2016

Annual Report

Contents

2016 in brief

Important events

SEB increased corporate and property management lending and commitments by SEK 134bn.

Customers demanded hedging and risk management services throughout the year.

Prospera's survey ranked SEB as number 1 in customer satisfaction among Nordic tier 1 large corporations and Nordic tier 1 financial institutions.

As the only Nordic bank, SEB was included in the Dow Jones Sustainability Index.

Operating expenses increased due to a goodwill impairment of SEK 5,334m.

Subsequent to year-end 2016, Annika Falkengren, SEB's president and CEO, announced her decision to leave the bank. Her successor will be Johan Torgeby, currently division head in SEB.

SEB paid SEK 1,362m in regulatory fees for financial stability purposes.

Key figures

	2016	2015
Operating income, SEK m	43,771	43,763
Operating profit, SEK m	14,867	20,865
Return on equity, per cent	7.8	12.2
Cost/income ratio	0.63	0.50
Earnings per share, SEK	4.88	7.57
Proposed dividend, SEK	5.50	5.25
Common Equity Tier 1 capital ratio, per cent	18.8	18.8
Leverage ratio, per cent	5.1	4.9
Liquidity Coverage Ratio (LCR), per cent	168	128

Who we are

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

Our purpose

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

Our vision

To deliver world-class service to our customers.

160

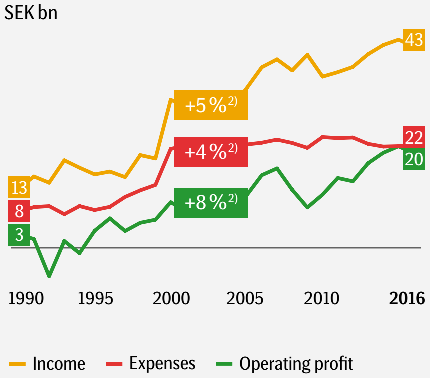
years in the service of enterprise

Our strategic priorities

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

Our profit development 1990–2016 [1]

SEK bn



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

Our financial targets

	Outcome 2016 [1]	Outcome 2015 [1]
Dividend payout ratio at 40 per cent or more of earnings per share	75% [2]	66%
Common Equity Tier 1 capital ratio of around 150 basis points over requirement	18.8% [3]	18.8%
Return on equity competitive with peers	11.3% [4]	12.9%

1) Outcome excludes items affecting comparability. See p. 30.
2) Outcome incl. items affecting comparability is 113%. Dividend proposal: SEK 5.50 per share (5.25).
3) Regulatory requirement at year-end 2016: 16.9%.
4) Outcome incl. items affecting comparability is 7.8%.

What we do

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

In meeting the requirements and expectations from customers, shareholders, employees and society at large...

...via SEB's management of its business...

...comprehensive services...

In areas like:

- Commercial banking
- Investment banking
- Advisory services
- Long-term savings
- Life insurance
- Payments
- Financing

...and various channels...

219
branch offices in Sweden and the Baltic countries

2.4
transactions online per home bank customer per week

3.0
mobile bank transactions per home bank customer per week

20
international sites

24/7
telephone bank services

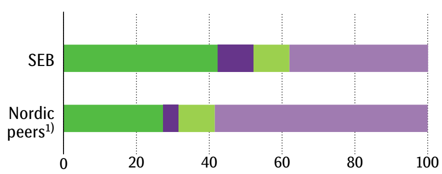
200
client executives for large corporates and institutions

...value is created

SEB's total contribution SEK 57.0 bn

Interest paid to customers	16.5
Dividends paid to 276,000 shareholders	11.9
Salaries, pensions and benefits to 15,300 employees	12.0
Payments to 12,300 suppliers	8.3
Taxes and social charges	6.9
Regulatory fees	1.4

SEB – the leading Nordic corporate bank



Share of income 2016, %	SEB	Nordic peers
Large corporates and institutions	42	27
Life insurance (unit-linked)	10	4
Asset management	10	10
Retail banking	38	59

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

Whom we serve

Customers always come first. Our committed and experienced 15,300 employees work as a team to serve our customers.

Large corporations

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

2,300
large corporations

Financial institutions

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

700
financial institutions

Small and medium-sized companies

In all, SEB serves approximately 400,000 small and medium-sized companies in Sweden and the Baltic countries. Of these, some 267,000 are home bank customers.

267,000
home bank customers

Private individuals

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

1.4
million home bank customers

SEB's strategy remains the same

» In an environment of uncertainty SEB stands strong and can support its customers. «

Our aim is to create long-term value for our customers and thus generate a sustainable and competitive return for our shareholders.

As a leading corporate bank, founded 160 years ago in the service of enterprise, we in SEB know how important it is to always take a long-term perspective in everything we do. Therefore, we safeguard a sound financial position with strong capital and liquidity buffers. We continuously work to instil the highest standards for corporate governance and business conduct.

We strongly believe in attracting people who are both guided and inspired by our values in their daily work. We continuously strive to adapt and develop our services in close partnership with our customers so that we can be proactive and meet their long-term needs. We are convinced that by doing so we can live up to our ambition to create long-term value for our customers and thereby over time for you, our shareholders. In 2016, total shareholder return reached 14 per cent.

My belief is that taking this long-term perspective is even more critical as the world, and thus the business environment, is becoming more complex. Over the past years we have seen increased uncertainty in terms of subdued growth and negative interest rates, calls for protectionism, changing regulatory framework for banks, geopolitical tension and major political events having unexpected outcomes such as the EU referendum on Brexit in the UK. At the same time, the transformative technological shift is reshaping all businesses, disrupting whole or parts of existing business models and lowering costs. In this environment, SEB stands strong and can support its customers.

Annika Falkengren, our departing CEO, who has been at the helm of SEB for more than 11 years, has done a tremendous job together with the whole SEB team. She successfully navigated SEB through the global financial crisis and set a clear strategy forward which she and the team delivered on with a unique commitment. On behalf of the Board of Directors, I would like to express our deep appreciation of her work for close to 30 years for SEB.

SEB's direction going forward remains the same. Our three-year business plan includes continued growth in core areas of strength as well as a clear transformation agenda in order to capture the full opportunities of digitalisation. We maintain our financial targets and long-term aspiration to reach a return on equity of 15 per cent.

SEB's succession planning has allowed the Board to identify and appoint Johan Torgeby as the bank's next President and CEO. Together with Johan, the management team and all employees, SEB is determined to deliver the vision of world-class service and thus continue to build long-term shareholder value.

Stockholm, February 2017

Marcus Wallenberg
Chairman of the Board

World-class service

» The whole SEB team will, step by step, continue to deliver on our vision. «

The year 2016 marked the start of a new business plan focused on growth and transformation.

Looking back at my tenure as the chief executive of this fantastic bank, I must say it has been an era of so many different – and all of them exceptional – economic phases. The first years were characterised by abundant liquidity, rapid credit growth and distorted risk-return rewards. By now we all know how it ended. The deep global financial crisis with the acute phase following the crash of Lehman Brothers in 2008, had immense effects not only for the financial system, but also for the real economy. Still today, real global growth is not firing on all cylinders, despite years of unconventional monetary policy with massive quantitative easing programmes and even negative interest rates.

In SEB, we have always been guided by two principles: maintaining resilience and flexibility, and staying close to our customers. Through a strong balance sheet and sufficient liquidity reserves, we can support our customers in good times and bad, while continuously developing services to make the customer experience even more convenient.

In the past year, the shifting market environment continued to impact customer behaviour. Customers' demand for advisory and risk management services remained. As business sentiment grew more positive towards the end of the year, event-driven large corporate credit demand rose and SEB participated in a number of public equity listings in the Nordic region. However, the low interest rate environment pushed many financial institutions to move further out on the risk curve and into less liquid investments. Both in Sweden and in the Baltic countries we supported domestically focused SMEs as they showed a growing willingness to invest.

The shifting demographic trends with increasingly ageing populations increase the needs for long-term savings. Customers appreciated our holistic savings offering, which now also includes traditional life insurance. SEB has taken an industry-leading approach as both private individuals and institutional clients have higher demands for sustainability-focused investments.

The banking industry, just like all industries, has had to revisit business models following digitalisation and the rapidly changing customer behaviours. Thus, 2016 marked the beginning of a three-year business plan for SEB reflecting our belief that going forward customer orientation and digitalisation will increase in importance. We are changing our ways of working and have invested in and launched new customer interfaces in all segments, as well as a number of new services including remote advice.

I would like to take this opportunity to thank all employees and customers for their commitment to and trust in SEB all through these years. It has been lots of hard work, but most of all it has been more than eleven years of passion for SEB. I know that the whole great SEB team will – step by step – continue to deliver on our vision of world-class service.

Stockholm, February 2017

Annika Falkengren
President and Chief Executive Officer

Macro environment

Three major global trends are impacting banks' operating environment. Customer behaviour and expectations are changing with the digital transformation. Global growth, with low or negative interest rates and new regulatory requirements, remains uncertain. Demands on banks to take responsibility for a more sustainable world are higher.

Complexity in the macro environment

The global economy remained uncertain following a number of unexpected economic and political events during 2016. However, there were clear signs of economic turnaround. Initiatives for infrastructure investments were taken. The increase in US interest rates may have been a starting point for a shift away from the very low or negative interest rates, eventually leading to discontinuing the central banks' massive quantitative easing programmes. The record-high global debt remains to be managed for a long time, however.

The referendum in the United Kingdom resulting in the favour of Brexit as well as the presidential election in the United States contributed to increased uncertainty around international trade and political stability. A rapid increase in populist, nationalist and protectionist forces was also seen in 2016 in a number of countries.

Conflicts and uncertainty in many parts of the world have resulted in major waves of migration that are creating tension.

» The Swedish repo rate was negative throughout the year and was –0,5 per cent at year-end. «

Rapid digital transformation

The rapid technical development is a new industrial revolution

Digitalisation is leading to new customer behaviours and new business models are rewriting the map for society, many industries and for private individuals – so too for the financial sector.

Customers expect accessible and convenient services. Digitalisation provides ample opportunity to create new and easy-to-use niche services for payments, savings and lending. One example is the highly successful mobile payment service, Swish, which is owned by the Swedish bank sector. The transformation is putting demands on faster development, simplified processes and increased automation in the banking sector and will, over time, result in substantial efficiency measures.

Flexible and agile companies which lack heavy infrastructure and are not burdened by the same rules and regulations as banks are entering the financial markets. These fintech companies also represent an opportunity for the financial sector and there are many examples of partnerships building on traditional banks' infrastructure that lead to innovative and effective solutions for the customers.

There is substantial underlying public trust in traditional universal banks and they offer customers comprehensive solutions and a total view of their financial situation. Building on this trust, SEB is striving to meet the increasing expectations of the customers.

New regulations create uncertainty

The Basel Committee

The new financial regulations that continue to be developed are creating uncertainty about economic development, since no one today has assessed the total effect of all rules and regulations.

Standardised risk-weights may increase lending rates

The new, standardised risk-weight floor that is currently being discussed by the Basel Committee poses a challenge to the Nordic banking system, which is successfully using individual risk classifications to assess its capital needs.

A standardised risk-weight floor according to the Basel Committee's recommendation removes the incentive to use sound risk principles, where low risk means lower interest rates for the customer and high risk means higher interest rates for the customer. This would lead to a dramatic rise in capital needs in Nordic banks. This, in turn, would lead to higher rates for corporate lending, which in turn would have a direct impact on growth in the real economy.

In January 2017 the Basel Committee announced that it is postponing the publication of the risk-weight floor rules until further notice. In a longer perspective the uncertainty remains.

Proposed new financial tax

In the opinion of the Swedish government banks are insufficiently taxed because financial services are VAT-exempt. Therefore, a 15 per cent tax on wages and benefits that relate to the VAT-exempt financial services is proposed. In addition, the tax is proposed to be non-tax deductible.

If implemented, the tax would affect not only the financial sector but also companies that run treasury departments and the fintech sector.

According to calculations provided by the Swedish Bankers' Association as many as 16,000 jobs in Sweden would be threatened if these plans were in fact carried out, since jobs may be moved abroad in order to lower staff costs.

The total estimated effect from the proposal under discussion on SEB is around SEK 700m per year in additional costs.

Stabilising the financial sector

Regulatory requirements on banks in Sweden are among the strictest in the world. Recent Swedish regulations are designed to further stabilise the Swedish financial sector and further ensure banks' contribution to society.

Based on experiences from previous financial crises, national governments have established so-called resolution funds with the purpose to finance potential future support from the government to credit institutions.

Similarly, deposit guarantees provide protection for retail depositors in case of bank default.

Financial contributions

In Sweden, banks contribute to the resolution fund for stability purposes and to the national deposit guarantee scheme.

In 2016, SEB's total regulatory fees were SEK 1.4bn. In 2017, when the full resolution fee is charged, the bank expects the fees to amount to SEK 2.1bn, the absolute main part of which are paid in Sweden.

Risk of unfair competition

Interest on subordinated debt that qualifies as additional tier 1 capital and tier 2 capital is no longer deductible for income tax purposes. The reason is that such debt is considered to be part of banks' capital base and therefore should be treated as capital for tax purposes.

Since this would be a tax on Swedish banks only there is a risk of unfair competition in relation to international financial institutions.

The additional tax on SEB is estimated to around SEK 360m in 2017 and SEK 300m in 2018 and thereafter.

Shift to a more sustainable world

The role of business in the shift to a more sustainable world was manifested for the first time in 2015 when the UN 17 global sustainable development goals were signed and the global and legally binding climate agreement was adopted at the COP21 meeting in Paris.

The business sector contributes to the work with the 17 global sustainable development goals that have been set by the UN. The goals span a wide range, from poverty eradication to promotion of health, prosperity and economic growth. For each goal there are specific targets to be achieved over the next 15 years. To reach these targets, all parties must do their part, governments, business and industry as well as civil society. SEB was one of the 400 companies which signed a global petition in support of the climate agreement and the bank has revised its position on climate change with a clear ambition to be involved and contribute to limiting global warming to well below 2 degrees Celsius.

The financial sector has a key role to play in channelling investment capital to infrastructure and fossil-free energy systems. In doing so companies are not only helping to address the climate threat – they also have better prospects for sustainable growth and thus better returns.

See also SEB's Sustainability Report 2016.

Sustainable development goals

Demographic challenges

Most countries are facing significant demographic challenges posed by ageing populations.

The dependency burden for the actively working portion of the population is growing, which strains social security systems. There is a growing realisation that individuals themselves need to take greater responsibility for their financial security through savings and insurance solutions. In this area the financial sector can make a contribution by providing easily accessible advice and long-term investment services.

Stakeholder dialogue

Financial markets are at the core of creating economic and social value in a modern society. Here banks play a key role.

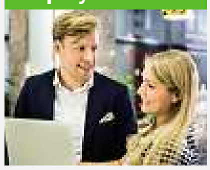
SEB maintains an active dialogue not only with customers and employees but also with other stakeholders such as shareholders, suppliers, government agencies, legislators and representatives of the local communities in places where SEB operates. In this dialogue, SEB has identified the issues that are most important for stakeholders as well as for the bank. They are in agreement and are in line with the bank's strategic direction on the base of risk management, financial strength and resilience.

Mutual issues are:

- providing fulfilling customer experience and good service
- maintaining high standards of business ethics and IT security
- contributing to a society characterised by innovation and resource efficiency.

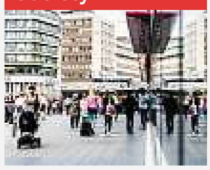
Customers

Employees



Shareholders

Society



SEB creates value

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

Meeting stakeholders' expectations

Customers

1.6 million corporate and private customers

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

Shareholders

276,000 shareholders

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

Employees

15,300 employees

SEB's employees build and deepen customer relationships. Their commitment, skills and quality of their daily work are key success factors for the bank's business and future development.

Society

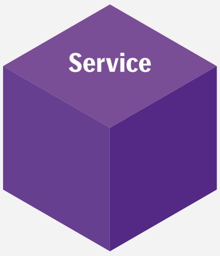
Society at large

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

via SEB's management of its business

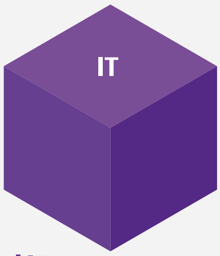
Long-term strategy

SEB's strategy is built on developing deep customer relationships with a long-term perspective. *See p. 11.*



Customer-oriented offering

Proactive quality advice and a holistic offering are provided at the customers' convenience, based on customer insights. *See p. 18.*



Secure and functional IT

The IT structure promotes stability in the daily operation and agile development of digital products and services. *See p. 36 and p. 16 in SEB's Sustainability Report 2016.*

creates both social and financial value

Financial strength

Financial strength gives the resilience and flexibility required to serve customers over the long term. *See p. 29.*

Solid corporate governance

Corporate governance is based on clear allocation of responsibility, a well developed structure for internal control and ownership involvement. *See p. 48.*

Sound risk culture

To meet customers' needs SEB assumes and manages risks. These are mitigated by prudence, risk awareness and expertise throughout the organisation. *See p. 40.*

For customers

By providing proactive advice and a wide range of financial services, SEB supports its customers' long-term aspirations and adds value in all phases of life of individuals and development stages of companies and institutions.
See p. 14.

For shareholders

Dividends and potential increases in market value over time contribute to shareholders' financial security and enable new investments. SEB's competitiveness is increased and long-term risks are reduced through the integration of environmental, social and governance aspects.
See p. 26.

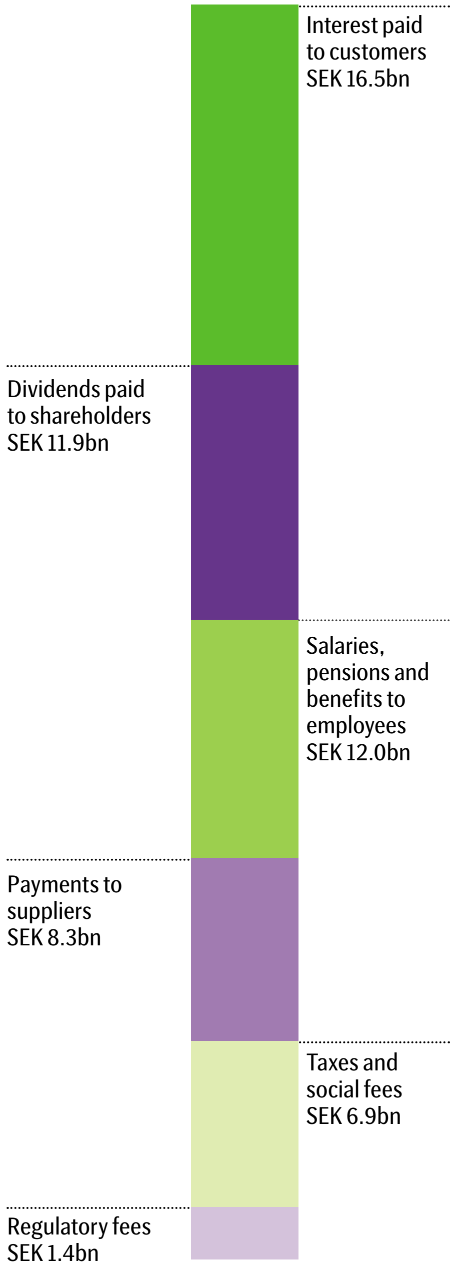
For employees

The employees take part in, and value, the opportunities for learning and further development that are integrated in SEB's business. Employees also participate in the many partnerships that SEB supports to help communities develop and prosper. *See p. 22.*

For society at large

SEB intermediates financial solutions, provides payment services and manages risks which promote economic growth and prosperity. SEB pays taxes and fees according to local rules where it operates. SEB takes responsibility as a provider of financing and as an asset manager and works proactively with environmental, social and governance issues. *See p. 21 and 25.*

Distribution of financial value
SEK 57bn for 2016



World-class service

SEB's long-term vision reflects a future in which customer orientation and digitalisation increase in importance. In this environment, the bank's ambition is to be the undisputed leading Nordic corporate and institutional bank and the top universal bank in Sweden and the Baltic countries.

SEB's long-term strategic priorities

Leading customer experience
Develop long-term relations based on trust so that customers feel that the services and advice offered are insightful about their needs, are accessible on their terms and that SEB shares knowledge and acts proactively in their best interest.

Resilience and flexibility
Maintain resilience and flexibility in order to adapt operations to the prevailing market conditions. Resilience is based upon capital and liquidity strength. Cost efficiency provides room for new investments.

Growth in areas of strength
Focus on profitable organic growth in areas of strength: universal banking in Sweden and the Baltic countries and corporate banking in home markets outside Sweden.

The three-year business plan (2016–2018)

Growth in areas of strength

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

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

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

Transformation focus areas

World-class service
Focus on customer journeys in order to create a leading customer experience based on a personalised and convenient full-service offering where customers can choose where and in what manner they want to be served.

Digitalisation
Develop customised advisory tools and interfaces based on individual customer needs and behaviour in various channels. This includes transforming the first line of service to digital solutions and portals.

SEB also digitalises and automates internal processes in order to improve efficiency.

Competences
Ensure a gradual competence shift broadening the role for client executives and also developing capabilities in service design and data analytics. SEB will continue to invest in attracting talents with the right values and providing development opportunities to existing employees.

Aim to be a role model in sustainability

The financial sector's importance for, and indirect impact on, sustainability issues is widely recognized. SEB wants to be a role model in sustainable development in the financial industry with focus on:

- promoting climate-friendly and resource-efficient solutions,
- working with sustainable investment and financing with positive impact,
- supporting entrepreneurship which creates new jobs and supports economic development, and
- reducing the bank's own direct environmental impact.

Overall targets and outcome

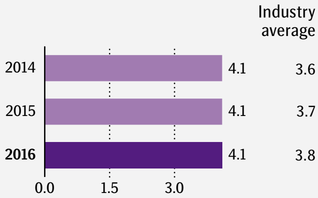
Customers

Customer experience and satisfaction

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

Nordic large corporations

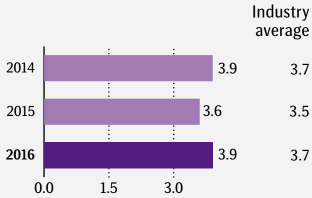
Customers' willingness to recommend [1]



1) According to Prospera

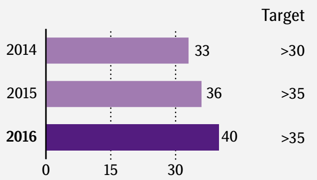
Nordic institutions

Customers' willingness to recommend [1]



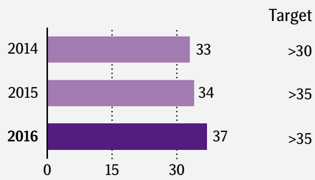
Small companies in Sweden

SEB internal measures [2]



Private individuals in Sweden

SEB internal measures [2]



2) According to the Net Promoter Score method

Target
Leading position in selected customer segments.

Outcome
Customer satisfaction improved in all four segments. Nordic large corporations ranked SEB as no.2 in 2016 versus no.3 in 2015. In 2016, the ranking by Nordic financial institutions improved to no 1, from no. 5 in 2015.

Going forward
SEB will work to improve overall customer satisfaction further through proactive advice and convenient customer interfaces.

Swedish Quality Index
According to the Swedish Quality Index measurement of customer satisfaction, trust in the banking industry dropped significantly among both private and business customers. SEB was relatively unaffected when it came to private customers and decreased much less than industry average regarding business customers.

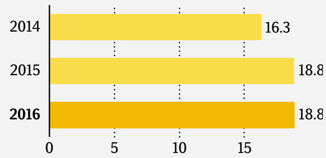
Shareholders

Financial targets

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

Common equity Tier 1 capital ratio

Per cent



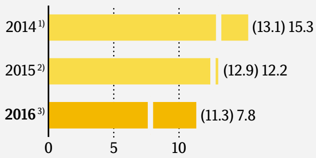
SEB's estimate of the current Common Equity Tier 1 capital requirement from the Swedish Financial Supervisory Authority, according to Basel III (CET1), is 16.9 per cent.

Target
SEB shall maintain a CET1 capital ratio that is around 150 basis points higher than the regulatory requirement, which currently would mean around 18.4 per cent.

Outcome
The Common Equity Tier 1 capital ratio was 18.8 per cent at year-end.

Return on equity

Per cent



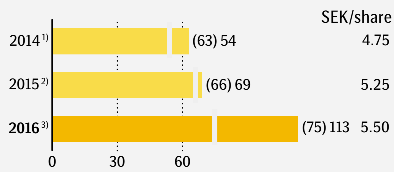
1) Including items affecting comparability 15.3 (excluding: 13.1)
2) Including items affecting comparability 12.2 (excluding: 12.9)
3) Including items affecting comparability 7.8 (excluding: 11.3)

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

Outcome
Return on equity was 7.8 per cent. Excluding items affecting comparability, return on equity was 11.3 per cent.

Dividend payout ratio

Per cent



1) Including items affecting comparability 54 (excluding: 63)
2) Including items affecting comparability 69 (excluding: 66)
3) Including items affecting comparability 113 (excluding: 75)

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

Outcome
The proposed dividend corresponds to 113 per cent of earnings per share. Excluding items affecting comparability, the proposed dividend corresponds to 75 per cent of earnings per share.

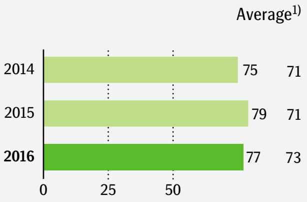
Employees

Motivation and engagement

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

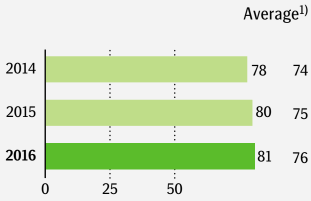
Employee engagement Index

Engagement



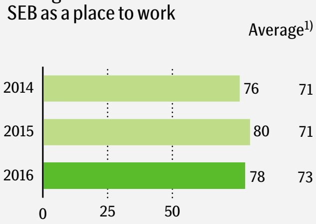
Performance excellence Index

Efficiency and trust



Employees Index

Willingness to recommend SEB as a place to work



1) Financial sector average

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

Outcome
In the 2016 survey, the results were clearly higher than the average for the financial sector. The outcome improved in terms of performance excellence, but decreased somewhat – from a high level – in terms of employee engagement and employees' willingness to recommend SEB as a place to work.

Going forward
SEB will strive for enhanced employee engagement especially in the bank's vision, values and business plan.

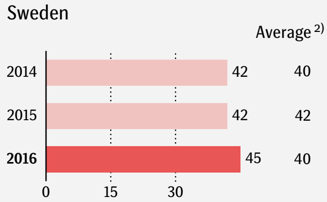
Society

Reputation

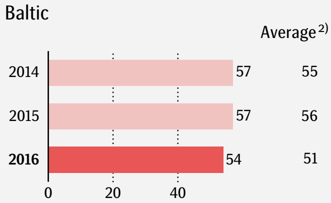
SEB monitors the results of the TNS Reputation Index, which measures the bank's reputation among consumers and business owners.

Reputation 1) Index

Sweden



Baltic



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

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

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

Outcome
Long-term positive trend in Sweden. The gap to no. 1 is decreasing. In the Baltic countries, scores are above market average but the trend is slightly negative. SEB ranks as no.3 in Estonia and no. 2 in Latvia and Lithuania.

Going forward
SEB will pursue its long-term commitment to business ethics and public trust.

Sustainability

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

Sustainability index

SEB meets the criteria

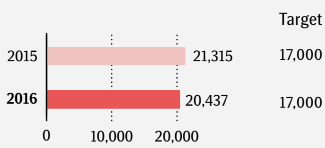
STOXX	✔
Ethibel	✔
FTSE4Good	✔
ECPI	✔
Dow Jones	✔

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

Outcome
SEB has been included in STOXX, Ethibel, FTSE-4Good and ECPI for several years. In 2016, SEB was also included in the Dow Jones sustainability index and thereby the target was met.

Going forward
SEB targets being comfortably included in the indexes above.

CO_2 emissions Tonnes



As of 2015, a new baseline for measuring the CO2 emissions, where additional SEB units are included, was established. As a consequence, the target expressed in tonnes was changed. For details, refer to SEB's Sustainability Report 2016.

Target
Reduce CO2 emissions by 20 per cent between 2015 and 2020.

Outcome
The CO2 emissions were reduced by 4 per cent one year into the target period.

Going forward
SEB will continue to focus on reducing the CO2 emissions.

Customers and customer services

In a rapidly changing world, innovation and transformation are key for SEB — new services, solutions and meeting places are developed in close cooperation with customers in order to offer world-class service.

Customer segments

Large corporations

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

Strategy

- Aim to make SEB a preferred partner by offering a comprehensive range of financial services and advice for all aspects of a company's operations, using the bank's broad expertise and depth of industry knowledge.
- Expand business with the existing customer base in the Nordic countries and Germany, building on long-term personal relationships.
- Focus on convenient digital customer portals and process efficiency in addition to cost and capital efficiency.
- Grow the number of corporate customers in the United Kingdom.

Financial institutions

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

Strategy

- Meet the financial institutions' needs by a specialised customer key account organisation where the bank's offerings are combined with a depth of expertise in the operations of the institutional clients.
- Focus on convenient digital client portals and process efficiency in addition to cost and capital efficiency.
- Offer a comprehensive range of services to customers in the Nordic countries and Germany and offer Nordic products globally.

Small and medium-sized companies

SEB serves some 400,000 small and medium-sized companies in Sweden and the Baltic countries. Of these 168,000 are home bank customers in Sweden and 99,000 in the Baltic countries. There are approximately 500 mid-corp and public sector customers in Sweden, many with international operations. The public sector includes government agencies, state-owned companies and municipalities.

Strategy

- Develop SEB's offering based on the bank's strong position among large corporations in the Nordic region. Offer small and medium- sized companies convenient services and proactive advice, based on a deep insight of their entire situation, including the needs of both the employees and the owners.
- Serve smaller businesses with the help of packaged services and increased accessibility through digital interfaces.

Private individuals

In all, SEB has approximately four million private customers in Sweden and the Baltic countries. Of these 485,000 are home bank customers in Sweden and 904,000 in the Baltic countries. For private customers with sizeable capital and a need for more qualified advice, SEB offers a comprehensive range of private banking services. SEB has approximately 25,000 private banking customers.

Strategy

- Meet customers' full needs for financial advice and services during all phases of life.
- Strive to make it easy for customers to manage their personal finances and plan for the future. Proactivity and accessibility are key in providing convenient services.
- Provide options for long-term savings since ageing populations are putting pressure on the public welfare system which means that individuals need to take greater responsibility for their financial security.

Meet our customers

Teo Ottola
Konecranes
Read more on p. 17.

Katre Kõvask
Südameapteek
Read more on p. 19.

Anders Parrow
Read more on p. 20.

Customer activities in 2016

In the uncertain environment, both large corporate customers and institutions maintained a wait-and-see approach, but the need for risk management services was high. Small and medium-sized companies were more positive. On the private side, customers increasingly used digital services for their financial needs.

Large corporations

Tentative, but more activity towards the end of the year

In the beginning of the year, characterised by macroeconomic uncertainty, large corporate customers were cautious. There was higher demand for lending towards the end of the year, driven by a number of corporate events. In addition, SEB played an instrumental role as adviser and arranger in for instance the listing of Arcus in Norway and DNA in Finland. Private equity investors were increasingly active. Customers requested advisory and risk management services in the volatile market environment throughout the year. In the United Kingdom, new customers chose SEB for its Nordic relationship bank profile.

Customer satisfaction

SEB was ranked no. 1 among tier 1 large corporations in the Nordic region in Prospera's customer satisfaction survey.

Financial institutions

Activity driven by low interest rates and volatile markets

Uncertainty regarding the impact of banking regulations as well the direction of central bank policies characterised a good part of 2016. Activity among financial institutions was generally low but increased towards the end of the year. In times of market turbulence, especially around the Brexit referendum and the presidential election in the United States, markets were volatile and risk management activity high. The low interest rate environment prompted many financial institutions to take on more risk by investing in less liquid assets.

Institutional investors grew increasingly interested in sustainability focused investments.

Customer satisfaction

SEB was ranked no. 1 by tier 1 financial institutions in the Nordic region in Prospera's customer satisfaction survey.

Small and medium-sized companies

Positive development in both Sweden and the Baltic countries

Swedish small and medium-sized companies were less affected by the global uncertainty. The anticipated investments in infrastructure in Sweden created a positive momentum. Around 9,000 new companies chose to become home bank customers in SEB. Their need for financing and savings services grew and SEB's digital services were increasingly utilised.

Digital services

The business banking app, the internet bank, the Swish app for payment services for companies and e-invoice are all examples of digital initiatives that were appreciated by the small and medium-sized customers.

Active Baltic customers

Development was also positive in the Baltic countries, where companies have been adept at countering the effects of the Russian sanctions. Customer were more positive and their financing needs increased in all three countries.

Meet one of our large corporate customers

» SEB acts with agility, little bureaucracy and has a proactive approach. «

Teo Ottola
CFO Konecranes

Finland's Konecranes, a world-leading manufacturer in the lifting business, serves customers in manufacturing and process industries, shipyards, ports and terminals.

In January, the company finalised the acquisition of Terex's material handling and port solutions segment, a deal which in one stroke nearly doubled revenue, complemented the product offering and expanded the installed base of cranes significantly. SEB played a key role in developing the financing solution.

"SEB has been a strategic partner since our inception in the mid-1990s. We have a long and extensive relationship characterised by mutual trust. SEB's contacts are easy to deal with, they act with agility and little bureaucracy and have a proactive approach", says Teo Ottola, Chief Financial Officer.

Private individuals

Digital services and greater need for long-term savings

With the changing demographics, private individuals' awareness of long-term savings and risk insurance solutions increased. Customers took advantage of SEB's improved offer in the long-term savings area, with unit-linked and traditional life insurance options and also appreciated the possibility to use digital pension analysis services.

The stock market's performance was reflected in customers' behaviours. Towards the end of the year customers increasingly chose to invest in equity and allocation funds.

Private individuals increased their digital presence and mobile interactions were four times as high as the internet banking interactions in Sweden.

Household mortgages

Households in Sweden continued to invest in new homes in a real estate market where the housing shortage and low interest rates significantly pushed up prices.

The new strict amortisation requirements that were implemented in Sweden in 2016 had a limited effect on SEB's customers since the bank has had similar internal rules in place for some time.

Baltic region

In the Baltic countries, there were moderately positive economic signs driven by private consumption and activity increased among private customers. Their demand for both loans and savings products increased.

Youngsters appreciated SEB's educational seminars on personal finance.

Support to entrepreneurs in all phases from start-up to growth

In SEB, supporting entrepreneurship and new business start-ups goes without saying. In Sweden, SEB has established collaborations along the entire entrepreneur spectrum, from new to established companies » *See p. 25.*

SEB operates the Innovation Forum – a meeting place where promising cutting-edge companies with ties to educational and research institutions have an opportunity to gain access to potential investors among SEB's customers. The event is highly appreciated and has led to concrete investments for about half of the participants.

In the Baltic countries, SEB arranges seminars where corporate customers get information and an opportunity to interact, with the aim to help each other realise their growth ambitions through the power of innovation.

New customer services

With customer needs in focus and with the bank's vision to provide world-class service, SEB is taking a number of initiatives to improve customer experience.

During 2016, SEB capitalised on the potential of digital technology and developed and launched new services aimed at all customer segments.

This work is being conducted at a fast pace, with many small deliveries that are developed in close collaboration with customers. Some solutions are developed by SEB, while others rely on partnerships with other service providers.

Customer satisfaction pilot

To put the customer experience front and centre, SEB is having seven branch offices test what happens if the operations are solely evaluated on customer satisfaction without monitoring financial key ratios. The pilot is showing promising results and the staff is finding new ways to provide the best possible customer service.

The bank for entrepreneurs

Through the 2017 launch of Greenhouse, a broader service offering, SEB will take the next step toward being a stronger business partner for growth companies.

The new offering is based on in-depth interviews with high-growth enterprises about challenges and problems in their day-to-day operations. To meet their needs, SEB offers its entire pallet of expertise – from mergers and acquisitions (M&A) to investment banking and corporate and family law. In cooperation with external partners SEB also offers services relating to staffing and contractual matters as well as auditing, legal counsel, consulting and advisers.

In the Baltic countries SEB is conducting joint innovation initiatives with customers. This strengthens the partnerships with entrepreneurs.

World-class custody functionality

In 2016, SEB's first customers gained access to the bank's new global custody account services platform that has been developed in partnership with the investor services company Brown Brothers Harriman (BBH). The new platform offers improved solutions for managing customers' mutual funds, collateral, corporate events, cash management, currency trading and more.

SEB handles the customer relationship and interface, while BBH provides the technical platform and takes responsibility for certain administrative processes. Through this partnership SEB gains access to cutting-edge technology while retaining responsibility for the customer relationship.

Virtual trainee in customer service

The virtual trainee Aida has begun working at SEB's customer service. For a while now she has been answering questions, assisting customers with simple banking matters and she has learnt to speak Swedish. Her "recruitment" is one of many tests SEB is doing to develop the customer experience and offer more efficient banking services with the help of artificial intelligence.

Aida is at the cutting edge of technology. In contrast to so-called chatbots, Aida can learn to understand, conduct a dialogue and perform tasks just like a human.

SEB is the first bank in Europe to use this type of artificial intelligence in its customer service operations.

Meet one of our medium-sized corporate customers

» I appreciate SEB' openness to entrepreneurship and innovation. «

Katre Kõvask
CEO Südameapteek

With seven new pharmacies, sales growing nearly three times faster than the market and almost doubled earnings (EBITDA), Katre Kõvask, CEO of the Estonian pharmacy chain Südameapteek, can look back on a good year.

An open, flexible and close relationship with the company's financial partner SEB is an important part of the continued expansion.

"Bank relations is about building a partnership, working together and pulling in the same direction. It is based on both parties being open and transparent. I appreciate the openness to promote entrepreneurship and innovation that the bank stands for", she says.

The branch office evolves

The personal relation with customers is important and SEB will always have branch offices. However, in a world where banking transactions are increasingly digital, what will the future branch office look like and what services will be provided? Part of the answer can be found at a new type of branch office located in Stockholm, as well as at the innovation centres for small and medium-sized companies that SEB has established in the Baltic countries.

Initiatives like these are a way of developing meeting places in close cooperation with customers. With the help of customer feedback, SEB strives to design new types of open and inviting meeting places.

First in pensions market with digital advisory meetings

SEB was the first player in the Swedish occupational pensions market to offer customers a fully digital advisory meeting. The process is initiated with customers completing a web-based form with the information needed to conduct an analysis of their current status. During the web-based advisory meeting, where the two parties share screens, customers can see how the outcome would be affected by various decisions and can set goals for their financial security. The customers can then sign their choices digitally.

This digitalised process allows SEB to offer personal advice remotely no matter where the customer is located. This has increased the bank's accessibility while streamlining its advisory work.

New convenient interface for large corporate customers

SEB has upgraded its cash management functionality so that customers get a better view of not only their total cash balances – in SEB and other banks– but also of their most advanced global liquidity solutions. Accessibility has been improved so that customers can monitor and act on their accounts also via mobile devices.

Innovation benefits customers

Promoting internal innovation

SEB encourages a culture for change and innovation. One such initiative is SEB's Innovation Lab, where employees present their ideas live to a jury consisting of senior managers. If approved, the employee can develop and prototype the idea during a set period of time.

Several ideas have already come to fruition, such as SEB's virtual open houses, which are offered in collaboration with the realtor Husman & Hagberg. Another example is a significantly streamlined process for welcoming new customers using digital tools.

Digital processes improve customer experience and free up resources

To gain the full potential of the technological development and, based on a customer perspective, create new, automated flows, it is often necessary to rethink processes from scratch. SEB has identified a number of key processes in which the entire chain from customer transaction to IT system is being redesigned.

Customers buying a home is one example. SEB has launched its first, concrete step in this area in the form of a new digital function that helps customers determine which home they can afford. Another example is the annual credit reviews of corporate business in which the potential savings may be as high as three to four man-weeks of work per year per customer.

Investing in innovative solutions

SEB invests in high-tech companies with innovative solutions that could be relevant for the bank and its customers.

In 2016 SEB invested in the fintech company Tink, which has developed an app that helps users get a better overview of their income and expenses. Its functionality is being integrated into SEB's mobile app. SEB also invested in Coinify, a company with a platform for blockchain payments, and in the company Now Interact, which uses artificial intelligence and machine learning to predict customer behaviour. Another example is Leasify, a company with a digital solution for leasing arrangements aimed at companies.

The potential of blockchain

Blockchain technology, which was originally developed for the Bitcoin cryptocurrency, is believed to have major potential in streamlining payment flows by removing the need for intermediaries. SEB is participating in several blockchain initiatives. In addition to its investment in Coinify, the bank is working with the fintech company Ripple to use its blockchain solution for payments.

Meet one of our private customers

» A bank that I can trust is a great asset. «

Anders Parrow

The love of boats and birds has been a theme throughout his life. A few years ago his decision – at 89 years of age – to buy a new sailboat, specially designed for solo trips, caught media attention. 54 years ago, the same boat interest made Anders Parrow a customer of SEB and he has been faithful to the bank ever since.

Anders likes to visit the bank and meet with his adviser, but also appreciates the internet bank and the mobile bank app. "I can't imagine banking without them", he says. Anders regularly takes part of SEB's market analysis as input to his portfolio management.

Customers expect responsible services

The financial sector has a large indirect influence on the long-term sustainable development. Stakeholders have high expectations in this area and SEB has raised its ambition and aims to be a role model within sustainability.

Green financing

The climate challenge requires major investments in energy supply, the transport sector and sustainable urban development. SEB contributes by assisting customers with financing of green investments in infrastructure and renewable energy, including hydro power, wind power and solar energy.

SEB participated in the creation of the world's first green bond, which was issued by the World Bank in 2008. Since then, the global market for green bonds has gained momentum and grown sharply. In 2016, green bonds were issued to a value of almost USD 95 billion – capital that has thus been channelled to quality assured green projects. SEB was the fourth largest arranger/underwriter globally, with a market share of 4.4 per cent of this volume.

SEB applies policies that limit lending to companies in sectors such as fossil fuels, mining and metals. SEB does not provide new financing of coal mining and coal powerplants. The bank's sector policies and position statements form a valuable base in dialogues with corporate customers and help increase awareness about sustainability aspects in various decisions.

Responsible investments

Customers increasingly expect that SEB will manage their assets in a responsible manner. For a number of years the bank has made a concerted effort to take sustainability into account in all investment processes, based on the conviction that this leads to better investments and higher returns for customers. At year-end SEB managed assets at a total of SEK 584 billion (517) in accordance with the Principles of Responsible Investments (PRI).

SEB excludes investments in particular sectors and areas, such as controversial weapons and nuclear arms, as well as in companies that derive more than 20 per cent of their sales from coal production. On the other hand, SEB is also working to a greater extent with positive selection where portfolio managers prioritise companies that work according to sustainable principles.

In 2016 SEB entered into a new partnership with Hermes Investment Management, creating an opportunity to increase the number of sustainability dialogues with companies outside the Nordic region.

Measurement of the carbon footprint of funds has been expanded and now includes most of the bank's equity funds.

Dow Jones sustainability index

SEB has high ambitions in its sustainability work and aims to be a role model in the financial industry in this area. A sign that the efforts are paying off was that in 2016 SEB met the strict criteria for inclusion and was – as the only bank in the Nordic countries – accepted as part of the Dow Jones sustainability index.

Microfinancing

SEB was the first bank in Sweden to launch microfinance funds directed at institutional investors. The aim is to offer an attractive investment opportunity with a distinct social character. The fund assets create a ripple effect when borrowers invest or use other business services. This way jobs are created leading to growth in developing countries.

The bank's four microfinance funds have a combined value of more than SEK 4 billion, which reaches more than 17 million entrepreneurs in developing countries via microfinance institutions.

SEB's position statements and sector policies

Read more about SEB's policies at sebgroup.com/about-seb/who-we-are

SEB reports its sustainability work in accordance with GRI G4. For further information, see sebgroup.com

SEB's employees

In a changing world, SEB is impacted by the rapid pace of technological development, evolving customer behaviours, and expectations on future employees. The bank's role in society is becoming increasingly important for SEB's attraction as an employer.

For the second year in a row, 3,000 employees gathered in Stockholm to be involved and inspired by the initiatives taken to reach SEB's long-term vision. The meeting was broadcast to local events in 20 countries.

Committed employees with a service mindset, who collaborate and who want to develop new competences, is a key success factor.

SEB's Insight employee survey for 2016 confirms that there is strong support for the bank's vision and strong commitment among employees to participate and change. Employee engagement scores remained high in 2016 – clearly higher than for peer companies – as did the scores for performance excellence, which increased for the fourth consecutive year.

Focus of improvement measures is to more clearly take the customer-first perspective, further improve internal collaboration, and to simplify processes.

Activities in order to develop these areas have included workshops focusing on clarifying the connection between employees' own values and the bank's. Employees have gained opportunities to reflect on, and formulate, their own values, and thereafter align them to the bank's joint values.

Managing change and new ways of working

The employees' and the organisation's ability to collaborate and manage change are crucial for the future. In SEB this is done in an environment characterised by involvement and innovation.

As an example, SEB is developing new ways of working built on an iterative approach in the design of services. This means cross-functional teams mapping customer journeys, based on customer needs and feedback loops, before prototypes of new solutions are launched to the customers. The new agile ways of working are aimed at drawing full benefit of digitalisation and providing an even better customer experience.

The agile ways of working have also been adopted in SEB's IT operations. Development and deliveries are being conducted in small steps rather than in large projects over a longer period of time.

In 2016, individually adapted agile training courses were held for more than 2,000 employees, a strategic initiative to create favourable conditions to quickly and successfully adapt ways of working to the changing needs.

Planning for future competences

The digital transformation drives the need to plan for future competences in the long term. SEB is working throughout the bank to analyse and identify needs based on selected parameters. Competence needs are included as an integral part of the business planning.

Areas in which needs are clearly rising include digital design, data analysis and IT. The bank has broadened its recruitment to search for these skills via new channels and arenas, not only among individuals with a background in finance and business administration. Employees' roles will be expanded in order to be able to meet customer needs for comprehensive service. In many cases this requires employees to work in new ways.

Leadership

SEB has a long tradition of identifying and developing leaders at an early stage. Constant changes in the business environment are putting ever-growing demands on managers, who must inspire, serve as role models and establish conditions so that employees and teams can develop the business in the best way possible.

During the year, Grow2Lead was developed, a digital portal for employees interested in a future role as a leader. The portal provides inspiration and development opportunities, and can help employees decide if a manager role is a suitable career path.

Employee statistics

	2016	2015	2014
Number of employees, average	16,260	16,599	16,742
Sweden	*8,222*	*8,320*	*8,352*
Other Nordic countries	*1,369*	*1,404*	*1,411*
Baltic countries	*5,125*	*5,118*	*5,100*
Number of employees at year-end	16,087	16,432	16,767
Average number of full-time equivalents	15,279	15,605	15,714
Employee turnover, %	10.7	9.0	8,9
Sick leave, % (in Sweden)	3.0	2.8	2.4
Female managers, %	46	44	43
Insight			
Employee engagement	77	79	75
Performance excellence	81	80	78

For existing managers, the bank has global programmes that offer opportunities to develop their leadership qualities both as individuals and as team members.

A controversial tax

For the financial sector in Sweden, a 15 per cent tax based on gross wages is being considered for implementation in 2018. The total estimated financial effect on SEB of the proposal under discussion is around SEK 700m per year. According to a report from the Swedish Bankers' Association, as many as 16,000 jobs would be threatened if these plans were in fact carried out.

Anders Lundström – Leader of the year 2016

» My goal is to build high-performing teams that deliver stellar results. This requires satisfied and motivated employees. There is thus no conflict between employee satisfaction and results – they are symbiotic.

I want my leadership to be characterised by simplicity, clarity and communication. At the same time, I want to be transparent and share my insights on the total picture. In doing so, most decisions will be natural for employees. «

Anders Lundström, manager within asset advisory services, was named Leader of the Year ("Årets ledartröja") by the Financial Sector Union in SEB.

Learning opportunities

At SEB, continuous learning is a vital prerequisite for the ability to adapt to new circumstances. The bank offers a wide array of training courses and, via a portal, employees can get an overview of the entire offering – including training that is specific for SEB as well as training offered by external providers – including methods and effective tools to facilitate learning. In all, more than 600 courses are offered.

Increasing diversity

SEB is convinced that diversity and inclusion among its people help the bank achieve greater success over time.

All employees are to be offered equal opportunities to develop individually, regardless of their gender, ethnicity, age, sexual orientation or faith. SEB strives to achieve an even gender balance at every level within the organisation and to increase the share of employees with an international background.

The bank is working actively, both in terms of structures and processes and in specific initiatives, to increase the number of women in higher operative positions and in senior leader roles.

In 2016, 46 per cent (44) of SEB's managers were women. Among senior executives this share was 31 per cent (27).

Health and work environment

Ensuring employee longevity is becoming increasingly important in pace with an ageing population and the possibility of a higher retirement age. SEB is working long term and preventively to offer a safe and sound workplace in an effort to ensure employee well-being and a sound work/life balance.

The focus of the bank's work environment initiatives is on stress, workloads and risk identification. In Sweden, in 2016, the bank increased its support to managers with employees on sick leave. They are offered telephone support from nurses at company health services and rehabilitation specialists who are experienced in assessing suitable paths for a rapid recovery and return to work. In Sweden, the SEB sick-leave remains low, at 3 per cent, compared with other industries and the financial sector.

During 2016, SEB introduced a global health index based on questions in the Insight employee survey. This is the first global tool for measuring work environment and health at both the divisional and country levels.

In 2017, SEB's new offices will be inaugurated at Arenastaden outside Stockholm, where 4,500 employees will be gathered. In designing the workplace, strong focus was put on enabling a positive work environment with modern and functional work spaces, large common areas, project rooms and quiet areas, an extensive fitness facility, and healthy food in own restaurants.

SEB's core values

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

Collaboration
We achieve more working together.

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

Simplicity
We strive to simplify what is complex.

SEB's core values

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

Investing in communities

SEB plays an active role in the communities in which the bank operates by promoting entrepreneurship and enterprise as well as supporting young people.

SEB shares the conviction that business and industry have a key role to play in meeting the global sustainable development goals that were adopted by the UN's 193 member states in 2015. The most important contributions come from the bank's core businesses, where green financing, sustainable investment and combating financial crime are included. But SEB is also actively involved in community matters through its many partnerships for entrepreneurship and youth initiatives.

Volunteers raising young people's knowledge of economics

SEB partners with organisations that work to include youths in social development by raising their knowledge of personal finance. In the three Baltic countries, for the past few years SEB has been participating in nationwide campaigns to increase financial literacy among young people. In 2016 volunteers from SEB visited more than 230 schools in an effort to give children fundamental skills in personal finance and economic planning.

In Sweden, too, the bank is working actively to increase understanding of economics among young people. Within the framework of SEB's partnership with Mentor Sweden, teams of employees participate in the professional mentor programme, consisting of a series of three workshops at which the bank gives young people advice on day-to-day finances, explains business norms and provides advice on how to apply for jobs. In 2016 eight such programmes were carried out at schools in Sweden's major metropolitan areas. Volunteers from SEB also serve as coaches and jury members in the Dream Challenge initiative, where young people get help on formulating a plan for their dream careers.

Summer camp for future entrepreneurs

SEB works with organisations that are dedicated to spurring interest and inspiration among youths as well as newly arrived immigrants in entrepreneurship and enterprise. These include Junior Achievement, Prince Daniel's Fellowship, SIME Next, Enterprise Agency and the International Entrepreneur Association in Sweden.

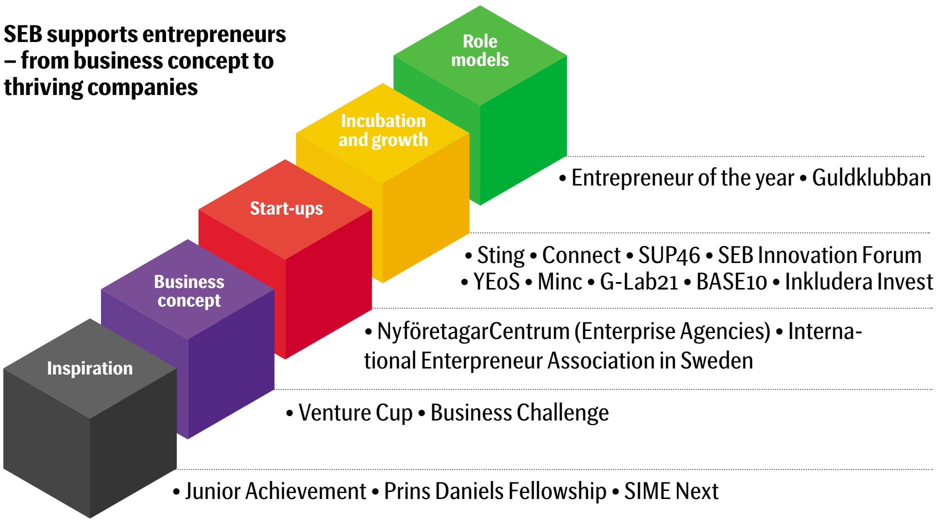
In 2016 the bank became involved in a newly started summer camp for teenaged aspiring entrepreneurs. In cooperation with SIME Next, some 20 youths were offered spots at the camp for one week of intense drilling in digital entrepreneurship.

Social entrepreneurs gain insight into doing business

In 2016, a partnership was started with Inkludera Invest, an umbrella organisation for social entrepreneurs. The common denominator for these is that they work without a profit motive to create a better world. However, they can still benefit greatly from tools such as business plans, budgets, and earnings analyses to develop their operations.

Together with Inkludera Invest, SEB arranged a basic course in business administration and invited social entrepreneurs to share insights around the conditions for doing business.

SEB supports entrepreneurs – from business concept to thriving companies



Shareholders and the SEB share

In 2016, the value of the SEB Class A share increased by 7 per cent, to SEK 95.55, while the FTSE European Banks Index dropped by 6 per cent. Earnings per share amounted to SEK 4.88 (7.57). The Board proposes a dividend of SEK 5.50 per share for 2016 (5.25).

Share capital

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

Stock exchange trading

The SEB shares are listed on Nasdaq Stockholm, but are also traded on other exchanges, such as BATS, CXE, Boat and Turquoise. The share is also included in the Dow Jones Sustainability Index and the FTSE4Good Index, which facilitate investments in companies with globally recognised levels of corporate responsibility.

In 2016, the value of the SEB Class A share increased by 6.7 per cent, while the OMX Stockholm 30 Index (OMXS30) was up by 5 per cent and the FTSE European Banks Index dropped by 6 per cent. Total turnover in SEB shares in 2016 amounted to SEK 307bn (312), of which 134bn (142) on Nasdaq Stockholm. Market capitalisation by year-end was SEK 210bn (196).

Dividend policy

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

Dividend

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 5.50 (5.25) per Class A and Class C share respectively for 2016, which corresponds to a 113 per cent (69) dividend payout ratio. Excluding items affecting comparability, the dividend payout ratio was 75 per cent. The proposed record date for the dividend is 30 March 2017. If the Annual General Meeting resolves in accordance with the proposal, the share will be traded ex-dividend on 29 March 2017 and dividend payments will be disbursed on 4 April 2017.

Distribution of shares by size of holding

Size of holding	No. of shares	Per cent	No. of shareholders
1 – 500	32,640,262	1.5	174,544
501 – 1,000	33,155,893	1.5	43,306
1,001 – 5,000	105,308,326	4.8	47,648
5,001 – 10,000	44,517,729	2.0	6,257
10,001 – 20,000	34,571,898	1.6	2,468
20,001 – 50,000	36,513,844	1.7	1,177
50,001 – 100,000	24,975,535	1.1	350
100,001 – 500,000	88,076,342	4.0	383
500,001 – 1,000,000	53,070,831	2.4	71
1,000,001 –	1,741,341,142	79.4	146
	2,194,171,802	**100.0**	**276,350**

Source: Euroclear and Holdings

Number of outstanding shares, 31 December 2016

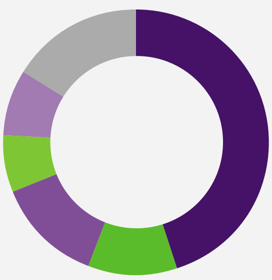
	Class A share	Class C share	Total no. of shares
Total number of issued shares	2,170,019,294	24,152,508	2,194,171,802
Hedge for long-term incentive programmes [1]	–25,177,693	–	–25,177,693
Repurchased own shares [2]	0	0	0
Total number of outstanding shares	**2,144,841,601**	**24,152,508**	**2,168,994,109**

1) Utilization of authorization from the Annual General Meeting 2016 to acquire own shares for the 2010–2016 long-term equity programmes.

2) 2016 AGM decision, no repurchases made.

Stock exchange trading – SEB Class A shares

Per cent

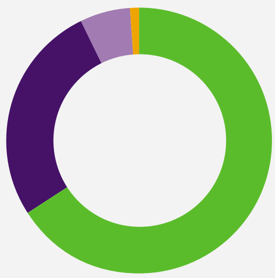


	2016	2015
Nasdaq Stockholm	45	47
BATS	11	24
CXE	13	11
Boat	7	7
Turquoise	8	5
Other	16	6

Source: Fidessa

Type of trading in SEB Class A shares

Per cent



	2016	2015
Traditional trading on Nasdaq	66	64
Off-book (trades executed off and registered later)	27	29
Anonymous trades (not registered on public exchange)	6	6
Auction	1	1

Source: Fidessa

Data per share

	2016	2015	2014	2013	2012
Basic earnings, SEK	4.88	7.57	8.79	6.74	5.31
Diluted earnings, SEK	4.85	7.53	8.73	6.69	5.29
Shareholders' equity, SEK	65.00	65.11	61.47	56.33	49.92
Net worth, SEK	73.00	72.09	68.13	62.10	56.33
Cash flow, SEK	19.02	1.28	–61.98	–19.66	–8.92
Dividend per A and C share, SEK	5.50 [1]	5.25	4.75	4.00	2.75
Year-end share price [2], SEK					
Class A share	95.55	89.40	99.55	84.80	55.25
Class C share	95.20	88.85	97.65	79.90	53.40
Highest price paid [2], SEK					
Class A share	99.75	111.50	100.60	85.10	57.95
Class C share	101.10	112.50	99.10	80.30	54.30
Lowest price paid [2], SEK					
Class A share	67.75	83.45	82.25	55.70	38.87
Class C share	70.35	83.75	77.45	53.20	38.74
Dividend as a percentage of earnings (payout ratio), %	112.8	69.4	54.0	59.3	51.8
Dividend yield, %	5.8	5.9	4.8	4.7	5.0
P/E (share price at year-end/ earnings)	19.6	11.8	11.3	12.6	10.4
Number of outstanding shares, million					
average	2,177.6	2,191.2	2,186.8	2,190.8	2,191.5
at year-end	2,169.0	2,193.3	2,188.7	2,179.8	2,192.0

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

The largest shareholders

31 Dec. 2016

	No. of shares	*Of which Class C shares*	Share of capital. %	Share of votes % 2016	Share of votes % 2015
Investor AB	456,198,927	*4,000,372*	20.8	20.8	20.8
Alecta	154,682,500		7.0	7.1	6.4
Trygg Foundation	130,673,802		6.0	6.0	6.0
Swedbank Robur Funds	92,736,980		4.2	4.3	3.6
AMF	83,905,317		3.8	3.9	3.2
SEB Funds	38,691,740		1.8	1.8	1.6
BlackRock	38,059,331	*547,461*	1.7	1.7	1.4
Fourth Swedish National Pension Fund	27,141,394		1.2	1.2	1.1
Vanguard	26,915,196		1.2	1.2	1.0
SEB own shareholding [1]	25,177,693		1.1	1.2	0
Nordea Funds	22,149,174		1.0	1.0	1.2
XACT Funds	22,007,860		1.0	1.0	1.0
Didner & Gerge Funds	19,228,514		0.9	0.9	0.8
AFA Insurance	17,268,554		0.8	0.8	0.8
First Swedish National Pension Fund	16,422,705		0.7	0.8	1.0

1) See table Number of outstanding shares on p. 26.

Source: Euroclear and Holdings

Changes in share capital

Year	Transaction	SEK	Change in number of shares	Accumulated number of issued shares	Share capital SEK m
1972				5,430,900	543
1975	Rights issue 1:5	125	1,086,180	6,517,080	652
1976	Rights issue 1:6	140	1,086,180	7,603,260	760
1977	Split 2:1		7,603,260	15,206,520	760
1981	Rights issue 1B:10	110	1,520,652	16,727,172	837
1982	Bonus issue 1A:5		3,345,434	20,072,606	1,004
1983	Rights issue 1A:5	160	4,014,521	24,087,127	1,204
1984	Split 5:1		96,348,508	120,435,635	1,204
1986	Rights issue 1A:15 [1]	90	8,029,042	128,464,677	1,284
1989	Bonus issue 9A+1C:10		128,464,677	256,929,354	2,569
1990	Directed issue [2]	88:42	6,530,310	263,459,664	2,635
1993	Rights issue 1:1	20	263,459,664	526,919,328	5,269
1994	Conversion		59,001	526,978,329	5,270
1997	Non-cash issue	91:30	61,267,733	588,246,062	5,882
1999	Rights Issue 1:5 [3]	35	116,311,618	704,557,680	7,046
2005	Reduction of the share capital		–17,401,049	687,156,631	6,872
2009	Rights issue 11:5	10	1,507,015,171	2,194,171,802	21,942

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

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

Market capitalisation

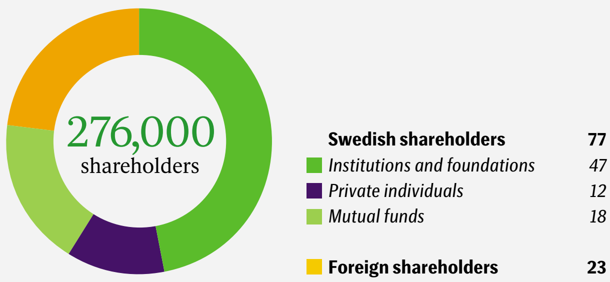
SEK m	2016	2015	2014	2013	2012
Year-end market capitalisation [1]	209,645	196,146	218,384	185,947	121,183
Volume of shares traded	133,790	142,188	113,566	94,738	85,776

1) Based on the Nasdaq Stockholm share price of SEK 95.55

Shareholder structure

Per cent

Percentage holdings of equity on 31 Dec. 2016



The majority of the bank's approximately 276,000 shareholders are private individuals with small holdings. The ten largest shareholders account for 49 per cent of capital and votes.

Source: Euroclear and Holdings

The investor perspective

Over the years SEB has capitalised on its long standing strong position as the leading corporate bank in the Nordic region and the bank's financial strength. Over the last five years, the share price of the SEB Class A share increased by 73 per cent.

Long-term perspective

SEB has been a corporate bank since its establishment by A. O. Wallenberg in 1856. To this day the Wallenberg family is deeply engaged in the bank's current and future operations via the main owner Investor.

There is a clear connection between the macroeconomic development, customer activity and the development of the bank's earnings. In addition, SEB's strategic initiatives for growth in areas of strength – corporate business, all customer segments in Sweden and the long-term savings offering – have a major bearing on the future result and therefore the market value of the share.

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

Return on investment

The return on an investment in SEB is not only contributable to the share price but also to the dividend. SEB's Board of Directors has proposed to the Annual General Meeting that SEK 5.50, 113 per cent of earnings per share, shall be distributed for 2016. The dividend payout ratio, excluding items affecting comparability, was 75 per cent.

The dividend yield, i.e. the dividend in relation to the share price at year-end 2016, was 5.8 per cent (5.9) based on the proposed dividend.

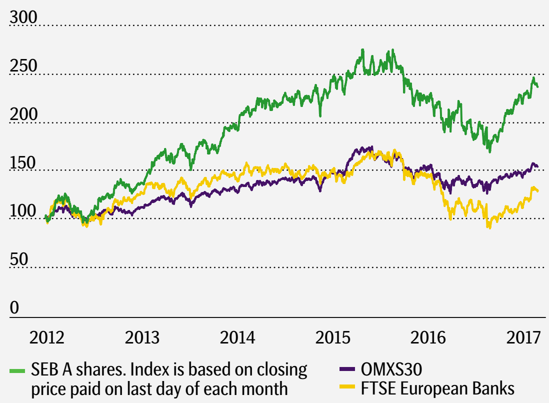
Total shareholder return (TSR) – i.e. share price development and reinvested dividends per share – was 14 per cent for 2016 (–6). The average TSR for the Nordic peer group in 2016 was 21 per cent (3). In the last three years, TSR for the SEB share was 5 per cent on average.

Beta value and volatility

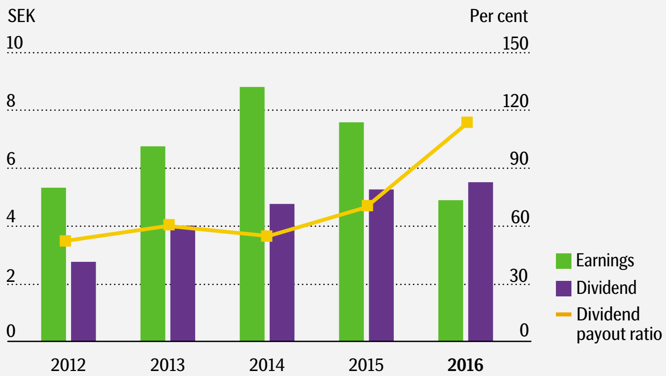
The beta value of SEB's share price in 2016 was 1.17. The measure shows how the share price of a specific share changes in relation to the stock market as a whole, in this case compared to OMXS30. A beta value of 1.00 indicates that the share price development is the same as the market.

The volatility of SEB's share price was 30 per cent for 2016. The corresponding value for the Nordic peer group was 28 per cent. The measure shows the daily change in share price compared with its average for a given time period. Over the past three years, the average volatility of the SEB share was 24 per cent, which is at the same level as the Nordic peer group.

Share price development, SEB Class A share Index 1 January 2012=100



Earnings and dividend per share



A dividend of SEK 5.50 per share is proposed for 2016, corresponding to a payout ratio of 113 per cent.

Financial review of the group

High demand for risk management services and advice, high asset quality, more active small and medium-sized corporate customers and, towards the end of the year, a pick-up in corporate transactions were positive contributors to the result. The uncertain macroeconomic development and the negative interest rates were however counteracting factors. Net profit, excluding items affecting comparability, decreased by 9 per cent. SEB's financial position is strong and a dividend of SEK 5.50 per share is proposed.

Important events and trends in 2016

First quarter

- SEB implemented a new customer-oriented organisation. The reallocation of goodwill that followed led to a non-tax deductible impairment of SEK 5,334m.
- The Swedish central bank lowered the repo rate to –0.5 per cent, and ECB's Euro refinancing interest rate was set at zero per cent.

Second quarter

- The result of the British EU-referendum was unexpectedly that the UK will leave the EU. This increased uncertainty and had a temporary high impact on financial markets.
- SEB's Baltic holdings in Visa Europe were sold.

Third quarter

- As the only Nordic bank, SEB met the requirements and was included in the Dow Jones Sustainability index.

Fourth quarter

- The unexpected outcome of the US presidential election increased uncertainty with a temporary high financial markets impact.
- Large corporate customers grew more active as business sentiment improved.

Full year

- The unconventional monetary policy with negative interest rates and quantitative easing affected customer activity.
- Corporate and institutional customers' demand for hedging and risk management products was high throughout the year.
- Baltic economies proved resilient to Russian sanctions and both private and corporate customers were more active.

Result and profitability

Operating profit amounted to SEK 14,867m (20,865). Net profit (after tax) amounted to SEK 10,618m (16,581).

Excluding items affecting comparability (see box p. 30), operating profit amounted to SEK 20,296m (21,767), a decrease of 7 per cent. Net profit, excluding items affecting comparability, decreased by 9 per cent to SEK 15,970m (17,483).

Operating income

Total operating income amounted to SEK 43,771m (43,763).

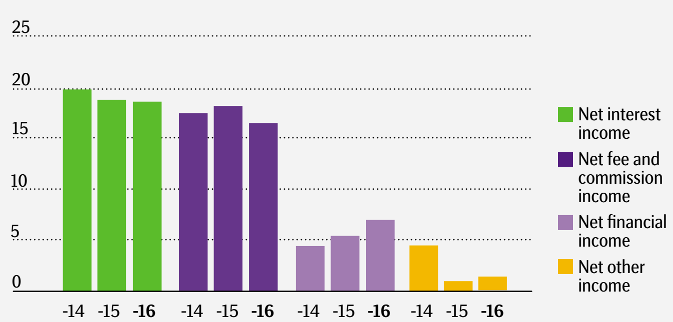
Net interest income amounted to SEK 18,738m (18,938). The Swedish repo rate was –0,5 per cent and ECB's Euro refinancing rate was zero for the better part of the year which affected net interest income negatively.

Customer-driven net interest income increased by SEK 1,855m to SEK 20,464m year-on-year. Lending-related net interest income increased by SEK 1,586m, due to margins and volumes to an equal degree. Net interest income from deposits increased by SEK 267m primarily from deposit margins.

Net interest income from other activities (funding, etc.) was negative at SEK –1,726m, a decrease of SEK 2,055m compared to 2015. An item affecting comparability occurred in 2015 (see box p. 30). Year-on-year, the lower interest rate levels led to a reduction of net interest income by approximately SEK 900m. Regulatory fees consisted of fees to stability funds, SEK 16m (590), to deposit guarantee schemes, SEK 390m (429), as well as resolution fund fees in the amount of SEK 956m (182).

Net fee and commission income decreased to SEK 16,628m (18,345). The stock market was slow although there was a pick-up towards the end of the year. The gross custody and mutual funds fee income decreased by SEK 1,243m compared to 2015, of which performance and transaction fees decreased by SEK 436m to SEK 275m (711). For liquidity strategy purposes and in line with the new regulatory framework for liquidity, stock lending activities were reduced, leading to significantly lower related fee income. Card fees decreased by an estimated SEK 480m due to the regulatory cap on interchange fees. Net commissions relating to the life insurance business amounted to SEK 1,039m (1,154).

Operating income SEK bn



Net financial income increased to SEK 7,056m (5,478). Customers were actively seeking risk management services throughout the turbulent year, primarily in foreign exchange but also in fixed income and equities. Net financial income relating to the traditional life insurance operations in Sweden and Denmark increased by SEK 425m year-on-year to SEK 1,919m. There was a net negative valuation adjustment from counterparty risk (CVA) and own credit risk in derivatives (DVA) as well as own credit risk for issued bonds at fair value through profit and loss (OCA), amounting to SEK –219m in total. In 2015, this item was SEK 603m, resulting in a negative change of SEK 822m year-on-year. Valuation of the liquidity management portfolios had a positive effect. Net financial income 2015 included an item which affected comparability (see box below).

Net other income amounted to SEK 1,349m (1,002) reflecting a combination of realised capital gains and unrealised valuation and hedge accounting effects and an item affecting comparability was included in 2016 (see box below).

Operating expenses

Total operating expenses amounted to SEK 27,761m (21,802). Excluding two items affecting comparability (see box below), operating expenses amounted to SEK 21,812m in line with 2015 and below the cost cap of SEK 22bn.

Over the past seven years, SEB's cost cap was lowered step by step from SEK 24bn. With the change in reporting of net insurance income (see box below), the cost cap was adjusted to SEK 22bn, from SEK 22.5bn in the business plan. The cost cap has been extended through 2018.

Net credit losses

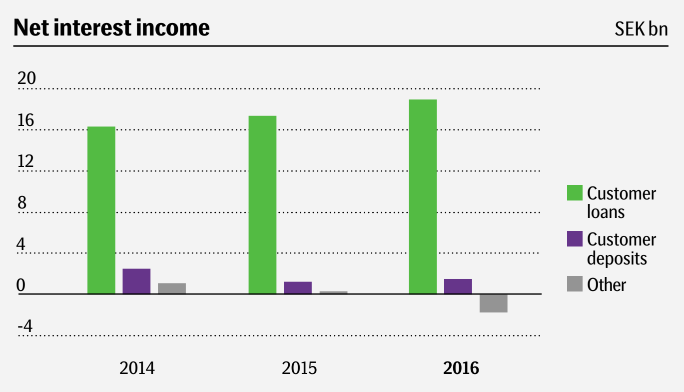
Net credit losses amounted to SEK 993m (883). Asset quality remained robust and the overall credit loss level was 7 basis points (6).

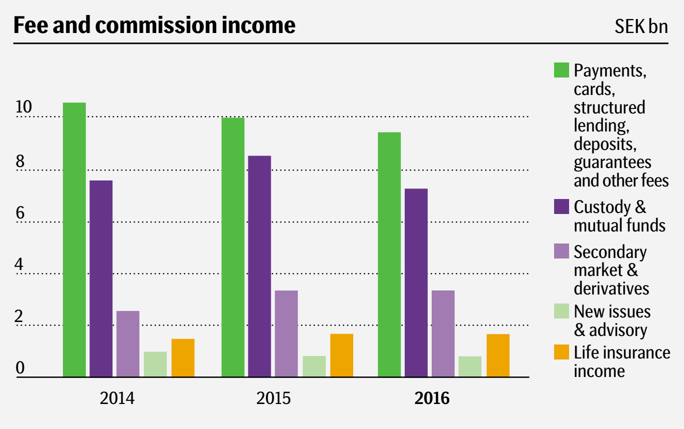
Income tax expense

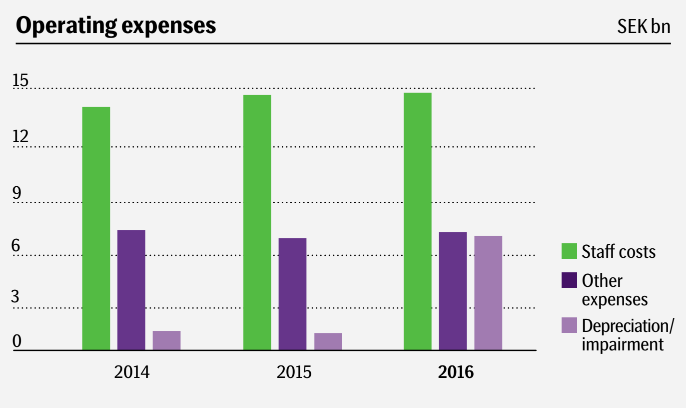
Total income tax amounted to SEK 4,249m (4,284). The effective tax rate for the year was 28.5 per cent. Excluding items affecting comparability (see box below), the effective tax rate was 21 per cent. This was in line with SEB's expected tax rate. ▸▸ *See note 3 and 15 for further information on tax.*

Profitability

Return on equity amounted to 7.8 per cent (12.2). Return on equity excluding items affecting comparability was 11.3 per cent (12.9).







Items affecting comparability and restatement of financial information

As of 1 January 2016, SEB implemented a new customer-oriented organisation, which led to an impairment of goodwill in the amount of SEK 5,334m. The impairment was of a technical nature since it was a function of evaluating the goodwill at a business unit and geographical level, rather than at the divisional level.

Restructuring activities in the Baltic and German businesses and a write-down (derecognition) of intangible IT assets no longer in use resulted in an operating expense of SEK 615m with a positive tax effect of SEK 101m.

Visa Inc. has acquired Visa Europe. SEB was a member of Visa Europe through several direct and indirect memberships. In the second quarter, the closing of the transaction of SEB's Visa memberships in the Baltic countries resulted in a realisation of the fair value as a gain in the amount SEK 520m, with a tax expense of SEK 24m.

In 2015, SEB's withholding tax refund application dating back to 2006–2008 was denied by the Swiss Supreme Court. The effects were a decrease of net financial income in the amount of SEK 820m and an interest expense of SEK 82m.

As of 1 January 2016, the income statement line item net life insurance income was reallocated to net fee and commission income, net financial income and net other income. In line with market practice, the deferred acquisition costs within the life business are now part of net fee and commission income and are no longer reported as operating expenses. Comparable figures for 2014 and 2015 are restated and those for 2012 and 2013 recalculated pro forma.

Other comprehensive income

Other comprehensive income amounted to SEK –946m (2,219). The net revaluation of the defined benefit pension plans had a negative effect of SEK –1,875m (4,178). The change was a net of the increase in the pension liability – from lower discount rates – and an increase in the value of the plan assets.

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement was positive in the amount of SEK 929m (–1,959).

The Visa transaction

Visa Inc. has acquired Visa Europe (a membership-owned organisation) with the purpose of creating a single global Visa company. The transaction was approved by the European Commission in 2016. It consisted of a combination of consideration in cash and shares. SEB was a member of Visa Europe through several direct and indirect memberships.

The closing of the transaction of SEB's Visa memberships in the Baltic countries resulted in a gain (an item affecting comparability) of SEK 520m recognised in net other income.

In Sweden, where SEB is an indirect member via Visa Sweden, the holdings are classified as available-for-sale financial assets. The fair value is booked in other comprehensive income. Once the distribution between the Swedish indirect members is finalised and the transaction closes, it will be reclassified to net other income.

Subsequent events

On 16 January 2017, Annika Falkengren's resignation from SEB after 11 years as President and CEO was announced.

On 8 February 2017, it was announced that Johan Torgeby, currently co-head of the division Large Corporates & Financial Institutions, will be her successor from 29 March 2017.

On 1 February 2017, it was announced that Peter Dahlgren, Head of division Life & Investment Management, would leave SEB to pursue a position outside the bank. Nils Liljeberg, Head of sales Life & Pension (Sweden), has been appointed acting new Head of business area Life. Peter Branner continues in his position as Head of business area Investment Management.

Key figures

	2016	2015	2014	2013	2012
Return on equity, %	7.80	12.24	15.25	13.11	11.06
Return on total assets, %	0.37	0.57	0.71	0.58	0.48
Return on risk exposure amount, %	1.80	2.71	3.23	2.38	
Basic earnings per share, SEK	4.88	7.57	8.79	6.74	5.31
Weighted average number of shares[1], millions	2,178	2,191	2,187	2,191	2,191
Diluted earnings per share, SEK	4.85	7.53	8.73	6.69	5.29
Weighted average number of diluted shares[2], millions	2,188	2,203	2,202	2,207	2,199
Credit loss level, %	0.07	0.06	0.09	0.09	0.08
Total reserve ratio individually assessed impaired loans, %	68.8	68.3	62.2	86.9	74.4
Net level of impaired loans, %	0.21	0.20	0.29	0.17	0.28
Gross level of impaired loans, %	0.33	0.35	0.49	0.35	0.58
Liquidity Coverage Ratio (LCR) [3], %	168	128	115	129	
Own funds requirement, Basel III					
Risk exposure amount, SEK m	609,958	570,840	616,531	598,324	
Expressed as own funds requirement, SEK m	48,797	45,667	49,322	47,866	
Common Equity Tier 1 capital ratio, %	18.8	18.8	16.3	15.0	
Tier 1 capital ratio, %	21.2	21.3	19.5	17.1	
Total capital ratio, %	24.8	23.8	22.2	18.1	
Leverage ratio, %	5.1	4.9	4.8	4.2	
Number of full-time equivalents [4]	15,279	15,605	15,714	15,870	16,925
Assets under custody, SEK bn	6,859	7,196	6,763	5,958	5,191
Assets under management, SEK bn	1,781	1,700	1,708	1,475	1,328

1) The number of issued shares was 2,194,171,802. SEB owned 850,426 Class A shares for the equity-based programmes at year-end 2015. During 2016 SEB has purchased 29,840,725 shares and 5,513,458 shares have been sold. Thus, at 31 December 2016 SEB owned 25,177,693 Class A shares with a market value of SEK 2,406m.
2) Calculated dilution based on the estimated economic value of the long-term equity-based programmes.
3) According to Swedish FSA regulations for respective period.
4) Average for the year.

▸▸ A five-year summary of the group and the parent bank's income statements and balance sheets is available on p. 152.
▸▸ Definitions are available on p. 159.

Financial structure

Total assets at 31 December 2016 were SEK 2,621bn, an increase by SEK 125bn year-on-year (2,496).

Loan portfolio

Loans to the public amounted to SEK 1,453bn, an increase of SEK 100bn year-on-year (1,353). Excluding repos and debt securities, loans to the public increased by SEK 99bn. There was growth in all main segments in the Nordic and Baltic regions.

SEB's total credit portfolio, which includes both on-and off balance sheet items, amounted to SEK 2,143bn (2,065). During the year total household loans and commitments increased by SEK 21bn. The combined corporate and property management loans and commitments increased by SEK 134bn. *See p. 41 and note 17.*

Interest-bearing securities

SEB's credit exposure in the bond portfolio (interest-bearing securities and credit derivatives and futures) amounted to SEK 168bn (229). *See note 17a.*

Derivatives

The fair value of the derivative contracts are booked as assets and liabilities on the balance sheet. They amounted to SEK 212bn and SEK 175bn respectively.

The mix and volumes of derivatives reflect the demand for derivatives of the bank's customers for management of their financial risk. The bank is a market maker for derivatives and also uses derivatives for the purpose of protecting the cash flows and fair value of its financial assets and liabilities from for instance interest rate fluctuations *See note 42.*

Insurance assets and liabilities

Financial assets within the insurance operations amounted to SEK 404bn (367). Out of this, financial assets where policyholders carry the risk (mostly unit-linked insurance), amounted to SEK 296bn (272) and other assets (mostly traditional and risk insurance) amounted to an additional SEK 108bn (95).

Liabilities in the insurance operations amounted to SEK 404bn (371). Out of this, SEK 297bn (272) was related to financial commitments for investment contracts (mostly unit-linked insurance), while SEK 107bn (99) was related to insurance contracts (mostly traditional and risk insurance). Insurance liabilities are mainly covered by financial assets but also by non-financial assets such as investment properties. The value of investment properties amounted to SEK 7bn (7).

Tangible and intangible assets

The major part of the tangible assets consists of real estate properties at a total amount of SEK 7.9bn (8.4).

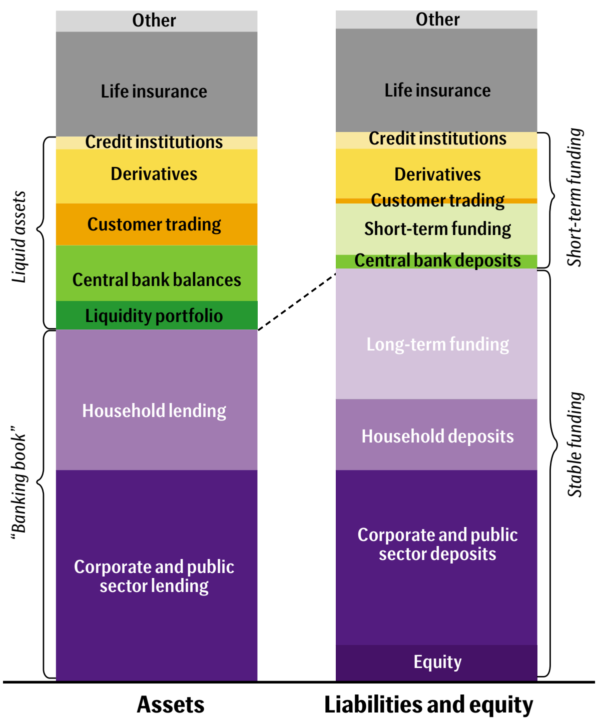
Intangible assets totalled SEK 11.4bn (17.1), of which 42 per cent represented goodwill. Goodwill items are subject to a yearly impairment test. In SEB's reorganisation during 2016, goodwill was reallocated to the appropriate cash-generating units. The result was an impairment of goodwill in the amount of SEK 5,334m, an item affecting comparability (see box p. 30). Deferred acquisition costs in insurance operations amounted to SEK 4.0bn (4.2).

Deposits, borrowings and issued securities

The financing of the group consists of deposits from the public (households, corporates, etc.), borrowings from Swedish, German and other financial institutions and issuance of money market instruments, bonds, covered bonds and subordinated debt.

See p. 43 and note 17f for information on liquidity management.

Balance sheet structure 31 December 2016



Rating

Moody's rating of SEB's long-term senior unsecured debt is based on SEB's asset quality, earnings stability and diversification as well as increased efficiency.

S&P's rating of SEB's long-term senior unsecured debt is based on the bank's strong capital and earnings development which may offset the effect of heightened economic risks in Sweden as perceived by S&P.

Fitch's rating of SEB's long-term senior unsecured debt improved from A+ to AA– in 2016 based on SEB's long-term strategy, earnings stability and diversification.

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

Deposits and borrowings from the public amounted to SEK 962bn (884). Household deposits increased by SEK 15bn while corporate deposits increased by SEK 63bn during the year.

Issued securities with short and long maturities amounted to SEK 669bn (639). During the year SEK 87bn in long-term funding matured (79). The bank was able to use its favourable position from a credit risk point of view to raise new funding at an amount of SEK 145bn. Issued subordinated debt amounted to SEK 41bn (31).

Total equity

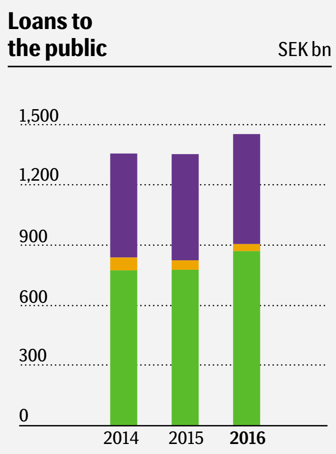
Total equity at the opening of 2016 amounted to SEK 143bn. In accordance with a resolution of the Annual General Meeting in 2016, SEK 11.5bn of equity was used for the dividend (10.4). Net profit amounted to SEK 10.6bn and other comprehensive income amounted to SEK –946m. At year-end 2016, total equity amounted to SEK 141bn.

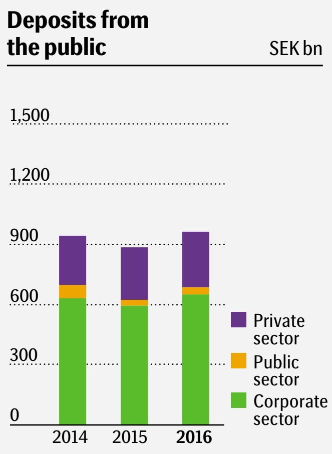
Dividend

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 5.50 per Class A and Class C share respectively (5.25), which corresponds to a 113 per cent payout ratio (69). Excluding items affecting comparability (see box p. 30), the payout ratio was 75 per cent. The total proposed dividend amounts to SEK 11.9bn (11.5), calculated on the total number of issued shares as per 31 December 2016, excluding repurchased shares.

Assets under management and custody

At year-end, assets under management amounted to SEK 1,781bn (1,700). The net inflow of volumes was SEK 77bn. The increase in value was SEK 4bn. Assets under custody amounted to SEK 6,859bn (7,196).





Assets under management SEK bn

	2016	2015	2014
Start of period	1,700	1,708	1,475
Inflow	255	280	304
Outflow	–178	–220	–212
Acquisition/disposal net	0	–75	0
Change in value	4	7	141
End of period	**1,781**	**1,700**	**1,708**

Ahead of 2017

In 2017, the bank will continue its work in accordance with the strategic direction and the business plan. This means increasing income through growth in core areas of strength, developing more digital tools and services and expanding employee skills, while at the same time keeping costs below SEK 22bn.

The macroeconomic development remains uncertain even though the outlook is somewhat more positive. Deflation risks are less prominent. However, large global economic imbalances remain and the potential reduction of liquidity support to financial markets from central banks world-wide may create direct and indirect effects that are difficult to assess. There are signs that the Swedish central bank may not further cut interest rates and may even introduce a raise in late 2017. The unexpected outcome of the British EU referendum and the US presidential election were factors that added to the uncertainty.

In SEB, credit, market, liquidity, IT and operational as well as insurance risks affect the business. *SEB's risk composition and risk management are described on p. 40-45 and in note 17, 19 and 20.*

New legislation in Sweden implies that interest on subordinated debt that qualifies as tier 1 capital and tier 2 capital will not be deductible for income tax purposes. The estimated effect from the change is an increase in tax expenses by approximately SEK 360m in 2017 and SEK 300m in 2018 and per year onwards, all else equal. SEB has no plans to call any of the outstanding subordinated tier 1 capital transactions due to this tax reason and cannot contractually call the outstanding subordinated tier 2 capital transactions for the same reason.

Furthermore, a tax based on salary expense in the financial sector was implemented in Norway as of the start of 2017 and a similar tax is being proposed for implementation in Sweden in 2018. The total estimated effect on SEB would be around SEK 700m per year.

Total regulatory fees are expected to exceed SEK 2bn in 2017. The main reason is that the single resolution fund fee in Sweden doubled to 9 basis points.

The new accounting standard IFRS 9 - Financial Instruments introduces a new impairment model based on expected loss instead of the incurred loss model applicable today. SEB's assessment is that the new rules are likely to increase loan loss provisions and decrease equity at transition 1 January 2018 and that volatility in the credit loss line item in the income statement will increase. To date it is unclear how regulators will treat the interaction of the accounting loan loss provisions and the regulatory capital concept of expected loss. The European Commission has proposed that incremental provisions under IFRS 9 should be phased in over a five-year period.

SEB's result is derived from customer needs

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

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

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

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

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

Income statement, simplified SEK m

		2016
A	Net interest income	18,738
B	Net fee and commission income	16,628
C	Net financial income	7,056
D	Net other income	1,349
	Total operating income	**43,771**
	Total operating expenses	**–27,761**
2 3 4 5	Credit losses and other	–1,143
	Income tax expense	–4,249
	Net profit	**10,618**

Business volumes on the balance sheet SEK m

	Assets	2016
1	**Central banks**	**217,808**
2	**Loans to other credit institutions**	**50,527**
3	*of which Debt securities*	*382*
4	**Loans to the public**	**1,453,019**
5	*of which Debt securities*	*14,724*
6	Debt securities	122,192
7	Equity instruments	40,324
8	Derivatives	212,355
9	Insurance assets	410,155
	Financial assets at fair value	**785,026**
10	Debt securities	32,698
11	Equity instruments	3,049
	Available-for-sale financial assets	**35,747**
	Other assets	**78,519**
	Total assets	**2,620,646**

	Liabilities and equity	2016
12	**Central banks**	**54,393**
13	**Deposits from credit institutions**	**65,471**
14	**Deposits and borrowings from the public**	**962,028**
15	**Liabilities to policyholders**	**403,831**
16	Commercial papers/Certificates of deposit	126,480
17	Long-term debt	542,400
	Debt securities issued	**668,880**
18[1)]	Debt instruments	9,549
19[1)]	Equity instruments	10,072
20	Derivatives and other	193,875
	Financial liabilities at fair value	**213,496**
	Other liabilities	**70,852**
21	**Subordinated debt**	**40,719**
	Total equity	**140,976**
	Total liabilities and equity	**2,620,646**

Business volumes outside the balance sheet (examples) in accordance with accounting principles

22	Assets under management	Customers invest in for instance mutual funds, SEK bn	1,781
22	Assets under custody	The bank safekeeps securities and collects dividends and interest on customers' behalf, SEK bn	6,859
22	Commitments	Customers are provided with preapproved credits, SEK bn	655
22	Guarantees	The bank assists customers with credit risk management, SEK bn	120

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

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

Customer business volumes and income

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

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

Divisions and business support

	Division	Business offering	2016 events
Large Corporates & Financial Institutions	 **Co-heads:** Joachim Alpen and Johan Torgeby [1]	The division serves 2,300 large corporate customers and 700 financial institutions and offers advisory-driven commercial and investment banking services in the Nordic region, Germany and through an extensive international presence. Customer-driven trading, liquidity management, financing, capital markets, custody services and asset management sales are part of the offering.	Large corporate customers were more active towards the end of the year as business sentiment grew more positive. SEB's new custody platform, Investor World, was launched providing institutional clients with state-of-the-art functionality. SEB initiated a partnership with the fintech company Ripple to enable customers to make real-time payments. A pilot for payments between the SEB branches in New York and Stockholm is underway.
Corporate & Private Customers	 **Co-heads:** Mats Torstendahl and Christoffer Malmer	The division serves some 1.7 million private customers and 216,000 companies in Sweden with full banking and advisory services through mobile, online and telephone services as well as from 137 branch offices. The division issues cards in the Nordic countries under SEB's own brand as well as for Eurocard and Diners Club, and offers leading private banking services to high net worth individuals.	The small and medium-sized customers' credit demand increased. SEB's digital offering to corporate customers was top-ranked by Finansbarometern. The development of a digital offering to private customers was accelerated. SEB entered into a partnership with the fintech company Tink, launched a youth app to customers below the age of 18 and a digital mortgage calculator. SEB also launched a new branch office concept.
Baltic	 **Head:** Riho Unt	The division provides bank products and advisory services in Estonia, Latvia and Lithuania to around 1.8 million private customers and 138,000 companies through mobile solutions, online as well as from the network of 82 branch offices. SEB's Baltic real estate holding companies are also part of the division.	SEB continued to invest in better customer offerings and advisory services, for instance a remote advisory service with an end-to-end process and digital signing, new payment options for SEB credit card in Estonia, launch of contactless cards in Latvia and Lithuania and smart mobile point-of-sale in Lithuania.
Life & Investment Management	 **Head:** Peter Dahlgren [2]	The division provides insurance and pension solutions for corporations, private individuals and institutions primarily in the Nordic and Baltic regions. With the return of traditional life insurance in Sweden the offer covers a broad range of products. The responsibility of the division includes the management of funds and other investment portfolios, where one important aspect is SEB's development in the sustainability area.	Efforts to improve the digital services continued and SEB can now offer a completely digitalised customer meeting. Ownership dialogues outside the Nordic countries strengthened. SEB was top-ranked for its equity and fixed income management in PRI's (Principles for Responsible Investments) annual rating of sustainable investments.

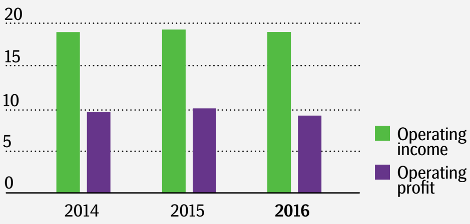
	Unit	Function
Business Support	 **Head:** Martin Johansson	Business Support is a cross-divisional function with the responsibility to support business operations with proactive IT development and execution of back-office services as well as to ensure stable daily operations of the IT systems – all carried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

1) Appointed as President and CEO as of 29 March 2017. 2) Left SEB in spring 2017.

Operating income and profit (SEK bn)

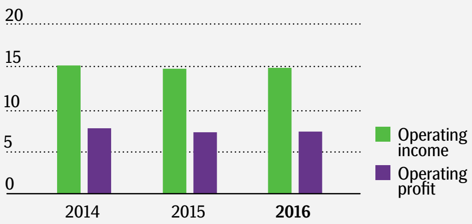
Comments on the result

Large Corporates & Financial Institutions



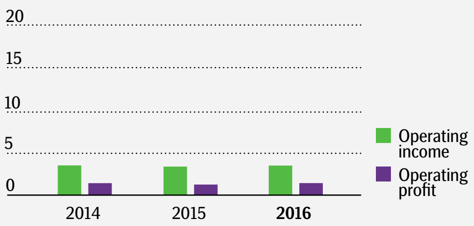
Operating profit decreased to SEK 9,133m. Net interest income increased after measures taken to counteract the negative interest rates. Net fee and commission income was lower mainly as a consequence of fewer event-driven transactions and a limitation of stock lending activities. Net financial income increased due to higher demand for risk management products. Operating expenses, excluding items affecting comparability decreased (see box on p. 30).

Corporate & Private Customers



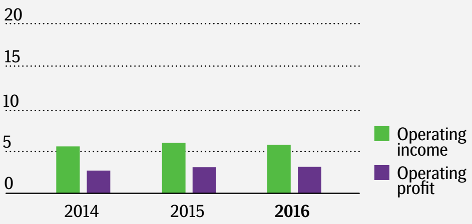
Operating profit increased marginally to SEK 7,348m. Customers were fairly optimistic. Net interest income increased after measures were taken to counteract the negative interest rates. Net fee and commission income decreased partly due to the regulatory cap on interchange fees on cards and net financial income was down. Operating expenses increased marginally while credit losses decreased.

Baltic



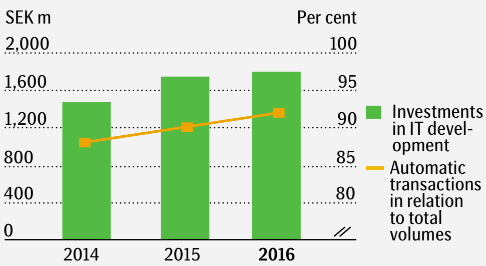
Operating profit increased to SEK 1,451m. Net interest income grew due to increased volumes. Net fee and commission income was higher as a result of increased customer activity while net financial income decreased. Operating expenses increased partly due to an item affecting comparability (see box on p. 30) and credit losses were down. The Baltic economic growth was stable.

Life & Investment Management



Operating profit increased to SEK 3,157m. Net fee and commission income was lower in a negative stock market development. Net financial income increased due to better investment results and improved risk result in the Swedish and Danish life insurance business. Operating expenses decreased.

IT investments and automation



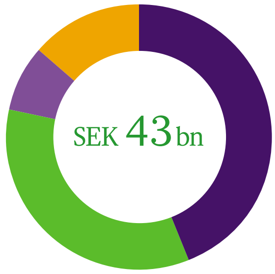
Comments

Cost efficient transactions and improved customer experiences are being achieved by continuous organisation efficiencies and through the use of new technology.

An increasing share of the bank's transactions are being automated. SEB makes substantial investments each year in IT development.

Divisions' relative share of:

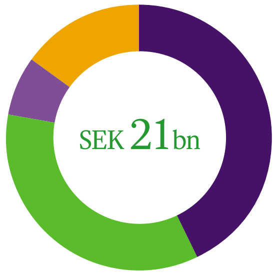
Operating income[1]



	2016
Large Corporates & Financial Institutions	44%
Corporate & Private Customers	35%
Baltic	8%
Life & Investment Management	13%

1) Excluding business support, staff and other

Operating profit[1]

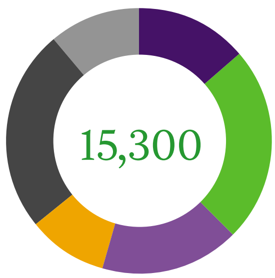


	2016
Large Corporates & Financial Institutions	43%
Corporate & Private Customers	35%
Baltic	7%
Life & Investment Management	15%

1) Excluding business support, staff and other

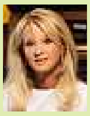
Employees

Number of full-time equivalents 15,300

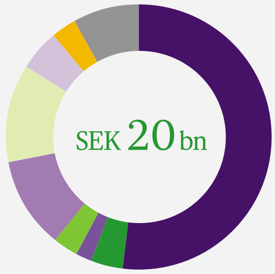


	2016
Large Corporates & Financial Institutions	14%
Corporate & Private Customers	24%
Baltic	17%
Life & Investment Management	10%
Business support	25%
Staff	10%

Geographic markets

Market	Activities 2016
 **Sweden** Annika Falkengren *President and CEO* Universal banking	The market was characterised by the negative interest rate environment and subdued large corporate customer activity. Small and medium-sized companies were more active and the willingness to invest in infrastructure and residential homes increased. SEB focused on customer experience and improved digital solutions for corporate and private customers.
 **Estonia** Allan Parik *Country manager* Universal banking	SEB experienced increased household demand for mortgages and a steady inflow of new customers. The corporate customers were cautious due to the macro environment. SEB focused on improving digital solutions as well as advice to small and medium-sized companies. SEB is the second largest bank in Estonia.
 **Latvia** Ieva Tetere *Country manager* Universal banking	Household sentiment was positive while business' and entrepreneurs' demand for investments was modest. In SEB, the year was a turning point after several years of decline as regards loan volumes. A new core banking platform with new customer interfaces was developed. SEB is the second largest bank in Latvia.
 **Lithuania** Raimondas Kvedaras *Country manager* Universal banking	Despite the uncertain market environment, customer activity and business volumes grew. SEB focused on strengthening the digital presence, providing accessibility of financial services and customer solutions via different sales channels. SEB is the biggest bank in Lithuania.
 **Denmark** Peter Høltermand *Country manager* Corporate banking	Improved business climate led to an increased demand for financing and several corporate transactions were closed during the year. SEB was ranked number 2 for large corporates and number 3 for financial institutions in Prospera's customer survey. Investment management attracted new foreign inflows of funds.
 **Norway** William Paus *Country manager* Corporate banking	Customer activity was high which lead to an all-time high result. SEB was active in several larger transactions mainly within infrastructure and renewable energy. Activity within the bond market was high and SEB's market position strengthened. SEB was ranked number 2 for large corporates and number 3 for financial institutions in Prospera's customer survey.
 **Finland** Marcus Nystén *Country manager* Corporate banking	In the subdued macroeconomic environment, the market was characterised by risk aversion but several event-driven transactions among large corporate customers were made, and especially advisory and financing services were sought after by local customers.
 **Germany** Johan Andersson *Country manager* Corporate banking	Excess liquidity, negative policy rates and a strong economy have made the heterogeneous German banking market even more competitive in 2016. SEB is well positioned as an internationally oriented corporate bank and the conversion from subsidiary to branch will enhance simplicity and improve profitability.
 **Other markets** The international network Corporate banking	Political uncertainty and economic slowdown in many international markets meant somewhat lower activity. SEB supported customers' international activities and offered international institutions access to the Nordic capital markets. The product offering strengthened and the number of customers grew.

Share of SEB's operating profit 2016 [1] Per cent



	2016
Sweden	52
Estonia	4
Latvia	2
Lithuania	3
Denmark	11
Norway	12
Finland	5
Germany [2]	3
Other markets	8

1) Excluding items affecting comparability
2) Excluding centralised treasury operations

Market shares and customer contacts

Market shares

Per cent	2016	2015	Total market, SEK bn, 2016
Lending to the public			
Sweden	14.4	14.3	5,589
lending to households	13.2	13.7	3,516
lending to companies	16.4	15.4	2,072
Estonia[1]	23.4	23.9	153
Latvia[1]	16.7	16.8	147
Lithuania[1]	29.3	29.3	174
Deposits from the public			
Sweden	15.7	15.6	2,574
deposits from households	11.6	11.4	1,654
deposits from companies	23.6	23.4	920
Estonia[1]	22.9	21.1	144
Latvia[1]	10.2	9.1	214
Lithuania[1]	27.9	28.1	167
Equity trading			
Stockholm	6.0	7.0	7,720
Oslo	3.1	3.7	2,223
Helsinki	2.5	3.5	2,297
Copenhagen	2.9	4.2	3,327
SEK-denominated corporate bonds	16.7	18.9	97
Mutual funds, total volumes[2]			
Sweden	11.9	12.2	3,568
Finland	3.0	3.7	1,014
Unit-linked insurance, premium income			
Sweden	16.8	16.4	60
Life insurance, premium income			
Sweden	8.7	7.7	191
Denmark	N/A	10.0	

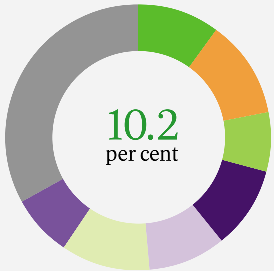
1) Excl. financial institutions & leasing. Estonia and Latvia per November 2016, Lithuania per September 2016.

2) Excluding third-party funds.

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

Total household savings, Sweden 2016

Per cent



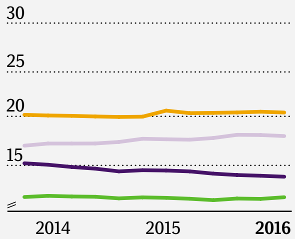
	2016
SEB	10.2%
Swedbank	11.9%
Skandia	7.3%
Nordea	10.0%
Handelsbanken	9.4%
Alecta	10.8%
AMF	7.5%
Other	32.9%

Total household savings – savings accounts, mutual funds, traditional and unit-linked insurance and bonds but excluding directly owned equities – in Sweden amounted to SEK 7,649bn as of 30 September 2016.

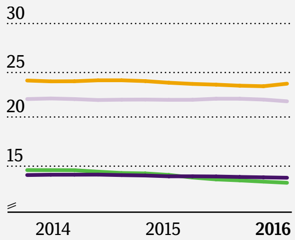
Market shares, Sweden

Per cent

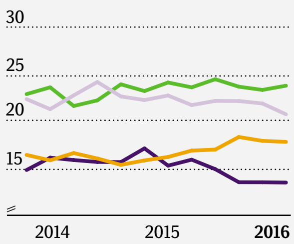
Households, Deposits



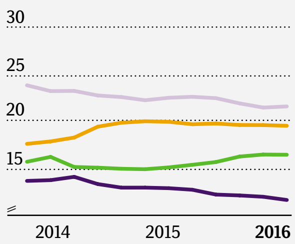
Households, Lending



Corporates, Deposits



Corporates, Lending



SEB SHB Nordea Swedbank

Customer contacts

	2016	2015	2014
Number of syndicated loans in Nordic countries	73	65	77
Number of equity capital market transactions in the Nordic region	24	19	19
Number of Nordic mergers and acquisitions	24	17	32
International private banking branches	12	12	13

	2016	2015	2014
Number of Swish payments via SEB's app (million)	18	8	2
Online bank, number of visits (million)	174	158	173
Mobile bank, number of sessions (million)	216	165	95
Telephone bank, number of calls (million)	4.4	4.3	4.2
Number of life insurance intermediaries and brokers	2,500	2,550	2,600
Number of branch offices	219	252	277
Number of ATMs[1]	2,757	2,640	3,034

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

Risk, liquidity and capital management

SEB safeguards a strong financial position so that customers' and other stakeholders' requirements can be met. Risk, liquidity and capital management involves assuming risk to create customer value while maintaining resilience in all potential circumstances.

Holistic management

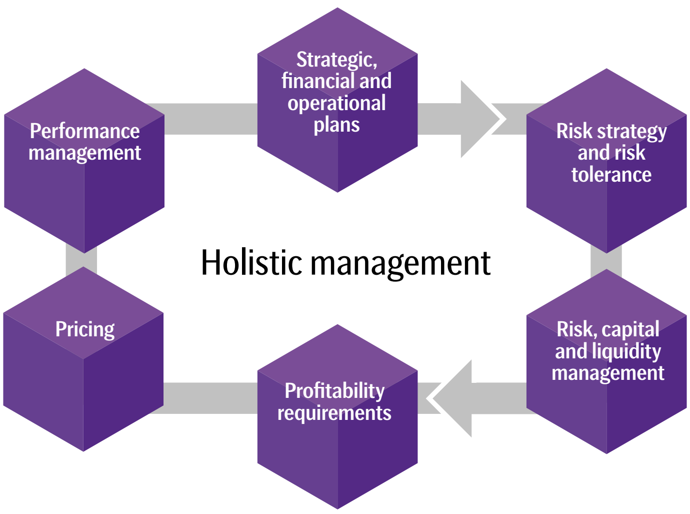
The areas of performance and pricing as well as management of risk, capital and liquidity are closely interconnected and form an integral part of the bank's strategic and long-term financial and operational business plans.

Creating sustainable value is directly dependent upon the bank's ability to assess, monitor and price risks while maintaining sufficient capital and liquidity to meet unforeseen events. To maximise customer and shareholder value, the financial consequences of business decisions are evaluated and SEB proactively manages operations based on three main aspects:

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

The Board of Directors decides the bank's long-term strategic direction, financial targets and overall risk tolerance. Targets are set and reviewed on a regular basis to manage and optimise resources. In its overarching risk tolerance statements, the Board conveys the direction and level of risk, funding structure, necessary liquidity buffers and capital targets.

In its position as a leading universal bank, SEB's main risk is credit risk, which arises in lending and commitments to customers. Other material risks include liquidity, market, operational (including IT and information security), business, pension and insurance risk. In order to cover these risks SEB holds a capital buffer and liquidity reserves in case of unforeseen events.



Risk tolerance statements in brief

SEB shall:
- **maintain satisfactory capital strength** in order to sustain aggregated risks, and guarantee the bank's long-term survival and its position as a financial counterparty, while operating safely within regulatory requirements and meeting rating targets.
- **have a robust credit culture** based on long-term relationships, knowledge about the customers and focus on their repayment ability. This will lead to a high quality credit portfolio.
- **have a soundly structured liquidity position**, a balanced wholesale funding dependence and sufficient liquid reserves to meet potential net outflows in a stressed scenario.
- **strive to mitigate operational risks** in all business activities and maintain the bank's reputation.
- **achieve low earnings volatility** by generating revenues based on customer-driven business.

SEB's President is responsible for optimising the risk profile within the risk tolerance levels and capital adequacy targets set by the Board as well as the overall management of SEB's risks. SEB strives to continuously identify and manage potential future risks through stress tests and scenario analysis in order to secure financial stability.

Risk review 2016

In 2016, SEB continued to demonstrate its resilience in a protracted market environment with stable credit volume growth, continued high asset quality and low credit losses, a stable liquidity position and robust capital adequacy.

SEB's capital strength and asset quality was confirmed in the comprehensive stress test conducted by the European Banking Authority (EBA) in 2016. In the EBA adverse stress scenario, SEB had one of the lowest credit loss levels and was one of two banks in Sweden that remained above regulatory capital requirements. The IMF, the Swedish FSA and the Swedish Central Bank also performed stress tests during the year which confirmed the strength of the Swedish banking system.

The financial markets were volatile during the year, driven by the sustained uncertainty around global economic growth prospects and the geopolitical development, low oil prices and continued low interest rate policies and quantitative easing actions by central banks. The unexpected outcomes of the Brexit referendum and the US presidential election created short-term turmoil in the markets and the long-term consequences remain unclear. Interest rates were further lowered, and the challenges posed by negative interest rates remained in several markets where SEB operates.

Stable credit portfolio growth

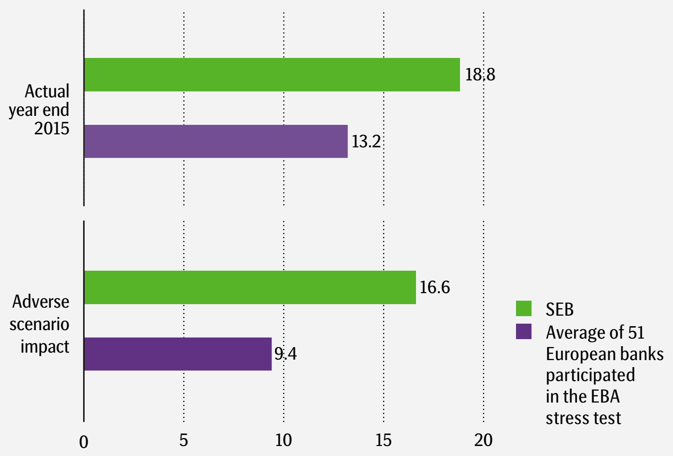
Despite the uncertainty, credit demand was stable in most of SEB's key markets. SEB's credit portfolio grew by 7 per cent to SEK 2,143bn (2,065), driven by growth in the corporate and property management sectors. The corporate portfolio amounted to SEK 1,029bn (936) at year-end and consists mainly of large Nordic and German customers in a wide range of industries, the largest being manufacturing. This is 48 per cent of the total credit portfolio, which makes SEB unique among its peers. SEB's exposure to small and medium-sized companies is mainly in Sweden and amounts to 11 per cent of the bank's corporate portfolio. Exposure to this segment was unchanged during the year.

Continued investments in residential housing in Sweden contributed to SEB's credit volume growth in the multi-family housing sector and housing associations, which constitutes almost half of SEB's property management portfolio of SEK 348bn (307). The remainder of the portfolio is commercial real estate companies, consisting mainly of strong customers with sound financing structures in the Nordic region and Germany.

The Baltic economies developed favourably as a result of growing exports, investments and private consumption. SEB's Baltic portfolio grew for the second consecutive year as the activity among corporate and private customers continued to increase, particularly in Estonia and Lithuania. At year-end, the portfolio amounted to SEK 148bn (134).

The EBA stress test 2016 Per cent

Common Equity Tier 1 capital ratio



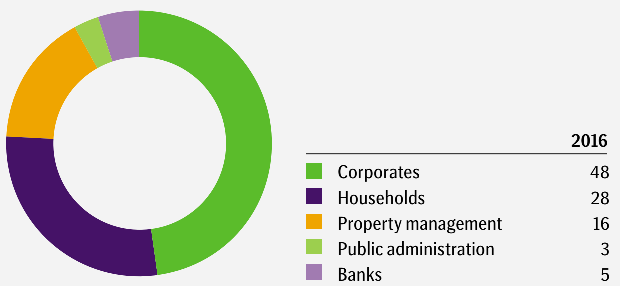
Swedish household mortgage lending remains in focus

Home prices in Sweden continued to rise in 2016, driven by low interest rates and an imbalance between supply and demand. On 1 June 2016, the Swedish government implemented a new amortisation requirement for new household mortgage loans with a loan-to-value (LTV) above 50 per cent in an effort to slow the rapidly increasing household debt. This had a slightly decelerating effect on the growth rate of home prices and lending during the second half of the year. SEB's Swedish household mortgage lending portfoliogrew by 3 per cent in 2016, which was below the market growth of 8 per cent.

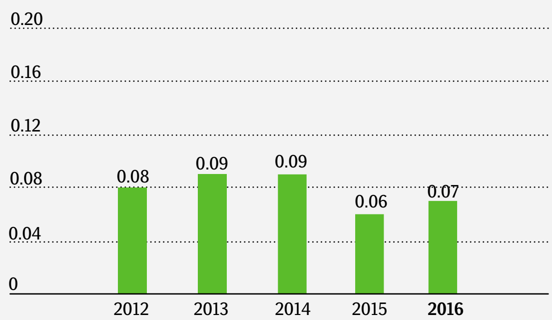
SEB maintains a long-term perspective also in its household mortgage lending, with particular focus on repayment ability and amortisation requirement. This includes a threshold for debt-to-income of 500 per cent and a home affordability analysis with significantly higher interest rates. In 2016, 98 per cent of all new loans with an LTV above 50 per cent contained an amortisation plan.

The portfolio, which amounts to SEK 461bn (443), is of high asset quality with good repayment ability among customers, low historical credit losses and low LTV ratios. Property values are continuously assessed and monitored.

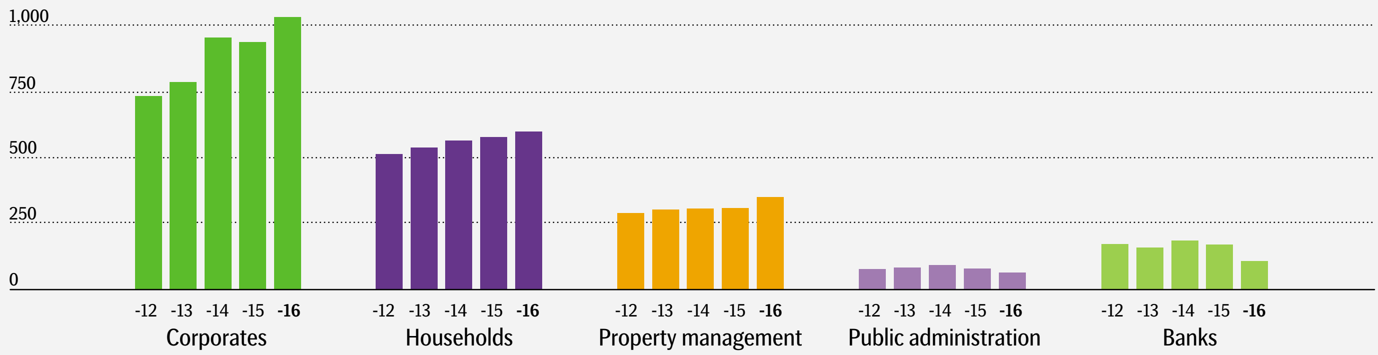
Credit portfolio, distribution by sector Per cent



Credit loss level development Per cent



Credit portfolio, development by sector SEK bn



Increased focus on climate-related risks

Climate changes are increasingly impacting the state of the world, and there is a growing need for better understanding and transparency of climate-related risks in the financial sector. This is not only about internal risk management, but also increasingly required by customers and regulators.

One consequence of taking actions to reduce climate risks is the so-called carbon risk, or the risk of "stranded" assets, in the transition to net zero greenhouse gas emissions. In 2016, SEB decided to reduce the coal exposure in its managed funds by taking a stricter approach to investing in companies involved in thermal coal extraction and by increasing its active ownership role through dialogues with energy-related companies. For several years, SEB applies a number of sector policies that limit lending to companies in certain sectors, such as fossil fuels, mining and metals. SEB does not provide new financing of coal mining and coal power plants.

High asset quality

Asset quality for the aggregate credit portfolio remained high and the credit loss level continued to be low at 7 basis points (6). Non-performing loans amounted to SEK 7.6bn (8), corresponding to 0.5 per cent of total lending. Non-performing loans in the Baltic portfolio continued to decline and amounted to SEK 2.8bn (3.8), or 2.3 per cent of total lending, at year-end.

Although oil prices recovered somewhat during the year, the structural challenges remain in the oil, gas and offshore industries. The elevated risk in the sector has resulted in some risk class deterioration of SEB's related portfolio and the bank works closely with its customers in the sector. SEB is mainly exposed to larger customers operating in the North Sea region.

Low market risk in volatile markets

SEB's market risk level was relatively low throughout the year, despite high customer activity and volatility in the financial markets. The risk in the customer-driven trading is measured as Value-at-Risk (VaR) which on average amounted to SEK 112m (117) in 2016. This means that, on average, the bank is not expected to lose more than this amount during a period of ten trading days, with 99 per cent probability. The main risk drivers were significantly lower Swedish and euro interest rates and volatile credit spreads. The market risk in the banking book decreased gradually during the year, mainly due to improved hedging of the mortgage portfolio.

Swedish traditional occupational pension re-opened

SEB's life insurance business consists mainly of unit-linked products, where the market risk remains with the customer. In 2016, unit-linked products represented 69 per cent of total premium income. SEB's traditional occupational pension policies in Sweden, which have been closed for new sales since 2007, were re-opened during the year with good results. SEB also offers traditional life insurance business in Denmark. In the traditional life insurance portfolios, buffers consisting of assets less guaranteed benefits serve as protection against insurance risk for SEB. The buffers,

Three lines of defence against risk

1st line of defence

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

2nd line of defence

The risk and compliance organisations constitute the second line of defence. These units are independent from the business. The risk organisation is responsible for identifying, measuring, monitoring and reporting risks. Risks are measured both on detailed and aggregated levels. SEB has developed advanced internal measurement models for a major part of the credit portfolio as well as for market and operational risk and has approval from the Swedish FSA to use the models for calculating capital requirements. Risks are controlled through limits at transactional, desk and portfolio levels. Asset quality and the risk profile are monitored continuously, for example through stress testing.

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

3rd line of defence

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

See p. 58 for a description of the Chief Risk Officer and the risk, compliance and internal audit functions and organisation.

which are calculated for each investment portfolio, remained at satisfactory levels throughout the year.

Solvency II, the new regulatory framework for insurance companies in the EU, took effect from 1 January 2016. The aim is to create a harmonised regulatory framework for governance, internal control and capital requirements across Europe.

Low losses from operational incidents

Operational risks are inherent in all businesses. SEB has an operational risk management framework and strives to continuously improve governance and risk practices to mitigate existing and emerging risks. Important processes and tools include a New Product Approval Process, business continuity management, risk and control self-assessments for the purpose of identifying and reducing large risks as well as system authority management. Regular employee training and education is provided in key areas such as information security, fraud prevention, anti-money laundering and know-your-customer procedures.

SEB also has a formalised whistleblower procedure that encourages employees to report unethical or illegal conduct. This structured approach has resulted in a decreased number of incidents and operational losses as well as increased risk awareness among employees in recent years.

In 2016, the methodology for risk and control self-assessment was updated with particular focus on significant processes, legal, IT and rogue trading risks. Net losses from operational incidents amounted to SEK 263m (291). Benchmarking against members of the Operational Risk Data eXchange Association (ORX) shows that SEB's operational losses are below peer average.

A strong risk culture based on business acumen and professional conduct

In an industry built on trust, SEB's reputation and appropriate conduct are essential for sustainable, long-term customer service and satisfaction as well as for profitability. Internationally, regulators have taken extensive actions to penalise banks' misconduct, particularly in relation to violating customers' interests and consumer protection. SEB's reputation is built on strong customer relationships where the customers' interests always come first. From a risk management perspective, SEB's Code of Conduct and core values, mandatory training and discussion workshops on ethical and value-related dilemmas aim to strengthen awareness of the importance of conduct.

IT risk and cyber security management critical to digitalisation agenda

As a growing amount of banking services are offered and conducted online, system availability and cybersecurity are critical for continued customer trust. SEB provides services 24/7 through its internet bank, telephone bank and mobile applications, and is committed to providing the highest possible accessibility.

Cyber threats continue to evolve as attacks become more technically sophisticated and the attack surface expands with the progress of digitalisation. SEB's approach to meeting these threats is to prioritise technical protection and also to raise awareness among employees and customers. Further, the regulatory framework for personal data protection and openness of sharing information are becoming stricter. SEB is closely following developments and is continuously adjusting to existing and upcoming requirements. In 2016, SEB's governance frameworks and controls for information and cyber security were further strengthened and integrated into the risk management structure.

A sound liquidity and funding strategy

Access to liquidity and funding markets is vital in all circumstances. SEB's liquidity and funding strategy is managed from three perspectives: (1) by optimising the liquidity structure of the balance sheet to ensure that less liquid assets are matched with stable funding, (2) by monitoring wholesale funding dependence, and (3) by ensuring that the bank has sufficient liquidity to withstand a severely stressed scenario.

In 2016, SEB saw continued strong market demand for its new issues of short- and long-term funding. SEB's *liquidity reserve*, as defined by the Swedish Bankers' Association, amounted to SEK 427bn (352) at year-end. The size and composition of the liquidity reserve is regularly analysed and assessed against estimated needs.

Update on coming regulatory requirements affecting capital

Several regulatory initiatives are currently under consideration that could have an impact on the composition and level of SEB's capital base going forward.

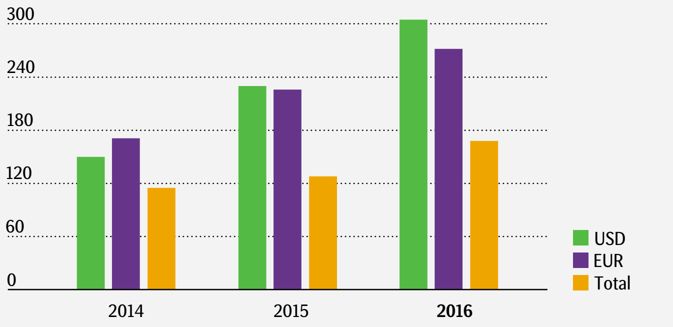
1. As part of the EU Commission's proposal in November 2016 to amend capital rules, a minimum requirement for the leverage ratio (a non risk-based ratio between Tier 1 capital and assets) was set to 3 per cent to be applied from 2021. SEB's leverage ratio was 5.1 per cent at year-end (4.9). The Commission also included a proposal for adoption of the framework for Fundamental Review of the Trading Book, covering measuring and reporting market risk, to be applied from 2021.

2. A new accounting standard, IFRS 9, will be implemented as of 1 January 2018, in which loan loss provisions will move from an 'incurred loss' concept to 'expected loss'. SEB's assessment is that the expected credit loss model is likely to increase loan loss provisions and decrease equity at transition and that volatility in the credit loss line item in the income statement will increase with the new rules. The EU Commission has proposed that the capital effect of the incremental provisions under IFRS 9 should be phased in over a five-year period.

3. The EU's Bank Recovery and Resolution directive was implemented into Swedish law in February 2016. It sets the crisis management procedure for failing banks in terms of capital, bailing-in or selling assets, and using resolution funds. It also covers the bail-in tool and introduces a minimum requirements for own fund and eligible liabilities (MREL). A proposed Swedish MREL framework was presented in April 2016, by the Swedish National Debt Office (Riksgälden), which included a potential future requirement for subordination of debt that may be bailed-in. SEB is actively participating in discussions on this issue.

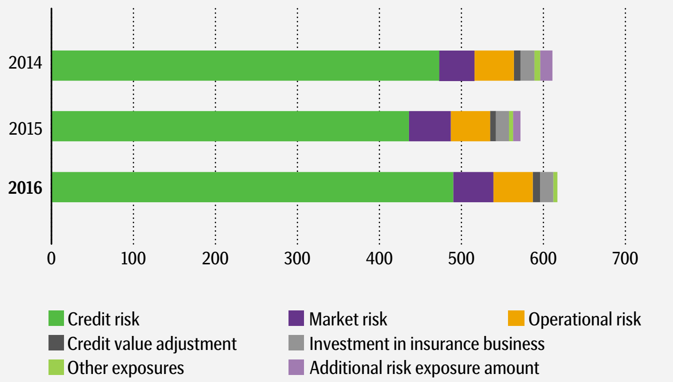
4. To address the issue of variability of risk exposure amounts among banks, the Basel Committee has proposed to introduce capital floors and greater restrictions on credit risk modelling parameters and assumptions as well as revisions to the standardised approach for operational risk. SEB is actively participating in discussions on this issue and promotes the internal ratings-based models.

Liquidity coverage ratio [1)]

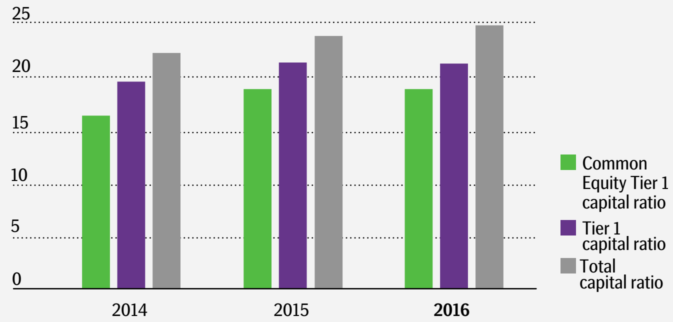


1) As defined by the Swedish FSA

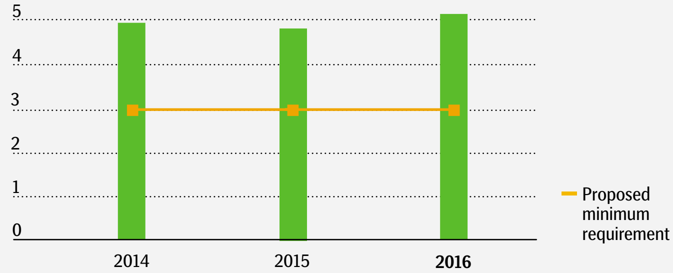
Development of risk exposure amount (REA)



Capital adequacy



Leverage ratio



The *Core Gap Ratio*, which is SEB's internal measure of how well long-term lending is matched by long-term funding, was 114 per cent (111) , which is well within the bank's risk tolerance of a sound liquidity structure. SEB manages its liquidity position in line with the upcoming regulatory *Net Stable Funding Ratio* (NSFR) requirement of 100 per cent, which is now anticipated to be effective as of 2021.

The Swedish FSA's Liquidity Coverage Ratio (LCR) measures to what extent SEB's liquid assets are sufficient to cover short-term cash outflows in a stressed scenario. The ratio amounted to 168 per cent in aggregate (128), and 305 (230) and 272 (226) for US dollars and euros, respectively. This is in compliance with the Swedish FSA's minimum requirement of 100 per cent.

Capital adequacy exceeds requirements

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

The Swedish FSA's requirement for the Common Equity Tier 1 (CET1) capital ratio consists of Pillar 1, which is a general minimum requirement for all institutions, and Pillar 2, which is a specific requirement based on an individual assessment of SEB's risk, liquidity and capital position made in the Supervisory Review and Evaluation Process. SEB estimates the Swedish FSA's CET1 capital requirement to 16.9 per cent as of year-end 2016.

The Board's capital target is to maintain a CET1 capital ratio of around 150 basis points above the Swedish FSA's requirement in order to maintain a buffer against potential variability in the capital position deriving from, in particular, changes in foreign exchange rates and interest rate risk in the defined pension obligations. This means that the CET1 capital ratio target currently is 18.4 per cent.

The CET 1 capital base increased to SEK 114.4bn (107.5) while the risk exposure amount (REA) increased to SEK 610bn (571), mainly due to increased credit volumes and currency effects.

In 2016, the Swedish FSA introduced certain restrictions and floors to the internal models for corporations, which are expected to increase the risk weights once they are finalised. These floors have been considered in the estimate of SEB's capital requirement. The capital requirements for Swedish banks are currently significantly higher than EU minimum levels and the Swedish banks are well capitalised compared with banks elsewhere in Europe, both from a risk-weighted and non risk-weighted perspective.

At year-end SEB's CET1 capital ratio amounted to 18.8 percent (18.8), which is well in line with regulatory requirements and the Board's target.

SEB's risk profile in short

Risk type	The risk is identified, measured and managed	The risk is controlled with internal limits	The risk is subject to regulatory capital requirements	Risk description
Credit risk Risk of loss due to the failure of an obligor to fulfil its obligations towards SEB. The definition comprises loans, counterparty risk, country risk and settlement risk. Concentration risk is also considered.	✔	✔	✔	SEB has a well-balanced credit portfolio, with main focus on corporations and the Nordic region. Over the past ten years, which includes the latest financial crisis, SEB's credit losses have averaged 0.18 per cent of total lending. All lending shall be based on the customer's cash flow and repayment ability and the bank shall have good insight into the customers' business and financial position on an ongoing basis.
Market risk Market risk is the risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices. Market risk can arise from changes in interest rates, foreign exchange rates, credit spreads, commodity and equity prices, implied volatilities, inflation and market liquidity.	✔	✔	✔	Market risk arises in the banking book when assets do not fully match the funding maturities and sources since customers demand various maturity dates and currencies. Market risk also arises in the trading book as SEB facilitates customers' financial transactions. In general, market risk tolerance in SEB is low. This is confirmed by the fact that there were only nine loss-making days in 2016.
Liquidity risk Risk that SEB is unable to refinance its existing assets or is unable to meet demand for additional liquidity. It also entails the risk that the bank is forced to borrow at unfavourable rates or to sell assets at a loss in order to meet its payment commitments.	✔	✔		The primary sources of funding are customer deposits, which to a large extent are stable, and wholesale funding. SEB has a diversified funding base – short- and long-term programs in multiple capital markets in multiple currencies – to ensure that payment obligations are met as they fall due. Various risk management tools, including stress tests, ensure that liquid assets are sufficient.
Operational risk Risk of loss resulting from inadequate or failed internal processes and systems, human errors or external events. Operational risk includes legal and compliance risks as well as IT and information security risks.	✔		✔	Operational risks are an inherent part of all business. It is neither possible nor cost-efficient to eliminate all operational risks. Therefore, smaller losses are a normal part of SEB's operations. SEB continuously works to minimise operational losses and, in particular, to avoid larger loss incidents. Benchmarking against members of ORX shows that SEB's loss level has historically been below the ORX average.
Insurance risk All risks related to SEB's insurance operations, mainly market risk, underwriting risk and operational risk. Underwriting risk pertains to the risk of loss or of negative changes in the value of insurance liabilities (technical provisions) due to inadequate pricing and/or provisioning assumptions.	✔	✔	✔	SEB's insurance business consists mainly of unit-linked insurance, where the market risk is borne by the customer. SEB also offers traditional life insurance products with guaranteed returns as well as sickness and health insurance solutions, where key risks are market risk and underwriting risk. Market risk arises in the management of traditional investment assets and from the interest rate sensitivity of the liabilities. Market risk and underwriting risk are closely monitored and managed through traditional analysis of assets and liabilities as well as actuarial analysis.
Pension risk Risk of a mismatch between employee pension liabilities and designated assets. It is related in nature to underwriting risk and contains an element of market risk.	✔	✔	✔	In its defined benefit plans, SEB bears the risk of deviations in projected plan payments due to changes in expected lifetime and future salary increases. SEB also bears the market risk from the plan's investments and the discount rate for the liabilities. Above all, the defined benefit plans are mainly sensitive to interest rate changes and equity prices. These risks are mitigated by prudent risk management procedures. The Swedish defined benefit plan is closed for new participants.
Business risk Risk of lower revenues due to reduced volumes, price pressure or competition. The definition includes venture decision risk, i.e., risks related to large undertakings such as acquisitions, large IT projects, reorganisations, outsourcing, etc. Related risks include strategic and reputational risks.	✔			Business, strategic and reputational risks are inherent in doing business. Digitalisation in the banking industry is accelerating, and new types of competitors are emerging. The extensive new regulatory framework for banking and financial institutions is significantly impacting the industry. Sustainability plays an increasingly important part of a company's reputation. SEB continuously works to mitigate business, strategic and reputational risks in many ways, for example, with strategic business reviews, proactive cost management, an agile step-by-step IT development approach, an ambitious sustainability agenda and an active dialogue on regulatory matters.

Read more about risk, liquidity and capital management and risk development in notes 17, 19 and 20. More detailed information is available in the Capital Adequacy and Risk Management Report on www.sebgroup.com.

Regulatory requirements

The stream of new regulatory requirements continues, although the volume of new EU legislation has subsided somewhat. While the overall impact of regulations on banks' activities is large, the overall effect on the real economy has not yet been assessed.

Main areas and aims of regulation

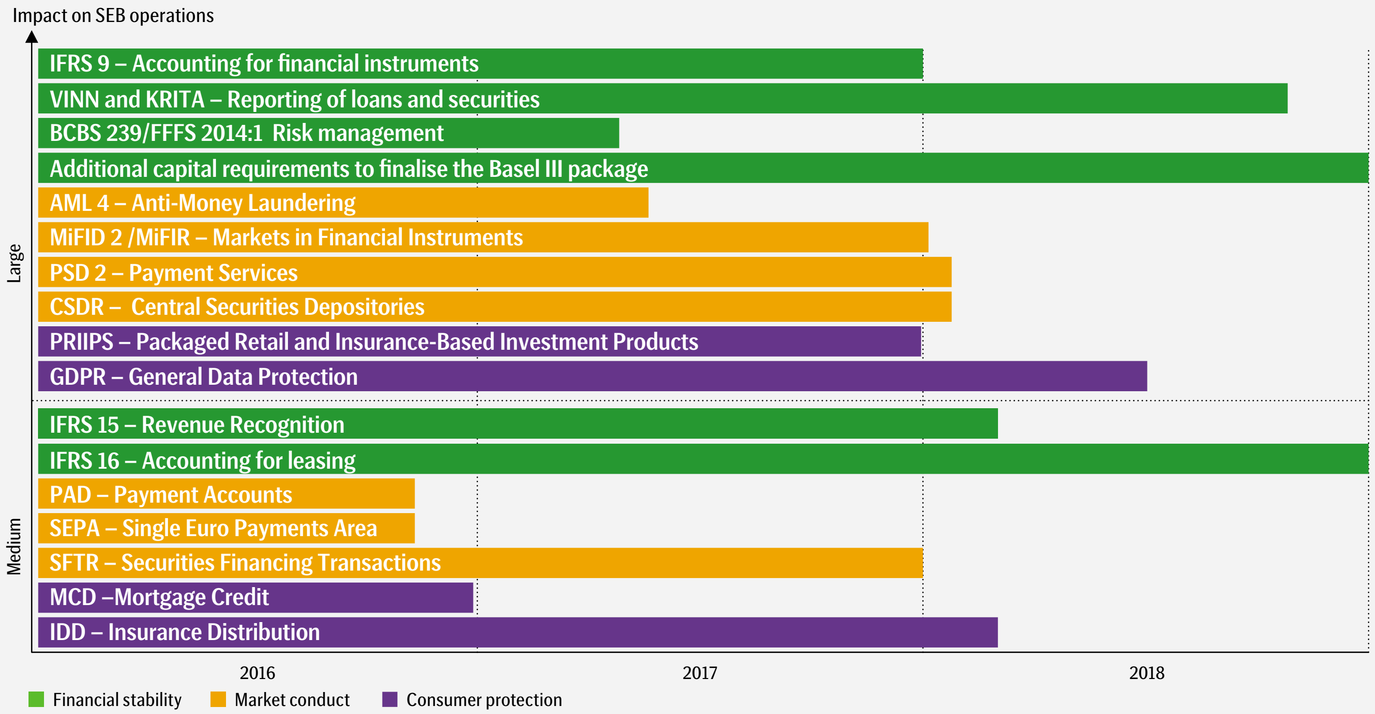
1 Financial stability	2 Market conduct	3 Consumer protection
Ensure that the financial system can withstand economic shocks and disturbances and prevent that the failure of one financial institution leads to a systemic collapse.	Promote efficient price setting and execution in financial markets, and prevent market manipulation through enhanced transparency and improved risk mitigation.	Ensure fair treatment of customers and increase their financial literacy through relevant and correct information. This entails requirements in terms of marketing and packaging of financial services and investment advice services.

Implementation of new regulations

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

In 2016, the bank worked with more than 20 major regulatory projects at an estimated cost of more than SEK 300m. In addition, the bank implements technical requirements and guidelines from the three European supervisory authorities for banking, insurance and securities markets.

New regulatory requirements being implemented 2016–2018



Three important areas

More than 20 major regulatory projects were in progress at SEB during the year, aimed at making the bank compliant with new rules and regulations. Three important areas are described here.

1 Financial stability

Capital requirements

In 2016 the Basel Committee worked intensively to reach an agreement on how capital requirements for banks' risks should be revised in order to take into account issues identified during the financial crisis. The Committee works to establish greater transparency and harmonisation. Increased harmonisation however restricts banks' use of internal models in the calculation of risk-weighted assets and would therefore lead to less differentiation in terms of banks' cost for providing loans with high risk compared with loans with low risk. The challenge is to find a reasonable balance which does not stimulate improper risk-taking or incorrect pricing of risks.

The regulations under discussion also address the final design of the leverage ratio and extra capital requirements for systemically important institutions.

SEB is well positioned with a strong capital adequacy. However, it is important that Swedish banks operate under the same conditions as their European competitors.

2 Market conduct

Counteract money laundering and financing of terrorism

The purpose of the EU's Fourth Money Laundering Directive – AML 4 – is to update existing rules to conform to international standards as determined by the Financial Action Task Force. The directive sets increased requirements on banks to be knowledgeable about their customers and to manage risks linked to politically exposed persons (PEPs). One important change is the requirement for a risk-based approach to counteract money laundering and financing of terrorism.

SEB is implementing AML 4 in three work streams. The first aims at increasing the bank's knowledge of its customers, such as who the majority shareholders in a company are. The second work stream entails improving SEB's risk assessment processes, with the aim to prevent money laundering and financing of terrorism more effectively. Finally, in the third stream internal control documents are revised.

The bank continuously screens transactions and behaviours. If a transaction raises suspicion about money laundering, SEB will launch an investigation. If suspicion remains, the bank will report it as a suspicious transaction to the financial intelligence unit of the Swedish police. In recent years, SEB has reported some 400 such cases per year.

3 Consumer protection

Mortgage lending

A household mortgage is a major component of many people's personal finances. The function and stability of the mortgage market is also important to the economy at large.

The EU Mortgage Credit Directive aims to strengthen consumer protection and to create a more efficient and competitive mortgage market by setting higher requirements for creditors. The ambition is to strengthen the position of consumers and reduce lock-in tendencies to one creditor. The new rules entail, among other things, clearer information to customers, greater transparency on how interest rates are determined, and a buyers' remorse grace period when taking out a mortgage.

To meet the new requirements, a new framework has been established for household mortgage advice, including a requirement that all SEB mortgage advisers have a special Swedsec licence. A more comprehensive fact sheet for customers has also been produced, providing clear information about the interest charged and how future interest rate changes would affect the amount that the customer pays. Also SEB's customers are offered time to reflect on a binding mortgage offer, allowing them to compare the offer with other banks.

Corporate governance

»The work of the Board during the year was shaped by the rapid technological and regulatory development in the financial sector. The opportunities and challenges they imply in relation to SEB's long-term vision were analysed and discussed. The Board carefully monitored and evaluated the subdued macroeconomic situation and the emerging geopolitical risks. Other important issues were succession planning, IT security, code of conduct and sustainability. «

Marcus Wallenberg
Chairman of the Board

To maintain the important societal function as a bank it is of paramount importance for SEB that all stakeholders have great confidence in the bank's operations. Proper business conduct and professionalism are crucial as is maintaining a sound risk culture.

The importance of corporate governance

Corporate governance is the system through which companies are directed and controlled.

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

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

Rules and regulations

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

- the Companies Act
- the Annual Accounts Act
- the Nasdaq Stockholm Issuer Rules
- the Swedish Corporate Governance Code
- the Banking and Financing Business Act
- the rules and guidelines issued by the Swedish Financial Supervisory Authority and other authorities. ▶▶ *See p. 46.*

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

Such policies and instructions include, among others:

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

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

The Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code (the Code). SEB strives to follow the Code where appropriate and has no deviations to report for 2016. ▶▶ *More information about corporate governance at SEB is available on SEB's website.*

Shareholders and general meetings of shareholders

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

SEB has approximately 276,000 shareholders. Around 175,000 of them own less than 500 shares, while 146 hold more than 1,000,000 shares, accounting for 79 per cent of the capital and votes. SEB's share capital consists of two classes of shares – A shares and C shares. Each Class A share carries one vote and each Class C share carries one-tenth of a vote. ▸▸ *SEB's largest shareholders and the shareholder structure as per 31 December 2016 are shown in the table and graph on p. 27.*

The Annual General Meeting (AGM) of shareholders is held in Stockholm. All shareholders listed in the shareholder register who have duly notified their attendance have the right to participate at the AGM and to vote for the full number of their shares. Shareholders who cannot attend may appoint a representative. The AGM is held in Swedish. The 2016 AGM was held on 22 March. A total of 1,223 persons, representing 1,748 shareholders, were in attendance at the AGM. ▸▸ *The minutes from the AGM are available on SEB's website.*

An electronic system for televoters, was used at the AGM. The main resolutions made at the AGM were:

- approval of the dividend of SEK 5.25 per share
- increase of the number of directors to 13
- re-election of all current eleven directors and election of two new directors
- re-election of Marcus Wallenberg as Chairman of the Board
- re-election of PricewaterhouseCoopers as auditor
- adoption of guidelines for remuneration for the President and the other members of the GEC
- approval of two long-term equity programmes
- issuance of a mandate to the Board concerning the acquisition and sale of own shares for SEB's securities business, for the long-term equity programmes and for capital management purposes
- issuance of a mandate to the Board to resolve on the issuance of convertibles.

Nomination Committee

The tasks of the Nomination Committee include developing proposals for the Chairman and directors of the Board as well as for the auditor.

As the starting point for its work, the Nomination Committee is tasked with assessing the degree to which the Board meets the demands that will be placed on the Board as a result of the bank's operations, organisation and future direction. Among other things, the Board's size and composition is reviewed in terms of industry experience and expertise as well as diversity, for example gender, age and geographic origin. The Nomination Committee adheres to the Policy on Diversity and Assessment of Suitability of Directors, adopted by the Board. The Nomination Committee makes recommendations regarding directors' fees, allocated among the board members, and fees for committee work. The Nomination Committee also proposes auditor and auditor's fee.

Pursuant to a decision by the AGM, the Nomination Committee is to be composed of the Chairman of the Board along with representatives of the bank's four largest shareholders that are interested in appointing a member. One of the independent directors shall be appointed as an additional member of the committee. The composition of the Nomination Committee meets the requirements laid out in the Code. The Nomination Committee has access to relevant information about SEB's operations and financial and strategic position provided by the Chairman of the Board and the additional

Nomination committee for the 2017 AGM

Member	Representing	Votes, % 31 Aug. 2016
Petra Hedengran, Chairman	Investor	20.8
Magnus Billing	Alecta	7.4
Lars Heikensten	Trygg-Stiftelsen	6.0
Lars-Åke Bokenberger	AMF	4.0
Marcus Wallenberg	SEB, Chairman of the Board	
		38.2

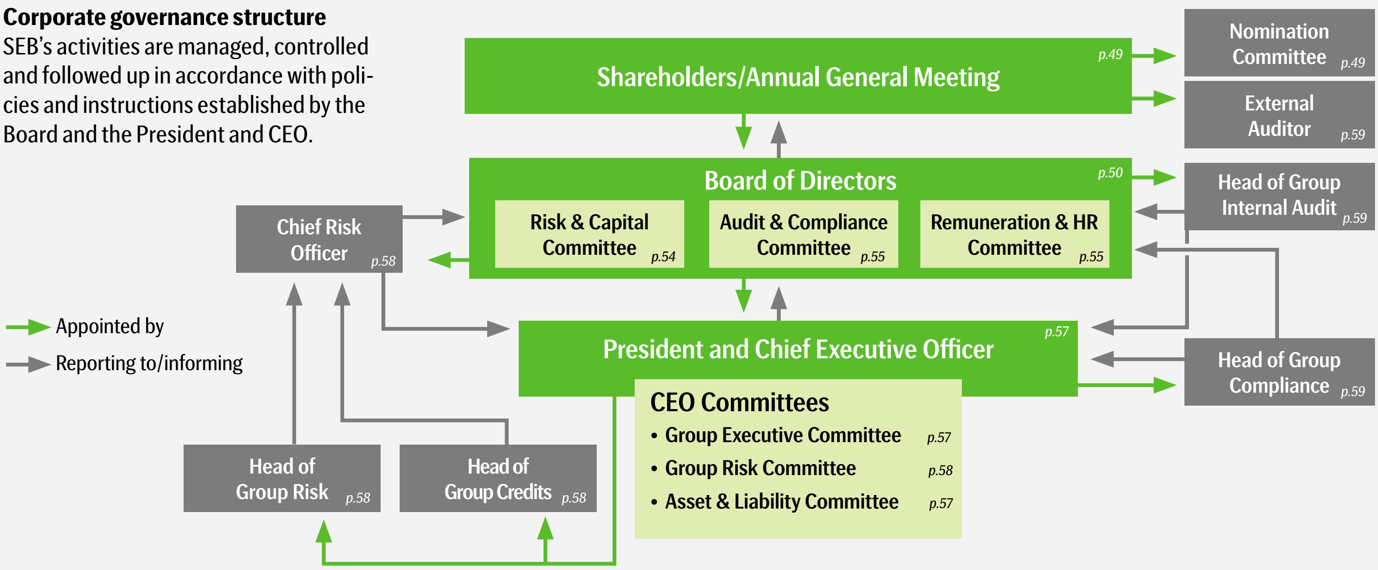
Urban Jansson, additional member, appointed by the Board.

Peder Hasslev represented AMF in the Nomination Committee between 12 September and 18 November 2016, when he was replaced by Lars-Åke Bokenberger.

Swedbank Robur Fonder, which is the bank's fourth largest shareholder, has declined to appoint a member of the Nomination Committee.

Corporate governance structure

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



Board of Directors




	Marcus Wallenberg	Urban Jansson	Jesper Ovesen	Johan H. Andresen
Position	Chairman since 2005	Deputy Chairman since 2013	Deputy Chairman since 2014	Director
Committee	● RCC ● ACC ● RemCo	● RCC	● RCC	
Year elected	2002	1996	2004	2011
Born	1956	1945	1957	1961
Education	B.Sc. (Foreign Service)	Higher bank degree (SEB)	B.Sc. (Econ.) and MBA	B.A. (Government and Policy Studies) and MBA
Other assignments	Chairman of Saab and FAM. Vice Chairman of Investor. Director of AstraZeneca Plc., Temasek Holdings Ltd and the Knut and Alice Wallenberg Foundation.	Chairman of EAB and 365 id. Director of Lindéngruppen.	Director of Sunrise Communication Group AG (Switzerland), Lundbeck A/S (Denmark) and ConvaTec Group Plc. (UK).	Owner and Chairman of Ferd AS. Chairman of Council on Ethics for the Government Pension Fund Global (Norway). Director of SWIX Sport AS (Norway), NMI–Norwegian Microfinance Initiative and Junior Achievement Europe.
Background	Citibank in New York, Deutsche Bank in Germany, S G Warburg Co in London and Citicorp in Hong Kong, SEB and Stora Feldmühle in Germany. Executive Vice President of Investor and CEO of Investor. Several assignments as Chairman and Director of large public companies.	SEB in various management positions. President and CEO of HNJ Intressenter (former subsidiary of the Incentive Group). Executive Vice President of the Incentive Group. President and CEO of Ratos. Several assignments as Chairman and Director of large public companies.	Price Waterhouse. Vice President and later CEO of Baltica Bank A/S. Vice President and Head of Finance of Novo Nordisk A/S. CEO of Kirkbi Group. CFO of Den Danske Bank A/S, LEGO Holding A/S and TDC A/S. Several directorships.	International Paper Co. Partner of Ferd AS. CEO of Ferd AS.
Nationality	Swedish	Swedish	Danish	Norwegian
Own and closely related persons' shareholdings	753,584 Class A shares and 720 Class C shares	56,840 Class A shares	25,000 Class A shares	100,000 Class A shares
Independent in relation to bank/major shareholders	Yes/No	Yes/Yes	Yes/Yes	Yes/Yes
Attendance at Board/ Committee meetings	9 of 9 / 34 of 35	10 of 10 / 20 of 21	9 of 10 / 21 of 21	10 of 10
Remuneration, Board meetings, SEK	2,800,000	860,000	860,000	660,000
Remuneration, Committee meetings , SEK	720,000	510,000	325,000	–

● Chairman ● Deputy Chairman ● Member

member. The Nomination Committee also reviews the evaluations of the Board and the Chairman of the Board.

An important principle is that the size and composition of the Board should be such as to serve the bank in the best possible way. It is therefore crucial that the directors have requisite experience and competence about the financial and other sectors as well as international experience and a contact network that meet the demands that arise from the bank's current position and future orientation. The Nomination Committee also discusses succession matters with particular emphasis on continuity and long-term perspective in ensuring the Board's competence and composition.

The Nomination Committee for the 2017 AGM was appointed in the autumn of 2016. No special fee has been paid to the members of the Nomination Committee. ▶▶ *The Nomination Committee's proposals and a statement supporting its nomination of directors are available on SEB's website.*

Board of Directors

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

The Board has adopted Rules of Procedure that regulate the Board's role and ways of working as well as special instructions for the Board's committees. The Board has the following duties, among others:

- deciding on the nature, direction and strategy of the business as well as the framework and objectives of the business activities
- regularly following up and evaluating the operations in relation to the objectives and guidelines established by the Board
- ensuring that the business is organised in such a way that the accounting, treasury management and the risks inherent in the business as well as financial conditions in all other respects are controlled in a satisfactory manner in accordance with external and internal rules
- deciding on major acquisitions and divestments as well as other major investments




Signhild Arnegård Hansen	Samir Brikho	Annika Falkengren	Winnie Fok
Director	Director	Director (President and CEO) 1)	Director
● RemCo			● ACC
2010	2013	2005	2013
1960	1958	1962	1956
B.Sc. (Human Resources) and journalism studies	M.Sc. (Engineering, Thermal Technology)	B.Sc. (Econ.)	Bachelor of Commerce
Chairman of SnackCo of America Corp. Vice Chairman of the Swedish-American Chamber of Commerce (SACC) (USA). Director of Magnora, SACC New York, Business Sweden, ESBRI and King Carl XVI Gustaf's Foundation for Young Leadership.	UK Business Ambassador. Co-Chairman of the UK-UAE Business Council and the UK-ROK CEO Forum. Member of Advisory Boards of Stena. Chairman of the World Economic Forum Disaster Resource Partnership and of the Step Change Charity.	Chairman of the Swedish Bankers' Association. Director of Scania CV (subsidiary to Volkswagen) and FAM. Member of the Supervisory Board of Volkswagen AG.	Director of Volvo Car Corporation, G4S plc (UK) and Kemira Oyj (Finland). Member of the Investment Committee of HOPU Investments Co, Ltd. (Asia), Senior Advisor to the Wallenberg Foundations.
President of the family-owned company Svenska LantChips. Chairman of the Confederation of Swedish Enterprise. Vice Chairman of Business Europe. Director of Innventia, IFL at Stockholm School of Economics, Research Institute of Industrial Economics, Loomis Sverige and University of Lund.	Broad international experience from management and leadership, especially within the industrial sector. Leading positions within ABB, e.g. as Division Head and CEO of significant subsidiaries. Member of the GEC of ABB Ltd, (Switzerland). CEO of Amec Foster Wheeler plc, (UK).	Various positions within SEB Merchant Banking. Global Head of Trading and Head of Merchant Banking. Head of Division Corporate & Institutions and Executive Vice President of SEB. Deputy CEO of SEB.	Broad experience from the financial business field. Certified Public Accountant in Australia and in Hong Kong. Member of the Institute of Chartered Accountants in England and Wales. Industrial advisor and Senior Advisor to Investor and Husqvarna. CEO and Senior Partner of EQT Partners Asia Ltd and CEO of New Asia Partners Ltd.
Swedish	Swedish	Swedish	British
5,387 Class A shares	0 shares	358,895 Class A shares,121,884 share rights, 359,620 conditional share rights	3,000 Class A shares
Yes/Yes	Yes/Yes	No/Yes	Yes/Yes
10 of 10 / 8 of 8	9 of 10	8 of 9 / 19 of 26 2)	8 of 9 / 7 of 7
660,000	660,000	–	660,000
387,500	–	–	200,000

1) In 2017 Annika Falkengren resigned from SEB.
2) In her capacity as President.

- appointment or dismissal of the President, the Chief Risk Officer (CRO), the members of the GEC and the Head of Group Internal Audit, as well as setting the remuneration for these individuals.

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

The directors are elected by the shareholders at the AGM for a one-year term. Since the 2016 AGM the Board has consisted of thirteen AGM-elected directors, without deputies, and of two directors and two deputies who serve as employee representatives. In order for a quorum to exist at a Board meeting, more than half of the directors must be present. The President is the only AGM-elected director employed by the bank. The Nomination Committee has assessed the directors' independence in relation to the bank and the bank's management as well as in relation to shareholders controlling 10 per cent or more of the shares or votes and has found that the composition of the Board meets the requirements of the Code.

The work of the Board follows a yearly plan. In 2016, ten board meetings were held. The President attends all board meetings except those dealing with matters in which the President has an interest that may be in conflict with the interests of the bank, such as when the President's work is evaluated. Other members of management participate whenever required.

Board of Directors *(continued)*




	Birgitta Kantola	Tomas Nicolin	Sven Nyman	Helena Saxon
Position	Director	Director	Director	Director
Committee	● ACC	● RCC		● ACC
Year elected	2010	2009	2013	2016
Born	1948	1954	1959	1970
Education	LLM and Econ. Dr. H.C.	B.Sc. (Econ.) and M.Sc. (Management)	B.Sc. (Business and Econ.)	M.Sc. (Business and Econ.)
Other assignments	Director of Nobina.	Chairman of Centre for Justice. Director of Nordstjernan, Nobel Foundation, Axel and Margaret Ax:son Johnson's Foundation, Research Institute of Industrial Economics and Sällskapet Vänner till Pauvres Honteux. Member of the Investment Committee of Niam Property Fund.	Chairman of RAM Rational Asset Management. Director of RAM ONE, Consilio International, Nobel Foundation's Investment Committee, Stockholm School of Economics, Stockholm School of Economics Association and of Axel and Margaret Ax:son Johnson's Foundation.	CFO at Investor. Director of Swedish Orphan Biovitrum.
Background	Broad experience in banking and finance, e.g . Nordic Investment Bank (Executive Vice President and Head of Finance). Vice President and CFO of International Finance Corporation (World Bank Group) (USA). Deputy General Manager of Ålandsbanken (Finland).	Broad experience in the financial sector as CEO of Alecta, Third National Swedish Pension Fund and E. Öhman J:or Fondkommission as well as a leading position in Handelsbanken. Several directorships.	Broad experience from the financial business field. Managerial positions within Investor. CEO and founder of Lancelot Asset Management and Arbitech (USA). Several directorships.	Financial analyst at Goldman Sachs and Investor, CFO at Syncron International and Hallvarsson and Halvarsson. Investment Manager at Investor.
Nationality	Finnish	Swedish	Swedish	Swedish
Own and closely related persons' shareholdings	33,000 Class A shares	66,000 Class A shares	10,440 Class A shares and 10,200 Class C shares	5,000 Class A shares
Independent in relation to bank/major shareholders	Yes/Yes	Yes/Yes	Yes/Yes	Yes/No
Attendance at Board/ Committee meetings	10 of 10 / 7 of 7	10 of 10 / 21 of 21	10 of 10 / 3 of 3	7 of 7 / 5 of 6
Remuneration, Board meetings, SEK	660,000	660,000	660,000	660,000
Remuneration, Committee meetings, SEK	387,500	325,000	–	200,000

● Chairman ● Deputy Chairman ● Member

Directors' fees

SEB's 2016 AGM set total fees of SEK 13,710,000 for the members of the Board and decided how these fees are to be distributed among the Board and its committees. Directors' fees are paid on a running basis during the mandate period.

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

Board committees

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

Appointed by the employees:

				
Sara Öhrvall	Anna-Karin Glimström	Håkan Westerberg	Annika Isenborg	Charlotta Lindholm
Director	Director, appointed by the employees.	Director, appointed by the employees.	Deputy Director, appointed by the employees.	Deputy Director, appointed by the employees.
● RemCo				
2016	2016	2015 1)	2016 2)	2015
1971	1962	1968	1967	1959
M.Sc. (Econ.)	University studies in mathematics, statistics and law.	Engineering logistics.	University studies in working environment.	LLB
Director of Investor, Bonnier News, Bonnier Books and Bisnode.	Chairman of Financial Sector Union of SEB group and Financial Sector Union Western section in SEB, Director EB-SB Fastigheter and EB-SB Holding.	Chairman of the Association of University Graduates at SEB.	First deputy Chairman of Financial Sector Union of SEB group and Financial Sector Union Regional Club group operations of SEB.	Vice Chairman of the Association of University Graduates at SEB. Director of the Foundation of Alma Detthows.
Product development manager, niche cars, at Volvo Cars, Senior Vice President Research and Development unit at Bonnier, Founder of the consultancy network MindMill Network and CEO at Differ Brand Agency.	Office manager and various other positions in SEB. Various specialist and leader roles within Trygg-Hansa. Director of SEB's Profit Sharing Foundation.	Sales manager at Trygg-Hansa in the property insurance business. SEB in various positions in systems management and IT development, currently Systems Management Advisor.	Employed at Fixed Income, group operations. Director of SEB's Profit Sharing Foundation and Result Premium Foundation.	Various client responsibility positions in several divisions and subsidiaries in the SEB group. Presently client executive at Private Banking, Foundations.
Swedish	Swedish	Swedish	Swedish	Swedish
0 shares	0 shares	3,569 Class A shares	0 shares	5,001 Class A shares
Yes/No	–	–	–	–
7 of 7 / 5 of 5	8 of 8	10 of 10	7 of 8	10 of 10
660,000	–	–	–	–
195,000	–	–	–	–

1) Deputy Director 2011–2014 2) Deputy Director 2014

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

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

- the extent to which the individual board members take an active part in discussions by the Board and its committees
- whether board members contribute independent opinions
- whether the meeting atmosphere facilitates open discussions.

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

The Chairman of the Board formally evaluates each individual director's work once a year. Marcus Wallenberg did not participate in the evaluation of the Chairman's work, which was directed by Urban Jansson, one of the Deputy Chairmen.

The Board evaluates the work of the President and the GEC on a continuous basis, without participation by the President or any other member of the GEC.

On the Board's agenda in 2016

February
- Annual accounts, including proposal on dividend
- AGM notification and AGM proposals
- Balance sheet, capital and dividend policy
- Risk position, asset quality, credit portfolio, liquidity situation
- Internal and external audit as well as compliance
- Macroeconomic review
- 2015 Annual Report

March
- AGM
- Statutory meeting
- CEO evaluation
- Remuneration matters
- Group talent review and succession planning

April
- Quarterly report
- Risk position, asset quality, credit portfolio, liquidity situation
- Internal capital and liquidity review
- Annual review of risk policies and instructions
- IT and digitalisation review
- Negative interest rate impact review
- Branding and image position
- Business review of payments
- Business review small and medium-sized companies
- Sustainability matters

June
- IT business and digitalisation update
- Sustainability matters
- Macroeconomic discussion relating to Brexit

July
- Macroeconomic update relating to Brexit
- Quarterly report
- Risk position, asset quality, credit portfolio, liquidity situation
- Review of employee survey (Insight) 2016

September
- Risk seminar
- Business review Corporate & Private Customers division

October
- Macroeconomic review
- Quarterly report
- Risk position, asset quality, credit portfolio, liquidity situation
- EU Recovery and Resolution plan

December
- Business plan, financial plans, forecasts
- Annual review of policies and instructions
- SEB's Code of Conduct
- Board evaluation
- US Resolution plan

Contact the Board of Directors:
Skandinaviska Enskilda Banken AB (publ), Board Secretariat,
SE-106 40 Stockholm, Sweden (sebboardsecretariat@seb.se)

Risk and Capital Committee

Urban Jansson
Chairman of RCC

» Important areas addressed in 2016 include evaluation of, and adaption to, the new capital requirements currently being implemented. Standardised risk weights and liquidity levels are capital requirement areas that have attracted particular focus. The RCC has also continued to monitor the bank's credit portfolio and risk tolerance, development of the home mortgage market, important macroeconomic aspects and their impact on the euro, and the impact of negative interest rates.«

Risk and Capital Committee

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

The RCC sets the principles and parameters for measuring and allocating risk and capital within the group and oversees risk management systems and the risk tolerance and strategy for the near and long term. The RCC prepares a recommendation for the appointment and dismissal of the CRO. It also decides on individual credit matters of major importance or of importance as to principles and assists the RemCo in providing a risk- and capital-based view on the remuneration system. The RCC held 21 meetings in 2016.

The group's Chief Financial Officer (CFO) has overall responsibility for informing and submitting proposals to the RCC on matters related to capital and funding. The CRO has the same overall responsibility regarding risk and credit matters. The President, the CFO and the CRO regularly participate in the meetings. ▸▸ *The CRO function is described on p. 58. Information on risk, liquidity and capital management is provided on p. 40.*

RCC members
Urban Jansson (Chairman), Marcus Wallenberg (Deputy Chairman), Jesper Ovesen and Tomas Nicolin.

The RCC's work in 2016:
- monitored the implementation of internal rules including the credit policy and instruction
- monitored risk development, among other things with focus on long-term stability of the Swedish home mortgage market
- monitored the macroeconomic development including Brexit
- prepared matters concerning market and liquidity risk limits
- reviewed significant changes in the credit portfolio and of the credit process
- reviewed models and methods for risk measurement
- discussed adaptation to new capital requirements
- reviewed the overall capital and liquidity strategy and position including internal capital and liquidity assessment
- prepared matters concerning the group's capital goals and capital management, such as the dividend
- reviewed reports from internal audit and compliance
- held strategic discussions on holistic financial and balance sheet management
- discussed negative interest rate implications.

Audit and Compliance Committee

Birgitta Kantola
Chairman of ACC

» The financial crisis has led to an ever more challenging regulatory environment. For the ACC in 2016 it meant further intensified monitoring of the quality of the on-going financial reporting and internal controls. Tightening taxation of financial transactions surfaced as an area of concern in many countries, which required special attention. Other important issues for the ACC were IT security including access controls and new market abuse regulation. Many compliance matters from previous years continued to require the ACC's attention.«

Remuneration and Human Resources Committee

Signhild Arnegård Hansen
Chairman of RemCo

» Digitalisation and the general development of the business environment are putting new demands on future leaders and creating an increased need for specialist knowledge within different fields. A critical task for the RemCo continues to be to develop stable remuneration systems and good remuneration practices that will ensure the bank's ability to attract the right competence both now and in the future. In 2016, the RemCo addressed remuneration matters, succession planning, the group talent review and other human resources issues. «

Audit and Compliance Committee

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

In addition, the President's proposal for appointment or dismissal of the Head of Group Compliance is subject to the Committee's approval.

The ACC held seven meetings in 2016. The CFO, the external auditors, the Head of Group Internal Audit and the Head of Group Compliance submit matters and reports for the Committee's consideration. The President, the CFO and the CRO regularly participate in the meetings. ▶▶ *The Report on Internal Control over Financial Reporting can be found on p.62.*

ACC members

Birgitta Kantola (Chairman), Marcus Wallenberg (Deputy Chairman), Winnie Fok and Helena Saxon.

The ACC's work in 2016:

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

Remuneration and Human Resources Committee

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

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

In addition, the Committee oversees the group's pension obligations and, together with the RCC, all measures taken to secure the overall pension obligations of the group, including developments in the bank's pension foundations. The RemCo held eight meetings in 2016.

The President, together with the Head of Group HR, makes presentations to the Committee on matters in which there are no conflicts of interest. ▶▶ *The Remuneration Report can be found on p. 60.*

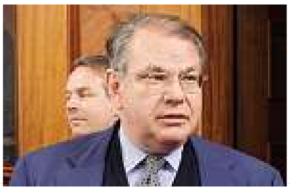
RemCo members

Signhild Arnegård Hansen (Chairman), Marcus Wallenberg (Deputy Chairman) and Sara Öhrvall.

The RemCo's work in 2016:

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

Group Executive Committee

	Annika Falkengren	Magnus Carlsson	Jeanette Almberg	Joachim Alpen
Position	President and CEO since 2005.[1]	Deputy President & CEO since 2014	Head of Group Human Resources since 2016	Co-head of the Large Corporates & Financial Institutions division since 2014
GEC member since	2000	2005	2016	2014
SEB employee since	1987	1993	2008	2001
Born	1962	1956	1965	1967
Education	B.Sc. (Econ.)	B.Sc. (Econ.)	B.Sc. (Econ.)	MBA, M.A. (International relations)
Nationality	Swedish	Swedish	Swedish	Swedish
Own and closely related persons' shareholdings	358,895 Class A shares, 121,884 share rights and 359,620 conditional share rights.	54,998 Class A shares, 31,415 share rights and 198,181 conditional share rights.	19,664 Class A shares, 11,451 share rights and 34,105 conditional share rights.	5,933 Class A shares, 109,712 share rights, 51,725 conditional share rights and 6,325 deferral rights.




	Viveka Hirdman-Ryrberg	Martin Johansson	Christoffer Malmer	David Teare
Position	Head of Group Communications since 2009. Chairman of the Corporate Sustainability Committee.	Head of Business Support since 2011	Co-head of the Corporate & Private Customers division since 2016	Chief Risk Officer since 2016
GEC member since	2009	2009	2014	2011
SEB employee since	1990	2005	2011	2006
Born	1963	1962	1975	1963
Education	B.Sc. and Lic.Sc. (Econ.)	B.Sc. (Econ.)	B.A. (International business)	B. Comm.
Nationality	Swedish	Swedish	Swedish	British
Own and closely related persons' shareholdings	62,761 Class A shares, 21,937 share rights and 60,219 conditional share rights.	44,237 Class A shares, 50,686 share rights and 147,389 conditional share rights.	59,142 Class A shares, 48,021 conditional share rights and 4,497 deferral rights.	54,675 Class A shares, 30,217 share rights and 99,103 conditional share rights.

1) In 2017 Annika Falkengren resigned from SEB.

SEB's organisation

President & CEO

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

Life & Investment Management

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

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

Additional members





Jan Erik Back	Peter Dahlgren	Johan Andersson	Peter Høltermand	Rasmus Järborg
Executive Vice President, Chief Financial Officer since 2008	Head of the Life & Investment Management division since 2016.[2]	Country Manager SEB Germany since 2016	Country Manager SEB Denmark since 2002	Chief Strategy Officer since 2015
2008	2014	2009	2011	2015
2008	2008	1980	1997	2008
1961	1972	1957	1963	1976
B.Sc. (Econ.)		B.Sc. (Econ.)	B.Sc. (Econ.)	M.Sc. (Econ.)
Swedish	Swedish	Swedish	Danish	Swedish
60,968 Class A shares, 62,873 share rights and 181,391 conditional share rights.	58,751 Class A shares, 25,156 share rights and 77,622 conditional share rights.	49,824 Class A shares, 22 Class C shares and 725 conditional share rights.	25,239 Class A shares, 725 conditional share rights, 4,497 deferral rights and 51,246 conditional phantom shares.	5,419 Class A shares, 22,095 share rights and 44,966 conditional share rights.





Johan Torgeby	Mats Torstendahl	Marcus Nystén	William Paus	Riho Unt
Co-head of the Large Corporates & Financial Institutions division since 2014.[3]	Executive Vice President, Co-head of the Corporate & Private Customers division since 2016	Country Manager SEB Finland since 2010	Country Manager SEB Norway since 2010	Head of the Baltic division since 2016
2014	2009	2014	2011	2016
2009	2009	1998	1992	2001
1974	1961	1960	1967	1978
B.Sc. (Econ.)	M.Sc. (Engineering Physics)	M.Sc. (Econ.)	M.Sc. (Econ.)	MBA, MA (Public Administration)
Swedish	Swedish	Finnish	Norwegian	Estonian
5,390 Class A shares, 53,292 share rights, 48,799 conditional share rights and 4,497 deferral rights.	104,218 Class A shares, 63,357 share rights and 179,127 conditional share rights.	102,354 Class A shares, 4,497 deferral rights and 35,784 conditional phantom shares.	33,310 Class A shares, 4,779 deferral rights and 30,545 conditional phantom shares.	43,485 Class A shares, 3,866 share rights and 21,519 conditional share rights.

2) In 2017 Peter Dahlgren resigned from SEB. 3) Johan Torgeby will become President and CEO of SEB starting 29 March 2017.

The President

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

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

The President's committees

The President has three main committees at her disposal for the purpose of managing the operations:

The Group Executive Committee (GEC)

To safeguard the interests of the group as a whole, the President consults with the GEC on matters of major importance or of importance as to principles. The GEC deals with, among other things, matters of common concern to several divisions, strategic issues, business plans as well as financial forecasts and reports. The GEC held 24 meetings in 2016.

The Asset and Liability Committee (ALCO)

The ALCO, chaired by the President and with the CFO as deputy chair, is a group-wide decision-making, monitoring and consultative body. The ALCO, which held eleven meetings in 2016, handles the following matters, among others:

- financial stability, particularly in the new regulatory framework
- strategic capital and liquidity issues, including internal capital allocation and principles for internal pricing
- structural issues and issues related to the bank's balance sheet and business volumes
- financing of wholly-owned subsidiaries
- the balance sheet and funding strategy for the SEB group.

On the GEC agenda in 2016

- Macroeconomic updates, among other things relating to Brexit
- Review and discussions regarding effects of negative interest rates
- Discussions regarding new regulations, such MiFID II and PSD II– consequences and actions
- Annual accounts and quarterly reports
- AGM preparations
- Reviews of the bank's various businesses and home markets
- Follow up on current Business Plan 2016-2018 and discussions on new Business Plan
- Discussion on capital requirements, asset quality and risk
- Review and discussions of IT, including investments and security
- Review and discussions of the digitalisation work including development and launch of enhanced customer functionality (such as Investor World, the youth app, payment solutions) as well as internal automation initiatives
- Discussions regarding strategic investments and co-operation with fintech and digitalisation companies such as Tink and Coinify ▶▶ *See p. 20.*
- Discussions regarding customer satisfaction, branding and image position as well as Customer insight work
- Review of SEB's revised Code of Conduct
- Employee Insight survey 2016 – discussions of survey result and actions
- Sustainability including new goals in respect of carbon emissions and electricity use as well as credit granting policies
- Handling of customer complaints
- Internal Audit and Compliance
- Annual review of policies and instructions

The Group Risk Committee (GRC)
The GRC, chaired by the President and with the CRO as deputy chair, is a group-wide, decision-making committee that addresses all types of risk at group level in order to evaluate portfolios, products and customers from a comprehensive risk perspective. The GRC held 63 meetings in 2016.

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

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

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

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

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

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

Sustainability aspects

Special committees may be formed to deal with specific matters when needed. For instance, an operational steering committee has been assigned by the President to decide on principles for, and to monitor, the bank's sustainability work. The committee is chaired by the Head of Group Communications, who is a member of the Group Executive Committee. It is supported by the bank's Sustainability function, which co-ordinates the overall sustainability agenda. Responsibility for ensuring that sustainability activities are carried out lies with the heads of business areas and group functions.

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

The Chief Risk Officer (CRO) is appointed by the Board and reports to the President. The CRO keeps the Board, the RCC, the ACC, the GEC, the ALCO and the GRC regularly informed about risk matters.

The CRO has global functional responsibility, and the activities of the CRO are governed by and set out in an instruction adopted by the Board. The CRO function is organised in two units: Group Risk and Group Credits.

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

Group Credits is responsible for managing the credit approval process, for certain individual credit decisions and for monitoring compliance with policies set by the RCC and the Board. Its activities are regulated by the group's Credit Instruction, adopted by the Board. The chairs of the respective divisional credit committees have the right to veto credit decisions. Material exceptions to the group's Credit Policy must be escalated to a higher level in the decision-making hierarchy.

The Head of Group Risk and the Group Credit Officer are appointed by the President, upon recommendation by the CRO, and report to the CRO. *For further information about risk, liquidity and capital management.* ▶▶ *See p. 40 and notes 17, 19 and 20.*

Group Compliance

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

Special areas of responsibility are:

- consumer protection
- market conduct
- prevention of money laundering and financing of terrorism
- regulatory systems and controls.

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

Group Internal Audit

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

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

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

The President and GEC are regularly informed about internal audit matters. Group Internal Audit's work is evaluated in a quality assessment, at least every fifth year, by an independent party.

Group Internal Audit co-ordinates its work covering the bank's financial reporting with the bank's external auditors. The bank's external auditors rely to some extent on the work of Group Internal Audit in its assignment to review the group's financial reporting. This requires that the external auditors evaluate Group Internal Audit's work. The conclusion of this evaluation is reported to the ACC and Group Internal Audit.

Auditor

Peter Nyllinge
PricewaterhouseCoopers

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

Information about the auditor

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

PricewaterhouseCoopers AB has been the bank's auditor since 2000 and was re-elected in 2016 for the period up to and including the 2017 AGM. The partner in charge, as from the 2012 AGM, is Peter Nyllinge, Authorised Public Accountant.

The fees charged by the auditors for the auditing of 2015 and 2016 financial years and for other assignments invoiced during these periods are shown in the table below.

Fees to the auditors SEK m

	2016	2015
Audit assignment	27	26
Audit-related services	16	20
Tax advisory	11	20
Other	4	5
Total [1]	**58**	**71**

1) Of which PricewaterhouseCoopers SEK 55m (69).

Remuneration report

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

The total remuneration reflects the complexity, responsibility and leadership skills required in each position as well as the performance of the individual employee. Performance is evaluated on the basis of financial and non-financial goals, with SEB's values as a starting point.

Remuneration policy

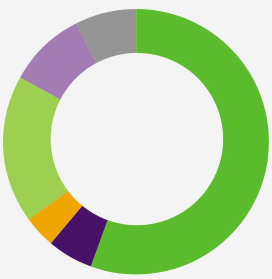
The principles for determining, applying and following up remuneration at SEB are laid out in SEB's Remuneration Policy, which is revised annually. The Board's Remuneration and Human Resources Committee (RemCo) drafts a proposed, revised version for adoption by the Board. The policy aims to ensure that remuneration is aligned with the bank's strategy, goals, values and long-term interests, and that conflicts of interest are avoided. The policy also reflects Swedish and international rules and regulations.

The Performance and Development Discussion (PDD) process applied by the bank, with transparent and individual goals as well as individual evaluation, is used as a foundation for setting employee remuneration.

In consultation with the Risk and Capital Committee (RCC), RemCo reviews SEB's Remuneration Policy and verifies that the remuneration structure takes into account the bank's risks as well as its liquidity and cost of capital. This review is based on, among other things, a risk analysis performed jointly by Group Risk, Group Compliance and Group HR. *For information on RemCo, see p. 55.*

The Remuneration Policy lays out the principles for identifying employees in positions with a material impact on the group's risk profile (Identified Staff), for whom specific remuneration rules have been laid out. In 2016, a total of 1,167 positions at SEB were categorised as Identified Staff. Finally, the policy defines employees who can impact the risk profiles of mutual funds as well as employees who provide investment advice or have a material impact on the services and products offered.

Staff costs SEK m



	2016
Base salary	8,105
Individual variable salary	813
All Employee Programme	573
Social charges	2,638
Pensions	1,368
Other staff costs	1,065

Remuneration structure

SEB's remuneration structure consists of base pay, equity-based remuneration (in the form of collective profit-sharing and equity-based programmes), and pensions and other benefits.

Base pay, which is the main remuneration component, shall be competitive and commensurate with the employee's experience, responsibility and long-term performance. It shall also be in line with industry peers in the respective geographical markets in which SEB operates.

Equity-based remuneration is a means to attract and retain staff with key competences. It is also an incentive for employees to become shareholders of SEB, which creates a long-term commitment that is aligned with the shareholders' interests. Regulatory requirements for financial institutions require that variable remuneration shall consist largely of equity or equity-related instruments.

Less than ten per cent of employees are eligible for individual **cash-based variable remuneration** (Short-Term Incentive – STI), only in operations where it is common market practice, such as in investment banking. STI is used only when it entails low or no residual risk for SEB. For employees who receive variable remuneration above a certain level, a portion of this remuneration must be deferred. In 2016, STI accounted for 3 per cent (2) of SEB's total staff costs. In order to build long-term commitment, SEB has over the past several year proactively decreased STI remuneration in favour of long-term equity programmes.

Employees in control functions are compensated in a manner that is independent of the business areas that they oversee, is commensurate with their key role in the organisation, and is based on objectives that are aligned with their functions.

Remuneration models

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

The variable remuneration models are based on financial and non-financial key ratios at the group and business unit levels as well as an annual evaluation of performance and behaviours at an individual level. Non-financial goals include development of customer satisfaction, compliance and sustainability. At the individual level, compliance with rules and policies for risk-taking in the group, SEB's Code of Conduct, and demands on the business areas' internal controls are key parameters.

All Employee Programmes (AEP)

	2016 1)	2015 2)
Number of participants	15,000	15,000
Outcome in relation to maximum amount, %	56	85
Shares allotted, thousands	2,666	3,511
Market value per 31 Dec. 2016, SEKm	255	314

Payout year: 1) 2020 2) 2019

Share Deferral Programmes (SDP)

	2016	2015
Number of participants	1,374	1,329
Shares allotted, thousands	5,611	4,321
Market value per 31 Dec. 2016, SEKm	536	379

Ownership transferred to the individual after 3 or 5 years.

Remuneration in SEB in 2016

SEK thousands

	Base pay	Cash-based variable compensation	Expensed amount equity-based programmes	Benefits	Total	Pensions
President and CEO, Annika Falkengren	11,500		6,343	1,425	**19,268**	5,000
Other members of the GEC [1)]	48,855		21,997	1,650	**72,502**	15,347
Total	**60,355**	**0**	**28,340**	**3,075**	**91,770**	**20,347**
SEB excluding GEC	8,045,057	683,978	674,016	91,304	**9,494,355**	1,347,352
SEB Total	**8,105,412**	**683,978**	**702,356**	**94,379**	**9,586,125**	**1,367,699**

1) The number and composition differ somewhat during the year but on average eleven members are included.
During the year the President and CEO has excercised rights to a value of SEK 6,398,251.
The corresponding value for the GEC excluding the President is SEK 8,181,695.

Payment of the deferred portion of variable remuneration normally requires that the employee remains employed by SEB during the first three years of the programme, after which an additional period of up to three-years of restricted right of disposal applies. The remuneration may be forfeited if the results on which it is based are not sustainable and/or the individual has been found responsible for actions that are incompatible with internal rules and regulations.

Long-term equity programmes 2016

SEB's long-term equity programmes are evaluated on a continuous basis throughout the year by RemCo, which also monitors the employees' participation in the programmes. SEB conducts a dialogue with institutional investors on the structure and content of the programmes. The 2016 Annual General Meeting (AGM) resolved in favour of two separate programmes for the year – a profit-sharing programme (All Employee Programme – AEP) and a Share Deferral Programme (SDP).

The **SEB All Employee Programme 2016** is a profit-sharing programme for all employees in most of the countries where SEB operates. Half of the outcome is paid in cash, and the other half is deferred for three years. The deferred amount is paid out in SEB Class A shares to employees in Sweden and in cash, adjusted for the total return on the Class A share, to employees outside of Sweden. The AEP targets are set in SEB's business plan and consist of the financial goals return on equity and cost development, and of the non-financial goal for customer satisfaction.

The **SEB Share Deferral Programme 2016** is a programme for members of the Group Executive Committee (GEC), certain other senior managers and a number of other key employees, up to 2,000 in total. The participants are granted an individually determined number of conditional share rights based on the fulfilment of predetermined group, business unit and individual targets outlined in SEB's business plan. In addition to the AEP targets, the Share Deferral Programme is based on parameters such as compliance, employee commitment, SEB's sustainability and risk management.

For members of the GEC the initial allotment may not exceed 100 per cent of base pay. For senior managers, ownership of 50 per cent of the share rights is transferred to the participant after a three-year qualification period, and 50 per cent after five years. For other participants, ownership of the share rights is transferred after three years. After each respective qualification period there is an additional holding period of one year after which the share rights may be exercised during a period of three years. For participants outside of Sweden, the final outcome may be paid out in cash adjusted for the total shareholder return for SEB's Class A shares (so called phantom shares).

In both the AEP and the Share Deferral Programme there is a possibility of risk adjustment for both current and future risks. The final outcome can therefore be reduced partially or completely afterwards in accordance with current regulations, among other things taking the bank's earnings and the capital and liquidity required for the business operations into account. ▸▸ *For further information about the programmes, see note 9 and the corporate governance pages on www.sebgroup.com*

Remuneration to the President and members of the Group Executive Committee (GEC)

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

Total remuneration for the members of the GEC is based on the three main components base pay, long-term equity-based remuneration (Share Deferral Programme), and pensions and other benefits. No cash-based variable remuneration is paid, and the members of the GEC are not eligible for the AEP. The pension plans for the members of the GEC are defined contribution solutions, with the exception of a defined benefit component provided under a collective agreement. The pension plans are in line with the SEB group's Pension Policy.

For termination of employment initiated by the bank, a maximum of 12 months' severance pay is payable, after the notice period. SEB has the right to deduct income earned from other employment from any severance pay. ▸▸ *Detailed information about executives' remuneration is provided in note 9c.*

RemCo evaluates the guidelines for salary and other benefits paid to the President and other GEC members on a continuous basis throughout the year. To perform this evaluation, RemCo obtains information from the Head of Group Human Resources, Head of Group Internal Audit and the external auditors, and with respect to GEC members, also from the President.

In addition, comparative studies are made yearly with relevant sectors and markets. The result of such studies is a significant factor in setting the total level of remuneration for members of the GEC. This internal and external information facilitates RemCo in its work on ensuring that remuneration at SEB is aligned with the market and is competitive. Prior to the 2016 AGM the bank's external auditor issued a statement to the Board assuring that SEB has adhered to the guidelines for salary and other remuneration for the President and other GEC members set by the 2015 AGM. ▸▸ *The statement can be found on the AGM pages on www.sebgroup.com.*

Internal control over financial reporting

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

1 Perform risk assessment

In order to identify and understand the risks in the financial reporting process, assessments are performed at the SEB group and legal entity levels. These risk assessments are used to determine which legal entities, processes and systems are to be covered by the ICFR process in the coming year.

2 Identify risks and expected controls

Expertise within the business and finance functions continuously validate that the most significant risks pertaining to the processes are identified, and that the controls in place appropriately mitigate the risks. In this step it is important to evaluate if the controls are effective, if new risks have been identified and if there is a need for new controls that mitigate the risks more efficiently. The controls are continuously communicated to involved parties within the bank, to set expectations and responsibilities. The framework consists of group-wide controls as well as process and IT controls, for example validation of the valuation of financial instruments, account reconciliations and controls of system access.

3 Plan

Every year a plan is prepared based on the risk assessments and expected controls. The plan clarifies who at SEB is responsible for evaluating the respective controls within each legal entity, what type of evaluation should be conducted and how the result is to be reported. The plan is co-ordinated with the audit plans of internal and external audit.

4 Evaluate controls

The controls are evaluated on a continuous basis throughout the year by control owners through self-assessments. Risk indicators are also reported. In this way the bank's weaknesses can be identified and compensating controls and improvements can be initiated. Furthermore, quarterly reporting is done by all CFOs to gain an assurance of the reported figures for each legal entity, to identify any material financial reporting risks, and to comment on material deviations compared to earlier quarters.

5 Report

The results from the evaluations of the controls are analysed to assess the risk for misstatements in the financial reporting. The ICFR monitoring report is communicated to the SEB group CFO in connection with the quarterly external financial reporting. The results are also reported to the Audit and Compliance Committee (ACC) once a year. The report describes the residual risk, including a description of identified control gaps, how well these controls are compensated for by other controls, and how the work with gap remediation activities is progressing. The group level ICFR report contributes to transparency in the SEB organisation and enables prioritisation of improvement activities based on the residual risk.

In addition to this process, Internal Audit independently tests the ICFR process in accordance with a plan adopted by the ACC.

The work with internal control over financial reporting

In 2016, significant improvements were made in the following main areas within the ICFR framework:

- monitoring of internal control for supervisory reporting through a new framework, Internal Control over Supervisory Reporting (ICSR)
- management of operational risk in significant processes according to requirements from the Swedish Financial Supervisory Authority.

Financial statements – Contents

Income Statement

SEB Group

SEK m	Note	2016	2015	Change, %
Interest income		*35,202*	*37,726*	–7
Interest expense		*–16,464*	*–18,788*	–12
Net interest income	4	18,738	18,938	–1
Fee and commission income		*22,500*	*24,340*	–8
Fee and commission expense		*–5,872*	*–5,995*	–2
Net fee and commission income	5	16,628	18,345	–9
Net financial income	6	7,056	5,478	29
Dividends		*170*	*169*	*1*
Profit and loss from investments in associates		*218*	*66*	
Gains less losses from investment securities		*891*	*553*	*61*
Other operating income		*70*	*214*	*–67*
Net other income	7	1,349	1,002	35
Total operating income		**43,771**	**43,763**	**0**
Staff costs	9	–14,562	–14,436	1
Other expenses	10	–6,703	–6,355	5
Depreciation, amortisation and impairment of tangible and intangible assets	11	–6,496	–1,011	
Total operating expenses		**–27,761**	**–21,802**	**27**
Profit before credit losses		**16,010**	**21,961**	**–27**
Gains less losses from tangible and intangible assets	12	–150	–213	–30
Net credit losses	13	–993	–883	12
Operating profit		**14,867**	**20,865**	**–29**
Income tax expense	15	–4,249	–4,284	–1
NET PROFIT		**10,618**	**16,581**	**–36**
Attributable to minority interests				
Attributable to shareholders		10,618	16,581	–36
Basic earnings per share, SEK	16	4.88	7.57	
Diluted earnings per share, SEK	16	4.85	7.53	

Statement of comprehensive income

SEB Group

SEK m	2016	2015	Change, %
NET PROFIT	**10,618**	**16,581**	**–36**
Items that may be reclassified subsequently to profit or loss:			
Valuation gains (losses) during the year	968	–963	
Income tax on valuation gains (losses) during the year	–84	215	
Transferred to profit or loss for the year[1)]	103	13	
Income tax on transfers to profit or loss for the year	3	16	–81
Available-for-sale financial assets	**990**	**–719**	
Valuation gains (losses) during the year	–1,064	–971	
Income tax on valuation gains (losses) during the year	234	214	9
Transferred to profit or loss for the year[2)]	24	116	–79
Income tax on transfers to profit or loss for the year	–5	–26	–81
Cash flow hedges	**–811**	**–667**	**22**
Translation of foreign operations	327	–239	
Taxes on translation effects	423	–334	
Translation of foreign operations	**750**	**–573**	
Items that will not be reclassified to profit or loss:			
Remeasurement of pension obligations, including special salary tax	–3,624	3,687	
Valuation gains (losses) on plan assets during the year	1,183	1,713	–31
Deferred tax on pensions	566	–1,222	
Defined benefit plans	**–1,875**	**4,178**	
OTHER COMPREHENSIVE INCOME	**–946**	**2,219**	
TOTAL COMPREHENSIVE INCOME	**9,672**	**18,800**	**–49**

1) Other income.
2) Net interest income.

Attributable to minority interests			
Attributable to shareholders	9,672	18,800	–49

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

Balance sheet statement

SEB Group

31 December, SEK m	Note	2016	2015	Change, %
Cash and cash balances at central banks	18	151,078	101,429	49
Other lending to central banks		66,730	32,222	107
Loans to credit institutions	18, 19	50,527	58,542	–14
Loans to the public	19	1,453,019	1,353,386	7
Securities held for trading		*162,516*	*239,906*	*–32*
Derivatives held for trading		*198,271*	*199,085*	*0*
Derivatives held for hedging		*14,084*	*16,466*	*–14*
Financial assets – designated at fair value through profit or loss		*410,155*	*371,488*	*10*
Financial assets at fair value through profit or loss	22	785,026	826,945	–5
Fair value changes of hedged items in a portfolio hedge		111	104	7
Available-for-sale financial assets	23	35,747	37,331	–4
Investment accounted for using the equity method		*268*	*260*	*3*
Other investments in associates		*970*	*958*	*1*
Investments in subsidiaries and associates	24, 25	1,238	1,218	2
Intangible assets		*11,405*	*17,069*	*–33*
Property and equipment		*908*	*825*	*10*
Investment properties		*7,845*	*8,309*	*–6*
Tangible and intangible assets	28	20,158	26,203	–23
Current tax assets		*5,978*	*6,966*	*–14*
Deferred tax assets		*1,329*	*1,516*	*–12*
Tax assets	15	7,307	8,482	–14
Trade and client receivables		*7,635*	*13,124*	*–42*
Other financial assets		*29,239*	*22,363*	*31*
Other non-financial assets		*12,244*	*13,814*	*–11*
Other assets	29	49,118	49,301	0
Non-current assets classified as held for sale	48	587	801	–27
TOTAL ASSETS		**2,620,646**	**2,495,964**	**5**
Deposits from central banks and credit institutions		119,864	118,506	1
Deposits and borrowing from the public		962,028	883,785	9
Liabilities to policyholders – investment contracts		*296,618*	*271,995*	*9*
Liabilities to policyholders – insurance contracts		*107,213*	*98,714*	*9*
Liabilities to policyholders	30	403,831	370,709	9
Debt securities issued		668,880	639,444	5
Liabilities held for trading		*38,845*	*40,746*	*–5*
Derivatives held for trading		*173,348*	*188,062*	*–8*
Derivatives held for hedging		*1,303*	*1,977*	*–34*
Financial liabilities at fair value through profit or loss	31	213,496	230,785	–7
Fair value changes of hedged items in a portfolio hedge		1,537	1,608	–4
Current tax liabilities		*2,184*	*2,082*	*5*
Deferred tax liabilities		*8,474*	*9,468*	*–10*
Tax liabilities	15	10,658	11,550	–8
Trade and client payables		*8,926*	*11,496*	*–22*
Other financial liabilities		*30,609*	*29,138*	*5*
Other non-financial liabilities		*16,889*	*22,900*	*–26*
Other liabilities	32	56,424	63,534	–11
Provisions	33	2,233	1,873	19
Subordinated liabilities	34	40,719	31,372	30
Total liabilities		**2,479,670**	**2,353,166**	**5**
Minority interests				
Share capital		*21,942*	*21,942*	*0*
Other reserves		*5,439*	*6,385*	*–15*
Retained earnings		*113,595*	*114,471*	*–1*
Shareholders' equity		140,976	142,798	–1
Total equity		**140,976**	**142,798**	**–1**
TOTAL LIABILITIES AND EQUITY		**2,620,646**	**2,495,964**	**5**

Statement of changes in equity

SEB Group

SEKm 2016	Share capital[3]	Other reserves Available-for-sale financial assets	Cash flow hedges	Translation of foreign operations	Defined benefit plans	Retained earnings	Total Shareholders' equity	Minority interests	Total Equity[4]
Opening balance	21,942	648	3,210	−1,943	4,470	114,471	**142,798**	**0**	**142,798**
Change in valuation of insurance contracts						−440	**−440**		**−440**
Adjusted opening balance	**21,942**	**648**	**3,210**	**−1,943**	**4,470**	**114,031**	**142,358**	**0**	**142,358**
Net profit						10,618	**10,618**		**10,618**
Other comprehensive income (net of tax)		990	−811	750	−1,875		**−946**		**−946**
Total comprehensive income		**990**	**−811**	**750**	**−1,875**	**10,618**	**9,672**	**0**	**9,672**
Dividend to shareholders [1]						−11,504	**−11,504**		**−11,504**
Equity-based programmes[2]						433	**433**		**433**
Change in holding of own shares						17	**17**		**17**
CLOSING BALANCE	**21,942**	**1,638**	**2,399**	**−1,193**	**2,595**	**113,595**	**140,976**	**0**	**140,976**
2015									
Opening balance	21,942	1,367	3,877	−1,370	292	108,435	**134,543**	**33**	**134,576**
Net profit						16,581	**16,581**		**16,581**
Other comprehensive income (net of tax)		−719	−667	−573	4,178		**2,219**		**2,219**
Total comprehensive income		**−719**	**−667**	**−573**	**4,178**	**16,581**	**18,800**	**0**	**18,800**
Dissolvement of minority interest								**−33**	**−33**
Dividend to shareholders [1]						−10,400	**−10,400**		**−10,400**
Equity-based programmes[2]						−164	**−164**		**−164**
Change in holding of own shares						19	**19**		**19**
CLOSING BALANCE	**21,942**	**648**	**3,210**	**−1,943**	**4,470**	**114,471**	**142,798**	**0**	**142,798**

1) Dividend paid in 2016 for 2015 was SEK 5.25 (4.75) per Class A share and SEK 5.25 (4.75) per Class C share. Proposed dividend for 2016 is SEK 5.50. Further information can be found in the chapter Shareholders and the SEB share on page 26–28. Dividend to shareholders is reported excluding dividend on own shares.

2) The item includes changes in nominal amounts of equity swaps used for hedging of long-term incentive programmes in 2015. As of 31 December 2014 SEB owned 5.5 million Class A shares for the long-term incentive programmes. In 2015 8.0 million Class A shares were been sold as stock options were exercised. During 2015, SEB also repurchased 3.4 million Class A shares. As of 31 December 2015 SEB owned 0.9 million Class A shares with a market value of SEK 76m. Another 5.5 million Class A shares were been sold during 2016 as stock options were exercised. During 2016, SEB repurchased 29.8 million Class A shares. As of 31 December 2016 SEB owned 25.2 million Class A shares with a market value of SEK 2,406m.

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

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

Cash flow statement

SEB Group

SEK m	2016	2015	Change, %
Interest received	35,507	38,652	–8
Interest paid	–17,515	–20,007	–12
Commission received	22,500	22,340	1
Commission paid	–5,872	–5,463	7
Net received from financial transactions	–7,621	13,218	
Other income	74	2,826	–97
Paid expenses	–21,464	–20,682	4
Taxes paid	–3,159	–3,309	–5
Cash flow from the profit and loss statement	**2,450**	**27,575**	**–91**
Increase (–)/decrease (+) in portfolios	62,438	75,834	–18
Increase (+)/decrease (–) in issued short-term securities	30,524	–49,679	
Increase (–)/decrease (+) in lending to credit institutions and central banks	–31,024	16,967	
Increase (–)/decrease (+) in lending to the public	–104,145	–2,664	
Increase (+)/decrease (–) in liabilities to credit institutions	1,361	3,408	–60
Increase (+)/decrease (–) in deposits and borrowings from the public	78,243	–59,128	
Increase (–)/decrease (+) in insurance portfolios	329	52	
Change in other assets	3,281	8,645	–62
Change in other liabilities	–866	–8	
Cash flow from operating activities	**42,591**	**21,002**	**103**
Sales of shares and bonds	1,075	1,180	–9
Sales of intangible and tangible fixed assets	110	84	31
Dividends received	170	169	1
Investments/divestments in shares and bonds	–52	161	
Investments in intangible and tangible assets	–451	–691	–35
Cash flow from investing activities	**852**	**903**	**–6**
Issue of securities and new borrowings	243,292	275,501	–12
Repayment of securities	–233,986	–284,203	–18
Dividend paid	–11,504	–10,400	11
Cash flow from financing activities	**–2,198**	**–19,102**	**–88**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**41,245**	**2,803**	
Cash and cash equivalents at beginning of year	110,770	105,848	5
Exchange rate differences on cash and cash equivalents	6,300	2,119	197
Net increase in cash and cash equivalents	41,245	2,803	
CASH AND CASH EQUIVALENTS AT END OF PERIOD[1]	**158,315**	**110,770**	**43**

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

Income Statement

In accordance with the Swedish Financial Supervisory Authority regulations

Skandinaviska Enskilda Banken

SEK m	Note	2016	2015	Change, %
Interest income	4	29,022	30,092	–4
Leasing income	4	5,443	5,439	0
Interest expense	4	–15,223	–16,043	–5
Dividends		6,581	8,028	–18
Fee and commission income	5	11,648	12,258	–5
Fee and commission expense	5	–2,805	–3,058	–8
Net financial income	6	4,642	3,428	35
Other income	7	817	1,137	–28
Total operating income		**40,125**	**41,281**	**–3**
Administrative expenses	8	–15,039	–13,458	12
Depreciation, amortisation and impairment of tangible and intangible assets	11	–5,775	–5,447	6
Total operating expenses		**–20,814**	**–18,905**	**10**
Profit before credit losses		**19,311**	**22,376**	**–14**
Net credit losses	13	–789	–520	52
Impairment of financial assets[1]		–3,841	–775	
Operating profit		**14,681**	**21,081**	**–30**
Appropriations	14	2,437	781	
Income tax expense	15	–2,877	–3,679	–22
Other taxes	15	137	–138	
NET PROFIT		**14,378**	**18,045**	**–20**

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

Statement of comprehensive income

In accordance with the Swedish Financial Supervisory Authority regulations

Skandinaviska Enskilda Banken

SEK m	2016	2015	Change, %
NET PROFIT	**14,378**	**18,045**	**–20**
Items that may be reclassified subsequently to profit or loss:			
Valuation gains (losses) during the year	982	–798	
Income tax on valuation gains (losses) during the year	–85	176	
Transferred to profit or loss for the year[1)]	299	256	17
Income tax on transfers to profit or loss for the year	–66	–57	16
Available-for-sale financial assets	**1,130**	**–423**	
Valuation gains (losses) during the year	–1,064	–969	10
Income tax on valuation gains (losses) during the year	234	213	10
Transferred to profit or loss for the year[2)]	24	116	–79
Income tax on transfers to profit or loss for the year	–5	–25	–80
Cash flow hedges	**–811**	**–665**	**22**
Translation of foreign operations	25	–41	
Taxes on translation effects			
Translation of foreign operations	**25**	**–41**	
OTHER COMPREHENSIVE INCOME	**344**	**–1,129**	
TOTAL COMPREHENSIVE INCOME	**14,722**	**16,916**	**–13**

1) Other income.
2) Net interest income.

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

Balance sheet statement

Skandinaviska Enskilda Banken

31 December, SEK m	Note	2016	2015	Change, %
Cash and cash balances at central banks	18	70,671	55,712	27
Loans to credit institutions	18, 19	287,059	166,267	73
Loans to the public	19	1,172,095	1,080,438	8
Securities held for trading		*162,335*	*234,106*	*–31*
Derivatives held for trading		*147,124*	*165,964*	*–11*
Derivatives held for hedging		*12,649*	*15,042*	*–16*
Other financial assets at fair value through profit and loss		*87*	*209*	*–58*
Financial assets at fair value through profit and loss	22	322,195	415,321	–22
Available-for-sale financial assets	23	12,063	12,985	–7
Investments in associates	24	1,025	1,001	2
Shares in subsidiaries	25	50,611	52,398	–3
Intangible assets		*2,023*	*2,424*	*–17*
Property and equipment		*35,163*	*38,153*	*–8*
Tangible and intangible assets	28	37,186	40,577	–8
Current tax assets		*2,990*	*1,643*	*82*
Tax assets		2,990	1,643	82
Trade and client receivables		*7,234*	*12,871*	*–44*
Other financial assets		*29,177*	*22,132*	*32*
Other non-financial assets		*7,538*	*5,260*	*43*
Other assets	29	43,949	40,263	9
TOTAL ASSETS		**1,999,844**	**1,866,605**	**7**
Deposits from central banks and credit institutions		168,852	134,816	25
Deposits and borrowing from the public		782,584	690,301	13
Debt securities issued		664,186	632,403	5
Liabilities held for trading		*38,845*	*40,487*	*–4*
Derivatives held for trading		*132,861*	*160,619*	*–17*
Derivatives held for hedging		*972*	*1,685*	*–42*
Financial liabilities at fair value through profit and loss	31	172,678	202,791	–15
Current tax liabilities		*855*	*835*	*2*
Deferred tax liabilities		*677*	*906*	*–25*
Tax liabilities		1,532	1,741	–12
Trade and client payables		*7,945*	*11,011*	*–28*
Other financial liabilities		*29,922*	*28,044*	*7*
Other non-financial liabilities		*8,211*	*12,736*	*–36*
Other liabilities	32	46,078	51,791	–11
Provisions	33	80	144	–44
Subordinated liabilities	34	40,719	31,372	30
Total liabilities		**1,876,709**	**1,745,359**	**8**
Untaxed reserves	35	**21,761**	**23,466**	**–7**
Share capital		*21,942*	*21,942*	*0*
Restricted reserves		*12,701*	*12,260*	*4*
Other reserves		*3,571*	*3,227*	*11*
Retained earnings		*48,782*	*42,306*	*15*
Net profit		*14,378*	*18,045*	*–20*
Total equity		**101,374**	**97,780**	**4**
TOTAL LIABILITIES, UNTAXED RESERVES AND TOTAL EQUITY		**1,999,844**	**1,866,605**	**7**

Statement of changes in equity

Skandinaviska Enskilda Banken

SEKm	Restricted equity		Non-restricted equity[4]				
2016	**Share capital[3]**	**Restricted reserves**	**Available-for-sale financial assets**	**Cash flow hedges**	**Translation of foreign operations**	**Retained earnings**	**Total Equity**
Opening balance	21,942	12,260	328	3,211	–312	60,351	**97,780**
Net profit						14,378	**14,378**
Other comprehensive income (net of tax)			1,130	–811	25		**344**
Total comprehensive income			**1,130**	**–811**	**25**	**14,378**	**14,722**
Dividend to shareholders[1]						–11,504	**–11,504**
Equity-based programmes[2]						342	**342**
Change in holding of own shares						34	**34**
Other changes		441				–441	
CLOSING BALANCE	**21,942**	**12,701**	**1,458**	**2,400**	**–287**	**63,160**	**101,374**
2015							
Opening balance	21,942	12,260	751	3,876	–271	52,905	**91,463**
Net profit						18,045	**18,045**
Other comprehensive income (net of tax)			–423	–665	–41		**–1,129**
Total comprehensive income			**–423**	**–665**	**–41**	**18,045**	**16,916**
Dividend to shareholders[1]						–10,400	**–10,400**
Equity-based programmes[2]						–218	**–218**
Change in holding of own shares						19	**19**
CLOSING BALANCE	**21,942**	**12,260**	**328**	**3,211**	**–312**	**60,351**	**97,780**

1) Dividend paid in 2016 for 2015 was SEK 5.25 (4.75) per Class A share and SEK 5.25 (4.75) per Class C share. Proposed dividend for 2016 is SEK 5.50. Further information can be found in the chapter Shareholders and the SEB share on page 26–28. Dividend to shareholders is reported excluding dividend on own shares.

2) The item includes changes in nominal amounts of equity swaps used for hedging of long-term incentive programmes in 2015. As of 31 December 2014 SEB owned 5.5 million Class A shares for the long-term incentive programmes. In 2015 8.0 million Class A shares were been sold as stock options were exercised. During 2015, SEB also repurchased 3.4 million Class A shares. As of 31 December 2015 SEB owned 0.9 million Class A shares with a market value of SEK 76m. Another 5.5 million Class A shares were been sold during 2016 as stock options were exercised. During 2016, SEB repurchased 29.8 million Class A shares. As of 31 December 2016 SEB owned 25.2 million Class A shares with a market value of SEK 2,406m.

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

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

Cash flow statement

Skandinaviska Enskilda Banken

SEK m	2016	2015	Change, %
Interest received	29,464	31,831	–7
Interest paid	–11,028	–16,607	–34
Commission received	11,884	12,878	–8
Commission paid	–3,064	–3,649	–16
Net received from financial transactions	–7,811	11,194	
Other income	–3,634	–1,104	
Paid expenses	–14,050	–12,399	13
Taxes paid	–3,531	–1,684	110
Cash flow from the profit and loss statement	**–1,770**	**20,460**	
Increase (–)/decrease (+) in trading portfolios	74,866	47,842	56
Increase (+)/decrease (–) in issued short-term securities	32,852	–49,371	
Increase (–)/decrease (+) in lending to credit institutions	–122,367	45,016	
Increase (–)/decrease (+) in lending to the public	–93,180	–28,990	
Increase (+)/decrease (–) in liabilities to credit institutions	34,094	–9,847	
Increase (+)/decrease (–) in deposits and borrowings from the public	92,301	–15,991	
Change in other assets	–5,987	12,808	
Change in other liabilities	–5,924	2,074	
Cash flow from operating activities	**4,885**	**24,001**	**–80**
Dividends received	6,581	8,028	–18
Investments/divestments in shares and bonds	2,079	773	169
Investments in intangible and tangible assets	–742	–810	–9
Cash flow from investment activities	**7,918**	**7,991**	**–1**
Issue of securities and new borrowings	239,266	283,182	–16
Repayment of securities	–229,959	–291,813	–21
Dividend paid	–11,504	–10,400	11
Cash flow from financing activities	**–2,197**	**–19,031**	**–88**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**10,606**	**12,961**	**–18**
Cash and cash equivalents at beginning of year	77,493	60,745	28
Exchange rate differences on cash and cash equivalents	3,833	3,787	1
Net increase in cash and cash equivalents	10,606	12,961	–18
CASH AND CASH EQUIVALENTS AT END OF PERIOD [1)]	**91,932**	**77,493**	**19**

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

Notes to the financial statements

SEKm, unless otherwise stated.

Corporate information

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

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

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

The consolidated accounts for the financial year 2016 were approved for publication by the Board of Directors on 21 February and will be presented for adoption at the 2017 Annual General Meeting.

Exchange rates used for converting main currencies in the Group Consolidation

	Profit and loss account			Balance sheet		
	2016	2015	Change, %	**2016**	2015	Change, %
DKK	1.272	1.254	1	1.286	1.232	4
EUR	9.470	9.356	1	9.558	9.195	4
NOK	1.020	1.047	–3	1.051	0.955	10
USD	8.561	8.433	2	9.054	8.416	8

1 Accounting policies

Significant accounting policies for the Group

STATEMENT OF COMPLIANCE

The Group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the EU. The accounting also follows the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulation and general guidelines issued by the Swedish Financial Supervisory Authority, Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25). In addition to this the Supplementary Accounting Rules for Groups RFR 1 and the additional UFR statements issued by the Swedish Financial Reporting Board have been applied.

BASIS OF PREPARATION

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

CONSOLIDATION

Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Gains and losses arising from changes in fair value are reported in the income statement on an ongoing basis under the item Net financial income.

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

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

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

Reclassification
In rare circumstances non-derivative trading financial assets that are no longer held for the purpose of selling it in the near term may be reclassified out of the held for trading category. Financial assets held in the available-for-sale category may be reclassified to loans and receivables or held-to-maturity if SEB has the intention and ability to hold the financial asset for the foreseeable future or until maturity. The reclassified assets must meet the definition of the category to which it is reclassified at the reclassification date.

Reclassifications are made at fair value as of the reclassification date. The fair value becomes the new carrying amount. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Increases in estimates of cash flows of reclassified financial assets adjust effective interest rates prospectively, whereas decreases in the estimated cash flows are charged to the profit or loss.

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

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

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

Gains and losses arising from changes in fair value are reported in the income statement on an ongoing basis under the item Net financial income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COMMISSIONS AND FEES

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

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

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

DIVIDEND INCOME

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

REPURCHASE AGREEMENTS

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

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

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

SECURITIES BORROWING AND LENDING

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

Assessment of impairment

Individual assessment of impairment

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

Collective assessment of impairment when assets are not individually impaired

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

Loans assessed on a portfolio basis

Loans with limited value and similar risk, homogenous groups, are assessed for impairment on a portfolio basis. In assessing collective impairment the Group uses statistical models based on the probability of default and the amount of loss incurred, considering collaterals and recovery rates. The outcome is adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by the models. Default rates and loss rates are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Recognition of impairment loss on assets carried at amortised cost

An impairment of an individually assessed financial asset in the category loans and receivables carried at amortised cost is calculated on the basis of the original effective interest rate of the financial instrument. The amount of the impairment is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (recoverable amount). If the terms of an asset are restructured or otherwise modified due to financial difficulties on behalf of the borrower or issuer, impairment is measured using the original effective interest rate before modification of the terms and conditions. Cash flows relating to short-term receivables are not discounted if the effect of the discounting is immaterial. The entire outstanding amount of each loan for which a specific provision has been established is included in impaired loans, i.e. including the portion covered by collateral.

Recognition of impairment loss on Available-for-sale financial assets

When there is a decline in the fair value and there is objective evidence of impairment in an available-for-sale financial instrument, the accumulated loss shall be reclassified from equity to profit or loss. Equity instruments are considered impaired when a significant or prolonged decline in the fair value has occurred. The amount of the accumulated loss that is transferred from equity and recognised in profit or loss is equal to the difference between the acquisition cost and the current fair value, with a deduction of any impairment losses on that financial asset which had been previously recognised in profit or loss.

The incurred impairment of unquoted equities, measured at acquisition cost, is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar equities.

Impairment losses on bonds or other interest-bearing instruments classified as available-for-sale are reversed via profit or loss if the increase in fair value can be objectively attributed to an event taking place subsequent to the write-down. Impairment losses for equity instruments classified as available-for-sale are not reversed through profit or loss following an increase in fair value but are recognised in other comprehensive income.

Restructured loans

Portfolio assessed loans that would have been considered past due more than 60 days if they were not restructured.

SEIZED ASSETS

Seized assets are assets taken over to protect a claim. SEB may refrain from a loan receivable and instead seize the asset that served as collateral for the loan. Seized assets may consist of financial assets, properties and other tangible assets. Seized asset are recognised on the same line item in the balance sheet as similar assets that have been acquired otherwise. Seized financial assets are categorised as Available-for-sale financial assets. At inception seized assets are measured at fair value. The fair value at initial recognition becomes the acquisition value. Subsequently seized assets are measured according to type of asset with the exception of impairment on tangible seized assets that is reported as Gains less losses from tangible and intangible assets rather than as Depreciation, amortisation and impairment of tangible and intangible assets. The purpose is to better reflect the similar character of impairment of assets that are taken over to protect claims on counterparties and credit losses.

TANGIBLE ASSETS

Tangible assets, with the exception of investment properties held in insurance operations, are measured at cost and are depreciated according to plan on a straight line basis over the estimated useful life of the asset. The maximum depreciation period for buildings is 50 years. The depreciation period for other tangible fixed assets is between 3 and 8 years.

Tangible fixed assets are tested for impairment whenever there is an indication of impairment.

LEASING

A finance lease is a lease that transfers, from the lessor to the lessee, substantially all risks and rewards incidental to the ownership of an asset. In the Group, essentially all leasing contracts in which the Group is the lessor are classified as finance leases. Finance leases are reported as lending, which implies that the leasing income is reported within net interest income.

INVESTMENT PROPERTIES

Investments in properties held in order to receive rental income and/or for capital appreciation are reported as investment properties. The recognition and measurement of such properties differs, depending upon the entity owning the property. Investment properties held in the insurance operations, used to match liabilities providing a yield directly associated with the fair values of specified assets, including the investment properties themselves, are accounted for using the fair value model. Holdings of investment properties in the banking operations are measured at depreciated cost.

INTANGIBLE ASSETS

Intangible assets are identifiable, non-monetary assets without physical substance. For an intangible asset to be recognised an entity must be able to demonstrate control of the intangible asset, which implies that the entity has the ability to ensure that the future economic benefits flowing from the underlying resource will accrue to the company. Intangible assets, other than goodwill, are only recognised in the balance sheet if it is probable that the future economic benefits attributable to the asset will accrue to the Group and if the acquisition cost of the asset can be measured in a reliable manner.

Intangible assets are measured initially at acquisition cost, and thereafter at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful lives, i.e. all intangible assets except goodwill, are amortised on a straight line basis over their useful lives and tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Customer lists are amortised over 20 years and internally generated intangible assets, such as software development, are amortised over a period of between 3 and 8 years.

Intangible assets with indefinite useful lives, i.e. goodwill, are not amortised but tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. As regards goodwill, an impairment loss is recognised in profit or loss whenever the carrying amount, with respect to a cash-generating unit or a group of cash-generating units to which the goodwill is attributed, exceeds the recoverable amount. Impairment losses attributable to goodwill are not reversed, regardless of whether the cause of the impairment has ceased to exist.

The recoverable amount of an intangible asset is determined if there is indication of a reduction in the value of the asset. An impairment loss is recognised if the carrying amount exceeds the recoverable amount of the asset.

PROVISIONS

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn by a debtor in financial difficulties.

Provisions are evaluated at each balance sheet date and are adjusted as necessary.

FINANCIAL GUARANTEES

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, which most often equals the premium received. The initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee at the balance sheet date. Provisions and changes in provisions are recognised in the income statement as Net credit losses. The contractual amounts according to financial guarantees are not recognised in the balance sheet but disclosed as off-balance sheet items.

EMPLOYEE BENEFITS

Pensions

There are both defined contribution and defined benefit pension plans within the Group, of which most have plan assets. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will get on retirement depending on factors such as age, years of service and compensation. A defined contribution plan is a pension plan where the Group pays a contribution to separate entities and has no further obligation once the contribution is paid.

The pension commitments of the Group with respect to defined benefit plans are covered by the pension funds of the Group or through insurance solutions.

The defined benefit obligation is calculated quarterly by independent actuaries using the Projected Unit Credit Method. ▶▶ *The assumptions upon which the calculations are based are found in note 9b addressing Staff costs.*

All changes in the net defined benefit liability (asset) are recognised as they occur, as follows: (i) service cost and net interest in the income statement; and (ii) remeasurements of both defined benefit obligations and plan assets in other comprehensive income.

Pension costs for defined contribution pension plans are recognised as an expense during the period the employees carry out the service to which the payment relates.

Share-based payments

The Group operates a number of share-based incentive programmes, under which it awards SEB equity instruments to its employees. Equity-settled share-based incentive programmes entitle employees to receive SEB equity instruments. Cash-settled share-based incentive programmes entitle employees to receive cash based on the price or value of equity instruments of SEB. Fair value of these rights is determined by using appropriate valuation models, taking into account the terms and conditions of the award and the Group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. Social security costs are accounted for over the vesting period and the provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

The cost of equity-settled share-based incentive programmes is measured by reference to the fair value of equity instruments on the date they are granted and recognised as an expense on a straight-line basis over the vesting period with a corresponding increase in equity. The vesting period is the period that the employees have to remain in service in SEB in order for their rights to vest. For cash-settled share-based incentive programmes, the services acquired and liability incurred are measured at the fair value of the liability and recognised as an expense over the vesting period, during which the employees render service. Until settlement, the fair value of the liability is remeasured, with changes in fair value recognised in the income statement.

TAXES

The Group's tax for the period consists of current and deferred tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or from tax authorities using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Current tax is calculated based on the taxable results for the period. Deferred tax arises due to temporary differences between the tax bases of assets and liabilities and their carrying amounts.

Current tax and deferred tax are generally recognised in profit or loss. However, tax that relates to items recognised in other comprehensive income is also reported directly in other comprehensive income. Examples of such items are changes in the fair value of available-for-sale financial assets and gains or losses on hedging instruments in cash flow hedges.

Deferred tax assets are recognised in the balance sheet to the extent that it is probable that future taxable profits will be available against which they can be utilized. The Group's deferred tax assets and tax liabilities have been calculated at the tax rate of 22 per cent (22 per cent) in Sweden and at each respective country's tax rate for foreign companies.

INSURANCE AND INVESTMENT CONTRACTS
Insurance contracts are contracts under which the Group accepts significant insurance risk – defined as a transfer of an absolute risk of minimum 5 percent of the underlying value – from the policyholder by agreeing to compensate the policyholder or other beneficiaries on the occurrence of a defined insured event. Investment contracts are financial instruments that do not meet the definition of an insurance contract, as they do not transfer significant insurance risk from the policyholder to the Group.

Insurance contracts
Insurance contracts are classified as short-term (non-life) or long-term (life). Short-term insurance comprise sickness, disability, health-care, and rehabilitation insurance. Long-term insurance comprises mainly traditional life insurance within the Danish subsidiary, SEB Pension. In the Group accounts short-term and long-term insurance are presented aggregated as Insurance contracts. Some 95 per cent of the insurance liability is related to long-term insurance contracts.

Measurement of short-term insurance contracts (non-life)
The provision for unearned premiums is intended to cover the anticipated cost of claims and operating expenses arising during the remaining policy period of the insurance contracts in force. The provision for unearned premiums is usually strictly proportional over the period of the insurance contracts. If premiums are judged to be insufficient to cover the anticipated cost for claims and operating expenses, the provision for unearned premiums is strengthened with a provision for unexpired risks.

For anticipated future claims that have been incurred but not yet paid, provision for claims outstanding is recognised. The provision is intended to cover the anticipated future payment of all claims incurred, including claims incurred but not reported (IBNR provisions). This provision should also cover all costs for claims settlement. The provision for claims outstanding is not discounted, with the exception of provisions for sickness annuities, which are discounted using standard actuarial methods.

Measurement of long-term insurance contracts (life)
For long-term life insurance contracts, a liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability equals the sum of the discounted value of expected benefit payments and future administration expenses, less any outstanding future contractual premium payments. Liabilities for long-term life insurance are discounted using standard actuarial methods.

Liability adequacy test
Swedish actuarial procedures involve performing liability adequacy tests on insurance liabilities. This is to ensure that the carrying amount of the liabilities is sufficient in the light of estimated future cash flows. The carrying amount of a liability is the value of the liability itself less any related intangible asset or asset for deferred acquisition costs. The current best estimates of future contractual cash flows, as well as claims handling and administration costs, are used in performing these liability adequacy tests. These cash flows are discounted and compared to the carrying amount of the liability. Any deficit is immediately recognised in profit or loss.

Revenue recognition
Premiums for insurance contracts are recognised as revenue when they are paid by the policyholders. For contracts where insurance risk premiums received during a period are intended to cover insurance claims arising in that period those premiums are recognised as revenue proportionally during the period of coverage.

Recognition of expenses
Costs for insurance contracts are recognised as an expense when incurred, with the exception of commissions and other variable acquisition costs that vary with and are directly related to securing new contracts and the renewal of existing contracts. These costs are capitalised as deferred acquisition costs. These costs are mainly incremental acquisition costs paid to sales personnel, brokers and other distribution channels. Deferred acquisition costs are amortised as the related revenue is recognised. The asset is tested for impairment every accounting period, ensuring that the economic future benefits expected to arise from the contracts exceed its face amount. All other costs, such as non-incremental acquisition costs or maintenance costs, are recognised in the accounting period in which they arise. Insurance compensation is recorded as an expense when incurred.

Reinsurance
Contracts with re-insurers, whereby compensation for losses is received by the Group, are classified as ceded reinsurance. For ceded reinsurance, the benefits to which the Group is entitled under the terms of the reinsurance contract are reported as the re-insurers' share of insurance provisions. Amounts recoverable from re-insurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract.

Investment contracts
The majority of the Group's unitlinked insurance is classified as investment contracts. No significant insurance risk is transferred from the policyholder to the Group. A minor part of the Group's unit linked insurance business, the portion referring to the Danish insurance subsidiary, is classified as insurance contracts.

Measurement
Investment contracts are financial commitments whose fair value is dependent on the fair value of the underlying financial assets. The underlying assets and related liabilities are designated at fair value through profit or loss (fair value option). The choice to use the fair value option has been made for the purpose of eliminating the measurement inconsistency that would occur if different bases for measurement would have been used for assets and liabilities. The fair value of the unit linked financial liabilities is determined using the fair value of the financial assets linked to the financial liabilities attributed to the policyholder on the balance sheet date. However, if the liability is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender.

Revenue recognition
Amounts received from and paid to policyholders are reported in the balance sheet as deposits or withdrawals. Fees charged for managing investment contracts are recognised as revenue. The revenue for these management services is evenly distributed over the tenor of the contracts.

Recognition of expenses
Variable expenses directly attributable to securing a new investment contract are deferred. These costs are primarily variable acquisition costs paid to sales personnel, brokers and other distribution channels. Deferred acquisition costs are reported in profit or loss as the related revenue is recognised. The asset is tested for impairment during each accounting period to ensure that the future economic benefits expected to arise from the contract exceed the carrying amount of the asset. All other costs, such as fixed acquisition costs or ongoing administration costs, are recognised in the accounting period in which they arise.

CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES (DPF)
Some traditional pension saving contracts include a discretionary participation feature. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. All contracts that include a discretionary participation feature are reported as insurance contracts. The amounts referring to the guaranteed element and to the discretionary participation feature are reported as liabilities to policyholders.

CHANGES IN ACCOUNTING POLICIES IMPLEMENTED 2016
The following changes have been implemented in 2016:

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and Joint Ventures together with *IFRS 12 Disclosure of Interests in Other Entities* have been amended with clarifications to the accounting for interests in investment entities and applying the consolidation exemption.

IAS 27 Separate Financial Statements have been amended regarding the equity method in separate financial statements.

IFRS 11 Joint Arrangements have been amended regarding accounting for acquisitions of interests in joint operations.

IAS 16 Property, Plant and Equipment and *IAS 38 Intangible Assets* have been clarified regarding acceptable methods of depreciation and amortisation.

IAS 1 Presentation of Financial Statements has been amended with clarifications of, for example, materiality and disclosure requirements.

Annual Improvements 2012–2014 Cycle has narrowly amended several IFRS standards.

These changes have not had a material impact on the financial statements of the Group or on capital adequacy and large exposures.

IFRS 4 Insurance Contracts allows non-uniform accounting policies for insurance contracts. A change in accounting policies for calculating insurance liabilities in Denmark was made as of 1 January 2016 to be aligned with Solvency II principles.

The reorganisation as of 1 January 2016 amended the reportable segments of the Group and goodwill was reallocated to business unit and geographical level rather than the divisional level in accordance with IFRS 8 Operating Segments and IAS 36 Impairment of Assets.

FUTURE ACCOUNTING DEVELOPMENTS
Consideration will be given in the future to the implications, if any, of the following new and revised standards and interpretations, if adopted by the EU.

IFRS 9 Financial Instruments – IFRS 9 will replace *IAS 39 Financial Instruments: Recognition and Measurement.* The standard includes a revised model for classification and measurement of financial instruments, a new impairment model based on expected loss and an amended approach for general hedge accounting. The standard is endorsed by the EU. SEB will not early adopt the standard. However, SEB is evaluating the option allowing the presentation of fair value movements of own credit risk from issued debt instruments designated at fair value in other comprehensive income prior to adopting IFRS 9 in full 2018.

Within SEB an IFRS 9 Implementation Programme has been set up for implementation of IFRS 9. The Programme is jointly sponsored by the Chief Financial Officer and the Chief Risk Officer. A Steering Committee comprising senior representatives from Group Risk, Group Finance, IT and the Divisions has been established.

The new approach for classification and measurement of financial assets focuses on the business model with respect to how financial assets are managed and whether contractual cash flows represent only nominal amounts and interest. IFRS 9 requirements on the classification and measurement of financial liabilities remain largely unchanged compared to IAS 39. However, where issued debt instruments are designated at fair value, the changes in the fair value attributable to own credit risk will be recognised in other comprehensive income (OCI) and not in profit or loss as required by IAS 39. Following an initial assessment of contractual cash flows and business model, SEB expects that the measurement basis of the majority of the Group's financial assets will be unchanged on application of IFRS 9.

IFRS 9 introduces an expected credit loss (ECL) model with a three-stage approach based on changes in the credit risk. A 12-month ECL, Stage 1, applies to all items, unless there is a significant increase in credit risk since initial recognition. For items where there is a significant increase in credit risk (Stage 2) or in default (Stage 3), lifetime ECL applies. The assessment of credit risk, and the estimation of expected credit loss, are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, financial assets at fair value through other comprehensive income and off-balance sheet items such as loan commitments and financial guarantees.

SEB's IFRS 9 methodology for ECL measurement will leverage off existing internal rating-based Basel models. The design of the IFRS 9 models entails adjusting from the regulatory one-year-loss horizon and through-the-cycle modelling to lifetime loss horizon and point-in-time modelling. SEB plans to use internally developed macro-economic forecasts as the basis for the forward-looking information incorporated in the ECL measurement.

SEB's assessment is that the expected credit loss model is likely to increase loan loss allowances at transition, compared to the current incurred loss model. To date it is unclear how regulators will treat the interaction of the accounting loan loss allowance and the regulatory capital concept of expected loss. Under current regulation, any deficit between regulatory expected loss and IAS 39 loan loss allowance is deducted from CET1 capital, while any surplus is added back to Tier 2 capital. The European Commission has proposed that incremental provisions under IFRS 9 should be phased in over a five year period.

For general hedge accounting, IFRS 9 introduces a model more aligned with risk management strategies and objectives. SEB is evaluating the accounting policy choice in IFRS 9, whether to continue with the IAS 39 hedge accounting or to implement IFRS 9.

IFRS 15 Revenue from contracts with customers – IFRS 15 replaces all present revenue standards and related interpretations including IAS 11 *Construction Contracts* and IAS 18 *Revenue* but does not apply to financial instruments, insurance contracts or leasing contracts. IFRS 15 establishes the principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from contract with customers. The standard introduces a five-step revenue recognition model. IFRS 15 is endorsed by EU and should be applied from 1 January 2018, earlier application is permitted. SEB will not early adopt the standard.

SEB is currently evaluating the nature and impact of the change to the financial statements of the Group. SEB has identified that the treatment of contract costs for investment contracts within Life will change. According to the new more specific requirements a smaller part of deferred acquisition costs will be recognised as an asset. SEB is currently assessing the quantitative impact. The change will affect the financial statements of the Group at transition, but not the capital adequacy and large exposures.

IFRS 16 Leases replaces *IAS 17 Leases* and related interpretations and was published in January 2016. The most significant effect of the new requirements is that a lessee will recognise a lease asset (right-of-use asset) and a financial liability, representing mainly the present value of leased premises, in the balance sheet. In the income statement, the straight-line operating lease expense will be replaced by a depreciation charge for the lease asset and an interest expense on the financial liability. Currently the lessees' operating leases are not recorded in the balance sheet. SEB is currently evaluating the impact of the change to the financial statements of the Group. The Standard should be applied from 1 January 2019 and is not endorsed by EU.

IAS 12 Income Taxes has been amended regarding recognition of deferred tax assets for unrealised losses. *IAS 7 Statements of Cash flows* have been amended within the disclosure initiative. These amendments should be applied from 1 January 2017 and have not been endorsed by EU. The changes will not have a material effect on the financial statements of the Group or on capital adequacy and large exposures

IFRS 2 Share-based Payment have been amended regarding classification and measurement of share-based payment transactions. *IFRS 4 Insurance Contracts* has been amended regarding applying *IFRS 9 Financial Instruments* with *IFRS 4 Insurance Contracts*. These amendments should be applied from 1 January 2018 and have not been endorsed by EU. The changes will not have a material effect on the financial statements of the Group or on capital adequacy and large exposures.

Significant accounting policies of the parent company

Skandinaviska Enskilda Banken (SEB) AB is a public limited liability company with corporate number 502032-9081 and with registered office in Stockholm, Sweden.

The financial statements of SEB AB are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the regulation and general guidelines issued by the Swedish Financial Supervisory Authority, Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25) and statements from the Swedish Financial Reporting Board, RFR 2 and the additional UFR statements.

In accordance with the Financial Supervisory Authority's regulation, the parent company applies statutory IFRS. This means that the International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of Swedish legislation and considering the close tie between financial reporting and taxation. The accounting principles of the parent company differ, in certain aspects, from the accounting principles applied by the SEB Group. The essential differences are described below.

CHANGED ACCOUNTING POLICIES

The changed Group accounting policies also applies to the parent company. The Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority have been updated with effective date 1 January 2016. The main changes relates to alignment to IFRS regarding presentation and disclosures of contingent liabilities. Further a restricted reserve within equity has been implemented for intangible assets related to internally generated development expenses. In all other material aspects the accounting policies, basis for preparation and presentation for the parent company are unchanged in comparison with the annual report for 2015.

PRESENTATION FORMAT

The presentation format for the balance sheet and the profit and loss account according to the Annual Accounts Act for Credit Institutions and Securities Companies is not in conformity with IFRS. Credit institutions and securities companies applying IFRS as adopted by the EU in their consolidated financial statements have the option to deviate from the presentation format for the balance sheet as stipulated by law, but may not deviate from the stipulated profit and loss account.

HOLDINGS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Shares and participating interests in subsidiaries and associated companies are measured at cost. Dividends on shares in subsidiaries and associated companies are recognised as income in profit or loss. Merger of subsidiaries through absorption are accounted for at consolidated values. The merger effect is reported in equity.

LEASING

Leasing contracts which are classified as finance leases in the consolidated accounts are accounted for as operating leases in the parent company.

PENSIONS

The parent company does not apply the provisions of IAS 19 concerning accounting for defined benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. In Sweden, actuarial pension commitments are guaranteed by a pension foundation.

The recognised net cost of pensions is calculated as pensions paid and pension premiums less any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's profit and loss account. Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with IAS 38, goodwill is not amortised in the consolidated financial statements. In the parent company financial statements goodwill is amortised as any other intangible asset on a straight line basis.

TAXES

In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves comprise accelerated depreciation under tax regulations, including the deferred tax component. In the consolidated financial statements, untaxed reserves are reported in retained earnings and deferred tax liability.

GROUP CONTRIBUTIONS
The net of Group contributions received and paid is reported in the parent company as appropriations.

Critical judgements in applying the accounting policies

Applying the Group's accounting policies requires in some cases the use of estimates and assumptions that have a material impact on the amounts reported in the financial statements. The estimates are based on expert judgements and assumptions that management believes are true and fair. The management continuously evaluates these judgements and estimates. The most significant assumptions and estimates are associated with the areas described below:

CONSOLIDATION OF MUTUAL LIFE INSURANCE COMPANIES AND FUNDS
Within the life insurance operations of the SEB Group Gamla Livförsäkrings AB SEB Trygg Liv operates as a mutual life insurance company. The entity is not consolidated, as the judgement of the Group is that it does not have control of the entity. Control is seen to imply the power to govern the financial and operating policies of an entity in order to affect the amount of its returns from the entity. Life insurance entities operated as mutual life insurance companies cannot pay dividends which is why the Group deems that it cannot obtain benefits. In Gamla Livförsäkrings AB SEB Trygg Liv there are specific policies specifying the composition of the board, which implies that the SEB Group is not able to govern the financial and operating policies of the entity.

In the assessment whether to consolidate funds an assessment is made whether the Group is considered to be an agent or a principal. The Group is considered a principal, and hence controls the fund, when it is the fund manager, cannot be removed without cause, has significant right to returns from the fund by holding units and earning fee income and has the practical ability to influence its return by using its power. Funds managed by the Group in which entities within the Group owns more than 20 per cent are analysed further for consolidation.

The policyholders in SEB's unit-linked company choose to invest in a variety of funds. The insurance company providing unit-linked products invests in the funds chosen by the customers. By doing so SEB might, in some cases, hold more than 50 per cent of the funds, which it holds on behalf of the customers for whom it acts as investment manager. Due to the legislation regarding fund operations, SEB considers that it does not have the power to govern the financial and operating policies of such investment funds to obtain benefits. This applies irrespective of whether the funds held on behalf of customers are greater or less than 50 per cent of a fund. It is the policyholders who carry the investment risk, not SEB. Consequently, the policyholders are entitled to all of the returns generated by the funds. SEB only charges fees, on market conditions, for managing the funds. SEB has come to the conclusion that these funds which it manages should not be consolidated. However, the shares that the Group holds in such funds on behalf of its customers are recognised in the balance sheet.

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS
The objective of the fair value measurement is to arrive at the price at which an orderly transaction would take place between market participants at the measurement date under current market conditions. The best evidence of fair value is a quoted price for the instrument being measured in an actively traded market. Where the market for a financial instrument is not active, fair value is calculated using an established valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. When valuing financial liabilities at fair value own credit standing is reflected. Given the uncertainty and subjective nature of valuing financial instruments at fair value, it is possible that the outcomes in the next financial year could differ from the assumptions used.

For some of the Group's financial assets and liabilities, especially for certain derivatives, quoted prices are not available, and valuation models are used to estimate fair value. As part of the fair value measurement, valuation adjustments are made when valuing derivative financial instruments, to incorporate counterparty and own credit risk. The methodologies for estimating valuation adjustments are continuously revised as a result of changing market practices in response to regulatory and accounting policy changes, as well as general market developments.

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

For disclosure purposes, fair values are classified in a fair value hierarchy according to the level of observability of the inputs, see note 21 Fair value measurement.

IMPAIRMENT TESTING OF FINANCIAL ASSETS AND GOODWILL
Financial assets
When calculating loan impairment allowances on both individually assessed and collectively assessed loans critical judgements and estimates are applied. Assessing financial assets individually for impairment requires judgement to establish the counterparty's repayment capacity and the realisable value of any collateral. The most important aspect when testing a group of financial assets collectively for impairment is to identify the events that indicate incurred losses. In assessing collective impairment the Group uses statistical models based on the probability of default and the amount of loss incurred, considering collaterals and recovery rates. The outcome is adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by the models. Default rates and loss rates are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Adjusting models for collective impairment testing to current market situation also require a high degree of expert judgement to ensure a reliable estimate. The assessment and assumptions are regularly reviewed by the credit organisation of the Group.

Goodwill
Judgement is involved in determining the cash-generating units. The annual impairment test of goodwill is based on the value in use with forecasted cash flows for five years. The cash flows beyond five years are determined based on sustainable growth.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business.

Note 28 describe tangible and intangible assets in more detail.

CALCULATION OF INSURANCE LIABILITIES
Calculation of the Group's insurance liabilities is based on a number of estimations and assumptions, both financial and actuarial, such as interest rates, mortality, health, expenses, inflation and taxes. One of the important financial assumptions is the interest rate used for discounting future cash flows.

Assumption on interest rates is based on regulations from each local Financial Supervisory Authority (FSA). All other assumptions are based on internally acquired experience.

FAIR VALUE OF INVESTMENT PROPERTY
Investment properties in the insurance operations are fair valued with the assistance of external expertise. The valuation method applied means that the related expected cash flows are discounted to present value. The assumptions concerning expected cash flows are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirement and market interest. Assumptions are in line with the assessments that the market can be expected to make under current market conditions. The yield requirement is based on local analysis of comparable property purchases.

VALUATION OF DEFERRED TAX ASSETS
Deferred tax assets that are relying on future profitability can be recognised only to the extent they can be offset against future taxable income and the valuation of deferred tax assets is influenced by management's assessment of SEB's future profitability, future taxable profits and future reversals of existing taxable temporary differences. The expected outcome of uncertain tax positions is determined as the single most likely outcome.

PROVISIONS
Judgement is involved in determining whether a present obligation exists, and i n estimating the probability, timing and amount of any outflows. Provisions for claims in civil lawsuits and regulatory matters typically require a higher degree of judgement than other types of provisions.

ACTUARIAL CALCULATIONS OF DEFINED BENEFIT PLANS
The calculation of the Group's expense and obligations for defined benefit plans is based on actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. One of the important financial assumptions is the interest rate used for discounting future cash flows. The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. The discount rate is based on high quality corporate bonds in a deep market, in Sweden covered bonds. The covered bonds in Sweden are at least AAA-rated and the maturity is in line with the estimated maturity of obligations for post employment benefits. The discount rate for the defined benefit obligation is revised quarterly and other assumptions are revised each year or when a significant change has occurred.

Note 9b describing staff costs contain a list of the most critical assumptions used when calculating the defined benefit obligation.

2 Operating segments

Group business segments

Income statement, 2016	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other[1]	Eliminations	Total
Interest income	*12,640*	*10,378*	*2,509*	*–3*	*14,730*	*–5,052*	*35,202*
Interest expense	*–4,333*	*–1,396*	*–364*	*–57*	*–15,378*	*5,064*	*–16,464*
Net interest income	8,307	8,982	2,145	–60	–648	12	18,738
Fee and commission income	*11,722*	*7,117*	*1,671*	*7,641*	*125*	*–5,776*	*22,500*
Fee and commission expense	*–5,627*	*–1,703*	*–500*	*–3,582*	*–90*	*5,630*	*–5,872*
Net fee and commission income	6,095	5,414	1,171	4,059	35	–146	16,628
Net financial income	4,187	394	218	1,764	332	161	7,056
Net other income	389	55	–23	–17	957	–12	1,349
Total operating income	**18,978**	**14,845**	**3,511**	**5,746**	**676**	**15**	**43,771**
of which internally generated	*–1,138*	*7,545*	*–5*	*–2,231*	*–4,186*	*15*	
Staff costs	–4,062	–3,339	–755	–1,560	–4,895	49	–14,562
Other expenses	–5,080	–3,713	–1,027	–984	4,165	–64	–6,703
Depreciation, amortisation and impairment of tangible and intangible assets	–140	–69	–66	–45	–6,176		–6,496
Total operating expenses	**–9,282**	**–7,121**	**–1,848**	**–2,589**	**–6,906**	**–15**	**–27,761**
Gains less losses on disposals of tangible and intangible assets			–156		6		–150
Net credit losses	–563	–376	–56		2		–993
OPERATING PROFIT	**9,133**	**7,348**	**1,451**	**3,157**	**–6,222**		**14,867**
Business equity, SEK bn	62.4	37.3	7.9	11.6			
Return on business equity, %	11.3	15.2	16.2	23.5			
Risk exposure amount, SEK bn	375	117	67	4	47		610
Lending to the public[2], SEK bn	546	710	117		2		1,375
Deposits from the public[2], SEK bn	404	372	106		79		961
2015							
Interest income	*14,530*	*10,044*	*2,596*		*22,448*	*–11,892*	*37,726*
Interest expense	*–6,577*	*–1,691*	*–591*	*–43*	*–21,751*	*11,865*	*–18,788*
Net interest income	7,953	8,353	2,005	–43	697	–27	18,938
Fee and commission income	*15,539*	*7,479*	*1,644*	*2,617*	*132*	*–3,071*	*24,340*
Fee and commission expense	*–8,750*	*–1,679*	*–529*	*1,983*	*–84*	*3,064*	*–5,995*
Net fee and commission income	6,789	5,800	1,115	4,600	48	–7	18,345
Net financial income	3,987	522	241	1,339	–624	13	5,478
Net other income	528	67	29	85	296	–3	1,002
Total operating income	**19,257**	**14,742**	**3,390**	**5,981**	**417**	**–24**	**43,763**
of which internally generated	*–1,376*	*8,506*	*–76*	*–1,748*	*–5,282*	*–24*	
Staff costs	–3,860	–3,418	–729	–1,669	–4,809	49	–14,436
Other expenses	–5,008	–3,463	–967	–1,144	4,252	–25	–6,355
Depreciation, amortisation and impairment of tangible and intangible assets	–109	–134	–69	–58	–641		–1,011
Total operating expenses	**–8,977**	**–7,015**	**–1,765**	**–2,871**	**–1,198**	**24**	**–21,802**
Gains less losses on disposals of tangible and intangible assets	1		–216		2		–213
Net credit losses	–299	–459	–128		3		–883
OPERATING PROFIT	**9,982**	**7,268**	**1,281**	**3,110**	**–776**		**20,865**
Business equity, SEK bn	66.4	38.1	7.9	8.7			
Return on business equity, %	11.6	14.7	14.4	30.3			
Risk exposure amount, SEK bn	350	106	64	6	45		571
Lending to the public[2], SEK bn	501	669	104		2		1,276
Deposits from the public[2], SEK bn	357	346	94	1	79		877

1) Profit and loss from associated companies accounted for under the equity method are recognised in Net other income at an amount of SEK 19m (28). The aggregated investments are SEK 229m (223).
2) Excluding repos and debt securities.

Balance sheet, 2016

	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other	Eliminations	Total
Assets	1,315,760	808,608	150,496	492,705	1,222,051	–1,368,974	**2,620,646**
Liabilities	1,235,317	761,015	141,797	479,199	1,231,316	–1,368,974	**2,479,670**
Investments	46	145	164	1,162	726		**2,243**
2015							
Assets	1,216,889	771,060	132,615	449,593	1,017,312	–1,091,505	**2,495,964**
Liabilities	1,139,526	725,765	124,790	438,963	1,015,627	–1,091,505	**2,353,166**
Investments	149	28	103	1,356	804		**2,440**

Note 2 continued Operating segments

Parent company business segments

2016	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life & Investment Management	Other	Eliminations	Total
Gross income [1]	25,089	13,645	16	241	29,088	−9,926	**58,153**
Assets	1,074,815	734,433	1,452	231	1,011,986	−823,073	**1,999,844**
Investments	41	62			649		**752**
2015							
Gross income [1]	23,777	13,271	14	3,739	32,772	−13,191	**60,382**
Assets	1,000,272	699,328	1,319	2,284	794,546	−631,144	**1,866,605**
Investments	131	27			661	2	**821**

Business segment
The Business segments are presented on a management reporting basis. The different divisions assist different groups of customers. The customers' demands decide the type of products that are offered. Large Corporates & Financial Institutions offers wholesale and investment banking services to large corporations and institutions. Corporate & Private Customers offers products mainly to retail customers (private customers and small and medium-sized corporates). Division Baltic offers products mainly to retail customers (private customers and small and medium-sized corporates) and private banking services in the Baltic countries. Life & Investment Management performs asset management and private banking activities and Life offers life, sickness and healthcare and pension insurance and perform asset management. Other consists of business support units, treasury and staff units. Eliminations of internal transactions between the business segments are reported separately.

Gross income by product for external customers

	Group		Parent company	
	2016	2015	2016	2015
Core banking	33,920	36,227	22,691	24,189
Capital market	13,678	11,889	11,199	8,903
Asset management	7,580	8,784	2,114	2,579
Life insurance and pension	3,572	3,046		
Other	7,357	8,600	22,149	24,711
TOTAL	**66,107**	**68,546**	**58,153**	**60,382**

Core banking consists of loan, leasing, card and payment related products. Capital market consists of trading and issues on financial markets. Asset management consists of advisory, custody and fund management. Life insurance and pension consists of unit-linked and traditional life insurance products. Other consists of income from treasury operations and other activities.

3 Geographical information

Group by country

	2016					2015				
	Gross Income [1]	Operating profit [2]	Income tax expense [3]	Assets	Investments	Gross Income [1]	Operating profit [2]	Income tax expense [3]	Assets	Investments
Sweden	41,662	4,916	−1,845	2,138,812	1,488	44,458	11,682	−2,344	1,967,473	1,415
Norway	5,178	2,366	−622	115,284	26	5,531	2,126	−539	100,024	79
Denmark	3,467	2,142	−417	324,547	299	3,309	1,423	−477	342,779	382
Finland	2,110	1,043	−217	80,469	10	2,335	1,081	−221	73,695	6
Estonia [6]	1,680	916	−47	50,405	58	1,531	727	−20	43,702	52
Latvia	1,349	468	−57	33,738	48	1,194	256	−45	32,116	56
Lithuania	2,212	831	−58	71,098	76	2,067	495	−95	62,406	92
Germany [4,6]	3,312	507	−420	34,454	3	4,345	1,255	−112	44,095	6
Poland	165	31	−14	5,305	2	164	24	−17	4,899	1
Ukraine	58	7	−4	700		68	13	−6	311	
China	407	98	−18	23,045	3	435	149	−28	11,693	
Great Britain	1,799	727	−196	70,291	5	1,748	714	−156	56,936	103
Ireland	567	171	−29	66,154	139	583	185	−22	60,325	183
Luxembourg	2,644	322	−39	73,747	6	3,319	369	−81	27,949	5
Russia	313	26	−15	3,950	2	304	12	−15	2,856	2
Singapore	573	94	−23	27,488	1	585	131	−25	19,213	
United States	1,603	55	−310	109,109		1,093	319	−107	83,959	
Other countries [5,6]	3,098	147	82	209,357	77	2,995	−96	26	208,290	58
Group eliminations	−6,090			−817,307		−7,518			−646,757	
TOTAL	**66,107**	**14,867**	**−4,249**	**2,620,646**	**2,243**	**68,546**	**20,865**	**−4,284**	**2,495,964**	**2,440**

1) Gross income in the Group is defined as the sum of Interest income, Fee and commission income, Net financial income, Net life insurance income and Net other income according to IFRS. The basis for the income allocation is SEB's presence in each country, with the exception of when the local companies / branches serve as sales offices and receive commission payments and the transaction is booked in the central unit.
2) Before tax.
3) For more information about tax see note 15.
4) Excluding treasury operations.
5) Cayman Island, Hong Kong, Netherlands, Switzerland and treasury operations in Germany.
6) In Estonia no income tax is paid unless profit is distributed as dividend. In Germany, tax losses carry forward, not previously recognised, have been utilised both in 2015 and 2016. On Cayman Island, the parent company is represented by a branch office and therefore tax is payable in Sweden.

Note 3 continued Geographical information

Parent company by country

	2016			2015		
	Gross Income[1]	Assets	Investments	Gross Income[1]	Assets	Investments
Sweden	46,702	1,754,444	696	50,160	1,575,142	634
Norway	3,402	55,616	26	3,226	66,763	79
Denmark	1,979	76,074	3	1,586	106,365	
Finland	1,168	9,888	9	1,301	26,714	4
Other countries	4,902	103,822	18	4,109	91,621	104
TOTAL	**58,153**	**1,999,844**	**752**	**60,382**	**1,866,605**	**821**

1) Gross income in the parent company is defined as the sum of Interest income, Leasing income, Dividends, Fee and commission income, Net Financial income and Other income according to SFSA accounting regulations. The basis for the income allocation is SEB's presence in each country, with the exception of when the local companies / branches serve as sales offices and receive commission payments and the transaction is booked in the central unit.

Transfer pricing
The internal transfer pricing objective in the SEB Group is to measure net interest income, to transfer interest rate risk and liquidity and to manage liquidity. The internal price is based on SEB's actual or implied market-based cost of funds for a specific interest and liquidity term. Transactions between Business segments are conducted at arm's length.

4 Net interest income

	Group			Parent company		
2016	Average balance	Interest	Interest rate	Average balance	Interest	Interest rate
Loans to credit institutions and central banks	408,155	1,233	0.30%	619,500	1,349	0.22%
Loans to the public	1,430,412	25,360	1.77%	1,040,096	18,694	1.80%
Interest earning securities[1]	221,880	1,916	0.86%	211,324	1,731	0.82%
Total interest earnings assets	**2,060,447**	**28,509**	**1.38%**	**1,870,920**	**21,774**	**1.16%**
Derivatives and other assets	773,214	6,693		410,818	7,248	
Total assets	**2,833,661**	**35,202**		**2,281,738**	**29,022**	
Deposits from credit institutions	186,347	−372	−0.20%	280,008	−838	−0.30%
Deposits and borrowing from the public	1,071,015	−3,760	−0.35%	926,570	−1,880	−0.20%
Debt securities issued[2]	719,551	−10,799	−1.50%	675,678	−10,859	−1.61%
Subordinated liabilities	34,270	−1,463	−4.27%	33,796	−1,463	−4.33%
Total interest bearing liabilities	**2,011,183**	**−16,394**	**−0.82%**	**1,916,052**	**−15,040**	**−0.78%**
Derivatives and other liabilities	686,312	−70		272,383	−183	
Equity	136,166			93,303		
Total liabilities and equity	**2,833,661**	**−16,464**		**2,281,738**	**−15,223**	
Net interest income		**18,738**			**13,799**	
Net yield on interest earning assets			**0.91%**			**0.74%**
1) of which, measured at fair value		1,641			1,735	
2) of which, measured at fair value		−664			−705	

Note 4 continued Net interest income

2015	Group Average balance	Group Interest	Group Interest rate	Parent company Average balance	Parent company Interest	Parent company Interest rate
Loans to credit institutions and central banks	402,886	1,285	0.32%	608,397	1,558	0.26%
Loans to the public	1,376,765	26,808	1.95%	1,022,141	19,563	1.91%
Interest earning securities[1)]	282,174	2,927	1.04%	174,146	2,417	1.39%
Total interest earnings assets	**2,061,825**	**31,020**	**1.50%**	**1,804,684**	**23,538**	**1.30%**
Derivatives and other assets	853,535	6,706		538,283	6,554	
Total assets	**2,915,360**	**37,726**		**2,342,967**	**30,092**	
Deposits from credit institutions	184,494	–395	–0.21%	285,388	–728	–0.26%
Deposits and borrowing from the public	1,082,106	–4,219	–0.39%	922,888	–1,932	–0.21%
Debt securities issued [2)]	736,754	–11,633	–1.58%	507,781	–11,367	–2.24%
Subordinated liabilities	34,417	–1,556	–4.52%	33,322	–1,556	–4.67%
Total interest bearing liabilities	**2,037,771**	**–17,803**	**–0.87%**	**1,749,379**	**–15,583**	**–0.89%**
Derivatives and other liabilities	742,117	–985		503,915	–460	
Equity	135,472			89,673		
Total liabilities and equity	**2,915,360**	**–18,788**		**2,342,967**	**–16,043**	
Net interest income		**18,938**			**14,049**	
Net yield on interest earning assets			**0.92%**			**0.78%**
1) of which, measured at fair value		2,442			2,346	
2) of which, measured at fair value		–569			–406	

In the table above Loans and Deposits are presented excluding debt securities. This is different from the Income statement and Balance sheet in which the classification is done based on accounting category.

Net interest income

	Parent company 2016	Parent company 2015
Interest income	29,023	30,092
Income from leases [1)]	5,443	5,439
Interest expense	–15,223	–16,043
Depreciation of leased equipment [1)]	–4,704	–4,598
TOTAL	**14,539**	**14,890**

1) In the Group Net income from leases is classified as interest income. In the parent company depreciation of leased equipment is reported as Depreciation, amortisation and impairment of tangible and intangible assets.

5 Net fee and commission income

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Issue of securities	484	602	838	1,020
Secondary market	2,878	2,970	1,670	2,025
Custody and mutual funds	7,264	8,507	3,391	3,923
Securities commissions	10,626	12,079	5,899	6,968
Payments	1,677	1,634	1,334	1,270
Card fees	3,526	3,887	392	266
Payment commissions	5,203	5,521	1,726	1,536
Life insurance commissions	1,653	1,686		
Advisory	316	232	282	213
Lending	2,527	2,445	2,065	2,042
Deposits	221	200	59	64
Guarantees	527	529	353	367
Derivatives	475	380	530	377
Other	952	1,268	734	691
Other commissions	5,018	5,054	4,023	3,754
Fee and commission income	**22,500**	**24,340**	**11,648**	**12,258**
Securities commissions	–2,248	–2,620	–1,378	–1,519
Payment commissions	–1,940	–2,086	–604	–542
Life insurance commissions	–614	–532		
Other commissions	–1,070	–757	–823	–997
Fee and commission expense	**–5,872**	**–5,995**	**–2,805**	**–3,058**
Securities commissions, net	8,378	9,459	4,521	5,449
Payment commissions, net	3,263	3,435	1,122	994
Life insurance commissions, net	1,039	1,154		
Other commissions, net	3,948	4,297	3,200	2,757
TOTAL	**16,628**	**18,345**	**8,843**	**9,200**

6 Net financial income

	Group		Parent company	
	2016	2015	**2016**	2015
Gains (losses) on financial assets and liabilities held for trading, net	6,026	3,939	5,425	3,167
Gains (losses) on financial assets and liabilities designated at fair value through profit and loss, net	−857	179	−783	261
Other life insurance income, net	1,919	1,360		
Impairments of available-for-sale financial assets	−32			
TOTAL	**7,056**	**5,478**	**4,642**	**3,428**

Gains (losses) on financial assets and liabilities held for trading, net

Equity instruments and related derivatives	1,149	−29	1,165	−223
Debt securities and related derivatives	1,109	−25	1,017	−27
Currency related	3,699	3,831	3,186	3,263
Other	69	162	57	154
TOTAL	**6,026**	**3,939**	**5,425**	**3,167**

Gains (losses) on financial assets and liabilities held for trading are presented on different rows based on type of underlying financial instrument. Changes in the treasury result are due to changes in interest rates and credit spreads. The net effect from trading operations is fairly stable over time, but shows volatility between rows. There were effects from structured products offered to the public in the amounts of approximately SEK 555m (215) in equity related derivatives and a corresponding effect in debt securities of SEK −180m (−180).

Gains (losses) on financial assets and liabilities designated at fair value through profit and loss, net

	Group		Parent company	
	2016	2015	**2016**	2015
Equity instruments and related derivatives	24	−112		
Debt securities and related derivatives	−881	291	−783	261
TOTAL	**−857**	**179**	**−783**	**261**

Valuation changes arising from counterparty credit risk and own credit standing

Derivatives – counterparty risk	−190	60	13	101
Derivatives – own credit standing	21	129	−189	101
Issued securities designated at fair value through profit or loss – own credit standing	−50	414	−50	371
TOTAL	**−219**	**603**	**−226**	**573**

7 Net other income

	Group		Parent company	
	2016	2015	**2016**	2015
Dividends[1]	170	169		
Investments in associates	218	66		
Gains less losses from investment securities	930	862	217	361
Gains less losses from tangible assets [2]			14	28
Gains less losses from divestment of shares in subsidiaries[3]	−39	−309		
Other income	70	214	586	748
TOTAL	**1,349**	**1,002**	**817**	**1,137**

1) Reported separately in the Income Statement for parent company.
2) See note 12 for the Group.
3) Includes the sale of SEB Asset Management AG 2015.

Dividends

Available-for-sale investments	170	169	51	56
Investments in associates			70	8
Dividends from subsidiaries			6,460	7,964
TOTAL	**170**	**169**	**6,581**	**8,028**

Note 7 continued Net other income

Gains less losses from investment securities

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Available-for-sale financial assets – Equity instruments	668	530	178	448
Available-for-sale financial assets – Debt securities	529	653		
Loans			40	
Gains	**1,197**	**1,183**	**218**	**448**
Available-for-sale financial assets – Equity instruments	–131	–13		
Available-for-sale financial assets – Debt securities	–14	–140		
Loans	–122	–168	–1	–87
Losses	**–267**	**–321**	**–1**	**–87**
TOTAL	**930**	**862**	**217**	**361**

Other income

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Fair value adjustment in hedge accounting	–260	–211	–323	–346
Operating result from non-life insurance, run off	158	69		
Other income	172	356	909	1 094
TOTAL	**70**	**214**	**586**	**748**

Fair value adjustment in hedge accounting

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Fair value changes of the hedged items attributable to the hedged risk	298	–31	316	1,870
Fair value changes of the hedging derivatives	–650	–335	–658	–2,227
Fair value hedges	**–352**	**–366**	**–342**	**–357**
Fair value changes of the hedging derivatives	13	11	13	11
Cash-flow hedges – ineffectiveness	**13**	**11**	**13**	**11**
Fair value changes of the hedged items	261	223	135	–50
Fair value changes of the hedging derivatives	–182	–79	–129	50
Fair value portfolio hedge of interest rate risk – ineffectiveness	**79**	**144**	**6**	
TOTAL	**–260**	**–211**	**–323**	**–346**

Fair value hedges and portfolio hedges
The Group hedges a portion of its existing interest rate risk in financial assets, payments and financial liabilities with fixed interest rates against changes in fair value due to changes in the interest rates. For this purpose the Group uses interest rate swaps, cross-currency interest rate swaps and in some situations also options. The hedges are executed either item by item or grouped by maturity.

Cash flow hedges
The Group uses interest rate swaps to hedge future cash flows from deposits and lending with floating interest rates. Interest flows from deposits and lending with floating interest rates are expected to be amortised to profit or loss during the period 2017 to 2037.

Net investment hedges
The Group hedges the currency translation risk of net investments in foreign operations through currency borrowings and currency forwards. Borrowing in foreign currency at an amount of SEK 39,001m (38,839) and currency forwards at an amount of SEK 2,507m (3,043) were designated as hedges of net investments in foreign operations. Ineffectiveness in the hedges has been reported in Net financial income (note 6).

8 Administrative expenses

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Staff costs	–14,562	–14,436	–10,466	–8,999
Other expenses	–6,703	–6,355	–4,573	–4,459
TOTAL	**–21,265**	**–20,791**	**–15,039**	**–13,458**

9 Staff costs

	Group		Parent company	
	2016	2015	**2016**	2015
Base salary	−8,105	−8,368	−5,402	−5,544
Cash-based variable compensation	−684	−660	−541	−324
Long-term equity-based compensation	−702	−662	−637	−342
Salaries and other compensations	**−9,491**	**−9,690**	**−6,580**	**−6,210**
Social charges	−2,638	−2,546	−1,955	−1,768
Defined benefit retirement plans [1]	−313	−606	−686	
Defined contribution retirement plans [1]	−1,055	−766	−766	−525
Benefits and redundancies [2]	−584	−321	−160	−160
Education and other staff related costs	−481	−507	−319	−336
TOTAL	**−14,562**	**−14,436**	**−10,466**	**−8,999**

1) Pension costs in the Group are accounted for according to IAS 19 Employee benefits. Pension costs in Skandinaviska Enskilda Banken are calculated in accordance with the Act on Safeguarding Pensions Obligations and the Swedish Financial Supervisory Authority's regulations. Non-recurring costs of SEK 0m (169) for early retirement have been charged to the pension funds of the Bank.

2) Includes costs for redundancies of SEK 490m (211) for the Group and SEK 113m (112) for the parent company.

9 a Remuneration

Presented in note 9a is the statement of remuneration for the Consolidated situation and significant units within the Group according to Regulation on prudential requirements for credit institutions and investment firms. In the SEB Group 1,167 (1,193) positions are defined as Identified Staff. SEB has chosen to include the remuneration also in the insurance operations that are not part of the Financial group of undertakings but part of the SEB Group.

Remuneration by division

	Group				Parent company			
	Fixed[1]		Variable[1]		Fixed[1]		Variable[1]	
2016	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs
Large Corporates & Financial Institutions	−2,658	2,134	−688	2,009	−1,990	1,689	−625	1,620
Corporate & Private Customers	−2,353	3,667	−192	3,647	−1,665	2,920	−152	2,920
Baltic	−502	2,565	−64	2,565				
Life & Investment Management	−1,115	1,468	−108	1,432				
Other [2]	−3,429	5,445	−334	4,663	−3,359	4,147	−401	3,517
TOTAL	**−10,057**	**15,279**	**−1,386**	**14,316**	**−7,014**	**8,756**	**−1,178**	**8,057**
whereof collective variable pay [3]			−573	14,316				
2015								
Large Corporates & Financial Institutions	−2,778	2,293	−572	2,150	−1,965	1,709	−405	1,642
Corporate & Private Customers	−2,516	3,796	−138	3,682	−1,579	2,992	−102	2,965
Baltic	−498	2,678	−49	2,599				
Life & Investment Management	−1,184	1,554	−136	1,477				
Other [2]	−3,086	5,284	−427	4,768	−2,684	4,110	−159	3,677
TOTAL	**−10,062**	**15,605**	**−1,322**	**14,676**	**−6,228**	**8,811**	**−666**	**8,284**
whereof collective variable pay [3]			−599	14,676				

	SEB AG, Germany				SEB Pank AS, Estonia			
	Fixed[1]		Variable[1]		Fixed[1]		Variable[1]	
2016	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs
Large Corporates & Financial Institutions	−509	323	−46	303				
Baltic					−150	741	−18	734
Other[4]	−378	250	−15	199	−79	308	−16	284
TOTAL	**−887**	**573**	**−61**	**502**	**−229**	**1,049**	**−34**	**1,018**
2015								
Large Corporates & Financial Institutions	−462	381	−43	355				
Baltic					−148	767	−15	758
Life & Investment Management	−84	84	−16	78				
Other[4]	−282	287	−16	237	−76	305	−8	290
TOTAL	**−828**	**752**	**−75**	**670**	**−224**	**1,072**	**−23**	**1,048**

Note 9 a continued Remuneration

2016	SEB Banka AS, Latvia				SEB bankas AB, Lithuania			
	Fixed 1)		Variable 1)		Fixed 1)		Variable 1)	
	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs	Remuneration	FTEs
Baltic	–132	691	–16	679	–193	1,085	–27	1,076
Other 4)	–60	260	–9	234	–78	366	–12	328
TOTAL	**–192**	**951**	**–25**	**913**	**–271**	**1,451**	**–39**	**1,404**
2015								
Baltic	–119	704	–11	690	–194	1,154	–16	1,142
Other 4)	–50	258	–5	240	–75	365	–9	343
TOTAL	**–169**	**962**	**–16**	**930**	**–269**	**1,519**	**–25**	**1,485**

1) Variable pay is defined as short-term cash-based remuneration and long-term equity-based remuneration. All other remuneration is reported as fixed remuneration and includes: base pay, pensions, severance pay, fees and benefits such as e.g. company car and domestic services, in accordance with FFFS 2016:25. The reported remuneration does not include social charges.
2) Including Life & Investment Management and Baltic in the parent company.
3) Share Savings Programme and collective short-term and long-term remuneration. Collective short-term and long-term remuneration compared to expected outcome is reported in Other.
4) Including Life & Investment Management in Baltic countries. In Lithuania also Large Corporates & Financial Institutions are included.

Remuneration by category

2016	Group						Parent company					
	Remuneration			FTEs			Remuneration			FTEs		
	Identified Staff 6)	Other employees	Total	Identified Staff 6)	Other employees	Total	Identified Staff 6)	Other employees	Total	Identified Staff 6)	Other employees	Total
Fixed remuneration 1)	–1,173	–8,884	**–10,057**	1,080	14,199	**15,279**	–988	–6,026	**–7,014**	788	7,968	**8,756**
Variable pay 1)	–373	–1,013	**–1,386**	788	13,528	**14,316**	–313	–865	**–1,178**	487	7,570	**8,057**
whereof:												
Short-term cash-based	–167	–517	**–684**				–121	–420	**–541**			
Long-term equity-based 2)	–206	–496	**–702**				–192	–445	**–637**			
Deferred variable pay 3)	–219	–495					–192	–445	**–637**			
Accrued and paid remuneration 4)	–1,619	–9,897					–1,251	–6,998	**–8,249**			
Severance pay 5)			**–498**			**741**			**–122**			**130**
Agreed not yet paid severance pay			**–436**			**266**			**–96**			**105**
Highest single amount			**–7**						**–3**			
2015												
Fixed remuneration 1)	–1,263	–8,799	**–10,062**	1,063	14,542	**15,605**	–994	–5,234	**–6,228**	808	8,003	**8,811**
Variable pay 1)	–376	–946	**–1,322**	616	14,060	**14,676**	–313	–353	**–666**	481	7,803	**8,284**
whereof:												
Short-term cash-based	–166	–494	**–660**				–131	–193	**–324**			
Long-term equity-based 2)	–210	–452	**–662**				–182	–160	**–342**			
Deferred variable pay 3)	–225	–452	**–677**				–182	–160	**–342**			
Accrued and paid remuneration 4)	–1,711	–9,745	**–11,456**				–1,366	–5,586	**–6,952**			
Severance pay 5)			**–215**			**592**			**–117**			**146**
Agreed not yet paid severance pay			**–146**			**238**			**–80**			**106**
Highest single amount			**–5**						**–5**			

2016	SEB AG, Germany						SEB Pank AS, Estonia					
	Remuneration			FTEs			Remuneration			FTEs		
	Identified Staff 6)	Other employees	Total	Identified Staff 6)	Other employees	Total	Identified Staff 6)	Other employees	Total	Identified Staff 6)	Other employees	Total
Fixed remuneration 1)	–90	–797	**–887**	71	502	**573**	–12	–217	**–229**	15	1,034	**1,049**
Variable pay 1)	–18	–43	**–61**	37	465	**502**	–1	–33	**–34**	6	1,012	**1,018**
whereof:												
Short-term cash-based	–9	–13	**–22**					–16	**–16**			
Long-term equity-based 2)	–9	–30	**–39**				–1	–17	**–18**			
Deferred variable pay 3)	–9	–30	**–39**				–1	–17	**–18**			
Accrued and paid remuneration 4)	–112	–840	**–952**				–13	–250	**–263**			
Severance pay 5)			**–307**			**114**			**–3**			**42**
2015												
Fixed remuneration 1)	–121	–707	**–828**	100	652	**752**	–13	–211	**–224**	19	1,053	**1,072**
Variable pay 1)	–21	–54	**–75**	51	619	**670**	–1	–22	**–23**	7	1,041	**1,048**
whereof:												
Short-term cash-based	–11	–38	**–49**					–13	**–13**			
Long-term equity-based 2)	–10	–16	**–26**				–1	–9	**–10**			
Deferred variable pay 3)	–10	–16	**–26**				–1	–9	**–10**			
Accrued and paid remuneration 4)	–146	–761	**–907**				–14	–233	**–247**			
Severance pay 5)			**–42**			**23**			**–1**			**31**

Note 9 a continued Remuneration

	SEB Banka AS, Latvia						SEB bankas AB, Lithuania					
	Remuneration			FTEs			Remuneration			FTEs		
2016	Identified Staff [6]	Other employees	Total	Identified Staff [6]	Other employees	Total	Identified Staff [6]	Other employees	Total	Identified Staff [6]	Other employees	Total
Fixed remuneration [1]	–16	–176	**–192**	29	922	**951**	–17	–254	**–271**	23	1,428	**1,451**
Variable pay [1]	–2	–23	**–25**	13	900	**913**	–3	–36	**–39**	12	1,392	**1,404**
whereof:												
Short-term cash-based		–11	**–11**					–17	**–17**			
Long-term equity-based [2]	–2	–12	**–14**				–3	–19	**–22**			
Deferred variable pay [3]	–2	–12	**–14**				–3	–19	**–22**			
Accrued and paid remuneration [4]	–18	–199	**–217**				–20	–290	**–310**			
Severance pay [5]			**–2**			**53**			**–15**			**306**
2015												
Fixed remuneration [1]	–13	–156	**–169**	29	933	**962**	–18	–251	**–269**	26	1,493	**1,519**
Variable pay [1]	–1	–15	**–16**	10	920	**930**	–2	–23	**–25**	11	1,474	**1,485**
whereof:												
Short-term cash-based		–9	**–9**					–15	**–15**			
Long-term equity-based [2]	–1	–6	**–7**				–2	–8	**–10**			
Deferred variable pay [3]	–1	–6	**–7**				–2	–8	**–10**			
Accrued and paid remuneration [4]	–14	–171	**–185**				–20	–274	**–294**			
Severance pay [5]									**–13**			**302**

1) Variable pay is defined as short-term cash-based remuneration and long-term equity-based remuneration. All other remuneration is reported as fixed remuneration and includes: base pay, pensions, severance pay, fees and benefits such as e.g. company car and domestic services, in accordance with FFFS 2016:25. The reported remuneration does not include social charges.

2) Long-term equity based remuneration encompasses four different programmes; a Share Savings Programme and All Employee Programme and also a Share Matching Programme and a Share Deferral Programme for a selected group of key employees.

3) The deferred variable pay is locked the first year. Short-term cash-based remuneration can thereafter be paid pro rata over three or five years after a possible risk adjustment. Long-term equity-based programmes are locked for a minimum of three years.

4) In Accrued and paid remuneration amounts paid within the first quarter after the accrual is included. Deferred variable pay has been subject to risk adjustment.

5) The amount also includes sign-on.

6) Employees with material impact on SEB's risk profile, in accordance with FFFS 2016:25.

Loans to Executives

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Managing Directors and Deputy Managing Directors [1]	94	124	20	25
Boards of Directors [2]	407	400	120	130
TOTAL	**501**	**524**	**140**	**155**

1) Comprises current President and Deputy President in the Parent company and Managing Directors and Deputy Managing Directors in subsidiaries. Total number of executives was 53 (64) of which 12 (18) female.

2) Comprises current Board members and their substitutes in the Parent company and subsidiaries. Total number of persons was 181 (177) of which 55 (50) female.

Pension commitments to Executives

Pension disbursements made	136	130	64	54
Change in commitments	56	41	20	22
Commitments at year-end	1,871	1,651	848	762

The above commitments are covered by the Bank's pensions funds or through Bank-owned endowment assurance schemes. They include active and retired Presidents and vice Presidents in the parent company and Managing directors and Deputy Managing directors in subsidiaries, in total 118 persons (115).

9 b Pensions

Retirement benefit obligations
The Group has established pension schemes in the countries where business is performed. There are both defined benefit plans and defined contribution plans. The major pension schemes are final salary defined benefit plans and are funded. The defined benefit plan in Sweden is closed to new employees and a defined contribution plan was established during 2013. The defined contribution plans follow the local regulations in each country. Multiemployer defined benefit plans exist for employees in some parts of the Group. These plans are accounted for as defined contribution plans since sufficient information of SEB's share of the liability/asset and cost is not available.

Defined benefit plans
The major defined benefit plans exist in Sweden and Germany and cover most employees in these countries. Independent actuarial calculations according to the Projected Unit Credit Method (PUCM) are performed quarterly to decide the value of the defined benefit obligation. The benefits covered include retirement benefits, disability, death and survivor pensions according to the respective countries' collective agreements. The plan assets are kept separate in specific pension foundations. In case of a deficit in the pension obligation according to local rules SEB is obliged to meet this with contribution to the foundation or insure a deficit. The asset allocation is determined to meet the various risks in the pension obligations and is decided by the board/trustees in the pension foundations. The assets are booked at market value. The pension and interest costs are presented in Staff costs.

Defined contribution plans
Defined contribution plans exist both in Sweden and abroad. In Sweden a smaller part of the closed collective retirement agreement is defined contribution based. Over a certain salary level the employees could also choose to leave the defined benefit plan and replace it by a defined contribution plan. The current plan for new employees is fully contribution based. Most other countries have defined contribution plans except for the Baltic countries where the company to a limited extent contributes to the employees retirement. The defined contribution plans are not recognised in the balance sheet but accounted for as an expense among Staff costs.

DEFINED BENEFIT PLANS IN SEB GROUP

	2016			2015		
Net amount recognised in the Balance sheet	Sweden[1]	Foreign[1]	Group[1]	Sweden[1]	Foreign[1]	Group[1]
Defined benefit obligation at the beginning of the year	19,693	5,366	**25,059**	22,480	6,210	**28,690**
Curtailment, acquisitions and reclassification					–153	**–153**
Service costs	442	38	**480**	570	48	**618**
Interest costs	606	127	**733**	515	116	**631**
Benefits paid	–691	–277	**–968**	–686	–258	**–944**
Exchange differences		153	**153**		–96	**–96**
Remeasurements of pension obligation	3,237	387	**3,624**	–3,186	–501	**–3,687**
Defined benefit obligation at the end of the year	**23,287**	**5,794**	**29,081**	**19,693**	**5,366**	**25,059**
Fair value of plan assets at the beginning of the year	25,252	4,982	**30,234**	23,683	5,271	**28,954**
Curtailment, acquisitions and reclassification		37	**37**		–1	**–1**
Calculated interest on plan assets	783	118	**901**	545	98	**643**
Benefits paid/contributions		–277	**–277**	–670	–256	**–926**
Exchange differences		199	**199**		–148	**–148**
Valuation gains (losses) on plan assets	1,166	17	**1,183**	1,694	18	**1,712**
Fair value of plan assets at the end of the year	**27,201**	**5,076**	**32,277**	**25,252**	**4,982**	**30,234**
Change in the net assets or net liabilities						
Defined benefit obligation at the beginning of the year	5,559	–384	**5,175**	1,203	–939	**264**
Curtailment, acquisitions and reclassification		37	**37**		152	**152**
Total expense in staff costs	–265	–47	**–312**	–540	–66	**–606**
Pension paid	691	277	**968**	686	258	**944**
Benefits paid/contributions		–277	**–277**	–670	–256	**–926**
Exchange differences		46	**46**		–52	**–52**
Remeasurements	–2,071	–370	**–2,441**	4,880	519	**5,399**
NET AMOUNT RECOGNISED IN THE BALANCE SHEET	**3,914**	**–718**	**3,196**	**5,559**	**–384**	**5,175**

1) The net defined benefit obligation is recognised in the balance sheet either as an asset or liability depending on the situation for each legal entity.

In 2016 a contribution of SEK 38m (45) was paid to the German pension foundation. Contribution to the foundations can not be ruled out in 2017 due to uncertainty in interest rate levels.

Note 9 b continued Pensions

Principal actuarial assumptions used

	2016		2015	
	Sweden	Foreign	Sweden	Foreign
Discount rate	2.4%	1.7%	3.1%	2.4%
Inflation rate	1.5%	1.8%	1.5%	1.8%
Expected rate of salary increase	3.5%	2.5%	3.5%	3.0%
Expected rate of increase in the income basis amount	3.0%		3.0%	

The discount rate is based set on high-quality corporate bonds in a deep market, in Sweden covered bonds which are at least AA-rated. An extrapolation of the maturity of the covered bonds is made based on government bonds and checked against swaps. This extrapolated maturity is in line with the estimated maturity of obligations for post employment benefits. Life expectancy assumptions in Sweden for 2016 are established by the Actuarial Research Board (FTN) and are based on DUS14 for white-collar workers. 2015 the Swedish life expectancy assumptions followed the insurance supervisory authority (FFFS 2007:31) regulations which are based on DUS06 for the entire population. In Germany the Heubeck Sterbetafeln is used. Weighted average duration for the obligation is 24 years in Sweden and 14 years in Germany

A decrease of the discount rate for Sweden of 0.5 per cent would imply an increase of the Swedish pension obligation by SEK 2,404m while the same change in the inflation assumption for Sweden would have the opposite effect and decrease the obligation by SEK 1,753m. An increase of the discount rate by same ratio would reduce the obligation with SEK 2,077m and an increased inflation rate of 0.5 per cent gives an increased obligation of SEK 2,043m. A decrease in assumption for expected salary increase in Sweden of 0.5 per cent would have a positive effect on the obligation by SEK 314m an increase would have a negative effect of SEK 373m.

The obligation in Germany would increase with SEK 432m if the discount rate was reduced by 0.5 per cent. An increase by the same percentage would decrease the obligation by SEK 384m. If the inflation assumption for Germany increases by 0.25 per cent the pension obligation would increase by SEK 73m and corresponding decrease would be SEK 70m at a lower inflation assumption. A change in expected salary increases in Germany by 0.25 per cent would with a higher rate give an increase of the obligation with SEK 92m and with a lower rate reduce the obligation with SEK 111m.

Allocation of plan assets

	2016			2015		
	Sweden	Foreign	Group	Sweden	Foreign	Group
Cash and cash equivalents	873	50	**923**	423	90	**513**
Equity instruments with a quoted market price in an active market	15,239		**15,239**	15,031	833	**15,864**
Equity instruments not listed in an active market	6,520	887	**7,407**	4,763		**4,763**
Debt instruments with a quoted market price in an active market		630	**630**			
Debt instruments not listed in an active market	2,355	3,509	**5,864**	2,904	4,059	**6,963**
Properties	2,214		**2,214**	2,131		**2,131**
TOTAL	**27,201**	**5,076**	**32,277**	**25,252**	**4,982**	**30,234**

The pension plan assets include SEB shares with a fair value of SEK 1,199m (1,013). Buildings in Sweden are occupied by SEB.

Amounts recognised in Income statement

	2016			2015		
	Sweden	Foreign	Group	Sweden	Foreign	Group
Service costs	−442	−38	**−480**	−570	−48	**−618**
Interest costs	−606	−127	**−733**	−515	−116	**−631**
Calculated interest on plan assets	783	118	**901**	545	98	**643**
INCLUDED IN STAFF COSTS	**−265**	**−47**	**−312**	**−540**	**−66**	**−606**

Amounts recognised in Other comprehensive income

	2016			2015		
	Sweden	Foreign	Group	Sweden	Foreign	Group
Remeasurements of pension obligation	−3,237	−387	**−3,624**	3,186	501	**3,687**
where of experience adjustments	*262*	*178*	***440***	*−1*	*106*	***105***
where of due to changes in financial assumptions	*−2,672*	*−565*	***−3,237***	*3,187*	*395*	***3,582***
where of due to changes in demographic assumptions	*−827*		***−827***			
Valuation gains (losses) on plan assets	1,166	17	**1,183**	1,694	18	**1,712**
Deferred tax pensions	456	110	**566**	−1,073	−148	**−1,221**
INCLUDED IN OTHER COMPREHENSIVE INCOME	**−1,615**	**−260**	**−1,875**	**3,807**	**371**	**4,178**

DEFINED CONTRIBUTION PLANS IN SEB GROUP

	2016			2015		
Net amount recognised in Income statement	Sweden	Foreign	Group	Sweden	Foreign	Group
Expense in Staff costs including special salary tax	−812	−243	**−1,055**	−512	−254	**−766**

Note 9 b continued Pensions

DEFINED BENEFIT PLANS IN SKANDINAVISKA ENSKILDA BANKEN

Net amount recognised in the Balance sheet	Parent company 2016	2015
Defined benefit obligation at the beginning of the year	22,699	18,859
Imputed pensions premium	330	357
Interest costs and other changes	902	3,984
Early retirement	172	169
Pension disbursements	–686	–670
DEFINED BENEFIT OBLIGATION AT THE END OF THE YEAR	**23,417**	**22,699**

Fair value of plan assets at the beginning of the year	24,368	22,899
Return on assets	1,881	2,142
Benefits paid		–673
FAIR VALUE OF PLAN ASSETS AT THE END OF THE YEAR	**26,249**	**24,368**

The above defined benefit obligation is calculated according to Tryggandelagen. Skandinaviska Enskilda Banken consequently adopts the discount rate set by the Swedish FSA before year-end. The obligation is fully covered by assets in the pension foundation and is not included in the balance sheet.

The assets in the foundation are mainly equity related SEK 20,998m (19,036) and to a smaller extent interest earning SEK 3,115m (2,793). The assets include SEB shares at a market value of SEK 1,157m (975) and buildings occupied by the company valued at SEK 2,136m (2,131). The return on assets was 8 per cent (9) before pension compensation.

Amounts recognised in Income statement

	Parent company 2016	2015
Pension disbursements	–686	–670
Compensation from pension foundations		673
TOTAL	**–686**	**3**

Principal actuarial assumptions used, %

Gross interest rate	0.7%	0.8%
Interest rate after tax	0.6%	0.7%

The actuarial calculations are based on salaries and pensions on the balance sheet date.

DEFINED CONTRIBUTION PLANS IN SKANDINAVISKA ENSKILDA BANKEN

Net amount recognised in Income statement	Parent company 2016	2015
Expense in Staff costs including special salary tax	–766	–525

Pension foundations

	Pension commitments		Market value of asset	
	2016	2015	2016	2015
SEB-Stiftelsen, Skandinaviska Enskilda Bankens Pensionsstiftelse	23,417	22,699	26,249	24,368
SEB Kort AB:s Pensionsstiftelse	916	871	952	884
TOTAL	**24,333**	**23,570**	**27,201**	**25,252**

9 c Remuneration to the Board and the Group Executive Committee

Guidelines for remuneration
The guidelines for remuneration to the President and the other members of the Group Executive Committee (GEC) were prepared by the Board of Directors and its Remuneration and Human Resources Committee and approved by the Annual General Meeting 2016.

The remuneration structure for the President and the other members of the GEC is in accordance with the remuneration policy for the Bank. The remuneration is based upon three main components; base pay, equity-based remuneration and pensions. Other benefits may also be included, such as company car and domestic services.

For more information, see page 60–61.

Specially regulated staff
The President and all other members of the GEC are considered employees who have a material impact on SEB's risk profile according to the Swedish Financial Supervisory Authority regulations (FFFS 2016:25).

Remuneration to the Board[1], SEK

2016	Base pay	Directors' fee	Benefits[2]	Total
Chairman of the Board, Marcus Wallenberg		3,520,000		**3,520,000**
Other members of the Board[3]		10,190,000		**10,190,000**
President and CEO, Annika Falkengren	11,500,000		1,425,479	**12,925,479**
TOTAL	**11,500,000**	**13,710,000**	**1,425,479**	**26,635,479**
2015				
Chairman of the Board, Marcus Wallenberg		3,465,000		**3,465,000**
Other members of the Board[3]		8,525,000		**8,525,000**
President and CEO, Annika Falkengren	10,500,000		1,262,267	**11,762,267**
TOTAL	**10,500,000**	**11,990,000**	**1,262,267**	**23,752,267**

1) The number of Board members decided by the AGM in 2016 is thirtheen (eleven).
2) Includes benefits as domestic services and company car.
3) Directors' fee to the Board members on individual level is presented on page 50–53.

Remuneration to the GEC, SEK[1]

	Base pay	Benefits	Total
2016	48,854,904	1,649,688	**50,504,592**
2015	33,306,041	1,260,287	**34,566,328**

1) GEC excluding the President and CEO. The members partly differ between the years but on average eleven (eight) members are included. At the end of the year the number of members were eleven (eleven). Additional members are not included.

Long-term equity programmes
Under the Share Deferral Programme members of the GEC may be granted an individual number of conditional share rights based on the fulfilment of pre-determined Group, business unit and individual target levels as outlined in SEB's business plan. The targets are set on an annual basis as a mix of the financial targets Return on Equity/Return on Business Equity and cost development and the non-financial target customer satisfaction among others. For GEC the initial allotment may not exceed 100 per cent of the base pay.

Ownership of 50 per cent of the share rights are transferred to the participant after a qualification period of three years and 50 per cent after a qualification period of five years. After each respective qualification period there is an additional holding period of one year after which the share rights can be excercised during a period of three years. Each share right carries the right to receive one Class A share in the Bank. A requirement for vesting is normally that the participant remains with SEB during the first three years. A further requirement for vesting is that the participant holds shares in SEB equal to a predetermined amount, for GEC equivalent to one year salary net of taxes, acquired no later than on a pro-rata basis during the initial three year vesting period.

GEC is not participating in the SMP 2012–2014 nor the All Employee Programme (AEP) except for outstanding rights earned before being member of GEC.

Long-term equity programmes (expensed amounts for ongoing programmes), SEK

2016	Share matching	Share deferral	Total
President and CEO, Annika Falkengren		6,342,656	**6,342,656**
Other members of the GEC[1]	1,524,005	20,472,638	**21,996,643**
TOTAL	**1,524,005**	**26,815,294**	**28,339,299**
2015			
President and CEO, Annika Falkengren		5,791,905	**5,791,905**
Other members of the GEC[1]	551,466	14,508,343	**15,059,809**
TOTAL	**551,466**	**20,300,248**	**20,851,714**

1) GEC excluding the President and CEO. The members partly differ between the years but in average eleven (eight) members are included. At the end of the year the number of members were eleven (eleven). Additional members are not included.

Some of the GEC members have received rights in the AEP programme and participated in the Share Savings Programme before being member of the GEC. The corresponding calculated costs and number of outstanding rights/shares are not included in the tables.

Note 9 c continued Remuneration to the Board and the Group Executive Committee

Number outstanding by 2016-12-31

	Number outstanding				
	President and CEO Annika Falkengren	**Other members of the GEC**	**Total**	**First day of exercise**	**Performance criteria**
2012: Share matching rights		73,159	**73,159**	2014[2)]	final vesting 100%[1)]
2013: Share matching rights		115,001	**115,001**	2015[2)]	final vesting 92%
2014: Share matching rights		15,319	**15,319**	2016[2)]	vesting level 27%
2012: Conditional share rights	147,101	325,078	**472,179**	2016;2018[3)]	–
2013: Conditional share rights	96,661	262,907	**359,568**	2017;2019[3)]	–
2014: Conditional share rights	75,503	193,557	**269,060**	2018;2020[3)]	–
2015: Conditional share rights	67,036	237,536	**304,572**	2019;2021[3)]	–
2016: Conditional share rights	89,780	375,577	**465,357**	2020;2022[3)]	–

1) Share Matching Programme 2012 vested in 2015 with 100% matching, since the programme had reached its cap. The outcome after adjustment related to the cap was 92%.
2) As soon as practically possible following the end of the performance period.
3) The qualification period ends after three or five years respectively and are followed by a additional holding period of one year, after which there is an exercise period of three years.

During the year the President and CEO has excercised rights to a value of SEK 6,398,251 (6,327,622). The corresponding value for the GEC excluding the President is SEK 8,181,695 (5,271,357).

Pension and severance pay
The pension agreement of the President is contribution-based and inviolable. The pension contribution is a fixed amount.

Termination of employment by the Bank is subject to a maximum 18-month period of notice and entitles to a severance pay of 6 months' salary.

As regards pension benefits and severance pay the following is applicable to the members of the GEC excluding the President. The pension plans are inviolable and defined contribution-based except for a portion in the collective agreement.

Termination of employment by the Bank is subject to a maximum 12-month period of notice and entitles to a severance pay of 12 months' salary.

Pension costs (service costs, interest costs and defined contribution premiums), SEK

	President and CEO, Annika Falkengren	Other members of the GEC[1)]	Total
2016	5,000,000	15,347,119	**20,347,119**
2015	5,000,000	13,556,900	**18,556,900**

1) GEC excluding the President and CEO. The members partly differ between the years but on average eleven (eight) members are included. At the end of the year the number of members were eleven (eleven). Additional members are not included.

For information about related parties see note 27.

9 d Share-based payments

Long-term equity-based programmes

2016	**All employee programme**	**Share deferral programme**	**Share matching programme[1)]**	**Share savings programme**	**Performance shares**
Outstanding at the beginning of the year	7,807,319	8,614,625	3,044,974	2,120,938	2,135,647
Granted[2)]	3,136,319	6,148,319	3,122,508		133,626
Forfeited[3)]	–541,269	–451,853	–25,963		–1,773
Exercised[4)]	–260,354	–264,494	–3,183,722	–2,120,270	–978,067
Expired				–668	–15,414
OUTSTANDING AT THE END OF THE YEAR	**10,142,015**	**14,046,597**	**2,957,797**		**1,274,019**
of which exercisable		*433,324*	*2,642,985*		*1,274,019*

2015					
Outstanding at the beginning of the year	4,485,839	4,484,102	2,811,500	4,077,914	3,200,069
Granted[2)]	3,698,872	4,538,945	5,843,614		137,718
Forfeited[3)]	–261,945	–387,528	–7,212		
Exercised[4)]	–115,447	–20,894	–5,602,928	–1,956,945	–1,194,874
Expired				–31	–7,266
OUTSTANDING AT THE END OF THE YEAR	**7,807,319**	**8,614,625**	**3,044,974**	**2,120,938**	**2,135,647**
of which exercisable			*1,875,248*		*2,135,647*

1) Numbers include investments done by participants, as well as allocated matching share rights.
2) Including compensation for dividend.
3) Weighted average exercise price forfeited SMP, SDP SEK 0.00 (0.00).
4) Weighted average exercise price exercised SMP, SDP SEK 0.00 (0.00) and PSP SEK 10.00 (10.00). Weighted average share price for PSP, SMP and SDP at exercise SEK 80.85 (104.88).

Note 9 d continued Share-based payments

Total Long-term equity-based programmes

	Original no of holders [3]	No of issued (maximum outcome)	No of outstanding 2016 [4]	No of outstanding 2015 [4]	A-share per option/share	Exercise price	Validity	First date of exercise
2009: Performance shares	344	5,493,837		207,892	1	10	2009–2016	2012[1]
2010: Performance shares	698	18,900,000	1,274,019	1,927,755	1	10	2010–2017	2013[1]
2009: Share savings programme	5,600	2,326,652		3,677	1		2009–2014	2013-02-18
2010: Share savings programme	5,200	2,285,536		7,444	1		2010–2015	2014-02-11
2011: Share savings programme	5,050	1,888,248		981,551	1		2011–2016	2015-02-16
2012: Share savings programme	4,770	1,274,947		1,128,266	1		2012–2017	2016-02-12
2012: Share matching programme	432	7,024,168	1,545,814	1,875,248	4		2012–2019	2015[2]
2013: Share matching programme	213	3,485,088	1,097,171	849,433	4		2013–2020	2016[2]
2014: Share matching programme	96	1,300,288	314,812	320,293	4		2014–2021	2017[2]
2012: Share deferral programme – equity settled	86	1,199,504	1,019,822	1,095,470	1		2012–2021	2015/2017[3]
2013: Share deferral programme – equity settled	263	1,361,861	1,457,480	1,387,754	1		2013–2022	2016/2018[3]
2014: Share deferral programme – equity settled	622	1,909,849	1,912,528	1,889,398	1		2014–2023	2017/2019[3]
2015: Share deferral programme – equity settled	816	2,603,843	2,546,169	2,540,609	1		2015–2024	2018/2020[3]
2015: Share deferral programme – cash settled	513	1,717,150	1,674,045	1,701,394			2015–2021	2018/2020[3]
2016: Share deferral programme – equity settled	874	3,593,155	3,494,730		1		2016–2025	2019/2021[3]
2016: Share deferral programme – cash settled	500	2,017,622	1,941,823				2016–2022	2019/2021[3]
2013: All employee programme – equity settled	8,347	1,255,838	1,171,517	1,202,698	1		2013–2016	2017
2013: All employee programme – cash settled	5,358	532,184	435,600	482,096			2013–2016	2017
2014: All employee programme – equity settled	8,709	1,786,471	1,684,487	1,730,683	1		2014–2017	2018
2014: All employee programme – cash settled	5,216	964,436	824,822	881,020			2014–2017	2018
2015: All employee programme – equity settled	8,319	2,290,359	2,221,704	2,290,359	1		2015–2018	2019
2015: All employee programme – cash settled	6,745	1,220,463	1,138,059	1,220,463			2015–2018	2019
2016: All employee programme – equity settled	8,209	1,731,922	1,731,922		1		2016–2019	2020
2016: All employee programme – cash settled	6,517	933,905	933,905				2016–2019	2020
TOTAL		**69,097,326**	**28,420,429**	**23,723,503**				

1) As soon as practically possible following the end of the performance period, the establishing of the final outcome and registration of the final number of Performance shares in Equate plus.

2) As soon as practically possible following the end of the performance period, the establishing of the outcome of number of Matching Shares and the allocation of the A-shares and, if applicable, the Matching Shares.

3) As soon as possible following the end of the performance period the outcome is established . For the equity-settled programmes the ownership of the performance shares is transferred upon registration, but the shares are withheld for one additional year. Cash-settled programmes are paid out in connection with the following payroll run.

4) In total approximately 10 900 individuals (10,800) participated in any of the programmes, All Employee Programme excluded.

5) Including additional deferral rights for dividend compensation.

Long-term equity-based programmes

The Annual General meeting 2016 decided on two Long-term equity based programmes, one *Share Deferral Programme* and one *All Employee Programme.*

The first *Share Deferral Programme* was introduced in 2012 for the Group Executive Committee and certain other executive managers and key employees with critical competences. The participants are granted an individual number of conditional share rights based on pre-determined Group, division/business unit and individual target levels, both financial (Return on Equity/Return on Business Equity and cost development) and non-financial (customer satisfaction), set on an annual basis.

For GEC members and other senior executives 50 per cent of the share rights ownership is transferred to the participant after a qualification period of three years and 50 per cent after a qualification period of five years. For other participants the qualification period is three years. The requirement for vesting is that the participant remains with SEB during the first three years and that the participant holds shares in SEB equal to a predetermined amount, acquired no later than on a pro-rata basis during the initial three year period. After each respective qualification period there is an additional holding period of one year after which the share rights can be exercised during a period of three years. Each share right carries the right to receive one Class A-share in the Bank. In most countries outside Sweden the paritcipants receives so called phantom shares that gives the right to receive cash adjusted for total shareholder return in the SEB A-share at the end of the holding period.

The holders are compensated for dividends to the shareholders during the duration of the Programme. Thus, the number of share rights will be recalculated, after the Annual General Meeting each year, taking the dividend into account. The share rights are not securities that can be sold, pledged or transferred to others. However, an estimated value per share right has been calculated for 2016 to SEK 67 (79) (based upon an average closing price of one SEB Class A-share at the time of grant).

In 2013 an *All Employee Programme* was introduced for most employees, where 50 per cent of the outcome is paid in cash and 50 per cent is deferred for three years and paid in SEB A-shares. Deferrals will normally only be obtained under the condition that the employee remains with SEB. In Sweden the deferred part is paid out in SEB A-shares, adjusted for dividends. In all other countries the deferred part is paid out in cash adjusted for total shareholder return in the SEB A-share. Outcome is capped at a maximum amount, which was adjusted in 2016, for each geography and is based on the fulfilment of pre-determined Group targets outlined in SEB's business plan, both financial (Return on Equity and cost development) and non-financial (customer satisfaction). The outcome in 2016 year's programme was 56 per cent (85) of the maximum amount. In Sweden the maximum amount is SEK 75,000 from 2016 and previously it was SEK 55,000.

Previously alloted programmes

From 2005 to 2010 the programmes were based on performance shares. They all have a maximum term of seven years, a vesting period of three years and an exercise period of four years. The number of allotted performance shares that can be exercised depends on the development of two predetermined performance criteria of equal importance. All programmes are vested and the exercise period for the 2010 years programme ends in 2017.

Between 2008 and 2012 a *Share Savings Programme* for all employees in selected countries has been run. In the Share Savings Programmes the participants saved a maximum of five per cent of their gross base salary during a twelve months period. For the savings amount, Class A-shares were purchased at current stock exchange rate four times a year following the publication of the Bank's interim reports. If the shares are retained by the employee for three years and the employee remains with SEB, the employee receives one Class A-share for each retained share. All programmes are vested and the exercise period for the 2012 years programme ends in 2017.

Between 2009 and 2014 a *Share Matching Programme* for a number of selected senior executives and other key employees has been run. The programmes are based on performance, have a vesting period of three years and are settled with SEB Class A-shares. All programmes require own investment in Class A-shares. The investment amount is pre-determined and capped for each participant. After three years, if still employed, the participant receives one Class A-share for each invested share and a conditional number of performance based matching shares for each invested share. From 2012 the settlement is in the form of share rights with an exercise period of four years. The 2013 programme was closed in 2016 with 92 per cent matching.

In the 2014 years programme the number of performance based matching shares depend on the development of two pre-determined performance criteria; measured as total shareholder return (TSR) in relation to the markets required return based on the interest of Swedish government 10 year bonds i.e. long-term risk free interest rate (LTIR), two thirds, and the total shareholder return in relation to SEB's competitors, one third. The current expected vesting in 2014 year's programme is approximately 27 per cent. Maximum outcome for the participants is three performance based matching shares. The outcome is also subject to risk adjustment.

The holders are compensated for dividends to the shareholders during the exercise period. Thus, the number of share rights will be recalculated, after the Annual General Meeting each year during the exercise period, taking the dividend into account.

Matching rights are not securities that can be sold, pledged or transferred to another party. However, an estimated value per matching right has been calculated for 2014 to SEK 65 and for the performance based matching rights to SEK 39. Other inputs to the options pricing model are; exercise price SEK 0; volatility 46 (based on historical values); expected dividend approximately 4 per cent; risk free interest rate 1.13 and expected early exercise of 3 per cent. In the value of the option the expected outcome of the performance criteria described above are taken into account.

The programme is subject to a cap, if the share price at the time of vesting has more than doubled the number of matching shares and performance based matching shares that are transferred to a participant will be reduced proportionately so that the value corresponds to the doubled share price capped value.

Further details of the outstanding programmes are found in the table above.

9 e Number of employees

Average number of employees	Group			Parent company		
2016	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Sweden	4,046	4,175	**8,221**	3,542	3,568	**7,110**
Norway	259	167	**426**	206	97	**303**
Denmark	379	261	**640**	166	70	**236**
Finland	154	148	**302**	109	94	**203**
Estonia	305	928	**1,233**			
Latvia	413	1,102	**1,515**	131	239	**370**
Lithuania	727	1,650	**2,377**	278	405	**683**
Germany	359	258	**617**	2		**2**
Poland	17	38	**55**	14	30	**44**
Ukraine	22	40	**62**			
China	12	33	**45**	12	33	**45**
Great Britain	93	49	**142**	94	49	**143**
Ireland	55	64	**119**			
Luxembourg	123	106	**229**			
Russia	24	67	**91**			
Singapore	36	66	**102**	31	58	**89**
United States	33	20	**53**	24	18	**42**
Other countries[1)]	17	14	**31**	14	9	**23**
TOTAL	**7,074**	**9,186**	**16,260**	**4,623**	**4,670**	**9,293**
2015						
Sweden	4,104	4,216	**8,320**	3,627	3,630	**7,257**
Norway	261	170	**431**	207	98	**305**
Denmark	385	272	**657**	169	67	**236**
Finland	160	156	**316**	112	99	**211**
Estonia	310	947	**1,257**			
Latvia	402	1,117	**1,519**	115	216	**331**
Lithuania	705	1,637	**2,342**	233	356	**589**
Germany	447	342	**789**	3	1	**4**
Poland	21	47	**68**	14	29	**43**
Ukraine	24	42	**66**			
China	14	30	**44**	14	30	**44**
Great Britain	103	55	**158**	102	56	**158**
Ireland	52	60	**112**			
Luxembourg	121	111	**232**			
Russia	25	67	**92**			
Singapore	37	68	**105**	32	61	**93**
United States	36	19	**55**	26	17	**43**
Other countries[1)]	21	15	**36**	15	11	**26**
TOTAL	**7,228**	**9,371**	**16,599**	**4,669**	**4,671**	**9,340**

1) Brazil and Hong Kong.

Number of hours worked in parent company 15,276,311 (15,208,572).

10 Other expenses

	Group		Parent company	
	2016	2015	**2016**	2015
Costs for premises [1)]	–1,636	–1,572	–1,133	–1,108
Data costs	–2,992	–2,756	–1,962	–1,746
Stationery	–60	–78	–42	–46
Travel and entertainment	–387	–414	–278	–292
Postage	–120	–149	–43	–123
Consultants	–637	–687	–440	–494
Marketing	–339	–371	–161	–196
Information services	–549	–533	–470	–474
Other operating costs [2)]	17	205	–44	20
TOTAL	**–6,703**	**–6,355**	**–4,573**	**–4,459**
1) Of which rental costs	–1,228	–1,146	–895	–861

2) Net after deduction for capitalised costs, see also note 29.

Note 10 continued Other expenses

Fees and expense allowances to appointed auditors and audit firms [1]

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Audit assignment	–26	–26	–10	–10
Audit related services	–16	–20	–2	–3
Tax advisory	–10	–19	–8	–13
Other services	–3	–4	–3	–4
PricewaterhouseCoopers	**–55**	**–69**	**–23**	**–30**
Audit assignment	–1			
Tax advisory	–1	–1		
Other services	–1	–1		
Other audit firms	**–3**	**–2**		
TOTAL	**–58**	**–71**	**–23**	**–30**

1) The parent company includes the foreign branches.

Audit assignment is defined as the audit of annual financial statements, the administration of the Board of Directors and the President, other tasks resting upon the auditor as well as consulting and other assistance, which have been initiated by the findings in performing audit work or implementation of such tasks. The audit related services include quarterly reviews, regulatory reporting and services in connection with issuing of certificates and opinions. Tax advisory include general expatriate services and other tax services work. Other services include consultation on financial accounting, services related to mergers and acquisitions activities, operational effectiveness and assessments of internal control.

11 Depreciation, amortisation and impairment of tangible and intangible assets

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Depreciation of tangible assets	–271	–410	–106	–165
Depreciation of equipment leased to clients[1]			–4,704	–4,598
Amortisation of intangible assets	–489	–559	–410	–600
Impairment of tangible assets	–3	–1		
Impairment of intangible assets		–17		
Impairment of goodwill	–5,334		–200	
Retirement and disposal of intangible assets	–399	–24	–355	–84
TOTAL	**–6,496**	**–1,011**	**–5,775**	**–5,447**

1) In the Group Net income from leases is classified as interest income. In the parent company depreciation of leased equipment is reported as Depreciation, amortisation and impairment of tangible and intangible assets.

12 Gains less losses tangible and intangible assets

	Group	
	2016	**2015**
Properties	94	77
Other tangible assets	16	7
Gains	**110**	**84**
Properties	–254	–295
Other tangible assets	–6	–2
Losses	**–260**	**–297**
TOTAL	**–150**	**–213**

13 Net credit losses

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Provisions:				
Net collective provisions for individually assessed loans	–218	74	–202	–165
Net collective provisions for portfolio assessed loans	260	362	14	
Specific provisions	–734	–1,058	–407	–481
Reversal of specific provisions no longer required	338	507	102	362
Net provisions for contingent liabilities	43	3	21	
Net provisions	**–311**	**–112**	**–472**	**–284**
Write-offs:				
Total write-offs	–1,480	–2,256	–471	–1,031
Reversal of specific provisions utilized for write-offs	584	1,301	60	723
Write-offs not previously provided for	–896	–955	–411	–308
Recovered from previous write-offs	214	184	94	72
Net write-offs	**–682**	**–771**	**–317**	**–236**
TOTAL	**–993**	**–883**	**–789**	**–520**

14 Appropriations

	Parent company	
	2016	2015
Compensation from pension funds, pension disbursements		673
Pension disbursements		−670
Pension compensation		**3**
Group contribution	732	1,141
Accelerated tax depreciation	1,705	−363
Appropriations	**2,437**	**778**
TOTAL	**2,437**	**781**

15 Taxes

Major components of tax expense	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Current tax	−4,052	−3,997	−2,877	−3,679
Deferred tax	−161	−176		
Tax for current year	−4,213	−4,173	−2,877	−3,679
Current tax for previous years	−36	−111	137	−138
INCOME TAX EXPENSE	**−4,249**	**−4,284**	**−2,740**	**−3,817**

Relationship between tax expenses and accounting profit

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Net profit	10,618	16,581	14,378	18,045
Income tax expense	4,249	4,284	2,740	3,817
Accounting profit before tax	**14,867**	**20,865**	**17,118**	**21,862**
Current tax at Swedish statutory rate of 22.0 per cent	−3,271	−4,590	−3,766	−4,810
Tax effect relating to other tax rates in other jurisdictions	246	83		
Tax effect relating to not tax deductible expenses	−1,422	−727	−990	−782
Tax effect relating to non taxable income	464	797	1,879	1,913
Tax effect relating to a previously recognised tax loss, tax credit or temporary difference	476	55		
Tax effect relating to a previously unrecognised tax loss, tax credit or temporary difference	−545	385		
Current tax	**−4,052**	**−3,997**	**−2,877**	**−3,679**
Tax effect relating to origin and reversal of tax losses, tax credits and temporary differences	−475	−56		
Tax effect relating to changes in tax rates or the imposition of new taxes		4		
Tax effect relating to a previously unrecognised tax loss, tax credit or temporary difference	314	−138		
Tax effect relating to impairment or reversal of previous impairments of a deferred tax asset		14		
Deferred tax	**−161**	**−176**		
Current tax for previous years	**−36**	**−111**	**137**	**−138**
INCOME TAX EXPENSE [1]	**−4,249**	**−4,284**	**−2,740**	**−3,817**

1) Total income tax expense was SEK 4,249m (4,284). The effective tax rate for the year was 28.5 per cent (20.5). Excluding the items that affect comparability, the effective tax rate was 21 per cent. This was in line with SEB's expected tax rate.

Deferred tax income and expense recognised in income statement

	Group 2016	Group 2015
Accelerated tax depreciation	300	−88
Pension plan assets, net	−163	145
Tax losses carry forwards	−322	−73
Other temporary differences	24	−95
TOTAL	**−161**	**−111**

Deferred tax assets and liabilities, where the change is not reported as a change in deferred tax, amount to SEK 125m (7) and is explained by a currency translation effect.

Note 15 continued Taxes

Current tax assets

	Group		Parent company	
	2016	2015	**2016**	2015
Other	5,976	6,966	2,990	1,643
Recognised in profit and loss	**5,976**	**6,966**	**2,990**	**1,643**
Other	2			
Recognised in Shareholders' equity	**2**			
TOTAL	**5,978**	**6,966**	**2,990**	**1,643**

Deferred tax assets

	Group 2016	Group 2015
Tax losses carry forwards	208	530
Pension plan assets, net	1	–16
Other temporary differences[1]	271	436
Recognised in profit and loss	**480**	**950**
Pension plan assets, net	853	730
Unrealised losses in available-for-sale financial assets	–4	–164
Recognised in Shareholders' equity	**849**	**566**
TOTAL	**1,329**	**1,516**

1) Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Taxable temporary differences give rise to deferred tax assets and liabilities.

Deferred tax assets on tax losses carried forward relates mainly to the Baltic countries and are based on SEB's assessment of future earnings in respective entity.

Tax losses carried forward in the SEB Group for which the tax assets are not recognised in the balance sheet amount to SEK 4,537m (3,545) gross. These are not recognised due to the uncertainty in the possibility to use them. This includes losses where the amount can only be used for trade tax. The potential tax asset not recognised is SEK 920m (626).

All losses carried forward are without time limit.

Current tax liabilities

	Group		Parent company	
	2016	2015	**2016**	2015
Other	2,184	2,082	694	584
Recognised in profit and loss	**2,184**	**2,082**	**694**	**584**
Group contributions			161	251
Recognised in Shareholders' equity			**161**	**251**
TOTAL	**2,184**	**2,082**	**855**	**835**

Deferred tax liabilities

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Accelerated tax depreciation	6,525	6,825		
Unrealised profits in financial assets at fair value	23	30		
Pension plan assets and obligations, net	–32	–212		
Other temporary differences[1]	293	350		
Recognised in profit and loss	**6,809**	**6,993**		
Pension plan assets and obligations, net	44	1,446		
Unrealised profits in cash flow hedges	1,526	905	677	906
Unrealised profits in available-for-sale financial assets	95	124		
Recognised in Shareholders' equity	**1,665**	**2,475**	**677**	**906**
TOTAL	**8,474**	**9,468**	**677**	**906**

1) Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Taxable temporary differences give rise to deferred tax assets and liabilities.

In Estonia no income tax is paid unless profit is distributed as dividend. No deferred tax liability is recognised related to possible future tax costs on dividends from Estonia. The tax rate applicable to dividends is 20 per cent (20).

16 Earnings per share

	Group	
	2016	**2015**
Net profit attributable to shareholders, SEKm	10,618	16,581
Weighted average number of shares, millions	2,178	2,191
Basic earnings per share, SEK	4.88	7.57
Net profit attributable to shareholders, SEKm	10,618	16,581
Weighted average number of diluted shares, millions	2,188	2,203
Diluted earnings per share, SEK	4.85	7.53
Dilution[1)]		
Weighted average number of shares, millions	2,178	2,191
Adjustment for diluted weighted average number of additional Class A-shares, millions	10	12
Weighted average number of diluted shares, millions	2,188	2,203

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

17 Risk disclosures

SEB's profitability is directly dependent upon its ability to evaluate, manage and price the risks encountered, while maintaining an adequate capitalisation and liquidity to meet unforeseen events. Risk and capital-related issues are identified, monitored and managed at an early stage in order to secure the Group's financial stability. Risk and capital management is an integral part of the long-term strategic planning and business planning processes.

▶▶ *Further information about SEB's risk, liquidity and capital management is available on pages 40–45, notes 19–20 and in SEB's report under Pillar 3: Capital Adequacy and Risk Management Report (available on www.sebgroup.com).*

17 a Credit risk

Definition

Credit risk is the risk of loss due to the failure of an obligor to fulfil its obligations towards SEB. The definition also comprises counterparty risk derived from the trading operations, country risk and settlement risk. Credit concentration risk is also considered.

The predominant risk in SEB is credit risk, which arises through the lending activities and commitments to customers, including corporates, financial institutions, public sector entities and private individuals. In addition to the credit portfolio, SEB's credit exposure consists of debt instruments and repos.

Risk management

Credit policy and approval process

The main principle in SEB's credit policy is that all lending is based on credit analysis and is proportionate to the customer's cash flow and ability to repay. The customer shall be known by the bank and the purpose of the loan shall be fully understood.

A credit approval is based on an evaluation of the customer's creditworthiness and type of credit. Relevant factors include the customer's current and anticipated financial position and protection provided by covenants and collateral. A credit approval takes the proposed transaction into account as well as the customer's total business with the bank. The process differs depending on the type of customer (e.g., retail, corporate or institutional), risk level, and size and type of transaction. Independent and professional credit analysis is particularly important for large corporate customers. For households and small businesses, the credit approval is often based on credit scoring systems. Every credit decision of significance requires approval from an independent credit officer.

Credit decision-making is based on a hierarchical structure, with the Group Risk Committee being the highest credit granting body, subject to limited exceptions. Below the Group Risk Committee are Divisional Credit Committees and, in turn, local credit committees depending on the location of the customer, with small approval authorities for certain specified bank officers. The approval mandates for each level are set on a risk adjusted basis using both quantitative and qualitative criteria.

SEB's credit policies reflect the Group's approach to sustainability as described in the Corporate Sustainability Policy, the Environmental Policy and the Credit Policy on Corporate Sustainability. Position statements on climate change, child labour and access to fresh water as well as a number of industry sector policies shall be considered in the credit granting process and are also used in customer dialogues.

Limits and monitoring

To manage the credit risk for individual customers or customer groups, a limit is established that reflects the maximum exposure that SEB is willing to accept. Limits are also established for total exposure in countries in certain risk classes, certain customer segments and for settlement risks in the trading operations.

SEB continuously reviews the quality of its credit exposures. All total limits and risk classes are reviewed at least annually by a credit approval body (a credit committee consisting of at least two bank officers as authorised by the Group's Credit Instruction, adopted by the Board). Weak or impaired exposures are subject to more frequent reviews. The objective is to identify at an early stage credit exposures with an elevated risk of loss and to work together with the customer towards a solution that enables the customer to meet its financial obligations and SEB to avoid or reduce credit losses.

Loans where the contractual terms have been amended in favour of the customer due to financial difficulties are referred to as forborne loans. Forbearance measures range from amortisation holidays (the most common measure) to refinancing with new terms and debt forgiveness. Changes in contractual terms may be so significant that the loan can also be considered impaired. A relevant credit approval body shall approve the forbearance measures as well as the classification of the loan as being forborne or not.

In its core markets, SEB maintains local workout teams that are engaged in problem exposures. These are supported by a global workout function with overall responsibility for managing problem exposures.

Impairment provisioning process

Provisions are made for probable credit losses on individually assessed loans and for portfolio assessed loans. Loans to corporate, real estate and institutional counterparties are primarily individually assessed and specific provisions are made for identified impaired loans (individually assessed impaired loans).

Loans that have not been deemed to be impaired on an individual basis and which have similar credit risk characteristics are grouped together and assessed collectively for impairment. Valuations of loans to private individuals and small businesses are to a large extent made on a portfolio basis (portfolio assessed loans). ▶▶ *For a further description of the different categories of impaired loans, refer to note 1 and note 19.*

Risk mitigation

SEB reduces risk in its credit portfolio through a number of credit risk mitigation techiques. The method used depends on its suitability for the product and the customer in question, its legal enforceability, and on SEB's experience and capacity to manage and control the particular technique. The most important credit risk mitigation techniques are collateral pledges, guarantees and netting agreements. The most common types of pledges are real estate, floating charges and financial securities. In the trading operations, daily margin arrangements are frequently used to mitigate net open counterparty exposures at any point in time. For large corporate customers, credit risk is often mitigated by the use of covenants.

Credit portfolio analysis and stress tests

The risk organisation regularly reviews and assesses the aggregate credit portfolio based on industry, geography, risk class, product type, size and other parameters. Risk concentrations in geographic and industry sectors as well as in large single names are thoroughly analysed, both in respect of direct and indirect exposures and

Note 17 a continued Credit risk

in the form of collateral, guarantees and credit derivatives. As of year-end, the 20 largest corporate exposures (including property management) corresponded to 86 per cent of the capital base (87).

Stress tests of the credit portfolio, including reverse stress tests, are performed regularly as a part of SEB's annual internal capital adequacy assessment process. Specific analyses and stress tests of certain sectors or sub-portfolios are performed as required.

Risk measurement
Credit risk is measured for all exposures, both in the banking book and the trading book. An internal ratings-based (IRB) risk classification system approved by the regulator is used for the majority of the bank's portfolios and reflects the risk of default on payment obligations. SEB received approval for a significant amendment of its risk classification system for the non-retail portfolio in the parent company at the end of 2015 and in SEB AG in 2016. The approval for SEB's Baltic subsidiaries is still pending.

The risk classification system contains specific rating tools and PD (probability of default) scales for significant non-retail segments, including large corporates, property management and SMEs. The segments are measured on a scale of 1–16, while the SME portfolios are measured on a scale of 1–12. Defaulted counterparties are given the highest risk class, and the three risk classes prior to default are defined as "watch list". For each risk class scale, SEB makes individual one-year, through-the-cycle probability of default estimates, which are based on up to more than 20 years of internal data, and external data. ▶▶ *The risk distribution of SEB's non-retail credit portfolio (excluding households) is shown on page 104.*

For private individuals and small businesses, SEB uses credit scoring systems to estimate PD for the customer. To achieve greater accuracy, SEB uses different credit scoring models for different regions and product segments, as both data accessibility and customer characteristics normally vary by country and product. PD for the household portfolio is estimated at 0.49 per cent through the cycle.

▶▶ *The risk distribution of the household portfolio is shown on page 104.*

The exposure weighted PD of the total credit portfolio decreased to 0.55 per cent at year-end (0.58).

Counterparty risk in derivative contracts
SEB enters into derivatives contracts primarily to support customers in the management of their financial exposures. SEB also uses derivatives to protect cash flows and fair values of financial assets and liabilities in its own book from market fluctuations.

Counterparty risk in derivative contracts is the risk of a counterparty not living up to its contractual obligations where SEB has a claim on the counterparty. The claim on the counterparty corresponds to a net positive exposure in favour of SEB. Since the market value of a derivative fluctuates during the term to maturity, the uncertainty of future market conditions must be taken into account. The potential future exposure (PFE) is calculated by applying an add-on to current market value. The add-on is generated either through simulation (internal model method) or by applying a standard add-on which is set by a fixed value depending on product type and time to maturity which reflects potential market movements for the specific contract (standardised method).

Counterparty risk in derivative contracts is reduced through the use of close-out netting agreements, where all positive and negative market values under an agreement can be netted at the counterparty level, and through collateral arrangements.

SEB's simulation-based approach for calculating potential future exposure (internal model method) is approved by the Swedish FSA for external capital reporting of counterparty credit risk of repos, interest rate derivatives and FX derivatives in the parent company.

Counterparty risk in derivative contracts also affects the profit and loss through credit/debit valuation adjustments (CVA/DVA) reflecting the credit risk associated with derivative positions. These adjustments depend on market risk factors such as interest rate, foreign exchange rates and credit spreads. There is also an external capital requirement for credit valuation adjustments under Basel III.

Credit exposure by industry

Total credit exposure comprises the Group's credit portfolio (loans, leasing agreements, contingent liabilities and counterparty risks arising from derivative contracts), repos and debt instruments. Exposures are presented before reserves. Interest rate and foreign exchange derivatives and repos are calculated using the internal model method. Other derivatives are reported after netting of market values but before collateral arrangements and include standardised add-ons for potential future exposure. Debt instruments comprise all interest-bearing instruments at nominal amounts, considering credit derivatives and futures. Debt instruments in the Life and Investment Management division are excluded.

	Loans		Contingent liabilities		Derivative instruments[1]		Total	
Group	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Banks	**50,475**	**50,369**	**25,284**	**17,417**	**31,025**	**100,667**	**106,784**	**168,453**
Finance and insurance	65,282	57,838	39,056	33,271	28,715	37,179	**133,053**	**128,288**
Wholesale and retail	56,622	48,792	34,733	31,143	1,618	981	**92,973**	**80,916**
Transportation	26,961	28,038	19,913	19,332	2,226	5,021	**49,100**	**52,391**
Shipping	55,619	50,889	14,322	17,875	2,377	2,504	**72,318**	**71,268**
Business and household services	114,020	85,011	88,171	75,889	4,366	4,387	**206,557**	**165,287**
Construction	12,646	10,797	20,497	15,400	950	692	**34,093**	**26,889**
Manufacturing	87,152	87,143	148,604	138,909	15,390	13,756	**251,146**	**239,808**
Agriculture, forestry and fishing	13,208	11,580	2,213	1,827	407	285	**15,828**	**13,692**
Mining, oil and gas extraction	26,608	22,248	24,554	24,941	3,221	2,686	**54,383**	**49,875**
Electricity, gas and water supply	39,734	41,857	40,643	30,039	5,186	5,863	**85,563**	**77,759**
Other	26,357	24,072	7,171	5,783	734	355	**34,262**	**30,210**
Corporates	**524,209**	**468,265**	**439,877**	**394,409**	**65,190**	**73,709**	**1,029,276**	**936,383**
Commercial real estate management	157,838	142,023	20,160	15,098	7,120	6,509	**185,118**	**163,630**
Residential real estate management	92,199	80,981	9,147	7,125	7,986	5,638	**109,332**	**93,744**
Housing co-operative associations, Sweden	50,119	45,864	3,505	4,022	6	15	**53,630**	**49,901**
Property Management	**300,156**	**268,868**	**32,812**	**26,245**	**15,112**	**12,162**	**348,080**	**307,275**
Public Administration	**30,089**	**40,069**	**24,418**	**31,642**	**7,790**	**5,299**	**62,297**	**77,010**
Household mortgage	482,531	466,682	30,859	25,820			**513,390**	**492,502**
Other	41,331	41,236	41,897	41,616	63	36	**83,291**	**82,888**
Households	**523,862**	**507,918**	**72,756**	**67,436**	**63**	**36**	**596,681**	**575,390**
Credit portfolio	**1,428,791**	**1,335,489**	**595,147**	**537,149**	**119,180**	**191,873**	**2,143,118**	**2,064,511**
Repos							**386**	**1,367**
Debt instruments							**167,969**	**228,612**
TOTAL							**2,311,473**	**2,294,490**

1) The figures are not fully comparable between years due to the implementation of the internal model method for interest and foreign exchange derivatives in the parent company.

Note 17 a continued Credit risk

Credit portfolio by industry and geography [1)]

Total credit portfolio comprises the Group's loans, leasing agreements, contingent liabilities and counterparty risks arising from derivative contracts. Exposures are presented before reserves. Interest rate and foreign exchange derivatives and repos are calculated using the internal model method. Other derivatives are reported after netting of market values but before collateral arrangements and include standardised add-ons for potential future exposure.

Group, 2016	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Banks	**69,802**	**2,701**	**2,869**	**2,798**	**310**	**98**	**350**	**11,748**	**16,108**	**106,784**
Finance and insurance	83,451	968	3,513	1,676	568	11	398	23,937	18,531	**133,053**
Wholesale and retail	43,811	9,380	1,665	784	5,807	2,771	11,986	9,199	7,570	**92,973**
Transportation	26,768	1,770	2,839	1,669	1,085	2,720	2,818	9,219	212	**49,100**
Shipping	61,597	1,285	1,059	163	244	179	1		7,790	**72,318**
Business and household services	144,116	3,754	6,857	801	2,146	2,692	3,129	39,790	3,272	**206,557**
Construction	22,319	852	1,579	614	994	788	1,523	3,231	2,193	**34,093**
Manufacturing	168,255	7,507	4,533	8,620	3,562	2,452	4,889	35,387	15,941	**251,146**
Agriculture, forestry and fishing	9,636	186	5	55	1,801	2,403	1,629	91	22	**15,828**
Mining, oil and gas extraction	46,480	5	5,711	402	1,163	59	129	1	433	**54,383**
Electricity, gas and water supply	43,164	845	1,063	10,046	2,447	1,222	6,635	19,325	816	**85,563**
Other	27,166	979	1,318	886	211	158	187	3,273	84	**34,262**
Corporates	**676,763**	**27,531**	**30,142**	**25,716**	**20,028**	**15,455**	**33,324**	**143,453**	**56,864**	**1,029,276**
Commercial real estate management	128,736	141	2,274	1,775	7,445	4,294	8,695	31,756	2	**185,118**
Residential real estate management	103,397		49			280	5	5,601		**109,332**
Housing co-operative associations, Sweden	53,608								22	**53,630**
Property Management	**285,741**	**141**	**2,323**	**1,775**	**7,445**	**4,574**	**8,700**	**37,357**	**24**	**348,080**
Public Administration	**26,870**	**11**	**698**	**1,340**	**3,753**	**629**	**895**	**28,098**	**3**	**62,297**
Household mortgage	461,221		2,186		18,000	7,039	19,881		5,063	**513,390**
Other	42,880	4,547	23,111	1,993	3,133	2,392	2,445	16	2,774	**83,291**
Households	**504,101**	**4,547**	**25,297**	**1,993**	**21,133**	**9,431**	**22,326**	**16**	**7,837**	**596,681**
TOTAL	**1,563,277**	**34,931**	**61,329**	**33,622**	**52,669**	**30,187**	**65,595**	**220,672**	**80,836**	**2,143,118**

2015	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Banks	**72,019**	**51,151**	**7,801**	**2,659**	**233**	**226**	**933**	**18,885**	**14,546**	**168,453**
Finance and insurance	80,221	1,553	3,314	1,575	310	12	250	19,783	21,270	**128,288**
Wholesale and retail	38,989	5,506	1,395	1,021	4,846	2,394	10,851	9,217	6,697	**80,916**
Transportation	32,546	611	2,981	1,716	1,134	1,598	2,382	9,310	113	**52,391**
Shipping	59,264	1,640	1,332	372	257	126	126	45	8,106	**71,268**
Business and household services	114,950	1,124	5,041	578	2,342	2,434	2,502	33,634	2,682	**165,287**
Construction	16,124	423	1,161	788	1,086	740	1,093	3,563	1,911	**26,889**
Manufacturing	161,363	3,979	3,846	9,962	3,872	2,091	4,862	34,762	15,071	**239,808**
Agriculture, forestry and fishing	8,645	66	5	57	1,666	2,023	1,120	87	23	**13,692**
Mining, oil and gas extraction	42,084	15	5,862	229	1,284	114	27		260	**49,875**
Electricity, gas and water supply	41,689	276	586	9,674	2,484	1,487	4,581	16,043	939	**77,759**
Other	24,005	802	1,290	634	181	166	160	690	2,282	**30,210**
Corporates	**619,880**	**15,995**	**26,813**	**26,606**	**19,462**	**13,185**	**27,954**	**127,134**	**59,354**	**936,383**
Commercial real estate management	110,204	101	1,673	1,298	6,049	3,940	7,933	32,430	2	**163,630**
Residential real estate management	86,139		8			358	6	7,233		**93,744**
Housing co-operative associations, Sweden	49,901									**49,901**
Property Management	**246,244**	**101**	**1,681**	**1,298**	**6,049**	**4,298**	**7,939**	**39,663**	**2**	**307,275**
Public Administration	**22,140**	**9**	**418**	**1,319**	**3,731**	**728**	**1,107**	**46,877**	**681**	**77,010**
Household mortgage	442,960		4,270		15,893	6,606	17,673		5,100	**492,502**
Other	44,866	4,376	21,093	1,949	2,960	2,315	2,277	34	3,018	**82,888**
Households	**487,826**	**4,376**	**25,363**	**1,949**	**18,853**	**8,921**	**19,950**	**34**	**8,118**	**575,390**
TOTAL	**1,448,109**	**71,632**	**62,076**	**33,831**	**48,328**	**27,358**	**57,883**	**232,593**	**82,701**	**2,064,511**

1) The geographical distribution is based on where the loan is booked. Amounts before provisions for credit losses.

Note 17 a continued Credit risk

Credit portfolio by risk class [1)]

Group, 2016			Total, excluding households					Households	
Category	PD Range	S&P/Moody's[2)]	Banks	Corporates	Property Management	Public Admin.	Total	PD Range	
Investment grade	0 < 0.01%	AAA/Aaa	5.7%	0.7%	0.0%	25.9%	**1.9%**		
	0.01 < 0.03%	AA/Aa	46.3%	12.1%	3.5%	60.9%	**14.5%**	0 < 0.2%	**66.1%**
	0.03 < 0.12%	A/A	31.3%	27.4%	18.4%	10.3%	**25.0%**	0.2 < 0.4%	**15.9%**
	0.12 < 0.46%	BBB/Baa	9.7%	36.8%	51.5%	2.4%	**36.8%**	0.4 < 0.6%	**0.3%**
	0.46 < 1.74%	BB/Ba	3.5%	18.0%	24.2%	0.1%	**17.6%**	0.6 < 1%	**10.8%**
	1.74 < 7%	B/B	1.9%	3.3%	1.6%	0.4%	**2.7%**	1 < 5%	**4.4%**
Watch list	7 < 9%	B/B	0.2%	0.7%	0.1%	0.0%	**0.5%**	5 < 10%	**1.0%**
	9 < 22%	CCC/Caa	1.2%	0.5%	0.3%	0.0%	**0.5%**	10 < 30%	**0.7%**
	22 < 100%	C/C	0.1%	0.0%	0.0%	0.0%	**0.0%**	30 < 50%	**0.3%**
Default	100%	D	0.0%	0.5%	0.4%	0.0%	**0.4%**	50 < 100%	**0.5%**
TOTAL			**100%**	**100%**	**100%**	**100%**	**100%**	**TOTAL**	**100%**

2015									
Investment grade	0 < 0.01%	AAA/Aaa	3.5%	0.4%	0.0%	19.2%	**1.7%**		
	0.01 < 0.03%	AA/Aa	43.1%	13.0%	4.5%	71.3%	**17.4%**	0 < 0.2%	**66.8%**
	0.03 < 0.12%	A/A	19.6%	24.0%	16.9%	6.3%	**21.1%**	0.2 < 0.4%	**15.5%**
	0.12 < 0.46%	BBB/Baa	31.2%	39.5%	58.4%	2.3%	**40.5%**	0.4 < 0.6%	**0.2%**
	0.46 < 1.74%	BB/Ba	0.9%	18.2%	16.4%	0.0%	**15.1%**	0.6 < 1%	**10.1%**
	1.74 < 7%	B/B	0.9%	3.6%	2.2%	0.2%	**2.9%**	1 < 5%	**4.8%**
Watch list	7 < 9%	B/B	0.0%	0.0%	0.0%	0.0%	**0.0%**	5 < 10%	**1.0%**
	9 < 22%	CCC/Caa	0.6%	0.6%	0.6%	0.7%	**0.6%**	10 < 30%	**0.7%**
	22 < 100%	C/C	0.2%	0.1%	0.1%	0.0%	**0.1%**	30 < 50%	**0.3%**
Default	100%	D	0.0%	0.6%	0.9%	0.0%	**0.6%**	50 < 100%	**0.6%**
TOTAL			**100%**	**100%**	**100%**	**100%**	**100%**	**TOTAL**	**100%**

1) Compilation is based on credit portfolio including repos. Household exposure based on internal ratings based (IRB) reported exposure in the event of a default (EAD – exposure at default).
2) Estimated link between internal PDs and external ratings based on comparison of historical default outcomes.

Credit portfolio protected by guarantees, credit derivatives and collaterals [1)]

	Group				Parent company			
2016	Credit portfolio	Protection via guarantees and credit derivatives	Protection via pledged collaterals	Of which, financial collaterals	Credit portfolio	Protection via guarantees and credit derivatives	Protection via pledged collaterals	Of which, financial collaterals
Banks	106,784	3,582	9,415	7,793	92,923	1,434	7,461	6,585
Corporates and Property Management	1,377,356	50,102	475,067	30,360	1,080,970	47,719	398,257	28,090
Public Administration	62,297	30,601	611	611	27,273	24,291	7	7
Households	596,681	2,600	501,279	2,891	486,000		448,234	
TOTAL	**2,143,118**	**86,885**	**986,372**	**41,655**	**1,687,166**	**73,444**	**853,959**	**34,682**
2015								
Banks	168,453	4,020	15,259	13,376	105,849	1,766	13,877	12,559
Corporates and Property Management	1,243,658	44,252	429,992	29,013	970,221	42,934	357,491	26,738
Public Administration	77,010	35,413	849	849	22,957	29,482	228	228
Households	575,390	2,673	479,627	2,612	470,152		433,047	33
TOTAL	**2,064,511**	**86,358**	**925,727**	**45,850**	**1,569,179**	**74,182**	**804,643**	**39,558**

1) Only risk mitigation arrangements eligible in capital adequacy reporting are represented in the tables above.

Note 17 a continued Credit risk

Loan portfolio by industry and geography[1]

The loan portfolio comprises the Group's loans and leasing agreements.

2016	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Banks	**29,647**	**271**	**414**	**425**	**260**	**82**	**285**	**7,447**	**11,644**	**50,475**
Finance and insurance	45,506	339	1,006	204	252	10	194	9,344	8,427	**65,282**
Wholesale and retail	26,393	7,878	1,026	664	3,795	1,577	7,729	2,154	5,406	**56,622**
Transportation	13,331	649	2,052	1,499	778	1,668	2,330	4,590	64	**26,961**
Shipping	48,359	7	519	163	240	173	1		6,157	**55,619**
Business and household services	85,926	930	3,032	279	1,927	2,242	2,453	16,615	616	**114,020**
Construction	10,963	233	170	17	380	167	522	187	7	**12,646**
Manufacturing	55,434	2,729	861	3,698	2,330	1,823	3,150	7,487	9,640	**87,152**
Agriculture, forestry and fishing	8,097	15		53	1,683	2,054	1,304		2	**13,208**
Mining, oil and gas extraction	25,146	5	86	402	676	48	51		194	**26,608**
Electricity, gas and water supply	20,655	24	1	8,236	1,329	827	4,112	4,420	130	**39,734**
Other	21,006	937	579	591	188	137	161	2,734	24	**26,357**
Corporates	**360,816**	**13,746**	**9,332**	**15,806**	**13,578**	**10,726**	**22,007**	**47,531**	**30,667**	**524,209**
Commercial real estate management	106,902	11	1,345	451	6,868	4,148	7,893	30,220		**157,838**
Residential real estate management	86,746		41			276	5	5,131		**92,199**
Housing co-operative associations, Sweden	50,097								22	**50,119**
Property Management	**243,745**	**11**	**1,386**	**451**	**6,868**	**4,424**	**7,898**	**35,351**	**22**	**300,156**
Public Administration	**7,573**	**11**	**85**	**1,123**	**1,058**	**393**	**641**	**19,205**		**30,089**
Household mortgage	431,245		2,186		17,596	6,944	19,497		5,063	**482,531**
Other	23,545	2,407	5,907	1,044	2,578	1,835	1,855	15	2,145	**41,331**
Households	**454,790**	**2,407**	**8,093**	**1,044**	**20,174**	**8,779**	**21,352**	**15**	**7,208**	**523,862**
TOTAL	**1,096,571**	**16,446**	**19,310**	**18,849**	**41,938**	**24,404**	**52,183**	**109,549**	**49,541**	**1,428,791**
Reverse repos										**64,438**
Debt instruments reclassified										**15,106**
Reserves										**–4,789**
TOTAL LENDING										**1,503,546**

2015	Sweden	Denmark	Norway	Finland	Estonia	Latvia	Lithuania	Germany	Other	Total
Banks	**20,883**	**3,107**	**278**	**463**	**179**	**211**	**869**	**13,392**	**10,987**	**50,369**
Finance and insurance	41,576	41	791	58	149	10	66	6,397	8,750	**57,838**
Wholesale and retail	24,200	4,654	981	374	2,689	1,458	7,065	2,510	4,861	**48,792**
Transportation	16,548	415	2,091	1,310	828	1,473	1,918	3,397	58	**28,038**
Shipping	43,216	288	683	372	255	123	125	45	5,782	**50,889**
Business and household services	64,418	871	845	154	2,095	2,197	1,374	12,457	600	**85,011**
Construction	8,707	287	104	6	455	190	398	647	3	**10,797**
Manufacturing	55,291	3,061	802	3,205	2,531	1,525	3,093	8,377	9,258	**87,143**
Agriculture, forestry and fishing	7,209	11		37	1,584	1,832	904		3	**11,580**
Mining, oil and gas extraction	21,099	15	100	229	686	92	27			**22,248**
Electricity, gas and water supply	22,833	35	5	7,571	1,426	897	3,831	5,051	208	**41,857**
Other	19,660	769	444	471	163	153	145	583	1,684	**24,072**
Corporates	**324,757**	**10,447**	**6,846**	**13,787**	**12,861**	**9,950**	**18,946**	**39,464**	**31,207**	**468,265**
Commercial real estate management	93,945	6	932	358	5,755	3,850	7,184	29,993		**142,023**
Residential real estate management	73,738		2			313	6	6,922		**80,981**
Housing co-operative associations, Sweden	45,864									**45,864**
Property Management	**213,547**	**6**	**934**	**358**	**5,755**	**4,163**	**7,190**	**36,915**		**268,868**
Public Administration	**5,346**	**9**	**81**	**1,111**	**1,205**	**354**	**789**	**30,493**	**681**	**40,069**
Household mortgage	418,420		3,559		15,683	6,578	17,343		5,099	**466,682**
Other	24,977	2,354	4,798	993	2,402	1,714	1,717	34	2,247	**41,236**
Households	**443,397**	**2,354**	**8,357**	**993**	**18,085**	**8,292**	**19,060**	**34**	**7,346**	**507,918**
TOTAL	**1,007,930**	**15,923**	**16,496**	**16,712**	**38,085**	**22,970**	**46,854**	**120,298**	**50,221**	**1,335,489**
Reverse repos										**60,316**
Debt instruments reclassified										**21,001**
Reserves										**–4,878**
TOTAL LENDING										**1,411,928**

1) The geographical distribution is based on where the loan is booked.

Note 17 a continued Credit risk

Debt instruments

At year-end 2016, SEB's credit exposure in the bond portfolio amounted to SEK 168bn (229). The exposure comprises all interest-bearing instruments at nominal amounts including certain credit derivatives and futures.

Distribution by geography

	Central & local governments		Corporates		Covered bonds		Asset-backed securities		Financials		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Germany	23.8%	20.9%	0.1%	0.1%	0.1%	0.4%	3.6%	0.0%	2.7%	0.1%	**30.3%**	**21.5%**
Sweden	10.3%	25.4%	0.7%	0.3%	16.0%	20.0%	0.0%	0.0%	0.2%	0.4%	**27.2%**	**46.1%**
Denmark	2.7%	0.2%	0.1%	0.2%	9.5%	9.7%	0.0%	0.0%	0.7%	0.3%	**13.0%**	**10.4%**
Norway	3.4%	3.6%	0.1%	0.3%	3.1%	0.0%	0.0%	0.6%	0.9%	0.0%	**7.5%**	**4.5%**
US	7.1%	2.0%	0.0%	0.3%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	**7.3%**	**2.3%**
Luxembourg	3.3%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	0.0%	0.0%	**3.3%**	**4.5%**
Finland	2.8%	0.7%	0.0%	0.1%	0.0%	1.5%	0.0%	0.0%	0.1%	0.7%	**2.9%**	**3.0%**
Netherlands	0.8%	0.5%	0.0%	0.1%	0.5%	0.3%	0.1%	0.1%	0.3%	0.3%	**1.7%**	**1.3%**
Spain	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.4%	0.4%	0.1%	0.1%	**0.5%**	**1.1%**
Ireland	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	**0.1%**	**0.1%**
Italy	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	**0.1%**	**0.2%**
Portugal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	**0.1%**	**0.1%**
Greece	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Europe, other	4.2%	2.6%	0.2%	0.9%	0.0%	0.0%	0.3%	0.5%	0.2%	0.1%	**4.9%**	**4.1%**
Rest of world	1.1%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**1.1%**	**0.8%**
TOTAL	**59.6%**	**58.9%**	**1.2%**	**2.3%**	**29.2%**	**32.5%**	**4.8%**	**4.3%**	**5.2%**	**2.0%**	**100.0%**	**100.0%**

Distribution by rating

	Central & local governments		Corporates		Covered bonds		Asset-backed securities		Financials		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
AAA	38.6%	46.9%	0.1%	0.2%	28.3%	31.7%	3.4%	2.9%	2.6%	0.6%	**73.0%**	**82.3%**
AA	11.4%	6.7%	0.0%	0.0%	0.5%	0.3%	0.1%	0.2%	1.0%	0.1%	**13.0%**	**7.3%**
A	2.7%	2.1%	0.1%	0.3%	0.0%	0.5%	0.7%	0.7%	0.2%	0.5%	**3.7%**	**4.1%**
BBB	0.0%	0.1%	0.4%	0.5%	0.0%	0.0%	0.4%	0.3%	0.1%	0.1%	**0.9%**	**1.0%**
BB/B	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.2%	0.2%	0.0%	0.0%	**0.2%**	**0.3%**
CCC/CC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
No issue rating [1]	6.9%	3.1%	0.6%	1.2%	0.4%	0.0%	0.0%	0.0%	1.3%	0.7%	**9.2%**	**5.0%**
TOTAL	**59.6%**	**58.9%**	**1.2%**	**2.3%**	**29.2%**	**32.5%**	**4.8%**	**4.3%**	**5.2%**	**2.0%**	**100.0%**	**100.0%**

1) Mainly German local governments (Bundesländer).

17 b Market risk

Definition

Market risk is the risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices. Market risk can arise from changes in interest rates, foreign exchange rates, credit spreads, commodity and equity prices, implied volatilities, inflation and market liquidity. A clear distinction is made between market risks related to trading activity, i.e., trading book risks, and structural market and net interest income risks, i.e., banking book risks. Whereas the trading book is under a daily mark-to-market regime, positions in the banking book are typically held at amortised cost.

Risk management

Market risks in the trading book arise from SEB's customer-driven trading activity and in the liquidity portfolio. The trading activity is carried out by the Large Corporates & Financial Institutions division in its capacity as market maker in international foreign exchange, equity and debt capital markets. The liquidity portfolio, which is managed by the treasury function, is part of SEB's liquidity reserve and consists of investments in pledgeable and highly liquid bonds.

Market risk in the banking book arises as a result of balance sheet mismatches in currencies, interest terms and interest rate periods. The treasury function has overall responsibility for managing these risks, which are consolidated centrally.

Market risk also arises in the bank's traditional insurance operations and the defined benefit plans for employees as a result of mismatches between the market value of assets and liabilities. Market risks in the pension obligations and the life insurance business are not included in the market risk figures below. ▶▶ *Refer to note 17 e for information on market risk in the life insurance business.*

The Board of Directors defines how much market risk is acceptable by setting the overall market risk tolerance, risk limits and general instructions. The market risk tolerance and limits are defined for the trading book, banking book and defined benefit plans. The trading book risks are managed at the different trading locations within a comprehensive set of limits in VaR, sensitivities, stop-loss and stress tests. The Group Risk Committee delegates the market risk mandate to the divisions and the treasury function, which in turn further allocate the limits internally.

The risk organisation measures, follows up and reports the market risk taken by the various units within the Group on a daily basis. The risk organisation also independently verifies the valuation of positions held at fair value and calculates the capital buffer for prudent valuation. The risk control function is present in the trading rooms and monitors limit compliance and market prices at closing as well as valuation standards and the introduction of new products. Market risks are reported at least on a monthly basis to the Group Risk Committee and the Board's Risk and Capital Committee.

SEB is exposed to the following market risk types:

Risk type	Defined as the risk of loss or reduced income due to	Source
Interest rate risk	Changes in interest rates	Inherent in all banking business
Credit spread risk	A change in the creditworthiness of an issuer of, for instance, a bond or a credit derivative	Primarily present in the bank's bond holdings
Foreign exchange risk	Variations in the exchange rates	Foreign exchange trading and the bank's operations in various markets
Equity price risk	Variations in equity prices	Market making and customer activity in equities and equity derivatives
Commodity price risk	Variations in commodity prices	Customer-driven activities in commodities
Volatility risk	Changes in implied volatility	Market making and customer activity of options across all asset classes
Inflation	Change in inflation	Bond holdings, value of assets on balance sheet
Market liquidity	Bid-ask spread widenings	Sale of assets or closing of positions
Credit value adjustment[1]	Variations in the counterparty credit risk based on the expected future exposure	OTC derivative contracts

1) Credit value adjustment is fundamentally credit risk, but the exposure is calculated using market risk drivers (interest rate, currency, etc.).

Note 17 b continued Market risk

Risk measurement
When assessing market risk exposure, SEB uses measures that capture losses under normal market conditions as well as measures that focus on extreme market situations. Market risks under normal market circumstances are measured using Value at Risk (VaR) as well as specific measures that are relevant for the various types of risk. These measures are complemented by stress tests and scenario analyses, in which potential losses under extreme market conditions are estimated. Since no measurement method can cover all risks at all times, several approaches are used, and the results are assessed based on judgment and experience.

Value at Risk and Stressed Value at Risk
VaR expresses the maximum potential loss that could arise during a certain time period with a given degree of probability. SEB uses a historical simulation VaR model with a ten-day time horizon and 99 per cent confidence interval to measure, limit and report VaR. The model aggregates market risk exposure for all risk types and covers a wide range of risk factors in all asset classes. SEB also uses a stressed VaR measure, where VaR is calculated for the current portfolio using market data from a historic, turbulent time period covering the Lehman Brothers' default. The VaR model is validated using back-testing analysis.

A limitation of SEB's VaR model is that it uses historical data to estimate potential market changes. As such it may not predict all outcomes, especially in a rapidly changing market. Also, VaR does not take into account any actions to reduce risk as the model assumes that the portfolio is unchanged.

SEB's VaR and stressed VaR models have been approved by the Swedish FSA for calculation of regulatory capital requirements for all the general market risks in the bank's trading book in the parent bank and the subsidiary Skandinaviska Enskilda Banken S.A. in Luxembourg.

Value at Risk

	2016				
Trading Book (99%, ten days)	Min	Max	31 Dec 2016	Average 2016	Average 2015
Interest rate risk	37	120	61	72	95
Credit spread risk	54	44	61	63	66
Foreign exchange rate risk	6	78	9	32	34
Equity price risk	11	56	40	26	29
Commodities risk	9	60	27	22	17
Volatilities risk	10	34	12	17	34
Diversification			–118	–121	–158
TOTAL	**83**	**182**	**92**	**111**	**117**
Banking Book (99%, ten days)					
Interest rate risk	127	336	127	232	189
Credit spread risk	14	82	51	60	97
Foreign exchange rate risk		10	6		1
Equity price risk	29	98	29	58	28
Volatilities risk					
Diversification			–53	–110	–98
TOTAL	**153**	**320**	**160**	**240**	**217**

Stress tests and scenario analysis
Scenario analysis and stress tests are a key part of the risk management framework, complementing the VaR measure. In particular, they test the portfolios using scenarios other than those available in the VaR simulation window, and cover longer time horizons. SEB stresses its portfolios by applying extreme movements in market factors which have been observed in the past (historical scenarios) as well as extreme movements that could potentially happen in the future (hypothetical or forward-looking scenarios). Reverse stress tests are also used for the total trading portfolio as well as for individual divisions and business units, to identify scenarios that would lead to a given significant loss, for instance, the breach of a stop-loss limit. This type of analysis provides management with a view on the potential impact that large market moves in individual risk factors, as well as broader market scenarios, could have on a portfolio. The risk tolerance framework includes limits on different stress test scenarios.

Specific risk measures
VaR and stress tests are complemented by specific risk measures including Delta 1% for interest risk, and single and aggregated FX for currency risk.

In addition, all units that handle risk for financial instruments valued at market are limited by a stop-loss limit. The stop-loss limit indicates the maximum loss a unit can incur before mitigating actions are taken.

CVA/DVA sensitivities

The credit and debit valuation adjustments (CVA/DVA) are sensitive to market movements, in particular to movements in interest rates, credit spreads and foreign exchange rates.

In order to monitor this sensitivity, SEB stresses these asset classes on a regular basis and calculates the impact on the valuation adjustments. This is done by comparing the original CVA/DVA numbers with the stressed CVA/DVA numbers where the current rates and credit spreads have been moved up 100 basis points and where SEK has appreciated 5 per cent to all other currencies compared with the current level.

2016	CVA	DVA	Total
Interest rates + 100bp	180	75	**255**
Credit spreads + 100bp	–928	384	**–544**
SEK + 5%	–22	6	**–16**
2015			
Interest rates + 100bp	169	85	**254**
Credit spreads + 100bp	–798	392	**–406**
SEK + 5%	11		**11**

Note 17 b continued Market risk

Interest rate risk

Interest rate risk refers to the risk that the value of the Group's assets, liabilities and interest-related derivatives will be negatively affected by changes in interest rates or other relevant risk factors.

The majority of the Group's interest rate risks are structural and arise within the banking operations when there is a mismatch between the interest fixing periods of assets and liabilities, including derivatives.

The table below shows the sensitivity to a +100 bp change in the interest rates on the banking and trading book by currency and in different buckets of maturity. This is calculated as the value change for a shift of 1 bp and then scaled up to reflect a 100 bp move.

Interest rate sensitivity in trading book per time buckets

2016	< 3 months	3–12 months	1–2 years	2–5 years	>5 years	Total
EUR	11	–27	–38	164	165	**275**
SEK	23	3	–386	286	172	**98**
USD	–112	–39	16	–17	–53	**–205**
Other	–2	–112	128	–94	–71	**–151**
TOTAL	**–80**	**–175**	**–280**	**339**	**213**	**17**
2015						
EUR	–20	255	38	–11	–1	**261**
SEK	–118	179	–22	97	–65	**71**
USD	–41	–43	–11	17	3	**–75**
Other	14	–158	–196	10	112	**–218**
TOTAL	**–165**	**233**	**–191**	**113**	**49**	**39**

Interest rate sensitivity in banking book per time buckets*

2016	< 3 months	3–12 months	1–2 years	2–5 years	>5 years	Total
EUR	30	–348	191	–382	–3	**–512**
SEK	–249	–722	–74	–524	–239	**–1,808**
USD	80	99	163	25	13	**380**
Other	–26	–57	–13	–44	–5	**–145**
TOTAL	**–165**	**–1 028**	**267**	**–925**	**–234**	**–2,085**
2015						
EUR	–56	–222	–181	–224	267	**–416**
SEK	–665	–172	–399	–505	–143	**–1,884**
USD	209	1	11	32	134	**387**
Other	–58	–12	–5	–28	–7	**–110**
TOTAL	**–570**	**–405**	**–574**	**–725**	**251**	**–2,023**

* by currency SEKm/100 bp

17 c Operational risk

Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems (e.g., breakdown of IT systems, mistakes, fraud, other deficiencies in internal control) or from external events (natural disasters, external crime, etc.). The definition includes compliance, legal and financial reporting, information security, security and venture execution risk, but excludes strategic and reputational risk.

Risk management

Operational risk is inherent in all of SEB's operations and the responsibility to manage operational risks rests with all managers throughout the bank. SEB aims to maintain a sound risk culture with low operational risk and loss level through an effective internal control environment by ensuring a structured and consistent usage of risk mitigating tools and processes.

All new or changed products, processes and/or systems as well as reorganisations are evaluated in a group-common New Product Approval Process (NPAP). The aim is to identify potential operational risks and ensure that proactive measures are taken to protect SEB from entering into unintended risk-taking that cannot be immediately managed by the organisation.

All business units with significant risk embedded in their operations shall regularly complete Risk and Control Self-Assessments (RCSA) according to a group-wide methodology. The assessments are designed to identify and mitigate significant operational risks embedded in SEB's various business and support processes. There is comprehensive participation by each business unit throughout the organisation. The RCSA framework is used to analyse SEB's operational risk profile and help achieve operational excellence and high performance.

SEB ensures that the organisation is prepared to respond to and operate throughout a period of major disruption by identifying critical activities and maintaining updated and tested business continuity plans in a group-wide system for this purpose.

All employees are required to escalate and register risk-related events or incidents so that risks can be properly identified, assessed, monitored, mitigated and reported. SEB uses a group-wide IT application to capture risk events and other operational risk data for analysis.

SEB conducts regular training and education in key areas, including information security, fraud prevention, anti-money laundering, know-your-customer procedures and SEB's Code of Business Conduct. SEB also has a formal whistle-blower procedure that encourages employees to report improprieties and unethical or illegal conduct.

Cybercrime and other organised crime continues to develop and SEB works continuosly to improve processes and controls.

The risk organisation is responsible for measuring and reporting SEB's operational risks. Significant incidents and the risk level, both on Group and divisional/site level, is analysed and reported monthly to the Group Executive Committee, the Group Risk Committee and the Board's Risk and Capital Committee as well as local/divisional management. The total losses from operational incidents in 2016 amounted to SEK 263m (291).

Risk measurement

SEB uses the Advanced Measurement Approach (AMA) to calculate the regulatory capital requirement for operational risk.

17 d Business risk

Definition
Business risk is the risk of lower revenues due to reduced volumes, price pressure or competition. Business risk includes venture decision risk (related to undertakings such as acquisitions, large IT projects, transformations, outsourcing, etc.). Strategic risk is close in nature to business risk, but focuses on large-scale or structural risk factors. Reputational risk is the risk arising from negative perception of SEB or the industry in general.

Risk management
Business, strategic and reputational risks are inherent in doing business. Digitisation of the banking industry is accelerating and new types of competitors are emerging. The extensive new regulatory framework for banking and financial institutions is significantly impacting the industry. Corporate sustainability plays an increasingly important part of a company's reputation. SEB continuously works to mitigate business, strategic and reputational risks in many ways, for example, with regular strategic business reviews, proactive cost management, an agile step-by-step IT development approach, an ambitious corporate sustainability agenda and active dialogues on regulatory matters.

17 e Insurance risk

Definition
Insurance risk in SEB consists of all risk related to the Group's insurance operations. SEB's life insurance operations consist of unit-linked insurance and traditional life insurance. The main risks include market risk, underwriting risk and operational risk.

Market risk in the insurance business is the risk for losses on traditional life insurance policies with guaranteed benefits due to changes in fair value of assets and liabilities. Such changes in fair value can be caused by changes in interest rates, credit spreads, equity prices, property values, exchange rates and implied volatilities.

Underwriting risk pertains to the risk of loss or of negative changes in the value of insurance liabilities (technical provisions) due to inadequate pricing and/or provisioning assumptions. It includes factors such as average mortality, longevity, disability/morbidity (including risks that result from fluctuation in the timing and amount of claim settlements), catastrophe risk (e.g., extreme or irregular events), expense risk and lapse risk (i.e., policyholder behaviour risk).

Risk management and measurement
In unit-linked insurance, the market risk is borne by the policyholder, while the underwriting risk is limited. However, there is an indirect exposure to market risk through the policyholders´ investments, since a significant part of the future income stream of the life insurance business is based on assets under management. Market risk in the traditional life insurance products with guaranteed returns is mitigated through standard market risk hedging schemes and monitored through asset/liability management (ALM) risk measures and stress tests. This is supplemented by market risk tools such as VaR and scenario analysis.

Underwriting risks are controlled through the use of actuarial analysis and stress tests of the existing insurance portfolio. Mortality and disability/morbidity risks are reinsured for large individual claims or for several claims attributable to the same event. Underwriting risk parameters are validated annually. Policyholders within certain traditional life insurance products are free to move their policies from SEB. The utilisation of this option has been very low historically. Nevertheless, to safeguard against unplanned cash outflows the bank maintains sufficient liquid investments. Furthermore, continuous cash flow analysis is conducted to mitigate this risk.

In the traditional products, the difference between asset values and the guaranteed obligations constitutes a buffer which is intended to cover SEB's risk. In the unit-linked business, the profitability for existing and new business is closely monitored, and look-through of funds is implemented to the extent possible for better calculation of capital requirements under the Solvency regime.

The risk organisation is responsible for measuring and controlling the risks inherent in SEB's life insurance operations. Measurement and monitoring of ALM risk measures, VaR, scenario analysis and stress tests are performed on a regular basis for each insurance company. The risk organisation also forms part of the independent risk management function in the respective insurance companies from a Solvency II perspective. Key risks are reported to the Group Risk Committee, the Board's Risk and Capital Committee and to the boards of each insurance company.

Solvency II, the new regulatory framework for insurance companies in the EU, became operational from 1 January 2016. The purpose of Solvency II is to create a harmonised regulatory framework with respect to governance, internal control and capital requirements across Europe. Stress tests conducted during the first year of Solvency II show that SEB's life companies are financially strong and resilient to different stresses. Solvency II calculations are performed at least monthly and the required reporting is submitted to the financial supervisor in each relevant country on a quarterly basis. Solvency figures are closely monitored over time and the outcome has been in line with expectations.

17 f Liquidity risk

Definition
Liquidity risk is the risk that the Group is unable to refinance its existing assets or is unable to meet the demand for additional liquidity. Liquidity risk also entails the risk that the Group is forced to borrow at unfavourable rates or is forced to sell assets at a loss in order to meet its payment commitments.

Liquidity management and risk measurement
The Board of Directors has established a comprehensive framework for managing the bank's liquidity requirements in the short- and long-term. The aim of SEB's liquidity risk management is to ensure that the Group has a controlled liquidity risk situation, with adequate volumes of liquid assets in all relevant currencies to meet its liquidity requirements in all foreseeable circumstances, without incurring substantial cost.

The liquidity risk is managed through the limits set by the Board which are further allocated by the Group Risk Committee. Liquidity limits are set for the Group, branches and specific legal entities, as well as for exposures in certain currencies. The treasury function has the overall responsibility for liquidity management and funding, supported by local treasury centres in the Group's major markets. The risk function regularly measures and reports limit utilisation based on different market conditions and liquidity stress tests to the Group Risk Committee and the Board's Risk and Capital Committee.

Liquidity management and the structuring of the balance sheet from a liquidity point of view are built on three basic perspectives: (i) the structural liquidity perspective, in which stable funding is put in relation to illiquid assets; (ii) the bank's tolerance for short-term stress in the form of a shutdown of the wholesale and interbank funding markets (wholesale funding dependence); and, (iii) the bank's tolerance to a severe stress scenario where, in addition to a shutdown of the funding market, the bank experiences a severe outflow of deposits.

Structural liquidity risk
In order to maintain a sound structural liquidity position, the structure of the liability side should be based on the composition of assets. The more long-term lending and other illiquid assets, the more stable funding is required. In SEB, this is measured as the Core Gap ratio, which is conceptually equivalent to the Basel Committee's Net Stable Funding Ratio (NSFR), i.e., a ratio between stable funding (over 1 year maturity) and illiquid assets (over 1 year maturity). The difference between the internal Core Gap ratio and the external NSFR is that the Core Gap ratio is calculated and parameterised on a more detailed level, based on internal statistics resulting in different weightings of available stable funding and required stable funding.

Wholesale funding dependence
One way of measuring tolerance for deteriorating market conditions is to assess the time that SEB's liquid assets would last if the wholesale and interbank funding markets were closed. This measure, the maturing funding ratio, captures the bank's liquid assets in relation to wholesale funding and net interbank borrowings that come to maturity over the coming months, or as the number of months it would take to deplete the liquid assets in a scenario where all maturing funding must be repaid from liquid assets. Wholesale funding dependence is also measured as the loan to deposit ratio, excluding repos and reclassified debt securities.

Note 17 f continued Liquidity risk

Stressed survival horizon
Severe stress can be modelled by combining assumptions of a wholesale funding market shutdown with assumptions of deposit outflows and drawdowns on commitments, etc. The outcome is captured by the regulatory defined Liquidity Coverage Ratio (LCR) where, in a stressed scenario, modelled net outflows during a 30-day period are related to the amount of total liquid assets. SEB also measures the time it would take for the liquid assets to be depleted in a severely stressed scenario, expressed as the stressed survival horizon. In addition, SEB monitors various rating agencies' survival metrics.

Internal liquidity adequacy assessment process
Liquidity risk is not primarily mitigated by capital. However, there are strong links between a bank's capital and liquidity position. Hence, an internal liquidity adequacy assessment process (ILAAP) complements the ICAAP. The ILAAP is designed to identify potential gaps against SEB's long-term desired level of liquidity adequacy, taking into account that effective liquidity management is a continuous process.

Liquidity reserve [1)]

	2016					2015				
	SEK	EUR	USD	Other	Total	SEK	EUR	USD	Other	Total
Cash and holdings in central banks	61,808	83,837	55,755	16,409	**217,809**	25,136	53,378	46,678	8,459	**133,651**
Deposits in other banks available overnight	242	1,377	2,536	3,601	**7,756**	1,143	2,997	3,963	5,392	**13,495**
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	3,465	35,387	18,902	11,091	**68,845**		28,193	6,962	2,560	**37,715**
Securities issued or guaranteed by municipalities or other public sector entities	5,307	3,347	7,411	171	**16,236**	6,687	18,937	8,650	194	**34,468**
Covered bonds issued by other institutions	52,419	1,274	193	49,731	**103,617**	53,974	4,874	69	64,372	**123,289**
Covered bonds issued by SEB	2,212				**2,212**	1,576	190			**1,766**
Securities issued by non-financial corporations		5,276			**5,276**	51	4,883	458	2	**5,394**
Securities issued by financial corporations (not including covered bonds)		2,923	2,559		**5,482**		1,142	1,003		**2,145**
TOTAL	**125,453**	**133,421**	**87,356**	**81,003**	**427,233**	**88,567**	**114,594**	**67,783**	**80,979**	**351,923**

1) The liquidity reserve is presented in accordance with the template defined by the Swedish Bankers' Association. Assets included in the liquidity reserve should comply with the following: Assets shall be under the control of the Treasury function in the bank, not be encumbered and be pledgeable with central banks. Furthermore, bonds shall have a maximum risk weight of 20% under the standardised approach to credit risk of the Basel II framework and a lowest rating of Aa2/AA–. Assets are disclosed using market values.

Liquidity risk management measures

	2016	2015
Core Gap ratio[1)]	114%	111%
Loan to deposit ratio	143%	146%
Liquidity Coverage Ratio (defined by the Swedish FSA)	168%	128%

1) Core Gap ratio represents the parent company, SEB AG (Germany), SEB Pank AS (Estonia), SEB Banka AS (Latvia) and SEB bankas AB (Lithuania).

Contractual maturities

The following tables present cash flows by remaining contractual maturities at the balance sheet date and applies the earliest date on which the Group can be required to pay regardless of probability assumptions. The cash flows are not discounted.

Derivatives are reported at fair value. Off-balance sheet items such as loan commitments are reported as when the obligation matures.

Note 17 f continued Liquidity risk

Group, 2016

Balance sheet (contractual maturity dates)	Payable on demand	< 3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Insurance[2]	Subtotal	Discount effect	Total
Cash and cash balances with central banks	**151,078**							**151,078**		**151,078**
Loans to central banks	**24**	**66,366**	**289**					**66,679**	**51**	**66,730**
Loans to credit institutions	**5,898**	**29,142**	**7,001**	**6,949**	**993**	**118**	**314**	**50,415**	**112**	**50,527**
of which eligible debt securities			*380*					*380*	*2*	***382***
of which other debt securities										
of which repos		*795*					*117*	*912*	*2*	***914***
General governments	476	1,428	7,385	19,763	4,164	1		33,217	1,613	**34,830**
Households	793	62,012	167,270	258,432	40,261	182		528,950	20,227	**549,177**
Corporates	44,124	161,309	148,752	375,423	101,650	3,211		834,469	34,543	**869,012**
Loans to the public	**45,393**	**224,749**	**323,407**	**653,618**	**146,075**	**3,394**		**1,396,636**	**56,383**	**1,453,019**
of which eligible debt securities				*9,614*	*2,697*			*12,311*	*385*	***12,696***
of which other debt securities		*7*	*7*	*214*	*1,562*			*1,790*	*106*	***1,896***
of which repos		*63,242*						*63,242*	*282*	***63,524***
Debt securities		18,041	16,605	109,411	13,876		76,955	234,888	3,449	**238,337**
of which eligible debt securities		*5,296*	*8,267*	*46,779*	*9,534*		*43,805*	*113,681*	*1,710*	***115,391***
of which other debt securities		*12,008*	*8,328*	*62,577*	*4,323*		*32,587*	*119,823*	*1,739*	***121,562***
Equity instruments						43,436	30,737	74,173		**74,173**
Derivatives		41,208	24,972	50,328	39,429		56,418	212,355		**212,355**
Financial assets – policyholders bearing the risk							295,908	295,908		**295,908**
Financial assets at fair value		**59,249**	**41,577**	**159,739**	**53,305**	**43,436**	**460,018**	**817,324**	**3,449**	**820,773**
Other	**44**	**37,883**	**390**	**1,575**	**178**	**32,079**	**6,341**	**78,490**	**29**	**78,519**
of which other financial assets		*36,717*	*14*	*44*	*52*	*3*	*126*	*36,956*	*29*	***36,985***
Total assets	**202,437**	**417,389**	**372,664**	**821,881**	**200,551**	**79,027**	**466,673**	**2,560,622**	**60,024**	**2,620,646**
of which accrued interest loans						*2,093*		*2,093*		***2,093***
of which accrued interest debt securities						*1,516*		*1,516*		***1,516***
Deposits from central banks and credit institutions	**25,058**	**61,155**	**20,449**	**2,180**	**2,234**		**8,892**	**119,968**	**–104**	**119,864**
of which repos		*737*					*118*	*855*		***855***
General governments	26,590	2,884	1,676	438	4,255			35,843	–113	**35,730**
Households	239,979	29,446	6,214	1,135	2			276,776	–52	**276,724**
Corporates	536,292	64,501	9,111	23,609	16,749			650,262	–688	**649,574**
Deposits and borrowings from the public	**802,861**	**96,831**	**17,001**	**25,182**	**21,006**			**962,881**	**–853**	**962,028**
of which deposits	*369,042*	*69,732*	*6,271*	*2,815*	*9,253*			*457,113*	*–324*	***456,789***
of which borrowing		*1,067*	*9*	*13*	*159*			*1,248*	*–5*	***1,243***
of which repos		*740*						*740*	*–1*	***739***
Liabilities to policyholders							**296,618**	**296,618**		**296,618**
Certificates	47	61,960	62,700	2,826				127,533	–1,058	**126,475**
Covered bonds		1,366	44,857	257,656	36,727			340,606	–13,621	**326,985**
Other bonds[3]		8,519	21,004	181,004	13,141			223,668	–8,248	**215,420**
Debt securities issued	**47**	**71,845**	**128,561**	**441,486**	**49,868**			**691,807**	**–22,927**	**668,880**
Debt securities		155	53	6,270	3,661			10,139	–590	**9,549**
Equity instruments						10,071		10,071		**10,071**
Derivatives		41,687	21,073	41,146	24,203		46,542	174,651		**174,651**
Other liabilities		1,338	1,656	16,378				19,372	–147	**19,225**
Financial liabilities at fair value		**43,180**	**22,782**	**63,794**	**27,864**	**10,071**	**46,542**	**214,233**	**–737**	**213,496**
Other	**97**	**41,826**	**259**	**598**	**2,128**	**20,735**	**112,459**	**178,102**	**–37**	**178,065**
of which other financial liabilities		*38,768*	*54*	*282*	*1,240*	*2*	*76*	*40,422*	*–37*	***40,385***
Subordinated liabilities		**510**			**52,231**			**52,741**	**–12,022**	**40,719**
Equity						**140,976**		**140,976**		**140,976**
Total Liabilities and Equity	**828,063**	**315,347**	**189,052**	**533,240**	**155,331**	**171,782**	**464,511**	**2,657,326**	**–36,680**	**2,620,646**
of which accrued interest deposits and borrowing						*1,971*		*1,971*		***1,971***
of which accrued interest issued securities						*4,772*		*4,772*		***4,772***
Off balance sheet items										
Loan commitments	12,715	116,411	38,625	228,258	23,420			419,429		**419,429**
Acceptances and other financial facilities		49,228	26,064	15,771	20,436	39		111,538		**111,538**
Operating lease commitments	109	286	441	912	44			1,792		**1,792**
Total liabilities, equity and off-balance sheet items	**840,887**	**481,272**	**254,182**	**778,181**	**199,231**	**171,821**	**464,511**	**3,190,085**	**–36,680**	**3,153,405**

Note 17 f continued Liquidity risk

Group, 2015

Balance sheet (contractual maturity dates)	Payable on demand	< 3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Insurance[2]	Subtotal	Discount effect	Total
Cash and cash balances with central banks	**101,429**							**101,429**		**101,429**
Loans to central banks	**20**	**32,053**	**123**					**32,196**	**26**	**32,222**
Loans to credit institutions	**10,095**	**28,038**	**8,014**	**7,746**	**1,328**		**3,188**	**58,409**	**133**	**58,542**
of which eligible debt securities		*1,046*		*357*				*1,403*	*12*	***1,415***
of which other debt securities	*95*		*1,281*					*1,376*	*10*	***1,386***
of which repos		*1,754*						*1,754*	*1*	***1,755***
General governments	5,129	3,796	11,093	17,953	7,022			44,993	2,211	**47,204**
Households	721	67,434	143,604	261,702	35,434			508,895	21,447	**530,342**
Corporates	41,159	159,950	142,936	311,085	87,999			743,129	32,711	**775,840**
Loans to the public	**47,009**	**231,180**	**297,633**	**590,740**	**130,455**			**1,297,017**	**56,369**	**1,353,386**
of which eligible debt securities		*432*	*1,368*	*5,663*	*5,736*			*13,199*	*612*	***13,811***
of which other debt securities		*7*	*196*	*717*	*2,965*			*3,885*	*253*	***4,138***
of which repos		*58,274*	*1*					*58,275*	*285*	***58,560***
Debt securities		59,852	21,240	111,647	14,343		67,452	274,534	4,408	**278,942**
of which eligible debt securities		*49,495*	*4,432*	*30,189*	*6,544*		*38,992*	*129,652*	*1,480*	***131,132***
of which other debt securities		*9,366*	*16,800*	*81,319*	*7,757*		*27,879*	*143,121*	*2,928*	***146,049***
Equity instruments						82,058	16,149	98,207		**98,207**
Derivatives		45,396	20,982	59,919	51,504		37,750	215,551		**215,551**
Financial assets – policyholders bearing the risk							271,613	271,613		**271,613**
Financial assets at fair value		**105,248**	**42,222**	**171,566**	**65,847**	**82,058**	**392,964**	**859,905**	**4,408**	**864,313**
Other		**36,637**	**74**	**1,551**	**136**	**26,867**	**20,778**	**86,043**	**29**	**86,072**
of which other financial assets		*35,336*	*10*	*73*	*19*	*10*	*113*	*35,561*	*29*	***35,590***
Total assets	**158,553**	**433,156**	**348,066**	**771,603**	**197,766**	**108,925**	**416,930**	**2,434,999**	**60,965**	**2,495,964**
of which accrued interest loans						*1,895*		*1,895*		***1,895***
of which accrued interest debt securities						*2,011*		*2,011*		***2,011***
Deposits from central banks and credit institutions	**30,419**	**54,186**	**27,979**	**2,303**	**2,641**		**1,103**	**118,631**	**–125**	**118,506**
of which repos		*1,569*					*877*	*2,446*	*–1*	***2,445***
General governments	17,456	5,197	1,953	189	4,736			29,531	–139	**29,392**
Households	217,057	34,859	8,175	1,499	4			261,594	–72	**261,522**
Corporates	452,066	83,953	11,799	28,136	17,777			593,731	–860	**592,871**
Deposits and borrowings from the public	**686,579**	**124,009**	**21,927**	**29,824**	**22,517**			**884,856**	**–1,071**	**883,785**
of which deposits	*303,497*	*87,287*	*9,666*	*2,817*	*9,664*			*412,931*	*–397*	***412,534***
of which borrowing		*7,501*	*1*	*20*	*185*			*7,707*	*–12*	***7,695***
of which repos		*7,171*						*7,171*	*–7*	***7,164***
Liabilities to policyholders							**271,995**	**271,995**		**271,995**
Certificates		113,283	30,709	2,869	168	45		147,074	–931	**146,143**
Covered bonds		12,536	48,196	226,149	50,382			337,263	–14,216	**323,047**
Other bonds[3]		10,975	18,287	130,654	17,278			177,194	–6,940	**170,254**
Issued securities		**136,794**	**97,192**	**359,672**	**67,828**	**45**		**661,531**	**–22,087**	**639,444**
Debt securities		128	111	5,720	5,222			11,181	–739	**10,442**
Equity instruments						12,927		12,927		**12,927**
Derivatives		47,062	19,572	51,197	36,781		35,427	190,039		**190,039**
Other liabilities		15,757	1,640					17,397	–20	**17,377**
Financial liabilities at fair value		**62,947**	**21,323**	**56,917**	**42,003**	**12,927**	**35,427**	**231,544**	**–759**	**230,785**
Other		**43,096**	**297**	**740**	**1,964**	**25,836**	**105,387**	**177,320**	**–41**	**177,279**
of which other financial liabilities		*39,383*	*94*	*481*	*1,140*	*2*	*87*	*41,187*	*–41*	***41,146***
Subordinated liabilities		**802**			**40,256**			**41,058**	**–9,686**	**31,372**
Equity						**142,798**		**142,798**		**142,798**
Total Liabilities and Equity	**716,998**	**421,834**	**168,718**	**449,456**	**177,209**	**181,606**	**413,912**	**2,529,733**	**–33,769**	**2,495,964**
of which accrued interest deposits and borrowing						*2,330*		*2,330*		***2,330***
of which accrued interest issued securities						*7,256*		*7,256*		***7,256***
Off balance sheet items										
Loan commitments		227,039	25,062	201,840	29,235			483,176		**483,176**
Acceptances and other financial facilities		53,591	30,407	13,851	21,484			119,333		**119,333**
Operating lease commitments		250	863	843	156			2,112		**2,112**
Total liabilities, equity and off-balance sheet items	**716,998**	**702,714**	**225,050**	**665,990**	**228,084**	**181,606**	**413,912**	**3,134,354**	**–33,769**	**3,100,585**

1) Includes items available overnight.
2) The cash flows from insurance assets are monitored on a regular basis in order to be sufficient to meet the cash flows from the insurance liabilities at all times.
3) The Group issues equity index linked bonds, which contains both a liability and an equity component. The Group has chosen to designate issued equity index linked bonds, with fair values amounting to SEK 30,992m (34,774), as at fair value through profit or loss, since they contain embedded derivatives. The corresponding amounts for the parent company are SEK 28,940m (32,315). This choice implies that the entire hybrid contract is measured at fair value through profit or loss. Fair value for those financial instruments is calculated using a valuation technique, exclusively based on quoted market prices. The Group's contractual liability is SEK 28,871m (32,356) and for the parent company SEK 27,111m (30,199). The accumulated impact from reflecting the Group's own credit standing in the fair value measurement amounts to SEK 230m (177), of which SEK –53m (–417) relates to 2016. The corresponding amount for the parent company is SEK 148m (98), of which SEK –50m (–371) relates to 2016.

Note 17 f continued Liquidity risk

Parent company, 2016

Balance sheet (contractual maturity dates)	Payable on demand	< 3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Cash and cash balances with central banks	**70,805**						**70,805**	**−134**	**70,671**
Loans to credit institutions	**21,453**	**173,899**	**34,792**	**57,157**	**205**		**287,506**	**−447**	**287,059**
of which other debt securities									
of which repos		*1,237*					*1,237*	*−1*	***1,236***
General governments	192	491	1,402	7,175	176		9,436	−354	**9,082**
Households	749	48,479	167,027	262,740	12,472		491,467	−15,195	**476,272**
Corporates	46,693	146,375	126,379	320,381	71,977		711,805	−25,064	**686,741**
Loans to the public	**47,634**	**195,345**	**294,808**	**590,296**	**84,625**		**1,212,708**	**−40,613**	**1,172,095**
of which eligible debt securities				*6,992*			*6,992*	*−302*	***6,690***
of which other debt securities				*229*	*1,872*		*2,101*	*−220*	***1,881***
of which repos		*63,809*					*63,809*	*−286*	***63,523***
Debt securities		14,232	12,378	95,325	12,287		134,222	−2,901	**131,321**
of which eligible debt securities		*2,835*	*3,939*	*27,282*	*7,400*		*41,456*	*−1,057*	***40,399***
of which other debt securities		*10,733*	*8,439*	*67,986*	*4,887*		*92,045*	*−1,784*	***90,261***
Equity instruments						93,775	93,775		**93,775**
Derivatives		41,897	25,173	54,028	38,675		159,773		**159,773**
Financial assets at fair value		**56,129**	**37,551**	**149,353**	**50,962**	**93,775**	**387,770**	**−2,901**	**384,869**
Other		**36,507**	**77**	**267**	**585**	**47,714**	**85,150**		**85,150**
of which other financial assets		*36,507*	*77*	*267*	*585*		*37,436*		***37,436***
Total assets	**139,892**	**461,880**	**367,228**	**797,073**	**136,377**	**141,489**	**2,043,939**	**−44,095**	**1,999,844**
of which accrued interest loans						*1,627*	*1,627*		***1,627***
of which accrued interest debt securities						*793*	*793*		***793***
Deposits by credit institutions	**63,648**	**62,763**	**27,022**	**13,539**	**2,326**		**169,298**	**−446**	**168,852**
of which repos		*738*					*738*	*−1*	***737***
General governments	21,110	109	338	229	2,179		23,965	−75	**23,890**
Households	195,909	12,432	1,674	420			210,435	−408	**210,027**
Corporates	481,242	54,574	4,450	2,549	6,971		549,786	−1,119	**548,667**
Deposits and borrowings from the public	**698,261**	**67,115**	**6,462**	**3,198**	**9,150**		**784,186**	**−1,602**	**782,584**
of which deposits	*698,261*	*66,048*	*6,462*	*3,198*	*9,150*		*783,119*	*−1,601*	***781,518***
of which borrowing		*1,066*					*1,066*	*−1*	***1,065***
of which repos		*739*					*739*		***739***
Certificates		61,939	62,704	2,825			127,468	−1,104	**126,364**
Covered bonds		1,366	44,878	255,635	36,682		338,561	−14,123	**324,438**
Other bonds[1]		8,417	20,942	181,042	11,413		221,814	−8,430	**213,384**
Issued securities		**71,722**	**128,524**	**439,502**	**48,095**		**687,843**	**−23,657**	**664,186**
Debt securities		178	29	6,037	3,305		9,549		**9,549**
Equity instruments						10,072	10,072		**10,072**
Derivatives		42,400	21,163	45,391	24,879		133,833		**133,833**
Other liabilities		1,313	1,675	16,236			19,224		**19,224**
Financial liabilities at fair value		**43,891**	**22,867**	**67,664**	**28,184**	**10,072**	**172,678**		**172,678**
Other		**37,845**	**22**			**9,823**	**47,690**		**47,690**
of which other financial liabilities		*37,845*	*22*				*37,867*		***37,867***
Subordinated liabilities		**510**			**54,143**		**54,653**	**−13,934**	**40,719**
Untaxed reserves						**21,761**	**21,761**		**21,761**
Equity						**101,374**	**101,374**		**101,374**
Total Liabilities and Equity	**761,909**	**283,846**	**184,897**	**523,903**	**141,898**	**143,030**	**2,039,483**	**−39,639**	**1,999,844**
of which accrued interest deposits and borrowing						*1,223*	*1,223*		***1,223***
of which accrued interest issued securities						*4,768*	*4,768*		***4,768***
Off balance sheet items									
Loan commitments		43,549	33,522	189,699	19,467		286,237		**286,237**
Acceptances and other financial facilities		38,577	16,968	8,398	10,470		74,413		**74,413**
Total liabilities, equity and off-balance sheet items	**761,909**	**365,972**	**235,387**	**722,000**	**171,835**	**143,030**	**2,400,133**	**−39,639**	**2,360,494**

Note 17 f continued Liquidity risk

Parent company, 2015

Balance sheet (contractual maturity dates)	Payable on demand	< 3 months[1]	3–12 months	1–5 years	>5 years	Not distributed	Subtotal	Discount effect	Total
Cash and cash balances with central banks	**55,857**						**55,857**	**–145**	**55,712**
Loans to credit institutions	**22,065**	**65,167**	**26,608**	**52,805**	**116**		**166,761**	**–494**	**166,267**
of which other debt securities	*95*		*1,294*				*1,389*	*–3*	***1,386***
of which repos		*1,439*					*1,439*	*–1*	***1,438***
General governments	177	905	2,389	4,981	2,691		11,143	–589	**10,554**
Households	674	53,743	144,060	269,468	10,738		478,683	–15,929	**462,754**
Corporates	42,342	142,443	113,298	265,689	66,491		630,263	–23,133	**607,130**
Loans to the public	**43,193**	**197,091**	**259,747**	**540,138**	**79,920**		**1,120,089**	**–39,651**	**1,080,438**
of which eligible debt securities			*1,399*	*4,336*	*2,608*		*8,343*	*–527*	***7,816***
of which other debt securities			*194*	*757*	*3,628*		*4,579*	*–468*	***4,111***
of which repos		*58,836*					*58,836*	*–281*	***58,555***
Debt securities		57,770	20,157	97,449	11,813		187,189	–4,955	**182,234**
of which eligible debt securities		*47,836*	*3,415*	*19,823*	*5,101*		*76,175*	*–1,383*	***74,792***
of which other debt securities		*8,952*	*16,743*	*77,626*	*6,712*		*110,033*	*–3,570*	***106,463***
Equity instruments						117,464	117,464		**117,464**
Derivatives		45,894	21,024	59,850	54,238		181,006		**181,006**
Financial assets at fair value		**103,664**	**41,181**	**157,299**	**66,051**	**117,464**	**485,659**	**–4,955**	**480,704**
Other		**35,049**	**278**	**469**	**208**	**47,480**	**83,484**		**83,484**
of which other financial assets		*35,049*	*278*	*469*	*208*		*36,004*		***36,004***
Total assets	**121,115**	**400,971**	**327,814**	**750,711**	**146,295**	**164,944**	**1,911,850**	**–45,245**	**1,866,605**
of which accrued interest loans						*1,482*	*1,482*		***1,482***
of which accrued interest debt securities						*1,161*	*1,161*		***1,161***
Deposits by credit institutions	**34,253**	**55,666**	**30,024**	**10,180**	**5,032**		**135,155**	**–339**	**134,816**
of which repos		*1,569*					*1,569*	*–1*	***1,568***
General governments	7,097	487	951	83	2,455		11,073	–53	**11,020**
Households	177,306	19,896	3,136	507			200,845	–389	**200,456**
Corporates	392,036	72,649	5,449	2,580	7,095		479,809	–984	**478,825**
Deposits and borrowings from the public	**576,439**	**93,032**	**9,536**	**3,170**	**9,550**		**691,727**	**–1,426**	**690,301**
of which deposits	*576,439*	*85,537*	*9,536*	*3,170*	*9,550*		*684,232*	*–1,423*	***682,809***
of which borrowing		*7,496*					*7,496*	*–4*	***7,492***
of which repos		*7,168*					*7,168*	*–4*	***7,164***
Certificates		113,437	30,718	2,871	175		147,201	–1,315	**145,886**
Covered bonds		12,102	46,977	227,281	52,235		338,595	–19,885	**318,710**
Other bonds[2]		10,919	18,155	132,395	15,871		177,340	–9,533	**167,807**
Issued securities		**136,458**	**95,850**	**362,547**	**68,281**		**663,136**	**–30,733**	**632,403**
Debt securities		127	109	5,340	4,703		10,279		**10,279**
Equity instruments						12,831	12,831		**12,831**
Derivatives		49,096	19,694	52,404	41,110		162,304		**162,304**
Other liabilities		15,742	1,635				17,377		**17,377**
Financial liabilities at fair value		**64,965**	**21,438**	**57,744**	**45,813**	**12,831**	**202,791**		**202,791**
Other		**39,028**	**17**	**9**		**14,622**	**53,676**		**53,676**
of which other financial liabilities		*39,028*	*17*	*9*			*39,054*		***39,054***
Subordinated liabilities		**802**			**41,317**		**42,119**	**–10,747**	**31,372**
Untaxed reserves						**23,466**	**23,466**		**23,466**
Equity						**97,780**	**97,780**		**97,780**
Total Liabilities and Equity	**610,692**	**389,951**	**156,865**	**433,650**	**169,993**	**148,699**	**1,909,850**	**–43,245**	**1,866,605**
of which accrued interest deposits and borrowing						*1,205*	*1,205*		***1,205***
of which accrued interest issued securities						*5,837*	*5,837*		***5,837***
Off balance sheet items									
Loan commitments		140,699	20,687	163,462	26,072		350,920		**350,920**
Acceptances and other financial facilities		43,353	19,425	9,256	14,274		86,308		**86,308**
Total liabilities, equity and off-balance sheet items	**610,692**	**574,003**	**196,977**	**606,368**	**210,339**	**148,699**	**2,347,078**	**–43,245**	**2,303,833**

1) Includes items available overnight.

2) The Group issues equity index linked bonds, which contains both a liability and an equity component. The Group has chosen to designate issued equity index linked bonds, with fair values amounting to SEK 30,992m (34,774), as at fair value through profit or loss, since they contain embedded derivatives. The corresponding amounts for the parent company are SEK 28,940m (32,315). This choice implies that the entire hybrid contract is measured at fair value through profit or loss. Fair value for those financial instruments is calculated using a valuation technique, exclusively based on quoted market prices. The Group's contractual liability is SEK 28,871m (32,356) and for the parent company SEK 27,111m (30,199). The accumulated impact from reflecting the Group's own credit standing in the fair value measurement amounts to SEK 230m (177), of which SEK –53m (–417) relates to 2016. The corresponding amount for the parent company is SEK 148m (98), of which SEK –50m (–371) relates to 2016.

Note 17 f continued Liquidity risk

Average remaining maturity (years)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Loans to credit institutions	0.78	0.78	0.81	1.27
Loans to the public	2.72	2.65	2.36	2.35
Deposits from credit institutions	0.41	0.48	0.83	1.05
Deposits from the public	0.24	0.29	1.32	1.12
Borrowing from the public	1.39	0.36	0.13	0.13
Certificates	0.43	0.29	0.43	0.29
Covered bonds	3.38	3.52	3.37	3.52
Other bonds	3.04	3.20	2.99	3.13

18 Cash and cash equivalents

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Cash	1,957	2,075	156	168
Cash balances at central banks	149,121	99,354	70,515	55,544
Other demand deposits [1]	7,237	9,341	21,261	21,781
TOTAL	**158,315**	**110,770**	**91,932**	**77,493**

1) Balance receivables on demand with credit institutions.

19 Loans

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Loans to credit institutions [1]	50,527	58,542	287,059	166,267
Loans to the public [1]	1,453,019	1,353,386	1,172,095	1,080,438
TOTAL	**1,503,546**	**1,411,928**	**1,459,154**	**1,246,705**

1) Including debt instruments classified as Loans.

Loans

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Performing loans	1,500,692	1,408,779	1,457,416	1,245,585
Individually assessed impaired loans	*5,037*	*4,900*	*3,228*	*2,060*
Portfolio assessed loans, past due > 60 days	*2,597*	*2,922*	*720*	*805*
Portfolio assessed loans, restructured	*9*	*205*		
Non-performing loans	7,643	8,027	3,948	2,865
Loans prior to reserves	**1,508,335**	**1,416,806**	**1,461,364**	**1,248,450**
Specific reserves for individually assessed loans	−1,928	−2,044	−1,044	−775
Collective reserves for individually assessed loans	−1,539	−1,304	−908	−698
Collective reserves for portfolio assessed loans	−1,322	−1,530	−258	−272
Reserves	**−4,789**	**−4,878**	**−2,210**	**−1,745**
TOTAL	**1,503,546**	**1,411,928**	**1,459,154**	**1,246,705**

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Specific and collective reserves	−4,789	−4,878	−2,210	−1,745
Contingent liabilities reserves	−44	−81		−22
TOTAL RESERVES	**−4,833**	**−4,959**	**−2,210**	**−1,767**

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Gross level of impaired loans	0.33%	0.35%	0.22%	0.17%
Net level of impaired loans	0.21%	0.20%	0.15%	0.10%
Specific reserve ratio for individually assessed impaired loans	38.3%	41.7%	32.3%	37.6%
Total reserve ratio for individually assessed impaired loans	68.8%	68.3%	60.5%	71.5%
Reserve ratio for collectively assessed loans	50.7%	48.9%	35.8%	33.8%
NPL coverage ratio	63.2%	61.8%	56.0%	61.7%
NPL per cent of lending	0.5%	0.6%	0.3%	0.2%

Note 19 continued Loans

Loans by category of borrower

Group, 2016	Credit institutions	Corporates	Property Management	Public Administration	Households	Total
Performing loans	50,527	567,810	299,617	34,835	547,903	**1,500,692**
Individually assessed impaired loans		*3,812*	*1,066*		*159*	***5,037***
Portfolio assessed loans, past due > 60 days		*163*			*2,434*	***2,597***
Portfolio assessed loans, restructured					*9*	***9***
Non-performing loans		3,975	1,066		2,602	**7,643**
Loans prior to reserves	**50,527**	**571,785**	**300,683**	**34,835**	**550,505**	**1,508,335**
Specific reserves for individually assessed impaired loans		–1,391	–441		–96	**–1,928**
Collective reserves for individually assessed loans		–1,446	–86	–5	–2	**–1,539**
Collective reserves for portfolio assessed loans		–91			–1,231	**–1,322**
Reserves		**–2,928**	**–527**	**–5**	**–1,329**	**–4,789**
TOTAL	**50,527**	**568,857**	**300,156**	**34,830**	**549,176**	**1,503,546**
2015						
Performing loans	58,548	506,221	267,997	47,211	528,802	**1,408,779**
Individually assessed impaired loans	*1*	*3,065*	*1,657*		*177*	***4,900***
Portfolio assessed loans, past due > 60 days		*229*			*2,693*	***2,922***
Portfolio assessed loans, restructured					*205*	***205***
Non-performing loans	1	3,294	1,657		3,075	**8,027**
Loans prior to reserves	**58,549**	**509,515**	**269,654**	**47,211**	**531,877**	**1,416,806**
Specific reserves for individually assessed impaired loans		–1,243	–696		–105	**–2,044**
Collective reserves for individually assessed loans	–7	–1,192	–90	–8	–7	**–1,304**
Collective reserves for portfolio assessed loans		–107			–1,423	**–1,530**
Reserves	**–7**	**–2,542**	**–786**	**–8**	**–1,535**	**–4,878**
TOTAL	**58,542**	**506,973**	**268,868**	**47,203**	**530,342**	**1,411,928**

Parent company, 2016	Credit institutions	Corporates	Property Management	Public Administration	Households	Total
Performing loans	286,936	440,508	245,092	9,086	475,794	**1,457,416**
Individually assessed impaired loans	*123*	*2,856*	*187*		*62*	***3,228***
Portfolio assessed loans, past due > 60 days					*720*	***720***
Non-performing loans	123	2,856	187		782	**3,948**
Loans prior to reserves	**287,059**	**443,364**	**245,279**	**9,086**	**476,576**	**1,461,364**
Specific reserves for individually assessed impaired loans		–880	–118		–46	**–1,044**
Collective reserves for individually assessed loans		–904		–4		**–908**
Collective reserves for portfolio assessed loans					–258	**–258**
Reserves		**–1,784**	**–118**	**–4**	**–304**	**–2,210**
TOTAL	**287,059**	**441,580**	**245,161**	**9,082**	**476,272**	**1,459,154**
2015						
Performing loans	166,137	403,552	203,127	10,562	462,207	**1,245,585**
Individually assessed impaired loans	*137*	*1,715*	*153*		*55*	***2,060***
Portfolio assessed loans, past due > 60 days					*805*	***805***
Non-performing loans	137	1,715	153		860	**2,865**
Loans prior to reserves	**166,274**	**405,267**	**203,280**	**10,562**	**463,067**	**1,248,450**
Specific reserves for individually assessed impaired loans		–612	–122		–41	**–775**
Collective reserves for individually assessed loans	–7	–682	–5	–4		**–698**
Collective reserves for portfolio assessed loans					–272	**–272**
Reserves	**–7**	**–1,294**	**–127**	**–4**	**–313**	**–1,745**
TOTAL	**166,267**	**403,973**	**203,153**	**10,558**	**462,754**	**1,246,705**

Note 19 continued Loans

Loans by geographical region [1]

Group, 2016	The Nordic region	Germany	The Baltic region	Other	Total
Performing loans	1,218,235	113,641	115,771	53,045	**1,500,692**
Individually assessed impaired loans	*2,967*	*463*	*1,469*	*138*	***5,037***
Portfolio assessed loans, past due > 60 days	*1,310*		*1,287*		***2,597***
Portfolio assessed loans, restructured			*9*		***9***
Non-performing loans	4,277	463	2,765	138	**7,643**
Loans prior to reserves	**1,222,512**	**114,104**	**118,536**	**53,183**	**1,508,335**
Specific reserves for individually assessed impaired loans	−985	−158	−748	−37	**−1,928**
Collective reserves for individually assessed loans	−1,108	−69	−236	−126	**−1,539**
Collective reserves for portfolio assessed loans	−535		−787		**−1,322**
Reserves	**−2,628**	**−227**	**−1,771**	**−163**	**−4,789**
TOTAL	**1,219,884**	**113,877**	**116,765**	**53,020**	**1,503,546**
2015					
Performing loans	1,126,933	126,751	104,654	50,441	**1,408,779**
Individually assessed impaired loans	*1,849*	*910*	*2,067*	*74*	***4,900***
Portfolio assessed loans, past due > 60 days	*1,414*		*1,508*		***2,922***
Portfolio assessed loans, restructured			*205*		***205***
Non-performing loans	3,263	910	3,780	74	**8,027**
Loans prior to reserves	**1,130,196**	**127,661**	**108,434**	**50,515**	**1,416,806**
Specific reserves for individually assessed impaired loans	−696	−357	−963	−28	**−2,044**
Collective reserves for individually assessed loans	−923	−73	−199	−109	**−1,304**
Collective reserves for portfolio assessed loans	−554		−976		**−1,530**
Reserves	**−2,173**	**−430**	**−2,138**	**−137**	**−4,878**
TOTAL	**1,128,023**	**127,231**	**106,296**	**50,378**	**1,411,928**

Parent company, 2016	The Nordic region	Germany	The Baltic region	Other	Total
Performing loans	1,413,794			43,622	**1,457,416**
Individually assessed impaired loans	*2,967*			*261*	***3,228***
Portfolio assessed loans, past due > 60 days	*720*				***720***
Non-performing loans	3,687			261	**3,948**
Loans prior to reserves	**1,417,481**			**43,883**	**1,461,364**
Specific reserves for individually assessed impaired loans	−932			−112	**−1,044**
Collective reserves for individually assessed loans	−783			−125	**−908**
Collective reserves for portfolio assessed loans	−258				**−258**
Reserves	**−1,973**			**−237**	**−2,210**
TOTAL	**1,415,508**			**43,646**	**1,459,154**
2015					
Performing loans	1,205,329			40,256	**1,245,585**
Individually assessed impaired loans	*1,849*			*211*	***2,060***
Portfolio assessed loans, past due > 60 days	*805*				***805***
Non-performing loans	2,654			211	**2,865**
Loans prior to reserves	**1,207,983**			**40,467**	**1,248,450**
Specific reserves for individually assessed impaired loans	−663			−112	**−775**
Collective reserves for individually assessed loans	−589			−109	**−698**
Collective reserves for portfolio assessed loans	−272				**−272**
Reserves	**−1,524**			**−221**	**−1,745**
TOTAL	**1,206,459**			**40,246**	**1,246,705**

1) The geographical distribution is based on where loans are booked.

Note 19 continued Loans

Past due loans that are not impaired

2016	Group Corporates	Group Households	Group Other	Group Total	Parent company Corporates	Parent company Households	Parent company Other	Parent company Total
< 30 days	3,967	1,609	21	**5,597**	2,981	341	1	**3,323**
31 – 60 days	836	671	11	**1,518**	726	414		**1,140**
>60 days[1]	517	286		**803**	213	41		**254**
TOTAL	5,320	2,566	32	**7,918**	3,920	796	1	**4,717**
2015								
< 30 days	3,071	1,764	24	**4,859**	1,602	345	8	**1,955**
31 – 60 days	463	744	1	**1,208**	184	367		**551**
>60 days[1]	411	94	1	**506**	227	13		**240**
TOTAL	**3,945**	**2,602**	**26**	**6,573**	**2,013**	**725**	**8**	**2,746**

1) Excluding portfolio assessed loans past due more than 60 days which are included in previous table.

Reserves, Group

	Loans to credit institutions		Loans to the public		Total	
Specific loan loss reserves [1]	**2016**	2015	**2016**	2015	**2016**	2015
Opening balance	0	–1	–2,044	–2,833	–2,044	–2,834
Reversals for utilisation		1	584	1,300	584	1,301
Provisions			–734	–1,058	–734	–1,058
Reversals			338	507	338	507
Exchange rate differences			–72	40	–72	40
Closing balance	**0**	**0**	**–1,928**	**–2,044**	**–1,928**	**–2,044**

1) Specific reserves for individually appraised loans.

Collective loan loss reserves [2]						
Opening balance	–7	–7	–2,827	–3,316	–2,834	–3,323
Net provisions	7		35	436	42	436
Exchange rate differences		0	–69	53	–69	53
Closing balance	**0**	**–7**	**–2,861**	**–2,827**	**–2,861**	**–2,834**

2) Collective reserves for individually appraised loans, reserves for loans assessed on a portfolio basis and country risk reserves.

Contingent liabilities reserves						
Opening balance			–81	–87	–81	–87
Net provisions			43	3	43	3
Reversal for utilisation			0	5	0	5
Exchange rate differences			–6	–2	–6	–2
Closing balance			**–44**	**–81**	**–44**	**–81**
TOTAL	**0**	**–7**	**–4,833**	**–4,952**	**–4,833**	**–4,959**

Note 19 continued Loans

Reserves, parent company

Specific loan loss reserves [1]	Loans to credit institutions 2016	Loans to credit institutions 2015	Loans to the public 2016	Loans to the public 2015	Total 2016	Total 2015
Opening balance	0	–2	–775	–1,384	–775	–1,386
Reversals for utilisation		2	60	695	60	697
Provisions			–407	–431	–407	–431
Reversals			102	360	102	360
Exchange rate differences			–24	–15	–24	–15
Closing balance	**0**	**0**	**–1,044**	**–775**	**–1,044**	**–775**
1) Specific reserves for individually appraised loans.						
Collective loan loss reserves [2]						
Opening balance	–8	–7	–962	–785	–970	–792
Net provisions	7		–195	–165	–188	–165
Exchange rate differences	1	–1	–9	–12	–8	–13
Closing balance	**0**	**–8**	**–1,166**	**–962**	**–1 166**	**–970**
2) Collective reserves for individually appraised loans, reserves for loans assessed on a portfolio basis and country risk reserves.						
Contingent liabilities reserves						
Opening balance			–22	0	–22	0
Net provisions			22	–22	22	–22
Closing balance			**0**	**–22**	**0**	**–22**
TOTAL	**0**	**–8**	**–2,210**	**–1,759**	**–2 210**	**–1,767**

Forborne loans

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Total forborne loans	11,990	11,980	6,927	5,399
of which performing[1]	6,327	5,096	3,883	2,031

1) According to EBA definition.

20 Capital adequacy

Capital management
SEB takes various types of risks in line with the bank's strategy and business plan. In order to sustain these risks and guarantee SEB's long-term survival, the bank must maintain satisfactory capital strength. At the same time, SEB must balance the trade-off between financial reward and overall risk tolerance. In particular, SEB's capital management balances the following dimensions:

1. regulatory: the minimum capital levels, and the supervisory expectation that banks operate safely above this minimum level, established by the EU directives through Swedish law on capital adequacy,
2. access to debt investors: the capitalisation level required to support a certain rating level in order to reach a debt investor base necessary for conducting SEB's business activities,
3. access to financial products: the capital level required by corporate clients and other counterparties to facilitate the bank's activity in the capital markets, including derivatives and foreign exchange, and
4. optimal return on equity: the balance between the shareholders' expected return on capital and risks taken.

To meet expectations of shareholders, supervisors and market participants, SEB's capitalisation is based on an assessment of all risks incurred in SEB's business, and forward-looking, aligned with long- and short-term business plans and with expected macroeconomic developments. Furthermore, the capitalisation is stress-tested to identify the potential effect of adverse changes to SEB's financial situation.

Internal capital adequacy assessment process
The internal capital adequacy assessment process (ICAAP) encompasses SEB's internal views on material risks and their development as well as risk measurement models, risk governance and risk mitigants. It is linked to overall business planning and establishes a strategy for maintaining appropriate capital levels. Together with continuous monitoring and reporting of the capital adequacy to the Board, this ensures that the relationship between shareholders' equity, economic capital, regulatory and rating-based requirements are managed so that the bank's survival is not jeopardised. Thus, the ICAAP is integrated with SEB's business planning, internal governance framework and internal control systems.

SEB's capital plan covers the strategic planning horizon and projects economic and legal capital requirements, as well as available capital resources and relevant ratios. It is forward-looking, taking into account current and planned business volumes as well as strategic initiatives. The capital plan is stress tested to potential down-turns in the macroeconomic environment, to strategic risk factors identified in the business planning, and to other relevant scenarios. The capital plan is established annually, and updated as needs arise during the year.

Economic capital constitutes an important part of capital adequacy assessment. It is an internal measurement of risk, similar to the rules for capital adequacy in that many of the underlying risk components are the same. The economic capital calculation is based on a confidence level of 99.97 per cent, which is equivalent to the capital requirement for a very high rating. The economic capital or internally assessed capital requirement for SEB Group including insurance risk amounted to SEK 63bn (59).

SEB employs an internal capital allocation framework for measuring return on risk, named business equity. It is similar to regulatory capital models including Pillar 2 requirements and is calibrated with SEB's capital targets.

The regulatory supervisors annually assess SEB and its ICAAP in accordance with the parameters of the Supervisory Review and Evaluation Process (SREP). The assessment covers SEB's capital adequacy, risk measurement models and risk governance, among other things, and in the SREP 2016 it was concluded that SEB is sufficiently capitalised and adequately measures and manages risks.

Regulatory requirements
The requirements have evolved in the last few years, both in terms of which risks that are covered and in terms of the capital base components. The regulatory capital requirements are split in to Pillar 1 (general minimum requirements for all institutions) and Pillar 2 (requirements based on an individual assessment of each institution).

Pillar 1 requirements for CET1 is expressed as a REA ratio requirement and consists of the following components:

i) a legal minimum requirement of 4.5 per cent,
ii) a capital conservation buffer of 2.5 per cent,
iii) a systemic risk buffer of 3.0 per cent, and
iv) countercyclical buffers applied by the regulators in Sweden and Norway, together amounting to around 0.7 per cent for SEB. With effect from March 2017 the countercyclical buffer on Swedish exposures will be increased to 2 per cent.

The total Pillar 1 CET1 capital requirement for SEB is at present 10.7 per cent.

As opposed to Pillar 1, the Pillar 2 requirements for CET1 are not calculated as a percentage of the total REA. As a result, the Pillar 2 requirements, expressed as capital ratio requirements (except the systemic risk requirement), are likely to vary in relation to REA over time. The Pillar 2 requirements consist of the following components:

v) specific own funds requirement for systemic risk ("Systemic risk requirement") expressed as a pure CET1 ratio requirement of 2.0 per cent;
vi) risk weight floor for Swedish residential mortgages. The requirement corresponds to a capital requirement on the difference between REA using a 25 per cent risk weight on residential mortgage loans and actual Pillar 1 REA for these loans (where the risk weight for SEB is around 5 per cent, based on internal models), and
vii) other specific risks. The risks currently identified by the Swedish FSA that apply to all Swedish banks are a) credit concentration risks, b) interest rate risk in the banking book, c) pension risk, d) sovereign credit risk and e) risks related to corporate exposure. In addition to this, SEB-specific requirements for other risks can be added as part of the SREP.

Together with the Pillar 2 CET1 capital requirements SEB's total CET1 capital requirements currently amounts to 16.9 per cent.

Ratio requirement (explicit or implicit)

Pillar 1	CET1	AT1	Tier 2	Total
Minimum requirement	4.5%	1.5%	2.0%	**8.0%**
Capital conservation buffer	2.5%			**2.5%**
Systemic risk buffer	3.0%			**3.0%**
Subtotal	**10.0%**	**1.5%**	**2.0%**	**13.5%**
Countercyclical buffer	0.7%			**0.7%**
TOTAL	**10.7%**	**1.5%**	**2.0%**	**14.2%**

Pillar 2	CET1	AT1	Tier 2	Total
Systemic risk requirement	2.0%			**2.0%**
Mortgage floor	1.9%	0.2%	0.3%	**2.4%**
Credit concentration risk	0.4%	0.0%	0.1%	**0.5%**
Interest rate risk in the banking book	0.4%	0.1%	0.1%	**0.6%**
Pension risk	0.6%	0.1%	0.1%	**0.8%**
Sovereign risk	0.1%	0.0%	0.0%	**0.1%**
Corporate exposures – PD scale	0.4%	0.1%	0.1%	**0.6%**
Corporate exposures – maturity floor	0.4%	0.0%	0.0%	**0.4%**
TOTAL	**6.2%**	**0.5%**	**0.7%**	**7.4%**
Total requirement	**16.9%**	**2.0%**	**2.7%**	**21.6%**

Note 20 continued Capital adequacy

Capital adequacy analysis

	Consolidated situation		Parent company	
	2016	2015	**2016**	2015
Own funds				
Common Equity Tier 1 capital	114,419	107,535	97,144	91,951
Tier 1 capital	129,157	121,391	111,882	105,806
Total own funds	151,491	135,782	134,384	119,472
Own funds requirement				
Risk exposure amount	609,959	570,840	515,826	478,376
Expressed as own funds requirement	48,797	45,667	41,266	38,270
Common Equity Tier 1 capital ratio	18.8%	18.8%	18.8%	19.2%
Tier 1 capital ratio	21.2%	21.3%	21.7%	22.1%
Total capital ratio	24.8%	23.8%	26.1%	25.0%
Own funds in relation to own funds requirement	3.10	2.97	3.26	3.12
Regulatory Common Equity Tier 1 capital requirement including buffer	10.7%	10.5%	7.9%	7.6%
of which capital conservation buffer requirement	*2.5%*	*2.5%*	*2.5%*	*2.5%*
of which systemic risk buffer requirement	*3.0%*	*3.0%*		
of which countercyclical capital buffer requirement	*0.7%*	*0.5%*	*0.9%*	*0.6%*
Common Equity Tier 1 capital available to meet buffer [1)]	14.3%	14.3%	14.3%	14.7%
Transitional floor 80% of capital requirement according to Basel I				
Minimum floor own funds requirement according to Basel I	86,884	79,123	69,864	63,167
Own funds according to Basel I	151,814	135,478	134,158	119,322
Own funds in relation to own funds requirement Basel I	1.75	1.71	1.92	1.89
Leverage ratio				
Exposure measure for leverage ratio calculation	2,549,149	2,463,479		
of which on balance sheet items	*2,120,587*	*2,094,445*		
of which off balance sheet items	*428,562*	*369,034*		
Leverage ratio	5.1%	4.9%		

1) CET1 ratio less minimum capital requirement of 4.5 per cent excluding buffers. In addition to the CET1 requirements there is a total capital requirement of an additional 3.5 per cent.

Own funds

	Consolidated situation		Parent company	
	2016	2015	**2016**	2015
Shareholders' equity	21,942	21,942	21,942	21,942
Retained earnings	65,190	53,458	52,443	42,648
Accumulated other comprehensive income and other reserves	43,226	50,817	31,485	34,055
Independently reviewed profit for the year	10,618	16,581	12,477	17,439
Minority interests				
Total equity according to balance sheet[1)]	**140,976**	**142,798**	**118,347**	**116,084**
Deductions related to the consolidated situation and other foreseeable charges	–14,303	–14,808	–11,929	–11,515
Common Equity Tier 1 capital before regulatory adjustments[2)]	**126,673**	**127,990**	**106,418**	**104,569**
Additional value adjustments	–1,169	–937	–1,136	–866
Intangible assets	–6,835	–11,942	–5,381	–8,145
Deferred tax assets that rely on future profitability	–208	–501		
Fair value reserves related to gains or losses on cash flow hedges	–2,400	–3,210	–2,400	–3,210
Negative amounts resulting from the calculation of expected loss amounts	–381	–571		
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–115	–145	–131	–175
Defined-benefit pension fund assets	–920	–2,927		
Direct and indirect holdings of own CET1 instruments	–191	–179	–191	–179
Securitisation positions with 1.250% risk weight	–35	–43	–35	–43
Total regulatory adjustments to Common Equity Tier 1	**–12,254**	**–20,455**	**–9,274**	**–12,618**
Common Equity Tier 1 capital	**114,419**	**107,535**	**97,144**	**91,951**
Additional Tier I instruments	9,959	9,258	9,959	9,258
Grandfathered additional Tier 1 instruments	4,779	4,598	4,779	4,597
Tier 1 capital	**129,157**	**121,391**	**111,882**	**105,806**
Tier 2 instruments	24,851	16,091	24,850	16,091
Net provisioning amount for IRB-reported exposures	58	875	227	150
Holdings of Tier 2 instruments in financial sector entities	–2,575	–2,575	–2,575	–2,575
Tier 2 capital	**22,334**	**14,391**	**22,502**	**13,666**
TOTAL	**151,491**	**135,782**	**134,384**	**119,472**

1) For parent bank Total equity includes Untaxed reserves net of tax.

2) The Common Equity Tier 1 capital is presented on a consolidated basis, and differs from total equity according to IFRS. The insurance business contribution to equity is excluded and there is a dividend deduction calculated according to Regulation (EU) No 575/2013 (CRR).

Note 20 continued Capital adequacy

Risk exposure amount

Credit risk IRB approach	Consolidated situation 2016 Risk exposure amount	Consolidated situation 2016 Own funds requirement[1]	Consolidated situation 2015 Risk exposure amount	Consolidated situation 2015 Own funds requirement[1]	Parent company 2016 Risk exposure amount	Parent company 2016 Own funds requirement[1]	Parent company 2015 Risk exposure amount	Parent company 2015 Own funds requirement[1]
Exposures to institutions	26,254	2,100	22,701	1,816	23,868	1,909	19,566	1,565
Exposures to corporates	335,413	26,833	307,618	24,609	226,254	18,100	202,710	16,217
Retail exposures	55,617	4,449	53,163	4,253	30,660	2,453	30,533	2,443
of which secured by immovable property	*34,079*	*2,726*	*32,784*	*2,623*	*25,622*	*2,050*	*24,394*	*1,952*
of which qualifying revolving retail exposures			*248*	*20*				
of which retail SME	*4,723*	*378*	*3,255*	*260*				
of which other retail exposures	*16,815*	*1,345*	*16,876*	*1,350*	*5,038*	*403*	*6,139*	*491*
Securitisation positions	3,066	246	4,114	329	2,984	239	3,975	318
Total IRB approach	**420,350**	**33,628**	**387,596**	**31,007**	**283,766**	**22,701**	**256,784**	**20,543**
Credit risk standardised approach								
Exposures to central governments or central banks	1,801	144	1,425	114	333	27	537	43
Exposures to regional governments or local authorities	51	4	51	4				
Exposures to public sector entities	29	2	5					
Exposures to institutions	1,316	105	1,062	85	50,231	4,018	39,884	3,191
Exposures to corporates	16,422	1,314	15,568	1,245	7,428	594	7,994	640
Retail exposures	16,186	1,295	14,821	1,186	12,135	971	10,914	873
Exposures secured by mortgages on immovable property	3,803	304	4,159	333	2,081	166	2,391	191
Exposures in default	384	31	520	42	304	24	442	35
Exposures associated with particularly high risk	1,477	118	1,823	146	1,477	118	1,823	146
Securitisation positions	216	17	208	17				
Exposures in the form of collective investment undertakings (CIU)	66	5	56	4				
Equity exposures	2,119	170	2,182	175	40,807	3,264	40,962	3,277
Other items	8,880	711	6,364	509	6,390	511	3,824	306
Total standardised approach	**52,750**	**4,220**	**48,244**	**3,860**	**121,186**	**9,693**	**108,771**	**8,702**
Market risk								
Trading book exposures where internal models are applied	30,042	2,403	34,233	2,739	29,994	2,399	34,216	2,737
Trading book exposures applying standardised approaches	9,398	752	11,608	929	8,884	711	11,160	893
Foreign exchange rate risk	3,773	302	4,778	382	3,756	301	4,749	380
Total market risk	**43,213**	**3,457**	**50,619**	**4,050**	**42,634**	**3,411**	**50,125**	**4,010**
Other own funds requirements								
Operational risk advanced measurement approach	47,901	3,832	47,804	3,824	33,696	2,697	32,685	2,615
Settlement risk	0	0	1		1	0	1	
Credit value adjustment	7,818	625	6,910	553	6,534	523	5,780	462
Investment in insurance business	16,633	1,331	15,525	1,242	16,633	1,331	15,525	1,242
Other exposures	6,547	524	5,243	419				
Additional risk exposure amount[2]	14,747	1,180	8,898	712	11,376	910	8,705	696
Total other own funds requirements	**93,646**	**7,492**	**84,381**	**6,750**	**68,240**	**5,461**	**62,696**	**5,015**
TOTAL	**609,959**	**48,797**	**570,840**	**45,667**	**515,826**	**41,266**	**478,376**	**38,270**

1) Own fund requirement is 8 per cent of risk exposure amount according to Regulation (EU) No 575/2013 (CRR).
2) Regulation (EU) No 575/2013 (CRR) Article 3.

Average risk-weight

	Consolidated situation 2016	Consolidated situation 2015	Parent company 2016	Parent company 2015
Exposures to institutions	25.1%	24.4%	22.5%	23.5%
Exposures to corporates	31.4%	32.3%	26.6%	27.2%
Retail exposures	9.9%	9.8%	6.6%	6.8%
of which secured by immovable property	*6.9%*	*6.9%*	*5.7%*	*5.6%*
of which qualifying revolving retail exposures		*42.4%*		
of which retail SME	*73.4%*	*62.9%*		
of which other retail exposures	*28.0%*	*28.4%*	*29.2%*	*32.2%*
Securitisation positions	50.6%	46.5%	58.6%	55.5%

The consolidated SEB Group must also comply with capital requirements concerning combined banking and insurance groups, i.e. financial conglomerates. The combined capital requirement for the SEB financial conglomerate was SEK 82.5bn while the own funds amounted to 195.1bn. In these total figures, SEB Life and Pension Holding AB has contributed with Solvency II figures from September 30, 2016.

21 Fair value measurement of assets and liabilities

2016	Group				Parent company			
Assets	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Financial assets – policyholders bearing the risk	275,894	15,589	4,425	**295,908**				
Equity instruments at fair value through profit and loss	49,978	11,445	9,701	**71,124**	35,373	4,782	256	**40,411**
Debt securities at fair value through profit and loss	86,584	117,276	1,779	**205,639**	25,347	96,665		**122,012**
Derivatives – Interest related	1,212	112,133	6,680	**120,025**	1,211	84,128	832	**86,171**
Derivatives – Equity related	192	4,790	7	**4,989**	192	3,536	6	**3,734**
Derivatives – Currency related	1,076	63,980		**65,056**	97	63,047		**63,144**
Derivatives – Credit related		918		**918**		918		**918**
Derivatives – Commodities related		5,805		**5,805**		5,805		**5,805**
Derivatives – Other related	113	241	1,454	**1,808**				
Derivatives – Hedge accounting		13,754		**13,754**				
Equity instruments available-for-sale	172	1,770	611	**2,553**	100	1,735	432	**2,267**
Debt securities available-for-sale	16,310	16,388		**32,698**	6,461	2,848		**9,309**
Non-current assets classified as held for sale		587		**587**				
Investment in associates [1]	181		789	**970**	182		753	**935**
Investment properties			7,401	**7,401**				
TOTAL	**431,712**	**364,676**	**32,847**	**829,235**	**68,963**	**263,464**	**2,279**	**334,706**

Liabilities	Group Level 1	Group Level 2	Group Level 3	Group Total	Parent Level 1	Parent Level 2	Parent Level 3	Parent Total
Liabilities to policyholders – investment contracts	276,666	15,542	4,410	**296,618**				
Equity instruments at fair value through profit and loss	9,798	2	271	**10,071**	9,798	2	271	**10,071**
Debt securities at fair value through profit and loss	7,027	2,522		**9,549**	7,027	2,521		**9,548**
Derivatives – Interest related	1,375	93,804	1,774	**96,953**	1,375	60,451	941	**62,767**
Derivatives – Equity related	91	1,919		**2,010**	91	1,764		**1,855**
Derivatives – Currency related	1,229	63,192		**64,421**	75	61,339		**61,414**
Derivatives – Credit related		1,352		**1,352**		1,352		**1,352**
Derivatives – Commodities related		6,445		**6,445**		6,445		**6,445**
Derivatives – Other related	113	192	1,862	**2,167**				
Derivatives – Hedge accounting		1,303		**1,303**				
Other financial liabilities		19,225		**19,225**		19,225		**19,225**
Debt securities at fair value through profit and loss[2]		30,992		**30,992**		28,940		**28,940**
TOTAL	**296,299**	**236,490**	**8,317**	**541,106**	**18,366**	**182,039**	**1,212**	**201,617**

Note 21 continued Fair value measurement of assets and liabilities

2015	Group				Parent company			
Assets	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Financial assets under pooled schemes and unit-linked investment contracts	255,175	13,831	2,607	**271,613**				
Equity instruments at fair value through profit and loss	75,226	10,290	10,286	**95,802**	58,243	4,394	298	**62,935**
Debt securities at fair value through profit and loss	114,903	127,872	1,204	**243,979**	62,321	109,059		**171,380**
Derivatives – Interest related	1,037	110,843	10,383	**122,263**	1,359	178,728	903	**180,990**
Derivatives – Equity related	391	5,556	91	**6,038**			15	**15**
Derivatives – Currency related	482	59,371		**59,853**				
Derivatives – Credit related		1,199		**1,199**				
Derivatives – Commodities related		9,207		**9,207**				
Derivatives – Other related	151	159	755	**1,065**				
Derivatives – Hedge accounting		15,926		**15,926**				
Equity instruments available-for-sale	128	1,179	648	**1,955**	67	1,153	507	**1,727**
Debt securities available-for-sale	17,886	17,076		**34,962**	6,324	4,530		**10,854**
Non-current assets classified as held for sale		801		**801**				
Investment in associates [1]	211	4	743	**958**	211		712	**923**
Investment properties			7,169	**7,169**				
TOTAL	**465,590**	**373,314**	**33,886**	**872,790**	**128,525**	**297,864**	**2,435**	**428,824**
Liabilities								
Liabilities to policyholders – investment contracts	255,581	13,812	2,602	**271,995**				
Equity instruments at fair value through profit and loss	12,445	37	445	**12,927**	12,349	37	445	**12,831**
Debt securities at fair value through profit and loss	7,025	3,417		**10,442**	6,862	3,417		**10,279**
Derivatives – Interest related	1,150	100,669	10,159	**111,978**	1,452	160,039	813	**162,304**
Derivatives – Equity related	184	4,938		**5,122**				
Derivatives – Currency related	1,049	57,088		**58,137**				
Derivatives – Credit related		1,630		**1,630**				
Derivatives – Commodities related		10,023		**10,023**				
Derivatives – Other related	151	105	1,242	**1,498**				
Derivatives – Hedge accounting		1,650		**1,650**				
Other financial liabilities		17,377		**17,377**		17,377		**17,377**
Debt securities at fair value through profit and loss [2]		34,774		**34,774**		32,315		**32,315**
TOTAL	**277,585**	**245,520**	**14,448**	**537,553**	**20,663**	**213,185**	**1,258**	**235,106**

1) Venture capital activities designated at fair value through profit and loss.
2) Equity index link bonds designated at fair value through profit and loss.

Note 21 continued Fair value measurement of assets and liabilities

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

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

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

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. The objective is to arrive at a price at which a transaction without modification or repackaging would occur in the principal market for the instrument 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 the probability of default is based on generic credit indices for specific industry and/or rating. The impact from these adjustments are shown in Note 6 and Note 17f.

When valuing financial liabilities at fair value own credit standing is reflected. Fair values of financial assets and liabilities by class can be found in note 39.

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

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

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

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

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

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

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

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

Significant transfers and reclassifications between levels
Transfers between levels may occur when there are indications that market conditions have changed, e.g. a change in liquidity. The Valuation/Pricing committe of each relevant division decides on material shifts between levels. The decrease in all levels is mainly due to an decrease in business volumes.

At the end of Q2 2016 Derivative liabilities (European Swaptions), within the insurance holdings, at the amount of SEK 5.3bn have been transferred from Level 3 into Level 2. The availability of market data motivates the transfer.

Note 21 continued Fair value measurement of assets and liabilities

Changes in level 3

Group, 2016 **Assets**	Opening balance	Gain/loss in Income statement[1)2)]	Gain/loss in Other comprehensive income[4)]	Purchases	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3[3)]	Reclassi-fication	Exchange rate differences	Total
Financial assets – policyholders bearing the risk	2,607	–51		3,868	–2,128					129	**4,425**
Equity instruments at fair value through profit and loss	10,286	224		1,631	–2,799			–46		405	**9,701**
Debt securities at fair value through profit and loss	1,204	–130		871	–199			–8		41	**1,779**
Derivatives – Interest related	10,383	–4,292		231	–36	14				380	**6,680**
Derivatives – Equity related	90	–9		1				–74		–1	**7**
Derivatives – Other related	756	732			–73					39	**1,454**
Equity instruments available-for-sale	648	–190	318	81	–217			–52		23	**611**
Investment in associates	743	120		123	–188					–9	**789**
Investment properties	7,169	204		3	–287					312	**7,401**
TOTAL	**33,886**	**–3,392**	**318**	**6,809**	**–5,927**	**14**		**–180**		**1,319**	**32,847**

Liabilities	Opening balance	Gain/loss in Income statement[1)2)]	Gain/loss in Other comprehensive income[4)]	Purchases	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3[3)]	Reclassi-fication	Exchange rate differences	Total
Liabilities to policyholders – investment contracts	2,602	–51		3,854	–2,124					129	**4,410**
Equity instruments at fair value through profit and loss	445	90		–267						3	**271**
Derivatives – Interest related	10,159	–3,388		41		41		–5,299		220	**1,774**
Derivatives – Other related	1,242	541		84	–65					60	**1,862**
TOTAL	**14,448**	**–2,808**		**3,712**	**–2,189**	**41**		**–5,299**		**412**	**8,317**

Group, 2015 **Assets**	Opening balance	Gain/loss in Income statement[1)2)]	Gain/loss in Other comprehensive income[4)]	Purchases	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3[3)]	Reclassi-fication	Exchange rate differences	Total
Financial assets – policyholders bearing the risk	2,067	38		2,100	–1,606		81			–73	**2,607**
Equity instruments at fair value through profit and loss	10,948	–302		2,451	–2,510					–301	**10,286**
Debt securities at fair value through profit and loss	1,198	117		641	–723					–29	**1,204**
Derivatives – Interest related	9,971	598		769	–618	–32				–305	**10,383**
Derivatives – Equity related		–88		178							**90**
Derivatives – Other related		756									**756**
Equity instruments available-for-sale	638	62	–156	69	–217		12		247	–7	**648**
Investment in associates	1,049	51		91	–332			–117		1	**743**
Investment properties	7,497	170		64	–339					–223	**7,169**
TOTAL	**33,368**	**1,402**	**–156**	**6,363**	**–6,345**	**–32**	**93**	**–117**	**247**	**–937**	**33,886**

Liabilities	Opening balance	Gain/loss in Income statement[1)2)]	Gain/loss in Other comprehensive income[4)]	Purchases	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3[3)]	Reclassi-fication	Exchange rate differences	Total
Liabilities to policyholders – investment contracts	2,056	38		2,094	–1,596		81			–71	**2,602**
Equity instruments at fair value through profit and loss	475	90		–114						–6	**445**
Derivatives – Interest related	9,660	13		937	–162	19				–308	**10,159**
Derivatives – Other related		1,247		17	–22						**1,242**
TOTAL	**12,191**	**1,388**		**2,934**	**–1,780**	**19**	**81**			**–385**	**14,448**

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

2) Gains/losses recognised in the income statement relating to instruments held as of 31 December are SEK –321m (746).

3) Issued structured notes have been moved from level 3 to level 2 due to a more granular approach to fair value hierarchy classification and since the unobservable input is not a significant part of the value of these instrument.

4) Fair value gains and losses recognised in other comprehensive income are included as available for sale.

Note 21 continued Fair value measurement of assets and liabilities

Changes in level 3

Parent company, 2016 **Assets**	Opening balance	Gain/loss in Income statement [1) 2)]	Gain/loss in Other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3 [3)]	Reclassification	Exchange rate differences	Total
Equity instruments at fair value through profit and loss	298	96			−148					10	**256**
Derivatives – Interest related	903	−72			−23	15				9	**832**
Derivatives – Equity related	15	−9									**6**
Equity instruments available-for-sale	507	−1	3	29	−71		−52			17	**432**
Investment in associates	712	114		122	−185					−10	**753**
TOTAL	**2,435**	**128**	**3**	**151**	**−427**	**15**	**−52**			**26**	**2,279**
Liabilities											
Equity instruments at fair value through profit and loss	445	90		−267						3	**271**
Derivatives – Interest related	813	87		−8		41				8	**941**
TOTAL	**1,258**	**177**		**−275**		**41**				**11**	**1,212**

Parent company, 2015 **Assets**	Opening balance	Gain/loss in Income statement [1) 2)]	Gain/loss in Other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3 [3)]	Reclassification	Exchange rate differences	Total
Equity instruments at fair value through profit and loss	467	67			−228					−8	**298**
Derivatives – Interest related	1,143	−117			−84	−32				−7	**903**
Derivatives – Equity related				15							**15**
Equity instruments available-for-sale	634	62	−158	69	−217		12		109	−4	**507**
Investment in associates	853	51		88	−169		−113			2	**712**
TOTAL	**3,097**	**63**	**−158**	**172**	**−698**	**−32**	**−101**		**109**	**−17**	**2,435**
Liabilities											
Equity instruments at fair value through profit and loss	475	90		−114						−6	**445**
Derivatives – Interest related	983	−98		−84		19				−7	**813**
TOTAL	**1,458**	**−8**		**−198**		**19**				**−13**	**1,258**

1) Fair value gains and losses recognised in the income statement are included in Net financial income and Net other income.
2) Gains/losses recognised in the income statement relating to instruments held as of 31 December are SEK –322m (–15).
3) Issued structured notes have been moved from level 3 to level 2 due to a more granular approach of fair value hierarchy classification and the unobservable input not being a significant part of the value of these instrument.

Sensitivity of Level 3 financial instruments to unobservable inputs
The table below illustrates the potential profit or loss impact of the relative uncertainty in the fair value of assets and liabilities that for their valuation are dependent on unobservable inputs. The sensitivity to unobservable inputs is assessed by altering the assumptions to the valuation techniques, illustrated below by changes in index-linked swap spreads, implied volatilities, credit spreads or comparator multiples. It is unlikely that all unobservable inputs would be simultaneously at the extremes of their ranges of reasonably possible alternatives. At the end of Q1 2016, basis for calculating sensitivities for Interest Rate Swaptions, within Insurance Holdings – Financial instruments, have changed from stressing the market value to stressing the implied volatility. The largest open market risk within Level 3 financial instruments is found within the insurance business.

	2016				**2015**			
Group	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments AFV [1) 2) 4)]	780	−940	−160	49	919	−813	106	97
Equity instruments AFV [3)]	256	−271	−15		298	−445	−147	
Equity instruments AFS [3) 6)]	432		432	78	507		507	91
Investments in associates [3)]	753		753	151	712		712	142
Insurance holdings – Financial instruments [5) 7)]	18,477	−2,695	15,782	1,807	21,415	−10,595	10,820	1,539
Insurance holdings – Investment properties [6) 7)]	7,401		7,401	740	7,169		7,169	717

1) Sensitivity from a shift of inflation linked swap spreads by 16 basis points (5) and implied volatilities by 5 percentage points (5).
2) Sensitivity from a shift of swap spreads by 5 basis points (5) .
3) Valuation is estimated in a range of reasonable outcomes. Sensitivity analysis is based on 20 per cent (20) shift in market values.
4) Shift in implied volatility down by 10 percentage points (10).
5) Sensitivity analysis is based on a shift in private equity of 20 per cent (20), structured credits 10 per cent (10) and derivative market values of 10 per cent (10).
6) Sensitivity from a shift of investment properties/real estate funds market values of 10 per cent (10).
7) The sensitivity shows changes in the value of the insurance holdings which do not at all times affect the P/L of the Group since any surplus in the traditional life portfolios are consumed first.

22 Financial assets at fair value through profit or loss

	Group		Parent company	
	2016	2015	**2016**	2015
Securities held for trading	162,516	239,906	162,335	234,106
Derivatives held for trading	198,271	199,085	147,124	165,964
Held for trading	**360,787**	**438,991**	**309,459**	**400,070**
Financial assets – policyholders bearing the risk	295,908	271,613		
Financial assets under insurance contracts	107,667	95,506		
Other financial assets at fair value	6,580	4,369	87	209
Designated at fair value through profit or loss	**410,155**	**371,488**	**87**	**209**
Derivatives held for hedging	14,084	16,466	12,649	15,042
TOTAL	**785,026**	**826,945**	**322,195**	**415,321**

The category Financial assets at fair value through profit and loss comprises financial instruments either classified as held for trading or financial assets designated to this category upon initial recognition. These financial assets are recognised at fair value and the value change is recognised through profit and loss.

Securities held for trading

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Equity instruments	40,324	67,538	40,323	62,726
Eligible debt securities[1)]	33,991	68,732	33,811	68,315
Other debt securities[1)]	87,653	102,805	87,653	102,239
Accrued interest	548	831	548	826
TOTAL	**162,516**	**239,906**	**162,335**	**234,106**

1) See note 41 for issuers.

Derivatives held for trading

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Positive replacement values of interest-related derivatives	119,694	121,724	73,523	93,492
Positive replacement values of currency-related derivatives	65,056	59,852	63,144	57,308
Positive replacement values of equity-related derivatives	4,990	6,037	3,734	4,758
Positive replacement values of other derivatives	8,531	11,472	6,723	10,406
TOTAL	**198,271**	**199,085**	**147,124**	**165,964**

Insurance assets at fair value

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Equity instruments	30,712	28,054		
Eligible debt securities[1)]	43,805	38,992		
Other debt securities[1)]	32,587	27,879		
Accrued interest	563	581		
TOTAL	**107,667**	**95,506**		

1) See note 41 for issuers.

Other financial assets at fair value

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Equity instruments	88	209	87	209
Eligible debt securities[1)]	6,169	3,850		
Other debt securities[1)]	301	292		
Accrued interest	22	18		
TOTAL	**6,580**	**4,369**	**87**	**209**

1) See note 41 for issuers.

Derivatives held for hedging

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Fair value hedges	8,777	9,530	8,763	9,492
Cash flow hedges	3,884	5,550	3,884	5,550
Portfolio hedges for interest rate risk	1,423	1,386	2	
TOTAL	**14,084**	**16,466**	**12,649**	**15,042**

To eliminate to the extent possible inconsistency in measurement and accounting the Group has chosen to designate financial assets and financial liabilities, which the unit linked insurance business give rise to, at fair value through profit or loss. This implies that changes in fair value on those investment assets (preferably funds), where the policy-holders bear the risk and the corresponding liabilities, are recognised in profit or loss. Fair value on those assets and liabilities are set by quoted market price in an active market.

23 Available-for-sale financial assets

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Equity instruments at cost	496	413	487	404
Equity instruments at fair value	2,507	1,916	2,256	1,714
Eligible debt securities[1]	31,426	19,558	6,588	6,477
Other debt securities[1]	1,021	15,073	2,608	4,224
Seized shares	46	39	11	13
Accrued interest	251	332	113	153
TOTAL	**35,747**	**37,331**	**12,063**	**12,985**

1) See note 41 for issuers.

Equity instruments measured at cost do not have a quoted market price in an active market. Further, it has not been possible to reliably measure the fair values of those equity instruments. Most of these investments are held for strategic reasons and are not intended to be sold in the near future.

24 Investments in associates

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Strategic investments	229	223	90	78
Venture capital holdings	970	958	935	923
TOTAL	**1,199**	**1,181**	**1,025**	**1,001**

Strategic investments	Assets[1]	Liabilities[1]	Revenues[1]	Profit or loss[1]	Book value	Ownership, %
Bankomat AB, Stockholm	4,341	4,075	809	20	66	20
Bankomatcentralen AB, Stockholm	1				0	28
BDB Bankernas Depå AB, Stockholm	2,035	1,978	85	7	0	20
BGC Holding AB, Stockholm	428	112	789	51	4	33
Getswish AB, Stockholm	92	53	22	–2	19	20
UC AB, Stockholm	274	117	642	63	1	28
Parent company holdings					**90**	
Holdings of subsidiaries					**12**	
Group adjustments					**127**	
GROUP HOLDINGS					**229**	

1) Retrieved from respective Annual report 2015.

Venture capital holdings	2016 Book value	2016 Ownership, %	2015 Book value	2015 Ownership, %
Actiwave, Linköping	4	42	31	37
Airsonett AB, Ängelholm	95	34	80	32
Apica AB, Stockholm	41	20	36	20
Avaj International Holding AB, Stockholm	60	18	39	18
Avidicare Holding AB (former AORIAB Holding AB), Ängelholm	17	38	13	36
Capres A/S, Copenhagen	15	40	35	40
Coinify ApS, Herlev	7	9	0	0
Diakrit International Ltd, Hong Kong	0	0	46	40
Donya Labs AB, Linköping	118	22	16	22
Exitram AB, Stockholm	0	0	0	44
Fält Communications AB, Umeå	64	46	42	46
InDex Pharmaceuticals AB, Stockholm	0	0	73	35
InDex Pharmaceuticals Holding AB, Stockholm	90	23	0	0
Innometrics AB, Stockholm	0	0	24	26
Leasify AB, Stockholm	10	17	0	0
Neoventa Holding AB, Gothenburg	0	0	0	24
Nomad Holdings Ltd, Newcastle	45	22	98	22
Now Interact Nordic AB, Stockholm	15	10	0	0
NuEvolution AB, Stockholm	146	24	152	24
OssDsign AB, Uppsala	25	20	25	20
Prodacapo AB, Örnsköldsvik	4	22	7	22
Scandinova Systems AB, Uppsala	48	29	48	29
Scibase AB, Stockholm	0	0	0	0
Scibase Holding AB, Stockholm	36	23	58	23
Senion AB, Linköping	15	27	15	27
Signal Processing Devices Sweden AB, Linköping	0	0	34	48
TSS Holding AB, Stockholm	80	43	51	43
Parent company holdings	**935**		**923**	
Holdings of subsidiaries	**35**		**35**	
GROUP HOLDINGS	**970**		**958**	

Information about the corporate registration numbers and numbers of shares of the associates is available upon request.

Note 24 continued Investments in associates

Strategic investments in associates in the Group are accounted for using the equity method.

Investments in associates held by the venture capital organisation of the Group have, in accordance with IAS 28, been designated as at fair value through profit and loss. Therefore, these holdings are accounted for in accordance with IAS 39.

Some entities, in which the Bank has an ownership of less than 20 per cent, has been classified as investments in associates. The reason is that the Bank is represented in the board of directors and participates in the policy making processes of those entities.

All financial assets within the Group's venture capital business are managed and its performance is evaluated on a fair value basis in accordance with documented risk management and investment strategies.

Fair values for investments listed in an active market are based on quoted market prices. If the market for a financial instrument is not active, fair value is established by using valuation techniques based on discounted cash flow analysis, valuation with reference to financial instruments that is substantially the same, and valuation with reference to observable market transactions in the same financial instrument.

25 Shares in subsidiaries

	Group		Parent company	
	2016	2015	2016	2015
Swedish subsidiaries			14,128	16,148
Foreign subsidiaries [1]	39	37	36,483	36,250
TOTAL	**39**	**37**	**50,611**	**52,398**
of which holdings in credit institutions			*33,384*	*32,768*

Swedish subsidiaries	Country	2016 Book value	2016 Dividend	2016 Ownership, %	2015 Book value	2015 Dividend	2015 Ownership, %
Aktiv Placering AB, Stockholm	Sweden	38		100	38		100
Enskilda Kapitalförvaltning SEB AB, Stockholm	Sweden	0		100	0		100
Försäkringsaktiebolaget Skandinaviska Enskilda Captive, Stockholm	Sweden	100		100	100		100
Parkeringshuset Lasarettet HGB KB, Stockholm	Sweden	0		99	0		99
Repono Holding AB, Stockholm	Sweden	3,227		100	5,406		100
SEB Förvaltnings AB, Stockholm	Sweden	5		100	5		100
SEB Internal Supplier AB, Stockholm	Sweden	12		100	12		100
SEB Investment Management AB, Stockholm	Sweden	523		100	763		100
SEB Kort Bank AB, Stockholm	Sweden	2,260	769	100	2,260	3,759	100
SEB Life and Pension Holding AB, Stockholm	Sweden	6,424	2,800	100	6,425	1,000	100
SEB Portföljförvaltning AB, Stockholm	Sweden	1,115		100	1,115		100
SEB Strategic Investments AB, Stockholm	Sweden	424		100	24	1,175	100
Skandinaviska Kreditaktiebolaget, Stockholm	Sweden	0		100	0		100
TOTAL		**14,128**	**3,569**		**16,148**	**5,934**	
Foreign subsidiaries							
Baltectus B.V., Amsterdam	Netherland	252		100	538		100
Domena Property Sp. Z o.o., Warsaw	Poland	120		100	119		100
Key Asset Management (UK) Limited, London	Great Britain	0		0	0		100
Möller Bilfinans AS, Oslo	Norway	0	4	0	0	11	0
Postep Property Sp. Z o.o., Warsaw	Poland	51		100	50		100
SEB AG, Frankfurt am Main	Germany	19,313	832	100	19,420	918	100
SEB Asset Management America Inc, Stamford	USA	0		0	0		100
SEB Asset Management S.A., Luxembourg	Luxembourg	0	74	0	5	101	100
SEB Bank JSC, St Petersburg	Russia	458		100	457		100
SEB Banka, AS, Riga	Latvia	1,586	604	100	1,455	216	100
SEB bankas, AB, Vilnius	Lithuania	6,239	819	100	6,027	607	100
SEB Corporate Bank, PJSC, Kiev	Ukraine	138		100	138		100
SEB do Brasil Representacões LTDA, Sao Paulo	Brazil	0		100	0		100
SEB Fondbolag Finland Ab, Helsinki	Finland	18		100	18		100
SEB Fund Services S.A., Luxembourg	Luxembourg	97		100	94		100
SEB Hong Kong Trade Services Ltd, Hong Kong	China	0		100	0		100
SEB Kapitalförvaltning Finland Ab, Helsinki	Finland	248		100	500		100
SEB Leasing Oy, Helsinki	Finland	4,124	177	100	3,915		100
SEB Njord AS, Oslo	Norway	0		100	0		100
SEB Pank, AS, Tallinn	Estonia	2,014	186	100	1,700	93	100
SEB Securities Inc, New York	USA	48		100	42		100
Skandinaviska Enskilda Banken S.A., Luxembourg	Luxembourg	1,376	195	100	1,311	84	100
Skandinaviska Enskilda Ltd, London	Great Britain	401		100	461		100
TOTAL		**36,483**	**2,891**		**36,250**	**2,030**	

Information about the corporate registration numbers and numbers of shares of the subsidiaries is available upon request.

1) Some dormant subsidiaries in the Group are consolidated using the equity method.

Significant restrictions on the ability to use assets and settle liabilities of the Group

Skandinaviska Enskilda Banken AB Publ can obtain distributions of capital, use assets and settle liabilities of members of the Group within the limitation of some regulatory, statutory and contractual restrictions. These restrictions are:

Regulatory requirements

Regulated subsidiaries are subject to prudential regulatory capital requirements in the countries in which they are regulated. These subsidiaries are required to maintain a certain level of own funds in relation to their exposures, restricting their ability to distribute cash or other assets to the parent company. To meet these requirements the subsidiaries hold capital instruments and other forms of subordinated liabilities.

Statutory requirements

Subsidiaries are required to have a certain level of solvency and are restricted to make distributions of capital and profits leading to a solvency below that level.

Contractual requirements

The Group pledges some of its financial assets as collateral for financing and liquidity purposes. Encumbered assets can't be transferred within the Group. Such assets are described further in the note Pledged assets, contingent liabilities and commitments.

26 Interest in unconsolidated structured entities

Assets, 2016	Group: Special purpose entities	Group: Asset management[1]	Group: Total	Parent company: Special purpose entities	Parent company: Asset management[1]	Parent company: Total
Loans to the public	8,939	12	**8,951**	7,440	12	**7,452**
Financial assets at fair value through profit and loss	1,950	263,815	**265,765**	1,950	94	**2,044**
of which: securities held for trading	*1,946*	*88*	***2,034***	*1,946*	*88*	***2,034***
of which: derivatives	*4*	*7*	***11***	*4*	*7*	***11***
Available-for-sale financial assets	127	1,292	**1,419**	127	1,226	**1,353**
TOTAL	**11,016**	**265,119**	**276,135**	**9,517**	**1,333**	**10,850**
Liabilities						
Deposits and borrowings from the public	218	887	**1,105**	93	887	**980**
Financial liabilities at fair value through profit or loss	1	63	**64**	1	63	**64**
of which: derivatives	*1*	*63*	***64***	*1*	*63*	***64***
TOTAL	**219**	**950**	**1,169**	**94**	**950**	**1,044**
Off balance sheet exposures	**312**		**312**	**193**		**193**
The Group's maximum exposure to loss	**11,328**	**24,113**	**35,441**	**9,710**	**1,333**	**11,043**

1) Investments in SEB- and non-SEB managed funds

Assets, 2015	Group: Special purpose entities	Group: Asset management[1]	Group: Total	Parent company: Special purpose entities	Parent company: Asset management[1]	Parent company: Total
Loans to the public	8,869	20	**8,889**	7,329	20	**7,349**
Financial assets at fair value through profit and loss	4,008	245,179	**249,187**	4,008	97	**4,105**
of which: securities held for trading	*4,002*	*82*	***4,084***	*4,002*	*83*	***4,085***
of which: derivatives	*6*	*14*	***20***	*6*	*14*	***20***
Available-for-sale financial assets	153	1,313	**1,466**	153	1,257	**1,410**
TOTAL	**13,030**	**246,512**	**259,542**	**11,490**	**1,374**	**12,864**
Liabilities						
Deposits and borrowings from the public	374	71	**445**	73	71	**144**
Financial liabilities at fair value through profit or loss		36	**36**		36	**36**
of which: derivatives		*36*	***36***		*36*	***36***
TOTAL	**374**	**107**	**481**	**73**	**107**	**180**
Off balance sheet exposures	**623**		**623**	**380**		**380**
The Group's maximum exposure to loss	**13,653**	**19,418**	**33,071**	**11,870**	**1,374**	**13,244**

1) Investments in SEB- and non-SEB managed funds

Interests in unconsolidated structured entities refers to cases when the Group has interests in structured entities which it does not control. A structured entity is an entity that is designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Group enters into transactions with structured entities in the normal cause of business for various reasons. Depending on the type of structured entity the purpose is to support customer transactions, to engage in specific investment opportunities and to facilitate the start-up of certain entities.

The Group has interests in the following types of structured entities:

Interests in funds
The Group establishes and manages funds to provide customers with investment opportunities, SEB is considered to be the sponsor of those funds. Total assets under management represent the size of a fund. Total assets under management of funds managed by SEB are SEK 531bn (543). The total assets of Non-SEB managed funds are not publically available and not considered meaningful for understanding related risks, and have therefore not been presented. In some cases the Group facilitates the start-up of funds by holding units and it may hold units in funds managed by the Group or by a third party for investment purposes within the life business. The funds managed by the Group generate income in the form of management fees and performance fees based on the assets under management. The income from asset management is presented in note 5. The maximum exposure to loss is limited to the carrying amount of units held by the Group. This amount does not reflect the probable loss.

Interests in other structured entities
The Group has had a role in establishing structured entities to support customer transactions. The purpose of these entities is to provide alternative funding and liquidity improvement to the sellers and investment opportunities to investors by purchasing assets and obtain funding for the purchases with the assets as collateral. The Group provides senior revolving credit facilities and administrative services to the entities and earn fee and interest income on market based conditions.

The Group holds the most senior investments in debt instruments issued by banks, through securitisation vehicles (SPV) whose purpose is to provide alternative funding to the issuers and investment opportunities to investors. The SPVs purchase pools of asset from the originating banks balance sheet, e.g. credit card loans, residential mortgage loans, loans to small and medium sized enterprises and fund these purchases by issuing debt securities with the assets as collateral. The securities have multiple tranches of subordination.

The maximum exposure to loss regarding investments in other structured entities is limited to the carrying amount of the investments and may occur only after losses by creditors with junior exposures. The maximum exposure to loss does not reflect the probability of loss and hedging or collateral arrangements are not considered. The total assets for these entities are not considered meaningful information for the purpose of understanding the related risks and therefore have not been presented.

27 Related parties

	Group					
	Associated companies		Key management		Other related parties	
2016	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Loans to the public	101	13	219	3	62	1
Notional amount of derivatives	12				911	
Deposits and borrowings from the public	226		131		1,251	
Off balance sheet items	1					
2015						
Loans to the public	796	21	212	3	75	4
Notional amount of derivatives	12				322	
Deposits and borrowings from the public	336		79		569	

	Parent company			
	Associated companies		Group companies	
2016	Assets/ Liabilities	Interest	Assets/ Liabilities	Interest
Loans to credit institutions			173,291	412
Loans to the public	1	7	15,281	62
Interest-bearing securities			2,616	53
Positive replacement values of derivatives			10,984	
Other assets			16,853	
TOTAL	**1**	**7**	**219,025**	**527**
Deposits from credit institutions			66,849	–433
Deposits and borrowings from the public	4		11,040	–18
Issued securities			21	
Negative replacement values of derivatives			12,393	
Other liabilities			165	
TOTAL	**4**		**90,468**	**–451**
2015				
Loans to credit institutions			90,620	551
Loans to the public	692	28	20,003	112
Interest-bearing securities			2,613	56
Positive replacement values of derivatives			10,890	
Other assets			16,173	
TOTAL	**692**	**28**	**140,299**	**719**
Deposits from credit institutions			26,574	–568
Deposits and borrowings from the public	4		12,171	–34
Issued securities			19	
Negative replacement values of derivatives			14,976	
Other liabilities			362	–7
TOTAL	**4**		**54,102**	**–609**

Key management above refers to the Board of Directors and the Group Executive Committee. Entities with significant influence or significantly influenced by key management in the Group, and post-employment benefit plans are presented as other related parties. Investor AB and the pension foundation SEB-stiftelsen are within this category as well as close family members to key management. In addition the Group has insurance administration and asset management agreements with Gamla Livförsäkringsbolaget SEB Trygg Liv based on conditions on the market.

SEB has received SEK 129m (125) under the insurance administration agreement and SEK 361m (329) under the asset management agreement. For more information on Gamla Livförsäkringsbolaget SEB Trygg Liv, see note 46.

The parent company is a related party to its subsidiaries and associates. See note 24 Investments in associates and note 25 Shares in subsidiaries for disclosures of investments.

28 Tangible and intangible assets

	Group		Parent company	
	2016	2015	**2016**	2015
Goodwill	4,760	10,003		243
Deferred acquisition costs	4,044	4,249		
Internally developed IT-systems	1,925	1,995	1,755	1,834
Other intangible assets	676	822	268	347
Intangible assets [1]	**11,405**	**17,069**	**2,023**	**2,424**
Equipment	853	771	492	408
Equipment leased to clients [2]			34,669	37,743
Properties for own operations	55	54	2	2
Property and equipment	**908**	**825**	**35,163**	**38,153**
Investment properties recognised at cost	31	38		
Investment properties recognised at fair value	7,401	7,169		
Properties taken over for protection of claims	413	1,102		
Investment properties	**7,845**	**8,309**		
TOTAL	**20,158**	**26,203**	**37,186**	**40,577**

1) Goodwill has an indefinite useful life. All other intangible assets have a definite useful life. Amortisation methods are described in note 1.
2) Equipment leased to clients are recognised as financial leases and presented as loans in the Group. See note 44.

Intangible assets

	Group					Parent company			
2016	**Goodwill**	**Deferred acquisition costs**	**Internally developed IT-systems**	**Other intangible assets**	**Total**	**Goodwill**	**Internally developed IT-systems**	**Other intangible assets**	**Total**
Opening balance	10,003	12,163	3,700	3,839	**29,705**	1,444	3,478	820	**5,742**
Additions from acquisitions and capitalisations		859	567	86	**1,512**		507	55	**562**
Reclassifications		–394		–5	**–399**				
Retirements and disposals	–5,334	–6	–363	–170	**–5,873**	–67	–320	–127	**–514**
Exchange rate differences	91	73	7	95	**266**		3	1	**4**
Acquisition value	**4,760**	**12,695**	**3,911**	**3,845**	**25,211**	**1,377**	**3,668**	**749**	**5,794**
Opening balance		–7,914	–1,705	–3,017	**–12,636**	–1,201	–1,644	–473	**–3,318**
Current year's amortisations		–943	–354	–135	**–1,432**	–43	–340	–27	**–410**
Current year's impairments						–200			**–200**
Reclassifications		234	2	–3	**233**				
Retirements and disposals		6	70	65	**141**	67	71	20	**158**
Exchange rate differences		–34	1	–79	**–112**			–1	**–1**
Accumulated depreciations		**–8,651**	**–1,986**	**–3,169**	**–13,806**	**–1,377**	**–1,913**	**–481**	**–3,771**
TOTAL	**4,760**	**4,044**	**1,925**	**676**	**11,405**	**0**	**1,755**	**268**	**2,023**
2015									
Opening balance	10,287	11,189	3,044	3,838	**28,358**	1,444	3,094	759	**5,297**
Additions from acquisitions and capitalisations		1,027	618	103	**1,748**		577	89	**666**
Reclassifications			41	176	**217**				
Retirements and disposals	–187		–9	–188	**–384**		–202	–28	**–230**
Exchange rate differences	–97	–53	6	–90	**–234**		9		**9**
Acquisition value	**10,003**	**12,163**	**3,700**	**3,839**	**29,705**	**1,444**	**3,478**	**820**	**5,742**
Opening balance		–6,958	–1,308	–2,858	**–11,124**	–1,030	–1,308	–428	**–2,766**
Current year's amortisations		–981	–365	–194	**–1,540**		–362	–66	**–428**
Current year's impairments				–17	**–17**	–171			**–171**
Reclassifications			–33	–180	**–213**				
Retirements and disposals				147	**147**		26	3	**29**
Exchange rate differences		25	1	85	**111**			18	**18**
Accumulated depreciations		**–7,914**	**–1,705**	**–3,017**	**–12,636**	**–1,201**	**–1,644**	**–473**	**–3,318**
TOTAL	**10,003**	**4,249**	**1,995**	**822**	**17,069**	**243**	**1,834**	**347**	**2,424**

Note 28 continued Tangible and intangible assets

Event triggering reallocation of goodwill
In conjunction with SEB´s reorganisation as of 1 January 2016 goodwill has been reallocated to appropriate Cash Generating Units (CGUs). The CGU structure for impairment testing purposes before the reorganisation was to a large extent aligned with operating segments, except for Card and Life. The new customer centric organisation will be fundamental for management in steering and measuring the business going forward. Management´s focus on different customer segments will increase and therefore the change of CGU to be aligned with the business unit (BU) combined with geography to reflect the importance of steering and measuring the new customer centric organisation.

Principle for allocation of goodwill
The new and more customer centric organisation leads to that the former Wealth division is integrated into the current customer-oriented divisions and the supporting division Life & Investment Management. The reorganisation triggers the reallocation of goodwill. The guiding principle for the allocation of goodwill has been to identify the original acquisition from where the goodwill derives and match that with the new CGU (BU and geography). The appropriate CGUs have been deemed to be the CGUs at the time of the acquisitions made between 1996 and 2008. In total 104 CGUs have been identified and goodwill has been allocated to 14 as presented in the table below. Until year-end 2015 there were six CGUs presented in the table below. The CGUs equalled the operating segments with the exception of Card and Life.

Group business segment	CGUs	Old allocation 2015
Merchant Banking	Merchant Banking	1,020
Retail Banking	Retail Sweden	929
	Card	826
Wealth Management	Wealth Management	4,595
Life	Life Sweden	2,334
	Life Denmark	299
TOTAL		**10,003**

CGUs	Acquisition year	New allocation 2016	Exchange rate differences	Impairment 2016	Closing balance 2016	Remaining book value[2]
Equities & Corp, Sweden & Norway[1]	*2000*	879		–879		645
Transaction Services Poland	*2008*	141		–141		373
Internet/Telephone Sweden	*1997*	929		–929		
Retail Norway	*2005*	406		–406		
Card, Norway & Denmark[1]	*2002/2004*	826	87		913	
Life Sweden	*1996/1997*	2,334	9		2,343	
Life Denmark	*2004*	299	–5	–294		3,056
Investment Management Sweden	*1997/1998*	3,117		–1,613	1,504	1,919
Investment Management, Finland & Denmark[1]	*1997/2002*	340		–340		9
Investment Management, UK & BVI[1]	*2008*	732		–732		
TOTAL		**10,003**	**91**	**–5,334**	**4,760**	

1) In the table some of the 14 CGU:s are presented together due to that the acquisitions are related. The Equities and Corporate business in Sweden and Norway were acquired in a linked transaction and the Investment Management activities in UK and BVI as well. Card in Norway and Sweden is related to the Eurocard business and Investment Management in Finland and Denmark represents the same type of business and the amounts are minor.
2) Internally assessed remaining book value of CGU's only when impairment has occured.

Impairment test in the first quarter
CGUs with no future cash flow
For four of the new CGUs that had an original goodwill allocated there is no future cash flow due to changes in strategy for Internet/Telephone bank in Sweden, Retail Norway and Investment Management based in UK and British Virgin Islands and therefore the goodwill is impaired.

Result of impairment test
Impairment test results in six units where the goodwill is fully impaired and one unit where it is partially impaired. Three units have goodwill with no need of impairment. The impairment is reported as Depreciation, amortisation and impairment of tangible and intangible assets within Other in the income statement.

Estimates and assumptions used: future cash flows
The impairment test on goodwill is based on value in use and builds on the business plan for 2016–2018 and projected cash flows for 2019–2020. The long term growth in all geographies is based on expectations on inflation 1.5 per cent. The allocated capital is derived from the Group's internal capital allocation model that has been aligned with the regulatory capital requirements including the management buffer. The cash flows in the business plan starts with the assumptions from the most recent Nordic outlook published at the commencement of this business plan process. In addition to the assumptions financial effects from specific actions according to SEB's long term strategy are added. Projections for 2019–2020 includes regulatory uncertainties like assumed increase in capital needs derived from the Basel III regulation.

Estimates and assumptions used: Cost of Equity (CoE) – discount rate
The associated risk in each specific business unit and geography has been reflected in the respective CoE for each CGU. Investment Management´s discount rate is higher, 11.5 per cent than the SEB Group´s average due to regulatory uncertainty related to limitations to retrocessions, possible further margin squeeze and the current negative interest environment that can create squeezed asset prices and volatility. For Life Denmark discount rate is higher, 11.5 per cent, than the SEB Group´s average due to the distribution model might be more dependent on own channels and uncertainty related to limitations in retrocessions. The base discount rate used in the impairment test at the end of 2015 is unchanged at 9.5 per cent post-tax for SEB Group and is determined based on information from external sources.

Yearly impairment test in the fourth quarter
Result of impairment test
The yearly impairment test for 2016 was performed in the fourth quarter covering the four remaining CGUs with allocated goodwill. The impairment test did not result in any indication of impairment.

Estimates and assumptions used: future cash flows
This test is based on the business plan for 2017–2019, including changed assumptions compared to the preceding business plan for the concerned CGUs, and projected cash flows for 2020–2021. The long-term growth is based on expectations on inflation 1.5 per cent. The allocated capital is derived from the Group's internal capital allocation model that has been aligned with the regulatory capital requirements including the management buffer. Certain regulatory uncertainties included in previous impairment test has been eliminated since potential impact from these will not occur within the projection period. The cash flows in the business plan starts with the assumptions from the most recent Nordic outlook published at the commencement of this business plan process. The main assumptions are; GDP growth in Sweden from 2.8 per cent to 2.2 per cent over three years and other Nordic countries excluding Sweden from 1.5 per cent to 2.0 per cent; inflation in Sweden from 1.2 per cent to 2.2 per cent and in Other Nordic countries from 1.6 per cent to 1.7 per cent. The repo rate in Sweden is assumed to be 0.25 per cent end of 2018.

Estimates and assumptions used: Cost of Equity (CoE) – discount rate
The discount rate used is 9.0 per cent post-tax for SEB Group and is determined based on information from external sources and applied on all CGUs except Investment Management. The higher discount rate for Investment Management, 11.0 per cent, is applied due to remaining uncertainty as described for in the impairment test in the first quarter.

Sensitivities
An increase of one percentage of the discount rate (CoE), a decrease of the average growth rates by one percentage point for earnings before amortisations during the projection period and a decrease of one percentage point of the long term growth was applied in the sensitivity analysis. The sensitivity analysis carried out did not result in any indication of impairment.

Note 28 continued Tangible and intangible assets

Property and equipment

2016	Group: Equipment	Group: Properties for own operations	Group: Total	Parent company: Equipment	Parent company: Equipment leased to clients[1]	Parent company: Properties for own operations	Parent company: Total
Opening balance	3,105	97	**3,202**	1,888	50,388	2	**52,278**
Additions from acquisitions and capitalisations	297	8	**305**	190	5,437		**5,627**
Reclassifications	–52	1	**–51**				
Retirements and disposals	–189	–8	**–197**	–28	–7,121		**–7,149**
Exchange rate differences	87	8	**95**	24			**24**
Acquisition value	**3,248**	**106**	**3,354**	**2,074**	**48,704**	**2**	**50,780**
Opening balance	–2,334	–43	**–2,377**	–1,480	–12,645		**–14,125**
Current year's depreciations	–261	–5	**–266**	–106	–4,704		**–4,810**
Current year's impairments	–1	–2	**–3**				
Reclassifications	91		**91**				
Retirements and disposals	180	8	**188**	26	2,822		**2,848**
Exchange rate differences	–70	–9	**–79**	–22	492		**470**
Accumulated depreciations	**–2,395**	**–51**	**–2,446**	**–1,582**	**–14,035**		**–15,617**
TOTAL	**853**	**55**	**908**	**492**	**34,669**	**2**	**35,163**
2015							
Opening balance	3,316	120	**3,436**	1,934	50,761	2	**52,697**
Additions from acquisitions and capitalisations	244	10	**254**	156	5,960		**6,116**
Reclassifications	77	–17	**60**				
Retirements and disposals	–531	–2	**–533**	–252	–6,333		**–6,585**
Exchange rate differences	–1	–14	**–15**	50			**50**
Acquisition value	**3,105**	**97**	**3,202**	**1,888**	**50,388**	**2**	**52,278**
Opening balance	–2,554	–52	**–2,606**	–1,597	–12,160		**–13,757**
Current year's depreciations	–393	–10	**–403**	–165	–4,598		**–4,763**
Current year's impairments	–1		**–1**				
Reclassifications	25	8	**33**				
Retirements and disposals	517	2	**519**	252	4,463		**4,715**
Exchange rate differences	72	9	**81**	30	–350		**–320**
Accumulated depreciations	**–2,334**	**–43**	**–2,377**	**–1,480**	**–12,645**		**–14,125**
TOTAL	**771**	**54**	**825**	**408**	**37,743**	**2**	**38,153**

1) Equipment leased to clients are recognised as financial leases and presented as loans in the Group. See note 44.

Investment properties, Group

	2016: Investment properties at cost	2016: Investment properties at fair value	2016: Properties taken over for protection of claims	2016: Total	2015: Investment properties at cost	2015: Investment properties at fair value	2015: Properties taken over for protection of claims	2015: Total
Opening balance	43	7,169	1,248	**8,460**	35	7,497	2,024	**9,556**
Additions from acquisitions and capitalisations	5	73	52	**130**	27	326	85	**438**
Reclassifications			–494	**–494**	1		–616	**–615**
Retirements and disposals	–13	–236	–343	**–592**	–18	–332	–171	**–521**
Exchange rate differences	2	312	36	**350**	–2	–223	–74	**–299**
Acquisition value	**37**	**7,318**	**499**	**7,854**	**43**	**7,268**	**1,248**	**8,559**
Opening balance	–5		–146	**–151**	–5		–91	**–96**
Current year's depreciations	–1		–4	**–5**	–1		–6	**–7**
Current year's impairments			–127	**–127**			–148	**–148**
Reclassifications			174	**174**			89	**89**
Retirements and disposals			23	**23**	1		5	**6**
Exchange rate differences			–6	**–6**			5	**5**
Accumulated depreciations	**–6**		**–86**	**–92**	**–5**		**–146**	**–151**
Fair value changes		**83**		**83**		**–99**		**–99**
TOTAL	**31**	**7,401**	**413**	**7,845**	**38**	**7,169**	**1,102**	**8,309**

Note 28 continued Tangible and intangible assets

Net operating earnings from investment properties

	Group 2016	Group 2015
External income	556	548
Operating costs 1)	–170	–182
TOTAL	**386**	**366**

1) Direct operating expenses arising from investment property that did not generate rental income amounts to SEK 12m (12).

Net operating earnings from properties taken over for protection of claims

	2016	2015
External income	54	49
Operating costs	–88	–83
TOTAL	**–34**	**–34**

SEB may in specific cases acquire assets used as collateral when the loan is in default and the customer can no longer meet its obligations towards SEB. Properties are held and managed during a period with the intention to divest the assets when deemed appropriate.

29 Other assets

	Group		Parent company	
	2016	2015	2016	2015
Trade and client receivables	7,635	13,124	7,234	12,871
Margin collateral paid	29,177	22,132	29,177	22,132
Other assets	12,306	14,045	7,538	5,260
TOTAL	**49,118**	**49,301**	**43,949**	**40,263**

Trade and client receivables

	Group		Parent company	
	2016	2015	2016	2015
Trade receivables	1,773	1,370	1,678	1,262
Client receivables	5,862	11,754	5,556	11,609
TOTAL	**7,635**	**13,124**	**7,234**	**12,871**

Other assets

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Pension plan assets, net	3,914	5,558		
Reinsurers share of insurance provisions	539	499		
Accrued interest income	62	66		
Other accrued income	1,654	1,477	1,448	1,408
Prepaid expenses	635	485		
Other	5,502	5,960	6,090	3,852
TOTAL	**12,306**	**14,045**	**7,538**	**5,260**

30 Liabilities to policyholders

	Group	
	2016	2015
Liabilities to policyholders – investment contracts	296,618	271,995
Liabilities to policyholders – insurance contracts	107,213	98,714
TOTAL	**403,831**	**370,709**

Liabilities to policyholders – investment contracts*

	2016	2015
Opening balance	271,995	259,275
Reclassification from/to insurance contracts	1,316	–114
Change in investment contract provisions 1)	14,987	15,340
Exchange rate differences	8,320	–2,506
TOTAL	**296,618**	**271,995**

1) The net of premiums received during the year, return on investment funds less payments to the policyholders and deduction of fees and policyholders' tax.
* Insurance provisions where the policyholders are carrying the risk. The liabilities and the underlying assets are designated at fair value through profit or loss (fair value option).

Liabilities to policyholders – insurance contracts

	2016	2015
Opening balance	98,714	105,079
Transfer of portfolios through divestments	355	
Reclassification to/from investment contracts	–1,316	114
Change in collective bonus provisions		–578
Change in other insurance contract provisions 1)	5,622	–3,138
Exchange rate differences	3,838	–2,763
TOTAL	**107,213**	**98,714**

1) The net of premiums received during the year, allocated return on investment funds less payments to the policyholders and deduction of fees and policyholders' tax.

31 Financial liabilities at fair value through profit or loss

	Group		Parent company	
	2016	2015	**2016**	2015
Liabilities held for trading	38,845	40,746	38,845	40,487
Derivatives held for trading	173,348	188,062	132,861	160,619
Held for trading	**212,193**	**228,808**	**171,706**	**201,106**
Derivatives held for hedging	1,303	1,977	972	1,685
Designated at fair value through profit or loss	**1,303**	**1,977**	**972**	**1,685**
TOTAL	**213,496**	**230,785**	**172,678**	**202,791**

Liabilities held for trading

Short positions in equity instruments	10,072	12,927	10,072	12,831
Short positions in debt securities	9,527	10,419	9,527	10,262
Other financial liabilities	19,224	17,377	19,224	17,377
Accrued interest	22	23	22	17
TOTAL	**38,845**	**40,746**	**38,845**	**40,487**

Derivatives held for trading

Negative replacement values of interest-related derivatives	96,955	111,651	61,795	87,718
Negative replacement values of currency-related derivatives	64,420	58,137	61,415	56,475
Negative replacement values of equity-related derivatives	2,010	5,123	1,855	4,773
Negative replacement values of other derivatives	9,963	13,151	7,796	11,653
TOTAL	**173,348**	**188,062**	**132,861**	**160,619**

Derivatives held for hedging

Fair value hedges	12	475	12	475
Cash flow hedges	957	1,210	957	1,210
Portfolio hedges for interest rate risk	334	292	3	
TOTAL	**1,303**	**1,977**	**972**	**1,685**

32 Other liabilities

	Group		Parent company	
	2016	2015	**2016**	2015
Trade and client payables	8,926	11,496	7,945	11,011
Margin collateral received	29,922	28,044	29,922	28,044
Other liabilities	17,576	23,994	8,211	12,736
TOTAL	**56,424**	**63,534**	**46,078**	**51,791**

Trade and client payables

Trade payables	1,882	1,684	1,703	1,361
Client payables	7,044	9,812	6,242	9,650
TOTAL	**8,926**	**11,496**	**7,945**	**11,011**

Other liabilities

Accrued interest expense	4	2		
Other accrued expense	3,986	3,595	2,623	2,357
Prepaid income	1,477	1,673		
Other	12,109	18,724	5,588	10,379
TOTAL	**17,576**	**23,994**	**8,211**	**12,736**

33 Provisions

	Group		Parent company	
	2016	2015	**2016**	2015
Other restructuring and redundancy reserves	642	515	35	42
Reserve for off-balance sheet items	44	81	0	22
Pensions (note 9 b) [1)]	718	384		
Other provisions	829	893	45	80
TOTAL	**2,233**	**1,873**	**80**	**144**

1) Part of the net (asset) amount recognised in balance sheet amounting to SEK 3,196m (5,175) in note 9b.

Other restructuring and redundancy reserves

Opening balance	515	588	42	50
Additions	308	45		
Amounts used	–186	–101	–9	–8
Unused amounts reversed	–19	–2		
Other movements	3	1		
Exchange differences	21	–16	2	
TOTAL	**642**	**515**	**35**	**42**

The main part of the reserve will cover redundancy costs to be used within five years.

Reserve for off-balance-sheet items

Opening balance	81	87	22	
Additions	24	62	19	22
Amounts used	–34	–5	–34	
Unused amounts reversed	–33	–33	–7	
Other movements	4	–26		
Exchange differences	2	–4		
TOTAL	**44**	**81**	**0**	**22**

Other provisions

Opening balance	893	1,198	80	123
Additions	53	67		–43
Amounts used	–91	–60	–35	
Unused amounts reversed	–33	–305		
Other movements		5		
Exchange differences	7	–12		
TOTAL	**829**	**893**	**45**	**80**

Other provision mainly consists of costs for re-organisation within the Group to be used within three years and unsettled claims covering all operating segments; among others in the divested German retail business to be settled within three years and tax returns within Life U.K. branch under decommission.

34 Subordinated liabilities

	Group		Parent company	
	2016	2015	**2016**	2015
Debenture loans	24,851	16,092	24,851	16,092
Debenture loans, perpetual	14,738	13,855	14,738	13,855
Debenture loans, hedged positions	625	960	625	960
Accrued interest	505	465	505	465
TOTAL	**40,719**	**31,372**	**40,719**	**31,372**

Debenture loans

	Currency	Original nom. amount	Book value	Rate of interest, %
2012/2022	EUR	750	7,169	4.000
2014/2026	EUR	1,000	9,558	2.500
2016/2028	EUR	850	8,124	1.380
TOTAL			**24,851**	

Debenture loans, perpetual

	Currency	Original nom. amount	Book value	Rate of interest, %
2007	EUR	500	4,779	7.092
2014	USD	1,100	9,959	5.750
TOTAL			**14,738**	

35 Untaxed reserves [1]

	Parent company	
	2016	2015
Depreciation in excess of plan on office equipment/leased assets	21,755	23,460
Other untaxed reserves	6	6
TOTAL	**21,761**	**23,466**

1) In the balance sheet of the Group untaxed reserves are reclassified partly as deferred tax liability and partly as restricted equity.

Parent company

	Excess depreciation	Other untaxed reserves	Total
Opening balance	23,097	6	**23,103**
Appropriations	363		**363**
Closing balance 2015	**23,460**	**6**	**23,466**
Reversals	–1,705		**–1,705**
CLOSING BALANCE 2016	**21,755**	**6**	**21,761**

36 Pledged assets

	Group		Parent company	
	2016	2015	**2016**	2015
Pledged assets and comparable securities for own liabilities	478,998	496,825	392,227	399,047
Pledged assets for own liabilities to insurance policyholders	403,831	370,709		
Other pledged assets and comparable securities	154,518	146,521	152,317	135,864
TOTAL	**1,037,347**	**1,014,055**	**544,544**	**534,911**

Pledged assets and comparable securities for own liabilities*

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Repos	3,901	8,733	3,783	8,733
Assets collateralised for issued mortgage covered bonds	335,094	339,652	318,412	319,392
Assets collateralised for issued public covered bonds	11,491	14,999		
Other collateral	128,512	133,441	70,032	70,922
of which group internal			*18,723*	*10,080*
TOTAL	**478,998**	**496,825**	**392,227**	**399,047**

* Transfers that do not qualify for derecognition.

Pledged assets for own liabilities to insurance policyholders

	Group 2016	Group 2015
Assets pledged for insurance contracts	107,213	98,714
Assets pledged for investment contracts[1]	296,618	271,995
TOTAL	**403,831**	**370,709**

1) Shares in funds.

Other pledged assets and comparable collateral

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Bonds[1]	80,718	73,781	80,718	73,782
Securities lending	61,498	63,528	59,297	52,870
Other	12,302	9,212	12,302	9,212
TOTAL	**154,518**	**146,521**	**152,317**	**135,864**

1) Pledged but unencumbered bonds.

Transferred financial assets entirely recognized[1]

	Transferred assets				Associated liabilities				Associated collateral received [2]
Group, 2016	Securities lending	Repurchase agreements	Other[3]	Total	Securities lending	Repurchase agreements	Other[3]	Total	Securities lending
Equity instruments	9,029		4,495	**13,524**	864		4,050	**4,914**	7,668
Debt securities	6,769	1,283	1,258	**9,310**	410	1,101	806	**2,317**	5,986
Financial assets held for trading	**15,798**	**1,283**	**5,753**	**22,834**	**1,274**	**1,101**	**4,856**	**7,231**	**13,654**
Debt securities		118		**118**		118		**118**	
Financial assets designated at fair value through profit or loss		**118**		**118**		**118**		**118**	
2015									
Equity instruments	17,719		13,968	**31,687**	1,852		13,667	**15,519**	15,249
Debt securities	12,396	7,588	949	**20,933**	625	7,090		**7,715**	11,099
Financial assets held for trading	**30,115**	**7,588**	**14,917**	**52,620**	**2,477**	**7,090**	**13,667**	**23,234**	**26,348**

Note 36 continued Pledged assets

Parent company, 2016	Transferred assets: Securities lending	Transferred assets: Repurchase agreements	Transferred assets: Other[3]	Transferred assets: Total	Associated liabilities: Securities lending	Associated liabilities: Repurchase agreements	Associated liabilities: Other[3]	Associated liabilities: Total	Associated collateral received[2]: Securities lending
Equity instruments	9,258		4,451	**13,709**	1,078		3,992	**5,070**	7,400
Debt securities	6,734	1,283	1,217	**9,234**	316	1,101	810	**2,227**	5,849
Financial assets held for trading	**15,992**	**1,283**	**5,668**	**22,943**	**1,394**	**1,101**	**4,802**	**7,297**	**13,249**
2015									
Equity instruments	14,232		13,520	**27,752**	2,182		13,220	**15,402**	11,288
Debt securities	11,230	7,588	901	**19,719**	171	7,090		**7,261**	10,439
Financial assets held for trading	**25,462**	**7,588**	**14,421**	**47,471**	**2,353**	**7,090**	**13,220**	**22,663**	**21,727**

1) Carrying amount and fair value are the same.
2) Other than cash collateral.
3) Assets provided as collateral for derivatives trading, clearing etc.

Pledged assets
Assets are transferred for repurchase agreements and securities lending agreements. The counterpart has the right to sell or repledge the assets. Other transferred assets refer to assets provided as collateral for derivatives trading, clearing etc., where the title to the instrument has been transferred to the counterparty. The assets continue to be recognised on SEB's balance sheet since SEB is still exposed to changes in the fair value of the assets. The carrying value and fair value of the assets transferred as collateral for liabilities or contingent liabilities are shown in the table above.

SEB issues covered bonds secured by mortgage loans pledged as security according to the local legislation. The pledged securities are mainly residential mortgages in single family homes, tenant owned homes or other residential apartment buildings. The loan-to-value ratio does not exceed 75 per cent. In the event of SEB's insolvency, the holders of the covered bonds have priority to the assets registered as collateral.

Obtained collateral
SEB obtains collateral under reverse repurchase agreements and securities borrowing agreements. Under the terms of standard financial market agreements SEB has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transactions.

More information about the accounting of repurchase agreements and securities lending can be found in the accounting principles.

37 Obligations

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Contingent liabilities	120,231	109,297	97,642	87,798
Commitments	655,350	609,872	468,953	434,656
TOTAL	**775,581**	**719,169**	**566,595**	**522,454**
Contingent liabilities[1]				
Own acceptances	**1,318**	**746**	**1,274**	**701**
Financial guarantees given[2]	25,203	43,739	26,035	18,494
of which group internal			*8,831*	*6,986*
Other guarantees given	93,710	64,812	70,333	68,603
of which group internal			*2,220*	*2,170*
Guarantees given	**118,913**	**108,551**	**96,368**	**87,097**
TOTAL	**120,231**	**109,297**	**97,642**	**87,798**

1) Pledged assets for own or third party obligations
2) SEB does not regularly securitise its assets and has no outstanding own issues. For liquidity facilities and other facilities to conduits see note 27.

Other contingent liabilities
The parent company has undertaken to the Monetary Authority of Singapore to ensure that its subsidiary in Luxembourg's branch in Singapore is able to fulfil its commitments.

The parent company has issued a deposit guarantee for SEB AG in Germany to the Bundesverband deutscher Banken e.V.

Legal proceedings
Within the ordinary course of business SEB is engaged in various legal proceedings, both in Sweden and in other jurisdictions. SEB does not expect these current legal proceedings to have a significant adverse effect on the financial position of the Group.

Commitments[1]	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Granted undrawn credit facilities	347,273	319,045	275,157	237,292
of which group internal			*250*	*791*
Unutilised part of overdraft facilities	143,041	135,809	78,077	70,039
of which group internal			*8,495*	*9,362*
Repledged collaterals	120,486	125,314	102,933	102,190
of which group internal			*20,473*	*17,226*
Other commitments given	44,550	29,704	12,786	25,135
Other commitments	**655,350**	**609,872**	**468,953**	**434,656**
TOTAL	**655,350**	**609,872**	**468,953**	**434,656**

1) Pledged assets for own or third party obligations

Discretionary managed assets
Discretionary managed assets in the parent company amounted to SEK 528 bn (446).

38 Current and non-current assets and liabilities

Group	2016			2015		
Assets	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
Cash and cash balances with central banks	151,078		**151,078**	101,429		**101,429**
Other lending to central banks	66,730		**66,730**	32,222		**32,222**
Loans to credit institutions	42,080	8,447	**50,527**	46,188	12,354	**58,542**
Loans to the public	598,919	854,100	**1,453,019**	581,376	772,010	**1,353,386**
Securities held for trading	*162,516*		***162,516***	*239,906*		***239,906***
Derivatives held for trading	*198,271*		***198,271***	*199,085*		***199,085***
Derivatives held for hedging	*14,084*		***14,084***	*16,466*		***16,466***
Financial assets – designated at fair value through profit or loss	*410,155*		***410,155***	*371,488*		***371,488***
Financial assets at fair value through profit and loss	785,026		**785,026**	826,945		**826,945**
Fair value changes of hedged items in a portfolio hedge	111		**111**	104		**104**
Available-for-sale financial assets	35,747		**35,747**	37,331		**37,331**
Investment accounted for using the equity method		*268*	***268***		*260*	***260***
Other investments in associates		*970*	***970***		*958*	***958***
Investments in subsidiaries and associates		1,238	**1,238**		1,218	**1,218**
Intangible assets	*1,432*	*9,973*	***11,405***	*1,540*	*15,529*	***17,069***
Property and equipment	*271*	*637*	***908***	*410*	*415*	***825***
Investment properties	*7,845*		**7,845**	*8,309*		**8,309**
Tangible and intangible assets	9,548	10,610	**20,158**	10,259	15,944	**26,203**
Current tax assets	*5,978*		***5,978***	*6,966*		***6,966***
Deferred tax assets		*1,329*	***1,329***		*1,516*	***1,516***
Tax assets	5,978	1,329	**7,307**	6,966	1,516	**8,482**
Trade and client receivables	*7,635*		***7,635***	*13,124*		***13,124***
Other financial assets	*29,239*		***29,239***	*22,363*		***22,363***
Other non-financial assets	*12,244*		***12,244***	*13,814*		***13,814***
Other assets	49,118		**49,118**	49,301		**49,301**
Non-current assets classified as held for sale	587		**587**	801		**801**
TOTAL	**1,744,922**	**875,724**	**2,620,646**	**1,692,922**	**803,042**	**2,495,964**

	2016			2015		
Liabilities	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Deposits from central banks and credit institutions	106,600	13,264	**119,864**	112,509	5,997	**118,506**
Deposits and borrowing from the public	916,562	45,466	**962,028**	832,331	51,454	**883,785**
Liabilities to policyholders – investment contracts	*16,719*	*279,899*	***296,618***	*9,100*	*262,895*	***271,995***
Liabilities to policyholders – insurance contracts	*8,403*	*98,810*	***107,213***	*10,100*	*88,614*	***98,714***
Pooled schemes and liabilities to policyholders	25,122	378,709	**403,831**	19,200	351,509	**370,709**
Debt securities issued	198,709	470,171	**668,880**	232,310	407,134	**639,444**
Liabilities held for trading	*38,845*		***38,845***	*40,746*		***40,746***
Derivatives held for trading	*173,348*		***173,348***	*188,062*		***188,062***
Derivatives held for hedging	*1,303*		***1,303***	*1,977*		***1,977***
Financial liabilities at fair value through profit and loss	213,496		**213,496**	230,785		**230,785**
Fair value changes of hedged items in portfolio hedge	1,537		**1,537**	1,608		**1,608**
Current tax liabilities	*2,184*		***2,184***	*2,082*		***2,082***
Deferred tax liabilities		*8,474*	***8,474***		*9,468*	***9,468***
Tax liabilities	2,184	8,474	**10,658**	2,082	9,468	**11,550**
Trade and client payables	*8,926*		***8,926***	*11,496*		***11,496***
Other financial liabilities	*30,609*		***30,609***	*29,138*		***29,138***
Other non-financial liabilities	*16,889*		***16,889***	*22,900*		***22,900***
Other liabilities	56,424		**56,424**	63,534		**63,534**
Provisions		2,233	**2,233**		1,873	**1,873**
Subordinated liabilities	505	40,214	**40,719**	793	30,579	**31,372**
TOTAL	**1,521,139**	**958,531**	**2,479,670**	**1,495,152**	**858,014**	**2,353,166**

Assets and liabilities are classified as current assets and current liabilities when they are cash or cash equivalents, are hold for trading purposes, are expected to be sold, settled or consumed in normal business, and are expected to be realised within twelve months. All other assets and liabilities are classified as non-current.

39 Financial assets and liabilities by class

Group	Book value					Fair value			
Assets, 2016	Held for trading	Designated at fair value through p/l / Hedge instruments	Available-for-sale	Loans and receivables	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Loans				1,704,291	**1,704,291**	49,975	533	1,665,293	**1,715,801**
Equity instruments	40,324	30,800	3,049		**74,173**	50,254	13,215	10,704	**74,173**
Debt securities	122,192	83,447	32,698	15,106	**253,443**	102,894	147,427	3,332	**253,653**
Derivative instruments	198,271	14,084			**212,355**	2,593	201,621	8,141	**212,355**
Financial assets									
– policyholders bearing the risk		295,908			**295,908**	275,894	15,589	4,425	**295,908**
Other		111		38,831	**38,942**	1,957		36,985	**38,942**
Financial assets	**360,787**	**424,350**	**35,747**	**1,758,228**	**2,579,112**	**483,567**	**378,385**	**1,728,880**	**2,590,832**
Other assets (non-financial)					**41,534**				
TOTAL	**360,787**	**424,350**	**35,747**	**1,758,228**	**2,620,646**				
2015									
Loans				1,522,503	**1,522,503**	42,955	290	1,485,907	**1,529,152**
Equity instruments	67,538	28,264	2,368		**98,170**	75,354	11,469	11,347	**98,170**
Debt securities	172,368	71,611	34,963	21,001	**299,943**	134,826	159,177	6,103	**300,106**
Derivative instruments	199,085	16,466			**215,551**	2,061	202,261	11,229	**215,551**
Financial assets									
– policyholders bearing the risk		271,613			**271,613**	255,175	13,831	2,607	**271,613**
Other		104		37,562	**37,666**	2,075		35,591	**37,666**
Financial assets	**438,991**	**388,058**	**37,331**	**1,581,066**	**2,445,446**	**512,446**	**387,028**	**1,552,784**	**2,452,258**
Other assets (non-financial)					**50,518**				
TOTAL	**438,991**	**388,058**	**37,331**	**1,581,066**	**2,495,964**				

	Book value				Fair value			
Liabilities, 2016	Held for trading	Designated at fair value through p/l / Hedge instruments	Other financial liabilitie	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Deposits			1,045,056	**1,045,056**	30,491	325	1,016,048	**1,046,864**
Equity instruments	10,071			**10,071**	9,798	2	271	**10,071**
Debt securities	9,549	30,992	715,443	**755,984**	7,074	727,440	34,099	**768,613**
Derivative instruments	173,348	1,303		**174,651**	2,808	168,207	3,636	**174,651**
Liabilities to policyholders								
– investment contracts		296,618		**296,618**	276,666	15,542	4,410	**296,618**
Other	19,225	1,537	39,535	**60,297**	10	19,244	41,043	**60,297**
Financial liabilities	**212,193**	**330,450**	**1,800,034**	**2,342,677**	**326,847**	**930,760**	**1,099,507**	**2,357,114**
Other liabilities (non-financial)				**136,993**				
Total equity				**140,976**				
TOTAL	**212,193**	**330,450**	**1,800,034**	**2,620,646**				
2015								
Deposits			957,599	**957,599**	26,908	182	930,805	**957,895**
Equity instruments	12,927			**12,927**	12,445	37	445	**12,927**
Debt securities	10,442	34,774	680,734	**725,950**	7,071	693,674	44,625	**745,370**
Derivative instruments	188,062	1,977		**190,039**	2,534	176,104	11,401	**190,039**
Liabilities to policyholders								
– investment contracts		271,995		**271,995**	255,581	13,812	2,602	**271,995**
Other	17,377	1,608	40,634	**59,619**	408	17,413	41,798	**59,619**
Financial liabilities	**228,808**	**310,354**	**1,678,967**	**2,218,129**	**304,947**	**901,222**	**1,031,676**	**2,237,845**
Other liabilities (non-financial)				**135,037**				
Total equity				**142,798**				
TOTAL	**228,808**	**310,354**	**1,678,967**	**2,495,964**				

Note 39 continued Financial assets and liabilities by class

Parent company	Book value				
Assets, 2016	Held for trading	Designated at fair value through p/l / Hedge instruments	Available-for-sale	Loans and receivables	Total
Loans				1,520,966	**1,520,966**
Equity instruments	40,323	87	53,365		**93,775**
Debt securities	122,012		9,309	8,703	**140,024**
Derivative instruments	147,124	12,649			**159,773**
Other				37,592	**37,592**
Financial assets	**309,459**	**12,736**	**62,674**	**1,567,261**	**1,952,130**
Other assets (non-financial)					**47,714**
TOTAL	**309,459**	**12,736**	**62,674**	**1,567,261**	**1,999,844**
2015					
Loans				1,288,753	**1,288,753**
Equity instruments	62,726	209	54,529		**117,464**
Debt securities	171,380		10,702	13,496	**195,578**
Derivative instruments	165,964	15,042			**181,006**
Other				36,324	**36,324**
Financial assets	**400,070**	**15,251**	**65,231**	**1,338,573**	**1,819,125**
Other assets (non-financial)					**47,480**
TOTAL	**400,070**	**15,251**	**65,231**	**1,338,573**	**1,866,605**

	Book value			
Liabilities, 2016	Held for trading	Designated at fair value through p/l / Hedge instruments	Other financial liabilities	Total
Deposits			951,436	**951,436**
Equity instruments	10,072			**10,072**
Debt securities	28,773		704,905	**733,678**
Derivative instruments	132,861	972		**133,833**
Other			37,867	**37,867**
Financial liabilities	**171,706**	**972**	**1,694,208**	**1,866,886**
Other liabilities (non-financial)				**9,823**
Total equity				**123,135**
TOTAL	**171,706**	**972**	**1,694,208**	**1,999,844**
2015				
Deposits			825,117	**825,117**
Equity instruments	12,831			**12,831**
Debt securities	27,656		663,775	**691,431**
Derivative instruments	160,619	1,685		**162,304**
Other			39,055	**39,055**
Financial liabilities	**201,106**	**1,685**	**1,527,947**	**1,730,738**
Other liabilities (non-financial)				**14,621**
Total equity				**121,246**
TOTAL	**201,106**	**1,685**	**1,527,947**	**1,866,605**

SEB has grouped its financial instruments by class taking into account the characteristics of the instruments:

Loans and deposits includes financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Loans are further specified in note 17a and 19.

Equity instruments includes shares, rights issues and similar contractual rights of other entities.

Debt instruments includes contractual rights to receive or obligations to deliver cash on a predetermined date. These are further specified in note 17f and 41.

Derivative instruments includes options, futures, swaps and other derived products held for trading and hedging purposes. These are further specified in notes 22, 31 and 42.

Investment contracts include those assets and liabilities in the Life insurance operations where the policyholder is carrying the risk of the contractual agreement (is not qualified as an insurance contract under IFRS 4). The Life insurance operations are further specified in note 46.

Insurance contracts includes those assets and liabilities in the Life insurance operations where SEB is carrying the insurance risk of a contractual agreement (is qualified as an insurance contract under IFRS 4). The Life insurance operations are further specified in note 46.

Other includes other financial assets and liabilities recognised in accordance with IAS 39, i.e. Trade and client receivables/payables and Withheld/paid margins of safety.

40 Financial assets and liabilities subject to offsetting or netting arrangements

Group, 2016	Financial assets and liabilities subject to offsetting or netting arrangements						Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
				Related arrangements				
	Gross amounts	Offset	Net amounts in balance sheet	Master netting arrangements	Collaterals received/ pledged	Net amounts		
Derivatives	215,367	−4,447	210,920	−123,698	−34,841	52,381	1,435	212,355
Reversed repo receivables	99,828	−35,332	64,496	−682	−63,612	202	1	64,497
Securities borrowing	25,265		25,265	−7,616	−17,649		5,525	30,790
Client receivables	43	−42	1			1	5,861	5,862
ASSETS	**340,503**	**−39,821**	**300,682**	**−131,996**	**−116,102**	**52,584**	**12,822**	**313,504**
Derivatives	176,773	−4,447	172,326	−123,698	−31,547	17,081	2,325	174,651
Repo payables	36,926	−35,332	1,594	−682	−795	117		1,594
Securities lending	25,155		25,155	−7,616	−8,765	8,774	6	25,161
Client payables	42	−42					7,044	7,044
LIABILITIES	**238,896**	**−39,821**	**199,075**	**−131,996**	**−41,107**	**25,972**	**9,375**	**208,450**
2015								
Derivatives	219,186	−4,514	214,672	−133,854	−33,135	47,683	879	215,551
Reversed repo receivables	71,161	−10,850	60,311	−4,604	−55,468	239	5	60,316
Securities borrowing	22,582	−75	22,507	−5,976	−16,531		5,984	28,491
Client receivables	335	−333	2			2	11,752	11,754
ASSETS	**313,264**	**−15,772**	**297,492**	**−144,434**	**−105,134**	**47,924**	**18,620**	**316,112**
Derivatives	192,675	−4,514	188,161	−133,854	−49,311	4,996	1,878	190,039
Repo payables	20,459	−10,850	9,609	−4,604	−4,128	877		9,609
Securities lending	17,538	−75	17,463	−5,976	−11,260	227	6	17,469
Client payables	333	−333					9,812	9,812
LIABILITIES	**231,005**	**−15,772**	**215,233**	**−144,434**	**−64,699**	**6,100**	**11,696**	**226,929**

Parent company, 2016	Financial assets and liabilities subject to offsetting or netting arrangements						Other instruments in balance sheet not subject to netting arrangements	Total in balance sheet
				Related arrangements				
	Gross amounts	Offset	Net amounts in balance sheet	Master netting arrangements	Collaterals received/ pledged	Net amounts		
Derivatives	159,773		159,773	−80,887	−19,811	59,075		159,773
Reversed repo receivables	100,150	−35,332	64,818	−682	−63,612	524		64,818
Securities borrowing	24,396		24,396	−7,616	−11,642	5,138	5,423	29,819
Client receivables	42	−42					5,556	5,556
ASSETS	**284,361**	**−35,374**	**248,987**	**−89,185**	**−95,065**	**64,737**	**10,979**	**259,966**
Derivatives	133,833		133,833	−80,887	−43,422	9,524		133,833
Repo payables	36,808	−35,332	1,476	−682	−4,128	−3,334		1,476
Securities lending	14,431		14,431	−7,616	−9,051	−2,236		14,431
Client payables	42	−42					6,242	6,242
LIABILITIES	**185,114**	**−35,374**	**149,740**	**−89,185**	**−56,601**	**3,954**	**6,242**	**155,982**
2015								
Derivatives	181,006		181,006	−103,579	−23,757	53,670		181,006
Reversed repo receivables	70,844	−10,850	59,994	−4,604	−55,058	332		59,994
Securities borrowing	11,308		11,308	−5,976	−5,332		22,103	33,411
Client receivables	333	−333					11,609	11,609
ASSETS	**263,491**	**−11,183**	**252,308**	**−114,159**	**−84,147**	**54,002**	**33,712**	**286,020**
Derivatives	162,304		162,304	−103,579	−43,422	15,303		162,304
Repo payables	19,582	−10,850	8,732	−4,604	−4,128			8,732
Securities lending	15,027		15,027	−5,976	−9,051			15,027
Client payables	333	−333					9,650	9,650
LIABILITIES	**197,246**	**−11,183**	**186,063**	**−114,159**	**−56,601**	**15,303**	**9,650**	**195,713**

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

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

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

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

41 Debt securities by issuers

Eligible debt securities*

Group, 2016	Swedish Government	Swedish municipalities	Other Swedish issuers – non-financial companies	Other Swedish issuers – other financial companies	Foreign Government	Other foreign issuers	Total
Loans to credit institutions						382	**382**
Loans to the public					6,690	6,006	**12,696**
Securities held for trading	10,088	4,528			19,374	1	**33,991**
Insurance assets at fair value	1,437	453		3,285	7,635	30,995	**43,805**
Financial assets at fair value through profit or loss					5,340	829	**6,169**
Available-for-sale financial assets	299				27,437	3,690	**31,426**
TOTAL	**11,824**	**4,981**		**3,285**	**66,476**	**41,903**	**128,469**
2015							
Loans to credit institutions						1,415	**1,415**
Loans to the public					8,248	5,563	**13,811**
Securities held for trading	8,832	5,374			54,382	144	**68,732**
Insurance assets at fair value	1,385	517	1	2,974	4,859	29,256	**38,992**
Financial assets at fair value through profit or loss					3,850		**3,850**
Available-for-sale financial assets	99				17,596	1,863	**19,558**
TOTAL	**10,316**	**5,891**	**1**	**2,974**	**88,935**	**38,241**	**146,358**
Parent company, 2016							
Loans to the public					6,690		**6,690**
Securities held for trading	10,088	4,528			19,195		**33,811**
Available-for-sale financial assets					6,588		**6,588**
TOTAL	**10,088**	**4,528**			**32,473**		**47,089**
2015							
Loans to the public					7,816		**7,816**
Securities held for trading	8,832	5,374		41,002	13,107		**68,315**
Available-for-sale financial assets					6,477		**6,477**
TOTAL	**8,832**	**5,374**		**41,002**	**27,400**		**82,608**

* Accrued interest excluded.

Eligible papers are considered as such if they, according to national legislation, are accepted by the Central bank in the country in which SEB is located.

Other debt securities*

Group, 2016	Swedish Government and municipalities	Swedish mortgage institutions	Other Swedish issuers – non-financial companies	Other Swedish issuers – other financial companies	Foreign Government	Other foreign issuers	Total
Loans to the public						1,896	**1,896**
Securities held for trading		26,683	1,368	5,525	7	54,070	**87,653**
Insurance assets at fair value	306		1,094	1,132	2,168	27,887	**32,587**
Financial assets at fair value through profit or loss					301		**301**
Available-for-sale financial assets					1,021		**1,021**
TOTAL	**306**	**26,683**	**2,462**	**6,657**	**3,497**	**83,853**	**123,458**
2015							
Loans to credit institutions						1,386	**1,386**
Loans to the public			191			3,947	**4,138**
Securities held for trading		40,071	3,030	7,790	569	51,345	**102,805**
Insurance assets at fair value	339	34	1,037	1,203	1,640	23,626	**27,879**
Financial assets at fair value through profit or loss					292		**292**
Available-for-sale financial assets	217				11,821	3,035	**15,073**
TOTAL	**556**	**40,105**	**4,258**	**8,993**	**14,322**	**83,339**	**151,573**
Parent company, 2016							
Loans to the public						1,881	**1,881**
Securities held for trading		26,683	1,293	5,600		54,077	**87,653**
Available-for-sale financial assets						2,608	**2,608**
TOTAL		**26,683**	**1,293**	**5,600**		**58,566**	**92,142**
2015							
Loans to credit institutions						1,386	**1,386**
Loans to the public			191			3,920	**4,111**
Securities held for trading		40,071	3,030	7,789		51,349	**102,239**
Available-for-sale financial assets						4,224	**4,224**
TOTAL		**40,071**	**3,221**	**7,789**		**60,879**	**111,960**

* Accrued interest excluded.

42 Derivative instruments

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Interest-related	133,778	138,190	86,172	108,534
Currency-related	65,056	59,852	63,144	57,308
Equity-related	4,990	6,037	3,734	4,758
Other	8,531	11,472	6,723	10,406
Positive replacement values	**212,355**	**215,551**	**159,773**	**181,006**
Interest-related	98,258	113,628	62,767	89,403
Currency-related	64,420	58,137	61,415	56,475
Equity-related	2,010	5,123	1,855	4,773
Other	9,963	13,151	7,796	11,653
Negative replacement values	**174,651**	**190,039**	**133,833**	**162,304**

	Positive replacement values		Negative replacement values	
Group, 2016	Nom. amount	Book value	Nom. amount	Book value
Options	574,200	32,326	1,004,430	25,284
Futures	2,648,672	1,211	2,466,844	2,170
Swaps	3,848,336	100,241	2,735,011	70,804
Interest-related	**7,071,208**	**133,778**	**6,206,285**	**98,258**
of which, cleared	259,062	16	178,790	9
Options	163,012	4,461	140,597	4,534
Futures	459,163	15,694	388,388	10,389
Swaps	1,533,842	44,901	1,647,949	49,497
Currency-related	**2,156,017**	**65,056**	**2,176,934**	**64,420**
of which, cleared		2		34
Options	31,059	2,415	19,841	780
Futures	5	17	2	35
Swaps	691,265	2,558	40,115	1,195
Equity-related	**722,329**	**4,990**	**59,958**	**2,010**
of which, cleared	5	203	95	123
Options	47,860	2,017	40,998	2,315
Futures	35,653	3,896	19,309	4,218
Swaps	6,139	2,618	33,719	3,430
Other	**89,652**	**8,531**	**94,026**	**9,963**
of which, cleared	30,670	3,159	6,571	3,330
TOTAL	**10,039,206**	**212,355**	**8,537,203**	**174,651**
of which, cleared	289,737	3,380	185,456	3,496
2015				
Options	481,062	20,357	655,165	21,674
Futures	1,467,441	1,036	4,650,862	1,150
Swaps	3,438,368	116,797	3,197,944	90,804
Interest-related	**5,386,871**	**138,190**	**8,503,971**	**113,628**
of which, cleared	1,467,033	1,045	4,650,787	1,150
Options	193,854	5,839	168,689	4,585
Futures	389,474	14,841	480,267	10,819
Swaps	1,630,730	39,172	1,563,932	42,733
Currency-related	**2,214,058**	**59,852**	**2,212,888**	**58,137**
of which, cleared		2		24
Options	29,889	3,603	28,128	1,528
Futures	3,022	14	1,495	23
Swaps	92,927	2,420	94,972	3,572
Equity-related	**125,838**	**6,037**	**124,595**	**5,123**
of which, cleared	3,130	635	1,654	269
Options	54,401	2,851	57,336	2,895
Futures	39,887	6,506	25,952	7,280
Swaps	16,974	2,115	37,762	2,976
Other	**111,262**	**11,472**	**121,050**	**13,151**
of which, cleared	29,774	735	7,329	3,543
TOTAL	**7,838,029**	**215,551**	**10,962,504**	**190,039**
of which, cleared	1,499,937	2,417	4,659,770	4,986

Note 42 continued Derivative instruments

	Positive replacement values		Negative replacement values	
Parent company, 2016	Nom. amount	Book value	Nom. amount	Book value
Options	96,395	4,106	87,081	4,302
Futures	2,648,610	1,212	2,452,956	1,375
Swaps	3,251,815	80,854	2,718,139	57,090
Interest-related	**5,996,820**	**86,172**	**5,258,176**	**62,767**
of which, cleared	259,000		178,500	
Options	147,641	2,991	123,246	2,977
Futures	336,700	13,097	261,143	9,901
Swaps	1,608,724	47,056	1,786,265	48,537
Currency-related	**2,093,065**	**63,144**	**2,170,654**	**61,415**
of which, cleared				
Options	31,059	2,378	19,808	756
Futures		17		35
Swaps	667,259	1,339	32,271	1,064
Equity-related	**698,318**	**3,734**	**52,079**	**1,855**
of which, cleared			15	
Options	33,201	1,905	66,174	2,203
Futures	35,642	3,896	19,298	4,217
Swaps	13,395	922	117	1,376
Other	**82,238**	**6,723**	**85,589**	**7,796**
of which, cleared	29,209		5,111	
TOTAL	**8,870,441**	**159,773**	**7,566,498**	**133,833**
of which, cleared	288,209		183,626	

2015				
Options	96,923	4,046	86,809	4,140
Futures	1,467,272	1,035	4,650,470	1,150
Swaps	3,395,516	103,453	3,294,071	84,113
Interest-related	**4,959,711**	**108,534**	**8,031,350**	**89,403**
of which, cleared	1,466,794	1,035	4,650,470	1,150
Options	194,702	4,544	165,845	3,838
Futures	440,758	12,071	475,683	10,342
Swaps	1,857,531	40,693	1,751,853	42,295
Currency-related	**2,492,991**	**57,308**	**2,393,381**	**56,475**
of which, cleared		2		24
Options	30,149	2,876	28,430	1,325
Futures		14		19
Swaps	76,952	1,868	87,901	3,429
Equity-related	**107,101**	**4,758**	**116,331**	**4,773**
of which, cleared		206		180
Options	51,945	2,701	54,867	2,745
Futures	39,870	6,504	25,935	7,279
Swaps	15,442	1,201	26,930	1,629
Other	**107,257**	**10,406**	**107,732**	**11,653**
of which, cleared	27,287	584	4,843	3,392
TOTAL	**7,667,060**	**181,006**	**10,648,794**	**162,304**
of which, cleared	1,494,081	1,827	4,655,313	4,746

43 Future minimum lease payments for operational leases*

	Group		Parent company	
	2016	2015	2016	2015
Year 2016		1,218		821
Year 2017	1,274	1,259	885	912
Year 2018	1,048	1,232	721	936
Year 2019	791	715	549	445
Year 2020	683	644	465	387
Year 2021 and later[1)]	5,439	4,855	4,914	4,150
TOTAL	**9,235**	**9,923**	**7,534**	**7,651**

* Leases for premises and other operational leases.
1) In 2014 SEB signed a long-term rental agreement for new premises in Stockholm replacing several agreements expiring shortly.

44 Finance leases*

	Group	
	2016	2015
Book value	61,039	62,097
Gross investment	65,924	67,126
Present value of minimum lease payment receivables	60,074	60,153
Unearned finance income	4,668	4,881
The unguaranteed residual value	463	431
Reserve for impaired uncollectable minimum lease payments	–199	–187

* Financial leases where SEB is the lessor.

	Group 2016			Group 2015		
	Book value	Gross investment	Present value	Book value	Gross investment	Present value
Remaining maturity						
– maximum 1 year	6,240	6,983	6,740	7,162	7,968	7,153
– more than 1 year but maximum 5 years	27,666	28,830	27,151	25,528	26,481	25,273
– more than 5 years	27,133	30,111	26,183	29,407	32,677	27,727
TOTAL	**61,039**	**65,924**	**60,074**	**62,097**	**67,126**	**60,153**

The leased assets mainly comprise transport vehicles, machinery and facilities. The largest lease engagement amounts to SEK 7.5 billion (7.9).

45 Assets and liabilities distributed by main currencies

Group, 2016	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances and loans to central banks	61,808	83,837	55,755	126	5,595	124	10,563	**217,808**
Loans to credit institutions	1,410	13,101	26,444	2,565	1,572	557	4,878	**50,527**
Loans to the public	842,883	318,592	134,739	18,311	54,365	62,143	21,986	**1,453,019**
Other financial assets	396,970	210,719	101,198	10,483	105,136	23,214	10,038	**857,758**
Other assets	19,983	9,333	975	598	9,558	451	636	**41,534**
TOTAL ASSETS	**1,323,054**	**635,582**	**319,111**	**32,083**	**176,226**	**86,489**	**48,101**	**2,620,646**
Deposits from central banks	304	21,323	26,398	2,301	0	0	4,066	**54,392**
Deposits from credit institutions	18,265	23,594	6,969	134	10,313	2,663	3,534	**65,472**
Deposits and borrowing from the public	483,722	249,599	143,092	26,381	15,839	27,388	16,007	**962,028**
Other financial liabilities	563,111	355,529	259,103	23,351	46,240	9,030	4,421	**1,260,785**
Other liabilities	27,976	8,863	2,411	1,058	93,783	1,680	1,222	**136,993**
Total equity	140,976							**140,976**
TOTAL LIABILITIES AND EQUITY	**1,234,354**	**658,908**	**437,973**	**53,225**	**166,175**	**40,761**	**29,250**	**2,620,646**

2015								
Cash and cash balances and loans to central banks	25,135	53,378	46,678	145	3	6,703	1,609	**133,651**
Loans to credit institutions	4,464	21,928	21,441	2,798	4,163	394	3,354	**58,542**
Loans to the public	776,912	302,968	121,115	18,924	70,616	43,636	19,215	**1,353,386**
Other financial assets	444,596	211,477	86,389	21,924	102,974	17,502	15,005	**899,867**
Other assets	26,801	12,029	754	360	9,909	249	416	**50,518**
TOTAL ASSETS	**1,277,908**	**601,780**	**276,377**	**44,151**	**187,665**	**68,484**	**39,599**	**2,495,964**
Deposits from central banks	880	1,534	49,347	1,254	942	3,532	783	**58,272**
Deposits from credit institutions	14,512	15,387	11,892	440	8,877	5,630	3,496	**60,234**
Deposits and borrowing from the public	448,094	257,489	105,192	20,726	15,520	24,116	12,648	**883,785**
Other financial liabilities	566,395	331,523	223,726	32,250	48,239	10,540	3,165	**1,215,838**
Other liabilities	34,172	3,529	4,749	1,841	87,845	1,194	1,707	**135,037**
Total equity	142,798							**142,798**
TOTAL LIABILITIES AND EQUITY	**1,206,851**	**609,462**	**394,906**	**56,511**	**161,423**	**45,012**	**21,799**	**2,495,964**

Parent company, 2016	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and cash balances with central banks	154	3,505	55,659		1,656	65	9,632	**70,671**
Loans to credit institutions	74,309	156,123	30,507	4,938	8,308	5,260	7,614	**287,059**
Loans to the public	802,335	103,325	126,832	13,018	53,500	54,893	18,192	**1,172,095**
Other financial assets	175,607	112,558	66,908	8,326	27,588	23,073	8,245	**422,305**
Other assets	18,312	21,193	1,391	1,848	1,509	3,036	425	**47,714**
TOTAL ASSETS	**1,070,717**	**396,704**	**281,297**	**28,130**	**92,561**	**86,327**	**44,108**	**1,999,844**
Deposits from central banks	304	21,153	26,377	2,301			4,065	**54,200**
Deposits from credit institutions	33,038	47,667	14,693	1,041	10,297	4,453	3,463	**114,652**
Deposits and borrowing from the public	475,728	95,457	131,139	24,710	16,228	25,648	13,674	**782,584**
Other financial liabilities	368,972	245,943	253,462	20,842	13,751	8,992	3,488	**915,450**
Other liabilities	4,071	247	1,929	870	453	1,100	1,153	**9,823**
Shareholders' equity and untaxed reserves	123,135							**123,135**
TOTAL LIABILITIES AND EQUITY	**1,005,248**	**410,467**	**427,600**	**49,764**	**40,729**	**40,193**	**25,843**	**1,999,844**

2015								
Cash and cash balances with central banks	171	7,688	46,594			3	1,256	**55,712**
Loans to credit institutions	32,290	94,102	17,465	1,615	4,707	11,530	4,558	**166,267**
Loans to the public	735,993	95,456	113,708	13,106	69,754	36,476	15,945	**1,080,438**
Other financial assets	241,826	125,893	59,786	19,333	37,933	17,425	14,512	**516,708**
Other assets	20,460	19,959	898	1,771	1,166	2,918	308	**47,480**
TOTAL ASSETS	**1,030,740**	**343,098**	**238,451**	**35,825**	**113,560**	**68,352**	**36,579**	**1,866,605**
Deposits from central banks	879	1,521	49,346	1,254	942	3,532	784	**58,258**
Deposits from credit institutions	19,871	25,365	12,941	541	8,051	6,703	3,086	**76,558**
Deposits and borrowing from the public	439,284	86,280	94,163	19,197	17,673	22,692	11,012	**690,301**
Other financial liabilities	386,022	235,157	220,115	31,017	20,335	10,286	2,689	**905,621**
Other liabilities	4,589	3,734	1,752	442	1,352	1,302	1,450	**14,621**
Shareholders' equity and untaxed reserves	121,246							**121,246**
TOTAL LIABILITIES AND EQUITY	**971,891**	**352,057**	**378,317**	**52,451**	**48,353**	**44,515**	**19,021**	**1,866,605**

46 Life insurance operations

INCOME STATEMENT	Group 2016	Group 2015
Premium income, net	9,268	7,244
Income investment contracts		
– Own fees including risk gain/loss	1,499	1,556
– Commissions from fund companies	1,735	1,811
	3,234	3,367
Net investment income	6,704	1,876
Other operating income	473	516
Total income, gross	**19,679**	**13,003**
Claims paid, net	–8,949	–11,228
Change in insurance contract provisions	–5,534	3,170
Total income, net	**5,196**	**4,945**
Of which from other units within the SEB group	*1,521*	*1,645*
Expenses for acquisition of investment and insurance contracts		
– Acquisition costs	–1,670	–1,765
– Change in deferred acquisition costs	–84	46
	–1,754	–1,719
Administrative expenses	–1,052	–1,028
Total expenses	**–2,806**	**–2,747**
OPERATING PROFIT	**2,390**	**2,198**

CHANGE IN SURPLUS VALUES IN DIVISION LIFE	2016	2015
Present value of new sales [1)]	1,208	950
Return on existing policies	1,781	1,655
Realised surplus value in existing policies	–2,915	–2,907
Actual outcome compared to assumptions [2)]	371	402
Change in surplus values from ongoing business, gross	**445**	**100**
Capitalisation of acquisition costs	–859	–1,027
Amortisation of capitalised acquisition costs	943	981
Change in deferred front end fees	–45	16
Change in surplus values from ongoing business, net [3)]	**484**	**70**
Financial effects due to short-term market fluctuations [4)]	531	42
Change in assumptions [5)]	202	571
TOTAL CHANGE IN SURPLUS VALUES [6)]	**1,217**	**683**

Calculations of surplus value in the life insurance operations are based on assumptions of the future development of existing insurance contracts and a risk-adjusted discount rate. The most important assumptions (Swedish unit-linked – which represent 65 per cent (71) of the total surplus value).

	2016	2015
Discount rate	7.0%	7.0%
Surrender of endowment insurance contracts: contracts signed within 1 year / 1–4 years / 5 years / 6 years / thereafter	2% / 6% / 20% / 15% / 10%	1% / 7% / 22% / 18% / 11%
Lapse rate of regular premiums, unit-linked	8.1%	8.2%
Growth in fund units, gross before fees and taxes	5.0%	5.0%
Inflation CPI / Inflation expenses	2% / 3%	2% / 3%
Expected return on solvency margin	3%	3%
Right to transfer policy, unit-linked	3.0%	3.2%
Mortality	The Group's experience	The Group's experience

1) Sales defined as new contracts and extra premiums in existing contracts.
2) The actual outcome of previously signed contracts is compared with previous assumptions and deviations are calculated. Important components are the duration of contracts and cancellations.
3) Acquisition costs are capitalised and amortised according to plan. Certain front end fees are also recorded on the balance sheet and recognized as revenue in the income statement during several years. The reported change in surplus values is adjusted by the net effect of changes in deferred acquisition costs and front end fees during the period.
4) Assumed investment return (growth in fund values) is 5.0 per cent gross before fees and taxes. Actual returns results in positive or negative financial effects.
5) Effect of changes in assumptions such as frequency of surrenders, transfers out and assumed expenses.
6) The calculated surplus value is not included in the SEB Group's consolidated accounts. The surplus value is net of capitalised acquisition costs and deferred front end fees.

Note 46 continued Life insurance operations

SUMMARISED FINANCIAL INFORMATION FOR GAMLA LIVFÖRSÄKRINGSBOLAGET SEB TRYGG LIV*

Income statement, condensed	**2016**	**2015**
Life insurance technical result	8,384	7,511
Other costs and appropriations		95
Taxes	–210	–501
NET RESULT	**8,174**	**7,105**

Balance sheet, condensed		
Total assets	179,769	177,100
TOTAL ASSETS	**179,769**	**177,100**
Total liabilities	87,666	87,481
Consolidation fund / equity	91,919	89,435
Untaxed reserves	184	184
TOTAL LIABILITIES AND EQUITY	**179,769**	**177,100**

* SEB owns all shares of Gamla Livförsäkringsbolaget SEB Trygg Liv except for a golden share owned by Trygg-Stiftelsen. Gamla Livförsäkringsbolaget SEB Trygg Liv is not consolidated as subsidiary of the Group, since the ownership of SEB in Gamla Livförsäkringsbolaget SEB Trygg Liv does not result in control. Current year figures are unaudited.

47 Assets in unit-linked operations

Within the unit-linked business SEB holds, for its customers' account, a share of more than 50 per cent in 23 (29) funds, where SEB is the investment manager.

The total value of those funds amounted to SEK 104,003m (100,879) of which SEB, for its customers' account, holds SEK 74,944m (70,777).

48 Assets held for sale

	Group	
	2016	**2015**
Other assets	587	801
TOTAL ASSETS HELD FOR SALE	**587**	**801**

The Baltic division has a divestment plan for investment properties. Through the continuation of the plan, additional properties were reclassified as assets held for sale until the derecognition at concluded sales agreement. The impairment loss recognised in association with the reclassifications amounted to SEK 200m (174).

The SEB Group

Income Statement

SEK m	2016	2015[1]	2014[1]	2013[1]	2012[1]
Net interest income	18,738	18,938	19,943	18,827	17,635
Net fee and commission income	16,628	18,345	17,547	15,835	14,602
Net financial income	7,056	5,478	4,473	5,581	6,309
Net other income	1,349	1,002	4,534	840	–341
Total operating income	**43,771**	**43,763**	**46,497**	**41,083**	**38,205**
Staff costs	–14,562	–14,436	–13,760	–14,029	–14,596
Other expenses	–6,703	–6,355	–6,815	–6,720	–6,663
Depreciation, amortisation and impairment of tangible and intangible assets	–6,496	–1,011	–1,129	–1,068	–1,775
Total operating expenses	**–27,761**	**–21,802**	**–21,704**	**–21,817**	**–23,034**
Gains less losses on disposals of tangible and intangible assets	–150	–213	–121	16	1
Net credit losses	–993	–883	–1,324	–1,155	–937
Operating profit	**14,867**	**20,865**	**23,348**	**18,127**	**14,235**
Income tax expense	–4,249	–4,284	–4,129	–3,338	–2,093
Net profit from continuing operations	**10,618**	**16,581**	**19,219**	**14,789**	**12,142**
Discontinued operations				–11	–488
NET PROFIT	**10,618**	**16,581**	**19,219**	**14,778**	**11,654**
Attributable to minority interests			1	7	22
Attributable to equity holders	10,618	16,581	19,218	14,771	11,632

1) Comparable figures for 2014 and 2015 restated and comparable figures for 2012 and 2013 recalculated pro forma in line with changed reporting of life insurance business.

Balance sheet statement

SEK m	2016	2015	2014	2013	2012
Cash and cash balances and loans to central banks	217,808	133,651	119,915	183,611	209,163
Loans to credit institutions	50,527	58,542	90,945	102,623	126,023
Loans to the public	1,453,019	1,353,386	1,355,680	1,302,568	1,236,088
Other financial assets	857,758	899,867	1,024,466	845,788	831,512
Other assets	41,534	50,518	50,240	50,244	50,670
TOTAL ASSETS	**2,620,646**	**2,495,964**	**2,641,246**	**2,484,834**	**2,453,456**
Deposits from central banks and credit institutions	119,864	118,506	115,186	176,191	170,656
Deposits and borrowing from the public	962,028	883,785	943,114	849,475	862,260
Other financial liabilities	1,260,785	1,215,838	1,303,584	1,204,991	1,173,414
Other liabilities	136,993	135,037	144,786	131,363	137,613
Total equity	140,976	142,798	134,576	122,814	109,513
TOTAL LIABILITIES AND EQUITY	**2,620,646**	**2,495,964**	**2,641,246**	**2,484,834**	**2,453,456**

Key figures

	2016	2015	2014	2013	2012
Return on equity, %	7.80	12.24	15.25	13.11	11.06
Basic earnings per share, SEK	4.88	7.57	8.79	6.74	5.31
Cost/Income ratio	0.63	0.50	0.47	0.54	0.61
Credit loss level, %	0.07	0.06	0.09	0.09	0.08
Total reserve ratio for individually impaired loans, %	68.8	68.3	62.2	86.9	74.4
Gross level of impaired loans, %	0.33	0.35	0.49	0.35	0.58
Common Equity Tier 1 capital ratio[1], %	18.8	18.8	16.3	15.0	
Tier 1 capital ratio[1], %	21.2	21.3	19.5	17.1	
Total capital ratio[1], %	24.8	23.8	22.2	18.1	

1) Basel III.

Skandinaviska Enskilda Banken

Income Statement

SEK m	2016	2015	2014	2013	2012
Net interest income	19,242	19,488	19,783	18,872	17,478
Net fee and commission income	8,843	9,200	9,235	8,283	7,439
Net financial income	4,642	3,428	2,121	3,547	4,046
Other income	7,398	9,165	5,089	6,838	2,374
Total operating income	**40,125**	**41,281**	**36,228**	**37,540**	**31,337**
Administrative expenses	–15,039	–13,458	–13,909	–14,062	–15,077
Depreciation, amortisation and impairment of tangible and intangible assets	–5,775	–5,447	–5,157	–5,024	–5,446
Total operating costs	**–20,814**	**–18,905**	**–19,066**	**–19,086**	**–20,523**
Profit before credit losses	**19,311**	**22,376**	**17,162**	**18,454**	**10,814**
Net credit losses	–789	–520	–1,065	–451	–385
Impairment of financial assets	–3,841	–775	–2,721	–1,691	–1,114
Operating profit	**14,681**	**21,081**	**13,376**	**16,312**	**9,315**
Appropriations including pension compensation	2,437	781	966	3,432	–3,175
Taxes	–2,740	–3,817	–2,053	–2,805	–1,375
NET PROFIT	**14,378**	**18,045**	**12,289**	**16,939**	**4,765**

Balance sheet statement

SEK m	2016	2015	2014	2013	2012
Cash and cash balances with central banks	70,671	55,712	59,170	135,309	165,994
Loans to credit institutions	287,059	166,267	194,285	183,312	200,189
Loans to the public	1,172,095	1,080,438	1,056,807	1,013,188	937,734
Other financial assets	422,305	516,708	623,920	523,970	551,544
Other assets	47,714	47,480	51,960	48,379	53,592
TOTAL ASSETS	**1,999,844**	**1,866,605**	**1,986,142**	**1,904,158**	**1,909,053**
Deposits from central banks and credit institutions	168,852	134,816	144,776	210,237	199,711
Deposits and borrowing from the public	782,584	690,301	706,452	611,234	637,721
Other financial liabilities	915,450	905,621	1,002,762	958,231	951,307
Other liabilities	9,823	14,621	17,587	17,006	20,638
Shareholders' equity and untaxed reserves	123,135	121,246	114,565	107,450	99,676
TOTAL LIABILITIES, UNTAXED RESERVES AND SHAREHOLDERS' EQUITY	**1,999,844**	**1,866,605**	**1,986,142**	**1,904,158**	**1,909,053**

Key figures

	2016	2015	2014	2013	2012
Return on equity, %	12.6	16.5	11.8	17.7	5.2
Cost/Income ratio	0.52	0.46	0.53	0.51	0.65
Credit loss level, %	0.06	0.04	0.09	0.04	0.03
Gross level of impaired loans, %	0.22	0.17	0.31	0.08	0.09
Common Equity Tier 1 capital ratio[1], %	18.8	19.2	16.2	16.3	
Tier 1 capital ratio[1], %	21.7	22.1	20.0	18.9	
Total capital ratio[1], %	26.1	25.0	23.1	20.0	

1) Basel III.

Proposal for the distribution of profit

Standing at the disposal of the Annual General Meeting in accordance with the balance sheet of Skandinaviska Enskilda Banken AB:

	SEK
Other reserves	3,571,697,073
Retained earnings	48,782,509,686
Net profit for the year	14,377,501,699
Total	**66,731,708,458** [1]

1) The Parent Company's equity would have been SEK 16,203m lower if assets and liabilities had not been measured at fair value in accordance with Chapter 4, Section 14 of the Swedish Annual Accounts Act.

The Board proposes that, following approval of the balance sheet of Skandinaviska Enskilda Banken AB for the financial year 2016, the Annual General Meeting should distribute the earnings as follows:

Dividend to shareholders:	SEK
– SEK 5.50 per Series A share	11,935,106,117
– SEK 5.50 per Series C share	132,838,794
To be carried forward to:	
– retained earnings	54,663,763,547
Total	**66,731,708,458**

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands which are imposed by the nature, scope, and risks associated with the business and the size of the Parent company's and the Group's equity and need for consolidation, liquidity and financial position in general.

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a relevant and faithful representation of the Group's financial position and results of operations.

The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Report of the Directors for the Group and the Parent company provides a fair review of the development of the Group's and the Parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent company and companies included in the Group.

Stockholm 21 February 2017

Marcus Wallenberg
Chairman

Urban Jansson
Deputy chairman

Jesper Ovesen
Deputy chairman

Johan H. Andresen
Director

Signhild Arnegård Hansen
Director

Samir Brikho
Director

Winnie Fok
Director

Birgitta Kantola
Director

Tomas Nicolin
Director

Sven Nyman
Director

Helena Saxon
Director

Sara Öhrvall
Director

Anna-Karin Glimström
Director
Appointed by the employees

Håkan Westerberg
Director
Appointed by the employees

Annika Falkengren
President and Chief Executive Officer
Director

Auditor's report

To the annual general meeting of the shareholders of Skandinaviska Enskilda Banken AB (publ), Corporate Identity Number 502032-9081

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Skandinaviska Enskilda Banken AB (SEB) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 29–154 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. A Corporate Governance Report has been prepared. The information provided in this Corporate Governance Report and in the statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. The information in the Corporate Governance Report is in accordance with the stipulations of the Annual Accounts Act for Credit Institutions and Securities Companies.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The SEB group has centralized service centers, systems and processes and has a centralized finance function for its Swedish entities and branches in the Nordic countries and the UK. We have organized the audit work by having our central audit team to carry out the testing of all centralized systems and processes and the local audit teams to carry out additional testing based on our instructions.

Full scope audit is performed at entities with high significance and risk to the group. The audit is carried out in accordance with International Standards on Audit and local audit requirements. The procedures applied generally include an assessment and testing of controls over key business processes, analytical procedures of individual account balances, tests of accounting records through inspection, observation or confirmation, and obtaining corroborating evidential matter in response to inquiries.

For some entities, even though not considered to have high significance or risk, it is required from a group audit perspective to obtain assurance on certain accounting areas. In these cases, local audit teams are instructed to perform certain procedures and report back to us. The procedures applied generally include a detailed analytical review, reconciliation to underlying sub-ledgers, substantive testing for specific processes, areas and accounts, discussion with management regarding accounting, tax and internal control as well as follow-ups on known issues from previous periods.

As part of our audit we place reliance on internal controls for the applications/systems and related platforms that support SEB's accounting and financial reporting. Therefore, we perform audit procedures to determine that systems and processes are designed, maintained, operated and kept secure in such a way as to provide assurance that the risk of error is minimized. The audit procedures include walk-throughs of processes and evaluation of design and test of effectiveness of controls. Substantive testing has also been performed. Where possible we have relied on management's own evaluation activities and audits performed by SEB Internal Audit.

Our audit is carried out continuously during the year with special attention at each quarter end. In connection with the SEB group's issuance of interim reports, we report our observations to the Audit Committee of the Board of Directors and issue interim review reports. At the end of the year, we also report our main observations to the full Board of Directors.

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in the aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter

Impairment of loans to customers

Accounting for impairment of loans to customers require subjective judgement over both timing of recognition of impairment and the size of any such impairment.

SEB makes provisions for incurred credit losses on individually assessed loans and for portfolio assessed loans. Loans to corporate, real estate and institutional counterparties are primarily individually assessed and specific provisions are made for identified impaired loans (individually assessed impaired loans). Loans that have not been deemed to be impaired on an individual basis and which have similar credit risk characteristics are grouped together and assessed collectively for impairment. Valuations of loans to private individuals and small businesses are to a large extent made on a portfolio basis (portfolio assessed loans).

Refer to the Annual Report Note 17a – Credit risk and Note 19 – Loans.

Our audit included a combination of testing of internal controls over financial reporting and substantive testing. The testing of internal controls included procedures relating to the governance structure, segregation of duties and key controls in the lending processes. Substantive testing was made of a sample of provisioning models used, larger credits and higher risk portfolios. In 2016, we had a special focus on loans to customers in the oil, gas and offshore as well as shipping industries. We also reviewed SEB's back testing of collective provisions.

Based on our work, we had no material observations for the overall audit on the level of loan loss provisions as at 31 December 2016.

Valuation of financial instruments held at fair value

The valuation of financial instruments held at fair value was an area of audit focus due to their significance in presenting both financial position and performance.

Determining fair value of financial instruments is inherently complex as many instruments are complex and as risks and market prices are ever changing. For some instruments there is also limited availability of observable prices or rates. Because of these factors, the valuation of some instruments involves significant management judgement.

The majority of SEB's assets and liabilities measured at fair value are held for client facilitation, liquidity or hedging purposes. Between 97-98% of the positions are fair valued based on observable prices or rates traded in active markets. The remaining 2-3% of the positions are valued based on models and are mainly venture capital holdings and certain derivatives held for hedging purposes.

Refer to the Annual Report Note 21 – Fair value measurement of assets and liabilities, Note 22 –Financial assets at fair value through profit or loss, Note 23 – Available-for-sale financial assets, Note 24 – Investments in associates and Note 31 – Financial liabilities at fair value through profit and loss.

In our audit, we assessed the design and tested the operating effectiveness of key controls supporting the identification, measurement and oversight of valuation risk of financial instruments.

In addition to test appropriate segregation of duties, we examined SEB's independent price verification process, model validation and approval processes, controls over data feeds and valuation inputs as well as SEB's governance and reporting processes and controls. We paid particular attention to controls relating to complex instruments.

For valuations dependent on unobservable inputs or which involved a higher degree of judgement for other reasons, we used our valuation specialists to evaluate the assumptions, methodologies and models used by SEB. We performed independent valuations of a sample of positions.

Based on our work, we had no material observations for the overall audit on the valuation of financial instruments held at market value as at 31 December 2016.

Key audit matter	How our audit addressed the Key audit matter

Provision for uncertain tax positions

SEB is subject to taxation in many jurisdictions and, in many cases, the final tax treatment is uncertain and not determined until resolved with the relevant tax authority. Consequently, SEB make judgements about the probability and amount of tax liabilities which are subject to assessments by tax authorities and potentially associated with legal processes. Additionally, tax legislation is under significant and rapid change which when becoming effective affect both current period tax costs and the valuation of tax assets. *Refer to the Annual report Note 15 – Taxes and Note 32 – Other liabilities.*	*In our audit of tax costs and valuation of tax assets and liabilities, we have tested internal controls and performed substantive testing. The testing of internal controls included procedures relating to the governance structure, segregation of duties and key controls in the tax process.* *In the substantive testing we have used our tax specialists to examine potential implications of ongoing tax audits and legal processes. We have followed correspondence with tax authorities and opinions SEB received from its external legal advisers. We have also independently examined the matters in dispute and the provisions made by SEB.* *Based on our work, we had no material observations for the overall audit on the level of provisions for uncertain tax positions as at 31 December 2016.*

Impairment of goodwill

SEB has as of 1 January 2016 reorganised into customer segments. After the reorganisation, goodwill is monitored on the level of business unit per geography (previously divisions). The allocation of goodwill from divisions to business units per geography (the new cash-generating units, CGUs) has been based on the original acquisitions where the goodwill was originated. Impairment tests have been performed for the goodwill in the new CGUs, respectively. The definition of new CGUs and reallocation of goodwill as well as subsequent impairment tests have involved significant management judgement. *Refer to the Annual Report Note 28 – Tangible and Intangible Assets and the Annual Report's Report of the Directors.*	*Our audit of the goodwill impairment has included the following procedures:* • *Review of compliance with IFRS for the new structure of CGUs* • *Review of compliance with IFRS for the method used for reallocation of goodwill from old to new CGUs* • *Reconciliation of book value per CGU to general ledger* • *Reconciliation of projections used for 2016-2018 to the business plan for SEB approved by the Board of Directors.* *Based on our work, we had no material observations for the overall audit on SEB's impairment of goodwill.*

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts which is found on pages 1-28. The Board of Directors and the President are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President

The Board of Directors and the President are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the President are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the President of Skandinaviska Enskilda Banken AB for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Stockholm 21 February 2017
PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant
Partner in charge

Definitions

Alternative Performance Measures

Return on equity
Net profit attributable to shareholders in relation to average [1] shareholders' equity.

Return on equity excluding items affecting comparability
Net profit attributable to shareholders, excluding items effecting comparability and their related tax effect, in relation to average [1] shareholders' equity.

Return on business equity
Operating profit by division, reduced by a standard tax rate, in relation to the divisions' average [1] business equity.

Return on total assets
Net profit attributable to shareholders, in relation to average [1] total assets.

Return on risk exposure amount
Net profit attributable to shareholders in relation to average [1] risk exposure amount.

Cost/income ratio
Total operating expenses in relation to total operating income.

Cost/income ratio excluding items affecting comparability
Total operating expenses excluding items affecting comparability in relation to total operating income excluding items affecting comparability.

Basic earnings per share
Net profit attributable to shareholders in relation to the weighted average [2] number of shares outstanding.

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

2) Average, calculated on a daily basis.

Diluted earnings per share
Net profit attributable to shareholders in relation to the weighted average [2] diluted number of shares. The calculated dilution is based on the estimated economic value of the long-term incentive programmes.

Net worth per share
Shareholders' equity plus the equity portion of any surplus values in the holdings of interest-bearing securities and the surplus value in life insurance operations in relation to the number of shares outstanding.

Equity per share
Shareholders' equity divided by the number of shares outstanding.

Credit loss level
Net credit losses as a percentage of the opening balance of loans to the public, loans to credit institutions and loan guarantees less specific, collective and off balance sheet reserves.

Gross level of impaired loans
Individually assessed impaired loans, gross, as a percentage of loans to the public and loans to credit institutions before reduction of reserves.

Net level of impaired loans
Individually assessed impaired loans, net (less specific reserves), as a percentage of net loans to the public and loans to credit institutions less specific reserves and collective reserves.

Specific reserve ratio for individually assessed impaired loans
Specific reserves as a percentage of individually assessed impaired loans.

Total reserve ratio for individually assessed impaired loans
Total reserves (specific reserves and collective reserves for individually assessed impaired loans) as a percentage of individually assessed impaired loans.

Reserve ratio for portfolio assessed loans
Collective reserves for portfolio assessed loans as a percentage of portfolio assessed loans past due more than 60 days or restructured.

Non-performing loans (NPL)
SEB's term for loans that are either impaired or not performing according to the loan contract. Includes individually assessed impaired loans, portfolio assessed loans, past due > 60 days and restructured portfolio assessed loans (based on IFRS concessions).

NPL coverage ratio
Total reserves (specific, collective and off balance sheet reserves) as a percentage of non-performing loans.

NPL per cent of lending
Non-performing loans as a percentage of loans to the public and loans to credit institutions before reduction of reserves.

Items affecting comparability
To facilitate the comparison of SEB's operating profit; items that management considers reduce comparability, are identified and separately described, e.g. impairment of goodwill, restructuring and net profit from divestments.

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 the performance of SEB and provide additional relevant information and tools to enable a view on SEB's performance. APMs on basic earnings per share, diluted earnings per share, net worth per share, equity per share, return on equity, return on total assets and return on risk exposure amount provide relevant information on the performance in relation to different investment measurements. The cost/income ratio provides information on SEB's cost efficiency. APMs related to lending provide information on provisions in relation to credit risk. All these measures may not be comparable to similarly titled measures used by other companies.

See sebgroup.com/ir for the document entitled Alternative Performance Measures which includes information on the calculation of alternative performance measures.

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, so-called additional tier 1 instruments.

Tier 2 capital
Mainly subordinated loans not qualifying as Tier 1 capital contribution.

Own funds
The sum of Tier 1 and Tier 2 capital.

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

Tier 1 capital ratio
Tier 1 capital as a percentage of risk exposure amount.

Total capital ratio
Total own funds as a percentage of risk exposure amount.

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

Liquidity Coverage Ratio (LCR)
High-quality liquid assets in relation to the estimated net cash outflows over the next 30 calendar days.

Calendar

2016 Annual Accounts Publication	1	February 2017
Annual Report Publication on SEB's homepage	7	March 2017
Annual General Meeting	28	March 2017
Interim report January – March	27	April 2017
Interim report January – June	14	July 2017
Interim report January – September	25	October 2017
2017 Annual Accounts Publication	31	January 2018

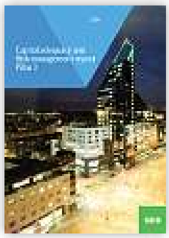
CORPORATE WEBSITE
Financial information, publications and other information regarding SEB is available at *sebgroup.com*

Financial information and publications

ANNUAL REPORT
Information on SEB's business, strategy, risk management and corporate governance. Detailed information on SEB's financial position and results.

ANNUAL REVIEW
An abbreviated version of the Annual Report.

INTERIM REPORTS AND FACT BOOKS
Quarterly reports on SEB's financial performance. Detailed information on SEB's financial position and results in fact books.



CAPITAL ADEQUACY AND RISK MANAGEMENT REPORT (PILLAR 3)
Disclosure on capital adequacy and risk management in accordance with regulatory requirements.

SUSTAINABILITY REPORT
Annual report on SEB's performance and future ambitions within Responsible Business, People and Community as well as Environment.

SUSTAINABILITY FACT BOOK AND GRI INDEX
The Global Reporting Initiative (GRI) Index and key non-financial data for the same areas as in the Sustainability Report.

New shareholders are automatically offered a subscription of the Annual Report or the Annual Review.
Order printed copies of the Annual Report and the Annual Review at *www.sebgroup.com/ir*
Subscribe to a digital version of the interim reports and the fact book (pdf) at *www.sebgroup.com/press*

Customer and market opinions – SEB's most important rankings

SEB's performance within different areas is regularly evaluated and ranked by numerous companies and financial magazines.

Area	2016	2015	2014	2013	2012	Organisation / publication etc.
Best Nordic bank for large corporations 1)	2	2	1	2	1	Prospera
Best Nordic bank for financial institutions 2)	1	4	3	2	7	Prospera
Best Corporate bank in Sweden	1	1	1	2	1	Prospera
Best private bank in Sweden	1	1	1	1		Euromoney
SME bank of the year in Sweden				1	1	Privata affärer
Best Stockbroker in the Nordic region	3	2	1	1	1	Prospera
Best Corporate Finance house, Nordic region 3)	5	4	4	3	N/A	Prospera
Best Corporate Bank in the Baltic region	4)	5)	1	6)	1	The Banker

1) Survey of Nordic large corporations. 2) Survey of Nordic financial institutions. 3) Global investment banks are included as from 2013.
4) Best bank in Estonia. 5) Best bank in Estonia and Lithuania. 6) Best bank in Estonia and Latvia.

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Annual General Meeting

The Annual General Meeting will be held on Tuesday 28 March 2017 at 1 pm (CET) at Stockholm Concert Hall, Hötorget.

A notice convening the Annual General Meeting, including an agenda, is available on www.sebgroup.com

Shareholders who wish to attend the Annual General Meeting shall at the latest on Wednesday 22 March 2017:

– be registered in the shareholders' register kept by Euroclear Sweden AB, and
– notify the bank in either of the following ways:
  - by telephone 0771 23 18 18 (+46 771 23 18 18 from outside Sweden) between 9 am and 4.30 pm (CET) or
  - via the internet on www.sebgroup.com or
  - in writing to the following address: Skandinaviska Enskilda Banken AB, AGM, Box 7832, SE-103 98 Stockholm, Sweden.

Dividend

The Board proposes a dividend of SEK 5.50 per share for 2016.

Thursday 30 March 2017, is proposed as record date for the dividend payments. If the Annual General Meeting resolves in accordance with the proposal, the share will be traded ex-dividend on Wednesday 29 March 2017 and dividend payments are expected to be distributed by Euroclear Sweden AB on Tuesday 4 April 2017.

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