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PRESS RELEASE

SEB gets approval for its Basel II credit risk application

Finansinspektionen (FI), the Swedish Financial Supervisory Authority, has notified SEB that the internal credit risk models of the bank are deemed reliable and meets the standards of the Internal Ratings Based (IRB) approach. This means that SEB is among the first banks in the world to have its IRB models approved.

With the implementation of the new capital accord (Basel II) from 2007, banks can choose between using standardised methods or internal risk measurement models for calculating the capital requirement for credit exposures. The internal methods require regulatory approval.

SEB has now received the approval to become an IRB bank, applying the foundation approach from 2007 and moving to the advanced approach by 2010 latest.

“The regulatory approval shows that our internal risk and capital management processes are of first-rate quality”, says Per-Arne Blomquist, CFO of SEB.

The approval covers the majority of SEB’s exposures towards corporates, institutions, banks and household mortgages in Sweden and Germany. In total 74% of the credit exposures within SEB are encompassed and the remainder will be included during the next few years.

Effect on RWA and capitalisation

As communicated on SEB’s Capital Markets Day on 11 December, the risk-weighted assets (RWA) will be significantly reduced with up to 35 per cent once the full roll-out of the internal models for credit and operational risk has been completed. The RWA reduction is largely due to SEB’s relatively large share of lending towards larger businesses with good credit standing and housing finance in Sweden and Germany.

The initial capital effects are limited due to the supervisory application of capital release floors during the first few years. Buffers above the minimum capital requirement will be maintained to meet SEB’s AA-rating ambition and the increased business cycle sensitivity that Basel II includes.

Since the Bank opened in 1856, generations of customers and employees have made SEB what it is today. This year the Group is celebrating 150 years of longstanding customer relationships, entrepreneurship and international outlook.

The SEB Group is a North European financial group for 400,000 corporate customers and institutions, and 5 million private customers. SEB has local presence in the Nordic and Baltic countries, Germany, Poland, the Ukraine and Russia and has a global presence through its international network in another 10 countries. On 30 June 2006, the Group's total assets amounted to SEK 1,986bn while its assets under management totalled SEK 1,086bn. The Group has about 20,000 employees. Read more about SEB at www.sebgroup.com.

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