



Stockholm, 13 February 2003

## PRESS RELEASE

### Annual Accounts 2002

#### Stronger result, despite weaker markets

- **Operating result\* SEK 7,412 M, an increase of 6 per cent on a comparable basis**
- **Income decrease of 4 per cent on a comparable basis**
- **Total costs down by 9 per cent on a comparable basis - cost target reached**
- **Credit losses remained at low level**
- **Increased customer satisfaction and strengthened market positions**
- **Return on equity: 12.0 per cent (11.9)**
- **Earnings per share: SEK 7.60 (7.17)**
- **Proposed dividend: SEK 4.00 (4.00)**

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\* Includes pension compensation of SEK 948 M (1,002). Statutory operating profit (excluding pension compensation) amounted to SEK 6,464 M (6,151).

#### President's Statement

SEB's profit for 2002 was better than in 2001 as a result of our current change programme. The world economy weakened and for the third consecutive year the value of stock exchanges worldwide declined. Stockholm fell by 37 per cent for the full year (compared with a decline of 16 per cent in 2001). It has been a difficult year for many of our customers.

In recent years, SEB has undergone a strategic transformation and a strong expansion, particularly internationally. During the past year, we have focused our efforts on an internal change programme, with the aim of realising our potential and creating a sustainable profitability level. This programme, launched in the autumn of 2001, has more than offset the impact of the weak economic trend in the world. It is gratifying to see all the achievements made by all divisions, business areas, companies and staff units throughout the Group. The programme is called "3C", which stands for Customer satisfaction, Cross-servicing and Cost-efficiency.

*Customer satisfaction* has been strong among Nordic corporations and customers in Germany, while the rating from retail customers in Sweden needed to be improved. Following our increased focus on the branch offices, the degree of satisfaction among our Swedish retail customers increased according to an external survey made last autumn. That is a good basis for our continued efforts.

*Cross-servicing* stands for increased co-operation and cross selling within the Group. This is possibly the most important instrument over the long term to improve customer satisfaction, increase revenues and reduce costs. Therefore a process, under the heading of "**one SEB**", was initiated during 2002 in order to strengthen the internal co-operation. We have chosen to focus on four common core values: commitment, continuity, mutual respect and professionalism.

Our *Cost-efficiency* programme started during the autumn 2001 and aimed at reducing cost levels from SEK 22.5 billion on an annual basis to SEK 20 billion in the first quarter of 2003 (including Trygg Liv and

excluding restructuring costs). That level has already been reached – a quarter earlier than planned. In total, the Group's number of employees declined by approximately 1,600, or 8 per cent, in 18 months.

It is clear that our 3 C programme has yielded results all through the Group. It is also rewarding to see how all business areas have strengthened their market positions!

*Nordic Retail & Private Banking* succeeded in reducing costs that more than offset declining revenues. The improved efficiency increased return on capital to almost 26 per cent.

Within the *Corporate & Institutions* division, Merchant Banking posted a result of more than SEK 4 billion, which was in line with the preceding year and a very strong performance. It is especially gratifying to see the stability in the Merchant banking earnings. Naturally, the decline in earnings was substantial for Enskilda Securities, but it was nevertheless positive to yield a result of nearly SEK 200 M during such a year.

*SEB Germany* suffered from the weak business climate. Increased sales and cost savings could not entirely offset the impact of the difficult market conditions. Our strategy is to work with a long-term focus to strengthen our position in the German market. *SEB Asset Management* has succeeded well in cost-efficiency terms, improving its cost/income ratio in spite of falling income. The *SEB Baltic & Poland* division showed very strong growth in volumes and income resulting in an earnings increase by 30 per cent.

*SEB Trygg Liv* was hit by the value decline on the stock markets. During the year, the Group supported Nya Livförsäkringsaktiebolaget SEB Trygg Liv with capital infusions totalling SEK 530 M in order to support the operation and its continued growth.

The level of credit losses remained low. The increase in 2002 was mainly due to the fact that reversals were higher than normal in 2001. Today, we cannot see any significant deterioration of our credit portfolios. However, the continued weak economic outlook makes us humble and demands high attention to the credit area.

In 2002, we managed to increase the result despite a weak economic climate. It is natural that uncertainty is great at the beginning of the year. This year is even more difficult than ever. At the time of writing, we do not know whether there will be war in Iraq or how it would affect oil prices, currencies, share prices and interest rates. We also face a referendum in Sweden during 2003 on the EMU. Preparations are already under way within SEB - in the event that the voting results in a yes - so that we can handle a transition to the euro in January 2006. In addition, there are referendums on the EU in the Baltic States and Poland.

Our business climate scenario for 2003 is fairly pessimistic and we are not counting on any boost from an improved economy. Even though our cost reduction target set in 2001 has been reached, we will continue to improve cost efficiency within our operations. We now know that we can do it, and it is important to capitalise on that experience. Our goal for cost efficiency is a cost/income ratio of 0.60 long-term and 0.65 in 2004 under condition that the market situation shows some improvement.

SEB's vision is to be a leading North-European bank, based on long-term customer relations, competence and e-technology. Our business concept is to create more value for our customers in a changing world. We will continue to work hard to further improve relations with our customers and to deliver financial and advisory services of the highest quality. With our competent staff, effective and united organisation and strong capital base, it is our conviction that this will also create a good profitability and, as a result, more value for our shareholders.

Finally, I want to take the opportunity, also here, to thank all employees as well as customers for their strong commitment to our bank!

## ***Fourth quarter isolated***

### **Improved result**

The operating result for the fourth quarter amounted to SEK 1,875 M, an increase of 30 per cent compared to the corresponding period in 2001 and 21 per cent compared to the third quarter in 2002. The main reason for the improvement compared to last year was that cost reductions more than compensated for the decrease in income.

Total income amounted to SEK 6,929 M, an increase compared to the previous quarter.

Total costs, SEK 4,691 M, were 17 per cent lower than in the fourth quarter last year. Compared to the third quarter, costs were only 1 per cent higher due to the fact that continued cost reduction efforts offset normal seasonal effects. Staff costs and particularly other operating costs have been reduced.

Net credit losses remained at a low level, SEK 278 M. Compared to the fourth quarter of 2001 reversals were lower.

## ***The full year of 2002***

### **Operating result up 6 per cent**

*Operating result* amounted to SEK 7,412 M (7,153). Adjusted for one-off items and currency translation differences, affecting comparability, operating result increased by 6 per cent, mainly due to reduced costs.

Net profit (after tax) increased by 5 per cent to SEK 5,318 M (5,051).

### **Income – Net interest up, commissions down**

Total income during 2002 amounted to SEK 27,378 M (29,199). On a comparable basis income decreased by 4 per cent, mainly due to the negative impact of falling equity markets on net commission income and net financial transactions.

*Net interest income* amounted to SEK 13,719 M (13,011), an increase of 6 per cent on a comparable basis. The improvement was mainly due to increased lending (especially mortgages) and deposit volumes as well as lower funding costs.

*Net commission income* decreased by 11 per cent to SEK 9,975 M (11,186), mainly due to the continuously gloomy stock markets.

*Net result of financial transactions* amounted to SEK 2,409 M (2,987). The comparison with 2001 was affected particularly by the strong result in the first quarter of that year.

*Other income* amounted to SEK 1,275 M (2,015). Capital gains, this year consisting of a number of minor transactions, totalled SEK 440 M (1,024). 2001 included capital gains of SEK 512 M from the sale of shares in OM and SEK 248 M from the sale of shares in Deutsche Börse. Adjusted for these and other items affecting comparability, other income was down by 15 per cent.

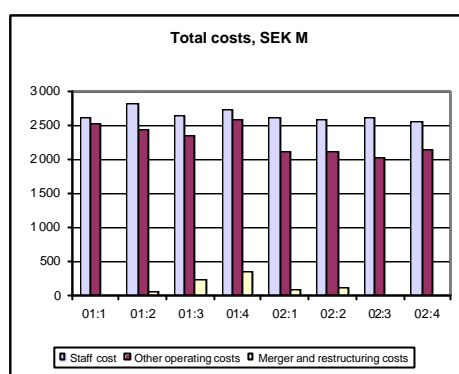
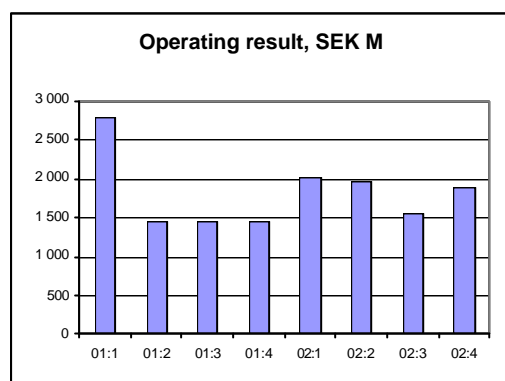
### **Costs down by 9 per cent – ahead of plan**

Total costs during 2002 decreased by SEK 2,425 M, or 9 per cent on a comparable basis, to SEK 18,949 M (21,374). Total costs including SEB Trygg Liv amounted to SEK 19.9 billion, excluding restructuring costs. The SEK 20 billion cost target for the first quarter of 2003 has thus been met earlier than planned.

*Staff costs*, gross, decreased by 4 per cent to SEK 11,297 M (11,796). Lower performance-related compensation accounted for approximately SEK 280 M of the decrease. Staff costs, gross, do not comprise compensation for pension costs of SEK 948 M (1,002). Staff costs, net, were reduced by 4 per cent to SEK 10,349 M (10,794).

The average number of full time equivalents was 19,003 (19,618) during 2002. The number of full time equivalents in December 2002 was 18,385, a reduction by approximately 1,600 since June 2001, which was the base for SEB's cost reduction programme.

*Other operating costs* decreased by 16 per cent to SEK 6,923 M (8,282). External costs for IT amounted to SEK 1,784 M (2,117). Total IT-costs (defined as a calculated cost for all IT-related activities including costs for own personnel) were reduced to SEK 3.5 billion (4.4).



### Moderate increase of credit losses

The Group's *net credit losses*, including changes in the value of assets taken over, amounted to SEK 828 M (547) of which SEK 529 M (478) was related to SEB Germany. The credit loss level for the Group was 0.13 per cent (0.09).

### Insurance operations

In accordance with one-line accounting, the result of the SEB Group's total insurance operations – non-life and life including goodwill amortisation of SEK 147 M (147) – amounted to SEK -56 M (-36).

SEB Trygg Liv's operating result, a profit of SEK 40 M (loss: 79), is included in the Group's result. The division's result from on-going business including surplus values (but excluding financial effects of short-term market fluctuations) was SEK 1,343 M (1,162). Results including surplus value changes are not consolidated with the SEB Group's result.

In order to provide a complete overview of the Group's operations, SEB Trygg Liv is reported separately – including changes in surplus values – in "Additional information" on [www.seb.net](http://www.seb.net).

As previously announced, the capital base of Nya Livförsäkringsaktiebolaget SEB Trygg Liv was in total expanded by SEK 530 M on two occasions during the year in order to support the operation and its continued growth: SEK 330 M in the second quarter and SEK 200 M in the fourth quarter.

The operating result for non-life insurance, mainly run-off, was SEK 68 M (257). In the first quarter of 2001, capital gains of SEK 126 M from bond portfolio sales were included.

### Taxes

The Group's operating result before tax was SEK 7,412 M (7,153). Total tax was SEK 2,057 M (2,058). Of this, SEK 1,133 M (1,161) represented taxes paid, SEK 842 M (829) deferred tax and SEK 82 M (68) taxes for previous years. Total tax rate was 27.8 per cent (28.8).

### Excess value in pension funds

On 31 December 2002, total assets in SEB's pension funds amounted to SEK 12.9 billion, while commitments were SEK 10.3 billion. Accordingly the excess value amounted to SEK 2.6 billion.

### Assets under management

On 31 December 2002, the SEB Group's assets under management totalled SEK 742 billion (871). Net inflow during the period was SEK 18 billion and the change in value SEK - 147 billion. Assets of SEK 487 billion (567) were managed by SEB Asset Management, SEK 108 billion (111) in Germany and SEK 189 M (258) within Private Banking, including mutual funds managed by SEB Asset Management and slightly over SEK 2 billion by SEB Baltic & Poland.

## Credit Portfolio

Total credit exposure, including contingent liabilities and derivatives contracts, amounted to SEK 1,000 billion (955), of which loans and leasing, excluding repos, accounted for SEK 731 billion (718).

There has been a shift in the composition of the credit portfolio towards lower-risk segments during the year. Exposure on the German public administration sector has increased by approximately SEK 20 billion since year-end 2001, representing the largest volume increase in the credit portfolio. Swedish household mortgage lending showed a continued growth. The largest volume reduction was related to the German corporate sector, which declined by SEK 9 billion since year-end 2001. The three Baltic subsidiary banks' credit exposure continued to grow and totalled SEK 36 billion (30) at the year-end 2002.

The geographical distribution of the credit portfolio remained stable with credit volumes concentrated on our home markets, the Nordic area (44 per cent), Germany (33 per cent) and the Baltic countries (4 per cent). Large part of the credit exposure located outside these core markets is mainly related to subsidiaries to our clients in the home markets, as well as international banks. Exposure on emerging markets was stable at SEK 9.8 billion (9.7) net after deduction for provision for possible credit losses.

Exposure on the telecom industry (operators and manufacturing companies) was approximately SEK 13 billion (15), corresponding to 1.3 per cent (1.5) of the total credit portfolio.

SEB has for several years had a conservative provisioning practise and made specific provisions at a relatively early stage. During 2002 the Financial Supervisory Authority (FSA) has altered the rules regarding valuation of loans including the introduction of collective reserves. As a consequence of the new FSA rules, SEB has reclassified approximately 20 per cent of the Group's reserves to collective reserves\*. The introduction of the new rules has no effect on SEB's total credit loss reserves.

Specific provisions are made for loans that are more than 60 days past due or for loans where SEB has determined that the counterparty is unlikely to fulfil its contractual payments. Provisioning is made on the difference between the outstanding amount and the estimated recovery value of the loan, for example the market value of the collateral. The entire outstanding amount is reported as a doubtful loan, including the portion covered by collateral.

Collective provisions are related to the part of the credit portfolio that is below SEB's normal credit quality standards but are not specifically provided for. The loan portfolio for which collective provisions are made are not included among doubtful loans.

The definition of doubtful loans has also been adapted to the new rules.\* On 31 December, *doubtful loans*, gross, amounted to SEK 11,002 M (12,646 pro forma), of which SEK 8,862 M (9,976) were non-performing loans (loans where interest and amortisation are not paid) and SEK 2,140 M (2,670) were performing loans. The level of doubtful loans net, in relation to lending, was 0.47 per cent (0.65). The reserve ratio was 71 per cent (67). The volume of assets taken over amounted to SEK 143 M (265).

## Risk and capital management

SEB uses a management control model that is based upon a statistical calculation of risk, Capital at Risk. By year-end 2002, the Group's total diversified Capital at Risk was reduced to SEK 37 billion (39).

The Group's risk-taking in trading operations (measured by so called Value at Risk, VaR) averaged SEK 93 M (133) during 2002. This means that the Group, with a 99 per cent probability, can not be expected to lose more than a maximum of SEK 93 M during a ten-day period. The lower VaR compared to 2001 was due to decreased interest positions and lower volatility.

\* A pro forma restatement can be found in the "Additional information" on [www.seb.net](http://www.seb.net)

### **Strengthened position in Norway and Denmark**

In December 2002, the Norwegian regulators approved SEB Kort's acquisition of Europay Norge A/S (and thereby the Eurocard franchise in Norway) at a price of 1 billion Norwegian kroner. SEB has full operational control of the company as of 1 January 2003.

In September, SEB purchased an additional 12 per cent in the Amagerbanken in Denmark. After the acquisition, SEB's total shareholding is 30.4 per cent.

### **Acquisition of own shares in the securities business**

The Board has decided, as in prior years and in accordance with Ch. 4 § 5 of the Securities Business Act (1991:981), to propose to the Annual General Meeting that, during the time prior to the next Annual General Meeting, it be permitted to acquire within its own securities business the Group's own Series A and Series C shares in a number that at any time means that the holding of such shares does not exceed 5 per cent of the total number of shares in the Bank. The price of the acquired shares must correspond to the applicable market price at each time.

### **Capital base and capital adequacy**

The capital base for the financial group of undertakings (i.e. excluding the insurance companies) amounted to SEK 52.7 billion as of 31 December 2002 (54.4). Core capital was SEK 39.7 billion (38.7), of which SEK 1.8 billion constituted so-called core capital contribution. Risk-weighted assets amounted to SEK 503 billion (501). The increase of SEK 2 billion is due to the net effects of lending growth and the consolidation of Amagerbank for capital adequacy purposes, offset by the strengthening Swedish krona and effects from the capital rationalisation programme, especially within SEB AG. On 31 December 2002, the *core capital ratio* was 7.9 per cent (7.7) and the *total capital ratio* was 10.5 per cent (10.8). The Group's long-term goals to maintain a core capital ratio of at least 7 per cent and a total capital ratio of not less than 10.5 per cent have thus been met.

In accordance with the Board resolution of 6 May 2002, SEB has acquired 7 million of its own shares for hedging of the employee stock options programme as decided by the Annual General Meeting on 10 April 2002. In compliance with regulations, the value of the acquired shares has been eliminated against shareholders' equity.

### **Rating**

In January 2003, the rating institute Moody's raised its rating for SEB's long-term borrowing to A1 from A2. Both Standard & Poor's and Fitch maintained the long-term rating of A- and A+ respectively.

### **Dividend**

The size of the dividend of SEB is determined by the financial position and growth possibilities of the Group. SEB strives to achieve long-term growth based upon a capital base for the financial group of undertakings that must not be inferior to a core capital ratio of 7 per cent. The dividend per share shall, over a business cycle, correspond to around 40 per cent of earnings per share, calculated on the basis of operating result after tax.

Earnings per share amounted to SEK 7.60 (7.17). The Board of Directors proposes a dividend of SEK 4.00 (SEK 4.00) per Series A and Series C shares. The total dividend amounts to SEK 2,818 M (2,818), calculated on total number of issued shares as per 31 December including 7 million repurchased shares. This proposal corresponds to 53 per cent (56) of earnings per share, which exceeds the policy target. The high dividend ratio should be viewed in light of SEB's strong capitalisation with a Tier one ratio of 7.9 per cent. The SEB share will be traded ex dividend as from 10 April 2003.

**Stockholm, 13 February 2003**

**Lars H. Thunell**

*President and Group Chief Executive*

**More detailed information is presented on the Internet ([www.seb.net](http://www.seb.net)). The “Additional information” includes:**

- Appendix 1 SEB Trygg Liv
- Appendix 2 Credit exposure
- Appendix 3 Risk and capital management
- Appendix 4 Capital base for the SEB financial group of undertakings

Operational Profit & Loss Account quarterly performance eight quarters

- The SEB Group
- Bridge between present and previous accounting principles
- The Divisions and business areas
- Revenue split
- One-off items

Statutory Profit & Loss Account etc

- The SEB Group
- Skandinaviska Enskilda Banken

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**Financial information during 2003:**

- |                  |                                  |
|------------------|----------------------------------|
| 13 February 2003 | Annual Accounts 2002             |
| 9 April 2003     | Annual General Meeting           |
| 8 May 2003       | Interim Report January-March     |
| 14 August 2003   | Interim Report January-June      |
| 22 October 2003  | Interim Report January-September |

# SEB Group

## Operational Profit and Loss Account

SEK M	Oct-Dec		Change, per cent	Jan-Dec		Change, per cent
	2002	2001		2002	2001	
Net interest income	3 543	3 498	1	13 719	13 011	5
Net commission income	2 459	2 901	-15	9 975	11 186	-11
Net result of financial transactions	654	691	-5	2 409	2 987	-19
Other operating income	273	328	-17	1 275	2 015	-37
<b>Total income</b>	<b>6 929</b>	<b>7 418</b>	<b>-7</b>	<b>27 378</b>	<b>29 199</b>	<b>-6</b>
Staff costs	-2 733	-2 963	-8	-11 297	-11 796	-4
Pension compensation	189	236	-20	948	1 002	-5
Other operating costs	-1 778	-2 176	-18	-6 923	-8 282	-16
Amortisation of goodwill	- 137	- 150	-9	- 544	- 553	-2
Depreciation and write-downs	- 232	- 262	-11	- 933	-1 084	-14
Merger and restructuring costs		- 358	-100	- 200	- 661	-70
<b>Total costs</b>	<b>-4 691</b>	<b>-5 673</b>	<b>-17</b>	<b>-18 949</b>	<b>-21 374</b>	<b>-11</b>
Net credit losses etc *	- 278	- 206	35	- 828	- 547	51
Write-downs of financial fixed assets	- 20	- 20		- 29	- 69	-58
Net result from associated companies	- 75	- 38	97	- 104	- 20	
Operating result from insurance operations**	10	- 34	-129	- 56	- 36	56
<b>Operating result</b>	<b>1 875</b>	<b>1 447</b>	<b>30</b>	<b>7 412</b>	<b>7 153</b>	<b>4</b>
Taxes	- 385	- 238	62	-2 057	-2 058	0
Minority interests	1	12	-92	- 37	- 44	-16
<b>Net profit for the year</b>	<b>1 491</b>	<b>1 221</b>	<b>22</b>	<b>5 318</b>	<b>5 051</b>	<b>5</b>

\* Including change in value of seized assets

\*\* Result from SEB Trygg Liv, non-life and pertaining goodwill amortisation

## Key figures

	Jan-Dec	
	2002	2001
Return on equity, %	12.0	11.9
Return on total assets, %	0.44	0.43
Return on risk-weighted assets, %	1.08	0.99
Earnings per share (weighted average number) *, SEK	7.60	7.17
Cost/income ratio	0.69	0.73
Cost/income ratio excl amortisation of goodwill and merger and restructuring costs	0.66	0.69
Credit loss level, %	0.13	0.09
Provision ratio for doubtful claims, %	70.8	67.4 <sup>1)</sup>
Level of doubtful claims, %	0.47	0.65 <sup>1)</sup>
Level of non-performing loans, %	0.62	0.75 <sup>1)</sup>
Total capital ratio, %	10.47	10.84
Core capital ratio, %	7.88	7.71
Number of full time equivalents, average	19 003	19 618
Number of e-banking customers, thousands	1 332	1 128
Assets under management, SEK billion	742	871
Risk-weighted assets, SEK billion	503	501

\* Issued number of shares 704 557 680 of which SEB has repurchased 7 million Series A shares for the employee stock option programme. Earnings per share after full dilution, calculated in accordance with the recommendations of the Swedish Financial Accounting Standards Council, give the same result.

1) Proforma



## Operational Profit and Loss Account, quarterly basis

SEK M	2002:4	2002:3	2002:2	2002:1	2001:4
Net interest income	3 543	3 405	3 430	3 341	3 498
Net commission income	2 459	2 333	2 601	2 582	2 901
Net result of financial transactions	654	449	652	654	691
Other operating income	273	220	311	471	328
<b>Total income</b>	<b>6 929</b>	<b>6 407</b>	<b>6 994</b>	<b>7 048</b>	<b>7 418</b>
Staff costs	-2 733	-2 800	-2 865	-2 899	-2 963
Pension compensation	189	192	273	294	236
Other operating costs	-1 778	-1 665	-1 733	-1 747	-2 176
Amortisation of goodwill	- 137	- 137	- 135	- 135	- 150
Depreciation and write-downs	- 232	- 222	- 246	- 233	- 262
Merger and restructuring costs			- 109	- 91	- 358
<b>Total costs</b>	<b>-4 691</b>	<b>-4 632</b>	<b>-4 815</b>	<b>-4 811</b>	<b>-5 673</b>
Net credit losses etc *	- 278	- 181	- 180	- 189	- 206
Write-downs of financial fixed assets	- 20		- 9		- 20
Net result from associated companies	- 75	- 21		- 8	- 38
Operating result from insurance operations**	10	- 22	- 20	- 24	- 34
<b>Operating result</b>	<b>1 875</b>	<b>1 551</b>	<b>1 970</b>	<b>2 016</b>	<b>1 447</b>

\* Including change in value of seized assets

\*\* Result from SEB Trygg Liv, non-life and pertaining goodwill amortisation

## Operational Profit and Loss Account by division

Jan-Dec 2002, SEK M	Nordic Retail & Private Banking	Corporate & Institutions	SEB Germany	SEB Asset Manage- ment	SEB Baltic & Poland	SEB Trygg Liv	Other incl elimi- nations	SEB Group
Net interest income	4 188	4 341	3 944	81	1 377		- 212	13 719
Net commission income	3 160	3 462	1 417	1 199	589		148	9 975
Net result of financial transactions	172	1 879	122	8	231		- 3	2 409
Other operating income	209	292	295	6	66		407	1 275
<b>Total income</b>	<b>7 729</b>	<b>9 974</b>	<b>5 778</b>	<b>1 294</b>	<b>2 263</b>		<b>340</b>	<b>27 378</b>
Staff costs	-2 873	-3 367	-2 671	- 475	- 706		-1 205	-11 297
Pension compensation	432	203		39	2		272	948
Other operating costs	-2 449	-2 228	-1 593	- 328	- 452		127	-6 923
Amortisation of goodwill		- 61		- 8	- 49		- 426	- 544
Depreciation and write-downs	- 47	- 128	- 314	- 21	- 218		- 205	- 933
Merger and restructuring costs	- 65	- 98		- 8			- 29	- 200
<b>Total costs</b>	<b>-5 002</b>	<b>-5 679</b>	<b>-4 578</b>	<b>- 801</b>	<b>-1 423</b>		<b>-1 466</b>	<b>-18 949</b>
Net credit losses etc *	- 85	- 82	- 529		- 138		6	- 828
Write-downs of financial fixed assets					- 7		- 22	- 29
Net result from associated companies	- 53		- 9		- 11		- 31	- 104
Operating result from insurance operations					28	40	- 124	- 56
<b>Operating result</b>	<b>2 589</b>	<b>4 213</b>	<b>662</b>	<b>493</b>	<b>712</b>	<b>40**</b>	<b>-1 297</b>	<b>7 412</b>

\* Including change in value of seized assets

\*\* Result from ongoing business in SEB Trygg Liv amounted to SEK 1 343 M (1 162).

# SEB Group

## Statutory Profit and Loss Account

<b>SEK M</b>	<b>Oct-Dec</b>		<b>Change,</b>	<b>Jan-Dec</b>		<b>Change,</b>
	<b>2002</b>	<b>2001</b>	<b>per cent</b>	<b>2002</b>	<b>2001</b>	<b>per cent</b>
Income						
<i>Interest income</i>	13 184	12 423	6	49 094	53 616	-8
<i>Interest costs</i>	-9 641	-8 925	8	-35 375	-40 605	-13
Net interest income	3 543	3 498	1	13 719	13 011	5
Dividends received	34	10		86	95	-9
<i>Commission income</i>	2 920	3 379	-14	11 775	13 039	-10
<i>Commission costs</i>	- 461	- 478	-4	-1 800	-1 853	-3
Net commission income	2 459	2 901	-15	9 975	11 186	-11
Net result of financial transactions	654	691	-5	2 409	2 987	-19
<i>Other operating income</i>	239	318	-25	1 189	1 920	-38
<b>Income from banking operations</b>	<b>6 929</b>	<b>7 418</b>	<b>-7</b>	<b>27 378</b>	<b>29 199</b>	<b>-6</b>
Costs						
Staff costs	-2 733	-2 963	-8	-11 297	-11 796	-4
Other administrative and operating costs	-1 778	-2 176	-18	-6 923	-8 282	-16
Depreciation and write-downs of tangible and intangible fixed assets	- 369	- 412	-10	-1 477	-1 637	-10
Merger and restructuring costs		- 358	-100	- 200	- 661	-70
<b>Costs from banking operations</b>	<b>-4 880</b>	<b>-5 909</b>	<b>-17</b>	<b>-19 897</b>	<b>-22 376</b>	<b>-11</b>
<b>Profit/loss from banking operations before credit losses</b>	<b>2 049</b>	<b>1 509</b>	<b>36</b>	<b>7 481</b>	<b>6 823</b>	<b>10</b>
Net credit losses	- 267	- 206	30	- 819	- 549	49
Change in value of seized assets	- 11			- 9	2	
Write-downs of financial fixed assets	- 20	- 20		- 29	- 69	-58
<i>Net result from associated companies</i>	- 75	- 38	97	- 104	- 20	
<b>Operating profit from banking operations</b>	<b>1 676</b>	<b>1 245</b>	<b>35</b>	<b>6 520</b>	<b>6 187</b>	<b>5</b>
Operating profit from insurance operation	10	- 34	-129	- 56	- 36	56
<b>Operating profit</b>	<b>1 686</b>	<b>1 211</b>	<b>39</b>	<b>6 464</b>	<b>6 151</b>	<b>5</b>
Pension compensation	189	236	-20	948	1 002	-5
<b>Profit before tax and minority interest</b>	<b>1 875</b>	<b>1 447</b>	<b>30</b>	<b>7 412</b>	<b>7 153</b>	<b>4</b>
Current tax	- 112	- 73	53	-1 215	-1 229	-1
Deferred tax	- 273	- 165	65	- 842	- 829	2
Minority interests	1	12	-92	- 37	- 44	-16
<b>Net profit for the year *</b>	<b>1 491</b>	<b>1 221</b>	<b>22</b>	<b>5 318</b>	<b>5 051</b>	<b>5</b>
* Earnings per share (weighted), SEK	2.14	1.73		7.60	7.17	
Weighted number of shares, million	698	705		700	705	

## Balance sheet

<b>SEK M</b>	<b>31 December 2002</b>	<b>31 December 2001</b>
Lending to credit institutions	150 380	175 380
Lending to the public	680 206	634 995
Interest-bearing securities	195 979	153 033
- Financial fixed assets	3 759	4 094
- Financial current assets	192 220	148 939
Shares and participations	10 648	10 227
Assets used in the insurance operations	52 318	66 459
Other assets	151 581	123 221
<b>Total assets</b>	<b>1 241 112</b>	<b>1 163 315</b>
Liabilities to credit institutions	234 289	221 686
Deposits and borrowing from the public	499 542	465 243
Securities issued, etc.	205 156	194 682
Liabilities of the insurance operations	50 163	64 111
Other liabilities and provisions	180 940	143 293
Subordinated liabilities	25 326	30 008
Shareholders' equity <sup>1)</sup>	45 696	44 292
<b>Total liabilities and shareholders' equity</b>	<b>1 241 112</b>	<b>1 163 315</b>

### 1) Change in shareholders' equity

<b>SEK M</b>	<b>31 December 2002</b>	<b>31 December 2001</b>
Opening balance	44 292	41 609
Dividend to shareholders	-2 818	-2 818
Result, holding of own shares	6	
Swap hedging of employee stock option programme*	- 277	- 1
Elimination of repurchased shares **	- 659	
Translation difference	- 166	451
Net profit for the period	5 318	5 051
<b>Closing balance</b>	<b>45 696</b>	<b>44 292</b>

\* Including dividends received

\*\* SEB has repurchased 7 million Series A shares for the employee stock option programme as described and decided at the Annual General Meeting. These shares are booked at zero but the market value as of 31 December 2002 was SEK 508 M.

### Cash flow analysis

<b>SEK M</b>	<b>Jan-Dec 2002</b>	<b>Jan-Dec 2001</b>
Cash flow before changes in lending and deposits	18 728	2 437
Increase (-)/decrease (+) in lending to the public	-60 042	-30 571
Increase (+)/decrease (-) in deposits from the public	44 660	45 356
Cash flow, current operations	3 346	17 222
Cash flow, investment activities	-38 252	-8 863
Cash flow, financing activities	11 844	-11 321
<b>Cash flow</b>	<b>-23 062</b>	<b>-2 962</b>
Liquid funds at beginning of year	43 570	46 532
Exchange difference	-3 106	
Cash flow	-23 062	-2 962
<b>Liquid funds at end of period</b>	<b>17 402</b>	<b>43 570</b>

The reduction in liquid funds have been compensated by an increase in bonds and other interest bearing securities related to the Group's trading portfolio which is shown under Cash flow, investment activities.

## Nordic Retail & Private Banking

This division has 1.5 million private customers - of which 700,000 Internet customers - and 120,000 small and medium-sized corporate customers. The majority of the customers are Swedish. In the Nordic area, SEB also has approximately 600,000 card customers.

The business areas are Retail Banking, Private Banking and SEB Kort (cards). In Sweden, SEB has 200 branch offices, a top-ranked Internet service and a 24h-telephone bank.

### Profit and loss account

SEK M	Jan - Dec		Change, per cent
	2002	2001	
Net interest income	4 188	4 328	-3
Net commission income	3 160	3 645	-13
Net result of financial transactions	172	184	-7
Other operating income	209	202	3
<b>Total income</b>	<b>7 729</b>	<b>8 359</b>	<b>-8</b>
Staff costs	-2 873	-2 955	-3
Pension compensation	432	461	-6
Other operating costs	-2 449	-3 239	-24
Depreciation and write-downs	- 47	- 83	-43
Merger and restructuring costs	- 65	- 184	-65
<b>Total costs</b>	<b>-5 002</b>	<b>-6 000</b>	<b>-17</b>
Net credit losses etc *	- 85	- 69	23
Intra-group minority share	- 53	- 64	-17
<b>Operating result</b>	<b>2 589</b>	<b>2 226</b>	<b>16</b>

\* Including change in value of seized assets

Cost/Income ratio	0,65	0,72
Allocated capital, SEK M	7 200	7 000
Return on capital, %	25,9	22,9
Number of full time equivalents, average	4 859	5 033

The quarterly development is presented on [www.seb.net](http://www.seb.net)

### Successful cost-reduction programme behind significantly improved result

The division's operating result improved by 16 per cent due to a significantly lower cost level, -17 per cent. This had a positive effect on both cost/income-ratio and profitability.

The decrease in total income, especially in net commission income, was mainly due to the falling stock markets. The last months of 2002, however, showed an upturn in net commissions as a result of the increase both in stock market values and business activity.

Net interest income remained stable throughout the year, with an increase in volume and a decrease in margins, mainly due to product mix changes.

The division's total lending volumes increased to SEK 153 billion (140), including mortgage volumes of SEK 104 billion (93). The mortgage business, in particular, grew strongly in 2002. As of December, SEB BoLån's total share of the private market was 13.4 per cent (13.1). The development is a result of improvements in mortgage products as well as of high activity in the branch office network. SEB's share of new sales of single family house mortgages increased to 14.3 from 12.8 per cent and the share of new sales of mortgages for co-operative flats increased to 20.0 from 17.5 per cent during 2002.

Credit losses increased, but remained at a low level.

SEB kept its leading position in the Swedish savings market. As of September, SEB had a 16 per cent share of the total Swedish household savings market. The new savings account, Specialkonto, launched in April with one of Sweden's highest interest rates, accounted for more than 29 per cent of deposits from private individuals by the end of the year. Total deposit volumes in December amounted to SEK 113 billion on a monthly average (105).

### **Improved customer satisfaction**

During 2002, a number of efforts were made to further increase customer satisfaction. A decentralisation process started within the Swedish branch office network in order to transfer decision-power closer to customers by emphasising the branch offices' responsibility for their local markets.

As a result, customer satisfaction index improved from 60 to 65 for private customers and from 60 to 66 for corporate customers according to the external annual quality survey, Swedish Quality Index. According to the survey, SEB showed the highest improvement of all banks between 2001 and 2002.

Private Banking and SEB Kort retained their high level of customer satisfaction. SEB Kort, for instance, again received national service awards both in Denmark and Norway.

### **Retail Banking - significant profit increase**

Retail Banking's result was SEK 1,600 M (1,266), an increase of 26 per cent, mainly due to a forceful cost reduction programme reducing costs by 18 per cent.

Mortgages, with a 21 per cent increase of sales compared to 2001, was one of Retail Banking's successful areas. Another effort that had a positive effect during the year was the decision to offer all university students SEB's Student Package free of charge, leading to an increase of student customers by almost 25 per cent.

During the year, SEB's Internet services were again top ranked in a number of surveys. E-banking development included added services for small enterprises and a substantial update of the [www.seb.se](http://www.seb.se). The number of monthly log-ins reached a record level of 2 million both in November and December.

### **Private Banking – high profitability in spite of declining stock markets**

Private Banking is the part of the division that is most strongly affected by the stock market decline. Net commission income suffered a decrease - for instance brokerage fees were down by 20 per cent compared to 2001. This development was somewhat balanced by a positive development of net interest income and by a significant decrease of costs (-18 per cent), leading to a total result of SEK 471 M (497), 5 per cent lower than in 2001. There were also signs of a positive change in net commission income during the last months of 2002.

During the year Enskilda Banken had a net inflow of 1,000 new customers. New volumes, net, amounted to SEK 8 billion. Private Banking's assets under management declined by 27 per cent to SEK 189 billion.

### **SEB Kort – strengthened position as Nordic leader**

SEB Kort's result increased to SEK 518 M (463). An important contributing factor to the improved result was the decrease in total costs. Total turnover for SEB Kort including Euroline rose to SEK 134 billion (130) – in spite of the effects of the decline of the international travel market.

Late in December 2002, SEB Kort's acquisition of Europay Norge A/S was approved by the Norwegian authorities and finalised. Thus SEB Kort now has exclusive rights to the Eurocard brand in Norway. Together with Europay Norge's business with card issuing, acquiring and bank service, this acquisition further strengthened SEB Kort's position as the leading card business in the Nordic area. The result of Europay Norge A/S, is however not included in SEB Kort's figures for 2002.

In January 2003, SEB Kort purchased the Danish department store Magasin du Nord's card stock of more than 160,000 cardholders, thereby strengthening SEB's position in the Danish card market.

## Corporate & Institutions

This division is responsible for large corporations, medium-sized companies and financial institutions. It comprises Merchant Banking (including the merchant banking part of SEB AG, Securities Services and Mid Corporate) and Enskilda Securities (SEB's equity investment banking subsidiary) and operates in eleven countries.

### Profit and loss account

SEK M	Jan - Dec		Change, per cent
	2002	2001	
Net interest income	4 341	4 007	8
Net commission income	3 462	4 431	-22
Net result of financial transactions	1 879	2 165	-13
Other operating income	292	168	74
<b>Total income</b>	<b>9 974</b>	<b>10 771</b>	<b>-7</b>
Staff costs	-3 367	-3 762	-10
Pension compensation	203	218	-7
Other operating costs	-2 228	-2 450	-9
Amortisation of goodwill	- 61	- 56	9
Depreciation and write-downs	- 128	- 160	-20
Merger and restructuring costs	- 98	- 35	180
<b>Total costs</b>	<b>-5 679</b>	<b>-6 245</b>	<b>-9</b>
Net credit losses etc *	- 82	149	-155
<b>Operating result</b>	<b>4 213</b>	<b>4 675</b>	<b>-10</b>

\* Including change in value of seized assets

Cost/Income ratio	0,57	0,58
Allocated capital, SEK M	15 000	15 500
Return on capital, %	20,2	21,7
Number of full time equivalents, average	3 168	3 322

The quarterly development is presented on [www.seb.net](http://www.seb.net)

### A year of market turmoil

2002 was characterised by political tension, geopolitical uncertainty, credibility challenges for the stock market, record high US and German bankruptcy ratios and rising oil prices.

A combination of uncertainty about earnings and the rising risk for a war against Iraq pushed stock prices and bond yields lower. The dollar came under pressure and declined by around 10 per cent, due to both rising concerns about the financing of the current account deficit and to the political risk premium due to a possible war against Iraq. In Sweden, the interest rate and exchange rate developments were of course affected by the global developments, leading to volatility in interest rates as well as in stock prices.

### Strong return and strengthened market positions

The division delivered a strong result in 2002 despite the rough financial climate. Merchant Banking reached a result before credit losses in line with last year. Enskilda Securities achieved a positive operating result despite the turmoil in the global equity markets. Both Merchant Banking and Enskilda Securities have strengthened their market positions during the year.

Net interest income remained stable over the quarters and increased compared to 2001. Net commission income was significantly lower than in 2001, mostly due to lower fees in Enskilda Securities and Securities Services. The result of financial transactions improved in the fourth quarter compared to the third. In particular, the comparison between the full year results was affected by the strong result in the first quarter of 2001.

The cost savings targets of the division were reached already in 2002. Total costs excluding performance-related remuneration and exchange rate effects were down by 4 per cent.

## **Merchant Banking – strong and stable operating result**

The business area continues to work in line with the strategy laid out a couple of years ago:

- Investing in growth areas, mainly investment banking related activities, while improving efficiency within more mature areas such as cash management and custody services
- Increasing client-related earnings as a proportion of total earnings and focusing on risk and capital management.

This strategy has significantly reduced volatility in earnings and made it possible to keep operating profit close to the record level of 2000 despite deteriorating market conditions.

The result for Merchant Banking amounted to SEK 4,018 M (4,306). The result before credit losses was SEK 4,102 M and almost in par with 2001 (4,163). The difference between the 2002 and 2001 results was almost entirely due to net recoveries of SEK 143 M in 2001 and net credit losses of SEK 84 M in 2002.

Net interest income was stable in 2002 - all four quarters were almost identical. The lower net commission income mainly derived from lower fees within Securities Services and Cash Management. The net result of financial transactions improved in the fourth quarter compared to the third. The comparison between the full year results was affected particularly by the strong result in the first quarter of 2001. Costs continued to decrease in the fourth quarter. For the whole year costs were down by 3.5 per cent compared to 2001.

Customer satisfaction has always been highly prioritised and SEB's continuous efforts to advance its market positions have, once again, led Greenwich Associates to rank Merchant Banking as number one both with regards to quality and market share for large Swedish clients.

During the year, Trading Station, SEB's Internet-based system for currency and fixed income trading, was updated with prime brokerage functionality, accessibility for the corporate customers in Germany, foreign exchange for smaller clients and Straight Through Processing (STP) into clients' own financial systems. The extended functionality has contributed to an increased level of foreign exchange transactions processed through Trading Station. During 2002, approximately 40 per cent of SEB's FX transactions went via Trading Station.

Despite poor market conditions Trading & Capital Markets had good underlying customer flows. The long-term strategy to invest in TCM growth areas continues and has resulted in new customers and international recognition. In July, Euromoney ranked Merchant Banking No. 9 in terms of market share of the global FX market, while Risk Magazine rated SEB as leading bank within SEK and NOK derivatives on a global scale.

The syndicated loan market remains a strong and important source of funding for "blue chips" and larger medium-sized corporations. SEB arranged transactions for Assa Abloy, Observer, Alfa Laval, Sandvik, ABB, Haldex, Sardus, Hoist and Åkers, among others. The corporate bond market had a challenging year, largely due to the "Enron-effect" and the subsequent turmoil around corporate accounting practices. Also the general deterioration of corporate credit quality and ratings affected primary volumes adversely. SEB continued to be one of the larger arrangers of bonds for Nordic corporations and arranged bond issues for TDC, Scania, Investor and Finnvera, among others.

Competition within the cash management area was fierce, as customers are adapting to the euro and expecting lower transactions costs. Merchant Banking has been successful both in retaining old customers and acquiring new clients by becoming their main supplier of cash management solutions, in spite of tougher competition and lower interest rates.

The turmoil in global equity markets in combination with price pressure had a negative effect on Securities Services during 2002. The negative effects of decreasing values of assets under custody and price pressure were to some extent offset by the highest level of transactions ever. The recently established sites in Oslo, Helsinki and Copenhagen contributed positively during the year. SEB aims to reach an overall Nordic leading position in the securities services area.

For Mid Corporate's (incl. SEB Finans) 2002 was the first year as a part of Merchant Banking which enabled it to offer extensive and direct services to medium-sized corporations. The integration and the strong market position contributed to an increase in result for 2002 compared to 2001.

The acquisition finance business saw yet another successful year despite the slow market for structured financial solutions at the beginning of the year. The trade finance business also started out slowly, but picked up during the year. SEB was rated Best Trade Finance bank in Sweden by Global Finance Magazine in July 2002.

During 2001 Merchant Banking's German operation was merged with the division SEB Germany's corporate clients and trading operations into a new unit called Merchant Banking Germany. In late 2002, it was decided to integrate SEB Germany's business unit for institutional customers with Merchant Banking Germany from 2003.

Asset quality remained high and net credit losses were low. Risk awareness is important and the cautious view on risks combined with conservative structuring will continue to permeate business decisions.

While sticking to its strategy Merchant Banking will pay particular attention to the strengthening and consolidating of its presence in home markets outside Sweden, i.e. Norway, Finland, Denmark and Germany. Another top priority the next years will be to plan and manage the potential upcoming transition from Swedish kronor to euro, with the objective of creating new income and minimising potential negative effects.

#### **Enskilda Securities – strengthened position in tough market**

During the difficult year Enskilda Securities strengthened its market position as market leader in the Nordic region. This position was confirmed through a number of national and international surveys. During 2002 Enskilda Securities was ranked Best Equity House in the Nordic region by Euromoney, Best Corporate Finance provider in Scandinavia by Global Finance and No 1 Stock Broker in Sweden, Norway and Finland by Prospera.

In this environment, the focus has been on keeping and strengthening the position as market leader in the Nordic region. The San Francisco office was closed during the year. In December, it was decided that the Paris office will be closed in order to refocus resources. Enskilda Securities has reassessed the organisation and market focus further, which has resulted in additional cost reductions. A leaner and more flexible organisation with a clear and more focused strategy has been achieved.

The operating result for Enskilda Securities was SEK 195 M (369). Continuously weak equity markets have led to a decrease in revenues of 25 per cent compared with 2001. Total revenues for 2002 amounted to SEK 1,780 M (2,369). The ongoing cost reduction programme lowered costs by 20 per cent in 2001 and by 21 per cent in 2002. The number of employees has decreased by 99 since December 2001, to a total of 494 (593). Staff costs, affected by redundancy costs, were down by 26 per cent compared with 2001.

The fall in the Equities business unit's revenues of 30 per cent reflects the weak market conditions. Revenue declines were greatest for primary commission and trading, whereas secondary commission fell by less than 25 per cent, which means that Enskilda Securities successfully maintained and strengthened its market position in the Nordic region. Enskilda Securities remains the leading Nordic investment bank, with the highest market share on the Stockholm and Oslo Exchanges and with a leading institutional position in Denmark and Finland.

Revenues in the corporate finance area were down from last year. Enskilda Securities acted as advisor to some of the largest transactions in the Nordic market. Notably as financial advisor in the Ericsson rights issue, joint leader manager in the IPO of Intrum Justitia and joint global co-ordinator in the IPO of Alfa Laval.



## SEB AG Group

SEB AG Group comprises SEB's operations in Germany, i.e. the SEB Germany division (will be renamed German Retail & Mortgage Banking from January 2003), Merchant Banking Germany and, as from January 2003, Asset Management Germany.

### Profit and loss account adapted to Swedish Accounting Principles <sup>1</sup>

<b>SEK M</b>	<b>Jan - Dec</b>		<b>Change,</b>
	<b>2002</b>	<b>2001</b>	<b>per cent</b>
Net interest income	4 192	4 366	-4
Net commission income	1 631	1 567	4
Net result of financial transactions	222	143	55
Other operating income	298	586	-49
<b>Total income</b>	<b>6 343</b>	<b>6 662</b>	<b>-5</b>
Staff costs	-2 840	-2 851	
Other operating costs	-1 837	-2 043	-10
Depreciation and write-downs	- 317	- 377	-16
<b>Total costs</b>	<b>-4 994</b>	<b>-5 271</b>	<b>-5</b>
Net credit losses etc *	- 530	- 483	10
Write-downs of financial fixed assets		- 2	-100
Net result from associated companies	-9	75	
<b>Operating result</b>	<b>810</b>	<b>981</b>	<b>-17</b>

<sup>1</sup> Based on allocated capital

\* Including change in value of seized assets

Average exchange rate SEK/EUR	9,16	9,25
Cost/Income ratio	0,79	0,79
Allocated capital, SEK M	11 200	12 100
Return on capital, %	5,2	5,8
Number of full time equivalents, average **	3 968	4 146

\*\* Excluding 67 (average Jan-Dec) temporary staff working with euro conversion during the beginning of 2002

The quarterly development is presented on [www.seb.net](http://www.seb.net)

### **Stagnation in the German economy**

Germany's economic growth in 2002 was only 0.2 per cent compared with 0.8 per cent in the Eurozone. Above all, domestic demand lagged behind and was 1.3 per cent lower than in 2001. Major reasons for this development are found in lower consumption and a low level of investments across all major German industries. This led to the highest number of insolvencies among small and medium-sized companies for years. Customer confidence was weak and activity level low. In addition, several different tax increases for both corporations and private individuals have been proposed by the Government, which did neither improve customer confidence nor increase German industries' willingness to invest.

Besides the poor development in the German economy, a weak local stock market, and low market interest rates have affected the banking business in Germany negatively. The DAX index fell from 5,500 in the first quarter of 2002 to 2,900 at year-end. The transaction level in the private brokerage business decreased by 70 per cent on average. The performance of German banks in 2002 was poor due to large credit losses and weak income. As a result, most of the banks have initiated cost reduction programmes similar to the restructuring programme started by SEB AG as early as in 2000. The German banking industry is now facing the biggest staff reduction programme ever, involving more than 50,000 employees.

### **SEB AG Group - improved underlying profitability**

SEB's total German operations (SEB AG Group) performed well compared to other German banks. Total result for SEB's German operations amounted to SEK 810 M (981). Excluding one-off items, operating result improved by 11 per cent. The 2001 results (for SEB AG Group as well as for the division SEB Germany) include the sale of Deutsche Börse (net gain of SEK 248 M).

Major restructuring activities proceed according to plan. The work-out of the non-target corporate customer relations continues. Overall, the usage of the restructuring reserves is in line with the plan and lower than in 2001. Reserves for redundancies and operational restructuring amounted to EUR 87 million. As a consequence of SEB's new provisioning rules (see page 5) the previous general reserve for credit losses has been reclassified to specific and collective reserves.

In 2002, SEB AG was ranked No. 1 in Germany regarding customer satisfaction for the sixth consecutive year.

## SEB Germany division

*The SEB Germany division (to be renamed German Retail & Mortgage Banking as from January 2003) serves one million private customers as well as small and medium-sized corporations, institutions and real estate companies all over Germany. Customers are able to access its services through 177 branches, more than 2000 ATMs via Cash-pooling with allied banks, an Internet platform and telephone banking.*

### Profit and loss account

SEK M	Jan - Dec		Change, per cent
	2002	2001	
Net interest income	3 944	4 119	-4
Net commission income	1 417	1 365	4
Net result of financial transactions	122	101	21
Other operating income	295	551	-46
<b>Total income</b>	<b>5 778</b>	<b>6 136</b>	<b>-6</b>
Staff costs	-2 671	-2 651	1
Other operating costs	-1 593	-1 816	-12
Depreciation and write-downs	- 314	- 369	-15
<b>Total costs</b>	<b>-4 578</b>	<b>-4 836</b>	<b>-5</b>
Net credit losses etc *	- 529	- 478	11
Write-downs of financial fixed assets		- 2	-100
Net result from associated companies	- 9	75	-112
<b>Operating result</b>	<b>662</b>	<b>895</b>	<b>-26</b>
* Including change in value of seized assets			
Average exchange rate SEK/EUR	9,16	9,25	
Cost/Income ratio	0,79	0,79	
Allocated capital, SEK M	10 200	10 800	
Return on capital, %	4,7	6,0	
Number of full time equivalents, average **	3 780	3 916	

\*\* Excluding 67 (average Jan-Dec) temporary staff working with euro conversion during the beginning of 2002

*The quarterly development is presented on [www.seb.net](http://www.seb.net)*

### SEB Germany Division – increased sales

The result for the division was SEK 662 M (895). This result does not reach SEB's ambitions, but compared to other German banks it can be regarded as satisfactory. The reduced result is mainly due to effects from one-off items during 2001 (see SEB AG Group above).

The division's new sales of mortgage loans, SEK 6,743 M, improved by 34 per cent compared to last year. Prolongation of mortgage loans rose by 7 per cent to SEK 3,859 M.

Net sales of funds, SEK 9.6 billion, increased by 40 per cent compared to 2001. Net sales of SEB Immoinvest's No 1 ranked real estate fund, SEK 6.8 billion, has led to an increased market share, 4.6 per cent. Net sales of SEB Invest's mutual funds amounted to SEK 1.0 billion. Assets under management amounted to SEK 108 billion. Measured in euro, assets under management decreased by 1 per cent during 2002.

The customer segment Swedish private clients in Germany has been addressed with a specific and attractive product offering. In a similar way customised products for the members of the Social Democratic Party and the Christian Democratic Union, for employees of Atlas Copco and Gerling have also been successful. Through the introduction of a high yielding savings account in November, the division by year-end managed to attract 15,000 new customers with a total volume corresponding to SEK 5 billion. In addition, volumes from existing customers amounted to SEK 3 billion. By year-end SEB Germany had 240,000 Internet banking customers. Initiatives to build strategic alliances and to improve the cross-selling potential will be reinforced in 2003. In addition to organic growth through the introduction of new products and services, focus will also be on customer acquisition.

As a consequence of sales activities, net interest income of SEK 3,944 M was relatively stable compared to 2001. Net commission income improved by 4 per cent to SEK 1,417 M. Other income amounted to SEK 295 M and did not include any major one-off items compared to 2001.

### **Cost efficiency targets reached**

The cost efficiency programme led to 5 per cent lower costs during 2002. Compared with 2001, staff costs were stable. Costs in 2002 were negatively affected by increased pension and social costs due to new legislation. Other costs were down by 12 per cent. The average number of full time equivalents was down by 136, to 3,780.

During 2002, major cost reductions have been achieved by moving the headquarters to new premises at considerably lower rents and through cost cuts within staff units. In the third quarter the whole mainframe computer operation was moved from Frankfurt to Stockholm. This will lead to cost reductions, mainly due to lower license and consultant costs. The successful move was a complicated and unique operation, which now attracts attention from a number of other banks considering similar consolidation measures. Further cost reduction activities within the IT area through organisational co-ordination within the SEB Group are under implementation. Further opportunities to use synergies within the SEB Group exist and will be carried out.

As of January 2003, Merchant Banking will take over the management responsibility for SEB Germany's institutional customers and SEB Asset Management will take responsibility for SEB Invest in Germany. These are two examples of the efforts to exploit synergies within the SEB Group.

Overall the cost reduction programme is running ahead of plan and additional efforts are now made to achieve further cost reductions to compensate for the lower income side.

### **Moderate increase of credit losses**

The total credit loss level in 2002 was 11 per cent higher than in 2001. This development was significantly less negative than that experienced by other German banks. This is the result of a three-year process to improve asset quality and credit approval processes within all business areas. Furthermore, SEB's credit portfolio differs from that of the average German bank with substantially less corporate exposure. The increase during the third and fourth quarter, compared to the two previous quarters, is driven more by seasonal effects than by deteriorating market conditions in Germany. The composition of the credit portfolio, in combination with specific and collective reserves, provides a balanced risk exposure.

## SEB Asset Management

SEB Asset Management offers a full spectrum of investment management expertise and services to institutions, life insurance companies and retail clients. The offerings include equity and fixed income management, private equity and hedge funds. SEB Asset Management has offices in Copenhagen, Helsinki, Frankfurt, New York, Stamford and Stockholm. The division has around 100 portfolio managers and analysts.

### Profit and loss account

SEK M	Jan - Dec		Change, per cent
	2002	2001	
Net interest income	81	100	-19
Net commission income	1 199	1 506	-20
Net result of financial transactions	8	14	-43
Other operating income	6	11	-45
<b>Total income</b>	<b>1 294</b>	<b>1 631</b>	<b>-21</b>
Staff costs	- 475	- 567	-16
Pension compensation	39	46	-15
Other operating costs	- 328	- 432	-24
Amortisation of goodwill	- 8	- 8	
Depreciation and write-downs	- 21	- 23	-9
Merger and restructuring costs	- 8	- 54	-85
<b>Total costs</b>	<b>- 801</b>	<b>-1 038</b>	<b>-23</b>
<b>Operating result</b>	<b>493</b>	<b>593</b>	<b>-17</b>
Cost/Income ratio	0,62	0,64	
Allocated capital, SEK M	1 700	1 700	
Return on capital, %	20,9	25,1	
Number of full time equivalents, average	405	512	

The quarterly development is presented on [www.seb.net](http://www.seb.net)

### Improved cost/income ratio

In 2002, SEB Asset Management's operating result decreased by 17 per cent to SEK 493 M, while the global markets fell by 34 per cent and the Swedish SIX Portfolio Index by 36 per cent.

In spite of lower income SEB Asset Management continued to show strong profitability and actually improved its cost/income ratio from 0.64 to 0.62. This improvement was a result of cost reductions by 23 per cent, primarily due to staff and IT cost cuts. The result per employee increased by 5 per cent to SEK 1.2 M on a yearly basis. Since June 2001, total staff has been reduced by 151 full time equivalents, or by 29 per cent, which is above the target set in the SEB Change Programme.

### Improved market shares of net sales in spite of tough market conditions

Weak stock markets had a continuous negative impact on sales within the whole industry globally. Total accumulated net sales were lower than in last year. Despite this, SEB Asset Management gained a number of new mandates, primarily in Denmark, Finland and the US. Institutional sales in Sweden remained weak during the whole year.

Net inflow to SEB's mutual funds totalled SEK 9.7 billion (7.0), of which SEK 6.7 billion (3.6) in Sweden. This does not include net sales of funds in Germany amounting to SEK 9.6 billion. The successful launch of the new product line corporate bond funds, the first of its kind in the Swedish market, has attracted a considerable amount of capital. SEB's mutual funds in Sweden had a net sales market share of 11.8 per cent (6.4) and 27.0 per cent (19.9) of the fixed income segment.

By year-end 2002, the division's total assets under management amounted to SEK 487 billion (567), a decrease of 14 per cent. The shift in the product mix has had a negative impact on the division's revenues in relation to assets under management. SEB's market share of mutual funds in Sweden was 17.3 per cent (18.4),

totalling SEK 127 billion (167). Mutual funds totalled SEK 140 billion (181), representing 29 per cent (32) of the division's assets under management.

### **Improved performance and international top-rankings**

During 2002, one of the most important ambitions has been to improve the division's investment management capabilities in order to enhance performance for all portfolios. This has mainly been made through concentration of the investment management activities and recruitment to the division's key competence areas.

SEB's performance is in line with its peers in the Swedish market. However, this is not a satisfactory position and the ambition is to improve performance further.

During the second half of 2002, the division received several acknowledgements by international press and institutes. SEB's bond funds were ranked top-ten by Wall Street Journal and SEB's pharmaceutical and technology funds reached top 20 in Business Weeks global survey. In Finland, Gyllenberg was ranked number one amongst the major players in the Finnish institutional market by Scandinavian Financial Research. In Denmark, the research institute Prospera ranked SEB Asset Management (DK) as the second best institutional asset manager in the Danish market.

### **Improved information**

Information about the different funds and mandates are essential for investors. During 2002, the mutual fund business in Sweden held customer events in a number of places in Sweden, where more than 4,500 customers attended. The events were carried out in close co-operation with the division Nordic Retail & Private Banking. In addition, SEB Mutual Funds in Sweden launched a new web-site offering monthly fund comments and market views. The site also gives the customers easier access to clear and comprehensive fund information.

In order to strengthen customer offerings and improve efficiency, SEB Asset Management has streamlined and simplified the range of mutual funds in Sweden. Approximately 30 funds were merged or closed during the fourth quarter of 2002.

### **Clear priorities for the future**

2002 has been a year of both transition and consolidation including major cost cuttings and changes in investment management activities. Moreover, SEB Asset Management has taken over the management responsibility for SEB Invest in Germany effective January 2003. These activities to integrate the organisation into one united business have given SEB Asset Management a solid foundation going forward.

Top priority will be given to continued improvement of performance, customer communication, cost efficiency as well as a customised product range. The measures taken and the priorities set will enhance the division's ability to compete as a leading asset manager in its home markets.

## SEB Baltic & Poland

This division comprises the three wholly-owned Baltic banks Eesti Ühispank (Estonia), Latvijas Unibanka (Latvia) and Vilniaus Bankas (Lithuania). The three banks serve 1.2 million individual customers and 140,000 corporations via a branch network that comprises some 200 branch offices, and via Internet banks. SEB's mutual funds company in Poland, Fundusz, and the listed medium-sized Polish bank Bank Ochrony Srodowiska, BOS, of which SEB owns 47 per cent, also forms part of the division.

### Profit and loss account

SEK M	Jan - Dec		Change, per cent
	2002	2001	
Net interest income	1 377	1 183	16
Net commission income	589	596	-1
Net result of financial transactions	231	197	17
<b>Other operating income</b>	<b>66</b>	<b>135</b>	<b>-51</b>
<b>Total income</b>	<b>2 263</b>	<b>2 111</b>	<b>7</b>
Staff costs	- 706	- 673	5
Pension compensation	2	2	
Other operating costs	- 452	- 451	
Amortisation of goodwill	- 49	- 49	
Depreciation and write-downs	- 218	- 217	
<b>Total costs</b>	<b>-1 423</b>	<b>-1 388</b>	<b>3</b>
Net credit losses etc *	- 138	- 133	4
Write-downs of financial fixed assets	- 7	- 67	-90
Net result from associated companies	- 11	2	
Operating result from insurance operations	28	22	27
<b>Operating result</b>	<b>712</b>	<b>547</b>	<b>30</b>
* Including change in value of seized assets			
Cost/Income ratio	0,63	0,66	
Allocated capital, SEK M	2 750	2 750	
Return on capital, %	18,6	14,3	
Number of full time equivalents, average	4 270	4 114	

The quarterly development is presented on [www.seb.net](http://www.seb.net)

### Continued economic growth

The economic growth of the Baltic region remained strong throughout the year. The region has experienced a three year-period of high growth rates and is expected to show a GDP growth of approximately 5 per cent or more, over the next few years. The economic instability and decrease in demand that a large part of the world now experiences, is offset by strong domestic demand in the Baltic States. However, the economic growth in Poland is still weak.

In 2002 the Baltic States and Poland got official invitations to join the EU and the plan is to enter during the spring 2004. The accession is expected to have a favourable impact on the economic climate in the Baltic countries and Poland.

The strong economy was reflected in the Baltic subsidiary banks. During the year, the number of customers increased by 16 per cent and the number of Internet customers rose by approximately 70 per cent, to 375,000. The loan portfolio increased by 21 per cent. The growth is relatively evenly spread between the three banks. A strong increase in demand for mortgage loans and leasing as well as strong domestic consumer demand in general are the main reasons behind this expansion. Deposits increased by 15 per cent. The market for savings products other than deposits is relatively immature but a strong increase in demand has been noticed, although the volumes are still relatively low. It is expected that this increase will continue. During 2002, the Baltic

countries have launched pension reforms that will lead to an increase in fund savings. Assets under management in the division amounted to approximately SEK 2.3 billion, an increase of 63 per cent. The market shares for the traditional banking products remain stable. The market shares for the three banks taken together were 33 per cent for loans and 26 per cent for deposits.

### **Continued profit improvement**

The total result of the division increased by 30 per cent, to SEK 712 M (547). The growth of the banks has been well balanced. Income increased by 7 per cent, while costs increased by 2.5 per cent. The cost increase was primarily a result of expansion in volumes and products. Accordingly, the cost/income ratio improved from 0.66 to 0.63. Net credit losses were stable, at SEK 138 M. Return on allocated capital increased, from 14 per cent to 19 per cent.

A loss of SEK 11 M from BOS Bank is included in the division's result. This negative contribution was an effect from a loss in 2001 whereas 2002 showed positive results.

### **Continued cross-servicing and high client satisfaction**

Intensive efforts have been made to improve cross-servicing and customer satisfaction within the Group. The Baltic Banks can now offer Pan-Baltic customers, one-point-of-entry solutions. During 2002 a number of such agreements were made with corporate clients.

The ATM network has been expanded and three new branch offices have been established to meet the growing demand. During the first part of 2003, Latvijas Unibanka will launch a new Internet based banking system in order to improve the service towards the clients further.

Credit as well as treasury and risk functions continue to become more integrated with the SEB Group and its policies and procedures. This has contributed to an upgraded rating for all three banks during the last months.

For the third year in a row, Vilniaus Bankas received the best bank award from Global Finance. The assessment was made on the basis of profitability, Internet banking, credit policy and service.

In Latvijas Unibanka cash collection and security services have been outsourced for increased efficiency. Similar activities are under way in Vilniaus Bankas.

BOS in Poland has an explicit strategy to increase its focus on small- and medium sized companies as well as on private individuals in order to gain market shares within these segments. BOS furthermore endeavours to increase efficiency and competence in order to improve its net result and reduce risks.

## SEB Trygg Liv

SEB Trygg Liv is one of the Nordic region's leading life insurance companies. Operations comprise insurance products within the investment and social security area for individuals and corporations. SEB Trygg Liv provides both unit-linked and traditional insurance and has slightly more than 1 million customers, mainly in Sweden.

Traditional life insurance operations are conducted in the mutual insurance companies Nya and Gamla Livförsäkringsaktiebolaget SEB Trygg Liv, which are not consolidated with the SEB Trygg Liv Group's results.

### Profit and loss account

SEK M	Jan - Dec		Change, per cent
	2002	2001	
<b>Total income</b>	<b>1 408</b>	<b>1 493</b>	<b>-6</b>
<b>Total costs</b>	<b>-1 354</b>	<b>-1 563</b>	<b>-13</b>
Result from associated companies	- 14	- 9	56
<b>Operating result *</b>	<b>40</b>	<b>- 79</b>	<b>-151</b>
Change in surplus values, net	1 303	1 241	5
<b>Result from ongoing business</b>	<b>1 343</b>	<b>1 162</b>	<b>16</b>
Change in assumptions	- 447	620	-172
Financial effects of short-term market fluctuations	-1 727	-1 199	44
<b>Total result, net</b>	<b>- 831</b>	<b>583</b>	<b>0</b>
Allocated capital, SEK M	3 900	3 900	
Return, ongoing business, %	24,8	21,5	
Number of full-time equivalents, average	779	862	

The quarterly development is presented on [www.seb.net](http://www.seb.net)

\* In the SEB Group reporting, SEB Trygg Liv is accounted for according to the same principles as associated companies – one-line accounting. Accordingly, only the operating result is consolidated in the SEB Group's accounts. More detailed information about SEB Trygg Liv can be found in "Additional information", available on [www.seb.net](http://www.seb.net).

### Improved results

The result from on-going business, SEK 1,343 M, which includes the change in surplus values, improved as a consequence of the continued shift from single-premium to the regular-premium insurance, combined with lower costs. The surplus value has been calculated in order to show more clearly the value of the total insurance written to date. However, these values are not included in the SEB Group's consolidated income statement or balance sheet. Combined, surplus values amounted to SEK 4,746 M.

The operating result also improved due to the limited decline in revenues (administration agreements, insurance fees and net interest) and substantially reduced costs as a result of continued savings measures and lower distribution payments due to lower sales. Compared with the preceding year, the average number of full-time equivalents was reduced by 83. The number of full-time equivalents at the end of December was 752.

The continued downturn in the stock markets had of course a negative effect on the total result, net.

In addition to the operating result, life insurance operations generate revenues for the SEB Group, in the form of fund management fees, distribution payments and other purchased services, in an amount of about SEK 700 M per year. Most of these revenues are accounted for in Nordic Retail & Private Banking and SEB Asset Management.



### **Improved market position**

In the declining market for life insurance, due to the downward trend in the stock market, SEB Trygg Liv improved its market position within the prioritised area of unit-linked insurance. For unit-linked insurance, the market share for new policies was 21.2 per cent (18.7). The improvement was due to an increased proportion of occupational pension business. Market share of total new insurance rose to 14.1 per cent (13.2).

Sales, measured as weighted volume, amounted to SEK 23,905 M (28,645), a decline of 17 per cent. During the fourth quarter, sales of unit-linked insurance rose 36 per cent compared with the third quarter, reflecting a significantly higher increase than the normal seasonal variation between the third and fourth quarters. The increase for traditional insurance during the same period was marginal. Unit-linked insurance accounted for 75 per cent (75) of sales in 2002.

The proportion of company-paid insurance, primarily occupational pension, rose to 74 per cent (69). This was positive, since the objective has been to strengthen company-paid business in order to generate a more long-term and less cyclical mix of the total business. During the year, efforts focused on the large companies segment was intensified and a number of agreements were signed for occupational pension solutions with Vattenfall and Skanska, among other companies. Independent insurance brokers account for about 60 per cent of sales to companies. According to the survey conducted among life insurance brokers by Marknadsindikatorn AB, SEB Trygg Liv further improved its position in comparison with competitors and holds a top position in several of the areas surveyed. During the year, SEB Trygg Liv was also named Årets Mäklardisk Liv ("Life Broker Desk of the Year") by the Swedish Insurance Brokers Association.

During the year, extensive changes were made in the sales organisation. The objective was to establish the bank assurance distribution concept more firmly through a redeployment of areas to correspond more closely to the bank structure, and to adapt the organisation to the prevailing market conditions, namely lower overall sales and an increased proportion of company business.

Premium income, that is, paid-in premiums, amounted to SEK 13,975 M (15,528), a decline of 10 per cent. Viewed separately, premium income in the fourth quarter was in line with the corresponding quarter of the preceding year, reflecting a break in the trend of declining premium income, compared with 2001. Unit-linked insurance accounts for two thirds and traditional insurance for one third of premium income. In addition to premium income, payments into Individual Pension Savings (IPS) totalled SEK 644 M (669). Premiums to premium pension savings totalled SEK 539 M (517). The offer of free repayment cover will be extended for a further year to customers who have selected SEB funds for their premium pensions.

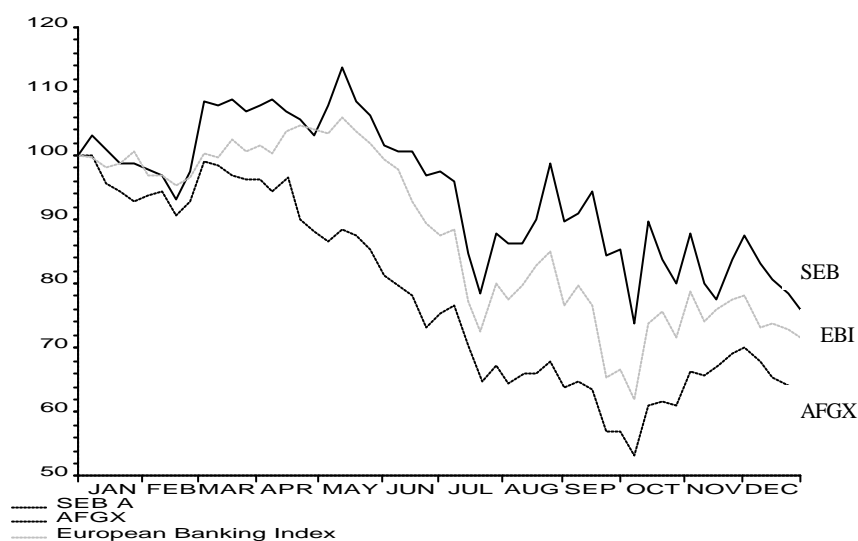
Within unit-linked insurance, it has been possible to switch between both SEB and external funds. During the fourth quarter, it was decided to give unit-linked insurance customers the opportunity also to switch insurers during the first quarter of 2003. The right to transfer traditional insurances in Nya Liv will be introduced in the beginning of 2004, at the latest. In 2001, the Trygg Foundation (representatives of the policyholders) voted no to the proposal to introduce transfer rights in Gamla Liv.

Net inflow of premiums resulted in total assets managed declining by only 7 per cent during the year, from SEK 226.6 billion to SEK 210.5 billion. During the fourth quarter, managed assets increased by 7 per cent.

Since the two mutual entities Nya and Gamla Livförsäkringsaktiebolaget are not consolidated in SEB Trygg Liv's accounts, the collective consolidation ratio, solvency quota and other key figures for these companies are shown under the "Additional information" heading on the [www.seb.net](http://www.seb.net) website.

## SEB share

SEK



## Rating

Moody's		Standard & Poor's		Fitch	
Outlook stable		Outlook stable		Outlook stable	
Short	Long-term	Short	Long-term	Short	Long-term
<b>P-1</b>	Aaa	A-1+	AAA	F1+	AAA
P-2	Aa1	A-1	AA+	<b>F1</b>	AA+
P-3	Aa2	<b>A-2</b>	AA	F2	AA
	Aa3	A-3	AA-	F3	AA-
	<b>A1</b>		A+		<b>A+</b>
	A2		A		A
	A3		<b>A-</b>		A-
	Baa1		BBB+		BBB+
	Baa2		BBB		BBB
	Baa3		BBB-		BBB-

The above table shows how the large rating agencies have rated SEB's short- and long-term borrowing. In January 2003 the rating institute Moody's upgraded the rating for SEB to A1 from A2.

## SEB's major shareholders

By the end of December 2002

	Percent of capital
Investor	19.8
Trygg Foundation	9.3
Alecta (former SPP)	2.6
AFA	1.9
SEB Funds	1.8
Wallenberg Foundations	1.6
Skandia	1.5
Foreign shareholders	21.2