

# Presence and partnership basis for new business

Through the integration of SEB's activities in the Nordic countries, Germany and the Baltic States a stronger SEB is created, with an increased reach and competence. In SEB, customers find a financial partner that creates new business opportunities, locally and globally.

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**Creative co-operation the key  
to new customer contacts**

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**The system that gives  
Electrolux complete control**

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The full report is found on [www.seb.net](http://www.seb.net)

# 2002 in brief

## Profit development and proposed dividend

- Operating result amounted to SEK 7,412 M, an increase of 6 per cent on a comparable basis
- Income decreased by 4 per cent, on a comparable basis
- Total costs were down by 9 per cent, on a comparable basis – cost target reached
- Credit losses remained low
- Return on equity was 12.0 per cent (11.9)
- Earnings per share were SEK 7.60 (7.17)
- Proposed dividend is SEK 4.00 (4.00)

## Strategic and change work

- **Increased customer satisfaction.** Even though customers within corporate banking and private banking as well as SEB's customers in Germany and the Baltic have given the Bank the highest rating earlier, Swedish retail customers have been less satisfied in recent years. In this respect, the reinforcement of the branch offices during 2002 has had a good effect in the form of strongly improved ratings from retail customers in Sweden.
- **Improved co-operation and increased cross-selling within the Group.** A great number of activities have been carried out during the year in order to make better use of SEB's broad range of services. Life insurance services are being sold to corporate customers, the Baltic banks have intensified their co-operation, additional parts of the German operations have been co-ordinated with different divisions in Sweden, etc.
- **Increased cost-efficiency.** SEB's cost reduction programme has been implemented faster than planned and costs have decreased by SEK 2.5 billion since the first half of 2001.

## Events during the year

- In early 2002 SEB Asset Management decided to co-ordinate its London and Stockholm activities, which led to the closing of the division's London office.
- During spring SEB presented a new savings account, the Special Account, offering one of the most attractive rates of interest in the Swedish market.
- In April, SEB Private Banking opened an office in Zurich.
- SEB Germany made an agreement with Volkswagen Bank Direkt concerning on-line securities and mutual fund transaction offers to the customers of the car-maker.
- SEB increased its holding in the Danish Amagerbanken to 30 per cent.
- In autumn, SEB purchased Europay Norge (the right to the Eurocard brand in Norway) and became the leading Nordic issuer of credit and charge cards.
- The capital base of Nya Livförsäkringsaktiebolaget SEB Trygg Liv was increased by a total of SEK 530 M.



### Team SEB

In June, the Bank's racing boat "SEB" entered the harbour of Kiel, after a three-year engagement in the Volvo Ocean Race.

Team SEB received a total of 24,300 SEB guests that participated in 350 different activities around the race, both during stop-overs and during three summer campaigns that were carried out in Northern Europe. The Göteborg stop-over alone gathered 9,500 guests. Team SEB came in third place in terms of media exposure, the value of which was estimated at SEK 440 M. This means that SEB reached its goal of generating a value twice as high as its investment, as the total cost of a three-year participation in the race was SEK 210 M. Even though the competition result was poor, the project has turned into a real success for SEB. The Bank's association with sailing has proved very positive both for the creation of new relations and for brand-building.

# SEB in brief

SEB is a North-European financial banking Group that is focused on large companies, institutions and private individuals, with 672 branch offices around Sweden, Germany and the Baltic States. SEB has more than 4 million customers, of whom 1.3 million are e-banking customers. On 31 December 2002, the Group's total assets amounted to SEK 1,241 billion while its assets under management totalled SEK 742 billion. The Group is represented in some 20 countries around the world and has a staff of about 20,000.

## A selection of what SEB can offer

### Financing



#### Financing that helps companies grow

SEB offers tailor-made financing solutions for all types of needs to both small/medium-sized companies and large ones. It could be a matter of

import/export finance or large, syndicated loans involving other players. SEB offers debt financing to both companies and financial institutions via the capital market in the Nordic area as well as internationally.



#### Advice concerning all types of business

SEB helps all types of companies to create long-term growth opportunities. SEB acts as an advisor in everything, from simple financing solutions to complex corporate acquisitions.



#### Financing of great and little things

With its broad range of different financing solutions in the form of loans and credits such as car and boat loans, membership loans and open credits, SEB offers financing solutions that meet its customers' varying needs.



#### Solutions that simplify housing

First and last mortgage loans, fixed or variable interest. SEB's housing loans cover financing of houses, owner-occupied flats and second homes. SEB offers advice and several supplemental services providing extra security in housing and easier household economy.

### Investments



#### Advanced services within investment banking

Financial advice services, equity trading and equity research services form a natural part of SEB's activities and SEB is an important financial partner to both companies and institutions.



#### Asset management for institutions

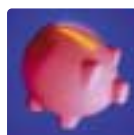
SEB is one of the leading players in the market for institutional asset management in the Nordic area,

offering customers active management based upon high financial competence.



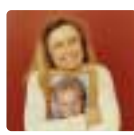
#### Long-term return on managed assets

Private individuals are offered access to advanced financial competence in the field of asset management. SEB's asset managers and analysts represent a strong asset manager in the Nordic mutual fund market.



#### Great selection of various types of savings

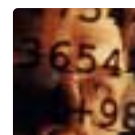
Tailor-made solutions are often required when it comes to private savings. SEB's private advisors help customers find the best distribution among various types of savings, such as savings accounts, mutual funds, investments in various securities and pension solutions, among others.



#### Insurance solutions for long-term security

SEB helps its customers create security in the long term with the help of an extensive selection of various insurance solutions and sophisticated advice by insurance experts.

### Transactions



#### Solutions streamlining cash flows

An efficient cash flow is a must for any company. SEB offers sophisticated solutions to help its customers handle their payment flows through

such financial services as foreign payments, custody accounts and safe-keeping of securities.



#### Advanced foreign exchange services

SEB offers solutions that simplify customers' foreign exchange trading and cash management administration.

SEB's advanced systems streamline transfers between companies' various accounts.



#### Payment services that fulfil people's expectations

SEB offers advanced card solutions to more than 2.7 million users in the form of credit and charge cards used by customers everyday all over the world. This, in combination with a number of other payment services, means that all needs are covered as far as the handling of invoices and payments is concerned.



#### E-banking services make everyday life easier

SEB's customers are able to handle all their private finances directly via their pc's with the help of the Bank's advanced Internet services: everything from simple transactions to housing loans and stock market trading can be handled via the web.



#### Telephone bank and personal service around the clock

Accessibility is the be-all and end-all. Banking transactions can easily be handled through SEB around the

clock with the help of a couple of quick button-clicks on the telephone. In addition, SEB's Telephone Bank offers personal service and advice concerning everything, from everyday finances to pension solutions.

**Business concept** SEB's business concept is to offer financial advice and to handle financial risks and transactions for companies and private individuals in order to create real customer satisfaction, give its shareholders a competitive return and be seen as good citizens of society.

**Vision, strategy** SEB's vision is to be a leading North-European bank, based upon long-term customer relations, competence and e-technology. The goals will be achieved with the help of motivated employees, by co-operating with our interested parties and through increased co-operation between SEB's various areas of activities.

The following areas are of top priority:

- Increased customer satisfaction
- Improved cross-servicing and cross-selling within the Group
- Increased cost-efficiency

## Customer categories

### Large companies and institutions

SEB is an important financial partner to many major companies, both Nordic and international companies with operations in the Nordic area.

SEB is a financial partner to institutions, offering financing, cash management, equity brokerage, asset management, advice and a series of other financial services.

### Small and medium-sized companies

SEB is a strong financial partner to more than 260,000 small and medium-sized companies. These are companies that use SEB's knowledge and competence in the form of solutions that are tailor-made for each individual company.

### Private individuals

Four million private individuals have at present entrusted SEB with the task of assisting them with solutions regarding their private finances.

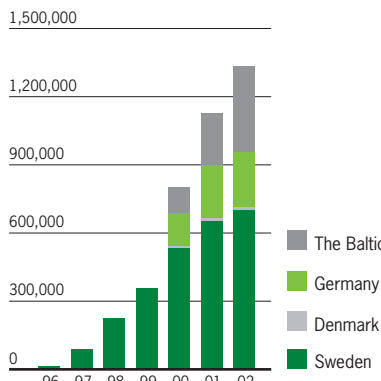
## SEB's principal markets



Gross income, % (SEB total: SEK 64,553 M)
 No. of employees (SEB total: 19,826)
 No. of branch offices (SEB total: 672)

### Number of Internet customers within SEB

Development 1996–2002



Today, more than 1.3 million private customers and minor companies are using SEB's Internet banks in six different countries. In addition, the Group offers such special services as foreign exchange and fixed income trading via the Internet, mainly to major companies.

# Good performance thanks to focus on core activities

2002 was a year of continued poor international business climate and stock market falls in Europe and the U.S. Increased uncertainty in world politics contributed to frustrating all hopes for a positive turn in the world economy. Uncertainty prevails into 2003.

After the discontinued merger discussions with FöreningsSparbanken, SEB has focused upon the development of its core activities in existing markets during the year, thus building a stable ground for high and sustainable profitability. Despite the poor economic situation and low activity in the financial markets, SEB reached a level of profitability in line with that of last year and even exceeded it. This is good performance.

However, the Group has not yet reached the long-term profitability target that it has set for itself. This means that our pursuit of increased earnings and cost efficiency must continue with undiminished force, not least in these uncertain times.

**“Our pursuit of increased earnings and cost efficiency must continue with undiminished force.”**



Jacob Wallenberg (in conversation with Lars H Thunell)

The savings goal that we should have attained in early 2003 was reached already before the end of 2002. This is a meaningful signal that shows that our work is carried out in a purposeful and vigorous way, inspiring confidence for the future.

## Increased stability within the banking system

The protracted recession and stock market decline have not threatened the stability of the banking system. Generally, European banks have stronger capital bases now than in the early 1990s. The need for improving capital cover ratios is one lesson that we have learnt from previous misjudgements.

However, the German banking market is beset by special problems. The business downturn has uncovered and impaired those structural imbalances in the German economy, which arose in connection with the reunification of the two German states. At the same time, German banks are weaker than other European banks, partly as a result of a fragmented market.

It is obvious that the German banking system is confronting a consolidation process. SEB Germany's restructuring and rationalisation work, started in 2000, gives the bank a very strong competitive edge and opportunities for long-term profitability. Even though return in Germany is still below target, I am convinced that SEB AG will reach the Group's profitability goals in the long run.

## Confidence and openness

Wide-spread stock ownership in combination with such negative events as accounting scandals and bankruptcies within large American companies have led to an increased interest in the way in which companies are managed and controlled. The debate on corporate governance is essential and welcome, as it is vital to public interest that people can feel confident about how their investments in trade and industry are managed. A particular responsibility rests with the financial sector companies in this respect. The current discussion, on both sides of the Atlantic, may provide a stimulus to both improved routines and increased transparency. However, it should be borne in mind that rules, practices and corporate cultures differ between countries and continents. This means that experiences and, to an even lesser extent, specific proposals seldom are directly applicable everywhere. Furthermore, one should remember that detailed rules can never replace fundamental moral and ethical standards.

**“Corporate governance is an important tool for maintaining confidence among shareholders, customers, lenders and other decision-makers.”**

**SEB – corporate governance in practice**

SEB has a tradition of active and committed management. In addition to supervision and control, the work of the Board of Directors comprises continuing discussions and decisions on SEB's strategy and further development. The Board regards corporate governance as an important tool for maintaining confidence among shareholders, customers, lenders and other decision-makers. Once again, I wish to underline that it is our ambition to work for increased openness, transparency and communications.

By creating customer value, SEB creates shareholder value. In focus for 2003 will be the continued streamlining of the North-European Group that we have gradually built through investments in new markets, new activities and new technology over the last couple of years, in the best interests of our customers. Increased customer satisfaction and reduced costs can be achieved concurrently through rationalisation and increased co-operation.



**Thank you!**

To many SEB employees 2002 was a year of very hard work. On behalf of the Board, I wish to convey our thanks to SEB's Management and staff for their splendid achievements and successful work during the past year.

Stockholm in February, 2003

*Jacob Wallenberg*  
 Jacob Wallenberg  
 Chairman of the Board

# Stronger result, despite weaker markets

SEB's profit for 2002 was better than in 2001 as a result of our current change programme. The world economy weakened and for the third consecutive year the value of stock exchanges worldwide declined. Stockholm fell by 37 per cent for the full year (compared with a decline of 16 per cent in 2001). It has been a difficult year for many of our customers.

In recent years, SEB has undergone a strategic transformation and a strong expansion, particularly internationally. During the past year, we have focused our efforts on an internal change programme, with the aim of realising our potential and creating a sustainable profitability level. This programme, launched in the autumn of 2001, has more than offset the impact of the weak economic trend in the world. It is gratifying to see all the achievements made by all divisions, business areas, companies and staff units throughout the Group. The programme is called "3C," which stands for Customer satisfaction, Cross-servicing and Cost-efficiency.

*Customer satisfaction* has been strong among Nordic corporations and customers in Germany, while the rating from retail customers in Sweden needed to be improved. Following our increased focus on the branch offices, the degree of satisfaction among our Swedish retail customers increased according to an external survey made last autumn. That is a good basis for our continued efforts.

*Cross-servicing* stands for increased co-operation and cross selling within the Group. This is possibly the most important instrument over the long term to improve customer satisfaction, increase revenues and reduce costs. Therefore a process, under the heading of "one SEB," was initiated during 2002 in order to strengthen internal co-operation. We have chosen to focus on four common core values: commitment, continuity, mutual respect and professionalism.

**“Cross-servicing is probably the most important instrument over the long term to improve customer satisfaction, increase revenues and reduce costs.”**

Our *Cost-efficiency* programme started during the autumn 2001 and aimed at reducing cost levels from SEK 22.5 billion on an annual basis to SEK 20 billion in the first quarter of 2003 (including Trygg Liv and excluding restructuring costs). That level has already been reached – a quarter earlier than planned. In total, the Group's number of employees declined by approximately 1,600, or 8 per cent, in 18 months.

It is clear that our 3 C programme has yielded results throughout the Group. It is also rewarding to see how all business areas have strengthened their market positions.



Lars H Thunell (in conversation with Jacob Wallenberg)

*Nordic Retail & Private Banking* succeeded in reducing costs that more than offset declining revenues. The improved efficiency increased return on capital to almost 26 per cent.

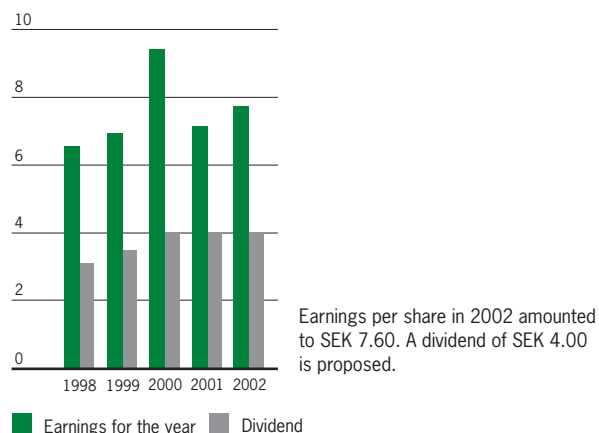
Within the *Corporate & Institutions* division, Merchant Banking posted a result of more than SEK 4 billion, which was in line with the preceding year and a very strong performance. It is especially gratifying to see the stability in Merchant Banking's earnings. Naturally, the decline in earnings was substantial for Enskilda Securities, but it was nevertheless positive to yield a result of nearly SEK 200 M during such a year.

*SEB Germany* suffered from the weak business climate. Increased sales and cost savings could not entirely offset the impact of the difficult market conditions. Our strategy is to work with a long-term focus to strengthen our position in the German market. *SEB Asset Management* has succeeded well in cost-efficiency terms, improving its cost/income ratio in spite of falling income. The *SEB Baltic & Poland* division showed very strong growth in volumes and income resulting in an earnings increase by 30 per cent.



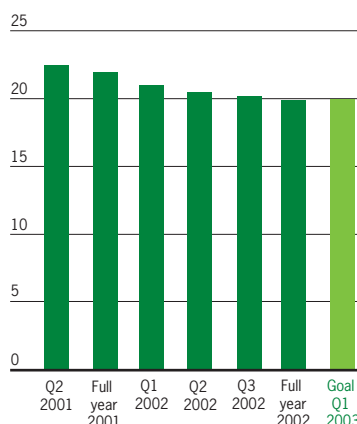
### Earnings per share and dividend

Per SEB share, SEK



### Cost savings programme

Including costs for SEB Trygg Liv, SEK M



SEB Trygg Liv was hit by the value decline on the stock markets. During the year, the Group supported Nya Livförsäkringsaktiebolaget SEB Trygg Liv with capital infusions totalling SEK 530 M in order to support the operation and its continued growth.

The level of credit losses remained low. The increase in 2002 was mainly due to the fact that reversals were higher than normal in 2001. Today, we cannot see any significant deterioration of our credit portfolios. However, the continued weak economic outlook makes us humble and demands high attention to the credit area.

### “We are not counting on any boost from an improved economy during 2003.”

In 2002, we managed to increase the result despite a weak economic climate. It is natural that uncertainty is great at the beginning of the year. This year is even more difficult than ever. At the time of writing, we do not know whether there will be war in Iraq or how it would affect oil prices, currencies, share prices and interest rates. We also face a referendum in Sweden during 2003 on the EMU. Preparations are already under way within SEB – in the event that the voting results in a yes – so that we can handle a transition to the euro in January 2006. In addition, there will be referendums on the EU in the Baltic States and Poland in 2003.

Our business climate scenario for 2003 is fairly pessimistic and we are not counting on any boost from an improved economy. Even though our cost reduction target set in 2001 has been reached, we will continue to improve cost efficiency within our operations. We now know that we can do it, and it is important to capitalise on that experience. Our goal for cost efficiency is a cost/income ratio of 0.60 long-term and 0.65 in 2004 provided the market situation shows some improvement.

SEB's vision is to be a leading North-European bank, based on long-term customer relations, competence and e-technology. Our business concept is to create more value for our customers in a changing world. We will continue to work hard to further improve relations with our customers and to deliver financial and advisory services of the highest quality. With our competent staff, effective and united organisation and strong capital base, it is our conviction that this will also create a good profitability and, as a result, more value for our shareholders.

Finally, I want to take the opportunity to thank all employees as well as customers for their strong commitment to our bank!

Stockholm in February 2003

Lars H Thunell  
President and Group Chief Executive



Klas Eklund (to the left) talking with Lars H Thunell

## The economic upswing may be late in coming

2002 was characterised by shaky stock markets and uncertainty around the world. Companies were pursuing a wait-and-see policy, postponing their investment decisions. At the same time, the Swedish economy fared surprisingly well. Meet SEB's Group Chief Executive Lars H Thunell and Chief Economist Klas Eklund in a conversation about the past year, the driving forces in the world economy and the threats and opportunities they see for the rest of 2003.

"A year of hangover..."

Lars Thunell and Klas Eklund are in accord when they summarise the economic development of the world during 2002 in these words.

"And it is not just any hangover, continues Klas Eklund, but the continuing effects of the bursting of the largest stock market bubble in 70 years. This has of course strongly shaken the economies of the world and it will take years before the economic system has healed completely from all the after-effects."

"This has led to the uncertainty that still characterises the world economic situation," says Lars Thunell. "Transaction volumes dropped and companies postponed their investment decisions throughout 2002."

In the U.S., the economic "motor" of the world, the Government managed to moderate the downturn to a certain extent through tax cuts and a constant lowering of interest rates by the Fed. According to Klas Eklund, however, this has also meant that one has staved off the problems.

"The indebtedness is high and it will take time before industry's capacity utilisation is back at normal levels, allowing investments to start."

In Sweden, SEB's economists have been part of the circle of pessimists during the past year. When other economic analysts

predicted an upswing, Klas Eklund and his collaborators stuck firmly by their opinion that the weak economic trend would continue also in Sweden.

"That is correct. There are several obstacles preventing Swedish growth from gathering momentum. Besides the weak development in the U.S., there are tax hikes, a stronger krona and the continuing telecom crisis."

"At the same time, surprisingly enough, one must say that Sweden has fared pretty well," objects Lars Thunell. "The downturn has actually not hit the Swedish economy as a whole, yet. Private consumption, for example, is still at a rather high level." Lars Thunell believes that many people are surprised that the sharp decline of the stock market has not influenced the banking system to a larger extent.

"The worst affected were not the banks", he says. "The decline has primarily hit the pension system and the unit-linked customers of the life insurance companies."

Klas Eklund nods agreement, adding that it most likely will take some time before we see a real upswing on the stock exchanges again.

"The fund investors have sharply reduced their exposure on the stock exchange, which has led to a significant decrease in demand for equities."

**It seems, then, that Sweden has managed rather well despite the poor economic situation. But in Germany, Europe's most important economy, aren't the problems much greater?**

"Yes, the German economy is struggling with a series of difficulties, which to a large extent stem from the reunification of the two German states about a decade ago. To this should be added several structural problems such as the tax system and a rigid labour market," says Klas Eklund and continues:

"Unfortunately, I do not foresee any positive turn during 2003, even though the first signs of a crisis-consciousness can be seen which, in the long term, may lead to necessary economic reforms. In order to gather speed, the German economy needs to be helped along from abroad through increased international demand. The German banking system needs structural reform, too, according to Lars Thunell. Besides credit problems, German banks are faced with additional worries in their low-yielding loan portfolios. This leads to restraint in new credit-granting which, in turn, acts as an additional brake on German recovery."

"In that perspective, SEB is very well-positioned in the German market," says Lars Thunell contentedly. "The conditions are very good for an integration of SEB's services across the borders."

**The integration of SEB's services and resources in those countries in which the Bank is active seems to go hand in hand with the economic integration of Europe.**

"In a way, you could say that SEB went ahead of the financial convergence of Europe," explains Lars Thunell. "We have created our own conditions for continued economic integration through our activities in Germany, Poland and the Baltic countries, for example. From a European perspective, our customers are actually already now integrated. In line with the economic harmonisation that follows from the EU's decision to expand, we will be able to capitalise on the positive effects of our investments of recent years."

Lars Thunell sees primarily the eastward expansion of the EU and the EMU as an instrument for creating a future Europe in peace. He therefore considers it important that also Sweden takes her responsibility for a peaceful development by participating all the way, also in the EMU.

Klas Eklund points to the economic advantages of an EMU-membership. It is for example easier for consumers to compare prices of goods and services and increased competition results in efficiency gains and higher productivity.

"We must not forget that close to half of Sweden's present

foreign trade involves countries within the euro-zone and that this trade naturally becomes easier if the currency risks are eliminated. In addition, a common currency should mean a real push forward for the cross-border trade."

A Swedish membership of the EMU will also mean intensified competition for the banks. This is something that Lars Thunell looks forward to with confidence.

"SEB will be challenged in Sweden, but at the same time we will be able to challenge other banks in their home markets by using our collective strength and competence in the countries where we are active."

**What can we expect from 2003 and what does it take for the world economy to recover?**

"We must first of all realise that the political situation in the world around us is uncertain, with many imponderables, not least the oil price," says Klas Eklund, and continues:

"If the situation improves, we may expect an upturn in the stock markets, although there is a risk of disappointments. In order to achieve long-term growth the U.S. economy must gather momentum and the present great imbalances must even out."

Lars Thunell, who agrees, also points to deflation, falling price levels, as a potential threat to the world economy.

"Industries in China and India produce ever more complex goods at low cost. This risks to create a surplus capacity that may threaten economic growth in Europe and the U.S. in the long run."

Klas Eklund notes that the deflationary threat is an issue for the first time in a very long time. However, he considers that there is little risk that Europe and the U.S. should be facing a "Japanese" deflationary development.

"Our central banks are much too strong to end up in such a situation, but it is important that they continue to fight the threat of deflation as aggressively as they are fighting inflation. The future prospects of the Swedish economy depend mainly on happenings in the surrounding world." At the same time, Lars Thunell and Klas Eklund can see some improvements within the domestic industry.

"The fact that one can discern some stabilisation of the telecom sector is one positive signal," says Lars Thunell.

"In order to get Sweden's economy really going, several external injections are without doubt necessary, not least from the U.S. In all, the Swedish economy will continue to be lukewarm this year, growing at approximately the same rate as during 2002, in our opinion," concludes Klas Eklund.

### Currency trend

SEK against Euro and USD, current rates



### Interest rate movement in Sweden

Weekly averages, per cent



### Stock market development

Index 1996 = 100





# SEB and the world around it

SEB's task is to create more value for the customers – and thereby also for the shareholders. To accomplish this qualified and motivated employees and an ethical attitude are required.

## SEB's historical heritage

Skandinaviska Enskilda Banken – the parent company of the SEB Group – was formed in 1972 through the amalgamation of Stockholms Enskilda Bank and Skandinaviska Banken.

Stockholms Enskilda Bank, founded in 1856, played an active role for the growth companies of that time, when Sweden passed from an agricultural to an industrial society. The bank followed the growing industrial companies into the world markets and became a leading bank for internationally oriented Nordic companies during the 20th century.

Skandinaviska Banken, which traced its origin from Gothenburg where it was started in 1864, was also a prominent corporate bank, which in addition had a well-developed network of branch offices throughout Sweden.

One important reason for the 1972 merger was that both banks wished to consolidate their strong position among corporate customers to meet the competition from large, international banks. During the following decades SEB set up offices and new operations in Europe, the U.S. and Asia.

## SEB of today

In 1997, a strategic transformation of SEB was initiated to meet the sweeping changes in the world:

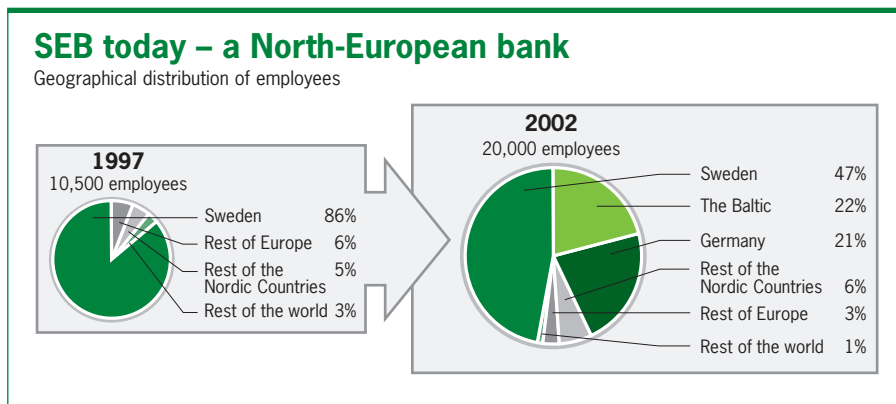
- *Internationalisation*, not least the forming of the EU and the EMU, which has affected both corporate activities and savings markets.

- *Demographic development* with rising average length of life, which has led to a need for building up savings capital for the old age.
- *Rapid development of information technology*, which has provided opportunities for faster and more efficient ways of meeting the needs of the customers.
- *Deregulation*, which – in combination with internationalisation and new technology – has led to stiffening competition, not least through the challenges from new players.

In order to meet these trends, SEB has developed through restructuring, acquisitions and investments in new technology.

The acquisition of the Trygg-Hansa insurance company in 1997 enabled SEB to offer its customers a complete range of long-term life insurance and pension savings products. (The non-life operations were sold in 1999.)

To strengthen its presence in Northern Europe SEB acquired the



German bank BfG (now SEB AG) in 2000 and three Baltic banks: Eesti Ühispank in Estonia, Latvijas Unibanka in Latvia and Vilniaus Bankas in Lithuania (1999–2000).

Through other acquisitions, e.g. of Diners Club Nordic (1994), the private bank Gyllenberg in Finland (1997), Orkla Finans in Norway (2000) and Europay (the Eurocard brand) in Norway (2002), SEB has consolidated its position further in the Nordic area. SEB has also established a presence in Poland via ownership (47 per cent) in Bank Ochrony Środowiska, BOŚ.

Following these acquisitions SEB developed rapidly between 1997 and 2002:

- Revenues and the number of customers doubled.
- Assets under management more than tripled.
- From being a Nordic bank SEB has developed into a North-European financial group, with new home markets in Germany and the Baltic countries and with more than half of its customers and staff outside Sweden.

### SEB's customers

SEB has today more than 4 million private customers and 260,000 corporate customers in nine countries with a total population of 150 million. SEB has for many years also had a leading position as a bank for large corporations and institutions in Sweden and other Nordic countries – in several cases with hundred-year-long relations.

SEB shall now develop its core business to reach the vision that has been set – to be a leading North European bank, based upon long-term customer relations, competence and e-technology.

To be leading means that SEB shall be the first-hand choice for its customers, especially for the two core categories: companies and private customers with particularly high demands. In order to reach that goal SEB must achieve the highest possible degree of customer satisfaction. SEB should have the highest level of service and competence and technology shall be used to the benefit of customers.

SEB does already have a very high degree of customer satisfaction within many areas, such as the corporate sector, private banking and in the German and Baltic operations. However, this has not been the case among Swedish retail customers. In order to increase satisfaction among these customers the role of the Swedish branch offices has been strengthened by restoring customer and profit responsibility to the branch offices as well as by increasing their credit-granting authority. As a consequence, SEB showed the greatest improvement of all Swedish banks in the annual external Swedish Quality Index for private and corporate retail customers in Sweden in 2002.

However, the efforts made in this respect so far only represent the first steps in a process to improve and confirm SEB's long-term relations with customers.

### SEB's staff

For a knowledge and service company such as SEB, skilled and motivated employees are the primary competitive advantage. It is the staff's ability to identify and satisfy customer needs that decides the degree of success.

Accordingly, creating an environment that attracts and develops competent employees, increases commitment, and stimulates top-level performance is the overall goal on the personnel front.

### Competence and leadership development

Within the Group there is a well-functioning process to further enhance competence among employees that has been in place for many years and the responsibility for this development lies with the staff as well as with the managers. Employees acquire additional skills for new tasks by participating in a personal development programme, where the competence profile provides the platform for future development within the Group.

In 2002, SEB invested a total of SEK 201 M (198) in personnel training and development. A total of approximately 11,000 employees, including 500 managers, participated in the Group's various internal and external training programmes.

### Work environment and health

A systematic work environment effort is carried out within the Group. Important tools to help survey the physical, psychological and social work environment include a work environment review, staff evaluations, the aforementioned attitude surveys and sick-leave statistics. The goal is to create and maintain a good work environment where employees feel good and are not subjected to either physical or psychological health risks.

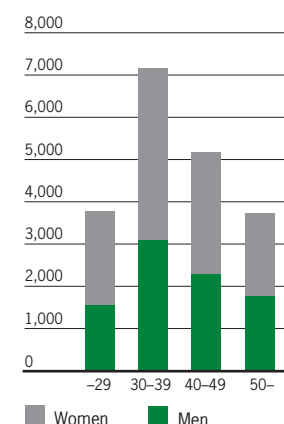
### Equality and diversity

Equality and diversity are areas that basically involve mutual respect and the need to safeguard the competence existing within the company in the best possible manner. The SEB Group shall offer equal opportunities and equal rights to all regardless of gender, national or ethnic origin, age, sexual inclination or faith.

According to the equality plan that was established in Sweden in 1998, the objective of a balanced distribution between women and men shall be achieved by 1 September, 2005. This means that neither gender shall be represented by less than 40 per cent at any level.

During 2002, 39 per cent (38) of all SEB managers in Sweden were women. As regards group and customer service managers, the share was 50.5 per cent, which means that the target at this level has already been reached. With respect to division and office managers, the share has increased to more than 34 per cent, which means that the short-term target at this level has been achieved. The share of women on top levels is close to 25 per cent. During 2003, the Group has the intention to review the issue of equality also in a global perspective.

**Number of employees**  
Distributed by age and sex, 2002



*The Group's remuneration system*

The pay structure in SEB is on an individual basis. Compensation consists of a fixed salary based on working effort, education, experience and competence, plus general benefits. In addition, a major part of the employees get a performance-based, variable portion of the salary (possibility of receiving bonus or commission). Senior executives and specialists within the organisation are also covered by employee stock option programmes for the purpose of boosting loyalty and long-term commitment to the company (see further on page 32).

**SEB's ethical guidelines**

SEB's basic values are reflected in a number of instructions and policies that are valid for all SEB Group employees as well as for those who are Board members, auditors, consultants and the like in some institutes within the Group. All measures and decisions shall be in accordance with law, regulations and other external rules as well as with internal instructions and policies. According to SEB's ethical policy, everyone within SEB shall:

- observe confidentiality – both inside and outside the Group;
- show concern for customers and carry out tasks with proficiency and speed;
- not carry out any assignment on behalf of any customer without first fully understanding the implications involved;
- ensure that customers understand the meaning and implications of advice given and transactions carried out;
- avoid situations that can lead to conflicts of interest between customers, employees and the SEB Group;
- carry out all measures or decisions affecting the SEB Group in such a manner that they can withstand scrutiny by others, and
- show respect for fellow human beings and observe the basic principle of equal treatment.

Furthermore, there are regulations within specific subject areas that expound and clarify the above-mentioned guidelines, for example, on the issue of measures against money laundering and rules regarding certain employees' own share transactions.

**SEB's social responsibility***Environmental policy*

The financial sector does not have any particularly great direct influence on the external environment. Indirectly, however, the banks and other financial companies can play a key role, particularly in connection with lending.

According to the environmental policy that SEB adopted in late 1995, the Group shall consider environmental aspects in its credit-granting activities and in the design of products and services.

The Group's credit policy contains rules that the environment and environment-related risks shall be taken into account in connection with all major credit decisions. Existing customers shall also be followed up.

Furthermore, the Group markets and sells a number of funds where environmental demands are placed on the investments.

SEB has signed the environmental documents of both the United Nations and the International Chamber of Commerce under which the signatories are committed to paying due regard to, and to acting for, a better environment within their respective activities.

*Other social contributions*

Contribution to a positive development of society forms part of the Group's strategy and of the business activities that SEB carries out within different areas. SEB makes direct contributions to many different charity projects, both at a central level and through its business areas.

SEB Asset Management has a multiyear co-operation with the WWF (World Wildlife Fund), the Swedish Medical Society and the Swedish Cancer Society. The Bank's contribution amounted to nearly SEK 3 M in 2002.

SEB Trygg Liv has worked with the welfare concept in mind and taken strategic business positions based upon a comprehensive valuation process for the past three years. Among other projects, the company concluded an agreement with the Stockholm City Mission for a rehabilitation project involving shelters for the gradual reintegration of the homeless and social outcasts back into a normal life at an annual contribution of SEK 200,000.

During the past two years, SEB Finans (SEB's leasing company) has had a committed and close co-operation with Livslust, a Swedish foundation for an orphanage in Latvia. This foundation has a similar activity in Sweden that has gained success and recognition.

Furthermore, SEB actively supports Mentor, a Swedish foundation engaged in youth drug prevention. In addition to a yearly contribution, which in 2002 amounted to SEK 2 M, a number of SEB employees participate in this project as mentors for pupils at the senior level of the compulsory school. In 2003 the activities are planned to include several schools.

In Germany, SEB AG contributes 260,000 euro (approximately SEK 2.5 M) to various social projects in the fields of culture, sports, particularly sports for the disabled, and environment. SEB AG is in its fourth year of co-operation with OroVerde, a foundation that works for the preservation of the rain forests of the world, Paralympics and the German Urban Development Award in order to improve the urban environment in Frankfurt.

In the Baltic countries, SEB's three subsidiary banks also make donations to charities, for example to a project for the improvement of the lighting conditions of Estonian schools and to Livslust mentioned above.

# SEB's effective credit process

An independent credit organisation and an internal warning system have been of great benefit, both to the Bank and its customers.

Since 1993, SEB has continuously developed the process that governs the credit-granting activities of the Group. After Sweden's financial crisis of the early 1990s, SEB established a completely new credit organisation and credit process. This process is now used throughout the whole Group and the credit policies of the Bank have also been introduced by SEB's Baltic and German banks.

SEB's credit organisation is independent from the business operations. Through the various decision making credit committees, a common credit culture is spread within the Group. The committee work is run efficiently within a hierarchical credit committee structure, where more complicated decisions are made at a higher level. The Group Credit Committee is – next to the Credit Committee of the Board – the highest credit decision-making body and makes decisions concerning those credit issues which represent the highest risk.

## “All lending shall be proportionate to the repayment capacity of the customer.”

The development of a common system for classifying the Group's customers through risk-rating has been an important component of credit management. This system allows SEB to focus on impairing or growing risk exposures at an early stage. The earlier potential problems are identified, the greater are the possibilities of finding constructive solutions.

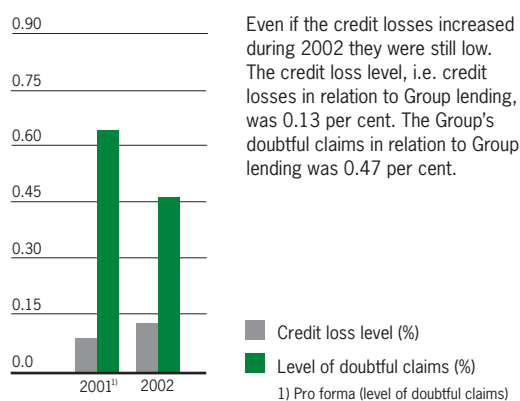
The credit policy of the Group is based upon the principle that all lending shall be based upon credit analysis and be proportionate to the repayment capacity of the customer. The forms of credit analysis will depend upon the particular sector, the risk rating of the counterpart and the complexity of the transaction.

Environmental and ethical aspects are also taken into consideration in the credit process. All customers shall be known to the Bank in these respects. Customers' openness when it comes to providing the Bank with information is fundamental.

### Monitoring Credit Quality

Monitoring the aggregate credit portfolio is an important feature of the Group's credit risk management process. The credit portfolio is analysed and monitored on a continuous basis from different angles. In addition, various special analyses will be made when market developments demand a closer look at certain sectors.

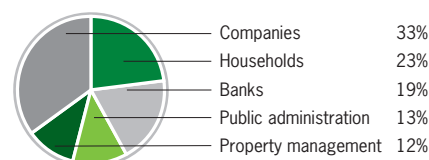
### Asset quality



### Credit portfolio 2002

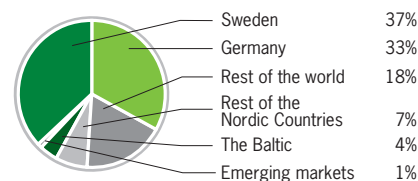
#### Distribution by sector

SEK 1,000 billion



#### Distribution by geography

SEK 1,000 billion



The quality of SEB's credit portfolio is characterised by stability. Over time, the risk profile of the portfolio has gradually been shifted towards low-risk segments such as banks, public administration and households.

From a geographical point of view the credit risks are concentrated in the Group's home markets, i.e. the Nordic area, Germany and the Baltic countries. Exposure on emerging markets has been substantially reduced in recent years.

# Many steps in the right direction



2002 was a year in which an increased degree of satisfaction was noted among the customers of Nordic Retail & Private Banking, among other things. The result improved despite difficult market conditions, particularly in the form of the great downturn of the stock market.

Fleming Carlborg Head of division

**Which were the most important events for the division during 2002?**

"We have been very much committed to increasing customer satisfaction within all parts of the division. It is therefore very nice to get acknowledgement of our success in this respect in various surveys. One single important event was SEB Kort's purchase of Eurocard in Norway, a deal that consolidates our position as the leading Nordic credit and charge card company."

**More precisely, what have you done to increase customer satisfaction?**

"We have made refinements to our offerings in several respects: The launching of our Special Account with one of the most attractive rates of interest in the market; reducing the price of our Student Package to zero; lower housing loan prices; etc. Above all, we have moved decision-making closer to our customers, to the branch offices, thus becoming even more local and able to offer better service and quicker feedback."

**Increased customer satisfaction is one of three important issues on the agenda of SEB's change programme for 2002.**

**What else have you done within the framework of that programme?**

"Our costs have decreased by more than 17 per cent since last year. When it comes to cross-servicing, as we call it, or increased co-operation and cross-selling within the Group, this is something that we live with every day. Our 200 branch offices, our telephone bank with 24-hour service and our Internet services are the gateway to the whole Group's supply of services and competence."

**Which are the long-term goals of the division?**

"We wish to have the highest degree of customer satisfaction, the highest profitability in the market and the most motivated employees!"

**What will happen during 2003?**

"By and large, it is a matter of continuing along the way that we have started. We wish to keep getting closer to our customers and do a little more for them, all the time. We want to develop and improve our offerings and increase our competence, to the benefit of our customers. As regards co-operation within the division as well as with other parts of the Group, we have a great potential for improvement. At the same time, our work to keep our level of costs unchanged continues."

**FACTS NORDIC RETAIL & PRIVATE BANKING**

The division comprises three main business areas: **Retail Banking**, including the network of branch offices, the telephone- and Internet bank, **Private Banking** with Enskilda Banken in Sweden and private banking activities in Luxembourg, Norway and the U.K. and **SEB Kort** (Diners, Eurocard etc) with business activities in the four Nordic countries.

Percentage of SEB's income



28% (29%)

Percentage of SEB's operating result



35% (31%)

Percentage of SEB's employees



26% (26%)

**Profit and loss account, SEK M**

	2002	2001
Total income	7,729	8,359
Total costs	-5,002	-6,000
Intra-group minority shares	-53	-64
Credit losses <sup>1)</sup>	-85	-69
<b>Operating result</b>	<b>2,589</b>	<b>2,226</b>

**Key figures**

	2002	2001
Cost/income ratio	0.65	0.72
Allocated capital, SEK M	7,200	7,000
Return on capital, %	25.9	22.9
Number of employees (average)	4,859	5,033

1) Including change in value of seized assets



# SEB rolling out the red carpet



SEB's Telephone bank arranged over 160 meetings.



Jan Kulle, Göran Nåtoft and Mats Sylwén at SEB's branch office at S:t Eriksgatan in Stockholm preparing the meeting with Talarforum.



Mikael Lexhed and Anette Ljungqvist at Talarforum receive a visit from Jan Kulle and Mats Sylwén.



"When we met with SEB we immediately felt that it was the right bank with the right type of competence for us," says Mikael Lexhed, Talarforum's MD. "It was different, compared with other banks, because to SEB relations were the first consideration, which was of decisive importance for our choice of bank."

Talarforum is a knowledge-intensive company that acts as an agent for lecturers and entertainers, among others, with large Nordic companies among its customers. It was one of the companies that Jan Kulle and Mats Sylwén from SEB's branch office at S:t Eriksgatan in Stockholm visited during the "Visitors' carpet"-campaign. The basic concept of this campaign was new ways of thinking and meeting new customers and it was carried out during one September week in Stockholm.

"We wished to expand our customer relations with a target group of small and medium-sized companies in the Sergel, Westermalm and Östermalm districts of Stockholm," says Göran Nåtoft, Head of Corporate Relations for the Westermalm area. "The idea was to demonstrate the strength of the Group's resources, telling companies what we at SEB can offer them within various separate areas."

A little over 800 companies were contacted during the campaign by SEB's Telephone Bank and meetings were set up for the branch offices in the three relevant areas in Stockholm's inner city. 160 companies reacted positively to the first contact by the Telephone Bank, which then passed the baton to the account managers of the various branch offices. Depending upon each company's specific needs, the account managers set up groups of SEB representatives of different divisions and units to meet with the companies.

"For example, already at the first meeting import and export companies met with employees within Risk Advisory and Trade Finance, in addition to the account manager," explains Göran Nåtoft. "In all, this campaign involved staff from practically all divisions, from SEB Trygg Liv and SEB Finans to Merchant Banking and Enskilda Banken. To us this was an excellent way of both mustering internal strength and demonstrating SEB's whole range of competence and knowledge to new customers."

## SEB Kort is now the Nordic leader

Through the purchase of Eurocard in Norway, SEB Kort will not only be the leading issuer of cards in Norway with such products as Eurocard, Master Card and Diners Club.

This acquisition furthermore means that SEB Kort has consolidated its position as the dominating credit and charge card company in the Nordic area. SEB Kort's customers gain many advantages through this deal:

– We will improve our ability to develop new products, increase efficiency and offer customers even better services," explains Tine Wollebekk, Head of SEB Kort Norge. The combination of our specialist competence as a pure credit and charge card company and the expanded range of products and services following this acquisition will create a very solid basis for the future.



# Good result in spite of tough times



Despite the negative market situation, SEB retained its leading position as the most important Nordic merchant bank. Both Merchant Banking and Enskilda Securities were top-ranked by its corporate and institutional customers.

Annika Bolin Head of division

## How did the poor development of the markets affect you?

"In spite of the prevailing market situation our division reached a result that was only 5 per cent lower than last year, before credit losses. The result of the Merchant Banking business area was in line with that of last year. Enskilda Securities, which is more dependent upon the stock market trend than any other part of the division, reported a profit despite one of the most difficult years ever."

## How have you adjusted your activities to the prevailing market situation?

"We have reduced our costs by more than SEK 500 M. The cut-backs were largely related to Enskilda Securities, which reduced its staff by 100 people last year."

## What was the most positive feature of last year?

"The fact that our corporate and institutional customers rank us Number one. I am very proud that we have managed to keep our lead position as the most important merchant bank in the Nordic area. Merchant Banking was once again ranked Number one by the research company Greenwich Associates, which compiles the large Swedish companies' rankings of their banks. Enskilda Securities was ranked Number one in the field of equity brokerage in Sweden, Denmark, Norway and Finland according to Prospera's latest survey. We

are doing well, not only in the Nordic environment. In the area of foreign exchange trading, we are ranked Number nine in the whole world, including all currencies and all banks. Our customers' high ranking is an important acknowledgement of our efforts as regards quality."

## What are the ambitions and vision of the division?

"The goal is to be the prime banking relation of Nordic companies and institutions. In addition, we shall be the obvious choice for international companies, institutions and banks doing business in the Nordic area and a top-ranked European player within certain selected product areas, such as foreign exchange trading and some capital market segments."

## What will happen in 2003?

"We see yet another tough year ahead. We will continue to keep a close watch over our costs and focus on credit quality. Our established strategy lies firm: we will continue to invest within chosen growth areas, mainly within investment banking-related activities, while continuing to rationalise more mature areas."

"We will strengthen our presence in our home markets outside Sweden – in Norway, Finland, Denmark and Germany. Our work of preparing for the possible transition from Swedish kronor to the euro is another important area."

## FACTS CORPORATE & INSTITUTIONS

The Corporate & Institutions division is responsible for all SEB's activities relating to large and medium-sized companies and institutions and for SEB's activities in the global financial markets. The division consists of two main business areas, **Merchant Banking** (cash management, trading in fixed income, currency trading, import and export financing etc) and **Enskilda Securities** (equity trading, corporate finance etc).

Percentage of  
SEB's income



36% (37%)

Percentage of SEB's  
operating result



57% (65%)

Percentage of  
SEB's employees



17% (17%)

### Profit and loss account, SEK M

	2002	2001
Total income	9,974	10,771
Total costs	-5,679	-6,245
Credit losses	-82	149
<b>Operating result</b>	<b>4,213</b>	<b>4,675</b>

### Key figures

	2002	2001
Cost/income ratio	0.57	0.58
Allocated capital, SEK M	15,000	15,500
Return on capital, %	20.2	21.7
Number of employees (average)	3,168	3,322

## Secure savings in troubled times

In the light of recent years' stock market trend people increasingly look for more secure types of savings that are characterised by a long-term objective and a guaranteed return. One such type of savings is the equity bond that has become ever more popular.

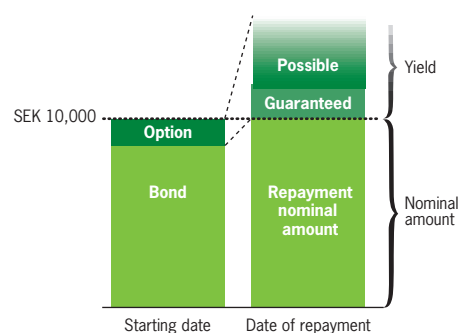
"Equity bonds are flexible products and an excellent complement to savings in mutual funds and savings accounts," explains Helena Pajander, Product Manager for equity bonds at Merchant Banking.

An equity bond is a bond where return is linked to the development in one or several stock markets. Regardless of how the market develops during the life of the bond, repayment corresponding at least to the nominal amount is guaranteed at maturity.

If the stock markets show an upward trend, the nominal amount plus an amount that is based upon the stock market movement will be repaid.

Once a new equity bond is offered it is the result of extensive co-operation between various SEB units. For example, forecasts about the development of different markets are obtained from various parts of SEB. Helena Pajander and her staff will then design the terms and conditions of the product together with product and concept managers within Nordic Retail & Private Banking.

"Our internal co-operation is very intense. We discuss everything from marketing to the terms of the issue as such," says Helena Pajander.



Regardless of stock market development the equity bond guarantees repayment of at least the nominal amount of the bond.

This is an internal exchange of information that has turned out very well. Today, SEB is one of the leading players in Sweden when it comes to equity bonds.



Lena Bernhardsson/Electrolux

## Towards complete commercial banking services on the Internet

control of the handling of authorisations. At Electrolux, one of the companies that recently introduced the new Corporate Authorisation System, everyday life has become much easier.

– We now register new authorisations for our employees ourselves. The system gives us full control of our authorisations and the system tells us

without delay who does what, says Lena Bernhardsson, Head of Backoffice at the Group Treasury unit of Electrolux.

Through one single log-in into the system users also get access to Online Cash Management, an Internet-based service through which companies can handle their whole cash management administration. Through this system companies are able to carry out transactions simply and on real time in an international system that supports their administrative routines in an ingenious and process-oriented way.

– The functionality and user-friendliness of Online Cash Management facilitates our administrative handling, explains Lena Bernhardsson. It is easy to search for information and, rather intuitively, one feels what and where one should fill in information.

These two systems are the first applications that are based upon an entirely new Internet platform. They represent Merchant Banking's first steps towards a complete and fully integrated offer of the various business areas' existing Internet applications.

### FACTS

**CAS** is an Internet-based power of attorney system that works as an admission ticket to SEB's commercial banking services on the Internet, including OCM.

**OCM** is an Internet-based service through which companies can carry out transactions on real time and handle all their Cash Management administration.

SEB Merchant Banking has intensified the development of its financial Internet services in order to make them as user friendly and easily accessible as possible. Institutions as well as large and minor companies are now offered an Internet-based power of attorney system, Corporate Authorisation System and Online Cash Management, which is a Nordic payment and account statement service.

The unique Internet-based power of attorney system replaces the lengthy handling of paper authorisations and means complete

# Continuous cost-savings



Although SEB was negatively affected by the poor development of the German economy it did well compared with other German banks.

Lars Lundquist Head of division

**2002 was a tough year for the German economy. How did this affect SEB in Germany?**

“The negative development has made customers very cautious and led to low activity. Generally, the German banks have performed very poorly due to low income and high costs, in combination with great losses. Most banks have now started cost-reduction programmes.”

“The low market activity has led to lower income for SEB, too. However, since we started to reduce our costs and to restructure our operations at an early stage, SEB has performed well compared with other German banks.”

**Have you done anything else to adjust to the tough economic situation?**

“Yes, we have made additional cost reductions to offset lower income. For example, we have moved our head office into new and less expensive premises and our mainframe operations to Stockholm. This has resulted in lower costs for licences and consultants. We have started to co-operate with Volkswagen Bank Direkt in order to increase income, among other things.”

**But there must have been causes of rejoicing, too, or...?**

“Absolutely! We have for example managed to more than double our new sales of mutual funds compared with 2001. The staff of the bank has become considerably more content with its work situation than before, despite strong cost-savings during the year. This, in turn, has had a positive impact upon customers’ rating. For the sixth year in a row we have been ranked the best bank in Germany and the distance to our competitors has increased markedly during 2002.”

**What is in focus for SEB in Germany during 2003?**

“We will continue to concentrate on increased customer satisfaction and cost efficiency. Even though German economic activity will remain low, by and large, the savings market will continue to grow. We will actively take part in that growth.”

**FACTS SEB GERMANY**

The division SEB Germany (German Retail & Mortgage Banking as from January 2003) is responsible for 177 branch offices and 30 advisory centres in Germany. The division is part of SEB AG that also comprises services for large corporate customers and mutual funds management.

Percentage of SEB's income



21% (21%)

Percentage of SEB's operating result



9% (13%)

Percentage of SEB's employees



20% (20%)

Profit and loss account, SEK M	2002	2001
Total income	5,778	6,136
Total costs	-4,578	-4,836
Net result from associated companies	-9	75
Credit losses	-529	-480
<b>Operating result</b>	<b>662</b>	<b>895</b>

Key figures	2002	2001
Cost/income ratio	0.79	0.79
Allocated capital, SEK M	10,200	10,800
Return on capital, %	4.7	6.0
Number of employees (average)	3,780	3,916

Operating result for the entire SEB AG Group amounted to SEK 810 M (981)

## Innovative thinking behind Germany's best bank office

"The personal contact between customers and our staff is where we really can create added value and increased customer satisfaction. This was also from where we started when we designed our new bank office," says Hans-Jürgen Hupp, Manager of SEB's Frankfurt office. "On the basis of this relatively simple concept SEB has created a bank office that Geld Institut has appointed as Germany's best."

Distributed on 2000 square metres, the whole office is permeated with opportunities of making new personal contacts through meetings.

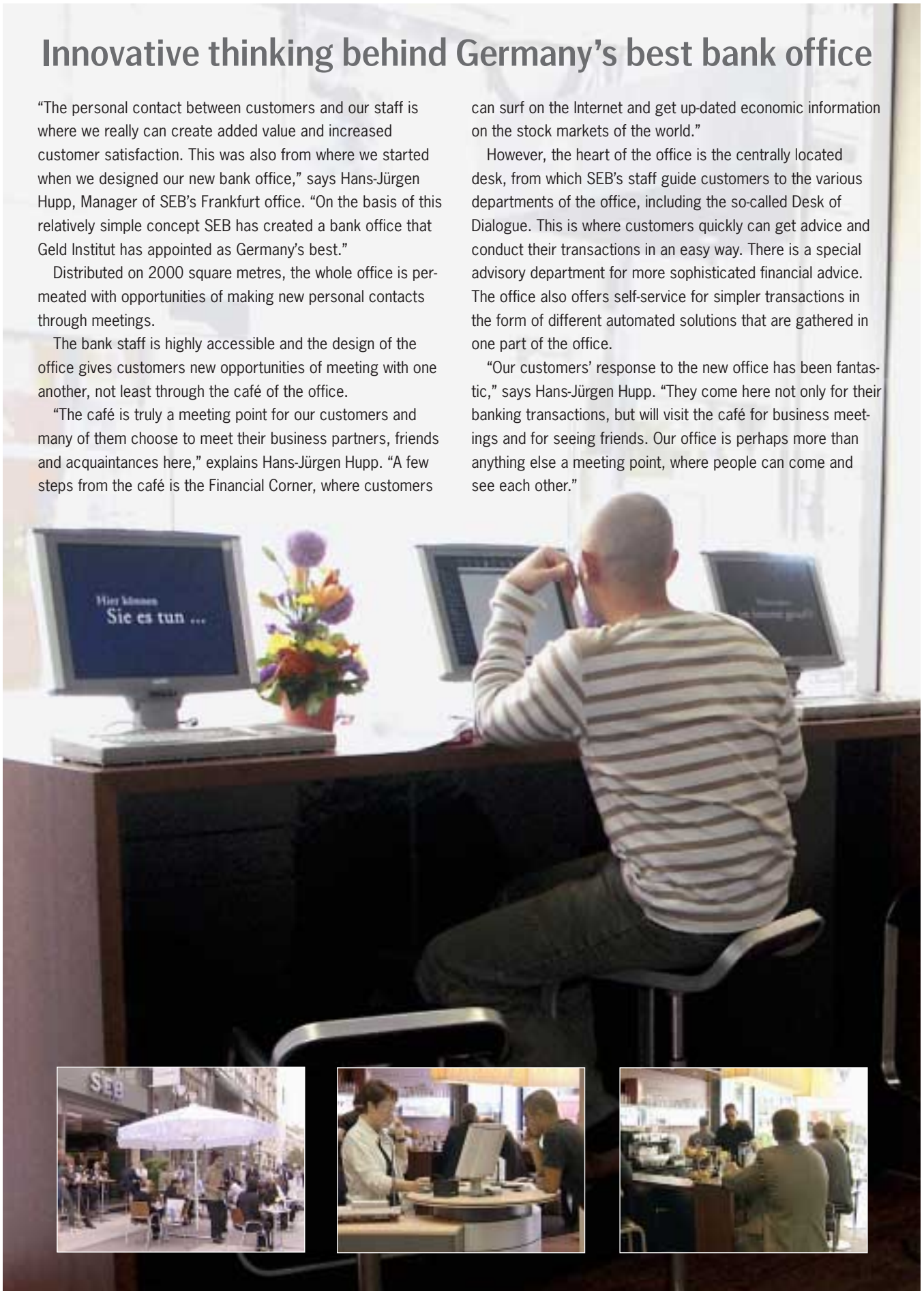
The bank staff is highly accessible and the design of the office gives customers new opportunities of meeting with one another, not least through the café of the office.

"The café is truly a meeting point for our customers and many of them choose to meet their business partners, friends and acquaintances here," explains Hans-Jürgen Hupp. "A few steps from the café is the Financial Corner, where customers

can surf on the Internet and get up-dated economic information on the stock markets of the world."

However, the heart of the office is the centrally located desk, from which SEB's staff guide customers to the various departments of the office, including the so-called Desk of Dialogue. This is where customers quickly can get advice and conduct their transactions in an easy way. There is a special advisory department for more sophisticated financial advice. The office also offers self-service for simpler transactions in the form of different automated solutions that are gathered in one part of the office.

"Our customers' response to the new office has been fantastic," says Hans-Jürgen Hupp. "They come here not only for their banking transactions, but will visit the café for business meetings and for seeing friends. Our office is perhaps more than anything else a meeting point, where people can come and see each other."



# Improved cost/income ratio



SEB maintained its strong position as a leading Nordic asset manager. Improved performance and customer information are the most important tasks ahead.

Harry Klagsbrun Head of division

**How has the weak stock market affected the business within your division?**

“Obviously, our customers have encountered a very tough situation due to the downturn in the equity market and made a shift in their portfolios from equities to fixed income. This, in combination with the bear market, has had a negative effect upon our revenues. The equity part of total volume has decreased from 46 to 34 per cent.”

**So what have you done to adjust to this tough market?**

“Top priority this year has been to focus on costs and improve performance to deliver expected returns. This has been achieved by further developing our investment process and by making better use of the competence we have within our different units in Sweden, Denmark, Finland and Germany. Moreover, we are currently working intensively to customise our product range and to improve our customer communication.”

**What was the most important thing that happened to the division’ during 2002?**

“We have created an integrated division, with high cost-efficiency, and thus improved our cost/income ratio despite falling income.

We have recruited a number of key people and put more focus on the development of first-class products, based upon customer demand and risk profile.

As the first major bank in Sweden we started to issue monthly fund comments on our web site.”

**Finally – what are your next priorities?**

“We will above all continue to improve customers’ returns, customer communication and cost efficiency. We are also working on a more customised product range. Given the measures we have already taken and the priorities set on our agenda, I am most confident that we are well-positioned vis-à-vis our competitors.”

**FACTS SEB ASSET MANAGEMENT**

SEB Asset Management comprises the management and sale of mutual funds as well as institutional mandates in Sweden, Denmark, Finland and the U.S. The division distributes its services mainly through the branch network of the Group and private banking units but also via the Internet, through the sales force and call centres.

Percentage of SEB’s income



5% (6%)

Percentage of SEB’s operating result



7% (8%)

Percentage of SEB’s employees



2% (3%)

Profit and loss account, SEK M	2002	2001
Total income	1,294	1,631
Total costs	-801	-1,038
<b>Operating result</b>	<b>493</b>	<b>593</b>

Key figures	2002	2001
Cost/income ratio	0.62	0.64
Allocated capital, SEK M	1,700	1,700
Return on capital, %	20.9	25.1
Number of employees (average)	405	512

# Security throughout life



Pension and insurance savings now account for more than 40 per cent of the financial assets of households.

Anders Mossberg Head of division

## How did the stock market downturn affect SEB Trygg Liv during 2002?

“The whole life insurance concept is more based upon a long-term perspective and security than on quick gains. From that point of view the stock market fall during 2002 does not have to be a disaster, even though it has sadly affected both us as a company and our customers in the short term. Our unit-linked customers have seen how their savings have decreased in value, since the downturn of the stock market has a direct impact upon the value of the mutual funds. Those with traditional insurance policies have started to become aware that they, too, may have to see a decrease in the value of their policies in spite of the equalisation that characterises that product. To us as a company, it is primarily the sale of investment products that has been affected. On the other hand, occupational pension, which accounts for the major part of our business, had a very good year. We have strengthened our position in that market.”

## Life insurance companies were the subject of a great debate. What was it about?

“This debate concerned the mutual insurance companies that offer traditional life insurance. This is only a part of SEB Trygg Liv’s activities, albeit not less essential because of that. What happened

was that the assets decreased, due to the declining stock market. The value of these assets has now dropped below the value that appears on customers’ statements. This occurs when the so-called collective consolidation ratio drops below 100 per cent. In Gamla Liv, it was 88 per cent and in Nya Liv 94 per cent at year-end. The target that we should attain within a little over one year from year-end 2002 lies between 105 and 115 per cent. In order to manage this, we have reduced the bonus rate and the proportion of shares to lower the risk.”

## What is in focus for 2003?

“We will continue to develop our co-operation with the branch offices in order to give SEB’s customers full access to complete financial services, whether it concerns bank or insurance products. We carried out several transactions with large companies during 2002 and we have developed our co-operation with insurance brokers further. This bodes well for continued growth within occupational pension during 2003. The issue of coping with the situation of the mutual life insurance companies will be important. One lesson that we have learnt is that we must improve our information about how traditional insurance works. We reduced our costs by a little over SEK 200 M during 2002. Cost-reduction will remain in focus also during 2003.”

## FACTS SEB TRYGG LIV

SEB Trygg Liv is one of the leading life insurance companies in the Nordic countries. The business offers a complete range of products in the area for investment and social security for private individuals and companies. The company has about 1 million customers and has operations mainly in Sweden.

## Percentage of SEB's employees



4% (4%)

Profit and loss account, SEK M	2002	2001
Total income	1,408	1,493
Total costs <sup>1)</sup>	-1,368	-1,572
<b>Operating result</b>	<b>40</b>	<b>-79</b>
Change in surplus values, net <sup>2)</sup>	1,303	1,241
<b>Result from ongoing business</b>	<b>1,343</b>	<b>1,162</b>

Key figures	2002	2001
Allocated capital, SEK M	3,900	3,900
Return on capital, % <sup>3)</sup>	24.8	21.5
Number of employees (average)	779	862

1) Including share in profits

2) Reflects changes in the present value of future expected profits from signed insurance contracts

3) Calculated on result from current operations

# High growth led to improved results



The demand for services in the fields of savings and mortgage loans increased in the Baltic countries, which, among other things, contributed to a 30-per cent profit increase for the division.

Lars Gustafsson Head of division Mats Kjaer Deputy Head of division

**SEB's three Baltic banks performed very well during 2002. How come?**

"Basically, the reason is found in the fact that the economy in the Baltic countries continued to be very strong, in contrast to most other countries. Domestic demand is high, which has had a positive impact upon our subsidiary banks in Estonia, Latvia and Lithuania. Solely during 2002, we have increased our customer base by 16 per cent and gained 70 per cent more Internet banking customers. We have expanded strongly both on the credit and deposits/savings side."

**But the situation in Poland must be different?**

"Yes, the Polish economy is still weak, which is reflected in the Polish banking system. Our affiliated bank, Bank Ochrony Środowiska or BOŚ, which reported a negative result for 2001 –still reported a profit for 2002."

**What was the most pleasant thing that happened to the division last year?**

"There were many subjects for rejoicing. Our Baltic customers have been enabled to do business in all three Baltic countries by being customer of one of our three subsidiary banks. Eesti Ühispank has exceeded expectations by gaining a high market share of the new pension savings in Estonia. Latvijas Unibanka and Vilniaus Bankas were ranked best bank in Latvia respectively Lithuania for the third year in a row by the Global Finance magazine. BOŚ has attracted many new Nordic companies as customers with the help of SEB's cash management services, among other things."

**And what will happen during 2003?**

"We foresee continued growth in the Baltic countries, where there is an increasing demand for both savings products and housing loans, for example. We believe in an economic recovery for Poland. All this should have a positive effect on our activities during the coming year."

**FACTS SEB BALTIC & POLAND**

The SEB Baltic & Poland division comprises the three Baltic banks – Eesti Ühispank (Estonia), Latvijas Unibanka (Latvia) and Vilniaus Bankas (Lithuania). The banks offer services to both private individuals and companies through 200 branch offices and via Internet banks. The listed Polish bank Bank Ochrony Środowiska, BOŚ, of which SEB owns 47 per cent, is also a part of the division.

Percentage of SEB's income



8% (7%)

Percentage of SEB's operating result



10% (8%)

Percentage of SEB's employees



22% (21%)

Profit and loss account, SEK M	2002	2001
Total income	2,263	2,111
Total costs	-1,423	-1,388
Credit losses <sup>1)</sup>	-145	-200
Net result from associated companies	-11	2
Operating result from insurance operations	28	22
<b>Operating result</b>	<b>712</b>	<b>547</b>

Key figures	2002	2001
Cost/income ratio	0.63	0.66
Allocated capital, SEK M	2,750	2,750
Return on capital, %	18.6	14.3
Number of employees (average)	4,270	4,114

1) Including change in value of seized assets and write-downs



# SEB will smooth the way for ViaCon's expansion eastwards

"It is the continuous dialogue, combined with access to the whole SEB Group's resources and competence, that makes the difference", explains Sten-Eric Lager, Group Chief Executive of Via Con. "It is extremely valuable that our whole Group can use one and the same bank, regardless of geographical market and area of activity".

ViaCon is engaged in road-building and construction, with its own manufacturing and marketing of tubular corrugated steel bridges, road culverts made of sheet-plate and plastic and drainage tubes. Since 1986, when the Group was started, Via Con's activities have grown to comprise the Nordic area, the Baltic countries, Poland, the Czech Republic, Russia and the Ukraine. Expansion has been rapid, not least in the markets around the Baltic, which has posed special demands upon ViaCon's financial partners.

"Putting it simply, you could say that we are assisting ViaCon in its fast expansion with just about everything, from strategic advice to different financing solutions", says Björn Johansson, Account Manager for ViaCon at SEB MidCorporate. This puts demands upon our range of competence and our resources. We must be able to offer everything from specialist competence within Cash Management to local market knowledge about Lithuania, for example", continues Björn Johansson.

As Account Manager Björn Johansson co-ordinates SEB's expertise and resources within different areas to meet ViaCon's needs.

The contacts between him and Sten-Eric Lager are frequent and continuous, touching upon the whole spectrum of SEB's and ViaCon's business relations.

"Through Björn I have access to the whole SEB Group. Through his network of internal contacts we are offered the right type of competence for whatever we need assistance and advice, regardless of geographic market", says Sten-Eric Lager.

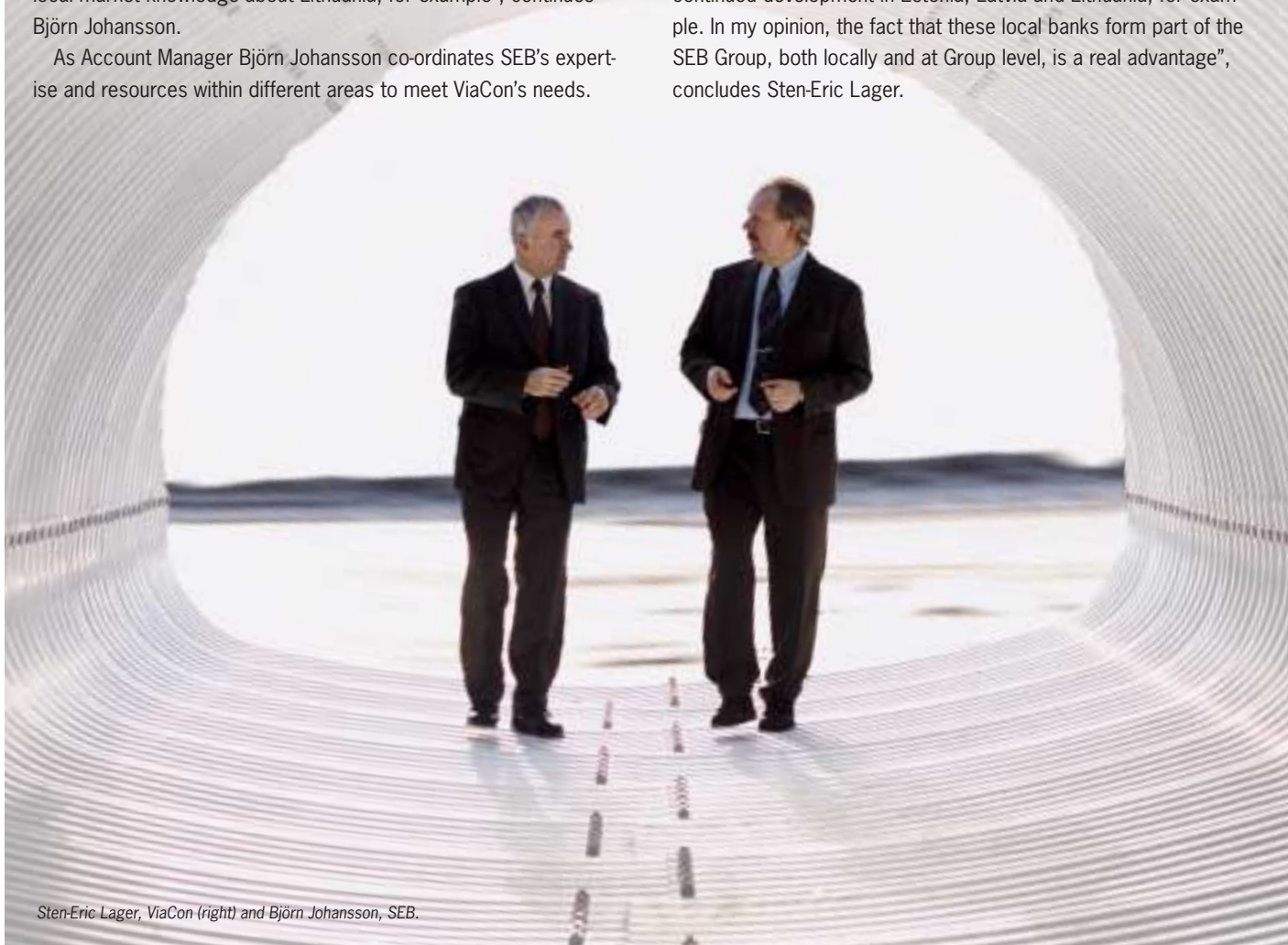
Responsible for the co-operation in Lithuania are ViaCons representative Vadim Jurovickij and Gerardas Mozūraitis at Vilniaus Bankas, and the work is co-ordinated by Björn Johansson.

The further development of ViaCon's own companies in the various geographical markets is vital. In that perspective, the co-operation with SEB is even more important.

"The local banks become important financiers of our companies' continued development in Estonia, Latvia and Lithuania, for example. In my opinion, the fact that these local banks form part of the SEB Group, both locally and at Group level, is a real advantage", concludes Sten-Eric Lager.



Vadim Jurovickij, ViaCon Baltic (right) and Gerardas Mozūraitis, Vilniaus Bankas.



Sten-Eric Lager, ViaCon (right) and Björn Johansson, SEB.

# The SEB share

Earnings per share amounted to SEK 7.60 (7.17). A dividend of SEK 4.00 (SEK 4.00) per share has been proposed.

## Share capital

The SEB share is listed on the Stockholm Stock Exchange. The share capital amounts to SEK 7,046 M, distributed on 704.6 million shares of a nominal value of SEK 10 each. The Series A share entitles to one vote and the Series C share to 1/10 of a vote.

## Stock Exchange trading

During 2002, the value of the SEB share decreased by 24 per cent, while the General Index dropped by 37 per cent and the European Banking Index declined by 28 per cent. During the year, the total turnover in SEB shares amounted to almost SEK 84 billion.

## Dividend policy

The size of the dividend in SEB is determined by the financial position and growth possibilities of the Group. SEB strives to achieve long-term growth based upon a capital base for the financial group of undertakings that must not be inferior to a core capital ratio of 7 per cent. The dividend per share shall, over a business cycle, correspond to around 40 per cent of earnings per share, calculated on the basis of net profit for the year.

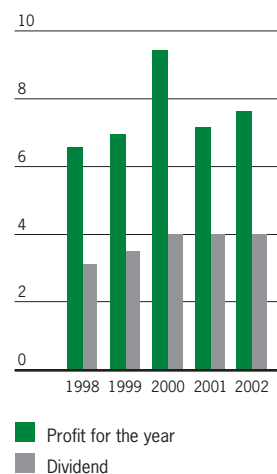
## The SEB share

Data per share	2002	2001	2000	1999	1998
Profit for the year, SEK <sup>1)</sup>	<b>7.60</b>	7.17	9.43	6.96	6.58
Adjusted shareholders' equity, SEK <sup>2)</sup>	<b>68.63</b>	67.10	62.61	55.83	48.05
Dividend					
per Series A share, SEK	<b>4.00</b>	4.00	4.00	3.50	3.13
per Series C share, SEK	<b>4.00</b>	4.00	4.00	3.50	3.13
Year-end market price					
per Series A share, SEK	<b>72.50</b>	95.50	104.00	86.00	76.45
per Series C share, SEK	<b>65.00</b>	83.00	99.00	76.00	69.30
Highest price paid during the year					
per Series A share, SEK	<b>110.00</b>	119.50	127.50	105.07	130.10
per Series C share, SEK	<b>99.50</b>	110.00	117.00	96.57	117.14
Lowest price paid during the year					
per Series A share, SEK	<b>66.00</b>	61.00	77.50	69.30	50.52
per Series C share, SEK	<b>58.50</b>	55.50	68.50	62.59	46.50
Dividend per share as a percentage of earnings per share, %	<b>52.7</b>	55.8	42.4	50.3	47.6
Adjusted shareholders' equity per share, %	<b>5.8</b>	6.0	6.4	6.3	6.5
market price per Series A share, %	<b>5.5</b>	4.2	3.8	4.1	4.1
Year-end market price per Series A share as a percentage of earnings per share, P/E	<b>9.5</b>	13.3	11.0	12.4	11.6
adjusted shareholders' equity per share, %	<b>105.6</b>	142.3	166.1	154.0	159.1

1) Calculated on an average number of shares in 1999 (rights issue) and 1997 (non-cash issue), taking the bonus issue element in the 1999 rights issue into account.

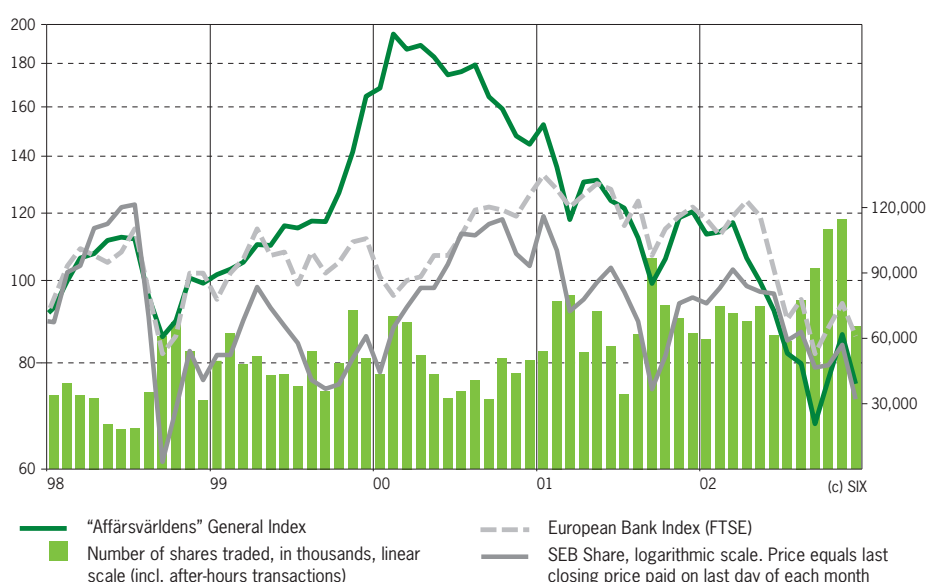
2) Calculated for 1999, including rights issue and with actual number of shares outstanding.

## Earnings for the year and dividend per SEB share, SEK



Earnings per share in 2002 amounted to SEK 7.60. Earnings per share after full dilution, calculated in accordance with the recommendations of the Swedish Financial Accounting Standards Council, give the same result. A dividend of SEK 4.00 is proposed.

## SEB Share SEK



## Share capital

Share series	Number of shares	Number of votes	Percentage of capital votes	
A	673,784,123	673,784,123	95.6	99.5
C	30,773,557	3,077,355	4.4	0.5
	<b>704,557,680</b>	<b>676,861,478</b>	<b>100.0</b>	<b>100.0</b>

Each Series A-share entitles to one vote and each Series C-share to 1/10 of a vote. The nominal value of each share is SEK 10.

## Change in share capital

Skandinaviska Enskilda Banken's share capital has changed as follows since the Bank was started in 1972:

Year	Transaction	Price SEK	Added no. of shares	Accumulated no. of shares	Share-capital SEK M
1972				5,430,900	543
1975	Rights issue 1:5	125	1,086,180	6,517,080	652
1976	Rights issue 1:6	140	1,086,180	7,603,260	760
1977	Split 2:1		7,603,260	15,206,520	760
1981	Rights issue 1B:10	110	1,520,652	16,727,172	837
1982	Bonus issue 1A:5		3,345,434	20,072,606	1,004
1983	Rights issue 1A:5	160	4,014,521	24,087,127	1,204
1984	Split 5:1		96,348,508	120,435,635	1,204
1986	Rights issue 1A:15	90	8,029,042	128,464,677	1,284 <sup>1)</sup>
1989	Bonus issue 9A+1C:10		128,464,677	256,929,354	2,569
1990	Directed issue <sup>2)</sup>	88.42	6,530,310	263,459,664	2,635
1993	Rights issue 1:1	20	263,459,664	526,919,328	5,269
1994	Conversion		59,001	526,978,329	5,270
1997	Non-cash issue	91.30	61,267,733	588,246,062	5,882
1999	Rights Issue 1:5 <sup>3)</sup>	35	116,311,618	704,557,680	7,046

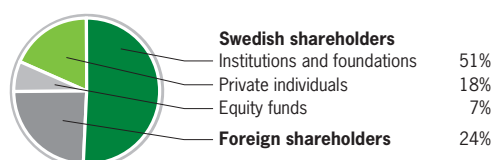
- The recorded share capital at 31 December, 1986 was still SEK 1,204 M, since the proceeds from the rights issue were not paid in full until early 1987.
- The issue was directed at the member-banks of Scandinavian Banking Partners. Through splits in 1977 (2:1) and 1984 (5:1), the nominal value of the shares has been changed from SEK 100 to SEK 10.
- According to the instructions of the Financial Supervisory Authority, sub-scribed shares that have been paid will not be registered as share capital in the balance sheet until the rights issue has been registered (which took place in January, 2000).

## Distribution of shares by size of holding

Size of holding	No. of shares	Per cent	No. of shareholders
1-500	43,339,023	6.15	276,120
501-1,000	21,202,073	3.01	29,497
1,001-2,000	21,891,384	3.11	15,561
2,001-5,000	25,763,059	3.66	8,461
5,001-10,000	13,123,830	1.86	1,878
10,001-20,000	9,694,234	1.38	687
20,001-50,000	11,082,681	1.57	362
50,001-100,000	8,341,933	1.18	120
100,001-	550,119,463	78.08	303
	<b>704,557,680</b>	<b>100.00</b>	<b>332,989</b>

## Shareholder structure

Percentage holdings of equity on 31 December 2002.



The majority of the Bank's approximately 330,000 shareholders are private individuals with small holdings.

## The SEB share on the Stockholm Stock Exchange

	2002	2001	2000	1999	1998
Year-end market capitalisation, SEK M	<b>50,850</b>	66,900	73,120	60,592	50,128
Volume of shares traded, SEK M	<b>83,758</b>	75,424	57,049	51,054	55,831

## The largest shareholders<sup>1)</sup>

December 31, 2002	No. of shares	Of which Series C shares	Per cent of number of all shares	Per cent of votes
Investor	139,686,251		19.8	20.9
Trygg-Foundation	65,677,962		9.3	9.8
Alecta Pension Insurance	18,403,097	4,819,260	2.6	2.1
AFA Insurance	13,606,699	883,180	1.9	1.9
SEB Funds	12,629,491	30,000	1.8	1.9
Wallenbergs Foundations	11,080,389	5,530,015	1.6	0.9
Skandia Liv	10,458,474	3,848,797	1.5	1.0
Andra AP-fonden	10,143,579	250,520	1.4	1.5
EB Foundation, Skandinaviska Enskilda	7,410,993	100,000	1.1	1.1
SHB Funds	7,287,806		1.0	1.1
Första AP-Fonden	6,534,193	67,847	0.9	1.0
Robur	6,134,557		0.9	0.9
AMF Pension	5,800,000		0.8	0.9
Tredje AP-Fonden	5,406,458	342,000	0.8	0.8
Foreign Shareholders	170,119,303	1,035,331	24.1	25.2

- Excluding SEB as shareholder through repurchased shares to hedge employee stock option programme.

# Profit and loss account

Under this heading, all income and costs of the SEB Group during the year are reported. In order to arrive at SEB's operating result, credit losses (both incurred and probable losses), write-downs and the result of insurance operations are taken into account.

## Operational Profit and Loss Account

SEK M	2002	2001	Change, per cent
<b>Income</b>			
1 Net interest income	13,719	13,011	5
2 Net commission income	9,975	11,186	-11
3 Net result of financial transactions	2,409	2,987	-19
4 Other operating income	1,275	2,015	-37
<b>Total income</b>	<b>27,378</b>	<b>29,199</b>	<b>-6</b>
<b>Costs</b>			
5 Staff costs	-11,297	-11,796	-4
Pension compensation	948	1,002	-5
Other operating costs	-6,923	-8,282	-16
Amortisation of goodwill	-544	-553	-2
Depreciation and write-downs	-933	-1 084	-14
Merger and restructuring costs	-200	-661	-70
<b>Total costs</b>	<b>-18,949</b>	<b>-21,374</b>	<b>-11</b>
6 Net credit losses etc. <sup>1)</sup>	-828	-547	51
Write-downs of financial fixed assets	-29	-69	-58
Net result from associated companies	-104	-20	
7 Operating result from insurance operations	-56	-36	56
<b>Operating result</b>	<b>7,412</b>	<b>7,153</b>	<b>4</b>
Taxes	-2,057	-2,058	0
Minority interests	-37	-44	-16
<b>Net profit for the year</b>	<b>5,318</b>	<b>5,051</b>	<b>5</b>

1) Including change in value of seized assets

## Income

### 1 Net interest income

The single most important source of income is net interest income, which equals the difference between SEB's earnings on its lending to the general public (households, companies, etc.) and credit institutions, on the one hand, and its costs for deposits and borrowings from the general public and credit institutions on the other hand. Of great importance for the result is of course the development of both volumes and margins within these areas.

Increased deposit and lending volumes were the main reasons for the improvement in 2002.

Otherwise, net interest income was influenced by the yield on the Group's portfolios of interest-bearing securities and by the

costs of long-term borrowing for the financing of the Bank's issuance of own securities.

### 2 Net commission income

By tradition, commission income from various services such as equity trading, advisory services and payment orders both for private individuals and companies, weighs more heavily in SEB than in other Swedish banks, due to the Group's orientation towards large companies and asset management. In view of the stock market trend, however, net commission income has decreased over the last few years, both in real terms and as a percentage of the Group's total income.

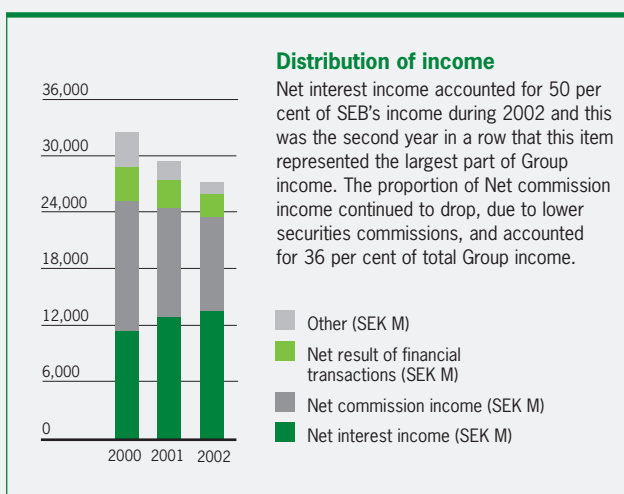
### 3 Net result of financial services

This item includes both realised gains/losses in connection with sales of shares, bonds and other financial instruments and unrealised changes in the value of the Group's trading stock of securities. Both the development of the financial markets and the general interest trend are of great importance in this connection. When short-term interest rates drop faster and more than the long-term rates, good opportunities for increasing the yield on the bond portfolios of the banks are usually created. How good the return is, is rather the result of each respective bank's ability to sell and buy at the right time and the right price. This item also includes the result from foreign exchange trading, of which SEB has a very high share in Sweden.

The comparison with 2001 was affected by the strong result in the first quarter of that year.

### 4 Other income

Under this heading we find capital gains and dividends, for example. The low result in 2002 was mainly due to the large capital gains that SEB had during the year of comparison, 2001, which were not repeated in 2002.



## 5 Costs

Total costs decreased by 11 per cent.

The single most important cost item is staff costs, which consist of salaries and social charges. During 2002, staff costs dropped by 4 per cent due to a decrease in the number of full time equivalents, from 19,620 to 19,000, and lower bonus payments than in 2001.

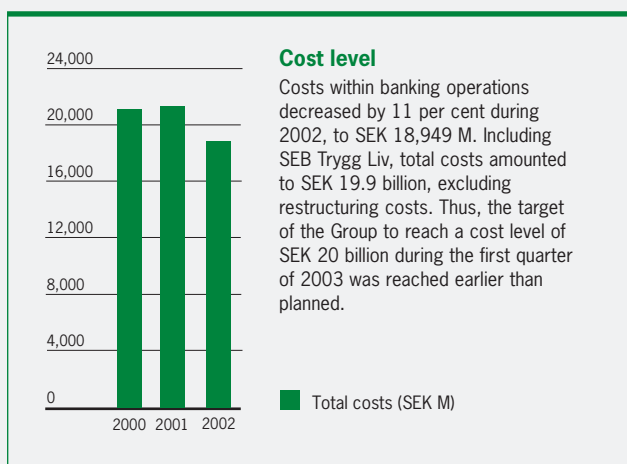
Also other costs, such as costs for consultants, marketing and data systems dropped, due to reduced costs for external IT-consultants, among other things.

## 6 Credit losses

The Group's credit losses consist both of incurred losses and probable losses, where SEB has established that the counterparty is unlikely to fulfil its payment obligations. Possible recoveries affect net credit losses positively. The credit loss level remained low during 2002.

## 7 Insurance operations

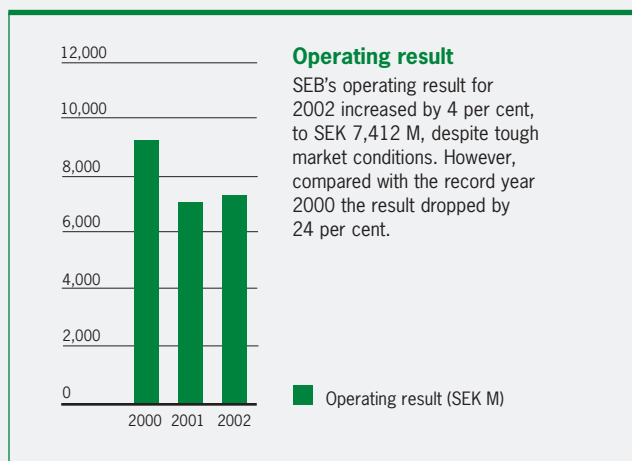
This line includes the net result of SEB's insurance operations, which mainly consist of life insurance activities within SEB Trygg Liv including amortisation of goodwill.



## Result

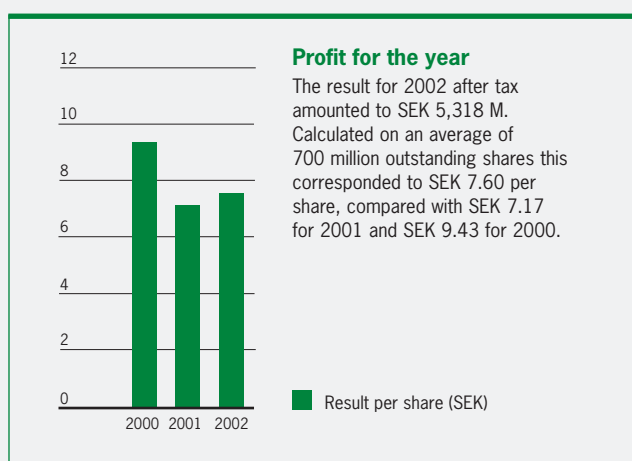
### 8 Operating result

This result also includes compensation for pension costs from the pension funds of the Bank in the amount of SEK 948 M.



### 9 Net profit for the year

The net profit for the year, i.e. the operating result less taxes and minority interests, forms the basis of the calculation of earnings per share and proposed dividend to the shareholders.



# Balance sheet

The book value of the Group's assets, liabilities and shareholders' equity as at 31 December is shown here.

## Balance sheet

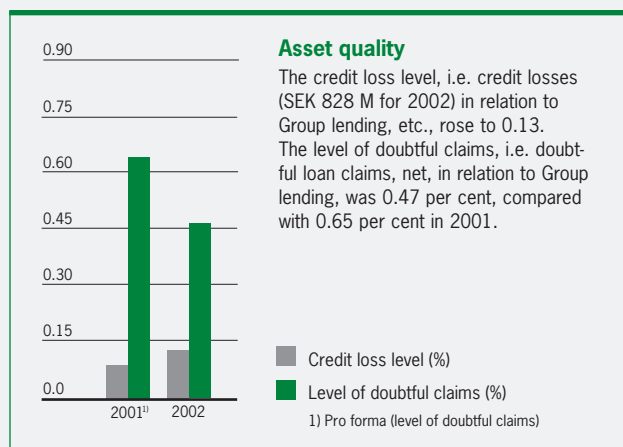
SEK M	31 Dec 2002	31 Dec 2001	Change, per cent
<b>Assets</b>			
Lending to credit institutions	150,380	175,380	-14
Lending to the public	680,206	634,995	7
Interest-bearing securities	195,979	153,033	28
Financial fixed assets	3,759	4,094	-8
Financial current assets	192,220	148,939	29
Shares and participations	10,648	10,227	4
Assets used in the insurance operations	52,318	66,459	-21
Other assets	151,581	123,221	23
<b>Total assets</b>	<b>1,241,112</b>	<b>1,163,315</b>	<b>7</b>
<b>Liabilities and shareholders' equity</b>			
Liabilities to credit institutions	234,289	221,686	6
Deposits and borrowing from the public	499,542	465,243	7
Securities issued, etc	205,156	194,682	5
Liabilities of the insurance operations	50,163	64,111	-22
Other liabilities and provisions	180,940	143,293	26
Subordinated liabilities	25,326	30,008	-16
Shareholders' equity <sup>1)</sup>	45,696	44,292	3
<b>Total liabilities and   shareholders' equity</b>	<b>1,241,112</b>	<b>1,163,315</b>	<b>7</b>
<sup>1)</sup> Change in shareholders' equity			
Opening balance	44,292	41,609	
Dividend to shareholders	-2,818	-2,818	
Result, holding of own shares	6		
Swap hedging of employee stock option programme <sup>1)</sup>	-277	-1	
Elimination of repurchased shares <sup>2)</sup>	-659		
Translation difference	-166	451	
Net profit for the period	5,318	5,051	
<b>Closing balance</b>	<b>45,696</b>	<b>44,292</b>	

1) Including dividends received.

2) SEB has repurchased 7 million Series A shares for the employee stock option programme as described and decided at the Annual General Meeting. These shares are booked at zero but the market value as of 31 December 2002 was SEK 508 M.

## Assets

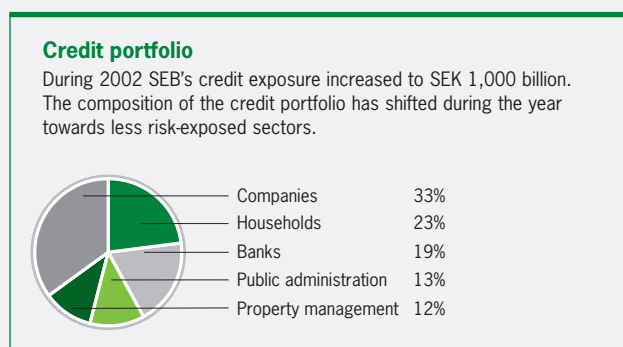
The most important item is lending to the general public (households, companies, etc.), which accounts for more than half of the assets. Other major items are lending to credit institutions and holdings of interest-bearing securities.



## Liabilities and shareholders' equity

Here, the most important item is deposits and borrowing from the general public. The second most important one is liabilities to credit institutions. Securities issued by SEB are also an important part of liabilities.

Shareholders' equity consists of the original share capital, capital contributions through new issues, result for the year and retained earnings.



## Use of profit

The size of the dividend depends upon the entire SEB Group's financial positions and opportunities, but it is the balance sheet of the parent company, Skandinaviska Enskilda Banken, that forms the basis of the proposed dividend. The SEB Board of Directors proposes a dividend of SEK 4.00, calculated on the total number of issued shares and amounting to SEK 2,818 M. Retained earnings should be brought forward to next year.

# Important key figures

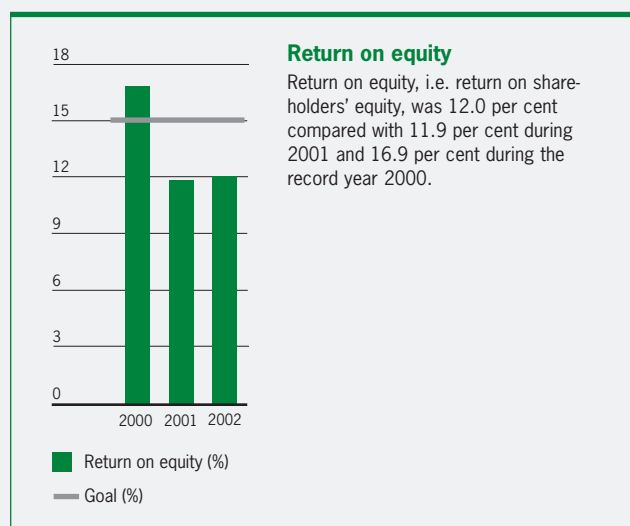
	2002	2001
Return on equity, %	12.0	11.9
Return on total assets, %	0.44	0.43
Return on risk-weighted assets, %	1.08	0.99
Earnings per share, SEK <sup>1)</sup>	7.60	7.17
Cost/income ratio	0.69	0.73
Cost/income ratio excl amortisation of goodwill and merger and restructuring costs	0.66	0.69
Credit loss level, %	0.13	0.09
Provision ratio, %	70.8	67.4 <sup>2)</sup>
Level of doubtful loans, %	0.47	0.65 <sup>2)</sup>
Total capital ratio, %	10.47	10.84
Core capital ratio, %	7.88	7.71
No. of full time equivalents, average	19,003	19,618
No. of e-banking customers, thousands	1,332	1,128
Assets under management, SEK billion	742	871
Risk-weighted assets, SEK billion	503	510

1) Issued number of shares 704 557 680 of which SEB has repurchased 7 million Series A shares for the employee stock option programme. Earnings per share after full dilution, calculated in accordance with the recommendations of the Swedish Financial Accounting Standards Council, give the same result.

2) Pro forma

The goal of the SEB Group is to achieve an earning capacity or return on shareholders' equity of at least 15 per cent after tax. Calculated as follows, the earning capacity for 2002 was:

$$\frac{\text{SEK 5,318 M (net profit for the year)}}{\text{SEK 44,365 M (average capital less dividend)}} = 12.0 \text{ per cent}$$



## C/I-ratio

The Cost/Income ratio, the ratio between costs and income, is an important measurement of the Group's efficiency. During 2002 the Cost/Income ratio was improved with the help of the Group's cost-reduction programme. The goal is to reach a Cost/Income ratio of 0.65 during 2004 and 0.60 long-term provided the market situation shows some improvement.

## Capital adequacy ratio

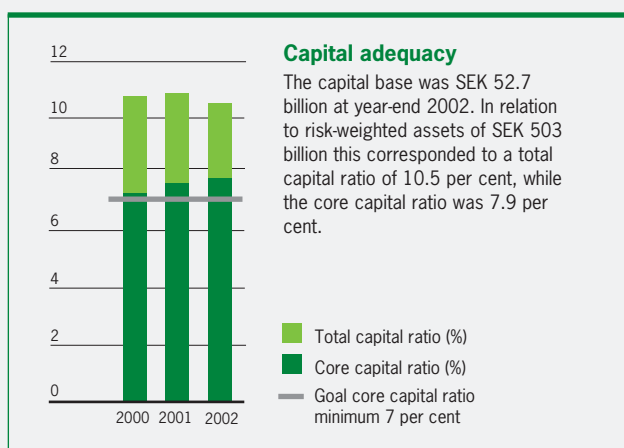
The capital adequacy ratio shows the Group's capital base (excluding insurance operations) in relation to business volumes (weighted according to special risk classes). The capital base consists of two parts:

1. Shareholders' equity (see explanation above in the comments on the balance sheet) adjusted in accordance with the capital adequacy rules.
2. Borrowed capital in the form of subordinated debt that SEB has raised in the international capital market. This is subject to special rules, too.

The size of the capital base is thus decisive for how much the Bank is able to lend and invest in total.

The legal capital adequacy requirement is 8 per cent, but SEB's total capital ratio shall be even higher, at least 10.5 per cent. During 2002 the total capital ratio was 10.5 per cent, calculated as follows:

$$\frac{\text{SEK 52.7 billion (of which, SEK 39.7 in core capital)}}{\text{SEK 503 billion (risk-weighted volumes)}} = 10.47 \text{ per cent}$$



## BOARD OF DIRECTORS



Jacob Wallenberg



Lars H Thunell and Ulf Jensen



Hans-Joachim Körber



Inger Smedberg



Tuve Johannesson and Gösta Wiking



Penny Hughes and Carl Wilhelm Ros



Urban Jansson



Marcus Wallenberg



Lars Gustafsson



Göran Arrius



Ingrid Tegvald

## BOARD OF DIRECTORS

*Elected by the Annual General Meeting*

### Jacob Wallenberg<sup>4) 5) 6)</sup>

Born 1956; elected 1997.

*Chairman of the Board.*

Deputy Chairman Investor, Atlas Copco, Electrolux, The Knut and Alice Wallenberg Foundation and SAS. Director ABB, Confederation of Swedish Enterprise and the Nobel Foundation.

Shareholding: 148,902 Series A shares and 5,046 Series C shares.

### Marcus Wallenberg

Born 1956; elected 2002.

*Deputy Chairman.*

President Investor. Deputy Chairman Ericsson and Saab. Director AstraZeneca Plc, Knut and Alice Wallenberg Foundation and Stora Enso.

Shareholding: 101,276 Series A shares and 1,626 Series C shares.

### Gösta Wiking<sup>2) 3) 7)</sup>

Born 1937; elected 1997.

*Deputy Chairman.*

Chairman Mölnlycke Health Care, Tribon and Angiogenetics. Director Bong Ljungdahl, Karlshamn and XCounter.

Shareholding: 3,600 Series A shares.

### Penny Hughes<sup>7)</sup>

Born 1959; elected 2000.

Director Vodafone, web-angel, Trinity Mirror and GAP Inc.

Shareholding: 0

### Urban Jansson<sup>1)</sup>

Born 1945; elected 1996.

Chairman Plantagen and Proffice. Director Addtech, Ahlstrom Corp, Anoto Group and Pyrosequencing.

Shareholding: 8,000 Series A shares.

### Tuve Johannesson

Born 1943; elected 1997.

Chairman Ecolan International A/S and Gorthon Lines. Deputy Chairman Volvo Car Corporation. Director Cardo, IFS, Chumak Ukraine and Swedish Match.

Shareholding: 16,800 Series A shares.

### Hans-Joachim Körber

Born 1946; elected 2000.

Dr.

CEO Metro AG.

Shareholding: 0

### Carl Wilhelm Ros<sup>3) 4)</sup>

Born 1941, elected 1999.

Chairman Dahl International. Director NCC, INGKA (Ikea) Holding, LKAB, Bonnier and ProfilGruppen.

Shareholding: 3,301 Series A shares and 26 Series C shares.

### Lars H Thunell<sup>5)</sup>

Born 1948; elected 1997.

Dr Phil.

*President and Group Chief Executive.*

Chairman IBX AB. Director Akzo Nobel N.V., b-business partners, Swedish Bankers' Association, The Swedish Industry and Commerce Stock Exchange Committee, and Mentor Foundation.

Shareholding: 9,000 Series A shares, 117,000 call options and 884,069 employee stock options.

*Deputy Director elected by the Annual General Meeting*

### Lars Gustafsson

Born 1946; elected 2002.

Executive Vice President and Deputy Group Chief Executive; Head of Group Staff, Head of SEB IT and Head of the SEB Baltic & Poland Division.

Director VPC and Stockholm International Fair.

Shareholding: 322 Series A shares, 8,250 call options and 356,862 employee stock options.

*Directors appointed by the employees:*

### Ulf Jensen

Born 1950; appointed 1997 (1995).

Chairman SEB Group Committee of the Swedish Union of Financial Sector Employees and Stockholm City Regional Club of the same union.

Shareholding: 0

### Inger Smedberg

Born 1949; appointed 1998.

Deputy Chairman SEB Group Committee of the Swedish Union of Financial Sector Employees and Chairman of the Club H & T of the same union.

Shareholding: 0

*Deputy Directors appointed by the employees*

### Göran Arrius

Born 1959; appointed 2002.

Chairman Association of University Graduates at SEB.

Shareholding: 0

### Ingrid Tegvald

Born 1946; appointed 2002.

Shareholding: 391 Series A shares, 19 Series C shares

<sup>1)</sup> Chairman of Credit Committee of the Board of Directors.

<sup>2)</sup> Chairman of Audit and Compliance Committee of the Board of Directors.

<sup>3)</sup> Member of Credit Committee of the Board of Directors.

<sup>4)</sup> Member of Audit and Compliance Committee of the Board of Directors.

<sup>5)</sup> Chairman of Compensation Committee of the Board of Directors

<sup>6)</sup> Deputy Chairman of Credit Committee

<sup>7)</sup> Director of Compensation Committee of the Board of Directors





Anders Rydin



Liselotte Hjorth



Fleming Carlborg



Lars Lundquist



Annika Bolin



Lars Gustafsson



Lars H Thunell



Harry Klagsbrun and Anders Mossberg

## GROUP EXECUTIVE COMMITTEE

**Lars H Thunell**

Born 1948; SEB employee since 1997.

Dr Phil.

*President and Group Chief Executive.*

Chairman IBX AB. Director Akzo Nobel N.V., b-business partners, Swedish Bankers' Association, The Swedish Industry and Commerce Stock Exchange Committee and Mentor Foundation.

Shareholding: 9,000 Series A shares, 117,000 call options and 884,069 employee stock options.

**Lars Gustafsson**

Born 1946; SEB employee since 1982.

Executive Vice President and Deputy Group Chief Executive; Head of Group Staff, Head of SEB IT and Head of SEB Baltic & Poland since 2001.

Director VPC, Stockholm International Fair.

Shareholding: 322 Series A shares, 8,250 call options and 356,862 employee stock options.

**Annika Bolin**

Born 1962; SEB employee since 1987.

B. Sc. (Econ).

Executive Vice President and Head of Corporate & Institutions since 2001; Head of Merchant Banking since 2000.

Director Invest in Sweden Agency (ISA) and Ruter Dam. Shareholding: 353,922 employee stock options.

**Fleming Carlborg**

Born 1956; SEB employee since 1974.

Executive Vice President, Head of Nordic Retail & Private Banking since 2001.

Shareholding: 2,148 Series A shares, 120 Series C shares, 2,050 call options and 323,921 employee stock options.

**Liselotte Hjorth**

Born 1957.

SEB employee 1983–97 and since 1998; B. Sc. (Econ).

Executive Vice President, Head of Group Credits since 1998.

Director Swedish Auditing Academy.

Shareholding: 160,294 employee stock options.

**Harry Klagsbrun**

Born 1954; SEB employee since 2001.

MBA

Executive Vice President, Head of SEB Asset Management since 2001.

Shareholding: 30,000 Series A shares and 127,329 employee stock options.

**Lars Lundquist**

Born 1948; SEB employee since 1997.

MBA.

Executive Vice President; Head of SEB Germany since 2000 and CEO SEB AG since 2001; Chief Financial Officer since 1 January 2003.

Director Celtica.

Shareholding: 0 shares, 10,300 call options and 405,883 employee stock options.

**Anders Mossberg**

Born 1952; SEB employee since 1985.

Executive Vice President, Head of SEB Trygg Liv since 1997.

Director Sveriges Försäkringsförbund, Codan Link AS, Financial Education AB.

Shareholding: 7,008 Series A shares, 10,300 call options and 363,720 employee stock options.

**Anders Rydin**

Born 1945; SEB employee since 1997.

B. Sc. (Econ).

Executive Vice President, Chief Financial Officer as from 1997 until 31 December 2002; Senior Advisor as from January 2003.

Director Swedish Association for Share Promotion and Cardo.

Shareholding: 20,400 Series A shares, 20,600 call options and 379,902 employee stock options.

## AUDITORS

*Auditors elected by the Annual General Meeting*

PriceWaterhouseCoopers

**Göran Jacobsson**

Born 1947; auditor in SEB since 1993.

Authorised Public Accountant, auditor in charge.

**Peter Clemedtson**

Born 1956; auditor in SEB since 1993.

Authorised Public Accountant.

*Auditor appointed by the Financial Supervisory Authority*

**Ulf Järlebro**

Born 1947; auditor in SEB since 1999.

Authorised Public Accountant, BDO Feinstein Revision

## Employee stock option programme and repurchase of shares

During the years 1999–2002, the Board of Directors decided to launch an employee stock option programme for senior officers as part of the total incentive package offered to senior officers, key individuals and certain specialists (a total of 5 per cent of the employees) of the Group. The aim of the stock option programme is among others to stimulate a long term engagement in SEB

All programmes run according to similar conditions and principles. The programmes are running for a seven-year term and can only be exercised after an initial three-year waiting period, provided the relevant individual is still in the employ of the Bank. Allotment has presumed freezing or reduction of cash salary (fixed and/or flexible salary).

In February 2003, the Board decided to launch a new employee stock option programme, based upon maximum 6,200,000 employee stock options on conditions and principles similar to those applicable to the 1999–2002 programmes, to approximately 700 senior officers and key individuals. The employee stock option programme decided by the Board for 2003 meets with the already approved plan for SEB's employee stock option programme. At allotment, the Group Executive Committee is expected to receive about 1,100,000 options, of which the President would receive approximately 263,000 options, and senior officers and key individuals about 5,100,000 options. Each option entitles to the purchase of one Series A share at a price of the equivalent of 110 per cent of the average price paid at the closing of the Stock Exchange during the period from and including 13 February 2003 until and including 26 February 2003. The redemption price has been set at SEK 81.30 per option. The employee stock options may be exercised during the period starting three years after allotment and ending seven years after allotment.

Employee stock options can not be sold nor pledged and they do not have any market value. A theoretical value has been calculated according to an established option model (Black & Scholes). When calculating the theoretical value, consideration has been given, amongst others, to the term of the programme and to the fact that the options can not be exercised during the first three years. The theoretical value for the 2003 programme has been calculated to SEK 15 per employee stock option or SEK 93 M in total.

Including the 2003 programme, the total number of employee stock options outstanding (1999–2003) comprises approximately 24,400,000 shares, which corresponds to approximately 3.4 per cent of the total number of SEB shares outstanding. A recurrent programme would amount to a total of approximately 5 per cent of the shares in SEB.

The price increase that may arise during the validity of the employee stock options and the associated social costs represent a risk to the Bank. As regards the 1999–2001 programmes, this risk has been hedged through a swap agreement with a third party. The cost of this hedging arrangement is calculated as the difference between the dividend level of the SEB share and the running financing cost for the number of underlying shares. A market increase of the SEB share by SEK 10 would imply that the social costs would amount to SEK 15 million. Due to the hedging arrangement, shareholders' equity will be fully compensated and remain intact.

The 2002 employee stock option programme has been hedged through a repurchase of own shares, in accordance with the Annual General Meeting's decision (see below). The social costs are still hedged through swap agreements.

It is proposed to hedge also the 2003 employee stock option programme through a repurchase of own shares and the social costs through swap agreements.

### Repurchase of own shares

The 2002 Annual General Meeting authorised the Board of Directors to decide to repurchase own shares in the stock market. On 7 May 2002, 7,000,000 shares (at nominal SEK 10) were purchased at the average price of SEK 103. The shares that had been repurchased replaced an existing hedging arrangement in the form of a swap agreement. The shares will be used for delivery to those employee stock option holders who exercise their stock options under the 2002 programme. Shares that are not used for that purpose may be sold in the stock market.

The number of shares held at each time within the framework of the Bank's securities business should be added to the above number of repurchased shares.

SEB's Board of Directors has decided to propose to the Annual General Meeting that it authorises the Board of Directors to decide to repurchase own shares in the stock market during the period up to the 2004 Annual General Meeting in order to hedge the Bank against the costs of the 2003 employee stock option programme. Such authorisation will comprise the purchase of maximum 6,200,000 Series A shares corresponding to approximately 1 per cent of all the shares in the Bank. It is proposed that the resolution of the Annual General Meeting should also allow the transfer of repurchased shares to the employee stock option holders under the 2003 programme according to the conditions of the programme. The Board of Directors should also be given a mandate to sell in the stock market, during the period up to the 2004 Annual General Meeting, both the shares which have been repurchased under the 2002 programme without being used for delivery to the stock option holders and the shares under the 2003 programme that are not used for delivery to the stock option holders. Purchases and sales in the stock market may only be made at a price within the price interval registered on the Stockholm Stock Exchange at each time, which means the interval between the highest bid price and the lowest asked price.

As in previous years and according to Chapter 4, § 5 of the Act (1991–981) on Securities Business, the Board of Directors has decided to propose to the Annual General Meeting, in addition to the repurchase of own shares for employee stock options, to resolve that the Bank, during the period up to the next Annual General Meeting, may purchase own Series A shares and Series C shares on a continuous basis in its securities business up to such a number as at each time means that the holding of such shares does not exceed five per cent of all the shares in the Bank. The price of purchased shares shall equal the market price prevailing at each time.

Previously repurchased shares and the new proposed repurchases of own shares are accommodated within the maximum 10 per cent of the total volume of outstanding shares that are permitted under applicable law.

# Addresses

## Head Office

### **Group Executive Committee**

Postal Address: SE-106 40 Stockholm

Visiting Address: Kungsträdgårdsgatan 8

Telephone: +46 8 763 80 00, +46 8 22 19 00  
(Management)

## Divisions and Business Areas

### **Nordic Retail & Private Banking**

Postal Address: SE-106 40 Stockholm

Visiting Address: Sergels Torg 2

Telephone: +46 8 763 50 00, +46 8 763 80 00

### **Corporate & Institutions**

#### *Merchant Banking*

Postal Address: SE-106 40 Stockholm

Visiting Address: Kungsträdgårdsgatan 8

Telephone: +46 8 763 80 00

#### *Enskilda Securities*

Postal Address: SE-103 36 Stockholm

Visiting Address: Nybrokajen 5

Telephone: +46 8 52 22 95 00

### **SEB Asset Management**

Postal Address: SE-106 40 Stockholm

Visiting Address: Sveavägen 8

Telephone: +46 8 788 60 00

### **SEB Trygg Liv**

Postal Address: SE-106 40 Stockholm

Visiting Address: Sergels Torg 2

Telephone: + 46 8 785 10 00

### **SEB AG Group/German Retail & Mortgage Banking**

Postal Address: DE-603 25 Frankfurt am Main

Visiting Address: Ulmenstraße 30

Telephone: +49 69 258 0

### **SEB Baltic & Poland**

Postal Address: LV-1050 Riga

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Skandinaviska Enskilda Banken AB's  
corporate registration number: 502032-9081

# In mid-March the Annual Report will be available on [www.seb.net](http://www.seb.net)

## Annual General Meeting

The Annual General Meeting will be held on Wednesday 9 April, 2003 at 12.30 p.m. (Swedish time) at Cirkus, Djurgårdsslätten, Stockholm.

Notices convening the General Meeting including an agenda for the Meeting will be published in the major Swedish daily newspapers in March, 2003.

Shareholders wishing to attend the Annual General Meeting shall

- *both* be registered in the shareholders' register kept by VPC (the Swedish Securities Register Centre) on Friday 28 March, 2003, at the latest
- *and* notify the Bank's Legal Department in writing under address KA2, SE-106 40 Stockholm, or by telephone 020 23 18 18 between 9.00 a.m. and 4.30 p.m. in Sweden or, from abroad, at +46 771 23 18 18 or via Internet on the home page of the Bank, [www.seb.net](http://www.seb.net), not later than 1 p.m. on Thursday 3 April, 2003.

### Dividend and Record date

The Board proposes a dividend of SEK 4.00 per share. The share is traded ex dividend on Thursday 10 April, 2003. Monday 14 April 2003 is proposed as record date for the dividend payments. If the Annual General Meeting resolves in accordance with the proposals, dividend payments are expected to be distributed by VPC on Thursday 17 April 2003.

## Financial information during 2003

Publication of annual accounts	13 February
Publication of Annual Report	Mid March
Annual General Meeting	9 April
Interim report January–March	8 May
Interim report January–June	14 August
Interim report January–September	22 October

### For further information please contact:

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