Welcome to SEB!

Our vision is to deliver world-class service to our customers. We assist 2.3 million companies, 795 financial institutions, 24,000 small and medium-sized companies and it is vital to provide trust and advice and financial solutions. In Sweden and the Baltic countries, we offer comprehensive financial services and a wide range of business services. In Denmark, Finland, Norway, Germany and the United Kingdom, we have a strong focus on offering a full-service offering to large corporate customers.

The international scope of our operations is reflected in SEB presence in online, 30 countries with 12,000 employees.

We have a long-term perspective of our operations and contribute to the development of markets and communities.

Head office
Postal address: SEB SE 106 60 Stockholm, Sweden
Kungsholmsgatan 82-84, Stockholm, Sweden
+46 771 82 92 60

Contacts
Masih Yazdi
Finance Director
Telephone: +46 771 83 10 20
E-mail: masih.yazdi@seb.se

Christoffer Geijer
Head of investor relations
Telephone: +46 771 83 11 26
E-mail: christoffer.geijer@seb.se

Frank Hojem
Chairman of the Board
Telephone: +46 703 89 99 87
E-mail: frank.hojem@seb.se

Malin Schenkenberg
Financial Information Officer
Telephone: +46 703 89 99 44
E-mail: malin.schenkenberg@seb.se

SEB has been a member of the Corporate Sustainability Forum since its establishment in 2006. We have also been a signatory of the UN Global Compact since 2002. SEB is signatory to the Principles for Responsible Banking (PRB) and a member of the UN Principles for Responsible Investment (PRI).

Annual Review

Contents

Important events and trends
SEB’s updated strategy and new three-year business plan were presented.
Both large and smaller companies used SEB’s traditional lending, advisory and cash management services to higher degrees, driving the 2018 result.

Customers increasingly used digital meetings and apps and SEB continuously introduced new functionality.

Payments and card transactions increased in the positive macroeconomic environment.

The year in figures
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The year in figures

2018

Key figures

Operating income, SEK m
45,658
45,658

Operating profit before items affecting comparability, SEK m
22,779
22,655

Operating profit, SEK m
27,285
27,276

Return on equity excluding items affecting comparability per cent
15.4
12.9

Return on equity per cent
16.3
17.7

Cost/Income ratio
0.48
0.48

Efficiency ratio, SEC
18.87
18.71

Proposed total dividend per share, SEK
5.51
5.75

Common equity per share, SEK
174
164

Leverage ratio, per cent
5.1
5.2

Liquidity Coverage Ratio (LCO), per cent
157
155

1) Dividends declared/cash dividends SEB AB may consider paying SEB’s shareholders.
2) Dividends declared/cash dividends SEB AB may consider paying SEB’s shareholders.

2018 in brief

SEB’s updated strategy and new three-year business plan were presented.

Customers increasingly used digital meetings and apps and SEB continuously introduced new functionality.

Payments and card transactions increased in the positive macroeconomic environment.

Corporate transactions include SEB Portion and LC AB resulting in a total capital gain of SEK 4.4 billion.
Welcome to SEB!

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The year in figures

Return on equity excluding items

Key figures

2018 in brief

Important events and trends

SEB’s updated strategy and new three-year business plan were presented.

Customers increasingly use digital meetings and apps and SEB continues to introduce new functionality.

Flushed by financial stability, the old rules outcome was 100%.

Corporate transactions involving SEB Pension and UC AB resulted in a total capital gain of SEK 4.6 billion.

SEB Annual Review 2018

The Board proposes a dividend of SEK /six.lf/zero.lf/zero.lf per cent.

The Board proposes a dividend of SEK /six.lf/zero.lf/zero.lf per cent.

Return on equity before items

Return on equity excluding items

Operating profit before items

Return on equity, per cent

Operating profit, SEK m

Leverage ratio, per cent

Liquidity Coverage Ratio (LCR), per cent

Depreciation, amortisation and impairments

Operating income

Operating profit, SEK m

Operating profit

Other expenses

Operating profit before items

Other income, net

Income statement and financial information

Customers and apps and SEB continuously introduced new functionality.

Flushed by financial stability, the old rules outcome was 100%.

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Who we are

Our commitment to creating value for our customers is based on the tradition of entrepreneurship, an international outlook and a long-term perspective coupled with a continuous ability to adapt and to drive change. As a bank we have an important role to play in this shift to a more sustainable world.

With our vision and strategy...

Our purpose

We believe that entrepreneurial minds and innovative thinking are key to creating a better world. We are here to enable them to achieve their aspirations and succeed through good times and bad.

Our vision

Deliver world-class service to our customers.

Our strategic priorities

• Leading customer experience
• Maintaining resilience and flexibility
• Growing in areas of strength.

Our sustainability ambition

Be a role model in sustainability within the financial industry.

What we do

SEB plays an active part in the development of the societies in which the bank is operating, by helping our customers realise their ambitions through our strong customer relationships. In Sweden and the Baltic countries our offer includes financial advice and a wide range of financial services aimed at all types of customers. In the other Nordic countries, Germany and the United Kingdom, we are a full-service large corporate and institutional bank.

...via our areas of strength...

Long-term customer relationships

Summarizing our key performance indicators, SEB can state that...

International perspective.

We support our Nordic, German, Swedish and US operations across the world and give international institutional access to Nordic markets.

Active ownership.

Through the SEB Investment Banking, we serve as an active owner with a long-term perspective.

Stability and trust.

We safeguard our financial resilience, always setting with transparency, high ethics and a proactive approach to sustainability.

Comprehensive offering.

We provide everything from banks to private banks, from large corporations to small and medium-sized enterprises, and from institutions and private individuals.

Sustainability

Our sustainability framework and sustainability report include detailed information on SEB’s financial performance, capital adequacy and risk management, regulatory and compliance matters and financial information, corporate governance and other information regarding sustainability.

Our financial targets and outcome

SEB’s Sustainability report for 2018 includes information on our financial results, in accordance with the Global Reporting Initiative sustainability standards.

Our profit development 1990–2018

SEB is profitable, efficient and well capitalised

Financial information and publications

Calendar

30 January 2019
Annual Report

30 March 2019
Annual General Meeting

15 March 2019
Interim report January–March

15 May 2019
Interim report January–June

15 July 2019
Interim report January–September

15 October 2019
Interim report January–December

Annual General Meeting

The Annual General Meeting will be held on Tuesday 30 March 2019 at 11 am (CET) at Stockholm Concert Hall, Hötorget, Stockholm, Sweden.

The Board proposes a total dividend of SEK 2.85 per share and an extraordinary dividend of SEK 0.50 per share.

Order printed copies of the Annual Review and the Annual Accounts on sebgroup.com/ir or at Stockholm Concert Hall, Hötorget, Stockholm, Sweden.

Dividend

The Board proposes a total dividend of SEK 4.60 per share ( rotating as an ordinary dividend of SEK 4.60 per share and an extraordinary dividend of SEK 0.50 per share). The proposal will be submitted to the Annual General Meeting. Dividend payments are expected to be distributed by Euroclear Sweden AB on 29 May 2019.

Sustainability

SEB’s Sustainability report for 2018 includes information on our financial performance, capital adequacy and risk management, regulatory and compliance matters and financial information, corporate governance and other information regarding sustainability.
Who we are

Our purpose

We believe that entrepreneurial minds and innovative companies are key to creating a better world. We are here to enable them to achieve their aspirations and succeed through good times and bad.

Our sustainability aim

We believe that entrepreneurial minds and innovative companies are key to creating a better world. We are here to enable them to achieve their aspirations and succeed through good times and bad.

Our vision

We provide world-class service to our customers.

Our strategic priorities

• Leading customer experience
• Creating value for society
• Growing in areas of strength.

Our sustainability

We are an active owner with a long-term approach to sustainability.

With our vision and strategy...

What we do

SEB plays an active part in the development of the societies in which the bank is operating, by helping our customers realise their ambitions through our strong customer relationships. In Sweden and the Baltic countries our offer includes financial advice and a wide range of financial services aimed at all types of customers.

In the other Nordic countries, Germany and the United Kingdom, we are a full-service large corporate and institutional bank.

...via our areas of strength...

Comprehensive offering. We provide services to both businesses and the public sector through our Nordic and international banking platforms, as well as our wealth management and private banking businesses.

International perspective. We support our Nordic and international customers around the world and give international institutions access to Nordic markets.

Active ownership. Through the Wallenberg family we serve as an active owner with a long-term ownership perspective.

Tradition of enterprise. With more than 160 years in the service of enterprises, we provide banking services to the largest Nordic companies in every sector.

Stability and trust. We safeguard our financial resilience, always seeking with transparency, high ethics and a proactive approach to sustainability.

Our financial targets and outcomes

Our profit development 1990–2018\(^1\) /SEKbn

Financial value creation by SEB, 2018 /SEK 6.3bn

Financial information and publications

Calendar

The Annual Report and the Interim Report are expected to be distributed by Euroclear Sweden AB on Wednesday 7 March 2019 and dividend payments in accordance with the proposal, the share will be traded ex-

Annual General Meeting

The Annual General Meeting will be held on Tuesday 30 April 2019 at 11 a.m. (CET) at Stockholm Concert Hall, Norrström, Stockholm.

Dividend

The Board proposes a total dividend of SEK 4.60 per share (consisting of an ordinary dividend of SEK 4.50 per share and an extraordinary dividend of SEK 0.10 per share for 2016. Thursday 28 March 2019 is expected as the ex-dividend date for the dividend payments. If the Annual General Meeting resolves in accordance with the proposal, the shares will be traded ex-dividend on Friday 29 March 2019.

STOCKHOLM

SEB Group's annual reports SEB's annual report consists of the Annual Report, the Interim Report and the Financial Statements. SEB's Annual Report also includes information on corporate governance, remuneration and the Board of Directors, the Group's strategy and financial targets, our sustainability performance and strategies, our financial performance, and our business model. SEB's Annual Report is available in both printed and digital formats at sebgroup.com.

Sustainable Bank Book 2018: Bank's information on sustainability and corporate governance. 

SEB Group's Annual Report and Interim Report are distributed to shareholders who are expected to be distributed by Euroclear Sweden AB on Wednesday 7 March 2019 and in accordance with the proposal, the share will be traded ex-

New shareholders are automatically offered a subscription of the Annual Report or the Annual Review. Other printed copies of the Annual Report and the Annual Review are available on request. Subscriptions to the interim reports (pdf) and the Fact Book (pdf) are made by mail.

The SEB Fact Book Annual Accounts 2018 is available at sebgroup.com/ir.

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Financial information, publications

Annual Report

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Our customers are served by around 15,000 committed and experienced employees working as a team to create customer value by building strong customer relationships in all the markets where we operate.

...we serve our customers.

2,300 Large corporations
SEB’s corporate customers in the Nordic region are among the largest in their respective industries. In Germany and the UK they range from large mid-corporate to large multinational companies.

700 Financial institutions
SEB’s institutional clients operate both in the Nordic countries and internationally.

400,000 Small and medium-sized companies
In all, SEB serves approximately 400,000 small and medium-sized companies in Sweden and the Baltic countries. Of these, some 267,000 are home bank customers.

4,000,000 Private individuals
SEB has approximately 4 million private individuals among its customers in Sweden and the Baltic countries. Of these some 1.4 million are home bank customers.

SEB – strong diversified business

We serve customers in our home markets and abroad

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1) Income breakdown for Swedbank, SHB, Nordea, Danske Bank and DNB. Business units only (indicative).
Entering the next phase of our transformation journey

Ever since SEB was founded in 1856 we have been committed to delivering long-term value to our customers and shareholders. Based on leading customer experience combined with a robust balance sheet and sound credit exposure, we aim to serve our customers through good times and bad.

As the global economy moves past peak growth in the cycle, change has also become the new normal in the banking landscape. Our ability to balance our long-term perspective with speed and swiftness in our daily operations will be essential to our success going forward.

In 2018, the financial market’s long-lasting resilience came to a halt towards the end of the year as positive business and market sentiment turned into late cyclical concerns. Being a universal bank with a diversified business, we benefited from our exposure across customer segments, products and geographies. Corporate customers were the main drivers of our financial performance growth in 2018, while financial institutions compensated positively for the decrease in assets under management as market volatility and the resulting customer activity picked up towards the end of the year. Household mortgage volumes increased modestly throughout the year.

New business plan

As we enter 2019, we are embarking on the next phase of our transformation journey towards our vision of delivering world class service to our customers. During 2018 we revisited our long-term strategic direction to ensure we remain the preferred choice for our customers, and the business plan for 2019–2021 is our first step of putting this vision into action.

In response to the continuous transformation of customer behaviours and technology as well as the regulatory and competitive landscapes, we have identified three strategic areas on which we will focus our efforts: strengthening our advisory capabilities, accelerating operational speed, and extending our digital distribution and offering.

Advisory leadership

Along with new technology and increasing competition, where transactional banking products are becoming more and more standardised, we believe that quality of advice – through digital and human interaction – will be a key differentiator for SEB to remain relevant to customers going forward. While having the right skills and competences is a prerequisite, we aim to better respond to specific customer needs and behaviours by applying new technology and enhancing the use of data in all our customer interactions.
With the strategic initiatives, we aim to increase our long-term profitability”

Operational excellence
New technology will also be implemented to accelerate speed in our ongoing digitalisation and automation journey, aiming to increase productivity and improve cost efficiency in response to the ever changing banking landscape. This will also enhance the customer experience by providing our customers with smarter, faster and safer solutions.

Extended presence
With financial services becoming more integrated into the daily life of customers, we also aim to leverage this increasingly interconnected banking landscape by widening SEB’s distribution network. Through partnerships and new technology we will offer our products and services to customers outside SEB while also identifying new, cutting-edge solutions from third-party providers to integrate in SEB’s full-service offering.

Responsible products
In addition to developing our core strengths, we also aim to leverage the new adjacent opportunities that emerge as the industry continues to change. In order to accelerate growth and further enhance profitability, SEB will invest in a selection of strategic initiatives as part of our new three-year business plan.

Sustainability is one of these initiatives and is a response to the increasing demand from customers and our determination to become a role model in sustainability within the financial industry. With the trust put in us by our customers, shareholders and employees, we believe SEB is well-positioned to innovate and drive the development in sustainable financial services. While continuing to integrate sustainability into our processes, we will also ensure we remain compliant and adhere to best-in-class code of conduct in order to position SEB as the go-to financial institution in the area of sustainability.

By investing in our future, we want to confirm our position as the leading Nordic bank for corporations and institutions, and a top universal bank in Sweden and the Baltic countries. In order to achieve this, people will remain at the core of everything we do. I am very proud to be part of the SEB team who relentlessly strive to reach our vision of world-class service and deliver long-term value to our customers and shareholders.

Stockholm, February 2019

Johan Torgeby
President and Chief Executive Officer
Business environment

During most of 2018 the global economic boom remained resilient to political uncertainty and global imbalances in a highly indebted world. New customer behaviours, new technology and new regulations are changing the playing field for the financial sector.
Ten years after the financial crisis

Signs from the global financial crisis in 2008, which started with the Lehman Brothers collapse, are still tangible. Due to resolute action, authorities and central banks succeeded in mitigating the crisis and avoiding a full-scale depression. Since then a succession of regulations have created a more robust, transparent and highly capitalised banking system. The supervisory authorities are collaborating globally, financial resolution facilities are in place in the most important markets, and the global economic recovery continues, though with signs of slowdown.

But the cost has been negative interest rates and record-high indebtedness. The global debt level of households, non-financial corporations and governments has increased from 210 per cent of the gross domestic product in 2007, to more than 240 percent. This is due both to the acute crisis management following the Lehman Brothers collapse and the monetary stimulus packages that were adopted by many Western economies. In Sweden the prolonged period of low interest rates has contributed to a higher level of private debt and rising asset prices. In late 2018, the Swedish central bank announced its first repo rate hike in seven years; 25 basis points to ~0.25 percent.

Complex risk scenario
At a more overarching socio-political level, the financial crisis has resulted in larger socioeconomic gaps and global imbalances, which in turn have contributed to growing populism and nationalism in the political arena. In addition, protectionism came into display in 2018 in the form of trade barriers and the complications of the Brexit process, among other things. Environmental and climate issues are also high on the agenda. The prolonged economic upswing combined with growing political uncertainty contribute to the complex risk scenario.

Willingness to embrace digital solutions is great. Customers are increasingly using more than one provider of financial services.

Savings
Among private customers there is greater awareness that the demographic trends of an ageing population and strong migration pressure are challenging social welfare programmes. This is increasing the need for financial security and social welfare solutions. Attitude surveys show that half of all private individuals want to increase their long-term savings as long as they are presented with interesting and relevant solutions.

Personal meetings
Despite the keen interest in and strong development of digital solutions, personal contact with customers is at least equally important when the need arises, which puts demands on flexible, accessible and modern meeting places and video calls.
Digital development

The digital revolution is impacting many aspects of society. Business models, relationships and ‘economic truths’ are being re-examined. Company ideas are quickly becoming outdated, and new ones are emerging just as fast. For banks, the business model is being evaluated in the same way, and with digitalisation comes new opportunities to reach customers and create new services. At the same time risks for fraud, cybercrime and money laundering are increasing. New technologies provide SEB with new capabilities to identify suspicious activities and improve transaction reporting.

Open Banking
New banking rules enable third-party developers to build their customer applications around banks’ systems and data through the use of application programming interfaces (APIs). This development, which is known as Open Banking, entails both opportunities and challenges. Banks have large customer bases and great trust capital among their customers, which makes collaboration with new partners a great business opportunity. Banks with quality services also have the opportunity to use Open Banking to reach new customers. Open Banking regulations differ between markets, challenging cross-border solutions. In the EU, however, implementation of Payment Services Directive (PSD 2) has established a common ground.

Data analysis
Customers are increasingly expecting customised services based on their personal situation. Using artificial intelligence, machine learning and its extensive data, banks can build smarter and more sophisticated services to meet customer needs. Customer benefit, ethical use of sensitive data as well as customer integrity must be weighted in the process.

Evolving technologies
The rapid pace of technology development implies great exploitation potential. Through artificial intelligence (AI) and machine learning, accurate forecasts can be made on the basis of analysis of large amounts of data. Therefore, AI will be a game changer in the banking sector when it comes to providing advice based on data analysis. Blockchain technology, which enables transaction to be verified and processed in real time, may transform the way payments and business transactions are conducted while cloud computing may change how IT infrastructure and IT applications are managed and developed.

Agile development
New, dynamic ways of working that are based on agile development and service design in close interaction with customers are rapidly being implemented in the industry for all types of processes. For instance, banks now have the opportunity to move away from large-scale IT projects that were previously conducted within the financial sector, in favour of new step-by-step solutions that are more flexible and can meet customer needs more quickly.

Competence
As more and more services become digital, customers’ expectations for value creation and proactive advice are growing. In this regard, a bank’s ability to support the competence development of its employees and attract top talent is decisive for its future success.

New regulations changing the playing field

During the year the financial sector continued to be characterised by an extensive agenda of regulation, which has required banks to implement major IT and operational adaptations.

Consumer protection
As of the beginning of 2018 the EU’s Markets in Financial Instruments Directive (MiFID II) came into force, which seeks to improve consumer protection and transparency in securities trading.

Payment services
Implementation of the EU’s revised Payment Services Directive (PSD 2) also began in 2018, aiming to make banks’ information on customers’ account and payment services available externally. This entails both opportunities and challenges for the banks’ existing business models as banks and other companies – via standardised interfaces – will be able to access each other’s customer information.

Anti-money laundering
The regulations addressing money laundering and financing of terrorism were sharpened in 2017, and as the regulatory authorities subsequently stepped up their monitoring activities, these issues attracted greater attention in the media and political agendas. Several banks – both in the Nordic countries and internationally – have found themselves in the spotlight due to ineffective routines for countering money laundering.

Sustainability requirements
In 2018 the EU Commission presented an action plan for how the financial sector shall contribute to the EU’s achievement of the climate and energy targets required to meet the 2°C target. The Commission has recommended that the financial sector play a key role in steering capital flows towards a more sustainable economy, and in the years immediately ahead will formulate binding requirements and goals for this work.

Other new regulations
The extensive new accounting standard IFRS 9 Financial Instruments went into force as of January 2018, and in May 2018 the EU’s General Data Protection Regulation (GDPR) took effect.
Focus on sustainability

One clear and enduring trend in the general operating environment is the rising focus on sustainability. Customers in all segments expect banks to take great responsibility, and there is growing demand for sustainable products, where customers – through their choices of financial services – can participate in and influence development towards a more sustainable society.

Many companies are putting sustainability work high up on their own agendas and are beginning to implement the UN’s SDGs in practice. In order to transform their business to be more sustainable, they seek the assistance and products that banks can provide.

At the global level, climate change is undoubtedly a great challenge. The UN’s 17 Sustainable Development Goals (SDGs) that were adopted in 2015 represent a uniform, integrated approach and harmonise the three core elements of sustainable development: economic growth, social inclusion and environmental protection. Many scientists believe that the possibilities to achieve the sustainability goal of limiting Earth’s temperature rise to 2°C are small given the current pace of change. Breaking this trend will require a radical shift in most industries combined with innovative solutions and investments in infrastructure.

The financial sector has a relatively small direct environmental impact, but by meeting customers’ needs for sustainability-related financing and offering products with a sustainability perspective, it has the potential to make a great impact.

Sustainable development goals in focus at SEB

- Decent work and economic growth
- Industry, innovation and infrastructure
- Climate action
- Peace, justice and strong institutions

SEB’s conclusions

SEB’s analysis of the business environment has resulted in seven conclusions, which contributed to updating the bank’s strategy and new three-year plan.

- Customers expect smarter and faster services, secure and accessible on their terms.
- Long-term customer relationships and trust are built on valuable advice, based on best-in-class data capabilities.
- The customer offering can be enhanced through digitalisation, automation and partnerships with external suppliers.
- Sustainability will grow in importance for customers, employees and other stakeholders.
- People are at the core of everything we do and will be determinant for our success.
- The ability to manage risk and attract assets will be key.
- Regulatory pressures are expected to remain.
Strategy for world-class service

SEB’s long-term vision, to deliver world-class service to our customers, recognises that customer satisfaction is a prerequisite for all activities. By seizing opportunities that emerge in a continuously changing banking landscape the bank is pursuing customer satisfaction.
A long-term perspective

Founded in the service of enterprise more than 160 years ago, SEB has through the years operated from a base of three pillars on which the present strategy and business plan are built.

**Leading customer experience**
Develop long-term relationships based on valuable advice, customers’ trust in SEB as well as their appreciation of SEB’s services.

**Resilience and flexibility**
Maintain resilience and flexibility, based on capital and liquidity strength, to enable adaptation to prevailing market conditions.

**Growth in areas of strength**
Focus on profitable organic growth in areas of strength.

Strategy

Delivering world-class services to customers is as crucial today as in 2015 when SEB established its long-term Vision 2025. A review of the current and future business environment form the basis for the updated Vision 2025 as well as the new strategy and business plan.

While maintaining and improving the current business operations, SEB aims to enhance customer services based on opportunities captured from new customer behaviours, emerging technologies and changing market conditions. This aims to ensure customer satisfaction and create sustainable shareholder value through long-term growth.

The ambition to be the undisputed leading Nordic corporate and institutional bank as well as the top universal bank in Sweden and the Baltic countries remains unchanged.

SEB’s strategy has three main focus areas: advisory leadership, operational excellence and extended presence.

**Advisory leadership**
Provide customers with pro-active, customised and valuable advice, based on customer insight and data analysis – through human and digital interaction.

**Operational excellence**
Enhance customer value and increase process efficiency and speed by accelerating digitalisation and automation while extending the use of data.

**Extended presence**
Broaden the offering by supplying customers with external products and extend SEB’s presence by providing products and services in customers’ digital ecosystems.
The current business operations will be further developed within the strategic focus areas of advisory leadership, operational excellence and extended presence. Within these areas, strategic initiatives will also be undertaken in order to accelerate transformation by leveraging the business opportunities emerging from the changing banking landscape.

Overall targets
Shareholder value is created through profitable growth and improved efficiency, while maintaining strong capital efficiency. As part of the planning for the next three years, the Board reviewed its three financial targets. They remain unchanged:

- **A yearly dividend that is 40 per cent** or more of earnings per share.
- **A Common Equity Tier 1 (CET 1) capital ratio** of around 150 basis points above the current requirement from the Swedish Financial Supervisory Authority.
- **A return on equity** that is competitive with peers.

In the long term, SEB aspires to reach a sustainable return on equity of 15 per cent.

SEB will continue to operate with a strict cost discipline ensuring that its current operations are cost efficient. The new strategic initiatives, on an accumulated basis, are estimated to lead to total additional investments of SEK 2–2.5bn over the three years. This translates into an annual cost increase of SEK 1bn by 2021 (compared with 2018) and a new total cost target of around SEK 23bn, assuming 2018 foreign exchange rates. The pace of investments will be dependent on progress and will gradually increase over the next three years. The strategic initiatives are expected to lead to both revenue growth and cost efficiency.

The overall progress of the business plan will also be monitored in terms of customer satisfaction, employee engagement and efficiency as well as sustainability.

An attractive full-service customer offering based on high-quality proactive advice and products will distinguish SEB when certain banking services and products are becoming more standardised.

By turning data into insight through data analysis, SEB will better meet customer needs and behaviours which will add value to the advisory services.

### Advisory leadership

An attractive full-service customer offering based on high-quality proactive advice and products will distinguish SEB when certain banking services and products are becoming more standardised.

By turning data into insight through data analysis, SEB will better meet customer needs and behaviours which will add value to the advisory services.

### Further development

- **Strengthen** and expand the large corporate and institutional business in SEB’s home markets by offering proactive and improved customer services and platforms.
- **Focus** on sustainable growth in the Baltic countries, while carefully monitoring risks.
- **Provide** more relevant and targeted advice to small and medium-sized companies using data analytics.
- **Make** SEB the leading pension provider in Sweden and the Baltic countries and improve customer services by combining the savings and insurance offer.
- **Strengthen** SEB’s position in sustainable financing and investment.

### Strategic initiatives

- **Savings and investments** – enhance the bancassurance offering and develop investment management capabilities.
- **Corporate and investment banking** – enhance advisory capacity, with special focus on opportunities in renewable energy and new technologies.
- **Private banking** – improve the private banking offering and expand in the Nordic markets.
- **Accelerate** innovation in sustainable financial services.  
  >>>See p. 12.
Operational excellence

Customers demand smarter, faster and more secure services while fierce competition requires SEB to continuously become more efficient. Focus will lie on efficiency and speed – enabling swift transaction execution through the use of new technology and data. By digitalising and automating end-to-end processes SEB will improve the customer offering and increase productivity.

### Further development
- **Provide** customers with improved advice and new products, through new methods of using the unique data that SEB holds.
- **Invest** in new technology.
- **Enhance** accessibility and convenience for private customers across all channels, for instance digital agreement signing and digital customer onboarding.
- **Free up time** for more advisory meetings through leverage of self-service and data.
- **Improve** the efficiency of the risk and compliance functions by using digital methods.

### Strategic initiatives
- **End-to-end automation** of selected customer and internal processes.
- **Data-driven improvement** of competitiveness through advanced analytics of big data.
- **Agile processes** expansion to increase the speed of development.
- **Adaptation** of employee skills and competence to match future needs.

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Extended presence

Financial services are becoming more integrated in customers’ daily life and operations. In order to meet customers’ demand, SEB will extend the offering by integrating products and services from third-party providers. The distribution network will also be extended by offering SEB products and services to customers on platforms of their choice.

By using new distribution channels and platforms SEB aims to explore new business models, enter new markets and attract new customers.

### Further development
- **Enhance** the full-service offering and take part in Open Banking-related opportunities in order to, for example, distribute SEB’s products to new markets.
- **Develop** the Greenhouse concept for small and medium-sized companies through a full-service offering complemented by adjacent services such as legal advice and recruitment services from external providers.
- **Continue** to engage in new partnerships and participate in industry initiatives, for instance on blockchain and other new technology.
- **Explore** new business models and services adjacent to banking, while also building competence in new technologies and innovation.
- **Invest** in fintech companies through SEB’s venture capital business to foster new relationships benefitting customers.

### Strategic initiatives
- **Open Banking** – develop the business in co-operation with external parties.
- **ERP integrator** – collaborate with ERP (enterprise resource planning) vendors for better customer service.
- **Scaling Markets’ system** – increase digital indirect distribution channels to utilise the existing trading system more efficiently.
- **SEBx** – explore and utilise new technology to meet future customer needs independently from the bank’s operations.
Transformation towards a sustainable future

In a world characterised by great uncertainty from both economic and sustainability perspectives, customers and other stakeholder groups raise their expectations on the bank to provide innovative and responsible solutions and actively contribute to a sustainable future.

Since several years, SEB has had the ambition to be a role model in sustainability within the financial industry. In 2018, SEB strengthened its focus even further on sustainability which is now a key component of the bank’s business plan 2019–2021.

Classifying and transforming portfolios
In view of the ongoing climate change, SEB will, in supporting its customers in their ambition to be more sustainable, start to classify and gradually transform its credit portfolio. The bank will also assess its total assets under management — this in addition to assets already assessed in SEB’s fund company — and increase the share of assets managed according to sustainability criteria. Simultaneously, SEB will enhance sustainability advisory capabilities to customers, based on market insight and the bank’s expertise and thought leadership.

Additionally, SEB will establish an innovation centre where emphasis will be on creating new financing and investment opportunities, such as development of sustainable capital market products and services, this in addition to the daily product development in the divisions. The bank aims to provide a range of sustainability and impact products in all customer segments.

Among the areas for product development are:
- sustainable corporate loans, bonds and consumer credits
- financing and investment products based on the UN Sustainability Development Goals
- tools for sustainability-related advice to companies and financial institutions
- digital solutions for private customers to support sustainable consumption.

Strengthening policies and processes
SEB will continue to include sustainability aspects as a natural part of its business. Policies and processes will be continuously strengthened and aligned with international and national requirements. The bank together with its employees shall always aim to conduct business in a responsible manner. The Code of Conduct, SEB’s core values and culture shall be starting points in decision-making and behaviour. Learning and training in sustainability matters will be enhanced.

Aligning incentive
SEB sees the importance of aligning incentive structures within the company and has therefore decided that senior management members will also be evaluated on their contribution to the bank’s journey towards a sustainable future.

Risk management

The Chief Risk Officer (CRO) has evaluated and supports the business plan from a risk perspective. The risk tolerance statements of the Board of Directors reflect the bank’s view on risk taking and management in light of the business plan.

In order to better manage non-financial risks, the risk tolerance framework has been broadened to include metrics on cyber and information risk as well as compliance risk.
CLOSING THE BUSINESS PLAN 2016–2018

The business plan for 2016–2018 targeted competitive profitability, a strong capital position and long-term dividend growth. In order to achieve this, the bank aimed to be leading within customer service and to be the most attractive employer. The business plan also focused on growth in areas of strength and transformation to capture the full potential of digitalisation to add customer value and drive efficiency.

OUTCOME BUSINESS PLAN

All customer segments ranked SEB highly and customer satisfaction, measured as customers’ willingness to recommend SEB as bank, developed positively during the plan period for SEB’s four main customer segments.1)

Return on equity excluding items affecting comparability, improved to 13.4 per cent from 12.9 per cent.3)

SEB’s capital adequacy buffer remained above regulatory requirement despite dividend increases and stricter measurement rules.4)

Employee engagement, efficiency and trust remained above financial sector average.5)

Expenses were below the cost cap of SEK 22bn each year.

The dividend increased by SEK 0.25 each year.5)

SEB was the only Nordic bank included in the Dow Jones Sustainability Index during the period.

SELECTED INDICATORS

GROWTH

<table>
<thead>
<tr>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerate growth in Sweden</td>
</tr>
<tr>
<td>Expand business with Nordic and German large corporations and institutions</td>
</tr>
<tr>
<td>Expand savings offering to private individual and corporate customers</td>
</tr>
</tbody>
</table>

TRANSFORMATION

<table>
<thead>
<tr>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create leading customer experience of world-class service</td>
</tr>
<tr>
<td>Use digitalisation for customised advisory tools and interfaces</td>
</tr>
<tr>
<td>Continuous learning for employees</td>
</tr>
</tbody>
</table>

SUSTAINABILITY SUCCESS FACTOR

<table>
<thead>
<tr>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase loans under SEB’s green framework</td>
</tr>
<tr>
<td>Increase sustainable investments</td>
</tr>
<tr>
<td>Support innovation and entrepreneurship</td>
</tr>
</tbody>
</table>

1) All comparisons in this section are made with 1 January 2016. 2) \(\Rightarrow\) See page 14–15. 3) Including items affecting comparability, the return on equity improved from 12.2 to 16.3 per cent. 4) On 1 January 2016 the buffer was 2.8 per cent; on 31 December 2018 – 2.7 per cent. 5) For 2018, proposed to the AGM. In addition, an extraordinary dividend of SEK 0.50 per share was proposed for 2018. 6) Includes corporate and SME customers.
Overall targets and outcome

The progress of the strategy and three-year business plan is monitored and measured at many levels. These selected metrics provide a progress overview.

Customers

Customer experience and satisfaction
Various internal and external metrics are used to measure customer satisfaction. Customers’ willingness to recommend SEB is one of the key measures of the bank’s progress.

Customers’ willingness to recommend SEB

<table>
<thead>
<tr>
<th></th>
<th>Nordic large corporations</th>
<th>Nordic financial institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Outcome</td>
<td>4.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Industry average</td>
<td>3.8</td>
<td>3.8</td>
</tr>
</tbody>
</table>

1) According to Prospera
2) According to SEB’s Net Promoter Score method

Target
Leading position in selected customer segments and meeting or exceeding the internal customer satisfaction targets.

Prospera – overall performance
In Prospera’s overall performance evaluation, SEB was ranked as no. 2 by Nordic large corporations, down one notch from 2017. Swedish large corporations ranked SEB as no. 1. Both Nordic and Swedish financial institutions ranked SEB as no. 1.

Swedish Quality Index
In the Swedish Quality Index measurement of customer satisfaction banks’ scores improved for the first time in several years. SEB’s private customers were somewhat more satisfied, while companies’ satisfaction was unchanged.

Action
The new business plan focuses on improving the customer offer in many ways and thereby customer satisfaction.

Shareholders

Common Equity

Tier 1 capital ratio, per cent

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome</td>
<td>18.8</td>
<td>19.4</td>
<td>17.6</td>
</tr>
</tbody>
</table>

1) Calculation changed in 2018. Without the change the outcome would have been 20.1 per cent.

Target
SEB shall maintain a Common Equity Tier 1 (CET1) capital ratio that is around 15 percentage points above the regulatory requirement. Per 31 December 2018 SEB’s buffer was 2.7 percentage points. SEB’s estimate of the current CET1 requirement from the Swedish Financial Supervisory Authority was 14.9 per cent at year-end 2018.

Return on equity, per cent

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome</td>
<td>7.8</td>
<td>11.7</td>
<td>16.3</td>
</tr>
<tr>
<td>Industry average</td>
<td>7.1</td>
<td>21.9</td>
<td>23.4</td>
</tr>
</tbody>
</table>

Outcome excluding items affecting comparability in grey box.

Target
SEB shall generate a competitive return on equity. This means that the bank in the long term aspires to achieve a 15 per cent return on equity.

Dividend payout ratio, per cent

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome</td>
<td>113</td>
<td>77</td>
<td>61</td>
</tr>
<tr>
<td>Industry average</td>
<td>75</td>
<td>70</td>
<td>76</td>
</tr>
</tbody>
</table>

Outcome excluding items affecting comparability in grey box.

1) Based on the proposed dividend of SEK 6.50 for 2018 which consists of SEK 6.00 as ordinary dividend and SEK 0.50 as extraordinary dividend.

Financial targets
Through the resilience and flexibility that come from a strong capital base, good access to funding, high credit ratings and cost efficiency, SEB can create shareholder value in varying market conditions. The Board of Directors sets three financial targets that contribute to financial strength.

Target
SEB shall generate a competitive return on equity. This means that the bank in the long term aspires to achieve a 15 per cent return on equity.

Target
40 per cent or more of earnings per share. SEB strives for long-term growth in dividend per share. The size of the dividend takes into account SEB’s financial position, the prevailing economic situation, earnings, regulatory requirements and opportunities for growth.

Target
SEB shall generate a competitive return on equity. This means that the bank in the long term aspires to achieve a 15 per cent return on equity.

Target
SEB shall maintain a Common Equity Tier 1 (CET1) capital ratio that is around 15 percentage points above the regulatory requirement. Per 31 December 2018 SEB’s buffer was 2.7 percentage points. SEB’s estimate of the current CET1 requirement from the Swedish Financial Supervisory Authority was 14.9 per cent at year-end 2018.

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Employees

Motivation and engagement
The annual employee survey, Insight, measures employee engagement, efficiency and trust. It also measures employees’ willingness to recommend SEB as a place to work.

<table>
<thead>
<tr>
<th>Employee engagement, index</th>
<th>Performance excellence, index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement</td>
<td>Efficiency and trust</td>
</tr>
<tr>
<td>Outcome</td>
<td>Financial sector average</td>
</tr>
<tr>
<td>2016</td>
<td>77</td>
</tr>
<tr>
<td>2017</td>
<td>77</td>
</tr>
<tr>
<td>2018</td>
<td>79</td>
</tr>
</tbody>
</table>

Target
SEB’s target is to be the most attractive employer in the financial sector. Progress is measured through the employee survey Insight.

Comment
SEB continues to outperform the financial sector on employee engagement, performance excellence as well as willingness to recommend SEB as a place to work. The outcome in performance excellence was an all-time high.

Action
The bank is addressing the findings of Insight in many ways. The employees’ need for better access to IT and technology is part of the business plan. Inclusion and diversity issues are addressed by, among other things, the appointment of an inclusion & diversity manager and the Board has in its policy set the framework for the continued work.

Target
Reduce the gap to the no. 1 in the industry and in the long term have the strongest reputation among industry peers.

Comment
The long-term trend in Sweden is stable. SEB kept its no. 2 ranking, with a score that was above market average.

Action
SEB will continue to take an active part in society, promoting entrepreneurship and contributing to a sustainable economy.

Society

Reputation
SEB monitors the results of Kantar Sifo’s Corporate Reputation Index, which measures the bank’s reputation among consumers and business owners.

Sustainability
As a bank, SEB has relatively low direct environmental impact. However, the ambition is to lower the internal CO₂ impact.

Corporate reputation¹, Index
Sweden
Outcome	Average
2016	45	40
2017	42	38
2018	43	33

¹) Corporate reputation among the general public, according to Kantar Sifo’s Corporate Reputation Index.
2) SEB, SHB, Swedbank, Nordea, Danske Bank.

Target
Reduce CO₂ emissions by 20 per cent between 2016 and 2020, reaching 18,500 tonnes CO₂. The measurement method and therefore the target changed in 2018.

Comment
The decrease in CO₂ emissions is mainly due to a smaller office space.
Long-term value creation

Customer centricity, long-term perspectives and financial strength form the foundation for meeting the expectations of customers, employees and society at large. Ultimately, this creates value for the shareholders.

Meeting stakeholders’ expectations via SEB’s business model

Customers
1.7 million corporate and private home bank customers
The customers’ needs are at the core of the bank’s business. Customers’ high expectations on both personal and digital service, on quality advice and on sustainable solutions drive the bank’s business development and offerings.

Shareholders
261,000 shareholders
The capital provided by SEB’s shareholders is a prerequisite for conducting the bank’s business. The shareholders expect a competitive and sustainable return on their capital. Many of the major owners have a long-term perspective on their engagement in the bank.

Employees
15,000 employees
SEB’s employees build and deepen customer relationships. Their commitment, skills and continuous learning are key success factors for the bank’s business and future development.

Society
Society at large
Banks play an integral role in society and are vital for creating economic growth and social value. With this comes an expectation that the bank takes great responsibility for how it acts, to enable society to continue to develop in a sustainable way.

Strategy
Long-term strategy
SEB’s strategy is built on developing deep customer relationships with a long-term perspective.

Service
Customer-oriented offering
Proactive quality advice and a holistic, digital and personal, offering are provided at the customers’ convenience, based on customer insight.

Business development
Agile and proactive process
Products and services are developed proactively and with agility, based on customer preferences and market outlook.

IT and data
Secure and functional IT
The IT structure promotes stability in the daily operations, manages large amount of data and promotes agile development of products and services.
Value creation based on trust
Banks play a fundamental role in society by acting as an intermediary providing, and advising on, a wide range of financing and savings solutions, risk management and payment services. SEB’s operations impact – and is impacted by – customers, shareholders, employees and society. Their trust is a prerequisite for SEB’s license to operate. This is why the bank adapts to a changing environment, acts in accordance with expectations and regulations, and provides services that are proactive, insightful, transparent and accessible on customers’ terms.

In addition, high ethical standards are being upheld internally in order to maintain stakeholders’ trust. SEB’s code of conduct and internal rules are in place supported by a culture based on openness, business acumen and SEB’s core values.

For customers
By providing proactive advice and a wide range of convenient services, SEB supports its customers’ long-term aspirations and adds value in all phases of life of individuals and development stages of companies and institutions.

Distribution of financial value
SEK 63bn for 2018

For shareholders
Dividends and potential increase in market value over time contribute to shareholders’ financial security and enable new investments. SEB’s competitiveness is increased and long-term risks are reduced through the integration of environmental, social and governance aspects in business operations.

Dividends paid to shareholders
SEK 14bn

For employees
The employees take part in, and value, the opportunities for learning and further development that are integrated in SEB’s business. Employees also participate in the many partnerships that SEB supports to help communities develop and prosper.

Salaries, pensions and benefits to employees
SEK 11bn

For society at large
SEB intermediates financial solutions, provides payment services and manages risks, which together promote economic growth and prosperity. SEB pays taxes and fees according to local rules where it operates. SEB takes responsibility as a provider of financing and as an asset manager and works proactively with environmental, social and governance issues.

Taxes and social charges
SEK 7bn

Payments to suppliers
SEK 10bn

Regulatory fees
SEK 3bn

For customers

SEB Annual Review 2018
Customers

Customers demand both smart digital solutions and personal meetings. They want a partner who is proactive, who provides a long-term perspective, and can offer objective advice in order for them to reach their ambitions.
Customer activity 2018

Owing to the improved business climate, large corporations in all segments increased their level of activity during the year. Companies began increasing their investments in capacity and new technology. This resulted in an increase in credit demand after several years at an unchanged level. The positive business climate also led to demand for a wide range of services such as advice, trade finance and custody management.

Financial institutions were more active in 2018 in pace with growing market volatility. Implementation of MiFID II gave rise to a larger volume of transactions on electronic platforms at the same time as greater transparency led to greater competition and stronger pressure on margins in the market.

For small and medium-sized companies, the year was characterised by a high level of activity, and credit demand increased both in Sweden and the Baltic countries. In Sweden SEB continued to advance its position as a corporate bank.

Household economies remained strong in the wake of the strong economy and low interest rates. Customer activity was high, and the use of digital services was rising both in Sweden and the Baltic countries. In Sweden, 3,380 private individuals became customers in an entirely digital manner during the year, and nearly a third of all applications for mortgage commitments were submitted digitally. In the Baltic countries a new version of the mobile app was launched, and the number of users increased by more than 50 per cent. Customers appreciate the possibility of obtaining advice via web-based video meetings, and more than a third of sales were made via digital channels.

Customer segments

Large corporations
SEB has an enduring and uniquely strong relationship with large corporations in Sweden and the other Nordic countries, where the bank has supported them in their business and their international expansion, and has stayed with them as a partner through both good times and bad. Today SEB serves some 2,300 large corporations across a broad spectrum of industries. Most conduct extensive international operations and many of them are global market leaders. In the Nordic countries these companies are among the largest in their respective industries, while in Germany and the United Kingdom customers range from the mid-corp segment up to multinational corporations.

Small and medium-sized companies
SEB has an established position as the bank for entrepreneurs and small business owners, and currently serves some 400,000 small and medium-sized companies in all. Of these, 166,000 are home bank customers in Sweden and 101,000 in the Baltic countries. The segment includes approximately 650 mid-corp, many with international operations, and public sector customers in Sweden such as government agencies, state-owned companies and municipalities.

Financial institutions
SEB serves some 700 financial institutions, comprising a broad spectrum of pension and asset managers, hedge funds, insurance companies, state-owned investment funds and other banks. Customers range from Nordic actors to global institutions seeking Nordic exposures.

Private individuals
SEB is one of the major banks in Sweden, Estonia, Latvia and Lithuania. In Sweden SEB has a solid reputation and is one of the market leaders in private banking. In collaboration with its corporate customer business in the Nordic countries, Germany and the United Kingdom, SEB has established private banking operations in these countries.

In total SEB has approximately 4 million private customers in Sweden and the Baltic countries. Of these 489,000 are home bank customers in Sweden and 950,000 in the Baltic countries. In private banking SEB has approximately 35,000 customers.
Customers

Large corporations

Large corporations are in need of a bank with a long-term perspective that can serve as a partner and support them on their journey of growth. They expect smooth system solutions and proactive, value-creating advice.

Meet one of our customers

Kion Group

Dirk Baltzer
Senior Director Corporate Treasury

Our needs and preferences are at the top of SEB’s list of priorities.”

Kion is Europe’s largest manufacturer of industrial trucks and forklifts and a leading provider of logistics solutions for factories, warehouses and distribution centres.

With operations on six continents, Kion has a need for several banks, but SEB is the group’s core bank providing financing solutions, cash management in the Nordic countries, and various types of derivative services coupled to currency management.

“What’s most important in a banking relationship is that the bank has a long-term commitment, not least when it comes to financing. You must be able to trust that the bank will be there for you over the years. I feel we are important for the bank and that our needs and preferences are at the top of their priorities list. It’s reassuring”, says Dirk Baltzer.

Easy-to-use integrated services

SEB has for many years built integrated solutions that allow large corporates to manage and automate payments, account reporting and reconciliations directly in their business systems instead of via the bank’s internet service C&I Online. This development is continuing at an accelerated pace with the emergence of Open Banking, which is creating new opportunities to gather customer data from various actors in consolidated services.

One example of product development in this area is Advanced Analytics, a service that is imbedded in C&I Online. It is an easy-to-use and flexible service with functions for trend analysis, simulations, searches and data mining, where customers can, for example, combine data from accounts they have with SEB with data from other banks.

Green financing

The sustainability perspective—manifested in sector policies and position statements, among other things—has long been an integral part of SEB’s credit process and continuing dialogue with corporate customers.

SEB has been one of the key players behind the emergence of the market for green bonds, an investment form that combines favourable returns with documented environmental benefits. The market for green financing solutions is growing, and in 2018 SEB participated as adviser and arranger when the property company Vasakronan was first in the world to issue a green certificate for financing of defined green assets.

In 2017 SEB issued its own green bond of SEK 4.9bn, which has been used to provide green loans to customers for environmental investments such as in renewable energy, sustainable forestry, green buildings and clean transports in Sweden, Norway and Finland.

Corporate transactions

Large corporates appreciate SEB’s specialised business and advisory services in connection with mergers and acquisition and other corporate finance activities. In 2018 the bank facilitated 19 mergers and acquisitions and 24 equity capital market transactions in the Nordic countries. For example, SEB was contracted as sole financial adviser when the Norwegian furniture group Ekornes was acquired by the furniture maker Qumei. SEB was also financial adviser in Atlas Copco’s spin-off of Epiroc.

Advice on digital business

During 2018 SEB established a corporate finance function specialising in advice on digital business models and strategies. By building up cutting-edge competence on new high-tech companies with business models based on digital technology, SEB can increase the relevance of its strategic dialogues with large corporations.

Easy-to-use integrated services

SEB has for many years built integrated solutions that allow large corporates to manage and automate payments, account reporting and reconciliations directly in their business systems instead of via the bank’s internet service C&I Online. This development is continuing at an accelerated pace with the emergence of Open Banking, which is creating new opportunities to gather customer data from various actors in consolidated services.

One example of product development in this area is Advanced Analytics, a service that is imbedded in C&I Online. It is an easy-to-use and flexible service with functions for trend analysis, simulations, searches and data mining, where customers can, for example, combine data from accounts they have with SEB with data from other banks.

Green financing

The sustainability perspective—manifested in sector policies and position statements, among other things—has long been an integral part of SEB’s credit process and continuing dialogue with corporate customers.

SEB has been one of the key players behind the emergence of the market for green bonds, an investment form that combines favourable returns with documented environmental benefits. The market for green financing solutions is growing, and in 2018 SEB participated as adviser and arranger when the property company Vasakronan was first in the world to issue a green certificate for financing of defined green assets.

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Financial institutions

Financial institutions have a need for accessibility, delivery, customised advice, sustainable investment alternatives and effective financial infrastructure.

Growth for Investor World

During the year SEB successfully rolled out its Investor World concept on the market. It consists of, among other things, a global custody services platform that has been created in partnership with the US-based financial services firm Brown Brothers Harriman. Customers are offered SEB’s services from a new technical platform, giving them greater opportunities both from service and technology perspectives. In 2018 more than 30 customers chose to switch to this platform, of which the ten largest customers in global custody services.

Within the Investor World framework SEB offers a range of services that support the investment process regardless of asset class. Customers gain access to clearing for derivatives, collateral management, risk and appraisal services, and administrative back office services. Together with a comprehensive offering in currency trading, cash management and corporate transactions, financial institutions can thereby focus on their core businesses of creating value for their customers.

Through Investor World SEB has advanced its positions among all institutional customers in the Nordic countries.

Sustainable investments

Financial institutions are showing a distinctly keener interest in sustainability, as evidenced by higher demand for sustainable investment alternatives and advice surrounding sustainability-related issues. SEB has a well-established position in this area and was one of the first banks in the world to include sustainability aspects in its asset management.

Interest is also growing for other types of investments that can help solve global society challenges and social problems. Financial institutions have shown great interest in SEB’s microfinance funds, which funnel capital to small business owners in developing countries, who do not have access to the traditional banking system. Since 2013 SEB has launched six microfinance funds with combined capital of close to SEK 7bn that works for the benefit of more than 23 million small business owners in developing countries.

Meet one of our customers

Alecta

Confident and happy customers are created through a long-term approach and high efficiency. We are very pleased with SEB and greatly value our relation.”

Alecta is a mutual occupational pension company providing services for many officials and companies in Sweden.

The focus is on creating long-term sustainable pensions through good returns and efficient management. Sustainability is an integral part of the business, due to customer demand and as an important part of risk management.

Alecta has a long-term banking relationship with SEB, where it primarily uses capital market services and cash management. Since 1948, the company has also been an owner of SEB.

Customer
Small and medium-sized companies are looking for proactiveness and engagement, and they want convenient digital solutions that are accessible in the channels of their choosing.

**Meet one of our customers**

**BioGaia AB**

Isabelle Ducellier, CEO
Margareta Hagman, CFO

We feel that SEB is at the forefront when it comes to sustainability, which is important for us since we work with sustainability across our entire value chain.

BioGaia is a research-based healthcare company that develops probiotic dietary supplements, that is, products that contain living micro-organisms with clinically proven health benefits. BioGaia has 130 employees, holds 440 patents, and sells its products in 100 markets.

BioGaia has relied on SEB as its home bank since 2016 to manage payment flows, for currency hedging and for analysis services.

“Banks’ services are virtually identical, so personal relationships are important. We think SEB are professional, they offer a high level of service and they offer interesting seminars and talks”, says Margareta Hagman.

**Support to growth companies**

In Sweden SEB continued developing its Greenhouse concept, which provides a holistic solution for supporting growth companies. This is done by providing support and advice both from the bank’s own experts and from selected business partners. The concept consists of everything from wide-ranging seminars to customised programmes. Through Greenhouse and the bank’s collaboration with organisations in all steps of the entrepreneur staircase (see p. 25), SEB continues to strengthen its position as the bank of choice for entrepreneurs.

**Comprehensive cover**

SEB is one of the few actors that offers a combination of traditional banking services and comprehensive insurance cover for small business owners. This includes services for their employees’ needs for financial security and pension solutions as well as for a prompt return to work following an illness. SEB also helps small business owners to plan for their pensions and offers health insurance plans that can give small business owners the same level of protection as employees of larger organisations.

**Open Banking creating new services**

The trend towards Open Banking entails that over time banking services will be accessible and possible to integrate with other actors’ systems and channels – regardless of whether they are banks or entirely different kinds of companies. In the same way, banks will be able to integrate others’ services in their channels. This trend is noticeable in many ways. For example, during the year SEB’s developer portal was made accessible for external users. The portal features Application Programming Interfaces (APIs), which are standardised communication protocols that are coupled to payment and account information from SEB.

SEB is also working actively on building integration with vendors of business systems as well as bookkeeping and payroll services firms. These types of solutions make it possible for companies to use automation to make payments, reconcile accounts and conduct bookkeeping at one and the same location, either in their own business systems or through their bookkeeping and payroll services firms. SEB has since previously established integration with Visma Autoplay, and in 2018 the bank entered into partnerships with Capcito and PE Accounting.

**Digital services**

Companies are in search of a greater offering of proactive and digital services and automated solutions. During the year SEB made it possible to digitally sign for around a dozen products via the corporate internet bank. During the year, a pilot for a digital new-customer process was initiated, which enables a simple onboarding process and enhances customer experience, while ensuring that the bank is in compliance with know-your-customer and anti-money laundering regulations.

[Read more on sebgroup.com]
Private individuals

Private individuals want digital solutions that make everyday life easier. They want to be acknowledged and understood, and they expect custom-tailored, personalised advice in digital channels as well as in face-to-face meetings.

Personal and digital advice
In 2018 SEB launched a digital advice tool that gives customers the opportunity to obtain a diagnosis of their personal economies. In contrast with most competitors, SEB uses a function that draws on the customer’s total financial situation and not only an investment perspective. The diagnosis is based on a number of questions that the customer answers along with automatically retrieved information about the customer’s assets and liabilities with SEB. On the basis of this information, advice is provided according to a priority of factors. For some customers the advice is to start risk-based saving, while others are advised to first consider their debt or build up a savings buffer to be able to manage unforeseen events. The advice provided digitally is saved in the bank’s customer system, so that advisers can continue the dialogue at a physical meeting based on this.

Green investments
Among private individuals there is also clearly a growing interest in sustainability, as evidenced by strong growth in the bank’s sustainability funds, among other things. In 2018 SEB was the first bank in Sweden to launch green mortgages, which offer a lower interest rate for people who live in climate-smart houses. These include homes that meet the Swedish National Board of Housing, Building and Planning’s energy classification criteria, homes with the Nordic Swan ecolabel, Sweden Green Building Council certification, and passive house certification.

Home mortgage market development
Several factors contributed to a weakening in the Swedish housing market during the year. New regulations, such as new amortisation requirements, made it difficult for customers to borrow more than four and a half times their annual incomes. Expectations for higher interest rates from Riksbanken have prompted customers to lock in a larger share of their mortgages at fixed rates. Competition from new actors with niche offerings increased somewhat.

Managing crucial steps in life
Aside from digital tools, customers also value the ability to meet competent and engaged advisers face to face. SEB continues to develop its branches as meeting places with extended office hours and generous space for meetings and events.

In 2018 the bank also launched a holistic advisory concept based on customers’ important life events. Using pedagogic methods SEB offers advice and tools for managing crucial steps in life such as moving in with a partner, getting married, and having children. The bank’s financial advice in these areas is an integrated part of customers’ everyday lives and day-to-day situations.

Meet one of our customers

Marje Michalski
Private customer at SEB in Tallinn, Estonia

I really like my adviser. She is pleasant and helpful, and always tries to find the best solution for me.”

Marje Michalski works as a financial manager at a dental clinic in Tallinn. She has been an SEB customer since 2000. Marje uses the internet bank to manage her daily finances, and she has her home mortgage, debit card, mutual funds and pension savings with SEB.

“I like the possibility to round off card purchases upward and have the difference going into my Digital Coin Jar1. It’s a convenient way of saving without having to think about it.”

1) A form of savings account offered to SEB’s Baltic customers.
SEB in society

SEB is an integral part of society and wants to empower future generations. The bank is promoting entrepreneurship and innovation while contributing to a sustainable economy. The bank also works for financial literacy and social inclusion.
Banks play a key role in society’s infrastructure and are instrumental in contributing to economic growth and social values. SEB assists households, entrepreneurs and businesses with financing, investments, payments and savings, thereby promoting economic development, growth, new jobs and international trade, and contributing to financial security.

Since its start SEB has been driven by an aspiration to connect ideas, people and capital. As an example, the bank has long partnered with a number of entrepreneur organisations that support business owners at various levels — from new small businesses via Junior Achievement (Ung Företagsamhet) and Venture Cup, to the entrepreneurial elites recognised in the Entrepreneur of the Year awards.

In 2018 the bank began a collaboration with Base10, a start-up hub where tech companies can meet with aspiring entrepreneurs. During the year SEB also ran an Entrepreneur Camp, a summer initiative where teens could attend presentations on company law and private finance, and get advice and inspiration from business angels, mental coaches and rhetoric experts. In the Baltic countries SEB runs eAcadeemia, a web-based platform for newly started companies and entrepreneurs. It offers practical tips, tools for implementing ideas, and recommendations from established small business owners for achieving success. The platform had 115,000 page visits during the year.

**Mentor**

Since 1997 SEB has partnered with Mentor, an organisation dedicated to building relationships and trust between young people and adults. Through Mentor, SEB’s employees can support young teens and contribute to society while at the same time working on their own personal development and leadership skills. During 2018 a total of 6,944 youths met with 159 SEB employees in the Mentor programme.

**Supporting social entrepreneurs**

Social entrepreneurs play an ever more important role in societies where social and economic gaps as well as inequality are growing. SEB collaborates with Inkludera, an umbrella organisation for social entrepreneurs that provides support to groups in society who are at risk of exclusion.

**Expand financial literacy**

SEB strives to support young people in society to make informed financial decisions. The bank sponsors Ungdomar.se, one of Sweden’s largest digital meeting places for young people aged 13 to 25. The We Change tour is an initiative that inspires and includes young people in societal development and helps them find solutions that contribute to achievement of the UN’s Sustainable Development Goals.

Based on her experiences as a social worker, Moa Görbüz created the best-selling non-alcoholic sparkling wine in Sweden. She was named Settler of the year 2016 and the female rising star in western Sweden, in the competition Entrepreneur of the year 2018.

In 2018 SEB participated in several locations in Sweden, among other things by helping to build up young people’s financial literacy and demonstrating tools for reducing inequality in Sweden and the world.

In the Baltic countries SEB has for many years arranged a Financial Literacy Roadshow, where SEB employees have visited schools with the aim of increasing young people’s financial literacy. During the last three years more than 20,000 youths have gained better knowledge about salaries and taxes, budgeting and long-term savings while gaining inspiration for the future. In 2018 some 400 employees have run the training for 6,500 youths.

**Sustainable communities**

The UN’s global goals ensure ever-greater focus on sustainable development. Climate change is one of today’s most important challenges. SEB recognises the importance of working actively to reduce environmental impact and carbon footprint. SEB has an indirect impact through its lending and asset management activities, and in these areas SEB is developing products and ways of working to address these challenges. The bank is working to mitigate its direct impacts primarily by further reducing emissions related to business travel as well as reducing its own energy and paper consumption.

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**SEB’s entrepreneurial staircase**

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**SEB’s entrepreneurial staircase**
SEB’s employees

To work at SEB is to be a positive force in society by virtue of helping customers achieve their goals. As an employer SEB will always support people with aspirations, and the bank firmly believes that diversity and inclusion are decisive for success.
The annual employee survey, Insight, shows that the bank’s employees are engaged and motivated. Insight also shows that employees understand and are inspired by the bank’s vision, and that they feel involved in decisions that affect them. The KPIs for employee engagement and performance excellence were at historically high levels and are high compared with the bank’s peers in the international financial sector.

Working methods for business development
The methods for driving business development are based to a growing extent on cross-functional teams, transparency and time-efficient processes. The customer journey – a methodical analysis of the customer’s needs and experiences with the bank – forms the basis for this development. To engage more and more employees to embrace new methods in their work, SEB offers internal training and inspirational initiatives like The Buzz, where more than one employee was invited to spend a full day learning more about and testing different ways of working in the area of agile methods.

Transformative and inclusive leadership
SEB’s management philosophy is designed to prepare managers to lead in a complex and rapidly changing world. An important role for leaders involves building well-functioning teams, which requires the capability to listen in an empathetic way. Focus is on driving change, promoting innovation and ensuring that the corporate culture reflects the bank’s values, vision and purpose.

To better understand each other and to meet customers’ needs, SEB fosters diversity and an inclusive culture at all levels of the bank. During the year a new manager role was created with responsibility for driving these issues.

SEB undertakes to:
• Foster an inclusive, value-driven culture in which employees feel valued, respected and involved irrespective of who they are, what they believe in, and where they come from
• Enable learning about inclusion and diversity, including addressing unconscious bias and fostering inclusive leadership
• Increase diversity in teams
• Actively appoint more women to key leadership roles
• Recruit, develop and promote employees with an international background
• Ensure that SEB’s teams and management groups are balanced with respect to gender, age, competences and geographical backgrounds.

Meet Andra and Viktor

Andra Altaa
Why SEB:
SEB is a model of innovative thinking. Our commitment to innovation is not only appreciated by customers and employees, it is also a source of inspiration for other companies and sectors. My personal interest in ground-breaking innovation makes SEB a great place to work.

The best thing about my job:
My personal development is in constant motion. There is never a quiet moment, and I’m constantly faced with a challenge in which my own initiatives are appreciated.

My source of inspiration:
There are many talented people at SEB who I’m inspired by. And then my internal curiosity is a source of inspiration that gives me courage to challenge and to change.

Viktor Sjöberg
Why SEB:
SEB offers an opportunity to go on a transformation journey in a large organisation and in an industry in which a lot is happening right now. On top of this I’m a strong believer in SEB’s sustainability work and entrepreneurial spirit.

The best thing about my job:
Working together with customers to create the bank and meeting place of the future. Customers come to the Experience Center not only for assistance, but also to be inspired.

My source of inspiration:
The feedback we receive from customers, event attendees, entrepreneurs and colleagues, who confirm that we are on the right path toward the future.
Health and work environment

SEB works long term and preventively to offer a safe and sound workplace in an effort to ensure employee well-being and a healthy work/life balance.

In Sweden, SEB’s level of sick leave remains low, at 2.9 per cent, compared with other industries as well as the financial sector. In the employee survey, Insight, SEB’s index for health and work environment was nearly 10 percentage points higher than the industry average.

At the bank’s new offices in Arenastaden, the existing fitness center was expanded during the year with a gym and spinning room, and in the employee canteens a wide range of healthy dishes are always offered. It should be easy to live a healthy life at SEB.

Learning for the future

The pace of change in society is constantly accelerating. This applies also for the type of competences that are needed for the bank to continue to be successful. Toward this end, every year SEB conducts strategic planning of future needs in which every business unit identifies future key competences, identifies development needs for existing roles, and conducts succession planning. The results are then used to design internal training and for recruitment.

SEB’s philosophy is that competence development is achieved above all through continuous learning in the daily work and through collaboration with others. This is complemented with training activities for a large share of employees. One such initiative is Boost your service, where the purpose is to support and give employees tools on their journey toward SEB’s vision of providing world-class service. SEB’s employees are also offered a course catalogue for both internal and external training. During the year the bank entered into several partnerships where, for example, instruction in service design is conducted in collaboration with the Stockholm School of Economics.

The search for competence

SEB has a strong employer brand according to annual rankings conducted among students and young professionals. In pace with the ongoing competence shift and growing recruitment need in new competence areas, the bank is working on strengthening its attractiveness among talents who are targeted by IT companies and tech start-ups. Today SEB has expanded its reach beyond participation at traditional recruitment fairs for economics students and now also uses interactivity and new formats such as arranging hackathons and knowledge-sharing seminars. In addition, SEB works actively with its talent programmes, where the IT programme for young talents has now celebrated 10 years. This concept continues to be relatively unique in the market, and to date more than 100 specialists in technology and IT have joined the bank via this channel.

To ensure that it nurtures relationships with talented individuals already employed by the bank, SEB uses its Global Talent Review programme, which involves a yearly review to identify individuals with future potential for a key role or management position. More than 10 per cent of employees are included in this talent pool and are considered for review, where among other things they get an opportunity to broaden their networks by participating in various development projects outside of their ordinary units.

Labour law and unions

SEB’s employees are covered by collective or local agreements. SEB has a European works council with representatives from all EU and EES countries in which the bank is represented.

SEB’s core values

SEB’s core values serve as the foundation for the bank’s ways of working and culture. In combination with the bank’s vision – to deliver world-class service – they serve to motivate and inspire employees, managers and the organisation as a whole. These values are described in SEB’s Code of Conduct, which provides guidance on ethical matters for all employees.

Customers first

We put our customers’ needs first, always seeking to understand how to deliver real value.

Commitment

We are personally dedicated to the success of our customers and are accountable for our actions.

Collaboration

We achieve more working together.

Simplicity

We strive to simplify what is complex.
# Income statement and balance sheet

The net profit for the year is presented in the income statement as the net of income and expenses and after credit losses and tax. The business volumes are reported both on- and off the balance sheet.

<table>
<thead>
<tr>
<th>INCOME STATEMENT[^1] dashes</th>
<th>SEK m</th>
<th>2018</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>21,022</td>
<td>19,893</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>18,364</td>
<td>17,677</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Net financial income</td>
<td>6,079</td>
<td>6,880</td>
<td>−12</td>
<td></td>
</tr>
<tr>
<td>Net other income</td>
<td>602</td>
<td>1,112</td>
<td>−44</td>
<td></td>
</tr>
<tr>
<td>Total operating income</td>
<td>45,868</td>
<td>45,561</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
<td>−14,004</td>
<td>−14,025</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>−7,201</td>
<td>−6,947</td>
<td>4</td>
<td></td>
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<tr>
<td>Depreciation, amortisation and impairments of assets</td>
<td>−735</td>
<td>−964</td>
<td>−24</td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>−21,940</td>
<td>−21,936</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Profit before credit losses</td>
<td>23,928</td>
<td>23,625</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Gains less losses from tangible and intangible assets</td>
<td>18</td>
<td>−162</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected net credit losses</td>
<td>−1,166</td>
<td>−808</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>Operating profit before items affecting comparability</td>
<td>22,779</td>
<td>22,655</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>27,285</td>
<td>20,759</td>
<td>31</td>
<td></td>
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<tr>
<td>Income tax expense</td>
<td>−4,152</td>
<td>−4,562</td>
<td>−9</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>23,134</td>
<td>16,197</td>
<td>43</td>
<td></td>
</tr>
</tbody>
</table>

1) The 2017 income statement has been restated for the transition to IFRS 15.  
2) 2018 and 2017 not fully comparable due to change in accounting rules.  
3) SEB divested SEB Pensionsforsikring A/S and SEB Administration A/S (SEB Pension) to a subsidiary of Danske Bank. In principle, tax-free capital gain amounted to SEK 3.565m. The Finnish credit information company Asiakastieto Group Plc acquired UC AB. For its share in UC, SEB received shares in Asiakastieto and SEK 0.3bn in cash. The tax-free capital gain amounted to SEK 941m.  
4) Dividend income from Visa Sweden amounted to SEK 494m, with no tax effect. A transformation of the German operations caused redundancy, excess premises and pension related costs that amounted to SEK 1,412m in total. Certain IT-assets were written off at a cost of SEK 978m.

## The income statement described

### Operating income

**Net interest income** consists mainly of the difference between income from lending and expenses associated with deposits and borrowings. Banks’ interest margins differ in various markets, mainly due to varying maturities and risks. Changes in the margins as well as in the volumes of customer deposits and lending have a major bearing on net interest income. In addition, net interest income is affected by the return on holdings of interest-bearing securities and interest expense on the bank’s issued securities used to fund the operations. Regulatory fees for financial stability purposes are also reported as net interest income.

**Net fee and commission income**, which includes commissions from various services such as lending, advisory services, payments, cards and equity trading has long been a larger source of revenue for SEB than for other Swedish banks. This is because SEB works to a greater extent with services for large corporations and wealth management. This line item includes fees from assets under management and custody.

**Net financial income** includes both realised gains and losses associated with sales of equities, bonds and other financial instruments, and unrealised changes in the market value of securities. The trend in the financial markets plays a great role in this context. This item also includes earnings from foreign exchange trading.

**Other income, net**, includes certain capital gains, dividends, hedges and other items.

### Operating expenses

The largest operating expense consists of **staff costs** for the Bank’s some 15,000 employees. **Other operating expenses** consist primarily of IT costs, consulting costs and costs for premises. **Depreciation, amortisation and impairments of assets** pertain to IT costs, for example, which are spread over several years. To ensure a competitive and efficient cost base the bank operated under a cost cap of SEK 22bn in 2018.

### Items affecting profitability

Items in the income statement that are unlikely to reoccur are summarised in order to make comparisons of the underlying result easier[^3,4]

### Net expected credit losses

Credit losses consist of incurred losses as well as provisions for probable losses, where SEB has determined that the customer likely will be unable to fulfil the payment obligations. Any recoveries have a positive impact on net credit losses.

### Net profit

Net profit for the year forms the basis for calculating earnings per share and the proposed dividend to the shareholders.
The result for 2018

Operating income

Operating income increased by 1 per cent to SEK 45,868m.
Net interest income increased by 6 per cent to SEK 21,022m, mainly due to an increase in lending volumes while lending margins remained unchanged. Interest expense related to SEB’s own bonds was lower compared to 2017. Interest expense included regulatory fees for financial stability purposes at an amount SEK 2,495m.

Net fee and commission income increased by 4 per cent to SEK 18,364m. High customer activity fuelled an increase in fee income from payments, cards, lending and mutual funds, among other things.

Net financial income decreased by 12 per cent to SEK 6,079m. The main reason was that income from SEB Pension was part of the full 2017 result, but only half 2018. Otherwise, the financial institutions were active, especially towards the end of the year, which affecting the result positively.

Net other income decreased by 64 per cent to SEK 402m. The result consisted mainly of capital gains, dividends and hedging effects. There were fewer such items in 2018 than in 2017.

Operating expenses

Operating expenses were virtually unchanged at SEK 21,940m, in line with the cost cap of SEK 22bn. The new cost target under new business plan 2019—2021 is outlined on page 10.

Total items affecting comparability amounted to SEK 4,506m.

Net expected credit losses amounted to SEK 1,166m. The asset quality continued to be high and the net expected credit loss level was continued low at 0.06 per cent of relevant credit volumes.

Income tax expense amounted to SEK 4,152m with an effective tax rate of 15 per cent. Among other things, some of the items affecting comparability also affect the tax expense.

Profit and dividend

Operating profit before items affecting comparability increased by 1 per cent to SEK 22,779m. Including items affecting comparability, operating profit amounted to SEK 27,285m and net profit increased by 43 per cent to SEK 23,134m. The Board of Directors proposes an ordinary dividend of SEK 6.00 plus an extraordinary dividend of SEK 0.50, in total SEK 6.50, per share to be distributed to the shareholders.

---

1) See note 3 p. 29.
2) Net fee and commission income less expenses amounted to SEK 18,364m.
Balance sheet described

Simply put, traditional banking is a matter of helping to move capital between customers with a surplus of capital and customers in need of borrowing. Customers’ needs vary widely with respect to amounts, maturities and other terms. In its role as an intermediary, SEB can use for instance household savings and short-term deposits for corporate and long-term mortgage lending. Due to the large number of accounts with varying maturities, savings and deposits serve as a stable source of funding.

Assets
Loans to the public account for more than half of total assets. The bank maintains debt securities for customer trades and its own liquidity management. Equity instruments are also held for customer trading purposes. Financial assets for which the customer bear the investment risk consist mostly of customers’ unit-linked funds.

Liabilities and equity
The main item is deposits and borrowings from the public. Debt securities are issued by SEB for funding purposes. Financial liabilities for which the customers bear the investment risk represent the bank’s liabilities for customers’ unit-linked funds. Shareholders’ equity consists of the share capital, capital contributions and retained earnings.

Assets under management and custody
Both assets under management and custody are primarily booked off-balance sheet.

Development in 2018

Total assets at 31 December 2018 were SEK 2,568bn, an increase of SEK 11bn during the year.

Assets
Both larger and smaller companies were more active and demanded financing and advice on financial transactions. Lending to the public increased by SEK 159bn, somewhat boosted by currency rates. Other assets decreased when SEB Pension was divested.

Liabilities
Deposits and borrowings from the public increased by SEK 77bn. SEB issued securities to manage its liquidity, especially short-term certificates, which increased by SEK 59 billion. Other liabilities decreased when SEB Pension was divested.

Equity
The net profit for 2018 increased equity by SEK 23bn. The dividend for 2017 that was paid out in 2018 decreased equity by SEK 12.5bn.

Assets under management and custody
Total assets under management amounted to SEK 1,699bn and assets under custody amounted to SEK 7,734bn.

### BALANCE SHEET

<table>
<thead>
<tr>
<th>Assets</th>
<th>31 Dec. 2018</th>
<th>1 Jan. 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash balances at central banks</td>
<td>209,115</td>
<td>177,222</td>
</tr>
<tr>
<td>Loans to central banks</td>
<td>35,294</td>
<td>12,778</td>
</tr>
<tr>
<td>Loans to credit institutions</td>
<td>44,287</td>
<td>38,715</td>
</tr>
<tr>
<td>Loans to the public</td>
<td>1,644,825</td>
<td>1,485,808</td>
</tr>
<tr>
<td>Debt securities</td>
<td>156,128</td>
<td>168,928</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>50,434</td>
<td>60,087</td>
</tr>
<tr>
<td>Financial assets for which the customers bear the investment risk</td>
<td>269,613</td>
<td>283,420</td>
</tr>
<tr>
<td>Derivatives</td>
<td>115,463</td>
<td>104,868</td>
</tr>
<tr>
<td>Other assets</td>
<td>44,357</td>
<td>226,662</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>2,567,516</strong></td>
<td><strong>2,556,489</strong></td>
</tr>
</tbody>
</table>

1) IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers are applied from 1 January 2018.

<table>
<thead>
<tr>
<th>Liabilities and equity</th>
<th>31 Dec. 2018</th>
<th>1 Jan. 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from central banks and credit institutions</td>
<td>135,719</td>
<td>95,504</td>
</tr>
<tr>
<td>Deposits and borrowing from the public</td>
<td>1,111,390</td>
<td>1,034,704</td>
</tr>
<tr>
<td>Financial liabilities for which the customers bear the investment risk</td>
<td>270,556</td>
<td>284,291</td>
</tr>
<tr>
<td>Liabilities to policyholders</td>
<td>21,846</td>
<td>18,911</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>680,670</td>
<td>614,087</td>
</tr>
<tr>
<td>Short positions</td>
<td>23,144</td>
<td>24,985</td>
</tr>
<tr>
<td>Derivatives</td>
<td>96,672</td>
<td>85,434</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>3,613</td>
<td>3,894</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>74,916</td>
<td>255,836</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>148,789</strong></td>
<td><strong>138,841</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td><strong>2,567,516</strong></td>
<td><strong>2,556,489</strong></td>
</tr>
</tbody>
</table>

The year in figures
Managing risk in SEB

A bank’s fundamental role from a financial perspective is to intermediate transfers of money between companies and private individuals who want to borrow, invest, save or make payments. SEB must manage the risks that arise in connection with customers’ activities.

SEB accepts risk to create value for customers and shareholders and risk management is necessary for the bank’s long-term profitability. Banks must hold capital to cover their risks. At year-end 2018, SEB’s capital was 17.6 per cent of the measured risks, the so-called common equity tier 1 capital ratio. This is one of the highest capital ratios among European banks.

High asset quality
SEB’s main risk is credit risk. The credit portfolio increased to SEK 2,316bn from SEK 2,170bn during the year. The positive economic development in SEB’s Nordic home markets resulted in sound growth, especially in the corporate segment, while demand for household mortgage loans was lower due to the slow-down in the Swedish real estate market. The corporate portfolio, which constitutes more than half of the credit portfolio, grew in all regions and sectors. The economic development was positive also in the Baltic countries and the credit portfolio grew.

Also in a historical perspective, the asset quality was high and the expected net credit loss was continued low at 0.06 per cent of the total exposure.

RISK PROFILE
The Board of Directors decides on the overarching risk tolerance. The President is responsible for managing SEB’s risks overall and ensuring that the risk profile lies within the Board’s risk tolerance and capital adequacy targets.

Board’s risk tolerance statements in brief

<table>
<thead>
<tr>
<th>Risk type</th>
<th>SEB shall</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit risk and asset quality</strong></td>
<td>Have a robust credit culture based on long-term relationships, knowledge about the customers and focus on their repayment ability. This will lead to a high quality credit portfolio.</td>
<td>• SEB has a well-balanced credit portfolio with main exposure to Nordic large corporates and households in Sweden. • Asset quality remains strong with low credit losses.</td>
</tr>
<tr>
<td><strong>Market risk</strong></td>
<td>Achieve low earnings volatility by generating revenues based on customer-driven business.</td>
<td>• Market risk arises in SEB’s customer-driven trading activity and in its liquidity portfolio. Generally, SEB’s market risk is low. • Interest rate risk arises due to mismatches in rates and maturities in the bank’s assets and liabilities, and is managed by the Treasury function.</td>
</tr>
<tr>
<td><strong>Operational and reputational risk</strong></td>
<td>Strive to mitigate operational risks in all business activities and maintain the bank’s reputation.</td>
<td>• Low operational losses compared to European peers. • Managing and mitigating cyber and information risks are key priorities to ensure secure and available information, services and products for customers.</td>
</tr>
<tr>
<td><strong>Liquidity and funding risk</strong></td>
<td>Have a soundly structured liquidity position, a balanced wholesale funding dependence and sufficient liquid reserves to meet potential net outflows in a stressed scenario.</td>
<td>• SEB’s primary funding sources are customer deposits and wholesale funding. • The funding base is diversified in terms of maturities and currencies to ensure that payment obligations are met as they fall due.</td>
</tr>
<tr>
<td><strong>Aggregated risk and capital adequacy</strong></td>
<td>Maintain satisfactory capital strength in order to sustain aggregated risks, and guarantee the bank’s long-term survival and its position as a financial counterparty, while operating within regulatory requirements and meeting rating targets.</td>
<td>• SEB is strongly capitalised in relation to regulatory capital requirements, internal targets and peers. • The aim is to hold a capital adequacy buffer of around 150 basis points above the regulatory requirement.</td>
</tr>
</tbody>
</table>
Cybercrime

Cybercrime is an increasing threat to society in general and especially to banks. Criminal behaviour is undergoing rapid and continuous change and for instance digital wallets, where information on credit cards, passwords and bank IDs is stored, are attractive targets. Fraud directly aimed at private individuals increased in 2018. SEB works continuously with a risk-based approach and with strong controls to protect both customers and the bank against security breaches. The bank invests continuously in the security organisation and systems and is working to raise awareness both among customers and employees. SEB also cooperates with national and international alliances and networks as well as authorities in order to combat cybercrime.

SEB’s key risk development

<table>
<thead>
<tr>
<th>Measurement</th>
<th>Comment</th>
<th>2018</th>
<th>2017</th>
<th>Peer average, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Credit portfolio (SEK bn)</td>
<td>• Total loans, commitments and derivatives</td>
<td>2,316</td>
<td>2,170</td>
<td></td>
</tr>
<tr>
<td>• Net expected credit loss (ECL) level 1)</td>
<td>• Expected credit losses in relation to total exposure</td>
<td>0.06</td>
<td>0.05</td>
<td>0.02 2,3)</td>
</tr>
<tr>
<td>• Stage 3 loans/total loans, gross (%)</td>
<td>• Share of loans that are classified as stage 3 (credit impaired)</td>
<td>0.5</td>
<td></td>
<td>1.2 2)</td>
</tr>
<tr>
<td>• Trading VaR average (SEK m)</td>
<td>• A statistical measure of the largest loss that can be expected in a ten-day period</td>
<td>90</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>• Operational losses/income (%)</td>
<td>• Operational risk losses in relation to operating income</td>
<td>0.43</td>
<td>0.42</td>
<td>0.69 4)</td>
</tr>
<tr>
<td>• Liquidity coverage ratio 5) (%)</td>
<td>• Funds should be sufficient to cover short-term payments</td>
<td>147</td>
<td>145</td>
<td>143 2)</td>
</tr>
<tr>
<td>• Core gap ratio (%)</td>
<td>• The requirement is above 100 per cent</td>
<td>110</td>
<td>108</td>
<td></td>
</tr>
<tr>
<td>• Risk exposure amount (SEK bn)</td>
<td>• Risk-weighted business volumes</td>
<td>716</td>
<td>611</td>
<td>990 2)</td>
</tr>
<tr>
<td>• Common Equity Tier 1 ratio (%)</td>
<td>• Capital available to cover future losses – in relation to the risk exposure amount</td>
<td>17.6</td>
<td>19.4</td>
<td>16.4 2)</td>
</tr>
<tr>
<td>• Leverage ratio (%)</td>
<td>• Capital in relation to total assets</td>
<td>5.1</td>
<td>5.2</td>
<td>5.3 2)</td>
</tr>
</tbody>
</table>

As a bank SEB is an integrated part of society. SEB aims to be a role model in sustainability and has a strong ambition to contribute to sustainable growth and to help customers and other stakeholders prosper. The world has common challenges and SEB can be a driving force and thereby part of the solution.

SEB aims to identify business opportunities to create positive impact in line with the bank’s purpose, vision and strategy. The bank also aims to avoid or minimise negative impact of its products and services.

Sustainability is integrated in SEB’s business activities through the sustainability framework, consisting of success factors and fundamental enablers. To get the greatest possible effect, SEB has chosen to focus on four success factors:

- **Innovation and entrepreneurship** – SEB is guided by a strong belief that entrepreneurial minds and innovative companies are the key to creating a better world. SEB supports innovation and entrepreneurship to drive sustainable economic development and contribute to creating new jobs and growth in society.
- **Sustainable financing** – SEB strives to contribute to reorienting capital flows to low-carbon and sustainable activities, to increase the share of positive impact financing and positively impact customers’ sustainability focus.
- **Sustainable investments** – SEB aims to have a comprehensive and competitive offering with environmental, social and governance factors fully integrated into all investment processes.
- **Responsible and proactive advice** – SEB engages in understanding its customers’ needs and preferences in the transition to a more sustainable society. This is enabled by engaged and knowledgeable employees.

The fundamental enablers (blue boxes below) are at the core of SEB’s long-term success. As a company in the business of trust, shortcomings in any of these areas would limit the bank from being able to create long-term value for stakeholders.

During 2018, sustainability aspects were further integrated into several core processes such as SEB’s business planning process where sustainability has been defined as one strategic component for SEB’s business plan 2019–2021. See p. 10–12.

**Climate change**
SEB believes that climate change is one of the most serious global challenges the world is facing. It will have significant impact across many sectors and the bank has an important role to ensure transparency around climate-related risks and opportunities.

**Strategy for mitigating climate change**
To date, a number of strategic decisions have been taken as a result of the climate challenge. Examples include SEB’s decision to lower its exposure to coal producers in both its credit portfolio and fund holdings. The ambition is also to grow the green loan portfolio consisting of assets contributing to lower carbon emissions, as well as new products such as green mortgages supporting energy efficient housing.

**Managing SEB’s climate-related risk**
Climate change can have an impact on SEB’s credit portfolio and fund holdings, and it is important that this is considered in the risk analysis and management. SEB performs qualitative sector analyses on the industries that are expected to be the most affected in the transition to a low-carbon environment, including energy, transport and the manufacturing industries. With regard to physical climate risk, industries such as real estate, forestry and insurance are deemed to be more impacted.

SEB is investigating ways to measure the climate impact of the credit portfolio and assets under management in terms of carbon emissions. SEB will also be liaising with the domestic and international financial community in the development of definitions and standards.

**SEB’s sustainability framework**

<table>
<thead>
<tr>
<th>Success factors</th>
<th>Innovation and entrepreneurship</th>
<th>Sustainable financing</th>
<th>Sustainable investments</th>
<th>Responsible and proactive advice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundamental enablers</td>
<td>Financial strength and resilience</td>
<td>Risk management</td>
<td>Business ethics and conduct</td>
<td>Cyber and information security and Data protection</td>
</tr>
</tbody>
</table>
Chair statement

In the face of rapid change we strive to continuously adapt to our customers’ growing needs for more sophisticated services, more proactive advice and advanced digital solutions. The increase in data, access to cloud technology and algorithms for machine learning are enabling us to interact with our customers in new ways. In the wake of the Internet of Things – where connected, autonomous systems communicate with each other and production chains can steer themselves, financial services can be seamlessly integrated with companies’ value chains. New business opportunities emerge in new industrial ecosystems.

We also have an important role to facilitate and finance our customers’ shift to sustainable business models. We truly believe that sustainable business is better business – to the benefit of our customers, shareholders and employees. SEB’s most important assets are our trust and financial stability, which enable us to stand by our customers in good times and bad. We invest substantial resources in protecting SEB from cyber threats, money laundering and other financial crimes, adhering to the highest standards of corporate governance, sustainability, transparency and business ethics.

We embrace change, at the same time as we navigate according to our long-term strategy to ensure stability. With a focus on advisory leadership, operational excellence and extended presence, we invest in our future. It is the next step on the journey we have been on for more than 160 years.”

Stockholm, February 2019
Marcus Wallenberg, Chair, Board of Directors

This is an abbreviated version of the statement of the chair in SEB’s annual report.

Main governing bodies of SEB

Board of Directors
The Board of Directors has overarching responsibility for SEB’s organisation, management and operations. Important issues handled by the Board include the macroeconomic situation, the bank’s financial and risk position, capital and liquidity situation, remuneration, succession planning and compliance as well as interim and annual reports. The Board is presented on p. 36–37.

The President and Group Executive Committee
The President and CEO is responsible for administrating the group’s business, including risk management, in accordance with the strategy and policies established by the Board. To safeguard the interests of the group, the President consults with the Group Executive Committee (GEC) on matters of major or principal importance. The GEC is presented on p. 38.

The General Meeting
The General Meeting of Shareholders is the highest decision-making body, which among other things appoints the members of the Board and the bank’s auditor. All registered shareholders have the right to participate at the Annual General Meeting and vote for their shares. See information on the share p. 39–40.
## Board of Directors

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Own and closely related persons' shareholdings</th>
<th>Other assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair since 2005</td>
<td>Marcus Wallenberg</td>
<td>753,584 Class A shares and 720 Class C shares</td>
<td>Chairman of Saab and FAM. Vice Chairman of Investor. Director of Astra-Zeneca Plc., Temasek Holdings Ltd and the Knut and Alice Wallenberg Foundation.</td>
</tr>
<tr>
<td>Vice Chair since 2013</td>
<td>Sven Nyman</td>
<td>10,640 Class A shares and 10,200 Class C shares</td>
<td>Chairman of RAM Rational Asset Management. Director of RAM ONE, Ford AS (Norway), Nobel Foundation's Investment Committee, Stockholm School of Economics, Stockholm School of Economics Association and of Axel and Margaret Ax:son Johnson's Foundation.</td>
</tr>
<tr>
<td>Vice Chair since 2014</td>
<td>Jesper Ovesen</td>
<td>25,000 Class A shares</td>
<td>Director of Sunrise Communications Group AG (Switzerland) and Conva Tec Group Plc. (UK).</td>
</tr>
<tr>
<td>Director</td>
<td>Johan H. Andersen</td>
<td>100,000 Class A shares</td>
<td>Owner and Chairman of Ford AS (Norway). Chairman of Council on Ethics for the Government Pension Fund Global (Norway). Director of SWIX Sport AS (Norway), NMI-Nordic Microfinance Initiative and Junior Achievement Europe.</td>
</tr>
<tr>
<td>Director</td>
<td>Signhild Arnegård Hansen</td>
<td>5,387 Class A shares</td>
<td>Chairman of SnackCo of America Corp (USA). Vice Chairman of the Swedish-American Chamber of Commerce (SACC) (USA). Director of Business.</td>
</tr>
</tbody>
</table>

## Directors appointed by the employees

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Own and closely related persons' shareholdings</th>
<th>Other assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>Anna-Karin Glimström</td>
<td>0 shares 809 conditional share rights</td>
<td>Chairman of Financial Sector Union of SEB and Financial Sector Union Western section in SEB. Director EB-SB Fastigheter and EB-SB Holding.</td>
</tr>
<tr>
<td>Director</td>
<td>Håkan Westerberg</td>
<td>4,005 Class A shares and 809 conditional share rights</td>
<td>Chairman of the Association of University Graduates at SEB.</td>
</tr>
</tbody>
</table>
6 Samir Brikho
Director
2013
1958
M.Sc. (Engineering, Thermal Technology), Hon. Dr. (Cranfield University).
UK Business Ambassador, Co-Chairman of the UK-UAE Business Council and the UK-ROK CEO Forum, Director of EuroChem Group AG. Member of Advisory Board of Stena. Chairman of the Step Change Charity.

0 shares

7 Winnie Fok
Director
2013
1955
Bachelor of Commerce
Director of Volvo Car Corporation, G45 plc (UK). Member of the Investment Committee of HOPU Investments Co. Ltd. (Asia), senior advisor to FAM and WFAAB.

3,000 Class A shares

8 Tomas Nicolin
Director
2009
1954
B.Sc. (Econ.) and M.Sc. (Management)
Chairman of Centre for Justice. Director of Nordstjernan, Nobel Foundation and Axel and Margaret Ax:son Johnson’s Foundation. Member of the Investment Committee of Niam Property Fund.

66,000 Class A shares

9 Helena Saxon
Director
2016
1970
M.Sc. (Business and Econ.)
CFO at Investor. Director of Swedish Orphan Biovitrum.

12,500 Class A shares

10 Johan Torgeby
Director (President and CEO)
2017
1974
B.Sc. (Econ.)
Director of the Swedish Bankers’ Association and of the Institute of International Finance and Mentor Sweden.

0 shares

11 Anna-Karin Nyman
257 Class A shares and 1,618 conditional share rights

13 Annika Isenborg
Deputy Director
2016
1967
University studies in working environment.
First deputy Chairman of Financial Sector Union of SEB and Financial sector union regional club Group Operations of SEB.

221 Class A shares and 809 conditional share rights

15 Charlotta Lindholm
Deputy Director
2015
1959
LLB
Vice Chairman of the Association of University Graduates at SEB. Director of the Foundation of Alma Detthows.

1) Deputy director 2011–2014
2) Deputy director 2014
## Group Executive Committee

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>SEB employee since</th>
<th>Born</th>
<th>Own and closely related persons' shareholdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johan Torgeby</td>
<td>President and CEO since 2017</td>
<td>2009</td>
<td>1974</td>
<td>228,413 shares and conditional share rights.</td>
</tr>
<tr>
<td>Magnus Carlsson</td>
<td>Deputy President &amp; CEO since 2014</td>
<td>1993</td>
<td>1956</td>
<td>224,371 shares and conditional share rights.</td>
</tr>
<tr>
<td>Magnus Agustsson</td>
<td>Chief Risk Officer since 2017</td>
<td>2009</td>
<td>1973</td>
<td>48,175 shares and conditional share rights.</td>
</tr>
<tr>
<td>Jeanette Almberg</td>
<td>Head of Group Human Resources since 2016</td>
<td>2008</td>
<td>1965</td>
<td>101,704 shares and conditional share rights.</td>
</tr>
<tr>
<td>Joachim Alpen</td>
<td>Executive Vice President, Co-Head of the Large Corporates &amp; Financial Institutions division since 2018</td>
<td>2001</td>
<td>1967</td>
<td>223,843 shares and conditional share rights.</td>
</tr>
<tr>
<td>Martin Johansson</td>
<td>Head of Business Support since 2011 and Chief of Staff since 2018</td>
<td>2005</td>
<td>1962</td>
<td>197,419 shares and conditional share rights.</td>
</tr>
<tr>
<td>William Paus</td>
<td>Executive Vice President, Co-Head of the Large Corporates &amp; Financial Institutions division since 2018</td>
<td>1992</td>
<td>1967</td>
<td>162,729 shares and conditional share rights.</td>
</tr>
<tr>
<td>Nina Korfu-Pedersen</td>
<td>Head of Group Finance since 2016</td>
<td>2010</td>
<td>1973</td>
<td>33,927 shares and conditional share rights.</td>
</tr>
<tr>
<td>Mats Torstendahl</td>
<td>Executive Vice President, Head of the Corporate &amp; Private Customers division since 2018</td>
<td>2009</td>
<td>1961</td>
<td>339,103 shares and conditional share rights.</td>
</tr>
<tr>
<td>Riho Unt</td>
<td>Head of the Baltic division since 2016, Group AML Senior Officer since 2018</td>
<td>2001</td>
<td>1978</td>
<td>66,410 shares and conditional share rights.</td>
</tr>
<tr>
<td>Masih Yazdi</td>
<td>Finance Director since 2018</td>
<td>2013</td>
<td>1980</td>
<td>68,033 shares and conditional share rights.</td>
</tr>
<tr>
<td>Sara Öhrvall</td>
<td>Chief Digital, Customer Experience and Communications Officer since 2018</td>
<td>2018</td>
<td>1971</td>
<td>1,150 shares.</td>
</tr>
</tbody>
</table>

## Additional members of the Group Executive Committee

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Born</th>
<th>Own and closely related persons' shareholdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Høltermand</td>
<td>Country Manager SEB Denmark since 2002</td>
<td>1997</td>
<td>1963 159,337 shares and conditional share rights.</td>
</tr>
<tr>
<td>Nicolas Moch</td>
<td>Chief Information Officer since 2018</td>
<td>2008</td>
<td>1972 57,671 shares and conditional share rights.</td>
</tr>
<tr>
<td>David Teare 1)</td>
<td>Head of the Life division since 2019</td>
<td>2006</td>
<td>1963 179,603 shares and conditional share rights.</td>
</tr>
</tbody>
</table>

1) As Head of Division Life & Investment Management in 2018, David Teare was an ordinary member of the GEC in 2018
Shareholders and the SEB share

The closing price of the SEB Class A share was SEK 86.10 at year-end. The share price decreased in line with the development of the OMX Stockholm 30 index in 2018. Earnings per share amounted to SEK 10.69 (7.47). The Board proposes an ordinary dividend of SEK 6.00 and an extraordinary dividend of SEK 0.50 per share for 2018.

Share capital
SEB’s share capital amounts to SEK 21,942 million distributed on 2,194.2 million shares. Each Class A share entitles the holder to one vote and each Class C share to 1/10 of a vote.

Stock exchange trading
The SEB share is listed on Nasdaq Stockholm, but is also traded on other exchanges. During 2018 the value of the SEB class A share decreased by 11 per cent. The OMX Stockholm 30 index (OMXS30) decreased at the same rate while the MSCI Europe Banks Index decreased by 27 per cent. Total turnover in SEB shares in 2018 amounted to SEK 324bn (312) of which SEK 139bn (124) on Nasdaq Stockholm. Market capitalisation by year-end was SEK 189bn (211). The share is included in the Dow Jones Sustainability Index and the FTSE4Good Index, which facilitate investments in companies which are globally recognised for their corporate responsibility.

Dividend policy
SEB strives to achieve long-term dividend growth without negatively impacting the group’s targeted capital ratios. The annual dividend per share shall correspond to 40 per cent or more of earnings per share. Each year’s dividend is assessed in the light of prevailing economic conditions and the group’s earnings, growth possibilities, regulatory requirements and capital position.

Proposed dividend for 2018
The Board of Directors proposes to the Annual General Meeting a total dividend of SEK 6.50 (SEK 6.00 ordinary and SEK 0.50 extraordinary dividend) per Class A and Class C share respectively (5.75) for 2018, which corresponds to a 61 per cent (77) dividend payout ratio. Excluding items affecting comparability, the dividend payout ratio was 76 per cent (70). The proposed record date for the dividend is 29 March 2019. If the Annual General Meeting resolves in accordance with the proposal, the share will be traded ex-dividend on 27 March 2019 and dividend payments will be disbursed on 2 April 2019.

Data per share

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings, SEK</td>
<td>10.69</td>
<td>7.47</td>
<td>4.88</td>
<td>7.57</td>
<td>8.79</td>
</tr>
<tr>
<td>Diluted earnings, SEK</td>
<td>10.65</td>
<td>7.44</td>
<td>4.85</td>
<td>7.53</td>
<td>8.73</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>68.76</td>
<td>65.18</td>
<td>65.00</td>
<td>65.11</td>
<td>61.47</td>
</tr>
<tr>
<td>Net worth, SEK</td>
<td>74.74</td>
<td>73.60</td>
<td>73.00</td>
<td>72.09</td>
<td>68.13</td>
</tr>
<tr>
<td>Net expected credit losses (^1), SEK</td>
<td>0.54</td>
<td>0.37</td>
<td>0.46</td>
<td>0.40</td>
<td>0.06</td>
</tr>
<tr>
<td>Dividend per Class A and Class C share, SEK</td>
<td>6.50(^2)</td>
<td>5.75</td>
<td>5.50</td>
<td>5.25</td>
<td>4.75</td>
</tr>
<tr>
<td>Year-end share price (^3), SEK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per Class A share</td>
<td>86.10</td>
<td>96.30</td>
<td>95.55</td>
<td>89.40</td>
<td>99.55</td>
</tr>
<tr>
<td>per Class C share</td>
<td>86.40</td>
<td>96.05</td>
<td>95.20</td>
<td>88.85</td>
<td>97.65</td>
</tr>
<tr>
<td>Highest price paid (^3), SEK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per Class A share</td>
<td>102.70</td>
<td>109.00</td>
<td>99.75</td>
<td>111.50</td>
<td>100.60</td>
</tr>
<tr>
<td>per Class C share</td>
<td>103.60</td>
<td>109.90</td>
<td>101.10</td>
<td>112.50</td>
<td>99.10</td>
</tr>
<tr>
<td>Lowest price paid (^3), SEK</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>per Class A share</td>
<td>79.16</td>
<td>94.05</td>
<td>67.75</td>
<td>83.45</td>
<td>82.25</td>
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<tr>
<td>per Class C share</td>
<td>80.50</td>
<td>95.15</td>
<td>70.35</td>
<td>85.75</td>
<td>77.45</td>
</tr>
<tr>
<td>Dividend as a percentage of earnings (payout ratio),%</td>
<td>60.8</td>
<td>77.0</td>
<td>112.8</td>
<td>69.4</td>
<td>54.0</td>
</tr>
<tr>
<td>Dividend yield, %</td>
<td>7.5</td>
<td>6.0</td>
<td>5.8</td>
<td>5.9</td>
<td>4.8</td>
</tr>
<tr>
<td>P/E (share price at year-end/earnings)</td>
<td>8.1</td>
<td>12.9</td>
<td>19.6</td>
<td>11.8</td>
<td>11.3</td>
</tr>
<tr>
<td>Number of outstanding shares, million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>average</td>
<td>2,164.44</td>
<td>2,167.6</td>
<td>2,177.6</td>
<td>2,191.2</td>
<td>2,186.8</td>
</tr>
<tr>
<td>at year-end</td>
<td>2,163.59</td>
<td>2,167.0</td>
<td>2,169.0</td>
<td>2,193.3</td>
<td>2,188.7</td>
</tr>
</tbody>
</table>


2) As proposed by the Board of Directors an ordinary dividend of SEK 6.00 per share and an extraordinary dividend of SEK 0.50 per share.

3) Source: Nasdaq Stockholm.

The largest shareholders

<table>
<thead>
<tr>
<th></th>
<th>No. of shares</th>
<th>Of which Class C shares</th>
<th>Share of capital, %</th>
<th>Share of votes, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor AB</td>
<td>456,198,927</td>
<td>4,000,372</td>
<td>20.8</td>
<td>20.8</td>
</tr>
<tr>
<td>Trygg Foundation</td>
<td>114,673,802</td>
<td></td>
<td>5.2</td>
<td>5.3</td>
</tr>
<tr>
<td>Swedbank Robur Funds</td>
<td>92,984,015</td>
<td></td>
<td>4.2</td>
<td>4.7</td>
</tr>
<tr>
<td>AMF</td>
<td>88,173,815</td>
<td></td>
<td>4.0</td>
<td>3.6</td>
</tr>
<tr>
<td>BlackRock</td>
<td>52,364,287</td>
<td></td>
<td>2.4</td>
<td>2.4</td>
</tr>
<tr>
<td>SEB Funds</td>
<td>54,201,886</td>
<td></td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>SEB own shareholding</td>
<td>30,276,332</td>
<td></td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Nordea Funds</td>
<td>27,348,008</td>
<td></td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Vanguard</td>
<td>26,060,775</td>
<td>71,784</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>XACT Funds</td>
<td>25,321,316</td>
<td></td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Fourth Swedish National Pension Fund</td>
<td>23,447,866</td>
<td></td>
<td>1.1</td>
<td>1.1</td>
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<tr>
<td>First Swedish National Pension Fund</td>
<td>21,662,731</td>
<td></td>
<td>1.0</td>
<td>1.0</td>
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<tr>
<td>Didmer &amp; Gerge Funds</td>
<td>18,678,843</td>
<td></td>
<td>0.9</td>
<td>0.9</td>
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<tr>
<td>APA Insurance</td>
<td>16,750,016</td>
<td></td>
<td>0.8</td>
<td>0.8</td>
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</tbody>
</table>

Source: Euroclear and Holdings
Different voting power of Class A shares (voting power 1) compared with Class C shares (voting power 0) gives minor differences in share of votes vs. share of capital.

SEB Annual Review 2018 39
Dividend yield and total shareholder return
The dividend yield, which is the dividend in relation to the share price for 2018, was 7.5 per cent based on the proposed dividend.
Total shareholder return (TSR) – which is the share price development and reinvested dividend per share was affected by the stock exchange decline and was −5 per cent for 2018 (6).

SEB’s Annual General Meeting (AGM)
SEB has approximately 261,000 shareholders. The shareholders’ influence is exercised at the general meetings of shareholders, the bank’s highest decision-making body. 1,114 shareholders attended the AGM in 2018. The main resolutions made at the AGM were:
• approval of the dividend of SEK 5.75 per share
• decision on the number of directors of the Board to be eleven
• re-election of eleven directors
• re-election of Marcus Wallenberg as Chair of the Board
• re-election of PricewaterhouseCoopers as external auditor
• adoption of guidelines for remuneration of the President and the other members of the GEC
• approval of three long-term equity programmes
• issuance of a mandate to the Board concerning the acquisition and sale of own shares for SEB’s securities business, for the long-term equity programmes and for capital management purposes
• issuance of a mandate to the Board to resolve on the issuance of convertibles.
The minutes from the AGM are available on sebgroup.com

Analysts’ recommendations 2018
Around 30 equity analysts are covering SEB’s development. Apart from the quarterly press conferences, SEB each year arranges a number of meetings with analysts and investors in order to clarify the bank’s development and answer questions. A summary of some of the analysts’ recommendations is published via news agencies every quarter.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Buy</th>
<th>Hold</th>
<th>Sell</th>
<th>Total</th>
</tr>
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<tr>
<td>1st quarter 2018</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>2nd quarter 2018</td>
<td>7</td>
<td>4</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>3rd quarter 2018</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>14</td>
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<tr>
<td>4th quarter 2018</td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: SME Direkt/Infront Data
1) The recommendations were given before the presentation of SEB’s Annual Accounts for 2018.

Share price development
SEB Class A share

Index 1 January 2014 = 100

<table>
<thead>
<tr>
<th>Year</th>
<th>SEB Class A shares</th>
<th>OMXS30</th>
<th>MSCI Europe Banks Index</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
<td>50</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2015</td>
<td>150</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>2016</td>
<td>200</td>
<td>250</td>
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</tr>
<tr>
<td>2017</td>
<td>250</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>2018</td>
<td>300</td>
<td>350</td>
<td>350</td>
</tr>
</tbody>
</table>

Shareholders and the SEB share
Who we are

Our commitment to creating value for our customers is based on the tradition of entrepreneurship, an international outlook and a long-term perspective coupled with a continuous ability to adapt and to drive change.

As a bank we have an important role to play in this shift to a more sustainable world.

With our vision and strategy...

Our purpose

We believe that entrepreneurial minds and innovative ideas are key to creating a better world. We are here to enable them to achieve their aspirations and succeed through good times and bad.

Our vision

Deliver world class service to our customers.

Our strategic priorities

• Leading customer experience
• Maintaining resilience and flexibility
• Growing in areas of strength.

Our sustainability aim

We aim to establish SEB as a leader in the financial industry.

What we do

SEB plays an active part in the development of the societies in which it is operating, by helping our customers realise their ambitions through our strong customer relationships. In Sweden and the Baltic countries our offer includes financial advice and a wide range of financial services aimed at all types of customers. In the other Nordic countries, Germany and the United Kingdom, we are a full-service large corporate and institutional bank.

...via our areas of strength...

Long-term customer relationships

Comprehensive offering. We provide everything from banking to pensions, from corporate advisory services to private wealth management and advice.

Active ownership. Through the Wallenberg family's SEB's ownership of over 10% of the Swedish Green Bond Fund, SEB is a major active owner and actively engages with public companies. SEB's voting rights are exercised in accordance with the proposal, the share will be traded ex-

New shareholders are automatically offered a subscription of the Annual Report or the Annual Review. Other printed copies of the Annual Report and the Annual Review are available on request.

Subscriptions to interim reports (pdf) and the Fact Book (pdf) are available at

sebgroup.com/press

Annual General Meeting

The Annual General Meeting will be held on Tuesday, 30 March 2010 at 11:00 (CET) in Stockholm, Sweden.

The Board proposes a total dividend of SEK 6.50 per share in accordance with the proposal, the share will be traded ex-

For SEB and two Nordic peers, excluding items affecting comparability.

Financial information and publications

Calendar

30 JANUARY 2019

0.5

1

Active ownership. Through the Wallenberg family’s SEB’s ownership of over 10% of the Swedish Green Bond Fund, SEB is a major active owner and actively engages with public companies. SEB’s voting rights are exercised in accordance with the proposal, the share will be traded ex-

The Board proposes a total dividend of SEK 6.50 per share (excluding an ordinary dividend of SEK 4.90 per share and an extraordinary dividend of SEK 1.60 per share) for 2010. Thursday 28 April 2011 is the ex-dividend date for the dividend.

Dividend

The Board proposes a total dividend of SEK 4.60 per share (excluding an ordinary dividend of SEK 3.20 per share and an extraordinary dividend of SEK 1.40 per share) for 2010. Thursday 28 April 2011 is the ex-dividend date for the dividend.

For SEB and two Nordic peers, excluding items affecting comparability.
Welcome to SEB!

Our vision is to deliver world-class service to our customers. We assist large and smaller companies and financial institutions, small and medium-sized companies, and we offer comprehensive financial advice and services for large corpora-
tions.

Welcome to SEB!

Martin Sehested
Chairman of the Board

SEB updated the long-term business plan and presented the business plan for the strategic business areas Credit Markets and Wealth Management. This line item includes fees from SEB’s services for large corpora-
tions. The trend in the financial markets plays a great role in this.

Total operating income

Operating income grew organically by 14%, driven by increased fee income from the Credit Markets business area and increased net interest income.

The income statement described the key items affecting comparability, SEK m:

- Dividend income from Visa Sweden amounted to SEK 4,915 m, with no tax
- Income from the sale of the SEB-Visa Nordic joint venture amounted to SEK 5,601 m
- The tax-free capital gain amounted to SEK 3,551 m
- As a result of the acquisition of UC AB, SEB received excess premises and pension related costs that amounted to SEK 1,457 m
- SEB received gains less losses from tangible assets
- A transformation of the German operations caused redundancy, IT costs, for example, which are spread over several years. To summarise in order to make comparisons of the underlying figures

The key figures:

- Operating income, SEK m: 45,483
- Operating profit before items affecting comparability, SEK m: 22,779
- Operating profit, SEK m: 27,895
- Return on equity excluding items affecting comparability per cent: 15.4
- Return on equity per cent: 16.3
- Cost/Income ratio: 40.8
- ROE per share SEK: 18.97
- Proposed total dividend per share, SEK: 6.601
- Common equity per share, SEK: 17.4
- Leverage ratio per cent: 7.8
- Leverage Capital Ratio (LCO) per cent: 197

The year in figures

Customers

A major change in the market was the introduction of new regulations for making payment and card transactions easier. A transformation of the German operations caused redundancy, IT costs, for example, which are spread over several years. To summarise in order to make comparisons of the underlying figures

Customers were generally satisfied with SEB’s services.

2018 in brief

Important events and trends

2018 was characterised by uncertainty and a challenging macroeconomic environment.

Customers increasingly utilised digital meetings and expense services. Use of SEB’s services increased.

Customers were generally satisfied with SEB’s services.

2018 in brief

Key figures

Operating income, SEK m: 45,483
Operating profit before items affecting comparability, SEK m: 22,779
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Proposed total dividend per share, SEK: 6.601
Common equity per share, SEK: 17.4
Leverage ratio per cent: 7.8
Leverage Capital Ratio (LCO) per cent: 197

1: Dividend divided by operating profit. 2: ROE divided by total equity of SEB 3: 30.

2018 in brief