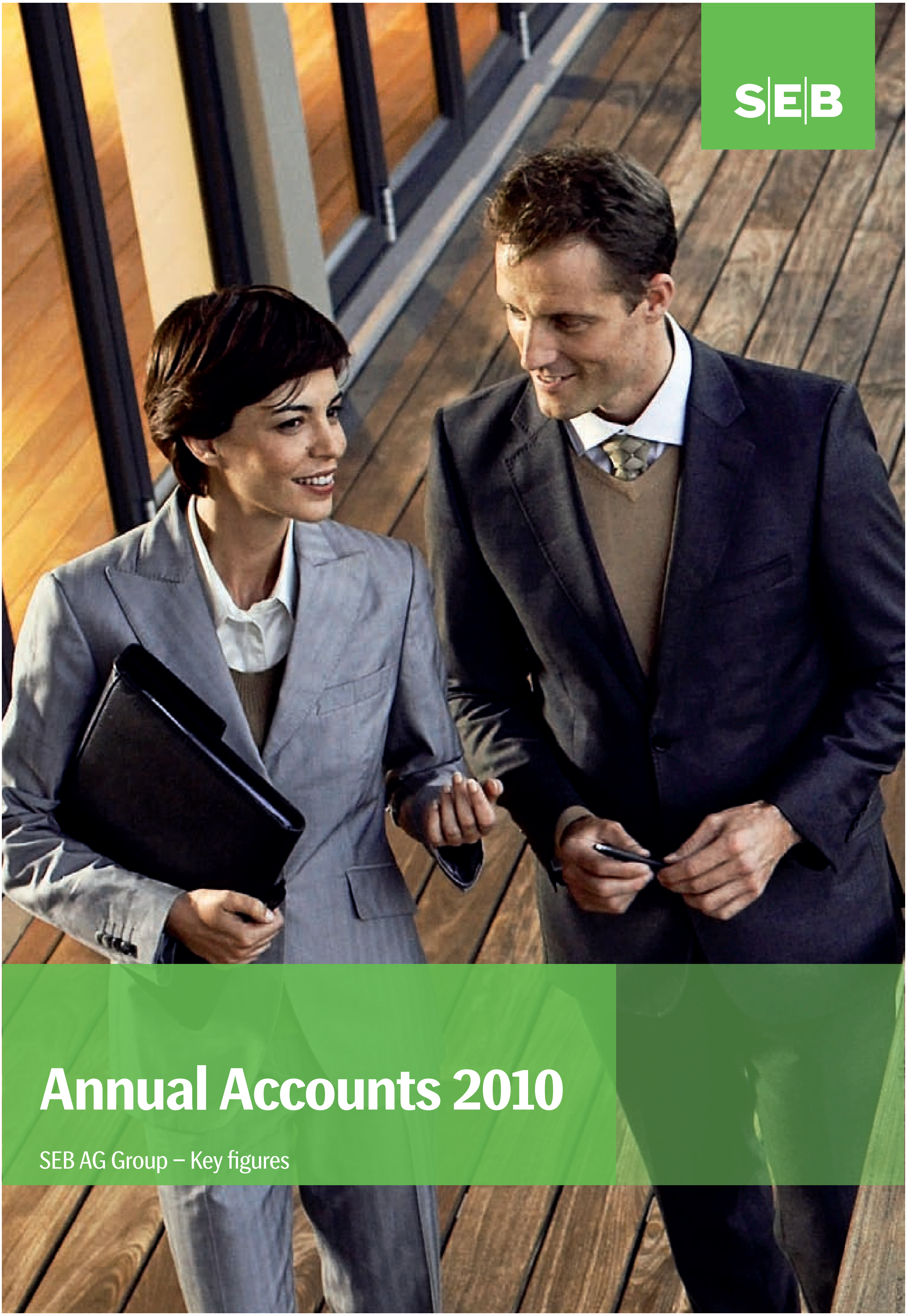
SEB



Annual Accounts 2010

SEB AG Group – Key figures

SEB's Profile in Europe and Germany

The SEB Group is one of the most important and biggest financial services providers in Sweden and Northern Europe. The Bank was founded as Stockholms Enskilda Bank by André Oscar Wallenberg in 1856. In 1972, the Bank merged with Skandinaviska Banken to become SEB.

Owing to the merger with the insurance company Trygg Hansa (later Trygg Liv), SEB joined the insurance business in 1997. At the end of the 90ies, SEB followed a specific expansion strategy in Europe. During this time, the number of customers and employees doubled. At the beginning of the year 2000, SEB acquired BfG Bank AG in Germany and renamed them to SEB AG in April 2001. In addition to this, the group took over three banks in Estonia, Latvia and Lithuania and today belongs to the market leaders in the Baltic states. By taking over the Ukraine banks Agio in October 2004 and Factorial in the year 2007, the SEB Group continued its expansion in Eastern Europe.

In Norway, Denmark and Finland, SEB offers a broad range of products and services for companies and institutional customers. In Luxembourg and Switzerland, SEB focuses on extending the business with wealthy retail customers (Private Banking).

In the business year 2010, the group made the decision to continue its efforts of strengthening its presence in Asia, one of the most dynamically growing regions of the world. The Bank has already had customers in Asia for 30 years. Apart from locations in Peking, Singapore, Shanghai and New-Delhi, the Bank will open an additional branch in Hong-Kong in the middle of 2011. Furthermore, the range of services for customers in China has further been extended.

In its home markets, the Bank will even more concentrate on its core business fields in future. The activities in France were disposed of and in Germany, SEB sold the retail business to Banco Santander. A respective agreement was entered into in July 2010. The sale was finally effected at the beginning of 2011. All over Europe, the SEB Group serviced more than five million customers in the year 2010 and had approximately 20,000 employees. The Bank operates in 20 countries worldwide

SEB in Germany

In Germany, SEB – without taking into account the sale of the retail business – had about one million customers in 2010 and operated in the business lines Retail Banking (private customers), Merchant Banking (corporate customers), Commercial Real Estate (commercial real estate customers) and Asset Management.

The core business in Germany is Merchant Banking. SEB services multinational and medium-sized companies, institutions, banks and financial institutes. The Bank has business relations with the majority of the DAX companies and in some sub-sectors is market leader with regard to institutional customers. The range of products includes Cash Management, Corporate Finance, Securities Services, Trading & Capital Markets and Structured Finance. German customers benefit from the Cash Management solutions of the SEB group which belong to the most modern ones of the world. This also applies to the frequently award-winning expertise in the areas of Global Custody, Foreign Exchange and Prime Brokerage. The business with medium-sized companies in Germany will consistently be extended during the next few years.

The Commercial Real Estate sector constitutes a product field within the Merchant Banking Organisation of the SEB Group. Since 2004, the group-wide CRE activities have been controlled from Frankfurt. The products offered to customers (national and international real estate investors as well as housing companies) includes classical financing as well as additional services such as Cash Management, interest rate derivatives and asset management. Furthermore, SEB in Germany is also active in the area of Structured Finance Commercial Real Estate, e.g. in the financing of large-scale real estate portfolios. Apart from locations in Germany's most important real estate centres (Frankfurt, Hamburg, Berlin, Düsseldorf, Munich), CRE is also represented in Sweden, Finland, Norway, Denmark and Poland.

The core of the Retail Banking sector in Germany which was sold to Santander is a network of 173 branches all over the country.

Within the subsidiary SEB Asset Management AG, the Bank consolidates its real estate and securities business under the umbrella of the investment trust company SEB Investment GmbH. Being part of the division "Wealth Management" of the SEB Group, SEB Asset Management has a far-reaching expertise in the relevant asset categories. The subsidiary belongs to the biggest and most successful suppliers of real estate funds and property share funds in the German market. SEB Asset Management successfully specializes in total-return approaches with regard to real estate and fixed income. About 60 percent of the assets under management are based on these concepts.

Status report

The financial sector was again dominated by the financial crisis in the year 2010. Focus was no longer put on acute crisis management, however, but on the coping with the remote consequences of the financial crisis. The centre of attention was the setting-up of improved, more acceptable structures within the banks and in the set of rules applying to the financial markets. A lot has happened with regard to the banks since the beginning of the crisis: they have improved their risk management, increased their equity capital, extended their maintenance of liquidity and based their remuneration systems very much stronger on long-term, sustained success. Nevertheless, restructuring and reorientation requirements have become visible in the German financial industry as it had rarely been the case before. Particularly the problems of the ailing Land banks posed an existential threat to this institutional group.

The financial sector was supported by the consolidation of the global economy which has all in all got off to a better start than expected – driven by immense economic recovery programmes. Particularly Germany experienced a broad and continuing economic upswing with a growth of the gross domestic product by 3.6 percent. Furthermore, the financial markets turned out to be very robust. The European Central Bank (ECB) also made an important contribution to the stabilization of the banks. Owing to the Greece crisis, it continued its policy of easy money. Thanks to the programme for buying government funds of highly indebted Euro countries which was launched in May, it massively provided the market with liquidity and made it possible for the banks to raise cheap money.

At the same time, politicians and supervisory authorities tried to improve the framework conditions for a more stable financial system.

What became apparent is the fact that the customers' confidence in the competence of the banks has suffered owing to the financial crisis. This concerns all banks, even if they – such like SEB – were themselves the ones to suffer from the financial crisis. To win back confidence and to strengthen the relations to the customers again was the central task of the banks in the business year 2010 and will also characterize the banking business during the next few years. For SEB, this return to the value of strong customer relations is a confirmation of the corporate culture they live. The success of SEB AB has been based on Customer Excellence as well as stable and trustful customer relations for more than 150 years. SEB AB has had a strong house bank relationship with many customers for generations. In Germany, SEB has been operating for more than 30 years and has accompanied several Swedish companies just from the beginning of their entry into the German market.

The mother company, SEB AB, looks back at a successful business year 2010 and is also well prepared for the challenges of the years to come. The group has benefited from the trend reversal in the Baltic states Estonia, Latvia and Lithuania as well as from the early strengthening of its own resources. Already in spring 2009, SEB AB made use of the more positive climate on the capital markets in order to carry out an increase in capital. SEB AB today belongs to the banks with the highest equity ratio in Europe. The stress test carried out by the Committee of European Banking Supervisors (CEBS) in the middle of 2010 confirmed the solid equity equipment of SEB AB. This test that was commissioned by the EU Ministers of Finance simulated how the most important banks in Europe would react on a clear weakness of the economy with a revival of the government debt crisis. SEB AB came off best among all Swedish banks and would still reach a core capital ratio of 10.3 percent at the end of 2011, assuming this stress situation.

The marked risk awareness and up-to-date risk controlling are the decisive factors that have enabled the SEB Group to survive the financial crisis without major wounds.

SEB AB's high quality in risk management as well as the high standard in risk control and measuring were once again confirmed in 2010. The SEB Group is up to now the only Bank in the Nordic countries that has received the consent to the application of the AMA method (Advanced Measurement Approach) for the calculation of the minimum equity capital for operational risks in accordance with Basel II. The Federal Financial Supervisory Authority (BaFin) also granted the German SEB AG the authorization for the advanced measurement approach in 2010. This permission is a certificate of quality and provides the Bank with substantial capital savings compared to the standardized models.

Reorientation in Germany

The business activities in Germany were completely dominated by the strategic reorientation and concentration on core competences. The Bank decided to sell the Retail Business in Germany to Banco Santander and to concentrate on Merchant Banking including Commercial Real Estate and Asset Management in future. Against this background, the result of SEB in Germany was strongly characterized by erratic items in connection with the sale of the private client business in 2010 and is therefore hardly comparable. The reorientation in Germany is in line with the group's strategy to act as universal bank in Sweden and the Baltic states and to operate as Corporate Bank in the other Nordic countries and in Germany.

The contractual arrangements with Santander stipulate that all 173 branches and the associated Support Functions as well as parts from the central areas will be transferred. With this transaction, Santander takes over one million private customers and about 2,250 employees.

Another measure in the course of increased concentration on the core activities was the transfer of the Bank's securities handling of the Retail as well as of the Merchant Banking and Commercial Real Estate customers to the dwpbank in November 2010. dwpbank, market leader in German securities handling, takes over the administration of the securities portfolio accounts as well as the handling of the transactions.

Germany will remain a core market for the SEB Group even after the sale of the retail business. SEB has been at home in the German market for more than 30 years. The Bank pursues ambitious growth objectives with regard to the largest national economy of Europe and one of the most important trading partners for the Nordic countries. With the operating areas Merchant Banking including Commercial Real Estate and Asset Management the Bank has already today a sound and profitable business model in Germany. Particularly the corporate business in Germany will be considerably increased and extended in the next few years. This will happen to the same extent by which the group makes progress with the growth in the Nordic countries.

In the last business year, the Bank bestowed special attention on the subject of Corporate Sustainability with the sub-areas Environment, society and companies. SEB AG regards it as its obligation to make a responsible contribution to a sustainable society. For this purpose, the Bank works on the setting up of a business model that is consistently based on the criteria of sustainability.

During the year under review, the employees of SEB in Germany again had the possibility of participating in the employee share programme of SEB AB. This makes it possible for all employees to participate in the long-term development of the Group.

Financial Review

The business year 2010 of SEB in Germany was considerably dominated by the sale process of the Retail Business. For this reason, the past business year is rather to be seen as transitional year the result of which is only meaningful to a limited extent because of the many special effects. In such a transformation phase, special attention has to be turned to the development of the core operating fields defined by the Bank (Merchant Banking including Commercial Real Estate and Asset Management). The result shows a positive trend in these areas in every respect.

The following illustrations refer to the consolidated financial statement of SEB in Germany. As far as statements refer to the individual accounts, these will be marked separately. It has to be noted that the figures of the previous year have been adjusted by the effects resulting from the Retail operating area that was held for sale. The operative result of the previous year amounted to –14.9 million Euro. This corresponds to a last year's result of 73.9 million Euros, adjusted by the effects from the operating areas held for sale. The effects on the balance sheet and on the profit and loss account of SEB in Germany after the sale of Retail (details according to IFRS 5) are to be taken from the respective notes in which the balance sheet and the profit and loss account are being explained.

SEB group	2010	Δ 2009 in %
Total operating income	323.4	1 %
Net interest income	251.9	13 %
Net fee and commission income	132.5	5 %
Total operating expenses	–252.1	17%
Net credit losses	–15.1	– 50 %
Operative result	62.1	–19 %
Result from discontinued operation	–119.3	–61.3
Annual deficit	–80.1	–14.2
	2010	**2009**
RoE (after taxes)[1]	–4.8 %	–0.5 %
C/I[2]	1.07	0.90

[1+2] According to Management Reporting, before Discontinued Operations

Profit situation

In the year 2010, the SEB Group in Germany had an operative result to the amount of 62.1 million Euros. This is a decline by 11.5 million Euros compared to the previous year.

As mentioned above, this operative result is exclusive of Retail, that is without the effects from the result of the operating areas held for sale. The effects from this result in retrospect are a burden on the operative result to the amount of 119.3 million Euros (previous year 61.3 million Euros) and concern the actual transfer of the Retail sector as well as the expenses for projects and restructuring (compare note (51) and (65)).

The decline in the operative result before taxes has above all to be put down to the increased expenses. These have increased by 36.2 million Euros to 252.1 million Euros compared to the previous year. Depreciations have increased by 31.9 million Euros to 50.5 million Euros compared to the previous year. This increase has mainly to be put down to depreciations of real estate and buildings as well as to depreciations on intangible assets. Furthermore, other administrative expenditures include additional measures connected with the transaction. Altogether, the other administrative expenditures increased during the business year by 10.7 million Euros to 80.5 million Euros compared to the previous year.

A positive trend in this year's profit and loss accounts above all shows in the proceeds, however. This can mainly be put down to the increased readiness to invest of the customers. The net interest income of the SEB Group could thus be improved by 29.0 million Euros to 251.9 million Euros compared to the previous year. Commission earnings improved by 6.8 million Euros and amounts to 132.5 million Euros in the business year.

The trading performance for the business year 2010 amounts to -55.4 million Euros. This is a deterioration by 10.9 million Euros in comparison to the previous year. This decline mainly resulted from the negative effects of the fair value evaluation which are reflected in this result item.

The result regarding financial assets has nearly doubled compared to the previous year, having increased from 10.2 million Euros to 19.9 million Euros. This effect is mainly based on the profits generated from the sale of securities that was effected in order to reduce the risk as well as on the positive development of the evaluation result of the remaining securities portfolio.

The hedge result was strongly burdened in the business year 2010 by the necessary dissolution of those hedge transactions which were dependent on basic transactions from the Retail sector. The losses resulting from this are clearly reflected in the hedge result which records a decline by 14.3 million Euros to –40.4 million Euros compared to the previous year.

The other operational revenues dropped by 18.5 million Euros to 8.3 million Euros in comparison with the previous year. This effect has first of all to be put down to the sale of the Asset Management Potsdamer Platz (AMPP) the proceeds of which had been included in this item during the previous years.

The personnel expenses were reduced by 6.6 million Euros to 121.1 million Euros in the year under review compared to the previous year.

Net allocation to risk provision (without Retail) improved by 14.8 million Euros to 15.1 million Euros in comparison with the previous year. This is particularly because of certain individual cases which considerably burdened the previous year. These expenditures did not occur in 2010. Furthermore, there were changes with regard to the adjustment of provisions for off-balance-sheet assets which have had a positive effect on the result.

Altogether, the SEB AG Group in Germany records an annual deficit of 80.1 million Euros according to the IFRS accounting and taking into account the burden owing to special effects. The annual deficit in the previous year amounted 14.2 million Euros.

Financial situation

In 2010, the balance sheet total of the SEB Group in Germany reduced from 52.8 thousand million Euros to 49.0 thousand million Euros compared to the previous year.

The decline by 3.8 thousand million Euros on the active side mainly results from the change of the accounts receivable with regard to credit institutes, which reduced by 2.6 thousand million Euros to 12.7 thousand million Euros compared to the previous year as well as from the reduction of financial investments which decreased by 1.3 thousand million Euros to 5.1 thousand million Euros. As regards accounts receivable, the decline in the Repo business is responsible for the change: accounts receivable have reduced by 861 million Euros in comparison with the previous year. The change in the financial investments can be put down to the sale of securities which was continued within the framework of the risk policy of SEB AG.

The decline of accounts receivable with regard to customers to the amount of 8.8 thousand million Euros is mostly a shift on the active side, since the operating areas held for sale are recorded under a separate balance sheet item on the active side (“Classified, long-term assets held for sale”). Disregarding this shift, the accounts receivable with regard to customers remained at last year’s level.

On the passive side, there was a significant decline of securitized liabilities to the amount of 3.4 thousand million Euros. This has to be put down to the restrained issuing activity by the Bank which did not want to compensate disposals from final maturities and repurchases. This was a strategic decision by the Bank within the framework of its liquidity management.

The decline of liabilities with regard to customers to the amount of 5.3 thousand million Euros – analogously to the active side – is mainly to be put down to a shift within the balance sheet between the liabilities with regard to customers and the classified, long-term assets held for sale.

The Bank continues to have a good equity position. The regulatory own resources in the SEB Group amount to 2.3 thousand million Euros according to Basel II. These are made up of 1.5 thousand million Euros core capital and 0.8 thousand million Euros cushion capital.

The corresponding equity ratio is 12.8 percent (previous year: 13.3 percent).

SEB AG IFRS Individual Accounts

Profit situation and financial position

SEB AG had an operative result before taxes (before burdens owing to the sale of the Retail business) of 56.0 million Euros compared to 72.9 million Euros in 2009. According to the individual accounts, SEB AG had an annual deficit before profit transfer of 86.1 million Euros in the business year 2010, compared to 15.1 million Euros in the previous year.

Considering the IFRS individual accounts of SEB AG, the balance sheet total dropped to 49.0 thousand million Euros in 2010 (previous year: 52.8 thousand million Euros).

The explanations on the balance sheet as well as on the profit and loss account items stated with regard to the SEB Group are also valid for SEB AG.

The Merchant Banking Segment

Merchant Banking	Jan. – Dec. 2010	Δ 2009 in %
Total operating income	243.6	2 %
Net interest income	146.4	4 %
Net fee and commission income	79.5	2 %
Total operating expenses	–127.7	6 %
Net credit losses	–15.3	–16 %
Operative result	103.5	3 %
	2010	**2009**
RoE (after taxes)	12.3 %	11.2 %
C/I	0.52	0.50

The Merchant Banking division of SEB Group is responsible for customer relations to multinational and medium-sized companies, institutions, banks and financial institutes as well as for the operating area Commercial Real Estate (CRE) which is responsible for professional real estate customers such as national and international investors as well as housing companies and funds. In corporate business, the Bank offers a complete range of banking services and financial solutions to selected medium-sized companies and institutions. The strategic aim is to establish itself as main bank for the target customers. For multinational companies, SEB AG is a professional niche supplier for product solutions in the Northern and Eastern European business. The far-reaching integration in the global structure makes it possible for the Bank to combine the international product range with local presence. This considerably strengthens its position in the German market.

In the year 2010, Merchant Banking again positioned itself as financially strong and reliable banking partner. The strategy to deepen its business relations to old customers, on the one hand, and to attract new interesting customers, on the other hand, together with excellent counselling and a well-balanced product portfolio led to an altogether satisfying result. In addition to this, the Bank succeeded in establishing itself as main or house bank with regard to a large number of Large and Mid Corporate customers and was thus able to create a basis for further growth. Taking these positive perspectives into account, the respective areas were topped up with experienced specialists in the year 2010.

What has to be emphasized in particular is the positive business development in the customer business with multinational companies. In the product areas Trade Finance and Structured Finance, considerable earnings growths could be generated compared to the previous year.

Merchant Banking has complemented its range of products by the strategic decision for setting up the Corporate Finance sector; since August 2010, this sector has actively been built up. Focus will above all be put on the counselling with regard to capital market transactions as well as to Mergers & Acquisitions.

Awards confirmed the quality of products and services in the business year 2010 again. The sector Commercial Real Estate, for example, reached third place of the Euromoney Award “Best Real Estate in Germany”.

In the next year, Merchant Banking wants to continue the expansion of the business with medium-sized companies. Owing to SEB AG’s strong financial position compared to the competitors, the Bank also sees growth opportunities for the year 2011.

Client Relationship Management Germany

Large-scale enterprises (Large Corporates)

The past business year was very successful for the Large Corporates sector, in spite of the increasingly growing margin pressure in the second half-year. The sector succeeded in further extending existing business relations and to win a large number of new customers. It was also possible to come closer to the target of establishing itself as main or house bank with regard to an increasing number of large-scale enterprises. This fact not least emphasizes the strongly increased number of transactions in which SEB played a leading role. Owing to the positive perspectives in this segment, the sector's labour force was considerably increased in the year 2010, so that the Bank is well prepared to realize its ambitious planned growth targets in the following years. For 2011, the sector expects a continuing positive trend of earnings and declining risk-induced costs.

Medium-sized corporate customers (Mid Corporates)

The business with medium-sized corporate customers was very successful in the previous business year. After the crisis year 2009, the economy has clearly got going which was reflected by the business activities of the companies. This sector thus benefited from the increased customer activities on the one hand while the provision for risks remained on a low level, on the other hand.

In addition, it was possible to establish a good basis for further growth. A large number of additional customers could be gained the business relations with which can continuously been extended in the years to come.

There is still fierce competition regarding the German small and medium-sized business. Owing to its permanent and sustained processing of this market segment, SEB nevertheless succeeds in gaining new customers on a frequent basis. At the same time, a high degree of customer satisfaction is still be confirmed to our Bank.

Institutional customers (Local Institutions)

The business with institutional customers came up to expectations in the business year 2010.

The uncertainties resulting from the crisis on the financial markets in 2008/2009 as well as the low level of interest rates made the business opportunities with institutional customers more difficult. Nevertheless, the sector was almost able to reach its targets and in some sub-areas it even outperformed them.

Within the area of social insurances, thanks to innovative product solutions the Bank was able to stabilize its earnings and to further strengthen its leading position in this segment. This has to be regarded as a positive trend in view of the background of a continuing difficult market environment which is characterized by further mergers of health insurances, the health service reform and stronger competition concerning conditions.

In the Public Sector, the professed growth aims could clearly be outperformed again. Compared to the planned figures, a considerably larger number of new customers could be gained in this operating area.

Innovative financing and structuring concepts were again responsible for the further increase in business relations – among others with energy supply companies – in the past business year. Supported by the Bank's product specialists, existing customer relations could be further extended and significant transactions could be realized with new customers. In the segment of renewable energies, an increased credit demand for investments could be recorded. With regard to the granting of short-term lending (short-term refinancing of local authorities), the Bank is a recognized business partner in the public sector.

The Local Institutions sector is confident that it will reach its ambitious business targets such as the attracting of new customers and increase in earnings in the current business year 2011 in cooperation with the Bank's product specialists.

Financial institutions and banks

In the Financial Institutions segment, continuous growth in earnings could be recorded with regard to the business with existing and new customers in the year 2010. In the financial markets, the insurance industry has proved to be stable owing to its long-term investment strategy, its sustained business model and its extended risk management systems. This fact also contributed to a positive development in terms of risk and earnings within this customer segment.

A similar situation was experienced within the investment fund industry. Since the beginning of the year, 72.1 thousand million Euros have been accrued by the industry on balance – an amount that was last reached in 2005. This led to increased trading activities of the serviced investment companies – particularly in the area of interest rate and currency hedging – from which SEB could disproportionately benefit owing to its good positioning with regard to this industry.

In addition to this, the perspectives in the banking market also relax, so that a moderately positive outlook for the year 2011 is assumed. There is still a high degree of uncertainty regarding the future development of the financial markets, however, which remains to be influenced by the financial market crisis of 2008-2009. The aforementioned particularly applies against the background of the associated changes within the framework of the bank supervisory authorities, such like Basel III, for example.

Being a sector responsible for customer relations, the major risks for Client Relationship Management are above all an unexpected sudden deterioration of the economic situation in Germany and worldwide as well as uncertainties on the markets. The latter could for example result from continuous political disturbances or from a further deterioration of the credit status of individual countries in the Euro zone. In both scenarios, we assume a considerable reluctance to invest and a deterioration of the business opportunities of our customers. Such a development would most likely have a negative influence on the earnings generated by us and would possibly result in increased provisions for risks. Assuming such a scenario, the sector would ultimately be in danger of missing its targets.

Another risk imminent to this sector are the credit risks within individual difficult commitments. In these cases, deterioration of the credit status results in an increase of the provision for risks. In the worst case, we can lose our loan claims if it comes to insolvency. Thanks to the credit risk management systems of SEB we do not see any risks at the moment which would exceed the common level.

Trading & Capital Markets

In the year 2010, trading again had to face the turmoil on the financial markets. Thanks to the favourable fundamental market data and the ability of the staff to adjust to the new challenges within a short period of time, a sound result could be achieved. This sector all in all benefited from the close customer relations.

The teams Financial Solutions, Capital Markets and Exchange Dealings worked together even more intensive in order to advise the customers optimally. The teams Foreign Exchange Sales and Capital Markets achieved a good result. Traditional share deal with products traded on the stock exchange correlated with the general BIP development (with a delay of 6-12 months) and therefore moved in a difficult environment. Products connected with equity capital including Securities Lending were subject to a good demand.

In 2011, Trading & Capital Markets will again diversify their sources of earning and continue to strengthen the counselling business. It will remain the prime aim to provide the customers with financial services focussed on the increase of value, based on counselling, risk management and transaction technology. It is intended to offer an improved and extended range of products and to gain additional new customers. At the same time, the focus on risk management and "Operational Excellence" will be maintained. The sector is well prepared for the stricter regulation of the financial markets, particularly due to new IT developments and their application. All these factors support the long-term objectives and positively influence the market position of Merchant Banking.

The TCM business risks are dependent on the development of the German and the world's economy. There is less danger caused by a double dip in the United States or Europe. The debt crisis in Europe has not yet been overcome, however, and it will still take years until it will have been overcome. This could possibly have a negative influence on the confidence among the market participants. China and the other major threshold countries gain more and more importance for the worldwide production. A decline in the demand of these countries would also influence the prospects for Europe and the United States. It is important for TCM to have markets that work well.

Global Transaction Services

Cash Management

In the business year 2010, a remarkable number of new national and international Cash Management mandates could again be won. At the end of the economic crisis, the corporate customers continued to be focussed on the optimisation of the liquidity and risk management. Great store was particularly set by the introduction and further development of system-based, strong liquidity forecasts.

Owing to the changes in the financing and banking environment, there were acceptable approaches for the attraction of new customers and for extending existing business relationships particularly with regard to medium-sized companies.

In the business with social insurance institutions, SEB could significantly strengthen its market leadership owing to approaches to solving problems for example with regard to questions concerning liquidity forecast and simulation as well as to automated entering of payments received.

In the year 2010, product development concentrated on the optimisation of the by now completely implemented portal solution C+I Online as well as on the improvement of the efficiency around the SEPA product world.

Increasing volumes in the passive sector of the current accounts could not yet overcompensate the restricting earnings effects of the continued low market interest rates in the short-term maturity (EONIA) during the period under review. Basic changes are not to be expected in the interest rate environment for 2011, either. Integral counselling of the customers along their value added chain via the further developed Advisory approach as well as sustained presence in the market will nevertheless lead to an increasingly growing dynamic strength in the new customer business and thus to a return to earnings growth.

The interest-dependent income of Cash Management is subject to the risk of change in interest rates. It is tried in this context to render an assessment as realistic as possible regarding the future development based on market prognoses.

Corporate Leasing

The leasing industry in Germany closed the year 2010 with a new business volume of more than 40 thousand million Euros. After the dramatic drop in the previous year, the volume has increased by about four percent.

The Corporate Leasing business strategy was adjusted in 2009 which resulted in a reduction of the Leasing Portfolio. New transactions were then only effected with existing Merchant Banking Customers. This change with regard to the target customer strategy to effect transactions only with already existing Merchant Banking Customers also in future will possibly lead to a reduced business volume as regards product leasing in 2011 and 2012.

Due to an adjustment of the budget – it was reduced owing to the changed business strategy – the planned profit targets could almost be hit. This was above all possible because of the reduction of the direct costs (personnel and rent).

In the year 2011, focus will still be put on the core customers of SEB AG. As a natural consequence of this, another consolidation of the leasing portfolio is being expected.

The Factoring business was allocated to Trade & Supply Chain Finance in terms of organisation in order to prepare integration into SEB AG. Formally, the business was unchanged continued as part of SEB Leasing & Factoring GmbH (in future: SEB Leasing GmbH) until 31/12/2010. Factoring managed the turnaround in the past year and now shows a very dynamic positive development.

In spite of the margin pressure increasing once again, we see good opportunities for further strengthening the customer and market activities in 2011.

Trade & Supply Chain Finance

Owing to the strong recovery of the German foreign trade and the intensified customer contacts, the business year 2010 was characterized by a remarkable upswing in comparison with the last year. This sector could not only record a welcome increase in the transaction number with regard to export transaction hedging, but at the same time there was a considerable increase in the demanded transaction figures. The Trade Finance business developed in an outstanding way, experiencing an increase of the operating result by more than 50 percent.

The sector expects a continuing positive business development which may, however, be subject to negative influences resulting from changes of the political framework conditions in individual target markets of our export customers or owing to further margin pressure.

Custody Services

The year 2010 was dominated by investments into new systems and restructuring in the operative area. What has to be mentioned here is the outsourcing of the securities handling to dwpbank AG as well as the merging of the fund holdings into a safekeeping address through which the subscription and return of fund shares is also ordered by means of an up-to-date order system. Not least because of this the business with Fund Execution could be extended which continues to attract increasing interest.

The profit-relevant volumes of Assets under Custody could also further be increased because of the market development; the number of transactions turns out to be stable. It is a particularly welcome fact that the Custody Services sector thanks to a company development has been able to illustrate the Clearing of CDS and its evaluation (by SEB AB) since last year. What is also new is a demanding risk report about the securities portfolio and the cash items which provides our customers with a considerable added value.

Structured Finance

Acquisition Finance

As expected, the year 2010 was successful for Acquisition Finance. While a clearly improved situation of the Private Equity market generally became apparent already at the beginning of 2010 in Western and Northern Europe, the number of company takeovers still remained on a low level in Germany during the first half-year and particularly referred to very small niche suppliers which were not in the centre of attention. As from the summer, the activities of the financial investors in the German market have increased strongly. This trend reversal above all concerned large and solid target companies which are well-matched with the strategy of the Acquisition Finance sector and were suited to the purpose of setting up a long-term relationship with the Bank. Acquisition Finance could participate in three new transactions. A large number of buyouts – mainly from the portfolio of various financial investors – were initiated in the course of the fourth quarter which give reason to hope for a positive development of the business situation for 2011. The ambitions for the following years are correspondingly great and it is to be expected that this sector will further be extended and established.

Loan Origination

The first half-year was characterized by a volatile market environment which altogether did not stand out due to a high demand by customers. Nevertheless, Loan Origination entered into a large number of transactions with customers from the areas Large Corporates, Mid Corporates and Local Institutions and looks back to an excellent year. In the second half-year, credit demand, particularly by medium-sized companies, increased again and gives hope for 2011. In 2011 and particularly in 2012, refinancing of major volumes is to be expected which promise further transactions for customers and prospects. Already in 2010, the labour force of this sector was increased in order to take into account the further deal flow to be expected. Focus is clearly put on Germany and the German-speaking region. At the end of the year, it was possible to arrange a large-scale syndicated loan with SEB AG as syndicate manager to the amount of 300 million Euros. This shows the Bank’s commitment and gives reason for optimism in spite of the growing competition.

Project, Asset & Export Finance

The strategy to concentrate on transactions structured and arranged by itself in Germany as well as in the home markets already led to a number of outstanding business successes in 2010. PAEF could thus take a leading role in bringing a total of seven large-scale project financing mandates to a closing. Main emphasis was again put on the energy sector as well as on projects in the infrastructure sector. To be mentioned are in particular a power station financing in Germany, a motorway financing in Denmark, refinancing of a storage tank transaction in Germany as well as strategically especially important projects in the market of renewable energies. The latter includes the financing of a portfolio of biogas facilities to be set up in Northern Germany as well as three transactions in the segment of wind energy (Germany and Sweden). Particularly the offshore wind energy market around the German coasts promises an enormous market potential for the years to come. In view of the sustained business successes and the consistently high deal flow, the Bank will increase the labour force in this sector in 2011.

The main risks for the Structured Finance sector are a negative or weaker development both of the German as well as of the worldwide economy. Another risk is an excessive price increase or shortage of raw materials. This could weaken the profit situation of certain borrowers and thus their ability to comply with their credit commitments. If the competition situation becomes fiercer, aggressive financing structures could return which would prevent the Bank from providing capital on conditions acceptable in terms of risk and profit. A negative influence has the uncertain development of important national economies in Western Europe (PIIGS) on the implementation possibilities of deals. With regard to the regulatory environment it can be stated that the capital equipment of the banks could have a negative influence on costs and profitability due to Basel III, in particular, if long-term credits have to be granted, for example in the segment Project, Asset & Export Finance.

Corporate Finance

The Corporate Finance sector is responsible for the independent counselling of companies with regard to Mergers & Acquisitions as well as to capital market transactions. This operating area has already successfully been run by the SEB Group for 25 years, under the name of SEB Enskilda. At the beginning of 2010 it was decided to extend these activities also to the German market within the framework of a growth strategy. Due to its expertise, the leading Northern European financial company first of all concentrates on M&A and capital market subjects related to Northern Europe. In addition, the Bank offers counselling in all Corporate Finance questions to its existing German customers.

Since August 2010, a Corporate Finance Team made up of specialists with many years of experience and from well-known investment banks has been built up in Frankfurt. Until the end of the first quarter of 2011, six additional employees will be added to the currently six ones.

The establishment of sustainable customer relationships as basis for a successful Corporate Finance business requires a lot of staying power. Nevertheless, SEB AG looks confidently to the future: after the Corporate Finance market was characterized by weak activities for more than two years, the appetite for new transactions should grow in 2011 – and SEB should benefit from this in Germany, as well.

Commercial Real Estate

Commercial Real Estate (CRE) is a global line of business within the Merchant Banking Division of the SEB Group. Within the German Organisation, CRE is run as separate business unit because of its importance. Both for SEB in Germany as well as for the SEB Group, CRE is a stable and profitable pillar.

Germany is one of the key markets of SEB, because Germany is not only the biggest market with regard to the existing business, but also the market with the greatest potential for the real estate business of the SEB Group. Therefore, any group-wide activities concerning the commercial real estate business of the SEB Group have been managed from Germany since 2004. SEB is one of the few foreign banks with a German bond licence.

The customers in Germany include investors (in the sectors Residential, Office and Retail) and development companies. The range of services offered comprises financing as well as additional products of SEB AG such as, for example, Cash Management, interest and currency derivates as well as Asset Management.

Since the middle of 2006, SEB in Germany has also been operating in the sector Structured Real Estate Finance. With its small team of specialists, Structured Real Estate Finance has obtained mandates for some major real estate transactions since then and successfully structured them. One main emphasis of the activity is put on the structuring of financing with regard to portfolio transactions.

With qualified teams having years of experience in commercial real estate financing, Commercial Real Estate (CRE) is represented in the most important real estate centres of Germany (Frankfurt, Hamburg, Berlin, Düsseldorf, Munich) as well as in Sweden, Finland, Norway, Denmark and Poland.

This business unit could improve its result in 2010. Interest and commission yield developed positively and risk-induced costs decreased. In addition to this, the business unit carried out internal optimisation measures and strategy adjustments which led to reductions of costs.

There is a fierce competition concerning transactions with a comparably low risk (loan-to-value ratio less than 60 percent, good provision of security and high property quality). In this market segment, margins could possibly narrow in future.

The future increase in base rates pronounced by ECB could lead to a reduced interest coverage with regard to real estate financing in the short term until these will be compensated by increased rent prices.

CRE could maintain or even reinforce its strong position in the market for commercial real estate financing in Germany as well as in the Nordic countries and represents a strong and reliable partner for its customers. Owing to the altogether very positive economic development in Germany, to the changed competition situation and the recovery of the real estate markets in the course of 2010, this operating area sees good prospects for the future development of the new business.

Selective and qualitative growth with professional real-estate customers will be in the centre of attention in 2011.

In 2010, CRE was again awarded the Euromoney Awards, among other things as best real estate bank in Nordic & Baltic and as third best real estate bank in Germany.

The Retail Banking Segment

Retail Banking	Jan. – Dec. 2010	Δ 2009 in %
Total operating income	240.4	–4 %
Net interest income	139.8	2 %
Net fee and commission income	98.3	–11 %
Total operating expenses	–296.0	–7 %
Net credit losses	–37.5	–25 %
Operative result	–93.2	21 %
	2010	**2009**
RoE (after taxes)	–16.9 %	–20.0 %
C/I	1.23	1.27

The situation in the private customer business remained to be challenging during the full year 2010; a high competition intensity continued particularly with regard to interest rate products. The continuously low level of interest rates in connection with the continuous uncertainty among the customers characterized the second half-year, so that the customer activities were still restrained with regard to medium and long-term investments. An increasing interest rate development is not expected until the beginning of the year 2011. Net interest income remained under pressure owing to low margins and due to the competition situation, but could nevertheless be increased by two percent compared to the previous year.

Statutory requirements of the Investor Protection Act were implemented and have supplemented the counselling process in the securities business since the beginning of the year. The public discussion on the future legal framework conditions for open-ended real estate funds and the consequences that might arise from this have once again led to a temporary suspension of the redemption of shares of the open-ended real estate fund SEB ImmoInvest and to an increased uncertainty among our customers. Within the framework of these still uncertain framework conditions the income from securities decreased by three percent compared to the previous year.

The activities in the area of old-age provision experienced an increase in the branch distribution compared to the previous year. A basis for the consistent success development in this segment is an integrated and activity-orientated cooperation with the cooperation partner AXA. The provision business is and remains to be a clearly defined growth channel in Retail Banking. In comparison with 15 other banks, counselling on old-age provision was awarded as “Best Service in Old-Age Provision”.

Private demand for consumer loans remained stable and led to results at last year’s level. The economic framework conditions cause the customers to demand increasingly for safeguarding the financing for death, invalidity and unemployment and thus lead to increased commission revenues in this area.

All in all, the commission revenues decreased by eleven percent in the full year. The operative result for 2010 improved by 24.2 million Euros in comparison with 2009. This is above all because of the reduced personnel and risk-induced costs. The decline of the risk-induced costs by the amount of 12.3 million Euros compared to the previous year is mainly to be put down to the adjustment of the provision for risk model. Altogether, the costs dropped by 20.6 million Euros to 296.0 million Euros compared to the previous year. There were no special effects on the operative result from the planned transfer of the Retail business unit.

The SEB FinanzKonzept makes it possible to elaborate individual financial solutions which meet the customer’s demand together with the customer within the framework of an integral counselling approach. SEB arranged for an evaluation of this counselling approach by customers surveys and market benchmarks in 2010. The results show a high degree of satisfaction on the part of the customers regarding the counselling with the SEB Finanzkonzept. 89 percent of the persons interviewed judged the integral counselling of SEB AG to be very good or good. The SEB Finanzkonzept was granted the mark “very good” by the Service-Rating GmbH.

The private customer business (Retail) in Germany was purchased by SEB AB by taking over the BfG Bank AG in 2000. In the course of different market and interest rate phases it has become apparent that SEB in Germany does not have the critical size in order to achieve a sufficient earnings-equity ratio in the long run. Great efforts to make the business processes more efficient, to constantly improve the products offered to customers and to take a front position in customers’ satisfaction have resulted in a valuable private customer segment. The effects of the financial crisis have considerably deteriorated the framework conditions, however. With the decision to sell the Retail business, SEB AG concentrates on the business with corporate customers, real estate and institutional customers. The Bank is convinced that by selling the private customer business to Banco Santander it has established a good starting point for the customers, the employees and SEB in Germany. The Retail business has thus good preconditions for profitable growth. With the purchase of the Retail business, Banco Santander receives an excellent supplement to its existing business model in Germany.

In the second half-year of 2010, apart from the marketing operations of the branches, main emphasis was put on a transparent and confidence-building customer and employee communication for the forthcoming migration phase.

The Asset Management Segment

Asset Management	Jan. – Dec. 2010	Δ 2009 in %
Total operating income	71.4	24 %
Net interest income	0.2	0 %
Net fee and commission income	70.0	25 %
Total operating expenses	−39.0	14 %
Net credit losses	0.0	0 %
Operative result	32.4	39 %
	2010	**2009**
RoE (after taxes)	117.8 %	116 %
C/I	0.55	0.60

SEB Asset Management AG (SEB AM), Frankfurt, is the specialized investment house of the SEB Group in Germany for actively managed securities and real estate funds. For many years, SEB AM has belonged to the leading real estate fund managers. Awarded with M2 by Fitch, it can show the best Real Estate Manager Rating that has been awarded by Fitch in Germany since the year 2005.

The investment approach is characterized by active management in small specialized investment teams. In Germany, the investment company offers a clearly structured range of public and special funds, supplemented by customer-specific investment solutions and property management mandates.

Being part of the SEB Group, SEB AM sees itself as specialist for global real estate management as well as for risk-adjusted investment concepts for European pensions and MultiAsset as well as Value shares Europe. Being part of the group's division Wealth Management, the Asset Manager has global expertise in traditional and innovative asset classes and different investment styles. This includes "Nordic specialities" such as for example Danish bond funds, Scandinavian share funds and Eastern European share products. This decentralized structure in an ideal way combines global expertise in traditional and innovative asset classes with various investment styles and all this with local proximity to the customers.

A satisfying sales result and a considerable increase of the economic result: 2010 was a successful year for SEB AM.

SEB AM has clearly increased the operative result by 39 percent, that is by 9.1 million Euros, to 32.4 million Euros. Continued increase in efficiency and an improved portfolio quality paid off in this context. The operative earnings increased by 24 percent to more than 71.4 million Euros compared to the good last year's result. Main drivers were both the increased, volume-based administration remunerations with regard to the real estate and securities funds as well as the higher out-performance fees. They led to a clear plus of 25 percent with regard to the commission result; net commissions received grew from 56.2 to 70.0 million Euros.

The net result was considerably burdened by the sale of the investment account management, however. Without taking this special effect into account, the total costs amounting to five percent were slightly above last year's value. Adjusted by the non-recurring costs from the sale of the investment account management, the result amounted to 35.6 million Euros (+ 53 percent), the best net result since 2007.

Supported by a considerable increase in the performance-dependent fees, the cost-income ratio (C/I ratio) improved to 55 percent, five percent points better than in the previous year.

Owing to the strong new business and the recovery on the investment markets, the company could increase the Assets under Management by 9.6 percent on a year-to-year basis.

As per 31 December 2010, SEB AM managed in German, German-Luxembourg and Swedish-Luxembourg public and special funds a fund volume (including holding funds, Advisory and discretionary mandates) of about 19.9 thousand million Euros, compared to 18.1 thousand million Euros at the reference date of the previous year. Thereof 11.9 thousand million Euros (59.8 percent) were to be allocated to the real estate business and 8.0 thousand million Euros (40.2 percent) to the securities business.

With 824 million Euros, the fixed-income products recorded the highest sales volume. Sales strength was always shown by the Multi-Asset-Total-Return Fund Family with net 208 million Euros as well as the real estate funds with an increase in sales of 391 million Euros. Across all asset classes (including inflows in Advisory Mandate to t he amount of 525 million Euros), net inflows of funds amounted to 1,669 million Euros.

With regard to the real estate funds, the investment company has maintained its market position – measured by the fund assets according to BVI – as third largest supplier of real estate special funds and fourth largest supplier of public funds and placed itself in a good position, based on a broad range of products for private and institutional investors, in order to be able to make use of future market potentials.

The excellent value development of the 96 funds managed in Frankfurt/Germany made an important contribution to the annual result: measured by the fund volume, 94 percent of the public funds and 69 percent of the special funds were above their benchmark indices (volume-weighted value development compared to the respective benchmark index of all funds managed by SEB Asset Management).

Awards by the independent rating agency Standard & Poor's confirmed again the strategy and quality of the products: the SEB Asset Selection Fund received an "AA" in the first ranking. An "A" Rating was granted to the SEB deLuxe – Multi Asset Balance, to SEB EuroCompanies as well as to the SEB share fund; this has been the emphasis of the securities side (fund volume currently 935.3 million Euros) and flagship for Value-Investing. This is also confirmed by the fourth award of the Sauren Gold Medal of Sauren Fonds-Research AG in succession for "very good fund management" in the category "Shares Germany".

After suspension of the redemption of share certificates of SEB ImmoInvest, SEB AM included shares of this fund in its portfolio for the servicing of payout plans. The potential risks are supervised and reported on a frequent basis. The company assumes that the fund will still be re-opened in 2011, so that the shares can then be returned. SEB AM prepared itself against possible risks caused by the sale of the Retail sector of SEB AG and thus of an important channel of distribution by the early and intensive establishing of contacts with the new owner and marketing partner.

On the basis of a strong investment performance and the expansion of the institutional business, SEB Asset Management hopes for profitable growth in the next year, as well. Implementation of the growth strategy focussing on a closer cooperation with Merchant Banking will be in the centre of attention just as the aim of winning back the investors' confidence into open-ended real estate funds that had got lost in the course of the financial market crisis. The basic requirements do exist: sustainable and stable value development of the SEB's real estate funds as well as positive prospects for the real estate markets.

Outlook

There are more and more signs that the recovery of the international economic activity will continue during the next two years, although at different rates. There is still much more impetus coming from the threshold countries than from the industrialized countries. Within the developed national economies the development also proceeds very differently. Whereas Germany considerably benefits from its efficient export industry and the USA gains greater momentum, necessary consolidation measures restrain the economic development in the so-called peripheral countries.

It is uncertain whether the note-issuing banks in the USA and Europe will leave the base rates at their low level in the foreseeable future. In view of possible risks of inflation in the Euro area, ECB has already announced an increase in base rates for spring 2011 and thus consistently documented its stability-orientated monetary policy. In the United States the discussion becomes more intensive whether the American note-issuing bank Fed should continue its programme for buying government funds in order to keep the interest rates at a low level. The Bank prepares itself for the end of the low record level of interest rates and thus for slightly increasing interest rates.

Yields on the bond markets must be expected to show a horizontal movement at the present continued low level subject to fluctuations for the time being. Until the end of 2011, yields of government funds should slightly tighten in the direction of 3.5 % for German ten-year Federal Bonds, however, as a result of the unchanged high recourse to the capital markets by the states and an increasing demand for credits by the companies.

In the foreign exchange markets, the Euro will most likely show a horizontal movement compared to the Dollar, subject to larger fluctuations. In the share markets, the prices can be expected to continue to increase in the medium term. Reasons for this are the continuation of the economic recovery, the noticeably increasing company profits, a relatively favourable evaluation compared to historical standards as well as high dividend yields and a lack of investment alternatives.

SEB has ambitious targets in Germany. After the sale of the Retail business, the Bank wants to continue its expansionist policy even faster and to increase its profitability in a sustainable and permanent way. Focus is put on the business with corporate and institutional customers. The Bank will purposefully gain new customers and market shares in selective fields of business. As before, the future success will be based on know-how, strong, long-term customer relationships and local market knowledge with innovative ways of thinking. This is added by the strong financial position of the SEB Group in comparison to its competitors. The Bank consequently follows its aim to become one of the most important market participants in Merchant Banking.

In the business with large-scale enterprises, the Bank expects a sustainable positive trend of earnings and decreasing risk-induced costs. There is still strong competition regarding German small and medium-sized businesses. Due to its permanent and sustained processing of this market segment, SEB is nevertheless successful in gaining market shares on a frequent basis. In this customer segment, the Bank will consistently expand the large number of new business relationships during the next years. Regarding the business with institutional customers, the Bank is confident that it will achieve its ambitious business targets. Cooperation with the Bank's product specialists will further be deepened. The prospects for the business with financial institutions and banks is positive in a restrained manner. Uncertainty with regard to the future development of the financial market latently continues. Furthermore, there are new challenges regarding capital and liquidity equipment. Being part of a financially sound and broadly positioned financial group, SEB AG is well prepared for these challenges.

For the individual product lines, SEB in Germany renders the following outlook: Cash Management expects a further increasing impetus in new business and growing revenues. In the leasing business, focus will still be put on the servicing of core customers in the year 2011. As a consequence of this, another consolidation of the leasing portfolio is being expected. In spite of the fact that the margin pressure is increasing again, Trade & Supply Chain Finance sees good possibilities for further extending the customer and market activities in 2011.

In the past business year, the Bank achieved outstanding business successes in project financing. Particularly the offshore wind energy market around the German costs promises an enormous market potential for the years to come. In view of the sustained business successes and the permanently high deal flows, the labour force of the area Project, Asset & Export Finance will be increased in 2011. There is also reason for optimism in the Loan Origination sector, in spite of the increasing competition. In 2011 and particularly in 2012, refinancing of larger volumes may be expected. The Bank is confident that it will accompany additional transactions for customers and prospects.

Setting up of the business area Corporate Finance will be continued in the new business year, as well. The Bank expects that the appetite for new transactions will considerably grow in 2011 and is confident that it can actively participate in this development. Acquisition Finance, too, sees clear signs for a positive development of the business situation in 2011. The ambitions for the following years are correspondingly high.

The majority of the market participants assumes that the crisis on the German real estate market has been overcome to a great extent. Owing to the altogether very positive economic development in Germany, a less intensive competition situation and the recovery of the real estate markets in the course of the year 2010, the Commercial Real Estate sector sees good prospects for the future development of new business. In 2011, the selective and qualitative growth with professional real estate customers will be in the centre of attention. Apart from this, the sector will continue to concentrate on the improvement of profitability, cost efficiency and optimisation of equity capital utilization.

With regard to the increased loan loss risks in the market, SEB AG continues its strategy of reducing its securities portfolios in the so-called PIIGS states.

On the basis of a strong investment performance and the expansion of the institutional business, SEB Asset Management hopes for profitable growth in the next year, as well. Implementation of the growth strategy focussing on a closer cooperation with Merchant Banking will be in the centre of attention just as the aim of winning back the investors' confidence into open-ended real estate funds that had got lost in the course of the financial market crisis. The basic requirements do exist: sustainable and stable value development of the SEB's real estate funds as well as positive prospects for the real estate markets.

The Bank's planning is characterized by the current restructuring – particularly by the sale of the Retail sector. Neglecting the effects from the restructuring measures, the Bank expects increasing results for the Continued Business in the operative business units in 2011. The business fields MB, CRE and AM expect an operative result of altogether approximately 155 millions (2010: 135 million Euros) and a RoE of 21 percent. An increasing result is also expected for 2012. Planning is based on a stable economic development and a slightly increasing level of interest rates. Risks must above all be feared in connection with a strong downswing of the world economy.

In the operative business fields, it is mainly aimed at strengthening the existing business relationships on the basis of the existing range of products at the moment. Furthermore, the Bank expects an increasing development of market penetration and believes that its strategic approach – based on long-term customer relationships, continuity and excellent service as well as profound knowledge – is a chance to win new target customers at the same time in accordance with a robust target customer segmentation. Profitable customer relations shall be established by optimal capital location, on the one hand, and by appropriate measures for improving earnings performance, on the other hand.

Chance-risk ratios are analysed and optimised, credit losses minimized by proactive acting and measures for reducing costs are being purposefully introduced. Thanks to all these efforts, increased growth in the operative business units is expected for the next two years and even beyond this time.

The Bank furthermore assumes that the sale of the Retail sector will not result in a deterioration of its current Rating.

Supplementary report

With effect from 31 January 2011, SEB effected the sale of the German Retail business to Santander Consumer Bank AG, a German subsidiary of Banco Santander. Both financial institutes had announced agreement on the sale on 12 July 2010, approval was granted by the European anti-trust authorities in August 2010.

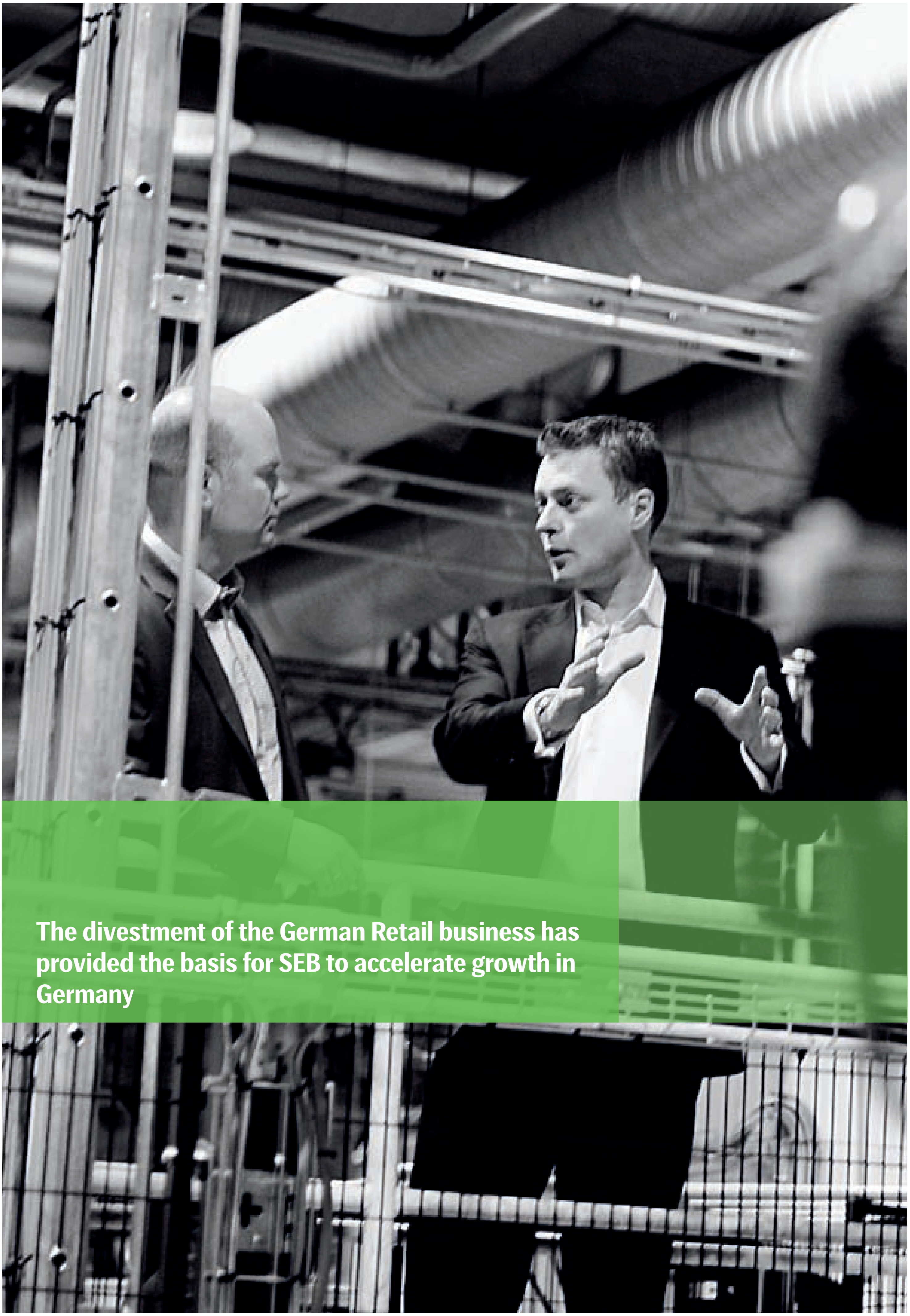
On conclusion of this transaction, Santander takes over about 2,250 employees, one million private customers and a federal-wide network of 173 branches. After successful closing, SEB AG will still render services to Santander for about two years. This includes the so-called Transitional Services, Re-Branding will be finished and data migration accompanied. Several hundred employees will be more or less involved in the rendering of these services.

On the refinancing side, the Bank does not expect any further effects owing to the sale of the Retail sector.

For the year 2011, SEB reckons with non-recurring effects from the restructuring measures as well as with negative effects from the Retail transaction in the Treasury sector. These effects in total will lead to a negative result in 2011.

Regarding the effects on the individual balance sheet as well as profit and loss account items which are concerned by the sale of the Retail sector we refer to various notes in the schedule.

The Factoring business was completely transferred to SEB AG by the subsidiary SEB Leasing GmbH, Frankfurt/Main, in January 2011. In this connection, the subsidiary was renamed (see note (113)).



The divestment of the German Retail business has provided the basis for SEB to accelerate growth in Germany

Relevant Ratios of the SEB AG Group

	1.1.-31.12.2010	1.1.-31.12.2009
Profit and Loss Account		
(in million Euros)		
Operative result before taxes*	62.1	73.6
Annual net profit or loss before expenses from profit and loss transfer agreement	–80.1	–14.2
Expenses from profit and loss transfer agreement	0.0	–74.0
Annual net profit / net loss	–80.1	–88.2
Cost-income ratio in the operative business (Management Reporting)	1.07	0.90
ROE after taxes 20 % (Management Reporting) in %	-4.80	-0.50

	31,12,2010	31,12,2009
Balance sheet		
(in million Euros)		
Balance sheet total	49,090.4	52,813.2
Risk-bearing assets according to Basel II	17,988.0	17,463.0
Balance sheet equity capital	2,198.3	2,313.9
Balance sheet equity capital including subordinated capital (m Euro)	2,249.1	2,388.8
Capital quotas according to Basel II		
Core capital quota with market risk positions (%)	8.6	8.8
Equity ratio (%)	12.8	13.3

	31,12,2010	31,12,2009
Staff members		
(average of the period from January to December)		
Staff members (without trainees)	3,284	3,613
thereof full-time employees	2.719	2.977
thereof part-time employees	565	636
Trainees	160	172

	31.12.2010	31.12.2009
Short-term/long-term rating		
Moody's Investors Service	P-2/Baa1	P-2/Baa1

*) and in the year under review before the result from a business unit determined for sale

Profit and Loss Account
for the period from 01 January to 31 December 2010

SEB AG Group

Item	01.01.-31.12.2010 m Euros	01.01.-31.12.2009 m Euros	Comparison 2009 / 2010 m Euros	Comparison 2009 / 2010 %
Interest income	1,226.2	1,546.3	–320.1	–20.7
Interest expenditures	–974.3	–1,323.4	349.1	–26.4
Net interest income	**251.9**	**222.9**	**29.0**	**13.0**
Commission earnings	234.6	225.1	9.5	4.2
Commission paid	–102.1	–99.4	–2.7	2.7
Net commission income	**132.5**	**125.7**	**6.8**	**5.4**
Net income from financial instruments valued at Fair Value	**–55.4**	**–44.5**	**–10.9**	**24.5**
Net investment income	1.1	0.9	0.2	22.2
Result from financial investments and from liabilities valued on the basis of continued acquisition costs	19.9	10.2	9.7	95.1
Other operating income	8.3	26.8	–18.5	–69.0
Result from land and buildings hold as financial investments	5.5	3.0	2.5	83.3
Result from security provisions (Hedge Accounting)	–40.4	–26.1	–14.3	54.8
Other profit or loss	**–5.6**	**14.8**	**–20.4**	**>100.0**
Total operating income	**323.4**	**318.9**	**4.5**	**1.4**
Salaries and wages	–121.1	–127.7	6.6	–5.2
Other administrative costs	–80.5	–68.7	–11.8	17.2
Depreciation and value adjustment on intangible and tangible fixed assets	–50.5	–18.6	–31.9	>100.0
Total operating expenses	**–252.1**	**–215.0**	**–37.1**	**17.3**
Result from the sale of fixed capital assets	5.9	–0.4	6.3	>100.0
Provision for risks	–15.1	–29.9	14.8	–49.5
Operative result before taxes	**62.1**	**73.6**	**–11.5**	**–15.6**
Tax on income and property	–22.9	–26.5	3.6	–13.6
Result after taxes	**39.2**	**47.1**	**–7.9**	**–16.8**
Result from a business unit determined for sale	–119.3	–61.3	–58.0	94.6
Net income/net loss for the financial year before expenses from profit and loss transfer agreement	**–80.1**	**–14.2**	**–65.9**	**>100.0**
Expenses from profit and loss transfer agreement	0.0	–74.0	74.0	>100.0
Net income/net loss for the financial year	**–80.1**	**–88.2**	**8.1**	**–9.2**
Contribution by minority shareholders	–0.2	0.0	–0.2	-
The Group's year-end result	**–79.9**	**–88.2**	**8.3**	**–9.4**

Balance Sheet as per 31 December 2010

SEB AG Group				
Item	31.12.2010 m Euros	31.12.2009 m Euros	Comparison 2009 / 2010 m Euros	Comparison 2009 / 2010 %
Cash reserve	1,545.7	414.0	1,131.7	>100.0
Due from banks	12,682.7	15,244.1	–2,561.4	–16.8
thereof: provision for risks	–0.1	–0.1	0.0	0.0
Trade accounts receivable	17,514.2	26,347.8	–8,833.6	–33.5
thereof: provision for risks	–188.9	–303.5	114.6	–37.8
thereof: pledged accounts receivable	123.0	43.8	79.2	>100.0
Asset-side financial instruments valued at Fair Value	2,586.2	3,325.1	–738.9	–22.2
thereof: deposited as security	808.3	279.7	528.6	>100.0
Positive market values from derivative security instruments	230.4	202.3	28.1	13.9
Fair Value changes from underlying transactions (Portfolio Hedge)	380.5	392.4	–11.9	–3.0
Financial investments (equity investments and AfS securities)	5,090.3	6,401.1	–1,310.8	–20.5
Intangible assets	12.5	36.3	–23.8	–65.6
Tangible fixed assets	22.0	66.4	–44.4	–66.9
Properties held as financial investments	46.0	17.5	28.5	>100.0
Earnings-tax claims from current taxes	216.4	217.3	–0.9	–0.4
Earnings-tax claims from latent taxes	56.2	33.4	22.8	68.3
Classified, long-term assets held for sale	8,275.5	60.0	8,215.5	>100.0
Other assets	431.8	55.5	376.3	>100.0
thereof: pension	37.4	0.0	37.4	-
Balance sheet total – Assets	**49,090.4**	**52,813.2**	**–3,722.8**	**–7.0**
Liabilities to banks	16,395.2	16,842.4	–447.2	–2.7
Current deposits and other accounts	16,707.0	22,025.4	–5,318.4	–24.1
Bonded liabilities	4,450.9	7,892.9	–3,442.0	–43.6
Liabilities-side financial instruments valued at Fair Value	2,830.5	2,642.6	187.9	7.1
Negative market values from derivative security instruments	310.6	519.5	–208.9	–40.2
Fair Value changes from underlying transactions (Portfolio Hedge)	151.9	146.1	5.8	4.0
Earnings-tax liabilities from current taxes	7.3	16.7	–9.4	–56.3
Earnings-tax liabilities from latent taxes	0.0	0.0	0.0	-
Liabilities in connection with classified, long-term assets held for sale	5,273.3	19.7	5,253.6	>100.0
Other liabilities	617.4	205.2	412.2	>100.0
Provisions for pensions from similar liabilities	0.0	2.7	–2.7	–100.0
Other provisions	97.2	111.2	–14.0	–12.6
Subordinated capital	50.8	74.9	–24.1	–32.2
Balance sheet total - Liabilities	**46,892.1**	**50,499.3**	**–3,607.2**	**–7.1**
Subscribed capital	775.2	775.2	0.0	0.0
Share premium account	583.1	581.9	1.2	0.2
Retained income	882.9	882.6	0.3	0.0
Revaluation reserves	–46.4	–9.6	–36.8	>100.0
Profit/loss brought forward	83.6	171.8	–88.2	–51.3
Net loss for the financial year	–79.9	–88.2	8.3	–9.4
Equity capital to be apportioned to SEB Group	**2,198.5**	**2,313.7**	**–115.2**	**–5.0**
Minority interests	–0.2	0.2	–0.4	>100.0
Total equity capital including minority shares	**2,198.3**	**2,313.9**	**–115.6**	**>100.0**
Total liabilities and equity capital	**49,090.4**	**52,813.2**	**–7,214.4**	**–7.0**

In accordance with the requirements of IAS 1.10 (f), a company renders a third balance sheet at the beginning of the comparative period, if it makes retrospective use of a change with regard to an accounting method.

The first application of the new standards in 2010 did not lead to any retrospective adjustments which concerned the opening balance sheet figures of the first comparative period represented or the retained income. It was therefore not necessary to present the opening balance sheet of the first comparative period shown.

Statement of changes in equity capital
for the period from 01 January to 31 December 2010

SEB AG Group									
	Equity capital to be apportioned to the parent company's shareholders							Non-controlled shares	
in million Euros	Subscribed capital	Share premium account	Retained income	Capital reserve on revaluation for financial assets available for sale	Surplus/ loss brought forward	Year-end results/ group performance	Total before minority interests	Minority interests	Equity capital
Equity capital as per 01/01/2009	**775.2**	**581.0**	**882.5**	**−50.4**	**63.6**	**108.2**	**2,360.1**	**0.2**	**2,360.3**
Change of capital reserves on revaluation				40.8			40.8		40.8
Result included in equity capital				**40.8**			**40.8**		**40.8**
Year-end results/ group performance						−88.2	−88.2		−88.2
Comprehensive statement of income 2009				**40.8**		**−88.2**	**−47.4**		**−47.4**
Allocation to the surplus/loss brought forward from the year-end results					108.2	−108.2			0.0
Capital increase									0.0
Change of share premium account									0.0
Share-based remuneration		0.9					0.9		0.9
Changes in the consolidated group and other changes			0.1				0.1		0.1
Equity capital as per 31/12/2009	**775.2**	**581.9**	**882.6**	**−9.6**	**171.8**	**−88.2**	**2,313.7**	**0.2**	**2,313.9**
Equity capital as per 01/01/2010	**775.2**	**581.9**	**882.6**	**−9.6**	**171.8**	**−88.2**	**2,313.7**	**0.2**	**2,313.9**
Change of capital reserves on revaluation				−36.8			−36.8		−36.8
Result included in equity capital				**−36.8**			**−36.8**		**−36.8**
Year-end results/ group performance						−79.9	−79.9	−0.2	−80.1
Comprehensive statement of income 2010				**−36.8**		**−79.9**	**−116.7**	**−0.2**	**−116.9**
Allocation to the surplus/loss brought forward from the year-end results					−88.2	88.2			0.0
Capital increase									0.0
Change of share premium account									0.0
Share-based remuneration		1.2					1.2		1.2
Changes in the consolidated group and other changes			0.3				0.3	−0.2	0.1
Equity capital as per 31/12/2010	**775.2**	**583.1**	**882.9**	**−46.4**	**83.6**	**−79.9**	**2,198.5**	**−0.2**	**2,198.3**

Further details on the Statement of changes in equity capital can be found under Notes (83) and (84).

Do you want to know more?

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