



Quarterly Report

Third quarter 2020

January – September 2020

STOCKHOLM 22 OCTOBER 2020

SEB

”When we now enter a new normal, we stand with our customers.”

Statement from Johan Torgeby

Entering a new normal

The Covid-19 pandemic continued to impact global health and weigh on the economy throughout the third quarter. Signs of increasing optimism and economic recovery, in particular among developed countries, continued to emerge but were challenged by a second wave of virus spread in several countries.

These macroeconomic challenges combined with the upcoming US presidential election and the ongoing Brexit negotiations contributed to the prevailing uncertainty. Despite this, equity markets continued to develop positively with the broad-based US equity index, S&P 500, reaching new record highs during the quarter.

In Sweden, authorities have adopted a more lenient approach to limit the pandemic than in many other countries. This, together with decisive economic relief measures, was reflected in stable consumption behaviour among households in the third quarter, as well as increasing housing prices. Corporate bankruptcies were 26 per cent lower than the corresponding period last year and the Purchasing Managers' Index for the manufacturing industry recovered to levels above the historical average following stronger new order intake.

If we were to revisit the most negative scenario that SEB depicted in the beginning of the crisis, we can conclude that this has not materialised as of today – and it looks less likely to do so in the short to medium term. However, the economic recovery is still fragile, with many uncertainties. We are slowly but surely returning to more normalised economic activity levels, but no one can be certain what this new normal will entail. What we do know, however, is that the continued economic recovery will depend on several key factors, such as continued collaboration between business, politics and other stakeholders, but also on the effectiveness of policy responses and measures taken to safeguard international free trade.

The crisis as an accelerator

While we recognise the severity and uniqueness of this crisis and how it continues to challenge our customers, our employees and society at large, we have also seen how the consequences of the pandemic have accelerated a number of trends in our industry.



One of these trends is digitalisation, and online trading in particular. Many “digital-only” players have experienced a significant increase in trading activity this year. This is partly driven by market volatility but also by restrictions requiring people to stay at home. SEB has also been part of this development and the number of digital fund transactions as well as the share of digital fund purchases increased notably during the year. We will continue to execute on our digital transformation agenda, focusing on connectivity, automation and analytics. This is how we enhance customer experience, improve efficiency, increase speed and reduce risk.

Our industry is also experiencing changing market dynamics, where we see how peers are now reducing their international presence. At SEB, however, we remain committed to support our home market customers globally as part of a long-term business model that is based on international presence.

Meeting customers on their terms

As our customers now have started to adapt to this new normal, SEB continued to support them in weathering the Covid-19 pandemic also during the third quarter. The shift towards more normalised customer interactions that we observed during the second quarter continued. This was evidenced by a reduced inflow of Covid-19-related credit requests as well as a decrease in the number of requests for amortisation grace periods on household mortgages and corporate loans.

While providing financial support to our customers during the pandemic, we continued to sharpen our product and service offering. As an example, SEB recently established a strategic partnership with the fintech company Oxceed, which offers small and medium-sized enterprises (SMEs) a cloud-based performance management tool to visualise and analyse real-time accounting data. This partnership is part of SEB's ambition to offer our SME customers a digital ecosystem that connects their business systems with SEB and provides them with an overview of relevant data, enabling more informed decisions. Oxceed is the third partnership in the ecosystem, complementing already established collaborations with Capcito and PE Accounting, which offer dynamic operational

financing and digital accounting services for our corporate customers. Together with these partners, we aim to provide the next generation offering to our SME customers by making our financial products and services accessible both from the customers' business systems and through SEB's interface.

Contributing to a low-carbon society

During the third quarter we have continued to enhance our sustainability capabilities. In our ambition to accelerate the pace of transformation towards a low-carbon society, we have established a new sustainability organisation, which gathers our expertise and takes a comprehensive approach, from a strategic and a business perspective.

Moreover, we recently launched SEB Greentech, a new venture capital unit that invests in green technology. The sector is undergoing rapid development and is expected to play a key role in the sustainable transition. By offering early stage financing to these companies, we aim to support the entrepreneurs that create technologies, products and services that can benefit our customers, shareholders and society at large.

Resilient set of financial results

Despite the challenging economic environment, SEB delivered a robust financial performance with an operating profit of SEK 5.9bn and a return on equity of 11.7 per cent in the third quarter. The capital buffer above the regulatory requirement amounted to 580 basis points. The Board of Directors has now assessed the current situation and confirms its previous decision to not propose a dividend during 2020. The reversal of the 2019 dividend increased the buffer while a higher accrued dividend for 2020 affected the buffer negatively. The financial performance and the capital buffer reflect SEB's resilient business model and financial strength.

Net interest income increased by 5 per cent quarter-on-quarter. The increase was driven by a reversal of temporary negative funding effects and higher lending margins. Net interest income increased by 6 per cent year-on-year.

Net fee and commission income decreased by 1 per cent quarter-on-quarter, partly driven by seasonal effects. Payment and card fees recovered but were still subdued given the impact on the corporate card business from the pandemic. Also, corporate loan origination receded to a more normalised level following a strong second quarter. Net fee and commission income decreased by 8 per cent year-on-year.

Net financial income decreased to SEK 1.8bn. The underlying trading remained healthy but there was a smaller contribution from fair value adjustments, and other market valuation effects declined from the unusually high level in the second quarter. Net financial income increased by 47 per cent year-on-year, mainly due to positive fair value adjustments and stronger life insurance income.

Operating expenses decreased by 3 per cent quarter-on-quarter but were largely unchanged year-on-year. Costs continued to develop according to our expectations and the 2021 target level remains unchanged, corresponding to SEK 23.2bn at the end of the third quarter.

Net expected credit losses decreased to SEK 1.1bn, corresponding to 19 basis points. We continued to see limited effects from the pandemic on the overall asset quality of SEB. This reflected the strength of the large corporates portfolio and the extensive government support measures directed to corporates and private individuals. The majority of allowances taken were mainly related to the offshore portfolio (rigs, accommodation rigs and platform support vessels). The expected credit loss level of around SEK 6bn for the full year of 2020, which we have previously communicated, still remains.

People at the core of everything we do

In addition to our strong capital and liquidity position, our employees are a prerequisite for SEB to create value for our customers and shareholders. To safeguard the health of our employees, measures previously implemented have been maintained throughout the quarter. This was partly reflected in approximately 35 per cent of all employees globally continuing to work remotely based on rotation schemes. Given the extraordinary times we have been through together, we are glad to see that in the annual employee satisfaction survey, the overall employee engagement remained at a high level and above the global financial sector average. This result gives us reassurance in the work we have done to keep our employees safe.

Despite some light at the end of the tunnel, uncertainty still remains. It continues to be our highest priority to support our customers, as we always strive to do – in both good times and bad times – and when we now enter a new normal, we stand with our customers. This is how we continue to create long-term shareholder value.



President and CEO

Third quarter 2020

The quarter in brief

- Continued stabilisation of financial markets and customer behaviours
- Return on equity of 11.7 per cent despite elevated credit losses
- Strong capital and liquidity position, well placed to continue supporting our customers
- The Board of Directors confirms its previous decision to not propose a dividend during 2020

Summary

SEK m	Q3			Q2			Q3			Jan-Sep			Full year 2019
	2020	2020	%	2019	%	2020	2019	%	2020	2019	%		
Total operating income	12 563	13 999	-10	11 942	5	36 651	36 045	2	50 134				
Total operating expenses	-5 547	-5 712	-3	-5 589	-1	-16 905	-16 918	0	-22 945				
Net expected credit losses	-1 098	-2 691	-59	-489	124	-5 282	-1 297		-2 294				
Operating profit before items affecting comparability	5 916	5 598	6	5 864	1	14 463	17 831	-19	24 894				
Items affecting comparability ¹⁾		-1 000				-1 000							
Operating profit	5 916	4 598	29	5 864	1	13 463	17 831	-24	24 894				
NET PROFIT	4 766	3 501	36	4 772	0	10 623	14 346	-26	20 177				
Return on equity, %	11.7	8.7		13.2		8.8	13.1		13.7				
Return on equity excluding items affecting comparability, %	11.6	11.2		13.2		9.7	13.2		13.8				
Basic earnings per share, SEK	2.21	1.62		2.21		4.91	6.64		9.33				

1) Administrative fine issued by the Swedish FSA. See note 6.

Volumes and key ratios

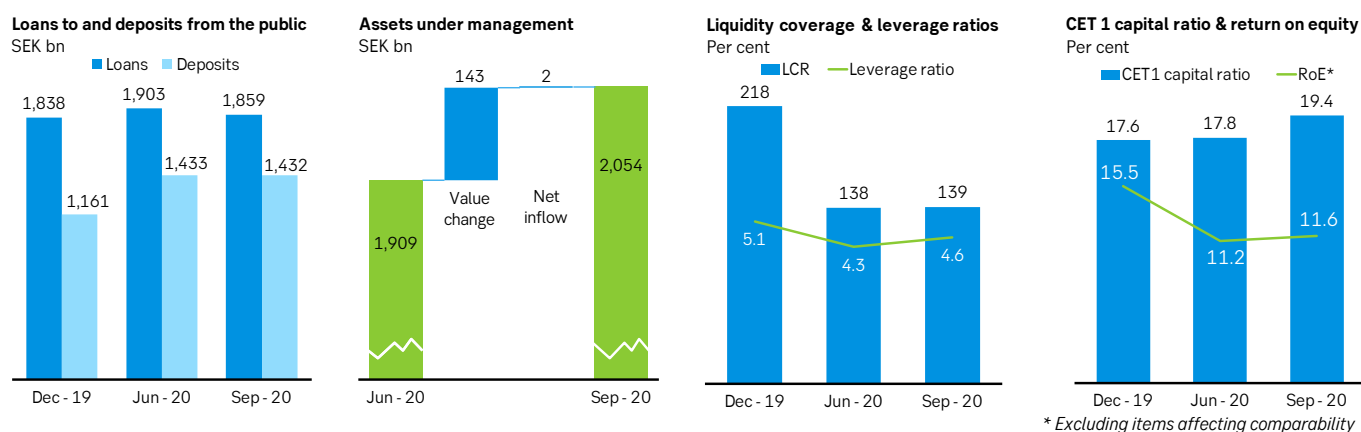


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The third quarter

The effects from the Covid-19 pandemic on financial markets and customer behaviours continued to normalise. *Operating profit before items affecting comparability* increased by 6 per cent to SEK 5,916m from SEK 5,598m in the second quarter. *Operating profit* amounted to SEK 5,916m (4,598). *Net profit* amounted to SEK 4,766m (3,501).

Operating income

Total operating income decreased by SEK 1,436m, 10 per cent, compared with the second quarter and amounted to SEK 12,563m (13,999). Compared with the third quarter 2019, total operating income increased by 5 per cent.

Net interest income amounted to SEK 6,336m, which represented an increase of 5 per cent compared with the second quarter (6,047) and an increase of 6 per cent year-on-year.

SEK m	Q3	Q2	Q3
	2020	2020	2019
Customer-driven NII	6 931	6 821	6 298
NII from other activities	-595	-774	-315
Total	6 336	6 047	5 983

Customer-driven net interest income increased by SEK 110m compared with the second quarter. There was a positive lending margin effect while both currency and deposit margin effects were negative and there was a small positive deposit volume effect.

The negative effect on net interest income from other activities (including for instance funding and other Treasury activities, trading and regulatory fees) of SEK -595m was SEK 179m smaller than the second quarter 2020. Short-term funding costs were lower as more expensive funding matured.

The total resolution and deposit guarantee fees recognised in the third quarter amounted to SEK 329m (300).

Net fee and commission income decreased by 1 per cent from the second quarter and amounted to SEK 4,301m (4,364). Year-on-year, net fee and commission income decreased by 8 per cent.

Corporate customers were somewhat cautious and, in combination with a seasonal downturn in corporate transactions, gross fees from the issuance of securities and advisory services decreased by SEK 98m to SEK 203m in the third quarter. Similarly, gross lending fees decreased by 15 per cent to SEK 668m. On the other hand, a partial comeback of other customer activity led to an improvement of net payments and card fees of 15 per cent in the third quarter, an increase of SEK 110m to SEK 820m compared with the second quarter. The Covid-19 related decline was evident in the decrease of SEK 199m year-on-year.

The equity markets developed strongly in the quarter. The gross fee income from custody and mutual funds, excluding performance fees, increased by SEK 96m to SEK 1,917m. However, year-on-year these fees decreased by SEK 49m, a reflection of customers increasingly choosing lower-fee index funds. Performance fees amounted to SEK 86m, an increase of SEK 17m compared with the second quarter. Year-on-year performance fees increased by SEK 75m.

The net life insurance commissions related to the unit-linked insurance business were stable at SEK 272m (276).

Net financial income decreased by SEK 1,787m to SEK 1,754m. Year-on-year, net financial income increased by SEK 558m. Given the Covid-19 effects, asset prices and credit spreads have been very volatile throughout 2020.

The market value of certain strategic holdings decreased by SEK 352m quarter-on-quarter. The fair value credit adjustment¹ amounted to SEK 189m as credits spreads continued to tighten but decreased by SEK 392m compared with the second quarter.

Compared with the unusually high level in the second quarter, net financial income in both Treasury and Market operations was affected negatively by lower market volatility, lower customer activity levels and declining market valuations.

Other life insurance income, net, primarily related to the traditional portfolios in Sweden and the Baltic countries improved to 245m from SEK 228m in the second quarter.

Net other income amounted to SEK 172m (47). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses decreased by 3 per cent to SEK 5,547m (5,712). Compared with the third quarter 2019, the decrease was 1 per cent.

Staff costs decreased by 4 per cent compared with the second quarter. With the lower SEB share price, the cost for long-term variable remuneration programmes decreased. The effect of Covid-19 related protection measures affected other expenses, with lower travelling costs among other things.

Supervisory fees amounted to SEK 37m (39).

Net expected credit losses

Net expected credit losses decreased by 59 per cent to SEK 1,098m in the third quarter (2,691), corresponding to a net expected credit loss level of 19 basis points (46).

Net expected credit losses for the Large Corporate & Financial Institutions division amounted to SEK 1,116m. This was primarily related to continued challenges in the oil-related portfolios, mainly the offshore² segment, with slow activity

Comparative numbers (in parenthesis throughout the report)

Unless otherwise stated:

- the result for the reporting quarter is compared with the prior quarter
- the year-to-date result is compared with the corresponding period in the prior year
- business volumes are compared with the balances in the prior quarter

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

² Rigs, accommodation rigs and platform support vessels.

due to the low oil prices. SEK 300m was released from the oil-related model overlay to partly cover for the increase in provisions for specific counterparties.

A revision of the macroeconomic scenarios led to slightly less negative assumptions, resulting in a reversal of provisions of SEK 200m, mainly in the Corporate & Private Customers and Baltic divisions. Since various government support measures for corporates and private individuals may have delayed the impact from the economic downturn on asset quality, the Covid-19-related model overlay was increased in order to keep the provisions largely unchanged.

See further comments on Credit risk and asset quality and Uncertainties on page 9, 12 and note 10-12.

Items affecting comparability

There were no *items affecting comparability* in the third quarter. In the second quarter items affecting comparability amounted to SEK -1,000m. See note 6.

Income tax expense

In line with the increase in the operating profit, the *income tax expense* rose to SEK 1,150m (1,096) with an effective tax rate of 19 per cent (24). The higher tax rate in the second quarter was explained by the item affecting comparability which is not tax deductible.

Return on equity

Return on equity for the third quarter improved to 11.7 per cent (8.7). Return on equity excluding items affecting comparability was 11.6 per cent (11.2).

Other comprehensive income

Other comprehensive income amounted to SEK 1,190m (-546). The net value of the defined benefit pension plans increased which affected other comprehensive income by SEK 1,373m (558). The defined benefit pension obligation increased when the discount rate changed from 1.10 to 0.95 per cent. At the same time, as the conditions in the financial markets improved, the value of the pension assets increased. The value of SEB's pension plan assets exceeded the defined benefit obligation to the employees.

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash flow hedges and translation of foreign operations amounted to SEK -129m (-827).

The first nine months

Operating profit before items affecting comparability decreased by 19 per cent from SEK 17,831m to SEK 14,463m for the first nine months of 2020. In the same period, *operating profit* decreased by 24 per cent to SEK 13,463m. *Net profit* amounted to SEK 10,623m (14,346).

Operating income

Total operating income amounted to SEK 36,651m, which was 2 per cent higher than the corresponding period 2019 (36,045).

Net interest income amounted to SEK 18,584m, representing an increase of 9 per cent year-on-year (17,020).

SEK m	Jan-Sep		Change
	2020	2019	%
Customer-driven NII	20 612	18 902	9
NII from other activities	-2 028	-1 882	8
Total	18 584	17 020	9

Customer-driven net interest income increased by SEK 1,710m compared with the first nine months of 2019. There was a major positive effect from lending volumes, but this was to a large extent offset by lower lending margins. The repo rate increase in the beginning of the year contributed positively to deposit margins and there was a positive internal transfer pricing effect.

The negative effect on net interest income from other activities (including for instance funding and other Treasury activities, trading and regulatory fees) increased by SEK 146m compared with the first nine months 2019. A negative internal transfer pricing effect was almost offset by lower costs for regulatory fees. In total, the resolution fund and deposit guarantee fees amounted to SEK 974m (1,607). The resolution fund fee amounted to SEK 690m (1,294). In 2020, the resolution fund fee was lowered to 5 basis points calculated on applicable balance sheet volumes versus 9 basis points in 2019. This fee rate will remain unchanged until the resolution fund target of 3 per cent of guaranteed deposits in Sweden is met.

Net fee and commission income decreased by 3 per cent compared with the corresponding period in 2019 and amounted to SEK 13,289m (13,719).

Net payment and card fees were since the first quarter significantly affected by the lower activity due to Covid-19 restrictions and decreased by SEK 589m to SEK 2,427m, year-on-year.

Due to lower corporate transaction activity, gross fees from the issuance of securities and advisory services decreased by 10 per cent to SEK 755m compared with the first nine months 2019. On the other hand, there was an increase in lending activity leading to gross lending fees increasing by 6 per cent to SEK 2,228m.

Gross fee income from custody and mutual funds, excluding performance fees, increased by SEK 16m to SEK 5,683m year-on-year. Performance fees amounted to SEK 206m, an increase of SEK 127m compared with the first nine months 2019.

The net life insurance commissions related to the unit-linked insurance business decreased by 10 per cent compared with the first nine months 2019, to SEK 802m.

Net financial income decreased by 6 per cent to SEK 4,491m compared with the first nine months 2019. The Covid-19 effects leading to volatility in asset prices and credit spreads were evident throughout the first nine months.

The market value of certain strategic holdings decreased by SEK 561m year-on-year. Credit spreads were significantly wider than the corresponding period 2019 and the fair value credit adjustment¹ decreased net financial income by SEK 245m. Other life insurance income, net, decreased by SEK 143m compared with the first nine months 2019, primarily due to performance in the traditional portfolios in Sweden and the Baltic countries.

All this was counteracted by market valuations in Treasury as well as Markets' holdings, in combination with Markets' underlying business, which contributed positively as market volatility and customer activity were high.

Net other income amounted to SEK 286m (510). Realised capital gains as well as unrealised valuation and hedge accounting effects were included in this line item.

Operating expenses

Total operating expenses were virtually unchanged compared with the corresponding period 2019 and amounted to SEK 16,905m (16,918).

Staff costs increased by 2 per cent year-on-year partially related to SEB's strategic initiatives. Consequences of Covid-19 restrictions affected other expenses, which decreased by 10 per cent, with fewer consultants and lower travelling costs among other things. Supervisory fees amounted to SEK 117m (114).

The cost target in the business plan for 2019-2021 is described on page 12. Operating expenses related to the strategic initiatives increased according to plan and the three-year cost target remains unchanged.

Net expected credit losses

Net expected credit losses for the first nine months of 2020 amounted to SEK 5,282m, corresponding to a net expected credit loss level of 30 basis points (8) and an increase of SEK 3,985m compared with the first nine months of 2019 (1,297). The development was driven by increased provisions for a handful of specific counterparties in the oil-related portfolios, mainly in the offshore² segment, more negative macroeconomic scenarios in the impairment modelling as well as model overlays for oil-related exposures and Covid-19-related effects. The majority of the net expected credit losses in the first nine months 2020, SEK 4,233m, was related to the Large Corporate & Financial Institutions division. See further comments on uncertainties on page 12 and note 10-12.

Items affecting comparability

The *items affecting comparability* consists of the administrative fine in the amount of SEK 1,000m that is described further in note 6.

Income tax expense

In line with the decrease in operating result *income tax expense* amounted to SEK 2,840m (3,486) with an effective tax rate of 21 per cent (20).

Return on equity

Return on equity for the first nine months 2020 decreased to 8.8 per cent (13.1). Return on equity excluding items affecting comparability was 9.7 per cent (13.2).

Other comprehensive income

Other comprehensive income amounted to SEK -344m (-2,200). The value of SEB's pension plan assets exceeded the defined benefit obligations to the employees. The net value of the defined benefit pension plans increased which affected other comprehensive income by SEK 98m (-2,334).

The net effect from the valuation of balance sheet items that may subsequently be reclassified to the income statement, i.e. cash flow hedges and translation of foreign operations amounted to SEK -385m (184).

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

² *Rigs, accommodation rigs and platform support vessels.*

Business volumes

Total assets at 30 September 2020 amounted to SEK 3,201bn, representing a decrease of SEK 17bn in the third quarter (3,218) and an increase of SEK 344bn since year-end. At year-end, total assets amounted to SEK 2,857bn.

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

Loans

SEK bn	30 Sep	30 Jun	31 Dec
	2020	2020	2019
General governments	16	15	14
Financial corporations	72	75	83
Non-financial corporations	879	882	880
Households	649	641	632
Collateral margin	52	52	46
Reverse repos	192	237	184
Loans to the public	1 859	1 903	1 838

Loans to the public decreased by SEK 44bn during the third quarter and increased by SEK 21bn since year-end. Loans to non-financial corporations decreased by SEK 3bn in the quarter and were stable compared with year-end. Household lending grew by SEK 8bn in the third quarter and by SEK 17bn since year-end. Reverse repos (contractual agreements to buy and subsequently sell back securities) are generally short-term in nature.

Deposits and borrowings

SEK bn	30 Sep	30 Jun	31 Dec
	2020	2020	2019
General governments	36	32	22
Financial corporations	334	341	215
Non-financial corporations	602	588	508
Households	377	376	346
Collateral margin	59	64	57
Repos	19	28	5
Registered bonds	4	5	8
Deposits and borrowings from the public	1 432	1 433	1 161

In the third quarter, deposits and borrowings from the public decreased by SEK 1bn to SEK 1,432bn (1,433). The increase from year-end was SEK 271bn. Deposits from non-financial corporations and households increased by SEK 15bn in the third quarter and by SEK 125bn since year-end. Given the uncertainty and market sentiment during the year, customers were more cautious and chose low-risk alternatives for their excess cash.

Assets under management and custody

Total *assets under management* amounted to SEK 2,054bn (1,909). Driven by the equity market appreciation during the third quarter, the market value increased by SEK 143bn. The net inflow of assets amounted to SEK 2bn during the quarter.

Assets under custody increased mainly driven by the equity market appreciation during the third quarter and amounted to SEK 10,803bn (10,053).

Risk and capital

SEB assumes credit, market, liquidity, IT and operational as well as life insurance risks. The risk composition of the group, as well as the related risk, liquidity and capital management, are described in SEB's Annual Report for 2019 (see page 52-57 and notes 40 and 41), in the Capital Adequacy and Risk Management Report for 2019 as well as the quarterly additional Pillar 3 disclosures. Further information is available in the Fact Book that is published quarterly.

Credit risk and asset quality

SEK bn	30 Sep	30 Jun	31 Dec
	2020	2020	2019
Banks	89	89	99
Corporates	1 368	1 331	1 268
Commercial real estate management	193	199	188
Residential real estate management	140	139	131
Housing co-operative associations Sweden	65	64	63
Public administration	64	77	72
Household mortgage	632	615	589
Household other	83	85	90
Total credit portfolio	2 634	2 599	2 498

SEB's credit portfolio, which includes loans, contingent liabilities and derivatives, increased by SEK 35bn to SEK 2,634bn in the third quarter (2,599). The corporate credit portfolio increased by SEK 37bn, reflecting continued demand for contingent liquidity facilities among large corporates but also a recovery for investment-driven demand. The household credit portfolio increased by SEK 16bn driven by the continued growth of the Swedish household mortgage market. The commercial and residential real estate management portfolios decreased by SEK 5bn combined.

Asset quality indicators such as past due loans remained unchanged during the quarter. There was continued limited impact from the Covid-19 pandemic on the larger portfolios such as large corporates, households, and small and medium-sized companies in Sweden and the Baltic countries, which to some extent may be due to various government support measures. Credit-impaired loans (gross loan exposures in stage 3) increased during the quarter by SEK 1.6bn to SEK 17.3bn, corresponding to 0.96 per cent of total loans (0.86). The increase was driven mainly by a few oil-related exposures, for the most part within offshore¹. See net expected credit loss comment on page 6. As of 30 September 2020, the ECL coverage ratio for the credit-impaired loans was 48 per cent compared with 44 at the end of the second quarter.

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

¹ Rigs, accommodation rigs and platform support vessels.

Market risk

SEB's business model is driven by customer demand. Average VaR in the trading portfolio decreased by 19 per cent on average from SEK 259m in the second quarter to SEK 209m in the third quarter, mainly due to increased diversification and partly due to lower interest rate risk. SEB does not expect to lose more than this amount, on average, during a period of ten trading days with 99 per cent probability.

Liquidity and funding

SEB entered the Covid-19 pandemic with a strong liquidity and funding position and has maintained uninterrupted access to all our funding markets. Since March, SEB's liquidity and funding position was supported by a continuous inflow of deposits from the customers, which enabled SEB to gradually reduce capital market funding. However, in the third quarter, SEK 8bn of senior debt matured while new issuance amounted to SEK 26bn of which SEK 9bn constituted covered bonds and SEK 17bn senior preferred debt. Short-term funding in the form of commercial paper and certificates of deposit, increased by SEK 30bn during the quarter.

The liquid assets defined according to the liquidity coverage requirements amounted to SEK 757bn at 30 September 2020 (717). At quarter-end, the Liquidity Coverage Ratio (LCR) was 139 per cent (138) despite the fact that from 16 March 2020, the Swedish Financial Supervisory Authority (SFSA) allows banks to temporarily fall below the LCR requirement for individual and total currencies which normally must be at least 100 per cent.

The bank is committed to a stable funding base. SEB's internal structural liquidity measure, Core Gap, which measures the proportion of stable funding in relation to illiquid assets, was 112 per cent (114).

Rating

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

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

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

Capital position

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

	30 Sep	30 Jun	31 Dec
Own funds requirement, Basel III	2020	2020	2019
Risk exposure amount, SEK bn	746	745	746
Common Equity Tier 1 capital ratio, %	19.4	17.8	17.6
Tier 1 capital ratio, %	21.2	19.7	20.8
Total capital ratio, %	23.7	22.2	23.3
Leverage ratio, %	4.6	4.3	5.1

SEB's Common Equity Tier 1 (CET1) capital ratio was 19.4 per cent (17.8). The increase was positively affected by the reversal of the 2019 dividend while a higher accrued dividend for 2020 affected the capital ratio negatively. SEB's annual general meeting, which was held on 29 June 2020, approved the Board of Directors' proposal that no dividend payment for 2019 will be made and that the entire amount available will be carried forward. In conjunction with the second quarter report, it was communicated that depending on how the Covid-19 situation develops, the Board of Directors may assess a dividend payment later this year and if deemed appropriate, convene an extraordinary general meeting to present a dividend proposal. The Board of Directors has now assessed the current situation and confirms its previous decision to not propose a dividend during 2020. In line with this, no deduction for dividend for the year 2019 is made from CET1 capital.

SEB's applicable CET1 capital requirement per the end of the third quarter was unchanged from the second quarter at 13.7 per cent, whereof the pillar 2 requirement was 3.6 per cent, including 2.0 per cent systemic risk. The lowered countercyclical buffer requirements from the financial authorities both in Sweden and other countries in response to the effects of the Covid-19 pandemic were unchanged. The SFSA's countercyclical buffer requirements was lowered from 2.5 to zero per cent in the first quarter.

The bank aims to have a buffer of around 150 basis points above the capital requirement. The buffer shall cover sensitivity to currency fluctuations in REA, changes in the net value of the Swedish defined benefit pension plan as well as general macroeconomic uncertainties. Currently the buffer is 580 basis points.

Risk exposure amount

SEK bn	
Balance 30 Jun 2020	745
Underlying credit risk change	1
- where of asset size	8
- where of asset quality	-6
- where of foreign exchange movements	-1
Underlying market risk change	-4
- where of CVA risk	0
Underlying operational risk change	3
Model updates, methodology & policy, other	0
- where of credit risk	0
Balance 30 Sep 2020	746

The total risk exposure amount (REA) increased by SEK 1bn to SEK 746bn in the third quarter. Credit volumes increased REA by SEK 8bn, mitigated by an asset quality related REA decrease by SEK 6bn mainly driven by an inflow of high-quality credit exposures, while foreign exchange movements had limited impact during the quarter. Market risk REA decreased by SEK 4bn. Operational risk REA increased by SEK 3bn, a result of the extraordinary fine in the second quarter.

Internally assessed capital requirement

As per 30 September 2020, the internally assessed capital requirement, including insurance risk, amounted to SEK 69bn (70). The internal capital requirement is assessed using SEB's internal models for economic capital and is not fully comparable to the estimated capital requirement published by the SFSA due to differences in assumptions and methodologies.

The internally assessed capital requirement for the parent company amounted to SEK 66bn (67).

Business development

During the quarter, SEB continued to support our customers in weathering the Covid-19 related challenges. At the same time, the ongoing process of sharpening our product and service offering as well as our own processes continued.

Advisory leadership

As a response to the increasing demand from customers, we continuously develop new sustainability products and services. As a step in this process, SEB Investment Management has decided to exclude all companies associated with the extraction of fossil fuels and fossil energy production from a selection of index funds, representing SEK 51bn of assets under management.

Moreover, we launched SEB Greentech, a new venture capital unit investing in green technology. The sector is undergoing rapid development and is expected to play a key role in the transition towards a low-carbon economy. By offering early stage financing to these companies, we aim to contribute to the creation of technologies, products and services that can benefit our customers, shareholders and society at large.

During the quarter, we continued to develop our digital customer channels by improving our private banking customers' web interface as more information was made available in their account overviews.

Operational excellence

SEB's Baltic division continued to develop in line with its digitalisation agenda by continuing its rollout of remote services. Digital onboarding of both private customers and small and medium-sized companies as well as digital signing were made available to an increasing number of customers in the Baltic countries.

End-to-end automation is one of the strategic initiatives in SEB's business plan, aiming to improve customer experience while improving operational efficiency and reducing risks. As part of this initiative, we launched smart capture technology built on artificial intelligence, allowing the conversion of information coming from various sources into digital data. This facilitates the end-to-end automation of additional processes by reducing manual work while increasing the speed in our response to customer requests.

Extended presence

During the third quarter, we continued to build on the ambition to offer our small and medium-sized enterprise customers a digital ecosystem, connecting SEB and their business systems and providing our customers an overview of relevant data, enabling more informed decisions. Thus, a strategic partnership was established with the fintech company Oxceed, offering a cloud-based tool to visualise and analyse real-time accounting data. Oxceed is the third partnership in the ecosystem, complementing already established collaborations with Capcito and PE Accounting, which offer dynamic operational financing and digital accounting services.

Moreover, SEB invested in Thought Machine, which offers a cloud-based core banking platform. SEB is already a customer to and partner of Thought Machine, using their technology when exploring and building new financial products and services for SEBx – a bank within the bank.

Other information

Long-term financial targets

SEB's long-term financial targets are:

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

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

Cost target

SEB's business plan for 2019-2021 defines a number of strategic initiatives which, on an accumulated basis, are estimated to lead to total additional investments of SEK 2-2.5bn during the three-year period 2019-2021. This translates into an annual cost increase of SEK 1bn by 2021, and a new total cost target of around SEK 23bn by 2021, assuming 2018 foreign exchange rates. With the foreign exchange rates as of 30 September 2020, the cost target implies a cost level of around SEK 23.2bn in 2021. The pace of investments will be dependent on progress and will be gradually ramped up over the three years. The strategic initiatives are expected to lead to both improved revenue growth and cost efficiencies, improving return on equity over time.

Currency effects

The currency effect on operating profit for the third quarter 2020 was SEK -79m.

Similarly, the currency effect on business volumes was small. Compared with the second quarter 2020, the stronger Swedish krona decreased loans to and deposits from the public by SEK 4bn and SEK 3bn, respectively. Total REA decreased by SEK 1bn while the decrease of total assets was SEK 8bn. Compared with year-end 2019, the currency effects were a decrease of loans to and deposits from the public by SEK 11bn and SEK 8bn, respectively. Total REA decreased by SEK 5bn while the decrease of total assets was SEK 19bn.

Uncertainties

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

oil industry development. The assessment includes the effects of the measures taken by governments and the full consequences on the economy.

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

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

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

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

Financial statements – SEB Group

Income statement, condensed

SEK m	Note	Q3			Q2		Q3		Jan-Sep			Full year
		2020	2020	%	2019	%	2020	2019	%	2019		
Net interest income	2	6 336	6 047	5	5 983	6	18 584	17 020	9	22 950		
Net fee and commission income	3	4 301	4 364	-1	4 693	-8	13 289	13 719	-3	18 709		
Net financial income	4	1 754	3 541	-50	1 196	47	4 491	4 795	-6	7 617		
Net other income		172	47		70	145	286	510	-44	858		
Total operating income		12 563	13 999	-10	11 942	5	36 651	36 045	2	50 134		
Staff costs		-3 654	-3 794	-4	-3 603	1	-11 068	-10 853	2	-14 660		
Other expenses		-1 432	-1 362	5	-1 607	-11	-4 391	-4 877	-10	-6 623		
Depreciation, amortisation and impairment of tangible and intangible assets		-461	-557	-17	-379	22	-1 446	-1 188	22	-1 662		
Total operating expenses		-5 547	-5 712	-3	-5 589	-1	-16 905	-16 918	0	-22 945		
Profit before credit losses		7 016	8 287	-15	6 353	10	19 746	19 127	3	27 190		
Gains less losses from tangible and intangible assets		-2	1		1		-1	1	-147	-2		
Net expected credit losses	5	-1 098	-2 691	-59	-489	124	-5 282	-1 297		-2 294		
Operating profit before items affecting comparability		5 916	5 598	6	5 864	1	14 463	17 831	-19	24 894		
Items affecting comparability	6		-1 000				-1 000					
Operating profit		5 916	4 598	29	5 864	1	13 463	17 831	-24	24 894		
Income tax expense		-1 150	-1 096	5	-1 092	5	-2 840	-3 486	-19	-4 717		
NET PROFIT		4 766	3 501	36	4 772	0	10 623	14 346	-26	20 177		
Attributable to shareholders of Skandinaviska Enskilda Banken AB		4 766	3 501	36	4 772	0	10 623	14 346	-26	20 177		
Basic earnings per share, SEK		2.21	1.62		2.21		4.91	6.64		9.33		
Diluted earnings per share, SEK		2.19	1.61		2.20		4.88	6.60		9.28		

Statement of comprehensive income

SEK m	Q3			Q2		Q3		Jan-Sep			Full year
	2020	2020	%	2019	%	2020	2019	%	2019		
NET PROFIT	4 766	3 501	36	4 772	0	10 623	14 346	-39	20 177		
Cash flow hedges	-10	-10	3	-28	-62	-72	-356	-80	-298		
Translation of foreign operations	-119	-816	-85	-52	129	-313	540		145		
Items that may subsequently be reclassified to the income statement:	-129	-827	-84	-80	62	-385	184		-153		
Own credit risk adjustment (OCA) ¹⁾	-53	-277	-81	41		-58	-50	15	-53		
Defined benefit plans	1 373	558	146	-1 473	-193	98	-2 334		1 366		
Items that will not be reclassified to the income statement:	1 319	281		-1 432	-192	40	-2 384		1 313		
OTHER COMPREHENSIVE INCOME	1 190	-546		-1 511		-344	-2 200	-84	1 160		
TOTAL COMPREHENSIVE INCOME	5 957	2 956	102	3 261	83	10 278	12 145	-15	21 336		
Attributable to shareholders of Skandinaviska Enskilda Banken AB	5 957	2 956	102	3 261	83	10 278	12 145	-15	21 336		

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

Balance sheet, condensed

SEK m	30 Sep 2020	30 Jun 2020	31 Dec 2019
Cash and cash balances at central banks	328 386	319 387	146 691
Loans to central banks	2 315	937	4 494
Loans to credit institutions ²⁾	58 167	48 296	46 995
Loans to the public	1 859 199	1 903 059	1 837 605
Debt securities	355 237	363 143	238 578
Equity instruments	67 619	59 259	78 482
Financial assets for which the customers bear the investment risk	318 860	301 581	316 776
Derivatives	149 212	157 007	139 427
Other assets	62 001	65 188	47 598
TOTAL ASSETS	3 200 997	3 217 858	2 856 648
Deposits from central banks and credit institutions	169 493	180 405	88 041
Deposits and borrowings from the public ¹⁾	1 431 536	1 433 051	1 161 485
Financial liabilities for which the customers bear the investment risk	320 439	303 188	317 574
Liabilities to policyholders	28 705	27 413	26 547
Debt securities issued	824 771	778 964	858 173
Short positions	33 451	36 225	27 343
Derivatives	129 493	137 896	122 192
Other financial liabilities	2 050	2 256	2 449
Other liabilities	95 433	158 246	97 144
Total liabilities	3 035 372	3 057 643	2 700 947
Equity	165 625	160 214	155 700
TOTAL LIABILITIES AND EQUITY	3 200 997	3 217 858	2 856 648
1) Deposits covered by deposit guarantees	340 498	337 364	313 779

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

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

Statement of changes in equity

SEK m	Share capital	Other reserves ¹⁾			Defined benefit plans	Retained earnings	Equity
		OCA ²⁾	Cash flow hedges	Translation of foreign operations			
Jan-Sep 2020							
Opening balance	21 942	-339	15	-170	3 898	130 355	155 700
Net profit						10 623	10 623
Other comprehensive income (net of tax)		-58	-72	-313	98		-344
Total comprehensive income		-58	-72	-313	98	10 623	10 278
Equity-based programmes ⁴⁾						-357	-357
Change in holdings of own shares						3	3
Closing balance	21 942	-397	-57	-483	3 996	140 624	165 625
Jan-Dec 2019							
Opening balance	21 942	-286	313	-315	2 533	124 604	148 789
Effect of applying IFRS 16 ³⁾						-244	-244
Restated balance at 1 January 2019	21 942	-286	313	-315	2 533	124 360	148 545
Net profit						20 177	20 177
Other comprehensive income (net of tax)		-53	-298	145	1 366		1 160
Total comprehensive income		-53	-298	145	1 366	20 177	21 336
Dividend to shareholders						-14 069	-14 069
Equity-based programmes ⁴⁾						-136	-136
Change in holdings of own shares						24	24
Closing balance	21 942	-339	15	-170	3 898	130 355	155 700
Jan-Sep 2019							
Opening balance	21 942	-286	313	-315	2 533	124 604	148 789
Effect of applying IFRS 16 ³⁾						-244	-244
Restated balance at 1 January 2019	21 942	-286	313	-315	2 533	124 360	148 545
Net profit						14 346	14 346
Other comprehensive income (net of tax)		-50	-356	540	-2 334		-2 200
Total comprehensive income		-50	-356	540	-2 334	14 346	12 145
Dividend to shareholders						-14 069	-14 069
Equity-based programmes ⁴⁾						-403	-403
Change in holdings of own shares						-131	-131
Closing balance	21 942	-337	-44	225	199	124 102	146 088

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

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

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

4) Number of shares owned by SEB:

	Jan-Sep 2020	Jan-Dec 2019	Jan-Sep 2019
Number of shares owned by SEB, million			
Opening balance	31.5	30.3	30.3
Repurchased shares for equity-based programmes	10.9	8.7	8.7
Sold/distributed shares	-8.8	-7.4	-5.7
Closing balance	33.6	31.5	33.2

Market value of shares owned by SEB, SEK m	2 676	2 774	3 006
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In accordance with the decision by the Annual General Meeting, SEB holds own shares of Class A for the long-term equity-based programmes. The transactions may take place at one or several occasions during the year. The acquisition cost for the purchase of own shares is deducted from shareholders' equity. The item includes changes in nominal amounts of equity swaps used for hedging of equity-based programmes.

Cash flow statement, condensed

SEK m	Jan-Sep			Full year
	2020	2019	%	2019
Cash flow from the profit and loss statement	11 105	- 23 215		4 002
Increase (-)/decrease (+) in portfolios	- 95 647	- 89 600	7	- 100 712
Increase (+)/decrease (-) in issued short term securities	- 34 468	214 730		179 214
Increase (-)/decrease (+) in lending	- 41 815	- 195 412	- 79	- 168 396
Increase (+)/decrease (-) in deposits and borrowings	351 425	133 194	164	2 801
Increase/decrease in other balance sheet items	- 2 061	8 505		21 578
Cash flow from operating activities	188 538	48 202		- 61 513
Cash flow from investment activities	- 389	- 875	- 55	- 612
Cash flow from financing activities	- 10 257	- 14 069	- 27	- 5 227
Net increase in cash and cash equivalents	177 892	33 258		- 67 352
Cash and cash equivalents at the beginning of year	159 335	219 579	- 27	219 579
Exchange rate differences on cash and cash equivalents	- 657	14 599		7 108
Net increase in cash and cash equivalents	177 892	33 258		- 67 352
Cash and cash equivalents at the end of period¹⁾	336 569	267 436	26	159 335

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

Other financial information – SEB Group

Key figures

	Q3	Q2	Q3	Jan-Sep		Full year
	2020	2020	2019	2020	2019	2019
Return on equity, %	11.7	8.7	13.2	8.8	13.1	13.7
Return on equity excluding items affecting comparability ¹⁾ , %	11.6	11.2	13.2	9.7	13.2	13.8
Return on tangible equity, %	12.4	9.3	13.9	9.4	13.9	14.5
Return on tangible equity excluding items affecting comparability ¹⁾ , %	12.3	11.9	13.9	10.2	14.0	14.6
Return on total assets, %	0.6	0.4	0.6	0.5	0.7	0.7
Return on risk exposure amount, %	2.6	1.8	2.5	1.9	2.5	2.7
Cost/income ratio	0.44	0.41	0.47	0.46	0.47	0.46
Basic earnings per share, SEK	2.21	1.62	2.21	4.91	6.64	9.33
Weighted average number of shares ²⁾ , millions	2 161	2 167	2 161	2 164	2 161	2 162
Diluted earnings per share, SEK	2.19	1.61	2.20	4.88	6.60	9.28
Weighted average number of diluted shares ³⁾ , millions	2 174	2 180	2 173	2 178	2 174	2 175
Net worth per share, SEK	82.81	79.79	74.32	82.81	74.32	78.42
Equity per share, SEK	76.66	73.91	67.60	76.66	67.60	71.99
Average shareholders' equity, SEK, billion	162.9	160.1	145.1	160.2	145.5	146.9
Net ECL level, %	0.19	0.46	0.09	0.30	0.08	0.10
Stage 3 Loans / Total Loans, gross, %	0.96	0.86	0.65	0.96	0.65	0.67
Stage 3 Loans / Total Loans, net, %	0.50	0.48	0.40	0.50	0.40	0.36
Liquidity Coverage Ratio (LCR) ⁴⁾ , %	139	138	174	139	174	218
<u>Own funds requirement, Basel III</u>						
Risk exposure amount, SEK m	746 308	745 457	777 243	746 308	777 243	745 637
Expressed as own funds requirement, SEK m	59 705	59 637	62 179	59 705	62 179	59 651
Common Equity Tier 1 capital ratio, %	19.4	17.8	16.4	19.4	16.4	17.6
Tier 1 capital ratio, %	21.2	19.7	18.5	21.2	18.5	20.8
Total capital ratio, %	23.7	22.2	20.9	23.7	20.9	23.3
Leverage ratio, %	4.6	4.3	4.5	4.6	4.5	5.1
Number of full time equivalents ⁵⁾	15 417	15 329	14 887	15 300	14 909	14 939
Assets under custody, SEK bn	10 803	10 053	9 267	10 803	9 267	10 428
Assets under management, SEK bn	2 054	1 909	1 943	2 054	1 943	2 041

1) Administrative fine in Q2 2020.

2) The number of issued shares was 2,194,171,802. SEB owned 31,499,321 Class A shares for the equity based programmes at year-end 2019. During 2020 SEB has purchased 10,896,142 shares and 8,789,815 shares have been sold. Thus, at 30 September 2020 SEB owned 33,605,648 Class A-shares with a market value of SEK 2,676m.

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

4) In accordance with the EU delegated act.

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

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

Income statement on a quarterly basis

SEK m	Q3	Q2	Q1	Q4	Q3
	2020	2020	2020	2019	2019
Net interest income	6 336	6 047	6 201	5 930	5 983
Net fee and commission income	4 301	4 364	4 624	4 989	4 693
Net financial income	1 754	3 541	- 804	2 822	1 196
Net other income	172	47	68	349	70
Total operating income	12 563	13 999	10 089	14 089	11 942
Staff costs	-3 654	-3 794	-3 619	-3 807	-3 603
Other expenses	-1 432	-1 362	-1 598	-1 746	-1 607
Depreciation, amortisation and impairment of tangible and intangible assets	- 461	- 557	- 429	- 474	- 379
Total operating expenses	-5 547	-5 712	-5 646	-6 026	-5 589
Profit before credit losses	7 016	8 287	4 443	8 063	6 353
Gains less losses from tangible and intangible assets	- 2	1	0	- 3	1
Net expected credit losses	-1 098	-2 691	-1 494	- 997	- 489
Operating profit before items affecting comparability	5 916	5 598	2 950	7 063	5 864
Items affecting comparability		-1 000			
Operating profit	5 916	4 598	2 950	7 063	5 864
Income tax expense	-1 150	-1 096	- 595	-1 232	-1 092
NET PROFIT	4 766	3 501	2 355	5 831	4 772
Attributable to shareholders of Skandinaviska Enskilda Banken AB	4 766	3 501	2 355	5 831	4 772
Basic earnings per share, SEK	2.21	1.62	1.09	2.70	2.21
Diluted earnings per share, SEK	2.19	1.61	1.08	2.68	2.20

Business segments – SEB Group

Income statement by segment

Jan-Sep 2020, SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & group functions	Eliminations	SEB Group
Net interest income	8 123	9 096	2 405	- 24	- 923	- 94	18 584
Net fee and commission income	4 721	3 654	1 183	1 815	1 908	9	13 289
Net financial income	3 105	279	195	364	554	- 6	4 491
Net other income	114	23	0	3	149	- 3	286
Total operating income	16 064	13 052	3 783	2 158	1 688	- 93	36 651
Staff costs	-3 141	-2 566	- 657	- 642	-4 074	11	-11 068
Other expenses	-3 859	-2 952	- 838	- 552	3 728	82	-4 391
Depreciation, amortisation and impairment of tangible and intangible assets	- 51	- 52	- 24	- 16	-1 304	0	-1 446
Total operating expenses	-7 050	-5 570	-1 519	-1 210	-1 650	93	-16 905
Profit before credit losses	9 014	7 482	2 264	948	38	0	19 746
Gains less losses from tangible and intangible assets	1	0	2		- 3		- 1
Net expected credit losses	-4 233	- 742	- 327	1	15	4	-5 282
Operating profit before items affecting comparability	4 782	6 740	1 938	949	50	4	14 463
Items affecting comparability					-1 000		-1 000
Operating profit	4 782	6 740	1 938	949	- 950	4	13 463

Jan-Sep 2019, SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & group functions	Eliminations	SEB Group
Net interest income	6 921	8 051	2 387	- 11	- 367	39	17 020
Net fee and commission income	4 735	4 093	1 212	1 882	1 733	65	13 719
Net financial income	3 028	385	209	505	670	- 1	4 795
Net other income	198	17	- 4	62	246	- 9	510
Total operating income	14 883	12 545	3 805	2 438	2 281	93	36 045
Staff costs	-3 123	-2 529	- 635	- 639	-3 939	11	-10 853
Other expenses	-3 823	-2 866	- 813	- 523	3 253	-105	-4 877
Depreciation, amortisation and impairment of tangible and intangible assets	- 51	- 51	- 22	- 16	-1 048		-1 188
Total operating expenses	-6 997	-5 446	-1 470	-1 178	-1 734	- 93	-16 918
Profit before credit losses	7 885	7 099	2 334	1 260	547	0	19 127
Gains less losses from tangible and intangible assets	0	0	1		0		1
Net expected credit losses	- 933	- 301	- 41	- 1	- 13	- 7	-1 297
Operating profit before items affecting comparability	6 953	6 797	2 294	1 259	535	- 7	17 831
Items affecting comparability							
Operating profit	6 953	6 797	2 294	1 259	535	- 7	17 831

Large Corporates & Financial Institutions

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

Income statement

SEK m	Q3		Q2		Q3		Jan–Sep			Full year
	2020	2020	%	2019	%	2020	2019	%	2019	
Net interest income	2 762	2 697	2	2 443	13	8 123	6 921	17	9 371	
Net fee and commission income	1 391	1 656	-16	1 613	-14	4 721	4 735	0	6 558	
Net financial income	1 148	2 430	-53	753	52	3 105	3 028	3	4 462	
Net other income	100	34	196	-50		114	198	-42	221	
Total operating income	5 402	6 817	-21	4 759	14	16 064	14 883	8	20 613	
Staff costs	-1 051	-1 063	-1	-1 034	2	-3 141	-3 123	1	-4 293	
Other expenses	-1 253	-1 284	-2	-1 235	1	-3 859	-3 823	1	-5 186	
Depreciation, amortisation and impairment of tangible and intangible assets	-17	-17	0	-17	-1	-51	-51	-2	-69	
Total operating expenses	-2 322	-2 364	-2	-2 286	2	-7 050	-6 997	1	-9 548	
Profit before credit losses	3 080	4 453	-31	2 473	25	9 014	7 886	14	11 065	
Gains less losses from tangible and intangible assets	0	0	-65	0	-47	1	0		1	
Net expected credit losses	-1 116	-2 211	-50	-349		-4 233	-933		-1 812	
Operating profit before items affecting comparability	1 965	2 243	-12	2 124	-7	4 782	6 953	-31	9 254	
Items affecting comparability										
Operating profit	1 965	2 243	-12	2 124	-7	4 782	6 953	-31	9 254	
Cost/Income ratio	0.43	0.35		0.48		0.44	0.47		0.46	
Business equity, SEK bn	69.0	74.4		70.8		70.8	67.4		67.9	
Return on business equity, %	8.7	9.2		9.2		6.9	10.5		10.4	
Number of full time equivalents ¹⁾	2 062	2 089		2 058		2 085	2 050		2 057	

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

- Cautious large corporate customers in a wait-and-see mode
- Credit spreads normalising from high levels with risk appetite mostly unchanged
- Operating profit amounted to SEK 1,965m and return on business equity was 8.7 per cent

Comments on the third quarter

After a turbulent first half of the year with a strong emphasis on liquidity management, the focus in the third quarter for *Large Corporate customers* largely shifted to a wait-and-see approach as Covid-19 second wave concerns created uncertainties. This, in combination with seasonally lower activity, put pressure on event related income despite some pick-up in the latter part of the quarter. While the demand for cash management services and supply chain finance was unchanged from the previous quarter, the demand for longer-term funding increased, however from low levels.

The activity in and interest for infrastructure projects picked up towards the end of the quarter within the *Financial Sponsor* segment. In addition, capital markets activity remained healthy where primarily there was an increase of high yield debt issuance while investment grade issuance slowed down.

Strategic considerations for the *Financial Institutions* segment returned to the agendas in the third quarter although the risk appetite for the most part remained unchanged. The pick-up in the equity markets towards the end of the quarter led to increased activity levels and the demand for alternative

investments remained high from the previous quarter. Furthermore, there was a strong demand for sustainability-related products and advisory services. Assets under custody increased to SEK 10,803bn (10,053), as a result of increased asset values.

Operating income amounted to SEK 5,402m. Net interest income increased to SEK 2,762m mainly due to higher deposit margins. Net fee and commission income decreased to SEK 1,391m as a result of seasonally lower activity and a decrease in corporate loan origination levels. Net financial income decreased to SEK 1,148m, a result of lower credit spreads which affected the fair value credit adjustment. Operating expenses decreased to SEK 2,322m. Net expected credit losses amounted to SEK 1,116m with a net expected credit loss level of 37 basis points, mainly as a result of a few larger customers mainly related to the offshore¹ portfolio. See page 6.

¹ Rigs, accommodation rigs and platform support vessels.

Corporate & Private Customers

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

Income statement

SEK m	Q3		Q2		Q3		Jan–Sep		Full year
	2020	2020	%	2019	2020	2019	%	2019	
Net interest income	3 181	2 913	9	2 606	22	9 096	8 051	13	10 721
Net fee and commission income	1 221	1 118	9	1 401	-13	3 654	4 093	-11	5 546
Net financial income	93	77	20	116	-20	279	385	-28	507
Net other income	7	5	43	6	19	23	17	38	25
Total operating income	4 502	4 113	9	4 128	9	13 052	12 545	4	16 798
Staff costs	-848	-844	0	-836	1	-2 566	-2 529	1	-3 372
Other expenses	-980	-1 003	-2	-932	5	-2 952	-2 866	3	-3 979
Depreciation, amortisation and impairment of tangible and intangible assets	-17	-16	10	-21	-18	-52	-51	2	-68
Total operating expenses	-1 845	-1 863	-1	-1 789	3	-5 570	-5 446	2	-7 418
Profit before credit losses	2 657	2 251	18	2 339	14	7 482	7 099	5	9 380
Gains less losses from tangible and intangible assets	0			0	-86	0	0	-9	-4
Net expected credit losses	5	-228		-129		-742	-301	146	-393
Operating profit before items affecting comparability	2 662	2 023	32	2 209	20	6 740	6 797	-1	8 983
Items affecting comparability									
Operating profit	2 662	2 023	32	2 209	20	6 740	6 797	-1	8 983
Cost/Income ratio	0.41	0.45		0.43		0.43	0.43		0.44
Business equity, SEK bn	46.0	47.8		45.4		46.6	45.0		44.9
Return on business equity, %	17.7	13.0		14.9		14.8	15.4		15.3
Number of full time equivalents ¹⁾	3 629	3 590		3 507		3 584	3 591		3 564

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

- SEB was for the second consecutive year named Business Bank of the Year by Finansbarometern
- Customer demand for amortisation grace periods declined
- Operating profit amounted to SEK 2,662m and return on business equity was 17.7 per cent

Comments on the third quarter

Customer satisfaction was high. Net Promoter Score (NPS) remained at high levels, where Personal Banking customers, in terms of advisory services, again reached record levels. In the Swedish Quality Index (SKI) survey, SEB moved in parallel with the overall banking industry. Among peers SEB defended its second place in the private segment while in the corporate segment moved down to third place. However, SEB was named Business Bank of the Year for the second consecutive year in the customer satisfaction survey named Finansbarometern.

In the *corporate segment*, the net inflow of full-service customers continued. The inflow of corporate deposits stabilised from last quarter's high levels. Corporate customers' demand for amortisation grace and liquidity support related to the Covid-19 pandemic declined. Corporate lending increased by SEK 1bn, driven by real estate lending. Total corporate lending volumes amounted to SEK 252bn (251).

Among *private customers*, the mortgage business developed according to plan. Mortgage volumes grew by SEK 7bn and amounted to SEK 530bn, maintaining the existing market share. Requests for amortisation grace on household

mortgages decreased throughout the quarter. Mutual fund volumes increased supported by the continued positive performance of the stock market and net inflow.

Within Private Banking, assets under management grew, primarily driven by the strong stock market appreciation.

In total, lending volumes increased by SEK 7bn to SEK 841bn. Deposit volumes grew by SEK 5bn and amounted to SEK 511bn.

Operating profit increased by 32 per cent. Net interest income increased by 9 per cent, or SEK 268m, partly due to more favourable margins, but also as an effect of increased lending and deposit volumes. Net fee and commission income increased by 9 per cent, driven by the card business which recovered somewhat during the quarter. Total operating expenses decreased by 1 per cent. Due to reversals, the net expected credit losses were positive at an amount of SEK 5m, with a net expected credit loss level of zero basis points. See page 6.

Baltic

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

Income statement

SEK m	Q3			Q2			Q3			Jan-Sep			Full year
	2020	2020	%	2019	2019	%	2020	2019	%	2020	2019	%	2019
Net interest income	772	784	-2	823	-6	2 405	2 387	1	3 218				
Net fee and commission income	402	381	6	413	-3	1 183	1 212	-2	1 638				
Net financial income	66	96	-31	70	-5	195	209	-7	321				
Net other income	0	0	44	0		0	-4		-8				
Total operating income	1 241	1 262	-2	1 305	-5	3 783	3 805	-1	5 169				
Staff costs	-214	-218	-2	-223	-4	-657	-635	3	-856				
Other expenses	-271	-288	-6	-280	-3	-838	-813	3	-1 123				
Depreciation, amortisation and impairment of tangible and intangible assets	-9	-8	9	-8	13	-24	-22	9	-30				
Total operating expenses	-494	-514	-4	-511	-3	-1 519	-1 470	3	-2 009				
Profit before credit losses	746	748	0	794	-6	2 264	2 334	-3	3 159				
Gains less losses from tangible and intangible assets	1	0	84	1	43	2	1	146	2				
Net expected credit losses	10	-260	-104	11	-13	-327	-41		-58				
Operating profit before items affecting comparability	757	488	55	806	-6	1 938	2 294	-16	3 104				
Items affecting comparability													
Operating profit	757	488	55	806	-6	1 938	2 294	-16	3 104				
Cost/income ratio	0.40	0.41		0.39		0.40	0.39		0.39				
Business equity, SEK bn	12.9	13.3		10.9		13.2	10.7		10.8				
Return on business equity, %	20.1	12.5		25.2		16.8	24.5		24.7				
Number of full time equivalents ¹⁾	2 249	2 299		2 362		2 303	2 346		2 350				

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

- Signs of consumer recovery following easing of Covid-19 lock-down measures
- Customer usage of digital and remote services remains high
- Operating profit amounted to SEK 757m and return on business equity was 20.1 per cent

Comments on the third quarter

The Baltic economies improved in the third quarter, supported by fiscal stimulus, the relatively improved pandemic situation, recoveries in employment, consumer confidence and exports. The second quarter's retraction was not as deep as initially feared, helping the economies emerge less affected so far compared with the rest of Europe. Consumers' spending increased and retail sales demonstrated particularly strong growth. Industrial production also saw recovery as demand strengthened. The corporate sector's short-term economic outlook however remains cautious, further depressing the demand for investments and indicating a coming decrease in construction output.

Activity in the private residential market saw a marked turnaround during the third quarter, which led to a modest increase in mortgage lending in local currency. The turnaround in consumer confidence was reflected in the usage of cards and payment products in the private segment with a sharp increase compared with the previous quarter. Even though some restrictions around physical customer meetings were

lifted, the surge in the usage of SEB's digital and remote services continued.

With the overall corporate segment remaining cautious despite the recovery observed in certain sectors, corporate lending volumes stabilised and, in total, lending volumes increased by 1 per cent in local currency to SEK 158bn. Deposits grew by 1 per cent to SEK 171bn, driven by the household segment.

Compared with the second quarter, operating profit increased by 55 per cent, or by SEK 269m, to SEK 757m primarily driven by a recovery in net expected credit losses. See page 6. Net interest income increased by 1 per cent in local currency due in part to the expanded lending portfolio and lower resolution fund fees, offset by higher costs in managing excess liquidity. Net fee and commission income increased 9 per cent in local currency, due mainly to the recovery in customer activity following easing of restrictions surrounding Covid-19. Net financial income decreased by 29 per cent in local currency, due mostly to market valuations of government bonds and slightly lower demand for currency exchange services in the corporate segment.

Life

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

Income statement

SEK m	Q3		Q2		Q3		Jan-Sep		Full year
	2020	2020	%	2019	2020	2019	%	2019	
Net interest income	-8	-8	1	-5	77	-24	-11	116	-16
Net fee and commission income	618	593	4	647	-5	1 815	1 882	-4	2 531
Net financial income	247	235	5	152	62	364	505	-28	711
Net other income	2	6	-74	14	-89	3	62	-96	77
Total operating income	858	825	4	808	6	2 158	2 438	-11	3 304
Staff costs	-205	-216	-5	-215	-5	-642	-639	0	-860
Other expenses	-185	-183	1	-172	7	-552	-523	6	-706
Depreciation, amortisation and impairment of tangible and intangible assets	-5	-5	-9	-5	-9	-16	-16	0	-21
Total operating expenses	-394	-405	-3	-393	0	-1 210	-1 178	3	-1 587
Profit before credit losses	463	420	10	415	12	948	1 260	-25	1 716
Gains less losses from tangible and intangible assets									
Net expected credit losses	1	0		0		1	-1		-1
Operating profit before items affecting comparability	464	420	10	415	12	949	1 259	-25	1 715
Items affecting comparability									
Operating profit	464	420	10	415	12	949	1 259	-25	1 715
Cost/Income ratio	0.46	0.49		0.49		0.56	0.48		0.48
Business equity, SEK bn	5.3	5.3		5.4		5.3	5.4		5.4
Return on business equity, %	32.8	29.7		28.5		22.1	28.8		29.4
Number of full time equivalents ¹⁾	1 033	1 043		1 030		1 045	1 041		1 046

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

- Continued financial market recovery in the third quarter
- Third consecutive quarter of increasing market share in Sweden
- Operating profit amounted to SEK 464m and return on business equity was 32.8 per cent

Comments on the third quarter

The return in the traditional life insurance portfolio in Sweden continued to recover during the quarter, resulting in increased customer bonus rates. Year-to-date, the return in the traditional portfolio improved.

In three consecutive quarters, SEB's market share of the total life insurance market in Sweden improved. The market share was 11.1¹⁾ per cent, an increase of 0.5 percentage points compared with one quarter earlier. SEB's market position in all Baltic countries remained as top three.

During the third quarter, the stock market continued to recover and the customer assets in unit-linked insurance amounted to SEK 319bn, an increase of SEK 17bn compared with the previous quarter. The strengthening of the Swedish krona had some negative effect on assets under management. Total assets under management for the life business reached an all-time high after increasing to SEK 390bn from 369bn at the end of the second quarter, mainly from the market value increase but also a strong positive net inflow.

During the year, despite the Covid-19 situation, sales in Sweden increased by 11 per cent or SEK 3bn to SEK 28bn. All major product areas have delivered in line with or above last year. The portfolio bond distributed to the Swedish market also continued to deliver above last year. In the Baltic countries, sales decreased by SEK 3bn partly because of the Covid-19 related lockdown in the SEB branch network but also due to high volumes in 2019 from a pension reform in Lithuania.

Operating profit increased by SEK 44m. Net fee and commission income increased by 4 per cent compared with the last quarter due to higher average asset values in the unit-linked business. Net financial income increased by SEK 12m to SEK 247m. Improved equity markets affected the income positively from traditional portfolios. Given the positive financial market development during the second and third quarter, a large part of the negative market effects from the first quarter have now been recovered. Expenses decreased by 3 per cent in the third quarter compared with the previous quarter.

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

Investment Management & group functions

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

Income statement

SEK m	Q3		Q2		Q3		Jan-Sep			Full year
	2020	2020	%	2019	%	2020	2019	%	2019	
Net interest income	-353	-294		91		-923	-367		-378	
Net fee and commission income	667	634	5	588	14	1 908	1 733	10	2 392	
Net financial income	201	705	-71	107	88	554	670	-17	1 605	
Net other income	64	3		107	-40	149	246	-39	554	
Total operating income	579	1 048	-45	893	-35	1 688	2 281	-26	4 173	
Staff costs	-1 339	-1 457	-8	-1 299	3	-4 074	-3 939	3	-5 294	
Other expenses	1 243	1 335	-7	1 066	17	3 728	3 253	15	4 465	
Depreciation, amortisation and impairment of tangible and intangible assets	-414	-511	-19	-328	26	-1 304	-1 048	24	-1 475	
Total operating expenses	-510	-633	-19	-561	-9	-1 650	-1 734	-5	-2 304	
Profit before credit losses	69	416	-84	332	-79	38	547	-93	1 869	
Gains less losses from tangible and intangible assets	-3	0		0		-3	0		-1	
Net expected credit losses	-1	7		-22	-94	15	-13		-22	
Operating profit before items affecting comparability	64	422	-85	310	-79	50	535	-91	1 846	
Items affecting comparability		-1 000	-100			-1 000				
Operating profit	64	-578		310	-79	-950	535		1 846	
Number of full time equivalents ¹⁾	6 445	6 308		5 930		6 282	5 881		5 922	
SEB labelled mutual funds, SEK bn ²⁾	647	614		668		647	668		685	

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

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

- SEB-labelled mutual funds' asset values increased to SEK 647bn
- Significant valuation effects
- Operating profit amounted to SEK 64m

Comments on the third quarter

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

Investment Management: Asset values increased, continuing the upward trend from the latter part of the second quarter. SEB-labelled mutual funds amounted to SEK 647bn (614). Net sales for the quarter were negative and amounted to SEK -2bn. Three additional funds now fulfil SEB's strictest sustainability criteria and in total such funds amounted to SEK 267bn (229), representing 41 per cent of the assets under management.

Total operating income amounted to SEK 603m (518). Base commission amounted to SEK 477m (488) which was a decrease of 2 per cent compared with the previous quarter. The decrease related to a few one-off adjustments and the overall higher asset values during the entire period increased the underlying base commissions. Performance fees had another strong quarter and amounted to SEK 86m (59). Operating expenses increased and amounted to SEK 208m (200). Operating profit amounted to SEK 394m (318).

Treasury: Net interest income decreased during the third quarter compared with the second quarter 2020 mainly due to a change in internal funds transfer pricing on deposits and lending. This was partly offset by a lower funding cost. Net financial income was lower due to mark-to-market valuation effects within the liquidity management and the bond portfolios.

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

Other: Net financial income reflected negative market valuation effects of SEK 352m on certain strategic holdings compared with the second quarter.

In the second quarter, the Swedish FSA issued SEB an administrative fine of SEK 1,000m. See note 6.

Notes to the financial statements - SEB Group

Note 1 Accounting policies

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

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

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

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

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

Note 2 Net interest income

SEK m	Q3			Q2		Q3		Jan-Sep			Full year
	2020	2020	%	2019	%	2020	2019	%	2019		
Interest income ¹⁾	8 953	9 507	-6	10 785	-17	28 802	31 274	-8	41 722		
Interest expense	-2 617	-3 459	-24	-4 802	-45	-10 217	-14 254	-28	-18 772		
Net interest income	6 336	6 047	5	5 983	6	18 584	17 020	9	22 950		
1) Of which interest income calculated using the effective interest method	7 373	7 898	-7	8 940	-18	23 811	26 441	-10	35 217		

Note 3 Net fee and commission income

SEK m	Q3			Q2		Q3		Jan-Sep			Full year
	2020	2020	%	2019	%	2020	2019	%	2019		
Issue of securities and advisory services	203	301	-33	326	-38	755	843	-10	1 312		
Secondary market and derivatives	420	491	-14	455	-8	1 532	1 528	0	2 047		
Custody and mutual funds	2 003	1 890	6	1 977	1	5 889	5 746	2	7 782		
<i>Whereof performance fees</i>	86	69	26	11		206	79	160	121		
Payments, cards, lending, deposits, guarantees and other	2 465	2 486	-1	2 843	-13	7 711	8 426	-8	11 293		
<i>Whereof payments and card fees</i>	1 275	1 167	9	1 597	-20	3 895	4 692	-17	6 299		
<i>Whereof lending</i>	668	790	-15	687	-3	2 228	2 107	6	2 869		
Life insurance commissions	395	393	1	435	-9	1 169	1 316	-11	1 741		
Fee and commission income	5 486	5 561	-1	6 035	-9	17 056	17 858	-4	24 176		
Fee and commission expense	-1 185	-1 197	-1	-1 342	-12	-3 768	-4 139	-9	-5 467		
Net fee and commission income	4 301	4 364	-1	4 693	-8	13 289	13 719	-3	18 709		
<i>Whereof Net securities commissions</i>	2 023	2 062	-2	2 026	0	6 164	5 896	5	8 179		
<i>Whereof Net payment and card fees</i>	820	710	15	1 019	-20	2 427	3 016	-20	4 096		
<i>Whereof Net life insurance commissions</i>	272	276	-1	310	-12	802	896	-10	1 198		
<i>Whereof Other commissions</i>	1 185	1 316	-10	1 338	-11	3 895	3 911	0	5 236		

Fee and commission income by segment

SEK m	Large Corporates & Financial Institutions	Corporate & Private Customers	Baltic	Life	Investment Management & group functions	Eliminations	SEB Group
Q3 2020							
Issue of securities and advisory	189	9	4		0		203
Secondary market and derivatives	330	84	7	0	-2	0	420
Custody and mutual funds	880	449	46	53	1 528	- 952	2 003
Payments, cards, lending, deposits, guarantees and other	1 098	955	519	49	159	- 315	2 465
Life insurance commissions				784		- 388	395
Fee and commission income	2 497	1 497	576	885	1 685	-1 655	5 486
Q2 2020							
Issue of securities and advisory	280	15	6	0	0		301
Secondary market and derivatives	392	92	9	0	- 3	0	491
Custody and mutual funds	846	412	46	50	1 378	- 842	1 890
Payments, cards, lending, deposits, guarantees and other	1 225	883	479	49	152	- 302	2 486
Life insurance commissions				747		- 354	393
Fee and commission income	2 743	1 402	541	846	1 527	-1 498	5 561
Jan-Sep 2020							
Issue of securities and advisory	712	29	15	0	0		755
Secondary market and derivatives	1 223	293	26	0	- 10	0	1 532
Custody and mutual funds	2 573	1 303	139	155	4 401	-2 681	5 889
Payments, cards, lending, deposits, guarantees and other	3 548	2 981	1 505	146	430	- 899	7 711
Life insurance commissions				2 303		-1 134	1 169
Fee and commission income	8 055	4 605	1 685	2 604	4 820	-4 714	17 056
Jan-Sep 2019							
Issue of securities and advisory	804	22	13	0	3		843
Secondary market and derivatives	1 195	321	15	0	- 3	0	1 528
Custody and mutual funds	2 498	1 194	143	124	4 432	-2 644	5 746
Payments, cards, lending, deposits, guarantees and other	3 494	3 859	1 540	167	353	- 987	8 426
Life insurance commissions				2 429		-1 113	1 316
Fee and commission income	7 991	5 396	1 711	2 720	4 784	-4 744	17 858

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

Note 4 Net financial income

SEK m	Q3			Q2		Q3		Jan-Sep			Full year
	2020	2020	%	2019	%	2020	2019	%	2019		
Equity instruments and related derivatives	747	1 159	-36	586	27	417	1 874	-78	2 628		
Debt instruments and related derivatives	16	900	-98	-407		460	-619		-37		
Currency and related derivatives	599	1 054	-43	950	-37	3 166	2 987	6	4 119		
Other life insurance income, net	245	228	7	150	63	360	503	-28	722		
Other	147	200	-27	-84		87	51	72	185		
Net financial income	1 754	3 541	-50	1 196	47	4 491	4 795	-6	7 617		
<i>Whereof unrealized valuation changes from counterparty risk and own credit standing in derivatives</i>	189	581	-67	-160		-513	-268	91	-1		

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

For the third quarter the effect from structured bonds offered to the public was approximately SEK 220m (Q2 2020: 550) in Equity related derivatives and a corresponding effect in Debt related derivatives SEK -30m (Q2 2020: -440).

Note 5 Net expected credit losses

SEK m	Q3			Q2		Q3		Jan-Sep			Full year
	2020	2020	%	2019	%	2020	2019	%	2019		
Impairment gains or losses - Stage 1	326	-396		-4		-546	-1		24		
Impairment gains or losses - Stage 2	446	-293		32		-134	261		457		
Impairment gains or losses - Stage 3	-1 856	-1 890	-2	-505		-4 452	-1 588	180	-2 777		
Impairment gains or losses	-1 085	-2 579	-58	-477	127	-5 132	-1 329		-2 296		
Write-offs and recoveries											
Total write-offs	-438	-966	-55	-186	135	-1 630	-825	97	-1 113		
Reversals of allowance for write-offs	383	805	-52	129	197	1 342	649	107	845		
Write-offs not previously provided for	-55	-161	-66	-57	-4	-288	-176	64	-269		
Recovered from previous write-offs	42	50	-16	45	-8	138	208	-34	271		
Net write-offs	-13	-112	-88	-12	9	-150	32		2		
Net expected credit losses	-1 098	-2 691	-59	-489	124	-5 282	-1 297		-2 294		
Net ECL level, %	0.19	0.46		0.09		0.30	0.08		0.10		

Exposure and expected credit loss (ECL) allowances by stage, Movements in allowances for expected credit losses and loans and Expected credit loss allowances by industry are presented in notes 10-12.

Note 6 Items affecting comparability

SEK m	Q3		Q2		Q3		Jan–Sep		Full year
	2020	2020	%	2019	%	2020	2019	%	
Other expenses		-1 000					-1 000		
Total operating expenses		-1 000					-1 000		
Items affecting comparability		-1 000					-1 000		
Income tax on IAC									
Items affecting comparability after tax		-1 000					-1 000		

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

Items affecting comparability 2020

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

Note 7 Pledged assets and obligations

SEK m	30 Sep 2020	30 Jun 2020	31 Dec 2019
Pledged assets for own liabilities ¹⁾	490 817	461 891	496 406
Pledged assets for liabilities to insurance policyholders	349 144	330 601	344 121
Other pledged assets ²⁾	124 919	124 792	91 477
Pledged assets	964 881	917 284	932 004
Contingent liabilities ³⁾	142 411	142 082	139 462
Commitments	755 541	705 535	638 348
Obligations	897 952	847 618	777 810

1) Of which collateralised for own issued covered bonds SEK 347,097m (338,668; 368,955).

2) Of which securities lending SEK 2,836m (2,905; 5,389) and pledged but unencumbered bonds SEK 94,741m (95,641; 58,523).

3) Of which financial guarantees SEK 9,114m (8,356; 8,705).

Note 8 Financial assets and liabilities

SEK m	30 Sep 2020		30 Jun 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Loans ¹⁾	2 245 887	2 257 685	2 269 530	2 281 622	2 033 280	2 033 650
Debt securities	355 237	355 039	363 143	362 876	238 578	238 878
Equity instruments	67 619	67 619	59 259	59 259	78 482	78 482
Financial assets for which the customers bear the investment risk	318 860	318 860	301 581	301 581	316 776	316 776
Derivatives	149 212	149 212	157 007	157 007	139 427	139 427
Other	28 522	28 522	33 713	33 713	16 584	16 584
Financial assets	3 165 337	3 176 937	3 184 234	3 196 059	2 823 127	2 823 797
Deposits	1 601 029	1 601 807	1 613 456	1 614 254	1 249 526	1 248 839
Financial liabilities for which the customers bear the investment risk	320 439	320 439	303 188	303 188	317 574	317 574
Debt securities issued ²⁾	859 545	873 796	813 967	824 040	902 812	896 194
Short positions	33 451	33 451	36 225	36 225	27 343	27 343
Derivatives	129 493	129 493	137 896	137 896	122 192	122 192
Other	35 405	35 406	95 750	95 752	18 449	18 451
Financial liabilities	2 979 363	2 994 393	3 000 482	3 011 355	2 637 896	2 630 593

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

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

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

Note 9 Assets and liabilities measured at fair value

SEK m	30 Sep 2020				31 Dec 2019			
	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Assets								
Loans		203 303		203 303		190 090		190 090
Debt securities	166 977	174 411	295	341 684	110 101	113 884	5	223 990
Equity instruments	50 774	3 173	13 672	67 619	59 029	6 403	13 050	78 482
Financial assets for which the customer bear the investment risk	312 567	5 931	362	318 860	308 909	7 236	631	316 776
Derivatives	994	147 744	474	149 212	1 006	137 943	478	139 427
Investment in associates ¹⁾	104		497	601	85		381	466
Total	531 416	534 563	15 300	1 081 279	479 130	455 557	14 544	949 231
Liabilities								
Deposits		26 029		26 029		15 103		15 103
Financial liabilities for which the customer bear the investment risk	314 236	5 850	352	320 439	309 772	7 178	625	317 574
Liabilities to policyholders - insurance	27 511	1 195		28 705	25 399	1 147		26 547
Debt securities issued		13 541		13 541		20 207		20 207
Short positions	23 799	9 652		33 451	25 634	1 669	41	27 343
Derivatives	781	128 288	424	129 493	1 554	120 296	342	122 192
Other financial liabilities at fair value	149	1 902		2 050	44	2 405		2 449
Total	366 476	186 457	776	553 709	362 402	168 004	1 008	531 414

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

Fair value measurement

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

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

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

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

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

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

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

Level 1: Quoted market prices

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

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

Level 2: Valuation techniques with observable inputs

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

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

Note 9, continued. Assets and liabilities measured at fair value

Level 3: Valuation techniques with significant unobservable inputs

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

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

Significant transfers and reclassifications between levels

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

Changes in level 3, SEK m	Opening	Gain/loss in Income statement ¹⁾	Gain/loss in Other compre- hensive income		Settle- ments	Transfers into Level 3	Transfers out of Level 3	Exchange rate differences	Closing
	balance 1 Jan 2020		Purchases	Sales					balance 30 Sep 2020
Assets									
Debt securities	5	12		-5	-23	306			295
Equity instruments	13 050	-661	2 703	-1 419			-7	6	13 672
Financial assets for which the customer bear the investment risk	631	-88	3	-32			-158	6	362
Derivatives	478	11	63		-77			-1	474
Investment in associates	381	68	48						497
Total	14 544	-658	2 817	-1 456	-100	306	-165	11	15 300
Liabilities									
Financial liabilities for which the customer bear the investment risk	625	-88		-32			-158	5	352
Short positions	41	-53		11				1	
Derivatives	342	-72		63	90			1	424
Total	1 008	-213		42	90		-158	7	776

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

Sensitivity of Level 3 assets and liabilities to unobservable inputs

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

SEK m	30 Sep 2020				31 Dec 2019			
	Assets	Liabilities	Net	Sensitivity	Assets	Liabilities	Net	Sensitivity
Derivative instruments ²⁾⁵⁾	474	-424	51	60	478	-342	136	36
Debt securities ¹⁾	295		295	15				
Equity instruments ³⁾⁶⁾⁷⁾	3 319		3 319	664	3 187	-40	3 147	632
Insurance holdings - Financial instruments ⁴⁾⁵⁾⁷⁾⁸⁾	10 696		10 696	1 263	9 960		9 960	1 110

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

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

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

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

5) Shift in implied volatility by 10 per cent.

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

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

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

Note 10 Exposure and expected credit loss (ECL) allowances by stage

SEK m	30 Sep 2020	30 Jun 2020	31 Dec 2019
Stage 1 (12-month ECL)			
Debt securities	13 554	12 951	14 589
Loans ¹⁾	1 661 651	1 658 392	1 623 030
Financial guarantees and Loan commitments	773 740	720 957	636 447
Gross carrying amounts/Nominal amounts Stage 1	2 448 945	2 392 300	2 274 066
Debt securities	0	-1	-1
Loans ¹⁾	-1 039	-1 287	-643
Financial guarantees and Loan commitments	-320	-402	-189
ECL allowances Stage 1	-1 359	-1 689	-832
Debt securities	13 554	12 951	14 588
Loans ¹⁾	1 660 612	1 657 105	1 622 387
Financial guarantees and Loan commitments	773 420	720 555	636 258
Carrying amounts/Net amounts Stage 1	2 447 586	2 390 611	2 273 234
Stage 2 (lifetime ECL)			
Loans ¹⁾²⁾	64 799	65 133	72 459
Financial guarantees and Loan commitments	16 090	16 080	13 900
Gross carrying amounts/Nominal amounts Stage 2	80 890	81 213	86 360
Loans ¹⁾²⁾	-1 009	-1 496	-1 058
Financial guarantees and Loan commitments	-243	-228	-127
ECL allowances Stage 2	-1 253	-1 724	-1 185
Loans ¹⁾²⁾	63 790	63 637	71 401
Financial guarantees and Loan commitments	15 847	15 852	13 773
Carrying amounts/Net amounts Stage 2	79 637	79 489	85 174
Stage 3 (credit impaired/lifetime ECL)			
Loans ¹⁾³⁾	16 809	14 927	11 396
Financial guarantees and Loan commitments ³⁾	496	825	441
Gross carrying amounts/Nominal amounts Stage 3	17 305	15 753	11 836
Loans ¹⁾³⁾	-8 119	-6 694	-5 211
Financial guarantees and Loan commitments ³⁾	-182	-263	-138
ECL allowances Stage 3	-8 301	-6 957	-5 349
Loans ¹⁾³⁾	8 689	8 233	6 184
Financial guarantees and Loan commitments ³⁾	315	562	303
Carrying amounts/Net amounts Stage 3	9 004	8 796	6 487

The note continues on the next page.

Note 10, continued. Exposure and expected credit loss (ECL) allowances by stage

SEK m	30 Sep 2020	30 Jun 2020	31 Dec 2019
Total			
Debt securities	13 554	12 951	14 589
Loans ¹⁾²⁾³⁾	1 743 259	1 738 452	1 706 885
Financial guarantees and Loan commitments ³⁾	790 327	737 862	650 788
Gross carrying amounts/Nominal amounts	2 547 140	2 489 266	2 372 262
Debt securities	0	-1	-1
Loans ¹⁾²⁾³⁾	-10 168	-9 477	-6 912
Financial guarantees and Loan commitments ³⁾	-745	-893	-454
ECL allowances	-10 913	-10 370	-7 367
Debt securities	13 554	12 951	14 588
Loans ¹⁾²⁾³⁾	1 733 091	1 728 976	1 699 972
Financial guarantees and Loan commitments ³⁾	789 582	736 969	650 335
Carrying amounts/Net amounts	2 536 227	2 478 895	2 364 895

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

2) Whereof gross carrying amounts SEK 1,232m (1,339; 1,372) and ECL allowances SEK 2m (2; 2) under Lifetime ECLs - simplified approach for trade receivables.

3) Whereof gross carrying amounts SEK 2,957m (2,962; 2,309) and ECL allowances SEK 1,895m (1,507; 1,002) for Purchased or Originated Credit Impaired loans.

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

Stage 3 loans / Total loans, gross, %	0.96	0.86	0.67
Stage 3 loans / Total loans, net, %	0.50	0.48	0.36
ECL coverage ratio Stage 1, %	0.06	0.07	0.04
ECL coverage ratio Stage 2, %	1.55	2.12	1.37
ECL coverage ratio Stage 3, %	47.97	44.16	45.19
ECL coverage ratio, %	0.43	0.42	0.31

Development of exposures and ECL allowances by stage

In the third quarter, gross exposures in Stage 3 increased by SEK 1,552m to SEK 17,305m mainly due to a couple of oil-related exposures migrating from Stage 2. The less negative macroeconomic scenarios decreased ECL allowances in Stage 1 and 2, partly offset by an increase in the Covid-19-related model overlay. ECL allowances in Stage 2 also decreased due to a release of the oil-related model overlay and the negative migration in the oil portfolio, resulting in an increase of ECL allowances in Stage 3.

The note continues on the next page.

Note 10, continued. Exposure and expected credit loss (ECL) allowances by stage

Measurement of ECL allowances

SEB uses both models and expert credit judgement (ECJ) for calculating ECL allowances. The degree of judgement depends on model outcome, materiality and information available and ECJ may be applied to incorporate factors not captured by the models. Expert credit judgement was used for the Covid-19- and oil-related model overlays in 2020. The model overlays were determined through top-down scenario analysis combined with bottom-up customer analysis of larger corporate customers in the LC&FI, C&PC and Baltic divisions and exposed sector analysis for other customer segments.

Significant increase in credit risk (SICR)

SEB uses both quantitative and qualitative indicators for determining significant increase in credit risk. Following the Covid-19 pandemic, governments have enabled measures to support corporates and private individuals, including amortisation exemptions for household mortgages. In line with the SFSA's recommendations, such measures do not automatically trigger a significant increase in credit risk, and thereby a transfer to stage 2 and increased ECL allowances, under EBA's guidelines which apply until 30 September 2020.

Key macroeconomic variable assumptions for calculating ECL allowances

SEB reviews and updates the macroeconomic scenarios and scenario probability weightings for calculation of ECL allowances on a quarterly basis. In September, the scenarios were adjusted to reflect the fact that, despite an increased spread of the coronavirus after the summer, advanced economies generally started to recover slightly faster than anticipated, especially in terms of consumption and manufacturing, and labour markets did not weaken as much as was initially feared. The economic forecasts of the three scenarios - base, positive and negative scenarios - are based on different assumptions around how rapidly economies will reopen, which may depend both on strategic trade-offs between medical and economic aspects, but also on the continued spread of the virus and the vaccination process.

The base scenario assumes that the world must go through the winter without mass vaccinations and the risk of a worsening pandemic situation. Large scale vaccination is assumed to be available during the second half of 2021, reducing the need for restrictions. The main macroeconomic variable assumptions of the base scenario used for the ECL allowances as of 30 September 2020 are set out below. Individual scenarios for SEB's home markets are used.

Base scenario assumptions	2020	2021	2022
World GDP (PPP) growth	-4.3%	5.3%	4.0%
OECD GDP growth	-6.6%	4.8%	2.8%
Sweden			
GDP growth	-3.8%	4.2%	3.1%
Household consumption expenditure growth	-3.5%	3.5%	2.7%
Interest rate (STIBOR)	-0.10%	-0.05%	-0.05%
Residential real estate price growth	-2.0%	0.0%	3.0%
Baltic countries			
GDP growth	-1.3% – -4.7%	3.0% – 4.3%	3.0% – 3.5%
Household consumption expenditure growth	-2.5% – -5.3%	3.6% – 4.5%	3.2% – 3.5%
Unemployment rate	7.9% – 9.1%	7.5% – 9.0%	6.7% – 7.9%
Inflation rate	-0.5% – 1.2%	1.8% – 2.2%	2.3% – 2.4%
Nominal wage growth	1.5% – 5.5%	2.8% – 5.0%	4.5% – 6.0%

The negative scenario reflects the risk that the pandemic will take off again during the winter in such a severe way that extensive new lockdowns and tougher restrictions are necessary, resulting in a direct effect on GDP and a severe negative impact on confidence both in the real economy and in financial markets. The positive scenario assumes that large scale vaccinations starting early 2021 or that economic policy stimulus is more effective than estimated.

The probability of the three scenarios was estimated to 60 per cent for the base scenario, 20 per cent for the positive scenario, and 20 per cent for the negative scenario.

Should the positive and negative scenarios be assigned 100 per cent probability, the model calculated ECL allowances would decrease by 4 per cent and increase by 9 per cent respectively compared to the probability-weighted calculation.

SEB's measurement of ECL allowances and related assumptions according to IFRS9 can be found on pages 88-89 and 122-123 in the Annual Report 2019.

Note 11 Movements in allowances for expected credit losses (ECL)

SEK m	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total
Loans and Debt securities				
ECL allowance as of 31 December 2019	644	1 058	5 211	6 913
New and derecognised financial assets, net	227	-389	728	566
Changes due to change in credit risk	216	329	3 676	4 221
Changes due to modifications	1	20	0	22
Changes due to methodology change	-35	50	-1	14
Decreases in ECL allowances due to write-offs			-1 342	-1 342
Exchange rate differences	-13	-59	-153	-226
ECL allowance as of 30 September 2020	1 039	1 009	8 119	10 168
Financial guarantees and Loan commitments				
ECL allowance as of 31 December 2019	189	127	138	454
New and derecognised financial assets, net	60	-46	-177	-163
Changes due to change in credit risk	110	161	225	497
Changes due to methodology change	-33	9	0	-24
Exchange rate differences	-6	-7	-5	-18
ECL allowance as of 30 September 2020	320	243	182	745
Total Loans, Debt securities, Financial guarantees and Loan commitments				
ECL allowance as of 31 December 2019	832	1 185	5 349	7 367
New and derecognised financial assets, net	287	-436	551	402
Changes due to change in credit risk	326	490	3 901	4 718
Changes due to modifications	1	20	0	22
Changes due to methodology change	-68	59	-1	-10
Decreases in ECL allowances due to write-offs			-1 342	-1 342
Exchange rate differences	-19	-66	-158	-244
ECL allowance as of 30 September 2020	1 359	1 253	8 301	10 913

SEB's measurement of ECL allowances and related assumptions according to IFRS9 can be found on pages 88-89 and 122-123 in the Annual Report 2019.

Note 12 Loans and expected credit loss (ECL) allowances by industry

SEK m	Gross carrying amounts				ECL allowances				Net carrying amount
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (credit impaired/ lifetime ECL)	Total	Total
30 Sep 2020									
Banks	79 965	1 154	8	81 127	-4	-2	-3	-9	81 119
Finance and insurance	120 120	714	19	120 854	-56	-4	-6	-66	120 788
Wholesale and retail	71 535	2 887	693	75 115	-92	-63	-542	-697	74 418
Transportation	30 705	1 907	77	32 689	-34	-58	-15	-106	32 583
Shipping	47 590	2 723	1 803	52 116	-21	-42	-961	-1 024	51 092
Business and household services	152 544	7 067	2 338	161 949	-211	-169	-1 043	-1 423	160 527
Construction	11 990	884	412	13 286	-22	-30	-205	-256	13 030
Manufacturing	86 383	3 355	2 621	92 360	-85	-97	-1 228	-1 410	90 950
Agriculture, forestry and fishing	22 112	1 099	126	23 337	-19	-16	-36	-71	23 266
Mining, oil and gas extraction	21 174	1 223	5 773	28 170	-43	-45	-2 822	-2 911	25 259
Electricity, gas and water supply	46 052	801	54	46 907	-20	-59	-32	-111	46 796
Other	37 515	3 280	90	40 885	-33	-31	-28	-92	40 793
Corporates	647 721	25 940	14 008	687 669	-635	-614	-6 919	-8 167	679 502
Commercial real estate management	157 454	4 006	489	161 950	-73	-41	-137	-251	161 699
Residential real estate management	121 594	1 387	36	123 017	-46	-2	0	-48	122 969
Real Estate Management	279 048	5 393	525	284 967	-119	-43	-137	-299	284 668
Housing co-operative associations	54 284	7 176	3	61 463	0	0	-2	-3	61 460
Public Administration	14 718	106	1	14 824	-1	-3	-1	-4	14 820
Household mortgages	547 515	21 352	1 093	569 960	-63	-120	-344	-528	569 432
Other	38 400	3 677	1 171	43 248	-218	-227	-713	-1 158	42 090
Households	585 914	25 030	2 264	613 208	-281	-347	-1 058	-1 686	611 522
TOTAL	1 661 651	64 799	16 809	1 743 259	-1 039	-1 009	-8 119	-10 168	1 733 091
31 Dec 2019									
Banks	64 952	1 665	0	66 617	-5	-2	0	-7	66 610
Finance and insurance	111 610	960	57	112 627	-33	-10	-5	-49	112 579
Wholesale and retail	78 052	3 080	1 092	82 224	-48	-38	-706	-792	81 433
Transportation	35 169	581	41	35 791	-17	-4	-14	-35	35 757
Shipping	54 975	1 871	1 771	58 616	-24	-11	-669	-704	57 912
Business and household services	136 838	9 673	843	147 354	-154	-408	-421	-983	146 372
Construction	11 201	1 083	201	12 484	-8	-9	-83	-101	12 384
Manufacturing	97 737	3 280	2 671	103 688	-56	-44	-1 331	-1 431	102 257
Agriculture, forestry and fishing	21 654	1 501	190	23 345	-8	-7	-44	-58	23 287
Mining, oil and gas extraction	26 608	5 695	1 343	33 645	-12	-53	-558	-624	33 021
Electricity, gas and water supply	43 940	407	211	44 558	-17	-34	-78	-129	44 429
Other	39 564	2 762	151	42 477	-22	-46	-49	-117	42 360
Corporates	657 347	30 894	8 571	696 812	-398	-666	-3 959	-5 022	691 789
Commercial real estate management	150 747	2 287	377	153 410	-14	-12	-140	-166	153 244
Residential real estate management	114 923	1 804	48	116 775	-8	-1	-1	-10	116 765
Real Estate Management	265 670	4 091	425	270 186	-22	-13	-141	-176	270 009
Housing co-operative associations	52 598	7 410	3	60 011	0	0	-2	-3	60 008
Public Administration	15 284	276	53	15 613	-1	-4	-2	-6	15 607
Household mortgages	527 100	22 765	1 137	551 003	-49	-136	-360	-546	550 457
Other	40 079	5 358	1 207	46 644	-167	-239	-747	-1 153	45 491
Households	567 179	28 124	2 344	597 646	-216	-375	-1 107	-1 698	595 948
TOTAL	1 623 030	72 459	11 396	1 706 885	-643	-1 059	-5 212	-6 913	1 699 972

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

SEB consolidated situation

Note 13 Capital adequacy analysis

SEK m	30 Sep 2020	30 Jun 2020	31 Dec 2019
Own funds			
Common Equity Tier 1 capital	144 934	132 491	131 155
Tier 1 capital	158 417	146 492	155 398
Total own funds	176 713	165 259	173 382
Own funds requirement			
Risk exposure amount	746 308	745 457	745 637
Expressed as own funds requirement	59 705	59 637	59 651
Common Equity Tier 1 capital ratio	19.4%	17.8%	17.6%
Tier 1 capital ratio	21.2%	19.7%	20.8%
Total capital ratio	23.7%	22.2%	23.3%
Own funds in relation to own funds requirement	2.96	2.77	2.91
Regulatory Common Equity Tier 1 capital requirement including buffer	10.1%	10.1%	11.5%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which systemic risk buffer requirement	3.0%	3.0%	3.0%
of which countercyclical capital buffer requirement	0.1%	0.1%	1.5%
Common Equity Tier 1 capital available to meet buffer ¹⁾	14.9%	13.3%	13.1%
Leverage ratio			
Exposure measure for leverage ratio calculation	3 422 035	3 395 891	3 063 481
of which on balance sheet items	2 861 659	2 870 907	2 554 625
of which off balance sheet items	560 376	524 984	508 856
Leverage ratio	4.6%	4.3%	5.1%

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

Note 14 Own funds

SEK m	30 Sep 2020	30 Jun 2020	31 Dec 2019
Shareholders equity according to balance sheet ¹⁾	165 625	160 214	155 700
Deductions related to the consolidated situation and other foreseeable charges ²⁾	-11 119	-18 575	-14 075
Common Equity Tier 1 capital before regulatory adjustments ³⁾	154 505	141 639	141 626
Additional value adjustments	-1 071	-1 264	-1 033
Intangible assets	-6 527	-6 556	-6 688
Deferred tax assets that rely on future profitability	-8	-6	
Fair value reserves related to gains or losses on cash flow hedges	57	46	-15
Negative amounts resulting from the calculation of expected loss amounts	-101		-816
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	14	-85	19
Defined-benefit pension fund assets	-1 776	-1 124	-1 761
Direct and indirect holdings of own CET1 instruments	-159	-161	-176
Total regulatory adjustments to Common Equity Tier 1	-9 572	-9 149	-10 471
Common Equity Tier 1 capital	144 934	132 491	131 155
Additional Tier 1 instruments	13 484	14 002	24 243
Tier 1 capital	158 417	146 492	155 398
Tier 2 instruments	19 497	19 366	19 326
Net provisioning amount for IRB-reported exposures	449	1 050	309
Holdings of Tier 2 instruments in financial sector entities	-1 650	-1 650	-1 650
Tier 2 capital	18 295	18 766	17 985
Total own funds	176 713	165 259	173 382

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

²⁾ The Board of Directors has now assessed the current situation and confirms its previous decision to not propose a dividend during 2020. In line with this, no deduction for dividend for the year 2019 has been made from the capital base. For 2020, deduction for dividend corresponding to the profit from the first three quarters of 2020, has been made from the capital base.

³⁾ The Common Equity Tier 1 capital is presented on a consolidated basis, and differs from total equity according to IFRS. The insurance business contribution to equity is excluded.

Note 15 Risk exposure amount

SEK m	30 Sep 2020		30 Jun 2020		31 Dec 2019	
	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾	Risk exposure amount	Own funds requirement ¹⁾
Credit risk IRB approach						
Exposures to central governments or central banks	14 512	1 161	14 879	1 190	12 283	983
Exposures to institutions	46 465	3 717	48 191	3 855	54 421	4 354
Exposures to corporates	364 062	29 125	365 412	29 233	369 055	29 524
Retail exposures	64 981	5 198	64 484	5 159	67 255	5 380
of which secured by immovable property	41 329	3 306	40 357	3 229	39 616	3 169
of which retail SME	5 478	438	5 219	418	7 094	567
of which other retail exposures	18 174	1 454	18 908	1 513	20 546	1 644
Securitisation positions	2 259	181	2 176	174	1 195	96
Total IRB approach	492 280	39 382	495 142	39 611	504 210	40 337
Credit risk standardised approach						
Exposures to central governments or central banks	381	31	344	28	1 361	109
Exposures to institutions	904	72	664	53	1 057	85
Exposures to corporates	5 694	456	5 468	437	6 505	520
Retail exposures	13 464	1 077	13 242	1 059	13 691	1 095
Exposures secured by mortgages on immovable property	1 893	151	1 917	153	2 278	182
Exposures in default	80	6	79	6	82	7
Exposures associated with particularly high risk	1 017	81	998	80	933	75
Exposures in the form of collective investment undertakings (CIU)	57	5	55	4	58	5
Equity exposures	4 125	330	3 638	291	3 589	287
Other items	10 814	865	10 311	825	10 735	859
Total standardised approach	38 429	3 074	36 716	2 937	40 290	3 223
Market risk						
Trading book exposures where internal models are applied	23 233	1 859	28 396	2 272	21 195	1 696
Trading book exposures applying standardised approaches	10 777	862	9 412	753	6 913	553
Total market risk	34 009	2 721	37 809	3 025	28 107	2 249
Other own funds requirements						
Operational risk advanced measurement approach	50 421	4 034	46 963	3 757	47 444	3 796
Settlement risk	1	0	32	3	0	0
Credit value adjustment	8 519	682	8 272	662	7 932	635
Investment in insurance business	16 633	1 331	16 633	1 331	16 633	1 331
Other exposures	4 234	339	3 850	308	4 870	390
Additional risk exposure amount ²⁾	101 782	8 143	100 040	8 003	96 151	7 692
Total other own funds requirements	181 590	14 527	175 790	14 063	173 030	13 842
Total	746 308	59 705	745 457	59 637	745 637	59 651

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

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

Note 16 Average risk-weight

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

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

IRB reported credit exposures (less repos and securities lending)			
Average risk-weight	30 Sep 2020	30 Jun 2020	31 Dec 2019
Exposures to central governments or central banks	2.7%	2.5%	3.7%
Exposures to institutions	21.4%	22.1%	24.9%
Exposures to corporates	28.1%	28.5%	30.2%
Retail exposures	9.6%	9.7%	10.3%
of which secured by immovable property	6.8%	6.8%	6.9%
of which retail SME	50.7%	49.8%	57.3%
of which other retail exposures	30.3%	30.7%	31.8%
Securitisation positions	16.9%	17.0%	9.6%

Skandinaviska Enskilda Banken AB (publ) – parent company

Income statement

In accordance with FSA regulations	Q3		Q2		Q3		Jan-Sep			Full year
SEK m	2020	2020	%	2019	%	2020	2019	%	2019	
Interest income	7 376	7 956	-7	8 992	-18	24 138	26 082	-7	34 826	
Leasing income	1 312	1 346	-2	1 462	-10	4 048	4 334	-7	5 792	
Interest expense	-2 220	-3 126	-29	-4 387	-49	-9 254	-13 004	-29	-17 217	
Dividends	607	617	-2	527	15	1 225	4 420	-72	5 168	
Fee and commission income	3 142	3 407	-8	3 382	-7	10 139	9 959	2	13 544	
Fee and commission expense	- 690	- 764	-10	- 743	-7	-2 339	-2 333	0	-3 083	
Net financial income	1 327	2 857	-54	800	66	3 833	3 655	5	5 838	
Other income	157	86	83	639	-75	461	1 221	-62	1 762	
Total operating income	11 011	12 378	-11	10 671	3	32 252	34 335	-6	46 631	
Administrative expenses	-3 904	-5 051	-23	-3 917	0	-12 979	-11 999	8	-16 345	
Depreciation, amortisation and impairment of tangible and intangible assets	-1 369	-1 498	-9	-1 447	-5	-4 305	-4 286	0	-5 749	
Total operating expenses	-5 272	-6 549	-19	-5 364	-2	-17 284	-16 285	6	-22 094	
Profit before credit losses	5 739	5 829	-2	5 307	8	14 969	18 050	-17	24 537	
Net expected credit losses	-1087	-2409	-55	-458	138	-4 898	-1 143		-2 044	
Impairment of financial assets				- 426	-100	- 220	- 741	-70	- 741	
Operating profit	4 651	3 420	36	4 424	5	9 850	16 166	-39	21 752	
Appropriations	454	346	31	409	11	1 038	1 174	-12	2 694	
Income tax expense	1 187	-1 453		- 808		- 508	-2 531	-80	-4 189	
Other taxes	-2 114	39		- 5		-1 960	- 4		48	
NET PROFIT	4 178	2 353	78	4 019	4	8 421	14 805	-43	20 305	

Statement of comprehensive income

	Q3		Q2		Q3		Jan-Sep			Full year
SEK m	2020	2020	%	2019	%	2020	2019	%	2019	
NET PROFIT	4 178	2 353	78	4 019	4	8 421	14 805	-43	20 305	
Cash flow hedges	- 11	- 10	10	- 28	-61	- 72	- 356	-80	- 298	
Translation of foreign operations	- 17	- 56	-70	- 1		- 126	36		33	
Items that may subsequently be reclassified to the income statement:	- 28	- 66	-58	- 29	-3	- 198	- 321	-38	- 265	
OTHER COMPREHENSIVE INCOME	- 28	- 66	-58	- 29	-3	- 198	- 321	-38	- 265	
TOTAL COMPREHENSIVE INCOME	4 150	2 287	81	3 990	4	8 223	14 484	-43	20 040	

Balance sheet, condensed

SEK m	30 Sep 2020	30 Jun 2020	31 Dec 2019
Cash and cash balances with central banks	301 970	291 292	110 104
Loans to central banks	2 223	891	2 904
Loans to credit institutions	84 298	75 213	89 546
Loans to the public	1 646 462	1 690 872	1 601 243
Debt securities	328 343	336 489	211 417
Equity instruments	49 579	41 967	61 802
Derivatives	143 279	152 351	135 713
Other assets	116 367	120 163	105 943
TOTAL ASSETS	2 672 521	2 709 239	2 318 672
Deposits from central banks and credit institutions	209 020	209 920	126 891
Deposits and borrowings from the public ¹⁾	1 257 943	1 268 117	973 834
Debt securities issued	824 626	778 821	857 968
Short positions	33 451	36 225	27 343
Derivatives	124 829	134 546	119 511
Other financial liabilities	2 050	2 256	2 449
Other liabilities	73 230	135 571	72 267
Untaxed reserves	19 875	19 875	19 875
Equity	127 497	123 908	118 535
TOTAL LIABILITIES, UNTAXED RESERVES AND EQUITY	2 672 521	2 709 239	2 318 672
1) Private and SME deposits covered by deposit guarantee	227 968	228 123	210 576
Private and SME deposits not covered by deposit guarantee	132 044	132 623	110 625
All other deposits	897 931	907 370	652 633
Total deposits from the public	1 257 943	1 268 117	973 834

Pledged assets and obligations

SEK m	30 Sep 2020	30 Jun 2020	31 Dec 2019
Pledged assets for own liabilities	486 088	455 600	486 823
Other pledged assets	122 083	121 887	86 088
Pledged assets	608 172	577 487	572 911
Contingent liabilities	148 075	148 429	146 166
Commitments	698 800	644 189	578 619
Obligations	846 875	792 617	724 786

Capital adequacy

SEK m	30 Sep 2020	30 Jun 2020	31 Dec 2019
Own funds			
Common Equity Tier 1 capital	128 438	115 516	113 893
Tier 1 capital	141 921	129 518	138 136
Total own funds	160 059	148 217	155 921
Own funds requirement			
Risk exposure amount	676 205	677 597	668 708
Expressed as own funds requirement	54 096	54 208	53 497
Common Equity Tier 1 capital ratio	19.0%	17.0%	17.0%
Tier 1 capital ratio	21.0%	19.1%	20.7%
Total capital ratio	23.7%	21.9%	23.3%
Own funds in relation to capital requirement	2.96	2.73	2.91
Regulatory Common Equity Tier 1 capital requirement including buffers	7.1%	7.1%	8.6%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%
of which countercyclical capital buffer requirement	0.1%	0.1%	1.6%
Common Equity Tier 1 capital available to meet buffers ¹⁾	14.5%	12.5%	12.5%

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

Signature of the President

The President declares that this financial report for the period 1 January 2020 through 30 September 2020 provides a fair overview of the parent company's and the group's operations, their financial position and results and describe material risks and uncertainties facing the parent company and the group.

Stockholm, 22 October 2020

Johan Torgeby
President and Chief Executive Officer

Auditor's review report

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

Introduction

We have reviewed the condensed interim financial statements (interim report) for Skandinaviska Enskilda Banken AB (publ) as at 30 September 2020 and for the nine-month period ending as at this date. The Board of Directors and the President and Chief Executive Officer are responsible for the preparation and presentation of the interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

Conclusion

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

Stockholm, 22 October 2020

Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

Contacts and calendar

Results presentation at telephone conference

The presentation of the results will be held (in English) at 8.45 a.m., Swedish time, on 22 October 2020 at a conference call. Please call, at least 10 minutes in advance, +44 (0)2071 928 000 and quote conference id: 7361738. The conference can be followed live on sebgroup.com/ir where a replay will also be available afterwards.

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

Further information is available from:

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sebgroup.com
Corporate organisation number: 502032-9081

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

Financial information calendar 2021

27 January 2021	Annual Accounts 2020	The silent period starts on 1 January 2021
2 March 2021	Annual Report 2020 published	
30 March 2021	Annual General Meeting	
28 April 2021	Quarterly report January-March 2021	The silent period starts on 1 April 2021
15 July 2021	Quarterly report January-June 2021	The silent period starts on 1 July 2021
20 October 2021	Quarterly report January-September 2021	The silent period starts on 1 October 2021

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

Definitions

Including Alternative Performance Measures¹⁾

Items affecting comparability

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

Operating profit

Total profit before tax.

Operating profit before items affecting comparability

Total profit before items affecting comparability and tax.

Net profit

Total profit after tax.

Return on equity

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

Return on equity excluding items affecting comparability

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

Return on tangible equity

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

Return on tangible equity excluding items affecting comparability

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

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

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

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

Return on business equity

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

Return on total assets

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

Return on risk exposure amount

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

Cost/income ratio

Total operating expenses in relation to total operating income.

Basic earnings per share

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

Diluted earnings per share

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

Net worth per share

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

Equity per share

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

Core gap ratio

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

Expected credit losses, ECL

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

ECL allowances

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

Net ECL level

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

ECL coverage ratio

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

Stage 3 loans / Total loans, gross

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

Stage 3 loans / Total loans, net

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

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

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

Common Equity Tier 1 capital

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

Tier 1 capital

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

Tier 2 capital

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

Own funds

The sum of Tier 1 and Tier 2 capital.

Common Equity Tier 1 capital ratio

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

Tier 1 capital ratio

Tier 1 capital as a percentage of risk exposure amount.

Total capital ratio

Total own funds as a percentage of risk exposure amount.

Leverage ratio

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

Liquidity Coverage Ratio (LCR)

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

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

This is SEB

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

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