2017

Annual Report

SEB

Contents

2017 in brief

Important events

Large corporate customers refinanced their debt in the attractive markets and were less inclined to demand traditional financing.

Financial institutions searched for high-yielding and more risky investments in the low interest market environment.

Private customers increasingly took advantage of SEB's mobile offerings and new functionality was added throughout the year.

Johan Torgeby assumed the role of SEB's President and CEO.

SEB's offices in Arenastaden were inaugurated – new premises for more than 4,500 employees at around 20 per cent lower cost.

For the second year in a row, SEB qualified for inclusion in the Dow Jones Sustainability Index.

SEB signed an agreement to sell SEB Pension to Danske Bank for a total of DKK 6.5bn.

Key figures

	2017	2016
Operating income, SEK m	45,609	43,251
Operating profit before items affecting comparability, SEK m	22,702	20,296
Operating profit, SEK m	20,806	14,867
Return on equity excluding items affecting profitability, per cent	12.7	11.3
Return on equity, per cent	11.5	7.8
Cost/income ratio	0.48	0.50
Earnings per share, SEK	7.49	4.88
Proposed dividend, SEK	5.75	5.50
Common Equity Tier 1 capital ratio, per cent	19.4	18.8
Leverage ratio, per cent	5.2	5.1
Liquidity Coverage Ratio (LCR), per cent	145	168

With our vision and strategy. . .

Our purpose

We believe that entrepreneurial minds and innovative companies are key to creating a better world. We are here to enable them to achieve their aspirations and succeed through good times and bad.

Our vision

Deliver world-class service to our customers.

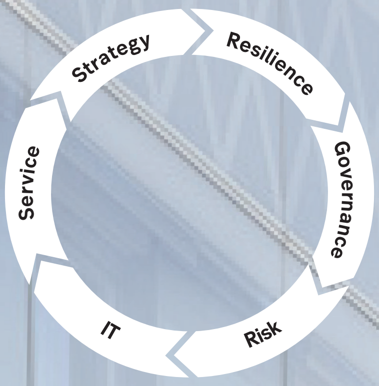
Our strategic priorities

- Leading customer experience
- Maintaining resilience and flexibility
- Growing in areas of strength.

Our sustainability aim

Be a role model in sustainability within the financial industry.

. . .via our business model. . .



Requirements and expectations from customers, shareholders, employees and society at large are met via various channels.

196	branch offices in Sweden and the Baltic countries
37	Swish payments per private customer per year
206	Swish payments per corporate customer per year
20	international sites
20/7	personal service by phone
200	client executives for large corporates and financial institutions

. . .we serve our customers.

Large corporations

SEB's corporate customers in the Nordic region are among the largest in their respective industries. In Germany and the UK they range from large mid-corporates to large multinationals.

Financial institutions

SEB's institutional clients operate both in the Nordic countries and internationally.

Small and medium-sized companies

In all, SEB serves approximately 400,000 small and medium-sized companies in Sweden and the Baltic countries. Of these, some 274,000 are home bank customers.

Private individuals

SEB has approximately 4 million private individuals among its customers in Sweden and the Baltic countries. Of these some 1.4 million are home bank customers.

Creating value for our stakeholders

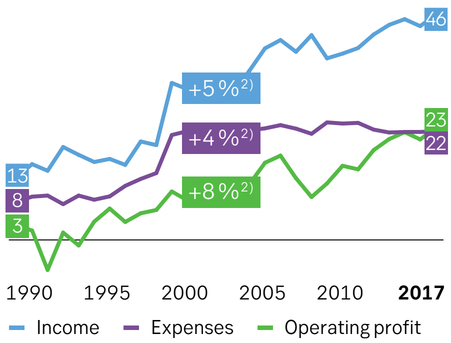
Our financial targets

	Outcome 2017 [1]	Outcome 2016 [1]
Dividend payout ratio at 40 per cent or more of earnings per share	70% [2]	75%
Common Equity Tier 1 capital ratio of around 150 basis points over requirement	19.4% [3]	18.8%
Return on equity competitive with peers	12.7% [4]	11.3%

1) Outcome excludes items affecting comparability. See p. 34.
2) Outcome incl. items affecting comparability: 77%.
3) Regulatory requirement at year-end 2017: 17.2%.
4) Outcome incl. items affecting comparability: 11.5%.

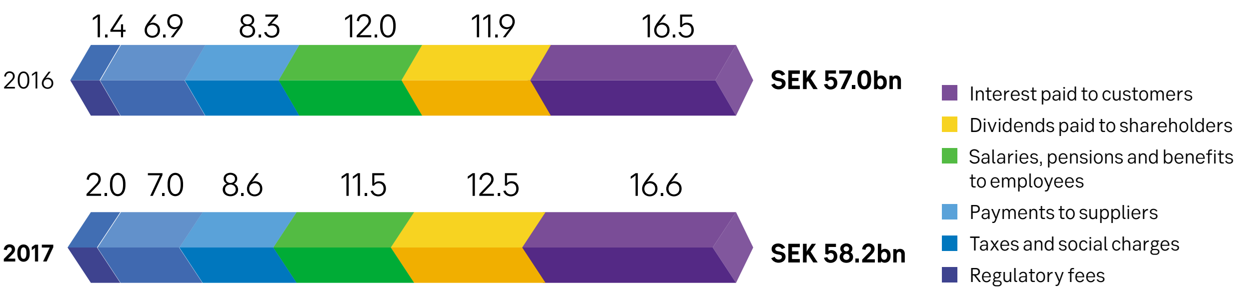
Our profit development 1990–2017 [1]

SEK bn



1) Excluding items affecting comparability.
2) Compound Annual Growth Rate (CAGR).

Total financial value created by SEB



Our customers

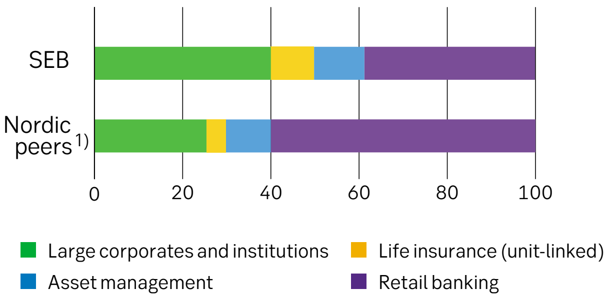
2,300 large corporations

700 financial institutions

400,000 small- and medium-sized companies

4 million private individuals

SEB – the leading Nordic corporate bank Share of income 2017, %



1) Income breakdown for Swedbank, SHB, Nordea, Danske Bank and DNB. Business units only (indicative).

Who we are

Our commitment to create value for our customers is based on a tradition of entrepreneurship, international outlook and long-term perspective. As a bank we have an important role to play in the shift to a more sustainable world.

What we do

SEB plays an active part in the development of the societies in which the bank is operating, primarily by building strong customer relationships. In Sweden and the Baltic countries we offer financial advice and a wide range of financial services. In Denmark, Finland, Norway, Germany and the United Kingdom, our operations have a strong focus on a full-service offering to corporate and institutional clients.

Whom we serve

Customers always come first. Our 15,000 committed and experienced employees work as a team to serve our customers in all the markets where we are operating.

SEB's robustness important in a world of rapid change

Global trends drive change
Ten years after the financial crisis started to spread, global trends have reshaped the banking industry. A new regulatory framework has contributed to a more transparent and resilient financial system. Unprecedented expansionary monetary policy has supported the real economy, even though negative interest rates and an abundance of liquidity have distorted risk return rewards and compressed financial market volatility. Digitalisation and the rapid technological development are impacting customer behaviours and disrupting banks' existing business models. In addition, banks have increasingly acknowledged their role in the shift towards a more sustainable world.

These trends impacted the Board's work during the past year, which was extraordinarily intense with 25 board meetings. It is our belief that, in this increasingly complex world, speed and ability to adapt as well as to attract the right people have grown more important; just as the trust that comes with a sound financial position.

Transformation on many fronts
The Board has now worked together with our new CEO, Johan Torgeby, for close to a year. Johan Torgeby has together with his management team taken several initiatives to speed up the transformation of the bank, develop a more data-driven culture and broaden the set of competences in SEB. The past year also involved major implementation of new regulatory frameworks. It was a hallmark for all of SEB that the adaption to MiFID II and IFRS 9, at the same time as the strategic initiative to transform our German business into a branch, could be finalised timely.

The way forward – world-class service
SEB's strategic direction, to focus on a leading customer experience, ensure continued financial resilience and to grow together with our customers, remains. As we are passing the first phase of our long-term vision of world class service, we are now focusing on setting the roadmap for the next phase. We maintain our financial targets and the bank has a solid capital position as well as capital generation which, in the light of the proposed new Basel III standards for credit risk, continue to be of prime focus. In 2017 total shareholder return reached six per cent. Our ambition is higher. We are determined to work relentlessly for the best interests of our customers, so that you as shareholders can expect an attractive and sustainable return over the long term.

Stockholm, February 2018

Marcus Wallenberg
Chairman of the Board

" In an increasingly complex world, the ability to adapt and the trust that comes with a sound financial position, are ever more important."

Marcus Wallenberg

Step by step we are delivering on our long-term strategy

In SEB we take great pride in knowing our customers well and creating long-term value based on a tradition of entrepreneurship and long-term perspective. To us this goes hand in hand with our target to be a role model in sustainability within the financial industry. We aspire to be the leading Nordic bank for corporations and institutions and the top universal bank in Sweden and the Baltic countries.

More positive business sentiment
In 2017, we could see that business sentiment gradually grew more positive. Spurred by more jobs, higher asset prices and higher investment levels as well as increased trade, the world economy geared up despite heightened geopolitical uncertainty. However, large global imbalances remain and central banks have a difficult balancing act to return to a more conventional monetary policy going forward. Most SEB customer segments increased their activity levels. Large corporate clients benefited from favourable financing conditions. IPO and M&A activity picked up and debt capital markets saw high activity, albeit demand for traditional bank financing was low. Financial institution customers face an increasingly complex regulatory environment and we were able to support them through our broad custody offering including also administrative and back-office services. SME customers in Sweden and the Baltic countries increased their demand for lending. The Swedish housing market saw some healthy signs of stabilisation. Private customers continued to increase their interaction with us – in the branch offices, through remote advisory and mobile services and in our 24/7 contact centre.

Delivering on the business plan
SEB's long-term priorities – delivering a leading customer experience, maintaining resilience and flexibility and growing in areas of strength – form the basis for our three-year business plan. Two years into the plan we are speeding up the transformation. We have increasingly focused on areas where we have scale as well as on simplifying processes and building data analytics capabilities so that we can increase customer convenience. This also involves changing ways of working with more collaboration across SEB with a holistic advisory approach towards our customers. We strive for agile development, teaming up product, IT, user experience and other specialists to deploy many small launches that are continuously calibrated with customers.

The prerequisites for banks are quite different today compared with ten years ago. However, the importance of having deeply committed employees working together, eager to learn and develop, never changes. I would like to take this opportunity to thank all our clients that choose to work with us and our employees. The whole team is deeply committed to delivering world-class service in everything we do so that we can be the preferred choice over the long term in the eyes of our customers.

Stockholm, February 2018

Johan Torgeby
President and Chief Executive Officer

Macro environment

New technologies, new customer behaviours and new regulations are macro trends that affect banks' operations in a tangible way. The global economy continues its strong development, despite growing geopolitical uncertainty.

Strong economic development but geopolitical uncertainty

The global economy continued its strong development in 2017, while interest rates remained low. Geopolitical uncertainty increased whereas the financial markets continued to develop positively. From a global perspective, the eurozone is getting back on its feet and a general recovery has also been noted in China, Japan, the USA and emerging markets. The Nordic economies are showing a broad upswing. In Sweden growth was strong while at the same time the risks in the real estate market increasingly came into focus.

As for the more long-term development trends, extreme weather events put the issue of climate change into greater focus. The target of limiting the global temperature rise to 2 degrees Celsius appears to be increasingly more difficult to reach.

Geopolitical tensions, global imbalances and the large migration tides in recent years are factors that significantly affect the macro environment. Since 2007 global indebtedness has increased by more than 40 percentage points to around 260 per cent of global GDP. In parallel, most Western countries are struggling with a growing demographic challenge posed by disproportionate population pyramids. This is resulting in a greater dependency burden for the actively working and in straining social security systems.

Digitalisation redrawing the map

For the past few years, new technology, new actors as well as changing regulations and customer behaviours are redrawing the map regarding who can offer bank services as well as what services banks can offer and how.

Owing to the rapid development, mature universal banks are encountering competition from fintech companies, which often develop solutions for specific financial services. They are agile at putting together user-friendly services, but their disadvantage is that they cannot offer the trust, convenience and comprehensive solutions provided by full-service banks.

The development is shifting so that banks, with their large customer bases, cooperate or enter into partnerships with new actors in an effort to jointly create services, develop the offerings and improve the customer experience.

By understanding and monitoring customer behaviour banks are providing personalised offers at an increasing rate.

Blockchain technology and Artificial intelligence (AI) are developing rapidly and are expected to have a major impact also on banks. Blockchain technology enables transactions to be verified and processed in real-time. AI, as virtual agents, is already being used by banks for customer service. Digitalisation is also creating opportunities to enhance productivity in the banking sector by automating internal processes and reducing administrative work.

New rules for consumer protection and transparency

New regulations continue to be implemented for the financial sector, requiring extensive adaptation of processes, routines and system support. The volume of new regulations is beginning to subside but much work remains in implementing current regulation changes.

The Markets in Financial Instruments Directive (MiFID II) took effect at the beginning of 2018, aiming at increasing consumer protection and transparency in all types of investment products. The Payment Services Directive (PSD2) comes into force in 2018, and requires banks to open up their transaction information, thereby creating the opportunity for third-party actors to for instance initiate payments. This is commonly referred to as Open Banking. In addition, the EU's new General Data Protection Regulation (GDPR) takes effect in May 2018, laying out new rules for how companies in all sectors are to process personal data.

Two important accounting standards, took effect on 1 January 2018 – IFRS 9 Financial Instruments, and IFRS 15 Revenue from Contracts with Customers. Both set standards for better information about companies' income and profitability.

In 2017 the European Commission began work on a project aimed at ensuring that financial regulators incorporate sustainability aspects into their supervision.

▶▶ *Read more about IFRS 9 and 15 on p. 37.*
▶▶ *Read about SEB's regulatory work on p. 50.*

SEB creates value

Customer centricity, long-term perspectives and financial strength form the foundation for meeting the expectations of customers, employees and society at large. Ultimately, this creates value for the shareholders.

Meeting stakeholders' expectations

Customers

1.7 million corporate and private customers
The customers' needs are at the core of the bank's business. Customers' high expectations on service and quality advice as well as sustainable solutions drive the bank's business development and offerings.

Shareholders

269,000 shareholders
The capital provided by SEB's shareholders is a prerequisite for conducting the bank's business. The shareholders expect a competitive and sustainable return on their capital. Many of the major owners have a long-term perspective on their engagement in the bank.

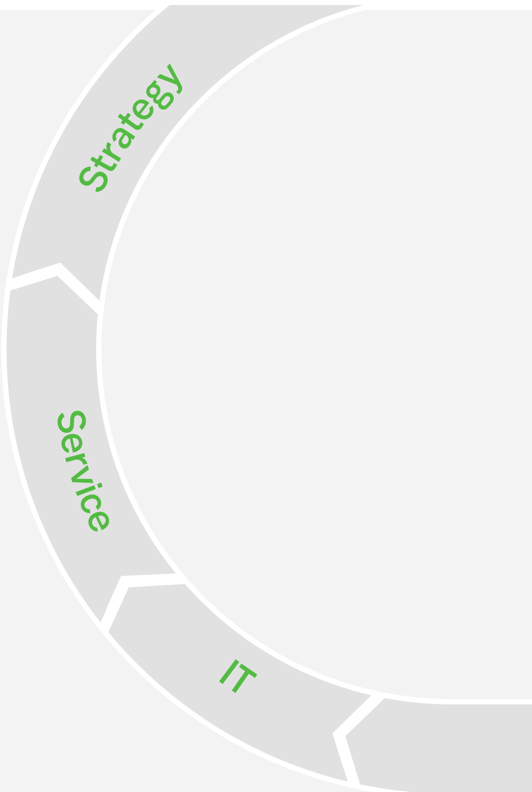
Employees

15,000 employees
SEB's employees build and deepen customer relationships. Their commitment, skills and continuous learning are key success factors for the bank's business and future development.

Society

Society at large
Banks play an integral role in society and are vital for creating economic growth and social value. With this comes an expectation that the bank takes great responsibility for how it acts, to enable society to continue to develop in a sustainable way.

via SEB's management of its business



Strategy

Long-term strategy
SEB's strategy is built on developing deep customer relationships with a long-term perspective.
See p. 9.

Service

Customer-oriented offering
Proactive quality advice and a holistic offering are provided at the customers' convenience, based on customer insights.
See p. 16–21.

IT

Secure and functional IT
The IT structure promotes stability in the daily operation and agile development of products and services. *See p. 48 and p. 7 in the Sustainability Overview.*

Value creation based on trust

Banks play a fundamental role in society by acting as an intermediary providing, and advising on, a wide range of financing and savings solutions, risk management and payment services for all types of customers. SEB's operations impact – and is impacted by – customers, shareholders, employees and society. Without their trust, the bank cannot function. This is why the bank adapts to a changing environment, acts in accordance with regulations and expectations, and strives to provide services that are insightful, transparent and accessible on customers' terms.

In addition, high ethical standards are being upheld internally in order to maintain the stakeholders' trust. SEB's Code of Conduct, internal rules and procedures are in place, supported by a culture based on openness, business acumen and SEB's core values.

Read more about the Code of Conduct on p. 28 and on sebgroup.com

creates both social and financial value

Resilience

Financial strength

Financial strength gives the resilience and flexibility required to serve customers over the long term. *See p. 9, 32 and 44.*

Governance

Solid corporate governance

Corporate governance is based on clear allocation of responsibility, a well developed structure for internal control and owner involvement. *See p. 52.*

Risk

Sound risk culture

To meet customers' needs SEB assumes and manages risks. SEB knows its customers well and risks are mitigated by prudence, risk awareness and expertise throughout the organisation. *See p. 44.*

For customers

By providing proactive advice and a wide range of convenient services, SEB supports its customers' long-term aspirations and adds value in all phases of life of individuals and development stages of companies and institutions. *See p. 16–21.*

For shareholders

Dividends and potential increases in market value over time contribute to shareholders' financial security and enable new investments. SEB's competitiveness is increased and long-term risks are reduced through the integration of environmental, social and governance aspects.
See p. 29.

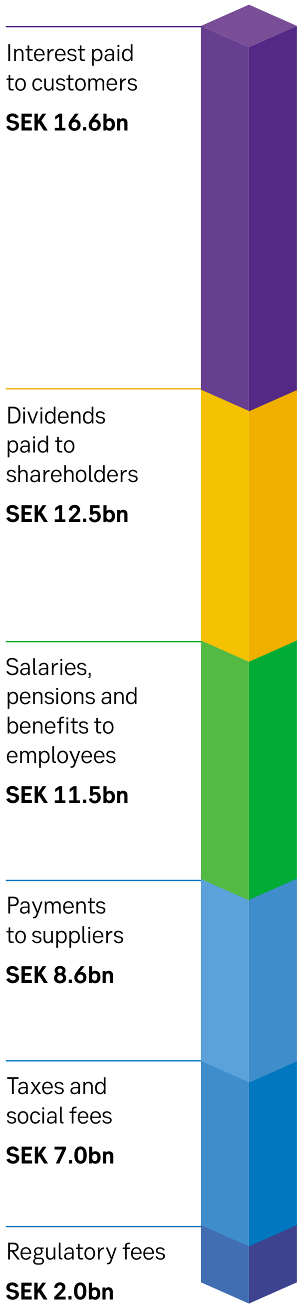
For employees

The employees take part in, and value, the opportunities for learning and further development that are integrated in SEB's business. Employees also participate in the many partnerships that SEB supports to help communities develop and prosper.
See p. 26.

For society at large

SEB intermediates financial solutions, provides payment services and manages risks, which together promote economic growth and prosperity. SEB pays taxes and fees according to local rules where it operates. SEB takes responsibility as a provider of financing and as an asset manager and works proactively with environmental, social and governance issues. *See p. 22.*

Total distribution of financial value **SEK 58.2bn** for 2017



World-class service

SEB's long-term vision, to deliver world-class service to our customers, reflects a future in which customer orientation, simplicity and accessibility increase in importance.

Long-term strategic priorities

Founded in the service of enterprise more than 160 years ago, SEB has through the years played an active part in societal development in the markets in which it operates. Building on this entrepreneurial heritage, it is the bank's ambition to be the undisputed leading Nordic corporate and institutional bank, as well as the top universal bank in Sweden and the Baltic countries. It is also the bank's ambition to be a role model in sustainability within the financial industry. The long-term strategic priorities and the three-year business plan, outlined on the next page, define the way forward.

SEB's strategic priorities

			Select indicators
1	Leading customer experience	Develop long-term relations in which customers have confidence in SEB and feel that the services and advice offered are insightful about their needs, are accessible on their terms and that SEB shares knowledge and acts proactively in their best interest.	**Customers' willingness to recommend SEB** *See p. 12* **Swedish Quality Index** *See p. 12*
2	Resilience and flexibility	Maintain resilience and flexibility in order to adapt operations to the prevailing market conditions. Resilience is based upon capital and liquidity strength. Cost efficiency promotes profitability and provides room for new investments.	**Board's financial targets** *See p. 12* **Liquidity coverage ratio** *See p. 45*
3	Growth in areas of strength	Focus on profitable organic growth in areas of strength: universal banking in Sweden and the Baltic countries and corporate banking in home markets outside Sweden.	**Business plan** *See p. 10*

A strategy for all stakeholders

The strategic priorities and the business plan, which includes the sustainability success factors, reflect the bank's material matters. These material matters are in line with the expectations of SEB's stakeholders. The operations are carried out based on a foundation of sound risk management, financial strength, business ethics and conduct, data protection and people management. Each year, the material matters are assessed to ensure that the priorities remain relevant and to identify potential emerging issues. The evaluation is based on internal and external stakeholder perspectives from economic, environmental and social viewpoints. From the stakeholder dialogues, the bank draws conclusions on how to prioritise and integrate the material matters into the business plan.

Read more about the materiality process and stakeholder engagement in the Sustainability Overview.

Current business plan

SEB's long-term strategic priorities form the basis for the three-year business plan for 2016–2018. The plan focuses on two main areas, growth and transformation, supplemented by three sustainability success factors. The validity of the three-year plan is ensured by rolling updates to align with changing business conditions.

Growth

Read more on p. 16–21

Since 1 January 2016:

Assets under management (net inflow and value) increased by SEK

162 billion

Growth in corporate credits, SEK

93 billion

New large corporate customers

130

Accelerated growth in Sweden

Further strengthen the bank's position across all customer segments in Sweden. Provide a wider range of services and increasingly use customer data to proactively offer new services.

Nordic and German large corporations and institutions

Expand the corporate and institutional customer business in the Nordic countries and Germany with focus on the full-service offering and digital portals while selectively attracting targeted UK corporate customers.

Savings offering to private individuals and corporate customers

Create growth by offering private and corporate customers convenient and advisory-based solutions including bancassurance to cater for customers' need for long-term savings.

Sustainability success factors

Since 1 January 2016:

Increase in loans reclassified in accordance with SEB's green framework, SEK

13 billion

SEB's green bonds, underwritten globally, increased by SEK

10 billion

In order to reach the ambition to be a role model in sustainability within the financial industry, the bank focuses on three sustainability success factors. The prerequisite is engaged and knowledgeable employees who provide responsible and proactive advice, with a special focus on environmental impact and transparency.

Read more the Sustainability Overview

Sustainable financing

Increase the share of positive impact financing. Strengthen sustainable advising and expand the sustainable offering.

Transformation

Read more on p. 16–21

World-class service	Focus on customer journeys and use customer data in order to create a leading customer experience based on a personalised and convenient full-service offering where customers can choose where and in what manner they want to be served.
Digitalisation	Develop customised advisory tools and interfaces based on individual customer needs and behaviour in various channels. This includes transforming the first line of service to digital solutions and portals. Automate internal processes in order to improve efficiency.
Continuous learning	Continue to invest in attracting talents with the right values and providing continuous learning and development opportunities to existing employees. Ensure a gradual competence shift broadening the role for client executives and also developing capabilities in service design and data analytics.

Since 1 January 2016:

Increase in customer usage of mobile services

40%

Remote advisory meetings in the Baltic countries

1,500

Employees in leadership/talent management programmes

1,543

Read more on p. 22–25

Sustainable investments
Be the leading Nordic supplier of sustainable investments with a comprehensive and competitive offering where environmental, social and governance factors are fully integrated into the investment process in all asset types. Strengthen sustainable investment advising.

Innovation and entrepreneurship
Support innovation and entrepreneurship to drive sustainable economic development and contribute to creating new jobs.

Since 1 January 2016:

Contribution to entrepreneurial and innovation partnerships, SEK

25 million

2017: Funds managed with sustainability criteria; share of SEB Funds' total assets under management

25%

Overall targets and outcome

The progress of the strategy and three-year business plan is monitored and measured at many levels. These selected metrics provide a progress overview.

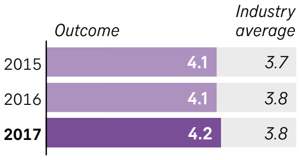
Customers

Customer experience and satisfaction

Various internal and external metrics are used to measure customer satisfaction. Customers' willingness to recommend SEB is one of the key measures of the bank's progress.

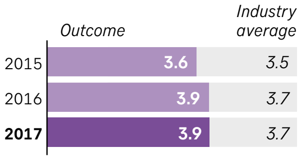
Nordic large corporations

Customers' willingness to recommend[1)]



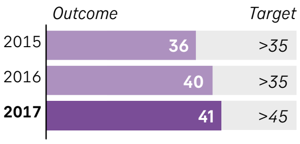
Nordic financial institutions

Customers' willingness to recommend[1)]



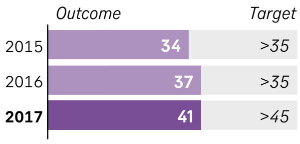
Small companies in Sweden

SEB internal NPS[2)]



Private individuals in Sweden

SEB internal NPS[2)]



1) According to Prospera
2) Net Promoter Score method

Target

Leading position in selected customer segments where an important measure is whether customers are willing to recommend SEB.

Other customer surveys

According to *Prospera's overall performance* evaluation SEB maintained its no. 1 place in the ranking from Nordic tier 1 corporations, but the ranking from all Nordic large corporations decreased from 2nd in 2016 to 3rd place in 2017.

The ranking of SEB by Nordic financial institutions moved to no. 2, from no. 1. Swedish institutions, however, ranked SEB as no. 1 in all ten possible categories.

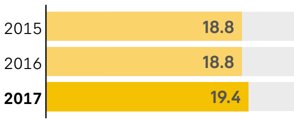
In the *Swedish Quality Index* measurement of customer satisfaction, SEB ranked second among the larger banks, both among private and corporate customers. Compared with last year, however, SEB's score from both segments decreased. This was an industry-wide trend.

Shareholders

Financial targets

Through the resilience and flexibility that come from a strong capital base, good access to funding, high credit ratings and cost efficiency, SEB can create shareholder value in varying market conditions. The Board of Directors sets three financial targets that contribute to financial strength.

Common equity Tier 1 capital ratio, Per cent

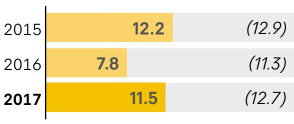


Target

SEB shall maintain a Common Equity Tier 1 (CET1) capital ratio that is around 150 basis points higher than the regulatory requirement. Per 31 dec 2017 SEB's buffer was 2.2 per cent.

SEB's estimate of the current CET1 requirement from the Swedish Financial Supervisory Authority was 17.2 per cent at year-end 2017.

Return on equity, Per cent

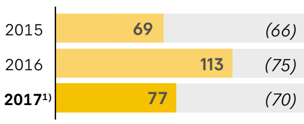


Outcome excluding items affecting comparability are shown within parenthesis.

Target

SEB shall generate a competitive return on equity. This means that the bank in the long term aspires to achieve a 15 per cent return on equity.

Dividend payout ratio, Per cent



Outcome excluding items affecting comparability are shown within parenthesis.

1) Based on the proposed dividend for 2017

Target

40 per cent or more of earnings per share. SEB strives for long-term dividend growth. The size of the dividend takes into account SEB's financial position, the prevailing economic situation, earnings, regulatory requirements and opportunities for growth.

Employees

Motivation and engagement
The annual employee survey, Insight, measures employee engagement, efficiency and trust. It also measures employees' willingness to recommend SEB as a place to work.

Employee engagement, Index
Engagement

	Outcome	*Financial sector average*
2015	79	71
2016	77	73
2017	77	73

Performance excellence, Index
Efficiency and trust

	Outcome	*Financial sector average*
2015	80	75
2016	81	76
2017	81	77

Employees, Index
Willingness to recommend SEB as a place to work

	Outcome	*Financial sector average*
2015	80	71
2016	78	73
2017	78	74

Target
SEB's target is to be the most attractive employer in the financial sector. Progress is measured through the employee survey Insight.

Comment
SEB continues to outperform the financial sector on employee engagement, performance excellence as well as willingness to recommend the working place.

Society

Reputation
SEB monitors the results of the TNS Reputation Index, which measures the bank's reputation among consumers and business owners.

Sustainability
SEB wants to be a role model in sustainability within the financial industry. One indicator is whether the bank meets the criteria for inclusion in sustainability indexes. SEB also has the ambition to lower its CO_2 impact.

Reputation[1], Index
Sweden

	Outcome	*Average*[2]
2015	42	42
2016	45	40
2017	42	38

Baltic countries

	Outcome	*Average*[2]
2015	57	56
2016	54	51
2017	57	55

1) Corporate reputation among the general public, according to TNS Reputation Index (weighted in the Baltic countries).

2) SEB, SHB, Swedbank, Nordea, Danske Bank.

Target
Reduce the gap to the no. 1 in the industry and in the long term have the strongest reputation among industry peers.

Comment
The long-term trend in Sweden is stable. SEB was ranked as no. 2, which was above market average. In Estonia, SEB was ranked as shared no. 1. In Latvia and Lithuania there has been a negative trend and SEB ranked as no. 3.

Inclusion in sustainability index
SEB meets the criteria

STOXX	✔
Ethibel	✔
FTSE4Good	✔
ECPI	✔
Dow Jones	✔

Target
To be included in at least five selected sustainability indexes.

Comment
SEB has been included in STOXX, Ethibel, FTSE4Good and ECPI for several years. 2017 was the second year that SEB was included in the Dow Jones sustainability index.

CO_2 emissions
Tonnes

	Outcome	*Target for 2020*
2015	21,315	17,000
2016	20,437	17,000
2017	20,537	17,000

Target
Reduce CO_2 emissions by 20 per cent between 2016 and 2020, reaching 17,000 tonnes CO_2.

Comment
The CO_2 emissions were almost flat compared with the previous year. Increased business travel counteracted reductions related to company cars and paper use.

Customers

With the customers' needs in focus and based on the bank's vision to provide world-class service, SEB is taking a number of initiatives in its business plan in order to improve the customer experience with respect to advisory services, simplicity and sustainability.

Customer segments

Large corporations

SEB serves some 2,300 large corporations in a wide range of industries and in most cases with an international focus. In the Nordic countries these companies are among the largest in their respective industries, while in Germany and the United Kingdom customers range from the large mid-corp segment up to multinational corporations.

Small and medium-sized companies

SEB serves some 400,000 small and medium-sized companies in Sweden and the Baltic countries. Of these 175,000 are home bank customers in Sweden and 99,000 in the Baltic countries. The segment includes approximately 650 mid-corp and public sector customers in Sweden, many with international operations. In the public sector, the bank serves government agencies, state-owned companies and municipalities.

Financial institutions

SEB serves some 700 financial institutions, consisting of pension and asset managers, hedge funds, insurance companies and other banks, active in the Nordic countries and internationally.

Private individuals

SEB has approximately four million private customers in Sweden and the Baltic countries. Of these 488,000 are home bank customers in Sweden and 920,000 in the Baltic countries. For private customers with sizeable capital and a need for more qualified advice, SEB offers a comprehensive range of private banking services. This offering was broadened in 2017, and SEB now provides private banking services to some 39,000 customers.

Customer activity 2017

The world economy developed positively in 2017. Strong balance sheets, less dependence of inventory cycles and increased financial sector regulation dampened business cycle volatility. In the prevailing low interest-rate environment, capital market volatility was low despite heightened geopolitical uncertainty.

Demand for traditional bank financing was low during the year among Nordic and German large corporates. In the markets with low volatility, institutional customers' demand for risk management services decreased while they searched for higher-yielding assets. Equity capital market and IPO activities were strong.

In the Baltic countries, small and medium-sized companies and private customers were more positive and sought financing to an increasing degree. Baltic customers are showing a growing appreciation for new mobile banking services and increasingly use them.

In Sweden, customer interaction was high in all channels – including branches, the 24-hour contact centre and digital channels. Towards the end of the year, the Swedish housing market saw some healthy signs of stabilisation.

Large corporations and financial institutions

SEB's in-depth knowledge of its corporate and institutional customers enables the bank to create services that add value. The bank is exploring the opportunities of new technologies and was the first Nordic bank to use blockchain technology to execute payments.

Growth and transformation, three-year plan 2016–2018

SEB continued to grow in the Nordic countries and gained some 100 new large corporate customers since the business plan was launched. In the first two years of the plan, customer relations have broadened and earnings per customer increased among large corporate customers. SEB fortified its leading position regarding major corporate transactions. In addition, according to Prospera's annual customer satisfaction survey, SEB was ranked highest among peers in Sweden.

Looking ahead, the work focuses on continuing the deepening of the customer relations and increasing the number of products that are used.

The three-year plan includes a broadening of the UK operations, where SEB now directly targets selected UK large corporates. The bank brought in more than ten UK corporate customers during 2017.

Growth

Improved custody services

During 2017 a number of large financial institutions chose to transfer their custody account business to Investor World, SEB's new global custody account services platform, giving them access to improvements in areas such as managing customers' mutual funds, collateral, corporate events, cash management and currency trading.

The platform has been developed in partnership with Brown Brothers Harriman, who provides the infrastructure, with SEB maintaining responsibility for the customer interface and of the relationship with customers.

Transformation

Visual support for cash management

In 2017 SEB launched a new advanced analysis and planning function which is integrated in C&I Online, the internet bank for large corporates and financial institutions. The function, called Analytics, helps customers gain an overview, analyse and streamline their liquidity position.

Analytics is directed primarily at treasury and cash managers. Customers can include all of their banks world-wide in the system and thereby gain an aggregate overview of their liquidity.

First blockchain payment

In 2017 SEB was the first bank in the Nordic countries to use blockchain technology to execute real payments in production. One of the bank's large corporate customers is now using this technology in executing payments between its SEB accounts in Sweden and New York. This pilot project is promising and shows that it is possible to execute a payment in a few seconds, compared with up to 2 days previously, with maintained security.

Another blockchain initiative relates to customers' international trade which requires manual and time-consuming document handling. To simplify this process, the bank has joined together with more than ten international banks to develop a prototype, allowing the entire process to be more efficient.

Another area is fund trading. SEB has initiated cooperation with Nasdaq to test a new fund trading platform based on blockchain technology.

The bank has also become a part-owner in the R3 blockchain consortium and has invested in the Danish company Coinify, which works with blockchain payments.

SEB's position statements and sector policies

The policies are available on sebgroup.com/about-seb/sustainability

Sustainability

Sustainable financing

Keeping pace with the growing climate challenge requires large infrastructure investments. At the same time, borrowers

Meet one of our customers:

"What's most important is a long-term perspective, partnership and an interest to join us on our growth journey"

Pia Aaltonen-Forsell
CFO at Ahlstrom-Munksjö

Ahlstrom-Munksjö is an industrial group that develops fibre-based materials with advanced functions that are used in industrial applications as well as in consumer products. The company has 41 production plants in 14 countries.

The company has a long-standing relationship with SEB, which is one of its core banks. This relationship covers most product areas, from financing and cash management to trade finance and trading solutions for managing currency risks.

"This long and broad relationship is proof that we are satisfied with the cooperation. What's most important in a banking relationship is a long-term perspective that can be applied in both good and tough times. There must also be a sense of engagement and interest in helping develop the company."

Meet one of our customers:

"SEB offers good and globally diversified service across regions as well as asset classes"

Mikko Mursula
CFO at Ilmarinen

The mutual insurance company Ilmarinen is responsible for pensions for some 1.1 million people in Finland. Assets under management amount to slightly more than EUR 45bn.

"When I talk with our key people and their cooperation with SEB, I always see a few recurring common denominators. Among these are the good personal relationships and strong local presence here in Finland and the rest of the Nordic countries", says Mikko Mursula. SEB receives high marks for its experienced and competent equities analysis team. The bank is also regarded as a leader in sustainability. "SEB was one of the first to include sustainability aspects in its equity management".

and investors are becoming more aware of the advantages of integrating sustainability aspects in investment decisions.

SEB is contributing to this development by helping customers raise capital for green investments in areas such as infrastructure and renewable energy. In 2007, SEB pioneered the world's first green bond together with the World Bank, and has now become the world's third-largest underwriter of green bonds. In 2017 SEB issued its first own green bond for EUR 500 million – money that is earmarked for financing green initiatives and solutions.

SEB adheres to a number of policies that set the framework for the bank's lending and business in certain sectors with environmental impacts, such as fossil fuels, and the mining and metals industries. These and other sector policies and position statements form a valuable base for the customer dialogues and help incorporate sustainability aspects into various decisions. Since 2015 SEB does not provide new financing for coal mining and coal-fired power plants.

SEB is one of the largest microfinance fund managers in Europe. By investing in microfinance institutions, SEB's microfinance funds offers loans to people with lower income in developing countries, who are often outside of the financial system. SEB manages six microfinance funds at a total value of around SEK 6 billion, reaching more than 19 million entrepreneurs in 38 developing countries.

Small and medium-sized companies

SEB facilitates for customers through accessible services and is further developing its offering with new solutions, often in partnership with fintech companies and service providers. SEB works to promote entrepreneurship and innovation.

Growth and transformation, three-year plan 2016–2018

Corporate business is developing favourably with higher revenue, new customers and a larger share of customers' business. The bank's focus on advisory services and cross-selling is contributing to growth in revenue. In Sweden, the increase in lending volumes since the start of 2016 was driven primarily by lending in the real estate sector while demand for other corporate lending was relatively low. Corporate deposits were stable. Corporate credits have increased in the Baltic countries two years into the business plan.

Focus in 2018 will be on continuing growth efforts in the corporate segment, in Sweden with the target of increasing the market share by one percentage point per year. The opportunity for companies to become customers digitally, the Greenhouse concept (see article to the right) and external partnerships are contributing factors expected to lead to higher business volumes and a growing share of customers' business.

Growth

Partner for growth companies

In 2017 SEB launched Greenhouse, an undertaking designed to strengthen the bank's partnerships with growth companies. The idea is to serve as a discussion partner that companies can turn to for all types of business and growth matters and not only direct banking matters. Toward this end SEB has built up a network of external partners for matters that companies need assistance with, such as raising venture capital, tax issues, legal affairs and recruiting.

Greenhouse involves providing inspiration and sharing knowledge through seminars, workshops and networking get-togethers. In addition, SEB invites selected companies to Growth Lab, a ten-week programme in which they receive help in concretising their growth plans.

At the innovation centre in Tallinn, SEB started a similar growth programme during 2017 in which a number of selected companies receive support over a period of three to six months in concretising their development plans, strengthening their innovative ability and formulating their business models. Similar programmes are planned for Latvia and Lithuania in 2018.

Basic security for small business owners

Having adequate insurance protection is a common area of concern for small business owners. SEB is one of few actors in the market to offer competitive insurance cover for all small business owners.

Since 2017 the Trygg Start ("Secure Start") and Trygg Grund ("Secure Basic") insurance solutions are included as default options in the bank's basic package for small business owners, giving them greater opportunities to complement their basic cover. Through Trygg Start, newly started companies can obtain health insurance, while Trygg Grund provides more established small businesses comprehensive insurance cover comparable to that provided through employment.

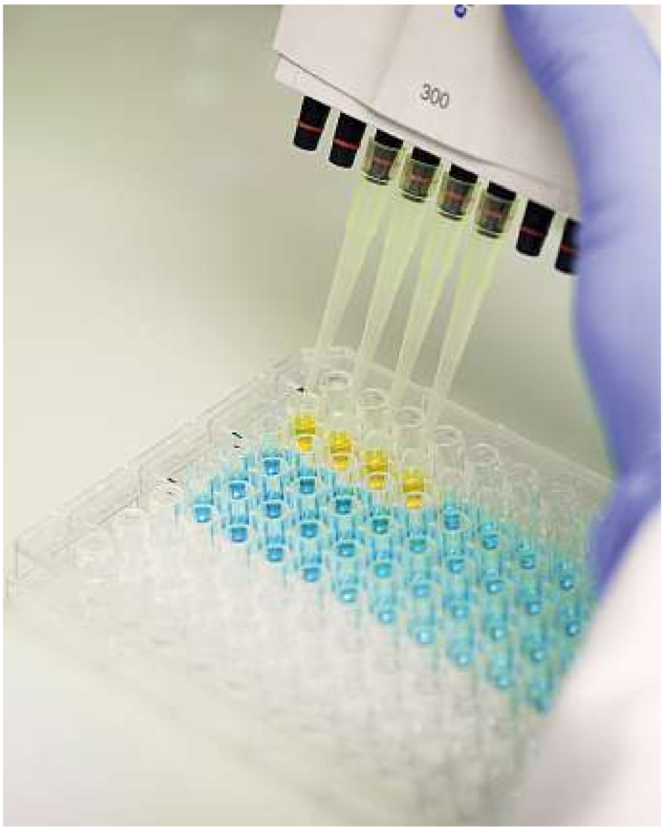
Transformation

Integration with service providers

SEB has for a long time built integrated solutions that allow large corporations to manage and automate payments directly in their business systems. The same development is now rapidly unfolding for smaller companies, but here it is a matter of enabling technical integration with providers of cloud-based business systems as well as with bookkeeping and payroll services companies.

The first integration was created back in 2014 with the Visma business system. Since then, additional service providers have been added.

In 2017 SEB acquired a part-ownership stake in the fintech company Capcito. The company offers an online service through which companies can link their business systems to Capcito and thereby gain access to financing based on cash flow and underlying accounts receivable.



Meet one of our customers:

"For us the customer comes first, and SEB treats me the same way."

Vladas A. Bumelis

Founder and Chairman of the Board of Biotechpharma

Biotechpharma is a Lithuanian company that develops and manufactures biopharmaceutical products for the pharmaceutical industry. The company has 150 employees and serves some 150 customers, primarily in the USA, Europe and Asia.

As an entrepreneur, Vladas has a long-standing relationship with SEB, which has supported him with financing and other services through his journey of growth.

"I feel that banks should be a little conservative. They are welcome to double-check the business plans and say no the first time. You can then go home and fine-tune your plans – not just once, but several times. This improves the results", he says.

When SEB launched a private banking offering in Lithuania a few years ago, Vladas left his previous Swiss bank and also moved his private banking business to SEB.

"I appreciate SEB's corporate culture. It is based on relationships and commitment to the customers."

Sustainability

Customer dialogue on sustainability

The commitment to sustainability is growing among the bank's small and medium-sized corporate customers. SEB supports them by giving and sponsoring lectures and arranging workshops on environmental, social and governance aspects in business activities, and how to integrate these in their day-to-day operations.

SEB is working continuously to integrate sustainability in its own operations. In 2017 the tool for business and credit analysis for small and medium-sized companies was updated. Client executives now take sustainability aspects into account in their analyses of companies and in credit decisions. Coupled to the tool are support questions related to environmental, social and governance aspects, which client executives reflect over and discuss with customers where needed. The aim is to analyse a company's entire value chain and gain a better understanding of the customer's opportunities and challenges. Such discussions are appreciated by customers.

In the three Baltic countries SEB is working for positive social development by promoting entrepreneurship and including sustainability as a natural part of customer advice.

Private individuals

SEB makes everyday life easier by simplifying processes and providing easy-to-use solutions for the bank's services and advice. Advanced data analysis and artificial intelligence are adding value through greater proactivity.

Growth and transformation, three-year plan 2016–2018

Greater proactivity and improved services contributed to increased growth in home mortgage volumes as well as deposits. In the Baltic countries, deposits grew and lending volumes have increased since the beginning of 2016 on the back of improved household finances. In Sweden, the growth in home mortgages can be credited partly to more proactive advice and simplified processes for new home mortgages and for customer onboarding. Focus in 2018 will be on achieving a growth rate that is more in line with the total market.

Personal Banking customers have been cautious about increasing savings in mutual funds and a potential for greater growth remains. Even so, savings volumes have increased since the start of 2016.

New services, automated functions and the introduction of robot advice will free up time for more proactive and personalised service for those who need it. In 2018, focus will be on further increasing proactivity, such as through the remote advisory services functionality.

Growth

Savings

The shifting demographic trends increase the need for long-term savings. In Sweden SEB is the only major bank with a bancassurance savings offer; including traditional life insurance. A similar offer is provided in the Baltic countries. SEB managed assets, for both private and institutional customers, increased by SEK 14bn net in 2017.

Improved customer experience

Customers appreciate and increasingly use SEB's convenient services. In 2017 it became easier for private individuals to obtain a home mortgage commitment or become a new customer of the bank entirely digitally.

With respect to home mortgages, the first step was a simplified home mortgage calculation, which gives customers an indication of how much they have the possibility to borrow. The second step was a simplified process for obtaining a mortgage commitment, which takes a few minutes to complete.

In the same way, it is possible to become a new customer without having to visit a branch office to identify oneself, fill in a know-your-customer form and sign various agreements. The only requirement is that the customer is of age and has a mobile BankID.

Transformation

Remote advisory services

In the area of pensions SEB has for some time offered remote advisory services, enabling customers to get qualified pensions advice directly at their workplaces or at home. This increases accessibility and convenience, and has resulted in a high level of customer satisfaction according to surveys.

A similar function for remote advisory services was introduced in 2017 in the Baltic countries, where private customers can book a video conference with an advisor and perform certain services such as opening a new bank account.

In the Swedish operations, screen sharing technology and remote advice are being tested for all types of services in a pilot project.

Data analysis and artificial intelligence

Access to data is becoming an increasingly important resource for understanding customers' needs, boosting customer loyalty, improving service and attracting more customers.

In 2017 SEB established a data lake, a technical platform for gathering, quality assuring and providing easy access to all data at SEB's disposal. This includes structured and unstructured data, internal as well as external data, and everything from real-time date to static data. With the help

Meet two of our customers:

"It is a major advantage to be a customer both as a private person and business owner."

Lotta and Anders Svensson
Private and corporate customers

Lotta and her brother Anders Svensson run the building supply firm Woody Bygg-handel Stockholm Syd. As entrepreneurs they have a long and deep relation with SEB.

"The bank is engaged in what we do. We trust each other and try to find solutions that are good for both parties. This is the exact same stand-point we have in our relation-ships with our own custom-ers", says Anders.

Both Anders and Lotta also do their personal banking with SEB.

"It is a major advantage to be a customer both as a pri-vate person and business owner. Of course, most things can be handled digitally. But it means a lot knowing we can rely on a personal engagement from the bank", says Lotta.

"What's most important is that things run smoothly on a day-to-day basis. Time is the one thing there is too little of!"

of artificial intelligence and advanced data analysis, the bank can increase its level of service and proactively meet customers' needs. SEB's digital assistant, Aida, devel-oped further knowledge on serving cus-tomers. Maintaining good control and structure of the bank's data increases internal efficiency.

Robotics technology is another new area. Manual tasks performed in many steps, such as monthly reports compiled from a variety of sources, can easily be programmed and performed by virtual (software) robots giving SEB employees time for more advanced tasks.

The private customer offering was enhanced with the launch of digital card payments through collaboration with Samsung Pay. In addition, Fitbit launched the payment service Fitbit Pay in Sweden, Norway, Denmark and Finland. SEB joined from start enabling many of its card hold-ers to pay with their smart watches in stores providing contactless payments.

Sustainability

Sustainable products

Interest in sustainable products is growing among private customers, especially in the savings area where more and more customers want assurances that their savings contribute to more sustainable societies.

During 2017 changes were made in fund management to strengthen SEB's basic offering from a sustainability perspective. Today the bank's allocation funds, strat-egy funds, invest directly in stocks and bonds to a higher degree. This is giving fund managers greater opportunities to influence the individual holdings from a sustainability perspective. Approximately two-thirds of the strategy funds' assets will thereby adhere to the fund company's most stringent sustainability standards, which are the same as for SEB's sustaina-bility funds.

SEB also offers several mutual funds with a distinct sustainability profile, such as the SEB Green Bond Fund, which invests in green bonds, and the SEB Hållbarhets-fond Global and SEB Hållbarhetsfond Sverige equity funds, whose managers choose companies that actively contribute to sustainable development.

During 2017 SEB Hållbarhetsfond Sver-ige obtained the Nordic "Swan" ecolabel, thereby certifying that the fund meets enhanced sustainability requirements which affect the choice of shares in the fund. The requirements also mean that the fund's managers should clearly re-port how the fund and its investments contribute to sustainable development.

▶▶ *Read more in the Sustainability Overview.*

SEB in society

As a bank, SEB is an integrated part of society and the communities where it operates. By engaging in innovation and entrepreneurship, financial literacy and social inclusion, the bank contributes to empowering future generations. The bank also works continuously to reduce its direct and indirect carbon dioxide impact.

An environment where entrepreneurship is promoted and companies can thrive and invest leads to prospering societies as this creates growth and new jobs. SEB therefore supports and collaborates with a number of organisations and meeting points to support companies; from start-ups through Young Entrepreneurs (Ung Företagsamhet) and Venture Cup, to the entrepreneurial elite, via Entrepreneur of the Year. In the Baltic countries SEB runs the web-based eAkademia, with educational videos, training and test modules for start-up businesses and entrepreneurs.

SEB's support to partnerships for future generations, SEK

52.7 million

Supporting social entrepreneurs

Social entrepreneurs play an increasingly important role in societies where social and economic gaps as well as inequalities increase. SEB has a partnership with Inkludera, an umbrella organisation for social entrepreneurs that support groups in society that risk exclusion. In 2017 SEB participated at the Social Innovation Summit in Malmö, one of the largest meeting places for social innovation in the Nordic countries. The overall goal was to explore new solutions to societal challenges. Together with Inkludera, SEB focused on how municipalities can become more successful in purchasing services for a better world among social entrepreneurs and thereby create value for society.

Pegah Afsharian and Natassia Fry founded Kompis Sverige, a non-profit organisation supported by Inkludera. The organisation matches and creates meetings between Swedes and immigrants. SEB employees participate in the program.

Financial inclusion

SEB shares its knowledge about personal finances and can thus empower people to make more informed financial decisions and contribute to better functioning societies. For many years, SEB has organised a Financial Literacy Road Show across the Baltic countries with the aim to educate youths to manage their private finances and to inspire them for the future. SEB sessions have been run by 367 employees who have met with a total of 13,700 youths during the last two years.

Mentor

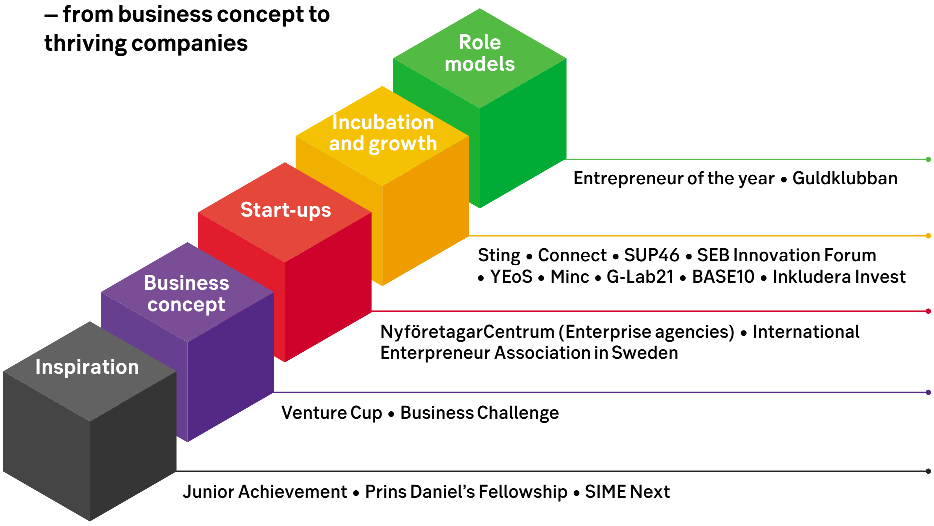
Since 1997, SEB has partnered with Mentor, a foundation aiming to create relationships and build trust between young people and adults, to motivate and inspire as well as prevent drug abuse. Through Mentor, SEB's employees can support young teenagers and contribute to society, and at the same time improve their leadership skills and personal development. In 2017, the Mentor engagement included, in total, close to 6,000 relationships. In Sweden, employees invested about 4,300 volunteering hours.

Reducing the bank's environmental footprint in society

Climate change is one of today's most serious challenges. SEB recognises the importance of actively working to reduce the direct environmental impact. SEB works to optimise the bank's energy consumption, reduce paper consumption and improve the company car fleet. Special focus is put on air travel in order to further reduce emissions related to business travel. This area accounts for the major part of SEB's carbon footprint.

Read more in the Sustainability Report, p. 70.

SEB supports entrepreneurs – from business concept to thriving companies



The Global Goals – a business plan for the world

THE GLOBAL GOALS
For Sustainable Development

Agenda 2030 and the UN's sustainable development goals

In 2017, the UN's Sustainable Development Goals (SDGs – also known as the Global Goals) have become a common "business plan" for nations, organisations and the business sector. The SDGs, which were adopted by the UN in 2015, are focused on ending poverty, protecting the planet and ensuring equality for all. They are integrated and they harmonise the three core elements of sustainable development: economic growth, social inclusion and environmental protection.

Through an active partnership with SEB's customers, the bank supports and contributes to many of the 17 Global Goals. However, SEB has chosen to prioritise four of these where the bank's operations have a fundamental impact:

- 8 **Decent work and economic growth**
- 9 **Industry, innovation and infrastructure**
- 13 **Climate action**
- 16 **Peace, justice and strong institutions**

Many of SEB's customers have set their own priorities among the global goals, and the map of the goals facilitates the discussions that are being held with the bank on customers' challenges and opportunities.

For more than a decade SEB has developed a wide range of sustainable products, as well as policies and processes, which are aligned with the global goals. SEB has been a pioneer in offering green bonds and microfinance funds, and conducts systematic sustainability work in its investment operations. The bank's support to entrepreneurs and strong focus on combating financial crime are other areas in which SEB is actively contributing to the goals.

In 2017, several initiatives were taken within SEB with respect to development of products and services related to the global goals. The ambition is to present the results of this work in 2018.

Read more about how SEB is coupling the Sustainable Development Goals to its operations in the Sustainability Overview.

Stakeholder dialogue

The bank collaborates with a wide variety of actors in its operations and is engaged in an ongoing dialogue with them to ensure that their expectations are taken into account in the bank's strategy and plans. This applies not only for employees, customers and shareholders, but also for other stakeholders, such as vendors, authorities, lawmakers and representatives in the local communities in which SEB operates.

There is a close correlation between the stakeholders' priority issues and those that are material for the bank.

Read more about SEB's materiality analysis and stakeholder dialogues in the Sustainability Overview.

Customers

Shareholders

Employees

Society

Sustainability – a business issue

Sustainability is today an increasingly integrated part of the bank's business activities. This is rooted in the insight that sustainability contributes to the bank's long-term profitability. SEB's ambition is to create long-term value from an economic, ethical, social and environmental perspective. The bank takes responsibility for how the business affects customers, employees, shareholders and society at large.

Climate crisis, social unrest and the risk of stranded assets are some examples of undesirable development that affect people, companies and societies, the effects of which also SEB must manage in its business. However, sustainable development also means great opportunities. Rapid technological progress and new ways of thinking lead to innovative solutions that contribute to meeting new needs in societies and reshaping industries.

On an international and national level, governments, authorities and the business sectors are taking strong measures to secure a more sustainable world including combatting climate change. For SEB, this means that the bank develops its advisory services further to also include how its customers can navigate in a more complex world. SEB is also upgrading its analysis and tools for how to better manage sustainability risks in its credit analyses and decisions.

Banks and the financial system play a central role in this development through their actions. One example of SEB's contribution to this shift is the funnelling of capital to green infrastructure investments. Another example is that the bank offers sustainable saving solutions for customers who wish to direct the investments into companies that are best in class in terms of environmental, social and governance criteria.

Private customers' priorities

SEB strives to provide customers with services that are transparent and accessible on their terms and often invites customers to test beta versions of new services. An example of this is a dialogue conducted by SEB's fund company with private customers with holdings in the fund SEB Hållbarhetsfond Sverige in 2017. Based on the UN's 17 Global Goals, customers were invited to select what sustainability issues they considered to be the most important to address in the companies where customers had made investments. The answers show that customers prioritise three of the goals, 13, Climate action, 6, Clean water and sanitation and 4, Quality education.

As a result of the survey, SEB's fund company will intensify efforts to combat climate change. Therefore, the fund company has joined the Institutional Investors Group on Climate Change. Here, investors gather globally in order to influence the hundred companies that account for the largest share of emissions in the world. The companies are primarily in the gas and oil industry.

SEB's employees

SEB's employees share a strong belief in the bank's purpose and vision. They feel that they can make a difference and are eager to develop. Looking ahead, the bank needs to further strengthen its competences in data analysis and continue promoting new ways of working, collaboration, and an innovative and inclusive culture that is built upon the bank's values.

SEB is an attractive employer with committed and motivated employees. The annual employee survey, Insight, shows that the bank's vision inspires and motivates employees, that employees like their jobs, and that they feel involved in decisions that affect them. Employee engagement and performance excellence (efficiency and trust) scores are high compared with the bank's peer companies in the international financial sector.

New ways of working and an innovative work environment

SEB's business plan is focused on profitable growth and transformation. Achieving this requires employees who take responsibility for their own development as well as an innovative and inclusive work environment.

The method for driving development projects has been revised and is based to a growing extent on an agile work approach with cross-functional teams that develop new services in close interaction with customers, based on their needs. Simplicity and user experience are central components in all development work.

Hackathons and knowledge sharing

The establishment of the bank's new offices in Arenastaden in Stockholm has opened new opportunities to foster highly dynamic ways of working and cross-functional collaboration. To promote a learning culture SEB has established numerous, diverse meeting forums in which employees can share their knowledge and inspiring stories. These meetings are video-recorded and shared with all parts of the bank.

SEB has established an innovation lab in which employees have an opportunity, during a limited period of time, to develop ideas up to creation of a finished prototype. In 2017 SEB conducted its first internal hackathon at which some 70 employees spent one intensive day and night developing prototypes that offered improvements for customers and the bank.

"Data is the heart of the bank, and that heart beats for the customers."

Salla Franzén
Chief Data Scientist at SEB

Continuous learning and new competences

The financial sector is undergoing a rapid transformation, and to continue to be successful SEB needs to develop new competences. Toward this end SEB has developed a group-wide method for strategic planning of future needs. With the help of this, every department can identify future key competences, determine the development needs for existing professional roles and carry out succession planning.

SEB needs to strengthen its expertise in areas such as data analysis, service design and the digital customer experience, on top of other areas such as risk and security. This can be achieved in part through external recruitment, however, competence development of existing employees is at least as important.

SEB's philosophy is that competence development is achieved primarily through continuous learning in the daily work. This is complemented by different types of training that SEB carries out for a large portion of the employees.

#MeToo

During 2017, the #MeToo campaign highlighted the problem of sexual harassment and discrimination in many workplaces. #MeToo was discussed several times within the Group Executive Committee and in the Board of Directors. SEB increased the internal communication on SEB's stance and how to report improprieties. The campaign speeded up the switch from an internal to a third-party whistle-blowing function which is now completed.

Meet Salla

With a background as a mathematician, Salla takes special interest in machine learning and algorithms. She leads an analysis team that is tasked with inspiring and supporting all parts of the bank in basing their work on data – that is, using all of the knowledge at SEB's disposal to create value for customers.

Name: Salla Franzén

Age: 39

Position: Chief data scientist

With SEB since: 2011

Key experience: The power in working with highly motivated colleagues who are passionate about new customer and business insights.

Inspiration: Numerous podcasts, articles, open source communities as well as interaction with scientists in my field of work.

Employee statistics[1)]

	2017	2016	2015
Number of employees, average	15,946	16,260	16,599
Sweden	*8,053*	*8,222*	*8,320*
Other Nordic countries	*1,304*	*1,369*	*1,404*
Baltic countries	*5,213*	*5,125*	*5,118*
Other countries	*1,376*	*1,544*	*1,757*
Number of employees at year-end	15,804	16,087	16,432
Average number of full-time equivalents	14,946	15,279	15,605
Employee turnover, %	12.8	10.7	9.0
Sick leave, % (in Sweden)	2.9	3.0	2.8
Female managers, %	47	46	44
Insight			
Employee engagement	77	77	79
Performance excellence	81	81	80

1) *See also table p. 69 and the Sustainability Overview*

Meet Yasser

Yasser arrived in Sweden three years ago from Syria. Via an internship at SEB's branch in Vellinge, he has now gained a permanent position as customer adviser at the Norrmalm branch office in Stockholm.

Name: Yasser Kaddour

Age: 29

Position: Customer adviser

With SEB since: 2015

Key experience: Everything is possible in life as long as you keep fighting to reach your goal.

Main inspiration: My family and my first manager at SEB, Madeleine Stjernrup Öberg.

> I try to give something extra in every meeting."

Yasser Kaddour – Customer adviser

Equipping managers

SEB's leadership philosophy has evolved in an effort to equip managers to lead in a complex and rapidly changing world. An important role for leaders involves building secure teams, which requires an ability for empathetic listening. Focus is on driving change, promoting innovation and ensuring that the corporate culture reflects the bank's values, purpose and vision.

To better understand each other and to meet customers' needs, SEB fosters diversity and an inclusive culture at all levels of the bank and across all dimensions, regardless of gender, age, or geographic or professional background. A large number of activities have been initiated within the bank to raise awareness about these issues, implement measures and follow up on progress. SEB's Board of Directors and the Group Executive Committee adopted a governance document which states that inclusion and diversity are critical for the bank's long-term success and that SEB can and should do better in these areas.

Every year SEB conducts a Global Talent Review to identify individuals with potential for a future key role or management position. More than ten per cent of employees are included in this talent pool, in which they are monitored and given opportunities to broaden their networks by participating in various development projects outside of their regular units.

Health and work environment

SEB works long term and preventively to offer a safe and sound workplace in an effort to ensure employee well-being and a healthy work/life balance.

In Sweden, SEB's level of sick leave remains low, at 2.9 per cent, compared with other industries and the financial sector. In the global employee survey (Insight), SEB's index for health and work environment was nearly 10 percentage points higher than the industry average.

Labour law and unions

SEB employees are covered by collective or local agreements. SEB has a European working council with representatives from all EU and EES countries in which SEB is represented.

Recruitment in new arenas

SEB has a strong employer brand according to annual rankings conducted among students and young professionals. This applies especially for finance and business administration students. In pace with the ongoing competence shift and growing recruitment need in new competence areas, the bank needs to strengthen its attractiveness among individuals that are attracted by IT companies and start-ups. Accordingly, SEB has widened its recruiting activities. The bank not only participates in traditional recruitment fairs for finance students but also uses interactivity and new formats such as invitations to hackathons and open workshops on artificial intelligence, blockchain technology and other cutting-edge technologies.

SEB's core values

Customers first

We put our customers' needs first, always seeking to understand how to deliver real value.

Commitment

We are personally dedicated to the success of our customers and are accountable for our actions.

Collaboration

We achieve more working together.

Simplicity

We strive to simplify what is complex.

SEB's core values serve as the foundation for the bank's ways of working and culture, and in combination with the bank's vision – to deliver world-class service to our customers – they serve to motivate and inspire employees, managers and the organisation as a whole. These values are described in SEB's Code of Conduct, which provides guidance on ethical matters for all employees.

▸▸ *Read the Code of Conduct on sebgroup.com*

Shareholders and the SEB share

In 2017 the value of the SEB Class A share increased by 1 per cent to SEK 96.30. while the OMX Stockholm 30 Index (OMXS30) increased by 4 per cent. Earnings per share amounted to SEK 7.49 (4.88). The Board proposes a dividend of SEK 5.75 per share for 2017 (5.50).

Share capital
SEB's share capital amounts to SEK 21,942m distributed on 2,194.2 million shares. Each Class A share entitles the holder to one vote and each Class C share to 1/10 of a vote.

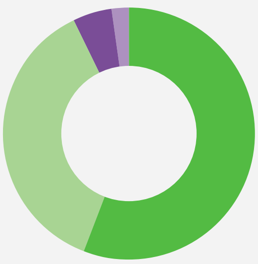
Stock exchange trading
The SEB shares are listed on Nasdaq Stockholm, but are also traded on other exchanges, such as Chicago Board of Exchange, Boat and Turquoise.

In 2017 the value of the SEB Class A share increased by 1 per cent while the OMX Stockholm 30 Index (OMXS30) was up by 4 per cent and the MSCI European Banks Index increased by 10 per cent. Total turnover in SEB shares in 2017 amounted to SEK 312bn (307) of which 124bn (134) on Nasdaq Stockholm. Market capitalisation by year-end was SEK 211bn (210). The share is included in the Dow Jones Sustainability Index and the FTSE-4Good Index, which facilitate investments in companies which are globally recognised for their corporate responsibility.

Dividend policy
SEB strives to achieve long-term dividend growth without negatively impacting the group's targeted capital ratios. The annual dividend per share shall correspond to 40 per cent or more of earnings per share. Each year's dividend is assessed in the light of prevailing economic conditions and the group's earnings, growth possibilities, regulatory requirements and capital position.

Dividend
The Board of Directors proposes to the Annual General Meeting a dividend of SEK 5.75 (5.50) per Class A and Class C share respectively for 2017, which corresponds to a 77 per cent (113) dividend payout ratio. Excluding items affecting comparability, the dividend

Type of trading in SEB Class A shares Per cent

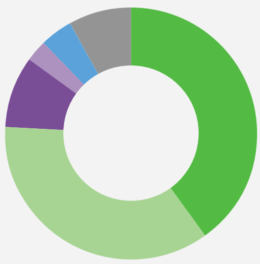


	2017	2016[1]
Traditional exchange trading	56	63
Off-book	37	31
Anonymous trades	5	6
Other	2	1

1) Fidessa changed the split between categories, with impact on the 2016 numbers

Source: Fidessa

Stock exchange trading SEB Class A shares Per cent



	2017	2016[1]
Nasdaq Stockholm	40	41
CBOE[2]	36	32
London Stock Exchange	9	5
Boat	3	8
Turquoise	4	7
Other	8	7

2) CBOE aquired BATS in 2017.

Number of outstanding shares 31 December 2017

	Share Class A	Share Class C	Total no. of shares
Total number of issued shares	**2,170,019,294**	**24,152,508**	**2,194,171,802**
Repurchased own shares for long-term incentive programmes[1]	–27,125,923		–27,125,923
Repurchased own shares for capital purposes[2]	0	0	0
Total number of outstanding shares	**2,142,892,371**	**24 ,152,508**	**2,167,045,879**

1) Utilization of authorization from the Annual General Meeting 2017 to acquire own shares for long-term equity programmes.
2) 2017 AGM decision, no repurchases made.

Distribution of shares by size of holding

Size of holding	No. of shares	Per cent	No. of shareholders
1 – 500	31,799,489	1.4	171,980
501 – 1,000	31,744,207	1.4	41,498
1,001 – 5,000	99,688,315	4.5	45,168
5,001 – 10,000	41,856,880	1.9	5,870
10,001 – 20,000	32,081,059	1.5	2,280
20,001 – 50,000	32,127,636	1.5	1,046
50,001 – 100,000	20,703,662	0.9	292
100,001 – 500,000	63,391,394	2.9	268
500,001 – 1,000,000	33,615,222	1.5	47
1,000,001 –	1,807,163,938	82.4	112
	2,194,171,802	**100.0**	**268,561**

Source: Euroclear and Holdings

payout ratio was 70 per cent (75). The proposed record date for the dividend is 28 March 2018. If the Annual General Meeting resolves in accordance with the proposal, the share will be traded ex-dividend on 27 March 2018 and dividend payments will be disbursed on 4 April 2018.

Data per share

	2017	2016	2015	2014	2013
Basic earnings, SEK	7.49	4.88	7.57	8.79	6.74
Diluted earnings, SEK	7.46	4.85	7.53	8.73	6.69
Shareholders' equity, SEK	66.42	65.00	65.11	61.47	56.33
Net worth, SEK	74.84	73.00	72.09	68.13	62.10
Cash flow, SEK	13.59	19.02	1.28	–61.98	–19.66
Dividend per A and C share, SEK	5.75 [1]	5.50	5.25	4.75	4.00
Year-end share price [2], SEK					
per Class A share	96.30	95.55	89.40	99.55	84.80
per Class C share	96.05	95.20	88.85	97.65	79.90
Highest price paid [2], SEK					
per Class A share	109.00	99.75	111.50	100.60	85.10
per Class C share	109.90	101.10	112.50	99.10	80.30
Lowest price paid [2], SEK					
per Class A share	94.05	67.75	83.45	82.25	55.70
per Class C share	95.15	70.35	83.75	77.45	53.20
Dividend as a percentage of earnings (payout ratio),%	76.7	112.8	69.4	54.0	59.3
Dividend yield, %	6.0	5.8	5.9	4.8	4.7
P/E (share price at year-end/earnings)	12.8	19.6	11.8	11.3	12.6
Number of outstanding shares, million					
average	2,167.6	2,177.6	2,191.2	2,186.8	2,190.8
at year-end	2,167.0	2,169.0	2,193.3	2,188.7	2,179.8

1) As proposed by the Board of Directors.
2) Source: Nasdaq Stockholm.

Changes in share capital

Year	**Transaction**	**SEK**	**Change in number of shares**	**Accumulated number of issued shares**	**Share capital SEK m**
1972				5,430,900	543
1975	Rights issue 1:5	125	1,086,180	6,517,080	652
1976	Rights issue 1:6	140	1,086,180	7,603,260	760
1977	Split 2:1		7,603,260	15,206,520	760
1981	Rights issue 1B:10	110	1,520,652	16,727,172	837
1982	Bonus issue 1A:5		3,345,434	20,072,606	1,004
1983	Rights issue 1A:5	160	4,014,521	24,087,127	1,204
1984	Split 5:1		96,348,508	120,435,635	1,204
1986	Rights issue 1A:15 [1]	90	8,029,042	128,464,677	1,284
1989	Bonus issue 9A+1C:10		128,464,677	256,929,354	2,569
1990	Directed issue [2]	88.42	6,530,310	263,459,664	2,635
1993	Rights issue 1:1	20	263,459,664	526,919,328	5,269
1994	Conversion		59,001	526,978,329	5,270
1997	Non-cash issue	91.30	61,267,733	588,246,062	5,882
1999	Rights Issue 1:5 [3]	35	116,311,618	704,557,680	7,046
2005	Reduction of the share capital		–17,401,049	687,156,631	6,872
2009	Rights issue 11:5	10	1,507,015,171	2,194,171,802	21,942

1) The recorded share capital as of 31 December 1986 was SEK 1,204m. since the proceeds from the rights issue were not paid in full until early 1987.
2) The issue was directed at the member banks of Scandinavian Banking Partners.
3) Subscribed and paid shares were not registered as share capital in the balance sheet until the rights issue had been registered which took place in January 2000.

Through splits in 1977 (2:1) and 1984 (5:1). the nominal value of the shares was changed from SEK 100 to SEK 10.

The largest shareholders

31 December 2017

	No. of shares	*Of which Class C shares*	**Share of capital %**	**Share of votes % 2017**	**Share of votes % 2016**
Investor	456,198,927	*4,000,372*	20.8	20.8	20.8
Alecta	141,937,500		6.5	6.5	7.1
Trygg Foundation	114,673,802		5.2	5.3	6.0
Swedbank Robur Funds	102,838,285		4.7	4.7	4.3
AMF	78,212,406		3.6	3.6	3.9
BlackRock	46,151,913	*231*	2.1	2.1	1.7
SEB Funds	33,380,243		1.5	1.5	1.8
SEB's own shareholding [1]	27,125,923		1.2	1.2	1.2
Vanguard	27,114,487	*60,152*	1.2	1.2	1.2
Nordea Funds	26,494,921		1.2	1.2	1.0
Fourth Swedish National Pension Fund	25,008,002		1.1	1.2	1.2
XACT Funds	23,298,529		1.1	1.1	1.0
First Swedish National Pension Fund	22,773,696		1.0	1.0	0.8
Didner & Gerge Funds	20,428,514		0.9	0.9	0.9
AFA Insurance	14,620,930		0.7	0.7	0.8

1) See table Number of outstanding shares on p. 29
Source: Euroclear and Holdings
Different voting power of class A shares (voting power 1) compared to C shares (voting power 0.1) gives differences in share of votes vs. share of capital.

Market capitalisation

SEK m

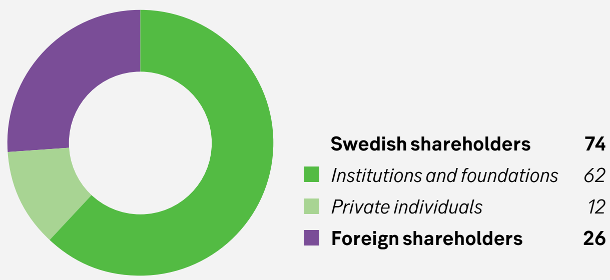
	2017	2016	2015	2014	2013
Year-end market capitalisation [1]	211,293	209,645	196,146	218,384	185,947
Volume of shares traded	123,889	133,790	142,188	113,566	94,738

1) Based on Nasdaq Stockholm share price of SEK 96.30

Shareholder structure

Per cent

Percentage holdings of equity on 31 December 2017



The majority of the banks 268,561 shareholders are private individuals with small holdings. The ten largest shareholders account for 48 per cent of capital and votes.
Source: Euroclear and Holdings

The investor perspective

Over the years SEB has capitalised on its long standing strong position as the leading corporate bank in the Nordic region and on its financial strength. Over the last five years, the share price of the SEB Class A share increased by 74 per cent while the dividend per share increased by SEK 1.75[1].

Long-term perspective

SEB has been the corporate bank since it was established by A. O. Wallenberg in 1856. To this day the Wallenberg family is deeply engaged in the bank's current and future operations via the main shareholder Investor AB.

There is a clear connection between the macroeconomic development, customer activity and the development of the bank's earnings. SEB is focusing on growth in areas of strength – corporate business, all customer segments in Sweden and the long-term savings offering – and on transformation – to provide world-class service, increased digitalisation and competence development. These efforts will affect the future results and therefore the market value of the share.

An investor in SEB believes in a positive economic development in the bank's home markets – the Nordic and Baltic countries, Germany and the United Kingdom – and in the bank's ability to capitalise on this development over time while managing any negative development in an effective manner.

Return on investment

The return on an investment in SEB is not only contributable to the share price but also to the dividend. SEB's Board of Directors has proposed to the Annual General Meeting that SEK 5.75, corresponding to 77 per cent of earnings per share, shall be distributed for 2017. The dividend payout ratio excluding items affecting comparability corresponds to 70 per cent.

The dividend yield, i.e. the dividend in relation to the share price at year-end 2017 was 6.0 per cent (5.8) based on the proposed dividend.

Total shareholder return (TSR) – i.e. share price development and reinvested dividends per share – was 6 per cent for 2017 (14). The average TSR for the Nordic peer group in 2017 was 6 per cent (21). Over the past five years, TSR for the SEB share was 16 per cent on average.

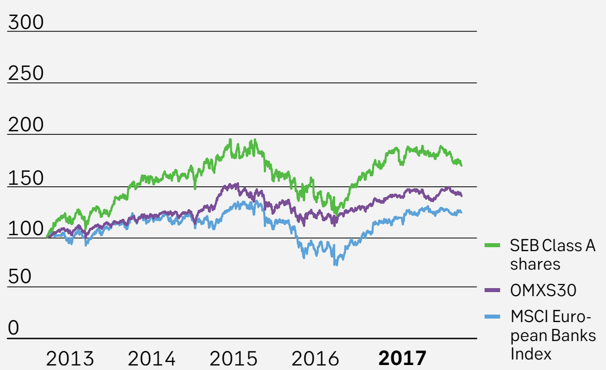
Beta value and volatility

The beta value of SEB's share price in 2017 was 0.99 (1.17). The measure shows how the share price of a specific share moves in relation to the stock market as a whole, in this case compared to OMXS30. A beta value of 1.00 indicates that the share price development is the same as the market.

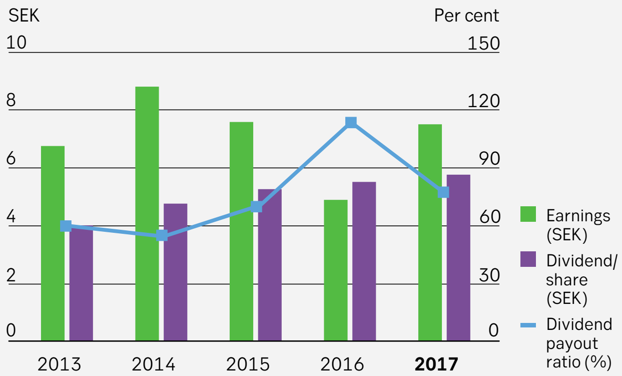
The volatility of SEB's share price was 15 per cent for 2017 (30). The corresponding value for the Nordic peer group was 17 per cent (28). The measure shows the daily change in share price compared with its average for a given time period.

1) Based on the dividend proposal.

Share price development SEB Class A share Index 1 January 2013=100



Earnings and dividend[1] per share



1) A dividend of SEK 5.75 per share is proposed for 2017.

Financial review of the group

Both macroeconomic indicators and the business environment in SEB's markets were on a positive track during the year. SEB's customers in all segments increased their activity levels and the bank's operating profit, before items affecting comparability, increased by 12 per cent. SEB's financial position is strong and a dividend of SEK 5.75 per share is proposed.

Important events and trends in 2017

First quarter

- Johan Torgeby was installed as SEB's president and chief executive officer.
- Financial institutions showed a greater interest in sustainable investment opportunities.
- SEB issued its first green bond which raised EUR 500m. The funds will be used to finance customers' green efforts.
- The digital mortgage application service was launched in Sweden. *See p. 20.*

Second quarter

- The market volatility decreased and therefore also the previously high customer demand for risk management services.
- SEB's new premises in Arenastaden, for more than 4,500 employees, was inaugurated.
- A new corporate cash management function which offers customers a liquidity overview, including accounts in other banks, was launched. *See p. 16.*

Third quarter

- For the second year in a row SEB qualified for inclusion in the Dow Jones Sustainability Index as the only Nordic bank.
- Remote advisory services in the Baltic countries were introduced. *See p. 20.*

Fourth quarter

- The business in Germany focusing on large corporate and institutional customers was transformed into a branch. *See p. 34.*
- An agreement was signed with Danica to sell SEB Pension in Denmark. *See p. 35.*
- An impairment and other items affecting comparability reduced the result by SEK 1,681m after tax. *See p. 34.*
- SEB invited IT developers to create new solutions based on the bank's Open Banking functionality.

Full year

- The world economy was on a positive path, though the challenge of record-high indebtedness remains.
- The very expansive monetary policy with negative interest rates and quantitative easing continued.

Result and profitability

Both the 2017 and 2016 results include several items affecting comparability. In order to simplify the reporting and analysis of the result, items affecting comparability have been summarised in a new row in the income statement called Items affecting comparability. Above this row another new row called Operating profit before items affecting comparability is presented.
See p. 34 and note 49.

Operating profit before items affecting comparability increased by 12 per cent and amounted to SEK 22,702m (20,296). *Items affecting comparability* amounted to SEK 1,896m (5,429). *Operating profit* (after items affecting comparability) increased by 40 per cent and amounted to SEK 20,806m (14,867). Net profit increased by 53 per cent to SEK 16,244m (10,618).

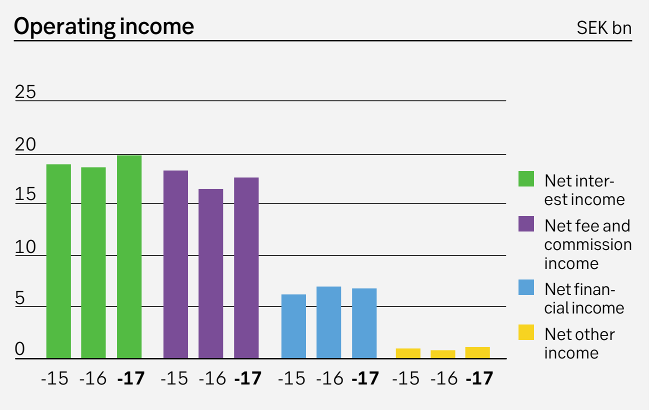
Operating income

Total operating income increased by 5 per cent and amounted to SEK 45,609m (43,251).

Net interest income amounted to SEK 19,893m (18,738). The Swedish repo rate was -0.5 per cent and ECB's Euro refinancing rate was zero per cent throughout the year which affected net interest income negatively.

Customer-driven net interest income increased by SEK 1,330m to SEK 21,794m year-on-year. Lending volumes and lending margins contributed positively in roughly equal parts to net interest income. Deposit margins were down due to effects from the negative interest rates that were not possible to reflect in customer pricing. The deposit volume effect was negligible.

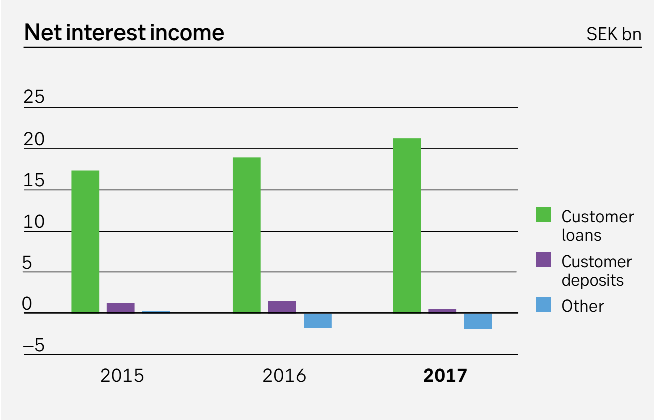
Net interest income from other activities (funding, etc.) was an expense amounting to SEK 1,901m (1,726). Regulatory fees were SEK 436m higher than 2016 and amounted to SEK 1,798m (1,362). The fees related to deposit guarantees schemes,

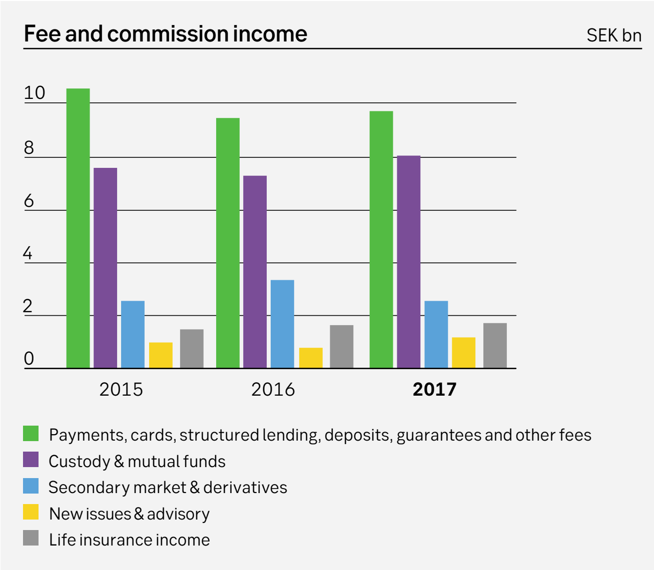


SEK 258m, and there was a resolution fund fee in the amount of SEK 1,540m. In 2016, the resolution fund fee of 4.5 basis points applied to the adjusted balance sheet volumes was charged, versus 9 basis points for 2017. In 2018, the fee will be 12.5 basis points.

Net fee and commission income increased by 7 per cent to SEK 17,725m (16,628). Corporate customers were active in the capital markets taking advantage of the low interest rate levels and there were many corporate initial public offerings and mergers and acquisitions. The fees from the issue of securities and advisory fees increased by SEK 367m year-on-year to SEK 1,167m, gross. Demand for traditional lending was lower, especially among large corporations, and gross lending fees that amounted to SEK 2,254m were down by 11 per cent compared to 2016. Stock market values increased during the year. The market values and new business volumes led to an increase in gross fee income related to custody and mutual funds in the amount of SEK 776m to SEK 8,040m. Out of this amount, total performance and transaction fees increased by SEK 81m to SEK 356m (275). Net payments and card fees increased by 6 per cent, SEK 191m, to SEK 3,263m year-on-year. Gross life insurance commissions related to the unit-linked insurance business increased by SEK 54m to SEK 1,707m.

Net financial income decreased by 3 per cent to SEK 6,880m (7,056). In 2016, customers were seeking risk management services throughout the turbulent year. High volatility and market activity characterised the beginning of 2017, but these subsided to a low level for the rest of the year. The market conditions affected credit spreads and thereby the valuation of counterparty risk (CVA) and own credit risk in derivatives (DVA) as well as own credit risk for issued bonds at fair value through profit and loss (OCA). Compared to 2016, this valuation increased by SEK 429m to SEK 210m (-219). Net financial income, relating to the traditional life insurance operations in Sweden and Denmark, decreased by SEK 9 per cent, to SEK 1,738m.



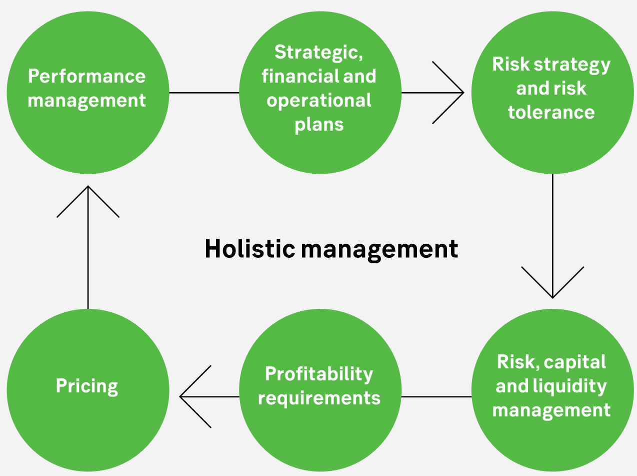


Holistic management

Creating sustainable value is a continuous process in an environment that is under constant change. The Board of Directors sets the conditions by deciding on the bank's long-term strategic direction, financial targets, business plans and overall risk tolerance. Profitability targets are set within the framework of the risk tolerance level and the capital adequacy targets.

In order to maximise customer and shareholder value, the financial consequences of business decisions are evaluated and operations are managed proactively based on these aspects:

1. growth, mix and risk level of business volumes
2. capital and liquidity requirements driven by the business
3. profitability.



Pricing in accordance with risk is thereby a natural part of the business and monitoring nominal returns and risk-based return is an important part of management.

The Board's overarching risk tolerance statements convey the direction and level of risk, funding structure, liquidity buffers and capital targets. SEB's main risk is credit risk. Other material risks include liquidity, market, operational (including IT and information security), business, pension and insurance risks. SEB strives to continuously identify and manage potential future risks, for instance by using stress tests and scenario analysis. The capital buffer and liquidity reserves are held to cover the risk in case of unforeseen events.

All activities are carried out responsibly based on economic, environmental and social aspects and in accordance with regulations and expectations – all in order to maintain the confidence of the stakeholders.

Net other income increased by 34 per cent to SEK 1,112m (829). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses were stable at SEK 21,936m (21,812). A 3 per cent decrease in staff costs was offset by an increase in other expenses. The average number of full time equivalents decreased by 333 compared to 2016, to 14,946. Fees to financial supervisory authorities and other regulatory fees amounted to SEK 168m (138). Combined with the SEK 1,798m that are accounted for as net interest, total regulatory fees amounted to SEK 1,966m.

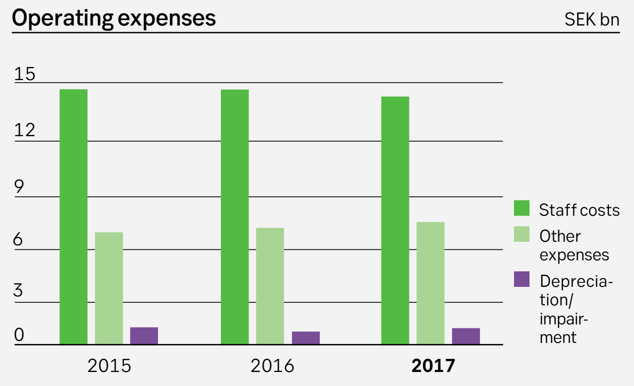
The cost cap remains unchanged at SEK 22bn for 2018. Over the past eight years, SEB's cost cap has been lowered step by step from SEK 24bn.

Net credit losses

Net credit losses amounted to SEK 808m (993). Asset quality remained robust and the overall credit loss level was 5 basis points (7).

Items affecting comparability

The net total of *items affecting comparability* was an expense of SEK 1,896m (5,429). *See box below and note 49.*



Income tax expense

Total *income tax* increased by 7 per cent and amounted to SEK 4,562m (4,249). The effective tax rate for the year was 22 per cent (29), in line with SEB's expected tax rate. In both 2017 and 2016, there were tax effects from the items affecting comparability.

In 2017, new legislation was introduced in Sweden which discontinued the tax deductibility of interest expenses on subordinated debt that qualifies as Tier 1 or Tier 2 capital. This increased income tax expenses by SEK 362m.

Information on items affecting comparability

In order to facilitate the comparison of SEB's underlying operating profit between time periods, SEB has moved items affecting comparability into a separate line in the income statement.

See note 49 for a summary and analysis of the line items in the income statement that are impacted.

2017

The total expense for Items affecting comparability in the 2017 income statement amounted to SEK 1,896m before tax and SEK 1,681m after tax.

In total, the items affecting comparability, including an effect on other comprehensive income of SEK 494m, decreased equity by SEK 2,175m.

Visa Sweden The settlement of the acquisition of Visa Europe by Visa Inc. consisted of a combination of cash and shares to be paid to the different Visa Europe members. In Sweden, SEB is an indirect member. A dividend of SEK 494m was received after an agreement was reached regarding the allocation of the settlement between the members. There was no tax effect.

The holdings in Visa were classified as an Available-for-sale asset where the change in value was recognised in Other comprehensive income. The dividend reduced the valuation amount in Other comprehensive income by SEK 494m.

SEB's German business The operations in Germany were transformed and the core business was transferred from SEB AG to the German branch of the parent company, Skandinaviska Enskilda Banken AB, as per 2 January 2018. The purpose of the change is to simplify the reporting and administration of the German operations. The business that was not transferred to the branch will be dismantled over time.

The provisions related to redundancy and excess premises amounted to a total of SEK 521m. In addition, SEB entered into an agreement to transfer the pension obligations under the defined benefit plan in SEB AG to Versicherungsverein des Bankgewerbes a.G (BVV) at a total cost of SEK 891m. The transfer is planned for the second quarter 2018.

Impairment and derecognition of IT assets An impairment and a derecognition of intangible IT assets amounted to SEK 978m. The positive tax effect was SEK 215m.

2016

The total effect of Items affecting comparability in 2016 was an expense in the amount of SEK 5,429m before tax and SEK 5,352m after tax.

Visa Baltic The settlement of the transaction of SEB's Baltic holdings in Visa Europe resulted in a gain of SEK 520m. The gain generated a tax expense of SEK 24m.

Reorganisation and restructuring SEB implemented a new customer-oriented organisation which resulted in an impairment of goodwill in the amount of SEK 5,334m. This expense was not tax deductible.

There were financial effects from restructuring activities in the Baltic and German businesses as well as an impairment and derecognition of intangible IT assets no longer in use. The total amount expensed was SEK 615m with a positive tax effect amounting to SEK 101m.

A dividend from the subsidiary in Estonia was taxed at the time of pay-out to the parent company. The tax amounted to SEK 72m.
See notes 3 and 15 for further information on tax.

Profitability

Return on equity for the full year was 11.5 per cent (7.8). Excluding items affecting comparability return on equity was 12.7 per cent (11.3).

Other comprehensive income

Other comprehensive income amounted to SEK -1,036m (-946).

The value of the pension plan assets exceeds the defined benefit obligations. The discount rate used for the pension obligation in Sweden was 2.2 per cent (2.4 at year-end 2016). The net value of the defined benefit pension plan assets and liabilities increased during the year leading to other comprehensive income of SEK 784m (-1,875).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. the total of cash-flow hedges, available-for-sale financial assets and translation of foreign operations, was negative and amounted to SEK -1,820m (929). A dividend in the amount of SEK 494m was received from Visa Sweden (reported as an item affecting comparability). *See prior page*. The dividend reduced the valuation of the holdings in Visa Sweden, which was recognised in the line item Available-for-sale.

Divestment of SEB Pension Denmark

On 14 December 2017 SEB signed an agreement to sell all shares in SEB Pensionsforsikring A/S and SEB Administration A/S (SEB Pension) to Danica Pension livsforsikringsaktieselskab, a subsidiary to Danske Bank (Danica) for total proceeds of DKK 6.5bn, consisting of a cash consideration of DKK 5.0bn and a pre-closing dividend of DKK 1.5bn. The pre-closing dividend will be in addition to the dividend of DKK 1.1bn which SEB received in the first six months of 2017.

As per year-end 2017, assets under management by SEB Pension amounted to DKK 101bn, and the net profit contribution was DKK 490m for the year.

The effect on SEB's key financial ratios, on a pro forma basis will be limited. The Common Equity Tier 1 ratio will improve by approximately 0.6 percentage points and earnings per share will see a limited negative impact. The divestment reduces SEB's exposure to market risk.

The relevant insurance assets and liabilities were reclassified as Held for sale in the balance sheet.

Key figures

	2017	2016	2015	2014	2013
Return on equity, %	11.53	7.80	12.24	15.25	13.11
Return on equity, excluding items affecting comparability, %	12.67	11.30	12.85	13.07	13.11
Return on total assets, %	0.57	0.37	0.57	0.71	0.58
Return on risk exposure amount, %	2.65	1.80	2.71	3.23	2.38
Basic earnings per share, SEK	7.49	4.88	7.57	8.79	6.74
Weighted average number of shares[1)], millions	2,168	2,178	2,191	2,187	2,191
Diluted earnings per share, SEK	7.46	4.85	7.53	8.73	6.69
Weighted average number of diluted shares[2)], millions	2,178	2,188	2,203	2,202	2,207
Credit loss level, %	0.05	0.07	0.06	0.09	0.09
Total reserve ratio individually assessed impaired loans, %	55.1	68.8	68.3	62.2	86.9
Net level of impaired loans, %	0.25	0.21	0.20	0.29	0.17
Gross level of impaired loans, %	0.39	0.33	0.35	0.49	0.35
Liquidity Coverage Ratio (LCR)[3)], %	145	168	128	115	129
Risk exposure amount, SEK m	610,819	609,959	570,840	616,531	598,324
Risk exposure amount expressed as own funds requirement, SEK m	48,866	48,797	45,667	49,322	47,866
Common Equity Tier 1 capital ratio, %	19.4	18.8	18.8	16.3	15.0
Tier 1 capital ratio, %	21.6	21.2	21.3	19.5	17.1
Total capital ratio, %	24.2	24.8	23.8	22.2	18.1
Leverage ratio, %	5.2	5.1	4.9	4.8	4.2
Number of full time equivalents[4)]	14,946	15,279	15,605	15,714	15,870
Assets under custody, SEK billion	8,046	6,859	7,196	6,763	5,958
Assets under management, SEK billion	1,830	1,749	1,700	1,708	1,475

1) The number of issued shares was 2,194,171,802. SEB owned 25,177,693 Class A shares for the equity based programmes at year-end 2016. During 2017 SEB has purchased 6,986,000 shares and 5,037,770 shares have been sold. Thus, at 31 December 2017 SEB owned 27,125,923 Class A-shares with a market value of SEK 2,612m.

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) Average for the year.

A five-year summary of the group and the parent bank's income statements and balance sheets is available on p. 164–165.

Definitions are available on p. 171–172.

Financial structure

Total assets, which at 31 December 2017 amounted to SEK 2,560bn, decreased by SEK 61bn year-on-year (2,621).

Loan portfolio

Loans to the public reported in the balance sheet amounted to SEK 1,485bn, an increase of SEK 32bn year-on-year (1,453). Excluding repos and debt securities, loans to the public increased by SEK 55bn.

The majority of the bank's credit risk is summarised in the credit portfolio (in which loans, commitments and derivatives are included). Excluding banks where credit volumes are short-term and more volatile, the credit portfolio increased by SEK 25bn to SEK 2,061bn (2,036). The credit portfolio increased mainly due to growth in Swedish and Baltic household mortgage lending in the amount of SEK 22bn and Swedish housing cooperative associations which increased to SEK 7bn. Real estate management credits decreased by SEK 8bn year-on-year, while the corporate credits remained stable. ▶▶ *See p. 44–49 and note 17.*

Interest-bearing securities

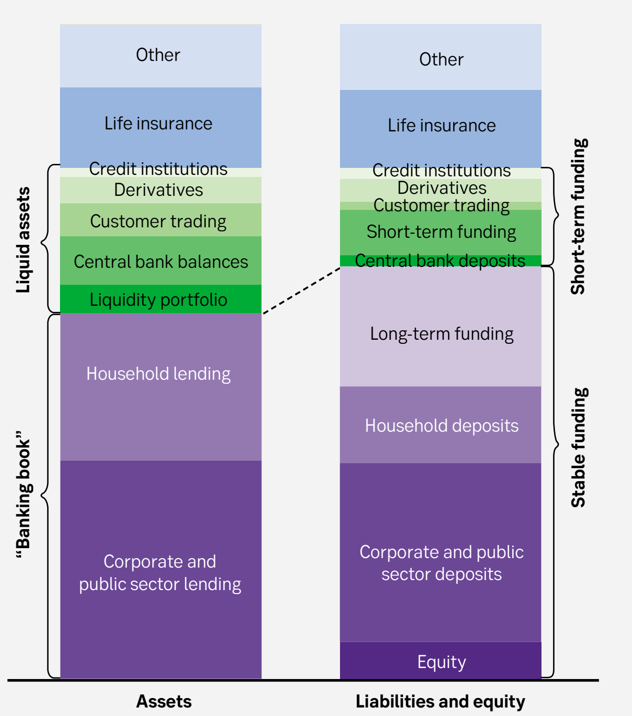
SEB's credit exposure in the bond portfolio (interest-bearing securities and credit derivatives and futures) amounted to SEK 156bn (168). ▶▶ *See note 17a.*

Derivatives

The fair value of the derivative contracts is booked as assets and liabilities on the balance sheet. They amounted to SEK 105bn and SEK 85bn respectively.

The mix and volumes of derivatives reflect the demand for derivatives by the bank's customers for management of their financial risks. The bank is a market maker for derivatives and also uses derivatives for the purpose of protecting its own cash flows and fair value of its financial assets and liabilities from for instance interest rate fluctuations ▶▶ *See notes 22 and 31.*

Balance sheet structure 31 December 2017



Insurance assets and liabilities

Financial assets within the insurance operations amounted to SEK 305bn (404). Out of this, financial assets where policyholders carry the risk (mostly unit-linked insurance), amounted to SEK 283bn (296) and other assets (mostly traditional and risk insurance) amounted to an additional SEK 22bn (108).

Liabilities in the insurance operations amounted to SEK 303bn (404). Out of this, SEK 284bn (297) was related to financial commitments for investment contracts (mostly unit-linked insurance), while SEK 19bn (107) was related to insurance contracts (mostly traditional and risk insurance). When the agreement to sell SEB Pension to Danica was signed the relevant insurance assets and liabilities were reclassified as Available for sale financial assets. ▶▶ *See p. 35.*

Tangible and intangible assets

Intangible assets totalled SEK 10.7bn (11.4), of which 44 per cent represented goodwill. Goodwill items are subject to a yearly impairment test and there was no impairment in 2017. Impairment and derecognition of intangible IT assets amounted to SEK 978m (615). ▶▶ *See box p. 34.* Deferred acquisition costs in insurance operations amounted to SEK 4.0bn (4.0). Due to the implementation of IFRS 15 the deferred acquisition costs will decrease in 2018. ▶▶ *See box p. 37.*

Deposits, borrowings and issued securities

The financing of the group consists of deposits from the public (households, corporates, etc.), borrowings from financial institutions as well as issuance of money market instruments, bonds, covered bonds and subordinated debt. ▶▶ *See p. 47 and note 17f for information on liquidity management.*

Deposits and borrowings from the public amounted to SEK 1,005bn (962). Household deposits increased by SEK 23bn while corporate deposits increased by SEK 40bn during the year.

Issued securities with short and long maturities amounted to SEK 614bn (669). During the year short-term funding in the form of commercial paper and certificates of deposit decreased by SEK 44bn. In terms of long-term funding SEK 47bn covered bonds and SEK 28bn senior debt matured during the year. The bank was able to use its favourable position from a credit risk point of view to raise new funding in the form of new issues of covered bonds in

Rating

Moody's rates SEB's long-term senior unsecured debt at Aa3 with a stable outlook due to SEB's asset quality, earnings stability and diversification as well as increased efficiency.

Fitch rates SEB's long-term senior unsecured debt at AA- with a stable outlook. The outlook is based on SEB's long-term strategy, earnings stability and diversification.

S&P rates SEB's long-term senior unsecured debt at A+ with a stable outlook. The outlook is based on the bank's strong capital and well diversified earnings in terms of geography and business areas.

Moody's Outlook stable		Standard & Poor's Outlook stable		Fitch Outlook stable	
Short	Long	Short	Long	Short	Long
P-1	Aaa	A–1+	AAA	F1+	AAA
P-2	Aa1	A–1	AA+	F1	AA+
P-3	Aa2	A–2	AA	F2	AA
	Aa3	A–3	AA–	F3	AA–
	A1		A+		A+

the amount of SEK 55bn and SEK 20bn senior debt. SEB's inaugural own green bond in the amount of EUR 500m was part of the senior funding raised.

Issued subordinated debt amounted to SEK 32bn (41). During the year SEK 12bn subordinated debt was called and SEK 5bn additional tier 1 subordinated debt was issued.

Total equity

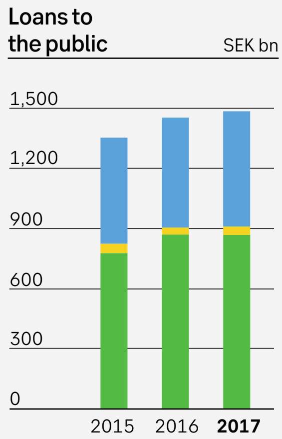
Total equity at the opening of 2017 amounted to SEK 141bn. In accordance with a resolution of the Annual General Meeting in 2017, SEK 11.9bn of equity was used for the dividend (11.5). Net profit amounted to SEK 16.2bn and other comprehensive income amounted to SEK -1bn. At year-end 2017, total equity amounted to SEK 144bn. Due to changes in accounting policies in 2018, equity will decrease by around SEK 6bn, all else equal, *See box below.*

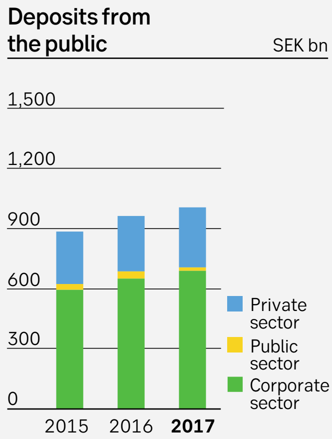
Dividend

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 5.75 per Class A and Class C share respectively (5.50), which corresponds to a 77 per cent payout ratio (113). Excluding items affecting comparability, the payout ratio was 70 per cent (75). The total proposed dividend amounts to SEK 12.5bn (11.9), calculated on the total number of issued shares as per 31 December 2017, excluding repurchased shares.

Assets under management and custody

At year-end, assets under management amounted to SEK 1,830bn (1,749). The net inflow of volumes was SEK 14bn. The increase in value was SEK 66bn. Assets under custody amounted to SEK 8,046bn (6,859).





Assets under management

SEK bn

	2017	2016	2015
Start of period	**1,749**	**1,668**	**1,689**
Inflow	491	255	268
Outflow	–477	–178	–220
Acquisition/disposal net	0	0	–75
Change in value	66	4	7
End of period	**1,830**	**1,749**	**1,668**

Ahead of 2018

In 2018, the bank will continue its work in accordance with the strategic direction and the business plan. A new three-year business plan for 2019–2021 will be developed.

Signs are that the macroeconomic development may be positive going forward. However, large global economic imbalances remain and the potential reduction of liquidity support to financial markets from central banks world-wide may create direct and indirect effects that are difficult to assess. There are signs that the Swedish central bank may introduce an interest rate raise in late 2018. Political uncertainty is higher after Brexit and the result of key elections in the Western world.

In SEB, credit, market, liquidity, IT and operational as well as insurance risks affect the business. *Risk composition and risk management are described on p. 44–49 and in notes 17, 19 and 20.*

Changes in accounting policies in 2018

As of 1 January 2018, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers came into force. Combined they will reduce equity by approximately SEK 6bn. *See note 1 and the first interim report 2018.*

IFRS 9 Financial Instruments

Regarding classification and measurement, certain holdings which have been valued at fair value through Other comprehensive income, will now be reclassified to fair value through profit or loss and presented in Net financial income. Some of these holdings were however determined to be valued at amortised cost. The current positive fair market value in the amount of SEK 0.3bn in Other comprehensive income will therefore be removed.

Regarding financial liabilities, the rules entail a change of reporting of the own credit risk adjustment (OCA). The value change in OCA was reported in Net financial income but will be reported in Other comprehensive income going forward. In addition, certain issued bonds will be valued at fair value through profit or loss rather than amortised cost. In total, equity will decrease by SEK 1.8bn.

The impairment model for credit losses was changed from an incurred loss model to an expected loss model. The impact is driven by three main factors: 1. All items in scope are each assigned a reserve going forward. 2. An increase of credit loss reserves on retail portfolios. 3. A negative scenario shall be incorporated in the calculation of the expected credit losses. The change will lead to an increase of the credit loss reserves at an amount of SEK 1.6bn and the net effect after tax will be a SEK 1.2bn reduction of equity. Going forward the application of the IFRS 9 requirements will probably increase volatility in profit and loss.

IFRS 15 Revenue from Contracts with Customers

The main effect from IFRS 15 is that a smaller part of the deferred acquisition costs (DAC) within the life operations can be recognised as an asset. The change will result in a decrease of DAC in the balance sheet of SEK 2.6bn, with a corresponding reduction on equity. Similarly, net fees and commissions in the 2017 income statement will be restated reducing income by SEK 47m.

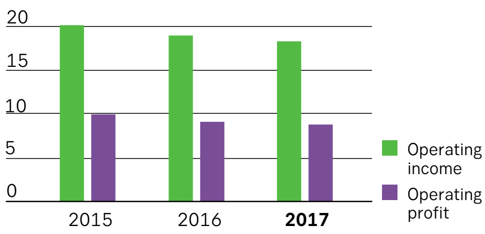
Divisions and business support

	Division	Business offering	2017 development
Large Corporates & Financial Institutions	 **Head:** Joachim Alpen	The division serves 2,300 large corporate customers and 700 financial institutions and offers advisory-driven commercial and investment banking services in the Nordic region, Germany, United Kingdom and through an international presence. Customer-driven trading, liquidity management, financing, capital markets, custody services and asset management sales are part of the offering.	Large Corporate clients increased activities gradually benefitting from low interest rates, favourable financing conditions and improved growth prospects. The equity and debt capital markets were active. Customers were interested in sustainability matters where SEB is an advisor. Financial Institutions were less active in the markets with low volatilities and interest rates. However, in the primary markets institutions played an important role in new issues. The complex regulatory environment drove demand for SEB's custody offering.
Corporate & Private Customers	 **Co-heads:** Christoffer Malmer Mats Torstendahl	The division serves some 488,000 private and 175,000 corporate home banking customers in Sweden with full banking and advisory services through digital services and 118 branch offices. The division issues cards in the Nordic countries under SEB's own brand as well as for Eurocard and Diners Club, and offers leading private banking services to high net worth individuals.	*Private:* 22,500 private customers were onboarded in the new digital process and, due to the enhancement of the mortgage application process, the number of applications more than doubled. The growth rate in household mortgage lending was 4.5 per cent. *Corporate:* SEB launched the service concept Greenhouse, for companies with growth ambitions, where SEB provides both seminars and external partners. Corporate lending, partly driven by financing of residential properties, increased to SEK 221bn.
Baltic	 **Head:** Riho Unt	The division provides bank products and advisory services in Estonia, Latvia and Lithuania to around 920,000 private and 99,000 corporate home banking customers through mobile solutions, online as well as from the network of 78 branch offices. SEB's Baltic real estate holding companies are also part of the division.	Customers increasingly used digital services. SEB held around 1,500 remote advisory sessions with high customer satisfaction and there were 250,000 bank mobile app users and 210,000 Smart ID users. An EU Instant payments functionality, launched in Estonia and Latvia, and an automated credit decision process for consumer loans simplified banking for customers. Open Banking was launched with a developer portal with APIs for external parties.
Life & Investment Management	 **Head:** David Teare	The division provides life insurance and asset management solutions for corporations, private individuals and institutions primarily in the Nordic and Baltic regions. In Sweden the offering covers a broad range of products, now including traditional life insurance. The responsibility includes the management of funds and other investment portfolios, where one main aspect is SEB's offering in the sustainability area.	*Life:* In Sweden, steps were taken to improve the accessibility for corporate clients. Annual new sales for 2017 amounted to SEK 21bn, corresponding to a 9.4 per cent market share. An agreement to divest SEB Pension was signed with Danica (▶▶ *see p. 35*). In the Baltic region, new products were launched and the customer experience was strengthened within the pension area. *Investment Management*: The focus on sustainability continued, in line with the increasing client interest for sustainable products.

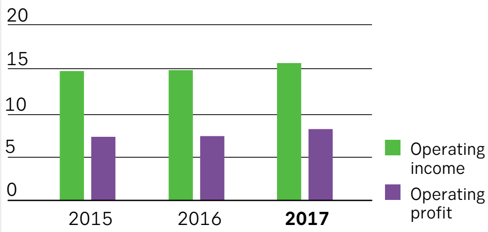
	Unit	Function
Business Support	 **Head:** Martin Johansson	Business Support is a cross-divisional function with the responsibility to support business operations with proactive IT development and execution of back-office services as well as to ensure stable daily operations of the IT systems – all carried out with focus on cost efficiency. The IT development is done step-by-step, taking small initiatives and using agile ways of working. In this way fast delivery and outcome in line with customer and business needs are ensured. Reliable services are provided to SEB's customers, by ensuring that digital channels are running without disruption and payments and other transactions are handled efficiently.

Operating income and profit (SEK bn)

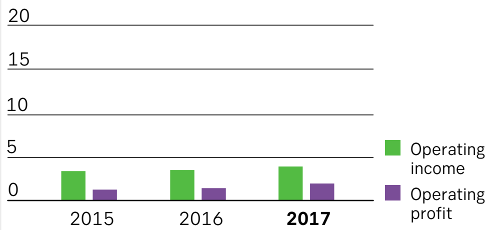
Large Corporates & Financial Institutions



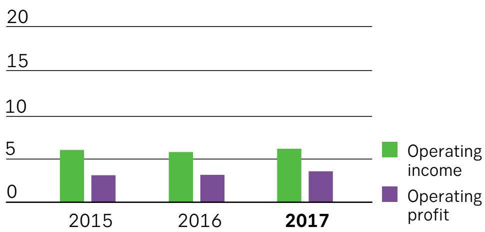
Corporate & Private Customers



Baltic



Life & Investment Management



Comments on the result

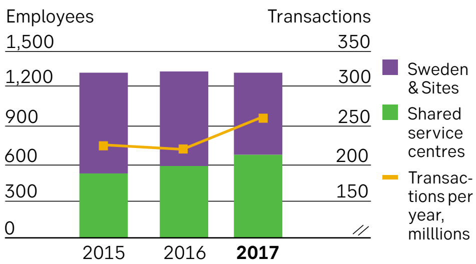
Operating profit decreased to SEK 8,823m. Net interest income decreased due to an increase in resolution fund fees during the year. Net fee and commission income was higher as a result of higher activity among corporate clients. Net financial income decreased when investors were in a wait-and-see mode. Operating expenses were stable. Credit losses decreased and corresponded to a credit loss level of 8 basis points.

Operating profit increased to SEK 8,146m, mainly driven by the higher net interest income. Net fee and commission income increased due to increased business volumes overall– payments, card and from investment management related fees. Net financial income increased while operating expenses were largely unchanged. Credit losses decreased and corresponded to a credit loss level of 4 basis points.

Operating profit increased to SEK 1,977m. Net interest income grew due to increased volumes and higher margins on new lending. Net fee and commission income was higher as a result of overall increased customer cards and payments activity. Net financial income increased. Operating expenses were unchanged. Credit losses decreased and corresponded to a credit loss level of 1 basis point.

Operating profit increased to SEK 3,558m. Net fee and commission income increased due to higher asset values in the investment management business during the year. Net financial income relating to the traditional life insurance business in Sweden and Denmark decreased. Operating expenses decreased.

Increasing productivity

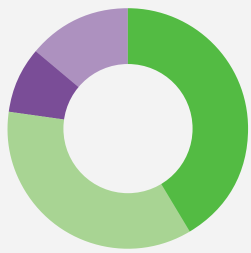


Comments

The Operations unit established shared service centres in Riga and Vilnius some 10 years ago and the services provided continue to expand. Operations processes 255 million transactions per year, of which 90 per cent are fully automated. Since 2010 productivity has doubled with a smaller work force.

Divisions' relative share of:

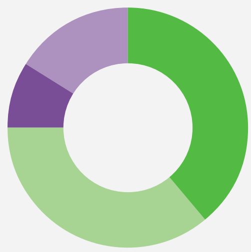
Operating income [1]



	2017
Large Corporates & Financial Institutions	42%
Corporate & Private Customers	35%
Baltic	9%
Life & Investment Management	14%

1) Excluding other and eliminations

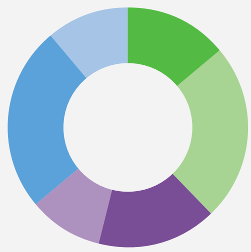
Operating profit [2]



	2017
Large Corporates & Financial Institutions	39%
Corporate & Private Customers	36%
Baltic	9%
Life & Investment Management	16%

2) Excluding business support, staff and other

Employees [3]



	2017
Large Corporates & Financial Institutions	14%
Corporate & Private Customers	24%
Baltic	16%
Life & Investment Management	10%
Business support	25%
Staff	11%

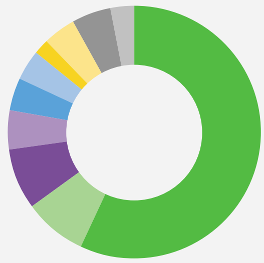
3) 15,000 employees

Geographic markets

	Market	Development 2017
	**Sweden** **Universal banking** Johan Torgeby *President and CEO*	Positive macroeconomic factors and growing business volumes improved outcome in all income categories. Non-recurring costs relating to the move to new premises in Arenastaden increased operating expenses.
	**Estonia** **Universal banking** Allan Parik *Country manager*	2017 was characterised by strong consumer confidence and increased corporate profitability. Private lending and savings volumes increased and towards the end of the year corporate credits started to grow. SEB is second biggest bank in Estonia.
	**Latvia** **Universal banking** Ieva Tetere *Country manager*	Both a new internet bank and new IT systems were implemented. The mobile app and mobile authorisations solutions increased customer satisfaction. Overall stable economic growth resulted in higher demand for financing. SEB is the second biggest bank in Latvia.
	**Lithuania** **Universal banking** Raimondas Kvedaras *Country manager*	Steady economic growth improved the business climate and increased household mortgage demand. SEB implemented various digital solutions to make banking faster and simpler. Meanwhile preparations for a new core banking platform were made. SEB is the biggest bank in Lithuania.
	**Denmark** **Corporate banking** Peter Høltermand *Country manager*	An improved business climate led to enhanced demand for investment banking services, while the historically low volatility led to lower activity in Markets. Investment Management continued to attract foreign inflows of funds. The divestment of SEB Pension was announced.
	**Norway** **Corporate banking** William Paus *Country manager*	Parts of the Norwegian economy developed negatively, for instance the oil and gas industry. SEB was chosen as business partner in refinancing and new loans by existing as well as new customers, and was involved in several large corporate transactions.
	**Finland** **Corporate banking** Marcus Nystén *Country manager*	Improving macroeconomic conditions had a positive effect on customer activity in all segments. Among several large transactions, SEB acted as joint global coordinator in the largest IPO of the year in the Nordic countries – Terveystalo, a health care service provider.
	**Germany** **Corporate banking** Johan Andersson *Country manager*	The markets were characterised by continued competition, low margins and excess liquidity. Customers focused on refinancing and bond issuing. SEB was involved in corporate transactions. *See p. 34 for information on transforming SEB AG to a branch.*
	**United Kingdom** **Corporate banking** Mark Luscombe *Country manager*	The profitable growth continued from adding new clients and deepening existing client relationships. UK corporate clients welcomed SEB's focused efforts and demanded all types of service offerings, but in particular capital markets products.
	**Other markets** **Corporate banking** The international network	SEB continued to serve customers in its branch offices in Luxembourg, Poland, Russia, Ukraine, China, Hong Kong, Singapore, India, United States and Brazil.

Per country

Share of SEB's operating profit 2017 [1] Per cent



	2017
Sweden	57
Denmark	8
Norway	8
Finland	5
Germany [2]	4
Estonia	4
Latvia	2
Lithuania	4
Great Britain	5
Other markets	3

1) Operating profit before items affecting comparability
2) Excluding treasury operations

Market shares and customer contacts

SEB's market shares

Percent	2017	2016	Total market, SEK bn, 2017
Lending to the public			
Sweden	14.2	14.4	5,965
lending to households	12.7	13.2	3,792
lending to companies	16.8	16.4	2,173
Estonia 1)	25.0	23.2	179
Latvia 1)	18.2	16.7	145
Lithuania 1)	29.4	29.6	186
Deposits from the public			
Sweden	15.6	15.7	2,771
deposits from households	11.5	11.6	1,776
deposits from companies	22.8	23.6	995
Estonia 1)	22.0	22.5	170
Latvia 1)	12.0	10.5	200
Lithuania 1)	27.0	27.6	184
Equity trading			
Stockholm	5.5	6.0	8,338
Oslo	3.1	3.1	2,217
Helsinki	2.7	2.5	2,618
Copenhagen	2.4	2.9	3,813
SEK-denominated corporate bonds	**16.5**	**16.7**	**149**
Mutual funds, total volumes 2)			
Sweden	11.9	11.9	4,018
Finland	2.8	3.0	1,142
Unit-linked insurance, premium income			
Sweden	16.3	16.8	65
Life insurance, premium income			
Sweden	7.8	8.7	211
Denmark	N/A	8.9	

1) Excl. financial institutions & leasing. Estonia and Latvia per November 2017, Lithuania per September 2017.
2) Excluding third-party funds.

Sources: Statistics Sweden, Bank of Estonia, Financial and Capital Market Commission in Latvia, Association of Lithuanian Banks, Swedish Insurance Federation, Nasdaq etc.

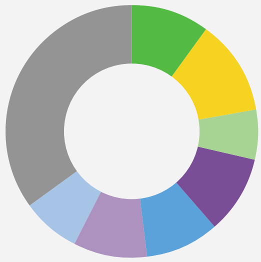
Customer contacts

	2017	2016	2015
Number of syndicated loans in Nordic countries	61	73	65
Number of equity capital market transactions in the Nordic region	31	24	19
Number of Nordic mergers and acquisitions	16	24	17
International private banking branches	12	12	12
Number of Swish payments via SEB's app (million)	28	18	8
Online bank, number of visits (million)	148	174	158
Mobile bank, number of logins (million)	184	129	100
Telephone bank, number of calls (million)	4.6	4.4	4.3
Number of life insurance intermediaries and brokers	2,200	2,500	2,550
Number of branch offices	196	219	252
Number of ATMs 1)	2,649	2,757	2,640

1) whereof 1,900 jointly owned by major Nordic banks

Total household savings, Sweden

Per cent

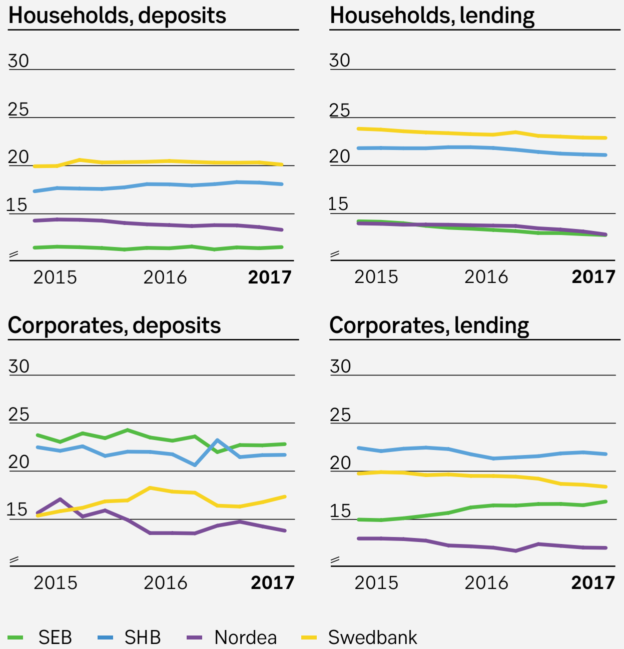


	2017
SEB	10.1
Swedbank	12.2
Skandia	6.5
Nordea	9.7
Handelsbanken	9.6
Alecta	9.5
AMF	7.5
Other	34.9

Total household savings - savings accounts, mutual funds, traditional and unit-linked insurance and bonds but excluding directly owned equities – in Sweden amounted to SEK 8,583bn as of 31 December 2017 (traditional insurance per 30 September, 2017).

Market shares, Sweden

Per cent



Profit related to business volumes

Customers' financial needs are the source of SEB's business volumes and result. The general relationships between customer-driven business volumes on- and off-balance sheet, the income statement and external factors are outlined below.

The macroeconomic situation is of great importance for customer behaviour and, together with the bank's own actions, it is a major factor impacting the business and the result.

In times of positive economic development both businesses and private individuals are more likely to invest and consume. This may lead to increased lending, more payments, a higher number of corporate transactions, etcetera, all of which affect net interest and net commission income positively.

In an unfavourable part of the business cycle, customers may be more restrictive and growth in business and transaction volumes may level out while credit losses may increase. On the other hand customers hedge their risks in uncertain and volatile times, which may increase net financial income.

SEB's total result is less volatile over time than each line item in the income statement stand-alone. For instance net fee commission income tends to increase when financial income decreases and vice versa.

Income statement, simplified SEK m

		2017
A	Net interest income	19,893
B	Net fee and commission income	17,725
C	Net financial income	6,880
D	Net other income	1,112
	Total operating income	**45,609**
	Total operating expenses	**–21,936**
2 3 4 5	Credit losses and other	– 970
	Operating Profit Before IAC	**22,702**
	Items affecting comparability	– 1,896
	Operating profit	**20,806**
	Income tax expense	– 4,562
	Net profit	**16,244**

Business volumes on the balance sheet[1] SEK m

	ASSETS	2017		LIABILITIES AND EQUITY	2017
1	**Central banks**	**190,000**	12	**Central banks**	**44,243**
2	**Loans to other credit institutions**	**34,715**	13	**Deposits from credit institutions**	**44,833**
3	*of which Debt securities*	*0*	14	**Deposits and borrowings from the public**	**1,004,721**
4	**Loans to the public**	**1,484,803**	15	**Liabilities to policyholders**	**303,202**
5	*of which Debt securities*	*13,030*	16	Commercial papers/Certificates of deposit	83,069
6	Debt securities	109,513	17	Long-term debt	530,964
7	Equity instruments	48,371		**Debt securities issued**	**614,033**
8	Derivatives	104,868	18	Debt instruments[2]	10,809
9	Insurance assets	313,203	19	Equity instruments[2]	14,228
	Financial assets at fair value	**575,955**	20	Derivatives and other	89,275
10	Debt securities	25,824		**Financial liabilities at fair value**	**114,313**
11	Equity instruments	1,952		**Other liabilities**	**257,935**
	Available-for-sale financial assets	**27,776**	21	**Subordinated debt**	**32,390**
	Other assets	**246,347**		**Total equity**	**143,925**
	TOTAL ASSETS	**2,559,596**		**TOTAL LIABILITIES AND EQUITY**	**2,559,596**

1) From 2018 the balance sheet presentation will change due to the implementation of IFRS 9.
See p. 37, note 1 and the first quarterly report for 2018.
2) Short position – a negative item in the inventory held for customer trades

Selected business volumes outside the balance sheet (in accordance with accounting principles) SEK bn

			2017
22	Assets under management	Customers invest in for instance mutual funds	1,830
22	Assets under custody	The bank safekeeps securities and collects dividends and interest on customers' behalf	8,046
22	Commitments	Preapproved customer credits	563
22	Guarantees	The bank assists customers with credit risk management	123

22	Payments and cash management	Customers make payments and manage account balances.
22	Card transactions	Customers make card payments.
22	Securities transactions	Customers use the bank as an intermediary in securities transactions, for instance equities.
22	Corporate transactions	Corporate customers seek advice and assistance for various corporate transactions, such as acquisitions, IPOs etc.

Customers' business volumes and income

A Net interest income	**B** Net fee and commission income	**C** Net financial income	**D** Net other income	
Net interest income is the difference between income from lending and expenses associated with deposits and borrowings. Margins and business volumes have a major bearing. Interest margins differ in various markets, mainly due to varying maturities and risk.	Net fee and commission income increases with growing transaction volumes. Fund-related commissions increase with higher market values.	Net financial income is driven by both the market value and realised gains and losses on transactions with securities, currencies and derivatives . The trend in the financial markets plays a major role.	Items in net other income occur sporadically with no clear link to macroeconomic factors.	
Customer loans generate interest income over the life of the transaction. Up-front fees on new loans are treated as interest income. 1 2 4	SEB participates in, or leads, syndications of loans leading to net fee and commission income or expenses. 4			**Loans**
SEB maintains an inventory of debt instruments – interest-bearing securities and bonds – for customer trades and liquidity management. They accrue interest over life. 3 5 6 10 18 [1)]		SEB holds debt instruments for customer trading and liquidity management. The customer trading activity as well as the market value of the inventory affect net financial income. 6 18 [1)]	Sales from the bank's inventory of debt instruments held for liquidity management or investment affect this item. 3 5 10	**Debt instruments**
	Brokerage fees occur in equity trading. 22	SEB holds equity instruments for customer trading and is a counterpart in equity swaps. The customer trading, the market value and dividends affect this item. 7 19 [1)]	Sales from the bank's equity holdings and dividends affect the item. 11	**Equity Instruments**
Interest rate derivatives that are used by SEB to reduce volatility in the result (so-called hedging) accrue interest over life. 8 20	In certain cases, SEB charges and pays fees when trading in derivatives. 8 20	SEB is a counterparty for customers wishing to manage risk (for instance foreign exchange and interest rate risk) using derivative instruments. Both customer trades and the market value of the holdings affect financial income. 8 20	The market value of derivatives that SEB uses for hedging. 8 20	**Derivatives**
Customer deposits generate interest expense 12 13 14	Certain bank accounts generate fee income. 14			**Deposits and borrowings**
	SEB provides savings in unit-linked insurance, deposit insurance and similar products where the customer bears the risk. Invested volumes generate fee income. In addition, distribution generates fee expenses. 9 15 22	SEB provides savings in traditional pension with a certain guaranteed return, sickness and health insurance and related services. The item depends on the invested volumes as well as the outcome of insurance claims. 9 15		**Insurance and savings**
SEB's operations are funded by long and short-term interest-bearing securities, all of which generate interest expense. 16 17 21	Index-linked bonds generating fee income are provided for the purpose of customer investment. 16 17	The market value including the credit risk in SEB's issued index-linked bonds affects the item. 17	Early redemption by SEB of its debt instruments affects this item. 16 17 21	**Issued securities and subordinated debt**
	Various customer services are provided which generate both fee and commission income and expense. Most fees are fixed and transaction based; some are market value based. 22			**Business volumes outside the balance sheet**

1) Short position – a negative item in the inventory held for customer trades.

Risk, liquidity and capital management

SEB works to safeguard its strong financial position in order to meet customers' and other stakeholders' needs. Assuming risk is an integral part of banking, and risk, liquidity and capital management enables the bank to create customer value while maintaining resilience in all potential circumstances.

Risk review 2017

SEB continued to demonstrate its resilience with continued high asset quality and low credit losses, a stable liquidity position and robust capital adequacy.

The global economic development was positive despite the prevailing geopolitical uncertainty. Economic growth was driven by increased employment, high asset prices, more investments and trade, and the financial markets continued to develop positively. At the same time, large global economic imbalances remain. The reduction of central banks' liquidity support to financial markets worldwide may create direct and indirect effects that are difficult to assess. Record high indebtedness, demographic headwinds and new, transforming technologies add to uncertainties in the market.

Risk profile	The Board of Directors decides on the overarching risk tolerance. The President is responsible for optimising the risk profile within to the Board's risk tolerance and capital adequacy targets and to manage SEB's risks overall.	
	Board's risk tolerance statements in brief SEB shall:	**Comment**
Credit risk and asset quality	**Have a robust credit culture** based on long-term relationships, knowledge about the customers and focus on their repayment ability. This will lead to a high quality credit portfolio.	• SEB has a well-balanced credit portfolio with main exposure to Nordic large corporates and households in Sweden. • Asset quality remains strong with low credit losses. Over the past ten years, which includes the Baltic crisis, annual credit losses have averaged 0.17 per cent of lending.
Market risk	**Achieve low earnings volatility by generating revenues** based on customer-driven business.	• SEB takes market risk in customer-driven trading activity and in its liquidity portfolio. Generally, SEB's market risk is low. • Interest rate risk arises due to mismatches in rates and maturities in the bank's assets and liabilities, and is managed by the Treasury function.
Operational and reputational risk	**Strive to mitigate operational risks** in all business activities and maintain the bank's reputation.	• SEB has historically reported operational losses below European peer average. • Managing and mitigating IT and cyber risks is a key priority to ensure secure and available information, services and products for customers.
Liquidity and funding risk	**Have a soundly structured liquidity position**, a balanced wholesale funding dependence and sufficient liquid reserves to meet potential net outflows in a stressed scenario.	• SEB's primary funding sources are customer deposits and wholesale funding. • The funding base is diversified in terms of maturities and currencies to ensure that payment obligations are met as they fall due.
Aggregated risk and capital adequacy	**Maintain satisfactory capital strength in order to sustain aggregated risks,** and guarantee the bank's long-term survival and its position as a financial counterparty, while operating safely within regulatory requirements and meeting rating targets.	• SEB is strongly capitalised in relation to regulatory capital requirements, internal targets and peers. • The aim is to hold capital adequacy of around 150 basis points above the regulatory requirement.

The implementation of new regulations in the financial industry continues to be intensive and a number of regulatory requirements take effect in 2018. After several years of dialogue, the Basel Committee published its revised Basel III framework. While the revised framework reduces the degree of freedom in the internal modelling of capital requirements, the outcome was not as negative for the banking industry as initially apprehended.

Digitalisation in the banking industry is accelerating driven by technological advances, customers' expectations and regulations. New types of competitors are emerging and a movement towards Open Banking and sharing of information and infrastructure will reshape the current playing field for banks. Apart from the strategic risk this entails, cyber threats are expected to continue to evolve as attacks become more technically sophisticated and the attack surface expands with the progress of digitalisation.

Stable credit portfolio with little change in total corporate lending

SEB's credit portfolio, totalling SEK 2,151bn (2,143), remained stable during the year with growth mainly in Swedish household mortgage lending and financing to housing co-operative associations, as well as in private and corporate lending in the Baltic region.

In the prevailing market environment, large corporate customers took advantage of attractive capital markets for refinancing, which led to a subdued demand for traditional bank lending. SEB's corporate portfolio remained almost unchanged at SEK 1,030bn

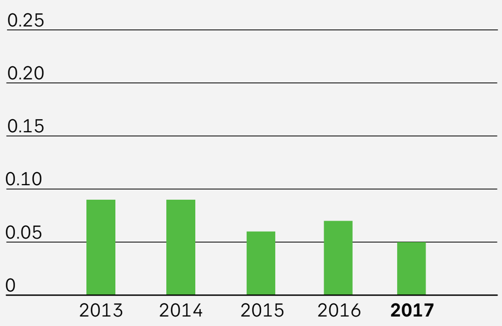
SEB's key risk development

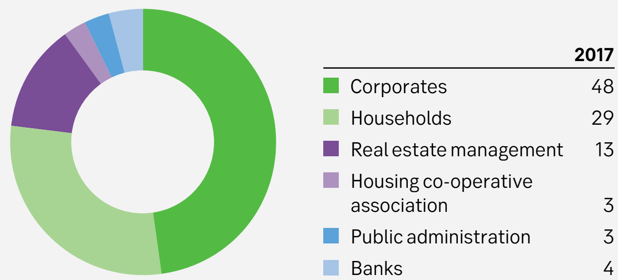
Measurement	**5-year average[1)]**	**2017**
Credit portfolio (SEK bn)	2,063	2,151
Net credit loss level (%)	0.07	0.05
Trading VaR average (SEK m)	112	91
Operational losses [2)] /income (%)	0.58	0.45
Liquidity coverage ratio (%)	127	145
Core gap ratio (%)	113	108
Risk exposure amount (SEK bn)	605	611
Common equity tier 1 ratio (%)	17.7	19.4
Leverage ratio (%)	4.6	5.2
Credit rating	n.a.	Aa3/A+

Peer average [4)]

Measurement	**2017**
Net credit loss level (%)	0.10
Trading VaR average [5)] (SEK m)	149
Operational losses [2)]/income (%)	0.72
Liquidity coverage ratio [3)] (%)	151
Common equity tier 1 ratio (%)	20.2
Leverage ratio (%)	5.3

1) The number of measuring points during the period vary
2) Fourth quarter 2016–third quarter 2017, ORX
3) SHB, Nordea and Swedbank, who calculate according to the Swedish FSA's method
4) Danske Bank, SHB, Nordea, Swedbank and DNB
5) Danske Bank, SHB, Nordea and Swedbank. Average VaR recalculated to 10-day 99% confidence interval





(1,029) as of year-end, representing 48 per cent of the credit portfolio. SEB is unique among peers in that its corporate portfolio consists primarily of large counterparties – mainly Nordic and German customers in a wide range of industries, the largest being manufacturing. The exposure to small and medium-sized companies (SME) accounts for 12 per cent (11) of the bank's corporate portfolio, and is mainly in Sweden. Exposure to this segment was unchanged during the year.

Strong growth in the Baltics

The Baltic economies developed favourably as a result of growing exports, investments and private consumption. SEB's Baltic portfolio continued to grow steadily, particularly in Estonia and Lithuania, and opportunities arose from the consolidation of the banking market. At year-end, the Baltic portfolio amounted to SEK 166bn (148). The portfolio consists mainly of corporate and household exposures, while the real estate management portfolio is limited.

Swedish household mortgage portfolio

SEB takes a long-term, sustainable perspective in its household mortgage lending. Lending is based on the borrower's repayment capacity, including the ability to manage an interest rate of seven per cent, and new mortgage loans cannot normally exceed five times the household's gross income. SEB was the first Swedish bank to introduce amortisation requirements for mortgages with loan-to-value (LTV) ratios above 70 per cent in 2015. In 2017, 83 per cent of all new loans with an LTV above 50 per cent contained an amortisation plan.

SEB's Swedish household mortgage portfolio grew by 4 per cent over the year, compared to market growth of 7 per cent. The portfolio, which amounted to SEK 478bn (461), is of high asset quality with strong repayment ability among customers, low historical credit losses and sound LTV ratios. Property values are continuously assessed and monitored.

The Swedish housing market

The Swedish residential housing market has been characterised by urbanisation, limited supply of new housing and low interest rates. As a result, housing prices have risen quickly especially in the past five years and household indebtedness is high in a global comparison. Accordingly, public debate has focused on overheating risks. In the second half of the year, the Swedish housing market saw signs of normalisation, driven by a larger supply of homes for sale as newly produced homes came to the market and the Swedish FSA's announcement of a further tightening of amortisation requirements which will take effect in March 2018. Although households in Sweden generally have a high level of indebtedness, they have low default probability. Household borrowing has increased but so has savings, leaving households with strong balance sheets while interest expenses as a portion of household income is at a record -low level. In addition, according to Swedish regulations, debt in excess of collateral value is not written off in the case of default, which makes borrowers likely to continue to amortise. A price fall is more likely to affect private consumption and thus the economy as a whole.

High quality real estate portfolio

SEB's residential real estate portfolio is mainly in Sweden and consists of high quality, private and publicly owned real estate companies as well as institutional investors in the sector. The portfolio was stable at SEK 108bn as of year-end (109).

Credit demand was lower in the commercial real estate sector due to favourable financing opportunities in the capital markets. SEB's exposure to commercial real estate consists mainly of strong counterparties with sound financing structures in the Nordic region. The value of the portfolio declined to SEK 179bn (185) due to a strategic reduction in Germany.

For several years, SEB has governed its exposure to the real estate sector by a group-wide risk tolerance level for the commercial real estate portfolio, divisional volume growth limits as well as a firm credit real estate policy set by the Board.

High asset quality

Asset quality of the credit portfolio remained high and credit losses continued to be low at SEK 808m (993) or a net credit loss level of 5 basis points (7). Non-performing loans amounted to SEK 8.3bn (7.6), corresponding to 0.5 per cent of total lending.

Low market risk in relatively calm financial markets

The risk in the customer-driven trading is measured as Value-at-Risk (VaR), which averaged SEK 91m (112) in 2017. This means that, on average, the bank is not expected to lose more than this amount during a period of ten trading days, with 99 per cent probability. VaR was relatively stable during the year as the volatility across all asset classes continued to be limited while exposure from equity options was reduced. Towards the end of the year, tighter credit spreads and smaller FX exposures also contributed to lower VaR.

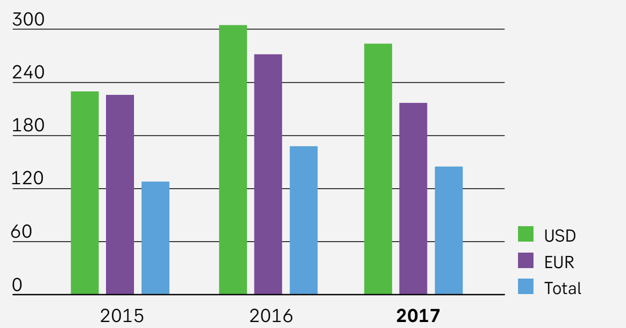
Main market risk in life insurance operations lies with customers

SEB's life insurance business consists mainly of unit-linked products, where the market risk remains with the customer. In 2017, unit-linked products represented 67 per cent of total premium income. SEB also offers traditional insurance, occupational pension and private health insurance in Sweden and Denmark. In the traditional insurance portfolios, buffers consisting of assets less guaranteed benefits serve as protection against insurance risk for SEB. The buffers increased throughout the year as a result of asset returns and new business. An agreement to sell the Danish life insurance business was signed in 2017. *See p. 35.*

A sound liquidity and funding strategy

Access to liquidity and funding markets is vital in all circumstances. SEB's liquidity and funding strategy is managed from three perspectives: (1) optimising the liquidity structure of the balance sheet to ensure that less liquid assets are matched with stable funding, (2) monitoring wholesale funding dependence,

Liquidity coverage ratio [1] Per cent



1) As defined by the Swedish FSA

Three lines of defence in risk management

1

Each business unit is responsible for the risks it takes – the first line of defence. Long-term customer relationships and a sound risk culture provide a solid foundation for SEB's risk-taking decisions. Initial risk assessments are made of both the customer and the proposed transaction. The business units ensure that transactions are correctly priced and that the assumed risks are managed throughout the life of the transaction. Larger transactions are reviewed by a credit committee. The business units are responsible for ensuring that the activities comply with applicable group-wide policies and instructions and are supported by a clear decision-making hierarchy.

2

The risk and compliance functions constitute the second line of defence. These units are independent from the business. The risk function is responsible for identifying, measuring, monitoring and reporting risks. Risks are measured both on detailed and aggregated levels. Internal measurement models have been developed for the majority of the credit portfolio as well as for market and operational risk and are approved by the Swedish FSA for calculating capital requirements. Risks are controlled through limits at transactional, desk and portfolio levels. Asset quality and the risk profile are monitored continuously, for example through stress testing.

The compliance function works proactively to ensure the quality of compliance at SEB, and focuses on issues such as customer protection, conduct in the financial market, prevention of money laundering and financing of terrorism as well as regulatory systems and controls.

3

Internal Audit is the third line of defence. SEB's risk management is regularly reviewed and evaluated by Internal Audit to ensure that it is adequate and effective. The internal auditors are in turn evaluated by the external auditor. Based on the evaluations of the third line of defence, the processes in the first and second lines of defence are continuously strengthened. SEB's governance framework, sound risk culture and business acumen constitute the cornerstones of effective risk management.

and (3) ensuring that the bank has sufficient liquidity to withstand a severely stressed scenario.

In 2017, SEB saw continued strong market demand for its new issues of short- and long-term funding. SEB's liquidity reserve, as defined by the Swedish Bankers' Association, amounted to SEK 340bn (427) at year-end. The size and composition of the liquidity reserve is regularly analysed and assessed against estimated needs.

The Swedish FSA's Liquidity Coverage Ratio (LCR) measures to what extent liquid assets are sufficient to cover short-term cash outflows in a stressed scenario. SEB's ratio amounted to 145 per cent in aggregate (168), and 284 (305) and 217 (272) for US dollars and euros, respectively. This is in compliance with the Swedish FSA's minimum requirement of 100 per cent.

The Core Gap Ratio, which is SEB's internal measure of the extent to which long-term lending is matched by long-term funding, was 108 per cent (114), which is well within the bank's risk tolerance of a sound liquidity structure. SEB also manages its liquidity position in line with the upcoming regulatory Net Stable Funding Ratio (NSFR) requirement of 100 per cent, which is now anticipated to be effective as of 2021.

A high credit rating is important as it sets the cost for SEB's market financing. SEB's credit rating is currently Aa3/A+.

Low losses from operational incidents

Operational risks are an inherent part of all businesses. SEB continuously works to minimise operational losses and, in particular, to avoid larger loss incidents. By continuously improving governance and risk practices in the operational risk management framework, the bank strives to mitigate both existing and emerging risks. Important processes and tools include a New Product Approval Process (NPAP), business continuity management, risk and control self-assessments, as well as identity access management. In addition, employees are continuously trained within important areas such as information security, fraud prevention, anti-money laundering and Know-Your-Customer (KYC) processes.

SEB's reputation is built on long-term customer relationships and a strong risk culture based on business acumen and professional conduct. SEB's Code of Conduct and core values, mandatory training, and dialogues on ethical and value-related dilemmas strengthen awareness of the importance of conduct among employees. Through an external whistle-blowing procedure, employees and others are encouraged to report unethical and illegal incidents.

Net losses from operational incidents amounted to SEK 185m (263) in 2017. Benchmarking against members of the Operational Risk Data eXchange Association (ORX) shows that SEB's operational losses are below peer average.

Cyber security and IT risk management

Reliable and secure services and products are a key priority for SEB. Digital channels must run without disruption and transactions must be processed correctly and safely. Customer data must be handled in a safe way. SEB is continuously developing and modernising the IT environment to support the increasing digitalisation of services.

In its "always open" ambition, the bank is working on several measures to reduce and prevent the risk of downtime. Among other things, firebreaks are built into the IT infrastructure, which help limit a potential problem to one system only.

SEB's approach to meeting cyber and other security threats is to prioritise technical protection and to raise awareness among both employees and customers. Necessary security updates, system upgrades, and implementation of new features are performed on a regular basis.

The regulatory framework for personal data protection (GDPR) is becoming stricter and at the same time rules (PSD2) on opening bank systems for access in new ways are being introduced in 2018. SEB is continuously adjusting to existing and upcoming requirements in these areas. ▶▶ *See p. 50.*

Sustainability and climate-related risks in focus

Extreme weather conditions, as well as long-term climate-related changes are becoming an increasingly important risk factor in the financial sector. More transparency on climate-related risks is requested by customers and investors, and regulators are expected to take environmental risks into account in their supervision.

Environmental, social and governance (ESG) risks have always been considered in SEB's credit analysis and credit granting. In 2017, SEB continued to develop tools for its ESG risk analysis. Since several years, SEB applies a number of sector policies that limit lending to companies in certain sectors, such as fossil fuels, mining and metals. SEB does not provide new financing of coal mining and coal power plants. SEB's fund company continued to reduce the coal exposure in its funds in 2017.

The bank also worked to influence power companies to find other sources of energy than combustion coal. SEB has signed the international climate agreement Montreal Carbon Pledge, where part of the commitment is to report the carbon footprint from equity funds annually, and since 2017, SEB is reporting carbon emissions related to the majority of its equity funds. ▶▶ *See p. 71.*

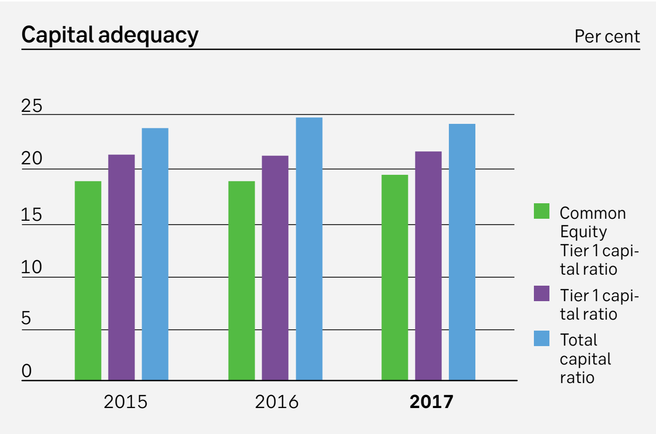
Risk related to violation of human rights

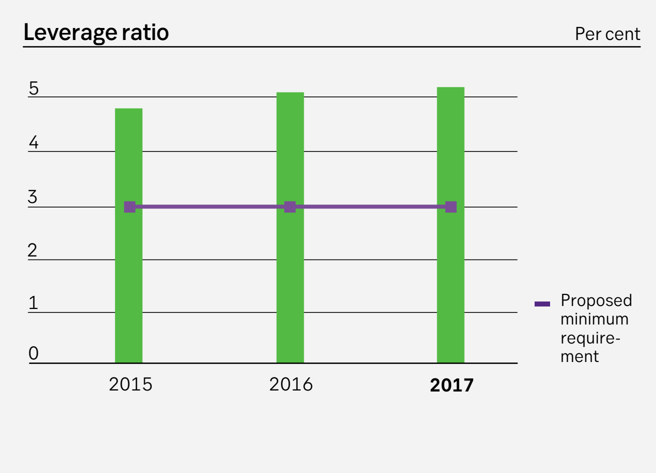
Respecting and promoting human rights is an obligation of all responsible businesses. SEB assesses the risk for violation of human rights, and acts to prevent and remedy possible related negative consequences. A customer with poor human rights ambitions can quickly become a high credit risk for the bank. There is also a high reputational risk in investing in such companies for fund management purposes. This risk is monitored in the KYC-process, in screening of new suppliers, as well as in the bank's financing and investment processes.

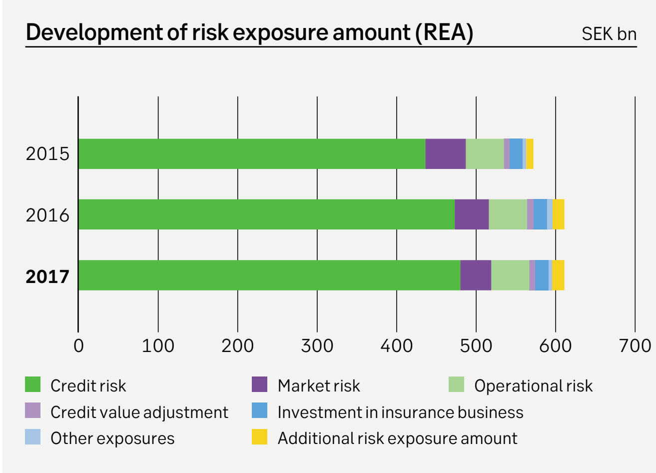
Preventing corruption, money laundering and terrorism financing

SEB actively counteracts all forms of corruption, in line with rules and regulations, and does not tolerate to be involved in or associated with bribes. It is of utmost importance for SEB to know its customers and to understand the risk of being used for money laundering and terrorism financing.

The bank believes that a diligent KYC process is the best method for preventing money laundering and financing of terrorism. Enhanced due diligence is applied for customers, products and countries where the bank is believed to be most exposed. Following EU's Fourth Anti-Money Laundering Directive, SEB has updated







and strengthened internal controls and procedures as well as increased its focus on employee training. SEB uses a global monitoring system to detect suspicious transactions and behaviours in defined higher risk areas. Information from the business is of great importance and remains the leading source in the reporting to the relevant authorities. The number of reports to the financial intelligence unit of the Swedish police was around 500 in 2017.

Capital adequacy exceeds requirements

Despite strong risk management and risk culture, unexpected losses occur in banking. SEB's capital management shall ensure that the bank has sufficient capital to absorb such unexpected losses. The Board of Directors sets SEB's capital target taking into consideration financial stability requirements by the regulators, debt investors, business counterparties, as well as the Board's view of capital need and debt rating ambitions. This needs to be balanced with the shareholders' required rate of return.

The Swedish FSA's requirement for the Common Equity Tier 1 (CET1) capital ratio consists of Pillar 1, which is a general minimum requirement for all banks, and Pillar 2, which is a specific requirement based on an assessment of SEB's risk, liquidity and capital position made in the Supervisory Review and Evaluation Process. SEB estimates the Swedish FSA's CET1 capital requirement to 17.2 per cent as of year-end 2017.

The Board's target is to maintain a CET1 capital ratio of around 150 basis points above the Swedish FSA's requirement. This constitutes a buffer against potential variability in the capital position deriving, in particular, from changes in foreign exchange rates and interest rate risk in the pension obligations. This means that the CET1 capital ratio target currently is around 18.7 per cent.

The CET 1 capital base increased to SEK 119bn (114) while the risk exposure amount (REA) increased slightly to SEK 611bn (610). The capital requirements for Swedish banks are currently significantly higher than EU minimum levels and the Swedish banks are well capitalised compared with banks elsewhere in Europe, both from a risk-weighted and non-risk-weighted perspective. At year-end SEB's CET1 capital ratio amounted to 19.4 percent (18.8), which is above regulatory requirements and the Board's target.

SEB's leverage ratio, a non risk-based ratio between Tier 1 capital and assets, was 5.2 per cent at year-end (5.1), above the proposed minimum requirement of 3 per cent.

Update on regulatory requirements affecting capital

IFRS 9 and IFRS 15

The new accounting standard, IFRS 9, Financial Instruments, is effective as of the beginning of 2018. It entails a change of methodology for credit impairment accounting in which loan loss provisions are based on an 'expected loss' concept rather than the current 'incurred loss', which increased the credit loss reserves. The new rules also led to valuation effects in some assets and liabilities.

The new accounting standard, IFRS 15, Revenues from Contracts with Customers, is effective as of the beginning of 2018. Among other things, it limits the amount that can be recognised as deferred acquisition costs.

As a result of the adjustments that will be necessary, SEB's equity will decrease by around SEK 6bn. ▶▶ *See box p. 37.*

EU's Bank Recovery and Resolution

The EU's Bank Recovery and Resolution directive was implemented into Swedish law in 2016. It sets the crisis management procedure for failing banks. The law also covers the bail-in tool and introduces a minimum requirement for own fund and eligible liabilities (MREL). In 2017, the Swedish National Debt Office (Riksgälden) presented the Swedish MREL framework, which includes a requirement for subordination of debt that may be bailed-in. The requirement is effective from 2018 and banks are expected to progressively build up the required volume of subordinated liabilities until 1 January 2022 at the latest. For SEB this would entail SEK 90bn.

Basel III

The major part of the revised Basel III framework was finalized in 2017, resulting in a limitation of the benefits in terms of capital requirement when using internal ratings-based risk measurement models. SEB has started to assess the capital effect of the revised framework, but due to finalisation of certain issues, the adaptation to national supervisory regimes, and the long implementation period from 2022 to 2027, the final effect is still not clear.

In a parallel initiative, the European Banking Authority (EBA) is, together with national supervisors, trying to harmonise and reduce variation in the implementation of internal models. EBA proposes to introduce requirements on definitions and model parameters, and prescribe more detailed requirements on decision processes. Banks are expected to comply in one to three years.

Regulatory requirements

In 2017, the implementation of established new regulatory requirements culminated, while the stream of proposed new rules receded. New anti-money laundering requirements were implemented at the same time as extensive work was done to prepare for MiFID II, MiFIR, IFRS 9, GDPR and PSD 2, which all started to apply in 2018.

SEB continuously monitors regulatory development at the global, European and national levels. This work is conducted through own activities and through contacts with Swedish and foreign regulators and legislators, as well as via Swedish and international industry organisations, such as the Swedish Bankers' Association, the Swedish Securities Dealers Association and the Institute of International Finance.

In 2017, the bank worked with 26 large regulatory projects at an estimated total cost of at least SEK 685m. In addition, the bank is implementing technical requirements and guidelines from the three European supervisory authorities for banking, insurance and securities markets.

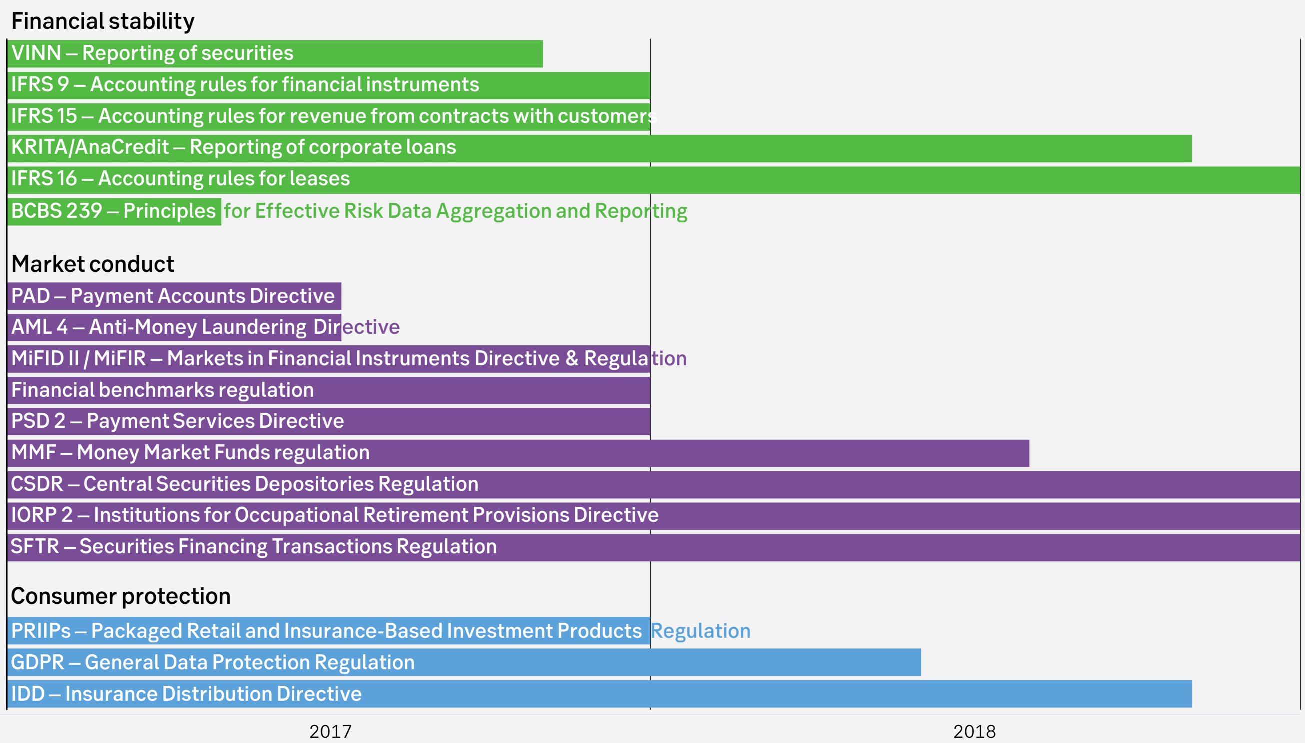
Main areas and aims of regulation

1 Financial stability
Ensure that the financial system can withstand economic shocks and disturbances as well as prevent that the failure of one financial institution leads to a systemic collapse.

2 Market conduct
Promote efficient price setting and execution in financial markets, and prevent market manipulation through enhanced transparency and improved risk mitigation.

3 Consumer protection
Ensure fair treatment of customers and increase their financial literacy through relevant and correct information. This entails requirements in terms of marketing and packaging of financial services and investment advice services.

New regulatory requirements coming into force 2017–2018[1)]



1) The implementation work continues through the phase-in period, if any, and sometimes beyond.

High-impact regulations

Certain new regulations – in the areas of financial stability, market conduct and consumer protection – have particularly large impact on the bank's result as well as on its operations.

1

Financial stability

Accounting and valuation rules – IFRS 9

In 2018, the new international financial reporting standard, IFRS 9 – Financial Instruments, came into force. Based on the experience from the 2007–2008 financial crisis. Among many other things IFRS 9 requires banks to make reserves for its expected credit losses through the life of the credit, with estimates based on probability of default and forward looking macroeconomic scenarios. As a consequence of the new accounting rules, the reported results will be more dependent on assumptions about the macroeconomic development and may be more volatile.

Implementing IFRS 9 is a major undertaking as it affects accounting and reporting systems throughout the bank.

Read more about the implementation of IFRS 9 on p. 37 and in note 1.

2

Market conduct

Protecting investors – MiFID II and MiFIR

In 2018, EU's Markets in Financial Instruments Directive and Regulation (MiFID and MiFIR) took effect[1)] They aim at strengthening the protection of investors by increasing transparency around costs and charges, ensuring that customers' financial literacy match their risk profiles, and increasing the information provided to customers. The new rules apply to all types of customers and services such as order reception and execution, investment advice and portfolio management. MiFID 2 and MiFIR are among the most comprehensive regulatory overhauls in the history of financial services. Theyhave an effect throughout the bank. They enable the bank to further improve the customer offering by providing an opportunity to interact with customers to a greater extent and thereby better understand how to meet their needs. The bank has also improved and clarified its business and pricing models as a result of the regulations.

Payment services – PSD 2

In 2018, EU's Payment Services Directive (PSD 2) entered into force[1)]. It is designed to promote competition in the financial services industry – while ensuring customer security. An important feature is the requirement to provide access to accounts and payment initiation based on customers' demand. This enables third party developers to build applications and services around customer and account information in a financial institution – so called Open Banking. Over time this will likely transform the role of banks and banking-related services. SEB plays an active role in this development.

3

Consumer protection

Guarding customer data – GDPR

EU's General Data Protection Regulation (GDPR) will apply from mid-2018 [1)]. As it will replace 28 national regulations (in Sweden: the Swedish Personal Data Act, PuL – *personuppgiftslagen*), the GDPR will reduce complexity and legal uncertainty as well as administrative costs. The new privacy rules apply to all businesses, but will have a greater effect on banking since the financial sector involves large volumes of personal data. One key requirement in the new rules is the right to be forgotten – meaning that when a customer wants to be forgotten, his/her data should be deleted – as long as other legal requirements allow it. Furthermore, customers should be provided easier access to his or her individual data, and get information on how that data is processed. It will also be easier for customers to move personal data from SEB to other parties. Data protection must be built in to all products and services by default. All requirements are subject to sanctions with fines up to four per cent of a company's global annual turnover.

1) Regulations automatically apply as law in each EU country whereas Directives apply through their implementation into national law.

Corporate governance

"During the year, accelerating technical developments, and the need for further digitalisation of SEB's services, have been deeply analysed by the Board. Further topics have included information and cyber security. At the same time, the growing regulatory environment in the financial sector has posed challenges and needs for resource planning and IT priorities. Other important areas for the Board have been succession planning, among other things due to the appointment of SEB's new CEO."

Marcus Wallenberg
Chairman of the Board

To maintain the important societal function as a bank, it is of paramount importance for SEB that all stakeholders have great confidence and trust in the bank's operations. Professional people who are guided by strong and proper business conduct are crucial as is maintaining a sound risk culture.

The importance of corporate governance

To maintain trust among customers, employees, shareholders and other stakeholders and prevent conflicts of interest, roles and responsibilities are clearly defined for shareholders, directors, management and other stakeholders.

SEB's work with corporate governance is focused on ensuring smooth and effective operations with high standards, sound risk management and robust internal control.

Rules and regulations

As a Swedish public limited liability financial institution with securities listed on Nasdaq Stockholm, SEB is subject to numerous rules and regulations. The external framework for SEB's corporate governance includes the following rules and regulations:

- the Companies Act
- the Annual Accounts Act
- the Nasdaq Stockholm Issuer Rules
- the Swedish Corporate Governance Code
- the Banking and Financing Business Act
- the rules and guidelines issued by the Swedish Financial Supervisory Authority and other authorities.

▸▸ *See p. 50 for information about new regulatory requirements.*

In addition, SEB applies an internal framework, which among other things includes the Articles of Association, adopted by the General Meeting of Shareholders. Policies and instructions that define the division of responsibility within the group are tools for the Board and the President and Chief Executive Officer (the President) in their governing and controlling roles. Such policies and instructions include, among others:

- Rules of Procedure for the Board and the Instructions for the Board Committees
- Instructions for the President and the Group's Activities
- Group Credit Instruction and Risk Policy
- Instruction for Handling of Conflicts of Interest
- Instruction for Procedures Against Money Laundering and Financing of Terrorism
- Code of Conduct ▸▸ *See sebgroup.com*
- Remuneration Policy
- Information Security Policy
- Corporate Sustainability Policy ▸▸ *See sebgroup.com*
- Policies on Assessment of Suitability of Directors, members of the Group Executive Committee (GEC) and other key function holders.

SEB's ethical and sustainability endeavours are an integral part of the business, and the Board continuously discusses these issues. SEB's Code of Conduct describes SEB's values, ethics and standards of business conduct and provides guidance on how to live by these values. Policies and guidelines for sustainability and various group-wide position statements and industry sector policies addressing environmental, social and governance issues are also of vital importance.

The Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code (the Code). SEB strives to follow the Code where appropriate and has no deviations to report for 2017.

▸▸ *More information about corporate governance is available on sebgroup.com*

Shareholders and general meetings of shareholders

The shareholders' influence is exercised at general meetings of shareholders through, among other things, election of members of the Board and the bank's auditor.

SEB has approximately 269,000 shareholders. Around 172,000 of them own less than 500 shares, while 112 hold more than 1,000,000 shares, accounting for 82 per cent of the capital and votes. SEB's share capital consists of two classes of shares – A shares and C shares. Each Class A share carries one vote and each Class C share carries one-tenth of a vote. ▶▶ *SEB's largest shareholders and the shareholder structure are shown on p. 29-30.*

The Annual General Meeting (AGM) of shareholders is held in Stockholm, in Swedish. All shareholders listed in the shareholder register who have duly notified their attendance have the right to participate at the AGM and to vote for the full number of their shares. Shareholders who cannot attend may appoint a representative. The 2017 AGM was held on 28 March. A total of 1,364 persons, representing 1,931 shareholders, were in attendance at the AGM. An electronic system for televoters was used at the AGM.

The main resolutions made at the AGM were:

- approval of the dividend of SEK 5.50 per share
- decrease of the number of directors to eleven
- re-election of ten directors and election of one new director
- re-election of Marcus Wallenberg as Chairman of the Board
- re-election of PricewaterhouseCoopers as auditor
- adoption of guidelines for remuneration of the President and the other members of the GEC
- approval of two long-term equity programmes
- issuance of a mandate to the Board concerning the acquisition and sale of own shares for SEB's securities business, for the long-term equity programmes and for capital management purposes
- issuance of a mandate to the Board to resolve on the issuance of convertibles.

▶▶ *The minutes from the AGM are available on sebgroup.com*

Nomination Committee

The tasks of the Nomination Committee include submitting proposals to the AGM regarding the Chairman and directors of the Board as well as the auditor.

The Nomination Committee nominates the Chairman, the directors of the Board and the auditor as well as makes recommendations regarding directors' fees and fees for committee work. The Nomination Committee also reviews the evaluations of the Board and the Chairman of the Board.

Pursuant to a decision by the AGM, the Nomination Committee is to be composed of the Chairman of the Board along with representatives of the bank's four largest shareholders that are interested in appointing a member. One of the independent directors shall be appointed as an additional member of the Nomination Committee.

The composition of the Nomination Committee meets the requirements laid out in the Code. The Nomination Committee has access to relevant information about the bank's operations and financial and strategic position provided by the Chairman of the Board and the additional member.

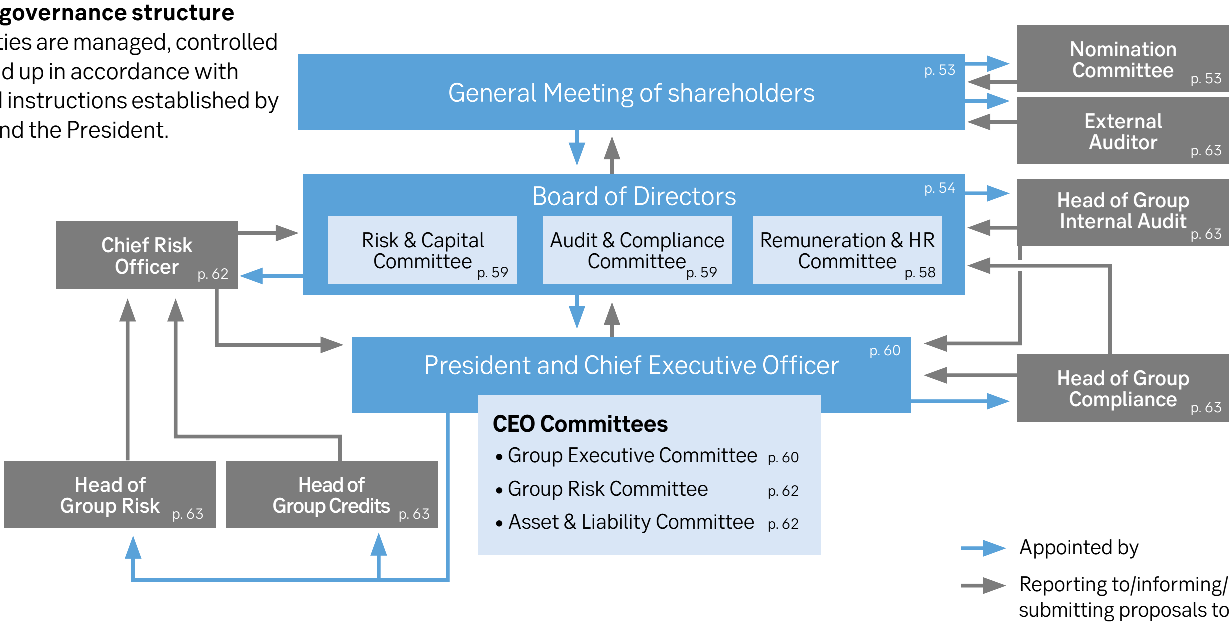
An important principle is that the size and composition of the Board shall be such as to serve the bank in the best possible way. Therefore, as the starting point for its work, the Nomination Committee is tasked with assessing the degree to which the Board meets the demands that will be placed on the Board as a result of

Nomination committee for the 2018 AGM

Member	Representing	Votes (%) 31 Aug. 2017
Petra Hedengran, ordförande	Investor	20.8
Magnus Billing	Alecta	7.0
Lars Heikensten	Trygg-Stiftelsen	5.3
Javiera Ragnartz	AMF Försäkring och Fonder	3.4
Marcus Wallenberg	SEB, Chairman of the Board	
		36.5

Tomas Nicolin, additional member, appointed by the Board.
Swedbank Robur Fonder, which is the bank's fourth largest shareholder, has declined to appoint a member of the Nomination Committee.

Corporate governance structure
SEB's activities are managed, controlled and followed up in accordance with policies and instructions established by the Board and the President.



Board of Directors




	Marcus Wallenberg	Sven Nyman	Jesper Ovesen	Johan H. Andresen
Position	Chairman since 2005	Vice Chairman since 2017	Vice Chairman since 2014	Director
Committee	● RCC ● ACC ● RemCo		● RCC ● ACC	
Year elected	2002	2013	2004	2011
Born	1956	1959	1957	1961
Education	B.Sc. (Foreign Service)	B.Sc. (Business and Econ.)	B.Sc. (Econ.) and MBA	B.A. (Government and Policy Studies) and MBA
Other assignments	Chairman of Saab and FAM. Vice Chairman of Investor. Director of AstraZeneca Plc., Temasek Holdings Ltd and the Knut and Alice Wallenberg Foundation.	Chairman of RAM Rational Asset Management. Director of RAM ONE, Ferd AS (Norway), Nobel Foundation's Investment Committee, Stockholm School of Economics, Stockholm School of Economics Association and of Axel and Margaret Ax:son Johnson's Foundation.	Director of Sunrise Communication Group AG (Switzerland), Lundbeck A/S (Denmark) and ConvaTec Group Plc. (UK).	Owner and Chairman of Ferd AS (Norway). Chairman of Council on Ethics for the Government Pension Fund Global (Norway). Director of SWIX Sport AS (Norway), NMI-Nordic Microfinance Initiative and Junior Achievement Europe.
Background	Citibank in New York (USA), Deutsche Bank (Germany), S G Warburg Co (UK), Citicorp (Hong Kong), SEB (Germany) and Stora Feldmühle (Germany). Executive Vice President of Investor and CEO of Investor. Several assignments as Chairman and Director of large public companies.	Broad experience from the financial business field. Managerial positions within Investor. CEO and founder of Lancelot Asset Management and Arbitech. Several directorships.	Price Waterhouse. Vice President and later CEO of Baltica Bank A/S. Vice President and Head of Finance of Novo Nordisk A/S. CEO of Kirkbi Group. CFO of Den Danske Bank A/S, LEGO Holding A/S and TDC A/S. Several directorships.	International Paper Co. Partner of Ferd AS. CEO of Ferd AS.
Nationality	Swedish	Swedish	Danish	Norwegian
Own and closely related persons' shareholdings	753,584 Class A shares and 720 Class C shares	10,440 Class A shares and 10,200 Class C shares	25,000 Class A shares	100,000 Class A shares
Independent in relation to bank/major shareholders	Yes/No	Yes/Yes	Yes/Yes	Yes/Yes
Attendance at Board/ Committee meetings[1)]	25 of 25 / 29 of 30	23 of 25	24 of 25 / 21 of 21	23 of 25
Remuneration, Board meetings, SEK	2,850,000	900,000	900,000	675,000
Remuneration, Committee meetings, SEK	790,000	–	950,000	–

● Chairman
● Deputy Chairman
● Member

1) Only meetings that are possible for the director to attend, without any conflicts of interest, are reflected.

Urban Jansson, Birgitta Kantola and Annika Falkengren left the Board in connection with the AGM 2017. Johan Torgeby was elected new member of the Board.

the bank's operations, organisation and future direction. The Board's size and composition is discussed and reviewed in terms of whether they have adequate knowledge, skills and experience, both in the financial and other sectors. The directors should also have sufficient time to perform their duties and understand the business and the main risks of the bank.

The composition of the Board shall adhere to applicable laws and regulations and to the Policy on Diversity and Assessment of Suitability of Directors, adopted by the Board. The Nomination Committee shall ensure diversity within the Board in terms of educational and professional background, gender, age and geographical provenance of the directors.

Furthermore, the Nomination Committee discusses succession matters with particular emphasis on continuity and long-term perspective in ensuring the Board's competence and composition.

The Nomination Committee for the 2018 AGM was appointed in the autumn of 2017. No special fee has been paid to the members of the Nomination Committee. ▶▶ *The Nomination Committee's proposals for decisions, including motivated account as regards directors is available on sebgroup.com*

Board of Directors

The Board has overall responsibility for the organisation, management and operations of the group.

The Board has adopted Rules of Procedure that regulate the Board's role and ways of working as well as special instructions for the Board's committees.

			
Signhild Arnegård Hansen	Samir Brikho	Winnie Fok	Tomas Nicolin
Director	Director	Director	Director
● RemCo	● RCC	● ACC	● RCC
2010	2013	2013	2009
1960	1958	1956	1954
B.Sc. (Human Resources) and journalism studies	M.Sc. (Engineering, Thermal Technology)	Bachelor of Commerce	B.Sc. (Econ.) and M.Sc. (Management)
Chairman of SnackCo of America Corp. Vice Chairman of the Swedish-American Chamber of Commerce (SACC) (USA). Director of Magnora, SACC New York, Business Sweden, ESBRI and King Carl XVI Gustaf's Foundation for Young Leadership.	UK Business Ambassador. Co-Chairman of the UK-UAE Business Council and the UK-ROK CEO Forum. Member of Advisory Boards of Stena. Chairman of the Step Change Charity.	Director of Volvo Car Corporation, G4S plc (UK). Member of the Investment Committee of HOPU Investments Co, Ltd. (Asia), senior advisor to FAM and WFAB.	Chairman of Centre for Justice. Director of Nordstjernan, Nobel Foundation and Axel and Margaret Ax:son Johnson's Foundation. Member of the Investment Committee of Niam Property Fund.
President of the family-owned company Svenska LantChips. Chairman of the Confederation of Swedish Enterprise. Vice Chairman of Business Europe. Director of Innventia, IFL at Stockholm School of Economics, Research Institute of Industrial Economics, Loomis Sverige and University of Lund.	Broad international experience from management and leadership, especially within the industrial sector. Leading positions within ABB, e.g. as Division Head and CEO of significant subsidiaries. Member of the GEC of ABB Ltd, (Switzerland). CEO of Amec Foster Wheeler plc, (UK).	Broad experience from the financial business field. Certified Public Accountant in Australia and in Hong Kong. Member of the Institute of Chartered Accountants in England and Wales. Industrial advisor and senior advisor to Investor and Husqvarna. CEO and Senior Partner of EQT Partners Asia Ltd and CEO of New Asia Partners Ltd.	Broad experience in the financial sector as CEO of Alecta, Third National Swedish Pension Fund and E. Öhman J:or Fondkommission as well as a leading position in Handelsbanken. Several directorships.
Swedish	Swedish, Swiss	British	Swedish
5,387 Class A shares	0 shares	3,000 Class A shares	66,000 Class A shares
Yes/Yes	Yes/Yes	Yes/Yes	Yes/Yes
24 of 25 / 8 of 8	24 of 25 / 6 of 9	21 of 25 / 7 of 8	25 of 25 / 13 of 14
675,000	675,000	675,000	675,000
387,500	345,000	250,000	345,000

The Board has the following duties, among others:

- deciding on the objective, strategy and framework for the business activities as well as the business plan
- regularly following up and evaluating the operations in relation to the objectives and guidelines established by the Board
- ensuring that the business is organised in such a way that the accounting, treasury management and the risks inherent in the business as well as financial conditions in all other respects are controlled in a satisfactory manner in accordance with external and internal rules
- deciding on major acquisitions and divestments as well as other major investments
- appointing or dismissing of the President, the members of the GEC, the Chief Risk Officer (CRO), and the Head of Group Internal Audit, as well as setting the remuneration of these individuals.

The Chairman of the Board organises and directs the work of the Board and ensures among other things that the directors on a regular basis receive information and education on changes in rules concerning the activities of SEB and on responsibilities of directors of a listed financial company. Educational and specialisation seminars are held each year, and new directors are offered seminars with information on and discussions about the group's various operations, including information about the control functions.

The directors are elected by the shareholders at the AGM for a one-year term. Since the 2017 AGM the Board has consisted of eleven AGM-elected directors, without deputies, and of two directors and two deputies who serve as employee representatives and are appointed by the trade unions. In order for a quorum to exist at a Board meeting, more than half of the directors must

Board of Directors (continued)

	Helena Saxon	Johan Torgeby	Sara Öhrvall
Position	Director	Director (President and CEO)	Director
Committee	● ACC		● RemCo until 15 August 2017[2]
Year elected	2016	2017	2016
Born	1970	1974	1971
Education	M.Sc. (Business and Econ.)	B.Sc. (Econ.)	M.Sc. (Econ.)
Other assignments	CFO at Investor. Director of Swedish Orphan Biovitrum.	Director of the Swedish Bankers' Association and of the Institute of International Finance.	Director of Investor, Bonnier News, Bonnier Books and Bisnode.
Background	Financial analyst at Goldman Sachs and Investor, CFO at Syncron International and Hallvarsson and Halvarsson. Investment Manager at Investor.	Portfolio Manager & Macro Economist (Swedbank), Executive Director, Financial Sponsors Group Private Equity at Morgan Stanley in London, Head of Client Coverage, Merchant Banking. Co-head of division Large Corporates & Financial Institutions.	Vice President Product Development, Niche cars, at Volvo Cars, Senior Vice President Research and Development at Bonnier, Founder of the consultancy network MindMill Network and CEO at Differ Strategy Consulting.
Nationality	Swedish	Swedish	Swedish
Own and closely related persons' shareholdings	12,500 Class A shares	5,567 Class A shares, 73,729 share rights and 81,247 conditional share rights	1,150 Class A shares
Independent in relation to bank/major shareholders	Yes/No	No/Yes	No/No
Attendance at Board/ Committee meetings[1]	24 of 25 / 8 of 8	14 of 14	24 of 25 / 5 of 5
Remuneration, Board meetings, SEK	675,000	–	675,000
Remuneration, Committee meetings, SEK	250,000	–	75,683

● Chairman
● Deputy Chairman
● Member

1) Only meetings that are possible for the director to attend, without any conflicts of interest, are reflected.
2) As of 16 August 2017, Sara Öhrvall participated in SEB's operational digitalisation work and, for that reason, she resigned from the work in RemCo. The remuneration for the assigment amounted to SEK 1,050,230.

be present. The President is the only AGM-elected director employed by the bank. The Nomination Committee has assessed the directors' independence in relation to the bank and the bank's management as well as in relation to shareholders controlling 10 per cent or more of the shares or votes and has found that the composition of the Board meets the requirements of the Code.

The work of the Board follows a yearly plan. In 2017, the Board held 25 meetings. The President attends all board meetings except those dealing with matters in which the President has an interest that may be in conflict with the interests of the bank, such as when the President's work is evaluated. Other members of management participate whenever required.

Directors' fees

SEB's AGM in 2017 set total fees of SEK 12,887,500 for the members of the Board and decided how these fees should be distributed among the Board and its committees. Directors' fees are paid on a running basis during the mandate period.

Following a recommendation by the Nomination Committee, the Board has adopted a policy that recommends that directors use 25 per cent of their fee to purchase and hold SEB shares up to an amount corresponding to one year's fee.

Board committees

The Board's overall responsibility cannot be delegated. However, the Board has established committees to handle certain defined issues and to prepare such issues for decision by the Board. At present, there are three committees: the Risk and Capital Committee (RCC), the Audit and Compliance Committee (ACC), and the Remuneration and Human Resources Committee (RemCo). These committees report to the Board on a regular basis. An important principle is that as many directors as possible shall participate in committee work. The Chairman of the Board serves as deputy chair of the three committees. Neither the President nor any other officer of the bank is a member of the committees.

Appointed by the employees




Anna-Karin Glimström	Håkan Westerberg	Annika Isenborg	Charlotta Lindholm
Director, appointed by the employees.	Director, appointed by the employees.	Deputy Director, appointed by the employees.	Deputy Director, appointed by the employees.
2016	2015 [3)]	2016 [4)]	2015
1962	1968	1967	1959
University studies in mathematics, statistics and law.	Engineering logistics.	University studies in working environment.	LLB
Chairman of Financial Sector Union of SEB group and Financial Sector Union Western section in SEB, Director EB-SB Fastigheter and EB-SB Holding.	Chairman of the Association of University Graduates at SEB.	First deputy Chairman of Financial Sector Union of SEB and Financial sector union regional club Group Operations of SEB.	Vice Chairman of the Association of University Graduates at SEB. Director of the Foundation of Alma Detthows.
Office manager and various other positions in SEB. Various specialist and leader roles within Trygg-Hansa. Director of SEB's Profit Sharing Foundation.	Sales manager at Trygg-Hansa in the property insurance business. SEB in various positions in systems management and IT development, currently Systems Management Advisor.	Employed at Fixed Income, group operations. Director of SEB's Profit Sharing Foundation and Result Premium Foundation.	Various client executive positions in several divisions and subsidiaries in the SEB. Presently client executive at Private Banking, Foundations.
Swedish	Swedish	Swedish	Swedish
0 shares and 805 conditional share rights	3,748 Class A shares and 805 conditional share rights	179 Class A shares and 1,610 conditional share rights	5,001 Class A shares and 805 conditional share rights
–	–	–	–
24 of 25	25 of 25	21 of 25	22 of 25
–	–	–	–
–	–	–	–

3) Deputy director 2011–2014 4) Deputy director 2014

Evaluation of the Board of Directors, the President and the Group Executive Committee

The Board uses an annual self-assessment method, which among other things includes a questionnaire, followed by discussions within the Board. Through this process the activities and work methods of the Board, the Chairman of the Board and the respective committees are evaluated. Among the issues examined are:

- the extent to which the individual directors take an active part in Board and committee discussions
- whether directors contribute independent opinions
- whether the meeting atmosphere facilitates open discussions.

The outcome of the evaluation is presented to and discussed by the Board and the Nomination Committee. The evaluation process and its outcome contribute to further improvement of the Board's work and help the Nomination Committee to determine the appropriate size and composition of the Board.

The Chairman of the Board formally evaluates each individual director's work once a year. Marcus Wallenberg does not participate in the evaluation of the Chairman's work, which in 2017 was directed by Tomas Nicolin. The Board evaluates the work of the President and the GEC on a continuous basis, without participation by the President or any other member of the GEC.

For the RemCo, appointing the new CEO, succession and competence planning as well as regulatory change were the key areas of attention in 2017. Appointment of the new CEO and other succession matters were prepared based on the committee's continuous focused work to secure an appropriate succession order, an important part of which is to monitor the bank's total competence pool. The committee also monitored SEB as an employer. Having a reputation as an inclusive and attractive employer is increasingly important to secure a diverse workforce leading the bank into the future. In 2017, the committee also addressed a new set of regulatory requirements that affect the bank's remuneration of employees."

Signhild Arnegård Hansen,
Chairman of RemCo

Remuneration and Human Resources Committee

The RemCo prepares, for decision by the Board, appointments of the President and the members of the GEC. The Committee develops, monitors and evaluates SEB's remuneration system and remuneration practice, incentive programmes and risk adjustment of deferred variable pay. Further, RemCo monitors and evaluates how the guidelines established by the AGM for remuneration of the President and the members of the GEC are applied. An independent auditor's review report on the adherence of SEB's remuneration system to the Remuneration Policy is presented to the Committee annually.

The RemCo reviews, in consultation with the RCC, SEB's Remuneration Policy and ensures that the bank's remuneration structure takes into account the risks and the cost of capital and liquidity. The analysis is among other things based on the risk analysis performed jointly by Group Risk, Group Compliance and Group HR.

In addition, the Committee oversees the group's pension obligations and, together with the RCC, the measures taken to secure the overall pension obligations of the group, including developments in the bank's pension foundations. The RemCo held eight meetings in 2017.

The President, together with the Head of Group HR, makes p resentations to the Committee on matters in which there are no conflicts of interest. *See the Remuneration Report on p. 64.*

RemCo members

Signhild Arnegård Hansen (Chairman), Marcus Wallenberg (Deputy Chairman) and Sara Öhrvall (until 15 August 2017.)

The RemCo's work in 2017:

- proposed appointment of new CEO
- reviewed the Remuneration Policy including the definition of employees in positions with a material impact on SEB's risk profile
- proposed remuneration guidelines for the President and members of the GEC
- developed long-term equity-based programmes
- proposed remuneration of the President and members of the GEC in accordance with the guidelines adopted by the AGM
- proposed remuneration of the Head of Group Internal Audit, the CRO and the Head of Group Compliance in accordance with the Remuneration Policy
- followed up remuneration principles, variable remuneration programmes and pension obligations
- followed up the annual group talent review and supported a framework on diversity and inclusion
- reviewed and discussed adaptations and implementation of regulations affecting the bank's remuneration structure.

On the Board's agenda in 2017

Q1

- AGM notification and AGM proposals
- Appointment of new CEO
- Macroeconomic review
- Balance sheet, capital and dividend policy
- Annual Report 2016
- Internal and external audit reports as well as Group Compliance report
- Financial governance model and financial targets
- Remuneration of the CEO, the GEC and control functions
- Statutory meeting
- Group talent review and succession planning

Q2

- Review of the Large Corporates & Financial Institutions Division
- Macroeconomic review
- Internal capital and liquidity assessment
- Remuneration Policy
- Deep analysis of IT and digitalisation work
- IT competence
- Follow-up of compliance with new regulations
- Review of the Baltic division.

Q3

- Follow-up of compliance with new regulations focusing on inter alia MiFID II and GDPR
- Review of digitalisation and transformation work within the Large Corporates & Financial Institutions Division
- Deep analysis of IT and digitalisation work
- Review of savings and investment offerings
- Review of competence matters
- Risk seminar

Q4

- Meeting with the Director General of the Swedish Financial Supervisory Authority
- Review of IT projects
- Review of the Corporate & Private Customers division
- Review of operations and reorganisation in Germany
- Recovery and Resolution plan
- Deep analysis of IT and digitalisation work
- Business plan, financial plans and forecasts
- Risk strategy
- Annual review of policies and instructions
- SEB's Code of Conduct
- Board evaluation
- Diversity and inclusion

In addition to the above, SEB's quarterly report, a report from the Board committees and a summary of SEB's risk position, asset quality, credit portfolio and liquidity position are on the Board's agenda each quarter.

Jesper Ovesen,
Chairman of both the RCC and the ACC

"For the RCC, regulatory development of capital requirements has continued to be a focus area in 2017. Other important areas addressed include monitoring of the credit portfolio, the Swedish household mortgage market and specific market segments such as the oil, gas and offshore industry. The RCC has also over the year followed up on a number of currently running projects to implement new regulatory requirements that will come into effect in 2018, including IFRS 9 which has had a significant impact on the financial reporting work during the year. The effect on capital adequacy will however be limited."

"Within the work of ACC, we note that since the last financial crisis, we have seen a large number of new regulations impacting banks and financial institutions. The need for internal control of regulatory compliance has increased and an in-depth understanding of potential risks in financial reporting, as a result of new IFRS requirements, has required extra attention from ACC. Other key issues for ACC during the year have been IT security, including access and authority controls, and preparatory work on procurement of new external auditor to meet the requirement of auditor rotation according to the EU Auditing Regulation."

Risk and Capital Committee

The RCC supports the Board in ensuring that SEB is organised and managed in such a way that all risks inherent in the group's business are controlled in accordance with the Board's risk tolerance as well as with external and internal rules. The RCC also monitors the group's capital situation on a continuous basis.

The RCC sets the principles and parameters for measuring and allocating risk and capital within the group and oversees risk management systems and the risk tolerance and strategy for the short and long term. The RCC prepares a recommendation for the appointment and dismissal of the CRO. It also decides on individual credit matters of major importance or of importance as to principles and assists the RemCo in providing a risk- and capital-based view on the remuneration system. The RCC held 14 meetings in 2017.

The group's Chief Financial Officer (CFO) has the overall responsibility for informing and submitting proposals to the RCC on matters related to capital and funding. The CRO has the same overall responsibility regarding risk and credit matters. The President, the CFO and the CRO regularly participate in the meetings. ▶▶ *The CRO function is described on p. 62. Information on risk, liquidity and capital management is provided on p. 44.*

RCC members

Jesper Ovesen (Chairman), Marcus Wallenberg (Deputy Chairman), Tomas Nicolin and Samir Brikho.

The RCC's work in 2017:

- monitored the implementation of internal rules including the credit policy and instruction
- monitored risk development
- monitored the macroeconomic development
- prepared matters concerning market and liquidity risk limits
- reviewed significant changes in the credit portfolio and of the credit process
- reviewed models and methods for risk measurement
- discussed adaptation to new capital requirements
- reviewed the overall capital and liquidity strategy and position including internal capital and liquidity assessment
- prepared matters concerning the group's capital goals and capital management, such as the dividend
- reviewed reports from internal audit and compliance
- held strategic discussions on holistic financial and balance sheet management.

Audit and Compliance Committee

The ACC supports the Board in its work with quality assurance of the bank's financial reporting, the internal control over the financial reporting and the reporting to supervisors. When required, the ACC also prepares, for decision by the Board, a recommendation for the appointment or dismissal of the Head of Group Internal Audit. The Committee maintains regular contact with the bank's external and internal auditors and discusses the co-ordination of their activities. The Committee also ensures that any remarks and observations from the auditors are addressed, and evaluates the external auditor' s work and independence.

When required, a proposal from the President's on appointment or dismissal of the Head of Group Compliance is subject to the Committee's approval.

The ACC held eight meetings in 2017. The CFO, the external auditors, the Head of Group Internal Audit and the Head of Group Compliance submit matters and reports for the Committee's consideration. The President, the CFO and the CRO regularly participate in the meetings. ▶▶ *See p. 66 for The Report on Internal Control over Financial Reporting.*

ACC members

Jesper Ovesen (Chairman), Marcus Wallenberg (Deputy Chairman), Winnie Fok and Helena Saxon.

The ACC's work in 2017:

- reviewed the annual accounts and interim reports as well as audit reports
- prepared for procurement of new external auditor
- monitored the group's internal audit
- monitored compliance issues
- monitored internal control over financial reporting
- monitored internal control over supervisory reporting
- monitored services, other than auditing services, procured from the external auditor
- drafted a recommendation to the Nomination Committee for election of the external auditor by the AGM
- adopted an annual audit plan for the Internal Audit function, co-ordinated with the external audit plan
- approved the annual Group Compliance plan
- held discussions with representatives of the external auditor on several occasions, without the President or any other member of the bank's management being present.

Group Executive Committee

		Position	GEC member since	SEB employee since	Born	Education	Nationality	Own and closely related persons' shareholdings[1)]
1	Johan Torgeby	President and CEO since 2017	2014	2009	1974	B.Sc. (Econ.)	Swedish	5,567 Class A shares, 73,729 sr and 81,247 csr.
2	Magnus Carlsson	Deputy President & CEO since 2014	2005	1993	1956	B.Sc. (Econ.)	Swedish	54,998 Class A shares , 68,297 sr and 158,801 csr.
3	Magnus Agustsson	Chief Risk Officer since 2017	2017	2009	1973	C.Sc and M.Sc	Icelandic and Finnish	8,744 Class A shares, 1,448 sr and 30,890 csr.
4	Jeanette Almberg	Head of Group Human Resources since 2016	2016	2008	1965	B.Sc. (Econ.)	Swedish	10,343 Class A shares, 22,683 sr and 38,537 csr.
5	Joachim Alpen	Executive Vice President. Head of the Large Corporates & Financial Institutions division since 2017	2014	2001	1967	MBA, M.A. (International relations)	Swedish	6,112 Class A shares, 113,999 sr and 78,347 csr.
6	Jan Erik Back	Executive Vice President, Chief Financial Officer since 2008	2008	2008	1961	B.Sc. (Econ.)	Swedish	60,968 Class A shares, 124,711 sr and 168,985 csr.
7	Viveka Hirdman-Ryrberg	Head of Group Communications and Group Marketing since 2009. Chairman of the Corporate Sustainability Committee.	2009	1990	1963	B.Sc. and Lic. Sc. (Econ.)	Swedish	62,761 Class A shares, 43,633 sr and 56,231 csr.
8	Martin Johansson	Head of Business Support since 2011	2009	2005	1962	B.Sc. (Econ.)	Swedish	236 Class A shares, 46,255 sr and 139,219 csr.
9	Christoffer Malmer	Executive Vice President, Co-head of the Corporate & Private Customers division since 2016	2014	2011	1975	B.A. (International business)	Swedish	59,321 Class A shares and 74,437 csr.
10	David Teare	Head of the Life & Investment Management division since 2017	2011	2006	1963	B. Comm.	Canadian	54,675 Class A shares, 60,652 sr and 75,811 csr.
11	Mats Torstendahl	Executive Vice President, Co-head of the Corporate & Private Customers division since 2016	2009	2009	1961	M.Sc. (Engineering Physics)	Swedish	104,218 Class A shares, 56,913 sr and 168,046 csr.
12	Riho Unt	Head of the Baltic division since 2016	2016	2001	1978	MBA, MA (Public Administration)	Estonian	43,485 Class A shares, 7,336 sr and 32, 617 csr.

Additional members

		Position	GEC member since	SEB employee since	Born	Education	Nationality	Own and closely related persons' shareholdings[1)]
13	Johan Andersson	Country Manager SEB Germany since 2016	2009	1980	1957	B.Sc. (Econ.)	Swedish	50,800 Class A shares, 22 Class C shares and 747 csr.
14	Peter Høltermand	Country Manager SEB Denmark since 2002	2011	1997	1963	B.Sc. (Econ.)	Danish	179 Class A shares, 17,493 sr, 32,415 csr and 53,524 cps.
15	Rasmus Järborg	Chief Strategy Officer since 2015	2015	2008	1976	M.Sc. (Econ.)	Swedish	5,598 Class A shares, 28,386 sr and 60,153 csr.
16	Marcus Nystén	Country Manager SEB Finland since 2010	2014	1998	1960	M.Sc. (Econ.)	Finnish	119,847 Class A shares, 22,924 csr and 37,583 cps.
17	William Paus	Country Manager SEB Norway since 2010	2011	1992	1967	M.Sc. (Econ.)	Norwegian	52,900 Class A shares, 30,456 csr and 32,029 cps.

1) Abbrevations in the table: sr = share rights, csr = conditional share rights, cps = conditional phantom shares

The President
The Board has adopted an instruction for the President's duties and role. The President, who is also the Chief Executive Officer, is responsible for administrating the bank's business and risk in accordance with the strategy, guidelines, policies and instructions established by the Board. The President reports to the Board and submits at each board meeting a report on, among other things, the performance of the business in relation to decisions made by the Board.

The President appoints the Heads of Divisions, the Head of Business Support and Heads of the various staff and support functions that report directly to the President.

The President's committees
The President has three main committees at his disposal for the purpose of managing the operations:

The Group Executive Committee (GEC)
To safeguard the interests of the group as a whole, the President consults with the GEC on matters of major importance or of importance as to principles. The GEC deals with, among other things, matters of common concern to several divisions, strategic issues, sustainability, business plans as well as financial forecasts and reports. The GEC held 31 meetings in 2017.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The Asset and Liability Committee (ALCO)
The ALCO, chaired by the President and with the CFO as deputy chair, is a group-wide decision-making, monitoring and consultative body. The ALCO, which held eleven meetings in 2017, handles the following matters, among others:
- financial stability, particularly in the new regulatory framework
- strategic capital and liquidity issues, including internal capital allocation and principles for internal pricing
- structural issues and issues related to the bank's balance sheet and business volumes
- financing of wholly-owned subsidiaries
- the balance sheet and funding strategy for the SEB group.

The Group Risk Committee (GRC)
The GRC, chaired by the President and with the CRO as deputy chair, is a group-wide, decision-making committee that addresses all types of risk at group level in order to evaluate portfolios, products and customers from a comprehensive risk perspective. The GRC held 61 meetings in 2017.

The GRC is tasked with:
- making important credit decisions
- ensuring that all risks inherent in the group's activities are identified, defined, measured, monitored and controlled in accordance with internal and external rules
- supporting the President in ensuring that decisions regarding the group's long-term risk tolerance are followed in the business organisation
- ensuring that the Board's guidelines for risk management and risk control are implemented and that the necessary rules and policies for risk-taking in the group are maintained and enforced.

Divisions and business areas
The Board regulates the activities of the group through an instruction concerning the group's operations and has laid down rules establishing how the group's divisions, including the international activities conducted through branches and subsidiaries, are to be governed and organised.

SEB's business is organised in four divisions. Each division is responsible for the subsidiaries designated to the division. The Head or Co-heads of Division have overall responsibility for the activities in the business areas and appoint, after consultation with the President, heads of the business areas within the division.

A Country Manager is appointed in a country outside Sweden where SEB operates. The Country Manager co-ordinates the group's business locally and reports to a specially designated member of the GEC.

Sustainability aspects
An operational steering committee has been assigned by the President to take responsibility for and monitor the bank's sustainability work. The committee is chaired by the Head of Group Communications, who is a member of the Group Executive Committee. Senior representatives from the divisions and group functions are also members. The committee is supported by the Group Sustainability function, which drives and co-ordinates the overall sustainability agenda. Responsibility for the daily sustainability work lies with the heads of business areas and group functions as well as local sustainability committees. Special committees may be formed to deal with specific sustainability matters when needed.

Business support and staff functions
Business Support is a cross-divisional function established to leverage economies of scale in processes, IT and Information Security. Business Support covers such areas as transaction processing, development, maintenance and operation of IT systems, and management of SEB's IT portfolio.

SEB's staff functions have global responsibility and support the organisation.

The CRO function
The CRO function is independent from the business and is responsible for identifying, measuring, analysing and controlling SEB's risks.

The Chief Risk Officer (CRO) is appointed by the Board and reports to the President. The CRO keeps the Board, the RCC, the ACC, the GEC, the ALCO and the GRC regularly informed about risk matters. The CRO has global functional responsibility, and the activities of the CRO are governed by and set out in an instruction adopted by the Board. The CRO function is organised in two units: Group Risk and Group Credits.

Group Risk handles the group's risks. It aggregates and analyses risk data across risk types and the group's credit portfolios, handles models for risk-weighting as well as general matters surrounding risk governance and risk disclosure.

Group Credits is responsible for managing the credit approval process, for certain individual credit decisions and for monitoring compliance with policies set by the RCC and the Board. Its activities are regulated by the group's Credit Instruction, adopted by the Board. The chairs of the respective divisional credit commit-

On the GEC agenda in 2017
- macroeconomic updates
- discussion on new regulations, such as MiFID II, IFRS 9, GDPR, AML4 and PSD II
- annual accounts and quarterly reports
- AGM preparations
- review of the bank's various businesses and home markets
- follow up of current Business Plan 2016-2018 and discussion on new Business Plan
- discussion on capital requirements, asset quality and risk
- review of, and discussion on, the digitalisation work including development and launch of enhanced customer functionality as well as internal automation initiatives
- review and discussion on IT, including investments and security
- discussion on strategic investments and co-operation with fintech and digitalisation companies
- discussion on customer satisfaction, branding and image position as well as customer insight work
- review of SEB's Code of Conduct
- employee Insight survey 2017 – discussion of survey result and actions
- development of corporate sustainability
- review of outsourced activities
- discussion on Open Banking
- review process for handling of customer complaints
- annual review of policies and instructions
- discussion on inclusion, diversity and #metoo
- review of competence and leadership development
- workshop on risks

tees have the right to veto credit decisions. Material exceptions to the group's Credit Policy must be escalated to a higher level in the decision-making hierarchy.

The Head of Group Risk and the Group Credit Officer are appointed by the President, upon recommendation by the CRO, and report to the CRO. *For information about risk, liquidity and capital management see p. 44.*

Group Compliance

The Compliance function in the SEB group (Group Compliance) is independent from the business organisation. The tasks of Compliance are to inform, control and follow up on compliance matters. The Group Compliance function also advises the business and management, thereby securing that SEB's business is carried out in compliance with regulatory requirements, and promote trust from customers, shareholders and the financial markets.

Special areas of responsibility are:

- customer protection
- conduct on the financial market
- prevention of money laundering and financing of terrorism
- regulatory systems and controls.

The Head of Group Compliance, who is appointed by the President after approval by the ACC, reports regularly on compliance matters to the President, the GEC and the ACC, and annually to the RCC and the Board. Based on an analysis of the group's risks in this area, the President adopts, after approval by the ACC, an annual compliance plan. The Instruction for Compliance is adopted by the Board.

One compliance matter in 2017 was that SEB was subject to a disciplinary action from Nasdaq related to the resignation of Annika Falkengren as CEO; breaching insider information rules by not preparing an insider register at the proper time during a weekend (when the stock exchange was closed).

Group Internal Audit

Group Internal Audit is a group-wide control function commissioned by the Board to independently evaluate the group's activities. The Head of Group Internal Audit is appointed by the Board.

The main task of Group Internal Audit is to evaluate and give assurance to the Board and the President that governance, risk management and internal controls are adequate and effective. The work is done with a risk-based approach in accordance with the methodology developed by the Institute of Internal Auditors.

Each year the ACC adopts a plan for the work of Internal Audit. The Head of Internal Audit reports the findings of completed audits, actions taken and the status of previously reported findings to the ACC and also provides reports to the RCC and the Board.

Auditor
Peter Nyllinge
PricewaterhouseCoopers

Peter Nyllinge

Born 1966; Auditor of SEB, Partner in charge as of 2012. Authorised Public Accountant, President of PwC Sweden. Other major assignments: Electrolux and Fagerhult. Previous major assignments: Ericsson, Securitas and Assa Abloy.

Information about the auditor

According to SEB's Articles of Association, the bank shall have at least one and not more than two auditors with at most an equal number of deputies. A registered accounting firm may be appointed auditor.

PricewaterhouseCoopers AB has been the bank's auditor since 2000 and was re-elected in 2017 for the period up to and including the 2018 AGM.

The fees charged by the auditor for the auditing of 2016 and 2017 financial years and for other assignments invoiced during these periods are shown in the table below.

Fees to the auditor SEK m

	2017	2016
Audit assignment	30	27
Audit-related services	21	16
Tax advisory	12	11
Other	5	4
Total [1]	**69**	**58**

1) Of which PricewaterhouseCoopers SEK 65m (55).

The President and GEC are regularly informed about internal audit matters. Group Internal Audit's work is evaluated in a quality assessment, at least every fifth year, by an independent party. Group Internal Audit co-ordinates its work covering the bank's financial reporting with the bank's external auditor. The bank's external auditor relies to some extent on the work of Group Internal Audit in its assignment to review the group's financial reporting. This requires that the external auditor evaluates Group Internal Audit's work. The conclusion of this evaluation is reported to the ACC and Group Internal Audit.

SEB's organisation

President & CEO

Large Corporates & Financial Institutions | Corporate & Private Customers | Baltic

Life & Investment Management

Business Support (IT Service Delivery, IT Services and Operations)

Group Staff & Control Functions (CFO, CRO, Strategy, HR, Legal, Marketing and Communications)

Remuneration report

SEB aims to attract and retain committed and competent employees who are eager to develop and contribute to the bank's long-term success. Employee remuneration should encourage high performance, sound and responsible behaviour based on SEB's values, and risk-taking that is aligned with the level of risk tolerance set by the Board of Directors. The ambition is to promote the employees' long-term commitment to creating sustainable value for customers and shareholders.

The total remuneration reflects the complexity, responsibility and leadership skills required in each position as well as the performance of the individual employee. SEB applies a performance and development process that is based on transparent and individual goals and is used as a foundation for setting employee remuneration. Performance is evaluated on the basis of financial and non-financial goals, with SEB's values as a starting point.

Remuneration Policy

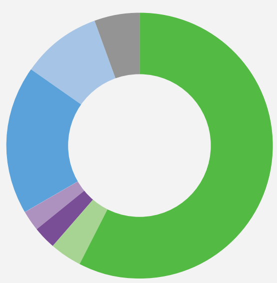
Remuneration principles for SEB are laid out in SEB's Remuneration Policy, which is revised annually. The Board's Remuneration and Human Resources Committee (RemCo) drafts revisions for adoption by the Board. The policy stipulates that remuneration shall be aligned with the bank's strategy, goals, values and long-term interests, and assurances shall be made that conflicts of interest are avoided. The policy also reflects Swedish and international rules and regulations. *For information on RemCo, see p. 58.*

In consultation with the Board's Risk and Capital Committee, RemCo reviews the Remuneration Policy and verifies that the remuneration structure takes into account the bank's risks, long-term earnings capacity, and cost of liquidity and capital. This review is based on, among other things, a risk analysis performed jointly by Group Risk, Group Compliance and Group Human Resources.

The Remuneration Policy lays out the principles for identifying employees in positions with a material impact on the group's risk profile (Identified Staff), who are subject to special rules on how remuneration is to be set and paid out. In 2017 a total of 989 positions (1,167) at SEB were categorised as Identified Staff. The policy also specifies how the bank identifies and compensates employees who can impact the risk profiles of mutual funds, who provide investment advice or have a material impact on the services and products offered.

Finally, the Policy stipulates that employees in control functions shall be remunerated in a manner that is independent of the business areas that they oversee and is commensurate with their key roles in the organisation, as well as is based on goals that are compatible with their functions.

Staff costs SEK m



	2017
Base salary	8,073
All Employee Programme	546
Share Deferral Programme	412
Short-term incentive programme	324
Social charges	2,543
Pensions	1,354
Other staff costs	773

Remuneration structure

The bank's remuneration structure consists mainly of base salary and variable remuneration as well as pensions and other benefits.

Base salary

The base salary, which accounts for most of an employee's remuneration, shall be competitive and commensurate with the employee's experience, responsibility and long-term performance. It shall also be in line with industry peers in the respective geographical markets in which SEB operates.

Variable remuneration

Variable remuneration consists of long-term equity-based programmes and, to a limited extent, individual cash-based variable remuneration.

All variable remuneration is based on SEB's risk-adjusted performance. The variable remuneration models are adapted to applicable rules governing, among other things, the maximum share of the employee's base salary, the deferred portion of remuneration, and the right to reduce and withhold deferred remuneration that has not yet been paid out. For Identified Staff, variable remuneration may not exceed 100 per cent of their base salary.

The variable remuneration models are based on financial and non-financial key ratios at group level. Individual variable remuneration is also based on the performance of the employee's unit and includes an annual evaluation of performance and behaviours at the individual level. Non-financial goals take into account such factors as development of customer satisfaction, compliance and sustainability factors with respect to the bank's own environmental impact as well as the integration of sustainability into the business model. At the individual level, key parameters are compliance with rules and policies for risk-taking in the group, SEB's Code of Conduct and demands on internal controls of the business areas.

Long-term equity-based programmes

Equity-based remuneration is a means to attract and retain staff with key competence. It is also an incentive for employees to become shareholders of SEB, which creates a long-term commitment that is aligned with the shareholders' interests. Regulatory requirements for financial institutions require that variable remuneration shall consist largely of equity or equity-related instruments. SEB's long-term equity programmes are evaluated on a continuous basis throughout the year by RemCo, which also monitors the employees' participation in the programmes. SEB conducts a dialogue with institutional investors on the structure and content of the programmes.

The 2017 Annual General Meeting (AGM) resolved on two separate programmes for the year, the SEB All Employee Programme 2017 (AEP) and the SEB Share Deferral Programme 2017 (SDP).

In both programmes there is a possibility of risk adjustment for both current and future risks. The final outcome may therefore subsequently be reduced partially or completely in accordance with current rules, among other things taking into account the bank's earnings and the capital and liquidity required for the business operations.

Individual cash-based variable remuneration

Approximately ten per cent of employees are eligible for individual cash-based variable remuneration (short-term incentive

Remuneration in SEB in 2017

SEK thousands

	Base salary	Cash-based variable remuneration	Expensed amount long-term equity based programmes	Benefits	Total	Pensions
President and CEO Johan Torgeby [1)]	7,125		1,523	112	**8,760**	2,625
President and CEO Annika Falkengren [2)]	2,875			168	**3,043**	1,250
Other members of the GEC [3)]	49,225		15,489	1,854	**66,568**	16,918
Total	**59,225**	**0**	**17,012**	**2,134**	**78,371**	**20,793**
SEB excluding GEC	8,014,211	665,751	599,238	89,940	**9,369,141**	1,333,007
SEB Total	**8,073,436**	**665,751**	**616,250**	**92,074**	**9,447,512**	**1,353,800**

1) President and CEO as of 29 March. All amounts refer to the period 29 March -31 December. During this time J. Torgeby did not exercise any rights.
2) President and CEO up until 28 March. All amounts refer to the period 1 January - 28 March. During this time A. Falkengren did not exercise any rights.
3) The number and composition differ somewhat during the year but on average eleven members are included. The GEC, excluding the President, exercised rights to a value of SEK 23,030,558.

programme, STI), and only in operations in which it is standard market practice, such as investment banking. STI is used only when it entails low or no residual risk for SEB. For employees who receive variable remuneration above a certain level, a portion of this remuneration must be deferred. In 2017, STI accounted for 2 per cent (3) of SEB's total staff costs.

Remuneration of the President and members of the Group Executive Committee

SEB's Board of Directors decides on the remuneration of the President and other members of the Group Executive Committee (GEC) based on a recommendation by RemCo. Their remuneration shall be in line with the guidelines set by the AGM.

Total remuneration for the members of the GEC is based on the main components of base salary, long-term equity-based remuneration (SDP), and pensions and other benefits. No cash-based variable remuneration is paid, and the members of the GEC are not eligible for the AEP. Pension plans for members of the GEC are defined-contribution solutions, with the exception of a defined benefit component provided under collective agreements. The pension plans are in line with the SEB group's Pension Policy. A maximum of five days of vacation can be accumulated per year.

For termination of employment initiated by the bank, a maximum of 12 months' severance pay is payable, after the notice period. SEB has the right to deduct income earned from other employment from any severance pay.

RemCo evaluates the guidelines for salary and other benefits paid to the President and other GEC members on a continuous basis throughout the year. To perform this evaluation, RemCo obtains information from the Head of Group Human Resources, the Head of Group Internal Audit and the external auditor, and with respect to GEC members, also from the President. In addition, comparative studies are made yearly with relevant sectors and markets. The result of such studies is a significant factor in setting the total level of remuneration for members of the GEC. This internal and external information facilitates RemCo in its work on ensuring that remuneration at SEB is aligned with the market and is competitive.

Prior to the 2017 AGM the bank's external auditor issued a statement to the Board assuring that SEB has adhered to the guidelines for salary and other remuneration for the President and other GEC members set by the 2016 AGM.

▸▸ *For further information about SEB's remuneration structure, see note 9 and the AGM information on sebgroup.com.*

The SEB All Employee Programme (AEP) 2017 is a profit-sharing programme for employees in most of the countries where SEB operates. Half of the outcome is paid in cash, and the other half is deferred for three years. The deferred amount is paid out in SEB Class A shares or in cash, adjusted for the total return on SEB Class A shares. Payment of the deferred part normally requires that the individual remains employed during the three years of the programme. The programme's targets are set in SEB's business plan and consist of the financial targets for return on equity and the bank's cost development, and of the non-financial target for customer satisfaction.

All Employee Programmes

	2017 [1)]	2016 [2)]
Number of participants	15,000	15,000
Outcome in relation to maximum amount [3)], %	56	56
Shares allotted, thousands	2,538	2,666
Market value per 31 December, SEKm	244	255
Total cash per participant [4)]	42,000	42,000

Payout year: 1) 2020, 2) 2019, 3) SEK 75,000, 4) in Sweden

The SEB Share Deferral Programme (SDP) 2017 is a programme for members of GEC, certain other senior managers and a number of other key employees, up to 2,000 in total. The participants are granted an individually determined number of conditional share rights based on the fulfilment of predetermined group, business unit and individual targets outlined in SEB's business plan. In addition to the AEP targets, the SDP is based on parameters such as compliance, employee commitment, sustainability work and risk management. The remuneration normally requires that the individual remains employed during the three years of the programme. In addition is a period of up to three years with restricted right of disposal. The reward may be forfeited if the performance on which it was initially based subsequently needs to be revised downward and/or the individual is found to be responsible for actions that are incompatible with internal rules and guidelines.

Share Deferral Programmes

	2017	2016
Number of participants	1,448	1,374
Shares allotted, thousands	4,646	5,611
Market value per 31 December, SEKm	447	536

Ownership transferred to the individual after 3 or 5 years.

Internal control over financial reporting

Internal Control over Financial Reporting (ICFR) is a well-established process designed to provide reasonable assurance regarding the reliability of financial reporting and reduce the risk for misstatements. ICFR is based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and is conducted by SEB in a yearly cycle as described below.

Perform risk assessment

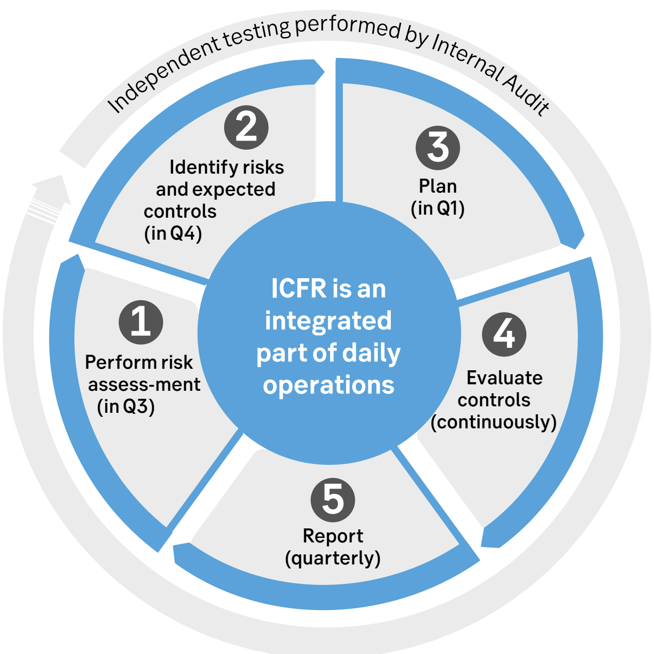
In order to identify and understand which risks exist, financial results and balance sheets are analysed at SEB group and unit levels. These risk assessments are used to determine which units, processes and systems are to be covered by the ICFR process in the coming year according to the materiality principle.

Identify risks and expected controls

People with expertise in the business and finance functions evaluate if the controls are effective, if new risks have been identified and if new controls need to be in place to cover the risks more effectively. The controls are communicated to involved parties within the bank in order to clarify expectations and responsibilities. The framework consists of group-wide controls as well as controls of processes and IT – for example, analysis of the balance sheet and income statement, account reconciliations and controls of system access.

Plan

Every year a plan is prepared based on the risk assessments and expected controls. The plan clarifies who is responsible for evaluating the respective controls within each unit, what type of evaluation should be conducted and how the results are to be reported. At this stage the plan is coordinated with the plans of internal and external audit.



Evaluate controls

The controls are evaluated on a continuous basis throughout the year by the control owners through self-assessments. In this way the bank's weaknesses can be identified, compensating controls can be implemented and improvements can be made. Furthermore, reporting is done quarterly by financial managers to gain an assurance of the reported figures from each unit. The evaluation describes material financial reporting risks (if there are any) and comments on material deviations compared with earlier quarters.

Report

The results of the evaluations of controls are analysed to assess the risk for misstatements in the financial reporting. ICFR monitoring reports are submitted on a quarterly basis to SEB's group CFO in connection with the quarterly external financial reporting. Reporting is also done to the Audit and Compliance Committee (ACC) once a year. The group-level ICFR report includes a description of the residual risk, an assessment of identified control gaps and whether they are compensated by other controls, and how the work with gap remediation activities is progressing. The report contributes to transparency in the SEB organisation and enables prioritisation of improvement activities based on the residual risk.

In addition to this process, Internal Audit independently tests controls within the ICFR framework.

The 2017 main focus areas

In addition to the ongoing work during 2017, the following main areas were in focus within the ICFR framework:

- The reporting standard IFRS 9 Financial Instruments took effect on 1 January 2018 and replaced IAS 39 Financial Instruments. The new standard has a significant impact on the bank's reported results, the ways of working and the system support. In 2017 new controls were developed to follow up the transition and to ensure that the new reporting is fair and reliable.
- Variable remuneration and pensions are complex areas, which were prioritised during the year. New controls were developed in 2016 and were followed up and evaluated in 2017.

Sustainability Report 2017

About this report

This report describes how the SEB Group works with sustainability as stipulated by the Swedish Annual Accounts Act, more specifically in the areas:

- Human rights
- Labour rights and social relations
- Anti-corruption
- Environment.

The report covers SEB Group, that is, the parent company Skandinaviska Enskilda Banken AB (publ) and its subsidiaries (*see note 25*). Key aspects of SEB's sustainability work, such as risk management, corporate governance and staff composition, remuneration and benefits, are included in other parts of SEB's Annual Report. The policy on diversity applied for the Board is also described in the corporate governance report *see p. 54.* SEB reports according to the framework Global Reporting Initiative, GRI Standards, core option.

For a general description of the sustainability work, see SEB's Sustainability Overview 2017, which includes the GRI Index.

SEB's auditor, PwC, has been engaged to perform limited assurance procedures for both SEB's Sustainability Report 2017 and SEB's Sustainability Overview 2017.

About SEB's business

SEB is a leading Nordic financial services group, guided by a strong belief that entrepreneurial minds and innovative companies are key to creating a better world.

In Sweden and the Baltic countries, SEB offers financial advice and a wide range of financial services to corporates and private individuals. In Denmark, Finland, Norway, Germany and in the United Kingdom the bank's operations focus on a full-service offering to corporate and institutional customers. The bank strives to provide customers with services that are insightful, transparent and accessible on their terms. *Read more about SEB's business model on p. 6–7.*

Approach to sustainability

In the course of its business, SEB directly and indirectly impacts the markets and communities where it operates. The most important impact is presented first, being it direct or indirect.

SEB defines corporate sustainability as its delivery of long-term value in economic, ethical, social and environmental terms. Therefore, SEB integrates corporate sustainability in its activities by taking a broad business approach and targeting three areas – Responsible Business, People and Community, and Environment.

SEB believes that maintaining trust among relevant stakeholders is of paramount importance. Equally, SEB recognises the importance of integrating sustainability aspects into its own business as well as contributing to sustainable development globally and thus supporting, for example, the United Nations' Sustainable Development Goals (SDG). During 2017, sustainability aspects were further strengthened in SEB's business planning, risk and credit processes, and were increasingly included in product development.

The bank adheres to applicable laws and regulations and maintains high ethical standards. SEB's Corporate Sustainability Policy, the Code of Conduct as well as internal rules and procedures are in place, supported by a culture based on openness, business acumen and SEB's core values.

Policies and guidelines

SEB has adopted global initiatives and international codes of conduct which guide business decisions and the overall sustainability work.
These include:

- UN Global Compact
- UN Universal Declaration of Human Rights
- The eight ILO Core Conventions on Labour Standards
- UN Guiding Principles on Business and Human Rights
- Children's Rights and Business Principles
- OECD Guidelines for Multinational Enterprises
- UN-supported Principles for Responsible Investments (PRI)
- UN Environment Programme Finance Initiative (UNEPFI)
- Equator Principles.

In the area of sustainability, SEB abides by the Corporate Sustainability Policy, the Environmental Policy, the Human Rights Policy, Code of Conduct, Code of Conduct for suppliers and the Tax Policy. SEB has three position statements (Child Labour, Climate Change and Fresh Water) and six sector polices (Arms and Defence, Forestry, Fossil Fuel, Mining and Metals, Renewable Energy and Shipping). These provide guidelines on best practice as well as on the international conventions and standards that the bank adheres to and encourages its customers to follow. SEB aims to work with customers and portfolio companies towards improved business practices.

The table below shows which SEB policies and position statements that are particularly applicable to each of the four sections in this report.

	Human rights	Labour rights and social relations	Anti-corruption	Environment
Corporate Sustainability Policy	✔	✔	✔	✔
Environmental Policy				✔
Human rights Policy	✔	✔	✔	
Tax policy		✔		
Code of Conduct	✔	✔	✔	
Code of conduct for suppliers	✔	✔	✔	✔
Position statement on child labour	✔	✔		
Position statement on fresh water				✔
Position statement on climate change				✔

The Corporate Sustainability Policy provides a description of how the bank reviews the adherence to the Corporate Sustainability Policy, other related polices and international commitments.

Principles applicable for the four sections in this report

Asset management

SEB's investment management strategy is based on continuous engagement with the companies that SEB invests in. This means that SEB, through positive selection, includes companies that excel in environmental, social and governance aspects. In addition, SEB can also exclude companies that do not abide by SEB's sustainability criteria. All SEB mutual funds exclude companies involved in production or marketing of controversial weapons and the development or production of nuclear weapons programmes. Furthermore, SEB's sustainable and ethical funds do not invest in companies that fail to respect international conventions and guidelines.

SEB engages directly in a dialogue with companies' managements and boards of directors regarding how to make improvements in issues related to human rights, labour rights and social relations, anti-corruption and environment. SEB also works in collaboration with each respective fund manager. As regards international companies, SEB collaborates with other investors as well as with partners like Hermes EOS, Institutional Investors Group on Climate Change (IIGCC), Carbon Disclosure Project (CDP) and PRI Clearinghouse.

Mutual funds from suppliers other than SEB (external funds) are evaluated by a special fund analyst team. All new external fund management companies are required to sign the Principles for Responsible Investment (PRI) or to follow an equivalent sustainability framework internally, and to exclude controversial weapons.

Financing and credit granting

SEB takes great care to know its customers well and views responsible financing and credit granting as a cornerstone of its business, creating sustainable customer and shareholder value. SEB includes risks and opportunities related to environmental, social and governance aspects in the credit review. In the customer dialogues, the bank engages on the same aspects on a regular basis. These aspects include human rights, labour rights and social relations, anti-corruption and environment. The aim is to understand the customers' challenges and opportunities so that SEB can make the appropriate credit considerations and be a better business partner.

During the year, the credit risk rating process was further strengthened to be more automated when it comes to data gathering, reports and data storage. In addition, sustainability factors have been included in the system support for this process. For project financing, SEB has adhered to the Equator Principles since 2007, requiring the project owner to conduct due diligence in the appraisal phase of the project.

Suppliers

SEB has established, and maintains, procedures to evaluate and select suppliers and contractors, based on financial, environmental and social aspects. This includes human rights, labour rights, social relations and anti-corruption. These aspects are taken into account in procurement decisions along with commercial aspects. SEB monitors suppliers' processes and performance where appropriate. ▶▶ *Read more about SEB's process at sebgroup.com*

Human Rights

SEB's approach to human rights issues particularly influences how it manages employees, suppliers and relationships with customers and portfolio companies. It is an intrinsic part of SEB's commitment to ethical business. SEB's aim is to avoid causing, contributing to, or being complicit through direct linkage to adverse human rights impact. Respecting and promoting human rights supports SEB's business strategy and relationships with key stakeholders. SEB requires the same commitment to human rights from its corporate customers and works to identify potential human rights abuse within its own operations and in its business relationships. SEB's starting point is to use its leverage to prevent and mitigate potential risks.

In its business, SEB is guided by global initiatives, international standards, SEB's policies and position statements, all listed on p. 67.

Indirect impact

Areas where SEB can potentially contribute or have linkage to indirect impact are categorised into asset management, financing and credit granting, and suppliers. SEB assesses these areas in order to detect possible violations against human rights. Based on prioritisation, proportionality and leverage, findings are acted upon to prevent, mitigate and remediate potential impact. SEB expects its customers and portfolio companies to follow the Universal Declaration of Human Rights.

Asset management

In addition to SEB's general principles regarding asset management outlined to the left, specifically in the area of human rights, SEB funds do not invest in companies that fail to respect international conventions and guidelines, such as the Universal Declaration of Human Rights and the UN Global Compact.

In 2017, particular focus was on the human rights in the extractive sector and on access to medicine in developing countries.

Financing and credit granting

In addition to SEB's general principles regarding financing and credit granting outlined to the left, it shall be noted that human rights aspects are a crucial part. The bank engages with customers on a regular basis on aspects concerning human rights in order to understand their challenges and opportunities so that SEB can make the appropriate credit considerations and be a better business partner.

Direct impact

Customers

The right to privacy is one of the UN's Universal Human Rights. The trust of SEB's customers is the foundation for the bank's activities and is based on respect for and protection of the customers' privacy. SEB is working actively to be compliant with the General Data Protection Regulation (GDPR), the reformed data protection legislation that will enter into force in all EU member countries in 2018. The GDPR will strengthen the individuals' rights in terms of how their data is managed by companies. ▶▶ *See p. 51.*

Employees

As an employer, SEB has a responsibility to ensure that all employees are treated equally and with respect. Everyone should be given the same opportunities for professional and personal development. SEB rejects all forms of discrimination and harassment, whether this is based on an individual's ethnic or national origin, gender, skin colour, faith, religion, citizenship, age, disability, civil status or sexual orientation. This is equally important in relation to customers and other stakeholders as in relation to colleagues.

SEB performs an employee survey each year where all employees get the opportunity to anonymously rate the company in various areas such as work environment, employee engagement, and internal collaboration.

KPI	2017	2016
SEB funds managed with human rights criteria, as share of Fund Company AuM, per cent:	100	14

Labour rights and social relations

SEB works proactively to achieve a sound workplace. A healthy work environment is essential to the well-being of the bank's employees and thereby lays the foundation for successful business results. Values and mindset as well as individual ability, development and potential are important long-term success factors for being part of SEB's team. The business shall be underpinned by strong ethics and good governance, long-term relationships and highly committed people who, based on the core values, work towards the corporate strategy.

In its business, SEB is guided by global initiatives, international standards, SEB's policies and position statements. ▶▶ *See p. 67.*

Learning and development

Continuous learning is an important prerequisite for the ability to adapt to new circumstances. The bank has a wide range of programmes that are accessible through a digital platform, which provides courses that are specific for SEB as well as courses offered by external suppliers. A total of 600 courses are offered in categories such as IT, project management, service design, languages, finance, sales, leadership, sustainability and communication. Identifying talents and promoting competence development are part of a manager's responsibilities. Employees also have individual responsibility for their development. This is monitored at least yearly in the individual Performance and Development Discussions (PDDs) that are conducted by employees and their managers.

Direct impact

Labour rights

All of SEB's employees are covered by collective or local agreements or labour law. A continuous dialogue is carried on with employees, employee representatives and with trade unions. SEB has had a European Works Council (EWC) since 2003. The representatives are elected in accordance with Swedish legislation and are in proportion to the number of employees employed in each EEA (European Economic Area) country where SEB is represented. The EWC gives the employee representatives the opportunity to consult with each other and develop a common transnational mindset and view. Employees are also represented on SEB's Board of Directors through two directors and two deputy directors. All organisational changes in Sweden are negotiated with employee representatives.

Health and safety

A safe and sound work environment combined with good health and work/life balance form the foundation for SEB's employees' performance and job satisfaction. In SEB, managers have overall responsibility to promote well established working conditions. In Sweden, SEB has strengthened its support for managers with employees on sick leave, related to stress and workload, by offering professional telephone support. All employees are responsible for contributing to a sound balance between work and leisure time in order to limit stress-related problems. An annual work environment inspection together with the manager is mandatory within all parts of SEB. The bank follows national health and safety legislation in the countries where it operates as well as the European Framework Directive on Safety and Health at Work.

Inclusion and diversity

Inclusion and diversity among employees are important factors to build relationships with an increasingly diverse customer base and to improve the capacity for innovation. SEB believes that different perspectives enhance creativity and problem solving and contribute to good decisions. All employees shall be offered equal opportunities to develop individually, regardless of gender, ethnicity, age, sexual orientation or religion. SEB strives to achieve gender balance at every level within the organisation and to increase the share of employees with an international background. The bank is working actively, both in terms of structures and processes and in specific initiatives, to increase the number of women in higher operative roles and in senior leader roles.

In 2017, SEB initiated a process to further focus on inclusion and diversity within the bank. The Board of Directors adopted a strategy describing the way forward for strengthening inclusion and diversity in SEB. The implementation will begin in 2018.

Indirect impact

Asset management

In addition to SEB's general principles regarding asset management outlined on p. 68, specifically in the area of labour rights and social relations, the funds do not invest in companies that fail to respect international conventions and guidelines, such as the UN Global Compact and the eight ILO Core Conventions on Labour Standards.

Financing and credit granting

In addition to SEB's general principles regarding financing and credit granting outlined on p. 68, it shall be noted that the area of labour rights and social relations are a crucial part. The bank engages with customers on a regular basis on aspects concerning labour rights and social relations in order to understand their challenges and opportunities so that SEB can make the appropriate credit considerations and be a better business partner.

Direct and indirect impact

Corporate citizenship

SEB sees the need for knowledge sharing in societies where the bank operates. SEB can thereby empower people to make more informed financial decisions and contribute to better functioning societies. SEB supports local communities and shares both time and money, working with carefully chosen partners. Focus is on future generations in the areas of innovation and entrepreneurship, financial literacy and social inclusion.

KPI	**2017**	2016
Employees with collective or local bargaining agreement or covered by labour law, per cent	100	100
Gender by management type (male/female), per cent		
All managers, per cent	53/47	54/46
Senior managers, per cent	69/31	69/31
Group Executive Committee, per cent	83/17	75/25

Anti-corruption

SEB's reputation is built on insightful customer relationships, where a strong risk culture based on business acumen and professional conduct is essential. SEB's Code of Conduct and core values, mandatory training, and dialogues on ethical and value-related dilemmas strengthen awareness of the importance of conduct. SEB actively counteracts all forms of corruption, in line with rules and regulations. These include external as well as internal incidents, processes and behaviours related to corruption.

In its business, SEB is guided by global initiatives, international standards, SEB's policies and position statements. ▶▶ *See p. 67.*

Direct impact

SEB aims to detect and prevent financial crime such as fraud, money laundering and financing of terrorism as well as insider trading and market manipulation.

SEB is committed to continuously strengthen the capability to detect and prevent financial crime across the whole group. The bank monitors official registers of individuals and organisations that could be linked to money laundering, fraud and terrorism. Sophisticated systems are used to monitor transactions for suspicious behaviour associated with money laundering, financing of terrorism and market abuse. Suspicious activities are reported to the relevant authorities.

SEB believes that a strong Know-Your-Customer (KYC) process is the best method of preventing money laundering and financing of terrorism. The bank shall always ensure the identity of the customers and any person acting on behalf of a customer as well as understand the control and ownership structure of its customers. SEB monitors ongoing business relationships by verifying and documenting that transactions carried out match the customer's risk profile, business and source of funds. Enhanced due diligence is applied for customers, products and countries where there is a higher risk that the bank can be used for money laundering and financing of terrorism.

Bribery

SEB does not tolerate the bank becoming involved in or associated with bribery under any circumstances. No SEB employee, board member, independent contractor, consultant or other party associated with SEB may be involved directly or indirectly in offering, promising, giving, soliciting, or accepting a bribe. A bribe means any payment or other benefit that is intended or can reasonably be expected to influence a person's performance of their duty. In case employees encounter them, they should report them to their line manager and Group Compliance. SEB does not pay so-called facilitation payments (i.e., payments not stipulated in law or other regulations that are levied by public officials for the formal handling of cases at courts or other authorities).

Employee training

SEB's employees play a key role in the ability to discover suspicious behaviour and transactions, and thereby prevent these types of crimes. SEB offers various types of training for employees, including an education package with e-learning, films and working material. Four digital training sessions are mandatory for all employees – the Code of Conduct (including work against corruption), Anti-money laundering, Prevention of fraud and Cyber security. All new employees must complete these sessions within the first three months of employment. Existing employees are required to complete them every three years.

Whistleblowing process

SEB has a whistleblowing process for reporting irregularities. If an employee or other person should discover possible unethical or unlawful behaviour, the observation should be reported. The identity of the reporter will be kept confidential during the subsequent follow-up, enquiries and discussions relating to the matter, provided that the bank is not obliged by law to disclose it.

Notifications come from employees, but could also come from customers, suppliers and other stakeholders.

In 2017, SEB's whistleblowing process was strengthened and it is now also possible to report via an external digital service, called WhistleB. The service is entirely outside of SEB and meets the most stringent security requirements regarding encryption, data security and protection of the whistleblower's identity.

Indirect impact

SEB engages directly with its customers and portfolio companies on issues related to environmental, social and governance aspects, including anti-corruption issues.

Asset management

In addition to SEB's general principles regarding asset management outlined on p. 68, specifically in the anti-corruption area the funds do not invest in companies that fail to respect international conventions and guidelines, such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

Financing and credit granting

In addition to SEB's general principles regarding financing and credit granting outlined on p. 68, it shall be noted that the area of anti-corruption is a crucial part. The bank engages with customers on a regular basis on ethical aspects, including anti-corruption, in order to understand their challenges and opportunities so that SEB can make the appropriate credit considerations and be a better business partner.

KPI	**2017**	2016
SEB employees that have completed the code of conduct training (including anti-corruption), per cent	91	63
Suspicious AML activity reports, number	504	489

Environment

Among environmental risks and opportunities, global climate change is the most serious challenge. SEB recognises the importance of limiting the average global temperature rise to well below the 2°C target, which makes a transition to a low-carbon economy vital. SEB is working to reduce both its direct and indirect impact.

In its business, SEB is guided by global initiatives, international standards, SEB's policies and position statements. ▸▸ *See p. 67.*

Indirect impact

Climate- and environment related issues are becoming increasingly important financial risk factors. Rightly managed, they can also be opportunities. Extreme weather, sea level rise and long-term climate change affect billions of people in rural areas as well as in cities. As a bank, SEB's largest environmental impact is indirect through its asset management business, and its financing and credit granting.

Asset management

In addition to SEB's general principles regarding asset management outlined on p. 68, SEB's focus is on reducing carbon emissions in its investment management activities. SEB has put a cap on coal and does not invest in companies involved in thermal coal extraction, i.e., mining activities in which thermal coal accounts for more than 20 per cent of the company's or group's turnover. SEB is actively engaged with European energy companies, where coal as an energy source exceeds 10 per cent, to reduce carbon emissions by using other fuel alternatives. Since 2017, SEB is also engaged, together with Institutional Investors Group on Climate Change, (IIGCC), targeting the world's 100 largest carbon emitters in order to reduce emissions globally.

SEB is continuously developing its mutual fund offering. The sustainability funds exclude companies that extract coal, gas and oil and focus on positive selection in the portfolio management, i.e., inclusion of companies with effective waste management, low carbon emissions and good water usage.

Financing and credit granting

In addition to SEB's general principles regarding financing and credit granting outlined on p. 68, the bank engages with customers on a regular basis on environmental aspects (climate, waste, effluents, emissions, biodiversity and resource usage). The aim is to understand the customers' challenges and opportunities so that SEB can make the appropriate credit considerations and be a better business partner.

SEB has a strong focus on green financing solutions, such as green bonds. Per 2017, SEB is the third largest green bond underwriter in the world. In 2017, SEB issued its first own green bond of EUR 500 million. The capital is earmarked for loans for green initiatives and solutions and is offered to large companies and financial institutions, municipalities, county councils and housing associations. Major categories in SEB's green bond is hydropower, wind power, clean transportation and sustainable forestry. In 2018, SEB will report on the impact from the green bond to the investors.

SEB has established a green framework in order to have a clear definition of what is "green". This Green Bond Framework and Strategy, together with SEB's Environmental Policy and the accompanying sector policies, provide a robust basis for ensuring that SEB's Green Bonds promote low-carbon and climate change resilient investments.

SEB has decided to shift away from coal. Since 2015, SEB does not provide financing for new coal-fired power plants. Financing can only be considered for new coal-fired plants with committed use of technologies, such as "carbon capture", which substantially reduce greenhouse gas emissions. SEB can support legacy customers in making environmentally beneficial improvements in their transformation away from coal.

Transparency and reporting

SEB believes it is important that businesses understand and respond to climate risks as well as seize opportunities to contribute to building a more resilient and sustainable global economy. Regulators in the EU and Sweden increasingly take environmental risks into consideration in their monitoring. G20 Finance Ministers and Central Bank Governors have instructed the Financial Stability Board (FSB) to review how the financial sector can take climate-related issues into account. The FSB has established an industry-led task force: the Task Force on Climate-related Financial Disclosures (TCFD) to support informed investment, lending, and insurance underwriting decisions and improve understanding and analysis of climate-related risks and opportunities. SEB has followed this work closely. SEB intends to draw on the knowledge from the report and develop internal processes in order to transparently describe climate-related financial risks.

SEB has signed the Montreal Carbon Pledge international climate agreement and thereby commits to annually report on its carbon footprint. Since 2017, 92 per cent of SEB's equity funds are annually measured and reported on SEB's website. As one of the first banks, SEB has started to report on the climate footprint of its mutual funds from all three central emission areas (scope 1–3) according to the Greenhouse Gas Protocol, which gives a more accurate picture. The calculations are based on the Fund Management Association's guidelines for fund companies operating in the Swedish market.

Direct impact

Although SEB's major environmental impact is indirect, the bank recognises the importance of and works actively to also reduce its direct environmental impact. Between 2008 and 2015, the bank reduced its carbon emissions by 54 per cent. The target is a further 20 per cent reduction of emissions and electricity consumption for the period 2016 to 2020. Business travel is the most challenging source of carbon emissions. Even though there has been a reduction in emissions from company cars and paper use, the increase in travelling in 2017 resulted in a status quo when comparing the total SEB carbon emissions with 2016.

Business travel

Compared with 2016, emissions from business travel increased by 3 per cent in 2017. Air travel distance has increased as well as train travel distance. This shows that the initiatives SEB has taken to encourage alternative ways of meeting are not enough. Further efforts must be made into making alternatives to physical travelling available.

Energy use

SEB's electricity consumption decreased by 7 per cent in 2017. The major part of electricity used is based on renewable sources, 91 per cent (88). The use of district heating has increased in 2017, resulting in a slight decrease of about 1 per cent of SEB's total energy usage. The emissions from energy use are about the same in 2017 as in 2016.

Paper consumption

In 2017, SEB reduced total paper consumption by 10 per cent. The bank continued to digitalise annual statements to private customers, e.g. for fund accounts as well as for saving accounts. This has resulted in a decrease of 47 per cent, from 14.8 million to 7.7 million paper sheets.

Company cars

Carbon emissions from company cars decreased by 15 per cent in 2017 compared to 2016. During the same period, carbon emissions from the average SEB company car decreased by 1 per cent.

KPI	**2017**	2016
SEB equity funds where carbon emission is measured, per cent	92	N/A
SEB's total carbon emissions [1], tonnes	20,537	20,437
Total carbon emissions [1]/employee, tonnes	1.37	1.34

1) Include the areas business travel, energy use, paper consumption and company cars.

Financial statements – Contents

Income Statement

SEB Group

SEK m	Note	2017	2016[1]	Change, %
Interest income		*36,472*	*35,202*	*4*
Interest expense		*–16,580*	*–16,464*	*1*
Net interest income	4	19,893	18,738	6
Fee and commission income		*23,196*	*22,500*	*3*
Fee and commission expense		*–5,472*	*–5,872*	*–7*
Net fee and commission income	5	17,725	16,628	7
Net financial income	6	6,880	7,056	–3
Dividends		*77*	*170*	*–55*
Profit and loss from investments in associates		*–38*	*218*	
Gains less losses from investment securities		*203*	*371*	*–45*
Other operating income		*870*	*70*	
Net other income	7	1,112	829	34
Total operating income		**45,609**	**43,251**	**5**
Staff costs	9	–14,025	–14,422	–3
Other expenses	10	–6,947	–6,619	5
Depreciation, amortisation and impairment of tangible and intangible assets	11	–964	–771	25
Total operating expenses		**–21,936**	**–21,812**	**1**
Profit before credit losses		**23,672**	**21,439**	**10**
Gains less losses from tangible and intangible assets	12	–162	–150	8
Net credit losses	13	–808	–993	–19
Operating profit before items affecting comparability		**22,702**	**20,296**	**12**
Items affecting comparability	49	–1,896	–5,429	–65
Operating profit		**20,806**	**14,867**	**40**
Income tax expense	15	–4,562	–4,249	7
NET PROFIT		**16,244**	**10,618**	**53**
Attributable to shareholders		16,244	10,618	53
Basic earnings per share, SEK	16	7.49	4.88	
Diluted earnings per share, SEK	16	7.46	4.85	

1) Items affecting comparability restated, see note 49.

Statement of comprehensive income

SEB Group

SEK m	2017	2016	Change, %
NET PROFIT	**16,244**	**10,618**	**53**
Items that may be reclassified subsequently to profit or loss:			
Valuation gains (losses) during the year	−2,166	968	
Income tax on valuation gains (losses) during the year	397	−84	
Transferred to profit or loss for the year[1)]	1,122	103	
Income tax on transfers to profit or loss for the year	−261	3	
Available-for-sale financial assets	**−909**	**990**	**−192**
Valuation gains (losses) during the year	−1,536	−1,064	44
Income tax on valuation gains (losses) during the year	338	234	44
Transferred to profit or loss for the year[2)]	−11	24	
Income tax on transfers to profit or loss for the year	2	−5	
Cash flow hedges	**−1,207**	**−811**	**49**
Translation of foreign operations	−17	327	
Taxes on translation effects	313	423	−26
Translation of foreign operations	**296**	**750**	**−61**
Items that will not be reclassified to profit or loss:			
Remeasurement of pension obligations, including special salary tax	−528	−3,624	−85
Valuation gains (losses) on plan assets during the year	2,556	1,183	116
Deferred tax on pensions	−1,244	566	
Defined benefit plans	**784**	**−1,875**	
OTHER COMPREHENSIVE INCOME	**−1,036**	**−946**	**10**
TOTAL COMPREHENSIVE INCOME	**15,208**	**9,672**	**57**

1) Other income.
2) Net interest income.

Attributable to shareholders	15,208	9,672	57

The method used to hedge currency risks related to foreign operations creates a tax expense (tax income) in the parent company. Fair value changes on the hedging instruments impact the taxable result contrary to the currency revaluation of the foreign operations. In the Group this tax effect is reported in Other comprehensive income.

Balance sheet

SEB Group

31 December, SEK m	Note	2017	2016	Change, %
Cash and cash balances at central banks	18	177,222	151,078	17
Other lending to central banks		12,778	66,730	–81
Loans to credit institutions	18, 19	34,715	50,527	–31
Loans to the public	19	1,484,803	1,453,019	2
Securities held for trading		*157,885*	*162,516*	*–3*
Derivatives held for trading		*98,281*	*198,271*	*–50*
Derivatives held for hedging		*6,587*	*14,084*	*–53*
Financial assets – designated at fair value through profit or loss		*313,203*	*410,155*	*–24*
Financial assets at fair value through profit or loss	22	575,955	785,026	–27
Fair value changes of hedged items in a portfolio hedge		93	111	–16
Available-for-sale financial assets	23	27,776	35,747	–22
Investment accounted for using the equity method		*472*	*268*	*76*
Other investments in associates		*842*	*970*	*–13*
Investments in subsidiaries and associates	24, 25	1,314	1,238	6
Intangible assets		*10,718*	*11,405*	*–6*
Property and equipment		*1,130*	*908*	*24*
Investment properties		*203*	*7,845*	*–97*
Tangible and intangible assets	28	12,052	20,158	–40
Current tax assets		*5,255*	*5,978*	*–12*
Deferred tax assets		*260*	*1,329*	*–80*
Tax assets	15	5,515	7,307	–25
Trade and client receivables		*13,040*	*7,635*	*71*
Other financial assets		*19,007*	*29,239*	*–35*
Other non-financial assets		*11,316*	*12,244*	*–8*
Other assets	29	43,362	49,118	–12
Non-current assets and disposal groups classified as held for sale	48	184,011	587	
TOTAL ASSETS		**2,559,596**	**2,620,646**	**–2**
Deposits from central banks and credit institutions		89,076	119,864	–26
Deposits and borrowing from the public		1,004,721	962,028	4
Liabilities to policyholders – investment contracts		*284,291*	*296,618*	*–4*
Liabilities to policyholders – insurance contracts		*18,911*	*107,213*	*–82*
Liabilities to policyholders	30	303,202	403,831	–25
Debt securities issued		614,033	668,880	–8
Liabilities held for trading		*28,879*	*38,845*	*–26*
Derivatives held for trading		*84,571*	*173,348*	*–51*
Derivatives held for hedging		*863*	*1,303*	*–34*
Financial liabilities at fair value through profit or loss	31	114,313	213,496	–46
Fair value changes of hedged items in a portfolio hedge		1,046	1,537	–32
Current tax liabilities		*1,463*	*2,184*	*–33*
Deferred tax liabilities		*8,079*	*8,474*	*–5*
Tax liabilities	15	9,542	10,658	–10
Trade and client payables		*13,142*	*8,926*	*47*
Other financial liabilities		*33,766*	*30,609*	*–100*
Other non-financial liabilities		*18,720*	*16,889*	
Other liabilities	32	65,629	56,424	16
Provisions	33	3,009	2,233	35
Subordinated liabilities	34	32,390	40,719	–20
Liabilities of disposal groups classified as held for sale	48	178,710		
Total liabilities		**2,415,671**	**2,479,670**	**–3**
Share capital		*21,942*	*21,942*	
Other reserves		*4,403*	*5,439*	*–19*
Retained earnings		*117,581*	*113,595*	*4*
Shareholders' equity		143,925	140,976	2
Total equity		**143,925**	**140,976**	**2**
TOTAL LIABILITIES AND EQUITY		**2,559,596**	**2,620,646**	**–2**

Statement of changes in equity

SEB Group

SEK m		Other reserves					
2017	Share capital [3]	Available-for-sale financial assets	Cash flow hedges	Translation of foreign operations	Defined benefit plans	Retained earnings	Total Shareholders' equity [4]
Opening balance	21,942	1,638	2,399	–1,193	2,595	113,595	**140,976**
Net profit						16,244	**16,244**
Other comprehensive income (net of tax)		–909	–1,207	296	784		**–1,036**
Total comprehensive income		**–909**	**–1,207**	**296**	**784**	**16,244**	**15,208**
Dividend to shareholders [1]						–11,935	**–11,935**
Equity-based programmes [2]						–246	**–246**
Change in holding of own shares						–78	**–78**
CLOSING BALANCE	**21,942**	**729**	**1,192**	**–897**	**3,379**	**117,581**	**143,925**
2016							
Opening balance	21,942	648	3,210	–1,943	4,470	114,471	**142,798**
Change in valuation of insurance contracts						–440	**–440**
Adjusted opening balance	**21,942**	**648**	**3,210**	**–1,943**	**4,470**	**114,031**	**142,358**
Net profit						10,618	**10,618**
Other comprehensive income (net of tax)		990	–811	750	–1,875		**–946**
Total comprehensive income		**990**	**–811**	**750**	**–1,875**	**10,618**	**9,672**
Dividend to shareholders [1]						–11,504	**–11,504**
Equity-based programmes [2]						433	**433**
Change in holding of own shares						17	**17**
CLOSING BALANCE	**21,942**	**1,638**	**2,399**	**–1,193**	**2,595**	**113,595**	**140,976**

1) Dividend paid in 2017 for 2016 was SEK 5.50 (5.25) per Class A share and SEK 5.50 (5.25) per Class C share. Proposed dividend for 2017 is SEK 5.75. Further information can be found in the chapter Shareholders and the SEB share on page 29–31. Dividend to shareholders is reported excluding dividend on own shares.

2) As of 31 December 2015 SEB owned 0.9 million Class A shares for the long-term incentive programmes. In 2016 5.5 million Class A shares were sold as stock options were exercised. During 2016, SEB also repurchased 29.8 million Class A shares. As of 31 December 2016 SEB owned 25.2 million Class A shares with a market value of SEK 2,406m. Another 5.0 million Class A shares have been sold during 2017 as stock options were exercised. During 2017, SEB repurchased 7.0 million Class A shares. As of 31 December 2017 SEB owned 27.1 million Class A shares with a market value of SEK 2,612m.

3) 2,170,019,294 Class A shares (2,170,019,294); 24,152,508 Class C shares (24,152,508).

4) Information about capital requirements can be found in Note 20 Capital adequacy.

Cash flow statement

SEB Group

SEK m	2017	2016	Change, %
Interest received	37,724	35,507	6
Interest paid	−17,690	−17,515	1
Commission received	23,196	22,500	3
Commission paid	−5,472	−5,872	−7
Net received from financial transactions	14,748	−7,621	
Other income	197	74	166
Paid expenses	−21,200	−21,464	−1
Taxes paid	−4,560	−3,159	44
Cash flow from the income statement	**26,943**	**2,450**	
Increase (–)/decrease (+) in portfolios	−8,683	62,438	
Increase (+)/decrease (–) in issued short-term securities	−55,228	31 344	
Increase (–)/decrease (+) in lending to credit institutions and central banks	69,280	−31,024	
Increase (–)/decrease (+) in lending to the public	−34,853	−104,145	−67
Increase (+)/decrease (–) in liabilities to credit institutions	−30,773	1,361	
Increase (+)/decrease (–) in deposits and borrowings from the public	43,010	78,243	−45
Increase (–)/decrease (+) in insurance portfolios	−180	329	
Change in other assets	17,343	3,281	
Change in other liabilities	21,141	−866	
Cash flow from operating activities	**48,000**	**43,411**	**11**
Sales of shares and bonds	761	1,075	−29
Sales of intangible and tangible fixed assets	70	110	−36
Dividends received	77	170	−55
Investments/divestments in shares and bonds	−86	−52	65
Investments in intangible and tangible assets	−259	−451	−43
Cash flow from investing activities	**564**	**852**	**−34**
Issue of subordinated loans		17,682	−100
Repayment of subordinated loans	−7,169	−9,196	−22
Dividend paid	−11,935	−11,504	4
Cash flow from financing activities	**−19,104**	**−3,018**	
NET CHANGE IN CASH AND CASH EQUIVALENTS	**29,460**	**41,245**	**−29**
Cash and cash equivalents at beginning of year	158,315	110,770	43
Exchange rate differences on cash and cash equivalents	−3,346	6,300	
Net increase in cash and cash equivalents	29,460	41,245	−29
CASH AND CASH EQUIVALENTS AT END OF PERIOD[1)]	**184,429**	**158,315**	**16**

1) Cash and cash equivalents are disclosed in note 18.

Reconciliation of liabilities from financing activities

Opening balan ce	40,719	31,372	30
Cash flows	−7,169	8,486	
Non-cash flow, currency exchange	−327	1,156	
Non-cash flow, fair value changes	−600	−335	79
Non-cash flow, interest accruals	−233	40	
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**32,390**	**40,719**	**−20**

Income Statement

In accordance with the Swedish Financial Supervisory Authority regulations

Skandinaviska Enskilda Banken

SEK m	Note	2017	2016	Change, %
Interest income	4	32,285	29,022	11
Leasing income	4	5,481	5,443	1
Interest expense	4	−17,750	−15,223	17
Dividends		6,981	6,581	6
Fee and commission income	5	12,153	11,648	4
Fee and commission expense	5	−2,596	−2,805	−7
Net financial income	6	4,493	4,642	−3
Other income	7	1,342	817	64
Total operating income		**42,390**	**40,125**	**6**
Administrative expenses	8	−14,252	−15,039	−5
Depreciation, amortisation and impairment of tangible and intangible assets	11	−6,377	−5,775	10
Total operating expenses		**−20,629**	**−20,814**	**−1**
Profit before credit losses		**21,761**	**19,311**	**13**
Net credit losses	13	−749	−789	−5
Impairment of financial assets[1)]		−1,497	−3,841	−61
Operating profit		**19,515**	**14,681**	**33**
Appropriations	14	1,885	2,437	−23
Income tax expense	15	−3,633	−2,877	26
Other taxes	15	43	137	−69
NET PROFIT		**17,811**	**14,378**	**24**

1) As a result of impairment test in SEB Group, impairment of shares in subsidiaries has affected the parent company in Q1 2016 with an amount of SEK 2,687m.

Statement of comprehensive income

Skandinaviska Enskilda Banken

SEK m	2017	2016	Change, %
NET PROFIT	**17,811**	**14,378**	**24**
Items that may be reclassified subsequently to profit or loss:			
Valuation gains (losses) during the year	–1,920	982	
Income tax on valuation gains (losses) during the year	314	–85	
Transferred to profit or loss for the year[1)]	933	299	
Income tax on transfers to profit or loss for the year	–205	–66	
Available-for-sale financial assets	**–878**	**1,130**	
Valuation gains (losses) during the year	–1,536	–1,064	44
Income tax on valuation gains (losses) during the year	338	234	44
Transferred to profit or loss for the year[2)]	–11	24	
Income tax on transfers to profit or loss for the year	2	–5	
Cash flow hedges	**–1,207**	**–811**	**49**
Translation of foreign operations	–8	25	
Translation of foreign operations	**–8**	**25**	
OTHER COMPREHENSIVE INCOME	**–2,093**	**344**	
TOTAL COMPREHENSIVE INCOME	**15,718**	**14,722**	**7**

1) Other income.
2) Net interest income.

The method used to hedge currency risks related to foreign operations creates a tax expense (tax income) in the parent company. Fair value changes on the hedging instruments impact the taxable result contrary to the currency revaluation of the foreign operations. In the Group this tax effect is reported in Other comprehensive income.

Balance sheet

Skandinaviska Enskilda Banken

31 December, SEK m	Note	2017	2016	Change, %
Cash and cash balances at central banks	18	97,741	70,671	38
Loans to credit institutions	18, 19	192,591	287,059	–33
Loans to the public	19	1,196,824	1,172,095	2
Securities held for trading		*157,628*	*162,335*	*–3*
Derivatives held for trading		*97,640*	*147,124*	*–34*
Derivatives held for hedging		*6,580*	*12,649*	*–48*
Other financial assets at fair value through profit and loss		*9*	*87*	*–90*
Financial assets at fair value through profit and loss	22	261,857	322,195	–19
Fair value changes of hedged items in a portfolio hedge		32		
Available-for-sale financial assets	23	10,521	12,063	–13
Investments in associates	24	1,032	1,025	1
Shares in subsidiaries	25	50,567	50,611	
Intangible assets		*1,597*	*2,023*	*–21*
Property and equipment		*34,487*	*35,163*	*–2*
Tangible and intangible assets	28	36,084	37,186	–3
Current tax assets		*1,999*	*2,990*	*–33*
Tax assets		1,999	2,990	–33
Trade and client receivables		*12,871*	*7,234*	*78*
Other financial assets		*22,282*	*29,177*	*–24*
Other non-financial assets		*7,761*	*7,538*	*3*
Other assets	29	42,914	43,949	–2
TOTAL ASSETS		**1,892,163**	**1,999,844**	**–5**
Deposits from central banks and credit institutions		127,539	168,852	–24
Deposits and borrowing from the public		822,151	782,584	5
Debt securities issued		610,292	664,186	–8
Liabilities held for trading		*28,879*	*38,845*	*–26*
Derivatives held for trading		*86,127*	*132,861*	*–35*
Derivatives held for hedging		*863*	*972*	*–11*
Financial liabilities at fair value through profit and loss	31	115,869	172,678	–33
Current tax liabilities		*684*	*855*	*–20*
Deferred tax liabilities		*336*	*677*	*–50*
Tax liabilities		1,020	1,532	–33
Trade and client payables		*11,782*	*7,945*	*48*
Other financial liabilities		*34,350*	*29,922*	*15*
Other non-financial liabilities		*10,466*	*8,211*	*27*
Other liabilities	32	56,598	46,078	23
Provisions	33	113	80	41
Subordinated liabilities	34	32,390	40,719	–20
Total liabilities		**1,765,972**	**1,876,709**	**–6**
Untaxed reserves	35	**21,429**	**21,761**	**–2**
Share capital		*21,942*	*21,942*	
Restricted reserves		*13,425*	*12,701*	*6*
Other reserves		*1,476*	*3,571*	*–59*
Retained earnings		*50,108*	*48,782*	*3*
Net profit		*17,811*	*14,378*	*24*
Total equity		**104,762**	**101,374**	**3**
TOTAL LIABILITIES, UNTAXED RESERVES AND TOTAL EQUITY		**1,892,163**	**1,999,844**	**–5**

Statement of changes in equity

Skandinaviska Enskilda Banken

SEK m	Restricted equity		Non-restricted equity[4]				
2017	Share capital[3]	Restricted reserves	Available-for-sale financial assets	Cash flow hedges	Translation of foreign operations	Retained earnings	Total Equity
Opening balance	21,942	12,701	1,458	2,400	−287	63,160	**101,374**
Net profit						17,811	**17,811**
Other comprehensive income (net of tax)			−878	−1,207	−8		**−2,093**
Total comprehensive income			**−878**	**−1,207**	**−8**	**17,811**	**15,718**
Dividend to shareholders[1]						−11,935	**−11,935**
Equity-based programmes[2]						−333	**−333**
Change in holding of own shares						−62	**−62**
Other changes		724				−724	
CLOSING BALANCE	**21,942**	**13,425**	**580**	**1,193**	**−295**	**67,917**	**104,762**
2016							
Opening balance	21,942	12,260	328	3,211	−312	60,351	**97,780**
Net profit						14,378	**14,378**
Other comprehensive income (net of tax)			1,130	−811	25		**344**
Total comprehensive income			**1,130**	**−811**	**25**	**14,378**	**14,722**
Dividend to shareholders[1]						−11,504	**−11,504**
Equity-based programmes[2]						342	**342**
Change in holding of own shares						34	**34**
Other changes		441				−441	
CLOSING BALANCE	**21,942**	**12,701**	**1,458**	**2,400**	**−287**	**63,160**	**101,374**

1) Dividend paid in 2017 for 2016 was SEK 5.50 (5.25) per Class A share and SEK 5.50 (5.25) per Class C share. Proposed dividend for 2017 is SEK 5.75. Further information can be found in the chapter Shareholders and the SEB share on page 29–31. Dividend to shareholders is reported excluding dividend on own shares.

2) As of 31 December 2015 SEB owned 0.9 million Class A shares for the long-term incentive programmes. In 2016 5.5 million Class A shares were been sold as stock options were exercised. During 2016, SEB also repurchased 29.8 million Class A shares. As of 31 December 2016 SEB owned 25.2 million Class A shares with a market value of SEK 2,406m. Another 5.0 million Class A shares have been sold during 2017 as stock options were exercised. During 2017, SEB repurchased 7.0 million Class A shares. As of 31 December 2017 SEB owned 27.1 million Class A shares with a market value of SEK 2,612m.

3) 2,170,019,294 Class A shares (2,170,019,294); 24,152,508 Class C shares (24,152,508).

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

Cash flow statement

Skandinaviska Enskilda Banken

SEK m	2017	2016	Change, %
Interest received	30,730	29,464	4
Interest paid	−11,230	−11,028	2
Commission received	12,516	11,884	5
Commission paid	−2,965	−3,064	−3
Net received from financial transactions	14,222	−7,811	
Other income	−1,423	−3,634	−61
Paid expenses	−13,399	−14,050	−5
Taxes paid	−2,355	−3,531	−33
Cash flow from the profit and loss statement	**26,096**	**−1,770**	
Increase (−)/decrease (+) in trading portfolios	−3,871	74,866	
Increase (+)/decrease (−) in issued short-term securities	−54,279	33,673	
Increase (−)/decrease (+) in lending to credit institutions	102,644	−122,367	
Increase (−)/decrease (+) in lending to the public	−27,417	−93,180	−71
Increase (+)/decrease (−) in liabilities to credit institutions	−41,358	34,094	
Increase (+)/decrease (−) in deposits and borrowings from the public	39,847	92,301	−57
Change in other assets	2,144	−5,987	
Change in other liabilities	8,733	−5,924	
Cash flow from operating activities	**52,540**	**5,706**	
Dividends received	6,981	6,581	6
Investments/divestments in shares and bonds	594	2,079	−71
Investments in intangible and tangible assets	−1,482	−742	100
Cash flow from investment activities	**6,094**	**7,918**	**−23**
Issue of subordinated loans		17,682	−100
Repayment of subordinated loans	−7,169	−9,196	−22
Dividend paid	−11,935	−11,504	4
Cash flow from financing activities	**−19,104**	**−3,018**	
NET CHANGE IN CASH AND CASH EQUIVALENTS	**39,530**	**10,606**	
Cash and cash equivalents at beginning of year	91,932	77,493	19
Exchange rate differences on cash and cash equivalents	−5,174	3,833	
Net increase in cash and cash equivalents	39,530	10,606	
CASH AND CASH EQUIVALENTS AT END OF PERIOD [1]	**126,287**	**91,932**	**37**

1) Cash and cash equivalents are disclosed in note 18.

Reconciliation of liabilities from financing activities

Opening balan ce	40,719	31,372	30
Cash flows	−7,169	8,486	
Non-cash flow, currency exchange	−327	1,156	
Non-cash flow, fair value changes	−600	−335	79
Non-cash flow, interest accruals	−233	40	
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**32,390**	**40,719**	**−20**

Notes to the financial statements

SEK m, unless otherwise stated.

Corporate information

The SEB Group provides corporate, retail, investment and private banking services. The Group also provides asset management and life insurance services.

Skandinaviska Enskilda Banken AB (publ.) is the parent company of the Group. The parent company is a Swedish limited liability company with its registered office in Stockholm, Sweden.

The parent company is included in the Large Cap segment of the NASDAQ Stockholm stock exchange.

The consolidated accounts for the financial year 2017 were approved for publication by the Board of Directors on 20 February and will be presented for adoption at the 2018 Annual General Meeting.

Exchange rates used for converting main currencies in the Group Consolidation

	Income statement			Balance sheet		
	2017	2016	Change, %	2017	2016	Change, %
DKK	1.295	1.272	2	1.319	1.286	3
EUR	9.633	9.470	2	9.822	9.558	3
NOK	1.033	1.020	1	1.000	1.051	–5
USD	8.538	8.561	0	8.190	9.054	–10

1 Accounting policies

Significant accounting policies for the Group

STATEMENT OF COMPLIANCE

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 EU. The accounting also follows the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulation and general guidelines issued by the Swedish Financial Supervisory Authority, Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25). In addition to this the Supplementary Accounting Rules for Groups RFR 1 and the additional UFR statements issued by the Swedish Financial Reporting Board have been applied.

BASIS OF PREPARATION

The consolidated accounts are based on amortised cost, except for the fair value measurement of available-for-sale financial assets, financial assets and liabilities measured at fair value through profit or loss including derivatives and investment properties measured at fair value. The carrying amount of financial assets and liabilities subject to hedge accounting at fair value has been adjusted for changes in fair value attributable to the hedged risk. The financial statements are presented in million Swedish kronor (SEK m) unless indicated otherwise.

CONSOLIDATION

Subsidiaries

The consolidated accounts combine the financial statements of the parent company and its subsidiaries. Subsidiaries are companies, over which the Group has control. The Group controls an entity when it has power over an investee, is exposed to, or has rights to, variable returns from its involvement and has the ability to use its power to affect the amount of the returns. Control is deemed to exist when the parent company holds, directly or indirectly, more than 50 per cent of the voting rights, unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities of the entity. Companies in which the parent company or its subsidiaries hold more than 50 per cent of the votes, but are unable to exercise control due to contractual or legal reasons, are not included in the consolidated accounts. The Group also assesses if control exists when it holds less than 50 per cent of the voting rights. This may arise if the Group has contractual arrangements with other vote holders. The size and dispersion of holdings of other vote holders may also indicate that the Group has the practical ability to direct the relevant activities of the investee.

When voting rights are not relevant in deciding who has power over an entity, such as interests in some funds or special purpose entities (SPE), all facts and circumstances are considered in determining if the Group controls the entity. In the assessment whether to consolidate SPEs and any entities where there is not immediately clear where control rests, an analysis is made to identify which party has power over the activities which most affects the returns of the entity and if that party is significantly exposed or have significant rights to the returns from that entity.

The financial statements of the parent company and the consolidated subsidiaries refer to the same period and have been drawn up according to the accounting policies applicable to the Group. A subsidiary is included in the consolidated accounts from the time of acquisition, being the date when the parent company gains control over the subsidiary. The subsidiary is included in the consolidated accounts until the date when control over the company ceases to exist.

The consolidated accounts are prepared in accordance with the acquisition method. The acquisition value is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on acquisition date, irrespective of any minority interest. The excess of the consideration transferred for the acquisition over the fair value of the Group's share of the identifiable acquired net assets is recorded as goodwill. If the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly against profit or loss.

Goodwill is allocated between the cash-generating units or groups of units which are expected to generate cash flows. The cash-generating units to which goodwill is allocated correspond to the lowest level within the Group in which goodwill is monitored for internal management purposes.

Intra-group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. The minority interest of the profit in subsidiaries is included in the reported profit in the consolidated income statement, while the minority share of net assets is included in equity.

Associated companies

The consolidated accounts also include associated companies that are companies in which the Group has significant influence, but not control. Significant influence means that the Group can participate in the financial and operating policy decisions of the company, whilst not determining or controlling such financial and operating policies. A significant influence is generally deemed to exist if the Group, directly or indirectly, holds between 20 and 50 per cent of the voting rights of an entity.

According to the main principle, associated companies are consolidated in accordance with the equity method. This means that the holding is initially reported at its acquisition cost. Associated companies are subsequently carried at a value that corresponds to the Group's share of the net assets. However, the Group has chosen to designate investments in associates held by the Group's venture capital organisation at fair value through profit or loss on the basis that these are managed and evaluated based on fair value.

ASSETS HELD FOR SALE
Assets (or disposal groups) are classified as held for sale at the time when a non-current asset or group of assets (disposal group) are available for immediate sale in its present condition and its sale is deemed to be highly probable. At the time of the classification, a valuation of the asset or disposal group is made at the lower of its carrying amount and fair value, less costs to sell. Any subsequent impairment losses or revaluations are recognised directly in profit or loss. No gains are recognised in excess of accumulated impairment losses of the asset recognised previously. From the time of classification, no depreciation is made for property and equipment or intangible assets originating from assets held for sale. Assets and liabilities held for sale are reported separately in the balance sheet until they are sold.

SEGMENT REPORTING
An operating segment is identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The business divisions are identified as separate operating segments. Business Support, Group Staff, Group Treasury and Group wide items are included in the segment Other. In the context of defining the segments the President and Chief Executive Officer (CEO) is the Group's chief operating decision maker.

FOREIGN CURRENCY TRANSLATION
Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. On subsequent balance sheet dates monetary items in foreign currency are translated using the closing rate. Non-monetary items, which are measured in terms of historical cost in foreign currency, are translated using the exchange rate on the date of the transaction. Non-monetary items, which are measured at fair value in a foreign currency, are translated applying the exchange rate on the date on which the fair value is determined.

Gains and losses arising as a result of exchange rate differences on settlement or translation of monetary items are recognised in profit or loss. Translation differences on non-monetary items, classified as financial assets or financial liabilities at fair value through profit or loss, are included in the change in fair value of those items. Translation differences from non-monetary items, classified as available-for-sale financial assets, are recognised in other comprehensive income. Exchange rate differences referring to monetary items comprising part of a net investment in a foreign operation are reported in other comprehensive income.

The income statements and balance sheets of Group entities, with a functional currency other than the Group's presentation currency, are translated to SEK in the consolidated accounts. Assets and liabilities in foreign Group entities are translated at the closing rate and income and expenses in the income statement are translated at the average exchange rate for the year. The exchange rate differences are recognised as a separate component of other comprehensive income.

Goodwill arising in conjunction with acquisitions of foreign Group entities, as well as adjustments to the fair value of assets and liabilities made in conjunction with acquisitions are included in the assets and liabilities of the foreign entity in question and are translated at the closing rate.

FINANCIAL ASSETS AND LIABILITIES
Financial assets
Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument and are measured at fair value on initial recognition. Transaction costs are included in the fair value on initial recognition except for financial assets at fair value through profit or loss where transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all risks and rewards. Transfers of financial assets with retention of all or substantially all risks and rewards include for example repurchase transactions and securities lending transactions.

The Group classifies its financial assets in the following categories: financial instruments at fair value through profit or loss; loans and receivables and available-for-sale financial assets.

Financial assets are recognised on the balance sheet on the trade date, with exception of loans and receivables, which are recognised on the settlement date.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit or loss consist of financial assets classified as held for trading and financial assets which, upon initial recognition, have been designated at fair value through profit or loss (fair value option). Financial assets are classified as held for trading if they are held with the intention to be sold in the short-term and for the purpose of generating profits. Derivatives are classified as held for trading unless designated as hedging instruments.

The fair value option can be applied to contracts including one or more embedded derivatives, investments that are managed and evaluated on a fair value basis and situations in which such designation reduces measurement inconsistencies. The nature of the financial assets which have been designated at fair value through profit or loss and the criteria for such designation are described in the relevant notes to the financial statements.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method. The balance sheet items Cash balances with central banks, Loans to credit institutions and Loans to the public are included in this category.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified into any of the other categories described above. Available-for-sale financial assets are measured at fair value. Gains and losses arising from changes in fair value are reported in other comprehensive income and accumulated in equity. In the case of sale or impairment of an available-for-sale financial asset, the accumulated gains or losses previously reported in equity are recognised in profit or loss. Interest on interest-bearing available-for-sale financial assets is recognised in profit or loss, applying the effective interest method. Dividends on equity instruments, classified as available-for-sale, are also recognised in profit or loss.

Investments in equity instruments without a quoted market price in an active market are measured, if possible, at fair value on the basis of a recognised valuation method. Investments in equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Financial liabilities
Financial liabilities are measured at fair value on initial recognition. In the case of financial liabilities measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or the issuance of the financial liability are recognised in profit or loss. For other financial liabilities direct transaction cost are recognised as a deduction from the fair value.

Financial liabilities are derecognised when extinguished, that is, when the obligation is discharged, cancelled or expired.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are either classified as held for trading or designated as fair value through profit or loss on initial recognition (fair value option). The criteria for classification of financial liabilities under the fair value option are the same as for financial assets. Liabilities to policyholders and some Debt securities are included in this category. Financial liabilities held for trading are primarily short positions in interest-bearing securities, equities and derivatives not designated as hedging instruments.

Other financial liabilities
The category other financial liabilities primarily include the Group's short-term and long-term borrowings. After initial recognition other financial liabilities are measured at amortised cost, using the effective interest method. The balance sheet items Deposits from credit institutions, Deposits and borrowings from the public and Debt securities are included in this category.

Offsetting financial transactions
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal right to offset transactions and an intention to settle net or realise the asset and settle the liability simultaneously.

Embedded derivatives
Some combined contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the income statement.

Certain combined instruments are classified as financial assets or financial liabilities at fair value through profit or loss according to the fair value option. The designation implies that the entire combined instrument is measured at fair value through profit and loss.

Repurchase agreements
Securities may be lent or sold subject to a commitment to repurchase them

(a 'repo') at a fixed price and at a predetermined date. Such securities are retained on the balance sheet and in addition included separately as collateral pledged for own liabilities when cash consideration is received. Depending on the counterparty, payment received is recognised under Deposits by credit institutions or as Deposits and borrowing from the public.

Similarly, where the Group borrows or purchases securities subject to a commitment to resell them (a 'reverse repo'), the securities are not included in the balance sheet. Payments made are recognised as Loans to credit institutions or as Loans to the public.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest method.

Securities borrowing and lending
Securities borrowing and lending transactions are entered into on a collateralised basis. Fair values of securities received or delivered are monitored on a daily basis to require or provide additional collateral. Cash collateral delivered is derecognised from the balance sheet and a corresponding receivable is recognised. Cash collateral received is recognised in the balance sheet and a corresponding obligation to return it, is recognised. Securities lent remain on the balance sheet and are in addition reported as pledged assets. Borrowed securities are not recognised as assets. When borrowed securities are sold (short position), an amount corresponding to the fair value of the securities is booked as a liability. Securities received in a borrowing or lending transaction are disclosed as obligations.

Fair value measurement
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly market between market participants at the measurement date.

The fair value of financial instruments quoted in an active market is based on quoted market prices. If the asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances is used.

The fair value of financial instruments that are not quoted in an active market is determined by applying various valuation techniques with maximum use of observable inputs. The valuation techniques used are for example discounted cash flows, option pricing models, valuations with reference to recent transactions in the same instrument and valuations with reference to other financial instruments that are substantially the same. When valuing financial liabilities at fair value own credit standing is reflected.

Any differences between the transaction price and the fair value calculated using a valuation technique with unobservable inputs, the Day 1 profit, is amortised over the life of the transaction. Day 1 profit is then recognised in profit or loss either when realised through settlement or when inputs used to calculate fair value are based on observable prices or rates.

Fair value is generally measured for individual financial instruments. In addition portfolio adjustments are made to cover market risks and the credit risk of each of the counterparties on groups of financial assets and liabilities on the basis of the net exposure to these risks. When assets and liabilities have offsetting market risks mid-market prices are used for establishing fair value of the risk positions that offset each other. To reflect counterparty risk and own credit risk in OTC derivatives, adjustments are made based on the net exposure towards each counterpart.

Hedge accounting
Derivatives are used to hedge interest rate, exchange rate and equity exposures. Where derivatives are held for risk management purposes and when transactions meet the required criteria, the Group applies fair value hedge accounting, cash flow hedge accounting or hedging of a net investment in a foreign operation as appropriate to the risks being hedged. The Group documents and designates, at inception, the relationship between the hedged item and the hedging instrument as well as the risk objective and hedge strategy. The Group also documents its assessment, both at inception and on an ongoing basis, whether the derivatives used are both prospectively, and retrospectively highly effective in offsetting the hedged risk. As part of the prospective test the Group also assesses and documents that the likelihood of forecasted transactions to take place is highly probable. *More information regarding hedge accounting can be found in note 7 Net other income.*

Hedge accounting is applied when derivatives are used to reduce risks such as interest rate risks and currency risks in financial instruments. Furthermore, hedge accounting can be applied to liabilities hedging currency risk in net investments in subsidiaries. The Group applies different hedge accounting models depending on the purpose of the hedge:
– Hedges of fair value of recognised assets or liabilities (fair value hedge)
– Hedges of the fair value of the interest rate risk of a portfolio (portfolio hedge)
– Hedges of highly probable future cash flows attributable to recognised assets or liabilities (cash flow hedge)
– Hedges of a net investment in a foreign operation (net investment hedge).

The Group discontinues hedge accounting when:
– The derivative has ceased to be highly effective as a hedging instrument;
– The derivative expires, is sold, terminated, or exercised;
– The hedged item matures, is sold or repaid; or
– The forecast transaction is no longer deemed highly probable.

Fair value hedge
Fair value hedges are used to protect the Group against undesirable exposures to changes in the market prices of recognised assets or liabilities. Changes in fair value of derivatives that qualify and are designated as hedging instruments are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk as Net other income.

Where the Group hedges the fair value of interest rate exposure in a portfolio including financial assets or financial liabilities, so called portfolio hedging of interest rate risk, the gains or losses attributable to the hedged item are reported as a separate item under assets or as a separate item under liabilities in the balance sheet.

When hedge relationships are discontinued, any adjustment to the carrying amount of the hedged item is amortised to profit or loss over the period to maturity of the hedged item.

Cash flow hedge
Cash flow hedging is applied for the hedging of exposure to variations in future interest payments on assets or liabilities with variable interest rates. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss as Net other income.

Gains or losses on hedging instruments that have been accumulated in equity are recognised in profit or loss in the same period as interest income and interest expense from the hedged asset or liability.

When cash flow hedges are discontinued but future cash flows still are expected to occur, accumulated gains or losses from the hedging instrument will remain as a separate item in equity until the hedged future cash flows occur. Accumulated gains or losses are subsequently reported in profit or loss in Net interest income in the same period in which the previously hedged interest flows are recognised in profit or loss.

Net investment hedge
Hedge of a net investment is applied to protect the Group from translation differences due to net investments in foreign subsidiaries. Foreign currency loans constitute the major portion of hedging instruments in these transactions. The translation differences arising on the hedging instruments are recognised in other comprehensive income and accumulated in equity as translation of foreign operations, to the extent the hedge is effective. Any ineffective part is recognised as Net financial income. When a foreign operation is partially disposed of or sold, exchange differences accumulated in equity are recognised in the income statement as part of the gain or loss on the sale.

OPERATING INCOME
Interest income and interest expense
The effective interest method is applied to recognise interest income and interest expenses in profit or loss for financial assets and financial liabilities measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest income and interest expenses. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. When calculating future payments, all payments included in the terms and conditions of the contracts, such as advance payments, are taken into consideration. However, future credit losses are not taken into account. The calculation of the effective interest rate includes fees and points to be received and paid that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is subsequently recognised applying the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income
Commission income and income in the form of fees on financial instruments are accounted for in different ways, depending upon the financial instrument from which the income is derived. When commission income and fees are included in the calculation of the effective interest rate of a financial instrument measured at amortised cost, such interest and fees are allocated over the expected tenor of the instrument applying the effective interest method and presented in Net interest income.

Commission income and fees from asset management and advisory services are reported in accordance with the economic substance of each agreement. This income is recognised during the period in which the service is provided. Commission and fees from negotiating a transaction for a third party, such as arrangement of acquisitions or purchase or sale of a business, is recognised on completion of the transaction. Performance-based fees are reported when the income can be reliably calculated.

Fees from loan syndications in which SEB acts as arranger are reported as income fee when the syndication is completed and the Group has retained no part of the loan or retained a part of the loan at the same effective interest rate as other participants.

Expenses that are directly related to the generation of fee and commission income are recognised as fee and commission expense.

Net financial income
Gains and losses arising from changes in fair value of financial assets and liabilities measured at fair value through profit or loss are reported in the income statement on an ongoing basis under the item Net financial income.

Dividend income
Dividends are recognised when the entity's right to receive payment is established.

IMPAIRMENT OF FINANCIAL ASSETS
All financial assets, except those classified at fair value through profit or loss, are tested for impairment.

At each balance sheet date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset, and if that loss event will have an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably measured.

Examples of objective evidence that one or more events have occurred which may affect estimated future cash flows include:
– significant financial difficulty of the issuer or obligor,
– concession granted to the borrower as a consequence of financial difficulty, which normally would not have been granted to the borrower,
– a breach of contract, such as a default or delinquency in the payment of interest or principal,
– the probability that the borrower will go bankrupt or undergo some other kind of financial reconstruction
– deterioration in the value of collateral and
– a significant or prolonged decline in the fair value of an equity instrument below its cost

An impairment loss is reported as a write off, if it is deemed impossible to collect the contractual amounts that have not been paid and/or are expected to remain unpaid, or if it is deemed impossible to recover the acquisition cost by selling any collateral provided. In other cases, a specific provision is recorded in an allowance account. As soon as the non-collectible amount can be determined and the asset is written off, the amount reported in the allowance account is dissolved. Similarly, the provision in the allowance account is reversed if the estimated recovery value exceeds the carrying amount.

Assessment of impairment
Individual assessment of impairment
Loss events indicating objective evidence of impairment of individually assessed assets are when scheduled payments are past due by more than 90 days, or if the counterparty is expected to be in default or any other combination of events that are deemed so negative that there will be a probable payment default in the foreseeable future. The debt instrument is impaired if the cash flows including the value of the collateral does not cover outstanding exposure.

Collective assessment of impairment when assets are not individually impaired
Assets assessed for impairment on an individual basis and found not impaired are included in a collective assessed, of incurred but not identified, impairment. The collective assessment of incurred but not identified credit losses is based on the SEB counterpart rating scale.

Loans assessed on a portfolio basis
Loans with limited value and similar risk, homogenous groups, are assessed for impairment on a portfolio basis. In assessing collective impairment the Group uses statistical models based on the probability of default and the amount of loss incurred, considering collaterals and recovery rates. The outcome is adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by the models. Default rates and loss rates are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Recognition of impairment loss on assets carried at amortised cost
An impairment of an individually assessed financial asset in the category loans and receivables carried at amortised cost is calculated on the basis of the original effective interest rate of the financial instrument. The amount of the impairment is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (recoverable amount). If the terms of an asset are restructured or otherwise modified due to financial difficulties on behalf of the borrower or issuer, impairment is measured using the original effective interest rate before modification of the terms and conditions. Cash flows relating to short-term receivables are not discounted if the effect of the discounting is immaterial. The entire outstanding amount of each loan for which a specific provision has been established is included in impaired loans, i.e. including the portion covered by collateral.

Recognition of impairment loss on Available-for-sale financial assets
When there is a decline in the fair value and there is objective evidence of impairment in an available-for-sale financial instrument, the accumulated loss shall be reclassified from equity to profit or loss. Equity instruments are considered impaired when a significant or prolonged decline in the fair value has occurred. The amount of the accumulated loss that is transferred from equity and recognised in profit or loss is equal to the difference between the acquisition cost and the current fair value, with a deduction of any impairment losses on that financial asset which had been previously recognised in profit or loss.

The incurred impairment of unquoted equities, measured at acquisition cost, is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar equities.

Impairment losses on bonds or other interest-bearing instruments classified as available-for-sale are reversed via profit or loss if the increase in fair value can be objectively attributed to an event taking place subsequent to the write-down. Impairment losses for equity instruments classified as available-for-sale are not reversed through profit or loss following an increase in fair value but are recognised in other comprehensive income.

Restructured loans
Portfolio assessed loans that would have been considered past due more than 60 days if they were not restructured.

SEIZED ASSETS
Seized assets are assets taken over to protect a claim. SEB may refrain from a loan receivable and instead seize the asset that served as collateral for the loan. Seized assets may consist of financial assets, properties and other tangible assets. Seized asset are recognised on the same line item in the balance sheet as similar assets that have been acquired otherwise. Seized financial assets are categorised as Available-for-sale financial assets. At inception seized assets are measured at fair value. The fair value at initial recognition becomes the acquisition value. Subsequently seized assets are measured according to type of asset with the exception of impairment on tangible seized assets that is reported 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.

TANGIBLE ASSETS
Tangible assets, with the exception of investment properties held in insurance operations, are measured at cost and are depreciated according to plan on a straight line basis over the estimated useful life of the asset. The maximum depreciation period for buildings is 50 years. The depreciation period for other tangible assets is between 3 and 8 years.

Tangible assets are tested for impairment whenever there is an indication of impairment.

LEASING
A finance lease is a lease that transfers, from the lessor to the lessee, substantially all risks and rewards incidental to the ownership of an asset. In the Group, essentially all leasing contracts in which the Group is the lessor are classified as finance leases. Finance leases are reported as lending, which implies that the leasing income is reported within net interest income.

INVESTMENT PROPERTIES
Investments in properties held in order to receive rental income and/or for capital appreciation are reported as investment properties. The recognition and measurement of such properties differs, depending upon the entity owning the property. Investment properties held in the insurance operations, used to match liabilities providing a yield directly associated with the fair values of specified assets, including the investment properties themselves, are accounted for using the fair value model. Holdings of investment properties in the banking operations are measured at depreciated cost.

INTANGIBLE ASSETS

Intangible assets are identifiable, non-monetary assets without physical substance. For an intangible asset to be recognised an entity must be able to demonstrate control of the intangible asset, which implies that the entity has the ability to ensure that the future economic benefits flowing from the underlying resource will accrue to the company. Intangible assets, other than goodwill, are only recognised in the balance sheet if it is probable that the future economic benefits attributable to the asset will accrue to the Group and if the acquisition cost of the asset can be measured in a reliable manner.

Intangible assets are measured initially at acquisition cost, and thereafter at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful lives, i.e. all intangible assets except goodwill, are amortised on a straight line basis over their useful lives and tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Internally generated intangible assets, such as software development, are amortised over a period of between 3 and 8 years.

Intangible assets with indefinite useful lives, i.e. goodwill, are not amortised but tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. As regards goodwill, an impairment loss is recognised in profit or loss whenever the carrying amount, with respect to a cash-generating unit or a group of cash-generating units to which the goodwill is attributed, exceeds the recoverable amount. Impairment losses attributable to goodwill are not reversed, regardless of whether the cause of the impairment has ceased to exist.

The recoverable amount of an intangible asset is determined if there is indication of a reduction in the value of the asset. An impairment loss is recognised if the carrying amount exceeds the recoverable amount of the asset.

PROVISIONS

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn by a debtor in financial difficulties.

Provisions are evaluated at each balance sheet date and are adjusted as necessary.

FINANCIAL GUARANTEES

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, which most often equals the premium received. The initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee at the balance sheet date. Provisions and changes in provisions are recognised in the income statement as Net credit losses. The contractual amounts according to financial guarantees are not recognised in the balance sheet but disclosed as obligations.

EMPLOYEE BENEFITS

Pensions

There are both defined contribution and defined benefit pension plans within the Group, of which most have plan assets. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will get on retirement depending on factors such as age, years of service and compensation. A defined contribution plan is a pension plan where the Group pays a contribution to separate entities and has no further obligation once the contribution is paid.

The pension commitments of the Group with respect to defined benefit plans are covered by the pension funds of the Group or through insurance solutions.

The defined benefit obligation is calculated quarterly by independent actuaries using the Projected Unit Credit Method. ▶▶ *The assumptions upon which the calculations are based are found in note 9 b addressing Staff costs.*

All changes in the net defined benefit liability (asset) are recognised as they occur, as follows: (i) service cost and net interest in the income statement; and (ii) remeasurements of both defined benefit obligations and plan assets in other comprehensive income.

Pension costs for defined contribution pension plans are recognised as an expense during the period the employees carry out the service to which the payment relates.

Share-based payments

The Group operates a number of share-based incentive programmes, under which it awards SEB equity instruments to its employees. Equity-settled share-based incentive programmes entitle employees to receive SEB equity instruments. Cash-settled share-based incentive programmes entitle employees to receive cash based on the price or value of equity instruments of SEB. Fair value of these rights is determined by using appropriate valuation models, taking into account the terms and conditions of the award and the Group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. Social security costs are accounted for over the vesting period and the provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

The cost of equity-settled share-based incentive programmes is measured by reference to the fair value of equity instruments on the date they are granted and recognised as an expense on a straight-line basis over the vesting period with a corresponding increase in equity. The vesting period is the period that the employees have to remain in service in SEB in order for their rights to vest. For cash-settled share-based incentive programmes, the services acquired and liability incurred are measured at the fair value of the liability and recognised as an expense over the vesting period, during which the employees render service. Until settlement, the fair value of the liability is remeasured, with changes in fair value recognised in the income statement.

TAXES

The Group's tax for the period consists of current and deferred tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or from tax authorities using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Current tax is calculated based on the taxable results for the period. Deferred tax arises due to temporary differences between the tax bases of assets and liabilities and their carrying amounts.

Current tax and deferred tax are generally recognised in profit or loss. However, tax that relates to items recognised in other comprehensive income is also reported directly in other comprehensive income. Examples of such items are changes in the fair value of available-for-sale financial assets and gains or losses on hedging instruments in cash flow hedges.

Deferred tax assets are recognised in the balance sheet to the extent that it is probable that future taxable profits will be available against which they can be utilized. The Group's deferred tax assets and tax liabilities have been calculated at the tax rate of 22 per cent (22 per cent) in Sweden and at each respective country's tax rate for foreign companies.

INSURANCE AND INVESTMENT CONTRACTS

Insurance contracts are contracts under which the Group accepts significant insurance risk – defined as a transfer of an absolute risk of minimum 5 percent of the underlying value – from the policyholder by agreeing to compensate the policyholder or other beneficiaries on the occurrence of a defined insured event. Investment contracts are financial instruments that do not meet the definition of an insurance contract, as they do not transfer significant insurance risk from the policyholder to the Group.

Insurance contracts

Insurance contracts are classified as short-term (non-life) or long-term (life). Short-term insurance comprise sickness, disability, health-care, and rehabilitation insurance. Long-term insurance comprises mainly traditional life insurance. In the Group accounts short-term and long-term insurance are presented aggregated as Insurance contracts.

Measurement of short-term insurance contracts (non-life)

The provision for unearned premiums is intended to cover the anticipated cost of claims and operating expenses arising during the remaining policy period of the insurance contracts in force. The provision for unearned premiums is usually strictly proportional over the period of the insurance contracts. If premiums are judged to be insufficient to cover the anticipated cost for claims and operating expenses, the provision for unearned premiums is strengthened with a provision for unexpired risks.

For anticipated future claims that have been incurred but not yet paid, provision for claims outstanding is recognised. The provision is intended to cover the anticipated future payment of all claims incurred, including claims incurred but not reported (IBNR provisions). This provision should also cover all costs for claims settlement. The provision for claims outstanding is not discounted, with the exception of provisions for sickness annuities, which are discounted using standard actuarial methods.

Measurement of long-term insurance contracts (life)

For long-term life insurance contracts, a liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability equals the sum of the discounted value of expected benefit payments and future administration expenses, less any outstanding future contractual premium payments. Liabilities for long-term life insurance are discounted using standard actuarial methods.

Liability adequacy test
Swedish actuarial procedures involve performing liability adequacy tests on insurance liabilities. This is to ensure that the carrying amount of the liabilities is sufficient in the light of estimated future cash flows. The carrying amount of a liability is the value of the liability itself less any related intangible asset or asset for deferred acquisition costs. The current best estimates of future contractual cash flows, as well as claims handling and administration costs, are used in performing these liability adequacy tests. These cash flows are discounted and compared to the carrying amount of the liability. Any deficit is immediately recognised in profit or loss.

Revenue recognition
Premiums for insurance contracts are recognised as revenue when they are paid by the policyholders. For contracts where insurance risk premiums received during a period are intended to cover insurance claims arising in that period those premiums are recognised as revenue proportionally during the period of coverage.

Recognition of expenses
Costs for insurance contracts are recognised as an expense when incurred, with the exception of commissions and other variable acquisition costs that vary with and are directly related to securing new contracts and the renewal of existing contracts. These costs are capitalised as deferred acquisition costs. These costs are mainly incremental acquisition costs paid to sales personnel, brokers and other distribution channels. Deferred acquisition costs are amortised as the related revenue is recognised. The asset is tested for impairment every accounting period, ensuring that the economic future benefits expected to arise from the contracts exceed its face amount. All other costs, such as non-incremental acquisition costs or maintenance costs, are recognised in the accounting period in which they arise. Insurance compensation is recorded as an expense when incurred.

Reinsurance
Contracts with re-insurers, whereby compensation for losses is received by the Group, are classified as ceded reinsurance. For ceded reinsurance, the benefits to which the Group is entitled under the terms of the reinsurance contract are reported as the re-insurers' share of insurance provisions. Amounts recoverable from re-insurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract.

Investment contracts
The majority of the Group's unit linked insurance is classified as investment contracts where no significant insurance risk is transferred from the policyholder to the Group. A minor part of the Group's unit linked insurance business is classified as insurance contracts.

Measurement
Investment contracts are financial commitments whose fair value is dependent on the fair value of the underlying financial assets. The underlying assets and related liabilities are designated at fair value through profit or loss (fair value option). The choice to use the fair value option has been made for the purpose of eliminating the measurement inconsistency that would occur if different bases for measurement would have been used for assets and liabilities. The fair value of the unit linked financial liabilities is determined using the fair value of the financial assets linked to the financial liabilities attributed to the policyholder on the balance sheet date. However, if the liability is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender.

Revenue recognition
Amounts received from and paid to policyholders are reported in the balance sheet as deposits or withdrawals. Fees charged for managing investment contracts are recognised as revenue. The revenue for these management services is evenly distributed over the tenor of the contracts.

Recognition of expenses
Variable expenses directly attributable to securing a new investment contract are deferred. These costs are primarily variable acquisition costs paid to sales personnel, brokers and other distribution channels. Deferred acquisition costs are reported in profit or loss as the related revenue is recognised. The asset is tested for impairment during each accounting period to ensure that the future economic benefits expected to arise from the contract exceed the carrying amount of the asset. All other costs, such as fixed acquisition costs or ongoing administration costs, are recognised in the accounting period in which they arise.

CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF)
Some traditional pension saving contracts include a discretionary participation feature. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. All contracts that include a discretionary participation feature are reported as insurance contracts. The amounts referring to the guaranteed element and to the discretionary participation feature are reported as liabilities to policyholders.

CHANGES IN ACCOUNTING POLICIES IMPLEMENTED 2017
The following changes have been implemented in 2017:
IAS 12 *Income Taxes* has been amended regarding recognition of deferred tax assets for unrealised losses. IAS 7 *Statements of Cash flows* has been amended with new disclosure requirements. Within the annual improvement cycle 2014–2016 the scope of IFRS 12 *Disclosures of interests in other entities* has been clarified. The amendment of IFRS 12 is not yet endorsed by the EU.

The Group changed the presentation of the income statement in the fourth quarter 2017 by adding a line, Items affecting comparability. The Group also added a line with the net of operating income and operating expenses, Operating profit before items affecting comparability. The purpose of the change is to simplify reporting and facilitate the comparison of operating profit between time periods. Items that management considers affect the comparability significantly or are relevant for the understanding of the financial result, are identified and presented separately, for example impairment of goodwill, restructuring, net profit from divestments and other income or costs that are not recurring, are reported as items affecting comparability. The change applies as of 1 January 2017 and comparative numbers have been restated.

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

CHANGES IN IFRSs NOT YET APPLIED
Consideration will be given in the future to the implications, if any, of the following new and revised standards and interpretations.

IFRS 9 *Financial Instruments* – IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The standard includes a revised model for classification and measurement of financial instruments, a new impairment model based on expected credit loss and an amended approach for hedge accounting. The standard is endorsed by the EU and should be applied from 1 January 2018. SEB has not adopted IFRS 9 in previous reporting periods. For transitional purposes the quantitative indicator used for assessing significant increase in credit risk for impairment purposes is based on risk class or equivalent. The Group has elected to continue applying the principles in IAS 39 relating to hedge accounting. As permitted by the transitional provisions, SEB will not restate comparative periods with regards to IFRS 9. The application of IFRS 9 related to impairment results in increased provisions by SEK 1.6bn before tax and an overall reduction of retained earnings of SEK 1.2bn. An effect from applying classification and measurement is that a positive market valuation of SEK 0.3bn is removed when classification is changed to amortised cost. Further, within the German business the classification of some issued debt instruments is changed from amortised cost to fair value through profit or loss with a negative impact of SEK 1.8bn in equity. The overall effect from IFRS 9 will decrease the Common Equity Tier 1 (CET1) capital ratio by 34 basis points as of 1 January 2018. Large exposures are not affected. The Group has decided not to apply the possibility under the transitional rules in the Capital Requirements Regulation (CRR), allowing a phase in of the impact from impairment on CET1 capital ratio. For SEB's accounting policies related to IFRS 9 see section 1a below.

IFRS 15 *Revenue from Contracts with Customers* – IFRS 15 replaces all previous revenue standards and related interpretations including IAS 11 *Construction Contracts* and IAS 18 *Revenue* but does not apply to financial instruments, insurance contracts or leasing contracts. IFRS 15 establishes the principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from contract with customers. The standard is endorsed by EU and should be applied from 1 January 2018. SEB has identified that the treatment of contract costs for investment contracts within Life will change and as a result of the new more specific requirements, a smaller part of deferred acquisition costs will be recognised as an asset. The change will result in a decrease of the deferred acquisition cost in the balance sheet of SEK 2.6bn. SEB has chosen to apply IFRS 15 retrospectively to each prior reporting period presented. The effect will therefore be recognised as a reduction of retained earnings as of 1 January 2017. There will also be a restatement of the net fees and commissions in the income statement for 2017 in the amount of SEK –47m. The changes will not have a material effect on capital adequacy and large exposures. For SEB's accounting policies related to IFRS 15 see section 1a below.

IFRS 16 *Leases* replaces IAS 17 *Leases* and related interpretations and was published in January 2016. The most significant effect of the new requirements is that a lessee will recognise a lease asset (right-of-use asset) and a financial liability, representing mainly the present value of leased premises, in the balance sheet. In the income statement, the straight-line operating lease expense will be replaced by a depreciation charge for the lease asset and an interest expense on the financial liability. Currently the lessees' operating leases are not recorded in the balance sheet. The accounting for lessors is in practice unchanged. SEB's current assessment is that the new standard mainly will increase the Group's balance sheet total in the accounting for property leases. The Standard should be applied from 1 January 2019 and is endorsed by EU.

IFRS 17 *Insurance Contracts* was published in May 2017. This standard should be applied from 1 January 2021 and has not been endorsed by EU. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of issued insurance contracts. It also requires similar principles to be applied to held reinsurance contracts and issued investment contracts with discretionary participation features. IFRS 17 replaces IFRS 4. SEB is currently evaluating the impact of the change to the financial statements of the Group.

IFRS 4 *Insurance Contracts* has been amended regarding applying IFRS 9 *Financial Instruments* together with IFRS 4 *Insurance Contracts*. The amendment allows a temporary exemption from IFRS 9 for a limited period for insurers whose activities are predominantly connected with insurance. An insurer applying the temporary exemption continues to apply IAS 39 rather than applying IFRS 9. SEB has chosen to not apply the exemption in the Life division. Within the annual improvement cycle 2014–2016 IAS 28 *Investments in associates and Joint Ventures* have been clarified regarding the measurement of an associate or joint venture at fair value. These amendments should be applied from 1 January 2018 and have been endorsed by EU. The changes will not have a material effect on the financial statements of the Group or on capital adequacy and large exposures.

IFRS 2 *Share-based Payment* has been amended regarding classification and measurement of share-based payment transactions. IAS 40 has been amended with clarification when transfers of investment property can be made. IFRIC 22 *Foreign Currency Transactions and Advance Consideration* has been issued clarifying which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. These amendments and interpretations should be applied from 1 January 2018 and have not been endorsed by EU. The changes will not have a material effect on the financial statements of the Group or on capital adequacy and large exposures.

IFRIC 23 *Uncertainty over Income Tax Treatments* has been issued and specifies how to reflect the effects of uncertainty in accounting for income taxes. IAS 28 *Interests in Associates and Joint Ventures* has been amended so companies should apply IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. Amendments have been made to IFRS 9 *Financial Instruments* regarding prepayment features with negative compensation. IAS 23 *Borrowing Costs*, IAS 12 *Income Taxes*, IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* have been amended within the Annual improvement cycle 2015–2017. These amendments and interpretations should be applied from 1 January 2019 and have not been endorsed by the EU. The changes will not have a material effect on the financial statements of the Group or on capital adequacy and large exposures.

Significant accounting policies of the parent company

Skandinaviska Enskilda Banken (SEB) AB is a public limited liability company with corporate number 502032-9081 and with registered office in Stockholm, Sweden.

The financial statements of the parent company are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the regulation and general guidelines issued by the Swedish Financial Supervisory Authority, Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25) and statements from the Swedish Financial Reporting Board, RFR 2 and the additional UFR statements.

In accordance with the Financial Supervisory Authority's regulation, the parent company applies statutory IFRS. This means that the International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of Swedish legislation and considering the close tie between financial reporting and taxation. The accounting principles of the parent company differ, in certain aspects, from the accounting principles applied by the SEB Group. The essential differences are described below.

CHANGED ACCOUNTING POLICIES

The changed Group accounting policies and future accounting developments also applies to the parent company. The Swedish Annual Accounts Act for Credit Institutions and Securities Companies has been updated where the main change is new requirements to publish a sustainability and diversity report. In all other material aspects the accounting policies, basis for preparation and presentation for the parent company are unchanged in comparison with the annual report for 2016.

With effect from 1 January 2018 the regulations and general guidelines issued by the Swedish Financial Supervisory Authority have been updated. The changes are mainly related to the implementation of IFRS 9 and IFRS 15, e.g. the presentation of different items in the income statement and classification of seized assets.

PRESENTATION FORMAT

The presentation format for the balance sheet and the profit and loss account according to the Annual Accounts Act for Credit Institutions and Securities Companies is not in conformity with IFRS. Credit institutions and securities companies applying IFRS as adopted by the EU in their consolidated financial statements have the option to deviate from the presentation format for the balance sheet as stipulated by law, but may not deviate from the stipulated profit and loss account.

HOLDINGS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Shares and participating interests in subsidiaries and associated companies are measured at cost. Dividends on shares in subsidiaries and associated companies are recognised as income in profit or loss. Merger of subsidiaries through absorption are accounted for at consolidated values. The merger effect is reported in equity.

LEASING

Leasing contracts which are classified as finance leases in the consolidated accounts are accounted for as operating leases in the parent company.

PENSIONS

The parent company does not apply the provisions of IAS 19 concerning accounting for defined benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. In Sweden, actuarial pension commitments are guaranteed by a pension foundation.

The recognised net cost of pensions is calculated as pensions paid and pension premiums less any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's profit and loss account. Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with IAS 38, goodwill is not amortised in the consolidated financial statements. In the parent company financial statements, goodwill is amortised as any other intangible asset on a straight line basis.

TAXES

In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves comprise accelerated depreciation under tax regulations, including the deferred tax component. In the consolidated financial statements, untaxed reserves are reported in retained earnings and deferred tax liability.

GROUP CONTRIBUTIONS

The net of Group contributions received and paid is reported in the parent company as appropriations.

Critical judgements in applying the accounting policies

Applying the Group's accounting policies requires in some cases the use of estimates and assumptions that have a material impact on the amounts reported in the financial statements. The estimates are based on expert judgements and assumptions that management believes are true and fair. The management continuously evaluates these judgements and estimates. The most significant assumptions and estimates are associated with the areas described below:

CONSOLIDATION OF MUTUAL LIFE INSURANCE COMPANIES AND FUNDS

Within the life insurance operations of the SEB Group Gamla Livförsäkrings AB SEB Trygg Liv operates as a mutual life insurance company. The entity is not consolidated, as the judgement of the Group is that it does not have control of the entity. Control is seen to imply the power to govern the financial and operating policies of an entity in order to affect the amount of its returns from the entity. Life insurance entities operated as mutual life insurance companies cannot pay dividends which is why the Group deems that it cannot obtain benefits. In Gamla Livförsäkrings AB SEB Trygg Liv there are specific policies specifying the composition of the board, which implies that the SEB Group is not able to govern the financial and operating policies of the entity.

In the assessment whether to consolidate funds, an assessment is made whether the Group is considered to be an agent or a principal. The Group is considered a principal, and hence controls the fund, when it is the fund manager, cannot be removed without cause, has significant right to returns from the fund by holding units and earning fee income and has the practical ability to influence its return by using its power. Funds managed by the Group in which entities within the Group owns more than 20 per cent are analysed further for consolidation.

The policyholders in SEB's unit-linked company choose to invest in a variety of funds. The insurance company providing unit-linked products invests in the funds chosen by the customers. By doing so SEB might, in some cases, hold more than 50 per cent of the funds, which it holds on behalf of the customers for whom it acts as investment manager. Due to the legislation regarding fund operations, SEB considers that it does not have the power to govern the financial and operating policies of such investment funds to obtain benefits. This applies irrespective of whether the funds held on behalf of customers are greater or less than 50 per cent of a fund. It is the policyholders who carry the investment risk, not SEB. Consequently, the policyholders are entitled to all of the returns generated by the funds. SEB only charges fees, on market conditions, for managing the funds. SEB has come to the conclusion that these funds which it manages should not be consolidated. However, the shares that the Group holds in such funds on behalf of its customers are recognised in the balance sheet.

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The objective of the fair value measurement is to arrive at the price at which an orderly transaction would take place between market participants at the measurement date under current market conditions. The best evidence of fair value is a quoted price for the instrument being measured in an actively traded market. Where the market for a financial instrument is not active, fair value is calculated using an established valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. When valuing financial liabilities at fair value own credit standing is reflected. Given the uncertainty and subjective nature of valuing financial instruments at fair value, it is possible that the outcomes in the next financial year could differ from the assumptions used.

For some of the Group's financial assets and liabilities, especially for certain derivatives, quoted prices are not available, and valuation models are used to estimate fair value. As part of the fair value measurement, valuation adjustments are made when valuing derivative financial instruments, to incorporate counterparty and own credit risk. The methodologies for estimating valuation adjustments are continuously revised as a result of changing market practices in response to regulatory and accounting policy changes, as well as general market developments.

The Group has an established control environment for the determination of fair values of financial instruments that includes a review, independently 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 with material and principal importance require approval from the Valuation Committee and the SEB ARC (Accounting Policy and Financial Reporting Committee). ▶▶ *For disclosure purposes, fair values are classified in a fair value hierarchy according to the level of observability of the inputs, see note 21 Fair value measurement.*

IMPAIRMENT TESTING OF FINANCIAL ASSETS AND GOODWILL

Financial assets

When calculating loan impairment allowances on both individually assessed and collectively assessed loans critical judgements and estimates are applied. Assessing financial assets individually for impairment requires judgement to establish the counterparty's repayment capacity and the realisable value of any collateral. The most important aspect when testing a group of financial assets collectively for impairment is to identify the events that indicate incurred losses. In assessing collective impairment the Group uses statistical models based on the probability of default and the amount of loss incurred, considering collaterals and recovery rates. The outcome is adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by the models. Default rates and loss rates are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Adjusting models for collective impairment testing to current market situation also require a high degree of expert judgement to ensure a reliable estimate. The assessment and assumptions are regularly reviewed by the credit organisation of the Group.

Goodwill

Judgement is involved in determining the cash-generating units. The annual impairment test of goodwill is based on the value in use with forecasted cash flows for five years. The cash flows beyond five years are determined based on sustainable growth.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business.

▶▶ *Note 28 describe tangible and intangible assets in more detail.*

CALCULATION OF INSURANCE LIABILITIES

Calculation of the Group's insurance liabilities is based on a number of estimations and assumptions, both financial and actuarial, such as interest rates, mortality, health, expenses, inflation and taxes. One of the important financial assumptions is the interest rate used for discounting future cash flows.

Assumption on interest rates is based on regulations from each local Financial Supervisory Authority (FSA). All other assumptions are based on internally acquired experience.

FAIR VALUE OF INVESTMENT PROPERTY

Investment properties in the insurance operations are fair valued with the assistance of external expertise. The valuation method applied means that the related expected cash flows are discounted to present value. The assumptions concerning expected cash flows are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirement and market interest. Assumptions are in line with the assessments that the market can be expected to make under current market conditions. The yield requirement is based on local analysis of comparable property purchases.

VALUATION OF DEFERRED TAX ASSETS

Deferred tax assets that are relying on future profitability can be recognised only to the extent they can be offset against future taxable income and the valuation of deferred tax assets is influenced by management's assessment of SEB's future profitability, future taxable profits and future reversals of existing taxable temporary differences. The expected outcome of uncertain tax positions is determined as the single most likely outcome.

PROVISIONS

Judgement is involved in determining whether a present obligation exists, and in estimating the probability, timing and amount of any outflows. Provisions for claims in civil lawsuits and regulatory matters typically require a higher degree of judgement than other types of provisions.

ACTUARIAL CALCULATIONS OF DEFINED BENEFIT PLANS

The calculation of the Group's expense and obligations for defined benefit plans is based on actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. One of the important financial assumptions is the interest rate used for discounting future cash flows. The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. The discount rate is based on high quality corporate bonds in a deep market, in Sweden covered bonds. The covered bonds in Sweden are at least AAA-rated and the maturity is in line with the estimated maturity of obligations for post-employment benefits. The discount rate for the defined benefit obligation is revised quarterly and other assumptions are revised each year or when a significant change has occurred.

▶▶ *Note 9 b describing staff costs contain a list of the most critical assumptions used when calculating the defined benefit obligation.*

1 a Significant changed accounting policies applicable from 1 January 2018

Significant accounting policies for the Group

TRANSITION

IFRS 9 Financial Instruments

The Group adopted IFRS 9 Financial Instruments with a date of transition 1 January 2018. The standard covers three areas; classification and measurement, impairment and hedge accounting. The Group has elected to continue applying the principles in IAS 39 relating to hedge accounting. For transitional purposes the quantitative indicator used for assessing significant increase in credit risk for impairment purposes is based on risk class or equivalent. As permitted by the transitional provisions in IFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognised in the opening retained earnings and other reserves as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

The Group adopted IFRS 15 Revenue from Contracts with Customers with a date of transition 1 January 2018. The Group chose to apply the standard retrospectively to each prior reporting period presented. The transition effect is therefore recognised as a reduction of the opening retained earnings, as at 1 January 2017.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument and are measured at fair value on initial recognition. Transaction costs are included in the fair value on initial recognition except for financial assets at fair value through profit or loss where transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows have expired, the Group has transferred substantially all risks and rewards and upon substantial modification. Transfers of financial assets with retention of all or substantially all risks and rewards include for example repurchase transactions and securities lending transactions. Financial assets at fair value are recognised on the balance sheet on trade date, with exception of loans and reversed repos which are recognised on settlement date. Financial assets measured at amortised cost are recognised on settlement date.

The Group classifies and subsequently measures its financial assets in the following categories: financial instruments at fair value through profit or loss; fair value through other comprehensive income and amortised cost. The classification will depend on if the financial asset is a debt instrument, an equity instrument or a derivative.

Debt instruments (Loans and debt securities)

The classification is based on a combination of assessing the business model for managing the financial assets and whether the contractual cash flow characteristics consist of solely payments of principal and interest ('SPPI'). The business model assessment is performed for homogenous portfolios identified based on how the business is managed in the divisions of the Group. The assessment is based on reasonable scenarios taking into consideration how the portfolio is evaluated and reported to management; the risks affecting the performance of the portfolio and how these risks are managed; how managers are compensated; and the frequency, value and timing of sales including the reasons for the sales. In determining if the cash flows consist solely of principal and interest, the principal is defined as the fair value of the debt instrument at initial recognition, which can change over the life if there are repayments or capitalisation of interest. Interest cash flows are consistent with components per a basic lending arrangement including consideration for time value of money, credit risk, liquidity risk as well as administrative costs and profit margin. If there are contractual features introducing an exposure to other risks or volatility, it is not considered to consist of solely payments of principal and interest. Debt instruments are presented in the balance sheet items; Cash and cash balances with central banks, Loans to credit institutions, Loans to the public and Debt securities, and include instruments in the following measurement categories.

Fair value through profit or loss: Debt instruments are classified in this category if not meeting the criteria for amortised cost or fair value through other comprehensive income. This is the case if the business model is held for trading; where financial assets are considered held for trading if they are held with the intention to be sold in the short-term and for the purpose of generating profits. Debt instruments are mandatorily measured at fair value through profit or loss if the assets are managed and evaluated on a fair value basis or the assets are held with an intention to sell alternatively if the cash flows do not consist of solely payments of principal and interest. Debt instruments that would otherwise be classified as fair value through other comprehensive income or amortised cost are also included in this category if, upon initial recognition, designated at fair value through profit or loss (fair value option). The fair value option can be applied only in situations where such designation reduces measurement inconsistencies.

Fair value through other comprehensive income: Debt instruments are classified in this category if both of the following criteria are met (a) the business model objective is to both hold assets to collect contractual cash flows and to sell the assets (b) the contractual cash flow characteristics consist of solely payments of principal and interest. The assets are measured at fair value and gains and losses arising from changes in fair value are reported in other comprehensive income and accumulated in equity. The cumulative gain or loss is reclassified from equity to profit or loss upon derecognition of the debt instrument. Interest calculated by applying the effective interest method on interest-bearing financial assets and expected credit losses are recognised in profit or loss.

Amortised cost: Debt instruments are classified in this category if both of the following criteria are met (a) the business model objective is to hold assets to collect contractual cash flows and (b) the contractual cash flow characteristics consist of solely payments of principal and interest. The gross carrying amount of these assets is measured using the effective interest method and adjusted for expected credit losses.

Equity instruments

Equity instruments are per default classified as financial assets at fair value through profit or loss. An irrevocable election can be made on initial recognition to classify equity instruments (not held for trading) at fair value through other comprehensive income.

Derivatives

Derivatives are classified as fair value through profit or loss (held for trading) unless designated as hedging instruments. If designated as hedging instruments, the principles for hedge accounting are applied.

Modification

The Group may renegotiate loans and modify contractual terms. If the new terms are substantially different from the original terms, the Group derecognises the original financial asset and recognises a new asset. The Group also assesses whether the new financial asset is credit-impaired at initial recognition. If the terms are not substantially different, the modification does not result in derecognition and the Group recalculates the gross carrying amount based on the new cash flows using the original effective interest rate of the financial asset and recognises a modification gain or loss.

Reclassification

In rare circumstances debt instruments (financial assets) excluding those designated at fair value through profit or loss on initial recognition, can be reclassified if there has been a change in the business model for managing the financial asset.

Financial liabilities

Financial liabilities are measured at fair value on initial recognition. In case the financial liabilities are measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or the issuance of the financial liability are recognised in profit or loss. For other financial liabilities direct transaction cost are recognised as a deduction from the fair value.

Financial liabilities are derecognised when extinguished, that is, when the obligation is discharged, cancelled or expired.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are either classified as held for trading or designated as fair value through profit or loss on initial recognition (fair value option). The fair value option can be applied for classification of financial liabilities if meeting either of the following criteria; the contracts include one or more embedded derivatives, the instruments are managed and evaluated on a fair value basis or in situations where such designation reduces measurement inconsistencies. Liabilities to policyholders and some debt securities are included in this category. Financial liabilities held for trading are primarily short positions in interest-bearing securities, equity instruments and derivatives not designated as hedging instruments.

Other financial liabilities

The category other financial liabilities primarily include the Group's short-term and long-term borrowings. After initial recognition other financial liabilities are measured at amortised cost, using the effective interest method. The balance sheet items Deposits from credit institutions, Deposits and borrowings from the public and Debt securities are included in this category.

Offsetting financial transactions

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal right to offset transactions and an intention to settle net or realise the asset and settle the liability simultaneously.

Embedded derivatives

Some combined contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. If the host contract is a financial asset in scope of IFRS 9 the contract is assessed for classification in its entirety and the embedded derivative is not separated. For other hybrid instruments (i.e. the host contract is not a financial asset in scope of IFRS 9) where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, , the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the income statement. This does not apply if the host contract is carried at fair value through profit or loss.

Certain combined instruments are classified as financial liabilities at fair value through profit or loss according to the fair value option. The designation implies that the entire combined instrument is measured at fair value through profit and loss.

Repurchase agreements

Securities may be lent or sold subject to a commitment to repurchase them (a 'repo') at a fixed price and at a predetermined date. Such securities are retained on the balance sheet and in addition included separately as collateral pledged for own liabilities when cash consideration is received. Depending on the counterparty, payment received is recognised under Deposits by credit institutions or as Deposits and borrowing from the public.

Similarly, where the Group borrows or purchases securities subject to a commitment to resell them (a 'reverse repo'), the securities are not included in the balance sheet. Payments made are recognised as Loans to credit institutions or as Loans to the public. Repurchase and reverse repurchase agreements are measured at fair value through profit or loss.

Securities borrowing and lending
Securities borrowing and lending transactions are entered into on a collateralised basis. Fair values of securities received or delivered are monitored on a daily basis to require or provide additional collateral. Cash collateral delivered is derecognised from the balance sheet and a corresponding receivable is recognised. Cash collateral received is recognised in the balance sheet and a corresponding obligation to return it, is recognised. Securities lent remain on the balance sheet and are in addition reported as pledged assets. Borrowed securities are not recognised as assets. When borrowed securities are sold (short position), an amount corresponding to the fair value of the securities is booked as a liability. Securities received in a borrowing or lending transaction are disclosed as obligations.

Fair value measurement
For accounting principles relating to fair value measurement, refer to principles in Note 1.

Hedge accounting
The Group has elected to continue applying the principles in IAS 39 relating to hedge accounting, refer to principles in Note 1.

OPERATING INCOME
Interest income and interest expense
The effective interest method is applied to recognise interest income and interest expenses in profit or loss for financial assets and financial liabilities measured at amortised cost.

The effective interest method is a method of calculating the gross carrying amount of a financial asset or the amortised cost of a financial liability and of allocating interest income and interest expenses. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. When calculating future payments, all payments included in the terms and conditions of the contracts, such as advance payments, are taken into consideration. The calculation of the effective interest rate includes fees and points to be received and paid that are an integral part of the effective interest rate. However, expected credit losses are not taken into account.

If a financial asset subsequently has become credit impaired the interest income is recognised applying the effective interest rate to the amortised cost, i.e. gross carrying amount adjusted for the loss allowance. In case a financial asset is credit-impaired at initial recognition, the expected credit losses are included in the estimated cash flows to calculate a credit adjusted effective interest rate which then is applied to recognise the interest income.

Fee and commission income
The recognition of revenue from contracts with customers is reported as fee and commission income. This does not apply for revenue from leasing contracts, insurance contracts or financial instruments and other contractual obligations within the scope of IFRS 9 Financial Instruments.

Fees that are included in the calculation of the effective interest rate of a financial instrument measured at amortised cost, such as loan origination fees, are allocated over the expected tenor of the instrument applying the effective interest method and presented in Net interest income.

Fee and commission income is recognised to depict the transfer of promised services to the customers in an amount that reflects the consideration to which SEB expects to be entitled in exchange for the service. The major types of fees are described below.

Fee and commission income for asset custody and asset management to customers is recognised as revenue over the period in which the services are provided. Performance based fees are recognised when it is highly probable that a significant reversal of recognised revenue will not occur, which is most often when the performance criteria are fulfilled.

Fee and commission income from loan syndications in which SEB acts as arranger are recognised as income when the syndication is completed and the Group has retained no part of the loan or retained a part of the loan at the same effective interest rate as other participants. Brokerage fees, commission and fees from negotiating a transaction for a third party, such as arrangement of acquisitions or purchase or sale of a business, are recognised on completion of the transaction.

Expenses that are directly related to the generation of fee and commission income are recognised as fee and commission expense.

Net financial income
Gains and losses arising from changes in fair value of financial assets and liabilities measured at fair value through profit or loss are reported under the item Net financial income. For financial liabilities designated at fair value through profit or loss the change in fair value relating to change in own credit risk is accounted for in other comprehensive income.

Dividend income
Dividends are recognised when the entity's right to receive payment is established.

EXPECTED CREDIT LOSS
Measurement
The impairment requirements are based on an expected credit loss (ECL) model. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. All financial assets measured at amortised cost and fair value through other comprehensive income, as well as lease receivables, financial guarantees contracts, contract assets and certain loan commitments are in scope for expected credit loss.

ECLs on financial assets measured at amortised cost and lease receivables are presented as allowances, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the gross carrying amount. ECLs on loan commitments and financial guarantee contracts are presented as provisions, i.e., as a liability, in the balance sheet. Adjustment to the loss allowance and provision due to changes in ECLs is recognised in the income statement as net expected credit losses.

The assessment of credit risk, and the estimation of ECL, shall be unbiased and probability-weighted, and shall incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. SEB uses both models and expert credit judgement (ECJ) for calculating ECLs.

The ECL model has a three-stage approach based on changes in the credit risk. A 12-month ECL (Stage 1) applies to all items, unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), lifetime ECL applies.

Significant increase in credit risk
At the end of each reporting period the Group performs an assessment of whether credit risk has increased significantly since initial recognition. The assessment of whether there has been a significant change in credit risk is based on quantitative and qualitative indicators. Indicators include payments that are past due >30 days and <90 days and financial assets that have been classified as watch-list or with forbearance measures (loans whose contractual terms have been revised due to the customer's financial difficulties). A quantitative indicator is calculated based on the change in lifetime probability of default (PD) by comparing the scenario-weighted annualised lifetime PD at the reporting date with the scenario-weighted annualised lifetime PD at initial recognition. In case there has been a significant increase in credit risk since initial recognition, an allowance for lifetime ECL shall be recognised and the financial instrument is transferred to Stage 2. The approach is symmetrical, meaning that in subsequent reporting periods, if the credit quality of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the financial assets moves back to Stage 1.

Definition of default
Financial instruments in default are in Stage 3. SEB applies a definition of default for accounting purposes that is consistent with how it is defined in the capital requirements regulation, which includes financial assets past due more than 90 days. All financial assets in Stage 3 are considered credit-impaired.

Modelling
The ECL is calculated as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD), as well as the timing of the loss. The Group's IFRS 9 methodology for ECL measurement is based on existing internal rating-based risk models (IRB) to the extent allowed under IFRS 9. As the objectives of these frameworks differ, the manner in which the expected credit losses are calculated also differs and appropriate adjustments are made to the IRB parameters to meet IFRS 9 requirements. Adjustments include the conversion of through-the-cycle and downturn parameters used in IRB risk models to point-in-time parameters used under IFRS 9 that considers forward-looking information.

PD represents the likelihood that a loan will not be repaid and will go into default in either a 12-month or lifetime horizon. The expected PD for each individual instrument incorporates a consideration of past events, current market conditions and reasonable and supportable information about future economic conditions. SEB uses IFRS 9 specific PD models. The models are calibrated based on a combination of geography, assets class and product type. EAD represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. For IFRS 9, EAD models are adjusted for a 12-month or lifetime horizon. LGD is the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held. SEB uses existing LGD models adjusted to meet IFRS 9 requirements.

When measuring ECL, SEB uses the maximum contractual period during which SEB is exposed to risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For revolving facilities, such as credit cards, and retail mortgage facilities the expected life is modelled based on historical behaviour.

Forward-looking information

The Group uses internally developed macroeconomic forecasts as the basis for the forward-looking information incorporated in the ECL measurement. In order to ensure an unbiased estimation of credit losses under IFRS 9, at least three scenarios shall be used. One of the scenarios shall be the base case scenario, representing the most likely outcome, which is also applied in the regular financial planning and budgeting process, while other case scenarios shall represent more optimistic or pessimistic outcomes.

Forward-looking scenarios shall be prepared by SEB's Research Department. The base scenarios shall be benchmarked to various external sources of similar forward-looking scenarios, e.g. from OECD, IMF, EU Commission and National Statistics Offices, and shall be used as inputs to the scenarios applied. The scenarios shall be approved by the Group Risk Committee.

A scenario shall consist of a qualitative description of the macroeconomic development and a quantitative part, where the development of key macroeconomic drivers is shown on a yearly basis as well as the likelihood of occurrence (scenario-weight). The quantitative part shall cover the current macroeconomic environment and forecasts up to three years. In general, scenarios shall be reviewed on a quarterly basis. In case of significant changes in the macroeconomic environment and outlook, the scenarios shall be updated.

Expert Credit Judgement

The Group uses both models and expert credit judgement (ECJ) in order to determine ECLs. The degree of judgement that is required to estimate ECL depends on the model outcome, materiality and the availability of detailed information. The model provides guidance and transparency as to how economic events could affect the impairment of financial assets. ECJ may be applied to the modelled outcome to incorporate an estimated impact of factors not captured by the model. Such judgemental adjustment to the model-generated ECLs may be applied to significant exposures at a counterparty level. The adjustments are decided by the relevant credit committee using the model ECLs as guidance. In addition there may be a need for adjustments at a portfolio level, which is decided by the Group Risk Committee.

INSURANCE AND INVESTMENT CONTRACTS

Insurance contracts are contracts under which the Group accepts significant insurance risk – defined as a transfer of an absolute risk of minimum 5 percent of the underlying value – from the policyholder by agreeing to compensate the policyholder or other beneficiaries on the occurrence of a defined insured event. Investment contracts are financial instruments that do not meet the definition of an insurance contract, as they do not transfer significant insurance risk from the policyholder to the Group.

Insurance contracts

For accounting principles relating to insurance contracts, refer to principles in Note 1.

Investment contracts

The majority of the Group's unit linked insurance is classified as investment contracts where no significant insurance risk is transferred from the policyholder to the Group. A minor part of the Group's unit linked insurance business is classified as insurance contracts.

Measurement

Investment contracts are financial commitments whose fair value is dependent on the fair value of the underlying financial assets. The underlying assets are mandatorily measured at fair value through profit or loss and the related liabilities are designated at fair value through profit or loss (fair value option). The choice to use the fair value option has been made for the purpose of eliminating the measurement inconsistency that would occur if different bases for measurement would have been used for assets and liabilities. The fair value of the unit linked financial liabilities is determined using the fair value of the financial assets linked to the financial liabilities attributed to the policyholder on the balance sheet date. However, if the liability is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender.

Revenue recognition

Amounts received from and paid to policyholders are reported in the balance sheet as deposits or withdrawals. Fees charged for managing investment contracts are recognised as revenue. The revenue for these management services is evenly distributed over the tenor of the contracts.

Recognition of expenses

Incremental costs of obtaining investment contracts with customers are deferred if they are expected to be recovered. Incremental costs are costs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained. These costs are up-front acquisition costs in the form of sales commissions paid for obtaining investment contracts. They are expected to be recovered from the fee income earned from the investment contracts. Deferred acquisition costs are reported in profit or loss as the related revenue is recognised. The asset is tested for impairment during each accounting period to ensure that the future economic benefits expected to arise from the contract exceed the carrying amount of the asset. All other costs, such as commissions to brokers paid during the tenor of the investment contracts or commission to own staff acting as sales agents or ongoing administration cost, are recognised in the accounting period in which they arise.

Significant changed accounting policies of the parent company applicable 1 January 2018

FINANCIAL ASSETS AND LIABILITIES

The changed Group accounting policies also applies to the parent company, with the exception of financial liabilities designated as fair value through profit or loss where the change in fair value relating to change in own credit risk is accounted for in profit or loss.

New and amended critical judgements for IFRS 9 and IFRS 15 from 2018

EXPECTED CREDIT LOSS MODEL

When calculating expected credit loss (ECL) there are a number of key concepts that require a high level of judgement. Estimating expected credit loss is, by its very nature, uncertain and the accuracy of these estimates depends on many factors, e.g. macroeconomic forecasts and involves complex modelling and judgements. The assessment of significant increase in credit risk is a new concept under IFRS 9 Financial Instruments and will require significant judgement. At the end of each reporting period the Group shall perform an assessment of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument, using key risk indicators that are used in the Group's existing risk management processes. Another area requiring significant judgement is the incorporation of forward-looking information and macroeconomic scenarios. IFRS 9 requires an unbiased and probability-weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. SEB uses internally developed macroeconomic forecasts as the basis for the forward-looking information in the ECL measurement. SEB uses both models and expert credit judgement (ECJ) in order to determine ECLs. The objective of applying ECJ is to incorporate the estimated impact of factors not captured in the modelled ECL. The degree of judgement that is required to estimate expected credit losses depends on the outcome from calculations, materiality and the availability of detailed information. The models, assessment and assumptions are regularly reviewed by the risk organisation of the Group and approved by the Group Risk Committee.

FEE AND COMMISSION INCOME

In recognising fee and commission income SEB makes judgements to determine the amount and timing of revenue from contracts with customers.

When SEB performs e.g. custody, asset management or administration of clients investment policies the fees are based on the time period the service is provided and/or on the amounts of underlying assets. SEB's judgement is that the customer simultaneously receives and consumes the service and SEB's obligations are therefore satisfied over the time the service is provided.

When SEB performs e.g. brokerage, negotiations of transactions for third parties such as arrangement of acquisitions or purchase or sale of businesses or acts as an arranger in loan syndications SEB's judgement is that the customer obtains control of the asset and SEB's obligations are satisfied at the time of the completion of the transaction.

When fees are based on SEB's performance SEB recognise revenue based on judgements when it is highly probable that a significant reversal of recognised revenue will not occur, which is most often when the performance criteria are fulfilled.

ASSETS RECOGNISED FROM THE COSTS TO OBTAIN OR FULFIL A CONTRACT, DEFERRED ACQUISITION COSTS

SEB recognise as an asset, costs to obtain contracts that would not have incurred if the contract had not been obtained, mainly sales commissions to obtain insurance and investment contracts.

The amortisation period for the asset is based on assumptions about average lifetime of the contracts including assumptions about surrenders and lapses.

2 Operating segments

Group business segments

Income statement, 2017	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other 1)	Eliminations	Total
Interest income	*14,066*	*11,794*	*2,616*	*−3*	*14,491*	*−6,492*	*36,472*
Interest expense	*−6,022*	*−2,352*	*−243*	*−87*	*−14,415*	*6,540*	*−16,580*
Net interest income	8,043	9,442	2,373	−90	76	48	19,893
Fee and commission income	*11,366*	*7,565*	*1,852*	*8,708*	*135*	*−6,430*	*23,196*
Fee and commission expense	*−5,130*	*−1,887*	*−532*	*−4,190*	*−108*	*6,376*	*−5,472*
Net fee and commission income	6,236	5,678	1,320	4,519	27	−54	17,725
Net financial income	3,465	441	231	1,674	1,008	60	6,880
Net other income	573	87	−10	17	448	−4	1,112
Total operating income	**18,318**	**15,648**	**3,914**	**6,120**	**1,558**	**51**	**45,609**
of which internally generated	*−1,773*	*2,742*	*53*	*−2,386*	*1,312*	*51*	
Staff costs	−3,862	−3,298	−724	−1,561	−4,616	35	−14,025
Other expenses	−5,046	−3,872	−965	−963	3,984	−85	−6,947
Depreciation, amortisation and impairment of tangible and intangible assets	−59	−57	−78	−37	−734		−964
Total operating expenses	**−8,967**	**−7,226**	**−1,766**	**−2,561**	**−1,365**	**−51**	**−21,936**
Gains less losses on disposals of tangible and intangible assets	1		−164		1		−162
Net credit losses	−529	−276	−7		4		−808
Operating profit before items affecting comparability	**8,823**	**8,146**	**1,977**	**3,558**	**198**		**22,702**
Items affecting comparability					−1,896		−1,896
OPERATING PROFIT	**8,823**	**8,146**	**1,977**	**3,558**	**−1,698**		**20,806**
Business equity, SEK bn	65.8	40.6	8.0	11.0			
Return on business equity, %	10.1	15.0	21.9	27.8			
Risk exposure amount, SEK bn	376	120	74	4	37		611
Lending to the public 2), SEK bn	551	744	129		6		1,430
Deposits from the public 2), SEK bn	416	384	114		86		999

2016 3)	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other 1)	Eliminations	Total
Interest income	*12,640*	*10,378*	*2,509*	*−3*	*14,730*	*−5,052*	*35,202*
Interest expense	*−4,333*	*−1,396*	*−364*	*−57*	*−15,378*	*5,064*	*−16,464*
Net interest income	8,307	8,982	2,145	−60	−648	12	18,738
Fee and commission income	*11,722*	*7,117*	*1,671*	*7,641*	*125*	*−5,776*	*22,500*
Fee and commission expense	*−5,627*	*−1,703*	*−500*	*−3,582*	*−90*	*5,630*	*−5,872*
Net fee and commission income	6,095	5,414	1,171	4,059	35	−146	16,628
Net financial income	4,187	394	218	1,764	332	161	7,056
Net other income	389	55	−23	−17	437	−12	829
Total operating income	**18,978**	**14,845**	**3,511**	**5,746**	**156**	**15**	**43,251**
of which internally generated	*−1,138*	*7,545*	*−5*	*−2,231*	*−4,186*	*15*	
Staff costs	−3,922	−3,339	−755	−1,560	−4,895	49	−14,422
Other expenses	−4,972	−3,713	−959	−984	4,073	−64	−6,619
Depreciation, amortisation and impairment of tangible and intangible assets	−34	−69	−66	−45	−557		−771
Total operating expenses	**−8,928**	**−7,121**	**−1,780**	**−2,589**	**−1,379**	**−15**	**−21,812**
Gains less losses on disposals of tangible and intangible assets			−156		6		−150
Net credit losses	−563	−376	−56		2		−993
Operating profit before items affecting comparability	**9,487**	**7,348**	**1,519**	**3,157**	**−1,215**		**20,296**
Items affecting comparability	−354		−68		−5,007		−5,429
OPERATING PROFIT	**9,133**	**7,348**	**1,451**	**3,157**	**−6,222**		**14,867**
Business equity, SEK bn	62.4	37.3	7.9	11.6			
Return on business equity, %	11.3	15.2	16.2	23.5			
Risk exposure amount, SEK bn	375	117	67	4	47		610
Lending to the public 2), SEK bn	546	710	117		2		1,375
Deposits from the public 2), SEK bn	404	372	106		79		961

1) Profit and loss from associated companies accounted for under the equity method are recognised in Net other income at an amount of SEK 13m (19). The aggregated investments are SEK 334m (229).

2) Excluding repos and debt securities.

3) Items affecting comparability restated, see note 49.

Balance sheet, 2017	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other 1)	Eliminations	Total
Assets	1,175,651	829,749	160,683	514,139	1,135,275	−1,255,900	**2,559,596**
Liabilities	1,098,360	779,589	150,880	500,695	1,142,048	−1,255,900	**2,415,671**
Investments	164	151	121	1,942	1,186		**3,563**

2016	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other 1)	Eliminations	Total
Assets	1,315,760	808,608	150,496	492,705	1,222,051	−1,368,974	**2,620,646**
Liabilities	1,235,317	761,015	141,797	479,199	1,231,316	−1,368,974	**2,479,670**
Investments	46	145	164	1,162	726		**2,243**

Note 2 continued Operating segments

Parent company business segments

2017	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other	Eliminations	Total
Gross income	26,664	15,544	22	295	20,795	−584	**62,736**
Assets	964,428	753,406	169	252	896,077	−722,169	**1,892,163**
Investments	162	145			1,176		**1,483**
2016							
Gross income	25,089	13,645	16	241	29,088	−9,926	**58,153**
Assets	1,074,815	734,433	1,452	231	1,011,986	−823,073	**1,999,844**
Investments	41	62			649		**752**

Business segment
The Business segments are presented on a management reporting basis. The different divisions assist different groups of customers. The customers' demands decide the type of products that are offered. Large Corporates & Financial Institutions offers wholesale and investment banking services to large corporations and institutions. Corporate & Private Customers offers products and private banking services mainly to retail customers (private customers and small and medium-sized corporates). Division Baltic offers products mainly to retail customers (private customers and small and medium-sized corporates) and private banking services in the Baltic countries. Life & Investment Management performs asset management and offers life, sickness, healthcare and pension insurance. Other consists of business support units, treasury and staff units. Eliminations of internal transactions between the business segments are reported separately.

Gross income by product for external customers

	Group		Parent company	
	2017	**2016** 1)	**2017**	**2016**
Core banking	35,672	33,920	24,191	22,691
Capital market	12,477	13,158	11,283	11,199
Asset management	8,483	7,580	2,279	2,114
Life insurance and pension	3,445	3,572		
Other	7,583	7,357	24,983	22,149
TOTAL	**67,660**	**65,587**	**62,736**	**58,153**

1) Items affecting comparability restated, see note 49.

Core banking consists of loan, leasing, card and payment related products. Capital market consists of trading and issues on financial markets. Asset management consists of advisory, custody and fund management. Life insurance and pension consists of unit-linked and traditional life insurance products. Other consists of income from treasury operations and other activities.

3 Geographical information

Group by country

	2017					2016				
	Gross Income 1)	Operating profit 2)	Income tax expense 3)	Assets	Investments	Gross Income 1) 7)	Operating profit 2)	Income tax expense 3)	Assets	Investments
Sweden	43,466	12,333	−2,703	2,046,020	2,103	41,662	4,916	−1,845	2,138,812	1,488
Norway	5,206	1,859	−433	102,138	94	5,178	2,366	−622	115,284	26
Denmark	3,775	1,918	−359	302,548	991	3,467	2,142	−417	324,547	299
Finland	2,313	1,171	−224	89,619	72	2,110	1,043	−217	80,469	10
Estonia 6)	1,658	927	−72	54,815	64	1,528	916	−47	50,405	58
Latvia	1,207	371	−79	36,297	8	1,180	468	−57	33,738	48
Lithuania	2,134	1,014	−155	75,218	68	2,013	831	−58	71,098	76
Germany 4)	2,517	−433	2	30,459		3,312	507	−420	34,454	3
Great Britain	1,962	1,076	−225	68,997	5	1,799	727	−196	70,291	5
Poland	156	15	−14	8,224	2	165	31	−14	5,305	2
Ukraine	54	3	−2	498		58	7	−4	700	
China	631	162	−50	24,097		407	98	−18	23,045	3
Ireland	588	181	2	70,730	139	567	171	−29	66,154	139
Luxembourg	1,484	385	−65	53,155	5	2,644	322	−39	73,747	6
Russia	370	28	−16	5,300	2	313	26	−15	3,950	2
Singapore	679	66	−16	24,619	1	573	94	−23	27,488	1
United States 6)	2,508	−131	−31	82,345		1,603	55	−310	109,109	
Other countries 5) 6)	3,109	−139	−122	198,502	10	3,098	147	82	209,357	77
Group eliminations	−6,155			−713,987		−6,090			−817,307	
TOTAL	**67,660**	**20,806**	**−4,562**	**2,559,596**	**3,563**	**65,587**	**14,867**	**−4,249**	**2,620,646**	**2,243**

1) Gross income in the Group is defined as the sum of Interest income, Fee and commission income, Net financial income and Net other income according to IFRS. The basis for the income allocation is SEB's presence in each country, with the exception of when the local companies / branches serve as sales offices and receive commission payments and the transaction is booked in the central unit.
2) Before tax.
3) For more information about tax see note 15.
4) Excluding treasury operations.
5) Cayman Island, Hong Kong, Netherlands, Switzerland and treasury operations in Germany.
6) Until and including 2017, no income tax is paid in Estonia unless profit is distributed as dividend. On Cayman Island, the parent company is represented by a branch office which is a United States tax resident entity, why tax expense related to Cayman income is reported in US.
7) Items affecting comparability restated, see note 49.

Note 3 continued Geographical information

Parent company by country

	2017			2016		
	Gross Income[1]	Assets	Investments	Gross Income[1]	Assets	Investments
Sweden	49,760	1,661,054	1,297	46,702	1,754,444	696
Norway	3,090	56,656	94	3,402	55,616	26
Denmark	1,920	67,499	3	1,979	76,074	3
Finland	1,278	5,927	71	1,168	9,888	9
Other countries	6,688	101,027	18	4,902	103,822	18
TOTAL	**62,736**	**1,892,163**	**1,483**	**58,153**	**1,999,844**	**752**

1) Gross income in the parent company is defined as the sum of Interest income, Leasing income, Dividends, Fee and commission income, Net Financial income and Other income according to SFSA accounting regulations. The basis for the income allocation is SEB's presence in each country, with the exception of when the local companies / branches serve as sales offices and receive commission payments and the transaction is booked in the central unit.

Transfer pricing
The internal transfer pricing objective in the SEB Group is to measure net interest income, to transfer interest rate risk and liquidity and to manage liquidity. The internal price is based on SEB's actual or implied market-based cost of funds for a specific interest and liquidity term. Transactions between Business segments are conducted at arm's length.

4 Net interest income

2017	Group			Parent company		
	Average balance	Interest	Interest rate	Average balance	Interest	Interest rate
Loans to credit institutions and central banks	418,258	2,198	0.53%	582,286	1,994	0.34%
Loans to the public	1,500,385	26,734	1.78%	1,168,445	20,156	1.73%
Interest earning securities[1]	191,328	1,884	0.98%	180,355	1,696	0.94%
Total interest earnings assets	**2,109,970**	**30,815**	**1.46%**	**1,931,086**	**23,847**	**1.23%**
Derivatives and other assets	741,644	5,657		311,886	8,439	
Total assets	**2,851,614**	**36,472**		**2,242,972**	**32,285**	
Deposits from credit institutions	150,001	−686	−0.46%	222,199	−1,028	−0.46%
Deposits and borrowing from the public	1,134,017	−4,450	−0.39%	929,878	−2,493	−0.27%
Debt securities issued[2]	714,896	−10,594	−1.48%	676,672	−10,613	−1.57%
Subordinated liabilities	41,494	−1,646	−3.97%	41,628	−1,646	−3.95%
Total interest bearing liabilities	**2,040,408**	**−17,376**	**−0.85%**	**1,870,377**	**−15,780**	**−0.84%**
Derivatives and other liabilities	670,178	796		273,473	−1,970	
Equity	141,028			99,122		
Total liabilities and equity	**2,851,614**	**−16,580**		**2,242,972**	**−17,750**	
Net interest income		**19,893**			**14,536**	
Net yield on interest earning assets			**0.94%**			**0.75%**
1) of which, measured at fair value		1,648			1,702	
2) of which, measured at fair value		−755			−706	

Note 4 continued Net interest income

2016	Group Average balance	Group Interest	Group Interest rate	Parent company Average balance	Parent company Interest	Parent company Interest rate
Loans to credit institutions and central banks	408,155	1,233	0.30%	619,500	1,349	0.22%
Loans to the public	1,430,412	25,360	1.77%	1,040,096	18,694	1.80%
Interest earning securities [1]	221,880	1,916	0.86%	211,324	1,731	0.82%
Total interest earnings assets	**2,060,447**	**28,509**	**1.38%**	**1,870,920**	**21,774**	**1.16%**
Derivatives and other assets	773,214	6,693		410,818	7,248	
Total assets	**2,833,661**	**35,202**		**2,281,738**	**29,022**	
Deposits from credit institutions	186,347	−372	−0.20%	280,008	−838	−0.30%
Deposits and borrowing from the public	1,071,015	−3,760	−0.35%	926,570	−1,880	−0.20%
Debt securities issued [2]	719,551	−10,799	−1.50%	675,678	−10,859	−1.61%
Subordinated liabilities	34,270	−1,463	−4.27%	33,796	−1,463	−4.33%
Total interest bearing liabilities	**2,011,183**	**−16,394**	**−0.82%**	**1,916,052**	**−15,040**	**−0.78%**
Derivatives and other liabilities	686,312	−70		272,383	−183	
Equity	136,166			93,303		
Total liabilities and equity	**2,833,661**	**−16,464**		**2,281,738**	**−15,223**	
Net interest income		**18,738**			**13,799**	
Net yield on interest earning assets			**0.91%**			**0.74%**
1) of which, measured at fair value		1,641			1,735	
2) of which, measured at fair value		−664			−705	

In the table above Loans and Deposits are presented excluding debt securities. This is different from the Income statement and Balance sheet in which the classification is done based on accounting category.

Net interest income

	Parent company 2017	Parent company 2016
Interest income	32,285	29,023
Income from leases [1]	5,481	5,443
Interest expense	−17,750	−15,223
Depreciation of leased equipment [1]	−4,817	−4,704
TOTAL	**15,200**	**14,539**

1) In the Group Net income from leases is classified as interest income. In the parent company depreciation of leased equipment is reported as Depreciation, amortisation and impairment of tangible and intangible assets.

5 Net fee and commission income

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Issue of securities	724	484	1,035	838
Secondary market	2,125	2,878	1,436	1,670
Custody and mutual funds	8,040	7,264	3,690	3,391
Securities commissions	10,890	10,626	6,161	5,899
Payments	1,850	1,677	1,512	1,334
Card fees	3,610	3,526	505	392
Payment commissions	5,460	5,203	2,017	1,726
Life insurance commissions	1,707	1,653		
Advisory	443	316	393	282
Lending	2,254	2,527	1,889	2,065
Deposits	276	221	71	59
Guarantees	541	527	380	353
Derivatives	439	475	400	530
Other	1,186	952	843	734
Other commissions	5,140	5,018	3,975	4,023
Fee and commission income	**23,196**	**22,500**	**12,153**	**11,648**
Securities commissions	−2,001	−2,248	−1,217	−1,378
Payment commissions	−2,006	−1,940	−619	−604
Life insurance commissions	−598	−614		
Other commissions	−866	−1,070	−760	−823
Fee and commission expense	**−5,472**	**−5,872**	**−2,596**	**−2,805**
Securities commissions, net	8,889	8,378	4,944	4,521
Payment commissions, net	3,454	3,263	1,398	1,122
Life insurance commissions, net	1,109	1,039		
Other commissions, net	4,273	3,948	3,215	3,200
TOTAL	**17,725**	**16,628**	**9,557**	**8,843**

6 Net financial income

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Gains (losses) on financial assets and liabilities held for trading, net	6,239	6,026	5,563	5,425
Gains (losses) on financial assets and liabilities designated at fair value through profit and loss, net	−1,087	−857	−1,069	−783
Other life insurance income, net	1,738	1,919		
Impairments of available-for-sale financial assets	−10	−32		
TOTAL	**6,880**	**7,056**	**4,493**	**4,642**

Gains (losses) on financial assets and liabilities held for trading, net

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Equity instruments and related derivatives	1,388	1,149	1,333	1,165
Debt securities and related derivatives	740	1,109	640	1,017
Currency related	4,024	3,699	3,512	3,186
Other	88	69	79	57
TOTAL	**6,239**	**6,026**	**5,563**	**5,425**

Gains (losses) on financial assets and liabilities held for trading are 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, but shows volatility between rows. There were effects from structured products offered to the public in the amounts of approximately SEK 235m (555) in equity related derivatives and a corresponding effect in debt securities of SEK −340m (−180).

Gains (losses) on financial assets and liabilities designated at fair value through profit and loss, net

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Equity instruments	22	24		
Debt securities	−1,109	−881	−1,069	−783
TOTAL	**−1,087**	**−857**	**−1,069**	**−783**

Valuation changes arising from counterparty credit risk and own credit standing

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Derivatives – counterparty risk	421	−190	434	−189
Derivatives – own credit standing	−180	21	−141	13
Issued securities designated at fair value through profit or loss – own credit standing	−31	−50	−57	−50
TOTAL	**210**	**−219**	**236**	**−226**

7 Net other income

	Group 2017	Group 2016[3]	Parent company 2017	Parent company 2016
Dividends[1]	77	170		
Investments in associates	−38	218		
Gains less losses from investment securities	203	410	624	217
Gains less losses from tangible assets[2]			27	14
Gains less losses from divestment of shares in subsidiaries		−39		
Other income	870	70	691	586
TOTAL	**1,112**	**829**	**1,342**	**817**

1) Reported separately in the Income Statement for parent company.
2) See note 12 for the Group.
3) Items affecting comparability restated, see note 49.

Dividends

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Available-for-sale investments	77	170	51	51
Investments in associates			514	70
Dividends from subsidiaries			6,416	6,460
TOTAL	**77**	**170**	**6,981**	**6,581**

Note 7 continued Net other income

Gains less losses from investment securities

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Available-for-sale financial assets – Equity instruments	722	148	614	178
Available-for-sale financial assets – Debt securities	90	529		
Loans			10	40
Gains	**812**	**677**	**624**	**218**
Available-for-sale financial assets – Equity instruments	−93	−131		
Available-for-sale financial assets – Debt securities	−7	−14		
Loans	−508	−122		−1
Losses	**−609**	**−267**		**−1**
TOTAL	**203**	**410**	**624**	**217**

Other income

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Fair value adjustment in hedge accounting	205	−260	792	−323
Operating result from non-life insurance, run off	283	158		
Other income	382	172	−102	909
TOTAL	**870**	**70**	**690**	**586**

Fair value adjustment in hedge accounting

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Fair value changes of the hedged items	3,939	298	3,757	316
Fair value changes of the hedging derivatives	−3,721	−650	−2,936	−658
Fair value hedges	**218**	**−352**	**822**	**−342**
Fair value changes of the hedged items	75	261	−52	135
Fair value changes of the hedging derivatives	−79	−182	33	−129
Fair value portfolio hedge of interest rate risk	**−3**	**79**	**−20**	**6**
Cash-flow hedges – ineffectiveness	**−10**	**13**	**−10**	**13**
TOTAL	**205**	**−260**	**792**	**−323**

Fair value hedges and portfolio hedges
The Group hedges a portion of its existing interest rate risk in financial assets, payments and financial liabilities with fixed interest rates against changes in fair value due to changes in the interest rates. For this purpose the Group uses interest rate swaps, cross-currency interest rate swaps and in some situations also options. The hedges are executed either item by item or grouped by maturity.

Cash flow hedges
The Group uses interest rate swaps to hedge future cash flows from deposits and lending with floating interest rates. Interest flows from deposits and lending with floating interest rates are expected to be amortised to profit or loss during the period 2018 to 2037.

Net investment hedges
The Group hedges the currency translation risk of net investments in foreign operations through currency borrowings and currency forwards. Borrowing in foreign currency at an amount of SEK 33,357m (39,001) and currency forwards at an amount of SEK 0m (2,507) were designated as hedges of net investments in foreign operations. Ineffectiveness in the hedges has been reported in Net financial income (note 6).

8 Administrative expenses

	Group 2017	Group 2016[1]	Parent company 2017	Parent company 2016
Staff costs	−14,025	−14,422	−9,335	−10,466
Other expenses	−6,947	−6,619	−4,918	−4,573
TOTAL	**−20,972**	**−21,041**	**−14,252**	**−15,039**

1) Restructuring activities in 2016 reclassified to Items affecting comparability, see note 49.

9 Staff costs

	Group 2017	Group 2016[3]	Parent company 2017	Parent company 2016
Base salary	–8,073	–8,105	–5,431	–5,402
Cash-based variable remuneration	–666	–684	–428	–541
Long-term equity-based remuneration	–616	–702	–462	–637
Salaries and other compensations	**–9,355**	**–9,491**	**–6,321**	**–6,580**
Social charges	–2,543	–2,638	–1,861	–1,955
Defined benefit retirement plans [1]	–472	–313		–686
Defined contribution retirement plans [1]	–881	–1,055	–643	–766
Benefits and redundancies [2]	–271	–444	–169	–160
Education and other staff related costs	–502	–481	–340	–319
TOTAL	**–14,025**	**–14,422**	**–9,335**	**–10,466**

1) Pension costs in the Group are accounted for according to IAS 19 Employee benefits. Pension costs in Skandinaviska Enskilda Banken are calculated in accordance with the Act on Safeguarding Pensions Obligations and the Swedish Financial Supervisory Authority's regulations. Non-recurring costs of SEK 196m (172m) for early retirement have been charged to the pension funds of the bank.

2) Includes costs for redundancies of SEK 179m (350) for the Group and SEK 126m (113) for the parent company.

3) Restructuring activities in 2016 reclassified to Items affecting comparability, see note 49.

9 a Remuneration

Presented in note 9a is the statement of remuneration for the Consolidated situation and significant units within the Group according to Regulation on prudential requirements for credit institutions and investment firms. In the SEB Group 989 (1,167) positions are defined as Identified Staff. SEB has chosen to include the remuneration also in the insurance operations that are not part of the SEB consolidated situation but part of the SEB Group.

Remuneration by division [5]

	Group				Parent company			
	Fixed[1]		Variable[1]		Fixed[1]		Variable[1]	
2017	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs
Large Corporates & Financial Institutions	–2,511	2,049	–613	1,979	–1,994	1,707	–565	1,637
Corporate & Private Customers	–2,375	3,531	–153	3,521	–1,654	2,818	–121	2,808
Baltic	–481	2,431	–61	2,431				
Life & Investment Management	–1,120	1,478	–103	1,458				
Other [2]	–4,532	5,457	–352	5,432	–2,595	4,182	–204	4,084
TOTAL	**–11,019**	**14,946**	**–1,282**	**14,821**	**–6,243**	**8,707**	**–890**	**8,529**
whereof collective variable pay[3]			–546	14,821				
2016								
Large Corporates & Financial Institutions	–2,658	2,134	–688	2,009	–1,990	1,689	–625	1,620
Corporate & Private Customers	–2,353	3,667	–192	3,647	–1,665	2,920	–152	2,920
Baltic	–502	2,565	–64	2,565				
Life & Investment Management	–1,115	1,468	–108	1,432				
Other [2]	–3,429	5,445	–334	4,663	–3,359	4,147	–401	3,517
TOTAL	**–10,057**	**15,279**	**–1,386**	**14,316**	**–7,014**	**8,756**	**–1,178**	**8,057**
whereof collective variable pay[3]			–573	14,316				

	SEB AG, Germany				SEB Pank AS, Estonia			
	Fixed [1]		Variable[1]		Fixed [1]		Variable[1]	
2017	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs
Large Corporates & Financial Institutions	–304	240	–33	240				
Baltic					–150	725	–20	725
Other[4]	–1,523	220	–13	220	–88	316	–11	316
TOTAL	**–1,827**	**460**	**–46**	**460**	**–238**	**1,041**	**–31**	**1,041**
2016								
Large Corporates & Financial Institutions	–509	323	–46	303				
Baltic					–150	741	–18	734
Other[4]	–378	250	–15	199	–79	308	–16	284
TOTAL	**–887**	**573**	**–61**	**502**	**–229**	**1,049**	**–34**	**1,018**

Note 9 a continued Remuneration

2017	SEB Banka AS, Latvia				SEB bankas AB, Lithuania			
	Fixed [1]		Variable [1]		Fixed [1]		Variable [1]	
	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs
Baltic	−123	640	−16	640	−186	1,024	−24	1,024
Other [4]	−56	246	−6	246	−89	373	−8	373
TOTAL	**−179**	**886**	**−22**	**886**	**−275**	**1,397**	**−32**	**1,397**
2016								
Baltic	−132	691	−16	679	−193	1,085	−27	1,076
Other [4]	−60	260	−9	234	−78	366	−12	328
TOTAL	**−192**	**951**	**−25**	**913**	**−271**	**1,451**	**−39**	**1,404**

1) Variable pay is defined as short-term cash-based remuneration and long-term equity-based remuneration. All other remuneration is reported as fixed remuneration and includes: base pay, pensions, severance pay, fees and benefits such as e.g. company car and domestic services, in accordance with FFFS 2011:1. The reported remuneration does not include social charges.
2) Including Life & Investment Management and Baltic in the parent company.
3) Share Savings Programme and collective short-term and long-term remuneration. Collective short-term and long-term remuneration compared to expected outcome is reported in Other.
4) Including Life & Investment Management in Baltic countries. In Lithuania also Large Corporates & Financial Institutions are included.
5) Including Items affecting comparability, see note 49.

Remuneration by category[7]

2017	Group						Parent company					
	Remuneration			FTEs			Remuneration			FTEs		
	Identified Staff [6]	Other employees	Total	Identified Staff [6]	Other employees	Total	Identified Staff [6]	Other employees	Total	Identified Staff [6]	Other employees	Total
Fixed remuneration [1]	−1,140	−9,879	**−11,019**	989	13,957	**14,946**	−617	−5,626	**−6,243**	585	8,122	**8,707**
Variable pay [1]	−334	−948	**−1,282**	554	14,267	**14,821**	−166	−724	**−890**	311	8,218	**8,529**
whereof:												
Short-term cash-based	−142	−524	**−666**				−64	−364	**−428**			
Long-term equity-based [2]	−192	−424	**−616**				−102	−360	**−462**			
Deferred variable pay [3]	−218	−398	**−616**				−114	−348	**−462**			
Accrued and paid remuneration [4]	−1,490	−9,936	**−11,426**				−785	−6,350	**−7,135**			
Severance pay [5]			**−622**			**547**			**−140**			**191**
Agreed not yet paid severance pay			**−609**			**362**			**−147**			**170**
Highest single amount			**−2**						**−2**			
2016												
Fixed remuneration [1]	−1,173	−8,884	**−10,057**	1,080	14,199	**15,279**	−988	−6,026	**−7,014**	788	7,968	**8,756**
Variable pay [1]	−373	−1,013	**−1,386**	788	13,528	**14,316**	−313	−865	**−1,178**	487	7,570	**8,057**
whereof:												
Short-term cash-based	−167	−517	**−684**				−121	−420	**−541**			
Long-term equity-based [2]	−206	−496	**−702**				−192	−445	**−637**			
Deferred variable pay [3]	−219	−495					−192	−445	**−637**			
Accrued and paid remuneration [4]	−1,619	−9,897					−1,251	−6,998	**−8,249**			
Severance pay [5]			**−498**			**546**			**−122**			**130**
Agreed not yet paid severance pay			**−436**			**266**			**−96**			**105**
Highest single amount			**−7**						**−3**			

2017	SEB AG, Germany						SEB Pank AS, Estonia					
	Remuneration			FTEs			Remuneration			FTEs		
	Identified Staff [6]	Other employees	Total	Identified Staff [6]	Other employees	Total	Identified Staff [6]	Other employees	Total	Identified Staff [6]	Other employees	Total
Fixed remuneration [1]	−70	−1,757	**−1,827**	53	407	**460**	−11	−227	**−238**	16	1,025	**1,041**
Variable pay [1]	−16	−30	**−46**	29	431	**460**	−2	−29	**−31**	6	1,035	**1,041**
whereof:												
Short-term cash-based	−8	−4	**−12**					−15	**−15**			
Long-term equity-based [2]	−8	−26	**−34**				−2	−14	**−16**			
Deferred variable pay [3]	−9	−26	**−35**				−2	−14	**−16**			
Accrued and paid remuneration [4]	−86	−941	**−1,027**				−13	−256	**−269**			
Severance pay [5]			**−429**			**157**			**−1**			**20**
2016												
Fixed remuneration [1]	−90	−797	**−887**	71	502	**573**	−12	−217	**−229**	15	1,034	**1,049**
Variable pay [1]	−18	−43	**−61**	37	465	**502**	−1	−33	**−34**	6	1,012	**1,018**
whereof:												
Short-term cash-based	−9	−13	**−22**					−16	**−16**			
Long-term equity-based [2]	−9	−30	**−39**				−1	−17	**−18**			
Deferred variable pay [3]	−9	−30	**−39**				−1	−17	**−18**			
Accrued and paid remuneration [4]	−112	−840	**−952**				−13	−250	**−263**			
Severance pay [5]			**−307**			**114**			**−3**			**42**

Note 9 a continued Remuneration

2017	SEB Banka AS, Latvia Remuneration Identified Staff 6)	Other employees	Total	FTEs Identified Staff 6)	Other employees	Total	SEB bankas AB, Lithuania Remuneration Identified Staff 6)	Other employees	Total	FTEs Identified Staff 6)	Other employees	Total
Fixed remuneration 1)	−8	−171	**−179**	15	871	**886**	−14	−261	**−275**	13	1,384	**1,397**
Variable pay 1)	−1	−21	**−22**	9	877	**886**	−3	−29	**−32**	4	1,393	**1,397**
whereof:												
Short-term cash-based		−9	**−9**					−13	**−13**			
Long-term equity-based 2)	−1	−12	**−13**				−3	−16	**−19**			
Deferred variable pay 3)	−1	−12	**−13**				−3	−16	**−19**			
Accrued and paid remuneration 4)	−9	−192	**−201**				−17	−290	**−307**			
Severance pay 5)			**−4**			**72**			**−8**			**58**
2016												
Fixed remuneration 1)	−16	−176	**−192**	29	922	**951**	−17	−254	**−271**	23	1,428	**1,451**
Variable pay 1)	−2	−23	**−25**	13	900	**913**	−3	−36	**−39**	12	1,392	**1,404**
whereof:												
Short-term cash-based		−11	**−11**					−17	**−17**			
Long-term equity-based 2)	−2	−12	**−14**				−3	−19	**−22**			
Deferred variable pay 3)	−2	−12	**−14**				−3	−19	**−22**			
Accrued and paid remuneration 4)	−18	−199	**−217**				−20	−290	**−310**			
Severance pay 5)			**−2**			**53**			**−15**			**111**

1) Variable pay is defined as short-term cash-based remuneration and long-term equity-based remuneration. All other remuneration is reported as fixed remuneration and includes: base pay, pensions, severance pay, fees and benefits such as e.g. company car and domestic services, in accordance with FFFS 2011:1. The reported remuneration does not include social charges.

2) Long-term equity based remuneration encompasses four different programmes; a Share Savings Programme and All Employee Programme and also a Share Matching Programme and a Share Deferral Programme for a selected group of key employees.

3) The deferred variable pay is locked the first year. Short-term cash-based remuneration can thereafter be paid pro rata over three or five years after a possible risk adjustment. Long-term equity-based programmes are locked for a minimum of three years.

4) In Accrued and paid remuneration amounts paid within the first quarter after the accrual is included. Deferred variable pay has been subject to risk adjustment.

5) The amount also includes sign-on.

6) Employees with material impact on SEB's risk profile, in accordance with FFFS 2011:1.

7) Including Items affecting comparability, see note 49.

Loans to Executives

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Managing Directors and Deputy Managing Directors 1)	113	94	27	20
Boards of Directors 2)	426	407	111	120
TOTAL	**539**	**501**	**138**	**140**

1) Comprises current President and Deputy President in the parent company and Managing Directors and Deputy Managing Directors in subsidiaries. Total number of executives was 47 (53) of which 14 (12) female.

2) Comprises current Board members and their substitutes in the parent company and subsidiaries. Total number of persons was 156 (181) of which 43 (55) female.

Pension commitments to Executives

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Pension disbursements made	112	136	45	64
Change in commitments	48	56	19	20
Commitments at year-end	1,839	1,871	870	848

The above commitments are covered by the bank's pensions funds or through bank-owned endowment assurance schemes. They include active and retired Presidents and vice Presidents in the parent company and Managing directors and Deputy Managing directors in subsidiaries, in total 115 persons (118).

9 b Pensions

Retirement benefit obligations
The Group has established pension schemes in the countries where business is performed. There are both defined benefit plans and defined contribution plans. The major pension schemes are final salary defined benefit plans and are funded. The defined benefit plan in Sweden is closed to new employees and a defined contribution plan was established during 2013. The defined contribution plans follow the local regulations in each country. Multiemployer defined benefit plans exist for employees in some parts of the Group. These plans are accounted for as defined contribution plans since sufficient information of SEB's share of the liability/asset and cost is not available.

Defined benefit plans
The major defined benefit plans exist in Sweden and Germany and cover most employees in these countries. Independent actuarial calculations according to the Projected Unit Credit Method (PUCM) are performed quarterly to decide the value of the defined benefit obligation. The benefits covered include retirement benefits, disability, death and survivor pensions according to the respective countries' collective agreements. The plan assets are kept separate in specific pension foundations. In case of a deficit in the pension obligation according to local rules SEB is obliged to meet this with contribution to the foundation or insure a deficit. The asset allocation is determined to meet the various risks in the pension obligations and is decided by the board/trustees in the pension foundations. The assets are booked at market value. The pension and interest costs are presented in Staff costs.

Defined contribution plans
Defined contribution plans exist both in Sweden and abroad. In Sweden a smaller part of the closed collective retirement agreement is defined contribution based. Over a certain salary level the employees could also choose to leave the defined benefit plan and replace it by a defined contribution plan. The current plan for new employees is fully contribution based. Most other countries have defined contribution plans except for the Baltic countries where the company to a limited extent contributes to the employees retirement. The defined contribution plans are not recognised in the balance sheet but accounted for as an expense among Staff costs.

DEFINED BENEFIT PLANS IN SEB GROUP

	2017			2016		
Net amount recognised in the Balance sheet	Sweden[1]	Foreign[1]	Group[1]	Sweden[1]	Foreign[1]	Group[1]
Defined benefit obligation at the beginning of the year	23,287	5,794	**29,081**	19,693	5,366	**25,059**
Curtailment, acquisitions and reclassification[2]		891	**891**			
Service costs	509	39	**548**	442	38	**480**
Interest costs	556	95	**651**	606	127	**733**
Benefits paid	–735	–321	**–1,056**	–691	–277	**–968**
Exchange differences		177	**177**		153	**153**
Remeasurements of pension obligation	755	–227	**528**	3,237	387	**3,624**
Defined benefit obligation at the end of the year	**24,372**	**6,448**	**30,820**	**23,287**	**5,794**	**29,081**
Fair value of plan assets at the beginning of the year	27,201	5,076	**32,277**	25,252	4,982	**30,234**
Curtailment, acquisitions and reclassification					37	**37**
Calculated interest on plan assets	645	85	**730**	783	118	**901**
Benefits paid/contributions	–686	–242	**–928**		–277	**–277**
Exchange differences		140	**140**		199	**199**
Valuation gains (losses) on plan assets	2,492	64	**2,556**	1,166	17	**1,183**
Fair value of plan assets at the end of the year	**29,652**	**5,123**	**34,775**	**27,201**	**5,076**	**32,277**

Change in the net assets or net liabilities

	Sweden	Foreign	Group	Sweden	Foreign	Group
Defined benefit obligation at the beginning of the year	3,914	–718	**3,196**	5,559	–384	**5,175**
Curtailment, acquisitions and reclassification		–891	**–891**		37	**37**
Total expense in staff costs	–420	–49	**–469**	–265	–47	**–312**
Pension paid	735	321	**1,056**	691	277	**968**
Benefits paid/contributions	–686	–242	**–928**		–277	**–277**
Exchange differences		–37	**–37**		46	**46**
Remeasurements	1,737	291	**2,028**	–2,071	–370	**–2,441**
NET AMOUNT RECOGNISED IN THE BALANCE SHEET	**5,280**	**–1,325**	**3,955**	**3,914**	**–718**	**3,196**

1) The net defined benefit obligation is recognised in the balance sheet either as an asset or liability depending on the situation for each legal entity.
2) In 2017 an agreement was signed to transfer most part of the pension obligations under the defined benefit plan in SEB AG to Versicherungsverein des Bankgewerbes a.G (BVV). In connection with the signing the obligation was revaluated to the value at the transfer in 2018, which resulted in a value change of SEK 891m.

In 2017 a contribution of SEK 39m (38) was paid to the German pension foundation. Contribution to the foundations cannot be ruled out in 2018.

Note 9 b continued Pensions

Principal actuarial assumptions used

	2017		2016	
	Sweden	Foreign	Sweden	Foreign
Discount rate	2.2%	1.9%	2.4%	1.7%
Inflation rate	1.5%	1.8%	1.5%	1.8%
Expected rate of salary increase	3.5%	2.5%	3.5%	2.5%
Expected rate of increase in the income basis amount	3.0%		3.0%	

The discount rate is based set on high-quality corporate bonds in a deep market, in Sweden covered bonds which are at least AAA-rated. An extrapolation of the maturity of the covered bonds is made based on government bonds and checked against swaps. This extrapolated maturity is in line with the estimated maturity of obligations for post-employment benefits. Life expectancy assumptions in Sweden for 2016 are established by the Actuarial Research Board (FTN) and are based on DUS14 for white-collar workers. 2015 the Swedish life expectancy assumptions followed the insurance supervisory authority (FFFS 2007:31) regulations which are based on DUS06 for the entire population. In Germany the Heubeck Sterbetafeln is used. Weighted average duration for the obligation is 23 years in Sweden and 14 years in Germany.

A decrease of the discount rate for Sweden of 0.5 per cent would imply an increase of the Swedish pension obligation by SEK 2,404m while the same change in the inflation assumption for Sweden would have the opposite effect and decrease the obligation by SEK 1,753m. An increase of the discount rate by same ratio would reduce the obligation with SEK 2,077m and an increased inflation rate of 0.5 per cent gives an increased obligation of SEK 2,043m. A decrease in assumption for expected salary increase in Sweden of 0.5 per cent would have a positive effect on the obligation by SEK 314m an increase would have a negative effect of SEK 373m.

The obligation in Germany would increase by SEK 432m if the discount rate was reduced by 0.5 per cent. An increase by the same percentage would decrease the obligation by SEK 384m. If the inflation assumption for Germany increases by 0.25 per cent the pension obligation would increase by SEK 73m and corresponding decrease would be SEK 70m at a lower inflation assumption. A change in expected salary increases in Germany by 0.25 per cent would with a higher rate give an increase of the obligation by SEK 92m and with a lower rate reduce the obligation by SEK 111m.

Allocation of plan assets

	2017			2016		
	Sweden	Foreign	Group	Sweden	Foreign	Group
Cash and cash equivalents	573	60	**633**	873	50	**923**
Equity instruments with a quoted market price in an active market	18,357		**18,357**	15,239		**15,239**
Equity instruments not listed in an active market	5,068	1,063	**6,131**	6,520	887	**7,407**
Debt instruments with a quoted market price in an active market		400	**400**		630	**630**
Debt instruments not listed in an active market	3,405	3,600	**7,005**	2,355	3,509	**5,864**
Properties	2,249		**2,249**	2,214		**2,214**
TOTAL	**29,652**	**5,123**	**34,775**	**27,201**	**5,076**	**32,277**

The pension plan assets include SEB shares with a fair value of SEK 1,209m (1,199). Buildings in Sweden are occupied by SEB.

Amounts recognised in Income statement

	2017			2016		
	Sweden	Foreign	Group	Sweden	Foreign	Group
Service costs	–509	–39	**–548**	–442	–38	**–480**
Interest costs	–556	–95	**–651**	–606	–127	**–733**
Calculated interest on plan assets	645	85	**730**	783	118	**901**
INCLUDED IN STAFF COSTS	**–420**	**–49**	**–469**	**–265**	**–47**	**–312**

Amounts recognised in Other comprehensive income

Remeasurements of pension obligation	–755	227	**–528**	–3,237	–387	**–3,624**
where of experience adjustments	*180*	*112*	***292***	*262*	*178*	***440***
where of due to changes in financial assumptions	*–935*	*115*	***–820***	*–2,672*	*–565*	***–3,237***
where of due to changes in demographic assumptions				*–827*		***–827***
Valuation gains (losses) on plan assets	2,492	64	**2,556**	1,166	17	**1,183**
Deferred tax pensions	–382	–862	**–1,244**	456	110	**566**
INCLUDED IN OTHER COMPREHENSIVE INCOME	**1,355**	**–571**	**784**	**–1,615**	**–260**	**–1,875**

DEFINED CONTRIBUTION PLANS IN SEB GROUP

	2017			2016		
Net amount recognised in Income statement	Sweden	Foreign	Group	Sweden	Foreign	Group
Expense in Staff costs including special salary tax	–943	–239	**–1,182**	–812	–243	**–1,055**

Note 9 b continued Pensions

DEFINED BENEFIT PLANS IN SKANDINAVISKA ENSKILDA BANKEN

Net amount recognised in the Balance sheet	Parent company	
	2017	**2016**
Defined benefit obligation at the beginning of the year	23,417	22,699
Imputed pensions premium	299	330
Interest costs and other changes	1,017	902
Early retirement	196	172
Pension disbursements	–716	–686
DEFINED BENEFIT OBLIGATION AT THE END OF THE YEAR	**24,213**	**23,417**

Fair value of plan assets at the beginning of the year	26,249	24,368
Return on assets	3,058	1,881
Benefits paid	–686	
FAIR VALUE OF PLAN ASSETS AT THE END OF THE YEAR	**28,621**	**26,249**

The above defined benefit obligation is calculated according to Tryggandelagen. Skandinaviska Enskilda Banken consequently adopts the discount rate set by the Swedish FSA before year-end. The obligation is fully covered by assets in the pension foundation and is not included in the balance sheet.

The assets in the foundation are mainly equity related SEK 22,606m (20,998) and to a smaller extent interest earning SEK 3,838m (3,115). The assets include SEB shares at a market value of SEK 1,167m (1,157) and buildings occupied by the company valued at SEK 2,170m (2,136). The return on assets was 12 per cent (8) before pension compensation.

Amounts recognised in Income statement

	Parent company	
	2017	**2016**
Pension disbursements	–716	–686
Compensation from pension foundations	686	
TOTAL	**–30**	**–686**

Principal actuarial assumptions used

Gross interest rate	0.6%	0.7%
Interest rate after tax	0.5%	0.6%

The actuarial calculations are based on salaries and pensions on the balance sheet date.

DEFINED CONTRIBUTION PLANS IN SKANDINAVISKA ENSKILDA BANKEN

Net amount recognised in Income statement	Parent company	
	2017	**2016**
Expense in Staff costs including special salary tax	–643	–766

Pension foundations

	Pension commitments		Market value of asset	
	2017	**2016**	**2017**	**2016**
SEB-Stiftelsen, Skandinaviska Enskilda Bankens Pensionsstiftelse	24,213	23,417	28,621	26,249
SEB Kort AB:s Pensionsstiftelse	959	916	1,031	952
TOTAL	**25,172**	**24,333**	**29,652**	**27,201**

9 c Remuneration to the Board and the Group Executive Committee

Guidelines for remuneration

The guidelines for remuneration to the President and the other members of the Group Executive Committee (GEC) were prepared by the Board of Directors and its Remuneration and Human Resources Committee and approved by the Annual General Meeting 2017.

The remuneration structure for the President and the other members of the GEC is in accordance with the remuneration policy for the bank. No member of the GEC has been entitled to cash based variable remuneration since 2009. Thus, the remuneration is based upon three main components; base pay, equity based remuneration and pensions. Other benefits may also be included, such as company car and domestic services.

For more information, see page 60–61.

Identified staff

The President and all other members of the GEC are considered employees who have a material impact on SEB's risk profile according to the Swedish Financial Supervisory Authority regulations (FFFS 2011:1).

Remuneration to the Board[1], SEK

2017	Base pay	Directors' fee	Benefits[2]	Total
Chairman of the Board, Marcus Wallenberg		3,640,000		**3,640,000**
Other members of the Board[3]		9,128,183		**9,128,183**
President and CEO, Johan Torgeby (29 March–31 December)	7,125,000		112,318	**7,237,318**
President and CEO, Annika Falkengren (1 January–28 March)	2,875,000		168,307	**3,043,307**
TOTAL	**10,000,000**	**12,768,183**	**280,625**	**23,048,808**
2016				
Chairman of the Board, Marcus Wallenberg		3,520,000		**3,520,000**
Other members of the Board[3]		10,190,000		**10,190,000**
President and CEO, Annika Falkengren	11,500,000		1,425,479	**12,925,479**
TOTAL	**11,500,000**	**13,710,000**	**1,425,479**	**26,635,479**

1) The number of Board members decided by the AGM in 2017 is eleven (thirteen).
2) Includes benefits as domestic services and company car.
3) Directors' fee to the Board members on individual level is presented on page 54–57.

Member of the Board Sara Öhrvall has further invoiced SEK 1,050,230 for consultancy services.

When Annika Falkengren left the bank in July 2017, accrued holiday pay of SEK 7,366,637 was paid.

Remuneration to the GEC, SEK[1]

	Base pay	Benefits	Total
2017	49,224,511	1,853,522	**51,078,033**
2016	48,854,904	1,649,688	**50,504,592**

1) GEC excluding the President and CEO. The members partly differ between the years but in average eleven (eleven) members are included. At the end of the year the number of members were eleven (eleven). Additional members are not included.

Long-term equity programmes

Under the Share Deferral Programme members of the GEC may be granted an individual number of conditional share rights based on the fulfilment of pre-determined Group, business unit and individual target levels as outlined in SEB's business plan. The targets are set on an annual basis as a mix of the financial targets Return on Equity/Return on Business Equity and cost development and the non-financial target customer satisfaction among others. For GEC the initial allotment may not exceed 100 per cent of the base pay.

Ownership of 50 per cent of the share rights are transferred to the participant after a qualification period of three years, 50 per cent after a qualification period of five years. After each respective qualification period there is an additional holding period of one year after which the share rights can be exercised. Each share right carries the right to receive one Class A-share in the bank. There is normally a requirement for vesting that the participant remains with SEB during the first three years, but some exemption apply. A further requirement for vesting is that the participant holds shares in SEB equal to a predetermined amount, for GEC equivalent to one year salary net of taxes, acquired no later than on a pro-rata basis during the initial three year vesting period.

The Share Matching Programme (SMP) 2014 vested in 2017 with 63% matching. GEC is not participating in the SMP 2012–2014 nor the All Employee Programme (AEP) except for outstanding rights earned before being member of GEC.

Long-term equity programmes (expensed amounts for ongoing programmes), SEK

2017	Share matching	Share deferral	Total
President and CEO, Johan Torgeby		1,522,952	**1,522,952**
Other members of the GEC[1]		15,489,205	**15,489,205**
TOTAL		**17,012,157**	**17,012,157**
2016			
President and CEO, Annika Falkengren		6,342,656	**6,342,656**
Other members of the GEC[1]	1,524,005	20,472,638	**21,996,643**
TOTAL	**1,524,005**	**26,815,294**	**28,339,299**

1) GEC excluding the President and CEO. The members partly differ between the years but in average eleven (eleven) members are included. At the end of the year the number of members were eleven (eleven). Additional members are not included.

Some of the GEC members that have been appointed during the year have previously received rights in the All Employee Programme and participated in the Share Savings Programme. The corresponding calculated costs and number of outstanding rights/shares are not included in the tables.

When Annika Falkengren left the position as President and CEO, the outstanding not vested LTI programmes vested on a pro-rata basis. The corresponding costs for the bank in 2017 was SEK 1,936,588.

Note 9 c continued Remuneration to the Board and the Group Executive Committee

Number outstanding by 2017-12-31

	Number outstanding				
	President and CEO Johan Torgeby	Other members of the GEC	Total	First day of exercise	Performance criteria
2012: Share matching rights	22,107	28,713	**50,820**	2015[2]	final vesting 100%[1]
2013: Share matching rights	34,129	60,682	**94,811**	2016[2]	final vesting 92%
2014: Share matching rights	17,493	24,604	**42,097**	2017[2]	final vesting 63%
2012: Conditional share rights		272,042	**272,042**	2016;2018[3]	–
2013: Conditional share rights		201,942	**201,942**	2017;2019[3]	–
2014: Conditional share rights		197,454	**197,454**	2018;2020[3]	–
2015: Conditional share rights	11,572	232,636	**244,208**	2019;2021[3]	–
2016: Conditional share rights	39,476	327,647	**367,123**	2020;2022[3]	–
2017: Conditional share rights	29,942	216,784	**246,726**	2021;2023[3]	

1) Share Matching Programme 2012 vested in 2015 with 100% matching, since the programme had reached its cap the outcome after adjustment related to the cap was 92%.
2) As soon as practically possible following the end of the performance period.
3) The qualification period ends after three or five years respectively and are followed by a holding period of one year, thereafter there is normally an exercise period of three years.

During the year the President and CEO has exercised rights to a value of SEK 0 (6,398,251). The corresponding value for the GEC excluding the President is SEK 23,030,558 (8,181,695).

Pension and severance pay

The pension agreement of the President is contribution-based and inviolable. The pension contribution is a fixed amount.

Termination of employment by the bank is subject to a maximum 12-month period of notice and entitles to a severance pay of 12 months' salary.

As regards pension benefits and severance pay the following is applicable to the members of the GEC excluding the President. The pension plans are inviolable and defined contribution-based except for a portion in the collective agreement.

Termination of employment by the bank is subject to a maximum 12-month period of notice and entitles to a severance pay of 12 months' salary.

Pension costs (service costs, interest costs and defined contribution premiums), SEK

	President and CEO, Johan Torgeby	President and CEO, Annika Falkengren	Other members of the Group Executive committee[1]	Total
2017	2,625,000	1,250,000	16,917,548	**20,792,548**
2016		5,000,000	15,347,119	**20,347,119**

1) GEC excluding the President and CEO. The members partly differ between the years but in average eleven (eleven) members are included. At the end of the year the number of members were eleven (eleven). Additional members are not included.

For information about related parties see note 27.

9 d Share-based payments

Long-term equity-based programmes

2017	All employee programme	Share deferral programme	Share matching programme[1]	Share savings programme	Performance shares
Outstanding at the beginning of the year	10,142,015	14,046,597	2,957,797		1,274,019
Granted[2]	2,991,591	5,520,433	1,011,633		
Forfeited[3]	–610,833	–1,070,225	–5,540		
Exercised[4]	–1,958,674	–746,094	–1,996,529		–1,165,121
Expired					–108,898
OUTSTANDING AT THE END OF THE YEAR	**10,564,099**	**17,750,711**	**1,967,361**		
of which exercisable		*589,659*	*1,967,361*		

2016	All employee programme	Share deferral programme	Share matching programme[1]	Share savings programme	Performance shares
Outstanding at the beginning of the year	7,807,319	8,614,625	3,044,974	2,120,938	2,135,647
Granted[2]	3,136,319	6,148,319	3,122,508		133,626
Forfeited[3]	–541,269	–451,853	–25,963		–1,773
Exercised[4]	–260,354	–264,494	–3,183,722	–2,120,270	–978,067
Expired				–668	–15,414
OUTSTANDING AT THE END OF THE YEAR	**10,142,015**	**14,046,597**	**2,957,797**		**1,274,019**
of which exercisable		*433,324*	*2,642,985*		*1,274,019*

1) Numbers include investments done by participants, as well as allocated matching share rights.
2) Including compensation for dividend.
3) Weighted average exercise price forfeited SMP, SDP SEK 0.00 (0.00).
4) Weighted average exercise price exercised SMP, SDP SEK 0.00 (0.00) and PSP SEK 10.00 (10.00). Weighted average share price for PSP, SMP and SDP at exercise SEK 104.09 (80.85).

Note 9 d continued Share-based payments

Total Long-term equity-based programmes

	Original no of holders[3,4]	No of issued (maximum outcome)	No of outstanding 2017[4,5]	No of outstanding 2016[4,5]	A-share per option/ share	Exercise price	Validity	First date of exercise
2010: Performance shares	698	18,900,000		1,274,019	1	10	2010–2017	2013[1]
2012: Share matching programme	432	7,024,168	874,084	1,545,814	4		2012–2019	2015[2]
2013: Share matching programme	213	3,485,088	702,408	1,097,171	4		2013–2020	2016[2]
2014: Share matching programme	96	1,300,288	390,869	314,812	4		2014–2021	2017[2]
2012: Share deferral programme – equity settled	86	1,199,504	854,226	1,019,822	1		2012–2021	2015/2017[3]
2013: Share deferral programme – equity settled	263	1,361,861	1,126,673	1,457,480	1		2013–2022	2016/2018[3]
2014: Share deferral programme – equity settled	622	1,909,849	1,993,157	1,912,528	1		2014–2023	2017/2019[3]
2015: Share deferral programme – equity settled	816	2,603,843	2,478,718	2,546,169	1		2015–2024	2018/2020[3]
2015: Share deferral programme – cash settled	513	1,717,150	1,622,652	1,674,045			2015–2021	2018/2020[3]
2016: Share deferral programme – equity settled	874	3,593,155	3,355,003	3,494,730	1		2016–2025	2019/2021[3]
2016: Share deferral programme – cash settled	500	2,017,622	1,913,887	1,941,823			2016–2022	2019/2021[3]
2017: Share deferral programme – equity settled[6]	1,373	4,439,824	4,210,294		1		2017–2026	2020/2022[3]
2017: Share deferral programme – cash settled	75	206,125	196,101				2017–2023	2020/2022[3]
2013: All employee programme – equity settled	8,347	1,255,838		1,171,517	1		2013–2016	2017
2013: All employee programme – cash settled	5,358	532,184		435,600			2013–2016	2017
2014: All employee programme – equity settled	8,709	1,786,471	1,599,693	1,684,487	1		2014–2017	2018
2014: All employee programme – cash settled	5,216	964,436	765,734	824,822			2014–2017	2018
2015: All employee programme – equity settled	8,319	2,290,359	2,103,704	2,221,704	1		2015–2018	2019
2015: All employee programme – cash settled	6,745	1,220,463	1,041,755	1,138,059			2015–2018	2019
2016: All employee programme – equity settled	8,209	1,731,922	1,640,581	1,731,922	1		2016–2019	2020
2016: All employee programme – cash settled	6,517	933,905	874,726	933,905			2016–2019	2020
2017: All employee programme – equity settled	7,954	1,613,740	1,613,740		1		2017–2020	2021
2017: All employee programme – cash settled	6,867	924,166	924,166				2017–2020	2021
TOTAL		**76,281,181**	**30,282,171**	**28,420,429**				

1) As soon as practically possible following the end of the performance period, the establishing of the final outcome and registration of the final number of Performance shares in Equate plus.

2) As soon as practically possible following the end of the performance period, the establishing of the outcome of number of Matching Shares and the allocation of the A-shares and, if applicable, the Matching Shares.

3) As soon as possible following the end of the performance period the outcome is established. For the equity-settled programmes the ownership of the performance shares is transferred upon registration, but the shares are withheld for one additional year. Cash-settled programmes are paid out in connection with the following payroll run.

4) In total approximately 11,000 individuals (10,900) participated in any of the programmes, All Employee Programme excluded.

5) Including additional deferral rights for dividend compensation.

6) The exercise period for GEC members is extended during the period that they are GEC members.

Long-term equity-based programmes

The Annual General meeting 2017 decided on two Long-term equity based programmes, one *Share Deferral Programme* and one *All Employee Programme*.

The first *Share Deferral Programme* was introduced in 2012 for the Group Executive Committee and certain other executive managers and key employees with critical competences. The participants are granted an individual number of conditional share rights based on pre-determined Group, division/business unit and individual target levels, both financial (Return on Equity/Return on Business Equity and cost development) and non-financial (customer satisfaction), set on an annual basis.

For GEC members and other senior executives 50 per cent of the share rights ownership is transferred after a qualification period of three years and 50 per cent after a qualification period of five years. For other participants the qualification period is three years. The requirement for vesting is normally that the participant remains with SEB during the first three years and that the participant holds shares in SEB equal to a predetermined amount, acquired no later than on a pro-rata basis during the initial three year period. After each respective qualification period there is an additional holding period of one year after which the share rights can be exercised, normally during a period of three years. Each share right carries the right to receive one Class A-share in the bank. In countries mainly outside Europe the participants receives so called phantom shares that gives the right to receive cash adjusted for total shareholder return of the SEB A-share at the end of the holding period.

The holders are compensated for dividends to the shareholders. Thus, the number of share rights will be recalculated, after the Annual General Meeting each year, taking the dividend into account. The share rights are not securities that can be sold, pledged or transferred to others. However, an estimated value per share right has been calculated for 2017 to SEK 83 (67) (based upon an average closing price of one SEB Class A-share at the time of grant).

In 2013 an *All Employee Programme* was introduced for most employees, where 50 per cent of the outcome is paid in cash and 50 per cent is deferred for three years and paid in SEB A-shares. Deferrals will normally only be obtained under the condition that the employee remains with SEB. In Sweden the deferred part is paid out in SEB A-shares, adjusted for dividends. In all other countries the deferred part is paid out in cash adjusted for total shareholder return of the SEB A-share. The initial outcome is capped at a maximum amount, which was adjusted in 2016, for each geography and is based on the fulfilment of pre-determined Group targets outlined in SEB's business plan, both financial (Return on Equity and cost development) and non-financial (customer satisfaction). The outcome in 2017 year's programme was 56 per cent (56) of the maximum amount. In Sweden the maximum amount is SEK 75,000, up until 2015 it was SEK 55,000.

Previously allotted programmes

From 2005 to 2010 the programmes were based on performance shares. They all have a maximum term of seven years, a vesting period of three years and an exercise period of four years. The number of allotted performance shares that can be exercised depends on the development of two predetermined performance criteria of equal importance. All programmes are vested and the exercise period for the 2010 years programme ended in 2017.

Between 2008 and 2012 a *Share Savings Programme* for all employees in selected countries has been run. In the Share Savings Programmes the participants saved a maximum of five per cent of their gross base salary during a twelve months period. For the savings amount, Class A-shares were purchased at current stock exchange rate four times a year following the publication of the bank's interim reports. If the shares are retained by the employee for three years and the employee remains with SEB, the employee receives one Class A-share for each retained share. All programmes are vested and the exercise period for the 2012 years programme ends in 2017.

Between 2009 and 2014 a Share Matching Programme for a number of selected senior executives and other key employees has been run. The programmes are based on performance, have a vesting period of three years and are settled with SEB Class A-shares. All programmes require own investment in SEB shares. The investment amount is pre-determined and capped for each participant. After three years, if still employed, the participant receives one Class A-share for each invested share and a conditional number of performance based matching shares for each invested share. From 2012 the settlement is in the form of share rights with an exercise period of four years. The 2014 programme was closed in 2017 with 63 per cent matching.

In the 2014 years programme the number of performance based matching shares depend on the development of two pre-determined performance criteria; measured as total shareholder return (TSR) in relation to the markets required return based on the interest of Swedish government 10 year bonds i.e. long-term risk free interest rate (LTIR), two thirds, and the total shareholder return in relation to SEB's competitors, one third. Maximum outcome for the participants is three performance based matching shares. The outcome is also subject to risk adjustment.

The holders are compensated for dividends to the shareholders during the exercise period. Thus, the number of share rights will be recalculated, after the Annual General Meeting each year during the exercise period, taking the dividend into account.

Matching rights are not securities that can be sold, pledged or transferred to another party. However, an estimated value per matching right has been calculated for 2014 to SEK 65 and for the performance based matching rights to SEK 39. Other inputs to the options pricing model are; exercise price SEK 0; volatility 46 (based on historical values); expected dividend approximately 4 per cent; risk free interest rate 1.13 and expected early exercise of 3 per cent due to staff turnover. In the value of the option the expected outcome of the performance criteria described above are taken into account.

The programme is subject to a cap, if the share price at the time of vesting has more than doubled the number of matching shares and performance based matching shares that are transferred to a participant will be reduced proportionately so that the value corresponds to the doubled share price capped value.

Further details of the outstanding programmes are found in the table above.

9e Number of employees

Average number of employees	Group			Parent company		
2017	Men	Women	Total	Men	Women	Total
Sweden	3,957	4,097	**8,053**	3,393	3,476	**6,869**
Norway	242	160	**402**	199	101	**300**
Denmark	365	247	**612**	171	68	**238**
Finland	154	137	**291**	109	91	**200**
Estonia	293	920	**1,212**			
Latvia	415	1,111	**1,526**	156	276	**432**
Lithuania	772	1,703	**2,475**	341	476	**817**
Germany	289	201	**490**			
Poland	14	29	**43**	14	29	**43**
Ukraine	20	38	**58**			
China	10	32	**42**	10	32	**42**
Great Britain	82	44	**126**	82	44	**126**
Ireland	54	71	**124**			
Luxembourg	121	104	**225**			
Russia	23	64	**87**			
Singapore	34	72	**106**	31	63	**94**
United States	31	18	**49**	24	17	**41**
Other countries[1]	16	13	**28**	16	13	**28**
TOTAL	**6,889**	**9,057**	**15,946**	**4,546**	**4,686**	**9,232**
2016						
Sweden	4,046	4,175	**8,221**	3,542	3,568	**7,110**
Norway	259	167	**426**	206	97	**303**
Denmark	379	261	**640**	166	70	**236**
Finland	154	148	**302**	109	94	**203**
Estonia	305	928	**1,233**			
Latvia	413	1,102	**1,515**	131	239	**370**
Lithuania	727	1,650	**2,377**	278	405	**683**
Germany	359	258	**617**	2		**2**
Poland	17	38	**55**	14	30	**44**
Ukraine	22	40	**62**			
China	12	33	**45**	12	33	**45**
Great Britain	93	49	**142**	94	49	**143**
Ireland	55	64	**119**			
Luxembourg	123	106	**229**			
Russia	24	67	**91**			
Singapore	36	66	**102**	31	58	**89**
United States	33	20	**53**	24	18	**42**
Other countries[1]	17	14	**31**	14	9	**23**
TOTAL	**7,074**	**9,186**	**16,260**	**4,623**	**4,670**	**9,293**

1) Brazil and Hong Kong.

10 Other expenses

	Group		Parent company	
	2017	**2016[3]**	**2017**	**2016**
Costs for premises [1]	–1,644	–1,568	–1,260	–1,133
Data costs	–3,479	–2,992	–2,372	–1,962
Travel and entertainment	–387	–387	–277	–278
Consultants	–842	–637	–652	–440
Marketing	–301	–339	–144	–161
Information services	–549	–549	–476	–470
Other operating costs [2]	254	–147	264	–129
TOTAL	**–6,947**	**–6,619**	**–4,918**	**–4,573**
1) Of which rental costs	–1,158	–1,160	–954	–895

2) Net after deduction for capitalised costs, see also note 28.
3) Restructuring activities in 2016 reclassified to Items affecting comparability, see note 49.

Note 10 continued Other expenses

Fees and expense allowances to appointed auditors and audit firms [1]

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Audit assignment	−29	−26	−12	−10
Audit related services	−21	−16	−1	−2
Tax advisory	−12	−10	−5	−8
Other services	−4	−3	−2	−3
PricewaterhouseCoopers [2]	**−65**	**−55**	**−20**	**−23**
Audit assignment	−1	−1		
Tax advisory	−1	−1		
Other services	−2	−1		
Other audit firms	**−3**	**−3**		
TOTAL	**−69**	**−58**	**−20**	**−23**

1) The parent company includes the foreign branches.
2) Fees to PricewaterhouseCoopers AB from companies in the SEB group amount to SEK 22.9m. Out of this amount, SEK 15.8m is related to the audit and SEK 7.1m to other services.

Audit assignment is defined as the audit of annual financial statements, the administration of the Board of Directors and the President, other tasks resting upon the auditor as well as consulting and other assistance, which have been initiated by the findings in performing audit work or implementation of such tasks. The audit related services include quarterly reviews, regulatory reporting and services in connection with issuing of certificates and opinions. Tax advisory include general expatriate services and other tax services work. Other services include consultation on financial accounting, services related to mergers and acquisitions activities, operational effectiveness and assessments of internal control.

11 Depreciation, amortisation and impairment of tangible and intangible assets

	Group		Parent company	
	2017	**2016** [2]	**2017**	**2016**
Depreciation of tangible assets	−222	−271	−127	−106
Depreciation of equipment leased to clients [1]			−4,817	−4,704
Amortisation of intangible assets	−607	−489	−462	−410
Impairment of tangible assets	−4	−3		
Impairment of intangible assets	−101		−870	
Impairment of goodwill				−200
Retirement and disposal of intangible assets	−30	−8	−102	−355
TOTAL	**−964**	**−771**	**−6,377**	**−5,775**

1) In the Group Net income from leases is classified as interest income. In the parent company depreciation of leased equipment is reported as Depreciation, amortisation and impairment of tangible and intangible assets.
2) Restructuring activities and impairment of goodwill due to the implementation of a new customer-oriented organisation in 2016 reclassified to Items affecting comparability, see note 49.

12 Gains less losses tangible and intangible assets

	Group	
	2017	**2016**
Properties	62	94
Other tangible assets	8	16
Gains	**70**	**110**
Properties	−229	−254
Other tangible assets	−3	−6
Losses	**−232**	**−260**
TOTAL	**−162**	**−150**

13 Net credit losses

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Provisions:				
Net collective provisions for individually assessed loans	423	−218	441	−202
Net collective provisions for portfolio assessed loans	168	260	−12	14
Specific provisions	−1,309	−734	−1,190	−407
Reversal of specific provisions no longer required	760	338	625	102
Net provisions for contingent liabilities	−30	43	−47	21
Net provisions	**12**	**−311**	**−183**	**−472**
Write-offs:				
Total write-offs	−1,367	−1,480	−797	−471
Reversal of specific provisions utilized for write-offs	318	584	180	60
Write-offs not previously provided for	−1,050	−896	−617	−411
Recovered from previous write-offs	230	214	51	94
Net write-offs	**−820**	**−682**	**−566**	**−317**
TOTAL	**−808**	**−993**	**−749**	**−789**

14 Appropriations

	Parent company	
	2017	**2016**
Group contribution	1,554	732
Accelerated tax depreciation	332	1,705
Appropriations	**1,885**	**2,437**
TOTAL	**1,885**	**2,437**

15 Taxes

Major components of tax expense	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Current tax	−4,554	−4,052	−3,633	−2,877
Deferred tax	−145	−161		
Tax for current year	−4,699	−4,213	−3,633	−2,877
Current tax for previous years	137	−36	43	137
INCOME TAX EXPENSE	**−4,562**	**−4,249**	**−3,590**	**−2,740**

Relationship between tax expenses and accounting profit

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Net profit	16,244	10,618	17,811	14,378
Income tax expense	4,562	4,249	3,590	2,740
Accounting profit before tax	**20,806**	**14,867**	**21,401**	**17,118**
Current tax at Swedish statutory rate of 22.0 per cent	−4,577	−3,271	−4,708	−3,766
Tax effect relating to other tax rates in other jurisdictions	429	246		
Tax effect relating to not tax deductible expenses	−641	−1,422	−788	−990
Tax effect relating to non-taxable income	519	464	1,863	1,879
Tax effect relating to a previously recognised tax loss, tax credit or temporary difference	156	476		
Tax effect relating to a previously unrecognised tax loss, tax credit or temporary difference	−440	−545		
Current tax	**−4,554**	**−4,052**	**−3,633**	**−2,877**
Tax effect relating to origin and reversal of tax losses, tax credits and temporary differences	−156	−475		
Tax effect relating to a previously unrecognised tax loss, tax credit or temporary difference	11	314		
Deferred tax	**−145**	**−161**		
Current tax for previous years	**137**	**−36**	**43**	**137**
INCOME TAX EXPENSE [1]	**−4,562**	**−4,249**	**−3,590**	**−2,740**

1) Total income tax expense was SEK 4,562m (4,249). The effective tax rate for the year was 21.9 per cent (28.5). Excluding the items that affect comparability, the effective tax rate was 21 per cent (21). This was in line with SEB's expected tax rate.

Deferred tax income and expense recognised in income statement

	Group 2017	Group 2016
Accelerated tax depreciation	−30	300
Pension plan assets, net	178	−163
Tax losses carry forwards	−133	−322
Other temporary differences	−161	24
TOTAL	**−145**	**−161**

Deferred tax assets and liabilities, where the change is not reported as a change in deferred tax, amount to SEK −418m (125) and is mainly explained by reclassification of SEB Pension in Denmark to held for sale.

Note 15 continued Taxes

Current tax assets

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Other	5,252	5,976	1,999	2,990
Recognised in profit and loss	**5,252**	**5,976**	**1,999**	**2,990**
Other	2	2		
Recognised in Shareholders' equity	**2**	**2**		
TOTAL	**5,255**	**5,978**	**1,999**	**2,990**

Deferred tax assets

	Group 2017	Group 2016
Tax losses carry forwards	75	208
Pension plan assets, net	1	1
Other temporary differences[1)]	188	271
Recognised in profit and loss	**264**	**480**
Pension plan assets, net		853
Unrealised losses in available-for-sale financial assets	–3	–4
Recognised in Shareholders' equity	**–3**	**849**
TOTAL	**260**	**1,329**

1) Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Taxable temporary differences give rise to deferred tax assets and liabilities.

Deferred tax assets on tax losses carried forward relates mainly to the Baltic countries and are based on SEB's assessment of future earnings in respective entity.

Tax losses carried forward in the SEB Group for which the tax assets are not recognised in the balance sheet amount to SEK 4,662m (4,537) gross. These are not recognised due to the uncertainty in the possibility to use them. This includes losses where the amount can only be used for trade tax. The potential tax asset not recognised is SEK 919m (920).

All losses carried forward except SEK 122m in Latvia due 2023, are without time limit.

Current tax liabilities

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Other	1,463	2,184	684	694
Recognised in profit and loss	**1,463**	**2,184**	**684**	**694**
Group contributions				161
Recognised in Shareholders' equity				**161**
TOTAL	**1,463**	**2,184**	**684**	**855**

Deferred tax liabilities

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Accelerated tax depreciation	6,388	6,525		
Unrealised profits in financial assets at fair value		23		
Pension plan assets and obligations, net	–211	–32		
Other temporary differences[1)]	144	293		
Recognised in profit and loss	**6,321**	**6,809**		
Pension plan assets and obligations, net	1,372	44		
Unrealised profits in cash flow hedges	336	1,526	336	677
Unrealised profits in available-for-sale financial assets	49	95		
Recognised in Shareholders' equity	**1,758**	**1,665**	**336**	**677**
TOTAL	**8,079**	**8,474**	**336**	**677**

1) Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Taxable temporary differences give rise to deferred tax assets and liabilities.

Until and including 2017, no income tax is paid in Estonia unless profit is distributed as dividend. No deferred tax liability is recognised related to possible future tax costs on dividends from Estonia. The tax rate applicable to dividends in Estonia is 20 per cent (20).

16 Earnings per share

	Group	
	2017	**2016**
Net profit attributable to shareholders, SEK m	16,244	10,618
Weighted average number of shares, millions	2,168	2,178
Basic earnings per share, SEK	7.49	4.88
Net profit attributable to shareholders, SEK m	16,244	10,618
Weighted average number of diluted shares, millions	2,178	2,188
Diluted earnings per share, SEK	7.46	4.85
Dilution[1]		
Weighted average number of shares, millions	2,168	2,178
Adjustment for diluted weighted average number of additional Class A-shares, millions	10	10
Weighted average number of diluted shares, millions	2,178	2,188

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

17 Risk disclosures

SEB's profitability is directly dependent upon its ability to evaluate, manage and price the risks encountered, while maintaining an adequate capital and liquidity position to meet unforeseen events. Risk, liquidity and capital management are integral parts of SEB's long-term strategic and business planning processes.

Further information about SEB's risk, liquidity and capital management is available on pages 44–49, notes 19–20 and in SEB's report under Pillar 3: Capital Adequacy and Risk Management Report (available on www.sebgroup.com).

17 a Credit risk

Definition
Credit risk is the risk of loss due to the failure of an obligor to fulfil its obligations towards SEB. The definition also comprises counterparty risk derived from the trading operations, country risk, settlement risk, and credit concentration risk.

The main risk in SEB is credit risk, which arises in the lending and commitments to customers, including corporates, financial institutions, public sector entities and private individuals. This is referred to as the credit portfolio. SEB's total credit exposure consists of the credit portfolio as well as debt instruments and repos.

Risk management
Credit policy and approval process
The main principle in SEB's credit policy is that all lending is based on credit analysis and is proportionate to the customer's cash flow and ability to repay. The customer shall be known by the bank and the purpose of the loan shall be fully understood.

A credit approval is based on an evaluation of the customer's creditworthiness and the type of credit. Relevant factors include the customer's current and anticipated financial position and protection provided by covenants and collateral. A credit approval takes the proposed transaction into account as well as the customer's total business with the bank. The process differs depending on the type of customer (e.g., retail, corporate or institutional), risk level, and size and type of transaction. Independent and professional credit analysis is particularly important for large corporate customers. For private individuals and small businesses, the credit approval is often based on credit scoring models. Every credit decision of significance requires approval from an independent credit officer.

Credit decision-making is based on a hierarchical structure, with the Group Risk Committee being the highest credit granting body, subject to limited exceptions. Below the Group Risk Committee, there are divisional credit committees and, in turn, local credit committees depending on the location of the customer, with small approval authorities for certain bank officers. The approval mandates for each level are set on a risk-adjusted basis using both quantitative and qualitative criteria.

SEB's credit policies reflect the Group's approach to sustainability as described in the Corporate Sustainability Policy, the Environmental Policy, and the Credit Policy on Corporate Sustainability. Position statements on climate change, child labour, and access to fresh water, as well as a number of industry sector policies shall be considered in the credit granting process and are also used in customer dialogues. Environmental, social and governance risks shall be considered in the credit analysis.

Limits and monitoring
To manage the credit risk for individual customers or customer groups, a limit is established that reflects the maximum exposure that SEB is willing to accept. Limits are also established for total exposure in countries in certain risk classes, certain customer segments and for settlement risks in the trading operations.

SEB continuously reviews the quality of its credit exposures. All total limits and risk classes are reviewed at least annually by a credit approval body (a credit committee consisting of at least two bank officers as authorised by the Group's Credit Instruction, adopted by the Board). Weak or impaired exposures are subject to more frequent reviews. The objective is to identify credit exposures with an elevated risk of loss at an early stage and to work together with the customer towards a solution that enables the customer to meet its financial obligations and SEB to avoid or limit credit losses.

Loans where the contractual terms have been amended in favour of the customer due to financial difficulties are referred to as forborne loans. Forbearance measures range from amortisation holidays (the most common measure) to refinancing with new terms and debt forgiveness. Changes in contractual terms may be so significant that the loan can also be considered impaired. A relevant credit approval body shall approve the forbearance measures as well as the classification of the loan as being forborne or not. In its core markets, SEB maintains local workout teams that are engaged in problem exposures. These are supported by a global workout function with overall responsibility for managing problem exposures.

Impairment provisioning process
Provisions are made for probable credit losses on individually assessed loans and for portfolio assessed loans. Loans to corporate, real estate and institutional counterparties are primarily individually assessed and specific provisions are made for identified impaired loans (individually assessed impaired loans).

Loans that have not been deemed to be impaired on an individual basis and which have similar credit risk characteristics are grouped together and assessed collectively for impairment. Valuations of loans to private individuals and small businesses are to a large extent made on a portfolio basis (portfolio assessed loans). *For a further description of the different categories of impaired loans, refer to note 1 and note 19.*

The new accounting standard, IFRS 9 Financial Instruments, is effective as of 1 January 2018. It entails a change of methodology for impairment of financial instruments accounting in which loan loss allowances are based on an expected loss model rather than an incurred loss model. *For further description of the new accounting policy for impairment, refer to note 1a.*

Risk mitigation
SEB reduces risk in its credit portfolio through a number of credit risk mitigation techniques. The method used depends on its suitability for the product and the customer in question, its legal enforceability, and on SEB's experience and capacity to manage and control the particular technique. The most important credit risk mitigation techniques are collateral pledges, guarantees and

netting agreements. The most common types of pledges are real estate, floating charges and financial securities. For large corporate customers, credit risk is often mitigated by the use of covenants. In the trading operations, daily margin arrangements are frequently used to mitigate net open counterparty exposures at any point in time.

Credit portfolio analysis and stress tests
The risk organisation regularly reviews and assesses the aggregate credit portfolio based on industry, geography, risk class, product type, size and other parameters. Risk concentrations in geographic and industry sectors as well as in large single names are thoroughly analysed, both in respect of direct and indirect exposures and in the form of collateral, guarantees and credit derivatives. As of year-end, the 20 largest corporate exposures (including real estate management) corresponded to 89 per cent of the capital base (86). Stress tests of the credit portfolio, including reverse stress tests, are performed regularly as a part of SEB's annual internal capital adequacy assessment process. Specific analyses and stress tests of certain sectors or sub-portfolios are performed as required.

Risk measurement
Credit risk is measured for all exposures, both in the banking book and the trading book. An internal ratings-based (IRB) risk classification system approved by the regulator is used for the majority of the bank's portfolios and reflects the risk of default on payment obligations. SEB received approval for a significant amendment of its risk classification system for the non-retail portfolio in the parent company at the end of 2015 and for SEB AG in 2016. Approval for the Baltic subsidiaries is still pending.

The risk classification system contains specific rating tools and PD (probability of default) scales for significant non-retail portfolios. The portfolios are measured on a risk class scale of 1–16 for the larger and mid-sized counterparties, while the SME portfolios are measured on a scale of 1–12. Defaulted counterparties are given the highest risk class, and the three risk classes prior to default are defined as "watch list". For each risk class scale, SEB makes individual one-year, through-the-cycle probability of default estimates, which are based on more than 20 years of internal and external data.

For private individuals and small businesses, SEB uses credit scoring systems to estimate PD for the customer. To achieve greater accuracy, SEB uses different credit scoring models for different regions and product segments, as both data accessibility and customer characteristics normally vary by country and product.

The exposure weighted PD of the total credit portfolio decreased to 0.53 per cent at year-end (0.55). *The risk distribution of the non-retail and household portfolios is shown on page 116.*

Counterparty credit risk in derivative contracts
SEB enters into derivative contracts primarily to support customers in the management of their financial exposures. SEB also uses derivatives to protect cash flows and fair values of financial assets and liabilities in its own book from market fluctuations.

Counterparty credit risk in derivative contracts is the risk of a counterparty not living up to its contractual obligations where SEB has a claim on the counterparty. The claim on the counterparty corresponds to a net positive exposure in favour of SEB. Since the market value of a derivative fluctuates during the term to maturity, the uncertainty of future market conditions must be taken into account. The potential future exposure (PFE) is calculated by applying an add-on to current market value. The add-on is generated either through simulation (internal model method) or by applying a standard add-on which is set by a fixed value depending on product type and time to maturity which reflects potential market movements for the specific contract (standardised method).

Counterparty credit risk in derivative contracts is reduced through the use of close-out netting agreements, where all positive and negative market values under an agreement can be netted at the counterparty level, and through collateral arrangements.

SEB's simulation-based approach for calculating potential future exposure (internal model method) is approved by the Swedish FSA for external capital reporting of counterparty credit risk of repos, interest rate derivatives and FX derivatives in the parent company.

Counterparty credit risk in derivative contracts affects the profit and loss through credit/debit valuation adjustments (CVA/DVA) reflecting the credit risk associated with derivative positions. These adjustments depend on market risk factors such as interest rate, foreign exchange rates and credit spreads. There is also a regulatory capital requirement for credit valuation adjustments under Basel III.

Credit exposure by industry

Total credit exposure comprises the Group's credit portfolio (loans, leasing agreements, contingent liabilities and counterparty risks arising from derivative contracts), repos and debt instruments. Exposures are presented before reserves. Interest rate and foreign exchange derivatives and repos are calculated using the internal model method. Other derivatives are reported after netting of market values but before collateral arrangements and include standardised add-ons for potential future exposure. Debt instruments comprise all interest-bearing instruments at nominal amounts, considering credit derivatives and futures. Debt instruments in the Life and Investment Management division are excluded.

	Loans		Contingent liabilities		Derivative instruments		Total	
Group	2017	2016	2017	2016	2017	2016	2017	2016
Banks	**41,505**	**50,475**	**22,577**	**25,284**	**26,323**	**31,025**	**90,405**	**106,784**
Finance and insurance	70,462	65,282	40,336	39,056	25,963	28,715	**136,761**	**133,053**
Wholesale and retail	65,440	56,622	35,387	34,733	1,104	1,618	**101,931**	**92,973**
Transportation	29,976	26,961	24,071	19,913	1,968	2,226	**56,015**	**49,100**
Shipping	47,128	55,619	15,166	14,322	728	2,377	**63,023**	**72,318**
Business and household services	117,056	114,020	89,668	88,171	4,266	4,366	**210,990**	**206,557**
Construction	12,681	12,646	18,677	20,497	885	950	**32,243**	**34,093**
Manufacturing	85,633	87,152	143,416	148,604	7,154	15,390	**236,204**	**251,146**
Agriculture, forestry and fishing	17,019	13,208	3,292	2,213	325	407	**20,636**	**15,828**
Mining, oil and gas extraction	23,946	26,608	22,597	24,554	1,352	3,221	**47,894**	**54,383**
Electricity, gas and water supply	44,720	39,734	38,365	40,643	7,180	5,186	**90,265**	**85,563**
Other	26,176	26,357	6,920	7,171	448	734	**33,543**	**34,262**
Corporates	**540,236**	**524,209**	**437,896**	**439,877**	**51,374**	**65,190**	**1,029,506**	**1,029,276**
Commercial real estate management	152,200	157,838	21,480	20,160	4,853	7,120	**178,533**	**185,118**
Residential real estate management	93,968	92,199	8,411	9,147	5,927	7,986	**108,307**	**109,332**
Real Estate Management	**246,169**	**250,037**	**29,891**	**29,307**	**10,781**	**15,106**	**286,840**	**294,450**
Housing co-operative associations	**55,929**	**50,119**	**4,998**	**3,505**	**4**	**6**	**60,932**	**53,630**
Public Administration	**37,533**	**30,089**	**19,131**	**24,418**	**8,123**	**7,790**	**64,787**	**62,297**
Household mortgage	504,885	482,531	30,446	30,859			**535,331**	**513,390**
Other	42,421	41,331	41,240	41,897	20	63	**83,681**	**83,291**
Households	**547,306**	**523,862**	**71,687**	**72,756**	**20**	**63**	**619,013**	**596,681**
Credit portfolio	**1,468,678**	**1,428,791**	**586,180**	**595,147**	**96,625**	**119,180**	**2,151,483**	**2,143,118**
Repos							**1,846**	**386**
Debt instruments							**156,000**	**167,969**
TOTAL							**2,309,329**	**2,311,473**

Note 17 a continued Credit risk

Credit portfolio by industry and geography [1]

Total credit portfolio comprises the Group's loans, leasing agreements, contingent liabilities and counterparty risks arising from derivative contracts. Exposures are presented before reserves. Interest rate and foreign exchange derivatives and repos are calculated using the internal model method. Other derivatives are reported after netting of market values but before collateral arrangements and include standardised add-ons for potential future exposure.

Group, 2017	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Banks	**57,160**	**1,824**	**3,761**	**4,109**	**280**	**89**	**623**	**3,308**	**19,252**	**90,405**
Finance and insurance	87,949	1,098	3,966	1,875	714	92	157	23,640	17,271	**136,761**
Wholesale and retail	48,939	13,755	1,549	746	5,417	3,321	13,830	8,067	6,308	**101,931**
Transportation	31,439	1,169	2,785	1,638	1,624	2,826	4,093	10,227	213	**56,015**
Shipping	54,586	76	655	155	752	154	12		6,633	**63,023**
Business and household services	147,684	1,501	4,287	801	2,648	2,312	3,018	43,033	5,707	**210,990**
Construction	20,931	521	302	616	1,302	833	2,063	3,181	2,494	**32,243**
Manufacturing	153,926	5,100	5,373	11,233	5,021	2,570	5,247	31,242	16,492	**236,204**
Agriculture, forestry and fishing	13,266	226		51	1,862	2,682	2,449	93	7	**20,636**
Mining, oil and gas extraction	40,547	2	4,821	395	1,144	46	134	320	485	**47,894**
Electricity, gas and water supply	42,220	1,677	713	9,416	4,042	1,420	6,509	20,691	3,577	**90,265**
Other	27,286	707	1,303	789	273	232	217	2,655	81	**33,543**
Corporates	**668,773**	**25,832**	**25,754**	**27,717**	**24,798**	**16,487**	**37,729**	**143,148**	**59,267**	**1,029,506**
Commercial real estate management	130,156	140	2,243	1,624	7,360	5,988	8,727	22,277	18	**178,533**
Residential real estate management	103,849		25					4,433		**108,307**
Real Estate Management	**234,005**	**140**	**2,267**	**1,624**	**7,360**	**5,988**	**8,727**	**26,710**	**18**	**286,840**
Housing co-operative associations	**60,932**									**60,932**
Public Administration	**36,764**	**42**	**590**	**1,781**	**3,247**	**392**	**1,261**	**20,710**	**1**	**64,787**
Household mortgage	477,700		2,041		20,310	7,628	22,017		5,635	**535,331**
Other	43,499	4,647	22,185	2,055	3,518	2,497	2,594	5	2,680	**83,681**
Households	**521,199**	**4,647**	**24,226**	**2,055**	**23,828**	**10,125**	**24,611**	**5**	**8,316**	**619,012**
TOTAL	**1,578,833**	**32,486**	**56,598**	**37,286**	**59,513**	**33,081**	**72,950**	**193,881**	**86,855**	**2,151,483**

2016	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Banks	**69,802**	**2,701**	**2,869**	**2,798**	**310**	**98**	**350**	**11,748**	**16,108**	**106,784**
Finance and insurance	83,451	968	3,513	1,676	568	11	398	23,937	18,531	**133,053**
Wholesale and retail	43,811	9,380	1,665	784	5,807	2,771	11,986	9,199	7,570	**92,973**
Transportation	26,768	1,770	2,839	1,669	1,085	2,720	2,818	9,219	212	**49,100**
Shipping	61,597	1,285	1,059	163	244	179	1		7,790	**72,318**
Business and household services	144,116	3,754	6,857	801	2,146	2,692	3,129	39,790	3,272	**206,557**
Construction	22,319	852	1,579	614	994	788	1,523	3,231	2,193	**34,093**
Manufacturing	168,255	7,507	4,533	8,620	3,562	2,452	4,889	35,387	15,941	**251,146**
Agriculture, forestry and fishing	9,636	186	5	55	1,801	2,403	1,629	91	22	**15,828**
Mining, oil and gas extraction	46,480	5	5,711	402	1,163	59	129	1	433	**54,383**
Electricity, gas and water supply	43,164	845	1,063	10,046	2,447	1,222	6,635	19,325	816	**85,563**
Other	27,166	979	1,318	886	211	158	187	3,273	84	**34,262**
Corporates	**676,763**	**27,531**	**30,142**	**25,716**	**20,028**	**15,455**	**33,324**	**143,453**	**56,864**	**1,029,276**
Commercial real estate management	128,736	141	2,274	1,775	7,445	4,294	8,695	31,756	2	**185,118**
Residential real estate management	103,397		49			280	5	5,601		**109,332**
Real Estate Management	**232,133**	**141**	**2,323**	**1,775**	**7,445**	**4,574**	**8,700**	**37,357**	**2**	**294,450**
Housing co-operative associations	**53,608**								**22**	**53,630**
Public Administration	**26,870**	**11**	**698**	**1,340**	**3,753**	**629**	**895**	**28,098**	**3**	**62,297**
Household mortgage	461,221		2,186		18,000	7,039	19,881		5,063	**513,390**
Other	42,880	4,547	23,111	1,993	3,133	2,392	2,445	16	2,774	**83,291**
Households	**504,101**	**4,547**	**25,297**	**1,993**	**21,133**	**9,431**	**22,326**	**16**	**7,837**	**596,681**
TOTAL	**1,563,277**	**34,931**	**61,329**	**33,622**	**52,669**	**30,187**	**65,595**	**220,672**	**80,836**	**2,143,118**

1) The geographical distribution is based on where the loan is booked. Amounts before provisions for credit losses.

Note 17 a continued Credit risk

Credit portfolio by PD range

Group, 2017			Total, excluding households						Households	
Category	Probability of Default (PD) range	S&P/Moody's[1]	Banks	Corporates	Real estate management	Housing Co-ops	Public Admin.	Total	Households[2] PD range	
Investment grade	0 < 0.01%	AAA/Aaa	4.3%	0.5%	0.1%	0.0%	57.6%	**3.1%**		
	0.01 < 0.03%	AA/Aa	43.4%	11.3%	5.0%	0.0%	28.2%	**12.3%**	0 < 0.2%	**65.2%**
	0.03 < 0.12%	A/A	30.6%	26.0%	13.6%	9.7%	12.6%	**22.7%**	0.2 < 0.4%	**19.3%**
	0.12 < 0.46%	BBB/Baa	12.5%	39.1%	50.0%	85.9%	1.4%	**39.8%**	0.4 < 0.6%	**0.3%**
	0.46 < 1.74%	BB/Ba	4.7%	17.1%	29.6%	4.4%	0.3%	**17.5%**	0.6 < 1%	**7.4%**
	1.74 < 7%	B/B	1.9%	4.2%	1.2%	0.1%	0.0%	**3.1%**	1 < 5%	**5.4%**
Watch list	7 < 9%	B/B	0.6%	0.3%	0.0%	0.0%	0.0%	**0.3%**	5 < 10%	**0.9%**
	9 < 22%	CCC/Caa	1.9%	0.7%	0.2%	0.0%	0.0%	**0.6%**	10 < 30%	**0.9%**
	22 < 100%	C/C	0.0%	0.0%	0.1%	0.0%	0.0%	**0.0%**	30 < 50%	**0.3%**
Default	100%	D	0.0%	0.8%	0.3%	0.0%	0.0%	**0.6%**	50 < 100%	**0.4%**
TOTAL			**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**TOTAL**	**100%**
2016										
Investment grade	0 < 0.01%	AAA/Aaa	5.7%	0.7%	0.0%	0.0%	25.9%	**1.9%**		
	0.01 < 0.03%	AA/Aa	46.3%	12.1%	4.1%	0.1%	60.9%	**14.5%**	0 < 0.2%	**66.1%**
	0.03 < 0.12%	A/A	31.3%	27.4%	16.5%	28.6%	10.3%	**25.0%**	0.2 < 0.4%	**15.9%**
	0.12 < 0.46%	BBB/Baa	9.7%	36.8%	48.5%	68.0%	2.4%	**36.8%**	0.4 < 0.6%	**0.3%**
	0.46 < 1.74%	BB/Ba	3.5%	18.0%	28.1%	2.7%	0.1%	**17.6%**	0.6 < 1%	**10.8%**
	1.74 < 7%	B/B	1.9%	3.3%	1.8%	0.7%	0.4%	**2.7%**	1 < 5%	**4.4%**
Watch list	7 < 9%	B/B	0.2%	0.7%	0.1%	0.0%	0.0%	**0.5%**	5 < 10%	**1.0%**
	9 < 22%	CCC/Caa	1.2%	0.5%	0.3%	0.0%	0.0%	**0.5%**	10 < 30%	**0.7%**
	22 < 100%	C/C	0.1%	0.0%	0.1%	0.0%	0.0%	**0.0%**	30 < 50%	**0.3%**
Default	100%	D	0.0%	0.5%	0.4%	0.0%	0.0%	**0.4%**	50 < 100%	**0.5%**
TOTAL			**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**TOTAL**	**100%**

1) Estimated link between internal PDs and external ratings based on comparison of historical default outcomes.
2) Household exposure based on internal ratings based (IRB) reported as exposure in the event of a default (EAD – exposure at default).

Credit portfolio protected by guarantees, credit derivatives and collaterals[1]

	Group				Parent company			
2017	Credit portfolio	Protection via guarantees and credit derivatives	Protection via pledged collaterals	Of which, financial collaterals	Credit portfolio	Protection via guarantees and credit derivatives	Protection via pledged collaterals	Of which, financial collaterals
Banks	90,405	2,579	17,106	16,266	84,682	645	16,652	14,678
Corporates, Real estate management and Housing co-operative associations	1,377,278	33,517	460,390	32,170	1,080,154	27,040	389,263	29,934
Public Administration	64,787	5,234	7,716	3,495	37,023	3,615	5,536	2,598
Households	619,012	3,577	467,703	3,704	502,096	338	417,691	338
TOTAL	**2,151,483**	**44,907**	**952,915**	**55,635**	**1,703,955**	**31,638**	**829,141**	**47,548**
2016								
Banks	106,784	3,582	9,415	7,793	92,923	1,434	7,461	6,585
Corporates, Real estate management and Housing co-operative associations	1,377,356	50,102	475,067	30,360	1,080,970	47,719	398,257	28,090
Public Administration	62,297	30,601	611	611	27,273	24,291	7	7
Households	596,681	2,600	501,279	2,891	486,000		448,234	
TOTAL	**2,143,118**	**86,885**	**986,372**	**41,655**	**1,687,166**	**73,444**	**853,959**	**34,682**

1) Only risk mitigation arrangements eligible in capital adequacy reporting are represented in the tables above.

Note 17 a continued Credit risk

Loan portfolio by industry and geography[1)]

The loan portfolio comprises the Group's loans and leasing agreements.

2017	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Banks	**22,855**	**319**	**1,197**	**471**	**264**	**30**	**579**	**1,026**	**14,765**	**41,505**
Finance and insurance	51,858	147	1,452	123	632	86	14	9,149	7,001	**70,462**
Wholesale and retail	30,046	13,077	1,116	598	3,758	2,188	8,486	2,095	4,075	**65,440**
Transportation	13,828	685	1,948	1,492	1,269	1,951	3,450	5,335	17	**29,976**
Shipping	40,534	14	445	155	216	151	9		5,603	**47,128**
Business and household services	89,019	1,017	745	113	2,250	1,747	2,173	17,568	2,422	**117,056**
Construction	10,383	308	225	43	437	207	940	67	72	**12,681**
Manufacturing	52,154	3,339	1,328	2,821	3,547	1,852	3,242	7,616	9,734	**85,633**
Agriculture, forestry and fishing	10,920	12	0	51	1,737	2,321	1,977			**17,019**
Mining, oil and gas extraction	21,641	2	731	395	630	41	81	319	105	**23,946**
Electricity, gas and water supply	21,346	1,575	146	8,578	1,327	1,291	3,573	6,791	92	**44,720**
Other	21,686	707	585	592	250	218	188	1,931	19	**26,176**
Corporates	**363,415**	**20,883**	**8,723**	**14,962**	**16,054**	**12,054**	**24,133**	**50,872**	**29,139**	**540,236**
Commercial real estate management	109,410	43	1,454	438	6,714	4,728	8,529	20,884		**152,200**
Residential real estate management	89,577		19					4,372		**93,968**
Real Estate Management	**198,988**	**43**	**1,473**	**438**	**6,714**	**4,728**	**8,529**	**25,256**		**246,169**
Housing co-operative associations	**55,929**									**55,929**
Public Administration	**17,541**	**42**	**75**	**1,107**	**1,242**	**309**	**803**	**16,414**		**37,533**
Household mortgage	448,886		2,041		19,745	7,479	21,617		5,117	**504,885**
Other	24,156	2,455	5,479	1,028	2,936	1,925	1,958	5	2,479	**42,421**
Households	**473,042**	**2,455**	**7,520**	**1,028**	**22,682**	**9,404**	**23,575**	**5**	**7,596**	**547,306**
TOTAL	**1,131,770**	**23,742**	**18,988**	**18,006**	**46,955**	**26,525**	**57,620**	**93,573**	**51,500**	**1,468,678**
Repos, credit institutions										**56**
Repos, general public										**42,231**
Debt instruments										**13,030**
Reserves										**–4,476**
TOTAL										**1,519,518**

2016	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Banks	**29,647**	**271**	**414**	**425**	**260**	**82**	**285**	**7,447**	**11,644**	**50,475**
Finance and insurance	45,506	339	1,006	204	252	10	194	9,344	8,427	**65,282**
Wholesale and retail	26,393	7,878	1,026	664	3,795	1,577	7,729	2,154	5,406	**56,622**
Transportation	13,331	649	2,052	1,499	778	1,668	2,330	4,590	64	**26,961**
Shipping	48,359	7	519	163	240	173	1		6,157	**55,619**
Business and household services	85,926	930	3,032	279	1,927	2,242	2,453	16,615	616	**114,020**
Construction	10,963	233	170	17	380	167	522	187	7	**12,646**
Manufacturing	55,434	2,729	861	3,698	2,330	1,823	3,150	7,487	9,640	**87,152**
Agriculture, forestry and fishing	8,097	15		53	1,683	2,054	1,304		2	**13,208**
Mining, oil and gas extraction	25,146	5	86	402	676	48	51		194	**26,608**
Electricity, gas and water supply	20,655	24	1	8,236	1,329	827	4,112	4,420	130	**39,734**
Other	21,006	937	579	591	188	137	161	2,734	24	**26,357**
Corporates	**360,816**	**13,746**	**9,332**	**15,806**	**13,578**	**10,726**	**22,007**	**47,531**	**30,667**	**524,209**
Commercial real estate management	106,902	11	1,345	451	6,868	4,148	7,893	30,220		**157,838**
Residential real estate management	86,746		41			276	5	5,131		**92,199**
Real Estate Management	**193,648**	**11**	**1,386**	**451**	**6,868**	**4,424**	**7,898**	**35,351**		**250,037**
Housing co-operative associations	**50,097**								**22**	**50,119**
Public Administration	**7,573**	**11**	**85**	**1,123**	**1,058**	**393**	**641**	**19,205**		**30,089**
Household mortgage	431,245		2,186		17,596	6,944	19,497		5,063	**482,531**
Other	23,545	2,407	5,907	1,044	2,578	1,835	1,855	15	2,145	**41,331**
Households	**454,790**	**2,407**	**8,093**	**1,044**	**20,174**	**8,779**	**21,352**	**15**	**7,208**	**523,862**
TOTAL	**1,096,571**	**16,446**	**19,310**	**18,849**	**41,938**	**24,404**	**52,183**	**109,549**	**49,541**	**1,428,791**
Repos, credit institutions										**914**
Repos, general public										**63,524**
Debt instruments										**15,106**
Reserves										**–4,789**
TOTAL										**1,503,546**

1) The geographical distribution is based on where the loan is booked.

Note 17 a continued Credit risk

Debt instruments

At year-end 2017, SEB's credit exposure in the bond portfolio amounted to SEK 156bn (168). The exposure comprises all interest-bearing instruments at nominal amounts including certain credit derivatives and futures.

Distribution by geography

	Central & local governments		Corporates		Covered bonds		Asset-backed securities		Financials		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Sweden	19.8%	10.3%	0.8%	0.7%	15.7%	16.0%	0.0%	0.0%	0.2%	0.2%	**36.5%**	**27.2%**
Germany	20.6%	23.8%	0.1%	0.1%	0.2%	0.1%	3.9%	3.6%	4.4%	2.7%	**29.2%**	**30.3%**
Norway	3.5%	3.4%	0.3%	0.1%	3.9%	3.1%	0.0%	0.0%	0.9%	0.9%	**8.7%**	**7.5%**
Denmark	0.1%	2.7%	0.1%	0.1%	8.0%	9.5%	0.0%	0.0%	0.4%	0.7%	**8.5%**	**13.0%**
US	7.5%	7.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	**7.5%**	**7.3%**
Finland	3.0%	2.8%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	**3.1%**	**2.9%**
Luxembourg	1.0%	3.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.0%	**1.3%**	**3.3%**
Netherlands	0.4%	0.8%	0.0%	0.0%	0.0%	0.5%	0.0%	0.1%	0.0%	0.3%	**0.4%**	**1.7%**
Spain	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.1%	**0.0%**	**0.5%**
Ireland	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	**0.0%**	**0.1%**
Italy	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.1%**
Portugal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	**0.0%**	**0.1%**
Greece	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Europe, other	3.0%	4.2%	0.0%	0.2%	0.0%	0.0%	0.0%	0.3%	0.0%	0.2%	**3.1%**	**4.9%**
Rest of world	1.7%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**1.7%**	**1.1%**
TOTAL	**60.5%**	**59.6%**	**1.5%**	**1.2%**	**27.9%**	**29.2%**	**3.9%**	**4.8%**	**6.2%**	**5.2%**	**100.0%**	**100.0%**

Distribution by rating

	Central & local governments		Corporates		Covered bonds		Asset-backed securities		Financials		Total	
AAA	42.5%	38.6%	0.2%	0.1%	27.4%	28.3%	3.3%	3.4%	4.2%	2.6%	**77.5%**	**73.0%**
AA	11.7%	11.4%	0.0%	0.0%	0.2%	0.5%	0.0%	0.1%	0.9%	1.0%	**12.8%**	**13.0%**
A	0.9%	2.7%	0.1%	0.1%	0.0%	0.0%	0.6%	0.7%	0.1%	0.2%	**1.7%**	**3.7%**
BBB	0.0%	0.0%	0.2%	0.4%	0.0%	0.0%	0.0%	0.4%	0.1%	0.1%	**0.3%**	**0.9%**
BB/B	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	**0.2%**	**0.2%**
CCC/CC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
No issue rating [1]	5.4%	6.9%	0.8%	0.6%	0.3%	0.4%	0.0%	0.0%	0.9%	1.3%	**7.5%**	**9.2%**
TOTAL	**60.5%**	**59.6%**	**1.5%**	**1.2%**	**27.9%**	**29.2%**	**3.9%**	**4.8%**	**6.2%**	**5.2%**	**100.0%**	**100.0%**

1) Mainly German local governments (Bundesländer).

17 b Market risk

Definition

Market risk is the risk of losses in balance sheet positions and obligations, arising from adverse movements in market prices. Market risk can arise from changes in interest rates, foreign exchange rates, credit spreads, commodity and equity prices, implied volatilities, inflation and market liquidity. A clear distinction is made between market risks related to trading activity, i.e., trading book risks, and structural market and net interest income risks, i.e., banking book risks. Whereas the trading book is under a daily mark-to-market regime, positions in the banking book are typically held at amortised cost.

Risk management

Market risks in the trading book arise from SEB's customer-driven trading activities and in the liquidity portfolio. The trading activities are carried out by the Large Corporates & Financial Institutions division in its capacity as market maker in international foreign exchange, equity and debt capital markets. The liquidity portfolio, which is managed by the treasury function, is part of SEB's liquidity reserve and consists of investments in pledgeable and highly liquid bonds.

Market risk in the banking book arises as a result of balance sheet mismatches in currencies, interest terms and interest rate periods. The treasury function has overall responsibility for managing these risks, which are consolidated centrally.

Market risk also arises in the bank's traditional life insurance operations and the defined benefit plans for employees as a result of mismatches between the market value of assets and liabilities. Market risks in the pension obligations and the life insurance business are not included in the market risk figures below. *Refer to note 17 e for information on market risk in the life insurance business.*

The Board of Directors defines how much market risk is acceptable by setting the overall market risk limits and general instructions. The market risk tolerance and limits are defined for the trading book, banking book and defined benefit plans. The Group Risk Committee delegates the market risk mandate to the divisions and the treasury function, which in turn further allocate the limits internally. The trading book risks are managed at the different trading locations within a comprehensive set of limits in VaR, stop-loss, sensitivities and stress tests.

The risk organisation measures, follows up and reports the market risk taken by the various units within the Group on a daily basis. The risk organisation also independently verifies the valuation of positions held at fair value and calculates the capital buffer for prudent valuation. The risk control function is present in the trading rooms and monitors limit compliance and market prices at closing as well as valuation standards and the introduction of new products. Market risks are reported at least on a monthly basis to the Group Risk Committee and the Board's Risk and Capital Committee.

SEB is exposed to the following market risk types:

Risk type	Defined as the risk of loss or reduced income due to	Source
Interest rate risk	Changes in interest rates	Inherent in all banking business
Credit spread risk	A change in the creditworthiness of an issuer of, for instance, a bond or a credit derivative	Primarily present in the bank's bond holdings
Foreign exchange risk	Variations in the exchange rates	Foreign exchange trading and the bank's operations in various markets
Equity price risk	Variations in equity prices	Market making and customer activity in equities and equity derivatives
Commodity price risk	Variations in commodity prices	Customer-driven activities in commodities
Volatility risk	Changes in implied volatility	Market making and customer activity of options across all asset classes
Inflation risk	Change in inflation	Bond holdings, value of assets on balance sheet
Market liquidity risk	Bid-ask spread widenings	Sale of assets or closing of positions
Credit value adjustment [1]	Variations in the counterparty credit risk based on the expected future exposure	OTC derivative contracts

1) Credit value adjustment is fundamentally credit risk, but the exposure is calculated using market risk drivers (interest rate, currency, etc.).

Note 17 b continued Market risk

Risk measurement
When assessing the market risk exposure, SEB uses measures that capture losses under normal and stressed market conditions. Market risks under normal market circumstances are measured using Value at Risk (VaR) as well as specific measures that are relevant for the various risk types. These measures are complemented by stress tests and scenario analyses, in which potential losses under extreme market conditions are estimated. Since no method can cover all risks at all times, several approaches are used, and the results are assessed based on judgment and experience.

Value at Risk and Stressed Value at Risk
VaR expresses the maximum potential loss that could arise during a certain time period with a given degree of probability. SEB uses a historical simulation VaR model with a ten-day time horizon and 99 per cent confidence interval to measure, limit and report VaR. The model aggregates market risk exposure for all risk types and covers a wide range of risk factors in all asset classes. SEB also uses a stressed VaR measure, where VaR is calculated for the current portfolio using market data from a historic, turbulent time period covering the Lehman Brothers' default. The VaR model is validated using back-testing analysis.

A limitation of SEB's VaR model is that it uses historical data to estimate potential market changes. As such it may not predict all outcomes, especially in a rapidly changing market. Also, VaR does not take into account any actions to reduce risk as the model assumes that the portfolio is unchanged.

SEB's VaR and stressed VaR models have been approved by the Swedish FSA for calculation of regulatory capital requirements for all the general market risks in the bank's trading book in the parent bank and the subsidiary Skandinaviska Enskilda Banken S.A. in Luxembourg.

Value at Risk

Trading Book (99%, ten days)	2017 Min	2017 Max	31 Dec 2017	Average 2017	Average 2016
Commodities risk	6	42	7	18	22
Credit spread risk	28	73	28	47	63
Equity price risk	12	61	12	29	26
Foreign exchange rate risk	6	54	39	28	32
Interest rate risk	38	82	54	58	72
Volatilities risk	10	38	15	19	17
Diversification			–79	–108	–120
TOTAL	**64**	**119**	**76**	**91**	**112**
Banking Book (99%, ten days)					
Credit spread risk	37	61	38	48	60
Equity price risk	11	29	16	15	58
Foreign exchange rate risk		1			
Interest rate risk	121	172	172	143	232
Diversification			–46	–45	–110
TOTAL	**145**	**182**	**180**	**161**	**240**

Stress tests and scenario analysis
Scenario analysis and stress tests are a key part of the risk management framework, complementing the VaR measure. In particular, they test the portfolios using scenarios other than those available in the VaR simulation window, and cover longer time horizons. SEB stresses its portfolios by applying extreme movements in market factors which have been observed in the past (historical scenarios) as well as extreme movements that could potentially happen in the future (hypothetical or forward-looking scenarios). Reverse stress tests are also used for the total trading portfolio as well as for individual divisions and business units, to identify scenarios that would lead to a given significant loss, for instance, the breach of a stop-loss limit. This type of analysis provides management with a view on the potential impact that large market moves in individual risk factors, as well as broader market scenarios, could have on a portfolio. The risk tolerance framework includes limits on different stress test scenarios.

Specific risk measures
VaR and stress tests are complemented by specific risk measures including Delta 1% for interest risk, and Single and Aggregated FX for currency risk.

In addition, all units that handle risk for financial instruments valued at market are limited by a stop-loss limit. The stop-loss limit indicates the maximum loss a unit can incur before mitigating actions are taken.

CVA/DVA sensitivities

The credit and debit valuation adjustments (CVA/DVA) are sensitive to market movements, in particular to movements in interest rates, credit spreads and foreign exchange rates.

In order to monitor this sensitivity, SEB stresses these asset classes on a regular basis and calculates the impact on the valuation adjustments. This is done by comparing the original CVA/DVA numbers with the stressed CVA/DVA numbers where the current rates and credit spreads have been moved up 100 basis points and where SEK has appreciated 5 per cent to all other currencies compared with the current level.

2017	CVA	DVA	Total
Interest rates + 100bp	104	49	**153**
Credit spreads + 100bp	–685	373	**–312**
SEK + 5%	11	–5	**6**
2016			
Interest rates + 100bp	180	75	**255**
Credit spreads + 100bp	–928	384	**–544**
SEK + 5%	–22	6	**–16**

Note 17 b continued Market risk

Interest rate risk

Interest rate risk refers to the risk that the value of the Group's assets, liabilities and interest-related derivatives will be negatively affected by changes in interest rates or other relevant risk factors.

The majority of the Group's interest rate risks are structural and arise within the banking operations when there is a mismatch between the interest fixing periods of assets and liabilities, including derivatives.

The table below shows the sensitivity to a +100 basis point change in the interest rates on the banking and trading book by currency and in different buckets of maturity. This is calculated as the value change for a shift of 1 basis point and then scaled up to reflect a 100 basis point move.

Interest rate sensitivity in trading book per time buckets

2017	< 3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
EUR	20	–13	88	227	105	–256	**171**
SEK	37	4	–53	213	152	11	**364**
USD	–91	–37	–140	–30	–32	–5	**–336**
Other	–2	–138	66	–232	–67	339	**–33**
TOTAL	**–36**	**–184**	**–39**	**178**	**158**	**89**	**166**
2016							
EUR	11	182	–146	164	187	–124	**275**
SEK	23	246	–553	286	170	–74	**98**
USD	–112	17	–29	–17	–53	–10	**–205**
Other	–2	–111	24	–94	–124	155	**–151**
TOTAL	**–80**	**335**	**–704**	**339**	**180**	**–54**	**17**

Interest rate sensitivity in banking book per time buckets[1)]

2017	< 3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
EUR	16	–349	–16	–311	–7	116	**–551**
SEK	–199	–715	–397	–643	–258	70	**–2,142**
USD	68	29	50	15	–4	149	**307**
Other	–15	–58	–5	–35	–4		**–117**
TOTAL	**–131**	**–1,093**	**–368**	**–973**	**–273**	**335**	**–2,503**
2016							
EUR	30	–237	–86	–382	–47	210	**–512**
SEK	–249	–597	–281	–524	–243	85	**–1,808**
USD	80	107	2	25	–3	170	**380**
Other	–26	–54	–16	–44	–5		**–145**
TOTAL	**–165**	**–781**	**–381**	**–925**	**–298**	**465**	**–2,085**

1) by currency SEK m/100 bp

17 c Operational risk

Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems (e.g., breakdown of IT systems, mistakes, fraud, other deficiencies in internal control) or from external events (natural disasters, external crime, etc.). The definition includes compliance, legal and financial reporting, information security, security and venture execution risk, but excludes strategic and reputational risk.

Risk management

Operational risk is inherent in all of SEB's operations and the responsibility to manage operational risks rests with all managers throughout the bank. SEB aims to maintain a sound risk culture with low operational risk and loss level through an effective internal control environment by ensuring a structured and consistent usage of risk mitigating tools and processes.

All new or changed products, processes and/or systems as well as reorganisations are evaluated in a group-common New Product Approval Process (NPAP). The aim is to identify potential operational risks and ensure that proactive measures are taken to protect SEB from entering into unintended risk-taking that cannot be immediately managed by the organisation. The process is also used for yearly reviews of significant outsourcing arrangements in the Group.

All business units with significant risk embedded in their operations shall regularly complete Risk and Control Self-Assessments (RCSA) according to a group-wide methodology. The assessments are designed to identify and mitigate significant operational risks embedded in SEB's various business and support processes. There is comprehensive participation by each business unit throughout the organisation. The RCSA framework is used to analyse SEB's operational risk profile and help achieve operational excellence and high performance.

SEB ensures that the organisation is prepared to respond to and operate throughout a period of major disruption by identifying critical activities and maintaining updated, tested and communicated business continuity plans in a group-wide system for this purpose.

All employees are required to escalate and register risk-related events or incidents so that risks can be properly identified, assessed, monitored, mitigated and reported. SEB uses a group-wide IT application to capture risk events and other operational risk data for analysis and benchmarking towards peers.

SEB conducts regular training and education in key areas, including mandatory training for all staff in information security, fraud prevention, anti-money laundering, know-your-customer procedures and SEB's Code of Business Conduct. SEB also has a formal whistle-blower procedure that encourages employees to report improprieties and unethical or illegal conduct.

Cyber- and other organized crime continue to evolve and SEB continuously works to enhance and improve its already well established processes for mitigating, evaluating and following up on existing and future cyber risks.

The risk organisation is responsible for measuring and reporting SEB's operational risks. Significant incidents and the risk level, both on Group and divisional/site level, is analysed and reported monthly to the Group Executive Committee, the Group Risk Committee and the Board's Risk and Capital Committee as well as local/divisional management. In 2017, the total losses from operational incidents amounted to SEK 185m (263).

Risk measurement

SEB uses the Advanced Measurement Approach (AMA) to calculate the regulatory capital requirement for operational risk.

17 d Business risk

Definition
Business risk is the risk of lower revenues due to reduced volumes, price pressure or competition. Business risk includes venture decision risk (related to undertakings such as acquisitions, large IT projects, transformations, outsourcing, etc.). Strategic risk is close in nature to business risk, but focuses on large-scale or structural risk factors. Reputational risk is the risk arising from negative perception of SEB or the industry in general.

Risk management
Business, strategic and reputational risks are inherent in doing business. Digitalisation of the banking industry is accelerating and new types of competitors are emerging. The extensive new regulatory framework for banking and financial institutions is significantly impacting the industry. Corporate sustainability plays an increasingly important part of a company's reputation. SEB continuously works to mitigate business, strategic and reputational risks in many ways, for example, with regular strategic business reviews, proactive cost management, an agile step-by-step IT development approach, an ambitious corporate sustainability agenda and active dialogues on regulatory matters.

17 e Insurance risk

Definition
Insurance risk in SEB consists of all risk related to the Group's insurance operations. SEB's life insurance operations consist of unit-linked insurance and traditional life insurance. The main risks include market risk and underwriting risk.

Market risk in the insurance business is the risk for losses on traditional life insurance policies with guaranteed benefits due to changes in fair value of assets and liabilities. Such changes in fair value can be caused by changes in interest rates, credit spreads, equity prices, property values, exchange rates and implied volatilities.

Underwriting risk pertains to the risk of loss or of negative changes in the value of insurance liabilities (technical provisions) due to inadequate pricing and/or provisioning assumptions. It includes factors such as average mortality, longevity, disability/morbidity (including risks that result from fluctuation in the timing and amount of claim settlements), catastrophe risk (e.g., extreme or irregular events), expense risk and lapse risk (i.e., policyholder behaviour risk).

Risk management and measurement
In unit-linked insurance, the market risk is borne by the policyholder, while the underwriting risk is limited. However, there is an indirect exposure to market risk through the policyholders' investments, since a significant part of the future income stream of the life insurance business is based on assets under management. The profitability for existing and new business is closely monitored.

Market risk in the traditional life insurance products with guaranteed returns is mitigated through standard market risk hedging schemes and monitored through asset/liability management (ALM) risk measures and stress tests. This is supplemented by market risk tools such as VaR and scenario analysis. In the traditional products, the difference between asset values and the guaranteed obligations constitutes a buffer which is intended to cover SEB's risk.

Underwriting risks are controlled through the use of actuarial analysis and stress tests of the existing insurance portfolio. Mortality and disability/morbidity risks are reinsured for large individual claims or for several claims attributable to the same event. Underwriting risk parameters are validated annually. Policyholders within certain traditional life insurance products are free to move their policies from SEB. The utilisation of this option has been very low historically. Nevertheless, to safeguard against unplanned cash outflows the bank maintains sufficient liquid investments. Furthermore, continuous cash flow analysis is conducted to mitigate this risk.

The risk organisation is responsible for measuring and controlling the risks inherent in SEB's life insurance operations. Measurement and monitoring of ALM risk measures, VaR, scenario analysis and stress tests are performed on a regular basis for each insurance company. The risk organisation also forms part of the independent risk management function in the respective insurance companies from a Solvency II perspective. Key risks are reported to the Group Risk Committee, the Board's Risk and Capital Committee and to the boards of each insurance company.

Solvency II, effective as of 1 January 2016, is a harmonised regulatory framework with respect to governance, internal control and capital requirements across insurance companies in the EU. Solvency II calculations are performed at least monthly, and the required reporting is submitted to the financial supervisors on a quarterly basis. Calculations show that SEB's life companies are financially strong and resilient to different stressed scenarios.

17 f Liquidity risk

Definition
Liquidity risk is the risk that the Group is unable to refinance its existing assets or is unable to meet the demand for additional liquidity. Liquidity risk also entails the risk that the Group is forced to borrow at unfavourable rates or is forced to sell assets at a loss in order to meet its payment commitments.

Liquidity management and risk measurement
The Board of Directors has established a comprehensive framework for managing the bank's liquidity requirements in the short- and long-term. The aim of SEB's liquidity risk management is to ensure that the Group has a controlled liquidity risk situation, with adequate volumes of liquid assets in all relevant currencies to meet its liquidity requirements in all foreseeable circumstances, without incurring substantial cost.

The liquidity risk is managed through the limits set by the Board and tolerances set by the Group Risk Committee. Liquidity limits are set for the Group, branches and specific legal entities, as well as for exposures in certain currencies. The treasury function has the overall responsibility for liquidity management and funding, supported by local treasury centres in the Group's major markets. The risk function regularly measures and reports limit utilisation based on different market conditions and liquidity stress tests to the Group Risk Committee and the Board's Risk and Capital Committee.

Liquidity management and the structuring of the balance sheet from a liquidity point of view are built on three basic perspectives: (i) the structural liquidity perspective, in which stable funding is put in relation to illiquid assets; (ii) the bank's tolerance for short-term stress in the form of a shutdown of the wholesale and interbank funding markets (wholesale funding dependence); and, (iii) the bank's tolerance to a severe stress scenario (survival horizon) where, in addition to a limited funding market, the bank experiences a severe outflow of deposits.

Structural liquidity risk
In order to maintain a sound structural liquidity position, the structure of the liability side should be based on the composition of assets. The more long-term lending and other illiquid assets, the more stable funding is required. In SEB, this is measured as the Core Gap ratio, which is conceptually equivalent to the Basel Committee's Net Stable Funding Ratio (NSFR), i.e., a ratio between stable funding (over 1 year maturity) and illiquid assets (over 1 year maturity). The difference between the internal Core Gap ratio and the external NSFR is that the Core Gap ratio is calculated on a more detailed level based on internal statistics, which results in different weightings of available and required stable funding.

Wholesale funding dependence
One way of measuring the capacity for deteriorating market conditions is to assess the time that SEB's liquid assets would last if the wholesale and interbank funding markets were closed. This measure, the maturing funding ratio, captures the bank's liquid assets in relation to wholesale funding and net interbank borrowings that come to maturity over the coming months, or as the number of months it would take to deplete the liquid assets in a scenario where all maturing funding must be financed through liquid assets. Wholesale funding dependence is also measured as the loan to deposit ratio.

Note 17 f continued Liquidity risk

Stressed survival horizon
Severe stress can be modelled by combining assumptions of a limited wholesale funding market with assumptions of deposit outflows, drawdowns on commitments and other liquidity demanding events. The outcome is captured by the regulatory defined Liquidity Coverage Ratio (LCR) where, in a stressed scenario, modelled net outflows during a 30-day period are related to the amount of total liquid assets. SEB also measures the time it would take for the liquid assets to be depleted in a severely stressed scenario, expressed as the stressed survival horizon. In addition, SEB monitors various rating agencies' survival metrics.

Internal liquidity adequacy assessment process
Liquidity risk is not primarily mitigated by capital. However, there are strong links between a bank's capital and liquidity position. Hence, an internal liquidity adequacy assessment process (ILAAP) complements the ICAAP. The ILAAP is designed to identify potential gaps against SEB's long-term desired level of liquidity adequacy, taking into account that effective liquidity management is a continuous process.

Liquidity reserve [1)]

	2017					2016				
	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other	Total
Cash and holdings in central banks	5,680	79,653	57,802	46,865	**190,000**	61,808	83,837	55,755	16,409	**217,809**
Deposits in other banks available overnight	509	566	2,515	4,734	**8,324**	242	1,377	2,536	3,601	**7,756**
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	3,611	19,699	18,613	988	**42,911**	3,465	35,387	18,902	11,091	**68,845**
Securities issued or guaranteed by municipalities or other public sector entities	2,202	14,329	6,610	862	**24,004**	5,307	3,347	7,411	171	**16,236**
Covered bonds issued by other institutions	34,099	463	413	32,878	**67,852**	52,419	1,274	193	49,731	**103,617**
Covered bonds issued by SEB	–3,516				**–3,516**	2,212				**2,212**
Securities issued by non-financial corporations	358				**358**		5,276			**5,276**
Securities issued by financial corporations (not including covered bonds)	–114	5,341	4,284	287	**9,797**		2,923	2,559		**5,482**
TOTAL	**42,828**	**120,052**	**90,236**	**86,614**	**339,730**	**125,453**	**133,421**	**87,356**	**81,003**	**427,233**

1) The liquidity reserve is presented in accordance with the template defined by the Swedish Bankers' Association. Assets included in the liquidity reserve should comply with the following: Assets shall be under the control of the Treasury function in the bank, not be encumbered and be pledgeable with central banks. Furthermore, bonds shall have a maximum risk weight of 20% under the standardised approach to credit risk of the Basel II framework and a lowest rating of Aa2/AA–. Assets are disclosed using market values.

Liquidity risk management measures

	2017	2016
Core Gap ratio[1)]	108%	114%
Loan to deposit ratio	143%	143%
Liquidity Coverage Ratio (defined by the Swedish FSA)	145%	168%

1) Core Gap ratio represents the parent company, SEB AG (Germany), SEB Pank AS (Estonia), SEB Banka AS (Latvia) and SEB bankas AB (Lithuania).

Note 17 f continued Liquidity risk

Contractual maturities

The following tables present cash flows by remaining contractual maturities at the balance sheet date and applies the earliest date on which the Group can be required to pay regardless of probability assumptions. The cash flows are not discounted. Derivatives are reported at fair value. Obligations such as loan commitments are reported as when the obligation matures.

Group, 2017

Balance sheet (contractual maturity dates)	Payable on demand	< 3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Insurance[2]	Subtotal	Discount effect	Total
Cash and cash balances with central banks	**177,222**							**177,222**		**177,222**
Loans to central banks	**373**	**12,088**	**300**					**12,761**	**17**	**12,778**
Loans to credit institutions	**1,243**	**20,266**	**5,428**	**6,314**	**749**		**553**	**34,553**	**162**	**34,715**
of which repos		*56*						*56*		***56***
General governments	474	12,384	15,634	7,621	4,228			40,341	1,225	**41,566**
Households	13	41,138	145,955	320,558	45,084			552,748	23,535	**576,283**
Corporates	1,796	241,063	152,922	355,844	83,660			835,285	31,668	**866,953**
Loans to the public	**2,283**	**294,585**	**314,511**	**684,024**	**132,972**			**1,428,375**	**56,428**	**1,484,803**
of which eligible debt securities			*4,419*	*7,491*	*985*			*12,895*	*285*	***13,180***
of which repos		*42,042*						*42,042*	*188*	***42,230***
Debt securities		25,725	23,795	81,911	8,917		12,925	153,273	2,965	**156,238**
of which eligible debt securities		*19,476*	*9,768*	*42,691*	*5,272*		*8,485*	*85,692*	*1,588*	***87,280***
of which other debt securities		*5,694*	*14,015*	*39,178*	*3,640*		*4,379*	*66,906*	*1,377*	***68,283***
Equity instruments						50,445	8,758	59,203		**59,203**
Derivatives		29,756	13,798	30,490	29,822		1,002	104,868		**104,868**
Financial assets – policyholders bearing the risk							283,420	283,420		**283,420**
Financial assets at fair value		**55,481**	**37,593**	**112,402**	**38,739**	**50,445**	**306,106**	**600,766**	**2,965**	**603,731**
Other	**1**	**33,571**	**446**	**1,496**	**218**	**24,462**	**186,110**	**246,304**	**43**	**246,347**
of which other financial assets		*32,066*			*30*	*1*		*32,097*	*43*	***32,140***
Total assets	**181,122**	**415,991**	**358,278**	**804,236**	**172,678**	**74,907**	**492,769**	**2,499,981**	**59,615**	**2,559,596**
of which accrued interest loans						*1,783*		*1,783*		***1,783***
of which accrued interest debt securities						*812*		*812*		***812***
Deposits from central banks and credit institutions	**30,673**	**52,262**	**2,280**	**1,962**	**1,756**		**287**	**89,220**	**–144**	**89,076**
of which repos		*731*						*731*	*–1*	***731***
General governments	8,359	4,700	114	189	3,636			16,998	–104	**16,894**
Households	273,661	19,500	6,111	1,090	5			300,367	–48	**300,319**
Corporates	592,036	56,540	5,386	22,500	11,647			688,109	–601	**687,508**
Deposits and borrowings from the public	**874,056**	**80,740**	**11,611**	**23,779**	**15,288**			**1,005,474**	**–753**	**1,004,721**
of which deposits	*383,696*	*94,069*	*4,881*	*3,690*	*5,878*			*492,214*	*–299*	***491,915***
of which borrowing		*6,216*		*20*	*138*			*6,374*	*–10*	***6,364***
of which repos		*5,889*						*5,889*	*–6*	***5,883***
Liabilities to policyholders							**284,291**	**284,291**		**284,291**
Certificates		46,451	28,830	8,584				83,865	–796	**83,069**
Covered bonds		9,687	64,469	230,748	41,232			346,136	–12,864	**333,272**
Other bonds[3]		21,810	14,564	163,499	4,306			204,179	–6,487	**197,692**
Debt securities issued		**77,948**	**107,863**	**402,831**	**45,538**			**634,180**	**–20,147**	**614,033**
Debt securities		508	416	6,772	3,711			11,407	–598	**10,809**
Equity instruments						14,228		14,228		**14,228**
Derivatives		30,622	14,334	23,634	16,146		696	85,432		**85,432**
Other liabilities		1,450	2,170	231				3,851	–9	**3,842**
Financial liabilities at fair value		**32,580**	**16,920**	**30,637**	**19,857**	**14,228**	**696**	**114,920**	**–607**	**114,313**
Other	**238**	**51,065**	**1,099**	**530**	**180**	**21,454**	**202,337**	**276,903**	**–56**	**276,847**
of which other financial liabilities		*47,902*			*17*	*4*	*62*	*47,985*	*–56*	***47,929***
Subordinated liabilities		**275**			**41,036**			**41,311**	**–8,921**	**32,390**
Equity						**143,925**		**143,925**		**143,925**
Total Liabilities and Equity	**904,967**	**294,870**	**139,773**	**459,739**	**123,655**	**179,607**	**487,611**	**2,590,224**	**–30,628**	**2,559,596**
of which accrued interest deposits and borrowing						*1,328*		*1,328*		***1,328***
of which accrued interest issued securities						*4,227*		*4,227*		***4,227***

Obligations

Obligations	Payable on demand	< 3 months	3–12 months	1–5 years	>5 years	Not distributed	Insurance	Subtotal	Discount effect	Total
Loan commitments	13,129	106,972	47,541	223,644	7,307	100		398,693		**398,693**
Acceptances and other financial facilities	12	22,890	37,497	23,213	30,671			114,283		**114,283**
Operating lease commitments		158	763	979		75		1,975		**1,975**
Total liabilities, equity and obligations	**918,108**	**424,890**	**225,574**	**707,575**	**161,633**	**179,782**	**487,611**	**3,105,175**	**–30,628**	**3,074,547**

Note 17 f continued Liquidity risk

Group, 2016

Balance sheet (contractual maturity dates)	Payable on demand	<3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Insurance[2]	Subtotal	Discount effect	Total
Cash and cash balances with central banks	**151,078**							**151,078**		**151,078**
Loans to central banks	**24**	**66,366**	**289**					**66,679**	**51**	**66,730**
Loans to credit institutions	**5,898**	**29,142**	**7,001**	**6,949**	**993**	**118**	**314**	**50,415**	**112**	**50,527**
of which eligible debt securities			*380*					*380*	*2*	***382***
of which repos		*795*					*117*	*912*	*2*	***914***
General governments	476	1,428	7,385	19,763	4,164	1		33,217	1,613	**34,830**
Households	793	62,012	167,270	258,432	40,261	182		528,950	20,227	**549,177**
Corporates	44,124	161,309	148,752	375,423	101,650	3,211		834,469	34,543	**869,012**
Loans to the public	**45,393**	**224,749**	**323,407**	**653,618**	**146,075**	**3,394**		**1,396,636**	**56,383**	**1,453,019**
of which eligible debt securities				*9,614*	*2,697*			*12,311*	*385*	***12,696***
of which other debt securities		*7*	*7*	*214*	*1,562*			*1,790*	*106*	***1,896***
of which repos		*63,242*						*63,242*	*282*	***63,524***
Debt securities		18,041	16,605	109,411	13,876		76,955	234,888	3,449	**238,337**
of which eligible debt securities		*5,296*	*8,267*	*46,779*	*9,534*		*43,805*	*113,681*	*1,710*	***115,391***
of which other debt securities		*12,008*	*8,328*	*62,577*	*4,323*		*32,587*	*119,823*	*1,739*	***121,562***
Equity instruments						43,436	30,737	74,173		**74,173**
Derivatives		41,208	24,972	50,328	39,429		56,418	212,355		**212,355**
Financial assets – policyholders bearing the risk							295,908	295,908		**295,908**
Financial assets at fair value		**59,249**	**41,577**	**159,739**	**53,305**	**43,436**	**460,018**	**817,324**	**3,449**	**820,773**
Other	**44**	**37,883**	**390**	**1,575**	**178**	**32,079**	**6,341**	**78,490**	**29**	**78,519**
of which other financial assets		*36,717*	*14*	*44*	*52*	*3*	*126*	*36,956*	*29*	***36,985***
Total assets	**202,437**	**417,389**	**372,664**	**821,881**	**200,551**	**79,027**	**466,673**	**2,560,622**	**60,024**	**2,620,646**
of which accrued interest loans						*2,093*		*2,093*		***2,093***
of which accrued interest debt securities						*1,516*		*1,516*		***1,516***
Deposits from central banks and credit institutions	**25,058**	**61,155**	**20,449**	**2,180**	**2,234**		**8,892**	**119,968**	**–104**	**119,864**
of which repos		*737*					*118*	*855*		***855***
General governments	26,590	2,884	1,676	438	4,255			35,843	–113	**35,730**
Households	239,979	29,446	6,214	1,135	2			276,776	–52	**276,724**
Corporates	536,292	64,501	9,111	23,609	16,749			650,262	–688	**649,574**
Deposits and borrowings from the public	**802,861**	**96,831**	**17,001**	**25,182**	**21,006**			**962,881**	**–853**	**962,028**
of which deposits	*369,042*	*69,732*	*6,271*	*2,815*	*9,253*			*457,113*	*–324*	***456,789***
of which borrowing		*1,067*	*9*	*13*	*159*			*1,248*	*–5*	***1,243***
of which repos		*740*						*740*	*–1*	***739***
Liabilities to policyholders							**296,618**	**296,618**		**296,618**
Certificates	47	61,960	62,700	2,826				127,533	–1,058	**126,475**
Covered bonds		1,366	44,857	257,656	36,727			340,606	–13,621	**326,985**
Other bonds[3]		8,519	21,004	181,004	13,141			223,668	–8,248	**215,420**
Issued securities	**47**	**71,845**	**128,561**	**441,486**	**49,868**			**691,807**	**–22,927**	**668,880**
Debt securities		155	53	6,270	3,661			10,139	–590	**9,549**
Equity instruments						10,071		10,071		**10,071**
Derivatives		41,687	21,073	41,146	24,203		46,542	174,651		**174,651**
Other liabilities		1,338	1,656	16,378				19,372	–147	**19,225**
Financial liabilities at fair value		**43,180**	**22,782**	**63,794**	**27,864**	**10,071**	**46,542**	**214,233**	**–737**	**213,496**
Other	**97**	**41,826**	**259**	**598**	**2,128**	**20,735**	**112,459**	**178,102**	**–37**	**178,065**
of which other financial liabilities		*38,768*	*54*	*282*	*1,240*	*2*	*76*	*40,422*	*–37*	***40,385***
Subordinated liabilities		**510**			**52,231**			**52,741**	**–12,022**	**40,719**
Equity						**140,976**		**140,976**		**140,976**
Total Liabilities and Equity	**828,063**	**315,347**	**189,052**	**533,240**	**155,331**	**171,782**	**464,511**	**2,657,326**	**–36,680**	**2,620,646**
of which accrued interest deposits and borrowing						*1,971*		*1,971*		***1,971***
of which accrued interest issued securities						*4,772*		*4,772*		***4,772***
Obligations										
Loan commitments	12,715	116,411	38,625	228,258	23,420			419,429		**419,429**
Acceptances and other financial facilities		49,228	26,064	15,771	20,436	39		111,538		**111,538**
Operating lease commitments	109	286	441	912	44			1,792		**1,792**
Total liabilities, equity and obligations	**840,887**	**481,272**	**254,182**	**778,181**	**199,231**	**171,821**	**464,511**	**3,190,085**	**–36,680**	**3,153,405**

1) Includes items available overnight.
2) The cash flows from insurance assets are monitored on a regular basis in order to be sufficient to meet the cash flows from the insurance liabilities at all times.
3) The Group issues equity index-linked bonds, which contains both a liability and an equity component. The Group has chosen to designate issued equity index-linked bonds, with a fair value amounting to SEK 24,388m (30,992), as at fair value through profit or loss, since they contain embedded derivatives. The corresponding amount for the parent company is SEK 23,356m (28,940). This choice implies that the entire hybrid contract is measured at fair value through profit or loss. Fair value for those financial instruments is calculated using a valuation technique, exclusively based on quoted market prices. The Group's contractual liability is SEK 22,190m (28,871) and for the parent company SEK 21,323m (27,111). The accumulated impact from reflecting the Group's own credit standing in the fair value measurement amounts to SEK 264m (230), of which SEK –33m (–53) relates to 2017. The corresponding amount for the parent company is SEK 205m (148), of which SEK 57m (–50) relates to 2017.

Note 17 f continued Liquidity risk

Parent company, 2017

Balance sheet (contractual maturity dates)	Payable on demand	<3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Cash and cash balances with central banks	**97,927**						**97,927**	**−186**	**97,741**
Loans to credit institutions		**155,606**	**20,321**	**16,309**	**584**		**192,821**	**−230**	**192,591**
of which repos		*390*					*390*		***389***
General governments		9,940	4,756	2,938	170		17,804	−244	**17,560**
Households		28,395	143,480	327,566	14,829		514,270	−17,161	**497,108**
Corporates	204	230,953	120,579	295,854	56,103		703,694	−21,538	**682,156**
Loans to the public	**204**	**269,288**	**268,815**	**626,358**	**71,102**		**1,235,767**	**−38,943**	**1,196,824**
of which eligible debt securities		*135*	*4,477*	*2,562*			*7,174*	*−164*	***7,010***
of which repos		*42,413*					*42,413*	*−183*	***42,230***
Debt securities		23,531	23,555	65,631	7,537		120,254	−2,194	**118,060**
of which eligible debt securities		*18,334*	*6,772*	*24,518*	*3,370*		*52,994*	*−862*	***52,132***
of which other debt securities		*5,197*	*16,783*	*41,113*	*4,166*		*67,260*	*−1,332*	***65,928***
Equity instruments						100,665	100,665		**100,665**
Derivatives		29,649	14,585	30,459	29,527		104,220		**104,220**
Financial assets at fair value		**53,179**	**38,140**	**96,090**	**37,064**	**100,665**	**325,139**	**−2,194**	**322,946**
Other		**35,343**			**874**	**45,845**	**82,062**		**82,062**
of which other financial assets						*45,845*	*45,845*		***45,845***
Total assets	**98,131**	**513,417**	**327,276**	**738,757**	**109,625**	**146,510**	**1,933,716**	**−41,553**	**1,892,163**
of which accrued interest loans						*1,521*	*1,521*		***1,521***
of which accrued interest debt securities						*689*	*689*		***689***
Deposits by credit institutions	**28,144**	**74,418**	**14,352**	**9,089**	**1,785**		**127,789**	**−250**	**127,539**
of which repos		*730*					*730*		***730***
General governments	2,088	4,298			1,421		7,808	−26	**7,781**
Households	214,857	9,555	2,163	362			226,938	−445	**226,493**
Corporates	516,502	62,527	2,187	3,413	4,372		589,001	−1,123	**587,878**
Deposits and borrowings from the public	**733,446**	**76,380**	**4,351**	**3,775**	**5,794**		**823,746**	**−1,594**	**822,151**
of which deposits	*708,714*	*94,896*	*4,351*	*3,775*	*5,794*		*817,529*	*−1,590*	***815,940***
of which borrowing		*6,215*					*6,215*	*−3*	***6,212***
of which repos		*4,913*					*4,913*	*−2*	***4,910***
Certificates		46,387	28,844	8,601			83,833	−841	**82,992**
Covered bonds		9,689	62,040	231,032	41,459		344,219	−13,578	**330,641**
Other bonds[1]		21,652	14,572	163,630	3,588		203,442	−6,783	**196,659**
Issued securities		**77,728**	**105,457**	**403,263**	**45,047**		**631,495**	**−21,202**	**610,292**
Debt securities		833	83	6,531	3,361		10,809		**10,809**
Equity instruments						14,228	14,228		**14,228**
Derivatives		31,215	14,919	23,887	16,969		86,990		**86,990**
Other liabilities		1,121	2,491	229			3,842		**3,842**
Financial liabilities at fair value		**33,170**	**17,494**	**30,647**	**20,330**	**14,228**	**115,869**		**115,869**
Other		**48,581**			**15**	**9,134**	**57,731**		**57,731**
of which other financial liabilities		*48,581*			*15*		*48,597*		***48,597***
Subordinated liabilities		**275**			**41,008**		**41,282**	**−8,892**	**32,390**
Untaxed reserves						**21,429**	**21,429**		**21,429**
Equity						**104,762**	**104,762**		**104,762**
Total Liabilities and Equity	**761,590**	**310,552**	**141,654**	**446,774**	**113,979**	**149,553**	**1,924,102**	**−31,939**	**1,892,163**
of which accrued interest deposits and borrowing						*826*	*826*		***826***
of which accrued interest issued securities						*7,016*	*7,016*		***7,016***

Obligations

Loan commitments		36,566	42,616	184,404	3,818		267,403		**267,403**
Acceptances and other financial facilities		22,256	34,846	19,859	26,098		103,059		**103,059**
Total liabilities, equity and obligations	**761,590**	**369,502**	**219,630**	**657,421**	**145,764**	**149,553**	**2,303,460**	**−40,835**	**2,262,625**

Note 17 f continued Liquidity risk

Parent company, 2016

Balance sheet (contractual maturity dates)	Payable on demand	< 3 months[1)]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Cash and cash balances with central banks	**70,805**						**70,805**	**–134**	**70,671**
Loans to credit institutions	**21,453**	**173,899**	**34,792**	**57,157**	**205**		**287,506**	**–447**	**287,059**
of which repos		*1,237*					*1,237*	*–1*	***1,236***
General governments	192	491	1,402	7,175	176		9,436	–354	**9,082**
Households	749	48,479	167,027	262,740	12,472		491,467	–15,195	***476,272***
Corporates	46,693	146,375	126,379	320,381	71,977		711,805	–25,064	**686,741**
Loans to the public	**47,634**	**195,345**	**294,808**	**590,296**	**84,625**		**1,212,708**	**–40,613**	**1,172,095**
of which eligible debt securities				*6,992*			*6,992*	*–302*	***6,690***
of which other debt securities				*229*	*1,872*		*2,101*	*–220*	***1,881***
of which repos		*63,809*					*63,809*	*–286*	***63,523***
Debt securities		14,232	12,378	95,325	12,287		134,222	–2,901	**131,321**
of which eligible debt securities		*2,835*	*3,939*	*27,282*	*7,400*		*41,456*	*–1,057*	***40,399***
of which other debt securities		*10,733*	*8,439*	*67,986*	*4,887*		*92,045*	*–1,784*	***90,261***
Equity instruments						93,775	93,775		**93,775**
Derivatives		41,897	25,173	54,028	38,675		159,773		**159,773**
Financial assets at fair value		**56,129**	**37,551**	**149,353**	**50,962**	**93,775**	**387,770**	**–2,901**	**384,869**
Other		**36,507**	**77**	**267**	**585**	**47,714**	**85,150**		**85,150**
of which other financial assets		*36,507*	*77*	*267*	*585*		*37,436*		***37,436***
Total assets	**139,892**	**461,880**	**367,228**	**797,073**	**136,377**	**141,489**	**2,043,939**	**–44,095**	**1,999,844**
of which accrued interest loans						*1,627*	*1,627*		***1,627***
of which accrued interest debt securities						*793*	*793*		***793***

	Payable on demand	< 3 months[1)]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Deposits by credit institutions	**63,648**	**62,763**	**27,022**	**13,539**	**2,326**		**169,298**	**–446**	**168,852**
of which repos		*738*					*738*	*–1*	***737***
General governments	21,110	109	338	229	2,179		23,965	–75	**23,890**
Households	195,909	12,432	1,674	420			210,435	–408	**210,027**
Corporates	481,242	54,574	4,450	2,549	6,971		549,786	–1,119	**548,667**
Deposits and borrowings from the public	**698,261**	**67,115**	**6,462**	**3,198**	**9,150**		**784,186**	**–1,602**	**782,584**
of which deposits	*698,261*	*66,048*	*6,462*	*3,198*	*9,150*		*783,119*	*–1,601*	***781,518***
of which borrowing		*1,066*					*1,066*	*–1*	***1,065***
of which repos		*739*					*739*		***739***
Certificates		61,939	62,704	2,825			127,468	–1,104	**126,364**
Covered bonds		1,366	44,878	255,635	36,682		338,561	–14,123	**324,438**
Other bonds[2)]		8,417	20,942	181,042	11,413		221,814	–8,430	**213,384**
Issued securities		**71,722**	**128,524**	**439,502**	**48,095**		**687,843**	**–23,657**	**664,186**
Debt securities		178	29	6,037	3,305		9,549		**9,549**
Equity instruments						10,072	10,072		**10,072**
Derivatives		42,400	21,163	45,391	24,879		133,833		**133,833**
Other liabilities		1,313	1,675	16,236			19,224		**19,224**
Financial liabilities at fair value		**43,891**	**22,867**	**67,664**	**28,184**	**10,072**	**172,678**		**172,678**
Other		**37,845**	**22**			**9,823**	**47,690**		**47,690**
of which other financial liabilities		*37,845*	*22*				*37,867*		***37,867***
Subordinated liabilities		**510**			**54,143**		**54,653**	**–13,934**	**40,719**
Untaxed reserves						**21,761**	**21,761**		**21,761**
Equity						**101,374**	**101,374**		**101,374**
Total Liabilities and Equity	**761,909**	**283,846**	**184,897**	**523,903**	**141,898**	**143,030**	**2,039,483**	**–39,639**	**1,999,844**
of which accrued interest deposits and borrowing						*1,223*	*1,223*		***1,223***
of which accrued interest issued securities						*4,768*	*4,768*		***4,768***

Obligations

	Payable on demand	< 3 months[1)]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Loan commitments		43,549	33,522	189,699	19,467		286,237		**286,237**
Acceptances and other financial facilities		38,577	16,968	8,398	10,470		74,413		**74,413**
Total liabilities, equity and obligations	**761,909**	**365,972**	**235,387**	**722,000**	**171,835**	**143,030**	**2,400,133**	**–39,639**	**2,360,494**

1) Includes items available overnight.

2) The Group issues equity index-linked bonds, which contains both a liability and an equity component. The Group has chosen to designate issued equity index-linked bonds, with a fair value amounting to SEK 24,388m (30,992), as at fair value through profit or loss, since they contain embedded derivatives. The corresponding amount for the parent company is SEK 23,356m (28,940). This choice implies that the entire hybrid contract is measured at fair value through profit or loss. Fair value for those financial instruments is calculated using a valuation technique, exclusively based on quoted market prices. The Group's contractual liability is SEK 22,190m (28,871) and for the parent company SEK 21,323m (27,111). The accumulated impact from reflecting the Group's own credit standing in the fair value measurement amounts to SEK 264m (230), of which SEK –33m (–53) relates to 2017. The corresponding amount for the parent company is SEK 205m (148), of which SEK –57m (–50) relates to 2017.

Note 17 f continued Liquidity risk

Average remaining maturity (years)	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Loans to credit institutions	0.95	0.78	0.45	0.81
Loans to the public	2.63	2.72	2.26	2.36
Deposits from credit institutions	0.35	0.41	0.64	0.83
Deposits from the public	0.17	0.24	0.90	1.32
Borrowing from the public	0.34	1.39	0.13	0.13
Certificates	0.58	0.43	0.59	0.43
Covered bonds	3.25	3.38	3.33	3.37
Other bonds	2.65	3.04	2.65	2.99

18 Cash and cash equivalents

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Cash	1,960	1,957	132	156
Cash balances at central banks	175,262	149,121	97,609	70,515
Other demand deposits [1]	7,207	7,237	28,546	21,261
TOTAL	**184,429**	**158,315**	**126,287**	**91,932**

1) Balance receivables on demand with credit institutions.

19 Loans

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Loans to credit institutions [1]	34,715	50,527	192,591	287,059
Loans to the public [1]	1,484,803	1,453,019	1,196,824	1,172,095
TOTAL	**1,519,518**	**1,503,546**	**1,389,415**	**1,459,154**

1) Including debt instruments classified as Loans.

Loans

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Performing loans	1,515,711	1,500,692	1,386,227	1,457,416
Individually assessed impaired loans	*5,999*	*5,037*	*4,629*	*3,228*
Portfolio assessed loans, past due > 60 days	*2,273*	*2,597*	*667*	*720*
Portfolio assessed loans, restructured	*11*	*9*		
Non-performing loans	8,283	7,643	5,296	3,948
Loans prior to reserves	**1,523,995**	**1,508,335**	**1,391,523**	**1,461,364**
Specific reserves for individually assessed loans	−2,187	−1,928	−1,384	−1,044
Collective reserves for individually assessed loans	−1,120	−1,539	−455	−908
Collective reserves for portfolio assessed loans	−1,170	−1,322	−269	−258
Reserves	**−4,476**	**−4,789**	**−2,108**	**−2,210**
TOTAL	**1,519,518**	**1,503,546**	**1,389,415**	**1,459,154**
Specific and collective reserves	−4,476	−4,789	−2,108	−2,210
Contingent liabilities reserves	−75	−44	−47	
TOTAL RESERVES	**−4,552**	**−4,833**	**−2,155**	**−2,210**
Gross level of impaired loans	0.39%	0.33%	0.33%	0.22%
Net level of impaired loans	0.25%	0.21%	0.23%	0.15%
Specific reserve ratio for individually assessed impaired loans	36.5%	38.3%	29.9%	32.3%
Total reserve ratio for individually assessed impaired loans	55.1%	68.8%	39.7%	60.5%
Reserve ratio for collectively assessed loans	51.2%	50.7%	40.3%	35.8%
NPL coverage ratio	54.9%	63.2%	40.7%	56.0%
NPL per cent of lending	0.54%	0.51%	0.38%	0.27%

Note 19 continued Loans

Loans by category of borrower

Group, 2017	Credit institutions	Corporates	Real Estate Management and Housing co-operative associations	Public Administration	Households	Total
Performing loans	34,715	562,338	301,861	41,571	575,226	**1,515,711**
Individually assessed impaired loans		*5,328*	*578*		*92*	***5,999***
Portfolio assessed loans, past due > 60 days		*223*	*14*		*2,037*	***2,273***
Portfolio assessed loans, restructured					*11*	***11***
Non-performing loans		5,551	592		2,139	**8,283**
Loans prior to reserves	**34,715**	**567,889**	**302,453**	**41,571**	**577,366**	**1,523,994**
Specific reserves for individually assessed impaired loans		–1,842	–282		–63	**–2,187**
Collective reserves for individually assessed loans		–1,042	–68	–5	–5	**–1,120**
Collective reserves for portfolio assessed loans		–149	–6		–1,014	**–1,170**
Reserves		**–3,034**	**–355**	**–5**	**–1,083**	**–4,476**
TOTAL	**34,715**	**564,855**	**302,098**	**41,566**	**576,283**	**1,519,518**

2016	Credit institutions	Corporates	Real Estate Management and Housing co-operative associations	Public Administration	Households	Total
Performing loans	50,527	567,810	299,617	34,835	547,903	**1,500,692**
Individually assessed impaired loans		*3,812*	*1,066*		*159*	***5,037***
Portfolio assessed loans, past due > 60 days		*163*			*2,434*	***2,597***
Portfolio assessed loans, restructured					*9*	***9***
Non-performing loans		3,975	1,066		2,602	**7,643**
Loans prior to reserves	**50,527**	**571,785**	**300,683**	**34,835**	**550,505**	**1,508,335**
Specific reserves for individually assessed impaired loans		–1,391	–441		–96	**–1,928**
Collective reserves for individually assessed loans		–1,446	–86	–5	–2	**–1,539**
Collective reserves for portfolio assessed loans		–91			–1,231	**–1,322**
Reserves		**–2,928**	**–527**	**–5**	**–1,329**	**–4,789**
TOTAL	**50,527**	**568,857**	**300,156**	**34,830**	**549,176**	**1,503,546**

Parent company, 2017	Credit institutions	Corporates	Real Estate Management and Housing co-operative associations	Public Administration	Households	Total
Performing loans	192,591	422,955	256,409	17,563	496,708	**1,386,227**
Individually assessed impaired loans		*4,534*	*36*		*59*	***4,629***
Portfolio assessed loans, past due > 60 days		*65*	*14*		*588*	***667***
Non-performing loans		4,599	51		647	**5,296**
Loans prior to reserves	**192,591**	**427,553**	**256,460**	**17,563**	**497,355**	**1,391,523**
Specific reserves for individually assessed impaired loans		–1,309	–32		–42	**–1,384**
Collective reserves for individually assessed loans		–451		–4		**–455**
Collective reserves for portfolio assessed loans		–59	–6		–204	**–269**
Reserves		**–1,819**	**–38**	**–4**	**–246**	**–2,108**
TOTAL	**192,591**	**425,734**	**256,422**	**17,560**	**497,108**	**1,389,415**

2016	Credit institutions	Corporates	Real Estate Management and Housing co-operative associations	Public Administration	Households	Total
Performing loans	286,936	440,508	245,092	9,086	475,794	**1,457,416**
Individually assessed impaired loans	*123*	*2,856*	*187*		*62*	***3,228***
Portfolio assessed loans, past due > 60 days					*720*	***720***
Non-performing loans	123	2,856	187		782	**3,948**
Loans prior to reserves	**287,059**	**443,364**	**245,279**	**9,086**	**476,576**	**1,461,364**
Specific reserves for individually assessed impaired loans		–880	–118		–46	**–1,044**
Collective reserves for individually assessed loans		–904		–4		**–908**
Collective reserves for portfolio assessed loans					–258	**–258**
Reserves		**–1,784**	**–118**	**–4**	**–304**	**–2,210**
TOTAL	**287,059**	**441,580**	**245,161**	**9,082**	**476,272**	**1,459,154**

Note 19 continued Loans

Loans by geographical region [1)]

Group, 2017	The Nordic region	Germany	The Baltic region	Other	Total
Performing loans	1,238,046	98,261	128,841	50,564	**1,515,711**
Individually assessed impaired loans	*4,538*	*151*	*1,218*	*92*	***5,999***
Portfolio assessed loans, past due > 60 days	*1,245*		*1,029*		***2,273***
Portfolio assessed loans, restructured			*11*		***11***
Non-performing loans	5,782	151	2,258	92	**8,283**
Loans prior to reserves	**1,243,828**	**98,412**	**131,099**	**50,656**	**1,523,995**
Specific reserves for individually assessed impaired loans	–1,394	–106	–654	–34	**–2,187**
Collective reserves for individually assessed loans	–905	–67	–142	–6	**–1,120**
Collective reserves for portfolio assessed loans	–537		–633		**–1,170**
Reserves	**–2,836**	**–173**	**–1,428**	**–40**	**–4,476**
TOTAL	**1,240,992**	**98,239**	**129,671**	**50,616**	**1,519,518**
2016					
Performing loans	1,218,235	113,641	115,771	53,045	**1,500,692**
Individually assessed impaired loans	*2,967*	*463*	*1,469*	*138*	***5,037***
Portfolio assessed loans, past due > 60 days	*1,310*		*1,287*		***2,597***
Portfolio assessed loans, restructured			*9*		***9***
Non-performing loans	4,277	463	2,765	138	**7,643**
Loans prior to reserves	**1,222,512**	**114,104**	**118,536**	**53,183**	**1,508,335**
Specific reserves for individually assessed impaired loans	–985	–158	–748	–37	**–1,928**
Collective reserves for individually assessed loans	–1,108	–69	–236	–126	**–1,539**
Collective reserves for portfolio assessed loans	–535		–787		**–1,322**
Reserves	**–2,628**	**–227**	**–1,771**	**–163**	**–4,789**
TOTAL	**1,219,884**	**113,877**	**116,765**	**53,020**	**1,503,546**

Parent company, 2017	The Nordic region	Germany	The Baltic region	Other	Total
Performing loans	1,347,709			38,518	**1,386,227**
Individually assessed impaired loans	*4,538*			*92*	***4,629***
Portfolio assessed loans, past due > 60 days	*667*				***667***
Non-performing loans	5,205			92	**5,296**
Loans prior to reserves	**1,352,913**			**38,610**	**1,391,523**
Specific reserves for individually assessed impaired loans	–1,350			–34	**–1,384**
Collective reserves for individually assessed loans	–450			–5	**–455**
Collective reserves for portfolio assessed loans	–269				**–269**
Reserves	**–2,069**			**–39**	**–2,108**
TOTAL	**1,350,844**			**38,571**	**1,389,415**
2016					
Performing loans	1,413,794			43,622	**1,457,416**
Individually assessed impaired loans	*2,967*			*261*	***3,228***
Portfolio assessed loans, past due > 60 days	*720*				***720***
Non-performing loans	3,687			261	**3,948**
Loans prior to reserves	**1,417,481**			**43,883**	**1,461,364**
Specific reserves for individually assessed impaired loans	–932			–112	**–1,044**
Collective reserves for individually assessed loans	–783			–125	**–908**
Collective reserves for portfolio assessed loans	–258				**–258**
Reserves	**–1,973**			**–237**	**–2,210**
TOTAL	**1,415,508**			**43,646**	**1,459,154**

1) The geographical distribution is based on where loans are booked.

Note 19 continued Loans

Past due loans that are not impaired

2017	Group Corporates	Group Households	Group Other	Group Total	Parent company Corporates	Parent company Households	Parent company Other	Parent company Total
< 30 days[2]	4,855	4,219	48	**9,122**	2,126	2,870	6	**5,001**
31 – 60 days	154	423	2	**579**	67	228		**295**
>60 days[1]	316	322	3	**641**	114	99	2	**214**
TOTAL	5,325	4,965	52	**10,342**	2,306	3,197	7	**5,510**
2016								
< 30 days	3,967	1,609	21	**5,597**	2,981	341	1	**3,323**
31 – 60 days	836	671	11	**1,518**	726	414		**1,140**
>60 days[1]	517	286		**803**	213	41		**254**
TOTAL	5,320	2,566	32	**7,918**	3,920	796	1	**4,717**

1) Excluding portfolio assessed loans past due more than 60 days which are included in previous table.
2) The increase in 2017 <30 days is mainly related to past due volumes less than 5 days. These volumes were not included in the figures for 2016.

Reserves, Group

	Loans to credit institutions		Loans to the public		Total	
Specific loan loss reserves[1]	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Opening balance	0	0	–1,928	–2,044	–1,928	–2,044
Reversals for utilisation			318	584	318	584
Provisions			–1,309	–734	–1,309	–734
Reversals			760	338	760	338
Exchange rate differences			–27	–72	–27	–72
Closing balance	**0**	**0**	**–2,187**	**–1,928**	**–2,187**	**–1,928**
Collective loan loss reserves[2]						
Opening balance	0	–7	–2,861	–2,827	–2,861	–2,834
Net provisions		7	592	35	592	42
Exchange rate differences			–21	–69	–21	–69
Closing balance	**0**	**0**	**–2,290**	**–2,861**	**–2,290**	**–2,861**
Contingent liabilities reserves						
Opening balance	0	0	–44	–81	–44	–81
Net provisions			–30	43	–30	43
Reversal for utilisation						
Exchange rate differences			–1	–6	–1	–6
Closing balance	**0**	**0**	**–75**	**–44**	**–75**	**–44**
TOTAL	**0**	**0**	**–4,552**	**–4,833**	**–4,552**	**–4,833**

1) Specific reserves for individually appraised loans.
2) Collective reserves for individually appraised loans, reserves for loans assessed on a portfolio basis and country risk reserves.

Note 19 continued Loans

Reserves, parent company

	Loans to credit institutions		Loans to the public		Total	
Specific loan loss reserves [1]	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Opening balance	0	0	–1,044	–775	–1,044	–775
Reversals for utilisation			180	60	180	60
Provisions			–1,190	–407	–1,190	–407
Reversals			625	102	625	102
Exchange rate differences			45	–24	45	–24
Closing balance	**0**	**0**	**–1,384**	**–1,044**	**–1,384**	**–1,044**
Collective loan loss reserves [2]						
Opening balance	0	–8	–1,166	–962	–1,166	–970
Net provisions		7	429	–195	429	–188
Exchange rate differences		1	13	–9	13	–8
Closing balance	**0**	**0**	**–724**	**–1,166**	**–724**	**–1,166**
Contingent liabilities reserves						
Opening balance	0	0	0	–22	0	–22
Net provisions			–47	22	–47	22
Closing balance	**0**	**0**	**–47**	**0**	**–47**	**0**
TOTAL	**0**	**0**	**–2,155**	**–2,210**	**–2,155**	**–2,210**

1) Specific reserves for individually appraised loans.
2) Collective reserves for individually appraised loans, reserves for loans assessed on a portfolio basis and country risk reserves.

Forborne loans

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Total forborne loans	14,640	11,990	10,948	6,927
of which performing[1]	6,995	6,327	5,373	3,883

1) According to EBA definition.

20 Capital adequacy

Capital management
SEB takes various types of risks in line with the bank's strategy and business plan. In order to sustain these risks and guarantee SEB's long-term survival, the bank must maintain satisfactory capital strength. At the same time, SEB must balance the trade-off between financial reward and overall risk tolerance. In particular, SEB's capital management balances the following dimensions:

1. regulatory: the minimum capital levels, and the supervisory expectation that banks operate safely above this minimum level, established by the EU directives through Swedish law on capital adequacy,
2. access to debt investors: the capitalisation level required to support a certain rating level in order to reach a debt investor base necessary for conducting SEB's business activities,
3. access to financial products: the capital level required by corporate clients and other counterparties to facilitate the bank's activity in the capital markets, including derivatives and foreign exchange, and
4. optimal return on equity: the balance between the shareholders' expected return on capital and risks taken.

To meet expectations of shareholders, supervisors and market participants, SEB's capitalisation is based on an assessment of all risks incurred in SEB's business, and forward-looking, aligned with long- and short-term business plans and with expected macroeconomic developments. Furthermore, the capitalisation is stress-tested to identify the potential effect of adverse changes to SEB's financial situation.

Internal capital adequacy assessment process
The internal capital adequacy assessment process (ICAAP) encompasses SEB's internal views on material risks and their development as well as risk measurement models, risk governance and risk mitigants. It is linked to overall business planning and establishes a strategy for maintaining appropriate capital levels. Together with continuous monitoring and reporting of the capital adequacy to the Board, this ensures that the relationship between shareholders' equity, economic capital, regulatory and rating-based requirements are managed so that the bank's survival is not jeopardised. Thus, the ICAAP is integrated with SEB's business planning, internal governance framework and internal control systems.

SEB's capital plan covers the strategic planning horizon and projects economic and legal capital requirements, as well as available capital resources and relevant ratios. It is forward-looking, taking into account current and planned business volumes as well as strategic initiatives. The capital plan is stress tested to potential down-turns in the macroeconomic environment, to strategic risk factors identified in the business planning, and to other relevant scenarios. The capital plan is established annually, and updated as needs arise during the year.

Economic capital constitutes an important part of capital adequacy assessment. It is an internal measurement of risk, similar to the rules for capital adequacy in that many of the underlying risk components are the same. The economic capital calculation is based on a confidence level of 99.97 per cent, which is equivalent to the capital requirement for a very high rating. The economic capital or internally assessed capital requirement for SEB Group including insurance risk amounted to SEK 64bn (63).

SEB employs an internal capital allocation framework for measuring return on risk, named business equity. It is similar to regulatory capital models including Pillar 2 requirements and is calibrated with SEB's capital targets.

The regulatory supervisors annually assess SEB and its ICAAP in accordance with the parameters of the Supervisory Review and Evaluation Process (SREP). The assessment covers SEB's capital adequacy, risk measurement models and risk governance, among other things, and in the SREP 2017 it was concluded that SEB is sufficiently capitalised and adequately measures and manages risks.

Regulatory requirements
The requirements have evolved in the last few years, both in terms of which risks that are covered and in terms of the capital base components. The regulatory capital requirements are split in to Pillar 1 (general minimum requirements for all institutions) and Pillar 2 (requirements based on an individual assessment of each institution).

Pillar 1 requirements for CET1 is expressed as a REA ratio requirement and consists of the following components:

i) a legal minimum requirement of 4.5 per cent,
ii) a capital conservation buffer of 2.5 per cent,
iii) a systemic risk buffer of 3.0 per cent, and
iv) countercyclical buffers applied by the regulators in Sweden and Norway, together amounting to around 0.9 per cent for SEB.

The total Pillar 1 CET1 capital requirement for SEB is at present 10.9 per cent.

As opposed to Pillar 1, the Pillar 2 requirements for CET1 are not calculated as a percentage of the total REA. As a result, the Pillar 2 requirements, expressed as capital ratio requirements (except the systemic risk requirement), are likely to vary in relation to REA over time. The Pillar 2 requirements consist of the following components:

v) specific own funds requirement for systemic risk ("Systemic risk requirement") expressed as a pure CET1 ratio requirement of 2.0 per cent,
vi) risk weight floor for Swedish residential mortgages. The requirement corresponds to a capital requirement on the difference between REA using a 25 per cent risk weight on residential mortgage loans and actual Pillar 1 REA for these loans (where the risk weight for SEB is around 5 per cent, based on internal models), and
vii) other specific risks. The risks currently identified by the Swedish FSA that apply to all Swedish banks are a) credit concentration risks, b) interest rate risk in the banking book, c) pension risk, d) sovereign credit risk and e) risks related to corporate exposure. In addition to this, SEB-specific requirements for other risks can be added as part of the SREP.

Together with the Pillar 2 CET1 capital requirements SEB's total CET1 capital requirements currently amounts to 17.2 per cent.

Ratio requirement (explicit or implicit)

Pillar 1	CET1	AT1	Tier 2	Total
Minimum requirement	4.5%	1.5%	2.0%	**8.0%**
Capital conservation buffer	2.5%			**2.5%**
Systemic risk buffer	3.0%			**3.0%**
Subtotal	**10.0%**	**1.5%**	**2.0%**	**13.5%**
Countercyclical buffer	0.9%			**0.9%**
TOTAL	**10.9%**	**1.5%**	**2.0%**	**14.4%**

Pillar 2	CET1	AT1	Tier 2	Total
Systemic risk requirement	2.0%			**2.0%**
Mortgage floor	2.1%	0.2%	0.3%	**2.6%**
Credit concentration risk	0.3%	0.1%	0.1%	**0.5%**
Interest rate risk in the banking book	0.6%	0.1%	0.1%	**0.8%**
Pension risk	0.5%	0.1%	0.1%	**0.7%**
Corporate exposures – PD scale	0.5%	0.0%	0.1%	**0.6%**
Corporate exposures – maturity floor	0.3%	0.0%	0.1%	**0.4%**
TOTAL	**6.3%**	**0.5%**	**0.7%**	**7.5%**
Total requirement	**17.2%**	**2.0%**	**2.7%**	**22.0%**

Note 20 continued Capital adequacy

Capital adequacy analysis

	Consolidated situation		Parent company	
	2017	**2016**	**2017**	**2016**
Own funds				
Common Equity Tier 1 capital	118,204	114,419	101,810	97,144
Tier 1 capital	132,127	129,157	115,733	111,882
Total own funds	147,849	151,491	131,328	134,384
Own funds requirement				
Risk exposure amount	610,819	609,959	514,328	515,826
Expressed as own funds requirement	48,866	48,797	41,146	41,266
Common Equity Tier 1 capital ratio	19.4%	18.8%	19.8%	18.8%
Tier 1 capital ratio	21.6%	21.2%	22.5%	21.7%
Total capital ratio	24.2%	24.8%	25.5%	26.1%
Own funds in relation to own funds requirement	3.03	3.10	3.19	3.26
Regulatory Common Equity Tier 1 capital requirement including buffer	10.9%	10.7%	8.2%	7.9%
of which capital conservation buffer requirement	*2.5%*	*2.5%*	*2.5%*	*2.5%*
of which systemic risk buffer requirement	*3.0%*	*3.0%*		
of which countercyclical capital buffer requirement	*0.9%*	*0.7%*	*1.2%*	*0.9%*
Common Equity Tier 1 capital available to meet buffer [1)]	14.9%	14.3%	15.3%	14.3%
Transitional floor 80% of capital requirement according to Basel I				
Minimum floor own funds requirement according to Basel I	89,774	86,884	72,415	69,864
Own funds according to Basel I	149,030	151,814	131,977	134,158
Own funds in relation to own funds requirement Basel I	1.66	1.75	1.82	1.92
Leverage ratio				
Exposure measure for leverage ratio calculation	2,519,532	2,549,149		
of which on balance sheet items	*2,140,093*	*2,120,587*		
of which off balance sheet items	*379,439*	*428,562*		
Leverage ratio	5.2%	5.1%		

1) CET1 ratio less minimum capital requirement of 4.5 per cent excluding buffers. In addition to the CET1 requirements there is a total capital requirement of an additional 3.5 per cent.

Own funds

	Consolidated situation		Parent company	
	2017	**2016**	**2017**	**2016**
Shareholders' equity	21,942	21,942	21,942	21,942
Retained earnings	60,066	65,190	52,644	52,443
Accumulated other comprehensive income and other reserves	45,673	43,226	30,551	31,485
Independently reviewed profit for the year	16,244	10,618	16,340	12,477
Total equity according to balance sheet[1)]	**143,925**	**140,976**	**121,476**	**118,347**
Deductions related to the consolidated situation and other foreseeable charges	–14,357	–14,303	–12,461	–11,929
Common Equity Tier 1 capital before regulatory adjustments[2)]	**129,568**	**126,673**	**109,016**	**106,418**
Additional value adjustments	–663	–1,169	–283	–1,136
Intangible assets	–6,225	–6,835	–4,955	–5,381
Deferred tax assets that rely on future profitability	–75	–208		
Fair value reserves related to gains or losses on cash flow hedges	–1,192	–2,400	–1,192	–2,400
Negative amounts resulting from the calculation of expected loss amounts	–1,307	–381	–648	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	99	–115	66	–131
Defined-benefit pension fund assets	–1,807	–920		
Direct and indirect holdings of own CET1 instruments	–193	–191	–193	–191
Securitisation positions with 1.250% risk weight		–35		–35
Total regulatory adjustments to Common Equity Tier 1	**–11,364**	**–12,254**	**–7,205**	**–9,274**
Common Equity Tier 1 capital	**118,204**	**114,419**	**101,810**	**97,144**
Additional Tier I instruments	13,922	9,959	13,922	9,959
Grandfathered additional Tier 1 instruments		4,779		4,779
Tier 1 capital	**132,127**	**129,157**	**115,733**	**111,882**
Tier 2 instruments	18,171	24,851	18,171	24,850
Net provisioning amount for IRB-reported exposures	126	58		227
Holdings of Tier 2 instruments in financial sector entities	–2,575	–2,575	–2,575	–2,575
Tier 2 capital	**15,722**	**22,334**	**15,596**	**22,502**
TOTAL	**147,849**	**151,491**	**131,328**	**134,384**

1) For parent bank Total equity includes Untaxed reserves net of tax.

2) The Common Equity Tier 1 capital is presented on a consolidated basis, and differs from total equity according to IFRS. The insurance business contribution to equity is excluded and there is a dividend deduction calculated according to Regulation (EU) No 575/2013 (CRR).

Note 20 continued Capital adequacy

Risk exposure amount

Credit risk IRB approach	Consolidated situation 2017 Risk exposure amount	Consolidated situation 2017 Own funds requirement[1]	Consolidated situation 2016 Risk exposure amount	Consolidated situation 2016 Own funds requirement[1]	Parent company 2017 Risk exposure amount	Parent company 2017 Own funds requirement[1]	Parent company 2016 Risk exposure amount	Parent company 2016 Own funds requirement[1]
Exposures to central governments or central banks	9,319	745			3,725	298		
Exposures to institutions	32,838	2,627	26,254	2,100	30,757	2,461	23,868	1,909
Exposures to corporates	326,317	26,105	335,413	26,833	218,878	17,510	226,254	18,100
Retail exposures	62,296	4,984	55,617	4,449	36,962	2,957	30,660	2,453
of which secured by immovable property	*36,558*	*2,925*	*34,079*	*2,726*	*27,738*	*2,219*	*25,622*	*2,050*
of which retail SME	*7,033*	*563*	*4,723*	*378*	*2,807*	*225*		
of which other retail exposures	*18,704*	*1,496*	*16,815*	*1,345*	*6,417*	*513*	*5,038*	*403*
Securitisation positions	838	67	3,066	246	368	29	2,984	239
Total IRB approach	**431,607**	**34,529**	**420,350**	**33,628**	**290,691**	**23,255**	**283,766**	**22,701**
Credit risk standardised approach								
Exposures to central governments or central banks	4,060	325	1,801	144			333	27
Exposures to regional governments or local authorities			51	4				
Exposures to public sector entities			29	2				
Exposures to institutions	844	68	1,316	105	49,917	3,993	50,231	4,018
Exposures to corporates	18,197	1,456	16,422	1,314	8,039	643	7,428	594
Retail exposures	12,084	967	16,186	1,295	7,488	599	12,135	971
Exposures secured by mortgages on immovable property	2,539	203	3,803	304	846	68	2,081	166
Exposures in default	112	9	384	31	56	4	304	24
Exposures associated with particularly high risk	866	69	1,477	118	866	69	1,477	118
Securitisation positions	222	18	216	17				
Exposures in the form of collective investment undertakings (CIU)	41	3	66	5				
Equity exposures	1,972	158	2,119	170	41,436	3,315	40,807	3,264
Other items	7,801	624	8,880	711	5,946	476	6,390	511
Total standardised approach	**48,739**	**3,899**	**52,750**	**4,220**	**114,594**	**9,167**	**121,186**	**9,693**
Market risk								
Trading book exposures where internal models are applied	24,892	1,991	30,042	2,403	24,876	1,990	29,994	2,399
Trading book exposures applying standardised approaches	9,881	790	9,398	752	9,786	783	8,884	711
Foreign exchange rate risk	4,022	322	3,773	302	3,964	317	3,756	301
Total market risk	**38,794**	**3,104**	**43,213**	**3,457**	**38,626**	**3,090**	**42,634**	**3,411**
Other own funds requirements								
Operational risk advanced measurement approach	48,219	3,858	47,901	3,832	35,014	2,802	33,696	2,697
Settlement risk	38	3			38	3	1	
Credit value adjustment	6,767	541	7,818	625	6,095	488	6,534	523
Investment in insurance business	16,633	1,331	16,633	1,331	16,633	1,331	16,633	1,331
Other exposures	4,219	338	6,547	524				
Additional risk exposure amount[2]	15,802	1,264	14,747	1,180	12,637	1,011	11,376	910
Total other own funds requirements	**91,678**	**7,334**	**93,646**	**7,492**	**70,417**	**5,635**	**68,240**	**5,461**
TOTAL	**610,819**	**48,866**	**609,959**	**48,797**	**514,328**	**41,146**	**515,826**	**41,266**

1) Own fund requirement is 8 per cent of risk exposure amount according to Regulation (EU) No 575/2013 (CRR).
2) Regulation (EU) No 575/2013 (CRR) Article 3.

Average risk-weight

	Consolidated situation 2017	Consolidated situation 2016	Parent company 2017	Parent company 2016
Exposures to central governments or central banks	3.3%		2.1%	
Exposures to institutions	24.0%	25.1%	23.9%	22.5%
Exposures to corporates	31.6%	31.4%	26.5%	26.6%
Retail exposures	10.4%	9.9%	7.5%	6.6%
of which secured by immovable property	*7.0%*	*6.9%*	*5.9%*	*5.7%*
of which qualifying revolving retail exposures				
of which retail SME	*59.6%*	*73.4%*	*42.5%*	
of which other retail exposures	*30.7%*	*28.0%*	*37.2%*	*29.2%*
Securitisation positions	10.6%	50.6%	12.7%	58.6%

The consolidated SEB Group must also comply with capital requirements concerning combined banking and insurance groups, i.e. financial conglomerates. The combined capital requirement for the SEB financial conglomerate was SEK 130.7bn while the own funds amounted to SEK 198.4bn. In these total figures, SEB Life and Pension Holding AB has contributed with Solvency II figures from September 30, 2017.

21 Fair value measurement of assets and liabilities

2017	Group				Parent company			
Assets	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
Financial assets – policyholders bearing the risk	275,737	7,053	630	**283,420**				
Equity instruments at fair value through profit and loss	51,971	3,493	1,787	**57,251**	47,599	599	181	**48,379**
Debt securities at fair value through profit and loss	55,995	73,849	571	**130,415**	40,391	68,867		**109,258**
Derivatives – Interest related	127	52,514	686	**53,327**	127	51,282	761	**52,170**
Derivatives – Equity related	251	3,096	2	**3,349**	251	3,102	2	**3,355**
Derivatives – Currency related	786	37,118		**37,904**	73	38,421		**38,494**
Derivatives – Credit related		950		**950**		950		**950**
Derivatives – Commodities related		2,672		**2,672**		2,672		**2,672**
Derivatives – Other related	86			**86**				
Derivatives – Hedge accounting		6,580		**6,580**		6,580		**6,580**
Equity instruments available-for-sale	111	1,080	627	**1,818**	69	1,049	474	**1,592**
Debt securities available-for-sale	15,631	10,192		**25,823**	6,197	2,605		**8,802**
Non-current assets and disposal groups classified as held for sale	89,229	63,657	29,550	**182,436**				
Investment in associates[1]	251		592	**843**	250		592	**842**
TOTAL	**490,175**	**262,254**	**34,445**	**786,874**	**94,957**	**176,127**	**2,010**	**273,094**
Liabilities								
Liabilities to policyholders – investment contracts	276,482	7,185	624	**284,291**				
Equity instruments at fair value through profit and loss	13,984		244	**14,228**	13,984		244	**14,228**
Debt securities at fair value through profit and loss	6,206	4,603		**10,809**	6,206	4,603		**10,809**
Derivatives – Interest related	179	37,531	799	**38,509**	179	38,382	799	**39,360**
Derivatives – Equity related	80	1,848		**1,928**	80	1,870		**1,950**
Derivatives – Currency related	565	40,103		**40,668**	71	41,367		**41,438**
Derivatives – Credit related		2,598		**2,598**		780		**780**
Derivatives – Commodities related		780		**780**		2,598		**2,598**
Derivatives – Other related		863		**863**				
Derivatives – Hedge accounting	86			**86**		863		**863**
Other financial liabilities		3,842		**3,842**		3,842		**3,842**
Debt securities at fair value through profit and loss[2]		24,388		**24,388**		23,356		**23,356**
Liabilities of disposal groups classified as held for sale	21,055	42,536	8,899	**72,490**				
TOTAL	**318,637**	**166,277**	**10,566**	**495,480**	**20,520**	**117,661**	**1,043**	**139,224**

Note 21 continued Fair value measurement of assets and liabilities

2016	Group				Parent company			
Assets	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
Financial assets under pooled schemes and unit-linked investment contracts	275,894	15,589	4,425	**295,908**				
Equity instruments at fair value through profit and loss	49,978	11,445	9,701	**71,124**	35,373	4,782	256	**40,411**
Debt securities at fair value through profit and loss	86,584	117,276	1,779	**205,639**	25,347	96,665		**122,012**
Derivatives – Interest related	1,212	112,133	6,680	**120,025**	1,211	84,128	832	**86,171**
Derivatives – Equity related	192	4,790	7	**4,989**	192	3,536	6	**3,734**
Derivatives – Currency related	1,076	63,980		**65,056**	97	63,047		**63,144**
Derivatives – Credit related		918		**918**		918		**918**
Derivatives – Commodities related		5,805		**5,805**		5,805		**5,805**
Derivatives – Other related	113	241	1,454	**1,808**				
Derivatives – Hedge accounting		13,754		**13,754**				
Equity instruments available-for-sale	172	1,770	611	**2,553**	100	1,735	432	**2,267**
Debt securities available-for-sale	16,310	16,388		**32,698**	6,461	2,848		**9,309**
Non-current assets and disposal groups classified as held for sale		587		**587**				
Investment in associates[1]	181		789	**970**	182		753	**935**
Investment properties			7,401	**7,401**				
TOTAL	**431,712**	**364,676**	**32,847**	**829,235**	**68,963**	**263,464**	**2,279**	**334,706**

Liabilities	Group Level 1	Group Level 2	Group Level 3	Group Total	Parent company Level 1	Parent company Level 2	Parent company Level 3	Parent company Total
Liabilities to policyholders – investment contracts	276,666	15,542	4,410	**296,618**				
Equity instruments at fair value through profit and loss	9,798	2	271	**10,071**	9,798	2	271	**10,071**
Debt securities at fair value through profit and loss	7,027	2,522		**9,549**	7,027	2,521		**9,548**
Derivatives – Interest related	1,375	93,804	1,774	**96,953**	1,375	60,451	941	**62,767**
Derivatives – Equity related	91	1,919		**2,010**	91	1,764		**1,855**
Derivatives – Currency related	1,229	63,192		**64,421**	75	61,339		**61,414**
Derivatives – Credit related		1,352		**1,352**		1,352		**1,352**
Derivatives – Commodities related		6,445		**6,445**		6,445		**6,445**
Derivatives – Other related	113	192	1,862	**2,167**				
Derivatives – Hedge accounting		1,303		**1,303**				
Other financial liabilities		19,225		**19,225**		19,225		**19,225**
Debt securities at fair value through profit and loss[2]		30,992		**30,992**		28,940		**28,940**
TOTAL	**296,299**	**236,490**	**8,317**	**541,106**	**18,366**	**182,039**	**1,212**	**201,617**

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

2) Equity index link bonds designated at fair value through profit and loss.

Note 21 continued Fair value measurement of assets and liabilities

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

The Group has an established control environment for the determination of fair values of financial instruments that includes a review, independent from the business, of valuation models and prices. If the validation principles are not adhered to, the Head of Group Finance shall be informed. Exceptions of material and principal importance require approval from the GRMC (Group Risk Measurement Committee) and the 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. Group Risk classifies and continuously reviews the classification of financial instruments in the fair value hierarchy. The valuation process is the same for financial instruments in all levels.

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

Fair value is generally measured for individual financial instruments, in addition portfolio adjustments are made to cover the credit risk. To reflect counterparty risk and own credit risk in OTC derivatives, adjustments are made based on the net exposure towards each counterpart. These adjustments are calculated on a counterparty level based on estimates of exposure at default, probability of default and recovery rates. Probability of default and recovery rate information is generally sourced from the CDS markets. For counterparties where this information is not available, or considered unreliable due to the nature of the exposure, alternative approaches are taken where the probability of default is based on generic credit indices for specific industry and/or rating. The impact from these adjustments are shown in Note 6 and Note 17 f.

When valuing financial liabilities at fair value own credit standing is reflected. Fair values of financial assets and liabilities by class can be found in Note 39.

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 note 1. The valuation of the investment properties is performed semi-annually, they are presented and approved by the board in each real estate company. The valuation principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is in accordance with international valuation principles and in accordance with IFRS.

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

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

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

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

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

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.

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

Significant transfers and reclassifications between levels
Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committee of each relevant division decides on material shifts between levels. As a result of the decision to divest SEB Pension a re-classifications in the balance sheet have been performed. All assets and liabilities belonging to SEB Pension have been re-classified to Assets- and liabilities held for sale in accordance with IFRS 5. The re-classifications was executed at the end of the fourth quarter 2017.

Note 21 continued Fair value measurement of assets and liabilities

Changes in level 3

Group, 2017 Assets	Opening balance	Gain/loss in Income statement[1)2)]	Gain/loss in Other comprehensive income[3)]	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Exchange rate differences	Total
Financial assets – policyholders bearing the risk	4,425	−65		3	−1			−40	−3,735	43	**630**
Equity instruments at fair value through profit and loss	9,701	140		1,055	−290			−229	−8,655	65	**1,787**
Debt securities at fair value through profit and loss	1,779	29		184	−20			−227	−1,181	7	**571**
Derivatives – Interest related	6,680	−141				47			−5,948	48	**686**
Derivatives – Equity related	7	−5							−1	1	**2**
Derivatives – Other related	1,454								−1,464	10	
Equity instruments available-for-sale	611	100	−9	83	−219		61				**627**
Investment in associates	789	129		74	−402					2	**592**
Investment properties	7,401								−7,454	53	
TOTAL	**32,847**	**187**	**−9**	**1,399**	**−932**	**47**	**61**	**−496**	**−28,438**	**229**	**4,895**
Liabilities											
Liabilities to policyholders – investment contracts	4,410	−66						−40	−3,724	44	**624**
Equity instruments at fair value through profit and loss	271	−18		−14	3					2	**244**
Derivatives – Interest related	1,774	−1,003		−12		28				12	**799**
Derivatives – Other related	1,862								−1,875	13	
TOTAL	**8,317**	**−1,087**		**−26**	**3**	**28**		**−40**	**−5,599**	**71**	**1,667**

Group, 2016 Assets	Opening balance	Gain/loss in Income statement[1)2)]	Gain/loss in Other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3[3)]	Reclassification	Exchange rate differences	Total
Financial assets – policyholders bearing the risk	2,607	−51		3,868	−2,128					129	**4,425**
Equity instruments at fair value through profit and loss	10,286	224		1,631	−2,799			−46		405	**9,701**
Debt securities at fair value through profit and loss	1,204	−130		871	−199			−8		41	**1,779**
Derivatives – Interest related	10,383	−4,292		231	−36	14				380	**6,680**
Derivatives – Equity related	90	−9		1				−74		−1	**7**
Derivatives – Other related	756	732			−73					39	**1,454**
Equity instruments available-for-sale	648	−190	318	81	−217			−52		23	**611**
Investment in associates	743	120		123	−188					−9	**789**
Investment properties	7,169	204		3	−287					312	**7,401**
TOTAL	**33,886**	**−3,392**	**318**	**6,809**	**−5,927**	**14**		**−180**		**1,319**	**32,847**
Liabilities											
Liabilities to policyholders – investment contracts	2,602	−51		3,854	−2,124					129	**4,410**
Equity instruments at fair value through profit and loss	445	90		−267						3	**271**
Derivatives – Interest related	10,159	−3,388		41		41		−5,299		220	**1,774**
Derivatives – Other related	1,242	541		84	−65					60	**1,862**
TOTAL	**14,448**	**−2,808**		**3,712**	**−2,189**	**41**		**−5,299**		**412**	**8,317**

1) Fair value gains and losses recognised in the income statement are included in Net financial income and Net other income.
2) Gains/losses recognised in the income statement relating to instruments held as of 31 December are SEK 1,154m (–321).
3) Fair value gains and losses recognised in other comprehensive income are included as available for sale.

Note 21 continued Fair value measurement of assets and liabilities

Changes in level 3

Parent company, 2017 **Assets**	Opening balance	Gain/loss in Income statement[1) 2)]	Gain/loss in Other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Exchange rate differences	Total
Equity instruments at fair value through profit and loss	256	−8			−72					5	**181**
Derivatives – Interest related	832	−140				63				6	**761**
Derivatives – Equity related	6	−5								1	**2**
Equity instruments available-for-sale	432	161	22	82	−218					−5	**474**
Investment in associates	753	142		75	−380					2	**592**
TOTAL	**2,279**	**150**	**22**	**157**	**−670**	**63**				**9**	**2,010**
Liabilities											
Equity instruments at fair value through profit and loss	271	−18		−14	3					2	**244**
Derivatives – Interest related	941	−163		−12		28				5	**799**
TOTAL	**1,212**	**−181**		**−26**	**3**	**28**				**7**	**1,043**

Parent company, 2016 **Assets**	Opening balance	Gain/loss in Income statement[1) 2)]	Gain/loss in Other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Exchange rate differences	Total
Equity instruments at fair value through profit and loss	298	96			−148					10	**256**
Derivatives – Interest related	903	−72			−23	15				9	**832**
Derivatives – Equity related	15	−9									**6**
Equity instruments available-for-sale	507	−1	3	29	−71		−52			17	**432**
Investment in associates	712	114		122	−185					−10	**753**
TOTAL	**2,435**	**128**	**3**	**151**	**−427**	**15**	**−52**			**26**	**2,279**
Liabilities											
Equity instruments at fair value through profit and loss	445	90		−267						3	**271**
Derivatives – Interest related	813	87		−8		41				8	**941**
TOTAL	**1,258**	**177**		**−275**		**41**				**11**	**1,212**

1) Fair value gains and losses recognised in the income statement are included in Net financial income and Net other income.
2) Gains/losses recognised in the income statement relating to instruments held as of 31 December are SEK 139m (−322).

Sensitivity of Level 3 financial instruments 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 2017. The largest open market risk within Level 3 financial instruments is found within the insurance business.

Group	2017				2016			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments AFV [1) 2) 4)]	688	−798	−110	38	780	−940	−160	49
Equity instruments AFV [3)]	180	−244	−64		256	−271	−15	
Equity instruments AFS [3) 6)]	336		336	63	432		432	78
Investments in associates [3)]	729		729	146	753		753	151
Insurance holdings – Financial instruments [5) 7)]	2,380		2,380	331	18,477	−2,695	15,782	1,807
Non-current assets and disposal groups classified as held for sale [4) 5) 6) 7)]	16,070	−2,395	13,675	1,657	18,477	−2,695	15,782	1,807
Insurance holdings – Investment properties [6) 7)]					7,401		7,401	740

1) Sensitivity from a shift of inflation linked swap spreads by 16 basis points (16) and implied volatilities by 5 percentage points (5).
2) Sensitivity from a shift of swap spreads by 5 basis points (5).
3) Valuation is estimated in a range of reasonable outcomes. Sensitivity analysis is based on 20 per cent (20) shift in market values.
4) Shift in implied volatility down by 10 percentage points (10).
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/real estate funds market values of 10 per cent (10).
7) The sensitivity shows changes in the value of the insurance holdings which do not at all times affect the P/L of the Group since any surplus in the traditional life portfolios are consumed first.

22 Financial assets at fair value through profit or loss

	Group		Parent company	
	2017	2016	2017	2016
Securities held for trading	157,885	162,516	157,628	162,335
Derivatives held for trading	98,281	198,271	97,640	147,124
Held for trading	**256,165**	**360,787**	**255,268**	**309,459**
Financial assets – policyholders bearing the risk	283,420	295,908		
Financial assets under insurance contracts	21,797	107,667		
Other financial assets at fair value	7,985	6,580	9	87
Designated at fair value through profit or loss	**313,203**	**410,155**	**9**	**87**
Derivatives held for hedging	6,587	14,084	6,580	12,649
TOTAL	**575,955**	**785,026**	**261,857**	**322,195**

The category Financial assets at fair value through profit and loss comprises financial instruments either classified as held for trading or financial assets designated to this category upon initial recognition. These financial assets are recognised at fair value and the value change is recognised through profit and loss.

Securities held for trading

Equity instruments	48,371	40,324	48,370	40,323
Eligible debt securities[1)]	46,274	33,991	46,045	33,811
Other debt securities[1)]	62,820	87,653	62,793	87,653
Accrued interest	420	548	419	548
TOTAL	**157,885**	**162,516**	**157,628**	**162,335**

1) See note 41 for issuers.

Derivatives held for trading

Interest-related derivatives	53,320	119,694	52,170	73,523
Currency-related derivatives	37,904	65,056	38,494	63,144
Equity-related derivatives	3,349	4,990	3,355	3,734
Other derivatives	3,708	8,531	3,621	6,723
TOTAL	**98,281**	**198,271**	**97,640**	**147,124**

Insurance assets at fair value

Equity instruments	8,871	30,712		
Eligible debt securities[1)]	8,485	43,805		
Other debt securities[1)]	4,379	32,587		
Accrued interest	61	563		
TOTAL	**21,797**	**107,667**		

1) See note 41 for issuers.

Other financial assets at fair value

Equity instruments	9	88	9	87
Eligible debt securities[1)]	7,135	6,169		
Other debt securities[1)]	813	301		
Accrued interest	29	22		
TOTAL	**7,985**	**6,580**	**9**	**87**

1) See note 41 for issuers.

Derivatives held for hedging

Fair value hedges	5,294	8,777	5,287	8,763
Cash flow hedges	1,273	3,884	1,273	3,884
Portfolio hedges for interest rate risk	21	1,423	21	2
TOTAL	**6,587**	**14,084**	**6,580**	**12,649**

To eliminate to the extent possible inconsistency in measurement and accounting the Group has chosen to designate financial assets and financial liabilities, which the unit linked insurance business give rise to, at fair value through profit or loss. This implies that changes in fair value on those investment assets (preferably funds), where the policy-holders bear the risk and the corresponding liabilities, are recognised in profit or loss. Fair value on those assets and liabilities are set by quoted market price in an active market.

23 Available-for-sale financial assets

	Group		Parent company	
	2017	2016	2017	2016
Equity instruments at cost	134	496	126	487
Equity instruments at fair value	1,777	2,507	1,581	2,256
Eligible debt securities[1)]	25,386	31,426	6,087	6,588
Other debt securities[1)]	270	1,021	2,604	2,608
Seized shares	42	46	11	11
Accrued interest	167	251	111	113
TOTAL	**27,776**	**35,747**	**10,521**	**12,063**

1) See note 41 for issuers.

Equity instruments measured at cost do not have a quoted market price in an active market. Further, it has not been possible to reliably measure the fair values of those equity instruments. Most of these investments are held for strategic reasons and are not intended to be sold in the near future.

24 Investments in associates

	Group		Parent company	
	2017	2016	2017	2016
Strategic investments	334	229	190	90
Venture capital holdings	842	970	842	935
TOTAL	**1,176**	**1,199**	**1,032**	**1,025**

Strategic investments	Assets[1)]	Liabilities[1)]	Revenues[1)]	Profit or loss[1)]	Book value	Ownership, %
Bankomat AB, Stockholm	5,337	4,987	789	20	66	20
Bankomatcentralen AB, Stockholm	1	0	0	0	0	28
BGC Holding AB, Stockholm	473	148	793	9	103	33
Getswish AB, Stockholm	88	43	32	−20	19	20
UC AB, Stockholm	277	140	677	57	1	28
Parent company holdings					**190**	
Holdings of subsidiaries					**16**	
Group adjustments					**129**	
GROUP HOLDINGS					**334**	

1) Retrieved from respective Annual report 2016.

	2017		2016	
Venture capital holdings	Book value	Ownership, %	Book value	Ownership, %
Actiwave, Linköping	0	42	4	42
Airsonett AB, Ängelholm	100	33	95	34
Apica AB, Stockholm	60	25	41	20
Avaj International Holding AB, Stockholm	149	18	60	18
Avidicare Holding AB, Ängelholm	17	38	17	38
Capres A/S, Copenhagen	39	45	15	40
Coinify ApS, Herlev	15	16	7	9
Donya Labs AB, Linköping	0	0	118	22
Fält Communications AB, Umeå	0	0	64	46
InDex Pharmaceuticals Holding AB, Stockholm	67	23	90	23
Leasify AB, Stockholm	10	17	10	17
Nomad Holdings Ltd, Newcastle	0	0	45	22
Now Interact Nordic AB, Stockholm	15	10	15	10
NuEvolution AB, Stockholm	167	24	146	24
OssDsign AB, Uppsala	25	22	25	20
Prodacapo AB, Örnsköldsvik	0	0	4	22
Scandinova Systems AB, Uppsala	63	30	48	29
Scibase Holding AB, Stockholm	16	13	36	23
Senion AB, Linköping	19	34	15	27
TSS Holding AB, Stockholm	80	43	80	43
Parent company holdings	**842**		**935**	
Holdings of subsidiaries			**35**	
GROUP HOLDINGS	**842**		**970**	

Information about the corporate registration numbers and numbers of shares of the associates is available upon request.

Strategic investments in associates in the Group are accounted for using the equity method.

Investments in associates held by the venture capital organisation of the Group have, in accordance with IAS 28, been designated as at fair value through profit and loss. Therefore, these holdings are accounted for in accordance with IAS 39.

Some entities, in which the bank has an ownership of less than 20 per cent, has been classified as investments in associates. The reason is that the bank is represented in the board of directors and participates in the policy making processes of those entities.

All financial assets within the Group's venture capital business are managed and its performance is evaluated on a fair value basis in accordance with documented risk management and investment strategies.

Fair values for investments listed in an active market are based on quoted market prices. If the market for a financial instrument is not active, fair value is established by using valuation techniques based on discounted cash flow analysis, valuation with reference to financial instruments that is substantially the same, and valuation with reference to observable market transactions in the same financial instrument.

25 Shares in subsidiaries

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Swedish subsidiaries			14,228	14,128
Foreign subsidiaries [1)]	137	39	36,339	36,483
TOTAL	**137**	**39**	**50,567**	**50,611**
of which holdings in credit institutions			*33,264*	*33,384*

Swedish subsidiaries	Country	2017 Book value	2017 Dividend	2017 Ownership, %	2016 Book value	2016 Dividend	2016 Ownership, %
Aktiv Placering AB, Stockholm	Sweden	38		100	38		100
Enskilda Kapitalförvaltning SEB AB, Stockholm	Sweden	0		100	0		100
Försäkringsaktiebolaget Skandinaviska Enskilda Captive, Stockholm	Sweden	100		100	100		100
Parkeringshuset Lasarettet HGB KB, Stockholm	Sweden	0		99	0		99
Repono Holding AB, Stockholm	Sweden	3,227		100	3,227		100
SEB Förvaltnings AB, Stockholm	Sweden	5		100	5		100
SEB Internal Supplier AB, Stockholm	Sweden	12		100	12		100
SEB Investment Management AB, Stockholm	Sweden	523	430	100	523		100
SEB Kort Bank AB, Stockholm	Sweden	2,360	1,096	100	2,260	769	100
SEB Life and Pension Holding AB, Stockholm	Sweden	6,424	2,500	100	6,424	2,800	100
SEB Portföljförvaltning AB, Stockholm	Sweden	1,115		100	1,115		100
SEB Strategic Investments AB, Stockholm	Sweden	424		100	424		100
Skandinaviska Kreditaktiebolaget, Stockholm	Sweden	0		100	0		100
TOTAL		**14,228**	**4,026**		**14,128**	**3,569**	
Foreign subsidiaries							
Baltectus B.V., Amsterdam	Netherlands	167		100	252		100
Domena Property Sp. Z o.o., Warsaw	Poland	130		100	120		100
Möller Bilfinans AS, Oslo	Norway	0		0	0	4	0
Postep Property Sp. Z o.o., Warsaw	Poland	55		100	51		100
SEB AG, Frankfurt am Main	Germany	18,521		100	19,313	832	100
SEB Asset Management S.A., Luxembourg	Luxembourg	0		0	0	74	0
SEB Bank JSC, St Petersburg	Russia	458		100	458		100
SEB Banka, AS, Riga	Latvia	1,682	701	100	1,586	604	100
SEB bankas, AB, Vilnius	Lithuania	6,423	1,175	100	6,239	819	100
SEB Corporate Bank, PJSC, Kiev	Ukraine	138		100	138		100
SEB do Brasil Representacões LTDA, Sao Paulo	Brazil	0		100	0		100
SEB Fondbolag Finland Ab, Helsinki	Finland	19		100	18		100
SEB Fund Services S.A., Luxembourg	Luxembourg	100		100	97		100
SEB Hong Kong Trade Services Ltd, Hong Kong	China	0		100	0		100
SEB Kapitalförvaltning Finland Ab, Helsinki	Finland	255		100	248		100
SEB Leasing Oy, Helsinki	Finland	4,273	82	100	4,124	177	100
SEB Njord AS, Oslo	Norway	0		100	0		100
SEB Pank, AS, Tallinn	Estonia	2,260	286	100	2,014	186	100
SEB Securities Inc, New York	USA	40		100	48		100
Skandinaviska Enskilda Banken S.A., Luxembourg	Luxembourg	1,422	145	100	1,376	195	100
Skandinaviska Enskilda Ltd, London	Great Britain	395		100	401		100
TOTAL		**36,339**	**2,389**		**36,483**	**2,891**	

Information about the corporate registration numbers and numbers of shares of the subsidiaries is available upon request.

1) Some dormant subsidiaries in the Group are consolidated using the equity method.

Significant restrictions on the ability to use assets and settle liabilities of the Group
Skandinaviska Enskilda Banken AB (Publ) can obtain distributions of capital, use assets and settle liabilities of members of the Group within the limitation of some regulatory, statutory and contractual restrictions. These restrictions are:

Regulatory requirements
Regulated subsidiaries are subject to prudential regulatory capital requirements in the countries in which they are regulated. These subsidiaries are required to maintain a certain level of own funds in relation to their exposures, restricting their ability to distribute cash or other assets to the parent company. To meet these requirements the subsidiaries hold capital instruments and other forms of subordinated liabilities.

Statutory requirements
Subsidiaries are required to have a certain level of solvency and are restricted to make distributions of capital and profits leading to a solvency below that level.

Contractual requirements
The Group pledges some of its financial assets as collateral for financing and liquidity purposes. Encumbered assets can't be transferred within the Group. Such assets are described further in the note Pledged assets, contingent liabilities and commitments.

26 Interest in unconsolidated structured entities

Assets, 2017	Group Special purpose entities	Group Asset management[1)]	Group Total	Parent company Special purpose entities	Parent company Asset management[1)]	Parent company Total
Loans to the public	8,434	343	**8,777**	7,244	343	**7,587**
Financial assets at fair value through profit and loss	2	276,559	**276,561**	2	6	**7**
of which: derivatives	*2*	*5*	***7***	*2*	*5*	***7***
Available-for-sale financial assets		1,047	**1,047**		1,006	**1,006**
TOTAL	**8,435**	**277,949**	**286,384**	**7,246**	**1,355**	**8,600**
Liabilities						
Deposits and borrowings from the public	216	77	**292**	–87	–77	**–164**
Financial liabilities at fair value through profit or loss	1	52	**53**	–1	–52	**–53**
of which: derivatives	*1*	*52*	***53***	*–1*	*–52*	***–53***
TOTAL	**217**	**129**	**346**	**–88**	**–129**	**–217**
Obligations	**577**		**577**	**577**		**577**
The Group's maximum exposure to loss	**9,012**	**20,638**	**29,650**	**7,823**	**1,355**	**9,177**

1) Investments in SEB- and non-SEB managed funds

Assets, 2016	Group Special purpose entities	Group Asset management[1)]	Group Total	Parent company Special purpose entities	Parent company Asset management[1)]	Parent company Total
Loans to the public	8,939	12	**8,951**	7,440	12	**7,452**
Financial assets at fair value through profit and loss	1,950	263,815	**265,765**	1,950	94	**2,044**
of which: securities held for trading	*1,946*	*88*	***2,034***	*1,946*	*88*	***2,034***
of which: derivatives	*4*	*7*	***11***	*4*	*7*	***11***
Available-for-sale financial assets	127	1,292	**1,419**	127	1,226	**1,353**
TOTAL	**11,016**	**265,119**	**276,135**	**9,517**	**1,333**	**10,850**
Liabilities						
Deposits and borrowings from the public	218	887	**1,105**	93	887	**980**
Financial liabilities at fair value through profit or loss	1	63	**64**	1	63	**64**
of which: derivatives	*1*	*63*	***64***	*1*	*63*	***64***
TOTAL	**219**	**950**	**1,169**	**94**	**950**	**1,044**
Obligations	**312**		**312**	**193**		**193**
The Group's maximum exposure to loss	**11,328**	**24,113**	**35,441**	**9,710**	**1,333**	**11,043**

1) Investments in SEB- and non-SEB managed funds

Interests in unconsolidated structured entities refers to cases when the Group has interests in structured entities which it does not control. A structured entity is an entity that is designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Group enters into transactions with structured entities in the normal cause of business for various reasons. Depending on the type of structured entity the purpose is to support customer transactions, to engage in specific investment opportunities and to facilitate the start-up of certain entities.

The Group has interests in the following types of structured entities:

Interests in funds
The Group establishes and manages funds to provide customers with investment opportunities, SEB is considered to be the sponsor of those funds. Total assets under management represent the size of a fund. Total assets under management of funds managed by SEB are SEK 569bn (531). The total assets of Non-SEB managed funds are not publically available and not considered meaningful for understanding related risks, and have therefore not been presented. In some cases the Group facilitates the start-up of funds by holding units and it may hold units in funds managed by the Group or by a third party for investment purposes within the life business. The funds managed by the Group generate income in the form of management fees and performance fees based on the assets under management. The income from asset management is presented in note 5. The maximum exposure to loss is limited to the carrying amount of units held by the Group. This amount does not reflect the probable loss.

Interests in other structured entities
The Group has had a role in establishing structured entities to support customer transactions. The purpose of these entities is to provide alternative funding and liquidity improvement to the sellers and investment opportunities to investors by purchasing assets and obtain funding for the purchases with the assets as collateral. The Group provides senior revolving credit facilities and administrative services to the entities and earn fee and interest income on market based conditions.

The Group holds the most senior investments in debt instruments issued by banks, through securitisation vehicles (SPV) whose purpose is to provide alternative funding to the issuers and investment opportunities to investors. The SPVs purchase pools of asset from the originating banks balance sheet, e.g. credit card loans, residential mortgage loans, loans to small and medium sized enterprises and fund these purchases by issuing debt securities with the assets as collateral. The securities have multiple tranches of subordination.

The maximum exposure to loss regarding investments in other structured entities is limited to the carrying amount of the investments and may occur only after losses by creditors with junior exposures. The maximum exposure to loss does not reflect the probability of loss and hedging or collateral arrangements are not considered. The total assets for these entities are not considered meaningful information for the purpose of understanding the related risks and therefore have not been presented.

27 Related parties

	Group					
	Associated companies		Key management		Other related parties	
2017	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Loans to the public	960	13	227	3	30	
Notional amount of derivatives					1,575	
Deposits and borrowings from the public	105		38		260	
2016						
Loans to the public	101	13	219	3	62	1
Notional amount of derivatives	12				911	
Deposits and borrowings from the public	226		131		1,251	
Obligations	1					

	Parent company			
	Associated companies		Group companies	
2017	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Loans to credit institutions			138,931	126
Loans to the public			11,887	68
Interest-bearing securities	875	9	2,605	53
Positive replacement values of derivatives			3,862	
Other assets			24,092	
TOTAL	**875**	**9**	**181,377**	**247**
Deposits from credit institutions			46,490	−415
Deposits and borrowings from the public	4		10,359	−52
Negative replacement values of derivatives			6,228	
Other liabilities			240	
TOTAL	**4**		**63,317**	**-467**
2016				
Loans to credit institutions			173,291	412
Loans to the public	1	7	15,281	62
Interest-bearing securities			2,616	53
Positive replacement values of derivatives			10,984	
Other assets			16,853	
TOTAL	**1**	**7**	**219,025**	**527**
Deposits from credit institutions			66,849	−433
Deposits and borrowings from the public	4		11,040	−18
Issued securities			21	
Negative replacement values of derivatives			12,393	
Other liabilities			165	
TOTAL	**4**		**90,468**	**−451**

Key management above refers to the Board of Directors and the Group Executive Committee. Entities with significant influence or significantly influenced by key management in the Group, and post-employment benefit plans are presented as other related parties. Investor AB and the pension foundation SEB-stiftelsen are within this category as well as close family members to key management. In addition the Group has insurance administration and asset management agreements with Gamla Livförsäkringsbolaget SEB Trygg Liv based on conditions on the market. SEB has received SEK 120m (129) under the insurance administration agreement and SEK 381m (361) under the asset management agreement. For more information on Gamla Livförsäkringsbolaget SEB Trygg Liv, see note 46.

The parent company is a related party to its subsidiaries and associates. See note 24 Investments in associates and note 25 Shares in subsidiaries for disclosures of investments.

28 Tangible and intangible assets

	Group		Parent company	
	2017	2016	**2017**	2016
Goodwill	4,727	4,760		
Deferred acquisition costs	3,968	4,044		
Internally developed IT-systems	1,611	1,925	1,403	1,755
Other intangible assets	413	676	195	268
Intangible assets [1]	**10,718**	**11,405**	**1,597**	**2,023**
Equipment	1,111	853	842	492
Equipment leased to clients [2]			33,643	34,669
Properties for own operations	19	55	2	2
Property and equipment	**1,130**	**908**	**34,487**	**35,163**
Investment properties recognised at cost	20	31		
Investment properties recognised at fair value		7,401		
Properties taken over for protection of claims	183	413		
Investment properties	**203**	**7,845**		
TOTAL	**12,052**	**20,158**	**36,084**	**37,186**

1) Goodwill has an indefinite useful life. All other intangible assets have a definite useful life. Amortisation methods are described in note 1.
2) Equipment leased to clients are recognised as financial leases and presented as loans in the Group. See note 44.

Intangible assets

	Group					Parent company			
2017	Goodwill	Deferred acquisition costs	Internally developed IT-systems	Other intangible assets	Total	Goodwill	Internally developed IT-systems	Other intangible assets	Total
Opening balance	4,760	12,695	3,911	3,845	**25,211**	1,377	3,668	749	**5,794**
Additions from acquisitions and capitalisations		882	908	215	**2,004**		804	205	**1,009**
Reclassifications			3	−549	**−546**				
Retirements and disposals [1]			−202	−87	**−290**		−151	−71	**−222**
Exchange rate differences	−33	50	4	52	**72**		−2	−1	**−3**
Acquisition value	**4,727**	**13,627**	**4,623**	**3,475**	**26,451**	**1,377**	**4,320**	**882**	**6,579**
Opening balance		−8,651	−1,986	−3,169	**−13,806**	−1,377	−1,913	−481	**−3,771**
Current year's amortisations		−957	−438	−169	**−1,564**		−408	−52	**−460**
Current year's impairments [1]			−661	−312	**−973**		−661	−210	**−872**
Reclassifications				547	**547**				
Retirements and disposals [1]			75	77	**153**		65	55	**120**
Exchange rate differences		−51	−2	−37	**−90**			1	**1**
Accumulated depreciations		**−9,659**	**−3,012**	**−3,062**	**−15,733**	**−1,377**	**−2,917**	**−687**	**−4,982**
TOTAL	**4,727**	**3,968**	**1,611**	**413**	**10,718**		**1,403**	**195**	**1,597**
2016									
Opening balance	10,003	12,163	3,700	3,839	**29,705**	1,444	3,478	820	**5,742**
Additions from acquisitions and capitalisations		859	567	86	**1,512**		507	55	**562**
Reclassifications		−394		−5	**−399**				
Retirements and disposals [1]	−5,334	−6	−363	−170	**−5,873**	−67	−320	−127	**−514**
Exchange rate differences	91	73	7	95	**266**		3	1	**4**
Acquisition value	**4,760**	**12,695**	**3,911**	**3,845**	**25,211**	**1,377**	**3,668**	**749**	**5,794**
Opening balance		−7,914	−1,705	−3,017	**−12,636**	−1,201	−1,644	−473	**−3,318**
Current year's amortisations		−943	−354	−135	**−1,432**	−43	−340	−27	**−410**
Current year's impairments						−200			**−200**
Reclassifications		234	2	−3	**233**				
Retirements and disposals [1]		6	70	65	**141**	67	71	20	**158**
Exchange rate differences		−34	1	−79	**−112**			−1	**−1**
Accumulated depreciations		**−8,651**	**−1,986**	**−3,169**	**−13,806**	**−1,377**	**−1,913**	**−481**	**−3,771**
TOTAL	**4,760**	**4,044**	**1,925**	**676**	**11,405**		**1,755**	**268**	**2,023**

1) Including Items affecting comparability, see note 49.

Note 28 continued Tangible and intangible assets

Principle for allocation of goodwill
In conjunction with SEB's reorganisation as of 1 January 2016 goodwill was reallocated to appropriate Cash Generating Units (CGUs). The CGU structure is aligned with the business unit (BU) combined with geography to reflect the importance of steering and measuring the new customer-oriented organisation. The CGU structure before the reorganisation was to a large extent aligned with operating segments, except for Card and Life.

2017

CGUs	Acquisition year	Opening balance	Exchange rate differences	Closing balance
Card, Norway & Denmark[1]	*2002/2004*	913	–33	880
Life Sweden	*1996/1997*	2,343		2,343
Investment Management Sweden	*1997/1998*	1,504		1,504
TOTAL		**4,760**	**–33**	**4,727**

2016

CGUs	Acquisition year	New allocation 2016	Exchange rate differences	Impairment 2016	Closing balance 2016	Remaining book value[2]
Equities & Corp, Sweden & Norway[1]	*2000*	879		–879		645
Transaction Services Poland	*2008*	141		–141		373
Internet/Telephone Sweden	*1997*	929		–929		
Retail Norway	*2005*	406		–406		
Card, Norway & Denmark[1]	*2002/2004*	826	87		913	
Life Sweden	*1996/1997*	2,334	9		2,343	
Life Denmark	*2004*	299	–5	–294		3,056
Investment Management Sweden	*1997/1998*	3,117		–1,613	1,504	1,919
Investment Management, Finland & Denmark[1]	*1997/2002*	340		–340		9
Investment Management, UK & BVI[1]	*2008*	732		–732		
TOTAL		**10,003**	**91**	**–5,334**	**4,760**	

1) Some CGU:s are presented together due to that the acquisitions are related. Card in Norway and Denmark is related to the Eurocard business. The Equities and Corporate business in Sweden and Norway were acquired in a linked transaction and the Investment Management activities in UK and BVI as well. Investment Management in Finland and Denmark represents the same type of business and the amounts are minor.

2) Internally assessed remaining book value of CGU's only when impairment has occurred.

Impairment test 2017
Result of impairment test
The yearly impairment test for 2017 was performed in the fourth quarter covering the four remaining CGUs with allocated goodwill. The impairment test did not result in any indication of impairment.

Estimates and assumptions used: future cash flows
The impairment test on goodwill is based on value in use and builds on the business plan for 2018-2020 and projected cash flows for 2021–2022. The long-term growth is based on expectations on inflation 1.5 per cent. The allocated capital is derived from the Group's internal capital allocation model that has been aligned with the regulatory capital requirements including the management buffer. The cash flows in the business plan starts with the assumptions from the most recent Nordic outlook published at the commencement of this business plan process. The main assumptions are; GDP growth in Sweden from 2.6 per cent to 2.2 per cent over three years and other Nordic countries excluding Sweden from 2.3 per cent to 1.8 per cent; inflation in Sweden from 1.8 per cent to 2.2 per cent and in Other Nordic countries from 1.1 per cent to 1.7 per cent. The repo rate in Sweden is assumed to be 0.50 per cent end of 2019.

Estimates and assumptions used: Cost of Equity (CoE) – discount rate
The discount rate used is 9.0 per cent post-tax for SEB Group and is determined based on information from external sources and applied on all CGUs except Investment Management. The higher discount rate for Investment Management, 11.0 per cent, is applied due to uncertainty related to limitations to retrocessions, possible further margin squeeze and the current negative interest environment that can create squeezed asset prices and volatility.

Sensitivities
An increase of one percentage of the discount rate (CoE), a decrease of the average growth rates by one percentage point for earnings before amortisations during the projection period and a decrease of one percentage point of the long term growth was applied in the sensitivity analysis. The sensitivity analysis carried out did not result in any indication of impairment.

Impairment tests 2016
Two impairment tests were performed in 2016. In the first quarter a test was triggered by the new principle for allocating goodwill as described above. The yearly impairment test was performed in the fourth quarter.

Impairment test first quarter 2016
Goodwill was reallocated to 14 CGU:s. The impairment test did result in ten units were the goodwill were fully impaired and one unit where it was partially impaired. The total impairment reported as Depreciation, amortisation and impairment of tangible and intangible assets was SEK 5.3bn within Other in the income statement. This test was based on the business plan for 2016–2018 and projected cash flows for 2019–2020. The long term growth was based on expectations on inflation 1.5 per cent. The discount rate used was 9.5 per cent post-tax for SEB Group except for Investment Management where 11.5 per cent were used due to uncertainty as described in the test for 2017.

Yearly impairment test fourth quarter 2016
The yearly impairment test covering the four remaining CGUs with allocated goodwill did not result in any indication of impairment. This test was based on the business plan for 2017–2019 and projected cash flows for 2020–2021. The long term growth was based on expectations on inflation of 1.5 per cent. The discount rate used was 9.0 per cent post-tax for SEB Group except for Investment Management where 11.0 per cent were used due to uncertainty as described in the test for 2017.

Note 28 continued Tangible and intangible assets

Property and equipment

2017	Group Equipment	Group Properties for own operations	Group Total	Parent company Equipment	Parent company Equipment leased to clients[1]	Parent company Properties for own operations	Parent company Total
Opening balance	3,248	106	**3,354**	2,074	48,704	2	**50,780**
Additions from acquisitions and capitalisations	562		**563**	473	5,158		**5,631**
Reclassifications	−63	−76	**−138**				
Retirements and disposals	−1,281	−1	**−1,282**	−1,142	−4,959		**−6,101**
Exchange rate differences	33	−1	**32**	6			**6**
Acquisition value	**2,500**	**28**	**2,528**	**1,410**	**48,903**	**2**	**50,316**
Opening balance	−2,395	−51	**−2,446**	−1,582	−14,035		**−15,617**
Current year's depreciations	−216	−5	**−220**	−127	−4,817		**−4,944**
Current year's impairments	−4		**−4**				
Reclassifications	−32	48	**16**				
Retirements and disposals	1,261	1	**1,262**	1,127	3,836		**4,964**
Exchange rate differences	−3	−3	**−6**	14	−246		**−232**
Accumulated depreciations	**−1,389**	**−9**	**−1,398**	**−568**	**−15,260**		**−15,829**
TOTAL	**1,111**	**19**	**1,130**	**842**	**33,643**	**2**	**34,487**
2016							
Opening balance	3,105	97	**3,202**	1,888	50,388	2	**52,278**
Additions from acquisitions and capitalisations	297	8	**305**	190	5,437		**5,627**
Reclassifications	−52	1	**−51**				
Retirements and disposals	−189	−8	**−197**	−28	−7,121		**−7,149**
Exchange rate differences	87	8	**95**	24			**24**
Acquisition value	**3,248**	**106**	**3,354**	**2,074**	**48,704**	**2**	**50,780**
Opening balance	−2,334	−43	**−2,377**	−1,480	−12,645		**−14,125**
Current year's depreciations	−261	−5	**−266**	−106	−4,704		**−4,810**
Current year's impairments	−1	−2	**−3**				
Reclassifications	91		**91**				
Retirements and disposals	180	8	**188**	26	2,822		**2,848**
Exchange rate differences	−70	−9	**−79**	−22	492		**470**
Accumulated depreciations	**−2,395**	**−51**	**−2,446**	**−1,582**	**−14,035**		**−15,617**
TOTAL	**853**	**55**	**908**	**492**	**34,669**	**2**	**35,163**

1) Equipment leased to clients are recognised as financial leases and presented as loans in the Group. See note 44.

Investment properties, Group

	2017 Investment properties at cost	2017 Investment properties at fair value	2017 Properties taken over for protection of claims	2017 Total	2016 Investment properties at cost	2016 Investment properties at fair value	2016 Properties taken over for protection of claims	2016 Total
Opening balance	37	7,401	499	**7,937**	43	7,169	1,248	**8,460**
Additions from acquisitions and capitalisations	6	768	3	**777**	5	73	52	**130**
Reclassifications		−7,097	−278	**−7,375**			−494	**−494**
Retirements and disposals	−17	−1,374	−57	**−1,449**	−13	−236	−343	**−592**
Exchange rate differences		53	16	**69**	2	312	36	**350**
Acquisition value	**26**	**−250**	**183**	**−41**	**37**	**7,318**	**499**	**7,854**
Opening balance	−6		−86	**−92**	−5		−146	**−151**
Current year's depreciations	−1		−1	**−2**	−1		−4	**−5**
Current year's impairments			−57	**−57**			−127	**−127**
Reclassifications			128	**128**			174	**174**
Retirements and disposals	1		17	**18**			23	**23**
Exchange rate differences				**−1**			−6	**−6**
Accumulated depreciations	**−6**			**−5**	**−6**		**−86**	**−92**
Fair value changes		**250**		**250**		**83**		**83**
TOTAL	**20**		**183**	**203**	**31**	**7,401**	**413**	**7,845**

Note 28 continued Tangible and intangible assets

Net operating earnings from investment properties

	Group	
	2017	2016
External income	563	556
Operating costs [1]	−189	−170
TOTAL	**375**	**386**

1) Direct operating expenses arising from investment property that did not generate rental income amounts to SEK 0m (12).

Net operating earnings from properties taken over for protection of claims

External income	19	54
Operating costs	−41	−88
TOTAL	**−22**	**−34**

SEB may in specific cases acquire assets used as collateral when the loan is in default and the customer can no longer meet its obligations towards SEB. Properties are held and managed during a period with the intention to divest the assets when deemed appropriate.

29 Other assets

	Group		Parent company	
	2017	2016	2017	2016
Trade and client receivables	13,040	7,635	12,871	7,234
Margin collateral paid	18,994	29,177	22,282	29,177
Other assets	11,328	12,306	7,761	7,538
TOTAL	**43,362**	**49,118**	**42,914**	**43,949**

Trade and client receivables

	Group		Parent company	
	2017	2016	2017	2016
Trade receivables	1,223	1,773	1,251	1,678
Client receivables	11,817	5,862	11,620	5,556
TOTAL	**13,040**	**7,635**	**12,871**	**7,234**

Other assets

Pension plan assets, net	5,280	3,914		
Reinsurers share of insurance provisions	185	539		
Other accrued income	720	1,654	2,481	1,448
Prepaid expenses	1,272	635		
Other	3,870	5,564	5,281	6,090
TOTAL	**11,328**	**12,306**	**7,761**	**7,538**

30 Liabilities to policyholders

	Group	
	2017	2016
Liabilities to policyholders – investment contracts	284,291	296,618
Liabilities to policyholders – insurance contracts	18,911	107,213
TOTAL	**303,202**	**403,831**

Liabilities to policyholders - investment contracts [1]

Opening balance	296,618	271,995
Reclassification from insurance contracts		1,316
Reclassification to liabilities of disposal groups classified as held for sale	−37,323	
Change in investment contract provisions [2]	24,445	14,987
Exchange rate differences	551	8,320
TOTAL	**284,291**	**296,618**

1) Insurance provisions where the policyholders are carrying the risk. The liabilities and the underlying assets are designated at fair value through profit or loss (fair value option).
2) The net of premiums received during the year, return on investment funds less payments to the policyholders and deduction of fees and policyholders' tax.

Liabilities to policyholders – insurance contracts

Opening balance	107,213	98,714
Transfer of portfolios through divestments	−792	355
Reclassification to investment contracts		−1,316
Reclassification to liabilities of disposal groups classified as held for sale	−93,910	
Change in other insurance contract provisions [1]	5,696	5,622
Exchange rate differences	705	3,838
TOTAL	**18,911**	**107,213**

1) The net of premiums received during the year, allocated return on investment funds less payments to the policyholders and deduction of fees and policyholders' tax.

31 Financial liabilities at fair value through profit or loss

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Liabilities held for trading	28,879	38,845	28,879	38,845
Derivatives held for trading	84,571	173,348	86,127	132,861
Held for trading	**113,450**	**212,193**	**115,006**	**171,706**
Derivatives held for hedging	**863**	**1,303**	**863**	**972**
TOTAL	**114,313**	**213,496**	**115,869**	**172,678**

Liabilities held for trading

Short positions in equity instruments	14,228	10,072	14,228	10,072
Short positions in debt securities	10,757	9,527	10,757	9,527
Other financial liabilities	3,842	19,224	3,842	19,224
Accrued interest	53	22	53	22
TOTAL	**28,879**	**38,845**	**28,879**	**38,845**

Derivatives held for trading

Interest-related derivatives	38,509	96,955	39,360	61,795
Currency-related derivatives	40,669	64,420	41,438	61,415
Equity-related derivatives	1,928	2,010	1,950	1,855
Other derivatives	3,465	9,963	3,379	7,796
TOTAL	**84,571**	**173,348**	**86,127**	**132,861**

Derivatives held for hedging

Fair value hedges	122	12	122	12
Cash flow hedges	741	957	741	957
Portfolio hedges for interest rate risk		334		3
TOTAL	**863**	**1,303**	**863**	**972**

32 Other liabilities

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Trade and client payables	13,142	8,926	11,782	7,945
Margin collateral received	33,740	29,922	34,350	29,922
Other liabilities	18,746	17,576	10,466	8,211
TOTAL	**65,629**	**56,424**	**56,598**	**46,078**

Trade and client payables

Trade payables	2,248	1,882	1,939	1,703
Client payables	10,894	7,044	9,843	6,242
TOTAL	**13,142**	**8,926**	**11,782**	**7,945**

Other liabilities

Other accrued expense	3,917	3,986	2,781	2,623
Prepaid income	1,373	1,477		
Other	13,456	12,113	7,685	5,588
TOTAL	**18,746**	**17,576**	**10,466**	**8,211**

33 Provisions

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Other restructuring and redundancy reserves	810	642	28	35
Reserve for obligations	75	44	47	
Pensions (note 9 b) [1]	1,325	718		
Other provisions	799	829	38	45
TOTAL	**3,009**	**2,233**	**113**	**80**

1) Part of the net (asset) amount recognised in balance sheet amounting to SEK 3,955m (3,196) in note 9 b.

Other restructuring and redundancy reserves

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Opening balance	642	515	35	42
Additions	429	308		
Amounts used	–278	–186	–7	–9
Unused amounts reversed	–3	–19		
Other movements		3		
Exchange differences	20	21		2
TOTAL	**810**	**642**	**28**	**35**

The main part of the reserve will cover redundancy costs to be used within five years.

Reserve for obligations

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Opening balance	44	81		22
Additions	49	24	47	19
Amounts used		–34		–34
Unused amounts reversed	–22	–33		–7
Other movements	2	4		
Exchange differences	2	2		
TOTAL	**75**	**44**	**47**	

Other provisions

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Opening balance	829	893	45	80
Additions	93	53		
Amounts used	–20	–91	–7	–35
Unused amounts reversed	–30	–33		
Other movements	–80			
Exchange differences	7	7		
TOTAL	**799**	**829**	**38**	**45**

Other provisions mainly consist of costs for re-organisation within the Group to be used within six years and unsettled claims covering all operating segments; among others in the divested German retail business to be settled within two years and tax returns within Life U.K. branch under decommission.

34 Subordinated liabilities

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Debenture loans	18,171	24,851	18,171	24,851
Debenture loans, perpetual	13,922	14,738	13,922	14,738
Change in the value due to hedge accounting at fair value	25	625	25	625
Accrued interest	272	505	272	505
TOTAL	**32,390**	**40,719**	**32,390**	**40,719**

Debenture loans

	Currency	Original nom. amount	Book value	Rate of interest, %
2014/2026	EUR	1,000	9,822	2.500
2016/2028	EUR	850	8,349	1.380
TOTAL			**18,171**	

Debenture loans, perpetual

	Currency	Original nom. amount	Book value	Rate of interest, %
2017	EUR	500	4,914	5.625
2014	USD	1,100	9,008	5.750
TOTAL			**13,922**	

35 Untaxed reserves[1]

	Parent company	
	2017	2016
Depreciation in excess of plan on office equipment/leased assets	21,423	21,755
Other untaxed reserves	6	6
TOTAL	**21,429**	**21,761**

1) In the balance sheet of the Group untaxed reserves are reclassified partly as deferred tax liability and partly as restricted equity.

Parent company

	Excess depreciation	Other untaxed reserves	Total
Opening balance	23,460	6	**23,466**
Reversals	–1,705		**–1,705**
Closing balance 2016	**21,755**	**6**	**21,761**
Reversals	–332		**–332**
CLOSING BALANCE 2017	**21,423**	**6**	**21,429**

36 Pledged assets

	Group		Parent company	
	2017	2016	2017	2016
Pledged assets and comparable securities for own liabilities	477,220	478,998	447,925	392,227
Pledged assets for own liabilities to insurance policyholders	436,890	403,831		
Other pledged assets and comparable securities	136,998	154,518	114,494	152,317
TOTAL	**1,051,109**	**1,037,347**	**562,419**	**544,544**

Pledged assets and comparable securities for own liabilities*

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Repos	77,646	3,901	77,426	3,783
Assets collateralised for issued mortgage covered bonds	346,057	335,094	331,073	318,412
Assets collateralised for issued public covered bonds	9,530	11,491		
Other collateral	43,986	128,512	39,425	70,032
of which group internal			*23*	*18,723*
TOTAL	**477,220**	**478,998**	**447,925**	**392,227**

* Transfers that do not qualify for derecognition.

Pledged assets for own liabilities to insurance policyholders

	Group 2017	Group 2016
Assets pledged for insurance contracts	114,578	107,213
Assets pledged for investment contracts[1]	322,312	296,618
TOTAL	**436,890**	**403,831**

1) Shares in funds.

Other pledged assets and comparable collateral

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Bonds[1]	57,390	80,718	57,390	80,718
Securities lending	59,443	61,498	36,939	59,297
Other	20,166	12,302	20,166	12,302
TOTAL	**136,998**	**154,518**	**114,494**	**152,317**

1) Pledged but unencumbered bonds.

Transferred financial assets entirely recognized[1]

	Transferred assets				Associated liabilities				Associated collateral received[2]
Group, 2017	Securities lending	Repurchase agreements	Other[3]	Total	Securities lending	Repurchase agreements	Other[3]	Total	Securities lending
Equity instruments	16,564		617	**17,181**	1,073		150	**1,223**	14,005
Debt securities	13,276	5,743	200	**19,220**	149	5,736	2	**5,886**	12,748
Financial assets held for trading	**29,841**	**5,743**	**817**	**36,401**	**1,222**	**5,736**	**152**	**7,109**	**26,753**
2016									
Equity instruments	9,029		4,495	**13,524**	864		4,050	**4,914**	7,668
Debt securities	6,769	1,283	1,258	**9,310**	410	1,101	806	**2,317**	5,986
Financial assets held for trading	**15,798**	**1,283**	**5,753**	**22,834**	**1,274**	**1,101**	**4,856**	**7,231**	**13,654**
Debt securities		118		**118**		118		**118**	
Financial assets designated at fair value through profit or loss		**118**		**118**		**118**		**118**	

Note 36 continued Pledged assets

	Transferred assets				Associated liabilities				Associated collateral received [2]
Parent company, 2017	Securities lending	Repurchase agreements	Other[3]	Total	Securities lending	Repurchase agreements	Other[3]	Total	Securities lending
Equity instruments	16,492		617	**17,109**	1,041			**1,041**	13,916
Debt securities	13,276	5,743	200	**19,220**	134	5,736		**5,869**	11,976
Financial assets held for trading	**29,768**	**5,743**	**817**	**36,329**	**1,174**	**5,736**		**6,910**	**25,892**
2016									
Equity instruments	9,258		4,451	**13,709**	1,078		3,992	**5,070**	7,400
Debt securities	6,734	1,283	1,217	**9,234**	316	1,101	810	**2,227**	5,849
Financial assets held for trading	**15,992**	**1,283**	**5,668**	**22,943**	**1,394**	**1,101**	**4,802**	**7,297**	**13,249**

1) Carrying amount and fair value are the same.
2) Other than cash collateral.
3) Assets provided as collateral for derivatives trading, clearing etc. and other collateralized deposits.

Pledged assets
Assets are transferred for repurchase agreements and securities lending agreements. The counterpart has the right to sell or repledge the assets. Other transferred assets refer to assets provided as collateral for derivatives trading, clearing etc., where the title to the instrument has been transferred to the counterparty. The assets continue to be recognised on SEB's balance sheet since SEB is still exposed to changes in the fair value of the assets. The carrying value and fair value of the assets transferred as collateral for liabilities or contingent liabilities are shown in the table above.

SEB issues covered bonds secured by mortgage loans pledged as security according to the local legislation. The pledged securities are mainly residential mortgages in single family homes, tenant owned homes or other residential apartment buildings. The loan-to-value ratio does not exceed 75 per cent. In the event of SEB's insolvency, the holders of the covered bonds have priority to the assets registered as collateral.

Obtained collateral
SEB obtains collateral under reverse repurchase agreements and securities borrowing agreements. Under the terms of standard financial market agreements SEB has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transactions.

More information about the accounting of repurchase agreements and securities lending can be found in the accounting principles.

37 Obligations

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Contingent liabilities	122,896	120,231	103,059	97,642
Commitments	563,181	655,350	435,488	468,953
TOTAL	**686,077**	**775,581**	**538,547**	**566,595**

Contingent liabilities[1)]

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Own acceptances	**2,122**	**1,318**	**2,096**	**1,274**
Financial guarantees given[2)]	22,145	25,203	30,742	26,035
of which group internal			*11,402*	*8,831*
Other guarantees given	98,629	93,710	70,221	70,333
of which group internal			*7,760*	*2,220*
Guarantees given	**120,774**	**118,913**	**100,962**	**96,368**
TOTAL	**122,896**	**120,231**	**103,059**	**97,642**

1) Pledged assets for own or third party obligations
2) SEB does not regularly securitise its assets and has no outstanding own issues. For liquidity facilities and other facilities to conduits see note 27.

Other contingent liabilities
The parent company has undertaken to the Monetary Authority of Singapore to ensure that its subsidiary in Luxembourg's branch in Singapore is able to fulfil its commitments.

The parent company has issued a deposit guarantee for SEB AG in Germany to the Bundesverband deutscher Banken e.V.

Legal proceedings
Within the ordinary course of business SEB is engaged in various legal proceedings, both in Sweden and in other jurisdictions. SEB does not expect these current legal proceedings to have a significant adverse effect on the financial position of the Group.

	Group		Parent company	
Commitments[1)]	**2017**	**2016**	**2017**	**2016**
Granted undrawn credit facilities	333,917	347,273	266,966	275,157
of which group internal			*339*	*250*
Unutilised part of overdraft facilities	132,161	143,041	75,802	78,077
of which group internal			*7,333*	*8,495*
Repledged collaterals	90,160	120,486	90,237	102,933
of which group internal			*286*	*20,473*
Other commitments given	6,944	44,550	2,484	12,786
Other commitments	**563,181**	**655,350**	**435,488**	**468,953**
TOTAL	**563,181**	**655,350**	**435,488**	**468,953**

1) Pledged assets for own or third party obligations

Discretionary managed assets
Discretionary managed assets in the parent company amounted to SEK 498bn (528).

38 Current and non-current assets and liabilities

Group	2017			2016		
Assets	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
Cash and cash balances with central banks	177,222		**177,222**	151,078		**151,078**
Other lending to central banks	12,778		**12,778**	66,730		**66,730**
Loans to credit institutions	26,987	7,728	**34,715**	42,080	8,447	**50,527**
Loans to the public	616,969	867,834	**1,484,803**	598,919	854,100	**1,453,019**
Securities held for trading	*157,885*		***157,885***	*162,516*		***162,516***
Derivatives held for trading	*98,281*		***98,281***	*198,271*		***198,271***
Derivatives held for hedging	*6,587*		***6,587***	*14,084*		***14,084***
Financial assets – designated at fair value through profit or loss	*313,203*		***313,203***	*410,155*		***410,155***
Financial assets at fair value through profit and loss	575,955		**575,955**	785,026		**785,026**
Fair value changes of hedged items in a portfolio hedge	93		**93**	111		**111**
Available-for-sale financial assets	27,776		**27,776**	35,747		**35,747**
Investment accounted for using the equity method		*472*	***472***		*268*	***268***
Other investments in associates		*842*	***842***		*970*	***970***
Investments in subsidiaries and associates		1,314	**1,314**		1,238	**1,238**
Intangible assets	*1,564*	*9,154*	***10,718***	*1,432*	*9,973*	***11,405***
Property and equipment	*222*	*908*	***1,130***	*271*	*637*	***908***
Investment properties	*203*		***203***	*7,845*		***7,845***
Tangible and intangible assets	1,989	10,062	**12,052**	9,548	10,610	**20,158**
Current tax assets	*5,255*		***5,255***	*5,978*		***5,978***
Deferred tax assets		*260*	***260***		*1,329*	***1,329***
Tax assets	5,255	260	**5,515**	5,978	1,329	**7,307**
Trade and client receivables	*13,040*		***13,040***	*7,635*		***7,635***
Other financial assets	*19,007*		***19,007***	*29,239*		***29,239***
Other non-financial assets	*11,316*		***11,316***	*12,244*		***12,244***
Other assets	43,362		**43,362**	49,118		**49,118**
Non-current assets and disposal groups classified as held for sale	184,011		**184,011**	587		**587**
TOTAL	**1,672,398**	**887,198**	**2,559,596**	**1,744,922**	**875,724**	**2,620,646**

	2017			2016		
Liabilities	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Deposits from central banks and credit institutions	85,148	3,928	**89,076**	106,600	13,264	**119,864**
Deposits and borrowing from the public	966,294	38,427	**1,004,721**	916,562	45,466	**962,028**
Liabilities to policyholders – investment contracts	*10,902*	*273,389*	***284,291***	*16,719*	*279,899*	***296,618***
Liabilities to policyholders – insurance contracts	*8,176*	*10,735*	***18,911***	*8,403*	*98,810*	***107,213***
Pooled schemes and liabilities to policyholders	19,078	284,124	**303,202**	25,122	378,709	**403,831**
Debt securities issued	184,333	429,699	**614,033**	198,709	470,171	**668,880**
Liabilities held for trading	*28,879*		***28,879***	*38,845*		***38,845***
Derivatives held for trading	*84,571*		***84,571***	*173,348*		***173,348***
Derivatives held for hedging	*863*		***863***	*1,303*		***1,303***
Financial liabilities at fair value through profit and loss	114,313		**114,313**	213,496		**213,496**
Fair value changes of hedged items in portfolio hedge	1,046		**1,046**	1,537		**1,537**
Current tax liabilities	*1,463*		***1,463***	*2,184*		***2,184***
Deferred tax liabilities		*8,079*	***8,079***		*8,474*	***8,474***
Tax liabilities	1,463	8,079	**9,542**	2,184	8,474	**10,658**
Trade and client payables	*13,142*		***13,142***	*8,926*		***8,926***
Other financial liabilities	*33,766*		***33,766***	*30,609*		***30,609***
Other non-financial liabilities	*18,720*		***18,720***	*16,889*		***16,889***
Other liabilities	65,629		**65,629**	56,424		**56,424**
Provisions		3,009	**3,009**		2,233	**2,233**
Subordinated liabilities	272	32,118	**32,390**	505	40,214	**40,719**
Liabilities of disposal groups classified as held for sale	178,710		**178,710**			
TOTAL	**1,616,286**	**799,385**	**2,415,671**	**1,521,139**	**958,531**	**2,479,670**

Assets and liabilities are classified as current assets and current liabilities when they are cash or cash equivalents, are hold for trading purposes, are expected to be sold, settled or consumed in normal business, and are expected to be realised within twelve months. All other assets and liabilities are classified as non-current.

39 Financial assets and liabilities by class

Group	Book value					Fair value			
Assets, 2017	Held for trading	Designated at fair value through p/l / Hedge instruments	Available-for-sale	Loans and receivables	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Loans				1,694,524	**1,694,524**	46,835	6,614	1,645,286	**1,698,735**
Equity instruments	48,371	8,880	1,952		**59,203**	52,082	4,573	2,548	**59,203**
Debt securities	109,512	20,902	25,824	13,030	**169,268**	71,626	97,171	571	**169,368**
Derivative instruments	98,281	6,587			**104,868**	1,250	102,930	688	**104,868**
Financial assets – policyholders bearing the risk		283,420			**283,420**	275,737	7,053	630	**283,420**
Other		93		34,007	**34,100**	1,960		32,140	**34,100**
Financial assets	**256,164**	**319,882**	**27,776**	**1,741,561**	**2,345,383**	**449,490**	**218,341**	**1,681,863**	**2,349,694**
Other assets (non-financial)					**214,213**				
TOTAL	**256,164**	**319,882**	**27,776**	**1,741,561**	**2,559,596**				
2016									
Loans				1,704,291	**1,704,291**	49,975	533	1,665,293	**1,715,801**
Equity instruments	40,324	30,800	3,049		**74,173**	50,254	13,215	10,704	**74,173**
Debt securities	122,192	83,447	32,698	15,106	**253,443**	102,894	147,427	3,332	**253,653**
Derivative instruments	198,271	14,084			**212,355**	2,593	201,621	8,141	**212,355**
Financial assets – policyholders bearing the risk		295,908			**295,908**	275,894	15,589	4,425	**295,908**
Other		111		38,831	**38,942**	1,957		36,985	**38,942**
Financial assets	**360,787**	**424,350**	**35,747**	**1,758,228**	**2,579,112**	**483,567**	**378,385**	**1,728,880**	**2,590,832**
Other assets (non-financial)					**41,534**				
TOTAL	**360,787**	**424,350**	**35,747**	**1,758,228**	**2,620,646**				

	Book value				Fair value			
Liabilities, 2017	Held for trading	Designated at fair value through p/l / Hedge instruments	Other financial liabilities	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Deposits			1,093,798	**1,093,798**	30,286	4,277	1,063,928	**1,098,491**
Equity instruments	14,228			**14,228**	13,984		244	**14,228**
Debt securities	10,809	24,388	622,035	**657,232**	6,254	653,229	2,677	**662,160**
Derivative instruments	84,569	863		**85,432**	910	83,723	799	**85,432**
Liabilities to policyholders – investment contracts		284,291		**284,291**	276,482	7,185	624	**284,291**
Other	3,842	1,046	46,912	**51,800**	21	3,897	47,882	**51,800**
Financial liabilities	**113,448**	**310,588**	**1,762,745**	**2,186,781**	**327,937**	**752,311**	**1,116,154**	**2,196,402**
Other liabilities (non-financial)				**228,890**				
Total equity				**143,925**				
TOTAL	**113,448**	**310,588**	**1,762,745**	**2,559,596**				
2016								
Deposits			1,045,056	**1,045,056**	30,491	325	1,016,048	**1,046,864**
Equity instruments	10,071			**10,071**	9,798	2	271	**10,071**
Debt securities	9,549	30,992	715,443	**755,984**	7,074	727,440	34,099	**768,613**
Derivative instruments	173,348	1,303		**174,651**	2,808	168,207	3,636	**174,651**
Liabilities to policyholders – investment contracts		296,618		**296,618**	276,666	15,542	4,410	**296,618**
Other	19,225	1,537	39,535	**60,297**	10	19,244	41,043	**60,297**
Financial liabilities	**212,193**	**330,450**	**1,800,034**	**2,342,677**	**326,847**	**930,760**	**1,099,507**	**2,357,114**
Other liabilities (non-financial)				**136,993**				
Total equity				**140,976**				
TOTAL	**212,193**	**330,450**	**1,800,034**	**2,620,646**				

Note 39 continued Financial assets and liabilities by class

Parent company	Book value				
Assets, 2017	Held for trading	Designated at fair value through p/l / Hedge instruments	Available-for-sale	Loans and receivables	Total
Loans				1,480,014	**1,480,014**
Equity instruments	48,370	9	52,286		**100,665**
Debt securities	109,258		8,802	7,010	**125,070**
Derivative instruments	97,640	6,580			**104,220**
Other				36,349	**36,349**
Financial assets	**255,268**	**6,589**	**61,088**	**1,523,373**	**1,846,318**
Other assets (non-financial)					**45,845**
TOTAL	**255,268**	**6,589**	**61,088**	**1,523,373**	**1,892,163**
2016					
Loans				1,520,966	**1,520,966**
Equity instruments	40,323	87	53,365		**93,775**
Debt securities	122,012		9,309	8,703	**140,024**
Derivative instruments	147,124	12,649			**159,773**
Other				37,592	**37,592**
Financial assets	**309,459**	**12,736**	**62,674**	**1,567,261**	**1,952,130**
Other assets (non-financial)					**47,714**
TOTAL	**309,459**	**12,736**	**62,674**	**1,567,261**	**1,999,844**

	Book value			
Liabilities, 2017	Held for trading	Designated at fair value through p/l / Hedge instruments	Other financial liabilities	Total
Deposits			949,690	**949,690**
Equity instruments	14,228			**14,228**
Debt securities	14,651		642,682	**657,333**
Derivative instruments	86,127	863		**86,990**
Other			46,132	**46,132**
Financial liabilities	**115,006**	**863**	**1,638,504**	**1,754,373**
Other liabilities (non-financial)				**11,599**
Total equity				**126,191**
TOTAL	**115,006**	**863**	**1,638,504**	**1,892,163**
2016				
Deposits			951,436	**951,436**
Equity instruments	10,072			**10,072**
Debt securities	28,773		704,905	**733,678**
Derivative instruments	132,861	972		**133,833**
Other			37,867	**37,867**
Financial liabilities	**171,706**	**972**	**1,694,208**	**1,866,886**
Other liabilities (non-financial)				**9,823**
Total equity				**123,135**
TOTAL	**171,706**	**972**	**1,694,208**	**1,999,844**

SEB has grouped its financial instruments by class taking into account the characteristics of the instruments:

Loans and deposits includes financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Loans are further specified in note 17a and 19.

Equity instruments includes shares, rights issues and similar contractual rights of other entities.

Debt instruments includes contractual rights to receive or obligations to deliver cash on a predetermined date. These are further specified in note 17f and 41.

Derivative instruments includes options, futures, swaps and other derived products held for trading and hedging purposes. These are further specified in notes 22, 31 and 42.

Investment contracts include those assets and liabilities in the Life insurance operations where the policyholder is carrying the risk of the contractual agreement (is not qualified as an insurance contract under IFRS 4). The Life insurance operations are further specified in note 46.

Insurance contracts includes those assets and liabilities in the Life insurance operations where SEB is carrying the insurance risk of a contractual agreement (is qualified as an insurance contract under IFRS 4). The Life insurance operations are further specified in note 46.

Other includes other financial assets and liabilities recognised in accordance with IAS 39, i.e. Trade and client receivables/payables and Withheld/paid margins of safety.

40 Financial assets and liabilities subject to offsetting or netting arrangements

Group, 2017	Financial assets and liabilities subject to offsetting or netting arrangements						Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
				Related arrangements				
	Gross amounts	Offset	Net amounts in balance sheet	Master netting arrangements	Collaterals received/ pledged	Net amounts		
Derivatives	111,634	−7,826	**103,808**	−58,922	−29,374	**15,512**	1,060	**104,868**
Reversed repo receivables	104,354	−61,735	**42,620**	−6,613	−36,007			**42,620**
Securities borrowing	3,782		**3,782**	−3,165	−512	**105**	12,955	**16,736**
Client receivables							11,817	**11,817**
ASSETS	**219,770**	**−69,560**	**150,210**	**−68,701**	**−65,892**	**15,617**	**25,832**	**176,042**
Derivatives	92,496	−7,826	**84,670**	−58,922	−18,293	**7,455**	763	**85,434**
Repo payables	68,348	−61,735	**6,613**	−6,613				**6,613**
Securities lending	9,604		**9,604**	−3,165	−6,152	**287**	911	**10,515**
Client payables							10,894	**10,894**
LIABILITIES	**170,448**	**−69,560**	**100,888**	**−68,701**	**−24,445**	**7,742**	**12,569**	**113,456**
2016								
Derivatives	215,367	−4,447	**210,920**	−123,698	−34,841	**52,381**	1,435	**212,355**
Reversed repo receivables	99,828	−35,332	**64,496**	−682	−63,612	**202**	1	**64,497**
Securities borrowing	25,265		**25,265**	−7,616	−17,649		5,525	**30,790**
Client receivables	43	−42	**1**			**1**	5,861	**5,862**
ASSETS	**340,503**	**−39,821**	**300,682**	**−131,996**	**−116,102**	**52,584**	**12,822**	**313,504**
Derivatives	176,773	−4,447	**172,326**	−123,698	−31,547	**17,081**	2,325	**174,651**
Repo payables	36,926	−35,332	**1,594**	−682	−795	**117**		**1,594**
Securities lending	25,155		**25,155**	−7,616	−8,765	**8,774**	6	**25,161**
Client payables	42	−42					7,044	**7,044**
LIABILITIES	**238,896**	**−39,821**	**199,075**	**−131,996**	**−41,107**	**25,972**	**9,375**	**208,450**

Parent company, 2017	Financial assets and liabilities subject to offsetting or netting arrangements						Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
				Related arrangements				
	Gross amounts	Offset	Net amounts in balance sheet	Master netting arrangements	Collaterals received/ pledged	Net amounts		
Derivatives	104,220		**104,220**	−57,904	−29,155	**17,161**		**104,220**
Reversed repo receivables	104,354	−61,735	**42,620**	−6,613	−36,007			**42,620**
Securities borrowing	3,468		**3,468**	−3,165	−303		35,153	**38,621**
Client receivables							11,620	**11,620**
ASSETS	**212,043**	**−61,735**	**150,308**	**−67,682**	**−65,465**	**17,161**	**46,773**	**197,081**
Derivatives	86,990		**86,990**	−57,904	−18,293	**10,793**		**86,990**
Repo payables	68,349	−61,735	**6,614**	−6,614				**6,614**
Securities lending	8,505		**8,505**	−3,165	−5,340		35,254	**43,759**
Client payables							9,843	**9,843**
LIABILITIES	**163,844**	**−61,735**	**102,110**	**−67,683**	**−23,633**	**10,793**	**45,097**	**147,207**
2016								
Derivatives	159,773		**159,773**	−80,887	−19,811	**59,075**		**159,773**
Reversed repo receivables	100,150	−35,332	**64,818**	−682	−63,612	**524**		**64,818**
Securities borrowing	24,396		**24,396**	−7,616	−11,642	**5,138**	5,423	**29,819**
Client receivables	42	−42					5,556	**5,556**
ASSETS	**284,361**	**−35,374**	**248,987**	**−89,185**	**−95,065**	**64,737**	**10,979**	**259,966**
Derivatives	133,833		**133,833**	−80,887	−43,422	**9,524**		**133,833**
Repo payables	36,808	−35,332	**1,476**	−682	−4,128	**−3,334**		**1,476**
Securities lending	14,431		**14,431**	−7,616	−9,051	**−2,236**		**14,431**
Client payables	42	−42					6,242	**6,242**
LIABILITIES	**185,114**	**−35,374**	**149,740**	**−89,185**	**−56,601**	**3,954**	**6,242**	**155,982**

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 cause 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 balance sheet 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.

41 Debt securities by issuers

Eligible debt securities[1)]

Group, 2017	Swedish government	Swedish municipalities	Other Swedish issuers – non-financial companies	Other Swedish issuers – other financial companies	Foreign government	Other foreign issuers	Total
Loans to the public					6,875	6,020	**12,895**
Securities held for trading	7,893	4,606		15,000	18,759	15	**46,274**
Insurance assets at fair value	783	859	751	3,935	1,632	524	**8,485**
Other financial assets at fair value through profit or loss					6,259	876	**7,135**
Available-for-sale financial assets	304				21,641	3,441	**25,386**
TOTAL	**8,980**	**5,465**	**751**	**18,935**	**55,167**	**10,877**	**100,175**

2016	Swedish government	Swedish municipalities	Other Swedish issuers – non-financial companies	Other Swedish issuers – other financial companies	Foreign government	Other foreign issuers	Total
Loans to credit institutions						382	**382**
Loans to the public					6,690	6,006	**12,696**
Securities held for trading	10,088	4,528			19,374	1	**33,991**
Insurance assets at fair value	1,437	453		3,285	7,635	30,995	**43,805**
Other financial assets at fair value through profit or loss					5,340	829	**6,169**
Available-for-sale financial assets	299				27,437	3,690	**31,426**
TOTAL	**11,824**	**4,981**		**3,285**	**66,476**	**41,903**	**128,469**

Parent company, 2017	Swedish government	Swedish municipalities	Other Swedish issuers – non-financial companies	Other Swedish issuers – other financial companies	Foreign government	Other foreign issuers	Total
Loans to the public					6,875		**6,875**
Securities held for trading	7,893	4,606		15,000	18,546		**46,045**
Available-for-sale financial assets					6,087		**6,087**
TOTAL	**7,893**	**4,606**		**15,000**	**31,508**		**59,007**

2016	Swedish government	Swedish municipalities	Other Swedish issuers – non-financial companies	Other Swedish issuers – other financial companies	Foreign government	Other foreign issuers	Total
Loans to the public					6,690		**6,690**
Securities held for trading	10,088	4,528			19,195		**33,811**
Available-for-sale financial assets					6,588		**6,588**
TOTAL	**10,088**	**4,528**			**32,473**		**47,089**

1) Accrued interest excluded.

Eligible papers are considered as such if they, according to national legislation, are accepted by the Central bank in the country in which SEB is located.

Other debt securities[1)]

Group, 2017	Swedish government and municipalities	Swedish mortgage institutions	Other Swedish issuers – non-financial companies	Other Swedish issuers – other financial companies	Foreign government	Other foreign issuers	Total
Securities held for trading		15,740	1,807	6,376	23	38,874	**62,820**
Insurance assets at fair value	254	317	1,822	619	998	369	**4,379**
Other financial assets at fair value through profit or loss					813		**813**
Available-for-sale financial assets					270		**270**
TOTAL	**254**	**16,057**	**3,629**	**6,995**	**2,104**	**39,243**	**68,283**

2016	Swedish government and municipalities	Swedish mortgage institutions	Other Swedish issuers – non-financial companies	Other Swedish issuers – other financial companies	Foreign government	Other foreign issuers	Total
Loans to the public						1,896	**1,896**
Securities held for trading		26,683	1,368	5,525	7	54,070	**87,653**
Insurance assets at fair value	306		1,094	1,132	2,168	27,887	**32,587**
Other financial assets at fair value through profit or loss					301		**301**
Available-for-sale financial assets					1,021		**1,021**
TOTAL	**306**	**26,683**	**2,462**	**6,657**	**3,497**	**83,853**	**123,458**

Parent company, 2017	Swedish government and municipalities	Swedish mortgage institutions	Other Swedish issuers – non-financial companies	Other Swedish issuers – other financial companies	Foreign government	Other foreign issuers	Total
Securities held for trading		15,740	1,789	6,393		38,872	**62,793**
Available-for-sale financial assets				2,575		29	**2,604**
TOTAL		**15,740**	**1,789**	**8,968**		**38,901**	**65,398**

2016	Swedish government and municipalities	Swedish mortgage institutions	Other Swedish issuers – non-financial companies	Other Swedish issuers – other financial companies	Foreign government	Other foreign issuers	Total
Loans to the public						1,881	**1,881**
Securities held for trading		26,683	1,293	5,600		54,077	**87,653**
Available-for-sale financial assets						2,608	**2,608**
TOTAL		**26,683**	**1,293**	**5,600**		**58,566**	**92,142**

1) Accrued interest excluded.

42 Derivative instruments

	Group		Parent company	
	2017	2016	2017	2016
Interest-related	59,908	133,778	58,750	86,172
Currency-related	37,904	65,056	38,494	63,144
Equity-related	3,349	4,990	3,355	3,734
Other	3,708	8,531	3,621	6,723
Positive replacement values	**104,868**	**212,355**	**104,220**	**159,773**
Interest-related	39,372	98,258	40,223	62,767
Currency-related	40,669	64,420	41,438	61,415
Equity-related	1,928	2,010	1,950	1,855
Other	3,465	9,963	3,379	7,796
Negative replacement values	**85,434**	**174,651**	**86,990**	**133,833**

	Positive replacement values		Negative replacement values	
Group, 2017	Nominal amount	Book value	Nominal amount	Book value
Options	127,819	2,719	194,210	3,949
Futures	2,026,323	127	2,379,972	179
Swaps	3,125,249	57,062	2,808,063	35,244
Interest-related	**5,279,390**	**59,908**	**5,382,245**	**39,372**
Options	202,288	2,082	195,228	2,225
Futures	322,076	7,741	497,127	11,880
Swaps	1,540,961	28,081	1,576,686	26,563
Currency-related	**2,065,326**	**37,904**	**2,269,041**	**40,669**
of which exchange traded		*3*		*42*
Options	20,630	2,226	15,835	576
Futures		62		29
Swaps	120,991	1,060	168,563	1,322
Equity-related	**141,621**	**3,349**	**184,398**	**1,928**
of which exchange traded		*278*		*146*
Options	43,648	1,801	58,023	2,550
Futures	26,270	951	3,387	65
Swaps	16,334	955	20,242	850
Other	**86,252**	**3,708**	**81,652**	**3,465**
of which exchange traded	*28,802*	*1,068*	*3,141*	*375*
TOTAL	**7,572,590**	**104,868**	**7,917,336**	**85,434**
of which exchange traded	*28,802*	*1,349*	*3,141*	*563*
2016				
Options	574,200	32,326	1,004,430	25,284
Futures	2,648,672	1,211	2,466,844	2,170
Swaps	3,848,336	100,241	2,735,011	70,804
Interest-related	**7,071,208**	**133,778**	**6,206,285**	**98,258**
of which exchange traded	*259,062*	*16*	*178,790*	*9*
Options	163,012	4,461	140,597	4,534
Futures	459,163	15,694	388,388	10,389
Swaps	1,533,842	44,901	1,647,949	49,497
Currency-related	**2,156,017**	**65,056**	**2,176,934**	**64,420**
of which exchange traded		*2*		*34*
Options	31,059	2,415	19,841	780
Futures	5	17	2	35
Swaps	691,265	2,558	40,115	1,195
Equity-related	**722,329**	**4,990**	**59,958**	**2,010**
of which exchange traded	*5*	*203*	*95*	*123*
Options	47,860	2,017	40,998	2,315
Futures	35,653	3,896	19,309	4,218
Swaps	6,139	2,618	33,719	3,430
Other	**89,652**	**8,531**	**94,026**	**9,963**
of which exchange traded	*30,670*	*3,159*	*6,571*	*3,330*
TOTAL	**10,039,206**	**212,355**	**8,537,203**	**174,651**
of which exchange traded	*289,737*	*3,380*	*185,456*	*3,496*

Note 42 continued Derivative instruments

	Positive replacement values		Negative replacement values	
Parent company, 2017	Nominal amount	Book value	Nominal amount	Book value
Options	106,346	2,333	147,622	3,512
Futures	2,026,323	127	2,379,972	179
Swaps	3,135,062	56,290	2,825,626	36,531
Interest-related	**5,267,731**	**58,750**	**5,353,220**	**40,223**
Options	211,368	2,142	199,247	2,220
Futures	349,973	8,272	492,378	11,783
Swaps	1,553,851	28,080	1,640,304	27,434
Currency-related	**2,115,192**	**38,494**	**2,331,929**	**41,438**
of which exchange traded		*3*		*42*
Options	20,665	2,232	15,803	599
Futures		62		29
Swaps	120,991	1,060	168,563	1,322
Equity-related	**141,656**	**3,355**	**184,366**	**1,950**
of which exchange traded		*278*		*146*
Options	42,192	1,718	59,493	2,467
Futures	25,890	948	3,767	62
Swaps	16,334	955	20,242	850
Other	**84,417**	**3,621**	**83,502**	**3,379**
of which exchange traded	*26,952*	*981*	*4,991*	*289*
TOTAL	**7,608,996**	**104,220**	**7,953,016**	**86,990**
of which exchange traded	*26,952*	*1,263*	*4,991*	*477*

2016				
Options	96,395	4,106	87,081	4,302
Futures	2,648,610	1,212	2,452,956	1,375
Swaps	3,251,815	80,854	2,718,139	57,090
Interest-related	**5,996,820**	**86,172**	**5,258,176**	**62,767**
of which exchange traded	*259,000*		*178,500*	
Options	147,641	2,991	123,246	2,977
Futures	336,700	13,097	261,143	9,901
Swaps	1,608,724	47,056	1,786,265	48,537
Currency-related	**2,093,065**	**63,144**	**2,170,654**	**61,415**
Options	31,059	2,378	19,808	756
Futures		17		35
Swaps	667,259	1,339	32,271	1,064
Equity-related	**698,318**	**3,734**	**52,079**	**1,855**
of which exchange traded			*15*	
Options	33,201	1,905	66,174	2,203
Futures	35,642	3,896	19,298	4,217
Swaps	13,395	922	117	1,376
Other	**82,238**	**6,723**	**85,589**	**7,796**
of which, cleared	*29,209*		*5,111*	
TOTAL	**8,870,441**	**159,773**	**7,566,498**	**133,833**
of which exchange traded	*288,209*		*183,626*	

43 Future minimum lease payments for operational leases*

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Year 2017		1,274		885
Year 2018	1,042	1,048	791	721
Year 2019	836	791	606	549
Year 2020	694	683	486	465
Year 2021	584	549	439	382
Year 2022 and later	5,037	4,890	4,711	4,532
TOTAL	**8,193**	**9,235**	**7,033**	**7,534**

* Leases for premises and other operational leases where SEB is the lessee.

44 Finance leases*

	Group	
	2017	**2016**
Book value	62,107	61,039
Gross investment	66,694	65,924
Present value of minimum lease payment receivables	61,904	60,074
Unearned finance income	4,391	4,668
The unguaranteed residual value	480	463
Reserve for impaired uncollectable minimum lease payments	–176	–199

* Financial leases where SEB is the lessor.

	Group 2017			Group 2016		
	Book value	**Gross investment**	**Present value**	**Book value**	**Gross investment**	**Present value**
Remaining maturity						
– maximum 1 year	8,097	8,377	8,113	6,240	6,983	6,740
– more than 1 year but maximum 5 years	28,663	30,073	28,817	27,666	28,830	27,151
– more than 5 years	25,347	28,244	24,974	27,133	30,111	26,183
TOTAL	**62,107**	**66,694**	**61,904**	**61,039**	**65,924**	**60,074**

The leased assets mainly comprise transport vehicles, machinery and facilities. The largest lease engagement amounts to SEK 6.6 billion (7.5).

45 Assets and liabilities distributed by main currencies

Group, 2017	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances and loans to central banks	5,680	79,653	57,802	151	4,149	5,159	37,406	**190,000**
Loans to credit institutions	1,511	9,565	13,731	3,303	897	814	4,895	**34,715**
Loans to the public	893,926	326,215	118,961	19,254	48,947	58,279	19,221	**1,484,803**
Other financial assets	392,271	114,510	73,548	7,749	17,516	23,474	6,802	**635,871**
Other assets	21,817	56,927	32,971	2,976	96,465	211	2,839	**214,207**
TOTAL ASSETS	**1,315,204**	**586,870**	**297,012**	**33,434**	**167,974**	**87,937**	**71,164**	**2,559,596**
Deposits from central banks	339	3,530	21,127	1,605	165	16,502	975	**44,243**
Deposits from credit institutions	14,996	8,793	12,116	1,153	2,367	1,839	3,571	**44,833**
Deposits and borrowing from the public	506,756	257,308	133,594	36,904	20,230	31,039	18,891	**1,004,721**
Other financial liabilities	567,439	265,233	215,023	22,895	11,682	8,392	2,499	**1,093,164**
Other liabilities	31,367	42,813	8,134	2,507	139,263	1,600	3,025	**228,710**
Total equity	143,925							**143,925**
TOTAL LIABILITIES AND EQUITY	**1,264,822**	**577,677**	**389,994**	**65,064**	**173,707**	**59,372**	**28,961**	**2,559,596**

2016	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances and loans to central banks	61,808	83,837	55,755	126	5,595	124	10,563	**217,808**
Loans to credit institutions	1,410	13,101	26,444	2,565	1,572	557	4,878	**50,527**
Loans to the public	842,883	318,592	134,739	18,311	54,365	62,143	21,986	**1,453,019**
Other financial assets	396,970	210,719	101,198	10,483	105,136	23,214	10,038	**857,758**
Other assets	19,983	9,333	975	598	9,558	451	636	**41,534**
TOTAL ASSETS	**1,323,054**	**635,582**	**319,111**	**32,083**	**176,226**	**86,489**	**48,101**	**2,620,646**
Deposits from central banks	304	21,323	26,398	2,301			4,066	**54,392**
Deposits from credit institutions	18,265	23,594	6,969	134	10,313	2,663	3,534	**65,472**
Deposits and borrowing from the public	483,722	249,599	143,092	26,381	15,839	27,388	16,007	**962,028**
Other financial liabilities	563,111	355,529	259,103	23,351	46,240	9,030	4,421	**1,260,785**
Other liabilities	27,976	8,863	2,411	1,058	93,783	1,680	1,222	**136,993**
Total equity	140,976							**140,976**
TOTAL LIABILITIES AND EQUITY	**1,234,354**	**658,908**	**437,973**	**53,225**	**166,175**	**40,761**	**29,250**	**2,620,646**

Parent company, 2017	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances with central banks	161	18	57,670		1,566	4,793	33,532	**97,741**
Loans to credit institutions	15,826	134,821	18,003	5,627	6,415	5,703	6,197	**192,591**
Loans to the public	855,405	101,073	110,469	13,716	48,259	51,014	16,887	**1,196,824**
Other financial assets	149,078	83,877	70,754	7,947	17,633	23,409	6,464	**359,163**
Other assets	17,597	21,235	1,560	1,601	946	2,540	365	**45,845**
TOTAL ASSETS	**1,038,069**	**341,024**	**258,456**	**28,891**	**74,820**	**87,459**	**63,444**	**1,892,163**
Deposits from central banks	339	3,529	21,127	1,605	165	16,502	975	**44,242**
Deposits from credit institutions	30,034	22,009	18,242	1,797	2,748	4,494	3,974	**83,297**
Deposits and borrowing from the public	498,066	103,265	122,977	35,298	20,718	28,018	13,811	**822,151**
Other financial liabilities	326,773	219,083	214,254	22,281	11,712	8,330	2,251	**804,683**
Other liabilities	3,381	964	3,554	319	304	966	2,111	**11,599**
Shareholders' equity and untaxed reserves	126,191							**126,191**
TOTAL LIABILITIES AND EQUITY	**984,784**	**348,849**	**380,153**	**61,300**	**35,645**	**58,309**	**23,122**	**1,892,163**

2016	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances with central banks	154	3,505	55,659		1,656	65	9,632	**70,671**
Loans to credit institutions	74,309	156,123	30,507	4,938	8,308	5,260	7,614	**287,059**
Loans to the public	802,335	103,325	126,832	13,018	53,500	54,893	18,192	**1,172,095**
Other financial assets	175,607	112,558	66,908	8,326	27,588	23,073	8,245	**422,305**
Other assets	18,312	21,193	1,391	1,848	1,509	3,036	425	**47,714**
TOTAL ASSETS	**1,070,717**	**396,704**	**281,297**	**28,130**	**92,561**	**86,327**	**44,108**	**1,999,844**
Deposits from central banks	304	21,153	26,377	2,301			4,065	**54,200**
Deposits from credit institutions	33,038	47,667	14,693	1,041	10,297	4,453	3,463	**114,652**
Deposits and borrowing from the public	475,728	95,457	131,139	24,710	16,228	25,648	13,674	**782,584**
Other financial liabilities	368,972	245,943	253,462	20,842	13,751	8,992	3,488	**915,450**
Other liabilities	4,071	247	1,929	870	453	1,100	1,153	**9,823**
Shareholders' equity and untaxed reserves	123,135							**123,135**
TOTAL LIABILITIES AND EQUITY	**1,005,248**	**410,467**	**427,600**	**49,764**	**40,729**	**40,193**	**25,843**	**1,999,844**

46 Life insurance operations

INCOME STATEMENT	Group 2017	Group 2016
Premium income, net	10,039	9,268
Income investment contracts		
– Own fees including risk gain/loss	1,525	1,499
– Commissions from fund companies	1,928	1,735
	3,453	3,234
Net investment income	5,103	6,704
Other operating income	556	473
Total income, gross	**19,151**	**19,679**
Claims paid, net	−8,174	−8,949
Change in insurance contract provisions	−5,649	−5,534
Total income, net	**5,329**	**5,196**
Of which from other units within the SEB group	*1,595*	*1,521*
Direct acquisition costs investment and insurance contracts	−1,042	−1,013
Change in deferred acquisition costs	−75	−84
	−1,117	−1,097
Commissions received and profit share from ceded reinsurance	115	110
Other expenses	−1,838	−1,819
Total expenses	**−2,840**	**−2,806**
OPERATING PROFIT	**2,489**	**2,390**

CHANGE IN SURPLUS VALUES IN DIVISION LIFE

	2017	2016
Present value of new sales [1)]	1,045	1,208
Return on existing policies	1,856	1,781
Realised surplus value in existing policies	−2,999	−2,915
Actual outcome compared to assumptions [2)]	−39	371
Change in surplus values from ongoing business, gross	**−136**	**445**
Capitalisation of acquisition costs	−882	−859
Amortisation of capitalised acquisition costs	957	943
Change in deferred front end fees	21	−45
Change in surplus values from ongoing business, net [3)]	**−40**	**484**
Financial effects due to short-term market fluctuations [4)]	769	531
Change in assumptions [5)]	134	202
TOTAL CHANGE IN SURPLUS VALUES [6)]	**862**	**1,217**

Calculations of surplus value in the life insurance operations are based on assumptions of the future development of existing insurance contracts and a risk-adjusted discount rate. The most important assumptions (Swedish unit-linked - which represent 63 per cent (65) of the total surplus value).

	2017	2016
Discount rate	7.0%	7.0%
Surrender of endowment insurance contracts: contracts signed within 1 year / 1–4 years / 5 years / 6 years / thereafter	2% / 6% / 19% / 15% / 9%	2% / 6% / 20% / 15% / 10%
Lapse rate of regular premiums, unit-linked	8.3	8.1%
Growth in fund units, gross before fees and taxes	5.0%	5.0%
Inflation CPI / Inflation expenses	2% / 3%	2% / 3%
Expected return on solvency margin	3%	3%
Right to transfer policy, unit-linked	3.1%	3.0%
Mortality	The Group's experience	The Group's experience

1) Sales defined as new contracts and extra premiums in existing contracts.
2) The actual outcome of previously signed contracts is compared with previous assumptions and deviations are calculated. Important components are the duration of contracts and cancellations.
3) Acquisition costs are capitalised and amortised according to plan. Certain front end fees are also recorded on the balance sheet and recognized as revenue in the income statement during several years. The reported change in surplus values is adjusted by the net effect of changes in deferred acquisition costs and front end fees during the period.
4) Assumed investment return (growth in fund values) is 5.0 per cent gross before fees and taxes. Actual returns results in positive or negative financial effects.
5) Effect of changes in assumptions such as frequency of surrenders, transfers out and assumed expenses.
6) The calculated surplus value is not included in the SEB Group's consolidated accounts. The surplus value is net of capitalised acquisition costs and deferred front end fees.

SUMMARISED FINANCIAL INFORMATION FOR GAMLA LIVFÖRSÄKRINGSBOLAGET SEB TRYGG LIV*

Income statement, condensed	2017	2016
Life insurance technical result	8,142	8,384
Other costs and appropriations	60	
Taxes	−194	−210
NET RESULT	**8,008**	**8,174**

Balance sheet, condensed		
Total assets	181,308	179,769
TOTAL ASSETS	**181,308**	**179,769**
Total liabilities	87,359	87,666
Consolidation fund / equity	93,825	91,919
Untaxed reserves	124	184
TOTAL LIABILITIES AND EQUITY	**181,308**	**179,769**

* SEB owns all shares of Gamla Livförsäkringsbolaget SEB Trygg Liv except for a golden share owned by Trygg-Stiftelsen. Gamla Livförsäkringsbolaget SEB Trygg Liv is not consolidated as subsidiary of the Group, since the ownership of SEB in Gamla Livförsäkringsbolaget SEB Trygg Liv does not result in control. Current year figures are unaudited.

47 Assets in unit-linked operations

Within the unit-linked business SEB holds, for its customers' account, a share of more than 50 per cent in 26 (23) funds, where SEB is the investment manager. The total value of those funds amounted to SEK 129,759m (104,003) of which SEB, for its customers' account, holds SEK 90,167m (74,944).

48 Non-current assets and disposal groups classified as held for sale

	Group	
Non-current assets and disposal groups classified as held for sale	**2017**	**2016**
Financial assets at fair value through profit or loss	175,506	
Other assets	8,505	587
TOTAL	**184,011**	**587**
Liabilities of disposal groups classified as held for sale		
Liabilities to policyholders	133,688	
Financial liabilities at fair value through profit or loss	34,469	
Other liabilities	10,553	
TOTAL	**178,710**	

As announced on 14 December 2017, SEB has signed an agreement to sell all shares in SEB Pensionsforsikring A/S and SEB Administration A/S (SEB Pension) to Danica Pension Livsforsikringsaktieselskab (Danica, a subsidiary to Danske Bank). SEB Pension consists of a portfolio of life and pension contracts and approximately 275 employees. At year-end, assets under management by SEB Pension amounted to DKK 101bn, and the net profit contributed was DKK 490m for the year. The completion of the sale is among other things conditional upon regulatory approvals and certain preparations for separation and is currently expected to occur around the summer of 2018. In the consolidated balance sheet, assets and liabilities relating to SEB Pension are separated from other assets and liabilities. SEB Pension is reported in the Life & Investment Management division.

The Baltic division has a divestment plan for investment properties. Through the continuation of the plan, additional properties were reclassified as assets held for sale until the derecognition at concluded sales agreement. The impairment loss recognised in association with the reclassifications amounted to SEK 205m (200).

49 Items affecting comparability

	Group	
	2017	**2016**
Other income	494	520
Total operating income	**494**	**520**
Staff costs	−1,320	−140
Other expenses	−92	−84
Depreciation, amortisation and impairment of tangible and intangible assets	−978	−5,725
Total operating expenses	**−2,390**	**−5,949**
Items affecting comparability	**−1,896**	**−5,429**
Income tax on items affecting comparability	215	77
Items affecting comparability after tax	**−1,681**	**−5,352**

Items affecting comparability 2017

The total expense in the income statement from Items affecting comparability was SEK 1,896m before tax and SEK 1,681m after tax. In total, the items affecting comparability, including the effect on other comprehensive income of SEK 494m, decreased equity by SEK 2,175m.

Visa Sweden

The settlement of the acquisition of Visa Europe by Visa Inc. consisted of a combination of cash and shares to be paid to the different Visa Europe members. In Sweden, SEB was an indirect member. A dividend of SEK 494m was received. There was no tax effect. The holdings in Visa have been classified as Available-for-sale asset where the change in value is recognised in Other comprehensive income. The dividend received has reduced the amount in Other comprehensive income by SEK 494m.

SEB's German business

In line with previous communication, the operations in Germany were transformed and the core business was transferred from SEB AG to the German branch of the parent company, Skandinaviska Enskilda Banken AB, as per 2 January 2018. The purpose of the change is to simplify the reporting and administration of the German operations. The non-core business that was not transferred to the branch from SEB AG will be dismantled over time. The provisions related to redundancy and excess premises amounting to a total of SEK 521m were recognised in 2017. In addition, SEB entered into an agreement to transfer the pension obligations under the defined benefit plan in SEB AG to Versicherungsverein des Bankgewerbes a.G (BVV) at a total cost of SEK 891m. The transfer will take place in the second quarter 2018.

Impairment and derecognition of IT assets

An impairment and a derecognition of intangible IT assets led to an expense in an amount of SEK 978m. The positive tax effect was SEK 215m.

Items affecting comparability 2016

The total effect of Items affecting comparability in 2016 was a cost in the amount of SEK 5,429m before tax and SEK 5,352m after tax.

Visa Baltic

The settlement of the transaction of SEB's Baltic holdings in Visa Europe resulted in a gain of SEK 520m. The gain generated a tax expense of SEK 24m.

Reorganisation and restructuring

SEB implemented a new customer-oriented organisation which resulted in an impairment of goodwill in the amount of SEK 5,334m. This expense was not tax deductible. There were financial effects from restructuring activities in the Baltic and German businesses as well as an impairment and derecognition of intangible IT assets no longer in use. The total amount was SEK 615m and there was a positive tax effect amounting to SEK 101m.

The SEB Group

Income Statement

SEK m	2017	2016[2]	2015[1) 2)]	2014[1) 2)]	2013[1)]
Net interest income	19,893	18,738	19,020	19,943	18,827
Net fee and commission income	17,725	16,628	18,345	17,547	15,835
Net financial income	6,880	7,056	6,298	4,473	5,581
Net other income	1,112	829	1,002	1,549	840
Total operating income	**45,609**	**43,251**	**44,665**	**43,512**	**41,083**
Staff costs	−14,025	−14,422	−14,436	−13,760	−14,029
Other expenses	−6,947	−6,619	−6,355	−6,815	−6,720
Depreciation, amortisation and impairment of tangible and intangible assets	−964	−771	−1,011	−1,129	−1,068
Total operating expenses	**−21,936**	**−21,812**	**−21,802**	**−21,704**	**−21,817**
Gains less losses on disposals of tangible and intangible assets	−162	−150	−213	−121	16
Net credit losses	−808	−993	−883	−1,324	−1,155
Operating profit before items affecting comparability	**22,702**	**20,296**	**21,767**	**20,363**	**18,127**
Items affecting comparability	−1,896	−5,429	−902	2,985	
Operating profit	**20,806**	**14,867**	**20,865**	**23,348**	**18,127**
Income tax expense	−4,562	−4,249	−4,284	−4,129	−3,338
Net profit from continuing operations	**16,244**	**10,618**	**16,581**	**19,219**	**14,789**
Discontinued operations					−11
NET PROFIT	**16,244**	**10,618**	**16,581**	**19,219**	**14,778**
Attributable to minority interests				1	7
Attributable to equity holders	16,244	10,618	16,581	19,218	14,771

1) Comparable figures for 2015 and 2014 restated and comparable figures for 2013 recalculated pro forma in line with changed reporting of life insurance business.
2) Items affecting comparability restated, see note 49.

Balance sheet

SEK m	2017	2016	2015	2014	2013
Cash and cash balances and loans to central banks	190,000	217,808	133,651	119,915	183,611
Loans to credit institutions	34,715	50,527	58,542	90,945	102,623
Loans to the public	1,484,803	1,453,019	1,353,386	1,355,680	1,302,568
Other financial assets	635,871	857,758	899,867	1,024,466	845,788
Other assets	214,208	41,534	50,518	50,240	50,244
TOTAL ASSETS	**2,559,596**	**2,620,646**	**2,495,964**	**2,641,246**	**2,484,834**
Deposits from central banks and credit institutions	89,076	119,864	118,506	115,186	176,191
Deposits and borrowing from the public	1,004,721	962,028	883,785	943,114	849,475
Other financial liabilities	1,092,981	1,260,785	1,215,838	1,303,584	1,204,991
Other liabilities	228,892	136,993	135,037	144,786	131,363
Total equity	143,925	140,976	142,798	134,576	122,814
TOTAL LIABILITIES AND EQUITY	**2,559,596**	**2,620,646**	**2,495,964**	**2,641,246**	**2,484,834**

Key figures

	2017	2016	2015	2014	2013
Return on equity, %	11.53	7.80	12.24	15.25	13.11
Return on equity excluding items affecting comparability, %	12.67	11.30	12.85	13.07	13.11
Basic earnings per share, SEK	7.49	4.88	7.57	8.79	6.74
Cost/Income ratio	0.48	0.50	0.49	0.50	0.53
Credit loss level, %	0.05	0.07	0.06	0.09	0.09
Total reserve ratio for individually impaired loans, %	55.1	68.8	68.3	62.2	86.9
Gross level of impaired loans, %	0.39	0.33	0.35	0.49	0.35
Common Equity Tier 1 capital ratio[1)], %	19.4	18.8	18.8	16.3	15.0
Tier 1 capital ratio[1)], %	21.6	21.2	21.3	19.5	17.1
Total capital ratio[1)], %	24.2	24.8	23.8	22.2	18.1

1) Basel III.

Skandinaviska Enskilda Banken

Income Statement

SEK m	2017	2016	2015	2014	2013
Net interest income	20,017	19,242	19,488	19,783	18,872
Net fee and commission income	9,557	8,843	9,200	9,235	8,283
Net financial income	4,493	4,642	3,428	2,121	3,547
Other income	8,323	7,398	9,165	5,089	6,838
Total operating income	**42,390**	**40,125**	**41,281**	**36,228**	**37,540**
Administrative expenses	−14,252	−15,039	−13,458	−13,909	−14,062
Depreciation, amortisation and impairment of tangible and intangible assets	−6,377	−5,775	−5,447	−5,157	−5,024
Total operating costs	**−20,629**	**−20,814**	**−18,905**	**−19,066**	**−19,086**
Profit before credit losses	**21,761**	**19,311**	**22,376**	**17,162**	**18,454**
Net credit losses	−749	−789	−520	−1,065	−451
Impairment of financial assets	−1,497	−3,841	−775	−2,721	−1,691
Operating profit	**19,515**	**14,681**	**21,081**	**13,376**	**16,312**
Appropriations including pension compensation	1,885	2,437	781	966	3,432
Taxes	−3,590	−2,740	−3,817	−2,053	−2,805
NET PROFIT	**17,811**	**14,378**	**18,045**	**12,289**	**16,939**

Balance sheet

SEK m	2017	2016	2015	2014	2013
Cash and cash balances with central banks	97,741	70,671	55,712	59,170	135,309
Loans to credit institutions	192,591	287,059	166,267	194,285	183,312
Loans to the public	1,196,824	1,172,095	1,080,438	1,056,807	1,013,188
Other financial assets	359,162	422,305	516,708	623,920	523,970
Other assets	45,845	47,714	47,480	51,960	48,379
TOTAL ASSETS	**1,892,163**	**1,999,844**	**1,866,605**	**1,986,142**	**1,904,158**
Deposits from central banks and credit institutions	127,539	168,852	134,816	144,776	210,237
Deposits and borrowing from the public	822,151	782,584	690,301	706,452	611,234
Other financial liabilities	804,683	915,450	905,621	1,002,762	958,231
Other liabilities	11,599	9,823	14,621	17,587	17,006
Shareholders' equity and untaxed reserves	126,191	123,135	121,246	114,565	107,450
TOTAL LIABILITIES, UNTAXED RESERVES AND SHAREHOLDERS' EQUITY	**1,892,163**	**1,999,844**	**1,866,605**	**1,986,142**	**1,904,158**

Key figures

	2017	2016	2015	2014	2013
Return on equity, %	16.3	12.6	16.5	11.8	17.7
Cost/Income ratio	0.49	0.52	0.46	0.53	0.51
Credit loss level, %	0.05	0.06	0.04	0.09	0.04
Gross level of impaired loans, %	0.33	0.22	0.17	0.31	0.08
Common Equity Tier 1 capital ratio[1)], %	19.8	18.8	19.2	16.2	16.3
Tier 1 capital ratio[1)], %	22.5	21.7	22.1	20.0	18.9
Total capital ratio[1)], %	25.5	26.1	25.0	23.1	20.0

1) Basel III.

Proposal for the distribution of profit

Standing at the disposal of the Annual General Meeting in accordance with the balance sheet of Skandinaviska Enskilda Banken AB:

	SEK
Other reserves	1,475,959,326
Retained earnings	50,108,021,770
Net profit for the year	17,811,025,076
Total[1]	**69,395,006,172**

The Board proposes that, following approval of the balance sheet of Skandinaviska Enskilda Banken AB for the financial year 2017, the Annual General Meeting should distribute the earnings as follows:

	SEK
Dividend to shareholders:	
– SEK 5.75 per Class A share	12,477,610,941
– SEK 5.75 per Class C share	138,876,921
To be carried forward to:	
– retained earnings	56,778,518,310
Total	**69,395,006,172**

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands which are imposed by the nature, scope, and risks associated with the business and the size of the Parent company's and the Group's equity and need for consolidation, liquidity and financial position in general.

1) The Parent Company's equity would have been SEK 10,385m lower if assets and liabilities had not been measured at fair value in accordance with Chapter 4, Section 14 of the Swedish Annual Accounts Act.

Signatures of the Board of Directors and the President

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a relevant and faithful representation of the Group's financial position and results of operations.

The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Report of the Directors for the Group and the Parent company provides a fair review of the development of the Group's and the Parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent company and companies included in the Group.

Stockholm 20 February 2018

Marcus Wallenberg
Chairman

Sven Nyman
Vice Chairman

Jesper Ovesen
Vice Chairman

Johan H. Andresen
Director

Signhild Arnegård Hansen
Director

Samir Brikho
Director

Winnie Fok
Director

Tomas Nicolin
Director

Helena Saxon
Director

Sara Öhrvall
Director

Anna-Karin Glimström
Director
Appointed by the employees

Håkan Westerberg
Director
Appointed by the employees

Johan Torgeby
President and Chief Executive Officer
Director

Auditor's report

To the general meeting of the shareholders of Skandinaviska Enskilda Banken AB (publ), Corporate Identity Number 502032-9081

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Skandinaviska Enskilda Banken AB (SEB) for the year 2017 with the exception of the sustainability report on pages 67–71. The annual accounts and consolidated accounts of the company are included on pages 32–166 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies.

A corporate governance report has been prepared. The report of the directors and the corporate governance report are consistent with the other parts of the annual accounts and consolidated accounts and the annual accounts act for Credit Institutions and Securities Companies.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and the consolidated accounts are consistent with the content of the supplementing report that has been presented to the audit committee of the Board of Directors in accordance with the audit regulation (537/2014) article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the audit regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Managing Director and the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The SEB group has centralized service centers, systems and processes and has a centralized finance function for its Swedish entities and branches in the Nordic countries and the UK. We have organized the audit work by having our central audit team to carry out the testing of all centralized systems and processes and the local audit teams to carry out additional testing based on our instructions.

Full scope audit and reporting is performed at entities with high significance and risk to the group. The audit is carried out in accordance with International Standards on Audit and local audit requirements. The procedures applied generally include an assessment and testing of controls over key business processes, analytical procedures of individual account balances, tests of accounting records through inspection, observation or confirmation, and obtaining corroborating evidential matter in response to inquiries.

For some entities, even though not considered to have high significance or risk, it is required from a group audit perspective to obtain assurance on certain accounting areas. In these cases, local audit teams are instructed to perform certain procedures and report back to us. The procedures applied generally include a detailed analytical review, reconciliation to underlying sub-ledgers, substantive testing for specific processes, areas and accounts, discussion with management regarding accounting, tax and internal control as well as follow-ups on known issues from previous periods.

As part of our audit we place reliance on internal controls for the applications/systems and related platforms that supports SEB's accounting and financial reporting. Therefore, we perform audit procedures to determine that systems and processes are designed, maintained, operated and kept secure in such a way as to provide assurance that the risk of error is minimized. The audit procedures include walk-throughs of processes and evaluation of design and test of effectiveness of controls. Substantive testing has also been performed. Where possible we have relied on management's own evaluation activities and audits performed by SEB Internal Audit.

Our audit is carried out continuously during the year with special attention at each quarter end. In connection with the SEB group's issuance of interim reports, we report our observations to the Audit Committee of the Board of Directors and issue interim review reports. At the end of the year, we also report our main observations to the full Board of Directors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Impairment of loans to customers

Accounting for impairment of loans to customers requires subjective judgement over both timing of recognition of impairment and the size of any such impairment.

SEB makes provisions for incurred credit losses on individually assessed loans and for portfolio assessed loans. Loans to corporate, real estate and institutional counterparties are primarily individually assessed and specific provisions are made for identified impaired loans (individually assessed impaired loans). Loans that have not been deemed to be impaired on an individual basis and which have similar credit risk characteristics are grouped together and assessed collectively for impairment. Valuations of loans to private individuals and small businesses are to a large extent made on a portfolio basis (portfolio assessed loans).

▸▸ *Refer to the Annual Report Note 17a – Credit risk and Note 19 – Loans.*

How our audit addressed the Key audit matter

Our audit included a combination of testing of internal controls over financial reporting and substantive testing. The testing of internal controls included procedures relating to the governance structure, segregation of duties and key controls in the lending processes. Substantive testing was made of a sample of provisioning models used, larger credits and higher risk portfolios. In 2017, we had a special focus on loans to customers in the oil, gas and offshore industries. We also reviewed SEB's back testing of collective provisions.

Based on our work, we had no material observations for the overall audit on the level of loan loss provisions as at 31 December 2017.

Key audit matter

Valuation of financial instruments held at fair value

The valuation of financial instruments held at fair value was an area of audit focus due to their significance in presenting both financial position and performance.

Determining fair value of financial instruments is inherently complex as many instruments are complex and as risks and market prices are ever changing. For some instruments there is also limited availability of observable prices or rates. Because of these factors, the valuation of some instruments involves significant management judgment.

The majority of SEB's assets and liabilities measured at fair value are held for client facilitation, liquidity or hedging purposes. Between 92-93% of the positions are fair valued based on observable prices or rates traded in active markets. The remaining 7-8% of the positions are valued based on models and are mainly venture capital holdings and certain derivatives held for hedging purposes.

▸▸ *Refer to the Annual Report Note 21 – Fair value measurement of assets and liabilities, Note 22 – Financial assets at fair value through profit or loss, Note 23 – Available-for-sale financial assets, Note 24 – Investments in associates, Note 31 – Financial Liabilities at fair value through profit or loss.*

How our audit addressed the Key audit matter

In our audit, we assessed the design and tested the operating effectiveness of key controls supporting the identification, measurement and oversight of valuation risk of financial instruments.

In addition to test appropriate segregation of duties, we examined SEB's independent price verification process, model validation and approval processes, controls over data feeds and valuation inputs as well as SEB's governance and reporting processes and controls. We paid particular attention to controls relating to complex instruments.

For valuations dependent on unobservable inputs or which involved a higher degree of judgement for other reasons, we used our valuation specialists to evaluate the assumptions, methodologies and models used by SEB. We performed independent valuations of a sample of positions.

Based on our work, we had no material observations for the overall audit on the valuation of financial instruments held at market value as at 31 December 2017.

Key audit matter

IFRS 9 disclosures

IFRS 9, the new accounting standard for financial instruments came into effect on 1 January 2018. The standard replaces the current IAS 39 standard. SEB present the financial effects of the new standard in Accordance with IAS 8.

The new standard has significant effects on SEB's opening balance for 2018, which is presented in disclosures to the annual report for 2017.

The two main areas affecting SEB are:

- Classification and measurement: How different types of financial instruments are to be classified and measured and accounted for. Valuation and accounting is determined based on the underlying business model.
- Impairment: The methodology for loan loss provisioning. The new model requires companies to use forward looking information in an expected loss model instead of the currently used incurred loss model.

▸▸ *Refer to the Annual Report Note 1 – Note about IFRS 9.*

How our audit addressed the Key audit matter

We have audited the disclosures made related to the financial effects and the transition from IAS 39 to IFRS 9. We have also audited overall governing documents and the overall governance in SEB to ensure adherence to IFRS 9.

For Classification and measurement, we have examined SEB's business model assessments for a large number of contracts to validate the classifications made are in accordance with IFRS 9.

For Impairment, we have reviewed definitions made, data sources used and the overall mechanics of the impairment models used and validated adherence to IFRS 9. We have also tested a sample of impairment models to ensure that the model calculator is working as described in the model documentation. The sample selected was risk based addressing either significant volumes or complex products.

Based on our work, we had no material observations for the overall audit on the disclosures of the IFRS 9 implementation in accordance with IAS 8 as at 31 December 2017

Key audit matter

Provision for uncertain tax positions

SEB is subject to taxation in many jurisdictions and, in many cases, the final tax treatment is uncertain and not determined until resolved with the relevant tax authority. Consequently, SEB makes judgements about the probability and amount of tax liabilities which are subject to assessments by tax authorities and potentially associated with legal processes.

Additionally, tax legislation is under significant and rapid change which when becoming effective affect both current period tax costs and the valuation of tax assets.

Refer to the ▸▸ *Annual Report Note 15 – Taxes and Note 32 – Other liabilities.*

How our audit addressed the Key audit matter

In our audit of tax costs and valuation of tax assets and liabilities, we have tested internal controls and performed substantive testing. The testing of internal controls included procedures relating to the governance structure, segregation of duties and key controls in the tax process.

In the substantive testing we have used our tax specialists to examine potential implications of ongoing tax audits and legal processes. We have followed correspondence with tax authorities and opinions SEB received from its external legal advisers. We have also independently examined the matters in dispute and the provisions made by SEB.

Based on our work, we had no material observations for the overall audit on the level of provisions for uncertain tax positions as at 31 December 2017.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–31. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: *revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf* This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Skandinaviska Enskilda Banken AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf

This description is part of the auditor's report.

Report on the statutory sustainability report
The Board of Directors is responsible for the preparation of the sustainability report included on pages 67–71 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A sustainability report has been prepared.

PricewaterhouseCoopers AB, was appointed as the auditor of SEB by the annual general meeting 2017, and has been SEB's auditor since 2000.

Stockholm 20 February 2018
PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant

Martin By
Authorized Public Accountant

Auditors' limited assurance report on the statutory sustainability report

To the general meeting of the shareholders in Skandinaviska Enskilda Banken AB, corporate identity number 502032-9081

Introduction
We have been engaged by Skandinaviska Enskilda Banken AB (publ) (SEB) to undertake a limited assurance engagement of the statutory sustainability report for the year 2017 on pages 67-71.

Responsibilities of the Board
The Board of Directors is responsible for the preparation of a sustainability report in accordance with the Annual Accounts Act. This responsibility includes the internal control relevant to the preparation of a sustainability report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor
Our responsibility is to express a conclusion on the sustainability report based on the procedures we have performed.

We have conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the sustainability report, and applying analytical and other limited assurance procedures.

A limited assurance engagement is different and substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

The audit firm applies ISQC 1 *International Standard on Quality Control* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our procedures are based on the requirements on sustainability reporting in the Annual Accounts Act. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the sustainability report is not prepared, in all material respects, in accordance with the criteria in the Annual Accounts Act.

Stockholm, 20 February 2018
PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant

Fredrik Ljungdahl
Expert Member of FAR

Definitions

Alternative Performance Measures [1)]

Items affecting comparability
To facilitate the comparison of SEB's operating profit between current and previous periods, items with significant impact that management considers affect the comparability or are relevant for the understanding of the financial result, are identified and separately described, e.g. impairment of goodwill, restructuring, net profit from divestments and other income or costs that are not recurring.

Operating profit
Total profit before tax.

Operating profit before items affecting comparability
Total profit before items affecting comparability and tax.

Return on equity
Net profit attributable to shareholders in relation to average [2)] shareholders' equity.

Return on equity excluding items affecting comparability
Net profit attributable to shareholders, excluding items effecting comparability and their related tax effect, in relation to average [2)] shareholders' equity.

Return on business equity
Operating profit by division, reduced by a standard tax rate, in relation to the divisions' average[2)] business equity (allocated capital).

Return on total assets
Net profit attributable to shareholders, in relation to average [2)] total assets.

Return on risk exposure amount
Net profit attributable to shareholders in relation to average [2)] risk exposure amount.

Cost/income ratio
Total operating expenses in relation to total operating income.

Basic earnings per share
Net profit attributable to shareholders in relation to the weighted average[3)] number of shares outstanding before dilution.

Diluted earnings per share
Net profit attributable to shareholders in relation to the weighted average[3)] diluted number of shares. The calculated dilution is based on the estimated economic value of the long-term equity-based programmes.

Net worth per share
The sum of shareholders' equity and the equity portion of any surplus values in the holdings of interest-bearing securities and the surplus value in life insurance operations in relation to the total number of outstanding shares.

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

Credit loss level
Net credit losses in relation to the sum of the opening balances of loans to the public, loans to credit institutions and loan guarantees less specific, collective and off balance sheet reserves.

Gross level of impaired loans
Individually assessed impaired loans, gross, in relation to the sum of loans to the public and loans to credit institutions before reduction of reserves.

Net level of impaired loans
Individually assessed impaired loans, net (less specific reserves), in relation to the sum of net loans to the public and loans to credit institutions less specific reserves and collective reserves.

Specific reserve ratio for individually assessed impaired loans
Specific reserves in relation to individually assessed impaired loans.

Total reserve ratio for individually assessed impaired loans
Total reserves (specific reserves and collective reserves for individually assessed impaired loans) in relation to individually assessed impaired loans.

Reserve ratio for portfolio assessed loans
Collective reserves for portfolio assessed loans in relation to portfolio assessed loans past due more than 60 days or restructured loans.

Non-performing loans (NPL)
SEB's term for loans that are either impaired or not performing according to the loan contract. Includes individually assessed impaired loans, portfolio assessed loans, past due more than 60 days and restructured portfolio assessed loans .

NPL coverage ratio
Total reserves (specific, collective and off balance sheet reserves) in relation to non-performing loans.

NPL per cent of lending
Non-performing loans in relation to the sum of loans to the public and loans to credit institutions before reduction of reserves.

▸▸ *See sebgroup.com/ir for the excel file entitled Alternative Performance Measures which includes information on the calculation of alternative performance measures.*

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

Definitions

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

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

Common Equity Tier 1 capital
Shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets and certain other regulatory adjustments defined in EU Regulation no 575/2013 (CRR).

Tier 1 capital
Common Equity Tier 1 capital plus qualifying forms of subordinated loans.

Tier 2 capital
Mainly subordinated loans not qualifying as Tier 1 capital contribution.

Own funds
The sum of Tier 1 and Tier 2 capital.

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

Tier 1 capital ratio
Tier 1 capital as a percentage of risk exposure amount.

Total capital ratio
Total own funds as a percentage of risk exposure amount.

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

Liquidity Coverage Ratio (LCR)
High-quality liquid assets as a percentage of the estimated net cash outflows over the next 30 calendar days.

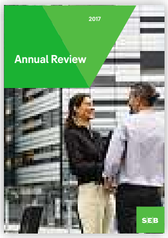
Calendar

2017 Annual Accounts	31 January 2018
Annual Report	5 March 2018
Annual General Meeting	26 March 2018
Interim report January – March	30 April 2018
Interim report January – June	17 July 2018
Interim report January – September	25 October 2018

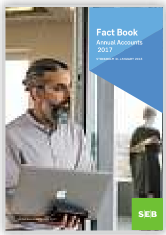
Corporate website
Financial information, publications and other information regarding SEB is available at
sebgroup.com

Financial information and publications

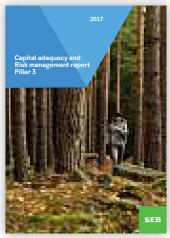
Annual Report
Information on SEB's business, strategy, risk management and corporate governance. Detailed information on SEB's financial position and results. Includes SEB's Sustainability Report.



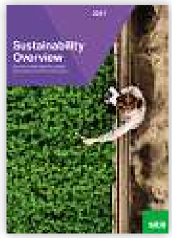
Annual Review
An abbreviated version of the Annual Report.



Interim reports and fact books
Quarterly reports on SEB's financial performance. Detailed information on SEB's financial position and results in fact books.



Capital Adequacy and Risk Management Report (Pillar 3)
Disclosure on capital adequacy and risk management in accordance with regulatory requirements.



Sustainability Overview
Annual general information on SEB's sustainability approach and performance. Includes highlights for 2017, the Global Reporting Initiative (GRI) Index and Fact Book.

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Subscribe to a digital version of the interim reports and the fact book (pdf) at *sebgroup.com/press*

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Annual General Meeting

The Annual General Meeting will be held on Monday 26 March 2018 at 1 pm (CET) at Stockholm Concert Hall, Hötorget, Stockholm, Sweden.

A notice convening the Annual General Meeting, including an agenda, is available on sebgroup.com

Shareholders who wish to attend the Annual General Meeting shall at the latest on Tuesday 20 March 2018:
– be registered in the shareholders' register kept by Euroclear Sweden AB, and
– have notified the bank in either of the following ways:
  - by telephone 0771 23 18 18 (+46 771 23 18 18 from outside Sweden) between 9 am and 4.30 pm (CET) or
  - at sebgroup.com or
  - in writing to the following address: Skandinaviska Enskilda Banken c/o Euroclear Sweden, Box 191, 101 23 Stockholm, Sweden

Dividend

The Board proposes a dividend of SEK 5.75 per share for 2017.

Wednesday 28 March 2018, is proposed as record date for the dividend payments. If the Annual General Meeting resolves in accordance with the proposal, the share will be traded ex-dividend on Tuesday 27 March 2018 and dividend payments are expected to be distributed by Euroclear Sweden AB on Wednesday 4 April 2018.

Head office

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1) As of 1 May 2018, Masih Yazdi assumes the position of Finance Director (telephone +46 72 023 9458, e-mail: masih.yazdi@seb.se)
2) As of 1 April 2018 Christoffer Geijer assumes the position of Head of Investor Relations (telephone + 46 8 506 23198, e-mail: christoffer.geijer@seb.se)

Skandinaviska Enskilda Banken AB's corporate registration number: 502032-9081

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