

AS SEB Pank Group

Interim Report of Quarter I 2017



Contents	P.
Statement of the Management Board _____	2
I. Introduction - general information _____	3
1. Credit institution _____	3
2. Auditor _____	3
II. Management Report _____	4
1. Credit institution's group as defined in Credit Institutions Law _____	4
1.1. Consolidated group _____	4
1.2. Changes in the consolidated group during the accounting period and plans for year 2017 _____	4
2. Highlights _____	5
3. Capital adequacy _____	7
4. Risk concentration _____	9
5. Key figures _____	9
III. Consolidated financial statements _____	11
1. Consolidated income statement _____	11
2. Consolidated statement of comprehensive income _____	11
3. Consolidated statement of financial position _____	12
4. Consolidated cash flow statement _____	13
5. Changes in consolidated shareholders' equity _____	14
6. Contingent assets and liabilities and commitments _____	15
Note 1 Accounting principles _____	16
Note 2 Fair value of financial assets and liabilities _____	17
Note 3 Interest and similar income _____	19
Note 4 Interest expenses and similar charges _____	19
Note 5 Fee and commission income _____	19
Note 6 Fee and commission expense _____	20
Note 7 Impairment losses on loans and advances _____	20
Note 8 Allowances on loans and advances _____	20
Note 9 Loans and advances to customers by remaining maturity _____	20
Note 10 Geographic concentration of financial assets and liabilities _____	21
Note 11 Concentration of financial assets and liabilities by industry sector _____	22
Note 12 Related parties _____	24

Statement of the Management Board

Interim Report of Quarter I 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 I 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 I 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	31.03.2017
Reporting period	01.01.2017 - 31.03.2017
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

The expectation that the standard of living in Estonia would catch up with that of other European countries can only be realised when our economic growth is among the highest in Europe. Over the last two years Estonia's economic growth has ranked 23rd and 20th, respectively, in Europe, and if this continues we will never achieve the hoped-for standard of living. If we would have been able to maintain the fastest rate of growth in Europe for the past 10 years, the economy in Estonia would be twice as big as it is today. SEB has taken an active role in enlivening the business environment and in Q1 we launched several innovations, enabling our customers to take a step forward in their development.

SEB opened an **innovation centre for businesses in Tallinn**, Estonia, the purpose of which is to help enterprises grow their business and raise their competitiveness, thereby fostering faster economic growth in Estonia. At the heart of the innovation centre is a special growth programme, which helps enterprises to take a step forward in their business within a period of only three to six months. SEB's objective is to bring the globally proven work methods used by start-ups to traditional companies and implement innovation at a rate that is several times faster than what is currently taking place. The first group, more than ten enterprises, has already started the programme. Hopefully SEB's newly opened innovation centre will not be the only one of its kind, with other ambitious enterprises also creating similar opportunities for helping themselves and their clients move forward—this way our economic growth would not come from a few top players, but a broad-based circle of entrepreneurs.

Starting from the beginning of this year companies can **open a bank account at SEB via video meeting**, meaning that the customer no longer has to visit a bank office to fill in papers, as everything necessary will be arranged online. This solution is especially convenient for customers staying abroad.

In Q1, many important new products reached SEB private clients. All digital innovations show that banking is undergoing another digital leap, since the users of bank services increasingly prefer using all services online.

Starting from 8th of March, users can log in to SEB's mobile and internet banking environments using **the new electronic identity solution Smart-ID**. SK ID Solutions has created an app that works on both Android and iOS platforms. A special SIM card or a card reader are not necessary to use Smart-ID, the only thing required is an active internet connection. Smart-ID is not dependent on country borders and is thus very easy to implement across the world. This Estonian innovation will open up new opportunities for both e-service providers and their users. Using Smart-ID is free of charge.

In March SEB updated its **mobile app**, which allows for the use of a number of innovative services. The app's design is focused primarily on simplicity and ease of use. SEB's new mobile app has raised the most commonly used services to the forefront, while the fully functional Internet Bank also remains at the disposal of clients.

For the fifth consecutive year the SEB Grupp conducted a survey in the Baltic countries, mapping the expectations of small and medium-sized enterprises (SMEs) for the 2017 financial year. **The new edition of the Baltic Business Outlook** presents a summary of the project and profiles the views of 4542 Baltic SMEs that completed the survey. According to the survey SMEs of Estonia, Latvia and Lithuania are less optimistic than before, when it comes to assessing the outlook for this financial year. The highest confidence among countries is in Lithuania.

JA Estonia has taken great steps in the last six months in cooperation with its largest supporter, SEB Bank, to bring the operations of student companies closer to the actual world of entrepreneurship. The first outcomes of this cooperation can be enjoyed by student companies as of January in the form of **personal and official bank accounts for student companies**.

This year, SEB Bank, Gold Sponsor of the **Estonian National Opera**, handed out audience awards for **the best female and male soloists** for the seventh time. The winners were chosen by opera lovers. This year's audience favourites were Janne Shevtshenko and Priit Volmer. The awards were handed over at a ceremony before the performance of the opera Aida on 30 March. It was the second time for both of the laureates to win the award.

SEB Bank joined the **global action Earth Hour** of the World Wide Fund for Nature (WWF) on 25 March, when all lights, which were not of critical importance, were switched off for one hour at 8:30 p.m. by the local time. The activities of the WWF are aimed at drawing attention to climate changes and global warming. SEB has participated in the Earth Hour action in Estonia as well as in other countries for eight years now.

The more than 753 700 customers of SEB Pank Group are served by 1043 employees. The customers are served through many different channels such as 22 branch offices, 233 ATMs, 9254 POS-terminals. There are more than 525 800 debit and credit cards in use. In addition, over 81% of our customers use internet bank services.

3. Capital adequacy

(millions of EUR)

CAPITAL BASE	31.03.17	31.12.16
OWN FUNDS	945.1	945.0
1. TIER 1 CAPITAL	945.1	945.0
1.1. COMMON EQUITY TIER 1 CAPITAL	945.1	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	0.9	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	-4.5	-3.0
1.1.7. (-) IRB shortfall of credit risk adjustments to expected losses	-6.1	-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)	31.03.17	31.12.16
TOTAL RISK EXPOSURE AMOUNT	2 428.4	2 426.1
1. RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	2 283.4	2 285.0
1.1. Standardised approach (SA)	242.5	248.8
Central governments or central banks	16.8	20.3
Public sector entities	0.7	0.7
Retail	180.8	176.9
Exposures in default	1.3	1.5
Collective investments undertakings (CIU)	4.2	6.9
Equity	3.7	3.4
Other items	35.0	39.1
1.2. Internal ratings based Approach (IRB)	2 040.9	2 036.2
1.2.1. IRB approaches when neither own estimates of LGD nor Conversion Factors are used	1 738.6	1 737.3
Institutions	228.7	218.2
Corporates - SME	838.1	818.4
Corporates - Specialised Lending	41.9	45.3
Corporates - Other	629.9	655.4
1.2.2. IRB approaches when own estimates of LGD and/or Conversion Factors are used	302.3	298.9
Retail - Secured by real estate SME	10.4	10.4
Retail - Secured by real estate non-SME	213.4	212.4
Retail - Other SME	16.1	16.4
Retail - Other non-SME	62.4	59.7
2. RISKS	15.6	17.4
3. TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (AMA)	129.2	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

	31.03.17	31.12.16
OWN FUNDS	945.1	945.0
TOTAL RISK EXPOSURE AMOUNT Basel III (without additional risk exposure amount due to application of Basel I floor)	2 428.4	2 426.1
Own fund requirement (8%)	194.3	194.1
Total capital ratio	38.92%	38.95%
Tier 1 Capital ratio	38.92%	38.95%
CET1 Capital ratio	38.92%	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)	3 253.6	3 189.8
Own fund requirement (8%)	260.3	255.2
Total capital ratio	29.05%	29.63%
Tier 1 Capital ratio	29.05%	29.63%
CET1 Capital ratio	29.05%	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

	31.03.17			31.12.16		
	Total capital	Tier 1 capital	CET1 capital	Total capital	Tier 1 capital	CET1 capital
OWN FUNDS						
Capital amount	945.1	945.1	945.1	945.0	945.0	945.0
Total risk exposure amount *	2 428.4	2 428.4	2 428.4	2 426.1	2 426.1	2 426.1
Capital adequacy ratio	38.92%	38.92%	38.92%	38.95%	38.95%	38.95%
Total capital requirements, incl. buffers	376.4	327.8	291.4	376.0	327.5	291.1
	15.5%	13.5%	12.0%	15.5%	13.5%	12.0%
including:						
Base capital requirement	194.3	145.7	109.3	194.1	145.6	109.2
	8%	6%	4.5%	8%	6%	4.5%
Capital conservation buffer	60.7	60.7	60.7	60.7	60.7	60.7
	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Systemic risk buffer	72.9	72.9	72.9	72.8	72.8	72.8
	3%	3%	3%	3%	3%	3%
Own funds Surplus(+) of total capital requirements, incl. buffers	568.7	617.3	653.7	569.0	617.5	653.9

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

LEVERAGE RATIO

	31.03.17	31.12.16
Exposure measure for leverage ratio calculation	6 326.0	6 236.4
of which on balance sheet items	5 869.0	5 764.1
of which off balance sheet items	457.0	472.3
Leverage ratio*	14.9%	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)

	31.03.17	31.12.16	31.03.16
Total claims against persons associated with the credit institution's consolidation group	0.5	2.2	1.7
The share of claims of the persons associated with the credit institution's consolidation group in net own funds, %	0.05	0.23	0.19
Total of large exposure claims	262.6	294.4	262.7
The share of large exposure claims in net own funds, %	27.78	31.16	28.95
Number of large exposure customers	4	4	4

5. Key figures

(millions of EUR)

	31.03.17	31.12.16	31.03.16
Net profit	12.5	84.7	12.8
Average equity	977.2	959.2	930.5
Return on equity (ROE), %	5.12	8.83	5.50
Average assets	5 827.8	5 504.7	5 294.6
Return on assets (ROA), %	0.86	1.54	0.97
Net interest income	21.1	82.9	19.9
Average interest earning assets	5 711.5	5 376.6	5 155.9
Net interest margin (NIM), %	1.48	1.54	1.54
Spread, %	1.45	1.51	1.51
Cost / Income ratio, %	43.4	40.8	46.3
Ratio of individually impaired loans, %	0.32	0.33	0.35

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)

		2017	2016
	Note	3 months	3 months
<i>Interest and similar income</i>	3	23.4	22.5
<i>Interest expenses and similar charges</i>	4	-2.3	-2.6
Net Interest Income		21.1	19.9
<i>Fee and commission income</i>	5	15.3	14.1
<i>Fee and commission expense</i>	6	-3.8	-3.7
Net fee and commission income		11.5	10.4
Net income from foreign exchange		1.2	1.0
Gains less losses from financial assets at fair value through profit or loss		0.3	0.3
Gains less losses from investment securities		0.6	0.0
Other income		0.5	0.2
Personnel expenses		-9.6	-9.9
Other expenses		-4.9	-4.0
Depreciation, amortisation and impairment of tangible and intangible assets		-0.8	-0.9
Profit before impairment losses on loans and advances		19.9	17.1
Impairment losses on loans and advances	7	0.1	0.7
Profit before income tax		20.0	17.8
Income tax		-7.5	-5.0
Net profit		12.5	12.8
Profit attributable to the sole equity holder		12.5	12.8

2. Consolidated statement of comprehensive income

(millions of EUR)

		2017	2016
		3 months	3 months
Net profit		12.5	12.8
Other comprehensive income/expense			
Items that may subsequently be reclassified to the income statement:			
Revaluation of available-for-sale financial assets		0.0	3.2
Total other comprehensive income/expense		0.0	3.2
Total comprehensive income		12.5	16.0
Sole equity holder of the parent entity (total)		12.5	16.0
-Total comprehensive income from continued operations		12.5	16.0

3. Consolidated statement of financial position

(millions of EUR)

	31.03.17	31.12.16
ASSETS		
Cash	37.0	41.7
Balances with central bank	251.8	250.9
Loans and advances to credit institutions	1 035.0	983.3
Loans and advances to customers	4 404.3	4 337.5
Financial assets held for trading	21.3	23.4
Financial assets designated at fair value through profit or loss at inception	83.8	86.7
Available-for-sale financial assets	6.9	9.3
Other assets	12.2	18.3
Accrued income and prepaid expenses	14.2	11.8
Investments in associates	0.8	0.8
Intangible assets	4.4	2.9
Property, plant and equipment	8.5	8.8
TOTAL ASSETS	5 880.2	5 775.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to credit institutions	1 049.4	992.4
Due to customers	3 719.1	3 687.0
Other liabilities	93.7	68.6
Accrued expenses and deferred income	28.1	17.9
Financial liabilities at fair value through profit or loss	21.3	23.5
Provisions	0.1	0.1
Total Liabilities	4 911.7	4 789.5
Share capital	42.5	42.5
Share premium	86.3	86.3
Other reserves	20.3	20.3
Retained earnings	819.4	836.8
Total shareholders' equity	968.5	985.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5 880.2	5 775.4

4. Consolidated cash flow statement

(millions of EUR)

	2017	2016
	3 months	3 months
I. Cash flows from operating activities		
Interest received	22.9	22.5
Interest paid	-2.8	-2.7
Fee and commission received	15.3	14.2
Fee and commission paid	-3.8	-3.7
Net trading income and other operating income	2.2	2.1
Personnel expenses and other operating expenses	-14.4	-13.8
Income tax paid	-7.5	-5.0
Cash flows from operating activities before changes in the operating assets and liabilities	11.9	13.6
Changes in operating assets:		
Loans and advances to credit institutions and mandatory reserve in central bank	33.5	-3.2
Loans and advances to customers	-65.8	2.8
Other assets	4.5	-4.0
Changes of operating liabilities:		
Due to credit institutions	83.8	133.1
Due to customers	32.6	-15.6
Other liabilities	6.3	7.9
Cash flow from (used in) operating activities	106.8	134.6
II. Cash flows from investing activities		
Net increase-/decrease+ of investment portfolio securities	2.9	0.0
Purchase of tangible and intangible assets	-2.1	-1.1
Cash flow from (used in) investing activities	0.8	-1.1
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	77.6	113.5
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	1 348.5	1 126.0
Cash and cash equivalents includes:	31.03.17	31.03.16
Cash on hand	37.0	41.5
Balances with the central bank without mandatory reserve	210.0	150.0
Liquid deposits in other credit institutions	1 017.6	934.5
Liquidity securities	83.9	0.0
	1 348.5	1 126.0

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	0.1	0.1
Net profit	0.0	0.0	0.0	12.8	12.8
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	3.2	0.0	3.2
Total other comprehensive income	0.0	0.0	3.2	0.0	3.2
Total comprehensive income	0.0	0.0	3.2	12.8	16.0
Final balance 31.03.2016	42.5	86.3	35.4	764.3	928.5
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	0.1	0.1
Net profit	0.0	0.0	0.0	12.5	12.5
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	0.0	0.0	0.0
Total other comprehensive expense	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	0.0	12.5	12.5
Final balance 31.03.2017	42.5	86.3	20.3	819.4	968.5

6. Contingent assets and liabilities and commitments

(millions of EUR)

31.03.17	Contract amount		Balance value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable and revocable transactions	102.2	1 053.2	0.0	0.0
1.1. Guarantees and other similar off-balance sheet irrevocable liabilities and claims	102.2	299.9	0.0	0.0
<i>incl. financial guarantees</i>	<i>102.2</i>	<i>104.5</i>	<i>0.0</i>	<i>0.0</i>
1.2. Loan commitments	0.0	753.3	0.0	0.0
2. Derivatives	601.4	582.6	21.2	21.3
2.1. Currency related derivatives	234.3	234.3	13.4	13.4
2.2. Interest related derivatives	365.5	346.9	7.7	7.8
2.3. Equity related derivatives*	1.6	1.4	0.1	0.1
	703.6	1 635.8	21.2	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>	<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 I 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 I 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

	31.03.17				31.12.16			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	83.8	0.0	0.0	83.8	86.7	0.0	0.0	86.7
Debt securities	83.8	0.0	0.0	83.8	86.7	0.0	0.0	86.7
Available for sale financial assets	4.2	0.0	2.7	6.9	6.9	0.0	2.4	9.3
Investment securities - equity	4.2	0.0	2.7	6.9	6.9	0.0	2.4	9.3
TOTAL ASSETS	88.1	21.2	2.7	112.0	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	0.3	0.3
Purchases	0.0	0.0
Settlements	0.0	0.0
At 31 March 2017	2.7	2.7
Total losses for the period included in profit or loss for assets/liabilities held at 31.03.17	0.0	0.0

B) Financial instruments not measured at fair value

	31.03.17		31.12.16	
	Carrying value	Fair value, Level 3	Carrying value	Fair value, Level 3
ASSETS				
Loans and advances to credit institutions	1 035.0	1 035.0	983.3	983.3
Loans and advances to customers	4 404.3	4 312.7	4 337.5	4 248.7
<i>Loans to Corporates</i>	2 204.4	2 217.8	2 169.6	2 172.5
<i>Loans to households</i>	2 199.9	2 094.9	2 167.9	2 076.2
Other assets	26.4	26.4	30.1	30.1
TOTAL ASSETS	5 465.7	5 374.1	5 350.9	5 262.1
LIABILITIES				
Due to credit institutions	1 049.4	1 046.0	992.4	989.2
Due to customers	3 719.1	3 721.0	3 687.0	3 689.3
<i>Due to Corporates</i>	2 107.7	2 109.9	2 113.8	2 116.3
<i>Due to households</i>	1 611.4	1 611.2	1 573.2	1 573.0
Other financial liabilities	121.8	121.8	86.5	86.5
TOTAL LIABILITIES	4 890.3	4 888.9	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 2.08% lower (31.12.2016: 2.05% lower) than the carrying amount. Fair value of balances due to credit institutions was 0.32% 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
	3 months	3 months
Loans	19.2	19.2
Leasing	3.4	3.3
Deposits with other banks	0.5	0.0
Fixed income securities	0.3	0.0
	23.4	22.5

Note 4**Interest expenses and similar charges**

(millions of EUR)

	2017	2016
	3 months	3 months
Credit institutions	0.1	-0.3
Time and other saving deposits	-0.3	-0.4
Demand deposits	-0.5	-0.8
From balances with central bank and credit institutions	-1.0	-0.5
Other	-0.6	-0.6
	-2.3	-2.6

Note 5**Fee and commission income**

(millions of EUR)

	2017	2016
	3 months	3 months
Payment cards related commissions	5.3	5.1
Securities market services *	2.8	2.6
Transaction fees	1.2	1.2
Credit contracts**	0.9	0.9
Insurance brokerage fees	1.0	0.8
Other settlement fees	1.6	1.5
Income from leasing agreements (full service)	0.2	0.2
Income from electronic channels	0.6	0.4
Cash handling fees	0.1	0.2
Commodity futures fees	0.1	0.0
Other	1.5	1.2
	15.3	14.1

* 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
	3 months	3 months
Payment cards related commissions	-2.3	-2.3
Cash collecting fees	-0.3	-0.3
Expenses to leasing agreements (full service)	-0.2	-0.1
Securities market services	-0.4	-0.4
Transaction fees	-0.3	-0.3
Expenses of electronic channels	-0.1	0.0
Other	-0.2	-0.3
	-3.8	-3.7

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

(millions of EUR)

	2017	2016
	3 months	3 months
Impairment losses	0.1	0.6
impairment losses of reporting period	-0.2	-1.0
recoveries from write-offs	0.2	1.0
decreasing of impairment losses of previous period	0.1	0.6
Impairment losses for contingent liabilities	0.0	0.1
	0.1	0.7

Note 8**Allowances on loans and advances**

(millions of EUR)

	31.03.17	31.12.16
At the beginning of period (January, 1)	24.6	29.0
Allowances of reporting period	0.2	3.1
Decreasing of allowances of previous period	-0.1	-2.4
Loans and advances written off	-0.2	-5.1
At the end of period	24.5	24.6
Recoveries from write-offs	0.2	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	Total
31.03.17	273.2	685.0	1 945.4	532.4	968.3	4 404.3
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
31.03.17										
Sweden	965.4	0.9	1.0	1.2	968.5	964.5	10.3	21.7	996.5	1.4
Estonia	288.9	4 380.4	25.3	32.7	4 727.3	43.8	3 394.2	118.3	3 556.3	1 032.7
United Kingdom	31.7	2.3	0.0	0.2	34.2	1.2	25.5	0.2	26.9	0.0
Russia	1.4	0.2	0.0	0.0	1.6	15.5	25.9	0.0	41.4	0.0
Germany	2.1	0.5	0.0	0.0	2.6	1.6	2.5	0.0	4.1	5.3
United States	0.6	0.5	2.7	1.1	4.9	0.1	7.2	0.0	7.3	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	0.1	0.0	0.0	0.1	0.0	0.4	0.0	0.4	0.0
Finland	0.3	4.7	0.0	0.0	5.0	0.0	6.9	0.0	6.9	3.4
Latvia	0.1	7.7	0.0	0.3	8.1	22.3	4.6	1.1	28.0	0.5
Lithuania	17.8	0.0	83.8	0.7	102.3	0.0	5.0	0.6	5.6	0.3
Luxembourg	1.6	0.0	0.0	0.0	1.6	0.2	0.0	0.0	0.2	0.0
Netherlands	0.0	0.4	0.0	0.0	0.4	0.0	0.6	0.0	0.6	0.0
Other Western Europe	2.9	6.0	0.0	0.4	9.3	0.2	51.2	0.3	51.7	6.5
Other Eastern Europe	3.2	0.0	0.0	0.1	3.3	0.0	5.7	0.0	5.7	0.0
Other countries	7.8	0.5	0.0	2.6	10.9	0.0	178.7	1.0	179.7	3.1
	1 323.8	4 404.3	112.8	39.3	5 880.2	1 049.4	3 719.1	143.2	4 911.7	1 053.2

	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		
	Cash and loans to central bank, credit institutions and customers		Contingent liabilities
		Securities	
31.03.17			
Finance	1 355.4	6.8	24.2
Real estate	727.7	0.0	32.2
Trading	433.7	0.0	183.4
Industry	286.6	0.0	136.7
Agriculture, fishing, forestry	175.7	0.0	18.7
Transport	132.9	0.0	36.9
Energy, gas and steam plants	126.3	0.0	114.5
Mining	69.4	0.0	50.8
Government and state defence	55.4	83.8	240.7
Hotels, restaurants	43.1	0.0	0.6
Health services, social work	38.0	0.0	7.2
Construction	37.4	0.0	63.9
Professional, science and technical work	37.2	0.0	12.4
Administration and assistance	36.9	0.0	5.9
Information and telecommunication	21.1	1.0	6.6
Art, show business, leisure	10.2	0.0	2.0
Education	8.5	0.0	7.3
Water supply, canalisation, waste management	6.8	0.0	2.1
Other government and social services	5.4	0.0	0.8
Private individuals	2 144.9	0.0	106.3
Derivatives	0.0	21.2	0.0
Allowances	-24.5	-	-
	5 728.1	112.8	1 053.2

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>31.03.17</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	0.6	0.6
Loans and advances to parent company	1 001.1	947.9
Due to parent company	985.9	938.3
Contingent assets and commitments to parent company	28.4	28.4
Contingent liabilities and commitments to parent company	0.3	0.5
Loans and advances to enterprises of parent company's consolidation group	19.5	15.2
Due to enterprises of parent company's consolidation group	40.8	18.6
Contingent assets and commitments to enterprises of parent company's consolidation group	3.2	3.2
Contingent liabilities and commitments to enterprises of parent company's consolidation group	0.2	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.