

AS SEB Pank Group

Interim Report of Quarter IV 2017



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Statement of the Management Board

Interim Report of Quarter IV 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 IV 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 IV 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	31.12.2017
Reporting period	01.01.2017 - 31.12.2017
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, Posti 41	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 2018

No such events or trends have occurred by the time of publishing the report, which would affect the strategy of the group in 2018.

2. Highlights

Corporate customers

After many quarters of negative growth, corporate profits started to improve in 2017 and the sentiment indicators imply a positive outlook. At the end of the year, the corporate credit portfolio once again started to increase after declining by almost 7% in October, which hopefully translates to increased capital expenditures.

In 2017, SEB's loan portfolio for large corporations increased by 4.2% while large corporations' deposits decreased by 3% due to low interest levels.

SEB continued its tradition, and for the fourth year in a row, we organised the CFO Forum for the CFOs of large corporations and for the fifth time, conducted a CFO survey among large Baltic corporations to map their forecasts and challenges of the next year.

In 2017, SEB continuously supported our clients' investments into the expansion and improvement of production facilities and acquisitions.

SEB financing portfolio for small and medium enterprises (SMEs) increased by 15.1% in 2017. At the same time, deposits decreased by 6.2%.

In October – November 2017, the survey Baltic Business Outlook in the SME field was conducted in three Baltic countries. SEB will introduce the results of Estonia, Latvia and Lithuania in Q1 2018.

In spring 2017, SEB opened its Innovation Centre in Tallinn with the aim of helping enterprises advance their business and enhance competitiveness. At the heart of the Innovation Centre lies a special Growth Programme, which helps enterprises take a step forward in their business pursuits within a period of only three to six months. In September, the first batch enterprises participated in the Growth Programme. In 2017, the SEB Innovation Centre was visited by more than 2,000 entrepreneurial minds.

In spring, SEB opened an e-learning programme called e-Academy at <http://eakadeemia.seb.ee>, which contributes to the quicker growth of start-ups and small enterprises. This is the biggest Baltic project by SEB, targeting young companies. At the end of the year 2017, more than 27,000 start-ups had already visited SEB's e-learning programme.

Private customers

High wage growth and strong performance of the labour market continued in 2017, as the average salary growth amounted to 6.6% during the three quarters of 2017 while the employment rate remained at 68.3% in Q3, which is the highest in the whole eurozone.

Wage growth has allowed families to improve their living standards and that also reflects in the loan portfolio for private customers, which increased by 9.0% in 2017. The volume of private customer's deposits increased by 9.9% in 2017.

SEB is the home bank for 260,000 private persons, with an increase of 1.5% in 2017 compared to 2016; the home bank customer base increased by 4,000 customers in 2017.

SEB introduced a number of digital novelties for private customers in 2017.

SEB introduced a new mobile app, which became much simpler and allows for the use of a number of innovative services. In addition to traditional services, the new app allows one to make transfers to other mobile app users without having to enter an account number; request a transfer from other mobile app users, which can be paid by the payer with the press of a single button; quickly view all of one's account balances, simply by entering the required four-digit password; conveniently perform transfers between one's accounts.

SEB introduced the new electronic identity solution Smart-ID together with Swedbank. Neither a special SIM card or a card reader are necessary to use Smart-ID. The only thing required is an active internet connection. Smart-ID is not dependent on state borders and thus, is very easy to implement across the world. In addition to Swedbank and SEB, Smart-ID has been implemented in the e-services of the school management system eKool, by Tallinna Kaubamaja Grupp, and the TV and internet service provider Elisa.

From May 2017, SEB started offering its customers pension, investment, savings and loan counselling by means of a video call. The service, previously available for years only in our offices, is now fully accessible to all SEB clients, whether they are Estonian residents or living abroad. The innovation makes access to SEB's services simpler and more convenient.

In June, SEB started offering its customers contactless bank cards. In Estonia, contactless payments can be made within the limit of 25 euros.

Starting from the 4th of December, SEB Estonia and SEB Latvia made instant payments available to all their clients. This service allows SEB's clients to make intra-European and domestic transfers of up to 15,000 euros around the clock in just a few seconds. SEB Estonia and SEB Latvia were among the first banks in Europe to enable instant payments.

Organisation

As of March 2017, there are four SEB management board members instead of five, including Chairman of the Management Board, Head of Corporates and Institutions Area, Head of Retail Banking Area, and Head of Credits and Risk Area.

In March, Petteri Nikkola was appointed the new Head of Credits and Risk Area, replacing the former area manager Niklas Larsson. Petteri Nikkola was previously responsible for the Financial Management and Operations Area.

In October, Artjom Sokolov was appointed the new Head of Corporates and Institutions Area, replacing Eerika Vaikmäe-Koit. Artjom Sokolov has long-term experience as a top manager in the financial sector, having held different positions at the European Bank for Reconstruction and Development, Swedbank as well as on the management boards of Estonian Cell and G4S.

In 2017, AS SEB Pank received several awards and recognitions:

- The Banker: the Best Bank in Estonia
- Global Finance: the Best Digital Bank in Estonia
- Tallinn Enterprise Association: nominee of 'Responsible Business 2017'
- Swedish Business Award: nominee of 'Sustainable Growth'
- Responsible Business Index: silver level
- Euromoney: the Best Bank in Estonia
- Global Finance: the Best Foreign Exchange Bank

Social responsibility and sponsorship

AS SEB Pank has set the objective to become the best advisory bank in the Baltic countries, which for customers means advisory services and sharing of financial literacy. In 2017, certain actions took place to achieve this aim.

For the past three years, SEB has invested a lot of time and effort to bring the basics of financial literacy into local schools. 45 employees took part in the initiative, giving up to 75 financial literacy lessons all over Estonia. SEB was inspired by the international MOOC (Mass Open Online Course) initiatives and proposed its own version of financial literacy e-courses, making a full course consisting of 10 lectures. Every topic includes a test, a task that is recommended to solve with the class, and a list of additional reading or watching. The course is held in Estonian and Russian (website <https://www.seb.ee/rahatarkus>).

Together with sharing knowledge, SEB is also developing products and services that help customers cope with everyday management and save more. As a good example, we can highlight is the Digital Coin Jar, which has notably changed the saving habits of customers.

Corporate sustainability is important for SEB. We organise meetings on sustainability with corporate customers and suppliers. By advising the customers, we offer them added value about how to act sustainably in the market.

SEB Group prepares SEB's sustainability report, which is available on website at www.sebgroup.com. AS SEB Pank Group provides input to that report as a member of the SEB Group. AS SEB Pank Group's approach to corporate sustainability is available on the website at www.seb.ee.

For the fourth year in a row, SEB is organising a seminar-workshop InnovationLab for SMEs who are interested in expanding to new markets and increasing their sales through innovation.

SEB is participating in the smart device security project 'Nutikaitse 2017' by advising on how to safely use banking services on smart devices.

SEB organises seminars for start-ups and social enterprises at the SEB Innovation Centre.

SEB prepares regular economic surveys to spread knowledge about economics: Nordic Outlook, Baltic Household Outlook, Baltic Business Outlook, CFO survey, SEB Investment Outlook.

Making a sustainable impact on our communities:

- SEB is a member of the Board of Responsible Business Forum Estonia (RBF Estonia);
- SEB is a member of the Council of the Estonian Chamber of Commerce and Industry, 'a network of entrepreneurship';
- SEB is a member of the Estonian Diversity Charter.

AS SEB Pank made a contribution to the society:

- SEB supported recreational sports: almost 15,000 people participated in SEB May Run.
- Almost 20,000 people participated in the largest sports event in the Baltic countries, SEB Tallinn Marathon. SEB Tallinn Marathon is one of the 50 most prestigious marathons in the world.
- AS SEB Pank contributed to the development of young tennis players of Estonia, supporting the Estonian Tennis Association and SEB Tallink Tennis Team.
- As a gold sponsor of the Estonian National Opera, AS SEB Pank contributed to the future of opera in 2017, issuing the fifth public award to a female and male soloist, who were chosen by the visitors. Around 3,000 people voted.

Activities of SEB are targeted at sustainable development of the society and our objective is to contribute to the future through supporting children, entrepreneurial studies, sports and culture.

In 2017, AS SEB Pank supported 'Ajujaht' and Junior Achievement activities

AS SEB Pank supports the leading business competition in Estonia called 'Ajujaht' (Brain Hunt), the objective of which is to promote the establishment of new knowledge-based companies and improve the business skills of young entrepreneurs. For the second year in a row SEB hand out a special award, the best social enterprise, in 'Ajujaht'.

In cooperation with Junior Achievement Estonia, SEB contributed to the development of entrepreneurship in Estonia. SEB supported the student enterprise and mini enterprise programmes at basic schools and upper secondary schools of Estonia.

In 2017, AS SEB Pank supported the activity of MTÜ SEB Heategevusfond (Charity Fund), the objective of which is to improve the well-being of children without parental care.

In 2017, various scholarships were granted, such as study scholarship, and scholarship for young mothers and for hobbies. In addition, a Christmas tree project was held for 1,000 children in orphanage, organising everyone Christmas presents. During the year, more than 30 special events were organised. The number of children participating in the events was above one thousand.

The more than 753 900 customers of SEB Pank Group are served by 1041 employees. The customers are served through many different channels such as 20 branch offices, 235 ATMs, 9480 POS-terminals. There are more than 529 100 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>31.12.17</u>	<u>31.12.16</u>
OWN FUNDS	872.7	945.0
1. TIER 1 CAPITAL	872.7	945.0
1.1. COMMON EQUITY TIER 1 CAPITAL	872.7	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 *	736.8	806.8
1.1.3. Accumulated other comprehensive income	1.6	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	-3.9	-3.0
1.1.7. (-) IRB shortfall of credit risk adjustments to expected losses	-9.8	-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>31.12.17</u>	<u>31.12.16</u>
TOTAL RISK EXPOSURE AMOUNT	2 484.1	2 426.1
1. RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	2 325.0	2 285.0
1.1. Standardised approach (SA)	309.4	248.8
Central governments or central banks	16.8	20.3
Regional governments or local authorities	13.8	0.0
Public sector entities	29.1	0.7
Retail	198.2	176.9
Exposures in default	1.3	1.5
Collective investments undertakings (CIU)	4.2	6.9
Equity	4.1	3.4
Other items	41.9	39.1
1.2. Internal ratings based Approach (IRB)	2 015.6	2 036.2
1.2.1. IRB approaches when neither own estimates of LGD nor Conversion Factors are used	1 701.6	1 737.3
Institutions	55.6	218.2
Corporates - SME	947.6	818.4
Corporates - Specialised Lending	43.8	45.3
Corporates - Other	654.6	655.4
1.2.2. IRB approaches when own estimates of LGD and/or Conversion Factors are used	314.0	298.9
Retail - Secured by real estate SME	9.7	10.4
Retail - Secured by real estate non-SME	217.5	212.4
Retail - Other SME	16.5	16.4
Retail - Other non-SME	70.3	59.7
2. RISKS	24.0	17.4
3. TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (AMA)	134.9	123.3
4. TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	0.2	0.4

* Prognosis of dividends have been deducted from retained earnings.

CAPITAL RATIOS

	31.12.17	31.12.16
OWN FUNDS	872.7	945.0
TOTAL RISK EXPOSURE AMOUNT Basel III (without additional risk exposure amount due to application of Basel I floor)	2 484.1	2 426.1
Own fund requirement (8%)	198.7	194.1
Total capital ratio	35.1%	39.0%
Tier 1 Capital ratio	35.1%	39.0%
CET1 Capital ratio	35.1%	39.0%
Tier 2 Capital ratio	0.0%	0.0%
TOTAL RISK EXPOSURE AMOUNT Basel III (with additional risk exposure amount due to application of Basel I floor)	3 346.2	3 189.8
Own fund requirement (8%)	267.7	255.2
Total capital ratio	26.1%	29.6%
Tier 1 Capital ratio	26.1%	29.6%
CET1 Capital ratio	26.1%	29.6%
Tier 2 Capital ratio	0.0%	0.0%

MEMBERS OF CONSOLIDATION GROUP, INCLUDED TO CAPITAL ADEQUACY CALCULATION

AS SEB Pank
AS SEB Liising Group
AS SEB Varahaldus

CAPITAL REQUIREMENTS AND BUFFERS

	31.12.17			31.12.16		
	Total capital	Tier 1 capital	CET1 capital	Total capital	Tier 1 capital	CET1 capital
OWN FUNDS						
Capital amount	872.7	872.7	872.7	945.0	945.0	945.0
Total risk exposure amount *	2 484.1	2 484.1	2 484.1	2 426.1	2 426.1	2 426.1
Capital adequacy ratio	35.1%	35.1%	35.1%	39.0%	39.0%	39.0%
Total capital requirements, incl. buffers	387.5	337.8	300.6	400.3	351.8	315.4
	15.6%	13.6%	12.1%	16.5%	14.5%	13.0%
including:						
Base capital requirement	198.7	149.0	111.8	194.1	145.6	109.2
	8%	6%	4.5%	8%	6%	4.5%
Capital conservation buffer	62.1	62.1	62.1	60.7	60.7	60.7
	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Systemic risk buffer	24.8	24.8	24.8	24.3	24.3	24.3
	1%	1%	1%	1%	1%	1%
Other Systemically Important Institution buffer	49.7	49.7	49.7	48.5	48.5	48.5
	2%	2%	2%	2%	2%	2%
Own funds Surplus(+) of total capital requirements, incl. buffers	485.2	534.9	572.1	544.7	593.2	629.6

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

LEVERAGE RATIO

	31.12.17	31.12.16
Exposure measure for leverage ratio calculation	6 683.7	6 236.4
of which on balance sheet items	6 108.5	5 764.1
of which off balance sheet items	575.2	472.3
Leverage ratio	13.1%	15.2%

4. Risk concentration

(millions of EUR)

	<u>31.12.17</u>	<u>31.12.16</u>
Total claims against persons associated with the credit institution's consolidation group	0.4	2.2
The share of claims of the persons associated with the credit institution's consolidation group in net own funds, %	0.04	0.23
Total of large exposure claims	527.7	294.4
The share of large exposure claims in net own funds, %	60.47	31.16
Number of large exposure customers	8	4

5. Key figures

(millions of EUR)

	<u>31.12.17</u>	<u>31.12.16</u>
Net profit	85.3	84.7
Average equity	1 014.2	959.2
Return on equity (ROE), %	8.41	8.83
Average assets	5 949.8	5 504.7
Return on assets (ROA), %	1.43	1.54
Net interest income	90.3	82.9
Average interest earning assets	5 827.1	5 376.6
Net interest margin (NIM), %	1.55	1.54
Spread, %	1.51	1.51
Cost / Income ratio, %	39.7	40.8
Ratio of individually impaired loans, %	0.30	0.33

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 *100

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)

		2017		2016	
	Note	12 months	QIV	12 months	QIV
<i>Interest and similar income</i>	3	99.8	25.8	91.9	23.5
<i>Interest expenses and similar charges</i>	4	-9.5	-2.1	-9.0	-0.8
Net Interest Income		90.3	23.7	82.9	22.7
<i>Fee and commission income</i>	5	64.0	16.7	60.0	15.7
<i>Fee and commission expense</i>	6	-16.3	-4.2	-15.6	-4.1
Net fee and commission income		47.7	12.5	44.4	11.6
Net income from foreign exchange		4.8	1.1	4.7	1.4
Gains less losses from financial assets at fair value through profit or loss		1.2	0.7	0.8	0.3
Income from dividends		0.1	0.1	0.0	0.0
Gains less losses from investment securities		0.3	-0.4	16.1	-0.2
Share of profit of associates		0.2	0.0	0.0	-0.1
Other income		1.3	0.2	1.2	0.4
Personnel expenses		-38.0	-9.6	-38.4	-9.9
Other expenses		-15.7	-3.0	-19.5	-4.3
Depreciation, amortisation and impairment of tangible and intangible assets		-4.4	-1.6	-3.9	-1.2
Profit before impairment losses on loans and advances		87.8	23.7	88.3	20.7
Impairment losses on loans and advances	7	5.0	4.8	1.4	-0.5
Profit before income tax		92.8	28.5	89.7	20.2
Income tax		-7.5	0.0	-5.0	0.0
Net profit		85.3	28.5	84.7	20.2
Profit attributable to the sole equity holder		85.3	28.5	84.7	20.2

2. Consolidated statement of comprehensive income

(millions of EUR)

		2017		2016	
		12 months	QIV	12 months	QIV
Net profit		85.3	28.5	84.7	20.2
Other comprehensive income/expense					
Items that may subsequently be reclassified to the income statement:					
Revaluation of available-for-sale financial assets		0.7	0.3	-11.9	-0.1
Total other comprehensive income/expense		0.7	0.3	-11.9	-0.1
Total comprehensive income		86.0	28.8	72.8	20.1
Sole equity holder of the parent entity (total)		86.0	28.8	72.8	20.1
-Total comprehensive income from continued operations		86.0	28.8	72.8	20.1

3. Consolidated statement of financial position

(millions of EUR)

	31.12.17	31.12.16
ASSETS		
Cash	41.3	41.7
Balances with central bank	1 009.9	250.9
Loans and advances to credit institutions	172.2	983.3
Loans and advances to customers	4 734.1	4 337.5
Financial assets held for trading	23.6	23.4
Financial assets designated at fair value through profit or loss at inception	89.2	86.7
Available-for-sale financial assets	7.3	9.3
Other assets	17.0	18.3
Accrued income and prepaid expenses	15.0	11.8
Investments in associates	1.0	0.8
Intangible assets	3.9	2.9
Property, plant and equipment	9.7	8.8
TOTAL ASSETS	6 124.2	5 775.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to credit institutions	1 214.5	992.4
Due to customers	3 747.2	3 687.0
Other liabilities	78.7	68.6
Accrued expenses and deferred income	18.1	17.9
Financial liabilities at fair value through profit or loss	23.2	23.5
Provisions	0.0	0.1
Total Liabilities	5 081.7	4 789.5
Share capital	42.5	42.5
Share premium	86.3	86.3
Other reserves	21.0	20.3
Retained earnings	892.7	836.8
Total shareholders' equity	1 042.5	985.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6 124.2	5 775.4

4. Consolidated cash flow statement

(millions of EUR)

	2017	2016
	12 months	12 months
I. Cash flows from operating activities		
Interest received	99.9	91.2
Interest paid	-9.6	-8.9
Dividends received	0.1	0.0
Fee and commission received	64.0	60.0
Fee and commission paid	-16.3	-15.6
Net trading income and other operating income	7.3	7.2
Personnel expenses and other operating expenses	-52.9	-56.7
Income tax paid	-7.5	-5.0
Cash flows from operating activities before changes in the operating assets and liabilities	85.0	72.2
Changes in operating assets:		
Loans and advances to credit institutions and mandatory reserve in central bank	20.0	-49.4
Loans and advances to customers	-391.7	-240.4
Other assets	1.5	-0.7
Changes of operating liabilities:		
Due to credit institutions	233.5	116.3
Due to customers	60.7	370.6
Other liabilities	-1.9	1.0
Cash flow from (used in) operating activities	7.1	269.6
II. Cash flows from investing activities		
Net increase-/decrease+ of investment portfolio securities	3.2	13.2
Purchase of tangible and intangible assets	-6.3	-4.4
Cash flow from (used in) investing activities	-3.1	8.8
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	-26.0	258.4
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	1 244.9	1 270.9
Cash and cash equivalents includes:	31.12.17	31.12.16
Cash on hand	41.3	41.7
Balances with the central bank without mandatory reserve	965.8	210.0
Liquid deposits in other credit institutions	148.5	932.5
Liquidity securities	89.3	86.7
	1 244.9	1 270.9

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	0.7	0.7
Net profit	0.0	0.0	0.0	84.7	84.7
Other comprehensive income / expense:					
Net change in available-for-sale financial assets	0.0	0.0	-11.9	0.0	-11.9
Total other comprehensive expense	0.0	0.0	-11.9	0.0	-11.9
Total comprehensive income / expense	0.0	0.0	-11.9	84.7	72.8
Final balance 31.12.2016	42.5	86.3	20.3	836.8	985.9
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	0.6	0.6
Net profit	0.0	0.0	0.0	85.3	85.3
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	0.7	0.0	0.7
Total other comprehensive income	0.0	0.0	0.7	0.0	0.7
Total comprehensive income	0.0	0.0	0.7	85.3	86.0
Final balance 31.12.2017	42.5	86.3	21.0	892.7	1 042.5

6. Contingent assets and liabilities and commitments

(millions of EUR)

31.12.17	Contract amount		Balance value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable and revocable transactions	133.3	1 257.6	0.0	0.0
1.1. Guarantees and other similar off-balance sheet irrevocable liabilities and claims	133.3	324.0	0.0	0.0
<i>incl. financial guarantees</i>	<i>133.3</i>	<i>114.2</i>	<i>0.0</i>	<i>0.0</i>
1.2. Loan commitments	0.0	933.6	0.0	0.0
2. Derivatives	622.9	547.1	23.5	23.2
2.1. Currency related derivatives	276.8	276.8	17.3	17.3
2.2. Interest related derivatives	345.9	270.2	6.2	5.9
2.3. Equity related derivatives*	0.2	0.1	0.0	0.0
	756.2	1 804.7	23.5	23.2

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>	<i>103.6</i>	<i>133.8</i>	<i>0.0</i>	<i>0.0</i>
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 IV 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 IV 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

	31.12.17				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	23.5	0.0	23.6	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	23.5	0.0	23.5	0.0	23.3	0.0	23.3
Financial assets designated at fair value through profit or loss at inception								
Debt securities	89.2	0.0	0.0	89.2	86.7	0.0	0.0	86.7
Debt securities	89.2	0.0	0.0	89.2	86.7	0.0	0.0	86.7
Available for sale financial assets	4.1	0.0	3.2	7.3	6.9	0.0	2.4	9.3
Investment securities - equity	4.1	0.0	3.2	7.3	6.9	0.0	2.4	9.3
TOTAL ASSETS	93.4	23.5	3.2	120.1	93.6	23.3	2.4	119.3
Financial liabilities at fair value through profit and loss								
Financial liabilities held for trading	0.0	23.2	0.0	23.2	0.0	23.6	0.0	23.6
TOTAL LIABILITIES	0.1	23.2	0.0	23.3	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	0.7	0.7
Purchases	0.1	0.1
At 31 December 2017	3.2	3.2
Total losses for the period included in profit or loss for assets/liabilities held at 31.12.17	0.0	0.0

B) Financial instruments not measured at fair value

	31.12.17		31.12.16	
	Carrying value	Fair value, Level 3	Carrying value	Fair value, Level 3
ASSETS				
Loans and advances to credit institutions	172.2	172.2	983.3	983.3
Loans and advances to customers	4 734.1	4 668.1	4 337.5	4 248.7
<i>Loans to Corporates</i>	2 362.6	2 375.2	2 169.6	2 172.5
<i>Loans to households</i>	2 371.5	2 292.9	2 167.9	2 076.2
Other assets	32.0	32.0	30.1	30.1
TOTAL ASSETS	4 938.3	4 872.3	5 350.9	5 262.1
LIABILITIES				
Due to credit institutions	1 214.5	1 214.6	992.4	989.2
Due to customers	3 747.2	3 748.8	3 687.0	3 689.3
<i>Due to Corporates</i>	2 015.3	2 017.0	2 113.8	2 116.3
<i>Due to households</i>	1 731.9	1 731.8	1 573.2	1 573.0
Other financial liabilities	96.8	96.8	86.5	86.5
TOTAL LIABILITIES	5 058.5	5 060.2	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 1.39% lower (31.12.2016: 2.05% lower) than the carrying amount. Fair value of balances due to credit institutions was 0.01% higher (31.12.2016: 0.33% lower) than the carrying amount. Fair value of balances due to customers was 0.04% higher (31.12.2016: 0.06% higher) than the carrying amount.

Note 3**Interest and similar income**

(millions of EUR)

	2017		2016	
	12 months	QIV	12 months	QIV
Loans	81.1	21.2	76.7	19.5
Leasing	14.2	3.7	13.3	3.4
Deposits with other banks	1.6	0.3	1.7	0.5
Fixed income securities	1.4	0.4	0.2	0.1
Other	1.5	0.2	0.0	0.0
	99.8	25.8	91.9	23.5

Note 4**Interest expenses and similar charges**

(millions of EUR)

	2017		2016	
	12 months	QIV	12 months	QIV
Credit institutions	-1.6	-0.2	-0.5	0.1
Time and other saving deposits	-0.7	-0.2	-1.3	-0.2
Demand deposits	-0.3	-0.1	-1.7	0.8
From balances with central bank and credit institutions	-3.8	-0.9	-2.9	-0.8
Other	-3.1	-0.7	-2.6	-0.7
	-9.5	-2.1	-9.0	-0.8

Note 5**Fee and commission income**

(millions of EUR)

	2017		2016	
	12 months	QIV	12 months	QIV
Payment cards related commissions	22.7	5.9	22.2	5.9
Securities market services *	10.9	2.8	10.8	2.6
Transaction fees	5.0	1.2	5.0	1.3
Credit contracts**	3.9	1.0	4.0	1.0
Insurance brokerage fees	4.4	1.3	3.6	0.9
Other settlement fees	6.4	1.6	6.0	1.5
Income from leasing agreements (full service)	0.7	0.2	0.7	0.2
Income from electronic channels	2.7	0.7	1.5	0.4
Cash handling fees	0.6	0.1	0.6	0.2
Commodity futures fees	0.2	0.1	0.3	0.2
Other	6.5	1.8	5.3	1.5
	64.0	16.7	60.0	15.7

* 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	
	12 months:	QIV	12 months:	QIV
Payment cards related commissions	-10.2	-2.6	-10.1	-2.7
Cash collecting fees	-1.2	-0.3	-1.1	-0.2
Expenses to leasing agreements (full service)	-0.7	-0.2	-0.7	-0.2
Securities market services	-1.8	-0.5	-1.6	-0.4
Transaction fees	-0.9	-0.2	-1.1	-0.3
Expenses of electronic channels	-0.4	-0.1	0.0	0.0
Other	-1.1	-0.3	-1.0	-0.3
	-16.3	-4.2	-15.6	-4.1

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

(millions of EUR)

	2017		2016	
	12 month	QIV	12 months:	QIV
Impairment losses	5.0	4.8	1.3	-0.5
impairment losses of reporting period	-0.5	0.4	-3.1	-1.6
recoveries from write-offs	1.1	0.2	2.0	0.5
decreasing of impairment losses of previous period	4.4	4.2	2.4	0.6
Impairment losses for contingent liabilities	0.0	0.0	0.1	0.0
	5.0	4.8	1.4	-0.5

Note 8**Allowances on loans and advances**

(millions of EUR)

	31.12.17	31.12.16
At the beginning of period (January, 1)	24.6	29.0
Allowances of reporting period	0.5	3.1
Decreasing of allowances of previous period	-4.4	-2.4
Loans and advances written off	-1.0	-5.1
At the end of period	19.7	24.6
Recoveries from write-offs	1.1	2.0

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

(millions of EUR)

	Less than 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
31.12.17	232.2	837.3	2 043.0	568.1	1 053.5	4 734.1
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
31.12.17										
Sweden	92.3	0.8	2.0	1.2	96.3	1 150.2	9.5	23.2	1 182.9	1.0
Estonia	1 051.3	4 705.7	26.7	40.3	5 824.0	47.8	3 634.9	95.1	3 777.8	1 239.0
United Kingdom	21.3	2.4	0.0	0.4	24.1	1.2	13.0	0.5	14.7	0.7
Russia	5.0	0.1	0.0	0.0	5.1	0.0	18.3	0.0	18.3	0.0
Germany	0.2	0.6	0.0	0.2	1.0	0.0	3.8	0.2	4.0	5.2
United States	0.0	0.6	3.1	1.1	4.8	0.1	2.2	0.0	2.3	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	0.4	0.0	0.4	0.0
Finland	0.1	5.9	0.0	0.1	6.1	0.7	8.7	0.1	9.5	6.6
Latvia	0.4	9.1	2.1	0.1	11.7	14.1	5.0	0.0	19.1	0.5
Lithuania	24.0	0.0	87.2	0.4	111.6	0.0	2.9	0.1	3.0	0.2
Luxembourg	0.5	0.0	0.0	0.0	0.5	0.1	0.0	0.1	0.2	0.0
Netherlands	0.0	0.3	0.0	0.0	0.3	0.0	2.1	0.0	2.1	0.0
Other Western Europe	5.2	8.0	0.0	0.3	13.5	0.3	34.7	0.3	35.3	1.7
Other Eastern Europe	4.3	0.0	0.0	0.1	4.4	0.0	3.7	0.0	3.7	1.0
Other countries	18.8	0.5	0.0	1.4	20.7	0.0	7.6	0.4	8.0	1.7
	1 223.4	4 734.1	121.1	45.6	6 124.2	1 214.5	3 747.2	120.0	5 081.7	1 257.6

	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	
31.12.17			
Finance	1 287.8	7.4	11.2
Real estate	751.4	0.0	67.0
Trading	382.7	0.0	168.7
Industry	361.1	0.0	149.4
Agriculture, fishing, forestry	176.9	0.0	12.8
Transport	158.1	0.0	75.2
Energy, gas and steam plants	127.3	0.0	270.7
Government and state defence	77.6	89.2	192.9
Mining	64.1	0.0	52.3
Hotels, restaurants	54.2	0.0	0.4
Administration and assistance	45.8	0.0	7.7
Construction	44.5	0.0	88.1
Health services, social work	42.0	0.0	4.3
Professional, science and technical work	39.4	0.0	20.7
Information and telecommunication	22.2	1.0	5.8
Art, show business, leisure	11.4	0.0	2.1
Water supply, canalisation, waste management	7.9	0.0	3.5
Education	7.0	0.0	7.3
Other government and social services	6.5	0.0	0.8
Private individuals	2 309.3	0.0	116.7
Derivatives	0.0	23.5	0.0
Allowances	-19.7	-	-
	5 957.5	121.1	1 257.6

31.12.16	In the statement of financial position		Contingent liabilities
	Cash and loans to central bank, credit institutions and	Securities	
Finance	1 302.3	9.2	39.0
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>31.12.17</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	0.4	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	119.4	947.9
Due to parent company	1 173.4	938.3
Contingent assets and commitments to parent company	3.4	28.4
Contingent liabilities and commitments to parent company	0.6	0.5
Loans and advances to enterprises of parent company's consolidation group	30.2	15.2
Due to enterprises of parent company's consolidation group	28.1	18.6
Contingent assets and commitments to enterprises of parent company's consolidation group	0.0	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.