

AS SEB Pank Group

Interim Report of Quarter III 2016



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Statement of the Management Board

Interim Report of Quarter III 2016 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 2016 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 2016 are not audited.

Allan Parik
Chairman of the Management Board

I. Introduction - general information

1. Credit institution

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

2. Auditor

Audit company	AS PricewaterhouseCoopers
Registry code	10142876 (Estonian Commercial Register)
Address	Pärnu Str. 15, 10141 Tallinn, Estonia
Reporting date	30.09.2016
Reporting period	01.01.2016 - 30.09.2016
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 services	25.0%	1.0
						5.5

All enterprises are registered in Estonian Commercial Register.

* 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.

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 2016

In 31.05.2016 an associate Tieto Estonia Services OÜ was sold (20% ownership held by AS SEB Pank).

No such events or trends have occurred by the time of publishing the report, which would affect the strategy of the group in 2016.

2. Highlights

The growth of Estonia's economy remains slow; however, there are an increasing number of signs pointing to a turnaround in the economic environment. For example, whereas in Q1 this year investments increased 1.2%, in Q2 they increased by as much as 5.4%. This change is noteworthy because the last time investment growth was positive was in early 2014. Also, Estonian exports have fared better than last year: whereas in Q1 2016, exports increased by a mere 0.2%, in Q2 they increased by as much as 4.1%. The export of goods largely rests on solid demand in Scandinavia, especially in Sweden.

In Q3, private individuals were more active than during the same period last year. Private individuals' increased financial buffers and an advantageous situation on the labour market enable people to make major purchases. Activity on the home loan market has reached levels where home loans worth EUR 100 million are being issued monthly in Estonia. Clients are mainly focusing on new development projects. In addition to home loans, the small loan market has also been growing steadily since 2015.

Levels of growth in private consumption remain good; however, its pace has slowed somewhat compared to last year. Several factors that accelerated consumption last year – such as a reduction in income tax, increased social benefits or a steep drop in fuel prices – have ceased this year. In the near future, household consumption is going to be limited increasingly by the return of inflation. The consumer price index rose in August for the first time this year, with inflation set to accelerate over the next few months. Whereas the increase in prices for the entire year is marginal, it is projected to top 2% next year.

For businesses, the labour shortage is the biggest source of concern, and high demand for labour is pressuring employers into raising wages. In Q2, average wages rose 7.6% compared to last year. Under the conditions of slow growth, this means that an increasing share of the added value created in the economy is being paid out in wages, reducing price based competitiveness and reducing financial buffers for businesses.

Investments by businesses are mainly aimed at increasing automation in order to reduce the impact of a tight labour market on their competitiveness. In a positive change, growth has taken place in the sales revenue of businesses, which had been in decline in 2015. In terms of sectors, sellers of prefabricated houses and timber products are doing well, in particular due to the rapid development of the construction market in Sweden.

SEB **Leasing statistics** was published and it showed in the first half of the year a new sales increase by 18 % compared to the previous year among private clients. Used car leasing increased 10%, compared to the same period from last year we sold 12.4 percent more new cars. Economic review of Nordic countries - **Nordic Outlook** - showed moderate growth despite the political insecurity.

The international financial magazine **Global Finance** acknowledged the **digital solutions** offered by SEB to its private and business clients as being the best in Estonia. This is the third consecutive year in which the digital private client solutions of SEB were recognized as being the best in Estonia.

SEB was the only Nordic bank to be included in the prestigious **Dow Jones Sustainability World Index**. Valued most by investors, it is a global compilation of rankings on sustainability and responsible business.

SEB introduced **home purchasing power index**: it takes about three years for a resident of Tallinn to save for a home loan down payment. The home purchasing power index decreased in Tallinn by 0.8 square metres during the year – to 37 square metres – but in spite of the decline, a resident of the capital earning an average income could, without taking on any excessive risks or loan commitments, buy a standard apartment that is 9.1 and 7.5 square metres larger than that of a resident of Riga and Vilnius, respectively.

SEB introduced **youth survey results**. According to the survey young people use small loans mainly to buy a car and to cover medical expenses, their choices may not serve to ensure them the old age they have envisioned and the expected amount of monthly salary is between 800 and 1500 euros.

Starting from September, a person calling the **SEB Customer Support can identify themselves with a Mobile ID or PIN calculator**. Identification by phone enables to offer faster and better solutions to the clients.

SEB workers will start visiting schools and give **financial literacy classes** regarding money, budgeting, pension etc.

Supported by SEB: the 10th season of the largest business idea competition in Estonia **“Brain hunt”** has started.

SEB Tallinn Marathon took place in September, where on different races participated about 19 000 people. There were participants from 54 countries, as well as from all Estonian cities and counties. Thanks to 311 SEB Charity Fund supporters 100 children without parental care could join the children’s run.

The more than 752 600 customers of SEB Pank Group are served by 1056 employees. The customers are served through many different channels such as 22 branch offices, 237 ATMs, 9366 POS-terminals. There are more than 765 900 debit and credit cards in use. In addition, over 77% of our customers use internet bank services.

3. Capital adequacy

(millions of EUR)

3. Capital adequacy

(millions of EUR)

CAPITAL BASE	<u>30.09.16</u>			<u>31.12.15</u>
OWN FUNDS	889.4			904.5
1. TIER 1 CAPITAL	889.4			904.5
1.1. COMMON EQUITY TIER 1 CAPITAL	889.4			904.5
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 *	751.4			751.4
1.1.3. Accumulated other comprehensive income	1.0			12.8
1.1.4. Other reserves	19.4			19.4
1.1.5. Adjustments to CET1 due to prudential filters	0.0			-0.1
1.1.6. (-) Intangible assets	-3.6			-1.9
1.1.7. (-) IRB shortfall of credit risk adjustments to expected losses	-7.2			-5.5
1.1.8. Other transitional adjustments to CET1 Capital	-0.4			-0.4
2. TIER 2 CAPITAL	0.0			0.0
IRB Excess of provisions over expected losses eligible	0.0			0.0
		Capital require- ments (8%)		Capital require- ments (8%)
RISK WEIGHTED ASSETS (RWA)	<u>30.09.16</u>		<u>31.12.15</u>	
TOTAL RISK EXPOSURE AMOUNT	2 360.4	188.8	2 175.3	174.0
1. RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	2 228.6	178.3	2 021.1	161.7
1.1. Standardised approach (SA)	235.6	18.8	222.7	17.8
Central governments or central banks	7.5	0.6	2.9	0.2
Public sector entities	0.7	0.1	0.6	0.0
Retail	175.4	14.0	174.0	13.9
Exposures in default	2.0	0.2	1.6	0.1
Collective investments undertakings (CIU)	6.3	0.5	6.1	0.5
Equity	3.5	0.3	13.2	1.1
Other items	40.2	3.2	24.3	1.9
1.2. Internal ratings based Approach (IRB)	1 993.0	159.4	1 798.4	143.9
1.2.1. IRB approaches when neither own estimates of LGD nor Conversion Factors are used	1 689.4	135.2	1 499.7	120.0
Institutions	204.5	16.4	94.1	7.5
Corporates - SME	788.4	63.1	695.8	55.7
Corporates - Specialised Lending	22.6	1.8	79.6	6.4
Corporates - Other	673.9	53.9	630.2	50.4
1.2.2. IRB approaches when own estimates of LGD and/or Conversion Factors are used	303.6	24.3	298.7	23.9
Retail - Secured by real estate SME	11.1	0.9	12.8	1.0
Retail - Secured by real estate non-SME	215.2	17.2	210.5	16.8
Retail - Qualifying revolving	0.0	0.0	2.2	0.2
Retail - Other SME	17.1	1.4	17.6	1.4
Retail - Other non-SME	60.2	4.8	55.6	4.4
2. TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	13.1	1.0	13.2	1.1
3. TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (AMA)	117.5	9.4	135.3	10.8
4. TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	1.2	0.1	5.7	0.5

* Prognoses of dividends have been deducted from retained earnings.

CAPITAL RATIOS

	30.09.16	31.12.15
OWN FUNDS	889.4	904.5
TOTAL RISK EXPOSURE AMOUNT Basel III (without additional risk exposure amount due to application of Basel I floor)	2 360.4	2 175.3
Own fund requirement (8%)	188.8	174.0
Total capital ratio	37.68%	41.58%
Tier 1 Capital ratio	37.68%	41.58%
CET1 Capital ratio	37.68%	41.58%
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)	3 106.5	2 966.7
Own fund requirement (8%)	248.5	237.3
Total capital ratio	28.63%	30.49%
Tier 1 Capital ratio	28.63%	30.49%
CET1 Capital ratio	28.63%	30.49%
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

Own funds	Capital amount	Total risk exposure amount *	Base capital requirement	Own funds Surplus(+) of base capital requirement	Capital adequacy ratio	Capital conservation buffer	Systemic risk buffer	Counter-cyclical capital buffer	Total capital requirements, incl. buffers	Own funds Surplus(+) of total capital requirements, incl. buffers			
	1	2	3	4=2×3	5=1-4	6=1/2	7	8=2×7	9	10=2×9	11	12=4+8+10+11	14=1-12
30.09.16													
Total capital	889.4	2 360.4	8%	188.8	700.6	37.68%	2.5%	59.0	3%	70.8	0.0	318.7	570.7
Tier 1 capital	889.4	2 360.4	6%	141.6	747.8	37.68%	2.5%	59.0	3%	70.8	0.0	271.5	617.9
CET1 capital	889.4	2 360.4	4.5%	106.2	783.2	37.68%	2.5%	59.0	3%	70.8	0.0	236.0	653.4
31.12.15													
Total capital	904.5	2 175.3	8%	174.0	730.5	41.58%	2.5%	54.4	2%	43.5	-	271.9	632.6
Tier 1 capital	904.5	2 175.3	6%	130.5	774.0	41.58%	2.5%	54.4	2%	43.5	-	228.4	676.1
CET1 capital	904.5	2 175.3	4.5%	97.9	806.6	41.58%	2.5%	54.4	2%	43.5	-	195.8	708.7

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

LEVERAGE RATIO

	30.09.16	31.12.15
Exposure measure for leverage ratio calculation	6 026.7	5 708.3
of which on balance sheet items	5 568.4	5 225.9
of which off balance sheet items	458.3	482.4
Leverage ratio*	14.8%	15.9%

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

4. Risk concentration

(millions of EUR)

	30.09.16	31.12.15	30.09.15
Total claims against persons associated with the credit institution's consolidation group	0.5	2.0	2.0
The share of claims of the persons associated with the credit institution's consolidation group in net own funds, %	0.06	0.22	0.24
Total of large exposure claims	265.0	358.1	496.2
The share of large exposure claims in net own funds, %	29.79	39.60	59.22
Number of large exposure customers	4	4	6

5. Key figures

(millions of EUR)

	30.09.16	31.12.15	30.09.15
Net profit	64.5	75.0	55.4
Average equity	949.0	893.6	877.6
Return on equity (ROE), %	9.06	8.39	8.42
Average assets	5 406.8	5 208.4	5 164.8
Return on assets (ROA), %	1.59	1.44	1.43
Net interest income	60.2	78.7	60.6
Average interest earning assets	5 278.6	5 076.9	5 037.8
Net interest margin (NIM), %	1.52	1.55	1.60
Spread, %	1.48	1.50	1.57
Cost / Income ratio, %	40.4	43.8	43.2
Ratio of individually impaired loans, %	0.31	0.50	0.48

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
(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	2016		2015	
		9 months	QIII	9 months	QIII
<i>Interest and similar income</i>	3	68.4	23.0	68.2	22.2
<i>Interest expenses and similar charges</i>	4	-8.2	-2.9	-7.6	-2.2
Net Interest Income		60.2	20.1	60.6	20.0
<i>Fee and commission income</i>	5	44.3	15.3	46.7	15.9
<i>Fee and commission expense</i>	6	-11.5	-4.0	-12.7	-4.5
Net fee and commission income		32.8	11.3	34.0	11.4
Net income from foreign exchange		3.3	1.0	3.7	1.1
Gains less losses from financial assets at fair value through profit or loss		0.5	0.4	0.6	0.1
Gains less losses from investment securities		16.3	0.0	-0.6	0.0
Other income		0.8	0.3	0.6	0.2
Personnel expenses		-28.5	-9.3	-27.6	-9.0
Other expenses		-15.2	-3.6	-12.5	-4.0
Depreciation, amortisation and impairment of tangible and intangible assets		-2.7	-0.9	-2.8	-1.0
Profit before impairment losses on loans and advances		67.6	19.4	56.0	18.8
Impairment losses on loans and advances	7	1.9	0.1	1.6	-1.2
Profit before income tax		69.5	19.5	57.6	17.6
Income tax		-5.0	0.0	-2.2	0.0
Net profit		64.5	19.5	55.4	17.6
Profit attributable to the sole equity holder		64.5	19.5	55.4	17.6

2. Consolidated statement of comprehensive income

(millions of EUR)

	2016		2015	
	9 months	QIII	9 months	QIII
Net profit	64.5	19.5	55.4	17.6
Other comprehensive income/expense				
Items that may subsequently be reclassified to the income statement:				
Revaluation of available-for-sale financial assets	-11.8	0.3	-0.2	-0.4
Total other comprehensive income/expense	-11.8	0.3	-0.2	-0.4
Total comprehensive income	52.7	19.8	55.2	17.2
Sole equity holder of the parent entity (total)	52.7	19.8	55.2	17.2
-Total comprehensive income from continued operations	52.7	19.8	55.2	17.2

3. Consolidated statement of financial position

(millions of EUR)

	30.09.16	31.12.15
ASSETS		
Cash	38.9	42.5
Balances with central bank	249.9	615.0
Loans and advances to credit institutions	928.2	392.5
Loans and advances to customers	4 260.2	4 096.3
Financial assets held for trading	25.8	28.3
Financial assets designated at fair value through profit or loss at inception	23.3	0.0
Available-for-sale financial assets	8.8	18.3
Other assets	30.3	29.0
Investments in associates	0.8	0.8
Intangible assets	3.6	1.9
Property, plant and equipment	9.8	9.3
TOTAL ASSETS	5 579.6	5 233.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to credit institutions	942.6	888.6
Due to customers	3 567.1	3 316.1
Other liabilities	78.2	67.7
Financial liabilities at fair value through profit or loss	26.0	28.7
Provisions	0.1	0.4
Total Liabilities	4 614.0	4 301.5
Share capital	42.5	42.5
Share premium	86.3	86.3
Other reserves	20.3	32.2
Retained earnings	816.5	771.4
Total shareholders' equity	965.6	932.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5 579.6	5 233.9

4. Consolidated cash flow statement

(millions of EUR)

	2016	2015
	9 months	9 months
I. Cash flows from operating activities		
Interest received	68.4	68.7
Interest paid	-8.1	-8.6
Fee and commission received	44.3	46.7
Fee and commission paid	-11.5	-12.7
Net trading income and other operating income	5.1	4.7
Personnel expenses and other operating expenses	-42.8	-39.5
Income tax paid	-5.0	-2.2
Cash flows from operating activities before changes in the operating assets and liabilities	50.4	57.1
Changes in operating assets:		
Loans and advances to credit institutions and mandatory reserve in central bank	-43.5	-7.4
Loans and advances to customers	-162.9	-84.7
Other assets	-2.0	4.9
Changes of operating liabilities:		
Due to credit institutions	56.7	-91.2
Due to customers	250.9	9.6
Other liabilities	4.8	0.9
Cash flow from (used in) operating activities	154.4	-110.8
II. Cash flows from investing activities		
Net increase-/decrease+ of investment portfolio securities	13.9	-0.5
Purchase of investment properties, tangible and intangible assets	-4.9	-4.4
Cash flow from (used in) investing activities	9.0	-4.9
III. Cash flows from financing activities		
Dividends paid	-20.0	-10.0
Cash used in financing activities	-20.0	-10.0
Net decrease/increase in cash and cash equivalents	143.4	-125.7
Cash and cash equivalents at the beginning of period	1 012.5	1 105.0
Effect of exchange rate changes on cash and cash equivalents	0.0	0.0
Cash and cash equivalents at the end of period	1 155.9	979.3
Cash and cash equivalents includes:	30.09.16	30.09.15
Cash on hand	38.9	39.6
Balances with the central bank without mandatory reserve	210.0	150.0
Liquid deposits in other credit institutions	883.7	789.7
Trading portfolio and liquidity securities	23.3	0.0
	1 155.9	979.3

5. Changes in consolidated shareholders' equity

(millions of EUR)

	Share capital	Share premium	Reserves	Retained profit	Total shareholders'
Year beginning 01.01.2015	42.5	86.3	20.1	705.9	854.8
Dividend paid	0.0	0.0	0.0	-10.0	-10.0
Other	0.0	0.0	0.0	0.4	0.4
Net profit	0.0	0.0	0.0	55.4	55.4
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	-0.2	0.0	-0.2
Total other comprehensive income	0.0	0.0	-0.2	0.0	-0.2
Total comprehensive income	0.0	0.0	-0.2	55.4	55.2
Final balance 30.09.2015	42.5	86.3	19.9	751.7	900.4
Year beginning 01.01.2016	42.5	86.3	32.2	771.4	932.4
Dividend paid	0.0	0.0	0.0	-20.0	-20.0
Other	0.0	0.0	0.0	0.5	0.5
Net profit	0.0	0.0	0.0	64.5	64.5
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	-11.8	0.0	-11.8
Total other comprehensive income	0.0	0.0	-11.8	0.0	-11.8
Total comprehensive income	0.0	0.0	-11.8	64.5	52.7
Final balance 30.09.2016	42.5	86.3	20.4	816.4	965.6

6. Contingent assets and liabilities and commitments

(millions of EUR)

30.09.16	Contract amount		Balance value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable and revocable transactions	96.8	1 059.8	0.0	0.0
1.1. Guarantees and other similar off-balance sheet irrevocable liabilities and claims	96.8	295.8	0.0	0.0
<i>incl. financial guarantees</i>	96.8	93.4	0.0	0.0
1.2. Loan commitments	0.0	764.0	0.0	0.0
2. Derivatives	621.0	620.7	25.7	26.0
2.1. Currency related derivatives	224.4	224.4	13.1	12.8
2.2. Interest related derivatives	391.8	391.8	12.3	12.8
2.3. Equity related derivatives*	4.8	4.5	0.3	0.4
	717.8	1 680.5	25.7	26.0
31.12.15	Contract amount		Balance value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable and revocable transactions	69.1	1 074.1	0.0	0.0
1.1. Guarantees and other similar off-balance sheet irrevocable liabilities and claims	64.1	310.3	0.0	0.0
<i>incl. financial guarantees</i>	64.1	129.3	0.0	0.0
1.2. Loan commitments	5.0	764.0	0.0	0.0
2. Derivatives	667.3	666.7	28.4	28.7
2.1. Currency related derivatives	295.2	294.9	1.3	1.0
2.2. Interest related derivatives	363.3	363.3	26.4	26.9
2.3. Equity related derivatives*	8.8	8.5	0.7	0.8
	736.4	1 740.8	28.4	28.7

* 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).

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

Note 1

Accounting principles

The interim report of AS SEB Pank Group for Quarter III 2016 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 2016 are in conformity with the accounting principles used in the annual report for the year ended on 31 December 2015.

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

(millions of EUR)

A) Financial instruments measured at fair value

	30.09.16				31.12.15			
	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	25.7	0.0	25.8	0.1	28.3	0.0	28.4
Equity securities	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.1
Derivatives	0.0	25.7	0.0	25.7	0.0	28.3	0.0	28.3
Financial assets designated at fair value through profit or loss at inception								
Debt securities	23.3	0.0	0.0	23.3	0.0	0.0	0.0	0.0
Debt securities	23.3	0.0	0.0	23.3	0.0	0.0	0.0	0.0
Available for sale financial assets	6.3	0.0	2.5	8.8	6.1	0.0	12.2	18.3
Investment securities - equity	6.3	0.0	2.5	8.8	6.1	0.0	12.2	18.3
TOTAL ASSETS	29.7	25.7	2.5	57.9	6.2	28.3	12.2	46.7
Financial liabilities at fair value through profit and loss								
Financial liabilities held for trading	0.0	26.0	0.0	26.0	0.0	28.7	0.0	28.7
TOTAL LIABILITIES	0.0	26.0	0.0	26.0	0.1	28.7	0.0	28.7

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.

Reconciliation of Level 3 Items

	Available-for-sale financial assets	
	Investment securities - equity	Total
At 1 January 2015	0.1	0.1
Other comprehensive income	12.1	12.1
At 31 December 2015	12.2	12.2
Total losses for the period included in profit or loss for assets/liabilities held at 31.12.15	0.0	0.0
At 1 January 2016	12.2	12.2
Other comprehensive income	0.1	0.1
Purchases	2.3	2.3
Settlements	-12.1	-12.1
At 30 September 2016	2.5	2.5
Total losses for the period included in profit or loss for assets/liabilities held at 30.09.16	0.0	0.0

B) Financial instruments not measured at fair value

	30.09.16		31.12.15	
	Carrying value	Fair value, Level 3	Carrying value	Fair value, Level 3
ASSETS				
Loans and advances to credit institutions	928.2	928.2	392.5	392.5
Loans and advances to customers	4 260.2	4 187.6	4 096.3	3 960.9
<i>Loans to Corporates</i>	<i>2 143.8</i>	<i>2 145.9</i>	<i>2 077.0</i>	<i>2 079.5</i>
<i>Loans to households</i>	<i>2 116.4</i>	<i>2 041.7</i>	<i>2 019.3</i>	<i>1 881.4</i>
Other assets	30.3	30.3	29.0	29.0
TOTAL ASSETS	5 218.7	5 146.1	4 517.8	4 382.4
LIABILITIES				
Due to credit institutions	942.6	942.5	888.6	888.2
Due to customers	3 567.1	3 570.2	3 316.1	3 318.4
<i>Due to Corporates</i>	<i>2 040.6</i>	<i>2 043.8</i>	<i>1 884.8</i>	<i>1 886.9</i>
<i>Due to households</i>	<i>1 526.5</i>	<i>1 526.4</i>	<i>1 431.3</i>	<i>1 431.5</i>
Other financial liabilities	78.2	78.2	67.7	67.7
TOTAL LIABILITIES	4 587.9	4 590.9	4 272.4	4 274.3

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 1.7% lower (31.12.2015: 3.31% lower) than the carrying amount. Fair value of balances due to credit institutions was 0.01% lower (31.12.2015: 0.04% lower) than the carrying amount. Fair value of balances due to customers was 0.09% higher (31.12.2015: 0.07% higher) than the carrying amount.

Note 3**Interest and similar income**

(millions of EUR)

	2016		2015	
	9 months	QIII	9 months	QIII
Loans	58.7	19.9	57.3	19.1
Leasing	9.9	3.3	10.3	3.4
Deposits with other banks	-0.3	-0.3	0.0	-0.3
Fixed income securities	0.1	0.1	0.6	0.0
	68.4	23.0	68.2	22.2

Note 4**Interest expenses and similar charges**

(millions of EUR)

	2016		2015	
	9 months	QIII	9 months	QIII
Credit institutions	-0.6	-0.1	-3.5	-0.9
Time and other saving deposits	-1.1	-0.4	-1.5	-0.4
Demand deposits	-2.5	-0.8	-2.5	-0.9
Other	-4.0	-1.6	-0.1	0.0
	-8.2	-2.9	-7.6	-2.2

Note 5**Fee and commission income**

(millions of EUR)

	2016		2015	
	9 months	QIII	9 months	QIII
Payment cards related commissions	16.3	5.8	18.4	6.5
Securities market services *	8.2	2.8	8.3	2.7
Transaction fees	3.7	1.2	4.0	1.3
Credit contracts**	3.0	0.9	3.8	1.4
Insurance brokerage fees	2.7	1.0	2.3	0.8
Other settlement fees	4.5	1.5	3.2	1.0
Income from leasing agreements (full service)	0.5	0.2	0.6	0.2
Income from electronic channels	1.1	0.4	1.1	0.4
Cash handling fees	0.4	0.1	0.6	0.2
Commodity futures fees	0.1	0.1	0.4	0.0
Other	3.8	1.3	4.0	1.4
	44.3	15.3	46.7	15.9

* 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)

Payment cards related commissions
Cash collecting fees
Expenses to leasing agreements (full service)
Securities market services
Transaction fees
Other

2016		2015	
9 months	QIII	9 months	QIII
-7.4	-2.6	-8.3	-2.9
-0.9	-0.3	-1.0	-0.4
-0.5	-0.2	-0.5	-0.1
-1.2	-0.4	-1.3	-0.5
-0.8	-0.3	-0.9	-0.3
-0.7	-0.2	-0.7	-0.3
-11.5	-4.0	-12.7	-4.5

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

(millions of EUR)

Impairment losses
impairment losses of reporting period
recoveries from write-offs
decreasing of impairment losses of previous period
Impairment losses for contingent liabilities

2016		2015	
9 months	QIII	9 months	QIII
1.8	0.1	1.6	-1.2
-1.5	-0.5	-1.7	-1.6
1.5	0.2	0.7	0.2
1.8	0.4	2.6	0.2
0.1	0.0	0.0	0.0
1.9	0.1	1.6	-1.2

Note 8**Allowances on loans and advances**

(millions of EUR)

At the beginning of period (January, 1)
Allowances of reporting period
Decreasing of allowances of previous period
Loans and advances written off
At the end of period

30.09.16	31.12.15
29.0	44.4
1.5	3.3
-1.8	-6.4
-4.1	-12.3
24.6	29.0

Recoveries from write-offs

1.5 0.9

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
30.09.16	274.8	625.2	1 927.7	515.5	917.0	4 260.2
31.12.15	244.1	635.1	1 835.4	513.2	868.5	4 096.3

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

(millions of EUR)

30.09.16	Cash, balances with central bank, loans and advances				Total assets	Due to credit institutions			Total liabilities	Contingent liabilities
	to credit institutions	Loans and advances to customers	Securities	Other assets		Due to credit institutions	Due to customers	Other liabilities		
Sweden	877.9	0.8	1.2	0.9	880.8	886.4	8.2	27.3	921.9	1.6
Estonia	289.4	4 238.0	31.8	38.5	4 597.7	23.0	3 232.7	75.9	3 331.6	1 020.3
United Kingdom	24.6	1.8	0.0	0.0	26.4	2.1	31.3	0.2	33.6	0.0
Russia	0.2	0.0	0.0	0.1	0.3	0.0	0.1	0.0	0.1	0.0
Germany	1.7	0.5	0.0	0.0	2.2	3.2	3.5	0.2	6.9	5.0
United States	1.2	0.6	2.4	1.2	5.4	1.2	10.4	0.0	11.6	0.0
Canada	0.0	0.1	0.0	0.0	0.1	0.1	0.7	0.0	0.8	0.0
Japan	0.0	0.1	0.0	0.0	0.1	0.0	0.5	0.0	0.5	0.0
Finland	0.1	3.2	0.0	0.0	3.3	0.0	9.4	0.0	9.4	4.1
Latvia	0.0	0.0	0.0	1.8	1.8	0.0	0.0	0.0	0.0	0.0
Lithuania	0.3	8.1	0.0	0.5	8.9	24.5	2.7	0.0	27.2	0.4
Luxembourg	0.2	0.0	0.0	0.0	0.2	0.7	0.0	0.0	0.7	0.0
Netherlands	0.0	0.1	0.0	0.0	0.1	0.0	1.3	0.0	1.3	14.3
Other Western Europe	3.7	5.9	0.0	0.1	9.7	0.2	48.0	0.2	48.4	7.5
Other Eastern Europe	12.5	0.3	23.3	0.2	36.3	1.2	37.8	0.1	39.1	0.3
Other countries	5.2	0.7	0.0	0.4	6.3	0.0	180.5	0.4	180.9	6.3
	1 217.0	4 260.2	58.7	43.7	5 579.6	942.6	3 567.1	104.3	4 614.0	1 059.8

31.12.15	Cash, balances with central bank, loans and advances				Total assets	Due to credit institutions			Total liabilities	Contingent liabilities
	to credit institutions	Loans and advances to customers	Securities	Other assets		Due to credit institutions	Due to customers	Other liabilities		
Sweden	13.5	0.5	1.7	0.5	16.2	791.1	17.2	27.8	836.1	1.5
Estonia	658.3	4 074.3	33.6	37.0	4 803.2	7.7	2 975.4	68.4	3 051.5	1 055.8
United Kingdom	0.7	1.3	12.1	0.1	14.2	3.2	28.2	0.1	31.5	0.0
Russia	0.2	0.0	0.0	0.0	0.2	0.0	0.1	0.0	0.1	0.0
Germany	348.2	3.4	0.0	0.0	351.6	7.3	1.4	0.0	8.7	1.8
United States	1.4	0.2	0.0	0.0	1.6	0.0	17.0	0.0	17.0	0.0
Canada	0.0	0.0	0.0	0.0	0.0	0.1	0.6	0.0	0.7	0.0
Japan	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.5	0.0
Finland	4.4	0.9	0.0	0.0	5.3	0.0	9.3	0.0	9.3	3.4
Latvia	0.0	0.0	0.0	0.6	0.6	0.0	0.0	0.0	0.0	0.0
Lithuania	4.8	8.4	0.0	0.2	13.4	67.9	4.1	0.1	72.1	0.4
Luxembourg	1.9	0.0	0.0	0.2	2.1	0.6	0.1	0.2	0.9	0.0
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	2.0	0.0
Other Western Europe	7.9	6.0	0.0	0.3	14.2	1.5	26.5	0.1	28.1	7.0
Other Eastern Europe	6.1	0.9	0.0	0.1	7.1	9.2	45.9	0.1	55.2	0.0
Other countries	2.6	0.4	0.0	1.2	4.2	0.0	187.8	0.0	187.8	4.2
	1 050.0	4 096.3	47.4	40.2	5 233.9	888.6	3 316.1	96.8	4 301.5	1 074.1

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 customers	Securities	
30.09.16			
Finance	1 240.5	8.6	39.2
Real estate	772.9	0.1	54.0
Trading	339.7	0.0	175.5
Industry	253.2	0.0	142.9
Agriculture, fishing, forestry	176.3	0.0	9.6
Energy, gas and steam plants	126.8	0.0	122.3
Transport	120.0	0.0	35.5
Mining	71.3	0.0	19.4
Government and state defence	55.6	23.3	262.6
Information and telecommunication	50.1	1.0	8.3
Hotels, restaurants	43.7	0.0	0.3
Construction	41.0	0.0	63.4
Professional, science and technical work	40.7	0.0	5.8
Health services, social work	39.4	0.0	6.5
Administration and assistance	34.3	0.0	7.3
Art, show business, leisure	12.5	0.0	2.2
Education	9.8	0.0	5.8
Water supply, canalisation, waste management	6.1	0.0	1.8
Other government and social services	5.8	0.0	0.8
Private individuals	2 062.1	0.0	96.6
Derivatives	0.0	25.7	0.0
Allowances	-24.6	-	-
	5 477.2	58.7	1 059.8

31.12.15	In the statement of financial position		Contingent liabilities
	Cash and loans to central bank, credit institutions and customers	Securities	
Finance	1 066.3	18.3	16.8
Real estate	692.3	0.1	27.6
Trading	292.4	0.0	215.6
Industry	275.2	0.0	144.9
Agriculture, fishing, forestry	172.4	0.0	8.9
Energy, gas and steam plants	149.2	0.0	107.9
Transport	124.5	0.0	33.3
Mining	74.6	0.0	65.0
Government and state defence	70.4	0.0	262.5
Construction	49.4	0.0	68.7
Information and telecommunication	48.9	0.7	10.6
Hotels, restaurants	43.9	0.0	0.6
Professional, science and technical work	43.8	0.0	6.2
Health services, social work	43.3	0.0	6.5
Administration and assistance	27.3	0.0	6.5
Education	13.5	0.0	5.8
Art, show business, leisure	8.7	0.0	1.7
Water supply, canalisation, waste management	5.8	0.0	1.4
Other government and social services	6.6	0.0	0.7
Private individuals	1 966.8	0.0	82.9
Derivatives	0.0	28.3	0.0
Allowances	-29.0	-	-
	5 146.3	47.4	1 074.1

Note 12**Related parties**

(millions of EUR)

	<u>30.09.16</u>	<u>31.12.15</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	1.9
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	0.0
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	0.6	1.9
Loans and advances to parent company	885.6	25.6
Due to parent company	909.7	819.6
Contingent assets and commitments to parent company	38.3	39.0
Contingent liabilities and commitments to parent company	0.5	0.4
Loans and advances to enterprises of parent company's consolidation group	6.4	353.3
Due to enterprises of parent company's consolidation group	11.2	59.6
Contingent assets and commitments to enterprises of parent company's consolidation group	3.2	3.5
group	0.8	0.9

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.