

# Interim report January-June 2006

PRESS RELEASE

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## A strong quarter – operating profit SEK 3.9bn

- Operating profit for the second quarter isolated amounted to SEK 3,906m, an increase of 31 per cent compared with the corresponding quarter of 2005 and up 6 per cent from the previous quarter. Net profit for the quarter increased to SEK 2,947m.
- Operating profit for January-June 2006 increased by 34 per cent, to SEK 7,576m. Net profit rose by 35 per cent, to SEK 5,774m.
- Operating income for the first half of 2006 improved by 18 per cent compared with last year, mostly due to higher commission income within all categories.
- Operating expenses for the first half increased by 10 per cent, mainly due to performance-related costs and acquisitions. Excluding these costs, expenses rose by 4 per cent.
- Net credit losses remained low.
- Return on equity was 19.8 per cent (16.5) and earnings per share increased to SEK 8.59 (6.39). Cost/income ratio improved to 0.59 (0.63).
- Customer activity and business generation remained strong within all areas.
- SEB again received several awards, including Best Bank in Sweden by Euromoney.

## President's comments

SEB's second quarter result 2006 was the best to date, based on very strong performance by all divisions. Profit growth was particularly high within Merchant Banking and Eastern European Banking.

Strong customer business and market share gains as well as several quality awards are signs of improved customer appreciation.

Investments in growth areas as well as an overall positive business climate and high activities towards customers contributed to continued revenue growth. Declining stock markets in late spring had a limited impact on the result.

The international economic climate remains robust. However, uncertainty regarding inflation, raw material prices and increasing interest rates has brought

nervousness to the equity markets. These worries led to asset reallocation and volatility in the financial markets.

The result for January-June 2006 was significantly higher than in previous years. Nevertheless, the efforts to improve efficiency and further integrate the various operations continue. The integration of Enskilda Securities with the Bank as well as further consolidation of IT and other support functions are such examples. Delivering One SEB to customers and improving productivity are top priorities.

SEB's goal is to be leading within customer satisfaction and financial performance in terms of return on equity and profitable growth. The development so far forms a good basis for meeting future challenges and for reaching our long-term goals.

# The Group

## Second quarter isolated

### A strong quarter

SEB's *operating profit* for the second quarter amounted to SEK 3,906m (2,984), an increase of 31 per cent compared with the corresponding quarter of 2005 and 6 per cent up from the previous quarter.

*Net profit* was SEK 2,947m (2,269), an increase of 30 per cent compared with the corresponding quarter in 2005 and of 4 per cent compared with the previous quarter.

*Total operating income* amounted to SEK 9,691m (8,460), up by 15 per cent compared with the corresponding quarter of last year and slightly higher than the strong first quarter of 2006. Deposit and lending volumes increased slightly during the quarter and were approximately 10 per cent higher than 12 months ago. Margins are still low, but have been stable over the past quarters. *Net interest income* was relatively stable between the quarters, while *Net fee and commission income* increased. In comparison with the first quarter the increase mainly emanated from commissions other than capital market-related. Net sales of asset management products were strong.

*Net other income* included a capital gain of SEK 182m, but was lower than in the previous quarter.

Total operating expenses amounted to SEK 5,637m (5,284), an increase of 7 per cent compared with the corresponding quarter in 2005, but 2 per cent down from the previous quarter, mainly due to lower performance-related remuneration.

Net credit losses remained low.

## Half-yearly results

### Improved operating profit

*Operating profit* for January-June 2006 increased by 34 per cent, to SEK 7,576m (5,673). About 50 per cent of the result was generated outside Sweden.

Net profit rose by 35 per cent to SEK 5,744m (4,273).

### Income up by 18 per cent

*Total operating income* increased by 18 per cent to SEK 19,301m (16,389).

*Net interest income* rose by 3 per cent to SEK 7,174m (6,971). Lower margins were offset by increased volumes.

*Net fee and commission income* amounted to SEK 8,100m (6,248), an increase of 30 per cent compared with the corresponding period in 2005. All commission income categories increased significantly compared with last year. This was particularly evident for capital market fees.

*Net financial income* rose to SEK 2,026m (1,914). The improvement was an effect of high customer-driven business within the trading and capital markets area.

*Net life insurance income* increased to SEK 1,190m (1,114) as a result of higher unit-linked values. The half-year result

includes accrued income of SEK 165m (163) from traditional life portfolios in Denmark. The amount is placed in a "shadow account", following the local Danish legislation for traditional life insurance business. The performance level in the life portfolios determine when the amount can be paid to the shareholder's account. A complete description of SEB Trygg Liv's operations, including changes in surplus values, is found in "Additional information" on [www.sebgroup.com](http://www.sebgroup.com).

*Net other income* increased to SEK 811m (142), mainly as an effect of higher capital gains and more efficient hedges.

### Increased costs due to high activities and expansion

*Total operating expenses* amounted to SEK 11,407m (10,331), an increase of 10 per cent compared with the corresponding period of last year. The increase was mainly an effect of high business and customer activities leading to increased operating costs including higher performance-related remuneration and external distribution costs/fees. Excluding these effects and acquisitions, expenses increased by 4 per cent.

Staff costs rose by 13 per cent, to SEK 7,185m (6,356), mainly due to expansion outside Sweden and higher performance-related remuneration. Excluding the change in remunerations, staff costs rose by 6 per cent compared with last year. The average number of full time equivalents in January-June 2006 increased to 19,696 (18,760), of which 650 due to acquisitions and growth in the Eastern Europe.

*Other expenses* rose by 9 per cent, to SEK 4,100m (3,767), mainly due to increased costs for IT, marketing and distribution fees to insurance brokers. Excluding these fees other expenses rose by 5 per cent.

External IT-costs amounted to SEK 949m (885). Total IT-costs (defined as a calculated cost for all IT-related activities including costs for own personnel) were SEK 2.1bn (2.1).

### Credit losses remained low

The Group's *net credit losses*, including changes in the value of assets taken over, decreased to SEK 360m (393). The credit loss level was 0.08 per cent (0.10). Asset quality remained stable.

### Tax costs

Total tax costs amounted to SEK 1,802m (1,419). The total tax rate was 23.8 per cent (25.0). The reduced tax rate compared with last year was mainly due to improved results of business operations subject to a lower tax rate and increased non-taxable income.

The expected tax rate for 2006 is around 23 per cent, which is slightly lower than our long term estimates.

### **Strong inflow of assets under management**

As of 30 June 2006, assets under management reached SEK 1,086bn, a small decrease compared with year-end 2005 due to falling stock prices in the second quarter and partly to a weaker U.S.-dollar. Net inflow during the period was however high, at SEK 36bn (22), while the decrease in value was SEK -68bn (104). The dominating part of the net inflow emanated from Sweden and Finland. SEB's market share of net sales of mutual funds in Sweden increased to 30 per cent for the half year.

Assets under custody amounted to SEK 4,315bn, an increase of 22 per cent compared with 30 June 2005.

### **Balance sheet increase**

Due to lower securities holdings and negative currency effects total assets decreased somewhat during the second quarter. Still, the Group's total balance sheet of SEK 1,986bn as per 30 June represented an increase of 5 per cent since year-end 2005 due to growing lending and trading volumes.

### **Credit portfolio**

Total credit exposure, including contingent liabilities and derivatives contracts, amounted to SEK 1,346bn (1,328 at year-end 2005), of which loans and leasing excluding repos amounted to SEK 965bn (930). The strengthening of the Swedish krona, particularly against the U.S.-dollar, affected volume growth negatively. Lending growth was mainly related to the Nordic corporate and household sectors and the Baltic banks.

On 30 June, *impaired loans*, gross, totalled SEK 8,779m (9,101), of which SEK 7,891m (7,957) were non-performing (loans where interest and amortisation are not paid) and SEK 888m (1,144) performing loans. The reserve ratio was 79 per cent (78).

The volume of assets taken over was SEK 143m (165).

### **Market risk**

The Group's risk-taking in trading operations is measured in a Value at Risk model (VaR). During the first six months of 2006, VaR averaged SEK 98m (64). This means that the Group, on average, with 99 per cent probability, should not expect to lose more than this amount during a ten-day period.

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

As of 30 June 2006, the capital base was SEK 77.9bn (76.3 at year-end 2005). Core capital was SEK 56.0bn (53.1), of which SEK 8.0bn (8.0) constituted core capital contribution.

Total risk-weighted assets (RWA) amounted to SEK 747bn (705). This represents a continued increase in business volumes, albeit at a lower pace than during the first quarter. The weaker U.S.-dollar and euro during the second quarter also curbed RWA growth expressed in

Swedish kronor. The *core capital ratio* was 7.5 per cent (7.5) and the *total capital ratio* 10.4 per cent (10.8). Capital ratios have initially been negatively affected by changes in accounting principles. The effect will level off during the year.

### **Divestment of hedges**

The Bank has reviewed its hedging strategy and position in terms of all long-term incentive programmes and concluded that some three million shares are in excess of needs. These shares will be sold over the Stockholm Stock Exchange during 2006.

### **Investments and divestments**

In June, SEB acquired the Danish asset management company Prime Management. The acquisition is subject to the Danish Financial Supervisory Board's approval.

SEB's divestment of its 47.3 per cent holding in Bank Ochrony Środowiska (BOŚ) was finalised today, 21 July. After this, SEB's operations in Poland will comprise the wholly-owned fund management company SEB TFI, a branch and leasing operations.

In line with the Group's real estate strategy SEB has initiated a process to dispose of properties owned by its subsidiary banks in the Baltic countries. The sale of the properties, with a book value slightly below SEK 1bn, is planned for the second half of 2006 and completion in 2007.

### **Stockholm, 21 July 2006**

#### **Annika Falkengren**

*President and Chief Executive Officer*

*This Interim Report has been prepared in accordance with International Financial Reporting Standards IFRS/IAS, endorsed by the European Commission. Therefore, the interim report complies with IAS 34 Interim Financial Reporting. The accounting regulations of the Swedish Financial Supervisory Authority require some additional disclosures.*

*The same accounting policies and methods of computation as those applied to the most recent annual financial statements are applied to the interim financial statements.*

*The full report includes information on Skandinaviska Enskilda Banken AB (publ) and SEB Trygg Liv, presented in "Additional information". All information is found at [www.sebgroup.com](http://www.sebgroup.com).*

*A tax rate of 28 per cent has previously been used for return calculations for all divisions. However, from the beginning of 2006 an estimated tax rate, better reflecting a division's actual tax rate, is used. Comparative figures have been adjusted accordingly.*

**More detailed information is presented at  
www.sebgroup.com "Additional information" including:**

Appendix 1	SEB Trygg Liv
Appendix 2	Credit exposure
Appendix 3	Capital base
Appendix 4	Market risk
Appendix 5	Quarterly accounts
Appendix 6	Skandinaviska Enskilda Banken (parent company)

**Financial information during 2006**

8 February	Annual Accounts for 2005
4 April	Annual General Meeting in Stockholm
26 April	Interim Report January-March
21 July	Interim Report January-June
27 October	Interim Report January-September

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## Review Report

We have reviewed the interim report for the period 1 April, 2006 - 30 June, 2006 for Skandinaviska Enskilda Banken AB (publ). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 21 July 2006

PricewaterhouseCoopers AB

Peter Clemedtson  
Authorised Public Accountant  
Partner in charge

Göran Jacobsson  
Authorised Public Accountant

Ulf Davéus  
Authorised Public Accountant  
Appointed by the Financial Supervisory Authority

# The SEB Group

## Income statement – SEB Group

Condensed SEKm	Q2			Q1			Q2			Jan - Jun			Full year 2005
	2006	2006	%	2005	%	2006	2005	%	2006	2005	%		
Net interest income	3 578	3 596	-1	3 435	4	7 174	6 971	3	14 282				
Net fee and commission income	4 107	3 993	3	3 304	24	8 100	6 248	30	13 559				
Net financial income	1 047	979	7	1 160	-10	2 026	1 914	6	3 392				
Net life insurance income	607	583	4	582	4	1 190	1 114	7	2 352				
Net other income	352	459	-23	-21		811	142		642				
<b>Total operating income</b>	<b>9 691</b>	<b>9 610</b>	<b>1</b>	<b>8 460</b>	<b>15</b>	<b>19 301</b>	<b>16 389</b>	<b>18</b>	<b>34 227</b>				
Staff costs	-3 463	-3 722	-7	-3 243	7	-7 185	-6 356	13	-13 342				
Other expenses	-2 101	-1 999	5	-1 953	8	-4 100	-3 767	9	-8 383				
Net deferred acquisition costs	144	167	-14	106	36	311	218	43	477				
Depreciation, amortisation and impairments of tangible and intangible assets	-217	-216	0	-194	12	-433	-426	2	-901				
<b>Total operating expenses</b>	<b>-5 637</b>	<b>-5 770</b>	<b>-2</b>	<b>-5 284</b>	<b>7</b>	<b>-11 407</b>	<b>-10 331</b>	<b>10</b>	<b>-22 149</b>				
Gains less losses from tangible and intangible assets	14	28	-50	4		42	8		59				
Net credit losses incl. changes in value of seized assets	-162	-198	-18	-196	-17	-360	-393	-8	-914				
<b>Operating profit*</b>	<b>3 906</b>	<b>3 670</b>	<b>6</b>	<b>2 984</b>	<b>31</b>	<b>7 576</b>	<b>5 673</b>	<b>34</b>	<b>11 223</b>				
Income tax expense	-959	-843	14	-734	31	-1 802	-1 419	27	-2 770				
<b>Net profit from continuing operations</b>	<b>2 947</b>	<b>2 827</b>	<b>4</b>	<b>2 250</b>	<b>31</b>	<b>5 774</b>	<b>4 254</b>	<b>36</b>	<b>8 453</b>				
Discontinued operations				19	-100		19	-100	-32				
<b>Net profit</b>	<b>2 947</b>	<b>2 827</b>	<b>4</b>	<b>2 269</b>	<b>30</b>	<b>5 774</b>	<b>4 273</b>	<b>35</b>	<b>8 421</b>				
Attributable to minority interests	4	5	-20	5	-20	9	10	-10	20				
<b>Attributable to equity holders **</b>	<b>2 943</b>	<b>2 822</b>	<b>4</b>	<b>2 264</b>	<b>30</b>	<b>5 765</b>	<b>4 263</b>	<b>35</b>	<b>8 401</b>				
* SEB Trygg Liv's operating profit	295	283	4	242	22	578	413	40	933				
Change in surplus values, net	493	422	17	44		915	312	193	1 280				
SEB Trygg Liv's business result	788	705	12	286	176	1 493	725	106	2 213				
** Basic earnings per share from continuing operations, SEK	4.38	4.22		3.36		8.59	6.36		12.63				
** Diluted earnings per share from continuing operations, SEK	4.35	4.17		3.38		8.52	6.27		12.52				

## Key figures - SEB Group

	Q2	Q1	Q2	Jan - Jun		Full year
	2006	2006	2005	2006	2005	2005
Return on equity, %	20.2	19.6	17.5	19.8	16.5	15.8
Return on total assets, %	0.59	0.58	0.52	0.59	0.50	0.48
Return on risk-weighted assets, %	1.58	1.56	1.45	1.58	1.41	1.31
Basic earnings per share, SEK	4.38	4.22	3.39	8.59	6.39	12.58
Basic earnings per share from continuing operations, SEK	4.38	4.22	3.36	8.59	6.36	12.63
Basic earnings per share from discontinued operations, SEK	0.00	0.00	0.03	0.00	0.03	-0.05
Weighted average number of shares, millions*	672	670	668	671	668	668
Diluted earnings per share, SEK	4.35	4.17	3.41	8.52	6.30	12.47
Diluted earnings per share from continuing operations, SEK	4.35	4.17	3.38	8.52	6.27	12.52
Diluted earnings per share from discontinued operations, SEK	0.00	0.00	0.03	0.00	0.03	-0.05
Weighted average number of diluted shares, millions**	677	677	664	677	677	674
Cost/income ratio	0.58	0.60	0.62	0.59	0.63	0.65
Credit loss level, %	0.07	0.09	0.10	0.08	0.10	0.11
Reserve ratio for impaired loans, %	79.0	78.8	76.3	79.0	76.3	77.7
Level of impaired loans, %	0.20	0.20	0.27	0.20	0.27	0.22
Total capital ratio, incl net profit, %	10.43	10.44	9.90	10.43	9.90	10.83
Core capital ratio, incl net profit, %	7.50	7.31	7.87	7.50	7.87	7.53
Risk-weighted assets, SEK billion	747	741	648	747	648	705
Number of full time equivalents, average	19 965	19 471	18 865	19 696	18 760	18 948
Number of e-banking customers, thousands	2 443	2 380	2 135	2 443	2 135	2 233
Assets under management, SEK billion	1 086	1 176	1 012	1 086	1 012	1 118

\* Issued number of shares was 687,156,631 at year-end 2005. SEB then owned 18.4 million Class A shares for the employee stock option programme. During 2006 3.9 million of these shares have been sold as employee stock options have been exercised. Thus, as of 30 June SEB owned 14.5 million Class A-shares with a market value of SEK 2,486m.

\*\* Calculated dilution based on the estimated economic value of outstanding employee stock options.

Income statement, quarterly basis - SEB Group

SEKm	2006:2	2006:1	2005:4	2005:3	2005:2
Net interest income	3 578	3 596	3 803	3 508	3 435
Net fee and commission income	4 107	3 993	3 895	3 416	3 304
Net financial income	1 047	979	890	588	1 160
Net life insurance income	607	583	644	594	582
Net other income	352	459	305	195	- 21
<b>Total operating income</b>	<b>9 691</b>	<b>9 610</b>	<b>9 537</b>	<b>8 301</b>	<b>8 460</b>
Staff costs	-3 463	-3 722	-3 766	-3 220	-3 243
Other expenses	-2 101	-1 999	-2 904	-1 712	-1 953
Net deferred acquisition costs	144	167	199	60	106
Depreciation, amortisation and impairments of tangible and intangible assets	- 217	- 216	- 258	- 217	- 194
<b>Total operating expenses</b>	<b>-5 637</b>	<b>-5 770</b>	<b>-6 729</b>	<b>-5 089</b>	<b>-5 284</b>
Gains less losses from tangible and intangible assets	14	28	53	- 2	4
Net credit losses**	- 162	- 198	- 331	- 190	- 196
<b>Operating profit*</b>	<b>3 906</b>	<b>3 670</b>	<b>2 530</b>	<b>3 020</b>	<b>2 984</b>
Income tax expense	- 959	- 843	- 560	- 791	- 734
<b>Net profit from continuing operations</b>	<b>2 947</b>	<b>2 827</b>	<b>1 970</b>	<b>2 229</b>	<b>2 250</b>
Discontinued operations			- 50	- 1	19
<b>Net profit</b>	<b>2 947</b>	<b>2 827</b>	<b>1 920</b>	<b>2 228</b>	<b>2 269</b>
Attributable to minority interests	4	5	5	5	5
<b>Attributable to equity holders***</b>	<b>2 943</b>	<b>2 822</b>	<b>1 915</b>	<b>2 223</b>	<b>2 264</b>
* SEB Trygg Liv's operating profit	295	283	268	252	242
Change in surplus values, net	493	422	643	325	44
SEB Trygg Liv's business result	788	705	911	577	286
** Including change in value of seized assets					
*** Basic earnings per share from continuing operations, SEK*	4.38	4.22	2.94	3.33	3.36
** Diluted earnings per share from continuing operations, SEK	4.35	4.17	2.96	3.29	3.38

Income statement, by Division - SEB Group

Jan-Jun 2006, SEKm	SEB Merchant Banking	Nordic Retail & Private Banking	German Retail & Mortgage Banking	Eastern European Banking	SEB Asset Manage- ment	SEB Trygg Liv*	Other incl elimi- nations	SEB Group
Net interest income	2 455	2 297	1 333	1 145	48	-7	-97	7 174
Net fee and commission income	2 896	2 435	729	537	1 183		320	8 100
Net financial income	1 722	128	74	179	5		-82	2 026
Net life insurance income				43		1 551	-404	1 190
Net other income	362	60	201	30	7		151	811
<b>Total operating income</b>	<b>7 435</b>	<b>4 920</b>	<b>2 337</b>	<b>1 934</b>	<b>1 243</b>	<b>1 544</b>	<b>- 112</b>	<b>19 301</b>
Staff costs	-2 243	-1 517	-1 030	-500	-360	-498	-1 037	-7 185
Other expenses	-1 325	-1 443	-586	-313	-222	-756	545	-4 100
Net deferred acquisition costs				-1		312		311
Depreciation, amortisation and impairments of tangible and intangible assets	-30	-41	-121	-102	-9	-24	-106	-433
<b>Total operating expense</b>	<b>-3 598</b>	<b>-3 001</b>	<b>-1 737</b>	<b>- 916</b>	<b>- 591</b>	<b>- 966</b>	<b>- 598</b>	<b>-11 407</b>
Gains less losses from tangible and intangible assets		29	-18	31				42
Net credit losses**	-48	-83	-183	-45			-1	-360
<b>Operating profit</b>	<b>3 789</b>	<b>1 865</b>	<b>399</b>	<b>1 004</b>	<b>652</b>	<b>578</b>	<b>- 711</b>	<b>7 576</b>

\* Business result in SEB Trygg Liv amounted to SEK 1,493m (725), of which change in surplus values was net SEK 915m (312).

\*\* Including change in value of seized assets.



## SEB Merchant Banking

*This division is responsible for large and medium-sized corporations, financial institutions and commercial real estate clients.*

*It comprises customers' trading (in currencies, fixed income and equities), lending, structured finance, import and export finance, custody, cash management and corporate finance, and operates in 13 countries.*

### Profit and loss account

SEK m	Q2		Q1	Q2		Jan-Jun			Full year
	2006	2006	%	2005	%	2006	2005	%	2005
Net interest income	1 235	1 220	1	1 179	5	2 455	2 272	8	4 827
Net fee and commission income	1 462	1 434	2	1 184	23	2 896	2 125	36	4 649
Net financial income	841	881	-5	694	21	1 722	1 312	31	2 498
Net other income	191	171	12	2		362	41		181
<b>Total operating income</b>	<b>3 729</b>	<b>3 706</b>	<b>1</b>	<b>3 059</b>	<b>22</b>	<b>7 435</b>	<b>5 750</b>	<b>29</b>	<b>12 155</b>
Staff costs	-973	-1 270	-23	-1 091	-11	-2 243	-2 077	8	-4 309
Other expenses	-742	-583	27	-600	24	-1 325	-1 152	15	-2 398
Depreciation of assets	-13	-17	-24	-18	-28	-30	-36	-17	-92
<b>Total operating expenses</b>	<b>-1 728</b>	<b>-1 870</b>	<b>-8</b>	<b>-1 709</b>	<b>1</b>	<b>-3 598</b>	<b>-3 265</b>	<b>10</b>	<b>-6 799</b>
<b>Profit before credit losses etc</b>	<b>2 001</b>	<b>1 836</b>	<b>9</b>	<b>1 350</b>	<b>48</b>	<b>3 837</b>	<b>2 485</b>	<b>54</b>	<b>5 356</b>
Gains less losses on assets									1
Net credit losses	-48			-3		-48	-18	167	-24
<b>Operating profit</b>	<b>1 953</b>	<b>1 836</b>	<b>6</b>	<b>1 347</b>	<b>45</b>	<b>3 789</b>	<b>2 467</b>	<b>54</b>	<b>5 333</b>
Cost/Income ratio	0,46	0,50		0,56		0,48	0,57		0,56
Business equity, SEK bn	20,9	20,9		19,5		20,9	17,3		18,0
Return on equity, %	26,9	25,3		19,9		26,1	20,6		21,3
Number of full time equivalents, average	3 251	3 445		3 399		3 322	3 391		3 392

### High returns and strong income generation

The second quarter featured a strong all round performance by SEB Merchant Banking division. Operating profit was SEK 1,953m, 6 per cent higher than in the preceding quarter and a 45 per cent increase compared to the corresponding period in 2005. The result for the first six months of the year was 54 per cent higher than in the first half of 2005, with an operating profit of SEK 3,789m (2,467).

Net interest income was 1 per cent higher than the previous quarter and increased by 5 per cent compared with the second quarter of 2005. Lending margins were stable and credit losses remained low.

Underlying cost development within the division was stable. Operating expenses increased by 1 per cent compared with the second quarter of 2005. Total costs of SEK 3,598m for the first six months represented a 10 per cent increase over the corresponding period last year.

Total operating expenses were 8 per cent lower than in the first quarter mainly as a result of lower staff costs. Lower staff costs partly reflect the transfer of Merchant Banking IT personnel to Group IT which results in a corresponding increase in the item Other expenses. The move is in line with SEB's objective of strengthening and streamlining group-wide support functions. Provisioning for performance-based remuneration costs was lower than

in the first quarter due to a slightly different earnings mix. This included SEK 182m in non-recurring income from the sale of SEB's strategic investment in the foreign exchange trading platform and market data provider EBS Group Limited in connection with the company's acquisition by inter-dealer brokerage company ICAP plc.

Activity levels were high and income generation strong in all of the division's main markets and across all business lines, most notably within fixed income, futures and options, structured products, corporate finance and securities services.

Staff re-locations in connection with the integration of Enskilda Securities took place in London, New York and Stockholm, largely bringing to an end the administrative phase of the integration.

### Strong flows amid stock market declines and increased volatility

The second quarter, particularly the month of May, was marked by market volatility, declining share prices, deterioration in investor sentiment and increased risk aversion. Towards the end of the quarter, valuations and sentiment appeared to have stabilised.

Volatility in the markets resulted in high volumes and strong income generation in most trading and capital market products. Secondary commissions were at a high

level, though lower than the first quarter, and there was strong demand for derivative products and advisory services such as balance sheet analysis, hedging and portfolio strategies.

Sales of structured products continued at a high level throughout the quarter, particularly in Sweden and Germany. Issues were made in eight markets during the quarter, including a first issue in Finland in co-operation with SEB Gyllenberg. SEB's market share of issues registered with the Swedish central securities depository increased to 19 per cent.

SEB Enskilda Equities received a number of awards during the quarter, including first for equity research on the Nordic countries in the Thomson Extel Survey.

SEB's strength as a provider of debt financing was reflected by the Bloomberg Syndicated Loan Rankings, in which SEB was the number one bookrunner of syndicated loans in the Nordic region in the first half of the year, structuring and pricing eight syndicated loan deals for a total volume over EUR 3.6m and a 13.9 per cent market share. Among the most significant transactions was the USD 2.1bn two-stage syndication process for Preem Petroleum AB, the largest oil refining company in Sweden, where SEB acted as underwriter and mandated lead arranger.

The commercial real estate sector remained active in both Germany and the Nordic countries, with large numbers of refinancing and structured transactions. This was despite somewhat higher interest rates in Scandinavia and the eurozone as well as increased expectations that strong economic growth will require central banks to raise rates at a faster than anticipated pace. SEB expanded its activities in real estate structured financing in Finland and Norway.

SEB Finans established a leasing company in Warsaw for local and international corporates in order to take advantage of the rapidly growing leasing market in Poland.

Företagsinvest, SEB's venture capital arm, undertook successful capital raisings on behalf of Neovanta Medical and Scibase.

LBO activity continued at a high level, boosted by significant availability of capital.

### **Nordic leadership in corporate finance**

The Nordic region has been one of the most active areas for IPOs, mergers and acquisitions in the past year and this continued during the second quarter, especially in Norway. SEB Enskilda Corporate Finance confirmed its market leading position, advising on 31 M&A transactions in the Nordic countries in the first half of 2006, more than any other investment bank. Notable transactions include the acquisition of Gambro by Indap where SEB advised the acquirer, owned 51 per cent by private equity firm EQT and 49 per cent by Investor AB. SEB Corporate Finance also advised on the spin-off and subsequent introduction to the Stockholm stock exchange of the Electrolux outdoor products division Husqvarna as well as the acquisition by Saab of Ericsson Microwave Systems where SEB was advisor to Saab.

### **Higher profitability in transaction services**

The trend among companies in the Nordic-Baltic region towards fewer cash management suppliers continued to benefit SEB, which has seen increased business flows and clear gains in market share, especially among larger corporates and institutions for which integrated regional solutions are a priority. For the third year in succession, Euromoney ranked SEB the best bank for cash management in the Nordic and Baltic region.

The custody and clearing business continued to perform strongly. Reduced stock market valuations meant assets under custody declined slightly to SEK 4,315bn, nevertheless this represented an increase of 22 per cent compared with 30 June 2005. Transactions reached extremely high levels, peaking at over 100,000 per day during May. Increased operational efficiency and straight-through processing has allowed the large increase in volumes to be processed with existing resources, thus counteracting margin pressure.

Assets administered by the Luxembourg-based fund services unit, now in its second year of operation, reached SEK 14.5bn reflecting inflow of new funds and clients.

**N.B.** Following the integration of Enskilda Securities with Merchant Banking, the financial result of the former Enskilda Securities businesses has been combined with the result of the other parts of SEB Merchant Banking, reflecting the new organisational structure.

## Nordic Retail & Private Banking

This division serves 1.5 million private customers and 136,000 small and medium-sized companies, of which more than half uses the Internet services of the Bank. The majority of the customers are found in Sweden. In the Nordic area SEB has a total of 3 million charge, credit and bank cards. The business areas of the division are Retail Banking, Private Banking and SEB Kort (cards). In Sweden, SEB has approximately 200 branch offices and offers service around the clock via the Internet and by telephone. Private Banking is an asset manager for 14,000 private customers, foundations and companies in Sweden and also for customers in a number of places in Europe and Singapore.

### Profit and loss account

SEK m	Q2		Q1		Q2		Jan-Jun			Full year
	2006	2006	%	2005	%	2006	2005	%	2005	
Net interest income	1 172	1 125	4	1 108	6	2 297	2 191	5	4 558	
Net fee and commission income	1 224	1 211	1	1 054	16	2 435	2 057	18	4 437	
Net financial income	73	55	33	34	115	128	77	66	200	
Net other income	34	26	31	25	36	60	41	46	71	
<b>Total operating income</b>	<b>2 503</b>	<b>2 417</b>	<b>4</b>	<b>2 221</b>	<b>13</b>	<b>4 920</b>	<b>4 366</b>	<b>13</b>	<b>9 266</b>	
Staff costs	-770	-747	3	-723	7	-1 517	-1 428	6	-3 032	
Other expenses	-739	-704	5	-662	12	-1 443	-1 305	11	-2 691	
Depreciation of assets	-24	-17	41	-10	140	-41	-26	58	-53	
<b>Total operating expenses</b>	<b>-1 533</b>	<b>-1 468</b>	<b>4</b>	<b>-1 395</b>	<b>10</b>	<b>-3 001</b>	<b>-2 759</b>	<b>9</b>	<b>-5 776</b>	
<b>Profit before credit losses etc</b>	<b>970</b>	<b>949</b>	<b>2</b>	<b>826</b>	<b>17</b>	<b>1 919</b>	<b>1 607</b>	<b>19</b>	<b>3 490</b>	
Gains less losses on assets		29	-100			29			1	
Net credit losses	-28	-55	-49	-44	-36	-83	-96	-14	-192	
<b>Operating profit</b>	<b>942</b>	<b>923</b>	<b>2</b>	<b>782</b>	<b>20</b>	<b>1 865</b>	<b>1 511</b>	<b>23</b>	<b>3 299</b>	
Cost/Income ratio	0,61	0,61		0,63		0,61	0,63		0,62	
Business equity, SEK bn	13,6	13,6		13,3		13,6	11,7		12,2	
Return on equity, %	19,9	19,5		16,9		19,7	18,6		19,5	
Number of full time equivalents, average	4 835	4 719		4 674		4 735	4 627		4 657	

#### Strong quarter due to successful sales

The period April-June 2006 was the division's second-strongest quarter so far. Compared with the preceding quarter the result increased by 2 per cent, to SEK 942m, primarily due to a continued positive income trend. Intensified sales activities led to a strong development of such product areas as mortgage loans, cards and equity-linked bonds.

The result improvement for the first six months of the year compared with the corresponding period of last year was also due to increased sales, in combination with the stock market trend during the early part of the year. The division's result was up by 23 per cent, to SEK 1,865m (1,511).

Total lending volumes increased by 20 per cent, to SEK 265bn (221), of which SEK 185bn (160) consisted of mortgage loans. Despite continued fierce competition the division was able to keep its market share of mortgage loans to private individuals. The pressure on margins continued, albeit at a slower rate than last year. The margin gap between stock and new sales has dropped somewhat since the beginning of 2005.

By the end of June 2006, total deposit volumes were SEK 159bn (133), of which SEK 133bn were in Sweden. According to *Sparbarometern* (Savings Barometer), SEB's

share of total household savings was unchanged at 12.7 per cent at the end of March, whereas its share of deposits rose a little.

In June, SEB increased the interest rates on most savings accounts. SEB is also the only major bank in Sweden offering interest rates on transaction accounts. At the same time the Bank made its Special Account available for all customers without the previous requirement of a minimum business volume. This account offers a very attractive rate of interest and has no withdrawal restrictions.

Costs rose by 9 per cent, mainly due to earlier acquisitions in Norway and Denmark and new branch offices in these countries, intensified marketing and increased volumes of cards.

Credit losses remained low.

#### High activity within Retail Banking

Retail Banking's result improved by 6 per cent, to SEK 550m compared with the preceding quarter. This was due to strong sales in both the private and corporate markets.

Growth of mortgage loans, equity-linked bonds and other securities as well as increased deposits were other factors behind the result improvement of 30 per cent, to

SEK 1,072m (826), during the first half-year compared with the corresponding period of last year.

The focus on small and medium-sized companies continued and approximately 2,000 new corporate customers were added in total during the second quarter. Corporate lending increased, too. Corporate customers ranked SEB as number one in the field of electronic services and for high quality of advisory services and product range in the magazine *Affärsvärldens Finansbarometer*.

The successful consumer credit drive that was started at the end of 2004 in the form of 'Enkla lånet' continued. Compared with the corresponding period of last year the total volume increased by 61 per cent, to more than SEK 8bn. 'Enkla lånet' has been successfully launched in Norway, too.

At the end of April SEB inaugurated a new branch office in Oslo and yet another is planned to be opened this year in Norway, where SEB has been appointed Best Bank in several surveys. In Sweden, SEB opens five new branch offices in 2006.

#### **Private Banking – new customers and business**

As a result of the downturn of the stock market during the spring Private Banking's result dropped by 14 per cent compared with the preceding quarter, excluding a positive one-off effect of SEK 28m in the first quarter.

Compared with the first six months of 2005 the result improved by 50 per cent, to SEK 427m (285). All the units of the business area reported increased income.

On 30 June, assets under management totalled SEK 268bn (222) and the business area managed to keep up the volume of the preceding quarter in spite of the stock market downturn. New volumes net amounted to SEK 7.7bn during the second quarter and the number of customers continued to grow. Private Banking increased its market share of assets under management in Sweden and Denmark.

In June, Private Banking acquired Prime Management in Denmark, the activities of which are not included in the result for the first six months of the year. This acquisition, which is subject to the Danish Financial Supervisory Board's approval, is not expected to have any effect on the division's result for 2006.

The planning process for starting private banking activities in Poland is under way, expected to lead to a launch before the end of the year.

Customer satisfaction within the business area remained high.

#### **SEB Kort – increased card turnover and new customers**

SEB Kort's result was SEK 206m, an improvement by 29 per cent compared with the preceding quarter. This was mainly due to increased card turnover following intensified sales activities and seasonal variations in corporate and private travel.

Card turnover increased compared with the first half of 2005, too, which contributed to an improvement of 3 per cent of SEB Kort's income for the period January-June 2006. Costs increased somewhat more, mainly due to intensified marketing and sales activities as well as strategic drives in the Baltic countries. In addition, last year's result was positively affected by a minor capital gain. Thereby, the result for the first six months of the year was SEK 366m (400).

Since year-end 2005, the number of card customers has increased by approximately 100,000 thanks to stronger distribution and sales efforts through SEB's network of branch offices and focused efforts on existing markets. Several new, major agreements with customers have been entered into during the period.

The Maestro Card is now offered free of charge to customers between 13 and 21 years of age.

SEB Kort in Norway has introduced an electronic gift voucher in co-operation with MasterCard, 'Mastercard Gavekort'. This card is ordered via the Internet where it may be loaded with an optional gift amount of between NOK 200 and 5,000. The card has won "The Best of MasterCard European Prepaid, 2006" award.

## SEB in Germany (SEB AG Group)

The SEB AG Group comprises SEB's operations in Germany: the German Retail & Mortgage Banking division, Merchant Banking Germany and Asset Management Germany.

### Profit and loss account

SEK m	Q2			Q1		Q2		Jan - Jun			Full year 2005
	2006	2006	%	2005	%	2006	2005	%			
Net interest income	833	921	-10	985	-15	1 754	2 042	-14	4 094		
Net fee and commission income	622	626	-1	534	16	1 248	1 063	17	2 167		
Net financial income	98	23		246	-60	121	122	-1	-32		
Net other income	77	125	-38	-118	-165	202	-37		240		
<b>Total operating income</b>	<b>1 630</b>	<b>1 695</b>	<b>-4</b>	<b>1 647</b>	<b>-1</b>	<b>3 325</b>	<b>3 190</b>	<b>4</b>	<b>6 469</b>		
Staff costs	-639	-643	-1	-612	4	-1 282	-1 223	5	-2 502		
Other expenses	-433	-444	-2	-478	-9	-877	-909	-4	-1 893		
Depreciation of assets	-68	-61	11	-72	-6	-129	-144	-10	-301		
<b>Total operating expenses</b>	<b>-1 140</b>	<b>-1 148</b>	<b>-1</b>	<b>-1 162</b>	<b>-2</b>	<b>-2 288</b>	<b>-2 276</b>	<b>1</b>	<b>-4 696</b>		
<b>Profit before credit losses etc</b>	<b>490</b>	<b>547</b>	<b>-10</b>	<b>485</b>	<b>1</b>	<b>1 037</b>	<b>914</b>	<b>13</b>	<b>1 773</b>		
Gains less losses on assets		-18	-100			-18			-5		
Net credit losses	-86	-113	-24	-157	-45	-199	-289	-31	-593		
<b>Operating profit</b>	<b>404</b>	<b>416</b>	<b>-3</b>	<b>328</b>	<b>23</b>	<b>820</b>	<b>625</b>	<b>31</b>	<b>1 175</b>		
Cost/Income ratio	0,70	0,68		0,71		0,69	0,71		0,73		
Business equity, SEK bn	12,7	12,7		12,1		12,7	12,0		12,2		
Return on equity, %	10,2	10,5		8,7		10,4	8,3		7,7		
Number of full time equivalents, average	3 397	3 382		3 413		3 391	3 404		3 388		

#### Strong net commission income, improved asset quality

The operating profit for SEB's entire operations in Germany was SEK 404m in the second quarter, slightly down compared with the first three months of 2006. Compared with the corresponding quarter of 2005 operating profit was up by 23 per cent. The moderate development on a quarterly basis was mainly due to lower net interest income following hedging measures and efforts to reduce the interest risk in the treasury portfolio in light of rising interest rates. These measures had an impact on the German Retail & Mortgage Banking division's result, too. Net commission income almost reached the high level at the start of the year. Total costs remained stable and net credit losses were substantially lower.

The half-yearly result improved by 31 per cent, driven by strong growth in net commission income and reduced net credit losses.

Retail business continued to develop favourably in the second quarter. The initiatives to enhance sales and improve profitability launched last autumn continued to yield positive results. The securities business remained highly active. The consumer loan business was strong, supported by further improved consumer climate; sales of life insurance products were up, too.

The positive trend within Merchant Banking continued and operating profit grew strongly. The ongoing positive development in this business area was driven by extensive

sales of structured products in combination with stock lending. Due to investments in new product areas, costs increased slightly.

Commercial Real Estate continued its cautious business expansion. In connection with new business deals Commercial Real Estate is concentrating on improving capital efficiency and profitability. Some measures are already yielding results. The substantially lower net credit loss level reflects the finalised restructuring of the portfolio of the former SEB Hypothekenbank, related to the integration with SEB AG.

The operating profit of Asset Management (including ImmoInvest) was stable in the first half of 2006 compared with the corresponding period of last year, despite the outflow of real estate fund volumes at the beginning of the year. In the second quarter of 2006 ImmoInvest recorded a substantial net inflow, which led to an increase of this fund's market share to 7 per cent (6.5 at year-end).

#### Focus on efficiency and profitability

After the favourable development of all major business areas, driven by top line growth and improved asset quality, SEB AG continues to focus on efficiency measures in all areas.

*N.B. As in the first quarter, the tax rate is set 20 per cent to better reflect the actual tax rate. Current tax rate is below 10 per cent.*

## German Retail & Mortgage Banking

This division serves one million private individuals, of whom 246,000 use the bank's Internet services, real estate companies throughout Germany and large real estate clients. Customers are able to access its services through 175 branches, more than 2,000 ATMs, via cash-pooling with allied banks, an Internet platform and telephone banking. Since 2006 SEB ImmoInvest, previously reported under the German Retail & Mortgage Banking, is now consolidated with SEB Asset Management.

### Profit and loss account

SEK m, 2005 restated	Q2			Q1			Q2			Jan - Jun			Full year 2005
	2006	2006	%	2005	%	2005	%	2006	2005	%			
Net interest income	631	702	-10	791	-20	1 333	1 625	-18	3 180				
Net fee and commission income	361	368	-2	261	38	729	546	34	1 128				
Net financial income	83	-9		203	-59	74	121	-39	74				
Net other income	79	122	-35	-122	-165	201	-45		224				
<b>Total operating income</b>	<b>1 154</b>	<b>1 183</b>	<b>-2</b>	<b>1 133</b>	<b>2</b>	<b>2 337</b>	<b>2 247</b>	<b>4</b>	<b>4 606</b>				
Staff costs	-515	-515		-487	6	-1 030	-974	6	-1 978				
Other expenses	-291	-295	-1	-332	-12	-586	-639	-8	-1 294				
Depreciation of assets	-64	-57	12	-68	-6	-121	-136	-11	-279				
<b>Total operating expenses</b>	<b>-870</b>	<b>-867</b>	<b>0</b>	<b>-887</b>	<b>-2</b>	<b>-1 737</b>	<b>-1 749</b>	<b>-1</b>	<b>-3 551</b>				
<b>Profit before credit losses etc</b>	<b>284</b>	<b>316</b>	<b>-10</b>	<b>246</b>	<b>15</b>	<b>600</b>	<b>498</b>	<b>20</b>	<b>1 055</b>				
Gains less losses on assets		-18	-100			-18			-5				
Net credit losses	-72	-111	-35	-137	-47	-183	-261	-30	-561				
<b>Operating profit</b>	<b>212</b>	<b>187</b>	<b>13</b>	<b>109</b>	<b>94</b>	<b>399</b>	<b>237</b>	<b>68</b>	<b>489</b>				
Cost/Income ratio	0,75	0,73		0,78		0,74	0,78		0,77				
Business equity, SEK bn	9,4	9,4		9,8		9,4	9,7		9,9				
Return on equity, %	7,2	6,4		3,6		6,8	3,9		4,0				
Number of full time equivalents, average	2 908	2 869		2 869		2 894	2 859		2 870				

### Growth trend confirmed by Retail

The division's operating profit for the second quarter amounted to SEK 212m, 13 per cent up on the first three months of 2006 and almost twice as good as the corresponding quarter of 2005. The half-yearly profit before losses was up by 20 per cent, despite the negative effect on net interest income of the risk reduction in the treasury portfolio to counter rising interest rates. Including net credit losses, the operating result improved by 68 per cent. The reduction of net credit losses reflects the successful measures over the last two years to improve asset quality in the retail and real estate credit portfolio.

Increased cross-selling efforts to gain new clients within Retail continued to yield results. The securities business developed strongly in the first half of 2006. Sales of consumer loans and life insurance products were clearly higher than in 2005, too. The volume of new housing loans reached SEK 3.6bn in the first six months of 2006, an increase of 44 per cent compared to the corresponding period of last year. Total lending and deposit volumes were stable at SEK 84bn and SEK 35bn, respectively.

Gross sales of funds increased by 7 per cent in the first half of 2006 on a yearly basis. On 30 June, assets under

management totalled SEK 159bn, up by 1bn compared to 31 March and by 4bn from year-end 2005.

Following intensified activities Retail developed positively in the first six months of 2006. Operating income increased by 11 per cent and net commission income by 21 per cent compared with the first half of 2005.

As part of its growth strategy German Retail started a repositioning in the second quarter. Using the positive image of Sweden in Germany the bank is stressing its heritage. SEB Retail in Germany aims to create its own profile in the highly competitive German market in order to attract new customers. All branch offices received a face-lift, with a new and modern design, in just ten weeks. On 23 June, SEB Retail celebrated "midsommar" with customers and prospects in all branches, accompanied by extensive PR and media activities. Through this campaign Retail managed to increase sales and gain 3,500 new customers in a period of three days.

The profitability of the division in the first half of 2006 showed significant improvement compared to the full year of 2005 and return on equity increased to 6.8 per cent.

*N.B. As in the first quarter, the tax rate is set at 20 per cent to better reflect the medium-term tax rate. Current tax rate is below 10 per cent.*

# Eastern European Banking

This division comprises three Baltic banks - SEB Eesti Ühispank (Estonia), SEB Unibanka (Latvia) and SEB Vilniaus Bankas (Lithuania) - SEB Bank in Ukraine (formerly Bank Agio) and PetroEnergoBank in Russia. The Baltic banks serve 2.4 million customers (of whom more than half use the internet services) via some 200 branch offices and Internet banks. SEB's mutual fund company in Poland, SEB TFI, and a leasing company in Russia also form part of the division.

## Profit and loss account

SEK m	Q2		Q1		Q2		Jan - Jun			Full year
	2006	2006	%	2005	%	2006	2005	%	2005	
Net interest income	613	532	15	430	43	1 145	845	36	1 767	
Net fee and commission income	273	264	3	218	25	537	411	31	935	
Net financial income	94	85	11	78	21	179	141	27	314	
Net life insurance income	16	27	-41	9	78	43	19	126	49	
Net other income	15	15		29	-48	30	50	-40	85	
<b>Total operating income</b>	<b>1 011</b>	<b>923</b>	<b>10</b>	<b>764</b>	<b>32</b>	<b>1 934</b>	<b>1 466</b>	<b>32</b>	<b>3 150</b>	
Staff costs	-260	-240	8	-206	26	-500	-390	28	-858	
Other expenses	-149	-164	-9	-164	-9	-313	-292	7	-608	
Net Deferred Acquisition Costs		-1	-100			-1				
Depreciation of assets	-49	-53	-8	-52	-6	-102	-101	1	-207	
<b>Total operating expenses</b>	<b>-458</b>	<b>-458</b>		<b>-422</b>	<b>9</b>	<b>-916</b>	<b>-783</b>	<b>17</b>	<b>-1 673</b>	
<b>Profit before credit losses etc</b>	<b>553</b>	<b>465</b>	<b>19</b>	<b>342</b>	<b>62</b>	<b>1 018</b>	<b>683</b>	<b>49</b>	<b>1 477</b>	
Gains less losses on assets	14	17	-18	4		31	6		63	
Net credit losses	-13	-32	-59	-13		-45	-20	125	-139	
<b>Operating profit</b>	<b>554</b>	<b>450</b>	<b>23</b>	<b>333</b>	<b>66</b>	<b>1 004</b>	<b>669</b>	<b>50</b>	<b>1 401</b>	
Cost/Income ratio	0,45	0,50		0,55		0,47	0,53		0,53	
Business equity, SEK bn	7,5	7,5		5,5		7,5	4,4		4,8	
Return on equity, %	25,1	20,4		20,6		22,8	25,7		24,8	
Number of full time equivalents, average	5 366	5 142		4 695		5 254	4 645		4 787	

### Continued profit growth

Operating profit in the second quarter was SEK 554m, up by 23 per cent from the previous quarter and by 66 per cent compared with the second quarter of last year.

Operating profit for the first half of 2006 was more than SEK 1bn - compared to SEK 1.1bn for the full year 2004.

Total operating income rose by 32 per cent compared with the corresponding period last year as a result of continued strong volume development and increased business activities. Net interest income rose by 36 per cent. Net interest margins continued to stabilise during the second quarter.

Commission income grew by 31 per cent, mainly due to increased commissions from cards, payments, and lending.

Total operating expenses increased by 17 per cent due to scaling of resources to support business volume growth, the impact of acquired businesses – Balta Life in Latvia and PetroEnergoBank in Russia – and inflation. Credit losses were SEK 45m (20) and asset quality was stable.

### Strong volume growth

The division's total gross loan portfolio reached SEK 91bn, an increase of 20 per cent since the end of 2005. Deposits rose by 6 per cent, to SEK 53bn. Assets under management increased by 3 per cent, to SEK 11bn.

### Ongoing development

The acquisition of PetroEnergoBank in Russia, which was completed at the end of April 2006, gave a small positive contribution to operating profit in May and June. In Ukraine, SEB's subsidiary Bank Agio, changed its legal name to SEB Bank as a first stage in the rebranding process which will be finalised during the third quarter.

In line with the Group's real estate strategy SEB has initiated a process to dispose of properties owned by its Baltic subsidiary banks in Estonia, Latvia and Lithuania. The sale of the properties is planned for the second half of 2006 and completion in 2007.

*N.B. As in the first quarter, the tax rate for the division is set at 15 per cent in order to better reflect the actual tax rates in the EEB countries.*

# SEB Asset Management

SEB Asset Management offers a full spectrum of investment management services to institutions, life insurance companies and private individuals. The offering includes equity and fixed income management, private equity, real estate and hedge funds. The division has offices in Copenhagen, Helsinki, Oslo, Frankfurt, Luxembourg and Stockholm. The staff includes some 150 portfolio managers and analysts.

## Profit and loss account

SEK m, 2005 restated	Q2		Q1	Q2		Jan - Jun			Full year
	2006	2006	%	2005	%	2006	2005	%	2005
Net interest income	24	24		21	14	48	40	20	85
Net fee and commission income	620	563	10	483	28	1 183	917	29	2 110
Net financial income	4	1		8	-50	5	11	-55	17
Net other income	3	4	-25	10	-70	7	12	-42	21
<b>Total operating income</b>	<b>651</b>	<b>592</b>	<b>10</b>	<b>522</b>	<b>25</b>	<b>1 243</b>	<b>980</b>	<b>27</b>	<b>2 233</b>
Staff costs	-196	-164	20	-151	30	-360	-294	22	-656
Other expenses	-115	-107	7	-120	-4	-222	-226	-2	-493
Depreciation of assets	-5	-4	25	-4	25	-9	-9		-24
<b>Total operating expenses</b>	<b>-316</b>	<b>-275</b>	<b>15</b>	<b>-275</b>	<b>15</b>	<b>-591</b>	<b>-529</b>	<b>12</b>	<b>-1 173</b>
<b>Operating profit</b>	<b>335</b>	<b>317</b>	<b>6</b>	<b>247</b>	<b>36</b>	<b>652</b>	<b>451</b>	<b>45</b>	<b>1 060</b>
Cost/Income ratio	0,49	0,46		0,53		0,48	0,54		0,53
Business equity, SEK bn	2,0	2,0		1,8		2,0	1,8		1,8
Return on equity, %	48,2	45,6		39,5		46,9	36,1		42,4
Number of full time equivalents, average	595	581		543		586	542		549

### Financially strong quarter with high performance fees

During the second quarter of 2006 the division generated an operating profit of SEK 335m (247), which is 36 per cent higher than in the corresponding quarter of last year. Total income increased by 25 per cent, both due to strong volume growth and higher performance fees. Performance fees amounted to SEK 108m (41) in the second quarter. Costs rose by 15 per cent compared to 2005, due to an increase in number of staff and variable remuneration.

Compared with the previous quarter the operating profit increased by 6 per cent, mainly due to accrual of performance fees. Operating income and profits excluding performance fees declined, following the lower volumes. Costs rose by 15 percent compared to the first quarter, mainly as a result of increased provisions for variable remuneration.

Operating profit for the first half increased by 45 per cent, to SEK 652m compared with the corresponding period of 2005. Cost/income ratio for the period was 0.48.

### Strong net sales – despite turbulent stock markets

Net sales continued to be strong during the second quarter despite the turbulent stock markets. Both retail and institutional sales have been healthy. Aggregate net sales for 2006 amounted to SEK 28.1bn (16.3).

The Swedish mutual funds market was weak during the second quarter as many retail clients sold off equity investments. SEB's net sales of its own mutual funds in Sweden were SEK 13.0bn (5.5) so far this year, compared with a total market of SEK 44bn (43). This represents a

29.6 per cent (13.0) market share of net sales and corresponds to a number one position.

### Assets under management fell back from all-time-high

The division's total assets under management decreased by 4 per cent during the second quarter, following the downturn of the stock markets. Strong net sales during the quarter counteracted this to a certain extent. Total assets under management were SEK 845bn (767) at the end of the period. Real estate constitutes 8 per cent of assets under management, equities 40 per cent (38) and fixed income 49 per cent (51). Total mutual funds, including third-party mutual funds, maintained their share of the division's assets under management and represented 47 per cent (44) of the total, corresponding to SEK 401bn (340), of which SEK 253bn (207) in Sweden.

### Investment performance, rating and products

The division's aggregated investment performance continued to do well during the second quarter. Calculated from the beginning of the year 62 per cent of assets under management have performed better than their respective indices. The average Morningstar rating for the division's funds remained at 3.3, the same level as in the first quarter and year-end 2005.

Several senior recruitments were made during the second quarter to enhance the investment management organisation. The division's newly started Norwegian entity also launched its first product in June – a Nordic equity hedge fund mainly aimed at institutional investors.



# SEB Trygg Liv

SEB Trygg Liv is one of the leading life insurance groups in the Nordic region. 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. The division operates in Sweden, Denmark, Finland, Ireland, the UK and Luxembourg and serves 1.5 million customers. The SEB Group also has life insurance operations in Estonia, Latvia and Lithuania.

The traditional life insurance operations in Sweden are conducted in the mutually operated insurance companies Nya and Gamla Livförsäkringsaktiebolaget, which are not consolidated with the division's results.

## Profit and loss account

SEK m	Q2			Q1		Q2			Jan - Jun			Full year 2005
	2006	2006	%	2005	%	2006	2005	%	2006	2005	%	
Net interest income	-4	-3	33	3		-7	7	-200				9
Net life insurance income	790	761	4	706	12	1 551	1 364	14				2 857
<b>Total operating income</b>	<b>786</b>	<b>758</b>	<b>4</b>	<b>709</b>	<b>11</b>	<b>1 544</b>	<b>1 371</b>	<b>13</b>				<b>2 866</b>
Staff costs	-259	-239	8	-240	8	-498	-469	6				-952
Other expenses	-364	-392	-7	-318	14	-756	-685	10				-1 405
Net Deferred Acquisition Costs	144	168	-14	105	37	312	217	44				477
Depreciation of assets	-12	-12		-14	-14	-24	-21	14				-53
<b>Total operating expenses</b>	<b>-491</b>	<b>-475</b>	<b>3</b>	<b>-467</b>	<b>5</b>	<b>-966</b>	<b>-958</b>	<b>1</b>				<b>-1 933</b>
<b>Operating profit</b>	<b>295</b>	<b>283</b>	<b>4</b>	<b>242</b>	<b>22</b>	<b>578</b>	<b>413</b>	<b>40</b>				<b>933</b>
Change in surplus values, net	493	422	17	44		915	312	193				1 280
<b>Business result</b>	<b>788</b>	<b>705</b>	<b>12</b>	<b>286</b>	<b>176</b>	<b>1 493</b>	<b>725</b>	<b>106</b>				<b>2 213</b>
Change in assumptions							-39	-100				
Financial effects of short-term market fluctuations	-852	548		703		-304	926	-133				1 651
<b>Total result</b>	<b>-64</b>	<b>1 253</b>	<b>-105</b>	<b>989</b>	<b>-106</b>	<b>1 189</b>	<b>1 612</b>	<b>-26</b>				<b>3 864</b>
Cost/Income ratio	0,62	0,63		0,66		0,63	0,70					0,67
Business equity, SEK bn	7,0	7,0		7,4		7,0	7,4					7,2
Return on equity, %												
based on operating profit	14,8	14,2		11,5		14,5	9,8					11,4
based on business result	39,6	35,5		13,6		37,5	17,2					27,0
Number of full time equivalents, average	1 074	1 069		1 095		1 073	1 104					1 089

### Stable profit trend

The second-quarterly result of SEK 295m exceeded that of previous quarters, once again. The turbulent and downward trend in the stock markets had a negative effect on income growth during the second quarter. Policyholders switched to lower risk and lower margin fund alternatives. Other areas improved during the quarter, such as sickness insurance and return on shareholders' equity funds. Operating expenses were slightly higher due to increased sales, a slightly higher number of employees and one-off expenses related to a staff reduction programme. Continued high premium payments and lower surrenders of existing policies compared to last year contributed to a moderate decrease in unit-linked fund values during the second quarter. The total value of unit-linked funds for the division was SEK 103bn compared with SEK 96bn at year-end, an increase of 7 per cent, despite the decrease during the second quarter. Net assets under management were SEK 363bn compared with SEK 367bn at year-end.

The half-yearly result was SEK 578m (413), an increase of 40 per cent. The improvement was due to strong sales, an upward trend in the world stock markets and a high proportion of equity-related unit funds chosen by policyholders. During the first half-year, the division's total income amounted to SEK 1,544m (1,371), an increase of 13 per cent. The increase for the unit-linked business was 33 per cent compared with the first half of last year. Total operating expenses were SEK 966m (958). The focus on operational excellence continues as a means for establishing a long-term sustainable cost-base. The separation from the former owner of SEB Pension in Denmark has now been completed.

### High sales volumes

During the first half-year total sales, measured as weighted volume, increased by 15 per cent, to SEK 24.0bn (20.8). Unit-linked products represented almost 90 per cent of total sales. In Sweden, the sales volume increased by 2 per cent.

Last year's important sales of "Kapitalpension" was down by 40 per cent, as expected, while the volume of regular endowment policies increased by 30 per cent. Also corporate pension picked up and represented 67 per cent (58) of total sales. In Denmark, total sales increased by 87 per cent compared to last year and the sale of unit-linked was up by 131 per cent. Also here corporate pension is the main growth area representing 77 per cent (70) of new business. However, there was also an increase in transfers out, even if the net effect was positive. The Danish market has full transfer rights, including existing business and transfers are normally an effect of corporations changing pension supplier.

Market statistics in Sweden per 31 March, covering the last twelve months, showed a market share for new unit-linked business of 30.6 per cent (34.5). SEB Trygg Liv maintained its leading position within unit-linked, despite increased competition from new entrants, and its position as the second-largest player in the total market (i.e. including traditional life), with a market share of 19.5 per cent (20.5).

Total premium income (premiums paid) for the division increased by 11 per cent, to SEK 15,681m (14,078) during the first half-year. The main increase was related to unit-linked, including an increase in Denmark of SEK 420m, or 95 per cent. In total, premium income in Denmark increased by 22 per cent.

#### **Improved results in each market**

The profit trend in *Sweden* compared to last year was strong with increasing income from unit-linked business and a stable level of operating expenses. During the second quarter the income growth from unit-linked flattened compared to previous quarters. This was due to the downturn in the stock markets and to a switch to lower risk funds by policyholders. The relatively high outflow level from surrenders in endowment policies noted in 2005 dropped to a normal level. The sale of private pension products decreased, for example "Kapitalpension", while the volume of corporate pension showed a corresponding increase. The volume of collective occupational pension sold through the bank channel increased by 20 per cent. The volume of the new unit-linked product with a guarantee is beginning to rise. The result for sickness insurance was positive, with a continued low level of claims. The volume of transfers from SalusAnsvar Life Insurance, in accordance with the agreement from 2005, has exceeded expectations.

In *Denmark*, operating profit improved during the second quarter after having suffered from rising interest rates during the first quarter, which led to a negative return on the shareholders' equity fund. The profit trend from the growing unit-linked business was positive, although moderate. The traditional profit-sharing business will continue to be the most important source of profit for a considerable time yet. The result for sickness insurance, showing significant deficits during the previous two years, is improving according to plan. The expense level was stable compared to the previous two quarters, with an increase in commissions due to volume growth largely compensated by lower costs in other areas.

The *International* business, with subsidiaries in England and Ireland, showed operating profits significantly higher than last year. This was a result of higher income, primarily from growth in unit-linked fund values. Premium income increased by 7 per cent compared to last year.

New business margin during the first half-year, excluding SEB Pension, was 25 per cent compared with 22 per cent for the full year of 2005.

The business result (including changes in surplus values) amounted to SEK 1,493m (725). The improvement was due to a higher value of new business and to a decrease in surrenders, which caused negative deviations from assumptions during the first half of 2005. Surplus values for the Danish unit-linked business are included as from the fourth quarter of 2005. The surplus values are not included in the SEB Group's profit and loss account and balance sheet. For details, see Additional Information at [www.sebgroup.com](http://www.sebgroup.com).

#### **Traditional life insurance in Sweden**

In Sweden, traditional life insurance is conducted in two mutually operated companies, whose results are not consolidated with SEB Trygg Liv. This means that the policyholders are carrying the result and investment risk.

The total return for Gamla Livförsäkringsaktiebolaget was 2 per cent and the collective consolidation ratio 115 per cent for the first half-year of 2006. For Nya Livförsäkringsaktiebolaget the total return was -4 per cent and the collective consolidation ratio 96 per cent. For more facts concerning these companies, see Additional Information at [www.sebgroup.com](http://www.sebgroup.com).

*N.B. As in the first quarter, the tax rate is set at 12 percent in order to better reflect the actual tax situation.*

# The SEB Group

## Net fee and commission income – SEB Group

SEKm	Q2		Q1		Q2		Jan - Jun			Full year 2005
	2006	2006	%	2005	%	2006	2005	%		
Issue of securities	99	42	136	30		141	51	176	193	
Secondary market shares*	1 070	915	17	679	58	1 985	1 247	59	2 599	
Secondary market other	154	109	41	104	48	263	161	63	340	
Custody and mutual funds	1 535	1 487	3	1 153	33	3 022	2 249	34	5 010	
<b>Securities commissions*</b>	<b>2 858</b>	<b>2 553</b>	<b>12</b>	<b>1 966</b>	<b>45</b>	<b>5 411</b>	<b>3 708</b>	<b>46</b>	<b>8 142</b>	
Payments	444	442	0	427	4	886	824	8	1 679	
Card fees	949	868	9	863	10	1 817	1 609	13	3 371	
<b>Payment commissions</b>	<b>1 393</b>	<b>1 310</b>	<b>6</b>	<b>1 290</b>	<b>8</b>	<b>2 703</b>	<b>2 433</b>	<b>11</b>	<b>5 050</b>	
Advisory	372	403	-8	370	1	775	582	33	1 284	
Lending	258	250	3	230	12	508	404	26	940	
Deposits	28	24	17	26	8	52	50	4	96	
Guarantees	74	63	17	53	40	137	104	32	225	
Derivatives	111	110	1	88	26	221	162	36	306	
Other	193	181	7	139	39	374	299	25	698	
<b>Other commissions</b>	<b>1 036</b>	<b>1 031</b>	<b>0</b>	<b>906</b>	<b>14</b>	<b>2 067</b>	<b>1 601</b>	<b>29</b>	<b>3 549</b>	
<b>Fee and commission income</b>	<b>5 287</b>	<b>4 894</b>	<b>8</b>	<b>4 162</b>	<b>27</b>	<b>10 181</b>	<b>7 742</b>	<b>32</b>	<b>16 741</b>	
Securities commissions*	-419	-164	155	-185	126	-583	-261	123	-583	
Payment commissions	-537	-494	9	-447	20	-1 031	-831	24	-1 807	
Other commissions	-224	-243	-8	-226	-1	-467	-402	16	-792	
<b>Fee and commission expense</b>	<b>-1 180</b>	<b>-901</b>	<b>31</b>	<b>-858</b>	<b>38</b>	<b>-2 081</b>	<b>-1 494</b>	<b>39</b>	<b>-3 182</b>	
Securities commissions, net	2 439	2 389	2	1 781	37	4 828	3 447	40	7 559	
Payment commissions, net	856	816	5	843	2	1 672	1 602	4	3 243	
Other commissions, net	812	788	3	680	19	1 600	1 199	33	2 757	
<b>Net fee and commission income</b>	<b>4 107</b>	<b>3 993</b>	<b>3</b>	<b>3 304</b>	<b>24</b>	<b>8 100</b>	<b>6 248</b>	<b>30</b>	<b>13 559</b>	

\* Strong development of securities lending in Q2 2006 of above SEK 200m.

## Net financial income – SEB Group

SEKm	Q2		Q1		Q2		Jan - Jun			Full year 2005
	2006	2006	%	2005	%	2006	2005	%		
Equity instruments and related derivatives	114	143	-20	275	-59	257	399	-36	1 620	
Debt instruments and related derivatives	288	320	-10	291	-1	608	313	94	-619	
<b>Capital market related</b>	<b>402</b>	<b>463</b>	<b>-13</b>	<b>566</b>	<b>-29</b>	<b>865</b>	<b>712</b>	<b>21</b>	<b>1 001</b>	
Currency-related	645	516	25	594	9	1 161	1 202	-3	2 391	
<b>Net financial income</b>	<b>1 047</b>	<b>979</b>	<b>7</b>	<b>1 160</b>	<b>-10</b>	<b>2 026</b>	<b>1 914</b>	<b>6</b>	<b>3 392</b>	

## Net credit losses - Group

SEKm	Q2		Q1		Q2		Jan - Jun			Full year 2005
	2006	2006	%	2005	%	2006	2005	%		
<i>Provisions:</i>										
Net collective provisions	- 106	- 125	-15	70		- 231	110		403	
Specific provisions	- 198	- 110	80	- 211	-6	- 308	- 446	-31	-1 286	
Reversal of specific provisions no longer required	155	83	87	82	89	238	165	44	438	
Net provisions for contingent liabilities	9	11	-18	- 4		20	- 15		- 6	
<b>Net provisions</b>	<b>- 140</b>	<b>- 141</b>	<b>-1</b>	<b>- 63</b>	<b>122</b>	<b>- 281</b>	<b>- 186</b>	<b>51</b>	<b>- 451</b>	
<i>Write-offs:</i>										
Total write-offs	- 305	- 225	36	- 346	-12	- 530	- 700	-24	-1 532	
Reversal of specific provisions utilized for write-offs	181	106	71	142	27	287	345	-17	756	
Write-offs not previously provided for	- 124	- 119	4	- 204	-39	- 243	- 355	-32	- 776	
Recovered from previous write-offs	102	77	32	71	44	179	150	19	327	
<b>Net write-offs</b>	<b>- 22</b>	<b>- 42</b>	<b>-48</b>	<b>- 133</b>	<b>-83</b>	<b>- 64</b>	<b>- 205</b>	<b>-69</b>	<b>- 449</b>	
<b>Net credit losses</b>	<b>- 162</b>	<b>- 183</b>	<b>-11</b>	<b>- 196</b>	<b>-17</b>	<b>- 345</b>	<b>- 391</b>	<b>-12</b>	<b>- 900</b>	
<b>Change in value of seized assets</b>		<b>- 15</b>	<b>-100</b>			<b>- 15</b>	<b>- 2</b>		<b>- 14</b>	
<b>Net credit losses incl change in value</b>	<b>- 162</b>	<b>- 198</b>	<b>-18</b>	<b>- 196</b>	<b>-17</b>	<b>- 360</b>	<b>- 393</b>	<b>-8</b>	<b>- 914</b>	

## Balance sheet – SEB Group

<b>Condensed SEKm</b>	<b>30 June 2006</b>	<b>31 December 2005</b>	<b>30 June 2005</b>
Cash and cash balances with central banks	14 915	27 545	18 710
Loans to credit institutions	223 087	177 592	202 995
Loans to the public	920 947	901 261	828 897
Financial assets at fair value *	571 033	504 895	494 169
Available-for-sale financial assets *	170 108	181 976	161 976
Held-to-maturity investments *	15 497	16 502	16 019
Discontinued operations	1 417	1 405	1 456
Investments in associates	1 156	1 218	1 179
Tangible and intangible assets	23 858	23 474	22 264
Other assets	43 843	53 870	52 744
<b>Total assets</b>	<b>1 985 861</b>	<b>1 889 738</b>	<b>1 800 409</b>
Deposits by credit institutions	362 679	399 494	348 768
Deposits and borrowing from the public	643 024	570 001	589 608
Liabilities to policyholders	185 450	185 363	167 600
Debt securities	379 093	353 205	332 530
Financial liabilities at fair value	243 102	201 774	208 713
Other liabilities	69 091	76 086	63 751
Provisions	2 367	2 816	1 592
Subordinated liabilities	41 509	44 203	34 914
Total equity	59 546	56 796	52 933
<b>Total liabilities and equity</b>	<b>1 985 861</b>	<b>1 889 738</b>	<b>1 800 409</b>
* Of which interest bearing	557 192	543 714	522 116

## Memorandum items – SEB Group

<b>SEKm</b>	<b>30 June 2006</b>	<b>31 December 2005</b>	<b>30 June 2005</b>
Collateral and comparable security pledged for own liabilities	353 944	316 425	285 500
Other pledged assets and comparable collateral	169 691	143 042	143 769
Contingent liabilities	64 876	57 891	53 568
Commitments	279 402	286 520	276 750

## Statement of changes in equity – SEB Group

SEKm	30 June 2006	31 December 2005	30 June 2005
Opening balance	112	85	85
Net change	17	27	21
<b>Minority interests</b>	<b>129</b>	<b>112</b>	<b>106</b>
Opening balance	1 363		
New accounting principle (IAS 39), Cash flow hedges and Afs valuation		1 015	1 015
Net change in reserves	- 741	348	908
<b>Revaluation reserves</b>	<b>622</b>	<b>1 363</b>	<b>1 923</b>
Opening balance	55 321	51 678	49 298
New accounting principle (IAS 32), Swap agreements		-1 394	
New accounting principle (IAS 39), Non IAS 39 compliant hedges		- 930	
Dividend to shareholders	-3 264	-3 065	-3 065
Dividend, own holdings of shares	75	216	162
Result, holding of own shares	- 21	- 12	- 73
Neutralisation of PL impact of employee stock option programme	52	88	32
Utilization of employee stock options	446	528	359
Eliminations of repurchased shares for stock option programme*	398	204	
Eliminations of repurchased shares for improvement of the capital structure		- 218	- 218
Translation difference	23	- 175	146
Net profit attributable to equity holders	5 765	8 401	4 263
<b>Core equity</b>	<b>58 795</b>	<b>55 321</b>	<b>50 904</b>
<b>Total equity</b>	<b>59 546</b>	<b>56 796</b>	<b>52 933</b>

\* As of 31 December 2005 SEB owned 18.4 million Class A shares for the employee stock option programme. The acquisition cost for these shares is deducted from shareholders' equity. During 2006 3.9 million of these shares have been sold as employee stock options have been exercised. Thus, as of 30 June SEB owned 14.5 million Class A-shares with a market value of SEK 2,486m.

## Cash flow statement – SEB Group

SEKm	Jan - Jun			Full year
	2006	2005	%	2005
Cash flow from the profit and loss statement	4 935	3 195	54	12 307
Increase (-)/decrease (+) in trading portfolios	-18 392	-86 478	-79	-121 965
Increase (+)/decrease (-) in issued short term securities	6 130	40 004	-85	38 816
Increase (-)/decrease (+) in lending to credit institutions	-45 234	5 849		36 349
Increase (-)/decrease (+) in lending to the public	-20 097	-43 162	-53	-102 155
Increase (+)/decrease (-) in liabilities to credit institutions	-36 860	-12 987	184	33 033
Increase (+)/decrease (-) in deposits and borrowings from the public	72 761	72 771	0	44 786
Increase (-)/decrease (+) in insurance portfolios	10 086	7 336	37	24 042
Change in other balance sheet items	1 269	-5 762	-122	91
Cash flow from operating activities	-25 402	-19 234	32	-34 696
Cash flow from investment activities <sup>1)</sup>	- 627	-1 176	-47	-7 378
Cash flow from financing activities	13 831	25 546	-46	56 147
<b>Net increase in cash and cash equivalents</b>	<b>-12 198</b>	<b>5 136</b>		<b>14 073</b>
Cash and cash equivalents at beginning of year	27 545	12 979	112	12 979
Exchange difference in cash and cash equivalents	- 432	595	-173	493
Net increase in cash and cash equivalents	-12 198	5 136		14 073
<b>Cash and cash equivalents at end of period</b>	<b>14 915</b>	<b>18 710</b>	<b>-20</b>	<b>27 545</b>
1) Including investments in subsidiaries				
Cost of acquisitions	- 130			-5 780
Less cash acquired	113			314
<b>Cash flow outflow on acquisition</b>	<b>- 17</b>			<b>-5 466</b>

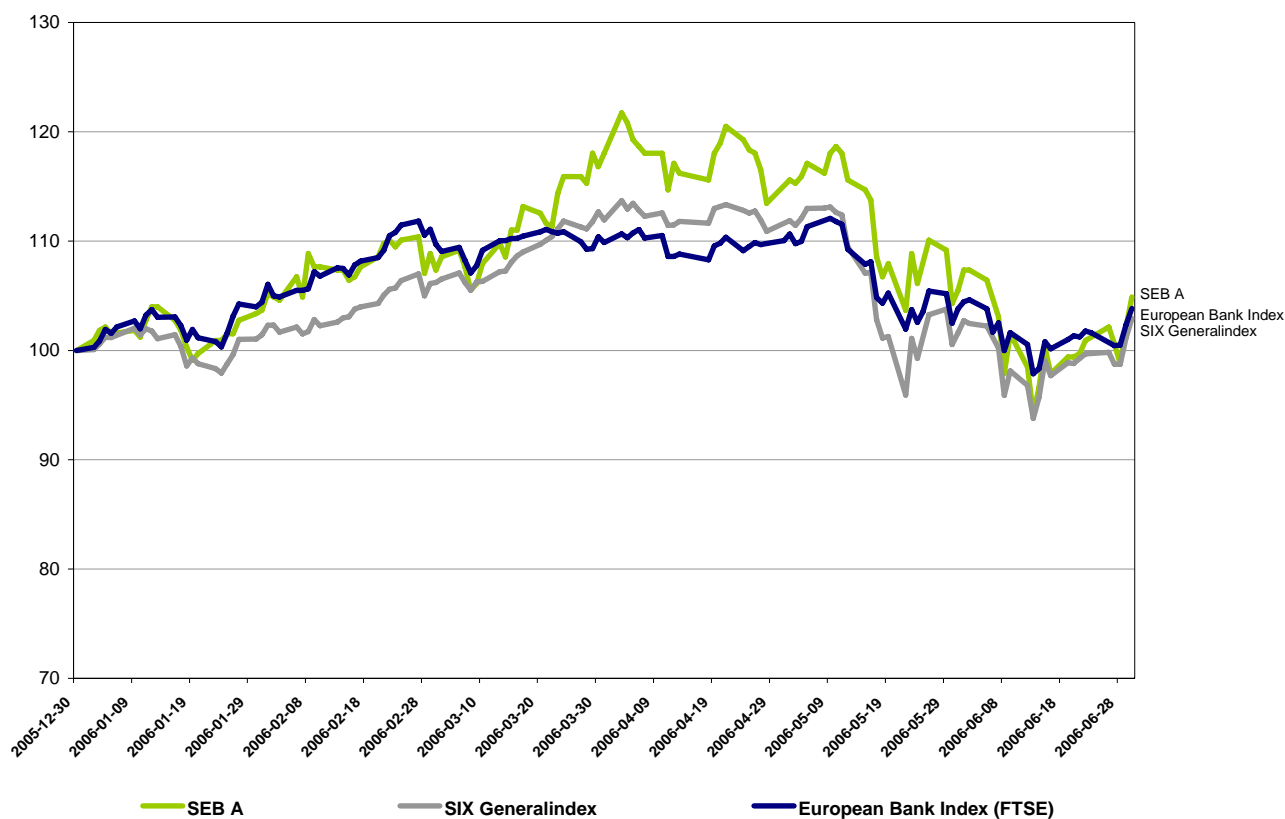
## Impaired loans and seized assets – SEB Group

SEKm	30 June 2006	31 December 2005	30 June 2005
Non-performing impaired loans	7 891	7 957	8 628
Performing impaired loans	888	1 144	806
<b>Impaired loans gross*</b>	<b>8 779</b>	<b>9 101</b>	<b>9 434</b>
Specific reserves	-4 476	-4 787	-4 711
of which reserves for non-performing loans	-4 120	-4 183	-4 228
of which reserves for performing loans	-356	-604	-483
Collective reserves	-2 463	-2 283	-2 487
<b>Impaired loans net</b>	<b>1 840</b>	<b>2 031</b>	<b>2 236</b>
Reserves for off-balance sheet items	-236	-268	-283
<b>Total reserves</b>	<b>-7 175</b>	<b>-7 338</b>	<b>-7 481</b>
<b>Level of impaired loans</b> (Impaired loans, net in relation to lending, at end of period)	<b>0.20%</b>	<b>0.22%</b>	<b>0.27%</b>
<b>Reserve ratio for impaired loans</b> (Specific and collective reserves in relation to impaired loans gross, per cent)	<b>79.0%</b>	<b>77.7%</b>	<b>76.3%</b>
<i>Specific reserve ratio for impaired loans</i>	51.0%	52.6%	49.9%
Pledges taken over			
Properties	100	119	109
Shares	43	46	46
<b>Total volume of pledges taken over</b>	<b>143</b>	<b>165</b>	<b>155</b>

\* Individually impaired loans.



## The SEB share



## Rating

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

## SEB's major shareholders

	Share of capital, per cent
<b>June 2006</b>	
Investor AB	17.9
Trygg Foundation	9.6
Alecta	2.5
AFA Försäkring	2.5
Robur funds	2.2
SHB/SPP mutual funds	2.2
Nordea mutual funds	1.7
SEB mutual funds	1.7

Foreign shareholders 26.8

Source: VPC/SIS Ägarservice