



2000-08-22

## Interim Report January-June 2000

### DELIVERING STRONG INCOME DEVELOPMENT, IMPROVED EFFICIENCY AND GROWTH

Total result\* increased by 83 per cent to SEK 6,346 M (SEK 3,473 M), while return on equity\* rose to 22.3 per cent (16.0 per cent) and earnings per share\* to SEK 6.47 (SEK 3.97).

#### Effects of restructuring and efficiency measures now visible:

- Branch office closures in Sweden completed and income growth is strong
- Restructuring of BfG ahead of plan – negotiations with the unions completed
- Concentration of Merchant Banking's international network activities giving lower costs
- Reduced capital employment by different outsourcing and securitisation measures
- Divestment of SEB's shares in Svensk Exportkredit – increasing income by SEK 500 M

#### Growth in Europe and e-banking continues:

- The total number of e-banking customers now approximately 620,000
- Strong influx of e-banking customers in Germany
- Launch in Denmark of SEB e-banking well received
- Filing for approval to acquire about 30 per cent of the shares in the Polish bank BOS

	January-June 2000	January-June 1999	Change per cent
Group's total result*, SEK M	6,346	3,473	83
Return on equity*, %	22.3	16.0	
Return on equity*, 12 months moving average, %	18.6	10.9	
Earnings per share*, SEK	6.47	3.97	63
Group's operating result, SEK M	5,429	2,757	97
One-off items, Mkr	1,597	754	
Net commission income, SEK M	6,939	3,815	82
Assets under management, SEK billion	918	549	67
Assets under custody, SEK billion	2,570	1,904	35

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\* The Group's total result comprises operating results, change in surplus value in the life insurance operations and compensation from pension funds.

As of the first quarter of 2000, SEB is following the Swedish Financial Supervisory Authority's guidelines and recommendations that become effective in 2001 and is presenting a profit and loss account in which results from the banking and insurance operations are reported separately. In addition, SEB is presenting an operational profit and loss account.

## CEO's COMMENT

*"The transformation process of SEB is now showing results. The increased profits are partly due to income increases in our growth areas but also to improved capital- and cost efficiency measures taken in most areas", says Lars H. Thunell, President and Group Chief Executive.*

*"The positive income increases from the first quarter continued in the second quarter, in spite of the negative development on the stock markets. The division of the Group into four main areas, with different strategies, has involved stronger focus in each group with a number of efficiency measures carried out that is beginning to be reflected in the figures.*

*Within **Nordic Banking** focus has been on cost- and capital efficiency. A great number of different efficiency measures has been carried out that is mirrored in lower cost levels, reduced risk and shrinking capital allocated. I find it specifically interesting to note that this has been accomplished while activity level has been high and income in most areas has been growing rapidly.*

*Within **Asset Management & Life** focus has continued to be on growth – but more profitable. Assets under management have grown by 68 per cent, based on the general growth of savings. It is also pleasing to see the strong inflow of new customers to our Private Banking activities. Change in surplus value in the life insurance operations remained at the same level as last year due to the development on the stock market in the second quarter.*

*In **BfG** the priorities since the takeover have been cost- and capital efficiency as well as growth within e-banking and asset management. The extensive restructuring program has now resulted in increased cost savings targets. We will thereby arrive at 15 per cent return on equity in 2004, i.e. one year ahead of plan. An agreement has been made with BfG's Workers' council that- together with sales and closures of subsidiaries - makes it possible to decrease the number of employees by 800. It is satisfactory to note that this has been accomplished in parallel with a strong influx of e-banking customers.*

*Also in our investment bank arm, **Enskilda Securities**, the reshaping program that was initiated last year has resulted in a strong profit increase. Enskilda is now number one in Nordic investment banking.*

*Within the **e-banking** activities the launch in Denmark has been well received and will be followed later this year by startup in the UK and launch of an Internet brokerage service in Germany. Our launches in these countries will follow the same pattern as Denmark, i. e. soft launches that we build gradually without too big marketing expenses.*

*In the Baltic countries there has been a further reduction of branches and personnel, while the number of Internet users is increasing. And the former gap in our hold around the Baltic Sea will now be filled, as we finally had the opportunity to invest into a polish bank, BOS."*

*"When I summarize the first half of 2000 I see a strong proof that SEB is on the right track with stable profitability in the Nordic Banking area, higher efficiency and reduced risk. SEB is well positioned to become the leading e-centric, customer-driven provider of financial services in Europe."*

## RESULT BY MAIN GROUP

### Nordic Banking – increased volumes and lower costs

The total result for the Nordic Banking operations (Retail Distribution, Merchant Banking, and SEB Securities Services) increased by 15 per cent. Income was up by 11 per cent as a result of sharply increased income in Retail Distribution and SEB Securities Services.

Costs declined by 1 per cent, due in part to the fact that the number of employees was reduced by 150. The income/cost ratio, before credit losses, improved to 1.85 (1.65). As a result, the objective of holding costs in Nordic Banking at the same level as in 1999 was achieved during the first half of the year.

During the summer SEB and the other three large Swedish commercial banks formed Svenska Girot, which is taking over the banks' holdings in Bankgirot and Privatgirot and acquiring Postgirot.

SEB's market share of total deposits from the general public (households, companies etc) in Sweden increased to 21.8 per cent compared with 20.4 per cent last year. SEB's share of the household deposits was 14,3 per cent (13.7 per cent).

The Group's share of lending to the general public in Sweden amounted to 14.6 per cent (15.1 per cent). On the household market, the market share was 11.9 per cent (11.8 per cent).

### **Retail Distribution - strong revenue trend**

The business area achieved an improvement of 86 per cent in results. This was attributable to a strong increase (25 per cent) in income combined with effective cost control.

Income was higher, due primarily to increased net interest income from deposits as a result of larger volumes and improved margins, as well as sharply higher commission income in the securities sector. The marginal increase in costs was due mainly to higher data processing costs, which are largely related to the sharp increase in commercial activity and the expansive trend of Internet operations.

The decision, announced earlier, to close 50 offices has been implemented without major problems. Service and business acquisition is taking place via the Internet, through visits, and through nearby offices. The expected improvement in efficiency, equal to 150 full-time positions will be realised during the year.

In the third quarter 2000 SEB will open three new offices – specialising on growth companies – in Stockholm, Göteborg and Lund.

SEB and the Bank of Sweden's subsidiary, Pengar i Sverige AB (PSAB) have concluded a long-term agreement pertaining to SEB's cash handling. Initially, PSAB is taking over SEB's cash processing centres in Stockholm, Göteborg and Malmö. The number of full-time positions will thereby be reduced by approximately 70, beginning in 2001.

To improve efficiency, as well as to streamline and concentrate operations, SEB has decided to liquidate the so-called post write-off debt collection. A loan portfolio representing claims of SEK 2.2 billion has accordingly been sold to Hoist Kredit AB, with payment to be made on October 1, 2000. The transaction is resulting in a capital gain of approximately SEK 300 M, which is being booked during the second half of the year.

During the second quarter housing loans amounting to SEK 8.3 billion, EUR 1 billion, were securitised, with the result that the Bank released capital and is able to utilise its capital base more efficiently. The sale was made to Osprey Mortgage Securities Limited by issuing bonds in the amount of EUR 1 billion, with housing loans as collateral. The transaction resulted in a capital gain of SEK 45 M on Group level.

### **Merchant Banking – lower risks and continued growth in customer related income**

The stable growth of customer-related income continued, SEK 2,290 M compared with an average of SEK 2,043 M for the first half of 1999. The more volatile income decreased as a result of the reduced level of market risk and the closure of the Proprietary Trading unit in March this year. In spite of the increased customer-related income, total income did not fully match last year's level, due to the fact that the Bank then had a substantial income in connection with the introduction of the euro and the declining interest rates.

The growth in customer-related income is a result of deliberate efforts in a number of areas. Growing customer segments such as financial institutions and growth industries like telecommunications and information technology constitute one such area. Other examples include programs in the growing European capital debt market, structured financing and the continuing growth of Internet-based customer solutions. Customers will shortly be offered additional Internet services, such as Prime Brokerage and Securities Lending, as well as increased cash-management services. In the annual survey conducted by Euromoney, Trading Station was ranked second in the world among Internet-based marketplaces for currencies, up from third place last year.

These programs are being financed through improvements in efficiency in mature segments and industries, and in the international network which is made possible by the new Internet technology and joint-venture agreements with international banks. To improve efficiency and strengthen its operations in Asia, Merchant Banking has decided to transfer the activities in Tokyo and Hong Kong to Singapore. In Hong Kong, an agreement has been reached with the Bank of Nova Scotia, which will provide local service to SEB's customers there. During the first quarter an agreement was reached with the Bank of New York with respect to co-operation in servicing Nordic customers in the United States. The objective is to improve the range of products

being offered to customers and to rationalise the Bank's operations. During the second quarter it was also decided to render the operations in Helsinki more effective.

Reduced exposure in emerging markets, a smaller loan portfolio, lower market risks and reduced operational risks have led to a continuous reduction of the amount of capital allocated during the period.

The risk capital unit SEB Företagsinvest, which has been part of Merchant Banking as of the first quarter of 2000, has in the first half of 2000 realised some of their investments, for example by quoting Pyrosequencing on the Stockholm Stock Exchange with a good financial result.

### **SEB Securities Services - Strong increase in volumes**

SEB Securities Services provides securities management and custodial services in Stockholm, Copenhagen, Helsinki and Oslo under its own name and has sub-suppliers in another 55 countries. For the first half of 2000 the result increased by 57 per cent as a consequence of sharply rising volumes and lower costs.

The strong growth in volume of business continued during the first half of the year. The volume of transactions rose by 69 per cent, to 1.7 million, while the volume of securities under custody increased by 35 per cent, to SEK 2,570 billion.

During 2000 SEB Securities Services, with market shares ranging from 30 to 90 per cent in different business and customer areas, was ranked as number four in Europe by Global Investor magazine.

### **Asset Management & Life - strong and profitable growth**

The total result for this main group, which accounts for the lion's share of savings in the SEB Group, increased by 76 per cent. Since June 2000 the unit has been divided into three business areas: SEB Invest & Funds, Private Banking (which formerly jointly constituted the Asset Management business area), and SEB Trygg Liv. The group's income, including changes in surplus value in the life insurance operations, increased by 42 per cent, due in part to the rise in stock market values and strong sales of new life insurance policies.

Despite the rapid growth in income, the increase in costs was limited to 22 per cent. The increase was attributable to expansion in the Nordic Region and UK, increased staff costs and rising result-related bonuses. The average number of employees was 1,960, an increase of 16 per cent compared with the first half of 1999.

The income/cost ratio improved substantially, to 1.84 (1.58).

As of June 30, 2000, the SEB Group had assets amounting to SEK 918 billion under management, of which Asset Management & Life managed SEK 806 billion (SEK 549 billion). Portfolio management accounted for SEK 347 billion (SEK 221 billion) of this amount, traditional life insurance for SEK 245 billion (SEK 172 billion), mutual funds for SEK 149 billion (SEK 112 billion), and unit-linked insurance for SEK 65 billion (SEK 44 billion). Assets under management have increased by 15 per cent since year-end 1999. The remaining SEK 112 billion are managed by BfG.

During the period it was decided that SEB will begin to sell approximately 30 foreign funds from ten external fund managers.

### **SEB Invest & Funds and Private Banking - profitable growth**

Income of Invest & Funds and Private Banking (Asset Management) rose a total of 58 per cent.

The improvement in the SEB Invest & Funds business area was attributable primarily to the upturn in the stock market, but also to the fact that investments made earlier in the Nordic Region are now contributing a substantial part of the increase in income. In Private Banking, which consists of SEB Enskilda Banken and International Private Banking, the increase was due mainly to an increase in commissions resulting from customer activities. The business area acquired 3,000 new customers during the first half of the year.

Costs rose by a total of 22 per cent, due to rising transaction costs, new ventures in Denmark and UK and increased result-related bonuses.

SEB's share of new sales of mutual funds in Sweden accounted for 14.7 per cent (14.6 per cent) whilst the share of outstanding volume of managed funds in Sweden was 21.5 per cent (22.2 per cent). SEB Private Bank in Geneva was opened during the summer, in line with SEB's objective to grow in the asset-management field in Europe. SEB has also international private banks in London and Luxembourg.

### **SEB Trygg Liv - strong growth**

SEB Trygg Liv reported strong growth in sales despite some weakening during the second quarter. The market for single-premium endowment assurance in the form of unit-linked continued to be strong. Sales increased by 55 per cent, to SEK 7,455 M, and premium income (paid premiums) rose by 40 per cent, to SEK 10,422 M, compared with the corresponding period last year.

New sales in SEB Trygg Liv increased by 31 per cent, while total new sales in Sweden rose by 40 per cent. The company's share of the total life insurance market (single-premiums plus ten times current premiums) amounted to 15.4 per cent (18.5 per cent). The decrease comes mainly from the traditional insurance segment, which is not the main priority area due to low margins.

SEB Trygg Liv's share of unit-linked insurance amounted to 20.2 per cent (23.0 per cent) of new issues and 29.0 per cent (31.8 per cent) of stocks. Activities have been taken to regain market share in group insurance, which will yield result next year.

Total assets under management increased by 16 per cent, to SEK 251 billion. The increase for unit-linked insurance was 48 per cent. (See appendix 1.)

### **BfG – restructuring ahead of plan**

The subsidiary, BfG Bank in Germany, whose name is being changed to SEB this coming winter, reported a total result of SEK 481 M, including SEK 119 M in one-off items from the first quarter. (For comparison with January-June 1999 in euro see appendix 2)

BfG has since the takeover by SEB increased its focus on e-banking and asset management. Since the end of the first quarter this year the number of e-banking customers has grown with almost 50,000 to approximately 115,000 today. This autumn BfG will launch a brokerage channel based on SEB's pan-European Internet model, and thereby expect to well exceed the e-banking target of 130,000 e-banking customers by the year-end.

The first half of 2000 was the best six months-period ever in terms of net inflow, EUR 503 M (SEK 4,2 billion) in BfG Invest, the mutual fund subsidiary. These figures include two mutual funds from SEB. In BfG Immo-Invest the inflow of EUR 57 M resulted in a increased market share for real estate funds, from 4,0 to 4.3 per cent. As of June 30, 2000, BfG had approximately the equivalent of SEK 112 billion under management.

During 2000, BfG has divested three subsidiaries involved in leasing, real-estate agency and management consulting, as well as started the closure of the subsidiary bank, Deutsche Handelsbank in Berlin.

The restructuring program has been negotiated with the Workers council. The program aims at increasing BfG's focus on e-banking, investment advice and asset management as well as reducing costs, i.e. by reducing staff. The total reduction concerns 800 employees - including 230 in connection with sales and closures of subsidiaries. Simultaneously, risk-weighted assets have been reduced by EUR 1,500 M.

The target for annual reduction in costs has now been defined to EUR 100 M (SEK 840 M) compared to the earlier target EUR 80-100 M. As a result, it is expected that the objective of a 15 per cent return will be achieved in 2004, a year ahead of plan.

In 2000, BfG has qualified as one of nine finalists in the European Quality Award.

### **Other activities**

This group includes the Enskilda Securities, SEB Kort and Baltic business areas. The latter comprises two majority-owned banks, Eesti Ühispank and Latvijas Unibanka, as well as Vilniaus Bankas, which is partly owned.

Eesti Ühispank and Latvijas Unibanka are consolidated in SEB's accounts. In the first half of 1999, only the shares of results in these banks were included.

### **Enskilda Securities - continuing strong improvement in results**

During the first half of 2000 the stock market was characterised by a continuing high turnover of shares and substantial interest in IT and telecom stocks, although some weakening was noted in the second quarter. The

favourable market conditions made possible a large number of market introductions, of which the largest was Telia, in which Enskilda Securities had a leading role.

Enskilda Securities has strengthened its positions in the Nordic stock markets during 2000. On the Stockholm Exchange the company is continuous the largest player with a market share of 10.1 per cent. In Oslo, Orkla Enskilda Securities is in second place, with a 12.5 per cent share. In Helsinki and Copenhagen the market shares amount to 7.8 and 6.2 per cent respectively, compared with 6.8 and 5.3 per cent during the first half of 1999.

Enskilda Securities strengthened its position in equity analysis during the first half of 2000. In the Swedish financial daily paper *Finansstidningen's* annual ranking of equity analysts, Enskilda Securities shared first place as the best analyst firm in Sweden.

During the period Enskilda Securities and Orkla Finans (Fondsmegling) ASA were merged. Enskilda Securities assumed the ownership of Orkla Finans (Fondsmegling) - whose name was changed to Orkla Enskilda Securities ASA - and Orkla Finans ASA acquired 22.5 per cent of the capital in Enskilda Securities. SEB is thus retaining a 77.5 per cent interest. The transaction gave rise to a capital gain of SEK 373 M, which was included in the Group's result already for the first quarter.

Income increased by 77 per cent as a result of much higher secondary commission income, favourable trading results and higher income from Initial Public offerings (IPO). The income from mergers and acquisitions was higher than last year. Enskilda Securities' equity trading turnover increased by 120 per cent compared with the first half of 1999. Underlying this increase was, primarily, the very strong interest in IT and telecom shares.

The 68 per cent increase in costs included additional costs for the acquisitions in the first six months. Excluding the effects of these items, costs increased by 41 per cent, which reflects the increased provision for bonuses to employees due to the favourable trend of results. The underlying cost increase is 11 per cent.

Enskilda Securities' new office in Silicon Valley will begin operations early in the autumn. The company will close its office in Moscow.

### **SEB Kort - increased efficiency**

All business units within SEB Kort contributed to the 27 per cent increase in results. Turnover of the Swedish business units, covering both card issuing - Diners Club, Eurocard and bank products - and acquiring operations, developed favourably. Sales from the subsidiaries also increased, compared with sales a year ago, and contributed to the improvement in net commissions.

Interest income developed favourably as a result of larger volumes, e.g. from introducing Mastercard outside Sweden. The Mastercard card is being introduced in Finland during the autumn and will then be available in all the Nordic countries.

During the summer SEB Kort introduced a new service for financing via Internet. This service, Select e-finans, makes it possible for web-stores to provide simple, secure and beneficial financing of their customers' purchases.

In 2000, SEB Kort Norge has won first prize in a customer-service competition: the Teleperformance Grand Prix Customer Service Awards. The competition comprised more than a hundred Norwegian companies. SEB Kort Danmark won an award for the best call centre in the financial sector for the third year in a row.

### **Baltic Region – focus on Internet and cost efficiency**

The result for the Baltic Region business area in the first half of 2000 amounted to SEK 125 M. During the comparable period last year the three partly owned banks in the Baltic Region, which at that time did not constitute a separate business area, contributed SEK 44 M. Eesti Ühispank in Estonia, and Latvijas Unibanka in Latvia were consolidated in the SEB Group during the second half of 1999. Vilniaus Bankas in Lithuania, in which SEB has a 41 per cent holding, is still reported in accordance with the equity method.

The number of Internet customers in Eesti Ühispank is increasing steadily and now amounts to 55,000. Latvijas Unibanka's new Internet service had nearly 11,000 users. Internet service will be introduced in Vilniaus Bankas in September.

In Eesti Ühispank the cost cutting and divesting program continued. The number of branches decreased from 80 to 72 and will be reduced further to 62 by year-end.

During the second quarter, Eesti Ühispank formed an IT company jointly with SEB. This company, SEB IT Partner Estonia, which is owned 65 per cent by SEB and 35 per cent by Eesti Ühispank, will develop IT services for the entire SEB Group.

In June, Latvijas Unibanka became the first bank in Latvia to open an automated customer service centre.

The merger of Vilniaus Bankas and Bankas Hermis has now been completed. The number of employees in the merged bank has been reduced by 231 to 1,658. The full effect of the reduction will appear in the second half of 2000.

SEB and Vilniaus Bankas have signed an agreement with the Lithuanian Government regarding exemption from tax 1999-2004.

### **SEB e-banking – gaining ground**

SEB e-banking (formerly SEB Internet) became a separate business area in the summer of 1999.

Income from - and costs of - the current operations in Sweden, Germany and Denmark are reported in the business areas where customers use the services, mainly in Retail Distribution and BfG.

Costs for developing SEB e-banking amounted to SEK 280 M in the first half of 2000. All development costs are expensed and carried by the Group.

During the year the overall number of e-banking customers increased to approximately 620,000 of which 438,000 in Sweden, 115,000 in BfG and 65,000 in Estonia and Latvia. The number of transactions has also risen. In Sweden, the e-customers made 23,000 share transactions in June 2000, compared to 10,000 in June 1999. Over the same period, the number of payments via Internet rose from 0.8 to 1.2 million.

SEB has set a stretch goal of having five million e-banking customers by the end of 2004.

Based on the new pan-European e-banking platform, SEB launched its e-banking services in Denmark in April. By August, 4,000 customers were acquired. This autumn an Internet brokerage-service, SEB Direkt, will be launched in Germany. There are also plans to launch e-banking services in the UK in the fourth quarter this year.

In Sweden, SEB has updated its existing Internet service for private individuals and companies.

Next natural step in the e-banking expansion will be the mobile e-services that are planned to be launched in a number of SEB's Internet-markets during the fourth quarter this year.

In addition to the financial services offered to private individuals and companies, the Group provides e-banking services for companies within special areas such as currency and interest trading (Trading Station), liquidity planning (WebForecast) and import/export letters of credits etc (SEB Trade Finance).

Group activities in the e-sector have also been broadened. The newly formed SEB e-invest has to date invested more than SEK 500 M in five companies. The largest investment is in b-business partners, a venture capital company for investments in companies that conduct business-to-business (B2B) commerce via the Internet. In June SEB, Ericsson and b-business partners invested SEK 130 M in a new market place for B2B on the net, Nordic Commerce Exchange.

In connection with the listing of SelfTrade, the French Internet broker in which SEB owns 34 per cent of the voting rights and 20.4 per cent of the capital, the company issued new shares. SEB subscribed for its portion and as of June 30, 2000, the market value of SEB's holding amounted to approximately SEK 650 M (book value: SEK 300 M).

In August, SelfTrade, which has approximately 30,000 customers and offices in Paris, Milan, Madrid and London, signed an agreement with Casino, one of France's largest retail chains, which has 11.5 million customers. The agreement provides that SelfTrade can demonstrate its services in department stores and help store customers to open accounts.

## GROUP ACCOUNTS

Total income rose by more than 70 per cent to SEK 17.4 billion. For comparable entities the increase was over 25 per cent, mainly due to a strong rise in commission income.

During the summer SEB signed an agreement covering the sale of its 18 per cent holding in Svensk Exportkredit (SEK) to ABB. The sale involves an impact of approximately SEK 500 M on SEB's result, including a capital gain of SEK 60 M and an extra dividend of SEK 440 M.

Capital gains and other one-off items in the first six months of the year thereby totalled SEK 1,597 M (SEK 754 M), of which SEK 912 M in the first quarter. This includes a capital gain of SEK 420 M before tax from the sale of the Bank's building on Kungsträdgårdsgatan and SEK 373 M from the transaction with Orkla Finans. The securitisation of housing loans in the second quarter resulted in a capital gain of SEK 45 M. The realisation of venture capital funds resulted in capital gains of SEK 90 M.

As at 30 June 2000, a change of one percentage point in the Group's combined positions in SEK and other currencies means that the market value of the Group's interest-sensitive positions would increase/decrease by SEK 1.2 billion (SEK 0.7 billion in the first half of 1999).

Total assets of SEB's pension funds amounted to SEK 26,0 billion in the end of June 2000 (compared to SEK 25,2 billion by year-end), while the pension commitments totalled SEK 7,6 billion (SEK 7,1 billion). Thus, the surplus value has grown from SEK 18.1 billion to SEK 18,4 since year-end.

Total costs rose by 56 per cent to SEK 10.7 billion. For comparable entities the increase was 9 per cent. A refund of SEK 50 M from SPP has been booked as a cost deduction.

As of June 30, 2000, SEK 1,873 M - including SEK 174 in the current year - of the restructuring reserve of SEK 2,255 M established in the accounts for 1997, had been utilised.

The acquisition of BfG in January 2000 has resulted in a difference between purchase price and equity of SEK 3.4 billion to be accounted for in the closing of the books in the year of 2000. The restructuring costs for BfG will be fully covered, to some extent by restructuring reserves established by BfG in 1999 and for the remainder from a part of the above mentioned difference. The results of SEB will thus not be affected by the restructuring costs.

The Group's lending losses, including changes in the value of assets taken over, amounted to SEK 531 M, net, of which SEK 427 M pertained to BfG. The level of lending losses was thus 0,15 per cent.

As of June 30, 2000, SEB's exposure in emerging markets amounted to SEK 14 654 M, net, a decrease by more than SEK 2 billion or 12.5 per cent from the first quarter. The reduction mainly concerns BfG's portfolio, especially Russia.

**Exposure on emerging markets, geographical distribution, SEK M**

	<i>Total</i>	<i>of which BfG</i>
<b>Asia<sup>1</sup></b>	<b>6,772</b>	<b>1,287</b>
Hong Kong	2,314	397
China	828	140
Other specified countries <sup>2</sup>	2,077	165
<b>Latin America<sup>3</sup></b>	<b>4,161</b>	<b>747</b>
Brazil	1,685	34
<b>Eastern and Central Europe<sup>4</sup></b>	<b>4,650</b>	<b>2,957</b>
Russia	2,738	1,745
<b>Africa and Middle East<sup>5</sup></b>	<b>2,796</b>	<b>428</b>
Turkey	897	71
<b>Total</b>	<b>18,379</b>	<b>5,419</b>
Provision	3,725	2,078
<b>Total net</b>	<b>14,654</b>	<b>3,341</b>

1. Includes Hong Kong, China, India, Pakistan, Taiwan, Macao and other specified countries

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

3. Includes Brazil, Argentina, Mexico and Peru

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

5. Includes Turkey, Iran, Saudi Arabia, Egypt, South Africa, Ethiopia and Algeria

Doubtful claims, net, increased because of BfG to SEK 6,630 M (SEK 2,749 M), while the volume of assets taken over declined to SEK 259 M (SEK 920 M).

**Capital adequacy**

As of June 30, 2000, the capital base for the financial group of undertakings (which does not include insurance companies) amounted to SEK 53.5 billion (SEK 46.5 billion at December 31, 1999). Core capital was SEK 37.1 billion (SEK 34.4 billion), of which SEK 1.7 billion constituted so called core capital contribution. At the same time, risk-weighted assets amounted to SEK 488 billion (SEK 318 billion at December 31, 1999). The capital ratio was thus 10.96 per cent (14.62 per cent as per December 31, 1999) and the core capital ratio 7.60 per cent (10.80 per cent).

In the first quarter of 2000 – after including BfG – risk weighted assets rose to SEK 510 billion. The reduction in risk-weighted assets during the second quarter thus amounted to SEK 22 billion, mainly related to capital efficiency measures in Nordic Banking and BfG.

**Expansion in Europe - investment in Polish bank**

After the report period, SEB has entered agreements to acquire a strategic stake in Polish Bank Ochrony Srodowiska, BOS. The transaction is subject to regulatory approvals in Sweden and Poland.

SEB currently owns 4.4 per cent of the shares in BOS and will after the additional acquisition control above 30 per cent of the shares and votes in BOS.

Stockholm, August 22, 2000

Lars H Thunell

President and Chief Executive Officer

The interim report for January-September 2000 will be published on October 27, 2000. SEB Group interim reports are available on the Internet

([www.seb.se](http://www.seb.se); [www.seb.net](http://www.seb.net)).

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This report has been reviewed by the auditors of the Bank.

# SEB Group

## Operational Profit & Loss Accounts

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Net interest earnings	5,869	3,354	75	6,858
Net commission income	6,939	3,815	82	8,317
Net result of financial transactions	1,472	1,069	38	2,034
Other operating income	2,652	1,500	77	2,327
Change in surplus value in life insurance operations	427	436	-2	1,502
<b>Total income</b>	<b>17,359</b>	<b>10,174</b>	<b>71</b>	<b>21,038</b>
Staff costs	-6,298	-3,864	63	-8,419
Pension compensation	490	280	75	873
Other operating costs	-4,013	-2,687	49	-5,743
Depreciations	-846	-555	52	-1,175
<b>Total costs</b>	<b>-10,667</b>	<b>-6,826</b>	<b>56</b>	<b>-14,464</b>
Lending losses etc	-531	218		289
Net result from associated companies	52	54	-4	116
Result from non-life insurance operations	133	-147	-190	518
<b>Total result</b>	<b>6,346</b>	<b>3,473</b>	<b>83</b>	<b>7,497</b>
Taxes	-1,524	-732	108	-1,355
Taxes on change in surplus values	-120	-122	-2	-421
Minority interests	-145	-5		-56
<b>Total result after tax</b>	<b>4,557</b>	<b>2,614</b>	<b>74</b>	<b>5,665</b>

## Key figures for the SEB Group

	January-June 2000	January-June 1999	Full year 1999
Return on equity, %	22.1	14.9	14.6
Return incl. change in surplus values, %	22.3	16.0	17.2
Return on equity, 12 months moving average, %	17.0	9.6	14.6
Return on equity, incl. change in surplus values, 12 months moving average, %	18.6	10.9	17.2
Earnings per share, SEK	6.03	3.50	6.96
Total result after tax per share, SEK	6.47	3.97	8.60
Income/cost ratio, SEB Group	1.63	1.49	1.45
Income/cost ratio, banking operations	1.54	1.40	1.30
Cost/income ratio, SEB Group	0.61	0.67	0.69
Cost/income ratio, banking operations	0.65	0.71	0.77
Lending loss level, %	0.15	-0.13	-0.09
Provision ratio for doubtful claims, %	54.0	57.7	59.6
Level of doubtful claims, %	1.15	0.78	0.82
Total capital ratio, %	10.96	11.58	14.62
Core capital ratio, %	7.60	8.83	10,80

## SEB Group's quarterly performance

### Operational Profit & Loss Accounts

SEK M	2000:2	2000:1	1999:4	1999:3	1999:2
Net interest earnings	2,986	2,883	1,769	1,735	1,665
Net commission income	3,237	3,702	2,562	1,940	2,003
Net result of financial transactions	572	900	865	100	227
Other operating income	1,367	1,285	517	310	688
Change in surplus values in life insurance operations	-46	473	856	210	168
<b>Total income</b>	<b>8,116</b>	<b>9,243</b>	<b>6,569</b>	<b>4,295</b>	<b>4,751</b>
Staff costs	-3,087	-3,211	-2,599	-1,956	-1,957
Pension compensation	319	171	452	141	155
Other costs	-2,095	-1,918	-1,578	-1,478	-1,299
Depreciation	-419	-427	-332	-288	-263
<b>Total costs</b>	<b>-5,282</b>	<b>-5,385</b>	<b>-4,057</b>	<b>-3,581</b>	<b>-3,364</b>
Lending losses etc	-250	-281	58	13	342
Net result from associated companies	22	30	33	29	12
Result from non-life insurance operations	81	52	32	633	-304
<b>Total result</b>	<b>2,687</b>	<b>3,659</b>	<b>2,635</b>	<b>1,389</b>	<b>1,437</b>
Taxes	-886	-638	-259	-364	-247
Taxes on change in surplus values	12	-132	-240	-59	-47
Minority interests	-21	-124	-32	-19	-3
<b>Total result after tax</b>	<b>1,792</b>	<b>2,765</b>	<b>2,104</b>	<b>947</b>	<b>1,140</b>

### Profit & Loss Accounts per main group

January-June 2000, SEK M	Nordic Banking	Asset Management & Life	BfG	Other Activities	Joint Group Activities & Eliminations	SEB Group
Net interest earnings	3,548	218	2,266	215	-378	5,869
Net commission income	1,903	2,078	956	2,200	-198	6,939
Net result of financial transactions	758	52	206	435	21	1,472
Other income	333	424	169	195	1,531	2,652
Change in surplus values in life insurance operations		427				427
<b>Total income</b>	<b>6,542</b>	<b>3,199</b>	<b>3,597</b>	<b>3,045</b>	<b>976</b>	<b>17,359</b>
Staff costs	-2,015	-828	-1,434	-1,318	-703	-6,298
Pension compensation	275	53		19	143	490
Other costs	-1,722	-915	-1,076	-618	318	-4,013
Depreciation	-70	-50	-183	-146	-397	-846
<b>Total costs</b>	<b>-3,532</b>	<b>-1,740</b>	<b>-2,693</b>	<b>-2,063</b>	<b>-639</b>	<b>-10,667</b>
Lending losses etc	-123	-3	-427	-56	78	-531
Net result from associated companies		-6	4	33	21	52
Result from non-life insurance operations					133	133
<b>Total result</b>	<b>2,887</b>	<b>1,450</b>	<b>481</b>	<b>959</b>	<b>569</b>	<b>6,346</b>

## Nordic Banking

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Net interest earnings	3,548	3,636	-2	7,063
Net commission income	1,903	1,427	33	2,958
Net result of financial transactions	758	613	24	1,049
Other operating income	333	231	44	290
<b>Total income</b>	<b>6,542</b>	<b>5,907</b>	<b>11</b>	<b>11,360</b>
Staff costs	-2,015	-1,939	4	-3,928
Pension compensation	275	147	87	459
Other operating costs	-1,722	-1,714		-3,368
Depreciations	-70	-74	-5	-135
<b>Total costs</b>	<b>-3,532</b>	<b>-3,580</b>	<b>-1</b>	<b>-6,972</b>
Lending losses etc	-123	188	-165	255
<b>Total result</b>	<b>2,887</b>	<b>2,515</b>	<b>15</b>	<b>4,643</b>
Allocated capital	17,921	18,487		17,587
Return on allocated capital, 12 months average, %	20.1	11.9		19.0

## Retail Distribution incl SEB Finans

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Income	3,463	2,780	25	5,787
Costs	-2,010	-1,966	2	-3,901
Lending losses etc	-143	-109	31	-186
<b>Total result</b>	<b>1,310</b>	<b>705</b>	<b>86</b>	<b>1,700</b>

## Merchant banking incl SEB Företagsinvest

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Income	2,667	2,798	-5	5,074
Costs	-1,443	-1,495	-3	-3,045
Lending losses etc	20	297	-93	441
<b>Total result</b>	<b>1,244</b>	<b>1,600</b>	<b>-22</b>	<b>2,470</b>

## SEB Securities Services

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Income	519	405	28	822
Costs	-176	-186	-5	-336
<b>Total result</b>	<b>343</b>	<b>219</b>	<b>57</b>	<b>486</b>

## Asset Management & Life

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Net interest earnings	218	139	57	314
Net commission income	2,078	1,273	63	3,054
Net result of financial transactions	52	42	24	82
Other operating income	424	358	18	718
Change in surplus value in life insurance operations	427	436	-2	1,502
<b>Total income</b>	<b>3,199</b>	<b>2,248</b>	<b>42</b>	<b>5,670</b>
Staff costs	-828	-682	21	-1,546
Pension compensation	53	28	89	88
Other operating costs	-915	-726	26	-1,519
Depreciations	-50	-45	11	-92
<b>Total costs</b>	<b>-1,740</b>	<b>-1,425</b>	<b>22</b>	<b>-3,069</b>
Lending losses	-3	1		-1
Net result from associated companies	-6			-7
<b>Total result</b>	<b>1,450</b>	<b>824</b>	<b>76</b>	<b>2,593</b>
Allocated capital <sup>1)</sup>	8,000	7,000		7,000
Return on allocated capital, 12 months average, %	29.0	16.4		26.7

1) incl allocated goodwill

### Asset Management (SEB Invest & Funds and Private Banking)

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Income	2,034	1,284	58	3,041
Costs	-1,015	-835	22	-1,828
Lending losses	-3	1		-1
<b>Total result</b>	<b>1,016</b>	<b>450</b>	<b>126</b>	<b>1,212</b>

### SEB Trygg Liv

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Income <sup>2)</sup>	1,206	992	22	2,688
Costs	-766	-618	24	-1,300
Net result from associated companies	-6			-7
<b>Total result</b>	<b>434</b>	<b>374</b>	<b>16</b>	<b>1,381</b>

2) incl change in surplus values

## BfG

<b>SEK M</b>	<b>January-June 2000</b>
Net interest earnings	2,266
Net commission income	956
Net result of financial transactions	206
Other operating income	169
<b>Total income</b>	<b>3,597</b>
Staff costs	-1,434
Other operating costs	-1,076
Depreciations	-183
<b>Total costs</b>	<b>-2,693</b>
Lending losses	-427
Net result from associated companies	4
<b>Total result</b>	<b>481</b>
Allocated capital	14,000
Return on allocated capital, annualised, %	4.9

## Other activities

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Net interest earnings	215	38		284
Net commission income	2,200	1,256	75	2,852
Net result of financial transactions	435	226	92	571
Other operating income	195	181	8	289
Change in surplus value in life insurance operations				
<b>Total income</b>	<b>3,045</b>	<b>1,701</b>	<b>79</b>	<b>3,996</b>
Staff costs	-1,318	-741	78	-1,695
Pension compensation	19	11	73	34
Other operating costs	-618	-448	38	-1,067
Depreciations	-146	-33		-131
<b>Total costs</b>	<b>-2,063</b>	<b>-1,211</b>	<b>70</b>	<b>-2 859</b>
Lending losses	-56	-23	143	-100
Net result from associated companies	33	52	-37	110
<b>Total result</b>	<b>959</b>	<b>519</b>	<b>85</b>	<b>1,147</b>
Allocated capital	3,179	1,943		1,943
Return on allocated capital, 12 months average, %	35.9	28.8		42.5

### Enskilda Securities

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Income	1,910	1,079	77	2,279
Costs	-1,287	-764	68	-1,694
Recoveries	8			7
<b>Total result</b>	<b>631</b>	<b>315</b>	<b>100</b>	<b>592</b>

### SEB Kort

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Income	667	625	7	1,329
Costs	-433	-442	-2	-888
Lending losses	-31	-23	35	-56
<b>Total result</b>	<b>203</b>	<b>160</b>	<b>27</b>	<b>385</b>

### Baltic Region

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Income	468	-3		396
Costs	-343	-5		-284
Lending losses	-33			-52
Net result from associated companies	33	52	-37	110
<b>Total result</b>	<b>125</b>	<b>44</b>	<b>184</b>	<b>170</b>

## Balance sheet of the SEB Group (abbreviated)

SEK M	30 June 2000	30 June 1999	31 December 1999
Lending to credit institutions	195,850	76,253	103,521
Lending to the general public	566,471	348,625	342,907
Interest-bearing securities	119,352	100,715	93,769
- <i>Financial fixed assets</i>	5,492	3,849	3,396
- <i>Financial current assets</i>	113,860	96,866	90,373
Shares and participations	11,508	4,688	9,303
Assets in insurance operations	74,963	71,321	66,111
Other assets	131,117	108,217	94,644
<b>Total assets</b>	<b>1,099,261</b>	<b>709,819</b>	<b>710,255</b>
Liabilities to credit institutions	196,211	131,841	117,774
Deposits and funding from the general public	410,835	202,686	229,534
Securities issued, etc.	199,761	120,708	122,143
Liabilities in insurance operations	71,930	64,306	63,271
Other liabilities and provisions	149,840	134,560	118,645
Subordinated liabilities	31,915	25,043	25,882
Shareholders' equity	38,769	30,675	33,006
<b>Total liabilities and shareholders' equity</b>	<b>1,099,261</b>	<b>709,819</b>	<b>710,255</b>

## Problem loans and assets taken over for the protection of claims

SEK M	30 June 2000	30 June 1999	31 December 1999
Doubtful claims	14,419	6,501	6,988
Provision for possible lending losses	-7,789	-3,752	-4,164
<b>Doubtful claims, net</b>	<b>6,630</b>	<b>2,749</b>	<b>2,824</b>
Claims subject to interest reduction	301	1,280	352
<b>Total volume of problem loans</b>	<b>6,931</b>	<b>4,029</b>	<b>3,176</b>
<b>Level of doubtful claims</b>	<b>1.15</b>	<b>0.78</b>	<b>0.82</b>
(Doubtful claims (net) in relation to lending and leasing (net) at end of period, per cent)			
<b>Provision ratio for doubtful claims</b>	<b>54.0</b>	<b>57.7</b>	<b>59.6</b>
(Reserve for possible lending losses in relation to doubtful claims (gross), per cent)			
<b>Pledges taken over</b>			
Buildings and land	110	85	82
Shares and participations	149	835	544
<b>Total volume of pledges taken over</b>	<b>259</b>	<b>920</b>	<b>626</b>

The soft loans of the Group are included among claims subject to interest reduction.

The shortfall in income due to interest deferments was SEK 3 M (SEK 25 M), while unpaid interest on non-performing loans amounted to SEK 143 M (SEK 114 M).

On 30 June 2000, the Group had SEK 284 M (SEK 938 M) in non-performing loans in Sweden on which interest income was reported. These loans are not included among the problem loans, since the corresponding collateral covers both interest and principal.

## Derivatives contracts

30 June 1999 SEK M	Contracts on the asset side		Contracts on the liability side	
	Book value	Market value	Book value	Market value
Interest-related	15,499	15,499	17,230	17,230
Currency-related	31,422	32,948	25,125	28,240
Equity-related	2,495	2,495	2,400	2,400
Other	11	11	11	11
<b>Total</b>	<b>49,427</b>	<b>50,953</b>	<b>44,766</b>	<b>47,881</b>

On 30 June 2000 the notional value of the Group's derivatives contracts amounted to SEK 4,148 billion (SEK 3,833 billion on 30 June 1999).

The book value of derivatives instruments forming part of trading operations is identical with the market value.

Those deviations between actual and book values which are reported in the above table are matched by opposite deviations between market and book values in the part of the Group's operations which is the object of hedge accounting.

## Cash flow analysis

SEK M	Jan-June 2000	Jan-June 1999	Full year 1999
Cash flow, current operations	8,309	3,077	4,711
Changes in assets, current operations	-9,970	-36,075	-35,495
Changes in liabilities, current operations	33,205	36,113	37,385
<b>Cash flow, current operations</b>	<b>31,544</b>	<b>3,115</b>	<b>6,601</b>
<b>Cash flow, investment activities</b>	<b>178</b>	<b>8,932</b>	<b>8,161</b>
<b>Cash flow, financing activities</b>	<b>-19,260</b>	<b>-13,236</b>	<b>-10,326</b>
<b>Cash flow</b>	<b>12,462</b>	<b>-1,189</b>	<b>4,436</b>
Liquid funds at beginning of year	9,074	4,638	4,638
Cash flow	12,462	-1,189	4,436
<b>Liquid fund at end of period</b>	<b>21,536</b>	<b>3,449</b>	<b>9,074</b>

The acquisition of BfG Bank increased the liquid fund by SEK 3,165 M. In addition, adjustment has been made for BfG's balance sheet items.

# The SEB Group Profit and Loss Accounts

## Statutory Profit & Loss Accounts

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
<b>Income</b>				
<i>Interest receivable</i>	25,113	13,344	88	26,124
<i>Interest payable</i>	-19,277	-9,998	93	-19,299
Net interest earnings	5,836	3,346	74	6,825
Dividends received	857*	195		211
<i>Commission receivable</i>	7,608	4,286	78	9,283
<i>Commission payable</i>	-828	-568	46	-1,208
Net commission income <sup>1)</sup>	6,780	3,718	82	8,075
Net result of financial transactions <sup>2)</sup>	1,468	1,057	39	2,025
Other operating income	1,536	1,051	46	1,662
<b>Income from banking operations</b>	<b>16,477</b>	<b>9,367</b>	<b>76</b>	<b>18,798</b>
<b>Costs</b>				
Staff costs	-6,053	-3,658	65	-7,969
Other administrative costs	-2,905	-1,894	53	-3,913
Depreciation and write-downs of tangible and intangible fixed assets	-817	-527	55	-1,120
Other operating costs	-941	-603	56	-1,487
<b>Costs from banking operations</b>	<b>-10,716</b>	<b>-6,682</b>	<b>60</b>	<b>-14,489</b>
<b>Result from banking operations before lending losses</b>	<b>5,761</b>	<b>2,685</b>	<b>115</b>	<b>4,309</b>
Lending losses and provisions, net <sup>3)</sup>	-554	209		207
Change in value of assets taken over	40	11		111
Write-down of financial fixed assets	-17	-2		-29
Net result from associated companies	58	54	7	116
<b>Operating result from banking operations</b>	<b>5,288</b>	<b>2,957</b>	<b>79</b>	<b>4,714</b>
Result from insurance operations <sup>4)</sup>	141	-200	-171	408
<b>Operating result</b>	<b>5,429</b>	<b>2,757</b>	<b>97</b>	<b>5,122</b>
Pension compensation	490	280	75	873
Taxes	-1,524	-732	108	-1,355
Minority interests	-145	-5		-56
<b>Result for the period</b>	<b>4,250</b>	<b>2,300</b>	<b>85</b>	<b>4,584</b>

\*) Including an extra ordinary dividend of SEK 440 M from Svensk Exportkredit and SEK 134 M from equity holdings within Merchant Banking.

### 1) Net commission income

	January-June 2000	January-June 1999	Change per cent	Full year 1999
Payment commissions	1,167	880	33	1,863
Securities commissions	4,283	2,306	86	5,066
Other commissions	1,330	532	150	1,146
<b>Total</b>	<b>6,780</b>	<b>3,718</b>	<b>82</b>	<b>8,075</b>

## 2) Net result of financial transactions

SEK M	January-June 2000	January-June 1999	Change per cent	Full year 1999
Shares/participations	272	261	4	963
Interest-bearing securities	294	-93		-276
Other financial instruments	607	410	48	819
<b>Realised result</b>	<b>1,173</b>	<b>578</b>	<b>103</b>	<b>1,506</b>
Shares/participations	-480	-23		291
Interest-bearing securities	-165	101		142
Other financial instruments	325	-256		-1,039
<b>Unrealised value changes</b>	<b>-320</b>	<b>-178</b>	<b>80</b>	<b>-606</b>
Exchange rate fluctuations	630	662	-5	1,130
Redemption of bonds, SEB BoLån	-15	-5	200	-5
<b>Total</b>	<b>1,468</b>	<b>1,057</b>	<b>39</b>	<b>2,025</b>

## 3) Lending losses and provisions, net

<b>A. Individually appraised receivables:</b>				
Reported write-down, incurred losses	-955	-159		-448
Reversal of previous provisions for possible losses, reported as incurred losses in current period's accounts	614	124		339
Reported provision for possible losses	-731	-344	113	-854
Recovered from losses incurred in previous years	148	59	151	200
Reversal of previous provisions for possible losses	253	281	-10	483
<b>Reported net cost for individually appraised receivables</b>	<b>-671</b>	<b>-39</b>		<b>-280</b>
<b>B. Receivables appraised by category:</b>				
Reported write-down, incurred losses	-42	-45	-7	-86
Reported provision for possible losses	-6	-15	-60	-31
Recovered from losses incurred in previous years	16	21	-24	35
Withdrawal from reserve for lending losses		24	-100	31
<b>Reported net cost for receivables appraised by category</b>	<b>-32</b>	<b>-15</b>	<b>113</b>	<b>-51</b>
<b>C. Allocation to/withdrawal from reserve for political risks abroad</b>	<b>182</b>	<b>209</b>	<b>-13</b>	<b>440</b>
<b>D. Contingent liabilities</b>	<b>-33</b>	<b>54</b>	<b>-161</b>	<b>98</b>
<b>Total</b>	<b>-554</b>	<b>209</b>		<b>207</b>

## 4) Result insurance operations

Non-life operations	133	-147	-190	518
Life operations	8	-53	-115	-110
<b>Total income</b>	<b>141</b>	<b>-200</b>	<b>-171</b>	<b>408</b>

# SEB Group – Bridge between Statutory and operational accounts

## Statutory Profit & Loss Accounts

## Operational Profit & Loss Accounts

SEK M	Jan-June 2000	SEB Trygg Liv	Internal trans- actions bank- insurance	Reclas- sification	Jan-June 2000 SEK M
Net interest earnings	5,836	33			5,869 Net interest earnings
Dividends received	857			-857	
Net commission income	6,780		159		6,939 Net commission income
Net result of financial transactions	1,468	4			1,472 Net result of financial transactions
Other operating income	1,536	715	-456	857	2,652 Other operating income
				427	427 Change in surplus value in life insurance operations
<b>Income from banking operations</b>	<b>16,477</b>	<b>752</b>	<b>-297</b>	<b>427</b>	<b>17,359 Total income</b>
Staff costs	-6,053	-248	3		-6,298 Staff costs
				490	490 Pension compensation
Other administrative costs	-2,905	-329		3,234	
Depreciation and write-downs of tangible and intangible fixed assets	-817	-29			-846 Depreciations
Other operating costs	-941	-132	294	-3,234	-4,013 Other operating costs
<b>Costs from banking operations</b>	<b>-10,716</b>	<b>-738</b>	<b>297</b>	<b>490</b>	<b>-10,667 Total costs</b>
<b>Result from banking operations before lending losses</b>	<b>5,761</b>				
Lending losses and provisions, net	-554			23	-531 Lending losses etc
Change in value of assets taken over	40			-40	
Write-down of financial fixed assets	-17			17	
Net result from associated companies	58	-6			52 Net result from associated companies
<b>Operating result from banking operations</b>	<b>5,288</b>				
Result from insurance operations	141	-8			133 Result from non-life insurance operations
<b>Operating result</b>	<b>5,429</b>	<b>0</b>	<b>0</b>	<b>917</b>	<b>6,346 Total result</b>
Pension compensation	490			-490	
Taxes	-1,524			-120	-1,524 Taxes
					-120 Taxes on change in surplus values
Minority interests	-145				-145 Minority interests
<b>Result for the period</b>	<b>4,250</b>	<b>0</b>	<b>0</b>	<b>307</b>	<b>4,557 Total result after tax</b>

## Profit and Loss Account, Parent company

SEK M	Jan-June 2000	Jan-June 1999	Change per cent	Full year 1999
<b>Income</b>				
<i>Interest receivable</i>	12,895	10,192	27	19,791
<i>Leasing income</i>	227	125	82	254
<i>Interest payable</i>	-10,626	-7,752	37	-15,016
Net interest earnings <sup>1)</sup>				
Dividends received	885	210		4,241
<i>Commission receivable</i>	3,601	2,752	31	5,752
<i>Commission payable</i>	-525	-492	7	-987
Net commission income <sup>2)</sup>	3,076	2,260	36	4,765
Net result of financial transactions <sup>3)</sup>	806	760	6	1,343
Other operating income	1,282	1,024	25	1,541
<b>Total income</b>	<b>8,545</b>	<b>6,819</b>	<b>25</b>	<b>16,919</b>
<b>Costs</b>				
Staff costs	-3,177	-2,769	15	-5,875
Other administrative expenses	-1,808	-2,092	-14	-4,384
Depreciation and write-downs of tangible and intangible fixed assets	-156	-141	11	-266
Other operating costs	-598	-568	5	-1,487
<b>Total costs</b>	<b>-5,739</b>	<b>-5,570</b>	<b>3</b>	<b>-12,012</b>
<b>Result before lending losses</b>	<b>2,806</b>	<b>1,249</b>	<b>125</b>	<b>4,907</b>
Lending losses and provisions, net <sup>4)</sup>	20	292	-93	415
Change in value of assets taken over	-8	-10	-20	-10
Write-down of financial fixed assets	-110	-2		-3,057
<b>Operating result</b>	<b>2,708</b>	<b>1,529</b>	<b>77</b>	<b>2,255</b>
Pension provision	490	280	75	873
Other appropriations <sup>*)</sup>	-966	-657	47	-1,863
Tax on result for the year <sup>*)</sup>	-448	-219	105	-68
<b>Result for the year</b>	<b>1,784</b>	<b>933</b>	<b>91</b>	<b>1,197</b>

\*) Group contributions reported directly against equity

### 1) Net interest earnings

SEK M	Jan-Jun 2000	Jan-Jun 1999	Change per cent	Full year 1999
Interest receivable	12,895	10,192	27	19,791
Leasing income	227	125	82	254
Interest payable	-10,626	-7,752	37	-15,016
Leasing depreciation	-73	-46	59	-94
<b>Total</b>	<b>2,423</b>	<b>2,519</b>	<b>-4</b>	<b>4,935</b>

### 2) Net commission income

Payment commissions	693	649	7	1,332
Securities commissions	1,912	1,243	54	2,695
Other commissions	471	368	28	738
<b>Total</b>	<b>3,076</b>	<b>2,260</b>	<b>36</b>	<b>4,765</b>

### 3) Net result of financial transactions

SEK M	Jan-Jun 2000	Jan-Jun 1999	Change per cent	Full year 1999
Shares/participations	6	3	100	4
Interest-bearing securities	42	-92	-146	-256
Other financial instruments	320	400	-20	1,009
<b>Realised result</b>	<b>368</b>	<b>311</b>	<b>18</b>	<b>757</b>
Shares/participations	-9	-21	-57	-23
Interest-bearing securities	-61	58		105
Other financial instruments	-26	-226	-88	-539
<b>Unrealised value changes</b>	<b>-96</b>	<b>-189</b>	<b>-49</b>	<b>-457</b>
<b>Exchange rate fluctuations</b>	<b>534</b>	<b>638</b>	<b>-16</b>	<b>1,043</b>
<b>Redemption of bonds</b>				
<b>Total</b>	<b>806</b>	<b>760</b>	<b>6</b>	<b>1,343</b>

### 4) Lending losses and provisions, net

<b>A. Individually appraised receivables</b>				
Reported write-down, incurred losses	-102	-97	5	-289
Reversal of previous provisions for possible losses reported as incurred losses in current period's accounts	85	85		257
Reported provision for possible losses	-201	-266	-24	-577
Recovered from losses incurred in previous years	57	52	10	116
Reversal of previous provisions for possible losses	104	263	-60	394
<b>Reported net cost for individually appraised receivables</b>	<b>-57</b>	<b>37</b>		<b>-99</b>
<b>B. Receivables appraised by category</b>				
Reported write-down, incurred losses	-22	-26	-15	-52
Reported provision for possible losses		-3	-100	-12
Recovered from losses incurred in previous years	12	13	-8	26
Withdrawal from provision for lending losses		8	-100	14
<b>Reported net cost for receivables appraised by category</b>	<b>-10</b>	<b>-8</b>	<b>25</b>	<b>-24</b>
<b>C. Allocation to/withdrawal from reserve for political risks abroad</b>	<b>87</b>	<b>209</b>	<b>-58</b>	<b>440</b>
<b>D. Contingent liabilities</b>		<b>54</b>	<b>-100</b>	<b>98</b>
<b>Total</b>	<b>20</b>	<b>292</b>	<b>-93</b>	<b>415</b>

## Appendix 1

### SEB Trygg Liv

SEB Trygg Liv focuses on the sale and administration of unit-linked insurance products and their equivalent for account of the traditional mutual life insurance business. From an accounting point of view, its business is separate from traditional banking activities. SEB Trygg Liv's accounts are presented in this Appendix according to generally accepted accounting standards within the insurance business.

SEB Trygg Liv reported a strong sales growth during the first half of the year, despite a certain weakening in the second quarter. The market for single-premium endowment assurance remains strong and a significant increase was also noted for occupational pension insurance, while sales of private pension insurance are at a low level. Most sales, 93 (84) per cent pertain to unit-linked insurance, of which 12 (1) per cent is attributable to sales through the subsidiary SEB Trygg Life (Ireland), primarily the investment product Life Assurance Portfolio Bond for the Swedish market.

Price trends for the insurance-related portion of the fund portfolio are at a level for the first half of the year coinciding with the assumptions made at the time of valuation. However, development in the first quarter was extremely favourable, returning to a more normal level during the second quarter.

Sales, i.e. new premiums and extra payments under existing insurance contracts, increased by SEK 2,656 M, or 55 per cent, to SEK 7,455 M (SEK 4,799 M). The share of insurance contracts with current premiums was 14.5 per cent (16.3 per cent), include foreign sales. Premium income (premiums paid) rose 40 per cent to SEK 10,422 M (SEK 7,421 M). In total, assets under management increased by SEK 35 billion or 16 per cent to SEK 251 billion (SEK 216 billion) during the twelve-month period. The increase for unit-linked insurance was 49 per cent.

Revenues increased by 42 per cent as a result of a higher premium volume and favourable growth in assets under management within unit-linked insurance during the period. Operating costs and other costs increased by SEK 195 M or 27 per cent, of which most was attributable to volume-related sales costs.

The operating results improved by 112 per cent, to a profit of SEK 7 M (loss: SEK 62 M).

The total result, which includes the change in surplus values, increased by 16 per cent to SEK 434 M (SEK 374 M).

The surplus value in life insurance operations is the present value of expected future profits from signed insurance contracts. The surplus values comprise unit-linked operations as well as commissioning agreements with traditional life insurance companies.

Volumes, SEK M	June 2000	June 1999
<b>Sales volume</b>		
Traditional life insurance, current share 24 (28) %	551	758
Unit-linked insurance, current share 13 (14) %	6,904	4,041
	<b>7,455</b>	<b>4,799</b>
<b>Premium income</b>		
Traditional life insurance	2,248	2,300
Unit-linked insurance	8,174	7,421
	<b>10,422</b>	<b>7,421</b>
<b>Savings stock</b>	<b>30 June</b>	<b>30 June</b>
Traditional life insurance	186,300	172,000
Unit-linked insurance	65,000	43,700

<b>Profit and loss account, Jan-June, SEK M</b>	<b>June 2000</b>	<b>June 1999</b>
Commissioning agreements, traditional life insurance	166	154
Unit-linked insurance	533	336
Risk operations and other	80	59
<b>Total income</b>	<b>779</b>	<b>549</b>
Operating expenses	-849	-665
Capitalisation of acquisition costs	146	113
Goodwill and other	-69	-59
<b>Total costs</b>	<b>-772</b>	<b>-611</b>
<b>Operating result</b>	<b>7</b>	<b>-62</b>
Change in surplus values <sup>1)</sup>	427	436
<b>Total result</b>	<b>434</b>	<b>374</b>
Return on allocated capital, per cent <sup>2)</sup>	26,6	13,4
Expense ratio per cent <sup>3)</sup>	8,7	9,3

Notes <sup>1)</sup> After deduction for change in capitalised acquisition costs

<sup>2)</sup> Annual basis. Allocated capital 3,900 respective 3,250

<sup>3)</sup> Annual basis. Operating expenses as percentage of premiums earned

### Calculation of surplus values and changes in surplus values

Surplus values in life insurance operations are calculated on the basis of assumptions regarding the future development of signed insurance contracts and a risk-adjusted discount rate. The most important assumptions are the following:

Discount rate	11 %
Return on capital, nominal assets	4 %
Return on capital, real assets	8 %
Cancellations of contracts	5 %
Cancellations of current premiums	5 %
Administrative expenses	SEK 250/contract per year
Mortality	According to industry experience

### Surplus value accounting

Deferred acquisition costs are capitalised in the accounts and depreciated according to plan. The reported change in surplus values is therefore adjusted by the net result of the capitalisation and depreciation during the period.

<b>Result</b>	
Change in surplus values	573
Deferred acquisition costs	-301
Depreciation	+155
	<u>-146</u>
<b>Reported change in surplus values</b>	<b>427</b>

**Balance**

<b>Surplus value at 1 January 2000</b>	<b>3,142</b>
(after deduction of capitalised acquisition costs)	
Current change of surplus values comprise	
Present values of new sales <sup>1)</sup>	687
+Return on existing policies	258
-Realised surplus value in existing policies	-353
=Change in present value of policies signed before the current period	-95
Actual outcome compared with operative assumptions made <sup>2)</sup>	102
Change in operative assumptions <sup>3)</sup>	-115
Capital return in excess of assumptions <sup>4)</sup>	-6
<b>Total change in surplus values before deduction of capitalised acquisition costs</b>	<b>573</b>
Capitalised acquisition cost for the period	-301
Depreciation of capitalised acquisition cost for the period	155
<b>Total reported change in surplus values <sup>5)</sup></b>	<b>427</b>
<b>Closing balance 30 June 2000 <sup>6)</sup></b>	<b>3,569</b>

<sup>1)</sup> Sales defined as new contracts and extra premiums on existing contracts

<sup>2)</sup> The reported actual outcome of contracts signed can be placed in relation to the operative assumptions that were made. Thus, the value of the deviations can be estimated. The most important components consist of growth in underlying assets, increased sales, particularly in the form of extra premiums and extensions of contracts as well as cancellations. However, the actual result of income and administrative expenses is included in full in the operating result.

<sup>3)</sup> Subsidiary SEB Trygg Life (UK) is closed for new contracts and is being divested as planned. The cancellation undertaking has been changed from 5 to 7.5 per cent, with a nonrecurring negative effect of SEK 82 M.

<sup>4)</sup> Actual fund growth was lower in the second quarter than the assumption, resulting in a negative effect of SEK 301 M.

<sup>5)</sup> Prepaid acquisition costs are capitalised in the accounts and depreciated according to plan. Accordingly, the reported change in surplus values is adjusted by the net of the capitalisation and depreciation during the period.

<sup>6)</sup> Estimated surplus value according to the above is not included in the statutory balance sheet.

## Appendix 2

**BfG Profit and loss account** (adapted to Swedish accounting principles)

	January-June 2000	January-June 1999	1999*
	MEUR	MEUR	MEUR
Net interest earnings	270	309	579
Dividends received	3	6	5
Net commission income	114	85	186
Net result of financial transactions	25	15	42
Other operating income	17	2	48
<b>Total operating income</b>	<b>429</b>	<b>417</b>	<b>860</b>
General administration costs	-280	-295	-643
Depreciation	-22	-31	-56
Other operating costs	-18	-3	-
<b>Total costs</b>	<b>-320</b>	<b>-329</b>	<b>-699</b>
Lending losses	-51	-46	-101
<b>Total Result</b>	<b>58</b>	<b>42</b>	<b>60</b>

\*Normalised