



We shall benefit our customers by providing leading competence and maintaining long-term relations.

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# Financial information via the Internet: [www.seb.se](http://www.seb.se)

SEB's web service offers financial information on the Group in the form of annual reports, interim reports, etc. and the possibility to subscribe for the Group's press releases via e-mail.

## Financial Information during 1999

Publication of annual results	15 February
Publication of Annual Report	early April
Annual General Meeting	29 April
Report January – March	29 April
Report January – June	17 August
Report January – September	25 October

### Annual Reports and quarterly reports may be ordered from:

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Our aim: To be of great benefit to our customers and shareholders.

Our business concept: To benefit our customers by providing leading competence and maintaining long-term relationships.

Our vision: To become the leading provider of financial services in Northern Europe.



**Malmö**

Trygg-Hansa's call-centre received 2.8 million calls last year. This makes efficient staff-planning essential. Read more on page 37.



**Stockholm**

Endowment assurance can be an excellent alternative when it comes to safeguarding the future of the next generation. Read more on page 45.



**Hong Kong**

Mutual fund activities in the Far East are founded upon 30 years' experience. Our Far East specialists speak all major local languages. Read more on page 49.



**The Baltic Region**

Through part-ownership of three Baltic banks, SEB is able to offer clients a wider range of services. Through the transfer of knowledge these banks will rapidly develop. Read more on page 55.



**Copenhagen**

Computer-based research tools serve as sales support and provide an additional means of competition in the Danish mortgage bond market. Read more on page 49.



**The Nordic Area/Europe**

SEB offers flexible liquidity management, in euro, to its internationally active Nordic corporate clients. Read more on page 21.



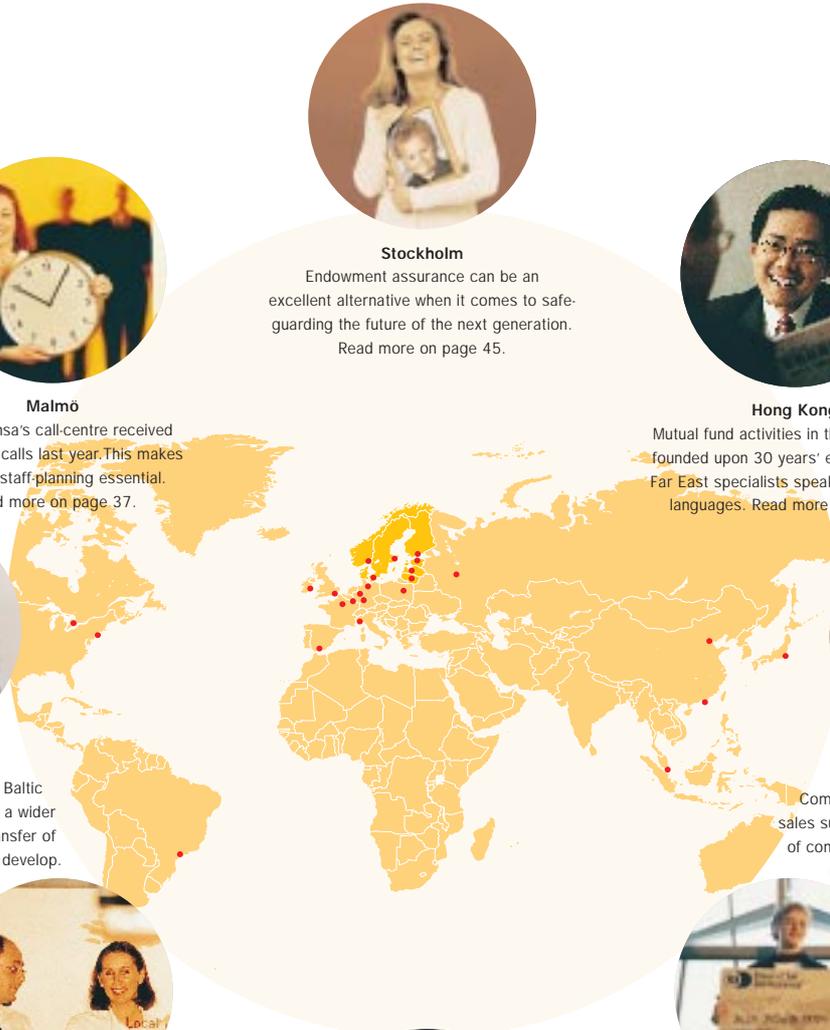
**New York**

M&A activities involving Nordic and U.S. companies accelerate as a result of globalisation. Read more on page 53.



**Oslo**

Via the Internet, clients of Diners Club will soon be able to obtain information and offers based upon their individual interests. Read more on page 33.



# A high level of activity characterized the whole Group

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## JAN.

- The Bank starts to test direct payment traffic via the Internet, as the first Swedish bank to do so.
- Integration of S-E-Banken Försäkring's and Trygg-Hansa's life sales forces starts.

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## MAR.

- It is decided to incorporate Enskilda Securities as a separate company.

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## APR.

- The Bank sells 44 office properties to Vasakronan.
- Trygg-Hansa and Statoil start a joint call-centre in Denmark.
- The Bank starts the installation of a total of 50 new cash deposit machines.

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## JUN.

- Trygg-Hansa sells the Industrial & Marine business area to the Zurich Group
- Enskilda Securities launches new indices for Nordic sector research.

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## JUL.

- Euromoney ranks S-E-Banken the best bank in Sweden.
- The Bank introduces five mutual funds denominated in euro.
- SEK 10.5 billion is allocated to the policyholders in the former Trygg-Hansa Liv AB, in addition to an average bonus of 12.25 per cent.

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## AUG.

- The Trygg-Finans and FinansSkandic finance companies are merged into SEB Finans.
- Trygg-Hansa forms a non-life insurance company together with the Danish company Nykredit.
- ABB Investment Management is acquired.
- Co-operation initiated with three non-Swedish asset managers: Fidelity, Mercury and Fleming.

- 
- The Group introduces a new trademark: SEB. Trygg-Hansa continues as a trademark for non-life insurance; the life insurance activities are co-ordinated under the trademark SEB Trygg Liv; the investment banking activities continued as Enskilda Securities.
  - The Telephone Banks Trygg-Banken and Sesam merged under the name Sesam.
  - The mutual fund assortment of SEB Fonder and Trygg Fonder is co-ordinated.
  - The call-centre and back-office activities of the Group are co-ordinated in Göteborg, which means that the Bank has one of the largest call-centres for financial services in Northern Europe.
  - In order to reduce waiting times at the liveliest branch offices, 100 new positions are created.
  - A deposit account in euro is introduced.

SEPT.

- 
- Euromoney ranks Enskilda Securities the best securities company in Sweden.
  - SEB becomes a part-owner of Adacra, a management and IT-consultant company.
  - A new Internet service introduced for medium-sized companies: Trading Station, offering foreign exchange trading.
  - The Internet Office counts its customer number 200,000 (230,000 by year-end 1998).

OCT.

- 
- SEB invests in the Baltic States by entering into co-operation agreements with Eesti Ühispank in Estonia, Latvijas Unibanka in Latvia and Vilniaus Bankas in Lithuania. At year-end, SEB becomes a part-owner of these three banks.

NOV.

- 
- SEB launches a new Internet service, Fondmarknaden, or the "Mutual Fund Market", comprising 1,100 mutual funds.
  - The former life insurance companies of S-E-Banken and Trygg-Hansa are amalgamated into a new sub-group, with SEB Trygg Liv Holding as parent company. Also the unit-linked insurance companies are merged.
  - Trygg-Hansa sells its holding in Förenade Trygg to Förenade Liv.
  - SEB forms a new Executive Committee.
  - An application for the incorporation of SEB Kort is submitted.

DEC.

- 
- The sale of the non-life business of Trygg-Hansa is being considered.
  - SEB Asset Management starts activities in Denmark.
  - SEB's Baltic engagements assembled in SEB Baltic Holding AB.
  - Enskilda Securities incorporated.

JAN.

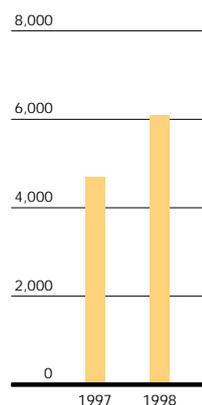
# Total result increased by 30 per cent

Comments on some of the financial key ratios of importance for any analysis of SEB are found on the two following pages. More detailed information is primarily found in the Financial review of the Group on pages 56–63.

## Result

### Result

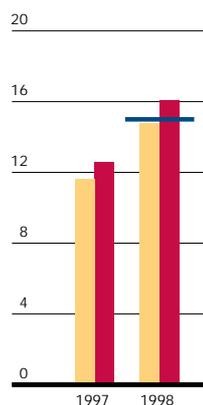
The Group's total result, i.e. operating result, pension provision and change in surplus values in life insurance operations, increased by 30 per cent. This was mainly due to a 26 per cent improvement in the operating result and a 70 per cent higher change in surplus values compared with 1997.



■ Total result, SEK M

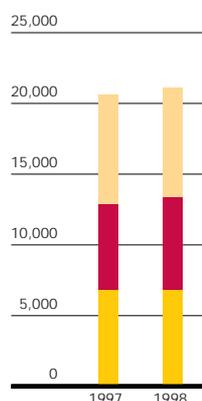
### Return on equity

Return on equity in 1998 was 14.8 per cent, by traditional measuring methods. If the change in surplus values in life insurance operations is included return on equity was 16.1 per cent. SEB's goal is to achieve a minimum long-term return on equity of 15 per cent after tax.



■ Return on equity, %  
■ Return, incl. change in surplus values, %  
— Goal, %

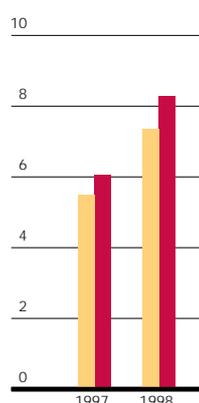
## Income



During 1998, net commission income's share of Group income increased. The item Other income includes capital gains from the sale of properties and the Industrial & Marine business area. The net result of financial items was affected by the fact that the rise in value of the Group's investment portfolios did not match that achieved during the strong stock market year of 1997.

■ Other, SEK M  
■ Net commission income, SEK M  
■ Net interest earnings, SEK M

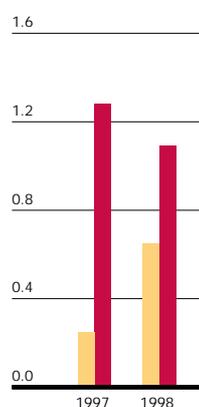
## Earnings per share



The result for the year after tax amounted to SEK 4,326 M, which distributed on 588,246,062 shares was equal to SEK 7.35 per share. Earnings per share on the basis of Total result after tax were SEK 8.27 per share.

■ Result for the year per share, SEK  
■ Earnings per share, SEK

## Credit quality



After some years of steady decline in lending losses, provisions increased during 1998, chiefly as a result of the Group's exposure on Russia. During the year, the Group's exposure on emerging markets was reduced from SEK 47 billion to a little over SEK 18 billion, net. The level of doubtful claims dropped to 1.09 per cent, whereas the provision ratio rose from 47.6 to 52.0 per cent.

■ Lending loss level, %  
■ Level of doubtful claims, %

## Credit portfolio

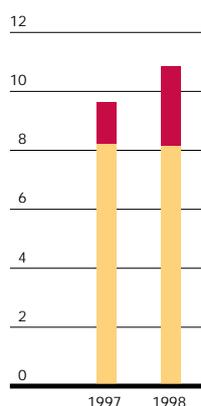
### Credit portfolio by industry sector, 1998 (1997)

SEK 525 billion (SEK 535 billion)



During 1998, SEB's credit exposure on banks and finance companies decreased, while its lending to the manufacturing industry and transportation sector increased. Household lending also showed an increase, mainly in the form of housing loans.

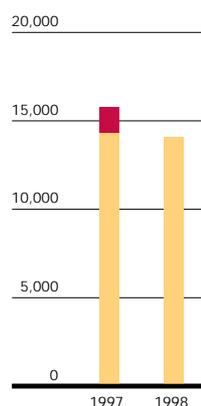
### Capital adequacy



At year-end 1998, the capital base (which does not include the insurance companies of the Group) was SEK 33.6 billion. In relation to risk-weighted assets of SEK 309 billion, the total capital ratio was 10.9 per cent and the core capital ratio 8.1 per cent.

■ Total capital ratio, %  
■ Core capital ratio, %

### Level of costs



If the restructuring costs of close to SEK 1.5 billion in 1997 are excluded from the comparison, costs dropped by 2 per cent. IT costs rose by 21 per cent, while staff costs remained largely unchanged. Excluding restructuring costs, IT investments and expansion in the rest of the Nordic area, costs dropped by 9 per cent.

■ Restructuring costs, SEK M  
■ Total costs, excl. restructuring costs, SEK M

### Capital at Risk

#### SEK, billion

Counterparty risk	Business areas stand-alone	21	
	- Diversification	-2	19
Market risk	Business areas stand-alone	7	
	- Diversification	-2	5
Insurance risk	Business areas stand-alone	5	
	- Diversification	-1	4
Operational and residual risk	Business areas stand-alone	18	
	- Diversification	-11	7
	Diversification between various types of risk		-11
<b>Capital at Risk</b>		<b>24</b>	
Allocated part of goodwill		6	
<b>Allocated capital</b>		<b>30</b>	

In order to use the capital base of the Group in the best possible way and to assess profitability within the various business areas, SEB has introduced a performance model, based upon Capital at Risk. The Group needs this capital as a buffer against unexpected, negative effects on the business volume. The model is based upon statistical probability calculations for various types of risk (counterparty and market risk, operational risk, etc.).

### Allocated capital and return

#### Distribution of capital per business area

	Allocated capital SEK M	Return per cent
Retail	8,800	19.2
Trygg-Hansa	3,500 <sup>1)</sup>	9.3
SEB Asset Management	3,750	17.9
SEB Trygg Liv	3,250	12.7
SEB Merchant Banking	10,400	2.2
Enskilda Securities	650	24.0
Other	-150 <sup>2)</sup>	
<b>Group total</b>	<b>30,200</b>	<b>16.1</b>

1) Refers to allocated equity.

2) Elimination.

Allocated capital to the various business areas of the Group has been calculated in proportion to their respective risk exposure and consists of Capital at Risk plus such part of goodwill as is attributable to acquired companies and matched by a need for equity.

### Rating

Moody's		Standard & Poor's		Fitch/BCA		Thomson Bankwatch	
Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
P-1	Aaa	A-1+	AAA	F1+	AAA	TBW-1	AAA
P-2	Aa1	A-1	AA+	F1	AA+	TBW-2	AA+
P-3	Aa2	A-2	AA	F2	AA	TBW-3	AA
	Aa3	A-3	AA-	F3	AA-	TBW-4	AA-
	A1		A+		A+		A+
	A2		A		A		A
	A3		A-		A-		A-
	Baa1		BBB+		BBB+		BBB+
	Baa2		BBB		BBB		BBB
	Baa3		BBB-		BBB-		BBB-

The above table illustrates the rating scales of the large rating institutions and SEB's rating as regards short- and long-term debt, respectively.

# Approaching a new millennium: A year of trials and joy

Increased focus upon customers and profitable core business; increased transparency, delegation and risk-adjusted return create added value for our shareholders.

The merger of S-E-Banken and Trygg-Hansa has been more successful than my colleagues on the Board and myself dared hope. The new trademark stands strong as we approach the new millennium. The new Group can offer both companies and private individuals a broader range of services, based upon increased competence within our priority areas of business.

Our focus on customer needs is one of the driving forces behind our investments in technological development. We intend to continue to be the leading IT bank.

Another factor of the future is the strategy to strengthen our activities within savings. SEB is the Swedish bank that consistently increases its share of commission income, which reduces our dependence upon net interest earnings.

We are number one within asset management in the Nordic area. According to Euromoney's latest annual ranking, SEB was the best Swedish bank and the best bank in the world as regards Nordic currency and interest trading. Enskilda Securities was appointed best securities broker in Sweden, Norway and Finland.

## Global unrest affecting SEB

These positive tidings do not mean that the past year has been without its problems. Great turbulence characterized the international financial markets. During the second half of 1998, existing financial unrest in South East Asia, Russian events and apprehension about repercussions in Latin America led to a strict tightening-up of that which could previously have been described as a general credit expansion.

Such an important course of events had a particular impact on international banks, including SEB. Our share price, which had been higher than the stock index during the first two quarters of 1998, dropped during the third quarter due to the Bank's exposure on emerging markets, particularly Russia. This led the Board to the conclusion that our risk-taking, which forms a natural part of our business activities, had to be cut down quickly, a process that had been initiated earlier but now had to be accelerated.

Another consequence is that we have made substantial provisions in our 1998 annual accounts, mainly for credits to Russia. Despite these provisions we have managed to reach our goals in terms of return.

In these times of globalisation, world development is always a factor of uncertainty to a bank that has a large international exposure. We have to follow our international clients into the

emerging markets, which does not mean that we should assume any greater risks than those deemed reasonable in relation to return. A condition for the future is that all lending activities have to be seen in a risk-adjusted perspective.

## Increased transparency needed

An essential lesson learnt is that we have to make more stringent demands as regards gaining insight into the economic conditions and financial systems of the emerging countries in order to promote the creation of more stable institutions in these economies. This is a task for the international organisations, in co-operation with national central banks. If not, the whole international financial system runs the risk of damage due to lack of trust and poor functionality. It is our obligation to continue to improve our own capacity and refine the quality of risk evaluation.

## Profitable core business in focus

The strategic work of the Group has proceeded. The integration of S-E-Banken and Trygg-Hansa, in combination with a decentralisation of the activities of the Bank and increased transparency have been in focus. This process has not been problem-free, but it was carried out according to plan.

As a financial group that is active within all parts of the financial sector, we must continuously evaluate the strengths and weaknesses of each business area in the light of ever-increasing competition. This is for example true of those areas in which profitability is exposed to pressure from niche banks, with customers that do not require a complete range of services. To an even greater extent, pressure to transform applies to corporate finance, since the banks' role as intermediaries is played out through increased direct borrowing by companies in the credit market. All this means that we must work harder in order to increase customer value. Old merits are not enough if one wishes to remain competitive and increase shareholder value.

One result of this process of change is increased focus on profitable core business. Being profitable is more important than being big. This has led us to sell activities, e.g. office properties to Vasakronan and the Industrial & Marine business area to the Swiss Zurich Group. This concentration process of the business of the Bank continues, as illustrated by the decision of the Board of Directors to sell the non-life business of Trygg-Hansa. An offensive drive is our acquisition of ABB Investment



Jacob Wallenberg, (to the right) is the Chairman of SEB since December, 1997.

Management and our purchase of strategic blocks of shares in banks in all three Baltic States, thus reinforcing our platform in Northern Europe. In all, we intend to be the leading bank in Northern Europe.

#### Major external changes

As a consequence of globalisation and more intense competition, the consolidation of the financial sector is accelerating; bank and insurance accounted for close to one third of the total volume of mergers and acquisitions in Europe in 1998. Various spectacular deals in the U.S. and European markets indicate that restructuring is not yet over. The financial sector is entering a new millennium, in which economies of scale following deregulation will expose the players to stringent tests and demands for change.

The future euro market will be of central importance. Swedish membership of the EMU will facilitate Sweden's integration with the European economy, which is the principal market for most of our corporate customers. Even today, these clients demand full access to "Euroland". For several years, SEB has therefore been preparing new euro services that are tailor-made to suit clients and to help establish a smooth flow of currencies across the national borders.

The introduction of the euro has put pressure on the banks. As a result of the drastic reduction in the number of currencies, income from currency trading, foreign payments and foreign currency lending will decline. On the other hand, integrated capital markets will provide increased scope for new business opportunities and general growth.

In comparison with the U.S.A., the European equity and corporate bond markets are still small in relation to the size of the economies; total market capitalisation in Europe is half that of the U.S., while the corporate bond market is just one fifth of its American counterpart. With the advent of the euro, currency fragmentation will disappear and leave room for euro-denominated equity, credit and bond markets. These are likely to equal the U.S. markets in size and this will benefit both lending and savings.

#### A future packed with opportunities

With the help of information technology we will seize new opportunities to increase profitability in our non-domestic business in the same way as we have used technology to improve our domestic activities. SEB is investing heavily in the development of new Internet systems for both private individuals and companies; we are one of the largest Internet banks in Europe. This is an investment in future competitiveness for a 21st century that is filled with challenges and opportunities.

*Stockholm in February, 1999*

Jacob Wallenberg  
Chairman of the Board

# The 1998 result provides a stable basis for continued development

1998 was an intensive year for the SEB Group. It was the first financial year of the new Group after the merger of S-E-Banken and Trygg-Hansa at the end of 1997.

On 4 January, the first banking day in 1999, SEB carried out the world's first currency transaction in the new euro currency. This marked the end of the Bank's long and thorough preparation work prior to the introduction of the euro. It also marked the start of a new period, a period in which we had put integration work behind us and are free to devote all our energy to customer-oriented work.

## Risk levels reduced in emerging markets

In terms of result, 1998 was a satisfactory year, albeit external events had a negative impact on our business. The first six months of the year were strong, with economic growth and firm stock markets, after which turmoil in the financial markets of the world and the collapse of the Russian banking system led to a negative result in the third quarter. The financial unrest in certain emerging countries caused us to start to reduce the Group's risk-taking in these countries as early as in the spring of 1998. Our exposure on emerging markets has been cut down during the year from SEK 47 billion to SEK 18 billion, net. During the fourth quarter, our result showed a positive development, which clearly shows that the underlying earning capacity of the Group is strong.

## Strong growth within welfare products

Many units of the Group operate in strongly growing markets and the Group has continued to grow in these during 1998. This is particularly true of those units which operate in the field of savings, pension and asset management, viz. Asset Management, which for example acquired ABB Investment Management and increased its market share of the mutual fund market during the year. Also SEB Trygg Liv (life insurance) has grown markedly and more than doubled its total result.

We have penetrated the Baltic markets by acquiring strategic blocks of shares in three banks: Eesti Ühispank in Estonia, Latvijas Unibanka in Latvia and Vilniaus Bankas in Lithuania.

## Rationalisation throughout the Group

The rationalisation process that all business areas and central staff functions have been engaged in has started to yield results. Costs have been reduced according to plan, but this work continues. There is further room for improvement. Excluding investments in the IT-area and Nordic expansion outside Sweden,

our costs have decreased by 9 per cent. We continue to invest in IT in order to improve customer service, increase earnings and reduce costs.

During 1998, we introduced new methods in order to rationalise our use of capital. All business areas are now provided with allocated capital, which is based upon the risks assumed by them. This leads to a more efficient use of capital and a better balance between risk and capital used. We have concentrated our activities and released capital resources through the sale of the office properties of the Group and the Industrial & Marine business area.

We are currently investigating the possibilities to sell the non-life business operations of Trygg-Hansa. Our experience from the combined distribution of non-life insurance and banking services is good. This is an area that we intend to continue to develop, e.g. as regards various combinations of financing and insurance services.

However, after having investigated various alternatives, we have arrived at the conclusion that we do not need to own the non-life company. Trygg-Hansa's non-life insurance operations are among the most efficient and profitable ones in the insurance sector. Nevertheless, these operations should be run on an even larger scale in order to be successful in the long run as regards European competition.

## Improved possibilities to increase customer benefit

1998 has been devoted to a great deal of internal work that is not always visible to the outsider. Those growth areas that formed the basis of the merger have now been integrated. Today, we have a more distinct organisation, strategy and orientation. To an increasing extent, our customers will be able to see and experience the fruits of our efforts. The challenges facing us in 1999 are about increased focus on customers, improved operational efficiency and further rationalisation of our use of capital. In these respects, we still have a long way to go. At the same time, we will continue our investments in growth areas, particularly within our savings-related units.

## Staff competence, and motivation, of decisive importance

The SEB Group is a "knowledge bank". Many of our direct services for our clients are of an advisory nature. Leading compe-



Lars H Thunell, (to the left) is the President and Group Chief Executive of SEB since December, 1997.

tence is one of our foremost success factors, not only in the form of expertise on various subjects but also, and increasingly, in terms of leadership and ability to create a good team spirit. At present, 20 per cent of the top managers are women, while the share of female employees is, in total, 55 per cent. To promote the advancement of women we use mentor programmes. We actively encourage women to apply for managerial vacancies. The Group offers assistance at home to facilitate the combining of work and family for all full-time employees with children under the age of eight. We are studying a new form of compensation system, by which part of the salary consists of options, in accordance with the system that Parliament adopted in July, 1998. This system will first be applied to the Management Committee. The profit share for employees increased to SEK 292 M (SEK 88 M), which corresponds to approximately SEK 17,000 per employee.

**The 1998 result provides a good basis for long-term shareholder value**

In all, the 1998 result provides a stable basis for continued development and rationalisation of the SEB Group. Turmoil in the financial environment, increased private savings and the introduction of the euro have intensified competition and put pressure on all the banks of the world. The great process of

change that has been carried out within the SEB Group during 1998 is just the beginning. In 1999 as in coming years, there will be great opportunities for growth, both in volumes and results, which generate long-term shareholder value. The way in which our staff has faced the challenges during the past year strengthens our faith in the future.

*Stockholm in February, 1999*

Lars H Thunell  
President and Group Chief Executive

# New dividend policy

During 1998, the SEB share price dropped by 15 per cent, from SEK 100.50 to SEK 85.50.

After year-end until 12 March 1999, the price has increased by 18 per cent to SEK 101.00.

## Share capital

The SEB share is listed on the Stockholm Stock Exchange. The share capital amounts to SEK 5,882 M distributed on 588 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.

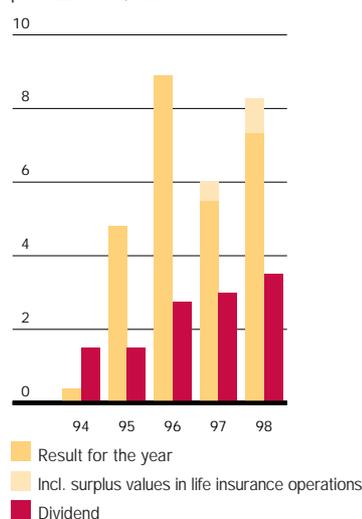
## Stock Exchange trading

During 1998, the value of the SEB share dropped by 15 per cent, compared with the 10 per cent rise in the General Index. The index for bank and financial shares increased by 18 per cent. During the year, the total turnover in SEB shares amounted to SEK 55 billion. The share reached its highest price in May, when the A share was quoted at SEK 145.50, while the lowest price was SEK 56.50, paid in October, 1998.

## Dividend policy

The objective of the Board is that the dividend shall correspond to between 30 and 50 per cent of earnings per share, calculated on the basis of total result after tax. The size of the dividend is determined by the financial position and growth possibilities of the Group. The Group 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 in the long run.

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



Earnings per share in 1998 (1997), calculated on the total result after tax, were SEK 8.27 (SEK 6.04).

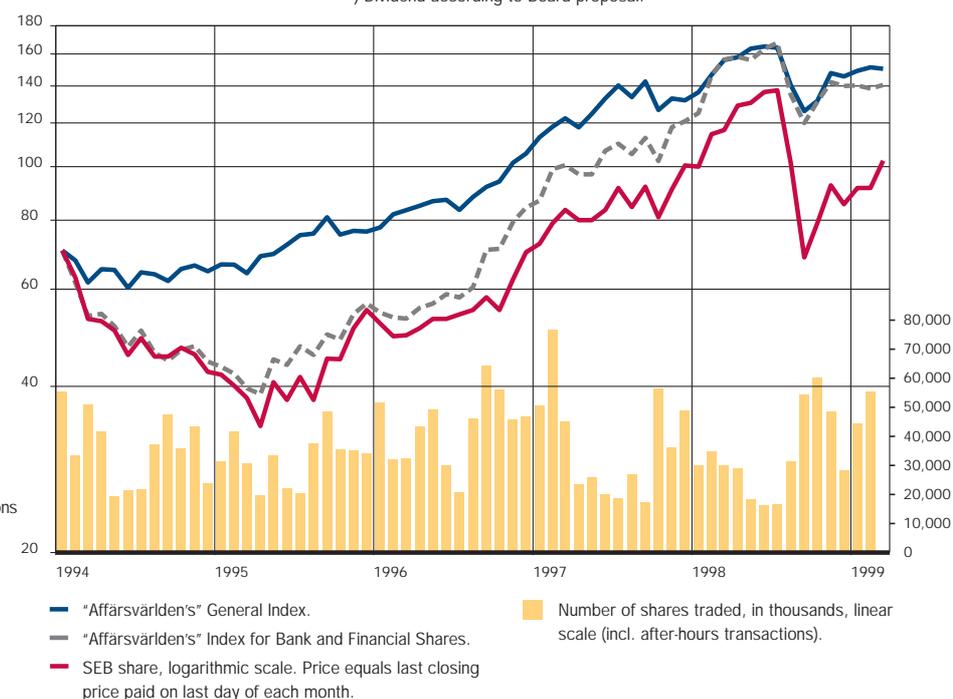
## The SEB share

Data per share	1998	1997	1996	1995	1994
Operating result, SEK	5.88	4.66	8.02	4.76	-0.96
Result for the year, SEK	7.35	5.50	8.91	4.80	0.40
Total result, after tax	8.27	6.04			
Adjusted shareholders' equity, SEK	52.39	47.84	40.85	46.62	44.60
Dividend					
per Series A share, SEK	3.50*	3.00	2.75	1.50	1.50
per Series C share, SEK	3.50*	3.00	2.75	1.50	1.50
Year-end market price					
per Series A share	85.50	100.50	70.00	55.00	42.50
per Series C share	77.50	93.50	65.50	49.50	40.00
Highest price paid during the year					
per Series A share	145.50	106.50	70.00	56.50	73.00
per Series C share	131.00	97.50	66.50	51.50	66.00
Lowest price paid during the year					
per Series A share	56.50	66.00	45.00	32.60	39.80
per Series C share	52.00	62.50	40.50	30.00	36.50
Dividend per share as a percentage of result for the year per share, %	47.6	54.5	30.9	31.2	375.0
adjusted shareholders' equity per share, %	6.7	6.3	6.7	3.2	3.4
market price per Series A share, %	4.1	3.0	3.9	2.7	3.5
Year-end market price per Series A share as a percentage of earnings per share (28/30 % tax), P/E	11.6	18.3	7.9	11.5	106.3
adjusted shareholders' equity per share, %	163.2	210.0	171.4	118.0	95.3

Result-related information for 1997 is pro forma.

\*) Dividend according to Board proposal.

## SEB share, SEK



Share capital

Share series	Number of shares	Number of votes	Percentage of capital	Percentage of votes
A	562,553,128	562,553,128	95.6	99.5
C	25,692,934	2,569,293	4.4	0.5
<b>Total</b>	<b>588,246,062</b>	<b>565,122,421</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

SEB'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	New issue 1:5	125	1,086,180	6,517,080	652
1976	New issue 1:6	140	1,086,180	7,603,260	760
1977	Split 2:1		7,603,260	15,206,520	760
1981	New 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	New 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	New 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	New 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

1) The recorded share capital at 31 December, 1986 was still SEK 1,204 M, since the proceeds from the new issue were not paid in full until early 1987.

2) 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.

Distribution of shares by size of holding

Size of holding	No. of shares	Per cent	No. of shareholders
1-500	48,648,835	8.27	323,400
501-1,000	24,545,460	4.17	32,980
1,001-2,000	22,937,191	3.90	15,496
2,001-5,000	27,072,991	4.60	8,661
5,001-10,000	14,307,929	2.43	2,012
10,001-20,000	10,362,633	1.76	724
20,001-50,000	10,432,530	1.77	332
50,001-100,000	10,499,615	1.78	146
100,001-	419,424,961	71.30	281
Other*	13,917		
<b>Total</b>	<b>588,246,062</b>	<b>100.00</b>	<b>384,032</b>

\*) Including possible pre-emptive shares, coupon shares, unknown holders and unutilised bonus shares.

Shareholder structure

Percentage holdings of equity on 31 December, 1998.



The majority of the Bank's approximately 380,000 shareholders are private individuals with small holdings. Institutions and foundations account for the majority holdings and foreign shareholders for 17.5 per cent, of which about half are U.S. shareholders.

The SEB share on the Stockholm Stock Exchange

	1998	1997	1996	1995	1994
Year-end market capitalisation, SEK M	<b>50,089</b>	58,759	36,773	28,842	22,332
Volume of shares traded, SEK M	<b>54,831</b>	38,188	29,262	16,942	23,299

The SEB share is one of the most actively traded shares on the Stockholm Stock Exchange.

The largest shareholders

31 December, 1998	No. of shares	Of which Series C shares	Per cent of number of all shares	votes
Knut and Alice Wallenberg Foundation	57,741,868	1,001,868	9.8	10.1
Trygg-Foundation	54,731,635		9.3	9.7
Investor	48,403,420		8.2	8.6
SPP	21,162,782	199,758	3.6	3.7
SEB/Trygg/ABB mutual funds	17,730,111		3.0	3.1
Skandia Liv	13,858,830	3,521,530	2.4	1.9
Nordbanken's mutual funds	11,146,000		1.9	2.0
Handelsbanken's mutual funds	7,270,800		1.2	1.3
SB-Stiftelsen, Skandinaviska Enskilda Bankens Pensionsstiftelse	6,405,200	1,070,000	1.1	1.0
AMF Sjukförsäkring	6,317,800	442,000	1.1	1.0
EB-Stiftelsen, Skandinaviska Enskilda Bankens Pensionsstiftelse	5,855,000	538,401	1.0	1.0
Wasa Liv	5,678,849		1.0	1.0
Ratos	5,170,000		0.9	0.9
Banco	4,124,038	493,951	0.7	0.7
Marianne and Marcus Wallenberg Foundation	4,061,158	61,158	0.7	0.7
Foreign shareholders	102,912,036	1,742,214	17.5	17.9

There were only minor changes in the holdings of the largest shareholders during the past year. The number of foreign shareholders has increased by 1 per cent since 31 December, 1997.

# The SEB Group – a “knowledge bank”

In 1998, SEB re-framed its business concept: “We shall benefit our customers by providing leading competence and maintaining long-term relationships”. This does not mean any dramatically new orientation, but puts the creation of values and associated process into the foreground.

In recent year, the ability to create shareholder value has increasingly become a focal point both among companies and for the evaluation of companies. As a consequence, also value-creating processes have come into focus as well as the insight that shareholder value arises from the creation of values among other groups of interested parties, mainly customers and employees.

In most modern companies it is not the fixed assets or net worth that represent the great values, but rather the “soft” assets which hardly ever show in the regular accounts. The company’s total competence and its relations with customers belong to the most important ones of these soft, or intangible, assets.

Since a few years back, many companies try to describe their intangible assets under the heading intellectual capital, divided into structural and individual capital, respectively. There is no consensus as regards the way in which these assets should be described or named or, even less, reported. Besides, until now too little attention has been paid to the important role that customer relations play for value-creation and to the role of the trademark.

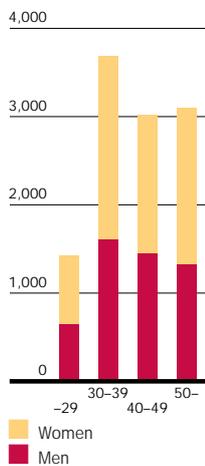
In 1998, SEB carried out a pilot study within one of its business units for the purpose of finding a method of valuing intangible assets. Various values were analysed and assessed in three dimensions: Value of present capital efficiency, orientation and value of its renewal and finally an assessment of stability/risk, including an attempt at identifying those threats which may undermine these values.

The method is subject to evaluation and the goal is to find a form that is generally applicable to SEB.

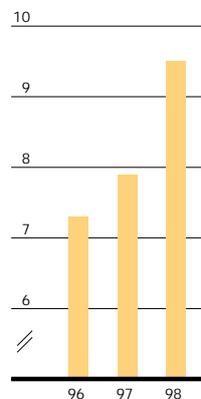
## Infrastructure for customer benefit

The business concept always sets the framework for a company. SEB’s new business concept illustrates and animates a concept, according to which the company has worked for a long time. Concrete customer benefit, long-term customer relations and leading competence have become increasingly important success factors.

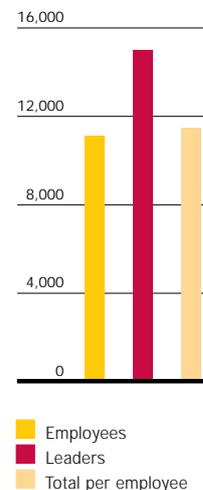
Number of employees, distributed by age and sex, 1998



Staff turnover, per cent



Investments in training/development per employee, 1998, SEK



SEB's various business units have different formulas to implement the business concept and create customer benefit within their respective areas.

#### Starting from the customer

Even though the branch office business has always been a customer organisation, SEB has had a highly product-driven organisation, like most banks and finance companies. During 1998, customer orientation clearly became one of the basic principles for the operations of the Group. The purpose is to give customers access to all products of the Group through one single relationship with SEB, regardless of what channels customers will choose (one stop shopping).

The overall focus is on companies and private individuals in need of high competence on financial matters. On the private side, segmentation is based upon interest in economic matters and financial potential, while it is mainly based upon growth on the corporate side. The further development of the organisation as well as the design of new products shall be guided by the needs of preferred customer segments, whereas non-focused activities shall be discontinued.

Customer focus also implies new management methods.

The basic principle is operative decentralisation on the basis of co-ordinated goals, which leads to small profit centres, the results of which employees are able to influence. Responsibility and authority shall be as close to the customer as possible. Profit responsibility is clearly linked to the account manager. A new formal structure is created through incorporations, capital allocation and internal boards in the business areas.

#### Efficient production systems

SEB has a number of tools at its disposal to achieve good results and satisfied customers.

Business planning is a common tool for all managers and staff. TRUE is an IT-supported competence planning system that is being implemented throughout the Group, connecting business plans with human resources.

Also in an international perspective, SEB is quite advanced as regards the use of information technology, both internally and in customer work. SEB's IT costs, totalling SEK 2.9 billion, corresponded to 21 per cent (17 per cent of total costs). This covers both large, time-bound projects, e.g. Y2K and EMU adaptations, and investments in operational rationalisation and increased customer benefit.

The IT infrastructure plays a very important role for systematizing SEB's total competence, making it available to individual employees in an efficient way. There is a great deal of knowledge within the company that has been packaged and made available, e.g. in customer, project and knowledge data bases as well as via the Intranet. The latter, which all SEB employees have access to, contains a little over 500,000 screen pages, of which many are updated on real time. In addition to those pages which are available to the whole staff, there are special pages for the various business areas/units. This means that the Intranet forms part of SEB's production system to a very high extent.

A new IT-tool has been created through the "Sales Support for Branch Offices Project" (see page 17). It both improves the quality of customer contacts and raises the level of service, helping build customer relations.

#### IT increasingly important for distribution system

The IT interface vis-à-vis customers is gradually expanding through various forms of self-service channels via automatic machines and the Internet, but IT is also used to increase personal service.

As from 1 March, 1999 the Telephone Bank Sesam and the call-centres of the Bank have been merged into one high-tech channel, with a considerable amount of personal service. This clearly shows that IT does not necessarily lead to customer contact anonymity. A great deal of work was spent on advancing SEB's position within distance banking, making the whole telephone channel more functional from a client perspective. The call-centre function is both a sales channel and a fully adequate telephone service unit. New technology is now being tested, which integrates telecommunication and Internet technology. This will enable customers and sales staff to speak with each other by telephone, while making calculations on the screen at the same time.

SEB pioneered new service functions via the Internet. Its Internet Office, which was quickly accepted by the private market, has been further developed during the year with respect to companies. At year-end 1998, SEB had 230,000 Internet customers, of which 15,000 were companies. The next development stage is to give a more personal touch to the Internet.

The IT systems are of great importance to SEB's international expansion, since they allow access to the total competence of the Group, without expanding the organisational infrastructure. On the corporate side, for example, SEB's customers can access the cash management systems of the Bank via the terminals of their subsidiaries.

#### Collective knowledge and culture

Much work within SEB is carried out in the form of projects. This does not only contribute to the transfer of competence, but also to the transformation of individual capital into organisational capital. Team-work, work across the borders and exchange of competence within and between Group companies are examples of other efforts that contribute to collective knowledge.

SEB's corporate culture is the result of several mergers over the years. SEB has learned to live with different types of culture. To a certain extent it is necessary and desirable to let separate cultures prosper, since they help to achieve overall objectives. At the same time, it is important to have common values that are strong throughout the Group. In the case of SEB, its business concept now comprises the central values.

The Intranet is an important instrument for maintaining and developing a common corporate culture. However, personal contacts remain the most important source of information. A living corporate culture is a vital part of organisation capital, the importance of which is growing in line with decentralisation.

#### Continuous development of staff

SEB is a knowledge and service company. People represent the most important resource in all companies of this kind. This is particularly true of companies that have defined leading competence and long-term customer relations as so critical

to the business that they form part of the business concept.

Good leadership, a decentralised organisation, compensation according to performance, competence development, openness, adequate information and a liberal working environment shall characterize SEB. That sort of environment will offer opportunities for further development of leading competence in the financial market.

#### Increased demand for competence

During 1998, the number of positions within SEB was 12,771 (13,015). The merger with Trygg-Hansa led to a number of double functions. Already before that, SEB had relatively high personnel costs per income unit. Today, SEB is in the middle of a structural programme that will both increase and decrease the staff, although a net reduction will result. During 1998, the number of staff was reduced by 607, net, corresponding to 5.4 per cent. Sold activities accounted for 187 people of this total.

In line with the growing importance and complexity of financial issues, customers' demand for leading competence increases.

A decisive success factor for the Group is steady competence development, which means that SEB shall be in the forefront of areas of critical importance to the business. SEB therefore invests in keeping and advancing its lead as regards sophisticated services, knowledge, expertise, judgment and technical skills. Experience forms the basis, but strategy requires new ways of thinking. This places heavy demands on employees.

SEB has many competence niches of a cutting-edge nature, e.g. highly qualified economists who play an active role in customer contacts. SEB's so-called quantum analysts make forecasts of the behaviour of bonds and other financial instruments.

#### Development of staff

Areas of responsibility and authority for various positions or groups are defined on the basis of business plans as well as competence requirements and individual development targets.

Every SEB employee is responsible for his/her own competence and development. Training is governed by demand and adapted to the needs of the business areas and individual employees. Every employee has his/her own personal development programme. Needs are identified with the help of career planning dialogues, which also serve as a basis for

the preparation of responsibility and competence profiles.

TRUE is an IT-supported competence planning system that is being implemented throughout the Group, connecting business plans with human resources. Through this system it is possible to discover and to analyse competence gaps within the whole Group as well as among individual employees at an early stage. Individual competence profiles serve as a basis for both individual training efforts and internal recruitment. The system is extremely safe as regards the protection of employees' integrity. IT knowledge is an important part of competence development and, by year-end 1998, 4,300 employees had taken "PC-driving licences". More than 60 per cent of the employees have a PC at home.

In total, SEB invested approximately SEK 117 M in training and development of staff (including leaders) during 1998.

#### Experience and new competence

Working together with professional colleagues, learning from the collective knowledge of the company and from close co-operation with knowledgeable customers is a university in itself. The competence acquired by individual employees through their work at the Bank cannot be replaced by any other sort of education.

Experience is the very platform for "leading competence" and development of employees is the principal strategy for maintaining the lead as regards competence. However, this has to be supplemented with the help of new recruiting and new competence. The purpose is to create a balance between old and young employees, between experience and new competence. Needs are partly identified via a central new competence programme called Paletten.

Staff turnover within SEB in 1998 was equal to 9.5 per cent (7.9 per cent), which is a reasonable level in view of rationalisation efforts and the need for new competence.

#### Leadership training

For more than nine years, annual development plans for potential leadership candidates at top management level have consistently been prepared. Continuous surveys of possible leaders are made at three levels. Development needs are identified in the short and the long term, taking experience and competence into account. Leadership training is carried out along the same systematic and long-range guidelines.

Among the great number of leadership theories, SEB has chosen situation-adapted leadership and Koestenbaum's authentic leadership training models. Both these theories are applied in the Basic programme for new leaders. So far, approximately 1,000 managers have studied authentic leadership. In 1998, 18 basic programmes were started, with 375 participants.

During 1998, 20 programmes in total were arranged on 65 occasions, with about 1,300 participants.

The Wallenberg Institute, the Group's own exclusive management programme, plays an important part for the further development of established leaders. It focuses on personal development, knowledge about external trends and practical leadership application. Advanced management programmes are carried out in co-operation with external institutions such as the Stockholm School of Economics, Harvard University, Wharton, IMD, INSEAD, etc.

Educational level



### How is SEB getting on?

PULS is a study that regularly measures employees' motivation, business orientation and satisfaction as well as leadership within the Group. The latest measurement was carried out in the early summer of 1998 and gave a reasonably good result, particularly in view of the fact that it took place in the aftermath of a merger, which has a negative impact on results.

"Satisfaction" expresses how satisfied employees are with their work situation on the whole on a scale of 100, as a maximum. This index was reported at 54 for all SEB employees. "Motivation" index measures employee motivation and was 69 for all SEB employees, with the highest marks for Enskilda Securities and SEB Asset Management, which scored 73 each.

Business orientation is evenly spread out through the Group, with only a few deviations from the SEB average of 68, which can be regarded as a very good value. SEB's managers were also reported at 68.

The motivation factors have been analysed: Work task is the factor that has the greatest impact on motivation, followed by work group. These measurements are used in the business plans. Goals and measures are defined for all indicators in order to stimulate motivation, commitment and business acumen among both employees and leaders.

The merger of 1998 meant great changes for many of SEB's employees. This always exposes the staff to extra pressure. Nevertheless, absence due to sickness increased by merely 0.4 per cent, measured as number of hours per employee.

### Equality

For several years SEB has been awarded prizes for its equality work. However, the point of departure is not satisfactory.

Every third SEB manager is female and half of these are group managers, i.e. in relatively low positions. Among women, 24 per cent are promoted or have managerial positions, compared with 40 per cent among men and 40 per cent of all female employees work part-time. Absence due to sickness is twice as high among women, although this difference is reduced in line with promotion. There are fewer university graduates among women than among men.

During 1999, SEB will introduce a new equality plan, which will form an integral part of the business plans, both at Group level and within the various business units: A number of principles are laid down, directly aimed at creating increased equality,

e.g. in connection with recruitment, setting of wages and competence development.

The long-term goal for equality within SEB is to achieve an even distribution between women/men by 1 September, 2005. "Equal distribution" means that none of the sexes shall be represented by less than 40 per cent.

### Salary and profit share system

SEB shall pay salaries that are in line with the market and offer individual salaries according to performance. Variable salary costs will be abolished.

The 1998 allocation to the Profit sharing foundation of the employees of the SEB Group amounted to SEK 292 M (SEK 88M).

### A tradition of long and close relationships

SEB has a tradition of long-lasting relationships. On the corporate side, several of its relationships are close to 100 years old and there are customer relations stretching across several generations on the private side.

Increasingly, companies attach importance to long customer relations, often in terms of customer loyalty. The reason for this is simple: Long relationships are mostly rewarding for both parties.

It is also important to find out what percentage of the total customer engagement that one has (customer share). In the banking market it is not uncommon to have another banking relationship in addition to one's main banker. Most banks find that their number of customers having other banks as well is increasing, which reflects a generally lower degree of loyalty.

Customer satisfaction is the road to long-term relationships, loyalty and complete customer engagement.

### SEB's customer goals

SEB shall provide its customers with maximum benefit, not only by being a skilful adviser, helping clients to get a good return on their capital, but also by making their lives easier, thus giving them time for other things of value: Companies can devote energy to their business and private customers can spend time with their families and on leisure activities, i.e. intangible values.

SEB shall make its customers satisfied through increased accessibility on times and locations that suit them, efficient handling of transactions, superior quality in direct customer meetings and deeper commitment to each customer and his/her special needs.

### High awareness

Several studies show that more than two thirds of all Swedes are quite familiar with both Skandinaviska Enskilda Banken and Trygg-Hansa.

Among opinion-makers, Skandinaviska Enskilda Banken is the best-known bank among twelve banks measured ("Svenska Dagbladet's" Image Barometer/TEMO 1998).

SEB makes so-called tracking studies on a regular basis, measuring both awareness and attitudes. SEB has 50 per cent spontaneous awareness in these studies. The new name SEB, which was launched in September 1998, has not yet been fully accepted.

Selected positions, 1998



### Good image

Image, i.e. various target groups' opinion on SEB or SEB companies, is measured in various ways and dimensions.

17 per cent of all Swedes have a positive attitude to the Bank, which is just as many as those who are customers of the Bank (Sifo Monitor 1998).

Among opinion-makers, SEB has the second-highest attitude ranking (assessment of the whole) of all banks ("Svenska Dagbladet's" Image Barometer/TEMO 1998). Also its international image is very good.

In 1998, SEB was ranked the best bank in Sweden and the Baltic States by Euromoney, which also appointed Enskilda Securities best Nordic securities broker. Enskilda Securities was furthermore ranked number one within corporate finance in the Nordic region by the Swedish weekly business magazine "Affärsvärlden". SEB was ranked number one within Nordic currency trading and number 5 in the world as "technically advanced" bank (Corporate Finance Magazine and Euromoney). SEB Securities Services was ranked Nordic leader (Global Custodian and ICB Magazine).

### Customer satisfaction could be developed further

During 1998 the first total study of satisfied customers was carried out for the business areas.

According to this study, most customers are very or quite satisfied. This measurement is carried out far into various customer segments, making it possible to identify problems and to take necessary measures.

Generally, customer satisfaction is rather good, although there is a great potential for improvement.

A little less than half of all Swedes are loyal to their bank or insurance company. This means that the market is mobile and full of opportunities for active players.

The Group's market shares have remained rather stable for many years.

The Bank has between 11 and 13 per cent of household deposits and about 20 per cent of mutual fund savings and life insurance. Its shares of the corporate market are still higher (see page 25).

The percentage of Swedes who in some way are clients of Skandinaviska Enskilda Banken is 17 per cent (Sifo Monitor 1998), while 10 per cent have SEB as their main banker. The same percentage applies to loyal customers. This indicates quite a stable situation and a good potential, provided the Bank manages to increase its share of customers in the whole customer base. During 1998, 33 per cent (34 per cent) of SEB's customers had all their banking transactions with SEB.

However, a larger percentage of its customers have changed banks than the market average.

A little more than one fourth of all Swedish companies are SEB customers. The Bank is clearly the market leader within foreign exchange trading and international payments. Enskilda Securities is the largest player on the Stockholm Stock Exchange (see page 25).

### A strong trademark is built upon a strong customer base

One of SEB's foremost assets is its total customer base, which can be said to be one of the best in Sweden. In total, the Group has 3 million customers in its systems. SEB has some type of customer relationship with a very large number of attractive clients.

If you do not work on your customers, it is expensive to have many clients. A comprehensive project has therefore been started for the purpose of integrating all the customer bases of the Group into one common, active customer base. The Telephone Banks and the call-centres serve as an example through their active work with customers. Increased customer interaction will have immediate effects on income, while contributing to customer satisfaction.

### Goals for the SEB trademark

The long-term goal is to make SEB's trademark into the strongest one within financial services in Northern Europe.

The trademark shall be associated with international coverage and local presence, leading competence as well as new ways of thinking on the basis of experience, commitment and long-term customer relationships.

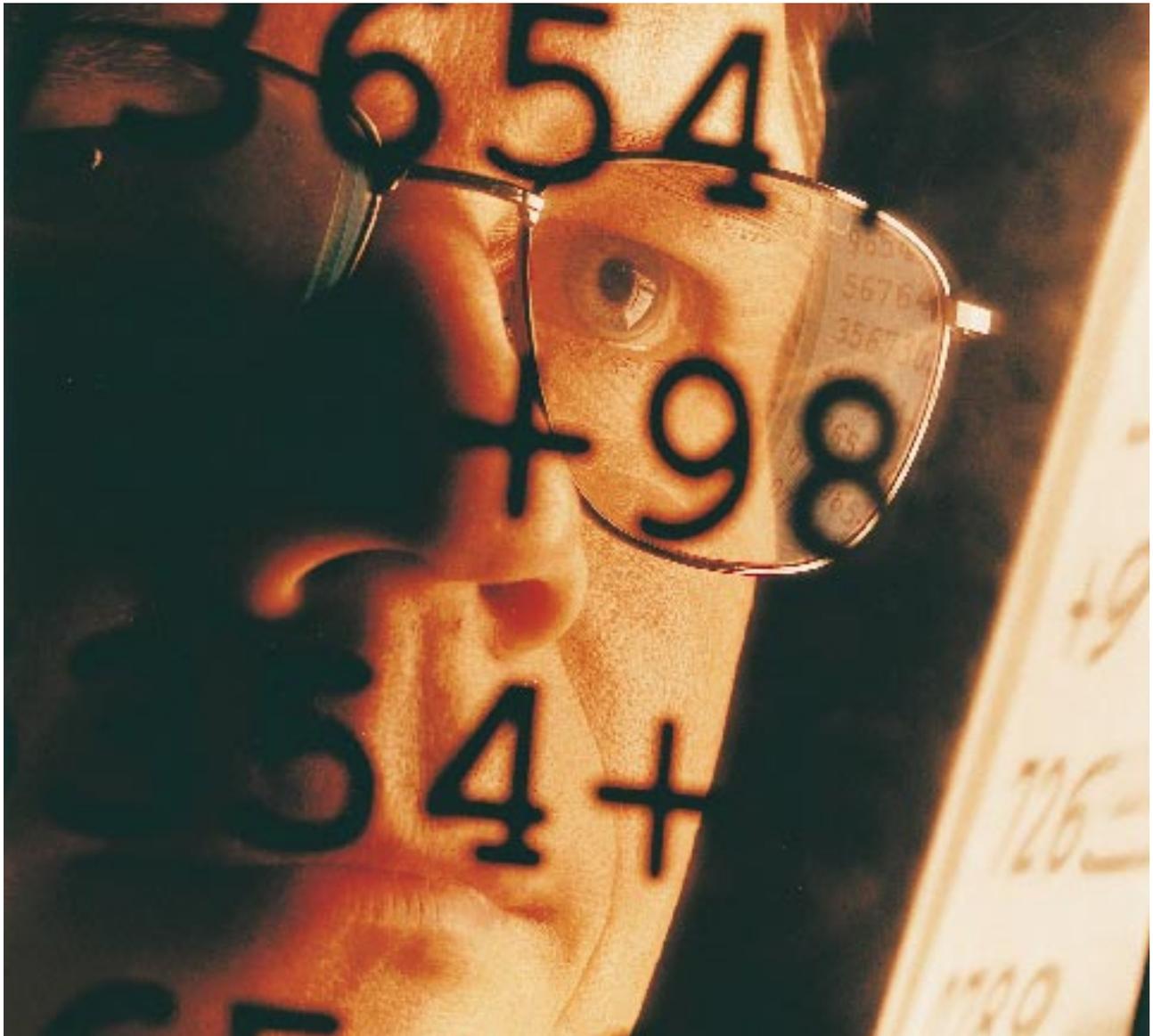
As a consequence of the merger of S-E-Banken and Trygg-Hansa a new logo and a new graphic profile were introduced in September 1998. The Group-wide trademark is SEB, which also serves as logo for Skandinaviska Enskilda Banken.

The change of profile took place on a continuous basis during the period September-January and has cost about SEK 80 M. Most of this was spent on the change of signboards.

Enskilda Securities, which was incorporated at the end of 1998, acts under its own trademark, with the addition: "A company within the SEB Group."

SEB's total advertising costs in 1998 amounted to SEK 108 M (SEK 98 M). The increase is fully attributable to the Bank, which increased its advertising costs to SEK 75 M (SEK 56 M), while Trygg-Hansa reduced its costs to SEK 33 M (SEK 40 M). The Telephone Bank Sesam had no activities of its own.

The Bank's share of voice was 18.2 per cent in 1998, compared with 12 to 13 per cent in the three previous years.



## “Our customers can now join us in making decisions together.”

**Name:** Lars-Jöran Lindholm.

**Job description:** System administrator/computer programmer. Works for SEB IT as part of a team supporting various SEB projects. Participated in the development of the Group's "Sales Support for Branch Office", project.

**Takes pride in:** The crystal-clear objective of the project.

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"The objective of this project was to create a computer-based tool to support sales efforts in our branch offices. But when you see how it now works, the entire system has become much larger than that: it's a method to improve the dialogue and the relationship with the customer. The "tool" is simply a PC programme available to the salesperson in the branch office, a programme which visualises all the administration related to a customer's specific needs.

With a few key-strokes, you can download an overall picture of the customer's business transactions with the Bank. Then it's possible to proceed through the process via four key words: Interest, Need, Solution and Decision. The PC application is designed so that the customer and the salesperson can look at the screen in order to reach a decision together. Simply put, they go on a journey together on the screen.

The programme supports the entire process through to the transaction's completion. For example, if it involves a loan, a few, final key-strokes result in a promissory note, and then that money will be transferred to an account. This way of working has made the entire process more efficient. Certain loans, for which the processing time used to be five or six hours, are now done in thirty minutes. Of course, this is much better from the customer's point of view. Before, customers sometimes would have to wait up to two weeks for decisions."

# A sector undergoing change

Despite ever-increasing competition, SEB has managed to maintain a leading position in most of its priority markets.

During 1997, South East Asia was hit by a profound financial crisis. Currencies and stock markets slumped strongly and production and employment followed suit in several countries. The Asian crisis had global consequences during 1998. To start with, it pressed down inflation and interest rates around the world, which led to an increased inflow to the stock markets in the West. While asset prices fell in Asia, they rose in the West. This resulted in a strong upswing in the stock markets in the whole Western world, including Sweden.

In August, 1998 Russia suspended its payments and let the rouble fall. This had a dramatic impact on the financial markets. The Russian suspension of payments led to a sudden increase in credit risks. Several investors suffered heavy losses; also SEB reported a loss for the third quarter following a number of Russian banks' failure to fulfil their obligations.

As a consequence, investors increased the risk premium on precarious investments. This pushed up interest rates in a number of emerging markets and led to a stock market decline all over the world. In August-September, both the U.S. and Swedish stock markets dropped significantly. Rising turmoil characterized Latin America, too.

A special feature of the financial crisis in the autumn of 1998 was that it spread at such lightning speed, from one market to

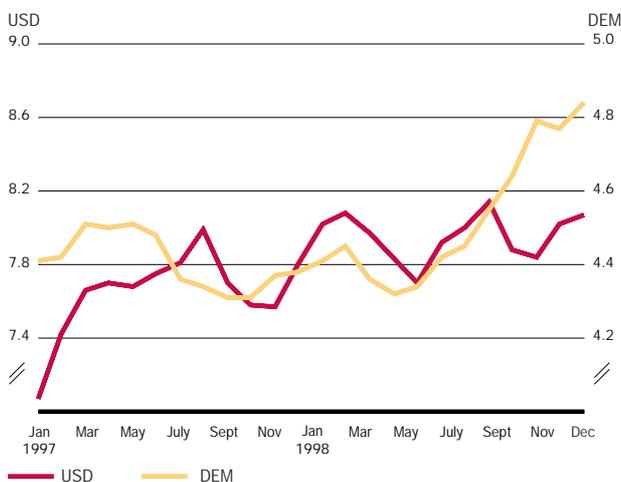
the other, from one currency to the other and from one class of assets to another.

Once investors sold their riskier investments in order to focus on less risky and more liquid securities, stocks were hit first, while it favoured bonds. Later on it affected the bonds of the more unstable nations, which created currency unrest. Those investors whose portfolios were based upon a relatively stable world economy suffered heavy losses. When they were forced to sell in order to realise gains and cover losses, there were serious and often quite unpredictable implications in other markets. Then, all of a sudden, the U.S. dollar fell strongly against the Japanese yen. This was not because the U.S. economy seemed weak, but because many large investors chose to realise the gains that they had made earlier on their dollar-holdings.

In early October, the financial crisis reached its pinnacle. There was wide-spread fear that the world business cycle would turn sharply downwards as a result of reduced lending. However, during the fourth quarter, a change for the better set in following the intervention by politicians and Central Banks in the form of a co-ordinated offensive wave of lower interest rates, new resources to the IMF, a comprehensive package of measures to stabilise the banking sector in Japan and international support to Brazil.

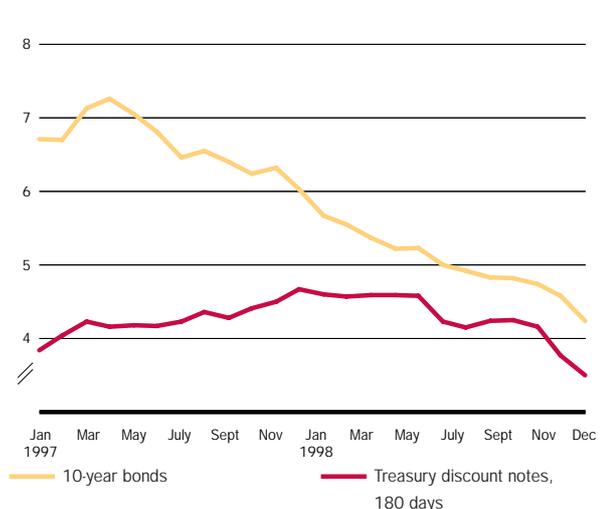
## Currency trend

SEK against USD and DEM



## Interest rate movement in Sweden

Monthly averages, per cent



## Trends in the most important stock markets



This restored confidence among investors and the stock markets quickly recovered. The global financial markets were very strong during the last quarter of 1998, although the rapid upswing in the stock markets has also led to a high risk level. The economic outlook for 1999 points to a downturn in the global business situation. The fact that the Brazilian currency policy has been changed after large outflows of capital will also create new contagious effects.

## The EMU a stabilising factor

The markets in the European continent were calmer in 1998 than the U.S. and the Nordic markets, for example (great volatility characterized Denmark, Norway and Sweden). One reason for the relative stability of the European markets was the preparatory work for the EMU. In May, 1998 it became clear that 11 countries would form the union. During the rest of the year, the currencies of these countries remained completely stable between themselves and fluctuated quite insignificantly vis-à-vis the rest of the world. The new currency, the euro, was formally created at year-end.

Sweden was not among this group of euro-countries, which contributed to the severe weakening of the Swedish krona in summer-autumn, by about 10 per cent. Only after the Government started to send out signals, in late 1998 early 1999, about a coming Swedish membership in the EMU, the krona managed to recuperate part of this weakening.

The Swedish economy grew relatively strongly in 1998. This was above all due to rising household consumption, after several years of poor growth. The export industry, however, was negatively affected by the impact of the Asian crisis. In the autumn, household optimism also started to weaken. In all, this indicates that the Swedish economy will slacken during 1999, but not dramatically.

The Swedish rate of inflation was extremely low in 1998. The crisis in Asia and reduced indirect taxes led to an actual drop in the price level during a major part of the year, i.e. deflation prevailed. On the other hand, as a result of the low inflation the

Riksbank could lower its key interest rates more than expected. Both short- and long-term interest rates dropped and the adjustable lending rates thus continued to be lower than the fixed rates, even though the gap between them decreased.

In early 1999, both inflation and interest rates remained at a low level, although an unexpected strong business upturn in the U.S. pushed up the market rates to a certain extent.

## Business trends

The financial markets have expanded considerably in recent years. The volume of transactions has grown and new products have been developed. In large parts of the Western world, interest in savings has increased strongly. At the same time, the last few years have been characterized by a number of innovations which, taken together, have resulted in ever-increasing competition for all companies in the financial sector.

## Demographic trends

As in the rest of Europe, the Swedish population is growing older than it did in the past. In combination with growing uncertainty about future welfare systems, this has made people increasingly aware of the need to save for their own old age. The growth in household financial assets in recent years is expected to continue over the next few years.

## Deregulation

Deregulation of the financial markets, particularly within the EU, has intensified international competition and led to a rapid and deep-going structural change of the financial sector. This trend persists.

## Technical advances

Recent developments in the field of information technology have created great opportunities for offering customers alternative channels of distribution, not least via the Internet. New

IT solutions also make it possible to work more efficiently on the customer base than before.

#### More competent customers

Demand for more sophisticated products and new services has increased concurrently with growing competence among both bank and insurance customers. This is of course particularly true of SEB's business partners, among whom corporate finance departments largely function as internal banks. It is also very true of households, which have become more and more active and knowledgeable in the field of financial matters.

#### More niche players

Deregulation of the financial markets has provided opportunities for new niche players to enter various segments of the market. Worth mentioning among the new players are the telephone banks of the insurance companies and retailers that compete for household investment and payment volumes with the help of their own credit and charge cards and high nominal rates of interest.

#### Creation of the EMU

The formation of the currency union EMU is a historical event, with great repercussions on the financial system and the whole European economy: Increased market transparency, tougher competition and escalating cross-border merger activities. Our customers' business activities are becoming more and more international, which puts increased pressure on us to deliver products that fit in with this new reality.

The fact that Sweden is outside the EMU means somewhat higher rates of interest and greater financial uncertainty than if we had been a member from the outset. The financial system will experience higher costs, as the banks will have to work with double systems. However, we believe that these costs will be of a temporary nature, provided Sweden becomes a member of the EMU within a couple of years.

#### Introduction of the euro

The new currency has brought about great changes and a new competitive situation, primarily in the foreign exchange and interest markets, but also within equity trading, payments, cash management, mutual fund management, etc. The Swedish krona runs the risk of being more volatile as long as Sweden remains an outsider. However, these effects are limited as long as the financial markets expect forthcoming Swedish membership. The fact that Sweden is not a member of the EMU means that SEB is in a worse situation, compared with its large European competitors, but it also provides time for additional preparations, which aim at making SEB the leading euro-bank in the Nordic region.

#### Globalisation and securitisation

World economies and financial markets have become increasingly integrated. This means that financial rules and conditions in various markets are brought closer to each other, which opens to increased cross-border competition. Another recent trend is that securitisation - i.e. companies borrowing direct in the market instead of the banking system - has increased in scope.

## Competition

#### SEB's position in the financial markets

Competition is continuously intensifying in all areas in which the SEB Group is active. In the Swedish retail market, traditional Swedish banks, insurance companies and securities firms as well as various niche players are the main competitors. As regards foreign exchange and interest trading, equity trading, corporate finance and other services aimed at large companies inside and outside Sweden, competition is, to a great extent, international.

In spite of stiffening competition, the SEB Group has managed to maintain a leading position within most of its core areas. For example, the Group is the most important player within foreign exchange trading, international payments, stock market trading and custodial services and number two within mutual fund management and life insurance. The magazine *Euromoney* has for several years ranked SEB number one in the field of Nordic currency trading. In 1998, SEB was awarded 124 points, compared with 65 points for the number two bank, Handelsbanken and 51 for number three, Den Danske Bank. In addition, SEB was ranked number five on the list of the world's most technically advanced foreign exchange banks, after Citibank, Chase Manhattan, Bank of America and Deutsche Bank.

Furthermore, *Euromoney* ranked Enskilda Securities best Nordic securities broker, while the Swedish business weekly *Affärsvärlden* ranked Enskilda best corporate finance team in the Nordic region.

The Group's unit for custodial services, SEB Securities Services, was ranked number one in the Nordic area by both *Global Custodian* and *ICB Magazine*.

#### The leading Nordic euro bank

The world's greatest currency reform implies new threats, but also new opportunities for the international banking system and for SEB. Competition in the vast euro market is becoming increasingly fierce, which means price pressure on information, research and financial services. Transparency is increasing in line with the ever-faster pace of technological development.

#### SEB's worldwide ranking - foreign exchange, 1998

Ranking according to leading international financial magazines	SEB
<b>Corporate Finance - September 1998</b>	
Treasurers' top FX banks	9th
Top banks by center:	
-New York	5th
-Singapore	4th
Top banks in Scandinavian currencies	1st
<b>Euromoney - May 1998</b>	
Top banks by quality of service	11th
Best dealers Scandinavian currencies	1st
Top banks in key cross-rates DEM/SEK	1st
Automated trading technology	5th
<b>FX &amp; MM - 1998</b>	
FX Survey Scandinavian currencies	2nd
<b>FX Week - 1998</b>	
Best bank in Scandinavian currencies	1st



## “It feels as if we broke new ground every day this past year.”

**Name:** Håkan Aldrin and Pernille Skog.

**Job Description:** Together they form one of the 15 customer teams responsible for large Swedish companies' cash management and trade finance business.

**Takes pride in:** One of their companies, Gränges, became the first SEB customer with an overall euro solution. Through SEB, Gränges can efficiently combine and manage the flow of payments in the euro between 11 European nations.

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“There's a special feeling being involved when a new currency is created. For the first time, a company doing business internationally can use one and the same currency to handle widely spread payments. Many companies will utilise these possibilities, since they offer major cost savings.

The euro has been one of the most important issues for the Bank in

recent years. More than 200 marketing professionals, product developers, cash management specialists, legal experts and programmers have devoted a large amount of time to the new currency. We now can offer companies complete services for business in the euro.

“Flexibility is one advantage of SEB's concept for cash management in the euro. We don't deliver one off-the-shelf solution, but we can combine a broad range of products and services based on a customer's own requirements. Technically, this is very advanced, utilising Internet technology to a high degree. In addition, it's easy to start up – customers can often retain their current routines and bank connections.

“There has been much of a pioneering spirit in this project. Many questions had no ready, established answer, and time and again we had to test new approaches. The journey to the euro has really been stimulating and challenging.”

The market for new company-related securities is expanding.

SEB's ambition is to be the leading Nordic euro bank, offering a range of both varied and cutting edge products. Substantial internal training programmes and investments in new technology have been carried out in support of this ambition.

The SEB Group offers the following euro products at present: account-keeping, euro cash pools, a euro version of SEB Screen, credits and loans, factoring and leasing (as from 1 July 1999), giro payments, payments to suppliers and bank giro accounts connected to accounts in euro.

The following euro products are on offer to private customers: currency account facilities, mutual funds, currency loans, payment services, transfers and payments to accounts.

#### Leader within asset management

The SEB Group is the largest asset manager in the Nordic area, with SEK 499 billion in funds under active management and

approximately SEK 1,800 billion in custody for account of institutions, companies and private individuals.

#### Savings market

During 1998, the financial assets of Swedish households (excluding individual shareholdings) increased by SEK 188 billion, or 13 per cent, to SEK 1,615 billion, of which bank savings accounted for 25 per cent, mutual funds (including unit-linked insurance and IPS) and traditional insurance savings for 34 per cent. Of this increase, new savings represented SEK 26 billion, while the growth in value was SEK 129 billion, despite the turmoil in the global stock markets during the third quarter.

Total household savings in the SEB Group increased by 15 per cent, to SEK 344 billion, which corresponded to a total market share of 21.3 per cent (21 per cent).

#### The SEB Group's savings alternatives in the Swedish private market

	31 December 1998 SEK bn	31 December 1997 SEK bn	Change per cent
Bank deposits	54	52	3.8
Traditional life insurance	145	130	11.5
Unit-linked insurance	30	21	42.9
Mutual fund savings, incl. IPS	100	81	23.5
Retail bonds	15	16	-6.3
<b>Total</b>	<b>344</b>	<b>300</b>	<b>14.6</b>

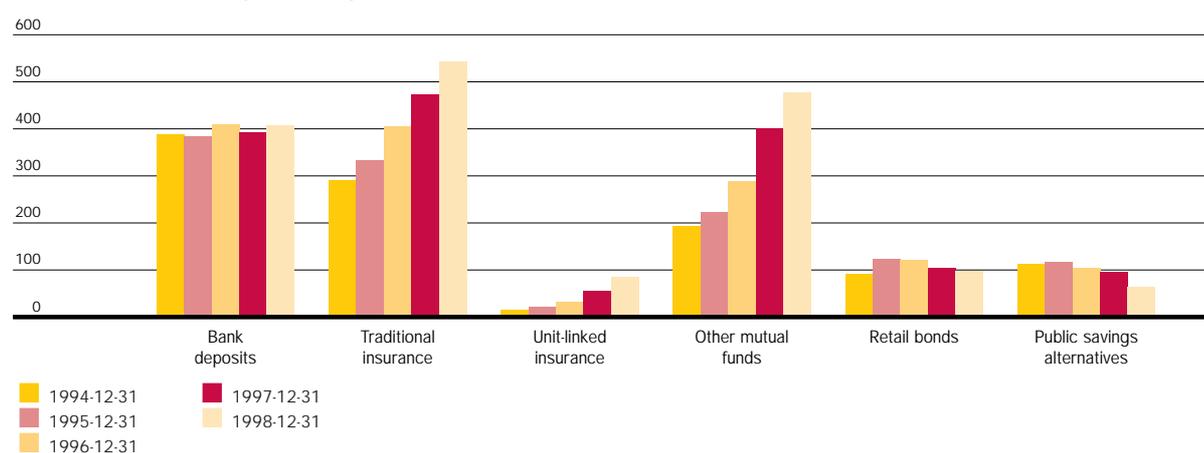
The advisory services of SEB Kapitalförvaltning and Ane Gyllenberg, respectively, are not included in the above table.

#### Largest players' share of savings, 1998



SEB is the largest player within unit-linked insurance, second largest within traditional life insurance and mutual funds and number four as regards bank deposits.

#### Swedish households' savings (excluding equities), SEK billion



# Increased environmental demands upon external parties

Compared with many other sectors, banks and insurance companies cannot influence the environment to any significant extent. Naturally, environmental matters are still very important to the SEB Group, which for years has actively tried to stimulate environmental care, both internally and in its contacts with customers and suppliers.

According to the environmental policy that SEB adopted in late 1995, the Bank shall

- gradually adapt its activities to harmonise with the environment
- ensure that all employees are sufficiently environment-conscious to work for the environment in a constructive way
- consider environmental aspects in its credit-granting activities and in the development of products and services.

In connection with credit-granting, environmental aspects are considered a natural part of SEB's evaluation of companies. Rules regarding the main environmental issues to be considered in this respect are found in the credit policy of the Group. Such issues involve customers' own products and production methods as well as those of their suppliers. Ground contamination aspects also have to be considered.

Apart from wishing to contribute to an improved environment, SEB's environmental work is based upon pure business economics. Borrowers who carry out, or are considered to carry out, activities that are hazardous for the environment risk a drop

in their sales figures. This means that environmental risks in a company have a negative effect on both the company's repayment capacity and the value of the collateral it has provided. However, if companies in this situation actively try to diminish such risks, continued lending may be justified.

Within insurance, the Group requires that its suppliers have documented and concrete environmental programmes and an environmental policy in place. Environmental considerations are important when Trygg-Hansa selects motor mechanics who repair and spray damaged cars. Another requirement is that reconditioned spare parts are used and that plastic components are repaired, if possible.

Insurance policies often cover environmental claims. It is therefore important to make an effort to reduce and eliminate environmental risks to prevent claims occurring.

The SEB Group has signed the environmental documents of both the United Nations and the International Chamber of Commerce, under which the signatories commit themselves to paying due regard to, and to acting for, a better environment within their respective fields of activity.

## Well prepared for the new millennium

The goal to have most of SEB's adaptations of data systems and other technical equipment prior to the year 2000 ready by year-end 1998 was achieved. This means that the Group, in all essentials, has adapted and tested all its systems.

A great amount of work has been spent on testing, which has not been done by those who adapted the systems, but by different people. The Data unit has installed special year 2000 testing environments, in which the staff has been able to test that the systems function in a simulated situation after year-end 1999. Independent external expertise has inspected the Group's adaptations and tests and the Group's external and internal auditors have also followed this work.

In parallel with the Group's own adaptation work, financial

risk as regards the activities of customers and counterparties in connection with the year 2000 has been reviewed. This work will continue during 1999, while overall work will focus mainly upon the following areas:

- Testing with external co-operation partners
- Continuous review of critical systems
- Preparation of a contingency plan for the turn of the millennium.

# One of the leading financial groups in the Nordic area

The SEB Group is one of the largest financial groups in the Nordic area, with close to SEK 500 billion in funds under management and total assets of SEK 690 billion at year-end 1998. SEB offers private individuals, companies and institutions a wide range of banking and insurance services through a number of different channels: branch offices, telephone bank, the Internet, call-centres and field sales people. The Group is represented in some 20 countries throughout the world and has approximately 3 million customers.

## Business concept

The SEB Group's business concept is to benefit its customers by providing leading competence and maintaining long-term relationships.

## Vision

The vision of the Group is to become the leading provider of financial services in Northern Europe.

For several years already, the Nordic area has been the natural home market of the SEB Group. To start with, the customers in Denmark, Finland and Norway were exclusively companies. In later years, the circle of customers has been extended to include private individuals in these countries as a result of investments in credit and charge card activities, insurance services and asset management.

As of now, the definition of our home market has been broadened to encompass the entire Baltic region. Through strategic investments in three Baltic banks at the end of 1998, SEB has strengthened its position throughout the region.

## Goal

SEB's financial goal is to achieve a minimum long-term return on equity of 15 per cent, after tax. Profitability is given higher priority than volume. SEB's shareholders shall be given the highest possible return on their invested capital.

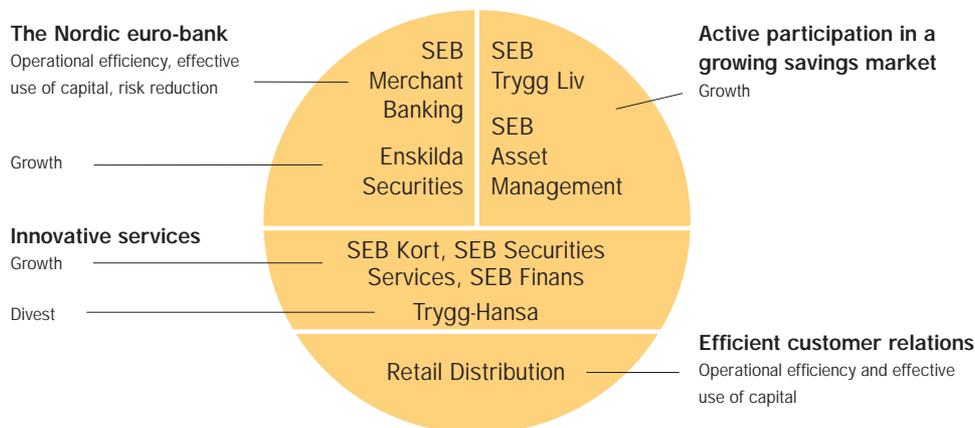
## Strategy

SEB focuses on companies and private individuals with an interest in financial matters and a need for high competence in this respect. Different strategies are therefore applied to the various units of the Group.

Active participation in the growing savings market throughout the Nordic region is one of SEB's overall strategies. The two business areas that are engaged in this market, SEB Asset Management and SEB Trygg Liv, shall grow both through organic growth and in other ways, e.g. acquisitions, alliances and partnerships.

The strategy of Merchant Banking and Enskilda Securities is to grow within certain niches, e.g. acquisition finance for the

## Strategy and measures





For several years already, the Nordic region is the natural home market of the SEB Group. At the end of 1998, SEB became part-owner of banks in Estonia, Latvia and Lithuania.

#### SEB's Nordic activities

Country	Staff	Activity	Market share %			
			1998	1997		
Norway	256	Financial Services (credit/charge cards, car financing), Trygg-Hansa, SEB Asset Management, SEB Merchant Banking, Enskilda Securities	Cards	28	28	
			Mutual funds	22.6 <sup>1)</sup>	1 <sup>1)</sup>	
			Equities	3.4	2.5	
Denmark	295	Financial Services (credit/charge cards), SEB Asset Management (from 1999), Trygg-Hansa, SEB Merchant Banking, Enskilda Securities	Cards	20	20	
			Bonds	9	4	
			Equities	4	3	
Finland	290	Financial Services (credit/charge cards), SEB Asset Management (Gyllenberg), SEB Trygg Liv, SEB Merchant Banking, Enskilda Securities	Cards	55	55	
			Mutual funds	13.7	16.2	
			Equities	8	7	
Sweden	11,100	<i>All Group services are made available through seven business areas:</i>	Deposits	19.1	18.9	
			Retail Distribution, Financial Services, Trygg-Hansa, SEB Asset Management, SEB Trygg Liv, SEB Merchant Banking and Enskilda Securities	Households	13.2	13.4
				Companies	22.8	23.1
				Lending including housing loans	15.7	16.5
				Households	11.6	11.3
				Companies	18.1	19.4
				Housing loans	11.2	11.0
				Leasing	17.0 <sup>2)</sup>	17.1
				Mutual fund management	23.2	22.0
				Life insurance <sup>3)</sup>	20.8	22.0
				Cards <sup>4)</sup>	50-60	50-60
				Custodial services	50-60	50-60
				Equity trading	9.2	11.0
	Forex trading	35-40	35-40			
	International payments	50-55	50-55			

1) New sales.

2) At 30 September, 1998.

3) New premiums.

4) T/E cards (Travel & Entertainment).

former and European sector research for the latter. Both units also continue to develop their Nordic activities.

In addition, Merchant Banking is engaged in a programme that will lead to increased capital efficiency, additional risk reduction and increased operational efficiency.

The Financial Services and Trygg-Hansa business areas are focused on clearly defined products and services. The strategy with respect to these areas is to concentrate product development, production and direct sales, always by an intensive use of IT. The non-life business of Trygg-Hansa is intended for sale.

Retail Distribution's strategy is based upon customer care and development of client relationships, by simplifying day-to-day financial transactions for both private individuals and small/medium-sized companies. It is also a matter of being a competent partner and adviser in connection with major or more complex transactions. Handling these two roles as efficiently as possible is an important key to success. This will be achieved through the use of modern IT in internal processes such as sales support. This will make SEB's competence more easily

accessible to customers. Retail Distribution is also engaged in a programme for increased operational efficiency and an effective use of capital.

### Success factors

The objective is to make SEB's trademark one of the strongest in the field of financial services in the Baltic region. The same applies to all sub-trademarks within each respective market segment. SEB's trademark shall be associated with the following: international coverage and local presence, leading competence, experience and new ways of thinking as well as commitment and long-term customer relations.

#### International coverage and local presence

SEB is the most international of the Swedish financial companies, with activities in some 20 countries throughout the world. The Group carries out equity trading in eight countries and

foreign exchange trading in nine locations around the world. Local presence is defined as being accessible to customers, wherever they may be, whichever way they choose and whenever they wish to contact us. SEB's 255 branch offices have therefore been complemented by an Internet Office, telephone bank, call-centres that are open around the clock and automated bank offices.

**Leading competence**

SEB provides service to companies and private individuals in need of great competence on financial matters. The Group has leading expertise within a number of cutting edge areas and makes heavy investments in qualified advisory services for both companies and individuals. It is highly important to stay in the forefront as regards competent staff and advanced services.

**Experience and new ways of thinking**

Through its predecessors within banking and insurance, SEB has close to 150 years of experience as financial partner of companies and private individuals. At the same time, the SEB Group has invested heavily in modern technology in order to be able to offer customers increased freedom of choice and accessibility via the Internet, staffed telephones and call-centres that stay open around the clock.

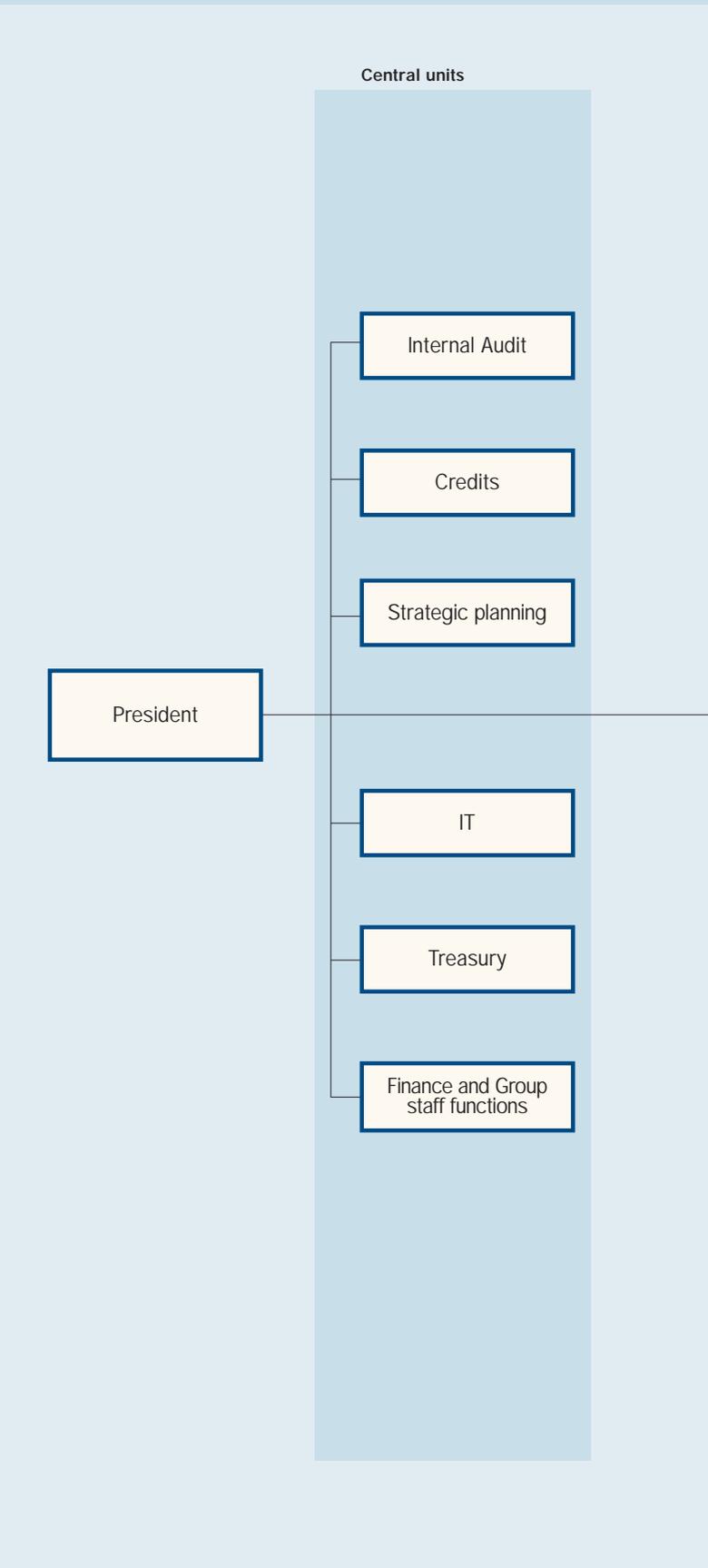
**Commitment and long-term relationships**

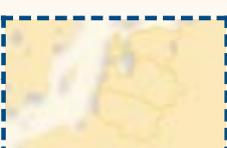
It is vitally important to have motivated and dedicated employees, who are able to understand customers' needs, thereby being equipped to build long-term relationships with both companies and private individuals. SEB shall offer its employees the following: good leadership, a decentralised organisation, compensation according to performance, competence development, openness and adequate information.

SEB shall offer its customers the following:

- Increased accessibility at times and locations that suit customers.
- Efficient handling of all transactions.
- Improved quality of direct meetings with customers.
- Deeper commitment to every client and his or her special problems.

**Group organisation**



Business area/activity	Percentage of total Group income	Percentage of Group's total result	Percentage of total number of staff
 <p><b>Retail Distribution</b> Retail Distribution contains all SEB's various "shops" for private individuals, small/medium-sized companies and municipalities; the branch office network with 255 branch offices; Sesam the Telephone Bank and the Internet Office for private customers and companies. This business area also includes production companies/units for credits, investments and payments.</p>	 24 %	 22 %	 34 %
 <p><b>Financial Services</b> Financial Services comprises SEB Kort (Diners, Eurocard among others), SEB Finans (leasing, factoring, etc.), SEB Securities Services (custodial services) and SEB Företagsinvest (venture capital).</p>	 11 %	 16 %	 9 %
 <p><b>Trygg-Hansa</b> This business area offers all types of non-life insurance to private customers and small/medium-sized companies.</p>	 8 %	 7 %	 10 %
 <p><b>SEB Asset Management</b> This business area comprises all active management of securities portfolios within the Group. It includes all mutual fund activities and management of the total assets emanating from the Group's life and non-life insurance operations as well as management of portfolios for account of institutions, private individuals and the "private bank" SEB Kapitalförvaltning.</p>	 11 %	 15 %	 6 %
 <p><b>SEB Trygg Liv</b> This business area offers life and pension insurance, unit-linked insurance, endowment assurance, welfare products (compensation for private health care, rehabilitation, etc.) to private individuals and companies in the Nordic area.</p>	 4 %	 9 %	 6 %
 <p><b>SEB Merchant Banking</b> This business area comprises all activities aimed at large Nordic multinationals and institutional investors as well as large international companies. SEB Merchant Banking is active in 14 countries.</p>	 24 %	 5 %	 13 %
 <p><b>Enskilda Securities</b> This business area is an independent investment bank within the SEB Group, primarily for Nordic companies and institutional investors in the Nordic region, Europe and the U.S.A. Enskilda Securities is active in eight countries and has its own product and marketing responsibility for financial advisory services, equity trading and research.</p>	 6 %	 4 %	 3 %
 <p><b>The Baltic region</b> Since year-end 1998, the Bank is part-owner of three of the leading Baltic banks: Eesti Ühispank in Estonia, Latvijas Unibanka in Latvia and Vilniaus Bankas in Lithuania.</p>			

# Total result increased by 29 per cent

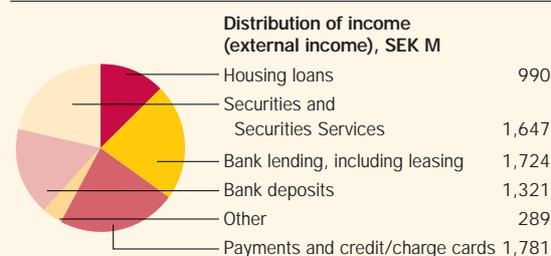
Retail, which consists of the Retail Distribution and Financial Services business areas, reported a clearly improved result, chiefly owing to reduced costs. Improved accessibility and technological development have been very much in focus during the year.



**Head of Financial Services**  
Monica Caneman

**Head of Retail Distribution**  
Fleming Carlborg

The Retail Distribution business area includes all the channels that customers use for their banking transactions, i.e. the branch office business, telephone banking including Sesam, the Internet Office and automatic machines. It also comprises the product units SEB Kredit (incl. SEB BoLån) and Placeringar & Betalningar. The Financial Services business area comprises SEB Kort, SEB Finans, SEB Securities Services and SEB Företagsinvest. These two business areas are reported separately from and including the first quarter of 1999.



	1998	1997
Percentage of SEB's income	39	39
Percentage of SEB's result	39	39
Percentage of SEB's staff	43	44

Profit and loss account, SEK M		
Income	7,912	8,003
Costs	-5,344	-5,869
Lending losses	-222	-321
<b>Total result</b>	<b>2,346*</b>	<b>1,813</b>
Income/cost ratio, (before lending losses)	1.48	1.36
Allocated capital, SEK M	8,800	
Return, %	19.2	
Number of employees (average)	5,486	5,768

Volumes, SEK billion		
Deposits	92.0	92.6
Lending	177.2	169.0
Volume of custody accounts	1,650.2	1,349.9
Of which, Securities Services	1,575.0	1,280.0

\*) Of which, Retail Distribution accounted for SEK 1,324 M and Financial Services for SEK 996 M.

## Market

As in previous years during the second half of the 1990s, the banking market in Sweden has been characterized by growing competition and the arrival of new Swedish and non-Swedish players. In the private market, this has been particularly true of savings/investments and housing loans.

The trend has been reinforced in the housing loan market, in which a large number of players are active in a market with very poor growth. Thanks to fruitful co-operation with the branch offices of the Bank, SEB BoLån managed to increase its market share during the year, to 11.7 per cent (11.0 per cent), with margins intact. As regards new loans, its market share was also 11.7 per cent.

In general, rapid technological development is typical also of the Swedish retail market, such as the Internet, electronic payments and credit and charge cards. A stronger focus on service, accessibility and competence is another important ingredient of customer service.

## Strategy

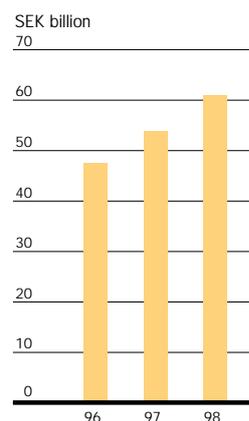
The majority of SEB's private and corporate customers are served by the Branch Office Business, which consists of a total of 255 branch offices. In recent years, the proportion of specially trained private and corporate advisers, and specialists etc. has grown. During the autumn of 1998, some 100 people were recruited to raise the level of service and reduce waiting times in those big-city offices where queuing times often were unacceptable. In total, however, the number of employees within this business area was reduced by about 300 in 1998, mainly due to escalating use of the Internet, telephone banking and automatic machines.

It is not only the branch office business that has had accessibility in focus. Together with SEB IT, great efforts were made, during the autumn, to improve operating stability in those computer systems that form a common basis for telephone services, Internet services and service via automatic machines.

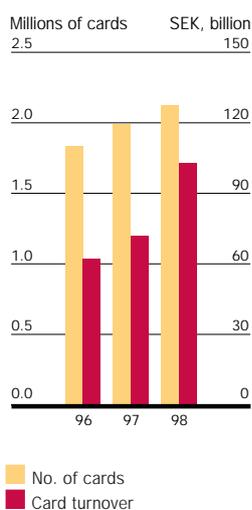
Enhanced use of IT is a clear part of this business area's strategy. It is a matter of creating new services, offering customers more options to choose from as to when, where and how they wish to carry out their banking transactions. With the help of modern IT-tools, internal efficiency increases. In the end this will benefit customers in the form of higher quality, speed and competence.

Issuance and redemption of credit and charge cards are areas of great importance to SEB. In the summer of 1999, the SEB

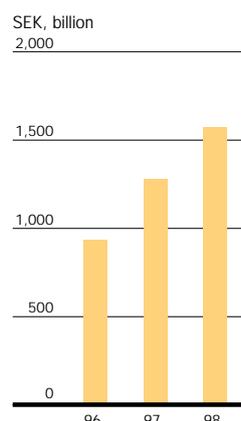
Mortgage loans to households



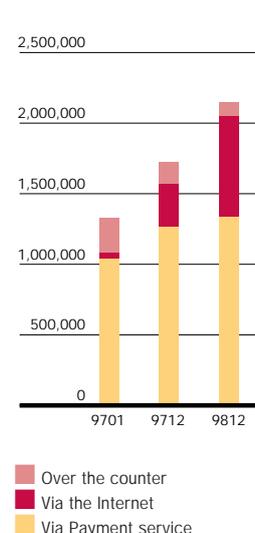
Card volumes



Custody account volumes



Monthly number of payments



Kort unit will also be incorporated for the purpose of giving it a clearer profile and increased opportunities for expansion and development.

**Important events**

In September 1998, the two telephone banks Sesam and Trygg-Banken were formally amalgamated under the name Sesam. After a troublesome start, with long waiting times, the business has developed positively during the last months of 1998. Sesam had a total of approximately 150,000 customers by year-end.

In late summer, the two finance companies FinansSkandic and Trygg Finans were merged into SEB Finans. This company offers companies investment and working capital loans in the form of leasing and installment contracts. In 1998, car financing for both companies and private individuals was launched. SEB Finans is one of Sweden's largest finance companies, with a market share of 17 per cent within leasing and 35 per cent within factoring. The combined product car financing/insurance was introduced in the autumn of 1998.

In 1998, SEB consolidated its position as one of the leading Internet banks in Europe. It more than doubled its number of customers, for example, and in November customer number 200,000 logged in at the Internet Office, less than two years after it was started. By year-end 1998, the number of customers exceeded 230,000, of which 15,000 were companies.

The number of transactions carried out via the Internet more than doubled. In December, 1998 approximately one third of SEB's private customer payments were carried out via the Internet. The corresponding figure for equity trading was about 20 per cent. In December 1998, the Mutual Fund Market was introduced, in which customers are able to follow the 1,100 various mutual funds that are on sale in Sweden.

In August, SEB opened a new branch office in Älgult in the province of Småland, a location in which the Bank had not been present before. The day after the inauguration, this office could report SEK 11 M in new savings. This is the first example of how

local presence can be effectively strengthened with the help of new types of branch offices. In 1998, SEB also opened its fifth in-store branch office at Partille on the West coast of Sweden.

In early 1999, the Bank's presence at universities and colleges was expanded through its establishment in Växjö. Further establishments of the same kind will follow.

During the autumn several of the call-centres of the Group were co-ordinated. Firstly, customer service by telephone, which receives and handles some 70 per cent of all incoming telephone calls of the branch offices, was concentrated in Göteborg. Secondly, this activity was merged with Trygg-Hansa's call-centre in Göteborg. At the beginning of 1999, it was co-ordinated with the telephone banking of Sesam.

In May, SEB presented its first Öresund barometer, a report on economic development in the Öresund region, which attracted a great deal of attention in the media and the business community. A second Öresund barometer was published in December.

The Bank installed 50 new cash deposit machines during 1998.

During 1998, the first transactions with the new SET standard were carried out. SEB Kort took an active part in the development and testing of this standard. A completely safe method for credit card payments via the Internet does not exist at present, which is reflected by an increasing amount of complaints about purchases via the Internet. Once SET is introduced as a global standard, credit cards will be the simplest and safest alternative for all parties involved in electronic trading.

**Other activities**

SEB Kort (credit and charge cards) is the leading Nordic card company, with more than 2 million cards outstanding and a turnover of SEK 103 billion in 1998. This unit employs 600 people, of which half are in Sweden and the rest in the other Nordic countries. SEB Kort includes Diners Club, Eurocard and the redemption company Euroline. Another important

part of its activities consists of cards with a corporate profile (customer cards) and combination cards with selected partners.

SEB Securities Services holds and manages securities in more than 50 countries for the account of customers. 85 per cent of its activities are related to Swedish securities, mainly owned by foreign institutional investors. This unit is the market leader in the Nordic region. At the end of 1998, securities worth the equivalent of SEK 1,575 billion were held in custody. These figures include holdings at SEB's Luxembourg unit. The number of institutional securities transactions processed by Securities Services during the year increased by 67 per cent, to more than 7,000 per day.

SEB Företagsinvest is an independent unit of the Group. Its task is to invest venture capital and to add competence and a network of contacts to small and medium-sized companies that have clear growth potential and find themselves in a stage of development or expansion.

Företagsinvest works through the account managers of the Bank and through contacts with universities, colleges and local business communities. Its investments in growth companies range between SEK 2 and 20 M and its investment portfolio contained eight companies at year-end, worth a total of SEK 55 M.

#### Business volumes

At year-end 1998, Retail's deposit volumes from the general public totalled SEK 92 billion, or largely unchanged compared with the situation one year earlier. Mortgage loans accounted for SEK 102.7 billion (SEK 100.9 billion) of Retail's total lending of SEK 177.0 billion (SEK 169.0 billion) to the general public. The volume of outstanding mortgage loans to households amounted to SEK 62.8 billion, an increase of 13 per cent compared with year-end 1997.

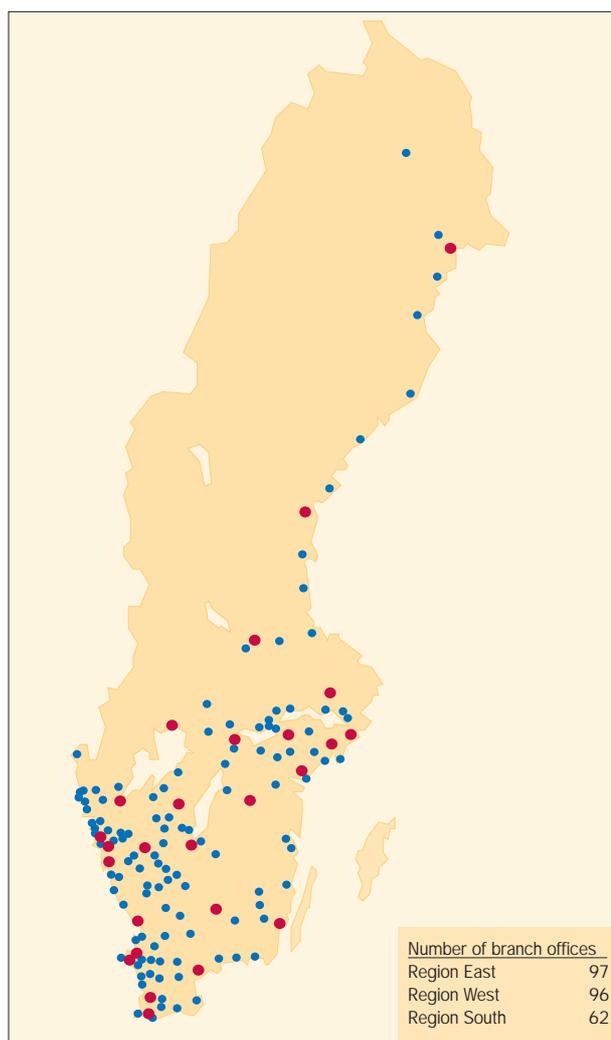
#### Result

Retail's result developed well. Its external income increased, whereas internal income dropped due to altered internal settlement principles. Reduced costs and declining lending losses improved the total result by 29 per cent, to SEK 2,346 M (SEK 1,813 M), which was equal to 38 per cent of the Group's total result. Return on allocated capital was 19.2 per cent in total.

Since late 1998, Retail has been divided into the *Retail Distribution* and *Financial Services* business areas. Retail Distribution, which consists of the branch office business, the Telephone Bank, the Internet Office, Placeringar & Betalningar (investments & payments) and Credits including SEB BoLån, reported a total result of SEK 1,324 M (equal to 22 per cent of the Group's total result). As a result of internal rationalisation, the merger of Sesam and Trygg-Banken and increased use of telephone banking, the Internet Office and automatic machines, the number of positions could be reduced by approximately 300. Financial Services, i.e. SEB Kort, SEB Finans, SEB Securities Services and SEB Företagsinvest, reported a total result of SEK 996 M (16 per cent of the total result of the Group).

#### Benefits to customers

Of all the players in the Swedish financial market it is probably safe to say that SEB has the broadest range of services on offer. This breadth and depth in the form of qualified expertise are literally directly available via the door of the branch offices of the Bank and via the telephone or the Internet.



SEB has 255 branch offices and five in-store-banking offices in 35 districts and three regions (Region South 62, Region West 96 and Region East 97). In 1999, new establishments are planned in several locations. The first one is a branch office, which was inaugurated in January, at the University of Växjö.

Generally speaking, both private and corporate customers make two demands upon their financial partner: Simple, easy and efficient routines that facilitate the handling of "day-to-day transactions", on the one hand, and a competent discussion partner, who preferably takes the initiative in the interests of the client, as regards large or more complex transactions, on the other.

SEB offers a pronounced multi-channel strategy as a basis for its customer relations. This means that customers themselves should always be able to choose their preferred channel for their contacts with SEB: Branch office, automatic machine, personal or automatic telephone service or Internet banking. The Group therefore aims at being at the forefront in the development of both existing and completely new channels.

In order to be able to offer competence it is necessary to invest continuously in competence development and recruiting. It is furthermore necessary to have working methods that make competence easily accessible. In SEB's branch office business,



## “The best is when you make really good contact and can find a the solution that’s just right.”

**Name:** Maria Zachs.

**Job Description:** Customer adviser at Sesam Telephone Bank.

**Most fun at work:** “When you make really good contact with a customer and can find the solution that’s just right.”

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“The Telephone Bank Sesam offers a large selection of services. Most customers who turn here live in large cities, are interested in finance and want to be closely involved in their private economy. At Sesam, they themselves can decide when, where and how they want to do their banking business. Advice and assistance is available 24 hours a day, around the year and wherever the customer happens to be.

“In my work, you get immediate feed-back from customers. I like that.

Our job responsibilities vary. Half my time I devote to providing advice -- which can involve a loan or mutual fund matter -- and the rest is devoted to helping my customers with various kinds of transactions.

“If you are in the front line, it’s important to have strong back-up support. Obviously, we get product training and our coaches provide valuable complementary knowledge and experience. We also receive training in working better on the phone: to have a pleasant manner, to handle the language in a good way and to learn to catch and interpret signals.

“As a customer adviser, your work can be hectic and you seldom have a free moment. But I train Tae Kwando five times a week. Then I can completely hang up the phone.”

for example, the proportion of university graduates has increased from 15 to 22 per cent in recent years. One important feature has been the drive to train specialists as advisers to both private and corporate customers.

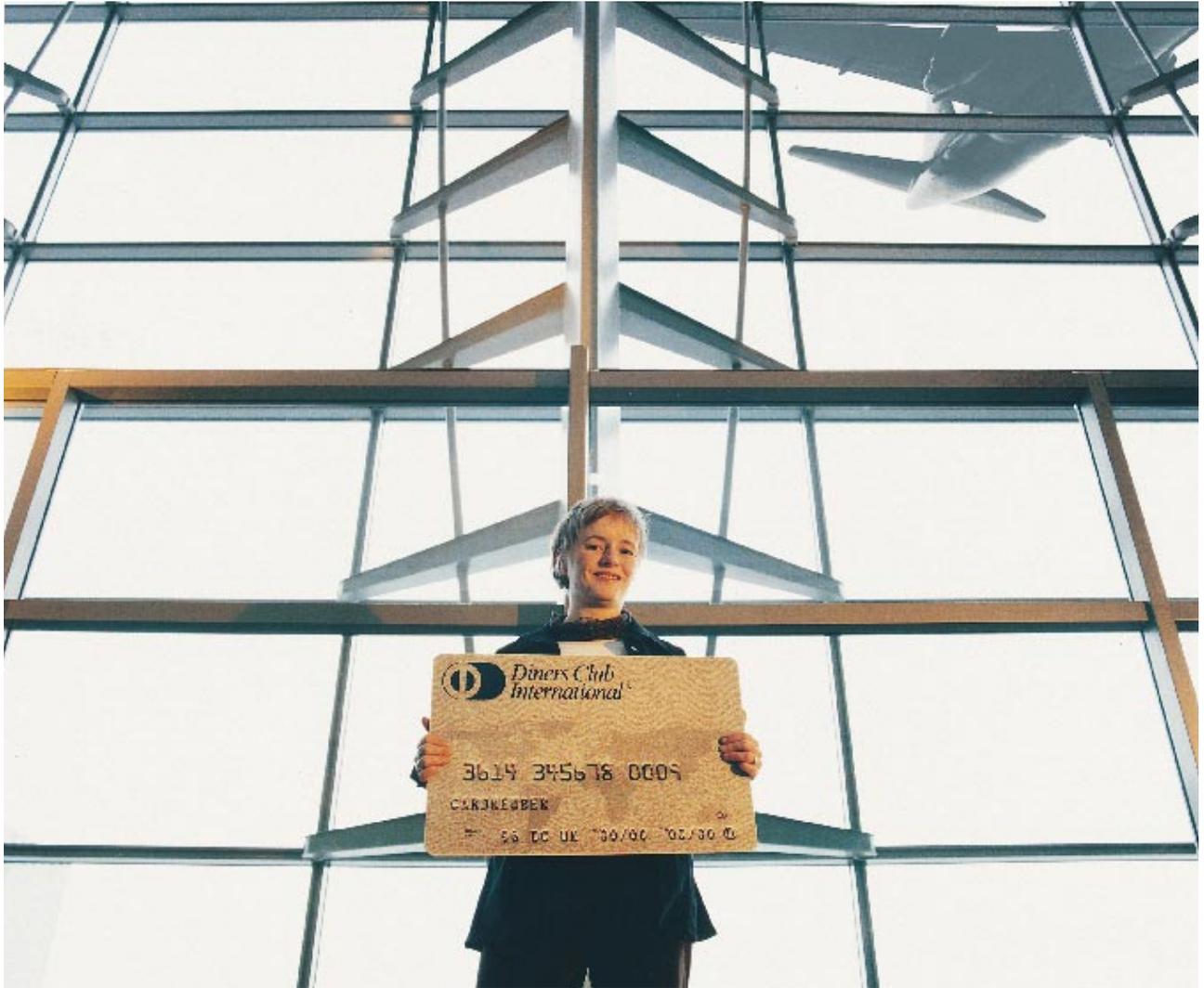
#### Future prospects

SEB's retail business is carried out in a market characterized by ever-increasing competition and customer demands. The conditions in the form of products, competence and channels are still promising and suitable for a further consolidation of SEB's position. This year, the following will therefore primarily be put into focus:

- Increased quality of customer meetings. More friendly reception, improved and faster service, greater accessibility, more action and initiatives.
- Continued efficiency drive. A more rational handling of processes, new working methods both at the branch offices and back-office and more efficient use of investments in IT-support.
- Development of the Internet and telephone services. In March, SEB will launch its third generation of Internet services for private customers and during the spring the telephone banking service will be open to all customers of the Group.

In 1999, the e-giro will be introduced. This is an integrated service for invoicing and payment via the Internet. Companies will create web-invoices, which are displayed to customers via a link with the Internet Office. Customers will settle their payments by a simple click of the mouse.

In general, the credit and charge card business has found itself in an intensive stage of development as regards both new business solutions and new technology. SEB Kort is active in the development of smart cards, CASH, and electronic trading. In 1999, both the development of CASH/ SET and adaptations to the euro will continue. For Diners Club Finland OY, the euro becomes reality this year and the systems are ready to carry out transactions and invoice in euro. In Sweden, Eurocard, the leading corporate card, has received its first inquiries regarding card and travel account invoicing in euro and is now prepared to carry out a pilot project together with one or several corporate customers.



## “Now is the time to individualise Diners Club advantages.”

**Name:** Berit Kringlebotn.

**Job Description:** Product director at SEB Kort, with responsibility for Diners Club's partner cooperation with SAS and Statoil in Norway and for Diners Club Norway on the Internet. Among current tasks is to create an interactive Diners Club site.

**Works best:** In a team and in the field.

“We work in a highly competitive market. The various credit cards are becoming more alike in coverage and basic conditions. Therefore, product development, additional services and the general ‘feeling’ that we build into our card are all the more important.

“ ‘A part of your personality’ is our communication concept for Diners Club members. Customers want to be recognised in their dialogue with us and they want very personal treatment. We are now trying, in various ways, to tailor our services to fit each customer's and each company's individual needs. Among this is by developing a new service on the Internet. By way of a ‘Members Only’ channel our members will be able

to obtain individualised information and service and special offers from the 35,000 companies connected to Diners Club in Norway.

“The entire system is based on allowing customers to choose what they are interested in by clicking their way through an interest menu. We collect information in a database which gives us the possibility to get to know all our customers better so that we can further develop our general services. But above all, this will be the platform for individualised dialogue with each member. For example, a customer who says he or she is interested in golf or a trip to the West Indies will receive very attractive offers in just these things.

“We are doing our utmost to gather attractive offers from all of our membership establishments. We are working throughout the Nordic nations in this project and we gain very good synergy effects. The technical side of the project is now being tested and we intend to have the service available in all Nordic nations before the end of the year. The project offers enormous opportunities to give us even more satisfied customers.”

# Premium income rose by six per cent

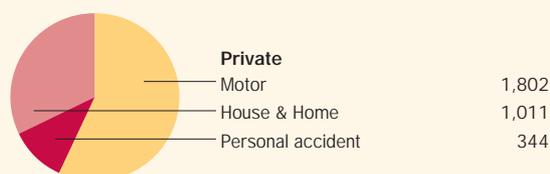
Trygg-Hansa reported good sales and a six per cent rise in premium income. Operating and claims settlement costs were down, whereas claims costs rose. At present (mid-March 1999), the sale of Trygg-Hansa's non-life business is up for discussion.

Trygg-Hansa is responsible for all types of non-life insurance for private individuals and small/medium-sized companies. In addition to Trygg-Hansa, its activities are carried out through the subsidiary Akksam (motor insurance), Trygg-Hansa Danmark, Trygg-Hansa Norge and the Polish company Partner.



**Business area head**  
Per-Erik Coos

## Premium income in 1998, SEK M



	1998	1997
Percentage of SEB's income	8	9
Percentage of SEB's result	7	14
Percentage of SEB's staff	10	10

## Profit and loss account, SEK M

Income, net	1,650	1,959
Costs	-1,199	-1,317
<b>Total result</b>	<b>451</b>	<b>642</b>
Income/cost ratio	1.38	1.49
Allocated capital, SEK M	3,500	
Return, %	9.3*	
Number of employees (average)	1,270	1,295

\*) Calculated on the basis of standard return. If the actual return on the investment portfolios is allocated to the business area, return was 29 per cent.

## Market

Growth within non-life insurance was low also in 1998. The market is still undergoing consolidation and restructuring, as exemplified by the merger of Länsförsäkringar and Wasa. At the same time, niche companies and foreign players that have established themselves in Sweden in recent years continue to capture market shares.

## Strategy

About 85 per cent of Trygg-Hansa's sale of household insurance is carried out by telephone via call-centres. The number of employees working in direct contact with customers continued to increase. Sales and customer service to corporate customers is also carried out by telephone to an increasing extent.

An important part of Trygg-Hansa's sales takes place within the framework of agreements that the company has entered into with various organisations. This activity reported continued positive growth, with increasing premium income. In 1998, an agreement was made with the Swedish Taxpayers' Association.

Several new products were introduced during the year, combining insurance with various types of financing. By way of example, a car financing product including motor insurance and mortgage loans including insurance could be mentioned.

## Important events

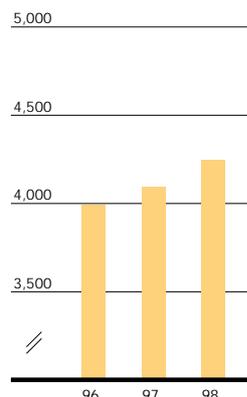
The two-year old co-operation with Statoil was expanded during the year to include Denmark, where Trygg-Hansa and Statoil started a common call-centre in the spring.

A new, common non-life insurance company, Nykredit Forsikring A/S, was formed by Trygg-Hansa and the Danish insurance company Nykredit, with Nykredit holding 60 per cent and Trygg-Hansa 40 per cent of the shares. This company is specialised in housing and real estate transfer insurance. Nykredit, which has 450,000 customers, also sells other life and non-life insurance products from Trygg-Hansa and SEB Trygg Liv.

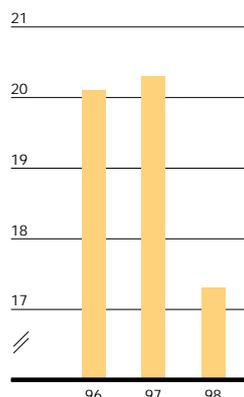
At year-end 1998, Trygg-Hansa increased its ownership in the Polish company Partner by 18 per cent, which means that this company is now owned to 67 per cent by Trygg-Hansa. In addition, Trygg-Hansa has an option to acquire an additional 30 per cent of the shares.

At year-end 1998, Trygg-Hansa sold its holding in Förenade Trygg to Förenade Liv, which thus becomes a wholly-owned subsidiary of Förenade Liv and changes its name to Förenade Liv Grupp försäkring AB. At the same time, Trygg-Hansa and

Premium income, SEK M

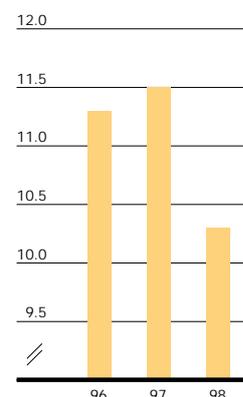


Expense ratio\*



\*Operating expenses as a percentage of premium income.

Claims settlement cost ratio\*



\*Claims settlement costs as a percentage of premium income

Förenade Liv extended their co-operation agreement until year-end 2002.

#### Business volumes

New sales of motor insurance and householders/homeowners insurance remained at a high level and the number of clients increased. This was achieved through a continued rationalisation of the business and a review of the pricing structure within certain areas.

In the field of business insurance, Trygg-Hansa's market share is now 5 per cent as a result of the limitation of its target group to small and medium-sized companies following the sale of large parts of the business insurance activities to the Swiss company Zurich. However, within its present areas of activity, the market share is considerably higher. Within commercial traffic insurance, Trygg-Hansa is the market leader in Sweden.

#### Claims experience

The claims experience deteriorated during 1998, primarily as a result of a sharp increase in the number of car thefts and thefts in cars. Other car damages such as vehicle damages and personal injuries increased compared with 1997. The increase in car damages hit the whole insurance sector last year. In the field of householders/homeowners insurance, the claims experience was on the same level as in 1997. Business insurance also reported a slightly poorer claims experience following some major fire claims. The claims experience within commercial traffic showed a more favourable development.

As in 1997, the Swedish Association of Traffic Insurance Companies had to prop up its reserves very strongly, which burdened Trygg-Hansa's 1998 result by approximately SEK 90 M.

This Association handles all damages caused by uninsured vehicles, conducted by unknown drivers. All insurance companies in Sweden are jointly liable for the costs of the Association.

#### Result

Premium income rose by 6 per cent compared with 1997. Thanks to an active work of change, aiming at improved efficiency, operating and claims settlement costs could be reduced by 8 per cent. The result from insurance operations, however, did not reach last year's level, mainly due to deteriorating claims experience. This was true of the whole insurance sector in 1998. If the lower liquidation gains are taken into account, the underlying profitability of the insurance business has improved.

Tougher competition from new niche players, among others, meant continued depressed margins for both motor and householders/homeowners insurance. However, the tariffs that were introduced in several areas in 1997 in order to improve competitiveness and increase profitability through a better risk selection had a positive impact in 1998.

The total result dropped to SEK 451 M (SEK 642 M), due to a lower risk-free cost of capital, lower liquidation gains and a higher combined ratio. The remainder of the actual return, or SEK 980 M, has been reported under Other, common to the whole Group.

During 1998, Trygg-Hansa's return was measured on the business area's allocated capital, SEK 3,500 M, and on the assumption of a normal return on the normal portfolio, which gave a return of 9.3 per cent.

If the actual return on the investment portfolio is allocated to the business area, the total result amounted to SEK 1,431 M, and return was 29 per cent.

### Benefits to customers

Within business insurance, a newly-developed business and support system was put into operation in 1998. This system offers more efficient work processes with shorter lead-times and increased possibilities to offer customer-adapted solutions.

An increasing number of people visited Trygg-Hansa's homepage on the Internet. As the first insurance company in Europe and one of the first in the world, Trygg-Hansa offered its customers the possibility of "chatting" with Customer Service, which has led to many requests for offers. Direct sales are as yet relatively modest, but for certain special product areas the Internet sales channel has developed very positively. Last summer, the homepage was ranked number 4 among the 100 best corporate sites in Sweden by the magazine Internet World.

The work on shortening process times of claims in order to provide customers with prompter service continued during 1998 and the round-the-clock service was made permanent. The number of claims that are directly settled via the telephone has increased to a considerable extent.

### Future prospects

Trygg-Hansa's strong trademark guarantees promising prospects for continued success in the market. The core products of this business area have been strongly rationalised and modernised in recent years, which will contribute to a further improvement of cost efficiency.

Experience from the combined distribution of non-life insurance and banking services is good. Even though SEB contemplates selling the non-life insurance business, it is determined to continue to sell insurance products with the help of distribution agreements.

A good platform for further expansion and increased business volumes is created through the development of, and growth in, the Nordic and Polish activities.

Many of the strategic co-operation agreements, such as the agreement with Statoil, have developed positively, offering important opportunities for continued development of these successful business concepts.



## “One becomes something of a juggler in this job.”

**Name:** Helene Bäckström.

**Job Description:** Floor manager at Trygg-Hansa.

**Relaxes:** In the garden with a book or by walking the dog.

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“At the Trygg-Hansa call-centre in Malmö, almost 200 people work with customer service, advice and sales.

“As floor manager, I am responsible for the staffing of all telephone positions, to see that everything ‘on the floor’ works, and that our resources are utilised to the optimum. Do customers get through fast enough? Does a sales team need reinforcing? Are incoming calls quiet – can we ‘switch’ the sales team to have it work on outgoing campaign calls instead? The flow of questions never seems to cease.

“Our call-centre is a recruiting base for the entire SEB Group. Most who work here are college graduates who began their career by working in the evenings and weekends and now have continued. Here, you get a very good understanding of how customers think, and through intensive training you quickly get to know the entire spectrum of insurance products. It is important to be highly competent so that the customer can discuss his or her entire insurance situation with the same person.

“There are many phone calls and the tempo is fast. Last year we received 2.8 million calls. It’s something of a balancing act to get everything to function and one becomes something of a juggler with your colleagues’ time.”

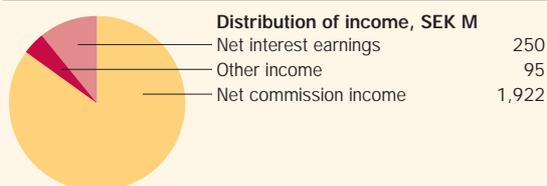
# Total result improved by eleven per cent

Increased net savings and rising stock prices contributed to strongly increased income for Asset Management. At the same time, costs for foreign investments and recruitment of new analysts and asset managers rose. ABB Investment Management was acquired in the autumn of 1998.

The SEB Asset Management business area comprises the mutual fund activities and the administration of the total assets that emanate from the mutual fund, life and non-life insurance operations of the Group. SEB Investment Management is in charge of the administration, with 86 asset managers and analysts and 45 real estate managers. The unit is represented in New York, London, Zurich, Hong Kong, Tokyo and the Nordic countries. SEB Kapitalförvaltning is a "private bank", with a staff of 450 in some 15 locations in Sweden and approximately 40,000 customers among private individuals with major investable assets, foundations, companies and minor institutions. SEB Institutionell Förvaltning offers tailor-made asset management services to large institutions, such as municipalities, county councils and organisations. Outside Sweden, SEB Asset Management is located in Luxembourg, Norway, the U.S.A., Poland, Switzerland and, through the wholly-owned Ane Gyllenberg, in Finland.



**Business area head**  
Lars Lundquist



	1998	1997
Percentage of SEB's income	11	9
Percentage of SEB's result	15	18
Percentage of SEB's employees	7	6

#### Profit and loss account, SEK M

Income	2,267	1,846
Costs	-1,335	-1,003
<b>Total result</b>	<b>932</b>	<b>843</b>

Income/cost ratio	1.70	1.84
Allocated capital, SEK M	3,750	
Return, %	17.9	
Number of employees (average)	860	812

#### Market

After a strong stock market development during the first six months of the year, one of the worst slumps of modern times hit the world in the autumn. The Federal Reserve Bank of the U.S.A. acted forcefully and lowered interest rates on several occasions, which restored confidence: During the last months of the year the stock markets were able to recover the major part of the downturn. In all, the development in Europe and the U.S. was positive, with some exception. The stock markets rose in general by between 10 and 40 per cent, e.g. the U.S. equity market which reported an upturn of 27.9 per cent in local currency. The Swedish stock market rose by a little less than 10 per cent. The development in Asia was a disappointment. The Japanese stock market dropped by 8.5 per cent and the trend in the rest of Asia was mainly negative. The Hong Kong stock index dropped by 13.9 per cent in local currency.

#### Strategy

The aim is to create a good return and added value for the mutual fund and insurance savers of the Group compared with the stock market average by surpassing the comparative index. The ambition is, furthermore, to remain being one of the leading asset managers in the Nordic area, while strengthening the position in Europe.

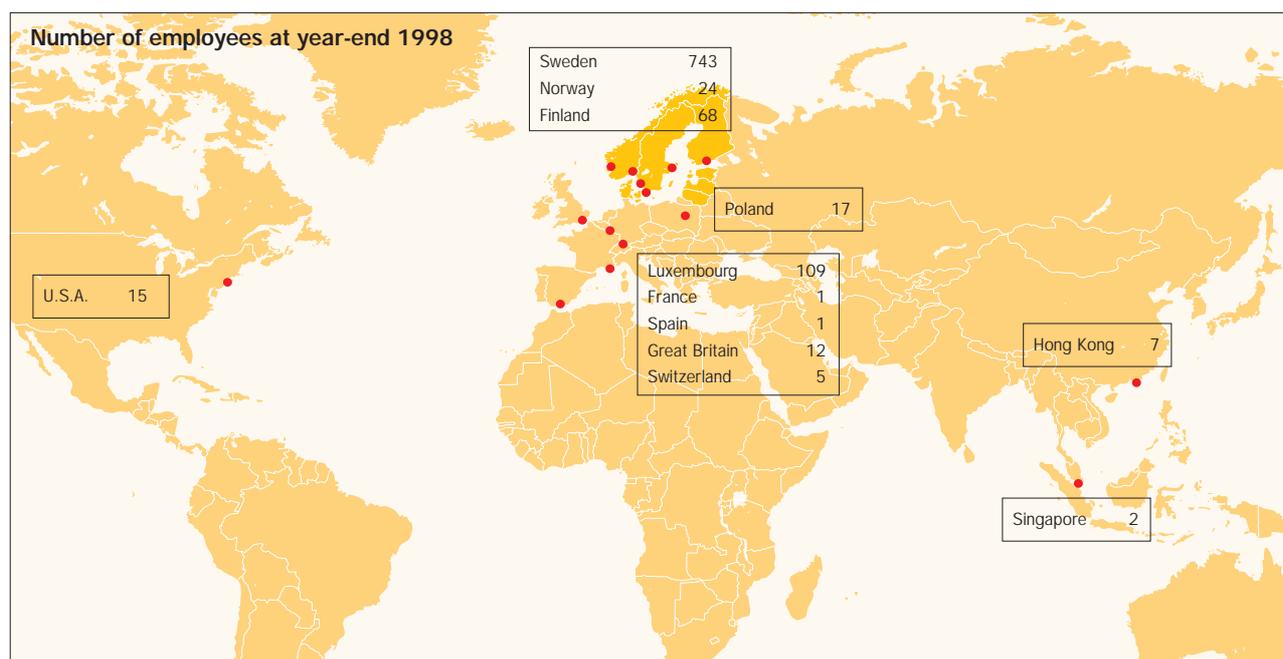
The substantial size of funds under management gives advantages to both customers and shareholders. Among the large Nordic players, SEB has more analysts and asset managers than anyone else in Northern Europe, while economies of scale have a positive impact on profits. In addition, SEB continues to invest in those of its private advisers who meet customers, which means that the advantages offered by a great number of analysts and asset managers are made available in a customer-friendly way by SEB's advisers.

#### Important events

**Mutual funds.** In the summer of 1998, the work on merging S-E-Banken's and Trygg-Hansa's overlapping mutual funds was started and a uniform pricing structure was introduced. The amalgamation of the mutual funds will be ready by June, 1999.

Last summer, as the first Swedish bank to do so, SEB started two new mutual funds for investments in the EMU-area, with the euro as basic currency. At the same time, the basic currency of three existing funds was changed to the euro.

In August, SEB's range of mutual funds was supplemented



by eight non-Swedish funds, six country funds and two special funds, as a result of the co-operation with three well-reputed non-Swedish asset managers: Fidelity, Fleming and Mercury Asset Management.

In November, two new mutual funds were announced: The Cancer fund and the Research Fund of the Swedish Medical Society. These will start in early 1999.

In January, 1999 a Baltic Fund was launched in co-operation with the World Wildlife Fund.

**Acquisition of ABB Investment Management.** In the autumn of 1998, SEB entered into an agreement with ABB regarding the purchase of ABB Investment Management, with asset management activities in Sweden, Finland, Norway, Poland, Switzerland and the U.S.A. This company, which has about 80 employees, was consolidated with the SEB Group on 1 December, 1998.

At the end of the year, its total managed funds was SEK 33 billion, of which SEK 5.7 billion was within ABB Fonder. Other administrative assignments include companies within the ABB Group, e.g. the insurance company Sirius as well as the assets of several of ABB's pension funds. Through this acquisition, SEB Asset Management has got access to new markets in Switzerland and Poland.

**New Internet service.** At the end of 1998, SEB introduced a new service, Fondmarknaden (The Mutual Fund Market) on the Internet, which shows price developments for all 1,100 mutual funds existing in Sweden. In addition, it offers more detailed information about SEB's more than 100 mutual funds. At the same time, entry commission was removed for those who buy mutual fund units in SEB's funds. The new service is designed

to offer the possibility to start saving in mutual funds also to those who are not yet customers of the Bank. SEB Kapitalförvaltning also offers its customers Internet services with stock market and other financial information.

**Establishing a presence in Denmark and England.** At the beginning of 1999, SEB Kapitalförvaltning opened an office in Denmark. The goal is to become a long-term supplier of asset management services in the Danish market and to capture a market share of 5 to 10 per cent.

In view of the large number of Scandinavians residing in London, private banking activities will also be started there during 1999.

#### Business volumes

SEB Asset Management is the largest asset manager in the Nordic area, with SEK 499 billion in funds under management. The following table illustrates how these funds are distributed geographically and by product:

	Mutual funds, including unit-linked insurance	Traditional life insurance	Other discretionary and advisory management		Total
			Institutions	Private clients	
Sweden	130	153	103	55	441
Finland	6		21	3	30
Norway	1		3	0	4
Luxembourg	4		6	7	17
Switzerland	2		4	0	6
U.S.A.	1		9	0	10
Eliminations	-9		-	-	-9
<b>Total</b>	<b>135</b>	<b>153</b>	<b>146</b>	<b>65</b>	<b>499</b>

## Managed funds, SEK billion



\*) One third discretionary and two thirds advisory management.

SEB Investment Management is responsible for the Swedish management of mutual funds, life portfolios and the large, discretionary assignments for account of institutions. At year-end 1998, it had SEK 347 billion in funds under management.

SEB Kapitalförvaltning is responsible for the minor institutional assignments and for the Group's "private banking activities" within Sweden. SEB Kapitalförvaltning's portfolio managers use the model portfolios produced by its Strategic & Research unit. This unit co-operates with both SEB Investment Management and with other analysts in the market.

Swedish and foreign equities accounted for approximately 65 per cent of the total volume of SEK 499 billion under management within the SEB Group at year-end 1998. Properties accounted for about 3 per cent, while the rest consisted of interest-bearing assets.

On 31 December 1998, total mutual fund savings in Sweden, including unit-linked insurance, amounted to SEK 561 billion, compared with SEK 456 billion in 1997. At the same time, the mutual fund assets under management within the SEB Group totalled SEK 135.1 billion (SEK 106.4 billion), including ABB. The market share, including ABB, was 23.2 per cent (22.4 per cent).

### Result

SEB Asset Management's income rose by 23 per cent, due to increased net savings and rising stock prices. Costs increased by 33 per cent, mainly due to investments in Finland and Norway. In addition, the number of analysts and asset managers was increased during the autumn. The total result improved by 10.6 per cent, to SEK 932 M (SEK 843 M). Return on equity was 17.9 per cent.

### Benefits to customers

SEB Asset Management focuses on active management and local presence, also on a global basis, which means that it has asset managers and analysts in place in New York, London, Hong Kong, Tokyo, Zurich, Helsinki, Oslo and Copenhagen.

Location	Equity management		Interest management		Property management
	Asset managers	Analysts	Asset managers	Analysts	
Stockholm	16	12	10	2	45
Oslo	1	1			
London	9	7			
Zürich	2				
New York/Stamford	6	3	1	1	
Hong Kong	3	2			
Tokyo	1	1			
Helsinki	5	2	1		
<b>Total</b>	<b>43</b>	<b>28</b>	<b>12</b>	<b>3</b>	<b>45</b>

With a little over 100 different mutual funds, SEB has the largest fund assortment in Sweden. Skandifond North America and S-E-Banken Fund appear in the list of the world's best off-shore funds in 1998 of the Forbes magazine. For the last two years, the Swedish business daily Dagens Industri has appointed SEB Chans/Risk the best Swedish fund. Customers are able to buy, sell and exchange their fund units and get personal advice in several ways: Through personal calls at a branch office, by telephone via SEB Mutual Fund Customer Service, via the Mutual Fund Market service on the Internet, via Sesam and the Internet Office.

Customers with particularly high demands are offered individual-adapted, personal service by the private bank SEB Kapitalförvaltning. Its activities are based upon special expertise within asset management, investment advice, law, insurance and tax advice. In addition, customers who deal actively in equities and derivatives instruments are offered securities brokerage service via Aktiehandel (Equity trading). This unit within SEB Kapitalförvaltning has a long experience of equity options in Sweden and is the market leader in this field.

### Future prospects

Private long-term savings based upon asset management have shown rapid growth in recent years. According to SEB's calculations, Nordic household financial assets will continue to grow by about 10 to 12 per cent annually. These calculations are based upon such factors as higher average length of life and deregulation of the Nordic collective pension systems. To this should be added the new pension system in Sweden, by which employees are allowed to decide how to invest the equivalent of 2.5 per cent of their total salary. This is expected to correspond to investments in the magnitude of SEK 15 to 20 billion annually.



## “Few jobs offer the same opportunities to show what one can accomplish.”

**Name:** David Wong.

**Age:** 33

**Job description:** Responsible for SEB's equity investments in the Far East. “I help people invest for the future.”

**Thinks best:** “While I'm flying.”

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“I always take my work with me. A chat with a taxi driver or a walk in the city – everything can give ideas or inspiration that can influence our investments.

“We have a team of four people in Hong Kong. We are all of Asian origin and have backgrounds as analysts. We know the nations in the

region and we all speak the major languages, such as Mandarin and Tagalog. We have over 30 years of investment experience combined.

“SEB has offices and contacts throughout Asia. We are close to the markets and are in an excellent position to access information. My colleagues and I visit about 200 companies each year.

“We have our own stock trader in the office. This gives us an advantage over other Scandinavian fund managers since we can carry out all our trades in real-time. This is important in fast-moving markets with wide price fluctuations.

“We have major responsibilities. We help people invest for their future.”

# Total result more than doubled

SEB Trygg Liv's sales increased sharply and new sales, particularly of unit-linked insurance, were the highest ever.

The year was characterized by the integration of the life insurance units of S-E-Banken and Trygg-Hansa.

SEB Trygg Liv is responsible for the Group's development and sales of products in the area of life insurance and pension services. The assortment comprises endowment assurance, private pension insurance, retirement insurance and various types of collective agreement-based supplementary pension schemes. All products are offered both as traditional insurance



**Business area head**  
Anders Mossberg

and unit-linked insurance. SEB Trygg Liv is also responsible for the savings product IPS (Individual Pension Savings) and welfare products, e.g. health insurance. SEB Trygg Liv has approximately one million customers.

	1998	1997
Percentage of SEB's income	4	4
Percentage of SEB's result	9	6
Percentage of SEB's staff	6	5

#### Profit and Loss Account, SEK M

Income	894	908
Costs	-1,071	-1,071
<b>Operating result</b>	<b>-177 *</b>	<b>-163</b>
Change in surplus values	752	443
<b>Total result</b>	<b>575</b>	<b>280</b>

\*) Net, after a provision in SEB Trygg Life (UK).

Income/cost ratio	0.85	0.85
Allocated capital, SEK M	3,250	
Return, %	12.7	
Number of employees (average)	705	650

#### Volumes, SEK M

Sales	7,252	5,867
Premium income	12,524	10,904

#### Funds under management, SEK M

Traditional life insurance	152,869	135,044
Unit-linked insurance	37,065	27,482
	<b>189,934</b>	<b>162,526</b>

#### Market

The total life insurance market increased strongly in 1998, or by 30 per cent. The increase was concentrated within single-payment endowment assurance, which product is marketed as a competitive long-term savings alternative in the branch offices of the Bank.

In nominal figures, new sales of unit-linked insurance increased by 34 per cent and the sales of traditional life insurance by 22 per cent. This means that unit-linked insurance accounted for 71 per cent of the total market. Unrest in the financial markets and falling market values during the autumn led to certain caution as regards unit-linked insurance products.

The various segments of the market developed differently. Endowment assurance showed a considerable increase, or by 36 per cent, with all major players reporting a sharp increase in sales. Pension insurance grew by 18 per cent and retirement pension insurance by 9 per cent. The main reason for the low retirement pension growth rate was a reduced number of contractual retirements, compared with 1997.

1998 was a breakthrough year as regards the accelerating trend in Sweden towards free choice for people to decide which asset manager they wished to use to administrate their pension savings. The Contractual Pension scheme SAF-LO (Swedish Employers' Confederation-Swedish Trade Union Confederation) was launched during the year, in which the trade union collective was allowed to choose. A new ITP-agreement (Industrial Supplementary Pensions Scheme), offering a wider range of free choice, is expected this year. It is planned to be followed by free choice as regards premium pensions in 2000 (subject to delay due to data problems) as well as free choice within the municipal sector.

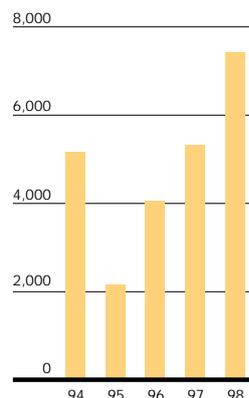
#### Strategy

The integration of the two former life insurance activities within S-E-Banken and Trygg-Hansa led to an expanded customer base, which can be worked more efficiently than before. The two former customer bases did not overlap to any significant extent. The new SEB Trygg Liv represents a more complete player, determined to take advantage of the fact that SEB is the only financial company in Sweden that can offer a full range of banking and insurance services.

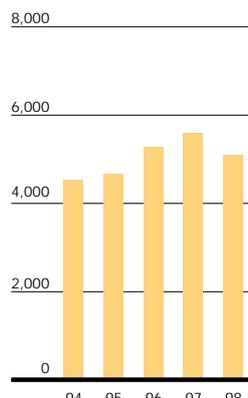
#### Changed activities

Beside product development and pure sales activities, business was concentrated to four main areas in 1998:

Unit-linked insurance premium income, SEK M

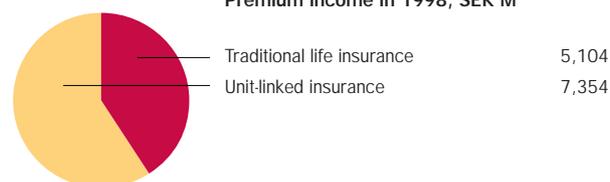


Traditional life insurance premium income, SEK M

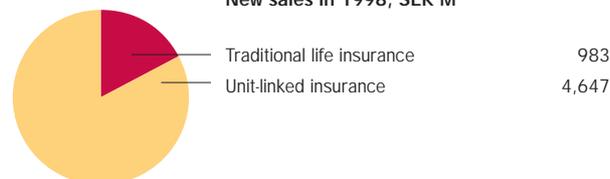


While premium income from traditional life insurance has grown by 13 per cent over the last five years, unit-linked insurance premium income rose by 44 per cent.

Premium income in 1998, SEK M



New sales in 1998, SEK M



**Co-ordination of life insurance operations.** A new common organisation has been created that comprises a deep-going integration project, including change of name, co-ordination of product supply, co-ordination of prices, fees and a common data system.

**Reduction of sales costs.** A common sales force was set up, with fewer sales people than before. An important life call-centre was developed. The compensation formula for insurance brokers has been reviewed. In contrast to some other players, SEB Trygg Liv has clearly expressed that it intends to continue to work with brokers that provide SEB Trygg Liv with an important sales channel.

As a result of these measures, among others, the sales costs as a percentage of new sales decreased by 12 per cent during 1998. In 1999, implemented and planned measures will take full effect, after which total sales costs are expected to have been cut by 25 per cent, compared with 1997.

New channels of distribution were developed in the area of life and pension insurance. The Telephone Bank became a new channel for marketing pension savings in 1998.

**Rationalisation of production processes.** Synergy gains have been achieved through reorganisation, such as the amalgamation of the two former unit-linked insurance companies. Measured per policy, administrative expenses have continued to decrease and are expected to have been cut by a little more than 15 per cent per policy over a two-year period.

**Co-ordination with other units within the SEB Group.** A number of major co-ordination projects with other business areas were carried out and several new common business concepts were started.

### Important events

As in 1997, thanks to successful asset management, a non-recurring total capital bonus of 10 per cent of the insurance value could be allocated to the policyholders of Trygg-Hansa Livförsäkringsaktiebolag. In addition, the gross capital bonus rate was 14 per cent up to 30 September, after which it was changed to 7 per cent. The latter rate was applicable also to the policyholders of Trygg-Hansa Nya Livförsäkringsaktiebolag.

A new common price strategy was introduced from 1 October. The new price structure meant lower or unchanged fees for existing clients.

It was decided to discontinue the co-operation regarding group insurance within Förenade Trygg.

A new company, Fondförsäkringsaktiebolaget SEB Trygg Liv was created through the merger of Trygg-Hansa Fri Placering and Fondförsäkringsaktiebolaget S-E-Banken Försäkring.

In the course of the restructuring of the life companies, Trygg-Hansa Livförsäkringsaktiebolag and Trygg-Hansa Nya Livförsäkringsaktiebolag changed names to Gamla Livförsäkringsaktiebolaget SEB Trygg Liv and Nya Livförsäkringsaktiebolaget SEB Trygg Liv, respectively.

In addition to the existing branch in Helsinki, international expansion continued through SEB Trygg Life's (Ireland) establishment of a branch in Oslo.

On 31 December, 1998 agreements relating to the former life companies within Trygg-Hansa were transferred from Trygg-Hansa to other units. Fondförsäkringsaktiebolaget SEB Trygg Liv took over the assignment involving insurance administration for account of Gamla Livförsäkringsaktiebolaget SEB Trygg Liv together with two assignments involving insurance administration and marketing/sales for account of Nya Livförsäkringsaktiebolaget SEB Trygg Liv. The Bank took over the assignment

involving asset management for account of these companies.

At the end of the year, the entire organisation for life insurance and pension services was formally gathered under a new holding company, SEB Trygg Liv Holding AB.

#### Business volumes

Sales volumes were larger than in any previous year and the rate of increase, both for the market as a whole and for SEB Trygg Liv, is unparalleled, in spite of the comprehensive co-ordination work affecting SEB. Sales, i.e. new sales plus extra premiums under existing policies, rose by 24 per cent. The whole increase was related to unit-linked insurance.

New sales of endowment assurance increased by 22 per cent, to SEK, 4,450 M. Pension insurance rose by 20 per cent, to SEK 189 M, while retirement insurance increased by 14 per cent, to SEK 772 M. In total, SEB Trygg Liv's new sales increased by 21 per cent, to SEK 5,630 M.

SEB Trygg Liv's market shares of new sales, measured as the sum total of single payment premiums and ten times current premiums, decreased slightly, from 22.0 per cent to 20.8 per cent. Its share of current insurance increased, whereas it decreased within single payment insurance, an area in which new competitors have appeared during the year.

SEB Trygg Liv's share of the market for new sales of current retirement pension insurance was 35 per cent. This success is explained by the retirement insurance programme Trygg Plan, which after four years of existence is still in growing demand, because it is so flexible and easy to grasp.

#### Result

The total result more than doubled, to SEK 575 M (SEK 280 M pro forma in 1997). To a large extent this improvement is explained by the strong increase in sales, which led to a positive change in surplus values in life insurance operations, i.e. the present value of future gains from existing insurance contracts (see Financial review of the Group on page 58 and Accounting principles on page 71).

A previous provision in the British life company SEB Trygg Life (UK) was increased by SEK 151 M, to SEK 350 M. This provision was related to compensation to English pension insurance policyholders for insurance schemes sold through improper advice before 1993, when the company was acquired.

The result from life insurance operations is strongly affected by value changes in funds under management. During the last few months of the year, the whole downturn affecting the investment portfolios during the third quarter was by and large recovered.

Return on allocated capital, including attributable goodwill, was 12.7 per cent after tax.

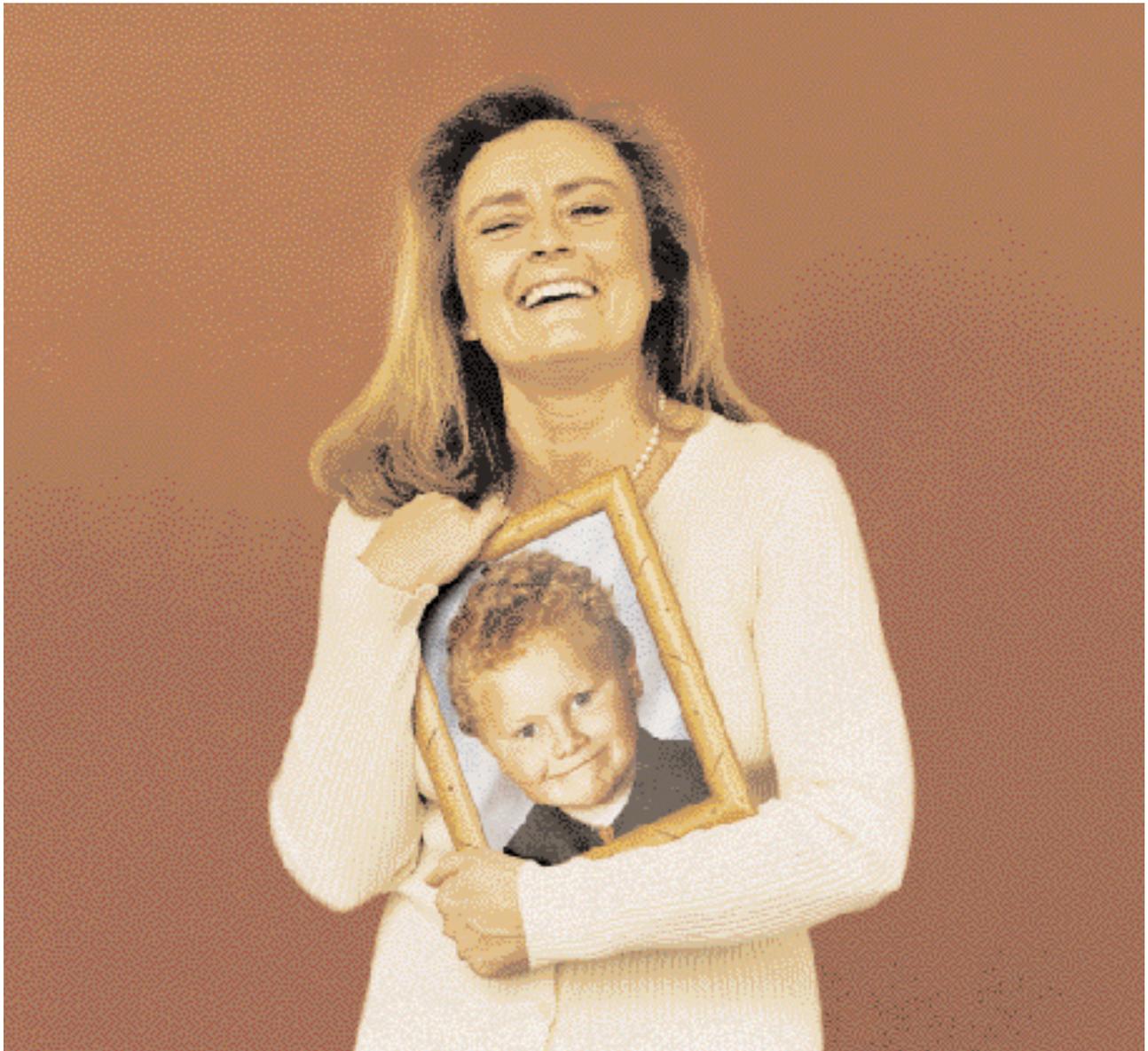
#### Benefits to customers

SEB Trygg Liv is able to offer its life and pension insurance customers increased service and an expanded assortment. For example, SEB's corporate customers can now be offered comprehensive service as regards life and pension insurance services for business owners, companies and employees. SEB's expanded presence in various locations is of benefit to former Trygg-Hansa customers.

As a result of the new price structure, many customers have lowered their insurance fees.

#### Future prospects

There are several reasons for the ever-increasing interest in life insurance and pension issues, and consequently in insurance savings. The introduction of the new pension system, with lower levels than previously, and other reductions in the public compensation systems, imply increased responsibility on the part of individuals for their own pension and safety. Increased savings can therefore be expected. Demographic conditions also indicate higher savings, since those age groups that account for the major part of savings increase, while the rest, i.e. young people and elderly people, will decline over the next few years. SEB Trygg Liv is well prepared for the future, both in terms of products and market positions.



## “I devote myself to what my customers hold dearest.”

**Name:** Margaretha Nilsson.

**Job Description:** Life insurance specialist.

**Enjoys best about work:** “This is an outward-going job in which you meet many different types of people. And we have great atmosphere at the office.”

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“I work with SEB Kapitalförvaltning’s customers – that is, those people who have a relatively large amount of capital to investment. Many of the people I meet face important and urgent questions. How can one prepare for a generation transfer? What would happen to one’s private economy if a husband or wife passes away?

“Endowment assurance is advantageous from a taxation point of view

and can, if constructed correctly, be an excellent way to handle so-called generation transfer issues. But before we present our recommendations to the customer we make a thorough study of the family’s situation and its economic position, and we review any relevant wills and marriage settlements.

“The merger of Trygg-Hansa and S-E-Banken has meant much to us. We can now offer a complete range of life insurance products, which was not possible earlier. This is a strength. We also have a broad and deep competence in all related fields: life insurance, asset management, taxes and legal matters.

“In my work one must be able to meet people and have a genuine interest in them – nothing is as important as being able to listen.”

# Provisions for Russian exposure led to a poorer result

Due to sizeable provisions for engagements in Russia, SEB Merchant Banking's result deteriorated. However, the underlying earning capacity was good and the result before lending losses increased by 22 per cent.



**Business area head**

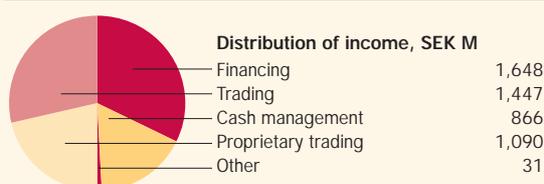
Mats Larsson

SEB Merchant Banking carries out activities in 14 countries and is divided into five units:

- Trading is globally responsible for the Group's trading in currencies, interest-bearing instruments, derivatives, futures and commodities.
- Debt Capital Markets is responsible for activities in the capital and debt markets.
- Treasury Operations & Proprietary Trading is responsible for the management of the Group's Swedish and foreign cash funds/liquidity portfolio and for its proprietary trading in currencies and interest-related instruments.

Corporate Banking comprises Commercial Banking, i.e. cash management services, payments, trade finance, etc. and has the overall responsibility for business relations with large Nordic corporate clients, financial institutions and international banks.

- Project & Structured Finance comprises export and project financing, shipping and acquisition finance.



	1998	1997
Percentage of SEB's income	24	24
Percentage of SEB's result	5	34
Percentage of SEB's staff	13	13

**Profit and loss account, SEK M**

	1998	1997
Income	5,082	4,859
Costs	-2,756	-2,953
Lending losses	-2,010	-306
<b>Total result</b>	<b>316</b>	<b>1,600</b>

Income/cost ratio (before lending losses)	1.84	1.65
Allocated capital, SEK M	10,400	
Return, %	2.2	
Number of employees (average)	1,700	1,650

## Market

The currency and interest markets were characterized by the imminent start of the euro and by unrest in the financial markets of Asia and Russia during the third quarter. The rouble was devalued and the Russian banking system collapsed. Those currencies that formed part of the EMU from the beginning remained largely unchanged during the year. Interest rates kept converging downward towards a common level. The Swedish krona was very volatile during the year and weakened considerably against most currencies, while five-year interest rates dropped by about 200 basis points, to 4 per cent by the end of the year.

Financial institutions in Europe devoted a great part of 1998 to preparations for the euro start. The consolidation of the international banking market continued and important mergers were carried out. SEB was in the forefront as regards new euro products and strengthened its leading role within electronic trading during the year.

The Swedish bond market also underwent great structural changes last year. The introduction of an exchange-traded future has led to important changes in trading methods and risk-management and increased automation. SEB has been a driving force in the process of change and will continue to adapt to the new opportunities that technology offers.

Within cash management and trade finance, competition for corporate customers was still very hard both within the Nordic area and the rest of Europe.

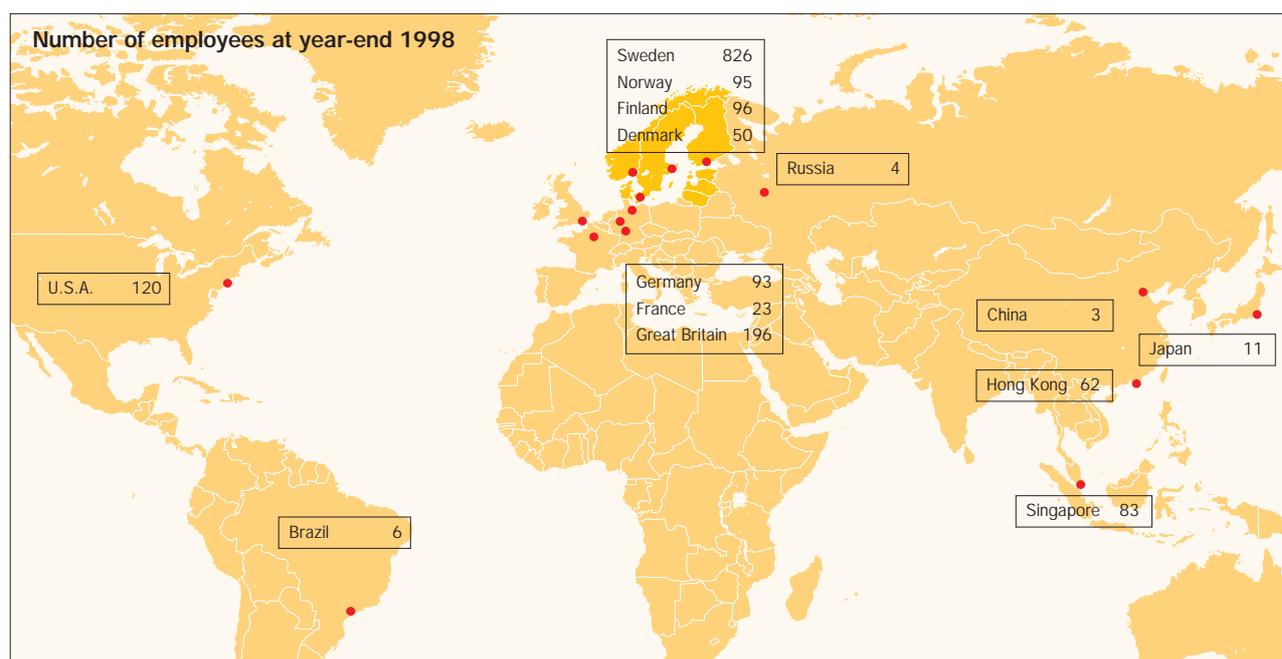
## Strategy

The most important strategic measure for 1999 is to rationalise both capital requirements and the business in general. During 1998, SEB cut down its exposure on emerging markets from SEK 47 billion to a little over SEK 18 billion, net. For 1999, it is a matter of balancing risk and return, but also of reducing low-yielding volumes.

In order to further improve the monitoring of risk, daily reporting of value at risk has been introduced. This will contribute to improving the risk culture even more (see further under Risk management on page 64). Within certain niches, Merchant Banking is expanding at the same time.

In order to live up to its ambition of being the leading Nordic euro bank, SEB invests aggressively in euro-adapted services in the fields of trading, cash management and debt capital. Merchant Banking also invests in new activities within a limited number of niches, e.g. acquisition finance, securities financing and IT-based distribution.

As regards trading, the Bank aims at being world leader



with respect to Nordic financial products. This will be achieved through superior quality in terms of execution, risk management, advisory services and analysis related to currencies and interest products.

Trading operations are carried out around the clock in eleven locations throughout the world. In Sweden, SEB is the largest player within foreign exchange trading, with a market share of between 35 and 40 per cent.

The formation of the world's largest market for government bonds will affect investors in the Nordic region in various ways, depending upon the relationship of their respective home country with the EU/EMU. Because of this, one of the most important strategic goals in 1998 was to make a survey of the new requirements of our Nordic customers and to meet their needs.

Debt Capital Markets (DCM) is focused on the growing capital market for credits and works with the majority of the large Nordic borrowers, e.g. industrial companies, property companies, public institutions and financial institutions, offering both advisory services and financing. To support the placing of the loans, DCM produces both research reports (on industrial sectors and individual borrowers) and Nordic Credit Guide, which is published once a year and contains detailed financial information on approximately 125 Nordic borrowers.

DCM's expertise in the field of credit research and structured financing, in combination with SEB's strong position within foreign exchange and derivatives trading, form an integral part of marketing aimed at investors.

Commercial Banking's strategy is to develop, produce and sell financial solutions within cash management and trade financing, either on its own or with the help of alliances. The goal is to offer customers, Nordic companies and financial institutions, the possibility to improve their financial processes and profitability, while enabling Commercial Banking to continue to develop its activities in a profitable way.

#### Important events/new activities

During 1998, foreign exchange trading via the Internet was developed further and an advanced service in this area was introduced called Trading Station. This is a service that offers facts about prices and news within foreign exchange trading. It also offers a great deal of general financial information. During the spring of 1999, trading in interest-bearing securities will be possible via the Trading Station.

In the autumn of 1998 a special Euro Desk was started, the task of which is to trade in interest-bearing securities from the EMU countries, i.e. in euro-denominated securities, and to provide customers with fast and qualified analyses of the euro markets. Interest differences between eurobonds and Scandinavian securities are pinpointed. The Euro Desk is active in both the primary and secondary market for government securities and similar bonds with a high credit rating. Trading in European interest-related instruments is one of the areas enjoying top priority before the advent of the European currency union.

Trading in interest futures was introduced in Sweden last autumn, i.e. standardised forward contracts that can be traded on the Stock Exchange. The first contracts were based upon two-year and ten-year Swedish Government bonds as the underlying instrument.

A commodity group was also set up during the year that will trade in pulp and electricity derivatives.

SEB has a long experience from arranging financing solutions for Nordic and international investment banks, securities brokers and hedge funds. In order to develop this service further, Securities Finance was established last year. This is a new service that offers financing and securities lending arrangements as well as advisory services in connection with capital procurement. At present, Securities Finance works out of Stockholm, Oslo and London.

In 1998, SEB purchased 10 per cent (with an option to purchase an additional 15 per cent) of Adacra, an IT and manage-

ment consultant firm with which Commercial Banking has co-operated in the field of electronic banking since 1996. For example, a unique Intranet product for liquidity forecasts for companies has been launched.

To enable Commercial Banking to further develop euro services, strategic co-operation agreements have been concluded with a number of leading European commercial banks. Several products have also been adapted to the EMU. A number of important euro cash management assignments were secured during the year.

**Business volumes**

SEB defended its leading position in the foreign exchange market during 1998 and was ranked number one by Euromoney also in 1998 as regards Nordic currency trading. The introduction of currency trading via the Internet had a positive impact on business volumes.

In the Nordic money and bond markets, SEB consolidated its position as one of the leading players. Thanks to continued development of advanced solutions and business proposals the Bank maintained its position as number one in the interest options market as well as in the market for retail bonds.

High activity and good profitability characterized the unit for export and project financing, ship and acquisition financing. The shipping markets were weak during 1998, but the quality of SEB's credit portfolio was still good.

SEB is a leader in the corporate acquisition market, which was very lively during 1998. For example, SEB arranged and syndicated a SEK 5.9 billion facility in connection with the Bonnier group's purchase of Marieberg.

The Group's share of domestic bank giro payments was approximately 30 per cent. In addition, SEB carries out large volumes of corporate payments via telephone transfers and with the help of the Bank's own systems. Its market share of foreign payments ranges between 50 and 55 per cent.

**Result**

SEB Merchant Banking's result was negatively affected by the provisions for engagements in emerging markets, particularly in Russia (see Financial review of the Group on page 61). During the fourth quarter, SEK 150 M of the general reserve for

political risks abroad, previously reported at Group level, was reported for Merchant Banking.

Customer-related earnings before lending losses increased by 14 per cent, mainly due to a very positive development within foreign exchange trading and to investments in new financial services. Expansion within the Nordic region also contributed to growth. Income from proprietary trading and cash management was a little lower than in 1997. This was chiefly a result of the reduced difference between long- and short-term interest rates.

**Benefits for customers**

The trading unit continues to develop new products, introducing customers to new markets. Increased investments in risk and needs analysis has led to increased knowledge about the risk situation among customers and has helped them to establish efficient risk control methods.

1998 also meant new opportunities for customers to rationalise their activities by integrating their data systems with the global services of the Bank, e.g. within cash management and trade finance.

Customers were also offered to benefit from the advantages of the euro through new cash management services in euro in all important European countries, as well as through new payment services in Europe.

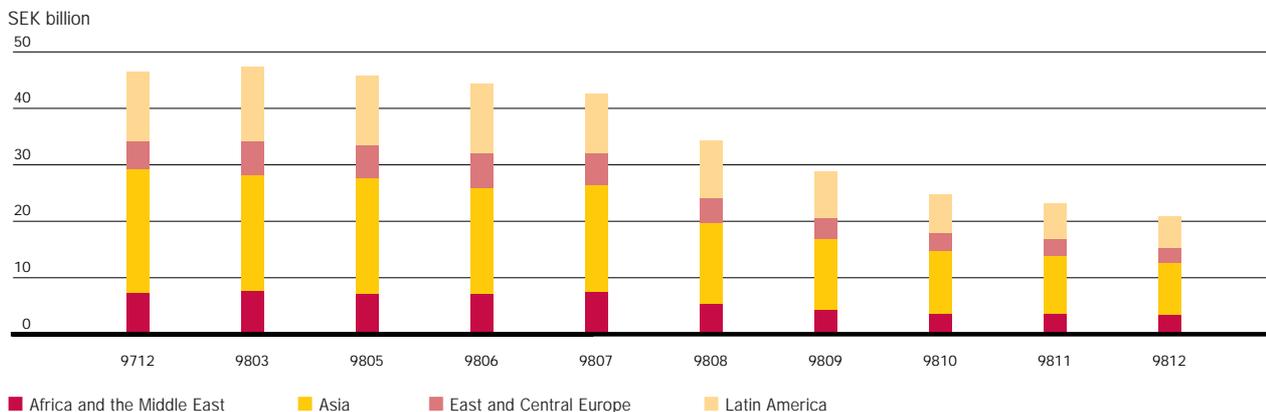
**Future prospects**

The process of change that has been initiated to increase operational efficiency and reduce capital is expected to take effect already this year. The work is based upon continuous benchmarking with the best players in the world. Increased competition within both cash management and trade finance will make the fight for customer business even harder.

During 1999, many of our most important customers will decide which European bank they will choose. In the long run, these decisions will have a strong impact on Merchant Banking's result. Judging from our experience in late 1998 and early 1999, SEB's euro products have been positively received by customers.

As regards trade finance, we expect to witness a positive development following the new system for trade finance services that we will continue to launch during 1999.

Emerging market exposure, gross, before provisions for political risks abroad





## “Our advisers literally have an analyst at hand.”

**Name:** Peter Høltermand.

**Job Description:** Responsible for trading in Danish interest-bearing securities.

**Excitement about the job:** “Uncertainty. We sit in the middle of a global information flow, where we need to act on all types of news. What is said in Brazil can determine what I have to do within five seconds and can influence home mortgage rates for the coming 30 years.”

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“In Denmark, in addition to the traditional government bond market, there is one of Europe’s largest and most complex housing bond markets. What’s special about this market is that borrowers have the possibility to repay the entire loan at any time without the lender’s demanding interest compensation. The market handles a total of more than 2,000 different bond series, each one having its own type of conceivable repayment scheme.

“The ability to foresee when borrowers will repay their loans ahead of

time, and who they will be, is an important competitive factor and is something that SEB concentrated on when it started bond activities in Denmark in June 1997. We have devoted great effort to develop quantitative sales support analysis tools with advanced forecasting methods for various bonds’ behaviour during their lifetime. Our direction is partly steered by a change in customer behaviour, which continuously places greater demands on qualified advice. Formerly, customers wanted to buy or sell a certain type of bond at the best possible price. Now they prefer to get answers as to ‘which bond?’ or ‘how shall I build up my bond portfolio?’

“With the help of analysis tools developed by SEB, our customer advisers can analyse market conditions, identify arbitrage possibilities, and discuss relatively complicated problems with the customer. Analysis competence has simply become more easily available and useful. The changes in the way of working with customers are so great that we created a new unit within the sales department: ‘Research Sales’.”

# Result negatively affected by financial market turbulence

Healthy stock market growth during the first six months of the year, which led to a good result for Enskilda Securities, was depleted by financial unrest during the autumn. In the autumn, Enskilda Securities was ranked best brokerage house in three out of four Nordic countries.

Enskilda Securities is an independent investment bank within the SEB Group that has its own product and marketing responsibility for financial advisory services, equity trading and equity research for institutional investors. Enskilda Securities consists of Corporate Finance, Equities and Capital Management. It also comprises Enskilda Law, which offers legal advice, particularly in the field of corporate finance. Enskilda Securities is represented in Stockholm, London, Helsinki, Copenhagen, Oslo and New York and, through Equities, also in Paris and Frankfurt. In New York, its Corporate Finance department co-operates with the U.S. investment bank Blackstone Limited Partnership. In order to be able to offer its Nordic clients research on certain non-European markets, its Equities department co-operates with J P Morgan Securities Ltd in North America and with Henderson Crosthwaite in Great Britain. As from 1 January, 1999 the business of Enskilda Securities has been incorporated and is now carried on in Enskilda Securities AB.



**Business area head**  
Lars Linder-Aronson

## Market

During the first half of 1998, market conditions were excellent and the Nordic financial markets were characterized by high activity. The favourable market conditions made a large number of market offerings possible, but there were also numerous mergers and acquisitions. Enskilda Securities participated in several large public transactions. In the field of private M&As, in which Enskilda Securities acts as an adviser to the seller or buyer of unlisted companies or activities, a large number of transactions was carried out, of which several involved cross-border activities. Also equity trading volumes were very important during the first six months of 1998.

However, as a result of the turbulent conditions that prevailed in the global financial markets during the second half of 1998, the very positive development within both corporate finance and equity trading tapered off. Nevertheless, rising prices and big turnover were reported for all the Nordic Stock Exchanges for the whole of 1998.

Competition in the Nordic markets comes primarily from large Nordic investment banks and, to an increasing extent, from the major U.S. and British investment banks. In addition, there is a large number of minor and medium-sized competitors in each individual country.

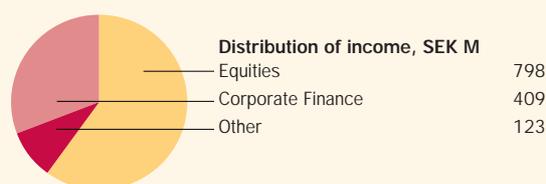
## Strategy

Enskilda Securities aims at being the leading international investment bank for Nordic clients and one of the leading international securities brokers in the most important stock markets in Continental Europe.

The strategy to reach the established goals can be summarised as follows: Enskilda Securities shall have a Nordic base, a European focus, a global perspective and grow along with the expanding equity trading and corporate finance markets. This means that Corporate Finance focuses on financial advisory services within the equity capital markets and M&A with respect to companies in the Nordic area, the rest of Europe and in North America. A condition, however, is that the transaction is Nordic-related. Equities' strategy is to offer research products to a global customer base on Nordic and, as regards certain sectors, European companies.

## Activities

**Corporate Finance.** Corporate Finance provides financial advisory services, particularly in connection with issues, market

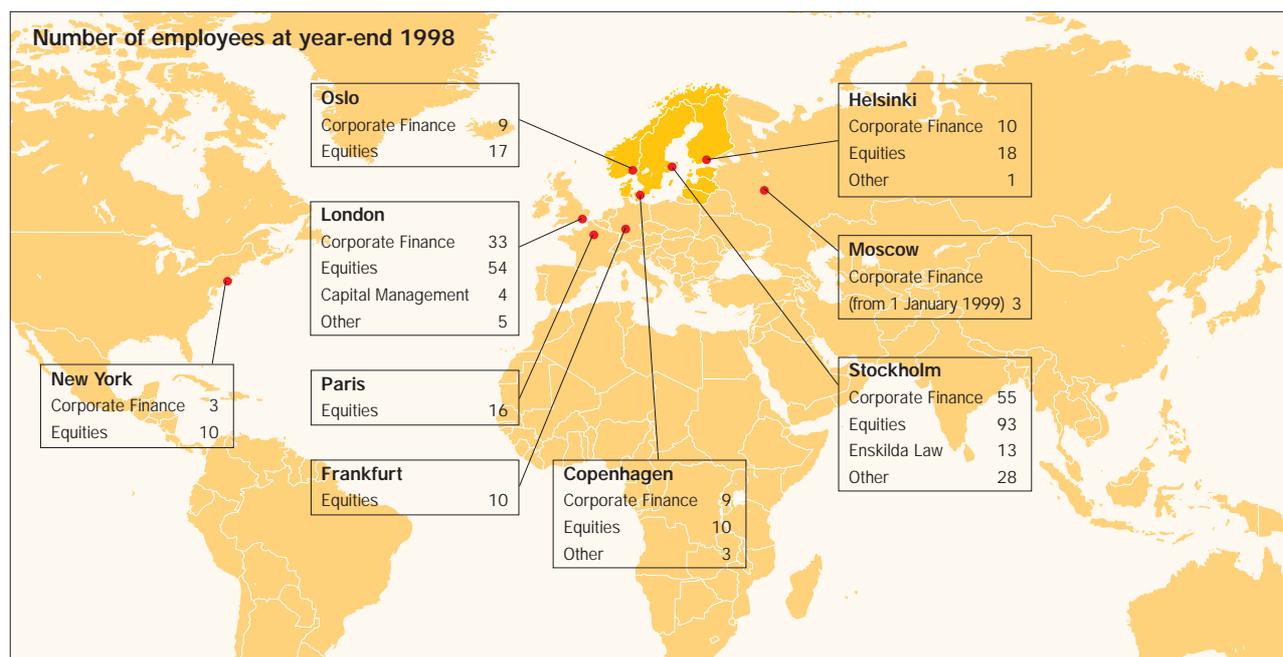


	1998	1997
Percentage of SEB's income	6	7
Percentage of SEB's result	4	9
Percentage of SEB's staff	3	3

	1998	1997
Income	1,330	1,446
Costs	-1,084	-1,117
Lending losses	-29	0
<b>Total result</b>	<b>217</b>	<b>329</b>

Income/cost ratio (before losses)	1.2	1.3
Allocated capital, SEK M	650	
Return, %	24	
Number of employees, (annual average)	402	380



introductions, etc. as well as within M&A. Enskilda Securities is one of the leading Nordic investment banks within corporate finance, as illustrated by the fact that it carried out more M&A-transactions involving either a Nordic acquiring party or acquired business in 1998 than any other investment bank.

Worth mentioning among the major transactions carried out by Enskilda Securities in 1998 are the following: The merger of the Finnish forest company Enso and Sweden's Stora, a deal worth almost SEK 41 billion, Gambro's (formerly Incentive) disposal of its share-holding in ABB, a deal worth a little more than SEK 12 billion and Investor's hive-off of Saab Aerospace, worth a little over SEK 4 billion.

Other examples of transactions carried out by Enskilda Securities as adviser last year: Diligentia's hive-off and the subsequent listing of Asticus, Haldex' new issue as well as the market introductions of CityMail, MSC Konsult and Nilörn-gruppen.

Enskilda Securities also carried out several transactions in the other Nordic countries during 1998. In Finland, it acted as adviser to Sweden's Scandic Hotels in its acquisition of the Finnish Arctia's hotel and restaurant business, a deal worth close to SEK 800 M. Enskilda Securities furthermore advised Nordic Capital in connection with its acquisition of SCA Mölnlycke's Clinical Products Division and Kolmi, a division of the Finnish company Tamro.

In Norway, Enskilda Securities acted as adviser to the listed company Hunsfos Fabrikker in connection with the public offer made by the Swiss company Cham-Tenero, a transaction worth approximately NOK 160 M. Another example was the listing of TTI Holdings in February 1998, a deal worth about NOK 125 M, for which Enskilda Securities was the lead manager.

In Denmark, Enskilda Securities advised the Norwegian company Merkantildata when it acquired Danadata from TeleDanmark. This transaction totaled almost DKK 500 M.

Another example was EQT's acquisition of Scientific Product Group from the Danish Radiometer in early 1998, worth a little over DKK 700 M, in which Enskilda Securities acted as EQT's adviser.

**Equities.** Equities is responsible for equity research and sales as well as for trading in equities and equity-related instruments. The customer base consists mainly of institutional investors, primarily in the Nordic region, Continental Europe, Great Britain and the U.S.A. Non-Nordic institutional investors account for approximately half of Enskilda Securities' turnover as regards equity-related operations.

Apart from its own research reports on the Nordic and Continental European stock markets, Enskilda Securities can offer reports on the markets in Great Britain, North America and the Far East through its co-operation with other research firms.

In the autumn of 1998, Euromoney/Global Investor ranked Enskilda Securities the best brokerage firm as regards execution of equity transactions in three of the four Nordic countries. Its ranking as regards research showed that it continues to consolidate its position in the Nordic area, where it was ranked number one or two in all the Nordic countries.

In Sweden, Enskilda Securities asserted its position on the Stockholm Stock Exchange, where it once again was the largest player, with a share of a little over 9 per cent of equity trading. Also in equity derivatives it was the most important player in Sweden, with a market share of about 40 per cent. In Denmark, Finland and Norway, Enskilda Securities' share of equity trading strengthened further.

**Capital Management.** Capital Management can take its own positions in equities and equity-related instruments within certain given limits and operate independently from the other

Geographical distribution of income, SEK M



units of Enskilda Securities. In spite of the turbulent market conditions during the last six months of the year, Capital Management reported a good result for 1998.

### Result

Enskilda Securities' income amounted to SEK 1,330 M in 1998, a decrease of about 9 per cent compared with 1997. A large number of corporate finance transactions was carried out during the first six months of the year as a result of the favourable market conditions. This, in combination with increased volumes within equity trading, had a positive impact on Enskilda Securities. However, the turbulence in the financial markets during the autumn of 1998 ended this positive development and led to lower income for the whole of 1998 than in 1997. For Corporate Finance, financial unrest led to the postponement of several planned transactions, such as listings, private placements and new issues. Both lower volumes and continued price pressure had a negative impact on Equities. As a result of the depressed stock market climate during the autumn, Equities furthermore suffered both trading and certain lending losses. Costs decreased by about 3 per cent, to SEK 1,084 M.

### Benefits for customers

Enskilda Securities is one of the leading investment banks within both corporate finance and equity trading/research as regards Nordic-related business. It is also one of those investment banks that have the longest and most solid knowledge about companies and customers active in the Nordic markets. Enskilda Securities offers first-class financial services, adapted to each respective customer's needs and takes a very long-term

view of its customer relations. As a result of its long experience, global presence and leading position it has a very large network of contacts with institutional investors both in the Nordic region and in the rest of the world. It also has good channels of distribution to the general public in Sweden through SEB Kapitalförvaltning, which is one of the leading asset managers in the Nordic area, and through SEB's network of branch offices. It is important to have good communications with both institutional investors and the general public, e.g. in connection with listing operations, which require a strong distribution capacity for a successful deal.

### Future prospects

The prospects for 1999 are seen as excellent, due to favourable market conditions in early 1999.

The incorporation of Enskilda Securities forms part of the decentralisation of the activities of the SEB Group. Through this measure, Enskilda Securities' relationship with the rest of the SEB Group is made clearer, both internally and externally.

The global market for financial advisory services, equity trading and equity research has grown strongly in recent years and is expected to show continued growth. At the same time, competition from both domestic and international players is likely to intensify even more over the next few years, which will lead to continued price pressure, mainly within equity trading. Increasing volumes, however, are expected to compensate for this to a certain extent.

Most of the transactions planned for the end of 1998 were postponed, pending a stabilisation of the market. However, towards the end of 1998 and in early 1999, interest in issues, listings and M&As started to grow again, although investors are still much more prudent than before the onset of financial unrest. The large number of corporate finance transactions already planned for 1999, together with those that were postponed from last year, mean that a substantial amount of deals may be carried out during 1999, provided market conditions continue to stabilise. This would have a very positive impact both on Corporate Finance and Equities.



## “We offer Nordic companies a better way into North America.”

**Name:** Petter Ski.

**Job Description:** Responsible for corporate acquisitions and mergers at Enskilda Securities in New York.

**Most enjoyable part of work:** “The combination of North America/Nordic nations and the opportunities for direct contacts with players on both sides of the Atlantic.”

**Relaxation:** As a crewman aboard ocean racing sailboats.

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“Since 1995, Enskilda Securities has had formal relationship with The Blackstone Group, a well-respected North American investment bank. We have been advisers to a large number of companies in different sectors in connection with trans-Atlantic acquisitions and mergers. Assignments have often been both difficult and challenging with great demands

made on creativity, confidentiality, precision and negotiating skills.

“Enskilda and Blackstone form a strong unit. Together we have a very fine contact network among many of the largest companies in the Nordic countries and North America and in this way can open doors for our clients. We have experience and knowledge from corporate acquisitions on both sides of the Atlantic and have an understanding of which consequences a planned transaction can have from a capital market, branch or corporate point of view.

“In recent years, globalisation has come to influence our clients’ strategies to a much greater extent. The acquisitions and mergers in which we participate are part of these companies’ continuous development processes. Hopefully, we will have taken part in creating something that will be for the better.”

# Presence confirmed through strategic acquisitions

Towards the end of 1998, SEB entered into co-operation agreements with three of the leading banks in the Baltic states, Eesti Ühispank in Estonia, Latvijas Unibanka in Latvia and Vilniaus Bankas in Lithuania.

SEB became an important part-owner of these banks at year-end 1998.

The Baltic drive, representing a total investment of a little more than SEK 1.4 billion, is an important part of SEB's strategy to become the leading provider of financial services in Northern Europe. These three banks were already co-operating with each other within the Baltic region.

## Eesti Ühispank in Estonia

Eesti Ühispank is the second-largest bank in Estonia, with total assets of EEK 13.6 billion (a little over SEK 8 billion) on 31 December, 1998. Ühispank is a universal bank with 97 branch offices and 1,500 employees. In 1998, Ühispank accounted for one third of the total business volume in the Estonian banking market, in which the number of banks has been reduced from 40 to six over the last four years.

The 1998 result was negative, EEK -383.4 M (about SEK 220 M), mainly due to the Asian crisis and the economic collapse in Russia. In 1997, the bank reported a profit of EEK 211 M.

According to its agreement with Ühispank, SEB has subscribed for shares in a directed issue of 15 million shares in Ühispank at a price of EEK 40 each. In combination with an acquisition of an additional 7,630,000 outstanding shares SEB's ownership corresponded to 34 per cent of the capital and votes in Ühispank at the beginning of 1999. SEB's total investment in the bank amounted to SEK 510 M.

In connection with SEB's investment in Ühispank, the International Finance Corporation (IFC) of the World Bank Group decided to issue a convertible loan for USD 20 M to Ühispank. In addition, SEB has entered into a shareholder agreement with Swedfund Financial Markets AB, which owned 4.8 per cent of the capital and votes in Ühispank at year-end 1998.

## Latvijas Unibanka in Latvia

Latvijas Unibanka is the second-largest bank in Latvia, with total assets of LAT 312.9 M, 70 branch offices throughout the country and 1,200 employees at year-end 1998. There are some 30 banks in total in Latvia, of which Unibanka is the leading corporate bank. In recent years, Unibanka has also started to grow in the private market. Unibanka's market shares in Latvia range between 15 and 30 per cent.

Unibanka reported a loss of LAT 15.1 M (SEK 211 M) for 1998.

SEB's investment in Unibanka was made in the form of a subscription for 8.55 million shares in a directed issue at a price of LAT 1.33 per share. In addition, a seven-year convertible subordinated loan for LAT 10 M was issued, at a conversion price of LAT 1.33. After full conversion, this directed issue will give

SEB an ownership share of 36 per cent of the capital and votes in Unibanka.

At the same time, SEB signed a shareholder agreement with Swedfund Financial Markets AB. Swedfund owned 7.7 per cent of the capital and votes in Unibanka on 31 December, 1998.

In early 1999, SEB increased its ownership in Latvijas Unibanka to 44.3 per cent, before conversion, which means that SEB had made a total investment of SEK 447 M in Unibanka. This is the third-largest investment in the history of Latvia.

## Vilniaus Bankas in Lithuania

Vilniaus Bankas, established in 1990, rapidly became the leading private bank in Lithuania. Today, it is Lithuania's second-largest bank, with total assets of LIT 3.7 billion (SEK 7.5 billion) in 1998 and more than 900 employees. The bank has 14 own branch offices and co-operates with the Post Office in another 150 offices. The bank focuses on the corporate market, but is also expanding in the household market. In 1998, its market share of total deposits was 21 per cent and of lending 26 per cent, respectively.

Vilniaus Bankas, which reported a profit of LIT 59.8 M (SEK 121.5 M) for 1998, was the most profitable bank in Lithuania in 1998. The fact that the bank had a relatively low exposure on Russia and practically no exposure at all on the equity market explains this positive result.

Also in Vilniaus Bankas, SEB subscribed for shares in a directed issue, which amounted to 4.8 million shares at a price of LIT 46 per share. In addition, SEB bought 570,000 shares in the market. At year-end 1998, SEB owned 35.8 per cent of the shares and votes in Vilniaus Bankas, a total investment of SEK 474 M.

In connection with its agreement with Vilniaus Bankas, SEB entered into a shareholder agreement with Swedfund Financial Markets AB, which owned 9.7 per cent of the shares and votes in Vilniaus Bankas on 31 December, 1998.

## SEB Baltic Holding AB

As a result of SEB's agreements with these three banks, all the parties are able to expand their Nordic-Baltic corporate business. The aim is twofold: To increase the distribution of SEB's own savings products and corporate services and to help the Baltic banks to develop products for both private individuals and companies in the Baltic market.

In early 1999, SEB's Baltic engagements were assembled within SEB Baltic Holding AB. SEB has also an operative representative and a couple of Board representatives in each one of the Baltic banks.



## “These banks will soon be as modern as Swedish banks.”

**Name:** Mats Kjaer

**Age:** 48.

**Job Description:** Managing Director of SEB Baltic Holding AB, formerly head of Region South. Responsible for SEB's involvement in banks in Estonia, Latvia and Lithuania.

**Thinks best:** When he tinkers with his English sports car, a Triumph TR6, '71.

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“For us, the Baltic nations are not only a new market. Through the three Baltic banks we can offer our existing customers a broader service base.

“The Baltic nations were reconstituted only a few years ago and at that time the banking systems were also privatised in the three nations. This is a young banking market and has established a good form in a short time. We are thankful for having had the possibility of buying into three excellent companies. But much is in need of structuring. We have defined which areas we will jointly cultivate in the banks – products and competence development, IT, etc. These banks will quickly become as modern as Swedish

banks. The entire IT infrastructure, for example, is completely new.

“It is important that the product knowledge and banking experience that we have can be transferred in a good way. Therefore we have an experienced management person based in every bank and a person in Sweden for each bank, who are responsible for product transfer and development. Competence is also transferred via trainee and training programs and a number of very well-trained young people are already in place.

“Of course, we do not want to “brand” SEB on anyone. Each bank is independent and listed on the local stock exchange. They must work in the local markets to be able to grow in them. Each one works in its own culture. We must recognise the big differences between the nations. Estonia, for example, is very advanced in IT and technology and has a well-developed Internet bank. In Latvia and Lithuania, not even 50 per cent of the population has bank accounts yet. But developments are taking place very rapidly. When you look at future expansion in Europe, the Baltic nations and Poland are expected to have the best growth.”

# Financial review of the Group

The financial year 1998 was characterized by integration of the former S-E-Bank and Trygg-Hansa Groups, rationalisation of the business and use of capital and by a concentration of the activities of the Group through strategic purchases and sales. Substantial investments were made during 1998, both in the field of IT and in business expansion in the rest of the Nordic region. Several measures were taken in order to reduce the risk level of the Group:

- The exposure on emerging markets was cut down from SEK 47 billion to a little more than SEK 18 billion, net.
- The risk level of the investment portfolio of the non-life insurance company was reduced.
- The systems for risk control and pricing of risks were reviewed and further developed.

## Result and profitability

The total result of the Group amounted to SEK 6,084 M (SEK 4,687 M pro forma in 1997), while the operating result increased by 26 per cent, to SEK 4,801 M (SEK 3,804 M).

The result was negatively affected by provisions for the Group's engagements in the emerging markets, of which SEK 1.3 billion was related to Russia. Capital gains of close to SEK 1.7 billion and changes in the surplus value in life insurance operations had a positive impact.

Rationalisation work started to yield results, but this was partly offset by rising costs for information technology. The underlying earning capacity was stable.

### Net interest earnings

Net interest earnings decreased marginally, to SEK 6,777 M (SEK 6,830 M). Net income from the interest-sensitive securities and cash of the Bank decreased, due to the difference between long- and short-term interest rates being smaller on average than during the same period last year. The result was positively affected by lower financing costs for the problem loans, which continued to decline.

Net interest earnings from deposits and lending rose, mainly as a result of growing volumes. The cost for the deposit guarantee amounted to SEK 268 M (SEK 249 M), which was charged to net interest earnings.

### Net commission income

Net commission income increased by 10 per cent, to SEK 6,619 M (SEK 6,027 M), mainly due to increased securities commissions from equity trading and asset management, but also due to higher credit and charge card commissions.

### Net insurance income

Net insurance income from non-life insurance operations, i.e. premium income after deduction for claims incurred excluding

claims settlement costs plus calculated depreciation, dropped to SEK 1,220 M (SEK 1,534 M). In SEB Trygg-Liv, a provision in the British company SEB Trygg Life led to a decrease in net insurance income to SEK 144 M (SEK 279 M). The result from the Industrial & Marine business area, which was sold on 30 June, 1998, and from the run-off activities amounted to SEK 373 M (SEK 690 M). In all, this meant that total net insurance income dropped to SEK 1,737 M (SEK 2,503 M).

### Net result of financial transactions

The investment portfolios of the Group did not appreciate in value as strongly as in 1997, which was a better year for the stock market. This was the chief reason for which the Net result of financial transactions decreased by 6 per cent, to SEK 3,467 M (SEK 3,675 M).

The sales result together with changes in the value of the securities portfolios and derivatives contracts totalled SEK 2,490 M (SEK 2,713 M). The sales result was SEK 2,964 M (SEK 3,542 M), while unrealised changes in value amounted to SEK -474 M (SEK -829 M).

The negative impact of the stock market decline on Trygg-Hansa's market portfolio during the third quarter was limited through a hedging arrangement that was made in the spring of 1998. This hedge consisted originally of options, but was exchanged for forward positions in November. Trygg-Hansa's equity portfolio, which was worth close to SEK 7 billion at year-end 1998, has been sold and the forward positions have been closed. At the end of February, 1999 the remaining position consisted of mutual fund units of approximately SEK 1 billion.

The result from proprietary trading and cash management dropped slightly.

Foreign exchange earnings decreased in total by 12 per cent, to SEK 984 M (SEK 1,117 M). However, the result from foreign exchange trading for account of customers developed positively.

Other operating income increased to SEK 2,166 M (SEK 1,269 M) as a result of total capital gains of SEK 1,655 M. The sale of 44 office premises to Vasakronan led to a capital gain of a little over SEK 1 billion, before tax, while the sale of the Industrial & Marine business area to the Zurich Group resulted in a capital gain of SEK 450 M.

Taken together, Group income amounted to SEK 21,097 M in 1998 (SEK 20,644 M).

### Costs

Group costs, excluding restructuring costs, dropped by 2 per cent compared with 1997, which means that the Group has managed to break the trend of recent years towards rising costs.

The result of SEB's administration of the two mutual life companies' operations and capital has been reported on a net basis up to now. Following the reorganisation of the SEB Trygg Liv group, the accounting method has been changed to gross

## SEB Group performance on a quarterly basis

SEK M	1998:4	1998:3	1998:2	1998:1	1997:4
Interest receivable	7,938	7,740	7,925	7,937	7,486
Interest payable	-6,182	-6,094	-6,264	-6,223	-6,073
Net interest earnings	1,756	1,646	1,661	1,714	1,413
Dividends received	23	6	278	24	20
Commission receivable	2,077	1,962	2,057	1,923	1,917
Commission payable	-412	-302	-363	-323	-391
Net commission income	1,665	1,660	1,694	1,600	1,526
Net insurance income	259	444	533	501	601
Net result of financial transactions	1,158	-819	1,190	1,938	206
Other operating income	217	507	1,147	295	596
<b>Total income</b>	<b>5,078</b>	<b>3,444</b>	<b>6,503</b>	<b>6,072</b>	<b>4,362</b>
General administrative expenses:					
Staff costs	1,903	1,691	1,906	1,947	1,955
Other administrative expenses	1,082	1,033	1,109	934	1,334
Depreciation and write-downs of tangible and intangible fixed assets	261	267	271	281	336
Other operating costs	425	301	327	307	490
Restructuring costs					1,472
<b>Total costs</b>	<b>3,671</b>	<b>3,292</b>	<b>3,613</b>	<b>3,469</b>	<b>5,587</b>
<b>Result before lending losses</b>	<b>1,407</b>	<b>152</b>	<b>2,890</b>	<b>2,603</b>	<b>-1,225</b>
Lending losses, net	246	1,487	385	119	417
Change in value of assets taken over	-5	17	-9	7	2
Write-downs of financial fixed assets	4				409
<b>Operating result</b>	<b>1,162</b>	<b>-1,352</b>	<b>2,514</b>	<b>2,477</b>	<b>-2,053</b>
Pension provision	196	113	112	110	126
Tax on result for the period	204	345	-734	-815	544
Minority interests	1	-3	-5	1	3
<b>Result for the period</b>	<b>1,563</b>	<b>-897</b>	<b>1,887</b>	<b>1,773</b>	<b>-1,380</b>
<b>Operating result as per above</b>	<b>1,162</b>	<b>-1,352</b>	<b>2,514</b>	<b>2,477</b>	<b>-2,053</b>
Change in surplus values in life insurance operations	357	-9	140	264	3
Pension provision	196	113	112	110	126
<b>Total result</b>	<b>1,715</b>	<b>-1,248</b>	<b>2,766</b>	<b>2,851</b>	<b>-1,924</b>

The figures for the fourth quarter of 1997 are pro forma.

## The SEB Group – some key figures

	1998	1997*
Return on equity <sup>1)</sup> %	14.8	11.6
Return including change in surplus values, %	16.1	12.6
Reported earnings per share for the period, SEK	7.35	5.50
Earnings per share (Total result after tax), SEK	8.27	6.04
Income/cost ratio, <b>before</b> lending losses	1.50	1.31
Income/cost ratio, <b>after</b> lending losses	1.29	1.26
Lending loss level, <sup>2)</sup> %	0.65	0.25
Provision ratio for doubtful claims, %	52.0	47.6
Level of doubtful claims, %	1.09	1.28
Total capital ratio, %	10.85	9.61
Core capital ratio, %	8.12	8.22
Claims ratio, net, %	90.5	82.4
Expense ratio, net, %	21.6	24.9
Combined ratio, net,%	112.1	107.3

\*) For result-related key ratios, 1997 is pro forma

1) Profit for the year as a percentage of average equity

2) Lending losses as a percentage of opening balance for lending, excluding banks, credit.guarantees and assets taken over.

accounting. This has affected both income and costs by SEK 645 M for 1997. The 1998 quarterly figures have also been recalculated.

Staff costs totalled SEK 7,447 M (SEK 7,466 M). The number of staff was reduced by 607 in 1998 and the average number of positions during the year was 12,771 (13,015). The profit share amounted to SEK 292 M (SEK 88 M).

IT costs rose by 21 per cent, to SEK 2,930 M. This was partly due to the Group's steady concentration on its Internet Office and other IT-based services and partly to costs pending the new millennium and the EMU, for which all essential investments have now been completed. Data costs will remain at a high level over the next few years due to the ongoing development of Internet services, for example.

In view of the growth of IT costs and the Nordic expansion, this means that the rest of the business has undergone a considerable rationalisation: costs were reduced by 9 per cent.

By the end of 1998, SEK 1,054 M had been used of the restructuring reserve of SEK 2,255 M, principally distributed as follows: Retail (Retail Distribution and Financial Services) SEK 251 M, Trygg-Hansa SEK 184 M, SEB Merchant Banking SEK 141 M, SEB IT SEK 184 M, Central staff functions SEK 143 M and other units SEK 151 M.

#### Lending losses and doubtful claims

The Group's lending losses, including value changes in assets taken over and write-downs of financial fixed assets, totalled SEK 2,251 M (SEK 1,089 M). Incurred losses, after recoveries, amounted to SEK 242 M (SEK 83 M), while the 1998 provisions for possible lending losses totalled SEK 1,995 M (SEK 559 M) after withdrawals.

#### Lending losses including provisions by sector



\*) of which, Russia 60 percentage units.

On 31 December, 1998 the Group's total exposure on emerging markets amounted to a little over SEK 18 billion, net, of which SEK 0.4 billion was related to Russia. At year-end 1998, the provision ratio with respect to Russia was 82 per cent (see page 61).

#### Surplus value in life insurance operations

The costs that an insurance company incurs with respect to an insurance contract arise chiefly when the insurance contract is written, whereas income is generated continuously during the life of the contract. This means that actual costs will exceed income in years of rapidly growing insurance portfolios, which has a negative impact on the operating result. At the same time, this means an increase in the surplus value. This change is reported as a special result item, Change in surplus values in life insurance operations, after the operating result.

The surplus value in life insurance operations is equal to the present value of expected future gains from existing insurance contracts. This value is calculated as a present value computation, combined with accepted actuarial methods for the hand-

ling of future random events. Future surpluses have been calculated at present value at a rate of interest of 11 per cent, while mutual fund growth assumptions have been fixed at 6 per cent p.a. The concept of embedded value is the sum total of this surplus value plus the life company's equity.

According to prevailing rules, surplus values in life insurance operations must not be included among distributable funds, since they consist of future gains. On the other hand, they form a natural basis for the calculation of earnings per share.

#### Pension provision

Operating costs are continuously charged with both general pension fund contributions actually paid and with standard pension costs in accordance with the supplementary pension plan of the Bank. These pension costs are restored in the total result of the Group, because SEB has the right to compensate itself for this type of costs from the Bank's pension funds, which are independent from the Bank. This right applies as long as the assets of the pension funds exceed estimated pension commitments.

For 1998, this pension provision amounted to SEK 531 M (SEK 440 M). The total assets of the pension funds were SEK 19 billion, while commitments totalled SEK 6 billion. The surplus value was thus SEK 13 billion.

#### Tax costs

Taxes relating to the total result amounted to SEK 1,211 M (SEK 1,138 M), equal to a weighted tax rate of 20 per cent. Tax costs consist of SEK 527 M in taxes paid, SEK 923 M in deferred taxes and an estimated tax of SEK 211 M relating to changes in surplus values in life insurance operations. In all, this corresponded to a tax rate of 27 per cent. The actual lower tax cost was due to a tax reversal of SEK 450 M, which had been charged to the result in previous years.

#### Result

The total result, thus comprising operating result, changes in surplus values in life insurance operations and pension provision, amounted to SEK 6,084 M (SEK 4,687 M) before tax and to SEK 4,867 M (SEK 3,552 M) after tax. The operating result accounted for SEK 4,801 M (SEK 3,804 M) before tax.

#### Earnings per share and return on equity

The calculation of earning per share, including/excluding changes in surplus values in life insurance operations, appears in the following table:

SEK M	Result, incl. changes in surplus values		Result, excl. changes in surplus values	
	1998	1997	1998	1997
Operating result	4,801	3,804	4,801	3,804
Pension provision	531	440	531	440
Changes in surplus values in life insurance operations	752	443	-	-
Total result	6,084	4,687		
Taxes and minority interests	-1,217	-1,135	-1,006	-1,011
<b>Result after tax</b>	<b>4,867</b>	<b>3,552</b>	<b>4,326</b>	<b>3,233</b>
<b>Earnings per share, SEK</b> (588,246,062 shares)	<b>8.27</b>	<b>6.04</b>	<b>7.35</b>	<b>5.50</b>
<b>Return on equity, %</b>	<b>16.1</b>	<b>12.6</b>	<b>14.8</b>	<b>11.6</b>

**Total result, allocated capital and return per business area**

SEK M	Total result		Change Per cent	Allocated capital	Return Per cent
	1998	1997			
Retail	2,346	1,813	29	8,800	19.2
Trygg-Hansa	451	642	-30	3,500 <sup>1)</sup>	9.3
SEB Asset Management	932	843	11	3,750	17.9
SEB Trygg Liv	575	280	105	3,250	12.7
SEB Merchant Banking	316	1,600	-80	10,400	2.2
Enskilda Securities	217	329	-34	650	24.0
Other	1,247	-820	-	-150 <sup>2)</sup>	
<b>Group total</b>	<b>6,084</b>	<b>4,687</b>	<b>30</b>	<b>30,200</b>	<b>16.1</b>

1) Refers to allocated equity.

2) Elimination.

## Financial structure

At year-end 1998, the total assets of the Group amounted to SEK 690 billion, an increase of 3 per cent compared with the situation on 31 December, 1997.

### Lending

Lending to the general public remained largely unchanged during the year and totalled SEK 324 billion at year-end. SEB's total credit portfolio on and off the balance sheet was also stable during the year and amounted to SEK 525 billion at the end of 1998. Repos decreased by SEK 5.8 billion, while interest-bearing investments in banking operations increased by SEK 1.6 billion.

Exposure on the general public has increased in recent years. The household sector has shown steady growth and SEB's market share has increased slightly. Within the corporate sector, exposure on commercial properties has shown a falling trend, whereas the opposite has been true of especially the engineering industry, shipping, electricity, heat and water supply.

Changes within the portfolio during 1998 are particularly visible within the banking sector, including the National Debt Office, showing a decrease of a little more than SEK 13 billion, and within the household sector, which increased by close to SEK 7 billion.

Exposure on banks and other financial institutions accounts for the major part of the portfolio, with banks, including the National Debt Office, accounting for SEK 92 billion and other finance and insurance companies for SEK 36 billion. The manufacturing industry accounted for SEK 74 billion, an increase of 6 per cent compared with 1997. The largest sector is the engineering industry, which represents over 50 per cent, while the pulp and paper industry represents about 15 per cent and the chemical-technical industry 12 per cent.

The bulk of the exposure on the transportation sector is related to shipping, which has increased in recent years, mainly due to the opening of a branch in Oslo. The shipping portfolio, which totalled close to SEK 15 billion at year-end, is well diversified within various segments and principally secured with liens on ships, guarantees or cash funds. Lending volumes within the household sector increased by 8.3 per cent, to a total of SEK 91 billion. Almost two thirds of this consist of housing loans, which also accounted for the largest increase.

### Customer concentration

In 1998, the Group had three engagements, each of which exceeding 10 per cent of the capital base (which was equal to SEK 3,359 M at year-end). Total net exposure on the relevant companies was SEK 14,298 M. In 1997, there were five engagements which each exceeded 10 per cent of the Group's capital base.

### Lower volume of doubtful claims

Doubtful claims, net, i.e. after provision for possible lending losses, decreased by 15 per cent, to SEK 3,577 M (SEK 4,206 M), which was equal to 1.09 per cent (1.28 per cent) of the Group's total lending and leasing on 31 December, 1998. (Cf. Note 49).

The volume of pledges taken over increased to SEK 1,031 M (SEK 633 M), which in part was due to the conversion of a doubtful claim into a shareholding in 1998.

### Doubtful claims, net, by sector



The following table shows the Group's reserve for possible lending losses.

SEK M	1998	1997
Reserve for possible lending losses	3,877	3,827
of which, provisions for companies in emerging markets	661 *	199
Reserve for political risks abroad	1,864 *	552
Reserve for off-balance-sheet items	210	191
<b>Total</b>	<b>5,951</b>	<b>4,570</b>

\*of which, Russia SEK 1,318 M in total.

**Credit exposure by industry and sector**

(after provision for possible lending losses)

CREDIT PORTFOLIO	Loans/leasing		Contingent liabilities /commitments		Currency/interest derivatives <sup>3</sup>		Total			
	1998	1997	1998	1997	1998	1997	1998	%	1997	%
<b>Companies and banks</b>										
Banks <sup>1</sup>	48,135	55,561	12,826	10,664	30,971	38,740	91,932	17.5	104,965	19.6
Finance & insurance	12,770	15,881	19,523	19,953	3,664	4,786	35,957	6.8	40,620	7.6
Property management	54,655	52,520	4,907	2,803	1,125	156	60,687	11.6	55,479	10.4
Wholesale & retailing, hotels and restaurants	20,340	21,781	10,101	9,733	314	205	30,755	5.9	31,719	5.9
Transportation	16,545	14,604	4,173	3,327	602	235	21,320	4.1	18,166	3.4
Other service sectors	13,594	12,915	5,593	7,914	395	580	19,582	3.7	21,409	4.0
Construction	3,370	4,582	2,409	2,827	140	108	5,919	1.1	7,517	1.4
Manufacturing	36,409	35,428	30,974	27,172	6,427	5,114	73,810	14.1	67,714	12.7
Other	20,427	17,773	11,620	14,238	2,953	2,101	35,000	6.7	34,112	6.4
	<b>226,245</b>	<b>231,045</b>	<b>102,126</b>	<b>98,631</b>	<b>46,591</b>	<b>52,025</b>	<b>374,962</b>	<b>71.5</b>	<b>381,701</b>	<b>71.4</b>
<b>Public administration</b>										
Municipalities, County Councils	9,058	9,381	3,937	5,058	130	0	13,125	2.5	14,439	2.7
Municipality-owned companies	25,473	25,006	5,034	6,850	223	644	30,730	5.8	32,500	6.1
	<b>34,531</b>	<b>34,387</b>	<b>8,971</b>	<b>11,908</b>	<b>353</b>	<b>644</b>	<b>43,855</b>	<b>8.3</b>	<b>46,939</b>	<b>8.8</b>
<b>Households</b>										
Housing loans (first-mortgage loans)	57,645	52,747	0	0	0	0	57,645	11.0	52,747	9.9
Other loans	29,171	27,560	4,044	3,585	0	0	33,215	6.3	31,145	5.8
	<b>86,816</b>	<b>80,307</b>	<b>4,044</b>	<b>3,585</b>	<b>0</b>	<b>0</b>	<b>90,860</b>	<b>17.3</b>	<b>83,892</b>	<b>15.7</b>
Non-distributed by sector/industry	0	0	15,632	22,503	0	0	15,632	2.9	22,503	4.1
<b>Total credit portfolio</b>	<b>347,592</b>	<b>345,739</b>	<b>130,773</b>	<b>136,627</b>	<b>46,944</b>	<b>52,669</b>	<b>525,309</b>		<b>535,035</b>	
<b>OTHER CREDIT EXPOSURE</b>										
<b>Repos <sup>2</sup></b>										
Credit institutions	41,323	52,223					41,323		52,223	
General public	25,890	20,831					25,890		20,831	
	<b>67,213</b>	<b>73,054</b>					<b>67,213</b>		<b>73,054</b>	
<b>Bonds and interest-bearing securities in banking operations</b>										
Swedish housing institutions	9,035	11,261					9,035		11,261	
Other Swedish issuers	4,958	6,587					4,958		6,587	
Other foreign issuers	20,434	14,968					20,434		14,968	
<b>Total</b>	<b>34,427</b>	<b>32,816</b>					<b>34,427</b>		<b>32,816</b>	

1) Including National Debt Office.

2) Repo (repurchase agreement) refers to a transaction in which one party sells a marketable security at call, while at the same time entering into a forward agreement to repurchase the same security.

3) Netting agreements have been taken into account when reporting currency/interest derivatives, which reduces the total credit risk by about SEK 34 billion. The exposure is calculated according to the market value method, i.e. positive market value plus estimated amount for possible change in risk. Sector/product distribution principles were changed in 1998. Information relating to 1997 has been changed in order to make it comparable.

## Geographical distribution

Most of SEB's credit exposure is Nordic-related and a great part of the remaining credit risk refers to Nordic business, since it consists of exposure on subsidiaries of Nordic corporate customers abroad. By the end of 1998, exposure on emerging markets accounted for approximately 4 per cent of the total credit portfolio.

**Credit portfolio, geographical distribution**


### Emerging markets

Emerging markets are defined as all countries within risk class 3 through 10 in the Bank's country classification scale of ten classes, in which class 1 is the best and class 10 the poorest one. The calculation of this portfolio also includes exposure on counterparties, which are owned by companies located in countries other than emerging market countries (e.g. a U.S. bank's subsidiary in Hong Kong), whereas exposure that is adequately secured outside the emerging countries is excluded.

In the spring of 1998, it was decided that the emerging market portfolio should be reduced. During 1998, it was cut down by close to 60 per cent, to a little over SEK 18 billion, net, at year-end 1998, after SEK 2.5 billion was deducted for the reserve for possible lending losses.

#### Geographical distribution of exposure

			Of which,		Total
	Companies	Banks	OECD banks <sup>7)</sup>	States	
<b>Asia<sup>1)</sup></b>	<b>5,103</b>	<b>3,646</b>	<b>728</b>	<b>395</b>	<b>9,144</b>
Hong Kong	2,436	1,280	619	0	3,716
China	787	733	0	0	1,520
"Tiger", countries <sup>2)</sup>	1,823	1,197	95	31	3,051
<b>Latin America<sup>3)</sup></b>	<b>2,342</b>	<b>2,451</b>	<b>1,461</b>	<b>740</b>	<b>5,533</b>
Brazil <sup>4)</sup>	1,758	911	427	0	2,669
<b>East- and Central Europe<sup>5)</sup></b>	<b>634</b>	<b>1,631</b>	<b>21</b>	<b>498</b>	<b>2,763</b>
Russia	492	1,050	0	139	1,681
<b>Africa and Middle East<sup>6)</sup></b>	<b>204</b>	<b>2,806</b>	<b>38</b>	<b>363</b>	<b>3,373</b>
Turkey	16	777	0	304	1,097
<b>Total, gross</b>	<b>8,283</b>	<b>10,534</b>	<b>2,248</b>	<b>1,996</b>	<b>20,813</b>
Reserve					2,525
<b>Total, net</b>					<b>18,288</b>

1) Includes Hong Kong, China, the "Tiger" countries, India, Pakistan, Taiwan and Macau.

2) Includes the Philippines, Malaysia, Thailand, Korea and Indonesia.

3) Includes Brazil, Argentina, Mexico and Peru.

4) Previous holding of Brady bonds has been sold.

5) Includes Russia, Greece, Israel, Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Rumania, Hungary, Slovenia, Croatia, Kazakhstan and the Ukraine.

6) Includes Turkey, Iran, Saudi Arabia, Egypt, South Africa, Ethiopia and Algeria

7) OECD member countries, excluding Greece, Korea, Mexico, Poland, the Czech Republic, Turkey and Hungary.

Most of the Bank's emerging market exposure is directly related to Nordic export financing and is distributed on various types of products as follows.

#### Emerging markets exposure by product, gross



### Russia

SEB's strategy for Russia has been to support Nordic-related trade and to build up relationships with the largest state-owned and private banks. Most of the exposure is related to

Russian banks, while a minor part refers to a few Russian companies within the energy sector.

The exposure on Russia was cut down to a little less than SEK 1.7 billion, gross, in 1998, while the exposure in terms of forward currency transactions has been redeemed or hedged. Russian counterparties made repayments of approximately SEK 570 M during the second half of the year. At year-end, the provision ratio was 82 per cent. Taking into account that a certain part of the exposure is secured outside Russia, the provision ratio is 93 per cent.

### Latin America

SEB's exposure in Brazil is related to the Nordic customer base of the Bank. Two thirds consist of direct risks on Nordic subsidiaries, while the rest refers to Brazilian banks, of which a little more than half consists of subsidiaries or branches of OECD-banks. The rest of the exposure on banks, or a little less than SEK 200 M, refers to counterparties of which some 40 per cent have OECD-banks as minority owners. One third of the exposure refers to letters of credit. All of SEB's exposure is trade-related.

Argentina, Mexico and Peru account for approximately SEK 800 M each of the remaining exposure on Latin America. Of the total exposure of approximately SEK 2.4 billion on these countries, a little less than SEK 600 M refers to Brady Bonds (government risk), about SEK 800 M to subsidiaries and branches of OECD-banks, about SEK 400 M to other banks and about SEK 500 M to companies, of which half are subsidiaries of Nordic companies. The remaining SEK 100 M consists of government risk.

### Derivatives

At year-end 1998, the notional value of the Group's derivatives contracts totalled SEK 4,412 billion (SEK 4,815 billion). The corresponding credit risk equivalent was SEK 51.9 billion (SEK 65.1 billion). In relation to the notional amount, the credit risk equivalent corresponded to 1.2 per cent (1.4 per cent).

Most of the derivatives engagements of the Group consist of contracts with a short remaining duration, which, in turn, are dominated by currency futures. The longest contracts, with more than five years' duration, consist mainly of interest swaps, which account for practically the whole counterparty risk in these contracts.

#### Credit risk equivalent, distributed by category

SEK billion

Counterparty	Total	1 year	1-5 years	>5 years
A	1.3	0.4	0.6	0.3
B	39.8	23.7	11.1	5.0
C	10.8	7.4	2.4	1.0
<b>Total</b>	<b>51.9</b>	<b>31.5</b>	<b>14.1</b>	<b>6.3</b>

Banks in OECD countries, Swedish municipalities and Central Banks (Category A) dominate among the counterparties together with banks and other financial institutions subject to financial supervision in their respective home countries (Category B). The credit risk equivalent on other customers (Category C) only accounts for 21 per cent of the total risk on counterparties and three fourths of the corresponding contracts have a duration of less than one year.

Products

SEK billion	Contracts amount				Credit risk equivalent			
	Total	Remaining maturity			Total	Remaining maturity		
		Less than 1 year	1-5 years	More than 5 years		Less than 1 year	1-5 years	More than 5 years
<b>Over the counter</b>								
Futures	3,081	2,623	458	0	23.5	21.9	1.6	0.0
Swaps	1,170	560	501	109	26.7	8.1	12.3	6.3
Options	117	100	16	1	1.7	1.5	0.2	0.0
<b>Exchange-traded</b>								
Futures and options	44	27	17	0				
<b>Total</b>	<b>4,412</b>	<b>3,310</b>	<b>992</b>	<b>110</b>	<b>51.9</b>	<b>31.5</b>	<b>14.1</b>	<b>6.3</b>

Securities portfolios

The current market value of the SEB Group's liquidity portfolio at year-end 1998 was SEK 14,963 M (SEK 8,739 M), while that of the trading portfolio was SEK 80,816 M (SEK 56,298 M). All holdings in these portfolios, classified as financial current assets, are valued at market.

These portfolios consist of immediately negotiable securities, both in Swedish kronor and the most important foreign currencies. Accordingly, they play an important part for the Bank's ambition to maintain liquidity at such a level that there are sufficient funds available at all times to redeem loans at maturity and to satisfy customers' credit needs, while keeping a high degree of preparedness as regards the Bank's own operations.

The investment portfolio, being valued at its acquisition value of SEK 14,564 M (SEK 12,149 M), had a surplus value of SEK 531 M at year-end.

The total value of the investment assets in the Group's insurance portfolios amounted to SEK 27,453 M (SEK 19,604 M), distributed as follows:

SEK M	1998	1997
Equities	6,421	8,475
Interest-bearing securities	20,839	10,842
Properties	193	287
<b>Total</b>	<b>27,453</b>	<b>19,604</b>

Liabilities and shareholders' equity

Deposits and borrowing

Deposits and borrowing from the general public (households, companies, etc.) increased by 2 per cent, to SEK 188 billion. This was equal to 27 per cent of the Group's total liabilities, the same percentage as in 1997.

In addition to receiving deposits from the general public, the Group finances itself through loans from Swedish and foreign credit institutions and through issues of money market instru-

Deposits and borrowing, 31 December 1998



ments and senior and subordinated debt securities. Until recently, subordinated debt in non-Swedish currencies has been the only way in which currency exposure in the capital base can be hedged. Perpetual subordinated debt occupies a special position, since such debt can be fully included in the capital base. Dated subordinated debt, in contrast, is gradually reduced in the capital base during the last five years before maturity.

In 1998, the Bank issued one perpetual subordinated loan for USD 500 M in the U.S. market.

However, as a result of amended capital adequacy rules at the end of 1998, Swedish banks' possibilities to hedge currency exposure in the capital base have been improved. They can now issue so-called core capital contribution securities (non-cumulative perpetual subordinated interest-bearing securities), which, for capital adequacy purposes, may be included in the core capital.

Shareholders' equity

Shareholders' equity at the beginning of 1998 totalled SEK 28.0 billion, of which SEK 1,765 M (SEK 1,449 M) was used for dividend purposes in accordance with a resolution passed at the Annual General Meeting in April, 1998.

During 1998, shareholders' equity increased by 9 per cent, to SEK 30.4 billion.

Capital adequacy and rating

Capital situation still strong

The SEB Group is a financial group that comprises banking, securities and insurance companies. Those Group companies which are permitted to carry out banking and securities operations as well as the so-called financial group of undertakings, i.e. the consolidation of those Group companies which do not carry out insurance operations, are subject to capital adequacy rules.

At year-end 1998, the capital base of the financial group of undertakings was SEK 33.6 billion (SEK 29.1 billion), of which core capital totalled SEK 25.1 billion (SEK 24.9 billion). Core capital consists of shareholders' equity plus minority interests, after deduction for acquisition goodwill and the dividend amount that the Board of Directors has proposed. In addition to core capital, the capital base may also include subordinated debt up to maximum 100 per cent of the core capital (amended to 115 per cent as from 1999) in accordance with special rules. However, deductions shall also be made for investments in the non-consolidated companies of the financial group of undertakings, e.g.

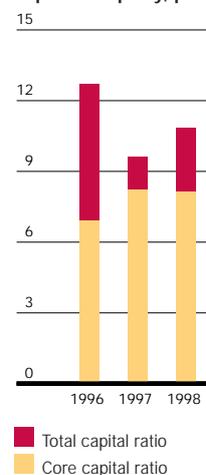
insurance companies. For SEB, the SEK 12 billion deduction is essentially attributable to the acquisition of the Trygg-Hansa Group. The value of this reduction could be reduced through a transfer of non-restricted equity from Trygg-Hansa to Skandinaviska Enskilda Banken in the form of dividends as well as through the sale of Industrial & Marine and annual depreciation of goodwill.

The total risk-weighted volume of assets, off-balance-sheet commitments and market risk positions amounted to SEK 309 billion (SEK 303 billion), which corresponded to a total capital ratio of 10.9 per cent (9.6 per cent) and a core capital ratio of 8.1 per cent (8.2 per cent). Considering that the lowest permissible total capital ratio is 8 per cent, this requirement was met by a wide margin.

According to the rules, the core capital ratio must not be lower than 4 per cent. In practice, however, this ratio cannot fall below 6 per cent as far as SEB is concerned. This is due to the fact that the possible room for inclusion of subordinated debt has been used to 80 per cent, on the one hand, and to the size of the deduction leading to a higher dependence upon core capital than the rules prescribe, on the other hand. In an international perspective, core capital ratios are often higher. SEB has therefore set the goal that its long-term core capital ratio shall not fall below 7 per cent.

Further information regarding capital adequacy and capital base is found in Note 54.

Capital adequacy, per cent



### Rating

Towards the end of 1997, the Bank's improved risk management system and strengthened financial position led Standard & Poor's to raise its credit rating for SEB. However, in 1998 Standard & Poor's changed its outlook, i.e. possible future change of long-term rating, from stable to negative, due to the Bank's provisions for Russian engagements. Nevertheless, the credit rating of both Standard & Poor's and other rating institutions remained unchanged.

Moody's		Standard & Poor's		Fitch/BCA		Thomson Bankwatch	
Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
P-1	Aaa	A-1+	AAA	F1+	AAA	TBW-1	AAA
P-2	Aa1	A-1	AA+	F1	AA+	TBW-2	AA+
P-3	Aa2	A-2	AA	F2	AA	TBW-3	AA
	Aa3	A-3	AA-	F3	AA-	TBW-4	AA-
	A1		A+		A+		A+
	A2		A		A		A
	A3		A-		A-		A-
	Baa1		BBB+		BBB+		BBB+
	Baa2		BBB		BBB		BBB
	Baa3		BBB-		BBB-		BBB-

The above table illustrates the rating scales of the rating institutions and SEB's rating as regards short- and long-term debt, respectively.

# Risk management

Financial groups of companies like SEB assume many kinds of risks in connection with lending, insurance underwriting, securities trading and other activities in which the Group is engaged for the account of both customers and itself throughout the world. Thus, risk management is a natural and essential part of the business.

Stringent risk management and risk control procedures are therefore of extreme importance. It is our ambition to price our various services in relation to the risk involved and to minimise losses.

The following are the principal risks handled by banks and insurance companies: Counterparty or credit risks, market risks, liquidity risks, insurance risks and operational risks.

## Responsibility for risk management and risk control

The Board of Directors has the ultimate responsibility for both the activities of the Group and internal control.

An important starting-point for the Group's risk management is that the business areas are obliged to evaluate and control all types of risks arising within their respective areas of activity on a regular basis. This means that each business area head is responsible for ensuring that the risks within his/her particular business area are managed and controlled in a satisfactory manner on a daily basis, in accordance with the Group's overall guidelines. The stress tests and scenario analyses that are implemented on a regular basis also form an important part of risk control.

There is a special Credit Committee within the Board of Directors. The Board has also various other committees at its disposal, each one with its own mandate to make decisions depending upon the type of risk. These include the Asset & Liability Committee, which deals with risk policy issues and risk levels within the various business areas. It also sets risk limits and establishes risk-measurement methods.

The Credit Organisation has an independent position, as confirmed by the fact that the Group Credit Officer reports directly to the Group Chief Executive and that the Chairman of each credit committee has the right to veto credit decisions. In addition, the Credit Organisation is separate from the business units and consists of people that handle credit matters exclusively. Any exceptions from the credit policy of the Group must be referred to a higher level in the decision hierarchy.

Other important units responsible for the control of various types of risk are the Group's central control functions: Group Risk Control, and its counterparts within Group Treasury and each respective business area.

In addition to the above-mentioned risk control functions, the Group has its Internal Audit, which is an independent function that reports directly to the Audit Committee of the Board of Directors.

## Counterparty or credit risks

Counterparty or credit risk is the risk for unexpected losses due to failure on the part of any of the Group's customers or

counterparties to fulfil their obligations towards the Group.

Credit risk, which represents the largest risk of the Group, comprises claims on companies, banks, public institutions and private individuals. The exposure consists mainly of loans, but also of contingent liabilities and such commitments as letters of credit, guarantees, securities loans and credit commitments as well as exposure due to derivatives and currency contracts.

Political risk can also give rise to credit risk, since the country of the counterparty may experience a crisis which impairs the repayment capacity of the counterparty. Another aspect of political risk is if the relevant country is unable to meet its payment obligations in local or international currency.

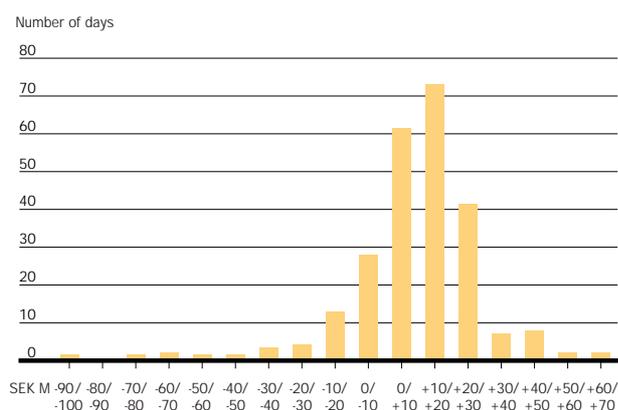
The credit policy of the Group is based upon the following principles: All lending shall be analysis-based and proportionate to the repayment capacity of the customer. The customer shall be known to the Group in order to enable the Group to evaluate the client's repayment capacity.

In order to manage credit risk on each individual customer or group of customers, a global limit is set, which is subject to continuous review. The limit draws the line for the maximum exposure that the Group can accept on a customer. Limits are set also for political risks; exposure on specific countries is subject to restrictions.

In recent years, the Group has supplemented its traditional credit risk management procedures with the help of a statistical measurement and control method. This method assumes that credit risk can be derived from the following three components:

1. Evaluation of the payment capacity of the customer/counterparty. SEB grades all legal counterparties on a scale that consists of 11 risk classes. This scale has been reconciled with the scales of the international rating institutes and means that SEB's risk class 1 corresponds to Standard & Poor's and Moody's highest credit ratings, while risk class 11 corresponds to non-performing loans.
2. Total exposure on the customer/counterparty over the remaining life of the engagement. Exposure is measured both in nominal terms (e.g. loans, leasing, L/Cs and guarantees) and through estimated market values (current exposure) plus an add-on for potential exposure (derivatives and currency contracts). It refers to both on and off balance sheet items.
3. Evaluation of how much the Group could collect of an outstanding claim in case of default, considering collateral provided, etc.

## Distribution of profit/loss on SEB's Trading Operations, 1998



The result of SEB's trading operations on a day-to-day basis. The height of the bars shows the number of days during which the result level indicated at the bottom of the graph prevailed.

The method is based upon individual transactions. Calculations are made at both portfolio and Group level and diversification effects are taken into account when credit risks are aggregated.

## Market risk

Market risk is the risk for unexpected losses on the Group's assets, liabilities and off-balance-sheet items following unfavourable changes in interest rates, foreign exchange rates, equity and commodity prices. This risk derives primarily from trading activities, but can also exist in other areas where there are structural differences in assets and liabilities.

The market risk is primarily handled through daily monitoring of Value at Risk, VaR, at different organisational levels and through strict application of stop-loss limits (i.e. actual limitations of losses when all positions must be closed). In the day-to-day operations, VaR is supplemented with other risk and position measurements, such as "parallel one per cent-shift in the yield curve", contract limits and special restrictions as regards option trading activities.

VaR is a statistical method that expresses the maximum potential loss in Swedish kronor that can arise at a chosen level of probability during a certain period of time. For daily supervision, the Group has chosen a 99-per cent probability level and a one-day time horizon.

The VaR model has the advantage of handling various types of market risks in a homogeneous way, which facilitates measurement and control. In addition to VaR, different types of scenarios and stress tests are used to cover extreme events, which are not taken into account by the VaR model.

Interest risk is the single most important market risk. It arises because repricing periods of assets, liabilities and derivatives do not coincide. In addition, calculations are also made of the change in net values following a parallel shift of one percentage point in the yield curve. However, VaR is a more comprehensive model, since it takes into account the probability for unfavourable price changes and weighs in portfolio effects. This means that the total risk level becomes lower than the sum total of the individual risks. VaR also makes it possible to

## Repricing periods

	<3mths	3-6mths	6-12mths	1-3yrs	3-5yrs	>5 yrs	Total
Deposited with banks	69,946	3,537	984	6,168	5,677	4,825	91,137
Lending	205,844	24,310	14,923	46,275	25,861	7,229	324,442
Trading & Investment Portfolio	45,134	14,395	9,005	41,003	11,493	10,152	131,182
Other assets	104,609	1,244	6,848	11,954	10,800	7,441	142,896
<b>Total assets</b>	<b>425,533</b>	<b>43,486</b>	<b>31,760</b>	<b>105,400</b>	<b>53,831</b>	<b>29,647</b>	<b>689,657</b>
Borrowings from banks	114,730	18,481	4,975	5,810	5,516	4,312	153,824
Deposits	180,195	3,637	2,087	1,056	269	657	187,901
CDs and commercial paper	54,420	17,068	4,301	37,970	16,854	2,439	133,052
Long-term liabilities	4,084	552	308	5,495	7,617	5,954	24,010
Other liabilities	117,014	2,790	7,144	15,924	10,616	6,948	160,436
Shareholders' equity						30,434	30,434
<b>Total liabilities and shareholders' equity</b>	<b>470,443</b>	<b>42,528</b>	<b>18,815</b>	<b>66,255</b>	<b>40,872</b>	<b>50,744</b>	<b>689,657</b>
Off-balance-sheet items Interest sensitivity	44,910	-958	-12,945	-39,145	-12,959	21,097	
Cumulative interest rate sensitivity	44,910	43,952	31,007	-8,138	-21,097		

check the correctness of the model through so-called back-testing on a day to day basis.

## Insurance risk

Non-life insurance risk is the risk for unexpectedly large or numerous damages, leading to larger claims than expected.

Risk evaluation and risk selection are based upon underwriting standards. Normally, each individual risk exposure is documented in the insurance systems. Reinsurance is procured for risks in excess of set limits both as regards individual large damages and those cases when several insured objects are hit by one and the same event, i.e. accumulation.

Life insurance risk is mainly the risk that estimated surplus values (i.e. present value of future gains from previously written insurance) cannot be realised, due to slower than expected capital growth, several cancellations or unfavourable price/cost development. Furthermore, life insurance operations are exposed to the risk for shifts in mortality rates: Lower mortality rates lead to more long-term pension commitments, whereas higher mortality rates result in higher death claims. These risks, however, are only applicable to the Group as regards unit-linked insurance. The mutual character of traditional life insurance means that the risks are borne by the policyholders as a collective.

Life insurance risks are controlled with the help of so-called actuarial analysis and stress tests of the existing insurance portfolio. Mortality risks are reinsured in the same way as non-life insurance risks against large individual claims or several claims caused by the same event.

### Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment commitments without delay.

Group policy is to maintain such level of liquidity that it can meet its on-going payment obligations, while having payment capacity for unforeseen events. Liquidity management comprises continual monitoring of the Group's liquidity profile, use of liquidity limits, analysis of balance sheet items and their tenor as well as a concentration of funding sources. It also includes a contingency plan, guaranteeing that even very strained liquidity situations can be handled in a satisfactory manner. The Group's presence in the international markets, in combination with its own international network, plays an important role for this contingency plan.

In order to reduce the liquidity risk, the Group has diversified its funding by using various financial markets, instruments, currencies, geographical areas, etc.

### Operational risk

Operational risk is the risk for unexpected losses due to either external events (natural catastrophes, external crime, etc) or internal factors (e.g. breakdown of IT systems, fraud, lacking compliance with laws and internal directives and other deficiencies in the internal control).

In addition to traditional instructions and policies, the SEB Group has developed several techniques for the purpose of helping the business areas to reduce operational risks to an acceptable level:

- *ORSA (Operational Risk Self-Assessment)*, the purpose of which is to identify, measure, control and report operational risk.
- *Key Risk Indicators* for the purpose of receiving early warning signals in order to disclose potential problems and to evaluate business efficiency.
- *Data base*, in which all incurred operational losses are registered and classified in order to reduce future operational losses by learning from past mistakes.
- *Quantification of operational risk capital needs*. The Group has been among the first in the world to quantify the operational risk capital needed to resist potential, extreme operational losses. This is a statistical quantification method that is based upon actual operational losses of considerable size that have occurred in the global financial sector. Quantification is also affected by the quality of the risk management of the business areas. Effective operational risk management means less need for risk capital, whereas poor risk management means a greater need for risk capital.

From the business units to the central staff functions, the SEB framework for operational risk management is integrated throughout the Group.

### Risk-adjusted performance measurement

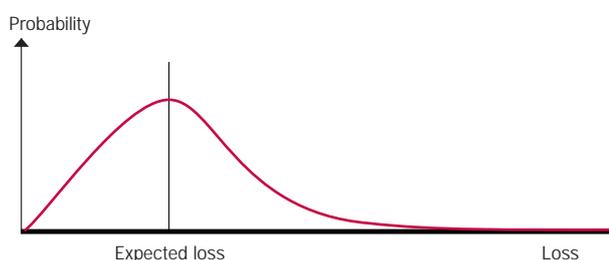
Following the development of risk measurement methods in recent years, it has become possible to develop a Group-wide, risk-adjusted performance measurement model. Primarily, the risk measurement methods have focused on counterparty and

market risk; operational risk and insurance risk have been included more recently. The purpose of these measurement methods is to quantify the need for risk capital more precisely both for the whole Group and its various business areas. The diversification effects within and between various types of risks are calculated in this connection. The purpose is furthermore to appraise risk-adjusted performance for the Group and the business areas with greater accuracy.

### Capital at Risk

Basically, the purpose of the control model is to assess how much capital that is needed to carry on various business activities. The greater the risk, the more of a "risk buffer" is needed. This risk capital is called CAR (Capital at Risk). Compared with international capital adequacy rules (the BIS-rules), based upon relatively mechanical methods for calculating risk-weighted capital, CAR provides a more exact measurement of the risk capital need of each business area as well as of the Group. The new model complements the BIS-rules, which still must be applied to the Group and its legal entities.

CAR is calculated, on a one-year horizon, for all risks to which the Group is exposed and is based upon statistical methods and historical data. The chosen probability level of 99.97 per cent reflects the capital requirements that correspond to a AA-rating. The following graph illustrates how CAR is calculated for credit risk (a similar reasoning applies to CAR calculations for other types of risk):



Although financial institutions actively strive to minimise lending losses they must take into account that losses will occur. The line in the middle of the curve represents the expected loss for the total credit volume. Actual losses are likely to land around this forecast. They will either be larger or smaller than expected. It is the extension of the curve to the right that is in focus for the quantification of the need for risk capital, since it indicates that losses can be much greater than the forecasts. Given that it is impossible to cover oneself against all risks, SEB has chosen a probability level of 99.97 per cent, which means that out of 10,000 possible losses in the total credit volume, the Group shall keep enough capital to cover all but three.

In this connection, it is important to take into account the substantial diversification or portfolio effects, which arise when all the individual risks of a large group are accumulated. Due to the diversification effects, the total risk capital need of the Group is substantially lower than the sum total of the risks of the separate business areas.

**Capital at Risk, SEK, billion**

Counterparty risk	Business areas stand-alone	21	
	- Diversification	- 2	19
Market risk	Business areas stand-alone	7	
	- Diversification	- 2	5
Insurance risk	Business areas stand alone	5	
	- Diversification	- 1	4
Operational and residual risk	Business areas stand-alone	18	
	- Diversification	- 11	7
	between various types of risk		-11
<b>Capital at Risk</b>			<b>24</b>
Allocated part of goodwill			6
<b>Allocated capital</b>			<b>30</b>

CAR is an important part of the capital that is allocated to the various business areas. The remainder consists of such goodwill as is attributable to acquired companies and is matched by a need for equity. Allocated capital per business area for 1999 appears below:

**Allocated capital and return per business area**

	Allocated capital SEK M	Return per cent
Retail	8,800	19.2
Trygg-Hansa	3,500 <sup>1)</sup>	9.3
SEB Asset Management	3,750	17.9
SEB Trygg Liv	3,250	12.7
SEB Merchant Banking	10,400	2.2
Enskilda Securities	650	24.0
Other	-150 <sup>2)</sup>	
<b>Group total</b>	<b>30,200</b>	<b>16.1</b>

1) Refers to allocated equity. 2) Elimination.

## Areas of application

On the basis of information about the need for risk capital it is possible to appraise profitability for both the Group and each business area with greater precision. Profitability is measured with the help of the RoCAR (Return on Capital at Risk) measure, which basically means that the reported result is put in relation to the need for risk capital. RoCAR thus expresses risk-adjusted return.

CAR has the advantage that it can be used for different risks and has several areas of application, while improving risk control.

### Business planning, performance evaluation and allocation of capital

By computing RoCAR both for the Group as a whole and for each business area, the Management Committee is in a better position to assess profitability trends within the business areas and how to dimension them in terms of capital requirements. This leads to a better allocation of capital; it also facilitates the evaluation of various types of structural deals of potential interest to the Group. RoCAR furthermore enables the business area heads to compose various portfolios in an optimal way.

### Efficient use of the Group's capital base

Each business area of the Group is individually strong and occupies leading positions in its respective market in several cases. Due to the diversification effects between the risks of the

various business areas, the Group's total need for risk capital is considerably lower than if the business areas should be completely independent. This means that the diversified activities of the Group have a positive impact on its RoCAR. In addition, the individual business areas are able to derive great benefit from the strength of the total capital base of the Group in combination with the diversification effects referred to above.

Through the performance model, the Group has established a better position to profit from those new possibilities of achieving a more effective use of capital which have recently appeared in the market. Examples of these are credit derivatives, CLOs (Collateralized Loan Obligations) and secondary loan markets, in which banks can sell parts of their loan portfolios directly to investors.

# Report of the Directors

The Board of Directors and the President of Skandinaviska Enskilda Banken AB (publ) are pleased to present the following report on the activities of the Group for 1998, the Bank's twenty-seventh financial year. The following accounting principles, Profit and Loss Accounts, Balance sheets and Notes are an integral part of the Report of the Directors.

Skandinaviska Enskilda Banken is the parent company of a bank and insurance group that offers households, companies and institutions a broad range of financial services. Its activities are carried out through seven business areas: Retail Distribution (branch office business, telephone and Internet services, savings, credits, etc.), Financial Services (SEB Finans, SEB Kort, SEB Securities Services and SEB Företagsinvest), Trygg-Hansa (non-life insurance for households and small/medium-sized companies), SEB Asset Management (mutual fund business and asset management), SEB Trygg Liv (development and sale of life insurance and pension services), SEB Merchant Banking (trading in currencies and interest-bearing instruments, cash management services, export and project financing, etc.) and Enskilda Securities (financial advisory services, equity trading and equity research).

1998 was dominated by integration and rationalisation of the activities of the former S-E-Bank and Trygg-Hansa groups, rationalisation of the use of capital, risk reduction and positioning of the Group for the future through strategic purchases and sales.

Sesam and Trygg-Banken, the telephone banks of the groups, were merged during the year. So were the finance companies, FinansSkandic and Trygg Finans, which became SEB Finans. The life and unit-linked insurance companies were gathered in a sub-group, with SEB Trygg Liv Holding AB as parent company.

44 office properties were sold to Vasakronan for SEK 4.3 billion and the Industrial & Marine business area was sold to the Swiss insurance company Zurich Group.

In the autumn, ABB Investment Management was acquired. At year-end 1998, strategic blocks of shares were purchased in three Baltic banks, after which additional purchases have been made. In March 1999, the holdings were as follows: 34 per cent in Eesti Ühispank in Estonia, 44.3 per cent in Latvijas Unibanka in Latvia and 35.8 per cent in Vilniaus Bankas in Lithuania. The investment in these banks amounted to a little more than SEK 1.4 billion.

In September 1998, the Group launched a new trademark, SEB. Trygg-Hansa, however, continues as trademark for non-life insurance, whereas the life insurance operations have been co-ordinated under the trademark SEB Trygg Liv. The investment bank Enskilda Securities will keep its name; its business was incorporated in January, 1999.

After the end of the accounting period, it has been decided to investigate the possibilities to sell the non-life insurance operations of Trygg-Hansa.

The possible creation of a holding company structure for the SEB Group prior to the year 2000 is subject to further investigation.

## Result

The total result of the Group, i.e. operating result, pension provision and changes in surplus values in life insurance operations, amounted to SEK 6,084 M.

The result was negatively affected by lending provisions of SEK 1,995 M, of which SEK 1,342 M was related to engagements in Russia. The result included total capital gains of SEK 1,655 M. The total result after tax amounted to SEK 4,867 M, whereas the result after tax, excluding changes in surplus values, was SEK 4,326 M.

## Total assets and shareholders' equity

The total assets of the Group were SEK 689,657 M and shareholders' equity SEK 30,434 M.

The risk level was reduced through a cut-down of the exposure on emerging markets, to SEK 18.3 billion net. In addition, the risk inherent in the portfolio of the non-life insurance company was reduced through a hedge arrangement.

## Capital adequacy

The Group's total capital ratio at year-end 1998 was 10.85 per cent (9.61 per cent) and the core capital ratio was 8.12 per cent (8.22 per cent).

## Adaptations prior to the new millennium

Work on making the systems and routines of the Group safe for the year 2000 went according to plan and most adaptations were ready by the end of 1998. This work has been examined by both external expertise and the Group's external and internal auditors.

## Board of Directors

The Board of Directors consists of nine permanent members and one deputy member elected by the Annual General Meeting and of two permanent and two deputy members appointed by the employees. Twelve Board meetings were held during 1998. The meetings are prepared by a Presiding Committee, consisting of the Chairman and two Deputy Chairmen.

The Credit Committee of the Board of Directors held 18 meetings, while the Audit Committee was convened on five occasions during the year. The Board of Directors includes a Compensation Committee, which fixes the salaries of the President and the Management Committee. The salaries and compensation of the Board of Directors and the President appear from Note 10.

## Staff

The average number of positions was 12,771. Information about the staff is found in Note 10.

# Accounting principles

This Annual Report has been prepared in accordance with the Act on annual accounts of credit institutions and securities companies ("AACS") and the regulations of the Swedish Financial Supervisory Authority.

## Consolidated accounts

The consolidated accounts have been prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council.

The SEB Group includes Skandinaviska Enskilda Banken and those companies in which the Bank directly or indirectly has more than 50 per cent of the voting power of the shares. The consolidated accounts do not include companies which the Bank has taken over in connection with loan foreclosures, provided they are engaged in deviating activities or are planned to be sold within short. Mutual life insurance companies are not consolidated.

The consolidated accounts have been prepared according to the purchase method of accounting. This means that the book values of shares in subsidiaries are eliminated against the amount of equity of each subsidiary at the time of acquisition and that each subsidiary's contribution to consolidated shareholders' equity consists only of the equity capital that has been created after the acquisition. Untaxed reserves have been charged with a deferred tax liability at the rate of 28 per cent for Swedish corporate acquisitions and at the tax rate prevailing in each respective country for non-Swedish acquisitions.

Untaxed reserves are divided into deferred taxes and restricted equity. Changes in deferred taxes due to changes in untaxed reserves are reported separately under "Deferred taxes" in the consolidated profit and loss account.

Excess values arising in connection with the purchase of shares in subsidiaries are allocated to the assets of each respective company. Any residue is shown as goodwill. The depreciation period is adjusted to the estimated economic life of goodwill, but is maximised to 20 years.

The accounts of companies that have been sold or bought during the year are consolidated only for the period that the SEB Group has owned, directly or indirectly, more than 50 per cent of the voting power.

The profit and loss accounts and balance sheets of foreign subsidiaries, which have been drawn up according to the accounting principles prevailing in each respective country, have been adjusted to reflect the accounting principles of the parent company when consolidated.

The current rate method is used for translating the financial statements of foreign subsidiaries to Swedish kronor.

Since different items in the financial statements are translated at different exchange rates, translation differences arise, which are not recorded in the consolidated profit and loss accounts but included directly in shareholders' equity, distributed between statutory and free reserves. Exchange rate effects on subsidiaries' equity in foreign currency are also recorded as translation differences to such extent as it is exposed to currency risk.

## Associated companies

Associated companies are defined as companies over which Skandinaviska Enskilda Banken or any of its subsidiaries has an essential, although not decisive, influence, as long as it can exert such influence. The question whether an influence is essential or not is tested once the shareholding reaches minimum 20 per cent. Associated companies are reported in accordance with the equity method.

## Foreign currency valuation

Assets and liabilities in foreign currencies are valued at market (closing rate on balance sheet date). The parent company's foreign currency liabilities relating to the hedging of shares in subsidiaries are valued at the historical rate of exchange.

## Classification of financial assets

Loan claims and securities purported to be held until maturity or for the long term, according to documented intention and ability, are classified as financial fixed assets.

Other claims, including financial assets taken over for the protection of claims, securities which are not intended to be held permanently, derivatives instruments as well as investment shares in the insurance business, are classified as current assets.

## Valuation rules

In the normal case, financial fixed assets are valued at acquisition value and current assets at the lower of cost or market. However, transferable securities and derivatives, being current assets, may be valued at market, provided the market value principle has been chosen. The SEB Group has chosen the market value principle with respect to these assets.

Loan claims are reported in the balance sheet after deduction for incurred and possible lending losses.

Incurred lending losses are losses for which the amount is regarded as finally established, for example in bankruptcy proceedings, through acceptance of a composition proposal or through other remission of claims.

Possible lending losses are defined as the difference between the loan amount and the amount expected to be repaid, taking the repayment capacity of the borrower and the value of the loan collateral into account.

A write-down is made if:

- interest/principal is more than 60 days past due date or if other circumstances give rise to uncertainty concerning repayment of the loan, and
- the borrower's repayment capacity is not expected to improve sufficiently, and
- the value of the collateral does not cover the loan amount and a loss is regarded as probable.

Loan claims are classified as doubtful, if the above criteria have been met, or if other circumstances lead to uncertainty about their value. Information about doubtful claims is provided in a special Note. In case such loans are believed to involve a

lending loss risk, a corresponding provision for a possible loss has been made. Consequently, the remaining amount concerning doubtful claims is not a reflection of any lending loss risks in the loan portfolio. Information about the size of claims subject to interest reduction is furthermore provided, i.e. about claims for which interest deferment or interest concession has been granted compared with the original loan terms, as well as about reconstruction loans at low rates of interest. Loans subject to interest reduction are not regarded as doubtful loans, but should only be assessed on the basis of their lower yield.

Pledges, including fixed assets taken over, are valued as current assets at estimated market value at the time of take-over, after which valuation is made at the lower of cost or market. Properties taken over and expected to be held in the long term are valued at a yield-based and long-term market value, with the intention of selling these properties at a later point in time, once the market has stabilised.

External expertise is used for property valuations. Pledges taken over, with the exception of properties, are reported according to the nature of the asset. If the asset is listed on the Stock Exchange, this value is normally used as market value. In other cases, e.g. in the case of unlisted shares taken over, analogue calculations are used.

Accrual accounting at a premium or discount is applied to the Group's interest-bearing securities over the life of the instrument. Thus, the effective rate of interest will be equal to such rate as makes the discounted present value of the future cash flow under the instrument equal to the historical cost, which means that the book acquisition value is altered on a continuous basis, representing a so-called accrued acquisition value.

Transferable interest-bearing securities, classified as current assets, are valued at market. The market value is equal to the listed value on the balance sheet date. Unrealised gains arising in connection with the valuation, included in the result for the year, are transferred to the reserve for unrealised gains under shareholders' equity, after deduction for deferred tax, since these gains are not available for distribution.

Transferable non-interest-bearing securities, classified as current assets, are also valued at market and a transfer to the reserve for unrealised gains is made.

Own share-holdings, which exist on the balance sheet date as a result of the Bank's own dealings as market maker in the relevant securities, are valued at zero. At year-end 1998, the market value of such holdings was SEK 0.2 M.

Derivatives contracts, which also include currency futures, are valued at market. Positive closing results are balanced like other assets, while negative closing results are balanced like other liabilities.

Market values are obtained by using the same valuation methods as the market uses for each respective instrument for calculating the respective closing value.

For linear instruments, this means that future flows in the instrument are discounted to the balance sheet date according to the relevant yield curve.

Hedge accounting of financial assets and liabilities implies that the hedge instrument is valued according to the same valuation principle as the hedged position, whether these are subject to different basic rules or not. The following conditions are applicable to hedge accounting: the position is exposed to an interest rate/equity price/commodity price or currency rate risk; the hedging and hedged positions, respectively, have been identified on an individual or group basis.

#### Tangible fixed assets

Office equipment is reported at acquisition value and depreciated according to plan. The difference between scheduled depreciation and depreciation for tax purposes is reported as an extra depreciation reserve.

Equipment leased to clients is reported at acquisition value and is depreciated on an annuity basis, based on a conservatively estimated residual value at the end of the contract period. For leased equipment that cannot be sold in a functioning market, the scheduled residual value is zero at the end of the contract period. Equipment leased to clients is re-classified in the consolidated accounts as lending, in accordance with the recommendations of the Swedish Financial Accounting Standards Council, since most of the Group's leasing activities can be regarded as financial leasing. This means that part of leasing income is reported as interest income and the rest as instalment.

The holdings of investment properties in the insurance operations are reported at market value. This value is defined as the most likely price that could be obtained through a sale under normal circumstances. All investment properties have been valued by external expertise.

#### Financial liabilities

When accrual accounting is applied to financing costs for financial liabilities, the calculation is based upon an original liability equal to the amount obtained after deduction for essential costs attributable to the creation of the liability. Accrual accounting is then applied to the difference between this acquisition value and the redemption value, together with interest and any fees, over the life of the liability, by analogy with the method applicable to fixed-interest assets.

#### Technical provisions

Technical provisions consist of provisions for unearned premiums and unexpired risks as well as a provision for claims outstanding and correspond to the nominal commitments according to the insurance contracts.

The provision for claims outstanding consists of a reserve for estimated claims that have been incurred but not paid and pertain to both reported and unreported claims already incurred.

The provision for unearned premiums has been strengthened with a provision for unexpired risks, a provision for claims outstanding plus unknown claims and an addition to compensate for cost increases due to inflation.

#### Political risks abroad

Provisions for political risks abroad are made in the requisite amount according to asset valuation per country, in which connection possible market values, type of claim and other relevant information are taken into account.

#### Deferred taxes

The Group's deferred tax liability has been calculated at the rate of 28 per cent in Sweden and at the tax rates prevailing in each respective country for companies outside Sweden. Deferred taxes are not reported, provided a corresponding reserve can be reversed without tax with the help of a deficit deduction.

#### Profit and loss account

The SEB Group comprises both bank and insurance, which have separate sets of rules for the preparation of profit and loss accounts. The joint profit and loss account is based upon the

Group's principles for bank accounting (AACS). "Net insurance income" is reported on a special line, showing technical result according to the Act on Annual Accounts of Insurance Companies ("AAIC"), except that the operating expenses and claims settlement costs of the insurance operations have been restored and reported among costs on the relevant lines.

Calculated return on equity, which is included in the technical result (and thus in Net insurance income), is transferred to the non-life insurance operations. This calculated income is primarily deducted from the insurance operations' interest income, after which the remainder of total return on equity is reported on the relevant lines under Income.

#### Total result

Total result consists of operating result, pension provision and the change in surplus values in life insurance operations. The total result after tax consists of the result for the year after tax plus the change in surplus values in life insurance operations, to which calculated tax has been charged.

This means that the total result after tax includes an item that according to prevailing rules must not be added to shareholders' equity, viz. the change in surplus values in life insurance operations. Total result must therefore not be mixed up with the operating result or the result for the year.

#### Surplus value in life insurance operations

The surplus value in life insurance operations consists of the present value of expected future gains from existing insurance contracts. This value is calculated as a present value computation combined with actuarial methods for the handling of future random events. Future surpluses have been calculated at present value at a rate of interest of 11 per cent and mutual fund growth assumptions have been fixed at 6 per cent p.a.

According to prevailing rules, surplus values in life insurance operations must not be included among distributable funds.

#### Accounting per business area

The business areas of the SEB Group are reported in accordance with their internal organisation, using the same accounting principles as those applied to the Group. Settlements between business areas are made at negotiated market prices. Allocated capital consists of Capital at Risk and such part of goodwill as is matched by a need for equity. The costs of the support functions are borne by the business areas in proportion to their use of the services of these functions.

#### Commission payable

Commission payable is defined as costs for purchased services relating to commission receivable. Such costs must be associated with the corresponding income, without necessarily falling in the same accounting period; they must also be transaction-based, i.e. variable.

#### Other operating costs

Other operating costs are defined as costs for purchased services which cannot be related to commissions, own staff or own properties.

#### Pensions

In accordance with prevailing directives for the banking business, imputed pension costs are reported as staff costs in the profit and loss account. Such pension costs are restored among

appropriations. The parent company compensates itself for pension disbursements made, ATP-fees paid (National Supplementary Pension fees) and other pension fees from the Pension funds of the Group, provided their financial position makes this possible. Pension disbursements and compensation from the Pension funds are also reported among appropriations.

#### Taxes

The profit and loss account item "Taxes" reports estimated tax on business operations, change in deferred tax liability and the difference between estimated tax in previous years and actual outcome. Property tax and a special payroll tax are reported among operating costs, whenever applicable.

#### Group contribution

Group contributions paid or received for the purpose of minimising the tax of the Group are reported for each respective legal person as a decrease/increase, respectively, in non-restricted equity, after adjustment for estimated tax.

#### Untaxed reserves

Untaxed reserves are reported for legal entities only. In addition to an accrual fund and tax equalisation reserve, excess depreciation of office equipment and value adjustment accounts in foreign subsidiaries are reported in the parent company.

#### Pro forma accounting

From an accounting point of view, the acquisition of Trygg-Hansa was made on 31 December, 1997, which means that no profit and loss account was consolidated at year-end 1997. In order to present a more easy-to-grasp comparison between 1998 and 1997, also 1997 is presented on a pro forma basis, including Trygg-Hansa. Furthermore, in order to present a complete picture of the business operations, depreciation of goodwill has been charged to costs, while a calculated effect of reduced income due to the cash portion of the acquisition has been charged to income.

#### New accounting principles

In 1997, the investment bond holdings of the insurance operations were reported in accordance with the principles for financial fixed assets. Starting in 1998, these bonds are reported as current assets, i.e. at market. The effect of this change has been treated as a change of accounting principle in the consolidated accounts, affecting the opening balance for shareholders' equity in 1998. The pro forma comparison figures have been changed accordingly. The change in the investment bond holdings of the banking operations is no longer included in the total result. Up to and including 1998, the insurance operations have reported their commissioning agreements with the mutual life insurance companies on a net basis. Due to a change in the employment conditions of the staff that is engaged in this business, gross reporting will be applied as from 1999, which has been taken into account already in the 1998 accounts through recalculation. Pro forma 1997 has also been changed in a corresponding manner.

# Definitions

## *Net interest margin*

Net interest earnings as a percentage of average total assets, i.e. net return on assets.

## *Return on equity*

The result for the year as a percentage of average equity, defined as the average of taxed shareholders' equity at the opening of the year and the close of March, June, September and December, respectively, adjusted for dividends paid during the year, any possible new share issue plus the equity portion of minority interests in shareholders' equity.

## *Return, including change in surplus values*

Total result after tax as a percentage of average shareholders' equity plus the equity portion of the surplus value in life insurance operations.

## *Return on total assets*

Operating result as a percentage of average total assets.

## *Income/cost ratio, before lending losses*

Total operating income less depreciation of equipment leased to clients, divided by total costs before lending losses less depreciation of equipment leased to clients.

## *Income/cost ratio, after lending losses*

Total operating income divided by total costs after lending losses less depreciation of equipment leased to clients.

## *Operating result per share after standard tax*

Operating result after standard tax (28 per cent) divided by the number of shares at year-end, after full conversion.

## *Result for the year per share*

Profit after appropriations and estimated tax divided by the number of shares, after full conversion.

## *Total result per share*

Total result after tax divided by the number of shares, after full conversion.

## *Adjusted shareholders' equity per share*

Shareholders' equity as per the balance sheet plus the equity portion of any surplus values in the holdings of interest-bearing securities divided by the number of shares at year-end, after full conversion.

## *Risk-weighted volume*

In accordance with the capital adequacy rules of the Swedish Banking Business Act the book value of the assets as per the balance sheet and the off-balance-sheet obligations are valued according to a standard rule at such degree of credit risk as is

deemed to exist. Such standard risk degree may be 0, 20, 50 or 100 per cent of book value, depending on counterparty and sometimes on collateral. The sum total of all risk-weighted values represents the risk-weighted volume.

## *Core capital ratio*

Core capital as a percentage of the risk-weighted volume on and off the balance sheet. Core capital consists of shareholders' equity, adjusted according to the capital adequacy rules.

## *Total capital ratio*

The Group's shareholders' equity adjusted according to the capital adequacy rules as a percentage of the risk-weighted volume. Total capital consists of core capital and supplementary capital minus holdings of shares in unconsolidated companies and proposed dividend. Supplementary capital includes subordinated debt plus reserves and capital contributions, after Government approval. Supplementary capital may not exceed the amount of core capital.

## *Lending loss level*

The lending loss level is defined as lending losses and value changes in assets taken over divided by lending to the general public and credit institutions (excluding banks), assets taken over and loan guarantees at the opening of the year.

## *Doubtful claims*

Doubtful claims are defined as loans that are more than 60 days past due date and loans for which other circumstances give rise to uncertainty as to their value.

## *Provision ratio for doubtful claims*

Provision for possible lending losses as a percentage of doubtful claims gross.

## *Level of doubtful claims*

Doubtful claims (net) divided by lending to the general public and credit institutions (excluding banks) and equipment leased to clients (net).

## *Expense ratio*

Relation between operating expenses and premiums earned.

## *Claims ratio*

Relation between claims incurred and premiums earned.

## *Combined ratio*

Claims incurred and operating expenses in relation to premiums earned.

All figures within brackets refer to 1997, unless otherwise stated.  
Percentage changes refer to comparisons with 1997, unless otherwise stated.

# Profit and loss accounts

SEK M	Note	GROUP					PARENT COMPANY		
		1998	Pro forma * 1997	Change, %	1997 **	Change, %	1998	1997	Change, %
<b>Income</b>									
Interest receivable	(1)	31,540	29,035	+8.6	29,159	+8.2	24,839	21,618	+14.9
Leasing income	(2)						64	57	+12.3
Interest payable	(3)	-24,763	-22,205	+11.5	-21,931	+12.9	-20,010	-15,844	+26.3
Dividends received	(4)	331	340	-2.6	180	+83.9	4,828	3,773	+28.0
Commission receivable	(5)	8,019	7,215	+11.1	6,945	+15.5	5,909	5,561	+6.3
Commission payable	(6)	-1,400	-1,188	+17.8	-1,113	+25.8	-1,062	-982	+8.1
Net insurance income	(7)	1,737	2,503	-30.6					
Net result of financial transaction	(8)	3,467	3,675	-5.7	1,527	+127.0	1,752	1,470	+19.2
Other operating income	(9)	2,166	1,269	+70.7	430		363	189	+92.1
<b>Total operating income</b>		<b>21,097</b>	<b>20,644</b>	<b>+2.2</b>	<b>15,197</b>	<b>+38.8</b>	<b>16,683</b>	<b>15,842</b>	<b>+5.3</b>
<b>Costs</b>									
General administrative expenses	(10)	11,605	11,695	-0.8	8,783	+32.1	9,012	8,058	+11.8
Depreciation and write-down of tangible and intangible fixed assets	(11)	1,080	1,089	-0.8	575	+87.8	201	289	-30.4
Other operating costs	(12)	1,360	1,495	-9.0	949	+43.3	1,212	815	+48.7
Restructuring costs	(13)		1,472	-100.0	1,018	-100.0		1,018	-100.0
<b>Total costs</b>		<b>14,045</b>	<b>15,751</b>	<b>-10.8</b>	<b>11,325</b>	<b>+24.0</b>	<b>10,425</b>	<b>10,180</b>	<b>+2.4</b>
<b>Result before lending losses</b>		<b>7,052</b>	<b>4,893</b>	<b>+44.1</b>	<b>3,872</b>	<b>+82.1</b>	<b>6,258</b>	<b>5,662</b>	<b>+10.5</b>
Lending losses, net	(14)	2,237	642		650		2,109	438	
Change in value of assets taken over	(15)	10	38	-73.7	38	-73.7	23	101	-77.2
Write-down of financial fixed asset	(16)	4	409	-99.0	55	-92.7	3,330	3,558	-6.4
<b>Operating result</b>		<b>4,801</b>	<b>3,804</b>	<b>+26.2</b>	<b>3,129</b>	<b>+53.4</b>	<b>796</b>	<b>1,565</b>	<b>-49.1</b>
Appropriations	(17)	531	440	+20.7	440	+20.7	-614	-86	
Tax on profit for the year	(18)	-1,450	-956	+51.7	-1,077	-34.6	519	-772	
Other taxes	(18)	450	-58		-58		300	-55	
Minority interests		-6	3		3				
<b>Result for the year</b>		<b>4,326</b>	<b>3,233</b>	<b>+33.8</b>	<b>2,437</b>	<b>+77.5</b>	<b>1,001</b>	<b>652</b>	<b>+53.5</b>
Operating result as per above		4,801	3,804	+26.2					
Change in surplus values		752	443	+69.8					
Pension provision		531	440	+20.7					
<b>Total result</b>		<b>6,084</b>	<b>4,687</b>	<b>+29.8</b>					
Tax and minority interests		-1,006	-1,011	-0.5					
Tax on change in surplus values		-211	-124	+70.2					
<b>Total result after tax</b>		<b>4,867</b>	<b>3,552</b>	<b>+37.0</b>					

SEB's administration of the mutual life companies' business and capital has been reported on a net basis until now. In connection with the reorganisation of the SEB Trygg Liv group, the reporting method was changed to gross reporting, which has affected both income and costs in 1997 by SEK 645 M. The quarterly figures for 1998 have been recalculated accordingly.

\*) Pro forma information has not been audited.

\*\*\*) Refers to the old S-E-Bank Group, excluding Trygg-Hansa.

# Balance sheets

31 December

SEK M	Note	GROUP			PARENT COMPANY		
		1998	1997	Change, %	1998	1997	Change, %
<b>Assets</b>							
Cash and balances							
in Central Banks	(19)	4,753	6,593	-27.9	4,423	6,471	-31.6
Eligible Treasury Bills etc.	(20)	75,916	44,370	+71.1	70,938	42,180	+68.2
Lending to credit institutions	(21)	91,137	88,450	+3.0	130,683	124,187	+5.2
Lending to the general public	(22)	324,442	325,992	-0.5	199,123	204,837	-2.8
Bonds and other interest-bearing securities, banking operations	(23)	34,427	32,816	+4.9	34,298	31,656	+8.3
Bonds and other interest-bearing securities, insurance operations	(24)	20,839	10,842	+92.2			
Shares and participations, banking operations	(25)	3,007	3,530	-14.8	2,575	2,926	-12.0
Shares and participations, insurance operations	(26)	6,421	8,475	-24.2			
Shares and participations for which life insurance policyholders bear the investment risk	(27)	37,454	28,371	+32.0			
Shares and participations in associated companies	(28)	452	262	+72.5	209	32	
Shares and participations in Group companies	(29)				21,378	22,129	-3.4
Intangible fixed assets	(30)	10,384	10,379				
Tangible assets	(31)	1,942	4,499	-56.8	4,406	731	
Other assets	(32)	60,536	86,232	-29.8	74,329	87,998	-15.5
Prepaid expenses and accrued income	(33)	17,947	18,275	-1.8	15,800	16,453	-4.0
<b>Total assets</b>		<b>689,657</b>	<b>669,086</b>	<b>+3.1</b>	<b>558,162</b>	<b>539,600</b>	<b>+3.4</b>

# Balance sheets

31 December

SEK M	Note	GROUP			PARENT COMPANY		
		1998	1997	Change, %	1998	1997	Change, %
<b>Liabilities, appropriations and shareholders' equity</b>							
Liabilities to credit institutions	(34)	153,824	142,998	+7.6	153,876	146,494	+5.0
Deposits and borrowing from the general public	(35)	187,901	182,371	+3.0	185,805	176,721	+5.1
Securities issued, etc.	(36)	133,052	112,805	+17.9	67,647	46,467	+45.6
Other liabilities	(37)	86,949	115,552	-24.8	85,538	108,981	-21.5
Accrued expenses and prepaid income	(38)	18,028	18,235	-1.1	14,213	14,894	-4.6
<b>Total liabilities</b>		<b>579,754</b>	<b>571,961</b>	<b>+1.4</b>	<b>507,079</b>	<b>493,557</b>	<b>+2.7</b>
Technical provisions	(39)	12,433	13,236	-6.1			
Provision for life insurance policies for which the investment risk is borne by the policyholders	(40)	37,378	28,275	+32.2			
Other provisions	(41)	5,612	6,117	-8.3	1,269	1,562	-18.8
<b>Total provisions</b>		<b>55,423</b>	<b>47,628</b>	<b>+16.4</b>	<b>1,269</b>	<b>1,562</b>	<b>-18.8</b>
<b>Subordinated liabilities</b>	(42)	<b>24,010</b>	<b>21,507</b>	<b>+11.6</b>	<b>23,058</b>	<b>20,485</b>	<b>+12.6</b>
<b>Minority interests</b>		<b>36</b>	<b>23</b>	<b>+56.5</b>			
<b>Untaxed reserves</b>	(43)				<b>4,712</b>	<b>3,566</b>	<b>+32.1</b>
Share capital		5,882	5,882		5,882	5,882	
Other reserves		18,388	17,325	+6.1	10,191	10,123	+0.7
Profit/loss brought forward		1,838	2,323	-20.9	4,970	3,773	+31.7
Result for the year		4,326	2,437	+77.5	1,001	652	+53.5
<b>Total shareholders' equity</b>	(44)	<b>30,434</b>	<b>27,967</b>	<b>+8.8</b>	<b>22,044</b>	<b>20,430</b>	<b>+7.9</b>
<b>Total liabilities, appropriations and shareholders' equity</b>		<b>689,657</b>	<b>669,086</b>	<b>+3.1</b>	<b>558,162</b>	<b>539,600</b>	<b>+3.4</b>
<b>Security pledged for own liabilities</b>	(45)	<b>99,691</b>	<b>80,925</b>	<b>+23.2</b>	<b>89,919</b>	<b>74,843</b>	<b>+20.1</b>
<b>Other pledged assets</b>	(46)	<b>35,654</b>	<b>25,651</b>	<b>+39.0</b>	<b>6,316</b>	<b>4,845</b>	<b>+30.4</b>
<b>Contingent liabilities</b>	(47)	<b>49,052</b>	<b>47,501</b>	<b>+3.3</b>	<b>47,578</b>	<b>43,638</b>	<b>+9.0</b>
<b>Commitments</b>	(48)	<b>81,721</b>	<b>89,126</b>	<b>-8.3</b>	<b>78,621</b>	<b>83,570</b>	<b>-5.9</b>

# Notes to the financial statements

**Currency codes** The following international currency codes are used:

AUD	Australian dollars	DKK	Danish kroner	GBP	British pounds	LVL	Latvian lat	SGD	Singapore dollars
BEF	Belgian francs	EEK	Estonian kroon	ITL	Italian lira	NLG	Dutch guilders	USD	U.S. dollars
BRL	Brazilian reals	ESP	Spanish pesetas	INR	Indian rupees	NOK	Norwegian kroner	XEU	European currency unit
CHF	Swiss francs	FIM	Finnish marks	JPY	Japanese yen	PLN	Polish zloty		
DEM	German marks	FRF	French francs	LUF	Luxembourg francs	SEK	Swedish kronor		

SEK M, unless otherwise stated

## 1 Interest receivable

	Group		Parent company	
	1998	1997	1998	1997
Lending to credit institutions	6,654	4,154	8,452	5,321
Lending to the general public	20,572	19,779	11,910	10,998
Interest-bearing securities <sup>1)</sup>	3,912	4,044	4,322	4,337
Other interest income	402	1,182	155	962
<b>Total</b>	<b>31,540</b>	<b>29,159</b>	<b>24,839</b>	<b>21,618</b>
To which the Trygg-Hansa Group should be added, including Group adjustments		-124		
The Group, pro forma 1997		<b>29,035</b>		
1) of which, classified as current assets	3,727	3,671	3,189	3,576
Interest receivable from Group companies			3,214	1,841
Average rate of interest on lending to the general public	6.27%	7.11%	5.62%	5.97%

## 2 Leasing income

	1998	1997
Leasing income	64	57
Leasing depreciation according to plan	-51	-49
<b>Total</b>	<b>13</b>	<b>8</b>

## 3 Interest payable

	Group		Parent company	
	1998	1997	1998	1997
Liabilities to credit institutions	8,414	6,295	8,439	6,401
Deposits and borrowing from the general public	6,413	5,601	6,419	5,310
Interest-bearing securities	8,490	8,744	3,634	2,690
Subordinated liabilities	1,130	1,152	1,180	1,136
Other interest costs	316	139	338	307
<b>Total</b>	<b>24,763</b>	<b>21,931</b>	<b>20,010</b>	<b>15,844</b>
To which the Trygg-Hansa Group should be added		274		
The Group, pro forma 1997		<b>22,205</b>		
Interest payable to Group companies			853	731
Average rate of interest on deposits from the general public	3.32%	3.53%	3.32%	3.28%

Net interest earnings	Group		Parent company	
	1998	1997	1998	1997
Interest receivable	31,540	29,159	24,839	21,618
Leasing income			64	57
Interest payable	-24,763	-21,931	-20,010	-15,844
Leasing depreciation according to plan			-51	-49
<b>Total</b>	<b>6,777</b>	<b>7,228</b>	<b>4,842</b>	<b>5,782</b>
To which the Trygg-Hansa Group should be added, including Group adjustments		-398		
The Group, pro forma 1997		<b>6,830</b>		

## NOTES

### 4 Dividends received

	Group			Parent company	
	1998	1997	1998	1997	
on shares/participations (Note 25)	216	176	200		166
on shares/participations (Note 26)	112				
from associated companies (Note 28)	3	4	3		4
from Group companies (Note 29)			4,625		3,603
<b>Total</b>	<b>331</b>	<b>180</b>	<b>4,828</b>		<b>3,773</b>
To which the Trygg-Hansa Group should be added.		160			
The Group, pro forma 1997		<b>340</b>			

### 5 Commission receivable

	Group			Parent company	
	1998	Pro forma 1997	1997	1998	1997
Payment commissions	2,389	2,267	2,267	1,883	1,798
Lending commissions	382	305	291	245	231
Deposit commissions	98	102	102	98	102
Guarantee commissions	124	113	113	119	108
Securities commissions	3,807	3,281	3,281	2,682	2,518
Other commissions	1,219	1,147	891	882	804
<b>Total</b>	<b>8,019</b>	<b>7,215</b>	<b>6,945</b>	<b>5,909</b>	<b>5,561</b>

### 6 Commission payable

	Group			Parent company	
	1998	Pro forma 1997	1997	1998	1997
Payment commissions	804	768	768	720	695
Securities commissions	152	45	45	137	33
Other commissions	444	375	300	205	254
<b>Total</b>	<b>1,400</b>	<b>1,188</b>	<b>1,113</b>	<b>1,062</b>	<b>982</b>

### 7 Net insurance income

	Group	
	1998	Pro forma 1997
<b>Life insurance operations</b>		
Premium income, net	7,418	5,532
Return on capital for account of policyholders	4,611	3,668
Claims incurred, net	-2,443	-1,633
Change in life insurance provisions	-8,933	-6,959
Other	-509	-339
<b>Net insurance income</b>	<b>144*</b>	<b>269</b>
* Including provisions in SEB Trygg Life (UK)		
<b>Non-life insurance operations</b>		
Premium income, net	4,697	4,929
Added capital return	672	834
Claims incurred, net	-3,767	-3,519
Other	-9	-10
<b>Net Insurance income</b>	<b>1,593</b>	<b>2,234</b>
<b>Total</b>	<b>1,737</b>	<b>2,503</b>

### 8 Net result of financial transactions

	Group			Parent company	
	1998	Pro forma 1997	1997	1998	1997
<b>Capital gains result</b>					
Shares/participations	1,872	2,874	302	201	282
Interest-bearing securities	637	330	330	114	321
Other financial instruments	455	338	339	573	340
<b>Total</b>	<b>2,964</b>	<b>3,542</b>	<b>971</b>	<b>888</b>	<b>943</b>
<b>Unrealised changes in value</b>					
Shares/participations	-566	132	132	-36	121
Interest-bearing securities	89	-827	-404	-183	-498
Other financial instruments	3	-134	-134	188	-120
<b>Total</b>	<b>-474</b>	<b>-829</b>	<b>-406</b>	<b>-31</b>	<b>-497</b>
<b>Exchange rate fluctuations</b>	<b>984</b>	<b>1,117</b>	<b>1,117</b>	<b>895</b>	<b>1,024</b>
<b>Debt redemption</b>	<b>-7</b>	<b>-155</b>	<b>-155</b>		
<b>Total</b>	<b>3,467</b>	<b>3,675</b>	<b>1,527</b>	<b>1,752</b>	<b>1,470</b>

## NOTES

### 9 Other operating income

	Group		Parent company	
	1998	1997	1998	1997
Property income	52	117	3	1
Capital gains on fixed assets	1,655	164	119	35
Other income	459	149	241	153
<b>Total</b>	<b>2,166</b>	<b>430</b>	<b>363</b>	<b>189</b>
To which the Trygg-Hansa Group should be added.		839		
The Group, pro forma 1997		<u>1,269</u>		

### 10 General administrative expenses

	Group		Parent company	
	1998	1997	1998	1997
Staff costs	7,447	5,930	5,488	5,208
Costs for premises	974	733	956	836
Data costs	1,851	872	1,543	949
Stationery	145	131	128	120
Travel and representation	275	242	235	208
Postage and telecommunications	399	372	336	314
Other administrative expenses	514	503	326	423
<b>Total</b>	<b>11,605</b>	<b>8,783</b>	<b>9,012</b>	<b>8,058</b>
To which the Trygg-Hansa Group should be added.		2,912		
The Group, pro forma 1997		<u>11,695</u>		

Staff costs	Group		Parent company	
	1998	1997	1998	1997
Salaries and remuneration	4,973	4,062	3,554	3,556
Imputed pension costs	212	183	212	183
Pension premiums paid	116	88	67	53
Payroll overhead	1,513	1,198	1,094	1,081
Profit share	292	88	292	88
Other staff costs	341	311	269	247
<b>Total</b>	<b>7,447</b>	<b>5,930</b>	<b>5,488</b>	<b>5,208</b>
To which the Trygg-Hansa Group should be added.		1,536		
The Group, pro forma 1997		<u>7,466</u>		

Pension costs in Skandinaviska Enskilda Banken have been calculated in accordance with the directives of the Financial Supervisory Authority, implying an actuarial calculation of imputed pension costs.

Non-recurring costs of SEK 461 M (SEK 179 M) for early retirement have been charged to the Bank's pension funds.

Salaries and remuneration	Group		Parent company	
	1998	1997	1998	1997
Boards of Directors and Managing Directors	68	44	15	11
Other employees in Sweden	3,799	2,978	2,738	2,737
Other employees outside Sweden	1,126	1,040	801	808
<b>Total</b>	<b>4,973</b>	<b>4,062</b>	<b>3,554</b>	<b>3,556</b>

#### Salaries, remuneration and benefits

Jacob Wallenberg, Chairman of the Board, has received a director's fee of SEK 1,362,414 for 1998. (Bonus and benefits attributable to 1997, in which year Jacob Wallenberg was President, were also paid during 1998.)

Directors appointed by the AGM have received such fees as the AGM has fixed.

Lars H Thunell, President and Group Chief Executive, has received salary and benefits totalling SEK 4,799,930. To this should be added a total bonus of SEK 3,690,000, of which SEK 1,440,000 was attributable to the quantitative bonus system that is related to both the Group's return on equity and the value of the SEB share.

Pension is payable from the age of 58, at the earliest and the pension agreement is estimated to yield 65 per cent of the annual salary up to the age of 65 and 55 per cent thereafter.

Termination of employment on the part of the Bank is subject to a 12-month period of notice and an entitlement to severance pay amounting to 12 months' salary. The Bank has the right to deduct any cash payments that the relevant Executive may receive from another employer or through his/her own business from such severance pay.

The following has applied to the rest of the Executive Management Committee during 1998 (8 Executives in addition to Lars H Thunell) during 1998: Termination

of employment on the part of the Bank is subject to a 12-month period of notice and an entitlement to severance pay amounting to 24 months' salary. The Bank has the right to deduct any cash payments that the relevant Executive may receive from another employer or through his/her own business from such severance pay.

Old-age pension is payable from the age of 60 at 70 per cent of the annual salary up to the age of 65 and at 65 per cent of the salary thereafter. All pension amounts include those amounts which are payable in the form of "AFP" and "ATP" (National basic pension and supplementary pension schemes, respectively). A couple of old agreements with Executive Committee members with certain deviations, were still in force during 1998.

The Board of Directors has decided to introduce a new salary system from 1999. In a first stage, the system will be applied to members of the Management Committee. Compensation to these members will henceforth consist of two components: (i) A basic, annual salary plus a qualitative bonus linked to personal performance inasmuch as the officer in question will have to reach certain pre-defined goals; (ii) a staff option programme based upon proposed legislation presented in Government Bill No. 1997/98:133, "Taxation of staff options", which became effective last July.

According to the staff option programme, eligible officers will receive up to 50 per cent of their basic salary in the form of staff options, with a tenor of seven

## NOTES

Note 10 ctd. General administrative expenses

years, of which the first three constitute a lock-in period. This means that if the officer terminates his/her employment during this period, the value of the options will be nil. The purpose of this programme is twofold: To link compensation for management to future growth in value for shareholders; to stimulate SEB's executive officers into building up long-term wealth in SEB shares. The system will replace earlier bonus systems applicable to the officers concerned.

### Pension commitments, etc. for Executives

Pension-related information concerning the Bank's present and previous Managing Directors, Deputy Managing Directors and Board members is specified below.

Pension commitments	Group		Parent company	
	1998	1997	1998	1997
Pension disbursements made	30	30	21	22
Change in commitments	14	14	11	8
Commitments at year-end	392	371	293	285

The above commitments are covered by the Bank's pension funds or through Bank-owned endowment assurance schemes.

Loans to Executives	Group		Parent company	
	1998	1997	1998	1997
Managing Directors and Deputy Managing Directors	22	25		2
Boards of Directors	118	80	18	18
<b>Total</b>	<b>140</b>	<b>105</b>	<b>18</b>	<b>20</b>

Average number of employees	Group		Parent company	
	1998	1997	1998	1997
Parent company	8,649	8,809	8,649	8,809
Swedish subsidiaries	3,279	638		
Non-Swedish subsidiaries	843	590		
<b>Total</b>	<b>12,771</b>	<b>10,037</b>	<b>8,649</b>	<b>8,809</b>
To which the Trygg-Hansa Group should be added		2,978		
The Group, pro forma 1997		<b>13,015</b>		
Number of hours worked			13,538,768	14,656,161

Average number of employees	Group		Parent company	
	Male	Female	Male	Female
Brazil	3	4	3	4
Canada	2	1		
Denmark	147	138	54	21
Estonia	3	2		
Finland	130	155	70	65
France	19	22	18	22
Germany	49	69		
Great Britain	231	142	217	123
Hong Kong	36	37	33	33
Ireland	5	7		
Japan	6	5	6	5
Latvia	1	2		
Lithuania	2	1		
Luxembourg	59	48		
Norway	148	118	97	49
People's Republic of China	1	2	1	2
Poland	8	7		
Russia	2	2	2	2
Singapore	36	51		
Spain	4	2		
Sweden	5,171	6,332	3,626	4,691
USA	85	52	85	52
<b>Group</b>	<b>6,148</b>	<b>7,199</b>	<b>4,212</b>	<b>5,069</b>

Detailed information about the average number of employees, salaries and remuneration will be provided by the Bank upon request.

Skandinaviska Enskilda Banken's pension funds	Pension commitments		Market value of asset	
	1998	1997	1998	1997
SB-stiftelsen, Skandinaviska Enskilda Banken's pension fund	4,401	3,849	8,798	8,975
EB-stiftelsen, Skandinaviska Enskilda Banken's pension fund	1,908	1,585	10,409	9,550
<b>Total</b>	<b>6,309</b>	<b>5,434</b>	<b>19,207</b>	<b>18,525</b>

## NOTES

### 11 Depreciation and write-downs of tangible and intangible fixed assets

	Group			Parent company	
	1998	1997	1997	1998	1997
Intangible assets	573	144			104
Equipment leased to clients				51	49
Office equipment	460	339		150	133
Properties	47	92			3
<b>Total</b>	<b>1,080</b>	<b>575</b>		<b>201</b>	<b>289</b>
To which the Trygg-Hansa Group should be added		514			
The Group, pro forma 1997		<u>1,089</u>			

Office equipment is depreciated according to plan, which specifies that personal computers and similar equipment are written off over three years and other office equipment over five years. Properties are written off according to plan by the highest permissible capital allowance.

### 12 Other operating costs

	Group			Parent company	
	1998	1997	1997	1998	1997
Consultants	471	416		430	360
Marketing	398	273		386	195
Information services	145	132		131	121
Insurance	25	19		158	81
Capital losses, fixed assets	1	1			
Other operating costs	320	108		107	58
<b>Total</b>	<b>1,360</b>	<b>949</b>		<b>1,212</b>	<b>815</b>
To which the Trygg-Hansa Group should be added		546			
The Group, pro forma 1997		<u>1,495</u>			

### 13 Restructuring costs

	Group			Parent company	
	1998	1997	1997	1998	1997
Staff reduction		308			308
Adaptation of premises		308			308
Adaptation of systems		382			382
Other		20			20
<b>Total</b>		<b>1,018</b>			<b>1,018</b>
To which the Trygg-Hansa Group should be added		454			
The Group, pro forma 1997		<u>1,472</u>			

### 14 Lending losses, net

	Group			Parent company	
	1998	Pro forma 1997	1997	1998	1997
<b>Write-downs and provisions for claims</b>					
on credit institutions	1,896			1,896	282
on the general public	904	1,437	1,437	662	816
	<b>2,800</b>	<b>1,437</b>	<b>1,437</b>	<b>2,558</b>	<b>1,098</b>
<b>Reversals and recoveries of claims</b>					
on credit institutions					
on the general public	-563	-795	-787	-449	-660
	<b>-563</b>	<b>-795</b>	<b>-787</b>	<b>-449</b>	<b>-660</b>
<b>Total</b>	<b>2,237</b>	<b>642</b>	<b>650</b>	<b>2,109</b>	<b>438</b>
<b>A. Individually appraised receivables:</b>					
Current year's write-down of incurred losses	926	891	891	767	650
Reversal of previous provisions for possible losses reported as incurred losses in current year's accounts	-544	-506	-506	-435	-344
Current year's provision for possible losses	904	536	536	694	432
Recovered from losses incurred in previous years	-185	-358	-350	-141	-331
Reversal of previous provisions for possible losses	-227	-196	-196	-198	-150
<b>Current year's net cost for individually appraised receivables</b>	<b>874</b>	<b>367</b>	<b>375</b>	<b>687</b>	<b>257</b>

## NOTES

Note 14 ctd. Lending losses, net

	Group			Parent company	
	1998	Pro forma 1997	1997	1998	1997
<b>B. Receivables appraised by category:</b>					
Current year's write-down of incurred losses	98	112	112	47	51
Current year's provision for possible losses	33	34	34	20	18
Recovered from losses incurred in previous years	-52	-56	-56	-35	-45
Withdrawn (-) from reserve for lending losses	-49	-73	-73	-23	-30
<b>Current year's net cost for receivables appraised by category</b>	<b>30</b>	<b>17</b>	<b>17</b>	<b>9</b>	<b>-6</b>
<b>C. Political risks abroad:</b>					
Transfer to/withdrawal (-) from reserve for political risks abroad	1,343	225	225	1,423	145
<b>D. Contingent liabilities:</b>					
Current year's net cost for guarantees and other contingent liabilities	-10	33	33	-10	42
<b>Current year's net cost for lending losses (A+B+C+D)</b>	<b>2,237</b>	<b>642</b>	<b>650</b>	<b>2,109</b>	<b>438</b>

### 15 Change in value of assets taken over

	Group			Parent company	
	1998	1997	1997	1998	1997
<b>Realised change in value of</b>					
properties taken over	7			7	
other assets taken over			14		101
	<b>7</b>		<b>14</b>	<b>7</b>	<b>101</b>
<b>Unrealised change in value of</b>					
properties taken over	-20				
other assets taken over	23		24	16	
	<b>3</b>		<b>24</b>	<b>16</b>	
<b>Total</b>	<b>10</b>		<b>38</b>	<b>23</b>	<b>101</b>

### 16 Write-down of financial fixed assets

	Group			Parent company	
	1998	1997	1997	1998	1997
<b>Write-down of shares</b>					
ABB Funusz TFI SA				6	
Ane Gyllenberg AB				32	
Enskilda España S.A.					4
Exchange Clearing House Ltd.			54		54
SEB Corporation, New York				308	
SEB Fastigheter				838	
Tove Tvedt Larsen AS	3			3	
Trygg Hansa AB				2,076	3,500
Trygg-Banken AB				67	
Other	1		1		
<b>Total</b>	<b>4</b>		<b>55</b>	<b>3,330</b>	<b>3,558</b>
To which the Trygg-Hansa Group should be added			354		
The Group, pro forma 1997			<b>409</b>		

### 17 Appropriations

	Group			Parent company	
	1998	1997	1997	1998	1997
Withdrawal from tax equalisation reserve				+300	+300
Appropriations to untaxed reserves				-353	-755
Appropriation to value adjustment account for lending				-7	
Difference between book and scheduled depreciation				-1,085	-71
Recovery of imputed pension premiums	+212		+183	+212	+183
Compensation from pension funds, social charges	+319		+257	+319	+257
Compensation from pension funds, pension disbursements	+376		+330	+376	+330
Pension disbursements	-376		-330	-376	-330
<b>Total</b>	<b>531</b>		<b>440</b>	<b>-614</b>	<b>-86</b>

## NOTES

### 18 Tax on the result for the year

	Group		Parent company	
	1998	1997	1998	1997
Estimated corporate tax	-527	-961	-368	-802
Deferred tax	-923	-116	-38	+9
Tax on Group contributions			+925	+21
Tax in previous years	+450	-58	+300	-55
<b>Total</b>	<b>-1,000</b>	<b>-1,135</b>	<b>+819</b>	<b>-827</b>
To which the Trygg-Hansa Group should be added		+121		
The Group, pro forma 1997		<b>-1,014</b>		

### 19 Cash and Central Bank balances

	Group		Parent company	
	1998	1997	1998	1997
Cash	1,482	1,406	1,363	1,401
Clearing receivables	580	603	580	603
Cheque account with the Riksbank		30		21
Balances with foreign Central Banks	2,691	4,554	2,480	4,446
<b>Total</b>	<b>4,753</b>	<b>6,593</b>	<b>4,423</b>	<b>6,471</b>

### 20 Eligible Treasury Bills, etc.

Detailed information about the criteria used to classify these securities is provided under Accounting principles

a) Type of securities	Group		Parent company	
	1998	1997	1998	1997
Eligible Treasury Bills	70,320	43,260	70,139	41,070
Other eligible securities	5,596	1,110	799	1,110
<b>Total</b>	<b>75,916</b>	<b>44,370</b>	<b>70,938</b>	<b>42,180</b>

b) Issuers	Group 1998			Group 1997		
	Acquisition value	Market value	Book value	Acquisition value	Market value	Book value
<b>Fixed assets</b>						
Swedish State	4,074	4,183	4,074	3,947	3,987	3,947
Swedish municipalities	619	654	619	624	644	624
	<b>4,693</b>	<b>4,837</b>	<b>4,693</b>	<b>4,571</b>	<b>4,631</b>	<b>4,571</b>
Positive difference between book values and nominal amounts.			192			292
<b>Net</b>			<b>192</b>			<b>292</b>
<b>Current assets</b>						
Swedish State	31,540	31,600	31,600	14,899	14,931	14,931
Swedish municipalities	180	180	180	447	486	486
Foreign States	34,629	34,646	34,646	24,381	24,382	24,382
Other foreign issuers	4,798	4,797	4,797			
	<b>71,147</b>	<b>71,223</b>	<b>71,223</b>	<b>39,727</b>	<b>39,799</b>	<b>39,799</b>
Positive difference between book values and nominal amounts.			3,665			1,040
Negative difference between book values and nominal amounts.			-2,991			-308
<b>Net</b>			<b>674</b>			<b>732</b>

Fixed assets	Parent company 1998			Parent company 1997		
	Acquisition value	Market value	Book value	Acquisition value	Market value	Book value
Swedish State	4,074	4,183	4,074	3,947	3,987	3,947
Swedish municipalities	619	654	619	624	644	624
	<b>4,693</b>	<b>4,837</b>	<b>4,693</b>	<b>4,571</b>	<b>4,631</b>	<b>4,571</b>
Positive difference between book values and nominal values			192			292
<b>Net</b>			<b>192</b>			<b>292</b>

## NOTES

Note 20 ctd. Eligible Treasury Bills, etc.

Fixed assets	Parent company 1998			Parent company 1997		
	Acquisition value	Market value	Book value	Acquisition value	Market value	Book value
<b>Current assets</b>						
Swedish State	31,361	31,419	31,419	14,709	14,741	14,741
Swedish municipalities	180	180	180	447	486	486
Foreign States	34,629	34,646	34,646	22,382	22,382	22,382
	<b>66,170</b>	<b>66,245</b>	<b>66,245</b>	<b>37,538</b>	<b>37,609</b>	<b>37,609</b>
Positive difference between book values and nominal amounts			3,535			1,040
Negative difference between book values and nominal amounts			-2,991			-308
<b>Net</b>			<b>544</b>			<b>732</b>

c) Maturity information	Group		Parent company	
	1998	1997	1998	1997
Remaining maturity				
- Maximum 1 year	56,796	19,276	56,212	18,777
- 1-5 years	12,040	19,758	8,201	18,265
- 5-10 years	7,080	3,500	6,374	3,417
- More than 10 years		1,836	151	1,721
	<b>75,916</b>	<b>44,370</b>	<b>70,938</b>	<b>42,180</b>
Average remaining life (years)	1.25	1.35	1.11	1.35

## 21 Lending to credit institutions

Maturity information	Group		Parent company	
	1998	1997	1998	1997
Claims receivable				
- payable on demand	15,161	71,125	9,701	92,769
- maximum 3 months	70,034	10,086	97,086	8,808
- 3 months - 1 year	4,459	6,699	6,569	7,830
- 1-5 years	1,483	540	12,592	13,027
- more than 5 years			4,735	1,753
<b>Total</b>	<b>91,137</b>	<b>88,450</b>	<b>130,683</b>	<b>124,187</b>

The above table includes Reserve for possible lending losses and Reserve for political risks abroad as follows:

Reserve for possible lending losses	7		7	
Reserve for political risks abroad *	1,767	326	1,767	283
	<b>1,774</b>	<b>326</b>	<b>1,774</b>	<b>283</b>

\* Loan volume

	2,201	1,440	2,201	1,248
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## 22 Lending to the general public

Maturity information	Group		Parent company	
	1998	1997	1998	1997
Claims receivable				
- payable on demand	21,636	67,038	24,274	64,450
- maximum 3 months	66,854	44,551	57,571	40,540
- 3 months - 1 year	67,308	72,183	52,808	52,888
- 1-5 years	132,451	120,007	44,399	35,533
- more than 5 years	36,193	22,213	20,071	11,426
<b>Total</b>	<b>324,442</b>	<b>325,992</b>	<b>199,123</b>	<b>204,837</b>

The above table includes Reserve for possible lending losses and Reserve for political risks abroad as follows:

Reserve for possible lending losses	3,870	3,827	3,476	3,495
Reserve for political risks abroad *	97	226	97	189
<b>Total</b>	<b>3,967</b>	<b>4,053</b>	<b>3,573</b>	<b>3,684</b>

\* Loan volume

	656	1,297	656	1,170
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NOTES

**23 Bonds and other interest-bearing securities, banking operations**

Detailed information about the criteria used to classify these securities is provided under Accounting principles.

a) Type of borrower	Group		Parent company	
	1998	1997	1998	1997
Public agencies				
Other borrowers	34,427	32,816	34,298	31,656
	<b>34,427</b>	<b>32,816</b>	<b>34,298</b>	<b>31,656</b>

b) Listed/Unlisted	Group		Parent company	
	1998	1997	1998	1997
Listed securities	34,427	32,816	34,298	31,656
Unlisted securities				
	<b>34,427</b>	<b>32,816</b>	<b>34,298</b>	<b>31,656</b>

c) Issuer	Group 1998			Group 1997		
	Acquisition value	Market value	Book value	Acquisition value	Market value	Book value
<b>Fixed assets</b>						
Swedish mortgage institutions	5,886	6,123	5,886	4,918	5,035	4,918
Other Swedish issuers;						
- non-financial companies	1,075	2,190	1,075	944	962	944
- other financial companies	1,998	1,033	1,998	1,014	1,076	1,014
Other foreign issuers	912	912	912	702	702	702
	<b>9,871</b>	<b>10,258</b>	<b>9,871</b>	<b>7,578</b>	<b>7,775</b>	<b>7,578</b>
of which, subordinated (debt)	1,670	1,667	1,670	103	102	103
Positive difference between book values and nominal amounts			231			188
<b>Net</b>			<b>231</b>			<b>188</b>
<b>Current assets</b>						
Swedish mortgage institutions	3,138	3,149	3,149	6,341	6,343	6,343
Other Swedish issuers;						
- non-financial companies	790	783	783	1,389	1,389	1,389
- other financial companies	1,101	1,102	1,102	3,239	3,240	3,240
Other foreign issuers	19,570	19,522	19,522	14,237	14,266	14,266
	<b>24,599</b>	<b>24,556</b>	<b>24,556</b>	<b>25,206</b>	<b>25,238</b>	<b>25,238</b>
of which, subordinated (debt)	139	139	139	221	221	221
Positive difference between book values and nominal amounts			1,816			1,537
Negative difference between book values and nominal amounts			-1,861			-1,281
<b>Net</b>			<b>-45</b>			<b>256</b>

	Parent company 1998			Parent company 1997		
	Acquisition value	Market value	Book value	Acquisition value	Market value	Book value
<b>Fixed assets</b>						
Swedish mortgage institutions	5,391	5,597	5,391	4,227	4,290	4,227
Other Swedish issuers;						
- non-financial companies	1,075	2,190	1,075	944	962	944
- other financial companies	1,998	1,033	1,998	1,014	1,073	1,014
Other foreign issuers	810	810	810	395	395	395
	<b>9,274</b>	<b>9,630</b>	<b>9,274</b>	<b>6,580</b>	<b>6,720</b>	<b>6,580</b>
of which, subordinated (debt)	1,670	1,667	1,670	103	102	103
Positive difference between book values and nominal values			231			188
<b>Net</b>			<b>231</b>			<b>188</b>
<b>Current assets</b>						
Swedish mortgage institutions	3,991	4,003	4,003	6,430	6,430	6,430
Other Swedish issuers;						
- non-financial companies	790	783	783	1,389	1,389	1,389
- other financial companies	1,101	1,102	1,102	3,042	3,042	3,042
Other foreign issuers	19,186	19,136	19,136	14,186	14,215	14,215
	<b>25,068</b>	<b>25,024</b>	<b>25,024</b>	<b>25,047</b>	<b>25,076</b>	<b>25,076</b>
of which, subordinated (debt)	139	139	139	221	221	221
Positive difference between book values and nominal amounts			1,816			1,537
Negative difference between book values and nominal amounts			-1,861			-1,281
<b>Net</b>			<b>-45</b>			<b>256</b>

## NOTES

Note 23 ctd. Bonds and other interest-bearing securities, banking operations

d) Maturity information	Group		Parent company	
	1998	1997	1998	1997
Remaining maturity				
- maximum one year	20,182	9,529	19,985	8,894
- maximum 5 years	10,712	14,479	10,800	14,407
- 5 years – maximum 10 years	3,533	7,028	3,511	6,887
- more than 10 years		1,780	2	1,468
	<b>34,427</b>	<b>32,816</b>	<b>34,298</b>	<b>31,656</b>
Average remaining maturity (years)	1.81	2.10	1.86	2.06

## 24 Bonds and other interest-bearing securities, insurance operations

a) Type of borrower	Group	
	1998	1997
Public agencies	12,799	5,232
Other borrowers	8,040	5,610
	<b>20,839</b>	<b>10,842</b>

b) Listed/Unlisted	Group	
	1998	1997
Listed securities	20,839	10,842
Unlisted securities		
	<b>20,839</b>	<b>10,842</b>

c) Issuer	Group 1998			Group 1997		
	Acquisition value	Market value	Book value	Acquisition value	Market value	Book value
Swedish State	11,792	11,826	11,826	5,031	5,232	5,232
Swedish mortgage institutions	6,298	6,215	6,215	3,383	3,394	3,394
Other Swedish issuers:						
-non-financial companies	130	144	144			
-other financial companies	144	145	145	161	170	170
Foreign states	984	1,213	1,213	1,105	1,121	1,121
Other foreign issuers	1,296	1,296	1,296	916	925	925
	<b>20,644</b>	<b>20,839</b>	<b>20,839</b>	<b>10,596</b>	<b>10,842</b>	<b>10,842</b>

d) Maturity information	Group	
	1998	1997
Remaining maturity		
- maximum one year	577	191
- one year – maximum 5 years	14,039	6,566
- 5 years – maximum 10 years	3,543	2,354
- more than 10 years	2,680	1,731
	<b>20,839</b>	<b>10,842</b>
Average remaining maturity (years)	3.86	3.75

## 25 Shares and participations, banking operations

Detailed information about the criteria used for classifying these securities is found under Accounting principles.

a) Listed/Unlisted	Group		Parent company	
	1998	1997	1998	1997
Listed securities	2,049	2,372	1,905	2,217
Unlisted securities	958	1,158	670	709
	<b>3,007</b>	<b>3,530</b>	<b>2,575</b>	<b>2,926</b>
<b>Type of holding</b>				
A. Trading portfolio/investment shares	1,470	2,344	1,459	2,217
B. Taken over for protection of claims	871	529	611	224
C. Other shares and participations	666	657	505	485
	<b>3,007</b>	<b>3,530</b>	<b>2,575</b>	<b>2,926</b>

## NOTES

Note 25 ctd. Shares and participations, banking operations

	Nom. Amount	Book value	Dividend	Voting rights, %
<b>A1. Trading portfolio/investment shares</b>				
Trading portfolio shares in SEK		1,173.1	18.1	0
Trading portfolio shares in other currencies		187.0	2.5	0
*Epigress AB, Lund	SEK 0.0	1.5	0.0	1
FR Fastighetsrenting AB, Stockholm	SEK 22.9	47.7	17.2	6
*Gordion AB, Halmstad	SEK 0.1	1.0	0.0	3
*Hassbjer Micro System AB, Halmstad	SEK 0.1	12.5	0.0	3
*Metget AB, Ronneby	SEK 0.5	4.3	0.0	5
*Procoat AB, Upplands Väsby	SEK 0.7	5.5	0.0	5
*Prodacapo AB, Örnsköldsvik	SEK 0.0	1.0	0.0	2
Scandinavian EQT Partners Ltd, Guernsey (subscription rights)	NLG	0.0	0.0	0
Scandinavian EQT Partners Ltd, Guernsey	GBP	8.0	1.0	5
*Stödskyddsregistret SR AB, Helsingborg	SEK 0.8	17.9	0.0	36
<b>Parent company holdings</b>		<b>1,459.5</b>	<b>38.8</b>	
* investment shares		43.7		
<b>A2. Trading portfolio/investment shares</b>				
Trading portfolio shares in SEK		0	0	
Trading portfolio shares in other currencies		10.2	3.1	
<b>Holdings of subsidiaries</b>		<b>10.2</b>	<b>3.1</b>	
<b>Group holdings</b>		<b>1,469.7</b>	<b>41.9</b>	

The trading portfolio of the parent company included SEB shares with a market value of SEK nil (SEK 36 M) at year-end which, in accordance with the accounting rules, have been valued at SEK nil in the accounts.

<b>B1. Taken over for protection of claims</b>				
Activum Fastighetsutveckling AB, Södertälje	SEK 1.5	4.5	0.0	23 <sup>1)</sup>
Birma Förvaltnings AB, Stockholm	SEK 0.1	0.0	0.0	100 <sup>1)</sup>
Fastighetsaktiebolaget Bonifazius, Göteborg	SEK 3.4	1.0	0.0	2
FR FastighetsRenting AB, Stockholm	SEK 25.2	52.3	18.9	25 <sup>1)</sup>
Gamlestaden Intressenter AB, Göteborg	SEK 0.0	0.0	0.0	17
IFA Ship AB, Stockholm	SEK 0.1	0.1	0.0	100 <sup>1)</sup>
Coronado 2 Holding BV, Amsterdam	NLG 0.0	0.0	0.0	100 <sup>1)</sup>
Promociones y Conciertos Inmobiliarios S.A., Madrid (subscription shares)	ESP 483.6	355.6	0.0	0
Promociones y Conciertos Inmobiliarios S.A., Madrid	ESP 123.1	184.0	0.0	3
Raffles Holding, Cayman Islands	GBP 1.0	13.6	0.0	0
<b>Parent company holdings</b>		<b>611.1</b>	<b>18.9</b>	
<b>B2. Taken over for protection of claims</b>				
Evidentia Fastighets AB	139.1	132.2	0.0	44
Infra City AB	40.0	118.0	0.0	40
Wihlborgs Fastigheter AB	12.2	10.2	0.1	1
<b>Holdings of subsidiaries</b>		<b>260.4</b>	<b>0.1</b>	
<b>Group holdings</b>		<b>871.5</b>	<b>19.0</b>	

1) Holdings in these companies have been reported as shares and participations taken over in connection with loan foreclosures rather than as shares and participations in associated companies, despite the fact that they amount to at least 20 percent. Pledges taken over are valued at the lower of cost or market, which means that a consolidation, using the equity method, does not theoretically have any impact on the Group's shareholders' equity as long as there are no surplus values in the holdings.

## NOTES

Note 25 ctd. Shares and participations, banking operations

		Nom. Amount	Book value	Dividend	Voting rights, %
<b>C1. Other shares and participations</b>					
Adacra AB, Stockholm (subscription options)	SEK	0.0	0.0	0.0	0
Adacra AB, Stockholm	SEK	0.1	5.1	0.0	10
Brf Centrum, Hofors	SEK	0.0	0.0	0.0	0
Brf Falken, Malmö	SEK	0.0	11.2	0.0	0
Brf Fältprästen 3, Stockholm	SEK	0.0	1.7	0.0	0
Brf Karl den XV:s Port, Stockholm	SEK	0.0	0.3	0.0	0
Brf Mellanheden, Malmö	SEK	0.0	0.1	0.0	0
Brf Munklägret, Stockholm	SEK	0.0	1.2	0.0	0
Brf Oxen Mindre, Stockholm	SEK	0.0	2.5	0.0	0
Brf Riksbyggen Götenehus No 1	SEK	0.0	0.2	0.0	0
Brf Rådjuret, Stockholm	SEK	0.0	3.8	0.0	0
Brf Räfsan 13, Stockholm	SEK	0.0	0.4	0.0	0
Brf Tellusborg, Stockholm	SEK	0.0	0.4	0.0	0
Brf Vedbärraren, 19, Stockholm	SEK	0.0	4.6	0.0	0
Brf. Åkern, Norrköping	SEK	0.0	0.1	0.0	0
Fastighetsbolaget Inedal, Stockholm (HB)	SEK	0.0	1.4	0.0	0
KontoCentralen AB, Stockholm	SEK	0.0	0.0	0.0	17
OM Gruppen AB, Stockholm	SEK	3.8	4.6	9.1	2
Svensk Exportkredit AB, Stockholm	SEK	126.0	361.0	127.6	18
Värdepapperscentralen VPC AB, Stockholm	SEK	4.5	0.4	0.0	8
Adela Investment Company S.A., Luxemburg	USD	2.8	0.0	0.0	3
Banco Finasa de Investimento, Sao Paulo	BRL	127.2	0.0	2.1	4
Chicago Metal Exchange	USD	0.0	35.3	0.0	0
CLS Services Limited, London	GBP	5.2	12.0	0.0	0
EAC Investco Ltd., Guernsey	GBP	0.0	39.8	0.2	0
EBA Clearing Company, Paris	XEU	0.0	0.0	0.0	0
Euroclear Clearance System Public Ltd Company, Zürich	USD	0.1	5.7	2.3	4
Euroclear Clearance System S.C., Bryssel	BEF	0.0	0.0	0.0	0
Helsingfors Fondbörs	FIM	0.6	1.0	0.0	1
Ind Credit & Investment Co of India (ICICI), Bombay	INR	0.6	0.0	0.1	0
International Petroleum Exchange	GBP	0.0	1.7	0.0	0
København Fondbörs	DKK	0.1	0.1	0.0	0
London Clearing House Ltd	GBP	0.2	4.0	0.0	0
London Interbank Financial Futures Exchange (LIFFE)	GBP	0.1	5.8	0.0	0
Norsk Tillitsmann AS, Oslo	NOK	0.5	0.6	0.0	5
S.W.I.F.T., Bryssel	BEF	3.5	0.0	0.0	1
SIFIDA, Luxemburg	USD	0.2	0.0	0.0	0
<b>Parent company holdings</b>			<b>505.0</b>	<b>141.4</b>	
<b>C2. Other shares and participations</b>					
Skandinaviska Enskilda EBS Ltd	USD	17.0	137.7	0.0	6
Community Reinsurance Corporation Ltd.	GBP	0.0	4.0	0.0	15.6
EAC Fund II	XEU	0.4	3.4	0.0	0
Europay International S.A.	BEF	0.5	2.2	0.0	5
Consulting AB Lennemark & Anderson	SEK	0.0	2.0	0.0	15.6
European Acquisition Capital Ltd. Partnership 1	XEU	0.2	1.9	0.0	1.5
Export Leasing (CI) Company Ltd.	USD	0.3	1.7	0.2	0
Liquiditäs Konsortialbank	DEM	0.3	1.1	0.1	0
Other			6.5	12.6	
<b>Holdings of subsidiaries</b>			<b>160.5</b>	<b>12.9</b>	
<b>Group holdings</b>			<b>665.5</b>	<b>154.3</b>	

## 26 Shares and participations, insurance operations

	Acquisition value 1998	Book value 1998	Acquisition value 1997	Book value 1997
<b>Investment shares</b>				
Sweden		3,055		4,291
Denmark				11
Finland		443		1,147
France		103		177
Germany		157		194

## NOTES

Note 26 ctd. Shares and participations, insurance operations

	Acquisition value 1998	Book value 1998	Acquisition value 1997	Book value 1997
Great Britain		265		273
Italy		69		99
Netherlands		84		102
Norway				15
Switzerland		112		136
Spain		33		54
USA		937		1,058
<b>Total</b>		<b>5,258</b>		<b>7,557</b>
Less: unrealised forward contract result				-73
<b>Total: Investment shares</b>	<b>3,137</b>	<b>5,258</b>	<b>4,849</b>	<b>7,484</b>
Units in equity funds	834	1,163	934	991
<b>Total investment shares and units in equity funds</b>	<b>3,971</b>	<b>6,421</b>	<b>5,783</b>	<b>8,475</b>
Dividends from investment funds and units in equity funds		112.3		

All securities are listed.

### 27 Shares and participations for which life insurance policyholders bear the risk

Type of holding	Group	
	1998	1997
Participation in insurance premium funds for the benefit of policyholders	37,454	28,371
	<b>37,454</b>	<b>28,371</b>

### 28 Shares and participations in associated companies

Detailed information about the criteria used for classifying these securities is found under Accounting principles.

	Group		Parent company	
	1998	1997	1998	1997
<b>Listed/Unlisted</b>				
Listed securities	161		161	
Unlisted securities	291	262	48	32
	<b>452</b>	<b>262</b>	<b>209</b>	<b>32</b>
of which, holdings in credit institutions	190	29	190	29

Shares and participations in associated companies		Nom. amount	Book value	Dividend	Voting rights, %
Bankgirocentralen BGC AB, Stockholm	SEK	16.7	3.7	3.3	33
Bankomatcentralen AB, Stockholm	SEK	0.1	0.2	0.0	22
Privatgirot AB, Stockholm	SEK	0.3	0.3	0.0	28
Svensk Bostadsfinansiering AB, BOFAB, Stockholm	SEK	25.0	29.3	0.0	50
Upplysningscentralen UC AB, Stockholm	SEK	0.3	0.3	0.0	27
Latvijas Unibanka, Riga	LVL	8.6	160.4	0.0	19
Scandinavian Banking Partners Holding A/S, Denmark	DKK	0.1	0.1	0.0	25
Self Trade SA, Paris	FRF	2.2	14.4	0.0	34
<b>Parent company holdings</b>			<b>208.7</b>	<b>3.3</b>	
BNT Ingenjorsbyrå AB	SEK	0.0	0.0		30
FB Inedal 8 HB	SEK	0.0	4.0		21
Garda Life SA	PLN	9.0	19.0		50
Industrial Reinsurance Management AB	SEK	0.0	0.0		50
Livförsäkringsaktiebolaget SEB Trygg Liv	SEK	25.0	25.0		100
Nykredit Forsikring A/S	DKK	10.0	24.0		40
Oranien Hotel Betriebs GmbH	DEM	0.5	2.4		100
Partner S.A.	PLN	11.0	44.0		68
Sjöassuradörernas Förlags AB	SEK	0.0	0.0		22
Gamla Livförsäkringsaktiebolaget SEB Trygg Liv	SEK	24.9	24.9		100
Nya Livförsäkringsaktiebolaget SEB Trygg Liv	SEK	100.0	100.0		100
<b>Holdings of subsidiaries</b>			<b>243.3</b>		
<b>Group holdings</b>			<b>452.0</b>	<b>3.3</b>	

## NOTES

### 29 Shares and participations in Group companies

Detailed information about the criteria used for classifying these securities is found under Accounting principles.

	1998	Parent company	1997
A. Swedish subsidiaries	18,258		18,823
B. Foreign subsidiaries	3,120		3,306
	<b>21,378</b>		<b>22,129</b>
of which, holdings in credit institutions	6,764		6,887

		Nom. Amount	Book value	Dividend	Voting rights, %
<b>A. Swedish subsidiaries</b>					
ABB Allemansfond AB, Stockholm	SEK	1.0	2.2	0.0	100
ABB Investment Management AB, Stockholm	SEK	2.0	515.1	0.0	100
Aktiv Placering AB, Stockholm, (dormant)	SEK	0.1	0.1	0.0	100
Diners Club Nordic AB, Stockholm	SEK	5.7	205.9	280.0	100
Enskilda Securities Holding AB, Stockholm	SEK	50.0	250.0	0.0	100
Eurocard AB, Stockholm	SEK	5.0	8.4	0.0	100
Försäkringsaktiebolaget S E Captive, Stockholm	SEK	100.0	100.0	0.0	100
Invit Fonder AB, Stockholm	SEK	1.0	1.5	0.0	100
S-E-Banken Fonder AB, Stockholm	SEK	21.0	21.2	0.0	100
SEB AB, Stockholm	SEK	1,176.5	1,411.8	0.0	100
SEB BoLån AB, Stockholm (subord. debt)	SEK	2,175.0	2,175.0	0.0	100
SEB BoLån AB, Stockholm	SEK	200.0	1,933.9	0.0	100
SEB Fastigheter AB, Stockholm	SEK	130.0	142.6	508.0	100
SEB Finans AB, Stockholm	SEK	225.0	145.0	0.0	100
SEB Invest, Stockholm	SEK	5.0	5.0	0.0	100
Skandinaviska Kredit AB, Stockholm, (dormant)	SEK	0.1	0.1	0.0	100
Trygg Hansa AB <sup>1)</sup> , Stockholm	SEK	6,950.8	11,340.1	3,200.0	100
<b>Total</b>			<b>18,257.9</b>	<b>3,988</b>	

1) The holding in Trygg Hansa has been written down by SEK 2,076 M. This is matched by a discounted dividend of SEK 3,200 M from Trygg-Hansa.

<b>B. Foreign subsidiaries</b>					
ABB Fundusz TFI SA, Warszawa	PLN	8.0	9.3	0.0	100
ABB Investment Management A/S, Oslo	NOK	5.0	19.4	0.0	100
ABB Investment Management AG, Zürich	CHF	0.1	32.6	0.0	100
ABB Investment Management Inc, Stamford	USD	0.0	91.2	0.0	100
Ane Gyllenberg AB, Helsinki	FIM	409.1	383.8	21.8	100
Enskilda España S. A., Madrid	ESP	15.0	0.0	0.0	100
Enskilda Securities Inc, New York	USD	0.0	21.4	0.0	100
Enskilda Securities S. A., Paris	FRF	26.9	42.5	0.0	100
FinansSkandic Leasing (SEA) Pte Ltd, Singapore	SGD	0.1	0.4	0.0	100
Interscan Servicos de Consultoria Ltda, São Paulo	BRL	2.3	0.0	0.0	100
Scandinavian Finance BV, Amsterdam	NLG	2.1	8.4	0.0	100
Skandinaviska Enskilda Banken AG, Frankfurt	DEM	81.3	579.6	0.0	100
Skandinaviska Enskilda Banken AG, Frankfurt (subord. debt)	DEM	50.0	232.2	0.0	100
Skandinaviska Enskilda Banken Corporation, New York	USD	20.0	248.9	473.1	100
Skandinaviska Enskilda Banken Funding Inc, Delaware	USD	0.0	0.1	0.0	100
Skandinaviska Enskilda Banken Luxembourg S.A.	LUF	1,460.0	369.5	0.0	100
Skandinaviska Enskilda Banken South East Asia, Singapore	SGD	40.0	191.3	142.4	100
Skandinaviska Enskilda Ltd, London	GBP	49.3	880.4	0.0	100
Skandinaviska Enskilda Reinsurance S.A., Luxembourg	LUF	50.0	8.2	0.0	100
Tove Tvedt Larsen AS, Bergen	NOK	0.1	0.3	0.0	100
<b>Total</b>			<b>3,119.6</b>	<b>637.3</b>	
<b>Parent company's holdings</b>			<b>21,377.5</b>	<b>4,625.3</b>	

Information about the corporate registration numbers of the subsidiaries is available upon request.

## NOTES

### 30 Intangible fixed assets

	Group		Parent company	
	1998	1997	1998	1997
Goodwill	10,075	10,001		
Other intangible fixed assets	309	378		
<b>Total</b>	<b>10,384</b>	<b>10,379</b>		

### 31 Tangible assets

	Group		Parent company	
	1998	1997	1998	1997
Office equipment	1,314	1,135	499	317
Equipment leased to clients			3,896	373
Investment properties	193	287		
Properties for own operations	275	2,973	4	15
Properties taken over for protection	160	104	7	26
<b>Total</b>	<b>1,942</b>	<b>4,499</b>	<b>4,406</b>	<b>731</b>

#### Equipment leased to clients

Accumulated acquisition value	4,040	466
Accumulated depreciation	-144	-93
<b>Book value</b>	<b>3,896</b>	<b>373</b>

Equipment leased to clients is depreciated in annuities, based on a conservatively estimated residual value at the end of the contract period. For leased equipment that cannot be sold in a functioning market, the scheduled residual value is zero at the end of the contract period. Any surplus resulting from the sale of leased equipment is reported under Other income.

#### Properties for own operations

Accumulated acquisition value	190	2,851	4	19
Accumulated revaluation	140	860		
Accumulated depreciation	-55	-719		-1
Accumulated write-downs		-19		-3
<b>Total</b>	<b>275</b>	<b>2,973</b>	<b>4</b>	<b>15</b>
Assessed value, properties	294	2,609	3	11
of which, buildings	228	2,032	3	8

#### Net operating earnings from properties taken over for protection of claims

External income	5	6	2	3
Operating costs		-1		-1
<b>Net operating earnings</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>2</b>

#### Assets taken over for protection of claims

Buildings and land	160	104	7	26
Shares and participations	871	529	611	224
<b>Total</b>	<b>1,031</b>	<b>633</b>	<b>618</b>	<b>250</b>

### 32 Other assets

	Group		Parent company	
	1998	1997	1998	1997
Tax claim	599		506	
Claims on securities settlement proceeds	3,142	13,132	3,142	13,132
Market value, derivatives	51,918	65,061	51,885	64,955
Other	4,877	8,039	18,796	9,911
<b>Total</b>	<b>60,536</b>	<b>86,232</b>	<b>74,329</b>	<b>87,998</b>

### 33 Prepaid expenses and accrued income

	Group		Parent company	
	1998	1997	1998	1997
Prepaid expenses	3,463	1,302	2,367	540
Accrued interest	14,484	16,973	13,433	15,913
<b>Total</b>	<b>17,947</b>	<b>18,275</b>	<b>15,800</b>	<b>16,453</b>

NOTES

### 34 Liabilities to credit institutions

Maturity information	Group		Parent company	
	1998	1997	1998	1997
Remaining maturity				
- payable on demand	24,316	116,949	25,151	116,805
- maximum 3 months	76,887	10,687	76,417	14,209
- 3 months – 1 year	50,874	13,945	49,666	14,055
- 1 – 5 years	1,379	1,416	2,175	1,351
- more than 5 years	368	1	467	74
<b>Total</b>	<b>153,824</b>	<b>142,998</b>	<b>153,876</b>	<b>146,494</b>

### 35 Deposits and borrowing from the general public

Maturity information – Deposits	Group		Parent company	
	1998	1997	1998	1997
Remaining maturity				
- repayable on demand	154,679	139,767	154,679	139,069
- maximum 3 months		57		
- 3 months – 1 year		104		
- 1 – 5 years		37		
- more than 5 years				
<b>Total</b>	<b>154,679</b>	<b>139,965</b>	<b>154,679</b>	<b>139,069</b>

Only account balances covered by the Deposit Guarantee are reported as deposits. The amount refers to the total account balance without considering the limitation in terms of amount that is applicable to the Deposit Guarantee and fee basis.

Maturity information – Borrowing	Group		Parent company	
	1998	1997	1998	1997
Remaining maturity				
- repayable on demand	14,407	25,211	14,979	22,461
- maximum 3 months	13,603	9,494	11,125	7,446
- 3 months – 1 year	1,765	6,211	1,671	6,032
- 1 – 5 years	263	991	178	1,314
- more than 5 years	3,184	499	3,173	399
<b>Total</b>	<b>33,222</b>	<b>42,406</b>	<b>31,126</b>	<b>37,652</b>
<b>Total</b>	<b>187,901</b>	<b>182,371</b>	<b>185,805</b>	<b>176,721</b>

### 36 Securities issued, etc

	Group		Parent company	
	1998	1997	1998	1997
Commercial paper	2,016	1,167	1,370	1,167
Certificates of deposit	51,567	36,150	48,867	30,819
Bond loans	79,469	75,488	17,410	14,481
<b>Total</b>	<b>133,052</b>	<b>112,805</b>	<b>67,647</b>	<b>46,467</b>

#### Maturity information, bond loans

Remaining maturity				
- maximum 1 year	13,398	17,944	2,390	2,336
- 1 – 5 years	58,372	49,435	12,869	10,571
- 5 – 10 years	7,111	7,429	1,563	894
- more than 10 years	588	680	588	680
<b>Total</b>	<b>79,469</b>	<b>75,488</b>	<b>17,410</b>	<b>14,481</b>
Average remaining life (years)	3.44	2.87	2.72	2.49

#### Maturity information – Other debt instruments issued

Claims repayable				
- on demand	841	395	841	395
- maximum 3 months	36,347	21,209	33,001	15,844
- 3 month – 1 year	15,670	14,222	15,670	14,256
- 1 – 5 years	402	1,304	402	1,304
- more than 5 years	323	187	323	187
<b>Total</b>	<b>53,583</b>	<b>37,317</b>	<b>50,237</b>	<b>31,986</b>
<b>Total</b>	<b>133,052</b>	<b>112,805</b>	<b>67,647</b>	<b>46,467</b>

NOTES

Note 36 ctd. Securities issued, etc

Bond loans, issued by Parent company		Original nom. amount	Book value	Rate of interest, %
1991/01	DEM	30.0	127.9	0.000
1991/01	JPY	5,000.0	353.2	1)
1993/33	USD	300.0	588.2	8.110
1995/00	DEM	75.0	363.7	2)
1995/99	DEM	50.0	0.0	2)
1995/01	JPY	5,000.0	226.1	2)
1996/00	USD	10.0	81.0	2)
1996/00	USD	30.0	243.0	2)
1996/99	SEK	27.7	23.3	1)
1996/99	SEK	147.4	121.6	1)
1996/99	USD	11.0	89.1	2)
1996/99	SEK	34.4	32.9	1)
1996/99	JPY	2,000.0	141.3	2)
1996/00	GBP	25.0	338.4	2)
1996/00	DEM	100.0	484.9	4.980
1996/99	SEK	77.5	84.4	1)
1996/99	SEK	63.5	79.2	1)
1996/03	GBP	10.0	135.3	7.920
1997/99	USD	10.0	81.0	2)
1997/99	USD	10.0	81.0	2)
1997/02	SEK	100.0	100.0	2)
1997/01	JPY	3,000.0	211.9	1.380
1997/02	SEK	50.0	50.0	6.160
1997/99	DEM	50.0	242.4	2)
1997/99	JPY	1,300.0	91.8	0.450
1997/01	NOK	58.5	62.5	1)
1997/02	SEK	200.0	200.0	2)
1997/99	GBP	10.0	135.3	2)
1997/00	SEK	186.0	179.4	1)
1997/04	USD	5.0	40.5	2)
1997/04	SEK	100.0	100.0	6.780
1997/99	USD	50.0	404.9	2)
1997/99	USD	20.0	162.0	2)
1997/99	USD	30.0	243.0	2)
1997/02	DEM	75.0	363.7	4.880
1997/00	SEK	213.5	188.3	1)
1997/99	USD	25.0	202.5	2)
1997/01	NOK	15.0	16.1	1)
1997/02	USD	20.0	162.0	2)
1997/00	USD	25.0	202.5	2)
1997/00	DEM	50.0	242.4	2)
1997/00	USD	25.0	81.2	2)
1997/02	DEM	50.0	242.4	2)
1997/00	USD	25.0	202.5	6.250
1997/99	GBP	6.5	88.0	2)
1997/99	USD	17.6	142.5	2)
1997/02	GBP	10.0	135.3	7.950
1997/02	DEM	120.0	581.8	2)
1997/02	GBP	10.0	135.3	8.000
1997/00	FIM	200.0	76.7	4.530
1997/04	DEM	100.0	484.9	2)
1997/02	USD	20.0	162.0	2)
1997/00	SEK	304.5	299.3	1)
1997/02	ITL	10,000.0	49.0	4)
1997/02	USD	25.0	202.5	2)
1997/02	NOK	575.0	614.5	2)
1997/99	JPY	1,170.0	82.7	2)
1997/01	JPY	2,000.0	141.3	2)
1997/02	ITL	10,000.0	49.0	4)
1997/02	DEM	50.0	242.4	5.370
1997/07	NOK	400.0	252.3	0.000
1997/02	SEK	50.0	50.0	1)
1997/04	USD	10.0	81.0	2)
1997/99	SEK	50.0	50.0	1)
1997/03	NOK	35.6	38.0	1)
1997/02	NOK	14.8	15.8	1)
1997/00	SEK	96.2	92.4	1)
1997/00	SEK	85.4	83.7	1)
1997/00	SEK	38.1	36.7	1)
1997/00	SEK	80.7	79.7	1)
1997/00	SEK	62.7	61.5	1)
1997/00	SEK	31.2	29.4	1)
1997/03	NOK	16.6	17.7	1)
1998/02	SEK	220.0	183.9	Fixed

## NOTES

Note 36 ctd. Securities issued, etc

		Original nom. amount	Book value	Rate of interest, %
1998/03	DEM	30.0	145.5	2)
1998/03	DEM	70.0	339.4	2)
1998/03	USD	7.0	56.7	2)
1998/00	USD	25.0	202.5	2)
1998/05	FIM	10.0	15.9	1)
1998/04	SEK	60.0	60.0	1)
1998/03	DEM	50.0	242.4	2)
1998/03	NOK	9.0	9.6	1)
1998/00	NOK	250.0	267.2	5.000
1998/04	GBP	15.0	203.0	2)
1998/01	ATS	80.0	55.1	4)
1998/04	DEM	20.0	97.0	2)
1998/03	SEK	300.0	300.0	2)
1998/03	NOK	39.9	42.6	1)
1998/03	ISK	250.0	29.1	1)
1998/00	USD	5.0	40.5	1)
1998/01	SEK	465.5	459.9	1)
1998/99	GBP	10.0	135.3	7.495
1998/06	FIM	100.0	159.5	1)
1998/06	FIM	32.0	51.0	1)
1998/03	DEM	75.0	363.7	4.830
1998/03	GBP	20.0	270.7	2)
1998/02	DEM	30.0	145.5	2)
1998/03	GBP	20.0	270.7	7.680
1998/02	SEK	20.0	20.0	1)
1998/03	NOK	22.2	23.7	1)
1998/00	USD	13.5	109.3	1)
1998/05	FIM	11.0	17.5	0.000
1998/01	SEK	330.9	327.7	1)
1998/03	SEK	69.6	68.2	1)
1998/01	SEK	286.7	286.1	1)
1998/03	SEK	10.2	10.2	2)
1998/01	GBP	5.0	67.7	1)
1998/99	SEK	22.3	22.3	1)
1998/99	SEK	17.2	17.2	1)
1998/02	SEK	116.8	115.5	1)
			<b>17,410.0</b>	

1) Index 2) FRN, Floating Rate Note 3) VRN, Variable Rate Note 4) Formula

### 37 Other liabilities

	Group		Parent company	
	1998	1997	1998	1997
Tax liability	288	657		249
Securities settlement proceeds, liabilities	11,296	19,376	11,194	19,374
Cashier's cheques	2,647	2,620	2,647	2,415
Market value, derivatives	51,344	62,664	51,011	62,600
Other liabilities	21,374	30,235	20,686	24,343
<b>Total</b>	<b>86,949</b>	<b>115,552</b>	<b>85,538</b>	<b>108,981</b>

### 38 Accrued expenses and prepaid income

	Group		Parent company	
	1998	1997	1998	1997
Accrued expenses	15,245	16,414	12,801	13,854
Prepaid income	2,783	1,821	1,412	1,040
<b>Total</b>	<b>18,028</b>	<b>18,235</b>	<b>14,213</b>	<b>14,894</b>

### 39 Technical provisions

	Group	
	1998	1997
Technical provisions, gross	13,360	14,955
Reinsurers' share of technical provisions	-927	-1,719
<b>Total</b>	<b>12,433</b>	<b>13,236</b>

NOTES

**40 Provisions for life insurance policies for which the investment risk is borne by the policyholders**

	Group	
	1998	1997
Premium reserve for policyholders	37,378	28,275
<b>Total</b>	<b>37,378</b>	<b>28,275</b>

**41 Other provisions**

	Group		Parent company	
	1998	1997	1998	1997
Deferred tax liability	4,201	3,671	403	364
Reserve for off-balance-sheet items	210	191	210	180
Restructuring reserve	1,201	2,255	656	1,018
<b>Total</b>	<b>5,612</b>	<b>6,117</b>	<b>1,269</b>	<b>1,562</b>

**42 Subordinated liabilities**

	Group		Parent company	
	1998	1997	1998	1997
Debenture loans	6,393	8,306	5,631	7,534
Debenture loans, zero-coupon	1,851	1,841	1,851	1,841
Debenture loans, perpetual	15,766	11,360	15,576	11,110
<b>Total</b>	<b>24,010</b>	<b>21,507</b>	<b>23,058</b>	<b>20,485</b>

Parent company		Original nom. amount	Book value	Rate of interest %
<b>Debenture loans</b>				
1989/99	SEK	1,000.0	541.1	1)
1990/05	DKK	300.0	267.3	9.000
1990/05	DKK	25.0	31.8	9.000
1990/00	GBP	12.0	162.4	1)
1990/00	XEU	60.0	0.0	8.097
1990/00	CHF	100.0	302.2	7.125
1990/00	DEM	200.0	584.7	9.000
1990/00	AUD	150.0	0.0	6.000
1990/05	AUD	200.0	992.4	6.000
1990/05	AUD	100.0	0.0	7.500
1991/01	CHF	100.0	140.4	7.250
1992/02	USD	400.0	1,020.0	8.450
1994/09	USD	200.0	1,589.1	6.875
<b>Total</b>			<b>5,631.4</b>	
<b>Debenture loans, zero-coupon</b>				
1991/01	SEK	1,000.0	743.6	0.000
1991/01	JPY	8,902.6	445.0	0.000
1992/02	SEK	1,000.0	662.2	0.000
<b>Total</b>			<b>1,850.8</b>	
<b>Debenture loans, perpetual</b>				
1990	DEM	170.0	494.6	1)
1990	USD	100.0	485.9	1)
1991	DKK	350.0	356.4	2)
1995	JPY	10,000.0	706.5	4.400
1995	JPY	15,000.0	1,059.7	3.600
1996	JPY	5,000.0	347.9	1)
1996	USD	150.0	1,214.8	6.625
1996	USD	50.0	403.2	1)
1996	USD	50.0	399.8	1)
1996	USD	150.0	1,214.8	1)
1996	USD	150.0	1,214.8	8.125
1996	GBP	100.0	1,353.5	9.040
1997	USD	150.0	1,214.8	7.500
1997	JPY	15,000.0	1,059.7	5.000
1998	USD	500.0	4,049.4	6.500
<b>Total</b>			<b>15,575.8</b>	

Debenture loans issued by parent company **23,058.0**

## NOTES

Note 42 ctd. Subordinated liabilities

	Group		Parent company	
	1998	1997	1998	1997
Debenture loans issued by SEB BoLån AB			2,875.8	
Debenture loans issued by other subsidiaries			586.3	
Intra-group holdings			-2,510.1	
<b>Debenture loans issued by the Group</b>			<b>24,010.0</b>	

1) FRN, Floating Rate Note 2) VRN, Variable Rate Note

### 43 Untaxed reserves

	Group		Parent company	
	1998	1997	1998	1997
<b>A. Tax equalisation reserve</b>				
Opening balance			902	1,202
Withdrawals (-)			-300	-300
			<b>602</b>	<b>902</b>
<b>B. Accrual fund</b>				
Opening balance			2,568	1,813
Allocations			353	755
			<b>2,921</b>	<b>2,568</b>
<b>C. Excess depreciation of office equipment/leased assets</b>				
Opening balance			79	8
Allocations/withdrawals (-)			1,085	71
			<b>1,164</b>	<b>79</b>
<b>D. Other untaxed reserves</b>				
Opening balance			17	16
Exchange rate fluctuations			1	1
Allocations/withdrawals (-)			7	-
			<b>25</b>	<b>17</b>
<b>Total untaxed reserves</b>			<b>4,712</b>	<b>3,566</b>

### 44 Shareholders' equity

	Group		Parent company	
	1998	1997	1998	1997
<b>Restricted equity</b>				
Share capital	5,882	5,882	5,882	5,882
562,553,128 Series A shares, nom. value SEK 10 each				
25,692,934 Series C shares, nom. value SEK 10 each				
Reserve fund, etc	17,274	16,316	9,183	9,183
Reserve for unrealised gains*	1,114	1,009	1,008	940
<b>Total</b>	<b>24,270</b>	<b>23,207</b>	<b>16,073</b>	<b>16,005</b>
<b>Non-restricted equity</b>				
Profit brought forward	1,838	2,323	2,592	3,720
Group contributions received /. granted			3,303	74
Tax on Group contributions, net			-925	-21
Result for the year	4,326	2,437	1,001	652
<b>Total</b>	<b>6,164</b>	<b>4,760</b>	<b>5,971</b>	<b>4,425</b>
<b>Total shareholders' equity</b>	<b>30,434</b>	<b>27,967</b>	<b>22,044</b>	<b>20,430</b>
*Of which, Shares/participations	11	2		2
Interest-bearing securities	56	64	55	64
Other	1,047	943	953	874

	Group		Parent company	
	Restricted equity	Non-restricted equity	Restricted equity	Non-restricted equity
<b>Change in shareholders' equity</b>				
Opening balance	23,207	4,760	16,005	4,425
Dividend to shareholders		-1,765		-1,765
Change in translation difference/Group structure	-173	+79		
Transfer non-restricted/restricted equity	+1,131	-1,131		
Group contributions received /. granted				+3,303
Tax on Group contributions				-925
Result for the year		+4,326		+1,001
Transfer, net, to/from reserve for unrealised gains	+105	-105	+68	-68
<b>Closing balance</b>	<b>24,270</b>	<b>6,164</b>	<b>16,073</b>	<b>5,971</b>

The aggregate translation difference amounted to SEK 553 M (SEK 647 M).

## NOTES

### 45 Collateral pledged for own liabilities

	Group		Parent company	
	1998	1997	1998	1997
<b>Pledged assets</b>				
Lending	1,288	1,466	1,288	1,457
Bonds, etc	44,386	34,313	40,855	32,014
Repos	53,996	45,134	47,776	41,372
Mortgages	21	12		
<b>Total</b>	<b>99,691</b>	<b>80,925</b>	<b>89,919</b>	<b>74,843</b>

The item Lending in the parent company refers to the pledging of SEK 911 M (SEK 401 M) in promissory notes for the benefit of the Swedish Export Credit Corporation.

### 46 Other collateral pledged

	Group		Parent company	
	1998	1997	1998	1997
Shares in insurance premium funds	29,027	20,597		
Securities loans	6,627	5,054	6,316	4,845
<b>Total</b>	<b>35,654</b>	<b>25,651</b>	<b>6,316</b>	<b>4,845</b>

### 47 Contingent liabilities

	Group		Parent company	
	1998	1997	1998	1997
<b>Guarantees</b>				
Guarantee commitments, credits	17,939	13,958	16,768	10,272
Guarantee commitments, other	24,066	24,062	23,994	24,012
Own acceptances	1,319	2,750	1,309	2,722
Subscription guarantees	126	123	123	123
<b>Total</b>	<b>43,450</b>	<b>40,893</b>	<b>42,194</b>	<b>37,129</b>
<b>Approved, but unutilised letters of credit</b>	<b>5,602</b>	<b>6,608</b>	<b>5,384</b>	<b>6,509</b>
<b>Total</b>	<b>49,052</b>	<b>47,501</b>	<b>47,578</b>	<b>43,638</b>

#### Other contingent liabilities

Towards the Monetary Authority of Singapore the parent company has pledged to ensure that its subsidiary bank in Singapore is able to fulfil its commitments. The parent company has pledged to keep the share capital of Diners Club Nordic AB intact at all times.

### 48 Commitments

	Group		Parent company	
	1998	1997	1998	1997
<b>Commitments for future payments</b>				
Forward securities contracts		44		
Deposits in other banks	1,812	4,054	1,972	4,054
<b>Other commitments</b>				
Guarantee amount relating to liquidity management	4,842	2,694	4,842	2,694
Granted, but non-disbursed loans	38,673	40,969	35,683	37,083
Unutilised part of approved overdraft facilities	29,158	35,461	28,888	33,838
Securities loans	7,236	5,904	7,236	5,901
<b>Total</b>	<b>81,721</b>	<b>89,126</b>	<b>78,621</b>	<b>83,570</b>

**49 Problem loans and reserve for possible lending losses**

	Group		Parent company	
	1998	1997	1998	1997
<b>Problem loans</b>				
Doubtful claims	7,454	8,033	5,108	5,593
Claims subject to interest reduction	1,195	1,756	877	1,643
<b>Total</b>	<b>8,649</b>	<b>9,789</b>	<b>5,985</b>	<b>7,236</b>
Reserve for possible lending losses	-3,877	-3,827	-3,483	-3,495
<b>Net</b>	<b>4,772</b>	<b>5,962</b>	<b>2,502</b>	<b>3,741</b>
Nonperforming loans on which interest is reported				
as income	257	279		
Current yield on problem loans	227	191	205	191
Annual percentage yield on problem loans	2.57	2.38	3.06	2.84
Annual percentage interest on claims that are not problem loans	6.30	7.17	5.64	5.96
<b>Reserve for possible lending losses</b>				
Opening balance	3,827	4,028	3,495	3,576
Losses incurred during the year against reserve	-544	-506	-435	-344
Provisions reversed during the year	-276	-269	-222	-180
Provision for possible losses	937	570	714	450
Trygg-Hansa		20		
Exchange difference	-67	-16	-69	-7
<b>Total</b>	<b>3,877</b>	<b>3,827</b>	<b>3,483</b>	<b>3,495</b>

**50 Derivatives instruments**

Group, 1998	Nom. amount	Positive closing values or nil values		Negative closing values	
		Market value	Book value	Market value	Book value
<b>Interest-related</b>					
Options	55,133	170	170	2	2
Futures	1,638,677	1,952	1,952	1,906	1,906
Swaps	889,299	23,371	23,371	22,278	22,278
	<b>2,583,109</b>	<b>25,493</b>	<b>25,493</b>	<b>24,186</b>	<b>24,186</b>
of which, cleared	43,007	11	11	325	325
<b>Currency-related</b>					
Options	90,425	1,591	1,591		
Futures	1,451,218	21,553	21,553	22,941	22,941
Swaps	278,962	6,123	3,231	7,560	3,896
	<b>1,820,605</b>	<b>29,267</b>	<b>26,375</b>	<b>30,501</b>	<b>26,837</b>
<b>Equity-related</b>					
Options	7,494	49	49	81	81
Futures	1,029	1	1	240	240
	<b>8,523</b>	<b>50</b>	<b>50</b>	<b>321</b>	<b>321</b>
of which, cleared	1,421	1	1	84	84
<b>Total</b>	<b>4,412,237</b>	<b>54,810</b>	<b>51,918</b>	<b>55,008</b>	<b>51,344</b>
<b>Group, 1997</b>					
<b>Interest-related</b>					
Options	34,305	144	144	4	4
Futures	2,097,800	3,890	3,890	3,972	3,972
Swaps	821,563	19,202	19,202	17,151	17,151
	<b>2,953,668</b>	<b>23,236</b>	<b>23,236</b>	<b>21,127</b>	<b>21,127</b>
of which, cleared	17,174	1	1	1	1
<b>Currency-related</b>					
Options	63,986	878	878		
Futures	1,409,729	30,577	30,577	29,661	29,661
Swaps	380,096	11,673	10,292	13,006	11,845
	<b>1,853,811</b>	<b>43,128</b>	<b>41,747</b>	<b>42,667</b>	<b>41,506</b>

## NOTES

Note 50 ctd. Derivatives instruments

Group 1997	Nom. amount	Positive closing values or nil values		Negative closing values	
		Market value	Book value	Market value	Book value
<b>Equity-related</b>					
Options	7,556	76	76	31	31
Futures	240	2	2		
Swaps					
	<b>7,796</b>	<b>78</b>	<b>78</b>	<b>31</b>	<b>31</b>
of which, cleared	6,767	43	43	15	15
<b>Total</b>	<b>4,815,275</b>	<b>66,442</b>	<b>65,061</b>	<b>63,825</b>	<b>62,664</b>

### Parent company, 1998

<b>Interest-related</b>					
Options	54,750	172	172	1	1
Futures	1,638,391	1,943	1,943	1,904	1,904
Swappar	889,138	23,421	23,421	22,496	22,496
	<b>2,582,279</b>	<b>25,536</b>	<b>25,536</b>	<b>24,401</b>	<b>24,401</b>
of which, cleared	18,237	9	9	1	1
<b>Currency-related</b>					
Options	90,425	1,591	1,591		
Futures	1,445,133	21,492	21,492	22,850	22,850
Swaps	278,962	6,109	3,217	7,323	3,659
	<b>1,814,520</b>	<b>29,192</b>	<b>26,300</b>	<b>30,173</b>	<b>26,509</b>
<b>Equity-related</b>					
Options	7,493	48	48	81	81
Futures	1,029	1	1	20	20
	<b>8,522</b>	<b>49</b>	<b>49</b>	<b>101</b>	<b>101</b>
<b>Total</b>	<b>4,405,321</b>	<b>54,777</b>	<b>51,885</b>	<b>54,675</b>	<b>51,011</b>

### Parent company, 1997

<b>Interest-related</b>					
Options	33,849	144	144	1	1
Futures	2,097,560	3,886	3,886	3,928	3,928
Swaps	820,092	19,175	19,175	17,150	17,150
	<b>2,951,501</b>	<b>23,205</b>	<b>23,205</b>	<b>21,079</b>	<b>21,079</b>
of which, cleared	17,174	1	1	1	1
<b>Currency-related</b>					
Options	63,929	873	873		
Futures	1,406,941	30,507	30,507	29,646	29,646
Swaps	380,092	11,673	10,292	13,005	11,844
	<b>1,850,962</b>	<b>43,053</b>	<b>41,672</b>	<b>42,651</b>	<b>41,490</b>
<b>Equity-related</b>					
Options	7,556	76	76	31	31
Futures	240	2	2		
Swaps					
	<b>7,796</b>	<b>78</b>	<b>78</b>	<b>31</b>	<b>31</b>
<b>Total</b>	<b>4,810,259</b>	<b>66,336</b>	<b>64,955</b>	<b>63,761</b>	<b>62,600</b>

## 51 Fair value information

Group, 1998	Current assets		Fixed assets	
	Book value	Fair value	Book value	Fair value
<b>Assets</b>				
Cash and Central Bank balances	1,482	1,482	3,271	3,271
Eligible Treasury Bills etc.	71,223	71,223	4,693	4,837
Lending to credit institutions			91,137	92,307
Lending to the general public			324,442	328,858
Bonds and other interest-bearing securities, banking operations	24,556	24,556	9,871	10 258
Bonds and other interest-bearing securities, insurance operations	20,839	20,839		
Shares and participations, banking operations	3,007	3,007		
Shares and participations, insurance operations	6,421	6,421		
Shares and participations for which investment risk is borne by policyholders			37,454	37,454
Shares and participations in associated companies			452	884

## NOTES

Note 51 ctd. Fair value information

	Current assets		Fixed assets	
	Book value	Fair value	Book value	Fair value
Intangible fixed assets			10,384	10,384
Tangible assets	353	353	1,589	2,007
Other assets	60,536	63,428		
Prepaid expenses and accrued income	17,947	17,947		
<b>Total</b>	<b>206,364</b>	<b>209,256</b>	<b>483,293</b>	<b>490,260</b>
<b>Liabilities</b>				
Liabilities to credit institutions	153,824	155,031		
Deposits and borrowings from the general public	187,901	188,101		
Securities issued, etc	133,052	136,904		
Other liabilities	86,949	90,613		
Accrued expenses and prepaid income	18,028	18,028		
Technical provisions	12,433	12,433		
Provisions for which investment risk is borne by policyholders	37,378	37,378		
Other provisions	5,612	5,612		
Subordinated liabilities	24,010	23,607		
<b>Total</b>	<b>659,187</b>	<b>667,707</b>		

### Group, 1997

<b>Assets</b>				
Cash and Central Bank balances	1,406	1,406	5,187	5,187
Eligible Treasury Bills, etc.	39,799	39,799	4,571	4,816
Lending to credit institutions			98,876	99,385
Lending to the general public			315,566	318,742
Bonds and other interest-bearing securities, banking operation	25,238	25,238	7,578	7,578
Bonds and other interest-bearing securities, insurance operations	10,842	10,842		
Shares and participations, banking operations	2,873	2,873	657	657
Shares and participations, insurance operations	8,475	8,475		
Shares and participations for which investment risk is borne by policyholders			28,371	28,371
Shares and participations in associated companies			262	643
Intangible fixed assets			10,379	10,379
Tangible assets	391	391	4,108	6,237
Other assets	86,232	86,268		
Prepaid expenses and accrued income	18,275	18,275		
<b>Total</b>	<b>193,531</b>	<b>193,567</b>	<b>475,555</b>	<b>481,995</b>
<b>Liabilities</b>				
Liabilities to credit institutions	142,998	143,527		
Deposits and borrowing from the general public	182,371	182,461		
Securities issued, etc.	112,805	114,894		
Other liabilities	115,552	116,643		
Accrued expenses and prepaid income	18,235	18,235		
Technical provisions	13,236	13,236		
Provisions for life insurance for which investment risk is borne by policyholders	28,275	28,275		
Other provisions	6,117	6,117		
Subordinated liabilities	21,507	21,507		
<b>Total</b>	<b>641,096</b>	<b>644,895</b>		

The above calculation comprises balance sheet items at fixed rates of interest during fixed periods. This means that all items subject to variable rates of interest, i.e. deposit/lending volumes for which interest terms are market-related, have not been recalculated; the nominal amount is considered to equal a fair value.

When calculating fair values for fixed-interest rate lending, future interest income is discounted with the help of a market interest curve, which has been adjusted for applicable margins on new lending. Correspondingly, fixed-interest rate-related deposits/lending are discounted with the help of the market interest curve, adjusted for relevant margins.

In addition to fixed-rate deposits/lending, adjustments have also been made for surplus values in properties and certain shareholdings.

One effect of this calculation method is that the fair values arrived at in times of falling margins on new lending will be higher than book values, while the opposite is true in times of rising margins. It should furthermore be noted that this calculation does not represent a market valuation of the Bank as a company.

**52 Information on claims on, and liabilities to, Group and associated companies**

<b>Parent company, 1998</b>	Total	Group companies	Associated companies	Other
Eligible Treasury Bills, etc.	70,938			70,938
Lending to credit institutions	130,683	50,762	588	79,333
Lending to the general public	199,123	13,609		185,514
Bonds and other interest-bearing securities	34,298	896	363	33,039
<b>Total</b>	<b>435,042</b>	<b>65,267</b>	<b>951</b>	<b>368,824</b>
Liabilities to credit institutions	153,876	9,406		144,470
Deposits and borrowing from the general public	185,805	6,376	81	179,348
Securities issued, etc.	67,647	31		67,616
Subordinated liabilities	23,058			23,058
<b>Total</b>	<b>430,386</b>	<b>15,813</b>	<b>81</b>	<b>414,492</b>
<b>Parent company, 1997</b>				
Eligible Treasury Bills, etc.	42,180			42,180
Lending to credit institutions	124,187	39,544		84,643
Lending to the general public	204,837	8,063		196,774
Bonds and other interest-bearing securities	31,656	404		31,252
<b>Total</b>	<b>402,860</b>	<b>48,011</b>		<b>354,849</b>
Liabilities to credit institutions	146,494	9,148		137,346
Deposits and borrowing from the general public	176,721	3,669	40	173,012
Securities issued, etc.	46,467	15		46,452
Subordinated liabilities	20,485			20,485
<b>Total</b>	<b>390,167</b>	<b>12,832</b>	<b>40</b>	<b>377,295</b>

**53 Information regarding rental contracts for premises**

	Group, 1998	Parent company, 1998
Rental contracts relating to		
1999	508	251
2000	501	251
2001	485	251
2002	380	242
2003	362	234
2004 and beyond	1,675	1,411
<b>Total</b>	<b>3,911</b>	<b>2,640</b>

**54 Capital adequacy analysis**

<b>Capital base</b>	Financial group of undertakings <sup>1)</sup>		Parent company	
	1998	1997	1998	1997
Core capital (net)	25,113	24,914	21,810	20,983
Supplementary capital	20,539	18,041	20,207	17,659
Deduction	-12,060	-13,824	-12,265	-14,148
<b>Total</b>	<b>33,592</b>	<b>29,131</b>	<b>29,752</b>	<b>24,494</b>

**Calculation of capital requirements for different credit risks**

<b>Balance sheet items</b>				
<i>Total investments</i>				
Group A (0 %)	153,208	244,020	213,468	216,647
Group B (20 %)	79,271	95,993	69,248	89,395
Group C (50 %)	97,918	91,205	14,542	10,821
Group D (100 %)	176,879	172,685	137,616	134,685
<b>Total</b>	<b>507,276</b>	<b>603,903</b>	<b>434,874</b>	<b>451,548</b>
<i>Risk-weighted amount</i>				
Group A (0 %)				
Group B (20 %)	15,854	19,199	13,850	17,878
Group C (50 %)	48,959	45,603	7,271	5,410
Group D (100 %)	176,879	172,685	137,616	134,685
<b>Total</b>	<b>241,692</b>	<b>237,487</b>	<b>158,737</b>	<b>157,973</b>

NOTES

Note 54 ctd. Capital adequacy analysis

Off-balance-sheet items	Financial group of undertakings <sup>1)</sup>		Parent company	
	1998	1997	1998	1997
<i>Nominal amount</i>				
Group A (0 %)	161,619	197,548	153,882	187,801
Group B (20 %)	443,857	1,823,343	443,697	1,822,985
Group C (50 %)	51,680	424,401	46,104	418,436
Group D (100 %)	56,868	56,716	59,471	60,816
<b>Total</b>	<b>714,024</b>	<b>2,502,008</b>	<b>703,154</b>	<b>2,490,038</b>
<i>Recalculated amount</i>				
Group A (0 %)	8,555	13,384	14,530	12,055
Group B (20 %)	19,356	31,386	19,332	31,343
Group C (50 %)	2,716	14,319	4,409	13,480
Group D (100 %)	31,469	30,535	34,909	35,299
<b>Total</b>	<b>62,096</b>	<b>89,624</b>	<b>73,180</b>	<b>92,177</b>
<i>Risk-weighted amount</i>				
Group A (0 %)				
Group B (20 %)	3,872	6,277	3,866	6,269
Group C (50 %)	1,358	7,159	2,204	6,740
Group D (100 %)	31,469	30,535	34,909	35,299
<b>Total</b>	<b>36,699</b>	<b>43,971</b>	<b>40,979</b>	<b>48,308</b>
<b>Total risk-weighted amount for credit risks</b>	<b>278,391</b>	<b>281,458</b>	<b>199,716</b>	<b>206,281</b>
<b>Calculation of capital requirements for market risks</b>				
Risk-weighted amount for interest rate risks	14,048	8,826	13,781	8,869
of which, for specific risks	3,846	1,598	3,696	1,599
of which, for general risks	10,202	7,228	10,085	7,270
Risk-weighted amount for equity-price risks	389	318	388	314
of which, for specific risks	145	119	145	117
of which, for general risks	244	199	243	197
Risk-weighted amount for liquidation risks	74	29	66	25
Risk-weighted amount for counterparty risks and other risks	14,284	8,156	14,270	8,156
Risk-weighted amount for currency-related risks	2,283	4,309	2,378	4,401
<b>Total risk-weighted amount for market risks</b>	<b>31,078</b>	<b>21,638</b>	<b>30,883</b>	<b>21,765</b>
<b>Calculation of total capital ratio</b>				
Total capital base	33,592	29,131	29,752	24,494
Total risk-weighted amount for credit and market risks	309,469	303,096	230,599	228,046
<b>Total capital ratio</b>	<b>10.85%</b>	<b>9.61%</b>	<b>12.90%</b>	<b>10.74%</b>

1) According to the capital adequacy rules, the analysis of capital adequacy shall comprise the financial group of undertakings, which also includes non-consolidated associated companies.

**55 Geographical distribution of income**

<b>Group, 1998</b>	<b>Total</b>	Sweden	Rest of Nordic region	Rest of Europe	Rest of world
Interest receivable	31,540	22,478	1,923	3,763	3,376
Dividends received	331	307	12	12	
Commission receivable	8,019	6,325	859	666	169
Net insurance income	1,737	1,737			
Net result of financial transactions	3,467	3,047	240	95	85
Other operating income	2,166	2,081	48	29	8
<b>Total</b>	<b>47,260</b>	<b>35,975</b>	<b>3,082</b>	<b>4,565</b>	<b>3,638</b>

**Group, 1997**

Interest receivable	29,159	22,045	1,185	3,550	2,379
Dividends received	180	178		2	
Commission receivable	6,945	5,531	604	700	110
Net result of financial transactions	1,527	1,208	96	126	97
Other operating income	430	334	15	77	4
<b>Total</b>	<b>38,241</b>	<b>29,296</b>	<b>1,900</b>	<b>4,455</b>	<b>2,590</b>

**Parent company, 1998**

Interest receivable	24,839	16,419	1,869	3,284	3,267
Leasing income	64	10		54	
Dividends received	4,828	4,183	22	8	615
Commission receivable	5,909	5,126	278	366	139
Net result of financial transactions	1,752	1,419	205	56	72
Other operating income	363	285	9	29	40
<b>Total</b>	<b>37,755</b>	<b>27,442</b>	<b>2,383</b>	<b>3,797</b>	<b>4,133</b>

**Parent company, 1997**

Interest receivable	21,618	14,929	1,107	3,243	2,339
Leasing income	57	39		18	
Dividends received	3,773	3,770			3
Commission receivable	5,561	4,867	158	436	100
Net result of financial transactions	1,470	1,247	60	80	83
Other operating income	189	138	1	11	39
<b>Total</b>	<b>32,668</b>	<b>24,990</b>	<b>1,326</b>	<b>3,788</b>	<b>2,564</b>

**56 Information regarding distribution of important assets and liabilities in main currencies**

<b>Group, 1998</b>	Total	SEK	USD	GBP	DEM	DKK/NOK/FIM	Other currencies
Lending to credit institutions	91,137	36,873	33,758	895	1,270	13,437	4,904
Lending to the general public	324,442	228,822	42,569	4,530	8,557	27,516	12,448
Bonds and other interest-bearing securities	131,182	60,131	15,306	997	6,198	12,507	36,043
Other assets	142,896	78,114	32,941	12,810	819	12,878	5,334
<b>Total assets</b>	<b>689,657</b>	<b>403,940</b>	<b>124,574</b>	<b>19,232</b>	<b>16,844</b>	<b>66,338</b>	<b>58,729</b>
Liabilities to credit institutions	153,824	36,190	52,659	10,444	19,932	14,773	19,826
Deposits and borrowing from the general public	187,901	128,778	23,796	4,065	4,508	15,509	11,245
Securities issued, etc.	133,052	70,813	26,405	15,199	4,710	14,291	1,634
Other liabilities	160,436	77,571	39,859	13,420	2,590	17,586	9,410
Subordinated liabilities	24,010	2,845	12,806	1,516	1,114	675	5,054
Shareholders' equity	30,434	30,434					
<b>Total liabilities and shareholders' equity</b>	<b>689,657</b>	<b>346,631</b>	<b>155,525</b>	<b>44,644</b>	<b>32,854</b>	<b>62,834</b>	<b>47,169</b>
<b>Group, 1997</b>							
Lending to credit institutions	88,450	31,807	40,380	1,931	1,248	7,697	5,387
Lending to the general public	325,992	229,950	41,183	8,055	7,665	18,286	20,853
Bonds and other interest-bearing securities	87,782	39,978	12,118	735	4,050	12,607	18,294
Other assets	166,862	79,018	39,770	17,749	869	21,779	7,677
<b>Total assets</b>	<b>669,086</b>	<b>380,753</b>	<b>133,451</b>	<b>28,470</b>	<b>13,832</b>	<b>60,369</b>	<b>52,211</b>
Liabilities to credit institutions	142,998	55,385	47,498	6,083	12,484	9,128	12,420
Deposits and borrowing from the general public	182,371	126,244	24,840	4,660	4,592	7,335	14,700
Securities issued, etc.	112,805	68,576	14,247	14,491	4,243	8,592	2,656
Other liabilities	181,438	93,820	42,519	19,665	1,043	20,864	3,527
Subordinated liabilities	21,507	2,692	8,702	1,466	1,375	596	6,676
Shareholders' equity	27,967	27,967					
<b>Total liabilities and shareholders' equity</b>	<b>669,086</b>	<b>374,684</b>	<b>137,806</b>	<b>46,365</b>	<b>23,737</b>	<b>46,515</b>	<b>39,979</b>
<b>Parent company, 1998</b>							
Liabilities to credit institutions	130,683	70,306	37,023	678	4,418	13,364	4,894
Lending to the general public	199,123	114,324	37,122	6,215	5,443	24,929	11,090
Bonds and other interest-bearing securities	105,236	39,818	15,244	690	1,324	12,165	35,995
Other assets	123,120	64,832	33,123	5,049	1,417	12,898	5,801
<b>Total assets</b>	<b>558,162</b>	<b>289,280</b>	<b>122,512</b>	<b>12,632</b>	<b>12,602</b>	<b>63,356</b>	<b>57,780</b>
Liabilities to credit institutions	153,876	34,282	56,315	10,426	16,865	14,770	21,218
Deposits and borrowing from the general public	185,805	131,012	22,616	4,879	2,887	14,507	9,904
Securities issued, etc.	67,647	6,024	25,759	15,199	4,710	14,322	1,633
Other liabilities	101,020	29,057	39,846	4,381	2,216	16,514	9,006
Subordinated liabilities	23,058	1,947	12,807	1,516	1,079	656	5,053
Shareholders' equity and untaxed reserves	26,756	26,756					
<b>Total liabilities and shareholders' equity</b>	<b>558,162</b>	<b>229,078</b>	<b>157,343</b>	<b>36,401</b>	<b>27,757</b>	<b>60,769</b>	<b>46,814</b>
<b>Parent company, 1997</b>							
Lending to credit institutions	124,187	63,215	42,359	1,793	2,750	8,126	5,944
Lending to the general public	204,837	119,700	36,020	9,495	5,492	14,598	19,532
Bonds and other interest-bearing securities	73,836	30,418	10,692	351	1,747	12,426	18,202
Other assets	136,740	62,617	38,035	9,021	276	20,267	6,524
<b>Total assets</b>	<b>539,600</b>	<b>275,950</b>	<b>127,106</b>	<b>20,660</b>	<b>10,265</b>	<b>55,417</b>	<b>50,202</b>
Liabilities to credit institutions	146,494	55,747	46,795	6,034	11,606	8,994	17,318
Deposits and borrowing from the general public	176,721	124,179	23,306	5,433	3,138	6,705	13,960
Securities issued, etc.	46,467	2,223	14,247	14,491	4,243	8,606	2,657
Other liabilities	125,437	51,449	40,319	10,289	767	19,731	2,882
Subordinated liabilities	20,485	1,913	8,702	1,466	1,132	596	6,676
Shareholders' equity and untaxed reserves	23,996	23,996					
<b>Total liabilities and shareholders' equity</b>	<b>539,600</b>	<b>259,507</b>	<b>133,369</b>	<b>37,713</b>	<b>20,886</b>	<b>44,632</b>	<b>43,493</b>

# The SEB Group

## Profit and Loss Accounts

SEK M	Pro forma					1994
	1998	1997	1996	1995		
Net interest income	6,777	6,830	7,349	4,513	Net interest	8,357
Net commission income	6,619	6,027	4,699	4,200	Commissions, fees and foreign exchange earnings	5,771
Net result of financial transactions	3,467	3,675	3,601	3,979		
Other operating income	4,234	4,112	691	3,033	Other operating income	3,042
<b>Total operating income</b>	<b>21,097</b>	<b>20,644</b>	<b>16,340</b>	<b>15,725</b>	<b>Total operating income</b>	<b>17,170</b>
General administrative expenses	11,605	11,695	7,854	7,047	Staff costs	4,535
Depreciation and write-downs	1,080	1,089	497	455	Other costs	3,474
Other operating costs	1,360	1,495	816	712		
Restructuring costs		1,472			Depreciation	418
<b>Total operating costs before losses</b>	<b>14,045</b>	<b>15,751</b>	<b>9,167</b>	<b>8,214</b>	<b>Total operating costs before losses</b>	<b>8,427</b>
Lending losses and change in value of assets taken over	2,247	680	1,303	4,025	Lending losses	9,444
Write-downs	4	409				
<b>Operating result</b>	<b>4,801</b>	<b>3,804</b>	<b>5,870</b>	<b>3,486</b>	<b>Operating result</b>	<b>-701</b>
Appropriations	531	440	410	142	Appropriations	-488
Taxes	-1,000	-1,014	-1,584	-1,098	Taxes	1,411
Minority interests	-6	3		1	Minority interests	-11
<b>Net profit for the year</b>	<b>4,326</b>	<b>3,233</b>	<b>4,696</b>	<b>2,531</b>	<b>Net reported profit for the year</b>	<b>211</b>

## Balance sheets

SEK M	1998	1997	1996	1995		1994
Lending to credit institutions	91,137	88,450	98,271	58,185	Deposited with banks	25,506
Lending to the general public	324,442	325,992	258,386	222,544	Lending	235,081
Interest-bearing securities	131,182	88,028	76,990	89,380	Interest-bearing securities	84,767
Shares and participations	47,334	40,638	20,148	16,285		
Other assets	95,562	125,978	96,833	132,229	Other assets	65,710
<b>Total assets</b>	<b>689,657</b>	<b>669,086</b>	<b>550,628</b>	<b>518,623</b>	<b>Total assets</b>	<b>411,064</b>
Liabilities to credit institutions	153,824	142,998	123,585	99,165	Borrowing from banks	81,956
Deposits and borrowing from the general public	187,901	182,371	151,929	133,606	Deposits	139,823
Securities issued, etc.	133,052	112,805	106,866	106,669	Securities issued, etc.	102,503
Technical provisions	12,433	13,236				
Provisions for policy holders	37,378	28,275	16,663	12,441		
Other liabilities	110,625	139,927	111,320	126,153	Other liabilities	45,040
Subordinated liabilities	24,010	21,507	18,965	16,020	Subordinated debt	18,239
Shareholders' equity and equity portion of untaxed reserves	30,434	27,967	21,300	24,569	Shareholders' equity and equity portion of untaxed reserves	23,503
<b>Total liabilities and shareholders' equity</b>	<b>689,657</b>	<b>669,086</b>	<b>550,628</b>	<b>518,623</b>	<b>Total liabilities and shareholders' equity</b>	<b>411,064</b>

## Key figures

	1998	1997	1996	1995	1994
Return on equity, per cent	14.8	11.0	22.7	10.7	-2.2
Return including change in surplus values, per cent	16.1	12.6			
Reported earnings per share for the year, SEK	7.35	4.14	8.91	4.80	-0.40
Earnings per share (Total result after tax), SEK	8.27	6.04			
Income/costs before losses	1.50	1.34	1.78	1.91	2.04
Income/costs after losses	1.29	1.27	1.56	1.28	0.96
Lending loss level, per cent	0.65	0.25	0.51	1.55	3.02
Level of doubtful claims, per cent	1.09	1.28	1.85	2.68	3.55
Total capital ratio, per cent	10.9	9.6	12.7	15.2	14.2
Core capital ratio, per cent	8.1	8.2	6.9	9.6	8.8

# Skandinaviska Enskilda Banken

## Profit and Loss Accounts

SEK M	1998	1997	1996	1995		1994
Net interest income	6,894	5,831	5,788	5,540	Net interest	7,423
Net commission income	4,847	4,579	3,207	2,814	Commissions, fees and foreign exchange earnings	4,279
Net result of financial transactions	1,752	1,470	3,585	4,078		
Other operating income	3,190	3,962	649	2,344	Other operating income	2,010
<b>Total operating income</b>	<b>16,683</b>	<b>15,842</b>	<b>13,229</b>	<b>14,776</b>	<b>Total operating income</b>	<b>13,712</b>
General administrative expenses	9,012	8,058	7,172	6,165	Staff costs	3,739
Depreciation and write-downs	201	289	235	291	Other costs	3,254
Other operating costs	1,212	815	748	607		
Restructuring costs		1,018			Depreciation	253
<b>Total operating costs before losses</b>	<b>10,425</b>	<b>10,180</b>	<b>8,155</b>	<b>7,063</b>	<b>Total operating costs before losses</b>	<b>7,246</b>
Lending losses and change in value of assets taken over	2,132	539	885	3,596	Lending losses	5,148
Write-downs	3,330	3,558				
<b>Operating result</b>	<b>796</b>	<b>1,565</b>	<b>4,189</b>	<b>4,117</b>	<b>Operating result</b>	<b>1,318</b>
Appropriations	-614	-86	755	431	Appropriations	3,028
Taxes	819	-827	-1,200	-726	Taxes	-414
<b>Profit for the year</b>	<b>1,001</b>	<b>652</b>	<b>3,744</b>	<b>3,822</b>	<b>Net reported profit for the year</b>	<b>3,932</b>

## Balance sheets

SEK M	1998	1997	1996	1995		1994
Lending to credit institutions	130,683	124,187	125,560	83,781	Deposited with banks	38,206
Lending to the general public	199,123	204,837	156,010	153,384	Lending	179,737
Interest-bearing securities	105,236	73,836	77,417	90,290	Interest-bearing securities	84,791
Shares and participations	24,162	25,087	9,257	8,963		
Other assets	98,958	111,653	93,505	109,282	Other assets	38,388
<b>Total assets</b>	<b>558,162</b>	<b>539,600</b>	<b>461,749</b>	<b>445,700</b>	<b>Total assets</b>	<b>341,122</b>
Liabilities to credit institutions	153,876	146,494	131,905	111,720	Borrowing from banks	93,740
Deposits and borrowing from the general public	185,805	176,721	148,350	130,600	Deposits	138,333
Securities issued, etc.	67,647	46,467	40,039	46,305	Securities issued, etc.	40,675
Other liabilities	101,020	125,437	104,496	119,818	Other liabilities	32,478
Subordinated liabilities	23,058	20,485	18,340	15,335	Subordinated debt	17,479
Shareholders' equity and untaxed reserves	26,756	23,996	18,619	21,922	Shareholders' equity and untaxed reserves	18,417
<b>Total liabilities and shareholders' equity</b>	<b>558,162</b>	<b>539,600</b>	<b>461,749</b>	<b>445,700</b>	<b>Total liabilities and shareholders' equity</b>	<b>341,122</b>

The new Accounting Act for Credit Institutions implies both a new form of presentation for profit and loss accounts/balance sheets and new valuation rules. More detailed information on the subject is found under Accounting principles on page 69.

The new valuation rules are applicable as from 1996. The new form of presentation has been applied to the profit and loss accounts/balance sheets for 1995–1998 in the above table, while the old presentation form has been kept for 1994.

# Proposal for the distribution of profit

The non-restricted funds of the SEB Group amount to SEK 6,164 M. Standing at the disposal of the Annual General Meeting in accordance with the balance sheet of Skandinaviska Enskilda Banken:

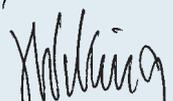
The Board proposes that, following approval of the balance sheet of Skandinaviska Enskilda Banken for the financial year 1998, the Annual General Meeting should distribute the above-mentioned unappropriated funds as follows:

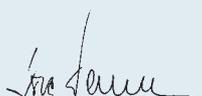
	SEK M		SEK M
Retained profits	4,970	declare a dividend of	
Result for the year	1,001	SEK 3.50 per Series A share	1,969
Non-restricted equity	5,971	SEK 3.50 per Series C share	90
		and bring forward to next year	3,912

Stockholm, 15 February, 1999

  
Jacob Wallenberg  
Chairman

  
Claes Dahlbäck

  
Gösta Wiking

  
Tore Daun

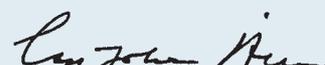
  
Urban Jansson

  
Ulf Jensen

  
Tuve Johannesson

  
Bengt Samuelsson

  
Marcus Wallenberg

  
Carl Johan Åberg

  
Lars H Thunell  
President

# Auditors' report

To the Annual General Meeting of Skandinaviska Enskilda Banken AB (publ); Corporate registration no 502032-9081

We have examined the Annual Report, consolidated financial statements, accounts as well as the administration of the Board of Directors of Skandinaviska Enskilda Banken AB (publ) for 1998. The Bank's internal audit department has assisted us in this work. The responsibility for the financial statements and for the administration rests with the Board of Directors. It is our responsibility to express our opinion on the Annual Report, consolidated financial statements and administration on the basis of our audit.

Our examination was performed in accordance with generally accepted auditing standards, which means that we have planned and implemented our audit in order to make sure as far as is reasonable that the Annual Report and the consolidated financial statements do not contain any material errors. An audit implies that a selected number of documents forming the basis of amounts and other information in the accounts is examined. An audit furthermore implies a test of the accounting principles and the Board's application of these as well as an evaluation of the total information contained in the Annual Report and the consolidated accounts. We have examined essential decisions, measures and circumstances in the company in order to be able to assess whether any member of the Board

of Directors is liable for damages towards the company or has acted in violation of the Banking Companies Act, the Act on Annual Accounts of Credit Institutions and Securities Companies, the Joint Stock Banking Companies Act or the Articles of Association. We consider that our audit gives us reasonable grounds for our opinion expressed below.

The Annual Report and the consolidated financial statements have been drawn up in compliance with the Act on Annual Accounts of Credit Institutions and Securities Companies. We therefore recommend

*that* the profit and loss account and balance sheet of the parent company and the Group be approved and

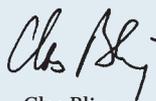
*that* the profit in the parent company be distributed according to the proposal in the Report of the Directors.

The members of the Board of Directors have not taken any measure nor rendered themselves guilty of any negligence which in our opinion could lead to liability for damages towards the company. We therefore recommend that the members of the Board of Directors be discharged from personal liability for the financial year.

*Stockholm, 2 March, 1999*



Göran Jacobsson  
Authorised Public Accountant



Clas Blix  
Authorised Public Accountant  
Chairman



Ulla-Britt Nordin Buisman  
Authorised Public Accountant  
Appointed by the Financial Supervisory Authority

# Board of Directors

*Members elected by the Annual General Meeting*

**Jacob Wallenberg** <sup>3) 4)</sup>

1956; 1997 (1996)

*Chairman*

Executive Vice President Investor.

Director Atlas Copco, Electrolux, Investor, WM-Data and Knut and Alice Wallenberg Foundation.

Shareholding: 95,690 Series A and 4,478 Series C.

**Claes Dahlbäck** <sup>2)</sup>

1947; 1997

*Deputy Chairman*

President Investor. Chairman Gambro, Stora

Enso and Vin & Sprit AB, Director Astra.

Shareholding: 3,320 Series A.

**Gösta Wiking** <sup>4)</sup>

1937; 1997

*Deputy Chairman*

Chairman Perstorp and Mölnlycke Health Care.

Director Bong Ljungdahl, Bure, Karlshamns AB and The Federation of Swedish Industries.

Shareholding: 3,000 Series A.

**Tore Daun** <sup>1)</sup>

1929; 1989 (1979)

Chairman Meda. Director Elmo Calf and BASF Sweden.

Shareholding: 2,718 Series A and 44 Series C.

**Urban Jansson** <sup>3)</sup>

1945; 1996

Chairman Dahl, Esselte, PriFast, Intrum

Justitia Group, Mac Gregor, Proffice, Scandic etc. Director Industri Kapital, Stockholm Chamber of Commerce and Svensk Handel.

Shareholding: 3,000 Series A.

**Tuve Johannesson**

1943; 1997

President Volvo Car. Director Cardo.

Shareholding: 7,000 Series A.

**Marcus Wallenberg**

1956; 1995

Deputy President, Investor. Deputy Chairman

Astra, Ericsson and Saab. Director Gambro,

Investor, Scania, Knut and Alice Wallenberg

Foundation and SAS Sweden.

Shareholding: 381,739 Series A and 20,158 Series C.

**Carl Johan Åberg** <sup>3)</sup>

1930; 1996

Ph.D.

Chairman The Swedish Association for Share Promotion and The Management of Stockholm School of Economics. Deputy

Chairman Securities Council. Director Capona,

Graninge, Preem Petroleum, Sardus and

Swebus.

Shareholding: 2,000 Series A.

**Lars H Thunell** <sup>3) 4)</sup>

1948; 1997

Ph.D.

*President and Group Chief Executive*

Chairman Swedish Bankers Association.

Director Astra.

Shareholding: 150 Series A and 165,000 options.

*Deputy Director elected by the Annual General Meeting*

**Mats Larsson**

1949; 1998

Executive Vice President and Deputy Group

Chief Executive. Head SEB Merchant Banking.

Shareholding: 13,400 options.

*Directors appointed by the employees*

**Ulf Jensen**

1950; 1997 (1995)

Vice Chairman Group Committee of Swedish

Union of Financial Sector Employees.

Shareholding: 0

**Bengt Samuelsson**

1953; 1998

Chairman Group Committee of Swedish Union

of Financial Sector Employees.

Shareholding: 369 Series A.

*Deputy Directors appointed by the employees*

**Henrik Nilsson**

1968; 1997

Chairman Association of University Graduates

at SEB.

Shareholding: 105 Series A.

**Inger Smedberg**

1949; 1998

Vice Chairman Group Committee of Swedish

Union of Financial Sector Employees.

Shareholding: 0

1) Chairman of Credit Committee of Board of Directors.

2) Chairman of Audit Committee of Board of Directors.

3) Member of Credit Committee of Board of Directors.

4) Member of Audit Committee of Board of Directors.

Dates indicate year of birth and year of election as Director or Deputy Director: year within brackets indicate first year of election as Director or Deputy Director. The indicated holdings of shares include the holdings of spouses/minors and closely associated companies.

BOARD OF DIRECTORS



Tuve Johansson  
Tore Daun  
Marcus Wallenberg  
Inger Smedberg

Claes Dahlbäck  
  
Henrik Nilsson

Mats Larsson  
Urban Jansson  
Lars H Thunell

Bengt Samuelsson

Gösta Wiking

Carl Johan Åberg  
Jacob Wallenberg  
Ulf Jensen

# Management Committee and Auditors

## Lars H Thunell\*

1948; 1997; Ph.D.

President and Group Chief Executive.  
Chairman Swedish Bankers Association.  
Director Astra.

Shareholding: 150 series A and 165,000 options.

## Mats Larsson\*

1949; 1983; B.Sc. (Econ)

Executive Vice President and Deputy  
Group Chief Executive. Head SEB Merchant  
Banking since 1998.

Shareholding: 13,400 options.

## Mariana Burenstam Linder

1957; 1997; B.Sc. (Econ)

Head SEB Kapitalförvaltning 1999.

Shareholding: 1,430 Series A and  
10,300 options.

## Monica Caneman\*

1954; 1977; B.Sc. (Econ)

Executive Vice President, Head Financial  
Services and in charge of Strategic  
planning, Baltic activities and co-ordination of  
Nordic activities since 1998. Chairman Bank  
Giro Central BGC. Director Scandic Hotels.

Shareholding: 8,250 options.

## Fleming Carlborg\*

1956; 1974

Executive Vice President and Head  
Retail Distribution since 1998.

Shareholding: 241 Series A,  
102 Series C and 2,050 options.

## Per-Erik Coos

1939; 1997; LL.B.

Executive Vice President and Head  
Trygg-Hansa since 1997.

Shareholding: 8,250 options.

## Lars Gustafsson\*

1946; 1982

Executive Vice President and Head SEB  
IT 1999. Director Stockholm International  
Fairs.

Shareholding: 302 Series A and 8,250  
options.

## Lars Isacsson\*

1944; 1972

Executive Vice President and Chief Financial  
Officer since 1993. Director BOFAB and  
Asticus.

Shareholding: 7,740 Series A and 4,130  
options.

## Lars Linder-Aronson

1953; 1979; B.Sc. (Econ)

Executive Vice President and Head Enskilda  
Securities since 1995. Director Stockholm  
Stock Exchange and OM Stockholm AB.

Shareholding: 19,036 Series A, 20 Series C  
and 9,500 options.

## Lars Lundquist\*

1948; 1997; B.Sc. (Econ)

Executive Vice President and Head SEB Asset  
Management since 1997.

Chairman Celtica. Director Hufvudstaden.  
Shareholding: 4,100 Series A and 10,300  
options.

## Anders Mossberg\*

1952; 1985

Executive Vice President and Head  
SEB Trygg Liv since 1997.

Shareholding: 2,640 Series A and  
10,300 options.

## Zaid Pedersen

1946; 1997; B.A. and B.Sc. (Econ)

Head of finance and in charge of International  
network within SEB Merchant Banking 1999.  
President Trygg-Hansa AB.

Shareholding: 7,000 Series A, 2,000 Series C  
and 10,300 options.

## Anders Rydin\*

1945; 1997; B.Sc. (Econ)

Executive Vice President, Controller and Head  
Group staff functions. Chairman Diligentia.

Director Swedish Association for Share  
Promotion and Cardo.

Shareholding: 17,000 Series A and  
20,600 options.

## Johan Wachtmeister

1959; 1989; M.Eng. and B.Sc. (Econ)

Executive Vice President and Head of  
Financing within SEB Merchant Banking.  
Chairman The Empire.

Shareholding: 40 Series A and 20,600  
options.

## Ulf Thornander

1954; 1986; LL.B.

Chief Legal Counsel, Secretary to the Board of  
Directors, Management Committee and Group  
Executive Committee.

Shareholding: 404 Series A and 2,050 options.

\*) Member of Group Executive Committee.

## AUDITORS

*Auditors elected by the Annual General  
Meeting*

### Clas Blix

Authorised Public Accountant  
Ernst & Young  
Chairman

### Göran Jacobsson

Authorised Public Accountant  
Öhrlings Coopers & Lybrand

*Deputy Auditors elected by the Annual General  
Meeting*

### Lars Bonnevier

Authorised Public Accountant  
Ernst & Young

### Peter Clemetson

Authorised Public Accountant  
Öhrlings Coopers & Lybrand

*Auditor appointed by the Financial Supervisory  
Authority*

### Ulla Nordin Buisman

Authorised Public Accountant  
Pricewaterhouse Coopers



Per-Erik Coos  
Anders Rydin  
Lars Gustafsson  
Monica Caneman

Mats Larsson  
Lars Linder-Aronson  
Lars Isacson

Anders Mossberg  
Fleming Carlborg  
Mariana Burenstam Linder

Zaid Pedersen  
Lars H Thunell  
Johan Wachtmeister  
Ulf Thornander och Lars Lundquist

## Advisory Regional Boards of Directors

### WESTERN SWEDEN

Eric Alfredson  
Elga AB

Peter Augustsson  
Saab Automobile

Sven Björkman  
SEB

Tore Daun

Bengt O Eriksson

Gunnar Larsson  
IFK Göteborg

Håkan Larsson  
Bilspedition Transport  
& Logistics AB, BTL

Mats Larsson  
SEB

Anne Ludvigson  
AB Ludvig Svensson

Mauritz Sahlén

Lars H Thunell  
*Chairman*  
SEB

Jan-Erik Vahlne  
Chalmers Tekniska Högskola

Johan Wachtmeister  
SEB

### SOUTHERN SWEDEN

Mikael Blomqvist  
Roxtec AB

Rolf Hansson  
SEB

Mikael Karlsson  
Axis Communications AB

Charlotte Hagberg  
SEB

Berthold Lindqvist

Inger Nilsson  
Malmö Stad

Lennart Nilsson  
AB Pethle

Thore Ohlsson  
AB Aritmos

Thomas Oldér  
Svedala Industri AB

Karl-Erik Sahlberg

Gunnar Skoog

Lars H Thunell  
*Chairman*  
SEB

## Addresses

### HEAD OFFICE

#### Management Committee

Visiting Address:  
Kungsträdgårdsgatan 8  
Postal Address: SE-106 40 Stockholm  
Telephone: +46 8 763 80 00  
+46 8 22 19 00 (Management)

### BUSINESS AREAS

#### SEB Merchant Banking

Visiting Address:  
Kungsträdgårdsgatan 8  
Postal Address: SE-106 40 Stockholm  
Telephone: +46 8 763 80 00, +46 8 506 23 000  
+46 8 22 19 00 (Management)

#### Retail Distribution, Financial Services,

#### SEB Asset Management

Visiting Address: Sergels Torg 2  
Postal Address: SE-106 40 Stockholm  
Telephone: +46 8 763 50 00, +46 8 639 10 00  
+46 8 22 19 00 (Management)

#### Enskilda Securities

Visiting Address: Nybrokajen 5  
Postal Address: SE-103 36 Stockholm  
Telephone: +46 8 52 22 95 00  
Fax: +46 8 52 22 95 01

#### Trygg-Hansa,

#### SEB Trygg Liv

Visiting Address: Fleminggatan 18  
Postal Address: SE-106 26 Stockholm  
Telephone: +46 8 693 10 00  
Fax: +46 8 693 17 89



# Annual General Meeting

The Annual General Meeting will be held at 4.30 p.m. on Thursday 29 April 1999, at Stockholmsmässan, Älvsjö.

## Notifications, etc.

Shareholders wishing to attend the Annual General Meeting shall *both* be registered in the shareholders' register kept by Värdepapperscentralen VPC AB ("VPC", the Swedish Securities Register Centre) as at 19 April, 1999 at the latest, and make a notification to the Bank's Head Office, Group Legal Matters, P.O. Box 16067, S-103 22 Stockholm, Telephone 020 23 18 18 (Sweden only) or +46 771 23 18 18 (from abroad), not later than 1.00 p.m. 23 April, 1999.

Shareholders whose shares are registered in the name of an authorised agent through a trust department of a bank or through another authorised depository must demand temporary registration in the shareholders' register of VPC in order to have the right to attend the Annual General Meeting, and must notify their authorised agent thereof in good time before 19 April, 1999.

*Please note that this procedure also applies to shareholders using Skandinaviska Enskilda Banken's Shareholder Deposit Account.*

## Dividend and record date

The Board of Directors proposes that 4 May, 1999 be the record date for the dividend. If the Annual General Meeting approves the proposal, dividend payments are expected to be distributed by VPC on 11 May, 1999.



Skandinaviska Enskilda Banken  
Group Communications  
S-106 40 Stockholm  
Sweden

# SEB



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