



January – March 2014

Investor presentation

Disclaimer

IMPORTANT NOTICE

THIS PRESENTATION IS NOT AN OFFER OR SOLICITATION OF AN OFFER TO BUY OR SELL SECURITIES. IT IS SOLELY FOR USE AT AN INVESTOR PRESENTATION AND IS PROVIDED AS INFORMATION ONLY. THIS PRESENTATION DOES NOT CONTAIN ALL OF THE INFORMATION THAT IS MATERIAL TO AN INVESTOR. THIS PRESENTATION IN AND OF ITSELF SHOULD NOT FORM THE BASIS OF ANY INVESTMENT DECISION. BY ATTENDING THE PRESENTATION OR BY READING THE PRESENTATION SLIDES YOU AGREE TO BE BOUND AS FOLLOWS:

This presentation is not an offer for sale of securities in the United States, Canada or any other jurisdiction.

This presentation may not be all-inclusive and may not contain all of the information that you may consider material. Neither SEB nor any third party nor any of their respective affiliates, shareholders, directors, officers, employees, agents and advisers makes any expressed or implied representation or warranty as to the completeness, fairness, reasonableness of the information contained herein and none of them shall accept any responsibility or liability (including any third party liability) for any loss or damage, whether or not arising from any error or omission in compiling such information or as a result of any party's reliance or use of such information.

Certain data in this presentation was obtained from various external data sources and SEB has not verified such data with independent sources. Accordingly, SEB makes no representations as to the accuracy or completeness of that data. Such data involves risks and uncertainties and is subject to change based on various factors.



Any securities, financial instruments or strategies mentioned herein may not be suitable for all investors. The recipient of this presentation must make its own independent decision regarding any securities or financial instruments and its own independent investigation and appraisal of the business and financial condition of SEB and the nature of the securities. Each recipient is strongly advised to seek its own independent advice in relation to any investment, financial, legal, tax, accounting or regulatory issues.

This presentation does not constitute a prospectus or other offering document or an offer or invitation to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever. This presentation is being furnished to you solely for your information and may not be reproduced, copied, shared, disseminated or redistributed, in whole or in part, in any manner whatsoever to any other person. The distribution of this presentation in certain jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about, and observe, any such restrictions.

Safe Harbor

Certain statements contained in this presentation reflect SEB's current views with respect to future events and financial and operational performance. Except for the historical information contained herein, statements in this presentation which contain words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "result", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "strategy", "philosophy", "project", "should", "will pursue" and similar expressions or variations of such expressions may constitute "forward-looking statements". These forward-looking statements involve a number of risks, uncertainties and other factors that could cause SEB's actual development and results to differ materially from any development or result expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, SEB's ability to successfully implement its strategy, future levels of non-performing loans, its growth and expansion, the adequacy of its allowance for credit losses, its provisioning policies, technological changes, investment income, cash flow projections, exposure to market risks as well as other risks. SEB undertakes no obligation to publicly update or revise forward-looking statements contained herein, whether as a result of new information, future events or otherwise. In addition, forward-looking statements contained in this presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation.

Our way of doing business

 Large Corporate	2,200 customers
 Financial Institutions	700 customers
 Corporate	400k customers
 Private	4m customers

Since 1856 focus on...



Full-service customers



Holistic coverage



Investments in core services

Market franchise

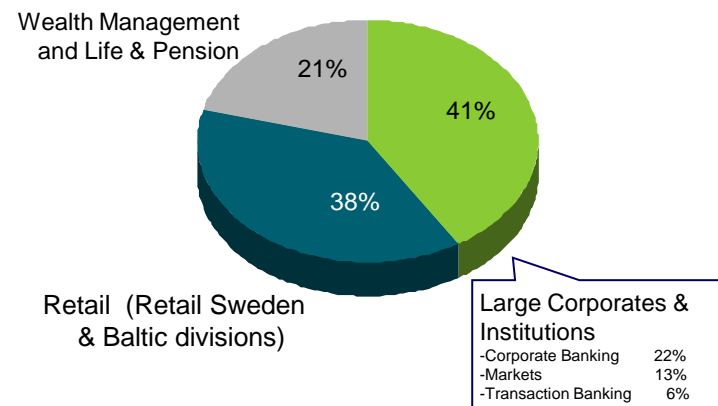
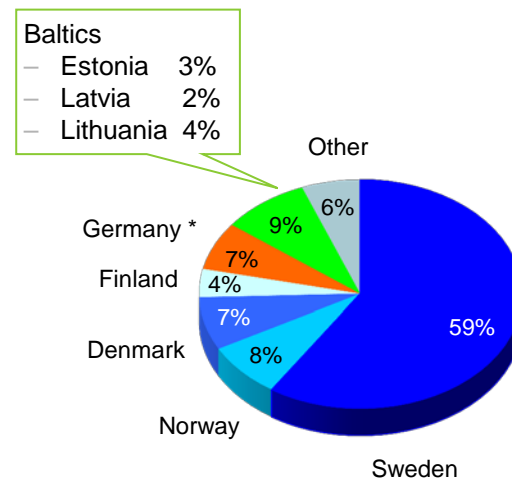
Mar 2014

- **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 1,504bn under management
 - Largest Nordic custodian with SEK 6,003bn under custody
- **Private Individuals ***
 - The largest Swedish Private Bank in terms of Assets Under Management
 - Total Swedish household savings market: No. 2 with approx. 12% market share
 - Life insurance & Pensions: One of the leading unit-linked life business with approx. 13% of the Swedish market and approx 7% of the total unit-linked and traditional life & pension business in Sweden
 - Swedish household mortgage lending: approx. 16%
 - Second largest bank in the Baltic countries

* latest available data

Total operating income

12m rolling Mar 2014

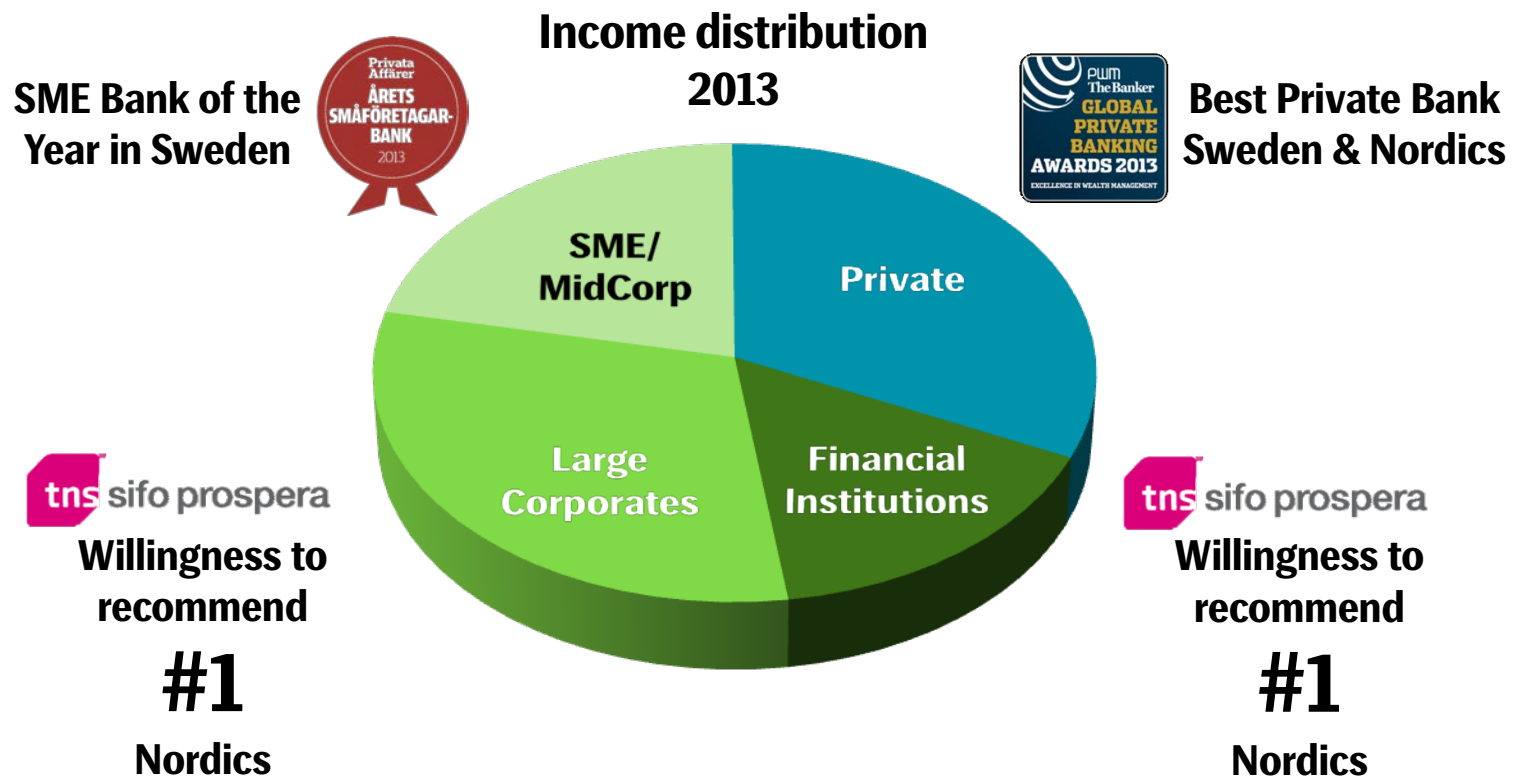


*excluding Treasury

Ambition going forward as *The* relationship bank

Leading Nordic bank for corporates & institutions

Top universal bank in Sweden and the Baltics



Note: SME Bank of the Year – Privata Affärer (December 2013), Best Private Bank Sweden & Nordics – PWM/The Banker (November 2013), Willingness to Recommend Corporates – TNS/SIFO Prospera (January 2014), Willingness to Recommend Financial Institutions – TNS/SIFO Prospera (December 2013)

Relationship banking remains the growth driver



Human touch

- Culture & people
- Advisory-driven
- Service-oriented

...the **most committed employees**

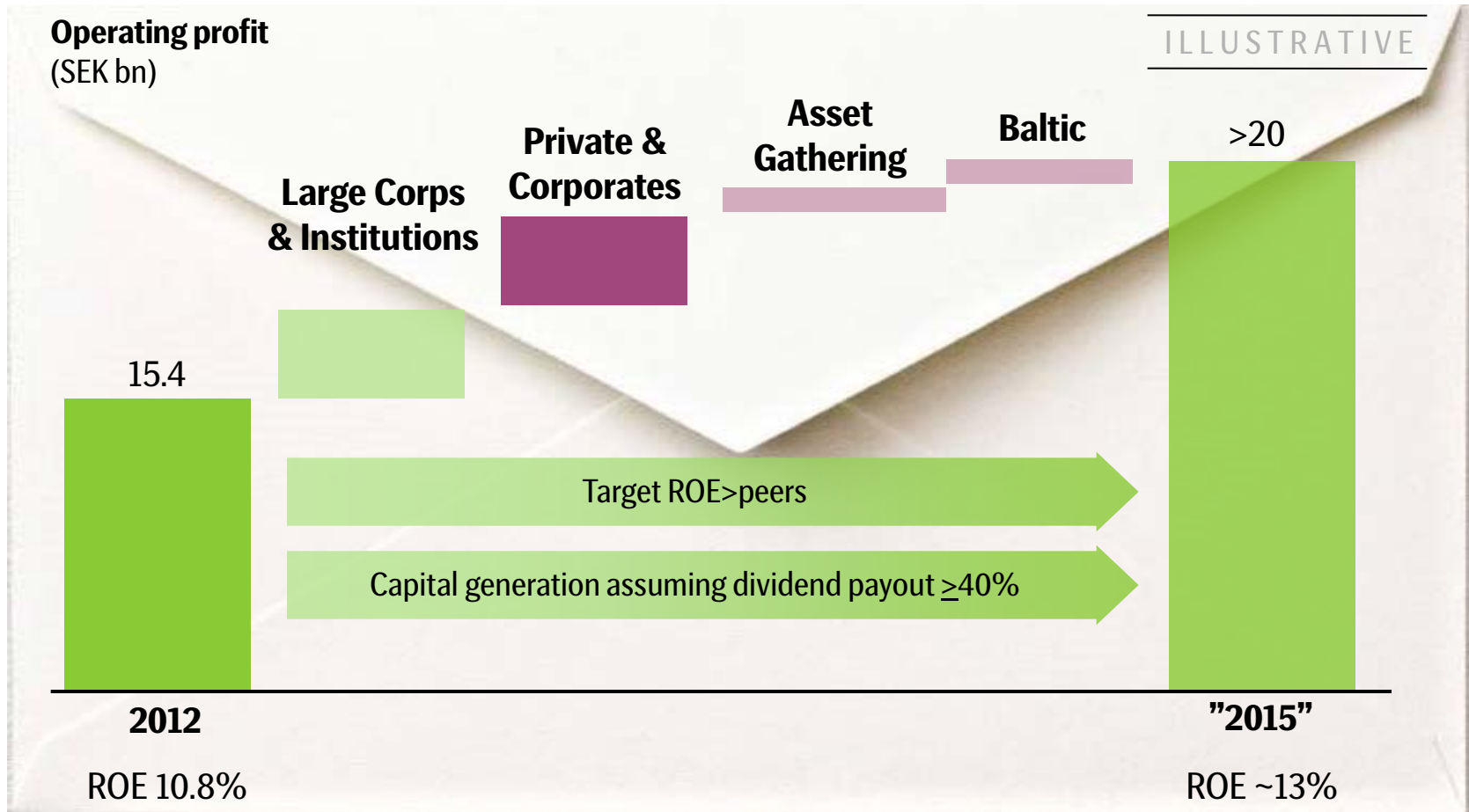
Capability

- Accessibility
- Balance sheet strength
- Full-service bank

...developing the **most loyal customers**

...doing **more business** with existing customers

Back-of-the-envelope calculation for competitive ROE

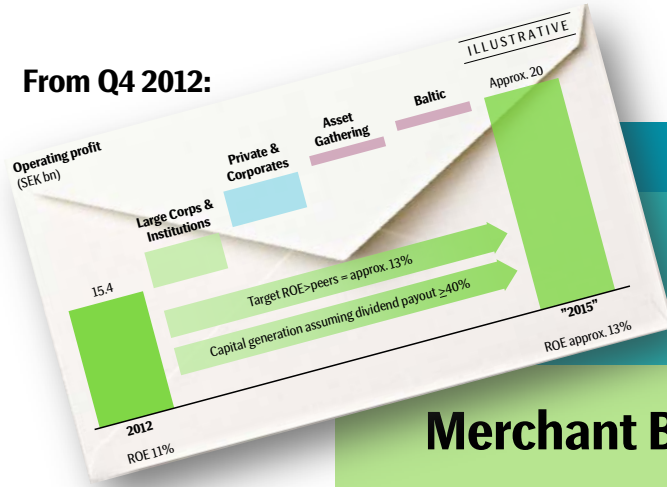


Actions to raise divisional performance



Income growth in line with communicated target

From Q4 2012:



	Growth target 2012-15			Actual growth 2013
	3 years	Each year	vs.	
Merchant Banking	~15%	~5%	vs.	+6%
Retail Banking	~20%	~6%	vs.	+10%
Life & Wealth	~5%	~1.5%	vs.	+2%
Baltic	~15%	~5%	vs.	+3%
Group	~15%	~5%	vs.	+7%

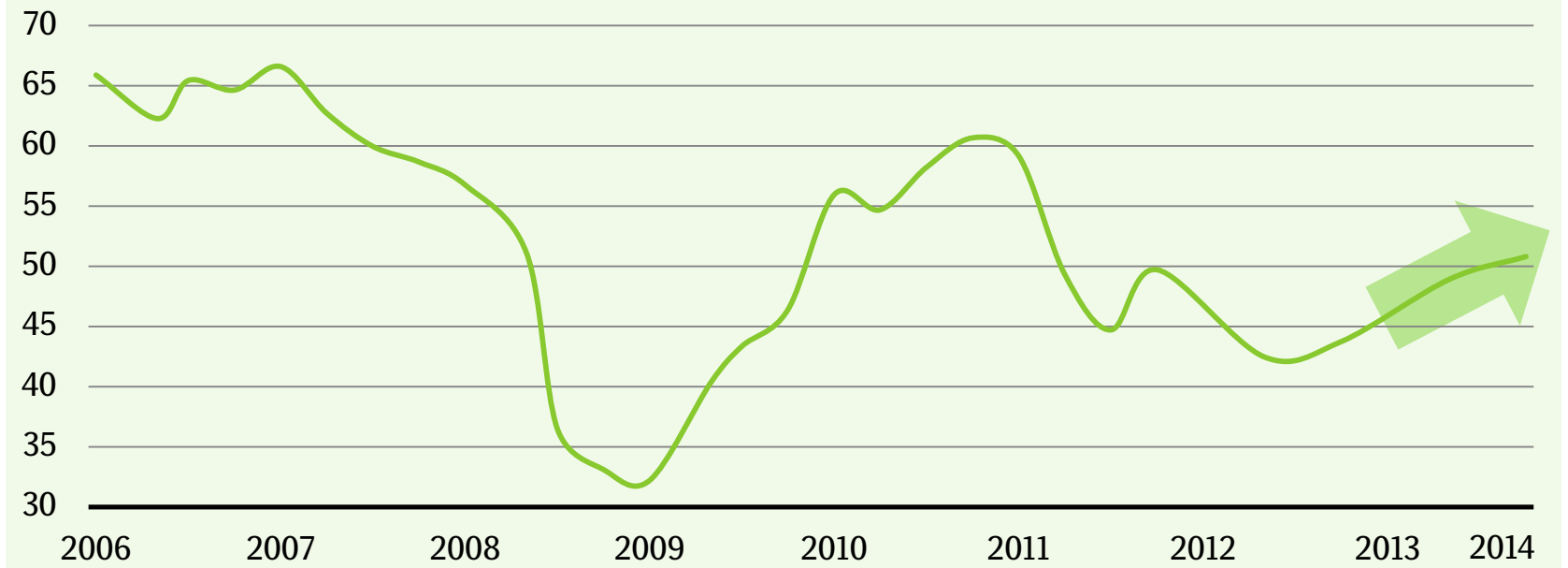
Financial targets

		2013	2014
Profitability	Return on Equity	Competitive with peers - long-term aspiration of 15%	✓
Capital	Common Equity Tier 1 ratio Total capital ratio	13% 16%	<i>TBD, always compliant with regulation</i>
Dividend	Pay-out ratio	40% or above of EPS	✓
Ratings	Funding access and credibility as counterpart	Maintain credit ratings in support of competitive funding access and costs and as a viable counterpart in financial markets	✓
Liquidity	Liquidity Coverage Ratio	> 100% according to Swedish requirements	✓
Efficiency	Nominal cost cap	< SEK 22.5bn 2013 and 2014	...and 2015

Business conditions



Deloitte/SEB Swedish CFO Survey



Highlights Q1 2014

1 High activity in Nordic capital markets

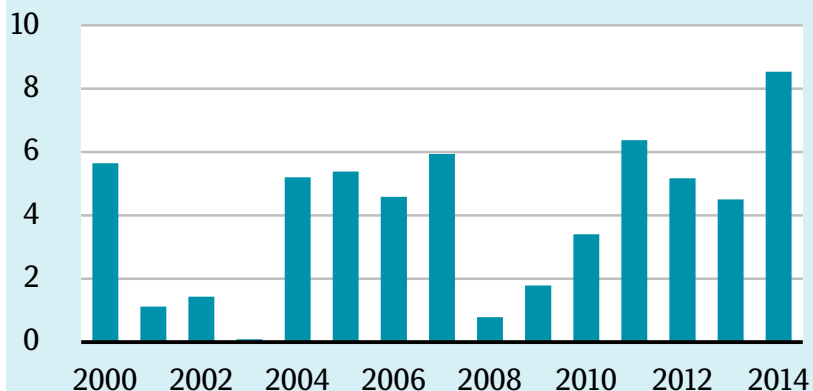
2 Continued customer-driven growth

3 Cost and capital efficiency



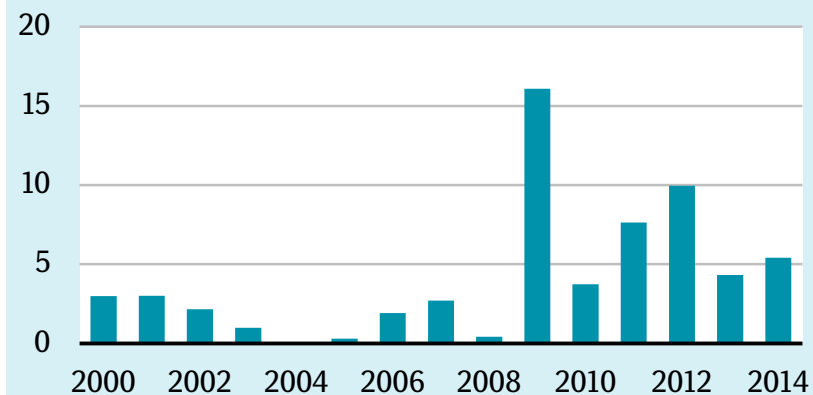
Active capital markets but real economic challenges

Nordic ECM volumes – Q1 trend (USD bn)



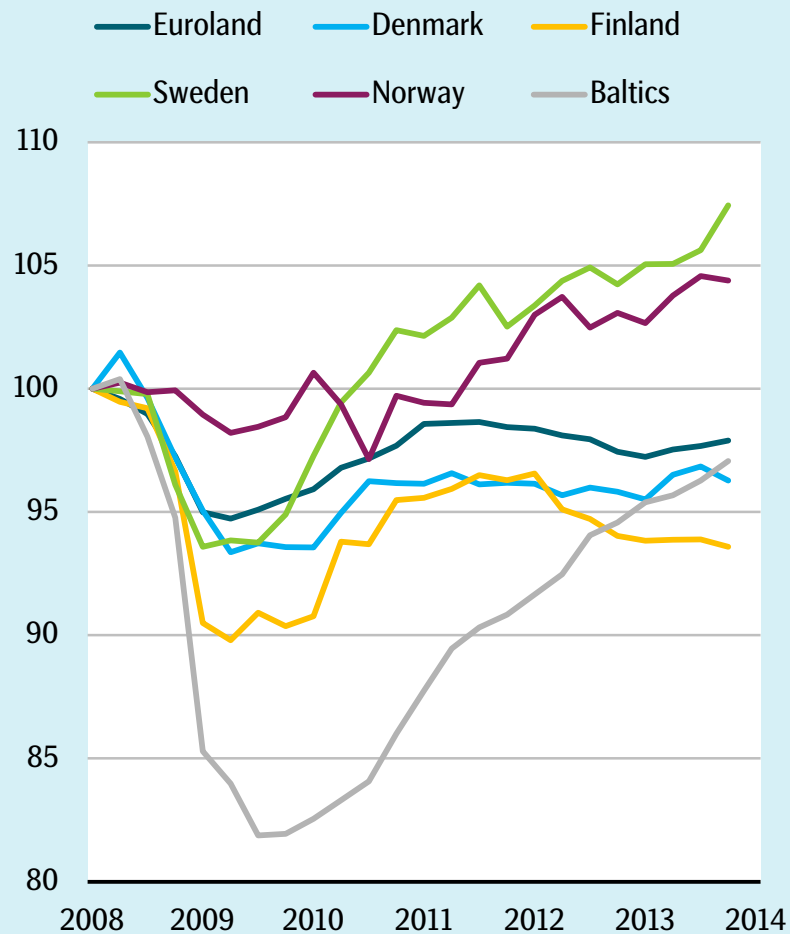
Source: Dealogic

Nordic DCM volumes – Q1 trend (USD bn)



Source: Dealogic

GDP development (Indexed)



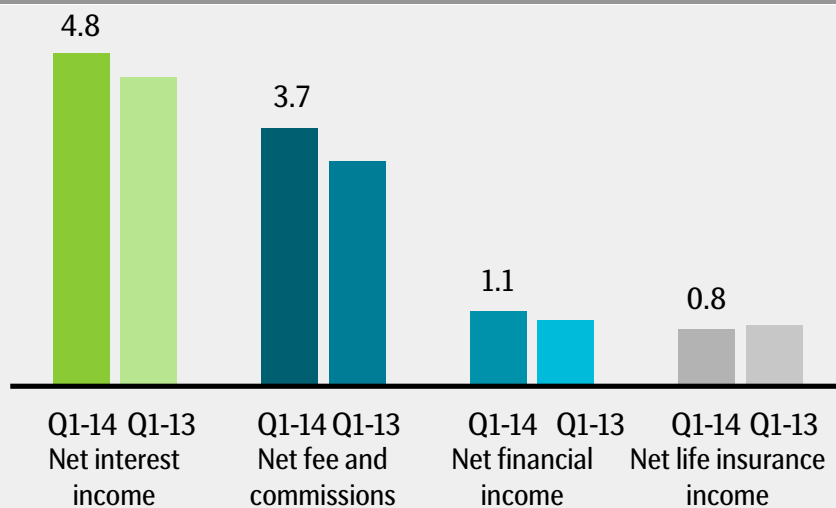
Source: Eurostat

Financial summary

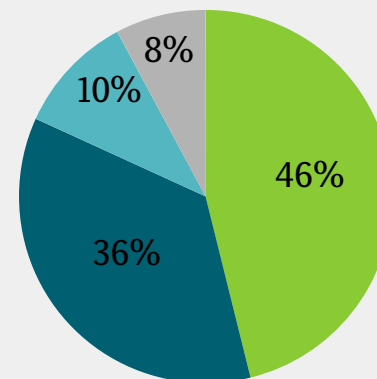
Profit and loss (SEK m)

	Q1-14	Q4-13	%	Q1-13	%
Total Operating income	10,443	11,030	-5	9,551	9
Total Operating expenses	-5,338	-5,661	-6	-5,588	-4
Profit before credit losses	5,105	5,369	-5	3,963	29
Net credit losses etc.	-250	-360		-246	
Operating profit	4,855	5,009	-3	3,717	31

Operating income by type, Q1 2014 vs. Q1 2013 (SEK bn)

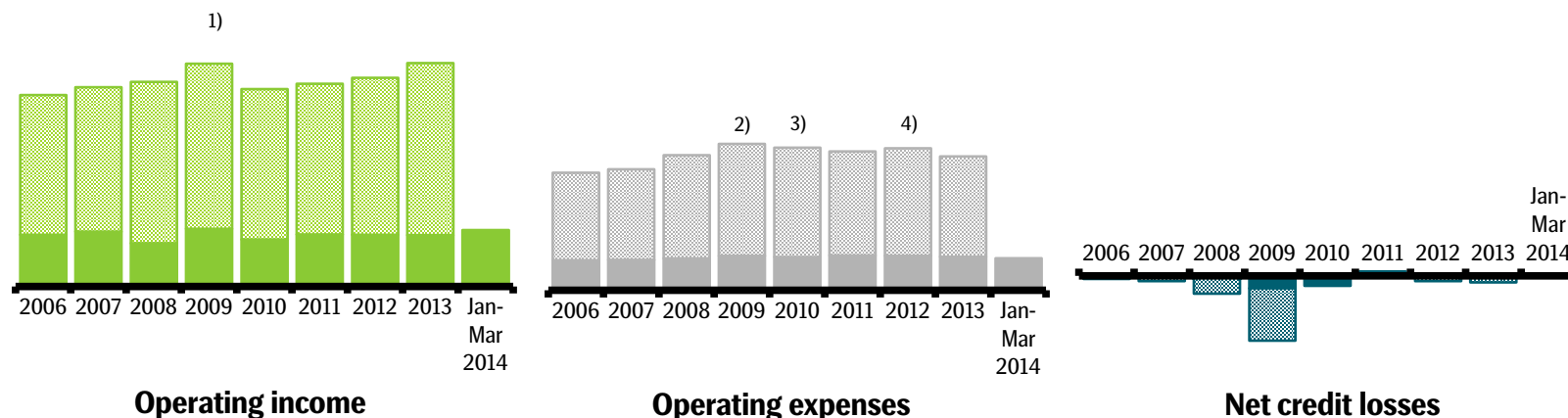


Income distribution Q1 2014

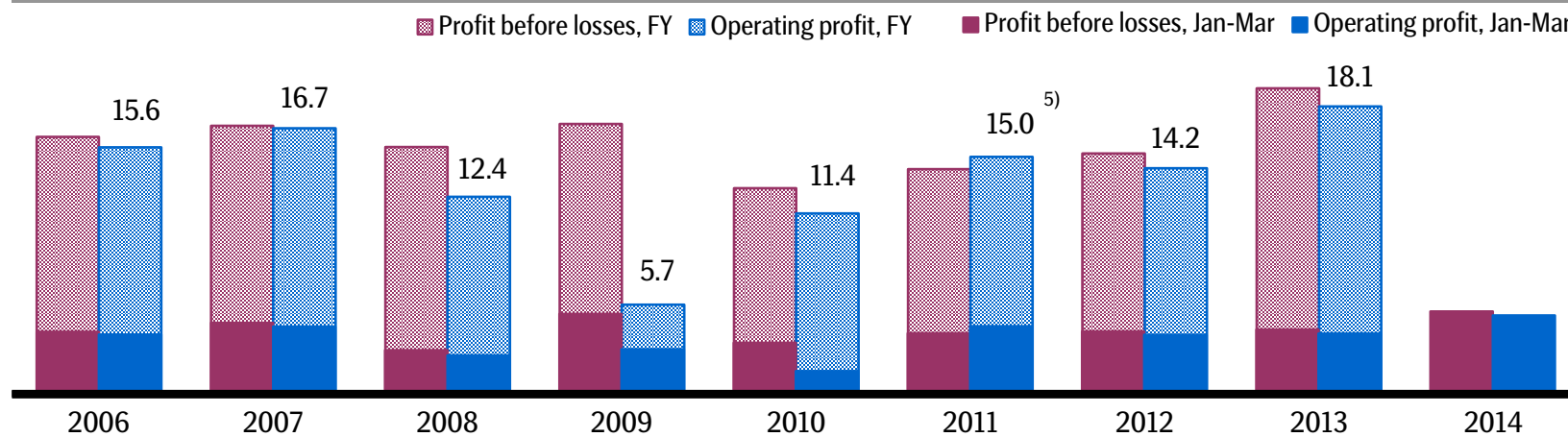


Profit generating throughout the financial and sovereign debt “crises”

Income, expenses and net credit losses (SEK bn)



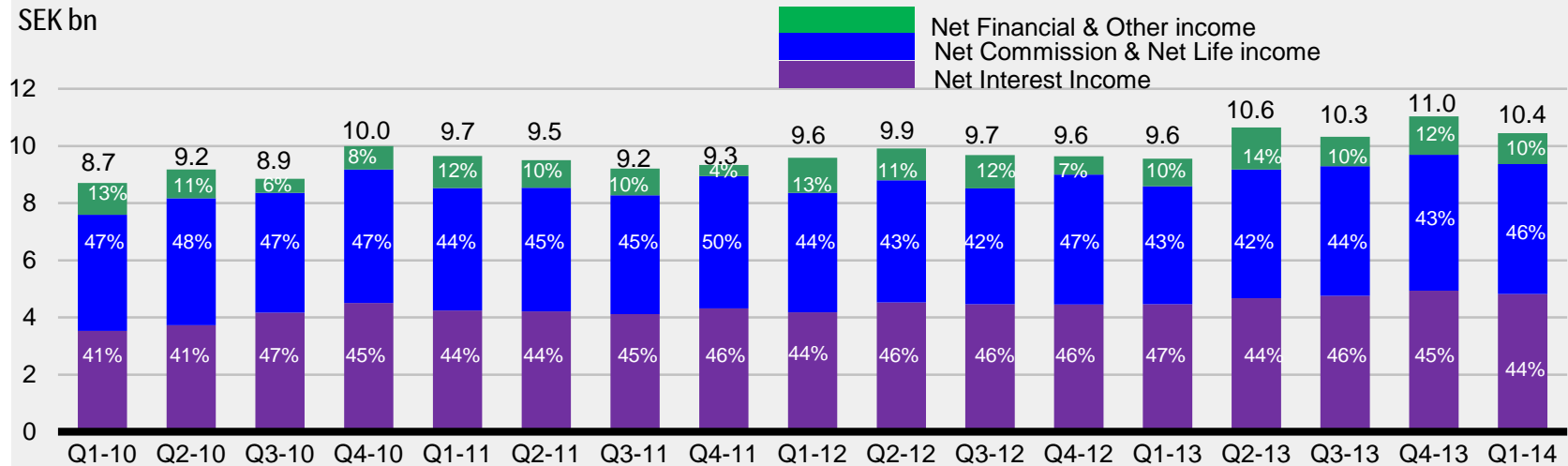
Highest Q1 operating profit to date (SEK bn)



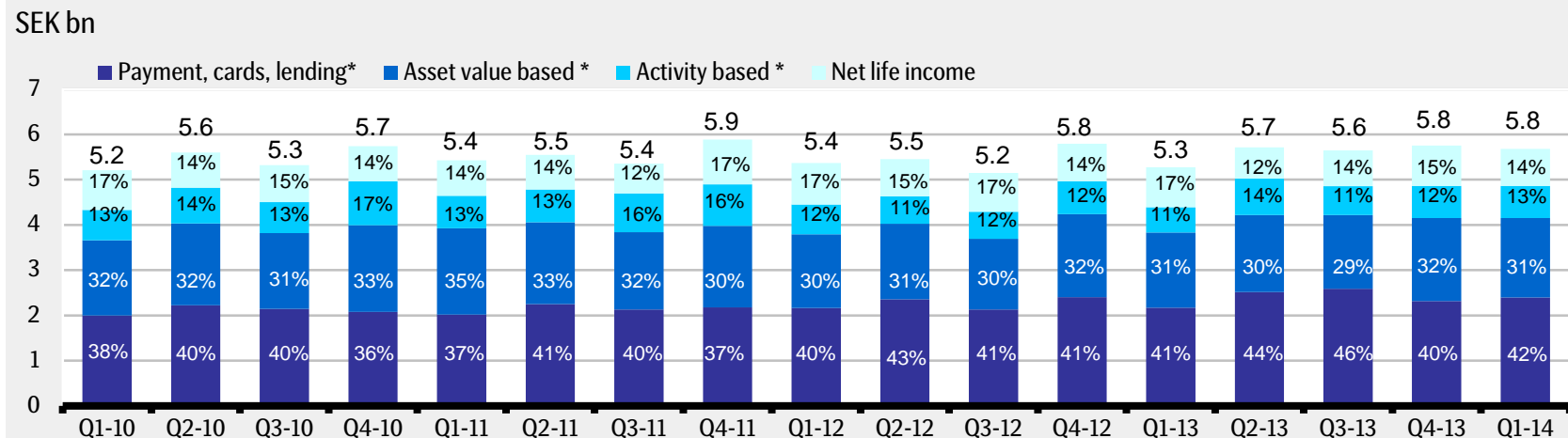
1) of which 1.3bn buy back of sub debt 2) of which 3.0bn goodwill write-offs 3) of which 0.8bn restructuring costs in our German subsidiary, SEB AG 4) write-down of IT infrastructure 0.8bn 5) of which 1.0 bn in write-backs of credit loss provisions

Business mix creates stable and diversified revenues

Non-NII more important - Total operating income split between income categories



Strong market shares render stable commission* and life income



*Gross commission development

Net interest income development

Net interest income Q1 2013 vs. Q1 2014 (SEK bn)

+8%

4.5

4.8

Jan-Mar '13

Jan-Mar '14

Net interest income type Q1 2012 – Q1 2014 (SEK bn)

Lending

3.0

3.5

3.9

Q1 -12

Q1-13

Q1-14

Deposits

0.9

0.6

0.7

Q1 -12

Q1-13

Q1-14

Funding & other

0.3

0.4

0.3

Q1 -12

Q1-13

Q1-14

Net fee and commission income development

Net fee and commissions Q1 2013 vs. Q1 2014 (SEK bn)

+15%

3.2

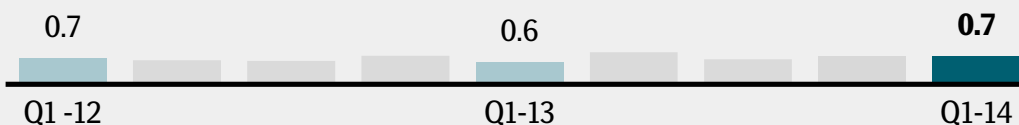
3.7

Jan-Mar '13

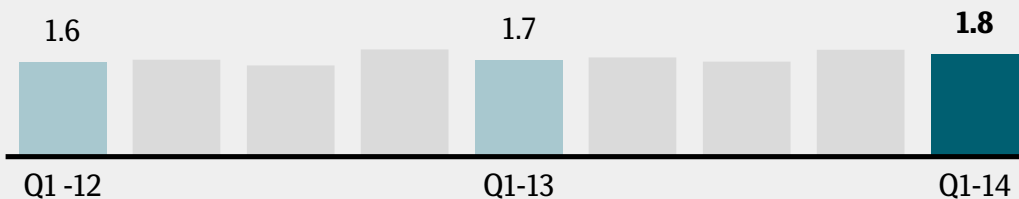
Jan-Mar '14

Gross fee and commissions by income type Q1 2012 – Q1 2014 (SEK bn)

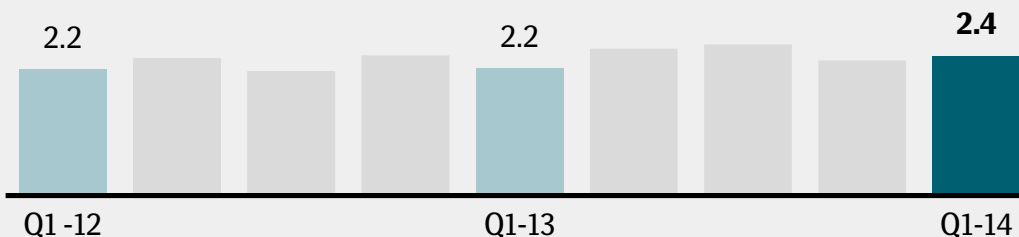
Advisory, secondary markets and derivatives



Custody and mutual funds



Payments, cards, lending, deposits & guarantees



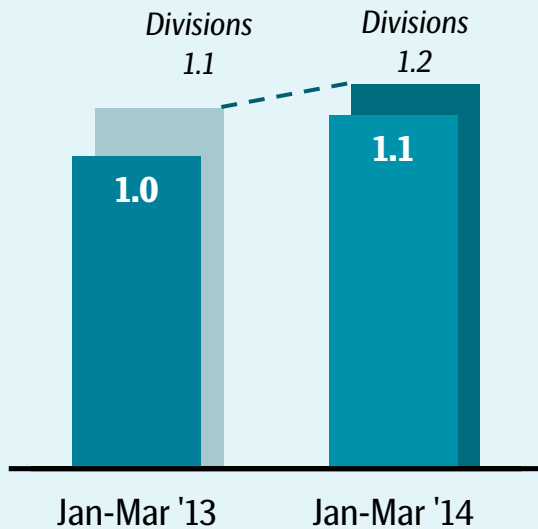
Net fee and commission income development

SEK m	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Issue of securities and advisory	171	142	92	241	65	161	154	336	232
Secondary market and derivatives	492	467	501	480	495	647	482	377	482
Custody and mutual funds	1,625	1,664	1,564	1,838	1,657	1,702	1,631	1,835	1,753
<i>Whereof performance and transaction</i>	10	47	30	177	72	48	2	145	21
Payments, cards, lending, deposits, guarantees and other	2,166	2,359	2,133	2,401	2,174	2,515	2,587	2,315	2,396
<i>Whereof payments and card fees</i>	1,436	1,545	1,479	1,492	1,421	1,516	1,463	1,494	1,431
<i>Whereof lending</i>	476	521	442	608	454	675	828	574	652
Fee and commission income	4,454	4,632	4,290	4,960	4,391	5,025	4,854	4,863	4,863
Fee and commission expense	-1,190	-1,183	-1,098	-1,245	-1,144	-1,214	-1,119	-992	-1,135
Net fee and commission income	3,264	3,449	3,192	3,715	3,247	3,811	3,735	3,871	3,728

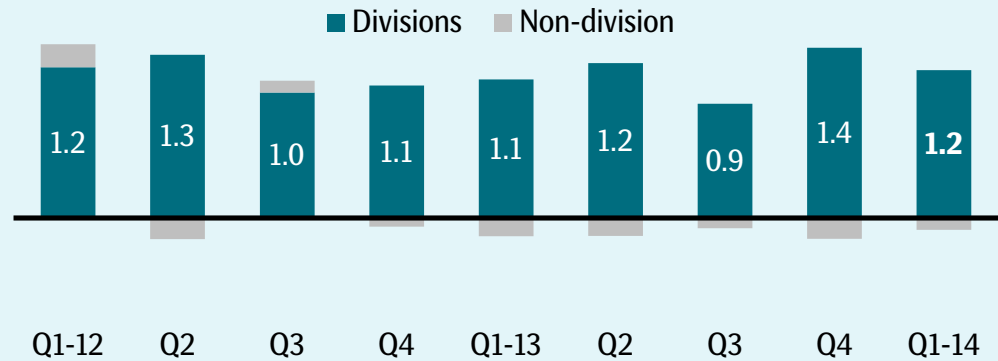
Net financial income development

Net financial income Q1 2013 vs. Q1 2014 (SEK bn)

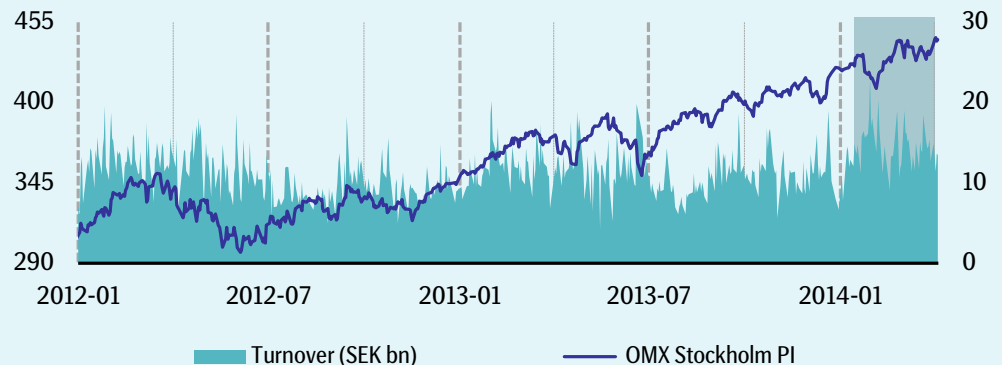
+13%



Net financial income Q1 2012 – Q1 2014 (SEK bn)



Equity market turnover and OMXSPI



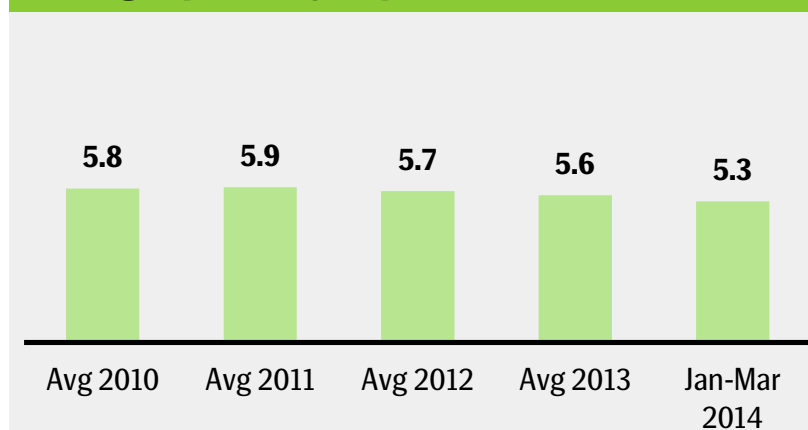
Avg. Price – Q1 430 (367) vs Q4 407
Turnover – Q1 894 (750) vs Q4 708

Operating leverage

Average quarterly income (SEK bn)



Average quarterly expenses (SEK bn)



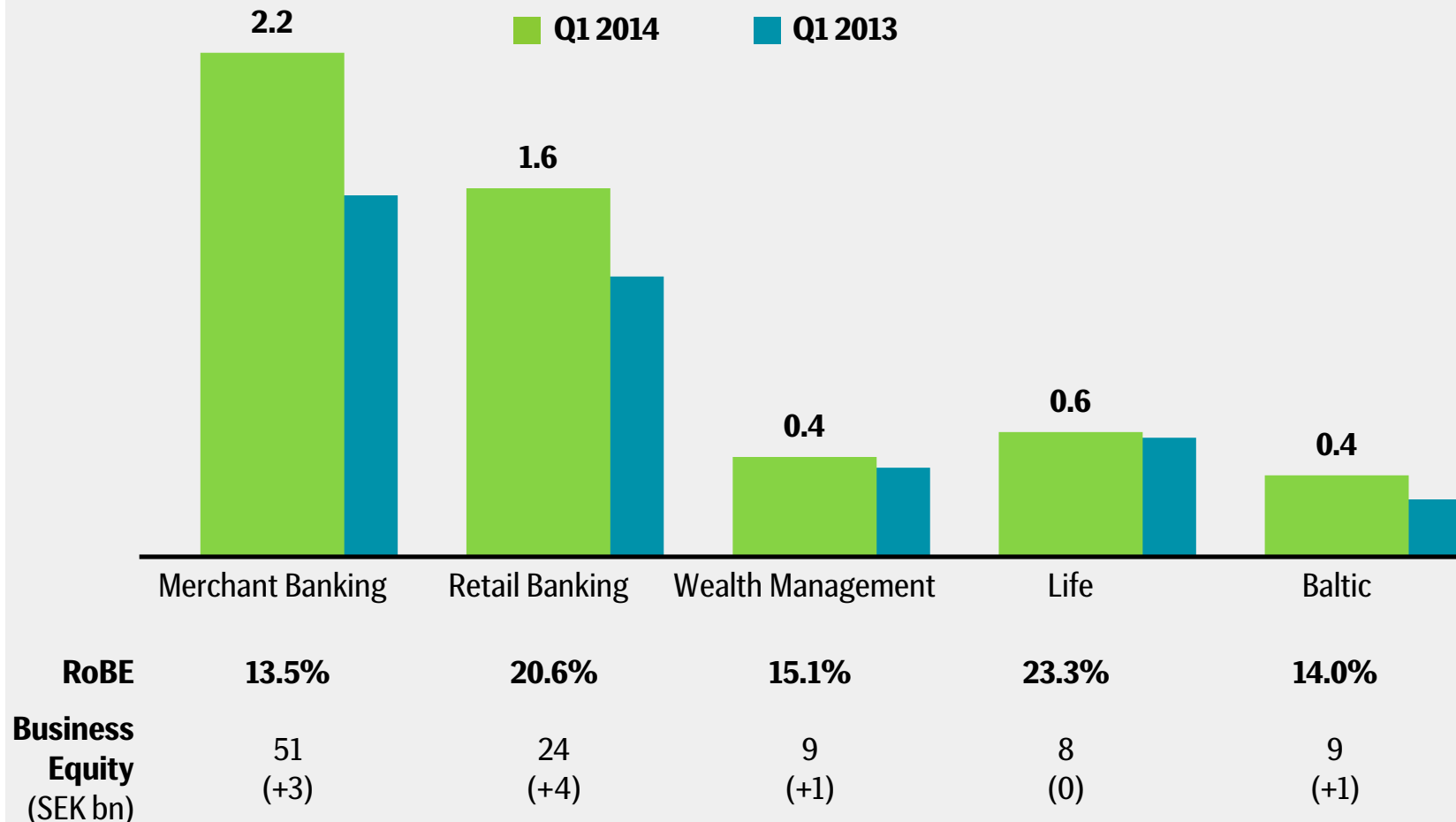
Average quarterly profit before credit losses (SEK bn)



Notes: Excluding one-offs (restructuring in 2010, and bond buy-back and IT impairment in 2012)
Estimated IAS 19 costs in 2010

Divisional performance

Operating profit Jan – Mar 2014 vs. Jan – Mar 2013 (SEK bn)



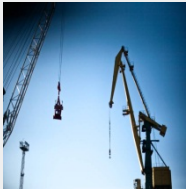
The corporate bank in Sweden



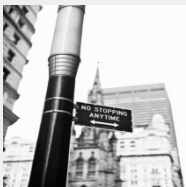
High need for partnership and 24/7 accessibility



Proactive strategic advisory on capital structures and international cash management



Higher demand for IPOs relative to M&A related activities



Disintermediation trend continues

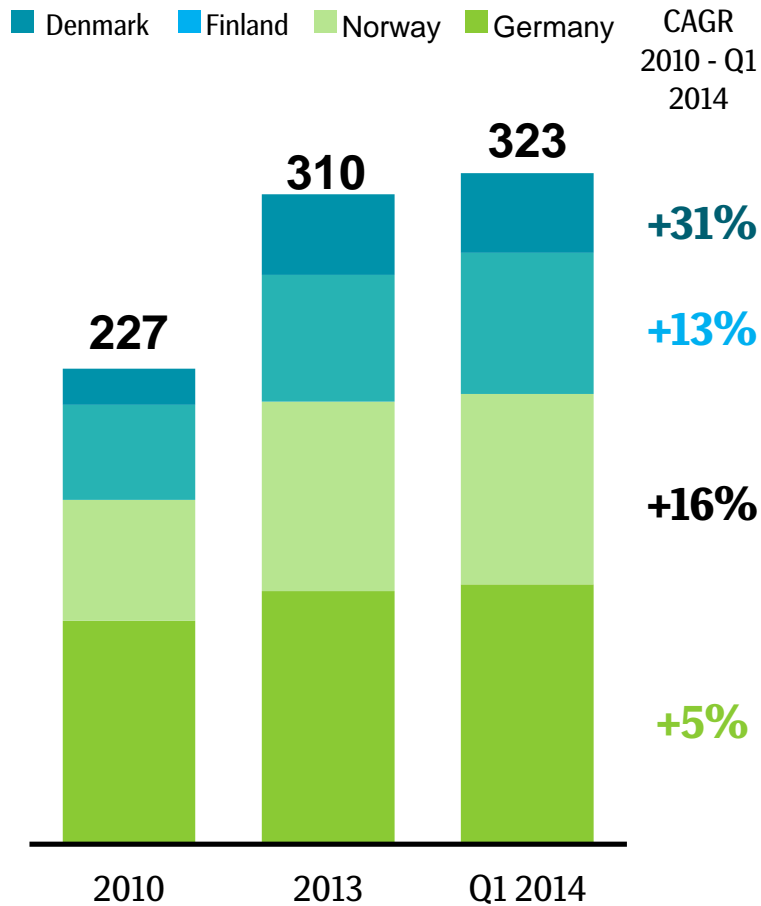
A holistic approach to the corporate sector



Broadened corporate platform outside Sweden

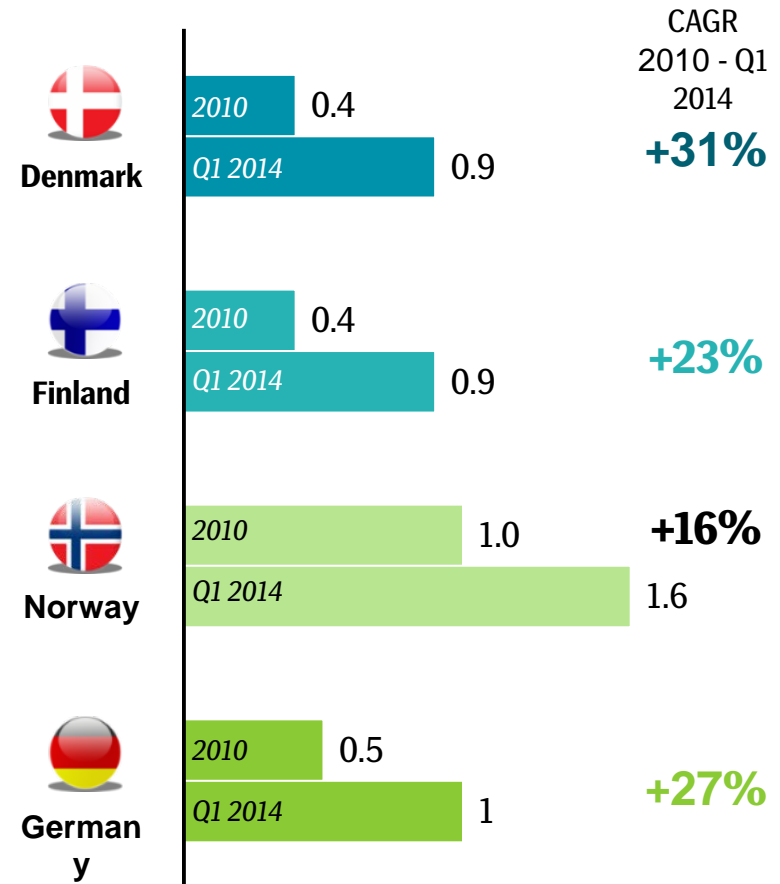
Credit portfolio

(SEK bn, FX-adj)



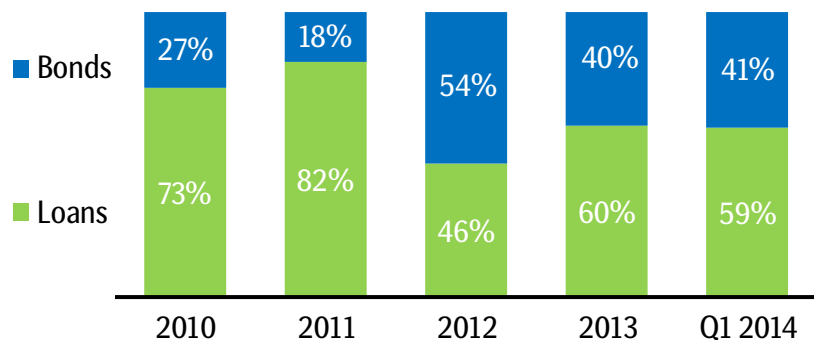
Operating profit, rolling 12 months

(SEK bn, FX-adj)



Capturing the disintermediation trend

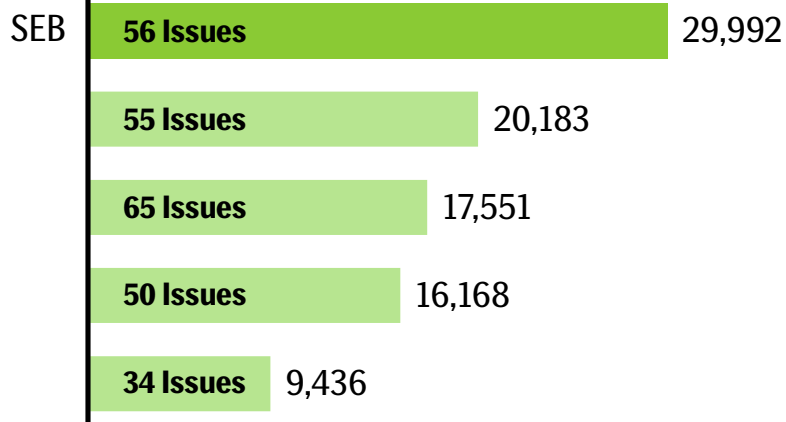
Nordic market lending and bond financing



Source: Dealogic on Nordic markets

SEK League Tables – Corporate Bonds

12 month rolling (SEK m)



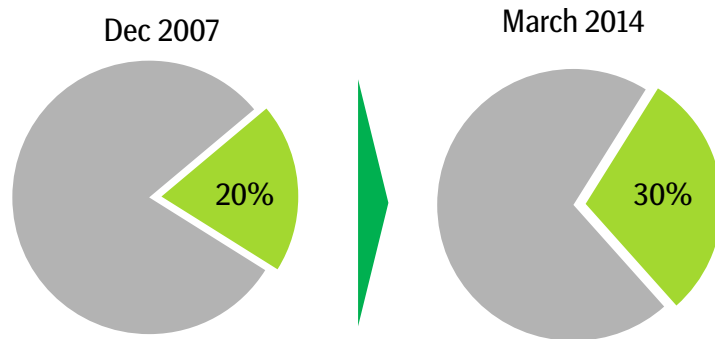
Significant deals in Q1 2014



Green
Bonds

Increasingly more important Swedish retail business

Increased relative importance of SEB's total income

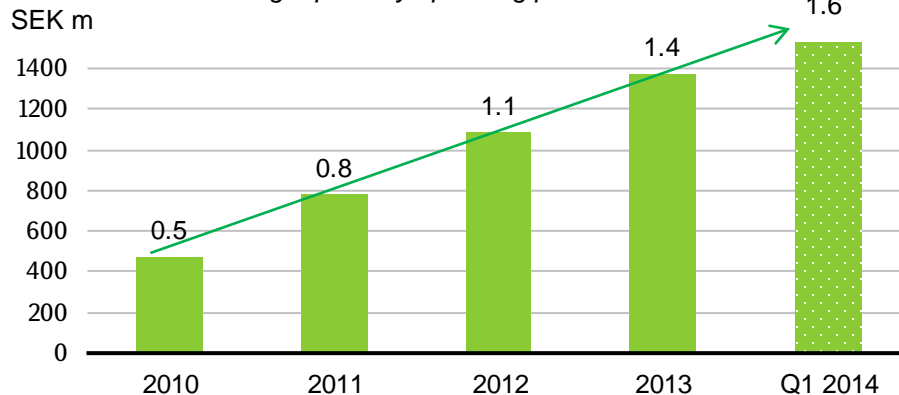


Focused and successful client acquisition strategy

- ☐ Strategic move in 2008 resulted in a more efficient organization and distribution capacity
- ☐ Successful re-organization, product offerings, accessibility 24/7 and focus on long-term customer relationships increased the number of clients, business and operating profit
- ☐ A cultural change – focus on business acumen and local ownership

Substantially increased operating profit

Average quarterly operating profit



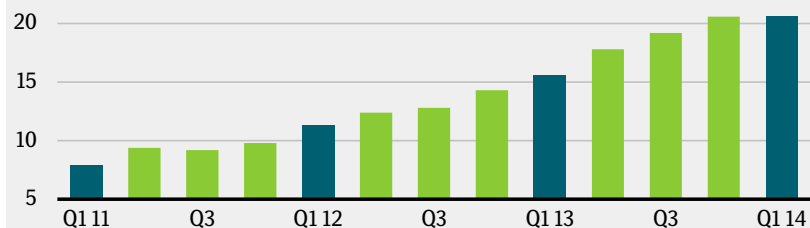
Strong development of key ratios

	<u>C/I</u>	<u>Business Equity</u>	<u>RoBE</u>
Q1 2014	44%	SEK 24.4bn	20.6%
2013	49%	SEK 20.2bn	21.9%
2012	57%	SEK 14.4bn	22.3%
2011	65%	SEK 10.8bn	21.4%
2010	71%	SEK 9.7bn	14.5%

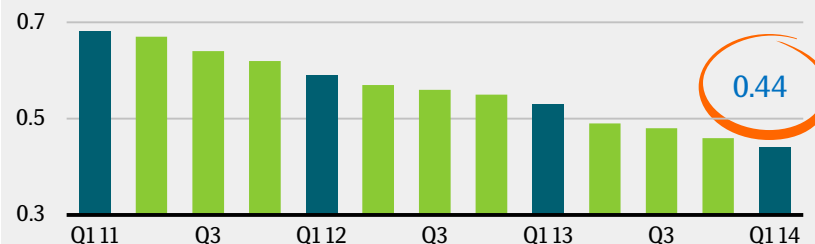
Continued positive trend for Retail Banking

Change Q1 2014 vs. Q1 2013

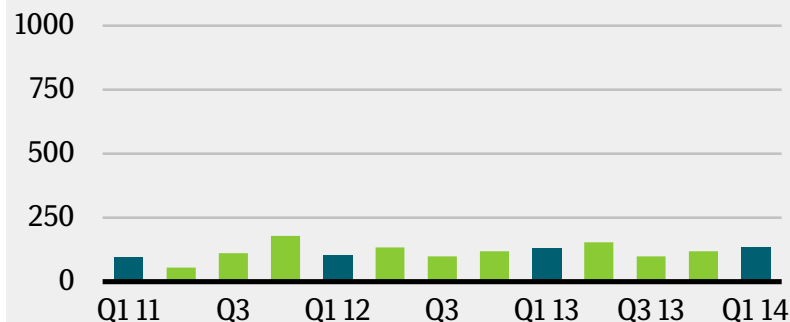
RoBE, per cent*



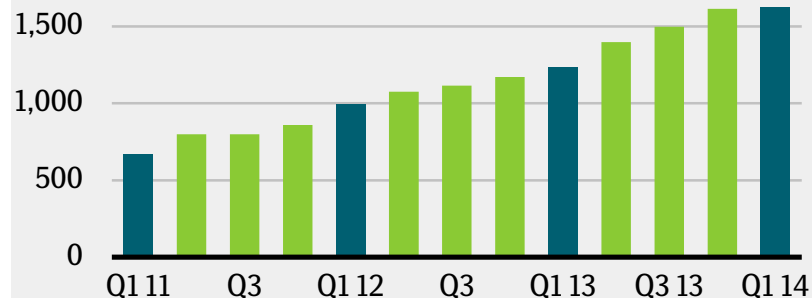
C/I ratio, -0,09



Credit losses, SEK m, +3 per cent

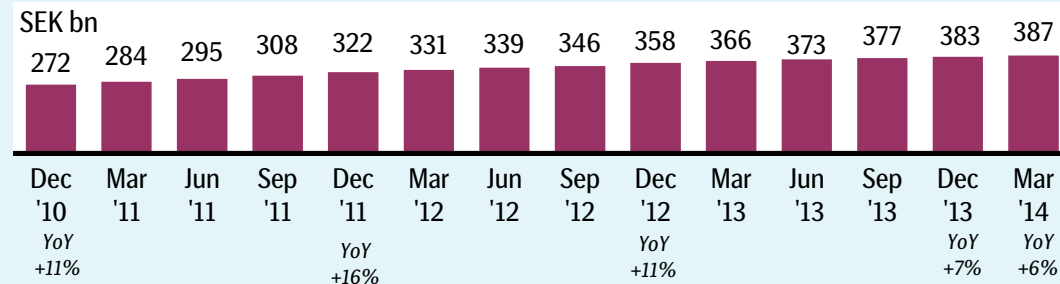


Operating profit, SEK m, +32 per cent



*proforma, adjusted to allow improved comparison (altered tax and business equity allocation models)

SEB's Swedish household mortgage lending



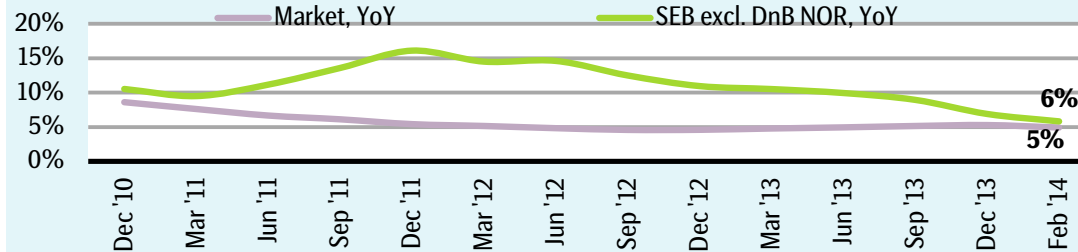
Selective origination

- 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"))

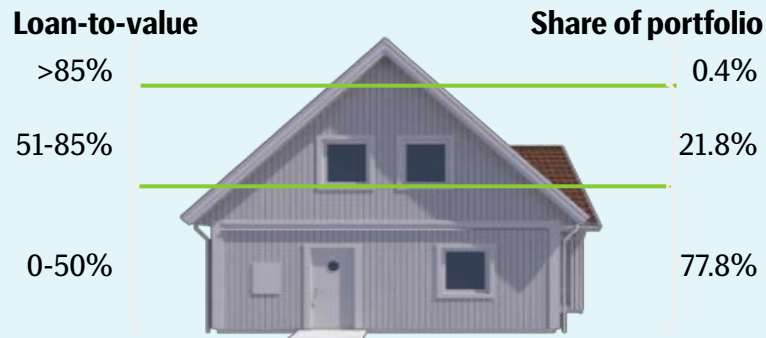
High asset performance

- Net credit losses consistently low, now 1bps
- Loan book continues to perform – loans past due >60 days 9bps

SEB portfolio development vs. total market



Low LTVs by regional and global standards



Mortgage lending based on affordability

- Credit scoring and assessment
- 7% interest rate test in the cash flow analysis
- 85% regulatory first lien mortgage cap & minimum 15% of own equity required
- If LTV >70% requirement to amortise on all new loans
- Amortisation (50 years) in the cash flow analysis
- Max loan amount 5x total gross household income irrespective of LTV
- 'Sell first and buy later' recommendation

Swedish housing market – Characteristics and prices

Mäklarstatistik – March 2014, per cent

	Single family homes		Apartments	
Area	3m	12m	3m	12m
Sweden	+2	+5	+4	+7
Greater Stockholm	+3	+8	+4	+10
Central Stockholm			+3	+10
Greater Gothenburg	+3	+8	+4	+8
Greater Malmoe	-2	+1	+3	+9

Valueguard – March 2014, per cent

	Single family homes		Apartments	
Area	3m	12m	3m	12m
Sweden	+9.2	+7.3	+5.2	+12.8
Stockholm	+8.9	+9.7	+5.0	+12.8
Gothenburg	+9.4	+7.6	+3.4	+10.1
Malmoe	+7.7	+0.4	+3.7	+5.2

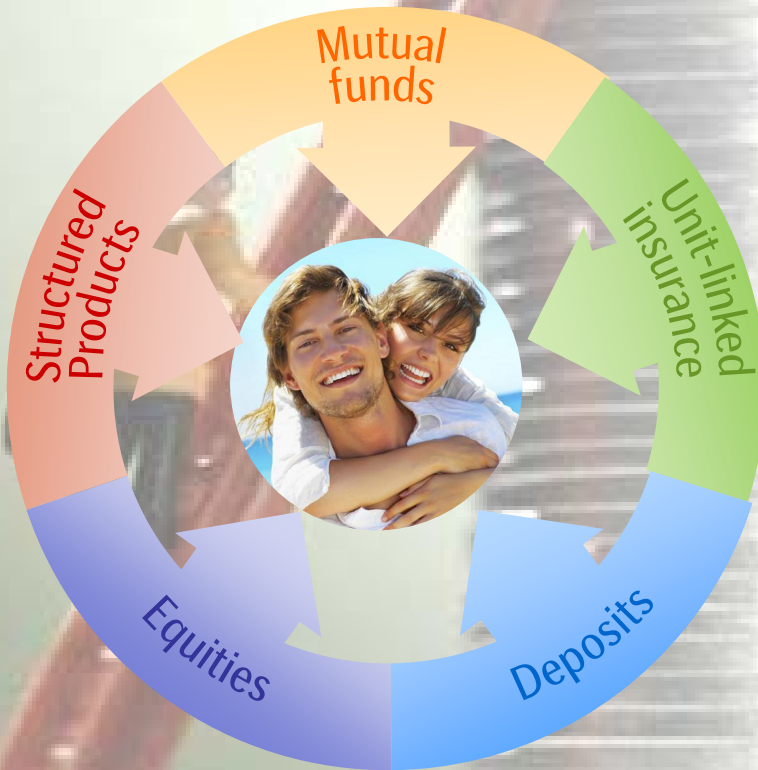
HOX Sweden +7.8% 3m, +9.2% 12m

Characteristics of Swedish mortgage market

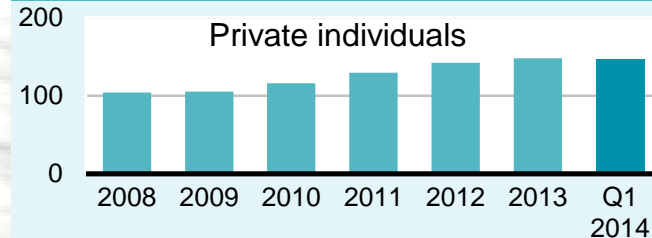
- ✓ No buy-to-let market
- ✓ No third party loan origination
- ✓ All mortgages on balance sheet (no securitisation)
- ✓ Strictly regulated rental market
- ✓ State of the art credit information (UC)
- ✓ Very limited debt forgiveness
- ✓ Strong social security and unemployment scheme

Asset gathering franchise: Coordination

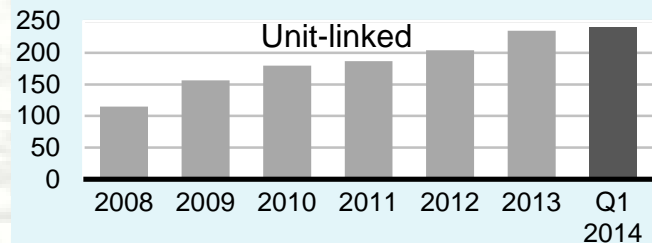
Full range of savings products through bancassurance model



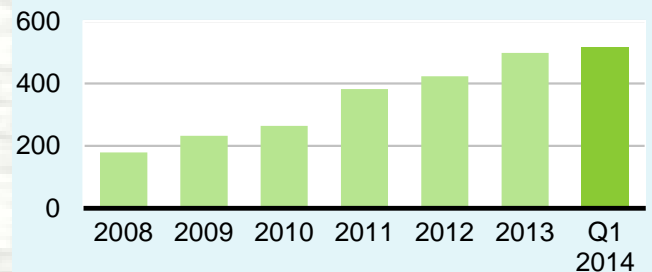
Household deposits (SEK bn)



Unit-linked AuM (SEK bn)

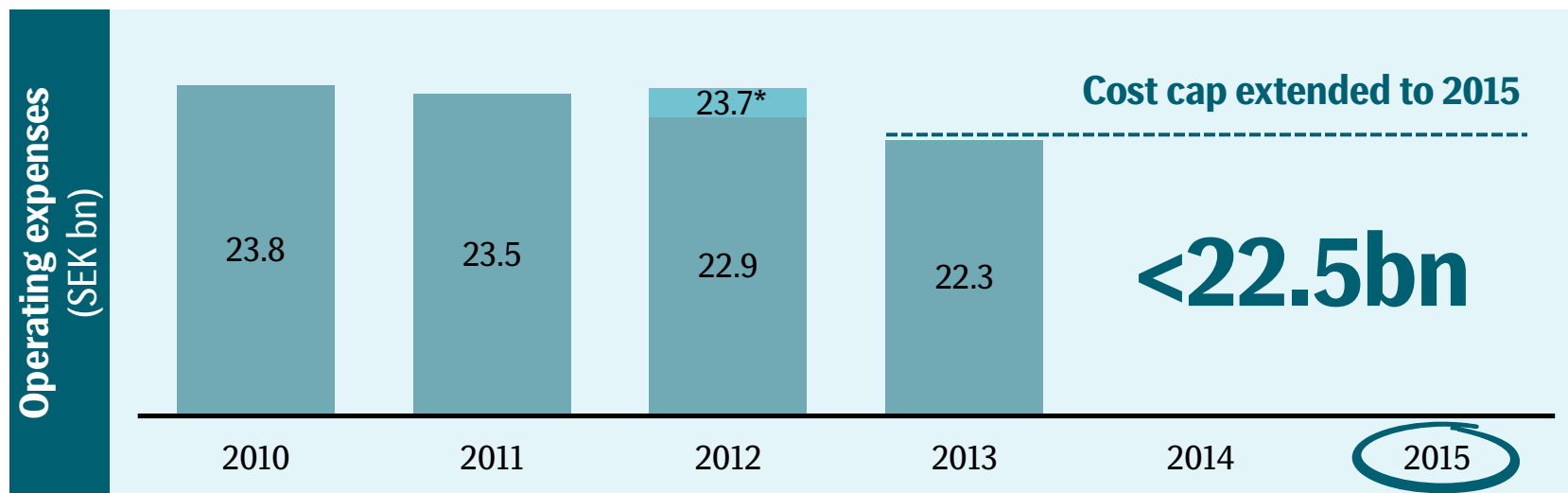


Private Banking AuM (SEK bn)



Continued resilience and flexibility

Balance sheet ratios	Capital	Liquidity	Funding	Asset quality
	15.7% Common Equity Tier 1	137% LCR	116% Core Gap ratio	0.07% Credit Loss Level



* Including one-offs

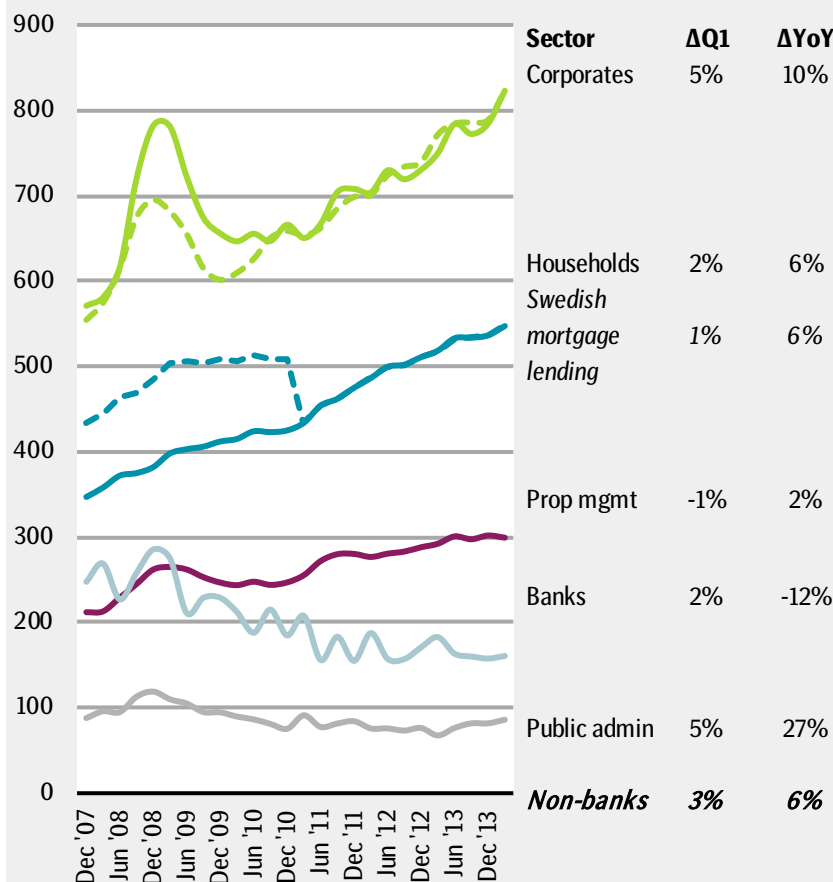
Balance sheet

Strong asset quality and balance sheet

	(SEK bn)	2013	Q1 2014
Asset quality	Non-performing loans	9.5bn	9.2bn
	NPL coverage ratio	72%	73%
	Net credit loss level	0.09%	0.07%
Funding and liquidity	Customer deposits	849bn	904bn
	Liquidity resources	~25%	~25%
	Liquidity coverage ratio	129%	137%
Capital	CET 1 ratio (Basel 3)	15.0%	15.7%
	Leverage ratio (Basel 3)	4.2%	4.1%
	Total capital ratio (Basel 3)	18.1%	18.7%

Corporate and household growth partly offset by decline in property management

Credit portfolio by sector (SEK bn)



NOTE: Green dotted line is FX-adjusted, blue dotted line is including German retail

Credit portfolio by sector (SEK bn)

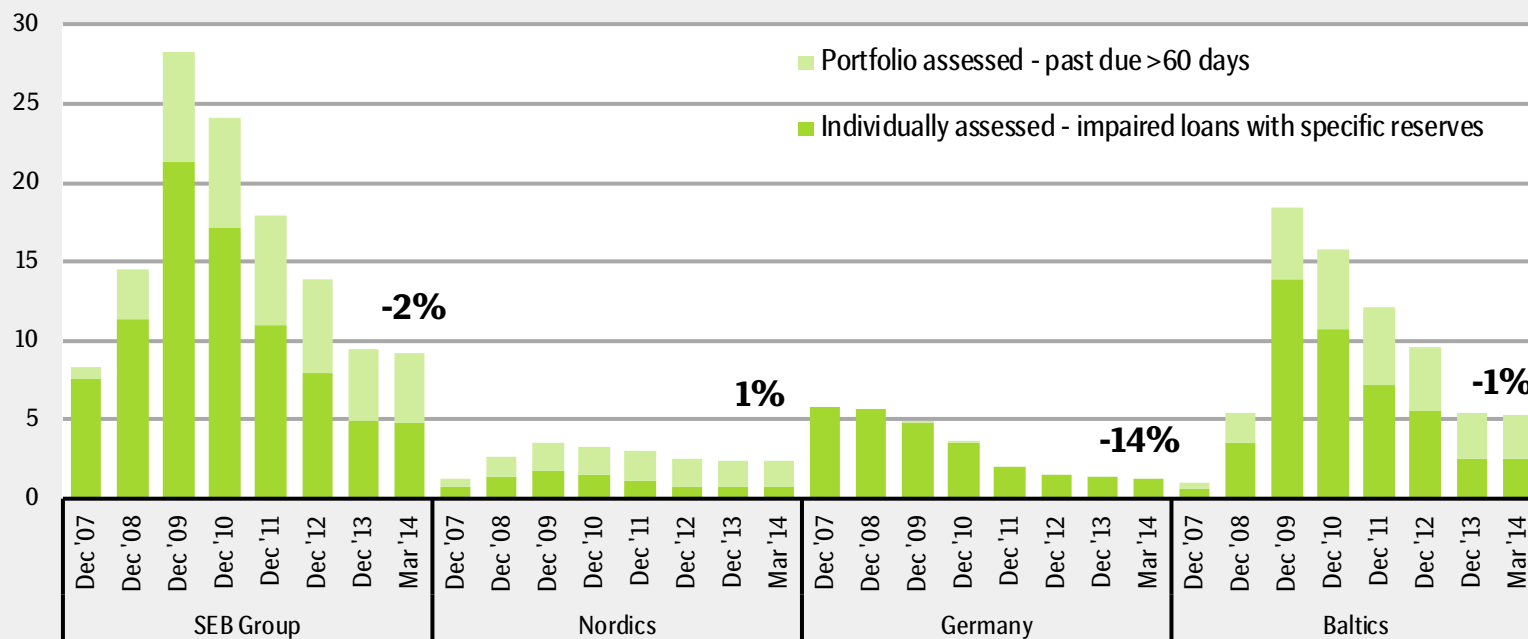
	Mar '13	Dec '13	Mar '14	ΔQ1	ΔYoY
Corporates	750	784	823	39	73
Property management	292	302	299	-3	7
Households	518	536	547	11	29
Public administration	68	82	86	4	18
Total non-banks	1,628	1,704	1,756	51	128
Banks	183	158	161	3	-22
Total	1,811	1,862	1,916	54	105

Q1 summary

- **Corporate** volumes driven by MB Nordics
- **Property management** volumes declined
- **Swedish household mortgage** growth pace continues to slow down

Slight decrease in NPL volumes

QoQ: Non-performing loans development (SEK bn)



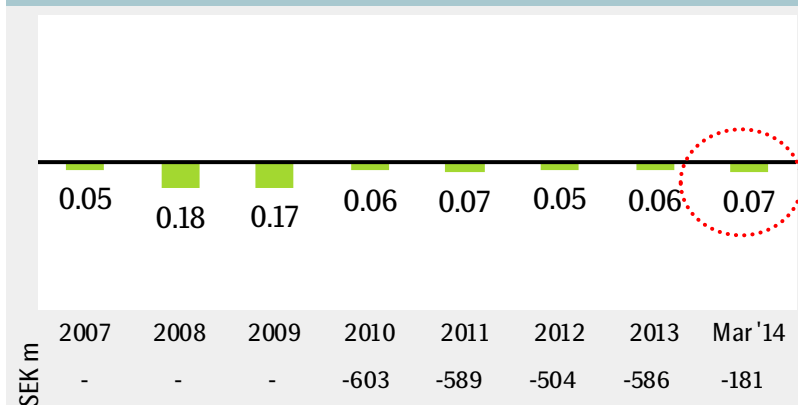
NPLs / lending:	0.6%	0.2%	0.7%	5.0%
NPL coverage ratio:	73.2%	77.7%	98.9%	65.4%

NOTE: Sale of the German retail operations reduced German NPLs by SEK 817m in Mar '11

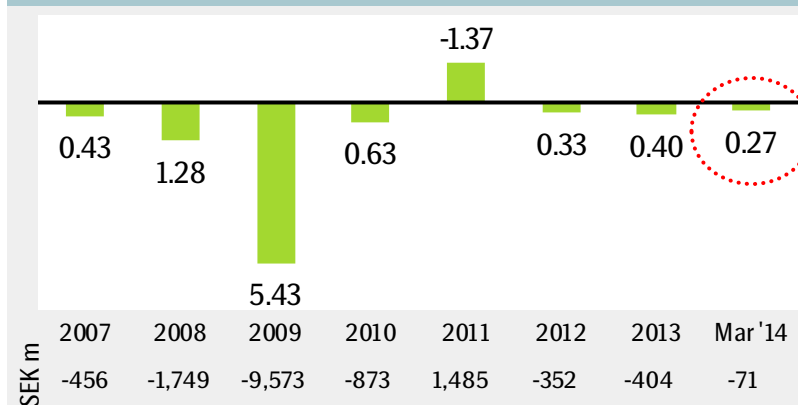
Credit loss levels per geography

Annualised accumulated

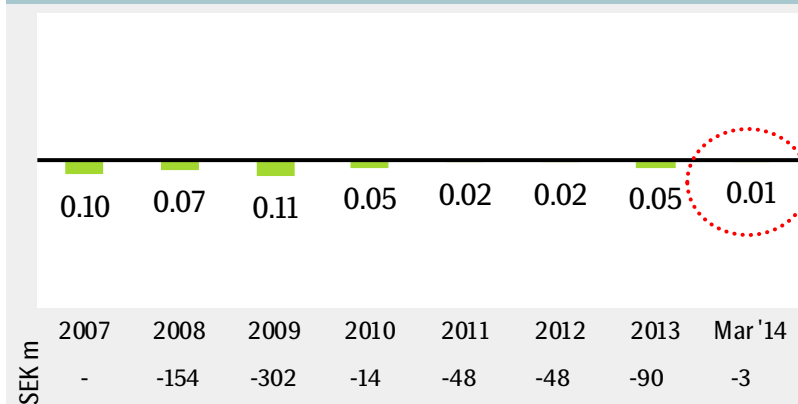
Nordics



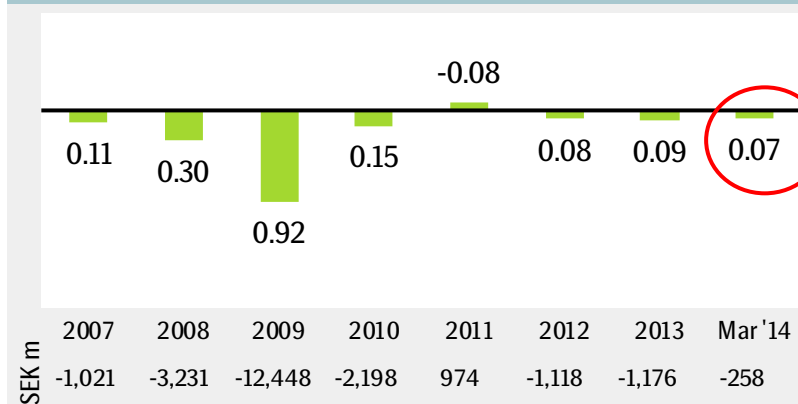
Baltics



Germany *



SEB Group **

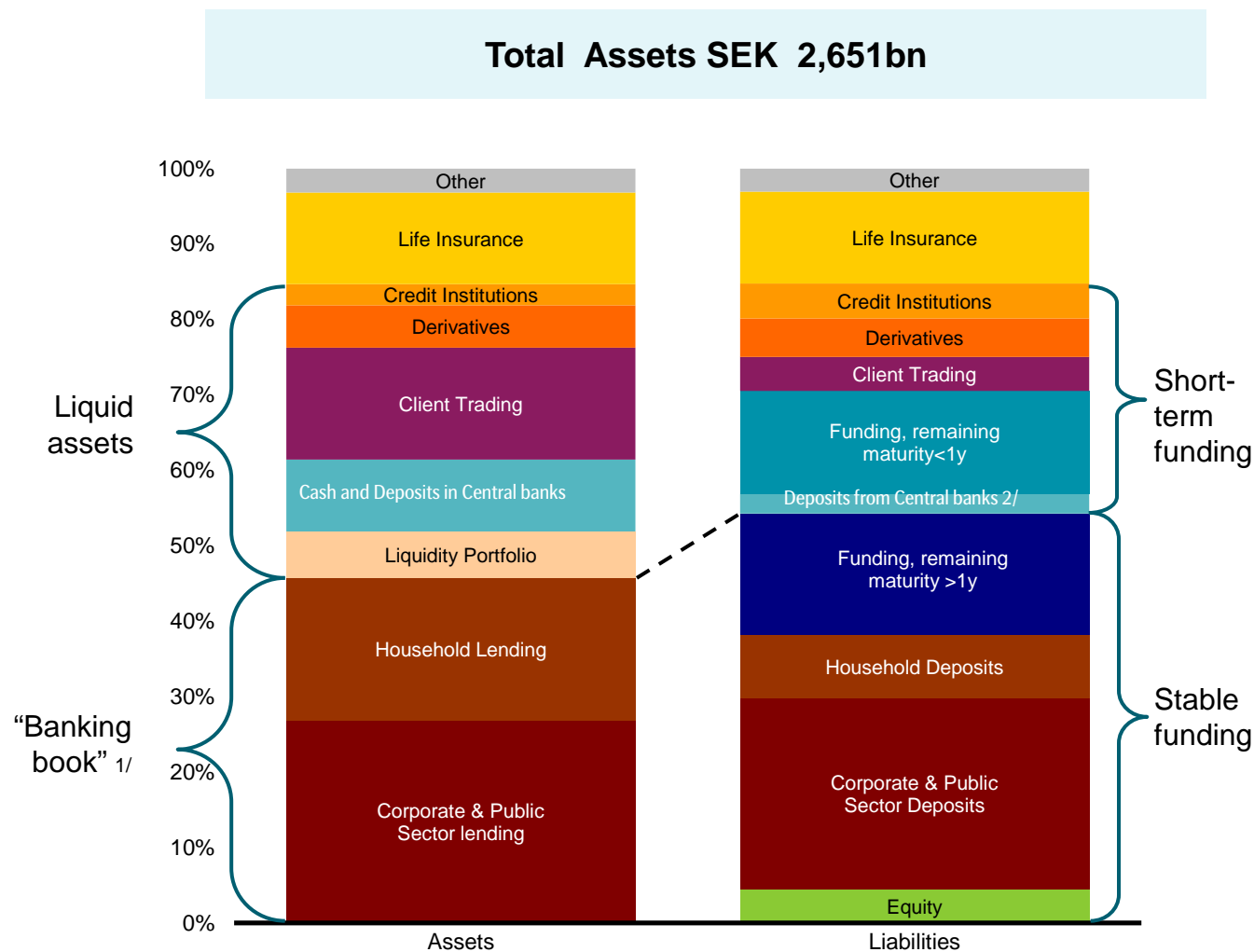


Negative credit loss level = reversal

* Continuing operations ** Total operations

A strong balance sheet structure

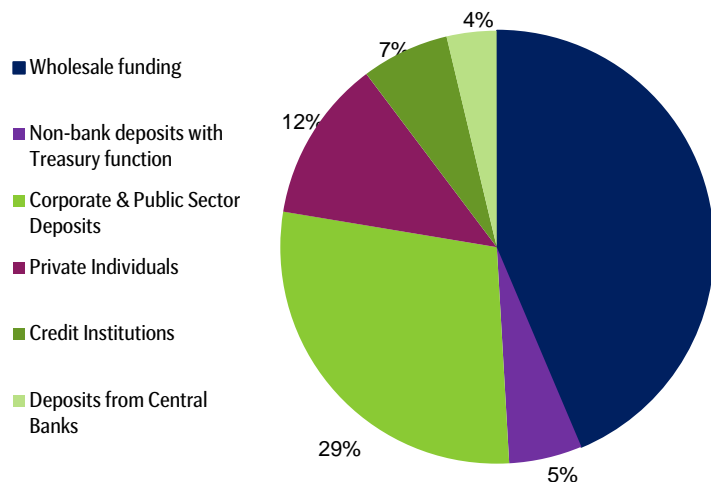
Mar 2014



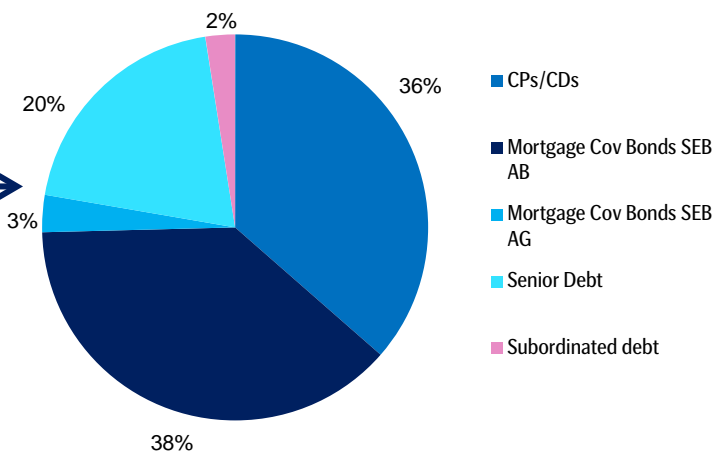
1. A relatively large share of lending is contractually short which allows for swift re-pricing to adjust for e.g. changed funding costs.
2. Central bank deposits refer to long-term relationship-based deposits from central banks and do not refer to borrowings from central banks

Diversified funding and strong structural funding position

Total Funding Base SEK 1,854bn ^{*/**}



Wholesale funding SEK 807bn ^{*/**}



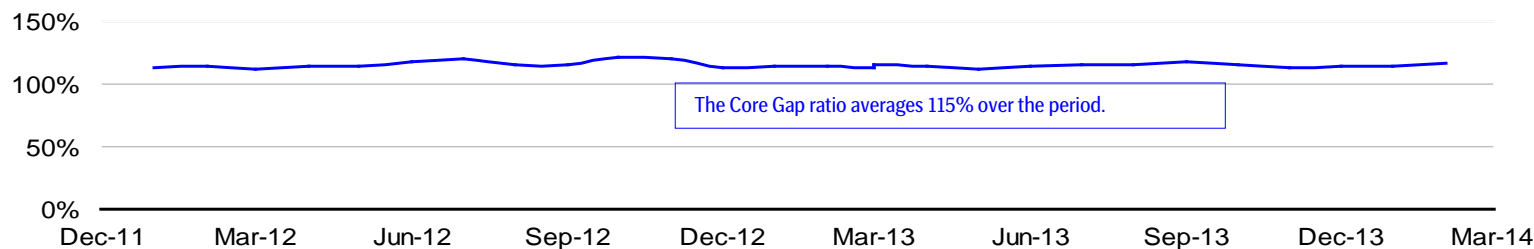
Wholesale funding 44%

* Excluding repos

** Excluding public covered bonds issued by SEB AG which are in a run-off mode

Strong structural funding position

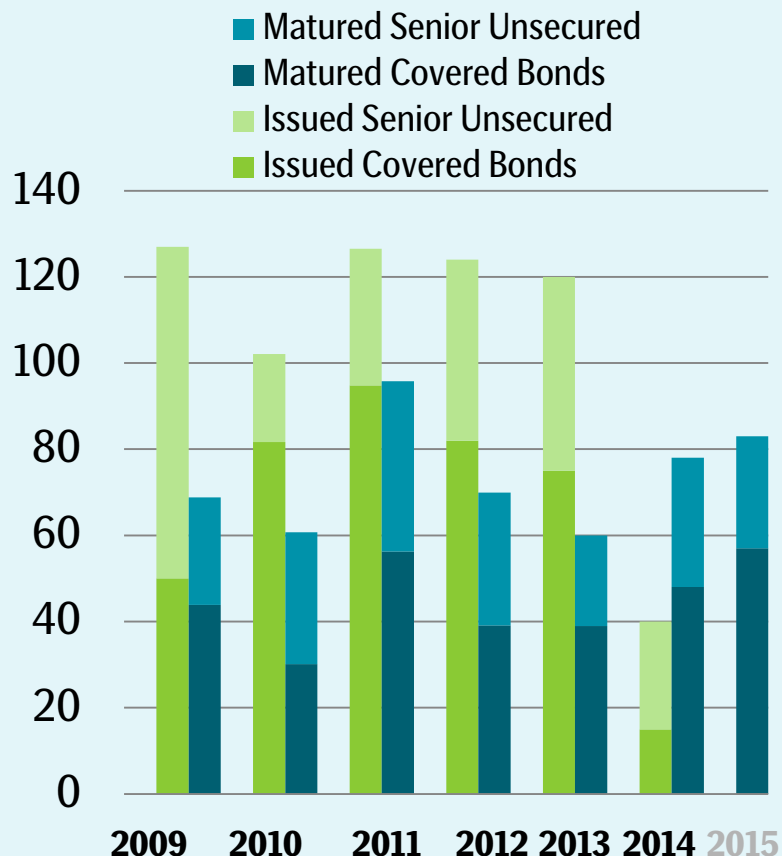
The amount of funding in excess of one year in relation to assets with a modelled maturity of more than one year ^{1/}



1) The Core Gap Ratio is an SEB defined internal measure similar to the proposed NSFR under Basel III and measures the amount of funding in excess of one year in relation to assets with a maturity of more than one year based on internal behavioral modelling

Conservative funding strategy

Long-term funding activities (SEK bn)

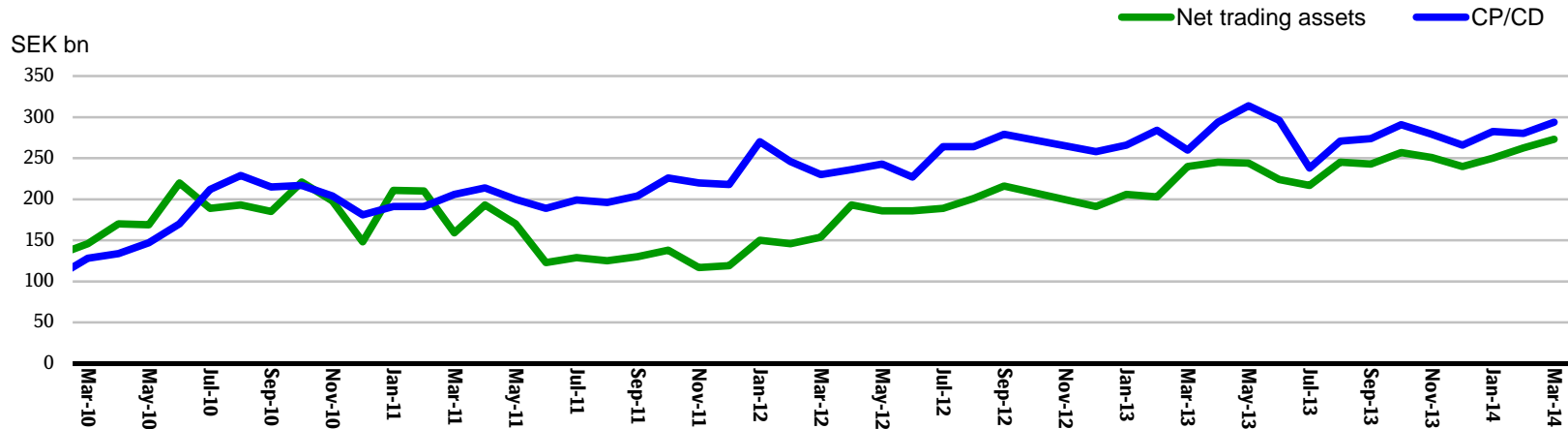


Issuance of bonds (SEK bn)

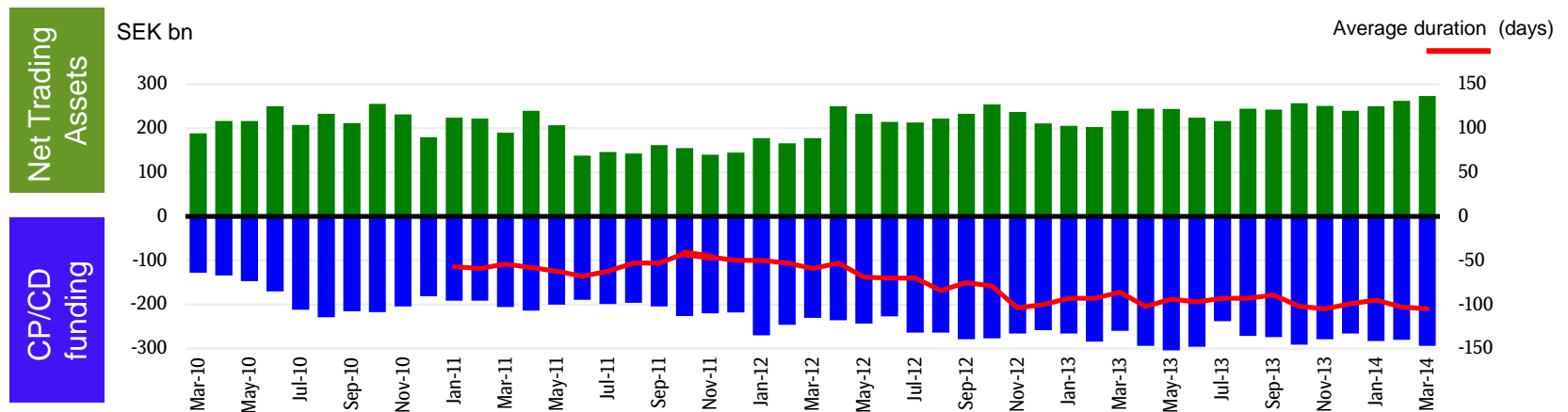
Instrument	2011	2012	2013	Q1 2014
Senior unsecured SEB AB	32	42	45	25
Covered bonds SEB AB	95	81	73	15
Covered bonds SEB AG	0	1	2	0
Subordinated debt	0	6	0	0
Total	126	124	120	40

Strong access to CP/CD funding supports Markets' business

Volumes - Net trading assets¹ adaptable to CP/CD funding access



Duration - CP/CD fund net trading assets¹ with considerably shorter duration

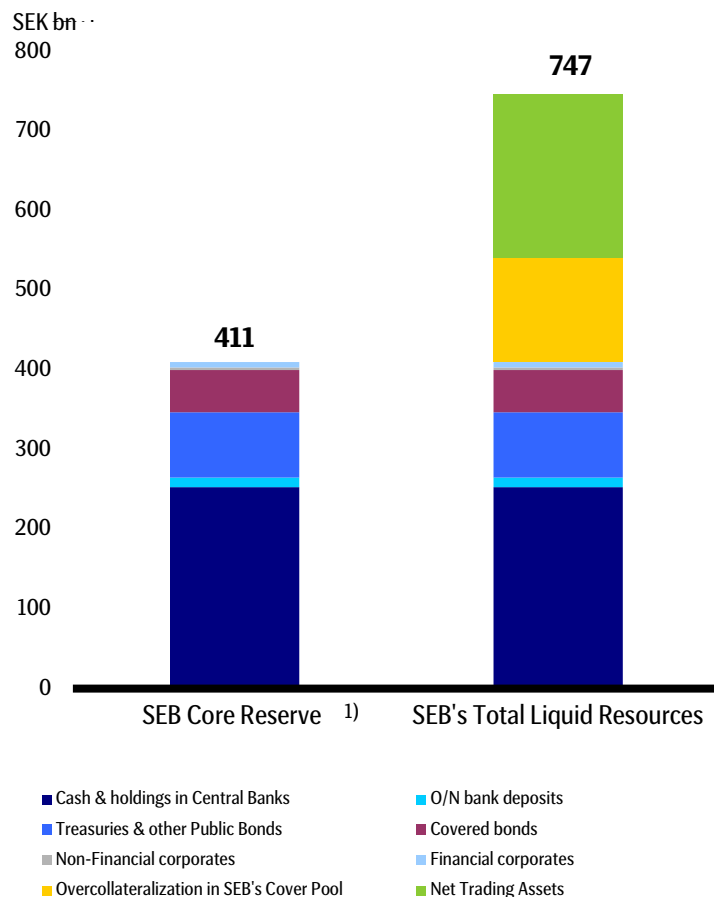


1. Net Trading Assets = Net of repoable bonds, equities and repos for client facilitation purposes

Sizable liquidity buffer

Mar 2014

SEB's total Liquid Resources 195% of wholesale funding maturities within 1 year



1) Definition according to Swedish Bankers' Association

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

Core liquidity reserve
Directives of Swedish Bankers' Association

- ☐ Assets held by the Treasury function
- ☐ Not encumbered
- ☐ Eligible with Central Banks
- ☐ Maximum 20% risk weight under Basel II Standardized Model
- ☐ Lowest rating of Aa2/AA-
- ☐ Valued marked-to-market

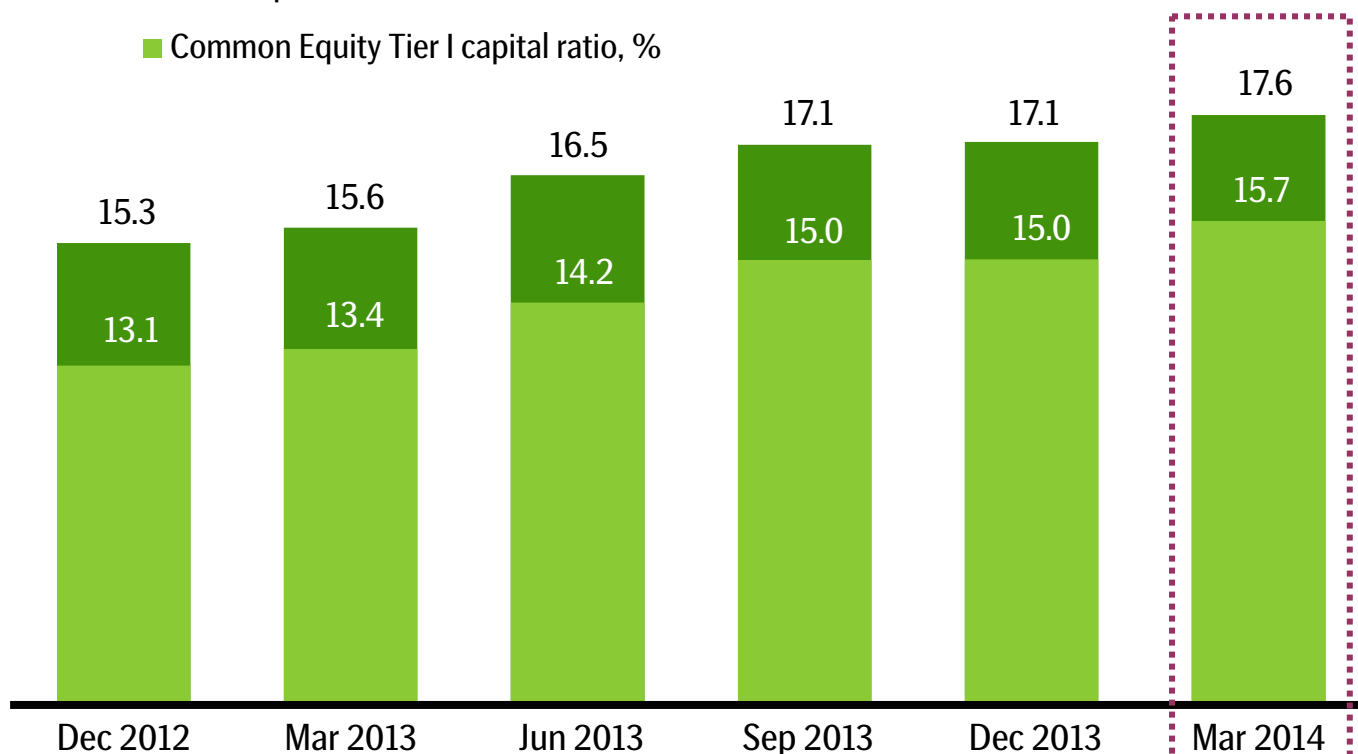
Composition of SEB's Liquidity Portfolio

- ☐ Government or state-guaranteed securities of Nordic countries, and other selected Northern European countries, principally Germany
- ☐ Supra-nationals
- ☐ High quality triple-A rated covered bonds issued by banks in the Nordic countries and other selected Northern European countries, principally Germany

Basel III fully implemented

SEB Group

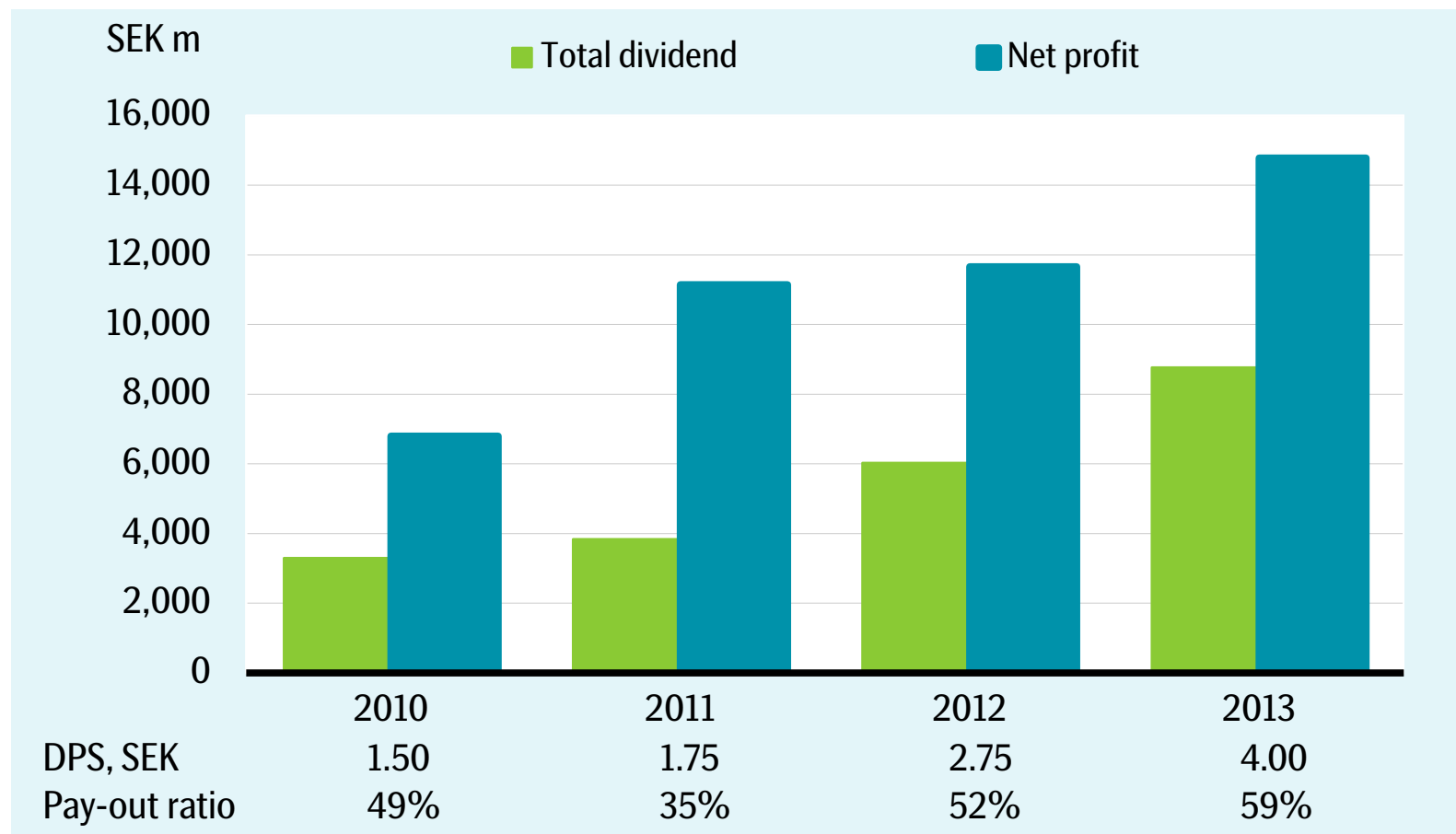
■ Tier I capital ratio, %
 ■ Common Equity Tier I capital ratio, %



SEK bn

Common Equity T1	82.8	84.2	89.0	91.5	89.8	92.1
Capital base	105.7	106.4	108.6	109.8	108.3	109.7
REA	632	629	628	610	598	588

Dividend policy and development



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

Sum-up

Going forward



**Long-term customer
relationships**

**Disciplined execution of
business plan**

**Finalisation of regulatory
Swedish finish**

Additional information: Swedish Housing Market

Some key features

❑ House price development

- Upward pressure:
 - ✓ Severe structural lack of supply particularly in the major cities to which there is a strong migration
 - ✓ Particularly on apartments in the major cities' center
 - ✓ Political inability to stimulate new residential investments
- Stabilizing / downward pressure – mitigating factors:
 - ✓ *Strong domestic economy with ample possibilities to stimulate the economy*
 - Next to no budget deficit, relatively very low sovereign debt just below 30%* and continued current account surplus of approx. 6%
 - ✓ *Banks' stricter lending criteria*
 - ✓ *New and extended regulatory requirements on banks' and other mortgage lenders:*
 - Regulatory LTV cap of 85% (Fall 2010)
 - Mortgage risk-weights - 15% under Pillar II (Spring 2013)
 - Regulatory Body's liquidity and capital requirements - stricter than Basel III and EU requirements
 - ✓ *Topics publicly discussed - Increased household indebtedness may cause regulatory bodies to:*
 - Introduce mandatory amortization requirements
 - Decrease ability to deduct interest costs (today: 30% up to about USD 15k / EUR 11k and 20% on the amount above USD 15k / EUR 11k)
 - Increase mortgage risk-weight to 25% under Pillar II (most likely)

❑ Increased indebtedness of private people

- Mitigating factors:
 - ✓ *80% of households' debt is mortgage loans*
 - ✓ *A recent (Nov 2013) government report showed that the most indebted people are the ones with the highest income and net wealth, highest level of education and live in the economically more prosperous and flourishing regions in Sweden*
 - ✓ *Increased affordability of households*
 - Households' have increased disposable income and affordability due to higher real salaries, income tax cuts, abolishment of wealth tax, a substantial lowering of real estate tax and low interest rates
 - ✓ *The increase in debt to income amongst households is offset by a low public sector debt and a capacity for countercyclical measures*

❑ Home ownership about 70%** and going up

❑ No buy-to-let market

* Excluding relending to the Debt Office due to buffering of the currency reserve. Approx 35% including the relending

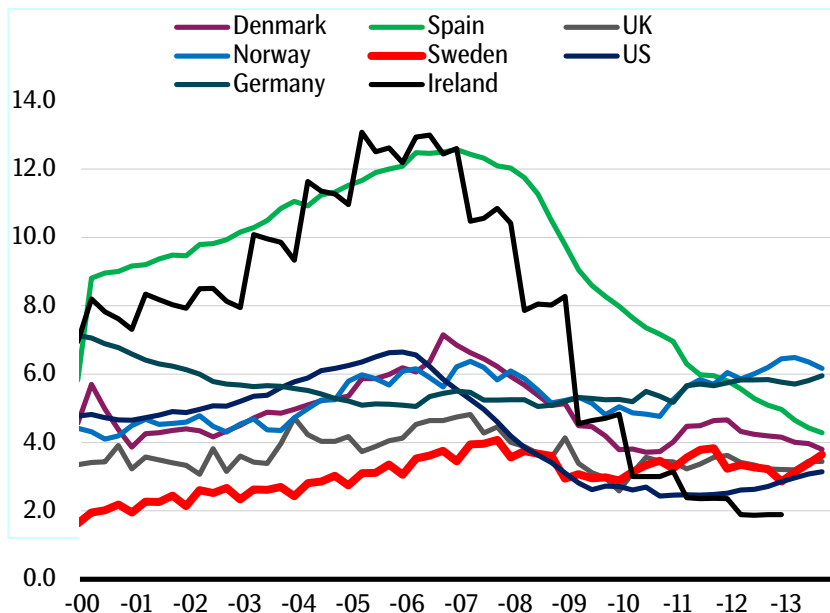
**Swedish National Board of Housing 2011 (Boverkets)

Structural lack of housing

- ❑ Shift in government policy on subsidies in the beginning of the 90s had a huge negative impact on residential construction
- ❑ Strict rent regulation; high land and construction costs; planning, construction and environmental legislation continue to reduce the incentive for the construction of rental apartment buildings
- ❑ Construction needs to be between 30,000 and 60,000/ year to keep pace with population growth ¹⁾
- ❑ Apartment buildings constructed in 2012 numbered approximately 28,000 ¹⁾
- ❑ Lack of housing the most pronounced in the larger cities like Stockholm, Göteborg and Malmö

Relatively low residential investment

as a % of GDP

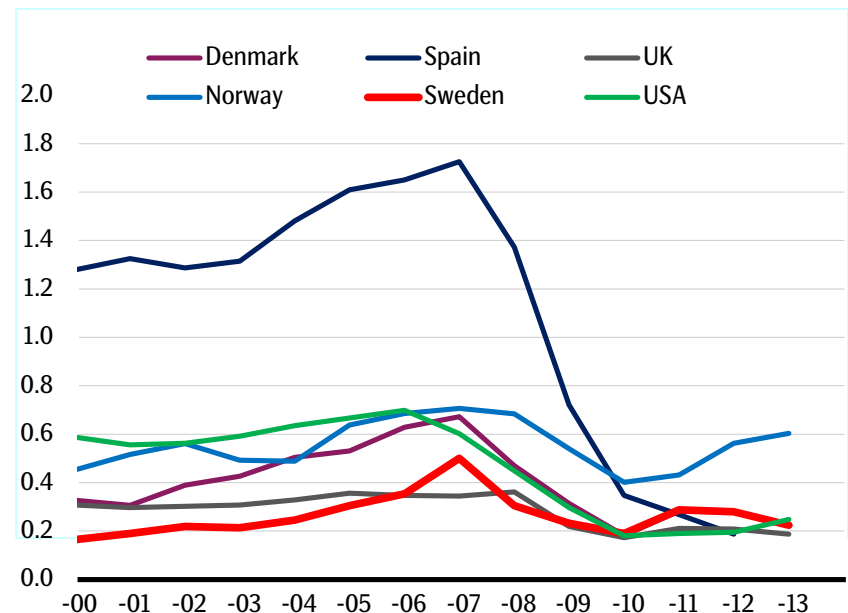


Source: Macrobond June 2013 except Ireland December 2012d

1) Latest available data from the Swedish National Board of Housing

Low number of new houses constructed

as a % of the population

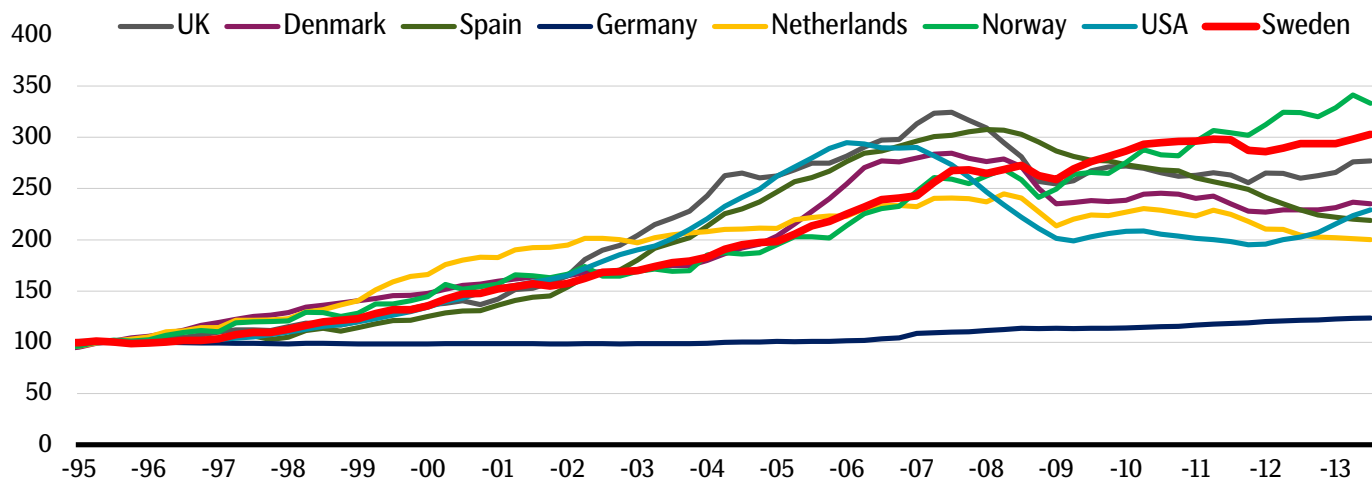


Source: Macrobond Dec 2012

The sustained increase in house prices have slowed down

- ❑ Structural lack of housing is the root to the sustained increase. However,...
- ❑ The effect of new regulatory requirements, debate on overall household indebtedness and stricter bank lending criteria have had a certain price dampening effect the last few years
- ❑ Low residential real estate construction led to an upward pressure on equilibrium price levels
- ❑ Considerable lowering of residential real estate tax and abolition of wealth tax in the mid-2000s
- ❑ Relatively low debt servicing costs

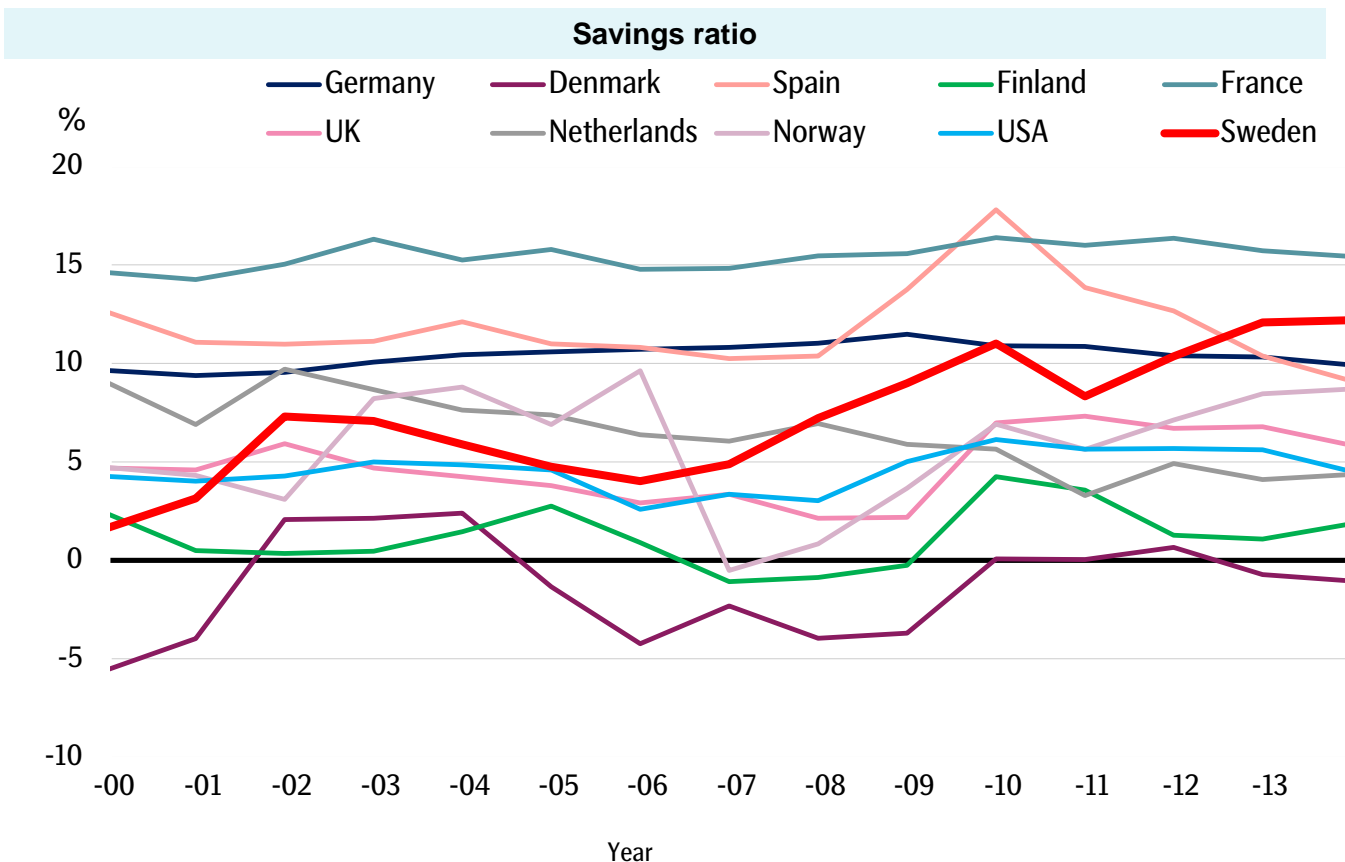
House prices (index 1992=100) International comparison



Households' debt-servicing ability is solid

Swedish Central Bank's Stability Report November 2013 states that:

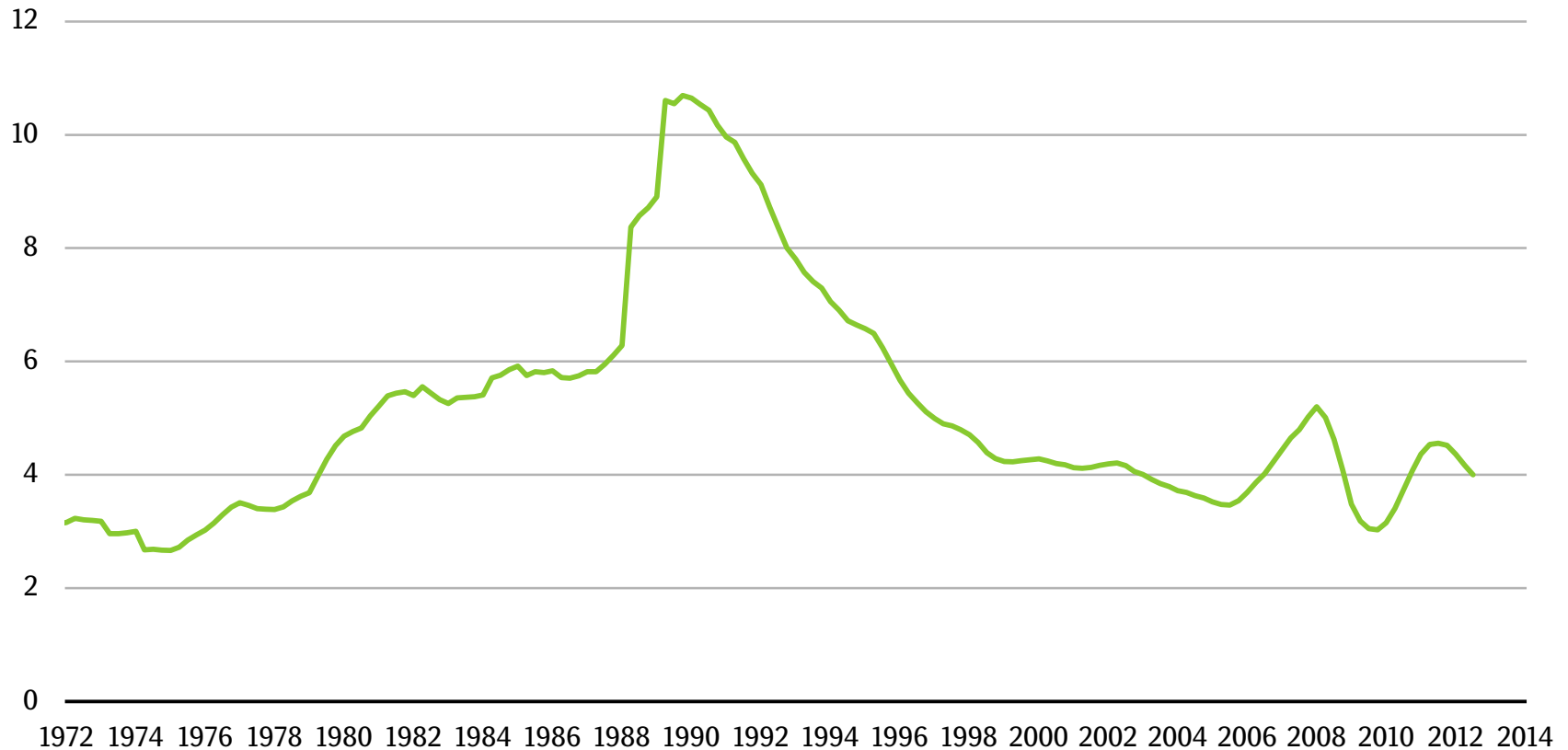
- ❑ Household total wealth is 6 times higher than household disposable income
- ❑ Households' net wealth (total assets minus total debt) is 4 times higher than disposable income
- ❑ Higher income groups have both larger assets and larger debt



Source: Macrobond

The Swedish households' interest expenditure

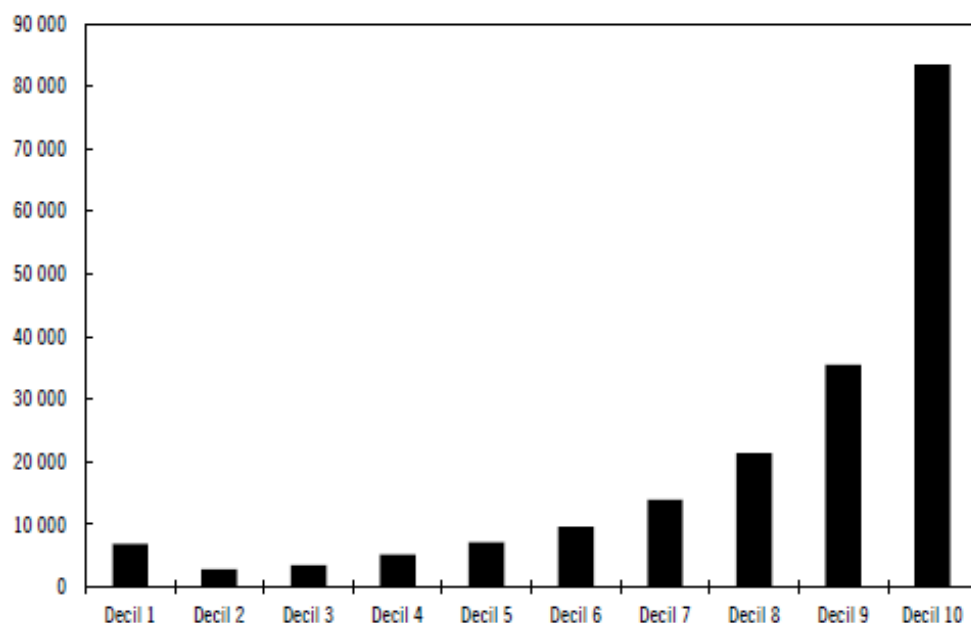
Per cent of disposable income



Sources: Statistics Sweden and the Riksbank

The vast majority of debt with the highest income bracket

Number of people with total loans above SEK 1.8m, which constitutes 2.5% of the adult population with the largest loans



Since the mid-nineties the household debt to disposable income ratio has increased in Sweden from 90 to 170 per cent and is today about 1.5 times higher than the Eurozone average. But also the assets has increased, from almost 300 per cent to slightly below 600 per cent of the disposable income. Aggregated numbers show that the households have a large net wealth.

The investigation, presented in the Governments special report SOU 2013:78, concludes that the large loans in general are taken by groups that have the prerequisites to manage them, such as high income earners and people with higher education.

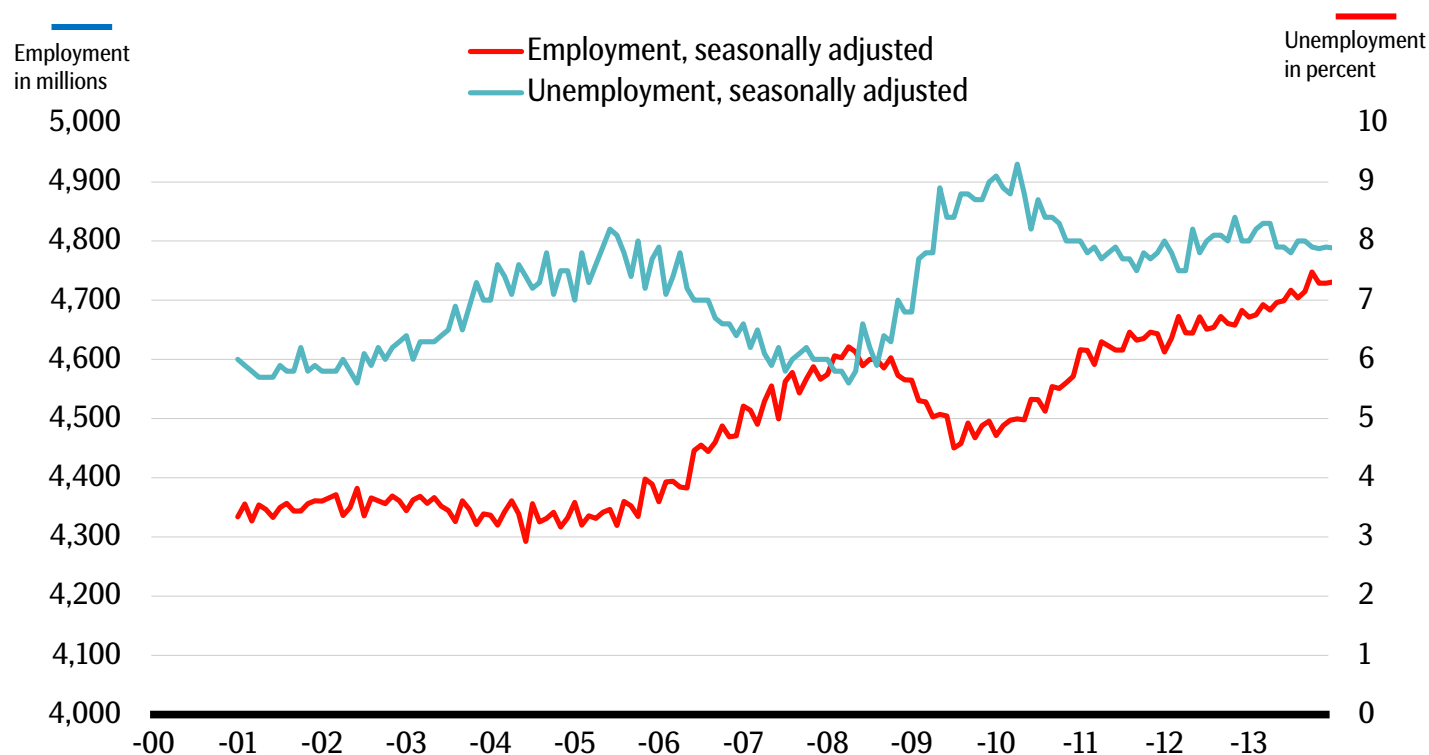
Three quarters of all households with loans have loans less than SEK 708,895 and the larger the loan, the more concentrated to the households with the highest income they are. The distribution of the 2.5 per cent of all households that have the largest loans, i.e. loans in excess of SEK 1,807,387, by income decile are displayed in the graph above.

Unemployment will have minor effect on asset quality

Swedish Central Bank stress tests show that:

- ❑ Debt servicing ability is to a larger extent affected by higher mortgage rates than higher unemployment
- ❑ Although the proportion of vulnerable households increases if unemployment rises, potential loan losses only increase marginally due to socio economic factors (see next slide)

Healthy job creation but persistent unemployment due to rising labor force participation



Factors behind the strong asset quality

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