

A woman with dark hair tied back, wearing a patterned sweater, is shown in profile from the side, working on a laptop. The scene is dimly lit, with a warm, golden light source from the left creating a soft glow on her face and the desk. A plate with a piece of food is visible on the desk to the left of the laptop. The background is dark and out of focus.

Quarterly Report

Fourth quarter 2020

Full year 2020

”Our strategic decision to invest in our business increased the transformational pace”



Statement from Johan Torgeby

Economic recovery temporarily interrupted

As many countries re-imposed restrictive measures to tackle the pandemic, the recovery in global real economic activity slowed down during the fourth quarter. Nevertheless, the upcoming distribution of the Covid-19 vaccine, combined with the persistent support from governments, central banks and financial supervisory authorities – with crisis relief measures amounting to 24 per cent of global GDP and a corresponding number of 34 per cent in Sweden – drove asset prices higher. This development was further boosted by events such as the US presidential election and the Brexit deal, and resulted in the broad-based US equity index, S&P 500, reaching new record highs. This optimism was contrasted by the macroeconomic challenges experienced globally, which once again demonstrated the perceived disconnect between financial markets and the real economy.

During the pandemic, the strength in global manufacturing in relation to the weakness in global services has demonstrated the unique nature of this economic downturn caused by Covid-19. In Sweden, which is more dependent on manufacturing industries than service sectors, this has been reflected in the development of the Purchasing Managers' Index, indicating stronger recovery in manufacturing industries. Another relative strength of the Swedish economy in the economic recovery is the digital infrastructure, with Sweden having a higher degree of digital connectivity, skills and public services than the EU average according to the EU Commission, thus enabling businesses and people to easier adapt to a digital way of living and in turn upholding overall economic activity.

Another sign of light at the end of the tunnel during the quarter was the increasing optimism among Swedish CFOs measured in the Deloitte/SEB CFO survey in October. However, recovery is still fragile with many uncertainties prevailing such as the effectiveness of policy responses and the outcome of the global vaccine rollout. Furthermore, Sweden is a small and export-oriented country and hence dependent on the global economic recovery. Thus, continued collaboration both within and across countries will be key in reaching an end to the pandemic.

SEB's response to the pandemic

Throughout the year, our financial strength has enabled us to support our customers. Late spring, customer interactions started to normalise which was also reflected in a reduced inflow of

Covid-19-related credit requests and in the number of requests for grace periods on lending amortisation and pension contributions. Nonetheless, throughout the year, SEB processed pandemic-related credit requests corresponding to an amount of approximately SEK 139bn and granted grace periods on lending amortisation and pension contributions for around 40,000 customers in need of additional liquidity.

Moreover, SEB acted as arranger of several pandemic-related transactions, both in the private and the public sector, supporting people, companies and societies affected by Covid-19. In addition, we cooperated with governmental authorities and agencies to extend liquidity to corporates. Cinder Invest, a company jointly owned by SEB and a group of Swedish institutional investors, was also established during the year, supporting Swedish non-listed companies in need of capital to make it through the crisis.

Financial results remained resilient

Despite the challenging economic environment, SEB's business model proved resilient during the year, delivering an operating income in local currencies that was broadly unchanged compared to 2019. However, the pandemic affected the income composition, weighing negatively on SEB's debit and credit card business, while at the same time the increase in volatility supported the Fixed Income, Currencies and Commodities business. The return on equity for the full year reached around 10 per cent, supported by net interest income increasing by 10 per cent during the year.

SEB has been able to make necessary investments in business development and regulatory compliance, while at the same time remaining in line with our 2021 cost target.

Net expected credit losses amounted to 26 basis points for the year due to allowances related to the oil portfolio and mainly the offshore segment (rigs, accommodation rigs and platform support vessels), as well as model overlays for potential Covid-19-related effects. The effects from the pandemic on the overall credit quality of SEB remained limited throughout the year. Based on the macroeconomic outlook stated in Nordic Outlook, we expect 2021 to be a transitional year towards a more normalised level of net expected credit losses in 2022.

The capital buffer above the regulatory requirement amounted to 840 basis points, an elevated level stemming from a strong earnings generation, a lower dividend for 2019-2020

than previously accrued for and lower regulatory requirements. For more details, see page 11.

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 4.10 per share, corresponding to 25 per cent of the 2019 and 2020 net profit. The proposal shall be seen in light of the Swedish FSA's press release that banks should be restrictive with respect to dividends and share repurchases up until 30 September 2021.

Two years into the business plan 2019-2021

As we now close the books for the year, we can also conclude the second year of our 2019-2021 business plan. Since the start of this business plan period, the wheels in the banking industry and society at large have turned at an ever-increasing speed. Embracing change and adapting to current market conditions is more important than ever and was further emphasized during 2020 as the Covid-19 pandemic unfolded.

During the year, our activities have been concentrated to the focus areas of *advisory leadership*, *operational excellence* and *extended presence*, including our strategic initiatives through which we aim to accelerate transformation by leveraging new adjacent business opportunities. We are progressing in line with plan across all areas and we remain committed to deliver on our cost target of SEK 23bn for 2021 (+/- 200m), assuming 2018 FX rates.

Within the area of *advisory leadership*, the need for advisory services, digital solutions and support in the transition to a low-carbon society accelerated during the year. In response to the growing demand for sustainability products and services, we established a dedicated group-wide sustainability organisation. We were involved in several sustainability-related transactions while also continuing the work to classify our credit portfolio, enabling more tailored customer advice and more transparent stakeholder reporting.

In terms of *operational excellence*, we continued to digitalise and automate services and processes, while also adding new functionality to our digital channels. Among other things, we enabled private customers to buy and sell mutual funds in our mobile app, and we plan for further functionality to be developed in 2021. We also improved our transaction monitoring through automation, aiming to identify and prevent fraud, money laundering or other financial crime.

As part of our efforts within *extended presence*, we partnered with leading providers of new technology and new financial services to further strengthen our customer offering by being available on our customers' terms. As an example, we continued to develop digital ecosystems for our small- and medium-sized enterprises, together with fintechs such as Capcito, PE Accounting and Oxceed. In terms of Open Banking, new APIs were launched to support the transformation towards a modern technology architecture. Also, our bank within the bank – SEBx – launched its first business concept targeting the self-employed while continuing to explore new technology and sharing its insights with the Group.

I am pleased to see that our decision to invest in our business through the strategic initiatives increased the transformational pace and improved customer satisfaction. Yet, our ambitions remain high for 2021. Digitalisation, sustainability, regulatory compliance, as well as savings and investments will be key areas in this year's business plan.

During 2021 we will update the long-term strategy for SEB. Although a lot of work still remains to be done, the mega trends of digitalisation and sustainability are expected to remain drivers of transformation and hence continue to require investments. The ongoing green transition affects SEB as well as our customers and as a bank we believe that we have a key role in enabling them to contribute to a low-carbon society. Similarly, speed and simplicity will remain key in terms of the digital customer experience, requiring continued focus on connectivity, automation and analytics. By continuing to invest in our future we strive to become the leading Nordic bank for corporates and institutions, and the top universal bank in Sweden and the Baltic countries.

In order to ensure progress and create shareholder value, SEB has established long-term aspirations for our business divisions in terms of profitability and cost efficiency.

With the objective to create further financial flexibility to better support our customers over time, we have also revised our financial targets for the Group, targeting a yearly dividend of around 50 per cent of earnings per share and a Common Equity Tier 1 (CET 1) capital ratio of 100-300 basis points above the requirement from the Swedish Financial Supervisory Authority.

Share repurchases will be the main form of capital distribution when SEB's capital buffer exceeds, and is projected to remain above, the targeted range of 100-300 basis points. Once regulators revise their stance regarding restrictions for dividends and share repurchases, SEB will revert with the timing of such actions.

The target of having a return on equity competitive with peers, currently resulting in a long-term aspiration of 15 per cent, remains unchanged.

For more details on the group targets and divisional aspirations, see page 13.

Committed to long-term relationships

Our resilient financial performance is a result of the hard work done by the dedicated and skilled people working at SEB across the globe. Despite an in many ways challenging year we continued to deliver on our customers' needs. Looking back at SEB's long history, this is not the first crisis where we have helped our customers weather the storm – and it will not be the last. We aim to do this with knowledge, experience and foresight, which is how we believe that SEB can create long-term value for all our stakeholders.



President and CEO

Fourth quarter 2020

The quarter in brief

- Return on equity increased to 12.2 per cent on a CET1 ratio of 21.0 per cent
- Net expected credit losses decreased to 14 basis points
- Revised group financial targets to support customers through increased financial flexibility

Dividend

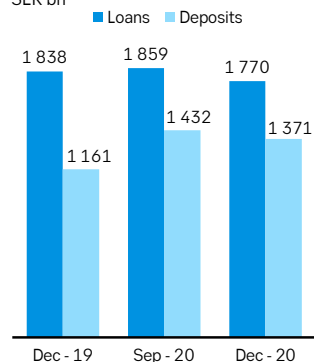
- The Board of Directors proposes to the Annual General Meeting a dividend of SEK 4.10 per share, 25 per cent of the 2019 and 2020 net profit, in line with the recommendation from the Swedish FSA

Summary

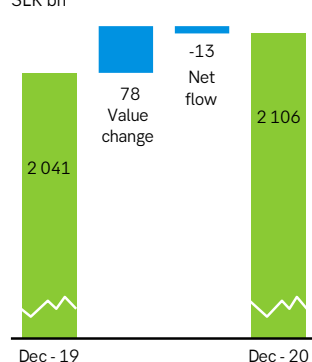
SEK m	Q4			Q3		Q4		Jan–Dec		
	2020	2020	%	2019	%	2020	2019	%		
Total operating income	13 066	12 563	4	14 089	-7	49 717	50 134	-1		
Total operating expenses	-5 842	-5 547	5	-6 026	-3	-22 747	-22 945	-1		
Net expected credit losses	- 835	-1 098	-24	- 997	-16	-6 118	-2 294	167		
Operating profit before items affecting comparability	6 382	5 916	8	7 063	-10	20 846	24 894	-16		
Items affecting comparability ¹⁾						-1 000				
Operating profit	6 382	5 916	8	7 063	-10	19 846	24 894	-20		
NET PROFIT	5 123	4 766	7	5 831	-12	15 746	20 177	-22		
Return on equity, %	12.2	11.7		15.5		9.7	13.7			
Return on equity excluding items affecting comparability, %	12.1	11.6		15.5		10.3	13.8			
Basic earnings per share, SEK	2.37	2.21		2.70		7.28	9.33			

1) Administrative fine issued by the Swedish FSA. See note 8.

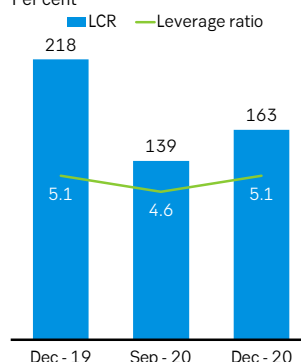
Loans to and deposits from the public
SEK bn



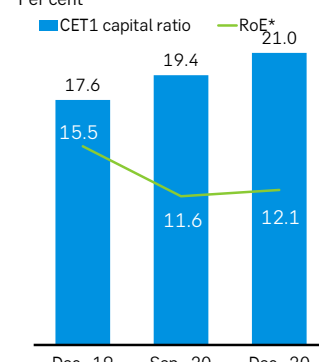
Assets under management
SEK bn



Liquidity coverage & leverage ratios
Per cent



CET 1 capital ratio & return on equity
Per cent



* Excluding items affecting comparability

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The fourth quarter

Operating profit increased by 8 per cent to SEK 6,382m (5,916). The strengthening of the Swedish krona had a negative effect of SEK 19m. Net profit amounted to SEK 5,123m (4,766).

Operating income

Total operating income increased by SEK 503m, 4 per cent, compared with the third quarter and amounted to SEK 13,066m (12,563). Compared with the fourth quarter 2019, total operating income decreased by 7 per cent.

Net interest income amounted to SEK 6,559m, which represented an increase of 4 per cent compared with the third quarter (6,336) and an increase of 11 per cent year-on-year.

SEK m	Q4	Q3	Q4
	2020	2020	2019
Customer-driven NII	6 973	6 931	6 454
NII from other activities	-414	-595	-524
Total	6 559	6 336	5 930

Customer-driven net interest income increased by SEK 42m compared with the third quarter. Lending margins and deposit volumes affected net interest income positively while lending volumes affected negatively driven by a strengthening Swedish krona.

The negative effect on net interest income from other activities (including for instance funding and other Treasury activities, trading and regulatory fees) improved by SEK 181m to SEK -414m compared with the third quarter 2020 driven by an elevated net interest income within our Markets business.

The total resolution and deposit guarantee fees recognised in the fourth quarter amounted to SEK 274m (329).

Net fee and commission income increased by 11 per cent from the third quarter and amounted to SEK 4,774m (4,301). Year-on-year, net fee and commission income decreased by 4 per cent. The currency effect was marginally negative.

Corporate customers were more active than in the third quarter and there was an increase in corporate transactions. Gross fees from the issuance of securities and advisory services increased by SEK 153m to SEK 356m in the fourth quarter. The gross lending fees increased by 16 per cent to SEK 776m. Even though net payments and card fees increased by 3 per cent to SEK 846m in the fourth quarter, the Covid-19-related decline was made evident by the year-on-year decrease of SEK 234m.

On the back of the positive development of the equity markets during the quarter, the gross fee income from custody and mutual funds, excluding performance fees, increased by

SEK 72m to SEK 1,989m compared with the third quarter. Performance fees amounted to SEK 98m and increased by SEK 12m compared with the third quarter. Year-on-year performance fees increased by SEK 56m.

The net life insurance commissions related to the unit-linked insurance business increased to SEK 282m (272).

Net financial income increased by SEK 30m to SEK 1,784m compared with the third quarter. Year-on-year, net financial income decreased by SEK 1,038m, driven mainly by lower income in Treasury.

The market value of certain strategic holdings decreased the net financial income by SEK 56m quarter-on-quarter. The fair value credit adjustment¹ amounted to SEK 302m as credit spreads continued to tighten and increased by SEK 113m compared with the third quarter.

Net financial income in both Treasury and Market operations was lower quarter-on-quarter driven by lower market volatility and lower customer activity levels.

Other life insurance income, net, primarily related to the traditional portfolios in Sweden and the Baltic countries improved to SEK 301m from SEK 245m in the third quarter.

Net other income amounted to SEK -51m (172). Unrealised negative valuations and hedge accounting effects were included in this line item. Certain Covid-19 related insurance disbursements also decreased the net other income.

Operating expenses

Total operating expenses increased by 5 per cent to SEK 5,842m (5,547). Operating expenses decreased by 3 per cent year-on-year.

Staff costs increased by 7 per cent compared with the third quarter. Long-term incentive costs, pensions and other staff-related expenses rose. Other expenses increased by 3 per cent quarter-on-quarter.

Supervisory fees amounted to SEK 39m (37).

Net expected credit losses

Net expected credit losses decreased by 24 per cent to SEK 835m in the fourth quarter (1,098), corresponding to a net expected credit loss level of 14 basis points (19).

Asset quality of the vast majority of the credit portfolio continued to be robust and the effect of revised macroeconomic assumptions used for modelling the expected credit losses in the fourth quarter was limited. In line with expectations, as the situation in the oil sector continued to

Comparative numbers (in parenthesis throughout the report)

Unless otherwise stated:

- the result for the reporting quarter is compared with the prior quarter
- the full-year 2020 result is compared with 2019
- business volumes are compared with the balances in the prior quarter

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

become more clear, SEK 350m of the oil-related model overlay on portfolio-level, that was made in the first half of the year, was released and offset by an increase in ECL allowances on specific counterparties in the offshore¹ segment. The Covid-19-related model overlay was further increased for the Corporate & Private Customers and Baltic divisions, where prolonged government support measures may be delaying the impact from the economic downturn on asset quality.

The main part of the net expected credit losses in the fourth quarter related to the Large Corporates & Financial Institutions division, SEK 632m or 21 basis points, and was mainly driven by the continued challenges in the offshore¹ segment.

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

Items affecting comparability

There were no *items affecting comparability* in the fourth quarter.

Income tax expense

In line with the increase in the operating profit, the *income tax expense* rose to SEK 1,259m (1,150) with an effective tax rate of 20 per cent (19).

Return on equity

Return on equity for the fourth quarter improved to 12.2 per cent (11.7). Return on equity excluding items affecting comparability was 12.1 per cent (11.6).

Other comprehensive income

Other comprehensive income amounted to SEK 981m (1,190). The value of SEB's pension plan assets continued to exceed the defined benefit obligations to the employees.

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash flow hedges and translation of foreign operations amounted to SEK -748m (-129). The Swedish krona strengthened during the quarter which had a negative effect on the translation of foreign operations in the consolidation.

The full year

Operating profit before items affecting comparability decreased by 16 per cent to SEK 20,846m for the full year 2020 (24,894). In the same period, *operating profit* decreased by 20 per cent to SEK 19,846m (24,894). *Net profit* amounted to SEK 15,746m (20,177).

Operating income

Total operating income amounted to SEK 49,717m, 1 per cent lower than 2019 (50,134).

Net interest income amounted to SEK 25,143m, representing an increase of 10 per cent year-on-year (22,950).

SEK m	Jan-Dec		Change %
	2020	2019	
Customer-driven NII	27 585	25 356	9
NII from other activities	-2 442	-2 406	1
Total	25 143	22 950	10

Customer-driven net interest income increased by SEK 2,229m compared with 2019. The positive effect from lending volumes was to a large extent offset by lower lending margins. The repo rate increase in the beginning of 2020 contributed positively to deposit margins and there was a positive internal transfer pricing effect.

The negative effect on net interest income from other activities (including for instance funding and other Treasury activities, trading and regulatory fees) increased by SEK 36m compared with 2019. A negative internal transfer pricing effect was partly offset by lower costs for regulatory fees. In total, the resolution fund and deposit guarantee fees amounted to SEK 1,248m (2,129). The resolution fund fee amounted to SEK 918m (1,725). In 2020, the resolution fund fee was lowered to 5 basis points calculated on applicable balance sheet volumes versus 9 basis points in 2019. This fee rate will remain unchanged until the resolution fund target of 3 per cent of guaranteed deposits in Sweden is met.

Net fee and commission income decreased by 3 per cent compared with 2019 and amounted to SEK 18,063m (18,709).

Due to the Covid-19 restrictions, payment and card fees were significantly affected by lower activity since the first quarter, leading to a decrease of SEK 823m to SEK 3,273m, year-on-year.

Since corporate transaction activity was lower, gross fees from the issuance of securities and advisory services decreased by 15 per cent to SEK 1,111m compared with 2019. On the other hand, higher lending activity generated an increase in gross lending fees of 5 per cent to SEK 3,004m.

¹ Rigs, accommodation rigs and platform support vessels

Gross fee income from custody and mutual funds, excluding performance fees, increased by SEK 11m to SEK 7,672m year-on-year. Performance fees amounted to SEK 304m, an increase of SEK 183m compared with 2019.

Net life insurance commissions decreased by 10 per cent compared with 2019, to SEK 1,084m, mainly related to the unit-linked insurance and margin pressure from a shift towards more index products.

Net financial income decreased by 18 per cent to SEK 6,275m. The Covid-19 effects leading to volatility in asset prices and credit spreads were evident throughout the year.

The change in market value of certain strategic holdings was positive, but was SEK 733m lower year-on-year. The fair value credit adjustment¹ decreased net financial income by SEK 210m. Other life insurance income, net, decreased by SEK 61m compared with the full year 2019, primarily due to the performance in the traditional portfolios in Sweden and the Baltic countries. The effect from market valuations in Treasury as well as Markets' holdings, and Markets' underlying business, was minor.

Net other income amounted to SEK 236m (858). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item. In 2019 SEB's holding in LR Realkredit A/S was divested at a capital gain of SEK 259m.

Operating expenses

Total operating expenses decreased by 1 per cent compared with 2019 and amounted to SEK 22,747m (22,945).

Staff costs increased by 2 per cent year-on-year partly related to SEB's strategic initiatives and the strengthening of the anti-money laundering capabilities. The average number of full-time equivalents increased to 15,335 during the year (14,939). Consequences of Covid-19 restrictions affected other expenses, which decreased by 11 per cent, with fewer consultants and lower travelling costs among other things. Supervisory fees amounted to SEK 156m (153).

The cost target in the business plan for 2019-2021 is described on page 13. Costs related to the strategic initiatives developed according to plan and the three-year cost target remains unchanged.

Net expected credit losses

Net expected credit losses amounted to SEK 6,118m, corresponding to a net expected credit loss level of 26 basis points, an increase of SEK 3,824m compared with 2019 (2,294 and 10 basis points). The development was driven by increased provisions for specific counterparties in the offshore segment² of the oil portfolio and model overlays on portfolio-level for Covid-19-related effects and oil-related exposures.

The majority of the net expected credit losses, SEK 4,865m, was related to the Large Corporates & Financial Institutions division and was mainly driven by the challenges in the offshore segment. See further comments on Credit risk and asset quality and Uncertainties on page 10 and 14 and notes 12-14.

Items affecting comparability

The *items affecting comparability* consists of the administrative fine in the amount of SEK 1,000m that is described further in note 8.

Income tax expense

In line with the decrease in operating result *income tax expense* decreased by 13 per cent to SEK 4,100m (4,717) with an effective tax rate of 21 per cent (19).

Return on equity

Return on equity for 2020 decreased to 9.7 per cent (13.7). Return on equity excluding items affecting comparability was 10.3 per cent (13.8).

Other comprehensive income

Other comprehensive income amounted to SEK 637m (1,160). The value of SEB's pension plan assets exceeded the defined benefit obligations to the employees. The net value of the defined benefit pension plans increased which affected other comprehensive income by SEK 1,839m (1,366).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash flow hedges and translation of foreign operations amounted to SEK -1,070m (145). The main reason was that the Swedish krona strengthened during the year which had a large negative effect on the translation of foreign operations.

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

² *Rigs, accommodation rigs and platform support vessels*

Operating profit by country

Distribution by country Jan - Dec	Total operating income			Total operating expenses			Operating profit excl IAC			Operating profit in local currency excl IAC		
	SEK m	2020	2019	%	2020	2019	%	2020	2019	%	2020	2019
Sweden ¹⁾	34 097	31 093	10	-15 058	-14 930	1	13 572	14 151	-4	13 572	14 151	-4
Norway	540	3 490	-85	-1 345	-1 355	-1	-928	1 994		-948	1 855	
Denmark	2 434	2 800	-13	-1 191	-1 210	-2	1 185	1 590	-25	842	1 121	-25
Finland	1 881	1 872	0	-802	-905	-11	1 051	953	10	100	90	11
Germany	2 228	1 827	22	-823	-855	-4	1 390	898	55	133	85	56
Estonia	1 914	1 924	-1	-693	-677	2	1 099	1 288	-15	105	122	-14
Latvia	1 159	1 205	-4	-578	-607	-5	415	542	-24	40	51	-23
Lithuania	2 310	2 450	-6	-861	-844	2	1 305	1 565	-17	124	148	-16
United Kingdom	753	1 149	-34	-362	-420	-14	393	725	-46	33	60	-45
International network	2 701	2 590	4	-1 334	-1 409	-5	1 359	1 189	14			
Eliminations	-299	-266	12	299	266	12	5	-1				
Total²⁾	49 717	50 134	-1	-22 747	-22 945	-1	20 846	24 894	-16			

1) Sweden: Operating profit amounted to SEK 12,572m for 2020 and SEK 14,151m for 2019.

2) Total: Operating profit amounted to SEK 19,846m for 2020 and SEK 24,894m for 2019.

The full year

Sweden: Operating profit before items affecting comparability decreased by 4 per cent year-on-year. Continued growth in household lending, stable corporate volumes and decreased regulatory fees contributed to net interest income growth, while fees from payments and cards decreased with prevailing restrictions, and lower valuations of strategic shares resulted in lower net financial income year-on-year. The operating costs increased by 1 per cent with the strategic initiatives progressing according to plan.

Norway: 2020 was strongly influenced by the pandemic and SEB saw high levels in the need for support related to financing, liquidity and advisory services from clients. Given the challenging economic environment combined with volatility and high asset values, SEB was involved in a great number of deals within Fixed Income, Currencies and Commodities/Markets and Investment Banking. The result was however negatively impacted by oil-related net credit losses¹.

Denmark: Extensive support to the bank's corporate clients throughout the Covid-19 crisis substantially increased corporate lending in Denmark. Capital Markets activities increased accordingly, whereas the demand for investment banking services continued to be lower than the average for previous years.

Finland: Despite the unusual circumstances brought by Covid-19, customer activity was high across all segments. This resulted in strong growth in business volumes, especially in corporate lending, and high demand for advisory within Fixed Income, Currencies and Commodities. SEB expanded existing customer relationships and continued to grow in energy, infrastructure and sustainable banking solutions.

Germany: Massive support measures by the German government stabilised the domestic economy during a challenging year. Many corporate clients turned to SEB in order to secure access to funding and the bank strengthened its advisory position. A significant number of new financing mandates were won, not the least in the sustainability area.

Estonia, Latvia and Lithuania: SEB's operating profit in each of the Baltic countries developed negatively in the wake of Covid-19 restrictions, limiting economic growth and momentum. See comments on the divisional result for more information on page 24.

United Kingdom: Two themes dominated 2020, the pandemic and the uncertainty associated with the Brexit negotiations. In this market environment SEB supported clients with liquidity and investment banking services. During the year SEB strengthened existing client relationships and continued to expand its corporate clients base. In addition, the demand for financing of renewable energy investments increased driven by the ambition in the UK to address climate change. The result was however negatively impacted by oil-related net credit losses¹.

International network: The highly volatile markets driven by Covid-19, US elections and geopolitical tensions were the main themes for 2020. SEB as a reliable long-term partner with a clear international strategy has served our clients well in times of uncertainties. The result was solid overall with FX advisory services highly in demand.

¹ SEB applies a 'One Name Lending' concept in which the loan administration for its branches is managed from Sweden and therefore loan losses are recognised in Sweden. To reflect the accounting correctly in the geographical dimension and since the risk is carried locally, the branches are attributed all income and provisions of a specific loan as part of operating income. In 2020, net expected credit losses had a major impact on operating income. See page 8.

Business volumes

Total assets at 31 December 2020 amounted to SEK 3,040bn, representing a decrease of SEK 161bn in the fourth quarter (3,201) and an increase of SEK 184bn over the year 2020.

Business volumes in the full year were mainly driven by credit commitments and other contingent liabilities which are included in the credit portfolio. Information about the credit portfolio is available in the section Risk and capital.

Loans

SEK bn	31 Dec	30 Sep	31 Dec
	2020	2020	2019
General governments	16	16	14
Financial corporations	79	72	83
Non-financial corporations	848	879	880
Households	656	649	632
Collateral margin	59	52	46
Reverse repos	112	192	184
Loans to the public	1 770	1 859	1 838

Loans to the public decreased by SEK 89bn during the fourth quarter and by SEK 68bn since year-end 2019. Loans to non-financial corporations decreased by SEK 31bn in the fourth quarter. The Swedish krona strengthened significantly during the quarter explaining a large part of the decrease. Household lending grew by SEK 7bn in the fourth quarter and by SEK 24bn over the year driven by household mortgages and a strong Swedish housing market. Reverse repos (contractual agreements to buy and subsequently sell back securities) are generally short-term in nature and decreased by SEK 80bn in the fourth quarter.

Deposits and borrowings

SEK bn	31 Dec	30 Sep	31 Dec
	2020	2020	2019
General governments	17	36	22
Financial corporations	285	334	215
Non-financial corporations	605	602	508
Households	383	377	346
Collateral margin	71	59	57
Repos	7	19	5
Registered bonds	3	4	8
Deposits and borrowings from the public	1 371	1 432	1 161

In the fourth quarter, deposits and borrowings from the public decreased by SEK 61bn to SEK 1,371bn (1,432), but grew by SEK 210bn over the year. Deposits from non-financial corporations and households increased by SEK 8bn in the fourth quarter and by SEK 125bn since year-end 2019. Given the uncertainty and market sentiment during the year, customers were more cautious and chose low-risk alternatives for their excess cash.

Assets under management and custody

Total *assets under management* amounted to SEK 2,106bn (2,054). Driven by the equity market appreciation during the fourth quarter, the market value increased by SEK 51bn. Inflows and outflows of assets under management during the quarter netted to zero.

Assets under custody increased as a consequence of the onboarding of new mandates together with increasing asset values driven by the equity market appreciation during the fourth quarter and amounted to SEK 12,022bn (10,803).

Risk and capital

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 2019 (see page 52-57 and notes 40 and 41), in the Capital Adequacy and Risk Management Report for 2019 as well as the quarterly additional Pillar 3 disclosures. Further information is available in the Fact Book that is published quarterly.

Credit risk and asset quality

SEK bn	31 Dec	30 Sep	31 Dec
	2020	2019	2019
Banks	85	89	99
Corporates	1 308	1 368	1 268
Commercial real estate management	196	193	188
Residential real estate management	143	140	131
Housing co-operative associations Sweden	66	65	63
Public administration	82	64	72
Household mortgage	629	632	589
Household other	83	83	90
Total credit portfolio	2 591	2 634	2 498

SEB's credit portfolio, which includes loans, contingent liabilities and derivatives, decreased by SEK 43bn to SEK 2,591bn in the fourth quarter (2,634). The corporate credit portfolio decreased by SEK 60bn, mainly due to the strengthened Swedish krona. The household credit portfolio decreased by SEK 3bn also due to FX effects. The commercial and residential real estate management portfolios increased by SEK 6bn combined.

Year-on-year, the credit portfolio increased by SEK 93bn, reflecting the continued stable growth of the household mortgage portfolio and the demand among large corporates for contingent liquidity facilities following the outbreak of the pandemic, which was partly offset by the stronger Swedish krona. Since year-end 2019, the corporate credit portfolio increased by SEK 40bn and the household credit portfolio increased by SEK 33bn.

Asset quality indicators such as past due loans remained unchanged during the quarter. There was continued limited impact from the Covid-19 pandemic on the larger portfolios such as large corporates, households, and small and medium-sized companies in Sweden and the Baltic countries, which to some extent may be due to various government support measures. Credit-impaired loans (gross loan exposures in stage 3) decreased during the fourth quarter by SEK 1.7bn to SEK 15.6bn, corresponding to 0.87 per cent of total loans (0.96). The decrease was driven mainly by write-offs and the strengthened Swedish krona. The ECL coverage ratio for the credit-impaired loans was unchanged at 48 per cent. See net expected credit loss comment on page 6.

Note 12 and 14 provide a more detailed breakdown of SEB's loan portfolio by industry and stage allocation as well as corresponding ECL allowances. Pages 25-26 in the Fact book provide a breakdown of SEB's credit portfolio and lending portfolio by industry and country.

Market risk

SEB's business model is driven by customer demand. Average VaR in the trading portfolio increased by 3 per cent from SEK 209m in the third quarter to SEK 216m in the fourth quarter. Increased credit spread risk partly offset by increased diversification explains the main part of the change. SEB does not expect to lose more than this amount, on average, during a period of ten trading days with 99 per cent probability.

Liquidity and funding

SEB entered the Covid-19 pandemic with a strong liquidity and funding position and has maintained uninterrupted access to all funding markets. Since March, SEB's liquidity and funding position was supported by a continuous inflow of deposits from customers, which has enabled SEB to gradually reduce capital market funding. SEB's loan-to-deposit ratio was therefore 122 per cent versus 143 per cent at year-end 2019.

In the fourth quarter, SEK 29bn of long-term funding matured (of which SEK 11bn covered bonds and SEK 18bn senior debt) and net SEK 3bn of covered bonds were issued. Short-term funding in the form of commercial paper and certificates of deposit decreased by SEK 29bn during the fourth quarter.

The liquid assets defined according to the liquidity coverage requirements amounted to SEK 617bn at 31 December 2020 (757). At year-end, the Liquidity Coverage Ratio (LCR) was 163 per cent (139). Since March 2020, the Swedish FSA allows banks to temporarily fall below the LCR requirement for individual and total currencies which normally must be at least 100 per cent.

The bank is committed to a stable funding base. SEB's internal structural liquidity measure, Core Gap, which measures the proportion of stable funding in relation to illiquid assets, was 113 per cent (112).

Rating

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

Moody's rates SEB's long-term senior unsecured debt at Aa2 with a stable outlook based on the bank's strong asset quality and robust capital ratios. While the bank has good underlying earnings generation, the corporate business focus could add earnings cyclicality, particularly in the current economic downturn. In March, Moody's affirmed the stable outlook of the Swedish banking system due to the strong capital position and capital generation capacity of banks and in September, SEB's rating was affirmed.

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

Risk exposure amount

SEK bn	
Balance 30 Sep 2020	746
Underlying credit risk change	-17
- where of asset size	1
- where of asset quality	1
- where of foreign exchange movements	-18
Underlying market risk change	2
- where of CVA risk	-1
Underlying operational risk change	0
Model updates, methodology & policy, other	-5
- where of credit risk	-5
Balance 31 Dec 2020	726

The total risk exposure amount (REA) decreased by SEK 20bn to SEK 726bn in the fourth quarter. Foreign exchange movements decreased credit risk REA by 18bn, while credit volumes and asset quality had limited impact during the quarter. Model and methodology updates decreased credit risk REA by 5bn, of which the main part is related to implementation of the capital requirement policy change aiming to support credit flows to small and medium-sized companies in the Baltic division. Market risk REA increased by SEK 2bn while operational risk REA was largely unchanged.

Capital position

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

	31 Dec 2020	30 Sep 2020	31 Dec 2019
Own funds requirement, Basel III			
Risk exposure amount, SEK bn	726	746	746
Common Equity Tier 1 capital ratio, %	21.0	19.4	17.6
Tier 1 capital ratio, %	22.7	21.2	20.8
Total capital ratio, %	25.1	23.7	23.3
Leverage ratio, %	5.1	4.6	5.1

SEB's Common Equity Tier 1 (CET1) capital ratio was 21.0 per cent (19.4). The increase was positively affected by the net profit of the fourth quarter together with a reduced deduction for dividend as well as a lower risk exposure amount.

SEB's applicable CET1 capital requirement per the end of the year was 12.6 per cent (13.7), whereof the pillar 2 requirement was 1.5 per cent. The change compared with the previous quarter was mainly attributable to removal of the pillar 2 requirement for systemic risk as part of the Swedish FSA's implementation of the EU Banking package into Swedish law. In addition, a pillar 2 requirement for Swedish commercial real estate exposures was implemented. In 2021, the remaining parts of the Banking package will be implemented. As part of the 2021 Supervisory Review and Evaluation Process (SREP), the Swedish FSA will introduce a Pillar 2 Guidance (P2G) and remove the pillar 2 requirement for the corporate maturity floor. Based on the Swedish FSA's press release around P2G, SEB expects the net effect of these changes to increase the required level of CET1 capital by approximately 1 percentage unit.

With the new financial goals (see p. 13), SEB aims to have a buffer of 100 to 300 basis points above the capital requirement. The buffer shall cover sensitivity to currency fluctuations in REA, changes in the net value of the Swedish defined benefit pension plan as well as general

macroeconomic uncertainties. Currently the buffer is approximately 840 basis points.

Dividend

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 4.10 per Class A and Class C share, which corresponds to 25 per cent of the 2019 and 2020 net profit. The total dividend amounts to SEK 8.9bn calculated on the total number of issued shares as per 31 December 2020 excluding own shares held.

The proposal shall be seen with reference to the Swedish FSA's communication as per 18 December 2020 that banks should be restrictive with respect to dividends and share repurchases up until 30 September 2021.

The SEB share will be traded ex-dividend on 31 March 2021. The proposed record date for the dividend is 1 April 2021 and dividend payments will be paid out on 8 April 2021.

Internally assessed capital requirement

As per 31 December 2020, the internally assessed capital requirement, including insurance risk, amounted to SEK 84bn (69). During the fourth quarter, a review of the economic capital methodology and processes resulted in a number of adjustments. This led to an increase in the internal capital requirement though underlying risk remained in principle unchanged. The internal capital requirement is assessed using SEB's internal models for economic capital and is not fully comparable to the estimated capital requirement published by the SFSA due to differences in assumptions and methodologies.

The internally assessed capital requirement for the parent company increased to SEK 71bn (66).

Business development

While supporting customers with Covid-19-related challenges in the fourth quarter, SEB's strategic initiatives to accelerate the transition to meet changing customer demand, developed according to the three-year business plan launched in 2019.

Advisory leadership

SEB's leading position among Nordic corporates was confirmed in the latest customer survey by Prospera, where SEB was ranked number 1 for the first time since 2014. Among Nordic financial institutions, SEB ranked number 2. The survey's sub-category sustainability confirmed SEB's leading position in sustainability advisory for both large corporates and financial institutions.

SEB continued to develop its sustainability offering as SEB Equity Research enhanced its product with a proprietary sustainability evaluation methodology for investors to better understand how and to what extent environmental, social and governance factors affect the financial performance of analysed companies. SEB also signed the Poseidon Principles, joining a group of leading shipping banks in a global framework for responsible ship finance.

As a further step in the initiative to strengthen the savings and investments offering, SEB launched a digital advisory investment tool, SEB Bot Advisor, offering private individuals automatic investment advice in unit-linked insurance products based on their risk profile and sustainability preferences. The Swedish and Baltic mobile apps for private individuals were also enhanced with new savings and investment functions.

SEB continued to develop its new digital channel for all corporate customers and financial institutions, launching a number of functionalities including a new foreign exchange module and digital signing to integrate enterprise resource planning (ERP) services.

Operational excellence

SEB's three-year business plan for end-to-end automation of selected processes continued. In the past two years, the time of 351 full-time equivalents has been freed up by automating manual tasks and enabling customer self-service and tasks of 205 full-time equivalents have been moved to global service centres in Riga and Vilnius. One example is the mortgage process where a digital archiving function for mortgage files was recently launched, improving customer experience through broadened document access and paper savings.

Extended presence

New features continued to be launched in SEB's open banking developer portals. In the Baltics, an e-invoice API (application programming interface) was launched, enabling corporate customers to send and receive electronic invoices directly from their ERP systems.

SEB has been involved in the development of Contour, a global blockchain-based platform connecting banks, corporates and other ecosystem partners, with the purpose to standardise and digitalise trade finance transactions, leading to a faster and more customer-friendly process. The platform was launched in October.

SEB's card business launched a new, digital platform for offering consumer financing in Sweden, with a long-term ambition of full Nordic coverage.

Other information

Change in long-term financial targets for the group

With the purpose to increase capital management flexibility, the Board of Directors has decided to change the long-term financial targets.

The new targets are:

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

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

CET 1 ratio target

The current target to maintain a management buffer of around 150 basis points to applicable regulatory requirements is replaced with a targeted buffer of 100-300 basis points.

The change towards a range is intended to offer SEB more flexibility to manage its capital position and to grow its business. A buffer range is also more in line with peers.

Dividend target

The current target to pay a dividend of more than 40 per cent of earnings per share is replaced by a target to pay a yearly dividend of around 50 per cent of earnings per share excluding items affecting comparability, combined with distributing potential capital in excess of the targeted capital position mainly through share repurchases.

The use of a combination of annual dividends and share repurchases is intended to provide the benefit of increased financial flexibility.

Share repurchase will be the main form for distributing excess capital. It will be considered when SEB's capital buffer exceeds, and is projected to remain above, the targeted range based on a forward-looking assessment. Since share repurchases are conducted throughout the year, SEB retains the flexibility to adjust the repurchased amounts, based on the current or projected financial position.

Return on equity target

The current target of a return on equity that is competitive with peers remains unchanged.

Financial aspirations for the divisions

SEB is introducing long-term divisional aspirations for profitability (RoBE) and cost efficiency (C/I-ratio). The aspirations for each division have been set mainly based on two factors. Firstly, each division will have the ambition to achieve best-in-class profitability and cost efficiency compared with similar businesses among relevant peers. Secondly, each division's aspirations are set so that they enable SEB to achieve its long-term aspiration of 15 per cent return on equity on group level. These long-term aspirations will be evaluated annually.

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

Cost target

SEB's business plan for 2019-2021 defines a number of strategic initiatives which, on an accumulated basis, are estimated to lead to total additional investments of SEK 2-2.5bn during the three-year period 2019-2021. This translates into an annual cost increase of SEK 1bn by 2021, and a new total cost target of around SEK 23bn by 2021, assuming 2018 foreign exchange rates. With the foreign exchange rates as of 31 December 2020, the cost target implies a cost level of around SEK 23bn in 2021. The pace of investments will be dependent on progress and will be gradually ramped up over the three years. The strategic initiatives are expected to lead to both improved revenue growth and cost efficiencies, improving return on equity over time.

Impact from exchange rate fluctuations

The currency effect on operating profit for the fourth quarter 2020 was SEK -19m.

Compared with the third quarter 2020, the stronger Swedish krona decreased loans to and deposits from the public by SEK 39bn and SEK 29bn, respectively. Total REA decreased by SEK 18bn while the decrease of total assets was SEK 66bn. Compared with year-end 2019, the currency effects were a decrease of loans to and deposits from the public by SEK 49bn and SEK 37bn, respectively. Total REA decreased by SEK 23bn while the decrease of total assets was SEK 84bn.

Changes in Group Executive Committee

On 16 December 2020, it was announced that Mats Torstendahl, then Head of division Corporate & Private Customers and a member of the Group Executive Committee (GEC), was appointed as Deputy President and CEO and remained as member of the GEC. Jonas Söderberg was appointed Head of division Corporate & Private Customers and a member of the GEC. Both appointments were effective as of 1 January 2021.

Uncertainties

The pandemic outbreak of Covid-19 and governments' response measures in an attempt to limit its spread, have rapidly and significantly affected societies, economies and financial markets globally. The negative financial and economic consequences have been extensive in SEB's home markets and the recovery is dependent on the pandemic development and government measures. At the same time, the recent oil price development and ongoing energy transformation are a challenge for the oil and gas industry. SEB is continuously assessing the asset quality of its credit portfolio using several different scenarios for the pandemic and the economic development, including the oil industry development. The assessment includes the effects of the measures taken by governments and the full consequences on the economy.

Financial markets are expected to continue to be volatile given the prevailing uncertainty. This may adversely impact fair values of certain financial instruments and holdings, and consequently, net financial income and capital.

The interest rate levels – in Sweden in particular the repo rate – are key factors affecting net interest income and operating profit. The Swedish central bank does not currently forecast any change to its repo rate, which is currently zero per cent, until the end of 2023.

The German Federal Ministry of Finance issued a circular on 17 July 2017 with administrative guidance in relation to withholding taxes on dividends in connection with certain cross-border securities lending and derivative transactions. The circular states an intention to examine transactions executed prior to the change in tax legislation that was enacted 1 January 2016. As communicated by SEB in a press release on 22 December 2020, the tax authority in Frankfurt has requested SEB's German subsidiary DSK Hyp AG to

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

SEB is of the opinion that the cross-border securities lending and derivative transactions of SEB under review in Germany were conducted in compliance with then prevailing rules. SEB's external legal advisors conclude that the tax authority's reclaims are in violation of both EU law and German law. Further, it contravenes the practice that the tax authority itself applied until 2016. DSK Hyp will appeal these claims. Hence, to date and in accordance with current accounting rules, no provisions have been made on group level. The legal proceedings are estimated to take up to five years.

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

Financial statements – SEB Group

Income statement, condensed

SEK m	Note	Q4			Q3			Q4			Jan–Dec		
		2020	2020	%	2019	%	2020	2019	%	2020	2019	%	
Net interest income	2	6 559	6 336	4	5 930	11	25 143	22 950	10				
Net fee and commission income	3	4 774	4 301	11	4 989	-4	18 063	18 709	-3				
Net financial income	4	1 784	1 754	2	2 822	-37	6 275	7 617	-18				
Net other income		- 51	172		349		236	858	-73				
Total operating income		13 066	12 563	4	14 089	-7	49 717	50 134	-1				
Staff costs	5, 6	-3 909	-3 654	7	-3 807	3	-14 976	-14 660	2				
Other expenses		-1 473	-1 432	3	-1 746	-16	-5 864	-6 623	-11				
Depreciation, amortisation and impairment of tangible and intangible assets		- 460	- 461	0	- 474	-3	-1 906	-1 662	15				
Total operating expenses		-5 842	-5 547	5	-6 026	-3	-22 747	-22 945	-1				
Profit before credit losses		7 224	7 016	3	8 063	-10	26 970	27 190	-1				
Gains less losses from tangible and intangible assets		- 6	- 2		- 3	100	- 7	- 2					
Net expected credit losses	7	-835	-1 098	-24	-997	-16	-6 118	-2 294	167				
Operating profit before items affecting comparability		6 382	5 916	8	7 063	-10	20 846	24 894	-16				
Items affecting comparability	8						-1 000						
Operating profit		6 382	5 916	8	7 063	-10	19 846	24 894	-20				
Income tax expense		-1 259	-1 150	10	-1 232	2	-4 100	-4 717	-13				
NET PROFIT		5 123	4 766	7	5 831	-12	15 746	20 177	-22				
Attributable to shareholders of Skandinaviska Enskilda Banken AB		5 123	4 766	7	5 831	-12	15 746	20 177	-22				
Basic earnings per share, SEK		2.37	2.21		2.70		7.28	9.33					
Diluted earnings per share, SEK		2.35	2.19		2.68		7.23	9.28					

Statement of comprehensive income

SEK m	Note	Q4			Q3			Q4			Jan–Dec		
		2020	2020	%	2019	%	2020	2019	%	2020	2019	%	
NET PROFIT		5 123	4 766	7	5 831	-12	15 746	20 177	-22				
Cash flow hedges		10	- 10		58	-83	- 62	- 298	-79				
Translation of foreign operations		- 758	- 119		- 395	92	-1 070	145					
Items that may subsequently be reclassified to the income statement:		- 748	- 129		- 337	122	-1 132	- 153					
Own credit risk adjustment (OCA) ¹⁾		- 12	- 53	-78	- 2		- 70	- 53	33				
Defined benefit plans	6	1 741	1 373	27	3 699	-53	1 839	1 366	35				
Items that will not be reclassified to the income statement:		1 729	1 319	31	3 697	-53	1 769	1 313	35				
OTHER COMPREHENSIVE INCOME		981	1 190	-18	3 360	-71	637	1 160	-45				
TOTAL COMPREHENSIVE INCOME		6 104	5 957	2	9 191	-34	16 383	21 336	-23				
Attributable to shareholders of Skandinaviska Enskilda Banken AB		6 104	5 957	2	9 191	-34	16 383	21 336	-23				

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

Balance sheet, condensed

SEK m	31 Dec 2020	30 Sep 2020	31 Dec 2019
Cash and cash balances at central banks	323 776	328 386	146 691
Loans to central banks	3 633	2 315	4 494
Loans to credit institutions ²⁾	50 791	58 167	46 995
Loans to the public	1 770 161	1 859 199	1 837 605
Debt securities	265 433	355 237	238 578
Equity instruments	82 240	67 619	78 482
Financial assets for which the customers bear the investment risk	330 950	318 860	316 776
Derivatives	164 909	149 212	139 427
Other assets	48 539	62 001	47 598
TOTAL ASSETS	3 040 432	3 200 997	2 856 648
Deposits from central banks and credit institutions	111 309	169 493	88 041
Deposits and borrowings from the public ¹⁾	1 371 227	1 431 536	1 161 485
Financial liabilities for which the customers bear the investment risk	332 392	320 439	317 574
Liabilities to policyholders	29 624	28 705	26 547
Debt securities issued	749 502	824 771	858 173
Short positions	30 409	33 451	27 343
Derivatives	161 561	129 493	122 192
Other financial liabilities	744	2 050	2 449
Other liabilities	81 720	95 433	97 144
Total liabilities	2 868 489	3 035 372	2 700 947
Equity	171 943	165 625	155 700
TOTAL LIABILITIES AND EQUITY	3 040 432	3 200 997	2 856 648
1) Deposits covered by deposit guarantees	347 510	340 498	313 779

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

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

Statement of changes in equity

SEK m	Other reserves ¹⁾						Equity
	Share capital	OCA ²⁾	Cash flow hedges	Translation of foreign operations	Defined benefit plans	Retained earnings	
Jan-Dec 2020							
Opening balance	21 942	-339	15	-170	3 898	130 355	155 700
Net profit						15 746	15 746
Other comprehensive income (net of tax)		-70	-62	-1 070	1 839		637
Total comprehensive income		-70	-62	-1 070	1 839	15 746	16 383
Equity-based programmes ⁴⁾						-142	-142
Change in holdings of own shares						2	2
Closing balance	21 942	-409	-47	-1 241	5 737	145 961	171 943
Jan-Dec 2019							
Opening balance	21 942	-286	313	-315	2 533	124 604	148 789
Effect of applying IFRS 16 ³⁾						-244	-244
Restated balance at 1 January 2019	21 942	-286	313	-315	2 533	124 360	148 545
Net profit						20 177	20 177
Other comprehensive income (net of tax)		-53	-298	145	1 366		1 160
Total comprehensive income		-53	-298	145	1 366	20 177	21 336
Dividend to shareholders						-14 069	-14 069
Equity-based programmes ⁴⁾						-136	-136
Change in holdings of own shares						24	24
Closing balance	21 942	-339	15	-170	3 898	130 355	155 700

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

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

3) IFRS 16 Leases is applied from 1 January 2019.

4) Number of shares owned by SEB:

	Jan-Dec 2020	Jan-Dec 2019
Number of shares owned by SEB, million		
Opening balance	31.5	30.3
Repurchased shares for equity-based programmes	10.9	8.7
Sold/distributed shares	-10.2	-7.4
Closing balance	32.2	31.5

Market value of shares owned by SEB, SEK m	2 722	2 774
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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. The acquisition cost for the purchase of own shares is deducted from shareholders' equity. The item includes changes in nominal amounts of equity swaps used for hedging of equity-based programmes.

Cash flow statement, condensed

SEK m	Jan–Dec		
	2020	2019	%
Cash flow from the profit and loss statement	34 664	4 002	
Increase (-)/decrease (+) in trading portfolios	-18 792	-100 712	- 81
Increase (+)/decrease (-) in issued short term securities	-109 525	179 214	
Increase (-)/decrease (+) in lending	50 008	-168 396	
Increase (+)/decrease (-) in deposits and borrowings	233 240	2 801	
Increase/decrease in other balance sheet items	721	21 578	- 97
Cash flow from operating activities	190 316	-61 513	
Cash flow from investment activities	56	- 612	
Cash flow from financing activities	-10 257	- 5 227	96
Net increase in cash and cash equivalents	180 116	- 67 352	
Cash and cash equivalents at the beginning of year	159 335	219 579	- 27
Exchange rate differences on cash and cash equivalents	- 8 203	7 108	
Net increase in cash and cash equivalents	180 116	-67 352	
Cash and cash equivalents at the end of period¹⁾	331 247	159 335	108

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

Other financial information – SEB Group

Key figures

	Q4	Q3	Q4	Jan–Dec	
	2020	2020	2019	2020	2019
Return on equity, %	12.2	11.7	15.5	9.7	13.7
Return on equity excluding items affecting comparability ¹⁾ , %	12.1	11.6	15.5	10.3	13.8
Return on tangible equity, %	12.8	12.4	16.4	10.2	14.5
Return on tangible equity excluding items affecting comparability ¹⁾ , %	12.7	12.3	16.4	10.8	14.6
Return on total assets, %	0.7	0.6	0.8	0.5	0.7
Return on risk exposure amount, %	2.8	2.6	3.0	2.1	2.7
Cost/income ratio	0.45	0.44	0.43	0.46	0.46
Basic earnings per share, SEK	2.37	2.21	2.70	7.28	9.33
Weighted average number of shares ²⁾ , millions	2 161	2 161	2 162	2 163	2 162
Diluted earnings per share, SEK	2.35	2.19	2.68	7.23	9.28
Weighted average number of diluted shares ³⁾ , millions	2 175	2 174	2 177	2 177	2 175
Net worth per share, SEK	85.99	82.81	78.42	85.99	78.42
Equity per share, SEK	79.53	76.66	71.99	79.53	71.99
Average shareholders' equity, SEK, billion	168.2	162.9	150.4	162.2	146.9
Net ECL level, %	0.14	0.19	0.18	0.26	0.10
Stage 3 Loans / Total Loans, gross, %	0.87	0.96	0.67	0.87	0.67
Stage 3 Loans / Total Loans, net, %	0.44	0.50	0.36	0.44	0.36
Liquidity Coverage Ratio (LCR) ⁴⁾ , %	163	139	218	163	218
<u>Own funds requirement, Basel III</u>					
Risk exposure amount, SEK m	725 560	746 308	745 637	725 560	745 637
Expressed as own funds requirement, SEK m	58 045	59 705	59 651	58 045	59 651
Common Equity Tier 1 capital ratio, %	21.0	19.4	17.6	21.0	17.6
Tier 1 capital ratio, %	22.7	21.2	20.8	22.7	20.8
Total capital ratio, %	25.1	23.7	23.3	25.1	23.3
Leverage ratio, %	5.1	4.6	5.1	5.1	5.1
Number of full time equivalents ⁵⁾	15 448	15 417	15 034	15 335	14 939
Assets under custody, SEK bn	12 022	10 803	10 428	12 022	10 428
Assets under management, SEK bn	2 106	2 054	2 041	2 106	2 041

1) Administrative fine in Q2 2020.

2) The number of issued shares was 2,194,171,802. SEB owned 31,499,321 Class A shares for the equity based programmes at year-end 2019. During 2020 SEB has purchased 10,896,142 shares and 10,184,012 shares have been sold. Thus, at 31 December 2020 SEB owned 32,211,451 Class A-shares with a market value of SEK 2,722m.

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

4) In accordance with the EU delegated act.

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

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

Income statement on a quarterly basis

SEK m	Q4	Q3	Q2	Q1	Q4
	2020	2020	2020	2020	2019
Net interest income	6 559	6 336	6 047	6 201	5 930
Net fee and commission income	4 774	4 301	4 364	4 624	4 989
Net financial income	1 784	1 754	3 541	- 804	2 822
Net other income	- 51	172	47	68	349
Total operating income	13 066	12 563	13 999	10 089	14 089
Staff costs	-3 909	-3 654	-3 794	-3 619	-3 807
Other expenses	-1 473	-1 432	-1 362	-1 598	-1 746
Depreciation, amortisation and impairment of tangible and intangible assets	- 460	- 461	- 557	- 429	- 474
Total operating expenses	-5 842	-5 547	-5 712	-5 646	-6 026
Profit before credit losses	7 224	7 016	8 287	4 443	8 063
Gains less losses from tangible and intangible assets	- 6	- 2	1	0	- 3
Net expected credit losses	- 835	-1 098	-2 691	-1 494	- 997
Operating profit before items affecting comparability	6 382	5 916	5 598	2 950	7 063
Items affecting comparability			-1 000		
Operating profit	6 382	5 916	4 598	2 950	7 063
Income tax expense	-1 259	-1 150	-1 096	- 595	-1 232
NET PROFIT	5 123	4 766	3 501	2 355	5 831
Attributable to shareholders of Skandinaviska Enskilda Banken AB	5 123	4 766	3 501	2 355	5 831
Basic earnings per share, SEK	2.37	2.21	1.62	1.09	2.70
Diluted earnings per share, SEK	2.35	2.19	1.61	1.08	2.68

Business segments – SEB Group

Income statement by segment

Jan-Dec 2020, SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & group functions	Eliminations	SEB Group
Net interest income	11 060	12 337	3 113	-31	-1 165	-170	25 143
Net fee and commission income	6 472	4 915	1 584	2 454	2 657	-19	18 063
Net financial income	4 226	379	325	660	684	2	6 275
Net other income	87	30	-2	5	120	-4	236
Total operating income	21 845	17 661	5 019	3 088	2 295	-191	49 717
Staff costs	-4 238	-3 444	-880	-867	-5 562	15	-14 976
Other expenses	-5 250	-4 138	-1 105	-733	5 185	176	-5 864
Depreciation, amortisation and impairment of tangible and intangible assets	-68	-69	-32	-21	-1 717	0	-1 906
Total operating expenses	-9 555	-7 651	-2 017	-1 621	-2 094	191	-22 747
Profit before credit losses	12 289	10 010	3 002	1 467	202	0	26 970
Gains less losses from tangible and intangible assets	1	0	2	0	-9		-7
Net expected credit losses	-4 865	-827	-425	1	-4	2	-6 118
Operating profit before items affecting comparability	7 425	9 182	2 579	1 468	189	2	20 846
Items affecting comparability					-1 000		-1 000
Operating profit	7 425	9 182	2 579	1 468	-811	2	19 846

Jan-Dec 2019, SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & group functions	Eliminations	SEB Group
Net interest income	9 371	10 721	3 218	-16	-378	34	22 950
Net fee and commission income	6 558	5 546	1 638	2 531	2 392	44	18 709
Net financial income	4 462	507	321	711	1 605	11	7 617
Net other income	221	25	-8	77	554	-11	858
Total operating income	20 613	16 798	5 169	3 304	4 173	78	50 134
Staff costs	-4 293	-3 372	-856	-860	-5 294	15	-14 660
Other expenses	-5 186	-3 979	-1 123	-706	4 465	-93	-6 623
Depreciation, amortisation and impairment of tangible and intangible assets	-69	-68	-30	-21	-1 475		-1 662
Total operating expenses	-9 548	-7 418	-2 009	-1 587	-2 304	-78	-22 945
Profit before credit losses	11 065	9 380	3 159	1 716	1 869	0	27 190
Gains less losses from tangible and intangible assets	1	-4	2		-1		-2
Net expected credit losses	-1 812	-393	-58	-1	-22	-7	-2 294
Operating profit before items affecting comparability	9 254	8 983	3 104	1 715	1 846	-7	24 894
Items affecting comparability							
Operating profit	9 254	8 983	3 104	1 715	1 846	-7	24 894

Large Corporates & Financial Institutions

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

Income statement

SEK m	Q4		Q3	Q4		Jan–Dec		
	2020	2020	%	2019	%	2020	2019	%
Net interest income	2 936	2 762	6	2 450	20	11 060	9 371	18
Net fee and commission income	1 751	1 391	26	1 824	-4	6 472	6 558	-1
Net financial income	1 121	1 148	-2	1 434	-22	4 226	4 462	-5
Net other income	-27	100		22		87	221	-61
Total operating income	5 781	5 402	7	5 730	1	21 845	20 613	6
Staff costs	-1 097	-1 051	4	-1 170	-6	-4 238	-4 293	-1
Other expenses	-1 391	-1 253	11	-1 363	2	-5 250	-5 186	1
Depreciation, amortisation and impairment of tangible and intangible assets	-17	-17	0	-17	-2	-68	-69	-2
Total operating expenses	-2 506	-2 322	8	-2 550	-2	-9 555	-9 548	0
Profit before credit losses	3 275	3 080	6	3 180	3	12 289	11 065	11
Gains less losses from tangible and intangible assets	0	0	-15	0	-49	1	1	10
Net expected credit losses	-632	-1 116	-43	-879	-28	-4 865	-1 812	169
Operating profit before items affecting comparability	2 643	1 965	35	2 301	15	7 425	9 254	-20
Items affecting comparability								
Operating profit	2 643	1 965	35	2 301	15	7 425	9 254	-20
Cost/Income ratio	0.43	0.43		0.45		0.44	0.46	
Business equity, SEK bn	68.8	69.0		69.3		70.3	67.9	
Return on business equity, %	11.8	8.7		10.2		8.1	10.4	
Number of full time equivalents ¹⁾	2 054	2 062		2 085		2 080	2 057	

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

- Solid Investment Banking activity
- Healthy demand for equities brokerage and debt capital markets issuance
- Operating profit amounted to SEK 2,643m and return on business equity increased to 11.8 per cent

Comments on the fourth quarter

Large Corporate clients started the quarter with a restrictive approach amid concerns for a surge in Covid-19 cases. The activity level picked up again following positive news related to Covid-19 vaccines. This, in combination with a typically seasonally stronger fourth quarter in investment banking, drove customers' investment activity in equity and debt capital markets which was favourable for event-driven fee income. Demand for longer-term funding remained stable and customer interest in sustainability-related discussions increased. Cash management services increased slightly compared with the third quarter due to highly liquid markets. The activity in leveraged finance funds picked up towards the later part of the quarter within the *Financial Sponsor* customer segment.

For the *Financial Institutions* customer segment, the activity levels from the previous quarter continued into the fourth quarter, primarily driven by demand for equities brokerage and debt capital markets issuance. Furthermore,

the strong demand for alternative investments and sustainability-related products and advice continued. The cautious sentiment among the larger Nordic institutional clients however remained. Assets under custody increased to SEK 12,022bn (10,803), as a consequence of the onboarding of new mandates together with increasing asset values.

Operating income amounted to SEK 5,781m, an increase of 7 per cent since the third quarter. Net interest income increased by 6 per cent, mainly due to higher deposit volumes. Net fee and commission income increased by 26 per cent as a result of higher event-driven activity. Net financial income decreased by 2 per cent. Operating expenses increased by 8 per cent to SEK 2,506m due to staff costs and other seasonal effects. Net expected credit losses amounted to SEK 632m with a net expected credit loss level of 21 basis points, mainly relating to the oil portfolio. See page 6.

Corporate & Private Customers

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

Income statement

SEK m	Q4			Q3		Q4			Jan-Dec		
	2020	2020	%	2019	%	2020	2019	%	2020	2019	%
Net interest income	3 241	3 181	2	2 669	21	12 337	10 721	15			
Net fee and commission income	1 261	1 221	3	1 453	-13	4 915	5 546	-11			
Net financial income	100	93	8	122	-18	379	507	-25			
Net other income	6	7	-6	8	-22	30	25	18			
Total operating income	4 609	4 502	2	4 253	8	17 661	16 798	5			
Staff costs	-878	-848	4	-843	4	-3 444	-3 372	2			
Other expenses	-1 186	-980	21	-1 113	7	-4 138	-3 979	4			
Depreciation, amortisation and impairment of tangible and intangible assets	-17	-17	-2	-17	2	-69	-68	2			
Total operating expenses	-2 081	-1 845	13	-1 972	6	-7 651	-7 418	3			
Profit before credit losses	2 528	2 657	-5	2 280	11	10 010	9 380	7			
Gains less losses from tangible and intangible assets		0		-3		0	-4	-91			
Net expected credit losses	-86	5		-92	-7	-827	-393	110			
Operating profit before items affecting comparability	2 442	2 662	-8	2 185	12	9 182	8 983	2			
Items affecting comparability											
Operating profit	2 442	2 662	-8	2 185	12	9 182	8 983	2			
Cost/Income ratio	0.45	0.41		0.46		0.43	0.44				
Business equity, SEK bn	46.8	46.0		44.6		46.6	44.9				
Return on business equity, %	16.0	17.7		15.0		15.1	15.3				
Number of full time equivalents ¹⁾	3 600	3 629		3 478		3 587	3 564				

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

- Increased corporate lending, driven by real estate lending
- Stable growth in mortgage lending, in line with market
- Operating profit amounted to SEK 2,442m and return on business equity was 16.0 per cent

Comments on the fourth quarter

Customer satisfaction for advisory services, as measured by Net Promoter Score (NPS), remained high for both corporate and private customers.

In the *corporate segment*, the net inflow of full-service customers continued. Corporate deposits increased, and the pace of corporate lending rose, driven by real estate lending. Overall, corporate lending increased by SEK 5bn and amounted to SEK 257bn (252).

Among *private customers*, the mortgage business developed well. Mortgage volumes grew by SEK 9bn and amounted to SEK 540bn, in line with market. Mutual fund volumes continued to increase, mainly supported by the development of the stock market but also a positive net flow. Within Private Banking, assets under management grew, mainly driven by the stock market appreciation.

In total, lending volumes increased by SEK 1.6bn to SEK 857bn. Deposit volumes grew by SEK 18bn and amounted to SEK 529bn.

Operating profit decreased by 8 per cent. Net interest income increased by 2 per cent, or SEK 60m, an effect of increased lending and deposit volumes as well as lower than expected deposit guarantee fees. Net fee and commission income increased by 3 per cent, explained by turnover in the card business which increased from low levels in the beginning of the quarter. The stock market performance and high brokerage activity also contributed to the increase. Total operating expenses increased by 13 per cent, mainly due to seasonally higher costs in the fourth quarter. The net expected credit losses amounted to SEK 86m, with a net expected credit loss level of 4 basis points in the fourth quarter. See page 6.

Baltic

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

Income statement

SEK m	Q4			Q3		Q4		Jan–Dec		
	2020	2020	%	2019	%	2020	2019	%		
Net interest income	708	772	-8	831	-15	3 113	3 218	-3		
Net fee and commission income	401	402	0	426	-6	1 584	1 638	-3		
Net financial income	130	66	96	111	17	325	321	1		
Net other income	-2	0		-4	-43	-2	-8	-71		
Total operating income	1 237	1 241	0	1 364	-9	5 019	5 169	-3		
Staff costs	-223	-214	4	-221	1	-880	-856	3		
Other expenses	-267	-271	-2	-310	-14	-1 105	-1 123	-2		
Depreciation, amortisation and impairment of tangible and intangible assets	-8	-9	-9	-8	4	-32	-30	8		
Total operating expenses	-498	-494	1	-539	-8	-2 017	-2 009	0		
Profit before credit losses	739	746	-1	825	-10	3 002	3 159	-5		
Gains less losses from tangible and intangible assets	0	1		1		2	2	-11		
Net expected credit losses	-97	10		-17		-425	-58			
Operating profit before items affecting comparability	641	757	-15	810	-21	2 579	3 104	-17		
Items affecting comparability										
Operating profit	641	757	-15	810	-21	2 579	3 104	-17		
Cost/Income ratio	0.40	0.40		0.40		0.40	0.39			
Business equity, SEK bn	13.0	12.9		11.0		13.1	10.8			
Return on business equity, %	16.8	20.1		25.2		16.8	24.7			
Number of full time equivalents ¹⁾	2 219	2 249		2 350		2 285	2 350			

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

- Renewed Covid-19 restrictions slowed Baltic economies
- Continued high customer usage of digital and remote services
- Operating profit amounted to SEK 641m and return on business equity was 16.8 per cent

Comments on the fourth quarter

After the strong rebound in the third and the beginning of the fourth quarter, the number of Covid-19 cases increased, and governmental containment measures were introduced. The Baltic economic activity slowed, but both household and business sentiment dropped less than during the spring. The manufacturing industry demonstrated stable growth as foreign demand remained strong. The retail sector showed historically rapid growth in October and November. However, the companies remained cautious on new investments.

The increased activity in the private residential market seen during the third quarter continued into the fourth quarter, which resulted in a 2 per cent increase in mortgage lending during the quarter in local currency. Despite increased restrictions, the usage of cards and payment products by private customers remained relatively stable compared with the third quarter, however the seasonality effect from card usage in December was lower than usual. The high usage of SEB's digital services as a result of the pandemic continued.

Despite growth in certain sectors, corporate customers overall remained cautious on new investments due to uncertainties stemming from the pandemic and instead

continued to decrease the debt exposure. Lending volumes decreased by 1 per cent in local currency in the fourth quarter and amounted to SEK 149bn (158). Deposits continued to grow both from private and corporate customers during the fourth quarter. Total deposits grew by 7 per cent in local currency and amounted to SEK 175bn (171).

Compared with the third quarter, operating profit decreased by 15 per cent, or by SEK 116m, to SEK 641m. Net interest income decreased by 7 per cent in local currency, mainly due to early prepayment of wholesale funding as a result of the implementation of new regulatory requirements. Net fee and commission income increased slightly in local currency, driven by slightly higher commissions from payments products. Net financial income grew by 95 per cent in local currency, due to increasing customer-driven foreign currency activity and higher market values of government bonds in the liquidity portfolios. Operating expenses were 2 per cent higher in local currency mainly as a result of higher staff and IT costs related to business development. Net expected credit losses amounted to SEK 97m, or 21 basis points. See page 6.

Life

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

Income statement

SEK m	Q4		Q3		Q4		Jan–Dec	
	2020	2020	%	2019	%	2020	2019	%
Net interest income	-8	-8		-5	63	-31	-16	101
Net fee and commission income	639	618	3	648	-1	2 454	2 531	-3
Net financial income	296	247	20	207	43	660	711	-7
Net other income	3	2	87	15	-81	5	77	-93
Total operating income	930	858	8	866	7	3 088	3 304	-7
Staff costs	-225	-205	10	-221	2	-867	-860	1
Other expenses	-181	-185	-2	-183	-1	-733	-706	4
Depreciation, amortisation and impairment of tangible and intangible assets	-5	-5		-5	-6	-21	-21	-2
Total operating expenses	-411	-394	4	-410	0	-1 621	-1 587	2
Profit before credit losses	519	463	12	456	14	1 467	1 716	-15
Gains less losses from tangible and intangible assets								
Net expected credit losses	0	1		0		1	-1	
Operating profit before items affecting comparability	519	464	12	456	14	1 468	1 715	-14
Items affecting comparability								
Operating profit	519	464	12	456	14	1 468	1 715	-14
Cost/Income ratio	0.44	0.46		0.47		0.52	0.48	
Business equity, SEK bn	5.4	5.3		5.4		5.3	5.4	
Return on business equity, %	35.8	32.8		31.2		25.5	29.4	
Number of full time equivalents ¹⁾	1 056	1 033		1 061		1 046	1 046	

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

- Customer assets at all-time-high at end of the quarter
- Increase of market share in Sweden for the fourth consecutive quarter
- Operating profit amounted to SEK 519m and return on business equity was 35.8 per cent

Comments on the fourth quarter

During the fourth quarter, sales increased by 30 per cent or SEK 2.6bn to SEK 11bn. This was mainly driven by continued high customer interest in the portfolio bond product distributed mainly in the Swedish market, as well as favourable sales development of the Swedish business. The full year sales volume for the division was, despite Covid-19, only 2 per cent lower than 2019. Sales in the Baltic countries suffered from the Covid-19 related lockdown.

SEB's market share increase in the Swedish life insurance market has been consistent throughout the year. The market share amounted to 11.5¹⁾ per cent, which shows an increase of 0.4 percentage points compared with the previous quarter.

Assets under management values have consistently recovered since the first quarter of the year and has reached a divisional all-time high at the end of 2020 of SEK 404bn²⁾, an

increase of SEK 14bn compared with the previous quarter.

This was driven by a combination of increase in market value as well as a positive net inflow, predominantly driven by the strong demand for the portfolio bond product. The strengthened Swedish krona had some negative effect. The traditional portfolios in Sweden delivered a 4 per cent return in 2020. The strong development in the traditional portfolios resulted in a decision in December to increase the bonus rate.

Operating profit continued to recover after the negative development in the first quarter caused by Covid-19. The fourth quarter delivered an all-time high profit of SEK 519m, up 12 per cent compared with the third quarter. Fee and commission income amounted to SEK 639m, which represented an increase of 3 per cent compared with the previous quarter, largely due to higher average asset values in the unit-linked business. Net financial income increased by SEK 49m to SEK 296m. Operating expenses increased by 4 per cent.

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

²⁾ Net assets of SEK 11.8bn included in 2019 figures were transferred to another division within SEB in the first quarter of 2020.

Investment Management & group functions

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

Income statement

SEK m	Q4			Q3			Q4			Jan–Dec		
	2020	2020	%	2019	%	2020	2019	%	2020	2019	%	
Net interest income	-242	-353	-32	-11		-1165	-378					
Net fee and commission income	749	667	12	659	14	2657	2392	11				
Net financial income	129	201	-36	936	-86	684	1605	-57				
Net other income	-29	64		309		120	554	-78				
Total operating income	608	579	5	1892	-68	2295	4173	-45				
Staff costs	-1488	-1339	11	-1355	10	-5562	-5294	5				
Other expenses	1458	1243	17	1212	20	5185	4465	16				
Depreciation, amortisation and impairment of tangible and intangible assets	-413	-414	0	-427	-3	-1717	-1475	16				
Total operating expenses	-444	-510	-13	-570	-22	-2094	-2304	-9				
Profit before credit losses	164	69	139	1322	-88	202	1869	-89				
Gains less losses from tangible and intangible assets	-6	-3	123	-1		-9	-1					
Net expected credit losses	-19	-1		-9	99	-4	-22	-84				
Operating profit before items affecting comparability	139	64	116	1311	-89	189	1846	-90				
Items affecting comparability						-1000						
Operating profit	139	64	116	1311	-89	-811	1846					
Number of full time equivalents ¹⁾	6517	6445		6061		6337	5922					
SEB labelled mutual funds, SEK bn ²⁾	672	647		685		672	685					

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

²⁾ As of 1 January 2020, the definition of AuM was further clarified for SEB-labelled mutual funds, leading to an overall lower AuM figure. Historical periods were adjusted proforma. The management of Baltic pension funds was moved to the Life division.

- SEB-labelled mutual funds' asset values increased to SEK 672bn
- Operating profit amounted to SEK 139m

Comments on the fourth quarter

Investment Management and group functions are reported combined but are distinctly different. The combined operating profit of SEK 139m (64) is best commented one by one.

Investment Management: Assets under management continued to increase and SEB-labelled mutual funds amounted to SEK 672bn (647) due to the positive market development. Net sales for the quarter was negative and amounted to SEK -1bn. SEB's assets under management fulfilling SEB's sustainability criteria amounted to SEK 304bn (267), representing 45 per cent of the assets under management.

Operating income amounted to SEK 628m (603) of which base commissions represent SEK 570m (477) which, after one-off adjustments in the third as well as the fourth quarter, represents an underlying increase of 6 per cent. Performance fees had another strong quarter and amounted to SEK 102m (86). Operating expenses increased and amounted to SEK 248m (208). Operating profit amounted to SEK 380m (394).

Treasury: Net interest income increased during the fourth quarter compared with the third quarter mainly due to internal funds transfer prices paid to divisions on deposits trending downwards. Low volatility in the quarter and a relatively quiet year-end resulted in small movements in net financial income. The Baltic division restructured some of its wholesale funding. This affected Treasury positively on net interest income, with a corresponding negative effect in the Baltic division.

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

Other: Net financial income reflected negative market valuation effects of SEK 56m on certain strategic holdings compared with the third quarter.

Notes to the financial statements - SEB Group

Note 1 Accounting policies

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

As of January 2020, the group adopted Definition of Material (Amendments to IAS 1 and IAS 8). The amendments provide a new definition of material that states that

"information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The IASB has issued a revised Conceptual Framework for Financial Reporting. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. An amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

The changes have not had a material effect on the financial statements of the group or on capital adequacy and large exposures.

In all other material aspects, the group's and the parent company's accounting policies, basis for calculations and presentations are unchanged in comparison with the 2019 Annual Report.

Note 2 Net interest income

SEK m	Q4			Q3		Q4			Jan-Dec		
	2020	2020	%	2019	%	2020	2019	%			
Interest income ¹⁾	8 777	8 953	-2	10 448	-16	37 578	41 722	-10			
Interest expense	-2 218	-2 617	-15	-4 518	-51	-12 435	-18 772	-34			
Net interest income	6 559	6 336	4	5 930	11	25 143	22 950	10			
1) Of which interest income calculated using the effective interest method	7 155	7 373	-3	8 776	-18	30 966	35 217	-12			

Note 3 Net fee and commission income

SEK m	Q4			Q3		Q4			Jan-Dec		
	2020	2020	%	2019	%	2020	2019	%			
Issue of securities and advisory services	356	203	75	470	-24	1 111	1 312	-15			
Secondary market and derivatives	480	420	14	519	-8	2 012	2 047	-2			
Custody and mutual funds	2 087	2 003	4	2 036	2	7 976	7 782	2			
<i>Whereof performance fees</i>	98	86	13	42	134	304	121	151			
Payments, cards, lending, deposits, guarantees and other	2 544	2 465	3	2 867	-11	10 256	11 293	-9			
<i>Whereof payments and card fees</i>	1 244	1 275	-2	1 607	-23	5 139	6 299	-18			
<i>Whereof lending</i>	776	668	16	762	2	3 004	2 869	5			
Life insurance commissions	409	395	4	425	-4	1 578	1 741	-9			
Fee and commission income	5 876	5 486	7	6 317	-7	22 933	24 176	-5			
Fee and commission expense	-1 102	-1 185	-7	-1 328	-17	-4 870	-5 467	-11			
Net fee and commission income	4 774	4 301	11	4 989	-4	18 063	18 709	-3			
<i>Whereof Net securities commissions</i>	2 346	2 023	16	2 283	3	8 510	8 179	4			
<i>Whereof Net payment and card fees</i>	846	820	3	1 080	-22	3 273	4 096	-20			
<i>Whereof Net life insurance commissions</i>	282	272	3	302	-7	1 084	1 198	-10			
<i>Whereof Other commissions</i>	1 300	1 185	10	1 325	-2	5 196	5 236	-1			

Fee and commission income by segment

SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & group functions	Eliminations	SEB Group
Q4 2020							
Issue of securities and advisory	360	11	-15		0		356
Secondary market and derivatives	379	92	10	0	-1	0	480
Custody and mutual funds	910	468	45	55	1 575	-966	2 087
Payments, cards, lending, deposits, guarantees and other	1 195	937	520	51	135	-294	2 544
Life insurance commissions				807		-398	409
Fee and commission income	2 844	1 507	560	913	1 710	-1 658	5 876
Q3 2020							
Issue of securities and advisory	189	9	4		0		203
Secondary market and derivatives	330	84	7	0	-2	0	420
Custody and mutual funds	880	449	46	53	1 528	-952	2 003
Payments, cards, lending, deposits, guarantees and other	1 098	955	519	49	159	-315	2 465
Life insurance commissions				784		-388	395
Fee and commission income	2 497	1 497	576	885	1 685	-1 655	5 486
Jan-Dec 2020							
Issue of securities and advisory	1 072	39	0	0	0		1 111
Secondary market and derivatives	1 602	385	36	1	-11	0	2 012
Custody and mutual funds	3 482	1 771	184	210	5 975	-3 647	7 976
Payments, cards, lending, deposits, guarantees and other	4 743	3 918	2 026	197	565	-1 193	10 256
Life insurance commissions				3 110		-1 532	1 578
Fee and commission income	10 899	6 113	2 246	3 517	6 530	-6 372	22 933
Jan-Dec 2019							
Issue of securities and advisory	1 258	35	18	0	2		1 311
Secondary market and derivatives	1 596	431	20	0	0	0	2 047
Custody and mutual funds	3 369	1 615	190	168	6 025	-3 585	7 782
Payments, cards, lending, deposits, guarantees and other	4 688	5 160	2 088	222	473	-1 338	11 293
Life insurance commissions				3 246		-1 504	1 741
Fee and commission income	10 911	7 240	2 317	3 636	6 499	-6 428	24 176

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

Note 4 Net financial income

SEK m	Q4			Q3		Q4		Jan-Dec		
	2020	2020	%	2019	%	2020	2019	%		
Equity instruments and related derivatives	779	747	4	755	3	1 197	2 628	-54		
Debt instruments and related derivatives	-216	16		582		244	-37			
Currency and related derivatives	698	599	16	1 132	-38	3 864	4 119	-6		
Other life insurance income, net	301	245	23	219	38	661	722	-8		
Other	222	147	51	134	66	309	185	67		
Net financial income	1 784	1 754	2	2 822	-37	6 275	7 617	-18		

Whereof unrealised valuation changes from counterparty risk and own credit standing in derivatives

	302	189	60	267	13	-211	-1
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The result within Net financial income is presented on different line items based on type of underlying financial instrument.

For the fourth quarter the effect from structured bonds offered to the public was approximately SEK 315m (Q3 2020: 220) in Equity related derivatives and a corresponding effect in Debt related derivatives SEK -110m (Q3 2020: -30).

Note 5 Staff costs

SEK m	Jan-Dec		
	2020	2019	%
Salaries ¹⁾	-11 166	-10 809	3
Short-term incentive ¹⁾	-841	-916	-8
Long-term incentive ¹⁾	-706	-863	-18
Pension costs	-1 522	-1 353	12
Redundancy costs ¹⁾	-228	-130	75
Other staff costs	-514	-588	-13
Staff costs	-14 976	-14 660	2

1) Including social charges.

SEK m	Jan-Dec		
	2020	2019	%
Short-term incentive (STI) to staff	-681	-725	-6
Social benefit charges on STI	-160	-191	-16
Short-term incentive remuneration	-841	-916	-8

SEK m	Jan-Dec		
	2020	2019	%
Long-term incentive (LTI) to staff	-581	-649	-10
Social benefit charges on LTI	-124	-214	-42
Long-term incentive remuneration	-706	-863	-18

Note 6 Defined benefit pension plans

Balance sheet, SEK m	Jan-Dec		
	2020	2019	%
Defined benefit obligations	32 156	31 876	1
Fair value of plan assets	39 029	37 062	5
Net amount recognised in the balance sheet	6 873	5 186	33

Income statement, SEK m	Jan-Dec		
	2020	2019	%
Service costs	- 590	- 479	23
Interest costs	- 341	- 514	-34
Calculated interest on plan assets	396	583	-32
Included in staff costs	- 536	- 409	31

Other comprehensive income, SEK m	Jan-Dec		
	2020	2019	%
Remeasurements of pension obligations	- 188	- 5 665	-97
Valuation gains (losses) on plan assets	2 487	7 062	-65
Deferred tax pensions	- 460	- 32	
Defined benefit pension plans	1 839	1 366	35

Note 7 Net expected credit losses

SEK m	Q4		Q3		Q4		Jan-Dec		
	2020	2020	%	2019	%	2020	2019	%	
Impairment gains or losses - Stage 1	94	326	-71	25		- 452	24		
Impairment gains or losses - Stage 2	- 159	446		197		- 293	457		
Impairment gains or losses - Stage 3	- 715	- 1 856	-62	- 1 189	-40	- 5 166	- 2 777	86	
Impairment gains or losses	- 779	- 1 085	-28	- 967	-19	- 5 911	- 2 296	157	
Write-offs and recoveries									
Total write-offs	- 1 126	- 438	157	- 288		- 2 757	- 1 113	148	
Reversals of allowance for write-offs	1 022	383	167	195		2 364	845	180	
Write-offs not previously provided for	- 105	- 55	91	- 92	13	- 393	- 269	46	
Recovered from previous write-offs	49	42	17	63	-22	187	271	-31	
Net write-offs	- 56	- 13		- 30	87	- 206	2		
Net expected credit losses	- 835	- 1 098	-24	- 997	-16	- 6 118	- 2 294	167	
Net ECL level, %	0.14	0.19		0.18		0.26	0.10		

Exposure and expected credit loss (ECL) allowances by stage, Movements in allowances for expected credit losses and loans and Expected credit loss allowances by industry are presented in notes 12-14.

Note 8 Items affecting comparability

SEK m	Q4		Q3		Q4		Jan–Dec	
	2020	2020	%	2019	%	2020	2019	%
Other expenses							-1 000	
Total operating expenses							-1 000	
Items affecting comparability							-1 000	
Income tax on IAC								
Items affecting comparability after tax							-1 000	

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

Items affecting comparability 2020

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

Note 9 Pledged assets and obligations

SEK m	31 Dec 2020	30 Sep 2020	31 Dec 2019
Pledged assets for own liabilities ¹⁾	493 629	490 817	496 406
Pledged assets for liabilities to insurance policyholders	362 016	349 144	344 121
Other pledged assets ²⁾	108 336	124 919	91 477
Pledged assets	963 981	964 881	932 004
Contingent liabilities ³⁾	137 341	142 411	139 462
Commitments	724 933	755 541	638 348
Obligations	862 274	897 952	777 810

1) Of which collateralised for own issued covered bonds SEK 333,494m (347,097; 368,955).

2) Of which securities lending SEK 2,083m (2,836; 5,389) and pledged but unencumbered bonds SEK 80,735m (94,741; 58,523).

3) Of which financial guarantees SEK 8,573m (9,114; 8,705).

Note 10 Financial assets and liabilities

SEK m	31 Dec 2020		30 Sep 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Loans ¹⁾	2 146 206	2 157 725	2 245 887	2 257 685	2 033 280	2 033 650
Debt securities	265 433	265 254	355 237	355 039	238 578	238 878
Equity instruments	82 240	82 240	67 619	67 619	78 482	78 482
Financial assets for which the customers bear the investment risk	330 950	330 950	318 860	318 860	316 776	316 776
Derivatives	164 909	164 909	149 212	149 212	139 427	139 427
Other	13 975	13 975	28 522	28 522	16 584	16 584
Financial assets	3 003 712	3 015 052	3 165 337	3 176 937	2 823 127	2 823 797
Deposits	1 482 536	1 483 301	1 601 029	1 601 807	1 249 526	1 248 839
Financial liabilities for which the customers bear the investment risk	332 392	332 392	320 439	320 439	317 574	317 574
Debt securities issued ²⁾	781 789	794 477	859 545	873 796	902 812	896 194
Short positions	30 409	30 409	33 451	33 451	27 343	27 343
Derivatives	161 561	161 561	129 493	129 493	122 192	122 192
Other	19 828	19 875	35 405	35 406	18 449	18 451
Financial liabilities	2 808 515	2 822 015	2 979 363	2 994 393	2 637 896	2 630 593

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

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

SEB has classified its financial instruments by class taking into account the characteristics of the instruments. The fair value of each class of financial assets and liabilities are compared with its carrying amount. A description of the characteristics of the classes can be found in note 37 in the Annual Report 2019.

Note 11 Assets and liabilities measured at fair value

SEK m	31 Dec 2020			Total	31 Dec 2019			Total
	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)		Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	
Assets								
Loans		120 124		120 124		190 090		190 090
Debt securities	100 088	153 154		253 242	110 101	113 884	5	223 990
Equity instruments	65 762	3 117	13 360	82 240	59 029	6 403	13 050	78 482
Financial assets for which the customer bear the investment risk	324 650	5 835	465	330 950	308 909	7 236	631	316 776
Derivatives	1 003	163 481	425	164 909	1 006	137 943	478	139 427
Investment in associates ¹⁾	60		526	586	85		381	466
Total	491 563	445 711	14 776	952 051	479 130	455 557	14 544	949 231
Liabilities								
Deposits		12 238		12 238		15 103		15 103
Financial liabilities for which the customer bear the investment risk	326 166	5 773	453	332 392	309 772	7 178	625	317 574
Liabilities to policyholders - insurance	28 511	1 113		29 624	25 399	1 147		26 547
Debt securities issued		13 618		13 618		20 207		20 207
Short positions	24 173	6 236		30 409	25 634	1 669	41	27 343
Derivatives	806	160 349	406	161 561	1 554	120 296	342	122 192
Other financial liabilities at fair value	123	621		744	44	2 405		2 449
Total	379 779	199 949	859	580 586	362 402	168 004	1 008	531 414

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

Fair value measurement

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

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

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

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

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

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

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

Level 1: Quoted market prices

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

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

Level 2: Valuation techniques with observable inputs

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

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

Note 11, continued. Assets and liabilities measured at fair value

Level 3: Valuation techniques with significant unobservable inputs

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

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

Significant transfers and reclassifications between levels

Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committee of each relevant division decides on material shifts between levels. The largest open market risk within Level 3 financial instruments remains in the traditional life insurance investment portfolios within the insurance business.

Changes in level 3, SEK m	Opening balance	Gain/loss in Income statement ¹⁾	Gain/loss in Other comprehensive income				Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Closing balance
	1 Jan 2020		Purchases	Sales	Settle-ments	31 Dec 2020				
Assets										
Debt securities	5				-5					0
Equity instruments	13 050	-912	3 128	-1 782				-7	-116	13 360
Financial assets for which the customer bear the investment risk	631	-153	7	-10		165	-158	-17		465
Derivatives	478	-250	65		132					425
Investment in associates	381	67	78							526
Total	14 544	-1248	3 278	-1797	132	165	-165	-133		14 776
Liabilities										
Financial liabilities for which the customer bear the investment risk	625	-154			-8	165	-158	-17		453
Short positions	41	-53			11			1		0
Derivatives	342	102	-104	69	-3					406
Total	1 008	-105	-104	72	-3	165	-158	-16		859

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

Sensitivity of Level 3 assets and liabilities to unobservable inputs

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

SEK m	31 Dec 2020				31 Dec 2019			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments ²⁾⁵⁾	427	-406	21	55	478	-342	136	36
Debt securities ¹⁾								
Equity instruments ³⁾⁶⁾⁷⁾	3 285		3 285	626	3 187	-40	3 147	632
Insurance holdings - Financial instruments ⁴⁾⁵⁾⁷⁾⁸⁾	10 367		10 367	1 230	9 960		9 960	1 110

1) Sensitivity quantified as the absolute value of range prices per maturity bucket multiplied by exposure in bps, and standard deviation multiplied by the confidence interval 1.28 and exposure in basis points.

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

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

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

5) Shift in implied volatility by 10 per cent.

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

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

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

Note 12 Exposure and expected credit loss (ECL) allowances by stage

SEK m	31 Dec 2020	30 Sep 2020	31 Dec 2019
Stage 1 (12-month ECL)			
Debt securities	12 191	13 554	14 589
Loans ¹⁾	1 641 422	1 661 651	1 623 030
Financial guarantees and Loan commitments	740 472	773 740	636 447
Gross carrying amounts/Nominal amounts Stage 1	2 394 086	2 448 945	2 274 066
Debt securities	0	0	-1
Loans ¹⁾	-972	-1 039	-643
Financial guarantees and Loan commitments	-260	-320	-189
ECL allowances Stage 1	-1 232	-1 359	-832
Debt securities	12 191	13 554	14 588
Loans ¹⁾	1 640 449	1 660 612	1 622 387
Financial guarantees and Loan commitments	740 213	773 420	636 258
Carrying amounts/Net amounts Stage 1	2 392 852	2 447 586	2 273 234
Stage 2 (lifetime ECL)			
Loans ¹⁾²⁾	61 745	64 799	72 459
Financial guarantees and Loan commitments	16 375	16 090	13 900
Gross carrying amounts/Nominal amounts Stage 2	78 120	80 890	86 360
Loans ¹⁾²⁾	-1 208	-1 009	-1 058
Financial guarantees and Loan commitments	-176	-243	-127
ECL allowances Stage 2	-1 384	-1 253	-1 185
Loans ¹⁾²⁾	60 537	63 790	71 401
Financial guarantees and Loan commitments	16 199	15 847	13 773
Carrying amounts/Net amounts Stage 2	76 736	79 637	85 174
Stage 3 (credit impaired/lifetime ECL)			
Loans ¹⁾³⁾	14 890	16 809	11 396
Financial guarantees and Loan commitments ³⁾	700	496	441
Gross carrying amounts/Nominal amounts Stage 3	15 590	17 305	11 836
Loans ¹⁾³⁾	-7 331	-8 119	-5 211
Financial guarantees and Loan commitments ³⁾	-218	-182	-138
ECL allowances Stage 3	-7 549	-8 301	-5 349
Loans ¹⁾³⁾	7 559	8 689	6 184
Financial guarantees and Loan commitments ³⁾	482	315	303
Carrying amounts/Net amounts Stage 3	8 042	9 004	6 487

The note continues on the next page.

Note 12, continued. Exposure and expected credit loss (ECL) allowances by stage

SEK m	31 Dec 2020	30 Sep 2020	31 Dec 2019
Total			
Debt securities	12 191	13 554	14 589
Loans ¹⁾²⁾³⁾	1 718 057	1 743 259	1 706 885
Financial guarantees and Loan commitments ³⁾	757 547	790 327	650 788
Gross carrying amounts/Nominal amounts	2 487 796	2 547 140	2 372 262
Debt securities	0	0	-1
Loans ¹⁾²⁾³⁾	-9 512	-10 168	-6 912
Financial guarantees and Loan commitments ³⁾	-653	-745	-454
ECL allowances	-10 165	-10 913	-7 367
Debt securities	12 191	13 554	14 588
Loans ¹⁾²⁾³⁾	1 708 545	1 733 091	1 699 972
Financial guarantees and Loan commitments ³⁾	756 895	789 582	650 335
Carrying amounts/Net amounts	2 477 630	2 536 227	2 364 895

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

2) Whereof gross carrying amounts SEK 1,327m (1,232; 1,372) and ECL allowances SEK 2m (2; 2) under Lifetime ECLs - simplified approach for trade receivables.

3) Whereof gross carrying amounts SEK 2,274m (2,957; 2,309) and ECL allowances SEK 1,392m (1,895; 1,002) for Purchased or Originated Credit Impaired loans.

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

Stage 3 loans / Total loans, gross, %	0.87	0.96	0.67
Stage 3 loans / Total loans, net, %	0.44	0.50	0.36
ECL coverage ratio Stage 1, %	0.05	0.06	0.04
ECL coverage ratio Stage 2, %	1.77	1.55	1.37
ECL coverage ratio Stage 3, %	48.42	47.97	45.19
ECL coverage ratio, %	0.41	0.43	0.31

Development of exposures and ECL allowances by stage

In the fourth quarter, significant appreciation of the Swedish krona had a reducing effect on both gross exposures and ECL allowances. In addition, in Stage 3 gross exposures and ECL allowances were reduced by write-downs. This was partly offset by oil-related exposures migrating from Stage 2 to Stage 3 and increased provisioning for individual counterparties in the Large Corporates & Financial Institutions division, predominantly in the offshore segment of the oil portfolio. Stage 2 ECL allowances increased due to a net increase of model overlays in this stage and some migration from Stage 3.

Note 12, continued. Exposure and expected credit loss (ECL) allowances by stage

Measurement of ECL allowances

SEB uses models and expert credit judgement (ECJ) for calculating ECL allowances. The degree of judgement depends on model outcome, materiality and information available and ECJ may be applied to incorporate factors not captured by the models. In the fourth quarter 2020, ECJ was used to estimate model overlays to capture potential negative effects on the asset quality arising from the uncertain economic outlook in light of the Covid-19-pandemic. The model overlays were determined through top-down scenario analysis combined with bottom-up customer analysis of larger corporate customers in the LC&FI, C&PC and Baltics divisions and exposed sector analysis for other customer segments.

Significant increase in credit risk (SICR)

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

Key macroeconomic variable assumptions for calculating ECL allowances

Macroeconomic forecasts made by SEB Economic Research are used as the basis for the forward-looking information incorporated in the ECL measurement. Three scenarios – base, positive and negative - and their probability weightings are reviewed every quarter, or more frequently when appropriate due to rapid or significant changes in the economic environment.

The three scenarios that are currently used are based on different assumptions around how rapidly economies will reopen following the pandemic, which may depend both on strategic trade-offs between medical and economic aspects, but also on the continued spread of the coronavirus and the vaccination process. The base scenario assumes that the world must go through the winter without mass vaccinations and the risk of a worsening pandemic situation. Large scale vaccination is assumed to be available during the second half of 2021, reducing the need for restrictions.

The table below sets out the key assumptions of the base case scenario, used for estimating ECL allowances as of 31 December 2020. A further description of the scenarios is available in SEB's Nordic Outlook from November 2020.

Base scenario assumptions	2021	2022	2023
Global GDP growth	5.1%	3.9%	3.9%
OECD GDP growth	3.8%	3.4%	2.8%
Sweden			
GDP growth	2.7%	4.4%	2.8%
Household consumption expenditure growth	2.5%	3.6%	2.7%
Interest rate (STIBOR)	-0.1%	-0.1%	-0.1%
Residential real estate price growth	2.0%	2.0%	2.0%
Baltic countries			
GDP growth	3.0% – 4.3%	3.3% – 3.5%	3.5%
Household consumption expenditure growth	3.9% – 5.7%	3.1% – 3.5%	3.0% – 3.5%
Inflation rate	1.8% – 2.0%	2.3% – 2.4%	2.5%
Nominal wage growth	2.1% – 4.7%	4.5% – 6.0%	4.5% – 5.0%

The positive scenario assumes that large scale vaccinations start early 2021 and are more effective or that economic policy stimulus is more effective than estimated. The negative scenario reflects the risk that the pandemic will take off again during the winter in such a severe way and that vaccines are not as effective so that extensive new lockdowns and tougher restrictions are necessary resulting in a direct effect on GDP and a severe negative impact on confidence both in the real economy and in financial markets.

In the calculation of ECL allowances as of 31 December 2020, the probabilities of the three scenarios were 55 per cent for the base scenario, 20 per cent for the positive scenario, and 25 per cent for the negative scenario.

Should the positive and negative scenarios be assigned 100 per cent probability, the model calculated ECL allowances would decrease by 4 per cent and increase by 5 per cent respectively compared to the probability-weighted calculation.

SEB's measurement of ECL allowances and related assumptions according to IFRS 9 can be found on pages 88-89 and 122-123 in the Annual Report 2019.

Note 13 Movements in allowances for expected credit losses (ECL)

SEK m	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total
Loans and Debt securities				
ECL allowance as of 31 December 2019	644	1 058	5 211	6 913
New and derecognised financial assets, net	300	-287	846	860
Changes due to change in credit risk	99	428	4 224	4 751
Changes due to modifications	2	39	1	41
Changes due to methodology change	-35	51	-2	14
Decreases in ECL allowances due to write-offs			-2 364	-2 364
Exchange rate differences	-37	-82	-585	-704
ECL allowance as of 31 December 2020	972	1 208	7 331	9 512
Financial guarantees and Loan commitments				
ECL allowance as of 31 December 2019	189	127	138	454
New and derecognised financial assets, net	77	-50	-173	-147
Changes due to change in credit risk	42	102	271	415
Changes due to methodology change	-33	9	0	-23
Exchange rate differences	-15	-12	-18	-45
ECL allowance as of 31 December 2020	260	176	218	653
Total Loans, Debt securities, Financial guarantees and Loan commitments				
ECL allowance as of 31 December 2019	832	1 185	5 349	7 367
New and derecognised financial assets, net	377	-337	673	713
Changes due to change in credit risk	141	530	4 495	5 166
Changes due to modifications	2	39	1	41
Changes due to methodology change	-68	61	-2	-9
Decreases in ECL allowances due to write-offs			-2 364	-2 364
Exchange rate differences	-52	-94	-603	-750
ECL allowance as of 31 December 2020	1 232	1 384	7 549	10 165

SEB's measurement of ECL allowances and related assumptions according to IFRS 9 can be found on pages 88-89 and 122-123 in the Annual Report 2019.

Note 14 Loans and expected credit loss (ECL) allowances by industry

SEK m	Gross carrying amounts				ECL allowances				Net carrying amount
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Total
31 Dec 2020									
Banks	86 112	1 917	14	88 043	-6	-2	-4	-12	88 031
Finance and insurance	109 335	653	25	110 014	-43	-4	-7	-54	109 959
Wholesale and retail	69 523	2 215	459	72 196	-99	-65	-198	-362	71 835
Transportation	28 916	1 671	227	30 814	-36	-49	-74	-159	30 656
Shipping	42 697	2 895	1 480	47 073	-10	-20	-530	-560	46 513
Business and household services	132 841	6 834	1 559	141 234	-167	-237	-759	-1 164	140 070
Construction	10 736	706	356	11 799	-20	-35	-188	-243	11 555
Manufacturing	83 313	3 381	2 779	89 473	-89	-98	-1 372	-1 559	87 914
Agriculture, forestry and fishing	22 558	916	117	23 591	-19	-13	-29	-61	23 530
Mining, oil and gas extraction	16 797	1 498	4 963	23 258	-8	-205	-2 873	-3 086	20 172
Electricity, gas and water supply	45 216	608	175	46 000	-21	-26	-85	-131	45 869
Other	44 592	3 034	232	47 859	-33	-34	-93	-161	47 698
Corporates	606 524	24 412	12 373	643 310	-546	-785	-6 209	-7 539	635 771
Commercial real estate management	158 927	3 343	410	162 680	-72	-49	-127	-248	162 432
Residential real estate management	125 844	1 528	27	127 399	-36	-6	0	-42	127 357
Real Estate Management	284 771	4 871	437	290 079	-108	-55	-127	-290	289 789
Housing co-operative associations	55 884	6 615	3	62 501	0	0	-2	-2	62 498
Public Administration	14 989	72	1	15 061	-1	-4	-1	-5	15 056
Household mortgages	554 967	20 445	971	576 383	-86	-154	-307	-547	575 836
Other	38 176	3 414	1 090	42 680	-226	-209	-682	-1 117	41 563
Households	593 143	23 859	2 062	619 063	-313	-363	-988	-1 664	617 399
TOTAL	1 641 422	61 745	14 890	1 718 057	-972	-1 208	-7 331	-9 512	1 708 545
31 Dec 2019									
Banks	64 952	1 665	0	66 617	-5	-2	0	-7	66 610
Finance and insurance	111 610	960	57	112 627	-33	-10	-5	-49	112 579
Wholesale and retail	78 052	3 080	1 092	82 224	-48	-38	-706	-792	81 433
Transportation	35 169	581	41	35 791	-17	-4	-14	-35	35 757
Shipping	54 975	1 871	1 771	58 616	-24	-11	-669	-704	57 912
Business and household services	136 838	9 673	843	147 354	-154	-408	-421	-983	146 372
Construction	11 201	1 083	201	12 484	-8	-9	-83	-101	12 384
Manufacturing	97 737	3 280	2 671	103 688	-56	-44	-1 331	-1 431	102 257
Agriculture, forestry and fishing	21 654	1 501	190	23 345	-8	-7	-44	-58	23 287
Mining, oil and gas extraction	26 608	5 695	1 343	33 645	-12	-53	-558	-624	33 021
Electricity, gas and water supply	43 940	407	211	44 558	-17	-34	-78	-129	44 429
Other	39 564	2 762	151	42 477	-22	-46	-49	-117	42 360
Corporates	657 347	30 894	8 571	696 812	-398	-666	-3 959	-5 022	691 789
Commercial real estate management	150 747	2 287	377	153 410	-14	-12	-140	-166	153 244
Residential real estate management	114 923	1 804	48	116 775	-8	-1	-1	-10	116 765
Real Estate Management	265 670	4 091	425	270 186	-22	-13	-141	-176	270 009
Housing co-operative associations	52 598	7 410	3	60 011	0	0	-2	-3	60 008
Public Administration	15 284	276	53	15 613	-1	-4	-2	-6	15 607
Household mortgages	527 100	22 765	1 137	551 003	-49	-136	-360	-546	550 457
Other	40 079	5 358	1 207	46 644	-167	-239	-747	-1 153	45 491
Households	567 179	28 124	2 344	597 646	-216	-375	-1 107	-1 698	595 948
TOTAL	1 623 030	72 459	11 396	1 706 885	-643	-1 059	-5 212	-6 913	1 699 972

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

SEB consolidated situation

Note 15 Capital adequacy analysis

SEK m	31 Dec 2020	30 Sep 2020	31 Dec 2019
Own funds			
Common Equity Tier 1 capital	152 124	144 934	131 155
Tier 1 capital	164 403	158 417	155 398
Total own funds	181 835	176 713	173 382
Own funds requirement			
Risk exposure amount	725 560	746 308	745 637
Expressed as own funds requirement	58 045	59 705	59 651
Common Equity Tier 1 capital ratio	21.0%	19.4%	17.6%
Tier 1 capital ratio	22.7%	21.2%	20.8%
Total capital ratio	25.1%	23.7%	23.3%
Own funds in relation to own funds requirement	3.13	2.96	2.91
Regulatory Common Equity Tier 1 capital requirement including buffer	11.1%	10.1%	11.5%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which systemic risk buffer requirement	3.0%	3.0%	3.0%
of which other systemically important institution buffer requirement (O-SII)	1.0%		
of which countercyclical capital buffer requirement	0.1%	0.1%	1.5%
Common Equity Tier 1 capital available to meet buffer ¹⁾	16.5%	14.9%	13.1%
Leverage ratio			
Exposure measure for leverage ratio calculation	3 226 866	3 422 035	3 063 481
of which on balance sheet items	2 678 521	2 861 659	2 554 625
of which off balance sheet items	548 345	560 376	508 856
Leverage ratio	5.1%	4.6%	5.1%

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

Note 16 Own funds

SEK m	31 Dec 2020	30 Sep 2020	31 Dec 2019
Shareholders equity according to balance sheet ¹⁾	171 943	165 625	155 700
Accrued dividend	-8 864	-10 183	-13 517
Deconsolidation of insurance companies and other foreseeable charges	-988	-936	-558
Common Equity Tier 1 capital before regulatory adjustments²⁾	162 091	154 505	141 626
Additional value adjustments	-894	-1 071	-1 033
Goodwill	-4 378	-4 390	-4 471
Intangible assets	-1 557	-2 136	-2 217
Deferred tax assets that rely on future profitability	-11	-8	
Fair value reserves related to gains or losses on cash flow hedges	47	57	-15
Negative amounts resulting from the calculation of expected loss amounts	0	-101	-816
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	3	14	19
Defined-benefit pension fund assets	-3 008	-1 776	-1 761
Direct and indirect holdings of own CET1 instruments	-169	-159	-176
Total regulatory adjustments to Common Equity Tier 1	-9 967	-9 572	-10 471
Common Equity Tier 1 capital	152 124	144 934	131 155
Additional Tier 1 instruments	12 279	13 484	24 243
Tier 1 capital	164 403	158 417	155 398
Tier 2 instruments	18 606	19 497	19 326
Net provisioning amount for IRB-reported exposures	476	449	309
Holdings of Tier 2 instruments in financial sector entities	-1 650	-1 650	-1 650
Tier 2 capital	17 432	18 295	17 985
Total own funds	181 835	176 713	173 382

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

²⁾ The Common Equity Tier 1 capital is presented on a consolidated basis, and differs from total equity according to IFRS. The insurance business contribution to equity is excluded.

Note 17 Risk exposure amount

SEK m	31 Dec 2020		30 Sep 2020		31 Dec 2019	
	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾
Credit risk IRB approach						
Exposures to central governments or central banks	13 893	1 111	14 512	1 161	12 283	983
Exposures to institutions	46 522	3 722	46 465	3 717	54 421	4 354
Exposures to corporates	342 199	27 376	364 062	29 125	369 055	29 524
Retail exposures	63 740	5 099	64 981	5 198	67 255	5 380
of which secured by immovable property	40 817	3 265	41 329	3 306	39 616	3 169
of which retail SME	5 278	422	5 478	438	7 094	567
of which other retail exposures	17 644	1 412	18 174	1 454	20 546	1 644
Securitisation positions	1 973	158	2 259	181	1 195	96
Total IRB approach	468 326	37 466	492 280	39 382	504 210	40 337
Credit risk standardised approach						
Exposures to central governments or central banks	966	77	381	31	1 361	109
Exposures to institutions	909	73	904	72	1 057	85
Exposures to corporates	4 905	392	5 694	456	6 505	520
Retail exposures	13 528	1 082	13 464	1 077	13 691	1 095
Exposures secured by mortgages on immovable property	1 935	155	1 893	151	2 278	182
Exposures in default	52	4	80	6	82	7
Exposures associated with particularly high risk	1 043	83	1 017	81	933	75
Exposures in the form of collective investment undertakings (CIU)	57	5	57	5	58	5
Equity exposures	4 139	331	4 125	330	3 589	287
Other items	10 327	826	10 814	865	10 735	859
Total standardised approach	37 860	3 029	38 429	3 074	40 290	3 223
Market risk						
Trading book exposures where internal models are applied	28 088	2 247	23 233	1 859	21 195	1 696
Trading book exposures applying standardised approaches	8 742	699	10 777	862	6 913	553
Total market risk	36 830	2 946	34 009	2 721	28 107	2 249
Other own funds requirements						
Operational risk advanced measurement approach	50 483	4 039	50 421	4 034	47 444	3 796
Settlement risk	3	0	1	0	0	0
Credit value adjustment	7 336	587	8 519	682	7 932	635
Investment in insurance business	16 633	1 331	16 633	1 331	16 633	1 331
Other exposures	5 237	419	4 234	339	4 870	390
Additional risk exposure amount ²⁾	102 851	8 228	101 782	8 143	96 151	7 692
Total other own funds requirements	182 544	14 604	181 590	14 527	173 030	13 842
Total	725 560	58 045	746 308	59 705	745 637	59 651

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

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

Note 18 Average risk-weight

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

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

IRB reported credit exposures (less repos and securities lending)			
Average risk-weight	31 Dec 2020	30 Sep 2020	31 Dec 2019
Exposures to central governments or central banks	2.9%	2.7%	3.7%
Exposures to institutions	21.7%	21.4%	24.9%
Exposures to corporates	27.5%	28.1%	30.2%
Retail exposures	9.4%	9.6%	10.3%
of which secured by immovable property	6.7%	6.8%	6.9%
of which retail SME	49.6%	50.7%	57.3%
of which other retail exposures	29.6%	30.3%	31.8%
Securitisation positions	16.4%	16.9%	9.6%

Skandinaviska Enskilda Banken AB (publ) – parent company

Income statement

In accordance with FSA regulations SEK m	Q4			Q3			Q4			Jan–Dec		
	2020	2020	%	2019	%	2020	2019	%	2020	2019	%	
Interest income	7 322	7 376	-1	8 744	-16	31 460	34 826	-10				
Leasing income	1 317	1 312	0	1 459	-10	5 365	5 792	-7				
Interest expense	-1 864	-2 220	-16	-4 213	-56	-11 118	-17 217	-35				
Dividends	1 895	607		748	153	3 121	5 168	-40				
Fee and commission income	3 595	3 142	14	3 585	0	13 734	13 544	1				
Fee and commission expense	-697	-690	1	-750	-7	-3 036	-3 083	-2				
Net financial income	1 464	1 327	10	2 182	-33	5 297	5 838	-9				
Other income	-50	157		540		411	1 762	-77				
Total operating income	12 982	11 011	18	12 296	6	45 234	46 631	-3				
Administrative expenses	-4 394	-3 904	13	-4 345	1	-17 372	-16 345	6				
Depreciation, amortisation and impairment of tangible and intangible assets	-1 378	-1 369	1	-1 464	-6	-5 683	-5 749	-1				
Total operating expenses	-5 772	-5 272	9	-5 809	-1	-23 055	-22 094	4				
Profit before credit losses	7 210	5 739	26	6 487	11	22 179	24 537	-10				
Net expected credit losses	-652	-1087	-40	-901	-28	-5 550	-2 044	172				
Impairment of financial assets						-220	-741	-70				
Operating profit	6 559	4 651	41	5 586	17	16 409	21 752	-25				
Appropriations	1 352	454	198	1 520	-11	2 390	2 694	-11				
Income tax expense ¹⁾	-2 014	-927	117	-1 657	21	-4 636	-4 189	11				
Other taxes ¹⁾	297	0		52		451	48					
NET PROFIT	6 193	4 178	48	5 501	13	14 614	20 305	-28				

1) Comparative numbers have been restated.

Statement of comprehensive income

SEK m	Q4			Q3			Q4			Jan–Dec		
	2020	2020	%	2019	%	2020	2019	%	2020	2019	%	
NET PROFIT	6 193	4 178	48	5 501	13	14 614	20 305	-28				
Cash flow hedges	10	-11		58	-83	-62	-298	-79				
Translation of foreign operations	-32	-17	88	-9		-158	33					
Items that may subsequently be reclassified to the income statement:	-22	-28	-21	50		-220	-265	-17				
OTHER COMPREHENSIVE INCOME	-22	-28	-21	50		-220	-265	-17				
TOTAL COMPREHENSIVE INCOME	6 171	4 150	49	5 550	11	14 394	20 040	-28				

Balance sheet, condensed

SEK m	31 Dec 2020	30 Sep 2020	31 Dec 2019
Cash and cash balances with central banks	294 391	301 970	110 104
Loans to central banks	3 537	2 223	2 904
Loans to credit institutions	67 490	84 298	89 546
Loans to the public	1 569 310	1 646 462	1 601 243
Debt securities	239 928	328 343	211 417
Equity instruments	63 825	49 579	61 802
Derivatives	159 380	143 279	135 713
Other assets	99 248	116 367	105 943
TOTAL ASSETS	2 497 110	2 672 521	2 318 672
Deposits from central banks and credit institutions	147 831	209 020	126 891
Deposits and borrowings from the public ¹⁾	1 198 833	1 257 943	973 834
Debt securities issued	749 415	824 626	857 968
Short positions	30 409	33 451	27 343
Derivatives	157 529	124 829	119 511
Other financial liabilities	744	2 050	2 449
Other liabilities	59 853	73 230	72 267
Untaxed reserves	18 628	19 875	19 875
Equity	133 868	127 497	118 535
TOTAL LIABILITIES, UNTAXED RESERVES AND EQUITY	2 497 110	2 672 521	2 318 672
1) Private and SME deposits covered by deposit guarantee	232 375	227 968	210 576
Private and SME deposits not covered by deposit guarantee	134 315	132 044	110 625
All other deposits	832 143	897 931	652 633
Total deposits from the public	1 198 833	1 257 943	973 834

Pledged assets and obligations

SEK m	31 Dec 2020	30 Sep 2020	31 Dec 2019
Pledged assets for own liabilities	490 032	486 088	486 823
Other pledged assets	106 252	122 083	86 088
Pledged assets	596 284	608 172	572 911
Contingent liabilities	141 769	148 075	146 166
Commitments	667 824	698 800	578 619
Obligations	809 592	846 875	724 786

Statement of equity - Skandinaviska Enskilda Banken AB (publ.)

SEK m	31 Dec 2020	30 Sep 2020	31 Dec 2019
Share capital	21 942	21 942	21 942
Other restricted reserves	13 734	13 664	13 651
Equity, restricted	35 676	35 605	35 592
Holdings of own shares	-2 841	-2 962	-2 765
Other reserves	-480	-459	-259
Other non-restricted equity	86 899	86 892	65 661
Net profit for the year	14 614	8 421	20 305
Equity, non-restricted¹⁾	98 192	91 891	82 942
TOTAL	133 868	127 497	118 535

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

Capital adequacy

SEK m	31 Dec 2020	30 Sep 2020	31 Dec 2019
Own funds			
Common Equity Tier 1 capital	134 055	128 438	113 893
Tier 1 capital	146 334	141 921	138 136
Total own funds	163 646	160 059	155 921
Own funds requirement			
Risk exposure amount	659 989	676 205	668 708
Expressed as own funds requirement	52 799	54 096	53 497
Common Equity Tier 1 capital ratio	20.3%	19.0%	17.0%
Tier 1 capital ratio	22.2%	21.0%	20.7%
Total capital ratio	24.8%	23.7%	23.3%
Own funds in relation to capital requirement	3.10	2.96	2.91
Regulatory Common Equity Tier 1 capital requirement including buffers	7.1%	7.1%	8.6%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which countercyclical capital buffer requirement	0.1%	0.1%	1.6%
Common Equity Tier 1 capital available to meet buffers ¹⁾	15.8%	14.5%	12.5%

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

Signature of the President

The President declares that this financial report for the period 1 January 2020 through 31 December 2020 provides a fair overview of the parent company's and the group's operations, their financial position and results and describe material risks and uncertainties facing the parent company and the group.

Stockholm, 27 January 2021

Johan Torgeby
President and Chief Executive Officer

Auditor's review report

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

Introduction

We have reviewed the condensed financial report for Skandinaviska Enskilda Banken AB (publ) as at December 31, 2020 and for the twelve-month period ending as at this date. The Board of Directors, the President and the Chief Executive Officer are responsible for the preparation and presentation of this condensed financial report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this condensed financial report based on our review.

Scope of review

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

Conclusion

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

Stockholm, 27 January 2021

Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

Contacts and calendar

Results presentation at telephone conference

The presentation of the results will be held (in English) at 9 a.m., Swedish time, on 27 January 2020 at a conference call. Please call, at least 10 minutes in advance, +44 (0)2071 928 000 and quote conference id: 8780761. The conference can be followed live on sebgroup.com/ir where a replay will also be available afterwards.

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

Further information is available from:

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Corporate organisation number: 502032-9081

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

Financial information calendar 2021

2 March 2021	Annual Report 2020 published	
30 March 2021	Annual General Meeting	
31 March 2021	The SEB share traded ex-dividend	
1 April 2021	Proposed record date for the dividend	
8 April 2021	Dividend payment	
28 April 2021	Quarterly report January-March 2021	The silent period starts on 1 April 2021
15 July 2021	Quarterly report January-June 2021	The silent period starts on 1 July 2021
20 October 2021	Quarterly report January-September 2021	The silent period starts on 1 October 2021

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

Definitions

Including Alternative Performance Measures¹⁾

Items affecting comparability

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

Operating profit

Total profit before tax.

Operating profit before items affecting comparability

Total profit before items affecting comparability and tax.

Net profit

Total profit after tax.

Return on equity

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

Return on equity excluding items affecting comparability

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

Return on tangible equity

Net profit attributable to shareholders in relation to average²⁾ shareholders' equity less intangible assets.

Return on tangible equity excluding items affecting comparability

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

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

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

³⁾ *Average, calculated on a daily basis.*

Return on business equity

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

Return on total assets

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

Return on risk exposure amount

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

Cost/income ratio

Total operating expenses in relation to total operating income.

Basic earnings per share

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

Diluted earnings per share

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

Net worth per share

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

Equity per share

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

Core gap ratio

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

Expected credit losses, ECL

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

ECL allowances

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

Net ECL level

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

ECL coverage ratio

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

Stage 3 loans / Total loans, gross

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

Stage 3 loans / Total loans, net

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

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

Definitions**According to the EU Capital Requirements Regulation no 575/2013 (CRR)****Risk exposure amount**

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

Common Equity Tier 1 capital

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

Tier 1 capital

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

Tier 2 capital

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

Own funds

The sum of Tier 1 and Tier 2 capital.

Common Equity Tier 1 capital ratio

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

Tier 1 capital ratio

Tier 1 capital as a percentage of risk exposure amount.

Total capital ratio

Total own funds as a percentage of risk exposure amount.

Leverage ratio

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

Liquidity Coverage Ratio (LCR)

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

This is SEB

Our vision	To deliver world-class service to our customers.
Our purpose	We believe that entrepreneurial minds and innovative companies are key to creating a better world. We are here to enable them to achieve their aspirations and succeed through good times and bad.
Our overall ambition	To be the undisputed leading Nordic bank for corporations and institutions and the top universal bank in Sweden and the Baltic countries.
Whom we serve	2,000 large corporations, 1,100 financial institutions, 272,000 SME and 1.4 million private full-service customers bank with SEB.
Business plan focus areas	<p><i>Advisory leadership</i> – Offer customers proactive, customised and valuable advice, based on their specific needs and behaviours, through human and digital interaction.</p> <p><i>Operational excellence</i> – Improve customer value by increasing the pace of digitalisation and automation while extending the use of data and analytics.</p> <p><i>Extended presence</i> – Meet our customers on their terms in their digital ecosystems and offer a combination of products and services from SEB and our partners.</p>
Values	Guided by our Code of Business Conduct and our core values: customers first, commitment, collaboration and simplicity.
People	Around 15,500 highly skilled employees serving customers from locations in some 20 countries – covering different time zones, securing reach and local market knowledge.
History	More than 160 years of business, trust and sharing knowledge. The bank has always acted responsibly in society promoting entrepreneurship, international outlook and long-term relationships.

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