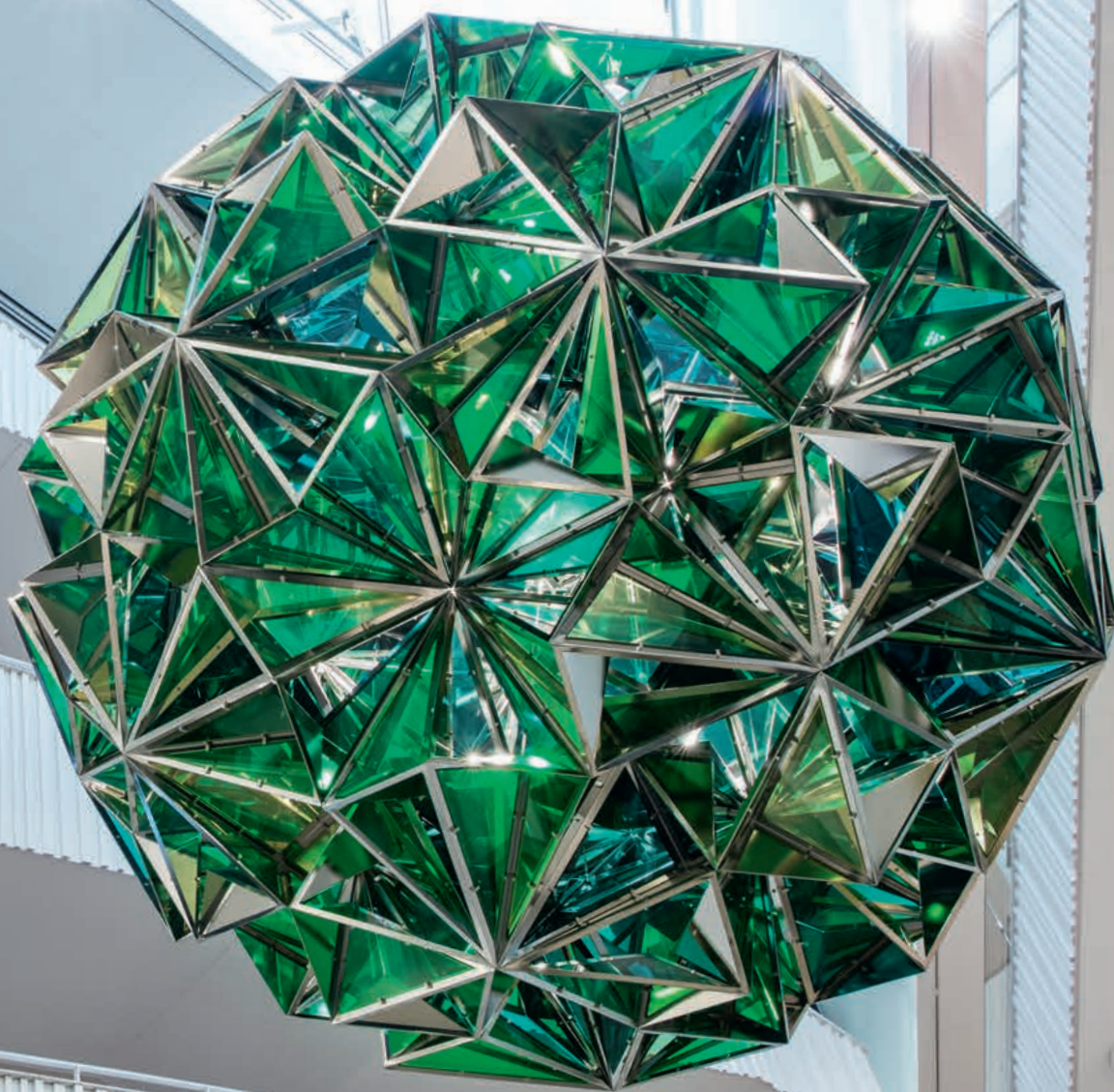


2018

Annual Review



SEB

Contents



4 Business environment

The economic and geopolitical uncertainty remained, but the global economy remained strong. The digital revolution is driving banking development and sustainability matters increase in importance.

8 Strategy and business plan

SEB updated the long-term strategy and introduced a business plan for 2019–2021. Focus lies on improving the customer offer through quality advice, increased efficiency and by reaching customers in more channels.



18 Customers

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

24 SEB in society

SEB is an integral part of society. The bank is supporting innovation, entrepreneurship and social inclusion. Sustainability matters are integrated in the bank's operations.



29 The year in figures

Operating profit before items affecting comparability increased by 1 per cent. Operating profit including items affecting comparability increased by 31 per cent. The Board proposes a dividend of SEK 6.50 per share.

COVER: Power Sharing Planet, by Olafur Eliasson. a part of SEB's art collection at the offices at Arenastaden, Solna. The office building won the award Sweden's best-looking office in 2017 (Sveriges snyggaste kontor).

2018 in brief

Important events and trends

SEB's updated strategy and new three-year business plan were presented.

Both large and smaller companies used SEB's traditional lending, advisory and cash management services to a higher degree, driving the 2018 result.

Customers increasingly utilised digital meetings and apps and SEB continuously introduced new functionality.

Payments and card transactions increased in the positive macroeconomic environment.

Late 2018 financial markets declined and volatility rose which improved Markets' result while the value of assets under management decreased.

Assets managed under SEB's sustainability criteria amounted to SEK 188bn.

Operating expenses were below the cost cap for the ninth year in a row.

Corporate transactions involving SEB Pension and UC AB resulted in a total capital gain of SEK 4.5bn.

Key figures

	2018	2017
Operating income, SEK m	45,868	45,561
Operating profit before items affecting comparability, SEK m	22,779	22,655
Operating profit, SEK m	27,285	20,759
Return on equity excluding items affecting comparability, per cent	13.4	12.9
Return on equity, per cent	16.3	11.7
Cost/income ratio	0.48	0.48
Earnings per share, SEK	10.69	7.47
Proposed total dividend per share, SEK	6.50 ¹⁾	5.75
Common equity tier 1 capital ratio, per cent	17.6 ²⁾	19.4
Leverage ratio, per cent	5.1	5.2
Liquidity Coverage Ratio (LCR), per cent	147	145

1) Ordinary dividend SEK 6.00 and extraordinary dividend SEK 0.50.
2) New rules in 2018. With the old rules outcome was 20.1 %.



Who we are

Our commitment to creating value for our customers is based on the tradition of entrepreneurship, an international outlook and a long-term perspective coupled with a continuous ability to adapt and to drive change.

As a bank we have an important role to play in the shift to a more sustainable world.

With our vision and strategy...

Our purpose

We believe that entrepreneurial minds and innovative companies are key to creating a better world. We are here to enable them to achieve their aspirations and succeed through good times and bad.

Our vision

Deliver world-class service to our customers.

Our strategic priorities

- Leading customer experience
- Maintaining resilience and flexibility
- Growing in areas of strength.

Our sustainability aim

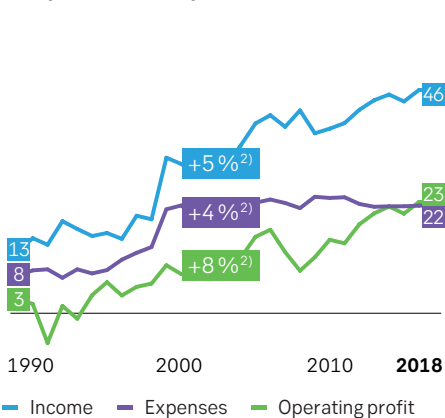
Be a role model in sustainability within the financial industry.

Our financial targets and outcome

	Outcome 2018 ¹⁾	Outcome 2017 ¹⁾
Dividend payout ratio at 40 per cent or more of earnings per share ²⁾		
Ordinary dividend	70%	70%
Extraordinary dividend	6%	
Total dividend	76%	70%
Common Equity Tier 1 capital ratio of around 150 basis points over requirement ³⁾	17.6%	19.4%
Return on equity competitive with peers ⁴⁾	13.4%	12.9%

1) Outcome excludes items affecting comparability.
2) Board proposal: an ordinary dividend of SEK 6.00, an extraordinary dividend of SEK 0.50, in total SEK 6.50 (5.75). Outcome including items affecting comparability 61% (77).
3) New rules in 2018. With the old rules outcome was 20.1%. Regulatory requirement estimated by SEB: 14.9% (17.2)
4) Outcome including items affecting comparability: 16.3% (11.7%)

Our profit development 1990–2018¹⁾, SEK bn

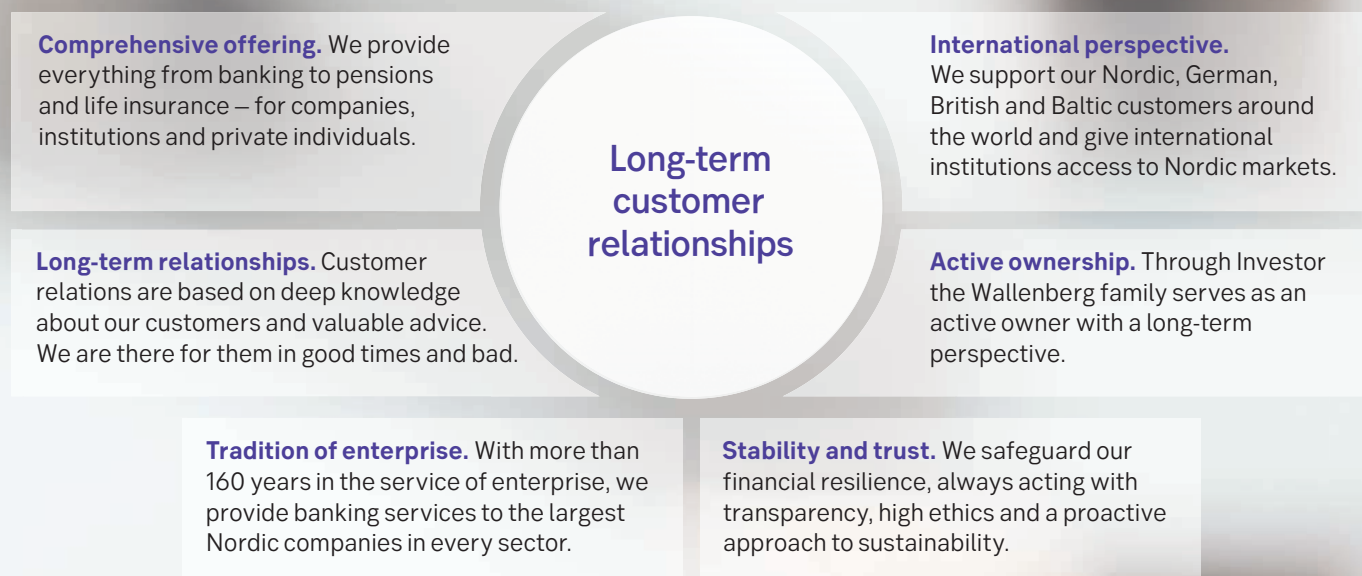


1) Excluding items affecting comparability.
2) Compound Annual Growth Rate (CAGR).

What we do

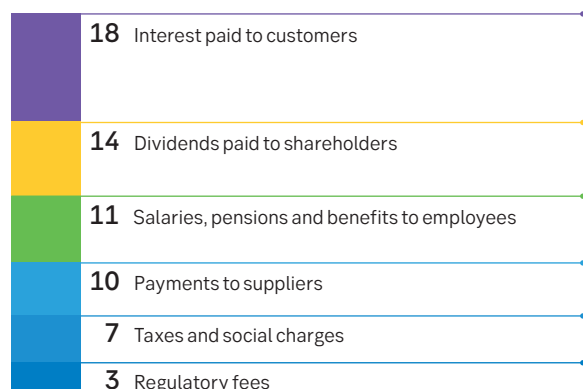
SEB plays an active part in the development of the societies in which the bank is operating, by helping our customers realise their ambitions through our strong customer relationships. In Sweden and the Baltic countries our offer includes financial advice and a wide range of financial services aimed at all types of customers. In the other Nordic countries, Germany and the United Kingdom, we are a full-service large corporate and institutional bank.

...via our areas of strength...

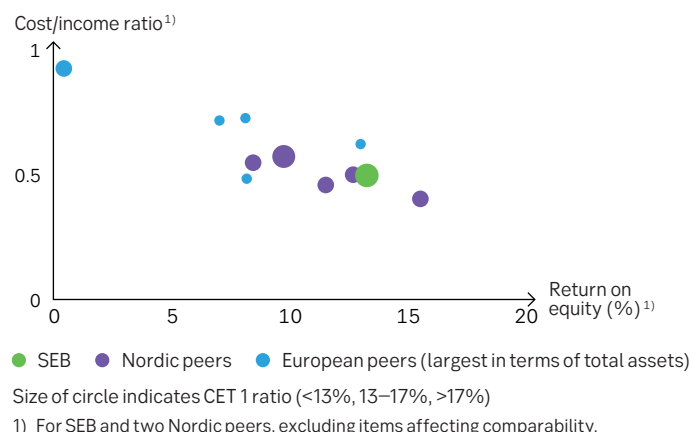


Financial value created by SEB, 2018

SEK 63bn



SEB is profitable, efficient and well capitalised



Whom we serve

Our customers are served by around 15,000 committed and experienced employees working as a team to create customer value by building strong customer relationships in all the markets where we operate.

...we serve our customers.

2,300 Large corporations

SEB's corporate customers in the Nordic region are among the largest in their respective industries. In Germany and the UK they range from large mid-corporate to large multinational companies.

700 Financial institutions

SEB's institutional clients operate both in the Nordic countries and internationally.

400,000 Small and medium-sized companies

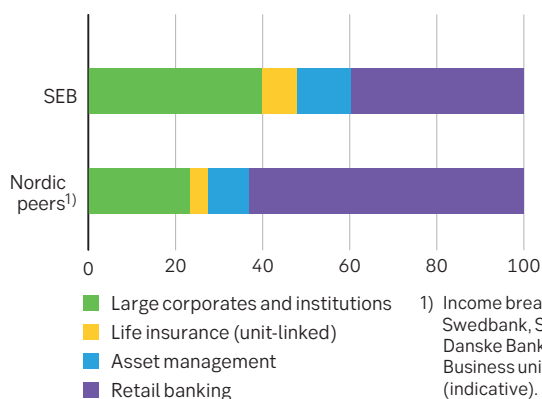
In all, SEB serves approximately 400,000 small and medium-sized companies in Sweden and the Baltic countries. Of these, some 267,000 are home bank customers.

4,000,000 Private individuals

SEB has approximately 4 million private individuals among its customers in Sweden and the Baltic countries. Of these some 1.4 million are home bank customers.

SEB – strong diversified business

Share of income, %



We serve customers in our home markets and abroad





Entering the next phase of our transformation journey



Ever since SEB was founded in 1856 we have been committed to delivering long-term value to our customers and shareholders. Based on leading customer experience combined with a robust balance sheet and sound credit exposure, we aim to serve our customers through good times and bad.



As the global economy moves past peak growth in the cycle, change has also become the new normal in the banking landscape. Our ability to balance our long-term perspective with speed and swiftness in our daily operations will be essential to our success going forward.

In 2018, the financial market's long-lasting resilience came to a halt towards the end of the year as positive business and market sentiment turned into late cyclical concerns. Being a universal bank with a diversified business, we benefited from our exposure across customer segments, products and geographies. Corporate customers were the main drivers of our financial performance growth in 2018, while financial institutions compensated positively for the decrease in assets under management as market volatility and the resulting customer activity picked up towards the end of the year. Household mortgage volumes increased modestly throughout the year.

New business plan

As we enter 2019, we are embarking on the next phase of our transformation journey towards our vision of delivering world class service to our customers. During

2018 we revisited our long-term strategic direction to ensure we remain the preferred choice for our customers, and the business plan for 2019–2021 is our first step of putting this vision into action.

In response to the continuous transformation of customer behaviours and technology as well as the regulatory and competitive landscapes, we have identified three strategic areas on which we will focus our efforts: strengthening our advisory capabilities, accelerating operational speed, and extending our digital distribution and offering.

Advisory leadership

Along with new technology and increasing competition, where transactional banking products are becoming more and more standardised, we believe that quality of advice – through digital and human interaction – will be a key differentiator for SEB to remain relevant to customers going forward. While having the right skills and competences is a prerequisite, we aim to better respond to specific customer needs and behaviours by applying new technology and enhancing the use of data in all our customer interactions.





With the strategic initiatives, we aim to increase our long-term profitability”



Operational excellence

New technology will also be implemented to accelerate speed in our ongoing digitalisation and automation journey, aiming to increase productivity and improve cost efficiency in response to the ever changing banking landscape. This will also enhance the customer experience by providing our customers with smarter, faster and safer solutions.

Extended presence

With financial services becoming more integrated into the daily life of customers, we also aim to leverage this increasingly interconnected banking landscape by widening SEB's distribution network. Through partnerships and new technology we will offer our products and services to customers outside SEB while also identifying new, cutting-edge solutions from third-party providers to integrate in SEB's full-service offering.

Responsible products

In addition to developing our core strengths, we also aim to leverage the new adjacent opportunities that emerge as the industry continues to change. In order to accelerate growth and further enhance profitability, SEB will invest in a selection of strategic initiatives as part of our new three-year business plan. Sustainability is one of these initiatives and is a response to the increasing demand from customers and our determination to become a role model in sustainability within the financial industry. With the trust put in us by our customers, shareholders and employees, we believe SEB is well-positioned to innovate and drive the development in sustainable financial services. While continuing to integrate sustainability into our processes, we will also ensure we remain compliant and adhere to best-in-class code of conduct in order to position SEB as the go-to financial institution in the area of sustainability.

By investing in our future, we want to confirm our position as the leading Nordic bank for corporations and institutions, and a top universal bank in Sweden and the Baltic countries. In order to achieve this, people will remain at the core of everything we do. I am very proud to be part of the SEB team who relentlessly strive to reach our vision of world-class service and deliver long-term value to our customers and shareholders.

Stockholm, February 2019

Johan Torgeby
President and Chief Executive Officer

Business environment

During most of 2018 the global economic boom remained resilient to political uncertainty and global imbalances in a highly indebted world. New customer behaviours, new technology and new regulations are changing the playing field for the financial sector.



Ten years after the financial crisis

Signs from the global financial crisis in 2008, which started with the Lehman Brothers collapse, are still tangible. Due to resolute action, authorities and central banks succeeded in mitigating the crisis and avoiding a full-scale depression. Since then a succession of regulations have created a more robust, transparent and highly capitalised banking system. The supervisory authorities are collaborating globally, financial resolution facilities are in place in the most important markets, and the global economic recovery continues, though with signs of slowdown.

But the cost has been negative interest rates and record-high indebtedness. The global debt level of households, non-

financial corporations and governments has increased from 210 per cent of the gross domestic product in 2007, to more than 240 percent. This is due both to the acute crisis management following the Lehman Brothers collapse and the monetary stimulus packages that were adopted by many Western economies. In Sweden the prolonged period of low interest rates has contributed to a higher level of private debt and rising asset prices. In late 2018, the Swedish central bank announced its first repo rate hike in seven years; 25 basis points to -0.25 percent.

Complex risk scenario

At a more overarching socio-political level, the financial crisis has resulted in larger socioeconomic gaps and global imbalances,

which in turn have contributed to growing populism and nationalism in the political arena. In addition, protectionism came into display in 2018 in the form of trade barriers and the complications of the Brexit process, among other things. Environmental and climate issues are also high on the agenda. The prolonged economic upswing combined with growing political uncertainty contribute to the complex risk scenario.

Repo rate in Sweden
 $< 0\%$
 since February 2015

High expectations for service among businesses and private individuals

Comprehensive services

Large corporations and financial institutions have broadened their contact interfaces with banks and want to see seamless digital integration alongside proactive and value-creating advisory services. They expect banks to use their extensive sources of data to create customised analyses and make recommendations. They have high demands that their banks' advisers have solid industry knowledge, specialist expertise and access to sophisticated tools.

The same development can be seen among small and medium-sized enterprises, which have come to expect both proactive advice and digital services on their terms. In this area development is moving at a fast pace as companies want to be able to manage their payments directly in their own systems in order to eliminate duplicate work.

In the private market, customers expect services that are smarter, faster, more secure and designed according to their terms. Among customers in the Private Banking segment relationship banking



continues to be important and there is an expectation for individualised advice combined with comprehensive, convenient and sophisticated digital services.

Among other private customers as well there is a preference for personalised advice that is available in the form and channel of customers' choosing. They put great trust in banks and are open to sharing their personal data if it leads to smarter, more relevant and timely advice and services.

Willingness to embrace digital solutions is great. Customers are increasingly using more than one provider of financial services.

Savings

Among private customers there is greater awareness that the demographic trends of an ageing population and strong migration pressure are challenging social welfare programmes. This is increasing the need for financial security and social welfare solutions. Attitude surveys show that half of all private individuals want to increase their long-term savings as long as they are presented with interesting and relevant solutions.

Personal meetings

Despite the keen interest in and strong development of digital solutions, personal contact with customers is at least equally important when the need arises, which puts demands on flexible, accessible and modern meeting places and video calls.

Digital development



The digital revolution is impacting many aspects of society. Business models, relationships and 'economic truths' are being re-examined.

Company ideas are quickly becoming outdated, and new ones are emerging just as fast. For banks, the business model is being evaluated in the same way, and with digitalisation comes new opportunities to reach customers and create new services. At the same time risks for fraud, cybercrime and money laundering are increasing. New technologies provide SEB with new capabilities to identify suspicious activities and improve transaction reporting.

Open Banking

New banking rules enable third-party developers to build their customer applications around banks' systems and data through the use of application programming interfaces (APIs). This development, which is known as Open Banking, entails both opportunities and challenges. Banks have large customer bases and great trust capital among their customers, which makes collaboration with new partners a great business opportunity. Banks with quality services also have the opportunity to use Open Banking to reach new customers. Open Banking regulations differ between markets, challenging cross-border solutions. In the EU, however, implementation of Payment Services Directive (PSD 2) has established a common ground.

Data analysis

Customers are increasingly expecting customised services based on their personal situation. Using artificial intelligence, machine learning and its extensive data, banks can build smarter and more sophisticated services to meet customer needs. Customer benefit, ethical use

of sensitive data as well as customer integrity must be weighted in the process.

Evolving technologies

The rapid pace of technology development implies great exploitation potential. Through artificial intelligence (AI) and machine learning, accurate forecasts can be made on the basis of analysis of large amounts of data. Therefore, AI will be a game changer in the banking sector when it comes to providing advice based on data analysis. Blockchain technology, which enables transaction to be verified and processed in real time, may transform the way payments and business transactions are conducted while cloud computing may change how IT infrastructure and IT applications are managed and developed.

Agile development

New, dynamic ways of working that are based on agile development and service design in close interaction with customers are rapidly being implemented in the industry for all types of processes. For instance, banks now have the opportunity to move away from large-scale IT projects that were previously conducted within the financial sector, in favour of new step-by-step solutions that are more flexible and can meet customer needs more quickly.

Competence

As more and more services become digital, customers' expectations for value creation and proactive advice are growing. In this regard, a bank's ability to support the competence development of its employees and attract top talent is decisive for its future success.

New regulations changing the playing field

During the year the financial sector continued to be characterised by an extensive agenda of regulation, which has required banks to implement major IT and operational adaptations.

Consumer protection

As of the beginning of 2018 the EU's Markets in Financial Instruments Directive (MiFID II) came into force, which seeks to improve consumer protection and transparency in securities trading.

Payment services

Implementation of the EU's revised Payment Services Directive (PSD 2) also began in 2018, aiming to make banks' information on customers' account and payment services available externally.

This entails both opportunities and challenges for the banks' existing business models as banks and other companies – via standardised interfaces – will be able to access each other's customer information.

Anti-money laundering

The regulations addressing money laundering and financing of terrorism were sharpened in 2017, and as the regulatory authorities subsequently stepped up their monitoring activities, these issues attracted greater attention in the media and political agendas. Several banks – both in the Nordic countries and internationally – have found themselves in the spotlight due to ineffective routines for countering money laundering.

Sustainability requirements

In 2018 the EU Commission presented an action plan for how the financial sector shall contribute to the EU's achievement of the climate and energy targets required to meet the 2°C target. The Commission has recommended that the financial sector play a key role in steering capital flows towards a more sustainable economy, and in the years immediately ahead will formulate binding requirements and goals for this work.

Other new regulations

The extensive new accounting standard IFRS 9 Financial Instruments went into force as of January 2018, and in May 2018 the EU's General Data Protection Regulation (GDPR) took effect.

Focus on sustainability



THE GLOBAL GOALS
For Sustainable Development

One clear and enduring trend in the general operating environment is the rising focus on sustainability. Customers in all segments expect banks to take great responsibility, and there is growing demand for sustainable products, where customers – through their choices of

financial services – can participate in and influence development towards a more sustainable society.

Many companies are putting sustainability work high up on their own agendas and are beginning to implement the UN's SDGs in practice. In order to transform their business to be more sustainable, they seek the assistance and products that banks can provide.

At the global level, climate change is undoubtedly a great challenge. The UN's 17 Sustainable Development Goals (SDGs) that were adopted in 2015 represent a uniform, integrated approach and harmonise the three core elements of sustainable development: economic growth, social inclusion and environmental protection. Many scientists believe that the possibilities to achieve the sustainability goal of limiting Earth's temperature rise to 2°C are small given the current pace of change. Breaking this trend will require a radical shift in most industries combined with innovative solutions and investments in infrastructure. The financial sector has a relatively small direct environmental impact, but by meeting customers' needs for sustainability-related financing and offering products with a sustainability perspective, it has the potential to make a great impact.

Sustainable development goals in focus at SEB



Decent work and economic growth



Industry, innovation and infrastructure



Climate action



Peace, justice and strong institutions



SEB's conclusions

SEB's analysis of the business environment has resulted in seven conclusions, which contributed to updating the bank's strategy and new three-year plan.

- ➔ Customers expect smarter and faster services, secure and accessible on their terms.
- ➔ Long-term customer relationships and trust are built on valuable advice, based on best-in-class data capabilities.
- ➔ The customer offering can be enhanced through digitalisation, automation and partnerships with external suppliers.
- ➔ Sustainability will grow in importance for customers, employees and other stakeholders.
- ➔ People are at the core of everything we do and will be determinant for our success.
- ➔ The ability to manage risk and attract assets will be key.
- ➔ Regulatory pressures are expected to remain.



Strategy for world-class service

SEB's long-term vision, to deliver world-class service to our customers, recognises that customer satisfaction is a prerequisite for all activities. By seizing opportunities that emerge in a continuously changing banking landscape the bank is pursuing customer satisfaction.



A long-term perspective

Founded in the service of enterprise more than 160 years ago, SEB has through the years operated from a base of three pillars on which the present strategy and business plan are built.

Leading customer experience



Develop long-term relationships based on valuable advice, customers' trust in SEB as well as their appreciation of SEB's services.

Resilience and flexibility



Maintain resilience and flexibility, based on capital and liquidity strength, to enable adaptation to prevailing market conditions.

Growth in areas of strength



Focus on profitable organic growth in areas of strength.

Strategy

Delivering world-class services to customers is as crucial today as in 2015 when SEB established its long-term Vision 2025. A review of the current and future business environment form the basis for the updated Vision 2025 as well as the new strategy and business plan.

While maintaining and improving the current business operations, SEB aims to enhance customer services based on opportunities captured from new customer behaviours, emerging tech-

nologies and changing market conditions. This aims to ensure customer satisfaction and create sustainable shareholder value through long-term growth.

The ambition to be the undisputed leading Nordic corporate and institutional bank as well as the top universal bank in Sweden and the Baltic countries remains unchanged.

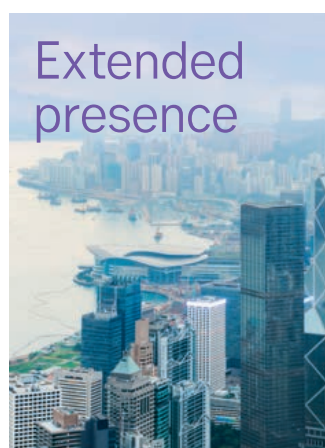
SEB's strategy has three main focus areas: advisory leadership, operational excellence and extended presence.



Provide customers with proactive, customised and valuable advice, based on customer insight and data analysis – through human and digital interaction.



Enhance customer value and increase process efficiency and speed by accelerating digitalisation and automation while extending the use of data.



Broaden the offering by supplying customers with external products and extend SEB's presence by providing products and services in customers' digital ecosystems.

Business plan 2019–2021

The current business operations will be further developed within the strategic focus areas of advisory leadership, operational excellence and extended presence. Within these areas, strategic

initiatives will also be undertaken in order to accelerate transformation by leveraging the business opportunities emerging from the changing banking landscape.

Overall targets

Shareholder value is created through profitable growth and improved efficiency, while maintaining strong capital efficiency.

As part of the planning for the next three years, the Board reviewed its three financial targets. They remain unchanged:

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

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

SEB will continue to operate with a strict cost discipline ensuring that its current operations are cost efficient. The new strategic initiatives, on an accumulated basis, are estimated to lead to total additional investments of SEK 2–2.5bn over the three years. This translates into an annual cost increase of SEK 1bn by 2021 (compared with 2018) and a new total cost target of around SEK 23bn, assuming 2018 foreign exchange rates. The pace of investments will be dependent on progress and will gradually increase over the next three years. The strategic initiatives are expected to lead to both revenue growth and cost efficiency.

The overall progress of the business plan will also be monitored in terms of customer satisfaction, employee engagement and efficiency as well as sustainability.



An attractive full-service customer offering based on high-quality proactive advice and products will distinguish SEB when certain banking services and products are becoming more standardised.

By turning data into insight through data analysis, SEB will better meet customer needs and behaviours which will add value to the advisory services.

Further development

- **Strengthen** and expand the large corporate and institutional business in SEB's home markets by offering proactive and improved customer services and platforms.
- **Focus** on sustainable growth in the Baltic countries, while carefully monitoring risks.
- **Provide** more relevant and targeted advice to small and medium-sized companies using data analytics.
- **Make** SEB the leading pension provider in Sweden and the Baltic countries and improve customer services by combining the savings and insurance offer.
- **Strengthen** SEB's position in sustainable financing and investment.

Strategic initiatives

- **Savings and investments** – enhance the bancassurance offering and develop investment management capabilities.
- **Corporate and investment banking** – enhance advisory capacity, with special focus on opportunities in renewable energy and new technologies.
- **Private banking** – improve the private banking offering and expand in the Nordic markets.
- **Accelerate** innovation in sustainable financial services.
➤ See p. 12.

Operational excellence



Customers demand smarter, faster and more secure services while fierce competition requires SEB to continuously become more efficient.

Focus will lie on efficiency and speed – enabling swift transaction execution through the use of new technology and data. By digitalising and automating end-to-end processes SEB will improve the customer offering and increase productivity and cost efficiency.

Further development

- **Provide** customers with improved advice and new products, through new methods of using the unique data that SEB holds.
- **Invest** in new technology.
- **Enhance** accessibility and convenience for private customers across all channels, for instance digital agreement signing and digital customer onboarding.
- **Free up time** for more advisory meetings through leverage of self-service and data.
- **Improve** the efficiency of the risk and compliance functions by using digital methods.

Strategic initiatives

- **End-to-end automation** of selected customer and internal processes.
- **Data-driven improvement** of competitiveness through advanced analytics of big data.
- **Agile processes** expansion to increase the speed of development.
- **Adaptation** of employee skills and competence to match future needs.

Extended presence



Financial services are becoming more integrated in customers' daily life and operations. In order to meet customers' demand, SEB will extend the offering by integrating products and services from third-party providers. The distribution network will also be extended by offering SEB products and services to customers on platforms of their choice.

By using new distribution channels and platforms SEB aims to explore new business models, enter new markets and attract new customers.

Further development

- **Enhance** the full-service offering and take part in Open Banking-related opportunities in order to, for example, distribute SEB's products to new markets.
- **Develop** the Greenhouse concept for small and medium-sized companies through a full-service offering complemented by adjacent services such as legal advice and recruitment services from external providers.
- **Continue** to engage in new partnerships and participate in industry initiatives, for instance on blockchain and other new technology.
- **Explore** new business models and services adjacent to banking, while also building competence in new technologies and innovation.
- **Invest** in fintech companies through SEB's venture capital business to foster new relationships benefiting customers.

Strategic initiatives

- **Open Banking** – develop the business in co-operation with external parties.
- **ERP integrator** – collaborate with ERP (enterprise resource planning) vendors for better customer service.
- **Scaling Markets' system** – increase digital indirect distribution channels to utilise the existing trading system more efficiently.
- **SEBx** – explore and utilise new technology to meet future customer needs independently from the bank's operations.

Transformation towards a sustainable future

In a world characterised by great uncertainty from both economic and sustainability perspectives, customers and other stakeholder groups raise their expectations on the bank to provide innovative and responsible solutions and actively contribute to a sustainable future.

Since several years, SEB has had the ambition to be a role model in sustainability within the financial industry. In 2018, SEB strengthened its focus even further on sustainability which is now a key component of the bank's business plan 2019–2021.

Classifying and transforming portfolios

In view of the ongoing climate change, SEB will, in supporting its customers in their ambition to be more sustainable, start to classify and gradually transform its credit portfolio. The bank will also assess its total assets under management – this in addition to assets already assessed in SEB's fund company – and increase the share of assets managed according to sustainability criteria.

Simultaneously, SEB will enhance sustainability advisory capabilities to customers, based on market insight and the bank's expertise and thought leadership.

Additionally, SEB will establish an innovation centre where emphasis will be on creating new financing and investment opportunities, such as development of sustainable capital market products and services, this in addition to the daily product development in the divisions. The bank aims to provide a range of sustainability and impact products in all customer segments.

Among the areas for product development are:

- sustainable corporate loans, bonds and consumer credits
- financing and investment products based on the UN Sustainability Development Goals
- tools for sustainability-related advice to companies and financial institutions
- digital solutions for private customers to support sustainable consumption.

Strengthening policies and processes

SEB will continue to include sustainability aspects as a natural part of its business. Policies and processes will be continuously strengthened and aligned with international and national requirements. The bank together with its employees shall always aim to conduct business in a responsible manner. The Code of Conduct, SEB's core values and culture shall be starting points in decision-making and behaviour. Learning and training in sustainability matters will be enhanced.

Aligning incentive

SEB sees the importance of aligning incentive structures within the company and has therefore decided that senior management members will also be evaluated on their contribution to the bank's journey towards a sustainable future.



Risk management

The Chief Risk Officer (CRO) has evaluated and supports the business plan from a risk perspective. The risk tolerance statements of the Board of Directors reflect the bank's view on risk taking and management in light of the business plan.

In order to better manage non-financial risks, the risk tolerance framework has been broadened to include metrics on cyber and information risk as well as compliance risk.

Closing the business plan 2016–2018

The business plan for 2016–2018 targeted competitive profitability, a strong capital position and long-term dividend growth. In order to achieve this, the bank aimed to be leading within customer service and to be

the most attractive employer. The business plan also focused on growth in areas of strength and transformation to capture the full potential of digitalisation to add customer value and drive efficiency.

Outcome business plan¹⁾

All customer segments ranked SEB highly and customer satisfaction, measured as customers' willingness to recommend SEB as bank, developed positively during the plan period for SEB's four main customer segments.²⁾

Return on equity excluding items affecting comparability, improved to 13.4 per cent from 12.9 per cent.³⁾

SEB's capital adequacy buffer remained above regulatory requirement despite dividend increases and stricter measurement rules.⁴⁾

Employee engagement, efficiency and trust remained above financial sector average.²⁾

Expenses were below the cost cap of SEK 22bn each year.

The dividend increased by SEK 0.25 each year.⁵⁾

SEB was the only Nordic bank included in the Dow Jones Sustainability Index during the period.

1) All comparisons in this section are made with 1 January 2016.

2) ► See page 14–15.

3) Including items affecting comparability, the return on equity improved from 12.2 to 16.3 per cent.

4) On 1 January 2016 the buffer was 2.8 per cent; on 31 December 2018 – 2.7 per cent.

5) For 2018, proposed to the AGM. In addition, an extraordinary dividend of SEK 0.50 per share was proposed for 2018.

6) Includes corporate and SME customers.

Selected indicators

Growth

Since 1 January 2016

Accelerate growth in Sweden **150** new large corporate customers

Expand business with Nordic and German large corporations and institutions Growth in total corporate credits⁶⁾ **SEK 148bn**

Expand savings offering to private individual and corporate customers Net inflow of assets under management amounted in total to **SEK 136bn**

Transformation

Since 1 January 2016

Create leading customer experience of world-class service Increase in private customer usage of mobile services in Sweden **87 per cent**

Use digitalisation for customised advisory tools and interfaces **12,349** remote advisory meetings in the Baltic countries.

Continuous learning for employees **2,878** employees in leadership/talent management programmes.

Sustainability success factor

Since 1 January 2016

Increase loans under SEB's green framework Loans classified according to SEB's green framework increased to **SEK 16bn**

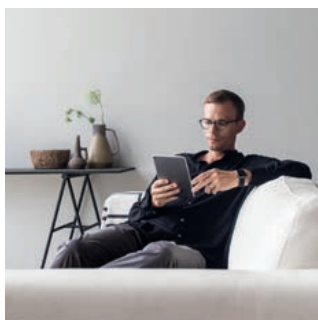
Increase sustainable investments Funds managed with sustainability criteria reached **SEK 188bn**

Support innovation and entrepreneurship Contribution to entrepreneurial and innovation partnerships **SEK 41 million**

Overall targets and outcome

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

Customers

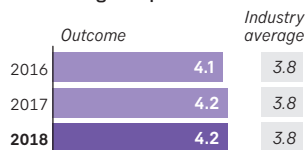


Customer experience and satisfaction

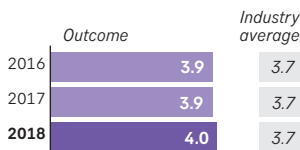
Various internal and external metrics are used to measure customer satisfaction. Customers' willingness to recommend SEB is one of the key measures of the bank's progress.

Customers' willingness to recommend SEB

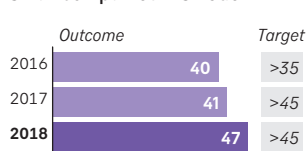
Nordic large corporations ¹⁾



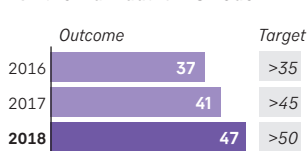
Nordic financial institutions ¹⁾



Small companies in Sweden ²⁾



Private individuals in Sweden ²⁾



1) According to Prospera

2) According to SEB's Net Promoter Score method

Target

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

Prospera – overall performance

In Prospera's overall performance evaluation, SEB was ranked as no. 2 by Nordic large corporations, down one notch from 2017. Swedish large corporations ranked SEB as no.1. Both Nordic and Swedish financial institutions ranked SEB as no. 1.

Swedish Quality Index

In the Swedish Quality Index measurement of customer satisfaction banks' scores improved for the first time in several years. SEB's private customers were somewhat more satisfied while companies' satisfaction was unchanged.

Action

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

Shareholders



Financial targets

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

Common Equity Tier 1 capital ratio, per cent

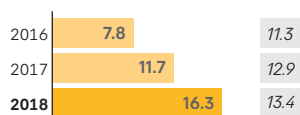


1) Calculation changed in 2018. Without the change the outcome would have been 20.1 per cent.

Target

SEB shall maintain a Common Equity Tier 1 (CET1) capital ratio that is around 1.5 percentage points above the regulatory requirement. Per 31 December 2018 SEB's buffer was 2.7 percentage points. SEB's estimate of the current CET1 requirement from the Swedish Financial Supervisory Authority was 14.9 per cent at year-end 2018.

Return on equity, per cent

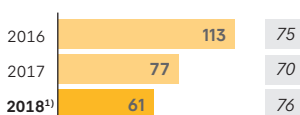


Outcome excluding items affecting comparability in grey box.

Target

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

Dividend payout ratio, per cent



Outcome excluding items affecting comparability in grey box.

1) Based on the proposed dividend of SEK 6.50 for 2018 which consists of SEK 6.00 as ordinary dividend and SEK 0.50 as extraordinary dividend.

Target

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

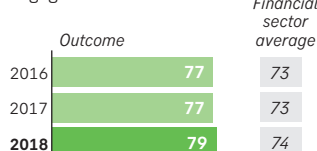
■ Employees



Motivation and engagement

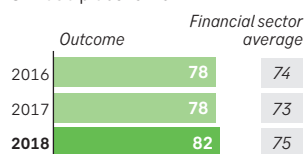
The annual employee survey, Insight, measures employee engagement, efficiency and trust. It also measures employees' willingness to recommend SEB as a place to work.

Employee engagement, Index

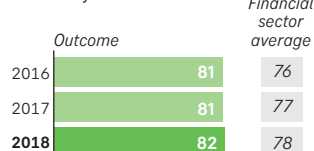


Employees, Index

Willingness to recommend SEB as a place to work



Performance excellence, Index



Target

SEB's target is to be the most attractive employer in the financial sector. Progress is measured through the employee survey Insight.

Comment

SEB continues to outperform the financial sector on employee engagement, performance excellence as well as willingness to recommend SEB as a place to work. The outcome in performance excellence was an all-time high.

Action

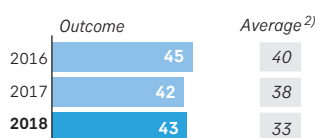
The bank is addressing the findings of Insight in many ways. The employees' need for better access to IT and technology is part of the business plan. Inclusion and diversity issues are addressed by, among other things, the appointment of an inclusion & diversity manager and the Board has in its policy set the framework for the continued work.

■ Society



Corporate reputation¹⁾, Index

Sweden



1) Corporate reputation among the general public, according to Kantar Sifo's Corporate Reputation Index.

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

Target

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

Comment

The long-term trend in Sweden is stable. SEB kept its no. 2 ranking, with a score that was above market average.

Action

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

Reputation

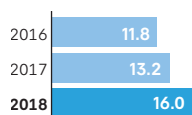
SEB monitors the results of Kantar Sifo's Corporate Reputation Index, which measures the bank's reputation among consumers and business owners.

Sustainability

As a bank, SEB has relatively low direct environmental impact. However, the ambition is to lower the internal CO₂ impact.

Sustainable financing, SEK bn

Green loan portfolio



Sustainable investments

Share of assets under management being managed according to sustainability criteria.

Gradually increase the share of assets under management being managed according to sustainability criteria.

Comment

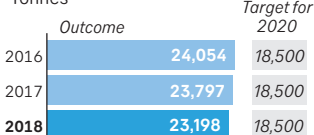
SEB aims to gradually transform credit and investment portfolios towards a sustainable profile.

Action

Sustainability has been defined as a strategic initiative in the business plan. Roles, responsibilities and targets will be developed to meet SEB's commitments and stakeholders' expectations.

CO₂ emissions

Tonnes



Target

Reduce CO₂ emissions by 20 per cent between 2016 and 2020, reaching 18,500 tonnes CO₂. The measurement method and therefore the target changed in 2018.

Comment

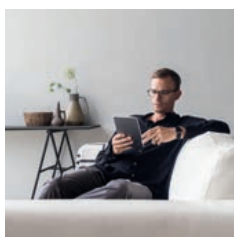
The decrease in CO₂ emissions is mainly due to a smaller office space.

Long-term value creation

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

Meeting stakeholders' expectations

via SEB's business model



Customers

1.7 million corporate and private home bank customers

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



Shareholders

261,000 shareholders

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



Employees

15,000 employees

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



Society

Society at large

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



Strategy

Long-term strategy

SEB's strategy is built on developing deep customer relationships with a long-term perspective.

Service

Customer-oriented offering

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

Business development

Agile and proactive process

Products and services are developed proactively and with agility, based on customer preferences and market outlook.

IT and data

Secure and functional IT

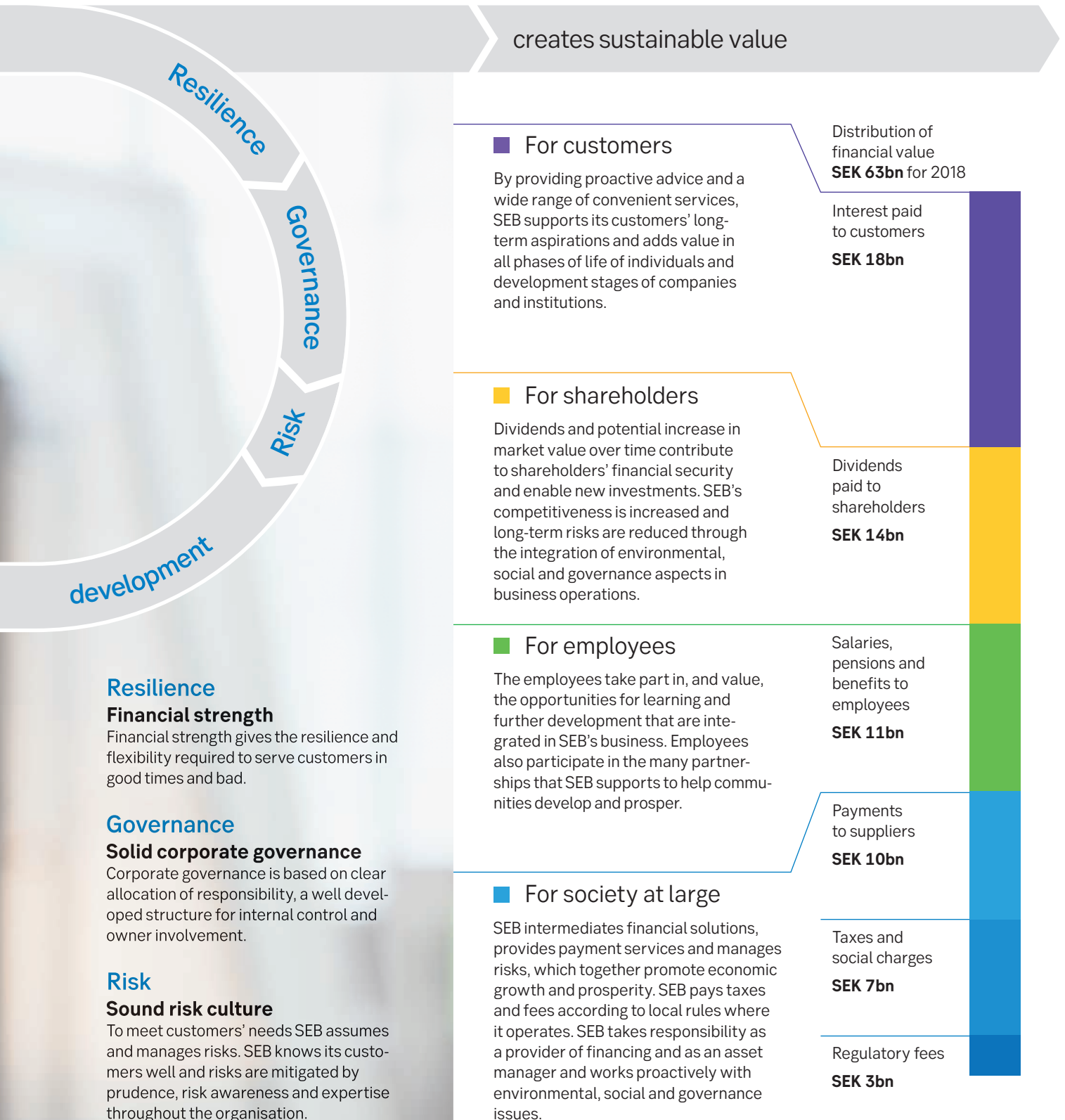
The IT structure promotes stability in the daily operations, manages large amount of data and promotes agile development of products and services.

Value creation based on trust

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

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

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



Customers

Customers demand both smart digital solutions and personal meetings. They want a partner who is proactive, who provides a long-term perspective, and can offer objective advice in order for them to reach their ambitions.



Customer activity 2018

Owing to the improved business climate, large corporations in all segments increased their level of activity during the year. Companies began increasing their investments in capacity and new technology. This resulted in an increase in credit demand after several years at an unchanged level. The positive business climate also led to demand for a wide range of services such as advice, trade finance and custody management.

Financial institutions were more active in 2018 in pace with growing market volatility. Implementation of MiFID II gave rise to a larger volume of transactions on electronic platforms at the same time as greater transparency led to greater competition and stronger pressure on margins in the market.

For small and medium-sized companies, the year was characterised by a high level of activity, and credit demand

increased both in Sweden and the Baltic countries. In Sweden SEB continued to advance its position as a corporate bank.

Household economies remained strong in the wake of the strong economy and low interest rates. Customer activity was high, and the use of digital services was rising both in Sweden and the Baltic countries. In Sweden, 33,800 private individuals became customers in an entirely digital manner during the year, and nearly a third of all applications for mortgage commitments were submitted digitally. In the Baltic countries a new version of the mobile app was launched, and the number of users increased by more than 50 per cent. Customers appreciate the possibility of obtaining advice via web-based video meetings, and more than a third of sales were made via digital channels.

Customer segments

Large corporations

SEB has an enduring and uniquely strong relationship with large corporations in Sweden and the other Nordic countries, where the bank has supported them in their business and their international expansion, and has stayed with them as a partner through both good times and bad. Today SEB serves some 2,300 large corporations across a broad spectrum of industries. Most conduct extensive international operations and many of them are global market leaders. In the Nordic countries these companies are among the largest in their respective industries, while in Germany and the United Kingdom customers range from the mid-corp segment up to multinational corporations.

▶▶ [Read more on page 20](#)

Small and medium-sized companies

SEB has an established position as the bank for entrepreneurs and small business owners, and currently serves some 400,000 small and medium-sized companies in all. Of these, 166,000 are home bank customers in Sweden and 101,000 in the Baltic countries. The segment includes approximately 650 mid-corp, many with international operations, and public sector customers in Sweden such as government agencies, state-owned companies and municipalities.

▶▶ [Read more on page 22](#)

Financial institutions

SEB serves some 700 financial institutions, comprising a broad spectrum of pension and asset managers, hedge funds, insurance companies, state-owned investment funds and other banks. Customers range from Nordic actors to global institutions seeking Nordic exposures.

▶▶ [Read more on page 21](#)

Private individuals

SEB is one of the major banks in Sweden, Estonia, Latvia and Lithuania. In Sweden SEB has a solid reputation and is one of the market leaders in private banking. In collaboration with its corporate customer business in the Nordic countries, Germany and the United Kingdom, SEB has established private banking operations in these countries.

In total SEB has approximately 4 million private customers in Sweden and the Baltic countries. Of these 489,000 are home bank customers in Sweden and 950,000 in the Baltic countries. In private banking SEB has approximately 35,000 customers.

▶▶ [Read more on page 23](#)

Large corporations

Large corporations are in need of a bank with a long-term perspective that can serve as a partner and support them on their journey of growth. They expect smooth system solutions and proactive, value-creating advice.



Meet one of our customers

➔ Kion Group

Dirk Baltzer

Senior Director Corporate Treasury

Our needs and preferences are at the top of SEB's list of priorities."

Kion is Europe's largest manufacturer of industrial trucks and forklifts and a leading provider of logistics solutions for factories, warehouses and distribution centres.

With operations on six continents, Kion has a need for several banks, but SEB is the group's core bank providing financing solutions, cash management in the Nordic countries, and various types of derivative services coupled to currency management.

"What's most important in a banking relationship is that the bank has a long-term commitment, not least when it comes to financing. You must be able to trust that the bank will be there for you over the years. I feel we are important for the bank and that our needs and preferences are at the top of their priorities list. It's reassuring", says Dirk Baltzer.

➔ Read more on sebgroupp.com

Easy-to-use integrated services

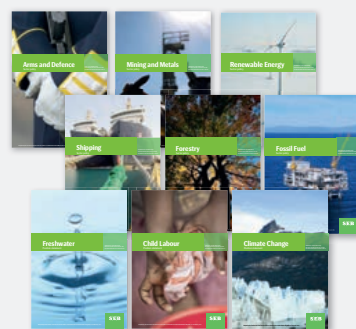
SEB has for many years built integrated solutions that allow large corporates to manage and automate payments, account reporting and reconciliations directly in their business systems instead of via the bank's internet service C&I Online. This development is continuing at an accelerated pace with the emergence of Open Banking, which is creating new opportunities to gather customer data from various actors in consolidated services.

One example of product development in this area is Advanced Analytics, a service that is imbedded in C&I Online. It is an easy-to-use and flexible service with functions for trend analysis, simulations, searches and data mining, where customers can, for example, combine data from accounts they have with SEB with data from accounts they have with other banks.

Advice on digital business

During 2018 SEB established a corporate finance function specialising in advice on digital business models and strategies. By building up cutting-edge competence on new high-tech companies with business models based on digital technology, SEB can increase the relevance of its strategic dialogues with large corporations.

SEB's position statements and sector policies



➔ See sebgroupp.com/about-seb/sustainability

Green financing

The sustainability perspective—manifested in sector policies and position statements, among other things—has long been an integral part of SEB's credit process and continuing dialogue with corporate customers.

SEB has been one of the key players behind the emergence of the market for green bonds, an investment form that combines favourable returns with documented environmental benefits. The market for green financing solutions is grow-

ing, and in 2018 SEB participated as adviser and arranger when the property company Vasakronan was first in the world to issue a green certificate for financing of defined green assets.

In 2017 SEB issued its own green bond of SEK 4.9bn, which has been used to provide green loans to customers for environmental investments such as in renewable energy, sustainable forestry, green buildings and clean transports in Sweden, Norway and Finland.

Corporate transactions

Large corporates appreciate SEB's specialised business and advisory services in connection with mergers and acquisition and other corporate finance activities. In 2018 the bank facilitated 19 mergers and acquisitions and 24 equity capital market transactions in the Nordic countries. For

example, SEB was contracted as sole financial adviser when the Norwegian furniture group Eikornes was acquired by the furniture maker Qumei. SEB was also financial adviser in Atlas Copco's spin-off of Epiroc.

Financial institutions

Financial institutions have a need for accessibility, delivery, customised advice, sustainable investment alternatives and effective financial infrastructure.

Growth for Investor World

During the year SEB successfully rolled out its Investor World concept on the market. It consists of, among other things, a global custody services platform that has been created in partnership with the US-based financial services firm Brown Brothers Harriman. Customers are offered SEB's services from a new technical platform, giving them greater opportunities both from service and technology perspectives. In 2018 more than 30 customers chose to switch to this platform, of which the ten largest customers in global custody services.

Within the Investor World framework SEB offers a range of services that support the investment process regardless of asset class. Customers gain access to clearing

for derivatives, collateral management, risk and appraisal services, and administrative back office services. Together with a comprehensive offering in currency trading, cash management and corporate transactions, financial institutions can thereby focus on their core businesses of creating value for their customers.

Through Investor World SEB has advanced its positions among all institutional customers in the Nordic countries.



Meet one of our customers

→ Alecta

Magnus Billing, CEO

Confident and happy customers are created through a long-term approach and high efficiency. We are very pleased with SEB and greatly value our relation."

Alecta is a mutual occupational pension company providing services for many officials and companies in Sweden.

The focus is on creating long-term sustainable pensions through good returns and efficient management. Sustainability is an integral part of the business, due to customer demand and as an important part of risk management.

Alecta has a long-term banking relationship with SEB, where it primarily uses capital market services and cash management. Since 1948, the company has also been an owner of SEB.

▶▶ Read more on sebgroup.com



Sustainable investments

Financial institutions are showing a distinctly keener interest in sustainability, as evidenced by higher demand for sustainable investment alternatives and advice surrounding sustainability-related issues. SEB has a well-established position in this area and was one of the first banks in the world to include sustainability aspects in its asset management.

Interest is also growing for other types of investments that can help solve global

society challenges and social problems. Financial institutions have shown great interest in SEB's microfinance funds, which funnel capital to small business owners in developing countries, who do not have access to the traditional banking system. Since 2013 SEB has launched six microfinance funds with combined capital of close to SEK 7bn that works for the benefit of more than 23 million small business owners in developing countries.

Small and medium-sized companies

Small and medium-sized companies are looking for proactivity and engagement, and they want convenient digital solutions that are accessible in the channels of their choosing.



Meet one of our customers

➔ BioGaia AB

Isabelle Ducellier, CEO
Margareta Hagman, CFO

 We feel that SEB is at the forefront when it comes to sustainability, which is important for us since we work with sustainability across our entire value chain."

BioGaia is a research-based healthcare company that develops probiotic dietary supplements, that is, products that contain living micro-organisms with clinically proven health benefits. BioGaia has 130 employees, holds 440 patents, and sells its products in 100 markets.

BioGaia has relied on SEB as its home bank since 2016 to manage payment flows, for currency hedging and for analysis services.

"Banks' services are virtually identical, so personal relationships are important. We think SEB are professional, they offer a high level of service and they offer interesting seminars and talks", says Margareta Hagman.

➔ [Read more on sebgroup.com](https://sebgroup.com)

Support to growth companies

In Sweden SEB continued developing its Greenhouse concept, which provides a holistic solution for supporting growth companies. This is done by providing support and advice both from the bank's own experts and from selected business partners. The concept consists of everything from wide-ranging seminars to customised programmes. Through Greenhouse and the bank's collaboration with organisations in all steps of the entrepreneur staircase (➔ see p. 25), SEB continues to strengthen its position as the bank of choice for entrepreneurs.



Comprehensive cover

SEB is one of the few actors that offers a combination of traditional banking services and comprehensive insurance cover for small business owners. This includes services for their employees' needs for financial security and pension solutions as well as for a prompt return to work following an illness. SEB also helps small business owners to plan for their pensions and offers health insurance plans that can give small business owners the same level of protection as employees of larger organisations.

Open Banking creating new services

The trend towards Open Banking entails that over time banking services will be accessible and possible to integrate with other actors' systems and channels – regardless of whether they are banks or entirely different kinds of companies. In the same way, banks will be able to integrate others' services in their channels. This trend is noticeable in many ways. For example, during the year SEB's developer portal was made accessible for external users. The portal features Application Programming Interfaces (APIs), which are standardised communication protocols that are coupled to payment and account information from SEB.

Digital services

Companies are in search of a greater offering of proactive and digital services and automated solutions. During the year SEB made it possible to digitally sign for around a dozen products via the corporate internet bank. During the year, a pilot for a digital new-customer process was initiated, which enables a simple onboarding process and enhances customer experience, while ensuring that the bank is in compliance with know-your-customer and anti-money laundering regulations.

SEB is also working actively on building integration with vendors of business systems as well as bookkeeping and payroll services firms. These types of solutions make it possible for companies to use automation to make payments, reconcile accounts and conduct bookkeeping at one and the same location, either in their own business systems or through their bookkeeping and payroll services firms. SEB has since previously established integration with Visma Autoplay, and in 2018 the bank entered into partnerships with Capcito and PE Accounting.

Private individuals

Private individuals want digital solutions that make everyday life easier. They want to be acknowledged and understood, and they expect custom-tailored, personalised advice in digital channels as well as in face-to-face meetings.

Personal and digital advice

In 2018 SEB launched a digital advice tool that gives customers the opportunity to obtain a diagnosis of their personal economies. In contrast with most competitors, SEB uses a function that draws on the customer's total financial situation and not only an investment perspective.

The diagnosis is based on a number of questions that the customer answers along with automatically retrieved information about the customer's assets and

liabilities with SEB. On the basis of this information, advice is provided according to a priority of factors. For some customers the advice is to start risk-based saving, while others are advised to first consider their debt or build up a savings buffer to be able to manage unforeseen events. The advice provided digitally is saved in the bank's customer system, so that advisers can continue the dialogue at a physical meeting based on this.

Green investments

Among private individuals there is also clearly a growing interest in sustainability, as evidenced by strong growth in the bank's sustainability funds, among other things. In 2018 SEB was the first bank in Sweden to launch green mortgages, which offer a lower interest rate for people who live in climate-smart houses. These include homes that meet the Swedish National Board of Housing, Building and Planning's energy classification criteria, homes with the Nordic Swan ecolabel, Sweden Green Building Council certification, and passive house certification.

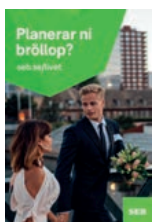
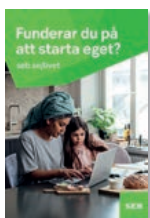
Home mortgage market development

Several factors contributed to a weakening in the Swedish housing market during the year. New regulations, such as new amortisation requirements, made it difficult for customers to borrow more than four and a half times their annual incomes. Expectations for higher interest rates from Riksbanken have prompted customers to lock in a larger share of their mortgages at fixed rates. Competition from new actors with niche offerings increased somewhat.

Managing crucial steps in life

Aside from digital tools, customers also value the ability to meet competent and engaged advisers face to face. SEB continues to develop its branches as meeting places with extended office hours and generous space for meetings and events.

In 2018 the bank also launched a holistic advisory concept based on customers' important life events. Using pedagogic methods SEB offers advice and tools for managing crucial steps in life such as moving in with a partner, getting married, and having children. The bank's financial advice in these areas is an integrated part of customers' everyday lives and day-to-day situations.



Meet one of our customers

➔ Marje Michalski

Private customer at SEB in Tallinn, Estonia

I really like my adviser. She is pleasant and helpful, and always tries to find the best solution for me."

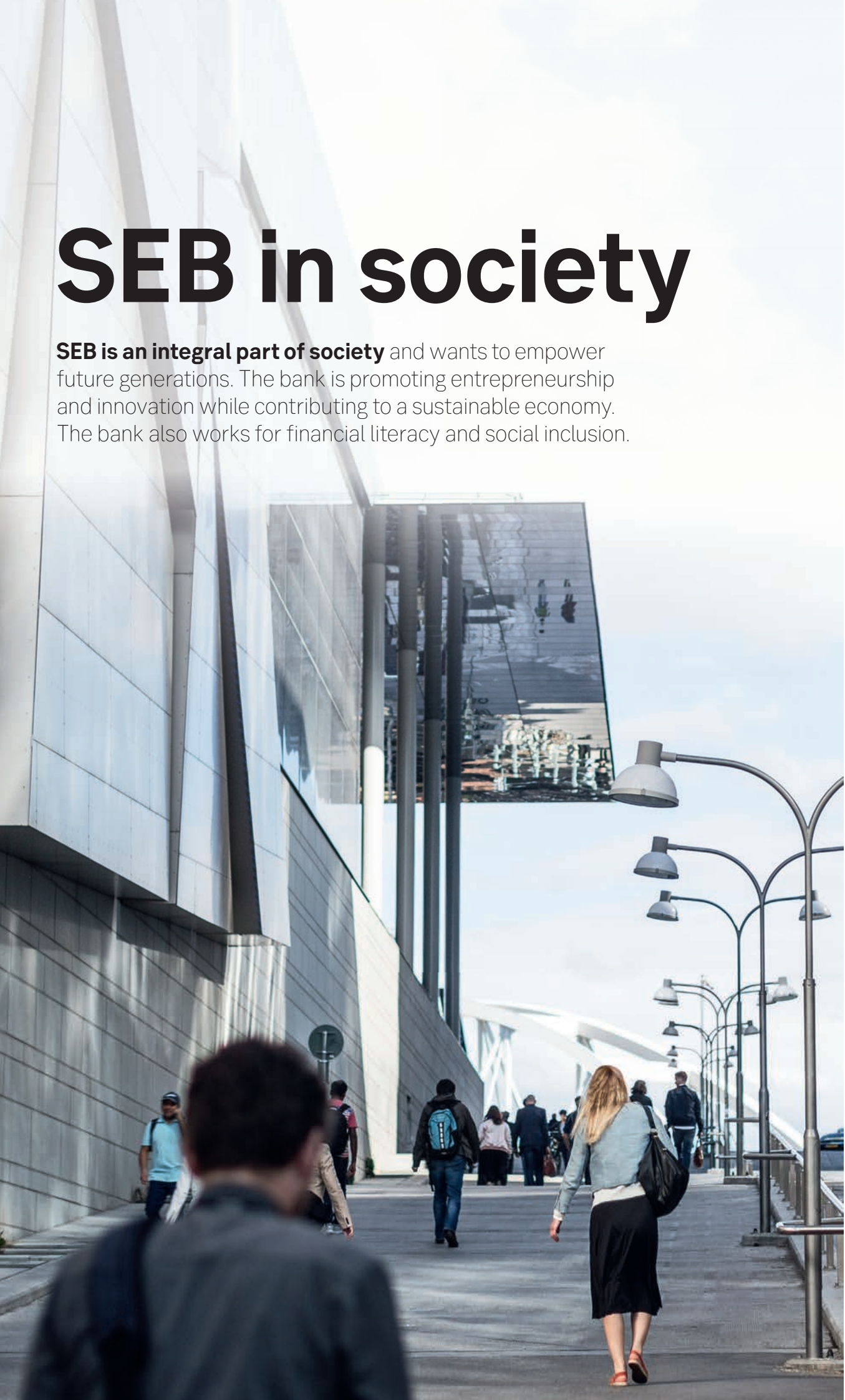
Marje Michalski works as a financial manager at a dental clinic in Tallinn. She has been an SEB customer since 2000. Marje uses the internet bank to manage her daily finances, and she has her home mortgage, debit card, mutual funds and pension savings with SEB.

"I like the possibility to round off card purchases upward and have the difference going into my Digital Coin Jar¹⁾. It's a convenient way of saving without having to think about it."

¹⁾ A form of savings account offered to SEB's Baltic customers.

SEB in society

SEB is an integral part of society and wants to empower future generations. The bank is promoting entrepreneurship and innovation while contributing to a sustainable economy. The bank also works for financial literacy and social inclusion.



Banks play a key role in society's infrastructure and are instrumental in contributing to economic growth and social values. SEB assists households, entrepreneurs and businesses with financing, investments, payments and savings, thereby promoting economic development, growth, new jobs and international trade, and contributing to financial security.

Since its start SEB has been driven by an aspiration to connect ideas, people and capital. As an example, the bank has long partnered with a number of entrepreneurship organisations that support business owners at various levels – from new small businesses via Junior Achievement (Ung Företagsamhet) and Venture Cup, to the entrepreneurial elites recognised in the Entrepreneur of the Year awards.

In 2018 the bank began a collaboration with Base10, a start-up hub where tech companies can meet with aspiring entrepreneurs. During the year SEB also ran an Entrepreneur Camp, a summer initiative where teens could attend presentations on company law and private finance, and get advice and inspiration from business angels, mental coaches and rhetoric experts. In the Baltic countries SEB runs eAcadeemia, a web-based platform for newly started companies and entrepreneurs. It offers practical tips, tools for implementing ideas, and recommendations from established small business owners for achieving success. The platform had 115,000 page visits during the year.

Mentor

Since 1997 SEB has partnered with Mentor, an organisation dedicated to building relationships and trust between young people and adults. Through Mentor, SEB's employees can support young teens and contribute to society while at the same time working on their own personal development and leadership skills. During 2018 a total of 6,944 youths met with 159 SEB employees in the Mentor programme.

Supporting social entrepreneurs

Social entrepreneurs play an ever more important role in societies where social and economic gaps as well as inequality



Based on her experiences as a social worker, Moa Gürbüz created the best-selling non-alcoholic sparkling wine in Sweden. She was named Settler of the year 2016 and the female rising star in western Sweden, in the competition Entrepreneur of the year 2018.

are growing. SEB collaborates with Inkludera, an umbrella organisation for social entrepreneurs that provides support to groups in society who are at risk of exclusion.

Expand financial literacy

SEB strives to support young people in society to make informed financial decisions. The bank sponsors Ungdomar.se, one of Sweden's largest digital meeting places for young people aged 13 to 25. The We Change tour is an initiative that inspires and includes young people in societal development and helps them find solutions that contribute to achievement of the UN's Sustainable Development Goals.

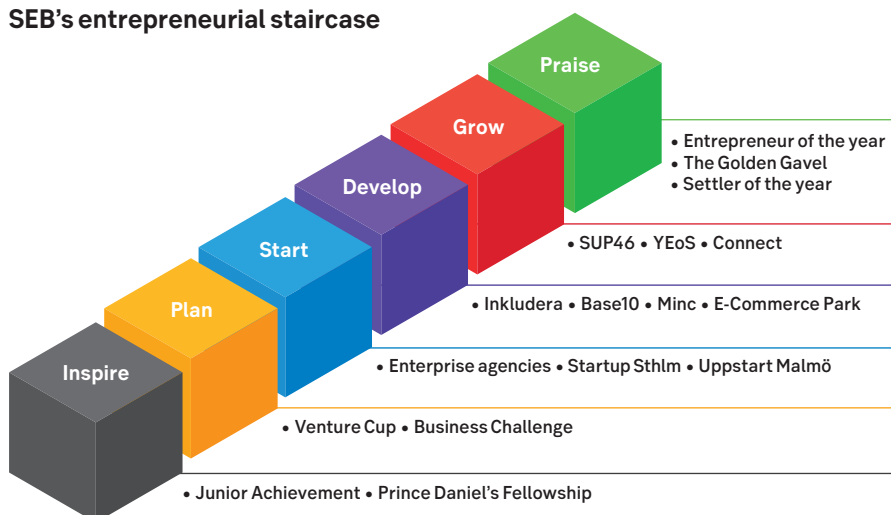
In 2018 SEB participated in several locations in Sweden, among other things by helping to build up young people's financial literacy and demonstrating tools for reducing inequality in Sweden and the world.

In the Baltic countries SEB has for many years arranged a Financial Literacy Roadshow, where SEB employees have visited schools with the aim of increasing young people's financial literacy. During the last three years more than 20,000 youths have gained better knowledge about salaries and taxes, budgeting and long-term savings while gaining inspiration for the future. In 2018 some 400 employees have run the training for 6,500 youths.

Sustainable communities

The UN's global goals ensure ever-greater focus on sustainable development. Climate change is one of today's most important challenges. SEB recognises the importance of working actively to reduce environmental impact and carbon footprint. SEB has an indirect impact through its lending and asset management activities, and in these areas SEB is developing products and ways of working to address these challenges. The bank is working to mitigate its direct impacts primarily by further reducing emissions related to business travel as well as reducing its own energy and paper consumption.

SEB's entrepreneurial staircase



SEB's employees

To work at SEB is to be a positive force in society by virtue of helping customers achieve their goals. As an employer SEB will always support people with aspirations, and the bank firmly believes that diversity and inclusion are decisive for success.



Employee event at the Arenastaden office for presentation of the new three-year Business Plan 2019–2021.

The annual employee survey, Insight, shows that the bank's employees are engaged and motivated. Insight also shows that employees understand and are inspired by the bank's vision, and that they feel involved in decisions that affect them. The KPIs for employee engagement and performance excellence were at historically high levels and are high compared with the bank's peers in the international financial sector.

Working methods for business development

The methods for driving business development are based to a growing extent on cross-functional teams, transparency and time-efficient processes. The customer journey – a methodical analysis of the customer's needs and experiences with the bank – forms the basis for this development. To engage more and more employees to embrace new methods in their work, SEB offers internal training and inspirational initiatives like The Buzz, where more than 1,000 employees were invited to spend a full day learning more about and testing different ways of working in the area of agile methods.

Transformative and inclusive leadership

SEB's management philosophy is designed to prepare managers to lead in a complex and rapidly changing world. An important role for leaders involves building well-functioning teams, which requires the capability to listen in an empathetic way. Focus is on driving change, promoting innovation and ensuring that the corporate culture reflects the bank's values, vision and purpose.

To better understand each other and to meet customers' needs, SEB fosters diversity and an inclusive culture at all levels of the bank. During the year a new manager role was created with responsibility for driving these issues.

SEB undertakes to:

- Foster an inclusive, value-driven culture in which employees feel valued, respected and involved irrespective of who they are, what they believe in, and where they come from
- Enable learning about inclusion and diversity, including addressing unconscious bias and fostering inclusive leadership
- Increase diversity in teams
- Actively appoint more women to key leadership roles
- Recruit, develop and promote employees with an international background
- Ensure that SEB's teams and management groups are balanced with respect to gender, age, competences and geographical backgrounds.

Meet Andra and Viktor



Age: 43

Role: Head of Strategy and Customer Insight, SEB Baltic Division

Works for SEB since: 2007

Andra Altoa

Why SEB:

SEB is a model of innovative thinking. Our commitment to innovation is not only appreciated by customers and employees, it is also a source of inspiration for other companies and sectors. My personal interest in ground-breaking innovation makes SEB a great place to work.

The best thing about my job:

My personal development is in constant motion. There is never a quiet moment, and I'm constantly faced with a challenge in which my own initiatives are appreciated.

My source of inspiration:

There are many talented people at SEB who I'm inspired by. And then my internal curiosity is a source of inspiration that gives me courage to challenge and to change.



Age: 26

Role: Co-worker at the Experience Center in Stockholm

Works for SEB since: 2015

Viktor Sjöberg

Why SEB:

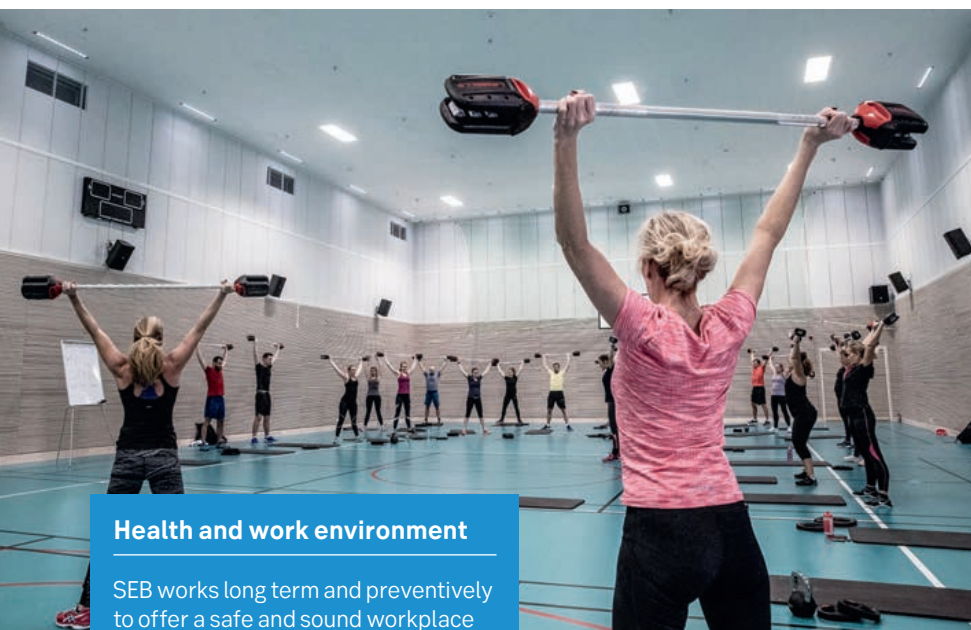
SEB offers an opportunity to go on a transformation journey in a large organisation and in an industry in which a lot is happening right now. On top of this I'm a strong believer in SEB's sustainability work and entrepreneurial spirit.

The best thing about my job:

Working together with customers to create the bank and meeting place of the future. Customers come to the Experience Center not only for assistance, but also to be inspired.

My source of inspiration:

The feedback we receive from customers, event attendees, entrepreneurs and colleagues, who confirm that we are on the right path toward the future.



Health and work environment

SEB works long term and preventively to offer a safe and sound workplace in an effort to ensure employee well-being and a healthy work/life balance.

In Sweden, SEB's level of sick leave remains low, at 2.9 per cent, compared with other industries as well as the financial sector. In the employee survey, Insight, SEB's index for health and work environment was nearly 10 percentage points higher than the industry average.

At the bank's new offices in Arenastaden, the existing fitness center was expanded during the year with a gym and spinning room, and in the employee canteens a wide range of healthy dishes are always offered. It should be easy to live a healthy life at SEB.

Employee statistics

	2018	2017	2016
Employees, average full-time equivalents	14,751	14,946	15,279
Employees, average	15,683	15,946	16,260
Sweden	7,972	8,053	8,222
Other Nordic countries	1,121	1,304	1,369
Baltic countries	5,348	5,213	5,125
Other countries	1,243	1,376	1,544
Employees at year-end	15,562	15,804	16,087
Employee turnover, %	12.9	12.8	10.7
Sick leave, % (in Sweden)	2.9	2.9	3.0
Female managers, %	45	47	46
Insight			
Employee engagement	79	77	77
Performance excellence	82	81	81

Learning for the future

The pace of change in society is constantly accelerating. This applies also for the type of competences that are needed for the bank to continue to be successful. Toward this end, every year SEB conducts strategic planning of future needs in which every business unit identifies future key competences, identifies development needs for existing roles, and conducts succession planning. The results are then used to design internal training and for recruitment.

SEB's philosophy is that competence development is achieved above all through continuous learning in the daily work and through collaboration with others. This is complemented with training activities for a large share of employees. One such initiative is Boost your service, where the purpose is to support and give employees tools on their journey toward SEB's vision of providing world-class service. SEB's employees are also offered a course catalogue for both internal and external training. During the year the bank entered into several partnerships where, for example, instruction in service design is conducted in collaboration with the Stockholm School of Economics.

The search for competence

SEB has a strong employer brand according to annual rankings conducted among students and young professionals. In pace with the ongoing competence shift and growing recruitment need in new competence areas, the bank is working on strengthening its attractiveness among talents who are targeted by IT companies and tech start-ups. Today SEB has expanded its reach beyond participation at traditional recruitment fairs for

economics students and now also uses interactivity and new formats such as arranging hackathons and knowledge-sharing seminars. In addition, SEB works actively with its talent programmes, where the IT programme for young talents has now celebrated 10 years. This concept continues to be relatively unique in the market, and to date more than 100 specialists in technology and IT have joined the bank via this channel.

To ensure that it nurtures relationships with talented individuals already employed by the bank, SEB uses its Global Talent Review programme, which involves a yearly review to identify individuals with future potential for a key role or management position. More than 10 per cent of employees are included in this talent pool and are considered for review, where among other things they get an opportunity to broaden their networks by participating in various development projects outside of their ordinary units.

Labour law and unions

SEB's employees are covered by collective or local agreements. SEB has a European works council with representatives from all EU and EES countries in which the bank is represented.

SEB's core values

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

Customers first

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

Commitment

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

Collaboration

We achieve more working together.

Simplicity

We strive to simplify what is complex.

Income statement and balance sheet

The net profit for the year is presented in the income statement as the net of income and expenses and after credit losses and tax. The business volumes are reported both on- and off the balance sheet.

INCOME STATEMENT ^{1,2)}

	SEK m		
	2018	2017	Change, %
Net interest income	21,022	19,893	6
Net fee and commission income	18,364	17,677	4
Net financial income	6,079	6,880	-12
Net other income	402	1,112	-64
Total operating income	45,868	45,561	1
Staff costs	-14,004	-14,025	0
Other expenses	-7,201	-6,947	4
Depreciation, amortisation and impairments of assets	-735	-964	-24
Total operating expenses	-21,940	-21,936	0
Profit before credit losses	23,928	23,625	1
Gains less losses from tangible and intangible assets	18	-162	
Expected net credit losses	-1,166	-808	44
Operating profit before items affecting comparability	22,779	22,655	1
Items affecting comparability	4,506 ³⁾	-1,896 ⁴⁾	
Operating profit	27,285	20,759	31
Income tax expense	-4,152	-4,562	-9
Net profit	23,134	16,197	43

1) The 2017 income statement has been restated for the transition to IFRS 15.

2) 2018 and 2017 not fully comparable due to change in accounting rules.

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

4) Dividend income from Visa Sweden amounted to SEK 494m, with no tax effect. A transformation of the German operations caused redundancy, excess premises and pension related costs that amounted to SEK 1,412m in total. Certain IT-assets were written off at a cost of SEK 978m.

The income statement described

Operating income

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

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

Net financial income includes both realised gains and losses associated with sales of equities, bonds and other financial instruments, and unrealised changes in the market value of securities. The trend in the financial markets plays a great role in this context. This item also includes earnings from foreign exchange trading.

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

Operating expenses

The largest operating expense consists of *staff costs* for the Bank's some 15,000 employees. *Other operating expenses* consist primarily of IT costs, consulting costs and costs for premises. *Depreciation, amortisation and impairments of assets* pertain to IT costs, for example, which are spread over several years. To ensure a competitive and efficient cost base the bank operated under a cost cap of SEK 22bn in 2018.

Items affecting profitability

Items in the income statement that are unlikely to reoccur are summarised in order to make comparisons of the underlying result easier ^{3,4)}

Net expected credit losses

Credit losses consist of incurred losses as well as provisions for probable losses, where SEB has determined that the customer likely will be unable to fulfil the payment obligations. Any recoveries have a positive impact on net credit losses.

Net profit

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

The result for 2018

Operating income

Operating income increased by 1 per cent to SEK 45,868m.

Net interest income increased by 6 per cent to SEK 21,022m, mainly due to an increase in lending volumes while lending margins remained unchanged. Interest expense related to SEB's own bonds was lower compared to 2017. Interest expense included regulatory fees for financial stability purposes at an amount SEK 2,495m.

Net fee and commission income increased by 4 per cent to SEK 18,364m. High customer activity fuelled an increase in fee income from payments, cards, lending and mutual funds, among other things.

Net financial income decreased by 12 per cent to SEK 6,079m. The main reason was that income from SEB Pension was part of the full 2017 result, but only half 2018. Otherwise, the financial institutions were active, especially towards the end of the year, which affecting the result positively.

Net other income decreased by 64 per cent to SEK 402m. The result consisted mainly of capital gains, dividends and hedging effects. There were fewer such items in 2018 than in 2017.

Operating expenses

Operating expenses were virtually unchanged at SEK 21,940m, in line with the cost cap of SEK 22bn. The new cost target under new business plan 2019–2021 is outlined on page 10.

Total items affecting comparability¹⁾ amounted to SEK 4 506m.

Net expected credit losses amounted to SEK 1,166m. The asset quality continued to be high and the net expected credit loss level was continued low at 0.06 per cent of relevant credit volumes.

Income tax expense amounted to SEK 4,152m with an effective tax rate of 15 per cent. Among other things, some of the items affecting comparability also affect the tax expense.

Profit and dividend

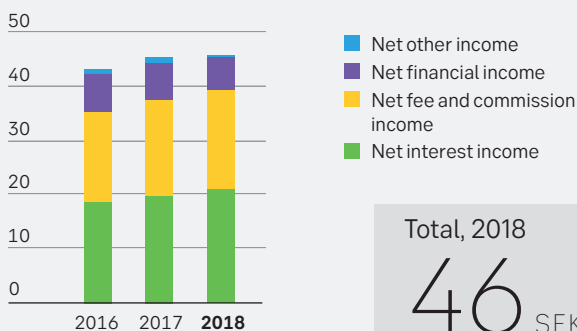
Operating profit before items affecting comparability increased by 1 per cent to SEK 22,779m. Including items affecting comparability, operating profit amounted to SEK 27,285m and net profit increased by 43 per cent to SEK 23,134m. The Board of Directors proposes an ordinary dividend of SEK 6.00 plus an extraordinary dividend of SEK 0.50, in total SEK 6.50, per share to be distributed to the shareholders.

1) See note 3 p. 29.

2) Net fee and commission income less expenses amounted to SEK 18 364m.

Operating income

SEK bn

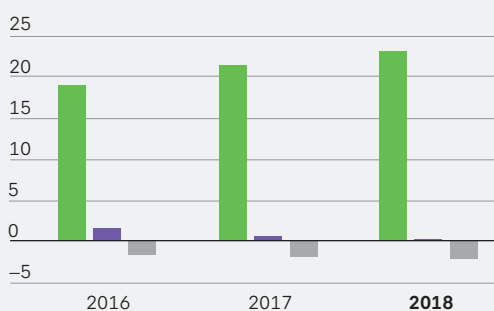


Total, 2018

46 SEK bn

Net interest income

SEK bn

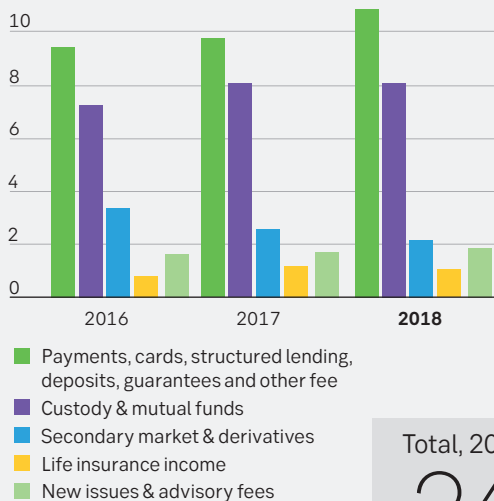


Total, 2018

21 SEK bn

Fee and commission income, gross

SEK bn



Total, 2018

24²⁾ SEK bn

Balance sheet described

Simply put, traditional banking is a matter of helping to move capital between customers with a surplus of capital and customers in need of borrowing. Customers' needs vary widely with respect to amounts, maturities and other terms. In its role as an intermediary, SEB can use for instance household savings and short-term deposits for corporate and long-term mortgage lending. Due to the large number of accounts with varying maturities, savings and deposits serve as a stable source of funding.

Assets

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

Liabilities and equity

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

Assets under management and custody

Both assets under management and custody are primarily booked off-balance sheet.

Development in 2018

Total assets at 31 December 2018 were SEK 2,568bn, an increase of SEK 11bn during the year.

Assets

Both larger and smaller companies were more active and demanded financing and advice on financial transactions. Lending to the public increased by SEK 159bn, somewhat boosted by currency rates. Other assets decreased when SEB Pension was divested.

Liabilities

Deposits and borrowings from the public increased by SEK 77bn. SEB issued securities to manage its liquidity, especially short-term certificates, which increased by SEK 59 billion. Other liabilities decreased when SEB Pension was divested.

Equity

The net profit for 2018 increased equity by SEK 23bn. The dividend for 2017 that was paid out in 2018 decreased equity by SEK 12.5bn.

Assets under management and custody

Total assets under management amounted to SEK 1,699bn and assets under custody amounted to SEK 7,734bn.

BALANCE SHEET

Assets	SEK m	
	31 Dec. 2018	1 Jan. 2018 ¹⁾
Cash and cash balances at central banks	209,115	177,222
Loans to central banks	33,294	12,778
Loans to credit institutions	44,287	38,715
Loans to the public	1,644,825	1,485,808
Debt securities	156,128	168,928
Equity instruments	50,434	60,087
Financial assets for which the customers bear the investment risk	269,613	283,420
Derivatives	115,463	104,868
Other assets	44,357	224,662
Total assets	2,567,516	2,556,489

1) IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers are applied from 1 January 2018.

Liabilities and equity	SEK m	
	31 Dec. 2018	1 Jan. 2018 ¹⁾
Deposits from central banks and credit institutions	135,719	95,504
Deposits and borrowing from the public	1,111,390	1,034,704
Financial liabilities for which the customers bear the investment risk	270,556	284,291
Liabilities to policyholders	21,846	18,911
Debt securities issued	680,670	614,087
Short positions	23,144	24,985
Derivatives	96,872	85,434
Other financial liabilities	3,613	3,894
Other liabilities	74,916	255,836
Total equity	148,789	138,841
Total liabilities and equity	2,567,516	2,556,489

Managing risk in SEB

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

SEB accepts risk to create value for customers and shareholders and risk management is necessary for the bank's long-term profitability. Banks must hold capital to cover their risks. At year-end 2018, SEB's capital was 17.6 per cent of the measured risks, the so-called common equity tier 1 capital ratio. This is one of the highest capital ratios among European banks.

High asset quality

SEB's main risk is credit risk. The credit portfolio increased to SEK 2,316bn from SEK 2,170bn during the year. The positive economic

development in SEB's Nordic home markets resulted in sound growth, especially in the corporate segment, while demand for household mortgage loans was lower due to the slow-down in the Swedish real estate market. The corporate portfolio, which constitutes more than half of the credit portfolio, grew in all regions and sectors. The economic development was positive also in the Baltic countries and the credit portfolio grew.

Also in a historical perspective, the asset quality was high and the expected net credit loss was continued low at 0.06 per cent of the total exposure.

RISK PROFILE

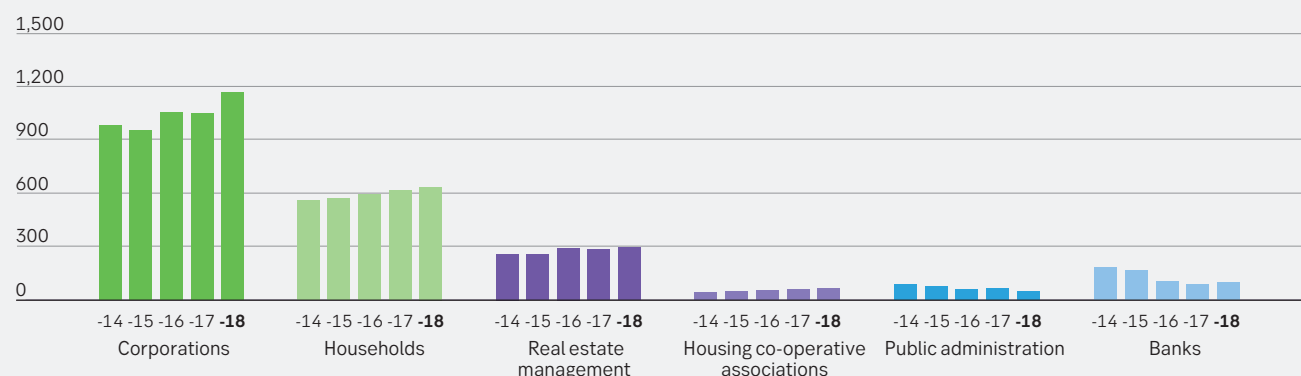
The Board of Directors decides on the overarching risk tolerance. The President is responsible for managing SEB's risks overall and ensuring that the risk profile lies within the Board's risk tolerance and capital adequacy targets.

Board's risk tolerance statements in brief

Risk type	SEB shall	Comment
Credit risk and asset quality	Have a robust credit culture based on long-term relationships, knowledge about the customers and focus on their repayment ability. This will lead to a high quality credit portfolio.	<ul style="list-style-type: none"> SEB has a well-balanced credit portfolio with main exposure to Nordic large corporates and households in Sweden. Asset quality remains strong with low credit losses.
Market risk	Achieve low earnings volatility by generating revenues based on customer-driven business.	<ul style="list-style-type: none"> Market risk arises in SEB's customer-driven trading activity and in its liquidity portfolio. Generally, SEB's market risk is low. Interest rate risk arises due to mismatches in rates and maturities in the bank's assets and liabilities, and is managed by the Treasury function.
Operational and reputational risk	Strive to mitigate operational risks in all business activities and maintain the bank's reputation.	<ul style="list-style-type: none"> Low operational losses compared to European peers. Managing and mitigating cyber and information risks are key priorities to ensure secure and available information, services and products for customers.
Liquidity and funding risk	Have a soundly structured liquidity position , a balanced wholesale funding dependence and sufficient liquid reserves to meet potential net outflows in a stressed scenario.	<ul style="list-style-type: none"> SEB's primary funding sources are customer deposits and wholesale funding. The funding base is diversified in terms of maturities and currencies to ensure that payment obligations are met as they fall due.
Aggregated risk and capital adequacy	Maintain satisfactory capital strength in order to sustain aggregated risks , and guarantee the bank's long-term survival and its position as a financial counterparty, while operating within regulatory requirements and meeting rating targets.	<ul style="list-style-type: none"> SEB is strongly capitalised in relation to regulatory capital requirements, internal targets and peers. The aim is to hold a capital adequacy buffer of around 150 basis points above the regulatory requirement.

Credit portfolio, development by sector

SEK bn



Cybercrime

Cybercrime is an increasing threat to society in general and especially to banks. Criminal behaviour is undergoing rapid and continuous change and for instance digital wallets, where information on credit cards, passwords and bank IDs is stored, are attractive targets. Fraud directly aimed at private individuals increased in 2018.

SEB works continuously with a risk-based approach and with

strong controls to protect both customers and the bank against security breaches. The bank invests continuously in the security organisation and systems and is working to raise awareness both among customers and employees. SEB also cooperates with national and international alliances and networks as well as authorities in order to combat cybercrime.

SEB's key risk development

Measurement	Comment	2018	2017	Peer average, 2018
<ul style="list-style-type: none"> Credit portfolio (SEK bn) Net expected credit loss (ECL) level ¹⁾ (%) Stage 3 loans/total loans, gross (%) 	<ul style="list-style-type: none"> Total loans, commitments and derivatives Expected credit losses in relation to total exposure Share of loans that are classified as stage 3 (credit impaired) 	2,316	2,170	
		0.06	0.05	0.02 ^{2,3)}
		0.5		1.2 ²⁾
<ul style="list-style-type: none"> Trading VaR average (SEK m) 	<ul style="list-style-type: none"> A statistical measure of the largest loss that can be expected in a ten-day period 	90	91	
<ul style="list-style-type: none"> Operational losses/income (%) 	<ul style="list-style-type: none"> Operational risk losses in relation to operating income 	0.43	0.42	0.69 ⁴⁾
<ul style="list-style-type: none"> Liquidity coverage ratio ⁵⁾ (%) Core gap ratio (%) 	<ul style="list-style-type: none"> Funds should be sufficient to cover short-term payments The requirement is above 100 per cent 	147	145	143 ²⁾
		110	108	
<ul style="list-style-type: none"> Risk exposure amount (SEK bn) Common Equity Tier 1 ratio (%) Leverage ratio (%) 	<ul style="list-style-type: none"> Risk-weighted business volumes Capital available to cover future losses – in relation to the risk exposure amount Capital in relation to total assets 	716	611	990 ²⁾
		17.6 ⁶⁾	19.4	16.4 ²⁾
		5.1	5.2	5.3 ²⁾

1) 2018: IFRS 9 definition. 2017: IAS 39 definition

2) Peers: Danske Bank, SHB, Nordea, Swedbank and DNB

3) The low peer average is due to net reversals for Danske Bank and DNB

4) ORX: Fourth quarter 2017–third quarter 2018

5) 2018: EU definition. 2017: Swedish FSA definition

6) New rules for 2018. Under the old rules, the outcome would be 20.1.

Sustainability matters

As a bank SEB is an integrated part of society. SEB aims to be a role model in sustainability and has a strong ambition to contribute to sustainable growth and to help customers and other stakeholders prosper. The world has common challenges and SEB can be a driving force and thereby part of the solution.

SEB aims to identify business opportunities to create positive impact in line with the bank's purpose, vision and strategy. The bank also aims to avoid or minimise negative impact of its products and services.

Sustainability is integrated in SEB's business activities through the sustainability framework, consisting of success factors and fundamental enablers. To get the greatest possible effect, SEB has chosen to focus on four success factors:

- **Innovation and entrepreneurship** – SEB is guided by a strong belief that entrepreneurial minds and innovative companies are the key to creating a better world. SEB supports innovation and entrepreneurship to drive sustainable economic development and contribute to creating new jobs and growth in society.
- **Sustainable financing** – SEB strives to contribute to reorienting capital flows to low-carbon and sustainable activities, to increase the share of positive impact financing and positively impact customers' sustainability focus.
- **Sustainable investments** – SEB aims to have a comprehensive and competitive offering with environmental, social and governance factors fully integrated into all investment processes.
- **Responsible and proactive advice** – SEB engages in understanding its customers' needs and preferences in the transition to a more sustainable society. This is enabled by engaged and knowledgeable employees.

The fundamental enablers (blue boxes below) are at the core of SEB's long-term success. As a company in the business of trust, short-comings in any of these areas would limit the bank from being able to create long-term value for stakeholders.

During 2018, sustainability aspects were further integrated into several core processes such as SEB's business planning process where sustainability has been defined as one strategic components for SEB's business plan 2019–2021. ►► See p. 10–12.

Climate change

SEB believes that climate change is one of the most serious global challenges the world is facing. It will have significant impact across many sectors and the bank has an important role to ensure transparency around climate-related risks and opportunities.

Strategy for mitigating climate change

To date, a number of strategic decisions have been taken as a result of the climate challenge. Examples include SEB's decision to lower its exposure to coal producers in both its credit portfolio and fund holdings. The ambition is also to grow the green loan portfolio consisting of assets contributing to lower carbon emissions, as well as new products such as green mortgages supporting energy efficient housing.

Managing SEB's climate-related risk

Climate change can have an impact on SEB's credit portfolio and fund holdings, and it is important that this is considered in the risk analysis and management. SEB performs qualitative sector analyses on the industries that are expected to be the most affected in the transition to a low-carbon environment, including energy, transport and the manufacturing industries. With regard to physical climate risk, industries such as real estate, forestry and insurance are deemed to be more impacted.

SEB is investigating ways to measure the climate impact of the credit portfolio and assets under management in terms of carbon emissions. SEB will also be liaising with the domestic and international financial community in the development of definitions and standards.

SEB's sustainability framework



Chair statement

In the face of rapid change we strive to continuously adapt to our customers' growing needs for more sophisticated services, more proactive advice and advanced digital solutions.

The increase in data, access to cloud technology and algorithms for machine learning are enabling us to interact with our customers in new ways. In the wake of the Internet of Things – where connected, autonomous systems communicate with each other and production chains can steer themselves, financial services can be seamlessly integrated with companies' value chains. New business opportunities emerge in new industrial ecosystems.

We also have an important role to facilitate and finance our customers' shift to sustainable business models. We truly believe that sustainable business is better business – to the benefit of our customers, shareholders and employees. SEB's most important assets are our trust and financial stability, which enable us to stand by our customers in good times and bad. We invest substantial resources in protecting SEB from cyber threats, money laundering and other financial crimes, adhering to the highest standards of corporate governance, sustainability, transparency and business ethics.

We embrace change, at the same time as we navigate according to our long-term strategy to ensure stability. With a focus on advisory leadership, operational excellence and extended presence, we invest in our future. It is the next step on the journey we have been on for more than 160 years."

Stockholm, February 2019

Marcus Wallenberg, *Chair, Board of Directors*

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



Main governing bodies of SEB

Board of Directors

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

▶▶ The Board is presented on p. 36–37.

The President and Group Executive Committee

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

▶▶ The GEC is presented on p. 38.

The General Meeting

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

▶▶ See information on the share p. 39–40.



Board of Directors

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

Directors appointed by the employees

	11 Anna-Karin Glimström	12 Håkan Westerberg
Position	Director	Director
Year elected	2016	2015 ¹⁾
Born	1962	1968
Education	University studies in mathematics, statistics and law.	Engineering logistics.
Other assignments	Chairman of Financial Sector Union of SEB group and Financial Sector Union Western section in SEB, Director EB-SB Fastigheter and EB-SB Holding.	Chairman of the Association of University Graduates at SEB.
Own and closely related persons' shareholdings	0 shares 809 conditional share rights	4,005 Class A shares and 809 conditional share rights



6 Samir Brikho Director 2013 1958 M.Sc. (Engineering, Thermal Technology), Hon. Dr. (Cranfield University). UK Business Ambassador. Co-Chairman of the UK-UAE Business Council and the UK-ROK CEO Forum. Director of EuroChem Group AG. Member of Advisory Board of Stena. Chairman of the Step Change Charity.	7 Winnie Fok Director 2013 1956 Bachelor of Commerce Director of Volvo Car Corporation, G4S plc (UK). Member of the Investment Committee of HOPU Investments Co, Ltd. (Asia), senior advisor to FAM and WFAB.	8 Tomas Nicolin Director 2009 1954 B.Sc. (Econ.) and M.Sc. (Management) Chairman of Centre for Justice. Director of Nordstjernan, Nobel Foundation and Axel and Margaret Ax:son Johnson's Foundation. Member of the Investment Committee of Niam Property Fund.	9 Helena Saxon Director 2016 1970 M.Sc. (Business and Econ.) CFO at Investor. Director of Swedish Orphan Biovitrum.	10 Johan Torgeby Director (President and CEO) 2017 1974 B.Sc. (Econ.) Director of the Swedish Bankers' Association and of the Institute of International Finance and Mentor Sweden.
0 shares	3,000 Class A shares	66,000 Class A shares	12,500 Class A shares	5,567 Class A shares, 84,809 share rights and 138,037 conditional share rights.
13 Annika Isenborg Deputy Director 2016 ²⁾ 1967 University studies in working environment. First deputy Chairman of Financial Sector Union of SEB and Financial sector union regional club Group Operations of SEB.	14 Charlotta Lindholm Deputy Director 2015 1959 LLB Vice Chairman of the Association of University Graduates at SEB. Director of the Foundation of Alma Detthows.	1) Deputy director 2011–2014 2) Deputy director 2014		
257 Class A shares and 1,618 conditional share rights	221 Class A shares and 809 conditional share rights			

Group Executive Committee



Johan Torgeby



Magnus Carlsson



Magnus Agustsson



Jeanette Almberg



Joachim Alpen



Martin Johansson



William Paus



Nina Korfu-Pedersen



Mats Torstendahl



Riho Unt



Masih Yazdi



Sara Öhrvall

	Position	SEB employee since	Born	Own and closely related persons' shareholdings
Johan Torgeby	President and CEO since 2017	2009	1974	228,413 shares and conditional share rights.
Magnus Carlsson	Deputy President & CEO since 2014	1993	1956	224,371 shares and conditional share rights.
Magnus Agustsson	Chief Risk Officer since 2017	2009	1973	48,175 shares and conditional share rights.
Jeanette Almberg	Head of Group Human Resources since 2016	2008	1965	101,704 shares and conditional share rights.
Joachim Alpen	Executive Vice President. Co-Head of the Large Corporates & Financial Institutions division since 2018	2001	1967	223,843 shares and conditional share rights.
Martin Johansson	Head of Business Support since 2011 and Chief of Staff since 2018	2005	1962	197,419 shares and conditional share rights.
William Paus	Executive Vice President. Co-Head of the Large Corporates & Financial Institutions division since 2018	1992	1967	162,729 shares and conditional share rights.
Nina Korfu-Pedersen	Head of Group Finance since 2016	2010	1973	33,927 shares and conditional share rights.
Mats Torstendahl	Executive Vice President. Head of the Corporate & Private Customers division since 2018	2009	1961	339,103 shares and conditional share rights.
Riho Unt	Head of the Baltic division since 2016, Group AML Senior Officer since 2018	2001	1978	65,410 shares and conditional share rights.
Masih Yazdi	Finance Director since 2018	2013	1980	68,033 shares and conditional share rights.
Sara Öhrvall	Chief Digital, Customer Experience and Communications Officer since 2018	2018	1971	1,150 shares.

Additional members of the Group Executive Committee



Johan Andersson



Peter Høltermand



Ausra Matuseviciene



Nicolas Moch



Marcus Nystén

David Teare¹⁾

John Turesson

Johan Andersson	Country Manager SEB Germany since 2016	1980	1957	51,825 shares and conditional share rights.
Peter Høltermand	Country Manager SEB Denmark since 2002	1997	1963	159,337 shares and conditional share rights.
Ausra Matuseviciene	Head of Operations since 2015	2002	1973	51,246 shares and conditional share rights.
Nicolas Moch	Chief Information Officer since 2018	2008	1972	37,671 shares and conditional share rights.
Marcus Nystén	Country Manager SEB Finland since 2010	1998	1960	213,153 shares and conditional share rights.
David Teare ¹⁾	Head of the Life division since 2019	2006	1963	179,603 shares and conditional share rights.
John Turesson	Country Manager SEB Norway since 2018	2006	1978	49,216 conditional share rights.

1) As Head of Division Life & Investment Management in 2018, David Teare was an ordinary member of the GEC in 2018

Shareholders and the SEB share

The closing price of the SEB Class A share was SEK 86.10 at year-end. The share price decreased in line with the development of the OMX Stockholm 30 index in 2018. Earnings per share amounted to SEK 10.69 (7.47). The Board proposes an ordinary dividend of SEK 6.00 and an extraordinary dividend of SEK 0.50 per share for 2018.

Share capital

SEB's share capital amounts to SEK 21,942m distributed on 2,194.2 million shares. Each Class A share entitles the holder to one vote and each Class C share to 1/10 of a vote.

Stock exchange trading

The SEB share is listed on Nasdaq Stockholm, but is also traded on other exchanges. During 2018 the value of the SEB class A share decreased by 11 per cent. The OMX Stockholm 30 index (OMXS30) decreased at the same rate while the MSCI Europe Banks Index decreased by 27 per cent. Total turnover in SEB shares in 2018 amounted to SEK 324bn (312) of which SEK 139bn (124) on Nasdaq Stockholm. Market capitalisation by year-end was SEK 189bn (211). The share is included in the Dow Jones Sustainability Index and the FTSE4Good Index, which facilitate investments in companies which are globally recognised for their corporate responsibility.

Data per share

	2018	2017	2016	2015	2014
Basic earnings, SEK	10.69	7.47	4.88	7.57	8.79
Diluted earnings, SEK	10.63	7.44	4.85	7.53	8.73
Shareholders' equity, SEK	68.76	65.18	65.00	65.11	61.47
Net worth, SEK	74.74	73.60	73.00	72.09	68.13
Net expected credit losses ¹⁾ , SEK	0.54	0.37	0.46	0.40	0.06
Dividend per Class A and Class C share, SEK	6.50 ²⁾	5.75	5.50	5.25	4.75
Year-end share price ³⁾ , SEK					
per Class A share	86.10	96.30	95.55	89.40	99.55
per Class C share	86.40	96.05	95.20	88.85	97.65
Highest price paid ³⁾ , SEK					
per Class A share	102.70	109.00	99.75	111.50	100.60
per Class C share	103.60	109.90	101.10	112.50	99.10
Lowest price paid ³⁾ , SEK					
per Class A share	79.16	94.05	67.75	83.45	82.25
per Class C share	80.50	95.15	70.35	83.75	77.45
Dividend as a percentage of earnings (payout ratio),%	60.8	77.0	112.8	69.4	54.0
Dividend yield, %	7.5	6.0	5.8	5.9	4.8
P/E (share price at year-end/earnings)	8.1	12.9	19.6	11.8	11.3
Number of outstanding shares, million					
average	2,164.4	2,167.6	2,177.6	2,191.2	2,186.8
at year-end	2,163.9	2,167.0	2,169.0	2,193.3	2,188.7

1) 2018: Net ECL level based on IFRS 9 expected loss model.
2014–2017: Credit loss level based on IAS 39 incurred loss model.

2) As proposed by the Board of Directors an ordinary dividend of SEK 6.00 per share and an extraordinary dividend of SEK 0.50 per share.

3) Source: Nasdaq Stockholm.

Dividend policy

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

Proposed dividend for 2018

The Board of Directors proposes to the Annual General Meeting a total dividend of SEK 6.50 (SEK 6.00 ordinary and SEK 0.50 extraordinary dividend) per Class A and Class C share respectively (5.75) for 2018, which corresponds to a 61 per cent (77) dividend payout ratio. Excluding items affecting comparability, the dividend payout ratio was 76 per cent (70). The proposed record date for the dividend is 28 March 2019. If the Annual General Meeting resolves in accordance with the proposal, the share will be traded ex-dividend on 27 March 2019 and dividend payments will be disbursed on 2 April 2019.

The largest shareholders

31 December 2018

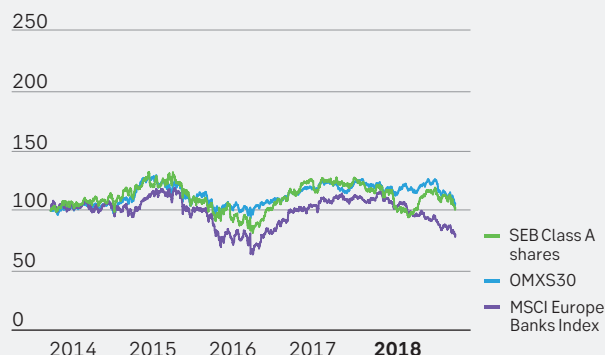
	No. of shares	Of which Class C shares	Share of capital, %	Share of votes, %	
				2018	2017
Investor AB	456,198,927	4,000,372	20.8	20.8	20.8
Alecta	153,952,500		7.0	7.1	6.5
Trygg Foundation	114,673,802		5.2	5.3	5.3
Swedbank Robur Funds	92,984,015		4.2	4.3	4.7
AMF	88,173,815		4.0	4.1	3.6
BlackRock	52,164,287		2.4	2.4	2.1
SEB Funds	34,201,886		1.6	1.6	1.5
SEB own shareholding	30,276,332		1.4	1.4	1.2
Nordea Funds	27,148,008		1.2	1.2	1.2
Vanguard	26,060,775	71,784	1.2	1.2	1.2
XACT Funds	25,321,316		1.2	1.2	1.1
Fourth Swedish National Pension Fund	23,447,866		1.1	1.1	1.2
First Swedish National Pension Fund	21,662,731		1.0	1.0	1.0
Didner & Gerge Funds	18,678,843		0.9	0.9	0.9
AFA Insurance	16,730,016		0.8	0.8	0.7

Source: Euroclear and Holdings

Different voting power of Class A shares (voting power 1) compared with Class C shares (voting power 0.1) gives minor differences in share of votes vs. share of capital.

Share price development SEB Class A share

Index 1 January 2014=100



Dividend yield and total shareholder return

The dividend yield, which is the dividend in relation to the share price for 2018, was 7.5 per cent based on the proposed dividend.

Total shareholder return (TSR) – which is the share price development and reinvested dividend per share was affected by the stock exchange decline and was –5 per cent for 2018 (6).

SEB's Annual General Meeting (AGM)

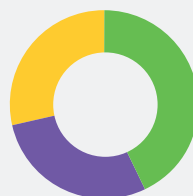
SEB has approximately 261,000 shareholders. The shareholders' influence is exercised at the general meetings of shareholders, the bank's highest decision-making body. 1,114 shareholders attended the AGM in 2018. The main resolutions made at the AGM were:

- approval of the dividend of SEK 5.75 per share
- decision on the number of directors of the Board to be eleven
- re-election of eleven directors
- re-election of Marcus Wallenberg as Chair of the Board
- re-election of PricewaterhouseCoopers as external auditor
- adoption of guidelines for remuneration of the President and the other members of the GEC
- approval of three long-term equity programmes
- issuance of a mandate to the Board concerning the acquisition and sale of own shares for SEB's securities business, for the long-term equity programmes and for capital management purposes
- issuance of a mandate to the Board to resolve on the issuance of convertibles.

►► The minutes from the AGM are available on sebgroup.com

Analysts' recommendations 2018

Around 30 equity analysts are covering SEB's development. Apart from the quarterly press conferences, SEB each year arranges a number of meetings with analysts and investors in order to clarify the bank's development and answer questions. A summary of some of the analysts' recommendations is published via news agencies every quarter.



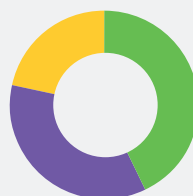
1st quarter 2018

Buy	6
Hold	4
Sell	4
Total	14



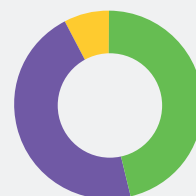
2nd quarter 2018

Buy	7
Hold	4
Sell	3
Total	14



3rd quarter 2018

Buy	6
Hold	5
Sell	3
Total	14

4th quarter 2018 ¹⁾

Buy	6
Hold	6
Sell	1
Total	13

Source: SME Direkt/Infront Data

1) The recommendations were given before the presentation of SEB's Annual Accounts for 2018.

Calendar

2018 Annual Accounts
Annual Report
Annual General Meeting
Interim report January – March
Interim report January – June
Interim report January – September

30 January 2019
5 March 2019
26 March 2019
30 April 2019
12 July 2019
23 October 2019



SEB corporate website

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

Financial information and publications



Annual Report

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



Annual Review

An abbreviated version of the Annual Report.



Interim reports and Fact Books

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



Capital Adequacy and Risk Management Report (Pillar 3)

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



Sustainability Fact Book & GRI Index

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

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

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

Subscribe to the interim reports (pdf) and the Fact Book (pdf) on sebgroup.com/press

Annual General Meeting

The Annual General Meeting will be held on Tuesday 26 March 2019 at 1 pm (CET) at Stockholm Concert Hall, Hötorget, Stockholm, Sweden.

A notice convening the Annual General Meeting, including an agenda, is available on sebgroup.com

Shareholders who wish to attend the Annual General Meeting shall at the latest on Wednesday 20 March 2019:

- be registered in the shareholders' register kept by Euroclear Sweden AB, and
- have notified the bank in either of the following ways:
 - ▶▶ by telephone 0771 23 18 18 (+46 771 23 18 18 from outside Sweden) between 9 am and 4.30 pm (CET) or
 - ▶▶ at sebgroup.com or
 - ▶▶ in writing to the following address:
Skandinaviska Enskilda Banken c/o Euroclear Sweden,
Box 191, 101 23 Stockholm, Sweden

Dividend

The Board proposes a total dividend of SEK 6.50 per share (consisting of an ordinary dividend of SEK 6.00 per share and an extraordinary dividend of SEK 0.50 per share) for 2018.

Thursday 28 March 2019 is proposed as record date for the dividend payments. If the Annual General Meeting resolves in accordance with the proposal, the share will be traded ex-dividend on Wednesday 27 March 2019 and dividend payments are expected to be distributed by Euroclear Sweden AB on Tuesday 2 April 2019.



Welcome to SEB!

Our vision is to deliver world-class service to our customers. We assist 2,300 large corporations, 700 financial institutions, 267,000 small and medium-sized companies and 1.4 million private individuals with advice and financial solutions.

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

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

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

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