



**Answers on outstanding questions from  
SEB:s Capital Markets Day  
November 23, 2000**

**The presentation referred to in the following answers as well as additional answers  
given at the Capital Markets Day you find under [www.seb.net](http://www.seb.net)**

**OVERALL****1. Is SEB trying to make a conversion from commercial bank to investment bank similar to what Deutsche Bank has done?**

*"The transformation SEB is doing is from a Nordic, universal and product-oriented bank to a European, e-centric bank with investment products targeting affluent customers and international and/or growth companies and financial institutions."*

**2. Do you intend to keep the Merchant Bank?**

*"Yes, SEB has a strong corporate franchise which we will continue to develop".*

**3. What is your brand strategy to be a European player?**

*"SEB believes strongly on a one-brand strategy. Therefore we intend to re-brand German BfG to SEB during the first quarter of 2001. Prior to this a brokerage service has already been launched in Germany [www.sebdirect.de](http://www.sebdirect.de)*

**4. Commission revenue is high. How will the stock market fall affect you?**

*"SEB has a strong base of stable earnings but a falling stock market will of course have an effect on us as well as other players in the market. One thing to hold in mind is that for the secondary market activity and high turn-over rather than the levels per se is the most important for revenues".*

**5. Why keep the DAB stake?**

*"We have agreed to a lock-in period as part of the deal".*

**Corporate & Institutional Banking**

- 1. Concerning the corporate market strategy, will you reduce your lending volumes to big-caps in order to improve capital efficiency?**

*"Yes!"*

- 2. What do you see as your competitive edge when going pan-European and competing with the large international Investment Banks outside your home markets?**

*"Our strong Nordic knowledge/base/profile and selectively strong product/industry knowledge/strength"*

- 3. Is your association with certain group of companies an asset or liability as you go more global?**

*"An asset".*

- 4. How can you compete in Investment Banking if you don't use your balance sheet?**

*"Of course Merchant Banking will use the balance sheet, but it is a question of transferring capital from more mature areas to areas with more added value as Investment Banking activities".*

- 5. What industries will you focus on and what industries will you not focus on?**

*"Focus will be on Nordic customers, Financial Institutions, Growth companies, Technology industries and other selective industries where Merchant Banking has a competitive advantage through strong industry knowledge".*

- 6. What is your sub investment TMT exposure?**

*"The TMT segment is still an attractive segment and this year's slow down will not change our strategy i.e. to take a more active part going forward. Our total exposure to telecommunication (includes both manufactures and operations) is SEK 15bn (1.5 % of total credit exposure)".*

- 7. How large is your exposure to US companies in terms of lending?**

*"Very limited".*

**8. How large are US dollar exposure with spread of over 250bps?**

*"Minimal and fully provided for".*

**9. What is an acceptable return on capital for Investment banking products?**

*"More than 20 per cent".*

**10. Trading revenues/average daily VAR is not as good as at Handelsbanken, why?**

*"We do not use the same accounting principles".*

**11. Which specific projects generated the strong commission income reported in Merchant Banking in Q3?**

*"Two project with Debt Capital Markets projects one Acquisition Finance and the IPO of Pyrosequencing (Företagsinvest).*

**12. How will the widening bond-spreads and falling debt issuance volumes effect your debt capital markets related commission income?**

*"Despite the widening bond-spreads, the business climate and the deal flow have been high with no major impact on one revenues so far."*

**13. What is the most important driver behind the strong interest & currency related earnings in the net result of financial transactions so far during 2000?**

*"Client driven income focus, increased focus on Financial Institutions and stronger business in the other Nordic countries".*

**14. How vulnerable is trading station to recent launches of on-line FX & fixed interest etc. dealing plat-forms?**

*"Time to market has, and will be, a very important factor in the competition on providing Internet solutions to customers. Merchant Banking has today a very strong franchise and trading station continuous new product development that will empower it's competitiveness further and tie our existing client base closer and also enable Merchant Banking to reach a broader customer base."*

**Driving the B2B development**

### **1. Won't B2B be just another B2C failure?**

*"No, the reason is that this time it is not dot.coms that are at the driver's seat, but "traditional" companies. In the Nordic region we see that it is - in particular - large companies which are driving the change and plan to move their volumes on-line. These companies have recognised the large potential of B2B in terms of e-procurement as well as cost efficient distribution channels. Too much money is at stake for these companies not to engage in B2B.*

*Although we believe that many of the B2B forecasts that are done by various parties may be inflated and that it might take longer time for B2B to take off than expected. Our conclusion is that B2B will have a **very** significant impact on both our customers as well as ourselves during the next five years.*

*For banks, year 2000 has been a very important year to position themselves strategically for the B2B environment. It has been a year of "land grabbing". Even though B2B will take some years to take off, the strategic alliance that will form and capitalise on the B2B development have been formed during this year".*

### **2. Are you going in to B2B in order to generate revenues from it, or to be able to be a stronger player in your traditional brick bank?**

*"We are going to B2B for the following key reasons:*

*Revenue side:*

- *Defensive: To protect our current revenue streams in the future as they move on-line.*
- *Aggressive: To generate financial income from new customers as a result of our first mover advantage in the Nordic region. Additionally, to generate new income as we diversify into new non-financial areas such as buying aggregation services for our SME e-banking customers, income generated by various applications related to digital signatures etc.*

*Cost side:*

- *Cost efficient distribution channel. A new way to reach new customers in a cost efficient way.*
- *To lower our own procurement costs (please see answer to question no 3 below).*

### **3. How much can you save from e-procurement?**

*"Our pre-studies have shown that we have no reason to question the expected savings as indicated by various external benchmarks. These benchmarks use to indicate savings from a full e-procurement rollout in the following ranges:*

- *10-25 % lower pricing (due to e.g. consolidation of the number of suppliers)*
- *50-90 % lower procurement process costs (due to e.g. increased contract compliance and the fact that the procurement process will be a paperless process that eliminates a lot of manual steps which enables us to reallocate resources to more productive use).*

*It is important to note that **early movers** in term of e-procurement will be able to retain most of the savings in their companies. In a couple of years, when most companies, for competitive reasons, will be forced to introduce e-procurement, the major part of the savings will have to be passed through to the end-customers. SEB will be one of the first Nordic corporations to implement a full roll-out of e-procurement and, thus, be able to retain most of the savings in the bank."*

#### **4. How much of SEB's procurement is suitable for the IBX platform?**

*"Over time the IBX platform will add travel and consultant procurement. When this is implemented we expect that approx. 25 % of all our MRO (i.e. general administrative expenses and other operating costs) will be suitable for IBX (staff costs and costs for premises excluded as well)."*

#### **5. B2B defensive but is it cannibalising?**

*"As responded to question no. 2 our B2B strategy has both an aggressive part and a defensive part on the revenue side. In terms of the defensive part it is correct that B2B can be considered to "cannibalise" on existing distribution channels to some extent, since we expect that companies will move their business on-line to a considerable extent over the next 5 years (the volumes will not increase themselves, they will just be moved from the off-line world to the on-line world).*

*Banks that do not grasp this change but stick to the old way of doing business will have difficulties to serve their customers in the future. This is true for all industry players; some will be winners, some will be losers but all companies will be affected by B2B.*

**Enskilda Securities**

- 1. Enskilda Securities, you are loosing market share in lead M&A, primary positions to globals. Are you too small?**

*"Enskilda Securities will never be a leading global investment bank. Being the leading Nordic player and having certain niche edge capabilities on an European basis is a significant and very interesting position. Sometimes we can compete successfully with the global investment banks and sometimes we can be a complement to them."*

- 2. Can you reach 1 million revenue per head like global tier 1 players?**

*"We have made substantial improvements the last two years. We do not have an overall target for revenue per head. We still see further improvements as possible."*

- 3. Will Enskilda seek further partners (like Orkla) outside the Nordic area?**

*"No plans."*

- 4. How much of the combined Orkla/Enskilda market share has been lost in the Norwegian equity market?**

*"The combined market share in Norway has **increased** following the merger."*

- 5. How large is the exposure to Venture capital?**

*"Very small."*

- 6. How many teclo/TMT bankers do you have?**

*"40-60 depending on your definition."*

- 7. Commission revenue is high. How will the stock market fall affect you?**

*"Secondary commission remains on the high side due to high volatility and turnover."*

## Personal Banking and Asset management

### 1. In what way do you differentiate affluent customers from private and ordinary customers?

**What is the level of investible assets you classify as "affluent"? What is your current market share of affluent clients and your goal?**

**Is customer acquisition more difficult than expected given that growth in investible assets is mostly driven by capital appreciation and not new monies?**

**Is SEB large enough in Swedish retail to remain competitive?**

*"There's no clear-cut line, but we normally regard customers SEK 250,000 in investible assets as "mass affluent". In our overall segmentation of the private market - the four squares - in the presentation - with "economic capacity" on one axis and "interest in financial matters" on the other, the dividing line is at SEK 100,000. The level of investible assets for private banking customers is SEK 1,000,000. We plan to grow in the affluent segments, both by increasing share of wallet with existing customers and by attracting new customers.*

*Among the "plus SEK 100,000"-customers, our market shares are 14 % among the financially interested (the Cosmo Ones), and 9 % among the less financially interested. Our aim is to be the market leader among affluent customers".*

### 2. Do you have plans for further branch closures?

**Why is SEB's C/I-ratio in the retail Network so much higher than its competitors?**

**What is the main driver behind the staff cutbacks in Sweden and will this development continue?**

*"The restructuring of our Swedish retail business has meant both reduction of staff at the branches and in operations. In the first case, new technology, new channels and new customer behaviour has been the drivers - with the most rapid increase in e-banking but also the usage of telephone services and ATM's has increased. Thereby reducing the branches roles in "transactions".*

*New technology has also been a driver of change in the operations area. Automated processes, centralised BackOffice-functions are two examples of rationalisations. Increasing competence and cost pressure has also lead us to focus our processes - in a number of cases resulting in centralisation's, concentrations or outsourcing.*



*All these mentioned developments and trends will continue - although maybe not as dramatically as over the last years. There at the moment no decisions on further branch closures, but we will of course continue to refocus our resources to areas where our customers are localised. That also means that we'll open new branches - not traditional ones, but rather specialised on different customers and products; Growth centres is one example, the planned Investment Centres is another".*

**3. Major improvements in front- and back-office system - costs and cost cut? How Many clients have you lost as an effect of the branch closure?**

*"Very few, actually. The figures vary between the branches, depending on the local market situation and the distance to the "next" SEB-branch - from a 40 % loss to 5 %! More important though, is that the loss of customers in our prioritised segments has been negligible!"*

**4. Why do you think SEB score below some of its competitors in client satisfaction surveys?**

*"In general, and more "broad" surveys, the target group is **all** customers. Some restructuring measure has not been appreciated by all customers. But for affluent customers - our priority - own surveys show a positive trend - but there is still a lot more to do."*

**5. How many new customers have you acquired (i.e. from other banks) through your internet offering?**

*"Only a small number so far. Up till now, e-banking has been more a way of increasing the share of wallet with the existing 2 million (!) customers in the SEB Group in Sweden."*

**6. Will WAP bank ever be a large channel, how many WAP bank customer's do you have today, targets?**

*"Enskilda Bankens "pilot" offering of mobile internet-services has 300 customers - among whom the business activity has increased with 50 %! For SEB's new mobile internet-offering, we aim for 10,000 customers the first year."*

**7. You say you are gaining market share in private banking. Judging by the mutual fund flows, is it correct that you are losing in other retail banking?**

*"The changes in overall market shares are still very small, but our focused area is private- and affluent banking clients, and that's where we'll grow."*

**8. Is the soft launch in the UK because you are worried that the platform cannot cope with large volumes, if not why?**

*"No, but we aim for a controlled growth, both to insure customer quality - especially important for a new player on a market - and to keep the costs under control."*

**9. Will you have any alliance partners in UK or how will you achieve distribution power?**

*"Our growth strategy priorities organic growth but includes both alliances and minor acquisitions."*

**10. Do you have any forecasts of overall customer growth by the year-end? How many e-banking customers do you expect to have by full year 2000 in the SEB group?**

*"Our total e-banking clients is, as you can see in the presentation, roughly 700,000 and without giving any forecasts, we can say that the inflow of e-banking customers has been very stable, 10,000-15,000 per month during this autumn."*

**11. What's your competitive edge that will enable you to reach the affluent customer Group?**

**Is the European affluent segment not being chased by every possible big player with any international ambitions. What can you offer that they cannot?**

**Won't lots of these e-banking services become commodities, allowing e-customers to essentially assemble their own "bank" or financial space from various components on the net?**

**E-banking disloyalty is only a few clicks away... How do you intend to differentiate SEB's e-banking whilst keeping customers loyal and happy?**

*"We strongly believe that our first-mover advantage in the e-banking area and our competence in the savings/asset management areas gives us both speed and lead at the moment..."*

- *Sweden's banking market being considering world-leading in e-banking, and SEB being leaders in that market, we've considerable experience to build on*
- *Our Pan-European e-banking platform is considered both customer friendly and easy to use, as well as providing us with advantages of scales in the operations area as well as in launching in new countries*
- *We offer the rather unique combination of e-banking and e-brokerage"*

**12. Your competitors have stated that internet can be used to achieve 5 % annual productivity gains. Do you see the same potential?**

*"Yes, and in some areas even more!"*

**13. How much are e-customers prepared to pay in fees to reach the services in "level 5, 6 and 7 from your presentation?"**

**You reduce staff and transform the customers to e-customers. That saves you money and do you actually mean that SEB is turning into a gas-station with level 5 and up being the food etc... Comment?**

*"Yes, the restructuring has reduced our costs. Without going further into the gas-station analogy, yes - we believe that it is with the offerings of financial and e-commerce transactions as well as with holistic welfare-creation solutions, that we'll be able to add value to our customers as well as increase our revenues".*

**14. Of those 500,000 e-customers in Sweden, how many have (e-) accounts with other Banks?**

*"Very few".*

**15. When e-banking is provided as part of multi-channel, how would you know the Profitability of e-banking?**

*"SEB has reached a stage where e-banking is no longer an isolated business area, but an integrated part of our customer relations and offerings. Channel-profitability is still important, but even more important is the profitability on the customer and product levels".*

## Focus on Germany

### Questions concerning the Internet broker SEBdirect:

The recently launched Internet broker SEBdirect ([www.sebdirect.de](http://www.sebdirect.de)) differentiates itself from other competitors in Germany by offering professional but easy tools with a comprehensive Internet appearance. Handling of brokerage is easy at very transparent costs. Our aim is to offer an entertaining and personal way of e-Brokerage. Customer have the possibility to create their own spaces (web-sites) in consideration of their personal interests.

Information as well as financial data are supplied by different, professional 3rd party suppliers (IBES, b.i.s., etc.)

SEBdirect offers all white funds (about 4000) listed in Germany.

For 1500 of them, we are allowed to reduce the "Ausgabeaufschlag" by max. 50%.

SEBdirect is not price oriented but customer oriented.

SEBdirect signed an exclusive co-operation with Wallstreet-Online. No other e-broker so far has an agreement with Wallstreet-Online ([www.wallstreet-online.de](http://www.wallstreet-online.de))

### Question concerning BfG's exposure in the stock exchange section „Neuer Markt“

BfG has positions in stocks from the „Neuer Markt“, primarily in those stocks that are covered from the local research team. The positions are generally very small and are partly hedged by future contracts.

Positions and trading in stocks at the „Neuer Markt“ during the last three months generated a small positive result.

The exposure to companies listed at the „Neuer Markt“ is minimal and limited to telecommunication.

### Questions concerning the re-branding of BfG

The objective is to create one European brand in order to generate one touch-and feel and to benefit from cross- border marketing synergies.

Expected total costs of re-branding BfG to SEB are MEURO 100 over a 3-year period. 30% of this sum is generated from the ongoing marketing budget whereas MEUR 70 are provided from the resources for the restructuring (see presentation slide “Budgeting”. Customer acquisition costs per client are expected to be very limited as the experience with the BfG plus account showed (today a total of 370,000 accounts of which 220,000 new customers).

We do not expect to loose clients in consequence of the re-branding. A broad research has been carried out that showed the attractive positioning of BfG for its clients.

To generate new clients we will **not** compete through **low prices** but through quality and high performance at fair prices.

**Questions concerning the affluent market**

Developments on the German market show that foreign companies lacking an established marketing system and customers in Germany have great difficulty in penetrating the German market. This is seen, for instance, in the still small market share held by foreign investment fund and life assurance companies. This is also one of the main reasons why SEB acquired BfG instead of developing its own marketing network.

Concerning income and financial interest, BfG customers are above German average.

The analysis of the Cosmo Ones in Germany is based on the same criteria's as the market researches for the Cosmo Ones in Sweden. Using a broader definition, 15,5 mill. people in Germany are considered to be Cosmo Ones.

**Questions concerning BfG's sales force, pricing and product policy**

Before being taken over as a whole by SEB, BfG had been part of a major German insurance group (which initially held a majority interest that was later reduced to 25%) and has since gained substantial experience in marketing insurance products. In connection with the pension reform, we will continue expanding our vocational and job training as well as marketing measures. Retraining costs could possibly be offset against the negative goodwill.

There will be no differences in pricing third party products in relation to in-house products.

For the pension reform which will come into effect in 2002, we are currently developing together with our co-operation partners (e.g. SEB Trygg Liv for fund-tied life and pension insurance and with the Gerling Group for traditional products) the pertinent products and will introduce them to the market in 2001.

We will in future be offering our customers SEB Trygg Liv's fund-tied products in addition to selected products of other insurance companies. Arrangements governing exclusive co-operation between banks and insurance companies are a common feature in the German market.

**Question concerning sales of SEB funds in Germany and vice versa**

Sale of the BfG-fund „Neuer Markt“ in Sweden is, so far, 21 MEUR. Sale of SEB funds in Germany is 140 MEUR.

**Question concerning AuM**

BfG has actually BEUR 13,4 AuM and is aiming for BEUR 40 in 2004. CAGR 19% of which 11% net new inflow. Experiences from last five years have been CAGR of 26%.

75% of the AuM are related to funds, whereas portfolio management generates the rest.

**Question concerning risk and exposure of BfG Bank AG lending portfolio**

The risk and exposure in the BfG lending portfolio is spread across the whole range of business and industrial areas. The bulk of the exposure is in well acceptable risk classes.

The distribution of lending to corporate clients, BEUR 2.5 over different industries is as follows:

Construction	9.1 %
Financial Institutions	15.0 %
Manufacturing	30.1 %
Service	7.6 %
Trade	14.2 %
Others	11.9 %

Lending to real estate investors is BEUR 4.1, of which 63% in domestic west, 12% domestic east and 25% foreign.

### **Question concerning the sale and closure of business.**

Staff reduction from sale of subsidiaries and closures is slightly above 200 FTE's, which is approximately 25% of the total reduction (see presentation slide "Staff reduction subsidiaries and London"). The RWA reduction from sales/closures is about 10 % of the total planned reduction.

### **Exporting the banc assurance model to Germany**

#### **1. Does the PPM in Sweden process say anything about the importance of branch offices when marketing?**

*"No, it does not seem to have had much implication in this case. SPP and AMF for example have no branch offices."*

#### **2. Please, comment on unit-linked sales in Sweden.**

*""The unit-linked sales are ever-increasing. Our total sales have increased 40 % of which 90 % is unit-linked. Unit-linked is, and will continue to be, our main focus."*

#### **3. What success have you had in the corporate pension market against the dominant incumbents?**

*"Our market share in the corporate business market is around 15 %. Our success is in the individual corporate pension market where our market share is 30 %. Group corporate pension is a non-prioritized business (3 %)."*

- 4. If you fared badly in the Swedish PPM choice compared to the insurance companies, why should you fare better in the German pension reform?**

*"The PPM market is a new type of market where the customer can make a sort of multi choice. The German pension reform will lead to a more traditional way of buying and selling (personal advice), where we think the banc assurance concept will be successful".*

- 5. Do you have the right staff to sell insurance products in Germany - will you hire new sales as well as retraining and do you have enough time prior to pension reform?**

*"In Germany: We will both hire new sales staff as well as expanding on vocational and job training - and yes, we have enough time prior to the pension reform in 2002".*

- 6. How will the third party products in Sweden be priced in relation to in-house products?**

*"In-house products have no entrance fee, third party products may have 2-3 per cent entrance fee annually. Management fee in both categories is about the same, on average 1,4-1,5 per cent."*

**We thank you for taking part in SEB's Capital Markets Day and the questions still not answered will be dealt with when we publish our full year result on February 20, 2001.**

***Merry Christmas and a Happy New Year!***

*from*

*Lotta Treschow and Laurence Westerlund*