

AS SEB Pank Group

Interim Report of Quarter III 2017



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Statement of the Management Board

Interim Report of Quarter III 2017 consists of the following parts and reports:

- Introduction – general information
- Management Report
- Consolidated Financial Statements
- Notes

The financial and other additional information published in the Interim Report of Quarter III 2017 is true and complete. Consolidated financial statements give a true and fair view of the actual financial position, results of operations and cash flows of the Group.

Consolidated financial statements have been compiled in accordance with the International Accounting Standard IAS 34 “Interim financial reporting” and in conformity with the requirements of Eesti Pank for publishing information. AS SEB Pank and subsidiaries of the consolidated group are assumed to be going concern.

Consolidated financial statements for the Quarter III 2017 are not audited.

Allan Parik
Chairman of the Management Board

I. Introduction - general information

1. Credit institution

Company name	AS SEB Pank
Address	Tornimäe Str. 2, Tallinn 15010, Estonia
Registered in	Republic of Estonia
Registry date	08.12.1995
Registry code	10004252 (Estonian Commercial Register)
Phone	+372 6 655 100
Fax	+372 6 655 102
SWIFT	EEUHEE2X
e-mail	info@seb.ee
Internet homepage	http://www.seb.ee

2. Auditor

Audit company	AS PricewaterhouseCoopers
Registry code	10142876 (Estonian Commercial Register)
Address	Pärnu Str. 15, 10141 Tallinn, Estonia
Reporting date	30.09.2017
Reporting period	01.01.2017 - 30.09.2017
Reporting currency	Euro (EUR), millions

II. Management Report

1. Credit institution's group as defined in Credit Institutions Law

1.1. Consolidated group

Company name	Registry code	Reg. date	Address	Activity	Holding*** (%)	At an acquisition cost (EURmio)
AS SEB Liising	10281767	03.10.97	Tallinn, Tornimäe 2	Leasing	100.0%	1.8
AS Rentacar*	10303546	20.10.97	Haapsalu, Karja 27	Leasing	100.0%	0.0
AS SEB Varahaldus	10035169	22.05.96	Tallinn, Tornimäe 2	Asset management	100.0%	2.7
SK ID Solutions AS**	10747013	27.03.01	Tallinn, Pärnu mnt 141	Data communication services	25.0%	1.0

5.5

All enterprises are registered in Estonian Commercial Register.

* Consolidated subsidiary of AS SEB Liising.

** Associate.

*** For all investments the percentage of holding equals to both, the holding from the number of shares as well as from the number of votes.

Parent company of the Group is AS SEB Pank, its activity is banking (information on page 3).

The “consolidated group” in the meaning of Credit Institutions Law in Estonia and the “Group” for IFRS consolidation purposes are identical.

Non-profit association SEB Heategevusfond is an association, not belonging to the consolidation group, registered on 06.01.2006. The founders of the association are AS SEB Pank and AS SEB Elu- ja Pensionikindlustus (subsidiary of life insurance company SEB Life and Pension Holding AB which is the subsidiary of Skandinaviska Enskilda Banken AB). The association is aimed at raising and distributing funds for charitable cause to organisations, dealing with children, who have been deprived of parental care. Upon dissolution of the association, the assets remaining after satisfaction of the claims of creditors shall be transferred to a non-profit association or foundation with similar objectives, entered to the list of associations subject to income tax incentive of the Government of the Estonian Republic, or a legal person in public law, state or local government.

Non-profit association Spordiklubi United is an association, not belonging to the consolidation group, which started activity from September 2008. The association is founded by AS SEB Pank. The association is aimed at organizing on hobby and competition level sport events and organizing promotions for advertising of own and supporter’s activities. Upon dissolution of the association, the assets shall be transferred to a non-profit association, foundation or other persons filling the objectives by articles in public interests.

1.2. Changes in the consolidated group during the accounting period and plans for year 2017

No such events or trends have occurred by the time of publishing the report, which would affect the strategy of the group in 2017.

2. Highlights

This year's growth rate of the Estonian economy has been a surprise for everyone. Our gross domestic product increased by 5.2 per cent in the first half of the year, equalling 2011, when Estonia recovered quickly from the losses of the economic crisis. The rapid inflation after a standstill of three years is also an important change in the economy. The increase in prices has helped to improve the profitability of companies, but at the same time, it has begun limiting further growth of household consumption. Despite the increase in the prices of groceries and fuel, working people are still well off. The average wages have increased by more than 6 per cent this year and the growth rate of people's savings in banks has increased by more than 9 per cent.

The downside of rapid economic growth and a strong labour market is the increasing lack of labour. Estonian employment reaches 67%, which is one of the highest in Europe, yet more than 12,000 positions are not filled. Many manufacturing companies are forced to hire employees from outside Estonia to handle their orders. In several companies, the proportion of foreign labour is already 10–15 percent of all employees. The constant lack of workers makes companies invest more in automation and digitalisation. Without innovation and foreign labour, the growth opportunities of companies and therefore the Estonian economy are increasingly limited.

The long-term perspective is becoming more important also in the business sector. This year's economic growth has mostly been increased by large investments in buildings and means of transport. The interest in purchasing intellectual assets and new technology, however, has been rather modest. The slower growth of the loan portfolio of companies shows that there are no plans to make larger investments in the near future either. These circumstances are cause for some concern: domestic demand and export based on lower labour costs will not carry Estonian economy forever. In addition to fancy vehicles and modern office buildings, it should be considered what could be sold to destination markets if labour is twice as expensive or what should we offer to our clients to make them pay double the price for it.

It is a good time for the economy and this must be used to make the right decisions. There are questions that already require answers today. For example, we must consider which products and services we will be able to export in the future if our cost base is twice its current size. The number of employees in Estonia is more likely to decrease than increase; therefore, it is important to invest in activities which would allow companies to hire less employees but with higher added value. SEB can help its clients find answers to these questions in the SEB Innovation Centre opened this year.

SEB Retirement Readiness survey shows a downward trend in the overall pension awareness of Estonian people compared to previous years. Only one out of five future pensioners take interest in the amount of their prospective pension. Fifty-five percent of people in Estonia would like to get further information and counselling by a specialist when selecting the 2nd pillar pension fund, while 15 percent make their own decision.

Since July, SEB clients can communicate with their bank through the **website chat** regarding credit cards and KYC (know your customer). At the beginning of May, a chat was opened for small loans.

The world's leading economic journal Euromoney named SEB the best bank of 2017 in Estonia. One of the primary strengths of SEB is innovation. In addition to prior activities such as the Digital Coin Jar and employee LABs, SEB has launched more than ten new developments this year alone.

For the fourth consecutive time, **Global Finance named the digital solutions of SEB the best in Estonia in both, private client and business client, categories.**

SEB has opened its Innovation Centre in Tallinn with the aim of helping enterprises to advance their business and enhance competitiveness. **At the heart of the Innovation Centre lies a special Growth Programme**, which helps enterprises to take a step forward in their business pursuits within a period of only three to six months. In this September 12 new enterprises started in the next Growth Programme.

At the end of September, **SEB organised a car free day** and encouraged all employees to leave their cars at home and walk or bike to work or use public transport. Nearly 70 employees of SEB living in or around Tallinn took part of the car-free day on their bicycles.

The **child insurance survey** conducted by SEB shows that **Estonian parents are more actively saving up money** to finance their children's higher education in the future. The average sums that are saved have increased by 50% in the past five years and currently reach 40 euros per month.

SEB is the only Nordic bank in the Dow Jones Sustainability Index. This is the world's most recognised global sustainability ranking among investors.

The SEB customer base research, conducted in August based on the data of students **aged 6–19**, showed **the best numbers in recent years**. It turned out that the amounts children save in a year thanks to the Digital Coin Jar exceed 80 euros. The frequency of using their bank cards in a month increased by 2.3 times, reaching 13.5 times per month. The average transaction had a sum of slightly less than 10 euros and compared to last year, a strong growth trend can be observed here as well.

The more than 755 900 customers of SEB Pank Group are served by 1055 employees. The customers are served through many different channels such as 22 branch offices, 233 ATMs, 9265 POS-terminals. There are more than 529 500 debit and credit cards in use. In addition, over 74% of our customers use internet bank services.

3. Capital adequacy

(millions of EUR)

CAPITAL BASE	<u>30.09.17</u>	<u>31.12.16</u>
OWN FUNDS	945.8	945.0
1. TIER 1 CAPITAL	945.8	945.0
1.1. COMMON EQUITY TIER 1 CAPITAL	945.8	945.0
1.1.1. Capital instruments eligible as CET1 Capital	128.8	128.8
<i>Paid up capital instruments</i>	42.5	42.5
<i>Share premium</i>	86.3	86.3
1.1.2. Retained earnings *	806.8	806.8
1.1.3. Accumulated other comprehensive income	1.3	0.9
1.1.4. Other reserves	19.4	19.4
1.1.5. Adjustments to CET1 due to prudential filters	-0.1	0.0
1.1.6. (-) Intangible assets	-4.7	-3.0
1.1.7. (-) IRB shortfall of credit risk adjustments to expected losses	-5.6	-7.7
1.1.8. Other transitional adjustments to CET1 Capital	-0.1	-0.2
2. TIER 2 CAPITAL	0.0	0.0
RISK WEIGHTED ASSETS (RWA)	<u>30.09.17</u>	<u>31.12.16</u>
TOTAL RISK EXPOSURE AMOUNT	2 421.8	2 426.1
1. RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	2 269.5	2 285.0
1.1. Standardised approach (SA)	258.8	248.8
Central governments or central banks	17.0	20.3
Public sector entities	0.7	0.7
Retail	195.0	176.9
Exposures in default	1.4	1.5
Collective investments undertakings (CIU)	4.2	6.9
Equity	3.9	3.4
Other items	36.6	39.1
1.2. Internal ratings based Approach (IRB)	2 010.7	2 036.2
1.1.7. (-) IRB shortfall of credit risk adjustments to expected losses	1 691.2	1 737.3
Institutions	163.4	218.2
Corporates - SME	927.6	818.4
Corporates - Specialised Lending	64.8	45.3
Corporates - Other	535.4	655.4
1.2.2. IRB approaches when own estimates of LGD and/or Conversion Factors are used	319.5	298.9
Retail - Secured by real estate SME	10.1	10.4
Retail - Secured by real estate non-SME	223.0	212.4
Retail - Other SME	17.0	16.4
Retail - Other non-SME	69.4	59.7
2. RISKS	22.7	17.4
3. TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (AMA)	129.3	123.3
4. TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	0.3	0.4

* Prognosis of dividends have been deducted from retained earnings.

CAPITAL RATIOS

	<u>30.09.17</u>	<u>31.12.16</u>
OWN FUNDS	945.8	945.0
TOTAL RISK EXPOSURE AMOUNT Basel III (without additional risk exposure amount due to application of Basel I floor)	2 421.8	2 426.1
Own fund requirement (8%)	193.7	194.1
Total capital ratio	39.05%	38.95%
Tier 1 Capital ratio	39.05%	38.95%
CET1 Capital ratio	39.05%	38.95%
Tier 2 Capital ratio	0.00%	0.00%
TOTAL RISK EXPOSURE AMOUNT Basel III (with additional risk exposure amount due to application of Basel I floor)	3 315.3	3 189.8
Own fund requirement (8%)	265.2	255.2
Total capital ratio	28.53%	29.63%
Tier 1 Capital ratio	28.53%	29.63%
CET1 Capital ratio	28.53%	29.63%
Tier 2 Capital ratio	0.00%	0.00%

MEMBERS OF CONSOLIDATION GROUP, INCLUDED TO CAPITAL ADEQUACY CALCULATION

AS SEB Pank
AS SEB Liising Group
AS SEB Varahaldus

CAPITAL REQUIREMENTS AND BUFFERS

	<u>30.09.17</u>			<u>31.12.16</u>		
	<u>Total capital</u>	<u>Tier 1 capital</u>	<u>CET1 capital</u>	<u>Total capital</u>	<u>Tier 1 capital</u>	<u>CET1 capital</u>
OWN FUNDS						
Capital amount	945.8	945.8	945.8	945.0	945.0	945.0
Total risk exposure amount *	2 421.8	2 421.8	2 421.8	2 426.1	2 426.1	2 426.1
Capital adequacy ratio	39.05%	39.05%	39.05%	38.95%	38.95%	38.95%
Total capital requirements, incl. buffers	375.4	326.9	290.6	376.0	327.5	291.1
	15.5%	13.5%	12.0%	15.5%	13.5%	12.0%
including:						
Base capital requirement	193.7	145.3	109.0	194.1	145.6	109.2
	8%	6%	4.5%	8%	6%	4.5%
Capital conservation buffer	60.5	60.5	60.5	60.7	60.7	60.7
	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Systemic risk buffer	24.2	24.2	24.2	24.3	24.3	24.3
	1%	1%	1%	1%	1%	1%
Other Systemically Important Institution buffer	48.4	48.4	48.4	48.5	48.5	48.5
	2%	2%	2%	2%	2%	2%
Own funds Surplus(+) of total capital requirements, incl. buffers	570.4	618.9	655.2	569.0	617.5	653.9

* Total risk exposure amount without additional risk exposure amount due to application of Basel I floor

LEVERAGE RATIO

	<u>30.09.17</u>	<u>31.12.16</u>
Exposure measure for leverage ratio calculation	6 215.5	6 236.4
of which on balance sheet items	5 744.3	5 764.1
of which off balance sheet items	471.2	472.3
Leverage ratio*	15.2%	15.2%

*In Annual report of reference period Leverage Ratio was calculated as the simple arithmetic mean of the monthly leverage ratios over a quarter. In Current report as of end of period.

4. Risk concentration

(millions of EUR)

	30.09.17	31.12.16	30.09.16
Total claims against persons associated with the credit institution's consolidation group	0.5	2.2	0.5
The share of claims of the persons associated with the credit institution's consolidation group in net own funds, %	0.06	0.23	0.06
Total of large exposure claims	241.4	294.4	265.0
The share of large exposure claims in net own funds, %	25.52	31.16	29.79
Number of large exposure customers	4	4	4

5. Key figures

(millions of EUR)

	30.09.17	31.12.16	30.09.16
Net profit	56.8	84.7	64.5
Average equity	999.7	959.2	949.0
Return on equity (ROE), %	7.58	8.83	9.06
Average assets	5 765.6	5 504.7	5 406.8
Return on assets (ROA), %	1.31	1.54	1.59
Net interest income	66.6	82.9	60.2
Average interest earning assets	5 649.2	5 376.6	5 278.6
Net interest margin (NIM), %	1.57	1.54	1.52
Spread, %	1.54	1.51	1.48
Cost / Income ratio, %	40.5	40.8	40.4
Ratio of individually impaired loans, %	0.32	0.33	0.31

Explanations

Return on equity (ROE) = Net profit/Average equity * 100

Average equity = (Equity of current year end + Equity of previous year end)/2

Return on assets (ROA) = Net profit/Average assets * 100

Average assets = (Assets of current year end + Assets of previous year end)/2

Net interest margin (NIM) = Net interest income/Average assets exposed to interest rate risk * 100

Yield on interest earning assets = Interest income/Average assets exposed to interest rate risk

Cost of interest bearing liabilities = Interest expenses/Average liabilities exposed to interest rate risk *100

Spread = Yield on interest earning assets - Cost of interest bearing liabilities

Cost/Income Ratio = Total Operating Expenses/Total Income * 100

Ratio of individually impaired loans = Individually impaired loans/Loans to customers and credit institutions * 100

Assets exposed to interest rate risk:

Balances with central bank
Loans and advances to credit institutions
Loans and advances to customers
Debt securities and other fixed income securities
(all without accrued interests)

Liabilities exposed to interest rate risk:

Due to credit institutions
Due to customers
(all without accrued interests)

Total Operating Expenses:

Personnel expenses
Other expenses
Depreciation, amortisation and impairment of tangible and intangible assets

Total Income:

Net interest income
Net fee and commission income
Net income from foreign exchange
Gains less losses from financial assets at fair value through profit or loss
Income from dividends
Gains less losses from investment securities
Share of profit of associates
Other income

III. Consolidated financial statements

1. Consolidated income statement

(millions of EUR)

	Note	2017		2016	
		9 months	QIII	9 months	QIII
<i>Interest and similar income</i>	3	74.0	25.3	68.4	23.0
<i>Interest expenses and similar charges</i>	4	-7.4	-2.1	-8.2	-2.9
Net Interest Income		66.6	23.2	60.2	20.1
<i>Fee and commission income</i>	5	47.3	16.2	44.3	15.3
<i>Fee and commission expense</i>	6	-12.1	-4.1	-11.5	-4.0
Net fee and commission income		35.2	12.1	32.8	11.3
Net income from foreign exchange		3.7	1.1	3.3	1.0
Gains less losses from financial assets at fair value through profit or loss		0.5	0.1	0.5	0.4
Gains less losses from investment securities		0.7	-0.1	16.3	0.0
Share of profit of associates		0.2	0.1	0.1	0.1
Other income		1.1	0.2	0.8	0.3
Personnel expenses		-28.4	-9.3	-28.5	-9.3
Other expenses		-12.7	-3.8	-15.2	-3.6
Depreciation, amortisation and impairment of tangible and intangible assets		-2.8	-0.9	-2.7	-0.9
Profit before impairment losses on loans and advances		64.1	22.7	67.6	19.4
Impairment losses on loans and advances	7	0.2	0.2	1.9	0.1
Profit before income tax		64.3	22.9	69.5	19.5
Income tax		-7.5	0.0	-5.0	0.0
Net profit		56.8	22.9	64.5	19.5
Profit attributable to the sole equity holder		56.8	22.9	64.5	19.5

2. Consolidated statement of comprehensive income

(millions of EUR)

	2017		2016	
	9 months	QIII	9 months	QIII
Net profit	56.8	22.9	64.5	19.5
Other comprehensive income/expense				
Items that may subsequently be reclassified to the income statement:				
Revaluation of available-for-sale financial assets	0.4	0.3	-11.8	0.3
Total other comprehensive income/expense	0.4	0.3	-11.8	0.3
Total comprehensive income	57.2	23.2	52.7	19.8
Sole equity holder of the parent entity (total)	57.2	23.2	52.7	19.8
-Total comprehensive income from continued operations	57.2	23.2	52.7	19.8

3. Consolidated statement of financial position

(millions of EUR)

	30.09.17	31.12.16
ASSETS		
Cash	36.2	41.7
Balances with central bank	251.8	250.9
Loans and advances to credit institutions	684.5	983.3
Loans and advances to customers	4 624.5	4 337.5
Financial assets held for trading	21.4	23.4
Financial assets designated at fair value through profit or loss at inception	88.4	86.7
Available-for-sale financial assets	7.0	9.3
Other assets	24.2	18.3
Accrued income and prepaid expenses	3.2	11.8
Investments in associates	1.0	0.8
Intangible assets	4.7	2.9
Property, plant and equipment	8.9	8.8
TOTAL ASSETS	5 755.8	5 775.4
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to credit institutions	1 071.4	992.4
Due to customers	3 570.3	3 687.0
Other liabilities	21.3	68.6
Accrued expenses and deferred income	57.9	17.9
Financial liabilities at fair value through profit or loss	21.3	23.5
Provisions	0.1	0.1
Total Liabilities	4 742.3	4 789.5
Share capital	42.5	42.5
Share premium	86.3	86.3
Other reserves	20.7	20.3
Retained earnings	864.0	836.8
Total shareholders' equity	1 013.5	985.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5 755.8	5 775.4

4. Consolidated cash flow statement

(millions of EUR)

	2017	2016
	9 months	9 months
I. Cash flows from operating activities		
Interest received	74.5	68.4
Interest paid	-7.4	-8.1
Fee and commission received	47.3	44.3
Fee and commission paid	-12.1	-11.5
Net trading income and other operating income	5.7	5.1
Personnel expenses and other operating expenses	-40.6	-42.8
Income tax paid	-7.5	-5.0
Cash flows from operating activities before changes in the operating assets and liabilities	59.9	50.4
Changes in operating assets:		
Loans and advances to credit institutions and mandatory reserve in central bank	50.8	-43.5
Loans and advances to customers	-287.3	-162.9
Other assets	3.5	-2.0
Changes of operating liabilities:		
Due to credit institutions	72.2	56.7
Due to customers	-116.3	250.9
Other liabilities	-3.1	4.8
Cash flow from (used in) operating activities	-220.3	154.4
II. Cash flows from investing activities		
Net increase-/decrease+ of investment portfolio securities	3.2	13.9
Purchase of tangible and intangible assets	-4.7	-4.9
Cash flow from (used in) investing activities	-1.5	9.0
III. Cash flows from financing activities		
Dividends paid	-30.0	-20.0
Cash used in financing activities	-30.0	-20.0
Net decrease/increase in cash and cash equivalents	-251.8	143.4
Cash and cash equivalents at the beginning of period	1 270.9	1 012.5
Effect of exchange rate changes on cash and cash equivalents	0.0	0.0
Cash and cash equivalents at the end of period	1 019.1	1 155.9
Cash and cash equivalents includes:	30.09.17	30.09.16
Cash on hand	36.2	38.9
Balances with the central bank without mandatory reserve	210.0	210.0
Liquid deposits in other credit institutions	684.5	883.7
Liquidity securities	88.4	23.3
	1 019.1	1 155.9

5. Changes in consolidated shareholders' equity

(millions of EUR)

	Share capital	Share premium	Reserves	Retained profit	Total shareholders' equity
Year beginning 01.01.2016	42.5	86.3	32.2	771.4	932.4
Dividend paid	0.0	0.0	0.0	-20.0	-20.0
Other	0.0	0.0	0.0	0.5	0.5
Net profit	0.0	0.0	0.0	64.5	64.5
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	-11.8	0.0	-11.8
Total other comprehensive income	0.0	0.0	-11.8	0.0	-11.8
Total comprehensive income	0.0	0.0	-11.8	64.5	52.7
Final balance 30.09.2016	42.5	86.3	20.4	816.4	965.6
Year beginning 01.01.2017	42.5	86.3	20.3	836.8	985.9
Dividend paid	0.0	0.0	0.0	-30.0	-30.0
Other	0.0	0.0	0.0	0.4	0.4
Net profit	0.0	0.0	0.0	56.8	56.8
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	0.4	0.0	0.4
Total other comprehensive expense	0.0	0.0	0.4	0.0	0.4
Total comprehensive income	0.0	0.0	0.4	56.8	57.2
Final balance 30.09.2017	42.5	86.3	20.7	864.0	1 013.5

6. Contingent assets and liabilities and commitments

(millions of EUR)

30.09.17	Contract amount		Balance value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable and revocable transactions	129.2	1 023.1	0.0	0.0
1.1. Guarantees and other similar off-balance sheet irrevocable liabilities and claims	129.2	304.1	0.0	0.0
<i>incl. financial guarantees</i>	129.2	105.5	0.0	0.0
1.2. Loan commitments	0.0	719.0	0.0	0.0
2. Derivatives	686.5	611.2	21.3	21.3
2.1. Currency related derivatives	347.8	347.8	15.0	15.0
2.2. Interest related derivatives	337.9	262.8	6.2	6.2
2.3. Equity related derivatives*	0.8	0.6	0.1	0.1
	815.7	1 634.3	21.3	21.3
31.12.16	Contract amount		Balance value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable and revocable transactions	103.6	1 096.3	0.0	0.0
1.1. Guarantees and other similar off-balance sheet irrevocable liabilities and claims	103.6	321.2	0.0	0.0
<i>incl. financial guarantees</i>	103.6	133.8	0.0	0.0
1.2. Loan commitments	0.0	775.3	0.0	0.0
2. Derivatives	645.8	626.6	23.3	23.5
2.1. Currency related derivatives	249.9	249.9	14.2	14.1
2.2. Interest related derivatives	392.7	373.9	9.0	9.3
2.3. Equity related derivatives*	3.2	2.8	0.1	0.1
	749.4	1 722.9	23.3	23.5

* Derivative transactions are executed to cover the client's position and the derivative risks are not taken to own portfolio. All risks arising from these transactions are fully mitigated with parent company. The equity option prices are calculated using for all input data (e.g. underlying prices or volumes) either independently sourced input (e.g. the underlying prices) or an independent price verification is performed on the next day to compare the values to independently sourced market data (e.g. for volumes).

Pursuant to the Law of Obligations Act, the operating lease agreements, concluded by AS SEB Liising are partially related to a contingent liability, the likelihood and the amount of which cannot be reliably determined. According to the management of the company, based on the previous practice, realization of the obligation is unlikely.

Note 1

Accounting principles

The interim report of AS SEB Pank Group for Quarter III 2017 has been prepared in conformity with International Accounting Standard IAS 34 “Interim Financial Reporting” and the disclosure requirements, established by Eesti Pank.

The accounting principles, used in the interim report of AS SEB Pank Group for Quarter III 2017 are in conformity with the accounting principles used in the annual report for the year ended on 31 December 2016.

Note 2**Fair value of financial assets and liabilities**

(millions of EUR)

A) Financial instruments measured at fair value

	30.09.17				31.12.16			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss								
Financial assets held for trading	0.1	21.2	0.0	21.3	0.0	23.3	0.0	23.3
Equity securities	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Derivatives	0.0	21.2	0.0	21.2	0.0	23.3	0.0	23.3
Financial assets designated at fair value through profit or loss at inception								
Debt securities	88.4	0.0	0.0	88.4	86.7	0.0	0.0	86.7
Debt securities	88.4	0.0	0.0	88.4	86.7	0.0	0.0	86.7
Available for sale financial assets	4.1	0.0	3.0	7.1	6.9	0.0	2.4	9.3
Investment securities - equity	4.1	0.0	3.0	7.1	6.9	0.0	2.4	9.3
TOTAL ASSETS	92.6	21.2	3.0	116.8	93.6	23.3	2.4	119.3
Financial liabilities at fair value through profit and loss								
Financial liabilities held for trading	0.0	21.3	0.0	21.3	0.0	23.6	0.0	23.6
TOTAL LIABILITIES	0.0	21.3	0.0	21.3	0.0	23.6	0.0	23.6

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges but also instruments quoted by market participants.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of input parameters like Euro yield curve or counterparty credit risk are Bloomberg and Thomson Reuters.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

Reconciliation of Level 3 Items

	Available-for-sale financial assets	
	Investment securities - equity	Total
At 1 January 2016	12.2	12.2
Other comprehensive income	-11.9	-11.9
Purchases	2.2	2.2
Settlements	-0.1	-0.1
At 31 December 2016	2.4	2.4
Total losses for the period included in profit or loss for assets/liabilities held at 31.12.16	0.0	0.0
At 1 January 2017	2.4	2.4
Other comprehensive income	0.5	0.5
Purchases	0.1	0.1
At 30 September 2017	3.0	3.0
Total losses for the period included in profit or loss for assets/liabilities held at 30.09.17	0.0	0.0

B) Financial instruments not measured at fair value

	30.09.17		31.12.16	
	Carrying value	Fair value, Level 3	Carrying value	Fair value, Level 3
ASSETS				
Loans and advances to credit institutions	684.5	684.5	983.3	983.3
Loans and advances to customers	4 624.5	4 642.5	4 337.5	4 248.7
<i>Loans to Corporates</i>	2 303.7	2 368.3	2 169.6	2 172.5
<i>Loans to households</i>	2 320.8	2 274.2	2 167.9	2 076.2
Other assets	27.4	27.4	30.1	30.1
TOTAL ASSETS	5 336.4	5 354.4	5 350.9	5 262.1
LIABILITIES				
Due to credit institutions	1 071.4	1 070.5	992.4	989.2
Due to customers	3 570.3	3 572.1	3 687.0	3 689.3
<i>Due to Corporates</i>	1 904.1	1 906.2	2 113.8	2 116.3
<i>Due to households</i>	1 666.2	1 665.9	1 573.2	1 573.0
Other financial liabilities	79.2	79.2	86.5	86.5
TOTAL LIABILITIES	4 720.9	4 721.8	4 765.9	4 765.0

AS SEB Pank conducts assessment of fair value of financial assets and liabilities which are not presented in the Group's statement of financial position at their fair value. All finance instruments not measured at fair value specified at Level 3 in hierarchy of valuation of fair value, because of using unobservable inputs. When calculating fair value for floating interest rate loans and for fixed-interest rate lending, future cash flows are discounted based on the market interest curve, which has been adjusted for applicable margins of new lending. Similarly have been calculated also fixed-interest rate deposits, floating interest rate and fixed-interest rate balances due to credit institutions.

As of reporting date fair value of loans and advances to customers was 0.39% higher (31.12.2016: 2.05% lower) than the carrying amount. Fair value of balances due to credit institutions was 0.08% lower (31.12.2016: 0.33% lower) than the carrying amount. Fair value of balances due to customers was 0.05% higher (31.12.2016: 0.06% higher) than the carrying amount.

Note 3**Interest and similar income**

(millions of EUR)

	2017		2016	
	9 months	QIII	9 months	QIII
Loans	59.9	20.9	57.2	19.2
Leasing	10.5	3.6	9.9	3.3
Deposits with other banks	1.3	0.3	1.2	0.4
Fixed income securities	1.0	0.3	0.1	0.1
Other	1.3	0.2	0.0	0.0
	74.0	25.3	68.4	23.0

Note 4**Interest expenses and similar charges**

(millions of EUR)

	2017		2016	
	9 months	QIII	9 months	QIII
Credit institutions	-1.4	-0.3	-0.6	-0.1
Time and other saving deposits	-0.5	-0.1	-1.1	-0.4
Demand deposits	-0.2	-0.1	-2.5	-0.8
From balances with central bank and credit institutions	-2.9	-0.9	-2.1	-0.9
Other	-2.4	-0.7	-1.9	-0.7
	-7.4	-2.1	-8.2	-2.9

Note 5**Fee and commission income**

(millions of EUR)

	2017		2016	
	9 months	QIII	9 months	QIII
Payment cards related commissions	16.8	5.9	16.3	5.8
Securities market services *	8.1	2.7	8.2	2.8
Transaction fees	3.8	1.2	3.7	1.2
Credit contracts**	2.9	1.0	3.0	0.9
Insurance brokerage fees	3.1	1.0	2.7	1.0
Other settlement fees	4.8	1.6	4.5	1.5
Income from leasing agreements (full service)	0.5	0.2	0.5	0.2
Income from electronic channels	2.0	0.7	1.1	0.4
Cash handling fees	0.5	0.2	0.4	0.1
Commodity futures fees	0.1	0.0	0.1	0.1
Other	4.7	1.7	3.8	1.3
	47.3	16.2	44.3	15.3

* Securities market services includes asset management fees of investment funds and securities portfolios, custody services, advisory fees and other with securities transactions related fees.

** Credit contracts include loan, leasing, letter of credit and guarantee contracts, which are short-term and do not constitute interest income, but are of administrative nature for arrangement or reorganisation of credits.

Note 6**Fee and commission expense**

(millions of EUR)

	2017		2016	
	9 months	QIII	9 months	QIII
Payment cards related commissions	-7.6	-2.6	-7.4	-2.6
Cash collecting fees	-0.9	-0.3	-0.9	-0.3
Expenses to leasing agreements (full service)	-0.5	-0.2	-0.5	-0.2
Securities market services	-1.3	-0.4	-1.2	-0.4
Transaction fees	-0.7	-0.2	-0.8	-0.3
Expenses of electronic channels	-0.3	-0.1	0.0	0.0
Other	-0.8	-0.3	-0.7	-0.2
	-12.1	-4.1	-11.5	-4.0

Note 7**Impairment losses on loans and advances**

(millions of EUR)

	2017		2016	
	9 months	QIII	9 months	QIII
Impairment losses	0.2	0.2	1.8	0.1
impairment losses of reporting period	-0.9	-0.3	-1.5	-0.5
recoveries from write-offs	0.9	0.5	1.5	0.2
decreasing of impairment losses of previous period	0.2	0.0	1.8	0.4
Impairment losses for contingent liabilities	0.0	0.0	0.1	0.0
	0.2	0.2	1.9	0.1

Note 8**Allowances on loans and advances**

(millions of EUR)

	30.09.17		31.12.16	
At the beginning of period (January, 1)		24.6		29.0
Allowances of reporting period		0.9		3.1
Decreasing of allowances of previous period		-0.2		-2.4
Loans and advances written off		-0.6		-5.1
At the end of period		24.7		24.6
Recoveries from write-offs			0.9	2.0

Note 9**Loans and advances to customers by remaining maturity**

(millions of EUR)

	Less than	3-12	1-5	5-10	Over 10	Total
	3 months	months	years	years	years	
30.09.17	308.9	814.1	1 933.2	541.1	1 027.2	4 624.5
31.12.16	244.4	685.6	1 939.2	524.6	943.7	4 337.5

Note 10**Geographic concentration of financial assets and liabilities**

(millions of EUR)

	Cash, balances with central bank, loans and advances to credit institutions	Loans and advances to custo- mers	Securi- ties	Other assets	Total assets	Due to credit institu- tions	Due to custo- mers	Other liabili- ties	Total liabili- ties	Contin- gent liabilities
30.09.17										
Sweden	628.7	0.8	1.8	1.2	632.5	961.3	12.0	21.2	994.5	1.7
Estonia	288.2	4 599.7	23.2	36.8	4 947.9	39.4	3 459.2	77.1	3 575.7	1 007.5
United Kingdom	20.4	2.2	0.0	0.0	22.6	1.0	6.8	0.3	8.1	0.0
Russia	1.1	0.2	0.0	0.0	1.3	31.9	19.6	0.0	51.5	0.0
Germany	0.2	0.5	0.0	0.0	0.7	0.0	3.5	0.2	3.7	5.5
United States	0.0	0.5	3.1	1.1	4.7	0.1	2.0	0.0	2.1	0.0
Canada	0.0	0.1	0.0	0.0	0.1	0.0	0.4	0.0	0.4	0.0
Japan	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.5	0.0
Finland	0.1	4.9	0.0	0.0	5.0	0.7	7.0	0.1	7.8	4.0
Latvia	0.5	9.3	0.0	0.4	10.2	11.2	5.7	0.4	17.3	0.5
Lithuania	0.0	0.0	89.7	0.5	90.2	25.5	5.6	0.2	31.3	0.3
Luxembourg	1.6	0.0	0.0	0.0	1.6	0.1	0.0	0.0	0.1	0.0
Netherlands	0.0	0.4	0.0	0.0	0.4	0.0	1.1	0.0	1.1	0.0
Other Western Europe	4.7	5.4	0.0	0.1	10.2	0.2	35.6	0.2	36.0	1.5
Other Eastern Europe	4.3	0.0	0.0	0.0	4.3	0.0	4.7	0.0	4.7	0.0
Other countries	22.7	0.5	0.0	0.9	24.1	0.0	6.6	0.9	7.5	2.1
	972.5	4 624.5	117.8	41.0	5 755.8	1 071.4	3 570.3	100.6	4 742.3	1 023.1

	Cash, balances with central bank, loans and advances to credit institutions	Loans and advances to custo- mers	Securi- ties	Other assets	Total assets	Due to credit institu- tions	Due to custo- mers	Other liabili- ties	Total liabili- ties	Contin- gent liabilities
31.12.16										
Sweden	912.1	0.8	1.5	1.1	915.5	918.1	11.9	23.2	953.2	1.5
Estonia	292.8	4 314.6	29.6	34.7	4 671.7	47.3	3 357.5	85.4	3 490.2	1 060.7
United Kingdom	32.5	2.0	0.0	0.2	34.7	1.2	18.0	0.4	19.6	0.0
Russia	0.5	0.1	0.0	0.1	0.7	0.5	26.6	0.0	27.1	0.0
Germany	1.0	0.6	0.0	0.0	1.6	3.1	3.5	0.0	6.6	5.0
United States	7.9	0.5	2.4	1.2	12.0	1.4	13.5	0.0	14.9	0.0
Canada	0.0	0.1	0.0	0.0	0.1	0.1	0.9	0.0	1.0	0.0
Japan	0.0	0.1	0.0	0.0	0.1	0.0	0.5	0.0	0.5	0.0
Finland	0.0	3.8	0.0	0.0	3.8	0.0	7.0	0.1	7.1	3.6
Latvia	0.4	8.0	0.0	2.8	11.2	19.1	3.7	0.0	22.8	0.5
Lithuania	12.9	0.0	86.7	0.1	99.7	0.0	3.7	0.1	3.8	0.3
Luxembourg	1.7	0.0	0.0	0.0	1.7	0.8	0.0	0.0	0.8	0.0
Netherlands	0.0	0.2	0.0	0.0	0.2	0.0	0.7	0.0	0.7	14.3
Other Western Europe	3.3	5.9	0.0	0.4	9.6	0.8	46.0	0.2	47.0	6.5
Other Eastern Europe	3.0	0.0	0.0	0.0	3.0	0.0	5.4	0.0	5.4	0.0
Other countries	7.8	0.8	0.0	1.2	9.8	0.0	188.1	0.7	188.8	3.9
	1 275.9	4 337.5	120.2	41.8	5 775.4	992.4	3 687.0	110.1	4 789.5	1 096.3

Contingent liabilities include here guarantees and pledges, loan commitments, revocable transactions, stand-by loans, other revocable transactions and are presented in contract amount of contingent liabilities. Securities include here financial assets held for trading, financial assets designated at fair value through profit or loss, available-for-sale financial assets, investments in associates.

Note 11**Concentration of financial assets and liabilities by industry sector**

(millions of EUR)

	In the statement of financial position		Contingent liabilities
	Cash and loans to central bank, credit institutions and	Securities	
30.09.17			
Finance	1 029.0	7.1	24.8
Real estate	736.1	0.0	44.9
Trading	381.4	0.0	166.2
Industry	322.2	0.0	135.8
Agriculture, fishing, forestry	180.8	0.0	14.0
Transport	167.2	0.0	45.3
Energy, gas and steam plants	131.7	0.0	100.1
Mining	63.5	0.0	52.3
Government and state defence	62.8	88.4	205.0
Hotels, restaurants	54.1	0.0	0.5
Construction	49.4	0.0	75.1
Administration and assistance	44.1	0.0	7.7
Health services, social work	42.7	0.0	5.0
Professional, science and technical work	39.7	0.0	12.0
Information and telecommunication	22.7	1.0	5.1
Art, show business, leisure	10.1	0.0	1.7
Water supply, canalisation, waste management	7.6	0.0	1.4
Education	7.4	0.0	7.3
Other government and social services	6.7	0.0	0.7
Private individuals	2 262.5	0.0	118.2
Derivatives	0.0	21.3	0.0
Allowances	-24.7	-	-
	5 597.0	117.8	1 023.1

31.12.16	In the statement of financial position		
	Cash and loans to central bank, credit institutions and customers	Securities	Contingent liabilities
	Finance	1 302.3	9.2
Real estate	784.5	0.0	55.9
Trading	397.1	0.0	194.6
Industry	243.8	0.0	128.5
Agriculture, fishing, forestry	176.2	0.0	12.3
Energy, gas and steam plants	132.7	0.0	111.4
Transport	113.0	0.0	32.5
Mining	70.7	0.0	51.0
Government and state defence	57.7	86.7	268.8
Hotels, restaurants	42.9	0.0	0.3
Professional, science and technical work	40.1	0.0	5.7
Construction	39.7	0.0	64.4
Health services, social work	38.0	0.0	7.4
Administration and assistance	33.7	0.0	7.2
Information and telecommunication	21.5	1.0	6.5
Art, show business, leisure	12.2	0.0	2.0
Education	9.2	0.0	5.9
Water supply, canalisation, waste management	6.3	0.0	2.0
Other government and social services	5.7	0.0	0.8
Private individuals	2 110.7	0.0	100.1
Derivatives	0.0	23.3	0.0
Allowances	-24.6	-	-
	5 613.4	120.2	1 096.3

Note 12**Related parties**

(millions of EUR)

	<u>30.09.17</u>	<u>31.12.16</u>
Loans and advances to members of Management Board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons	0.5	2.1
Contingent liabilities to members of Management Board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons (credit lines and commitments to extend credit)	0.0	0.1
Deposits of members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons	0.7	0.6
Loans and advances to parent company	654.7	947.9
Due to parent company	982.4	938.3
Contingent assets and commitments to parent company	28.6	28.4
Contingent liabilities and commitments to parent company	0.3	0.5
Loans and advances to enterprises of parent company's consolidation group	2.7	15.2
Due to enterprises of parent company's consolidation group	79.5	18.6
Contingent assets and commitments to enterprises of parent company's consolidation group	0.2	3.2
Contingent liabilities and commitments to enterprises of parent company's consolidation group	0.1	0.5

Interest rates of the loans given to related parties do not differ materially from interest rates of the loans to customers. Transactions with related parties have been based on market terms.

Related parties are:

- parent company, sole equity holder Skandinaviska Enskilda Banken AB (publ),
- subsidiaries of parent company,
- associates of parent company,
- associates of the Group,
- members of Management Board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons.