

YEAR-END REPORT FOR 1999

- **Strong total result – all-time high. SEK 7,440 M (SEK 3,587 M) *excluding non-life insurance operations***
 - **The operating result amounted to SEK 5,065 M (SEK 2,304 M)**
 - **SEB strengthens transformation to e-banking**
 - **Internet expansion in Europe starting this year**
 - **50 branches in Sweden to be closed this year**
 - **Extensive restructuring started in BfG. Goals set for cost efficiency and revenue improvement are raised**
 - **Continued focus on efficiency, particularly in Nordic Banking operations**
 - **A dividend of SEK 3.50 is proposed (SEK 3.13) – an increase of 12 per cent**
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SEB - well positioned in the new economy

Since 1997 SEB has focused strongly on savings and asset management. In 1998 we established a number of “stretch targets” for the Group: five domestic markets, five times the amount of assets under management, and five million Internet customers by the end of 2004.

The results for 1999 were favourable and clearly show that our efforts have borne fruit. As a result of our distinct mobilisation of resources in Asset Management, assets under management has increased from SEK 499 billion to SEK 702 billion and net commission income has risen by 26 per cent.

SEB strengthens transformation to e-banking

Nineteen ninety-nine was the year in which a number of critical steps were taken to transform SEB from Nordic to European, from a "universal" bank to a Group centred around the Internet, from being product oriented to being guided by customer needs within two main customer groups – business-intensive private customers and Nordic customers.

Approximately 50 branches to be closed in Sweden

With 380,000 of our most attractive customers on the Internet - 25 per cent of the total number of customers, the highest percentage in the world -- we have now reached a critical point in Sweden. The number of branch visits has declined to such an extent that we can begin to measure the consequences of the changed behaviour of customers. We will therefore close around fifty branches, a fifth of the total number, during the first half of the current year. The branches will continue to play an important role in the future, particularly with regard to advisory services.

Our Internet lead offers an opportunity for a major step into Europe

SEB was among the pioneers with regard to the Internet and has experience from three years of continuous development in this field. In the first phase, the Internet was a technology that was used to make such simple services as payments available via a new channel. Gradually, we provided more and more services such as funds and stock trading. We are now in transition to a completely new phase, in which we are utilising a new business logic that is made possible through the Internet.

SEB is among the elite in the world with regard to the number of its customers who use the Internet bank – 25 per cent. Where the Internet is concerned in our established markets -- Sweden, with 380,000 customers in February, and Estonia with 35,000 -- we see that cost-savings are now beginning to develop in "the old ways of working." However, Internet is much more than a way to save money in the "old channels." Our customers on the Internet conduct more transactions than those who do not use the Internet and provide for higher profitability. With the pan-European model, which is a fantastic instrument for the customers' financial planning, we also believe that we will acquire new customers in the markets in which we are already operating.

The greatest and most attractive opportunity naturally lies in our expansion in Europe, where we are participating in a growing investment market with a tool that offers superior service for customers. The new pan-European model is being launched in Denmark at the end of March, and in Germany under the auspices of BfG in the third quarter. We are now analysing the opportunities to also start up in Great Britain at the end of the year, under our own auspices or with a partner.

SEB -- In the middle of Europe's "wireless valley"

The private segment is not the only one in which the Internet has become substantial. SEB today has the largest percentage of corporate customers on the Internet. During the year an additional substantial investment will be made in this area to tie together our various corporate services. Growth in Sweden generally, and in "new economy" companies in particular, is naturally something that we are focusing on in the corporate sector, where we are already strong.

Costs continue to be a priority concern

At the same time we are seeing clearly how our costs are increasing. The largest increase is in Asset Management and Life, as well as other growing operations such as Enskilda Securities, where revenues are growing even more strongly. We will continue to invest in these areas, even though the focus for Asset Management during 2000 will be to streamline and to prioritise profitability ahead of growth. It is within the Nordic Banking operations, which mainly conduct business in a mature market with shrinking margins, that the costs savings must primarily be realised.

Cost reduction measures in intensified form are continuing in many areas, however. In addition, the increase in information-technology (IT) costs has now ended following a period of major projects. But a period following the initial investments in new system is often required before the savings become visible.

SEB is in the middle of the bridge between old and new business logic. It is clear to us that a paradigm shift is taking place. As a purely practical matter, we can achieve the necessary change in expertise without major costs, due to the large surplus values that we have in our pension funds. In the spring of 2000, as part of its cost-savings, SEB is continuing the program of early retirement of employees. The costs of this program are being met through compensation from SEB's pension funds, in which surplus values increased from SEK 13 billion to SEK 18 billion in 1999.

Continued increasingly efficient use of capital and reduction of risk

More efficient use of capital in Merchant Banking has been a priority area during the year and the amount of capital allocated was reduced from SEK 10,400 M to SEK 9,500 M. The risks in proprietary trading and in emerging markets have been reduced to lower, currently comfortable levels.

The restructuring of BfG has begun

A comprehensive program to restructure BfG and increase its profitability is currently under way. The core business in the savings and private-customer segments is attractive and it recently became known that BfG is the German bank with the highest percentage of satisfied customers. The results of our surveys since we took over the bank on 3 January have also been highly favourable. Goals and plans for cost savings and revenue increases have been raised from EUR 60 M to EUR 80 – 100 M annually through a restructuring program to boost profitability. This means that at least 500 positions will be eliminated and that nonstrategic units are being examined for the purpose of restructuring, selling or closing them down. As we reported in October last year, BfG is to become our portal to the market for savings programs in Europe. The pan-European Internet model is being launched in the third quarter. Currently, BfG has 65,000 Internet and on-line customers.

"Changing old companies in traditional industries presents a challenge," says Lars H Thunell, President and Chief Executive Officer. "But it is not a matter of disassembling; it is a matter of changing and creating something new; that is the only way to achieve growth."

Results for main groups and business areas

Effective as of 2000, several of SEB's business areas were organised to form four main groups – Nordic Banking, Asset Management and Life, BfG and "Other Group" operations. The latter comprises a number of companies/ business areas – Enskilda Securities, SEB Kort, SEB Internet, SEB Baltic Holding and SEB IT – that operate more independently under their own brands.

NORDIC BANKING

Nordic Banking comprises the Retail Distribution, Merchant Banking and Financial Services business areas, excluding SEB Kort, which forms a separate business unit as of 2000. The new main groups reported a combined total result of SEK 4,644 M in 1999. Revenues rose 1 per cent. The increase in costs was 5 per cent, of which staff costs, net, amounted to 12 per cent. The average number of employees was approximately 6,500 in 1999.

Retail Distribution

Income remained essentially unchanged, SEK 5,360 M. Net interest earnings declined mainly due to reduction in margins. The decline in net interest earnings was offset by a rise in commission income, primarily from securities, funds, payments and insurance. Despite a reduction of 243 in the number of employees, costs rose by 4 per cent due to higher staff costs and the continued investment in the Internet. Total result declined by 3 per cent to SEK 1,481 M. Return on allocated capital, SEK 7,100 M, was 15.0 per cent (15.50 per cent).*

* Capital has been allocated to the Group's various business areas in proportion to their risk exposure. In calculating the return for business areas, the total results after standard tax have been compared with the distributed risk capital. The calculation of the return also takes into consideration that part of the Group's goodwill that may be attributed to certain business areas (see also page xx).

Concurrently with the increasing use of primarily the Internet, but also of telephone and automated services, far fewer customers visit branch offices for simple transactions. During 1999, the trends reached a point where the office as a physical meeting place is no longer required to the same extent as previously. At the same time, the Banks' focus on more business-intensive customers and their need for qualified advice resulted in an aim to concentrate resources to the areas in which these customers exist. Accordingly, some 50 offices will be closed in 2000. About 280 persons are affected by the reduction, which will result in a net savings of about 150 positions.

Financial Services – continued high return

In Financial Services, SEB Finans displayed a particularly strong result, + 22 per cent. Overall, the business area increased its total result by 7 per cent to SEK 1,078 M. Return on allocated capital, SEK 1,300 M, amounted to 59.7 per cent (55.8 per cent).

At year-end 1999, SEB Finans' lending volume totalled SEK 18,762 M (SEK 16,634 M). SEB Securities Services held Swedish and international securities worth the equivalent of SEK 2,211 billion (SEK 1,575 billion) in custody. SEB Kort's turnover in 1999 amounted to SEK 112,889 M (SEK 103,030 M).

Merchant Banking – higher customer-related income and successful capital rationalisation

Merchant Banking in 1999 reported a total result of SEK 2,470 M (SEK 291 M). The goal to increase customer-related income and reduce dependence on more volatile market-risk-related income was achieved. Customer-related income rose 4.5 per cent, as a result of a highly positive trend in currency trading and the growing European, corporate debt capital market. As a result of lower market risk levels, income from own position-taking declined to SEK 840 M (SEK 1,089 M). Customer-related income accounted for 83 per cent of total revenues.

Extensive efforts have been made since 1998 to increase capital efficiency. Since June 1998, when SEB began to measure risk level in accordance with the Capital at Risk method, Merchant Banking has reduced its risk level by 19 per cent. This has been achieved primarily through a sharp reduction of exposure in emerging markets and through lower and better-controlled market risks. Return on allocated capital, which was reduced from SEK 10,400 M to SEK 9,500 M, amounted to 18.7 per cent (2.0 per cent). Capital rationalisation programs will continue during the current year. The focus on growth areas such as the European debt capital market has been financed by enhancing the efficiency of the international network. For example, the number of employees outside the Nordic region was reduced by nearly 20 per cent since 1998. The fact that costs nonetheless rose 8 per cent was due firstly to bonus-related remuneration and secondly to higher IT costs in conjunction with the introduction of the euro and preparations ahead of the millennium shift. Recoveries exceeded credit losses, resulting in a net SEK+441 M (-2,010 in provisions in 1998).

ASSET MANAGEMENT AND LIFE

This main group comprises the Asset Management and SEB Trygg Liv (*life*) business areas, which attained a combined total result of SEK 2,597 M in 1999. Revenues, including changes in surplus values, rose 39 per cent. The cost increase, net, was 27 percent, of which staff costs rose 45 per cent. The average number of employees was 1,800 during the year.

Asset Management – 40 per cent increase in managed assets

Income advanced 29 per cent to SEK 3,035 M, chiefly as a result of rising stock prices, but also because of a higher level of activity and acquisitions. Costs rose by 40 per cent, primarily as a result of the acquisition of ABB Investment Management in autumn 1998 and ventures in Denmark and Great Britain. Rising bonus-related remuneration as a result of higher activity and improved investment performance also contributed to the cost increase.

The total result rose by 19 per cent to SEK 1,211 M (SEK 1,019 M). Return on allocated capital, including goodwill attributable to the group, SEK 3,750 M, was 23.3 per cent (19.6 per cent)

At 31 December 1999, Asset Management had SEK 702 billion (SEK 499 billion) under management. Of this total, portfolio management accounted for SEK 274 billion, traditional life insurance for SEK 228 billion and funds and unit-linked insurance for SEK 200 billion. SEK 72 billion of the volume in portfolio management and life insurance resulted from the agreement with Codan, a Danish company. Net deposits amounted to some SEK 14 billion, of which about SEK 8 billion was in the Group's mutual funds and SEK 6 billion in portfolio management for customers in Sweden and the rest of the Nordic region, and in Britain, Luxembourg, Switzerland and the U.S.

SEB Enskilda Banken experienced a strong capital inflow, of which 75 per cent derived from new customers. Assets under management increased from SEK 150 billion to SEK 230 billion in 1999.

SEB Trygg Liv – doubled result

Total result more than doubled to SEK 1,386 M (SEK 575 M). Sales, that is, new policies and extra payments on existing insurance policies, rose 22 per cent to SEK 8.8 billion (SEK 7.3 billion). Premium income (paid-in premiums) increased 20 per cent to SEK 15.1 billion (SEK 12.6 billion). The change in surplus values in life insurance operations was twice as large compared with 1998, SEK 1,502 M (SEK 752 M).

Return on allocated capital, including attributable goodwill, SEK 3,250 M, amounted to 30.7 per cent (12.7 per cent).

Funds under management at year-end amounted to SEK 230 billion (SEK 190 billion). (See Appendix on page xx.)

“OTHER GROUP” OPERATIONS

The combined total result for these units amounted to SEK 1,147 M (SEK 583 M). Revenues rose 60 per cent and costs increased 48 per cent. This included staff cost increases, net, of 79 per cent.

Enskilda Securities – best result ever

Enskilda Securities reported its best result ever, SEK 592 M (SEK 217 M). The earnings improvement is based on a very high volume of share trading and a large number of successful corporate finance transactions. Revenues rose by 70 per cent to SEK 2,279 M, while costs were up 55 per cent due to new recruitment and increased bonus-related compensation.

Return on allocated capital, SEK 650 M, was 65.6 per cent (24.0 per cent). Enskilda Securities' share of equities trading in Sweden in 1999 was slightly more than 10 per cent, representing an unchanged position as the largest player on the Swedish stock exchange. Enskilda is also the clear leader in Nordic M&A transactions.

Effective 1 January 1999, the operations within Enskilda Securities are incorporated.

After the close of the fiscal year, Enskilda Securities has signed an agreement to acquire Norwegian Orkla Finans (Fondsmegling) from Orkla Finans ASA, with payment in own newly issued shares. After the acquisition, SEB will hold 77.5 per cent and Orkla Finans ASA 22.5 per cent of the shares in Enskilda Securities.

The Baltic States – increased ownership

During 1999, SEB has gradually increased its ownership in the Baltic States, which since the autumn of 1999 forms a separate business area in the Group. At year-end 1999, SEB held 50.2 per cent in Eesti Ühispank, Estonia, 50.5 per cent in Latvijas Unibanka, Latvia, and 40.8 per cent in Vilniaus Bankas, Lithuania. Accordingly, the first two banks were consolidated in SEB since October and July 1999, respectively, while Vilniaus Bankas is reported on a profit participation basis. Earnings development in the three banks was positive. Total result including amortisation of goodwill amounted to SEK 170 M. Return on allocated capital, SEK 980 M, was 12.5 per cent.

During the current year, the number of branches in Eesti Ühispank will be reduced from the current 82 to about 50-60. The reduction is a result of the rapidly growing use of the bank's electronic services, mainly Internet. The number of employees will be reduced this year. Personnel reductions are also expected in Latvijas Unibanka and Vilniaus Bankas as a result of technical development.

SEB Internet – now the hub

Since summer 1999, SEB Internet is a separate unit in the Group. Costs for the Swedish Internet operations, which in 1999 amounted to nearly SEK 300 M, are carried by the business areas, whose customers use the services. Income from the operations accrues in the relevant business area, that is, mainly Retail Distribution and Asset Management. Investment in the pan-European Internet model amounted to about SEK 100 M in 1999.

During 1999, the number of business transactions on the Internet rose by 70 per cent. Twenty per cent of stock trading transactions by private customers and 30 per cent of private bill payments are made via the Internet bank.

During the current year, SEB's new e-bank will be launched in Denmark in March and in Germany during the third quarter, with Codan Bank's and BfG Bank's existing services on the net as a base.

Non-life insurance operations

The result from the Group's non-life insurance operations amounted to SEK 57 M (SEK 2,497 M). The result includes a capital gain of SEK 500 M from the divestment of Trygg-Hansa Försäkrings AB to Danish Codan on 14 October 1999 (with settlement as of 31 August 1999). The result also includes the run-off operations remaining in the SEB Group.

BfG

The BfG Bank was consolidated in the SEB Group on 3 January 2000 and, accordingly, is not included in SEB's 1999 results. BfG's own reporting is still in accordance with German accounting rules and are not yet adapted to the Swedish and international principles applied in the SEB Group. Adjusted by SEB, comparable profit before tax for BfG's amount to EUR 60 M in accordance with the same model applied in the issue prospectus.

Including non-recurring gains that are part of BfG's own results, earnings amount to EUR 117 M. Prior to the forthcoming acquisition, this result is charged with restructuring costs of EUR 85 M and estimated general reserve allocations, etc. in accordance with German accounting rules totalling EUR 197 M. After these closing measures, BfG reports, in accordance with its own accounting principles, a loss before taxes of EUR 164 M. The reported result is treated in the acquisition analysis in such a manner that a portion of the difference between the purchase price and shareholders' equity is appropriated already before the acquisition.

At 31 December 1999, BfG managed SEK 110 billion, of which about 80 per cent in mutual funds. BfG, which has been highly successful in its focus on savings, is the bank in Germany with the

highest proportion of satisfied customers, according to a comprehensive survey conducted at the end of 1999.

In the current year, cost levels will be reduced through co-ordination with SEB in a number of areas, divestments and rationalisation of central functions. These measures will result in a staff reduction of at least 500 positions. Moreover, the operations of Deutsche Handelsbank are being terminated, resulting in reduction of an additional 75 positions.

Group performance

Income – strong rise in commission income

Net interest earnings rose 3 per cent, to SEK 6,913 M (SEK 6,707 M), mainly due to the growing differences during the year between long- and short-term interest rates. Net interest earnings from deposits and lending increased marginally as a result of added volumes from the Baltic States that, combined, accounted for approximately SEK 200 M of net interest in 1999. The cost for the deposit guarantee amounted to SEK 263 M (SEK 268 M).

Net commission income increased by 26 per cent, to SEK 8,317 M (SEK 6,619 M), mainly due to increased securities commissions from equity trading and asset management, but also due to improved commission on payment services.

Net result of financial transactions, excluding changes in Trygg-Hansa's market portfolio, rose 29 per cent, to SEK 2,269 M (SEK 1,757 M). This was mainly attributable to the favourable result in equity and currency trading. The result from proprietary trading was affected adversely by rising long-term interest rates. Risks in these operations were reduced by 40 per cent during the year.

A one percentage unit change in the Swedish market rates as at 31 December 1999 would have resulted in an increase/decrease of approximately SEK 0.8 billion (SEK 1.9 billion) in the market value of the Group's total positions in Swedish kronor and foreign currency. The decline is attributable to reduced trading in own portfolios.

Other income declined 8 per cent, to SEK 2,040 M (SEK 2,218 M), Capital gains amounted to SEK 948 M (SEK 1,181 M). Comparable figures in the preceding year included a capital gain on the sale of bank properties of about SEK 1 billion. The 1999 result includes return on and a gain on the sale of investment portfolios of SEK 541 M and dividends from venture-capital funds of SEK 300 M.

Combined, the Group operating result, excluding divestment of the non-life insurance operations, amounted to SEK 19,758 M (SEK 17,528 M).

A significant portion of the result from the life insurance operations is attributable to the change in the surplus value in these operations, primarily unit-linked insurance. In accordance with the prevailing principles, this value change is reported as a separate line within total result. In an analytical perspective, however, the value change should be made the equivalent of income. Measured in this fashion, the adjusted result amounts to SEK 21,260 M (SEK 18,280 M), an increase of 16 per cent.

Costs – increasing percentage variable

Group *costs* amounted to SEK 15,098 M (SEK 12,973 M), an increase of 16 per cent. The higher costs are attributable mainly to investment in expansion of the Internet and continued rapid growth within Asset Management, SEB Trygg Liv and Enskilda Securities, which also reported favourable

result increases. In addition, investments were made in Nordic Banking and Baltic States and Codan Bank was added in the autumn.

In general, there are considerable differences in the cost structure and costs development between the different new main groups within SEB, mainly between the growth-oriented segments and the more management oriented.

Part of the cost increase is due to pension costs, for which compensation is received from SEB's pension funds. Pension provisions are reported under a separate item in the profit and loss account and amounted in 1999 to SEK 873 M (SEK 531 M). If costs are reduced by this compensation/contribution, net costs amount to SEK 14,225 M (SEK 12,442 M), an increase of 14 per cent.

The income/cost ratio amounted to 1.50 (1.47). The positive development during the fourth quarter resulted in an income/cost ratio of 1.65. The corresponding cost/income figure (relation of costs to income) was 0.67 (0.68). This resulted in an improvement to 0.61 in the fourth quarter.

A significant portion of the increase in staff costs is due – in addition to new recruitment in growth areas – to an increase in bonus-related remunerations as a result of positive earnings trend, mainly within Enskilda Securities, Asset Management and Merchant Banking. Staff costs amounted to SEK 8,419 M (SEK 6,816 M), up 20 per cent, after reduction by the aforementioned pension provisions. In other respects, the increase in costs was limited to 8 per cent.

IT costs – including personnel within SEB IT – amounted to SEK 2,806 M (SEK 2,857 M), down 2 per cent. Taking into account the personnel in the business area, the total IT costs can be calculated at slightly more than SEK 3 billion, which is the same level as a year earlier. This means that the previously expressed ambition to maintain IT costs at an unchanged level in 1999 could be realised. A further improvement of efficiency in the IT area is planned in 2000, by linking control more closely to business development and incorporating the actual IT organisation and establishing a central Chief Information Officer (CIO) function.

The number of staff, measured as an average for the year, increased by 528 to 13,875. The increase is attributable to Eesti Ühispank and Latvijas Unibanka being consolidated in the SEB Group during the second half of 1999. Excluding the addition from the Baltic banks, the average number of staff declined by 459.

At the end of 1999, SEB's management and the trade unions agreed that the profit-sharing system should be replaced with a pension insurance for the years 1999 and 2000. The past year's costs for this amounted to SEK 376 M (compared with an allocation to profit sharing in 1998 of SEK 292 M). As a result of the agreement, a large portion of costs can be financed through payments from SEB's pension funds.

At year-end 1999, SEK 1,699 M of the restructuring reserve of SEK 2,255 M was utilised.

Lending losses and doubtful claims – recoveries and reduced exposure

During 1999, the Group's recoveries and withdrawals were greater than *lending losses*, including value changes in assets taken over and write-downs of financial fixed assets. Accordingly, a net of SEK 289 M (loss: SEK 2,251 M) was reported. *Incurred losses* and *provisions for possible lending losses* amounted to SEK 1,089 M (SEK 2,801 M), while recoveries and withdrawals, including reserve for political risks abroad, SEK 440 M, amounted to SEK 1,295 M (SEK 564 M).

The provision for the Group's undertakings in emerging markets at year-end 1999 amounted to SEK 1,797 M (SEK 2,525 M), of which SEK 790 M (SEK 1,318 M) pertained to Russia.

Exposure, geographical distribution, SEK M

Asia¹	5,166
<u>Hong Kong</u>	1,443
China	791
Other specified countries ²	1,930
Latin America³	3,190
<u>Brazil</u>	1,277
Eastern and Central Europe⁴	1,577
Russia	1,025
Africa and Middle East⁵	2,268
Turkey	786
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Total	12,202
Provision	1,797
Total net	10,405

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, declined by 21 per cent, to SEK 2,824 M (SEK 3,577 M) and the volume of assets taken over declined by 39 per cent, to SEK 626 M (SEK 1,031 M). The level of doubtful claims decreased to 0.82 per cent (1.08 per cent), while the provision ratio for doubtful claims increased to 59.6 per cent (52.0 per cent).

Pension provision – major surplus in pension foundation

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

For 1999, this pension provision amounted to SEK 873 M (SEK 531 M). In addition, a nonrecurring cost for early retirements is being charged directly against the pension foundations in the amount of SEK 716 M (SEK 461 M). The total assets of the pension funds were slightly more than SEK 25 billion (SEK 19 billion), while their commitments totalled SEK 7 billion (SEK 6 billion). Accordingly, the surplus value rose from SEK 13 billion to SEK 18 billion during 1999.

Tax costs

Taxes relating to the total result amounted to SEK 1,776 M (SEK 1,211 M), which equals a weighted tax rate of 24 per cent. Tax costs of SEK 1,355 M (SEK 1,000 M) consist of SEK 1,288 M (SEK 527 M) in taxes paid, SEK 276 M (SEK -450 M) in taxes for prior years, SEK -209 M (SEK 923 M) in deferred taxes. Combined, this corresponds to a tax rate of 23 per cent.

Rising total result

Operating profit, excluding the non-life operations, amounted to SEK 5,065 M (SEK 2,304 M) The change in the surplus value of the life insurance operations was SEK 1,502 M (SEK 752 M). With

the addition of changes in the surplus value and a pension provision of SEK 873 M (SEK 531 M), total result – excluding non-life operations – amounted to SEK 7,440 M (SEK 3,587 M).

Including non-life operations, the total result was SEK 7,497 M (SEK 6,084 M) before taxes and SEK 5,665 M (SEK 4,867 M) after taxes.

Earnings per share and return on equity

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

	Result, incl. changes in surplus values		Result, excl. changes in surplus values	
	1999	1998	1999	1998
Operating result	5,122	4,801	5,122	4,801
Pension provision	873	531	873	531
Change in surplus values in life insurance operations	1,502	752		
Total result	7,497	6,084		
Taxes and minority interests	<u>-1,832</u>	<u>-1,217</u>	<u>-1,411</u>	<u>-1,006</u>
Result after tax	5,665	4,867	4,584	4,326
Earnings per share	9.60	8.25	7.77	7.33
(based on a weighted number of shares in connection with the new issue, 589,839,372 shares)				
Earnings per share	8.60	7.40		
(adjusted for bonus issue element)				
Return	17.1	16.1	14.6	14.8

Investments in Nordic region, Baltic States and Germany

During the year, SEB Trygg-Hansa Försäkrings AB (non-life insurance) was divested for slightly more than SEK 4.3 billion to Danish Codan. At the same time, SEB acquired Codan Bank, 49 per cent of Codan Link and Codan's 15.8 per cent interest in Amagerbanken for a approximately SEK 1 billion. The agreement with Codan also included an agreement on asset management.

During the year, SEB successively increased its holdings in the three partly owned Baltic banks, Eesti Ühispank in Estonia (from 34 per cent to 50.2 per cent), Latvijas Unibanka in Latvia (from 44.3 per cent to 50.5 per cent) and Vilniaus Bankas in Lithuania (from 35.8 per cent to 40.8 per cent). Accordingly, the first two banks are consolidated in the SEB Group.

In October, SEB reached an agreement to acquire 100 per cent of the shares in BfG Bank for EUR 1.6 billion, (DEM 3.1 billion) or SEK 13.9 billion from Crédit Lyonnais. The acquisition was financed partly through a rights issue of SEK 4.1 billion. BfG was consolidated in the SEB Group as of 3 January 2000.

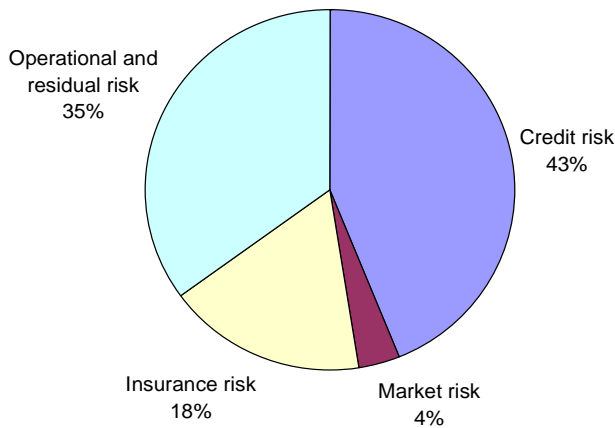
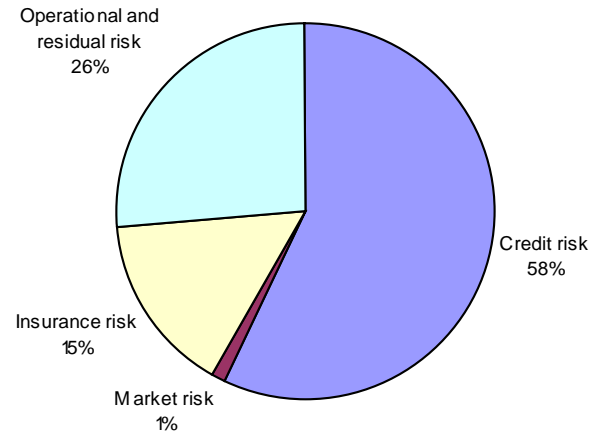
After the close of the fiscal year, SEB's subsidiary Enskilda Securities and Norwegian Orkla Finans ASA signed an agreement covering acquisition by Enskilda Securities of Orkla Finans (Fondsmegling). Payment was made in the form of newly issued own shares, whereby Enskilda Securities will be 77.5 per cent owned by SEB and 22.5 per cent by Orkla Finans ASA.

Total assets and shareholders' equity

The total assets of the Group increased by 3 per cent, to SEK 710 billion, mainly due to lending increasing 6 per cent to SEK 342.9 billion, including repos. Shareholders' equity increased by 8 per cent, to SEK 33 billion. The capital from the new issue of SEK 4.1 billion was not registered with the authorities until January 2000 and, accordingly, is not included in shareholders' equity at 31 December 1999. If the surplus value in the life insurance operations is included, shareholders' equity would amount to SEK 35.8 billion.

Credit exposure by industry sector including contingent liabilities, undertakings and derivatives (after provision for possible loan losses)

	1999	Per cent	1998	Per cent
Companies and banks				
Banks ¹	89,982	16.4	91,932	17.5
Finance and insurance	37,972	6.9	35,957	6.8
Property management	60,288	11.0	60,867	11.6
Wholesale & retailing, hotels and restaurants	27,891	5.1	30,755	5.9
Transportation	27,340	5.0	21,320	4.1
Other service sectors	22,191	4.1	19,582	3.7
Construction	6,553	1.2	5,919	1.1
Manufacturing	74,057	13.5	73,810	14.1
Other	45,114	8.2	35,000	6.7
	391,388	71.4	374,962	71.5
Public administration				
Municipalities, County Councils	14,395	2.6	13,125	2.5
Municipality-owned companies	29,910	5.5	30,730	5.8
	44,305	8.1	43,855	8.3
Households				
Housing loans (first-mortgage loans)	65,802	12.0	57,678	11.0
Other loans	36,366	6.7	33,182	6.3
	102,168	18.7	90,860	17.3
Not distributed by sector and industry	10,120	1.8	15,632	2.9
Total loan portfolio	547,981		525,309	

Capital at Risk not diversified, SEK 50 billion**Capital at Risk, after diversification within and between business areas, SEK 25.3 billion**

Return of business areas and allocated capital

In order to capitalise on the capital base of the Group and to appraise the profitability of the various business areas with greater precision, SEB has introduced a control model, based on Capital at Risk.

Allocated capital of the business areas comprises Capital at Risk and that part of goodwill attributable to corporate acquisitions and is matched by a need for shareholders' equity.

Capital at Risk is the appraisal of the risk for unexpected losses in those positions that the business operations of the Group imply at any given point in time and is based upon statistical probability calculations for various types of risk (credit, market, operational, etc.). The capital allocated to the various business areas of the Group has been calculated in proportion to their respective risk exposure. When calculating the return of the business areas, their results, after standard tax, have been put in relation to allocated capital.

Capital base and capital adequacy

At 31 December 1999, the capital base of the financial group of undertakings (which includes the associated companies but not the insurance companies) was SEK 34.3 billion (SEK 25.1 billion). SEK 4.1 billion of this amount pertains to the new issue carried out before year-end 1999 in accordance with prevailing rules. Core capital also includes a so-called core-capital contribution of EUR 200 M, which SEB issued in the spring of 1999. At year-end, the capital base amounted to SEK 46.5 billion (SEK 33.6 billion). At the same time, risk-weighted assets rose to SEK 318 billion (SEK 309 M) as a result of Eesti Ühispank and Latvijas Unibanka being consolidated in SEB in the autumn of 1999. Consequently, the total capital ratio was 14.6 per cent (10.9 per cent) and the core capital ratio 10.8 per cent (8.1 per cent), compared with the target of at least 7.0 per cent.

Dividend policy

It is the objective of the Board of Directors to declare a dividend that corresponds to between 30 and 50 per cent of earnings per share, taking into consideration the total result after tax. The size of the dividend is determined by the financial position and growth opportunities of the Group. The Group strives to achieve long-term growth on the basis of a capital base for the financial group of undertakings that must not, in the long term, be inferior to a core capital ratio of 7 per cent.

Dividend

The Board of Directors proposes a dividend of SEK 3.50 (3.13) per Series A and Series C share (SEK 3.00), corresponding to 43.5 per cent of earnings per share according to SEB's definition. The total dividend amounts to SEK 2,466 M (SEK 2,059 M).

Stockholm, 15 February 2000

Lars H Thunell
President and Group Chief Executive

* * *

The Annual Report will be distributed in late March 2000. At the same time, it will also be available on the Internet (www.sebank.se).

The Annual General Meeting will be held at 4:00 p.m. on 28 April 2000 at Circus, Kungliga Djurgården, Stockholm.

The Interim Report for the first quarter of 2000 will be published on 28 April 2000. (Internet address: www.sebank.se). The following two Interim Reports will be published on 22 August and 26 October 2000, respectively.

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Appendix**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 activities are separate from traditional banking activities. SEB Trygg Liv's accounts are presented in this Appendix according to generally accepted accounting standards for the insurance companies.

SEB Trygg Liv's sales, that is, new premiums and additional payments under existing insurance contracts, increased by SEK 1,594 M, or 22.0 per cent, to SEK 8,847 M (SEK 7,253 M). The share of insurance contracts with current premiums was 17.6 per cent (26.4 per cent), which is a consequence of the fact that the growth of the life insurance market during the year primarily consisted of single premium endowment assurance, mostly unit-linked. Premium income (premiums paid) rose by 20.2 per cent, to SEK 15,100 M (SEK 12,563 M). In total, assets under management increased by 21.3 per cent during the twelve-month period, whereas the corresponding increase for unit-linked insurance was 56.1 per cent.

Income increased by 13.8 per cent, primarily as a result of a higher premium volume and favourable growth in assets under management, particularly within unit-linked insurance. Operating costs and other costs increased by 3.6 per cent (21.5 per cent). However, due to lower direct sales costs the deduction for deferred acquisition costs declined to SEK 248 M (SEK 278 M), which resulted in a net cost increase of 6.9 per cent (13.7 per cent).

The operating result improved by 35 per cent, to SEK -116 M (SEK -177 M).

The total result, which includes the change in surplus values, increased by 141 per cent, to SEK 1,386 M (SEK 575 M). This improvement was mainly due to strongly increased sales combined with a positive development on the capital market, compared with 1998, which resulted in favourable growth in managed funds.

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

Volumes, SEK M	1999	1998
Sales volume		
Traditional life insurance, current share 23 (31) %	1,450	1,326
Unit-linked insurance, current share 17 (25) %	7,397	5,927
	8,847	7,253
Premium income		
Traditional life insurance	5,323	5,145
Unit-linked insurance	9,777	7,418
	15,100	12,563
Savings stock	31 Dec	31 Dec
Traditional life insurance	172,572	152,869
Unit-linked insurance	57,851	37,065
	230,423	189,934

Profit and loss account, SEK M	1999	1998
Commissioning agreements, traditional life insurance	338	341
Unit-linked insurance	762	577
Risk operations and other	84	122
Total income	1,184	1,040
Operating expenses	-1,387	-1,279
Capitalisation of acquisition costs	248	278
Goodwill and other	-161	-216
Total costs	1,300	1,217
Operating result	-116	-177
Change in surplus values ¹⁾	1,502	752
Total result	1,386	575
Return on allocated capital, per cent ²⁾	30.7%	12.7%
Expense ratio per cent ³⁾	9.2%	10.2%

- 1) After deduction for change in capitalised acquisition costs
- 2) After standard tax. SEK 3,250 M allocated for each year
- 3) Operating expenses expressed 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 rates	According to trade experience

Surplus 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.

Change in surplus values		1,750
Deferred acquisition costs	-450	
Depreciation	+211	
		<u>-248</u>
Reported change in surplus values		1,502

Balance

Opening balance, 1 January 1999		2,259
Current change in surplus values consists of present value of new contracts ¹⁾		902
Present value of new contracts		
+ Return on existing contracts	+349	
- Realised surplus value in existing contracts	-435	
= Change in present value of contracts signed before the current period		-86
Actual outcome compared with operative assumptions made ²⁾		186
Change in operative assumptions		0
Capital return in excess of undertakings		748
Total change in surplus values ³⁾		1,750
Closing balance 31 December, 1999⁴⁾		4,009

1) Sales defined as new contracts and extra premiums on existing contracts

2) The reported actual outcome of contracts signed can be put 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) Before deduction for capitalised acquisition costs of SEK 248 M. See above.

4) Estimated surplus value according to the above is not included in the published balance sheet.

The SEB Group Profit and loss accounts

SEK M	1999	1998	Change per cent
Income			
<i>Interest receivable</i>	26,155	31,470	-17
<i>Interest payable</i>	-19,242	-24,763	-22
Net interest earnings	6,913	6,707	3
Dividends received	219	227	-4
<i>Commission receivable</i>	9,525	8,019	19
<i>Commission payable</i>	-1,208	-1,400	-14
Net commission income ¹⁾	8,317	6,619	26
Net result of financial transactions ²⁾	2,269	1,757	29
Other operating income	2,040	2,218	-8
Total operating income	19,758	17,528	13
Costs			
Staff costs	-8,419	-6,816	24
Other administrative costs	-4,092	-3,974	3
Depreciation and write-down of tangible and intangible fixed assets	-1,182	-1,073	10
Other operating costs	-1,405	-1,110	27
Total costs	-15,098	-12,973	16
Result before lending losses	4,660	4,555	2
Lending losses and provisions, net ³⁾	207	-2,237	-109
Change in value of assets taken over	111	-10	
Write-down of financial fixed asset	-29	-4	
Net result from associated companies	116		
Operating result, excl. non-life operations	5,065	2,304	120
Result, non-life operations ⁴⁾	57	2,497	-98
Operating result	5,122	4,801	7
Pension provision	873	531	64
Taxes	-1,355	-1,000	36
Minority interests	-56	-6	
Result for the year	4,584	4,326	6
Operating result, excl. non-life operations	5,065	2,304	120
Change in surplus values in life insurance operations	1,502	752	100
Pension provision	873	531	64
Total result, excl. non-life operations	7,440	3,587	107
Result, non-life operations	57	2,497	-98
Total result	7,497	6,084	23
Tax and minority interests	-1,411	-1,006	40
Tax on change in surplus values	-421	-211	100
Total result after tax	5,665	4,867	16
1) Net commission income			
	1999	1998	Change per cent
Payment commissions	1,863	1,585	18
Securities commissions	5,066	3,654	39
Other commissions	1,388	1,380	1
Total	8,317	6,619	26

2) Net result of financial transactions

	1999	1998	Change per cent
Shares/participations	1,024	207	
Interest-bearing securities	-276	113	
Other financial instruments	819	549	49
Realised result	1,567	869	80
Shares/participations	462	-63	
Interest-bearing securities	142	-226	-163
Other financial instruments	-1,039	200	
Unrealised value changes	-435	-89	
Exchange rate fluctuations	1,142	984	16
Redemption of bonds, SEB BoLån	-5	-7	-29
Total	2,269	1,757	29

3) Lending losses and provisions, net**A. Individually appraised receivables:**

Reported write-down, incurred losses	-448	-926	-52
Reversal of previous provisions for possible losses, reported as incurred losses in current period's accounts	339	544	-38
Reported provision for possible losses	-854	-904	-6
Recovered from losses incurred in previous years	200	185	8
Reversal of previous provisions for possible losses	483	227	113
Reported net cost for individually appraised receivables	-280	-874	-68

B. Receivables appraised by category:

Reported write-down, incurred losses	-86	-98	-12
Reported provision for possible losses	-31	-33	-6
Recovered from losses incurred in previous years	35	52	-33
Withdrawal from reserve for lending losses	31	49	-37
Reported net cost for receivables appraised by category	-51	-30	70

C. Allocation to/withdrawal from reserve for political risks abroad

440	-1,343	-133
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D. Contingent liabilities

98	10	
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Total	207	-2,237	-109
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4) Result, non-life operations

Net interest earnings	176	70	151
Dividends received		104	-100
Net result of financial transactions	-548	1,710	-132
Other operating income, incl. Net insurance income	647	1,685	-62
Total income	275	3,569	-92
Staff costs	-34	-631	-95
Other administrative costs	-6	-184	-97
Depreciation and write-down of tangible and intangible fixed assets	-96	-7	
Other operating costs	-82	-250	-67
Total costs	-218	-1,072	-80
Total	57	2,497	-98

Result per main group and business area (SEK M)

Main groups

SEK M	Nordic Banking		Asset Management & Life		Other companies & units	
	1999	1998	1999	1998	1999	1998
Income	11,632	11,550	4,219	3,389	4,114	2,577
Costs	-7,701	-7,207	-3,211	-2,583	-2,901	-1,962
Lending losses	254	-2,207	-1		-100	-54
Operating result	4,185	2,136	1,007	806	1,113	561
Pension provision	459	327	88	36	34	22
Change in surplus values			1,502	752		
Total result	4,644	2,463	2,597	1,594	1,147	583

Nordic Banking

SEK M	Retail Distribution		Financial Services		Merchant Banking	
	1999	1998	1999	1998	1999	1998
Income	5,360	5,358	2,687	2,444	4,914	4,988
Costs	-4,075	-3,902	-1,559	-1,418	-2,990	-2,758
Lending losses	-142	-171	-100	-51	441	-2,010
Operating result	1,143	1,285	1,028	975	2,365	220
Pension provision	338	246	50	32	105	71
Change in surplus values						
Total result	1,481	1,531	1,078	1,007	2,470	291
Allocated capital	7,100	7,100	1,300	1,300	9,500	10,400
Return, %	15.0	15.5	59.7	55.8	18.7	2.0

Asset Management and Life insurance

SEK M	Asset Management		SEB Trygg Liv	
	1999	1998	1999	1998
Income	3,035	2,349	1,184	1,040
Costs	-1,911	-1,366	-1,300	-1,217
Lending losses	-1			
Operating result	1,123	983	-116	-177
Pension provision	88	36		
Change in surplus values			1,502	752
Total result	1,211	1,019	1,386	575
Allocated capital	3,750	3,750	3,250	3,250
Return, %	23.3	19.6	30.7	12.7

Other companies and units

SEK M	Enskilda Securities		Baltic states		Baltic states ²⁾	
	1999	1998	1999	1998	1999	1998
Income	2,279	1,337	387		1,484	
Costs	-1,694	-1,091	-284		-1,007	
Lending losses	7	-29	-52		-132	
Net result from associated companies			119			
Majority					-175	
Operating result	592	217	170		170	
Pension provision						
Change in surplus values						
Total result	592	217	170		170	
Allocated capital	650	650	980			
Return, %	65.6	24.0	12.5			

SEK M	Other ³⁾		The SEB Group	
	1999	1998	1999	1998
Income	-88	12	19,758	17,528
Costs	-1,285	-1,221	-15,098	-12,973
Lending losses	136	10	289	-2,251
Net result from associated companies	-3		116	
Non-life operations	57	2,497	57	2,497
Operating result	-1,183	1,298	5,122	4,801
Pension provision	292	146	873	531
Change in surplus values			1,502	752
Total result	-891	1,444	7,497	6,084

1) SEB Kort will become a new business area in 2000 and is therefore excluded.

2) Pro forma, all three banks fully consolidated

3) Refers to income/costs that cannot be attributed to individual business areas. Return on capital that cannot be attributed to individual business areas, depreciation of goodwill in connection with the purchase of Trygg-Hansa and central costs, are included as well.

Key figures for the SEB Group

	1999	1998
Return on equity, %	14.6	14.8
Return incl. change in surplus values, %	17.2	16.1
Earnings per share, SEK	7.77	7.35
Total result after tax per share, SEK	9.60	8.25
Income/cost ratio, before lending losses	1.31	1.35
Income/cost ratio, after lending losses	1.34	1.15
Lending loss level, %	-0.09	0.65
Provision ratio for doubtful claims, %	59.6	52.0
Level of doubtful claims, %	0.82	1.08
Total capital ratio, %	14.61	10.85
Core capital ratio, %	10.79	8.12

Cash flow analysis

SEK M	1999	1998	Change per cent
Cash flow, current operations	4,711	10,298	-54
Changes in assets, current operations	-35,495	-38,256	-7
Changes in liabilities, current operations	37,385	6,392	0
Cash flow, current operations	6,601	-21,566	-131
Cash flow, investment activities	8,161	-1,294	0
Cash flow, financing activities	-10,326	20,905	-149
Cash flow	4,436	-1,955	
Liquid funds at beginning of year	4,638	6,593	-30
Cash flow	4,436	-1,955	0
Liquid fund at end of year	9,074	4,638	96

Balance sheet of the SEB Group (abbreviated)

SEK M	31 December 1999	31 December 1998	Change per cent
Lending to credit institutions	103,670	84,710	22
Lending to the general public	342,907	324,433	6
Interest-bearing securities	94,415	110,718	-15
- <i>Financial fixed assets</i>	3,396	14,564	-77
- <i>Financial current assets</i>	91,628	96,154	-5
Shares and participations	67,339	41,040	64
- <i>For account of policyholders</i>	57,852	37,454	54
- <i>Other assets</i>	9,487	3,586	165
Assets in non-life operations	4,870	35,900	-86
Other assets	97,054	92,856	5
Total assets	710,255	689,657	3
Liabilities to credit institutions	117,774	149,659	-21
Deposits and funding from the general public	229,534	187,901	22
Securities issued, etc.	122,143	133,052	-8
Provisions for account of policyholders	58,141	37,378	56
Liabilities in non-life operations	3,085	19,086	-84
Other liabilities and provisions	120,690	108,137	12
Subordinated liabilities	25,882	24,010	8
Shareholders' equity	33,006	30,434	8
Total liabilities and shareholders' equity	710,255	689,657	3

Derivatives contracts

31 December 1999 SEK M	Contracts on the asset side		Contracts on the liabilities side	
	Book value	Market value	Book value	Market value
Interest-related	15,053	15,053	15,429	15,429
Currency-related	26,562	28,368	23,377	26,396
Equity-related	2,401	2,401	3,228	3,228
Other	19	19	16	16
Total	44,035	45,841	42,050	45,069

On 31 December 1999 the notional value of the Group's derivatives contracts amounted to SEK 3,887 billion (SEK 4,412 billion on 31 December 1998).

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.

The SEB Group's performance on a quarterly basis

SEK M	1999:4	1999:3	1999:2	1999:1	1998:4
Income					
<i>Interest receivable</i>	6,675	6,092	6,421	6,967	7,923
<i>Interest payable</i>	-4,899	-4,356	-4,718	-5,269	-6,182
Net interest earnings	1,776	1,736	1,703	1,698	1,741
Dividends received	6	10	192	11	15
<i>Commissions receivable</i>	2,925	2,217	2,320	2,063	2,077
<i>Commissions payable</i>	-363	-277	-317	-251	-412
Net commission income	2,562	1,940	2,003	1,812	1,665
Net result of financial transactions	897	163	359	850	498
Other operating income	216	570	498	756	233
Total income	5,457	4,419	4,755	5,127	4,152
Costs					
Staff costs	-2,580	-1,975	-1,950	-1,914	-1,709
Other administrative expenses	-1,095	-994	-1,022	-981	-1,112
Depreciation and write-downs	-333	-290	-265	-294	-260
Other operating costs	-350	-383	-349	-323	-325
Total costs	-4,358	-3,642	-3,586	-3,512	-3,406
Result before lending losses	1,099	777	1,169	1,615	746
Lending losses, net	35	-37	340	-131	-218
Change in value of assets taken over	49	51	4	7	5
Write-down	-26	-1	-2		-4
Net result from associated companies	116				
Operating result excl. non-life operations	1,273	790	1,511	1,491	529
Operating result, non-life operations	54	248	-397	152	633
Operating result	1,327	1,038	1,114	1,643	1,162
Pension provision	452	141	155	125	196
Taxes	-259	-364	-247	-485	204
Minority interests	-32	-19	-3	-2	1
Total result	1,488	796	1,019	1,281	1,563
Operating result excl. non-life operations as per above					
Change in surplus values in life insurance operations	856	210	168	268	357
Pension provision	452	141	155	125	196
Total result excl. non-life operations	2,581	1,141	1,834	1,884	1,082
Operating result, non-life operations	54	248	-397	152	633
Total result before tax	2,635	1,389	1,437	2,036	1,715
Tax and minority interests	-291	-383	-250	-487	205
Tax on change in surplus values	-240	-59	-47	-75	-100
Total result after tax	2,104	947	1,140	1,474	1,820

Problem loans and assets taken over for the protection of claims

SEK M	31 December 1999	31 December 1998
Doubtful claims	6,988	7,454
Provision for possible lending losses	-4,164	-3,877
Doubtful claims, net	2,824	3,577
Claims subject to interest reduction	352	1,195
Total volume of problem loans	3,176	4,772
Level of doubtful claims (Doubtful claims (net) in relation to lending and leasing (net) at end of period, per cent)	0.82	1.08
Provision ratio for doubtful claims Reserve for possible lending losses in relation to doubtful claims (gross), per cent)	59.6	52.0
Pledges taken over		
Buildings and land	82	160
Shares and participations	544	871
Total volume of pledges taken over	626	1,031

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

The shortfall in income due to interest deferrals was SEK 56 M (SEK 74 M), while unpaid interest on non-performing loans amounted to SEK 227 M (SEK 327 M) – combined an improvement of 29 per cent compared with 1998.

On 31 December 1999, the Group had SEK 249 M (SEK 257 M) in non-performing loans on which interest income was reported. These loans are not included among the problem loans, since the corresponding collateral covers both interest and principal.

Profit and Loss Account, Parent company

SEK M	1999	1998	Change per cent
Income			
<i>Interest receivable</i>	19,791	24,839	-20
<i>Leasing income</i>	254	64	
<i>Interest payable</i>	-15,016	-20,010	-25
Net interest earnings ¹⁾			
Dividends received	4,241	4,828	-12
<i>Commission receivable</i>	5,752	5,909	-3
<i>Commission payable</i>	-987	-1,062	-7
Net commission income ²⁾	4,765	4,847	-2
Net result of financial transactions ³⁾	1,343	1,752	-23
Other operating income	1,541	363	
Total income	16,919	16,683	1
Costs			
Staff costs	-5,875	-5,488	7
Other administrative expenses	-4,384	-3,524	24
Depreciation and write-downs of tangible and intangible fixed assets	-266	-201	32
Other operating costs	-1,487	-1,212	23
Total costs	-12,012	-10,425	15
Result before lending losses	4,907	6,258	-22
Lending losses and provisions, net ⁴⁾	415	-2,109	-120
Change in value of assets taken over	-10	-23	-57
Write-downs of financial fixed assets	-3,057	-3,330	-8
Operating result	2,255	796	183
Pension provision	873	531	64
Other appropriations ^{*)}	-1,863	-1,145	63
Tax on result for the year ^{*)}	-68	819	-108
Result for the year	1,197	1,001	20

*) Group contributions reported directly against equity

1) Net interest

	1999	1998	Change per cent
Interest receivable	19,791	24,839	-20
Leasing income	254	64	
Interest payable	-15,016	-20,010	-25
Leasing depreciation	-94	-51	84
Total	4,935	4,842	2

2) Net commission income

	1999	1998	Change per cent
Payment commissions	1,332	1,163	15
Securities commissions	2,695	2,545	6
Other commissions	738	1,139	-35
Total	4,765	4,847	-2

3) Net result of financial transactions

	1999	1998	Change per cent
Shares/participations	4	201	-98
Interest-bearing securities	-256	114	
Other financial instruments	1,009	573	76
Realised result	757	888	-15
Shares/participations	-23	-36	-36
Interest-bearing securities	105	-183	-157
Other financial instruments	-539	188	
Unrealised value changes	-457	-31	
Exchange rate fluctuations	1,043	895	17
Redemption of bonds			
Total	1,343	1 752	-23

4) Lending losses and provisions, net

	1999	1998	Change per cent
A. Individually appraised receivables:			
Reported write-down, incurred losses	-289	-767	-62
Reversal of previous provisions for possible losses reported as incurred losses in current period's accounts	257	435	-41
Reported provision for possible losses	-577	-694	-17
Recovered from losses incurred in previous years	116	141	-18
Reversal of previous provisions for possible losses	394	198	99
Reported net cost for individually appraised receivables	-99	-687	-86
B Receivables appraised by category:			
Reported write-down, incurred losses	-52	-47	11
Reported provision for possible losses	-12	-20	-40
Recovered from losses incurred in previous years	26	35	-26
Withdrawal from provision for lending losses	14	23	-39
Reported net cost for receivables appraised by category	-24	-9	167
C. Allocation to/withdrawal from reserve for political risks abroad	440	-1,423	-131,
D. Contingent liabilities	98	10	
Total	415	-2,109	-120