Financial Results Q2 2022

14 July 2022

Johan Torgeby, President & CEO
Masih Yazdi, CFO

Highlights in Q2 2022

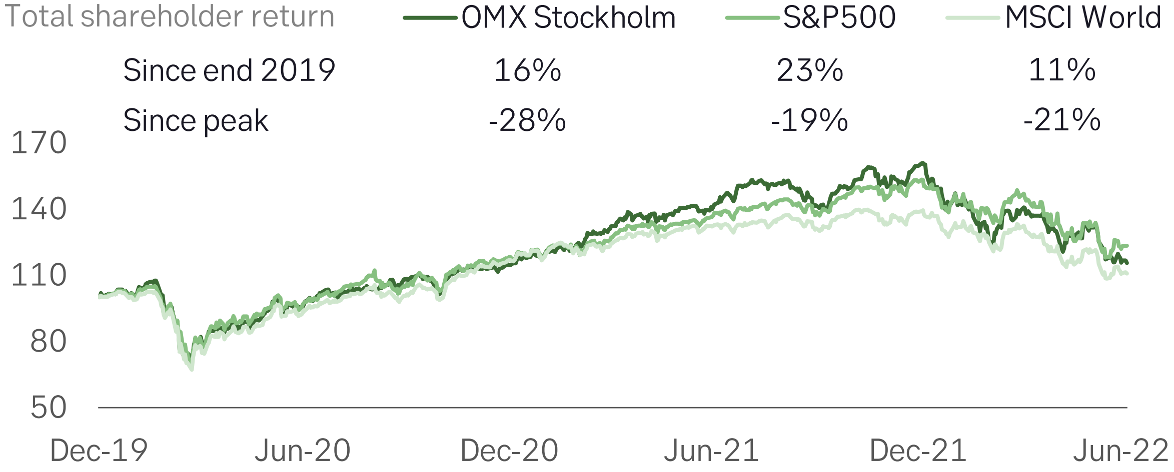
- Solid operating result enabled by our diversified business model, despite a worsening macroeconomic backdrop and Russia’s war in Ukraine
- Return on equity amounted to 12.3 per cent on a capital management buffer that exceeds the regulatory requirement by 480 basis points
- Continued robust asset quality, with net expected credit losses of 6 basis points

The heightened level of uncertainty prevailed in the second quarter

Equity markets

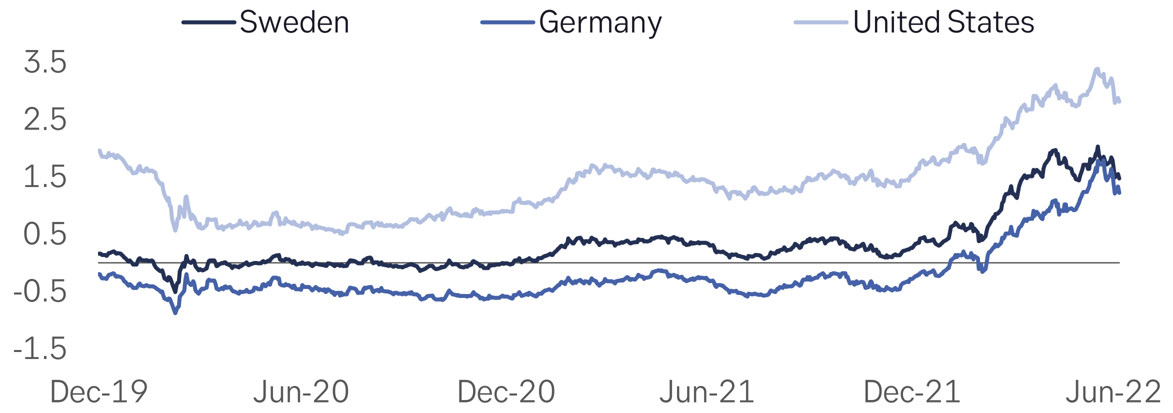
Total shareholder return

	OMX Stockholm	S&P500	MSCI World
Since end 2019	16%	23%	11%
Since peak	-28%	-19%	-21%

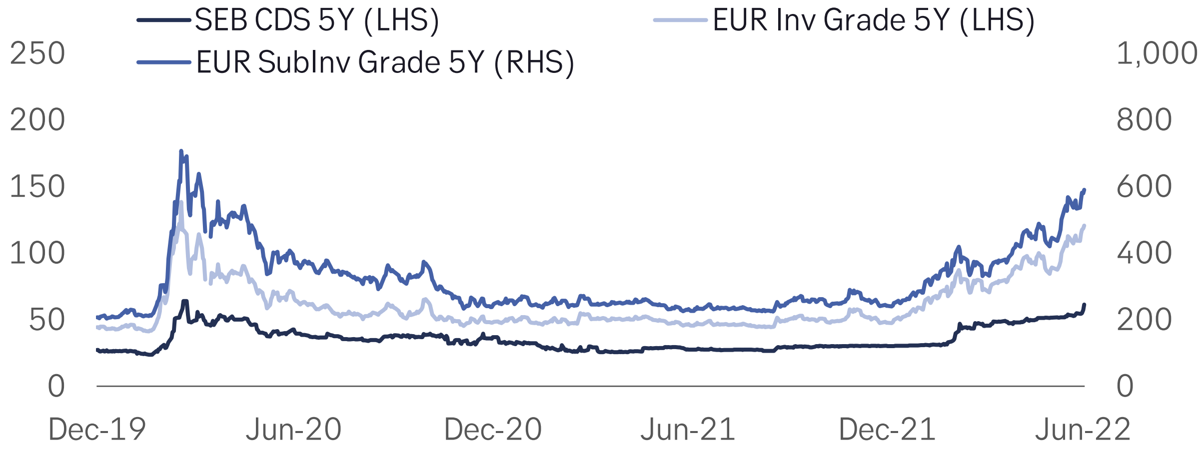


Interest rates

Annual yield of 10Y government bonds (%)

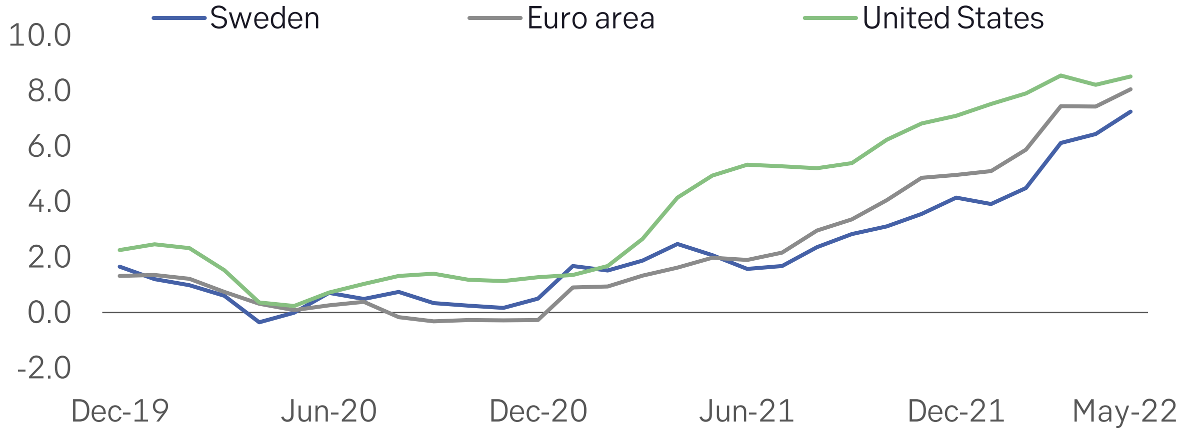


Credit spreads



Inflation rates

Consumer price index, YoY (%)



Note: data as per 5 July. Equity market data is indexed assuming 2019-12-31 = 100. Source: Macrobond.

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Financial summary YTD 2022

SEK m	Jan-Jun 2022	Jan-Jun 2021	
Total operating income	**29,209**	**27,539**	**+6%**
Net interest income	14,804	12,768	+16%
Net fee and commission income	10,895	10,055	+8%
Net financial income	3,488	4,599	-24%
Total operating expenses	-11,995	-11,477	+5%
Profit before ECL and imposed levies	**17,214**	**16,062**	**+7%**
Net expected credit losses	-933	-163	
Imposed levies	-1,138	-509	+124%
Operating profit	**15,142**	**15,391**	**-2%**

Net ECL level
7 bps

C/I
0.41

CET1
18.6%

RoE
12.8%

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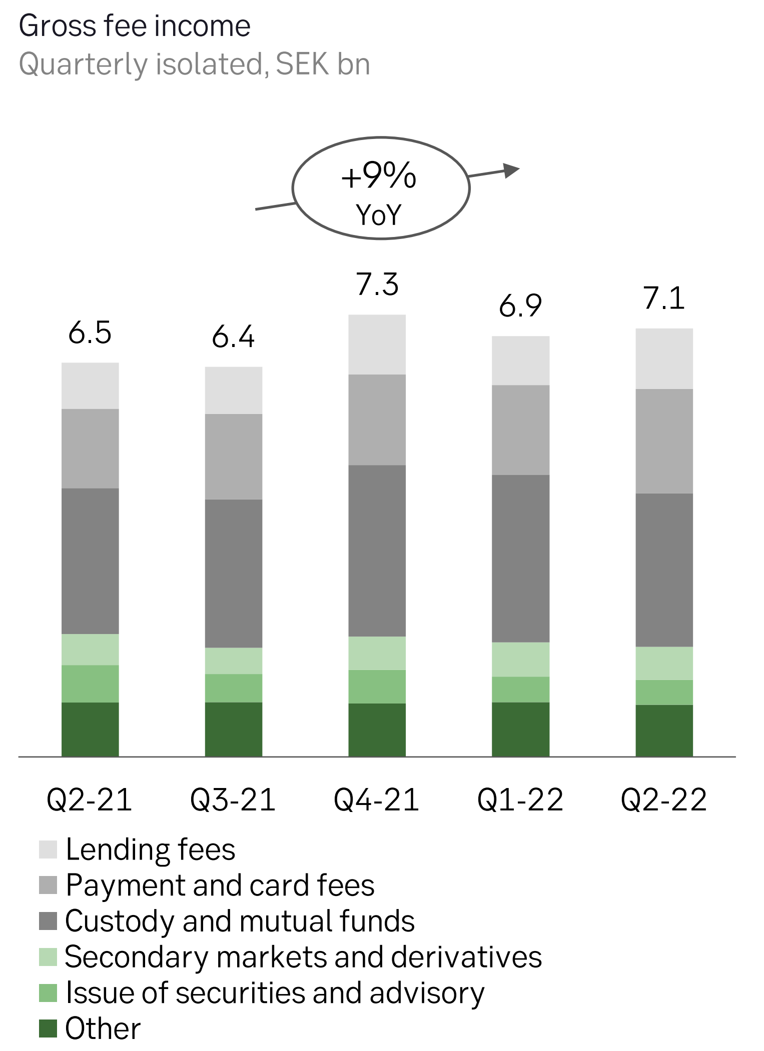
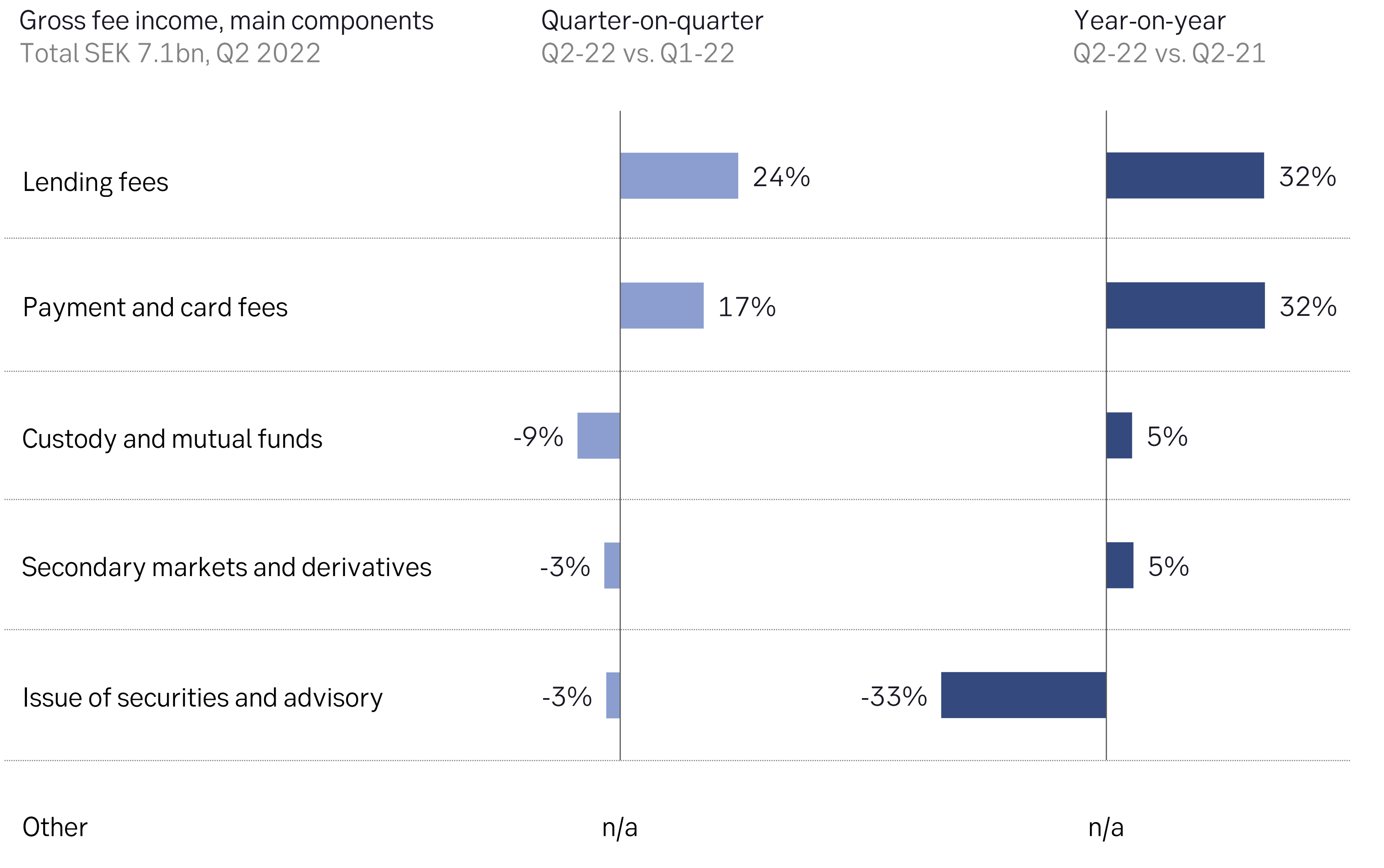
The strength of a diversified business model: fees and commissions





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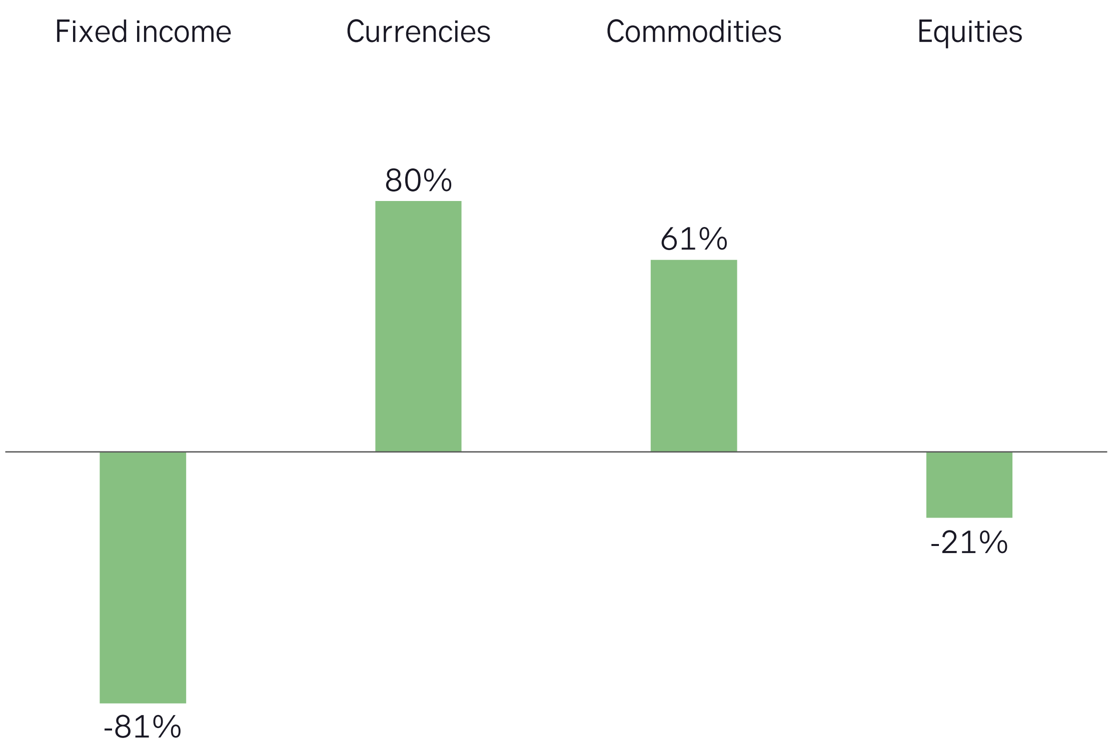
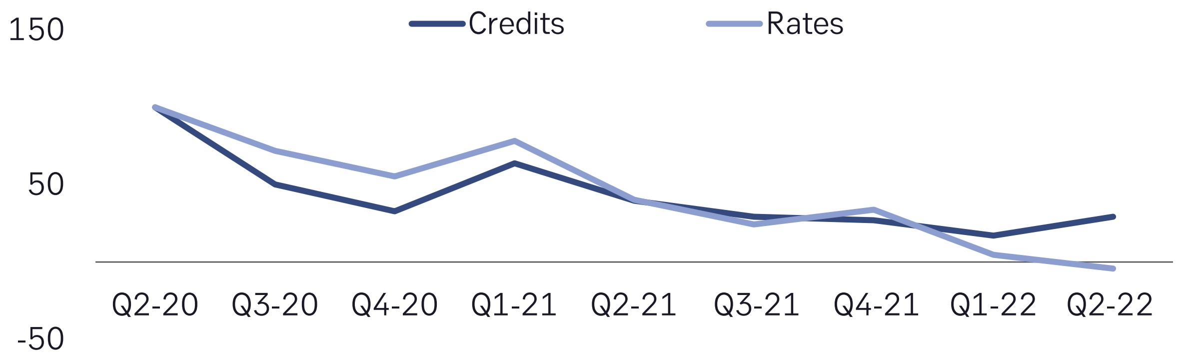
The strength of a diversified business model: FICC and Equities

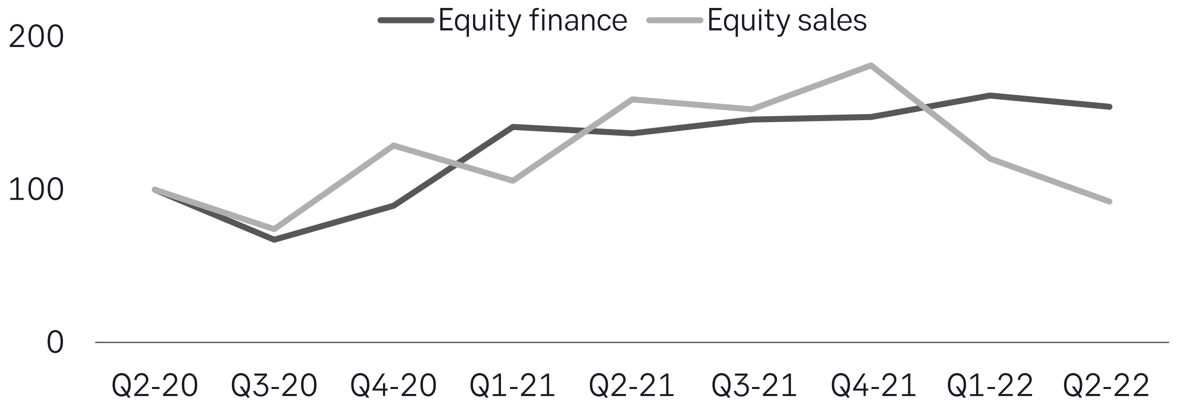
Fixed income, Currencies, Commodities (FICC) and Equities
Operating income, Q2-22 vs. Q2-21



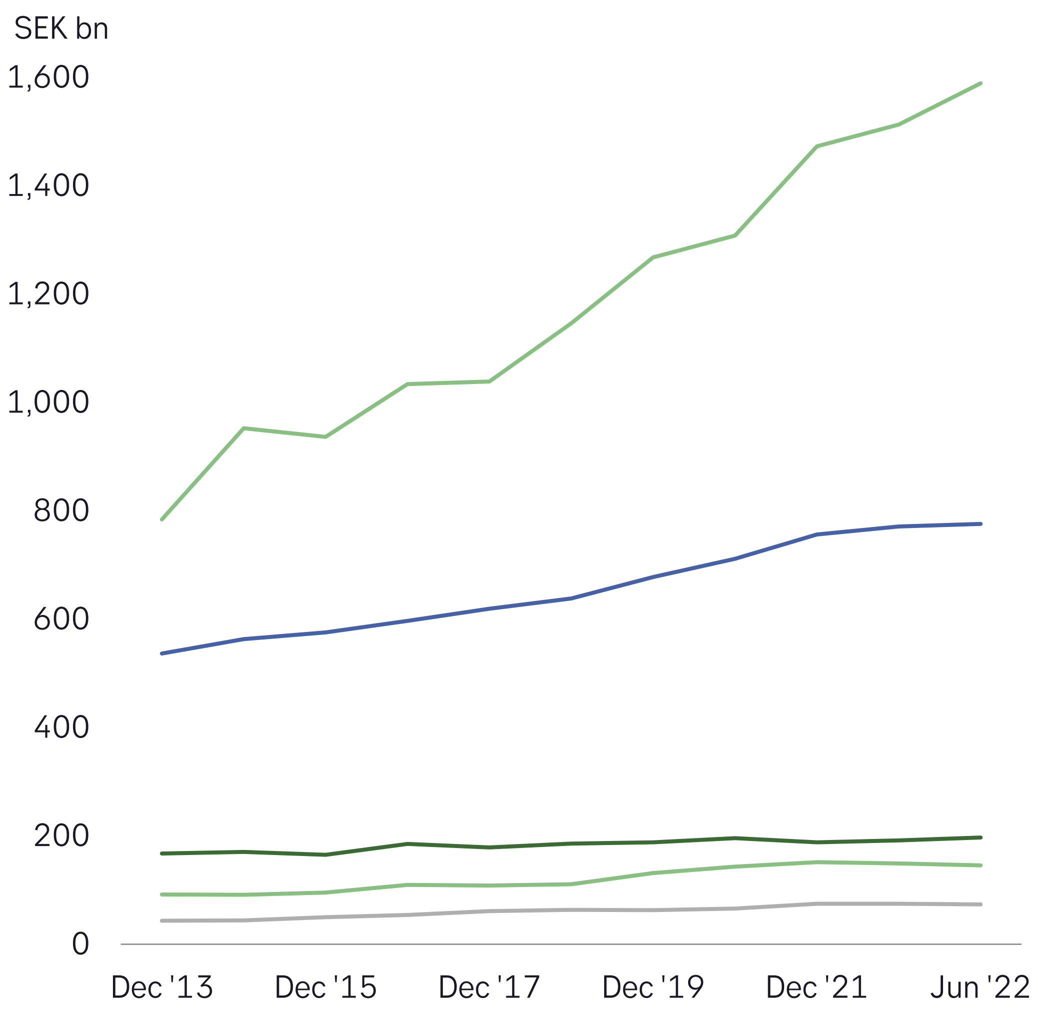
Main components of Fixed income
Operating income, indexed Q2 2020 = 100



Main components of Equities
Operating income, indexed Q2 2020 = 100



Development of credit portfolio



Credit portfolio by sector

	QoQ	YTD	YoY
Corporates	**5%**	**8%**	**21%**
fx-adjusted	0%	-1%	9%
Households	**1%**	**3%**	**3%**
Swedish mortgages	0%	2%	2%
Commercial real estate	**3%**	**5%**	**6%**
fx-adjusted	2%	4%	5%
Residential real estate	**-3%**	**-4%**	**-1%**
Housing co-ops	**-2%**	**-2%**	**2%**
Non-banks	**3%**	**5%**	**12%**

Lending by sector

	QoQ	YTD	YoY
Corporates	**5%**	**12%**	**21%**
fx-adjusted	1%	6%	13%
Households	**1%**	**2%**	**6%**
Swedish mortgages	0%	1%	4%
Commercial real estate	**4%**	**9%**	**8%**
fx-adjusted	3%	7%	6%
Residential real estate	**-2%**	**-2%**	**1%**
Housing co-ops	**0%**	**1%**	**4%**
Non-banks	**3%**	**6%**	**11%**

Note: credit exposure includes on- and off-balance sheet exposures. FX-adjusted excludes trading products.

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Masih Yazdi, CFO

Financial summary Q2 2022

SEK m	Q2 2022	Q1 2022		Q2 2021	
Total operating income	**14,441**	**14,768**	**-2%**	**13,924**	**+4%**
Net interest income	7,742	7,062	+10%	6,468	+20%
Net fee and commission income	5,498	5,398	+2%	5,280	+4%
Net financial income	1,154	2,334	-51%	2,056	-44%
Total operating expenses	-6,201	-5,793	+7%	-5,759	+8%
Profit before ECL and imposed levies	**8,240**	**8,974**	**-8%**	**8,164**	**+1%**
Net expected credit losses	-399	-535	-26%	-7	
Imposed levies	-556	-582	-5%	-242	+130%
Operating profit	**7,285**	**7,857**	**-7%**	**7,916**	**-8%**

Net ECL level
6 bps

C/I
0.43

CET1
18.6%

RoE
12.3%

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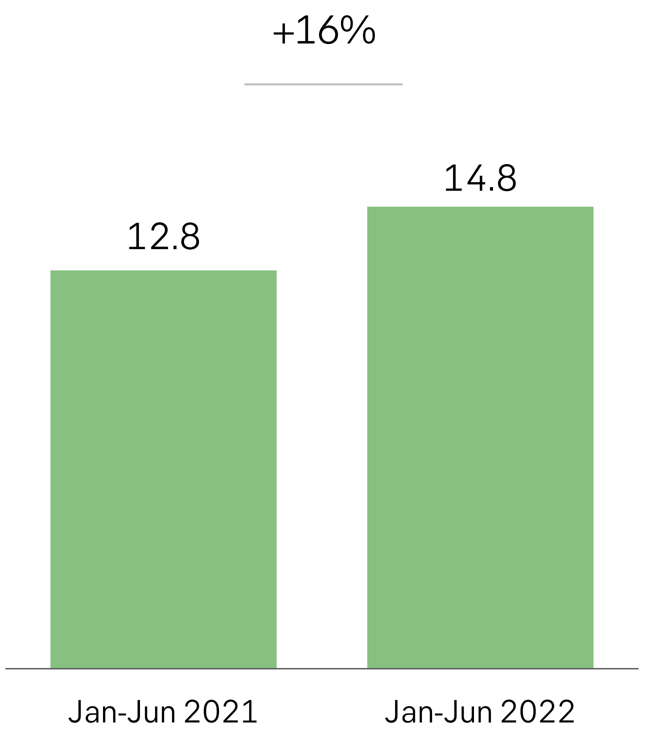
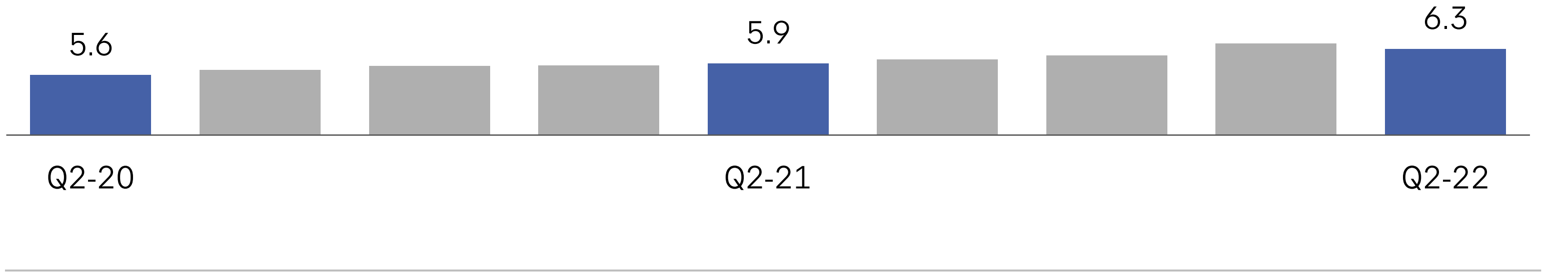
Net interest income development

Net interest income (SEK bn)
Jan-Jun 2022 vs. Jan-Jun 2021

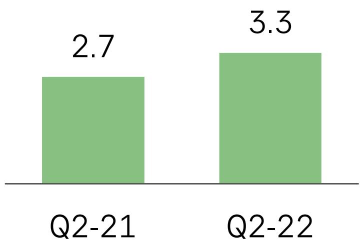


Net interest income type (SEK bn)
Q2 2020 – Q2 2022

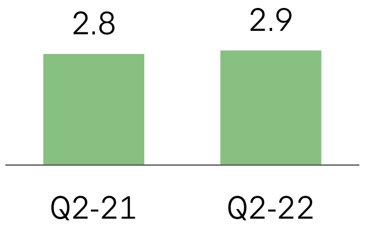
Lending



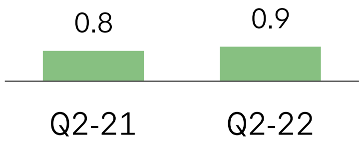
LC&FI



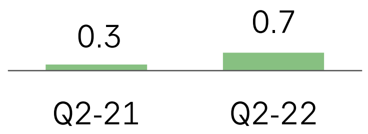
C&PC



Baltic



Other



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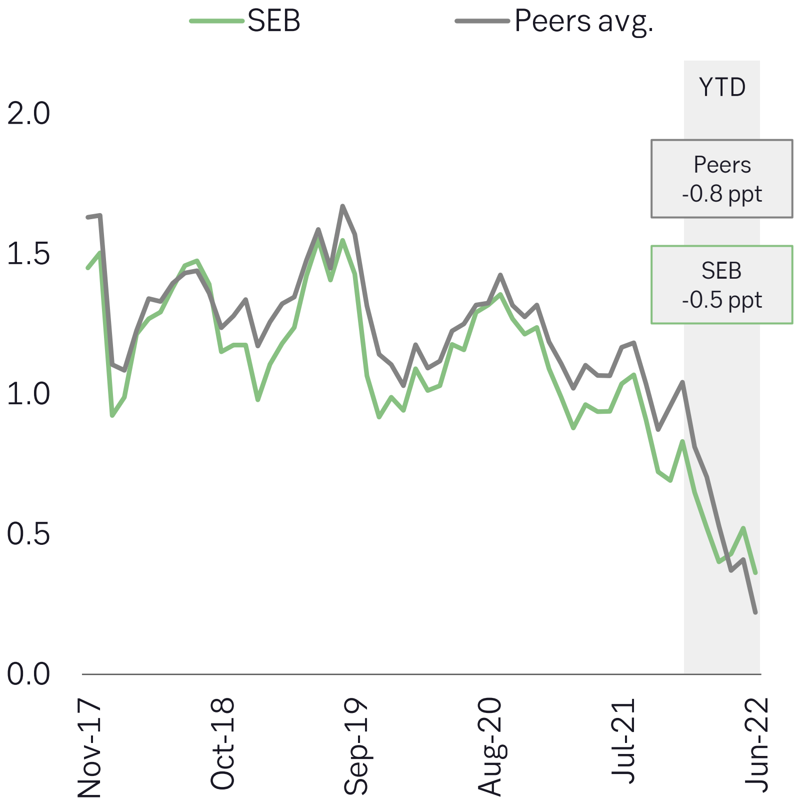
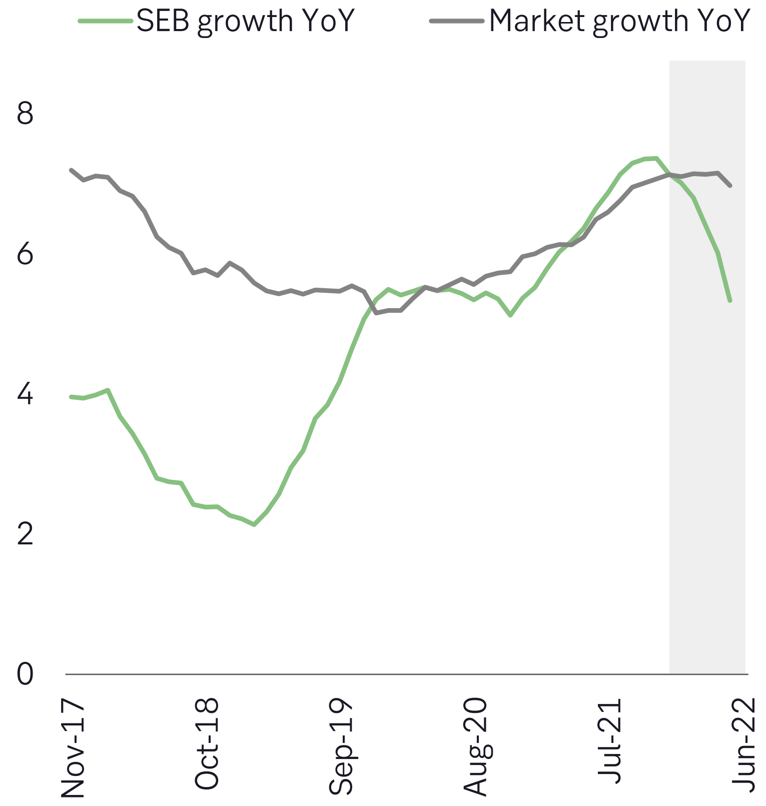
Mortgage rates have increased less than banks' funding cost

Mortgage rates driven upwards by increased funding cost
Monthly average 5Y new lending mortgage rates (%)

Comparatively more conservative pricing than peers...
Delta between monthly average 5Y new lending mortgage rates and monthly average 5Y covered bond (%)



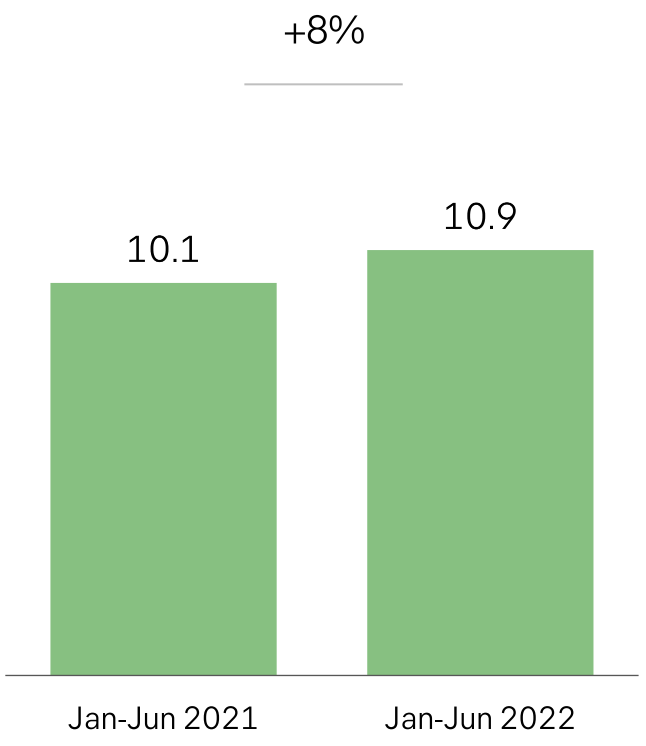
...resulting in lower lending growth
Lending growth YoY (%)



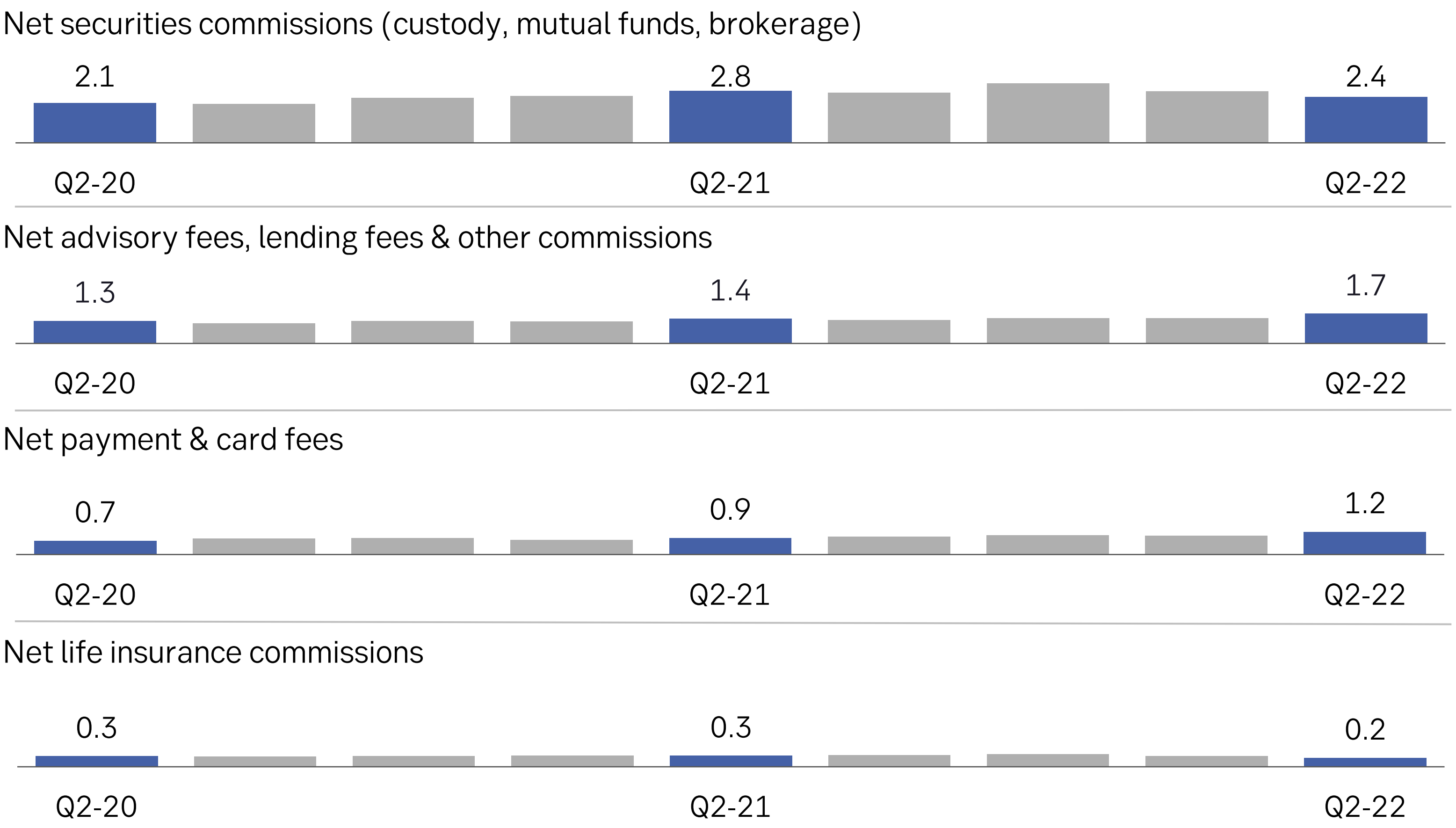
Note: 'Peers avg.' include Swedbank, Handelsbanken, Nordea, SBAB, Länsförsäkringar.
Source: 5Y covered bond: Riksbanken. Monthly average new lending mortgage rates: banks' respective websites. Lending growth: SCB.

Net fee & commission income development

Net fee & commissions (SEK bn)
Jan-Jun 2022 vs. Jan-Jun 2021

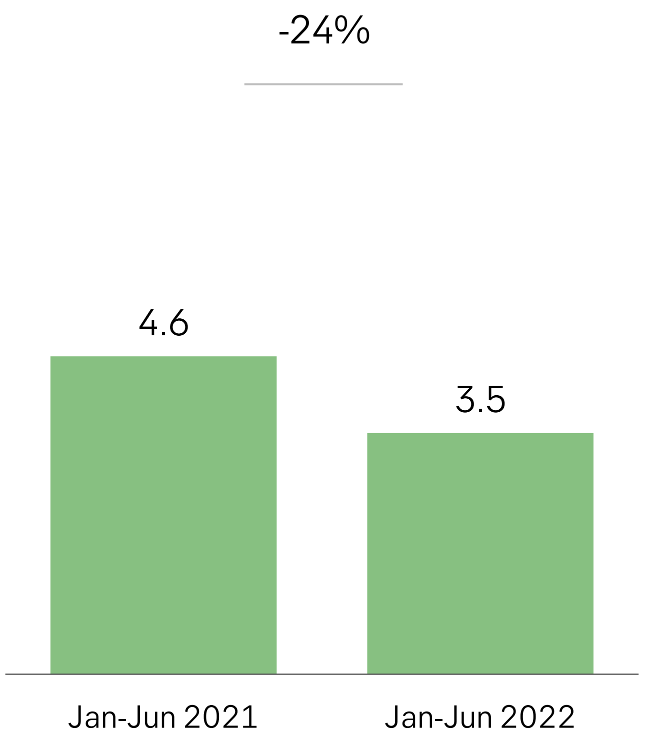


Net fee & commissions by income type (SEK bn)
Q2 2020 – Q2 2022

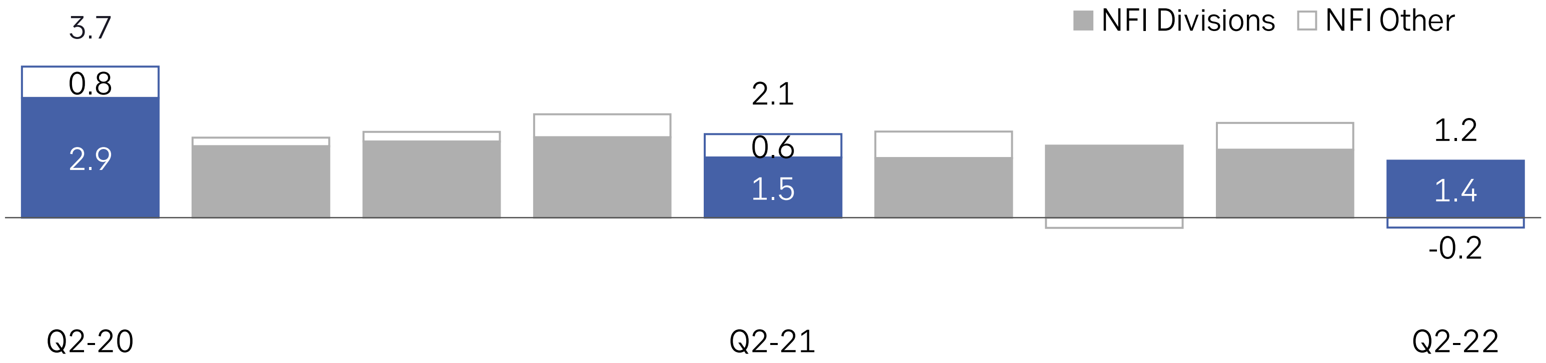


Net financial income development

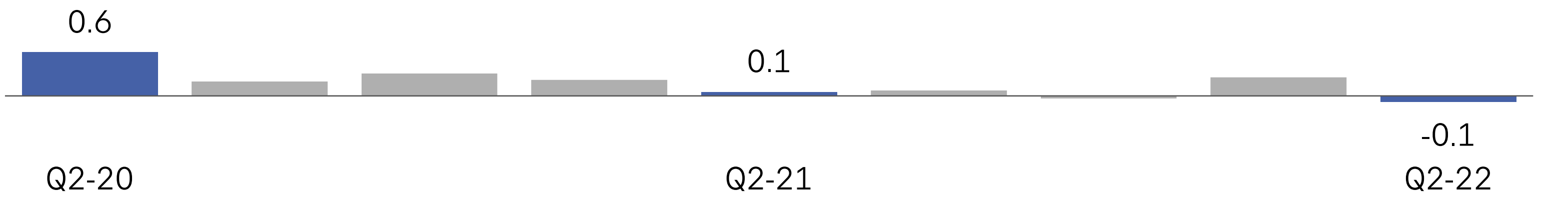
Net financial income (SEK bn)
Jan-Jun 2022 vs. Jan-Jun 2021



Net financial income development (SEK bn)
Q2 2020 – Q2 2022



whereof CVA/DVA



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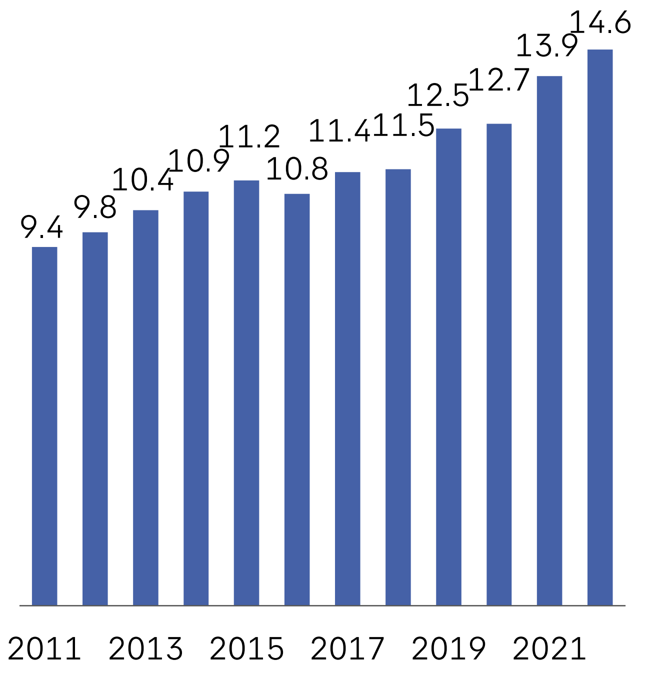
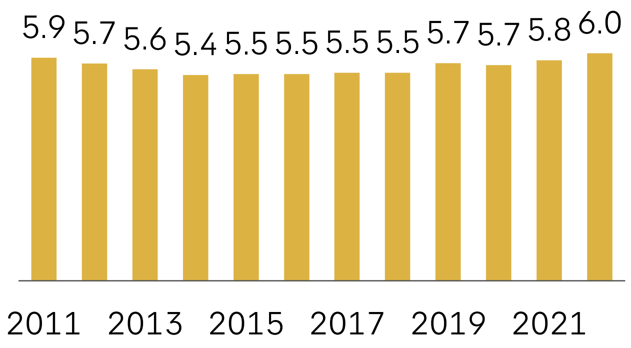
Operating leverage

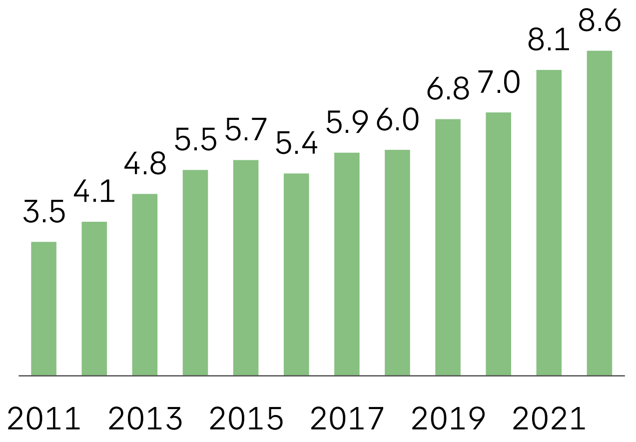
Average quarterly income (SEK bn)



Average quarterly expenses (SEK bn)



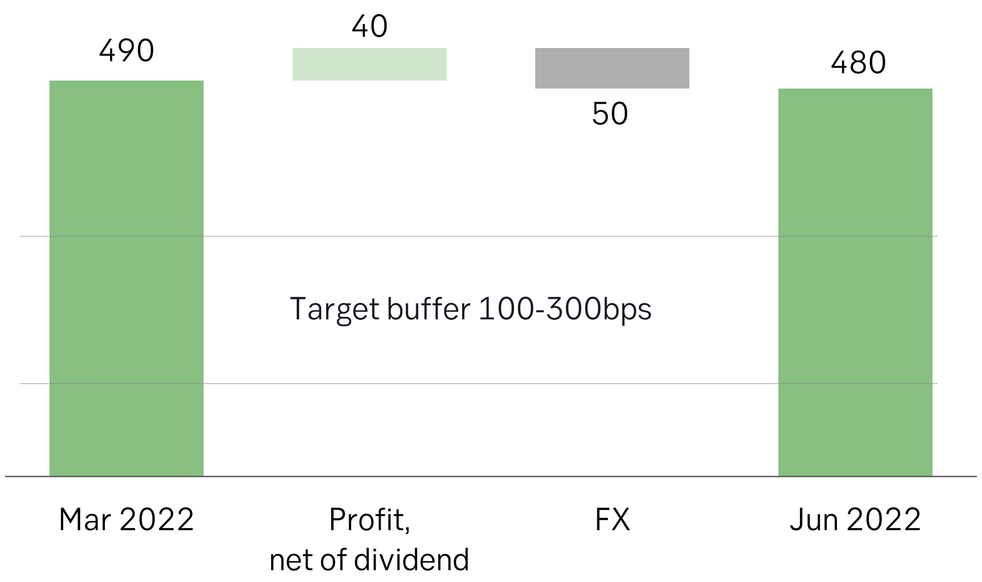
Average quarterly profit before expected credit losses and imposed levies (SEK bn)



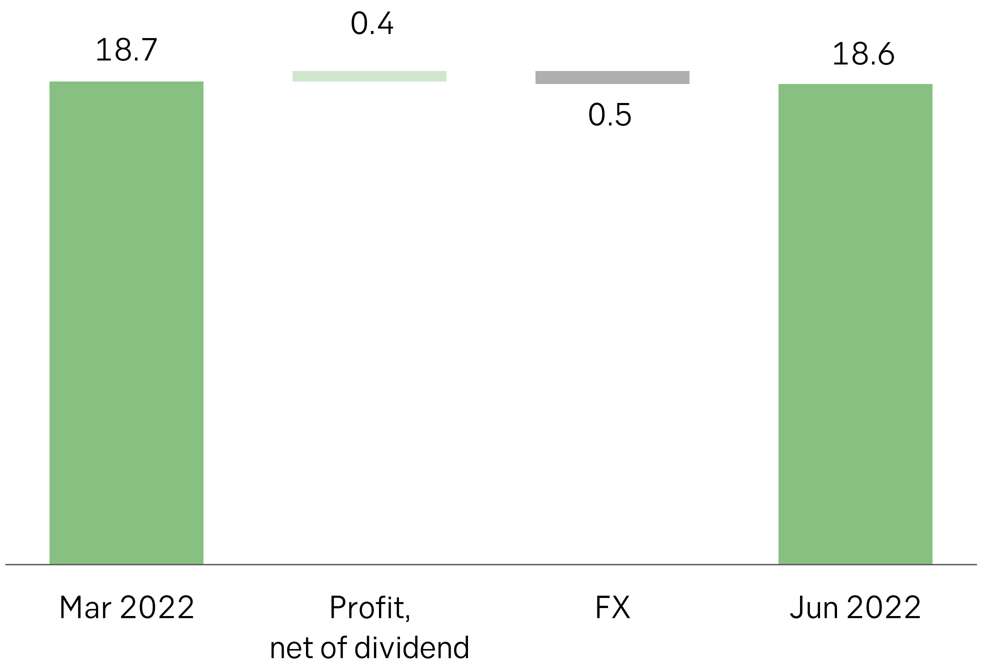
Note: data exclude items affecting comparability.

Capital development in Q2

CET1 buffer development
Quarter-on-quarter (bps)



CET1 ratio development
Quarter-on-quarter (percentage points)



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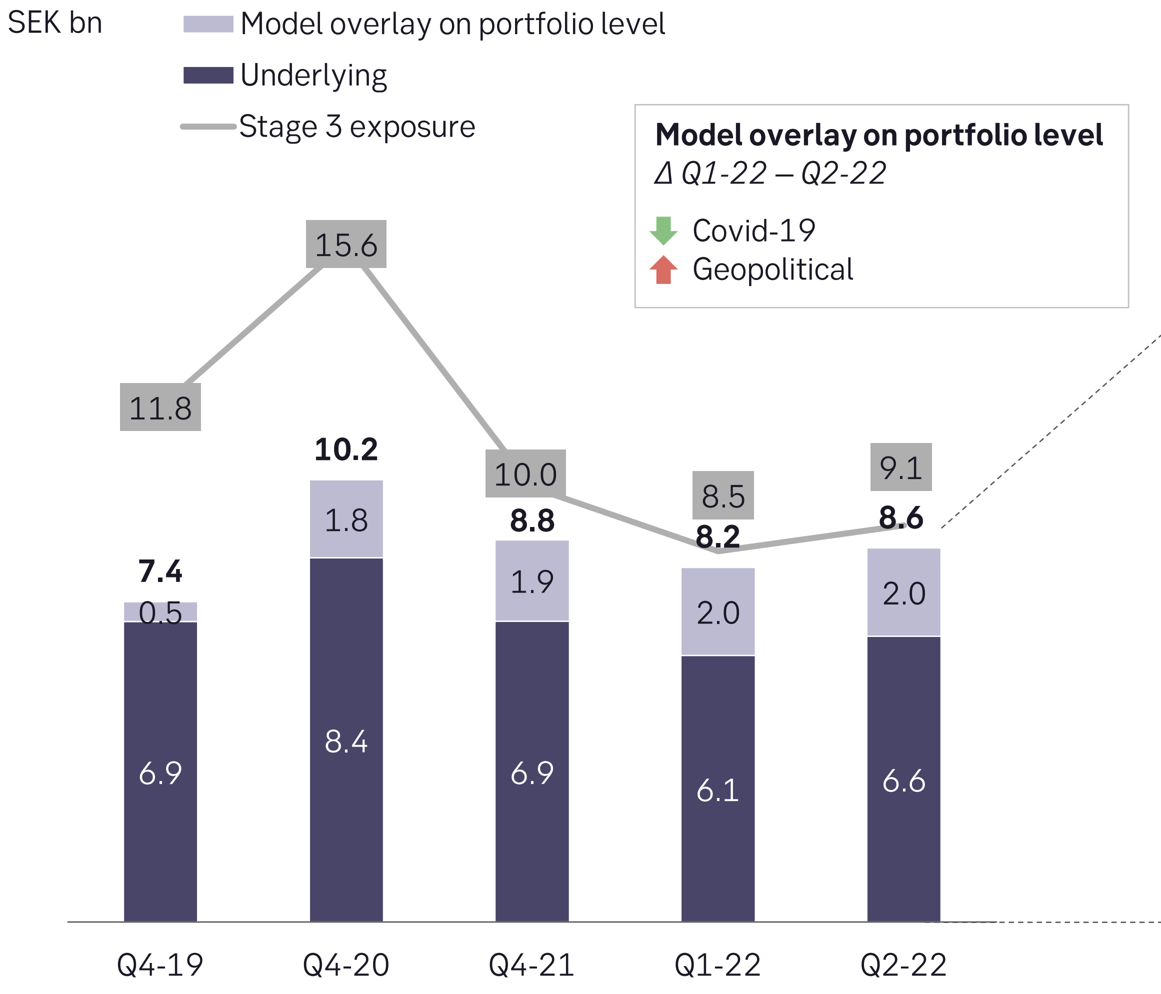
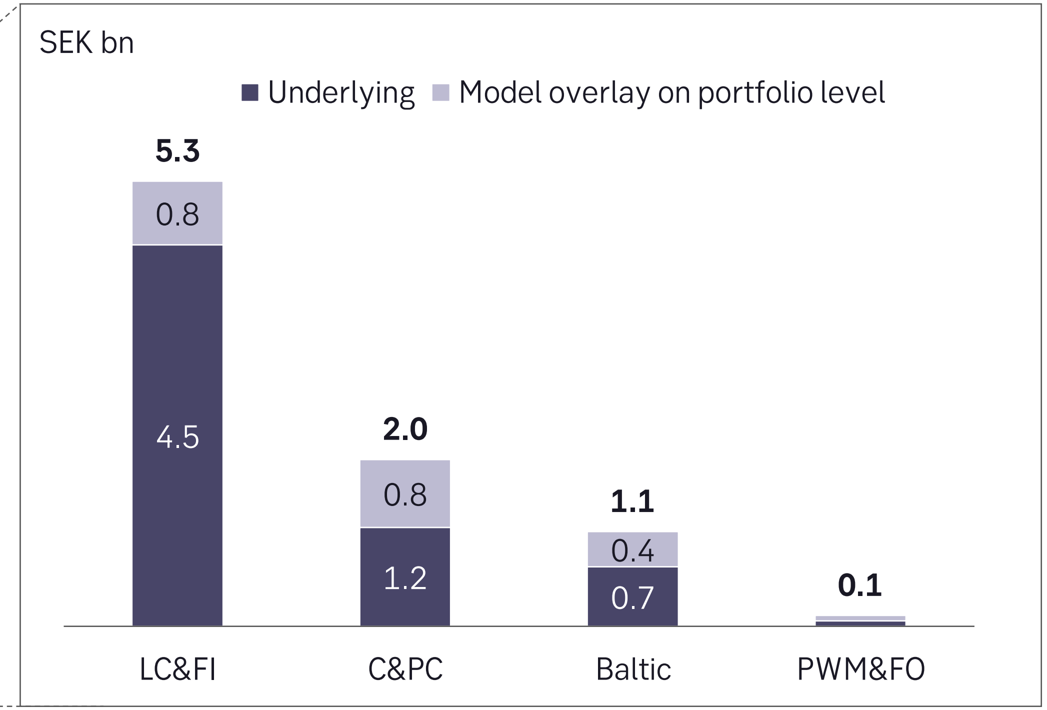
Expected credit loss allowances



Expected credit loss allowances split by division, Q2 2022



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Strong asset quality and balance sheet

2021

Asset quality	
Net expected credit loss level	2 bps
Funding & liquidity	
Customer deposits (SEK)	1,597bn
Liquidity coverage ratio	145%
Net Stable Funding Ratio (NSFR)	111%
Capital	
CET1 ratio (Basel 3)	19.7%
CET1 buffer above requirement	590 bps
Total capital ratio (Basel 3)	23.1%
Leverage ratio (Basel 3)	5.0%

June 2022

Asset quality	
Net expected credit loss level	7 bps
Funding & liquidity	
Customer deposits (SEK)	2,073bn
Liquidity coverage ratio	135%
Net Stable Funding Ratio (NSFR)	110%
Capital	
CET1 ratio (Basel 3)	18.6%
CET1 buffer above requirement	480 bps
Total capital ratio (Basel 3)	22.0%
Leverage ratio (Basel 3)	4.3%

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SEB Group financial targets

~50%	100-300bps	Return on Equity competitive with peers
Dividend payout ratio of EPS [1]	CET1 ratio above requirement	(Long-term aspiration 15%)

Share repurchases will be the main form of capital distribution when SEB's capital buffer exceeds, and is projected to remain above, the targeted range of 100-300 basis points.

[1] Excluding items affecting comparability.

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Thank you for your attention
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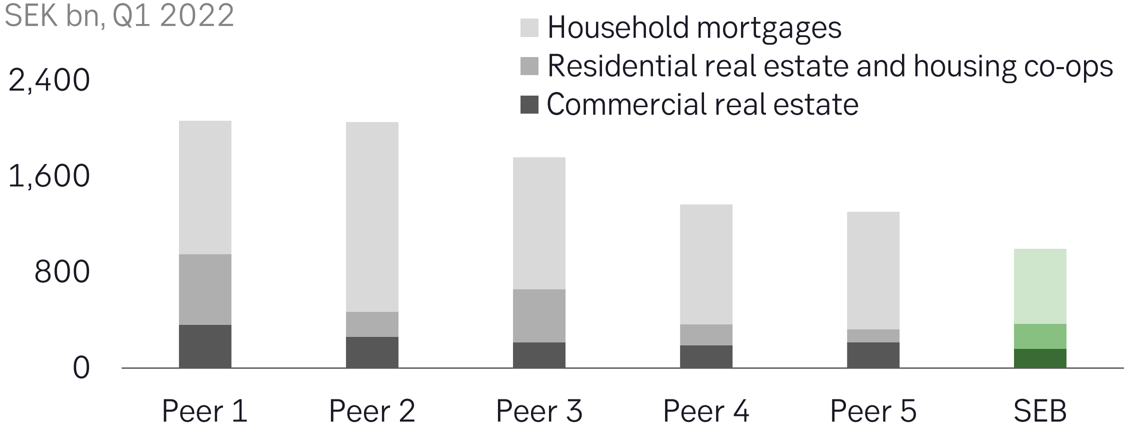
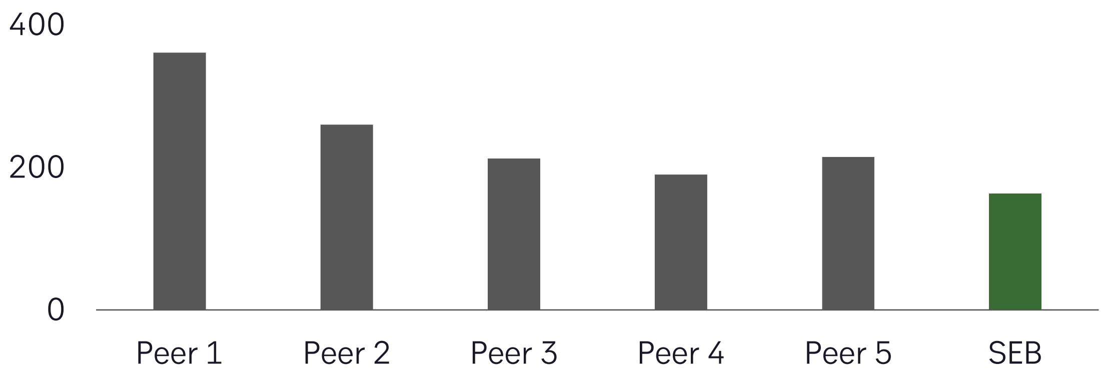
Appendix

SEB's real estate portfolio is resilient to higher interest rates

Total real estate and household mortgage lending compared to Nordic peers
SEK bn, Q1 2022



Commercial real estate lending compared to Nordic peers
SEK bn, Q1 2022



Conservative underwriting standards

- Group-wide risk tolerance and divisional volume caps.
- Cash-flow based underwriting standards, interest rate stress tests, restrictions on Loan-to-Value and Debt Service Ability.
- Majority of large clients hedging interest rates (average 3-4 years).
- Professional clients operating in Sweden and Nordics with diversified property portfolios and funding sources.

Average Loan-to-Value, Q2 2022

Commercial real estate	Residential real estate	Housing co-ops
46.7%	46.2%	27.5%

- Commercial and residential property values need to drop more than ~25% in order to reach regulatory risk weight floors, given current Probability of Default (PD) levels.

20 largest real estate clients resilient against higher interest rates

- Average Interest Coverage Ratio (ICR) at 4.6x by Q1 2022.
- Internal stress test assuming a 3M STIBOR at 4% by year-end 2023. [1]
  - Average ICR in stressed scenario: 2.1x.
  - All clients at or above 1x ICR in stressed scenario.

Note: Peer lending figures based on best estimate. Some figures based on Q4 2021 data. Source: Fact books, interim reports, annual reports, risk reports.
[1] Given average interest rate hedging of 3-4 years, this translates to about 200bps higher funding cost vs. Q1 2022. Includes commercial and residential real estate clients.