



Stockholm, 27 October 2000

## **Interim Report January-September 2000**

### **STRONG EARNINGS TREND CONTINUED**

- Total result\* increased by 77 per cent to SEK 8,620 M (SEK 4,862 M)
- Return on equity was 19.4 per cent (14.7 per cent)
- Earnings per share\* improved by 57 per cent to SEK 8.51 (SEK 5.41)
- Operating result increased by 92 per cent to SEK 7,298 M (SEK 3,795 M)
- Net commission income rose by 80 per cent to SEK 10,339 M (SEK 5,755 M)
- Assets under management amounted to SEK 942 billion (SEK 608 billion)
- Assets under custody were SEK 2,367 billion (SEK 1,762 billion).

### **On the road to Europe**

During the third quarter a number of steps has been taken to make SEB a European player: Intensified efforts are made to build a strong brand in Europe; e.g. BfG is to be renamed SEB. SEB's acquisition of shares in the Polish bank BOS was approved by the authorities. SEB made cash offers for all outstanding shares of Eesti Ühispank in Estonia, Latvijas Unibanka in Latvia and Vilniaus Bankas in Lithuania.

### **Focused European private strategy**

SEB mainly focuses on a target group consisting of financially capable and financially active people. This target group comprises 17 per cent of all Europeans. SEB's pan-European e-banking structure is easily escalated and costs for new releases are only half of the expenses for the first launch. Operational costs are low due to co-operation with third parties.

### **Focused corporate strategy**

SEB has decided to concentrate on growth- and/or international companies and financial institutions, based on its Nordic market leadership. The product needs of these customers are investment bank services in a wide sense and transaction services, to a high extent supported by e-solutions. The risks have been reduced in all areas, while there are clear growth opportunities in several investment bank-related areas. These growing areas, such as the European debt capital market and equity capital markets, are more advice- and less credit-oriented.

### **E-banking and e-brokerage – key issues to our private customers**

SEB's target customers are investment intensive and have little time. Therefore, the strategy is to integrate e-banking and e-brokerage in each country. In Germany there has been a strong growth of e-banking customers as a result of the migration strategy. To acquire new customers the launch of SEBdirect, an e-brokerage service, was announced a few days ago. This launch is the first step in the re-branding of BfG to SEB, a process to be started in the first quarter of 2001. The cost is calculated to a total of EUR 100 M over two years, including normal marketing costs. With the launch of Vilniaus Bankas Internet service in Lithuania in September, all the three Baltic banks are on the net, with Estonia's Ühisbank in the forefront with 60,500 customers. The total number of e-banking customers in SEB is approximately 690,000. In the last quarter of 2000, a mobile Internet service will be launched.

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

## **Restructuring measures continues to yield results**

Most of the planned efficiency measures have been implemented and are starting to yield results. The restructuring of BfG is ahead of plan. In Sweden, restructuring and efficiency measures continue to yield results within Retail Distribution. Within Merchant Banking, overall lower cost levels have been achieved through a number of efficiency programmes in the international network and in mature business segments.

*"I am happy to see that all parts of the Group have contributed to the good income development. Nordic Banking, and especially Merchant Banking, showed very strong results. We have a very positive development in the Nordic region outside Sweden with total results of approximately 800 million kronor", says President and Group Chief Executive Lars H Thunell. "Our restructuring and efficiency measures are showing results, and our costs are under control, despite major investments in e-banking and continued intense activities in all areas. This is a good basis for continued European expansion in our core areas."*

## **THE SEB GROUP**

Total income rose by 73 per cent, to SEK 24,967 M. For comparable entities the increase was 28 per cent, mainly due to a strong rise in commission income.

Capital gains and other one-off items in the first nine months of the year totalled SEK 1,597 M (SEK 841 M), i.e. unchanged from the second quarter. The largest one-off items are SEK 500 M from the sale of Svensk Exportkredit, SEK 420 M from the sale of the Bank's head office and SEK 373 M from the transaction with Orkla Finans. The capital gain of SEK 300 M from the divestment of the so-called post write-off debt collection to Hoist Kredit AB will be booked in the fourth quarter.

On 30 September 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 1.4 billion (SEK 0.8 billion in the first nine months of 1999).

The total assets of SEB's pension funds amounted to SEK 25.3 billion at the end of September (compared to SEK 25.2 billion at year-end), while the pension commitments totalled SEK 7.9 billion (SEK 7.1 billion). Thus, the surplus value was SEK 17.4 billion (SEK 18.1 billion).

Total costs rose by 52 per cent, to SEK 15,813 M. For comparable entities the increase was 6 per cent.

On 30 September 2000, SEK 1,919 M - including SEK 220 M 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 and write-downs, amounted to SEK 778 M, net, of which SEK 587 M pertained to BfG. The level of lending losses was 0.15 per cent.

## **Credit exposure of the SEB Group**

By tradition, a great part of SEB's credit exposure is related to companies in the Nordic market. Since the Nordic corporate market is strongly linked to the telecommunications industry and also to some extent to companies within the IT sector, SEB has chosen to present its credit exposure on these particular industries. Telecommunications are here defined as telephone operators and manufacturers of tele-products, including their respective subcontractors.

The exposure of the Group on companies within the telecommunications industry is approximately 1.5 per cent, or SEK 15 billion of its total credit exposure. Most of it is related to well-established Nordic companies of excellent credit quality. In addition, SEB takes part in a number of Nordic-related project financing arrangements for major operators, mostly within OECD countries.

The IT sector represents a very small part of the portfolio, SEK 3.5 billion, which means less than 0.5 per cent. The exposure is spread on a large number of companies and newly-established companies represent a very small part.

On 30 September 2000, SEB's exposure in emerging markets amounted to SEK 11,314 M, net, after provision for possible lending losses, a decrease of SEK 3.4 billion or 22.8 per cent from the second quarter. The significant change is mostly due to an adaptation of BfG's accounting principles. Substantial reductions of the exposure also concern Russia and Hong Kong. (For details see appendix 3.)

Doubtful claims, net, increased because of BfG to SEK 6,946 M (SEK 3,038 M), while the volume of pledges taken over declined to SEK 195 M (SEK 720 M).

### **Growth in the Nordic region**

SEB's investments in the Nordic Region over the last years are now contributing a substantial part of the total earnings of the Group. For the first nine months of 2000 the entities in the Nordic countries outside Sweden – with more than 1,000 employees - showed a combined result of approximately SEK 800 M.

### **Sale of Self Trade**

In September, the French Internet agent Self Trade and Direkt Anlage Bank in Germany decided to merge. SEB, as the largest owner in Self Trade with 20.4 per cent of the share capital, has decided to swap its shares in exchange for about 3.6 per cent of the shares in Direkt Anlage Bank. These holdings are subject to special conditions within a time-limited lock-in clause.

The book value of SEB's holdings in Self Trade is approximately SEK 210 M. The current value of the shares received in Direkt Anlage Bank amounts to almost SEK 1 billion. This means that SEB today has an unrealised surplus value of approximately SEK 800 M, which is not accounted for.

### **Green light for BOS**

The relevant Polish and Swedish authorities have approved that SEB acquires up to 37 per cent of the shares in the Polish bank Bank Ochrony Srodowiska, BOS.

SEB currently owns 4.4 per cent of the shares in BOS. After the additional acquisitions, SEB will control approximately 32 per cent of the shares and votes in BOS. A presence in Poland is in line with SEB's strategy to grow in Europe through representation in the whole Baltic Sea region.

BOS is a medium-sized bank, active in both the corporate and private segments, with its head office in Warsaw. The bank has a market capitalisation of approximately SEK 2 billion, total assets of SEK 9,6 billion (as per 30 June 2000), 1,700 employees, 700 sales agents and 55 branch offices.

### **Capital adequacy**

As of 30 September 2000, the capital base of the financial group of undertakings (which does not include insurance companies) amounted to SEK 55.1 billion (SEK 46.5 billion at December 31, 1999). Core capital was SEK 36.9 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 502 billion (SEK 318 billion at December 31, 1999). The capital ratio was

thus 10.97 per cent (14.62 per cent as per December 31, 1999) and the core capital ratio 7.36 per cent (10.80 per cent).

In the first quarter of 2000 – after including BfG – risk-weighted assets rose to SEK 510 billion. Since then, the reduction in risk-weighted assets amounts to SEK 8 billion, mainly related to capital efficiency measures in Nordic Banking and BfG.

#### **Events after the reporting period**

At the end of October, Standard & Poor's revised its outlook for SEB from negative to stable. The revision was explained by SEB's strong earnings growth in its core markets, the anticipation of stable earnings in the short and medium term and the continued restructuring of SEB's German operations.

In October, SEB sold a property in Paris with a capital gain of SEK 85 M, which will be included in the result for the fourth quarter of 2000.

Stockholm, 27 October, 2000

Lars H Thunell

President and Group Chief Executive

The report for the full year 2000 will be published on 16 February, 2001. SEB Group interim reports are available on the Internet ([www.seb.se](http://www.seb.se); [www.seb.net](http://www.seb.net)).

Additional information is available from:

Gunilla Wikman, Head of Group Communications, +46 8 763 81 25

Lotta Treschow, Head of Investor Relations, +46 8 763 95 59

## RESULT BY MAIN GROUP

### **Nordic Banking– efficiency pays off**

All three business areas within Nordic Banking (Retail Distribution, Merchant Banking and SEB Securities Services) showed extremely good results. The total result increased by 44 per cent, to SEK 4,496 M.

Net interest earnings rose by 1 per cent, to SEK 5,411 M, mainly due to increased volumes and margins within both deposits and mortgage lending. Thanks to high activities during the year, total commissions rose by 37 per cent, to SEK 2,842 M.

The number of employees decreased as a result of improved efficiency and restructuring measures. Fewer employees in combination with increased cost control had a positive effect on the income/cost ratio, which improved from 1.55 to 1.88. IT costs and bonus payments rose due to higher transaction volumes and good result. The objective of keeping the costs at the same level as in 1999 is still valid.

SEB's market share of total household deposits in Sweden increased to 14.1 per cent (13.7 per cent), while the share of corporate deposits rose to 27.1 per cent (25.8 per cent). The Group's share of lending decreased both with respect to households, 10.0 per cent (10.8 per cent) and companies, 20.4 per cent (22.5 per cent).

### **Retail distribution - efficient adaptation to e-banking demands**

The total result of Retail Distribution increased by 69 per cent, to SEK 1,954 M. Contributing factors to income growth were the positive development of both net interest earnings (+17 per cent) and commissions (+45 per cent). Noteworthy is a strong customer activity even in summer. The number of settled deals was decidedly higher than last summer – although not as high as during the first months of 2000.

As a result of continued efficiency measures, total costs have remained almost unchanged, SEK 3,001 M, in spite of the strong increase in business volumes.

Both in terms of numbers and importance, growth companies represent an increasing customer segment of SEB. These companies have similar needs for financial advice and services – irrespective of industry – although their demands are different from those of the rest of SEB's corporate customers. During autumn, SEB has opened three new dedicated "growth centres" in Stockholm (at Kista), Göteborg and Lund.

So far this year, the number of new e-banking customers within Retail Distribution amounts to 100,000. In the third quarter, the payment transactions via Internet accounted for 54 per cent of all payments.

Earlier this year, it was decided that 50 branch offices should be closed as a consequence of the growing use of e-banking services. All of these branch offices are now closed, a process that has largely gone according to plan.

### **Merchant Banking – best third quarter to date**

The stable growth in customer-related income continued: SEK 3,591 M compared with SEK 3,167 M for the corresponding period in 1999. The third quarter 2000 was the strongest third quarter since Merchant Banking was formed. Total income for January-September rose by 16 per cent, to SEK 4,219 M, although the figures for the corresponding period last year included substantial income in connection with the introduction of the euro. Total result improved by

23 per cent, to SEK 2,043 M, despite last year's recoveries of SEK 308 M due to write-backs of primarily Russian provisions. Excluding recoveries/lending losses, the underlying total result increased by 49 per cent.

The increase in customer-related income was due to successful efforts in a number of growth areas. One area is the European debt capital market, where Merchant Banking is ranked as the third largest Eurobank for Nordic Clients (Euromoney database), well ahead of the Nordic competitors. Other areas of great achievement are structured finance and growing customer segments like financial institutions. Securities Finance was ranked as the number three Prime Broker, i.e. cash lending and stock lending, in Europe in a survey by EuroHedge. Merchant Banking is the dominant player on the trading and debt capital market in the Nordic region, as illustrated by the following rankings: No.1 Swedish FX bank in terms of market shares as well as quality (Greenwich Associates' market survey, 2000); No.1 Nordic government bond trading bank (Euromoney, May 2000); No.1 Nordic bank in the Swedish credit markets (Prospera's market survey, September 2000.)

The development of Internet-based customer services has top priority. During the third quarter, Securities Lending was launched within Trading Station, ranked as the world's second best Internet solution for FX dealing in Euromoney's annual survey. New, superior Internet-based services will soon be offered to our customers, such as Prime Brokerage, new Fixed Income functionality, new FX and Futures functionality and enhanced cash-management services, e.g.

a global Balance Reporting function. September was a record month for the FX module in Trading Station. In Stockholm, 50 per cent of all customer deals were executed in Trading Station and more than USD 1 billion was turned over globally.

SEB Företagsinvest, the venture capital arm of Merchant Banking with SEK 360 M invested in 24 companies, has made a number of profitable exits during the year. The portfolio continued to develop well and the deal flow is strong.

Costs decreased by 3 per cent, to SEK 2,194 M, mainly following a number of ongoing efficiency programmes in the international network, which have been made possible through new Internet technology and joint venture agreements with international banks. Efficiency measures in mature as well as non-core business segments and industries have also contributed to the improvement. All programmes are on track and will be fully implemented by year-end.

Allocated capital has been reduced by 8 per cent, due to the closure of the Proprietary Trading unit, decreased exposure in emerging markets, reduced corporate loan portfolio and lower market risks. Merchant Banking's daily average Value-at-Risk was down 50 per cent, to SEK 46 M, compared with SEK 92 M in 1999.

### **SEB Securities Services - top rated custodian**

The result for SEB's custody service unit increased by 60 per cent, to SEK 510 M as a consequence of rising volumes in combination with an unchanged cost level.

Assets under custody rose by 34 per cent, to SEK 2,367 billion and the number of transactions increased by 70 per cent, to 2,539,000.

The market shares of the various segments remained stable, ranging between 30 and 75 per cent. The market share of the number of transactions in the cross-border inbound segment in Sweden was 90 per cent.

SEB Securities Services was top rated in Sweden by the Global Custodian Magazine. Client scores were up significantly, compared with 1999. GSCS Benchmarks magazine also rated SEB as the No. 1 provider in the Swedish market.

### **Asset Management & Life – profitable growth**

The total result of Asset management & Life – i.e. SEB Invest & Funds, Private Banking and SEB Trygg Liv - rose by 61 per cent, to SEK 2,065 M.

Income, including changes in surplus value in life insurance operations, increased by 37 per cent to SEK 4,662 M, mainly following the growth in stock markets during the first months of the year and strong sales of new life insurance policies.

Costs increased by 22 per cent, to SEK 2,587 M, mainly due to the expansion in the Nordic Region, increased staff costs and costs related to enhanced sales. The average number of employees was 2,044, an increase of 17 per cent compared with the first nine months of 1999.

The income/cost ratio improved to 1.80 (1.61).

On 30 September 2000, SEB's total assets under management amounted to SEK 942 billion, of which SEK 830 billion (SEK 608 billion) in Asset Management & Life. Of this, portfolio management accounted for SEK 362 billion (SEK 233 billion), traditional life insurance for SEK 248 billion (SEK 221 billion), mutual funds for SEK 153 billion (SEK 110 billion), and unit-linked insurance for SEK 67 billion (SEK 44 billion). Assets under management have increased by 18 per cent since year-end 1999. SEK 112 billion are managed by BfG.

During the summer it was decided that SEB will begin to sell so called third party funds from a number of external fund managers.

### **SEB Invest & Funds and Private Banking – new customers coming in**

The combined result of SEB Invest & Funds and Private Banking (Asset Management) rose by 87 per cent, to SEK 1,399 M.

The improvement was primarily attributable to the upturn in the stock market in the first months of the year and the strong increase in the result of the Finnish subsidiary Ane Gyllenberg. The new entities in Norway and Denmark also contributed to the increase. Private Banking, which consists of SEB Enskilda Banken and International Private Banking, attracted approximately 3,600 new customers in the first nine months of the year.

Total income increased by 49 per cent, to SEK 2,950 M. Costs rose by a total of 25 per cent to SEK 1,548 M, due to rising transaction costs, higher volumes, new ventures in Denmark and increased result-related payments.

SEB's share of new sales of mutual funds in Sweden was 13.6 per cent (13.3 per cent). The Group's market share of new sales in Norway was 6.5 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 new sales**

SEB Trygg Liv reported a 46 per cent growth in sales during the period. The market for single-premium endowment assurance as well as for unit-linked insurance remained strong. Sales increased by 46 per cent to SEK 9,429 M (6,437 M) and premium income (premiums paid) rose by 31 per cent, to SEK 13,668 M (10,424 M). The total result, which includes the change in surplus values, increased by 24 per cent, to SEK 666 M (539 M). In total, assets under management increased by 21 per cent, to SEK 253 billion (209 billion) over the last twelve months. Unit-linked insurance was up 52 per cent. (See further appendix 1.)

### **BfG – almost doubled number of e-banking customers**

The subsidiary BfG Bank in Germany, which will change name to SEB early next year, reported a total result of SEK 753 M, including SEK 119 M in one-off items in the first quarter. (For a comparison with January-September 1999 in euro see appendix 2)

The German insurance and savings market will fundamentally change in the next few years. From 2001 the German government will support private pension schemes. As a result almost every

employed German will invest between 0,5 per cent (2001) and 4 per cent (2008) of his/her income in new products. Both distribution and services will undergo changes and a general conclusion is that banks will gain significant market shares. For SEB in Germany this will be a business area of significant importance in the future.

BfG continued its strong focus on e-banking and asset management. Since SEB acquired BfG in January 2000, the number of e-banking customers has almost doubled, to 120,000. In October BfG launched its new brokerage channel SEBdirect, [www.sebdirekt.de](http://www.sebdirekt.de), based on SEB's pan-European Internet model. It is expected that this will help BfG to well exceed the e-banking target of 130,000 customers by year-end.

The strong net inflow in BfG Invest funds continued during the third quarter totalling EUR 428 M (SEK 3.6 billion). Institutional funds had a net outflow of EUR 930 M (SEK 7.8 billion), due to a payback related to the former ownership of BfG, in the third quarter. BfG Immoinvest had net inflows of EUR 54 M (SEK 450 M).

In total, the BfG Group had approximately the equivalent of SEK 112 billion in assets under management on 30 September 2000.

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

The restructuring programme was negotiated with the Workers Council during the second and third quarter, and execution is now well under way. The programme aims at increasing BfG's focus on e-banking, investment advice and asset management and at lowering costs, mainly through staff reduction. The total staff cut comprises 800 employees, including 240 in connection with sales and closures of subsidiaries. At present, 240 termination contracts have already been signed and 107 employees have left BfG as a result of sales of subsidiaries.

Since year-end 1999, the number of employees has been reduced by 300. Simultaneously, risk-weighted assets have been reduced by EUR 2,600 M (SEK 19 billion) to EUR 20,758 M. Risk-weighted assets will continue to be reduced.

The annual cost reduction target has been set at EUR 100 M (SEK 840 M) compared with the earlier target of EUR 80-100 M. The objective of a 15 per cent return is expected to be achieved in 2004, one year ahead of plan. Half of the improvement will come from cost cutting, half from new income from affluent customers, e-banking and asset management.

### **Other activities**

This group includes Enskilda Securites, SEB Kort and the Baltic business area. The latter comprises two consolidated banks, Eesti Ühispank and Latvijas Unibanka, and one associated bank, Vilniaus Bankas (41 per cent as of 30 September).

### **Enskilda Securities – strengthened position in the Nordic region**

The stock market turnover continued to be on a high level during the third quarter. The turnover on the OM Stockholm Exchange rose by 93 per cent during the first nine months compared with the corresponding period last year. The number of Initial Public Offerings (IPO's) was lower than during the two first quarters this year.

Enskilda Securities has continued to strengthen its position in the Nordic stock markets during 2000 and is now the largest player on the stock exchanges in Stockholm and Oslo. At the same time the company has gained market shares on the exchanges in Helsinki and Copenhagen. Enskilda Securities' equity trading turnover was the highest ever in the third quarter and increased by 123 per cent compared with the corresponding period in 1999.

Enskilda Securities' total income was SEK 2,802 M, an increase of 86 per cent (55 per cent excluding Orkla Enskilda Securities). During the third quarter it was especially secondary commission from the equity trading and fees from mergers & acquisitions that were strong. In line with the overall market trend, half of the secondary commission came from trading in IT and telecom shares. This is double last year's commission from these sectors.

Total costs amounted to SEK 1,860 M, an increase of 66 per cent including Orkla Enskilda Securities (35 per cent if this acquisition is excluded). Apart from the acquisitions, the cost increase is an effect of an increased provision for bonus payments to employees due to the favourable trend in results, new recruitment and high volume growth. The underlying cost increase was 10 per cent.

The operating result for the first three quarters was SEK 955 M, or 147 per cent up on last year. Excluding Orkla Enskilda Securities the result has improved by 116 per cent.

### **SEB Kort - increased usage of cards**

The total result rose by 16 per cent, to SEK 325 M, following a combination of higher income and somewhat lower costs. Operating income increased by 5 per cent, to SEK 998 M, mainly due to the favourable economic climate and increased usage of cards as means of payment. Operating costs were SEK 624 M, down 1 per cent from last year, in which SEB Kort made heavy investments in building and completing the first module of a new card ledger.

Credit losses were 29 per cent higher than last year, in part due to increased fraud.

The acquiring business within SEB Kort in Sweden (Euroline) launched a new service called Multicurrency. With this new service, hotels, shops etc can charge their customers in different currencies and also be reimbursed for card transactions in the currency they prefer. Earlier, all transactions were in SEK.

SEB Kort in Norway acquired a licence to issue VISA debit cards. A Basic VISA debit card will be issued through SEB e-bank in Norway ([www.seb.no](http://www.seb.no)). The target is to acquire 50,000-100,000 customers within five years. Later on, also Master Card and Diners Club products will be offered through [www.seb.no](http://www.seb.no).

Of all Master Card cards issued in Denmark so far this year, 32 per cent emanated from SEB Kort. In view of the fact that SEB Kort does not have a large branch network like other Danish issuers this market share is remarkable. The growth in number of cards, now exceeding 40,000, is mainly due to the new co-brand with Statoil and Globe Card.

### **The Baltic Region – towards total consolidation**

The result for the first nine months amounted to SEK 183 M – with Eesti Ühispank and Latvijas Unibanka fully consolidated and a 41 per cent holding in Vilniaus Bankas on 30 September 2000. During the comparable period last year, the three part owned banks in the Baltic Region contributed SEK 93 M.

In the third quarter SEB made offers to acquire all the outstanding shares at a price of EEK 38 per share in Eesti Ühispank, LVL 1.90 per share in Latvijas Unibanka and LTL 40 per share in Vilniaus Bankas.

After the offering period SEB's holding in Eesti Ühispank is 95 per cent. The offering periods in Latvijas Unibanka and Vilniaus Bankas are running until 13 and 17 November, respectively. SEB's holding in these banks exceeded 50 per cent when the offering period started. SEB has increased its offer for Latvijas Unibanka to LVL 2.05 per share and its offer to Vilniaus Bankas to LTL 50 per share.

All three Baltic banks have aggressive electronic banking strategies. Eesti Ühispank reported a steady growth of Internet customers, now numbering 60,500. Latvijas Unibanka's Internet service, launched in January 2000, has now more than 19,000 users. In Vilniaus Bankas,

where Internet banking was introduced in September, the 3,000 customer target by year-end has already proved too low.

The Baltic banks continued to show substantial volume growth in lending and deposits.

### **SEB e-banking – rolling out in Europe**

At present, SEB conducts e-banking activities in the following six countries: Sweden, Germany, Denmark, Estonia, Latvia and Lithuania. E-banking launches according to SEB's pan-European model are also being planned for Norway and the UK. On 30 September 2000, the total number of e-banking customers was 689,000 (289,000).

The majority of the new e-banking customers come from countries other than Sweden. However, the influx of customers in Sweden is still high. During the period January-September, the number of e-banking customers increased by 126,000, to 484,000, which corresponds to a customer base penetration of 29 per cent.

So far this year, SEB has invested SEK 482 M in e-banking development.

On 30 September, 110,000 of the Swedish e-banking customers had brokerage accounts. Compared with last year equity trading via Internet has more than trebled.

The functionality and design of the Swedish e-bank has been further improved during the year. On the private side, particularly the securities trading offering and financial information have been refined. It has been made possible to open and close accounts online and e-banking customers can now cancel traditional balance and transaction reports in paper form, which has met with great appreciation. On the corporate side, factoring, salary payments and domestic payments in euro have been introduced.

[www.seb.se](http://www.seb.se), ranked as the best Swedish financial site by the magazine InternetWorld, has changed design in an attempt to become a financial media channel rather than a product catalogue. In September, the number of visitors at [www.seb.se](http://www.seb.se) was 3.1 million.

In Germany, BfG undergoes rapid transformation. This year the number of e-banking customers has increased by 58,000, to 120,000. At the end of October an electronic brokerage service was launched on the German market under the trademark SEBdirect. The objective is to capture a significant share of the growing market for brokerage services by addressing customers who are not yet using BfG as their bank.

In the UK the supervisory authorities have given green light to SEB for the launching of a combined e-bank and e-broker, which will be introduced during the fourth quarter.

In Denmark, SEB has successfully transformed the former Codan Bank into a modern e-bank. The launching of SEB's pan-European e-banking model in April attracted a great deal of attention in the media. Today, SEB has 5,000 Danish e-banking customers.

In Norway the open pages [www.seb.no](http://www.seb.no) were introduced in September and the start of SEB's e-bank is planned for the first quarter of 2001. By 'reusing' the pan-European model, costs can be halved compared with the introduction in Denmark. Like in other European countries the target group consists of financially active and affluent customers.

On the corporate side SEB focuses on a synchronisation and further development of its e-banking services by co-ordinating old mainframe computer-based solutions for large corporate clients with the Internet Office for companies. Through a corporate portal on [www.seb.se](http://www.seb.se) the corporate customers will be offered relevant financial information, while at the same time getting access to SEB's electronic supply of services, including Trading Station and Trade Finance.

The newly formed SEB e-invest has investments of more than SEK 600 M in book value in seven companies. The largest investments refer to Self Trade/Direkt Anlage Bank (SEK 210 M) and b-business partners (SEK 296 M). The investments in OM Group and Direkt Anlage Bank have current surplus values of approximately SEK 800 M each.

## SEB Group

### Operational Profit & Loss Accounts

SEK M	January- September 2000	January- September 1999	Change per cent	Full year 1999
Net interest earnings	8,718	5,089	71	6,858
Net commission income	10,339	5,755	80	8,317
Net result of financial transactions	2,258	1,169	93	2,034
Other operating income	3,046	1,810	68	2,327
Change in surplus value in life insurance operations	606	646	-6	1,502
<b>Total income</b>	<b>24,967</b>	<b>14,469</b>	<b>73</b>	<b>21,038</b>
Staff costs	-9,370	-5,820	61	-8,419
Pension compensation	716	421	70	873
Other operating costs	-5,904	-4,165	42	-5,743
Depreciations	-1,255	-843	49	-1,175
<b>Total costs</b>	<b>-15,813</b>	<b>-10,407</b>	<b>52</b>	<b>-14,464</b>
Lending losses etc	-778	231		289
Net result from associated companies	75	83	-10	116
Result from non-life insurance operations	169	486	-65	518
<b>Total result</b>	<b>8,620</b>	<b>4,862</b>	<b>77</b>	<b>7,497</b>
Taxes	-2,243	-1,096	105	-1,355
Taxes on change in surplus values	-170	-181	-6	-421
Minority interests	-209	-24		-56
<b>Total result after tax</b>	<b>5,998</b>	<b>3,561</b>	<b>68</b>	<b>5,665</b>

As of the first quarter of 2000, SEB is following the Swedish Financial Supervisory Authority's guidelines and recommendations that will become effective in 2001. Consequently, SEB presents 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.

### Key figures for the SEB Group

	January- September 2000	January- September 1999	Full year 1999
Return on equity, %	19.1	13.3	14.6
Return incl. change in surplus values, %	19.4	14.7	17.2
Return on equity, 12 months moving average, %	18.2	15.1	14.6
Return on equity, incl. change in surplus values, 12 months moving average, %	19.6	16.6	17.2
Earnings per share, SEK	7.89	4.71	6.96
Total result after tax per share, SEK	8.51	5.41	8.60
Income/cost ratio, SEB Group	1.58	1.39	1.45
Income/cost ratio, banking operations	1.49	1.30	1.30
Cost/income ratio, SEB Group	0.63	0.72	0.69
Cost/income ratio, banking operations	0.67	0.77	0.77
Lending loss level, %	0.15	-0.09	-0.09
Provision ratio for doubtful claims, %	53.2	56.6	59.6
Level of doubtful claims, %	1.20	0.88	0.82
Total capital ratio, %	10.97	11.84	14.62
Core capital ratio, %	7.36	9.02	10.80

## SEB Group's quarterly performance

### Operational Profit & Loss Accounts

SEK M	2000:3	2000:2	2000:1	1999:4	1999:3
Net interest earnings	2,849	2,986	2,883	1,769	1,735
Net commission income	3,400	3,237	3,702	2,562	1,940
Net result of financial transactions	786	572	900	865	100
Other operating income	394	1,367	1,285	517	310
Change in surplus values in life insurance operations	179	-46	473	856	210
<b>Total income</b>	<b>7,608</b>	<b>8,116</b>	<b>9,243</b>	<b>6,569</b>	<b>4,295</b>
Staff costs	-3,072	-3,087	-3,211	-2,599	-1,956
Pension compensation	226	319	171	452	141
Other costs	-1,891	-2,095	-1,918	-1,578	-1,478
Depreciation	-409	-419	-427	-332	-288
<b>Total costs</b>	<b>-5,146</b>	<b>-5,282</b>	<b>-5,385</b>	<b>-4,057</b>	<b>-3,581</b>
Lending losses etc	-247	-250	-281	58	13
Net result from associated companies	23	22	30	33	29
Result from non-life insurance operations	36	81	52	32	633
<b>Total result</b>	<b>2,274</b>	<b>2,687</b>	<b>3,659</b>	<b>2,635</b>	<b>1,389</b>
Taxes	-719	-886	-638	-259	-364
Taxes on change in surplus values	-50	12	-132	-240	-59
Minority interests	-64	-21	-124	-32	-19
<b>Total result after tax</b>	<b>1,441</b>	<b>1,792</b>	<b>2,765</b>	<b>2,104</b>	<b>947</b>

### Profit & Loss Accounts by main group

January-September 2000, SEK M	Nordic Banking	Asset Management & Life	BfG	Other Activities	Joint Group Activities & Eliminations	SEB Group
Net interest earnings	5,411	328	3,324	349	-694	8,718
Net commission income	2,842	3,033	1,415	3,316	-267	10,339
Net result of financial transactions	1,207	67	292	620	72	2,258
Other income	527	628	289	232	1,370	3,046
Change in surplus values in life insurance operations		606				606
<b>Total income</b>	<b>9,987</b>	<b>4,662</b>	<b>5,320</b>	<b>4,517</b>	<b>481</b>	<b>24,967</b>
Staff costs	-3,102	-1,286	-2,155	-1,899	-928	-9,370
Pension compensation	415	81		31	189	716
Other costs	-2,523	-1,305	-1,565	-913	402	-5,904
Depreciation	-100	-77	-266	-221	-591	-1,255
<b>Total costs</b>	<b>-5,310</b>	<b>-2,587</b>	<b>-3,986</b>	<b>-3,002</b>	<b>-928</b>	<b>-15,813</b>
Lending losses etc	-181	-3	-587	-101	94	-778
Net result from associated companies		-7	6	49	27	75
Result from non-life insurance operations					169	169
<b>Total result</b>	<b>4,496</b>	<b>2,065</b>	<b>753</b>	<b>1,463</b>	<b>-157</b>	<b>8,620</b>

**Nordic Banking**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Net interest earnings	5,411	5,344	1	7,063
Net commission income	2,842	2,074	37	2,958
Net result of financial transactions	1,207	550	119	1,049
Other operating income	527	301	75	290
<b>Total income</b>	<b>9,987</b>	<b>8,269</b>	<b>21</b>	<b>11,360</b>
Staff costs	-3,102	-2,941	5	-3,928
Pension compensation	415	222	87	459
Other operating costs	-2,523	-2,501	1	-3,368
Depreciations	-100	-108	-7	-135
<b>Total costs</b>	<b>-5,310</b>	<b>-5,328</b>	<b>0</b>	<b>-6,972</b>
Lending losses etc	-181	187	-197	255
<b>Total result</b>	<b>4,496</b>	<b>3,128</b>	<b>44</b>	<b>4,643</b>
Allocated capital	17,921	18,287		17,587
Return on allocated capital, 12 months average, %	24.1	16.9		19.0

**Retail Distribution**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Income	5,154	4,174	23	5,787
Costs	-3,001	-2,900	3	-3,901
Lending losses etc	-199	-121	64	-186
<b>Total result</b>	<b>1,954</b>	<b>1,153</b>	<b>69</b>	<b>1,700</b>

**Merchant Banking**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Income	4,219	3,626	16	5,074
Costs	-2,194	-2,268	-3	-3,045
Recoveries	18	308	-94	441
<b>Total result</b>	<b>2,043</b>	<b>1,666</b>	<b>23</b>	<b>2,470</b>

**SEB Securities Services**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Income	776	584	33	822
Costs	-266	-266		-336
<b>Total result</b>	<b>510</b>	<b>318</b>	<b>60</b>	<b>486</b>

**Asset Management & Life**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Net interest earnings	328	216	52	314
Net commission income	3,033	1,966	54	3,054
Net result of financial transactions	67	51	31	82
Other operating income	628	520	21	718
Change in surplus value in life insurance operations	606	646	-6	1,502
<b>Total income</b>	<b>4,662</b>	<b>3,399</b>	<b>37</b>	<b>5,670</b>
Staff costs	-1,286	-1,016	27	-1,546
Pension compensation	81	42	93	88
Other operating costs	-1,305	-1,073	22	-1,519
Depreciations	-77	-67	15	-92
<b>Total costs</b>	<b>-2,587</b>	<b>-2,114</b>	<b>22</b>	<b>-3,069</b>
Lending losses	-3	1		-1
Net result from associated companies	-7			-7
<b>Total result</b>	<b>2,065</b>	<b>1,286</b>	<b>61</b>	<b>2,593</b>
Allocated capital <sup>1)</sup>	8,000	7,000		7,000
Return on allocated capital, 12 months average, %	30.3	19.4		26.7

1) incl allocated goodwill

**Asset Management (SEB Invest & Fonder and Private Banking)**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Income	2,950	1,984	49	3,041
Costs	-1,548	-1,238	25	-1,828
Lending losses	-3	1		-1
<b>Total result</b>	<b>1,399</b>	<b>747</b>	<b>87</b>	<b>1,212</b>

**SEB Trygg Liv**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Income <sup>2)</sup>	1,771	1,456	22	2,688
Costs	-1,098	-917	20	-1,300
Net result from associated companies	-7			-7
<b>Total result</b>	<b>666</b>	<b>539</b>	<b>24</b>	<b>1 381</b>

2) incl change in surplus values

**BfG**

<b>SEK M</b>	<b>January- September 2000</b>
Net interest earnings	3,324
Net commission income	1,415
Net result of financial transactions	292
Other operating income	289
<b>Total income</b>	<b>5,320</b>
Staff costs	-2,155
Other operating costs	-1,565
Depreciations	-266
<b>Total costs</b>	<b>-3,986</b>
Lending losses	-587
Net result from associated companies	6
<b>Total result</b>	<b>753</b>
Allocated capital	14,000
Return on allocated capital, 12 months average, %	5.2

**Other activities**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Net interest earnings	349	129	171	284
Net commission income	3,316	1,933	72	2,852
Net result of financial transactions	620	316	96	571
Other operating income	232	185	25	289
<b>Total income</b>	<b>4,517</b>	<b>2,563</b>	<b>76</b>	<b>3,996</b>
Staff costs	-1,899	-1,099	73	-1,695
Pension compensation	31	16	94	34
Other operating costs	-913	-678	35	-1,067
Depreciations	-221	-67		-131
<b>Total costs</b>	<b>-3,002</b>	<b>-1,828</b>	<b>64</b>	<b>-2,859</b>
Lending losses	-101	-55	84	-100
Net result from associated companies	49	80	-39	110
<b>Total result</b>	<b>1,463</b>	<b>760</b>	<b>93</b>	<b>1,147</b>
Allocated capital	3,179	1,943		1,943
Return on allocated capital, 12 months average, %	41.9	34.1		42.5

**Enskilda Securities**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Income	2,802	1,506	86	2,279
Costs	-1,860	-1,120	66	-1,694
Recoveries	13			7
<b>Total result</b>	<b>955</b>	<b>386</b>	<b>147</b>	<b>592</b>

**SEB Kort**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Income	998	952	5	1,329
Costs	-624	-633	-1	-888
Lending losses	-49	-38	29	-56
<b>Total result</b>	<b>325</b>	<b>281</b>	<b>16</b>	<b>385</b>

**Baltic Region**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Income	717	105		388
Costs	-518	-75		-277
Lending losses	-65	-17		-51
Net result from associated companies	49	80	-39	110
<b>Total result</b>	<b>183</b>	<b>93</b>	<b>97</b>	<b>170</b>

## Balance sheet of the SEB Group (abbreviated)

<b>SEK M</b>	<b>30 September 2000</b>	<b>30 September 1999</b>	<b>31 December 1999</b>
Lending to credit institutions	181,695	80,719	103,521
Lending to the general public	573,804	340,023	342,907
Interest-bearing securities	130,650	83,921	93,769
- <i>Financial fixed assets</i>	5,714	3,768	3,396
- <i>Financial current assets</i>	124,936	80,153	90,373
Shares and participations	11,083	5,059	9,303
Assets in insurance operations	77,451	55,999	66,111
Other assets	133,681	95,681	94,644
<b>Total assets</b>	<b>1,108,364</b>	<b>661,402</b>	<b>710,255</b>
Liabilities to credit institutions	196,085	111,773	117,774
Deposits and funding from the general public	409,978	202,893	229,534
Securities issued, etc.	203,038	124,835	122,143
Liabilities in insurance operations	74,069	51,171	63,271
Other liabilities and provisions	152,255	114,233	118,645
Subordinated liabilities	32,771	25,025	25,882
Shareholders' equity	40,168	31,472	33,006
<b>Total liabilities and shareholders' equity</b>	<b>1,108,364</b>	<b>661,402</b>	<b>710,255</b>

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

<b>SEK M</b>	<b>30 September 2000</b>	<b>30 September 1999</b>	<b>31 December 1999</b>
Doubtful claims	14,842	7,000	6,988
Provision for possible lending losses	-7,896	-3,962	-4,164
<b>Doubtful claims, net</b>	<b>6,946</b>	<b>3,038</b>	<b>2,824</b>
Claims subject to interest reduction	557	1,232	352
<b>Total volume of problem loans</b>	<b>7,503</b>	<b>4,270</b>	<b>3,176</b>
<b>Level of doubtful claims</b>	<b>1.20</b>	<b>0.89</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>53.2</b>	<b>56.6</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	84	85	82
Shares and participations	111	635	544
<b>Total volume of pledges taken over</b>	<b>195</b>	<b>720</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 6 M (SEK 30 M), while unpaid interest on non-performing loans amounted to SEK 211 M (SEK 168 M).

On 30 September 2000, the Group had SEK 230 M (SEK 276 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**

<b>30 September 2000</b>	<b>Contracts on the asset side</b>		<b>Contracts on the liability side</b>	
<b>SEK M</b>	<b>Book value</b>	<b>Market value</b>	<b>Book value</b>	<b>Market value</b>
Interest-related	16,447	16,447	17,152	17,152
Currency-related	49,130	50,658	42,135	45,024
Equity-related	2,361	2,361	1,916	1,916
Other	5	5	4	4
<b>Total</b>	<b>67,943</b>	<b>69,471</b>	<b>61,207</b>	<b>64,096</b>

On 30 September 2000 the notional value of the Group's derivatives contracts amounted to SEK 4,006 billion (SEK 3,999 billion on 30 September 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**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Full year 1999</b>
Cash flow, current operations	11,165	4,690	4,711
Changes in assets, current operations	-11,748	-4,505	-35,495
Changes in liabilities, current operations	15,571	-2,345	37,385
<b>Cash flow, current operations</b>	<b>14,988</b>	<b>-2,160</b>	<b>6,601</b>
<b>Cash flow, investment activities</b>	<b>-241</b>	<b>9,381</b>	<b>8,161</b>
<b>Cash flow, financing activities</b>	<b>-15,293</b>	<b>-8,893</b>	<b>-10,326</b>
<b>Cash flow</b>	<b>-546</b>	<b>-1,672</b>	<b>4,436</b>
Liquid funds at beginning of year	9,074	4,638	4,638
Cash flow	-546	-1,672	4,436
<b>Liquid fund at end of year</b>	<b>8,528</b>	<b>2,966</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- September 2000	January- September 1999	Change per cent	Full year 1999
<b>Income</b>				
<i>Interest receivable</i>	38,052	19,451	96	26,124
<i>Interest payable</i>	-29,383	-14,379	104	-19,299
Net interest earnings	8,669	5,072	71	6,825
Dividends received <sup>1)</sup>	864	205		211
<i>Commission receivable</i>	11,055	6,434	72	9,283
<i>Commission payable</i>	-999	-845	18	-1,208
Net commission income <sup>1)</sup>	10,056	5,589	80	8,075
Net result of financial transactions <sup>2)</sup>	2,256	1,168	93	2,025
Other operating income	1,799	1,239	45	1,662
<b>Income from banking operations</b>	<b>23,644</b>	<b>13,273</b>	<b>78</b>	<b>18,798</b>
<b>Costs</b>				
Staff costs	-8,992	-5,517	63	-7,969
Other administrative costs	-4,125	-2,852	45	-3,913
Depreciation and write-downs of tangible and intangible fixed assets	-1,211	-801	51	-1,120
Other operating costs	-1,532	-1,008	52	-1,487
<b>Costs from banking operations</b>	<b>-15,860</b>	<b>-10,178</b>	<b>56</b>	<b>-14,489</b>
<b>Result from banking operations before lending losses</b>	<b>7,784</b>	<b>3,095</b>	<b>152</b>	<b>4,309</b>
Lending losses and provisions, net <sup>3)</sup>	-797	172		207
Change in value of assets taken over	43	62	-31	111
Write-down of financial fixed assets	-24	-3		-29
Net result from associated companies	82	83	-1	116
<b>Operating result from banking operations</b>	<b>7,088</b>	<b>3,409</b>	<b>108</b>	<b>4,714</b>
Result from insurance operations <sup>4)</sup>	210	386	-46	408
<b>Operating result</b>	<b>7,298</b>	<b>3,795</b>	<b>92</b>	<b>5,122</b>
Pension compensation	716	421	70	873
Taxes	-2,243	-1,096	105	-1,355
Minority interests	-209	-24		-56
<b>Result for the period</b>	<b>5,562</b>	<b>3,096</b>	<b>80</b>	<b>4,584</b>

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

#### 1) Net commission income

Payment commissions	1,512	1,356	12	1,863
Securities commissions	6,676	3,484	92	5,066
Other commissions	1,868	749	149	1,146
<b>Total</b>	<b>10,056</b>	<b>5,589</b>	<b>80</b>	<b>8,075</b>

**2) Net result of financial transactions**

<b>SEK M</b>	<b>January- September 2000</b>	<b>January- September 1999</b>	<b>Change per cent</b>	<b>Full year 1999</b>
Shares/participations	125	564	-78	963
Interest-bearing securities	230	-168		-276
Other financial instruments	955	614	56	819
<b>Realised result</b>	<b>1,310</b>	<b>1,010</b>	<b>30</b>	<b>1,506</b>
Shares/participations	-389	-74		291
Interest-bearing securities	93	56	66	142
Other financial instruments	353	-665	-153	-1,039
<b>Unrealised value changes</b>	<b>57</b>	<b>-683</b>	<b>-108</b>	<b>-606</b>
Exchange rate fluctuations	918	847	8	1,130
Redemption of bonds, SEB BoLån	-29	-6		-5
<b>Total</b>	<b>2,256</b>	<b>1,168</b>	<b>93</b>	<b>2,025</b>

**3) Lending losses and provisions, net**

<b>A. Individually appraised receivables:</b>				
Reported write-down, incurred losses	-1,514	-283		-448
Reversal of previous provisions for possible losses, reported as incurred losses in current period's accounts	918	226		339
Reported provision for possible losses	-1,026	-496	107	-854
Recovered from losses incurred in previous years	231	95	143	200
Reversal of previous provisions for possible losses	347	298	16	483
<b>Reported net cost for individually appraised receivables</b>	<b>-1,044</b>	<b>-160</b>		<b>-280</b>
<b>B. Receivables appraised by category:</b>				
Reported write-down, incurred losses	-66	-60	10	-86
Reported provision for possible losses	-10	-23	-57	-31
Recovered from losses incurred in previous years	28	26	8	35
Withdrawal from reserve for lending losses		23	-100	31
<b>Reported net cost for receivables appraised by category</b>	<b>-48</b>	<b>-34</b>	<b>41</b>	<b>-51</b>
<b>C. Allocation to/withdrawal from reserve for political risks abroad</b>	<b>294</b>	<b>320</b>	<b>-8</b>	<b>440</b>
<b>D. Contingent liabilities</b>	<b>1</b>	<b>46</b>	<b>-98</b>	<b>98</b>
<b>Total</b>	<b>-797</b>	<b>172</b>		<b>207</b>

**4) Result insurance operations**

Non-life operations	169	486	-65	518
Life operations	41	-100	-141	-110
<b>Total income</b>	<b>210</b>	<b>386</b>	<b>-46</b>	<b>408</b>

## SEB Group Bridge between Statutory and Operational accounts

### Statutory Profit & Loss Accounts

SEK M	January- September 2000	SEB Trygg Liv	Internal transactions bank- insurance	Reclassifi- cation
Net interest earnings	8 669	49		
Dividends received	864			-864
Net commission income	10 056		283	
Net result of financial transactions	2 256	2		
Other operating income	1 799	1 069	-686	864
				606
<b>Income from banking operations</b>	<b>23 644</b>	<b>1 120</b>	<b>-403</b>	<b>606</b>
Staff costs	-8 992	-384	6	
				716
Other administrative costs	-4 125	-461		4 586
Depreciation and write-downs of tangible and intangible fixed assets	-1 211	-44		
Other operating costs	-1 532	-183	397	-4 586
<b>Costs from banking operations</b>	<b>-15 860</b>	<b>-1 072</b>	<b>403</b>	<b>716</b>
<b>Result from banking operations before lending losses</b>	<b>7 784</b>			
Lending losses and provisions, net	-797			19
Change in value of assets taken over	43			-43
Write-down of financial fixed assets	-24			24
Net result from associated companies	82	-7		
<b>Operating result from banking operations</b>	<b>7 088</b>			
Result from insurance operations	210	-41		
<b>Operating result</b>	<b>7 298</b>	<b>0</b>	<b>0</b>	<b>1 322</b>
Pension compensation	716			-716
Taxes	-2 243			-170
Minority interests	-209			
<b>Result for the period</b>	<b>5 562</b>	<b>0</b>	<b>0</b>	<b>436</b>

### Operational Profit & Loss Accounts

January- September 2000 SEK M
8 718 Net interest earnings
10 339 Net commission income
2 258 Net result of financial transactions
3 046 Other operating income
606 Change in surplus value in life insurance operations
<b>24 967 Total income</b>
-9 370 Staff costs
716 Pension compensation
-1 255 Depreciations
-5 904 Other operating costs
<b>-15 813 Total costs</b>
-778 Lending losses etc
75 Net result from associated companies
169 Result from non-life insurance operations
<b>8 620 Total result</b>
-2 243 Taxes
-170 Taxes on change in surplus values
-209 Minority interests
<b>5 998 Total result after tax</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 sales growth of 46 percent during the nine month period. The market for single-premium endowment assurance remains strong. Most sales, 91 per cent (84 per cent) pertain to unit-linked insurance, of which 12 per cent (2 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.

Current year growth for the insurance-related unit fund portfolio is somewhat lower than the assumptions used when valuing the insurance portfolio.

Sales, i.e. new premiums and extra payments under existing insurance contracts, increased by SEK 2,992 M, or 46 per cent, to SEK 9,429 M (SEK 6,437 M). The share of insurance contracts with current premiums was 17.2 per cent (17.2 per cent), including foreign sales. Premium income (premiums paid) rose 31 per cent to SEK 13,668 M (SEK 10,424 M). In total, assets under management increased by SEK 44 billion or 21 per cent to SEK 253 billion (SEK 209 billion) during the twelve-month period. The increase for unit-linked insurance was 52 per cent.

Revenues increased by 44 per cent as a result of a higher premium volume and growth in assets under management within unit-linked insurance during the period. Operating costs and other costs increased by SEK 226 M or 18 per cent, of which the main part is attributable to increased sales.

The operating results improved to a profit of SEK 60 M (loss: SEK 107 M).

The total result, which includes the change in surplus values, increased by 24 per cent to SEK 666 M (SEK 539 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.

<b>Volumes, SEK M</b>	<b>Jan-Sept 2000</b>	<b>Jan-Sept 1999</b>
<b>Sales volume</b>		
Traditional life insurance, current share 25 (26) %	804	1,043
Unit-linked insurance, current share 17 (16) %	8,625	5,394
	<b>9,429</b>	<b>6,437</b>
<b>Premium income</b>		
Traditional life insurance	3,158	3,432
Unit-linked insurance	10,510	6,992
	<b>13,668</b>	<b>10,424</b>
<b>Savings stock</b>	<b>30 Sept</b>	<b>30 Sept</b>
Traditional life insurance	186,400	165,200
Unit-linked insurance	66,700	44,000
	<b>253,100</b>	<b>209,200</b>

<b>Profit and loss account, SEK M</b>	<b>Jan-Sept 2000</b>	<b>Jan-Sept 1999</b>
Commissioning agreements, traditional life insurance	254	233
Unit-linked insurance	800	519
Risk operations and other	111	58
<b>Total income</b>	<b>1,165</b>	<b>810</b>
Operating expenses	-1,205	-972
Capitalisation of acquisition costs	198	160
Goodwill and other	-98	-105
<b>Total costs</b>	<b>1,105</b>	<b>917</b>
<b>Operating result</b>	<b>60</b>	<b>-107</b>
Change in surplus values <sup>1)</sup>	606	646
<b>Total result</b>	<b>666</b>	<b>539</b>
Return on allocated capital, per cent <sup>2)</sup>	16.4	15.9
Expense ratio per cent <sup>3)</sup>	8.8	9.3

<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.

#### **Result**

Change in surplus values	804
Deferred acquisition costs	- 430
Depreciation	+232
	<u>-198</u>
<b>Reported change in surplus values</b>	<b>606</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>	916
+Return on existing policies	431
-Realised surplus value in existing policies	-541
=Change in present value of policies signed before the current period	-110
Actual outcome compared with operative assumptions made <sup>2)</sup>	194
Change in operative assumptions <sup>3)</sup>	-115
Capital return in excess of assumptions <sup>4)</sup>	-81
<b>Total change in surplus values before deduction of capitalised acquisition costs</b>	<b>804</b>
Capitalised acquisition cost for the period	-430
Depreciation of capitalised acquisition cost for the period	232
<b>Total reported change in surplus values <sup>5)</sup></b>	<b>606</b>
<b>Closing balance 30 September 2000 <sup>6)</sup></b>	<b>3,748</b>

- 1) Sales defined as new contracts and extra premiums on existing contracts
- 2) 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.
- 3) 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 115 M.
- 4) Actual fund growth was lower in the second quarter than the assumption, resulting in a negative effect of SEK 301 M.
- 5) 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.
- 6) Estimated surplus value according to the above is not included in the statutory balance sheet.

**Appendix 2****BfG in SEB Group****Profit and loss account (adapted to Swedish accounting principles)**

	<b>January- September 2000</b>	<b>January- September 1999*</b>	<b>1999**</b>
	MEUR	MEUR	MEUR
Net interest earnings	396	463	579
Dividends received	4	9	5
Net commission income	168	128	186
Net result of financial transactions	35	23	42
Other operating income	30	3	48
<b>Total operating income</b>	<b>633</b>	<b>626</b>	<b>860</b>
General administration costs	-394	-443	-643
Depreciation	-31	-47	-56
Other operating costs	-49	-4	-
<b>Total costs</b>	<b>-474</b>	<b>-494</b>	<b>-699</b>
Lending losses	-70	-69	-101
<b>Total Result</b>	<b>89</b>	<b>63</b>	<b>60</b>

\* June 1999 - According to prospect multiplied with 1.5

\*\* Normalised

**Appendix 3****Exposure on emerging markets, geographical distribution, SEK M**

	<b>Total</b>	<b>of which BfG</b>
<b>Asia<sup>1</sup></b>	<b>4,502</b>	<b>541</b>
Hong Kong	1,225	122
China	854	271
Other specified countries <sup>2</sup>	1,867	40
<b>Latin America<sup>3</sup></b>	<b>3,615</b>	<b>497</b>
Brazil	1,466	19
<b>Eastern and Central Europe<sup>4</sup></b>	<b>2,653</b>	<b>1,077</b>
Russia	1,401	477
<b>Africa and Middle East<sup>5</sup></b>	<b>3,023</b>	<b>342</b>
Turkey	991	51
<b>Total</b>	<b>13,793</b>	<b>2,457</b>
Provision	2,479	976
<b>Total net</b>	<b>11,314</b>	<b>1,481</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, Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Rumania, Hungary, Slovenia, Croatia, Kazakhstan and the Ukraine
5. Includes Turkey, Iran, Saudi Arabia, Egypt, Israel, South Africa, Ethiopia and Algeria