

# Investor Presentation

## January – June 2018



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# Agenda

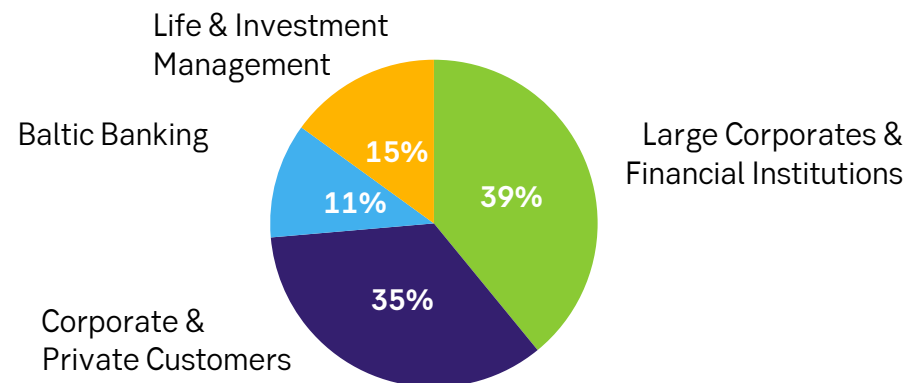


- **SEB in brief** **p.3**
- Financials p.15
- Balance sheet, Credit portfolio & Asset quality p.34
- Capital p.44
- Funding and Liquidity p.51
- Covered bonds and Cover pool p.57
- Business plan p.61
- Contacts, calendar and ADR p.66
- Appendix p.69
  - Swedish housing market
  - Macroeconomics

# Growth & strong credit rating in diversified business

## Diversified Business mix

Operating profit H1 2018



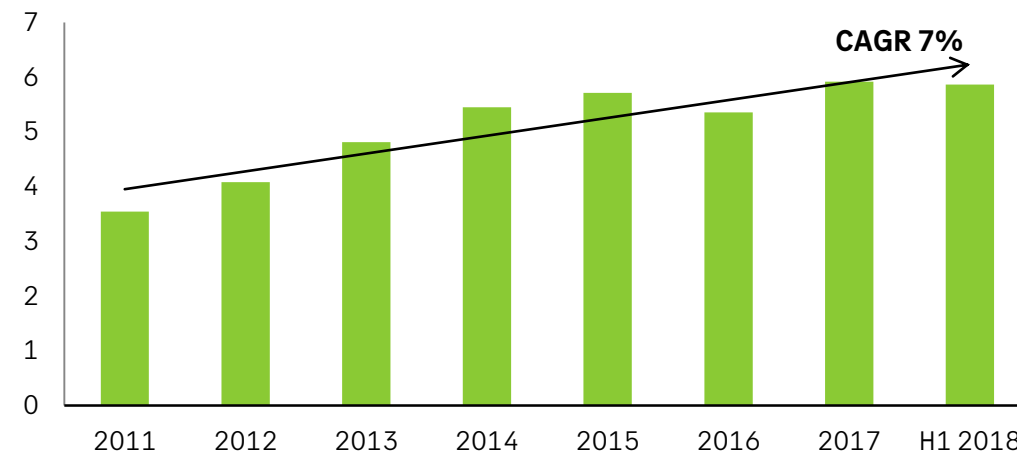
**Operates principally in economically robust AAA rated European countries**



- Universal banking in Sweden and the Baltics
- Principally corporate banking in the other Nordic countries, UK and Germany

## Stable growth trend

Average quarterly profit before credit losses (SEK bn)



- Full focus on Swedish businesses
- Continue to grow in the Nordics, Germany and the UK
- Savings & pension growth

## Strong credit rating

Rating Institute	Short term	"Stand-alone rating"	Long term	Uplift	Outlook
S&P	A-1	a	A+	1	Stable
Moody's	P-1	a3	Aa2	4*	Stable
Fitch	F1+	aa-	AA-	0	Stable

\* of which one notch is due to the implicit state support

# Our way of doing business

## Focus since 1856

Full-service customers  
Holistic coverage  
Investments in core services

## Vision 2025

To deliver **world-class service** to our customers

**Large corporations**

**2,300**  
customers

**Financial institutions**

**700**  
customers

**SME companies**

**274k**  
Full-service customers

**Private individuals**

**1.4m**  
Full-service customers

Since the Wallenberg family founded SEB in 1856 we have been working in the service of enterprise. The journey continues with the vision to deliver world-class service to our customers. The Wallenberg family is still the main shareholder via Investor AB.

# SEB aims to be a role model in sustainability within the financial industry

Market leader in green bonds

Active ownership/Board diversity

Microfinance funds reaching ~20 m customers

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

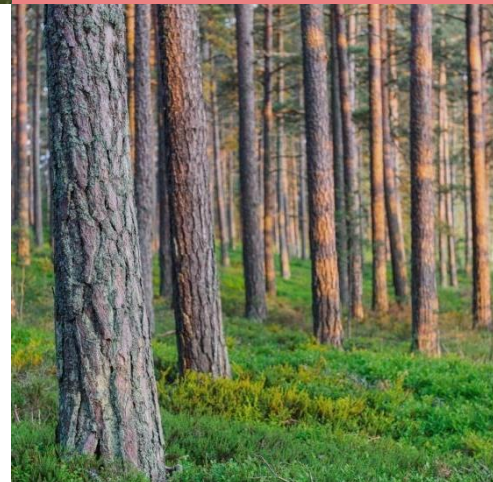
Advised in the  
world's largest  
social bond issue

Walking the talk

  
Best financial  
company by  
SSE/Misum

SEB

SEB Sustainability  
fund Sweden



# SEB's competitive advantages generate sustainable value creation

## Advantages

### Profit generation

1. Diversified business mix and income distribution
2. Operates in a strong economic environment
3. Leading in core business areas
4. Cost cap keeping expenses down for eight years

## Advantages

### Balance Sheet

1. Strong funding structure
2. Low asset encumbrance
3. Stable long-term ownership structure
4. Strong asset quality and comfortable capital buffers high above SFSA requirements

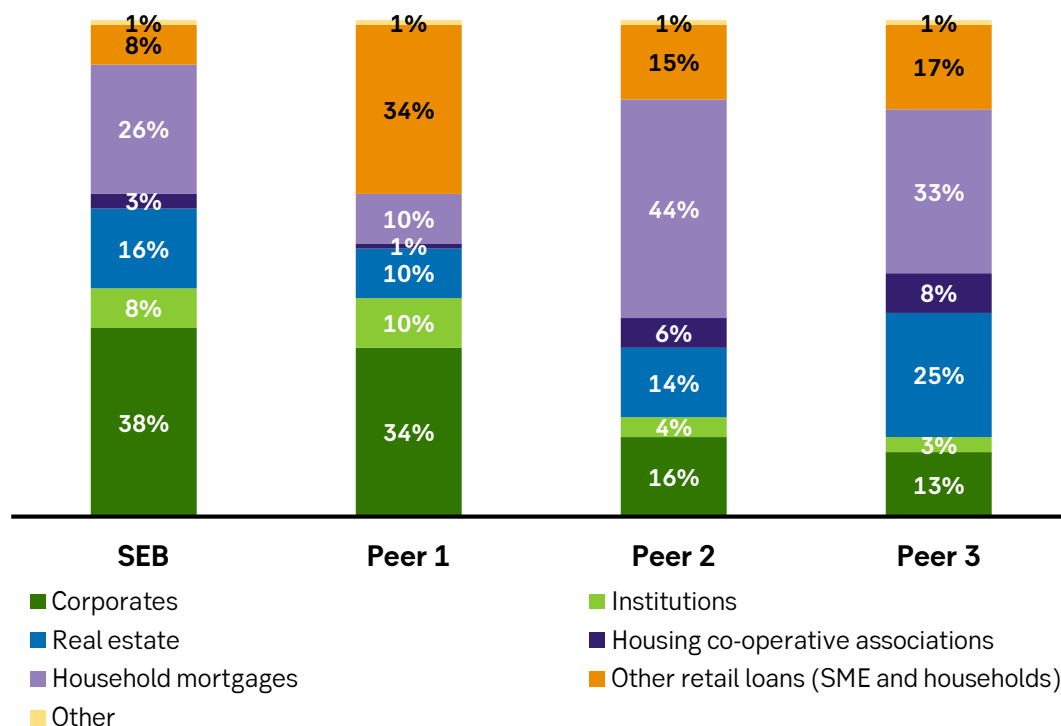
A wide, grey, downward-pointing arrow that spans the width of the slide, pointing from the two columns of advantages towards the 'Sustainable value creation' text.

**Sustainable value creation**

# SEB's diversified business mix sustains earnings

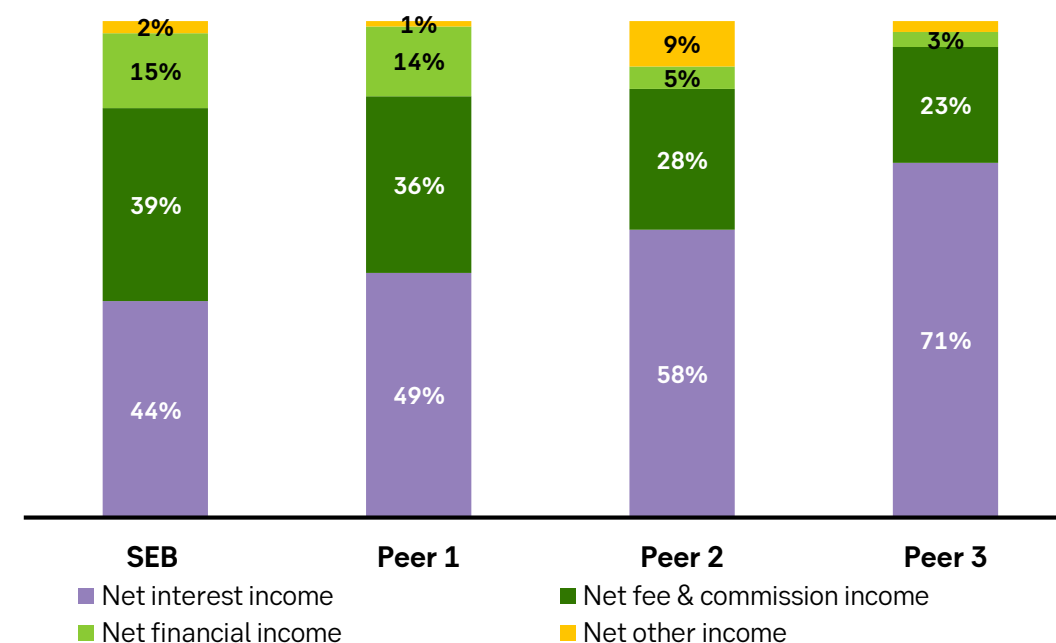
## Highest corporate and institutional exposure and low real estate & mortgage exposure

Sector credit exposure composition, EAD<sup>1)</sup>, Dec 2017



## Diversified income stream with least dependence on NII

Operating income by revenue stream, Dec 2017 rolling 12m



The low Real Estate and Mortgage exposure is due to SEB's roots in servicing large corporates, institutions and high net worth individuals. This is reflected in **the broad income generation base** where SEB is the least dependant on NII.

1) EAD = Risk Exposure Amount / Risk Weight

Source: SEB + Swedish Peers' Pillar 3 and Q4 17 reports



# Leading market positions in core business areas

June 30, 2018

## Corporate and Institutional business<sup>1)</sup>

**The leading** Nordic franchise in Trading, Capital Markets and FX activities, Equities, Corporate and Investment banking

**Second largest** Nordic asset manager with SEK 1,838bn under management

**Largest** Nordic custodian with SEK 8,169bn under custody

## Private Individuals<sup>1)</sup>

**The largest** Swedish Private Banking in terms of Assets Under Management

**No. 2** with approx. 10% market share in total Swedish household savings market

**Largest** bank with approx. 8% of the total life and pension business in Sweden

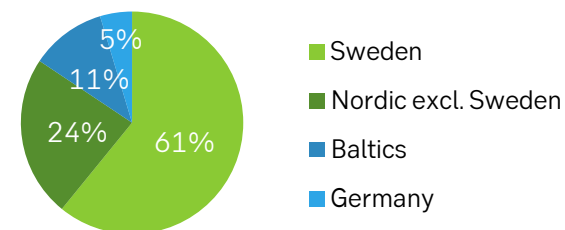
**Swedish** household mortgage lending: approx. 14%

**Second largest** bank in the Baltic countries by lending

Operates principally in economically robust  
AAA rated European countries



Share of operating profit - full year 2017 <sup>2)</sup>



1) latest available information

2) Excluding items affecting comparability, Germany excl. Treasury operations

# Operating expenses kept down by cost cap

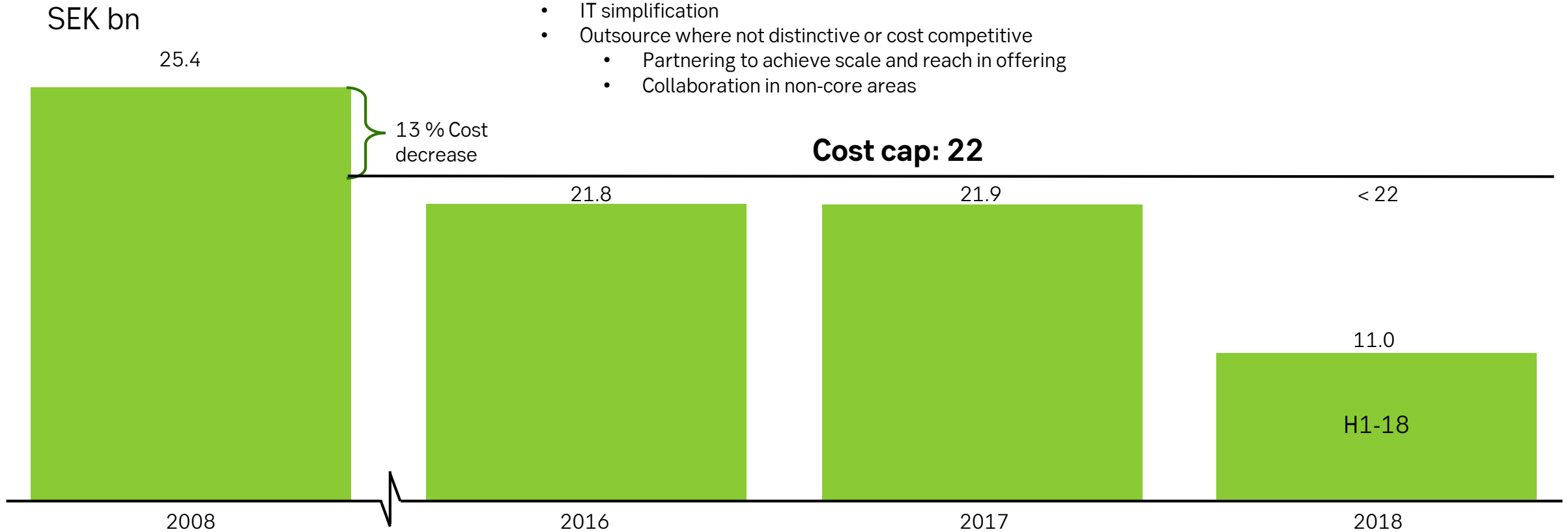
Self-financing growth through efficiency savings

## Decreasing cost

- Reducing FTEs
- Transfer of business operations to Riga and Vilnius
- Cost synergies
- IT simplification
- Outsource where not distinctive or cost competitive
  - Partnering to achieve scale and reach in offering
  - Collaboration in non-core areas

## Increasing cost

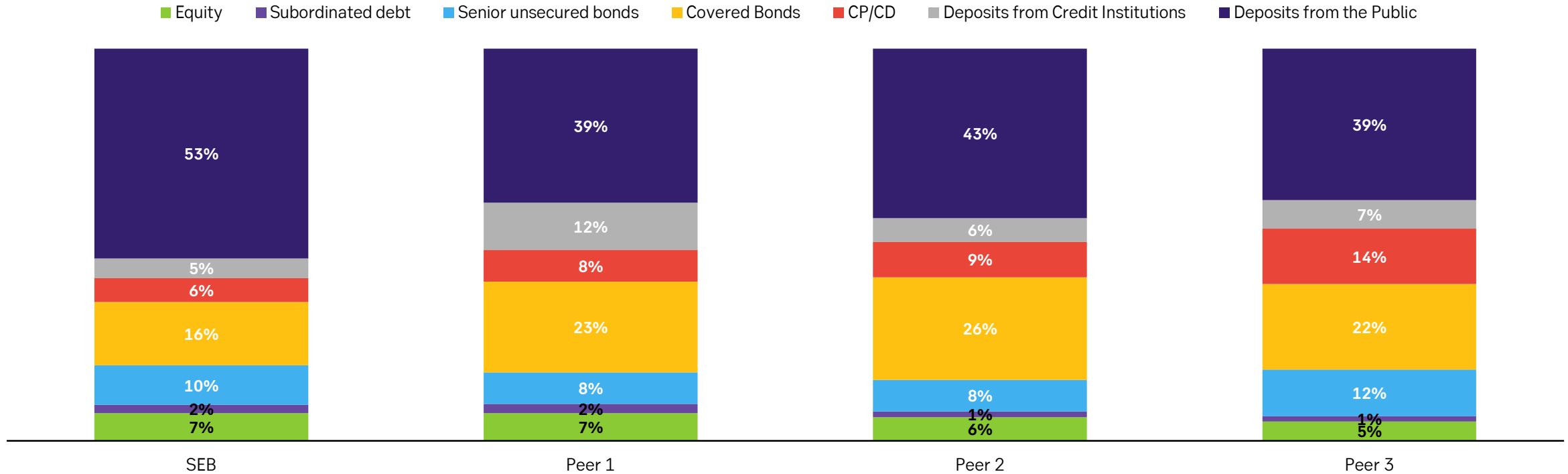
- Investments in growth and customer interface
- Salary inflation
- IT development



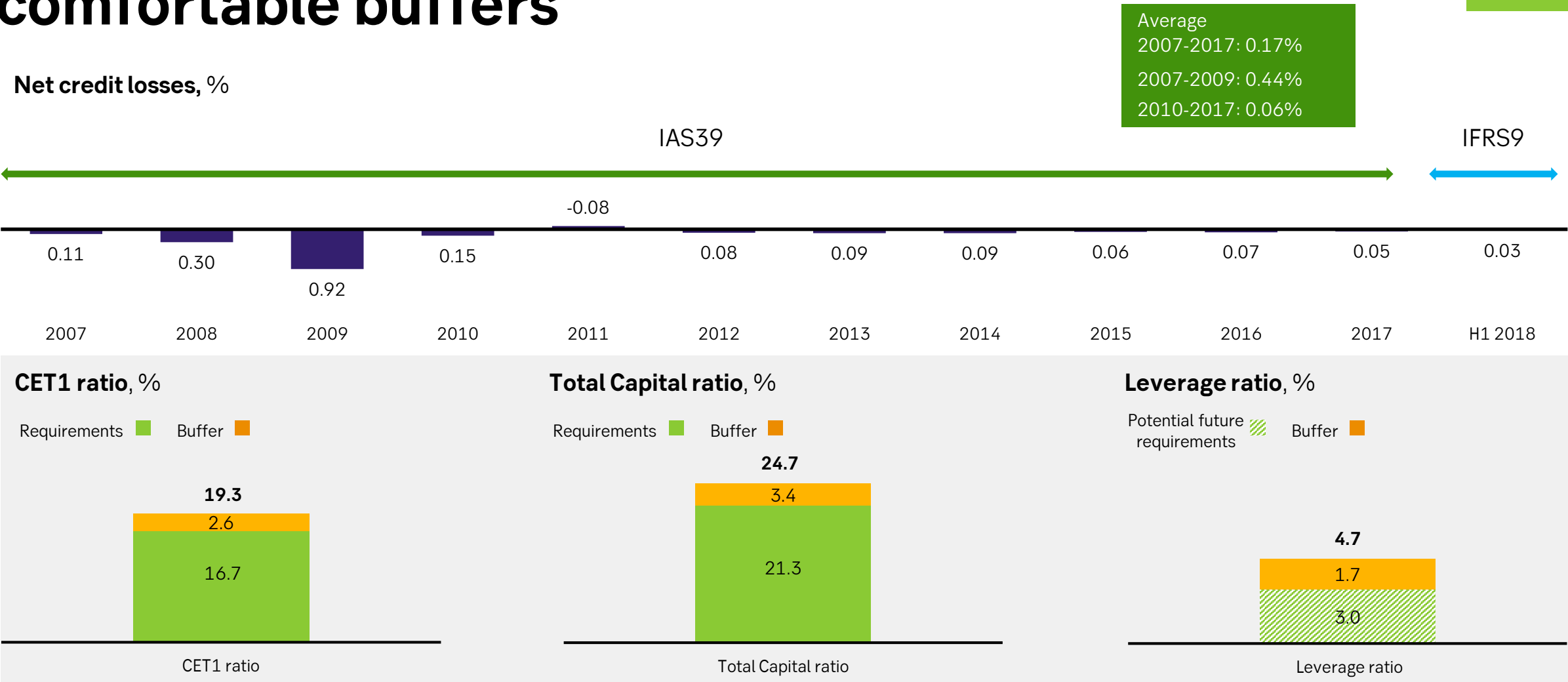
# SEB has a strong funding structure and the lowest asset encumbrance, among Swedish banks

Benchmarking Swedish bank's total funding sources incl. equity

## Average quarterly balances in 2017



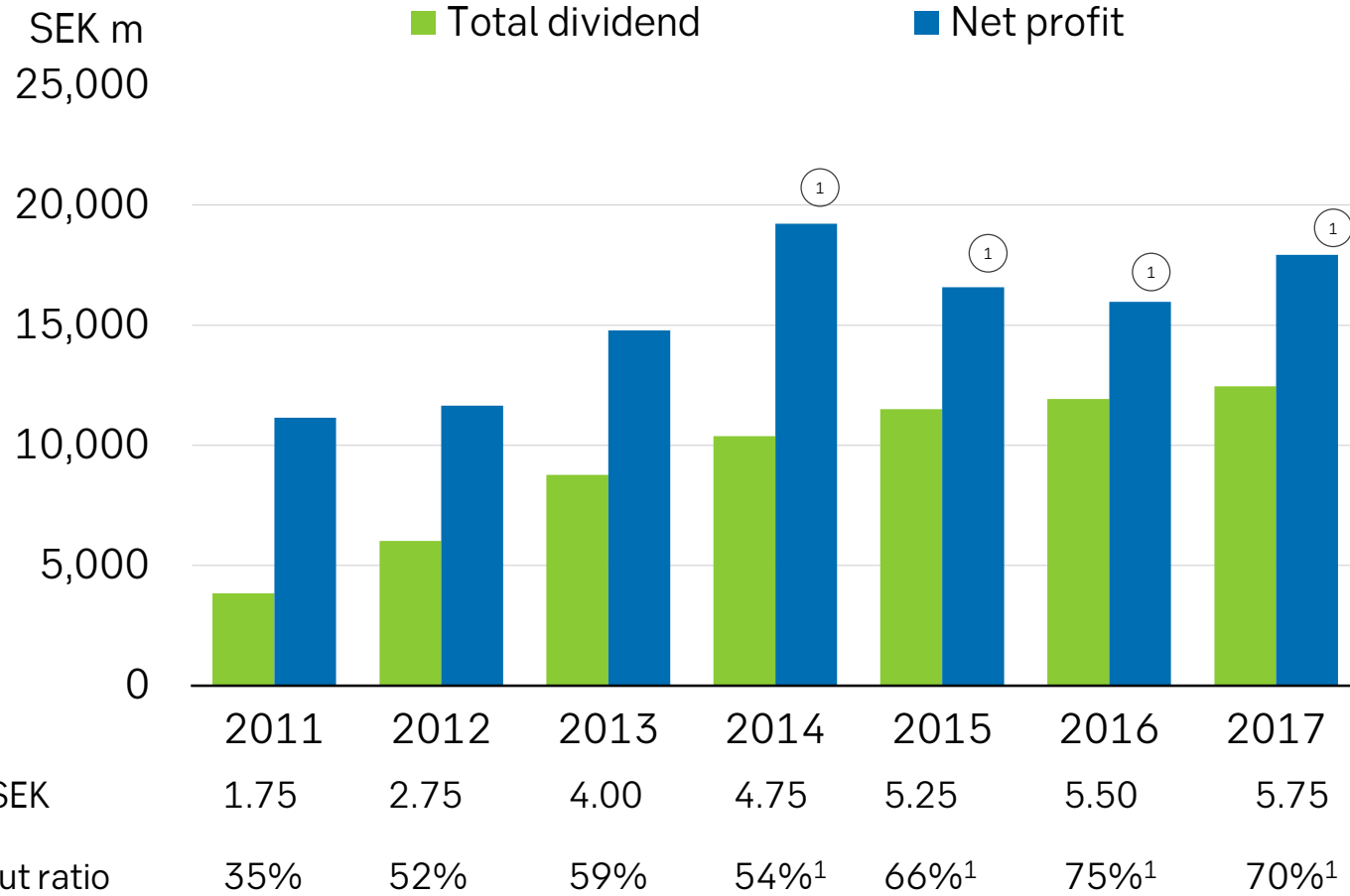
# Strong asset quality and robust capital ratios with comfortable buffers





# Generating sustainable value creation

## Dividends paid



**Dividend policy: 40% or above of net profit (Earnings per share)**

1. Excluding items affecting comparability

## SEB's main shareholders

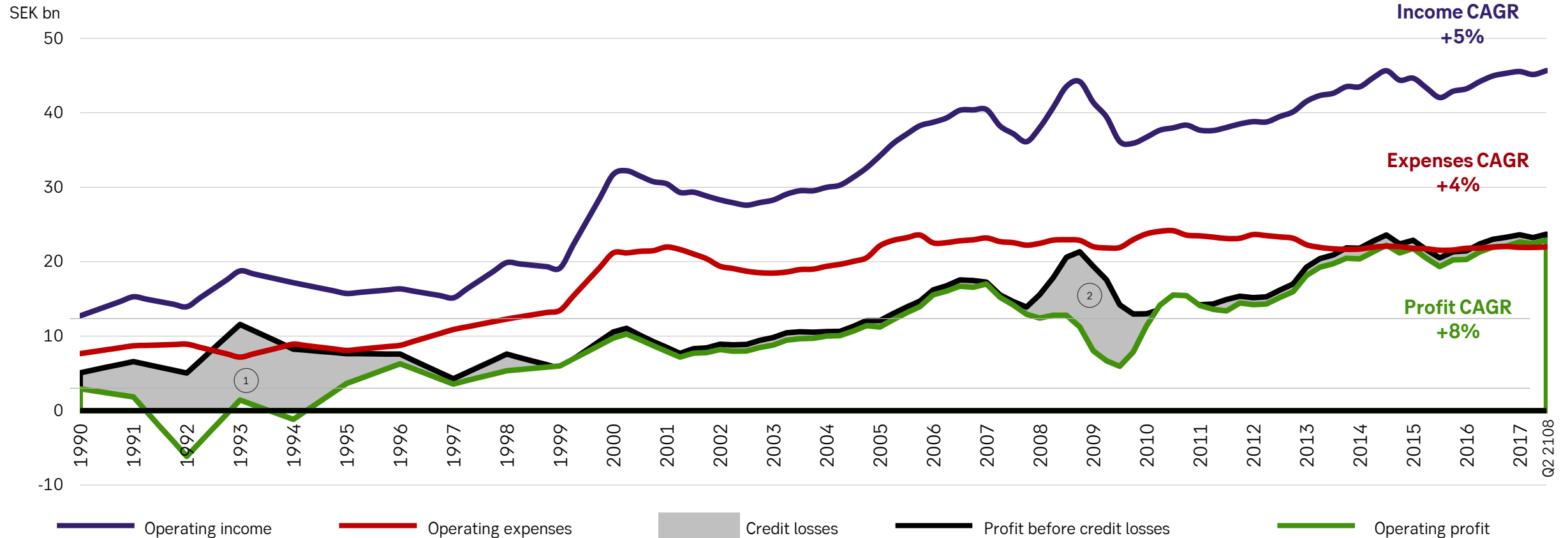
30 June 2018	Share of capital, per cent
Investor AB	20.8
Alecta	6.6
Trygg Foundation	5.2
Swedbank/Robur Funds	4.5
AMF Insurance & Funds	4.3
Blackrock	2.2
SEB Funds	1.3
Own shareholding	1.4
Vanguard	1.2
Nordea Funds	1.3

Total share of foreign owners 25.0

Source: Euroclear Sweden/Modular Finance

# Sustainable value creation through focused business strategy and cost control

Long-term profit development 1990 – Q2 2018, rolling 12m



1. Consequences of the Swedish economic paradigm shift and the ensuing financial crisis. SEB is one of two of major banks that was not taken over or directly guaranteed by the state
2. Credit losses driven by the Baltics during the Financial Crisis – important to note the strong revenue generation and overall profitability during this period notwithstanding the Financial Crisis
3. Adjusted for items affecting comparability in 2014-Q2 2018

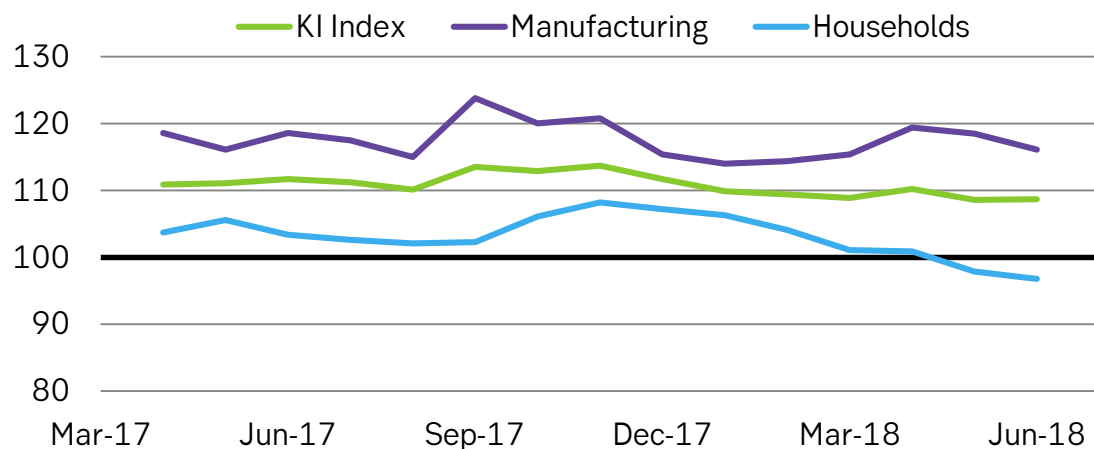
# Agenda



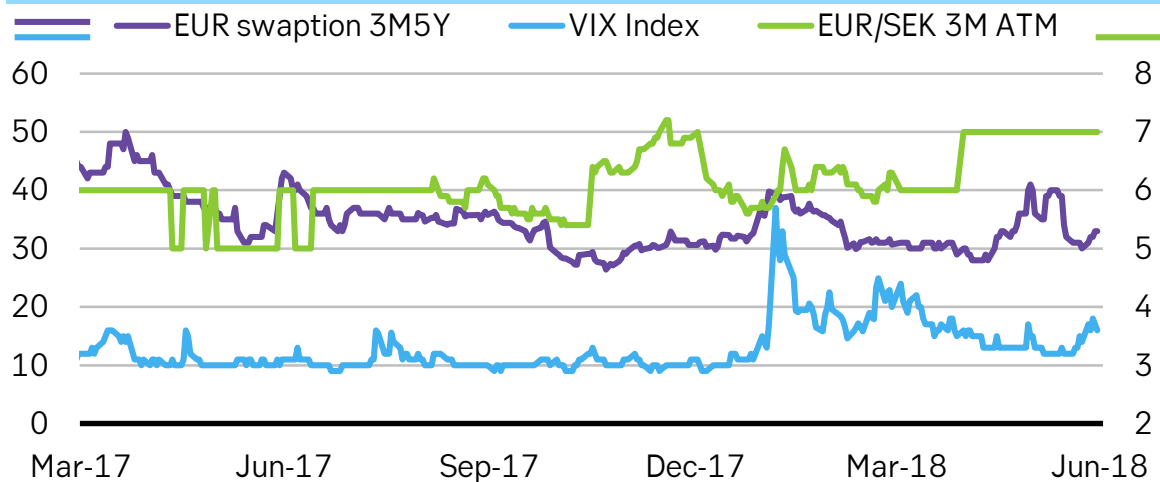
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# Financial markets development

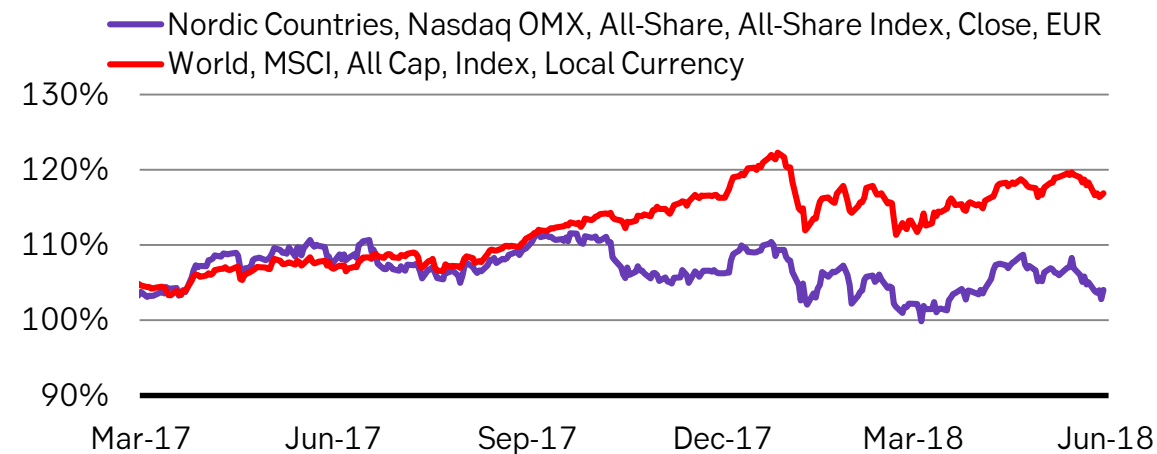
## Economic Tendency Survey (KI barometern)



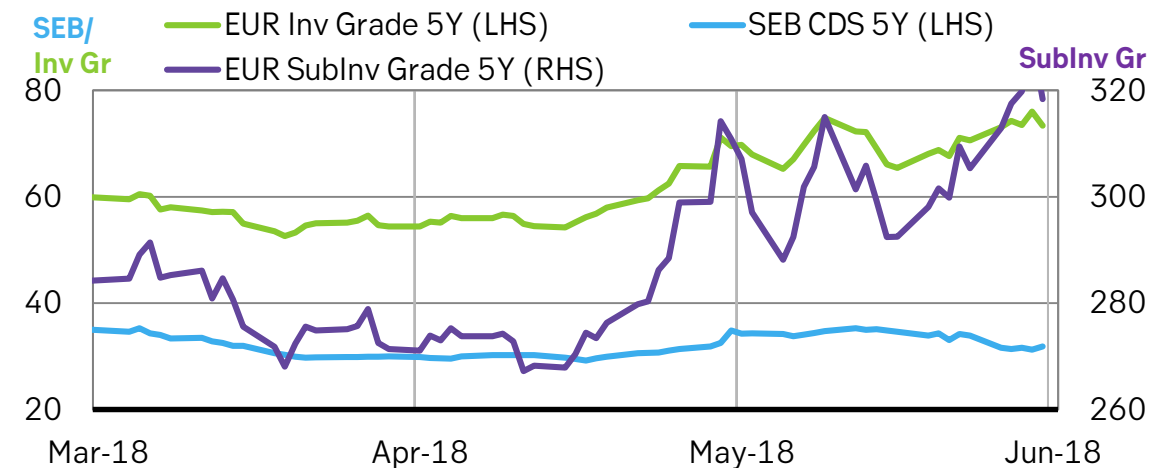
## Volatility (VIX index)



## Equity markets



## CDS spreads



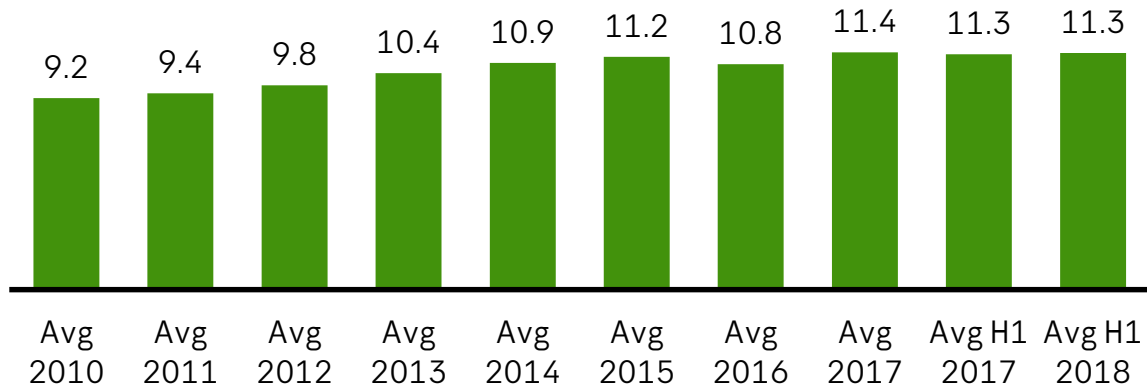


# Highlights Jan-Jun 2018

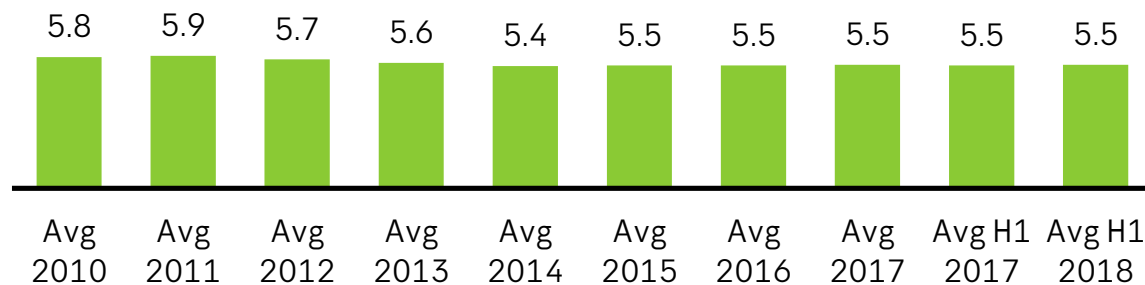
- Pick-up in customer activity following a muted start of the year
- Broad based demand for SEB's services
- Strong capital position, robust asset quality and good cost control

# Operating leverage, excl. IAC

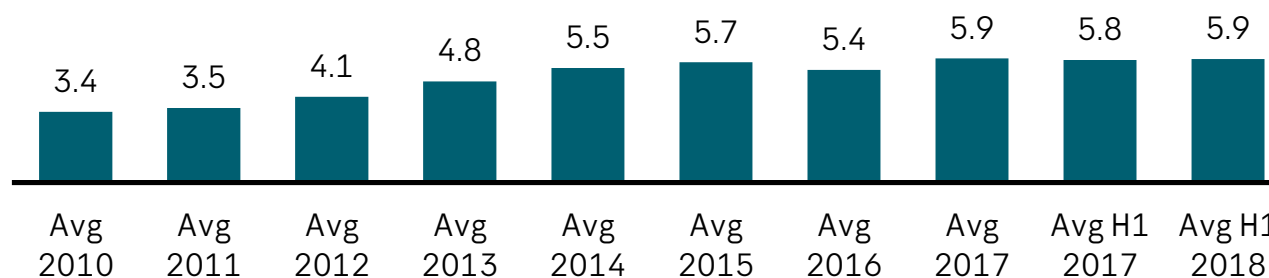
Average quarterly income (SEK bn)



Average quarterly expenses (SEK bn)



Average quarterly profit before credit losses (SEK bn)



# Strong financial development

## SEB's Key Figures 2011 – H1 2018

	<u>H1 2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011 <sup>1)</sup></u>
<b>Return on Equity, % <sup>5)</sup></b>	<b>13.9</b>	12.9	11.3	12.9	13.1	13.1	11.5	12.3
<b>Cost /Income ratio, %</b>	<b>48</b>	48	50	49	50	54	61	62
<b>Common Equity Tier 1 capital ratio, % <sup>2)</sup></b>	<b>19.3</b>	19.4	18.8	18.8	16.3	15.0	NA	NA
<b>Total capital ratio, % <sup>2)</sup></b>	<b>24.7</b>	24.2	24.8	23.8	22.2	18.1	NA	NA
<b>Leverage Ratio, % <sup>2)</sup></b>	<b>4.7</b>	5.2	5.1	4.9	4.8	4.2	NA	NA
<b>Net Expected credit loss level, % <sup>3)</sup></b>	<b>0.03</b>							
<b>Net credit loss level, % <sup>3)</sup></b>		0.05	0.07	0.06	0.09	0.09	0.08	-0.08
<b>NPL coverage ratio, % <sup>4)</sup></b>		55	63	62	59	72	66	64
<b>NPL / Lending, % <sup>4)</sup></b>		0.5	0.5	0.6	0.8	0.7	1.0	1.4
<b>Assets under Management, SEK bn</b>	<b>1,838</b>	1,830	1,781	1,700	1,708	1,475	1,328	1,261
<b>Assets under Custody, SEK bn</b>	<b>8,169</b>	8,046	6,859	7,196	6,763	5,958	5,191	4,490

### Notes:

1) Restated for introduction of IAS 19 (pension accounting)

2) 2016 - 2014 is according to CRD IV/CRR and 2013 was estimated based on SEB's interpretation of future regulation.

3) Net aggregate of write-offs, write-backs and provisioning. Net Expected credit losses are based on IFRS 9 expected loss model, net credit losses are based on IAS39 incurred loss model.

4) NPLs = Non Performing Loans [individually and portfolio assessed impaired loans (loans >60 days past due)]

5) **Excl. Items affecting comparability incl. technical impairment (write-down) of goodwill**

a. 2014: Excluding capital gains of SEK 2,982m (sale of non-core business and shares)

b. 2015: Excluding a cost of SEK 902m relating to the Swiss Supreme Court's not unanimous ruling against SEB in the long running tax litigation relating to SEB's refund claim of withholding tax dating back to the years 2006 through 2008

c. 2016: Excluding the effects of the technical impairment of goodwill to the amount of SEK 5,334m and SEK 615m of one-off costs and derecognition of intangible IT assets no longer in use and the positive tax effect SEK 101m. Excluding a capital gain of SEK 520m from the sale of VISA Europe shares by the Baltic subsidiaries and the generated tax expense SEK 24m

d. 2017: Excluding a dividend from VISA of SEK 494m, costs related to the transformation to a German branch of SEK 521m, transfer of pension obligation to BVV of SEK 891m, impairment and derecognition of IT intangibles of SEK 978m.

e. 2018: Excluding the sale of SEB Pension SEK 3.6bn and settlement of UC AB's merger SEK 0.9bn

### To show the underlying operating momentum in this presentation:

a. and b. The FY 2014 and FY 2015 results' presentations, profitability, capital generation and efficiency ratios exclude the effects of the above-mentioned items affecting comparability

c. and d. The FY 2016 results, profitability and efficiency ratios exclude the effects of the above mentioned items affecting comparability.

# Financial summary year-to-date

<b>Profit &amp; Loss</b>	(SEK m)	<b>H1 2018</b>	<b>H1 2017</b>	<b>%</b>
<b>Total Operating income</b>		<b>22,690</b>	<b>22,570</b>	<b>1</b>
Total Operating expenses		-10,957	-10,909	0
<b>Profit before credit losses</b>		<b>11,733</b>	<b>11,661</b>	<b>1</b>
Net credit losses etc.		-309	-490	-37
<b>Operating profit before IAC</b>		<b>11,424</b>	<b>11,171</b>	<b>2</b>
IAC		4,506		
<b>Operating profit</b>		<b>15,930</b>	<b>11,171</b>	<b>43</b>

Credit loss level

Cost/income ratio

Common Equity Tier 1

Return on Equity\*

3bps

0.48

19.3 %

13.9%

\* Before IAC, RoE after IAC at 20.5 per cent



# Financial summary Q2

Profit & Loss (SEK m)		Q2 2018	Q1 2018	%	Q2 2017	%
<b>Total Operating income</b>		<b>11,903</b>	<b>10,787</b>	<i>10</i>	<b>11,386</b>	<i>5</i>
Total Operating expenses		-5,527	-5,430	<i>2</i>	-5,473	<i>1</i>
<b>Profit before credit losses</b>		<b>6,376</b>	<b>5,357</b>	<i>19</i>	<b>5,913</b>	<i>8</i>
Expected credit losses etc.		-208	-101	<i>106</i>	-251	<i>-17</i>
<b>Operating profit before IAC</b>		<b>6,167</b>	<b>5,256</b>	<i>17</i>	<b>5,661</b>	<i>9</i>
IAC		4,506				
<b>Operating profit</b>		<b>10,674</b>	<b>5,256</b>	<i>103</i>	<b>5,661</b>	<i>89</i>

Credit loss level

Cost/income ratio

Common Equity Tier 1

Return on Equity\*

4bps

0.46

19.3 %

16.5%

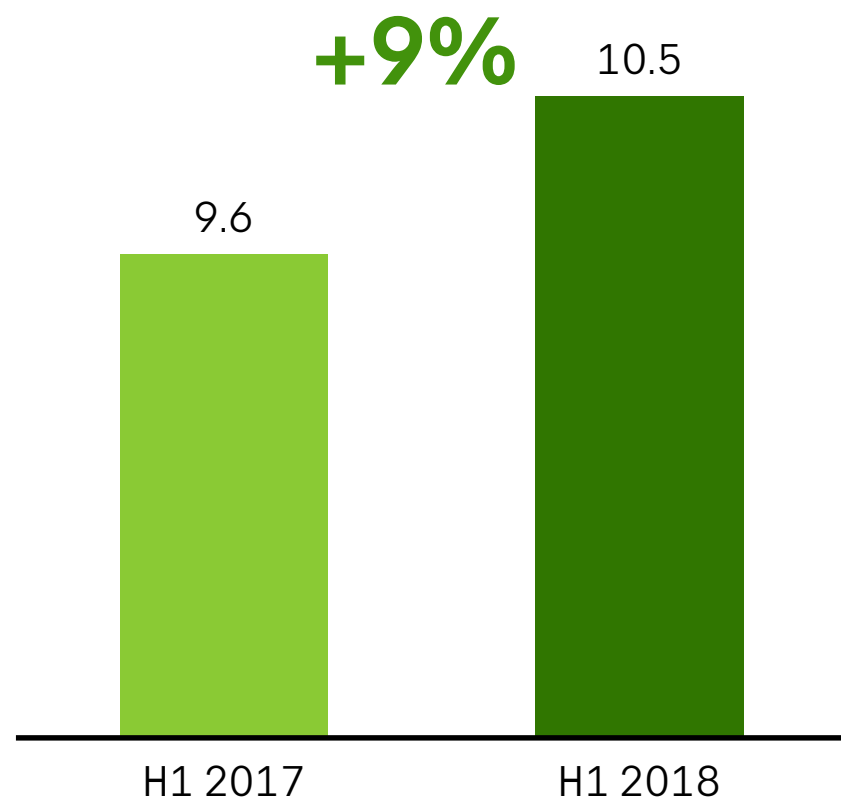
\* Before IAC, RoE after IAC at 29.9 per cent

# Net interest income development

SEK bn

## Net interest income

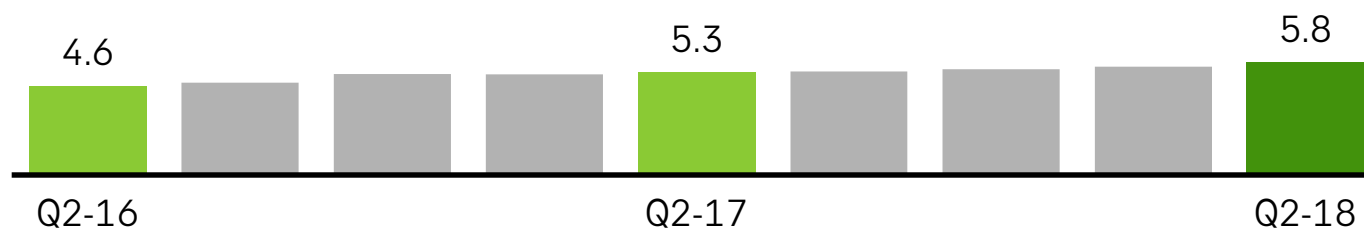
Jan-Jun 2018 vs. Jan-Jun 2017



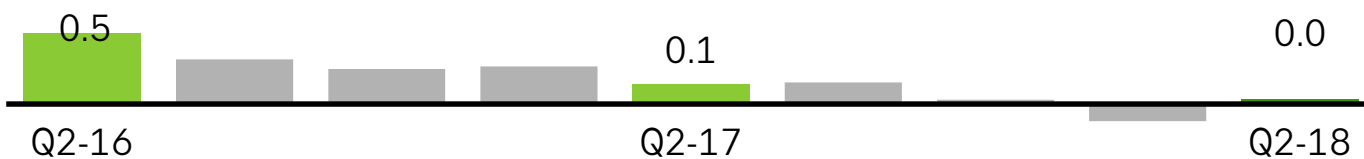
## Net interest income type

Q2 2016 – Q2 2018

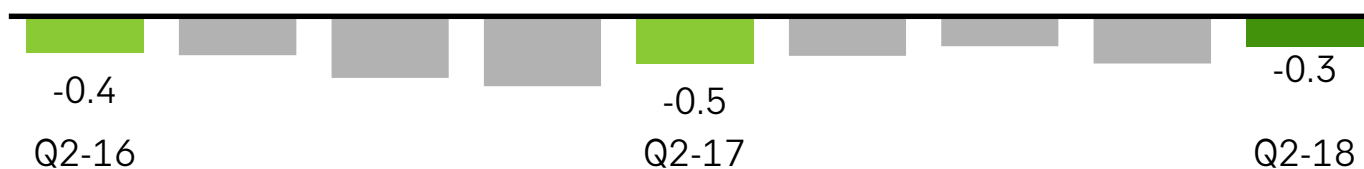
### Lending



### Deposits



### Funding & other

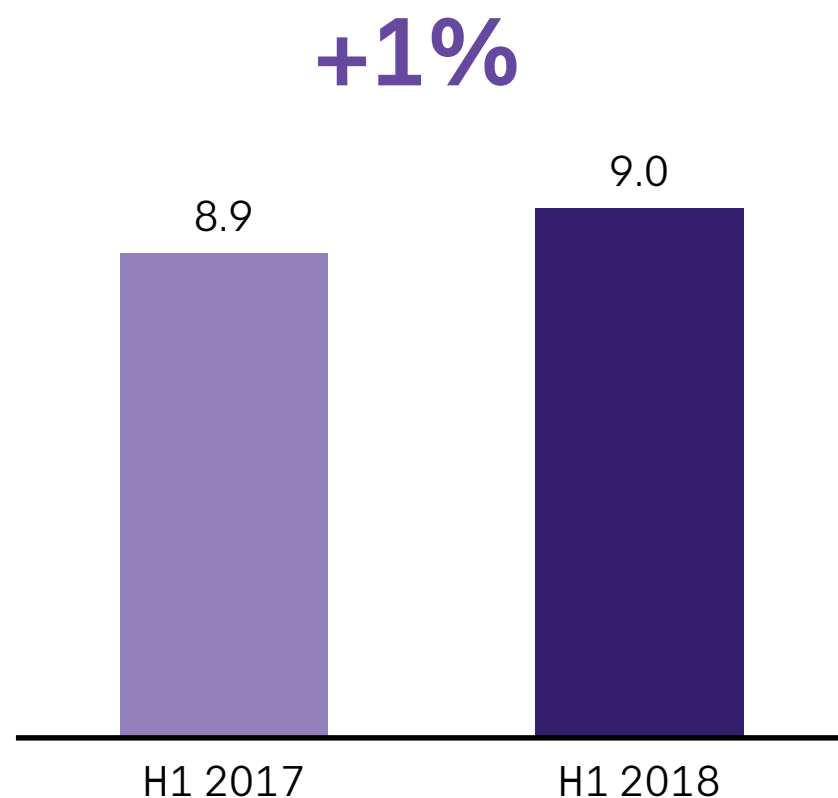


# Net fee and commission income

SEK bn

## Net fee and commissions

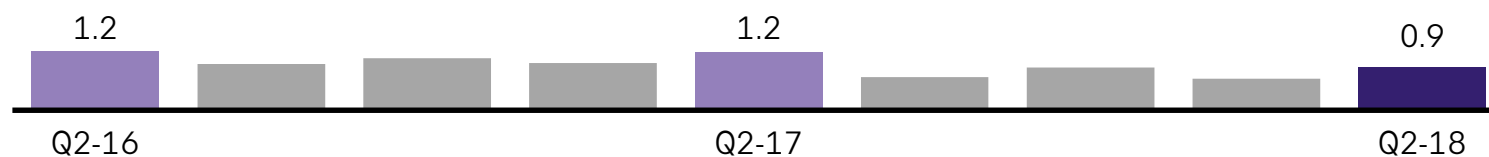
Jan-Jun 2018 vs. Jan-Jun 2017



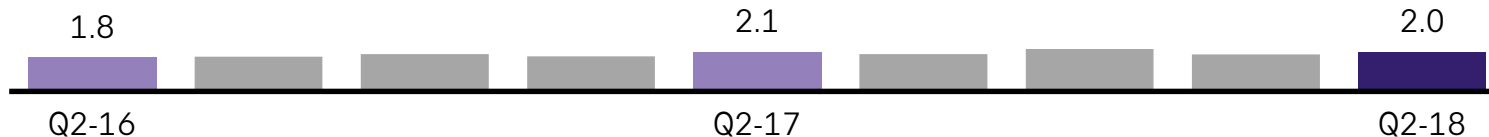
## Gross fee and commissions by income type

Q2 2016 – Q2 2018

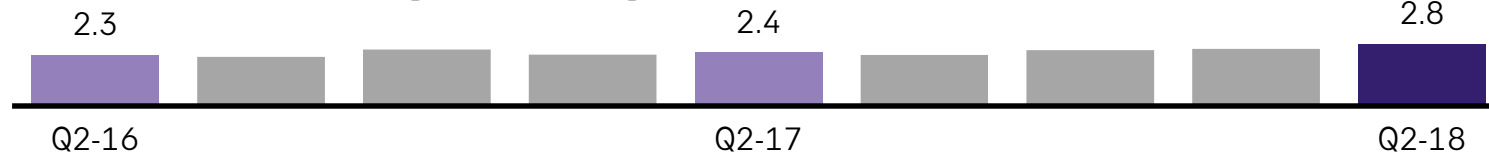
### Advisory, secondary markets and derivatives



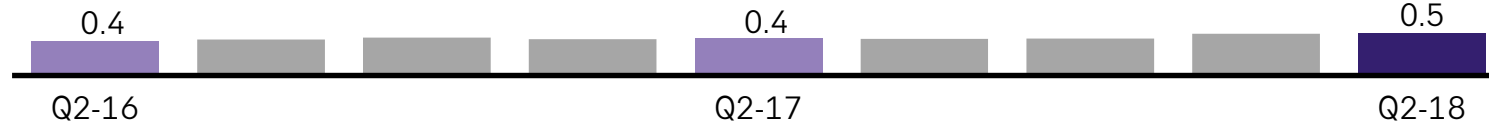
### Custody and mutual funds



### Payments, cards, lending, deposits & guarantees



### Life insurance fees



# Net fee and commission income development

SEK m	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Issue of securities and advisory	211	208	231	282	430	137	317	136	298
Secondary market and derivatives	1,012	745	842	692	765	547	561	514	594
Custody and mutual funds	1,759	1,811	1,950	1,825	2,063	1,942	2,210	1,923	2,049
Whereof performance fees	20	21	212	38	55	39	225	24	5
Payments, cards, lending, deposits, guarantees and other	2,341	2,251	2,586	2,353	2,444	2,350	2,570	2,628	2,847
Whereof payments and card fees	1,290	1,310	1,356	1,288	1,377	1,366	1,429	1,410	1,509
Whereof lending	666	563	723	553	581	519	602	501	784
Life insurance	395	418	438	422	432	424	429	485	487
<b>Fee and commission income</b>	<b>5,718</b>	<b>5,433</b>	<b>6,047</b>	<b>5,574</b>	<b>6,135</b>	<b>5,400</b>	<b>6,087</b>	<b>5,687</b>	<b>6,274</b>
<b>Fee and commission expense</b>	<b>-1,644</b>	<b>-1,385</b>	<b>-1,438</b>	<b>-1,326</b>	<b>-1,463</b>	<b>-1,371</b>	<b>-1,359</b>	<b>-1,496</b>	<b>-1,460</b>
<b>Net fee and commission income</b>	<b>4,074</b>	<b>4,048</b>	<b>4,609</b>	<b>4,249</b>	<b>4,671</b>	<b>4,029</b>	<b>4,728</b>	<b>4,190</b>	<b>4,814</b>
Whereof Net securities commissions	2,009	2,072	2,308	2,094	2,454	1,986	2,356	1,920	2,116
Whereof Net payments and card fees	839	821	847	821	885	840	908	895	988
Whereof Net life insurance commissions	250	268	276	248	263	266	285	317	349



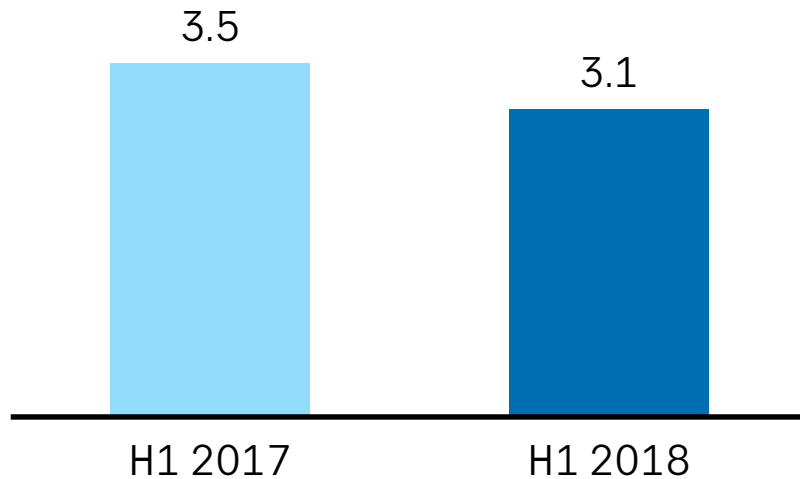
# Net financial income development

SEK bn

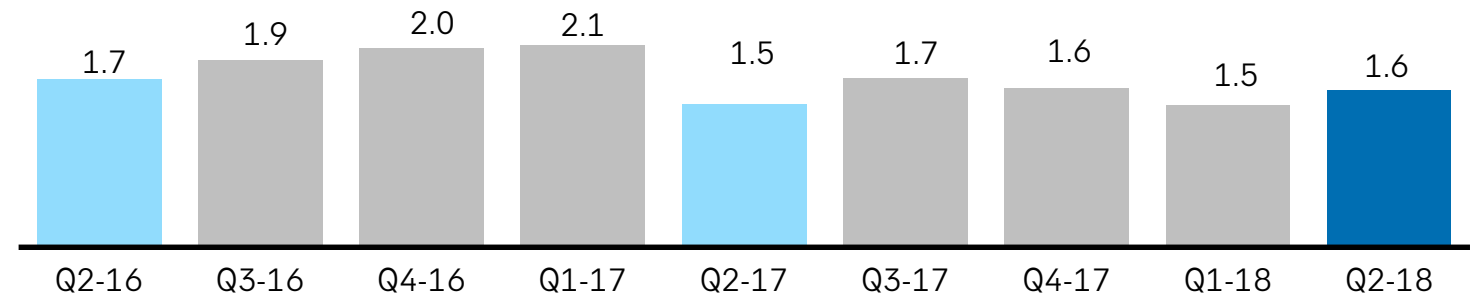
## Net financial income

Jan-Jun 2018 vs. Jan-Jun 2017

-13%



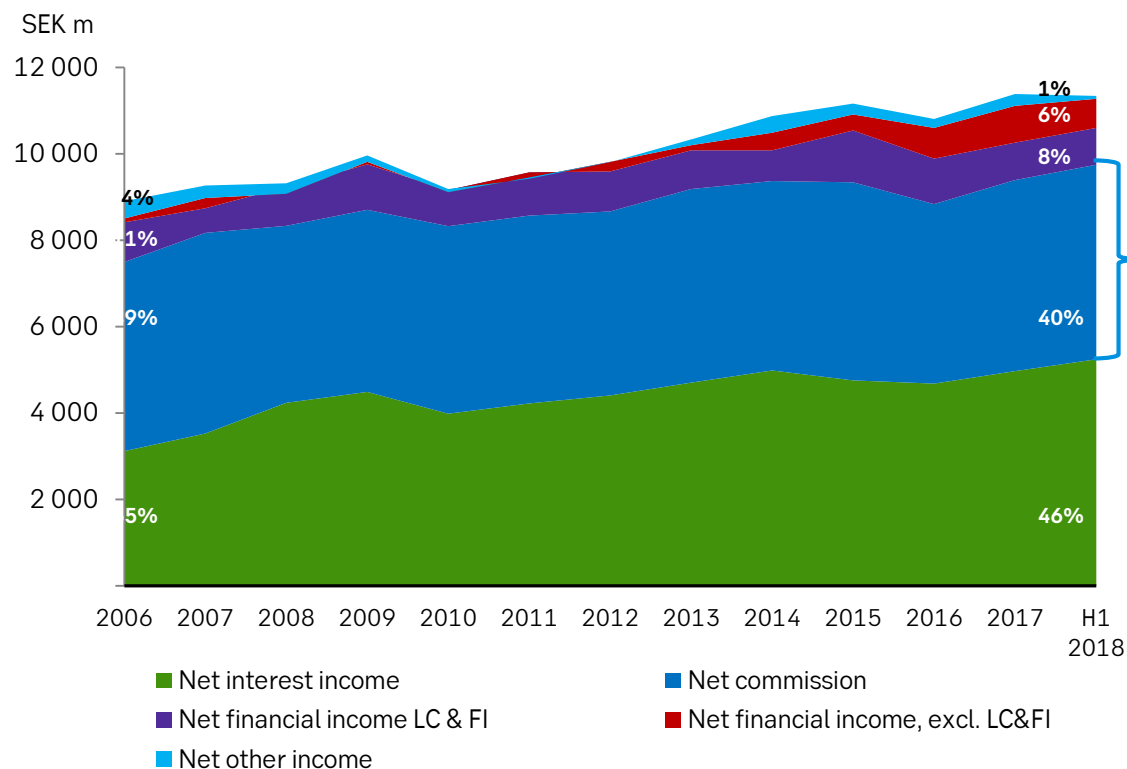
## Net financial income development Q2 2016 – Q2 2018



# Business mix create diversified and stable income

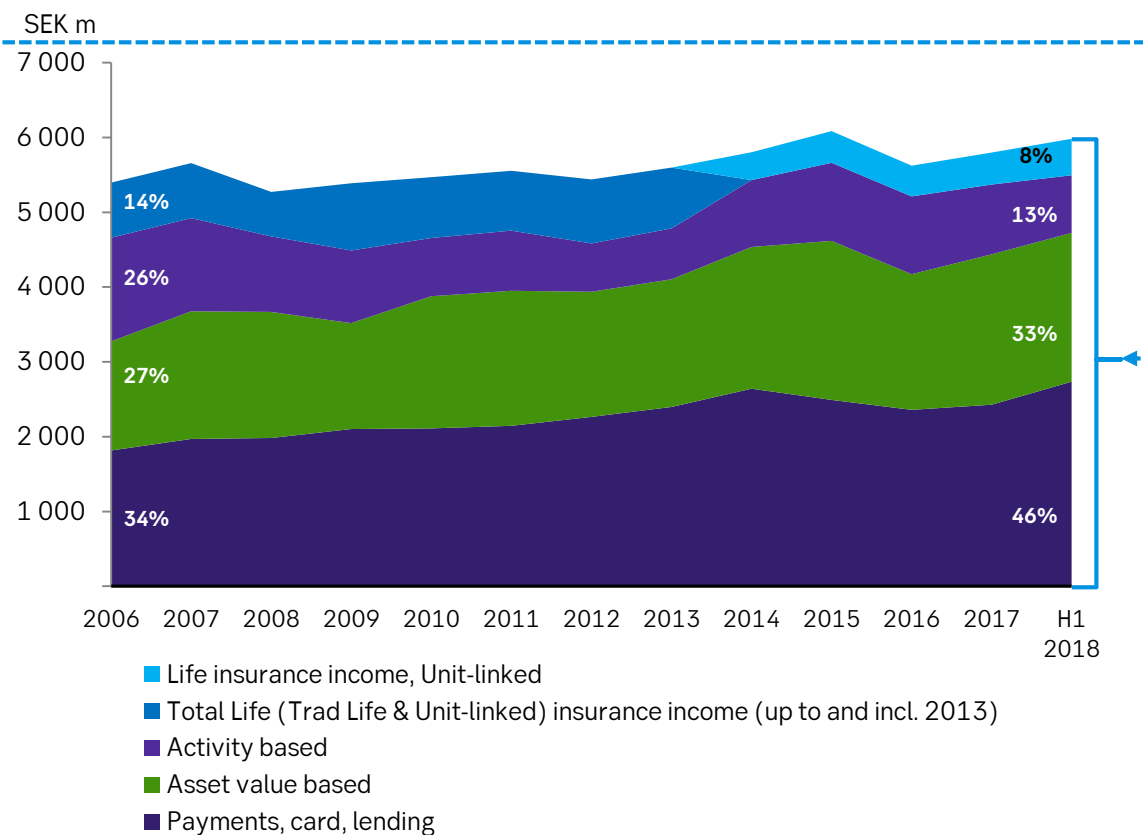
## Non-NII is more important than NII

Average quarterly income



## Strong market franchise and high recurring income generation render stable fees and commissions

Average quarterly fees and commissions income

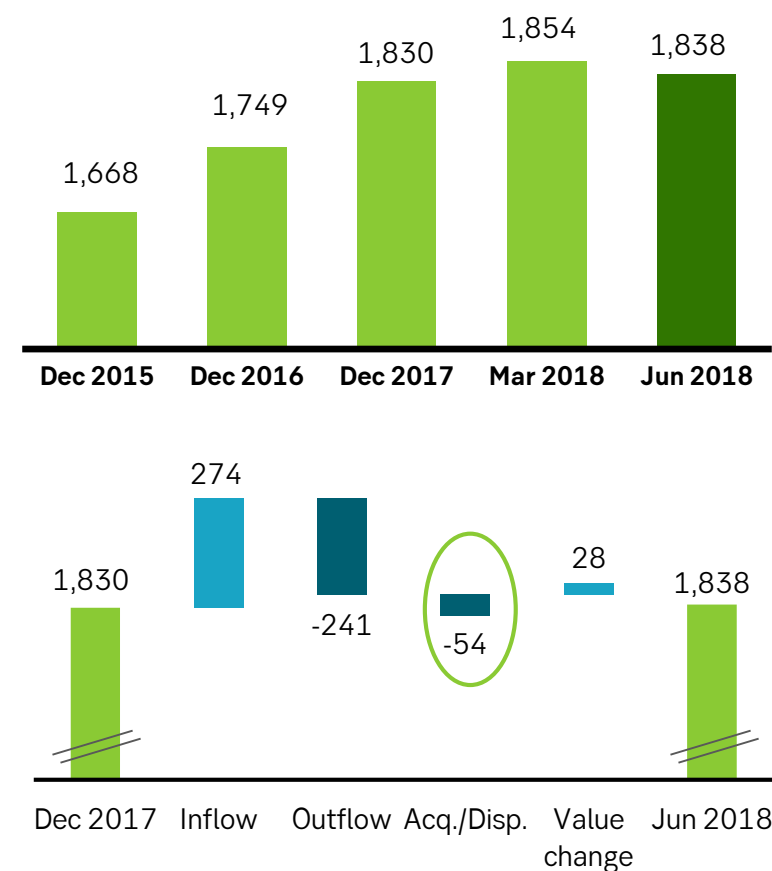


# Business volumes

SEB Group

Condensed SEK bn	Dec 2017	Mar 2018	Jun 2018
Cash and balances with central banks	177	244	302
Loans Central banks	13	8	13
Loans Credit institutions	39	90	59
Loans to the public	1,487	1,607	1,654
Debt securities	169	231	234
Equity instruments	59	64	59
Financial assets for which the customer bear the investment risk	283	284	296
Derivatives	105	130	143
Other assets	225	245	58
<b>Total assets</b>	<b>2,557</b>	<b>2,903</b>	<b>2,818</b>
Deposits from central banks and credit institutions	95	130	146
Deposits and borrowings from the public	1,032	1,191	1,202
Financial liabilities for which the customer bear the investment risk	284	286	297
Liabilities to policyholders	19	20	21
Debt securities issued	614	690	745
Short positions in securities	25	44	42
Liabilities held for sale	85	110	119
Derivatives	4	4	4
Other financial liabilities	257	299	102
Total equity	141	130	140
<b>Total liabilities and equity</b>	<b>2,557</b>	<b>2,903</b>	<b>2,818</b>

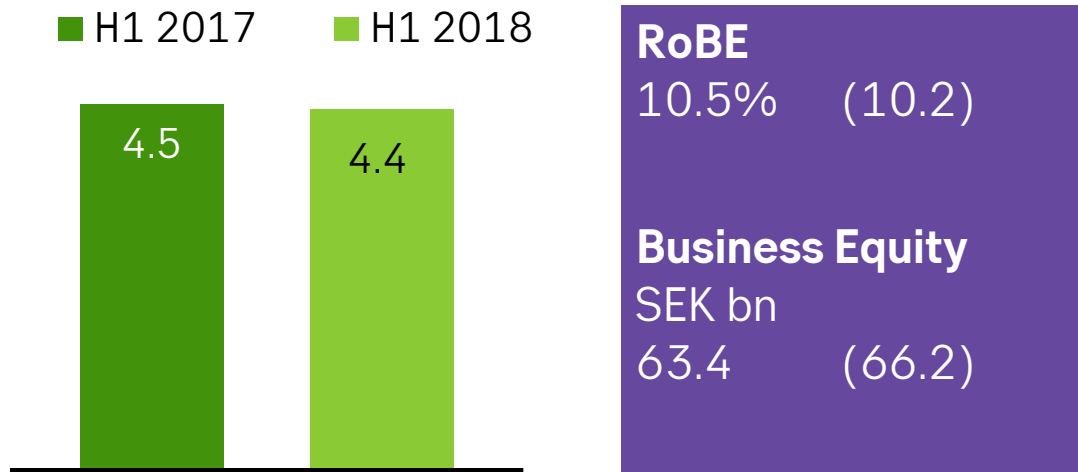
## Assets under Management



## Large Corporates & Financial Institutions

Operating profit & key figures

SEK bn

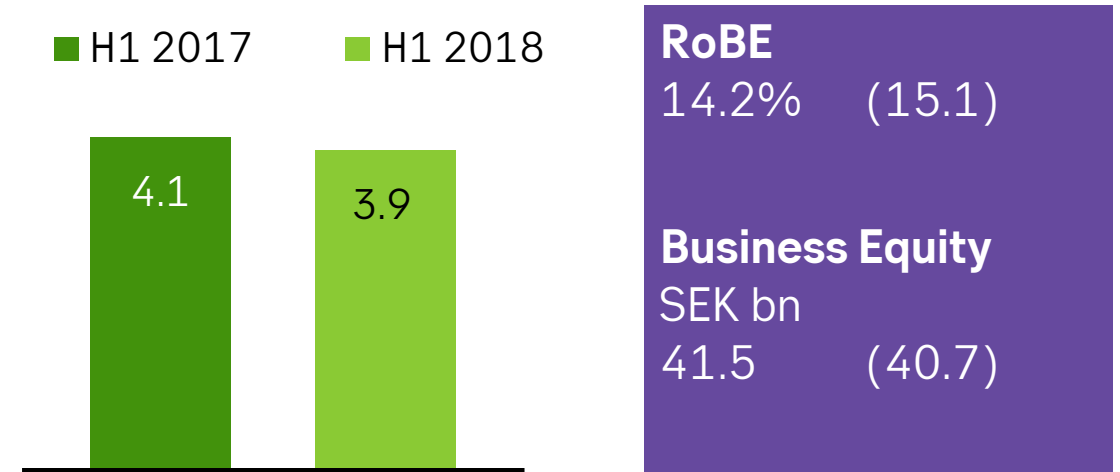


- Corporate activity picked up overall
- Volume growth and stable margins
- Operating profit +40 % QoQ

## Corporate & Private Customers

Operating profit & key figures

SEK bn



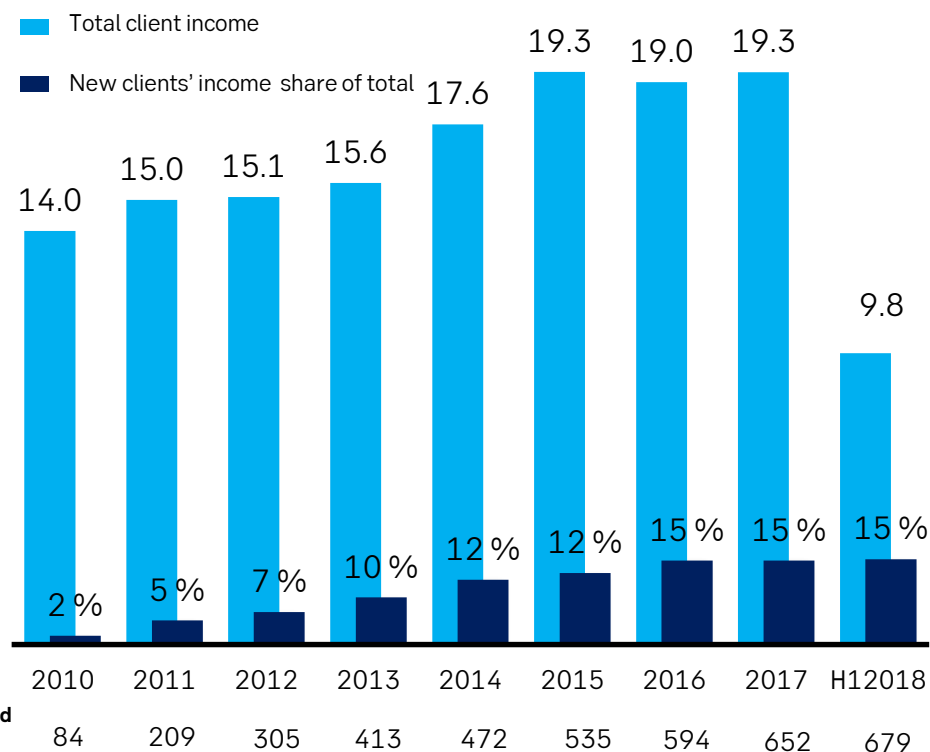
- Cont. corporate and household lending growth
- 4 800 new SME customers since year-end
- First Swedish bank to launch green mortgages

# Strong franchise and successful client acquisition strategy

## SEB's Large Corporate & Financial Institutions Business

### Large cross-selling potential

Total Client income in SEK bn



Diversified business and solid efficiency render healthy profitability despite considerably higher regulatory requirements

	<u>C/I ratio</u>	<u>Business Equity</u>	<u>RoBE<sup>1)</sup></u>
H12018	49%	SEK 63.4bn	10.5%
2017	49%	SEK 65.8bn	10.1%
2016	47% <sup>2)</sup>	SEK 62.4bn	11.7%
2015	45% <sup>3)</sup>	SEK 66.4bn	12.5%
2014	46%	SEK 57.7bn	13.3%
2013 <sup>4)</sup>	50%	SEK 48.8bn	12.9%
2012 <sup>4)</sup>	54%	SEK 36.7bn	14.3%
2011 <sup>4)</sup>	54%	SEK 26.1bn	20.6%
2010 <sup>4)</sup>	52%	SEK 25.0bn	22.8%

1) Return on Business Equity

2) Excl. One-off costs of SEK 354m

3) Excl. One-off costs of SEK 902m

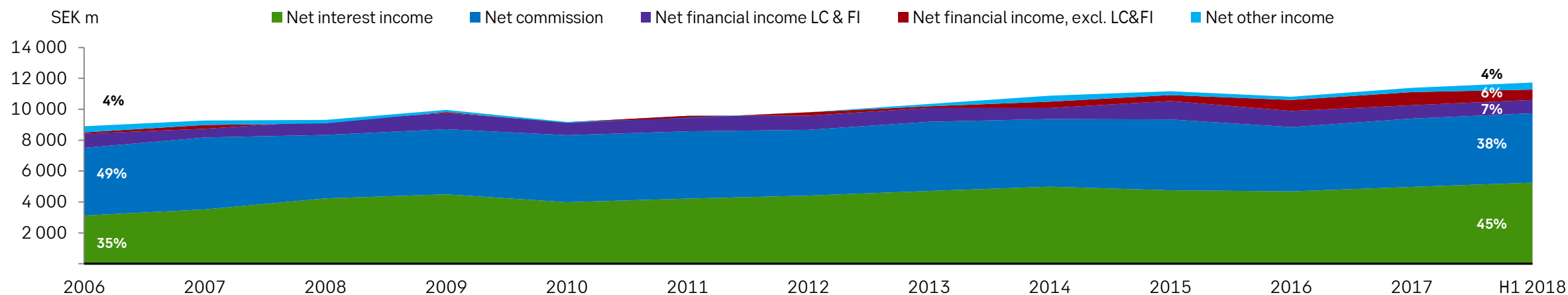
4) Restated figures following the new organizational structure as of Jan 1, 2016. As a result 2010-2013 figures not quite comparable



# Entrenched franchise and low risk client facilitation business

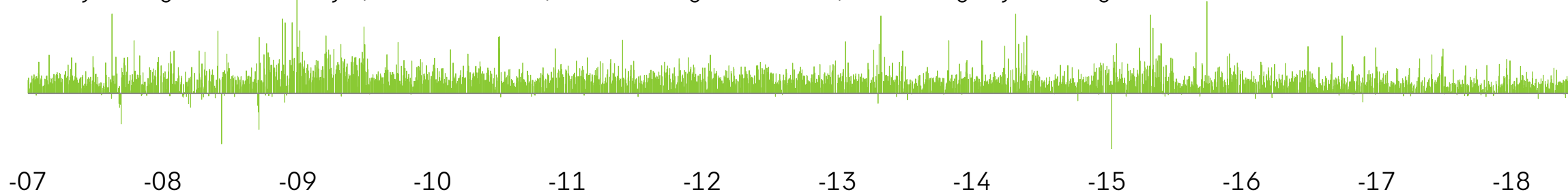
Average quarterly income

**Larger number of clients and a relevant business offering create strong and diversified income streams**



**Low-risk in client facilitation operations render minimal losses in the markets operations**

*Daily trading income January 1, 2007 – June 30, 2018. 87 negative out of 2,883 trading days. Average loss SEK 10m*

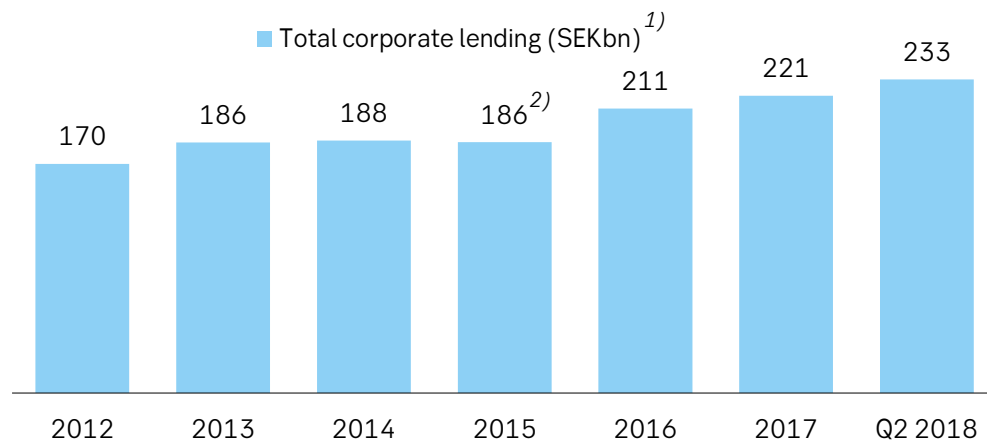


1) Restated figures following the new organizational structure as of Jan 1, 2016.  
As a results 2006-2013 figures are not quite comparable

# Successful client acquisition strategy

## Corporate & Private Customers

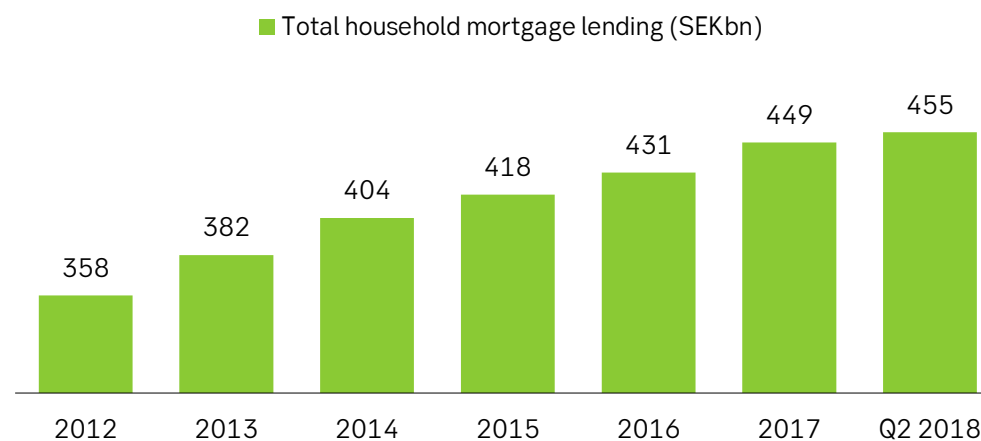
### Stable increase in corporate lending



1) Volumes by customer segment

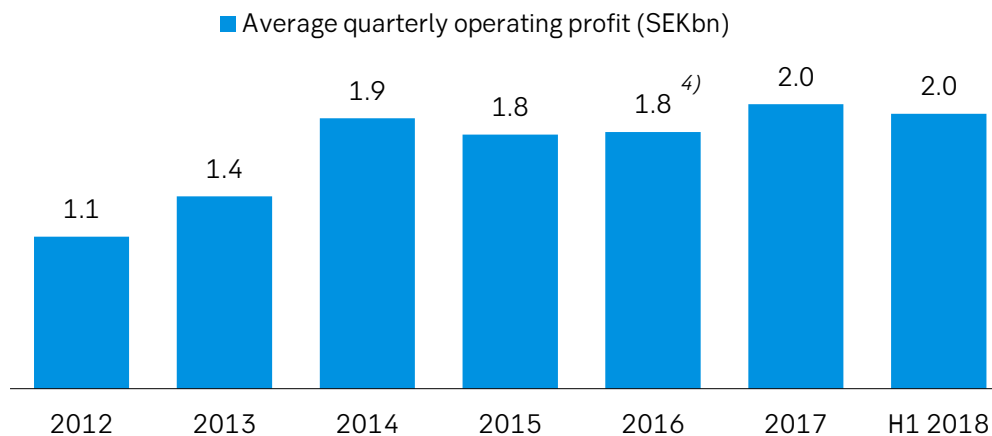
2) Adjusted for transfer of sole traders SEK 15.8bn

### Modest growth in household mortgage lending<sup>3)</sup>



3) Volumes by asset class

### Solid operating profit



4) Restated figures following the new organisational structure as of Jan 1, 2016.

As a result, 2012-2013 figures are not quite comparable.

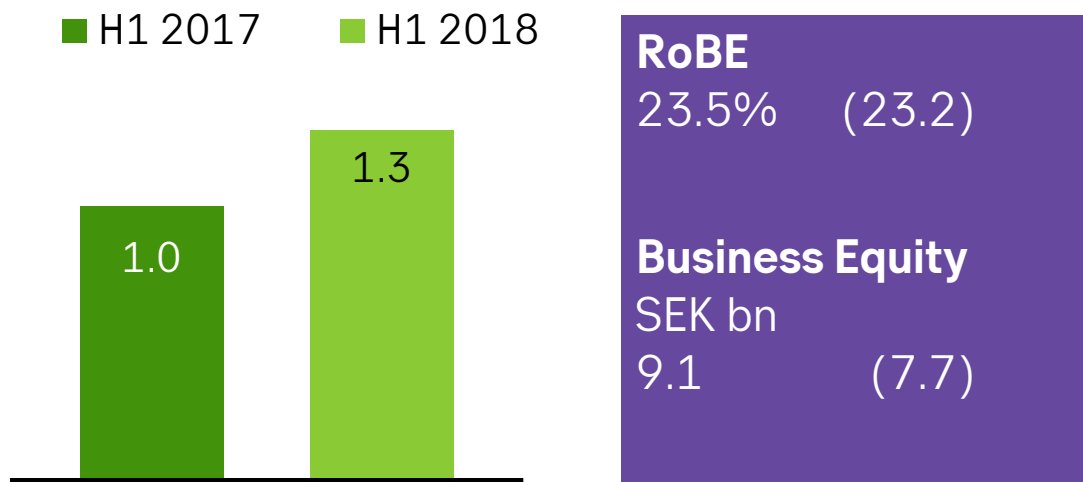
### Steady improvement in efficiency

	C/I ratio (%)	Business Equity (SEKbn)	RoBE (%)
H1 2018	46	41.5	14.2
2017	46	40.6	15.0
2016	48	37.3	15.2
2015	48	38.1	14.7
2014	46	27.8	21.4
2013	49	20.2	21.9
2012	57	14.4	22.3

## Baltic Banking

Operating profit & key figures

SEK bn

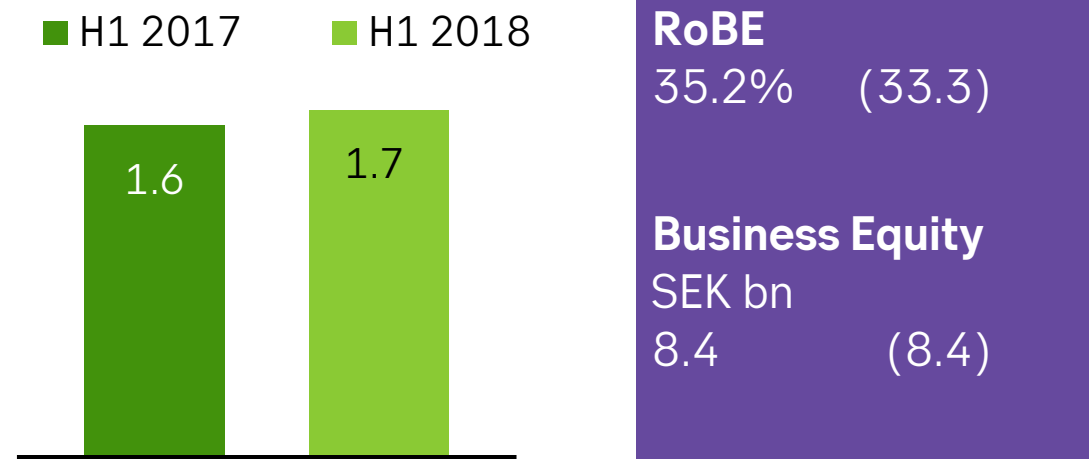


- Continued improvement in business sentiment in all segments and loan growth in all countries
- Increased customer activity and digital banking solution usage

## Life & Investment Management

Operating profit & key figures

SEK bn



- Sale of SEB Pension in Denmark finalised
- Enhanced integration of sustainability into fund offering
- Net new inflow in AuM of SEK 34bn

# Strong profitability

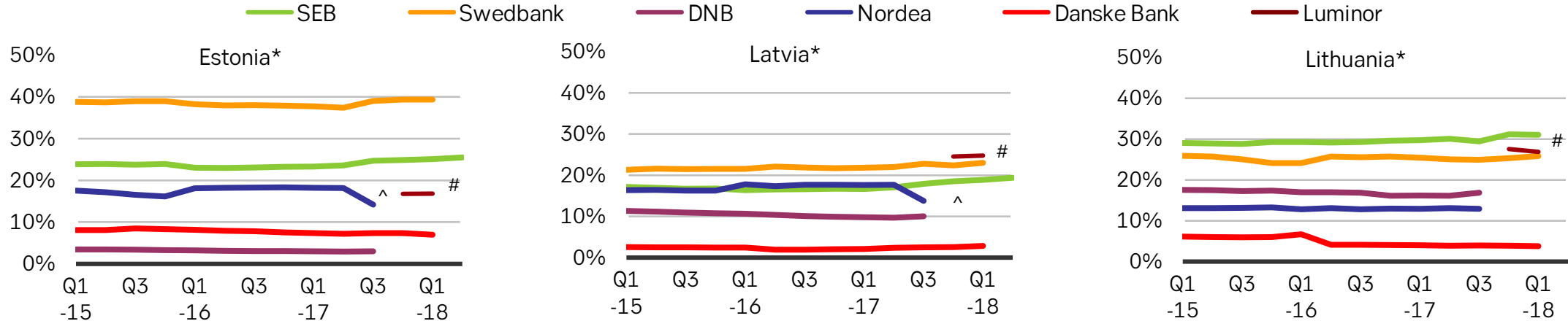
## SEB Baltic Banking

### Relatively strong operating environment in H1 2018

- GDP growth above Eurozone average
- Unemployment rates dropped and salary growth is high in all three countries
- Consumption prime driver, higher investments and growing exports

### Continued strategic focus on service digitalisation and process automation

### Maintaining leading market shares in lending



\* Neither Lithuania's nor competitors' Q2 2018 volumes are available at time of publication. SEB Estonia's and SEB Latvia's Q2 2018 figures are May 2018.

# Luminor formed Oct 2017 merging DNB and Nordea's Baltic operations.

^ Nordea's Q3 2017 decreases in Estonia and Latvia are due to a partial transferring of its corporate loan portfolio to its parent bank.

Source: Estonian Financial Supervision Authority, Association of Latvian Commercial Banks, Association of Lithuanian Banks, SEB Group

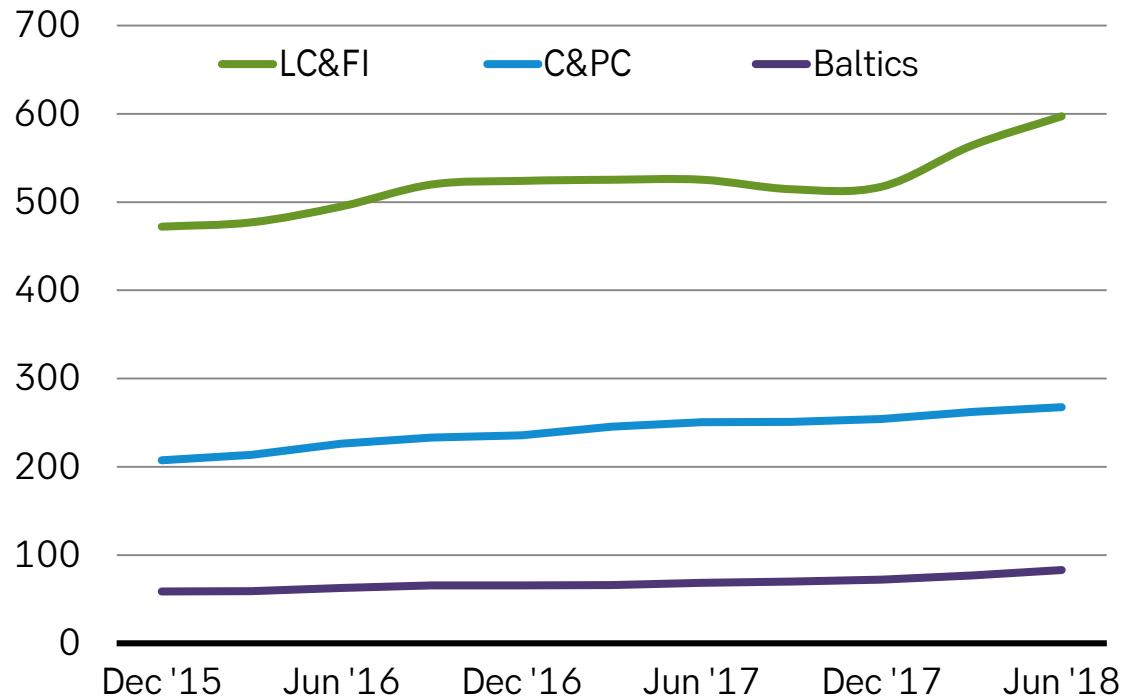
### Strong development of key ratios

	<u>C/I</u>	<u>Business Equity</u>	<u>RoBE</u>
H1 2018	42%	SEK 9.1bn	23.5%
2017	44%	SEK 7.8bn	24.4%
2016	51%	SEK 7.6bn	19.3%
2015	50%	SEK 7.5bn	18.6%
2014	50%	SEK 8.9bn	14.5%
2013	52%	SEK 8.8bn	12.9%
2012	62%	SEK 8.8bn	9.7%
2011	58%	SEK 8.8bn	29.6%

1) Return on Business Equity  
2) Write-backs of provisions of SEK 1.5bn

# Increased corporate activity

## Corporate lending (SEK bn)



Growth rates	QoQ	YoY
<b>LC&amp;FI</b>	6%	14%
- FX-adjusted	3%	8%
<b>C&amp;PC</b>	2%	7%
<b>Baltics</b>	8%	21%
- FX-adjusted	7%	12%

## League Tables (2018 YTD)



### M&A Nordics

1. INTERNATIONAL PEER

2. **SEB**

3. NORDIC PEER

4. INTERNATIONAL PEER

5. INTERNATIONAL PEER



### M&A Sweden

1. **SEB**

2. INTERNATIONAL PEER

3. INTERNATIONAL PEER

4. INTERNATIONAL PEER

5. INTERNATIONAL PEER



# Agenda



- SEB in brief p.3
- Financials p.15
- **Balance sheet, Credit portfolio p.34 & Asset quality**
- Capital p.44
- Funding and Liquidity p.51
- Covered bonds and Cover pool p.57
- Business plan p.61
- Contacts, calendar and ADR p.66
- Appendix p.69
  - Swedish housing market
  - Macroeconomics

# Strong asset quality and balance sheet

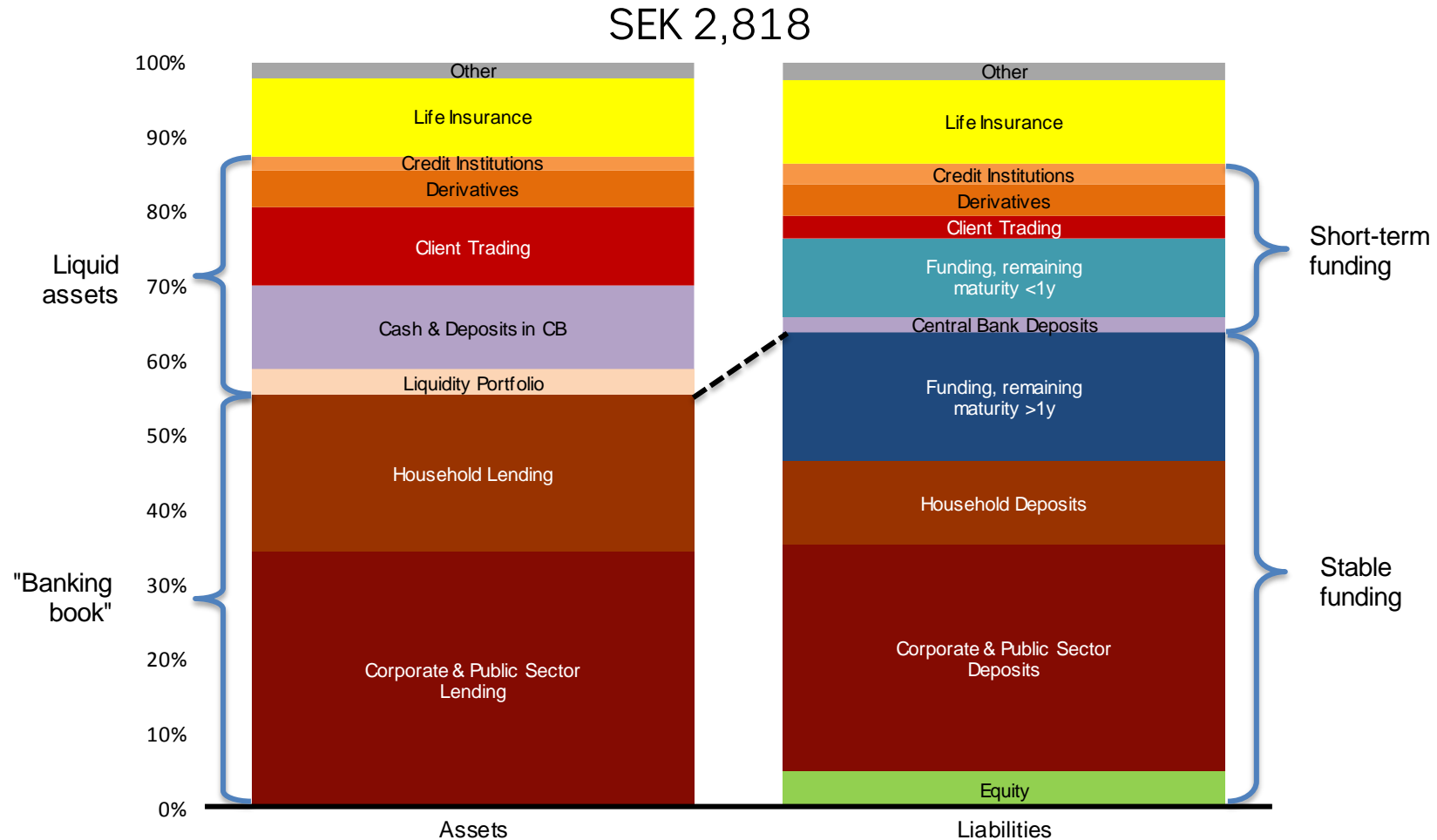
(SEK bn)		2009	2017	Jun 2018
Asset quality	Net Expected credit loss level*	0.92%	0.05%	0.03%
Funding and liquidity	Customer deposits**	750bn	1 026bn	1 172bn
	Liquidity coverage ratio*	N.A.	145%	136%
Capital	CET 1 ratio (Basel 3)	11.7%	19.4%	19.3%
	CET1 buffer above requirement	N.A.	220bps	260bps
	Total capital ratio (Basel 3)	14.7% <small>Basel 2.5</small>	24.2%	24.7%
	Leverage ratio (Basel 3)	N.A. <small>Basel 2.5</small>	5.2%	4.7%

\* According to valid regulations for respective period \*\* Including margins of safety and registered bonds

# A strong balance sheet structure

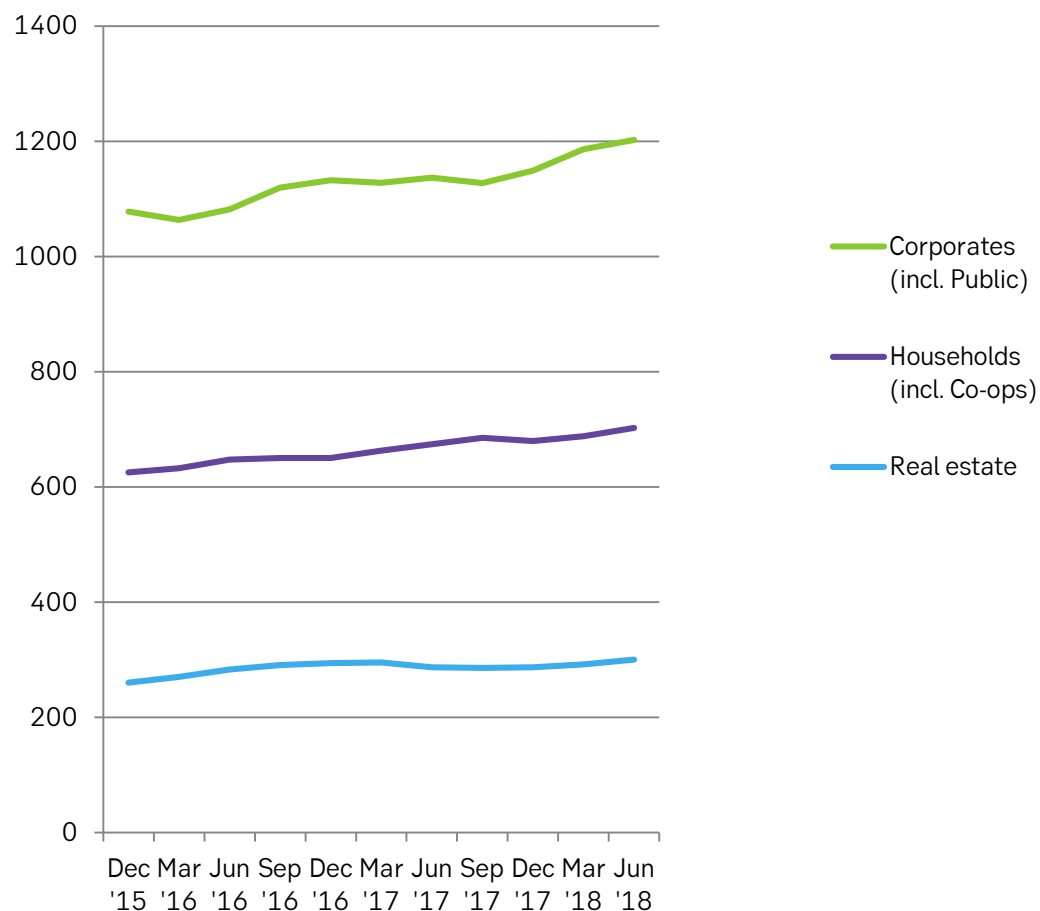
June 30, 2018

## Balance sheet structure



# Balanced growth across sectors

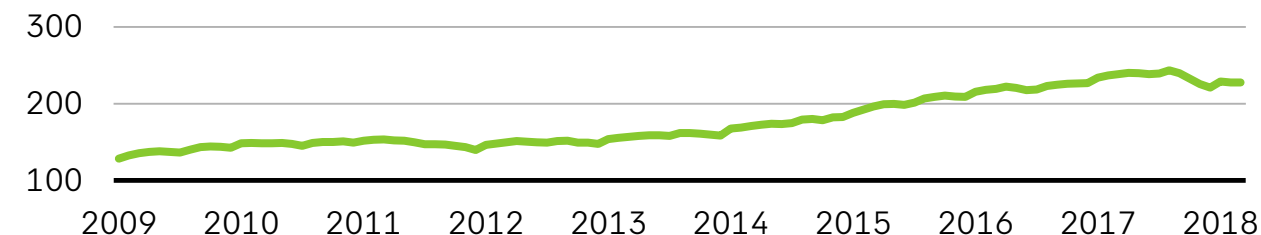
## Credit portfolio by sector (Corporates fx-adjusted) (SEK bn)



NOTE: Blue line (Households incl. Housing co-ops) is excluding German retail

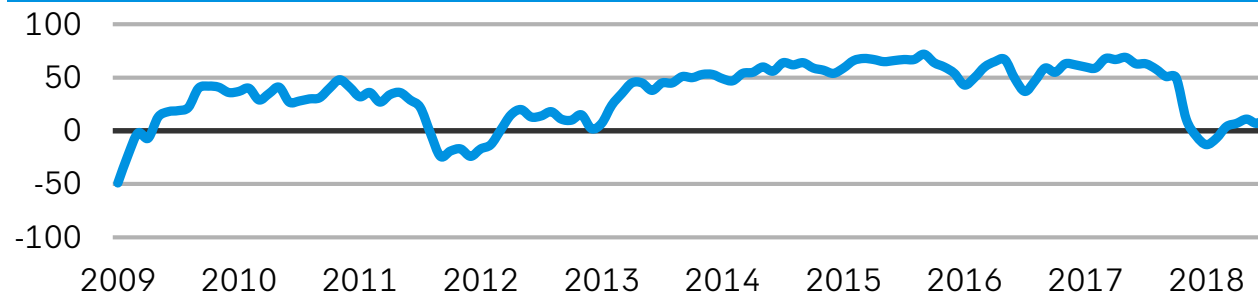
Growth rates in per cent	QoQ	YTD	Dec '15 – Jun '18
Corporates fx-adj (incl. Public admin)	1%	6%	12%
Households (incl. Housing co-ops)	2%	4%	12%
Real estate	2%	4%	15%

## Swedish House Price development\*



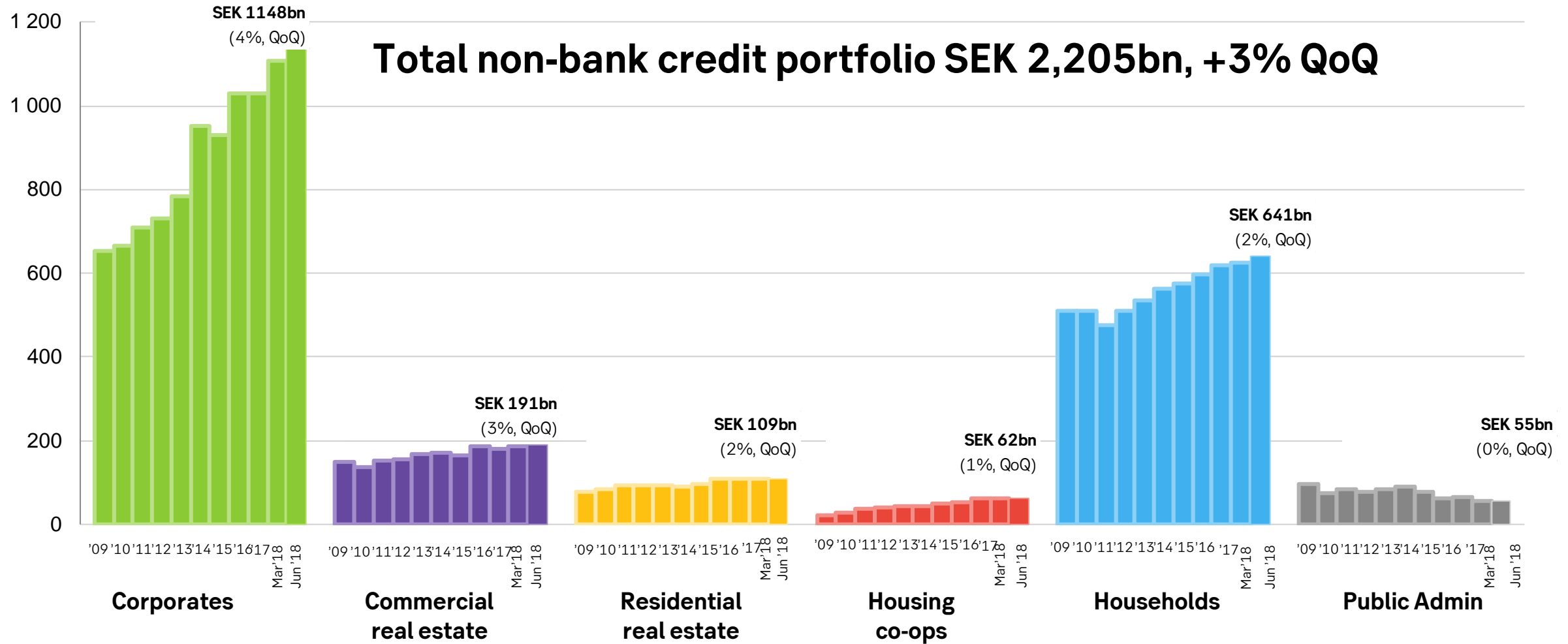
\* Valueguard, HOX index, Sweden

## SEB's "boprisindikator"



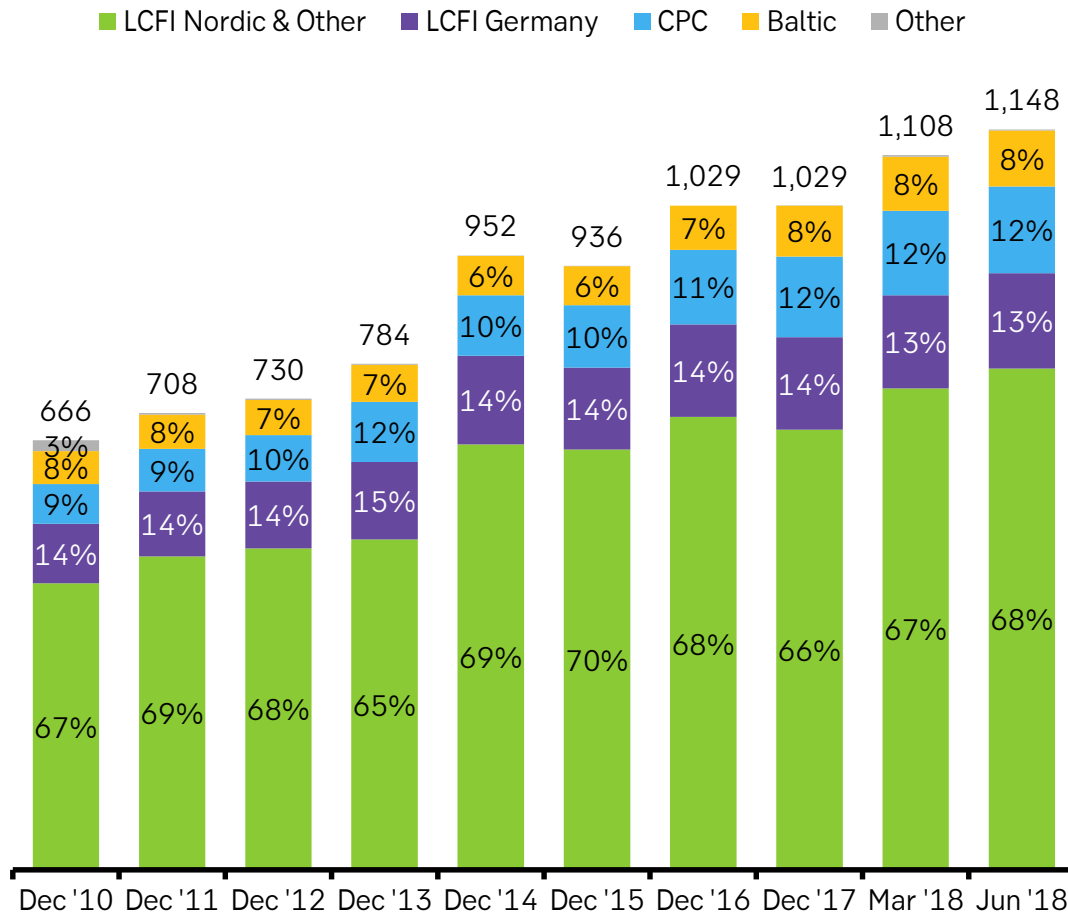
# Stable credit portfolio development

Credit portfolio by sector (SEK bn)



# Low actual on-balance sheet and diversified Large Corporate exposure render lower Credit Risk

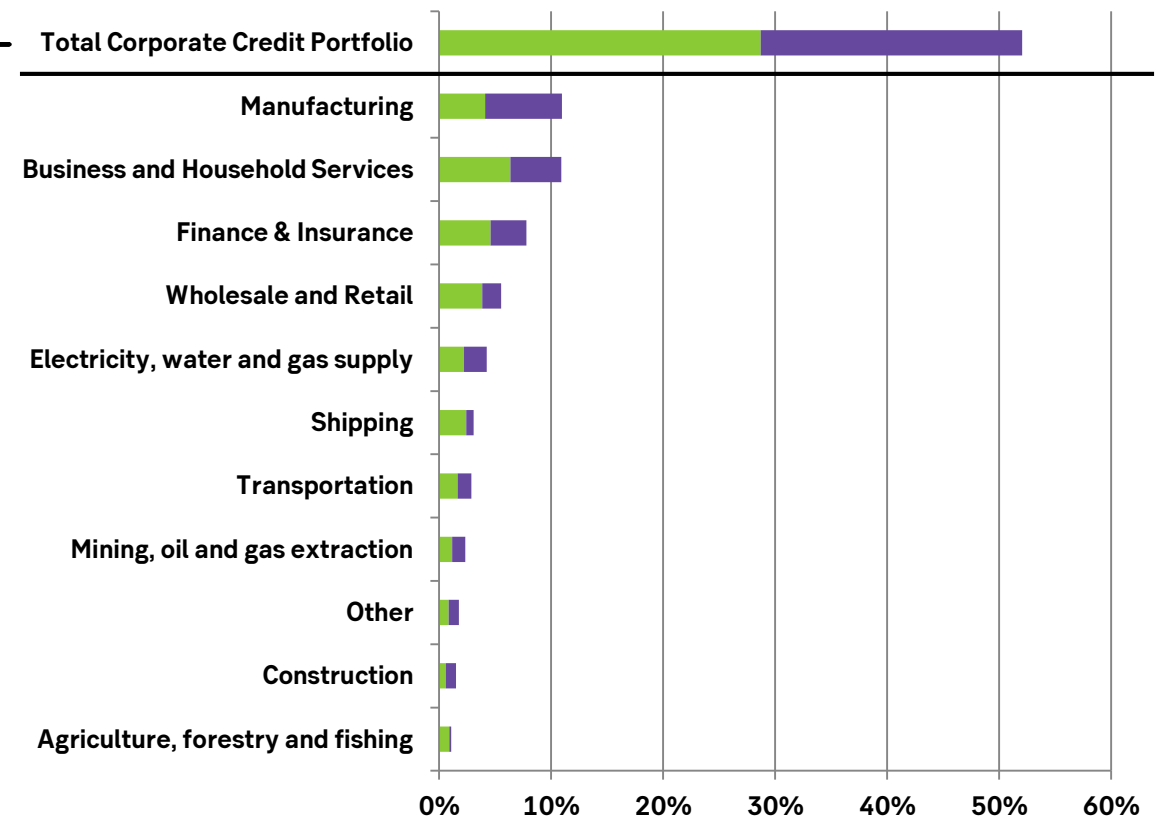
Total Corporate Credit Portfolio split by Business



Total Corporate Credit Portfolio by sector split into loans and other types of exposure

% of Total Credit Portfolio

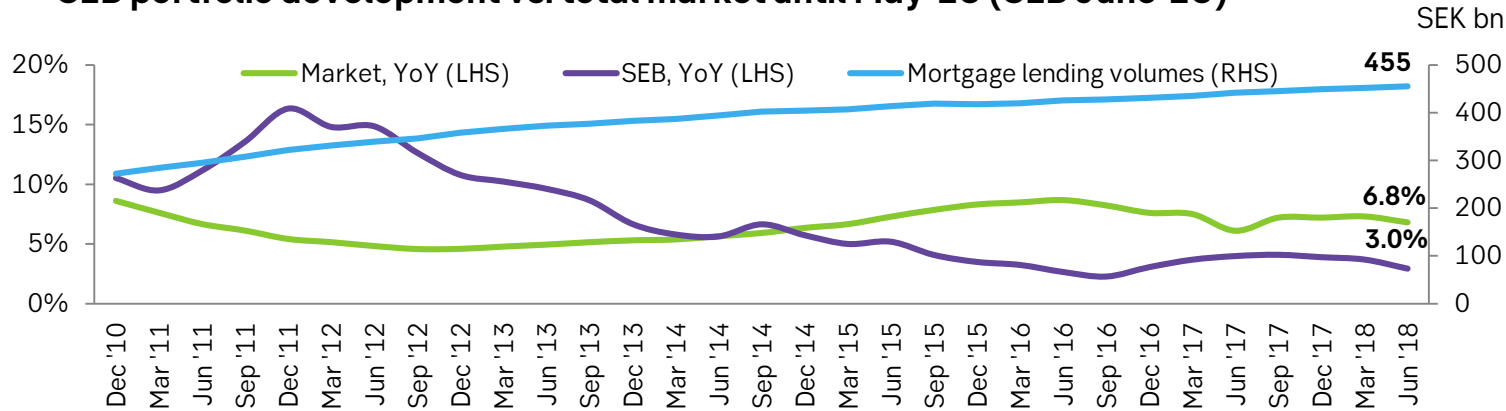
Loan portfolio (Green), Undrawn Commitments, guarantees and net derivatives (Purple)





# SEB's Swedish household mortgage lending

## SEB portfolio development vs. total market until May-18 (SEB June-18)



### Selective origination

- The mortgage product is the foundation of the client relationship
- SEB's customers have higher credit quality than the market average and are over-proportionally represented in higher income segments (Source: Swedish Credit Bureau ("UC AB"))
- Customers are concentrated to larger cities

### High asset performance

- Loan book continues to perform – loans past due >90 days 3bps

## Mortgage lending based on affordability

- Strict credit scoring and assessment
- The affordability assessment, funds left to live on after all fixed costs and taxes are considered, includes among other things:
  - A stressed interest rate scenario of 7% on personal debt
  - A stressed interest rate scenario of 3% on a housing co-op's debt which indirectly affects the private individual – "double leverage"
- LTVs between 70% and 85% amortized at least 2% a year and between 50% and 70 % at least 1 % a year – a regulatory requirement
- Max loan amount 5x total gross household income irrespective of LTV and no more than one payment remark on any kind of debt (information via national credit information agency ("UC"))
- Strengthened advisory services
- "Sell first and buy later"

## Low LTVs by regional and global standards

### Loan-to-value

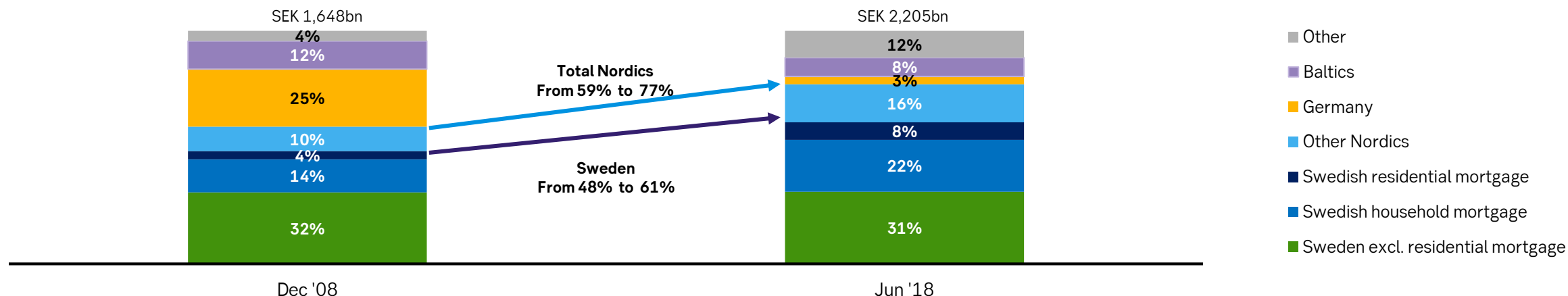
### Share of portfolio



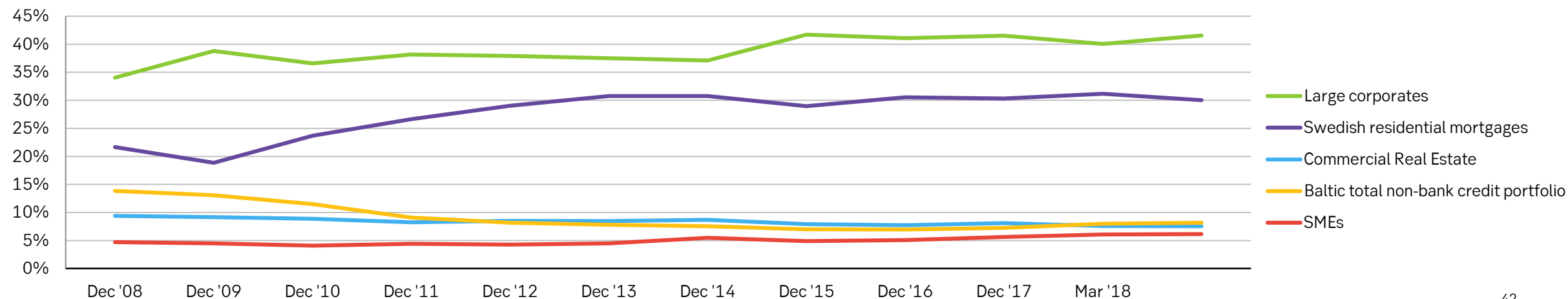
Weighted average LTV = 56%

# Increasing Nordic and low-risk exposure in Credit Portfolio\*

## Credit Portfolio geographic split development



## Development of business mix further strengthened by SEB's diversified and low-risk exposure



\*Total Credit Portfolio excl. banks (on and off balance sheet)

# Credit losses remain low

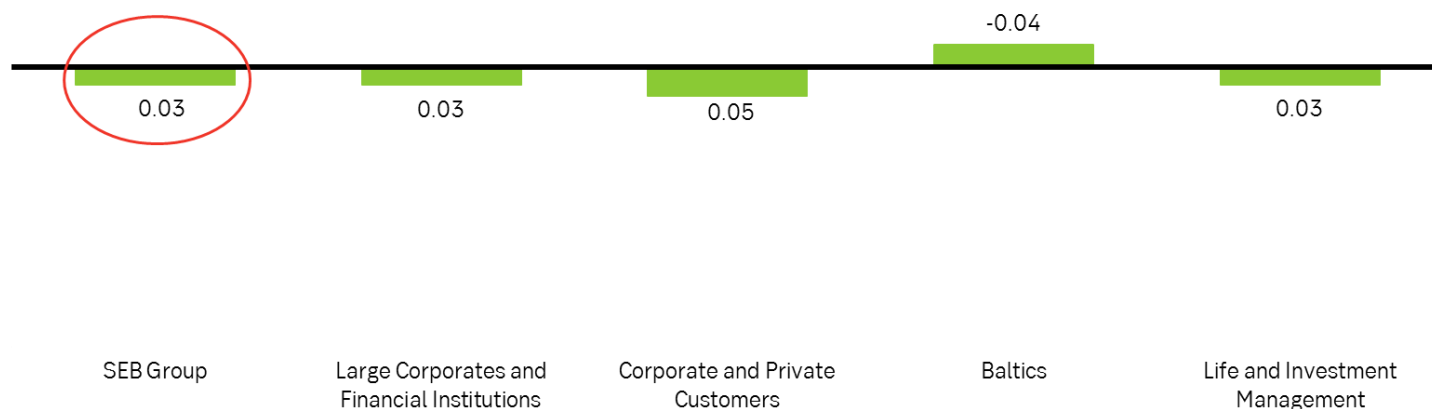
SEKm	Net credit losses IAS 39						Net ECL IFRS 9			
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	CLL 2017	Q1 2018	Q2 2018	YTD 2018	Net ECLL Jun '18
Large Corporates & Financial Institutions	-144	-155	-210	-20	-529	0.08%	-46	-110	-156	0.03%
Corporate & Private Customers	-81	-48	-86	-60	-276	0.04%	-87	-128	-215	0.05%
Baltics	19	-11	11	-25	-7	0.01%	17	17	34	-0.04%
Other <sup>1</sup>	2	0	1	0	4	-0.02%	7	1	8	-0.02%
Net credit losses	-204	-214	-284	-105	-808	0.05%	-109	-221	-330	0.03%

# Low credit loss level in all geographic areas

Annualised Accumulated, in %

## Net ECL level per division

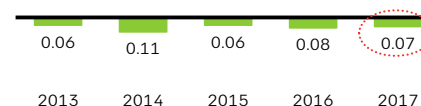
30 June 2018



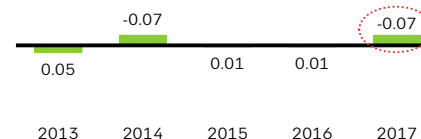
## IAS39 CLL per division

Before 31 Mar 2018

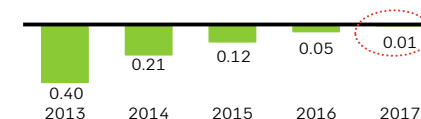
### Nordic countries, net credit losses in %



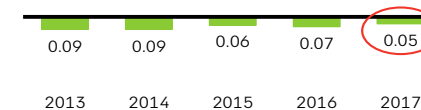
### Germany, net credit losses in %



### Baltic countries, net credit losses in %



### SEB Group, net credit losses in %



Negative credit loss level = reversal

\*Continuing operations \*\*Total operations

# Agenda



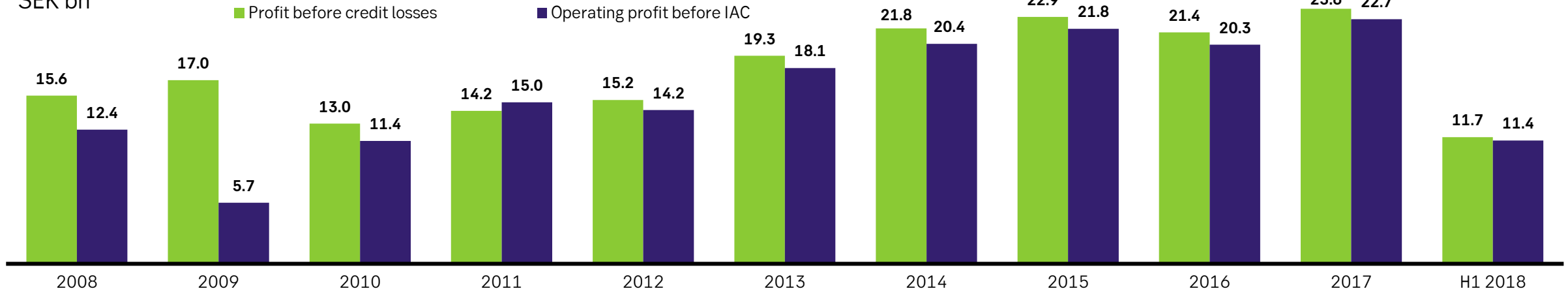
- SEB in brief p.3
- Financials p.15
- Balance sheet, Credit portfolio & Asset quality p.34
- **Capital p.44**
  - Funding and Liquidity p.51
  - Covered bonds and Cover pool p.57
  - Business plan p.61
  - Contacts, calendar and ADR p.66
  - Appendix p.69
    - Swedish housing market
    - Macroeconomics

# Sustained strong earnings and capital generation

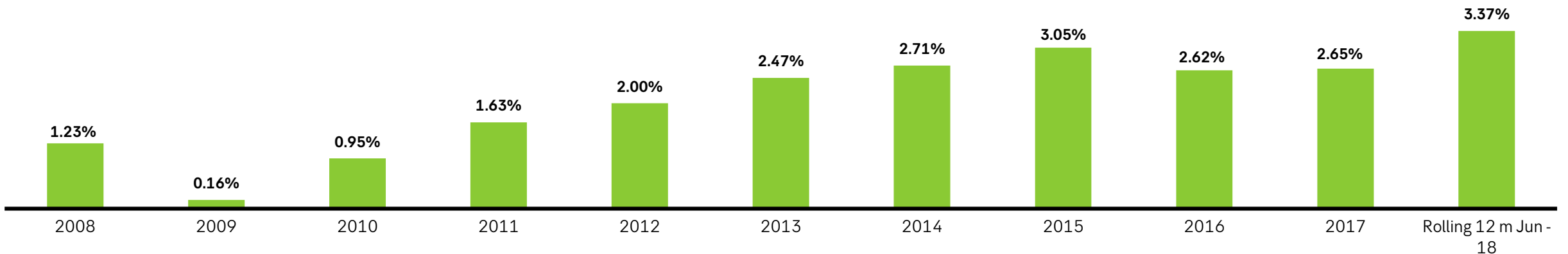
## Profitable throughout the Financial Crisis

## Sustained underlying profit

SEK bn



## Strong underlying capital generation, Net Profit /REA

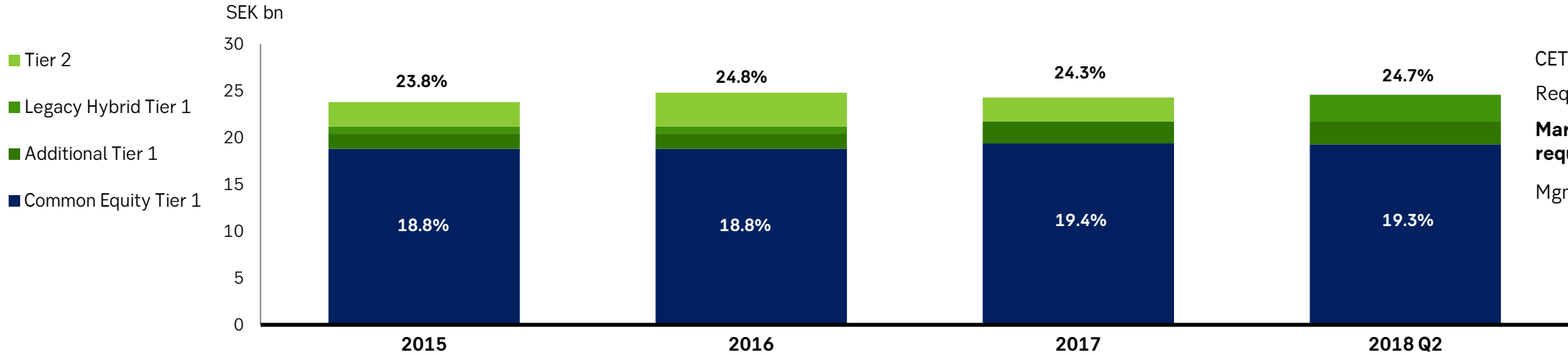


Note: REA = RWA 2008 – 2012 Basel II without transitional floor  
REA 2013 – 2018 Basel III fully implemented



# Strong capital base composition

## Basel III - Own Funds and Total capital ratio



CET1 Q2 2018 19.3%  
Requirement 16.7%  
**Margin above requirement 2.6%**  
Mgmt buffer ~1.5%

Common Equity Tier 1 ratio	18.8%	18.8%	19.4%	19.3%
Additional Tier 1 ratio	1.6%	1.6%	2.3%	2.4%
Legacy Tier 1 ratio	0.8%	0.8%	0 %	0 %
Tier 2 ratio	2.6%	3.6%	2.6%	2.9%
Leverage ratio	4.9%	5.1%	5.2%	4.7%
Risk Exposure Amount, SEKbn	571	610	611	637

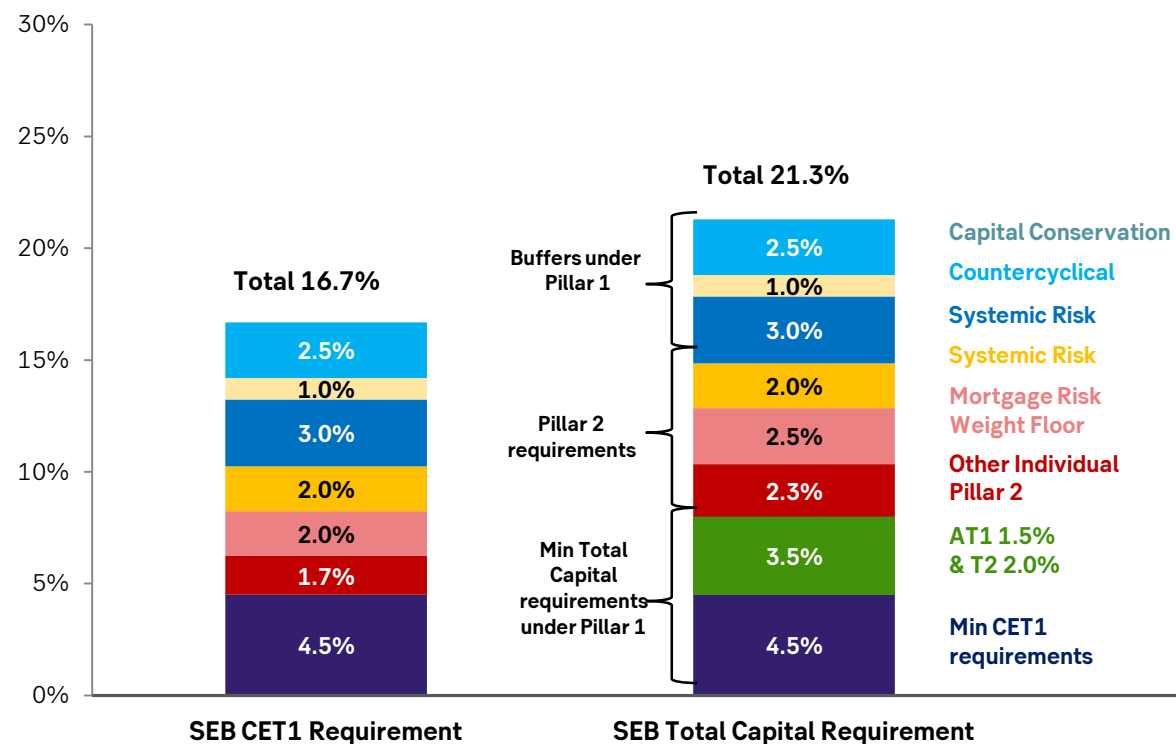
### REA increase Q2 18 vs. 2017 of SEK 26bn net was mainly due to:

- Increase due to Asset growth, FX movements and market risk exposures
- Decrease due to asset quality, IFRS 9 and transfer of liquidity portfolio to banking book

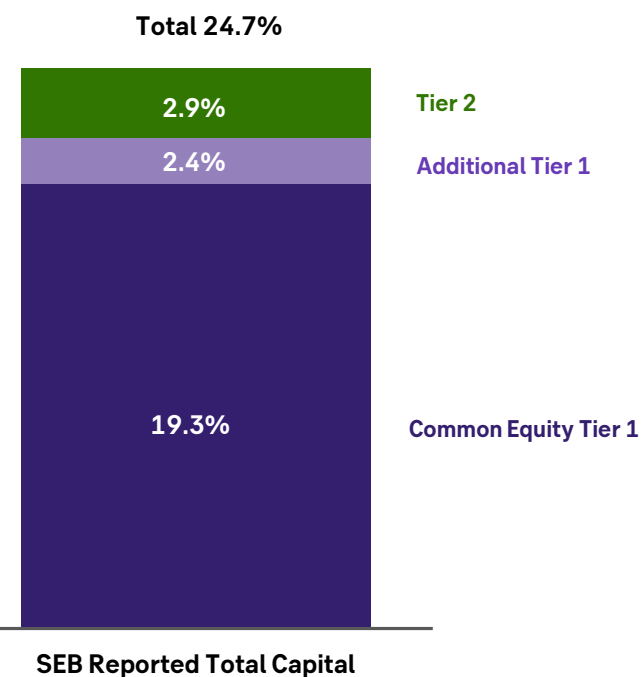
# SFSA's capital requirements and SEB's reported ratios

SEB's ratios exceed SFSA's risk-sensitive and high requirements, June 30, 2018

## Composition of SEB's CET 1 and Total Capital Requirements



## SEB's reported CET 1 ratio and Total Capital ratio composition



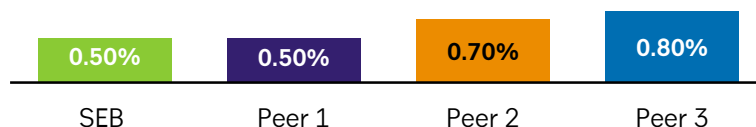
- SEB's CET1 ratio is 2.6% above the SFSA CET1 requirement as at June 2018 and 1.1% above targeted management buffer

# Well-managed Nordic, low-risk business and strong corporate culture render the lowest Pillar 2 capital requirements of Swedish peers

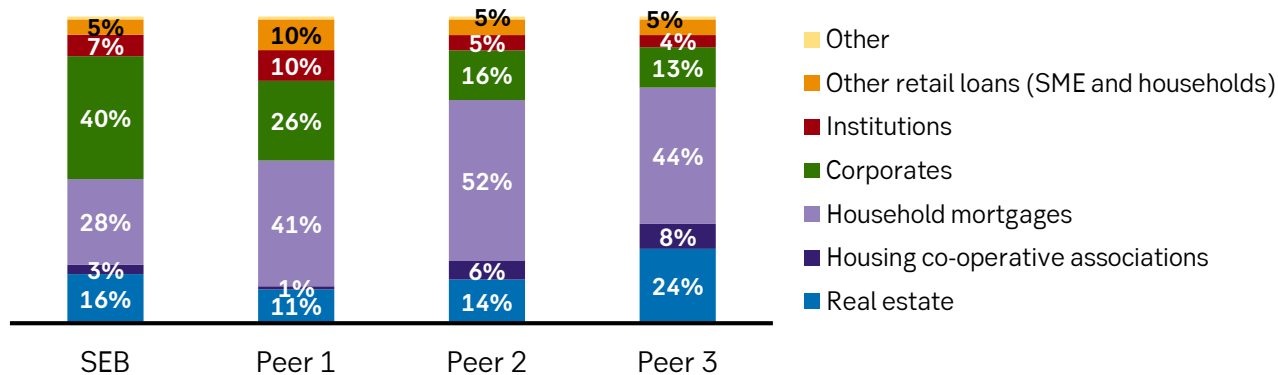
80% of SEB's credit portfolio is in Nordic countries<sup>1)</sup>



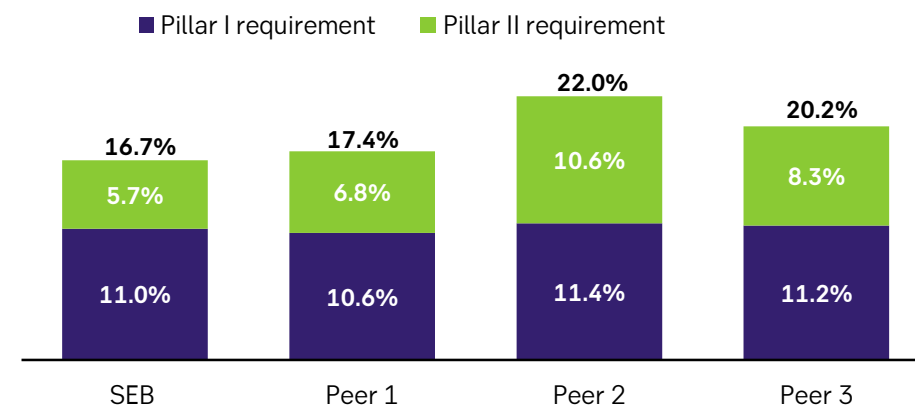
Low credit-related concentration risk <sup>2,3)</sup> (as percentage of total REA)



SEB has the lowest Real Estate & Mortgage Exposure (EAD)<sup>4)</sup>



SEB has the lowest Pillar 2 capital requirements<sup>3)</sup> of Swedish banks



1) As by 31 Dec 2017

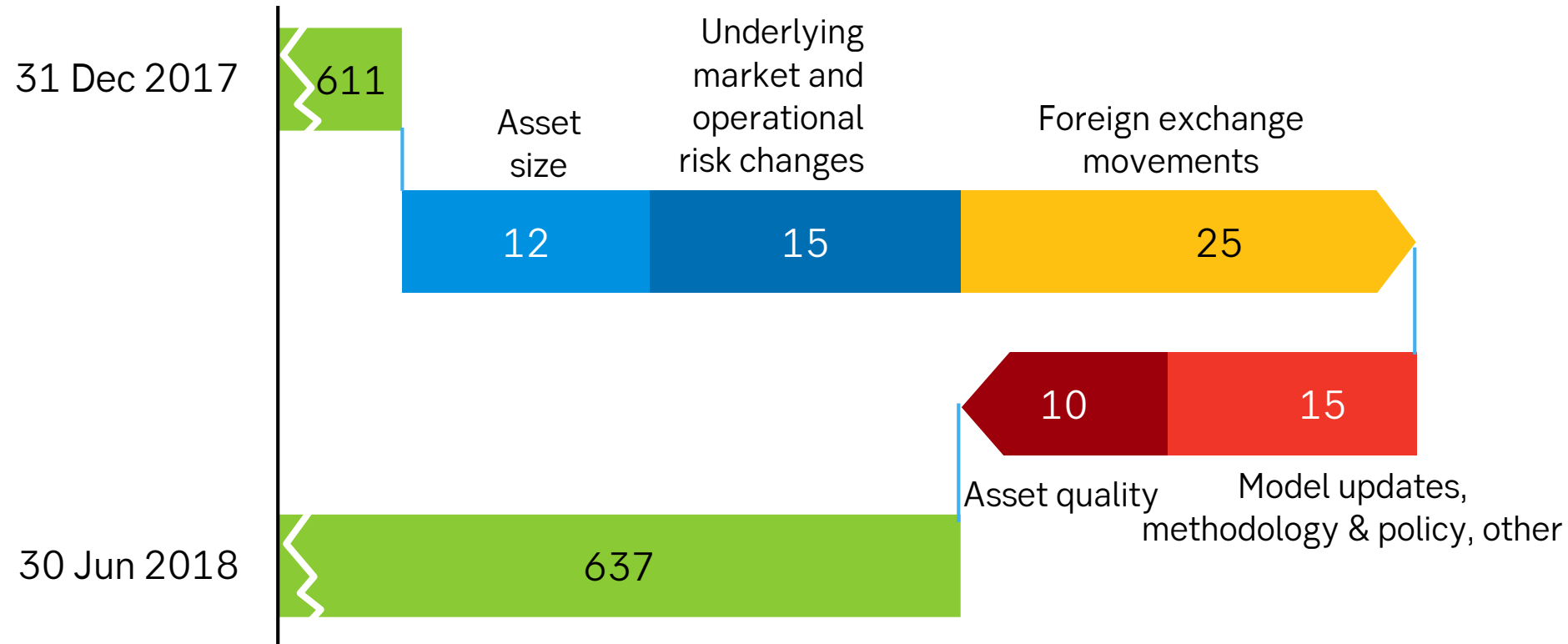
2) Including single name, geographical and industry concentration

3) As communicated with Q1 2018 result

4) EAD = Risk Exposure Amount / Risk Weight  
Source: Swedish peers' Pillar 3 reports, Finansinspektionen, by 31 Dec 2017

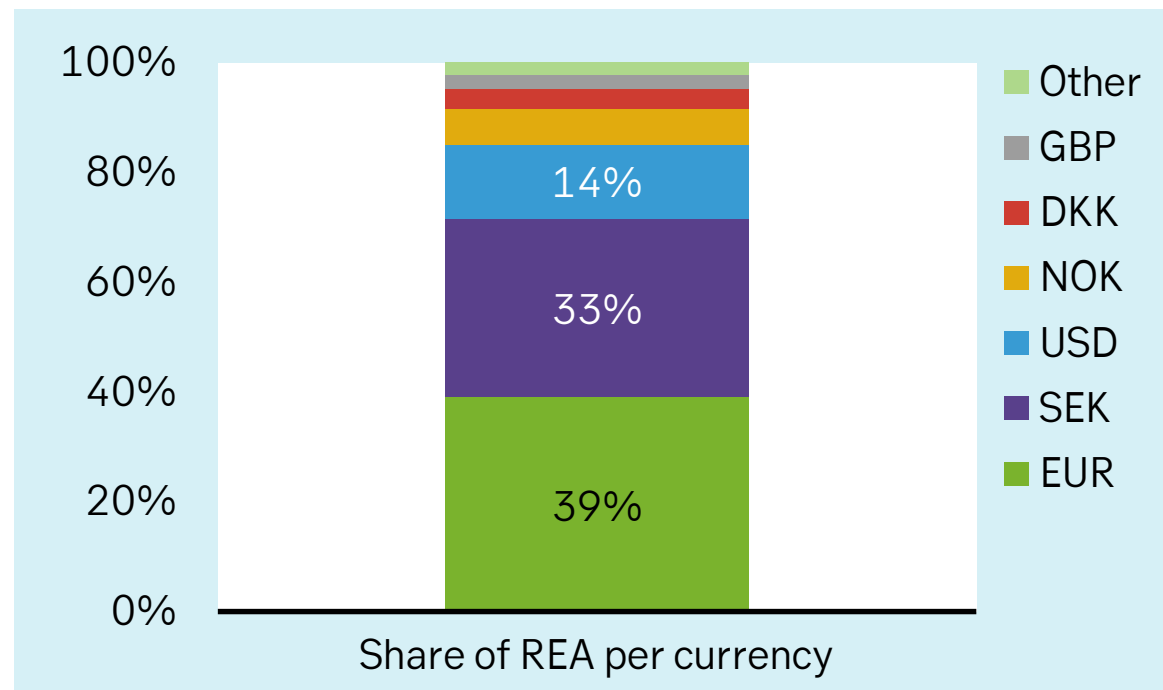
# Risk exposure amount quarterly development

SEB Group – Basel III, Dec 2017 – Jun 2018



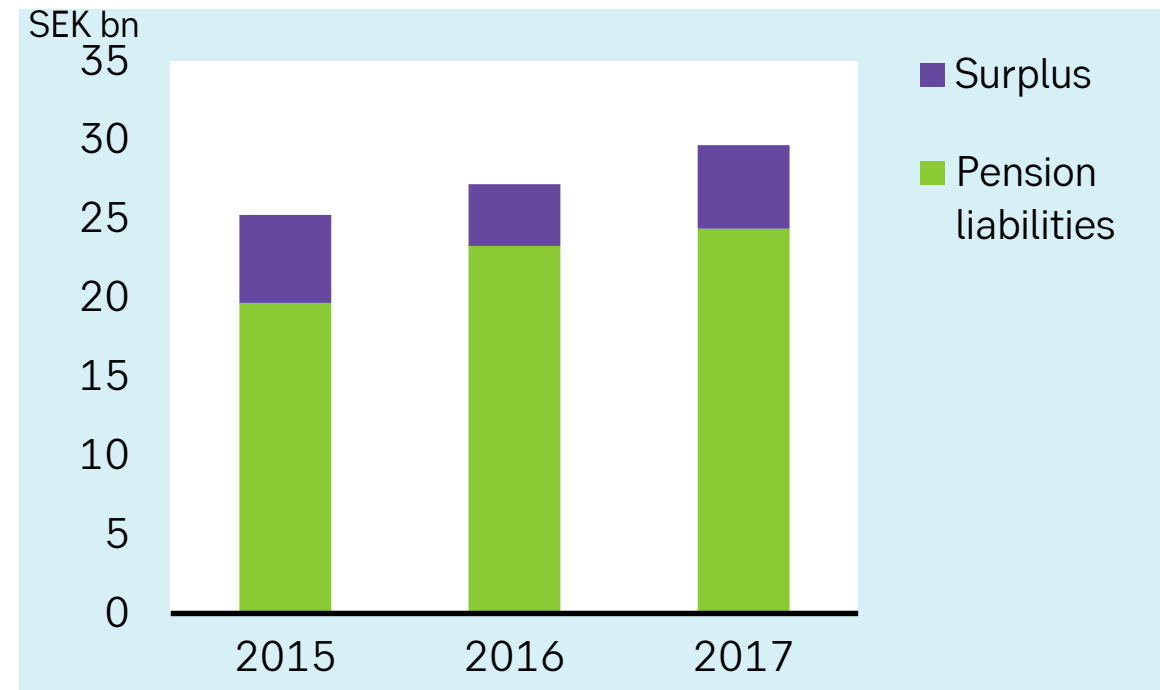
# Reasons for 150bps management buffer

## Sensitivity to currency fluctuations



±5% SEK  
impact 50bps CET1 ratio

## Sensitivity to surplus of Swedish pensions



-50 bps discount rate  
impact -50bps CET1 ratio

&  
general  
macro...

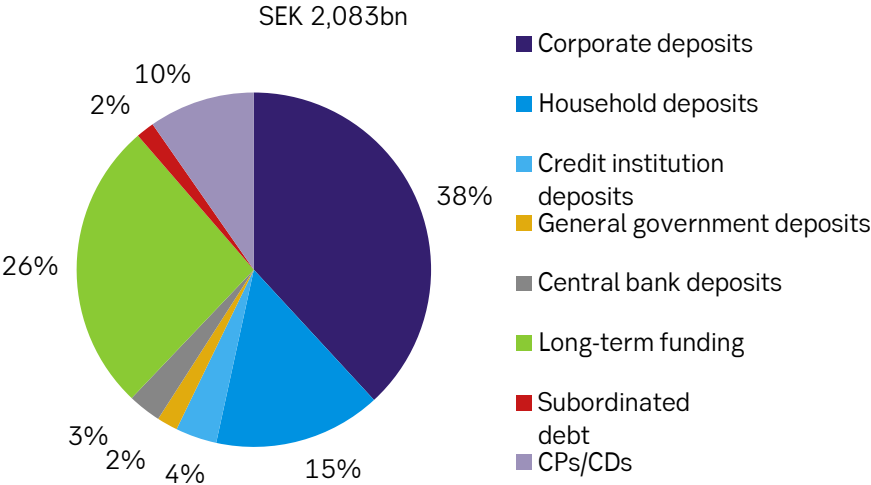
# Agenda



- SEB in brief p.3
- Financials p.15
- Balance sheet, Credit portfolio & Asset quality p.34
- Capital p.44
- **Funding and Liquidity** **p.51**
- Covered bonds and Cover pool p.57
- Business plan p.61
- Contacts, calendar and ADR p.66
- Appendix p.69
  - Swedish housing market
  - Macroeconomics

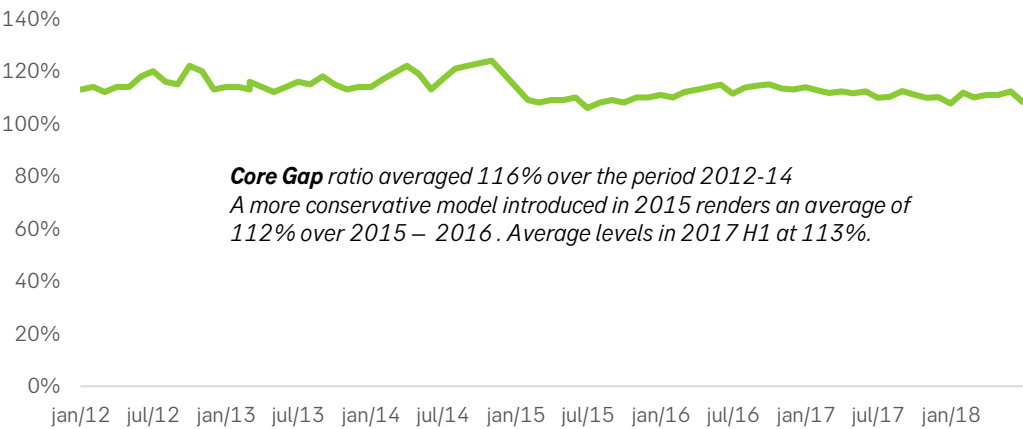
# Stable deposit base and structural funding position

## Wholesale funding represents 38% of the funding base



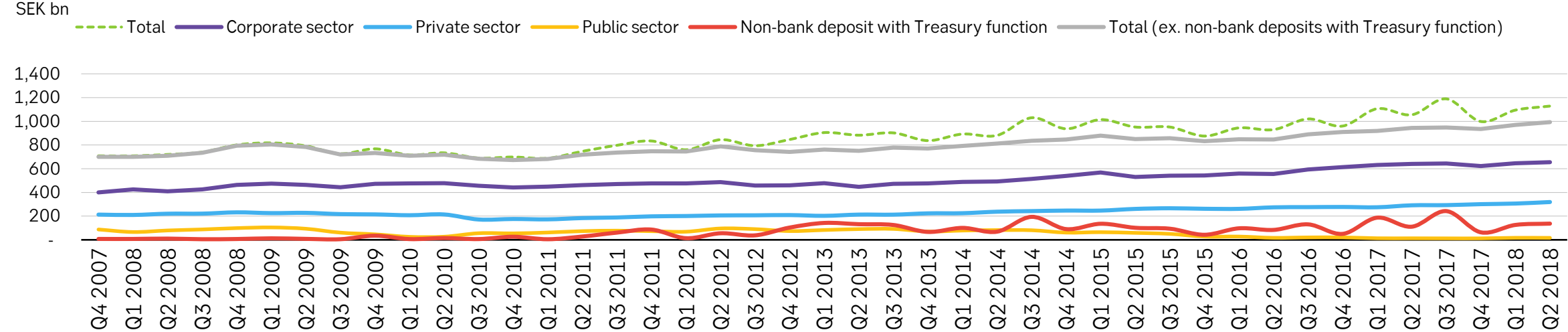
**Note:** Excluding repos and public covered bonds issued by the German subsidiary which are in a run-off mode

## Stable and strong structural funding position, Core Gap Ratio



**Core Gap** is the amount of funding in excess of one year in relation to assets with a maturity of more than one year based on internal behavioural modelling

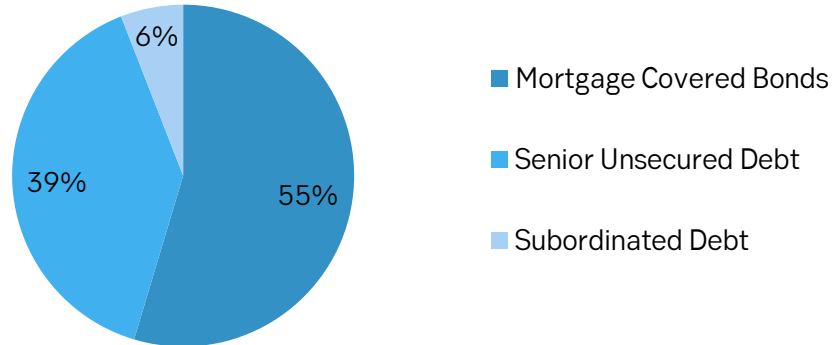
## Stable development of deposits from corporate sector and private individuals





# Well-balanced long-term funding structure

## Long-term wholesale funding mix



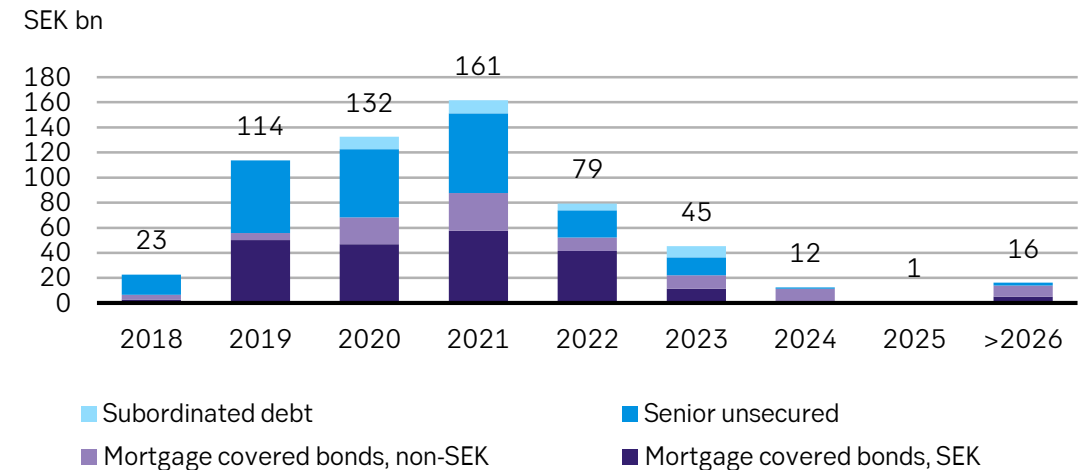
## Issuance of bonds SEK bn

Instrument	2015	2016	2017	2018
Covered bonds	55	62	55	39
Senior unsecured	40	74	20	31
Subordinated debt	0	8	5	0
<b>Total</b>	<b>95</b>	<b>145</b>	<b>80</b>	<b>70</b>

## Strong Credit Ratings

Rating Institute	Short term	"Stand-alone rating"	Long term	Uplift	Outlook
S&P	A-1	a	A+	1*	Stable
Moody's	P-1	a3	Aa3	3*	Stable
Fitch	F1+	aa-	AA-	0	Stable

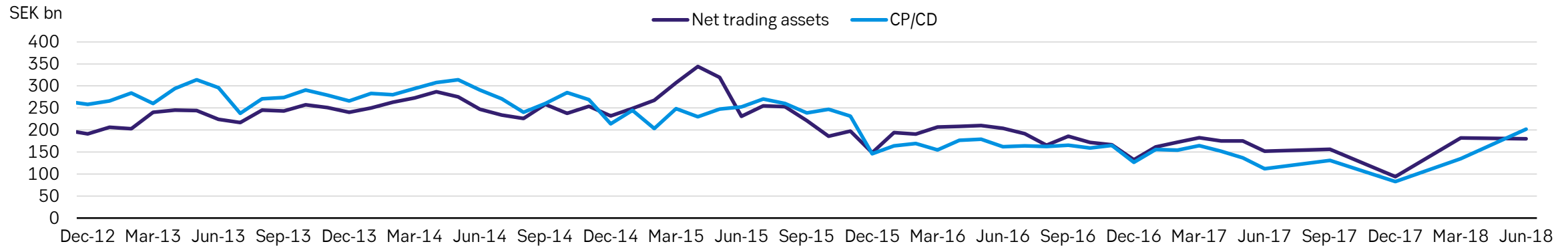
## Maturity profile



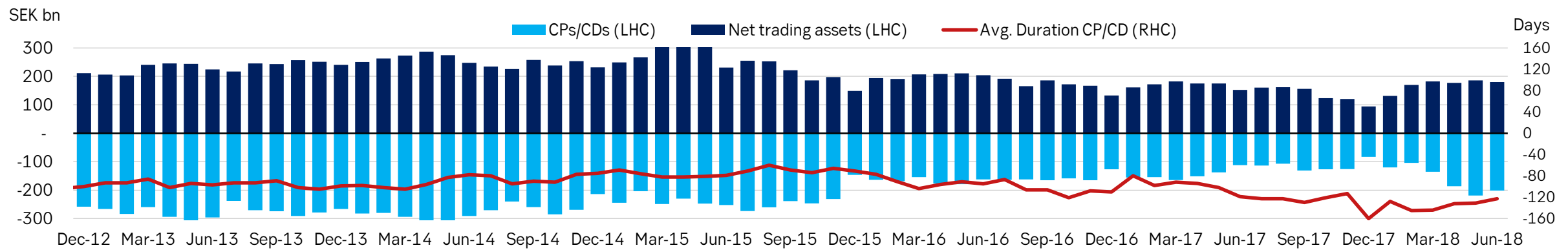
\* of which one notch is due to the implicit state support

# CP/CD funding supports client facilitation business

## Volumes - Net Trading Assets<sup>1</sup> adaptable to CP/CD funding access



## Duration - CP/CD fund net trading assets with considerably shorter duration

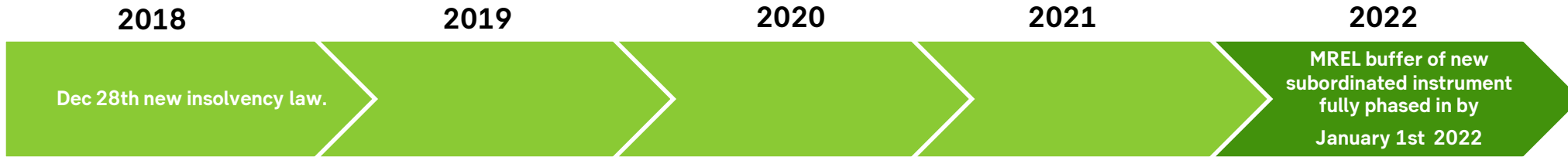


1) Net Trading Assets = Net of repoable bonds, equities and repos for client facilitation purposes

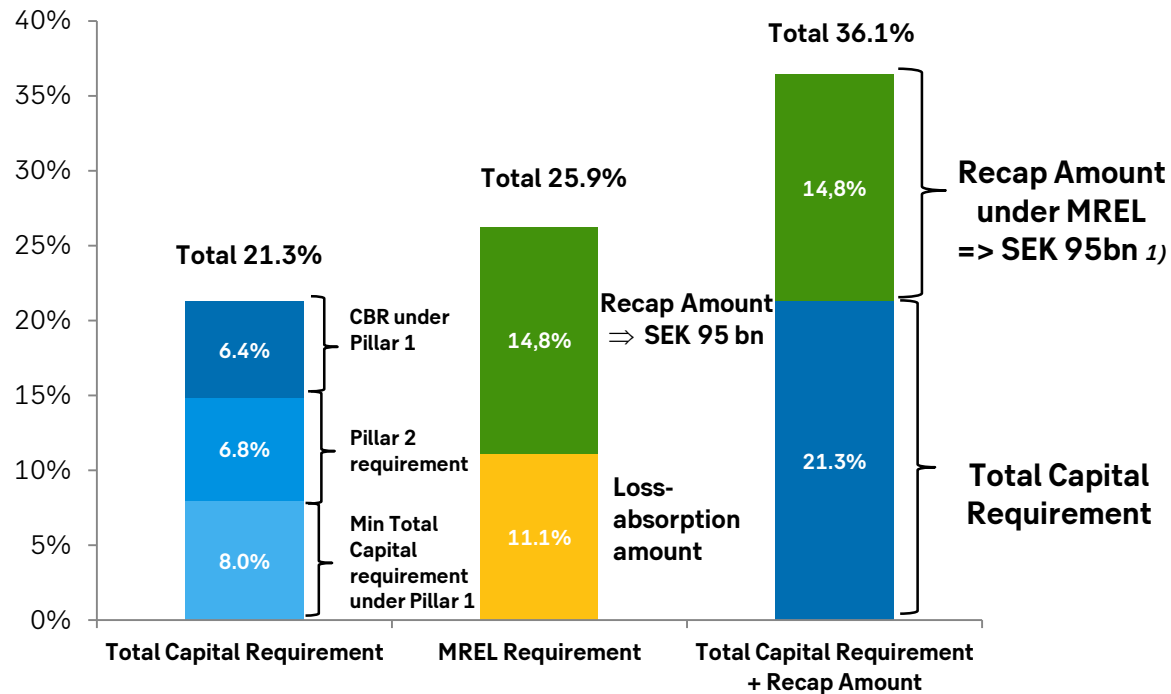
# Modest need for non-preferred senior debt

Current introduction of Swedish MREL

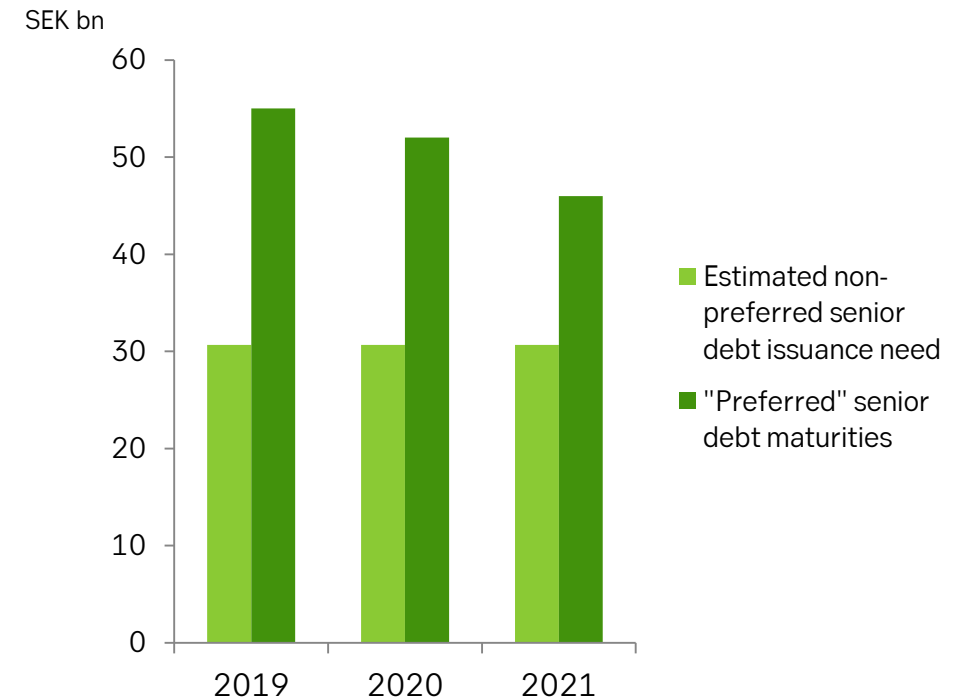
## Estimated phasing-in period of non-preferred senior debt



## SEB Total capital and non-preferred senior debt requirement



## "Preferred" senior debt maturities clearly exceed Non-preferred senior debt issuance needs

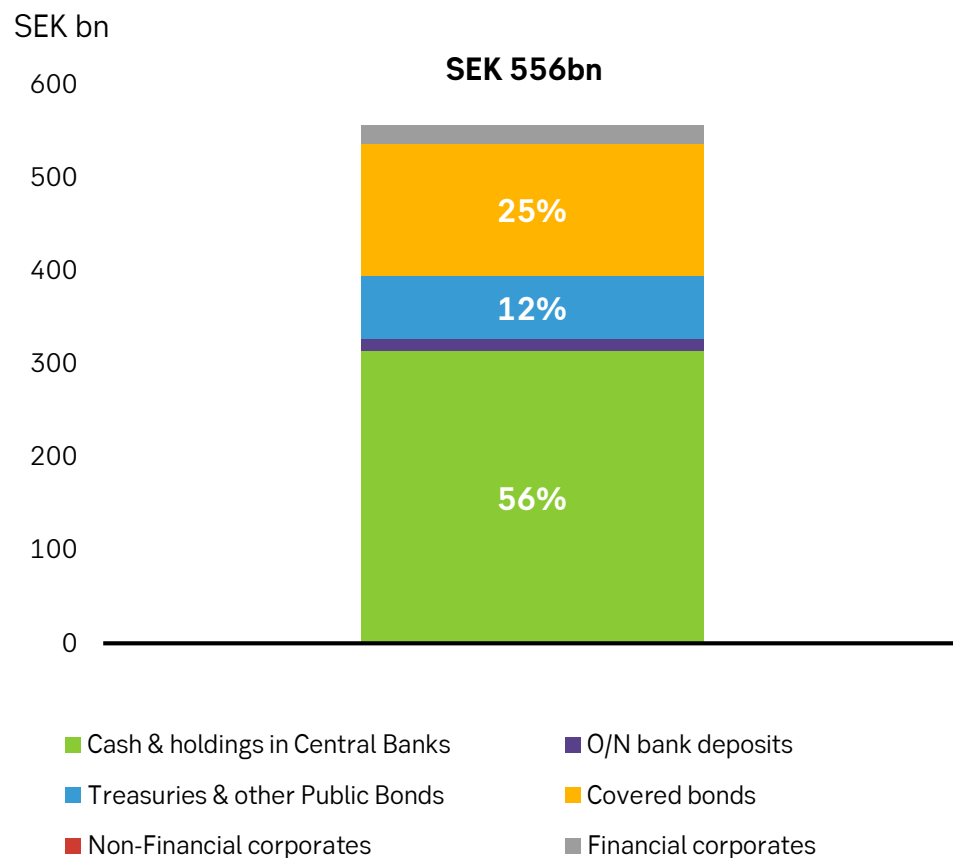


1) Recap amount based on capital requirements at June 30, 2018.

2) Issuance volume recap amount phased in over a 3 year period

# Strong liquidity and maturing funding position

**SEB's Liquidity Reserve\* Q2-2018 is 185% of wholesale funding maturities within 1 year\*\***

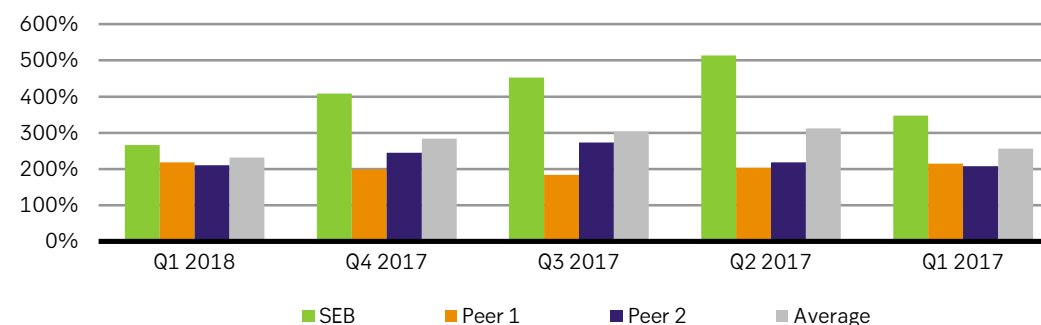


\* Definition of Core Liquidity Reserve according to Swedish Bankers' Association

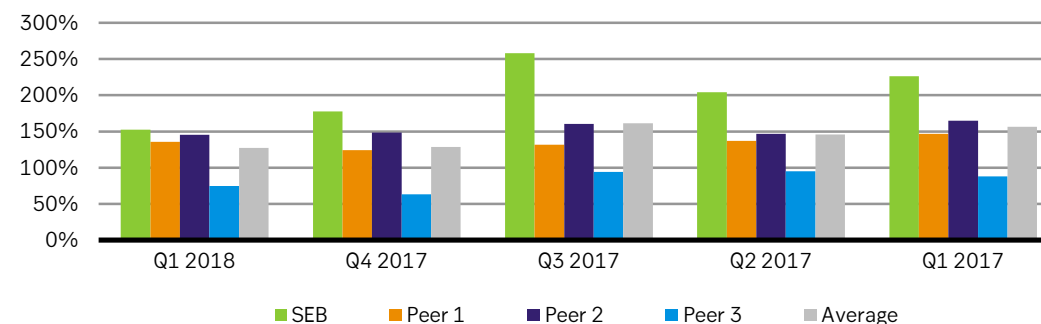
\*\*excluding sub debt with call date within a year

**Maturing Funding ratio 3m and 12m, Peer benchmarking**

Development 3m funding ratio



Development 12m funding ratio



**Definition:** Liquid Assets <sup>1)</sup> / (Maturing Wholesale Funding within 3/12m + Net interbank borrowing within 3/12m)

1) Liquid assets defined as on balance sheet cash and balances with central banks + securities (bonds and equities) net of short positions

Source : Fact Book of SEB and the three other major Swedish banks. One peer does not disclose the 3m ratio

# Agenda



COVERED BOND  
- L A B E L -

SEB



- SEB in brief p.3
- Financials p.15
- Balance sheet, Credit portfolio & Asset quality p.34
- Capital p.44
- Funding and Liquidity p.51
- **Covered bonds and Cover pool p.57**
- Business plan p.62
- Contacts, calendar and ADR p.66
- Appendix p.69
  - Swedish housing market
  - Macroeconomics

# Only Swedish residential mortgages in SEB's cover pool

## Cover Pool and Covered Bonds

### Highlights

- ❑ Only Swedish Residential Mortgages in the Cover Pool, which historically have had very low credit losses
- ❑ SEB's Cover Pool is more concentrated towards Single family and Tenant owned apartments, which generally have somewhat higher LTVs
- ❑ The Cover Pool is on the parent bank's balance sheet contrary to SEB's major Swedish peers
  - All eligible Swedish residential mortgages are directly booked in the Cover Pool on origination , i.e. no cherry picking of mortgages from balance sheet to Cover Pool
  - Covered Bonds are issued out of the parent bank and investors have full and dual recourse to the parent bank's assets as well as secured exposure to the Cover Pool
- ❑ SEB runs a high OC level – as of Jun 2018 at 71%

### Covered Bonds

		Q2 2018	Q4 2017	Q4 2016	Q4 2015
Total outstanding covered bonds (SEK bn)		311	324	314	311
Rating of the covered bond programme		Aaa Moody's	Aaa Moody's	Aaa Moody's	Aaa Moody's
FX distribution	SEK	70%	69%	71%	72%
	non-SEK	30%	31%	29%	28%

### Cover Pool

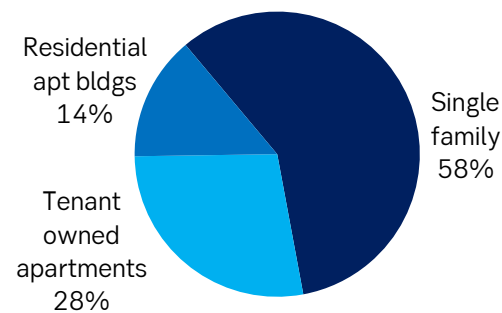
	Q2 2018	Q4 2017	Q4 2016	Q4 2015
Total residential mortgage assets (SEK bn)	530	525	510	483
Weighted average LTV (property level)	52%	51%	50%	57%
Number of loans (thousand)	718	717	711	697
Number of borrowers (thousand)	422	423	424	427
Weighted average loan balance (SEK thousand)	738	732	718	693
Substitute assets (SEK thousand)	0	0	0	0
Loans past due 60 days (basis points)	1	5	4	4
Net credit losses (basis points)	0	0	0	0
Over-Collateralization level	71%	62%	63%	55%

# SEBs mortgage lending is predominantly in the three largest and fastest growing cities with an interest rate reset date within two years

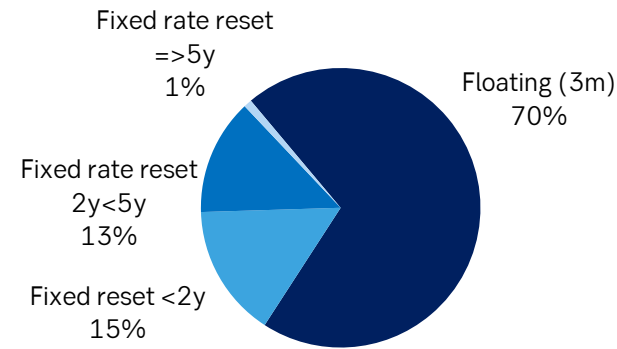


Cover Pool

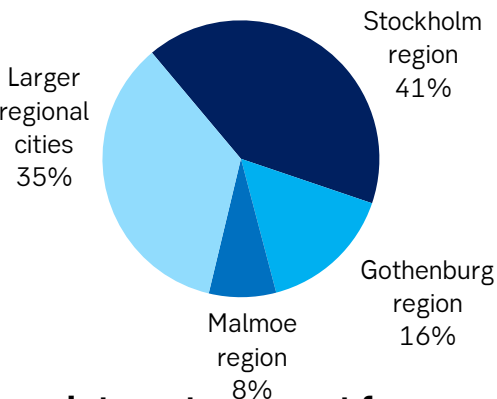
Type of loans



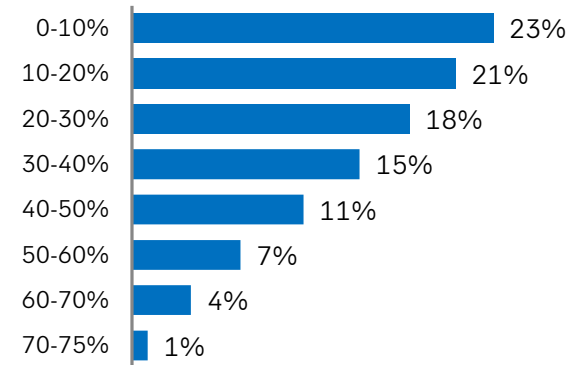
Interest rate type



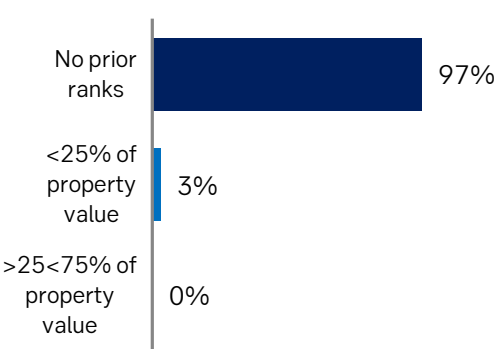
Geographical distribution



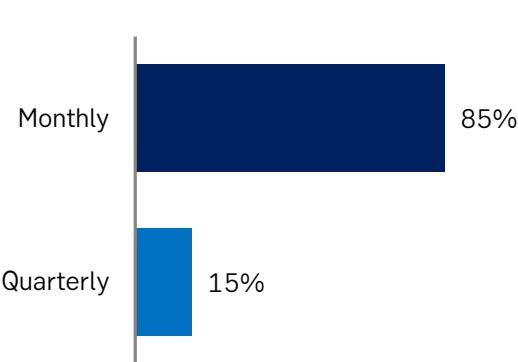
LTV distribution by volume in % of the Cover Pool



Prior ranking loans



Interest payment frequency



NOTE: Distribution in different LTV buckets based on exact order of priority for the individual mortgage deeds according to the Association of Swedish Covered Bond Issuers ([www.asbc.se](http://www.asbc.se))



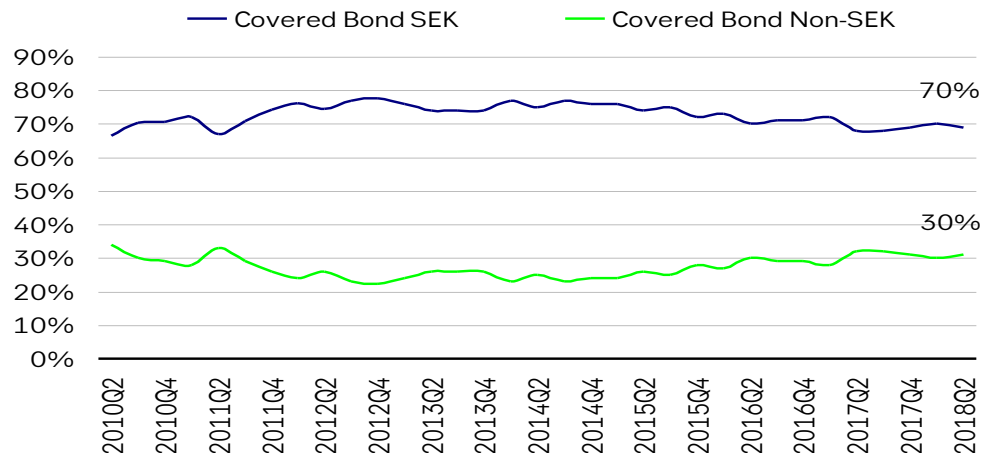
# Profile of outstanding covered bonds

## Covered Bonds

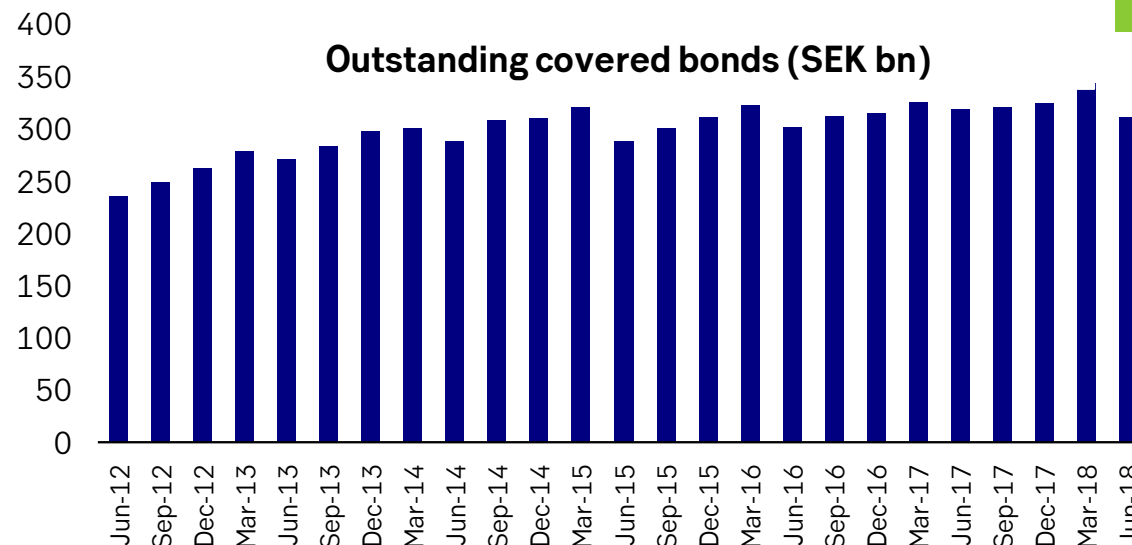
### SEB Swedish Mortgage Covered Bonds

Moody's Rating	Aaa
Total outstanding	SEK 311bn
FX distribution	SEK 70%
	non-SEK 30%
Benchmark	Benchmark 91 %
	Non Benchmark 9 %

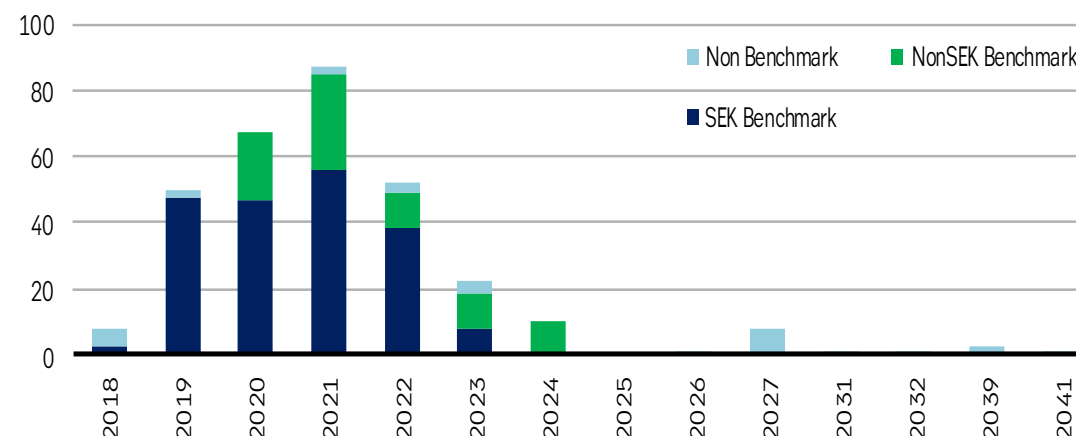
### Currency mix



### Outstanding covered bonds (SEK bn)



### Maturity profile (SEK bn)



# Agenda



- SEB in brief p.3
- Financials p.15
- Balance sheet, Credit portfolio & Asset quality p.34
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- Appendix p.69
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  - Macroeconomics

# Business plan focus on growth & transformation



**Full focus on Swedish businesses**



**Continue to grow in the Nordics and Germany**



**Savings & pension growth**



**World-class service**



**Digitalisation**



**Continuous learning & Competence**





# Some core beliefs about the future

Customers expect services to be **smarter, faster, safer** and at their terms



Anything that can be **automated** will be automated

Long term relationships are built on **trust** and **valuable** data driven **advice**



**People** is at the core of everything we do, and the determinant for success

**Sustainability** will be key for customers, employees and other stakeholders







Reinvigorate  
**Growth**



Accelerate  
**Transformation**





The journey towards...

...**world-class service**  
to our customers  
continues



# Agenda



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# Investing in Skandinaviska Enskilda Banken AB (Publ.)

- Investors are in a position to hold SEB ordinary shares through a sponsored Level 1 ADR Program
- SEB's ADRs trade on the over-the-counter (OTC) market in the US
- One (1) SEB ADR represents one (1) SEB ordinary share
- SEB's ADRs can be issued and cancelled through Citibank N.A., SEB's Depositary Bank

## Skandinaviska Enskilda Banken's ADR Program

Symbol	SKVKY
ADR : Ordinary Share Ratio	1:1
ADR ISIN	US8305053014
Sedol	4813345
Depositary Bank	Citibank N.A.
Trading Platform	OTC
Country	Sweden

### **Key Broker Contact Details at Citibank N.A., as Depositary Bank for SEB:**

Telephone: New York: +1 212 723 5435

London: +44 (0) 207 500 2030

E-mail: [citiadr@citi.com](mailto:citiadr@citi.com)

Website: [www.citi.com/dr](http://www.citi.com/dr)

# IR contacts and calendar



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Head of Investor Relations

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Meeting requests and road  
shows etc.

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E-mail:  
[per.andersson@seb.se](mailto:per.andersson@seb.se)

## Financial calendar 2018

**25 October** Interim Report January-September 2018

- The silent period starts 8 October
- Financial calendar for 2019 released in conjunction with the Jan – Sept Interim Report

# Agenda

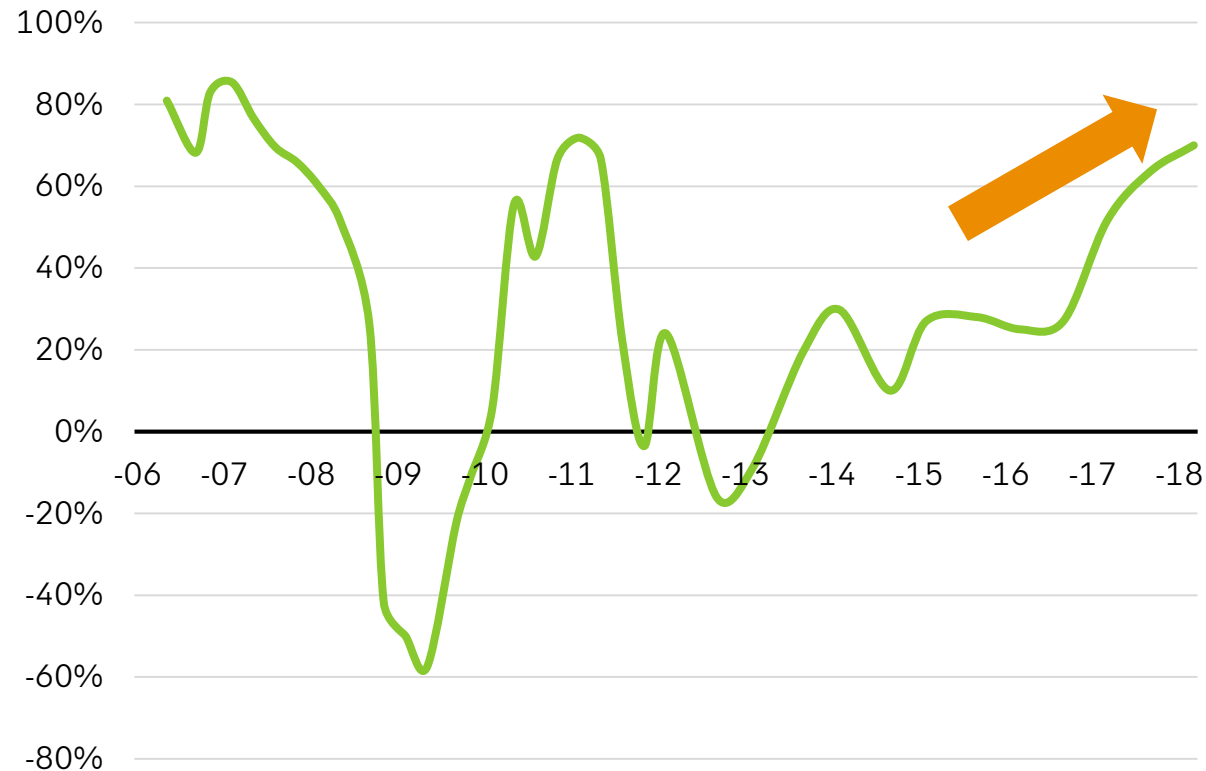


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  - Macroeconomics

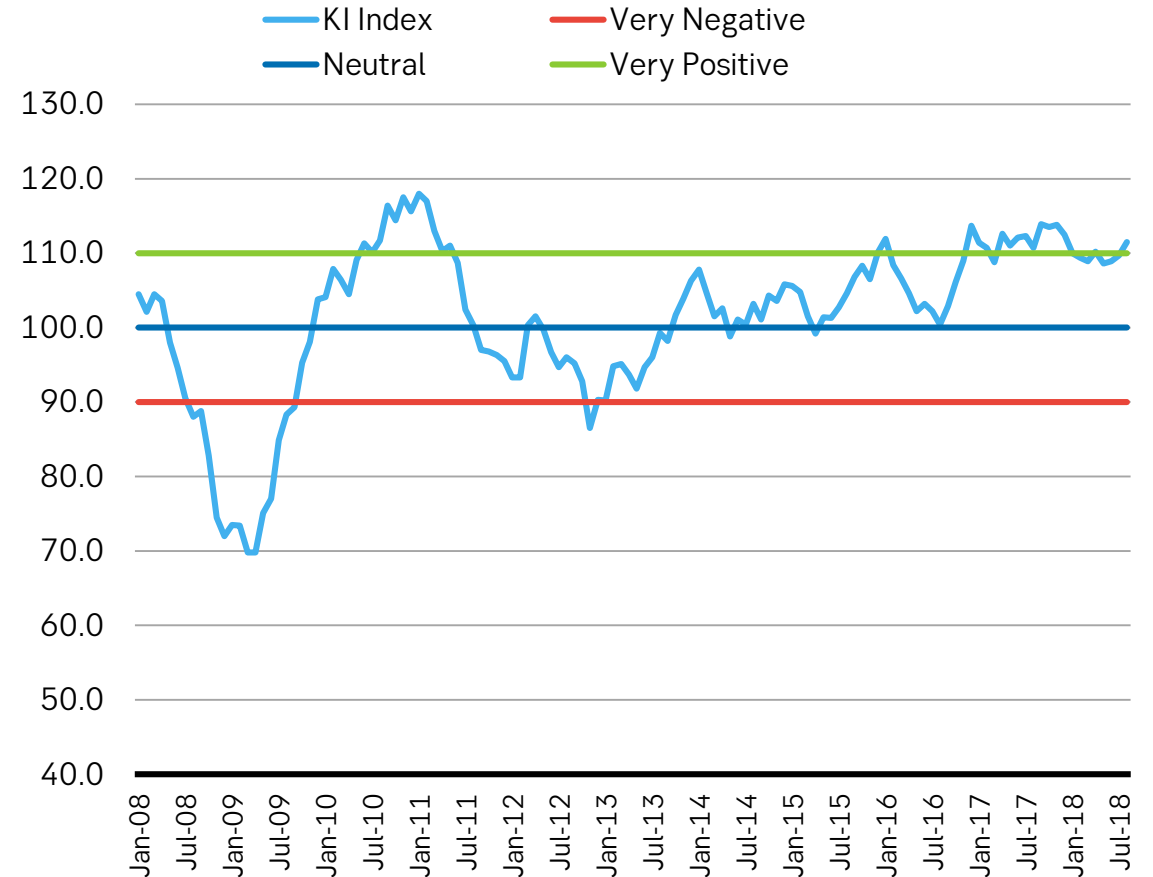
# Business conditions improving in Sweden

## Deloitte/SEB Swedish CFO Survey

– The latest survey was published in May 2018,  
Business conditions (net balance)



## Swedish Business Confidence, KI index, Aug 18



# Swedish housing market

## – Characteristics and prices

### Svensk Mäklarstatistik – June 2018, per cent

	Single family homes		Apartments	
Area	3m	12m	3m	12m
Sweden	+2	0	0	-6
Greater Stockholm	-1	-7	-1	-9
Central Stockholm			0	-8
Greater Gothenburg	0	-3	+2	-3
Greater Malmoe	+2	+1	0	-3

### Valueguard – Jun 2018, per cent

	Single family homes		Apartments	
Area	3m	12m	3m	12m
Sweden	+0.3	-2.4	+0.7	-6.7
Stockholm	-1.7	-7.3	+1.2	-7.7
Gothenburg	+1.5	-1.8	+1.6	-4.8
Malmoe	+1.7	+1.4	+1.4	-3.2














HOX Sweden +0.5% 3m, -4.1% 12m

## Characteristics of Swedish mortgage market

- No buy-to-let market
- No third party loan origination
- All mortgages on balance sheet (no securitisation)
- Strictly regulated rental market
- State of the art credit information (UC)
- Very limited debt forgiveness
- Strong social security and unemployment scheme
- Strong household income



# Global GDP growth forecasts as of May 2018

GDP, YoY % change		2016	2017	2018E	2019E
US		1.5	2.3	2.8	2.5
China		6.7	6.9	6.6	6.2
Japan		-0.3	0.5	1.0	1.3
Euro zone		1.8	2.4	2.4	2.3
Germany		1.9	2.2	2.4	2.1
UK		1.9	1.8	1.2	1.6
OECD		1.8	2.4	2.5	2.2
World		3.2	3.8	4.0	3.9
Sweden		3.2	2.4	2.6	2.2
Norway		1.1	1.9	2.0	2.3
Denmark		2.0	2.2	2.2	2.3
Finland		2.12	2.6	2.5	2.4
Baltics		2.2	4.3	3.4	3.1

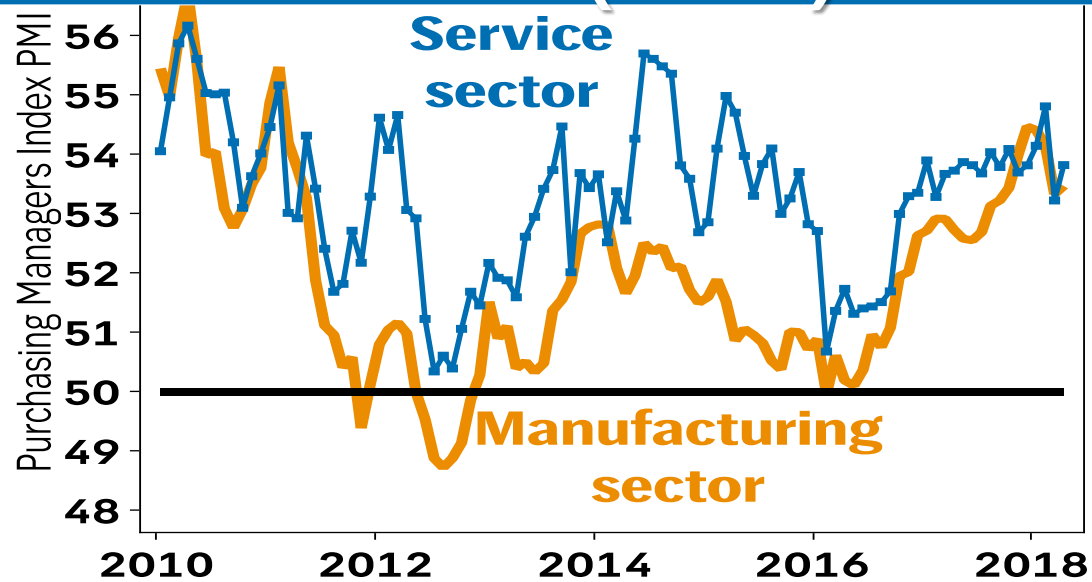
Source: Nordic Outlook May 2018



# Globally: Optimism, despite hesitant start to the year

May the (growth) force be with us...

## Global purchasing managers' indices (PMIs)



GDP	2016	2017	2018	2019
	3.2%	3.9%	4.0%	3.9%

Crucial for future global growth

### Political analysis

Brexit, EU 2025, Korea, Trump, trade wars, Iran/Middle East...

### Cyclical growth forces

“This time is different” – can we make a soft landing?



# Euro zone: Only a temporary dip in growth

Economic tailwind stronger than trade/euro appreciation worries

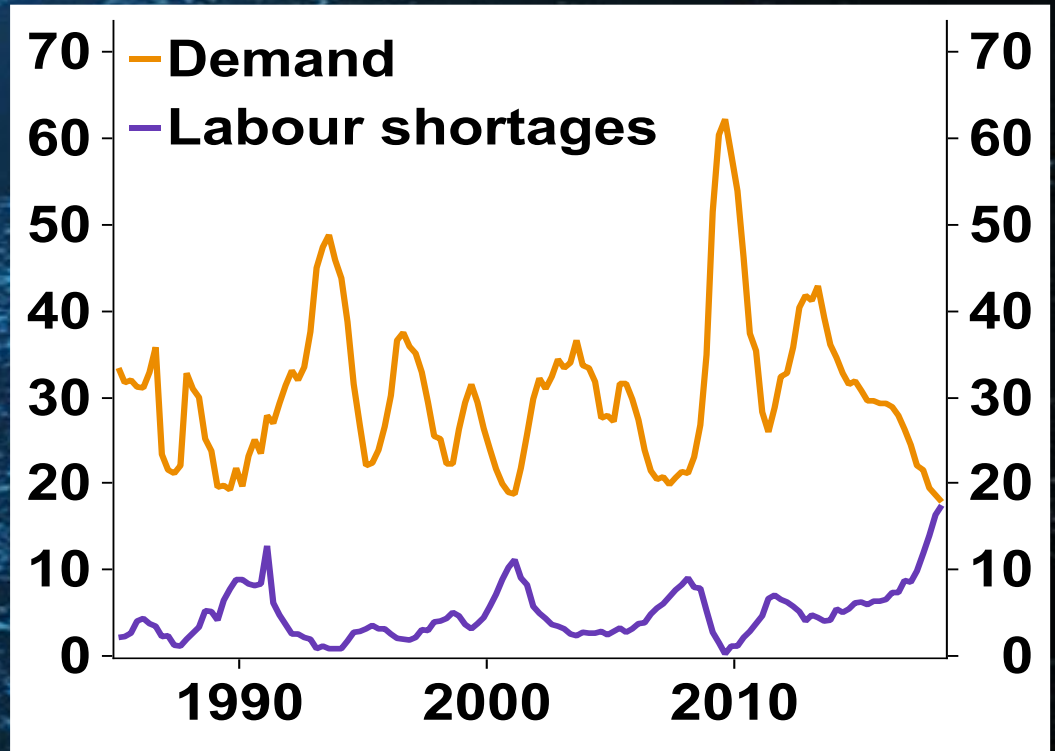
- **Good tailwind from labour markets, fiscal policies, exports...**

German reform spending: +0.5% of GDP

- **Labour shortages are just as worrisome as falling demand**
- **Keep an eye on Italy, EU budget, Greek debt, Brexit, EU 2025 plans**

GDP	2016	2017	2018	2019
	1.8%	2.3%	2.4%	2.3%

## What is hampering expansion, according to companies?



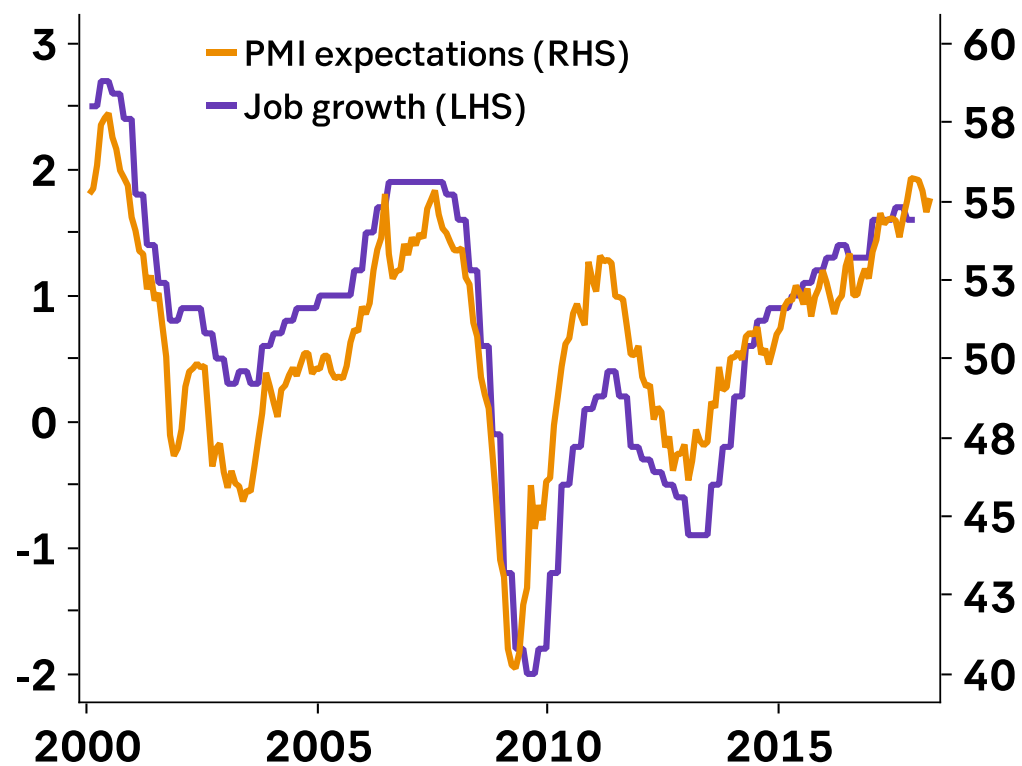
# Euro zone: Several growth drivers

Businesses want to invest and households are getting support

## Job growth & PMI

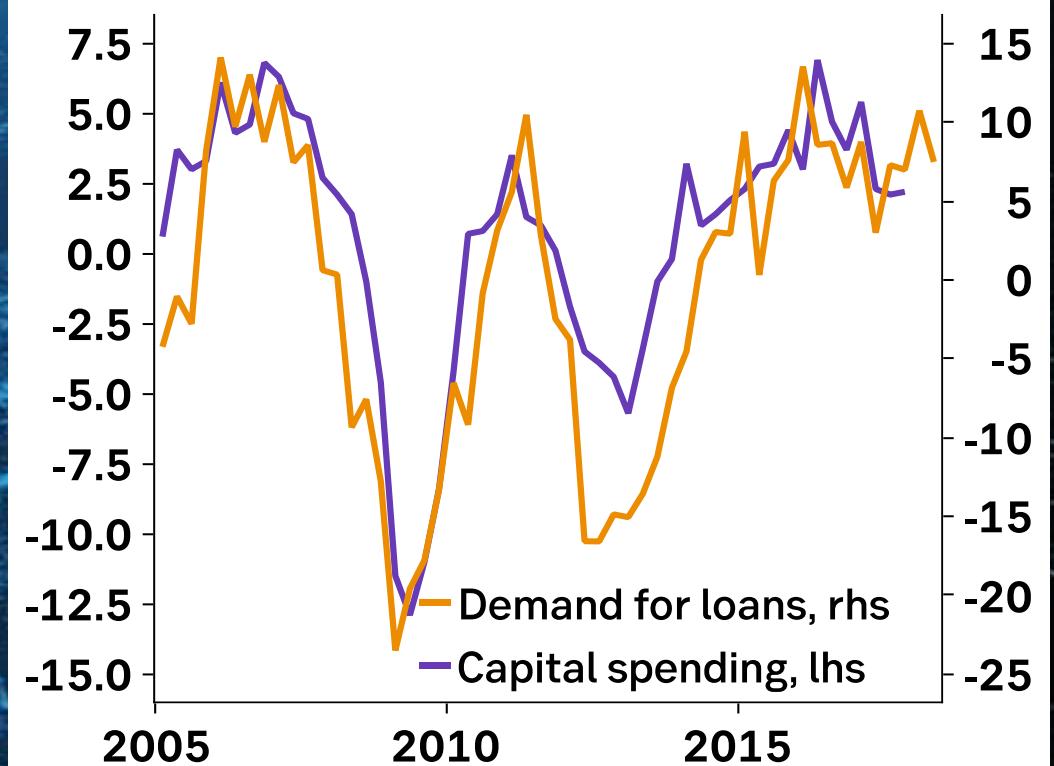
Y-o-

y change, expectations, %










## Investment appetite

Index, y-o-y % change



# Central banks: Widening spreads as US Fed keeps hiking its key rate and others hesitate

		May 2018	Dec 2018	Dec 2019	$\Delta$ Bps 2018-19	Quantitative easing
US		1.75%	2.50%	3.00%	+125	Shrinking
Euro zone		-0.40%	-0.40%	0.00%	+40	Ends in 2018
UK		0.50%	0.50%	1.00%	+50	Re-investing
Japan		-0.10%	-0.10%	-0.10%	$\pm 0$	Continuing
China		4.35%	4.35%	4.60%	+25	No QE
Sweden		-0.50%	-0.50%	0.00%	+50	Re-investing
Norway		0.50%	0.75%	1.25%	+75	No QE

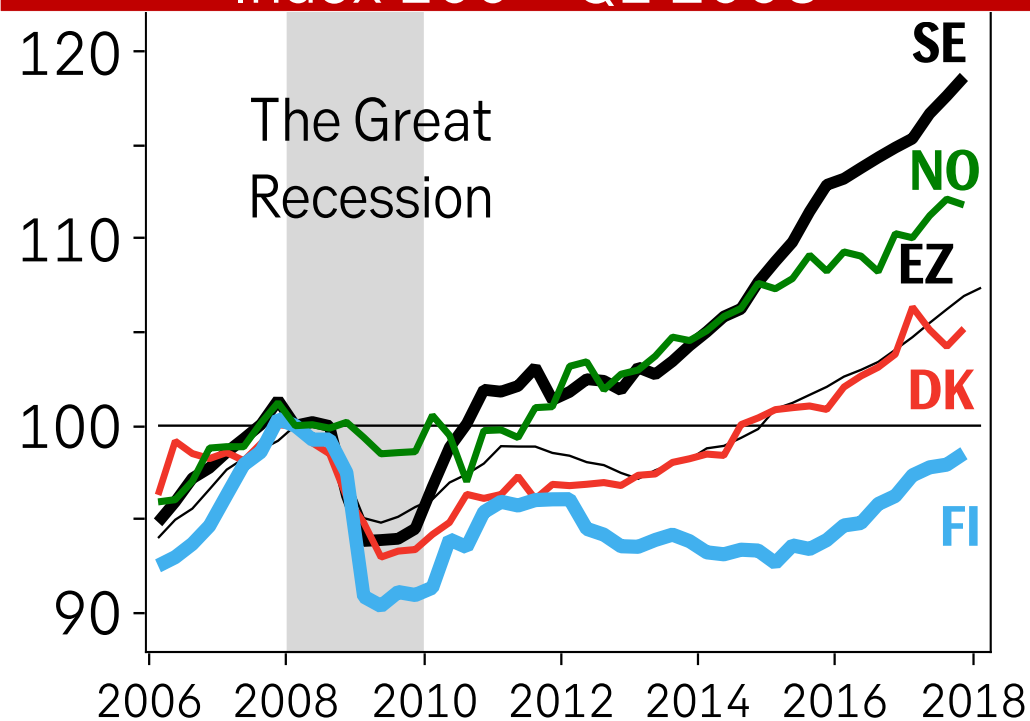






# Nordics: Benefiting from global expansion

But not entirely immune to risks

## GDP levels

Index 100 = Q1 2008



GDP		2016	2017	2018	2019	★
	DK	2.0	2.2	2.2	2.3	1.5
	FI	2.1	2.6	2.5	2.4	1.0
	NO	1.1	1.8	2.1	2.1	1.5
	SE	3.2	2.4	2.6	2.2	2.0



# Sweden: Deceleration, but growth above trend

Riksbank policy leading to more and more question marks

- **Industry a growth engine**

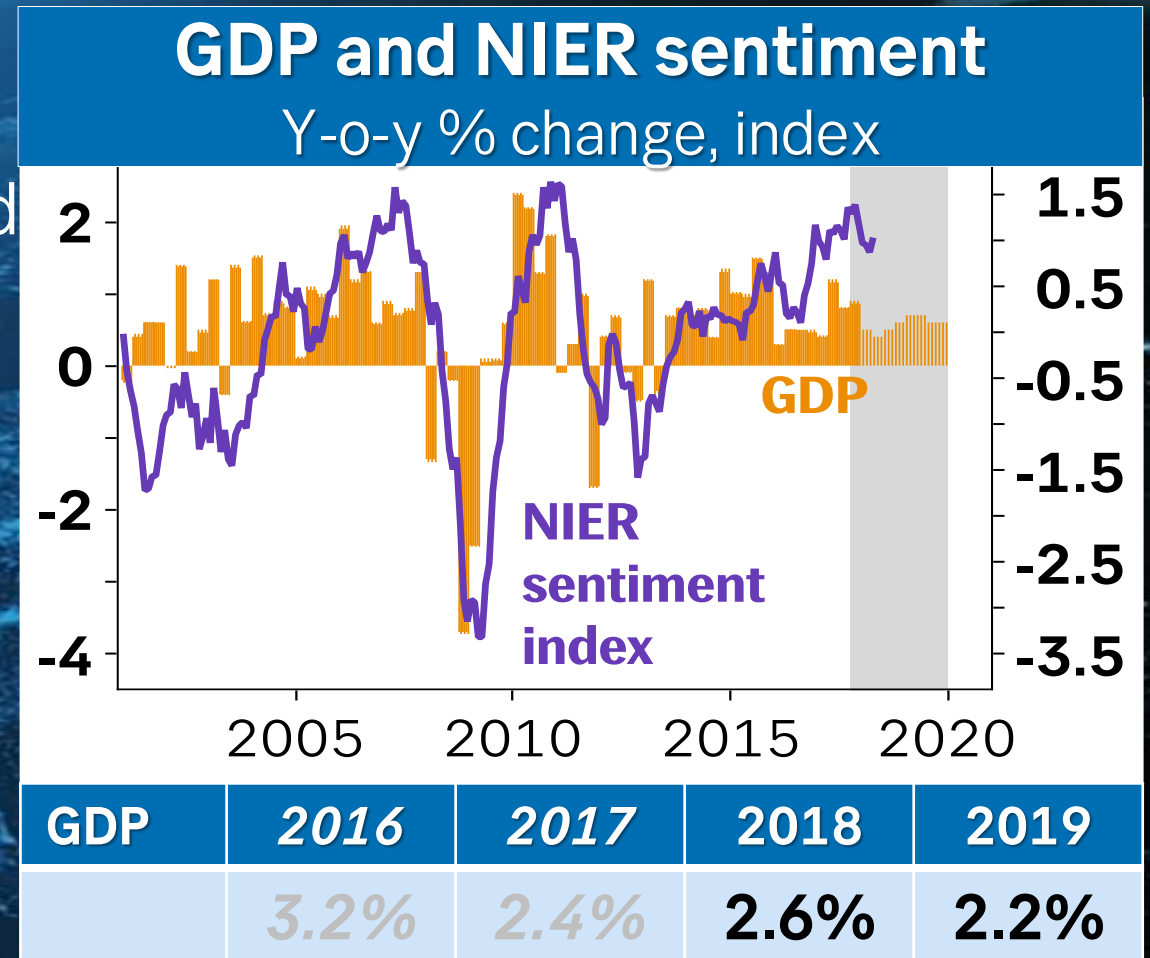
Benefits from euro zone strength and global investment boom

- **Residential construction a negative growth factor**

Soft landing for home prices: -10%

- **Loose economic policies**

- **Next recession will be tough!**





# Sweden: Little GDP impact from weak krona

New conditions, with SEK depreciation during a boom

- **Weak krona normally impacts via...**

Exports ↗, consumption ↘, capital spending ↗

**Estimate:** 5% SEK ↘ = +0.7% GDP ↗

- **New conditions: GDP effect is 0%**

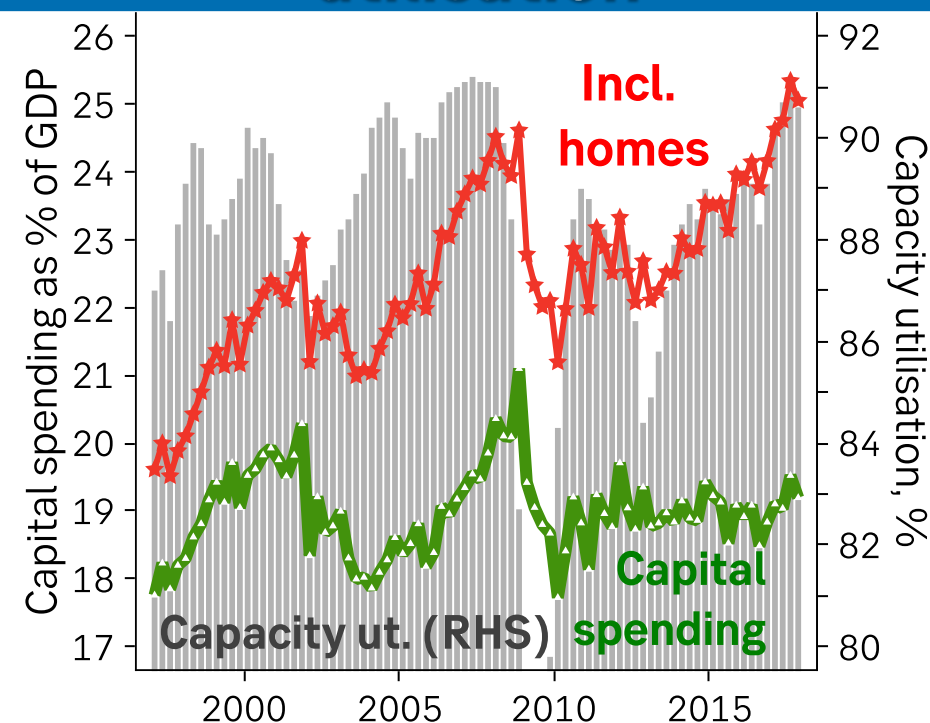
High capacity utilisation is limiting export volume

Uncertainty is limiting effect on capital spending

Squeezed retail sector, small price increases

- **Effect of negative interest rates on asset prices is double-edged due to wider social gaps**

## Capital spending & capacity utilisation

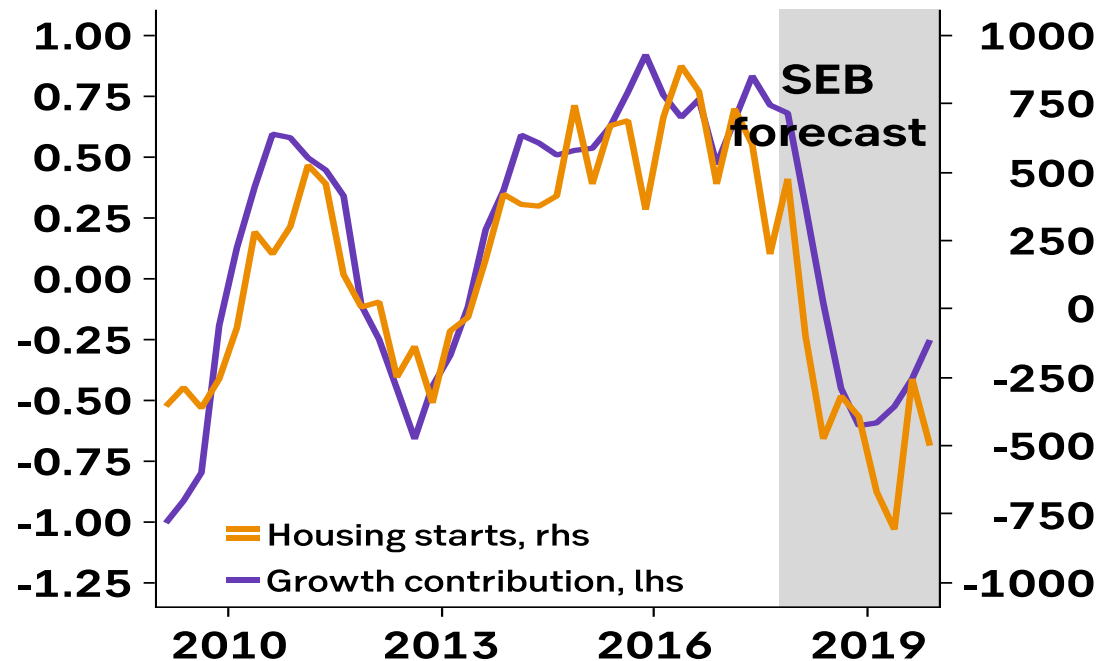


# Sweden: Homebuilding a negative growth factor

Lower sales volume, higher supply showing imbalanced market

## Construction

Change, % GDP growth contribution



## Housing starts

2014	40,000
2015	50,000
2016	63,000
2017	68,000
2018p	50,000
2019p	50,000

- Public housing owners want to build
- Falling tenant-owner unit prices will mean lower production
- Private landlords?

National Board of Housing, Building and Planning:

*“80,000 units per year in 2017-2020”*

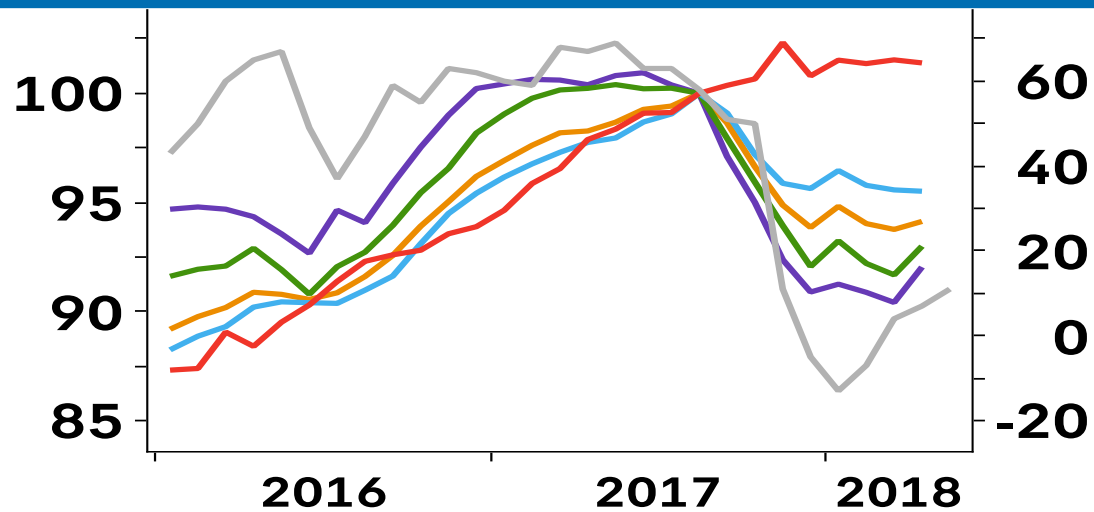


# Sweden: Home prices look set for soft landing

Hesitant market: lower prices mainly lead to less construction

## Home price movements

Valueguard & SEB Housing Price Indicator



- Price statistics are divergent
  - Signs of levelling-out
  - Big city phenomenon?
  - Gap between flats and houses?
- Lower sales volume, but not alarming
- Home prices: -10%  
→ Minor impact on confidence and consumption

Loosening



# Sweden: An even match ahead of Sept. 9 vote

Moderate-led government likely. Different examples in DK and NO

- **Late-cyclical “pork barrel” in 2018-19**  
Yearly 2018-19 stimulus dose: 0.5% of GDP
- **Manoeuvring room for next gov’t due to lower 2019 budget surplus target**  
Target will shrink from 1.0 till 0.33% of GDP
- **Fiscal policy can supplement monetary policy but cannot fight it**
- **Paralysis on structural policies**  
Housing, taxes, jobs, immigrant integration

%	Apr 18	Sep 14
S	28.4	31.0
MP	4.1	6.9
V	8.1	5.7
Σ	40.6	43.6
M	23.0	23.3
C	9.7	6.1
L	4.4	5.4
KD	3.4	4.6
Σ	40.5	39.4
SD	14.8	12.9

\* Source: Kantar Sifo

# Sweden: Pay hikes rising towards 3.5% in 2019

Sluggish wage response, despite high resource utilisation

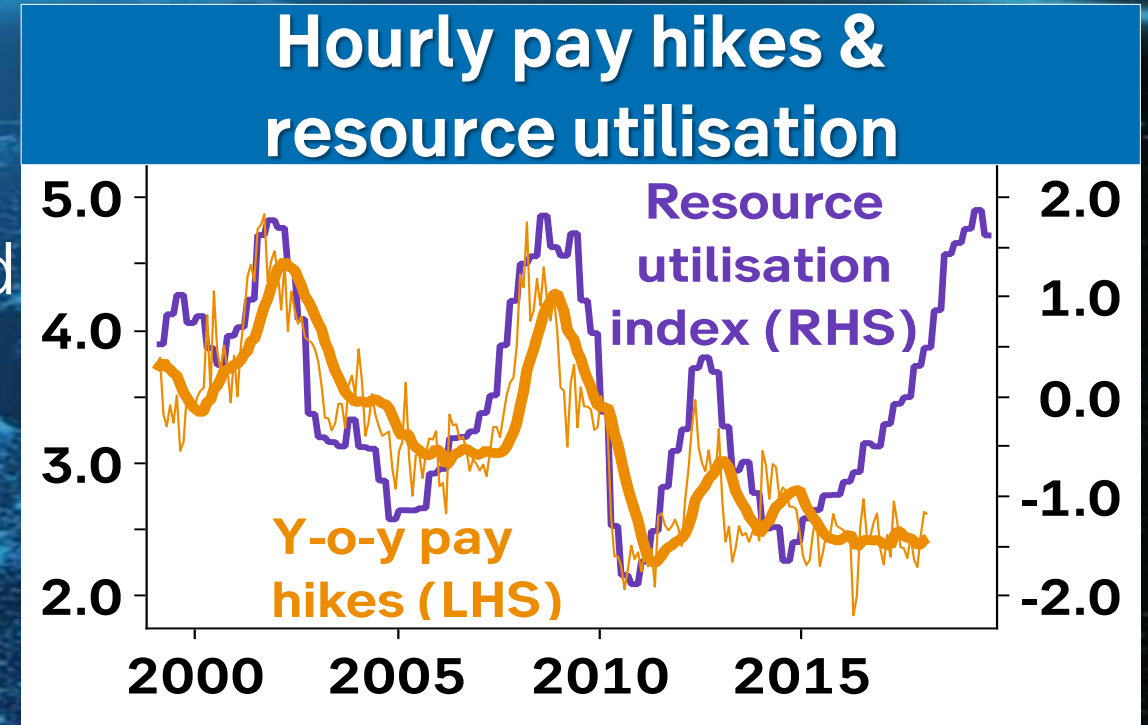
- **Unemployment below 6%**

Increased labour force participation  
Indicators providing strong but mixed signals

Mounting recruitment problems

- **2.2% pay hikes to early 2020**

Anecdotal info: “faster pay hikes”  
German contractual hikes:  $\approx 3\%$ . Is the labour market really overheated?



Pay hike forecast	2017	2018	2019
	2.4%	2.9%	3.3%

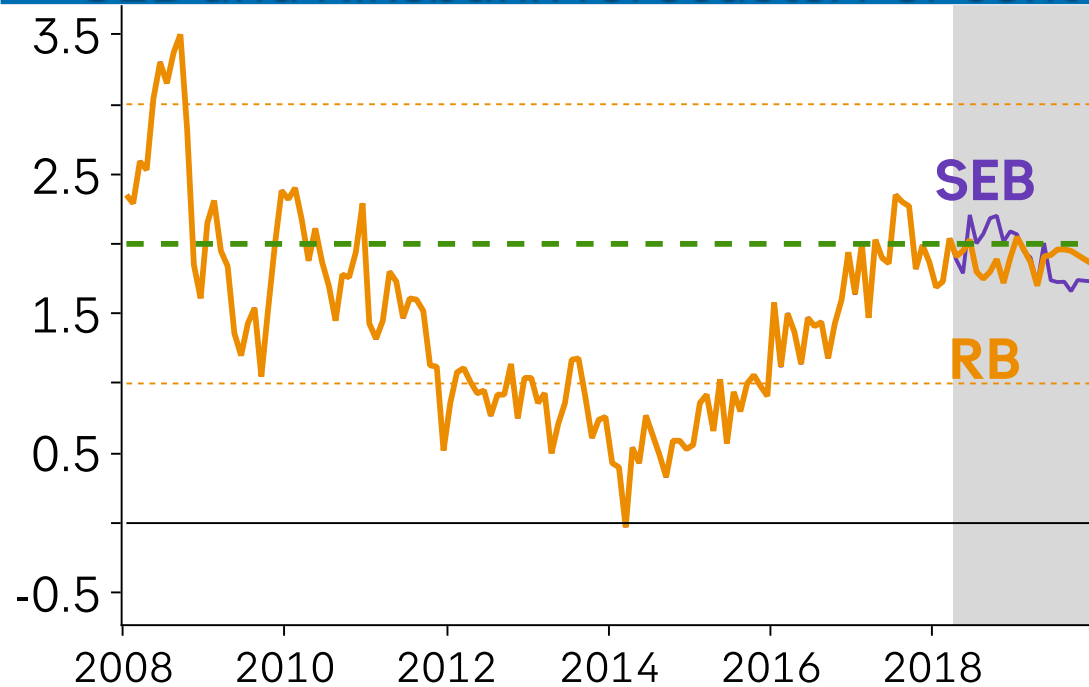


# Sweden: CPIF close to target, but not core CPI

Riksbank keeps raising the bar for key rate hikes

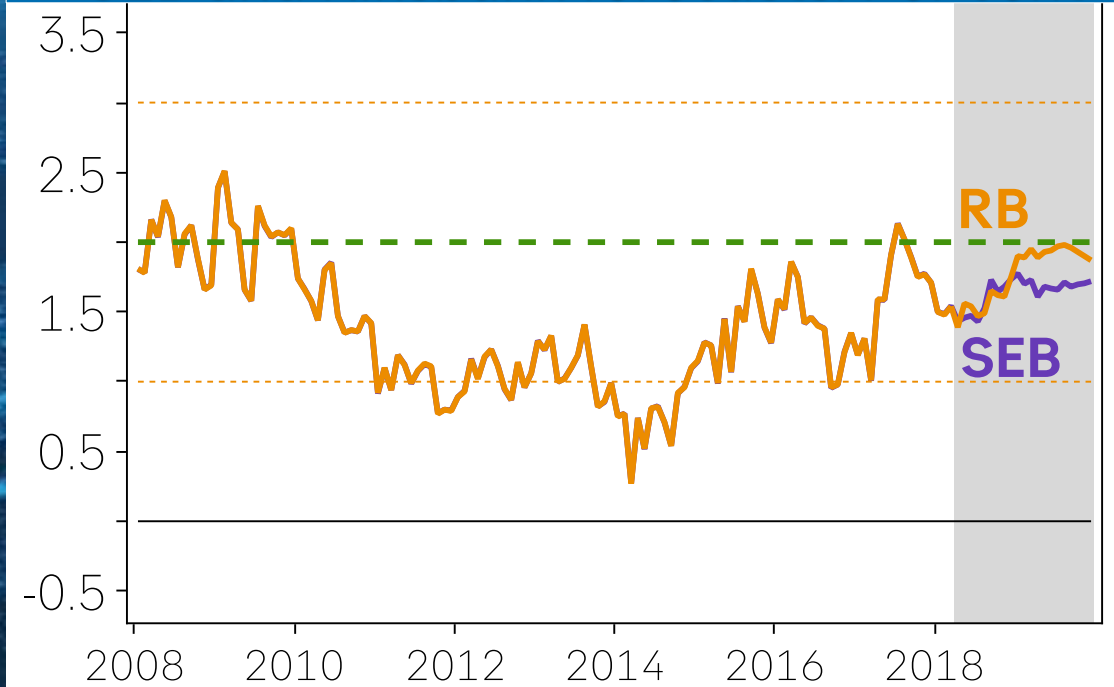
## CPIF inflation

SEB and Riksbank forecasts. Per cent



## CPIF inflation excl. energy

SEB and Riksbank forecasts. Per cent

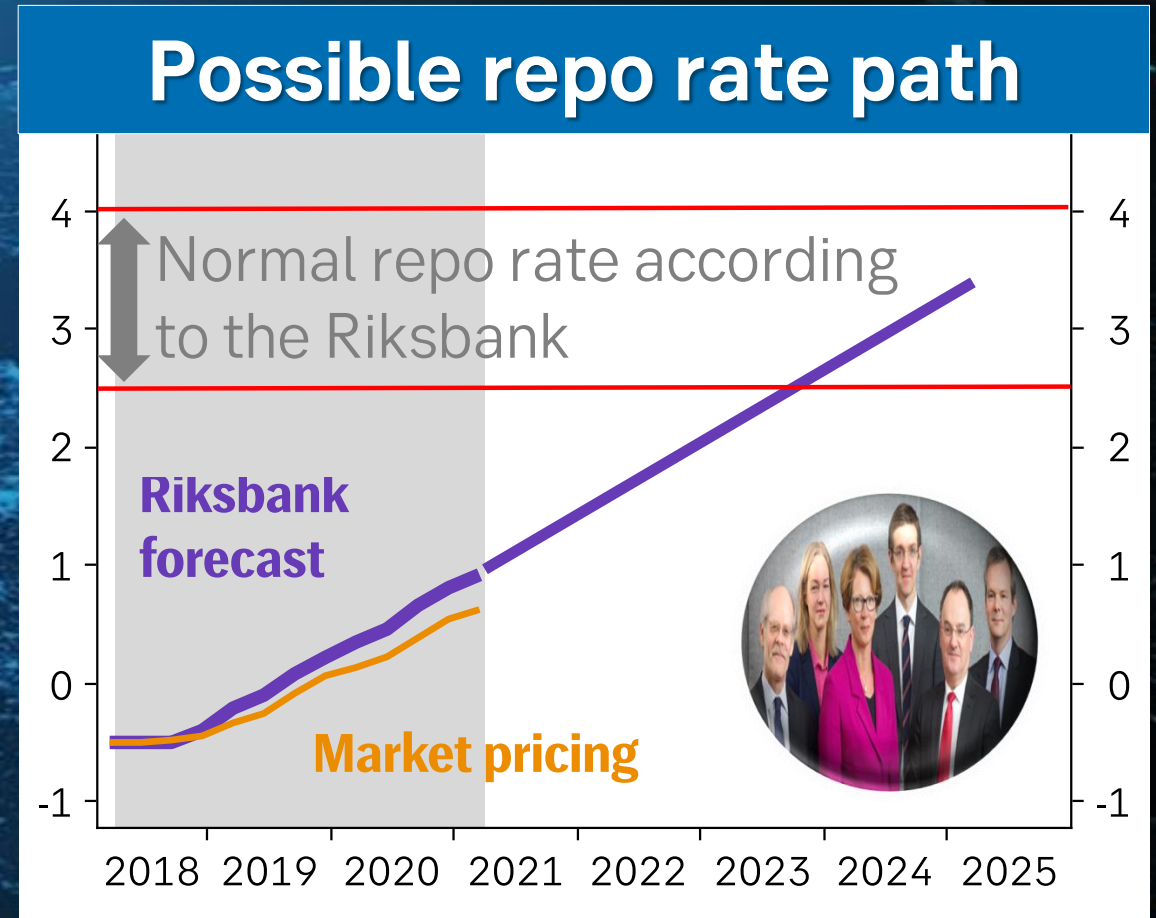


Excluding more components – does the Riksbank ever want to reach 2%?

# Sweden: Slow monetary policy normalisation

Will the Riksbank ever reach a normal repo rate level?

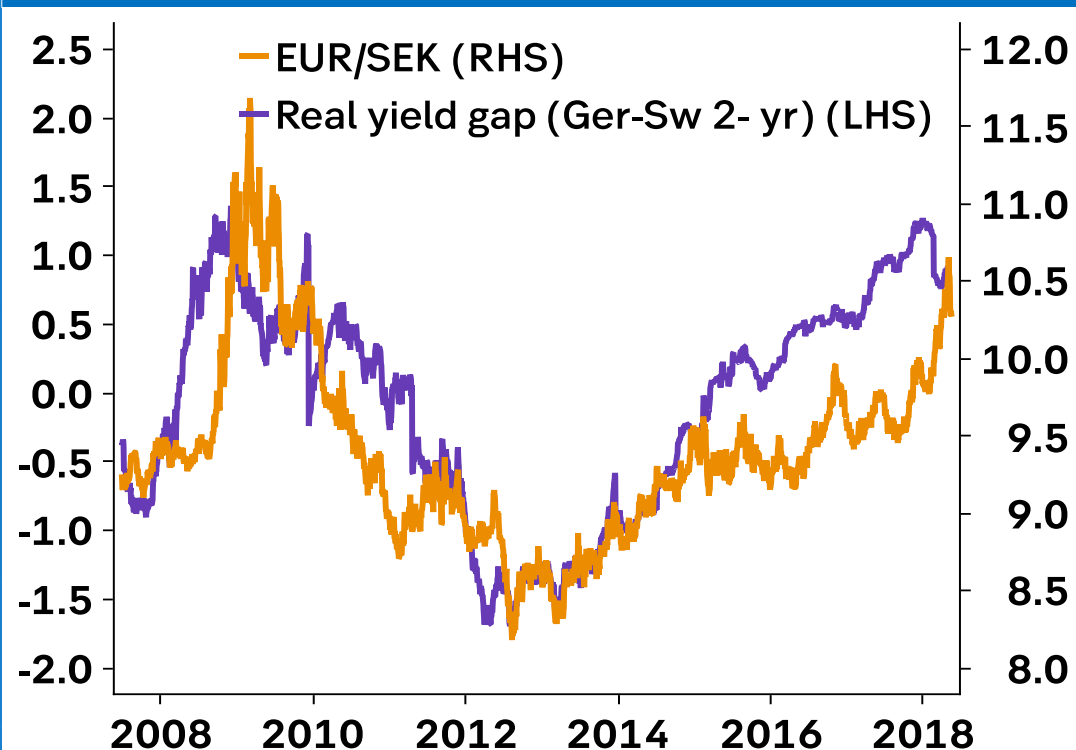
- **Our forecast: Riksbank will hike repo rate in early 2019**  
Level: 0.0% at end of 2019
- **Riksbank predicts slow rate hikes, in small steps**
- **Will not reach normal level (says the Riksbank) until 2024**



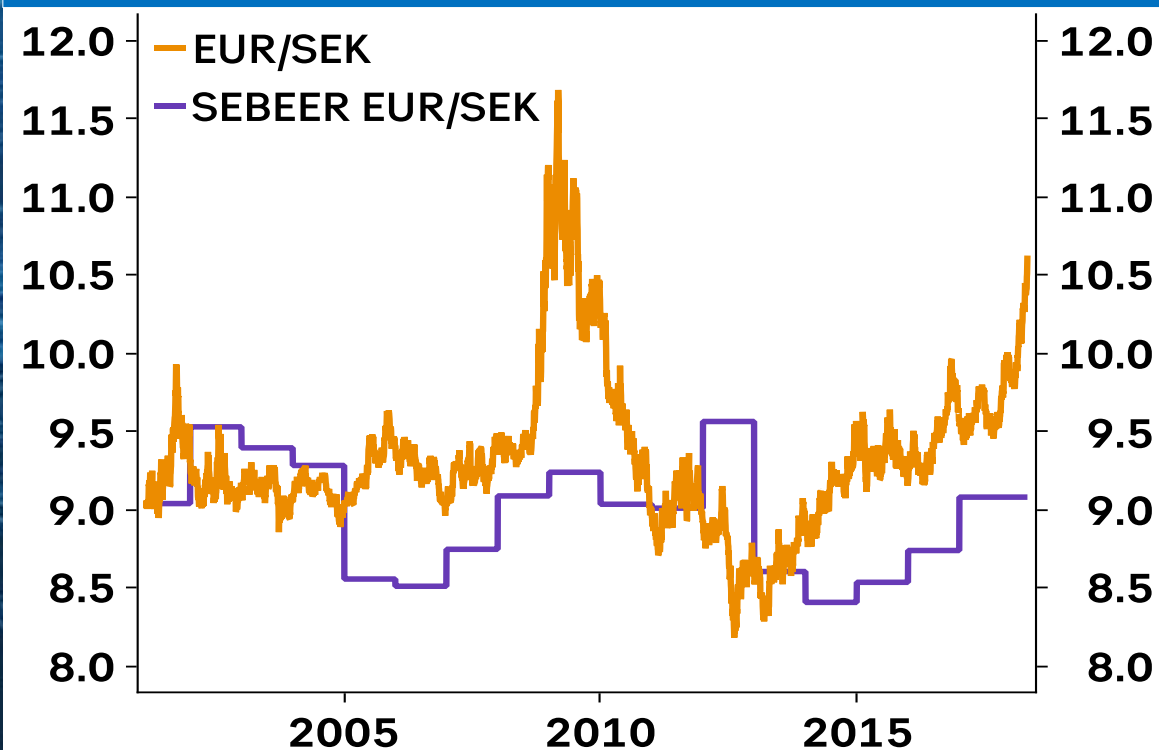
# Sweden: SEK – an undervalued currency

The world wants to stay away from the krona (right now)

## Spectre of negative real interest rates



## Krona unjustifiably weak Only a slow recovery

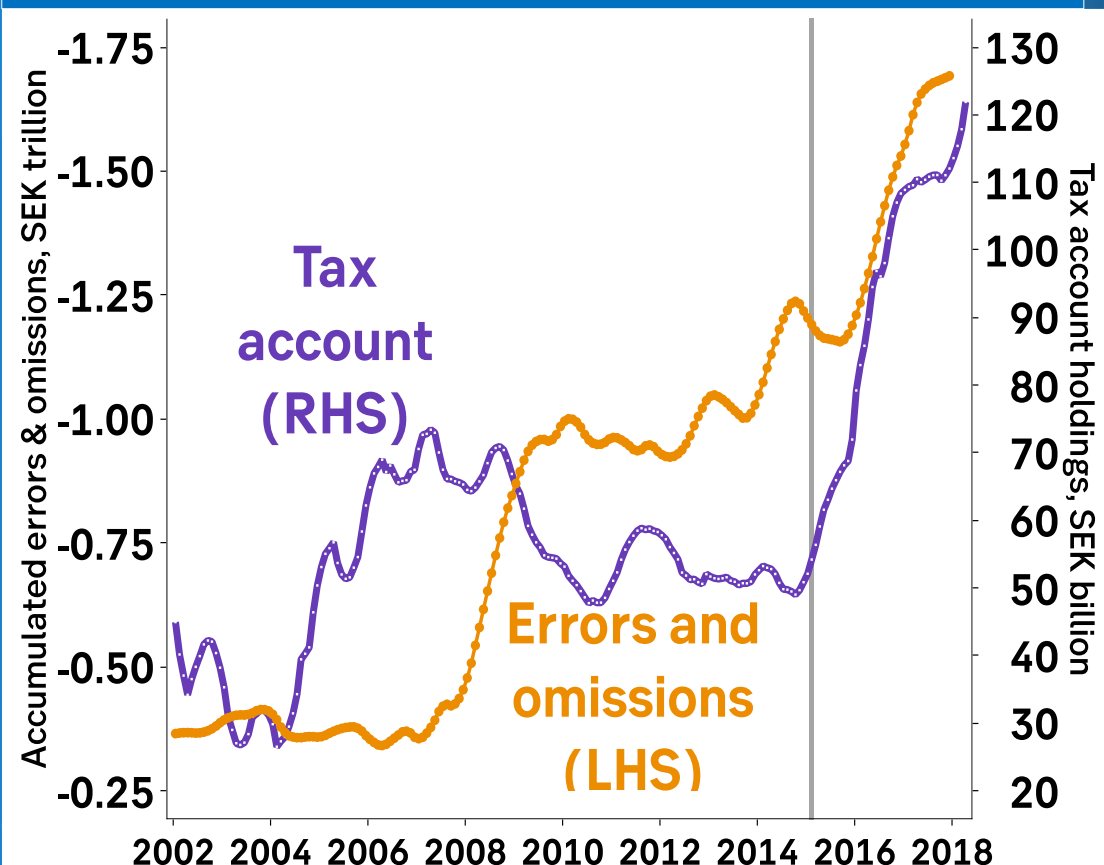




# Sweden: SEK – everyone wants to avoid negative rates

Company tax account holdings and “errors & omissions” increasing

## Tax account, errors & omissions



## What drove/drives the krona?

- Seasonal flows **YES**
- Missing export flows **YES**
- Swedish pension companies **NO**
- Foreign market players **NO**
- Foreign model funds **YES**
- Risk premium/trade wars **??**

SEK	May 9	Dec 2018	Dec 2019	★
EUR	10.32	9.95	9.70	9.10
USD	8.67	8.60	7.70	7.70

# Sweden: High-stakes game ahead of next downturn

Stabilisation policy by monetary policymakers at end of road...

- **Major risk that Sweden will face the next recession with**

Exhausted monetary policy, rising real interest rates, high debt/home price levels, a krona at crisis exchange rates, late-cyclical inflation

- **Tunnel vision the biggest problem, but Sweden is not without tools...** (in spite of the Riksbank)

## Monetary policy

~~Negative rates~~

Securities

## Fiscal policy

Discretionary

Automatic

## Macroprudential policy

Households

Banks



# Summary, *Nordic Outlook*, May 2018

- **World economy will continue above-trend growth in 2018-2019**  
US is close to a record-lengthy expansion, despite global uncertainty early in 2018  
Political sources of concern are important but late-cyclical growth forces are stronger
- **Dependence on central banks will persist, but world (equities) can cope with higher interest rates and yields**
- **Swedish industrial expansion will offset slower homebuilding**  
Riksbank's near-term focus on inflation (and CPIF excluding energy) will postpone key rate hike until April 2019 (with 0% repo rate at end of 2019)  
Krona weakness will have nearly zero impact on GDP growth and will be a long-term headache