

# Interim Report January – June 2014

STOCKHOLM 14 JULY 2014

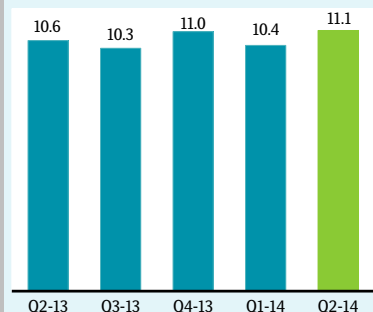
“SEB’s investments in its client business have created a stronger, more stable and efficient platform. Corporate and capital markets activity in the Nordic countries has picked up. SEB is determined to support a sustainable economic recovery.”

Annika Falkengren

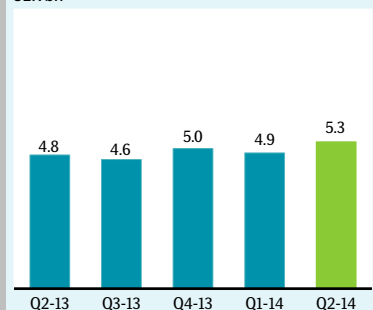


**SEB**

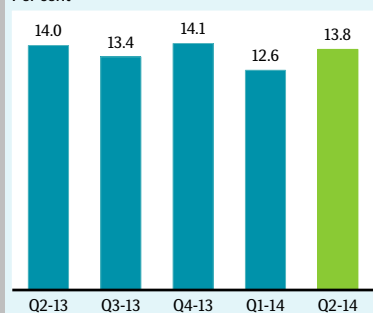
## Operating income SEK bn



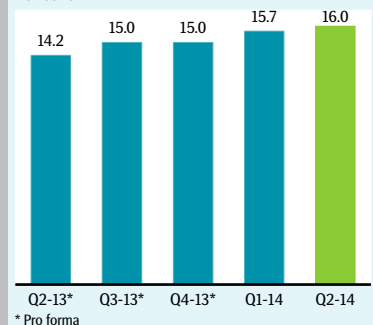
## Operating profit SEK bn



## Return on Equity Per cent



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



## First half year 2014 – SEK 10.1bn operating profit

(Compared to the first half year 2013)

- Operating income SEK 21.5bn (20.2). Operating expenses SEK 10.9bn (11.2).
- Net credit losses SEK 0.5bn (0.5). Credit loss level 0.08 per cent (0.08).
- Net profit SEK 8.1bn (6.8) and earnings per share SEK 3.67 (3.10)
- Return on equity 13.1 per cent (12.5).

## Second quarter 2014 – SEK 5.3bn operating profit

(Compared to the second quarter 2013)

- Operating income SEK 11.1bn (10.6). Operating expenses SEK 5.5bn (5.6).
- Net credit losses SEK 0.3bn (0.3). Credit loss level 0.08 per cent (0.09).
- Net profit SEK 4.2bn (3.8) and earnings per share SEK 1.90 (1.73).
- Return on equity 13.8 per cent (14.0).

## Volumes

(Compared to 30 June 2013)

- Loans to corporates increased by SEK 52bn and lending to households by SEK 26bn. Total loans to the public amounted to SEK 1,388bn (1,290).
- Total deposits from the public amounted to SEK 890bn (898). Deposits from corporates decreased by SEK 21bn and deposits from households increased by SEK 24bn.
- Assets under management amounted to SEK 1,605bn. Year-on-year, the net increase in assets under management was SEK 218bn of which net inflow was SEK 45bn.

## Capital and funding

(Compared to 30 June 2013)

- The Common Equity Tier 1 capital ratio was 16.0 per cent (14.2).
- The leverage ratio was 4.0 per cent.
- The Liquidity Coverage Ratio (LCR) was 127 per cent (114).
- The core liquidity reserve amounted to SEK 342bn and the total liquid resources amounted to SEK 699bn.

## President's comment

The global economy continued to reach firmer ground in the first six months of the year even though regional differences remained, with European growth being hampered by high sovereign debt and unemployment levels. Business sentiment turned more positive as evidenced by higher Nordic and German corporate and capital market activities including IPOs and tenders. However, we are experiencing extraordinary times with very low inflation, low interest rates and more than six years of central bank liquidity support in the Eurozone and the US. Some side effects of this environment are the low risk differentiation in credit spreads and the sharp increase of asset prices. Circumstances like these call for prudence and resilience. In SEB we take special care to advise our customers to think long-term, which includes the promotion of a savings culture. One example is that we have initiated amortisation requirements on all new mortgages.

### Step by step delivering on the long-term business plan

At the start of 2013 SEB clarified its long-term business plan with the objectives to be *the* leading Nordic bank for corporates and institutions and *the* top universal bank in Sweden and the Baltic countries. We set out to deepen relationships with our customers, continue to grow in core areas in the Nordic countries and Germany and increase cost and capital efficiency. Half-way through our business plan, return on equity for the first six months was 13.1 per cent and our Common Equity Tier 1 ratio 16 per cent.

As the leading Nordic corporate bank, we have benefited from the improved business sentiment. Corporates account for two thirds of our credit exposure and we have a top position in Nordic M&A league tables as well as Nordic equity, corporate bond and syndicated loan markets. In addition, SEB is the leading underwriter of Green Bonds globally.

Operating income increased in all divisions and was particularly strong in Merchant Banking. Net interest income and net fee and commission income increased year-on-year by 7 and 12 per cent, respectively. Operating expenses decreased by 3 per cent and we remain confident in maintaining costs below SEK 22.5bn for the full year as well as in 2015.

### Continued growth in all home markets

With a broader platform we also have a stronger and more effective growth engine. Outside Sweden all of our home markets show year-on-year double-digit profit growth.

In Sweden, our relationship banking model has in one year attracted 7 per cent more large corporate Tier 1 and Tier 2 clients as well as 7 per cent or 10,000 new full service small and medium sized corporate customers. Private individual customers appreciate our advisory-driven savings offerings focused on asset allocation.

### Banks need predictability in order to fulfil their vital role as support for the real economy

I believe banks have an important role in supporting the real economy in getting back on track. In order to do so, we need to be profitable with a robust financial position so that we are not forced to pull back on lending in times of more subdued economic development. That would amplify cyclicalities. Over the long term, the absence of a level playing field for the Swedish banking system in comparison to its European peers risks having a negative effect on real growth. We also depend on a stable and predictable tax and regulatory framework. Prudent banking needs prudent regulation.

### Strategic direction confirmed

We continuously strive to develop and invest in better offerings to meet customers' long-term needs in cost and capital efficient ways. This was recently evidenced by Fitch's affirmation of SEB's A+ long-term credit rating and upgrade of the outlook to positive based on SEB's low risk business, increased income diversification and improved profitability. Those characteristics reflect a prudent bank. Our direction to be *the* relationship bank in our part of the world remains firm, all for the benefit of our customers and shareholders.



**Income +7%**  
**Costs -3%**

H1 2014

**Net new AuM**  
**SEK 42bn**

H1 2014

**ROE 13.1%**  
**CET1 16.0%**

H1 2014

# The Group

## Second quarter isolated

Operating profit amounted to SEK 5,251m (4,783). Net profit (after tax) amounted to SEK 4,174m (3,791).

## Operating income

Total operating income amounted to SEK 11,077m (10,648).

Net interest income increased by 6 per cent to SEK 4,943m (4,677).

	Q2	Q1	Q2
SEK m	2014	2014	2013
Customer-driven NII	4 669	4 526	4 127
NII from other activities	274	292	550
<b>Total</b>	<b>4 943</b>	<b>4 818</b>	<b>4 677</b>

The customer-driven net interest income increased by SEK 542m, or 13 per cent, compared to the second quarter 2013 and by SEK 143m compared to the first quarter. Average loan and deposit volumes increased while margins decreased in the lower interest rate environment.

Following the lower short-term rates, net interest income from other activities also decreased by SEK 276m compared to the corresponding quarter 2013. Compared to the first quarter it was stable.

In the first quarter of 2014 the internal funds transfer pricing methodology was adjusted to better reflect the duration of corporate and household deposits. The new pricing also mirrors the revised regulatory requirements under Basel III that assume a higher stability of deposits.

Net fee and commission income amounted to SEK 4,211m (3,811). Compared to the first quarter, the increase was SEK 483m. Net fee and commission income developed positively overall, in all divisions, reflecting an increased activity level in general and the appreciation of stock markets. In addition, there were normal seasonal positive effects from card activities and securities lending – for which income was approximately SEK 90m higher than the corresponding period 2013.

Net financial income decreased to SEK 845m (1,087). Compared to the first quarter the decrease was SEK 234m. Volatility in the financial markets decreased to very low levels and yield curves flattened further. While net financial income was lower, SEB's trading activity in general was high and the business area Markets, within the Merchant Banking division, grew operating income in total by 20 per cent compared to the first quarter.

Net life insurance income increased by 22 per cent to SEK 844m (689). This is partially explained by the second quarter 2013 outcome in the traditional life business in Denmark which was unusually low.

Net other income was SEK 234m (384). Seasonal dividends and result from associated companies were at normal levels. In the second quarter 2013, SEK 1bn subordinated debt was repurchased which gave a net positive effect of SEK 201m.

## Operating expenses

Total operating expenses amounted to SEK 5,519m, which was a decrease of 1 per cent year-on-year (5,585). Compared to the previous quarter costs increased by 3 per cent due to seasonality effects.

## Credit losses and provisions

Net credit losses amounted to SEK 283m (291). The credit loss level was 8 basis points.

Non-performing loans decreased by SEK 681m to SEK 8,562m in the second quarter. Of this individually assessed impaired loans amounted to SEK 4,238m, the portfolio assessed loans past due >60 days amounted to SEK 3,974m and restructured loans amounted to SEK 350m.

The total reserve ratio for individually assessed impaired loans and the NPL coverage ratio strengthened to 100 (77) per cent and 74 (67) per cent, respectively.

## Income tax expense

Total income tax expense was SEK 1,077m (975), which corresponded to an effective tax rate of 21 per cent.

## Discontinued operations

The net result from discontinued operations was 0 (-17).

## Other comprehensive income

The net result from other comprehensive income was negative at SEK -410m (166). The net revaluation of the defined benefit pension plan, in accordance with IAS 19, had a negative effect of SEK -1,985m (-91). The main reason was the market-derived discount rate in Sweden, which was determined at 3.0 per cent, versus 3.8 per cent at the end of the first quarter. The negative effect was partially off-set by an appreciation of the pension plan assets.

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, e.g. cash-flow hedges and available-for-sale financial assets, was positive in the amount of SEK 1,575m (257). The valuation change was due to lower interest rates and spreads that continued to decrease during the second quarter 2014. During the same period 2013 the rates and spreads increased or were stable. Further, the Swedish krona weakened during 2014.

Comparative numbers - in parenthesis - for the income statement refer to the corresponding period 2013. Business volumes are compared to 30 June 2013, unless otherwise stated.

## The first half year

Operating profit amounted to SEK 10,106m (8,500). Net profit (after tax) amounted to SEK 8,058m (6,803).

## Operating income

Total operating income amounted to SEK 21,520m (20,199).

Net interest income increased by 7 per cent to SEK 9,761m (9,136).

SEK m	Jan - Jun		Change
	2014	2013	%
Customer-driven NII	9 195	8 194	12
NII from other activities	566	942	-40
<b>Total</b>	<b>9 761</b>	<b>9 136</b>	<b>7</b>

The customer-driven net interest income increased by SEK 1,001m, compared to the first six months of 2013. The increase was mainly driven by an increase in average lending volumes and improved lending margins. The net effect from deposits volumes and margins was smaller but also positive.

Net interest income from other activities decreased by SEK 376m compared to the corresponding period 2013. The change of methodology for the internal funds transfer pricing methodology outlined on the previous page also affected net interest income from other activities for the six-month period.

Net fee and commission income amounted to SEK 7,939m (7,058). The increase of 12 per cent compared to the first six months 2013 was due to higher corporate activity in the debt and syndication markets, securities lending and increased investment banking activities. Custody and asset management fees increased as a result of higher activity and asset values, partially counteracted by low performance fees on discretionary mandates.

Net financial income decreased by 6 per cent to SEK 1,924m (2,041). Lower market volatility affected trading activities.

Net life insurance income amounted to SEK 1,662 (1,571). The increase was due to higher market values and increasing premium volumes.

Net other income was SEK 234m (393). There were hedge accounting effects, sales of securities and dividend income.

## Operating expenses

Total operating expenses amounted to SEK 10,857m, which was a decrease of 3 per cent year-on-year (11,173).

## Credit losses and provisions

Net credit losses amounted to SEK 541m (547). The credit loss level was 8 basis points.

Non-performing loans amounted to SEK 8,562m, a decrease by SEK 3,937 compared to a year ago.

## Income tax expense

Total income tax expense was SEK 2,048m (1,680). This corresponded to an effective tax rate of 20 per cent. The estimated effective tax rate for the full year 2014, excluding capital gains, is 20 per cent.

## Discontinued operations

The net result from discontinued operations was 0 (-17).

## Other comprehensive income

Other comprehensive income was SEK 765m (228). The net revaluation of the defined benefit pension plan, in accordance with IAS 19, had a negative effect of SEK -1,842m (685). The market-derived discount rate for the Swedish pension obligation was 3.0 per cent versus 3.8 at year-end. Pension plan assets appreciated.

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, e.g. cash-flow hedges and available-for-sale financial assets, was positive in the amount of SEK 2,607m (in 2013, it was negative at -457m). The valuation change was due to interest rates and spreads that decreased during the first half of 2014. During the same period 2013 the rates and spreads were increasing or stable. Further, the Swedish krona weakened during 2014.

## Business volumes

Total assets at the end of the period were SEK 2,654bn (2,596). Loans to the public amounted to SEK 1,388bn, an increase of SEK 98bn since 30 June 2013 and SEK 85bn since year-end.

SEK bn	Jun	Dec	Jun
	2014	2013	2013
Public administration	53	52	56
Private individuals	509	493	483
Corporate	697	647	645
Repos	107	87	83
Debt instruments	22	24	23
<b>Loans to the public</b>	<b>1 388</b>	<b>1 303</b>	<b>1 290</b>

SEB's total credit portfolio (which includes both on- and off-balance sheet volumes) amounted to SEK 1,987bn (1,858). Year-on-year household volumes in the total credit portfolio increased by SEK 27bn and the combined corporate and property management portfolios increased by SEK 87bn.

Around 90 per cent of the total credit exposure relates to the Nordic countries and Germany and 7 per cent to the Baltic countries. Net of external guarantees the exposure to Ukraine and Russia amounted to approximately SEK 1.8bn. SEB's business in Ukraine and Russia is focused on lending from SEB's local subsidiaries to local subsidiaries of the bank's core Nordic and German clients.

Deposits from the public amounted to SEK 890bn, a decrease of SEK 8bn since 30 June 2013 and an increase in the amount of SEK 41bn since the end of 2013.

SEK bn	Jun	Dec	Jun
	2014	2013	2013
Public administration	85	71	91
Private individuals	237	223	213
Corporate	559	544	580
Repos	9	11	14
<b>Deposits and borrowings from the public</b>	<b>890</b>	<b>849</b>	<b>898</b>

Since year-end, deposits from households increased by SEK 14bn and deposits from corporates increased by SEK 15bn.

At 30 June 2014, assets under management amounted to SEK 1,605bn (1,387). At year-end they amounted to SEK 1,475bn. The net inflow of assets since year-end was SEK 42bn and the market value increased by SEK 88bn. Assets under custody amounted to SEK 6,161bn (5,411).

#### Assets and liabilities held for sale

SEB signed an agreement to sell the card acquiring business Euroline AB to Nordic Capital. The sale price amounted to SEK 2.2bn. Accordingly, the external assets and liabilities relating to Euroline AB were reclassified as assets and liabilities held for sale in the balance sheet.

The transaction will close during the fourth quarter this year, when a capital gain in an approximate amount of SEK 1.9bn will be recognised. SEB has an option to invest up to 25 per cent in Nordic Capital's card acquiring business.

The operating profit from Euroline for the first six months amounted to SEK 84m.

#### Market risk

The trading business is customer flow-driven. This is confirmed by the fact that there was only one loss-making day during 2014. During the first six months, Value-at-Risk (VaR) in the trading operations averaged SEK 106m. On average, the Group is not expected to lose more than this amount during a period of ten trading days, with 99 per cent probability.

#### Liquidity and long-term funding

SEB's loan-to-deposit ratio was 143 per cent (134), excluding repos and debt instruments. During the first six months, SEK 64bn of long-term funding matured and SEK 69bn was issued. 46 per cent of the new issuance constituted covered bonds, 41 per cent senior unsecured securities and 13 per cent subordinated debt.

The core liquidity reserve at the end of the period 2014 amounted to SEK 342bn (411). The total liquid resources, including net trading assets and unutilised collateral in the cover pool, amounted to SEK 699bn (686). The Liquidity Coverage Ratio (LCR), according to the rules adapted for Sweden by the Swedish Financial Supervisory Authority, must be at least 100 per cent in total and in EUR and USD, separately. At the end of the period, the LCR was 127 per cent (114). The USD and EUR LCRs were 330 and 345 per cent, respectively.

The Bank is committed to a stable funding base. SEB's internal structural liquidity measure, which measures the proportion of stable funding in relation to illiquid assets, Core Gap, was 113 per cent. The Basel Committee's Net Stable Funding Ratio (NSFR) is still not finalised. An update of the proposal was published by the Basel Committee in January 2014. It is currently subject to consultation.

#### Rating

Fitch revised the outlook of SEB's long-term senior unsecured rating of A+ from stable to positive in June. It is the opinion of Fitch that SEB's risk profile is increasingly in line with AA-rated banks. SEB's improving profitability, as well as its strategy of growing its Swedish retail franchise, also supported the outlook change.

SEB's long-term senior unsecured ratings of A1 by Moody's and A+ by Standard & Poor's were put on negative outlook. The reason was Standard and Poor's and Moody's view on the effects from the Bank Recovery and Resolution Directive and the Single Resolution Mechanism regulation on financial institutions in the EU.

#### Capital position

As of 1 January 2014, the capital requirements under the EU CRR/CRD IV rules, so called Basel III, entered into force. The Capital Requirements Regulation (CRR) is applicable in all EU countries from the beginning of the year. The Capital Requirements Directive (CRD) remains to be implemented as Swedish law, which is currently planned for 1 August 2014. As details of the Swedish national law become known, SEB's measurement will be refined. Refer to page 31 for more details on SEB's capital position.

The following table shows the capital ratios according to Basel III.

	Jun	Dec	Jun
Own funds requirement, Basel III	2014	2013	2013
Risk exposure amount, SEK bn	598	598	628
Common Equity Tier 1 capital ratio, %	16.0	15.0	14.2
Tier 1 capital ratio, %	17.9	17.1	16.5
Total capital ratio, %	20.5	18.1	17.3
Leverage ratio, %	4.0	4.2	3.9

Estimate for respective comparative period based on SEB's interpretation of future regulation.

The total capital ratio increased due to a new issue of subordinated debt in the second quarter of 2014.

#### Long-term financial targets

The finalisation of the implementation of the Capital Requirements Directive in Swedish law will be effective 1 August 2014. The detailed regulations provided by the Swedish FSA are expected during the fall. The minimum and targeted capital levels and composition of the capital base may be revisited in accordance with the finalised rules. SEB's long-term financial targets are to:

- pay a yearly dividend that is 40 per cent or more of the earnings per share,
  - target a Common Equity Tier 1 capital ratio (Basel III) of 13 per cent, and
  - generate return on equity that is competitive with peers.
- Long-term, the Bank aspires to reach a return on equity of 15 per cent.

As of the end of the period, the Common Equity Tier 1 capital ratio (Basel III) was 16.0 per cent and the return on equity for the first six months 2014 was 13.1 per cent.

### **Risks and uncertainties**

SEB assumes credit, market, liquidity, IT and operational as well as life insurance risks. The risk composition of the Group, as well as the related risk, liquidity and capital management, are described in SEB's Annual Report for 2013 (see pp 36-48). Further information is presented in the quarterly Fact Book.

Although there are encouraging signs of gradual macroeconomic recovery, large global economic imbalances remain and the potential reduction of liquidity support to financial markets from central banks may create direct and indirect effects that are difficult to assess. During 2014, market uncertainty increased with the unfolding geopolitical development in Ukraine and the Middle East.

### **Realignment of management accounting 2014**

In order to ensure that the Basel III requirements are fully integrated throughout the organisation, SEB has since 2012 gradually adjusted the management accounting. In 2012 and 2013, SEK 16bn and 23bn of capital, respectively, was allocated to the divisions from the central function. In 2014, another SEK 10bn was allocated.

During the same period, the internal funds transfer prices have been adjusted to more fully reflect the costs of funding and the effects of implementing the Basel III requirements. One such effect in 2014 is the refinement of deposit pricing to reflect stability characteristics better and which led to higher customer related net interest income in the first six months compared to 2013 and, consequently, lower net interest income for the treasury function.

### **New office premises in the Stockholm area**

SEB will gather a majority of its business in Stockholm in new premises in Arenastaden, Solna. The relocation, which affects around 4,500 co-workers, will start in 2017 and will be completed the year thereafter. The office at Kungsträdgårdsgatan 8 is not affected.

### **Subsequent event**

In July SEB Venture Capital closed an agreement to sell its 45 per cent holdings of shares of Tail-f Systems to Cisco. The tax-free capital gain amounted to SEK 350m.

## Stockholm, 14 July 2014

The President and the Board of Directors declare that the Interim Accounts for January – June 2014 provide a fair overview of the Parent Company's and the Group's operations, their financial position and results and describe material risks and uncertainties facing the Parent Company and the Group.

Marcus Wallenberg  
*Chairman*

Urban Jansson  
*Deputy chairman*

Jesper Ovesen  
*Deputy chairman*

Johan H. Andresen  
*Director*

Signhild Arnegård Hansen  
*Director*

Samir Brikho  
*Director*

Winnie Fok  
*Director*

Birgitta Kantola  
*Director*

Maria Lindblad  
*Director\**

Tomas Nicolin  
*Director*

Sven Nyman  
*Director*

Magdalena Olofsson  
*Director\**

Annika Falkengren  
*President and Chief Executive Officer*

\* appointed by the employees

### Press conference and webcasts

The press conference at 9 am (CEST) on 14 July 2014, at Kungsträdgårdsgatan 8 with President and CEO Annika Falkengren can be followed live in Swedish on [www.sebgroup.com/sv/ir](http://www.sebgroup.com/sv/ir). A simultaneous translation into English will be available on [www.sebgroup.com/ir](http://www.sebgroup.com/ir). A replay will be available afterwards.

### Access to telephone conference

The telephone conference at 3 pm (CEST) on 14 July 2014 with the President and CEO Annika Falkengren, the CFO Jan Erik Back and the Head of Investor Relations Ulf Grunnesjö, can be accessed by telephone, +44(0)20 7162 0177 or +46(0)8 5052 0114. Please quote conference id: 945332, not later than 10 minutes in advance. A replay of the conference call will be available on [www.sebgroup.com/ir](http://www.sebgroup.com/ir).

### Financial information calendar

23 October 2014    Interim report January-September 2014  
29 January 2015    Annual accounts 2014

### Further information is available from:

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Corporate organisation number: 502032-9081

Additional financial information is available in SEB's Fact Book which is published quarterly on [www.sebgroup.com/ir](http://www.sebgroup.com/ir).



## Accounting policies

This Interim Report is presented in accordance with IAS 34 *Interim Financial Reporting*. The Group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the European Commission. The accounting 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 Accounts Act for Credit Institutions and Securities Companies*, the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) on *Annual Reports in Credit Institutions and Securities Companies* and the *Supplementary Accounting Rules for Legal Entities (RFR 2)* issued by the Swedish Financial Reporting Board.

From 2014, several new and changed standards are applicable regarding consolidation: IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 *Separate Financial Statements*, IAS 28 *Investments in Associates and Joint Ventures*. These changes have not had a significant impact on the financial reports of the Group or its capital adequacy and large exposure. In the future, the criteria for when a company has control over another company in IFRS 10

may imply consolidation of some funds if facts change, which would imply an increase in total assets. The new and changed standards require more extensive disclosure related to consolidation, particularly regarding interests in structured entities that are not consolidated.

From 2014 a clarification of the requirements for when financial assets and liabilities can be offset according to IAS 32 *Financial Instruments: Presentation* is applicable. Further an amendment of IAS 39 *Financial instruments: Recognition and measurement* makes it, under certain circumstances, possible to continue hedge accounting when a hedging derivative is novated to a clearing counterpart (CCP). The disclosure requirements in IAS 36 *Impairment of Assets* have been amended with regard to the recoverable amount of impaired non-financial assets. These amendments have not had an impact on the financial statements of the Group or on capital adequacy and large exposures.

Starting from 2014 SEB presents impairment of seized tangible assets as Gains less losses from tangible and intangible assets rather than as Depreciation, amortisation and impairment of tangible and intangible assets. The purpose is to better reflect the similar character of impairment of assets that are taken over to protect claims on counterparties and credit losses. The change did not have a material impact on the financial statements of the Group.

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 2013 Annual Report.

## Review report

We have reviewed this report for the period 1 January 2014 to 30 June 2014 for Skandinaviska Enskilda Banken AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

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

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

## Stockholm, 14 July 2014

PricewaterhouseCoopers AB

Peter Nyllinge  
Authorised Public Accountant  
Partner in charge

Magnus Svensson Henryson  
Authorised Public Accountant

# The SEB Group

## Income statement – SEB Group

SEK m	Q2			Q1			Q2			Jan - Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2014	2013	%	2013	
Net interest income	4 943	4 818	3	4 677	6	9 761	9 136	7	18 827				
Net fee and commission income	4 211	3 728	13	3 811	10	7 939	7 058	12	14 664				
Net financial income	845	1 079	-22	1 087	-22	1 924	2 041	-6	4 052				
Net life insurance income	844	818	3	689	22	1 662	1 571	6	3 255				
Net other income	234	0		384	-39	234	393	-40	755				
<b>Total operating income</b>	<b>11 077</b>	<b>10 443</b>	<b>6</b>	<b>10 648</b>	<b>4</b>	<b>21 520</b>	<b>20 199</b>	<b>7</b>	<b>41 553</b>				
Staff costs	-3 493	-3 461	1	-3 613	-3	-6 954	-7 169	-3	-14 029				
Other expenses	-1 549	-1 431	8	-1 481	5	-2 980	-3 062	-3	-6 299				
Depreciation, amortisation and impairment of tangible and intangible assets	- 477	- 446	7	- 491	-3	- 923	- 942	-2	-1 959				
<b>Total operating expenses</b>	<b>-5 519</b>	<b>-5 338</b>	<b>3</b>	<b>-5 585</b>	<b>-1</b>	<b>-10 857</b>	<b>-11 173</b>	<b>-3</b>	<b>-22 287</b>				
<b>Profit before credit losses</b>	<b>5 558</b>	<b>5 105</b>	<b>9</b>	<b>5 063</b>	<b>10</b>	<b>10 663</b>	<b>9 026</b>	<b>18</b>	<b>19 266</b>				
Gains less losses from tangible and intangible assets	- 24	8		11		- 16	21		16				
Net credit losses	-283	-258	10	-291	-3	-541	-547	-1	-1 155				
<b>Operating profit</b>	<b>5 251</b>	<b>4 855</b>	<b>8</b>	<b>4 783</b>	<b>10</b>	<b>10 106</b>	<b>8 500</b>	<b>19</b>	<b>18 127</b>				
Income tax expense	-1 077	-971	11	-975	10	-2 048	-1 680	22	-3 338				
<b>Net profit from continuing operations</b>	<b>4 174</b>	<b>3 884</b>	<b>7</b>	<b>3 808</b>	<b>10</b>	<b>8 058</b>	<b>6 820</b>	<b>18</b>	<b>14 789</b>				
Discontinued operations				-17	-100		-17	-100	-11				
<b>Net profit</b>	<b>4 174</b>	<b>3 884</b>	<b>7</b>	<b>3 791</b>	<b>10</b>	<b>8 058</b>	<b>6 803</b>	<b>18</b>	<b>14 778</b>				
Attributable to minority interests				1	-100		4	-100	7				
Attributable to shareholders	4 174	3 884	7	3 790	10	8 058	6 799	19	14 771				
Continuing operations													
Basic earnings per share, SEK	1.90	1.77		1.74		3.67	3.11		6.74				
Diluted earnings per share, SEK	1.89	1.76		1.72		3.65	3.09		6.69				
Total operations													
Basic earnings per share, SEK	1.90	1.77		1.73		3.67	3.10		6.74				
Diluted earnings per share, SEK	1.89	1.76		1.72		3.65	3.08		6.69				

## Statement of comprehensive income – SEB Group

SEK m	Q2			Q1			Q2			Jan - Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2014	2013	%	2013	
<b>Net profit</b>	<b>4 174</b>	<b>3 884</b>	<b>7</b>	<b>3 791</b>	<b>10</b>	<b>8 058</b>	<b>6 803</b>	<b>18</b>	<b>14 778</b>				
<i>Items that may subsequently be reclassified to the income statement:</i>													
Available-for-sale financial assets	294	407	-28	- 65		701	412	70	1 105				
Cash flow hedges	887	646	37	- 650		1 533	-1 198		- 905				
Translation of foreign operations	394	- 21		972	-59	373	329	13	403				
<i>Items that will not be reclassified to the income statement:</i>													
Defined benefit plans	-1 985	143		- 91		-1 842	685		5 083				
<b>Other comprehensive income (net of tax)</b>	<b>- 410</b>	<b>1 175</b>		<b>166</b>		<b>765</b>	<b>228</b>		<b>5 686</b>				
<b>Total comprehensive income</b>	<b>3 764</b>	<b>5 059</b>	<b>-26</b>	<b>3 957</b>	<b>-5</b>	<b>8 823</b>	<b>7 031</b>	<b>25</b>	<b>20 464</b>				
Attributable to minority interests		1	-100	2	-100		1		6				
Attributable to shareholders	3 764	5 058	-26	3 955	-5	8 823	7 030	26	20 458				

## Balance sheet – SEB Group

SEK m	30 Jun 2014	31 Dec 2013	30 Jun 2013
Cash and cash balances with central banks	184 555	173 950	238 469
Other lending to central banks	7 705	9 661	5 146
Loans to other credit institutions <sup>1)</sup>	117 076	102 623	136 914
Loans to the public	1 387 929	1 302 568	1 290 222
Financial assets at fair value *	822 099	776 624	790 280
Available-for-sale financial assets *	49 537	48 903	46 594
Held-to-maturity investments *	88	85	84
Assets held for sale	900		
Investments in associates	1 346	1 274	1 237
Tangible and intangible assets	28 424	28 924	29 246
Other assets	54 125	40 222	57 445
<b>Total assets</b>	<b>2 653 784</b>	<b>2 484 834</b>	<b>2 595 637</b>
Deposits from central banks and credit institutions	201 269	176 191	228 544
Deposits and borrowing from the public	890 049	849 475	898 461
Liabilities to policyholders	340 449	315 512	296 125
Debt securities	743 392	713 990	701 784
Other financial liabilities at fair value	253 025	213 945	254 308
Liabilities held for sale	1 721		
Other liabilities	68 129	68 106	81 043
Provisions	2 278	1 992	3 186
Subordinated liabilities	30 248	22 809	22 806
Total equity	123 224	122 814	109 380
<b>Total liabilities and equity</b>	<b>2 653 784</b>	<b>2 484 834</b>	<b>2 595 637</b>
* Of which bonds and other interest bearing securities.	329 078	425 034	462 075

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

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

## Pledged assets, contingent liabilities and commitments – SEB Group

SEK m	30 Jun 2014	31 Dec 2013	30 Jun 2013
Collateral pledged for own liabilities <sup>1)</sup>	436 038	363 946	382 967
Assets pledged for liabilities to insurance policyholders	340 449	325 717	296 125
<b>Collateral and comparable security pledged for own liabilities</b>	<b>776 487</b>	<b>689 663</b>	<b>679 092</b>
Other pledged assets and comparable collateral <sup>2)</sup>	138 985	111 914	129 737
Contingent liabilities	107 841	103 399	97 038
Commitments	559 508	486 844	447 146

1) Of which collateralised for covered bonds SEK 335,679m (345,602/321,404).

2) Securities lending SEK 61,630m (58,046/76,366) and pledged but unencumbered bonds SEK 73,392m (50,367/53,371).

## Key figures – SEB Group

Total operations	Q2	Q1	Q2	Jan - Jun		Full year
	2014	2014	2013	2014	2013	2013
Return on equity, %	13.77	12.62	14.02	13.14	12.47	13.11
Return on total assets, %	0.61	0.60	0.58	0.61	0.53	0.58
Return on risk exposure amount, %	2.81	2.64	2.39	2.72	1.52	2.38
Cost/income ratio	0.50	0.51	0.52	0.50	0.55	0.54
Basic earnings per share, SEK	1.90	1.77	1.73	3.67	3.10	6.74
Weighted average number of shares, millions <sup>2)</sup>	2 194	2 190	2 189	2 193	2 190	2 191
Diluted earnings per share, SEK	1.89	1.76	1.72	3.65	3.08	6.69
Weighted average number of diluted shares, millions <sup>3)</sup>	2 212	2 207	2 208	2 208	2 208	2 207
Net worth per share, SEK	62.47	60.45	55.93	62.47	55.93	62.10
Equity per share, SEK	56.27	54.60	49.93	56.27	49.93	56.33
Average shareholders' equity, SEK, billion	121.3	123.1	108.2	122.6	109.0	112.6
Credit loss level, %	0.08	0.07	0.09	0.08	0.08	0.09
Liquidity Coverage Ratio (LCR) <sup>4)</sup> , %	127	137	114	127	114	129
<u>Own funds requirement, Basel III<sup>5)</sup></u>						
Risk exposure amount, SEK m	598 162	587 503	628 031	598 162	628 031	598 324
Expressed as own funds requirement, SEK m	47 853	47 000	50 242	47 853	50 242	47 866
Common Equity Tier 1 capital ratio, %	16.0	15.7	14.2	16.0	14.2	15.0
Tier 1 capital ratio, %	17.9	17.6	16.5	17.9	16.5	17.1
Total capital ratio, %	20.5	18.7	17.3	20.5	17.3	18.1
Number of full time equivalents <sup>1)</sup>	15 771	15 620	16 023	15 667	15 985	15 870
Assets under custody, SEK billion	6 161	6 003	5 411	6 161	5 411	5 958
Assets under management, SEK billion	1 605	1 504	1 387	1 605	1 387	1 475

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

2) The number of issued shares was 2,194,171,802. SEB owned 14,421,073 Class A shares for the equity based programmes at year end 2013. During 2014 SEB has not repurchased any shares and 9,447,428 shares have been sold. Thus, as at 30 June 2014 SEB owned 4,973,645 Class A-shares with a market value of SEK 444m.

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

4) According to Swedish FSA regulations for respective period.

5) Estimate for respective comparative period based on SEB's interpretation of future regulation.

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

## Income statement on quarterly basis - SEB Group

SEK m	Q2	Q1	Q4	Q3	Q2
	2014	2014	2013	2013	2013
Net interest income	4 943	4 818	4 932	4 759	4 677
Net fee and commission income	4 211	3 728	3 871	3 735	3 811
Net financial income	845	1 079	1 186	825	1 087
Net life insurance income	844	818	890	794	689
Net other income	234	0	151	211	384
<b>Total operating income</b>	<b>11 077</b>	<b>10 443</b>	<b>11 030</b>	<b>10 324</b>	<b>10 648</b>
Staff costs	-3 493	-3 461	-3 386	-3 474	-3 613
Other expenses	-1 549	-1 431	-1 780	-1 457	-1 481
Depreciation, amortisation and impairment of tangible and intangible assets	- 477	- 446	- 495	- 522	- 491
<b>Total operating expenses</b>	<b>-5 519</b>	<b>-5 338</b>	<b>-5 661</b>	<b>-5 453</b>	<b>-5 585</b>
<b>Profit before credit losses</b>	<b>5 558</b>	<b>5 105</b>	<b>5 369</b>	<b>4 871</b>	<b>5 063</b>
Gains less losses from tangible and intangible assets	- 24	8	- 19	14	11
Net credit losses	- 283	- 258	- 341	- 267	- 291
<b>Operating profit</b>	<b>5 251</b>	<b>4 855</b>	<b>5 009</b>	<b>4 618</b>	<b>4 783</b>
Income tax expense	-1 077	- 971	- 793	- 865	- 975
<b>Net profit from continuing operations</b>	<b>4 174</b>	<b>3 884</b>	<b>4 216</b>	<b>3 753</b>	<b>3 808</b>
Discontinued operations			6		- 17
<b>Net profit</b>	<b>4 174</b>	<b>3 884</b>	<b>4 222</b>	<b>3 753</b>	<b>3 791</b>
Attributable to minority interests			1	2	1
Attributable to shareholders	4 174	3 884	4 221	3 751	3 790
Continuing operations					
Basic earnings per share, SEK	1.90	1.77	1.93	1.71	1.74
Diluted earnings per share, SEK	1.89	1.76	1.92	1.70	1.72
Total operations					
Basic earnings per share, SEK	1.90	1.77	1.93	1.71	1.73
Diluted earnings per share, SEK	1.89	1.76	1.92	1.70	1.72

## Income statement by Division and Business Area – SEB Group

Jan-Jun 2014, SEK m	Merchant Banking	Retail Banking	Wealth Management	Life	Baltic	Other	Eliminations	SEB Group
Net interest income	4 237	4 181	377	- 23	1 090	- 86	- 15	9 761
Net fee and commission income	3 157	2 035	1 744		507	34	462	7 939
Net financial income	1 753	162	96		148	- 235		1 924
Net life insurance income				2 395			- 733	1 662
Net other income	64	68	64		- 17	69	- 14	234
<b>Total operating income</b>	<b>9 211</b>	<b>6 446</b>	<b>2 281</b>	<b>2 372</b>	<b>1 728</b>	<b>- 218</b>	<b>- 300</b>	<b>21 520</b>
Staff costs	- 1 821	- 1 347	- 612	- 611	- 339	- 2 250	26	- 6 954
Other expenses	- 2 310	- 1 476	- 650	- 237	- 463	1 882	274	- 2 980
Depreciation, amortisation and impairment of tangible and intangible assets	- 63	- 29	- 19	- 478	- 46	- 288		- 923
<b>Total operating expenses</b>	<b>- 4 194</b>	<b>- 2 852</b>	<b>- 1 281</b>	<b>- 1 326</b>	<b>- 848</b>	<b>- 656</b>	<b>300</b>	<b>- 10 857</b>
<b>Profit before credit losses</b>	<b>5 017</b>	<b>3 594</b>	<b>1 000</b>	<b>1 046</b>	<b>880</b>	<b>- 874</b>		<b>10 663</b>
Gains less losses from tangible and intangible assets	- 12				- 4			- 16
Net credit losses	- 196	- 270			- 75			- 541
<b>Operating profit</b>	<b>4 809</b>	<b>3 324</b>	<b>1 000</b>	<b>1 046</b>	<b>801</b>	<b>- 874</b>		<b>10 106</b>

Wealth Management and Life are held together in a new division, Life & Wealth Management but are still reported separately.

## SEB's markets

SEB offers universal financial advice and services in Sweden and the Baltic countries. In Denmark, Finland, Norway and Germany, the bank's operations have a strong focus on corporate and investment banking based on a full-service offering to corporate and institutional clients. In addition, SEB serves its corporate and institutional customers through its international network.

### Profit per country

Distribution by country Jan - Jun											Operating profit in local currency		
SEK m	Total operating income			Total operating expenses			Operating profit			2014	2013	%	
	2014	2013	%	2014	2013	%	2014	2013	%				
Sweden	12 188	12 097	1	-7 082	-7 311	-3	4 675	4 520	3	4 675	4 520	3	
Norway	1 629	1 530	6	-549	-606	-9	1 030	898	15	952	792	20	
Denmark	1 701	1 447	18	-600	-656	-9	1 078	759	42	898	663	35	
Finland	934	767	22	-352	-308	14	576	454	27	64	53	21	
Germany*	1 857	1 558	19	-829	-836	-1	1 058	725	46	118	85	39	
Estonia	603	548	10	-263	-255	3	353	330	7	39	39	0	
Latvia	482	472	2	-260	-244	7	144	87	66	16	10	60	
Lithuania	786	678	16	-337	-362	-7	435	265	64	168	107	57	
Other countries and eliminations	1 340	1 102	22	-585	-595	-2	757	462	64				
<b>Total</b>	<b>21 520</b>	<b>20 199</b>	<b>7</b>	<b>-10 857</b>	<b>-11 173</b>	<b>-3</b>	<b>10 106</b>	<b>8 500</b>	<b>19</b>				

\*Excluding centralised Treasury operations

- Lending volumes in Sweden increased by SEK 67bn
- Significant year-on-year improvements in operating profit
- Generally reduced operating expenses

### Comments on the first six months

In *Sweden*, operating profit increased by 3 per cent. The divisional combined result increased by 19 per cent. This was offset by lower income in the centralised treasury function due to the low-yield environment as well as a capital gain in 2013. Operating income in Sweden was somewhat higher with stronger net interest income and net fee and commission income. Customers in both the corporate and private segments increased lending and deposit volumes. Fee income increased mainly from custody, mutual funds and secondary commissions. Operating expenses decreased by 3 per cent.

In *Norway*, the second quarter operating income was higher than the first. Year-to-date operating income was up by 6 per cent. Client Coverage and parts of Investment Banking within Merchant Banking improved significantly. The high activity level and improved operating income in combination with a 9 per cent reduction of operating expenses compared to same period 2013 led to an increase in operating profit of 15 per cent.

In *Denmark*, strong performance within corporate and investment banking and one-off reversals of provisions for cost were the main drivers behind the increase in operating

profit by 42 per cent compared to the same period last year. Total costs were down by 9 per cent.

In *Finland*, operating profit increased by 27 per cent year-on-year. Operating profit in Merchant Banking increased by 30 per cent even though one-off effects increased expenses by 17 per cent. Wealth Management maintained stable income and expense levels.

In *Germany*, operating profit increased by 46 per cent in comparison to the first six months 2013. The main driver was the result of the business area Markets and continued strong progress in Investment Banking. SEB's position in the German corporate banking market improved further through cross-selling initiatives, bond mandates and new clients. Wealth Management operating profit was lower due to lower operating income.

In *Estonia* operating profit was stable. In *Latvia*, operating profit increased as the credit losses were half of those in the first six months 2013. In *Lithuania* income was up, expenses down and the asset quality improved. See also the information on the Baltic division.

## Merchant Banking

The Merchant Banking division offers commercial and investment banking services to large corporate and institutional clients, mainly in the Nordic region and Germany. Customers are also served through an extensive international presence.

### Income statement

SEK m	Q2		Q1		Q2		Jan- Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2013	
Net interest income	2 218	2 019	10	1 801	23	4 237	3 532	20	7 356	
Net fee and commission income	1 752	1 405	25	1 562	12	3 157	2 594	22	5 498	
Net financial income	785	968	-19	961	-18	1 753	1 855	-5	3 601	
Net other income	101	- 37		18		64	19		274	
<b>Total operating income</b>	<b>4 856</b>	<b>4 355</b>	<b>12</b>	<b>4 342</b>	<b>12</b>	<b>9 211</b>	<b>8 000</b>	<b>15</b>	<b>16 729</b>	
Staff costs	- 929	- 892	4	- 935	-1	-1 821	-1 850	-2	-3 703	
Other expenses	-1 156	-1 154	0	-1 122	3	-2 310	-2 217	4	-4 456	
Depreciation, amortisation and impairment of tangible and intangible assets	- 31	- 32	-3	- 42	-26	- 63	- 76	-17	- 148	
<b>Total operating expenses</b>	<b>-2 116</b>	<b>-2 078</b>	<b>2</b>	<b>-2 099</b>	<b>1</b>	<b>-4 194</b>	<b>-4 143</b>	<b>1</b>	<b>-8 307</b>	
<b>Profit before credit losses</b>	<b>2 740</b>	<b>2 277</b>	<b>20</b>	<b>2 243</b>	<b>22</b>	<b>5 017</b>	<b>3 857</b>	<b>30</b>	<b>8 422</b>	
Gains less losses from tangible and intangible assets	- 12					- 12			- 18	
Net credit losses	- 144	- 52	177	- 59	144	- 196	- 84	133	- 233	
<b>Operating profit</b>	<b>2 584</b>	<b>2 225</b>	<b>16</b>	<b>2 184</b>	<b>18</b>	<b>4 809</b>	<b>3 773</b>	<b>27</b>	<b>8 171</b>	
Cost/Income ratio	0.44	0.48		0.48		0.46	0.52		0.50	
Business equity, SEK bn	52.7	50.7		49.3		51.7	49.0		48.8	
Return on business equity, %	15.1	13.5		13.7		14.3	11.9		12.9	
Number of full time equivalents <sup>1)</sup>	2 216	2 210		2 228		2 207	2 273		2 245	

<sup>1)</sup> Quarterly numbers are for last month of quarter. Accumulated numbers are average for the period.

- Operating profit improved by 27 per cent
- Client activity continued to increase, primarily in advisory-driven areas
- The green bond market, where SEB is world market leader, reached new record level of issuance

### Comments on the first six months

The positive trends seen in the first quarter continued into the second moving the global economy slowly onto more firm ground but with large regional differences. Scandinavia and Germany continued to show progress but were to a large extent affected by the remaining risk of deflation in the euro-zone. Along with the Ukraine turmoil, the development in the Middle East added uncertainty.

The evidence of a strengthened corporate confidence from early 2014 persisted and SEB continued to capitalise on its proven business model by assisting in the realisation of a wide range of corporate activities. The level of competition remained high, mainly driven by supply of excess liquidity, both from Nordic and international banks.

Operating income for the first half of 2014 amounted to SEK 9,211m, an increase of 15 per cent year-on-year (8,000). This was driven by improved income across all business areas reflecting the higher activity levels. The focus on cost efficiency continued and operating expenses amounted to

SEK 4,194m (4,143). Asset quality was high and net credit losses were consequently kept at a low level, at SEK 196m (84). Operating profit amounted to SEK 4,809m, an increase of 27 per cent versus the first half of last year (3,773).

*Markets* performed in line with the corresponding period last year. Fixed income activities were challenged by the continued low interest rate environment and low volatility levels. FX, also affected by low volatility, managed to perform relatively well. The equities business improved, especially within the equity capital market area.

*Transaction Banking* showed a positive development for the first half of 2014 mainly due to increased volumes. Assets under custody amounted to SEK 6,161bn (5,411).

*Corporate & Investment Banking* outperformed last year. In a positive market development, the advisory-driven result followed the trend from the first quarter.

SEB continued the long-term strategy to deepen client relationships in the Nordic and German customer base.



## Retail Banking

The Retail Banking 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 all four Nordic countries.

### Income statement

SEK m	Q2		Q1		Q2		Jan- Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2013	
Net interest income	2 119	2 062	3	1 924	10	4 181	3 753	11	7 729	
Net fee and commission income	1 053	982	7	1 007	5	2 035	1 976	3	4 045	
Net financial income	82	80	3	106	-23	162	194	-16	384	
Net other income	20	48	-58	27	-26	68	39	74	85	
<b>Total operating income</b>	<b>3 274</b>	<b>3 172</b>	<b>3</b>	<b>3 064</b>	<b>7</b>	<b>6 446</b>	<b>5 962</b>	<b>8</b>	<b>12 243</b>	
Staff costs	- 673	- 674	0	- 752	-11	-1 347	-1 513	-11	-2 903	
Other expenses	- 753	- 723	4	- 743	1	-1 476	-1 498	-1	-3 034	
Depreciation, amortisation and impairment of tangible and intangible assets	- 16	- 13	23	- 17	-6	- 29	- 36	-19	- 63	
<b>Total operating expenses</b>	<b>-1 442</b>	<b>-1 410</b>	<b>2</b>	<b>-1 512</b>	<b>-5</b>	<b>-2 852</b>	<b>-3 047</b>	<b>-6</b>	<b>-6 000</b>	
<b>Profit before credit losses</b>	<b>1 832</b>	<b>1 762</b>	<b>4</b>	<b>1 552</b>	<b>18</b>	<b>3 594</b>	<b>2 915</b>	<b>23</b>	<b>6 243</b>	
Gains less losses from tangible and intangible assets									1	
Net credit losses	- 135	- 135	0	- 154	-12	- 270	- 285	-5	- 501	
<b>Operating profit</b>	<b>1 697</b>	<b>1 627</b>	<b>4</b>	<b>1 398</b>	<b>21</b>	<b>3 324</b>	<b>2 630</b>	<b>26</b>	<b>5 743</b>	
Cost/Income ratio	0.44	0.44		0.49		0.44	0.51		0.49	
Business equity, SEK bn	24.4	24.4		20.2		24.4	20.2		20.2	
Return on business equity, %	21.4	20.6		21.3		21.0	20.0		21.9	
Number of full time equivalents <sup>1)</sup>	3 453	3 326		3 585		3 364	3 513		3 452	

<sup>1)</sup> Quarterly numbers are for last month of quarter. Accumulated numbers are average for the period.

- Operating profit increased by 26 per cent
- Simplified holistic savings offering introduced
- The card acquiring business, Euroline AB, was divested

### Comments on the first six months

The strong result from the first six months was mainly driven by an increase in customer activity and lower costs. The focus on attracting corporate customers continued and some 6,400 new corporate customers were welcomed and the total number of full-service corporate customers was 146,000.

The number of full-service private customers grew by some 6,400 to 472,300.

Simplified savings advice and a holistic offer to private customers were introduced and well received. Further initiatives in developing the payments offering were taken in June when consumer to business payments in the SWISH-network was launched.

Operating income increased by 8 per cent compared to the same period in 2013 mainly due to an increase in net interest income. Operating expenses decreased by 6 per cent to SEK 2,852m. The net credit losses amounted to SEK 270m.

The household mortgage portfolio grew by SEK 12bn and reached SEK 386bn. (SEB's total mortgage portfolio in Sweden grew by SEK 12bn to SEK 394bn). Individual amortisation

plans were introduced and are now standard in all customer advisory meetings.

Corporate customer demand for additional financing remained relatively low as a consequence of the macroeconomic environment. Corporate lending grew by SEK 2bn to SEK 171bn and margins were flat.

Total deposits increased by SEK 7bn to SEK 234bn.

The Card business showed continued profit growth, up 24 per cent compared to last year. This was a result of both lower expenses and higher income. During the second quarter the Card business signed an agreement for the sale of the card acquiring business, Euroline AB, to Nordic Capital. SEB will establish close cooperation with Euroline after closing in order to keep acquiring services as part of the corporate offering. The acquisition of the Business Eurocard operations in Finland was finalised and transferred to SEB Card as from April 1. SEB now offers the Eurocard brand in all Nordic countries.

## Wealth Management

The Wealth Management operations offer a full spectrum of asset management and advisory services to institutions and high net-worth individuals, including the leading Nordic private banking offering.

### Income statement

SEK m	Q2		Q1		Q2		Jan- Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2013	
Net interest income	194	183	6	180	8	377	337	12	675	
Net fee and commission income	895	849	5	832	8	1744	1653	6	3332	
Net financial income	45	51	-12	52	-13	96	90	7	154	
Net other income	57	7		60	-5	64	62	3	71	
<b>Total operating income</b>	<b>1 191</b>	<b>1 090</b>	<b>9</b>	<b>1 124</b>	<b>6</b>	<b>2 281</b>	<b>2 142</b>	<b>6</b>	<b>4 232</b>	
Staff costs	- 305	- 307	-1	- 297	3	- 612	- 614	0	-1214	
Other expenses	- 318	- 332	-4	- 349	-9	- 650	- 650	0	-1351	
Depreciation, amortisation and impairment of tangible and intangible assets	- 9	- 10	-10	- 9	0	- 19	- 19	0	- 42	
<b>Total operating expenses</b>	<b>- 632</b>	<b>- 649</b>	<b>-3</b>	<b>- 655</b>	<b>-4</b>	<b>-1 281</b>	<b>-1 283</b>	<b>0</b>	<b>-2 607</b>	
<b>Profit before credit losses</b>	<b>559</b>	<b>441</b>	<b>27</b>	<b>469</b>	<b>19</b>	<b>1 000</b>	<b>859</b>	<b>16</b>	<b>1 625</b>	
Gains less losses from tangible and intangible assets										
Net credit losses				- 1	-100				- 15	
<b>Operating profit</b>	<b>559</b>	<b>441</b>	<b>27</b>	<b>468</b>	<b>19</b>	<b>1 000</b>	<b>859</b>	<b>16</b>	<b>1 610</b>	
Cost/Income ratio	0.53	0.60		0.58		0.56	0.60		0.62	
Business equity, SEK bn	8.4	9.0		8.3		8.7	8.4		8.3	
Return on business equity, %	20.5	15.1		17.3		17.7	15.8		14.9	
Number of full time equivalents <sup>1)</sup>	893	882		890		883	907		891	

<sup>1)</sup> Quarterly numbers are for last month of quarter. Accumulated numbers are average for the period.

- Operating profit improved by 16 per cent and assets under management reached an all-time high of SEK 1,535bn
- Private Banking continued to attract new clients and volumes
- SEB won several new discretionary mandates of significant size among institutional clients

### Comments on the first six months

There was a marked more optimistic sentiment among investors which contributed to a continued positive stock market development during the first six months of 2014.

Compared to the first half of 2013, the average asset under management increased as a result of higher net inflows in combination with a positive stock market development. Margins were slightly lower due to new larger mandates won.

The operating profit was up by 16 per cent compared to the same period last year. Base commissions increased to SEK 1,479m (1,351) as a result of the higher average asset values. Brokerage fees and net interest income increased by 11 and 12 per cent, respectively, compared to the first half of 2013. The income from performance fees was down from SEK 120m to SEK 64m due to lower fees from one larger discretionary mandate. Operating expenses were stable during the first half of the year.

Private Banking attracted SEK 21bn of new volumes during the first six months, which was slightly higher than last year. The volume growth was mainly in the high net worth individual (HNWI) segment across all geographic markets.

Private Banking customers were also active investors in many of the initial public offerings carried out during the first six months.

For Institutional Clients, the first six months were marked by a new all-time high in sales and several new mandates were won. The launch of new Tier 1 long-term products such as SEB Micro Finance Fund 2, continued to attract customer interest.

Funds managed by SEB increased as a share of customers' net investments. The demand for SEB's allocation products among the private customers, such as SEB strategy funds, increased during the period.

The business area's total assets under management increased by 18 per cent compared to one year ago and amounted to an all-time high of SEK 1,535bn (1,302).

## Life

Life offers life insurance products with a focus on unit-linked insurance for private individuals and corporate customers, mainly in Sweden, Denmark and the Baltic countries.

### Income statement

SEK m	Q2			Q1			Q2			Jan- Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2014	2013	%	2013	
Net interest income	- 11	- 12	- 8	- 18	- 39	- 23	- 36	- 36	- 23	- 36	- 36	- 55	
Net life insurance income	1 208	1 187	2	1 024	18	2 395	2 242	7	2 395	2 242	7	4 645	
<b>Total operating income</b>	<b>1 197</b>	<b>1 175</b>	<b>2</b>	<b>1 006</b>	<b>19</b>	<b>2 372</b>	<b>2 206</b>	<b>8</b>	<b>2 372</b>	<b>2 206</b>	<b>8</b>	<b>4 590</b>	
Staff costs	- 311	- 300	4	- 289	8	- 611	- 589	4	- 611	- 589	4	- 1 186	
Other expenses	- 141	- 96	47	- 151	- 7	- 237	- 297	- 20	- 237	- 297	- 20	- 577	
Depreciation, amortisation and impairment of tangible and intangible assets	- 250	- 228	10	- 236	6	- 478	- 467	2	- 478	- 467	2	- 935	
<b>Total operating expenses</b>	<b>- 702</b>	<b>- 624</b>	<b>13</b>	<b>- 676</b>	<b>4</b>	<b>- 1 326</b>	<b>- 1 353</b>	<b>- 2</b>	<b>- 1 326</b>	<b>- 1 353</b>	<b>- 2</b>	<b>- 2 698</b>	
<b>Profit before credit losses</b>	<b>495</b>	<b>551</b>	<b>- 10</b>	<b>330</b>	<b>50</b>	<b>1 046</b>	<b>853</b>	<b>23</b>	<b>1 046</b>	<b>853</b>	<b>23</b>	<b>1 892</b>	
<b>Operating profit</b>	<b>495</b>	<b>551</b>	<b>- 10</b>	<b>330</b>	<b>50</b>	<b>1 046</b>	<b>853</b>	<b>23</b>	<b>1 046</b>	<b>853</b>	<b>23</b>	<b>1 892</b>	
Cost/Income ratio	0.59	0.53		0.67		0.56	0.61		0.56	0.61		0.59	
Business equity, SEK bn	8.2	8.2		8.2		8.2	8.2		8.2	8.2		8.2	
Return on business equity, %	21.0	23.3		14.0		22.1	18.1		22.1	18.1		20.0	
Number of full time equivalents <sup>1)</sup>	1 308	1 317		1 349		1 318	1 340		1 318	1 340		1 343	

<sup>1)</sup> Quarterly numbers are for last month of quarter. Accumulated numbers are average for the period.

- Operating profit increased by 23 per cent
- Strong growth in premiums paid and assets under management
- Highest customer bonus rates among Danish pension companies

### Comments on the first six months

Sales were strong in Sweden and in Denmark compared to last year. The efforts in building a strong Life and Pension business in the Baltic countries continued.

Continued strong investment performance combined with solid solvency ratios has enabled SEB Pension to provide the highest bonus rate in Denmark, which has contributed to a positive inflow of new business volumes. As a result, the shift from traditional products to market products in Denmark slowed down. The Swedish market showed growth in the unit-linked as well as the traditional segments with a renewed interest in traditional products.

Operating profit for the first six months increased by 23 per cent to SEK 1,046m (853). The unit-linked related business grew by 5 per cent and continued to represent a major part of total income. The increase was primarily a result of higher fund values, but also of higher premium volumes. Income in traditional and risk insurance related products also improved compared to last year. In total, year-on-year operating income increased by 8 per cent.

Expenses decreased by 2 per cent compared to last year. The first quarter expenses were positively impacted by reversal of VAT charges in SEB Pension, Denmark.

Total premium income relating to both new and existing policies increased. During the first six months premium income amounted to SEK 18bn, which was 17 per cent higher than last year. The increase was mainly a result of growth in Sweden and in Denmark.

The weighted sales volume of new policies improved by 10 per cent to SEK 22bn. Unit-linked represented 85 per cent of sales (86) and the share of corporate paid policies was 73 per cent (69).

The total fund value in unit-linked amounted to SEK 255bn which is SEK 20bn higher than at year-end. The net inflow was SEK 3bn and the appreciation in value was SEK 17bn. Total assets under management amounted to SEK 536bn<sup>1)</sup>.

1) IPS and pension funds are included from 2014 with a volume of SEK 27bn at end-of-period.

## Baltic

The Baltic division provides full banking and advisory services to private individuals and small and medium-sized corporate customers in Estonia, Latvia and Lithuania. The Baltic real estate holding companies (RHC) are part of the division. The full Baltic geographical segmentation, including other activities in the region, is reported in SEB's Fact Book.

### Income statement

SEK m	Q2			Q1			Q2			Jan- Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2014	2013	%	2013	
Net interest income	558	532	5	487	15	1 090	937	16	1 992			1 992	
Net fee and commission income	261	246	6	243	7	507	474	7	984			984	
Net financial income	73	75	-3	110	-34	148	190	-22	449			449	
Net other income	-11	-6	83	-11	0	-17	-15	13	-32			-32	
<b>Total operating income</b>	<b>881</b>	<b>847</b>	<b>4</b>	<b>829</b>	<b>6</b>	<b>1 728</b>	<b>1 586</b>	<b>9</b>	<b>3 393</b>			<b>3 393</b>	
Staff costs	-175	-164	7	-158	11	-339	-313	8	-650			-650	
Other expenses	-227	-236	-4	-240	-5	-463	-480	-4	-992			-992	
Depreciation, amortisation and impairment of tangible and intangible assets	-22	-24	-8	-22	0	-46	-44	5	-106			-106	
<b>Total operating expenses</b>	<b>-424</b>	<b>-424</b>	<b>0</b>	<b>-420</b>	<b>1</b>	<b>-848</b>	<b>-837</b>	<b>1</b>	<b>-1 748</b>			<b>-1 748</b>	
<b>Profit before credit losses</b>	<b>457</b>	<b>423</b>	<b>8</b>	<b>409</b>	<b>12</b>	<b>880</b>	<b>749</b>	<b>17</b>	<b>1 645</b>			<b>1 645</b>	
Gains less losses from tangible and intangible assets	-12	8		11		-4	21	-119	40			40	
Net credit losses	-4	-71	-94	-78	-95	-75	-176	-57	-405			-405	
<b>Operating profit</b>	<b>441</b>	<b>360</b>	<b>23</b>	<b>342</b>	<b>29</b>	<b>801</b>	<b>594</b>	<b>35</b>	<b>1 280</b>			<b>1 280</b>	
Cost/Income ratio	0.48	0.50		0.51		0.49	0.53		0.52			0.52	
Business equity, SEK bn	9.2	9.2		9.1		9.2	9.2		8.8			8.8	
Return on business equity, %	17.1	14.0		13.4		15.5	11.5		12.9			12.9	
Number of full time equivalents <sup>1)</sup>	2 780	2 780		2 793		2 783	2 799		2 799			2 799	

<sup>1)</sup> Quarterly numbers are for last month of quarter. Accumulated numbers are average for the period.

#### Baltic Banking (excl RHC)

<b>Operating profit</b>	<b>480</b>	<b>379</b>	<b>27</b>	<b>356</b>		<b>859</b>	<b>623</b>	<b>38</b>	<b>1 348</b>
Cost/Income ratio	0.46	0.48		0.48		0.47	0.50		0.49
Business equity, SEK bn	8.7	8.8		8.7		8.8	8.9		8.4
Return on business equity, %	19.5	15.3		14.6		17.4	12.5		14.2

- Operating profit increased by 35 per cent year-on-year
- SEB was named Best Bank in Estonia by Euromoney
- Lithuania approved to be the 19<sup>th</sup> member of the euro-zone from January 2015

#### Comments on the first six months

Baltic consumer confidence continued its upward trend of recent years. Together with real wage growth and lower unemployment, this has sustained a stable growth in private consumption that continued to drive GDP growth. Baltic exports have, however, shown a somewhat weaker trend, impacted by the Russia-Ukraine conflict.

SEB launched Home Chooser, an internet-based portal, with a search function of real estate for sale. The new platform is free to use, is open to all in Estonia and Latvia and has been appreciated by customers. In Estonia and Lithuania, SEB launched upgraded internet banks.

Baltic loan volumes were stable at SEK 103bn. Growth in Estonian household and corporate lending volumes was offset in Latvia, where lending volumes decreased, while they were stable in Lithuania. Lending margins remained relatively stable across the portfolio, with slightly higher margins on new corporate loans.

Baltic home banking customers increased by 15,000 year-on-year and deposit volumes totalled SEK 81bn (70). In spite of the low deposit margins prevailing in each of the Baltic countries, net interest income increased by 16 per cent year-on-year.

Operating profit was 35 per cent higher year-on-year and non-performing loans declined by 42 per cent. Net credit losses decreased by 57 per cent year-on-year and the net credit loss level was 15 basis points for the first six months.

SEB was named the Best Bank in Estonia by Euromoney and Best Custody Bank in Estonia, Lithuania and Latvia by Global Finance magazine. In the Latvian Corporate Sustainability Index 2014, SEB was ranked in the gold category for the fourth year in a row.

The real estate holding companies held assets at a total book value of SEK 2,788m (2,632).

# The SEB Group

## Net interest income – SEB Group

SEK m	Q2			Q1		Q2		Jan - Jun		Full year
	2014	2014	%	2013	%	2014	2013	%	2013	
Interest income	12 362	12 255	1	12 567	- 2	24 617	24 888	- 1	49 723	
Interest expense	-7 419	-7 437	0	-7 890	- 6	-14 856	-15 752	- 6	-30 896	
<b>Net interest income</b>	<b>4 943</b>	<b>4 818</b>	<b>3</b>	<b>4 677</b>	<b>6</b>	<b>9 761</b>	<b>9 136</b>	<b>7</b>	<b>18 827</b>	

## Net fee and commission income – SEB Group

SEK m	Q2			Q1		Q2		Jan - Jun		Full year
	2014	2014	%	2013	%	2014	2013	%	2013	
Issue of securities and advisory	297	232	28	161	84	529	226	134	716	
Secondary market and derivatives	1 015	482	111	647	57	1 497	1 142	31	2 001	
Custody and mutual funds	1 831	1 753	4	1 702	8	3 584	3 359	7	6 825	
Payments, cards, lending, deposits, guarantees and other	2 594	2 396	8	2 515	3	4 990	4 689	6	9 591	
<i>Whereof payments and card fees</i>	1 538	1 431	7	1 516	1	2 969	2 937	1	5 894	
<i>Whereof lending</i>	654	652	0	675	- 3	1 306	1 129	16	2 531	
<b>Fee and commission income</b>	<b>5 737</b>	<b>4 863</b>	<b>18</b>	<b>5 025</b>	<b>14</b>	<b>10 600</b>	<b>9 416</b>	<b>13</b>	<b>19 133</b>	
<b>Fee and commission expense</b>	<b>-1 526</b>	<b>-1 135</b>	<b>34</b>	<b>-1 214</b>	<b>26</b>	<b>-2 661</b>	<b>-2 358</b>	<b>13</b>	<b>-4 469</b>	
<b>Net fee and commission income</b>	<b>4 211</b>	<b>3 728</b>	<b>13</b>	<b>3 811</b>	<b>10</b>	<b>7 939</b>	<b>7 058</b>	<b>12</b>	<b>14 664</b>	
<i>Whereof Net securities commissions</i>	2 278	2 031	12	2 037	12	4 309	3 855	12	7 723	
<i>Whereof Net payments and card fees</i>	858	787	9	847	1	1 645	1 615	2	3 388	

## Net financial income – SEB Group

SEK m	Q2			Q1		Q2		Jan - Jun		Full year
	2014	2014	%	2013	%	2014	2013	%	2013	
Equity instruments and related derivatives	684	842	-19	7		1 526	-33		1 235	
Debt instruments and related derivatives	- 536	- 442	21	442		- 978	739		- 8	
Currency and related derivatives	650	649	0	650		1 299	1 371	-5	2 791	
Other	47	30	57	- 12		77	-36		34	
<b>Net financial income</b>	<b>845</b>	<b>1 079</b>	<b>-22</b>	<b>1 087</b>	<b>-22</b>	<b>1 924</b>	<b>2 041</b>	<b>-6</b>	<b>4 052</b>	

The result within Net financial income is presented on different rows based on type of underlying financial instrument. Changes in the Treasury result are due to changes in interest rates and credit spreads. The net effect from trading operations is fairly stable over time, although affected by seasonality, but shows volatility between lines.

For second quarter the positive effect from structured products offered to the public was approximately SEK 460m (Q1 2014: 620, Q2 2013: 200) in Equity related instruments and a corresponding negative (Q2 2013 positive) effect in Debt related instruments.

## Net credit losses – SEB Group

SEK m	Q2		Q1		Q2		Jan - Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2013	
<i>Provisions:</i>										
Net collective provisions for individually assessed loans	- 52	- 28	86	160		- 80	129	-162		59
Net collective provisions for portfolio assessed loans	126	75	68	90	40	201	320	-37		715
Specific provisions	- 170	- 120		- 380	-55	- 290	- 573	-49		- 756
Reversal of specific provisions no longer required	87	74	18	83	5	161	158	2		381
Net provisions for off-balance sheet items		- 11		1		- 11	7			11
<b>Net provisions</b>	<b>- 9</b>	<b>- 10</b>	<b>-10</b>	<b>- 46</b>	<b>-80</b>	<b>- 19</b>	<b>41</b>	<b>-146</b>		<b>410</b>
<i>Write-offs:</i>										
Total write-offs	- 584	- 363	61	- 651	-10	- 947	-1 470	-36		-3 755
Reversal of specific provisions utilized for write-offs	272	90		378	-28	362	818	-56		2 067
Write-offs not previously provided for	- 312	- 273	14	- 273	14	- 585	- 652	-10		-1 688
Recovered from previous write-offs	38	25	52	28	36	63	64	-2		123
<b>Net write-offs</b>	<b>- 274</b>	<b>- 248</b>	<b>10</b>	<b>- 245</b>	<b>12</b>	<b>- 522</b>	<b>- 588</b>	<b>-11</b>		<b>-1 565</b>
<b>Net credit losses</b>	<b>- 283</b>	<b>- 258</b>	<b>10</b>	<b>- 291</b>	<b>-3</b>	<b>- 541</b>	<b>- 547</b>	<b>-1</b>		<b>-1 155</b>

## Statement of changes in equity – SEB Group

SEK m	Share capital	Retained earnings	Other reserves				Total Shareholders' equity	Minority interests	Total Equity
			Available-for-sale financial assets	Cash flow hedges	Translation of foreign operations	Defined benefit plans			
<b>Jan-Jun 2014</b>									
Opening balance	21 942	97 704	1 378	783	-2 018	2 992	122 781	33	122 814
Net profit		8 058					8 058		8 058
Other comprehensive income (net of tax)			701	1 533	373	-1 842	765		765
<b>Total comprehensive income</b>		<b>8 058</b>	<b>701</b>	<b>1 533</b>	<b>373</b>	<b>-1 842</b>	<b>8 823</b>		<b>8 823</b>
Dividend to shareholders		-8 725					-8 725		-8 725
Equity-based programmes <sup>1)</sup>		365					365		365
Change in holdings of own shares		-53					-53		-53
<b>Closing balance</b>	<b>21 942</b>	<b>97 349</b>	<b>2 079</b>	<b>2 316</b>	<b>-1 645</b>	<b>1 150</b>	<b>123 191</b>	<b>33</b>	<b>123 224</b>
<b>Jan-Dec 2013</b>									
Opening balance	21 942	90 033	273	1 688	-2 422	-2 091	109 423	90	109 513
Net profit		14 771					14 771	7	14 778
Other comprehensive income (net of tax)			1 105	-905	404	5 083	5 687	-1	5 686
<b>Total comprehensive income</b>		<b>14 771</b>	<b>1 105</b>	<b>-905</b>	<b>404</b>	<b>5 083</b>	<b>20 458</b>	<b>6</b>	<b>20 464</b>
Dividend to shareholders		-6 004					-6 004	-63	-6 067
Equity-based programmes <sup>1)</sup>		-1 127					-1 127		-1 127
Change in holdings of own shares		31					31		31
<b>Closing balance</b>	<b>21 942</b>	<b>97 704</b>	<b>1 378</b>	<b>783</b>	<b>-2 018</b>	<b>2 992</b>	<b>122 781</b>	<b>33</b>	<b>122 814</b>
<b>Jan-Jun 2013</b>									
Opening balance	21 942	90 033	273	1 688	-2 422	-2 091	109 423	90	109 513
Net profit		6 799					6 799	4	6 803
Other comprehensive income (net of tax)			412	-1 198	332	685	231	-3	228
<b>Total comprehensive income</b>		<b>6 799</b>	<b>412</b>	<b>-1 198</b>	<b>332</b>	<b>685</b>	<b>7 030</b>	<b>1</b>	<b>7 031</b>
Dividend to shareholders		-6 004					-6 004	-63	-6 067
Equity-based programmes <sup>1)</sup>		-1 137					-1 137		-1 137
Change in holdings of own shares		40					40		40
<b>Closing balance</b>	<b>21 942</b>	<b>89 731</b>	<b>685</b>	<b>490</b>	<b>-2 090</b>	<b>-1 406</b>	<b>109 352</b>	<b>28</b>	<b>109 380</b>

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

1) The acquisition cost for the purchase of own shares is deducted from shareholders' equity. The item includes changes in nominal amounts of equity swaps used for hedging of equity-based programmes.

	Jan-Jun 2014	Jan-Dec 2013	Jan-Jun 2013
<b>Number of shares owned by SEB, million</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
Opening balance	14.4	2.2	2.2
Repurchased shares		32.2	15.0
Sold/distributed shares	-9.4	-20.0	-12.9
<b>Closing balance</b>	<b>5.0</b>	<b>14.4</b>	<b>4.3</b>

Market value of shares owned by SEB, SEK m

	444	1 223	273
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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.

## Cash flow statement – SEB Group

SEK m	Jan - Jun			Full year
	2014	2013	%	2013
Cash flow from operating activities	- 9 021	24 047		- 33 172
Cash flow from investment activities	- 182	- 1 431	- 87	- 1 835
Cash flow from financing activities	- 1 467	- 7 609	- 81	- 7 842
<b>Net increase in cash and cash equivalents</b>	<b>- 10 670</b>	<b>15 007</b>		<b>- 42 849</b>
Cash and cash equivalents at the beginning of year	213 388	257 292	- 17	257 292
Exchange rate differences on cash and cash equivalents	- 6 457	6 379		- 1 055
Net increase in cash and cash equivalents	- 10 670	15 007		- 42 849
<b>Cash and cash equivalents at the end of period<sup>1)</sup></b>	<b>196 261</b>	<b>278 678</b>	<b>- 30</b>	<b>213 388</b>

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

## Financial assets and liabilities – SEB Group

SEK m	30 Jun 2014		31 Dec 2013		30 Jun 2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Loans	1 663 210	1 679 442	1 551 591	1 557 769	1 625 766	1 630 341
Equity instruments	151 261	151 261	157 728	157 728	140 584	140 584
Debt instruments	344 542	344 592	325 730	325 750	338 563	338 105
Derivative instruments	166 770	166 770	142 377	142 377	184 613	184 613
Financial assets - policyholders bearing the risk	240 924	240 924	234 062	234 062	215 487	215 487
Other	34 703	34 703	23 102	23 102	28 514	28 514
<b>Financial assets</b>	<b>2 601 410</b>	<b>2 617 692</b>	<b>2 434 590</b>	<b>2 440 788</b>	<b>2 533 527</b>	<b>2 537 644</b>
Deposits	1 091 319	1 098 274	1 025 666	1 032 553	1 127 006	1 138 556
Equity instruments	53 321	53 321	44 231	44 231	37 563	37 563
Debt instruments	826 645	841 910	768 354	773 747	772 520	774 242
Derivative instruments	144 960	144 960	136 707	136 707	167 212	167 212
Liabilities to policyholders - investment contracts	242 118	242 118	223 494	223 494	206 641	206 641
Other	30 416	30 416	32 205	32 266	29 916	27 144
<b>Financial liabilities</b>	<b>2 388 779</b>	<b>2 410 999</b>	<b>2 230 657</b>	<b>2 242 998</b>	<b>2 340 858</b>	<b>2 351 358</b>

SEB has aggregated its financial instruments by class taking into account the characteristics of the instruments. The fair value of each class of financial assets and liabilities are compared with its carrying amount. A description of the characteristics of the classes can be found in note 41 in the Annual Report 2013.



## Assets and liabilities measured at fair value – SEB Group

SEK m	30 Jun 2014				31 Dec 2013			
	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
<b>Assets</b>								
Financial assets - policyholders bearing the risk	232 598	6 339	1 987	<b>240 924</b>	228 772	3 365	1 925	<b>234 062</b>
Equity instruments at fair value	118 418	21 631	11 919	<b>151 968</b>	118 182	29 160	11 059	<b>158 401</b>
Debt instruments at fair value	139 466	171 550	1 394	<b>312 410</b>	121 766	167 766	1 429	<b>290 961</b>
Derivative instruments at fair value	3 546	157 651	5 618	<b>166 815</b>	2 619	136 039	3 719	<b>142 377</b>
Investment properties			7 346	<b>7 346</b>			7 623	<b>7 623</b>
<b>Total</b>	<b>494 028</b>	<b>357 171</b>	<b>28 264</b>	<b>879 463</b>	<b>471 339</b>	<b>336 330</b>	<b>25 755</b>	<b>833 424</b>
<b>Liabilities</b>								
Liabilities to policyholders - investment contracts	233 770	6 353	1 995	<b>242 118</b>	218 914	3 119	1 461	<b>223 494</b>
Equity instruments at fair value	49 661	3 205	456	<b>53 322</b>	43 678	64	489	<b>44 231</b>
Debt instruments at fair value	28 342	24 664		<b>53 006</b>	23 466	38 086		<b>61 552</b>
Derivative instruments at fair value	3 352	135 683	5 925	<b>144 960</b>	5 437	127 532	3 738	<b>136 707</b>
<b>Total</b>	<b>315 125</b>	<b>169 905</b>	<b>8 376</b>	<b>493 406</b>	<b>291 495</b>	<b>168 801</b>	<b>5 688</b>	<b>465 984</b>

### Fair value measurement

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

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

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

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

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

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

In order to arrive at the fair value of investment properties a market participant's ability to generate economic benefit by using the asset in its highest and best use are taken into account. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible. The current use of the investment properties in SEB is in accordance with the highest and best use. The valuation of investment properties is described in the Accounting policies in Annual Report 2013. The valuation of the investment properties is performed semi-annually, they are presented and approved by the board in each real estate company. The valuation principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is in accordance with international valuation principles and in accordance with IFRS.

### Level 1: Quoted market prices

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

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

### Level 2: Valuation techniques with observable inputs

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

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

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

### Level 3: Valuation techniques with significant unobservable inputs

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

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

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

### Significant transfers and reclassifications between levels

Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committee of each relevant division decides on material shifts between levels. At the end of the second quarter AFS Equity instruments in the amount of SEK 268m have been transferred into level 3 due to reassessment.

Changes in level 3	Closing balance 31 Dec 2013	Gain/loss in Income statement	Gain/loss in Other comprehensiv e income	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Reclassifi- cation	Exchange rate differences	Closing balance 30 Jun 2014
<b>Assets</b>										
Financial assets - policyholders bearing the risk	1 925	622		1 234	-382			-1 468	56	1 987
Equity instruments at fair value	11 059	-45		896	-1 954	268		1 408	287	11 919
Debt instruments at fair value	1 429	179		421	-732			60	37	1 394
Derivative instruments at fair value	3 719	1 734		220	-185				130	5 618
Investment properties	7 623	-746		260	-9				218	7 346
<b>Total</b>	<b>25 755</b>	<b>1 744</b>	<b>0</b>	<b>3 031</b>	<b>-3 262</b>	<b>268</b>	<b>0</b>	<b>0</b>	<b>728</b>	<b>28 264</b>
<b>Liabilities</b>										
Liabilities to policyholders - investment contracts	1 461	602		1 189	-368			-944	55	1 995
Equity instruments at fair value	489	6			-47				8	456
Debt instruments at fair value	0									0
Derivative instruments at fair value	3 738	1 868		190	-7				136	5 925
<b>Total</b>	<b>5 688</b>	<b>2 476</b>	<b>0</b>	<b>1 379</b>	<b>-422</b>	<b>0</b>	<b>0</b>	<b>-944</b>	<b>199</b>	<b>8 376</b>

### 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. There have been no significant changes during 2014. The largest open market risk within Level 3 financial instruments is found within the insurance business.

SEK m	30 Jun 2014				31 Dec 2013			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Structured Derivatives - interest rate <sup>1)</sup>	684	-952	-268	35	489	-684	-195	59
Capital Markets <sup>2)</sup>	219	-23	196	30	397	-45	352	16
Bond investment portfolio <sup>3)</sup>					48		48	9
Venture Capital holding and similar holdings <sup>4)</sup>	2 084	-456	1 628	330	1 803	-490	1 313	277
Insurance holdings - Financial instruments <sup>5)</sup>	10 170	-262	9 908	1 384	10 752	-263	10 489	1 498
Insurance holdings - Investment properties <sup>6)</sup>	7 346		7 346	735	7 623		7 623	762

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

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

3) Sensitivity from a shift of credit spreads by 100 basis points (100).

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

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

6) Sensitivity from a shift of investment properties fair values of 10 per cent (10).

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

SEK m	Financial assets and liabilities subject to offsetting or netting arrangements						Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
	Gross amounts	Offset	Net amounts in balance sheet	Related arrangements		Net amounts		
				Master netting arrangements	Collaterals received/pledged			
<b>30 Jun 2014</b>								
Derivatives	168 447	-6 895	161 552	-121 147	-35 197	5 208	5 218	166 770
Reversed repo receivables	149 323	-8 567	140 756	-17 623	-109 524	13 609	2 734	143 490
Securities borrowing	40 178		40 178	-13 561	-26 433	184	6 196	46 374
Client receivables	8 507	-8 504	3			3	14 866	14 869
<b>Assets</b>	<b>366 455</b>	<b>-23 966</b>	<b>342 489</b>	<b>-152 331</b>	<b>-171 154</b>	<b>19 004</b>	<b>29 014</b>	<b>371 503</b>
Derivatives	150 069	-6 895	143 174	-121 147	-16 866	5 161	1 786	144 960
Repo payables	27 064	-8 567	18 497	-17 623	-196	678	782	19 279
Securities lending	20 435		20 435	-13 561	-6 874		3 935	24 370
Client payables	8 504	-8 504					6 964	6 964
<b>Liabilities</b>	<b>206 072</b>	<b>-23 966</b>	<b>182 106</b>	<b>-152 331</b>	<b>-23 936</b>	<b>5 839</b>	<b>13 467</b>	<b>195 573</b>
<b>31 Dec 2013</b>								
Derivatives	133 062	-6 598	126 464	-92 576	-23 349	10 539	15 913	142 377
Reversed repo receivables	97 138	-4 148	92 990	-9 364	-80 707	2 919	17 483	110 473
Securities borrowing	42 728	-5 334	37 394	-6 801	-27 782	2 811	2 393	39 787
Client receivables	8 060	-8 060					5 601	5 601
<b>Assets</b>	<b>280 988</b>	<b>-24 140</b>	<b>256 848</b>	<b>-108 741</b>	<b>-131 838</b>	<b>16 269</b>	<b>41 390</b>	<b>298 238</b>
Derivatives	138 065	-6 598	131 467	-92 576	-25 612	13 279	5 239	136 706
Repo payables	14 678	-4 148	10 530	-9 364	-1 166		11 317	21 847
Securities lending	19 709	-5 334	14 375	-6 801	-7 574		13 686	28 061
Client payables	8 060	-8 060					13 140	13 140
<b>Liabilities</b>	<b>180 512</b>	<b>-24 140</b>	<b>156 372</b>	<b>-108 741</b>	<b>-34 352</b>	<b>13 279</b>	<b>43 382</b>	<b>199 754</b>
<b>30 Jun 2013</b>								
Derivatives	163 304	-8 023	155 281	-113 678	-24 036	17 567	29 332	184 613
Reversed repo receivables	109 168	-6 073	103 095	-10 145	-92 713	237	24 003	127 098
Securities borrowing	41 172	-4 383	36 789	-2 081	-25 649	9 059	14 719	51 508
Client receivables	19 447	-19 447					9 656	9 656
<b>Assets</b>	<b>333 091</b>	<b>-37 926</b>	<b>295 165</b>	<b>-125 904</b>	<b>-142 398</b>	<b>26 863</b>	<b>77 710</b>	<b>372 875</b>
Derivatives	157 418	-8 023	149 395	-113 678	-13 467	22 250	17 817	167 212
Repo payables	28 363	-6 073	22 290	-10 145	-12 134	11	16 832	39 122
Securities lending	15 011	-4 383	10 628	-2 081	-7 382	1 165	30 142	40 770
Client payables	19 447	-19 447					9 293	9 293
<b>Liabilities</b>	<b>220 239</b>	<b>-37 926</b>	<b>182 313</b>	<b>-125 904</b>	<b>-32 983</b>	<b>23 426</b>	<b>74 084</b>	<b>256 397</b>

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

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

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

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

## Reclassified portfolios – SEB Group

SEK m	Q2			Q1			Q2			Jan - Jun			Full year 2013
	2014	2014	%	2013	%	2013	%	2014	2013	%			
<b>Reclassified</b>													
Opening balance	16 267	18 845	-14	26 193	-38	18 845	29 342	-36	29 342				
Amortisations	- 948	-1 688	-44	-2 248	-58	-2 636	-2 893	-9	-6 076				
Securities sold	- 280	-1 038	-73	-2 009	-86	-1 318	-3 815	-65	-4 993				
Accrued coupon	- 7	5		- 14	-50	- 2	23	-109	- 8				
Exchange rate differences	387	143	171	1 226	-68	530	491	8	580				
<b>Closing balance*</b>	<b>15 419</b>	<b>16 267</b>	<b>-5</b>	<b>23 148</b>	<b>-33</b>	<b>15 419</b>	<b>23 148</b>	<b>-33</b>	<b>18 845</b>				
* Market value	15 528	16 211	-4	22 555	-31	15 528	22 555	-31	18 668				
<b>Fair value impact - if not reclassified</b>													
In Other Comprehensive Income (AFS origin)	136	10		210	-35	146	387	-62	535				
In Income Statement (HFT origin)	2	- 23	-109	24	-92	- 21	28	-175	10				
<b>Total</b>	<b>138</b>	<b>- 13</b>		<b>234</b>	<b>-41</b>	<b>125</b>	<b>415</b>	<b>-70</b>	<b>545</b>				
<b>Effect in Income Statements**</b>													
Net interest income	55	62	-11	75	-27	117	163	-28	305				
Net financial income	196	134		635	-69	330	324	2	274				
Other income		3	-100			3	3		- 34				
<b>Total</b>	<b>251</b>	<b>199</b>	<b>26</b>	<b>710</b>	<b>-65</b>	<b>450</b>	<b>490</b>	<b>-8</b>	<b>545</b>				

\*\* The effect in the Income Statement is the profit or loss transactions from the reclassified portfolio reported gross. Net interest income is the interest income from the portfolio without taking into account the funding costs. Net financial income is the foreign currency effect related to the reclassified portfolio but does not include the off-setting foreign currency effects from financing activities. Other income is the realised gains or losses from sales in the portfolio.

## Non-performing loans – SEB Group

	30 Jun	31 Dec	30 Jun
SEK m	2014	2013	2013
<b>Individually assessed impaired loans</b>			
Impaired loans, past due > 60 days	4 053	4 609	6 631
Impaired loans, performing or past due < 60 days	185	322	584
<b>Total individually assessed impaired loans</b>	<b>4 238</b>	<b>4 931</b>	<b>7 215</b>
Specific reserves	- 2 339	- 2 521	- 3 881
<i>for impaired loans, past due &gt; 60 days</i>	- 2 204	- 2 352	- 3 534
<i>for impaired loans, performing or past due &lt; 60 days</i>	- 135	- 169	- 347
Collective reserves	- 1 877	- 1 762	- 1 684
<b>Impaired loans net</b>	<b>22</b>	<b>648</b>	<b>1 650</b>
Specific reserve ratio for individually assessed impaired loans	55.2%	51.1%	53.8%
Total reserve ratio for individually assessed impaired loans	99.5%	86.9%	77.1%
Net level of impaired loans	0.13%	0.17%	0.23%
Gross level of impaired loans	0.29%	0.35%	0.50%
<b>Portfolio assessed loans</b>			
Portfolio assessed loans past due > 60 days	3 974	4 146	4 890
Restructured loans	350	381	394
Collective reserves for portfolio assessed loans	- 2 102	- 2 252	- 2 553
Reserve ratio for portfolio assessed loans	48.6%	49.7%	48.3%
<b>Reserves</b>			
Specific reserves	- 2 339	- 2 521	- 3 881
Collective reserves	- 3 979	- 4 014	- 4 237
Reserves for off-balance sheet items	- 51	- 275	- 296
<b>Total reserves</b>	<b>- 6 369</b>	<b>- 6 810</b>	<b>- 8 414</b>
<b>Non-performing loans</b>			
Non-performing loans*	8 562	9 458	12 499
NPL coverage ratio	74.4%	72.0%	67.3%
NPL % of lending	0.58%	0.67%	0.87%

\* Impaired loans + portfolio assessed loans past due > 60 days + restructured portfolio assessed loans

## Seized assets – SEB Group

	30 Jun	31 Dec	30 Jun
SEK m	2014	2013	2013
Properties, vehicles and equipment	2 682	2 895	2 847
Shares	48	45	48
<b>Total seized assets</b>	<b>2 730</b>	<b>2 940</b>	<b>2 895</b>

## Assets and liabilities held for sale – SEB Group

SEK m	30 Jun 2014	31 Dec 2013	30 Jun 2013
Loans to the public			
Other assets	900		
<b>Total assets held for sale</b>	<b>900</b>	<b>0</b>	<b>0</b>
Deposits from credit institutions			
Deposits and borrowing from the public			
Other liabilities	1 721		
<b>Total liabilities held for sale</b>	<b>1 721</b>	<b>0</b>	<b>0</b>

The card acquiring business within the Retail division with assets and liabilities in Euroline AB has been classified as held for sale in the second quarter 2014. In the SEB Group only external amounts are reclassified. Total assets in Euroline AB's balance sheet also comprise group internal assets, eliminated in the SEB Group accounts. Furthermore some investment properties within the Baltic division have been classified as assets held for sale during the second quarter 2014.

## Discontinued operations – SEB Group

### Income statement

SEK m	Q2		Q1		Q2		Jan - Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2013	
Total operating income				3	-100		37	-100		42
Total operating expenses				-21	-100		-63	-100		-118
<b>Profit before credit losses</b>	<b>0</b>	<b>0</b>		<b>-18</b>	<b>-100</b>	<b>0</b>	<b>-26</b>	<b>-100</b>		<b>-76</b>
Net credit losses				-20	-100		-20	-100		-20
<b>Operating profit</b>	<b>0</b>	<b>0</b>		<b>-38</b>	<b>-100</b>	<b>0</b>	<b>-46</b>	<b>-100</b>		<b>-96</b>
Income tax expense				21	-100		29	-100		85
<b>Net profit from discontinued operations</b>	<b>0</b>	<b>0</b>		<b>-17</b>	<b>-100</b>	<b>0</b>	<b>-17</b>	<b>-100</b>		<b>-11</b>

### Cash flow statement

SEK m	Q2		Q1		Q2		Jan - Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2013	
Cash flow from operating activities				-43	-100		-68			-268
Cash flow from investment activities										
Cash flow from financing activities				43	-100		68			268
<b>Net increase in cash and cash equivalents from discontinued operations</b>	<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>	<b>0</b>			<b>0</b>

Discontinued operations includes the operational separation of the divested retail operations in Germany and Ukraine. The divestments are now finalised.

# SEB consolidated situation

## Capital adequacy analysis for SEB consolidated situation

SEK m	30 Jun 2014	31 Dec 2013
<b>Own funds</b>		
Common Equity Tier 1 capital	95 608	89 826
Tier 1 capital	106 811	102 462
Total own funds	122 703	108 260
<b>Own funds requirement</b>		
Risk exposure amount	598 162	598 324
Expressed as own funds requirement	47 853	47 866
Common Equity Tier 1 capital ratio	16.0%	15.0%
Tier 1 capital ratio	17.9%	17.1%
Total capital ratio	20.5%	18.1%
Own funds in relation to own funds requirement	2.56	2.26
<b>Transitional floor 80% of capital requirement according to Basel I</b>		
Minimum floor own funds requirement according to Basel I	77 613	74 054
Own funds according to Basel I	121 907	109 042
Own funds in relation to own funds requirement Basel I	1.57	1.47
<b>Leverage ratio</b>		
Total exposure value for leverage ratio calculation	2 505 618	2 327 121
...of which on balance sheet items	2 211 495	2 118 326
...of which off balance sheet items	294 123	208 795
Leverage ratio	4.0%	4.2%
<i>Calculated as the simple arithmetic mean of the monthly leverage ratios over a quarter</i>		

### Swedish implementation of the Basel III framework

The Basel III framework, in the form of the CRD IV/CRR regulatory package, was adopted by the European Parliament in June 2013.

The CRR part is a regulation and hence applicable law in all member states when adopted by the EU. The CRD IV part applies from 1 January 2014 and is now in the process of being transposed into Swedish legislation with an expected implementation date of 1 August 2014. The Swedish FSA will subsequently publish its regulations in line with the legislation. The Basel III information in this report is based on SEB's interpretation of the regulations and may be amended when the final version of the Swedish legislation is established.

The Swedish government has communicated stricter own funds requirements than those stipulated under Basel III, a 12 per cent Common Equity Tier 1 requirement from 2015 (on a Basel III/CRD IV fully implemented basis). The current requirement is 10 per cent.

In addition, the Swedish FSA will require countercyclical buffers and already requires SEB to hold capital under Pillar 2 requirements. Pillar 1 capital ratios are not affected by Pillar 2 requirements.

The Pillar 2 requirements include a risk-weight floor on Swedish residential mortgage lending at 15 per cent. The floor is proposed to be increased to 25 per cent. The proposal is due to be formally decided in the autumn of 2014. SEB has allocated additional capital to the residential mortgage business in line with the risk-weight floor.

Based on the average risk-weight of 6.8 per cent for the Swedish residential mortgage lending under Pillar 1 as per 30 June 2014, the additional Pillar 2 risk exposure amount would be SEK 34bn, given the 15 per cent risk floor. If the risk-weight floor were 25 per cent, the additional Pillar 2 risk exposure amount would be SEK 75bn.

In other words, if the 15 per cent risk-weight floor would constitute a Pillar 1 requirement, this would translate into an increase of 67 basis points of the Swedish Common Equity Tier 1 future requirement of 12 per cent, leading to a total requirement of 12.67 per cent.

Similarly, if the risk-weight floor were 25 per cent, the Common Equity Tier 1 capital requirement would be 13.5 per cent, all else equal.

## Own funds for SEB consolidated situation

SEK m	30 Jun 2014	31 Dec 2013
Total equity according to balance sheet	123 191	122 780
Deductions related to the consolidated situation and other foreseeable charges	-7 748	-11 562
<b>= Total equity in the capital adequacy</b>	<b>115 443</b>	<b>111 218</b>
Adjustment for hedge contracts	-1 884	-783
Value adjustment due to prudent valuation	-660	-848
Unrealised value changes on available-for-sale financial assets	-1 464	-1 515
Goodwill	-9 896	-9 806
Other intangible assets	-2 600	-2 442
Deferred tax assets	-473	-649
Net provisioning amount for IRB-reported credit exposures*	-200	-782
Pension assets in excess of related liabilities	-820	-2 298
Deduction for holdings in own CET 1 instruments	-987	-975
Exposures where Risk exposure amount is not calculated	-851	-1 294
<b>= Common Equity Tier 1 capital</b>	<b>95 608</b>	<b>89 826</b>
Additional Tier 1 instruments	11 203	12 636
<b>= Tier 1 capital</b>	<b>106 811</b>	<b>102 462</b>
Tier 2 instruments	17 472	8 373
Net provisioning amount for IRB-reported credit exposures*	995	0
Investments in insurance companies	-2 575	-2 575
<b>= Tier 2 capital</b>	<b>15 892</b>	<b>5 798</b>
<b>= Own funds</b>	<b>122 703</b>	<b>108 260</b>

\*The negative net provisioning amount on non-defaulted IRB-reported credit exposures is deducted from CET1 capital. Positive net provisioning amount on IRB-reported credit exposures is added to Tier 2 capital, and cannot be used to cover deficit on non-defaulted credit exposures.

On 11 March 2014, the Swedish Financial Supervisory Authority approved SEB's application to use quarterly profit in measuring the capital base on condition that the responsible auditors (PwC) can confirm that predictable costs and

dividends have been deducted in accordance with EU regulation number 575/2013 and that the calculation was made in accordance with EU regulation number 241/2014. PwC is in the process of performing this review.



## Risk exposure amount for SEB consolidated situation

SEK m	30 Jun 2014	31 Dec 2013
<b>Credit risk IRB approach</b>		
Institutions	28 104	29 936
Corporates	335 428	328 457
Securitisation positions	4 743	4 827
Retail mortgages	39 000	41 433
Other retail exposures	10 288	10 619
Other exposure classes	1 385	1 418
<b>Total credit risk IRB approach</b>	<b>418 948</b>	<b>416 690</b>
<b>Further risk exposure amounts</b>		
Credit risk, Standardised approach	67 578	72 467
Operational risk, Advanced Measurement approach	40 096	38 313
Foreign exchange rate risk	3 322	6 485
Trading book risks	52 232	50 104
Investments in insurance business	11 949	11 949
Other exposures	4 037	2 316
<b>Total risk exposure amount</b>	<b>598 162</b>	<b>598 324</b>

Risk exposure amount	SEK bn
Balance 31 December 2013	598
Volume and mix changes	2
Currency effect	11
Process and regulatory changes	-9
Risk class migration	-5
Market and operational risk changes	1
<b>Balance 30 June 2014</b>	<b>598</b>

The overall risk exposure amount decreased only marginally as decreasing effects from migration were offset by changes in FX-rates.

### Average risk-weight

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

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

IRB reported credit exposures (less repos and securities lending)	30 June 2014	31 Dec 2013
<b>Average risk-weight</b>		
Institutions	23.0%	24.3%
Corporates	36.5%	38.3%
Securitisation positions	38.8%	39.0%
Retail mortgages	8.6%	9.5%
Other retail exposures	39.0%	39.0%

The decrease in risk-weights for institutions is due to a shift in allocation towards more stable exposures. The decrease for corporate exposures has occurred in large part due to

borrowers' migration to higher credit quality. The decrease for retail mortgages is partially due to lower risk generally.

## Skandinaviska Enskilda Banken AB (publ)

### Income statement – Skandinaviska Enskilda Banken AB (publ)

In accordance with FSA regulations SEK m	Q2			Q1			Q2			Jan - Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2014	2013	%	2013	
Interest income	9 064	8 889	2	9 055	0	17 953	17 747	1	35 740				
Leasing income	1 369	1 355	1	1 407	-3	2 724	2 806	-3	5 567				
Interest expense	-5 553	-5 526	0	-5 778	-4	-11 079	-11 372	-3	-22 435				
Dividends	1 777	272		1 950	-9	2 049	1 950	5	4 848				
Fee and commission income	2 640	2 629	0	2 548	4	5 269	4 723	12	9 815				
Fee and commission expense	- 433	- 424	2	- 434	0	- 857	- 773	11	-1 532				
Net financial income	673	902	-25	988	-32	1 575	1 812	-13	3 547				
Other income	259	210	23	380	-32	469	545	-14	1 990				
<b>Total operating income</b>	<b>9 796</b>	<b>8 307</b>	<b>18</b>	<b>10 116</b>	<b>-3</b>	<b>18 103</b>	<b>17 438</b>	<b>4</b>	<b>37 540</b>				
Administrative expenses	-3 450	-3 450		-3 507	-2	-6 900	-6 925	0	-14 062				
Depreciation, amortisation and impairment of tangible and intangible assets	-1 274	-1 250	2	-1 273	0	-2 524	-2 525	0	-5 024				
<b>Total operating expenses</b>	<b>-4 724</b>	<b>-4 700</b>	<b>1</b>	<b>-4 780</b>	<b>-1</b>	<b>-9 424</b>	<b>-9 450</b>	<b>0</b>	<b>-19 086</b>				
<b>Profit before credit losses</b>	<b>5 072</b>	<b>3 607</b>	<b>41</b>	<b>5 336</b>	<b>-5</b>	<b>8 679</b>	<b>7 988</b>	<b>9</b>	<b>18 454</b>				
Net credit losses	- 291	- 141	106	- 155	88	- 432	- 252	71	- 451				
Impairment of financial assets	- 2	- 49	-96	- 1	100	- 51	- 2		-1 691				
<b>Operating profit</b>	<b>4 779</b>	<b>3 417</b>	<b>40</b>	<b>5 180</b>	<b>-8</b>	<b>8 196</b>	<b>7 734</b>	<b>6</b>	<b>16 312</b>				
Appropriations	168	201	-16	143		369	470	-21	3 432				
Income tax expense	- 479	- 700	-32	- 382	25	-1 179	-1 239	-5	-2 778				
Other taxes	33	3		2		36	-13		- 27				
<b>Net profit</b>	<b>4 501</b>	<b>2 921</b>	<b>54</b>	<b>4 943</b>	<b>-9</b>	<b>7 422</b>	<b>6 952</b>	<b>7</b>	<b>16 939</b>				

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

SEK m	Q2			Q1			Q2			Jan - Jun			Full year
	2014	2014	%	2013	%	2014	2013	%	2014	2013	%	2013	
<b>Net profit</b>	<b>4 501</b>	<b>2 921</b>	<b>54</b>	<b>4 943</b>	<b>-9</b>	<b>7 422</b>	<b>6 952</b>	<b>7</b>	<b>16 939</b>				
<i>Items that may subsequently be reclassified to the income statement:</i>													
Available-for-sale financial assets	152	430	-65	- 34		582	452	29	859				
Cash flow hedges	887	646	37	- 651		1 533	-1 198		- 903				
Translation of foreign operations	2	4	-50	12	-83	6			- 32				
<b>Other comprehensive income (net of tax)</b>	<b>1 041</b>	<b>1 080</b>	<b>-4</b>	<b>- 673</b>		<b>2 121</b>	<b>- 746</b>		<b>- 76</b>				
<b>Total comprehensive income</b>	<b>5 542</b>	<b>4 001</b>	<b>39</b>	<b>4 270</b>	<b>30</b>	<b>9 543</b>	<b>6 206</b>	<b>54</b>	<b>16 863</b>				

## Balance sheet - Skandinaviska Enskilda Banken AB (publ)

Condensed SEK m	30 Jun	31 Dec	30 Jun
	2014	2013	2013
Cash and cash balances with central banks	173 638	135 309	197 558
Loans to credit institutions	193 387	183 312	220 204
Loans to the public	1 081 164	1 013 188	991 852
Financial assets at fair value	450 561	433 431	469 789
Available-for-sale financial assets	18 959	17 485	17 439
Held-to-maturity investments	88	85	84
Investments in associates	1 077	1 055	1 015
Shares in subsidiaries	53 856	52 555	51 596
Tangible and intangible assets	40 968	40 080	41 964
Other assets	43 937	27 658	43 354
<b>Total assets</b>	<b>2 057 635</b>	<b>1 904 158</b>	<b>2 034 855</b>
Deposits from credit institutions	266 519	210 237	270 746
Deposits and borrowing from the public	637 953	611 234	653 735
Debt securities	734 875	704 088	691 174
Financial liabilities at fair value	231 743	201 705	240 133
Other liabilities	47 649	46 613	57 445
Provisions	161	92	132
Subordinated liabilities	30 177	22 739	22 738
Untaxed reserves	23 694	23 694	26 347
Total equity	84 864	83 756	72 405
<b>Total liabilities, untaxed reserves and shareholders' equity</b>	<b>2 057 635</b>	<b>1 904 158</b>	<b>2 034 855</b>

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

SEK m	30 Jun	31 Dec	30 Jun
	2014	2013	2013
Collateral and comparable security pledged for own liabilities	374 048	316 525	310 628
Other pledged assets and comparable collateral	126 740	98 927	103 181
Contingent liabilities	88 909	84 767	81 331
Commitments	382 316	335 048	338 410

## Capital adequacy - Skandinaviska Enskilda Banken AB (publ)

SEK m	Basel II	
	30 Jun	31 Dec
	2014	2013
<b>Own funds</b>		
Common Equity Tier 1 capital	90 368	89 404
Tier 1 capital	101 571	103 658
Total own funds	119 140	110 161
<b>Own funds requirement</b>		
Risk exposure amount	506 675	716 867
Expressed as own funds requirement	40 534	57 349
Common Equity Tier 1 capital ratio	17.8%	12.5%
Tier 1 capital ratio	20.0%	14.5%
Total capital ratio	23.5%	15.4%
Own funds in relation to capital requirement	2.94	1.92

# This is SEB

<b>Mission</b>	To help people and businesses thrive by providing quality advice and financial resources.
<b>Vision</b>	To be <i>the</i> trusted partner for customers with aspirations.
<b>Values</b>	Guided by our Code of Business Conduct and our core values: professionalism, commitment, mutual respect and continuity.
<b>Customers and markets</b>	2,900 large corporates and institutions, 400,000 SMEs and 4 million private customers bank with SEB. They are mainly located in eight markets around the Baltic Sea.
<b>Brand promise</b>	Rewarding relationships.
<b>Corporate objectives</b>	The leading Nordic bank for corporates and institutions. The top universal bank in Sweden and the Baltic countries.
<b>Strategic value-driving priorities</b>	Long-term customer relationships – build and develop relationships based on the customers' long-term needs with a holistic perspective. Growth in areas of strength – pursue growth in three selected core areas – large corporations and financial institutions in the Nordic countries and Germany, small and medium-sized companies in Sweden, and a holistic savings offering. Resilience and flexibility – ensure the financial strength needed to demonstrate stability and resilience as well as the flexibility to adapt operations in a cost-efficient manner to the prevailing market conditions.
<b>People</b>	Around 16,000 highly skilled people serving customers from locations in some 20 countries; covering different time zones, securing reach and local market knowledge.
<b>History</b>	Over 150 years of business, building trust and sharing knowledge. The Bank has always acted responsibly in society promoting entrepreneurship, international outlook and long-term relationships.

Additional financial information is available in SEB's Fact Book which is published quarterly on [www.sebgroup.com/ir](http://www.sebgroup.com/ir)