

# Interim report January- March 2006

PRESS RELEASE

STOCKHOLM 26 APRIL 2006

## High revenues generate operating profit of SEK 3.7bn

- Operating profit for the first quarter amounted to SEK 3,670m. Net profit increased by 41 per cent to SEK 2,827m.
- Business flows were strong within all areas. Assets under management as well as lending and deposit volumes reached record levels.
- Operating income increased by 21 per cent compared with last year and was in line with the previous quarter.
- Operating expenses were in line with the previous quarter but higher than the corresponding period of last year.
- Net credit losses remained low.
- Return on equity was 19.6 per cent (15.5) and earnings per share increased to SEK 4.22 (2.99). Cost/income ratio improved to 0.60 (0.64).

## President's comments

A continued strong business climate, upbeat equity markets and high activity levels contributed to a strong result for SEB.

Our business mix with a broad focus on advisory services and a well-diversified platform in the expanding region around the Baltic rim continued to benefit from the positive economic climate. Revenues increased in all areas. Each division reported profit growth of more than 25 per cent compared with last year.

Revenue growth was particularly strong within capital market related areas. Merchant Banking – the Group's division catering for large corporate clients and financial institutions – reached another record quarter. Also Eastern European Banking and our life insurance operations, Trygg Liv, reported record results. In Germany, new sales initiatives within Retail with more cross-selling activities are showing early signs of a positive outcome. However, further profit improvement is necessary.

Despite a strong result, we are not satisfied. We have not reached our long-term goals. Even though higher costs

can be explained by strong business activity, there is a need for improving cost efficiency and productivity in order to establish a long-term sustainable cost base.

Going forward, the aim is to be leading in customer satisfaction and financial performance in terms of return on equity and profitable growth. We also aim to strengthen our capital base and to reach a higher credit rating.

Thus, the increased integration and co-ordination within the Group in order to fully realise the potential of the SEB platform continues. We have now also launched a programme to improve operational excellence. The introduction of this programme - the SEB Way - is running according to plan. So far, more than 1,000 employees are involved in these activities. However, it will take time before the effects of these efforts will materialise in the profit and loss accounts.

All in all, the strong quarterly result based on high customer activity indicates that we are moving towards our long-term targets.

# The Group

## Strong first quarter

SEB's *operating profit* for the first quarter amounted to SEK 3,670m (2,689), an increase of 36 per cent compared with the corresponding quarter of 2005. Excluding one-off charges in the previous quarter operating profit increased by 7 per cent. *Net profit* increased by 41 per cent, to SEK 2,827m (2,004). Profit growth in the divisions varied between 27 and 65 per cent.

## Income up by 21 per cent

*Total operating income* amounted to SEK 9,610m (7,929), up by 21 per cent compared with the corresponding quarter of last year and slightly higher than the strong fourth quarter of 2005.

*Net interest income* was SEK 3,596m (3,536), exceeding all previous quarters except the fourth quarter of 2005. Higher short-term interest rate levels had a negative impact on net interest income. IFRS accounting principles, introduced in 2005, make it even more important to evaluate net interest income development in combination with other income items, especially net financial income and net other income.

Volume growth was strong within all areas. Underlying deposit volumes grew by 5 per cent during the quarter. Lending to the public rose by 2 per cent during the quarter and was 17 per cent higher than 12 months ago. Margins are still under pressure, but have been relatively stable over the past quarters.

*Net fee and commission income* rose to SEK 3,993m (2,944), an increase of 36 per cent from the corresponding quarter last year and 3 per cent higher than the previous quarter. All commission income categories increased significantly compared with last year. Asset management-related fees and equity brokerage income were particularly strong.

*Net financial income* rose to SEK 979m (754). The improvement was an effect of high customer-driven business within the trading and capital markets area. See also the above-mentioned IFRS-impact.

*Net life insurance income* increased to SEK 583m (532) as a result of higher unit-linked values. A complete description of SEB Trygg Liv's operations, including changes in surplus values, is found in "Additional information" on [www.sebgroup.com](http://www.sebgroup.com).

*Net other income* increased to SEK 459m (163), including a positive one-off effect of SEK 65m from the sale of real estate within the associated company BankGiroCentralen and exits within SEB's venture capital arm, "Företagsinvest". See also the above-mentioned IFRS-impact.

## Costs impacted by strong business climate

*Total operating expenses* amounted to SEK 5,770m (5,047), an increase of 14 per cent compared with the corresponding quarter of last year and in line with the previous quarter. The increase was mainly an effect of high business and

customer activities leading to increased operating costs including higher performance related remuneration.

SEB's efforts to reach operational excellence are running according to plan, now involving more than 1,000 employees. These efforts will successively improve cost efficiency and productivity over the next years. This will among other things be reached through standardisation and simplification of processes.

*Staff costs* were in line with the previous quarter, but rose compared with the corresponding quarter of last year, totalling SEK 3,722m (3,113). This was mainly due to performance-related remuneration. Excluding this increase of more than SEK 400m, staff costs rose by 6 per cent compared with last year. The average number of full time equivalents in the first quarter of 2006 increased to 19,471 (18,655) as an effect of SEB's investments in growth areas, particularly in Eastern Europe.

*Other expenses* amounted to SEK 1,999m (1,814). The cost-level was, however, lower than the previous quarter, which was negatively impacted by one-off charges of SEK 890m for unutilised office space taken in order to accelerate the integration of SEB. Excluding these charges, other expenses were stable between the quarters.

External IT-costs amounted to SEK 446m (427). Total IT-costs (defined as a calculated cost for all IT-related activities including costs for own personnel) were SEK 1.1bn (1.0).

## Credit losses remained low

The Group's *net credit losses*, including changes in the value of assets taken over, amounted to SEK 198m (197). The credit loss level was 0.09 per cent (0.10). Asset quality remained stable.

## Tax costs

Total tax amounted to SEK 843m (685). The total tax rate was 23 per cent. The reduced tax rate was mainly due to increased results within business operations where the tax rate is lower.

## Record high assets under management

As of 31 March 2006, assets under management reached SEK 1,176bn, an increase of 5 per cent compared with year-end 2005. Net inflow during the quarter was the highest so far at SEK 22bn (14), while the change in value was SEK 36bn (48). The dominating part of the net inflow emanated from Sweden and Finland.

Assets under custody amounted to SEK 4,541bn, an increase of 9 per cent since year-end 2005.

## Balance sheet increase

Total assets continued to grow. The Group's total balance sheet of SEK 2,032bn as per 31 March represented an increase of 8 per cent since year-end 2005, due to growing lending and trading volumes.

### **Credit portfolio**

Total credit exposure, including contingent liabilities and derivatives contracts, was SEK 1,343bn (1,328 at year-end 2005), of which loans and leasing excluding repos amounted to SEK 978bn (930). Growth was mainly related to lending to the Nordic corporate sector and to households. The Baltic banks continued to show strong growth.

On 31 March, *impaired loans*, gross, totalled SEK 8,994m (9,101), of which SEK 7,937m (7,957) were non-performing (loans where interest and amortisation are not paid) and SEK 1,057m (1,144) performing loans. The reserve ratio was 79 per cent (78).

The volume of assets taken over was SEK 148m (165).

### **Market risk**

The Group's risk-taking in trading operations is measured in a Value at Risk model (VaR). During the first quarter of 2006, VaR averaged SEK 84m (64). This means that the Group, on average, with 99 per cent probability, should not expect to lose more than this amount during a ten-day period.

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

As of 31 March 2006, the capital base was SEK 77.4bn (76.3 at year-end 2005). Core capital was SEK 54.2bn (53.1), of which SEK 8.1bn (8.0) constituted core capital contribution.

Total risk-weighted assets (RWA) amounted to SEK 741bn (705). The increase of SEK 36bn reflects generally increased business volumes during the first quarter. The *core capital ratio* was 7.3 per cent (7.5) and the *total capital ratio* 10.4 per cent (10.8). Capital ratios have initially been negatively affected by changes in accounting principles. The effect will be levelled off during the year.

### **Share capital and holdings of own shares**

Share capital amounts to SEK 6,872m and the total number of shares to 687.2 million (of which 663.0 million Class A-shares and 24.2 million Class C-shares). SEB held 15.9 million own Class A-shares for hedging of the Bank's long-term incentive programmes.

### **Events after the reporting period**

#### **Acquisition of Russian PetroEnergoBank**

SEB has completed the acquisition of PetroEnergoBank - one of the minor Russian banks based in St. Petersburg. The acquisition strengthens SEB's presence in Russia, currently including a representative office in Moscow and SEB Russian Leasing in St. Petersburg.

### **Decisions at the Annual General Meeting**

The Annual General Meeting on 4 April 2006 decided on remuneration principles for the President and the other members of the Group Executive Committee and on a long-term incentive programme, identical with last year's programme and based on performance shares, for approximately 500 senior officers.

It was furthermore decided to provide the Board of Directors with mandates to repurchase own shares in order to create an efficient hedging arrangement for the long-term incentive programme and to create a flexible tool for an efficient capital structure and for the securities business.

All Board Directors were re-elected. Marcus Wallenberg was re-elected Chairman of the Board.

The dividend was raised to SEK 4.75 (4.35).

### **Stockholm, 26 April 2006**

#### **Annika Falkengren**

*President and Chief Executive Officer*

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

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

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

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

The German real estate fund ImmoInvest within the German Retail & Mortgage Banking division was integrated with the Asset Management division at the beginning of the year. Comparative figures have been adjusted accordingly.

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

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

**Further information is available from:**

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**Financial information during 2006**

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

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## Review Report

We have reviewed the interim report for the period January 1, 2006-March 31, 2006 for Skandinaviska Enskilda Banken AB (publ). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and does not give a true and fair view of the financial position of the entity as at March 31, 2006, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34.

Stockholm, 26 April 2006

PricewaterhouseCoopers AB

Peter Clemetson  
Authorised Public Accountant  
Partner in charge

Göran Jacobsson  
Authorised Public Accountant

Ulf Davéus  
Auditor appointed by the  
Financial Supervisory Authority

# The SEB Group

## Income statement – SEB Group

Condensed SEKm	Q1		Q4		Jan - Mar			Full year 2005
	2006	2005		%	2006	2005	%	
Net interest income	3 596	3 803	-5		3 596	3 536	2	14 282
Net fee and commission income	3 993	3 895	3		3 993	2 944	36	13 559
Net financial income	979	890	10		979	754	30	3 392
Net life insurance income	583	644	-9		583	532	10	2 352
Net other income	459	305	50		459	163	182	642
<b>Total operating income</b>	<b>9 610</b>	<b>9 537</b>	<b>1</b>		<b>9 610</b>	<b>7 929</b>	<b>21</b>	<b>34 227</b>
Staff costs	-3 722	-3 766	-1		-3 722	-3 113	20	-13 342
Other expenses	-1 999	-2 904	-31		-1 999	-1 814	10	-8 383
Net deferred acquisition costs	167	199	-16		167	112	49	477
Depreciation, amortisation and impairments of tangible and intangible assets	-216	-258	-16		-216	-232	-7	-901
<b>Total operating expenses</b>	<b>-5 770</b>	<b>-6 729</b>	<b>-14</b>		<b>-5 770</b>	<b>-5 047</b>	<b>14</b>	<b>-22 149</b>
Gains less losses from tangible and intangible assets	28	53	-47		28	4		59
Net credit losses incl. changes in value of seized assets	-198	-331	-40		-198	-197	1	-914
<b>Operating profit*</b>	<b>3 670</b>	<b>2 530</b>	<b>45</b>		<b>3 670</b>	<b>2 689</b>	<b>36</b>	<b>11 223</b>
Income tax expense	-843	-560	51		-843	-685	23	-2 770
<b>Net profit from continuing operations</b>	<b>2 827</b>	<b>1 970</b>	<b>44</b>		<b>2 827</b>	<b>2 004</b>	<b>41</b>	<b>8 453</b>
Discontinued operations		-50	-100					-32
<b>Net profit</b>	<b>2 827</b>	<b>1 920</b>	<b>47</b>		<b>2 827</b>	<b>2 004</b>	<b>41</b>	<b>8 421</b>
Attributable to minority interests	5	5			5	5		20
<b>Attributable to equity holders **</b>	<b>2 822</b>	<b>1 915</b>	<b>47</b>		<b>2 822</b>	<b>1 999</b>	<b>41</b>	<b>8 401</b>
* SEB Trygg Liv's operating profit	283	268	6		283	171	65	933
Change in surplus values, net	422	643	-34		422	268	57	1 280
SEB Trygg Liv's business result	705	911	-23		705	439	61	2 213
** Basic earnings per share from continuing operations, SEK*	4.22	2.94			4.22	2.99		12.63
** Diluted earnings per share from continuing operations, SEK	4.17	2.95			4.17	2.90		12.52

## Key figures - SEB Group

	Q1	Q4	Jan - Mar		Full year
	2006	2005	2006	2005	2005
Return on equity, %	19.6	13.7	19.6	15.5	15.8
Return on total assets, %	0.58	0.41	0.58	0.48	0.48
Return on risk-weighted assets, %	1.56	1.11	1.56	1.37	1.31
Basic earnings per share, SEK	4.22	2.86	4.22	2.99	12.58
Basic earnings per share from continuing operations, SEK	4.22	2.94	4.22	2.99	12.63
Basic earnings per share from discontinued operations, SEK	0,00	-0.07	0,00	0,00	-0.05
Weighted average number of shares, millions*	670	668	670	668	668
Diluted earnings per share, SEK	4.17	2.87	4.17	2.90	12.47
Diluted earnings per share from continuing operations, SEK	4.17	2.95	4.17	2.90	12.52
Diluted earnings per share from discontinued operations, SEK	0,00	-0.08	0,00	0,00	-0.05
Weighted average number of diluted shares, millions**	677	666	677	690	674
Cost/income ratio	0.60	0.71	0.60	0.64	0.65
Credit loss level, %	0.09	0.16	0.09	0.10	0.11
Reserve ratio for impaired loans, %	78.8	77.7	78.8	78.5	77.7
Level of impaired loans, %	0.20	0.22	0.20	0.24	0.22
Total capital ratio, incl net profit, %	10.44	10.83	10.44	10.04	10.83
Core capital ratio, incl net profit, %	7.31	7.53	7.31	8.17	7.53
Risk-weighted assets, SEK billion	741	705	741	601	705
Number of full time equivalents, average	19 471	19 179	19 471	18 655	18 948
Number of e-banking customers, thousands	2 380	2 299	2 380	2 050	2 233
Assets under management, SEK billion	1 176	1 118	1 176	948	1 118

\* Issued number of shares was 687,156,631 at year-end 2005. SEB then owned 18.4 million Class A shares for the employee stock option programme. During Q1 2006 2.5 million of these shares have been sold as employee stock options have been exercised. Thus, as of 31 March SEB owned 15.9 million Class A-shares with a market value of SEK 3,058m.

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

Income statement, quarterly basis - SEB Group

<b>SEKm</b>	<b>2006:1</b>	<b>2005:4</b>	<b>2005:3</b>	<b>2005:2</b>	<b>2005:1</b>
Net interest income	3 596	3 803	3 508	3 435	3 536
Net fee and commission income	3 993	3 895	3 416	3 304	2 944
Net financial income	979	890	588	1 160	754
Net life insurance income	583	644	594	582	532
Net other income	459	305	195	- 21	163
<b>Total operating income</b>	<b>9 610</b>	<b>9 537</b>	<b>8 301</b>	<b>8 460</b>	<b>7 929</b>
Staff costs	-3 722	-3 766	-3 220	-3 243	-3 113
Other expenses	-1 999	-2 904	-1 712	-1 953	-1 814
Net deferred acquisition costs	167	199	60	106	112
Depreciation, amortisation and impairments of tangible and intangible assets	- 216	- 258	- 217	- 194	- 232
<b>Total operating expenses</b>	<b>-5 770</b>	<b>-6 729</b>	<b>-5 089</b>	<b>-5 284</b>	<b>-5 047</b>
Gains less losses from tangible and intangible assets	28	53	- 2	4	4
Net credit losses**	- 198	- 331	- 190	- 196	- 197
<b>Operating profit*</b>	<b>3 670</b>	<b>2 530</b>	<b>3 020</b>	<b>2 984</b>	<b>2 689</b>
Income tax expense	- 843	- 560	- 791	- 734	- 685
<b>Net profit from continuing operations</b>	<b>2 827</b>	<b>1 970</b>	<b>2 229</b>	<b>2 250</b>	<b>2 004</b>
Discontinued operations		- 50	- 1	19	
<b>Net profit</b>	<b>2 827</b>	<b>1 920</b>	<b>2 228</b>	<b>2 269</b>	<b>2 004</b>
Attributable to minority interests	5	5	5	5	5
<b>Attributable to equity holders***</b>	<b>2 822</b>	<b>1 915</b>	<b>2 223</b>	<b>2 264</b>	<b>1 999</b>
* SEB Trygg Liv's operating profit	283	268	252	242	171
Change in surplus values, net	422	643	325	44	268
SEB Trygg Liv's business result	705	911	577	286	439
** Including change in value of seized assets					
*** Basic earnings per share from continuing operations, SEK*	4.22	2.94	3.33	3.36	2.99
** Diluted earnings per share from continuing operations, SEK	4.17	2.95	3.29	3.38	2.90

Income statement, by Division - SEB Group

Jan-Mar 2006, SEKm	SEB Merchant Banking	Nordic Retail & Private Banking	German Retail & Mortgage Banking	Eastern European Banking	SEB Asset Manage- ment	SEB Trygg Liv*	Other incl elimi- nations	SEB Group
Net interest income	1 220	1 125	702	532	24	- 3	- 4	3 596
Net fee and commission income	1 434	1 211	368	264	563		153	3 993
Net financial income	881	55	- 9	85	1		- 34	979
Net life insurance income				27		761	- 205	583
Net other income	171	26	122	15	4		121	459
<b>Total operating income</b>	<b>3 706</b>	<b>2 417</b>	<b>1 183</b>	<b>923</b>	<b>592</b>	<b>758</b>	<b>31</b>	<b>9 610</b>
Staff costs	-1 270	- 747	- 515	- 240	- 164	- 239	- 547	- 3 722
Other expenses	- 583	- 704	- 295	- 164	- 107	- 392	246	- 1 999
Net deferred acquisition costs				- 1		168		167
Depreciation, amortisation and impairments of tangible and intangible assets	- 17	- 17	- 57	- 53	- 4	- 12	- 56	- 216
<b>Total operating expense</b>	<b>- 1 870</b>	<b>- 1 468</b>	<b>- 867</b>	<b>- 458</b>	<b>- 275</b>	<b>- 475</b>	<b>- 357</b>	<b>- 5 770</b>
Gains less losses from tangible and intangible assets		29	- 18	17				28
Net credit losses**		- 55	- 111	- 32				- 198
<b>Operating profit</b>	<b>1 836</b>	<b>923</b>	<b>187</b>	<b>450</b>	<b>317</b>	<b>283</b>	<b>- 326</b>	<b>3 670</b>

\* Business result in SEB Trygg Liv amounted to SEK 705m (439), of which change in surplus values was net SEK 422m (268).

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



# SEB Merchant Banking

*This division is responsible for large and medium-sized corporations, financial institutions and commercial real estate clients. It comprises customers' trading (in currencies, fixed income and equities), lending, structured finance, import and export finance, custody, cash management and corporate finance, and operates in 13 countries.*

## Profit and loss account

SEK m	Q1		Q4	Jan - Mar			Full year
	2006	2005	%	2006	2005	%	2005
Net interest income	1 220	1 320	-8	1 220	1 093	12	4 827
Net fee and commission income	1 434	1 355	6	1 434	941	52	4 649
Net financial income	881	725	22	881	618	43	2 498
Net other income	171	97	76	171	39		181
<b>Total operating income</b>	<b>3 706</b>	<b>3 497</b>	<b>6</b>	<b>3 706</b>	<b>2 691</b>	<b>38</b>	<b>12 155</b>
Staff costs	-1 270	-1 195	6	-1 270	-986	29	-4 309
Other expenses	-583	-702	-17	-583	-552	6	-2 398
Depreciation of assets	-17	-38	-55	-17	-18	-6	-92
<b>Total operating expenses</b>	<b>-1 870</b>	<b>-1 935</b>	<b>-3</b>	<b>-1 870</b>	<b>-1 556</b>	<b>20</b>	<b>-6 799</b>
<b>Profit before credit losses etc</b>	<b>1 836</b>	<b>1 562</b>	<b>18</b>	<b>1 836</b>	<b>1 135</b>	<b>62</b>	<b>5 356</b>
Gains less losses on assets		1	-100				1
Net credit losses		-26	-100		-15	-100	-24
<b>Operating profit</b>	<b>1 836</b>	<b>1 537</b>	<b>19</b>	<b>1 836</b>	<b>1 120</b>	<b>64</b>	<b>5 333</b>
Cost/Income ratio	0,50	0,55		0,50	0,58		0,56
Business equity, SEK bn	20,9	19,5		20,9	17,0		18,0
Return on equity, %	25,3	22,7		25,3	19,0		21,3
Number of full time equivalents, average	3 445	3 398		3 445	3 383		3 392

### 2006 starts where 2005 left off

The SEB Merchant Banking division reported another record quarter. Operating profit was SEK 1,836m, 19 per cent higher than in the preceding quarter and a 64 per cent increase compared to the same period in 2005. The result was supported by low credit losses.

Net interest income increased by 12 per cent compared with last year, but declined compared with the previous quarter. The decline was mainly due to lower income from market-making of bonds compared with the fourth quarter.

Total operating expenses were affected by high business activity. Provisioning for performance-related remuneration was higher. Excluding performance-related remuneration, costs increased by 5 per cent compared with the first quarter of 2005. Total operating expenses were somewhat lower than in the previous quarter.

Business volumes were strong in all of the division's main markets and across all business units. The increased revenues reflect higher client activity, particularly in capital market-related areas. The stabilisation of margins witnessed in the second half of 2005 continued into the first quarter. Demand for higher margin financings, such as large underwritings, was strong.

Higher interest rates and expectations of gradual tightening of monetary policy by central banks in SEB Merchant Banking's main markets have had little impact

on stock markets or corporate activity so far. The 50 basis points increase in short-term interest rates in Sweden during the quarter had a marginal benefit in areas such as cash management.

During the quarter, the first of several planned staff relocations in connection with the integration of Enskilda Securities took place in Frankfurt.

Following the decision to establish a branch of SEB in Poland, Merchant Banking is investing in services for corporate and institutional clients active in the country.

The cash management, clearing, custody, fund administration and operations units of SEB Merchant Banking have been combined in a common management structure to form Global Transaction Services. The combination will strengthen the offering for financial institutions.

### Capital markets in focus

The trading and capital markets related businesses continued the strong trend witnessed in 2005 with high activity across all asset classes and record quarterly results within many product areas.

High volumes on the Nordic stock exchanges contributed to almost a doubling of commission income within equities compared with the corresponding quarter of 2005.

The first FX deals on behalf of clients were carried out during the quarter in the Shanghai branch.

Sales of structured products were significantly higher with particular interest from retail investors. Issues were made in eight markets during the quarter, including a first issue for retail investors in Denmark in connection with the opening of SEB's first retail branch office in Copenhagen. SEB's market share of issues registered with the Swedish central securities depository increased to 16 per cent.

The commercial real estate market remained active with large numbers of refinancing and structured finance transactions. Investor appetite for real estate remains high and there are signs of decreasing yield requirements and higher leverage expectations in the market. International investors are increasingly interested in investing in Germany.

Buy-out activity remained high during the quarter. The acquisition finance unit was involved in eight transactions during the quarter, including a co-lead underwriting of the SEK 5.9bn acquisition of the Swedish internet and telecoms operator Com Hem.

Företagsinvest, SEB's venture capital arm, had three exits during the quarter, including the sale of Kreatel Communications AB to Motorola and the listing of Xcounter AB on the London Stock Exchange's AIM market.

SEB has had continued success in winning new cash management mandates from large and medium sized companies and for financial institutions in the Nordic countries and Germany as well as for international companies seeking regional solutions.

The custody and clearing business also continued to benefit from customer acquisitions, particularly in the Nordic markets outside Sweden. By the end of the quarter, assets under custody had risen to SEK 4,541bn, an increase of 57 per cent compared with the same period in 2005. Transactions reached an all time high during February and SEB now handles over one million transactions per month, twice the level seen in early 2005.

The number of clients and transactions handled by SEB's Luxembourg-based fund administration unit increased by 50 per cent year-on-year.

Corporate finance activity remained high in the first three months of the year, with strong merger and acquisition activity and a number of corporate introductions in the Nordic stock markets. During the quarter, SEB Enskilda acted as sole advisor in the IPO of the Finnish non-woven and speciality papers company Ahlstrom. SEB Enskilda also advised on the IPOs of Swedish apparel company Gant and Norwegian residential construction company Block Watne. In Denmark, SEB Enskilda was advisor to the consortium of private equity investors in the leveraged buy-out of TDC, Europe's largest ever LBO.

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

## Nordic Retail & Private Banking

This division serves 1.6 million private customers and 138,000 small and medium-sized corporate customers, of which more than half are using the Internet services of the Bank. Most of these customers are Swedish. In the Nordic area, SEB has a total volume of 2.9 million credit and charge cards outstanding. The business areas of the division are Retail Banking, Private Banking and SEB Kort (cards). In Sweden, SEB has around 200 branch offices and provides services around the clock via the Internet and by telephone. Private Banking has 25,000 private customers as well as foundations and companies being served in Sweden and in a number of other places in Europe and Singapore.

### Profit and loss account

SEK m	Q1		Q4	Jan - Mar			Full year
	2006	2005	%	2006	2005	%	2005
Net interest income	1 125	1 205	-7	1 125	1 083	4	4 558
Net fee and commission income	1 211	1 303	-7	1 211	1 003	21	4 437
Net financial income	55	72	-24	55	43	28	200
Net other income	26	30	-13	26	16	63	71
<b>Total operating income</b>	<b>2 417</b>	<b>2 610</b>	<b>-7</b>	<b>2 417</b>	<b>2 145</b>	<b>13</b>	<b>9 266</b>
Staff costs	-747	-851	-12	-747	-705	6	-3 032
Other expenses	-704	-748	-6	-704	-643	9	-2 691
Depreciation of assets	-17	-15	13	-17	-16	6	-53
<b>Total operating expenses</b>	<b>-1 468</b>	<b>-1 614</b>	<b>-9</b>	<b>-1 468</b>	<b>-1 364</b>	<b>8</b>	<b>-5 776</b>
<b>Profit before credit losses etc</b>	<b>949</b>	<b>996</b>	<b>-5</b>	<b>949</b>	<b>781</b>	<b>22</b>	<b>3 490</b>
Gains less losses on assets	29	1		29			1
Net credit losses	-55	-43	28	-55	-52	6	-192
<b>Operating profit</b>	<b>923</b>	<b>954</b>	<b>-3</b>	<b>923</b>	<b>729</b>	<b>27</b>	<b>3 299</b>
Cost/Income ratio	0,61	0,62		0,61	0,64		0,62
Business equity, SEK bn	13,6	13,3		13,6	11,6		12,2
Return on equity, %	19,5	20,6		19,5	18,1		19,5
Number of full time equivalents, average	4 719	4 660		4 719	4 580		4 657

### High activity level behind strong first quarter

The year began with a continued positive stock market development and high customer activities in many areas. Sales of equity-linked bonds and mutual funds increased, while the activity level in the corporate segment intensified.

Normally, the first months of the year are a period with lower card turnover due to reduced business travel. Card turnover increased by 15 per cent compared with last year, while it was 8 per cent lower than the previous quarter. This contributed to a slightly lower result compared with the very strong previous quarter. Yet, the first quarter result is the division's second strongest so far.

Compared with the corresponding period last year the result increased by 27 per cent, to SEK 923m (729).

The two interest rate hikes by the Swedish Riksbank reduced margin pressure on deposits. However, margin pressure on lending remains strong. Net interest income improved by 4 per cent compared with last year. Compared with the previous quarter, net interest income was 7 per cent lower, mainly due to continued margin pressure on mortgage loans in combination with lower interest rate compensation for premature redemptions.

Despite increasing competition, SEB's market share of mortgage loans to private individuals was maintained at 14.7 per cent (14.7).

Total lending volume increased by 21 per cent, to SEK 255bn (211), of which SEK 179bn (153) consisted of mortgage loans. Total deposit volume amounted to SEK 151bn (124), of which SEK 126bn in Sweden.

Net fee and commission income improved by 21 per cent both as a result of strong stock markets and increased sales efforts.

Costs rose by 8 per cent, mainly due to volume growth, the acquisition of Privatbanken in Norway, now re-named SEB Privatbanken, which was integrated during the autumn of 2005, as well as increased marketing activities and investments within SEB Kort.

Credit losses remained low.

### Retail Banking – focus on small and medium-sized enterprises

The result of the business area declined slightly compared with the previous quarter, but improved by 29 per cent, to SEK 522m (405), compared with the corresponding period last year.

Increased customer satisfaction is one of the most important aims of the Swedish retail business. The number of activities and customer contacts increased significantly during the quarter in response to customers' demand for higher activity from the Bank's side.

Focus on small and medium-sized corporate customers (SMEs) continued; a total of 2,000 new corporate customers were added and corporate lending increased. In order to strengthen the competence of SEB's branch network further, the recruitment of 40 new corporate advisors to the branch offices was initiated in March.

The successful consumer credit campaign – "Enkla lånet" - initiated at the end of 2004 continued. Compared with the corresponding period last year the volume increased by 74 per cent. SEB can now offer a new individual and risk-based pricing on this loan. Small companies can now take advantage of this new consumer credit product at a competitive interest rate.

The sale of mortgage loans to elderly people - "Bolån 65+" - launched at the end of 2005 exceeded expectations.

SEB Privatbanken has been appointed Norway's best bank in several surveys. Its activities developed positively with 500 new customers per month.

SEB's first retail branch in Denmark was officially inaugurated in Copenhagen in January. Three new branch offices will be opened in Sweden, two in Norway and one in Denmark during 2006.

### **Private Banking – a strong quarter**

In January, Euromoney appointed SEB Private Banking Sweden's best private bank for the third consecutive year.

The business area's result increased by 29 per cent compared with the previous quarter. Compared with the corresponding period last year the result improved by 86 per cent, to SEK 241m (130). A positive one-off item of SEK 28m is included in the result.

Operating income rose within all units of the business area.

Assets under management amounted to SEK 269bn (252), an increase of 7 per cent since year end, and new

volumes net amounted to SEK 4.8bn. The number of customers increased.

The inflow of customers and business to the Singapore office that opened in the spring of 2005 continued.

New fixed income funds with attractive pricing as well as the new Sweden Focus portfolio were launched to private clients and foundations.

Customer satisfaction within the business area remained high.

### **SEB Kort – increased marketing and improved services**

SEB Kort's result decreased by 18 per cent to SEK 160m (194) compared with the corresponding quarter last year. Card turnover was higher than last year. Costs increased mainly due to intensified marketing as well as strategic investments in the Baltic countries. Last year's result was also positively affected by a minor capital gain. In addition, SEB Kort performed certain card services on behalf of other Norwegian banks until last year. These are now successively being taken over by the banks themselves.

Compared with the previous quarter the result was lower, due to the fact that card turnover is normally lower at the beginning of the year. Conditions from quarter to quarter vary considerably due to seasonal variations in business and private travelling.

Increased distribution and sales efforts through the retail branch network, together with the launching of Eurocard part payments, increased the number of card customers.

In January, a new improved e-statement of accounts for the Swedish Eurocard was introduced. Customers can now search among old transactions and also view their four latest invoices. An equivalent version is already offered by the Norwegian Eurocard.

On 23 January, SEB launched Verified by Visa that provides bank card customers with an even higher degree of security for card payments via internet. SEB is first on the Swedish market to offer this extra security, based on a global standard that the Visa and MasterCard networks agreed upon to make e-trading more secure.

## SEB in Germany (SEB AG Group)

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

### Profit and loss account

SEK m	Q1		Q4	Jan - Mar			Full year
	2006	2005	%	2006	2005	%	2005
Net interest income	921	1 071	-14	921	1 057	-13	4 094
Net fee and commission income	626	564	11	626	529	18	2 167
Net financial income	23	-86	-127	23	-124	-119	-32
Net other income	125	118	6	125	81	54	240
<b>Total operating income</b>	<b>1 695</b>	<b>1 667</b>	<b>2</b>	<b>1 695</b>	<b>1 543</b>	<b>10</b>	<b>6 469</b>
Staff costs	-643	-648	-1	-643	-611	5	-2 502
Other expenses	-444	-496	-10	-444	-431	3	-1 893
Depreciation of assets	-61	-93	-34	-61	-72	-15	-301
<b>Total operating expenses</b>	<b>-1 148</b>	<b>-1 237</b>	<b>-7</b>	<b>-1 148</b>	<b>-1 114</b>	<b>3</b>	<b>-4 696</b>
<b>Profit before credit losses etc</b>	<b>547</b>	<b>430</b>	<b>27</b>	<b>547</b>	<b>429</b>	<b>28</b>	<b>1 773</b>
Gains less losses on assets	-18	-4		-18			-5
Net credit losses	-113	-179	-37	-113	-132	-14	-593
<b>Operating profit</b>	<b>416</b>	<b>247</b>	<b>68</b>	<b>416</b>	<b>297</b>	<b>40</b>	<b>1 175</b>
Cost/Income ratio	0,68	0,74		0,68	0,72		0,73
Business equity, SEK bn	12,7	12,5		12,7	11,9		12,2
Return on equity, %	10,5	6,3		10,5	8,0		7,7
Number of full time equivalents, average	3 382	3 244		3 382	3 395		3 388

### Good start to 2006 for all business areas

Operating profit of SEB AG Group, SEB's entire operations in Germany, amounted to SEK 416m for the first quarter of 2006. This was 40 per cent higher than the corresponding quarter of 2005 and 68 per cent up from the previous quarter. The improved result was due to increased underlying operating income, driven by a strong improvement in net commission income, but also due to lower net credit losses across all business areas. Lower costs for regulatory and IT projects strengthened the result.

Net interest income dropped by approximately 14 per cent. Due to IFRS accounting principles, net interest income development must be seen in conjunction with the development of net financial income (mark-to-market valuation) as well as the hedging result, which is reported as other income. In total, the development between the quarters was slightly negative, mainly due to higher interest rates.

The net effect of hedging measures will not be as favourable this year as in previous years. In addition, SEB has decided to reduce the interest risk in light of increasing interest rates. These measures apply to the German Retail & Mortgage Banking division, and thereby the SEB AG Group and will affect net interest income negatively over the course of the year.

The action plan to enhance sales activities within Retail, which was launched in September last year, is yielding

results. Overall cross-selling, especially sales of structured products and consumer loans, were significantly higher compared to previous quarters.

Merchant Banking continued to develop strongly. Total income has increased substantially compared to previous quarters, mainly a result of newly issued structured products and a positive performance of fixed income and equity trading.

The underlying result of the Commercial Real Estate business developed favourably, with continued growth in new business.

Operating result of SEB's asset management business in Germany (including SEB ImmoInvest) was stable compared with the corresponding quarter of 2005. Slightly weaker commission income could be partly compensated by lower operating expenses.

### Continued focus on growth and profitability

After a promising start Retail continues to focus on top line growth and improved profitability. Merchant Banking will continue to focus on gaining new customers and increasing business volumes. Commercial Real Estate continues its cautious business expansion. Several activities to increase operational efficiency and reduce costs have been initiated.

*N.B. The tax rate for return calculations has been changed from 28 to 20 per cent to better reflect the medium-term tax rate. Current tax rate is below 10 per cent.*

## German Retail & Mortgage Banking

This division serves one million private individuals, of whom 246,000 use the bank's Internet services, and real estate companies throughout Germany as well as large real estate clients. Customers are able to access its services through 175 branches, more than 2,000 ATMs, via cash-pooling with allied banks, an Internet platform and telephone banking. Since 2006 SEB ImmoInvest, previously reported under German Retail & Mortgage Banking, is now consolidated with SEB Asset Management. The period for 2005 has been restated.

### Profit and loss account

SEK m, 2005 restated	Q1		Q4	Jan - Mar			Full year
	2006	2005	%	2006	2005	%	2005
Net interest income	702	813	-14	702	834	-16	3 180
Net fee and commission income	368	296	24	368	285	29	1 128
Net financial income	-9	-23	-61	-9	-82	-89	74
Net other income	122	111	10	122	77	58	224
<b>Total operating income</b>	<b>1 183</b>	<b>1 197</b>	<b>-1</b>	<b>1 183</b>	<b>1 114</b>	<b>6</b>	<b>4 606</b>
Staff costs	-515	-502	3	-515	-487	6	-1 978
Other expenses	-295	-306	-4	-295	-307	-4	-1 294
Depreciation of assets	-57	-82	-30	-57	-68	-16	-279
<b>Total operating expenses</b>	<b>-867</b>	<b>-890</b>	<b>-3</b>	<b>-867</b>	<b>-862</b>	<b>1</b>	<b>-3 551</b>
<b>Profit before credit losses etc</b>	<b>316</b>	<b>307</b>	<b>3</b>	<b>316</b>	<b>252</b>	<b>25</b>	<b>1 055</b>
Gains less losses on assets	-18	-4		-18			-5
Net credit losses	-111	-172	-35	-111	-124	-10	-561
<b>Operating profit</b>	<b>187</b>	<b>131</b>	<b>43</b>	<b>187</b>	<b>128</b>	<b>46</b>	<b>489</b>
Cost/Income ratio	0,73	0,74		0,73	0,77		0,77
Business equity, SEK bn	9,4	10,1		9,4	9,6		9,9
Return on equity, %	6,4	4,2		6,4	4,3		4,0
Number of full time equivalents, average	2 869	2 879		2 869	2 849		2 870

### Improved profitability

The division's operating profit for the first quarter amounted to SEK 187m, 46 per cent higher than for the first quarter of 2005. Total income was 6 per cent higher, whereas costs were stable. Net interest income declined by 16 per cent compared with last year (see previous page for an explanation).

Net credit losses decreased, mainly within Commercial Real Estate. The lower net credit loss level reflects the loss level of the underlying portfolio after a clean-up within the former SEB Hypothekenbank in the previous quarters. Compared with the last quarter of 2005, operating profit before credit losses was stable.

Due to a continuing positive trend since year-end, retail business developed strongly in the first months of 2006. Operating income improved and operational costs remained stable compared with the corresponding quarter of 2005. Investments in new sales channels and new sales initiatives have been compensated as a result of lower costs for regulatory projects and an ongoing improvement of back office functions this year compared with 2005.

In particular, strong sales of structured products helped to improve commission income by 29 per cent. Consumer

finance and sales of mutual funds generated good results. Sales of insurance products had a slow start in 2006.

Although the volumes of new mortgage loans grew by 12 per cent on a quarterly basis, mortgage business in total started cautiously, due to high outflows. Total lending volume was stable at SEK 86bn. Total deposits amounted to SEK 37bn which is 2 per cent above the previous quarter and in line with the corresponding period in 2005.

Gross sales of funds improved by 57 per cent and net sales more than doubled compared with a relatively weak fourth quarter in 2005. Net sales of special funds increased significantly as well.

Assets under management, totalled SEK 158bn, up 10 per cent compared with the corresponding quarter of 2005 and slightly above year-end.

The profitability of the division in the first quarter of 2006 improved. Return on equity increased to 6.4 per cent and the cost/income ratio remained stable at 0.73.

*N.B. The tax rate for return calculations has been changed from 28 to 20 per cent to better reflect the medium-term tax rate. Current tax rate is below 10 per cent.*

## Eastern European Banking

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

### Profit and loss account

SEK m	Q1		Q4	Jan - Mar			Full year
	2006	2005	%	2006	2005	%	2005
Net interest income	532	472	13	532	415	28	1 767
Net fee and commission income	264	270	-2	264	193	37	935
Net financial income	85	90	-6	85	63	35	314
Net life insurance income	27	12	125	27	10	170	49
Net other income	15	17	-12	15	21	-29	85
<b>Total operating income</b>	<b>923</b>	<b>861</b>	<b>7</b>	<b>923</b>	<b>702</b>	<b>31</b>	<b>3 150</b>
Staff costs	-240	-256	-6	-240	-184	30	-858
Other expenses	-164	-167	-2	-164	-128	28	-608
Net Deferred Acquisition Costs	-1			-1			
Depreciation of assets	-53	-45	18	-53	-49	8	-207
<b>Total operating expenses</b>	<b>-458</b>	<b>-468</b>	<b>-2</b>	<b>-458</b>	<b>-361</b>	<b>27</b>	<b>-1 673</b>
<b>Profit before credit losses etc</b>	<b>465</b>	<b>393</b>	<b>18</b>	<b>465</b>	<b>341</b>	<b>36</b>	<b>1 477</b>
Gains less losses on assets	17	57	-70	17	2		63
Net credit losses	-32	-91	-65	-32	-7		-139
<b>Operating profit</b>	<b>450</b>	<b>359</b>	<b>25</b>	<b>450</b>	<b>336</b>	<b>34</b>	<b>1 401</b>
Cost/Income ratio	0,50	0,54		0,50	0,51		0,53
Business equity, SEK bn	7,5	5,5		7,5	4,3		4,8
Return on equity, %	20,4	22,2		20,4	26,7		24,8
Number of full time equivalents, average	5 142	5 018		5 142	4 595		4 787

### Continued profit growth

Operating profit for the first quarter was 34 per cent higher than the corresponding quarter of 2005. In comparison with the last quarter of 2005, operating profit increased by 25 per cent.

Total operating income rose by 31 per cent compared with the first quarter of 2005, benefiting from continued strong volume development and increased business activities. Net interest income rose by 28 per cent following a stabilisation of margin pressure. Commission income grew by 37 per cent, mainly due to an increase in commissions from cards, payments, lending and fund management. Total operating expenses rose by 27 per cent, primarily reflecting investments in resources to support strong business volume growth and sales force development. The effects of rising inflation in the Baltic countries had an impact, too.

Credit losses amounted to SEK 32m (7), which included a provision for one large loan. Asset quality was stable.

### Strong volume growth

Volumes continued to grow. The division's total gross loan portfolio reached SEK 83bn, an increase of 59 per cent compared to the same period last year. Deposits rose by 37 per cent, to SEK 49bn. Considering the long-term trend

in the region towards lower margins, volume growth was balanced by an increased focus on appropriate levels of return. The strategy to develop new sources of income was reflected in the growth of assets under management, which grew by 37 per cent compared with the corresponding period last year, to SEK 11bn, mainly due to significant increases in the Baltic banks.

### New product launches to meet customer demands

During the quarter, the Baltic banks continued to introduce several new products to meet the increasing demand from customers, mainly in the areas of cards and small business. SEB's acquisition of PetroEnergoBank in Russia has been completed.

In Ukraine, Bank Agio has started a re-branding process.

SEB's leading position and high degree of customer satisfaction were confirmed by a string of awards and high rankings for SEB Vilniaus Bankas, SEB Unibanka and SEB Eesti Ühispank.

*N.B. The tax rate for return calculations has been changed from 28 to 15 per cent to better reflect the actual tax rates in the countries of the region.*

# SEB Asset Management

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

## Profit and loss account

SEK m, 2005 restated	Q1		Q4	Jan - Mar			Full year
	2006	2005	%	2006	2005	%	2005
Net interest income	24	23	4	24	19	26	85
Net fee and commission income	563	646	-13	563	434	30	2 110
Net financial income	1	2	-50	1	3	-67	17
Net other income	4	6	-33	4	2	100	21
<b>Total operating income</b>	<b>592</b>	<b>677</b>	<b>-13</b>	<b>592</b>	<b>458</b>	<b>29</b>	<b>2 233</b>
Staff costs	-164	-182	-10	-164	-143	15	-656
Other expenses	-107	-157	-32	-107	-106	1	-493
Depreciation of assets	-4	-11	-64	-4	-5	-20	-24
<b>Total operating expenses</b>	<b>-275</b>	<b>-350</b>	<b>-21</b>	<b>-275</b>	<b>-254</b>	<b>8</b>	<b>-1 173</b>
<b>Operating profit</b>	<b>317</b>	<b>327</b>	<b>-3</b>	<b>317</b>	<b>204</b>	<b>55</b>	<b>1 060</b>
Cost/Income ratio	0,46	0,52		0,46	0,55		0,53
Business equity, SEK bn	2,0	1,8		2,0	1,8		1,8
Return on equity, %	45,6	52,3		45,6	32,6		42,4
Number of full time equivalents, average	581	561		581	541		549

### Volume growth generates strong result

As of January 2006 the division includes SEB's real estate fund company SEB ImmoInvest in Germany. 2005 financials have been restated for comparison purposes.

The division's result for the first quarter 2006 increased by 55 per cent compared with last year, to SEK 317m. Total income for the first quarter rose by 29 per cent, both due to strong volume growth and improved performance fees. Performance fees for the first quarter amounted to SEK 49m (18). Costs were 8 per cent higher than in 2005, mainly due to increased variable remuneration.

Compared with the previous quarter the result was slightly lower, due to higher performance fees at the end of last year. Costs were 21 per cent lower compared with the previous quarter, which was mainly due to a few non-recurring items concerning the integration of SEB ImmoInvest.

### Strong net sales

The strong net sales momentum experienced at the end of 2005 continued during the first quarter resulting in aggregate net sales of SEK 17.9bn (10.0). Both institutional and retail sales were strong. SEB ImmoInvest had net outflows of SEK 5.2bn for the period but during March the trend was reversed and the real estate fund reported inflows.

SEB's net sales of its own mutual funds were SEK 7.2bn (2.0), compared with a total market of SEK 38bn (26). This represents a market share of net sales of 18.9 per cent (7.8),

which corresponds to a number one position. Net sales of third-party mutual funds (not included in the market statistics) increased slightly compared with last year.

### Assets under management continued to increase

The division's total assets under management increased by 5 per cent, or SEK 40bn, during the first quarter following strong markets and new volumes. Total assets under management were SEK 881bn (723). Including SEB ImmoInvest, real estate constitutes 8 per cent of assets under management, whereas equities account for 43 per cent (36) and fixed income for 46 per cent (53). Total mutual funds, including third-party mutual funds, increased their share of the division's assets under management and represented 47 per cent (43) of the total, corresponding to SEK 418bn (311), of which SEK 264bn (189) in Sweden.

### Investment performance, rating and products

The division's aggregated investment performance was positive and 70 per cent of assets under management performed better than their respective indices. The average Morningstar rating for the division's funds remained at 3.3, the same level as of year-end 2005. Several funds recently received top-awards by Standard & Poor's.

A new real estate equity fund was launched during the first quarter.



# SEB Trygg Liv

SEB Trygg Liv is one of the Nordic region's leading life insurance groups. Operations comprise insurance products within the investment and social security area for individuals and corporations. SEB Trygg Liv provides both unit-linked and traditional insurance. The division operates in Sweden, Denmark, Finland, Ireland, the UK and Luxembourg and serves 1.5 million customers. The SEB Group also has life insurance operations in Estonia, Latvia and Lithuania.

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

## Profit and loss account

SEK m	Q1		Q4	Jan - Mar			Full year
	2006	2005	%	2006	2005	%	2005
Net interest income	-3	1		-3	4	-175	9
Net life insurance income	761	762	0	761	658	16	2 857
<b>Total operating income</b>	<b>758</b>	<b>763</b>	<b>-1</b>	<b>758</b>	<b>662</b>	<b>15</b>	<b>2 866</b>
Staff costs	-239	-260	-8	-239	-229	4	-952
Other expenses	-392	-413	-5	-392	-367	7	-1 405
Net Deferred Acquisition Costs	168	199	-16	168	112	50	477
Depreciation of assets	-12	-21	-43	-12	-7	71	-53
<b>Total operating expenses</b>	<b>-475</b>	<b>-495</b>	<b>-4</b>	<b>-475</b>	<b>-491</b>	<b>-3</b>	<b>-1 933</b>
<b>Operating profit</b>	<b>283</b>	<b>268</b>	<b>6</b>	<b>283</b>	<b>171</b>	<b>65</b>	<b>933</b>
Change in surplus values, net	422	643	-34	422	268	57	1 280
<b>Business result</b>	<b>705</b>	<b>911</b>	<b>-23</b>	<b>705</b>	<b>439</b>	<b>61</b>	<b>2 213</b>
Change in assumptions		39			-39	-100	
Financial effects of short-term market fluctuations	548	310	77	548	223	146	1 651
Total result	1 253	1 260	-1	1 253	623	101	3 864
Cost/Income ratio	0,63	0,65		0,63	0,74		0,67
Business equity, SEK bn	7,0	7,0		7,0	7,4		7,2
Return on equity, %							
based on operating profit	14,2	13,5		14,2	8,1		11,4
based on business result	35,5	45,8		35,5	20,9		27,0
Number of full time equivalents, average	1 069	1 065		1 069	1 113		1 089

### Continued profit growth

SEB Trygg Liv achieved another strong quarterly result, SEK 283m, compared with SEK 268m for the fourth quarter and SEK 171m for the first quarter of 2005. A continued strong stock-market trend combined with high premium payments resulted in higher fund values in unit-linked and thus higher income. However, rising interest rates led to negative returns in bond portfolios primarily related to sickness insurance and shareholders equity funds.

The division's total income amounted to SEK 758m (662), an increase of 15 per cent compared with the corresponding period of 2005. The increase for unit-linked business was 38 per cent compared with the first quarter last year and 7 per cent compared with the fourth quarter. Total operating expenses were SEK 475m (491). The focus on operational excellence continues as a means for establishing a long-term sustainable cost-base.

### High sales volumes

Total sales for the quarter increased by 13 per cent, to SEK 12.3bn (10.9), compared with the corresponding period of 2005, measured as weighted volume. The sale of unit-linked products represented almost 90 per cent of total sales. Last year's high sales of "Kapitalpension" in Sweden has shown a downward trend, as expected, while the volume of corporate pension picked up and represented 70 per cent (62) of total sales. In Denmark, the sale of corporate pension continued to increase, especially unit-linked.

Market statistics in Sweden as of year-end, showed a market share for new unit-linked business of 32.4 (34.6) per cent for the full year. SEB Trygg Liv maintained its leading position within unit-linked and the position as the second largest player in the total market, with a market share of 19.5 per cent (20.9).

Total premium income (premiums paid) in the division increased by 14 per cent, to SEK 8,267m (7,229) compared to

the same period last year. The main part of the increase was within unit-linked, including an increase in Denmark of SEK 349m, or 171 per cent. In total, premiums paid in Denmark increased by 29 per cent. The total value of unit-linked funds was SEK 106bn compared with SEK 96bn at year-end. Net assets under management were SEK 379bn compared with SEK 367bn at year-end.

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

The profit trend in *Sweden* was strong with increasing income from unit-linked business and a stable level of operating expenses. The relatively high outflow level from surrenders in endowment policies noted in 2005, due to changes in inheritance tax rules and the introduction of the new product, "Kapitalpension", has normalised. The trend in sickness insurance was positive, with a low level of claims. A clear majority of the policyholders in SalusAnsvar Life Insurance, who have been offered to transfer their policies to SEB Trygg Liv, have accepted to do so in accordance with the agreement that was signed by the two companies in 2005.

In *Denmark*, operating profit was lower than in the first quarter last year due to rising interest rates during the quarter leading to negative return in the shareholders equity fund. The process of separating the business from the former owner, Codan A/S, is on schedule and will be completed during the second quarter. The profit trend from the growing unit-linked business was positive. The expense level is unchanged compared to the fourth quarter.

Operating profit in the *international* business, with subsidiaries in England and Ireland, was better than last year as a result of higher income and growth in unit-linked fund values.

New business margin for the first quarter, excluding SEB Pension, was 27 per cent for the first quarter compared with 22 per cent for the full year 2005.

The business result (including changes in surplus values) amounted to SEK 705 m (439). Surplus values for the Danish unit-linked business are included as from the fourth quarter 2005. The surplus values are not included in the SEB Group's profit and loss account and balance sheet. For details, see Additional Information at [www.sebgroup.com](http://www.sebgroup.com).

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

SEB Pension's traditional life insurance operations in Denmark are carried out in a profit-sharing company and are therefore part of the division's result above. The market and investment risk in relation to guaranteed commitments to policyholders is controlled by hedging of the investment portfolio. Variation in investment return can be absorbed to a great extent by buffer funds accumulated, the "collective bonus potential".

SEB Pension's appeal regarding settlement of surpluses during 1999-2001 (see Annual Report for 2005 – Memorandum items) has been turned down by "Ehrvervsankenævnet", an authority for unsettled issues. SEB is considering whether to bring the issue to civil court.

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

The total return for Gamla Livförsäkringsaktiebolaget was 4 per cent and the collective consolidation ratio was 119 per cent at the end of March 2006. For Nya Livförsäkringsaktiebolaget the total return was -1 per cent and the collective consolidation ratio was 100 per cent. For more facts concerning these companies, see Additional Information at [www.sebgroup.com](http://www.sebgroup.com).

*N.B. The tax rate for return calculations has been changed from 28 to 12 per cent to better reflect the actual tax situation.*

# The SEB Group

## Net fee and commission income – SEB Group

SEKm	Q1		Q4		Jan - Mar			Full year
	2006	2005	%	2005	2005	%	2005	
Issue of securities	42	121	-65	42	21	100	193	
Secondary market shares	915	660	39	915	568	61	2 599	
Secondary market other	109	112	-3	109	57	91	340	
Custody and mutual funds	1 487	1 473	1	1 487	1 096	36	5 010	
<b>Securities commissions</b>	<b>2 553</b>	<b>2 366</b>	<b>8</b>	<b>2 553</b>	<b>1 742</b>	<b>47</b>	<b>8 142</b>	
Payments	442	450	-2	442	397	11	1 679	
Card fees	868	909	-5	868	746	16	3 371	
<b>Payment commissions</b>	<b>1 310</b>	<b>1 359</b>	<b>-4</b>	<b>1 310</b>	<b>1 143</b>	<b>15</b>	<b>5 050</b>	
Advisory	403	472	-15	403	212	90	1 284	
Lending	250	220	14	250	174	44	940	
Deposits	24	22	9	24	24		96	
Guarantees	63	64	-2	63	51	24	225	
Derivatives	110	86	28	110	74	49	306	
Other	181	185	-2	181	160	13	698	
<b>Other commissions</b>	<b>1 031</b>	<b>1 049</b>	<b>-2</b>	<b>1 031</b>	<b>695</b>	<b>48</b>	<b>3 549</b>	
<b>Fee and commission income</b>	<b>4 894</b>	<b>4 774</b>	<b>3</b>	<b>4 894</b>	<b>3 580</b>	<b>37</b>	<b>16 741</b>	
Securities commissions	-164	-129	27	-164	-76	116	-583	
Payment commissions	-494	-491	1	-494	-384	29	-1 807	
Other commissions	-243	-259	-6	-243	-176	38	-792	
<b>Fee and commission expense</b>	<b>-901</b>	<b>-879</b>	<b>3</b>	<b>-901</b>	<b>-636</b>	<b>42</b>	<b>-3 182</b>	
Securities commissions, net	2 389	2 237	7	2 389	1 666	43	7 559	
Payment commissions, net	816	868	-6	816	759	8	3 243	
Other commissions, net	788	790	0	788	519	52	2 757	
<b>Net fee and commission income</b>	<b>3 993</b>	<b>3 895</b>	<b>3</b>	<b>3 993</b>	<b>2 944</b>	<b>36</b>	<b>13 559</b>	

## Net financial income – SEB Group

SEKm	Q1		Q4		Jan - Mar			Full year
	2006	2005	%	2005	2005	%	2005	
Equity instruments and related derivatives	143	930	-85	143	124	15	1620	
Debt instruments and related derivatives	320	- 747	-143	320	22		-619	
Currency-related	516	707	-27	516	608	-15	2 391	
<b>Net financial income</b>	<b>979</b>	<b>890</b>	<b>10</b>	<b>979</b>	<b>754</b>	<b>30</b>	<b>3 392</b>	

## Net credit losses - Group

SEKm	Q1		Q4		Jan - Mar			Full year 2005
	2006	2005		%	2006	2005	%	
<i>Provisions:</i>								
Net collective provisions	- 125	405	-131		- 125	40		403
Specific provisions	- 110	- 674	-84		- 110	- 235	-53	-1 286
Reversal of specific provisions no longer required	83	103	-19		83	83		438
Net provisions for contingent liabilities	11	11			11	- 11	-200	- 6
<b>Net provisions</b>	<b>- 141</b>	<b>- 155</b>	<b>-9</b>		<b>- 141</b>	<b>- 123</b>	<b>15</b>	<b>- 451</b>
<i>Write-offs:</i>								
Total write-offs	- 225	- 418	-46		- 225	- 354	-36	-1 532
Reversal of specific provisions utilized for write-offs	106	189	-44		106	203	-48	756
Write-offs not previously provided for	- 119	- 229	-48		- 119	- 151	-21	- 776
Recovered from previous write-offs	77	54	43		77	79	-3	327
<b>Net write-offs</b>	<b>- 42</b>	<b>- 175</b>	<b>-76</b>		<b>- 42</b>	<b>- 72</b>	<b>-42</b>	<b>- 449</b>
<b>Net credit losses</b>	<b>- 183</b>	<b>- 330</b>	<b>-45</b>		<b>- 183</b>	<b>- 195</b>	<b>-6</b>	<b>- 900</b>
<b>Change in value of seized assets</b>	<b>- 15</b>	<b>- 1</b>			<b>- 15</b>	<b>- 2</b>		<b>- 14</b>
<b>Net credit losses incl change in value</b>	<b>- 198</b>	<b>- 331</b>	<b>-40</b>		<b>- 198</b>	<b>- 197</b>	<b>1</b>	<b>- 914</b>

## Balance sheet – SEB Group

<b>Condensed SEKm</b>	<b>31 March 2006</b>	<b>31 December 2005</b>	<b>31 March 2005</b>
Cash and cash balances with central banks	10 332	27 545	16 401
Loans to credit institutions	223 752	177 592	239 382
Loans to the public	916 157	901 261	786 144
Financial assets at fair value *	591 977	504 895	410 286
Available-for-sale financial assets *	178 948	181 976	151 195
Held-to-maturity investments *	16 557	16 502	14 265
Discontinued operations	1 405	1 405	
Investments in associates	1 236	1 218	1 320
Tangible and intangible assets	23 799	23 474	22 185
Other assets	68 264	53 870	43 984
<b>Total assets</b>	<b>2 032 427</b>	<b>1 889 738</b>	<b>1 685 162</b>
Deposits by credit institutions	388 732	399 494	390 306
Deposits and borrowing from the public	628 304	570 001	531 540
Liabilities to policyholders	193 923	185 363	153 490
Debt securities	385 235	353 205	300 015
Financial liabilities at fair value	249 870	201 774	152 599
Other liabilities	80 510	76 086	70 331
Provisions	2 612	2 816	1 645
Subordinated liabilities	43 385	44 203	32 544
Total equity	59 856	56 796	52 692
<b>Total liabilities and equity</b>	<b>2 032 427</b>	<b>1 889 738</b>	<b>1 685 162</b>
* Of which interest bearing	570 133	543 714	323 966

## Memorandum items – SEB Group

<b>SEKm</b>	<b>31 March 2006</b>	<b>31 December 2005</b>	<b>31 March 2005</b>
Collateral and comparable security pledged for own liabilities	309 464	316 425	269 909
Other pledged assets and comparable collateral	190 162	143 042	116 866
Contingent liabilities	69 335	57 891	45 202
Commitments	254 638	286 520	226 576

## Statement of changes in equity – SEB Group

SEKm	31 March 2006	31 December 2005	31 March 2005
Opening balance	112	85	85
Net change	15	27	9
<b>Minority interests</b>	<b>127</b>	<b>112</b>	<b>94</b>
Opening balance	1 363		
New accounting principle (IAS 39), Cash flow hedges and Afs valuation		1 015	1 015
Net change in reserves	- 314	348	176
<b>Revaluation reserves</b>	<b>1 049</b>	<b>1 363</b>	<b>1 191</b>
Opening balance	55 321	51 678	51 678
New accounting principle (IAS 32), Swap agreements		-1 394	-1 394
New accounting principle (IAS 39), Non IAS 39 compliant hedges		- 930	- 930
Dividend to shareholders		-3 065	
Dividend, own holdings of shares		216	
Result, holding of own shares	6	- 12	- 107
Neutralisation of PL impact of employee stock option programme	22	88	16
Utilization of employee stock options	342	528	259
Eliminations of repurchased shares for stock option programme*	252	204	
Eliminations of repurchased shares for improvement of the capital structure		- 218	- 218
Translation difference	- 85	- 175	104
Net profit attributable to equity holders	2 822	8 401	1 999
<b>Core equity</b>	<b>58 680</b>	<b>55 321</b>	<b>51 407</b>
<b>Total equity</b>	<b>59 856</b>	<b>56 796</b>	<b>52 692</b>

\* As of 31 December 2005 SEB owned 18.4 million Class A shares for the employee stock option programme. The acquisition cost for these shares is deducted from shareholders' equity. During Q1 2006 2.5 million of these shares have been sold as employee stock options have been exercised. Thus, as of 31 March SEB owned 15.9 million Class A-shares with a market value of SEK 3,058m.

## Cash flow statement – SEB Group

SEKm	Jan - Mar			Full year
	2006	2005	%	2005
Cash flow from the profit and loss statement	3 509	3 160	11	12 307
Increase (-)/decrease (+) in trading portfolios	-35 649	-47 111	-24	-121 965
Increase (+)/decrease (-) in issued short term securities	9 973	12 191	-18	38 816
Increase (-)/decrease (+) in lending to credit institutions	-46 158	-30 824	50	36 349
Increase (-)/decrease (+) in lending to the public	-15 168	140		-102 155
Increase (+)/decrease (-) in liabilities to credit institutions	-10 762	28 552	-138	33 033
Increase (+)/decrease (-) in deposits and borrowings from the public	58 303	14 703		44 786
Increase (-)/decrease (+) in insurance portfolios	11 187	-4 550		24 042
Change in other balance sheet items	-13 285	6 598		91
Cash flow from operating activities	-38 050	-17 141	122	-34 696
Cash flow from investment activities	- 532	- 986	-46	-7 378
Cash flow from financing activities	21 238	21 376	-1	56 147
<b>Net increase in cash and cash equivalents</b>	<b>-17 344</b>	<b>3 249</b>		<b>14 073</b>
Cash and cash equivalents at beginning of year	27 545	12 979	112	12 979
Exchange difference in cash and cash equivalents	131	173	-24	493
Net increase in cash and cash equivalents	-17 344	3 249		14 073
<b>Cash and cash equivalents at end of period</b>	<b>10 332</b>	<b>16 401</b>	<b>-37</b>	<b>27 545</b>

## Impaired loans and seized assets – SEB Group

<b>SEKm</b>	<b>31 March 2006</b>	<b>31 December 2005</b>	<b>31 March 2005</b>
Non-performing impaired loans	7 937	7 957	8 250
Performing impaired loans	1 057	1 144	701
<b>Impaired loans gross*</b>	<b>8 994</b>	<b>9 101</b>	<b>8 951</b>
Specific reserves	-4 674	-4 787	-4 550
of which reserves for non-performing loans	-4 166	-4 183	-4 103
of which reserves for performing loans	-508	-604	-447
Collective reserves	-2 416	-2 283	-2 481
<b>Impaired loans net</b>	<b>1 904</b>	<b>2 031</b>	<b>1 920</b>
Reserves for off-balance sheet items	-250	-268	-269
<b>Total reserves</b>	<b>-7 340</b>	<b>-7 338</b>	<b>-7 300</b>
<b>Level of impaired loans</b> (Impaired loans, net in relation to lending, at end of period)	<b>0.20%</b>	<b>0.22%</b>	<b>0.24%</b>
<b>Reserve ratio for impaired loans</b> (Specific and collective reserves in relation to impaired loans gross, per cent)	<b>78.8%</b>	<b>77.7%</b>	<b>78.5%</b>
<i>Specific reserve ratio for impaired loans</i>	52.0%	52.6%	50.8%
Pledges taken over			
Properties	103	119	113
Shares	45	46	41
<b>Total volume of pledges taken over</b>	<b>148</b>	<b>165</b>	<b>154</b>

\* Individually impaired loans.



## The SEB share



## Rating

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

## SEB's major shareholders

	Share of capital, per cent
<b>March 2006</b>	
Investor AB	17.9
Trygg Fundation	9.6
AFA Försäkring	2.7
SHB/SPP Mutual Funds	2.4
Robur	2.3
Nordea Mutual Funds	2.1
SEB Mutual Funds	2.0

Foreign shareholders 21.4

Source: VPC/SIS Ägarservice