets		-475	-476	0	-557	-15	-951	-985	-3	-1 906	
Total operating expenses		-5 759	-5 718	1	-5 712	1	-11 477	-11 358	1	-22 747	
Profit before credit losses		7 921	7 630	4	8 287	-4	15 551	12 730	22	26 970	
Gains less losses from tangible and intangible assets		2	1	47	1	70	3	1	97	-7	
Net expected credit losses	5	-7	-156	-96	-2 691	-100	-163	-4 185	-96	-6 118	
Operating profit before items affecting comparability		7 916	7 475	6	5 598	41	15 391	8 547	80	20 846	
Items affecting comparability	6				-1 000	-100		-1 000	-100	-1 000	
Operating profit		7 916	7 475	6	4 598	72	15 391	7 547	104	19 846	
Income tax expense		-1 342	-1 457	-8	-1 096	22	-2 800	-1 691	66	-4 100	
NET PROFIT		6 574	6 018	9	3 501	88	12 591	5 856	115	15 746	
Attributable to shareholders of Skandinaviska Enskilda Banken AB		6 574	6 018	9	3 501		12 591	5 856	115	15 746	
Basic earnings per share, SEK		3.04	2.78		1.62		5.82	2.70		7.28	
Diluted earnings per share, SEK		3.02	2.76		1.61		5.78	2.69		7.23	

Statement of comprehensive income

SEK m	Q2			Q1			Jan–Jun			Full year 2020
	2021	2021	%	2020	%	2021	2020	%		
NET PROFIT	6 574	6 018	9	3 501	88	12 591	5 856	115	15 746	
Cash flow hedges	14	11	26	-10		24	-61		-62	
Translation of foreign operations	-197	467		-816	-76	270	-194		-1 070	
Items that may subsequently be reclassified to the income statement:	-183	477		-827	-78	295	-255		-1 132	
Own credit risk adjustment (OCA) ¹⁾	-7	9		-277	-97	2	-5		-70	
Defined benefit plans	2 712	5 310	-49	558		8 022	-1 275		1 839	
Items that will not be reclassified to the income statement:	2 705	5 319	-49	281		8 024	-1 279		1 769	
OTHER COMPREHENSIVE INCOME	2 522	5 797	-56	- 546		8 319	-1 535		637	
TOTAL COMPREHENSIVE INCOME	9 095	11 814	-23	2 956		20 910	4 322		16 383	
Attributable to shareholders of Skandinaviska Enskilda Banken AB	9 095	11 814	-23	2 956		20 910	4 322		16 383	

1) Own credit risk adjustment from financial liabilities at fair value through profit or loss.

Balance sheet, condensed

	30 Jun	31 Mar	31 Dec
SEK m	2021	2021	2020
Cash and cash balances at central banks	467 040	499 393	323 776
Loans to central banks	643	380	3 633
Loans to credit institutions ²⁾	78 281	80 481	50 791
Loans to the public	1 813 143	1 778 812	1 770 161
Debt securities	394 477	407 628	265 433
Equity instruments	107 378	92 876	82 240
Financial assets for which the customers bear the investment risk	377 709	358 934	330 950
Derivatives	126 028	145 816	164 909
Other assets	80 073	78 195	48 539
TOTAL ASSETS	3 444 774	3 442 515	3 040 432
Deposits from central banks and credit institutions	136 307	172 879	111 309
Deposits and borrowings from the public ¹⁾	1 660 668	1 590 311	1 371 227
Financial liabilities for which the customers bear the investment risk	379 321	361 003	332 392
Liabilities to policyholders	32 390	30 533	29 624
Debt securities issued	802 125	827 373	749 502
Short positions	47 246	44 604	30 409
Derivatives	107 071	126 316	161 561
Other financial liabilities	1 571	1 518	744
Other liabilities	94 415	113 133	81 720
Total liabilities	3 261 114	3 267 670	2 868 489
Equity	183 660	174 845	171 943
TOTAL LIABILITIES AND EQUITY	3 444 774	3 442 515	3 040 432
1) Deposits covered by deposit guarantees	374 126	362 155	347 510

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

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

Statement of changes in equity

SEK m	Other reserves ¹⁾						Retained earnings	Equity
	Share capital	OCA ²⁾	Cash flow hedges	Translation of foreign operations	Defined benefit plans			
Jan-Jun 2021								
Opening balance	21 942	-236	-47	-1 241	5 737	145 788	171 943	
Net profit						12 591	12 591	
Other comprehensive income (net of tax)		2	24	270	8 022		8 319	
Total comprehensive income		2	24	270	8 022	12 591	20 910	
Dividend to shareholders						-8 871	-8 871	
Equity-based programmes ⁴⁾						-13	-13	
Change in holdings of own shares						-309	-309	
Closing balance	21 942	-234	-23	-971	13 759	149 186	183 660	
Jan-Dec 2020								
Opening balance ³⁾	21 942	-166	15	-170	3 898	130 182	155 700	
Net profit						15 746	15 746	
Other comprehensive income (net of tax)		-70	-62	-1 070	1 839		637	
Total comprehensive income		-70	-62	-1 070	1 839	15 746	16 383	
Equity-based programmes ⁴⁾						-142	-142	
Change in holdings of own shares						2	2	
Closing balance³⁾	21 942	-236	-47	-1 241	5 737	145 788	171 943	
Jan-Jun 2020								
Opening balance ³⁾	21 942	-339	15	-170	3 898	130 355	155 700	
Net profit						5 856	5 856	
Other comprehensive income (net of tax)		-5	-61	-194	-1 275		-1 535	
Total comprehensive income		-5	-61	-194	-1 275	5 856	4 322	
Equity-based programmes ⁴⁾						258	258	
Change in holdings of own shares						-65	-65	
Closing balance³⁾	21 942	-344	-46	-364	2 624	136 404	160 214	

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

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

3) Opening balance 2020 restated following adjustment of OCA.

4) Number of shares owned by SEB:

	Jan-Jun 2021	Jan-Dec 2020	Jan-Jun 2020
Number of shares owned by SEB, million			
Opening balance	32.2	31.5	31.5
Repurchased shares for equity-based programmes	2.2	10.9	0.3
Sold/distributed shares	-6.4	-10.2	-5.3
Closing balance	28.0	32.2	26.5
Market value of shares owned by SEB, SEK m	3 100	2 722	2 141

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

Cash flow statement, condensed

SEK m	Jan–Jun			Full year
	2021	2020	%	2020
Cash flow from the profit and loss statement	- 4 761	9 392		34 664
Increase (-)/decrease (+) in trading portfolios	- 139 146	- 96 509	44	- 18 792
Increase (+)/decrease (-) in issued short term securities	42 462	- 89 399		- 109 525
Increase (-)/decrease (+) in lending	- 71 792	- 71 413	1	50 008
Increase (+)/decrease (-) in deposits and borrowings	314 353	363 917	- 14	233 240
Increase/decrease in other balance sheet items	8 284	54 939	- 85	721
Cash flow from operating activities	149 399	170 927	- 13	190 316
Cash flow from investment activities	- 588	- 58		56
Cash flow from financing activities	- 8 871			- 10 257
Net increase in cash and cash equivalents	139 941	170 869	- 18	180 116
Cash and cash equivalents at the beginning of year	331 247	159 335	108	159 335
Exchange rate differences on cash and cash equivalents	2 867	- 128		- 8 203
Net increase in cash and cash equivalents	139 941	170 869	- 18	180 116
Cash and cash equivalents at the end of period¹⁾	474 055	330 076	44	331 247

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.

Notes to the financial statements - SEB Group

Note 1 Accounting policies

This 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 2021, the group adopted Interest Rate Benchmark Reform (IBOR) – Phase 2. The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues that might affect financial reporting as a result of the IBOR reform, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. In accordance with the amendments, changes made to a financial instrument that relate directly to the interest rate benchmark reform and that are economically equivalent, do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark without adjusting the carrying amount. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

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 2020 Annual and Sustainability Report.

Note 2 Net interest income

SEK m	Q2		Q1		Q2		Jan–Jun		Full year
	2021	2021	%	2020	%	2021	2020	%	2020
Interest income ¹⁾	8 227	8 333	-1	9 507	-13	16 560	19 849	-17	37 578
Interest expense	-1 657	-1 937	-14	-3 459	-52	-3 594	-7 600	-53	-12 435
Net interest income	6 570	6 396	3	6 047	9	12 966	12 249	6	25 143
1) Of which interest income calculated using the effective interest method	6 873	6 823	1	7 898	-13	13 696	16 439	-17	30 966

Note 3 Net fee and commission income

SEK m	Q2			Q1		Q2		Jan–Jun		Full year
	2021	2021	%	2020	%	2021	2020	%	2020	
Issue of securities and advisory services	613	322	90	301	103	935	552	69	1 111	
Secondary market and derivatives	516	519	0	491	5	1 035	1 112	-7	2 012	
Custody and mutual funds ¹⁾	2 401	2 339	3	1 942	24	4 740	3 990	19	8 177	
<i>Whereof performance fees</i>	115	219	-47	69	68	334	119	180	304	
Payments, cards, lending, deposits, guarantees and other ¹⁾	2 544	2 351	8	2 434	5	4 895	5 142	-5	10 054	
<i>Whereof payments and card fees</i>	1 306	1 181	11	1 167	12	2 487	2 620	-5	5 139	
<i>Whereof lending</i>	755	686	10	790	-5	1 440	1 560	-8	3 004	
Life insurance commissions	414	411	1	393	5	825	774	7	1 578	
Fee and commission income	6 487	5 942	9	5 561	17	12 429	11 570	7	22 933	
Fee and commission expense	-1 208	-1 166	4	-1 197	1	-2 374	-2 582	-8	-4 870	
Net fee and commission income	5 280	4 776	11	4 364	21	10 055	8 988	12	18 063	
<i>Whereof Net securities commissions¹⁾</i>	2 762	2 494	11	2 114	31	5 255	4 245	24	8 712	
<i>Whereof Net payment and card fees</i>	851	762	12	710	20	1 614	1 606	0	3 273	
<i>Whereof Net life insurance commissions</i>	290	292	-1	276	5	581	530	10	1 084	
<i>Whereof Other commissions¹⁾</i>	1 377	1 228	12	1 264	9	2 605	2 607	0	4 994	

1) SEK 201m has been reclassified from Other commission income to Custody and mutual funds for full year 2020. Comparative numbers have been adjusted.

Fee and commission income by segment

SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & group functions	Eliminations	SEB Group
Q2 2021							
Issue of securities and advisory	601	12	0		0		613
Secondary market and derivatives	419	92	9	0	-1	-4	516
Custody and mutual funds	1 047	534	52	53	1 810	-1 096	2 401
Payments, cards, lending, deposits, guarantees and other	1 179	1 016	515	52	79	-297	2 544
Life insurance commissions				862		-448	414
Fee and commission income	3 247	1 654	577	967	1 889	-1 846	6 487
Q1 2021							
Issue of securities and advisory	315	7	0				322
Secondary market and derivatives	409	108	13	0	-7	-4	519
Custody and mutual funds ¹⁾	997	461	49	50	1 795	-1 013	2 339
Payments, cards, lending, deposits, guarantees and other ¹⁾	1 122	939	457	50	84	-300	2 351
Life insurance commissions				832		-421	411
Fee and commission income	2 843	1 514	519	933	1 872	-1 738	5 942
Jan-Jun 2021							
Issue of securities and advisory	916	18	0		0		935
Secondary market and derivatives	828	200	22	0	-8	-8	1 035
Custody and mutual funds	2 044	995	102	104	3 605	-2 109	4 740
Payments, cards, lending, deposits, guarantees and other	2 301	1 954	972	102	164	-598	4 895
Life insurance commissions				1 694		-869	825
Fee and commission income	6 089	3 167	1 096	1 900	3 761	-3 584	12 429
Jan-Jun 2020							
Issue of securities and advisory	522	19	11	0	0		552
Secondary market and derivatives	893	209	19	0	-9	0	1 112
Custody and mutual funds ¹⁾	1 693	855	93	102	2 976	-1 729	3 990
Payments, cards, lending, deposits, guarantees and other ¹⁾	2 450	2 026	986	97	168	-584	5 142
Life insurance commissions				1 519		-746	774
Fee and commission income	5 558	3 109	1 109	1 718	3 135	-3 059	11 570

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

1) SEK 201m has been reclassified from Other commission income to Custody and mutual funds for full year 2020. Comparative numbers have been adjusted.

Note 4 Net financial income

SEK m	Q2		Q1		Q2		Jan–Jun			Full year
	2021	2021	%	2020	%	2021	2020	%	2020	
Equity instruments and related derivatives	774	855	-9	1 159	-33	1 629	- 330		1 197	
Debt instruments and related derivatives	- 245	- 104	134	900		- 349	444		244	
Currency and related derivatives	927	769	21	1 054	-12	1 696	2 567	-34	3 864	
Other	257	660	-61	428	-40	916	56		970	
Net financial income	1 713	2 179	-21	3 541	-52	3 892	2 737	42	6 275	
<i>Whereof unrealised valuation changes from counterparty risk and own credit standing in derivatives</i>	52	212	-76	581	-91	264	- 702		- 211	

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

For the second quarter the effect from structured bonds offered to the public was approximately SEK 170m (Q1 2021: 305) in Equity related derivatives and a corresponding effect in Debt related derivatives SEK 65m (Q1 2021: -120).

Note 5 Net expected credit losses

SEK m	Q2		Q1		Q2		Jan–Jun			Full year
	2021	2021	%	2020	%	2021	2020	%	2020	
Impairment gains or losses - Stage 1	44	35	24	- 396		79	- 872		- 452	
Impairment gains or losses - Stage 2	150	- 376		- 293		- 226	- 580	-61	- 293	
Impairment gains or losses - Stage 3	- 192	177		- 1 890	-90	- 15	- 2 595	-99	- 5 166	
Impairment gains or losses	1	- 164	-101	- 2 579	-100	- 163	- 4 047	-96	- 5 911	
Write-offs and recoveries										
Total write-offs	- 304	- 517	-41	- 966	-69	- 821	- 1 192	-31	- 2 757	
Reversals of allowance for write-offs	248	463	-46	805	-69	711	959	-26	2 364	
Write-offs not previously provided for	- 56	- 54	4	- 161	-65	- 109	- 233	-53	- 393	
Recovered from previous write-offs	48	62	-23	50	-4	110	96	14	187	
Net write-offs	- 8	8		- 112	-93	0	- 137	-100	- 206	
Net expected credit losses	- 7	- 156	-96	- 2 691	-100	- 163	- 4 185	-96	- 6 118	
Net ECL level, %	0.00	0.03		0.46		0.01	0.35		0.26	

Exposure and expected credit loss (ECL) allowances by stage, Movements in allowances for expected credit losses and loans and Expected credit loss allowances by industry are presented in notes 10-12.

Note 6 Items affecting comparability

SEK m	Q2		Q1		Q2		Jan–Jun		Full year
	2021	2021	%	2020	%	2021	2020	%	2020
Other expenses				-1 000	-100		-1 000	-100	-1 000
Total operating expenses				-1 000	-100		-1 000	-100	-1 000
Items affecting comparability				-1 000	-100		-1 000	-100	-1 000
Income tax on IAC									
Items affecting comparability after tax				-1 000	-100		-1 000	-100	-1 000

The table shows the rows in which the Items affecting comparability would have been reported if not presented as an item affecting comparability.

Items affecting comparability 2020

The Swedish Financial Supervisory Authority (FSA) finalised its review of SEB's governance and control of measures against money laundering in SEB's Baltic banks. The Swedish FSA decided to issue SEB a remark, which is a lower degree of an administrative sanction that is issued when a breach has not been deemed to be serious. The Swedish FSA also decided to issue SEB an administrative fine of SEK 1,000m, which corresponds to about 14 per cent of the maximum amount the Swedish FSA can impose in this case, as well as a precept to take certain measures to improve the transaction monitoring in Sweden.

Note 7 Pledged assets and obligations

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020
Pledged assets for own liabilities ¹⁾	507 762	545 030	493 629
Pledged assets for liabilities to insurance policyholders	411 710	391 535	362 016
Other pledged assets ²⁾	103 954	120 332	108 336
Pledged assets	1 023 426	1 056 897	963 981
Contingent liabilities ³⁾	141 202	140 818	137 341
Commitments	736 553	742 935	724 933
Obligations	877 755	883 752	862 274

1) Of which collateralised for own issued covered bonds SEK 327,700m (327,611; 333,494).

2) Of which securities lending SEK 1,997m (2,070; 2,083) and pledged but unencumbered bonds SEK 71,085m (90,494; 80,735).

3) Of which financial guarantees SEK 9,274m (8,974, 8,573).

Note 8 Financial assets and liabilities

SEK m	30 Jun 2021		31 Mar 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Loans ¹⁾	2 357 208	2 363 350	2 357 038	2 361 426	2 146 206	2 157 725
Debt securities	394 477	394 211	407 628	407 271	265 433	265 254
Equity instruments	107 378	107 378	92 876	92 876	82 240	82 240
Financial assets for which the customers bear the investment risk	377 709	377 709	358 934	358 934	330 950	330 950
Derivatives	126 028	126 028	145 816	145 816	164 909	164 909
Other	30 976	30 976	28 428	28 428	13 975	13 975
Financial assets	3 393 776	3 399 652	3 390 719	3 394 750	3 003 712	3 015 052
Deposits	1 796 975	1 797 580	1 763 190	1 763 859	1 482 536	1 483 301
Financial liabilities for which the customers bear the investment risk	379 321	379 321	361 003	361 003	332 392	332 392
Debt securities issued ²⁾	825 014	833 087	860 854	872 776	781 789	794 477
Short positions	47 246	47 246	44 604	44 604	30 409	30 409
Derivatives	107 071	107 071	126 316	126 316	161 561	161 561
Other	36 009	35 686	40 704	40 706	19 828	19 875
Financial liabilities	3 191 636	3 199 991	3 196 670	3 209 263	2 808 515	2 822 015

1) Loans includes Cash balances at central banks (excluding Cash), Loans to central banks, Loans to credit institutions and Loans to the public.

2) Debt securities issued includes Debt securities issued and Subordinated liabilities (part of Other liabilities).

SEB has classified its financial instruments by class taking into account the characteristics of the instruments. The fair value of each class of financial assets and liabilities are compared with its carrying amount. A description of the characteristics of the classes can be found in note 37 in the Annual and Sustainability Report 2020.

Note 9 Assets and liabilities measured at fair value

SEK m	30 Jun 2021				31 Dec 2020			
	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non- observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non- observable inputs (Level 3)	Total
Assets								
Loans		149 128	163	149 291		120 124		120 124
Debt securities	189 972	195 924	39	385 935	100 088	153 154		253 242
Equity instruments	90 091	762	16 524	107 378	65 762	3 117	13 360	82 240
Financial assets for which the customer bear the investment risk	374 136	2 851	721	377 709	324 650	5 835	465	330 950
Derivatives	642	125 006	380	126 028	1 003	163 481	425	164 909
Investment in associates ¹⁾	77		515	592	60		526	586
Total	654 918	473 672	18 344	1 146 933	491 563	445 711	14 776	952 051
Liabilities								
Deposits		43 099		43 099		12 238		12 238
Financial liabilities for which the customer bear the investment risk	375 748	2 851	721	379 321	326 166	5 773	453	332 392
Liabilities to policyholders - insurance	31 342	1 047		32 390	28 511	1 113		29 624
Debt securities issued		12 273		12 273		13 618		13 618
Short positions	33 437	13 809		47 246	24 173	6 236		30 409
Derivatives	554	106 142	375	107 071	806	160 349	406	161 561
Other financial liabilities at fair value	56	1 515		1 571	123	621		744
Total	441 138	180 736	1 096	622 971	379 779	199 949	859	580 586

1) Venture capital activities designated at fair value through profit and loss.

Fair value measurement

The objective of the 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 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. Group Risk 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 to which SEB has immediate access.

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

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

In order to arrive at the fair value of investment properties a market participant's ability to generate economic benefit by using the asset in its highest and best use are taken into account. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible. The current use of the investment properties in SEB is in accordance with the highest and best use. The valuation of investment properties is described in the accounting policies in the Annual and Sustainability Report note 1. The valuation of the investment properties is performed semi-annually, they are presented and approved by the board in each real estate company. The valuation principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is in accordance with international valuation principles and in accordance with IFRS.

Level 1: Quoted market prices

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

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

Level 2: Valuation techniques with observable inputs

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

Examples of observable inputs are foreign currency exchange rates, binding securities price quotations, market interest rates (Stibor, Libor, etc.), volatilities implied from observable option prices for the same term and actual transactions with one or more external counterparts executed by SEB. An input can transfer from being observable to being unobservable during the holding period due to e.g. illiquidity of the instrument. Examples of Level 2 financial instruments are most OTC derivatives such as options and interest rate swaps based on the Libor swap rate or a foreign-denominated yield curve. Other examples are instruments for which SEB recently entered into transactions with third parties and instruments for which SEB interpolates between observable variables.

Note 9, continued. Assets and liabilities measured at fair value

Level 3: Valuation techniques with significant unobservable inputs

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

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

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. The largest open market risk within Level 3 financial instruments remains in the traditional life insurance investment portfolios within the insurance business.

Changes in level 3, SEK m	Opening balance	Gain/loss in Income statement ¹⁾	Gain/loss in Other comprehensive income				Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Closing balance
	1 Jan 2021		Purchases	Sales	Settlements	30 Jun 2021				
Assets										
Loans							163		0	163
Debt securities							39			39
Equity instruments	13 360	1 961		1 837	-992		527	-218	49	16 524
Financial assets for which the customer bear the investment risk	465	-12		188	-18		96		2	721
Derivatives	425	-5				-40			1	381
Investment in associates	526	40		56	-63			-44	0	515
Total	14 776	1984		2 081	-1073	-40	825	-262	53	18 344
Liabilities										
Financial liabilities for which the customer bear the investment risk	453	-8		184	-18		108		2	721
Derivatives	406	-78				47				375
Total	859	-86		184	-18	47	108		2	1 096

1) Fair value gains and losses recognised in the income statement are included in Net financial income and Net other income.

Sensitivity of Level 3 assets and liabilities to unobservable inputs

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

SEK m	30 Jun 2021				31 Dec 2020			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments ¹⁾⁴⁾	398	-375	23	25	427	-406	21	55
Debt instruments ³⁾	202		202	10				
Equity instruments ²⁾⁵⁾⁶⁾	4 747		4 747	852	3 285		3 285	626
Insurance holdings - Financial instruments ³⁾⁴⁾⁶⁾⁷⁾	12 033		12 033	1 463	10 367		10 367	1 230

1) Volatility valuation inputs for Bermudan swaptions are unobservable. Volatilities used for ordinary swaptions are adjusted further in order to reflect the additional uncertainty associated with the valuation of Bermudan style swaptions. The sensitivity is calculated from shift in implied volatilities and aggregated from each currency and maturity bucket.

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

3) Sensitivity for debt securities is generally quantified as shift in market values of 5 per cent except for credit opportunity 10 per cent and for distressed debt and structured credits 15 per cent.

4) Shift in implied volatility by 10 per cent.

5) Sensitivity analysis is based on a shift in market values of hedge funds 5 per cent, private equity of 20 per cent, structured credits 15 per cent.

6) Sensitivity from a shift of investment properties/real estate funds market values of 10 per cent and infrastructure/infrastructure funds market values of 20 per cent.

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.

Note 10 Exposure and expected credit loss (ECL) allowances by stage

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020
Stage 1 (12-month ECL)			
Debt securities	8 543	11 758	12 191
Loans ¹⁾	1 704 589	1 688 545	1 641 422
Financial guarantees and Loan commitments	748 570	758 819	740 472
Gross carrying amounts/Nominal amounts Stage 1	2 461 703	2 459 122	2 394 086
Debt securities	0	0	0
Loans ¹⁾	-915	-958	-972
Financial guarantees and Loan commitments	-241	-257	-260
ECL allowances Stage 1	-1 156	-1 215	-1 232
Debt securities	8 543	11 757	12 191
Loans ¹⁾	1 703 674	1 687 586	1 640 449
Financial guarantees and Loan commitments	748 329	758 562	740 213
Carrying amounts/Net amounts Stage 1	2 460 546	2 457 905	2 392 852
Stage 2 (lifetime ECL)			
Loans ¹⁾²⁾	57 463	60 213	61 745
Financial guarantees and Loan commitments	16 704	16 433	16 375
Gross carrying amounts/Nominal amounts Stage 2	74 167	76 645	78 120
Loans ¹⁾²⁾	-1 474	-1 606	-1 208
Financial guarantees and Loan commitments	-183	-205	-176
ECL allowances Stage 2	-1 657	-1 811	-1 384
Loans ¹⁾²⁾	55 988	58 607	60 537
Financial guarantees and Loan commitments	16 521	16 228	16 199
Carrying amounts/Net amounts Stage 2	72 509	74 835	76 736
Stage 3 (credit impaired/lifetime ECL)			
Loans ¹⁾³⁾	12 133	13 643	14 890
Financial guarantees and Loan commitments ³⁾	1 188	601	700
Gross carrying amounts/Nominal amounts Stage 3	13 321	14 244	15 590
Loans ¹⁾³⁾	-6 838	-7 062	-7 331
Financial guarantees and Loan commitments ³⁾	-171	-130	-218
ECL allowances Stage 3	-7 010	-7 192	-7 549
Loans ¹⁾³⁾	5 294	6 581	7 559
Financial guarantees and Loan commitments ³⁾	1 017	472	482
Carrying amounts/Net amounts Stage 3	6 311	7 052	8 042

The note continues on the next page.

Note 10, continued. Exposure and expected credit loss (ECL) allowances by stage

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020
Total			
Debt securities	8 543	11 758	12 191
Loans ¹⁾²⁾³⁾	1 774 185	1 762 401	1 718 057
Financial guarantees and Loan commitments ³⁾	766 463	775 853	757 547
Gross carrying amounts/Nominal amounts	2 549 190	2 550 011	2 487 796
Debt securities	0	0	0
Loans ¹⁾²⁾³⁾	-9 228	-9 626	-9 512
Financial guarantees and Loan commitments ³⁾	-595	-592	-653
ECL allowances	-9 823	-10 218	-10 165
Debt securities	8 543	11 757	12 191
Loans ¹⁾²⁾³⁾	1 764 956	1 752 774	1 708 545
Financial guarantees and Loan commitments ³⁾	765 868	775 261	756 895
Carrying amounts/Net amounts	2 539 366	2 539 792	2 477 630

1) Excluding demand deposits credit institutions and including trade and client receivables presented as other assets.

2) Whereof gross carrying amounts SEK 1,391m (1,379; 1,327) and ECL allowances SEK 2m (3; 2) under Lifetime ECLs -simplified approach for trade receivables.

3) Whereof gross carrying amounts SEK 2,163m (2,255; 2,274) and ECL allowances SEK 1,422m (1,319; 1,392) for Purchased or Originated Credit Impaired loans.

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

Stage 3 loans / Total loans, gross, %	0.68	0.77	0.87
Stage 3 loans / Total loans, net, %	0.30	0.38	0.44
ECL coverage ratio Stage 1, %	0.05	0.05	0.05
ECL coverage ratio Stage 2, %	2.23	2.36	1.77
ECL coverage ratio Stage 3, %	52.62	50.49	48.42
ECL coverage ratio, %	0.39	0.40	0.41

The note continues on the next page.

Note 10, continued. Exposure and expected credit loss (ECL) allowances by stage

Development of exposures and ECL allowances by stage

In the second quarter, the gross exposures and ECL allowances in Stage 3 decreased mainly due to migration to Stage 2, write-offs and currency effects. Gross exposures in Stage 1 and 2 were relatively stable with limited risk migration.

Measurement of ECL allowances

SEB uses models and expert credit judgement (ECJ) for calculating ECL allowances. The degree of judgement depends on model outcome, materiality and information available and ECJ may be applied to incorporate factors not captured by the models. In the first half of 2021, the portfolio overlays made through ECJ in 2020 for potential negative Covid-19 effects in the Corporate & Private Customers and Baltic divisions and for the oil portfolio in the Large Corporates & Financial Institutions division were maintained. Once economies start to reopen there will likely be a phase-out of various government support measures and, while this process is expected to be gradual, it may have implications on credit quality. Furthermore, the financial impact of Covid-19 on smaller companies will be more visible over the course of the year when the full-year financials are made available.

Significant increase in credit risk (SICR)

SEB uses both quantitative and qualitative indicators for determining significant increase in credit risk. Following the Covid-19 pandemic, governments have enabled measures to support corporates and private individuals, including amortisation exemptions for household mortgages in Sweden until 31 August 2021. In line with the SFSA's recommendations, such measures do not automatically trigger a significant increase in credit risk, and thereby a transfer to stage 2 and increased ECL allowances, under EBA's guidelines.

Key macroeconomic variable assumptions for calculating ECL allowances

Macroeconomic forecasts made by SEB Economic Research are used as the basis for the forward-looking information incorporated in the ECL measurement. Three scenarios – base, positive and negative - and their probability weightings are reviewed every quarter, or more frequently when appropriate due to rapid or significant changes in the economic environment. In the second quarter 2021, the update of the macroeconomic parameters and scenario weights had a marginally positive impact on total ECL allowances of SEB Group.

The three scenarios used are based on different assumptions around how rapidly economies will reopen and recover following the pandemic, which may depend on the continued spread and mutations of the coronavirus and the vaccination process. The base scenario assumes a balanced economic recovery that is slightly stronger in 2021 compared to what was forecasted earlier this year, as the first quarter 2021 was not as weak as had been expected, outweighing the negative consequences of the extended pandemic for the second quarter, and that the higher inflation rates will be temporary.

The table below sets out the key assumptions of the base scenario, used for estimating ECL allowances as of 30 June 2021. A further description of the scenarios is available in SEB's Nordic Outlook from May 2021.

Base scenario assumptions	2021	2022	2023
Global GDP growth	5.9%	4.3%	3.9%
OECD GDP growth	4.9%	3.7%	3.0%
Sweden			
GDP growth	4.5%	4.0%	2.5%
Household consumption expenditure growth	4.0%	3.7%	2.7%
Interest rate (STIBOR)	-0.10%	-0.10%	0.15%
Residential real estate price growth	7.0%	5.0%	2.0%
Baltic countries			
GDP growth	3.3% – 4.6%	3.8% – 5.2%	3.5%
Household consumption expenditure growth	3.2% – 5.1%	4.3% – 6.2%	3.0% – 4.0%
Inflation rate	1.5% – 2.6%	2.3% – 2.6%	2.5% – 2.7%
Nominal wage growth	3.5% – 7.5%	5.0% – 6.9%	5.0% – 6.0%
Unemployment rate	7.8% – 8.4%	6.3% – 7.5%	6.5% – 7.0%

The positive scenario assumes that the power of economic stimulus measures is underestimated and economic growth is driven by a combination of pent-up consumption needs and highly elevated household savings. The negative scenario reflects the risk that the impact of the mass vaccinations are overestimated. Vaccine-resistant mutations and new waves of infection due to the slow pace of vaccinations in poor countries may contribute to delayed economic recovery.

In the calculation of ECL allowances as of 30 June 2021, the probabilities of the three scenarios were 60 per cent (60 as of the first quarter 2021) for the base scenario, 23 per cent (20) for the positive scenario, and 17 per cent (20) for the negative scenario.

Should the positive and negative scenarios be assigned 100 per cent probability, the model calculated ECL allowances would decrease by 2 per cent and increase by 3 per cent respectively compared to the probability-weighted calculation.

SEB's measurement of ECL allowances and related assumptions according to IFRS 9 can be found on pages 108-109 and 142-143 in the Annual and Sustainability Report 2020.

Note 11 Movements in allowances for expected credit losses (ECL)

SEK m	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total
Loans and Debt securities				
ECL allowance as of 31 December 2020	972	1 208	7 331	9 512
New and derecognised financial assets, net	165	84	-356	-107
Changes due to change in credit risk	-229	132	427	330
Changes due to modifications	1	5	0	6
Changes due to methodology change	-1	0	0	-1
Decreases in ECL allowances due to write-offs			-711	-711
Change in exchange rates	7	45	148	199
ECL allowance as of 30 June 2021	915	1 474	6 838	9 228
Financial guarantees and Loan commitments				
ECL allowance as of 31 December 2020	260	176	218	653
New and derecognised financial assets, net	32	-15	1	18
Changes due to change in credit risk	-54	20	-57	-90
Change in exchange rates	3	2	9	14
ECL allowance as of 30 June 2021	241	183	171	595
Total Loans, Debt securities, Financial guarantees and Loan commitments				
ECL allowance as of 31 December 2020	1 232	1 384	7 549	10 165
New and derecognised financial assets, net	197	69	-355	-89
Changes due to change in credit risk	-283	153	370	240
Changes due to modifications	1	5	0	6
Changes due to methodology change	-1	0	0	-1
Decreases in ECL allowances due to write-offs			-711	-711
Change in exchange rates	10	47	157	214
ECL allowance as of 30 June 2021	1 156	1 657	7 010	9 823

SEB's measurement of ECL allowances and related assumptions according to IFRS 9 can be found on pages 108-109 and 142-143 in the Annual and Sustainability Report 2020.

Note 12 Loans and expected credit loss (ECL) allowances by industry

SEK m	Gross carrying amounts				ECL allowances				Net carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
	(12-month ECL)	(lifetime ECL)	(credit impaired/lifetime ECL)		(12-month ECL)	(lifetime ECL)	(credit impaired/lifetime ECL)		
30 Jun 2021									
Banks	95 845	672	8	96 526	-4	-1	-2	-7	96 519
Finance and insurance	129 034	690	17	129 742	-35	-13	-8	-56	129 686
Wholesale and retail	70 763	1 514	189	72 466	-80	-45	-71	-196	72 270
Transportation	30 039	1 798	256	32 093	-31	-59	-85	-175	31 918
Shipping	42 499	3 814	1 035	47 347	-11	-30	-597	-638	46 709
Business and household services	135 051	5 644	1 511	142 206	-174	-187	-861	-1 222	140 985
Construction	11 271	748	318	12 336	-22	-74	-174	-270	12 066
Manufacturing	86 300	3 867	1 779	91 945	-84	-312	-916	-1 313	90 633
Agriculture, forestry and fishing	25 887	658	106	26 652	-20	-7	-28	-54	26 597
Mining, oil and gas extraction	17 088	1 652	4 213	22 953	-8	-287	-2 898	-3 192	19 760
Electricity, gas and water supply	45 304	365	182	45 851	-18	-21	-86	-126	45 725
Other	39 330	3 423	115	42 868	-38	-53	-38	-130	42 739
Corporates	632 567	24 173	9 720	666 459	-522	-1 088	-5 763	-7 373	659 087
Commercial real estate management	154 821	2 754	430	158 005	-84	-39	-126	-249	157 756
Residential real estate management	130 821	1 149	30	132 000	-35	-1	0	-35	131 965
Real Estate Management	285 642	3 903	460	290 005	-118	-40	-126	-284	289 720
Housing co-operative associations	59 411	6 711	2	66 124	0	0	-2	-3	66 121
Public Administration	14 870	96	1	14 966	-1	-3	-1	-4	14 962
Household mortgages	577 990	18 553	863	597 406	-80	-145	-264	-488	596 918
Other	38 265	3 355	1 078	42 699	-191	-198	-680	-1 069	41 630
Households	616 255	21 909	1 941	640 105	-271	-342	-945	-1 558	638 547
TOTAL	1 704 589	57 463	12 133	1 774 185	-915	-1 474	-6 838	-9 228	1 764 956
31 Dec 2020									
Banks	86 112	1 917	14	88 043	-6	-2	-4	-12	88 031
Finance and insurance	109 335	653	25	110 014	-43	-4	-7	-54	109 959
Wholesale and retail	69 523	2 215	459	72 196	-99	-65	-198	-362	71 835
Transportation	28 916	1 671	227	30 814	-36	-49	-74	-159	30 656
Shipping	42 697	2 895	1 480	47 073	-10	-20	-530	-560	46 513
Business and household services	132 841	6 834	1 559	141 234	-167	-237	-759	-1 164	140 070
Construction	10 736	706	356	11 799	-20	-35	-188	-243	11 555
Manufacturing	83 313	3 381	2 779	89 473	-89	-98	-1 372	-1 559	87 914
Agriculture, forestry and fishing	22 558	916	117	23 591	-19	-13	-29	-61	23 530
Mining, oil and gas extraction	16 797	1 498	4 963	23 258	-8	-205	-2 873	-3 086	20 172
Electricity, gas and water supply	45 216	608	175	46 000	-21	-26	-85	-131	45 869
Other	44 592	3 034	232	47 859	-33	-34	-93	-161	47 698
Corporates	606 524	24 412	12 373	643 310	-546	-785	-6 209	-7 539	635 771
Commercial real estate management	158 927	3 343	410	162 680	-72	-49	-127	-248	162 432
Residential real estate management	125 844	1 528	27	127 399	-36	-6	0	-42	127 357
Real Estate Management	284 771	4 871	437	290 079	-108	-55	-127	-290	289 789
Housing co-operative associations	55 884	6 615	3	62 501	0	0	-2	-2	62 498
Public Administration	14 989	72	1	15 061	-1	-4	-1	-5	15 056
Household mortgages	554 967	20 445	971	576 383	-86	-154	-307	-547	575 836
Other	38 176	3 414	1 090	42 680	-226	-209	-682	-1 117	41 563
Households	593 143	23 859	2 062	619 063	-313	-363	-988	-1 664	617 399
TOTAL	1 641 422	61 745	14 890	1 718 057	-972	-1 208	-7 331	-9 512	1 708 545

The tables above show only the exposures and ECL allowances for Loans and excludes Debt securities, Financial guarantees and Loan commitments. Loans are excluding demand deposits from credit institutions and including trade and client receivables presented as other assets.

SEB consolidated situation

Note 13 Capital adequacy analysis

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020
Own funds			
Common Equity Tier 1 capital	159 423	154 772	152 124
Tier 1 capital	172 223	167 842	164 403
Total own funds	180 143	175 707	181 835
Own funds requirement			
Risk exposure amount	754 768	761 144	725 560
Expressed as own funds requirement	60 381	60 892	58 045
Common Equity Tier 1 capital ratio	21.1%	20.3%	21.0%
Tier 1 capital ratio	22.8%	22.1%	22.7%
Total capital ratio	23.9%	23.1%	25.1%
Own funds in relation to own funds requirement	2.98	2.89	3.13
Regulatory Common Equity Tier 1 capital requirement including buffer	11.1%	11.1%	11.1%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which systemic risk buffer requirement	3.0%	3.0%	3.0%
of which other systemically important institution buffer requirement (O-SII)	1.0%	1.0%	1.0%
of which countercyclical capital buffer requirement	0.1%	0.1%	0.1%
Common Equity Tier 1 capital available to meet buffer ¹⁾	16.6%	15.8%	16.5%
Leverage ratio			
Exposure measure for leverage ratio calculation	3 619 072	3 671 255	3 226 866
of which on balance sheet items	3 048 723	3 083 059	2 678 521
of which off balance sheet items	570 349	588 196	548 345
Leverage ratio	4.8%	4.6%	5.1%

¹⁾ CET1 ratio excluding buffers and minimum capital requirement of 4.5%.

Note 14 Own funds

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020
Shareholders equity according to balance sheet ¹⁾	183 660	174 845	171 943
Accrued dividend	-6 215	-2 967	-8 864
Deconsolidation of insurance companies and other foreseeable charges ²⁾	331	-1 105	-988
Common Equity Tier 1 capital before regulatory adjustments	177 775	170 773	162 091
Additional value adjustments	-1 179	-1 146	-894
Goodwill	-4 410	-4 436	-4 378
Intangible assets	-1 120	-1 073	-1 557
Deferred tax assets that rely on future profitability	-8	-8	-11
Fair value reserves related to gains or losses on cash flow hedges	23	36	47
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-135	-153	3
Defined-benefit pension fund assets	-11 303	-9 009	-3 008
Direct and indirect holdings of own CET1 instruments	-221	-213	-169
Total regulatory adjustments to Common Equity Tier 1	-18 352	-16 001	-9 967
Common Equity Tier 1 capital	159 423	154 772	152 124
Additional Tier 1 instruments	12 800	13 070	12 279
Tier 1 capital	172 223	167 842	164 403
Tier 2 instruments ³⁾	8 605	8 700	18 606
Net provisioning amount for IRB-reported exposures	515	815	476
Holdings of Tier 2 instruments in financial sector entities	-1 200	-1 650	-1 650
Tier 2 capital	7 920	7 865	17 432
Total own funds	180 143	175 707	181 835

¹⁾ The Swedish Financial Supervisory Authority has approved SEB's application to use the quarterly net profit in measuring own funds on condition that the responsible auditors have reviewed the surplus and that the surplus is calculated in accordance with applicable accounting frameworks.

²⁾ Starting from the second quarter 2021 and forward this item is solely attributable to reversal of direct and indirect holdings of own CET1 instrument.

³⁾ Following an approval from the Swedish Financial Supervisory Authority to call a Tier 2 instrument of EUR 1.0 bn issued in 2014, the instrument has been excluded from the bank's own funds as of Q1 2021. The instrument was redeemed in Q2 2021.

Note 15 Risk exposure amount

SEK m	30 Jun 2021		31 Mar 2021		31 Dec 2020	
	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾
Credit risk IRB approach						
Exposures to central governments or central banks	15 934	1 275	16 997	1 360	13 893	1 111
Exposures to institutions	51 050	4 084	48 904	3 912	46 522	3 722
Exposures to corporates	342 408	27 393	346 513	27 721	342 199	27 376
Retail exposures	66 695	5 336	64 620	5 170	63 740	5 099
of which secured by immovable property	43 140	3 451	42 062	3 365	40 817	3 265
of which retail SME	5 940	475	5 237	419	5 278	422
of which other retail exposures	17 615	1 409	17 320	1 386	17 644	1 412
Securitisation positions	1 967	157	2 664	213	1 973	158
Total IRB approach	478 053	38 244	479 698	38 376	468 326	37 466
Credit risk standardised approach						
Exposures to central governments or central banks	602	48	585	47	966	77
Exposures to institutions	1 011	81	1 198	96	909	73
Exposures to corporates	5 580	446	5 286	423	4 905	392
Retail exposures	14 108	1 129	14 010	1 121	13 528	1 082
Exposures secured by mortgages on immovable property	1 954	156	2 036	163	1 935	155
Exposures in default	50	4	48	4	52	4
Exposures associated with particularly high risk	1 221	98	1 143	91	1 043	83
Exposures in the form of collective investment undertakings (CIU)					57	5
Equity exposures	6 860	549	6 446	516	4 139	331
Other items	10 178	814	10 724	858	10 327	826
Total standardised approach	41 565	3 325	41 476	3 318	37 860	3 029
Market risk						
Trading book exposures where internal models are applied	27 427	2 194	39 755	3 180	28 088	2 247
Trading book exposures applying standardised approaches	14 025	1 122	14 760	1 181	8 742	699
Total market risk	41 452	3 316	54 515	4 361	36 830	2 946
Other own funds requirements						
Operational risk advanced measurement approach	50 403	4 032	50 232	4 019	50 483	4 039
Settlement risk	14	1	27	2	3	0
Credit value adjustment	10 008	801	9 345	748	7 336	587
Investment in insurance business	19 608	1 569	15 982	1 279	16 633	1 331
Other exposures	4 968	397	3 954	316	5 237	419
Additional risk exposure amount ²⁾	108 697	8 696	105 914	8 473	102 851	8 228
Total other own funds requirements	193 697	15 496	185 455	14 836	182 544	14 604
Total	754 768	60 381	761 144	60 892	725 560	58 045

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

²⁾ Additional risk exposure amount according to Article 458, Regulation (EU) No 575/2013 (CRR), for risk-weight floors in the Swedish mortgage portfolio.

Note 16 Average risk-weight

The following table summarises average risk-weights (risk exposure amount divided by exposure at default, EAD) for exposures, where the risk exposure amount is calculated according to the internal ratings based (IRB) approach. Repos

and securities lending transactions are excluded from the analysis, since they carry low risk-weights, and can vary considerably in volume, thus making numbers less comparable.

IRB reported credit exposures (less repos and securities lending)	30 Jun 2021	31 Mar 2021	31 Dec 2020
Average risk-weight			
Exposures to central governments or central banks	2.3%	2.3%	2.9%
Exposures to institutions	22.9%	22.5%	21.7%
Exposures to corporates	27.7%	27.6%	27.5%
Retail exposures	9.3%	9.3%	9.4%
of which secured by immovable property	6.7%	6.7%	6.7%
of which retail SME	49.0%	49.7%	49.6%
of which other retail exposures	28.4%	29.1%	29.6%
Securitisation positions	17.7%	22.7%	16.4%

Skandinaviska Enskilda Banken AB (publ) – parent company

Income statement

In accordance with FSA regulations	Q2			Q1		Q2		Jan–Jun			Full year
SEK m	2021	2021	%	2020	%	2021	2020	%	2020		
Interest income	6 930	6 979	-1	7 956	-13	13 909	16 762	-17	31 460		
Leasing income	1 366	1 302	5	1 346	1	2 668	2 736	-2	5 365		
Interest expense	-1 470	-1 644	-11	-3 126	-53	-3 114	-7 035	-56	-11 118		
Dividends	603	1 848	-67	617	-2	2 451	619		3 121		
Fee and commission income	3 950	3 519	12	3 407	16	7 469	6 997	7	13 734		
Fee and commission expense	- 767	- 807	-5	- 764	0	-1 574	-1 648	-5	-3 036		
Net financial income	1 459	1 378	6	2 857	-49	2 836	2 506	13	5 297		
Other income	142	524	-73	86	65	666	304	119	411		
Total operating income	12 213	13 099	-7	12 378	-1	25 312	21 241	19	45 234		
Administrative expenses	-4 177	-4 220	-1	-5 051	-17	-8 396	-9 075	-7	-17 372		
Depreciation, amortisation and impairment of tangible and intangible assets	-1 454	-1 388	5	-1 498	-3	-2 842	-2 936	-3	-5 683		
Total operating expenses	-5 630	-5 608	0	-6 549	-14	-11 238	-12 011	-6	-23 055		
Profit before credit losses	6 583	7 491	-12	5 829	13	14 074	9 230	52	22 179		
Net expected credit losses	-40	-183	-78	-2 409	-98	- 222	-3 811	-94	-5 550		
Impairment of financial assets ¹⁾	- 425					- 425	- 220	93	- 220		
Operating profit	6 118	7 308	-16	3 420	79	13 426	5 199	158	16 409		
Appropriations	425	522	-19	346	23	946	584	62	2 390		
Income tax expense	-1 271	-1 148	11	-1 453	-12	-2 419	-1 695	43	-4 636		
Other taxes				39	-100		154	-100	451		
NET PROFIT	5 271	6 682	-21	2 353	124	11 953	4 243	182	14 614		

1) During second quarter the parent company has recognised an impairment loss of SEK 425m for the investment in the subsidiary DSK Hyp AG.

Statement of comprehensive income

	Q2			Q1		Q2		Jan–Jun			Full year
SEK m	2021	2021	%	2020	%	2021	2020	%	2020		
NET PROFIT	5 271	6 682	-21	2 353	124	11 953	4 243	182	14 614		
Cash flow hedges	13	11	18	- 10		24	- 61		- 62		
Translation of foreign operations	- 10	41		- 56	-82	31	-109		- 158		
Items that may subsequently be reclassified to the income statement:	3	52	-94	- 66		55	- 170		- 220		
OTHER COMPREHENSIVE INCOME	3	52	-94	- 66		55	- 170		- 220		
TOTAL COMPREHENSIVE INCOME	5 274	6 734	-22	2 287	131	12 008	4 073	195	14 394		

Balance sheet, condensed

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020
Cash and cash balances with central banks	433 798	469 242	294 391
Loans to central banks	582	320	3 537
Loans to credit institutions	91 106	98 775	67 490
Loans to the public	1 613 103	1 576 752	1 569 310
Debt securities	368 521	380 584	239 928
Equity instruments	85 694	72 559	63 825
Derivatives	121 376	140 644	159 380
Other assets	121 044	118 576	99 248
TOTAL ASSETS	2 835 224	2 857 451	2 497 110
Deposits from central banks and credit institutions	178 792	212 334	147 831
Deposits and borrowings from the public ¹⁾	1 477 183	1 410 867	1 198 833
Debt securities issued	802 048	827 295	749 415
Short positions	47 246	44 604	30 409
Derivatives	102 878	121 314	157 529
Other financial liabilities	1 571	1 518	744
Other liabilities	70 219	89 212	59 853
Untaxed reserves	18 628	18 629	18 628
Equity	136 660	131 678	133 868
TOTAL LIABILITIES, UNTAXED RESERVES AND EQUITY	2 835 224	2 857 451	2 497 110
1) Private and SME deposits covered by deposit guarantee	251 316	241 687	232 375
Private and SME deposits not covered by deposit guarantee	137 098	127 427	134 315
All other deposits	1 088 768	1 041 753	832 143
Total deposits from the public	1 477 183	1 410 867	1 198 833

Pledged assets and obligations

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020
Pledged assets for own liabilities	504 225	541 344	490 032
Other pledged assets	101 956	118 261	106 252
Pledged assets	606 181	659 605	596 284
Contingent liabilities	144 237	143 824	141 769
Commitments	677 737	686 563	667 824
Obligations	821 974	830 386	809 592

Capital adequacy

Capital adequacy analysis

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020
Own funds			
Common Equity Tier 1 capital	139 681	137 821	134 055
Tier 1 capital	152 481	150 891	146 334
Total own funds	160 338	158 632	163 646
Own funds requirement			
Risk exposure amount	691 394	695 256	659 989
Expressed as own funds requirement	55 312	55 620	52 799
Common Equity Tier 1 capital ratio	20.2%	19.8%	20.3%
Tier 1 capital ratio	22.1%	21.7%	22.2%
Total capital ratio	23.2%	22.8%	24.8%
Own funds in relation to own funds requirement	2.90	2.85	3.10
Regulatory Common Equity Tier 1 capital requirement including buffer	7.1%	7.1%	7.1%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which countercyclical capital buffer requirement	0.1%	0.1%	0.1%
Common Equity Tier 1 capital available to meet buffer ¹⁾	15.7%	15.3%	15.8%
Leverage ratio			
Exposure measure for leverage ratio calculation	3 398 165	3 468 751	3 025 643
of which on balance sheet items	2 839 158	2 890 948	2 487 526
of which off balance sheet items	559 007	577 803	538 118
Leverage ratio	4.5%	4.4%	4.8%

¹⁾ CET1 ratio excluding buffers and minimum capital requirement of 4.5%.

Own funds

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020
Shareholders equity according to balance sheet ¹⁾	151 420	146 439	148 628
Accrued dividend	-6 215	-2 967	-8 864
Deconsolidation of insurance companies and other foreseeable charges	331	142	21
Common Equity Tier 1 capital before regulatory adjustments	145 536	143 614	139 786
Additional value adjustments	-1 147	-1 123	-874
Goodwill	-3 358	-3 358	-3 358
Intangible assets	-996	-959	-1 217
Fair value reserves related to gains or losses on cash flow hedges	23	36	47
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-154	-177	-159
Direct and indirect holdings of own CET1 instruments	-221	-213	-169
Total regulatory adjustments to Common Equity Tier 1	-5 855	-5 793	-5 731
Common Equity Tier 1 capital	139 681	137 821	134 055
Additional Tier 1 instruments	12 800	13 070	12 279
Tier 1 capital	152 481	150 891	146 334
Tier 2 instruments ²⁾	8 605	8 700	18 606
Net provisioning amount for IRB-reported exposures	452	690	355
Holdings of Tier 2 instruments in financial sector entities	-1 200	-1 650	-1 650
Tier 2 capital	7 857	7 740	17 311
Total own funds	160 338	158 632	163 646

¹⁾ Shareholders equity for the parent company includes untaxed reserves net of tax.

²⁾ Following an approval from the Swedish FSA to call a Tier 2 instrument of EUR 1.0 bn issued in 2014, the instrument has been excluded from the bank's own funds.

Risk exposure amount

SEK m	30 Jun 2021		31 Mar 2021		31 Dec 2020	
	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾
Credit risk IRB approach						
Exposures to central governments or central banks	10 449	836	10 800	864	8 221	658
Exposures to institutions	49 747	3 980	47 486	3 799	45 136	3 611
Exposures to corporates	283 301	22 664	285 638	22 851	281 603	22 528
Retail exposures	44 327	3 546	42 432	3 395	42 131	3 371
of which secured by immovable property	33 564	2 685	32 715	2 617	32 283	2 583
of which retail SME	2 850	228	2 354	188	2 266	181
of which other retail exposures	7 913	633	7 363	589	7 582	607
Securitisation positions	1 967	157	2 664	213	1 973	158
Total IRB approach	389 791	31 183	389 020	31 122	379 064	30 325
Credit risk standardised approach						
Exposures to central governments or central banks						
Exposures to institutions	13 570	1 086	16 647	1 332	18 339	1 467
Exposures to corporates	3 175	254	3 051	244	3 024	242
Retail exposures	8 537	683	8 810	705	8 206	656
Exposures secured by mortgages on immovable property	1 948	156	2 029	162	1 931	155
Exposures in default	28	2	23	2	26	2
Exposures associated with particularly high risk	1 221	98	1 143	91	1 043	83
Exposures in the form of collective investment undertakings (CIU)						
Equity exposures	44 256	3 540	40 193	3 215	37 286	2 983
Other items	4 980	398	4 437	355	2 807	225
Total standardised approach	77 714	6 217	76 333	6 107	72 662	5 813
Market risk						
Trading book exposures where internal models are applied	27 427	2 194	39 755	3 180	28 088	2 247
Trading book exposures applying standardised approaches	13 977	1 118	14 679	1 174	8 675	694
Foreign exchange rate risk	3 510	281	3 694	296	3 377	270
Total market risk	44 914	3 593	58 129	4 650	40 140	3 211
Other own funds requirements						
Operational risk advanced measurement approach	39 882	3 191	39 682	3 175	39 928	3 194
Settlement risk	14	1	27	2	3	0
Credit value adjustment	10 006	800	9 342	747	7 336	587
Investment in insurance business	19 608	1 569	15 982	1 279	16 633	1 331
Other exposures	775	62	833	67	1 377	110
Additional risk exposure amount ²⁾	108 691	8 695	105 908	8 473	102 845	8 228
Total other own funds requirements	178 975	14 318	171 775	13 742	168 122	13 450
Total	691 394	55 312	695 256	55 620	659 989	52 799

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

²⁾ Additional risk exposure amount according to Article 458, Regulation (EU) No 575/2013 (CRR), for risk-weight floors in the Swedish mortgage portfolio.

Average risk-weight

IRB reported credit exposures (less repos and securities lending)	30 Jun 2021	31 Mar 2021	31 Dec 2020
Average risk-weight			
Exposures to central governments or central banks	1.6%	1.6%	1.9%
Exposures to institutions	22.9%	22.5%	21.7%
Exposures to corporates	25.0%	24.8%	24.7%
Retail exposures	7.4%	7.3%	7.4%
of which secured by immovable property	5.9%	5.9%	5.9%
of which retail SME	36.7%	35.1%	34.6%
of which other retail exposures	38.4%	39.5%	40.1%
Securitisation positions	17.7%	22.7%	16.4%

Signatures of the President and the Board

The President and the Board of Directors declare that this financial report for the period 1 January 2021 through 30 June 2021 provides 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.

Stockholm den 15 July 2021

Marcus Wallenberg
Chair

Sven Nyman
Vice chair

Jesper Ovesen
Vice chair

Signhild Arnegård Hansen
Director

Anne-Catherine Berner
Director

Winnie Fok
Director

Lars Ottersgård
Director

Helena Saxon
Director

Anna-Karin Glimström
*Director**

Charlotta Lindholm
*Director**

Johan Torgeby
President and Chief Executive Officer

** Appointed by the employees*

Auditor's review report

To the Board of Directors in Skandinaviska Enskilda Banken AB (publ), 502032-9081

Introduction

We have reviewed the condensed interim report for Skandinaviska Enskilda Banken AB (publ) as at June 30, 2021 and for the six-month period ending as at this date. The Board of Directors, the President and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements 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 differs from and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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.

Conclusion

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 Annual Accounts Act for Credit Institutions and Securities Companies regarding the Group, and in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies regarding the Parent Company.

Stockholm, 15 July 2021

Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

Contacts and calendar

Results presentation at telephone conference

The presentation of the results will be held (in English) at 9 a.m., Swedish time, on 15 July 2021 at a conference call. Please call, at least 10 minutes in advance, +44 (0)2071 928 000 and quote conference id: 6282316. The conference can be followed live on sebgroup.com/ir where a replay will also be available afterwards.

The President and CEO, Johan Torgeby, and the Chief Financial Officer, Masih Yazdi, will present and comment upon the results, followed by a Q&A session with Johan Torgeby, Masih Yazdi and Pawel Wyszynski, Head of Investor Relations.

Further information is available from:

Masih Yazdi, Chief Financial Officer
Tel: +46 771 621 000
Pawel Wyszynski, Head of Investor Relations
Tel: +46 70 462 21 11
Karin Lepasoon, Head of Marketing and Communication
Tel: +46 771 621 000
Henrik Westman, Acting Head of Corporate Communication
Tel: +46 70 763 51 34

Skandinaviska Enskilda Banken AB (publ.)

SE-106 40 Stockholm, Sweden
Tel: +46 771 621 000
sebgroup.com
Corporate organisation number: 502032-9081

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

Financial information calendar 2021

20 October 2021 Quarterly report January – September 2021 The silent period starts on 1 October 2021

The financial information calendar for 2022 will be published in conjunction with the Quarterly Report for January-September 2021.

Definitions

Including Alternative Performance Measures¹⁾

Items affecting comparability

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

Operating profit

Total profit before tax.

Operating profit before items affecting comparability

Total profit before items affecting comparability and tax.

Net profit

Total profit after 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.

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 tangible equity, return on total assets and return on risk exposure amount provide relevant information on the performance in relation to different investment measurements. The cost/income ratio provides information on SEB's cost efficiency. APMs related to lending provide information on provisions in relation to credit risk. All these measures may not be comparable to similarly titled measures used by other companies.

²⁾ Average year-to-date, calculated on month-end figures.

³⁾ Average, calculated on a daily basis.

Cost/income ratio

Total operating expenses in relation to total operating income.

Basic earnings per share

Net profit attributable to shareholders in relation to the weighted 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 total of shareholders' equity, the equity portion of any surplus values in the holdings of debt securities and the surplus value in life insurance operations in relation to the number of shares outstanding.

Equity per share

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

Expected credit losses, ECL

Probability-weighted credit losses with the respective risk of a default.

ECL allowances

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

Net ECL level

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

ECL coverage ratio

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

Stage 3 loans / Total loans, gross

Gross carrying amount for stage 3 loans (credit-impaired loans) in relation to gross carrying amount for total loans measured at amortised cost (excluding demand deposits credit institutions and including trade and client receivables presented as other assets).

Stage 3 loans / Total loans, net

Carrying amount for stage 3 loans (credit-impaired loans) in relation to carrying amounts for total loans measured at amortised cost (excluding demand deposits credit institutions and including trade and client receivables presented as other assets).

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

Definitions

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

Risk exposure amount

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

Common Equity Tier 1 capital (CET)

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

Tier 1 capital

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

Tier 2 capital

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

Own funds

The sum of Tier 1 and Tier 2 capital.

Common Equity Tier 1 capital ratio

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

Tier 1 capital ratio

Tier 1 capital as a percentage of risk exposure amount.

Total capital ratio

Total own funds as a percentage of risk exposure amount.

Leverage ratio

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

Liquidity Coverage Ratio (LCR)

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

According to the EU Capital Requirements Regulation no 876/2019 (CRR2):

Net stable funding ratio (NSFR)

Available stable funding in relation to the amount of required stable funding over a one-year horizon.

This is SEB

We enable people and businesses to realise their ideas

SEB is a leading northern European financial services group, with a history dating back to 1856. Innovation, entrepreneurship and an international perspective are part of our DNA. Our vision is to provide world-class service. We do this through long-term relationships, personal advice and digital services – and by supporting our customers in the transition to a more sustainable world.

Our customers

2,000 large corporations, 1,100 financial institutions, 272,000 SME and 1.5 million private full-service customers bank with SEB.

Our values

We are guided by our Code of Conduct and our core values: customers first, commitment, collaboration and simplicity.

Our employees

Around 15,500 highly skilled employees serving our customers from locations in more than 20 countries – covering different time zones, securing reach and local market knowledge.

Our history

We have a long tradition of supporting people and companies and helping drive development. Engagement and curiosity about the future have guided us ever since we welcomed our first customer more than 160 years ago. With value-creating advice, innovation and a focus on long-term relationships, we are changing together with our customers and the communities in which we operate. We stand by our customers in both good times and bad.

Business plan focus areas

Advisory leadership – Offer customers proactive, customised and valuable advice, based on their specific needs and behaviours, through human and digital interaction.

Operational excellence – Improve customer value by increasing the pace of digitalisation and automation while extending the use of data and analytics.

Extended presence – Meet our customers on their terms in their digital ecosystems and offer a combination of products and services from SEB and our partners.

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