

AS SEB Pank Group

Interim Report of Quarter III 2013



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Statement of the Management Board

Interim Report of Quarter III 2013 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 2013 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 2013 are not audited.

Riho Unt
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	30.09.2013
Reporting period	01.01.2013 - 30.09.2013
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
AS Sertifitseerimiskeskus**	10747013	27.03.01	Tallinn, Pärnu mnt 141	Data communication	25.0%	1.0
Tieto Estonia Services OÜ**	11065244	30.08.04	Tallinn, Tammsaare tee 47	Information processing and network management	20.0%	0.0
						5.5

All enterprises are registered in Estonian Commercial Register.

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

* Consolidated subsidiary of AS SEB Liising

** Associates

*** 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.

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. 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 from September 2008. The association is founded by AS SEB Pank. The association is aimed at organising on hobby and competition level sport events and organising 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 2013

No such events or trends have occurred by the time of publishing the report, which would affect the strategy of the group in 2013.

2. Highlights

The third quarter was quite active, especially in terms of business clients. In the third quarter, SEB gave out more than EUR 300 million in new loans to large private sector enterprises. Great deals were made in every sector and SEB was a participant in all of the more important financings. When highlighting some more important deals from the third quarter, the financing of the expansion of Ülemiste Centre and the largest dairy farm in the Baltic States, being built by Trigon Dairy Farming AS, should be mentioned. Some major financings were also made in the energy sector. SEB also funded the buyout of enterprises from foreign investors and this indicates that local enterprises have faith in the positive outlook of the Estonian economy.

Besides major deals, business clients are also active on a daily basis. In the second quarter, SEB issued about 700 financings, valued at EUR 50 million, to small and medium-sized enterprises (SME). In September, we once again launched the SME counselling project, in the framework of which SEB will visit about 900 enterprises across Estonia over a period of two months, in order to help them evaluate the impact of different future scenarios on their economic activities. Remarkable consulting in the SME sector was also one of the reasons why, in the third quarter, the international economic magazine Euromoney named SEB the best bank of 2013 in Estonia.

In the last months of the year, many enterprises are going through intense development work because as of February 2014 the payment solutions of enterprises have to correspond to new Pan-European standards. In November, both private and business clients will receive an additional notification from SEB about what exactly will change in services and terms and conditions when switching to new requirements.

In the first three quarters of this year, SEB has given out 40 per cent more home loans in terms of volume when compared to the same period last year. Although the volumes are still times smaller than the peak numbers of the previous decade, insuring against risks has never before been so comprehensive when taking loans. In the past 2-3 years, loan coverage with insurance coverage has increased by about 20 per cent. Seventy-five per cent of the home loans issued last year are insured either against unemployment, death, health problem, or all of the above.

The increase in card payments is another trend. If the average European makes about 75 card payments per year, then Estonian citizens make 150 card payments per year, while in Finland and Sweden it is even 200 card payments per person. The payment preferences of Estonians are becoming more similar to the Nordic countries, while our Southern neighbours are still moving towards the European average. The increase of capacities allows for better service fees to be offered and Estonia is one of the few countries in Europe where the card payment cost for the merchant is 45 per cent lower than the cash-related direct and hidden costs. SEB is working towards the possibility to pay with card at all merchants in order to reduce the dependency on cash for some regions.

SEB received several awards and recognitions in Q3 2013:

- In July, the reputable economic magazine Euromoney selected SEB as the best bank in Estonia in 2013.
- In the Tallinn Enterprise Awards, SEB was nominated as the Responsible Enterprise 2013.

In the third quarter, SEB Estonia was the main sponsor of several of the region's major sports events.

- **SEB Tallinn Marathon**, which was the largest sports competition in the Baltics, had more than 20,000 participants. SEB Tallinn Marathon is one of the world's 50 most prestigious marathons. In 2013, SEB extended its support for Tartu Maraton for another three years.
- **SEB 6th Tartu Roller Skating Marathon** had 1,352 participants.
- **SEB 15th Tartu Rattamaraton** had 7,191 participants.

SEB supports Estonia's leading **business plan competition Ajujaht**, which is designed to contribute to the creation of new knowledge based companies and to boost the business skills of students and young scientists. The new competition began at the end of September.

The more than 869 900 customers of SEB Pank Group are served by 1080 employees. The customers are served through many different channels such as 30 branch offices, 259 on-line post offices, 300 ATMs, 7967 POS-terminals. There are more than 536 100 debit and credit cards in use. In addition, 76% of our customers use our SEB Internet Bank and SEB Internet Bank for Business services.

3. Capital adequacy

(millions of EUR)

CAPITAL BASE	30.09.13	31.12.12
Paid-in share capital	42.5	42.5
Premium	86.3	86.3
General banking reserves	19.4	19.4
Retained earnings / loss	553.7	482.4
Unrealised profit for previous periods on shares of subsidiaries and associated companies (negative)	-0.1	-0.1
Intangibles	-0.9	-0.5
Audited profit for the period	0.0	71.3
Total primary own funds	700.9	701.3
Available for sale financial instruments	0.2	0.4
Allowances and adjustments exceeding expected loss	8.2	10.1
Total supplementary own funds	8.4	10.5
Total deductions	0.0	0.0
Primary own funds after deductions	700.9	701.3
Supplementary own funds after deductions	8.4	10.5
Own funds included in calculation of capital adequacy	709.3	711.8

CAPITAL REQUIREMENTS	30.09.13	31.12.12
Municipalities and regions with standardised approach	6.2	6.0
State agencies, non-profit institutions and associations with standardised approach	0.2	0.1
Retail claims with standardised approach	16.6	16.2
Mortgage claims with standardised approach	0.1	0.0
Overdue claims with standardised approach	0.6	0.0
Shares of investment funds with standardised approach	0.5	0.4
Other assets with standardised approach	2.5	3.3
Credit institutions, investment firms and municipalities with IRB	5.7	5.1
Other companies with IRB	135.5	125.2
Retail claims with IRB	35.7	38.7
Total capital requirements for covering the credit risk and counterparty credit risk	203.6	195.0
Capital requirement for covering interest position risk	1.4	1.1
Total market risk	1.4	1.1
Capital requirement for covering AMA of operational risk	10.2	11.4
Capital requirements total	215.2	207.5
Transition period floor of own funds if using IRB	328.5	303.1
Capital requirements for calculating capital adequacy	328.5	303.1

CAPITAL RATIOS

	30.09.13	31.12.12
Capital adequacy, %	21.59	23.49
Tier 1 Capital Ratio, %	21.34	23.14
Tier 2 Capital Ratio, %	0.25	0.35

**MEMBERS OF CONSOLIDATION GROUP,
INCLUDED TO CAPITAL ADEQUACY
CALCULATION**

AS SEB Pank
AS SEB Liising Group
AS SEB Varahaldus

4. Risk concentration

(millions of EUR)	30.09.13	31.12.12	30.09.12
Total claims against persons associated with the credit institution's consolidation group	1.2	1.0	1.2
The share of claims of the persons associated with the credit institution's consolidation group in net own funds, %	0.17	0.15	0.19
Total of large exposure claims	409.9	355.2	348.8
The share of large exposure claims in net own funds, %	57.81	49.89	54.47
Number of large exposure customers	6	5	5

5. Key figures

(millions of EUR)	30.09.13	31.12.12	30.09.12
Net profit	54.8	71.3	56.2
Average equity	729.7	666.6	658.9
Return on equity (ROE), %	10.01	10.70	11.37
Average assets	4,254.5	4,143.5	4,115.7
Return on assets (ROA), %	1.72	1.72	1.82
Net interest income	57.9	81.2	63.6
Average interest earning assets	4,139.7	4,034.7	4,007.7
Net interest margin (NIM), %	1.86	2.01	2.12
Spread, %	1.78	1.88	1.97
Cost / Income ratio, %	44.7	45.1	43.7
Ratio of individually impaired loans, %	0.70	1.39	1.57

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 interest earning assets * 100

Yield on interest earning assets = Interest income/Average interest earning assets * 100

Cost of interest bearing liabilities = Interest expenses/Average interest bearing liabilities * 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

Interest earning assets:

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)

Interest bearing liabilities:

Due to credit institutions
Due to customers
Loan funds
Subordinated loans
(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	2013		2012	
		9 months	QIII	9 months	QIII
<i>Interest and similar income</i>	3	69.6	24.6	87.1	26.5
<i>Interest expenses and similar charges</i>	4	-11.7	-3.6	-23.5	-6.3
Net Interest Income		57.9	21.0	63.6	20.2
<i>Fee and commission income</i>	5	40.3	14.0	38.1	13.3
<i>Fee and commission expense</i>	6	-10.9	-3.8	-10.8	-3.7
Net fee and commission income		29.4	10.2	27.3	9.6
Net income from foreign exchange		3.3	1.2	3.6	1.3
Gains less losses from financial assets at fair value through profit or loss		2.0	0.3	2.1	0.6
Gains less losses from investment securities		0.5	-0.1	0.0	0.0
Share of profit of associates		0.2	0.1	0.1	0.0
Other income		0.7	0.2	0.5	0.3
Personnel expenses		-24.3	-8.1	-25.2	-8.3
Other expenses		-15.1	-5.1	-14.9	-4.6
Depreciation, amortisation and impairment of tangible and intangible assets		-2.6	-0.9	-2.4	-0.9
Profit before impairment losses on loans and advances		52.0	18.8	54.7	18.2
Impairment losses on loans and advances	7	2.8	-1.4	1.5	-2.2
Profit before income tax		54.8	17.4	56.2	16.0
Income tax		0.0	0.0	0.0	0.0
Net profit		54.8	17.4	56.2	16.0
Profit attributable to the sole equity holder		54.8	17.4	56.2	16.0

2. Consolidated statement of comprehensive income

	2013		2012	
	9 months	QIII	9 months	QIII
Net profit	54.8	17.4	56.2	16.0
Other comprehensive income/expense				
Items that may subsequently be reclassified to the income statement:				
Revaluation of available-for-sale financial assets	-0.5	0.1	0.4	0.2
Total other comprehensive income/expense	-0.5	0.1	0.4	0.2
Total comprehensive income	54.3	17.5	56.6	16.2
Sole equity holder of the parent entity (total)	54.3	17.5	56.6	16.2
-Total comprehensive income from continued operations	54.3	17.5	56.6	16.2

3. Consolidated statement of financial position

(millions of EUR)

	30.09.13	31.12.12
ASSETS		
Cash	42.7	46.6
Balances with central bank	70.0	191.0
Loans and advances to credit institutions	341.5	291.4
Loans and advances to customers	3,808.8	3,585.3
Financial assets held for trading	22.7	21.4
Available-for-sale financial assets	4.6	5.3
Other assets	26.2	31.7
Investments in associates	0.8	0.6
Intangible assets	0.8	0.5
Property, plant and equipment	7.8	9.2
TOTAL ASSETS	4,325.9	4,183.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to credit institutions	777.8	748.2
Due to customers	2,649.0	2,610.7
Loan funds	27.8	24.0
Other liabilities	92.1	73.7
Financial liabilities at fair value through profit or loss	22.7	21.7
Provisions	0.0	1.9
Total Liabilities	3,569.4	3,480.2
Share capital	42.5	42.5
Share premium	86.3	86.3
Other reserves	18.8	20.3
Retained earnings	608.9	553.7
Total shareholders' equity	756.5	702.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,325.9	4,183.0

4. Consolidated cash flow statement

(millions of EUR)

	2013	2012
	9 months	9 months
I. Cash flows from operating activities		
Interest received	68.9	88.6
Interest paid	-13.6	-26.8
Fee and commission received	40.3	38.1
Fee and commission paid	-10.9	-10.8
Net trading income and other operating income	5.2	4.4
Personnel expenses and other operating expenses	-38.6	-37.6
Cash flows from operating activities before changes in the operating assets and liabilities	51.3	55.9
Changes in operating assets:		
Loans and advances to credit institutions and mandatory reserve in central bank	123.1	305.4
Loans and advances to customers	-220.7	-34.1
Other assets	4.7	-5.5
Changes of operating liabilities:		
Due to credit institutions	48.5	-115.7
Due to customers	39.9	127.7
Loan funds	3.7	6.5
Other liabilities	-1.0	1.0
Cash flow from (used in) operating activities	49.5	341.2
II. Cash flows from investing activities		
Net increase-/decrease+ of investment portfolio securities	0.8	0.0
Purchase of investment properties, tangible and intangible assets	-1.5	-3.8
Cash flow from (used in) investing activities	-0.7	-3.8
III. Cash flows from financing activities		
Repayments of subordinated loans	0.0	-50.0
Cash used in financing activities	0.0	-50.0
Net decrease/increase in cash and cash equivalents	48.8	287.4
Cash and cash equivalents at the beginning of period	284.3	87.3
Effect of exchange rate changes on cash and cash equivalents	0.0	0.0
Cash and cash equivalents at the end of period	333.1	374.7
Cash and cash equivalents includes:	30.09.13	30.09.12
Cash on hand	42.8	43.6
Balances with the central bank without mandatory reserve	42.3	0.0
Liquid deposits in other credit institutions	246.5	331.0
Trading portfolio	1.5	0.1
	333.1	374.7

5. Changes in consolidated shareholders' equity

(millions of EUR)

	Share capital	Share premium	Reserves	Retained profit	Total shareholders' equity
Year beginning 01.01.2012	42.5	86.1	19.8	481.9	630.3
Statutory reserve	0.0	0.0	-0.1	0.1	0.0
Other	0.0	0.2	0.0	0.3	0.5
Net profit	0.0	0.0	0.0	56.2	56.2
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	0.4	0.0	0.4
Total other comprehensive income	0.0	0.0	0.4	0.0	0.4
Total comprehensive income	0.0	0.0	0.4	56.2	56.6
Final balance 30.09.2012	42.5	86.3	20.1	538.5	687.4
Year beginning 01.01.2013	42.5	86.3	20.3	553.7	702.8
Other	0.0	0.0	-1.0	0.4	-0.6
Net profit	0.0	0.0	0.0	54.8	54.8
Other comprehensive expense:					
Net change in available-for-sale financial assets	0.0	0.0	-0.5	0.0	-0.5
Total other comprehensive expense	0.0	0.0	-0.5	0.0	-0.5
Total comprehensive income/expense	0.0	0.0	-0.5	54.8	54.3
Final balance 30.09.2013	42.5	86.3	18.8	608.9	756.5

6. Contingent assets and liabilities and commitments

(millions of EUR)

30.09.13	Contract amount		Balance value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable and revocable transactions	7.2	1,034.0	0.0	0.0
1.1. Guarantees and other similar off-balance sheet irrevocable liabilities and claims	0.7	286.9	0.0	0.0
<i>incl. financial guarantees</i>	0.0	66.6	0.0	0.0
1.2. Loan commitments	6.5	747.1	0.0	0.0
2. Derivatives	686.2	685.7	21.2	22.7
2.1. Currency related derivatives	304.0	304.0	0.6	0.7
2.2. Interest related derivatives	357.9	357.8	19.5	20.5
2.3. Equity related derivatives*	24.3	23.9	1.1	1.5
	693.4	1,719.7	21.2	22.7
31.12.12	Contract amount		Balance value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable and revocable transactions	7.6	1,024.0	0.0	0.0
1.1. Guarantees and other similar off-balance sheet irrevocable liabilities and claims	1.1	268.5	0.0	0.0
<i>incl. financial guarantees</i>	0.0	92.1	0.0	0.0
1.2. Loan commitments	6.5	655.5	0.0	0.0
1.3. Other revocable transactions	0.0	100.0	0.0	0.0
2. Derivatives	521.4	520.7	21.3	21.7
2.1. Currency related derivatives	114.6	114.5	0.5	0.4
2.2. Interest related derivatives	379.1	378.9	19.5	19.4
2.3. Equity related derivatives*	27.7	27.3	1.3	1.9
	529.0	1,544.7	21.3	21.7

* 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).

Note 1

Accounting principles

The interim report of AS SEB Pank Group for Quarter III 2013 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 2013 are in conformity with the accounting principles used in the annual report for the year ended on 31 December 2012.

SEB Pank has further developed the risk measurement of counterparty credit risk. The change implies a adjustment for counterparty credit risk (Credit Value Adjustment, CVA) that reduces the asset value of OTC derivatives. Almost the entire effect is attributable to 2012 and earlier periods. The adjustment is recognised as a change in retained earnings in amount of 1,0 million euros as of 31 March 2013 since SEB Pank has concluded that period-specific effects for previous periods are impracticable to determine. Changes attributable to the CVA effect will be recognised as Net financial income in the income statement.

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

(millions of EUR)

A) Financial instruments not measured at fair value

	30.09.13		31.12.12	
	Carrying value	Fair value	Carrying value	Fair value
ASSETS				
Cash	42.7	42.7	46.6	46.6
Balances with central bank	70.0	70.0	191.0	191.0
Loans and advances to credit institutions	341.5	341.5	291.4	291.4
Loans and advances to customers	3,808.8	3,650.9	3,585.3	3,473.1
<i>Loans to Corporates</i>	2,014.0	2,004.9	1,817.8	1,810.1
<i>Loans to Private individuals</i>	1,794.8	1,646.1	1,767.5	1,663.0
Other assets	26.2	26.2	31.7	31.7
TOTAL ASSETS	4,289.2	4,131.3	4,146.0	4,033.8
LIABILITIES				
Due to credit institutions	777.8	778.8	748.2	747.9
Due to customers	2,649.0	2,648.7	2,610.7	2,611.8
<i>Due to Corporates</i>	1,486.0	1,485.5	1,525.4	1,525.5
<i>Due to Private Individuals</i>	1,163.0	1,163.2	1,085.3	1,086.3
Loan funds	27.8	27.7	24.0	25.1
Other financial liabilities	92.1	92.1	73.7	73.7
Subordinated loans	0.0	0.0	0.0	0.0
TOTAL LIABILITIES	3,546.7	3,547.4	3,456.6	3,458.5

AS SEB Pank conducts an assessment of fair value for those financial assets and liabilities which are not presented in the Group's statement of financial position at their fair value.

B) Financial instruments measured at fair value

	30.09.13				31.12.12			
	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	1.5	21.2	0.0	22.7	0.0	21.4	0.0	21.4
Debt securities	1.4	0.1	0.0	1.5	0.0	0.1	0.0	0.1
Derivatives	0.1	21.1	0.0	21.2	0.0	21.3	0.0	21.3
Available for sale financial assets	4.5	0.0	0.1	4.6	5.2	0.0	0.1	5.3
Investment securities - equity	4.5	0.0	0.1	4.6	5.2	0.0	0.1	5.3
TOTAL ASSETS	6.0	21.2	0.1	27.3	5.2	21.4	0.1	26.7
Financial liabilities at fair value through profit and loss								
Financial liabilities held for trading	0.1	22.6	0.0	22.7	0.0	21.7	0.0	21.7
TOTAL LIABILITIES	0.1	22.6	0.0	22.7	0.0	21.7	0.0	21.7

Reconciliation of Level 3 Items

	Available-for-sale financial assets		
	Investment securities - debt	Investment securities - equity	Total
At 1 January 2012	0.0	0.4	0.4
Other comprehensive income	0.0	0.2	0.2
Purchases	0.0	0.1	0.1
Settlements	0.0	-0.6	-0.6
At 31 December 2012	0.0	0.1	0.1
Total losses for the period included in profit or loss for assets/liabilities held at 31.12.12	0.0	-0.1	-0.1
At 1 January 2013	0.0	0.1	0.1
At 30 September 2013	0.0	0.1	0.1
Total losses for the period included in profit or loss for assets/liabilities held at 30.09.13	0.0	0.0	0.0

IFRS 7 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.

Note 3**Interest and similar income**

(millions of EUR)

	2013		2012	
	9 months	QIII	9 months	QIII
Loans	35.5	12.0	72.9	22.1
Leasing	33.4	12.3	11.6	3.7
Deposits with other banks	0.6	0.2	2.5	0.6
Fixed income securities	0.1	0.1	0.1	0.1
	69.6	24.6	87.1	26.5

Note 4**Interest expenses and similar charges**

(millions of EUR)

	2013		2012	
	9 months	QIII	9 months	QIII
Credit institutions	-5.2	-1.5	-11.7	-3.1
Time and other saving deposits	-5.0	-1.6	-7.8	-2.0
Demand deposits	-1.3	-0.5	-3.1	-1.0
Subordinated debts	0.0	0.0	-0.5	0.0
Loan funds	-0.2	0.0	-0.4	-0.2
	-11.7	-3.6	-23.5	-6.3

Note 5**Fee and commission income**

(millions of EUR)

	2013		2012	
	9 months	QIII	9 months	QIII
Payment cards related commissions	16.5	6.0	15.2	5.4
Securities market services *	9.1	3.0	8.8	3.0
Transaction fees	4.1	1.4	3.9	1.3
Credit contracts**	3.1	1.1	3.1	1.2
Non-life insurance brokerage fees	1.6	0.6	1.4	0.5
Other settlement fees	2.7	0.9	2.2	0.8
Income from leasing agreements (full service)	0.9	0.3	1.0	0.3
Income from electronic channels	1.0	0.3	0.9	0.3
Cash handling fees	0.5	0.2	0.6	0.2
Commodity futures fees	0.0	0.0	0.1	0.0
Other	0.8	0.2	0.9	0.3
	40.3	14.0	38.1	13.3

* 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)

	2013		2012	
	9 months	QIII	9 months	QIII
Payment cards related commissions	-7.0	-2.5	-6.6	-2.3
Cash collecting fees	-0.9	-0.3	-1.0	-0.3
Expenses to leasing agreements (full service)	-1.1	-0.3	-1.3	-0.4
Securities market services	-0.9	-0.3	-0.9	-0.3
Transaction fees	-0.5	-0.2	-0.5	-0.2
Expenses of electronic channels	-0.3	-0.1	-0.4	-0.2
Other	-0.2	-0.1	-0.1	0.0
	-10.9	-3.8	-10.8	-3.7

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

(millions of EUR)

	2013		2012	
	9 months	QIII	9 months	QIII
Impairment losses	2.1	-1.4	-0.2	-2.4
impairment losses of reporting period	-4.1	-2.2	-9.9	-4.9
recoveries from write-offs	0.7	0.0	0.2	0.1
decreasing of impairment losses of previous period	5.5	0.8	9.5	2.4
Impairment losses for contingent liabilities	0.7	0.0	1.7	0.2
	2.8	-1.4	1.5	-2.2

Note 8**Allowances on loans and advances**

(millions of EUR)

	30.09.13		31.12.12	
At the beginning of period (January, 1)		91.2		131.0
Allowances of reporting period		4.1		17.9
Decreasing of allowances of previous period		-5.5		-17.3
Loans and advances written off		-31.7		-40.4
At the end of period		58.1		91.2
Recoveries from write-offs		0.7		0.3

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	
30.09.13	243.7	571.9	1,646.0	496.0	851.2	3,808.8
31.12.12	209.7	560.3	1,435.4	510.4	869.5	3,585.3

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
30.09.13										
Sweden	315.9	1.3	2.5	0.9	320.6	705.4	11.8	21.1	738.3	1.3
Estonia	113.3	3,784.6	25.5	28.5	3,951.9	19.0	2,266.1	116.9	2,402.0	1,019.7
United Kingdom	0.0	1.6	0.0	0.1	1.7	2.1	25.4	0.2	27.7	0.2
Russia	2.7	0.4	0.0	0.0	3.1	2.4	28.3	0.0	30.7	0.0
Germany	0.8	1.1	0.0	0.0	1.9	18.7	5.7	0.0	24.4	7.1
United States	2.1	0.5	0.0	0.0	2.6	0.1	46.1	0.0	46.2	0.1
Canada	0.0	0.0	0.0	0.0	0.0	0.0	3.9	0.0	3.9	0.0
Japan	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.3	0.0
Finland	0.0	0.6	0.0	0.6	1.2	0.0	6.4	0.6	7.0	2.7
Latvia	6.4	9.7	0.0	0.1	16.2	27.4	2.6	0.0	30.0	0.5
Lithuania	1.7	0.0	0.0	0.0	1.7	0.9	3.4	0.1	4.4	0.0
Luxembourg	2.5	0.0	0.0	0.3	2.8	0.7	0.0	0.0	0.7	0.0
Netherlands	0.0	0.3	0.0	0.0	0.3	0.0	1.4	0.0	1.4	0.0
Other Western Europe	7.9	8.3	0.1	0.0	16.3	1.0	25.7	-0.1	26.6	1.6
Other Eastern Europe	1.0	0.0	0.0	0.3	1.3	0.0	3.2	0.3	3.5	0.0
Other countries	-0.1	0.4	0.0	4.0	4.3	0.1	218.7	3.5	222.3	0.8
	454.2	3,808.8	28.1	34.8	4,325.9	777.8	2,649.0	142.6	3,569.4	1,034.0

	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
31.12.12										
Sweden	242.6	1.3	1.9	2.1	247.9	675.4	8.8	20.4	704.6	1.4
Estonia	237.7	3,542.3	24.5	36.4	3,840.9	10.9	2,227.6	97.5	2,336.0	1,009.9
United Kingdom	16.2	2.1	0.0	0.1	18.4	1.3	18.9	0.0	20.2	0.2
Russia	1.9	0.4	0.0	0.3	2.6	0.4	25.4	0.3	26.1	0.1
Germany	4.2	0.2	0.0	0.0	4.4	25.8	7.3	0.0	33.1	7.4
United States	2.8	0.5	0.8	0.0	4.1	0.0	59.3	0.0	59.3	0.1
Canada	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.9	0.0
Japan	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.3	0.0
Finland	0.1	18.8	0.0	1.2	20.1	0.0	11.7	1.3	13.0	2.4
Latvia	4.9	10.1	0.0	0.1	15.1	31.6	6.5	0.0	38.1	0.0
Lithuania	3.9	0.0	0.0	0.2	4.1	1.3	11.9	0.0	13.2	0.0
Luxembourg	1.2	0.0	0.0	0.4	1.6	0.5	0.0	0.0	0.5	0.0
Netherlands	0.0	0.5	0.0	0.0	0.5	0.0	0.9	0.0	0.9	0.0
Other Western Europe	12.4	8.7	0.1	0.2	21.4	0.9	33.9	0.0	34.8	1.6
Other Eastern Europe	1.1	0.0	0.0	0.0	1.1	0.0	3.1	0.1	3.2	0.0
Other countries	0.0	0.4	0.0	0.4	0.8	0.1	194.2	1.7	196.0	0.9
	529.0	3,585.3	27.3	41.4	4,183.0	748.2	2,610.7	121.3	3,480.2	1,024.0

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	
30.09.13			
Real estate	707.8	0.1	67.9
Finance	477.0	4.3	26.4
Industry	266.8	1.4	176.3
Agriculture, fishing, forestry	193.8	0.0	21.4
Trading	163.1	0.0	124.2
Transport	129.1	0.0	101.9
Administration and assistance	102.8	0.0	28.1
Energy, gas and steam plants	102.6	0.0	78.5
Government and state defence	101.8	0.0	226.1
Health services, social work	52.2	0.0	12.9
Information and telecommunication	44.7	0.5	5.8
Construction	41.4	0.0	62.5
Hotels, restaurants	39.3	0.0	0.9
Education	22.3	0.0	14.0
Professional, science and technical work	9.9	0.0	4.6
Water supply, canalisation, waste management	9.5	0.0	2.5
Art, show business, leisure	9.3	0.0	1.8
Mining	2.4	0.0	1.0
Other government and social services	23.3	0.6	7.5
Individuals	1,822.0	0.0	69.7
Derivatives	0.0	21.2	0.0
Allowances	-58.1	-	-
	4,263.0	28.1	1,034.0

31.12.12	In the statement of financial position		Contingent liabilities
	central bank, credit institutions and customers	Securities	
Real estate	638.1	0.1	38.9
Finance	534.4	4.2	14.2
Industry	238.7	0.0	173.1
Trading	154.0	0.0	124.8
Agriculture, fishing, forestry	151.7	0.0	21.9
Energy, gas and steam plants	124.0	0.0	160.5
Transport	111.3	0.0	76.0
Government and state defence	107.8	0.0	224.3
Administration and assistance	74.7	0.0	11.0
Health services, social work	55.2	0.0	13.4
Hotels, restaurants	46.8	0.0	0.7
Information and telecommunication	44.3	1.1	6.7
Construction	40.6	0.0	69.0
Education	22.4	0.0	4.9
Water supply, canalisation, waste management	11.0	0.0	3.3
Art, show business, leisure	10.0	0.0	1.6
Professional, science and technical work	8.6	0.0	4.9
Mining	2.4	0.0	0.2
Other government and social services	25.1	0.6	9.3
Individuals	1,804.4	0.0	65.3
Derivatives	0.0	21.3	0.0
Allowances	-91.2	-	-
	4,114.3	27.3	1,024.0

Note 12**Related parties**

(millions of EUR)

	<u>30.09.13</u>	<u>31.12.12</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	1.0	1.0
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)	0.2	0.0
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	0.2	0.2
Loans and advances to parent company	318.3	244.5
Due to parent company	726.0	695.7
Contingent assets and commitments to parent company	55.0	55.0
Contingent liabilities and commitments to parent company	0.4	0.4
Loans and advances to enterprises of parent company's consolidation group	16.4	14.6
Due to enterprises of parent company's consolidation group	37.4	36.0
Contingent assets and commitments to enterprises of parent company's consolidation group	2.2	0.2
Contingent liabilities and commitments to enterprises of parent company's consolidation group	5.9	3.0

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.