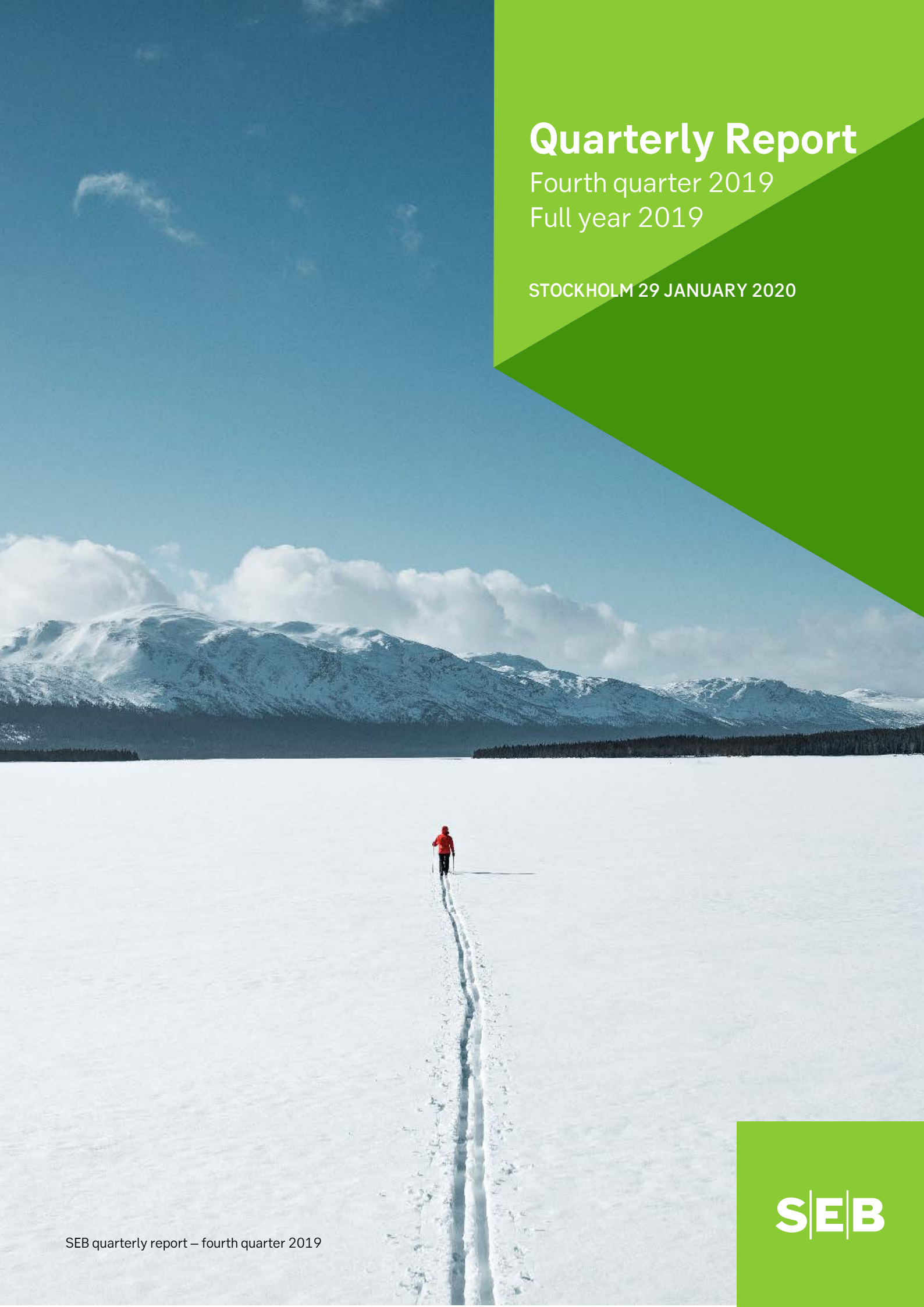


Quarterly Report

Fourth quarter 2019

Full year 2019

STOCKHOLM 29 JANUARY 2020



Fourth quarter 2019

The quarter in brief

- Strong operating income growth driven by high client activity and higher interest rates
- Operating expenses were higher and net expected credit losses increased, explained by two specific corporate engagements
- Strong capital position with a 250 basis points buffer above the regulatory requirement

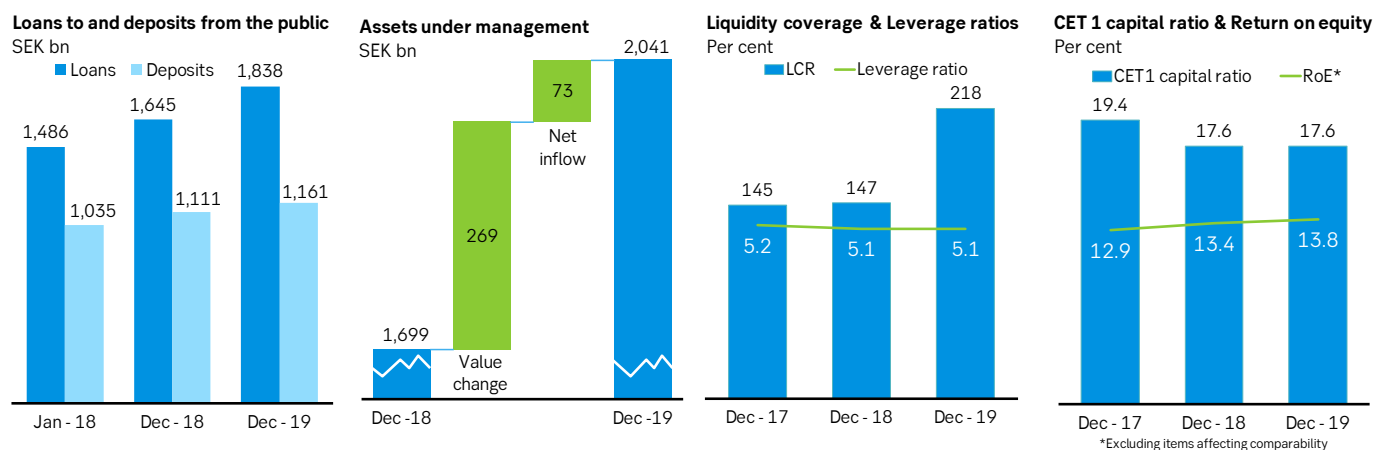
Dividend

- The Board of Directors proposes a dividend to the shareholders of SEK 6.25 per share

Summary

SEK m	Q4			Q3		Q4		Jan–Dec		
	2019	2019	%	2018	%	2019	2018			
Total operating income	14 089	11 942	18	11 744	20	50 134	45 868	9		
Total operating expenses	-6 026	-5 589	8	-5 561	8	-22 945	-21 940	5		
Net expected credit losses	- 997	- 489	104	- 413	142	-2 294	-1 166	97		
Operating profit before items affecting comparability	7 063	5 864	20	5 768	22	24 894	22 779	9		
Items affecting comparability							4 506	-100		
Operating profit	7 063	5 864	20	5 768	22	24 894	27 285	-9		
NET PROFIT	5 831	4 772	22	4 576	27	20 177	23 134	-13		
Return on equity, %	15.5	13.2		12.4		13.7	16.3			
Return on equity excluding items affecting comparability, %	15.5	13.2		12.8		13.8	13.4			
Basic earnings per share, SEK	2.70	2.21		2.12		9.33	10.69			

Volumes and key ratios



President's comment



Following months of uncertainty, the global economic outlook stabilised towards the end of the year. This was the result of central banks' lowering of interest rates and continuing quantitative easing, recent progress in the US-China trade negotiations, diminished Brexit uncertainty and signs of industrial activity bottoming out, among other things. Based on optimism that the US economy would not slow down as much as expected, the bond market stabilised and the inverted US yield curve reversed. The positive development of equity markets also continued. The Swedish central bank ended five years of negative interest rates as it decided to increase the policy rate by 25 basis points to zero.

High client activity and solid financial performance

We experienced yet another quarter of high client activity and, as a universal bank, we continued to benefit from our diversified business model. In the division Large Corporates & Financial Institutions, we continued to grow across our home markets. Demand for corporate lending and advisory services, combined with higher activity among institutional customers in SEB's Markets business, drove income. Going forward, the pipeline for lending and investment banking activity remains robust in the short term. In the division Corporate & Private Customers, we continued to grow our market share in both corporate lending and household mortgages. However, the income effect from volume growth in the latter segment was partly offset as margins continued to contract. In the divisions Life and Investment Management, financial performance was primarily driven by higher asset values. The Baltic division experienced another quarter of sound business momentum, solid credit growth and high asset quality. In the quarter, assets under custody rose by 13 per cent to SEK 10,428bn and assets under management increased by SEK 98bn to SEK 2,041bn. Private banking and institutional customers were the main drivers of net flows. The savings business remains a focus area for the bank.

In summary, the operating profit increased by 22 per cent compared with the same quarter last year. Return on equity reached 15.5 per cent, a satisfactory result where we also benefited from favourable market conditions. Operating expenses increased, mainly driven by investments in our strategic initiatives and in our capabilities to combat money laundering and other financial crime, but also due to higher costs related to the strong financial performance. Asset quality remained high while net expected credit losses increased in the fourth quarter. The increase can be explained by two specific corporate engagements. The net expected credit loss level of 10 basis points for the full year

of 2019 is therefore a more representative number of our asset quality than the quarter in isolation, given the current macroeconomic environment. At year-end, we reported a capital buffer of 250 basis points above regulatory requirements. The buffer is above our capital target also when taking the increased risk-weights on commercial real estate in Sweden into account. SEB's Board of Directors proposes an ordinary dividend per share of SEK 6.25 for 2019 to the Annual General Meeting.

Regulatory update

In December, the Swedish Financial Supervisory Authority initiated a sanction evaluation process for SEB's internal control and governance of its subsidiary banks in the Baltics. The review is expected to be concluded in April 2020. For SEB, it has always been a priority to maintain the highest standards of corporate governance, compliance and risk management and we therefore continue to invest in new technologies, processes and training to strengthen our capabilities even further.

One year into the business plan 2019-2021


As we now close the books for 2019, we can also conclude the first year of our business plan for 2019-2021. Our focus and activities have been concentrated on the strategic focus areas: *advisory leadership*, *operational excellence* and *extended presence*, and we are progressing in line with plan across all three areas. The investments in our strategic initiatives, aiming to accelerate transformation by leveraging new adjacent business opportunities, have also developed broadly as expected and we remain committed to deliver on our cost target of SEK 23bn¹ for 2021.

Within the area of *advisory leadership*, we have sharpened our advisory capabilities by establishing dedicated efforts to better address customers' growing demand for advisory within energy, sustainability and technology. New functionality in our digital channels, both web and mobile app, was also developed to enhance the customer experience.

In the area of *operational excellence*, the ongoing automation of processes has improved efficiency and speed in customer delivery as we continued our implementation of robotics, agile ways-of-working and centres of excellence.

With the objective to meet customers on their terms by *extending our presence*, we have developed several strategic partnerships during the year. As part of our open banking agenda, we have continued to develop an API-driven architecture. The internal efficiency gains from this have exceeded expectations, allowing us to exchange data across the organisation at scale and speed and thus supporting existing products more efficiently but also our capability to introduce new products and features.

Overall, 2019 was a year of execution for us at SEB. Despite our achievements, our ambitions are even higher. By continuing to invest in our future we aim to confirm our position as the leading Nordic bank for corporates and institutions, and the top universal bank in Sweden and the Baltics.



¹ Assuming 2018 foreign exchange rates. With the foreign exchange rates as of December 2019, the cost target implies a cost level of around SEK 23.3bn in 2021.

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The full year 2019

Operating profit before items affecting comparability increased by SEK 2,115m, 9 per cent, and amounted to SEK 24,894m (22,779). There were no items affecting comparability in 2019, but in 2018 these items amounted to SEK 4,506m (see note 8). Net profit amounted to SEK 20,177m (23,134).

Operating income

Total operating income increased by SEK 4,266m, 9 per cent, compared with 2018 and amounted to SEK 50,134m (45,868).

Net interest income amounted to SEK 22,950m, which represented an increase of 9 per cent year-on-year (21,022).

SEK m	Jan–Dec		Change
	2019	2018	%
Customer-driven NII	25 356	23 217	9
NII from other activities	-2 406	-2 195	10
Total	22 950	21 022	9

Customer-driven net interest income includes the net interest income derived from loans to and deposits from the public and also reflects an internal funding pricing element. Customer-driven net interest income increased by SEK 2,139m year-on-year. Lending volumes increased, but the related increase in net interest income was offset by lower margins. The Swedish repo rate increased during the year and the compensation to the divisions for deposits from Treasury was higher. In all, this led to a positive deposit margin effect.

Net interest income from other activities (including for instance funding and other Treasury activities, trading and regulatory fees) was SEK 211m lower year-on-year. One explanatory factor was Treasury's internal compensation for deposits. Applying IFRS 16, the new accounting rules for leases, increased interest expense by SEK 92m. Regulatory fees, for both resolution funds and deposit guarantees, were SEK 366m lower year-on-year and amounted to SEK 2,129m (2,495). In 2019, the resolution fund fee was reduced to 0.09 per cent from 0.125 in 2018 (see page 10).

Net fee and commission income was 2 per cent higher than 2018 and amounted to SEK 18,709m (18,364). Demand for capital market financing, advisory services and corporate lending was high. Compared with 2018, gross fees from the issuance of securities and advisory services increased by 25 per cent to SEK 1,312m. Gross lending fees increased by SEK 342m to SEK 2,869m year-on-year as the number of loan transactions increased. Gross fee income from custody and

mutual funds, excluding performance fees, decreased by SEK 194m to SEK 7,661m year-on-year, primarily driven by an adverse product mix effect on margins. Performance fees decreased by SEK 106m to SEK 121m year-on-year affected by a valuation adjustment in the Investment Management business (see page 23). Net payment and card fees increased by 6 per cent year-on-year to SEK 4,096m (3,851). Large corporate customers were active in cash management and card payment volumes were high. The net life insurance commissions related to the unit-linked insurance business decreased by SEK 85m year-on-year of which SEK 79m was due to the divestment of SEB Pension in Denmark in 2018 (see note 8).

Net financial income increased by 25 per cent to SEK 7,617m (6,079). Both corporate and institutional customers were actively managing risk and investment portfolios, especially in parts of the year when market volatility was higher. There were also positive market valuation effects. The effect in the fair value credit adjustment¹⁾ amounted to SEK -1m (-119). Other life insurance income, net, decreased by SEK 262m to SEK 722m year-on-year, of which SEK 274m was due to the divestment of SEB Pension in Denmark (see note 8).

Net other income increased to SEK 858m (402). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item. The divestment of SEB's holding in LR Realkredit A/S to Nykredit Realkredit A/S, in accordance with the agreement announced on 11 April 2019, was completed. The result was a capital gain of SEK 259m.

Operating expenses

Total operating expenses increased by 5 per cent to 22,945m (21,940), primarily driven by the strategic initiatives and an acceleration of investments in capabilities to prevent financial crime. Staff costs increased by 5 per cent due to a higher number of full-time equivalents, salary inflation and accruals for variable long-term remuneration. The average number of full-time equivalents increased to 14,939 (14,751 for the full year 2018). Offsetting IFRS 16 effects decreased other expenses and increased depreciation costs. Ordinary supervisory fees amounted to SEK 153m (153).

The cost target in the business plan for 2019-2021 is described on page 10. Operating expenses related to the strategic initiatives increased according to plan and the three-year cost target remains unchanged.

Comparative numbers (in parenthesis throughout the report):
The full-year 2019 result is compared with the full-year 2018.
The result for the fourth quarter 2019 is compared with the third quarter 2019.
Business segments comparisons are made year-to-year.
Business volumes are compared with year-end 2018, unless otherwise stated.

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

Net expected credit losses

Net expected credit losses increased to SEK 2,294m (1,166), driven by a few corporate engagements. The asset quality for 2019 was overall high and the net expected credit loss level was continued low at 10 basis points (6).

Items affecting comparability

There were no *items affecting comparability* in 2019. In 2018, items affecting comparability amounted to SEK 4,506m (see note 8).

Income tax expense

Income tax expense amounted to SEK 4,717m (4,152) with an effective tax rate of 19 per cent (15).

As per 1 January 2019, the Swedish corporate tax rate decreased from 22 to 21.4 per cent, which had a small effect on SEB's effective tax rate. In 2018, the effective tax rate was affected by items affecting comparability. Adjusted for items affecting comparability, the effective tax rate for 2018 was 18 per cent.

Return on equity

Return on equity for 2019 was 13.7 per cent (16.3). Excluding items affecting comparability return on equity for 2019 was 13.8 per cent (13.4).

Other comprehensive income

Other comprehensive income amounted to SEK 1,160m (-923). The value of SEB's pension plan assets exceeded the defined benefit obligations to the employees. The discount rate used for the pension obligation in Sweden was changed to 1.1 per cent (2.0 at year-end 2018) which increased the pension obligation. At the same time, in the favourable financial markets, the value of the pension assets was higher and the *net value* of the defined benefit pension plans increased which affected other comprehensive income by SEK 1,366m (-846).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash flow hedges and translation of foreign operations amounted to SEK -153m (-298).

The fourth quarter

Operating profit increased from the seasonally lower third quarter by SEK 1,199m, 20 per cent, to SEK 7,063m (5,864). *Net profit* amounted to SEK 5,831m (4,772). Compared with the fourth quarter 2018, the *operating profit* improved by 22 per cent.

Operating income

Total operating income increased by SEK 2,147m, 18 per cent, compared with the third quarter 2019 and amounted to SEK 14,089m (11,942). Operating income increased by 20 per cent compared with the fourth quarter 2018.

Net interest income amounted to SEK 5,930m, which represented a decrease of 1 per cent compared with the third quarter (5,983) and an increase by 14 per cent year-on-year.

	Q4	Q3	Q4
SEK m	2019	2019	2018
Customer-driven NII	6 454	6 298	5 903
NII from other activities	-524	-315	-688
Total	5 930	5 983	5 215

Customer-driven net interest income increased by SEK 156m compared with the third quarter 2019. Lending volumes increased, but the related increase in net interest income was partially offset by lower margins. Deposit margins increased, primarily driven by higher compensation for deposits from Treasury in the fourth quarter. There was an opposite effect in net interest income from other activities, i.e. Treasury. The positive Markets operations effect seen last quarter reversed in the fourth quarter. Funding costs increased, among other things due to the issuance of new additional tier 1 capital. Regulatory fees, including both resolution fund and deposit guarantee fees, were SEK 59m lower than the third quarter and amounted to SEK 522m (581). In total, net interest income from other activities were SEK 209m lower than the third quarter 2019.

Net fee and commission income increased by 6 per cent from the third quarter and amounted to SEK 4,989m (4,693). Year-on-year, net fee and commission income increased by 3 per cent. Corporate customers were active and gross fees from the issuance of securities and advisory services increased by SEK 144m to SEK 470m in the fourth quarter and by SEK 22m year-on-year. Gross lending fees also increased, by SEK 75m in the fourth quarter and by SEK 97m year-on-year, to SEK 762m. Gross fee income from custody and mutual funds, excluding performance fees, increased by SEK 28m to SEK 1,994m, in the fourth quarter, driven by higher equity markets. Performance fees, amounting to SEK 42m, increased by SEK 31m compared with the third quarter, however, year-on-year they were down by SEK 145m, affected by a valuation adjustment in the Investment Management business (see page 23). Net payment and card fees increased by 6 per cent compared with the third quarter when customer activity was seasonally lower. The net life insurance commissions related to the unit-linked insurance business decreased by 2 per cent compared with the third quarter 2019.

Net financial income increased by 136 per cent to SEK 2,822m (1,196) and by 87 per cent year-on-year. Customer activity increased in the higher interest rate environment and Treasury benefited from the movement in interest rates. In addition, there were positive market

valuation effects. The fair value credit adjustment¹⁾ amounted to SEK 267m versus -160m in the third quarter. Other life insurance income, net, increased by 45 per cent quarter on quarter, to SEK 219m, and by 86 per cent year-on-year.

Net other income amounted to SEK 349m (70). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item. See page 5 for information on a capital gain of SEK 259m.

Operating expenses

Total operating expenses increased by 8 per cent to SEK 6,026m (5,589). Compared with the fourth quarter 2018, operating expenses increased by 8 per cent.

Staff costs increased by 6 per cent compared with the third quarter. Other expenses increased by 9 per cent but were 12 per cent lower than the fourth quarter 2018 due to offsetting IFRS 16 implementation effects which decreased other expenses and increased depreciation costs. Supervisory fees amounted to SEK 39m (33).

Net expected credit losses

Net expected credit losses amounted to SEK 997m (489). The increase can be explained by two specific corporate engagements and resulted in a doubled net expected credit loss level of 18 basis points (9).

Items affecting comparability

There were no *items affecting comparability* in the fourth quarter 2019.

Income tax expense

Income tax expense amounted to SEK 1,232m (1,092) with an effective tax rate of 17 per cent (19).

Return on equity

Return on equity for the fourth quarter 2019 increased to 15.5 per cent (13.2).

Other comprehensive income

Other comprehensive income amounted to SEK 3,360m (-1,511). The value of SEB's pension plan assets exceeded the defined benefit obligations to the employees. The pension obligation decreased when the discount rate changed from 0.75 to 1.1 per cent. At the same time, in the favourable financial markets, the value of the pension assets was higher and the *net value* of the defined benefit pension plans increased which affected other comprehensive income by SEK 3,699m (-1,473).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash flow hedges and translation of foreign operations amounted to SEK -337m (-80).

Business volumes

Total assets at 31 December 2019 amounted to SEK 2,857bn, representing an increase of SEK 289bn in 2019 (2,573).

Loans

SEK bn	31 Dec	31 Dec
	2019	2018
General governments	14	19
Financial corporations	83	68
Non-financial corporations	880	806
Households	632	598
Collateral margin	46	56
Reverse repos	184	98
Loans to the public	1 838	1 645

Loans to the public increased by SEK 193bn during the year and amounted to SEK 1,838bn (1,645). Loans to non-financial corporations increased by SEK 74bn and household lending increased by SEK 34bn. While reverse repos (contractual agreements to buy and subsequently sell back securities) increased significantly, these volumes are generally short-term in nature.

SEB measures and monitors its credit risk exposure in the credit portfolio, which includes loans, contingent liabilities and derivatives. More information about the credit portfolio is available on page 8.

Deposits and borrowings

SEK bn	31 Dec	31 Dec
	2019	2018
General governments	22	27
Financial corporations	215	226
Non-financial corporations	508	461
Households	346	323
Collateral margin	57	49
Repos	5	3
Registered bonds	8	21
Deposits and borrowings from the public	1 161	1 111

Deposits and borrowings from the public increased by SEK 50bn to SEK 1,161bn (1,111). Deposits from non-financial corporations and households increased by SEK 70bn in 2019.

Assets under management and custody

Total assets under management amounted to SEK 2,041bn (1,699). The market value increased by SEK 269bn and the net inflow of assets amounted to SEK 73bn during the year.

Assets under custody increased during 2019 and amounted to SEK 10,428bn (7,734). The increase was mainly driven by the stock market appreciation and a number of new large custody mandates.

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

Business development

A number of transformative actions and initiatives are underway within each of the focus areas in SEB's business plan. Selected examples from the fourth quarter are:

Advisory leadership

The quality of SEB's advisory services and customer focus was confirmed as Prospera's ranking of Nordic banks was published. In Sweden, SEB was ranked as number one both among corporate and institutional customers. From a Nordic perspective, corporate customers ranked SEB as number two while institutional customers ranked SEB as number one.

Since SEB pioneered the green bond market in collaboration with the World Bank in 2008, we have continued to develop our products and services to remain in the forefront with our offering in sustainable products. In the fourth quarter, SEB was given a mandate by the Swedish National Debt Office to act as adviser in their first green bond issue. The purpose is to finance expenditures in the government budget that relate to sustainable investments and projects. Within the realm of social sustainability, SEB launched a real estate fund, SEB Arkadia Bostad. The fund targets institutional customers and invests to develop sustainable, space efficient and reasonably priced rental apartments. Another example is performance linked loans, where the bank links the loan terms to the customer's sustainability targets.

In terms of digital customer experience, SEB in both Latvia and Estonia launched a mobile wallet functionality. SEB's mobile app was enhanced to allow customers to make payments in physical point of sale terminals with their android mobile phones. The number of users is currently growing by more than five per cent on a weekly basis.

Operational excellence

A cash management function was moved to the global service team in Lithuania. The objective is to improve both the business process and operational efficiency when servicing international clients from all segments across all markets.

The AI-based chat bot, Aida, has been part of SEB's web-based customer service offering in Sweden for many years. In November, the Baltic banks introduced their local version. It speaks five languages and supports customers with internet authorisation, consumer lending and payment cards, among other things. The potential efficiency gains are highlighted by the fact that only 3 per cent of the customer dialogues were transferred to a manual process.

Extended presence

Within the area of open banking, a number of new APIs have been launched for collecting data to support the transformation towards a modern technology architecture and speed up development and customer value delivery. SEB continues the work to integrate enterprise resource planning (ERP) providers into the customer offering.

In co-operation with Cardlay, SEB's card business introduced a mobile app for travel and entertainment expense management for corporate customers. The mobile app enables customers to manage and approve expenses throughout the process completely digitally, while also benefiting from a value added tax management function.

Risk and capital

SEB assumes credit, market, liquidity, IT and operational as well as life insurance risks. The risk composition of the Group, as well as the related risk, liquidity and capital management, are described in SEB's Annual Report for 2018 (see page 44-49 and notes 41 and 42), in the Capital Adequacy and Risk Management Report for 2018 as well as the quarterly additional Pillar 3 disclosures. Further information is available in the Fact Book that is published quarterly.

Credit risk

SEK bn	31 Dec	31 Dec
	2019	2018
Banks	99	93
Corporates	1 268	1 146
Commercial real estate management	188	186
Residential real estate management	131	110
Housing co-operative associations Sweden	63	63
Public administration	72	55
Household mortgage	589	552
Household other	90	87
Total credit portfolio	2 498	2 292

Certain balances in the credit portfolio disclosure were reclassified during the first quarter 2019 to better reflect the portfolio characteristics. Historic information has been restated. The geographic split of the credit portfolio as presented in the Fact Book is now based on SEB's operations which matches where profits are reported. Furthermore, collateral margin is reflected based on an exposure-at-default amount rather than a nominal amount and repos are now included, also based on an exposure-at-default value.

SEB's credit portfolio, which includes loans, contingent liabilities and derivatives, increased by SEK 206bn to SEK 2,498bn (2,292). The corporate credit portfolio increased by SEK 122bn, 11 per cent, reflecting a broad-based growth across segments. The FX-adjusted corporate growth was 8 per cent. The household credit portfolio increased by SEK 39bn and the commercial and residential real estate management portfolios increased by SEK 23bn combined, with limited growth in the commercial segment.

Credit-impaired loans, gross (stage 3) increased during the year by SEK 3,238m to SEK 11,396m. The gross credit-impaired loans (stage 3) were 0.67 per cent of total loans.

Market risk

SEB's business model is mainly driven by customer demand. 10-day Value-at-Risk (VaR) in the trading book increased during the first six months and then decreased. Average VaR amounted to SEK 98m compared with SEK 90m for the year 2018. The Group does not expect to lose more than this amount, on average, during a period of ten trading days with 99 per cent probability.

The year ended at the lowest VaR-level of the year, SEK 59m, reflecting the reduced trading risk levels within SEB Markets.

Liquidity and long-term funding

Short-term funding, in the form of commercial paper and certificates of deposit, increased by SEK 146bn during the year. The increase reflects the regulatory requirements introduced on the liquidity coverage ratio in key currencies.

SEK 109bn of long-term funding matured during 2019 (of which SEK 52bn covered bonds and SEK 57bn senior debt). New issuance during the year amounted to SEK 140bn (of which SEK 81bn was covered bonds, SEK 51bn senior debt and SEK 9bn additional tier 1 capital).

The liquid assets defined according to the liquidity coverage requirements amounted to SEK 470bn at 31 December 2019 (403). The Liquidity Coverage Ratio (LCR) must be at least 100 per cent. At the end of the year, the LCR was 218 per cent (147).

The bank is committed to a stable funding base. SEB's internal structural liquidity measure, Core Gap, which measures the proportion of stable funding in relation to illiquid assets, was 109 per cent (110).

Rating

Moody's rates SEB's long-term senior unsecured debt at Aa2 with a stable outlook based on the bank's strong asset quality, robust capital ratios and good profitability, albeit with a view that the corporate business focus might add earnings cyclicality.

Fitch rates SEB's long-term senior unsecured debt at AA- with a stable outlook. The rating is based on SEB's low risk appetite, stable and well-executed strategy, robust asset quality and capitalisation as well as a supportive operating environment.

S&P rates SEB's long-term senior unsecured debt at A+ with a stable outlook. The rating is based on the stable and low-risk operating environment in Sweden, the bank's stable revenue base and position among leading Nordic corporates, sound market shares in corporate and household mortgage lending, profitability in line with peers and strong capitalisation.

Capital position

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

Own funds requirement, Basel III	31 Dec	31 Dec
	2019	2018
Risk exposure amount, SEK bn	746	716
Common Equity Tier 1 capital ratio, %	17.6	17.6
Tier 1 capital ratio, %	20.8	19.7
Total capital ratio, %	23.3	22.2
Leverage ratio, %	5.1	5.1

SEB's Common Equity Tier 1 (CET1) capital ratio was 17.6 per cent (17.6). The implementation of IFRS 16 in the first quarter lowered the CET 1 ratio by 15 basis points, all else equal. The CET1 capital increased to SEK 131bn (126) primarily driven by net profit.

SEB's applicable CET1 capital requirement per the end of 2019 was 15.1 per cent, whereof the pillar 2 requirement was 3.6 per cent, including 2 per cent systemic risk. The bank aims to have a buffer of around 150 basis points above the capital requirement. The buffer shall cover sensitivity to currency fluctuations, changes in the net value of the Swedish defined benefit pension plan as well as general macroeconomic uncertainties. Currently the buffer is 250 basis points.

Dividend

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 6.25 per Class A and Class C share, which corresponds to a payout ratio of 67 per cent. The total ordinary dividend amounts to SEK 13.5bn calculated on the total number of issued shares as per 31 December 2019, excluding own shares held.

The proposal shall be seen with reference to the dividend policy, the outlook for the economic environment, the Group's earnings generation and capital situation.

The SEB share will be traded ex-dividend on 24 March 2020. The proposed record date for the dividend is 25 March 2020 and dividend payments will be disbursed on 30 March 2020.

Risk exposure amount

SEK bn	YTD
Balance 31 Dec 2018	716
Asset size	26
Asset quality	-1
Foreign exchange movements	10
Model updates, methodology & policy, other	0
Underlying market and operational risk changes	-5
- where of market risk	-6
- where of operational risk	0
- where of CVA risk	0
Balance 31 Dec 2019	746

The total risk exposure amount (REA) increased by SEK 29bn to SEK 746bn. Credit volumes and foreign exchange movements contributed to higher credit risk REA. The impact on credit risk REA from model and methodology updates was a net increase of SEK 2bn, with increases from the implementation of IFRS 16 and updated credit risk models in the Baltic subsidiaries and a decrease from the approval to use internal model for German purchased receivables. Market risk REA increased during the first half of the year, but decreased during the second half, ending the year with a year-on-year decrease of SEK 8bn, whereof SEK 2bn was a result of an approval of changed methodology for measuring structural foreign exchange risk.

In accordance with the Swedish Financial Supervisory Authority's (SFS) requirements, the additional REA related to the mortgage risk-weight floor was reclassified from a Pillar 2 to a Pillar 1 requirement per 31 December 2018. This REA amounted to SEK 96bn at the end of 2019 (92).

Internally assessed capital requirement

As per 31 December 2019, the internally assessed capital requirement, including insurance risk, amounted to SEK 68bn (67). The internal capital requirement is assessed using SEB's internal models for economic capital and is not fully comparable to the estimated capital requirement published by the SFS due to differences in assumptions and methodologies.

The internally assessed capital requirement for the parent company amounted to SEK 65bn (62).

Other information

Long-term financial targets

SEB's long-term financial targets are:

- to pay a yearly dividend that is 40 per cent or above of the earnings per share,
- to maintain a Common Equity Tier 1 capital ratio of around 150 bps above the current requirement from the SFSA, and
- to generate a return on equity that is competitive with peers.

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

Cost target

SEB's business plan for 2019-2021 defines a number of strategic initiatives which, on an accumulated basis, are estimated to lead to total additional investments of SEK 2-2.5bn during the three-year period 2019-2021. This translates into an annual cost increase of SEK 1bn by 2021, and a new total cost target of around SEK 23bn by 2021, assuming 2018 FX-rates. With the foreign exchange rates as of 31 December 2019, the cost target implies a cost level of around SEK 23.3bn in 2021. The pace of investments will be dependent on progress and will be gradually ramped up over the three years. The strategic initiatives are expected to lead to both improved revenue growth and cost efficiencies, improving return on equity over time.

Resolution fund fee requirement change

According to Swedish law, the resolution fund fee for 2019 was reduced from 0.125 to 0.09 per cent, to be applied to adjusted 2017 balance sheet volumes. The fee will be reduced to 0.05 per cent from 2020 up until the resolution fund target of 3 per cent of guaranteed deposits in Sweden is met.

Currency effects

Compared with the third quarter 2019, operating income would have been SEK 9m higher with unchanged currency exchange rates while operating expenses would have been SEK 2m higher.

Compared with the full year 2018, operating income would have been SEK 560m lower with unchanged currency exchange rates while operating expenses would have been SEK 255m lower.

Compared with 2018 the positive currency effect on loans to and deposits from the public was SEK 17bn and 17bn, respectively. Total REA reflects a SEK 10bn positive currency effect while total assets were SEK 33bn higher.

Uncertainties

Macroeconomic indicators are contributing to growing concerns around a noticeable slowdown in growth. The large global economic imbalances and geopolitical as well as trade uncertainties remain. The potential reduction of liquidity support to financial markets from central banks worldwide may create direct and indirect effects that are difficult to

assess. The Swedish central bank does not currently forecast any change in its repo rate, which is currently zero per cent, until the end of 2022.

The German Federal Ministry of Finance issued a circular on 17 July 2017 with administrative guidance in relation to withholding taxes on dividends in connection with certain cross-border securities lending and derivative transactions; so-called cum-cum transactions. The circular states an intention to examine transactions executed prior to the change in tax legislation that was enacted 1 January 2016. Ongoing audits by the local tax administration have to date resulted in preliminary minor reclaims on selected tax years. SEB has requested that these reclaims should be revoked. Following a review, SEB is of the opinion that the cross-border securities lending and derivative transactions of SEB in Germany up until 1 January 2016 were conducted in compliance with then prevailing rules. Hence, to date no provisions have been made. Nevertheless, it cannot be ruled out that the outcome of potential future tax claims may have a negative financial effect on SEB.

SEB is subject to various legal regimes and requirements in all jurisdictions where the bank operates. Over the past years, the rules and regulations of the financial industry have expanded and further sharpened and the regulators have increased their supervision. This is a development which is expected to continue to evolve. Supervisory authorities regularly conduct reviews of SEB's regulatory compliance, including areas such as financial stability, transaction reporting, anti-money laundering, investor protection, and data privacy. SEB has policies and procedures in place with the purpose to always comply with applicable rules and regulations. It cannot, however, be ruled out that current and future supervisory reviews could lead to criticism or sanctions. Anti-money laundering (AML) reviews are ongoing in several jurisdictions, including the Nordic and the Baltic countries. As part of its ongoing supervisory review, the SFSA has publicly stated that it has initiated a sanction evaluation process regarding SEB's governance and control of measures against money laundering in the bank's subsidiaries in the Baltic countries. The outcome of the sanction evaluation process is expected to be communicated by the SFSA in April 2020. The outcome of this process is uncertain and could lead to sanctions.

Events after the reporting date

Cross-border merger of Skandinaviska Enskilda Banken SA
Skandinaviska Enskilda Banken AB (publ.) (SEB AB) and Skandinaviska Enskilda Banken SA in Luxembourg (SEB SA) decided on 19 June 2019 to dissolve SEB SA without liquidation by transfer of all assets and liabilities to SEB AB in a cross-border merger. The purpose is to simplify the group's governance structure and increase efficiency. Starting from 2 January 2020, the bank's activities in Luxembourg are operated through SEB AB's Luxembourg branch.

Financial statements – SEB Group

Income statement, condensed

SEK m	Q4			Q3			Q4			Jan–Dec		
	2019	2019	%	2018	%	2019	2018	%	2019	2018	%	
Net interest income ¹⁾	5 930	5 983	-1	5 215	14	22 950	21 022	9				
Net fee and commission income	4 989	4 693	6	4 848	3	18 709	18 364	2				
Net financial income	2 822	1 196	136	1 512	87	7 617	6 079	25				
Net other income	349	70		169	106	858	402	113				
Total operating income	14 089	11 942	18	11 744	20	50 134	45 868	9				
Staff costs	-3 807	-3 603	6	-3 382	13	-14 660	-14 004	5				
Other expenses ¹⁾	-1 746	-1 607	9	-1 991	-12	-6 623	-7 201	-8				
Depreciation, amortisation and impairment of tangible and intangible assets ¹⁾	-474	-379	25	-188	152	-1 662	-735	126				
Total operating expenses	-6 026	-5 589	8	-5 561	8	-22 945	-21 940	5				
Profit before credit losses	8 063	6 353	27	6 183	30	27 190	23 928	14				
Gains less losses from tangible and intangible assets	-3	1		-2	69	-2	18					
Net expected credit losses	-997	-489	104	-413	142	-2 294	-1 166	97				
Operating profit before items affecting comparability	7 063	5 864	20	5 768	22	24 894	22 779	9				
Items affecting comparability							4 506	-100				
Operating profit	7 063	5 864	20	5 768	22	24 894	27 285	-9				
Income tax expense	-1 232	-1 092	13	-1 192	3	-4 717	-4 152	14				
NET PROFIT	5 831	4 772	22	4 576	27	20 177	23 134	-13				
Attributable to shareholders of Skandinaviska Enskilda Banken AB	5 831	4 772	22	4 576	27	20 177	23 134	-13				
Basic earnings per share, SEK	2.70	2.21		2.12		9.33	10.69					
Diluted earnings per share, SEK	2.68	2.20		2.10		9.28	10.63					

1) IFRS 16 Leases is applied from 1 January 2019. The group has decided to apply the modified retrospective approach (no restatement made). Interest expense on lease liabilities and depreciation of right-of-use assets are replacing nearly all lease costs for premises from 2019.

Statement of comprehensive income

SEK m	Q4		Q3		Q4		Jan–Dec	
	2019	2019	%	2018	%	2019	2018	%
NET PROFIT	5 831	4 772	22	4 576	27	20 177	23 134	-13
Cash flow hedges	58	- 28		- 207		- 298	- 880	-66
Translation of foreign operations	- 395	- 52		- 163	142	145	582	-75
Items that may subsequently be reclassified to the income statement:	- 337	- 80		- 370	-9	- 153	- 298	-49
Own credit risk adjustment (OCA) ¹⁾	- 2	41		138		- 53	221	
Defined benefit plans	3 699	-1 473		-2 098		1 366	- 846	
Items that will not be reclassified to the income statement:	3 697	-1 432		-1 960		1 313	- 625	
OTHER COMPREHENSIVE INCOME	3 360	- 1 511		- 2 330		1 160	- 923	
TOTAL COMPREHENSIVE INCOME	9 191	3 261	182	2 246		21 336	22 211	-4
Attributable to shareholders of Skandinaviska Enskilda Banken AB	9 191	3 261	182	2 246		21 336	22 211	-4

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

Balance sheet, condensed

SEK m	31 Dec 2019	1 Jan ³⁾ 2019	31 Dec 2018
Cash and cash balances at central banks	146 691	209 115	209 115
Loans to central banks	4 494	33 294	33 294
Loans to credit institutions ²⁾	46 995	44 287	44 287
Loans to the public	1 837 605	1 644 825	1 644 825
Debt securities	238 578	156 128	156 128
Equity instruments	78 482	50 434	50 434
Financial assets for which the customers bear the investment risk	316 776	269 613	269 613
Derivatives	139 427	115 463	115 463
Other assets ³⁾	47 598	50 296	44 357
TOTAL ASSETS	2 856 648	2 573 455	2 567 516
Deposits from central banks and credit institutions	88 041	135 719	135 719
Deposits and borrowings from the public ¹⁾	1 161 485	1 111 390	1 111 390
Financial liabilities for which the customers bear the investment risk	317 574	270 556	270 556
Liabilities to policyholders	26 547	21 846	21 846
Debt securities issued	858 173	680 670	680 670
Short positions	27 343	23 144	23 144
Derivatives	122 192	96 872	96 872
Other financial liabilities	2 449	3 613	3 613
Other liabilities ³⁾	97 144	81 099	74 916
Total liabilities	2 700 947	2 424 910	2 418 727
Equity	155 700	148 545	148 789
TOTAL LIABILITIES AND EQUITY	2 856 648	2 573 455	2 567 516

1) Deposits covered by deposit guarantees 313 779 292 238 292 238

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

3) IFRS 16 Leases is applied from 1 January 2019. The group has decided to apply the modified retrospective approach (i.e. no restatement made). Right-of-use assets are included in Other assets and lease liabilities are included in Other liabilities from 2019. Increase in Other assets at 1 January 2019 stems from an increase in Right-of-use assets SEK 5,747m, Deferred tax assets SEK 51m and Other assets SEK 141m. Increase in Other liabilities at 1 January is a result of an increase in Lease liabilities SEK 6,337m offset by decreases in Provisions SEK 122m and Other liabilities SEK 32m.

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

Statement of changes in equity

SEK m	Other reserves ¹⁾							Equity
	Share capital	Available-for-sale financial assets	OCA ²⁾	Cash flow hedges	Translation of foreign operations	Defined benefit plans	Retained earnings	
Jan-Dec 2019								
Opening balance	21 942		-286	313	-315	2 533	124 604	148 789
Effect of applying IFRS 16 ³⁾							-244	-244
Restated balance at 1 January 2019	21 942		-286	313	-315	2 533	124 360	148 545
Net profit							20 177	20 177
Other comprehensive income (net of tax)			-53	-298	145	1 366		1 160
Total comprehensive income			-53	-298	145	1 366	20 177	21 336
Dividend to shareholders							-14 069	-14 069
Equity-based programmes ⁵⁾							-136	-136
Change in holdings of own shares							24	24
Closing balance	21 942		-339	15	-170	3 898	130 355	155 700
Jan-Dec 2018								
Opening balance	21 942	729		1 192	-897	3 379	114 893	141 237
Effect of applying IFRS 9 ⁴⁾		-729	-507				-1 160	-2 396
Restated balance at 1 January 2018	21 942		-507	1 192	-897	3 379	113 732	138 841
Net profit							23 134	23 134
Other comprehensive income (net of tax)			221	-880	582	-846		-923
Total comprehensive income			221	-880	582	-846	23 134	22 211
Dividend to shareholders							-12 459	-12 459
Equity-based programmes ⁵⁾							-111	-111
Change in holdings of own shares							307	307
Closing balance	21 942		-286	313	-315	2 533	124 604	148 789

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

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

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

4) IFRS 9 Financial Instruments is applied from 1 January 2018. Opening balance 2018 has been restated in fourth quarter 2018 with a positive amount of SEK 884m.

5) Number of shares owned by SEB:

	Jan-Dec 2019	Jan-Dec 2018
Number of shares owned by SEB, million		
Opening balance	30.3	27.1
Repurchased shares for equity-based programmes	8.7	6.9
Sold/distributed shares	-7.4	-3.8
Closing balance	31.5	30.3
Market value of shares owned by SEB, SEK m	2 774	2 607

In accordance with the decision by the Annual General Meeting, SEB holds own shares of Class A for the long-term equity-based programmes. The transactions may take place at one or several occasions during the year. The acquisition cost for the purchase of own shares is deducted from shareholders' equity. The item includes changes in nominal amounts of equity swaps used for hedging of equity-based programmes.

Cash flow statement, condensed

SEK m	Jan–Dec		
	2019	2018	%
Cash flow from operating activities	- 61 513	28 259	
Cash flow from investment activities	- 612	7 014	
Cash flow from financing activities	- 5 227	- 12 459	- 58
Net increase in cash and cash equivalents	- 67 352	22 814	
Cash and cash equivalents at the beginning of year	219 579	184 429	19
Exchange rate differences on cash and cash equivalents	7 108	12 336	- 42
Net increase in cash and cash equivalents	- 67 352	22 814	
Cash and cash equivalents at the end of period¹⁾	159 335	219 579	- 27

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

Other financial information

Key figures

	Q4	Q3	Q4	Jan–Dec	
	2019	2019	2018	2019	2018
Return on equity, %	15.5	13.2	12.4	13.7	16.3
Return on equity excluding items affecting comparability ¹⁾ , %	15.5	13.2	12.8	13.8	13.4
Return on tangible equity, %	16.4	13.9	13.1	14.5	17.3
Return on tangible equity excluding items affecting comparability ¹⁾ , %	16.4	13.9	13.6	14.6	14.2
Return on total assets, %	0.8	0.6	0.7	0.7	0.8
Return on risk exposure amount, %	3.0	2.5	2.8	2.7	3.7
Cost/income ratio	0.43	0.47	0.47	0.46	0.48
Basic earnings per share, SEK	2.70	2.21	2.12	9.33	10.69
Weighted average number of shares ²⁾ , millions	2 162	2 161	2 164	2 162	2 164
Diluted earnings per share, SEK	2.68	2.20	2.10	9.28	10.63
Weighted average number of diluted shares ³⁾ , millions	2 177	2 173	2 177	2 175	2 177
Net worth per share, SEK	78.42	74.32	74.74	78.42	74.74
Equity per share, SEK	71.99	67.60	68.76	71.99	68.76
Average shareholders' equity, SEK, billion	150.4	145.1	147.6	146.9	141.6
Net ECL level, %	0.18	0.09	0.08	0.10	0.06
Stage 3 Loans / Total Loans, gross, %	0.67	0.65	0.50	0.67	0.50
Stage 3 Loans / Total Loans, net, %	0.36	0.40	0.30	0.36	0.30
Liquidity Coverage Ratio (LCR) ⁴⁾ , %	218	174	147	218	147
<u>Own funds requirement, Basel III</u>					
Risk exposure amount, SEK m	745 637	777 243	716 498	745 637	716 498
Expressed as own funds requirement, SEK m	59 651	62 179	57 320	59 651	57 320
Common Equity Tier 1 capital ratio, %	17.6	16.4	17.6	17.6	17.6
Tier 1 capital ratio, %	20.8	18.5	19.7	20.8	19.7
Total capital ratio, %	23.3	20.9	22.2	23.3	22.2
Leverage ratio, %	5.1	4.5	5.1	5.1	5.1
Number of full time equivalents ⁵⁾	15 034	14 887	14 749	14 939	14 751
Assets under custody, SEK bn	10 428	9 267	7 734	10 428	7 734
Assets under management, SEK bn	2 041	1 943	1 699	2 041	1 699

1) Sale of SEB Pension and UC AB in Q2 2018.

2) The number of issued shares was 2,194,171,802. SEB owned 30,276,332 Class A shares for the equity based programmes at year-end 2018. During 2019 SEB has purchased 8,657,889 shares and 7,434,900 shares have been sold. Thus, at 31 December 2019 SEB owned 31,499,321 Class A-shares with a market value of SEK 2,774m.

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

4) In accordance with the EU delegated act.

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

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

Income statement on a quarterly basis

SEK m	Q4	Q3	Q2	Q1	Q4
	2019	2019	2019	2019	2018
Net interest income ¹⁾	5 930	5 983	5 692	5 345	5 215
Net fee and commission income	4 989	4 693	4 735	4 292	4 848
Net financial income	2 822	1 196	1 482	2 118	1 512
Net other income	349	70	287	153	169
Total operating income	14 089	11 942	12 197	11 907	11 744
Staff costs	-3 807	-3 603	-3 618	-3 633	-3 382
Other expenses ¹⁾	-1 746	-1 607	-1 680	-1 590	-1 991
Depreciation, amortisation and impairment of tangible and intangible assets ¹⁾	- 474	- 379	- 410	- 399	- 188
Total operating expenses	-6 026	-5 589	-5 708	-5 622	-5 561
Profit before credit losses	8 063	6 353	6 489	6 285	6 183
Gains less losses from tangible and intangible assets	- 3	1	0	0	- 2
Net expected credit losses	- 997	- 489	- 386	- 422	- 413
Operating profit before items affecting comparability	7 063	5 864	6 103	5 864	5 768
Items affecting comparability					
Operating profit	7 063	5 864	6 103	5 864	5 768
Income tax expense	-1 232	-1 092	-1 211	-1 182	-1 192
NET PROFIT	5 831	4 772	4 892	4 681	4 576
Attributable to shareholders of Skandinaviska Enskilda Banken AB	5 831	4 772	4 892	4 681	4 576
1) IFRS 16 Leases is applied from 1 January 2019. The group has decided to apply the modified retrospective approach (no restatement made). Interest expense on lease liabilities and depreciation of right-of-use assets are replacing nearly all lease costs for premises from 2019.					
Basic earnings per share, SEK	2.70	2.21	2.26	2.16	2.12
Diluted earnings per share, SEK	2.68	2.20	2.25	2.15	2.10

Business segments

Income statement by segment

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

1) Investment Management & Group functions consists of Investment Management, business support, treasury, staff units and German run-off operations. As previously communicated, on 1 January 2019 SEB reorganised its operations by splitting the division Life & Investment Management into two separate divisions. The Life division is presented on a stand-alone basis. The Investment Management division is combined and reported with group functions as one segment in the quarterly report and in addition presented separately in the Fact Book. Earlier periods have been restated in the segment information.

Large Corporates & Financial Institutions

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

Income statement

SEK m	Q4		Q3		Q4		Jan–Dec	
	2019	2019	%	2018	%	2019	2018	%
Net interest income	2 450	2 443	0	2 010	22	9 371	8 211	14
Net fee and commission income	1 824	1 613	13	1 802	1	6 558	6 433	2
Net financial income	1 434	753	90	902	59	4 462	3 384	32
Net other income	22	-50		200	-89	221	309	-29
Total operating income	5 730	4 759	20	4 913	17	20 613	18 337	12
Staff costs	-1 170	-1 034	13	-1 030	14	-4 293	-3 858	11
Other expenses	-1 363	-1 235	10	-1 230	11	-5 186	-4 990	4
Depreciation, amortisation and impairment of tangible and intangible assets	-17	-17	1	-15	14	-69	-55	25
Total operating expenses	-2 550	-2 286	12	-2 275	12	-9 548	-8 903	7
Profit before credit losses	3 180	2 473	29	2 637	21	11 065	9 434	17
Gains less losses from tangible and intangible assets	0	0	-11	0	-13	1	1	27
Net expected credit losses	-879	-349	152	-259		-1 812	-702	158
Operating profit before items affecting comparability	2 301	2 124	8	2 378	-3	9 254	8 733	6
Items affecting comparability								
Operating profit	2 301	2 124	8	2 378	-3	9 254	8 733	6
Cost/Income ratio	0.45	0.48		0.46		0.46	0.49	
Business equity, SEK bn	69.3	70.8		63.8		67.9	63.8	
Return on business equity, %	10.2	9.2		11.2		10.4	10.3	
Number of full time equivalents ¹⁾	2 085	2 058		1 997		2 057	1 986	

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

- High activity from large corporate customers throughout the year
- Increased interest in sustainable investments as well as alternative investments from institutional investors
- Operating profit amounted to SEK 9,254m and return on business equity was 10.4 per cent

Comments on 2019

The *Large Corporate* segment experienced a high and steady demand for services across all sectors. The credit portfolio showed solid growth as a result of increases in both traditional lending and event-driven financing. Demand for cash management services was high. Favourable market conditions with low credit spreads and low interest rates resulted in activity being particularly high in debt capital markets. Customer activity decreased somewhat within the financial sponsor segment as a result of lower merger and acquisition volumes. The private equity market continued to be highly liquid with high asset prices.

The *Financial Institutions* segment primarily saw high activity related to the favourable conditions in the debt capital markets as well as an increase in cash management and custody-related income. While the flattening of yield curves and somewhat lower volatility in the middle of the year led to a lower demand for asset classes such as FX, interest rates and equities, the demand for alternative investments increased. In light of EU's upcoming classification system for

sustainable undertakings, investors showed increased interest in sustainable investments. Assets under custody increased to SEK 10,428bn (7,734) with several new mandates, which is a testament to SEB's attractive custody offering.

Operating income increased to SEK 20,613m. Net interest income improved to SEK 9,371m, driven by higher volumes for both lending and deposits as well as the reduced resolution fund fee. Net fee and commission income increased slightly and amounted to SEK 6,558m – a result of the active market for bond issuance and mergers and acquisitions. Net financial income increased to SEK 4,462m as a result of increased margins on fixed income and derivatives transactions with clients and a more positive market sentiment for interest rates and FX trading. Operating expenses increased due to the strategic initiatives and regulatory requirements. Net expected credit losses increased to SEK 1,812m with a net expected credit loss level of 16 basis points. The increase is explained by a few corporate engagements.

Corporate & Private Customers

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

Income statement

SEK m	Q4		Q3		Q4		Jan–Dec	
	2019	2019	%	2018	%	2019	2018	%
Net interest income	2 669	2 606	2	2 371	13	10 721	9 473	13
Net fee and commission income	1 453	1 401	4	1 312	11	5 546	5 470	1
Net financial income	122	116	6	119	3	507	429	18
Net other income	8	6	43	5	54	25	47	-46
Total operating income	4 253	4 128	3	3 806	12	16 798	15 418	9
Staff costs	-843	-836	1	-854	-1	-3 372	-3 353	1
Other expenses	-1 113	-932	19	-997	12	-3 979	-3 735	7
Depreciation, amortisation and impairment of tangible and intangible assets	-17	-21	-22	-15	11	-68	-58	17
Total operating expenses	-1 972	-1 789	10	-1 865	6	-7 418	-7 146	4
Profit before credit losses	2 280	2 339	-3	1 941	17	9 380	8 272	13
Gains less losses from tangible and intangible assets	-3	0		0		-4	0	
Net expected credit losses	-92	-129	-29	-115	-20	-393	-427	-8
Operating profit before items affecting comparability	2 185	2 209	-1	1 826	20	8 983	7 845	15
Items affecting comparability								
Operating profit	2 185	2 209	-1	1 826	20	8 983	7 845	15
Cost/Income ratio	0,46	0,43		0,49		0,44	0,46	
Business equity, SEK bn	44,6	45,4		43,2		44,9	42,4	
Return on business equity, %	15,0	14,9		12,7		15,3	13,9	
Number of full time equivalents ¹⁾	3 478	3 507		3 594		3 564	3 596	

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

- Steady corporate lending growth
- Strong household mortgage market share development
- Operating profit amounted to SEK 8,983m and return on business equity was 15.3 per cent

Comments on 2019

Throughout 2019 customer satisfaction for advisory services, as measured by Net Promoter Score (NPS), continued to improve and small- and medium sized companies' and Personal Banking customers' scores reached record levels during 2019.

Operating profit increased by 15 per cent. Net interest income increased by 13 per cent or SEK 1,248m, driven by the improved interest rate environment, internal deposit pricing and volume growth. Despite negative MiFID II-related effects¹ compared with the previous year, net fee and commission income increased by 1 per cent, driven by the card business. Total operating expenses increased by 4 per cent, partly due to strategic initiatives, IT development and regulatory demands. Net expected credit losses were low at SEK 393m with a net expected credit loss level of 4 basis points.

The corporate segment experienced a steady net inflow of new full-service customers – over 10,000 in 2019. Deposit and lending volumes increased, mainly driven by the small- and medium-sized segment. In the year, corporate lending grew by SEK 11bn and amounted to SEK 253bn at the end of 2019. Excluding the effect of an internal customer segment move, corporate lending growth was strong, 8.1 per cent (while growth including the move was 4.4 per cent).

Among private customers, SEB had a high focus on the household mortgage business, which resulted in an improved net new sales market share throughout the year. Mortgage volumes grew by SEK 28bn and amounted to SEK 510bn by the end of 2019. Private Banking experienced strong growth in assets under management, supported by both new volumes and positive development in the stock markets.

In total, lending volumes increased by SEK 42bn to SEK 823bn. The inflow of total deposits continued and volumes grew by SEK 36bn. Total deposits amounted to SEK 457bn.

¹⁾ One section of the EU directive on Markets in Financial Instruments, MiFID, limits the compensation amount from fund companies.

Baltic

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

Income statement

SEK m	Q4			Q3			Q4			Jan–Dec		
	2019	2019	%	2018	%	2019	2018	%	2019	2018	%	
Net interest income	831	823	1	749	11	3 218	2 837	13				
Net fee and commission income	426	413	3	377	13	1 638	1 449	13				
Net financial income	111	70	60	56	100	321	257	25				
Net other income	-4	0		-6	-30	-8	-21	-63				
Total operating income	1 364	1 305	5	1 177	16	5 169	4 522	14				
Staff costs	-221	-223	-1	-217	2	-856	-811	6				
Other expenses	-310	-280	11	-248	25	-1 123	-1 021	10				
Depreciation, amortisation and impairment of tangible and intangible assets	-8	-8	-1	-13	-40	-30	-53	-43				
Total operating expenses	-539	-511	6	-478	13	-2 009	-1 885	7				
Profit before credit losses	825	794	4	698	18	3 159	2 637	20				
Gains less losses from tangible and intangible assets	1	1	112	-1		2	19	-90				
Net expected credit losses	-17	11		-45	-63	-58	-55	5				
Operating profit before items affecting comparability	810	806	0	652	24	3 104	2 600	19				
Items affecting comparability												
Operating profit	810	806	0	652	24	3 104	2 600	19				
Cost/Income ratio	0.40	0.39		0.41		0.39	0.42					
Business equity, SEK bn	11.0	10.9		10.1		10.8	9.6					
Return on business equity, %	25.2	25.2		21.5		24.7	22.4					
Number of full time equivalents ¹⁾	2 350	2 362		2 341		2 350	2 377					

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

- Economic growth moderating
- Continued stable volume growth and high customer activity
- Operating profit amounted to SEK 3,104m and return on business equity was 24.7 per cent

Comments on 2019

Economic growth in the Baltic countries was more moderate in the second half of 2019, mainly due to slower growth in exports. Although private consumption still benefited from historically high levels in consumer confidence and real wage growth, growth eased somewhat also in this area. Despite above EU average economic growth in recent years, the Baltic economies have thus far avoided a build-up of macro and financial imbalances.

In the private customer segment, growth in household mortgage loans led the stable growth in lending volumes in local currency, while the margin on new lending remained above the average of the portfolio. The use of cards and payment products in the private segment continued to increase. Usage of SEB's digital service offerings increased, with a larger number of video meetings and an ever higher share of sales transacted digitally. In the corporate segment, income growth continued over the year, driven mainly by corporate lending. Total lending volumes grew by 4 per cent in local currency over the year and amounted to SEK 157bn

(148). The steady growth in deposits continued in both the private and corporate segments; total deposit volumes grew by 9 per cent in local currency over the year and amounted to SEK 153bn (138).

Operating profit increased by 16 per cent in local currency, or by SEK 504m, to SEK 3,104m. Net interest income increased by 10 per cent in local currency mainly due to higher lending volumes, but also due to expanded margins. Net fee and commission income was 10 per cent higher in local currency, mainly from increased customer activity and more card transactions. Operating expenses were 3 per cent higher in local currency, reflecting partly the salary inflation prevalent across the region, but also the administrative fee of SEK 19m arising from the closure of the previously disclosed anti-money laundering review conducted by the Latvian Financial and Capital Market Commission. Net expected credit losses were low at SEK 58m with a net expected credit loss level of 3 basis points.

Life

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

Income statement

SEK m	Q4			Q3		Q4		Jan–Dec		
	2019	2019	%	2018	%	2019	2018	%		
Net interest income	-5	-5	3	-7	-33	-16	-28	-45		
Net fee and commission income	648	647	0	607	7	2 531	2 655	-5		
Net financial income	207	152	36	118	75	711	953	-25		
Net other income	15	14	12	-8		77	-8			
Total operating income	866	808	7	710	22	3 304	3 572	-8		
Staff costs	-221	-215	3	-210	5	-860	-1 017	-15		
Other expenses	-183	-172	6	-177	3	-706	-615	15		
Depreciation, amortisation and impairment of tangible and intangible assets	-5	-5	3	-4	34	-21	-20	4		
Total operating expenses	-410	-393	4	-392	5	-1 587	-1 653	-4		
Profit before credit losses	456	415	10	319	43	1 716	1 920	-11		
Gains less losses from tangible and intangible assets										
Net expected credit losses	0	0		-1		-1	-2	-39		
Operating profit before items affecting comparability	456	415	10	318	43	1 715	1 917	-11		
Items affecting comparability										
Operating profit	456	415	10	318	43	1 715	1 917	-11		
Cost/Income ratio	0.47	0.49		0.55		0.48	0.46			
Business equity, SEK bn	5.4	5.4		5.4		5.4	5.8			
Return on business equity, %	31.2	28.5		20.8		29.4	29.4			
Number of full time equivalents ¹⁾	1 061	1 030		1 056		1 046	1 146			

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

- Positive development in life insurance sales and premium income and asset values increased in strong markets
- Excluding the effects from SEB Pension in Denmark, operating profit was flat year-on-year
- Operating profit amounted to SEK 1,715m and return on business equity was 29.4 per cent

Comments on 2019

Demand for life insurance products increased throughout the year. Sales were up by 10 per cent for the division, primarily related to traditional life and portfolio bond insurance in the Swedish market. However, the high competition, price pressure and increasing transfer activity continued. As a result the market share for the Swedish life insurance business was 7.5 per cent at the end of September¹, compared with 8.6 per cent one year earlier.

In the Baltic countries, SEB merged its three Baltic life insurance subsidiaries into one. This was done in order to increase efficiency and improve the value proposition of life and pension services and solutions for customers.

Total assets under management in the division increased during the year by SEK 62bn to SEK 395bn, whereof unit-linked insurance increased by SEK 47bn to SEK 317bn. The increase is due to higher asset values in the financial markets.

Operating profit decreased by 11 per cent to SEK 1,715m year-on-year. The decrease in both income and expenses compared with 2018 was explained by the divestment of SEB Pension Denmark in 2018. Excluding this divestment operating profit was up SEK 6m year-on-year.

Net fee and commission income decreased by 5 per cent compared with last year due to the divestment effect and margin pressure. Net financial income decreased by 25 per cent compared with last year primarily due to the divestment, but also due to a lower result in Swedish risk insurance. The lower long-term interest rates have also affected some traditional insurance portfolios negatively. Excluding the divestment, expenses were higher than last year, one reason being the strategic initiatives.

¹ Latest available markets statistics from the Swedish insurance trade association

Investment Management & Group functions

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

Income statement

SEK m	Q4			Q3		Q4		Jan–Dec		
	2019	2019	%	2018	%	2019	2018			
Net interest income	-11	91		-221	-95	-378	509			
Net fee and commission income	659	588	12	744	-11	2 392	2 393	0		
Net financial income	936	107		318	194	1 605	1 026	57		
Net other income	309	107	190	-12		554	91			
Total operating income	1 892	893	112	831	128	4 173	4 018	4		
Staff costs	-1 355	-1 299	4	-1 075	26	-5 294	-4 982	6		
Other expenses	1 212	1 066	14	974	24	4 465	3 178	40		
Depreciation, amortisation and impairment of tangible and intangible assets	-427	-328	30	-141		-1 475	-549	169		
Total operating expenses	-570	-561	2	-243	135	-2 304	-2 353	-2		
Profit before credit losses	1 322	332		588	125	1 869	1 665	12		
Gains less losses from tangible and intangible assets	-1	0		-2	-26	-1	-2	-45		
Net expected credit losses	-9	-22	-57	0		-22	25			
Operating profit before items affecting comparability	1 311	310		586	124	1 846	1 689	9		
Items affecting comparability							4 506			
Operating profit	1 311	310		586	124	1 846	6 195	-70		
Cost/Income ratio	0.30	0.63		0.29		0.55	0.59			
Number of full time equivalents ¹⁾	6 061	5 930		5 762		5 922	5 647			
SEB labelled mutual funds, SEK bn	736	724		622		736	622			
Net sales, SEK bn	-3	5		1		-3	15			

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

- SEB's assets under management fulfilling SEB's sustainability criteria increased by 36 per cent to SEK 256bn
- SEB-labelled mutual funds' asset values increased, driven by positive markets
- Operating profit amounted to SEK 1,846m

Comments on 2019

Investment Management: The positive market development during the year increased asset values, and the equity funds' value increased by 26 per cent year-on-year. Inflows continued to be mainly in low-margin products. In total, SEB-labelled mutual funds amounted to SEK 736bn (622) of which SEK 256bn (188) was managed according to SEB's sustainability criteria.

Operating income was down 2 per cent year-on-year, largely due to significantly lower performance fees in the fourth quarter of 2019, compared with the fourth quarter of 2018. An exposure in one client mandate had an idiosyncratic valuation adjustment, but the position has since been materially decreased. Excluding performance fees, the operating income for the full year was up 3 per cent. Base commissions were flat year-on-year, but looking at the fourth quarter 2019 in isolation, base commissions were up 6 per cent, due to higher asset values.

Operating profit decreased year-on-year to SEK 1,320m (1,465) and operating expenses increased to SEK 878m (777) primarily due to higher staff costs, IT and information services. Excluding performance fees the operating profit for the full year was down 4 per cent year-on-year.

Treasury: Net interest income decreased compared with 2018 because the compensation paid to the divisions for deposits increased. The net interest income in the German run-off operations developed positively during the year. Net financial income was lower due to a mark-to-market valuation effect on swap hedges and own issued securities in Treasury's German run-off operations. In the same unit, net other income was higher, explained by the effect of repurchases of own issued securities in 2018.

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

The divestment of SEB's holding in LR Realkredit A/S to Nykredit Realkredit A/S, in accordance with the agreement announced on 11 April 2019, was completed. The result was a capital gain of SEK 259m.

Items affecting comparability amounted to SEK 4,506m in 2018. See note 8 for information.

SEB's geographies

In Sweden and the Baltic countries, SEB offers financial advice and a wide range of financial services. In Denmark, Finland, Norway, Germany and the United Kingdom, the operations focus on a full-service offering to corporate and institutional clients. SEB also serves its corporate and institutional customers through its international network.

Operating profit per country

Distribution by country Jan - Dec SEK m	Total operating income			Total operating expenses			Operating profit excl IAC			Operating profit in local currency excl IAC		
	2019	2018	%	2019	2018	%	2019	2018	%	2019	2018	%
Sweden ¹⁾	31 093	28 572	9	-14 930	-14 510	3	14 151	13 027	9	14 151	13 027	9
Norway	3 490	3 357	4	-1 355	-1 300	4	1 994	2 105	-5	1 855	1 970	-6
Denmark	2 800	2 785	1	-1 210	-1 210	0	1 590	1 450	10	1 121	1 054	6
Finland	1 872	1 965	-5	-905	-838	8	953	1 118	-15	90	109	-17
Germany	1 827	1 561	17	-855	-1 021	-16	898	599	50	85	58	45
Estonia	1 924	1 672	15	-677	-627	8	1 288	1 035	24	122	101	20
Latvia	1 205	1 058	14	-607	-562	8	542	461	18	51	45	14
Lithuania	2 450	2 140	14	-844	-818	3	1 565	1 328	18	148	130	14
United Kingdom	1 149	888	29	-420	-337	24	725	555	31	60	48	26
International network	2 590	2 416	7	-1 409	-1 263	12	1 189	1 119	6			
Eliminations	-266	-545	-51	266	545	-51	-1	-18	-93			
Total²⁾	50 134	45 868	9	-22 945	-21 940	5	24 894	22 779	9			

1) Sweden: Operating profit amounted to SEK 14,151m for 2019 and SEK 17,533m for 2018.

2) Total: Operating profit amounted to SEK 24,894m for 2019 and SEK 27,285m for 2018.

- Robust development in Sweden across corporate, institutional and private customer segments
- High client activity in the Nordic and Baltic countries throughout the year
- Growth in Germany and the United Kingdom, despite uncertain macroeconomic environment

Comments on 2019

Sweden: Continued volume growth in both corporate and private segments during the year has increased net interest income despite margin pressure in household mortgages. Volatility in the interest rate markets where especially Markets and Treasury were well positioned at the end of the year, generated higher net financial income and market valuations have also contributed positively.

Norway: The Norwegian economy was strong which resulted in several rate hikes. The positive economic environment triggered increased client activity in the Markets business. SEB experienced substantial growth in lending to large corporate clients and high demand for investment banking services.

Denmark: Corporate banking activity continued to develop positively in line with the underlying macroeconomic climate in Denmark, whereas demand for investment banking services was lower than in the previous year. International institutional investors continued to drive the growth in assets under management.

Finland: Customer activity was high across all segments, resulting in increased business volumes, particularly in financing and investor services. Despite this, operating income decreased year-on-year from the strong outcome 2018. SEB continued to further expand existing customer relationships, with a growing focus on energy, infrastructure and sustainable banking solutions.

Germany: After contracting in the beginning of the year, the German economy showed resilience during the remainder of the year. At the same time the international economic slowdown and heightened uncertainty impacted the German manufacturing sector negatively. SEB's customers mainly requested financing solutions, in many instances in connection with international acquisitions. Financial effects in the German run-off operations had a positive impact on the result. See page 23.

Estonia, Latvia and Lithuania: SEB's operating profit in each of the Baltic countries developed positively, despite a more moderated macroeconomic growth in the second half of the year. See comments on the divisional result for more information on page 21.

United Kingdom: Uncertainty around Brexit dominated the political landscape in the UK during the year. However, SEB benefited from strong and profitable growth as the customer base developed positively. Demand for advisory and financial services was driven by existing large corporate relationships.

International network: The 2019 result was strong. Several Nordic competitors announced their plans for reducing their activities and closing their international presence, and SEB expanded its client base.

Notes to the financial statements - the SEB Group

Note 1 Accounting policies

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

As of 1 January 2019, the group adopted IFRS 16 Leases, which replaces IAS 17 and related interpretations. For more information about the new accounting policies and the transitional effects from adopting IFRS 16, see note 54 in the Annual Report 2018. There are also some smaller changes to other IFRS standards. 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 19 Employee Benefits was amended in regards to plan amendment, curtailment or settlement that arises during the reporting period. 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. The changes have not had a

material effect on the financial statements of the group or on capital adequacy and large exposures.

The group has elected to early adopt the Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In summary, the reliefs provided by the amendments that apply to the group are:

- When considering the 'highly probable' requirement, the group has assumed that the USD LIBOR and the GBP LIBOR interest rates on which our hedged item are based do not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the group has assumed that the USD LIBOR and the GBP LIBOR interest rates on which the cash flows and the fair value of the hedged item and the hedging item that hedges them are based are not altered by IBOR reform.
- The group will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80–125 per cent range.
- The group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

In all other material aspects, the group's and the parent company's accounting policies, basis for calculations and presentations are unchanged in comparison with the 2018 Annual Report.

Note 2 Net interest income

SEK m	Q4			Q3		Q4		Jan–Dec		
	2019	2019	%	2018	%	2019	2018	%		
Interest income ¹⁾	10 448	10 785	- 3	9 875	6	41 722	39 299	6		
Interest expense	-4 518	-4 802	- 6	-4 660	-3	-18 772	-18 277	3		
Net interest income	5 930	5 983	- 1	5 215	14	22 950	21 022	9		
1) Of which interest income calculated using the effective interest method	8 776	8 940	- 2	8 607	2	35 217	32 907	7		

Note 3 Net fee and commission income

SEK m	Q4			Q3		Q4		Jan–Dec		
	2019	2019	%	2018	%	2019	2018	%		
Issue of securities and advisory services	470	326	44	448	5	1 312	1 050	25		
Secondary market and derivatives	519	455	14	575	-10	2 047	2 179	-6		
Custody and mutual funds	2 036	1 977	3	2 075	-2	7 782	8 082	-4		
<i>Whereof performance fees</i>	42	11		187	-78	121	227	-47		
Payments, cards, lending, deposits, guarantees and other	2 867	2 843	1	2 756	4	11 293	10 858	4		
<i>Whereof payments and card fees</i>	1 607	1 597	1	1 537	5	6 299	5 955	6		
<i>Whereof lending</i>	762	687	11	665	15	2 869	2 527	14		
Life insurance commissions	425	435	-2	427	-1	1 741	1 848	-6		
Fee and commission income	6 317	6 035	5	6 281	1	24 176	24 018	1		
Fee and commission expense	-1 328	-1 342	-1	-1 433	-7	-5 467	-5 654	-3		
Net fee and commission income	4 989	4 693	6	4 848	3	18 709	18 364	2		
<i>Whereof Net securities commissions</i>	2 283	2 026	13	2 149	6	8 179	8 220	-1		
<i>Whereof Net payment and card fees</i>	1 080	1 019	6	971	11	4 096	3 851	6		
<i>Whereof Net life insurance commissions</i>	302	310	-2	288	5	1 198	1 283	-7		

Fee and commission income by segment

SEK m	Large Corporates & Financial Institutions		Corporate & Private Customers	Baltic	Life ¹⁾	Investment Management & Group functions ¹⁾	Eliminations	SEB Group
	Jan–Dec 2019							
Issue of securities and advisory	1 258	35	18	0	2			1 312
Secondary market and derivatives	1 596	431	20	0	0	0	0	2 047
Custody and mutual funds	3 369	1 615	190	168	6 025	-3 585		7 782
Payments, cards, lending, deposits, guarantees and other	4 688	5 160	2 088	222	473	-1 338		11 293
Life insurance commissions				3 246		-1 504		1 741
Fee and commission income	10 911	7 240	2 317	3 636	6 499	-6 428		24 176
Jan–Dec 2018								
Issue of securities and advisory	996	35	17	0	2			1 050
Secondary market and derivatives	1 694	465	22	0	-1	0	0	2 179
Custody and mutual funds	3 519	1 700	192	167	6 122	-3 618		8 082
Payments, cards, lending, deposits, guarantees and other	4 747	4 982	1 861	214	402	-1 347		10 858
Life insurance commissions				3 371		-1 523		1 848
Fee and commission income	10 956	7 182	2 091	3 752	6 525	-6 488		24 018

1) Investment Management & Group functions consists of Investment Management, business support, treasury, staff units and German run-off operations. As previously communicated, on 1 January 2019 SEB reorganised its operations by splitting the division Life & Investment Management into two separate divisions. The Life division is presented on a stand-alone basis. The Investment Management division is combined and reported with group functions as one segment in the quarterly report and in addition presented separately in the Fact Book. Earlier periods have been restated in the segment information.

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

Note 4 Net financial income

SEK m	Q4			Q3			Q4			Jan-Dec		
	2019	2019	%	2018	%	2019	2018	%	2019	2018	%	
Equity instruments and related derivatives	755	586	29	-157		2 628	637					
Debt instruments and related derivatives	582	-407		343	70	-37	636					
Currency and related derivatives	1 132	950	19	1 121	1	4 119	3 580	15				
Other life insurance income, net	219	150	45	117	86	722	984	-27				
Other	134	-84		88	53	185	242	-24				
Net financial income	2 822	1 196	136	1 512	87	7 617	6 079	25				
<i>Whereof unrealized valuation changes from counterparty risk and own credit standing in derivatives</i>	267	-160		-157		-1	-119	-99				

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

For the fourth quarter the effect from structured bonds offered to the public was approximately SEK 345m (Q3 2019: 215) in Equity related derivatives and a corresponding effect in Debt related derivatives SEK -115m (Q3 2019: 65).

Note 5 Staff costs

SEK m	Jan-Dec		
	2019	2018	%
Salaries ¹⁾	-10 809	-10 414	4
Short-term incentive ¹⁾	-916	-805	14
Long-term incentive ¹⁾	-863	-716	21
Pension costs	-1 353	-1 263	7
Redundancy costs ¹⁾	-130	-251	-48
Other staff costs	-588	-555	6
Staff costs	-14 660	-14 004	5

1) Including social charges.

SEK m	Jan-Dec		
	2019	2018	%
Short-term incentive (STI) to staff	-725	-635	14
Social benefit charges on STI	-191	-170	12
Short-term incentive remuneration	-916	-805	14

SEK m	Jan-Dec		
	2019	2018	%
Long-term incentive (LTI) to staff	-649	-596	9
Social benefit charges on LTI	-214	-121	78
Long-term incentive remuneration	-863	-716	21

Note 6 Defined benefit pension plans

Balance sheet, SEK m	Jan-Dec		
	2019	2018	%
Defined benefit obligations	31 876	26 682	19
Fair value of plan assets	37 062	30 359	22
Net amount recognised in the balance sheet	5 186	3 677	41

Income statement, SEK m	Jan-Dec		
	2019	2018	%
Service costs	- 479	- 509	- 6
Interest costs	- 514	- 580	- 11
Calculated interest on plan assets	583	694	- 16
Included in staff costs	- 409	- 395	4

Other comprehensive income, SEK m	Jan-Dec		
	2019	2018	%
Remeasurements of pension obligations	- 5 665	- 981	
Valuation gains (losses) on plan assets	7 062	- 59	
Deferred tax pensions	- 32	194	
Defined benefit pension plans	1 366	- 846	

Note 7 Net expected credit losses

SEK m	Q4		Q3		Q4		Jan-Dec		
	2019	2019	%	2018	%	2019	2018	%	
Impairment gains or losses - Stage 1	25	- 4		10	151	24	- 117		
Impairment gains or losses - Stage 2	197	32		140	40	457	- 134		
Impairment gains or losses - Stage 3	- 1 189	- 505	135	- 433	175	- 2 777	- 613		
Impairment gains or losses	- 967	- 477	103	- 282		- 2 296	- 864	166	
Write-offs and recoveries									
Total write-offs	- 288	- 186	54	- 618	- 53	- 1 113	- 1 768	- 37	
Reversals of allowance for write-offs	195	129	51	443	- 56	845	1 267	- 33	
Write-offs not previously provided for	- 92	- 57	61	- 175	- 47	- 269	- 501	- 46	
Recovered from previous write-offs	63	45	38	45	39	271	199	36	
Net write-offs	- 30	- 12	150	- 130	- 77	2	- 302		
Net expected credit losses	- 997	- 489	104	- 413	142	- 2 294	- 1 166	97	
Net ECL level, %	0.18	0.09		0.08		0.10	0.06		

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

Note 8 Items affecting comparability

SEK m	Q4		Q3	Q4		Jan–Dec		
	2019	2019	%	2018	%	2019	2018	%
Other income						4 506	-100	
Total operating income						4 506	-100	
Items affecting comparability						4 506	-100	
Income tax on IAC						22	-100	
Items affecting comparability after tax						4 528	-100	

The table shows the rows in which the Items affecting comparability would have been reported if not reclassified.

Items affecting comparability 2018

The total income in the income statement from Items affecting comparability was SEK 4,506m before tax and SEK 4,528m after tax.

SEB Pension (2018 Q2)

SEB completed the sale of SEB Pension in Denmark following the approval by the Danish Competition Council, Konkurrencerådet, on 30 May 2018. SEB divested all shares in SEB Pensionsforsikring A/S and SEB Administration A/S (SEB Pension) to Danica Pension Livsforsikringsaktieselskab (Danica), a subsidiary to Danske Bank. The entire business, including employees, customer contracts and systems, transferred from SEB to Danica on 7 June 2018. The in principle tax-exempt capital gain from the transaction amounted to SEK 3,565m.

UC (2018 Q2)

On 29 June 2018, the acquisition by the listed Finnish credit information company Asiakastieto Group Plc (Asiakastieto) of UC AB (UC) was finalised. SEB received shares in Asiakastieto, equivalent to 10.2 per cent of the company, and SEK 0.3bn in cash. The transaction resulted in a tax-exempt capital gain of SEK 941m.

Note 9 Pledged assets and obligations

SEK m	31 Dec 2019	31 Dec 2018
Pledged assets for own liabilities ¹⁾	496 406	510 424
Pledged assets for liabilities to insurance policyholders	344 121	292 402
Other pledged assets ²⁾	91 477	97 713
Pledged assets	932 004	900 539
Contingent liabilities ³⁾	139 462	136 435
Commitments	638 348	589 032
Obligations	777 810	725 467

1) Of which collateralised for own issued covered bonds SEK 368,955m (349,800).

2) Of which securities lending SEK 5,389m (15,641) and pledged but unencumbered bonds SEK 58,523m (58,652).

3) Of which financial guarantees SEK 8,705m (19,932).

Note 10 Financial assets and liabilities

SEK m	31 Dec 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans ¹⁾	2 033 280	2 033 650	1 929 272	1 930 470
Debt securities	238 578	238 878	156 128	156 129
Equity instruments	78 482	78 482	50 434	50 434
Financial assets for which the customers bear the investment risk	316 776	316 776	269 613	269 613
Derivatives	139 427	139 427	115 463	115 463
Other	16 584	16 584	17 194	17 194
Financial assets	2 823 127	2 823 797	2 538 104	2 539 303
Deposits	1 249 526	1 248 839	1 247 109	1 245 958
Financial liabilities for which the customers bear the investment risk	317 574	317 574	270 556	270 556
Debt securities issued ²⁾	902 812	896 194	715 192	713 983
Short positions	27 343	27 343	23 144	23 144
Derivatives	122 192	122 192	96 872	96 872
Other	18 449	18 451	14 722	14 722
Financial liabilities	2 637 896	2 630 593	2 367 595	2 365 235

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

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

SEB has classified its financial instruments by class taking into account the characteristics of the instruments. The fair value of each class of financial assets and liabilities are compared with its carrying amount. A description of the characteristics of the classes can be found in note 38 in the Annual Report 2018.

Note 11 Assets and liabilities measured at fair value

SEK m	31 Dec 2019				31 Dec 2018			
	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Assets								
Loans		190 090		190 090		100 037		100 037
Debt securities	110 101	113 884	5	223 990	62 812	76 976	4	139 792
Equity instruments	59 029	6 403	13 050	78 482	38 697	3 835	7 902	50 434
Financial assets for which the customer bear the investment risk	308 909	7 236	631	316 776	261 056	7 943	614	269 613
Derivatives	1 006	137 943	478	139 427	1 327	113 626	510	115 463
Investment in associates ¹⁾	85		381	466	256		501	758
Total	479 130	455 557	14 544	949 231	364 148	302 417	9 531	676 096
Liabilities								
Deposits		15 103		15 103		12 497		12 497
Financial liabilities for which the customer bear the investment risk	309 772	7 178	625	317 574	262 029	7 924	603	270 556
Liabilities to policyholders - insurance	25 399	1 147		26 547	21 752	95		21 847
Debt securities issued		20 207		20 207		18 518		18 518
Short positions	25 634	1 669	41	27 343	18 710	4 371	63	23 144
Derivatives	1 554	120 296	342	122 192	2 616	93 783	473	96 872
Other financial liabilities at fair value	44	2 405		2 449	18	3 595		3 613
Total	362 402	168 004	1 008	531 414	305 125	140 783	1 139	447 047

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

Fair value measurement

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

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

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

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

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

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

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

Level 1: Quoted market prices

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

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

Level 2: Valuation techniques with observable inputs

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

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

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

Level 3: Valuation techniques with significant unobservable inputs

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

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

Significant transfers and reclassifications between levels

Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committee of each relevant division decides on material shifts between levels. At the end of the third quarter 2019 Equity instruments (Fund assets) within the insurance holdings at the amount of SEK 2.3bn have been transferred from level 2 into level 3. The transfers are a result of calibration of the classification methodology, in particular with regards to investment funds and other collective investment vehicles. The reclassification generates an increase of the sensitivity of Level 3 assets and liabilities to unobservable inputs of SEK 293m. The largest open market risk within Level 3 financial instruments remains in the traditional life insurance investment portfolios within the insurance business.

Changes in level 3, SEK m	Closing balance	Reclassification	Gain/loss in Income statement ¹⁾	Gain/loss in Other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Closing balance
	31 Dec 2018										31 Dec 2019
Assets											
Debt securities	4										5
Equity instruments	7 902	32	1 542		3 069	-1 832		2 281		56	13 050
Financial assets for which the customer bear the investment risk	614		38		4	-200		164		11	631
Derivatives	510		-68				34			2	478
Investment in associates	501		-65		70	-126				1	381
Total	9 531	32	1 447		3 143	-2 158	34	2 445		70	14 544
Liabilities											
Financial liabilities for which the customer bear the investment risk	603		43			-195		164		10	625
Short positions	63		-3		-24	5					41
Derivatives	473		-132			5	-4				342
Total	1 139		-92		-24	-185	-4	164		10	1 008

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

Sensitivity of Level 3 assets and liabilities to unobservable inputs

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

SEK m	31 Dec 2019				31 Dec 2018			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments ¹⁾²⁾⁵⁾	478	-342	136	36	510	-473	37	45
Equity instruments ³⁾⁶⁾⁷⁾	3 187	-40	3 147	632	2 584	-63	2 521	505
Insurance holdings - Financial instruments ⁴⁾⁵⁾⁷⁾⁸⁾	9 960		9 960	1 110	5 576		5 576	697

1) 2019: Sensitivity quantified as the absolute value of range prices per maturity bucket multiplied by exposure in bps, and standard deviation multiplied by the confidence interval 1.28 and exposure in bps. 2018: Sensitivity from a shift of inflation linked swap spreads by 16 basis points and implied volatilities by 5 percentage points.

2) 2019: Sensitivity from a shift of SEK denominated Bermudan swaption Vega exposures grouped by option maturities. 2018: Sensitivity from a shift of swap spreads by 5 basis points.

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

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

5) Shift in implied volatility by 10 per cent (10).

6) Sensitivity analysis is based on a shift in market values of hedge funds 5 per cent (20), private equity of 20 per cent (20), structured credits 15 per cent (10).

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

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

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

SEK m	31 Dec 2019	31 Dec 2018
Stage 1 (12-month ECL)		
Debt securities	14 589	16 337
Loans ¹⁾	1 623 030	1 552 954
Financial guarantees and Loan commitments	636 447	602 884
Gross carrying amounts/Nominal amounts Stage 1	2 274 066	2 172 175
Debt securities	-1	-1
Loans ¹⁾	-643	-643
Financial guarantees and Loan commitments	-189	-195
ECL allowances Stage 1	-832	-838
Debt securities	14 588	16 336
Loans ¹⁾	1 622 387	1 552 311
Financial guarantees and Loan commitments	636 258	602 689
Carrying amounts/Net amounts Stage 1	2 273 234	2 171 337
Stage 2 (lifetime ECL)		
Loans ¹⁾²⁾	72 459	70 125
Financial guarantees and Loan commitments	13 900	16 712
Gross carrying amounts/Nominal amounts Stage 2	86 360	86 837
Loans ¹⁾²⁾	-1 058	-1 364
Financial guarantees and Loan commitments	-127	-240
ECL allowances Stage 2	-1 185	-1 605
Loans ¹⁾²⁾	71 401	68 761
Financial guarantees and Loan commitments	13 773	16 472
Carrying amounts/Net amounts Stage 2	85 174	85 233
Stage 3 (credit impaired/lifetime ECL)		
Loans ¹⁾³⁾	11 396	8 158
Financial guarantees and Loan commitments	441	242
Gross carrying amounts/Nominal amounts Stage 3	11 836	8 400
Loans ¹⁾³⁾	-5 211	-3 331
Financial guarantees and Loan commitments	-138	-38
ECL allowances Stage 3	-5 349	-3 370
Loans ¹⁾³⁾	6 184	4 827
Financial guarantees and Loan commitments	303	203
Carrying amounts/Net amounts Stage 3	6 487	5 030

The note continues on the next page

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

SEK m	31 Dec 2019	31 Dec 2018
Total		
Debt securities	14 589	16 337
Loans ¹⁾²⁾³⁾	1 706 885	1 631 237
Financial guarantees and Loan commitments	650 788	619 838
Gross carrying amounts/Nominal amounts	2 372 262	2 267 412
Debt securities	-1	-1
Loans ¹⁾²⁾³⁾	-6 912	-5 338
Financial guarantees and Loan commitments	-454	-474
ECL allowances	-7 367	-5 813
Debt securities	14 588	16 336
Loans ¹⁾²⁾³⁾	1 699 972	1 625 899
Financial guarantees and Loan commitments	650 335	619 365
Carrying amounts/Net amounts	2 364 895	2 261 600

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

2) Whereof gross carrying amounts SEK 1,372m (1,169) and ECL allowances SEK 2m (2) under Lifetime ECLs -simplified approach for trade receivables.

3) Whereof gross carrying amounts SEK 2,309m (1,281) and ECL allowances SEK 1,002m (349) for Purchased or Originated Credit Impaired loans.

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

Stage 3 loans / Total loans, gross, %	0.67	0.50
Stage 3 loans / Total loans, net, %	0.36	0.30
ECL coverage ratio Stage 1, %	0.04	0.04
ECL coverage ratio Stage 2, %	1.37	1.85
ECL coverage ratio Stage 3, %	45.19	40.11
ECL coverage ratio, %	0.31	0.26

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

SEK m	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total
Loans and Debt securities				
ECL allowance as of 31 December 2018	643	1 364	3 331	5 339
New and derecognised financial assets, net	366	-78	77	365
Changes due to change in credit risk	-370	-257	2 606	1 979
Changes due to modifications		16	0	16
Changes due to methodology change	-8	-15	-8	-31
Decreases in ECL allowances due to write-offs			-845	-845
Exchange rate differences	12	29	49	90
ECL allowance as of 31 December 2019	644	1 058	5 211	6 913
Financial guarantees and Loan commitments				
ECL allowance as of 31 December 2018	195	240	38	474
New and derecognised financial assets, net	56	-74	-5	-24
Changes due to change in credit risk	-67	-47	107	-7
Changes due to modifications		0		0
Changes due to methodology change	-1	-2	-1	-3
Decreases in ECL allowances due to write-offs				
Exchange rate differences	6	9	-2	13
ECL allowance as of 31 December 2019	189	127	138	454
Total Loans, Debt securities, Financial guarantees and Loan commitments				
ECL allowance as of 31 December 2018	838	1 605	3 370	5 813
New and derecognised financial assets, net	422	-152	72	342
Changes due to change in credit risk	-437	-304	2 713	1 972
Changes due to modifications		16	0	16
Changes due to methodology change	-9	-17	-8	-34
Decreases in ECL allowances due to write-offs			-845	-845
Exchange rate differences	18	38	47	103
ECL allowance as of 31 December 2019	832	1 185	5 349	7 367

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

SEK m	Gross carrying amounts				ECL allowances				Net carrying amount
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3	Total	Total
			(credit impaired/ lifetime ECL)				(credit impaired/ lifetime ECL)		
31 Dec 2019									
Banks	64 952	1 665	0	66 617	-5	-2	0	-7	66 610
Finance and insurance	111 610	960	57	112 627	-33	-10	-5	-49	112 579
Wholesale and retail	78 052	3 080	1 092	82 224	-48	-38	-706	-792	81 433
Transportation	35 169	581	41	35 791	-17	-4	-14	-35	35 757
Shipping	54 975	1 871	1 771	58 616	-24	-11	-669	-704	57 912
Business and household services	136 838	9 673	843	147 354	-154	-408	-421	-983	146 372
Construction	11 201	1 083	201	12 484	-8	-9	-83	-101	12 384
Manufacturing	97 737	3 280	2 671	103 688	-56	-44	-1 331	-1 431	102 257
Agriculture, forestry and fishing	21 654	1 501	190	23 345	-8	-7	-44	-58	23 287
Mining, oil and gas extraction	26 608	5 695	1 343	33 645	-12	-53	-558	-624	33 021
Electricity, gas and water supply	43 940	407	211	44 558	-17	-34	-78	-129	44 429
Other	39 564	2 762	151	42 477	-22	-46	-49	-117	42 360
Corporates	657 347	30 894	8 571	696 812	-398	-666	-3 959	-5 022	691 789
Commercial real estate management	150 747	2 287	377	153 410	-14	-12	-140	-166	153 244
Residential real estate management	114 923	1 804	48	116 775	-8	-1	-1	-10	116 765
Real Estate Management	265 670	4 091	425	270 186	-22	-13	-141	-176	270 009
Housing co-operative associations	52 598	7 410	3	60 011	0	0	-2	-3	60 008
Public Administration	15 284	276	53	15 613	-1	-4	-2	-6	15 607
Household mortgages	527 100	22 765	1 137	551 003	-49	-136	-360	-546	550 457
Other	40 079	5 358	1 207	46 644	-167	-239	-747	-1 153	45 491
Households	567 179	28 124	2 344	597 646	-216	-375	-1 107	-1 698	595 948
TOTAL	1 623 030	72 459	11 396	1 706 885	-643	-1 059	-5 212	-6 913	1 699 972
31 Dec 2018¹⁾									
Banks	97 795	900	0	98 695	-2	-2	0	-4	98 691
Finance and insurance	97 505	660	15	98 180	-17	-4	-11	-32	98 148
Wholesale and retail	77 427	3 120	550	81 097	-42	-82	-181	-306	80 792
Transportation	34 437	691	105	35 232	-14	-7	-77	-97	35 135
Shipping	50 121	963	1 694	52 779	-18	-5	-407	-430	52 349
Business and household services	140 094	7 035	862	147 991	-143	-227	-351	-721	147 271
Construction	9 981	1 281	223	11 486	-7	-14	-47	-68	11 418
Manufacturing	90 701	3 642	730	95 073	-82	-73	-529	-683	94 390
Agriculture, forestry and fishing	19 859	1 258	128	21 245	-8	-7	-40	-55	21 190
Mining, oil and gas extraction	14 615	6 046	530	21 191	-30	-421	-97	-548	20 644
Electricity, gas and water supply	38 990	761	2	39 752	-15	-44	0	-60	39 692
Other	44 385	2 857	115	47 357	-57	-72	-237	-366	46 991
Corporates	618 115	28 314	4 955	651 384	-433	-956	-1 977	-3 365	648 019
Commercial real estate management	142 857	2 750	561	146 169	-17	-19	-188	-224	145 945
Residential real estate management	90 985	824	87	91 897	-5	-1	-31	-37	91 860
Real Estate Management	233 843	3 574	648	238 065	-23	-19	-219	-261	237 805
Housing co-operative associations	54 807	8 695	0	63 502	-1	0	-2	-4	63 498
Public Administration	13 013	280	2	13 296	-1	-4	-2	-7	13 289
Household mortgages	497 351	23 132	1 374	521 856	-54	-148	-422	-623	521 233
Other	38 029	5 230	1 179	44 438	-129	-236	-710	-1 074	43 364
Households	535 381	28 362	2 552	566 295	-182	-383	-1 132	-1 698	564 597
TOTAL	1 552 954	70 125	8 158	1 631 237	-643	-1 364	-3 331	-5 338	1 625 899

1) Household mortgage lending to the customer segment sole proprietors has been reclassified. As a result the year-end 2018 reported household lending of SEK 528bn has been adjusted to SEK 565bn and the lending volumes in other segments have been reduced accordingly.

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

SEB consolidated situation

Note 15 Capital adequacy analysis

SEK m	31 Dec 2019	31 Dec 2018
Own funds		
Common Equity Tier 1 capital	131 155	125 857
Tier 1 capital	155 398	141 108
Total own funds	173 382	159 331
Own funds requirement		
Risk exposure amount	745 637	716 498
Expressed as own funds requirement	59 651	57 320
Common Equity Tier 1 capital ratio	17.6%	17.6%
Tier 1 capital ratio	20.8%	19.7%
Total capital ratio	23.3%	22.2%
Own funds in relation to own funds requirement	2.91	2.78
Regulatory Common Equity Tier 1 capital requirement including buffer	11.5%	11.2%
of which capital conservation buffer requirement	2.5%	2.5%
of which systemic risk buffer requirement	3.0%	3.0%
of which countercyclical capital buffer requirement	1.5%	1.2%
Common Equity Tier 1 capital available to meet buffer ¹⁾	13.1%	13.1%
Leverage ratio		
Exposure measure for leverage ratio calculation	3 063 481	2 773 608
of which on balance sheet items	2 554 625	2 311 250
of which off balance sheet items	508 856	462 358
Leverage ratio	5.1%	5.1%

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

Note 16 Own funds

SEK m	31 Dec 2019	31 Dec 2018
Shareholders equity according to balance sheet ¹⁾	155 700	148 789
Deductions related to the consolidated situation and other foreseeable charges	-14 075	-14 227
Common Equity Tier 1 capital before regulatory adjustments ²⁾	141 626	134 562
Additional value adjustments	-1 033	-868
Intangible assets	-6 688	-6 467
Fair value reserves related to gains or losses on cash flow hedges	-15	-313
Negative amounts resulting from the calculation of expected loss amounts	-816	-78
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	19	8
Defined-benefit pension fund assets	-1 761	-816
Direct and indirect holdings of own CET1 instruments	-176	-172
Total regulatory adjustments to Common Equity Tier 1	-10 471	-8 705
Common Equity Tier 1 capital	131 155	125 857
Additional Tier 1 instruments	24 243	15 251
Tier 1 capital	155 398	141 108
Tier 2 instruments	19 326	18 987
Net provisioning amount for IRB-reported exposures	309	436
Holdings of Tier 2 instruments in financial sector entities	-1 650	-1 200
Tier 2 capital	17 985	18 222
Total own funds	173 382	159 331

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

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 17 Risk exposure amount

SEK m	31 Dec 2019		31 Dec 2018	
	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾
Credit risk IRB approach				
Exposures to central governments or central banks	12 283	983	11 602	928
Exposures to institutions	54 421	4 354	51 033	4 083
Exposures to corporates	369 055	29 524	342 713	27 417
Retail exposures	67 255	5 380	63 171	5 054
of which secured by immovable property	39 616	3 169	36 720	2 938
of which retail SME	7 094	567	7 027	562
of which other retail exposures	20 546	1 644	19 424	1 554
Securitisation positions	1 195	96	987	79
Total IRB approach	504 210	40 337	469 506	37 560
Credit risk standardised approach				
Exposures to central governments or central banks	1 361	109	2 241	179
Exposures to institutions	1 057	85	649	52
Exposures to corporates	6 505	520	14 539	1 163
Retail exposures	13 691	1 095	13 310	1 065
Exposures secured by mortgages on immovable property	2 278	182	2 184	175
Exposures in default	82	7	168	13
Exposures associated with particularly high risk	933	75	761	61
Exposures in the form of collective investment undertakings (CIU)	58	5	45	4
Equity exposures	3 589	287	4 045	324
Other items	10 735	859	5 885	471
Total standardised approach	40 290	3 223	43 827	3 506
Market risk				
Trading book exposures where internal models are applied	21 195	1 696	25 020	2 002
Trading book exposures applying standardised approaches	6 913	553	7 711	617
Foreign exchange rate risk	0	0	2 889	231
Total market risk	28 107	2 249	35 620	2 850
Other own funds requirements				
Operational risk advanced measurement approach	47 444	3 796	47 151	3 772
Settlement risk	0		9	1
Credit value adjustment	7 932	635	7 605	608
Investment in insurance business	16 633	1 331	16 633	1 331
Other exposures	4 870	390	4 556	365
Additional risk exposure amount ²⁾	96 151	7 692	91 591	7 327
Total other own funds requirements	173 030	13 842	167 545	13 404
Total	745 637	59 651	716 498	57 320

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

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

Note 18 Average risk-weight

The following table summarises average risk-weights (risk exposure amount divided by exposure at default, EAD) for exposures, where the risk exposure amount is calculated according to the internal ratings based (IRB) approach. Repos and securities lending transactions are excluded from the analysis, since they carry low risk-weights, and can vary considerably in volume, thus making numbers less comparable.

IRB reported credit exposures (less repos and securities lending)		
Average risk-weight	31 Dec 2019	31 Dec 2018
Exposures to central governments or central banks	3.7%	3.0%
Exposures to institutions	24.9%	25.4%
Exposures to corporates	30.2%	31.0%
Retail exposures	10.3%	10.2%
of which secured by immovable property	6.9%	6.8%
of which retail SME	57.3%	57.7%
of which other retail exposures	31.8%	30.8%
Securitisation positions	9.6%	9.3%

Income statement

In accordance with FSA regulations SEK m	Q4			Q3			Q4			Jan–Dec		
	2019	2019	%	2018	%	2019	2018	%	2019	2018	%	
Interest income ¹⁾	8 744	8 992	-3	8 532	2	34 826	32 548	7				
Leasing income	1 459	1 462	0	1 416	3	5 792	5 656	2				
Interest expense ¹⁾	-4 213	-4 387	-4	-4 543	-7	-17 217	-16 344	5				
Dividends	748	527	42	676	11	5 168	9 130	-43				
Fee and commission income	3 585	3 382	6	3 519	2	13 544	13 281	2				
Fee and commission expense	-750	-743	1	-825	-9	-3 083	-3 218	-4				
Net financial income	2 182	800	173	1 594	37	5 838	4 574	28				
Other income	540	639	-15	77		1 762	1 770	0				
Total operating income	12 296	10 671	15	10 446	18	46 631	47 398	-2				
Administrative expenses	-4 345	-3 917	11	-3 914	11	-16 345	-15 263	7				
Depreciation, amortisation and impairment of tangible and intangible assets	-1 464	-1 447	1	-1 386	6	-5 749	-5 512	4				
Total operating expenses	-5 809	-5 364	8	-5 300	10	-22 094	-20 775	6				
Profit before credit losses	6 487	5 307	22	5 146	26	24 537	26 623	-8				
Net expected credit losses	-901	-458	97	-296		-2 044	-1 020	100				
Impairment of financial assets		-426	-100	-128	-100	-741	-2 928	-75				
Operating profit	5 586	4 424	26	4 722	18	21 752	22 675	-4				
Appropriations	1 520	409		1 561	-3	2 694	2 716	-1				
Income tax expense	-1 657	-808	105	-1 366	21	-4 189	-3 789	11				
Other taxes	52	-5		138	-62	48	118	-59				
NET PROFIT	5 501	4 019	37	5 056	9	20 305	21 720	-7				

1) The presentation between Interest Income and Interest Expense of financing costs has been aligned with the group presentation. The movement amounted to SEK 1,762m in Q4 2018 and SEK 5,523m for the period January-December 2018.

Statement of comprehensive income

SEK m	Q4			Q3			Q4			Jan–Dec		
	2019	2019	%	2018	%	2019	2018	%	2019	2018	%	
NET PROFIT	5 501	4 019	37	5 056	9	20 305	21 720	-7				
Cash flow hedges	58	-28		-207	-128	-298	-880	-66				
Translation of foreign operations	-9	-1		-60	-84	33	-11					
Items that may subsequently be reclassified to the income statement:	50	-29		-267	-118	-265	-891	-70				
OTHER COMPREHENSIVE INCOME	50	-29		-267	-118	-265	-891	-70				
TOTAL COMPREHENSIVE INCOME	5 550	3 990	39	4 789	16	20 040	20 829	-4				

Balance sheet, condensed

SEK m	31 Dec 2019	31 Dec 2018
Cash and cash balances with central banks	110 104	164 081
Loans to central banks	2 904	29 665
Loans to credit institutions	89 546	90 668
Loans to the public	1 601 243	1 410 687
Debt securities	211 417	119 227
Equity instruments	61 802	36 993
Derivatives	135 713	113 282
Other assets	105 943	113 672
TOTAL ASSETS	2 318 672	2 078 275
Deposits from central banks and credit institutions	126 891	160 022
Deposits and borrowings from the public ¹⁾	973 834	927 224
Debt securities issued	857 968	680 396
Short positions	27 343	23 144
Derivatives	119 511	95 269
Other financial liabilities	2 449	3 613
Other liabilities	72 267	55 059
Untaxed reserves	19 875	20 855
Equity	118 535	112 695
TOTAL LIABILITIES, UNTAXED RESERVES AND EQUITY	2 318 672	2 078 275
1) Private and SME deposits covered by deposit guarantee	210 576	202 823
Private and SME deposits not covered by deposit guarantee	110 625	154 785
All other deposits	652 633	569 616
Total deposits from the public	973 834	927 224

Pledged assets and obligations

SEK m	31 Dec 2019	31 Dec 2018
Pledged assets for own liabilities	486 823	489 784
Other pledged assets	86 088	82 072
Pledged assets	572 911	571 856
Contingent liabilities	146 166	134 317
Commitments	578 619	535 168
Obligations	724 786	669 486

Statement of equity

SEK m	31 Dec 2019	31 Dec 2018
Share capital	21 942	21 942
Other restricted reserves	13 651	13 298
Equity, restricted	35 592	35 240
Holdings of own shares	-2 765	-2 649
Other reserves	-259	5
Other non-restricted equity	65 661	58 378
Net profit for the year	20 305	21 720
Equity, non-restricted¹⁾	82 942	77 454
TOTAL	118 535	112 695

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

Capital adequacy

SEK m	31 Dec 2019	31 Dec 2018
Own funds		
Common Equity Tier 1 capital	113 893	108 336
Tier 1 capital	138 136	123 587
Total own funds	155 921	141 904
Own funds requirement		
Risk exposure amount	668 708	640 442
Expressed as own funds requirement	53 497	51 235
Common Equity Tier 1 capital ratio	17.0%	16.9%
Tier 1 capital ratio	20.7%	19.3%
Total capital ratio	23.3%	22.2%
Own funds in relation to capital requirement	2.91	2.77
Regulatory Common Equity Tier 1 capital requirement including buffers	8.6%	8.3%
of which capital conservation buffer requirement	2.5%	2.5%
of which countercyclical capital buffer requirement	1.6%	1.3%
Common Equity Tier 1 capital available to meet buffers ¹⁾	12.5%	12.4%

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

Signature of the President

The President declares that this financial report for the period 1 January 2019 through 31 December 2019 provides a fair overview of the parent company's and the group's operations, their financial position and results and describe material risks and uncertainties facing the parent company and the group.

Stockholm, 29 January 2020

Johan Torgeby
President and Chief Executive Officer

Auditor's review report

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

Introduction

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

Scope of review

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

Conclusion

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

Stockholm, 29 January 2020

Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

Contacts and calendar

Results presentation and webcasts

The presentation of the results will be held at 8.30 am, Swedish time, on 29 January 2020, at Kungsträdgårdsgatan 8 with the President and CEO, Johan Torgeby, and the Chief Financial Officer, Masih Yazdi, (in English). The presentation can be followed live on sebgroup.com/ir where a replay will also be available afterwards.

Telephone conference

The telephone conference at 9.30 am, Swedish time, on 29 January 2020 with the Chief Financial Officer, Masih Yazdi, and the Head of Investor Relations, Christoffer Geijer, can be accessed by telephone, +44 (0)2071 928 000. Please quote conference id: 7666545 and call at least 10 minutes in advance. A replay of the conference call will be available on sebgroup.com/ir.

Further information is available from:

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sebgroup.com
Corporate organisation number: 502032-9081

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

Financial information calendar 2020

2 March 2020	Annual Report 2019 published on sebgroup.com	
23 March 2020	Annual General Meeting	
24 March 2020	The SEB share traded ex-dividend	
25 March 2020	Proposed record date for the dividend	
30 March 2020	Dividend disbursal	
29 April 2020	Quarterly Report January-March 2020	The silent period starts 1 April 2020
15 July 2020	Quarterly Report January-June 2020	The silent period starts 1 July 2020
22 October 2020	Quarterly Report January-September 2020	The silent period starts 1 October 2020

The financial information calendar for 2021 will be published in conjunction with the Quarterly Report for January-September 2020.

Definitions

Including Alternative Performance Measures¹⁾

Items affecting comparability

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

Operating profit

Total profit before tax.

Operating profit before items affecting comparability

Total profit before items affecting comparability and tax.

Net profit

Total profit after tax.

Return on equity

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

Return on equity excluding items affecting comparability

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

Return on tangible equity

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

Return on tangible equity excluding items affecting comparability

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

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

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

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

Return on business equity

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

Return on total assets

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

Return on risk exposure amount

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

Cost/income ratio

Total operating expenses in relation to total operating income.

Basic earnings per share

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

Diluted earnings per share

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

Net worth per share

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

Equity per share

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

Core gap ratio

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

Expected credit losses, ECL

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

ECL allowances

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

Net ECL level

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

ECL coverage ratio

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

Stage 3 loans / Total loans, gross

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

Stage 3 loans / Total loans, net

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

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

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

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

Common Equity Tier 1 capital

Shareholders' equity excluding 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 liabilities, so-called additional tier 1 instruments.

Tier 2 capital

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

Own funds

The sum of Tier 1 and Tier 2 capital.

Common Equity Tier 1 capital ratio

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

Tier 1 capital ratio

Tier 1 capital as a percentage of risk exposure amount.

Total capital ratio

Total own funds as a percentage of risk exposure amount.

Leverage ratio

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

Liquidity Coverage Ratio (LCR)

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

This is SEB

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

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