

Quarterly Report

Third quarter 2021 | January – September 2021



STOCKHOLM 20 OCTOBER 2021

SEB

”We continuously strive to meet our customers on their terms.”

Statement from Johan Torgeby

Shifting focus

During the third quarter, the recovery of the global economy continued, despite challenges related to the spread of the Delta variant of the Covid-19 virus and supply chain bottlenecks. Increased inflationary pressure partly driven by the rise in energy prices, as well as credit risk concerns related to a Chinese property developer, contributed to reduced market risk appetite and muted development in equity markets in the latter part of the quarter.

The effects of the pandemic have varied globally, with emerging market economies lagging behind. Meanwhile, the Swedish economy has proved robust, driven by government support measures, a large dependence on the resilient manufacturing industry as well as a high degree of digital infrastructure. This is exemplified by SEB's GDP forecast, where 2022 estimates are now slightly higher than they were in the forecast made prior to the pandemic. It is also reflected in Sweden's Purchasing Managers' Index for the manufacturing and services industries, which both have recovered to historically high levels.

Sweden's public finances continue to demonstrate capacity to support the recovery if needed, with public debt as a share of GDP of 40 per cent, compared to around 100 per cent for the Euro area, according to the European Commission. Moreover, in Sweden, SEB Card data shows increased consumption among both our private and corporate customers. With a 14 percentage points increase in the savings ratio since the end of 2019, measuring households' savings as a share of disposable income, the pent-up demand for consumption and investments could be a potential factor driving the economic recovery further.

With the return of a more normalised economic activity level, global focus is now shifting from short-term recovery of economies to long-term value creation.

Continued high customer activity

The third quarter net profit increased compared to the previous quarter, with net commission income close to the record high level seen last quarter. Customer activity within the Large Corporates & Financial Institutions



division remained strong. Assets under management increased by 25 per cent year-on-year to SEK 2,422bn, and further recovery in payment and card fees was noted. SEB's return on equity (RoE) amounted to 14.1 per cent, a decrease compared to the previous quarter, explained by higher equity.

Net financial income in the divisions increased by 4 per cent compared to the previous quarter. Higher stock market activity contributed positively while the development within foreign exchange and fixed income was subdued. The revaluation of strategic holdings contributed positively this quarter by SEK 0.5bn.

Net expected credit losses for the full year 2021 are still expected to be below the previously indicated level of 8-10 basis points.

Strong financial position allowing for capital repatriation

Throughout the pandemic we have supported our customers while maintaining a strong financial position. The capital buffer exceeds both the regulatory requirement and our own target. The economic recovery is now well under way and the Swedish FSA has lifted its restrictive recommendation for Swedish banks' repatriation of capital. SEB's Board of Directors has decided to initiate a SEK 2.5bn share buyback program and to propose a further ordinary dividend of SEK 4.10 per share. As a result of this proposal, the Board of Directors will convene an Extraordinary General Meeting on 12 November 2021. The April and November dividend payouts combined correspond to around 50 per cent of SEB's net profit for 2019 and 2020. Including the effect on capital from these capital repatriations, the capital buffer above the regulatory requirement amounted to 640 basis points in the quarter. SEB plans to continue to gradually reduce the capital buffer towards the targeted level of 100-300 basis points above the requirements from the Swedish Financial Supervisory Authority.

Investing to accelerate income growth

During the quarter, we have continued our work to review SEB's strategic direction and to outline our new three-year business plan for 2022-2024. As previously communicated, we

plan to further invest into our business in order to future-proof the bank. By developing our capabilities, we will leverage structural market trends related to for example corporate and investment banking, savings and investments, digitalisation and sustainability. Our business plan, which will detail how we aim to execute on our strategic direction, is expected to be presented in conjunction with the quarterly report for the fourth quarter, at the latest. Our investments going forward will constitute a combination of initiatives driving income, ensuring regulatory compliance and enhancing customer satisfaction – all with the long-term objective of increasing income and profit growth, leading to continued operating leverage, and reaching our long-term aspirations.

Transitioning towards a low-carbon society

Our ambition is to be a catalyst in the transition towards a low-carbon society, and we continuously strengthen our ability to support our customers and society at large. As an example, we develop our offering in order to meet the growing demand for sustainability related investment products. As part of this work, a thematic fund was recently launched by SEB Investment Management, classified as Article 9 according to the EU Sustainable Finance Disclosure Regulation (SFDR) – the higher classification of the two sustainability classification standards. Thereby, 83 per cent of SEB Investment Management's assets under management are classified as either Article 8 or 9 according to the SFDR. Moreover, additional functionality was added to the private mobile app during the quarter, enabling customers to choose between funds based on their sustainability profile.

In November 2020, SEB established SEB Greentech VC. The unit invests venture capital in green technology start-ups – a sector that will play a key role in the sustainability transition, and that is currently undergoing a rapid development. With an initial investment capital of SEK 300m, SEB Greentech VC targets innovative companies developing solutions contributing to reduction of greenhouse gas emissions. Thus far, four investments have been made. During the quarter, SEB also launched a new award in celebration of sustainable entrepreneurship – the Next Awards. This award highlights people and businesses with ideas and business models that help drive progress and contribute to a more sustainable society.

Meeting our customers on their terms

At SEB, we continuously strive to meet our customers on their terms. Therefore, we are taking the next step in transforming our service model, within the Corporate & Private Customers division by increasing our availability to our customers as we change from drop-in at branch offices to the possibility to book

meetings in advance. By doing so, we aim to reduce queue-time while also freeing up time to focus more on advisory and proactive activities that generate value for our customers. Moreover, during the quarter SEB's innovation studio SEBx launched its first product publicly – UNQUO – targeting the growing group of "solopreneurs", i.e. self-employed business owners. Through UNQUO, which is built upon SEBx's Banking as a Service Platform, we provide a digital service where users can aggregate all their accounts to get an overview, yet differentiate between work and private events, receive bookkeeping support and get a card that can be used for both work and private purchases – all available in the mobile app.

Creating value for our shareholders

For the third year in a row, SEB was ranked as business bank of the year by Swedish companies in the customer survey "Finansbarometern". We also received higher scores from both corporates and private individuals in the annual customer satisfaction survey SKI (Swedish Quality Index), improving our corporate ranking among larger banks from third to first place. We are pleased to see that our customers seem to appreciate what we do, but we recognise that there is still more to be done. We will therefore continue to strengthen our capabilities in order to support our customers to the best of our abilities.

As restrictions are now being lifted in some countries, with guidelines being adjusted to a new reality as societies open up, I also want to extend a warm thank you to SEB's employees around the world. In branch offices, digital channels, at SEB premises and from home, our employees have been working tirelessly to ensure that we uphold our critical role for people, businesses and society at large.

It is encouraging to see that our employees see a strong purpose in their work, and that employee satisfaction has remained on a high level also during the pandemic. In this year's employee survey, engagement scores were high across all parts of the bank, and SEB continued to perform above all financial and Nordic benchmarks. As we now have entered our new "hybrid" way of working, with the possibility of working remote up to two days a week, we aim to continue this path of high engagement and dedication among our employees.

We strive to continuously meet our customers' changing needs and to uphold our important role in society, thereby also creating long-term value for our shareholders.



President and CEO

Third quarter 2021

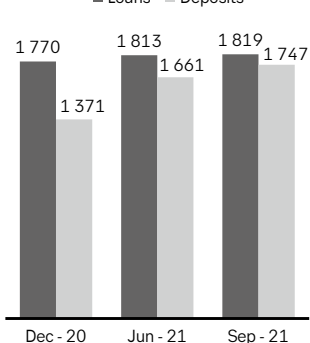
- Return on equity amounted to 14.1 per cent and the CET1 ratio to 20.2 per cent
- High customer activity in the Large Corporate & Financial Institutions division, increased assets under management and recovering payment and card fees led to a strong net commission income
- Increased customer satisfaction among corporate, private and private wealth management customers in Sweden, driven by strengthened advisory capabilities and a broadened digital and sustainability offering

Share buy-back and dividend

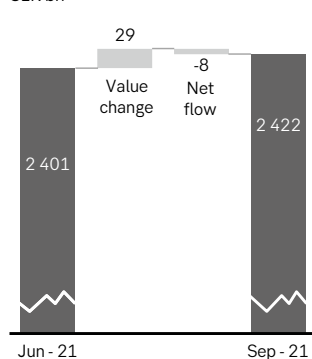
The Board of Directors has decided to initiate a SEK 2.5bn share buyback program and to propose a further ordinary dividend of SEK 4.10 per share. As a result of this proposal, the Board of Directors will convene an Extraordinary General Meeting on 12 November 2021. The first trading day in the SEB share excluding the right to receive dividend will be 15 November 2021 and the dividend payout date will be 19 November 2021.

SEK m	Q3			Q2		Q3			Jan-Sep			Full year 2020
	2021	2021	%	2020	%	2021	2020	%				
Total operating income	13 716	13 680	0	12 563	9	40 744	36 651	11	49 717			
Total operating expenses	-5 671	-5 759	-2	-5 547	2	-17 148	-16 905	1	-22 747			
Net expected credit losses	-49	-7		-1 098	-96	-211	-5 282	-96	-6 118			
Operating profit before items affecting comparability	7 997	7 916	1	5 916	35	23 388	14 463	62	20 846			
Items affecting comparability							-1 000	-100	-1 000			
Operating profit	7 997	7 916	1	5 916	35	23 388	13 463	74	19 846			
NET PROFIT	6 634	6 574	1	4 766	39	19 225	10 623	81	15 746			
Return on equity, %	14.1	14.7		11.7		14.2	8.8		9.7			
Return on equity excluding items affecting comparability, %	14.1	14.7		11.6		14.2	9.7		10.3			
Basic earnings per share, SEK	3.06	3.04		2.21		8.88	4.91		7.28			

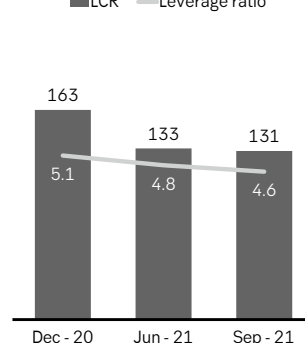
Loans to and deposits from the public
SEK bn



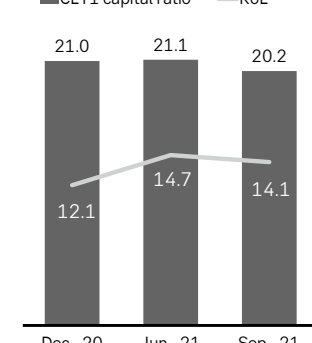
Assets under management
SEK bn



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
Third quarter	8
First nine months	9
Business volumes	11
Risk and capital	12
Business development	13
Other information	13
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	46
Auditor's review report	46
Contacts and calendar	47
Definitions	48

Income statement on a quarterly basis, condensed

	Q3	Q2	Q1	Q4	Q3
SEK m	2021	2021	2021	2020	2020
Net interest income	6 639	6 570	6 396	6 559	6 336
Net fee and commission income	5 202	5 280	4 776	4 774	4 301
Net financial income	1 837	1 713	2 179	1 784	1 754
Net other income	37	118	- 4	- 51	172
Total operating income	13 716	13 680	13 347	13 066	12 563
Staff costs	-3 862	-3 818	-3 897	-3 909	-3 654
Other expenses	-1 336	-1 467	-1 345	-1 473	-1 432
Depreciation, amortisation and impairment of tangible and intangible assets	- 473	- 475	- 476	- 460	- 461
Total operating expenses	-5 671	-5 759	-5 718	-5 842	-5 547
Profit before credit losses	8 045	7 921	7 630	7 224	7 016
Gains less losses from tangible and intangible assets	1	2	1	- 6	- 2
Net expected credit losses	- 49	- 7	- 156	- 835	-1 098
Operating profit before items affecting comparability	7 997	7 916	7 475	6 382	5 916
Items affecting comparability					
Operating profit	7 997	7 916	7 475	6 382	5 916
Income tax expense	-1 363	-1 342	-1 457	-1 259	-1 150
NET PROFIT	6 634	6 574	6 018	5 123	4 766
Attributable to shareholders of Skandinaviska Enskilda Banken AB	6 634	6 574	6 018	5 123	4 766
Basic earnings per share, SEK	3.06	3.04	2.78	2.37	2.21
Diluted earnings per share, SEK	3.04	3.02	2.76	2.35	2.19

Key figures

	Q3 2021	Q2 2021	Q3 2020	Jan-Sep 2021 2020		Full year 2020
Return on equity, %	14.1	14.7	11.7	14.2	8.8	9.7
Return on equity excluding items affecting comparability ¹⁾ , %	14.1	14.7	11.6	14.2	9.7	10.3
Return on total assets, %	0.7	0.8	0.6	0.7	0.5	0.5
Return on risk exposure amount, %	3.5	3.5	2.6	3.4	1.9	2.1
Cost/income ratio	0.41	0.42	0.44	0.42	0.46	0.46
Basic earnings per share, SEK	3.06	3.04	2.21	8.88	4.91	7.28
Weighted average number of shares ²⁾ , millions	2 166	2 165	2 161	2 165	2 164	2 163
Diluted earnings per share, SEK	3.04	3.02	2.19	8.82	4.88	7.23
Weighted average number of diluted shares ³⁾ , millions	2 181	2 180	2 174	2 179	2 178	2 177
Net worth per share, SEK	95.58	91.89	82.81	95.58	82.81	85.99
Equity per share, SEK	88.44	84.79	76.66	88.44	76.66	79.53
Average shareholders' equity, SEK, billion	188.1	179.0	162.9	180.9	160.2	162.2
Net ECL level, %	0.01	0.00	0.19	0.01	0.30	0.26
Stage 3 Loans / Total Loans, gross, %	0.62	0.68	0.96	0.62	0.96	0.87
Stage 3 Loans / Total Loans, net, %	0.26	0.30	0.50	0.26	0.50	0.44
Liquidity Coverage Ratio (LCR) ⁴⁾ , %	131	133	139	131	139	163
Net Stable Funding Ratio (NSFR) ⁵⁾ , %	111	110		111		
Own funds requirement, Basel III						
Risk exposure amount, SEK m	753 104	754 768	746 308	753 104	746 308	725 560
Expressed as own funds requirement, SEK m	60 248	60 381	59 705	60 248	59 705	58 045
Common Equity Tier 1 capital ratio, %	20.2	21.1	19.4	20.2	19.4	21.0
Tier 1 capital ratio, %	21.9	22.8	21.2	21.9	21.2	22.7
Total capital ratio, %	23.0	23.9	23.7	23.0	23.7	25.1
Leverage ratio, %	4.6	4.8	4.6	4.6	4.6	5.1
Number of full time equivalents ⁶⁾	15 543	15 548	15 417	15 518	15 300	15 335
Assets under custody, SEK bn	14 237	13 607	10 803	14 237	10 803	12 022
Assets under management, SEK bn	2 422	2 401	2 054	2 422	2 054	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 2,908,801 shares and 7,076,790 shares have been sold. Thus, at 30 September 2021 SEB owned 28,043,462 Class A-shares with a market value of SEK 3,475m.

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.

Third quarter

Operating profit increased by 1 per cent to SEK 7,997m compared to the second quarter (7,916). Year-on-year *profit before credit losses* increased by 15 per cent and operating profit increased by 35 per cent. *Net profit* amounted to SEK 6,634m (6,574).

Operating income

Total operating income increased by SEK 36m compared with the second quarter and amounted to SEK 13,716m (13,680). Compared with the third quarter 2020, total operating income increased by 9 per cent.

Net interest income amounted to SEK 6,639m, which represented an increase of 1 per cent compared with the second quarter (6,570) and an increase of 5 per cent year-on-year. One additional day accruing interest in the third quarter versus the second had a positive effect.

	Q3	Q2	Q3
SEK m	2021	2021	2020
Customer-driven NII	6 352	6 594	6 931
NII from other activities	287	-24	-595
Total	6 639	6 570	6 336

Customer-driven net interest income decreased by SEK 242m compared with the second quarter. Increased lending volumes impacted net interest income positively. Also, this quarter, credit spreads continued to tighten, lowering internal funds transfer pricing on customer-driven deposit margins and increasing net interest income from other activities. Net interest income from other activities (including for instance funding and other Treasury activities, trading and regulatory fees) improved by SEK 311m to SEK 287m compared with the second quarter. The contribution from the Markets operations continued to be elevated, but less so compared to the second quarter.

In total, the resolution and deposit guarantee fees amounted to SEK 346m (329).

Net fee and commission income decreased by 1 per cent from the second quarter to SEK 5,202m (5,280). Year-on-year, net fee and commission income increased by 21 per cent.

Mergers and acquisitions activity benefited from benign market conditions and increased gradually. Gross fee income from issuance of securities and advisory services decreased by SEK 149m, from a high second quarter level to SEK 464m. Gross lending fees increased by SEK 21m to SEK 776m. Secondary market and derivatives income decreased by 16 per cent in the third quarter.

Net payment and card fees increased by SEK 62m to SEK 913m. The card business saw card turnover above pre-pandemic levels for private customers while the corporate card turnover remained low, albeit a recovery was visible during the quarter.

With strong equity markets, the gross fee income from custody and mutual funds, excluding performance fees, increased by SEK 115m to SEK 2,401m compared with the second quarter. Performance fees amounted to SEK 40m (115).

The net life insurance commissions related to the unit-linked insurance business amounted to SEK 299m (290).

Net financial income increased by SEK 124m to SEK 1,837m compared with the second quarter. Year-on-year, net financial income increased by SEK 83m.

High equity markets activity in the latter part of the quarter, and activity in the credit markets that benefited from tighter spreads contributed positively, counteracted by low foreign exchange volatility and lower interest rates. The fair value credit adjustment¹ amounted to SEK 71m as credit spreads continued to tighten and increased by SEK 19m compared with the second quarter.

The change in market value of certain strategic holdings amounted to SEK 536m, an increase of SEK 539m when comparing with the second quarter. However, the second quarter net financial income included a SEK 514m valuation gain relating to Visa Inc.'s acquisition of SEB's shares in the fintech company Tink. The net change of these valuations was therefore small.

Net financial income from the Life division increased by SEK 13m.

Net other income amounted to SEK 37m (118). Unrealised valuation and hedge accounting effects are included in this line item.

Operating expenses

Total operating expenses amounted to SEK 5,671m (5,759). In total, operating expenses were stable with a decrease of 2 per cent from the second quarter and an increase of 2 per cent year-on-year.

Staff costs increased by 1 per cent. The decrease in other expenses relates to consulting costs, marketing and supervisory fees. Supervisory fees amounted to SEK 43m (51).

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 2021 cost target remains unchanged.

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.

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

Net expected credit losses

Net expected credit losses amounted to SEK 49m (7), corresponding to a net expected credit loss level of 1 basis point (0). The asset quality of the credit portfolio continued to be stable. Government support programmes introduced to mitigate the economic effects of Covid-19 may delay any negative impact on asset quality. These programmes are now being phased out. 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.

See further comments on Credit risk and asset quality and Uncertainties on page 12 and 15 and notes 10-12.

Items affecting comparability

There were no *items affecting comparability* in the third quarter of 2021.

Income tax expense

Income tax expense rose to SEK 1,363m (1,342) with an effective tax rate of 17.0 per cent (17.0).

Return on equity

Return on equity for the third quarter amounted to 14.1 per cent (14.7). Both net profit and other comprehensive income were strong in the second and third quarter. This increased equity significantly, which in turn lowered return on equity.

Other comprehensive income

Other comprehensive income amounted to SEK 1,238m (2,522). 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 1,150m (2,712). The defined benefit pension obligations were unchanged with a limited impact from the small discount rate change for the Swedish liability from 1.50 to 1.55 per cent.

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 81m (-183).

First nine months

Profit before credit losses increased by 19 per cent to SEK 23,596m. *Operating profit before items affecting comparability* increased by 62 per cent year-on-year to SEK 23,388m (14,463). *Net profit* amounted to SEK 19,225m (10,623).

Operating income

Total operating income increased by SEK 4,093m, or 11 per cent, compared with the first nine months 2020 and amounted to SEK 40,744m (36,651).

Net interest income amounted to SEK 19,605m, which represented an increase of 5 per cent compared with the first nine months 2020 (18,584).

SEK m	Jan-Sep		Change
	2021	2020	%
Customer-driven NII	19 658	20 612	-5
NII from other activities	-53	-2 028	-97
Total	19 605	18 584	5

Customer-driven net interest income decreased by SEK 954m year-on-year.

Higher lending margins compensated for a decreased volume effect from corporate lending. Internal funds transfer pricing effects 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 1,975m to SEK -53m 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 nine months increased to SEK 1,030m (974).

Net fee and commission income amounted to SEK 15,258m (13,289), which was an increase of 15 per cent year-on-year.

The rebound of the equity and debt capital markets compared with the first nine months of 2020 had a positive effect. Income from the issue of securities and advisory services increased by SEK 643m to SEK 1,398m. Gross lending fees decreased by SEK 12m to SEK 2,216m from the high level observed for the first nine months 2020, associated with pandemic-related financing activity.

Net payment and card fees amounted to SEK 2,527m which represented an increase of 4 per cent compared with the corresponding period 2020. In 2020 the Covid-19 pandemic led to significantly lower payment and card fees. In 2021, this effect has gradually reversed.

Also reflecting the gradual reversal of pandemic-related effects, equity markets developed positively compared to the corresponding period 2020. The gross fee income from custody and mutual funds, excluding performance fees, increased by SEK 972m to SEK 6,807m year-on-year. Performance fees amounted to SEK 375m and increased by SEK 169m compared with the first nine months 2020.

The net life insurance commissions related to the unit-linked insurance business amounted to SEK 881m (802).

Net financial income increased by SEK 1,238m to SEK 5,729m year-on-year.

The change in market value of certain strategic holdings increased net financial income by SEK 865m, an increase of SEK 648m compared with the nine-month period 2020. The second quarter saw a SEK 514m valuation gain relating to the recently announced agreement where Visa Inc. will acquire SEB's shares in the fintech company Tink.

The fair value credit adjustment¹ amounted to SEK 335m as credit spreads continued to tighten reflecting an improvement of SEK 848m compared with the first nine months of 2020.

Net financial income within the Life division primarily related to the traditional life portfolios in Sweden improved by SEK 386m year-on-year.

Net other income amounted to SEK 152m (286). Unrealised valuation and hedge accounting effects are included in this line item.

Operating expenses

Total operating expenses amounted to SEK 17,148m (16,905). In total, operating expenses were stable with an increase of 1 per cent year-on-year.

Staff costs increased by 5 per cent mainly due to social costs for long-term incentive programmes which increased in line with the appreciation of the SEB share price. Reduced travel and fewer events in the wake of Covid-19 decreased other expenses by 6 per cent. Supervisory fees amounted to SEK 134m (117).

Net expected credit losses

Net expected credit losses amounted to SEK 211m (5,282), corresponding to a net expected credit loss level of 1 basis point (30). The asset quality of the credit portfolio continued to be stable. Government support programmes introduced to mitigate the economic effects of Covid-19 may delay any negative impact on asset quality. These programmes are now being phased out. 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.

See further comments on Credit risk and asset quality and Uncertainties on page 12 and 15 and notes 10-12.

Items affecting comparability

There were no *items affecting comparability* in the first nine 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 4,163m (2,840) with an effective tax rate of 17.8 per cent (21.1). A number of factors affected the change in effective tax rates, namely the lower corporate tax rate in Sweden, certain tax-exempt gains and that the 2020 administrative fine described in note 6 was not tax deductible.

Return on equity

Return on equity for the first nine months improved to 14.2 per cent (8.8). Return on equity excluding items affecting comparability was 14.2 per cent (9.7).

Other comprehensive income

Other comprehensive income amounted to SEK 9,556m (-344).

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 9,172m (98).

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 376m (-385).

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 September 2021 amounted to SEK 3,585bn, representing an increase of SEK 140bn from the second quarter (3,445) and an increase of SEK 544bn since year-end 2020 balance of SEK 3,040bn.

Loans

	30 Sep	30 Jun	31 Dec
SEK bn	2021	2021	2020
General governments	17	17	16
Financial corporations	92	88	79
Non-financial corporations	869	855	848
Households	690	679	656
Collateral margin	35	36	59
Reverse repos	116	139	112
Loans to the public	1 819	1 813	1 770

Loans to the public increased by SEK 6bn in the third quarter. Loans to non-financial corporations increased by SEK 14bn partly due to currency effects. Household lending grew by SEK 11bn in the third 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 for information on the credit portfolio.

Deposits and borrowings

	30 Sep	30 Jun	31 Dec
SEK bn	2021	2021	2020
General governments	25	32	17
Financial corporations	494	488	285
Non-financial corporations	680	626	605
Households	425	409	383
Collateral margin	89	68	71
Repos	31	35	7
Registered bonds	2	3	3
Deposits and borrowings from the public	1 747	1 661	1 371

In the third 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 86bn to SEK 1,747bn (1,661). Since year-end deposits and borrowings from the public increased by SEK 375bn. Deposits from non-financial corporations and households combined increased by SEK 70bn in the third quarter while deposits from financial corporations increased by SEK 6bn.

Debt securities

Debt securities decreased by SEK 45bn to SEK 350bn in the third quarter. Compared with year-end, debt securities increased by SEK 85bn. The securities are short-term in nature and have a high credit worthiness. The volume movements mirrored SEB's unusually high deposit base 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 2,422bn (2,401). The market value moved with the equity markets and increased by SEK 29bn quarter-end to quarter-end while being significantly higher during the quarter. Inflows and outflows of assets under management during the quarter netted to SEK -8bn.

Assets under custody increased as a consequence of the onboarding of new mandates together with increasing asset values during the third quarter and amounted to SEK 14,237bn (13,607).

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 Sep	30 Jun	31 Dec
	2021	2021	2020
Banks	106	96	85
Corporates	1 337	1 315	1 308
Commercial real estate management	186	186	196
Residential real estate management	150	147	143
Housing co-operative associations Sweden	73	72	66
Public administration	86	78	82
Household mortgage	669	669	629
Household other	84	84	83
Total credit portfolio	2 691	2 647	2 591

SEB's credit portfolio, which includes loans, contingent liabilities and derivatives, increased by SEK 44bn in the third quarter to SEK 2,691bn (2,647). The corporate credit portfolio increased by SEK 22bn, partly due to a weaker Swedish krona. The residential real estate management and housing co-operative associations portfolios together increased by SEK 4bn, household mortgage and household other combined were unchanged as was commercial real estate management

Asset quality indicators such as past due loans remained largely 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 which are being phased out.

Credit-impaired loans (gross loans in stage 3) continued to decrease in the third quarter to SEK 11.2bn (12.1), which corresponds to 0.62 per cent of total loans (0.68). The decrease was driven mainly by risk migration and write-offs. Gross exposures in Stage 1 were relatively stable, while gross exposures in Stage 2 increased somewhat due to inflows from both Stage 1 and Stage 3. 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 asset quality 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 78m in the third quarter (97 in the second quarter). The VaR decrease is mainly explained by reduced exposure to FX and credit spreads within the FICC (fixed income, currencies and commodities) 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 99 per cent per 30 September 2021 versus 103 per cent per 30 June 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 third quarter continued to be limited. SEK 19bn of long-term funding, all senior debt, matured during the quarter, whereas new issuance amounted to SEK 24bn of which SEK 11bn constituted covered bonds and SEK 13bn senior debt. Short-term funding in the form of commercial paper and certificates of deposit decreased by SEK 23bn during the third quarter.

Liquid assets defined according to the liquidity coverage ratio (LCR) requirements amounted to SEK 937bn at 30 September 2021 (872) and the LCR ratio was 131 per cent (133).

The net stable funding ratio (NSFR) requirement is that stable funding shall be at least 100 per cent of illiquid assets. Per 30 September 2021, SEB's NSFR ratio was 111 per cent (110).

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 August 2021, Fitch affirmed SEB's rating and changed the outlook from negative to stable, reflecting the reduced downside risks as the economic recovery in SEB's home markets gathers pace.

Moody's rates SEB's long-term senior unsecured debt at Aa3 with a stable outlook 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. See further Events after the report date, page 15.

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

In the third quarter of the year, the total risk exposure amount (REA) decreased by SEK 2bn to SEK 753bn.

The main reasons for the decline was a reduction in market risk REA of approximately SEK 10bn, due to smaller positions, as well as lower credit risk REA of SEK 6bn, due to improvements in asset quality. The change was however offset by an increase in asset size of SEK 9bn as well as the implementation of a commercial real estate risk weight floor in Norway impacting REA by SEK 3bn.

SEK bn	
Balance 30 June 2021	755
Underlying credit risk change	5
- whereof asset size	9
- whereof asset quality	-6
- whereof foreign exchange movements	2
Underlying market risk change	-10
- whereof CVA risk	0
Underlying operational risk change	0
Model updates, methodology & policy, other	3
- whereof credit risk	3
Balance 30 September 2021	753

Capital position

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

	30 Sep	30 Jun	31 Dec
Own funds requirement, Basel III	2021	2021	2020
Risk exposure amount, SEK bn	753	755	726
Common Equity Tier 1 capital ratio, %	20.2	21.1	21.0
Tier 1 capital ratio, %	21.9	22.8	22.7
Total capital ratio, %	23.0	23.9	25.1
Leverage ratio, %	4.6	4.8	5.1

SEB's Common Equity Tier 1 (CET1) capital ratio was 20.2 per cent (21.1), mainly driven by a proposed further ordinary dividend of SEK 8.9bn and the deduction of SEK 2.5bn for a share buyback program. See further Events after the report date, page 15. REA decreased by SEK 2bn.

As part of the 2021 Supervisory Review and Evaluation Process (SREP), completed in the third quarter, the Swedish FSA introduced a Pillar 2 Guidance (P2G) and removed the Pillar 2 requirement for the corporate maturity floor. The Swedish FSA decided that the P2G, to be fully met with CET1 capital, should be 1.5 per cent of REA for SEB.

SEB's applicable CET1 capital requirement and P2G per the end of the third quarter 2021 was 13.8 per cent (12.5). 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 currently approximately 640 basis points (860).

Further, the leverage ratio P2G was decided to be 0.45 per cent of the leverage exposure – on top of the minimum 3 per cent requirement for the leverage ratio. SEB's leverage ratio was 4.6 per cent at the end of the quarter.

Internally assessed capital requirement

As per 30 September 2021, the internally assessed capital requirement, including insurance risk, amounted to SEK 87bn (86). 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 74bn (75).

Business development

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

Advisory leadership

SEB continues to strengthen its position among customers. In the annual survey SKI (Swedish Quality Index), customer satisfaction among corporate and private customers increased and, for the first time, SEB earned the top ranking among the larger banks on the corporate side. Also, for the third year in a row, SEB was awarded Business Bank of the Year in the Swedish customer survey Finansbarometern.

During the quarter, SEB continued to develop its advisory functionality in the Swedish private mobile app, through the launch of equities inspiration and sustainability categorisation. The automated investment advisory functionality, the Robo-advisor, which was launched in the Baltic mobile apps in the second quarter, has experienced a positive development. Since launch, approximately 44,000 unique customers have gone through the advisory process, and more than 5,000 sessions have led to an investment decision in the app.

Sustainability is always high on SEB's agenda. SEB's Sustainable Banking unit consists of a central expert team and sustainability professionals working in the business divisions. During the quarter, SEB appointed sustainability officers in each of the Baltic countries enhancing the coordination of the bank's sustainability work across all home markets.

Furthermore, all licensed financial advisors as well as the mid-corp organisation are now required to complete training focused on sustainability in finance. This is in line with the ambition to assist and advise both corporate and private customers in their sustainability related activities.

For the fifth year in a row, SEB's customers have pointed to climate change as the most important topic for SEB Investment Management to engage in with investee companies. SEB has continued to develop its sustainability offering by launching SEB Global Climate Opportunity Fund, a thematic fund investing in companies contributing to solve the global climate issues. The fund is classified as Article 9 according to the EU Sustainable Finance Disclosure Regulation (SFDR), thus being managed with a sustainability investment objective. Thereby, 83 per cent of SEB Investment Management's assets under management are classified as either Article 8 or 9 according to the SFDR.

Operational excellence

As the Nordic largest custodian, SEB has seen a growing need among customers for portfolio services managing alternative assets, which normally are handled manually. Thus, a fully automated, digital platform was launched during the quarter, leveraging self-learning data processing tools supplied by Google Cloud.

During the quarter, a virtual cash management service was rolled out to large corporate customers in Denmark, Germany and Norway. Through this service, customers are provided with a self-service solution enabling them to create a virtual account structure independent of their account structure in the bank. In addition, the service provides customers with the ability to open and close accounts as well as to reconcile payments. Going forward, the roll-out of the service will continue in all SEB's home markets.

The development of our digital onboarding offering continued during the quarter. Within the Corporate & Private Customers division, a pilot on remote onboarding is underway for Swedish corporate customers. In addition, digital signing of the corporate start package was launched, enabling customers to onboard through a fully remote process. Moreover, SEB also launched mobile onboarding for private customers in Latvia and Lithuania, with Estonia to follow. The process includes biometric identification, document check with external registries, know-your-customer data and contract for an initial set of products. In September, more than 10 per cent of new customers in Latvia and Lithuania were self-onboarded via the mobile app.

Extended presence

During the quarter, 'BankID in your services' was launched, leveraging SEB's co-ownership of Finansiell ID Teknik, the consortium operating the e-identification infrastructure in Sweden. The service enables corporate customers to use BankID, the digital identification and signing tool widely used in Sweden, in their products and processes.

SEB continues to develop its partnerships with enterprise resource planning (ERP) system providers. As the first insurance company in Sweden, SEB now enables corporate customers to manage occupational pensions in their ERP system. This in turn provides the customer with an improved overview of its employees' occupational pension plans, made accessible through only one login. First out is the ERP supplier PE Accounting.

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 defined a number of strategic initiatives which, on an accumulated basis, were estimated to lead to total additional investments of SEK 2-2.5bn during the three-year period 2019-2021. This translated into an annual cost increase of SEK 1bn by 2021, and a total cost target of SEK 23bn (+/- 200m), assuming 2018 foreign exchange rates, by 2021. With the foreign exchange rates as of 30 September 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 third quarter 2021 was SEK 14m. Compared with the third quarter 2020, the currency effect on operating profit was SEK -18m.

Compared with the second quarter 2021, the weaker Swedish krona increased loans to and deposits from the public by SEK 6bn and SEK 9bn, respectively. Total REA increased by SEK 2bn while the increase of total assets was SEK 10bn.

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 20 September 2021, the Executive Board of the Riksbank (the Swedish central bank) decided to hold the repo rate unchanged at zero per cent, a level that the Riksbank expects will remain during their forecast period, until the third quarter of 2024.

The German Federal Ministry of Finance in July 2021 issued two revised circulars with administrative guidance in relation to withholding taxes on dividends in connection with certain cross-border securities lending and derivative transactions. They replace the earlier dated circulars from 2016 and 2017. The circulars expand the scope of the ongoing examination of transactions executed prior to the change in tax legislation that was enacted 1 January 2016. With the expanded scope, the complexity and period of uncertainty until a conclusion can be reached has been extended and further claims can not be ruled out.

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 were based on federal administrative guidance that have been applied with a retroactive effect and that are still not clear.

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 should be unlawful under German and EU law. DSK Hyp AG 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 several years as it is expected that the matter will require a decision at least by the German Federal Fiscal Court.

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.

Events after the report date

In October 2021, Moody's downgraded SEB's senior unsecured rating from Aa2 to Aa3 with stable outlook following the Swedish National Debt Office's (the resolution authority) proposal to amend its rules on Minimum Requirements for Eligible Liabilities and Own Funds (MREL) which will result in most Swedish banks needing to issue lower levels of additional loss-absorbing debt.

At its meeting on 19 October 2021, the Board of Directors of Skandinaviska Enskilda Banken AB decided to propose a further ordinary dividend of SEK 4.10 per share. The proposed further ordinary dividend, together with the ordinary dividend of SEK 4.10 per share that was distributed in April 2021, correspond to around 50 per cent of SEB's net profit for the financial years 2019 and 2020.

The last trading day in the SEB share including the right to receive dividend will be 12 November 2021. The first trading day in the SEB share excluding the right to receive dividend will be 15 November 2021. The Board proposes 16 November 2021 as the record date for the dividend, meaning that the dividend is expected to be paid on 19 November 2021.

The Board of Directors decided to convene an Extraordinary General Meeting on 12 November 2021 where the agenda will include the Board of Directors' proposal for the further ordinary dividend.

The Board of Directors resolved to utilise the authorisation granted by the 30 March 2021 AGM to initiate a SEK 2.5bn share buyback program under which SEB will repurchase Class A shares in SEB. A maximum number of shares may be repurchased so that SEB's total holding at any time does not exceed 10 per cent of SEB's total number of issued shares. The share buyback program is intended to commence on 21 October 2021 and end no later than 21 March 2022. Repurchased shares will reduce SEB's share capital by being cancelled. The share buyback program will be managed by an independent financial investment firm, which will make its trading decisions regarding the timing of the share repurchases independently of, and without influence by, SEB. Share repurchases shall take place on Nasdaq Stockholm Stock Exchange in accordance with the Nordic Main Market Rulebook for Issuers of Shares – NASDAQ Stockholm (Supplement D) and in accordance with the Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (MAR) and the Commission Delegated Regulation (EU) 2016/1052 (the Safe Harbour Regulation). Share repurchases under the share buyback program may periodically be halted for SEB's repurchases of own shares for SEB's long-term incentive program.

The dividend and the share buyback program are in line with SEB's revised financial targets that were communicated in January 2021 (stating that SEB should pay a yearly dividend of around 50 per cent of earnings per share, and distribute potential capital in excess of the targeted capital position mainly through share repurchases).

Business segments

Income statement by segment

	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & group functions	Eliminations	SEB Group
Jan-Sep 2021, SEK m							
Net interest income	8 304	8 867	2 221	-20	326	-93	19 605
Net fee and commission income	5 572	4 034	1 234	2 074	2 378	-34	15 258
Net financial income	2 747	367	246	751	1 643	-24	5 729
Net other income	26	16	8	33	73	-4	152
Total operating income	16 649	13 284	3 709	2 838	4 419	-156	40 744
Staff costs	-3 151	-2 582	-630	-654	-4 560	0	-11 577
Other expenses	-3 941	-3 234	-810	-500	4 183	155	-4 148
Depreciation, amortisation and impairment of tangible and intangible assets	-50	-65	-24	-15	-1 269		-1 424
Total operating expenses	-7 142	-5 881	-1 464	-1 169	-1 647	156	-17 148
Profit before credit losses	9 508	7 403	2 244	1 669	2 772	0	23 596
Gains less losses from tangible and intangible assets	1	0	3	0	-1		3
Net expected credit losses	-373	-48	208	0	5	-3	-211
Operating profit before items affecting comparability	9 135	7 355	2 455	1 669	2 776	-3	23 388
Items affecting comparability							
Operating profit	9 135	7 355	2 455	1 669	2 776	-3	23 388

	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & group functions	Eliminations	SEB Group
Jan-Sep 2020, SEK m							
Net interest income	8 123	9 096	2 405	-24	-923	-94	18 584
Net fee and commission income	4 721	3 654	1 183	1 815	1 908	9	13 289
Net financial income	3 105	279	195	364	554	-6	4 491
Net other income	114	23	0	3	149	-3	286
Total operating income	16 064	13 052	3 783	2 158	1 688	-93	36 651
Staff costs	-3 141	-2 566	-657	-642	-4 074	11	-11 068
Other expenses	-3 859	-2 952	-838	-552	3 728	82	-4 391
Depreciation, amortisation and impairment of tangible and intangible assets	-51	-52	-24	-16	-1 304	0	-1 446
Total operating expenses	-7 050	-5 570	-1 519	-1 210	-1 650	93	-16 905
Profit before credit losses	9 014	7 482	2 264	948	38	0	19 746
Gains less losses from tangible and intangible assets	1	0	2		-3		-1
Net expected credit losses	-4 233	-742	-327	1	15	4	-5 282
Operating profit before items affecting comparability	4 782	6 740	1 938	949	50	4	14 463
Items affecting comparability					-1 000		-1 000
Operating profit	4 782	6 740	1 938	949	-950	4	13 463

Large Corporates & Financial Institutions

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

Income statement

SEK m	Q3			Q2		Q3			Jan-Sep			Full year
	2021	2021	%	2020	%	2021	2020	%	2021	2020	%	2020
Net interest income	2 655	2 805	-5	2 762	-4	8 304	8 123	2	11 060			
Net fee and commission income	1 877	2 044	-8	1 391	35	5 572	4 721	18	6 472			
Net financial income	790	753	5	1 148	-31	2 747	3 105	-12	4 226			
Net other income	32	43	-25	100	-68	26	114	-77	87			
Total operating income	5 355	5 645	-5	5 402	-1	16 649	16 064	4	21 845			
Staff costs	-1 062	-1 026	4	-1 051	1	-3 151	-3 141	0	-4 238			
Other expenses	-1 318	-1 322	0	-1 253	5	-3 941	-3 859	2	-5 250			
Depreciation, amortisation and impairment of tangible and intangible assets	-16	-17	-6	-17	-6	-50	-51	-1	-68			
Total operating expenses	-2 397	-2 366	1	-2 322	3	-7 142	-7 050	1	-9 555			
Profit before credit losses	2 958	3 279	-10	3 080	-4	9 508	9 014	5	12 289			
Gains less losses from tangible and intangible assets	0	0	-57	0	14	1	1	-8	1			
Net expected credit losses	-137	-64	116	-1 116	-88	-373	-4 233	-91	-4 865			
Operating profit before items affecting comparability	2 821	3 216	-12	1 965	44	9 135	4 782	91	7 425			
Items affecting comparability												
Operating profit	2 821	3 216	-12	1 965	44	9 135	4 782	91	7 425			
Cost/Income ratio	0.45	0.42		0.43		0.43	0.44		0.44			
Business equity, SEK bn	65.3	65.5		69.0		64.9	70.8		70.3			
Return on business equity, %	13.3	15.1		8.7		14.5	6.9		8.1			
Number of full time equivalents ¹⁾	2 180	2 145		2 062		2 130	2 085		2 080			

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

- Historically high Investment Banking activity in a quarter with seasonally lower activity levels
- Continued solid demand for project and infrastructure financing and the transitional agenda accentuates
- Operating profit amounted to SEK 2,821m and return on business equity was 13.3 per cent

Comments on the third quarter

Client activity within capital markets picked up during the latter part of the seasonally slower third quarter where equity capital market activity approached pre-summer levels. Mergers & acquisitions activity benefited from benign market conditions and continued to gradually increase.

The customers in the *Large Corporate* segment continued to be highly liquid and the activity in the capital markets remained high especially within equity capital markets. Focus remained on the transitional agenda with continued demand for sustainability-linked financing. Project and infrastructure financing activity was solid in the quarter as was activity in Leverage Finance driven by increased volumes in fund financing.

Seasonal effects led to lower activity levels within the *Financial Institution customer segment*. However, positive equity market sentiment supported activity in execution services in equities. Foreign exchange activity was impacted negatively by lower volatility in the first half of the quarter,

lower interest rates led to lower activity within fixed income while activity in the credit markets benefited from tighter spreads. Search for higher yield continued to support interest and investments in alternative asset classes.

Assets under custody increased to SEK 14,239bn (13,607) driven by a combination of increasing asset values and new mandates onboarded.

The operating result amounted to SEK 2,821m. Net interest income decreased by 5 per cent mainly due to lower bond volumes and a decrease in the internal funds transfer pricing for deposits. Net fee and commission income decreased by 8 per cent driven by seasonal patterns within Investment Banking. Net financial income increased by 5 per cent, driven by the higher stock market activity in the latter part of the quarter. Operating expenses increased to SEK 2,397m. Net expected credit losses amounted to SEK 137m, with a net expected credit loss level of 4 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	Q3		Q2		Q3		Jan–Sep			Full year
	2021	2021	%	2020	%	2021	2020	%	2020	
Net interest income	2 812	2 938	-4	3 181	-12	8 867	9 096	-3	12 337	
Net fee and commission income	1 432	1 349	6	1 221	17	4 034	3 654	10	4 915	
Net financial income	118	123	-4	93	27	367	279	32	379	
Net other income	4	4	-7	7	-47	16	23	-32	30	
Total operating income	4 366	4 413	-1	4 502	-3	13 284	13 052	2	17 661	
Staff costs	-853	-854	0	-848	1	-2 582	-2 566	1	-3 444	
Other expenses	-1 065	-1 091	-2	-980	9	-3 234	-2 952	10	-4 138	
Depreciation, amortisation and impairment of tangible and intangible assets	-22	-23	-4	-17	27	-65	-52	26	-69	
Total operating expenses	-1 940	-1 968	-1	-1 845	5	-5 881	-5 570	6	-7 651	
Profit before credit losses	2 427	2 445	-1	2 657	-9	7 403	7 482	-1	10 010	
Gains less losses from tangible and intangible assets		0		0		0	0		0	
Net expected credit losses	-39	43		5		-48	-742	-93	-827	
Operating profit before items affecting comparability	2 388	2 487	-4	2 662	-10	7 355	6 740	9	9 182	
Items affecting comparability										
Operating profit	2 388	2 487	-4	2 662	-10	7 355	6 740	9	9 182	
Cost/Income ratio	0.44	0.45		0.41		0.44	0.43		0.43	
Business equity, SEK bn	47.6	46.8		46.0		46.7	46.6		46.6	
Return on business equity, %	15.5	16.4		17.7		16.2	14.8		15.1	
Number of full time equivalents ¹⁾	3 437	3 498		3 629		3 521	3 584		3 587	

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

- Highest score among largest banks for corporate customers in the customer satisfaction survey Swedish Quality Index
- Continued growth in mortgage lending and mutual fund volumes
- Operating profit amounted to SEK 2,388m and return on business equity was 15.5 per cent

Comments on the third quarter

The result of the annual customer satisfaction survey, Swedish Quality Index (Svenskt Kvalitetsindex), was released and showed a continued improvement for SEB in both the private and the corporate segment. For corporate customers SEB received the highest rating among the large banks which is a testament to the division's continued work on improving the customer experience.

In the *corporate customer segment*, the net inflow of full-service customers continued. In the quarter there was an increase in most corporate lending portfolios. Overall, corporate lending increased by SEK 7bn to SEK 276bn (269). Corporate deposits continued to grow.

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 11bn and amounted to SEK 571bn (560). Mutual fund volumes continued to increase, driven by the development of the stock market and the net inflows. Within Private Banking, customers were highly active and assets under management again reached all time high levels. Deposits volumes increased during the quarter.

Deposit growth was below last quarters' outcome, but the pace was at a higher level than what is seasonally expected.

In total, lending volumes increased by SEK 17bn to SEK 909bn. Deposit volumes grew by SEK 26bn and amounted to SEK 595bn.

The operating profit amounted to SEK 2,388m. Net interest income decreased by 4 per cent explained by a declining internal funds transfer pricing for deposits. This was to some extent offset by increasing lending volumes. Net fee and commission income increased by 6 per cent, due to increasing fund volumes and higher turnover in the card business compared with previous quarter. In the private segment, card turnover was back at pre-Covid-19 levels partly as a result of increased vaccine coverage and lifted restrictions. Total operating expenses amounted to SEK 1,940m. Net expected credit losses amounted to SEK 39m, with a net expected credit loss level of 2 basis points in the third 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	Q3		Q2		Q3		Jan-Sep		Full year
	2021	2021	%	2020	%	2021	2020	%	2020
Net interest income	757	738	3	772	-2	2 221	2 405	-8	3 113
Net fee and commission income	439	423	4	402	9	1 234	1 183	4	1 584
Net financial income	78	90	-14	66	17	246	195	26	325
Net other income	4	1		0		8	0		-2
Total operating income	1 278	1 253	2	1 241	3	3 709	3 783	-2	5 019
Staff costs	-216	-220	-2	-214	1	-630	-657	-4	-880
Other expenses	-275	-268	3	-271	2	-810	-838	-3	-1 105
Depreciation, amortisation and impairment of tangible and intangible assets	-8	-8	-2	-9	-9	-24	-24	-2	-32
Total operating expenses	-499	-496	1	-494	1	-1 464	-1 519	-4	-2 017
Profit before credit losses	778	757	3	746	4	2 244	2 264	-1	3 002
Gains less losses from tangible and intangible assets	2	1	152	1	128	3	2	75	2
Net expected credit losses	123	19		10		208	-327		-425
Operating profit before items affecting comparability	903	777	16	757	19	2 455	1 938	27	2 579
Items affecting comparability									
Operating profit	903	777	16	757	19	2 455	1 938	27	2 579
Cost/Income ratio	0.39	0.40		0.40		0.39	0.40		0.40
Business equity, SEK bn	12.4	12.4		12.9		12.3	13.2		13.1
Return on business equity, %	24.7	21.4		20.1		22.6	16.8		16.8
Number of full time equivalents ¹⁾	2 174	2 196		2 249		2 198	2 303		2 285

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

- Corporate lending growth rebounded to pre-Covid-19 levels
- Robust private consumption was reflected in an increased usage of cards
- Operating profit amounted to SEK 903m and return on business equity was 24.7 per cent

Comments on the third quarter

With the Baltic economies growing at pre-pandemic rates, growth in the third quarter was mainly driven both by the continued recovery in private consumption – a limited number of Covid-19 containment measures remained in place – and also by investment activity boosted by a reform of the Estonian pension system. The number of new Covid-19 cases grew rapidly however at the end of the quarter.

The sharp increase in energy prices seen across the region led to a jump in inflation. Manufacturing capacity utilisation in Estonia and Lithuania reached new record levels, while industrial output growth had slowed. Record numbers of companies reported recruiting difficulties, driving wage growth and incentivising investments in automation. Residential property prices continued their upward trend as developers could not meet the strong demand. Household mortgage lending grew and the continued upswing in consumer confidence was also reflected by an increased usage of cards, at activity levels higher than those seen before the pandemic.

The corporate segment's outlook improved and competitive pressures were noticed in new corporate lending

with renewed interest in investing. Lending to corporate customers increased along with a second successive quarter of growth in customer-driven foreign currency activity.

Lending volumes to both private and corporate customers increased by 1 per cent in local currency during the quarter and amounted to SEK 153 bn (151). Deposits from both private and corporate customers continued to grow and total deposits increased by 2 per cent in local currency to SEK 192bn (188).

Operating profit amounted to SEK 903m. Net interest income increased by 2 per cent in local currency, mainly due to the increased lending volumes. Net fee and commission income increased by 3 per cent in local currency, driven mainly by the increased activity in card usage. Net financial income decreased by 14 per cent in local currency, due mainly to the lower market values of government bonds in the liquidity portfolios. Operating expenses were stable in local currency. Net expected credit losses were positive at SEK 123m as several individual recoveries and improvements in asset quality exceeded new provisions. 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	Q3			Q2		Q3			Jan-Sep			Full year
	2021	2021	%	2020	%	2021	2020	%	2020			
Net interest income	-7	-7	-1	-8	-18	-20	-24	-17	-31			
Net fee and commission income	725	684	6	618	17	2074	1815	14	2454			
Net financial income	251	238	6	247	2	751	364	106	660			
Net other income	1	30	-96	2	-27	33	3		5			
Total operating income	970	945	3	858	13	2838	2158	32	3088			
Staff costs	-214	-213	0	-205	4	-654	-642	2	-867			
Other expenses	-170	-162	5	-185	-8	-500	-552	-9	-733			
Depreciation, amortisation and impairment of tangible and intangible assets	-5	-5	-9	-5	3	-15	-16	-2	-21			
Total operating expenses	-389	-381	2	-394	-1	-1169	-1210	-3	-1621			
Profit before credit losses	581	565	3	463	25	1669	948	76	1467			
Gains less losses from tangible and intangible assets						0						
Net expected credit losses	0	0	-65	1	-91	0	1	-53	1			
Operating profit before items affecting comparability	581	565	3	464	25	1669	949	76	1468			
Items affecting comparability												
Operating profit	581	565	3	464	25	1669	949	76	1468			
Cost/Income ratio	0.40	0.40		0.46		0.41	0.56		0.52			
Business equity, SEK bn	5.2	5.2		5.3		5.3	5.3		5.3			
Return on business equity, %	41.3	40.5		32.8		39.2	22.1		25.5			
Number of full time equivalents ¹⁾	1 051	1 068		1 033		1 055	1 045		1 046			

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

- Sales volumes continued to increase
- Solid returns created room for increased bonus rates and a SEK 1bn additional allocation to customers
- Operating profit amounted to SEK 581m and return on business equity was 41.3 per cent

Comments on the third quarter

Sales volumes in the third quarter were the highest ever with SEK 17.2bn and increased by 18 per cent compared to last quarter. The favorable development in the stock market during the first two quarters continued into the third quarter, which in combination with the low interest rates, continued to drive a strong customer interest for private and corporate endowment products. The Swedish occupational pension business performed well, however slightly lower than previous quarter. This was mainly due to seasonal effects where sales in the summer months are normally lower in volume. Baltic sales volumes, which have temporarily been affected negatively by Covid-19 restrictions as well as the Estonian pension reform also started to increase slightly.

SEB's market share in Swedish life insurance remained as top two, at 12.9¹⁾ per cent. In the Baltic countries SEB's market position continued to be strong and SEB is ranked within the top three players in the unit-linked insurance business. The strong markets and stable returns over time in the Swedish traditional portfolios resulted in a one-time allocation to customers in September of slightly more than

SEK 1bn or 5.5 per cent in additional return. This was combined with an increase in bonus rates to 5 per cent.

Assets under management increased during the third quarter although the negative development on the stock market towards the end of the quarter limited the increase to SEK 8bn to SEK 466bn, of which the unit-linked assets represented SEK 388bn. The strong inflows into life insurance products had a positive effect on assets under management but was to some extent offset by outflows from the Estonian pension reform, where the accumulated withdrawals during the year were paid out in September.

The operating profit amounted to SEK 581m. Net fee and commission income increased by 6 per cent compared to the second quarter, driven by higher asset values in the unit-linked business as well as stable positive net inflows. Net financial income increased by 6 per cent compared to previous quarter, positively affected by good returns in the traditional life insurance portfolios as well as a continued strong risk insurance result in all markets. Operating expenses increased somewhat compared to 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	Q3		Q2		Q3		Jan-Sep			Full year
	2021	2021	%	2020	%	2021	2020	%	2020	
Net interest income	483	133		-353		326	-923		-1 165	
Net fee and commission income	744	792	-6	667	11	2 378	1 908	25	2 657	
Net financial income	601	520	15	201	199	1 643	554	196	684	
Net other income	-2	41		64		73	149	-51	120	
Total operating income	1 826	1 486	23	579		4 419	1 688	162	2 295	
Staff costs	-1 516	-1 501	1	-1 339	13	-4 560	-4 074	12	-5 562	
Other expenses	1 413	1 312	8	1 243	14	4 183	3 728	12	5 185	
Depreciation, amortisation and impairment of tangible and intangible assets	-422	-422	0	-414	2	-1 269	-1 304	-3	-1 717	
Total operating expenses	-525	-611	-14	-510	3	-1 647	-1 650	0	-2 094	
Profit before credit losses	1 301	875	49	69		2 772	38		202	
Gains less losses from tangible and intangible assets	-1	0		-3	-52	-1	-3	-75	-9	
Net expected credit losses	6	-6		-1		5	15	-66	-4	
Operating profit before items affecting comparability	1 305	869	50	64		2 776	50		189	
Items affecting comparability							-1 000		-1 000	
Operating profit	1 305	869	50	64		2 776	-950		-811	
Number of full time equivalents ¹⁾	6 700	6 641		6 445		6 614	6 282		6 337	
SEB labelled mutual funds, SEK bn	776	757		647		776	647		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 776bn and net sales amounted to SEK 11bn
- Operating profit amounted to SEK 1,305m

Comments on the third quarter

Investment Management and group functions are reported combined but are distinctly different. The combined operating profit of SEK 1,305m (869) is best commented on one by one.

Investment Management: In a fluctuating market the assets under management increased by SEK 19bn. Net sales for the quarter was positive and amounted to SEK 11bn where inflows in fixed income funds was the main driver. The quarter-end market value increased by SEK 8bn compared to 30 June 2021. Total assets under management increased to SEK 776bn (757).

SEB-labelled mutual funds classified in line with Article 8 and 9¹ in the Sustainable Finance Disclosure Regulation (SFDR) amounted to SEK 645bn (633) which represented 83 per cent of assets under management.

Operating income amounted to SEK 662m (697). Base commissions amounted to SEK 622m (592) with an underlying increase of 9 per cent driven by increased assets under management and the higher market values throughout the quarter. Performance fees decreased after a few quarters on a high level and amounted to SEK 40m (116). Operating

expenses were almost flat compared to the last quarter and amounted to SEK 227m (231). Operating profit amounted to SEK 435m (466).

Treasury: Net interest income improved due to a continued trend downwards on credit spreads affecting add-ons on internal funds transfer prices and external market funding. 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: The change in market value of certain strategic holdings amounted to SEK 536m, an increase of SEK 539m quarter-on-quarter. In the second quarter net financial income was positively affected by a revaluation of SEB's stake in Tink amounting to SEK 514m.

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	Q3			Q2		Q3		Jan-Sep			Full year 2020
		2021	2021	%	2020	%	2021	2020	%			
Net interest income	2	6 639	6 570	1	6 336	5	19 605	18 584	5	25 143		
Net fee and commission income	3	5 202	5 280	-1	4 301	21	15 258	13 289	15	18 063		
Net financial income	4	1 837	1 713	7	1 754	5	5 729	4 491	28	6 275		
Net other income		37	118	-68	172	-78	152	286	-47	236		
Total operating income		13 716	13 680	0	12 563	9	40 744	36 651	11	49 717		
Staff costs		-3 862	-3 818	1	-3 654	6	-11 577	-11 068	5	-14 976		
Other expenses		-1 336	-1 467	-9	-1 432	-7	-4 148	-4 391	-6	-5 864		
Depreciation, amortisation and impairment of tangible and intangible assets		-473	-475	0	-461	3	-1 424	-1 446	-2	-1 906		
Total operating expenses		-5 671	-5 759	-2	-5 547	2	-17 148	-16 905	1	-22 747		
Profit before credit losses		8 045	7 921	2	7 016	15	23 596	19 746	19	26 970		
Gains less losses from tangible and intangible assets		1	2	-56	-2		3	-1		-7		
Net expected credit losses	5	-49	-7		-1 098	-96	-211	-5 282	-96	-6 118		
Operating profit before items affecting comparability		7 997	7 916	1	5 916	35	23 388	14 463	62	20 846		
Items affecting comparability	6						-1 000	-100		-1 000		
Operating profit		7 997	7 916	1	5 916	35	23 388	13 463	74	19 846		
Income tax expense		-1 363	-1 342	2	-1 150	19	-4 163	-2 840	47	-4 100		
NET PROFIT		6 634	6 574	1	4 766	39	19 225	10 623	81	15 746		
Attributable to shareholders of Skandinaviska Enskilda Banken AB		6 634	6 574	1	4 766	39	19 225	10 623	81	15 746		
Basic earnings per share, SEK		3.06	3.04		2.21		8.88	4.91		7.28		
Diluted earnings per share, SEK		3.04	3.02		2.19		8.82	4.88		7.23		

Statement of comprehensive income

SEK m	Q3			Q2		Q3		Jan-Sep			Full year 2020
	2021	2021	%	2020	%	2021	2020	%			
NET PROFIT	6 634	6 574	1	4 766	39	19 225	10 623	81	15 746		
Cash flow hedges	0	14	-99	-10		25	-72		-62		
Translation of foreign operations	81	-197		-119		351	-313		-1 070		
Items that may subsequently be reclassified to the income statement:	81	-183		-129		376	-385		-1 132		
Own credit risk adjustment (OCA) ¹⁾	6	-7		-53		9	-58		-70		
Defined benefit plans	1 150	2 712	-58	1 373	-16	9 172	98		1 839		
Items that will not be reclassified to the income statement:	1 156	2 705	-57	1 319	-12	9 180	40		1 769		
OTHER COMPREHENSIVE INCOME	1 238	2 522	-51	1 190	4	9 556	- 344		637		
TOTAL COMPREHENSIVE INCOME	7 872	9 095	-13	5 957	32	28 781	10 278	180	16 383		
Attributable to shareholders of Skandinaviska Enskilda Banken AB	7 872	9 095	-13	5 957	32	28 781	10 278	180	16 383		

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

Balance sheet, condensed

SEK m	30 Sep 2021	30 Jun 2021	31 Dec 2020
Cash and cash balances at central banks	587 750	467 040	323 776
Loans to central banks	858	643	3 633
Loans to credit institutions ²⁾	91 809	78 281	50 791
Loans to the public	1 818 994	1 813 143	1 770 161
Debt securities	349 925	394 477	265 433
Equity instruments	135 550	107 378	82 240
Financial assets for which the customers bear the investment risk	386 994	377 709	330 950
Derivatives	132 919	126 028	164 909
Other assets	79 929	80 073	48 539
TOTAL ASSETS	3 584 726	3 444 774	3 040 432
Deposits from central banks and credit institutions	172 087	136 307	111 309
Deposits and borrowings from the public ¹⁾	1 746 593	1 660 668	1 371 227
Financial liabilities for which the customers bear the investment risk	388 673	379 321	332 392
Liabilities to policyholders	33 364	32 390	29 624
Debt securities issued	779 562	802 125	749 502
Short positions	52 004	47 246	30 409
Derivatives	118 835	107 071	161 561
Other financial liabilities	4 787	1 571	744
Other liabilities	97 242	94 415	81 720
Total liabilities	3 393 147	3 261 114	2 868 489
Equity	191 579	183 660	171 943
TOTAL LIABILITIES AND EQUITY	3 584 726	3 444 774	3 040 432
1) Deposits covered by deposit guarantees	377 934	374 126	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-Sep 2021								
Opening balance	21 942	-236	-47	-1 241	5 737	145 788	171 943	
Net profit						19 225	19 225	
Other comprehensive income (net of tax)		9	25	351	9 172		9 556	
Total comprehensive income		9	25	351	9 172	19 225	28 781	
Dividend to shareholders						-8 871	-8 871	
Equity-based programmes ⁴⁾						32	32	
Change in holdings of own shares						-306	-306	
Closing balance	21 942	-228	-22	-890	14 909	155 868	191 579	
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-Sep 2020								
Opening balance ³⁾	21 942	-339	15	-170	3 898	130 355	155 700	
Net profit						10 623	10 623	
Other comprehensive income (net of tax)		-58	-72	-313	98		-344	
Total comprehensive income		-58	-72	-313	98	10 623	10 278	
Equity-based programmes ⁴⁾						-357	-357	
Change in holdings of own shares						3	3	
Closing balance³⁾	21 942	-397	-57	-483	3 996	140 624	165 625	

	Jan-Sep 2021	Jan-Dec 2020	Jan-Sep 2020
Number of shares owned by SEB, million	2021	2020	2020
Opening balance	32.2	31.5	31.5
Repurchased shares for equity-based programmes	2.9	10.9	10.9
Sold/distributed shares	-7.1	-10.2	-8.8
Closing balance	28.0	32.2	33.6

Market value of shares owned by SEB, SEK m	3 475	2 722	2 676
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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:

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-Sep			Full year 2020
	2021	2020	%	
Cash flow from the profit and loss statement	310	11 105	- 97	34 664
Increase (-)/decrease (+) in trading portfolios	-109 705	-95 647	15	-18 792
Increase (+)/decrease (-) in issued short term securities	19 610	-34 468		-109 525
Increase (-)/decrease (+) in lending	-90 273	-41 815	116	50 008
Increase (+)/decrease (-) in deposits and borrowings	436 018	351 425	24	233 240
Increase/decrease in other balance sheet items	13 017	-2 061		721
Cash flow from operating activities	268 976	188 538	43	190 316
Cash flow from investing activities	- 634	- 389	63	56
Cash flow from financing activities	-8 871	-10 257	- 14	-10 257
Net increase in cash and cash equivalents	259 471	177 892	46	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	4 323	- 657		-8 203
Net increase in cash and cash equivalents	259 471	177 892	46	180 116
Cash and cash equivalents at the end of period¹⁾	595 041	336 569	77	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	Q3		Q2	Q3		Jan–Sep			Full year
	2021	2021	%	2020	%	2021	2020	%	2020
Interest income ¹⁾	8 391	8 227	2	8 953	-6	24 951	28 802	-13	37 578
Interest expense	-1 752	-1 657	6	-2 617	-33	-5 346	-10 217	-48	-12 435
Net interest income	6 639	6 570	1	6 336	5	19 605	18 584	5	25 143
1) Of which interest income calculated using the effective interest method	7 032	6 873	2	7 373	-5	20 728	23 811	-13	30 966

Note 3 Net fee and commission income

SEK m	Q3		Q2		Q3		Jan-Sep			Full year
	2021	2021	%	2020	%	2021	2020	%	2020	
Issue of securities and advisory services	464	613	-24	203	128	1 398	755	85	1 111	
Secondary market and derivatives	432	516	-16	420	3	1 467	1 532	-4	2 012	
Custody and mutual funds ¹⁾	2 441	2 401	2	2 051	19	7 182	6 041	19	8 177	
<i>Whereof performance fees</i>	40	115	-65	86	-54	375	206	82	304	
Payments, cards, lending, deposits, guarantees and other ¹⁾	2 667	2 544	5	2 417	10	7 562	7 559	0	10 054	
<i>Whereof payments and card fees</i>	1 406	1 306	8	1 275	10	3 893	3 895	0	5 139	
<i>Whereof lending</i>	776	755	3	668	16	2 216	2 228	-1	3 004	
Life insurance commissions	416	414	1	395	5	1 241	1 169	6	1 578	
Fee and commission income	6 421	6 487	-1	5 486	17	18 850	17 056	11	22 933	
Fee and commission expense	-1 218	-1 208	1	-1 185	3	-3 592	-3 768	-5	-4 870	
Net fee and commission income	5 202	5 280	-1	4 301	21	15 258	13 289	15	18 063	
<i>Whereof Net securities commissions¹⁾</i>	2 675	2 762	-3	2 072	29	7 931	6 316	26	8 712	
<i>Whereof Net payment and card fees</i>	913	851	7	820	11	2 527	2 427	4	3 273	
<i>Whereof Net life insurance commissions</i>	299	290	3	272	10	881	802	10	1 084	
<i>Whereof Other commissions¹⁾</i>	1 315	1 377	-4	1 136	16	3 920	3 744	5	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
Q3 2021							
Issue of securities and advisory	444	19	0	0	0		464
Secondary market and derivatives	370	81	10	0	-24	-5	432
Custody and mutual funds	1 077	553	54	55	1 881	-1 178	2 441
Payments, cards, lending, deposits, guarantees and other	1 199	1 094	545	53	75	-299	2 667
Life insurance commissions				897		-481	416
Fee and commission income	3 090	1 747	609	1 005	1 932	-1 963	6 421
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⁾	1 047	534	52	53	1 810	-1 096	2 401
Payments, cards, lending, deposits, guarantees and other ¹⁾	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
Jan-Sep 2021							
Issue of securities and advisory	1 361	38	0	0	0		1 398
Secondary market and derivatives	1 198	281	33	0	-32	-13	1 467
Custody and mutual funds	3 121	1 548	155	159	5 486	-3 288	7 182
Payments, cards, lending, deposits, guarantees and other	3 500	3 049	1 516	155	239	-896	7 562
Life insurance commissions				2 591		-1 350	1 241
Fee and commission income	9 180	4 915	1 704	2 905	5 693	-5 547	18 850
Jan-Sep 2020							
Issue of securities and advisory	712	29	15	0	0		755
Secondary market and derivatives	1 223	293	26	0	-10	0	1 532
Custody and mutual funds ¹⁾	2 573	1 303	139	155	4 553	-2 681	6 041
Payments, cards, lending, deposits, guarantees and other ¹⁾	3 548	2 981	1 505	146	278	-899	7 559
Life insurance commissions				2 303		-1 134	1 169
Fee and commission income	8 055	4 605	1 685	2 604	4 820	-4 714	17 056

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	Q3			Q2			Q3			Jan–Sep			Full year
	2021	2021	%	2020	%	2021	2020	%	2021	2020	%	2020	
Equity instruments and related derivatives	819	774	6	747	10	2 448	417		2 448	417		1 197	
Debt instruments and related derivatives	- 227	- 245	-8	16		- 576	460		- 576	460		244	
Currency and related derivatives	910	927	-2	599	52	2 607	3 166	-18	2 607	3 166	-18	3 864	
Other	334	257	30	392	-15	1 250	448	179	1 250	448	179	970	
Net financial income	1 837	1 713	7	1 754	5	5 729	4 491	28	5 729	4 491	28	6 275	
<i>Whereof unrealised valuation changes from counterparty risk and own credit standing in derivatives</i>	<i>71</i>	<i>52</i>	<i>36</i>	<i>189</i>	<i>-63</i>	<i>335</i>	<i>- 513</i>		<i>335</i>	<i>- 513</i>		<i>- 211</i>	

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

For the third quarter the effect from structured bonds offered to the public was approximately SEK 130m (Q2 2021: 170) in Equity related derivatives and a corresponding effect in Debt related derivatives SEK 35m (Q2 2021: 65).

Note 5 Net expected credit losses

SEK m	Q3			Q2			Q3			Jan–Sep			Full year
	2021	2021	%	2020	%	2021	2020	%	2021	2020	%	2020	
Impairment gains or losses - Stage 1	6	44	-87	326	-98	85	- 546		85	- 546		- 452	
Impairment gains or losses - Stage 2	17	150	-88	446	-96	- 209	- 134	56	- 209	- 134	56	- 293	
Impairment gains or losses - Stage 3	- 108	- 192	-44	- 1 856	-94	- 124	- 4 452	-97	- 124	- 4 452	-97	- 5 166	
Impairment gains or losses	- 85	1		- 1 085	-92	- 248	- 5 132	-95	- 248	- 5 132	-95	- 5 911	
Write-offs and recoveries													
Total write-offs	- 666	- 304	119	- 438	52	- 1 487	- 1 630	-9	- 1 487	- 1 630	-9	- 2 757	
Reversals of allowance for write-offs	622	248	150	383	62	1 333	1 342	-1	1 333	1 342	-1	2 364	
Write-offs not previously provided for	- 44	- 56	-20	- 55	-19	- 154	- 288	-47	- 154	- 288	-47	- 393	
Recovered from previous write-offs	81	48	70	42	94	191	138	38	191	138	38	187	
Net write-offs	37	- 8		- 13		37	- 150		37	- 150		- 206	
Net expected credit losses	- 49	- 7		- 1 098	-96	- 211	- 5 282	-96	- 211	- 5 282	-96	- 6 118	
Net ECL level, %	0.01	0.00		0.19		0.01	0.30		0.01	0.30		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	Q3		Q2		Q3		Jan–Sep		Full year 2020
	2021	2021	%	2020	%	2021	2020	%	
Other expenses							-1 000	-100	-1 000
Total operating expenses							-1 000	-100	-1 000
Items affecting comparability							-1 000	-100	-1 000
Income tax on IAC									
Items affecting comparability after tax							-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 Sep 2021	30 Jun 2021	31 Dec 2020
Pledged assets for own liabilities ¹⁾	583 867	507 762	493 629
Pledged assets for liabilities to insurance policyholders	422 036	411 710	362 016
Other pledged assets ²⁾	71 827	103 954	108 336
Pledged assets	1 077 730	1 023 426	963 981
Contingent liabilities ³⁾	146 485	141 202	137 341
Commitments	743 979	736 553	724 933
Obligations	890 464	877 755	862 274

1) Of which collateralised for own issued covered bonds SEK 338,637m (327,700; 333,494).

2) Of which securities lending SEK 1,871m (1,997; 2,083) and pledged but unencumbered bonds SEK 36,076m (71,085; 80,735).

3) Of which financial guarantees SEK 10,077m (9,274; 8,573).

Note 8 Financial assets and liabilities

SEK m	30 Sep 2021		30 Jun 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Loans ¹⁾	2 497 439	2 503 790	2 357 208	2 363 350	2 146 206	2 157 725
Debt securities	349 925	349 803	394 477	394 211	265 433	265 254
Equity instruments	135 550	135 550	107 378	107 378	82 240	82 240
Financial assets for which the customers bear the investment risk	386 994	386 994	377 709	377 709	330 950	330 950
Derivatives	132 919	132 919	126 028	126 028	164 909	164 909
Other	29 494	29 494	30 976	30 976	13 975	13 975
Financial assets	3 532 320	3 538 549	3 393 776	3 399 652	3 003 712	3 015 052
Deposits	1 918 680	1 919 203	1 796 975	1 797 580	1 482 536	1 483 301
Financial liabilities for which the customers bear the investment risk	388 673	388 673	379 321	379 321	332 392	332 392
Debt securities issued ²⁾	802 953	810 533	825 014	833 087	781 789	794 477
Short positions	52 004	52 004	47 246	47 246	30 409	30 409
Derivatives	118 835	118 835	107 071	107 071	161 561	161 561
Other	45 795	45 797	36 009	35 686	19 828	19 875
Financial liabilities	3 326 939	3 335 044	3 191 636	3 199 991	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 Sep 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		129 970	168	130 138		120 124		120 124
Debt securities	184 827	155 845	39	340 711	100 088	153 154		253 242
Equity instruments	116 729	775	18 046	135 550	65 762	3 117	13 360	82 240
Financial assets for which the customer bear the investment risk	379 985	2 830	4 178	386 994	324 650	5 835	465	330 950
Derivatives	1 032	131 541	346	132 919	1 003	163 481	425	164 909
Investment in associates ¹⁾	74		640	714	60		526	586
Total	682 647	420 962	23 417	1 127 026	491 563	445 711	14 776	952 051
Liabilities								
Deposits		41 233		41 233		12 238		12 238
Financial liabilities for which the customer bear the investment risk	381 664	2 830	4 178	388 673	326 166	5 773	453	332 392
Liabilities to policyholders - insurance	32 340	1 024		33 364	28 511	1 113		29 624
Debt securities issued		11 435		11 435		13 618		13 618
Short positions	32 354	19 650		52 004	24 173	6 236		30 409
Derivatives	1 078	117 430	327	118 835	806	160 349	406	161 561
Other financial liabilities at fair value	173	4 613		4 787	123	621		744
Total	447 610	198 215	4 505	650 330	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 counterparty. These adjustments are calculated on a counterparty level based on estimates of exposure at default, probability of default and recovery rates. Probability of default and recovery rate information is generally sourced from the CDS markets. For counterparties where this information is not available, or considered unreliable due to the nature of the exposure, alternative approaches are taken where the probability of default is based on generic credit indices for specific industry and/or rating.

When valuing financial liabilities at fair value 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 counterparties executed by SEB. An input can transfer from being observable to being unobservable during the holding period due to e.g. illiquidity of the instrument. Examples of Level 2 financial instruments are most OTC derivatives such as options and interest rate swaps based on the Libor swap rate or a foreign-denominated yield curve. Other examples are instruments for which SEB recently entered into transactions with third parties and instruments for which SEB interpolates between observable variables.

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.

	Opening	Gain/loss in Income statement ¹⁾	Gain/loss in Other compre- hensive income	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Closing
	balance 1 Jan 2021									balance 30 Sep 2021
Changes in level 3, SEK m										
Assets										
Loans							167		1	168
Debt securities							39			39
Equity instruments	13 360	3 163		2 392	-1 434		498	-19	86	18 046
Financial assets for which the customer bear the investment risk	465	31		3 611	-25		97	-2	1	4 178
Derivatives	425	-77		23		-26			1	346
Investment in associates	526	83		120	-90				1	640
Total	14 776	3200		6 146	-1549	-26	801	-21	90	23 417
Liabilities										
Financial liabilities for which the customer bear the investment risk	453	33		3 607	-25		108		2	4 178
Derivatives	406	-150				70			1	327
Total	859	-117		3 607	-25	70	108		3	4 505

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 Sep 2021				31 Dec 2020			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments ^{1) 4)}	344	-327	18	33	427	-406	21	55
Debt instruments ³⁾	208		208	10				
Equity instruments ^{2) 5) 6)}	5 649		5 649	995	3 285		3 285	626
Insurance holdings - Financial instruments ^{3) 4) 6) 7)}	12 931		12 931	1 610	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 Sep 2021	30 Jun 2021	31 Dec 2020
Stage 1 (12-month ECL)			
Debt securities	9 214	8 543	12 191
Loans ¹⁾	1 732 714	1 704 589	1 641 422
Financial guarantees and Loan commitments	747 920	748 570	740 472
Gross carrying amounts/Nominal amounts Stage 1	2 489 847	2 461 703	2 394 086
Debt securities	0	0	0
Loans ¹⁾	-914	-915	-972
Financial guarantees and Loan commitments	-245	-241	-260
ECL allowances Stage 1	-1 160	-1 156	-1 232
Debt securities	9 213	8 543	12 191
Loans ¹⁾	1 731 799	1 703 674	1 640 449
Financial guarantees and Loan commitments	747 674	748 329	740 213
Carrying amounts/Net amounts Stage 1	2 488 687	2 460 546	2 392 852
Stage 2 (lifetime ECL)			
Loans ¹⁾²⁾	63 553	57 463	61 745
Financial guarantees and Loan commitments	15 816	16 704	16 375
Gross carrying amounts/Nominal amounts Stage 2	79 369	74 167	78 120
Loans ¹⁾²⁾	-1 490	-1 474	-1 208
Financial guarantees and Loan commitments	-174	-183	-176
ECL allowances Stage 2	-1 664	-1 657	-1 384
Loans ¹⁾²⁾	62 063	55 988	60 537
Financial guarantees and Loan commitments	15 642	16 521	16 199
Carrying amounts/Net amounts Stage 2	77 704	72 509	76 736
Stage 3 (credit impaired/lifetime ECL)			
Loans ¹⁾³⁾	11 168	12 133	14 890
Financial guarantees and Loan commitments ³⁾	1 112	1 188	700
Gross carrying amounts/Nominal amounts Stage 3	12 280	13 321	15 590
Loans ¹⁾³⁾	-6 415	-6 838	-7 331
Financial guarantees and Loan commitments ³⁾	-167	-171	-218
ECL allowances Stage 3	-6 582	-7 010	-7 549
Loans ¹⁾³⁾	4 753	5 294	7 559
Financial guarantees and Loan commitments ³⁾	945	1 017	482
Carrying amounts/Net amounts Stage 3	5 698	6 311	8 042

The note continues on the next page.

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

SEK m	30 Sep 2021	30 Jun 2021	31 Dec 2020
Total			
Debt securities	9 214	8 543	12 191
Loans ¹⁾²⁾³⁾	1 807 434	1 774 185	1 718 057
Financial guarantees and Loan commitments ³⁾	764 847	766 463	757 547
Gross carrying amounts/Nominal amounts	2 581 495	2 549 190	2 487 796
Debt securities	0	0	0
Loans ¹⁾²⁾³⁾	-8 819	-9 228	-9 512
Financial guarantees and Loan commitments ³⁾	-586	-595	-653
ECL allowances	-9 405	-9 823	-10 165
Debt securities	9 213	8 543	12 191
Loans ¹⁾²⁾³⁾	1 798 615	1 764 956	1 708 545
Financial guarantees and Loan commitments ³⁾	764 261	765 868	756 895
Carrying amounts/Net amounts	2 572 090	2 539 366	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 1,358m (1,391; 1,327) and ECL allowances SEK 2m (2; 2) under Lifetime ECLs -simplified approach for trade receivables.

3) Whereof gross carrying amounts SEK 1,825m (2,163; 2,274) and ECL allowances SEK 1,237m (1,422; 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, %	0.62	0.68	0.87
Stage 3 loans / Total loans, net, %	0.26	0.30	0.44
ECL coverage ratio Stage 1, %	0.05	0.05	0.05
ECL coverage ratio Stage 2, %	2.10	2.23	1.77
ECL coverage ratio Stage 3, %	53.60	52.62	48.42
ECL coverage ratio, %	0.36	0.39	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 third quarter, the gross exposures and ECL allowances in Stage 3 decreased mainly due to migration to Stage 2 and write-offs. Gross exposures in Stage 1 were relatively stable, while gross exposures in Stage 2 increased somewhat due to inflows from both Stage 1 and 3.

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 three quarters of 2021, 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 programmes introduced to mitigate the economic effects of Covid-19 may delay any negative impact on asset quality. These programs are now being phased out.

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 have not automatically triggered 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 third quarter 2021, the update of the macroeconomic parameters and scenario weights led to a marginal increase of 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, as well as effects of inflation and monetary policies. The base scenario assumes a balanced economic recovery with only marginal revisions compared to the previous quarter despite new Covid-19 waves.

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

Base scenario assumptions	2021	2022	2023
Global GDP growth	5.8%	4.4%	3.4%
OECD GDP growth	5.1%	4.0%	2.3%
Sweden			
GDP growth	4.6%	3.9%	2.3%
Household consumption expenditure growth	4.7%	3.7%	2.2%
Interest rate (STIBOR)	-0.10%	-0.10%	-0.10%
Residential real estate price growth	8.0%	5.0%	2.0%
Baltic countries			
GDP growth	4.3% – 6.6%	3.6% – 5.2%	2.5% – 4.2%
Household consumption expenditure growth	4.1% – 5.5%	4.2% – 7.3%	3.4% – 4.7%
Inflation rate	2.4% – 3.4%	2.5% – 3.5%	1.8% – 2.3%
Nominal wage growth	5.7% – 9.5%	6.2% – 7.5%	5.5% – 7.5%
Unemployment rate	6.7% – 7.8%	5.8% – 7.2%	5.2% – 6.4%

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, triggering broad-based capital spending. 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. Inflation and failures linked to central bank exit strategies are starting to play a larger role among downside risks.

In the calculation of ECL allowances as of 30 September 2021, the probabilities of the three scenarios were 60 per cent (60 as of the second quarter 2021) for the base scenario, 20 per cent (23) for the positive scenario, and 20 per cent (17) 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	247	17	-380	-115
Changes due to change in credit risk	-315	191	565	441
Changes due to modifications	1	6	0	7
Changes due to methodology change	-1	0	0	-1
Decreases in ECL allowances due to write-offs			-1 333	-1 333
Change in exchange rates	9	68	231	307
ECL allowance as of 30 September 2021	914	1 490	6 415	8 819
Financial guarantees and Loan commitments				
ECL allowance as of 31 December 2020	260	176	218	653
New and derecognised financial assets, net	42	-27	-8	6
Changes due to change in credit risk	-60	22	-54	-92
Change in exchange rates	4	3	12	19
ECL allowance as of 30 September 2021	245	174	167	586
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	289	-10	-388	-109
Changes due to change in credit risk	-375	213	512	349
Changes due to modifications	1	6	0	8
Changes due to methodology change	-1	0	0	-1
Decreases in ECL allowances due to write-offs			-1 333	-1 333
Change in exchange rates	12	71	242	326
ECL allowance as of 30 September 2021	1 160	1 664	6 582	9 405

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 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Total
30 Sep 2021									
Banks	99 742	983	8	100 733	-5	-2	-2	-9	100 724
Finance and insurance	131 680	650	9	132 338	-48	-4	-5	-57	132 282
Wholesale and retail	75 775	2 528	202	78 505	-78	-44	-75	-197	78 308
Transportation	29 976	1 513	178	31 667	-31	-53	-38	-122	31 545
Shipping	42 022	4 356	1 525	47 902	-10	-32	-913	-954	46 948
Business and household services	137 881	8 670	1 542	148 093	-182	-212	-842	-1 236	146 857
Construction	11 457	827	310	12 594	-21	-76	-173	-269	12 325
Manufacturing	82 042	5 045	1 454	88 541	-79	-352	-938	-1 368	87 173
Agriculture, forestry and fishing	27 246	723	82	28 052	-21	-8	-27	-57	27 995
Mining, oil and gas extraction	15 347	1 502	3 409	20 259	-6	-238	-2 270	-2 514	17 745
Electricity, gas and water supply	49 855	594	182	50 631	-20	-27	-86	-133	50 498
Other	38 663	3 657	115	42 435	-38	-51	-39	-127	42 308
Corporates	641 945	30 065	9 007	681 017	-533	-1 096	-5 406	-7 035	673 982
Commercial real estate management	155 417	2 546	222	158 184	-77	-38	-91	-206	157 979
Residential real estate management	133 435	973	33	134 441	-41	-1	-2	-44	134 397
Real Estate Management	288 851	3 519	255	292 625	-118	-39	-93	-250	292 375
Housing co-operative associations	60 520	6 633	2	67 155	0	0	-1	-1	67 154
Public Administration	14 433	228	1	14 662	-1	-3	-1	-4	14 658
Household mortgages	588 812	18 625	837	608 275	-77	-138	-254	-470	607 805
Other	38 411	3 499	1 057	42 966	-180	-211	-658	-1 050	41 917
Households	627 222	22 125	1 894	651 241	-257	-350	-912	-1 519	649 722
TOTAL	1 732 714	63 553	11 168	1 807 434	-914	-1 490	-6 415	-8 819	1 798 615
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 Sep 2021	30 Jun 2021	31 Dec 2020
Own funds			
Common Equity Tier 1 capital	151 846	159 423	152 124
Tier 1 capital	164 984	172 223	164 403
Total own funds	173 162	180 143	181 835
Own funds requirement			
Risk exposure amount	753 104	754 768	725 560
Expressed as own funds requirement	60 248	60 381	58 045
Common Equity Tier 1 capital ratio	20.2%	21.1%	21.0%
Tier 1 capital ratio	21.9%	22.8%	22.7%
Total capital ratio	23.0%	23.9%	25.1%
Own funds in relation to own funds requirement	2.87	2.98	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⁾	13.2%	13.6%	14.8%
Leverage ratio			
Exposure measure for leverage ratio calculation	3 561 793	3 619 072	3 226 866
of which on balance sheet items	3 226 669	3 048 723	2 678 521
of which off balance sheet items	335 124	570 349	548 345
Leverage ratio	4.6%	4.8%	5.1%

¹⁾ Previous periods recalculated as if Pillar 2 requirements were formally decided.

Note 14 Own funds

SEK m	30 Sep 2021	30 Jun 2021	31 Dec 2020
Shareholders equity according to balance sheet ¹⁾	191 579	183 660	171 943
Accrued dividend	-18 371	-6 215	-8 864
Deconsolidation of insurance companies and other foreseeable charges ²⁾	328	331	-988
Common Equity Tier 1 capital before regulatory adjustments	173 536	177 775	162 091
Additional value adjustments	-1 176	-1 179	-894
Goodwill	-4 417	-4 410	-4 378
Intangible assets	-1 166	-1 120	-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	22	23	47
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-148	-135	3
Defined-benefit pension fund assets	-12 049	-11 303	-3 008
Direct and indirect holdings of own CET1 instruments	-2 748	-221	-169
Total regulatory adjustments to Common Equity Tier 1	-21 690	-18 352	-9 967
Common Equity Tier 1 capital	151 846	159 423	152 124
Additional Tier 1 instruments	13 138	12 800	12 279
Tier 1 capital	164 984	172 223	164 403
Tier 2 instruments ³⁾	8 623	8 605	18 606
Net provisioning amount for IRB-reported exposures	755	515	476
Holdings of Tier 2 instruments in financial sector entities	-1 200	-1 200	-1 650
Tier 2 capital	8 178	7 920	17 432
Total own funds	173 162	180 143	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 Sep 2021		30 Jun 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	17 237	1 379	15 934	1 275	13 893	1 111
Exposures to institutions	53 191	4 255	51 050	4 084	46 522	3 722
Exposures to corporates	341 618	27 329	342 408	27 393	342 199	27 376
Retail exposures	66 170	5 294	66 695	5 336	63 740	5 099
of which secured by immovable property	42 990	3 439	43 140	3 451	40 817	3 265
of which retail SME	5 839	467	5 940	475	5 278	422
of which other retail exposures	17 341	1 387	17 615	1 409	17 644	1 412
Securitisation positions	2 123	170	1 967	157	1 973	158
Total IRB approach	480 338	38 427	478 053	38 244	468 326	37 466
Credit risk standardised approach						
Exposures to central governments or central banks	664	53	602	48	966	77
Exposures to institutions	1 032	83	1 011	81	909	73
Exposures to corporates	5 837	467	5 580	446	4 905	392
Retail exposures	14 214	1 137	14 108	1 129	13 528	1 082
Exposures secured by mortgages on immovable property	1 976	158	1 954	156	1 935	155
Exposures in default	45	4	50	4	52	4
Exposures associated with particularly high risk	836	67	1 221	98	1 043	83
Exposures in the form of collective investment undertakings (CIU)					57	5
Equity exposures	7 961	637	6 860	549	4 139	331
Other items	10 396	832	10 178	814	10 327	826
Total standardised approach	42 962	3 437	41 565	3 325	37 860	3 029
Market risk						
Trading book exposures where internal models are applied	21 161	1 693	27 427	2 194	28 088	2 247
Trading book exposures applying standardised approaches	11 151	892	14 025	1 122	8 742	699
Total market risk	32 311	2 585	41 452	3 316	36 830	2 946
Other own funds requirements						
Operational risk advanced measurement approach	50 203	4 016	50 403	4 032	50 483	4 039
Settlement risk	2	0	14	1	3	0
Credit value adjustment	9 358	749	10 008	801	7 336	587
Investment in insurance business	21 041	1 683	19 608	1 569	16 633	1 331
Other exposures	4 447	356	4 968	397	5 237	419
Additional risk exposure amount ²⁾	112 442	8 995	108 697	8 696	102 851	8 228
Total other own funds requirements	197 493	15 799	193 697	15 496	182 544	14 604
Total	753 104	60 248	754 768	60 381	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 Sep 2021	30 Jun 2021	31 Dec 2020
Average risk-weight			
Exposures to central governments or central banks	2.1%	2.3%	2.9%
Exposures to institutions	22.9%	22.9%	21.7%
Exposures to corporates	27.3%	27.7%	27.5%
Retail exposures	9.2%	9.3%	9.4%
of which secured by immovable property	6.7%	6.7%	6.7%
of which retail SME	50.6%	49.0%	49.6%
of which other retail exposures	28.3%	28.4%	29.6%
Securitisation positions	17.3%	17.7%	16.4%

Skandinaviska Enskilda Banken AB (publ) – parent company

Income statement

In accordance with FSA regulations SEK m	Q3			Q2			Q3			Jan–Sep			Full year
	2021	2021	%	2020	%	2021	2020	%	2021	2020	%	2020	
Interest income	6 925	6 930	0	7 376	-6	20 834	24 138	-14	31 460				
Leasing income	1 297	1 366	-5	1 312	-1	3 965	4 048	-2	5 365				
Interest expense	-1 362	-1 470	-7	-2 220	-39	-4 475	-9 254	-52	-11 118				
Dividends	145	603	-76	607	-76	2 596	1 225	112	3 121				
Fee and commission income	3 799	3 950	-4	3 142	21	11 268	10 139	11	13 734				
Fee and commission expense	- 732	- 767	-4	- 690	6	-2 306	-2 339	-1	-3 036				
Net financial income	1 331	1 459	-9	1 327	0	4 167	3 833	9	5 297				
Other income	354	142	149	157	125	1 021	461	121	411				
Total operating income	11 757	12 213	-4	11 011	7	37 069	32 252	15	45 234				
Administrative expenses	-4 119	-4 177	-1	-3 904	6	-12 515	-12 979	-4	-17 372				
Depreciation, amortisation and impairment of tangible and intangible assets	-1 384	-1 454	-5	-1 369	1	-4 225	-4 305	-2	-5 683				
Total operating expenses	-5 502	-5 630	-2	-5 272	4	-16 741	-17 284	-3	-23 055				
Profit before credit losses	6 254	6 583	-5	5 739	9	20 328	14 969	36	22 179				
Net expected credit losses	-176	-40		-1087	-84	- 399	-4 898	-92	-5 550				
Impairment of financial assets ¹⁾		-425	-100			-425	-220	93	-220				
Operating profit	6 078	6 118	-1	4 651	31	19 504	9 850	98	16 409				
Appropriations	402	425	-5	454	-11	1 348	1 038	30	2 390				
Income tax expense ²⁾	-1 235	-1 271	-3	- 927	33	-3 654	-2 622	39	-4 636				
Other taxes ²⁾	127			0		127	154	-17	451				
NET PROFIT	5 372	5 271	2	4 178	29	17 326	8 421	106	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.

2) Comparative numbers have been restated.

Statement of comprehensive income

SEK m	Q3			Q2			Q3			Jan–Sep			Full year
	2021	2021	%	2020	%	2021	2020	%	2021	2020	%	2020	
NET PROFIT	5 372	5 271	2	4 178	29	17 326	8 421	106	14 614				
Cash flow hedges		13	-100	- 11	-100	25	- 72		- 62				
Translation of foreign operations	- 83	- 10		- 17		- 52	- 126	-59	- 158				
Items that may subsequently be reclassified to the income statement:	- 83	3		- 28	196	- 27	- 198	-86	- 220				
OTHER COMPREHENSIVE INCOME	- 83	3		- 28	196	- 27	- 198	-86	- 220				
TOTAL COMPREHENSIVE INCOME	5 289	5 274	0	4 150	27	17 299	8 223	110	14 394				

Balance sheet, condensed

SEK m	30 Sep 2021	30 Jun 2021	31 Dec 2020
Cash and cash balances with central banks	551 861	433 798	294 391
Loans to central banks	806	582	3 537
Loans to credit institutions	97 939	91 106	67 490
Loans to the public	1 617 398	1 613 103	1 569 310
Debt securities	323 521	368 521	239 928
Equity instruments	113 013	85 694	63 825
Derivatives	128 365	121 376	159 380
Other assets	121 369	121 044	99 248
TOTAL ASSETS	2 954 272	2 835 224	2 497 110
Deposits from central banks and credit institutions	208 838	178 792	147 831
Deposits and borrowings from the public ¹⁾	1 561 487	1 477 183	1 198 833
Debt securities issued	779 486	802 048	749 415
Short positions	52 004	47 246	30 409
Derivatives	114 577	102 878	157 529
Other financial liabilities	4 787	1 571	744
Other liabilities	72 480	70 219	59 853
Untaxed reserves	18 628	18 628	18 628
Equity	141 985	136 660	133 868
TOTAL LIABILITIES, UNTAXED RESERVES AND EQUITY	2 954 272	2 835 224	2 497 110
1) Private and SME deposits covered by deposit guarantee	252 232	251 316	232 375
Private and SME deposits not covered by deposit guarantee	148 405	137 098	134 315
All other deposits	1 160 850	1 088 768	832 143
Total deposits from the public	1 561 487	1 477 183	1 198 833

Pledged assets and obligations

SEK m	30 Sep 2021	30 Jun 2021	31 Dec 2020
Pledged assets for own liabilities	580 549	504 225	490 032
Other pledged assets	69 956	101 956	106 252
Pledged assets	650 506	606 181	596 284
Contingent liabilities	149 715	144 237	141 769
Commitments	684 527	677 737	667 824
Obligations	834 241	821 974	809 592

Capital adequacy

Capital adequacy analysis

SEK m	30 Sep 2021	30 Jun 2021	31 Dec 2020
Own funds			
Common Equity Tier 1 capital	130 254	139 681	134 055
Tier 1 capital	143 392	152 481	146 334
Total own funds	151 289	160 338	163 646
Own funds requirement			
Risk exposure amount	687 763	691 394	659 989
Expressed as own funds requirement	55 021	55 312	52 799
Common Equity Tier 1 capital ratio	18.9%	20.2%	20.3%
Tier 1 capital ratio	20.8%	22.1%	22.2%
Total capital ratio	22.0%	23.2%	24.8%
Own funds in relation to own funds requirement	2.75	2.90	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⁾	12.2%	13.0%	14.3%
Leverage ratio			
Exposure measure for leverage ratio calculation	3 326 171	3 398 165	3 025 643
of which on balance sheet items	3 001 788	2 839 158	2 487 526
of which off balance sheet items	324 383	559 007	538 118
Leverage ratio	4.3%	4.5%	4.8%

¹⁾ Previous periods recalculated as if Pillar 2 requirement were formally decided.

Own funds

SEK m	30 Sep 2021	30 Jun 2021	31 Dec 2020
Shareholders equity according to balance sheet ¹⁾	156 745	151 420	148 628
Accrued dividend	-18 371	-6 215	-8 864
Deconsolidation of insurance companies and other foreseeable charges	328	331	21
Common Equity Tier 1 capital before regulatory adjustments	138 702	145 536	139 786
Additional value adjustments	-1 159	-1 147	-874
Goodwill	-3 358	-3 358	-3 358
Intangible assets	-1 044	-996	-1 217
Fair value reserves related to gains or losses on cash flow hedges	22	23	47
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-162	-154	-159
Direct and indirect holdings of own CET1 instruments	-2 748	-221	-169
Total regulatory adjustments to Common Equity Tier 1	-8 449	-5 855	-5 731
Common Equity Tier 1 capital	130 254	139 681	134 055
Additional Tier 1 instruments	13 138	12 800	12 279
Tier 1 capital	143 392	152 481	146 334
Tier 2 instruments ²⁾	8 623	8 605	18 606
Net provisioning amount for IRB-reported exposures	473	452	355
Holdings of Tier 2 instruments in financial sector entities	-1 200	-1 200	-1 650
Tier 2 capital	7 897	7 857	17 311
Total own funds	151 289	160 338	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 Sep 2021		30 Jun 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	11 671	934	10 449	836	8 221	658
Exposures to institutions	51 958	4 157	49 747	3 980	45 136	3 611
Exposures to corporates	281 499	22 520	283 301	22 664	281 603	22 528
Retail exposures	43 785	3 503	44 327	3 546	42 131	3 371
of which secured by immovable property	33 708	2 697	33 564	2 685	32 283	2 583
of which retail SME	2 293	183	2 850	228	2 266	181
of which other retail exposures	7 784	623	7 913	633	7 582	607
Securitisation positions	2 123	170	1 967	157	1 973	158
Total IRB approach	391 036	31 283	389 791	31 183	379 064	30 325
Credit risk standardised approach						
Exposures to central governments or central banks						
Exposures to institutions	13 000	1 040	13 570	1 086	18 339	1 467
Exposures to corporates	3 131	251	3 175	254	3 024	242
Retail exposures	8 615	689	8 537	683	8 206	656
Exposures secured by mortgages on immovable property	1 970	158	1 948	156	1 931	155
Exposures in default	24	2	28	2	26	2
Exposures associated with particularly high risk	836	67	1 221	98	1 043	83
Exposures in the form of collective investment undertakings (CIU)						
Equity exposures	45 571	3 646	44 256	3 540	37 286	2 983
Other items	4 739	379	4 980	398	2 807	225
Total standardised approach	77 888	6 231	77 714	6 217	72 662	5 813
Market risk						
Trading book exposures where internal models are applied	21 161	1 693	27 427	2 194	28 088	2 247
Trading book exposures applying standardised approaches	11 111	889	13 977	1 118	8 675	694
Foreign exchange rate risk	3 450	276	3 510	281	3 377	270
Total market risk	35 722	2 858	44 914	3 593	40 140	3 211
Other own funds requirements						
Operational risk advanced measurement approach	39 595	3 168	39 882	3 191	39 928	3 194
Settlement risk	2	0	14	1	3	0
Credit value adjustment	9 352	748	10 006	800	7 336	587
Investment in insurance business	21 041	1 683	19 608	1 569	16 633	1 331
Other exposures	693	55	775	62	1 377	110
Additional risk exposure amount ²⁾	112 435	8 995	108 691	8 695	102 845	8 228
Total other own funds requirements	183 118	14 649	178 975	14 318	168 122	13 450
Total	687 763	55 021	691 394	55 312	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 Sep 2021	30 Jun 2021	31 Dec 2020
Average risk-weight			
Exposures to central governments or central banks	1.5%	1.6%	1.9%
Exposures to institutions	22.9%	22.9%	21.7%
Exposures to corporates	24.7%	25.0%	24.7%
Retail exposures	7.3%	7.4%	7.4%
of which secured by immovable property	5.9%	5.9%	5.9%
of which retail SME	34.8%	36.7%	34.6%
of which other retail exposures	38.2%	38.4%	40.1%
Securitisation positions	17.3%	17.7%	16.4%

Signatures of the President

The President declares that this financial report for the period 1 January 2021 through 30 September 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, 20 October 2021

Johan Torgeby
President and Chief Executive Officer

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

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 September 30, 2021 and for the nine-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, 20 October 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 9.30 a.m., Swedish time, on 20 October 2021 at a conference call. Please call, at least 10 minutes in advance, +44 (0)2071 928 000 and quote conference id: 8790634. 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
Frank Hojem, Head of Corporate Communication
Tel: +46 70 763 99 47

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 2022

27 January 2022	Annual Accounts 2021	The silent period starts on 1 January 2022
1 March 2022	Annual & Sustainability Report 2021	
22 March 2022	Annual General Meeting	
27 April 2022	Quarterly report January – March 2022	The silent period starts on 1 April 2022
14 July 2022	Quarterly report January – June 2022	The silent period starts on 1 July 2022
26 October 2022	Quarterly report January – September 2022	The silent period starts on 1 October 2022

The financial information calendar for 2023 will be published in conjunction with the Quarterly Report for January-September 2022.

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 expected credit losses 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 sebgroupp.com/ir.