

# Debt Investor Presentation

## Financial Results

January – June 2017



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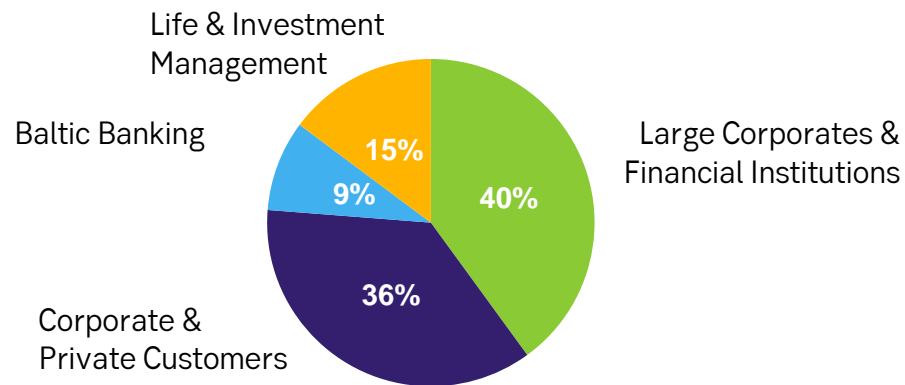
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# Stable growth & strong credit rating in diversified business

## Diversified Business mix

Operating profit Jan-Jun 2017



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

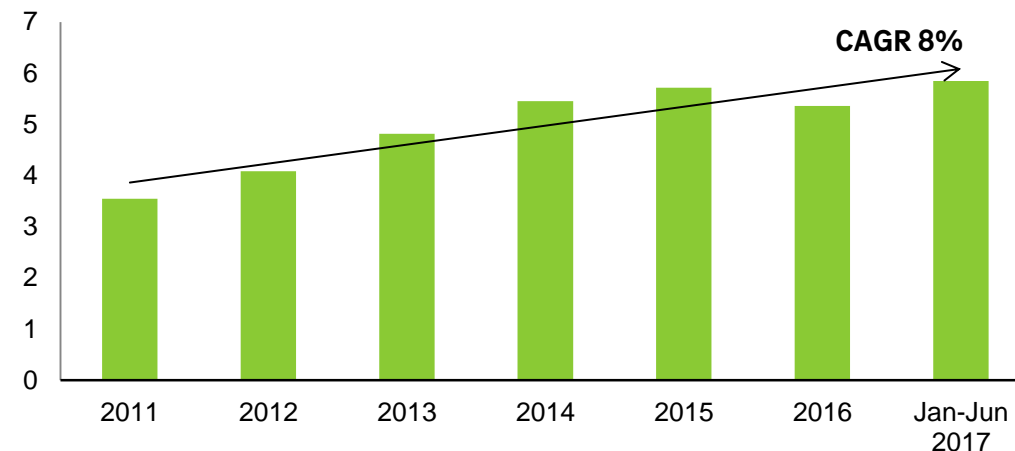


- Universal banking in Sweden and the Baltics
- Principally corporate banking in the other Nordic countries and Germany

1) Excluding items affecting comparability

## Stable growth trend

Average quarterly profit before credit losses<sup>1)</sup> (SEK bn)



- Self financing growth with increased leverage on existing cost cap
- Accelerate growth in Sweden
- Continue to grow in the Nordics and Germany
- 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	Aa3	3*	Stable
Fitch	F1+	aa-	AA-	0	Stable

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

# Agenda



- **SEB in brief**
- Macroeconomics
- Swedish housing market
- Financials
- Balance sheet, Asset quality and Credit Portfolio
- Funding
- Cover pool and Covered bonds
- Contacts

## Relatively strong Macro-economic Operating Environment

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

## Stable Long-term Ownership Structure

- **SEB's founder** in 1856, the Wallenberg family, remains the main shareholder through Investor AB with over 20% of the share capital

## Diversified and Balanced Business Model

- **Long-term relationship banking creating** an income mix of 40% Large Corporates & Financial Institutions business, 36% Swedish Retail & Private Banking , 9% Baltic Retail Banking and 15% Life & Investment Mgmt on a rolling 12-months basis
- The **leading Nordic franchise** in Capital Markets, Fx and Rates activities, Equities, Corporate and Investment banking
- **Second largest Nordic asset manager** with SEK 1,835bn (USD 217bn) under management
- **Largest Nordic custodian** with SEK 7,679bn (USD 907bn) under custody
- **No. 2** as regards **Swedish household total savings** with approx 10% market share
- **Largest** bank with Approx 9% of the **total life and pension business** in Sweden
- Approx 15% of the **Swedish household mortgage lending** market
- Second largest bank in the Baltic countries

## One of Europe's Best Capitalized Banks

- CET 1 ratio of **18.9%**
- **Buffer** to SFSA's requirement is 1.90% as regards CET 1 ratio
- A relatively **low impact of 0.4%** following SFSA's 2016 SREP analysis as regards increased corporate risk-weights

## Strong Rating Position

- *Moody's Aa3 (stable) / S&P A+ (stable) / Fitch AA- (stable)*

# SEB's competitive advantages generate sustainable value creation

## Advantages

### Profit generation

1. Diversified business mix and income distribution
2. Corporate clients with geographically well distributed income streams
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. Strong asset quality and comfortable capital buffers high above SFSA requirements

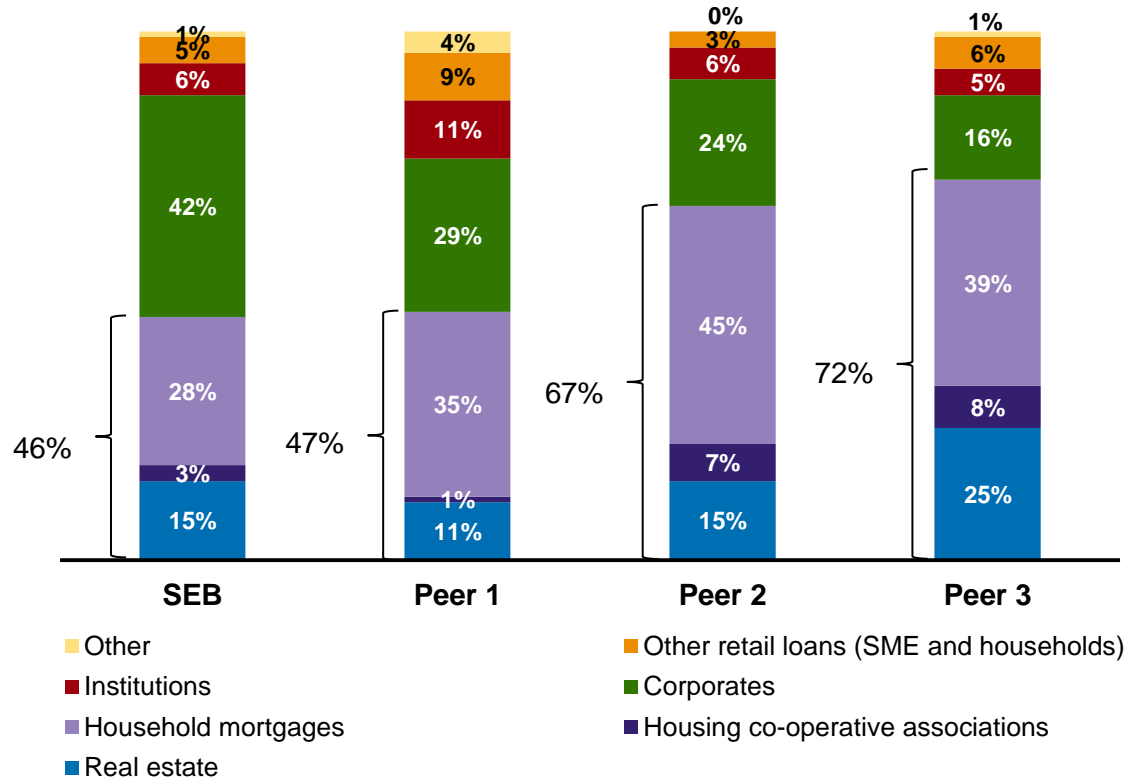


**Sustainable value creation**

# SEB's diversified business mix sustains earnings

## Lowest Real Estate & Mortgage exposure

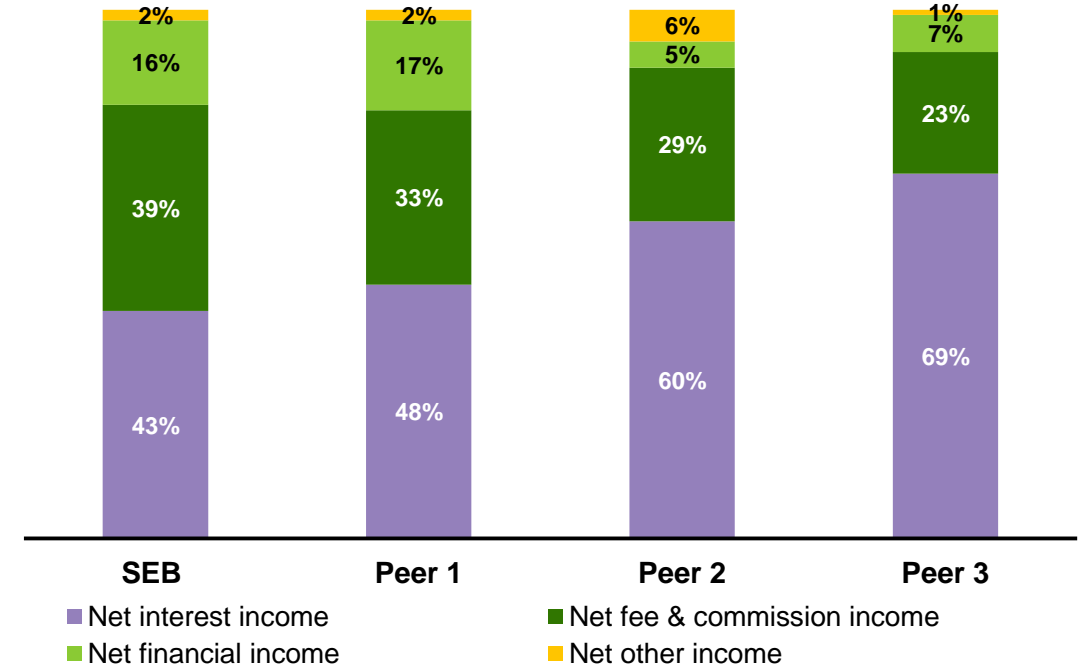
Sector credit exposure composition (EAD)<sup>1)</sup> FY 2016



SEB's corporate exposure is 81% large Swedish, other Nordic and German international corporates with **geographically diversified sales and income streams**

## Least dependent on NII

Operating income by revenue stream, FY 2016

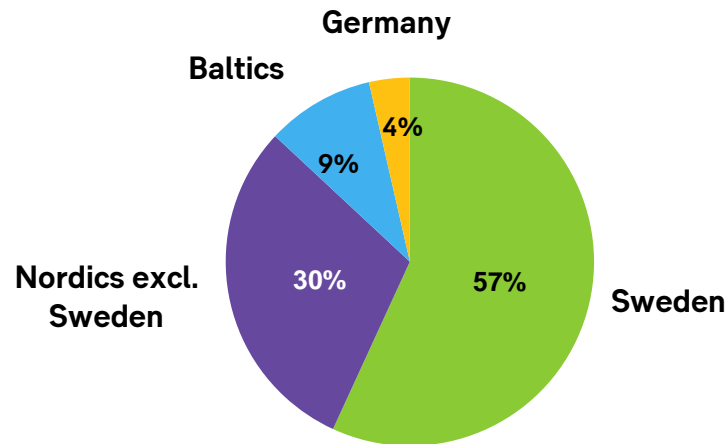


SEB has its roots in servicing large corporates, institutions and high net worth individuals which is reflected in the **broadest income generation base** with less dependence on NII

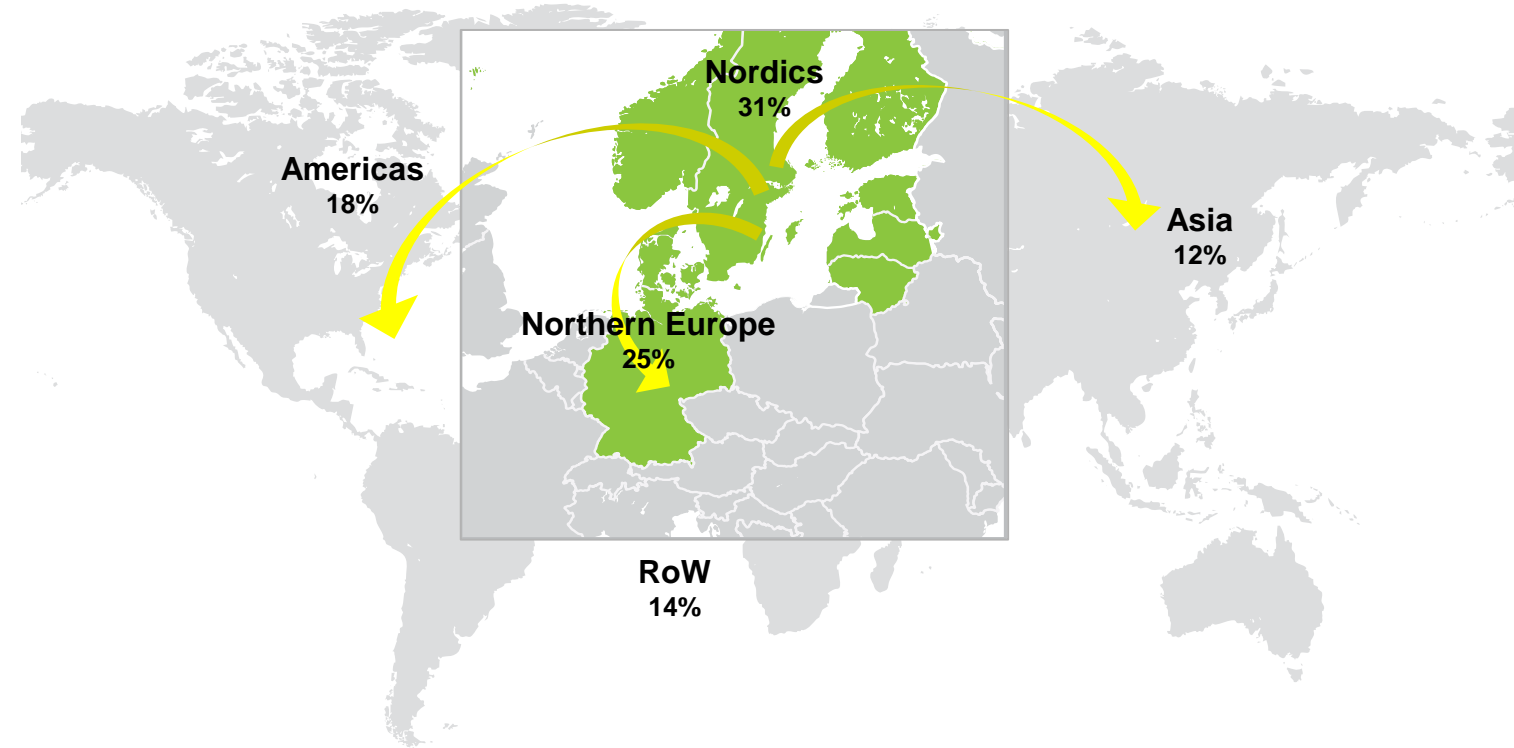
1) EAD = Risk Exposure Amount / Risk Weight  
Source: Companies Pillar 3 and FY2016 reports

# Geographically well distributed income streams from a client base with a large share of international businesses

Share of operating profit - full year 2016 <sup>1)</sup>



Revenue streams from Swedish large corporates <sup>2)</sup>



## Broad diversification

1) Excluding items affecting comparability

2) Sales of 120 largest listed Swedish corporates Source: Annual reports 2016

Advantage	Advantage
1. Diversified business mix and income distribution	1. Strong funding structure
2. Corporate clients with geographically well distributed income streams	2. Low asset encumbrance
3. Leading in core business areas	3. Strong asset quality and comfortable capital buffers high above SFSA requirements
4. Cost cap keeping expenses down for eight years	4. Strong asset quality and comfortable capital buffers high above SFSA requirements

Sustainable growing earnings



# Leading market positions in core business areas

## Corporate and Institutional business\*

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

**Second largest** Nordic asset manager with SEK 1,835bn under management

**Largest** Nordic custodian with SEK 7,679bn under custody

## Private Individuals\*

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

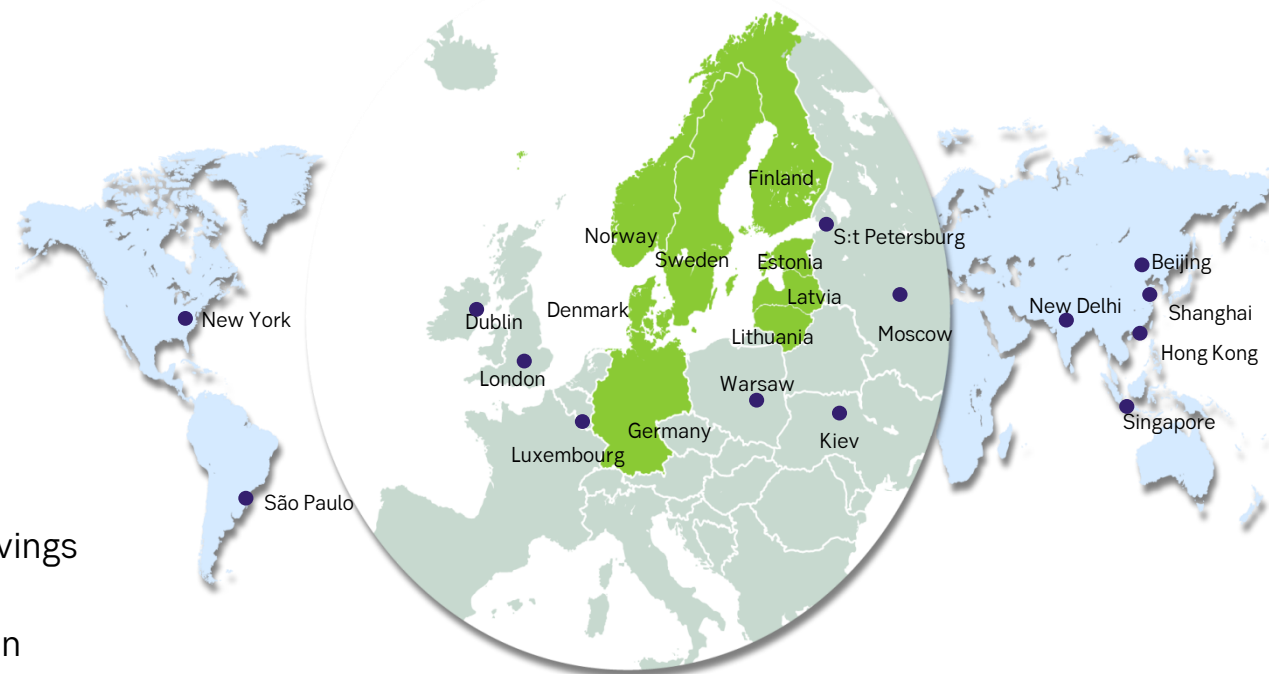
**No. 2** with approx. 10% market share in total Swedish household savings market

**Largest** bank with approx. 9% of the total life and pension business in Sweden

**Swedish** household mortgage lending: approx. 15%

**Second largest** bank in the Baltic countries

## Global presence



\* latest available information

Advantage	Advantage
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4. Cost/fee keeping expenses down for eight years	4. Sustainable growing earnings

# Operating expenses kept down by cost cap

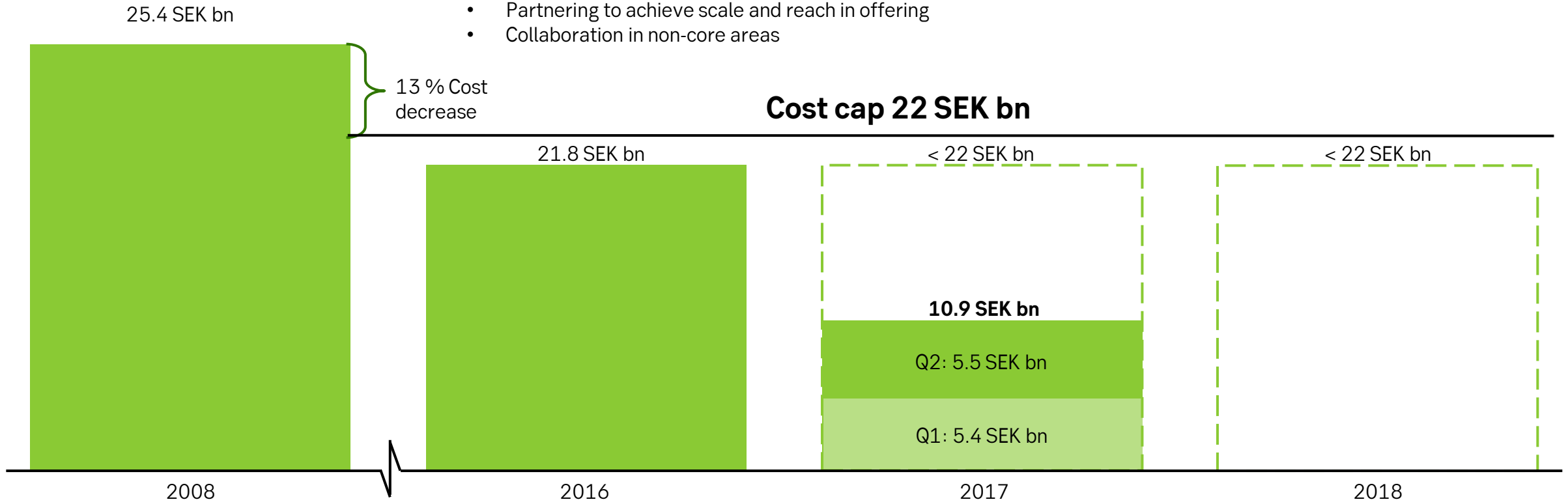
Self-financing growth through efficiency savings

## Decreasing cost

- Reduction FTEs
- Transfer of business operations to Riga and Vilnius
- Cost synergies
- 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



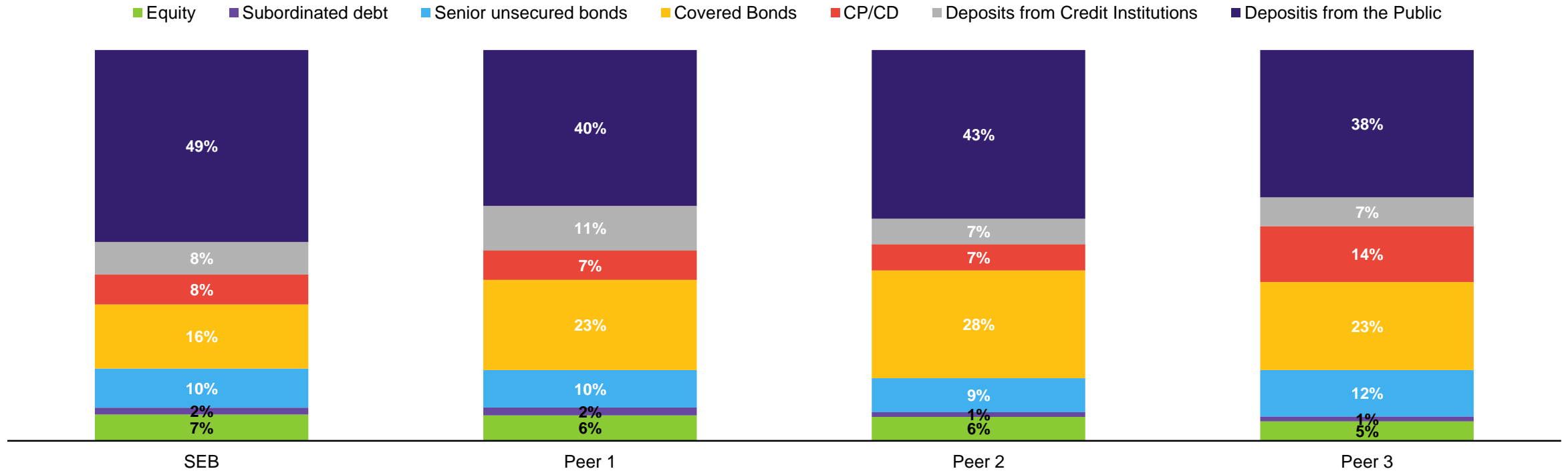
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4. Cost cap keeping expenses down for eight years	

Sustainable growing earnings

# SEB has a strong funding structure and the lowest asset encumbrance

Benchmarking Swedish bank's total funding sources incl. equity

## Average quarterly balances in 2016



Source: Companies' FY 2016 reports

**Advantages**

- Diversified business mix and income distribution
- Corporate clients with geographically well-distributed income streams
- Leading in core business areas
- Cost cap keeping expenses down for eight years

**Advantages**

- Strong funding structure
- Low asset encumbrance
- Strong asset quality and comfortable capital buffers high above SFSA requirements

Sustainable growing earnings

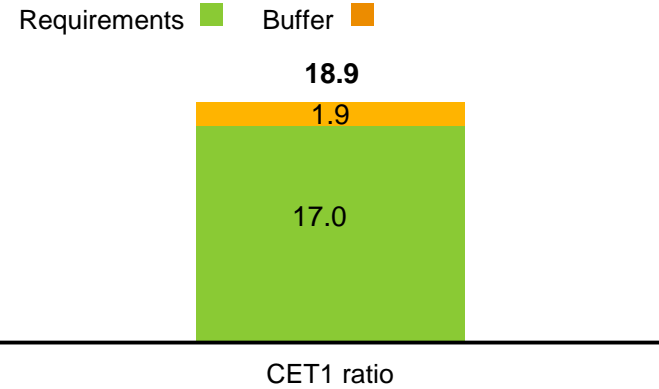
# Strong asset quality and robust capital ratios with comfortable buffers

Net credit losses, %

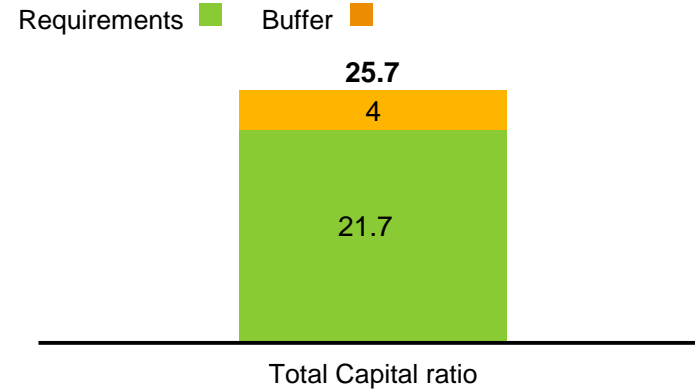


Average  
 2007-June '17: 0.17%  
 2007-2009: 0.44%  
 2010-June '17: 0.06%

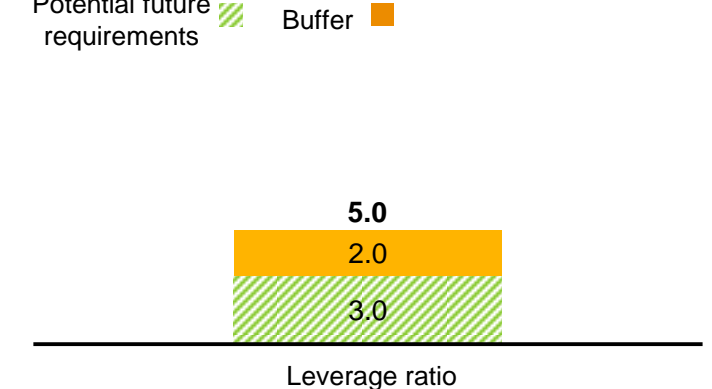
CET1 ratio, %



Total Capital ratio, %



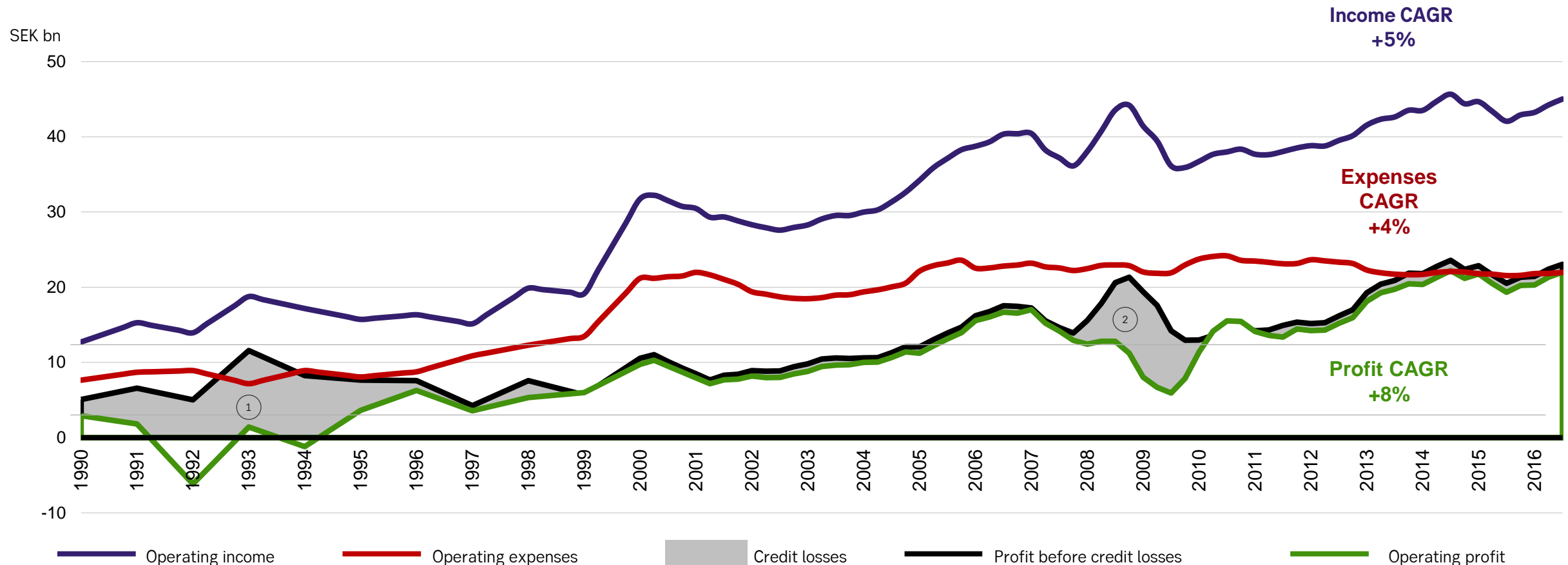
Leverage ratio, %



- Advantage**
  - 1. Diversified business mix and income distribution
  - 2. Corporate clients with geographically well distributed income streams
  - 3. Leading in core business areas
  - 4. Cost cap keeping expenses down for eight years
- Advantage**
  - 1. Strong funding structure
  - 2. Low asset encumbrance
  - 5. Strong asset quality and comfortable capital buffers high above SFSA requirements

# Profitable growth through focused business strategy, increased franchise and cost control

Long-term profit development 1990 – June 2017, 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 2014-2016

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# Global GDP growth forecasts as of Sept 2017

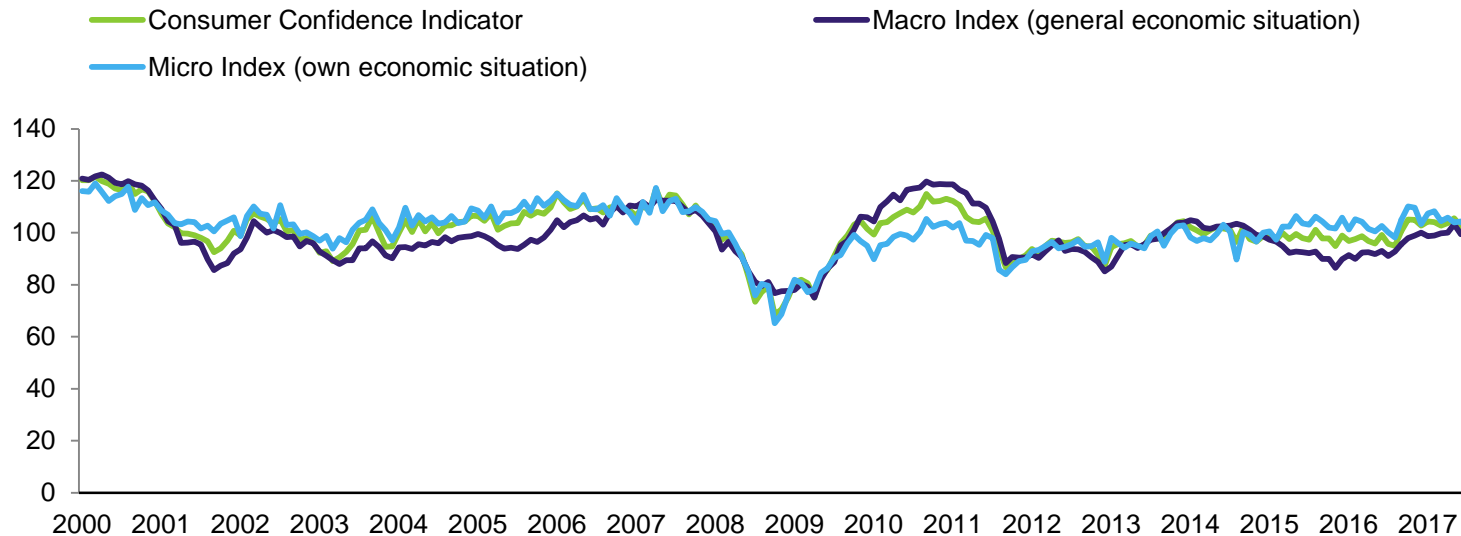
GDP, YoY % change		2016	2017E	2018E	2019E
US		1.5	2.2	2.4	2.0
China		6.7	6.8	6.4	6.1
Japan		1.0	1.3	0.8	0.7
Euro zone		1.8	2.1	2.2	2.0
Germany		1.9	2.1	2.0	1.8
UK		1.8	1.5	1.0	1.2
OECD		1.8	2.1	2.1	1.9
World		3.1	3.8	3.8	3.7
Sweden		3.2	3.2	2.8	2.4
Norway		1.1	1.7	1.6	1.9
Denmark		1.7	2.3	2.4	2.4
Finland		1.9	2.5	2.2	2.2
Baltics		2.0	3.5	3.3	3.1



# Sweden: Strong GDP growth

	2016	2017E	2018E	2019E
GDP (yearly change in %)	3.2	3.2	2.8	2.4
CPI (%)	1.0	1.8	1.8	2.0
Unempl. (%)	6.9	6.5	6.0	6.1
Gov't debt (% of GDP)	41.6	39.5	37.4	35.4

## Consumer Confidence



## GDP above trend growth

- **Tailwind:** Job growth acceleration, housing construction, resource utilisation
- **Headwind:** structural and political challenges
- Risk for overheating



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# Increasing investments in Sweden not enough to remedy structural lack of housing and upward pressure on prices

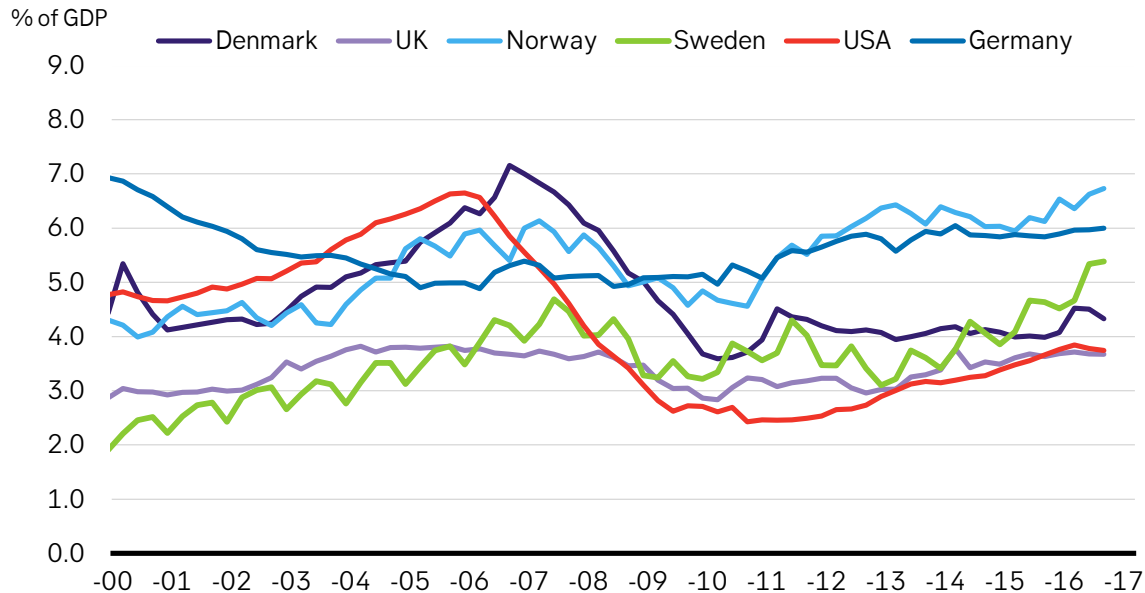
## History

- Shift in government policy on subsidies for residential mortgage purposes and deregulation of the credit markets 27 years ago had a huge negative impact on residential construction
- Maintained rent regulation, high land and construction costs incl. planning and environmental legislation, ability to appeal against planned housing constructions and poor competition in the building sector continue to reduce the incentive for the construction of rental apartment buildings
- Abolished Wealth Tax in 2007, a Real Estate Tax reform in 2007-2009 reduced the Real Estate Tax significantly as well as tax reductions for home renovations and repairs

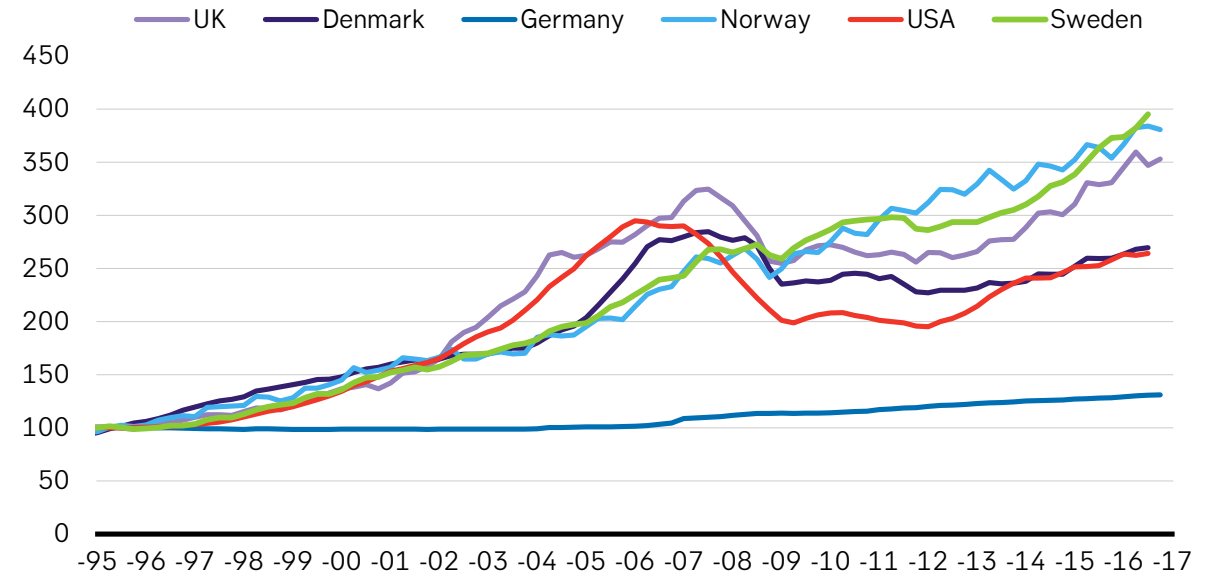
## Currently

- Government takes measures to stimulate residential investments
- At the end of 2019 housing construction will account for almost 7.5 per cent of GDP

## Increasing residential investments



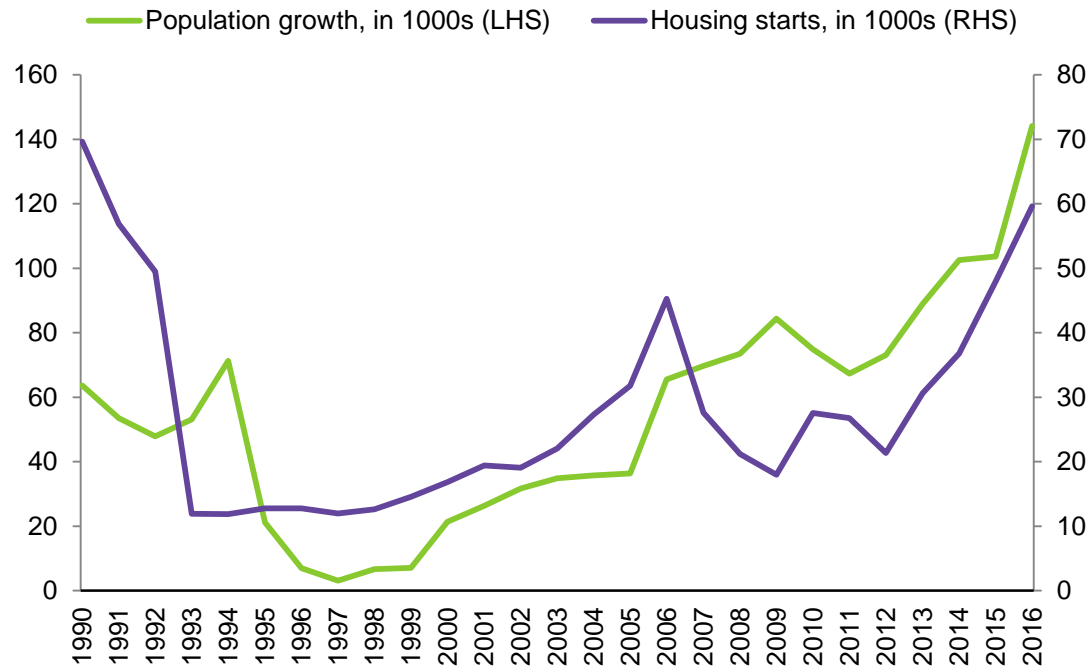
## House prices (Index 1995=100)



# Sweden: Population growth outpaces housing completions and push up prices

## Housing constructions lagging behind population

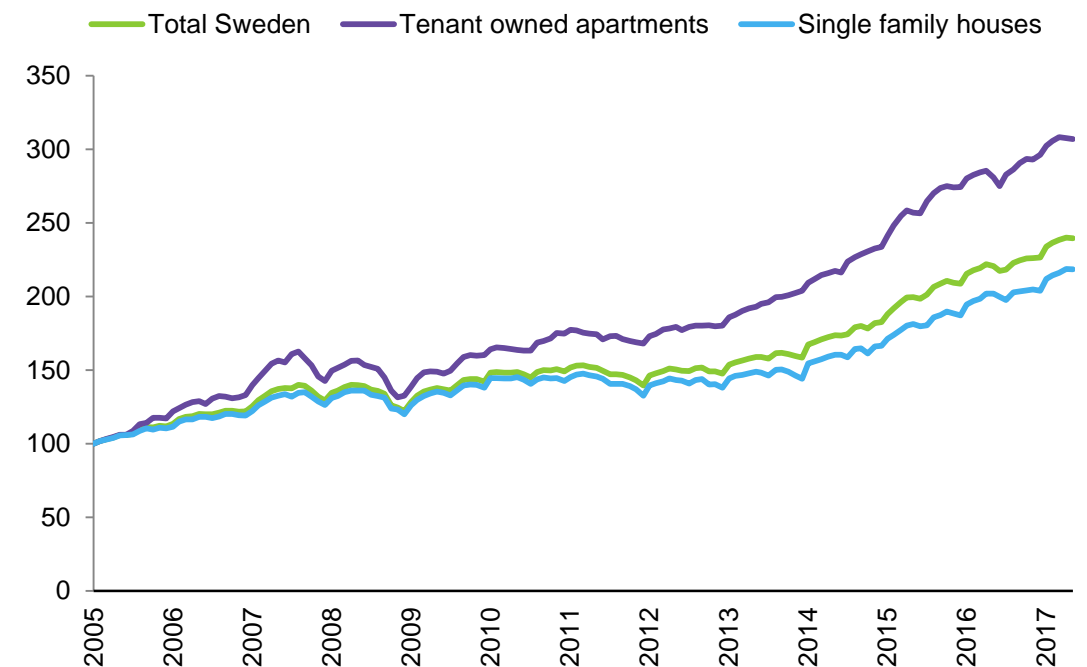
Housing construction and population growth



Source: Statistics Sweden, SCB and SEB

## Home prices have more than doubled since 2005

Home prices, Index 2005 = 100



Source: Valueguard

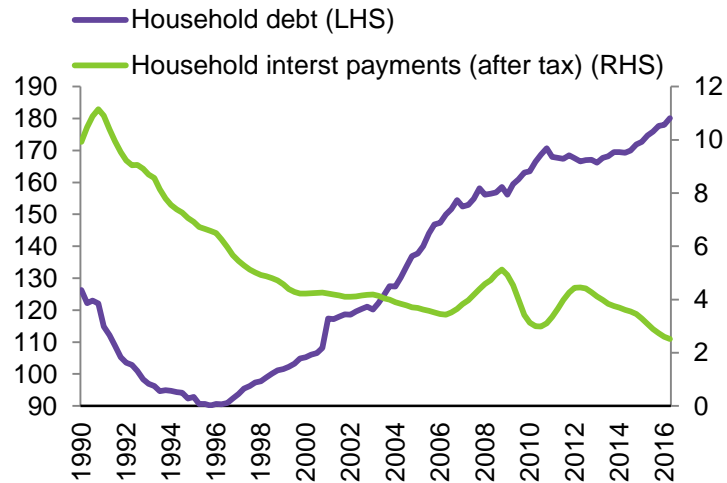
- Despite increasing housing completions, there need to be approx. 70,000 new units per year completed by 2025 to match population

\*Latest available data from Boverket (Swedish National Board of Housing)

# Sweden: Households' debt/housing exposure

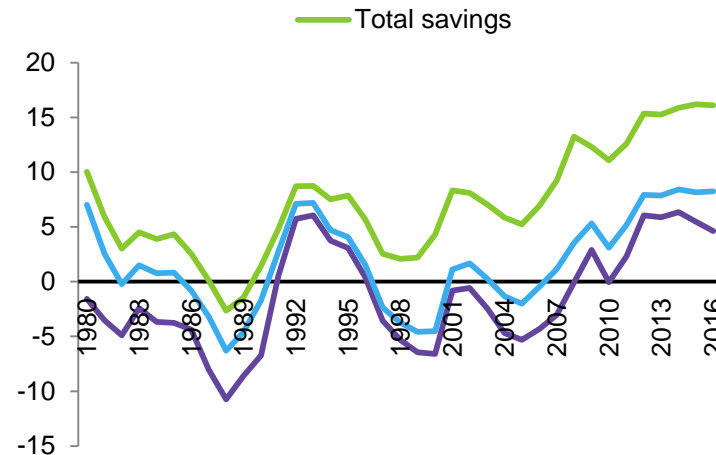
## Sensitivity to rates has increased

Household debt and interest rate expenditure, % of income



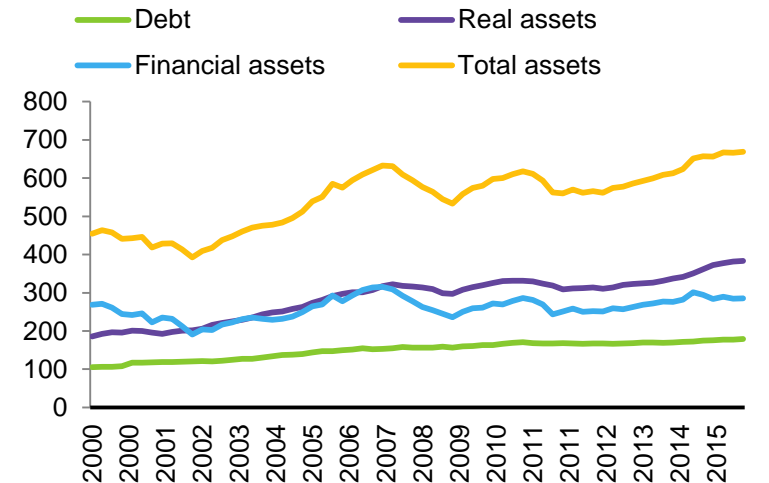
## Household savings are rising

Household savings, % of income



## Households' Balance sheet still strong

Household assets and debt, % of income



## Overview

Affordability not the main issue, at least not as long as rates stay low

Household savings are still rising

Strong household balance sheets

# Institutional and Socio-economic factors underpin high Asset Quality and mitigate effects of Household Indebtedness

## Credit information agency (“UC”)

Provides unique information regarding customers, e.g. marital and employment status, age, income, fixed assets, debt, payment record, property ownership

## Practically impossible to escape claims

A borrower is personally liable, for life, even after a default and foreclosure procedure

## Strong household income

A household's income is to a very high degree based on two persons' income. A mortgage loan is typically a joint liability

## No buy-to-let market

A regulated rental market and tenant owner subletting restrictions

## Direct debit

Customers make payments via authorized direct debit from their account

## State enforcement office

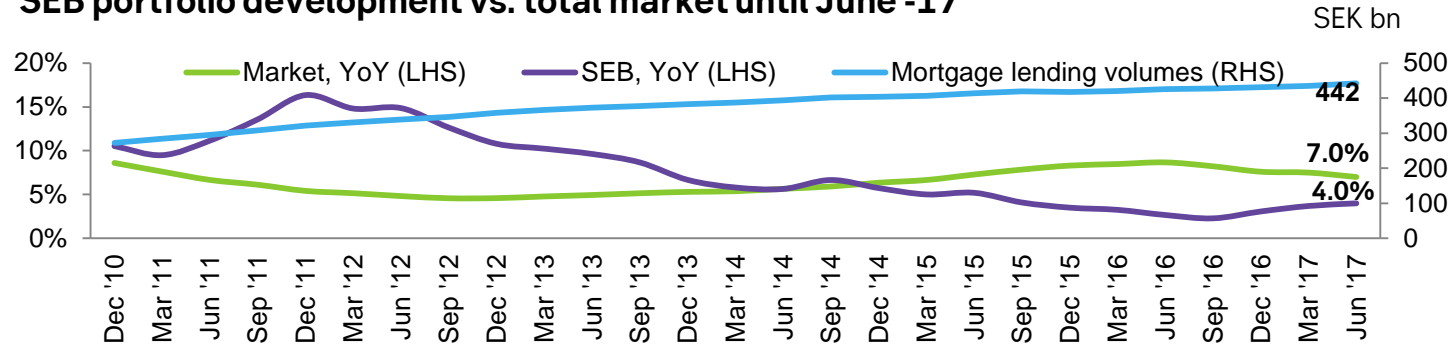
Enforcement orders are processed in a expedient and reliable way

## No intermediaries

Banks and bank owned mortgage institutions originate the loans themselves and the loans remain on their balance sheet

# SEB's Swedish household mortgage lending

## SEB portfolio development vs. total market until June -17



## 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

- Net credit loss level 0bps
- Loan book continues to perform – loans past due >60 days 5bps

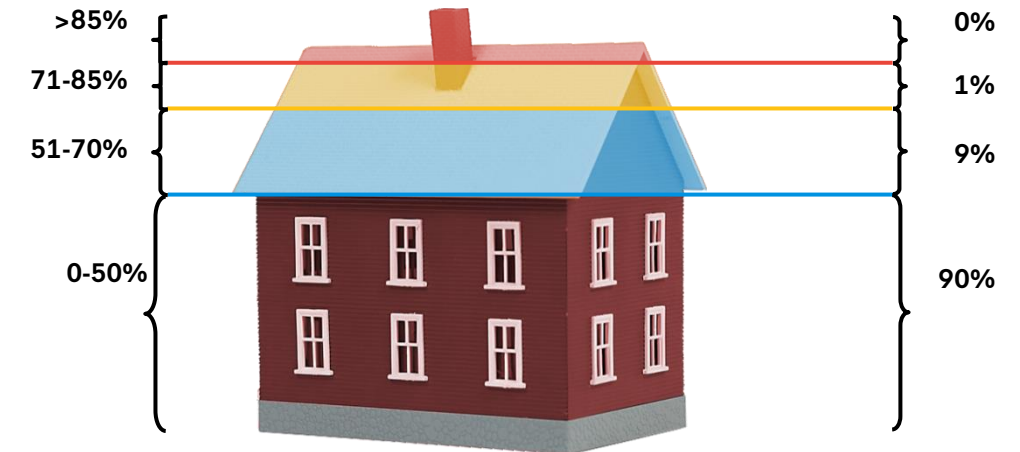
## Low LTVs by regional and global standards

## 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 5.5% 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"

## Loan-to-value

## Share of portfolio



Weighted average LTV= 51%

# Swedish housing market

## – Characteristics and prices

### Svensk Mäklarstatistik – July 2017, per cent

Area	Single family homes		Apartments	
	3m	12m	3m	12m
Sweden	+2.1	+8.8	-2.0	+7.2
Greater Stockholm	-0.4	+5.9	-2.6	+5.4
Central Stockholm			-0.5	+6.4
Greater Gothenburg	+1.6	+11.8	+1.3	+13.0
Greater Malmoe	+4.7	+11.1	+2.8	16.1

### Valueguard – July 2017, per cent

Area	Single family homes		Apartments	
	3m	12m	3m	12m
Sweden	-0.9	+9.7	+0.4	+9.1
Stockholm	-0.8	+7.8	-0.4	+5.9
Gothenburg	-1.5	+11.1	+3.1	+15.6
Malmoe	+1.7	+13.0	+1.3	+19.8

HOX Sweden -0.4% 3m, +9.5% 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

# House price developments – some key features

## Upward pressures

- *Severe structural lack of supply particularly in the major cities to which there is a strong migration despite the last few years' increased residential investments*
- *Low interest rates*
- *Increase of households' disposable income*
- *Household expenditure on housing as a percentage of total expenditure on consumption is at a record low level*
- *Home ownership approx. 66% by 2015. Up from 59% in 1995*

## Regulatory bodies' actions to stem households' indebtedness and increasing house prices

- *Regulatory LTV cap of 85% (Fall 2010)*
- *New and extended regulatory requirements on banks*
  - *Swedish rules stricter than Basel III and EU requirements*
  - *Mortgage risk-weight floor – 25% under Pillar 2 effective from Jan 1, 2015*
  - *Higher counter-cyclical buffers for Swedish exposures – an increase to 1.5% in June 2016 from 1% and to 2% in March 2017*
- *Strict amortization requirements on LTVs above 50% was introduced on June 1, 2016*
- *SFSA is proposing a stricter amortization requirement targeting households with debt-to-income ratios in excess of 4.5x the household's gross income. To be introduced in early 2018, if passed by the Parliament.*

## Topics publicly discussed to further lower the risk of the house price development

- *Hottest topics:*
  - *Gradual abolishment of the ability of households to deduct interest rate costs for tax purposes*  
*(today: 30% up to about USD15k and 21% on the amount above USD15k can be deducted for tax purposes)*
  - *Gradual abolishment of the property sales gains tax (currently 22%)*



# Households' indebtedness and affordability - key features

## Households' aggregated debt to disposable income ratio (*debt ratio*) is around 180% <sup>3)</sup>

- This ratio increased from 100% to 170% between the late 1990s and 2010 when it slowed down considerably
- The increase taking place before 2010 was partly due to changing residential ownership structure and higher affordability
- Since early 2014 indebtedness has started to rise again and was by the end of 2016 around 180%

## The most indebted people are the ones that can afford it <sup>1), 2), 4), 5)</sup>

- Approx. 85% of household debt is **mortgage loans** and household debt is closely linked to house prices
- **The most indebted people** are the ones that
  - Have the highest income and net wealth
  - Have the highest level of education
  - Live in the economically more prosperous and flourishing regions in Sweden
- **Weak relationship between debt-to-income ratio and loan-to-value ("LTV")**
  - Households with an LTV > 85% have a distinctively lower debt-to-income ratio than households with a LTV ratio between 50 and 85%

## Mitigating factors of private indebtedness <sup>3), 5)</sup>

- Aggregated **total wealth, excluding collective insurances, is more than 6 times higher** than household disposable income
- Aggregated **net wealth** (total assets minus total debt) **is over 4 times higher** than disposable income
- **Financial assets are 2 times higher** than disposable income
- **Increased affordability:**
  - Increased disposable income due to higher real salaries
  - Income tax cuts
  - Abolishment of wealth tax and a substantial lowering of real estate tax
  - Low interest rates
  - High savings ratio
- The potential risks with **Households' indebtedness is offset** by a low public sector debt and a capacity for countercyclical measures
- **Socio-economic factors**

1) A government report from November 2013

2) The Central Bank's report "How indebted are Swedish Households?" May 2014.

The volume of loans in the data covers about 80% of all household loans and 94% of all mortgages

3) Swedish Central Bank's Financial Stability Report of May 2017

4) SFSA The Swedish Mortgage Market April 2016

5) SFSA Stability in the financial system of May 2017

# Agenda

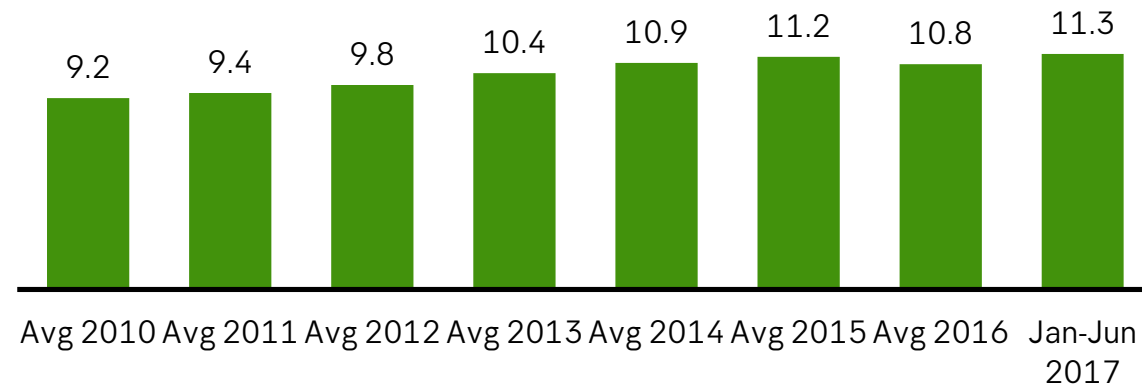


- SEB in brief
- Macroeconomics
- Swedish housing market
- **Financials**
- Balance sheet, Asset quality and Credit Portfolio
- Funding
- Cover pool and Covered bonds
- Contacts

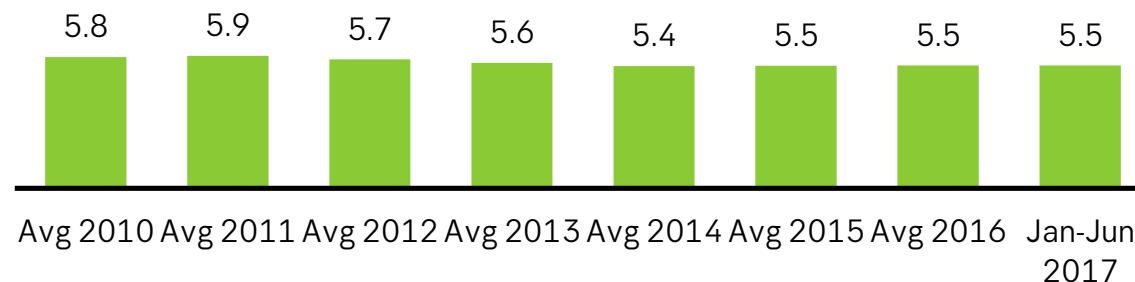
# Operating leverage back on track

Excluding items affecting comparability

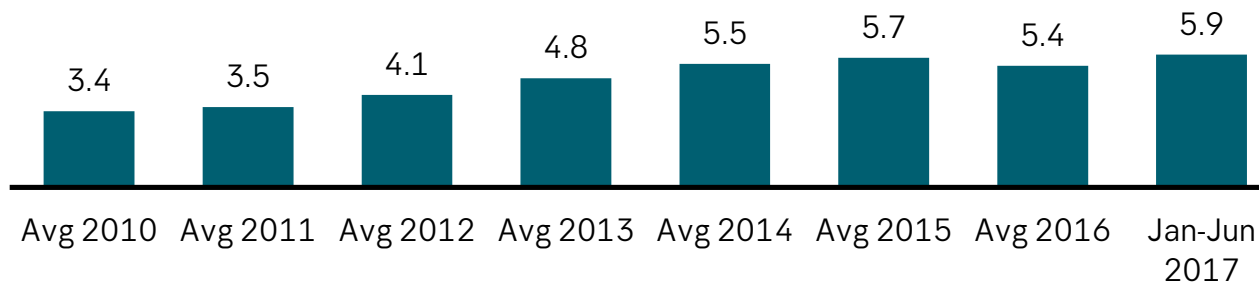
**Average quarterly income (SEK bn)**



**Average quarterly expenses (SEK bn)**



**Average quarterly profit before credit losses (SEK bn)**



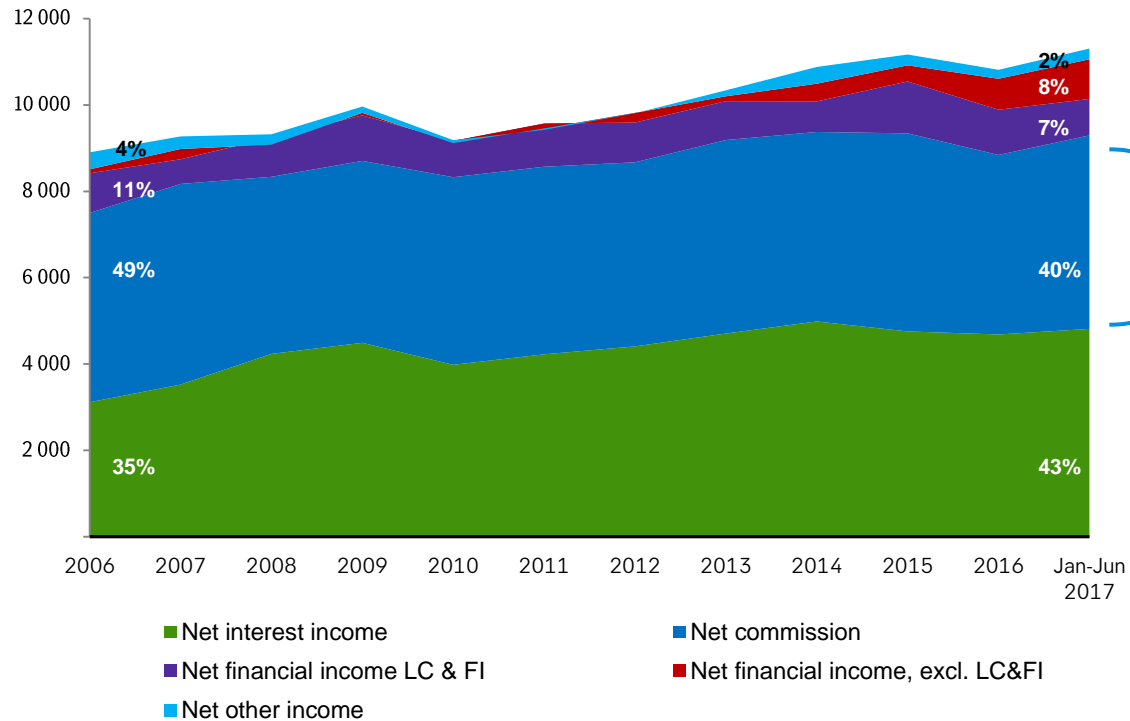
*Excluding items affecting comparability (restructuring in 2010, bond buy-back and IT impairment in 2012, sale of MasterCard shares and Euroline in 2014, Swiss withholding tax in 2015, Goodwill impairment, other one-off cost items and SEB Baltic VISA transaction in 2016) Estimated IAS 19 costs in 2010*

# Business mix and Market Shares create diversified and stable income

## SEB's Income Profile Development

### Split of operating income

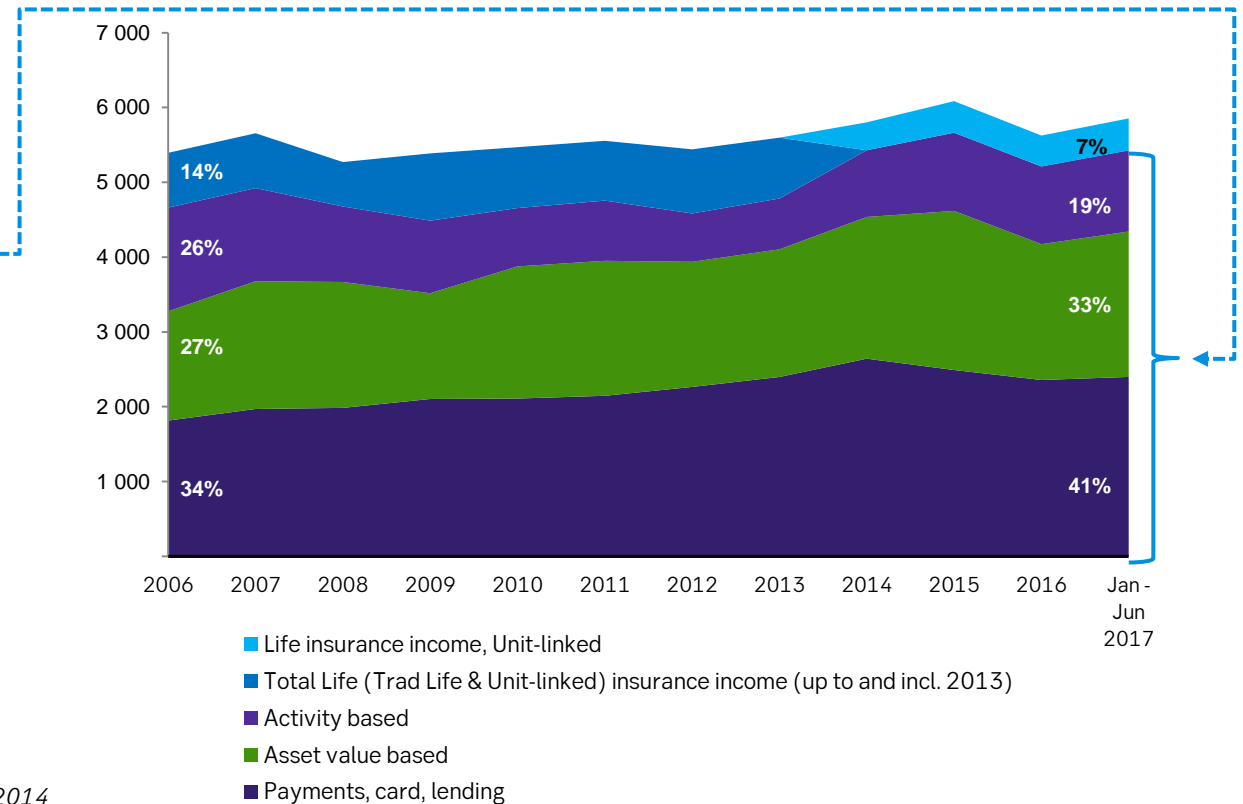
Non-NII is more important than NII



1) LC&F is the division Large Corporates and Financial Institutions 2) Trad. Life income booked under NFI from Jan 2014

Average quarterly income in SEK m 2006-Jun 2017

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



Average quarterly fees and commissions income in SEK m 2006- Jun 2017

# Strong Financial Development

## Key Figures

	H1 <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>12.6</b>	11.3	12.9	13.1	13.1	11.5	12.3
<b>Cost /Income ratio, % <sup>5)</sup></b>	<b>48</b>	50	49	50	54	61	62
<b>Common Equity Tier 1 capital ratio, % <sup>2)</sup></b>	<b>18.9</b>	18.8	18.8	16.3	15.0	NA	NA
<b>Total capital ratio, % <sup>2)</sup></b>	<b>25.7</b>	24.8	23.8	22.2	18.1	NA	NA
<b>Leverage Ratio, % <sup>2)</sup></b>	<b>5.0</b>	5.1	4.9	4.8	4.2	NA	NA
<b>Net credit loss level, % <sup>3)</sup></b>	<b>0.06</b>	0.07	0.06	0.09	0.09	0.08	-0.08
<b>NPL coverage ratio, % <sup>4)</sup></b>	<b>61</b>	63	62	59	72	66	64
<b>NPL / Lending, % <sup>4)</sup></b>	<b>0.5</b>	0.5	0.6	0.8	0.7	1.0	1.4
<b>Assets under Management, SEKbn</b>	<b>1,835</b>	1,781	1,700	1,708	1,475	1,328	1,261
<b>Assets under Custody, SEKbn</b>	<b>7,679</b>	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.

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

5) **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

**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 one-off gains and costs

c. The FY 2016 results, profitability and efficiency ratios exclude the effects of the above mentioned one-off items

# Agenda



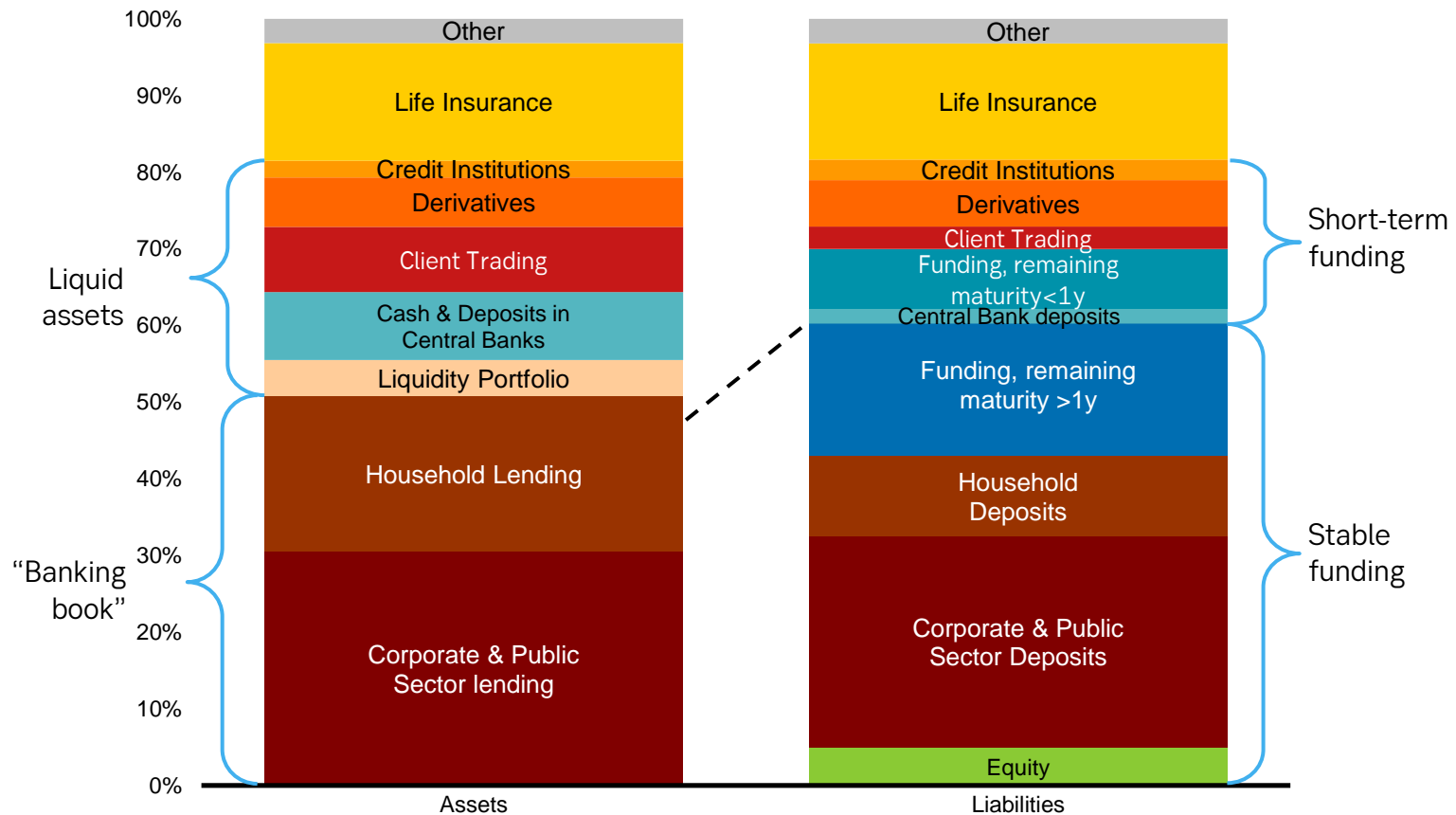
- SEB in brief
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# Strong asset quality and balance sheet

(SEK bn)		2009	2016	June 2017
Asset quality	Non-performing loans	28.6bn	7.6bn	7.8bn
	NPL coverage ratio	65%	63%	61%
	Net credit loss level	0.92%	0.07%	0.06%
Funding and liquidity	Customer deposits	750bn	962bn	1 084bn
	Liquidity coverage ratio	N.A.	168%	120%
Capital	CET 1 ratio (Basel 3)	11.7%	18.8%	18.9%
	Total capital ratio (Basel 3)	14.7% <i>Basel 2.5</i>	24.8%	25.7%
	Leverage ratio (Basel 3)	N.A.	5.1%	5.0%

# Diversified and Liquid Balance Sheet

Total Assets SEK 2,777bn (USD 328bn)



**Banking book:** A relatively large share of lending is contractually short which allows for swift re-pricing to adjust for e.g. changed funding costs.

**Central bank deposits** refer to long-term relationship-based deposits from central banks and do not refer to borrowings from central banks

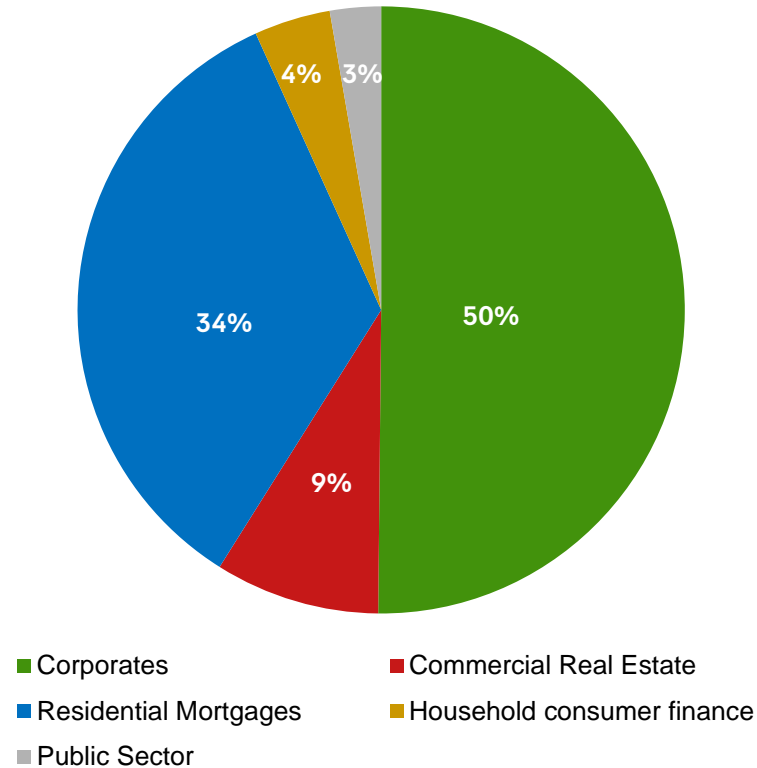


# Diversified Corporate and low-risk Swedish Residential Mortgage exposure dominate

SEB Total Credit Portfolio excl. Banks (on and off balance sheet)

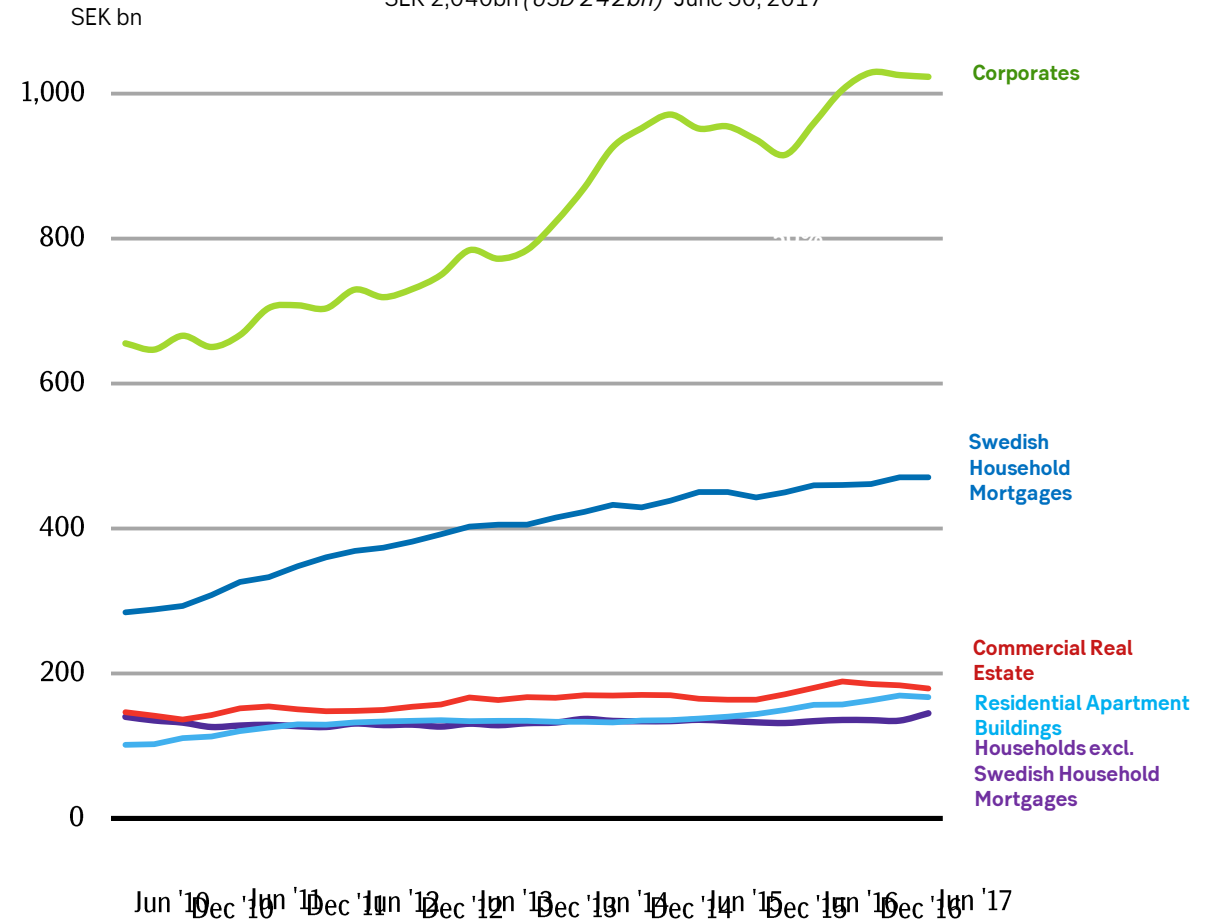
## Credit Portfolio – Business split

SEK 2,040bn (USD 242bn) June 30, 2017



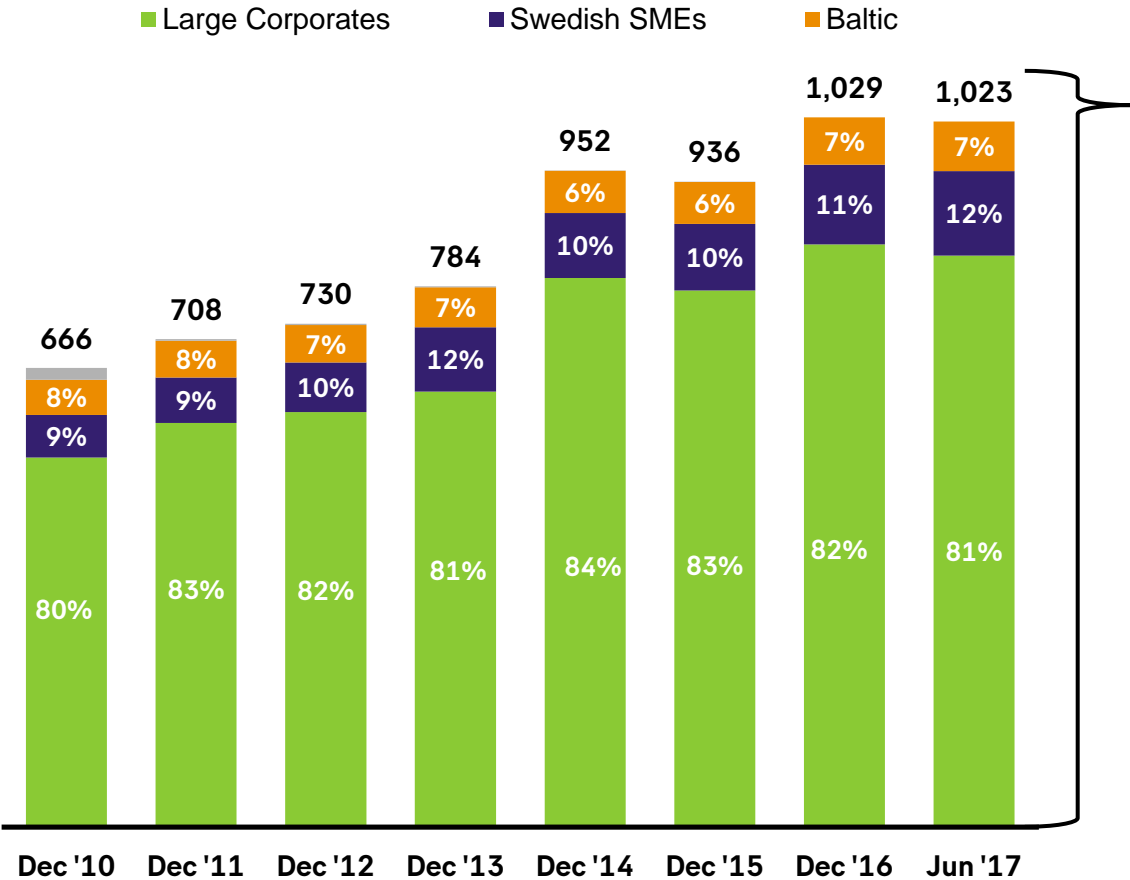
## Growth in lower risk sectors

SEK 2,040bn (USD 242bn) June 30, 2017



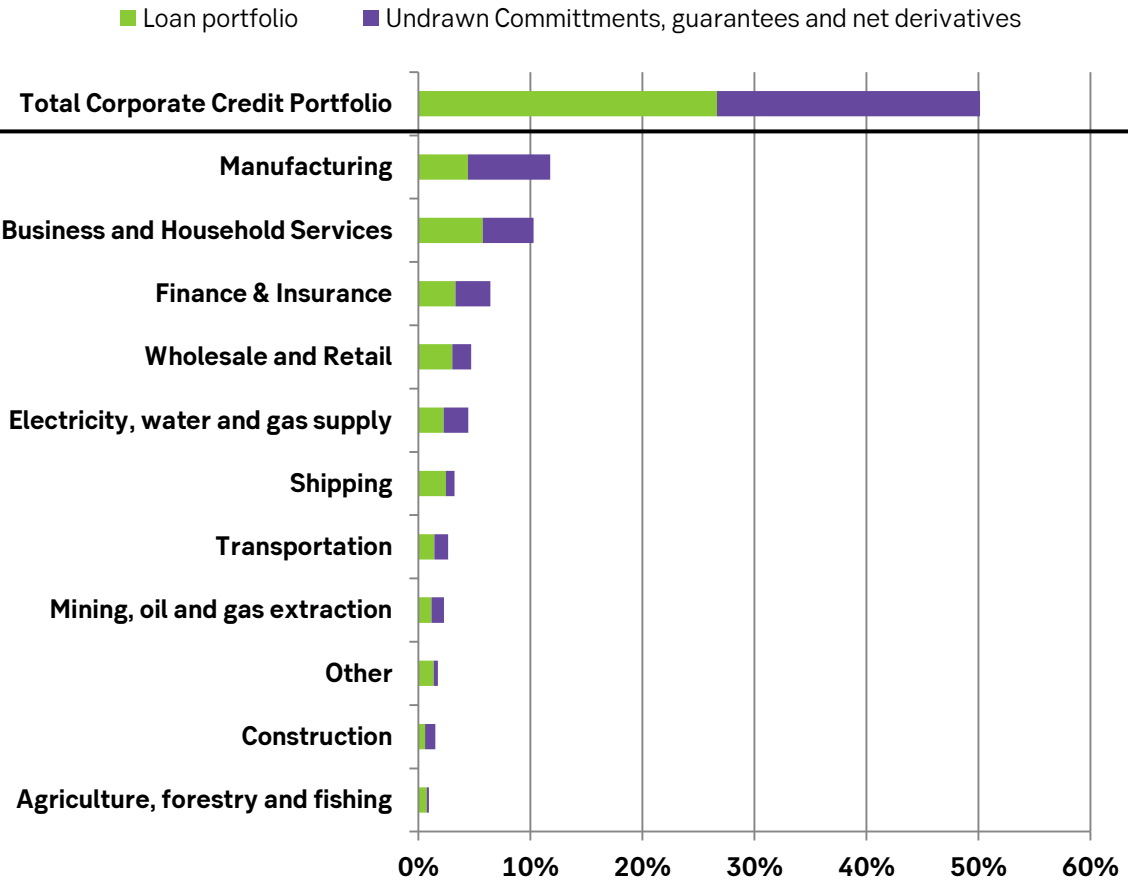
# Low actual on-balance sheet and diversified Large Corporate exposure render lower Credit Risk

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 SEK 2,040bn

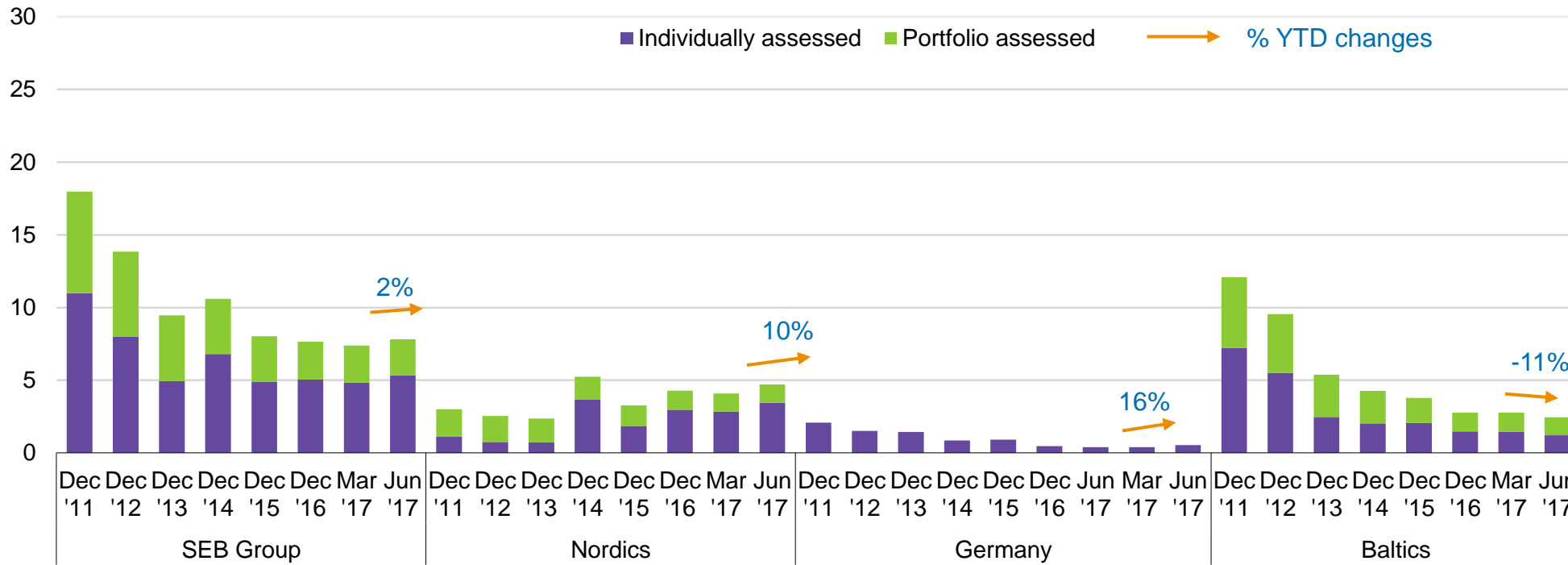


\*Excl. banks (on and off balance sheet), June 30, 2017

# Continuously improving asset quality

## Non-performing loans

SEK bn



NPLs / Lending 0.5%  
NPL coverage ratio: 61.3%

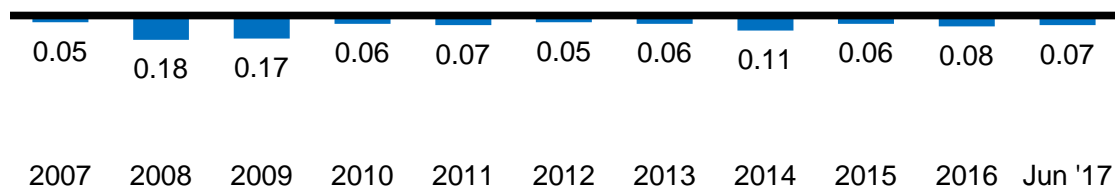
0.4%  
58.9%

0.5%  
48.5%

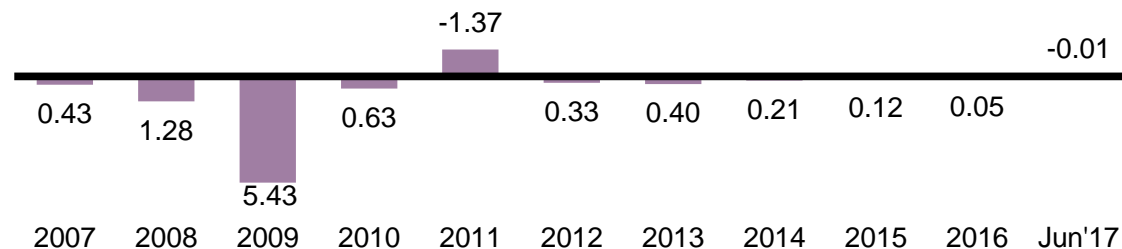
2.0%  
68.9%

# Low credit loss level in all geographic areas

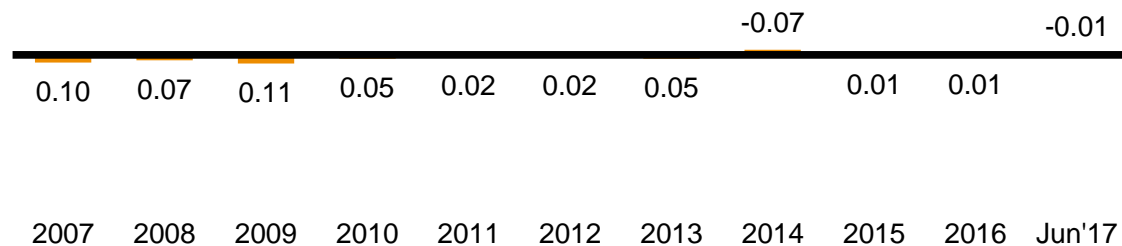
**Nordic countries, net credit losses in %**



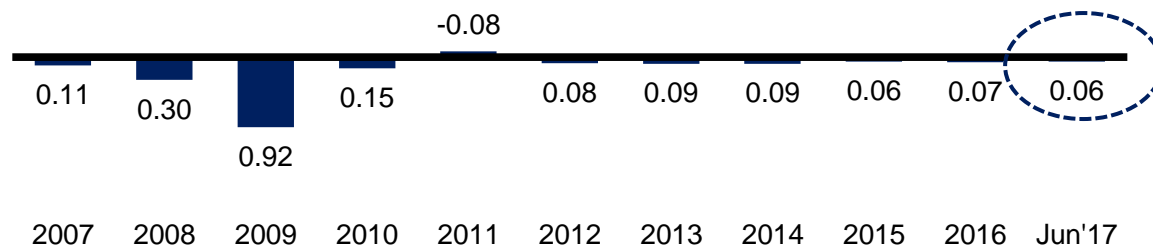
**Baltic countries, net credit losses in %**



**Germany, net credit losses in %**



**SEB Group, net credit losses in %**

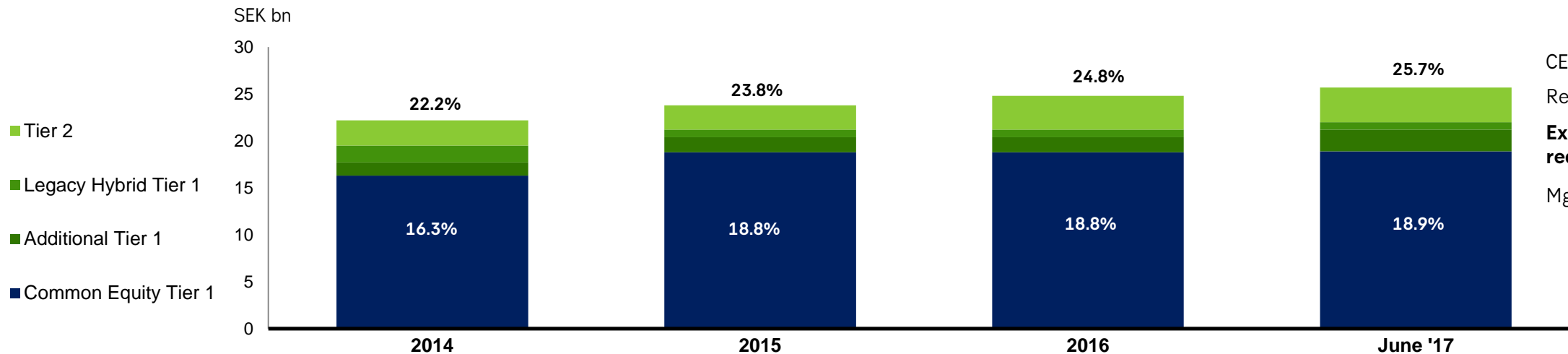


Net credit losses = the aggregated net of write-offs, write-backs and provisions

Negative net credit losses = reversals

# Strong Capital Base Composition

## Basel III - Own Funds and Total capital ratio



CET1 Q2 2017 18.9%  
 Requirement 17.0%  
**Excess vs. requirement ~1.9%**  
 Mgmt buffer ~1.5%

	2014	2015	2016	June '17
<b>Common Equity Tier 1 ratio</b>	16.3%	18.8%	18.8%	18.9%
<b>Additional Tier 1 ratio</b>	1.4%	1.6%	1.6%	2.3%
<b>Legacy Tier 1 ratio</b>	1.8%	0.8%	0.8%	0.8%
<b>Tier 2 ratio</b>	2.7%	2.6%	3.6%	3.7%
<b>Leverage ratio</b>	4.8%	4.9%	5.1%	5.0%
<b>Risk Exposure Amount, SEKbn</b>	617	571	610	617

### REA increase June 2017 vs. 2016 of SEK 7bn net was mainly due to:

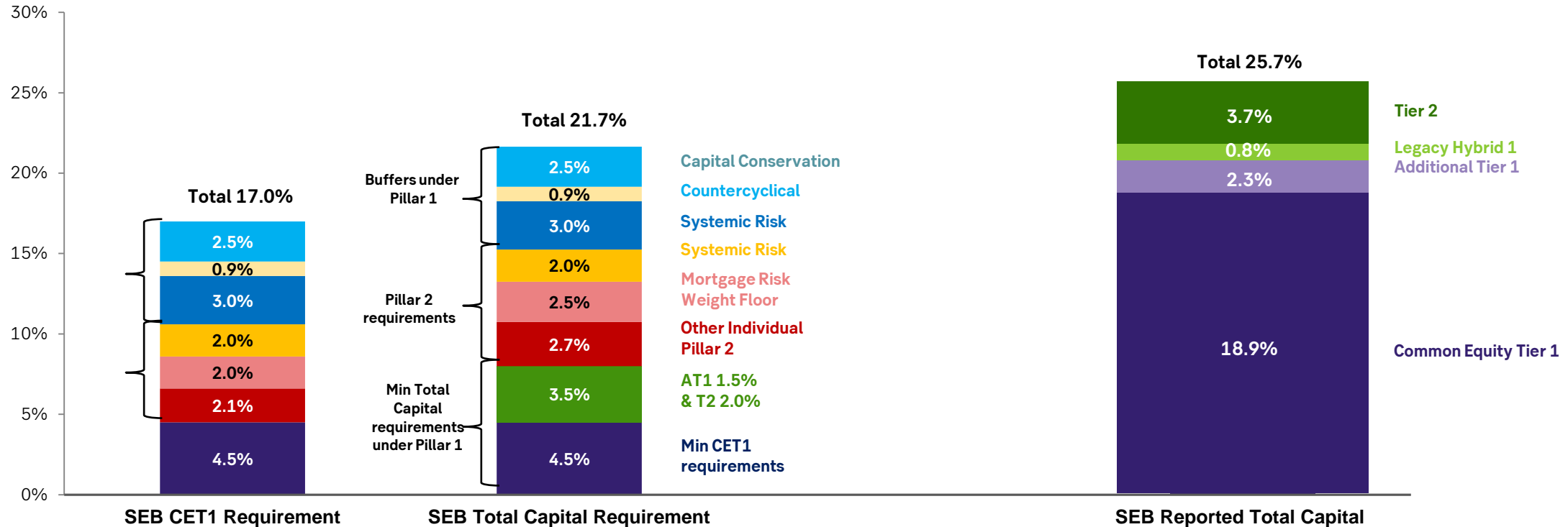
- FX effects, SEK strengthened a lot in the end of the quarter
- An advanced model applied to sovereign risks, in agreement with the SFSA, adding 9 bn of REA

# SFSA's Capital Requirements and SEB's Reported Ratios, June 30 2017

SEB's ratios exceed SFSA's risk-sensitive and high requirements

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 1.9% above the SFSA CET1 requirement as at June 2017 and 0.4% above targeted management buffer

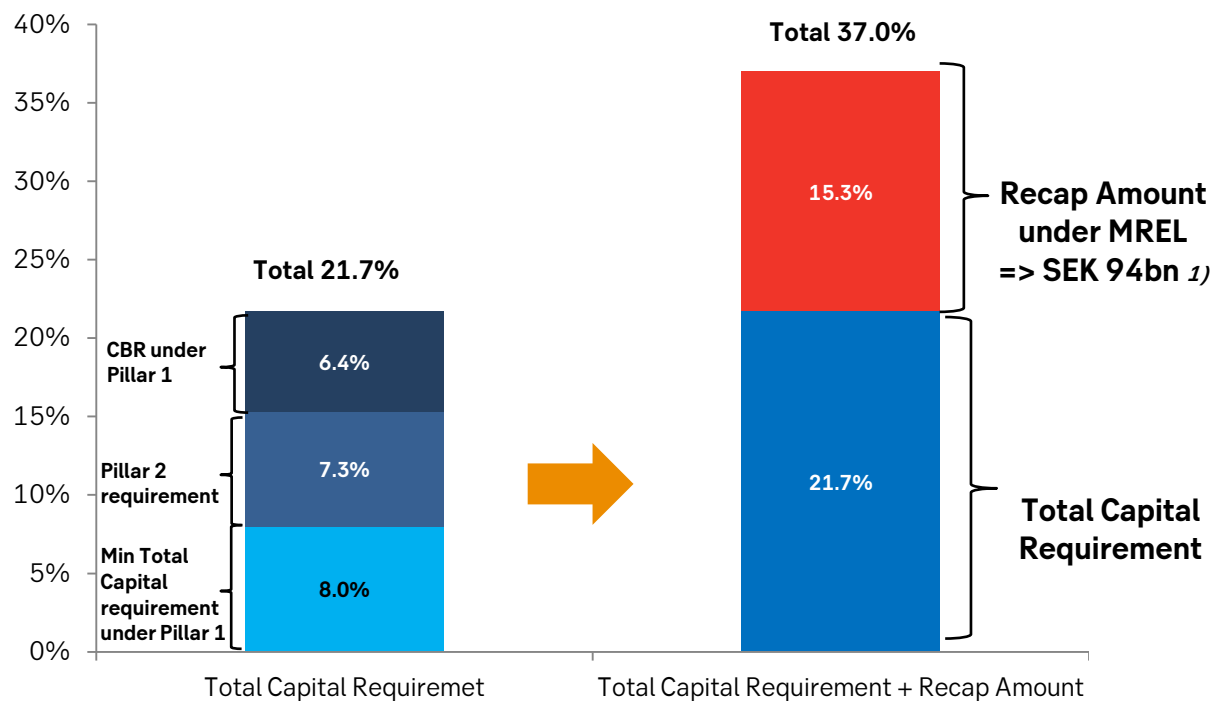
# Modest need for non-preferred senior debt

Current proposed introduction of Swedish MREL

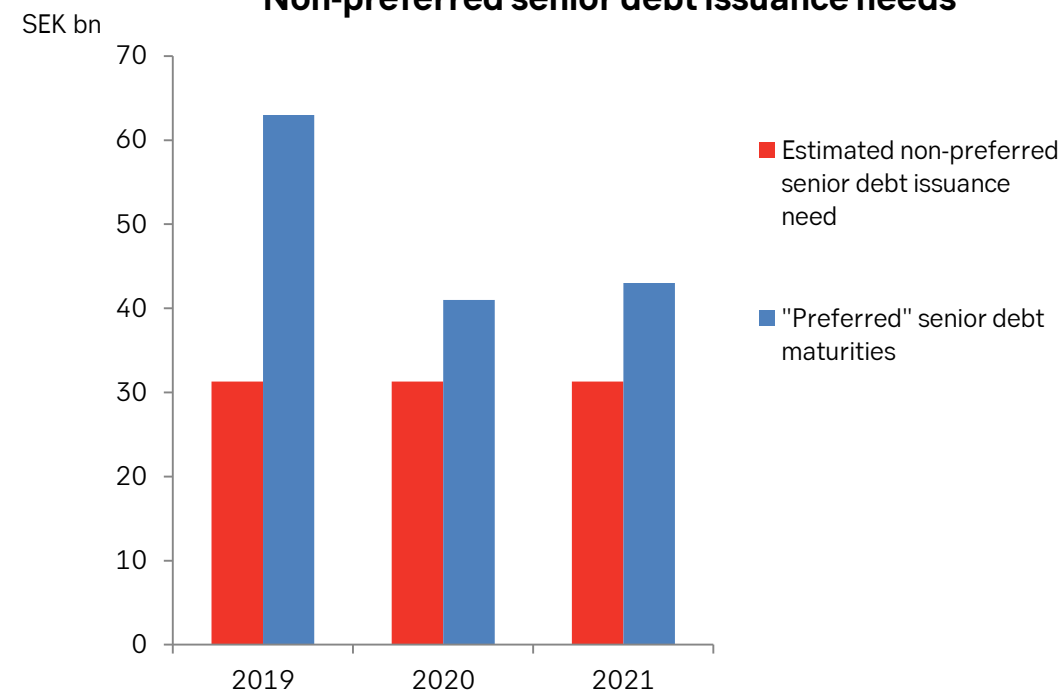
## Estimated phasing-in period of non-preferred senior debt



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



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



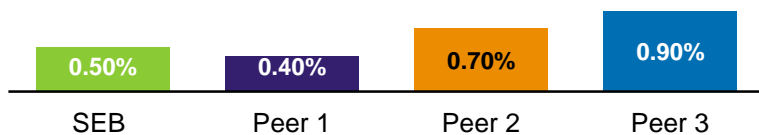
1) Recap amount based on capital requirements at June 30th, 2017  
 2) Issuance volume recap amount phased in over a 4 year period

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

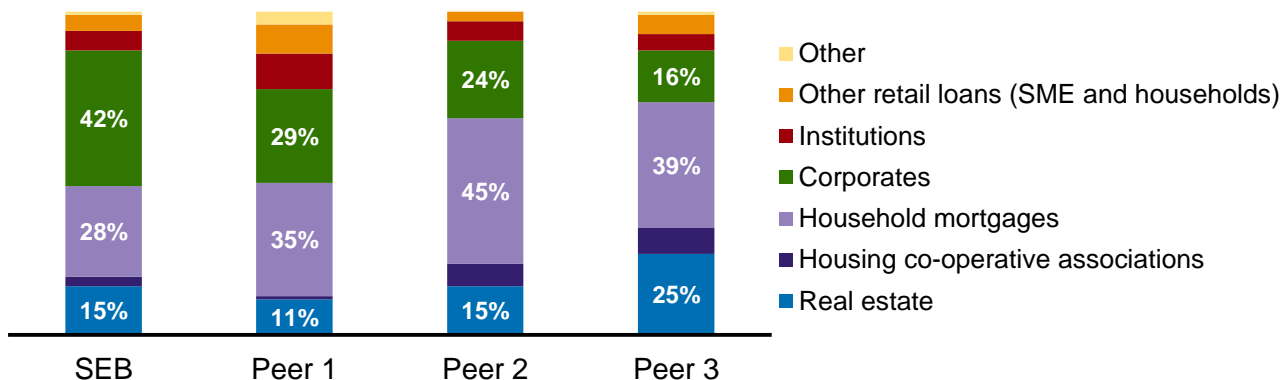
77% of SEB's credit portfolio is in Nordic countries<sup>1)</sup>



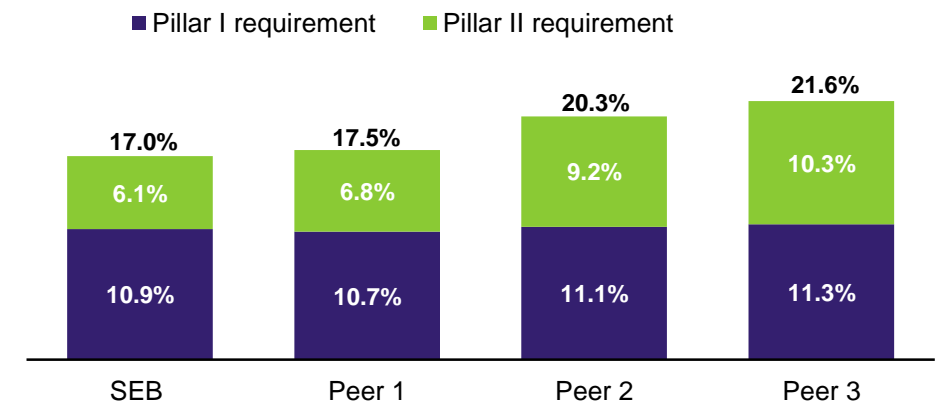
Low credit-related concentration risk <sup>2,3)</sup> (as percentage of total REA)



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 2016

2) Including single name, geographical and industry concentration

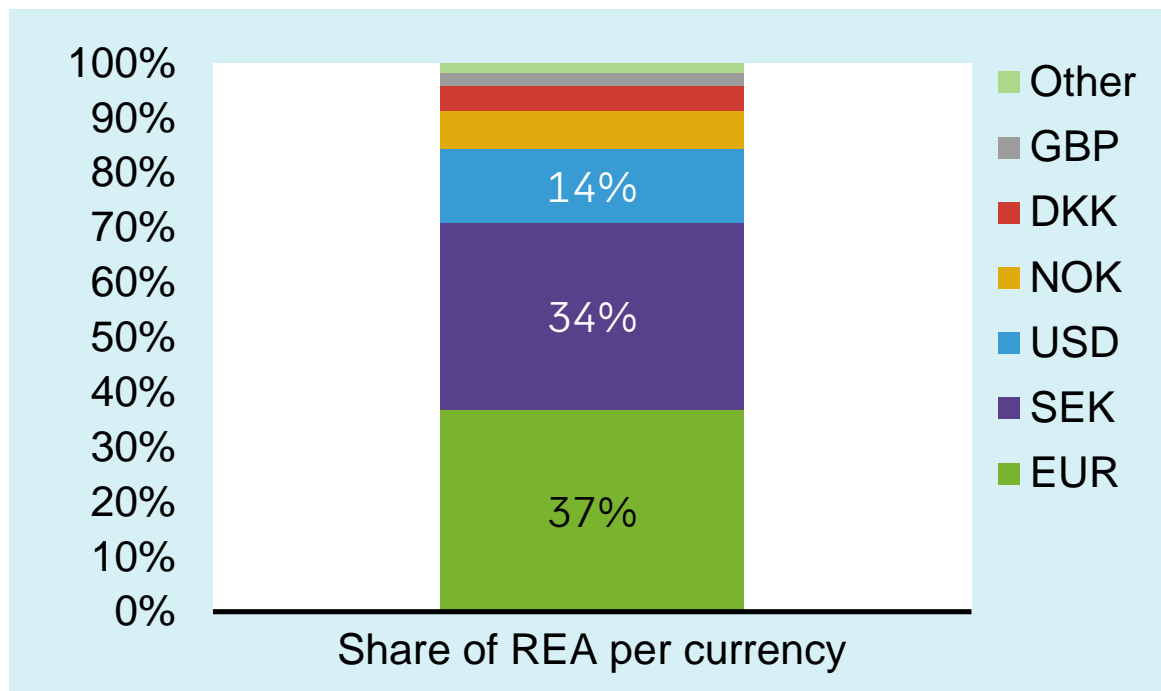
3) SFSA, Capital requirements for the Swedish banks, first quarter 2017 Date 2017-05-24

4) EAD = Risk Exposure Amount / Risk Weight  
Source: Companies' Pillar 3 reports, Finansinspektionen  
As by 31 Dec 2016



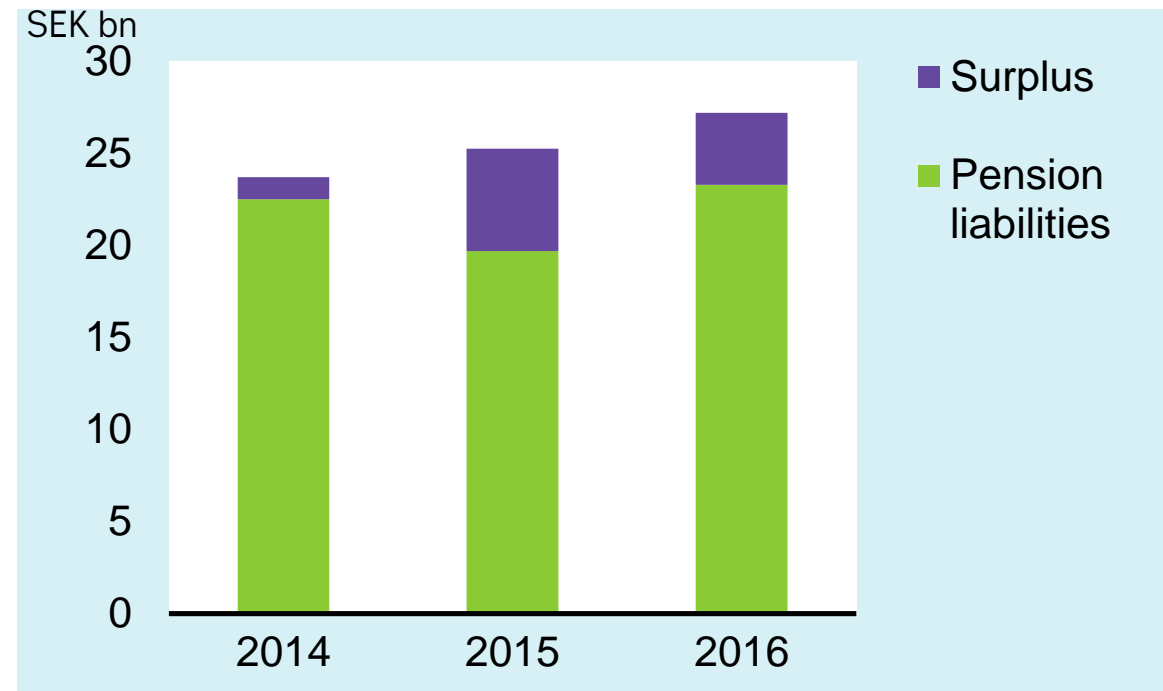
# Reasons for 150bps management buffer

## Sensitivity to currency fluctuations



±5% SEK  
impact 50bps CET1 ratio

## Sensitivity to surplus of Swedish pensions



-50 bps discount rate  
impact -50bps CET1 ratio

# Agenda

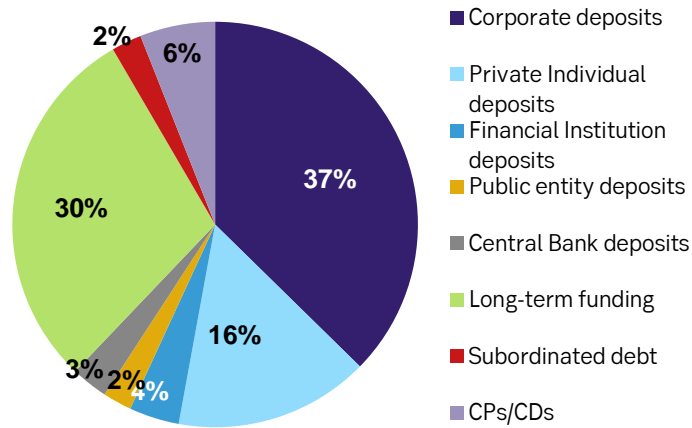


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# Stable deposit base and structural funding position

## Wholesale funding represents 38% of the funding base

SEK 1,870bn (USD 222bn)

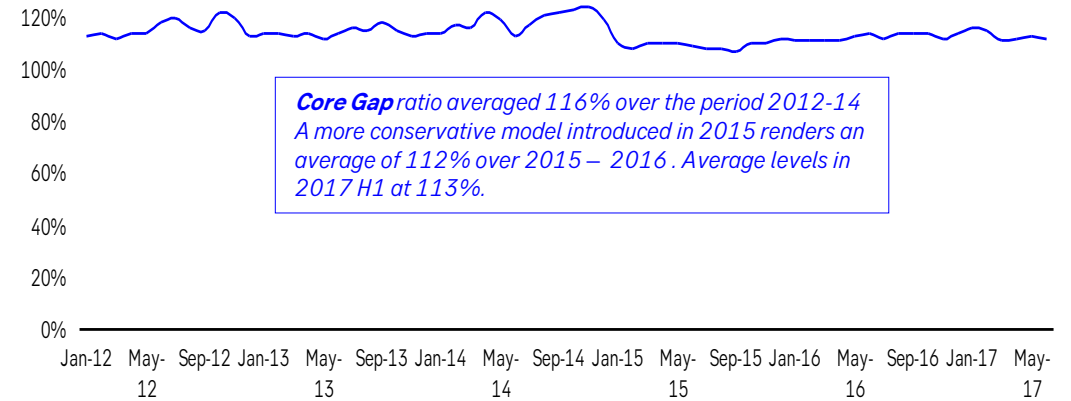


Note: Excluding repos and public covered bonds issued by the German subsidiary which are in a run-off mode

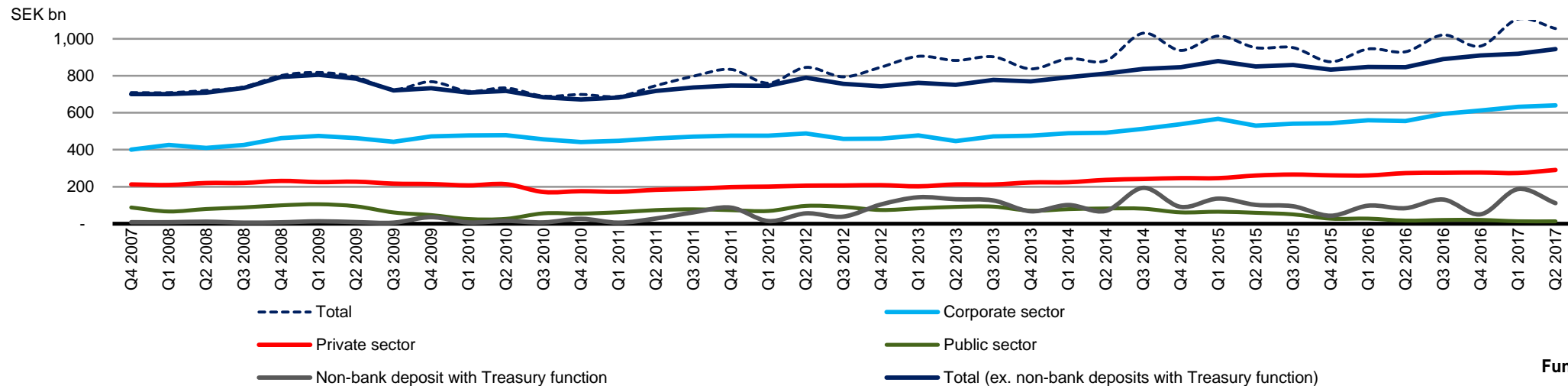
## Stable and strong structural funding position

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

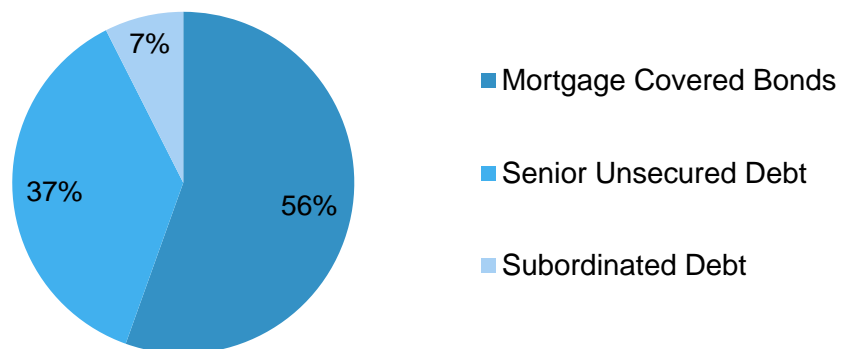


## Stable development of deposits from corporate sector and private individuals



# Well-balanced long-term funding structure

## Long-term wholesale funding mix



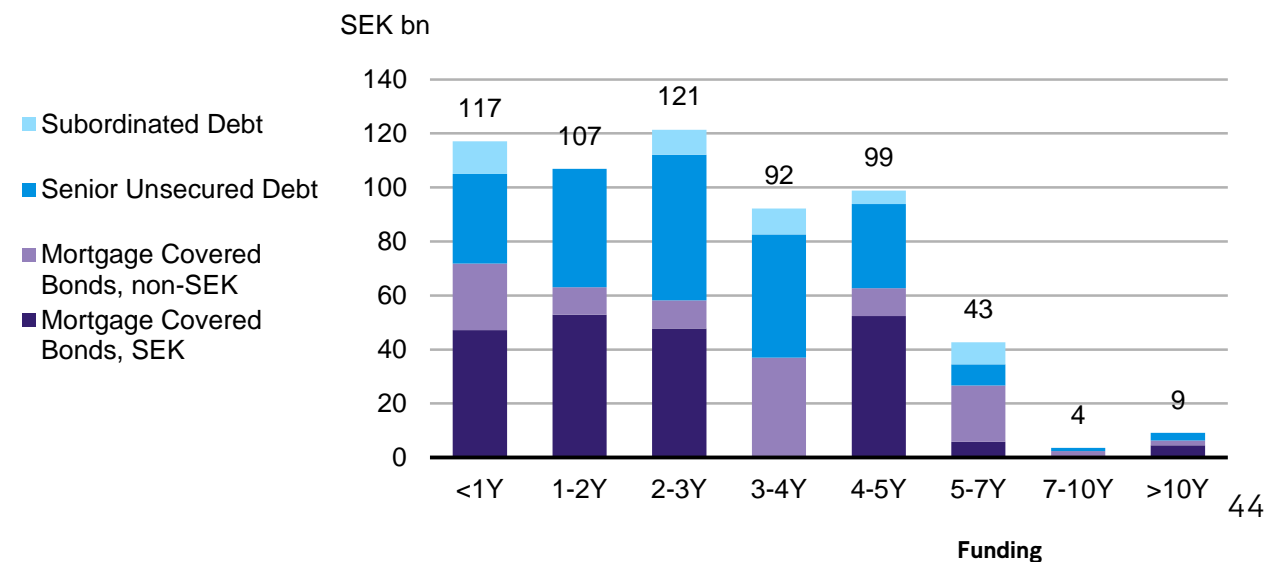
## Issuance of bonds SEKbn

Instrument	2014	2015	2016	YTD 2017
Covered bonds	60	55	62	34
Senior unsecured	32	40	74	18
Subordinated debt	17	0	8	5
<b>Total</b>	<b>109</b>	<b>95</b>	<b>145</b>	<b>57</b>

## Strong Credit Ratings

Rating institute	Short term	Stand-alone	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

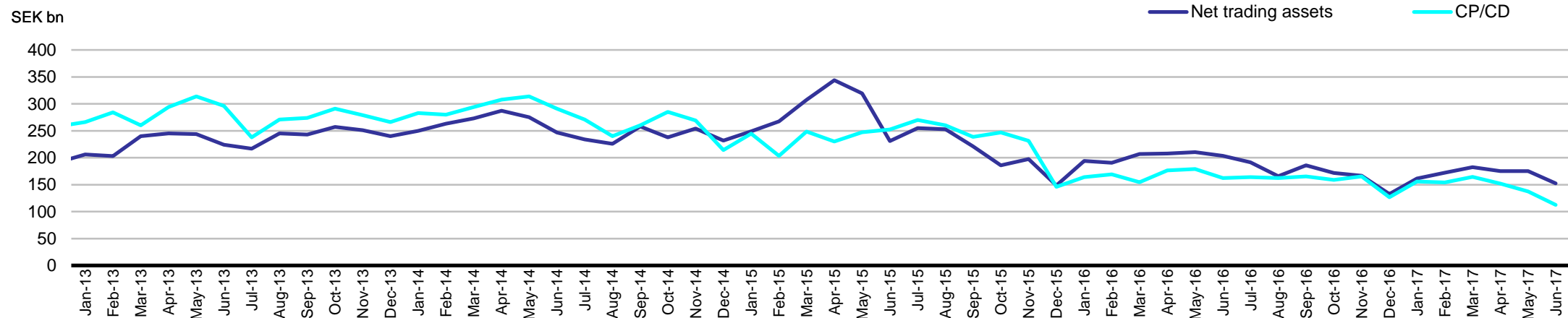
## Maturity profile



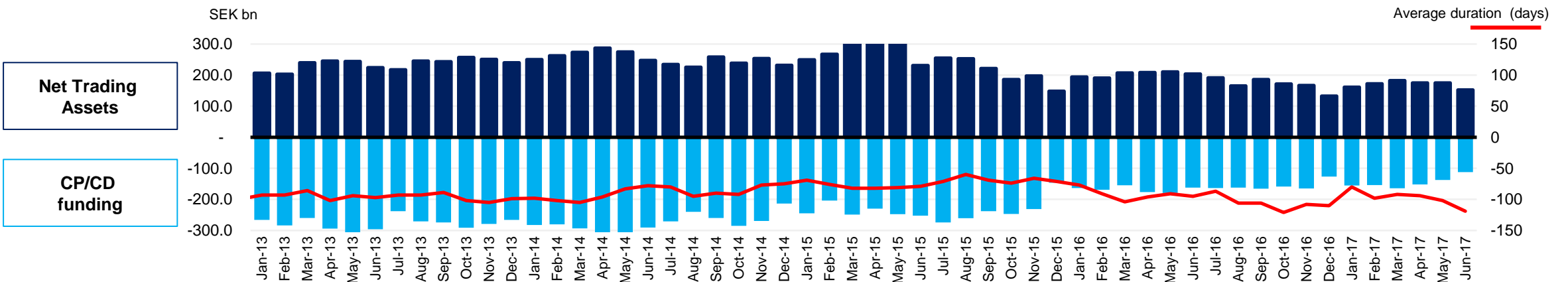
\* of which one notch is due to the implicit state support

# 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

# Agenda



COVERED BOND  
- L A B E L -

SEB



- SEB in brief
- Macroeconomics
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# Only Swedish Residential Mortgages in SEB's Cover Pool

## 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 – currently at 64%

## Covered Bonds

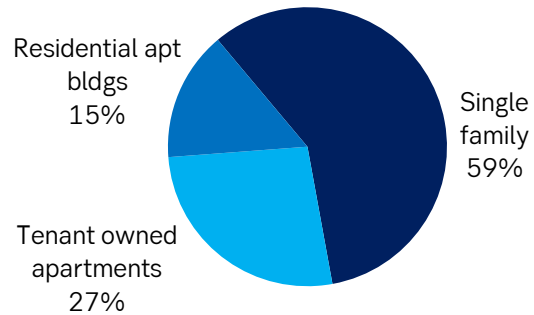
		<b>Q2 2017</b>	<b>Q4 2016</b>	<b>Q4 2015</b>	<b>Q4 2014</b>
Total outstanding covered bonds (SEK bn)		319	314	311	310
Rating of the covered bond programme		Aaa Moody's	Aaa Moody's	Aaa Moody's	Aaa Moody's
FX distribution	SEK	68%	71%	72%	76%
	non-SEK	32%	29%	28%	24%

## Cover Pool

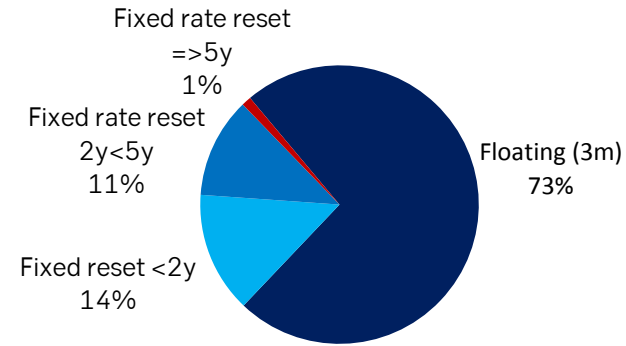
	<b>Q2 2017</b>	<b>Q4 2016</b>	<b>Q4 2015</b>	<b>Q4 2014</b>
Total residential mortgage assets (SEK bn)	521	510	483	465
Weighted average LTV (property level)	50%	50%	57%	57%
Number of loans (thousand)	717	711	697	683
Number of borrowers (thousand)	425	424	427	427
Weighted average loan balance (SEK thousand)	727	718	693	680
Substitute assets (SEK thousand)	0	0	0	0
Loans past due 60 days (basis points)	4	4	4	6
Net credit losses (basis points)	0	0	0	0
Over-Collateralization level	64%	63%	55%	50%

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

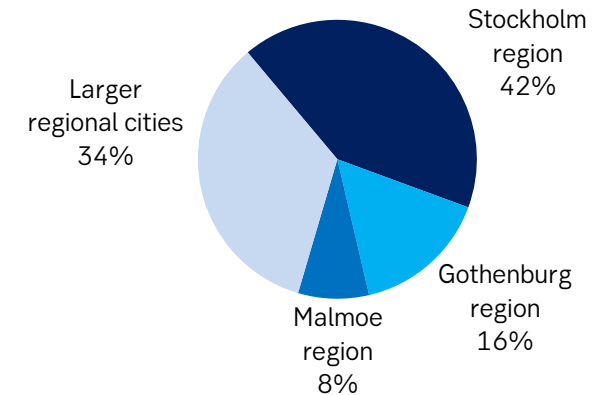
**Type of loans**



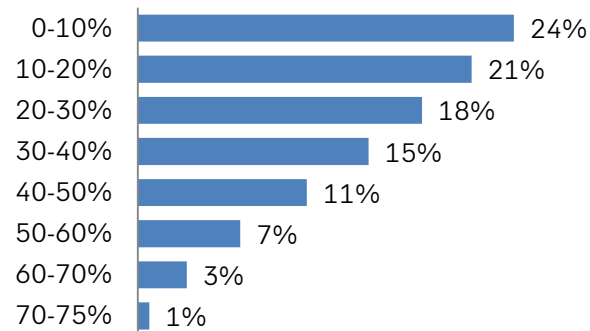
**Interest rate type**



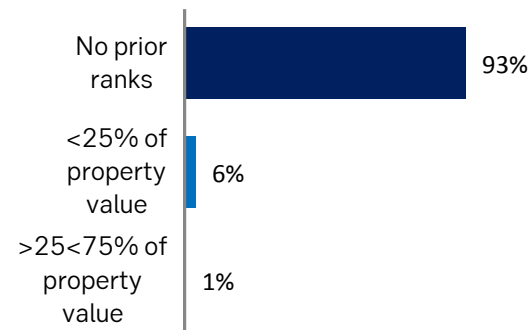
**Geographical distribution**



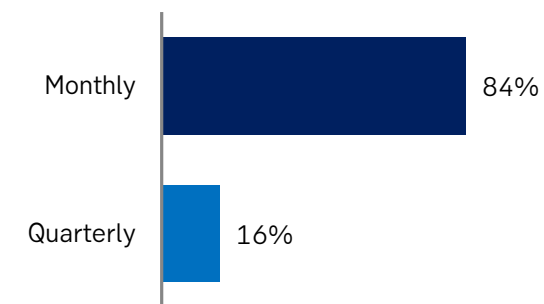
**LTV distribution by volume in % of the Cover Pool**



**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))

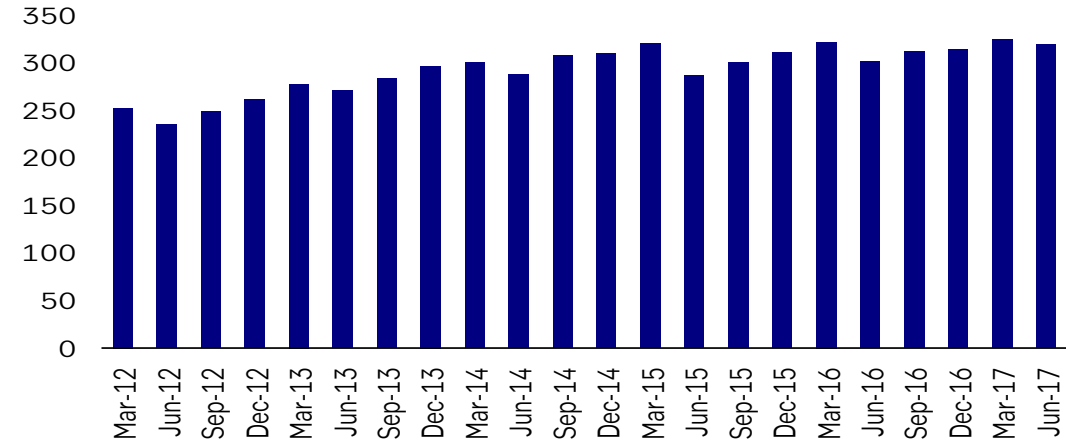


# Profile of outstanding Covered Bonds

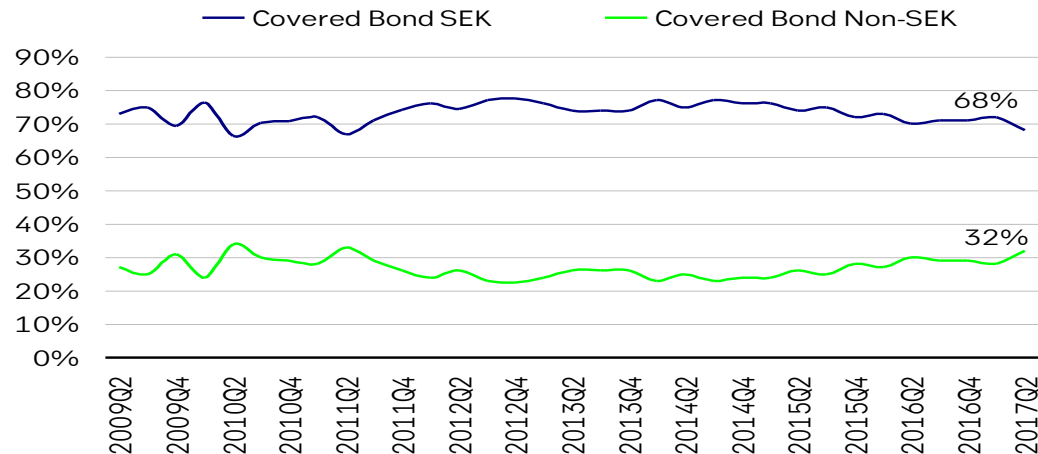
## SEB Swedish Mortgage Covered Bonds

<b>Moody's Rating</b>	Aaa
<b>Total outstanding</b>	SEK 319bn
<b>FX distribution</b>	SEK 68%
	non-SEK 32%
<b>Benchmark</b>	Benchmark 92%
	Non Benchmark 8%

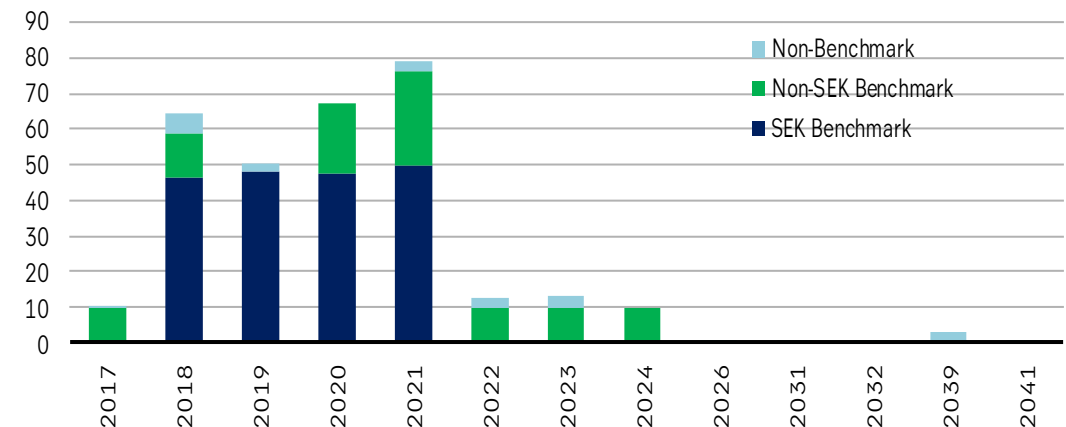
## Outstanding covered bonds (SEK bn)



## Currency mix



## Maturity profile (SEK bn)



# 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 Information



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