

# Annual Accounts 2014

STOCKHOLM 29 JANUARY 2015

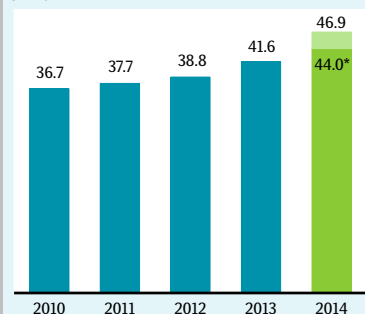
"We believe that high customer loyalty is the driver of long-term profitability. In 2014, we had continued growth in the customer base and all divisions increased operating profit. As the leading Nordic corporate bank, we also participated in the many event-driven activities among large corporates."

Annika Falkengren

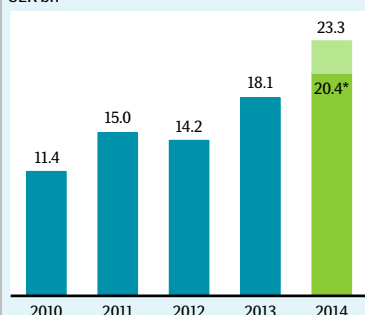


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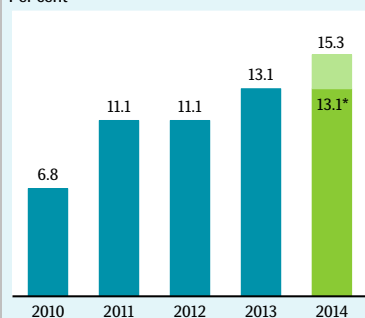
## Operating income SEK bn



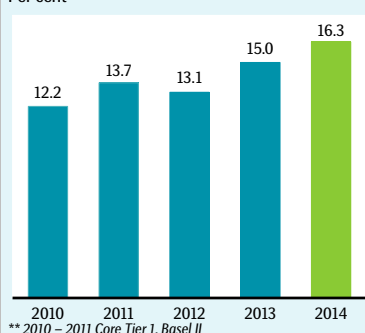
## Operating profit SEK bn



## Return on Equity Per cent



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



\* Excluding one-time items, the divestments of Euroline AB and MasterCard Inc.

\*\* 2010 – 2011 Core Tier 1, Basel II

## 2014 – SEK 23.3bn operating profit

(Numbers compared with 2013)

- Operating income SEK 46.9bn (41.6), including one-time items of SEK 3.0bn. Operating expenses SEK 22.1bn (22.3).
- Net credit losses SEK 1.3bn (1.2). Credit loss level 0.09 per cent (0.09).
- Net profit SEK 19.2bn (14.8) and earnings per share SEK 8.79 (6.74).
- Return on equity 15.3 per cent (13.1).

## Fourth quarter 2014 – SEK 6.6bn operating profit

(Numbers compared with the fourth quarter 2013)

- Operating income SEK 12.8bn (11.0), including a one-time item of SEK 1.7bn. Operating expenses SEK 5.8bn (5.7).
- Net credit losses SEK 0.3bn (0.3). Credit loss level 0.09 per cent (0.10).
- Net profit SEK 5.7bn (4.2) and earnings per share SEK 2.60 (1.93).
- Return on equity 17.3 per cent (14.1).

## Volumes

(Numbers compared with year-end 2013)

- Lending to the public amounted to SEK 1,356bn (1,303).
- Deposits from the public amounted to SEK 943bn (849).
- Assets under management amounted to SEK 1,708bn (1,475).

## Capital and funding

(Numbers compared with year-end 2013)

- The Common Equity Tier 1 capital ratio was 16.3 per cent (15.0).
- The leverage ratio was 4.8 per cent (4.2).
- The Liquidity Coverage Ratio (LCR) was 115 per cent (129).
- The core liquidity reserve amounted to SEK 410bn and the total liquid resources amounted to SEK 618bn.

## Proposed dividend

- The Board of Directors proposes a dividend to shareholders of SEK 4.75 per share, which corresponds to a pay-out ratio of 54 per cent.

## President's comment

Even though the outlook for global economic growth turned more optimistic in 2014, the development of the world economy is still marked by major imbalances. While the US economy experienced yet firmer ground, growth in China continued to gear down and growth was still feeble in the euro zone. At the same time, 2014 saw heightened geopolitical risks following the distressing events in Ukraine and in the Middle East. We are experiencing extraordinary times with very low or zero inflation, a collapse in the price of oil and zero or even negative interest rates as seen recently in Switzerland and Denmark. In addition, more than six years of central bank liquidity support has at the same time boosted asset prices. An environment like this calls for prudence, resilience and a long-term perspective.

### Delivering on our long-term business plan

SEB has set the strategic direction to be the leading Nordic bank for corporations and institutions and the top universal bank in Sweden and the Baltic countries. With the strong balance sheet that we have built, we have continued to grow in core segments in the Nordic countries and Germany, among SMEs in Sweden and in the long-term savings area. We have invested in a growing and active customer base inclined to deepen their relationships with us. We have decreased costs and increased capital efficiency.

### High customer loyalty is the foundation for long-term profitability

As the leading Nordic corporate bank, we saw that business sentiment among Nordic and German large corporate customers turned more positive in 2014, evidenced by high event-driven activities. We confirmed our number one position in Nordic M&As and arranged the largest number of transactions. In addition, SEB remained number one in Nordic equity, Scandinavian corporate bonds and the leading underwriter of Green Bonds globally. Activity levels were lower among Swedish SMEs as they have refrained from investments in the more cautious business environment and demand for credit has been low. The Baltic countries were impacted by the conflict in Ukraine and corporate credit demand remained low. However, exporters have been quick to find alternative markets for their products.

In the long-term savings area we have reviewed the investment approach and developed an advisory-driven complete savings offering including index as well as actively managed funds and traditional life insurance products. Customers appreciated the changes we have made – in 2014 SEB attracted SEK 111bn in total new savings including household deposits.

In SEB we strive to develop and invest in better customer offerings based on a firm belief that high customer loyalty is the foundation for long-term profitability. In 2014, all digital interfaces were enhanced to meet customers' demands for increased usability and simplicity. One example of this is that our Swedish retail customers chose digital or mobile services for more than 90 per cent of all their interactions with us, compared to around 30 per cent ten years ago.

### Stable return on higher capital and new capital target

SEB's diversified business mix and relationship-driven approach is reflected in the result for 2014. Operating income, excluding the gains from the divestments of Euroline and shares in MasterCard, increased by 6 per cent. Costs decreased to SEK 22.1bn. Operating profit was up 12 per cent and return on equity was 13.1 per cent. Common Equity Tier 1 capital ratio was 16.3 per cent.

Asset quality remained strong with a credit loss level of 9 basis points and non-performing loans at 0.8 per cent of total lending. In light of the sharp fall in oil prices and the Russian sanctions, our review of the exposed customer segments shows a robust asset quality.

The clarification of the regulatory capital framework during 2014 implies that the requirement is composed of different buffers that may vary over time, e.g. over a business cycle. As a consequence, SEB has refined its capital target to be expressed as a margin of around 150 basis points above the Common Equity Tier 1 capital ratio requirement from the Swedish FSA.

### The relationship bank in our part of the world

The prerequisites for banks are quite different today compared to before the financial crisis. However, one thing never changes: The importance of having deeply committed employees working together as a team never compromising on building customer value. The whole SEB team has over the past years made an impressive effort in enhancing SEB as *the* relationship bank in our part of the world, for the benefit of all our customers and shareholders. The energy and commitment to continue doing so, remain strong.



SEB Annual Accounts 2014



**Income +6 %\***  
**Expenses -1 %**

2014  
\*Excluding one-time effects

**# 1 Nordic corporate bank**

Prospera 2014

**ROE 13.1 %\***  
**CET1 16.3 %**

2014  
\*Excluding one-time effects



# The Group

## Fourth quarter isolated

Operating profit amounted to SEK 6,577m (5,009) and net profit (after tax) amounted to SEK 5,688m (4,222). Operating income and net profit includes a one-time item, the divestment of Euroline AB. The following table shows the fourth quarter result excluding the one-time item.

SEK m	Q4	Q4	Change
	2014*	2013	%
Total operating income	11 102	11 030	1
Total operating expenses	-5 791	-5 661	2
<b>Profit before credit losses</b>	<b>5 311</b>	<b>5 369</b>	<b>-1</b>
Net credit losses etc	-395	-360	10
<b>Operating profit</b>	<b>4 916</b>	<b>5 009</b>	<b>-2</b>
Income tax expense	-889	-793	12
<b>Net profit from continuing operations</b>	<b>4 027</b>	<b>4 216</b>	<b>-4</b>

\* Excluding one-time effect

## Operating income

Total operating income amounted to SEK 12,763m (11,030).

Net interest income increased by 2 per cent to SEK 5,010m (4,932).

SEK m	Q4	Q3	Q4
	2014	2014	2013
Customer-driven NII	4 703	4 738	4 499
NII from other activities	307	434	433
<b>Total</b>	<b>5 010</b>	<b>5 172</b>	<b>4 932</b>

The customer-driven net interest income increased by 5 per cent compared with the fourth quarter 2013, mainly due to increased lending and deposit volumes as net interest margins were stable. The decrease of SEK 35m compared with the previous quarter was due to lower lending volumes. The impact of the 25 basis point repo rate cut on the deposit related interest income was offset by increased financing of mergers and acquisitions and improved lending margins.

Net interest income from other activities decreased by SEK 126m compared with the fourth quarter 2013 and by SEK 127m from the previous quarter. The low interest rate environment is reflected in increased costs for managing liquidity and lower contribution from the investment of equity.

Net fee and commission income amounted to SEK 4,553m (3,871). Lending and advisory fees were strong following a high level of event-driven corporate activities (mergers, acquisitions, new issues, initial public offerings, etc.). The appreciation of the equity markets, net inflow of asset under management and higher performance fees led to increased fee income as well.

Net financial income decreased to SEK 343m (1,186). Yield curves were flat leading to lower activity levels in the financial markets, in particular within the fixed income business. The equity related result developed well given the positive stock exchange development and the many event-driven corporate activities.

Net life insurance income decreased by 4 per cent year-on-year to SEK 854m (890).

Net other income amounted to SEK 2,003m (151). SEB completed the divestment of Euroline AB to Nordic Capital Fund VIII. The total price was SEK 2,200m, which led to a capital gain of SEK 1,661m, after deducting attributable goodwill of SEK 187m.

## Operating expenses

Total operating expenses amounted to SEK 5,791m (5,661), an increase of 2 per cent compared to the corresponding quarter 2013.

## Credit losses and provisions

Net credit losses amounted to SEK 310m (341). The credit loss level was 9 basis points.

Non-performing loans (NPL) amounted to SEK 10,599m. Non-performing loans consist of individually assessed impaired loans which amounted to SEK 6,791m, portfolio assessed loans past due >60 days which amounted to SEK 3,534m and restructured loans which amounted to SEK 274m.

The total reserve ratio for individually assessed impaired loans and the NPL coverage ratio was 62 (87) per cent and 59 (72) per cent, respectively. Reserves for some recent non-performing loans are lower since the risk in these exposures is mitigated by high-quality collateral.

## Income tax expense

Total income tax expense was SEK 889m (793) which corresponded to an effective tax rate of 14 per cent. See also the comment on the full year 2014.

## Other comprehensive income

The other comprehensive income amounted to SEK 485m (3,102).

The net revaluation of the defined benefit pension plans had a negative effect of SEK -990m compared to a positive effect of SEK 1,943m in the fourth quarter 2013. The revaluation change was a net of the effect from decreased discount rates in Sweden and Germany (in the fourth quarter 2014) and a positive revaluation of the plan assets. The discount rate in Sweden is 2.3 per cent (3.8).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, e.g. cash-flow hedges and available-for-sale financial assets, was positive in the amount of SEK 1,475m (1,159), primarily due to temporary positive cash-flow hedge effects.

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

## The full year 2014

Operating profit amounted to SEK 23,348m (18,127). Net profit (after tax) amounted to SEK 19,219m (14,778). Operating income, income tax and net profit included two items of a one-time character, the divestments of Euroline AB and shares of MasterCard Inc. The following table shows the 2014 full year result excluding the one-time items.

SEK m	Jan - Dec		Change
	2014*	2013	%
Total operating income	43 954	41 553	6
Total operating expenses	-22 143	-22 287	-1
<b>Profit before credit losses</b>	<b>21 811</b>	<b>19 266</b>	<b>13</b>
Net credit losses etc	-1 445	-1 139	27
<b>Operating profit</b>	<b>20 366</b>	<b>18 127</b>	<b>12</b>
Income tax expense	-3 947	-3 338	18
<b>Net profit from continuing operations</b>	<b>16 419</b>	<b>14 789</b>	<b>11</b>

\* Excluding one-time effects

## Operating income

Total operating income amounted to SEK 46,936m (41,553).

Net interest income increased by 6 per cent to SEK 19,943m (18,827).

SEK m	Jan - Dec		Change
	2014	2013	%
Customer-driven NII	18 831	16 978	11
NII from other activities	1 112	1 849	-40
<b>Total</b>	<b>19 943</b>	<b>18 827</b>	<b>6</b>

The customer-driven net interest income increased by SEK 1,853m year-on-year. The increase was driven by an increase in corporate and household lending volumes in Sweden. The negative effects of lower policy rates in all markets have been offset by increased financing of structured transactions and mergers and acquisitions and improved lending margins.

Net interest income from other activities decreased by SEK 737m compared with 2013 as yield curves are falling in all currencies.

Net fee and commission income amounted to SEK 16,306m (14,664). The increase of 11 per cent was a result of a high number of event-driven corporate activities, leading to both advisory and lending fees. The contribution from securities lending activities was higher than normal. Custody and asset management fees increased as a result of higher volumes and asset values. Performance and transaction fees increased by 63 per cent compared to the full year 2013, to SEK 434m.

Net financial income decreased by 28 per cent to SEK 2,921m (4,052). Market volatilities and interest rates have decreased throughout the year. While net financial income was low, SEB's total trading result was maintained. The operating income of the business area Markets within Merchant Banking was only somewhat lower than for the full year 2013.

Net life insurance income amounted to SEK 3,345m (3,255). The increase was primarily a result of higher fund values, but also of higher premium volumes. Income in

traditional life and risk insurance products were stable compared to last year.

Net other income was SEK 4,421m (755). There were two large one-time capital gains: from the sale of MasterCard Inc. shares in the amount of SEK 1,321m and from the sale of Euroline AB in the amount of SEK 1,661m. In addition, there were hedge accounting effects, other capital gains and dividend income.

## Operating expenses

Total operating expenses amounted to SEK 22,143m, which was a decrease of 1 per cent year-on-year (22,287).

Operating expenses were in line with the previously communicated SEK 22.5bn cost cap. The cost cap will remain unchanged for 2015 and 2016.

## Credit losses and provisions

Asset quality remained robust and the overall credit loss level was in line with the level of the last two years. Net credit losses in 2014 amounted to SEK 1,324m (1,155). The credit loss level was 9 basis points (9).

Non-performing loans amounted to SEK 10,599m, an increase by SEK 1,141m compared with one year ago.

## Income tax expense

SEB's income tax expense reflects that the business is conducted in various geographies. In Sweden, which constitutes 55 per cent of operating profit, the statutory tax rate is 22 per cent. Based on the current geographical earnings mix, including deferred tax accounting and tax exempt capital gains, the effective tax rate for 2014 was 18 per cent. During the year, there were tax exempt capital gains at a total amount of SEK 2.9bn, of which the tax value amounted to approximately SEK 0.6bn.

Total income tax expense was SEK 4,129m (3,338).

## Discontinued operations

The net result from discontinued operations was 0 (-11).

## Other comprehensive income

Other comprehensive income was SEK 1,030m (5,686). The net revaluation of the defined benefit pension plans had a negative effect of SEK -2,700m (5,083). The market-derived discount rate for the Swedish pension obligation was 2.3 per cent versus 3.8 at year-end 2013. Pension plan assets appreciated.

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, e.g. cash-flow hedges and available-for-sale financial assets, was positive in the amount of SEK 3,730m (603). The cash flow hedge valuation change in the amount of SEK 3,094m was due to interest rates and spreads that decreased in 2014. Further, the Swedish krona weakened during 2014.

Regarding available-for-sale financial assets, the valuation of shares in MasterCard Inc. in the amount of SEK 1.2bn was reversed when the gain was recognised in the income

statement. This effect was counteracted by a positive valuation of interest-bearing bonds classified as available-for-sale.

### Business volumes

Total assets at the end of the period were SEK 2,641bn (2,485). Loans to the public amounted to SEK 1,356bn, an increase of SEK 53bn during 2014.

	Dec	Dec
SEK bn	2014	2013
Public administration	50	52
Private individuals	519	493
Corporate	689	647
Repos	76	87
Debt instruments	22	24
<b>Loans to the public</b>	<b>1 356</b>	<b>1 303</b>

SEB's total credit portfolio (which includes both on- and off-balance sheet volumes) amounted to SEK 2,094bn (1,862). Year-on-year household volumes in the total credit portfolio increased by SEK 27bn. The combined corporate and property management portfolios increased by SEK 171bn. A substantial part of the increase was related to event-driven corporate activities. One third of the increase is due to FX effects.

Around 76 per cent of the total credit portfolio relates to the Nordic countries, 14 per cent relates to Germany and 6 per cent to the Baltic countries. Net of external guarantees the exposure to Ukraine and Russia amounted to approximately SEK 1bn. SEB's business in Ukraine and Russia is focused on lending from SEB's local subsidiaries to local subsidiaries of the bank's core Nordic and German clients.

Deposits from the public amounted to SEK 943bn, an increase of SEK 94bn in 2014.

	Dec	Dec
SEK bn	2014	2013
Public administration	62	71
Private individuals	246	223
Corporate	629	544
Repos	6	11
<b>Deposits and borrowings from the public</b>	<b>943</b>	<b>849</b>

In 2014, deposits from households increased by SEK 23bn and deposits from corporations increased by SEK 85bn. Short-term deposits from international asset managers increased by SEK 25bn and other corporate deposits increased by SEK 60bn.

At year-end 2014, assets under management amounted to SEK 1,708bn (1,475). The net inflow of assets since year-end was SEK 92bn and the market value increased by SEK 141bn. Assets under custody amounted to SEK 6,763bn (5,958).

### Market risk

The trading business is customer flow-driven. This is confirmed by the fact that there have been only five loss-making days during 2014.

Value-at-Risk (VaR) in the trading operations averaged SEK 98m in 2014 (141). On average, the Group is not expected to lose more than this amount during a period of ten trading days, with 99 per cent probability.

### Liquidity and long-term funding

SEB's loan-to-deposit ratio was 134 per cent (142), excluding repos and debt instruments. During the year, SEK 80bn of long-term funding matured and SEK 109bn was issued. 55 per cent of the new issuance constituted covered bonds, 29 per cent senior unsecured securities and 16 per cent subordinated debt.

The core liquidity reserve at the end of the year amounted to SEK 410bn (465). The total liquid resources, including net trading assets and unutilised collateral in the cover pool, amounted to SEK 618bn (628). The Liquidity Coverage Ratio (LCR), according to the rules adapted for Sweden by the Swedish Financial Supervisory Authority, must be at least 100 per cent in total and in EUR and USD, separately. At the end of the year, the LCR was 115 per cent (129). The USD and EUR LCRs were 150 and 171 per cent, respectively.

The Bank is committed to a stable funding base. SEB's internal structural liquidity measure, which measures the proportion of stable funding in relation to illiquid assets, Core Gap, was 119 per cent. The Basel Committee's Net Stable Funding Ratio (NSFR) is still not finally determined in Sweden.

### Rating

Fitch rates SEB's long-term senior unsecured bonds as A+ with a positive outlook. It is Fitch's opinion that SEB's profitability and risk profile is increasingly in line with banks rated AA-.

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

### Capital position

The Capital Requirements Directive was implemented as Swedish law and in regulations from the Swedish Financial Supervisory Authority (SFSA) in 2014. Refer to page 33 for detailed information on SEB's capital position.

The capital requirements on SEB communicated by the SFSA in November 2014 were a Common Equity Tier 1 capital ratio of 15.6 per cent and a total capital ratio of 20.1 per cent.

The following table shows the risk exposure amount and capital ratios according to Basel III.

	Dec	Dec
<b>Own funds requirement, Basel III</b>	<b>2014</b>	<b>2013</b>
Risk exposure amount, SEK bn	617	598
Common Equity Tier 1 capital ratio, %	16.3	15.0
Tier 1 capital ratio, %	19.5	17.1
Total capital ratio, %	22.2	18.1
Leverage ratio, %	4.8	4.2

The increase in the risk exposure amount of SEK 19bn is primarily related to credit growth and FX effects from the loan volumes.

The capital ratios improved with the 2014 result as well as a new issue of additional tier 1 capital in the amount of USD 1.1bn. In addition, the total capital ratio increased due to a new issue of subordinated debt in the amount of EUR 1bn during the year.

During the year the European Central Bank and the European Banking Authority jointly reviewed European banks' asset quality and carried out stress tests of their credit portfolios. The outcome showed that SEB has a strong capital position and a high quality portfolio relative to the other banks in the study. The outcome of the stress tests was a Common Equity Tier 1 ratio as of 31 December 2016 of 15 per cent in the base line scenario and of 13 per cent in the adverse scenario.

### Dividend

The Board proposes to the AGM a dividend of SEK 4.75 per Class A and Class C share, which corresponds to a pay-out ratio of 54 per cent. The total dividend amounts to SEK 10.4bn (8.7), calculated on the total number of issued shares as per 31 December 2014, excluding own shares held. The proposal shall be seen with reference to the dividend policy, the outlook for the economic environment, the Group's earnings generation and capital situation.

The SEB share will be traded ex-dividend on 26 March 2015. The proposed record date for the dividend is 27 March 2015 and dividend payments will be disbursed on 2 April 2015.

### Long-term financial targets

Following the clarification of the regulatory capital framework during 2014, SEB has refined the long-term financial targets of the Group. Going forward the financial targets will be to:

- pay a yearly dividend that is 40 per cent or above of the earnings per share,
- maintain a Common Equity Tier 1 capital ratio of around 150 bps above the requirement from the Swedish Financial Supervisory Authority (FSA), and
- 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.

The new capital requirements from the FSA will come fully in to force late 2015. At that point in time and based on the current understanding of the requirements and SEB's balance sheet as per 31 December 2014, it is estimated that SEB's capital target would be a pro forma Common Equity Tier 1 capital ratio of 17 per cent to achieve the targeted 150 bps margin over the regulatory requirement.

### Risks and uncertainties

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

The macroeconomic development remains uncertain, the large global economic imbalances remain and the potential reduction of liquidity support to financial markets from central banks may create direct and indirect effects that are difficult to assess. The market uncertainty increased with the unfolding geopolitical development in Ukraine and the Middle East supplemented by the uncertainty around the development of oil prices. In addition, there is uncertainty around the effects in the case that the current low interest rates are prolonged and in particular around the financial and practical ramifications of negative interest rates.

### Realignment of management accounting 2014

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

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

Further information will be provided in the information on business segments in the annual report.

**Stockholm, 29 January 2015**

*The President declares that the Annual Accounts for 2014 provide a fair overview of the Parent Company's and the Group's operations, their financial positions and results and describe material risks and uncertainties facing the Parent Company and the Group.*

**Annika Falkengren**  
*President and Chief Executive Officer*

**Press conference and webcasts**

The press conference at 9 am (CET) on 29 January 2015, at Kungsträdgårdsgatan 8 with President and CEO Annika Falkengren can be followed live in Swedish on [www.sebgroup.com/sv/ir](http://www.sebgroup.com/sv/ir). A simultaneous translation into English will be available on [www.sebgroup.com/ir](http://www.sebgroup.com/ir). A replay will be available afterwards.

**Access to telephone conference**

The telephone conference at 12.30 pm (CET) on 29 January 2015 with the President and CEO Annika Falkengren, the CFO Jan Erik Back and the Head of Investor Relations Ulf Grunnesjö, can be accessed by telephone, +44(0)20 7162 0177 or +46(0)8 5052 0114. Please quote conference id: 950742, and call at least 10 minutes in advance. A replay of the conference call will be available on [www.sebgroup.com/ir](http://www.sebgroup.com/ir).

**Financial information calendar**

4 March 2015	Annual report 2014
25 March 2015	Annual general meeting
23 April 2015	Interim report January-March 2015
14 July 2015	Interim report January-June 2015
21 October 2015	Interim report January-September 2015

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



## Accounting policies

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

The Parent company has prepared its accounts in accordance with Swedish *Annual Accounts Act for Credit Institutions and Securities Companies*, the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) on *Annual Reports in Credit Institutions and Securities Companies* and the *Supplementary Accounting Rules for Legal Entities (RFR 2)* issued by the Swedish Financial Reporting Board.

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

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

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

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

In all other material aspects, the Group's and the Parent company's accounting policies, basis for calculations and presentations are unchanged in comparison with the 2013 Annual Report.

**Review report**

We have reviewed this report for the period 1 January 2014 to 31 December 2014 for Skandinaviska Enskilda Banken AB (publ.). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

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

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

**Stockholm, 29 January 2015**

PricewaterhouseCoopers AB

Peter Nyllinge  
*Authorised Public Accountant*  
*Partner in charge*

Magnus Svensson Henryson  
*Authorised Public Accountant*

# The SEB Group

## Income statement – SEB Group

SEK m	Q4	Q3		Q4		Jan - Dec		
	2014	2014		2013		2014	2013	%
Net interest income	5 010	5 172	-3	4 932	2	19 943	18 827	6
Net fee and commission income	4 553	3 814	19	3 871	18	16 306	14 664	11
Net financial income	343	654	-48	1 186	-71	2 921	4 052	-28
Net life insurance income	854	829	3	890	-4	3 345	3 255	3
Net other income	2 003	2 184	-8	151		4 421	755	
<b>Total operating income</b>	<b>12 763</b>	<b>12 653</b>	<b>1</b>	<b>11 030</b>	<b>16</b>	<b>46 936</b>	<b>41 553</b>	<b>13</b>
Staff costs	-3 414	-3 392	1	-3 386	1	-13 760	-14 029	-2
Other expenses	-1 781	-1 549	15	-1 780	0	-6 310	-6 299	0
Depreciation, amortisation and impairment of tangible and intangible assets	- 596	- 554	8	- 495	20	-2 073	-1 959	6
<b>Total operating expenses</b>	<b>-5 791</b>	<b>-5 495</b>	<b>5</b>	<b>-5 661</b>	<b>2</b>	<b>-22 143</b>	<b>-22 287</b>	<b>-1</b>
<b>Profit before credit losses</b>	<b>6 972</b>	<b>7 158</b>	<b>-3</b>	<b>5 369</b>	<b>30</b>	<b>24 793</b>	<b>19 266</b>	<b>29</b>
Gains less losses from tangible and intangible assets	- 85	- 20		- 19		- 121	16	
Net credit losses	- 310	- 473	-34	- 341	-9	-1 324	-1 155	15
<b>Operating profit</b>	<b>6 577</b>	<b>6 665</b>	<b>-1</b>	<b>5 009</b>	<b>31</b>	<b>23 348</b>	<b>18 127</b>	<b>29</b>
Income tax expense	- 889	-1 192	-25	- 793	12	-4 129	-3 338	24
<b>Net profit from continuing operations</b>	<b>5 688</b>	<b>5 473</b>	<b>4</b>	<b>4 216</b>	<b>35</b>	<b>19 219</b>	<b>14 789</b>	<b>30</b>
Discontinued operations				6	-100		- 11	-100
<b>Net profit</b>	<b>5 688</b>	<b>5 473</b>	<b>4</b>	<b>4 222</b>	<b>35</b>	<b>19 219</b>	<b>14 778</b>	<b>30</b>
Attributable to minority interests		1	-100	1	-100	1	7	-86
Attributable to shareholders	5 688	5 472	4	4 221	35	19 218	14 771	30
Continuing operations								
Basic earnings per share, SEK	2.60	2.50		1.93		8.79	6.74	
Diluted earnings per share, SEK	2.58	2.48		1.92		8.73	6.69	
Total operations								
Basic earnings per share, SEK	2.60	2.50		1.93		8.79	6.74	
Diluted earnings per share, SEK	2.58	2.48		1.92		8.73	6.69	

## Statement of comprehensive income – SEB Group

SEK m	Q4	Q3		Q4		Jan - Dec		
	2014	2014		2013		2014	2013	%
<b>Net profit</b>	<b>5 688</b>	<b>5 473</b>	<b>4</b>	<b>4 222</b>	<b>35</b>	<b>19 219</b>	<b>14 778</b>	<b>30</b>
<i>Items that may subsequently be reclassified to the income statement:</i>								
Available-for-sale financial assets	132	- 844		445	-70	- 11	1 105	
Cash flow hedges	945	616	53	350	170	3 094	- 905	
Translation of foreign operations	398	- 124		364	9	647	403	61
<i>Items that will not be reclassified to the income statement:</i>								
Defined benefit plans	- 990	132		1 943		-2 700	5 083	
<b>Other comprehensive income (net of tax)</b>	<b>485</b>	<b>- 220</b>		<b>3 102</b>	<b>-84</b>	<b>1 030</b>	<b>5 686</b>	<b>- 82</b>
<b>Total comprehensive income</b>	<b>6 173</b>	<b>5 253</b>	<b>18</b>	<b>7 324</b>	<b>-16</b>	<b>20 249</b>	<b>20 464</b>	<b>-1</b>
Attributable to minority interests	- 2	1		4			6	-100
Attributable to shareholders	6 175	5 252	18	7 320	-16	20 249	20 458	-1

## Balance sheet – SEB Group

SEK m	31 Dec 2014	31 Dec 2013
Cash and cash balances with central banks	103 098	173 950
Other lending to central banks	16 817	9 661
Loans to other credit institutions <sup>1)</sup>	90 945	102 623
Loans to the public	1 355 680	1 302 568
Financial assets at fair value *	936 844	776 624
Available-for-sale financial assets *	46 014	48 903
Held-to-maturity investments *	91	85
Assets held for sale	841	
Investments in associates	1 251	1 274
Tangible and intangible assets	27 524	28 924
Other assets	62 141	40 222
<b>Total assets</b>	<b>2 641 246</b>	<b>2 484 834</b>
Deposits from central banks and credit institutions	115 186	176 191
Deposits and borrowing from the public	943 114	849 475
Liabilities to policyholders	364 354	315 512
Debt securities	689 863	713 990
Other financial liabilities at fair value	280 763	213 945
Other liabilities	70 257	68 106
Provisions	2 868	1 992
Subordinated liabilities	40 265	22 809
Total equity	134 576	122 814
<b>Total liabilities and equity</b>	<b>2 641 246</b>	<b>2 484 834</b>
* Of which bonds and other interest bearing securities.	343 964	425 034

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

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

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

SEK m	31 Dec 2014	31 Dec 2013
Collateral pledged for own liabilities <sup>1)</sup>	437 991	363 946
Assets pledged for liabilities to insurance policyholders	364 354	325 717
<b>Collateral and comparable security pledged for own liabilities</b>	<b>802 345</b>	<b>689 663</b>
Other pledged assets and comparable collateral <sup>2)</sup>	127 792	111 914
Contingent liabilities	116 566	103 399
Commitments	559 575	486 844

1) Of which collateralised for covered bonds SEK 359 276m (345 602).

2) Securities lending SEK 51 722m (58 046) and pledged but unencumbered bonds SEK 73 496m (50 367).



## Key figures – SEB Group

Total operations	Q4	Q3	Q4	Jan - Dec	
	2014	2014	2013	2014	2013
Return on equity, %	17.26	17.34	14.14	15.25	13.11
Return on total assets, %	0.81	0.80	0.66	0.71	0.58
Return on risk exposure amount, %	3.79	3.65	2.78	3.23	2.38
Cost/income ratio	0.45	0.43	0.51	0.47	0.54
Basic earnings per share, SEK	2.60	2.50	1.93	8.79	6.74
Weighted average number of shares, millions <sup>1)</sup>	2 191	2 190	2 189	2 187	2 191
Diluted earnings per share, SEK	2.58	2.48	1.92	8.73	6.69
Weighted average number of diluted shares, millions <sup>2)</sup>	2 204	2 203	2 203	2 202	2 207
Net worth per share, SEK	68.13	65.03	62.10	68.13	62.10
Equity per share, SEK	61.47	58.70	56.33	61.47	56.33
Average shareholders' equity, SEK, billion	131.8	126.2	119.4	126.1	112.6
Credit loss level, %	0.09	0.13	0.10	0.09	0.09
Liquidity Coverage Ratio (LCR) <sup>3)</sup> , %	115	122	129	115	129
<u>Own funds requirement, Basel III<sup>4)</sup></u>					
Risk exposure amount, SEK m	616 531	598 063	598 324	616 531	598 324
Expressed as own funds requirement, SEK m	49 322	47 845	47 866	49 322	47 866
Common Equity Tier 1 capital ratio, %	16.3	16.2	15.0	16.3	15.0
Tier 1 capital ratio, %	19.5	18.1	17.1	19.5	17.1
Total capital ratio, %	22.2	20.8	18.1	22.2	18.1
Number of full time equivalents <sup>5)</sup>	15 910	15 777	15 712	15 714	15 870
Assets under custody, SEK bn	6 763	6 732	5 958	6 763	5 958
Assets under management, SEK bn	1 708	1 632	1 475	1 708	1 475

1) The number of issued shares was 2,194,171,802. SEB owned 14,421,073 Class A shares for the equity based programmes at year end 2013. During 2014 SEB has repurchased 2,317,206 shares and 11,242,417 shares have been sold. Thus, as at 31 December 2014 SEB owned 5,495,862 Class A-shares with a market value of SEK 547m.

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

3) According to Swedish FSA regulations for respective period.

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

5) Quarterly numbers are for last month 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 quarterly basis - SEB Group

	Q4	Q3	Q2	Q1	Q4
SEK m	2014	2014	2014	2014	2013
Net interest income	5 010	5 172	4 943	4 818	4 932
Net fee and commission income	4 553	3 814	4 211	3 728	3 871
Net financial income	343	654	845	1 079	1 186
Net life insurance income	854	829	844	818	890
Net other income	2 003	2 184	234	0	151
<b>Total operating income</b>	<b>12 763</b>	<b>12 653</b>	<b>11 077</b>	<b>10 443</b>	<b>11 030</b>
Staff costs	-3 414	-3 392	-3 493	-3 461	-3 386
Other expenses	-1 781	-1 549	-1 549	-1 431	-1 780
Depreciation, amortisation and impairment of tangible and intangible assets	- 596	- 554	- 477	- 446	- 495
<b>Total operating expenses</b>	<b>-5 791</b>	<b>-5 495</b>	<b>-5 519</b>	<b>-5 338</b>	<b>-5 661</b>
<b>Profit before credit losses</b>	<b>6 972</b>	<b>7 158</b>	<b>5 558</b>	<b>5 105</b>	<b>5 369</b>
Gains less losses from tangible and intangible assets	- 85	- 20	- 24	8	- 19
Net credit losses	- 310	- 473	- 283	- 258	- 341
<b>Operating profit</b>	<b>6 577</b>	<b>6 665</b>	<b>5 251</b>	<b>4 855</b>	<b>5 009</b>
Income tax expense	- 889	-1 192	-1 077	- 971	- 793
<b>Net profit from continuing operations</b>	<b>5 688</b>	<b>5 473</b>	<b>4 174</b>	<b>3 884</b>	<b>4 216</b>
Discontinued operations					6
<b>Net profit</b>	<b>5 688</b>	<b>5 473</b>	<b>4 174</b>	<b>3 884</b>	<b>4 222</b>
Attributable to minority interests		1			1
Attributable to shareholders	5 688	5 472	4 174	3 884	4 221
Continuing operations					
Basic earnings per share, SEK	2.60	2.50	1.90	1.77	1.93
Diluted earnings per share, SEK	2.58	2.48	1.89	1.76	1.92
Total operations					
Basic earnings per share, SEK	2.60	2.50	1.90	1.77	1.93
Diluted earnings per share, SEK	2.58	2.48	1.89	1.76	1.92

## Income statement by Division – SEB Group

Jan-Dec 2014, SEK m	Merchant Banking	Retail Banking	Wealth Management	Life	Baltic	Other	Eliminations	SEB Group
Net interest income	8 315	8 141	685	- 46	2 203	666	- 21	19 943
Net fee and commission income	6 169	4 232	3 884		1 065	- 4	960	16 306
Net financial income	2 817	318	152		295	- 661		2 921
Net life insurance income				4 833			-1 488	3 345
Net other income	808	121	193		- 32	3 351	- 20	4 421
<b>Total operating income</b>	<b>18 109</b>	<b>12 812</b>	<b>4 914</b>	<b>4 787</b>	<b>3 531</b>	<b>3 352</b>	<b>- 569</b>	<b>46 936</b>
Staff costs	-3 654	-2 701	-1 216	-1 225	- 704	-4 312	52	-13 760
Other expenses	-4 624	-2 943	-1 382	- 508	- 965	3 595	517	-6 310
Depreciation, amortisation and impairment of tangible and intangible assets	- 126	- 63	- 39	- 988	- 93	- 764		-2 073
<b>Total operating expenses</b>	<b>-8 404</b>	<b>-5 707</b>	<b>-2 637</b>	<b>-2 721</b>	<b>-1 762</b>	<b>-1 481</b>	<b>569</b>	<b>-22 143</b>
<b>Profit before credit losses</b>	<b>9 705</b>	<b>7 105</b>	<b>2 277</b>	<b>2 066</b>	<b>1 769</b>	<b>1 871</b>		<b>24 793</b>
Gains less losses from tangible and intangible assets	- 13				- 107	- 1		- 121
Net credit losses	- 604	- 483	- 19		- 217	- 1		-1 324
<b>Operating profit</b>	<b>9 088</b>	<b>6 622</b>	<b>2 258</b>	<b>2 066</b>	<b>1 445</b>	<b>1 869</b>		<b>23 348</b>

## SEB's markets

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

### Profit per country

Distribution by country Jan - Dec										Operating profit in local currency		
SEK m	Total operating income			Total operating expenses			Operating profit					
	2014	2013	%	2014	2013	%	2014	2013	%	2014	2013	%
Sweden	28 088	24 695	14	-14 179	-14 259	-1	12 934	10 002	29 *	12 934	10 002	29
Norway	3 991	3 276	22	-1 180	-1 210	-2	2 733	1 973	39 *	2 510	1 779	41
Denmark	3 114	3 123	0	-1 241	-1 325	-6	1 711	1 743	-2	1 402	1 502	-7
Finland	1 820	1 656	10	-713	-626	14	1 100	1 024	7	121	118	3
Germany**	3 183	2 813	13	-1 722	-1 674	3	1 568	1 030	52	172	119	45
Estonia	1 226	1 143	7	-539	-537	0	687	639	8	75	74	1
Latvia	949	1 022	-7	-537	-529	2	212	228	-7	23	26	-12
Lithuania	1 660	1 472	13	-763	-795	-4	772	543	42	293	217	35
Other countries and eliminations	2 905	2 353	23	-1 269	-1 332	-5	1 631	945	73			
<b>Total</b>	<b>46 936</b>	<b>41 553</b>	<b>13</b>	<b>-22 143</b>	<b>-22 287</b>	<b>-1</b>	<b>23 348</b>	<b>18 127</b>	<b>29</b>			

\* Including one-time effects from divestments

\*\*Excluding Treasury operations

- Targeted expansion in the Nordic countries and Germany continued
- High level of event-driven corporate activity in Norway, Germany and Sweden
- One-time divestment effects in Norway and Sweden

### Comments on 2014

In *Sweden*, operating profit increased by 6 per cent year-on-year (29 per cent including a divestment of MasterCard shares and Euroline). Continued growth in the large corporate and private individual segments increased lending and deposit volumes which contributed to a stronger net interest income year-on-year. The operating costs decreased by 1 per cent.

Since 2010 when SEB started its targeted expansion in the Nordic countries and Germany, close to 500 new large corporates have chosen SEB. In 2014, these new customers contributed to 12 per cent of the total customer income in Merchant Banking.

In *Norway*, many activities aimed towards existing and new customers were undertaken. The positive development in the underlying income combined with the closing of several large deals resulted in a record-year both in terms of operating income and operating profit. Operating expenses were virtually unchanged compared to last year and the operating profit increased by 5 per cent (39 per cent including the divestment of MasterCard) compared to 2013.

In *Denmark*, underlying business in all divisions developed well during 2014. However, one specific credit loss provision, though partly offset by positive financial one-time

effects, led to a decrease of operating profit of 2 per cent<sup>1</sup>. Card and SEB Pension continued to perform well in a very competitive market. Operating expenses decreased by 6 per cent.

In *Finland*, operating profit increased by 7 per cent year-on-year. Operating profit in Merchant Banking and Wealth Management increased by 6 per cent respectively.

In *Germany*, operating profit grew by 52 per cent compared to 2013. The operating profit of Merchant Banking was 63 per cent higher, mainly driven by the results in equities and investment banking. SEB's position in the German corporate banking market continued to improve further through cross-selling initiatives, new bond mandates and new clients.

In *Estonia* operating profit was strong but challenged by the economic development in Finland and Russia. In *Latvia*, operating profit decreased, partly because the business was affected by the conversion to euro in the beginning of the year. In *Lithuania* income was up and expenses down and the asset quality improved. See also the information on the Baltic division.

<sup>1</sup> SEB applies a 'One Name Lending' concept in the Nordic countries in which the loan administration for the Nordic branches is managed from Sweden and as a consequence loan losses are recognised in Sweden. To reflect the management accounting correctly in the geographical dimension and since the risk is carried locally, the Nordic branches are attributed all income and provisions of the specific loan over income.



## Merchant Banking

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

### Income statement

SEK m	Q4	Q3		Q4		Jan- Dec		
	2014	2014		2013		2014	2013	%
Net interest income	2 005	2 073	-3	1 962	2	8 315	7 356	13
Net fee and commission income	1 811	1 201	51	1 369	32	6 169	5 498	12
Net financial income	441	623	-29	1 034	-57	2 817	3 601	-22
Net other income	102	642	-84	86	19	808	274	195
<b>Total operating income</b>	<b>4 359</b>	<b>4 539</b>	<b>-4</b>	<b>4 451</b>	<b>-2</b>	<b>18 109</b>	<b>16 729</b>	<b>8</b>
Staff costs	- 922	- 911	1	- 934	-1	-3 654	-3 703	-1
Other expenses	-1 149	-1 165	-1	-1 127	2	-4 624	-4 456	4
Depreciation, amortisation and impairment of tangible and intangible assets	- 33	- 30	10	- 36	-8	- 126	- 148	-15
<b>Total operating expenses</b>	<b>-2 104</b>	<b>-2 106</b>	<b>0</b>	<b>-2 097</b>	<b>0</b>	<b>-8 404</b>	<b>-8 307</b>	<b>1</b>
<b>Profit before credit losses</b>	<b>2 255</b>	<b>2 433</b>	<b>-7</b>	<b>2 354</b>	<b>-4</b>	<b>9 705</b>	<b>8 422</b>	<b>15</b>
Gains less losses from tangible and intangible assets	- 1			- 17	-94	- 13	- 18	-28
Net credit losses	- 86	- 322	-73	- 50	72	- 604	- 233	159
<b>Operating profit</b>	<b>2 168</b>	<b>2 111</b>	<b>3</b>	<b>2 287</b>	<b>-5</b>	<b>9 088</b>	<b>8 171</b>	<b>11</b>
Cost/Income ratio	0.48	0.46		0.47		0.46	0.50	
Business equity, SEK bn	52.4	53.5		47.5		52.3	48.8	
Return on business equity, %	12.7	12.2		14.8		13.4	12.9	
Number of full time equivalents <sup>1)</sup>	2 224	2 211		2 198		2 212	2 245	

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

- Operating profit improved by 11 per cent
- High event driven corporate activity levels
- SEB ranked as the number 1 Nordic corporate bank according to a Prospera survey

### Comments on 2014

The uncertainty that has characterised the global economy remained in the fourth quarter. The US economy continued its positive spiral whereas the euro zone ended the year with less positive momentum. The Nordic economies displayed relatively stable growth, with the exception of Finland – partly explained by the sanctions against Russia.

In light of the macro-economic development the event driven activity on the M&A and IPO markets was high during the year whereas capital expenditures were kept on a more modest level. Competition remained severe; still SEB defended its position as the leading Nordic corporate bank and was once more ranked as #1 in the annual Prospera survey.

Operating income for the year amounted to SEK 18,109m, an increase of 8 per cent year-on-year. Most units contributed to the improvement, to a large extent reflecting the higher levels of activity. Operating expenses were almost flat at SEK 8,404m (8,307). Net credit losses increased to SEK 604m (233) due to one specific case in Denmark. Asset quality in general remained high with credit losses at 9 basis points. Operating profit amounted to SEK 9,088m, an increase of 11 per cent versus last year.

Markets reported slightly lower income compared to last year mainly due to Fixed Income operation facing low interest rates and lower volatility levels. However, SEB remained the world leader in the Green bonds area and met an increasing interest from corporations. FX performed better than last year with increased activity and volatility picking up during the last quarter. During the year FX has continued to improve the client offering and trading platform. Commodities continued to show strong growth. The equities business delivered a strong income, partly driven by the equity capital market areas.

Transaction Banking performed well and increased income where volume growth compensated for lower interest rates. Assets under custody amounted to SEK 6,763bn.

Corporate & Investment Banking outperformed last year. The high level of event-driven client activity led to a significant improvement of income as SEB capitalised on its strong trustful relationship and client proximity by winning several mandates.

Throughout the year SEB continued to invest in its client offering. One example is the roll-out of Prime Services, a full service concept for Financial Institutions.

## Retail Banking

The Retail Banking division offers full banking and advisory services to private individuals and small and medium-sized corporate customers in Sweden, as well as card services in four Nordic countries.

### Income statement

SEK m	Q4			Q3			Q4			Jan- Dec		
	2014	2014	%	2014	2014	%	2013	%	2013	2013	%	2013
Net interest income	1 976	1 984	0	2 020	- 2		8 141	7 729	5			
Net fee and commission income	1 125	1 072	5	1 066	6		4 232	4 045	5			
Net financial income	81	75	8	106	- 24		318	384	- 17			
Net other income	31	22	41	26	19		121	85	42			
<b>Total operating income</b>	<b>3 213</b>	<b>3 153</b>	<b>2</b>	<b>3 218</b>	<b>0</b>		<b>12 812</b>	<b>12 243</b>	<b>5</b>			
Staff costs	- 680	- 674	1	- 665	2		- 2 701	- 2 903	- 7			
Other expenses	- 774	- 693	12	- 807	- 4		- 2 943	- 3 034	- 3			
Depreciation, amortisation and impairment of tangible and intangible assets	- 17	- 17	0	- 13	31		- 63	- 63	0			
<b>Total operating expenses</b>	<b>- 1 471</b>	<b>- 1 384</b>	<b>6</b>	<b>- 1 485</b>	<b>- 1</b>		<b>- 5 707</b>	<b>- 6 000</b>	<b>- 5</b>			
<b>Profit before credit losses</b>	<b>1 742</b>	<b>1 769</b>	<b>- 2</b>	<b>1 733</b>	<b>1</b>		<b>7 105</b>	<b>6 243</b>	<b>14</b>			
Gains less losses from tangible and intangible assets				1	- 100			1	- 100			
Net credit losses	- 118	- 95	24	- 119	- 1		- 483	- 501	- 4			
<b>Operating profit</b>	<b>1 624</b>	<b>1 674</b>	<b>- 3</b>	<b>1 615</b>	<b>1</b>		<b>6 622</b>	<b>5 743</b>	<b>15</b>			
Cost/Income ratio	0.46	0.44		0.46			0.45	0.49				
Business equity, SEK bn	25.2	24.5		20.1			24.6	20.2				
Return on business equity, %	19.9	21.1		24.7			20.7	21.9				
Number of full time equivalents <sup>1)</sup>	3 417	3 398		3 378			3 370	3 452				

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

- Operating profit increased by 15 per cent
- Weak credit demand among small and medium-sized companies
- Enhanced digital and mobile services

### Comments on 2014

Market activity was exceptionally low in 2014 as a result of uncertainties in the global economy. The year was marked by historic low interest rates and a weak demand for credit among corporate customers.

Operating revenues increased by 5 per cent compared to 2013, driven primarily by net interest income on the loan portfolio which increased by 5 per cent. Operating expenses amounted to SEK 5.7bn (6.0). Asset quality was strong and loan losses were stable, amounting to SEK 0.5bn during the year.

Corporate lending decreased by SEK 0.7bn and amounted to SEK 169bn. Focus on long-term customer relationships was prioritized and 9,400 new full-service customers in the corporate segment were welcomed to the bank.

Despite the low interest rate environment in Sweden, customers' savings grew during the year. This was a result of the strategic work of designing a holistic savings offering based on customer needs. Private customer savings in mutual funds increased by 133 per cent or SEK 4bn, and total deposits

from corporates and private individuals rose by SEK 14bn. The household mortgage portfolio growth rate was in line with the market. During the year, SEB continued to take initiatives in order to support more of an amortisation culture in Sweden by recommending customers to amortise their mortgages. The number of full-service customers in the private segment increased by almost 11,000 to 477,000 at year-end.

More customers chose to interact with the bank via mobile and digital channels. Today, over 90 per cent of all client interactions take place in a digital or mobile environment. In 2014, all digital customer interfaces were enhanced to improve usability and simplicity for the customers.

The overall customer experience was strengthened, which was reflected in this year's SKI-measurement (Swedish Quality Index). Among the major banks on the private market in Sweden, SEB increased the most and the number 2 position was confirmed. On the corporate side SEB increased more than industry average.

# Wealth Management

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

## Income statement

	Q4			Q3			Q4			Jan- Dec		
SEK m	2014	2014	%	2013	%	2014	2013	%				
Net interest income	146	162	- 10	164	- 11	685	675	1				
Net fee and commission income	1 197	943	27	927	29	3 884	3 332	17				
Net financial income	29	27	7	50	- 42	152	154	- 1				
Net other income	3	126	- 98	8	- 63	193	71	172				
<b>Total operating income</b>	<b>1 375</b>	<b>1 258</b>	<b>9</b>	<b>1 149</b>	<b>20</b>	<b>4 914</b>	<b>4 232</b>	<b>16</b>				
Staff costs	- 330	- 274	20	- 299	10	- 1 216	- 1 214	0				
Other expenses	- 388	- 344	13	- 397	- 2	- 1 382	- 1 351	2				
Depreciation, amortisation and impairment of tangible and intangible assets	- 8	- 12	- 33	- 14	- 43	- 39	- 42	- 7				
<b>Total operating expenses</b>	<b>- 726</b>	<b>- 630</b>	<b>15</b>	<b>- 710</b>	<b>2</b>	<b>- 2 637</b>	<b>- 2 607</b>	<b>1</b>				
<b>Profit before credit losses</b>	<b>649</b>	<b>628</b>	<b>3</b>	<b>439</b>	<b>48</b>	<b>2 277</b>	<b>1 625</b>	<b>40</b>				
Gains less losses from tangible and intangible assets												
Net credit losses	- 2	- 17	- 88	- 9	- 78	- 19	- 15	27				
<b>Operating profit</b>	<b>647</b>	<b>611</b>	<b>6</b>	<b>430</b>	<b>50</b>	<b>2 258</b>	<b>1 610</b>	<b>40</b>				
Cost/Income ratio	0.53	0.50		0.62		0.54	0.62					
Business equity, SEK bn	8.5	8.4		8.2		8.6	8.3					
Return on business equity, %	23.5	22.4		16.2		20.3	14.9					
Number of full time equivalents <sup>1)</sup>	884	887		872		882	891					

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

- Operating profit improved by 40 per cent and assets under management reached SEK 1,635bn
- Private Banking continued to attract new clients in all markets and SEK 35bn in new volumes
- SEB was awarded as the best overall fund management company in the Swedish market

## Comments on 2014

The year was characterised by a sustained interest in the equity markets, driven by the positive market development in combination with a continuous search for yield and returns against a backdrop of historically low interest rates.

Total assets under management increased by 16 per cent compared to one year ago and amounted to a record high of SEK 1,635bn (1,408). The assets under management increased as a result of higher net inflows in combination with the positive equity market development.

The operating profit of SEK 2,258m increased by 40 per cent compared with last year. Base commissions increased to SEK 3,061m as a result of the higher average asset values. Brokerage fees increased by 12 per cent compared to the full year 2013. Compared to 2013, performance and transaction fees increased by 63 per cent to SEK 434m, while net interest income remained stable at SEK 685m (675). Operating expenses were stable year-on-year.

There was a continued strong inflow of new customers within Private Banking in all markets and SEK 35bn in new volumes were received during the year (24). SEB was awarded

as the best Private Banking provider both by Euromoney and PWM/The Banker. Customer satisfaction, as measured by Net Promoter Score, was maintained at a high level. Private Banking continued to further strengthen the investment offering by improving investment processes for asset allocation based on SEB's own analysis (so called SEB House View).

For Institutional Clients, 2014 was marked by an all-time high in sales and several new mandates were won. Net new volumes amounted to SEK 55bn. The launch of new Tier 1 products, such as SEB Micro Finance Fund 2, continued to attract interest from customers.

During the course of the year, SEB climbed to second place (from fifth place in 2013) in Morningstar's long-term performance evaluation of the largest local fund providers and was awarded as best fund management company in the Swedish market (fondmarknaden.se). The strong performance contributed to SEB growing its share of customers' total investments.

# Life

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

## Income statement

SEK m	Q4	Q3		Q4		Jan- Dec		
	2014	2014		2013		2014	2013	%
Net interest income	- 11	- 12	- 8	- 9	22	- 46	- 55	- 16
Net life insurance income	1 218	1 220	0	1 248	- 2	4 833	4 645	4
<b>Total operating income</b>	<b>1 207</b>	<b>1 208</b>	<b>0</b>	<b>1 239</b>	<b>- 3</b>	<b>4 787</b>	<b>4 590</b>	<b>4</b>
Staff costs	- 312	- 302	3	- 300	4	- 1 225	- 1 186	3
Other expenses	- 141	- 130	8	- 149	- 5	- 508	- 577	- 12
Depreciation, amortisation and impairment of tangible and intangible assets	- 265	- 245	8	- 239	11	- 988	- 935	6
<b>Total operating expenses</b>	<b>- 718</b>	<b>- 677</b>	<b>6</b>	<b>- 688</b>	<b>4</b>	<b>- 2 721</b>	<b>- 2 698</b>	<b>1</b>
<b>Profit before credit losses</b>	<b>489</b>	<b>531</b>	<b>- 8</b>	<b>551</b>	<b>- 11</b>	<b>2 066</b>	<b>1 892</b>	<b>9</b>
<b>Operating profit</b>	<b>489</b>	<b>531</b>	<b>- 8</b>	<b>551</b>	<b>- 11</b>	<b>2 066</b>	<b>1 892</b>	<b>9</b>
Cost/Income ratio	0.59	0.56		0.56		0.57	0.59	
Business equity, SEK bn	8.2	8.2		8.2		8.2	8.2	
Return on business equity, %	20.7	22.5		23.3		21.9	20.0	
Number of full time equivalents <sup>1)</sup>	1 301	1 305		1 336		1 309	1 343	

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

- Operating profit increased by 9 per cent
- Significant growth in premiums paid and assets under management
- Number one in customer satisfaction in Denmark

## Comments on 2014

The strong development in the equity markets and the decreased interest rates during the year improved asset values in both the unit-linked and traditional portfolios. This development made traditional insurance portfolios more attractive as a savings alternative to customers. In line with this SEB will re-open traditional insurance in Sweden in 2015, at which time SEB will be providing a complete range of solutions for long-term savings.

Once again SEB Pension in Denmark was ranked as the number one insurance company by the customers in the Aalund survey, based on SEB's digital channels and customer interaction offer. SEB Pension also received a prestigious IPE award in the asset management area.

In Sweden, the tax deduction for individual private pension savings will be discontinued. Around 270,000 customers are affected and will be informed about savings alternatives.

Operating profit for the year increased by 9 per cent to SEK 2,066m (1,892). The unit-linked related business grew by 5 per cent and continued to represent a major part of total income. The increase was primarily a result of higher fund values, but also of higher premium volumes, especially in Sweden and Denmark. Income in traditional and risk

insurance products was stable and in line with last year. In total, operating income increased by 4 per cent.

Expenses increased slightly due to higher sales costs as a result of increasing sales volumes.

As a result of a high bonus rate in Denmark and the enhanced product offering in Sweden, the weighted sales volume of new policies increased by 13 per cent to SEK 45bn. The unit-linked related segment represented 85 per cent of sales (86) and the share of corporate paid policies increased to 75 per cent (70).

Total premium income relating to both new and existing policies increased. Premium income for the year increased by 20 per cent and amounted to SEK 36bn.

The total fund value in the unit-linked related segment amounted to SEK 274bn, which was SEK 39bn higher than at the beginning of the year. The net inflow was SEK 4bn and the appreciation in value was SEK 35bn. Total assets under management amounted to SEK 568bn<sup>1)</sup>.

1) IPS and pension funds are included from 2014 with a volume of SEK 30bn.



## Baltic

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

### Income statement

SEK m	Q4	Q3		Q4		Jan- Dec		
	2014	2014		2013		2014	2013	%
Net interest income	544	569	- 4	529	3	2 203	1 992	11
Net fee and commission income	282	276	2	262	8	1 065	984	8
Net financial income	73	74	- 1	161	- 55	295	449	- 34
Net other income	- 7	- 8	- 13	- 12	- 42	- 32	- 32	0
<b>Total operating income</b>	<b>892</b>	<b>911</b>	<b>- 2</b>	<b>940</b>	<b>- 5</b>	<b>3 531</b>	<b>3 393</b>	<b>4</b>
Staff costs	- 192	- 173	11	- 176	9	- 704	- 650	8
Other expenses	- 268	- 234	15	- 271	- 1	- 965	- 992	- 3
Depreciation, amortisation and impairment of tangible and intangible assets	- 24	- 23	4	- 40	- 40	- 93	- 106	- 12
<b>Total operating expenses</b>	<b>- 484</b>	<b>- 430</b>	<b>13</b>	<b>- 487</b>	<b>- 1</b>	<b>- 1 762</b>	<b>- 1 748</b>	<b>1</b>
<b>Profit before credit losses</b>	<b>408</b>	<b>481</b>	<b>- 15</b>	<b>453</b>	<b>- 10</b>	<b>1 769</b>	<b>1 645</b>	<b>8</b>
Gains less losses from tangible and intangible assets	- 82	- 21		4		- 107	40	
Net credit losses	- 103	- 39	164	- 163	- 37	- 217	- 405	- 46
<b>Operating profit</b>	<b>223</b>	<b>421</b>	<b>- 47</b>	<b>294</b>	<b>- 24</b>	<b>1 445</b>	<b>1 280</b>	<b>13</b>
Cost/Income ratio	0.54	0.47		0.52		0.50	0.52	
Business equity, SEK bn	8.3	8.9		8.5		8.9	8.8	
Return on business equity, %	9.6	16.9		12.3		14.5	12.9	
Number of full time equivalents <sup>1)</sup>	2 821	2 759		2 807		2 783	2 799	

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

#### Baltic Banking (excl RHC)

<b>Operating profit</b>	<b>336</b>	<b>469</b>	<b>- 28</b>	<b>321</b>		<b>1 664</b>	<b>1 348</b>	<b>23</b>
Cost/Income ratio	0.52	0.45		0.50		0.48	0.49	
Business equity, SEK bn	7.9	8.4		8.1		8.5	8.4	
Return on business equity, %	15.2	19.8		14.2		17.5	14.2	

- Operating profit increased by 13 per cent
- SEB awarded as Best bank and Best private bank in all Baltic countries by The Banker
- Lithuania became the 19<sup>th</sup> member of the euro zone in January 2015

### Comments on 2014

Baltic GDP growth has slowed moderately since the Russia-Ukraine conflict broke out in 2014 and exports have weakened in the year. In the face of Russia's ban on food imports from sanction countries, Exporters are finding alternative markets for their products. Private consumption has continued to grow at a healthy pace, especially in Estonia and Lithuania. Lithuania became the 19<sup>th</sup> member of the euro-zone in January 2015.

SEB continued activities to increase customer satisfaction. In Estonia, the network of paper-free branches was expanded and the mobile payments application was enhanced. In Latvia, innovation and networking events were arranged for SME customers throughout the country. Baltic home banking customers increased by 19,000 year-on-year.

Operating profit was 13 per cent higher year-on-year and non-performing loans declined by 21 per cent. The credit loss level was 21 basis points for the year.

Loan volumes amounted to SEK 105bn (101). In Estonia, household and corporate lending volumes increased, while lending volumes decreased in Latvia and Lithuania. Lending margins remained relatively stable across the portfolio, with slightly higher margins on new loans during the second half of the year.

The deposit volumes amounted to SEK 92bn (77). There was a notable rise in deposit volumes in Lithuania during the fourth quarter in relation to the euro conversion. In spite of the low deposit margins prevailing, net interest income increased by 11 per cent year-on-year.

At year-end, the real estate holding companies held assets with a total book value of SEK 2,605m (2,710). The operating loss for 2014 was SEK 219m (67).

The Banker magazine awarded SEB as best bank in each of Estonia, Latvia and Lithuania in 2014. SEB also received a clean sweep of The Banker awards for best private bank in each of the Baltic countries.

# The SEB Group

## Net interest income – SEB Group

SEK m	Q4	Q3		Q4		Jan - Dec		
	2014	2014		2013		2014	2013	%
Interest income	11 752	12 255	- 4	12 688	- 7	48 624	49 723	- 2
Interest expense	-6 742	-7 083	- 5	-7 756	- 13	-28 681	-30 896	- 7
<b>Net interest income</b>	<b>5 010</b>	<b>5 172</b>	<b>-3</b>	<b>4 932</b>	<b>2</b>	<b>19 943</b>	<b>18 827</b>	<b>6</b>

## Net fee and commission income – SEB Group

SEK m	Q4	Q3		Q4		Jan - Dec		
	2014	2014		2013		2014	2013	%
Issue of securities and advisory	281	190	48	336	- 16	1 000	716	40
Secondary market and derivatives	529	413	28	377	40	2 439	2 001	22
Custody and mutual funds	2 114	1 875	13	1 835	15	7 573	6 825	11
Payments, cards, lending, deposits, guarantees and other	2 861	2 555	12	2 315	24	10 406	9 591	8
Whereof payments and card fees	1 551	1 527	2	1 494	4	6 047	5 894	3
Whereof lending	892	587	52	574	55	2 785	2 531	10
<b>Fee and commission income</b>	<b>5 785</b>	<b>5 033</b>	<b>15</b>	<b>4 863</b>	<b>19</b>	<b>21 418</b>	<b>19 133</b>	<b>12</b>
<b>Fee and commission expense</b>	<b>-1 232</b>	<b>-1 219</b>	<b>1</b>	<b>- 992</b>	<b>24</b>	<b>-5 112</b>	<b>-4 469</b>	<b>14</b>
<b>Net fee and commission income</b>	<b>4 553</b>	<b>3 814</b>	<b>19</b>	<b>3 871</b>	<b>18</b>	<b>16 306</b>	<b>14 664</b>	<b>11</b>
Whereof Net securities commissions	2 267	1 969	15	2 058	10	8 545	7 723	11
Whereof Net payments and card fees	896	875	2	913	- 2	3 416	3 388	1

## Net financial income – SEB Group

SEK m	Q4	Q3		Q4		Jan - Dec		
	2014	2014		2013		2014	2013	%
Equity instruments and related derivatives	201	172	17	541	- 63	1 899	1 235	54
Debt instruments and related derivatives	- 830	- 105		- 93		-1 913	- 8	
Currency and related derivatives	1 078	714	51	761	42	3 091	2 791	11
Other	- 106	- 127	-17	- 23		- 156	34	
<b>Net financial income</b>	<b>343</b>	<b>654</b>	<b>-48</b>	<b>1 186</b>	<b>- 71</b>	<b>2 921</b>	<b>4 052</b>	<b>-28</b>

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

For fourth quarter the positive effect from structured products offered to the public was approximately SEK 165m (Q3 2014: 110, Q4 2013: 840) in Equity related derivatives and Credit related derivatives SEK 220m (Q3 2014: -60, Q4 2013: 325) and a corresponding negative effect in Debt instruments SEK 110m (Q3 2014: 415, Q4 2013: 1 090). For the full year the positive effect was approximately SEK 1 350m (Dec 2013 YTD, 1 540) in Equity related derivatives and Credit related derivatives SEK 485m (Dec 2013 YTD, 715) and a corresponding negative effect in Debt instruments SEK 1 880m (Dec 2013 YTD, 1 830).

## Staff costs – SEB Group

SEK m	Jan - Dec		
	2014	2013	%
Salaries*	-10 459	-10 123	3
Short-term incentive*	- 956	- 933	2
Long-term incentive*	- 570	- 638	-11
Pension costs	-1 014	-1 450	-30
Redundancy costs*	- 154	- 323	-52
Other staff costs	- 607	- 562	8
<b>Staff costs</b>	<b>-13 760</b>	<b>-14 029</b>	<b>-2</b>

\* including social charges

SEK m	Jan - Dec		
	2014	2013	%
Short-term incentive (STI) to staff	- 780	- 761	2
Social benefit charges on STI	- 176	- 172	2
<b>Short-term incentive remuneration</b>	<b>- 956</b>	<b>- 933</b>	<b>2</b>

SEK m	Jan - Dec		
	2014	2013	%
Long-term incentive (LTI) to staff	- 373	- 329	13
Social benefit charges on LTI	- 197	- 309	-36
<b>Long-term incentive remuneration</b>	<b>- 570</b>	<b>- 638</b>	<b>-11</b>

## Defined benefit pensions plans – SEB Group

Balance sheet, SEK m	Jan - Dec		
	2014	2013	%
Defined benefit obligation	28 690	21 785	32
Fair value of plan assets	28 954	25 741	12
<b>Net amount recognised in the balance sheet</b>	<b>264</b>	<b>3 956</b>	<b>-93</b>

Income statement, SEK m	Jan - Dec		
	2014	2013	%
Service costs	- 421	- 584	-28
Interest costs	- 801	- 722	11
Calculated interest on plan assets	961	693	39
Special salary tax		- 34	-100
<b>Included in staff costs</b>	<b>- 261</b>	<b>- 647</b>	<b>-60</b>

Other comprehensive income, SEK m	Jan - Dec		
	2014	2013	%
Defined benefit pension plans	-2 700	5 083	

## Net credit losses – SEB Group

SEK m	Q4			Q3		Q4		Jan - Dec		
	2014	2014	%	2013	%	2014	2013	%		
<i>Provisions:</i>										
Net collective provisions for individually assessed loans	338	201	68	- 19		459	59			
Net collective provisions for portfolio assessed loans	129	84	54	165	-22	414	715	-42		
Specific provisions	- 524	- 634		- 264	98	-1 448	- 756	92		
Reversal of specific provisions no longer required	52	66	-21	128	-59	279	381	-27		
Net provisions for off-balance sheet items	- 32	1		5		- 42	11			
<b>Net provisions</b>	<b>- 37</b>	<b>- 282</b>	<b>-87</b>	<b>15</b>		<b>- 338</b>	<b>410</b>			
<i>Write-offs:</i>										
Total write-offs	- 671	- 783	-14	- 678	-1	-2 401	-3 755	-36		
Reversal of specific provisions utilized for write-offs	329	538	-39	295	12	1 229	2 067	-41		
Write-offs not previously provided for	- 342	- 245	40	- 383	-11	-1 172	-1 688	-31		
Recovered from previous write-offs	69	54	28	27	156	186	123	51		
<b>Net write-offs</b>	<b>- 273</b>	<b>- 191</b>	<b>43</b>	<b>- 356</b>	<b>-23</b>	<b>- 986</b>	<b>-1 565</b>	<b>-37</b>		
<b>Net credit losses</b>	<b>- 310</b>	<b>- 473</b>	<b>-34</b>	<b>- 341</b>	<b>-9</b>	<b>-1 324</b>	<b>-1 155</b>	<b>15</b>		

## Statement of changes in equity – SEB Group

Statement of changes in equity - OLS group									
SEK m	Share capital	Retained earnings	Other reserves				Total Shareholders' equity	Minority interests	Total Equity
			Available-for-sale financial assets	Cash flow hedges	Translation of foreign operations	Defined benefit plans			
Jan-Dec 2014									
Opening balance	21 942	97 704	1 378	783	-2 018	2 992	122 781	33	122 814
Net profit		19 218					19 218	1	19 219
Other comprehensive income (net of tax)			-11	3 094	648	-2 700	1 031	-1	1 030
<b>Total comprehensive income</b>		<b>19 218</b>	<b>-11</b>	<b>3 094</b>	<b>648</b>	<b>-2 700</b>	<b>20 249</b>		<b>20 249</b>
Dividend to shareholders		-8 725					-8 725		-8 725
Equity-based programmes <sup>1)</sup>		485					485		485
Change in holdings of own shares		-247					-247		-247
<b>Closing balance</b>	<b>21 942</b>	<b>108 435</b>	<b>1 367</b>	<b>3 877</b>	<b>-1 370</b>	<b>292</b>	<b>134 543</b>	<b>33</b>	<b>134 576</b>

<b>Jan-Dec 2013</b>									
Opening balance	21 942	90 033	273	1 688	-2 422	-2 091	109 423	90	109 513
Net profit		14 771					14 771	7	14 778
Other comprehensive income (net of tax)			1 105	-905	404	5 083	5 687	-1	5 686
<b>Total comprehensive income</b>		<b>14 771</b>	<b>1 105</b>	<b>-905</b>	<b>404</b>	<b>5 083</b>	<b>20 458</b>	<b>6</b>	<b>20 464</b>
Dividend to shareholders		-6 004					-6 004		-6 004
Equity-based programmes <sup>1)</sup>		-1 127					-1 127		-1 127
Minority interests								-63	-63
Change in holdings of own shares		31					31		31
<b>Closing balance</b>	<b>21 942</b>	<b>97 704</b>	<b>1 378</b>	<b>783</b>	<b>-2 018</b>	<b>2 992</b>	<b>122 781</b>	<b>33</b>	<b>122 814</b>

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

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

	Jan-Dec 2014	Jan-Dec 2013
<b>Number of shares owned by SEB, million</b>		
Opening balance	14.4	2.2
Repurchased shares	2.3	32.2
Sold/distributed shares	-11.2	-20.0
<b>Closing balance</b>	<b>5.5</b>	<b>14.4</b>

Market value of shares owned by SEB, SEK m	547	1 223
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In accordance with the decision by the Annual General Meeting, SEB holds own shares of Class A for the long-term equity-based programmes. The transactions may take place at one or several occasions during the year.



## Cash flow statement – SEB Group

SEK m	Jan - Dec		
	2014	2013	%
Cash flow from operating activities	- 148 500	- 33 172	
Cash flow from investment activities	4 310	- 1 835	
Cash flow from financing activities	8 527	- 7 842	
<b>Net increase in cash and cash equivalents</b>	<b>- 135 663</b>	<b>- 42 849</b>	
Cash and cash equivalents at the beginning of year	213 388	257 292	- 17
Exchange rate differences on cash and cash equivalents	28 123	- 1 055	
Net increase in cash and cash equivalents	- 135 663	- 42 849	
<b>Cash and cash equivalents at the end of period<sup>1)</sup></b>	<b>105 848</b>	<b>213 388</b>	<b>- 50</b>

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

## Financial assets and liabilities – SEB Group

SEK m	31 Dec 2014		31 Dec 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans	1 533 549	1 549 503	1 551 591	1 557 769
Equity instruments	129 074	129 074	157 728	157 728
Debt instruments	352 368	352 570	325 730	325 750
Derivative instruments	274 209	274 209	142 377	142 377
Financial assets - policyholders bearing the risk	258 945	258 945	234 062	234 062
Other	43 558	43 558	23 102	23 102
<b>Financial assets</b>	<b>2 591 703</b>	<b>2 607 859</b>	<b>2 434 590</b>	<b>2 440 788</b>
Deposits	1 058 300	1 056 557	1 025 666	1 032 553
Equity instruments	15 237	15 237	44 231	44 231
Debt instruments	806 986	827 053	768 354	773 747
Derivative instruments	237 712	237 712	136 707	136 707
Liabilities to policyholders - investment contracts	259 275	259 275	223 494	223 494
Other	35 417	35 417	32 205	32 266
<b>Financial liabilities</b>	<b>2 412 927</b>	<b>2 431 251</b>	<b>2 230 657</b>	<b>2 242 998</b>

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

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

SEK m	31 Dec 2014				31 Dec 2013			
	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non- observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non- observable inputs (Level 3)	Total
<b>Assets</b>								
Financial assets – policyholders bearing the risk	249 543	7 335	2 067	<b>258 945</b>	228 772	3 365	1 925	<b>234 062</b>
Equity instruments at fair value	101 814	15 139	12 635	<b>129 588</b>	118 182	29 160	11 059	<b>158 401</b>
Debt instruments at fair value	145 703	174 255	1 198	<b>321 156</b>	121 766	167 766	1 429	<b>290 961</b>
Derivative instruments at fair value	5 020	258 520	9 971	<b>273 511</b>	2 619	136 039	3 719	<b>142 377</b>
Investment properties			7 497	<b>7 497</b>			7 623	<b>7 623</b>
<b>Total</b>	<b>502 080</b>	<b>455 249</b>	<b>33 368</b>	<b>990 697</b>	<b>471 339</b>	<b>336 330</b>	<b>25 755</b>	<b>833 424</b>
<b>Liabilities</b>								
Liabilities to policyholders - investment contracts	249 914	7 305	2 056	<b>259 275</b>	218 914	3 119	1 461	<b>223 494</b>
Equity instruments at fair value	14 714	48	475	<b>15 237</b>	43 678	64	489	<b>44 231</b>
Debt instruments at fair value	16 657	40 705		<b>57 362</b>	23 466	38 086		<b>61 552</b>
Derivative instruments at fair value	6 826	221 226	9 660	<b>237 712</b>	5 437	127 532	3 738	<b>136 707</b>
<b>Total</b>	<b>288 111</b>	<b>269 284</b>	<b>12 191</b>	<b>569 586</b>	<b>291 495</b>	<b>168 801</b>	<b>5 688</b>	<b>465 984</b>

### Fair value measurement

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

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

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

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

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

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

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

### Level 1: Quoted market prices

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

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

### Level 2: Valuation techniques with observable inputs

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

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

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

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

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

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

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

### Significant transfers and reclassifications between levels

Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committee of each relevant division decides on material shifts between levels. At the end of the second quarter AFS Equity instruments in the amount of SEK 268m have been transferred into level 3 due to reassessment. At the end of the third quarter Equity instruments at fair value through profit & loss in the amount of SEK 47m have been transferred from level 3 to level 1 due to reassessment. At the end of the fourth quarter Financial assets - policyholders bearing the risk in the amount of SEK 73m have been transferred to level 3 from level 1 due to reassessment.

	Closing balance 31 Dec 2013	Gain/loss in Income statement	Gain/loss in Other comprehensive income	Purchases	Sales	Issues	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassifi- cation	Exchange rate differences	Closing balance 31 Dec 2014
<b>Changes in level 3</b>												
<b>Assets</b>												
Financial assets - policyholders bearing the risk	1 925	-58		1 563	-66			73		-1 483	113	2 067
Equity instruments at fair value	11 059	194	-43	2 888	-3 796			268	-47	1 425	687	12 635
Debt instruments at fair value	1 429	-127		944	-1 183					60	75	1 198
Derivative instruments at fair value	3 719	5 510		457	-404		263				426	9 971
Investment properties	7 623	-539		80	-142						475	7 497
<b>Total</b>	<b>25 755</b>	<b>4 980</b>	<b>-43</b>	<b>5 932</b>	<b>-5 591</b>	<b>0</b>	<b>263</b>	<b>341</b>	<b>-47</b>	<b>2</b>	<b>1 776</b>	<b>33 368</b>
<b>Liabilities</b>												
Liabilities to policyholders - investment contracts	1 461	-58		1 492	-66			73		-953	107	2 056
Equity instruments at fair value	489	32			-66						20	475
Debt instruments at fair value	0											0
Derivative instruments at fair value	3 738	5 327		296	-202		74				427	9 660
<b>Total</b>	<b>5 688</b>	<b>5 301</b>	<b>0</b>	<b>1 788</b>	<b>-334</b>	<b>0</b>	<b>74</b>	<b>73</b>	<b>0</b>	<b>-953</b>	<b>554</b>	<b>12 191</b>

### Sensitivity of Level 3 assets and liabilities to unobservable inputs

The table below illustrates the potential Profit or Loss impact of the relative uncertainty in the fair value of assets and liabilities that for their valuation are dependent on unobservable inputs. The sensitivity to unobservable inputs is assessed by altering the assumptions to the valuation techniques, illustrated below by changes in index-linked swap spreads, implied volatilities, credit spreads or comparator multiples. It is unlikely that all unobservable inputs would be simultaneously at the extremes of their ranges of reasonably possible alternatives. There have been no significant changes during 2014. The largest open market risk within Level 3 financial instruments is found within the insurance business.

SEK m	31 Dec 2014				31 Dec 2013			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Structured Derivatives - interest rate <sup>1)</sup>	1 041	-976	65	33	489	-684	-195	59
Capital Markets <sup>2)</sup>	102	-7	95	18	397	-45	352	16
Bond investment portfolio <sup>3)</sup>			0		48		48	9
Venture Capital holding and similar holdings <sup>4)</sup>	1 864	-475	1 389	279	1 803	-490	1 313	277
Insurance holdings - Financial instruments <sup>5)</sup>	10 989	-128	10 861	1 524	10 752	-263	10 489	1 498
Insurance holdings - Investment properties <sup>6)</sup>	7 497		7 497	750	7 623		7 623	762

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

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

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

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

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

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

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

SEK m	Financial assets and liabilities subject to offsetting or netting arrangements						Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
	Gross amounts	Offset	Net amounts in balance sheet	Related arrangements		Net amounts		
				Master netting arrangements	Collaterals received/pledged			
31 Dec 2014								
Derivatives	278 687	-6 916	271 771	-194 316	-46 678	30 777	1 740	273 511
Reversed repo receivables	93 230	-9 412	83 818	-7 130	-73 562	3 126	6 961	90 779
Securities borrowing	24 599		24 599	-10 979	-10 719	2 901	5 835	30 434
Client receivables	5 915	-5 915					9 398	9 398
Assets	402 431	-22 243	380 188	-212 425	-130 959	36 804	23 934	404 122
Derivatives	243 719	-6 916	236 803	-194 316	-35 519	6 968	909	237 712
Repo payables	16 623	-9 412	7 211	-7 130	-82	-1	4 211	11 422
Securities lending	23 417		23 417	-10 979	-9 318	3 120	11 045	34 462
Client payables	5 915	-5 915					7 402	7 402
Liabilities	289 674	-22 243	267 431	-212 425	-44 919	10 087	23 567	290 998
31 Dec 2013								
Derivatives	133 062	-6 598	126 464	-92 576	-23 349	10 539	15 913	142 377
Reversed repo receivables	97 138	-4 148	92 990	-9 364	-80 707	2 919	17 483	110 473
Securities borrowing	42 728	-5 334	37 394	-6 801	-27 782	2 811	2 393	39 787
Client receivables	8 060	-8 060					5 601	5 601
Assets	280 988	-24 140	256 848	-108 741	-131 838	16 269	41 390	298 238
Derivatives	138 065	-6 598	131 467	-92 576	-25 612	13 279	5 239	136 706
Repo payables	14 678	-4 148	10 530	-9 364	-1 166		11 317	21 847
Securities lending	19 709	-5 334	14 375	-6 801	-7 574		13 686	28 061
Client payables	8 060	-8 060					13 140	13 140
Liabilities	180 512	-24 140	156 372	-108 741	-34 352	13 279	43 382	199 754

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

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

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

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

## Reclassified portfolios – SEB Group

SEK m	Q4	Q3		Q4		Jan - Dec		
	2014	2014	%	2013	%	2014	2013	%
<b>Reclassified</b>								
Opening balance	13 485	15 419	-13	20 585	-34	18 845	29 342	-36
Amortisations	- 615	-1 089	-44	-2 063	-70	-4 340	-6 076	-29
Securities sold	- 14	- 962	-99	- 127	-89	-2 294	-4 993	-54
Accrued coupon	- 2	- 3	-33	- 38	-95	- 7	- 8	-13
Exchange rate differences	574	120		488	18	1 224	580	111
<b>Closing balance*</b>	<b>13 428</b>	<b>13 485</b>	<b>0</b>	<b>18 845</b>	<b>-29</b>	<b>13 428</b>	<b>18 845</b>	<b>-29</b>
* Market value	13 537	13 597	0	18 668	-27	13 537	18 668	-27
<b>Fair value impact - if not reclassified</b>								
In Other Comprehensive Income (AFS origin)	3	19	-84	163	-98	168	535	-69
In Income Statement (HFT origin)	- 2	- 2		- 20	-90	- 25	10	
<b>Total</b>	<b>1</b>	<b>17</b>	<b>-94</b>	<b>143</b>	<b>-99</b>	<b>143</b>	<b>545</b>	<b>-74</b>
<b>Effect in Income Statements**</b>								
Net interest income	34	48	-29	62	-45	199	305	-35
Net financial income	342	142	141	236	45	814	274	197
Other income	- 2	- 2		- 8	-75	- 1	- 34	-97
<b>Total</b>	<b>374</b>	<b>188</b>	<b>99</b>	<b>290</b>	<b>29</b>	<b>1 012</b>	<b>545</b>	<b>86</b>

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

## Non-performing loans – SEB Group

	31 Dec	31 Dec
SEK m	2014	2013
<b>Individually assessed impaired loans</b>		
Impaired loans, past due > 60 days	6 541	4 609
Impaired loans, performing or past due < 60 days	250	322
<b>Total individually assessed impaired loans</b>	<b>6 791</b>	<b>4 931</b>
Specific reserves	- 2 834	- 2 521
<i>for impaired loans, past due &gt; 60 days</i>	- 2 708	- 2 352
<i>for impaired loans, performing or past due &lt; 60 days</i>	- 126	- 169
Collective reserves	- 1 387	- 1 762
<b>Impaired loans net</b>	<b>2 570</b>	<b>648</b>
Specific reserve ratio for individually assessed impaired loans	41.7%	51.1%
Total reserve ratio for individually assessed impaired loans	62.2%	86.9%
Net level of impaired loans	0.29%	0.17%
Gross level of impaired loans	0.49%	0.35%
<b>Portfolio assessed loans</b>		
Portfolio assessed loans past due > 60 days	3 534	4 146
Restructured loans	274	381
Collective reserves for portfolio assessed loans	- 1 936	- 2 252
Reserve ratio for portfolio assessed loans	50.8%	49.7%
<b>Reserves</b>		
Specific reserves	- 2 834	- 2 521
Collective reserves	- 3 323	- 4 014
Reserves for off-balance sheet items	- 87	- 275
<b>Total reserves</b>	<b>- 6 244</b>	<b>- 6 810</b>
<b>Non-performing loans</b>		
Non-performing loans*	10 599	9 458
NPL coverage ratio	58.9%	72.0%
NPL % of lending	0.76%	0.67%

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

## Seized assets – SEB Group

	31 Dec	31 Dec
SEK m	2014	2013
Properties, vehicles and equipment	1 945	2 895
Shares	48	45
<b>Total seized assets</b>	<b>1 993</b>	<b>2 940</b>



## Assets and liabilities held for sale – SEB Group

SEK m	31 Dec 2014	31 Dec 2013
Loans to the public		
Other assets	841	
<b>Total assets held for sale</b>	<b>841</b>	<b>0</b>
Deposits from credit institutions		
Deposits and borrowing from the public		
Other liabilities		
<b>Total liabilities held for sale</b>	<b>0</b>	<b>0</b>

During 2014 SEB decided to adopt a divestment plan for investment properties within Baltic Division. At the commencement of sales activities for individual properties, the properties are reclassified as assets held for sale, until the derecognition at concluded sales agreement. The net amount of these activities reclassified during fourth quarter was SEK 390m. The impairment loss recognised in association with the reclassifications amounted to SEK 44m.

## Discontinued operations – SEB Group

### Income statement

SEK m	Q4 2014	Q3 2014	Q4 2013	Jan - Dec 2014	Jan - Dec 2013
Total operating income			2		42
Total operating expenses			- 41		- 118
<b>Profit before credit losses</b>	<b>0</b>	<b>0</b>	<b>- 39</b>	<b>0</b>	<b>- 76</b>
Net credit losses					- 20
<b>Operating profit</b>	<b>0</b>	<b>0</b>	<b>- 39</b>	<b>0</b>	<b>- 96</b>
Income tax expense			45		85
<b>Net profit from discontinued operations</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>- 11</b>

### Cash flow statement

SEK m	Q4 2014	Q3 2014	Q4 2013	Jan - Dec 2014	Jan - Dec 2013
Cash flow from operating activities			- 139		- 268
Cash flow from investment activities					
Cash flow from financing activities			139		268
<b>Net increase in cash and cash equivalents from discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Discontinued operations includes the operational separation of the divested retail operations in Germany and Ukraine. The divestments were finalised in the fourth quarter of 2013.

# SEB consolidated situation

## Capital adequacy analysis for SEB consolidated situation

SEK m	31 Dec 2014	31 Dec 2013
<b>Own funds</b>		
Common Equity Tier 1 capital	100 569	89 826
Tier 1 capital	120 317	102 462
Total own funds	136 899	108 260
<b>Own funds requirement</b>		
Risk exposure amount	616 531	598 324
Expressed as own funds requirement	49 322	47 866
Common Equity Tier 1 capital ratio	16.3%	15.0%
Tier 1 capital ratio	19.5%	17.1%
Total capital ratio	22.2%	18.1%
Own funds in relation to own funds requirement	2.78	2.26
Regulatory Common Equity Tier 1 capital requirement including buffer of which capital conservation buffer requirement	7.0% 2.5%	
Common Equity Tier 1 capital available to meet buffer <sup>1)</sup>	11.8%	
<b>Transitional floor 80% of capital requirement according to Basel I</b>		
Minimum floor own funds requirement according to Basel I	79 581	74 054
Own funds according to Basel I	136 015	109 042
Own funds in relation to own funds requirement Basel I	1.71	1.47
<b>Leverage ratio</b>		
Exposure measure for leverage ratio calculation	2 505 146	2 327 121
of which on balance sheet items	2 165 651	2 118 326
of which off balance sheet items	339 495	208 795
Leverage ratio	4.8%	4.2%

<sup>1)</sup> CET1 ratio 16.3% less minimum capital requirement of 4.5% excluding buffers. In addition to the CET1 requirements there is a total capital requirement of additional 3.5%.

### Swedish implementation of the Basel III framework

The Basel III framework, in the form of the CRD IV/CRR regulatory package, was adopted by the European Parliament in 2013. In Swedish law, the CRR part automatically took

effect upon EU adoption while the CRD IV part was implemented by the Swedish FSA during the fall.

## Own funds for SEB consolidated situation

SEK m	31 Dec 2014	31 Dec 2013
Shareholders equity	21 942	21 942
Retained earnings	45 167	41 050
Accumulated other comprehensive income and other reserves	48 215	45 019
Independently reviewed profit for the year <sup>1)</sup>	19 219	14 771
Minority interests	33	33
<b>Total equity according to balance sheet</b>	<b>134 576</b>	<b>122 815</b>
Deductions related to the consolidated situation and other foreseeable charges	-12 743	-11 597
<b>Common Equity Tier 1 capital before regulatory adjustments <sup>2)</sup></b>	<b>121 833</b>	<b>111 218</b>
Additional value adjustments	-1 314	-848
Intangible assets	-12 168	-12 248
Deferred tax assets that rely on future profitability	-603	-649
Fair value reserves related to gains or losses on cash flow hedges	-3 877	-783
Negative amounts resulting from the calculation of expected loss amounts	-188	-782
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	400	
Defined-benefit pension fund assets	0	-2 298
Direct and indirect holdings of own CET1 instruments	-1 294	-975
Securitisation positions with 1,250% risk weight	-594	-1 294
Adjustments relating to unrealised gains (AFS)	-1 626	-1 515
<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>-21 264</b>	<b>-21 392</b>
<b>Common Equity Tier 1 capital</b>	<b>100 569</b>	<b>89 826</b>
Additional Tier 1 instruments	8 545	
Grandfathered additional Tier 1 instruments	11 203	12 636
<b>Tier 1 capital</b>	<b>120 317</b>	<b>102 462</b>
Tier 2 instruments	16 552	7 746
Grandfathered Tier 2 instruments	1 533	627
Net provisioning amount for IRB-reported exposures	1 072	
Holdings of Tier 2 instruments in financial sector entities	-2 575	-2 575
<b>Tier 2 capital</b>	<b>16 582</b>	<b>5 798</b>
<b>Total own funds</b>	<b>136 899</b>	<b>108 260</b>

<sup>1)</sup> On 11 March 2014 the Swedish Financial Supervisory Authority approved SEB's application to use the net profit in measuring own funds on condition that the responsible auditors (PwC) can confirm the surplus, that the surplus is calculated in accordance with applicable accounting frameworks, that predictable costs and dividends have been deducted in accordance with EU regulation No 575/2013 and that the calculation was made in accordance with EU regulation No 241/2014.

<sup>2)</sup> New Swedish capital reporting regulations (FFFS 2014:12) apply from August 2014. Own funds requirements shall be reported according to a given format. The Common Equity Tier 1 capital is presented on a consolidated basis, and differs from total equity according to IFRS. The insurance business contribution to equity is excluded and proposed dividend is deducted.

An additional tier 2 instrument, subordinated debt, in the amount of EUR 1bn was raised in the second quarter. Additional tier 1 capital in the amount of USD 1.1bn was raised in the fourth quarter.

## Risk exposure amount for SEB consolidated situation

SEK m	31 Dec 2014		31 Dec 2013	
	Risk exposure amount	Own funds requirement <sup>1)</sup>	Risk exposure amount	Own funds requirement <sup>1)</sup>
<b>Credit risk IRB approach</b>				
Exposures to institutions	34 013	2 721	29 936	2 395
Exposures to corporates	344 576	27 566	328 458	26 277
Retail exposures	51 826	4 146	53 470	4 278
of which secured by immovable property	31 905	2 552	41 433	3 315
of which qualifying revolving retail exposures	1 498	120	1 358	109
of which retail SME	3 099	248	1 517	121
of which other retail exposures	15 324	1 226	9 162	733
Securitisation positions	5 035	403	4 827	386
<b>Total IRB approach</b>	<b>435 450</b>	<b>34 836</b>	<b>416 691</b>	<b>33 336</b>
<b>Credit risk standardised approach</b>				
Exposures to central governments or central banks	743	59	321	26
Exposures to regional governments or local authorities	40	3	695	56
Exposures to public sector entities	7	1	15	1
Exposures to institutions	1 222	98	607	49
Exposures to corporates	16 743	1 339	15 010	1 201
Retail exposures	16 593	1 327	23 136	1 851
Exposures secured by mortgages on immovable property	4 161	333	3 987	319
Exposures in default	634	51	1 645	132
Exposures associated with particularly high risk	1 791	143	2 086	167
Securitisation positions	40	3		
Exposures in the form of collective investment undertakings (CIU)	48	4	40	3
Equity exposures	2 371	190	3 330	266
Other items	10 216	817	8 294	664
<b>Total standardised approach</b>	<b>54 609</b>	<b>4 368</b>	<b>59 166</b>	<b>4 735</b>
<b>Market risk</b>				
Trading book exposures where internal models are applied	25 144	2 012	27 933	2 235
Trading book exposures applying standardised approaches	18 813	1 505	22 160	1 773
Foreign exchange rate risk	5 010	401	6 485	519
<b>Total market risk</b>	<b>48 967</b>	<b>3 918</b>	<b>56 578</b>	<b>4 527</b>
<b>Other own funds requirements</b>				
Operational risk advanced measurement approach	48 126	3 850	38 313	3 065
Settlement risk	42	3	11	1
Credit value adjustment	9 286	743	13 300	1 064
Investment in insurance business	15 525	1 242	11 949	956
Other exposures	4 526	362	2 316	185
<b>Total other own funds requirements</b>	<b>77 505</b>	<b>6 200</b>	<b>65 889</b>	<b>5 271</b>
<b>Total</b>	<b>616 531</b>	<b>49 322</b>	<b>598 324</b>	<b>47 869</b>

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

Risk exposure amount	SEK bn
Balance 31 December 2013	598
Volume and mix changes	17
Currency effect	27
Process and regulatory changes	-7
Risk class migration	-12
Market and underlying operational changes	-6
<b>Balance 31 December 2014</b>	<b>617</b>

Total risk exposure increased during the year mainly as a consequence of a weakening of the krona versus the euro. The increase in exposures from changes in the overall lending volume, the composition of the loans and from a calibration of SEB's model for measuring operational risk was more than offset by other factors, including effects from improvements in data processes and risk measurement, data quality and decreased market and operational risk.

### Average risk-weight

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

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

<b>IRB reported credit exposures (less repos and securities lending)</b>	<b>31 Dec</b>	<b>31 Dec</b>
<b>Average risk-weight</b>	<b>2014</b>	<b>2013</b>
Exposures to institutions	23.5%	24.3%
Exposures to corporates	36.2%	38.3%
Retail exposures	9.7%	11.0%
of which secured by immovable property	6.9%	9.5%
of which qualifying revolving retail exposures	7.5%	7.2%
of which retail SME	54.6%	38.3%
of which other retail exposures	35.0%	38.4%
Securitisation positions	43.5%	39.0%

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

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

# Skandinaviska Enskilda Banken AB (publ.)

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

In accordance with FSA regulations	Q4			Q3		Q4		Jan - Dec		
SEK m	2014	2014	%	2013	%	2014	2013	%		
Interest income	8 213	8 622	-5	9 255	-11	34 788	35 740	-3		
Leasing income	1 334	1 384	-4	1 368	-2	5 442	5 567	-2		
Interest expense	-4 553	-4 815	-5	-5 689	-20	-20 447	-22 435	-9		
Dividends	1 217	109		23		3 375	4 848	-30		
Fee and commission income	3 347	2 474	35	2 483	35	11 090	9 815	13		
Fee and commission expense	- 556	- 442	26	- 341	63	-1 855	-1 532	21		
Net financial income	36	510	-93	1 048	-97	2 121	3 547	-40		
Other income	455	790	-42	265	72	1 714	1 990	-14		
<b>Total operating income</b>	<b>9 493</b>	<b>8 632</b>	<b>10</b>	<b>8 412</b>	<b>13</b>	<b>36 228</b>	<b>37 540</b>	<b>-3</b>		
Administrative expenses	-3 664	-3 345	10	-3 613	1	-13 909	-14 062	-1		
Depreciation, amortisation and impairment of tangible and intangible assets	-1 340	-1 293	4	-1 254	7	-5 157	-5 024	3		
<b>Total operating expenses</b>	<b>-5 004</b>	<b>-4 638</b>	<b>8</b>	<b>-4 867</b>	<b>3</b>	<b>-19 066</b>	<b>-19 086</b>	<b>0</b>		
<b>Profit before credit losses</b>	<b>4 489</b>	<b>3 994</b>	<b>12</b>	<b>3 545</b>	<b>27</b>	<b>17 162</b>	<b>18 454</b>	<b>-7</b>		
Net credit losses	- 193	- 440	-56	- 115	68	-1 065	- 451	136		
Impairment of financial assets	-1 770	- 900	97	-1 678	5	-2 721	-1 691	61		
<b>Operating profit</b>	<b>2 526</b>	<b>2 654</b>	<b>-5</b>	<b>1 752</b>	<b>44</b>	<b>13 376</b>	<b>16 312</b>	<b>-18</b>		
Appropriations	274	323	-15	2 574		966	3 432	-72		
Income tax expense	- 45	- 848	-95	- 707	-94	-2 072	-2 778	-25		
Other taxes	- 16	- 1		- 14	14	19	- 27	-170		
<b>Net profit</b>	<b>2 739</b>	<b>2 128</b>	<b>29</b>	<b>3 605</b>	<b>-24</b>	<b>12 289</b>	<b>16 939</b>	<b>-27</b>		

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

	Q4			Q3		Q4		Jan - Dec		
SEK m	2014	2014	%	2013	%	2014	2013	%		
<b>Net profit</b>	<b>2 739</b>	<b>2 128</b>	<b>29</b>	<b>3 605</b>	<b>-24</b>	<b>12 289</b>	<b>16 939</b>	<b>-27</b>		
<i>Items that may subsequently be reclassified to the income statement:</i>										
Available-for-sale financial assets	118	163	-28	243	-51	863	859	0		
Cash flow hedges	945	617	53	350	170	3 095	- 903			
Translation of foreign operations	- 25	16		- 7		- 3	- 32	-91		
<b>Other comprehensive income (net of tax)</b>	<b>1 038</b>	<b>796</b>	<b>30</b>	<b>586</b>	<b>77</b>	<b>3 955</b>	<b>- 76</b>			
<b>Total comprehensive income</b>	<b>3 777</b>	<b>2 924</b>	<b>29</b>	<b>4 191</b>	<b>-10</b>	<b>16 244</b>	<b>16 863</b>	<b>-4</b>		



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

<b>Condensed</b>	<b>31 Dec</b>	<b>31 Dec</b>
<b>SEK m</b>	<b>2014</b>	<b>2013</b>
Cash and cash balances with central banks	59 170	135 309
Loans to credit institutions	194 285	183 312
Loans to the public	1 056 807	1 013 188
Financial assets at fair value	511 738	433 431
Available-for-sale financial assets	16 042	17 485
Held-to-maturity investments	91	85
Investments in associates	921	1 055
Shares in subsidiaries	54 294	52 555
Tangible and intangible assets	41 471	40 080
Other assets	51 323	27 658
<b>Total assets</b>	<b>1 986 142</b>	<b>1 904 158</b>
Deposits from credit institutions	144 776	210 237
Deposits and borrowing from the public	706 452	611 234
Debt securities	682 519	704 088
Financial liabilities at fair value	247 510	201 705
Other liabilities	49 956	46 613
Provisions	173	92
Subordinated liabilities	40 191	22 739
Untaxed reserves	23 102	23 694
Total equity	91 463	83 756
<b>Total liabilities, untaxed reserves and shareholders' equity</b>	<b>1 986 142</b>	<b>1 904 158</b>

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

<b>SEK m</b>	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2014</b>	<b>2013</b>
Collateral and comparable security pledged for own liabilities	366 518	316 525
Other pledged assets and comparable collateral	116 228	98 927
Contingent liabilities	98 966	84 767
Commitments	382 324	335 048

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

<b>31 December</b>	<b>31 Dec</b>	<b>31 Dec</b>
<b>SEK m</b>	<b>2014</b>	<b>2013</b>
Share capital	21 942	21 942
Other restricted reserves	12 260	12 260
<b>Equity, restricted</b>	<b>34 202</b>	<b>34 202</b>
Eliminations of repurchased shares and swaps	-2 711	-1 933
Other reserves	4 354	401
Other non-restricted equity	43 329	34 147
Net profit for the year	12 289	16 939
<b>Equity, non-restricted<sup>1)</sup></b>	<b>57 261</b>	<b>49 554</b>
<b>TOTAL</b>	<b>91 463</b>	<b>83 756</b>

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

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

SEK m	31 Dec 2014	31 Dec 2013
<b>Own funds</b>		
Common Equity Tier 1 capital	83 027	79 913
Tier 1 capital	102 775	92 517
Total own funds	118 480	98 337
<b>Own funds requirement</b>		
Risk exposure amount	513 426	490 769
Expressed as own funds requirement	41 074	39 262
Common Equity Tier 1 capital ratio	16.2%	16.3%
Tier 1 capital ratio	20.0%	18.9%
Total capital ratio	23.1%	20.0%
Own funds in relation to capital requirement	2.88	2.50
Regulatory Common Equity Tier 1 capital requirement including buffers	7.0%	
of which capital conservation buffer requirement	2.5%	
Common Equity Tier 1 capital available to meet buffers <sup>1)</sup>	11.7%	

<sup>1)</sup> CET1 ratio 16.2% less minimum capital requirement of 4.5% excluding buffers. In addition to the CET1 requirements there is a total capital requirement of additional 3.5%.

# This is SEB

<b>Mission</b>	To help people and businesses thrive by providing quality advice and financial resources.
<b>Vision</b>	To be <i>the</i> trusted partner for customers with aspirations.
<b>Values</b>	Guided by our Code of Business Conduct and our core values: professionalism, commitment, mutual respect and continuity.
<b>Customers and markets</b>	3,000 large corporations and institutions, 400,000 SMEs and 4 million private customers bank with SEB. They are mainly located in eight markets around the Baltic Sea.
<b>Brand promise</b>	Rewarding relationships.
<b>Corporate objectives</b>	<p>The leading Nordic bank for corporates and institutions.</p> <p>The top universal bank in Sweden and the Baltic countries.</p>
<b>Strategic value-driving priorities</b>	<p>Long-term customer relationships – build and develop relationships based on the customers' long-term needs with a holistic perspective.</p> <p>Growth in areas of strength – pursue growth in three selected core areas – large corporations and financial institutions in the Nordic countries and Germany, small and medium-sized companies in Sweden, and a holistic savings offering.</p> <p>Resilience and flexibility – ensure the financial strength needed to demonstrate stability and resilience as well as the flexibility to adapt operations in a cost-efficient manner to the prevailing market conditions.</p>
<b>People</b>	Around 16,000 highly skilled people serving customers from locations in some 20 countries; covering different time zones, securing reach and local market knowledge.
<b>History</b>	Over 150 years of business, building trust and sharing knowledge. The Bank has always acted responsibly in society promoting entrepreneurship, international outlook and long-term relationships.

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