

2019

Annual Review

Contents



4 Business environment

The macroeconomic development was uncertain. Digitalisation is driving banks' development and sustainability matters are increasing in importance.

6 Our customers

Customers were generally more active throughout the year in all SEB's home markets. Digital services and sustainable products are increasingly appreciated.



10 Strategy and business plan

The execution of our strategy and business plan is taking place within three focus areas: advisory leadership, operational excellence and extended presence.

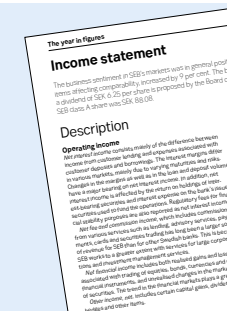
18 Sustainability

SEB's sustainability work is focused on products and services to meet customer needs in the sustainability area and on transforming our own business.



28 The year in figures

Operating profit, before items affecting comparability, increased by 9 per cent. The Board proposes a dividend of SEK 6.25 per share.



2019 in brief

Important events and trends

The global economy was fragile but gradually stabilised while central banks' quantitative easing continued. At the end of the year, the Swedish central bank ended a five-year period of negative interest rates.

Corporate customers were active with high demand for advisory services, banking and capital market financing.

Financial institutions handled the challenging interest rate environment with caution, while demand for illiquid investments increased.

Private customers' demand for household mortgages grew and SEB's market share for new mortgage loans in Sweden improved.

Sustainability became an even stronger factor for customers and demand for green products grew.

SEB signed the UNEP FI Principles for Responsible Banking.

The fight against financial crime and money laundering continued with further development of advanced technology solutions and refined working processes.

Key targets and figures

Board's financial targets	2019	2018
Dividend payout ratio at 40 per cent or more of earnings per share, per cent	67 ¹⁾	76 ²⁾
Common Equity Tier 1 capital ratio of around 150 basis points over requirement ³⁾ , basis points	250	270
Return on equity ²⁾ competitive with peers, per cent	13.8	13.4

Key figures

Operating income, SEK m	50,134	45,868
Operating profit, SEK m	24,894	27,285
Return on equity, per cent	13.7	16.3
Cost/income ratio	0.46	0.48
Earnings per share, SEK	9.33	10.69
Dividend per share, SEK	6.25 ¹⁾	6.50
Common Equity Tier 1 capital ratio, per cent	17.6	17.6
Leverage ratio, per cent	5.1	5.1
Liquidity Coverage Ratio (LCR), per cent	218	147

- 1) Based on the Board proposal.
- 2) Excludes items affecting comparability.
- 3) Applicable regulatory requirement: 15.1% (14.7).

Our customers and stakeholders

Our customers' needs are at the core of our business. Their high expectations for both personal and digital service, for quality advice and for sustainable solutions drive SEB's business development and offerings. Our 15,000 employees work as a team to serve our customers and create value for our shareholders as well as society as a whole.

Large corporations

2,000

Shareholders

265,000

Financial institutions

1,100

Employees

15,000

Small and medium-sized companies

400,000

Society

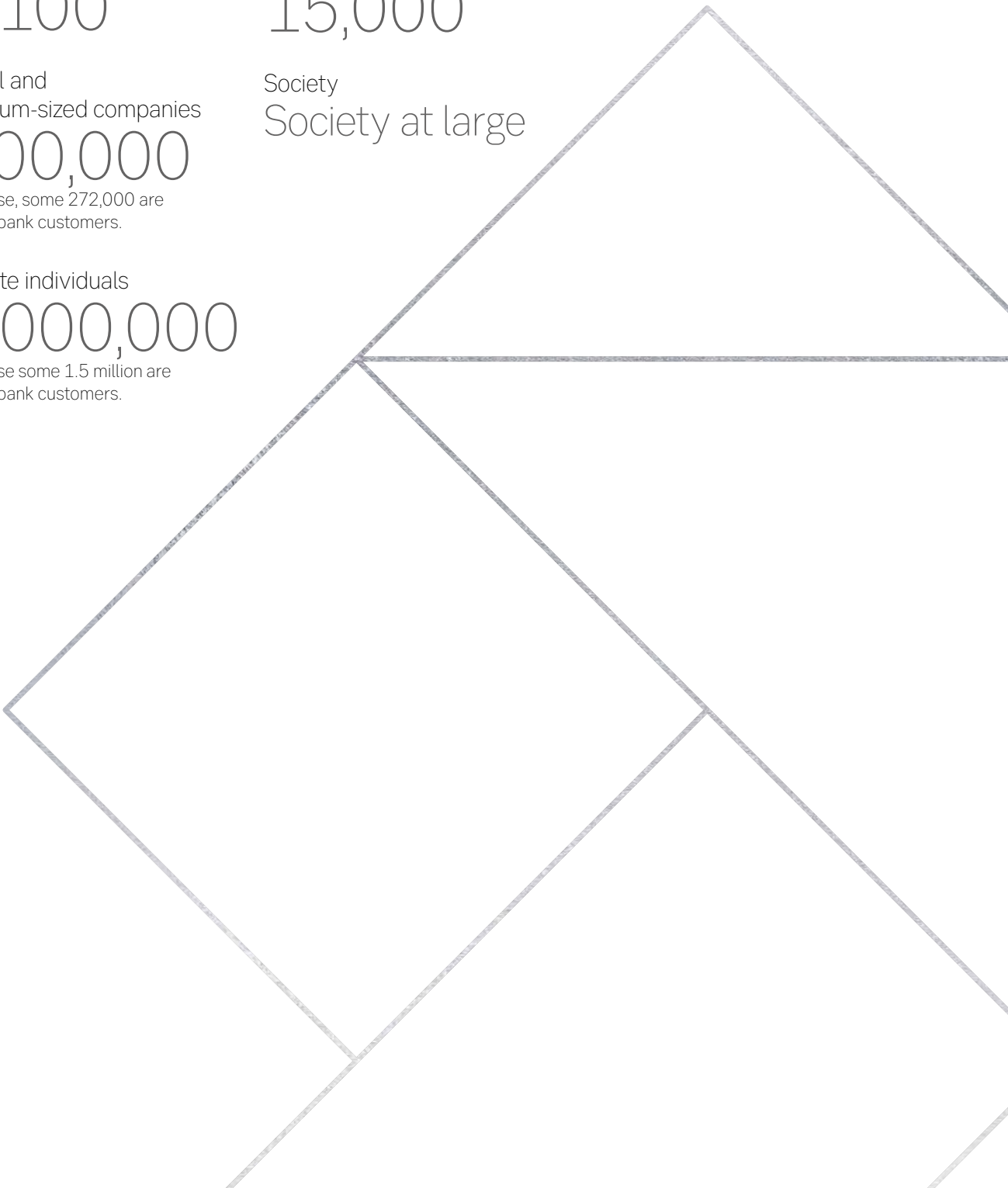
Society at large

Of these, some 272,000 are home bank customers.

Private individuals

4,000,000

Of these some 1.5 million are home bank customers.

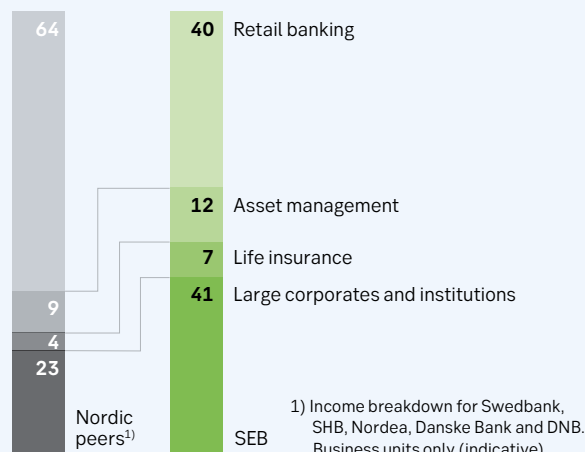


We have a unique customer base and market position, serving our customers in our home markets and beyond.



Our business is strong and diversified, creating value for all our stakeholders.

Diversified income 2019, %

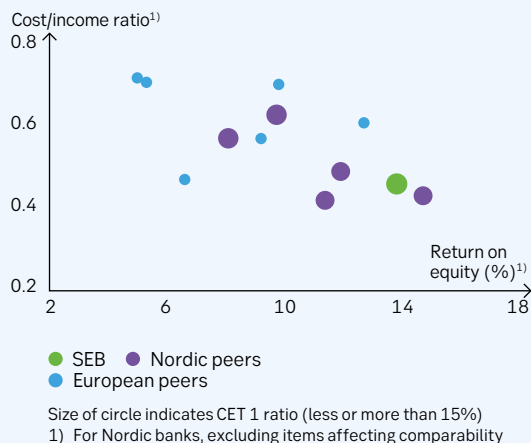


Financial value created 2019, SEK 65 bn

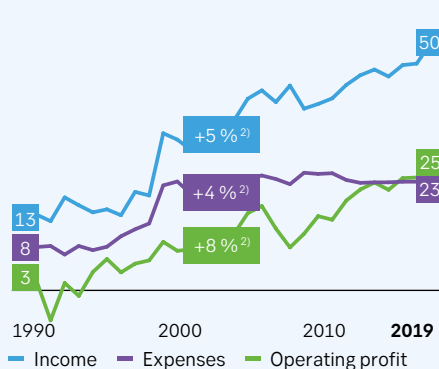


We are well positioned versus our peers with a track record of strong profitable growth.

Our peers 2019



Our profit development¹⁾, SEK bn



1) Excluding items affecting comparability.
 2) Compound Annual Growth Rate (CAGR).

This is SEB

SEB enables people to realise their dreams, ambitions and business ideas. Being the Nordic region's leading corporate bank with an international perspective, innovation and entrepreneurship are part of our DNA.

We are driven by engagement and curiosity about the future. This has been our approach ever since we welcomed our first customer more than 160 years ago.

Our vision is to provide world-class service to our customers. We do this by building long-term relationships, providing personal and proactive advice and serving our customers on their terms – face to face or in the digital realm.

We take responsibility for how we conduct our business and how we affect our customers, employees, shareholders and society at large. We support our customers in the transition to a more sustainable world and we contribute to the development of the communities in which we operate.

Return on equity

13.8%

excluding items affecting comparability

Cost/income ratio

0.46

Earnings per share

9.33 SEK

Dividend per share

6.25 SEK

as proposed by the Board of Directors

Business bank
of the year 2019
according to Finansbarometern



Creating shareholder value by embracing transformation

SEB's diversified business model continues to support our vision of delivering world-class service and shareholder value. While this enables us to operate from a position of strength, we also embrace the transformational trends of digitalisation and sustainability to meet our customers' needs and expectations.

Closing the books for 2019, I am pleased to see that our strategic decision to further invest in our business has resulted in a higher transformational pace, improved customer satisfaction and stronger financial results. Our solid operating income growth was in large part driven by SEB's lending and investment banking activities. Yet our ambitions remain high for 2020, not least within the savings area, where we plan to strengthen our efforts going forward.

2019 was also the first year of our current business plan 2019–2021. Our actions have been concentrated to our strategic focus areas of *advisory leadership*, *operational excellence* and *extended presence*, and we are making progress broadly in line with our plan.

Strategy for long-term growth

Banks have a unique role in connecting ideas with people and capital. SEB enables individuals and companies to achieve their aspirations by providing good advice combined with access to investment opportunities and lending.

Over the years our corporate customers have grown, and so have we as we support them around the globe. SEB is present in some 20 countries, and financial growth has been broad-based across our geographies. Our ability to serve customers locally is one of our core strengths, and we aim to develop this as we move forward.

Our work to constantly improve our business would not be possible without our 15,000 employees who turn strategy into action. Based on our belief that people are at the core of everything we do, I am encouraged to see that we reached new heights in our employee engagement survey in 2019.

Digital banking with customers in focus

We want to meet our customers on their terms, and as our customers become more digital, they also expect more personalised and proactive advisory services. Today, mobile interactions represent more than 80 per cent of all customer interactions within the Corporate & Private Customers division, and we continue to see increasing digital activity. We are responding to this development by digitalising and automating our business, and improving the digital customer experience. In doing so we are also freeing up time for our advisors to focus more on meetings that add value for customers, also in person.

Among other tools in our digital transformation toolbox, we offer investment banking advisory services on digital business models and strategies through SEB Singular, while our innovation studio SEBx – which is real-time, smart and cloud-based – is making life and business easier for small entrepreneurs, also called solopreneurs.

Enabling sustainable transformation

SEB has an important role to play in the shift towards a low-carbon economy by supporting our customers in their transformation and by aligning our own business model with our continuously increasing standards.

As climate change represents a tangible risk, both today and in the future, we all need to reconsider our ways of doing business. We expect our customers to strive towards the objectives of the Paris Agreement, yet there are industries that have steeper slopes to climb and we realise that each customer journey will be different. By advising our customers and enabling them to reach their goals alongside ours, we can achieve real impact.

We increased our advisory capabilities during the year, not least within the energy sector, and this is an area where I see a growing demand over the coming years. Our customers' interest in sustainable financial solutions continues to grow, with sustainability-linked loans, impact funds and ESG-related advisory services being some of the main drivers. SEB was a partner when the World Bank issued its first Green Bond for institutional investors in 2008, and we continue to be one of the leading Green Bond underwriters in the world. With the ambition of remaining at the forefront we continue to innovate and in 2019 we arranged our first Blue and Red Bond, focusing on clean water and vaccines. This is a growing market, but the sustainable bond universe still represents less than one per cent of all outstanding bonds globally. The transition has only just started.

We have long been committed to initiatives such as the UN Global Compact and the Principles for Responsible Investments. We want to make a difference by changing the green playing field for the financial sector, and this requires collaboration. In September we signed the UN Principles for Responsible Banking, by which we undertake to continuously strengthen our positive impact and align our activities over the coming years with the UN Sustainable Development Goals and the Paris Agreement.

Trust is our licence to operate

Ever since we welcomed our first customer in 1856, SEB has kept a long-term perspective. Trust is our licence to operate – it is a prerequisite for us to be able to conduct successful business that benefits our shareholders. As a bank, we have a responsibility to continuously monitor transaction patterns in order to prevent, detect and report suspicious activity,



“SEB enables individuals and companies to achieve their aspirations.”



with the aim of countering financial crime. Here SEB has an important role to play. We are continuously improving our routines, processes and systems, however, neither regulations nor the banking system's ability have been sufficiently efficient to manage the risks of money laundering historically.

If we want to achieve real results in countering financial crime, this cannot be done by individual banks alone. We need a risk-based approach combined with information sharing between banks and authorities across national borders, in

public-private partnerships. The proposed legislative changes that we presented through the Swedish Bankers' Association to the Swedish government last year is a step in that direction.

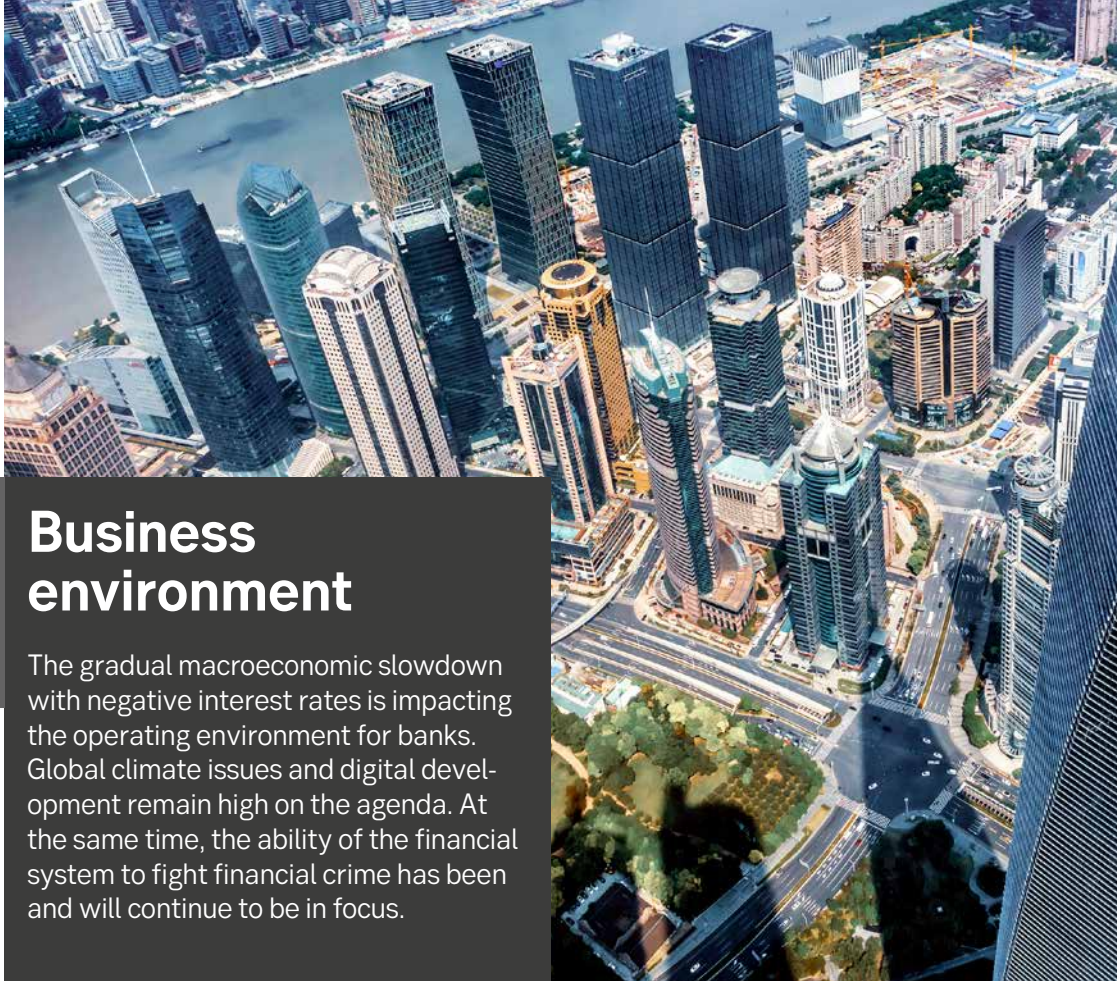
Strengthening our resilience

By continuing to invest in protecting SEB from money laundering and other financial crime, we aim to strengthen trust with a solid financial position. By having a strong capital and liquidity position, we strive to achieve resilience and flexibility, enabling us to adapt to changing market conditions

and support our customers throughout business cycles. With this long-term perspective, combining customer satisfaction with a robust balance sheet and sound credit exposure, we create value for our shareholders as well as society at large.

Stockholm, February 2020

Johan Torgeby
Johan Torgeby
President and Chief Executive Officer



Business environment

The gradual macroeconomic slowdown with negative interest rates is impacting the operating environment for banks. Global climate issues and digital development remain high on the agenda. At the same time, the ability of the financial system to fight financial crime has been and will continue to be in focus.

Commentary from Robert Bergqvist

Upside down – adapting to a changing world

“We are in the midst of structural macroeconomic change. The world seems abnormal in many ways and the unknown territories require fresh thinking and creativity among policy makers and others. Economies are slowing down after the historically long expansion period. Demographic headwinds are strengthening in many countries with negative impact on economic growth and state finances while savings surpluses increase. In parts of the world, the globalisation trend is being abandoned for regional priorities.

In 2019, the global economy faced several headwinds. The export-dependent Swedish economy was no exception and the Swedish krona depreciated significantly. Continued disputes over trade and technology contributed to lower activity as well as country- and region-specific cyclical and structural factors for the telecom and auto industries. Their combined impact disrupted investment and global production cycles as well as international trade. The outbreak of the coronavirus, COVID-19, in late 2019 added uncertainty regarding global growth.

In the current low inflation environment, many central banks responded to downside growth risks by lowering interest rates. Although the risk spectrum justified accommodative monetary policy, doubts continued to rise over its effectiveness on a stand-alone basis.



Robert Bergqvist, SEB's chief economist

“The world is facing predictable unpredictability.”

The negative-yield phenomenon has turned the world on its head; draining pension funds and investors of a reliable source of income, requiring life and pension insurance companies to take positions to offset growing pension liabilities with falling discount rates, and incentivising risk-inclined companies to take on more debt.

Pessimists read recession and deflation scenarios into interest rates and yields. Optimists see a chance for the public and private sectors to borrow at no real cost for investments in climate solutions and technology. The world is facing predictable unpredictability.” ■

Current trends

Climate high on the agenda

The climate issue is one of the greatest challenges facing the world, and in 2019 it gained new momentum when the younger generation, as well as corporate leaders, became increasingly engaged around the world. World leaders met at the UN's Climate Action Summit in New York and Climate Change Conference in Madrid to discuss the additional steps needed to achieve the Paris Agreement goal to limit the increase in global temperature to 2 degrees Celsius.

During the last few years it has become clear that the financial sector has a key

role in the shift to a low-carbon world. In 2018, the European Commission launched an action plan for the financial sector that outlines its part in achieving the climate and energy targets needed to meet the goals of the Paris Agreement. This work is being conducted by a number of expert groups and is expected to result in a joint classification system that defines which economic activities that are sustainable from a climate perspective.

In 2019, the UN launched the UNEP FI Principles for Responsible Banking, where 131 banks from 49 countries, including SEB, have committed themselves as

signatories to steadily increase their positive impact on society and adapt their business strategies so that they are consistent with, and contribute to, the UN's Sustainable Development Goals and the Paris Agreement.

The climate issue is also the sustainability issue that once again was ranked highest by SEB's customers according to a survey we conducted of the bank's mutual fund investors.

■ See p. 20.

Digital opportunities

For most parts of society, digitalisation is leading to enormous changes and significant improvements in customer experience. In financial services, technological advances are opening up a wealth of opportunities, where exponential growth of both data volumes and capabilities is creating new ways of meeting customers' needs, while simultaneously automating internal processes. In the new decade, enabling real-time and effective solutions that empower companies, entrepreneurs and people will be based on an expanding network of data interaction.

prominent trends globally is the formation of function-based ecosystems, commonly referred to in the financial industry as Open Banking. Sharing of information is opening up new possibilities and a wide array of new services, such as seamless accounting, digital wallets and expense management, on a single digital platform. All this is revolving around the customer journey, and we are currently witnessing an interesting flow of new, innovative solutions and collaborations taking place.

Machine intelligence

Improvements in research related to companies, macroeconomics and customer advice are closely linked to better data access and advanced algorithms that uncover valuable insights. Algorithms that analyse large datasets in fractions of a

second are a manifestation of the human/machine symbiosis, where machine intelligence can create more accurate pricing models, proactive advice and recommendation models. Personal advice will increasingly be dependent on machines extracting meaningful information from large and growing datasets. Artificial intelligence and machine learning capabilities are increasingly integrated into cloud-based software. Cloud solutions are driving more efficient ways of implementing full-scale machine learning applications and thereby possibilities to improve operations, develop new customer offerings, and provide better customer service.

■ See p. 15.

Financial ecosystems in the making

The landscape of the financial services industry is transforming. One of the most

Collaboration needed in the fight against financial crime

Money laundering and other types of financial crime are a challenge for society as a whole, and banks play a key role in preventing criminals from exploiting the financial system.

The financial sector's ability to prevent, detect and report suspicious activity has strengthened over time. Regulations have been successively toughened, awareness has increased, and routines, processes and systems are being constantly improved. Like many banks, SEB is continually investing in both competence and employee training as well as new technology – employing machine learning and artificial intelligence – to further strengthen the bank's defences against being used for criminal purposes. Still, at any given time,

all banks are subject to the risks posed by financial crime.

If the work on countering financial crime is to be successful, more collaboration and information sharing is needed. One such initiative is being conducted through the Swedish Bankers' Association, which has proposed that the Swedish parliament work for a legislative change that would enable banks to access, handle and share relevant information while allowing relevant authorities to share their knowledge and information with the banks.

Efforts are also ongoing to spur more international co-operation. Together with other Nordic banks and the police, SEB is working long term to strengthen society's and the banking system's defences against financial crime.

New regulations

Several regulations for financial stability, market conduct and consumer protection are being gradually introduced through international directives and local legislation. While the pace of introduction is slowing, compliance monitoring is increasing, resulting in new requirements on banks, such as to deliver detailed real-time reporting to the authorities.



Our customers

The customers in our four main customer segments demand the same thing – smart digital solutions and personal relationships. They are looking for a partner who is proactive, who provides a long-term perspective and can offer objective advice in order for them to reach their ambitions.

CUSTOMER SEGMENTS

Large corporates

We have enduring and uniquely strong relationships with our large corporate customers in Sweden and the other Nordic countries. We support them in their business and their international expansion and stay with them as a partner through good times and bad. SEB serves some 2,000 large corporations across a broad spectrum of industries. Many of them are global market leaders and most have extensive international operations. In the Nordic region, our customers are among the largest in their respective industries while in Germany and the UK, medium to large-sized companies with an international profile are in focus.

Development in 2019: Customer activity was high in all product areas of the Large Corporate segment. Following a cautious beginning of the year, companies with good liquidity used their surplus to invest. Demand for lending increased, partly due to the number of mergers and acquisitions. Customers took advantage of the interest rate environment which was favourable for new bond issues. Demand for cash management services was high. The private equity market was very liquid with high asset prices. In the financial sponsors segment specifically, customer activity decreased somewhat as a result of fewer mergers and acquisitions.

Financial institutions

SEB serves approximately 1,100 financial institutions and acts as an intermediary between Nordic and global financial markets. We offer our services to pension fund and asset managers, hedge funds, insurance companies, state-owned investment funds as well as other banks and SSAs (sovereigns, supranationals and agencies). We have a strong position in the Nordic markets and also serve customers internationally with capital market access, custody services and advice on capital, sustainability and asset management matters.

Development in 2019: In the Financial Institutions segment customers were less active during the year as expected interest rate hikes were postponed due to the global macroeconomic uncertainty. This caused customers to adopt a more prudent stance in their hedging and investment decisions. While volatility and demand for traditional asset classes were low, interest in illiquid investments, private equity and hedge funds increased. Investments with sustainability criteria continued to grow rapidly, mainly as a result of new regulatory requirements. Assets under custody increased to SEK 10,428bn with several new mandates, a proof of SEB's attractive custody offering.

A few questions for Joachim Alpen and William Paus

What are your comments on the 2019 development?

We see broad growth in all our home markets, particularly in the large corporate customer segment. Transaction volumes in areas such as cash management and custody, increased. Advisory services have also developed positively and during the year we were involved in a number of large corporate transactions.

Like us, customers are exploring digital opportunities and are concerned about their climate impact. We have a lot to offer in terms of expertise and advisory services in these areas where we see great opportunities. The function SEB Singular has been established to advise large corporates on digital business models and strategies. The Energy team focuses on assisting customers on their sustainable transformation journeys.

In 2019, we saw significant revenue growth and we are capturing a growing share of the total revenue in the Nordic countries. We pursue our efforts to meet or exceed our customers' expectations in our home markets. Our growth originates primarily from existing customers and we continue to take in new customers at a relatively low pace.

"Our model of relationship banking is serving us well."

Why do customers choose SEB?

The trend among customers is to prefer fewer close banking relationships. Previously, customers were keen on working with a group of banks to avoid dependencies. Today, customers have no problem working very closely with a single bank. But this requires that we work closely

with them, understand them, and are competent, proactive and trustworthy. Trust and confidence have taken on greater value, and as a result our relationship banking model serves us well in today's market.

Customers appreciate deep industry competence and are eager to participate in co-developing new products, often with a sustainability profile. Many of our

customers are focusing on the significant challenge of transforming their business models to be more sustainable and this is an area where we add value both in terms of advisory services and financing the related investment. We have for instance introduced loans where the conditions are linked to how well the customer fulfils its internal sustainability targets.

What can SEB do better?

Of course, the expectations on us to continue digitalising our services are high. We must continue to make life easier for our customers by standardising and automating our services. Digital communication with us must be easier, whether for registering new products or signing new agreements. A key target for us is capital efficiency – in 2020 we are aiming to further increase return on capital. ■



Joachim Alpen and William Paus,
co-heads of the Large Corporates & Financial Institutions division



Meet one of our large corporate customers
Stora Enso in Finland
Seppo Parvi, CFO and deputy to the CEO

A long-standing relationship built on mutual trust

Stora Enso has 26,000 employees in 30 countries and reported sales of around EUR 10bn for 2019. The company produces solutions based on wood and biomass and has a green profile – "the renewable materials company".

"We have a long-standing relationship with SEB and have worked together through both good times and bad so we trust each other. We appreciate that our relationship ranges from basic banking services to advice on corporate transactions", says Seppo Parvi.

"SEB has always offered innovative banking products. A couple of years ago, we launched our first revolving credit facility with certain green features and in 2019 we worked together with SEB on the issuance of our first green bond, which we used to finance the acquisition of forest assets from Bergvik Skog. It was very successful." ■

CUSTOMER SEGMENTS

Small and medium-sized companies

SEB has an established position as the bank for entrepreneurs and small business owners and currently serves some 400,000 small and medium-sized companies. Of these, 170,000 were home bank customers in Sweden and 102,000 in the Baltic countries. The segment includes around 600 mid-corps – many with international operations – as well as customers in the real estate and public sectors in Sweden, such as government agencies, state-owned companies and municipalities.

Private individuals

SEB is one of the major banks in Sweden, Estonia, Latvia and Lithuania. In Sweden, we have a strong position and the bank is one of the market leaders in the Nordic countries in private banking. SEB provides a comprehensive range of services to private customers and private-banking services with global reach to Nordic high-net-worth individuals. We have approximately four million private customers in Sweden and the Baltic countries. Of these, 494,000 are home bank customers in Sweden and 979,000 in the Baltic countries. We have around 34,000 Private Banking customers.

Development in Sweden 2019: The macroeconomic development was strong and SEB's customers were generally active. Private customer consumption increased in general and, as regards SEB, in terms of demand for mortgage loans. Private Banking customers made significant investments in mutual funds and alternative investments. Companies were in dire need of advisory services and financing, especially small and medium-sized companies. Satisfaction in terms of advisory services among personal banking customers was record-high and increasing throughout the year among small and medium-sized companies.

Development in the Baltic countries 2019: Growth rate in Baltic economies slowed down somewhat in the year but customers continued to be very active. Households were confident about the future, private consumption was resilient and mortgage loans increased. Digital maturity is high among customers that eagerly adapt to new digital services. Corporate customers' interest in advisory services and green products is on the rise and the companies demanded financing in the advantageous conditions.

Sweden



Mats Torstendahl, Head of the Corporate & Private Customers division

Erika Lundquist, Head of Private Banking

A few questions for Erika Lundquist and Mats Torstendahl

What are your comments on the 2019 development?

We saw good growth among both corporate and private customers, especially within Private Banking. We increased the number of corporate customers, customer satisfaction increased and our efforts in our corporate offering were recognised when Finansbarometern named us Business Bank of the Year.

What is in focus among corporate and private customers?

In both the corporate and private markets, we have been happy to see the strong demand for sustainable products and services. The inflow in sustainability funds, green mortgages and demand for green leasing, launched in 2019, exceeded expectations.

The Baltic countries



Riho Unt
Head of the Baltic division¹⁾

A few questions for Riho Unt

What are your comments on the 2019 development?

The credit portfolio for our larger corporate customers and private individuals continued to grow. The strong real wage trend was reflected in higher consumption and an increase in deposits. Digital use increased in many areas. For example, our mobile app now has 627,000 users, we have conducted 20,600 remote advisory meetings and the number of digitally signed agreements increased to 680,000.

1) In February 2020, Jonas Ahlström was named new head of the Baltic division.

Customers appreciate and embrace digital solutions and we are continuously releasing new functionality in our digital channels, including the internet bank and the mobile app. Especially our Private Banking customers appreciate personal relationships and individualised advice.

Why do customers choose SEB?

We have a very strong brand that stands for long-term relationships. We aspire to be a stable partner to our customers through good times and bad and in all phases of people's lives and companies' development. We have been the bank for entrepreneurs since the very beginning. As a more recent example, start-up and growth companies are currently benefiting from our "greenhouse offer" that includes banking and adjacent services such as legal advice. In Private Banking, too, traditionally we have had, and still have, a strong offering where customers value the personal relationship, our broad investment advice including alternative assets, and not least, the bank's network and contacts.

What can SEB do better?

We have had good customer growth and can now expand upon the relationships we have with our customers, not least in the area of savings, which is important for ensuring customers' financial security and future retirement. Private Banking is one of the bank's designated strategic initiatives where we are investing in an improved customer experience through strengthened service offering and digital tools throughout the Nordic region, while we safeguard the personal contact, which will always be at the core in every good relationship. ■



Meet one of our corporate customers
Houdini in Sweden
Eva Karlsson, CEO

Banks' sustainability responsibility is given

Houdini is an innovative manufacturer of functional clothing. The company, with a clear sustainability profile, started 25 years ago and now has sales in 20 markets with a turnover of around SEK 200 million.

"We have a great relationship with SEB, since many years, and benefit from the co-operation in our constant balancing act to grow quickly, to innovate and to manage resources well. A long-term banking relationship built on genuine partnership with transparency, trust and common goals is very important", says Eva Karlsson. "The financial industry can make a strong contribution to the conversion to a more sustainable society, as a facilitator and through financial incentives", she concludes.

What is in focus among Baltic customers?

Customers across the Baltic countries are at the forefront when it comes to taking advantage of digital services. They are easily and eagerly adapting to digital solutions and are looking for more convenient ways to manage their banking services in a simple and user-friendly way.

On the corporate side, we are seeing an increased need for various advisory services. Corporate customers' expectations on digital and automated processes are also growing rapidly and customers demand smart integration and solutions that help them streamline their operations. Sustainability has also become a megatrend and customers' awareness of, and demand for, sustainable products and services are growing.

Why do customers choose SEB?

We have served them as a stable partner over the years. We have a strong brand and competent employees. Our ambition to help customers grow through our advisory and growth programmes is appreciated and generates positive feedback.

What can SEB do better?

We need to strengthen opportunities to establish partnerships, allocate more resources to further strengthen digital development and, not least, develop the Baltic capital markets as a complement to bank financing. ■



Meet one of our private customers
Kadri Kull in Estonia

Twenty years with SEB

Kadri Kull has been an SEB customer since opening her first account more than twenty years ago and has used a wide range of financial services over the years. Kadri Kull works as a communication adviser for the European Commission's office in Estonia and appreciates the digital accessibility. "I have the bank in my phone and access to all the services I need at any time but I also appreciate my personal contact person, who gives the bank a human face", says Kadri Kull.



Strategy and business plan

Ever since SEB was founded more than 160 years ago, we have been guided by a strong belief that entrepreneurial minds and innovative companies are key in creating a better world.

SEB enables people to realise their dreams, ambitions and business ideas. Being the Nordic region's leading corporate bank with an international perspective, innovation and entrepreneurship are part of our DNA. We are driven by engagement and curiosity about the future. This has been our approach ever since we welcomed our first customer more than 160 years ago. Our vision is to provide world-class service to our customers. We do this by building long-term relation-

ships, providing personal and proactive advice and serving our customers on their terms – face to face or in the digital realm. We take responsibility for how we conduct our business and how we affect our customers, employees, shareholders and society at large. Trust is our license to operate and thus fundamental to our long-term ambition to generate lasting value for all our stakeholders.

Strategy: Vision 2025

Our strategy, Vision 2025, was launched in 2015, aiming to achieve long-term growth by delivering world-class service to our customers. Since then, change has become the new normal in the banking landscape and in 2019 we revisited our long-term strategic direction to ensure we remain the preferred choice for our customers. In order to leverage the

business opportunities emerging from continuous changes in customer needs and behaviours, technologies, regulations as well as competition, we have identified three strategic focus areas on which to base our efforts: strengthening our advisory capabilities, accelerating operational efficiency and extending our digital distribution and offering.

Business plan 2019–2021

The Vision 2025 is set out in the three-year business plan 2019–2021 in which our overall targets and three focus areas are key components.

Overall targets

Shareholder value is created through profitable growth and improved efficiency, while maintaining strong capital efficiency. The Board has defined three financial targets for the period 2019–2021:

- **A yearly dividend** that is 40 per cent or more of earnings per share.
- **A Common Equity Tier 1 (CET 1) capital ratio** of around 150 basis points above the current requirement from the Swedish Financial Supervisory Authority.
- **A return on equity** that is competitive with peers.

In the long term, SEB aspires to reach a sustainable return on equity of 15 per cent.

The overall progress of the business plan is monitored in terms of customer satisfaction, employee engagement, sustainability and financial development.

➤ See p. 24 for outcome of the overall targets.

Cost target 2019–2021

SEB will continue to operate with a strict cost discipline ensuring that its current operations are cost efficient.

The business plan defines a number of strategic initiatives which, on an accumulated basis, are estimated to lead to total additional investments of SEK 2–2.5bn over the three-year period 2019–2021. This translates into a total cost increase of SEK 1bn, and a new total cost target of around SEK 23bn (+/- SEK 200m) by 2021, assuming 2018 FX rates. With the foreign exchange rates as of 31 December 2019, the cost target implies a cost level of around SEK 23.3 bn in 2021. The pace of investments will be dependent on progress and will be gradually ramped up over the three years. The strategic initiatives are expected to lead to both revenue growth and cost efficiencies, improving return on equity over time.

Focus areas

To reach our vision and deliver in line with our strategy, we have set out the way forward in our business plan for 2019–2021. During the year, our activities have been concentrated on the focus areas of advisory leadership, operational excellence and extended presence, and we are progressing in line with the plan. The investments in our strategic initiatives, aiming to accelerate growth and enhance profitability, have also developed broadly as expected. Each focus area is presented in more detail on the following pages, with selected illustrative examples and comments on progress.



Advisory leadership

Offer customers proactive, customised and value-adding advice, based on their specific needs and behaviours, through human and digital interaction.

[Read more on p. 12](#) ➤



Operational excellence

Enhance customer value by increasing the pace of digitalisation and automation while extending the use of data and analytics.

[Read more on p. 14](#) ➤



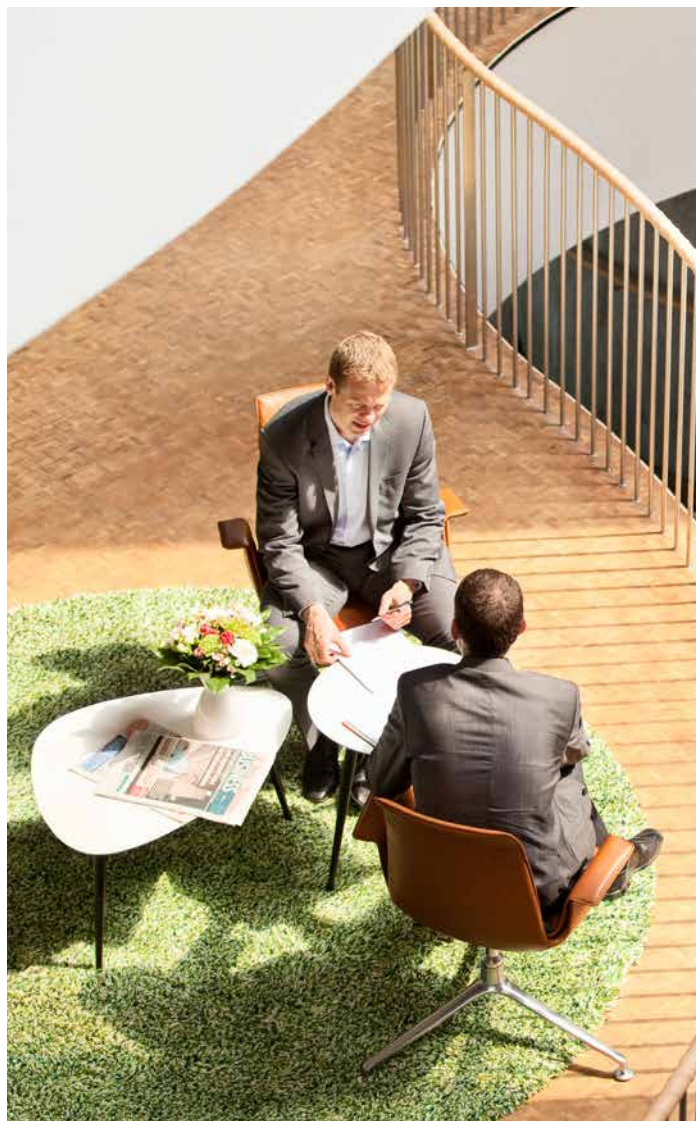
Extended presence

Meet our customers on their terms in their digital ecosystems and offer a combination of products and services from SEB and our partners.

[Read more on p. 16](#) ➤

Advisory leadership

Offer customers proactive, customised and value-enhancing advice, based on their specific needs and behaviours, through human and digital interaction.



Progress in 2019

Along with the ongoing technological development and the increased global focus on sustainability, our customers' needs and behaviours continue to change. This means that we constantly need to improve our services and our advisory capabilities to become an even better partner to our customers.

The long-term trend of our customers going more digital continues, with the mobile app being the preferred channel. Today, mobile interactions represent more than 80 per cent of all customer interactions within the Corporate & Private Customers division and we continue to see increasing digital activity. As a response to this change in customer behaviour, we have continued to develop the functionality in our digital channels, both in the mobile app and the internet bank.

Similar to digitalisation, sustainability continues to grow in importance among customers, investors and regulators. Sustainability has been an integrated part of SEB's business for many years, and as a bank we have an important role in enabling the shift to a low-carbon economy. We have therefore sharpened our value proposition by continuing to innovate new products and services, such as sustainability-linked loans and blue and red bonds focusing on clean water and vaccines. In addition, we have increased our advisory capabilities to better support our corporate customers in their energy transition. For SEB to remain financially strong and competitive in the long run, we are also transforming our own business. As a first step we are classifying our credit portfolio and assets under management according to sustainability criteria.

Strategic initiatives

Corporate and investment banking

Enhance advisory capacity across all client segments, with special focus on opportunities arising from new technologies and from the energy sector transition.

[Read more on p. 13](#) >

Private Banking Powerhouse

Improve the customer experience in Private Banking through a strengthened service offering and digital tools.

[Read more on p. 13](#) >

Sustainability

Accelerate innovation in sustainable financial solutions.

[Read more on p. 18](#) >

Savings and investments

Enhance the bancassurance offering and develop investment management capabilities including competence and distribution.

[Read more on p. 13](#) >

Activities within the focus area

Meeting Private Banking customer needs

Our Private Banking customers are important to us. Based on their needs, one of our strategic initiatives involves, among other things, improving digital services and broadening our offering in alternative investments. Other important areas include streamlining work processes, to allow more time for physical meetings with customers, attracting the right skills to further strengthen our comprehensive advisory offering and forming strategic partnerships to broaden the customer offering within the Open Banking framework.

Several steps were taken in 2019. A new function was launched in the internet bank, giving customers an overall view of their investments while at the same time improving the support capacity for our advisers. We also made new alternative investment products available, such as SEB Microfinance VII, which led to a good inflow of new customers and investment volumes. The efficiency of the sales organisation also increased.

Supporting sustainable transformation

As a bank, SEB has an opportunity and an obligation to make a difference in the transition to a low-carbon economy. Reducing the reliance on fossil fuels and focusing more on renewable resources are important factors driving investment needs. In Sweden alone the investment needed to make power grids sufficiently flexible and stable to handle future energy systems have been estimated to almost SEK 100bn. To support our customers in the entire energy sector in the shift to more sustainable business models, we have established an Energy team with increased advisory capacity. This virtual team takes advantage of expertise in the energy area from different parts of the bank and works together in a structured way to support our corporate customers in energy transition.

Digital advisory services in the Baltic countries

The possibility of remote advisory meetings via screen-sharing is appreciated by our customers in the Baltic countries and their use almost doubled during the year. We have continued to develop our digital advisory services to respond to customer needs.

In Estonia, the customer on-boarding process starts online and continues with a video meeting where the customer can sign the necessary documents digitally. In Latvia, we launched a pilot version of digital booking function where customers can schedule a physical advisory meeting online.

In 2019, the Baltic banks also introduced its local version of SEB's AI-based chatbot Aida. It speaks five languages and supports customers with internet authorisation, consumer lending and payment cards, among other things.

The number of users of SmartID, the service for digital signing in the Baltic countries, has now reached 793,000, which corresponds to 73 per cent of all our customers in these countries.

Custody services in customers' ecosystems

To meet our institutional customers' needs for custody services, SEB has over the years made large investments in a global custody platform, developed in partnership with the financial institution Brown Brothers Harriman. Through this venture we can offer global custody services, which are competitive in terms of product quality, service level and employee competence and thus the bank becomes a part of the ecosystems of major financial institutions.

During the past year, several major Nordic institutions selected SEB as custodian for their assets. Folketrygdfondet, the Norwegian government pension fund that manages securities worth approximately SEK 250bn, is so far the largest customer onboarded to the new custody platform.



Meet one of our customers
E.ON
Alan Bevan, head of M&A

"SEB acted as our sounding board and provided strategic advice when we acquired Coromatic. The transaction supports our aim to be an innovation driver of the energy transition and we view SEB as an important advisor in delivering on this ambition", says Alan Bevan from the German energy company E.ON.

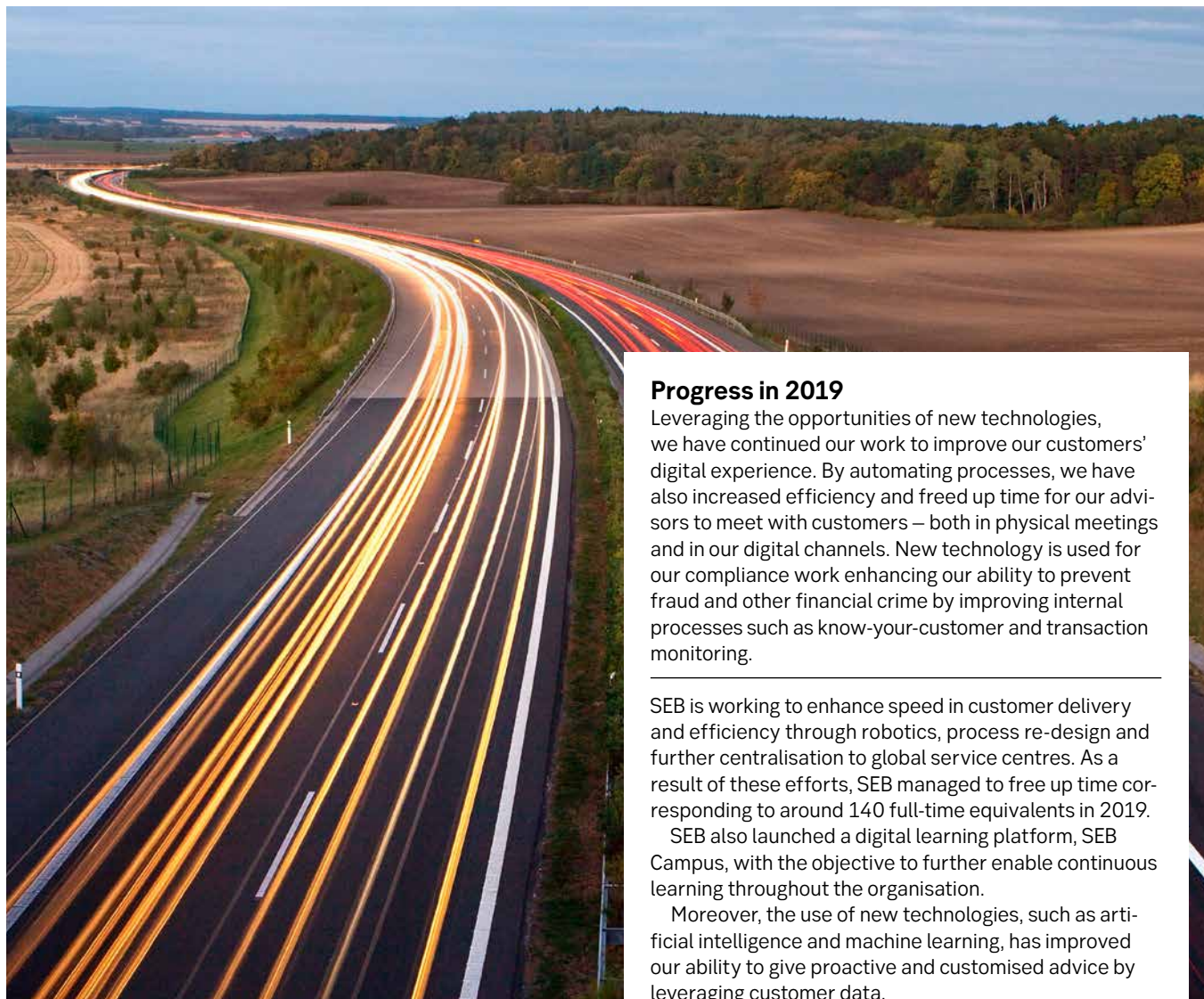


Meet one of our customers
Folketrygdfondet
Kjetil Houg, CEO

"We found SEB to be the best alternative overall in terms of both operations and customer follow-up. We are looking forward to work together with the SEB team", says Kjetil Houg.

Operational excellence

Enhance customer value by increasing the pace of digitalisation and automation while extending the use of data and analytics.



Progress in 2019

Leveraging the opportunities of new technologies, we have continued our work to improve our customers' digital experience. By automating processes, we have also increased efficiency and freed up time for our advisors to meet with customers – both in physical meetings and in our digital channels. New technology is used for our compliance work enhancing our ability to prevent fraud and other financial crime by improving internal processes such as know-your-customer and transaction monitoring.

SEB is working to enhance speed in customer delivery and efficiency through robotics, process re-design and further centralisation to global service centres. As a result of these efforts, SEB managed to free up time corresponding to around 140 full-time equivalents in 2019.

SEB also launched a digital learning platform, SEB Campus, with the objective to further enable continuous learning throughout the organisation.

Moreover, the use of new technologies, such as artificial intelligence and machine learning, has improved our ability to give proactive and customised advice by leveraging customer data.

Strategic initiatives

End-to-end automation

Achieve speed and efficiency in customer delivery through automation of processes and centralisation to global service centres for scale and simplicity.

[Read more on p. 15](#)

Data-driven improvement

Build the foundation for a data-driven company through clean and organised data, supporting advanced analytics for advisory services.

[Read more on p. 15](#)

Agile processes

Expand agile processes to increase the speed of business and technology development.

[Read more on p. 15](#)

Adaptation of employee skills

Adapt employee skills and competences to respond to future needs.

[Read more on p. 22](#)

Activities within the focus area

Automation and centralisation create value

Fully automated processes and centralised administrative support functions are prerequisites for creating customer value. Over the past ten years SEB has transferred back-office functions to global service centres in Riga and Vilnius to achieve consistency and economies of scale. Within the framework of the strategic initiative for end-to-end automation we are now accelerating the pace of this work, and in 2019 we carried out similar relocations directly from the business divisions.

This applies, for example, for the Life division, where management of certain customer service processes have been moved to Vilnius. Through uniform work routines the business has achieved greater efficiency and reduced costs. Also in the Large Corporates & Financial Institutions division we centralised certain customer service functions in cash management to Vilnius.

Data analytics and AI for better business

To become more data-driven in our ways of working we have set up a specialist team, which supports the business with methods for advanced data analytics and artificial intelligence (AI). The team, led by the bank's Chief Data Scientist, consists of experts with backgrounds as mathematicians, computer scientists, computer linguists and astrophysicists. They help identify relevant use cases and build prototypes for analytical models that create business value through, for example, improved advice, market analysis and risk management.

One example is an analytical model that was implemented in 2019 and assesses revenue potential and predicts growth for small and medium-sized companies. The model has strengthened our advisory capacity and has been very well received by customers, who gain more knowledge about their own business and thereby the ability to counter future setbacks and capitalise on future business opportunities. The specialist team also supports the Compliance function in building dynamic transaction monitoring as part of SEB's work to combat financial crime.

Robots contribute to process redesign

With the help of robot-controlled process automation, manual processes can be quickly streamlined and up-and-running without a need for heavy IT investments. The technology entails automating existing processes by creating software programs to perform standardised and repetitive tasks. This can be used, for example, for downloading and compiling data from different computer systems. This results in faster processes and a lower risk for errors, while the robots free up time that employees can use for more value-creating work.

In 2017 we started our global service centres for robot-controlled process automation in Riga and Vilnius, where a variety of back-office processes are now handled. In addition to the global service centres, we have now also built local robot centres that automate manual routines in the Life division, SEB Card and the Baltic division.

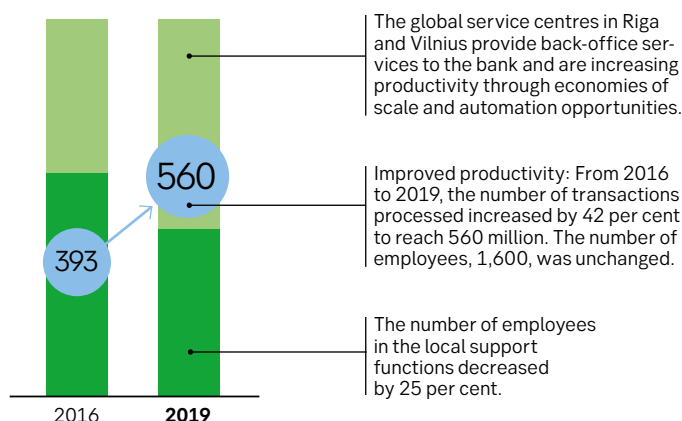
Nordic cooperation on customer data

Banks are required to know their customers, but at present there are no uniform national or international processes for aggregating customer data. This has led to both time-consuming and cumbersome processes for customers, who need to provide documentation to banks, as well as longer transaction times and more administration.

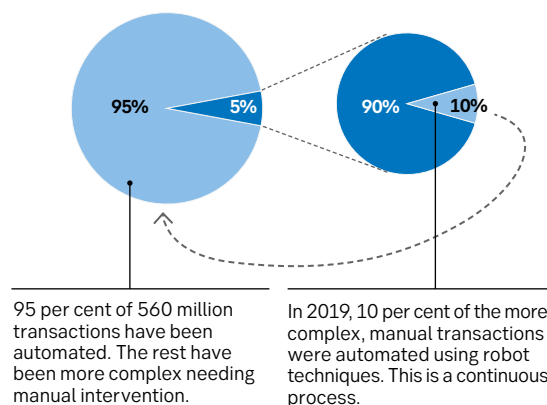
SEB is currently working with five other banks to create a jointly owned company that will develop a platform for managing know-your-customer (KYC) data. The goal is to develop a standardised platform and standardised processes for KYC information. Banks' handling of customer data is an important part of the work against money laundering and the financing of terrorism as well as other financial crime. The company will offer services to large and medium-sized companies in the Nordic countries and the first launch is planned for 2020.

End-to-end automation improves productivity

Centralisation

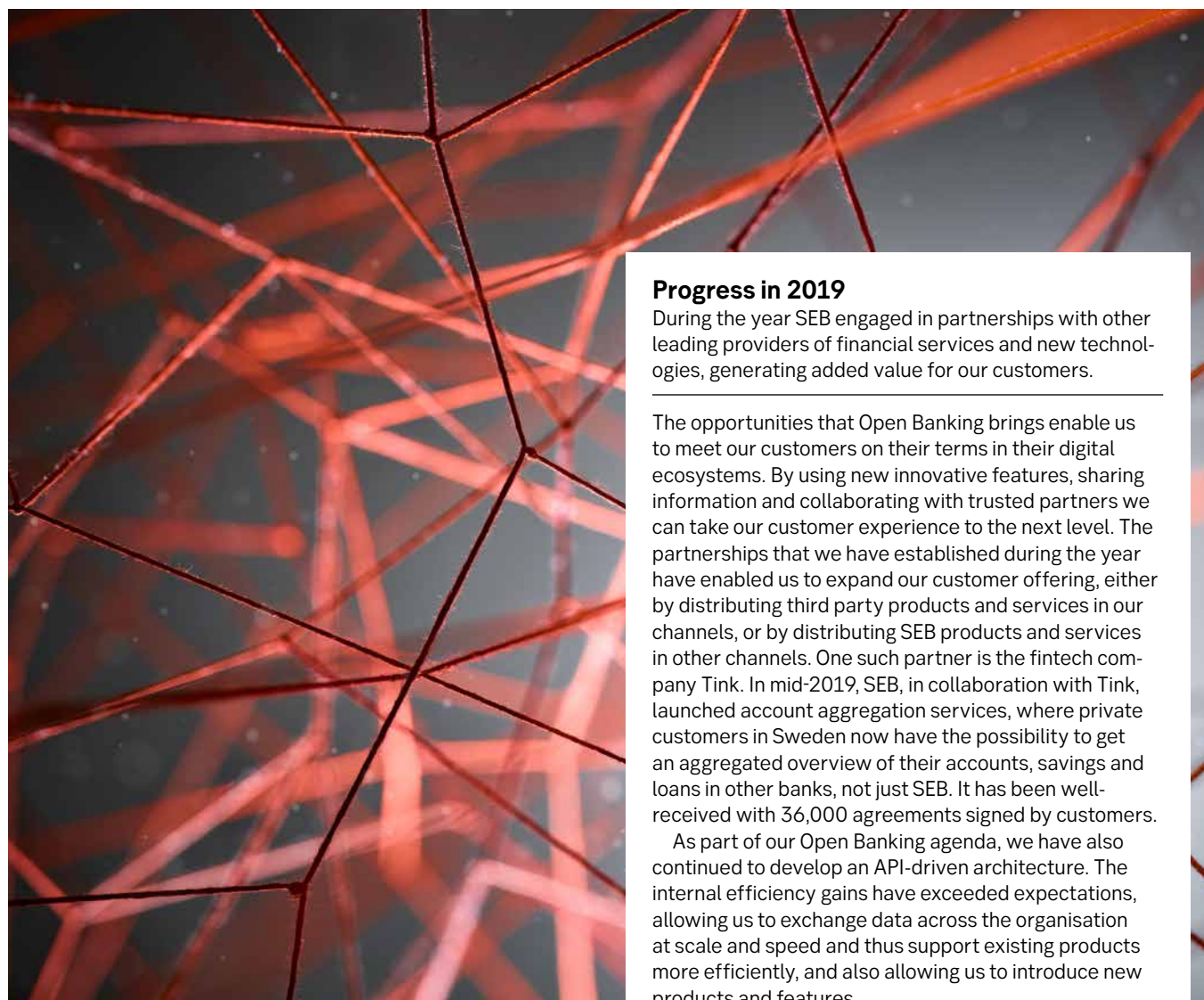


Automation



Extended presence

Meet our customers on their terms in their digital ecosystems and offer a combination of products and services from SEB and our partners.



Progress in 2019

During the year SEB engaged in partnerships with other leading providers of financial services and new technologies, generating added value for our customers.

The opportunities that Open Banking brings enable us to meet our customers on their terms in their digital ecosystems. By using new innovative features, sharing information and collaborating with trusted partners we can take our customer experience to the next level. The partnerships that we have established during the year have enabled us to expand our customer offering, either by distributing third party products and services in our channels, or by distributing SEB products and services in other channels. One such partner is the fintech company Tink. In mid-2019, SEB, in collaboration with Tink, launched account aggregation services, where private customers in Sweden now have the possibility to get an aggregated overview of their accounts, savings and loans in other banks, not just SEB. It has been well-received with 36,000 agreements signed by customers.

As part of our Open Banking agenda, we have also continued to develop an API-driven architecture. The internal efficiency gains have exceeded expectations, allowing us to exchange data across the organisation at scale and speed and thus support existing products more efficiently, and also allowing us to introduce new products and features.

Strategic initiatives

Open Banking

Develop the business in co-operation with external parties.

[Read more on p. 17](#)



ERP integrator

Integrate with enterprise resource planning (ERP) systems in an effort to provide banking services in customers' channels of choice and utilise ERP data to enhance the customer offering.

[Read more on p. 17](#)



Scaling Markets' system

Standardise digital distribution channels in order to serve and meet customer requirements.

SEBx

Explore new technologies and develop new products and services on the fringe of the organisation.

[Read more on p. 17](#)



Activities within the focus area

SEBx – a startup within the bank

Established in 2018, SEBx operates at the fringe of SEB's organisation, with the aim to explore and use new technology to meet future customer needs. The unit is developing a technology platform in collaboration with cutting-edge suppliers of new, innovative and cloud-based technologies, including Google Cloud and fintech startup Thought Machine.

While leveraging new technology, SEBx can also draw upon the strengths of SEB, including access to data, industry knowledge and expertise. In return, lessons learned from SEBx are channelled back into the bank.

The first product launch planned for 2020 is aimed at self-employed people, or the "solopreneurs", with the ambition to simplify their everyday life. The product is currently being tested in a closed beta environment.

Open Banking developer portal

At SEB we aim to simplify life for our customers and to be available for them on their terms in times of need. It is an important component of our Open Banking strategy to increase the distribution of SEB's products and services through partnership and participation in selected digital ecosystems, while offering other actors' products through our channels.

The Developer Portal is our platform for offering APIs (Application Programming Interfaces) to external developers. The ambition is to gradually develop the portal into a broad API platform addressing the global developer network. The portal enables developers to test the integration of the APIs in a production-like environment and also allows SEB to offer its open APIs to the financial ecosystem community.

With respect to APIs related to the requirements of the EU's second Payment Services Directive (PSD2), the portal gives third parties that are licensed by national financial supervisors the opportunity to create solutions on behalf of our mutual customers by providing access to account information and payment initiation features.

Making corporate life easier

In 2019, we partnered with the accounting firm PE Accounting and deepened our co-operation with the firm, which offers proprietary accounting services. The collaboration is a part of our strategic initiative, ERP integrator, to develop integrated services with suppliers of business systems in order to simplify financial administration for our corporate customers.

By linking the customer account with the business system, customers can automate their accounting, manage payments and reconcile accounts more efficiently. Payment information and account transaction reports are automatically transmitted between the systems.

Today we offer the integration with around a dozen accounting firms and suppliers of business systems. Through our in-depth integration with PE Accounting, payment files and reports are transferred every 15 minutes instead of once a day previously, giving customers continuous control over their accounts.

For SEB such partnerships forms the basis for developing other products and services.



Meet Team SEBx

Martina Nordenson, Saurabh Singh, Christoffer Malmer (head), Emelie Magnusson, Neha Saxena

"We are excited, yet humble about the prospect of blending the strengths of the incumbent organisation with the agility and speed of a startup", says Christoffer Malmer.



Meet one of our customers

Adtraction Marketing

Andreas Hagström, CFO

"We are positive to SEB's involvement in PE Accounting and the clear effect this has on provided services. As customers of PE Accounting we are benefiting from for instance local market payments, and we have lowered our costs and increased controls, specifically in terms of real-time liquidity planning", says Andreas Hagström.



Sustainability

The global commitment to sustainability, particularly climate change, increased strongly in 2019. Financial institutions play an important role in the ongoing transition to a low-carbon society through investments and financing activities. We are engaged in this strategically important area and have added the UNEP FI Principles for Responsible Banking to our international commitments.

During the year, international summits such as Global Climate Week, the United Nations Climate Action Summit in New York and the COP 25 Climate Change Conference in Madrid, further highlighted the need to accelerate the pace towards a low-carbon society.

Sustainability has been an integral part of our operations for many years. Since we are seeing ever-greater expectations from our stakeholders, we have increased the pace and intend to play a leading role in the transition to a low-carbon society. The three-year business plan, therefore, includes three related components: innovation, transformation as well as policies and procedures.

SEB has always developed in accordance with society and customers' needs. We now focus on innovating new products and services to meet the increasingly advanced sustainability needs of our customers. In the transformation of our business we classify the credit portfolio and assets under management according to sustainability criteria while strengthening advisory services to assist our customers in their transition. Finally, our own policies and procedures are in focus.

In parallel, we see a need for international co-operation and we are engaged in a number of ways. In 2019, SEB was one of 131 banks globally that signed the UNEP FI Principles for Responsible Banking. These principles reflect the power of collaboration between the private and financial sectors in the transition to a low-carbon society.



Funding raised for new vaccines

In 2019, we contributed to the accelerated development of new vaccines to prevent deadly disease among children. SEB acted as joint lead manager together with Toronto Dominion Bank in the issuance of a NOK 600m bond. The funding will support research and development and make the vaccines available at affordable prices.

The bond was issued by The International Finance Facility for Immunisation, an organisation whose mission is to increase the availability of funding to support the work of the Global Vaccination Alliance.

Innovation

We have introduced a number of new products and services in financing and investments to meet our customers' increasing expectations and needs regarding sustainability.

Financing

Green bonds



SEB is a pioneer in green bonds and has been a leader globally and in the Nordic region in this area for more than ten years. We retain our strong position as an adviser. In 2019, we were given the mandate to act as adviser to the Swedish National

Debt Office when issuing their first green bond in 2020. The main criteria that underpinned the selection of adviser were expertise and experience in green bond issuance, as well as good knowledge of Sweden's environmental and climate policy and government funding – a proof of the expertise that SEB has built up in this area over the years.

Blue bond

In 2019, we arranged a blue bond for the first time, issued by the Nordic Investment Bank, where the capital, SEK 2bn, is earmarked for projects aimed at reducing pollution and protecting the sensitive aquatic environment in the Baltic Sea.

Green car leasing



In 2019, we launched green car leasing, which is yet another way for us to contribute to the shift to a low-carbon society. The solution is offered to corporate customers and organisations that choose electric or biogas cars. Apart from the

fact that the leased cars themselves are more climate friendly than fossil-fuelled cars, the financing is linked to SEB's own green bond.

Green construction loans

SEB now offers the possibility to apply for green construction loans when financing residential and commercial properties of any size. Previously, we have offered this funding for major building projects. SEB uses green funding to finance the properties that are classified as green.

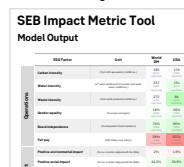
Green mortgages



SEB was the first bank in Sweden to launch green mortgages, which offer a lower interest rate for people who live in climate-smart houses. The loans are available to anyone with housing that fulfils specific requirements, for example the Swedish National Board of Housing, Building and Planning's energy classification criteria, homes with the Nordic Swan eco-label, Sweden Green Building Council certification, and passive house certification. During the year the volume of green mortgages increased to SEK 1.5bn.

Investments

SEB Impact Metric Tool



The SEB Impact Metric Tool, is a quantitative analysis tool that measures sustainability in equity portfolios. In 2019, the tool was further developed so that, in addition to measuring the extent to which an investment portfolio is aligned with the UN Sustainable Development Goals (SDGs), it also measures the percentage of a portfolio that can be classified as green according to the EU taxonomy. In 2019, we measured more than 100 customer portfolios.

SEB FRN Fond Hållbar

The fixed income fund SEB FRN Fond Hållbar was launched in 2019. The fund, which includes investments in Nordic corporate bonds with variable interest rates, excludes companies that extract fossil fuels and invests in green bonds where the capital is earmarked for climate and environmental projects. At year-end the fund had approximately SEK 7.6bn in assets under management.

Lyxor SEB Impact Fund



THE GLOBAL GOALS
For Sustainable Development

The new Lyxor SEB Impact Fund invests in companies that contribute to solving future global challenges. The companies operate in five areas linked to the UN's Sustainable Development Goals – sustainable energy, water supply, food and agriculture, resource efficiency and social development. At year-end, the fund had SEK 1.4bn in assets under management.

Discretionary portfolio Responsible

For SEB's Private Banking customers, we offer the discretionary portfolio Responsible. It consists of three sub-portfolios in the asset classes Swedish and global equity investments as well as fixed income investments. The fund manager works actively to include securities, mainly funds, that have a clear working method based on international standards for human rights, labour law, environment and anti-corruption. Assets under management grew from SEK 194m to SEK 1.5bn in 2019.

Microfinance funds

SEB is one of Europe's largest microfinance fund managers. Through some 60 microfinance institutions, SEB's funds offer loans to people with lower income in developing countries, who are often excluded from financial markets. Microfinance is today the most established asset class within the field of impact investments, with its success founded on the ability to offer investors both an attractive financial return and contribute to socioeconomic development for this target group. SEB manages 7 microfinance funds (including Impact Opportunity Fund) with a total value of approximately SEK 9bn (7), reaching more than 25 (23) million entrepreneurs in 59 (40) developing countries.

Business transformation

We focus on transforming our own business and assisting our customers in their transformation and contribution to a low-carbon economy.

Transforming our credit portfolio

During 2019, SEB initiated a classification of the credit portfolio for large corporate customers according to an environmental, social and corporate governance (ESG) classification framework. The aim is to gain a better understanding of both the climate impact of our customers' business and how climate change affects their repayment capacity and thus asset quality. We are convinced that by conducting a more in-depth analysis of risks and opportunities we can provide better advice to our customers.

Sustainable mutual funds

In 2019, SEB's largest mutual fund, SEB Världen, was converted to be managed according to SEB's sustainability criteria and was renamed as SEB Hållbarhetsfond Världen. The fund, with approximately SEK 42bn in assets under management, is now excluding – among others – companies involved in fossil fuels and tobacco while at the same time including companies that work actively to reduce climate impact.

“Customers' SDG focus is on climate action, clean water and sanitation.”

In addition to our own funds, we offer externally managed funds in all customer segments. The funds are ranked on a four-degree scale according to how actively they integrate ESG aspects into their investment processes. The evaluation currently covers 64 funds globally.

Furthermore, in 2019, we initiated a harmonisation of SEB's internal and external offering of sustainable funds.

Responding to customer views


For the third year in a row, customers with savings in SEB's funds were asked which of the UN Sustainable Development Goals they think are the most important for SEB to address. More than 7,000 customers responded. Additionally, this year some 600 traditional insurance customers answered similar questions.

Climate Action as well as Clean Water and Sanitation are the top areas the customers would like us to prioritise when we invest their capital.

As a result of the surveys, SEB's fund company collaborates with, among others, the Institutional Investors Group on Climate Change (IIGCC), which conducts active impact dialogues with the 100 companies that account for the largest CO₂ emissions

globally. These are for example companies in the oil and gas industry. In 2019 the collaboration in IIGCC contributed to the setting of long-term targets to reduce emissions, by corporations like Shell and Equinor. BP has agreed to set out how each of its major investments is compatible with the Paris Agreement. We have also engaged in organisations such as the Water Equity and the CDP's Water Security Program, both of which are working to solve global challenges related to water supply.

Growing demand for advice

SEB strives to support customers in their ongoing transition. Customers in an increasing number of categories appreciate and request advice on sustainability matters, and SEB is developing products and services to support them in this work. A specific strategic initiative in the three-year business plan focuses on renewable energy services.  See p. 13.

In 2019, employees in the Life division at the Remote Advisory Centre in Sundsvall, Sweden, underwent training in sustainability, which is now a natural part of remote advice. An internal evaluation shows that customer satisfaction in this area was 97 per cent and that a clear majority of private customers indicated a high sustainability investment preference.

Sustainability advice was strengthened for our Private Banking customers. More than 1,000 Swedish customers attended meetings where, among others, our fund managers provided information on SEB's offering of so-called impact investing. In 2019, some 230 Private Banking advisers and coordinators in Sweden underwent training in this area.

Policies and procedures

In addition to the customer-oriented activities, we focus on our own operations. We continuously review and upgrade our sustainability-related policies and procedures. We are working to reduce our own CO₂ emissions and we are increasing internal training in order to build competence.



Hydro's sustainability-linked financing

The Norwegian industrial group Norsk Hydro ASA, Hydro, is an aluminium company with 35,000 employees in 40 countries.

In 2019, Hydro established its first sustainability-linked financing. The margin on the 1.6 billion dollar revolving credit facility will be adjusted based on whether the company meets its target to reduce greenhouse gas emissions by 10 per cent by 2025. The margin is adjusted downwards if Hydro lives up to the goal, and vice versa in case it does not.

SEB was sustainability coordinator and lead arranger in the loan syndication. The relation with Hydro dates back to the early 1900's when SEB helped finance Hydro's start up.



“The transaction is a confirmation of the strong relationship between Hydro and our core banks, among them SEB. It reflects the trust built over many years and is a good example of the close link between profitability and sustainability”, says Pål Kildemo, CFO.

SEB in society

As a bank SEB is an integral part of society. We have a long history of contribution to a sustainable society through promoting innovation and opportunities for entrepreneurship as well as through empowering future generations.

SEB believes in entrepreneurship

At SEB we have a fundamental belief that entrepreneurs build strong societies. Enterprise and innovation play an important role in solving social as well as climate-related challenges. We, therefore, support people with ideas and aspirations to drive change.

Through “SEB’s entrepreneurial staircase” we have created a power house for business, job creation, integration and future hope, in cooperation with some 15 leading organisations engaged in Swedish enterprise.

Entrepreneurs are offered support at all levels, from the help that Junior Achievement gives high school students to start their own businesses, up to the global Entrepreneur of the Year contest, which recognises established entrepreneurs as role models.

SEB’s Entrepreneur Camp focuses on youths aged 16–18, who are provided with tools and guidance to realise their ideas and start a business. Since 2017, seven one-week camps have been conducted in various parts of Sweden with the participation of some 250 youths in total.

SEB also supports Carrus Network, which was started by former participants at SEB Entrepreneur Camp. Over a two-year period some 300 youths have attended events focusing on future-oriented themes such as entrepreneurship, technology, sustainability and personal development.

Supporting social entrepreneurs

Social entrepreneurs are playing an ever more important role in society, where social and economic gaps as well as inequality are increasing.

SEB is developing training in social entrepreneurship in collaboration with Inkludera Invest, an umbrella organisation for social entrepreneurs that provides support to groups in society that are at risk of exclusion.

In 2019, SEB attended the Social Innovation Summit in co-operation with Malmö University and others. Focus was on innovation that contributes to solving complex societal challenges. SEB’s innovation team in sustainable financing presented their work on financing social initiatives and environmental projects.

Together with Ikea, H&M and Sida, SEB is a main sponsor of we_change, Sweden’s largest sustainability initiative



Plaster that kills bacteria

A plaster that is effective against all types of bacteria, including those resistant to antibiotics – this is the business concept of the start-up company Amferia, founded by Saba Atefyekta, Anand Rajasekharan and Martin Andersson. They were awarded as “Start-up of the Year” at the Swedish finals of Venture Cup which is supported by SEB.

for youths. We_change aims to create conditions for youths, businesses, municipalities, authorities and organisations to meet on issues related to our common future. Since its start in 2011, we_change has reached nearly 70,000 youths.

In the Baltic countries SEB has partnered with the Tallinn University Social Entrepreneurship Program which aims to support entrepreneurs design and implement solutions to social, cultural and environmental issues. Here, we are contributing our knowledge of design methods such as “service design”, a work method that is used internally at SEB, and with its focus on adjusting to customer needs is useful for new entrepreneurs.

Since 1997, SEB has been working together with Mentor, an organisation dedicated to building relationships and trust between young people and adults. Every year SEB employees reach thousands of youths through their participation in Mentor programmes such as Individual mentorship and Jobbmentor. Further programs are being developed, such as SEB Inclusion where young people learn to counter bias and to create a more inclusive society, and Proffsmentor Entrepreneurship which teaches youths how to develop an idea further to start a company or find a job. Every year more than 20,000 youths participate in Mentor Sweden’s various programmes.

The role of banks in society

Banks play a key role in order for society to function. The services and infrastructure we provide are instrumental in creating economic growth and social value. SEB makes it possible for households, entrepreneurs and businesses to finance, invest and manage payments and savings. We identify and manage risks as well as opportunities, thereby promoting economic development, growth, new jobs and international trade, and contribute to financial security.

SEB’s entrepreneurial staircase

- Entrepreneur of the Year
- The Golden Gavel (Guldklubban)
- Settler of the year (Årets nybyggare)

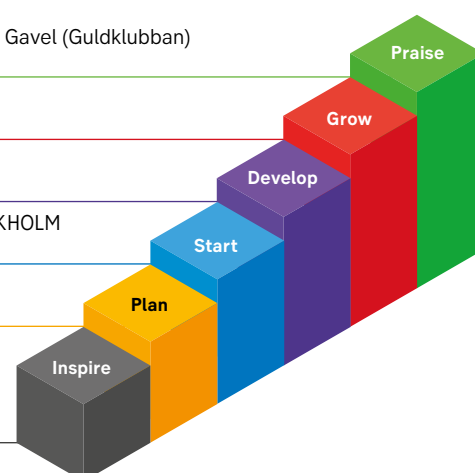
- SUP46
- YEoS
- Connect

- Inkludera Invest
- Business Challenge
- Minc
- E-Commerce Park

- Enterprise agencies
- START-UP STOCKHOLM
- Uppstart Malmö
- Greenhouse

- Venture Cup

- Junior Achievement
- Prince Daniel’s Fellowship
- Carrus Network
- SEB Entrepreneur Camp





Our employees

To work at SEB is to be a positive force in society by helping customers achieve their goals. **Our people are at the core of everything we do** and we support their development. We firmly believe that diversity and inclusion are crucial for success.

SEB's annual employee survey shows that our employees are engaged and feel that they can develop and grow. The survey also shows that employees have confidence in SEB's management and feel that they have the opportunity to express their views and influence decisions. The key performance indicators for employee engagement remain at historically high levels and above the average for the international financial sector. ➤ See p. 25.

Employee statistics

	2019	2018	2017
Employees, average full-time equivalents	14,939	14,751	14,946
Employees, average	15,691	15,683	15,946
Sweden	8,013	7,972	8,053
Other Nordic countries	988	1,121	1,304
Baltic countries	5,544	5,348	5,213
Other countries	1,146	1,243	1,376
Employees at year-end	15,819	15,562	15,804
Employee turnover, %	12.1	12.9	12.8
Employees by gender, %			
Male	44	43	43
Female	56	57	57
Sick leave, % (in Sweden)	2.9	2.9	2.9
Female managers, %	47	45	47
Employee engagement	80	Method changed (no comparable data)	

Co-workers in photo above, from left Nicoleta Stepman, Junior Gonzalez, Mikael Warsén, Gustav Jonasson and Thina Eriksson.

SEB Campus – continuous learning

Our philosophy is that competence development is achieved above all through continuous learning in the daily work and in collaboration with others. However, in pace with the changes taking place in the financial sector – just like in society at large – requirements on development and competence shift are steadily increasing for all employees. Toward this end, the bank's own digital platform for learning, SEB Campus, was launched in 2019, offering courses and e-learning provided by international universities and business schools as well as by internal experts at SEB.

Every year SEB conducts strategic workforce planning of its future competence needs in which every department identifies future key competences, determines development needs for existing professional roles and conducts succession planning. The results are then used to design the curriculum for SEB Campus.

Diversity for innovation and growth

Inclusion and diversity are crucial for driving innovation and growth, and for the ability to provide world-class service to our customers and to society at large. Since 2018, SEB has a dedicated manager with responsibility for inclusion and diversity, and a number of activities in this area were arranged for all SEB employees during 2019. On an overall level SEB reports a balanced employee gender ratio. On senior manager levels, SEB is working towards increasing the balance, partly through key performance targets.

To raise awareness of the importance of diversity, SEB designed training courses, conducted dialogues on inclusion and hosted roundtable discussions with

employees and management. Two events were arranged, focusing on the power provided by people with different perspectives.

During the year SEB's talent programme started a collaboration with the company TNG, which specialises in unbiased recruitment. The recruitment process entails anonymisation of applications where the selection of applicants is based on tests of personal competence and skills. Assurance is made early in the recruitment process that the candidates' motivations and values are aligned with SEB's. The SEB managers do not see the applicants' records until the final interviews, when only two candidates remain. The contract with TNG extends over three years and the result after the first year shows a greater diversity of participants.

Labour law and unions

Our employees are covered by central cross-sector collective agreements or local company-specific collective agreements. SEB has a European works council with representatives from all EU and EEA countries in which the bank is represented.

Both employees and managers are offered training and support when involved in a reorganisation. Employees also get support in finding new work, whether internally or externally.

Any reorganisations or layoffs are handled in accordance with applicable laws, collective agreements, special procedures and redundancy agreements that have been agreed upon with the unions.

Health and work environment

SEB works long term and preventively to offer a safe and sound workplace to ensure employee well-being and a healthy work-life balance. In Sweden, SEB's level of sick leave remains low, at 2.9 per cent, compared with other industries as well as the financial sector. In 2019, employees were offered, for the first time, a Lifestyle account, in addition to the wellness subsidy they already receive. The account can be used for services in health and work-life balance.

Meet Kathrin and Farhad



Kathrin Grahn, *joined SEB in 1977*

"I work as a customer service adviser in Malmö. During my years at the bank, I have had the privilege to work with customers giving me both energy and joy. Furthermore, my wonderful colleagues make me still, after 42 years, go to work with a smile on my face. I hope my colleagues appreciate my experience, and I am still learning new things from them every day."



Farhad Johari, *joined SEB in 2016*

"I work as a systems developer in our life insurance operations. It is an environment with complex challenges, which is fun. At SEB, we are good at collaborating. We all have different knowledge and share our skills. When I joined SEB, I wasn't sure I would fit in and thought that people working in a bank would be fairly stereotype. But it was, as it usually is with prejudice, completely wrong. SEB is a fun workplace with space for many different types of people."

Our core values

SEB's core values serve as the foundation for ways of working and culture. In combination with the vision – to deliver world-class service to our customers – they serve to motivate and inspire employees, managers and the organisation as a whole. These values are described in our Code of Conduct, which provides guidance on ethical matters for all employees.

Customers first

We naturally put our customers' needs first, always seeking to understand how to deliver real value.

Commitment

We are personally dedicated to the success of our customers and are accountable for our actions.

Collaboration

We achieve more because we work together. We share, challenge and learn from our experiences as a team.

Simplicity

We strive to simplify what is complex. We respect our customers' time by being accessible, straightforward and transparent.

➤ [Read the Code of Conduct on *sebgroup.com*](#)

Overall targets and outcome

The progress of the strategy and three-year business plan is monitored and measured at many levels. These selected key metrics provide a progress overview.

> Customers

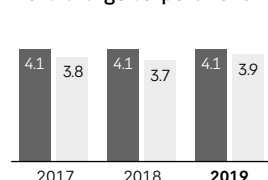


Customer experience and satisfaction

Both internal and external metrics are used to measure customer satisfaction. Prospera's external overall performance measurement and the internal measurement of customers' willingness to recommend SEB are key measures.

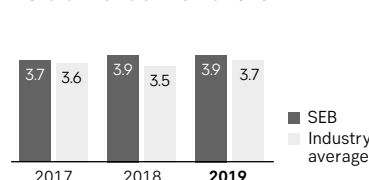
Overall performance

Nordic large corporations¹⁾



1) According to Prospera's ranking

Nordic financial institutions¹⁾



Target

Leading position in selected customer segments and meeting or exceeding the internal customer satisfaction targets.

Prospera

In Sweden, SEB was ranked as no. 1 by the overall and tier 1 customer groups, among both corporate and financial institutions – throughout the three-year period.

Swedish Quality Index

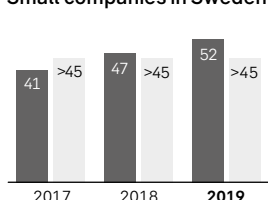
In the Swedish Quality Index measurement of customer satisfaction banks' scores overall improved somewhat. For SEB, both private and corporate customers' satisfaction improved and the gap to the leading competitor closed in.

Next step

The business plan focuses on improving the customer offering in many ways and thereby customer satisfaction.

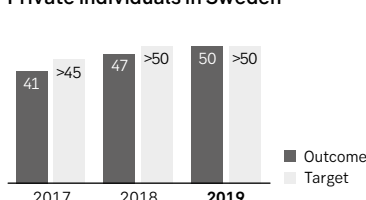
Customers' willingness to recommend SEB

Small companies in Sweden²⁾



2) According to SEB's Net Promoter Score method. Outcome represents a 12-month average for advisory services.

Private individuals in Sweden²⁾



> Shareholders

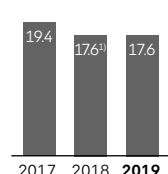


Financial targets

Through the resilience and flexibility that come from a strong capital base, good access to funding, high credit ratings and cost efficiency, SEB can create shareholder value in varying market conditions. Based on the strategy and business plan, the Board of Directors sets three financial targets that contribute to financial strength.

Common Equity Tier 1 capital ratio

Per cent



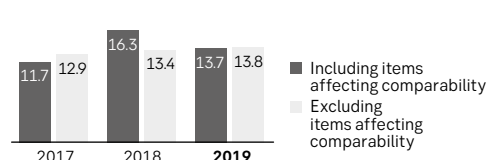
1) Reflects changed SFSA requirements without which the outcome would have been 20.1 per cent.

Target

SEB shall maintain a Common Equity Tier 1 (CET1) capital ratio that is around 1.5 percentage points above the regulatory requirement. At year-end 2019 SEB's buffer was 2.5 percentage points. SEB's applicable CET1 requirement from the Swedish Financial Supervisory Authority was 15.1 per cent.

Return on equity (ROE)

Per cent

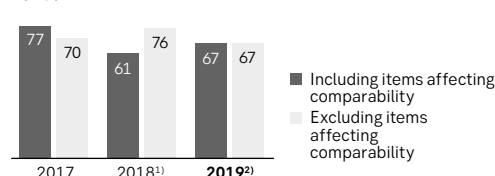


Target

SEB shall generate a competitive return on equity. This means that the bank in the long term aspires to achieve a 15 per cent return on equity.

Dividend payout ratio

Per cent



1) Based on a total dividend of SEK 6.50 for 2018, which consisted of SEK 6.00 as ordinary dividend and SEK 0.50 as extraordinary dividend.

2) No items affecting comparability in 2019.

Target

40 per cent or more of earnings per share. SEB strives for long-term growth in dividend per share. The size of the dividend takes into account SEB's financial position, the prevailing economic situation, earnings, regulatory requirements and opportunities for growth.

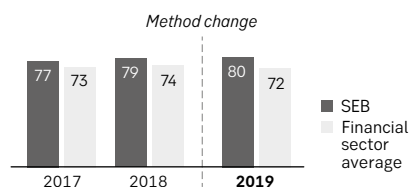
> Employees



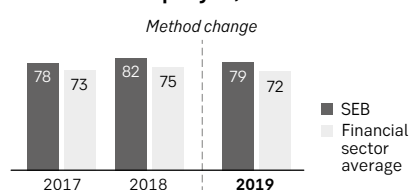
Motivation and engagement

SEB carries out an annual employee survey to measure employee engagement and the employee view of SEB as a place to work.

Employee engagement, index



SEB as an employer, index¹⁾



1) Employees' willingness to recommend SEB as an employer.

Target

SEB's target is to be the most attractive employer in the financial sector. Progress is measured through an annual employee survey. In 2019, a new survey method was implemented, limiting comparison with earlier years.

Comment

SEB is strong whether measured by the former or the new survey method and SEB's result for employee engagement was among the top 20 per cent of the financial sector.

Next step

The bank is addressing the findings of the employee survey in many ways. The employees' need for better IT and technology is part of the business plan. Inclusion and diversity issues are being addressed by, among other things, workshops initiated by the manager holding this responsibility.

> Society

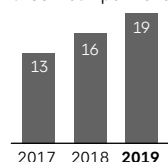


Sustainability

SEB's strategy is to expand its customer offering of sustainability products. As a bank, SEB has relatively low direct environmental impact. However, the ambition is to lower the internal CO₂ impact.

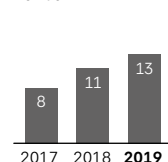
Sustainable financing

Green loan portfolio, SEK bn



Sustainable investments¹⁾

Per cent



1) Share of total assets under management managed according to sustainability criteria.

Comment

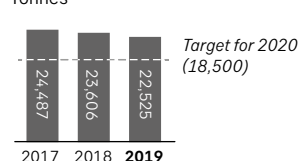
SEB aims to gradually transform credit and investment portfolios towards a sustainable profile.

Next step

Sustainability is a strategic initiative in the business plan where one target is to increase sustainability-related business volumes.

CO₂ emissions

Tonnes



Target

Reduce CO₂ emissions by 20 per cent between 2016 and 2020, to reach 18,500 tonnes CO₂.

Comment

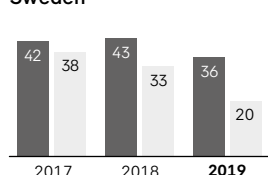
In 2019, SEB reduced its CO₂ emissions by 4.6 per cent, which can be credited mainly to business travel. Emissions related to business travel amounted to just over 50 per cent of total CO₂ emissions.

Reputation

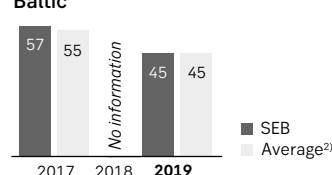
SEB monitors the result of Kantar's Corporate Reputation Index which measures the bank's reputation among the general public.

Corporate reputation index¹⁾

Sweden



Baltic



1) Kantar Sifo in Sweden and Kantar Emor in the Baltic countries.

2) Sweden: SEB, SHB, Swedbank, Nordea, Danske Bank.

Baltic countries (in 2019): SEB, Swedbank, Luminor, LHV, Citadele, Siauliu.

Target

Reduce the gap to the no. 1 in the industry and in the long term have the strongest reputation among industry peers.

Comment

SEB was ranked as no. 2 in Sweden, Estonia, Latvia and Lithuania.

Next step

SEB will continue to take an active part in society, promoting entrepreneurship and contributing to a sustainable economy.

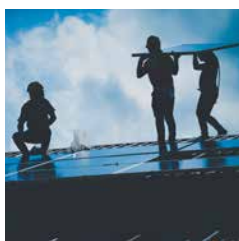
Long-term value creation

Customer centricity, long-term perspectives and financial strength form the foundation for meeting the expectations of customers, employees and society at large. Ultimately, this creates value for the shareholders.

Meeting stakeholders' expectations

via SEB's business model

Customers



1.7 million corporate and private home bank customers

The customers' needs are at the core of the bank's business. Customers' high expectations on both personal and digital service, on quality advice and on sustainable solutions drive the bank's business development and offerings.

Shareholders



265,000 shareholders

The capital provided by SEB's shareholders is a prerequisite for conducting the bank's business. The shareholders expect a competitive and sustainable return on their capital. Many of the major owners have a long-term perspective on their engagement in the bank.

Employees



15,000 employees

Our employees build and deepen customer relationships. Their commitment, skills and continuous learning are key success factors for the bank's business and future development.

Society



Society at large

Banks play an integral role in society and are vital for creating economic growth, social value and for the transition to a low-carbon society. With this comes an expectation that the bank takes great responsibility for how it acts, to enable society to continue to develop in a sustainable way.

Long-term strategy

SEB's long-term vision is to deliver world-class service to our customers. We maintain our deep customer relationships and meet their needs by being innovative and taking advantage of new opportunities – all with a long-term perspective.

Personal and digital services

Proactive quality advice and a holistic, digital and personal offering are provided at the customers' convenience, based on customer insight.

Agile and proactive development

Products and services are developed proactively and with agility, based on customer preferences, market outlook and at the forefront of digital technology.

Secure and functional IT

The IT structure promotes stability in the daily operations, enables analysis of a large amount of data as well as promotes agile development and design of products, services and processes.

Value creation based on trust

Banks play a fundamental role in society by acting as an intermediary providing, and advising on, a wide range of financing and savings solutions, risk management and payment services. SEB's operations impact – and is impacted by – customers, shareholders, employees and society. Their trust is a prerequisite for SEB's license to operate. This is why the bank adapts to a changing environment, acts in accordance with expectations and regulations,

and provides services that are proactive, insightful, transparent and accessible on customers' terms.

In addition, high ethical standards are being upheld internally in order to maintain stakeholders' trust. SEB's code of conduct and internal rules are in place supported by a culture based on openness, business acumen and SEB's core values.

➤ [Read more about the Code of Conduct on p. 23 and on *sebgroup.com*](#)

creates sustainable value

Financial strength

Financial strength gives the resilience and flexibility required to serve customers in both good times and bad.

Solid corporate governance

Corporate governance is based on clear allocation of responsibility, a well developed structure for internal control and owner involvement.

Sound risk management

To meet customers' needs we assume and manage risks. We know our customers well and risks are mitigated by prudence, risk awareness and expertise throughout the organisation.

– for our customers

By providing proactive advice and a wide range of digital and personal services, we support our customers' long-term aspirations and add value in all phases of life of individuals and development stages of companies and institutions.

➤ [See p. 6–20.](#)

– for our shareholders

Dividends and increase in market value over time contribute to shareholders' financial security and enable new investments. SEB's competitiveness is increased and long-term risks are reduced through the integration of environmental, social and governance aspects in business operations.

➤ [See p. 36.](#)

– for our employees

Our employees take part in, and value, the opportunities for learning and further development that are integrated in SEB's business. Employees also participate in the many partnerships that SEB supports to help communities develop and prosper.

➤ [See p. 22.](#)

– for society at large

SEB intermediates financial solutions, provides payment services and manages risks, which together promote economic growth and prosperity. We pay taxes and fees according to local rules where we operate. SEB takes responsibility as a provider of financing and as an asset manager and works proactively with environmental, social and governance issues.

➤ [See p. 21.](#)

Financial value created and distributed 2019

SEK 65bn

Interest paid to customers and bondholders
SEK 19bn

Dividends paid to shareholders
SEK 14bn

Salaries, pensions and benefits to employees
SEK 12bn

Payments to suppliers
SEK 11bn

Taxes and social charges
SEK 7bn

Regulatory fees
SEK 2bn

Income statement

The business sentiment in SEB's markets was in general positive. SEB's operating profit, before items affecting comparability, increased by 9 per cent. The bank's financial position is strong and a dividend of SEK 6.25 per share is proposed by the Board of Directors. The closing price of the SEB class A share was SEK 88.08.

Description

Operating income

Net interest income consists mainly of the difference between income from customer lending and expenses associated with customer deposits and borrowings. The interest margins differ in various markets, mainly due to varying maturities and risks. Changes in the margins as well as in the loan and deposit volumes have a major bearing on net interest income. In addition, net interest income is affected by the return on holdings of interest-bearing securities and interest expense on the bank's issued securities used to fund the operations. Regulatory fees for financial stability purposes are also reported as net interest income.

Net fee and commission income, which includes commissions from various services such as lending, advisory services, payments, cards and securities has long been a larger source of revenue for SEB than for other Swedish banks. This is because SEB works to a greater extent with services for large corporations and asset management.

Net financial income includes both realised gains and losses associated with trading of equities, bonds, currencies and other financial instruments, and unrealised changes in the market value of securities. The trend in the financial markets plays a great role.

Other income, net, includes certain capital gains, dividends, hedges and other items.

Operating expenses

The largest operating expense consists of *staff costs* for the bank's some 15,000 employees. Other operating expenses consist primarily of IT costs, consulting costs and costs for premises.

Depreciation, amortisation and impairments of assets pertain to IT costs, for example, which are spread over several years.

Net expected credit losses

Credit losses consist of incurred losses as well as provisions for expected losses where SEB has determined that the customer likely will be unable to fulfil the payment obligations.

Net profit

Net profit for the year forms the basis for calculating earnings per share and the proposed dividend to the shareholders.

Income statement

SEK m	2019	2018
Net interest income	22,950	21,022
Net fee and commission income	18,709	18,364
Net financial income	7,617	6,079
Net other income	858	402
Total operating income	50,134	45,868
Staff costs	-14,660	-14,004
Other expenses	-6,623	-7,201
Depreciation, amortisation and impairments of assets	-1,662	-735
Total operating expenses	-22,945	-21,940
Profit before credit losses	27,190	23,928
Gains less losses from tangible and intangible assets	-2	18
Expected net credit losses	-2,294	-1,166
Operating profit before items affecting comparability	24,894	22,779
Items affecting comparability		4,506 ¹⁾
Operating profit	24,894	27,285
Income tax expense	-4,717	-4,152
Net profit	20,177	23,134

1) SEB divested SEB Pensionsförsäkring A/S and SEB Administration A/S (SEB Pension) to a subsidiary of Danske Bank. The in principle tax-free capital gain amounted to SEK 3,565m. The Finnish company Asiakastieto Group Plc acquired UC AB. For its share in UC, SEB received shares in Asiakastieto and SEK 0.3bn in cash. The tax-free capital gain amounted to SEK 941m.

The result for 2019

Operating income

Total *operating income* increased by 9 per cent to SEK 50,134m.

Net interest income increased by 9 per cent to SEK 22,950m, mainly due to growing lending volumes as both corporate and mortgage lending increased. The Swedish repo rate increased which led to lower interest expenses. The regulatory fees for financial stability purposes amounted to SEK 2,129m which was 15 per cent lower than 2018, in line with current regulation.

Net fee and commission income increased by 2 per cent to SEK 18,709m. The corporate customers were active and demand for capital market financing, advisory services and corporate lending was high. Payment and card fees increased while fee income from assets under management decreased.

Net financial income increased by 25 per cent to SEK 7,617m. Both corporate and institutional customers were actively managing their risk and investment portfolios, especially in parts of the year when the financial markets were more active. There were also positive market valuation effects.

Net other income increased to SEK 858m. The result consisted mainly of capital gains, dividends and hedging effects. The divestment of SEB's holding in LR Realkredit A/S was completed at a capital gain of SEK 259m.

Operating expenses

Operating expenses increased by 5 per cent to SEK 22,945m, primarily driven by the strategic initiatives, salaries and an acceleration of investments in capabilities to prevent financial crime.

Net expected credit losses

Net expected credit losses increased to SEK 2,294m, driven by a few corporate engagements. The asset quality overall continued to be high and the net expected credit loss level was continued low at 0.1 per cent of credit volumes.

Profit

Operating profit before items affecting comparability increased by 9 per cent to SEK 24,894m. In 2018, items affecting comparability at an amount of SEK 4,506m affected the operating profit. Taking items affecting comparability into consideration, operating profit decreased by 9 per cent. Net profit amounted to SEK 20,177m and earnings per share amounted to SEK 9.33.

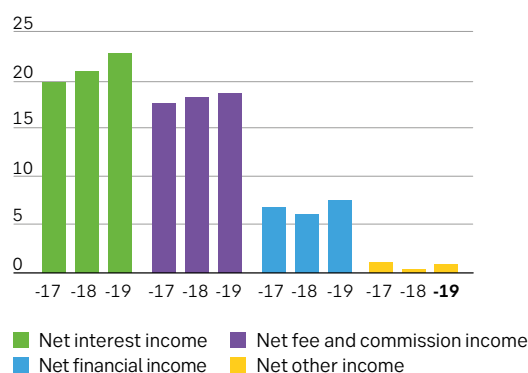
Dividend

SEB strives to achieve long-term dividend growth without negatively impacting the fulfilment of the bank's capital targets. The annual dividend per share shall correspond to 40 per cent or more of earnings per share. Each year's dividend is assessed in the light of prevailing economic conditions and the group's earnings, growth possibilities, regulatory requirements and capital position.

For the year 2019, the Board of Directors proposes a dividend of SEK 6.25 per share to be distributed to the shareholders, corresponding to 67 per cent of earnings per share. The total dividend amount is SEK 14bn.

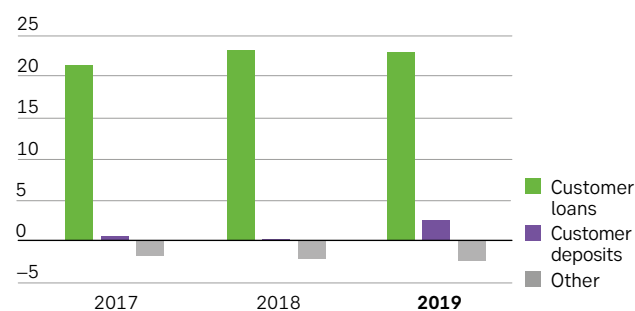
Operating income

SEK bn



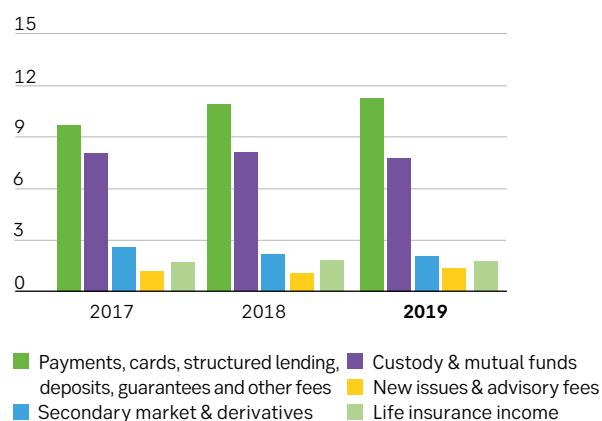
Net interest income

SEK bn



Fee and commission income, gross

SEK bn



Balance sheet

Simply put, traditional banking is a matter of helping to move capital between customers with a surplus of capital and customers in need of borrowing. Customers' needs vary widely with respect to amounts, maturities and other terms. In its role as an intermediary, SEB uses for instance household savings and deposits for corporate and long-term mortgage lending.

Description

Assets

Loans to the public account for more than half of total assets. The bank holds debt securities for customer trades and its own liquidity management and equity instruments are held for customer trading purposes. Financial assets for which the customer bear the investment risk consist mostly of customers' unit-linked insurance.

Liabilities and equity

The main item is deposits and borrowings from the public. Debt securities are issued by SEB for funding purposes. Financial liabilities for which the customers bear the investment risk represent the bank's liabilities for customers' unit-linked insurance. Total equity consists of the share capital, capital contributions and retained earnings.

Assets under management and custody

Both assets under management (for instance mutual funds) and custody are primarily reported outside the balance sheet.

Development in 2019

Balance sheet

Total assets at 31 December 2019 were SEK 2,857bn which corresponded to an increase of SEK 289bn during the year.

Assets

Lending to the public increased by SEK 193bn. Both large and small companies in Sweden, the Baltic countries and internationally were active and demanded financing and advice on financial transactions. Similarly, private customers across SEB's markets demanded mortgage loans. Debt securities increased by SEK 82bn.

Liabilities

Deposits and borrowings from the public increased by SEK 50bn. Issued securities increased by SEK 178bn.

Equity

The net profit for 2019 increased equity by SEK 20bn. The dividend for 2018 that was paid out in 2019 decreased equity by SEK 14bn. Total equity amounted to SEK 156bn.

Assets under management and custody

Total assets under management increased to SEK 2,041bn, due both to a market value increase and a volume net inflow. Assets under custody increased with several new mandates and a market value increase to SEK 10,428bn.

Balance sheet

Assets

SEK m	2019	2018
Cash and cash balances at central banks	146,691	209,115
Loans to central banks	4,494	33,294
Loans to credit institutions	46,995	44,287
Loans to the public	1,837,605	1,644,825
Debt securities	238,578	156,128
Equity instruments	78,482	50,434
Financial assets for which the customers bear the investment risk	316,776	269,613
Derivatives	139,427	115,463
Other assets	47,598	44,357
Total assets	2,856,648	2,567,516

Liabilities and equity

SEK m	2019	2018
Deposits from central banks and credit institutions	88,041	135,719
Deposits and borrowing from the public	1,161,485	1,111,390
Financial liabilities for which the customers bear the investment risk	317,574	270,556
Liabilities to policyholders	26,547	21,846
Debt securities issued	858,173	680,670
Short positions	27,343	23,144
Derivatives	122,192	96,872
Other financial liabilities	2,449	3,613
Other liabilities	97,144	74,916
Total equity	155,700	148,789
Total liabilities and equity	2,856,648	2,567,516

Risk management in SEB

A bank's fundamental role from a financial perspective is to intermediate transfers of money between companies and private individuals who want to borrow, invest, save or make payments. SEB must manage all types of risks that arise in connection with customers' activities.

SEB accepts risk to create value for customers and shareholders and risk management is necessary for the bank's long-term profitability. Banks must hold capital to cover their risks. At year-end 2019, SEB's capital was 17.6 per cent of the measured risks (common equity tier 1 capital ratio). This is one of the highest capital ratios among European banks.

High asset quality

SEB's main risk is credit risk. The credit portfolio increased to SEK 2,498bn from SEK 2,292bn during the year. The weaker but still positive economic development in SEB's home markets resulted in sound growth. In a historical perspective, the asset quality was high and the net expected net credit loss level remained low at 0.1 per cent of the credit volumes.

Measuring and managing climate-related risk

Different types of climate-related risks may potentially affect SEB over different time horizons. In the short to medium term, reputational risk may increase among stakeholders due to concern regarding SEB's handling of climate issues. In a longer term, customers' creditworthiness and collateral values is at stake. The bank's strategic work in relation to climate change takes two perspectives into consideration. One is the need to understand SEB's customers' impact on climate; the other is the effect of climate change on SEB's customers' business models and repayment capacity.

SEB has signed the UNEP FI Principles of Responsible Banking and committed to the Task Force for Climate related Financial Disclosure (TCFD), both of which aim at the financial industry taking a higher responsibility for climate issues and supporting the UN sustainable development goals.

SEB's first attempt to quantify the credit exposure to carbon-related assets was conducted during the year. The preliminary result was that this exposure amounted to between 6 and 7 per cent of the total credit exposure as per year-end 2019. The quantification will eventually be one of the factors used in the bank's strategy.

SEB recognizes that banks have an important role to play in contributing to limit the average global temperature rise and has the ambition to align its risk appetite and strategy to be consistent with the Paris Agreement targets. In 2019, SEB defined a maximum risk appetite in absolute terms for its oil and gas portfolio. SEB will continue to support its customers active within the oil and gas sector in their transition journey and responsibly engage with them to encourage sustainable transformation.

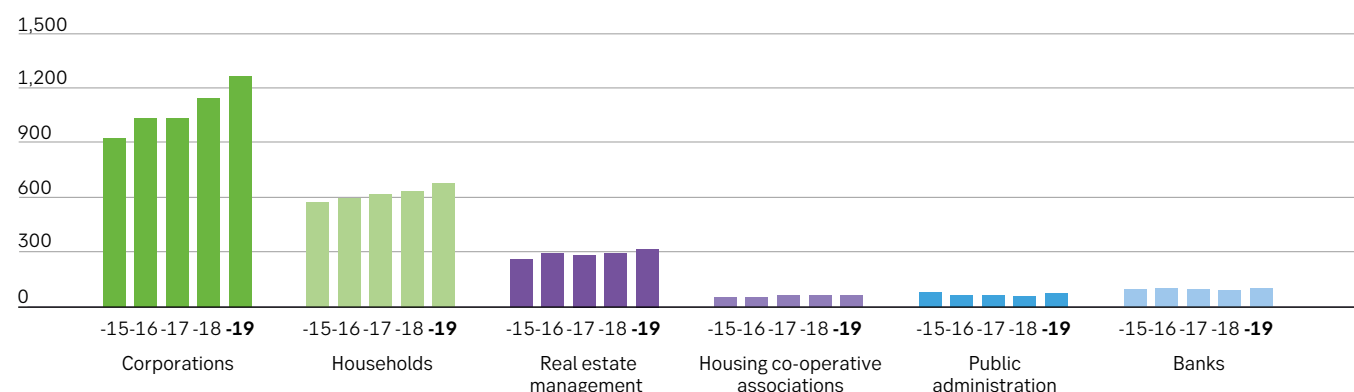
Anti-money laundering

With globalisation and greater movement across borders, money laundering and financing of terrorism have become a serious international problem. SEB works actively to prevent corruption, money laundering and financing of terrorism in line with applicable rules and regulations. SEB's responsibility is to prevent, detect and report suspicious transactions and behaviours. The bank does this by a thorough know-your-customer process, transaction monitoring and sanction screening. SEB works continuously to develop its capabilities in these areas.

Any suspicious activity that is discovered is reported to the relevant authorities. In such cases, SEB considers terminating or limiting the business relationship, if the identified risk cannot be managed. In 2019, SEB made more than 3,000 suspicious activity reports to the authorities in the countries where the bank operates.

Credit portfolio, development by sector

SEK bn





Chair statement

We aim to be a long-term partner to our customers and create shareholder value by building relationships based on mutual trust. As the world around us continues to change at an ever-increasing speed, it is our ambition to stay even closer to our customers and support them with personalised and proactive advice as well as innovative financial services.

SEB's role in this digital landscape is to support a new generation of entrepreneurs looking to quickly grow their businesses and to contribute to our existing customers' innovation journeys, by supporting them in their transformation.

Sustainability is another area where we work to meet the increasing demand from our customers. This has been high on SEB's agenda for many years. We innovate new sustainable financial services, we provide advice and investments, and we support our customers in their transition to more sustainable business models.

The Board continually works to ensure that SEB has the highest standards of corporate governance, compliance and risk management. Banks' and society's efforts to fight money laundering is an area where regulations have improved over time. Knowing that criminal intent is a moving and evasive target, we continue to invest in competence, artificial intelligence and other technologies to further improve our abilities.

For more than 160 years, SEB has been eager to understand what the future holds. We believe that the best recipe for long-term success is to build on our long-term partnerships with our customers and explore the future together with them. By building our diversified full-service business model, we continue to create long-term value for our shareholders."

Stockholm, February 2020

Marcus Wallenberg, *Chair, Board of Directors*

This is an abbreviated version of the statement of the chair in SEB's annual report.



Main governing bodies of SEB

General Meeting

The General Meeting of Shareholders is the highest decision-making body, which among other things appoints the members of the Board and the bank's auditor. All registered shareholders have the right to participate at the Annual General Meeting and vote for their shares.

➤ See sebgroupp.com for more information.

Board of Directors

The Board of Directors has overarching responsibility for SEB's organisation, management and operations. Important issues handled by the Board include the macroeconomic situation, the bank's financial and risk position, capital and liquidity situation, remuneration, succession planning and compliance as well as quarterly and annual reports.

➤ The Board is presented on p. 34.

President and Group Executive Committee

The President and CEO is responsible for administrating the group's business, including risk management, in accordance with the strategy and policies established by the Board. To safeguard the interests of the group, the President consults with the Group Executive Committee (GEC) on matters of major or principal importance.

➤ The GEC is presented on the next page.



Group Executive Committee

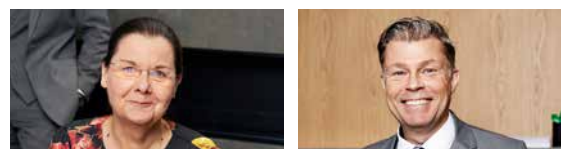
	Position	SEB employee since	Born	Own and closely related persons' shareholdings
1 Johan Torgeby	President and CEO since 2017	2009	1974	312,592 shares and share rights.
2 Magnus Carlsson	Deputy President & CEO since 2014	1993	1956	236,801 shares and share rights.
3 Magnus Agustsson	Chief Risk Officer since 2017	2009	1973	50,319 shares and share rights.
4 Jeanette Almberg	Head of Group Human Resources since 2016	2008	1965	111,551 shares and share rights.
5 Joachim Alpen	Executive Vice President, Co-Head of the Large Corporates & Financial Institutions division since 2017	2001	1967	286,001 shares and share rights.
6 Nicolas Moch	Chief Information Officer since 2018	2008	1972	47,772 shares and share rights.
7 William Paus	Executive Vice President, Co-Head of Large Corporates & Financial Institutions division since 2018	1992	1967	210,013 shares and share rights.
8 Nina Korfu-Pedersen	Head of Business Support and Operations since 2020	2010	1973	53,131 shares and share rights.
9 Mats Torstendahl	Executive Vice President, Head of Corporate & Private Customers division since 2018. Group Data Privacy Senior Manager since 2018	2009	1961	406,115 shares and share rights.
10 Riho Unt	Head of Baltic division since 2016, Group AML Senior Manager since 2018	2001	1978	102,058 shares and share rights.
11 Masih Yazdi	Chief Financial Officer (CFO) since 2020	2013	1980	92,513 shares and share rights.
12 Petra Ålund	Head of Group Technology since 2019, Group Outsourcing Senior Manager since 2020	2017	1967	16,438 shares and share rights.
13 Sara Öhrvall	Chief Digital, Customer Experience and Communication Officer since 2018	2018	1971	11,473 shares and share rights.



Board of Directors

	1 Marcus Wallenberg	2 Sven Nyman	3 Jesper Ovesen	4 Johan H. Andresen	5 Signhild Arnegård Hansen
Position	Chair since 2005	Vice Chair since 2017	Vice Chair since 2014	Director	Director
Year elected	2002	2013	2004	2011	2010
Born	1956	1959	1957	1961	1960
Education	B.Sc. (Foreign Service)	B.Sc. (Business and Econ.)	B.Sc. (Econ.) and MBA	B.A. (Government and Policy Studies) and MBA	B.Sc. (Human Resources) and journalism studies
Other assignments	Chair of Saab and FAM. Vice Chair of Investor. Director of AstraZeneca plc., Temasek Holdings Ltd and the Knut and Alice Wallenberg Foundation. Council member of the International Advisory Council of Hong Kong Exchanges and Clearing Limited.	Chair of RAM Rational Asset Management. Director of RAM ONE, Ferd AS, Nobel Foundation's Investment Committee, Stockholm School of Economics, Stockholm School of Economics Association and Axel and Margaret Ax:son Johnson's Foundation.	Director of Sunrise Communications Group AG.	Owner and Chair of Ferd AS. Chair of Council on Ethics for the Government Pension Fund Global. Director of SWIX Sport AS, NMI-Nordic Microfinance Initiative and Junior Achievement Europe.	Chair of SnackCo of America Corp. Vice Chair of the Swedish-American Chamber of Commerce (SACC). Director of Business Sweden, Entrepreneurship and Small Business Research Institute (ESBRI), SOS Children Villages Sweden and SACC New York. Member of IVA.
Own and closely related persons' shareholdings	753,584 Class A shares and 720 Class C shares	10,440 Class A shares and 10,200 Class C shares	25,000 Class A shares	100,000 Class A shares	5,387 Class A shares

Directors appointed by the employees



	Anna-Karin Glimström	Håkan Westerberg
Position	Director	Director
Year elected	2016	2015
Born	1962	1968
Education	University studies in mathematics, statistics and law	Engineering logistics
Other assignments	Chair of Financial Sector Union in SEB and Financial Sector Union Western section in SEB, Director EB-SB Fastigheter and EB-SB Holding.	Board member of the Association of University Graduates in SEB.
Own and closely related persons' shareholdings	0 shares and 775 conditional share rights	4,344 Class A shares and 775 conditional share rights



6 Anne-Catherine Berner	7 Samir Brikho	8 Winnie Fok	9 Lars Ottersgård	10 Helena Saxon	11 Johan Torgeby
Director	Director	Director	Director	Director	Director (President and CEO)
2019	2013	2013	2019	2016	2017
1964	1958	1956	1964	1970	1974
B.Sc. (Econ.) and MBA (Leadership)	M.Sc. (Engineering, Thermal Technology), Hon. Dr. (Cranfield University)	Bachelor of Commerce. Fellow of CPA Australia and of Institute of Chartered Accountants in England and Wales. Associate member of Hong Kong Institute of Certified Public Accountants	Technical Collage Exam (Electro technics), Diploma in Management from The Open University Business School and multiple IBM internal training	M.Sc. (Business and Econ.)	B.Sc. (Econ.)
Chair of Oy Vallila Interior. Chair of the board, and founder, of the Association for the support of the New Children's Hospital in Helsinki.	Director of EuroChem Group AG. UK Business Ambassador. Co-Chair of the UK-UAE Business Council and the UK-ROK CEO Forum. Member of Advisory Board of Stena. Chair of the Step Change Charity.	Director of Volvo Car Corporation, G4S plc and Foscam Properties Limited. Senior advisor to WFAB.	Head of Market Technology, Nasdaq Inc. (USA). Chair and CEO of Nasdaq Technology.	CFO at Investor. Director of Swedish Orphan Biovitrum.	Director of the Swedish Bankers' Association, of the Institute of International Finance and Mentor Sweden. Board member of European Banking Federation. Several organisation memberships.
0 shares	0 shares	3,000 Class A shares	0 shares	12,500 Class A shares	312,592 shares and share rights



Annika Dahlberg

Deputy Director
2016
1967
University studies in working environment.
First deputy Chair of Financial Sector Union in SEB and Financial sector union regional club Group Operations in SEB.
339 Class A shares and 775 conditional share rights



Charlotta Lindholm

Deputy Director
2015
1959
LLB
Chair of the Association of University Graduates at SEB. Director of the Foundation of Alma Detthows.
221 Class A shares and 775 conditional share rights

SEB as an investment

SEB's investment case is built on more than 160 years in the service of enterprise, innovation and entrepreneurship. We have a unique customer base and market position, committed owners with a long-term perspective and the financial strength to grow.

Unique customer base and market position

SEB serves as a long-term relationship banking partner to a majority of the large corporations and financial institutions in the Nordic region and as an intermediary between Nordic and global financial markets.

SEB's large corporate customer base is well diversified across industries and includes market leaders in the respective industry. Around 70 per cent of the large corporate customers operate internationally and are thus exposed to higher growth potential and more diversified geographical risk profiles.

SEB has strengthened its position among small and medium-sized companies in Sweden, growing its market share of home bank customers from 8 to 16 per cent in the last decade. This is a segment with growth potential with opportunities to develop and deepen the banking offering to these customers as they grow.

Among private customers, SEB focuses on a full-service offering in urban growth areas in Sweden. SEB is a Nordic market leader in private banking, providing services with global reach to Nordic high net-worth individuals.

SEB is the second largest universal bank in the Baltic countries, which is a region with high economic growth during the past five years and with potential for further development of banking services.

Owners with a long-term perspective

Many of SEB's larger institutional investors have had ownership stakes in SEB for more than ten years. SEB is one of the core investments of Investor AB, northern Europe's largest industrial holding company, which owns more than 20 per cent of the share capital.

With a large share of engaged and long-term institutional owners, the perspective goes beyond business cycles, taking a long-term structural rather than cyclical perspective.

Diversified business model and financial strength

Our earnings base and risk profile are diversified in terms of customer base, full-service product offering and geographic exposure.

SEB has demonstrated strong profitable growth over time and continuously strives to improve its operating leverage through deepened customer relationships and diligent efficiency improvements.

Our strong balance sheet and capitalisation create flexibility for the future, enabling us to grow with our customers.

No. 1

Ranking by Prospera

Large corporate and financial institutions survey Sweden 2019

No. 1

Bank in life and pension

With around 9 per cent of the total life and pension market in Sweden

No. 2

Baltic bank

for both small and medium-sized companies as well as private customers

Return on equity

13.8%

excluding items affecting comparability

Cost / income ratio

0.46

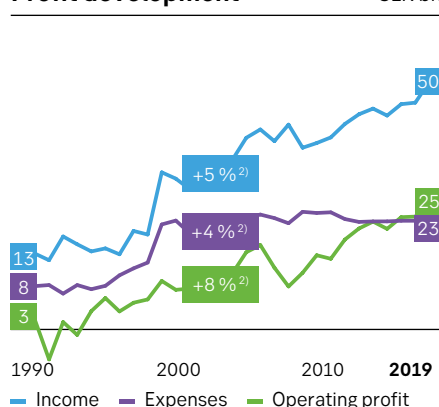
Capital adequacy

17.6%

Common Equity Tier 1 capital ratio

Profit development¹⁾

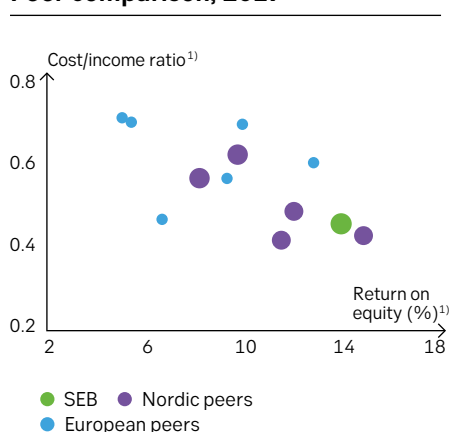
SEK bn



1) Excluding items affecting comparability.

2) Compound Annual Growth Rate (CAGR).

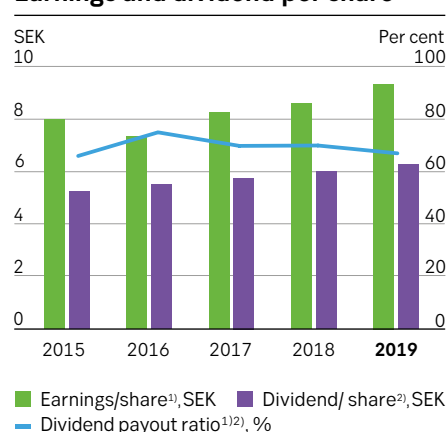
Peer comparison, 2019



Size of circle indicates CET 1 ratio (less or more than 15%)

1) For Nordic banks, excluding items affecting comparability

Earnings and dividend per share



1) Excluding items affecting comparability.

2) Excluding extraordinary dividend in 2018.

Calendar

Annual Report
Annual General Meeting
Quarterly report January – March
Quarterly report April– June
Quarterly report July– September

2 March 2020
23 March 2020
29 April 2020
15 July 2020
22 October 2020



SEB corporate website

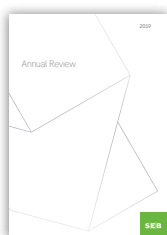
Financial information, publications and other information regarding SEB is available at sebgroup.com

Financial information and publications



Annual Report

Information on SEB's business, strategy, risk management and corporate governance. Detailed information on SEB's financial position and results. Includes SEB's Sustainability Report.



Annual Review

An abbreviated version of the Annual Report.



Interim Reports and Fact Books

Quarterly reports on SEB's financial position and results. Detailed information in Fact Books.



Capital Adequacy & Risk Management Report (Pillar 3)

Disclosure on capital adequacy and risk management in accordance with regulatory requirements.



Sustainability Fact Book & GRI Index

Detailed information on sustainability matters and a GRI (Global Reporting Initiative) Index.



SEB Green Bond Impact Report

Overview of SEB's green loan portfolio and the green bond that was issued in 2017.

New shareholders are automatically offered a subscription of the Annual Report or the Annual Review.

Order printed copies of the Annual Report and the Annual Review on sebgroup.com/ir

Subscribe to digital versions of the quarterly reports (pdf) and the Fact Book (pdf) on sebgroup.com/press



Production: SEB and Springtime–Intellecta • Photos: Banfa Jawla, Johnér, Shutterstock, Hans-Erik Nygren, Andreas Lind, Joachim Lundgren, Joel Sherwood and others • Printing: Elanders

Welcome to SEB!

Our vision is to deliver world-class service to our customers. We assist 2,000 large corporations, 1,100 financial institutions, 272,000 small and medium-sized companies and 1.5 million private individuals with advice and financial solutions.

In Sweden and the Baltic countries, we offer comprehensive financial advice and a wide range of financial services. In Denmark, Finland, Norway, Germany and the United Kingdom, we have a strong focus on a full-service offering to large corporate and institutional customers.

The international scope of the operations is reflected in SEB's presence in some 20 countries with 15,000 employees.

We have a long-term perspective in all of our operations and contribute to the development of the markets and communities in which we are operating.

Head office

Postal address SEB, SE-106 40 Stockholm, Sweden
Visiting address Kungsträdgårdsgatan 8, Stockholm, Sweden
Telephone +46 771 62 10 00

Contacts

Masih Yazdi

Chief Financial Officer

Telephone: +46 771 62 10 00

E-mail: masih.yazdi@seb.se

Frank Hojem

Head of Corporate Communication

Telephone: +46 707 63 99 47

E-mail: frank.hojem@seb.se

Christoffer Geijer

Head of Investor Relations

Telephone: +46 707 62 10 06

E-mail: christoffer.geijer@seb.se

Malin Schenkenberg

Financial Information Officer

Telephone: +46 8 763 95 31

E-mail: malin.schenkenberg@seb.se