

The strength of SEB's balance sheet

UBS Conference

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Effects of 'new normal' becoming evident

UBS 2022 presentation

A second chance for European banks

- Then*
- Since the 2008-2009 crisis, European banks have suffered mainly from:
 - Low interest rate environment.
 - Regulatory headwinds.
 - Increased competition: USD 412bn inflow into the global fintech space since 2012, of which more than 50% in the past three years.

- New macro environment means at least two of the three headwinds above will be reversed.

European banks rate sensitivity

Every 100bps rate increase adds +20-25% to pre-tax profits
Various market expectations

100bps rate hike leads to an additional EUR ~31bn income among the 35 largest European banks

The question is: which banks are tempted to use the coming windfall to increase profitability versus who can re-invest in its business and create long-term value?

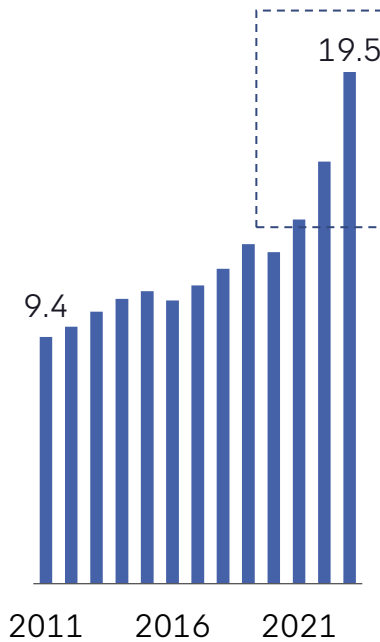
What impact will the new macro environment have on banks in general and on SEB specifically?

Impact	Sector	SEB
Increased margins on deposits	●	●
Increased corporate lending margins	●	●
Flow from capital markets financing to bank financing	●	●
Banks with higher rating will have funding advantage	●	●
Possibility for banks to catch up with fintechs	●	●
Rejuvenated Fixed Income business	●	●
Salary inflation	●	●
Activity based on level of asset prices (e.g. IPOs, AuM, ECM)	●	●
Decreased corporate and household credit demand	●	●
In a recession, credit losses are likely to increase	●	●

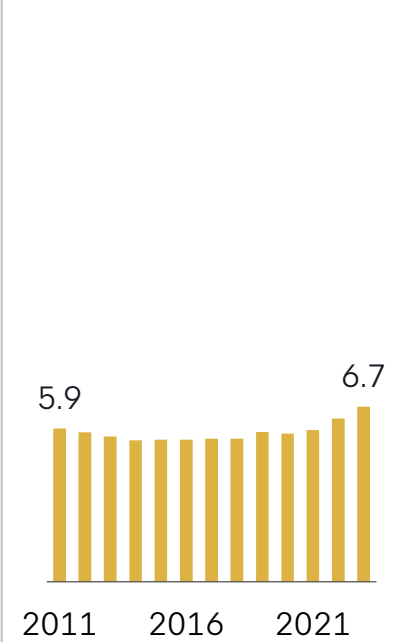
My view is that this is net positive, especially for strong banks and also relative to other sectors

SEB

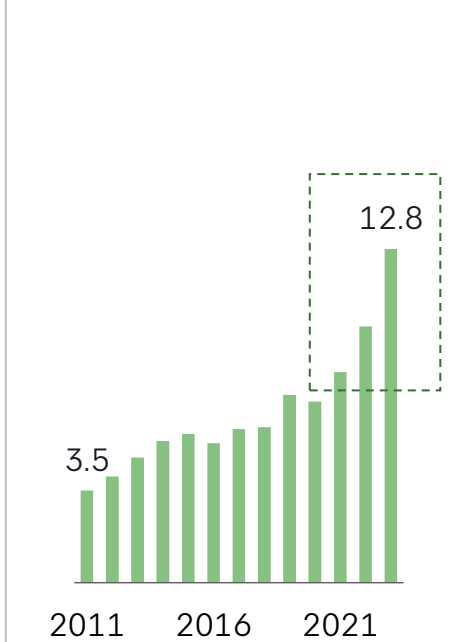
Average quarterly income (SEK bn)



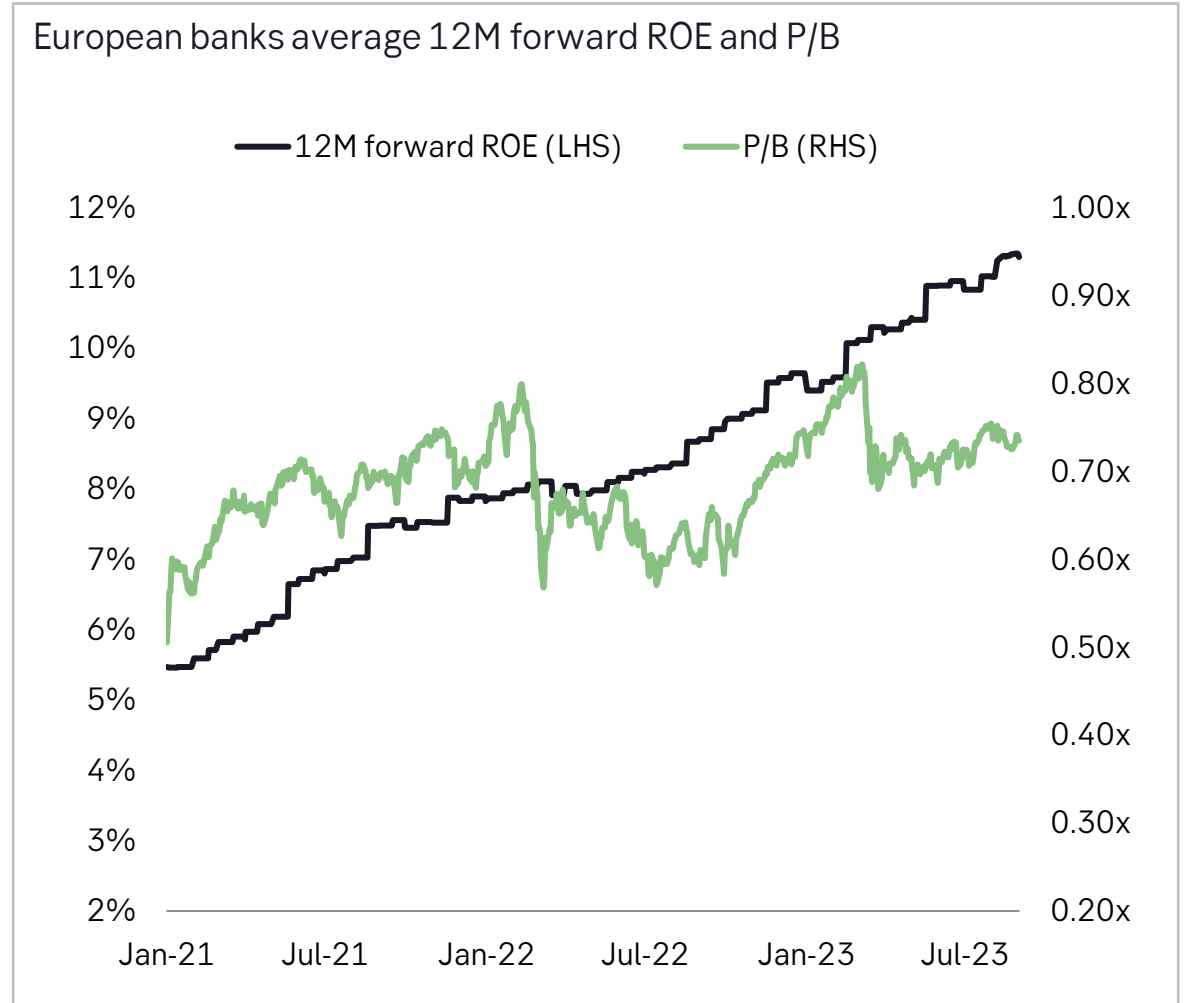
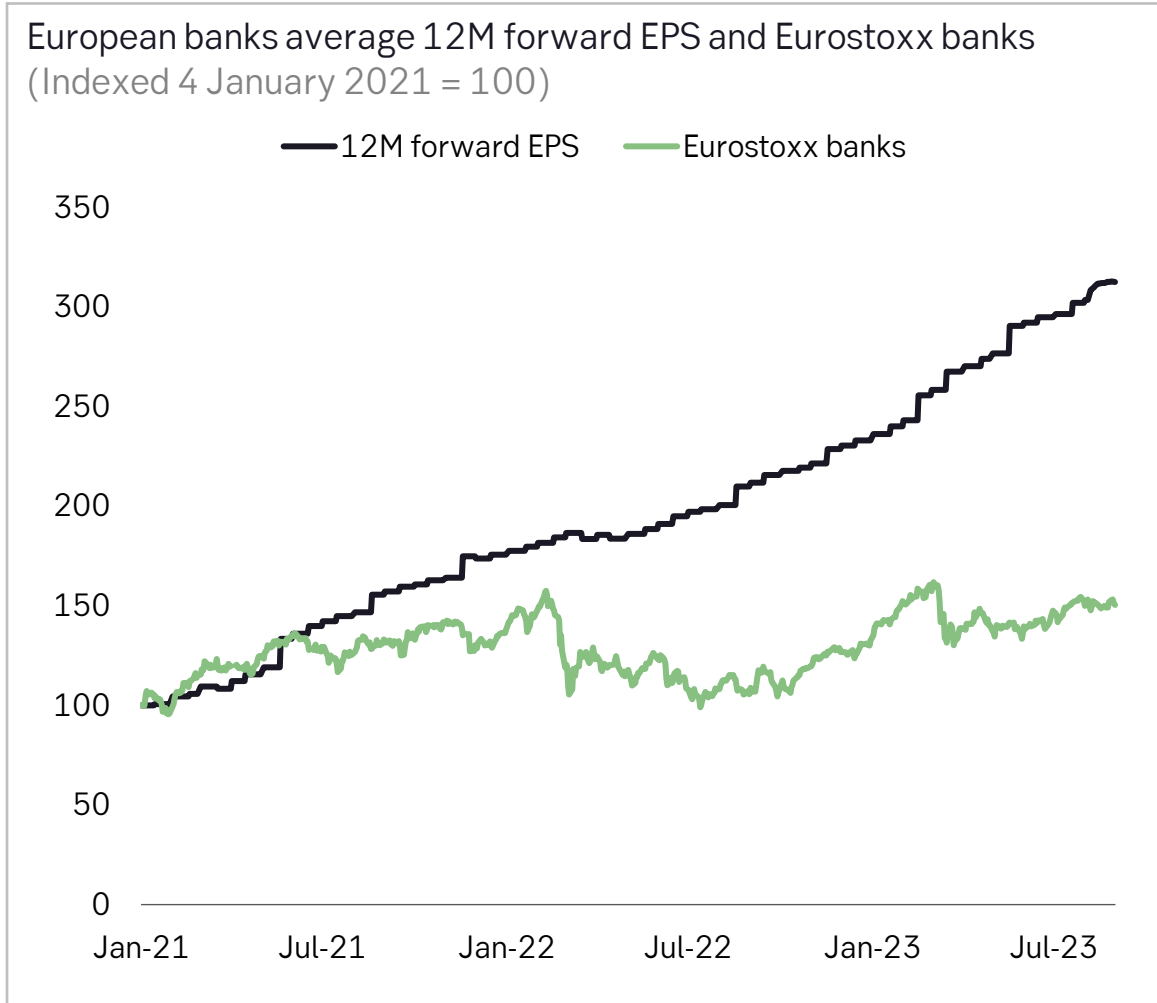
Average quarterly expenses (SEK bn)



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



Equity investors don't seem to trust that current earnings are sustainable



Source: Capital IQ, Goldman Sachs.

Comparing SEB in 2016 vs today

2016

Capital

CET1 capital	SEK 114bn
Annual capital generation	250bps
Capital buffer	190bps
Total buffer	440bps
<i>in bn</i>	<i>SEK 26.8bn</i>

Liquidity and funding

Liquid assets	SEK 290bn
<i>As share of assets</i>	<i>15%</i>
Loan-to-deposits (LDR)	151%

Asset quality

Non-performing loans	SEK 7.6bn
Reserves	SEK 4.8bn
Coverage ratio	63%

Funding (CDS sprd, bps) 2016

Handelsbanken	54
Danske Bank	55
SEB	58
KBC	58
Swedbank	60
UBS	60
JP Morgan	62
ABN Amro	63
ING	64
Nordea	65
DNB	66
Société Générale	79
BNP Paribas	81
Morgan Stanley	81
UniCredit	162

SEB ratings 2016

S&P Global

A+

MOODY'S

Aa3

FitchRatings

AA-

Note: CDS spreads as per 5 Jan 2017.
Source: Bloomberg.

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2023 Q2

Capital

CET1 capital	SEK 171bn (+50%)
Annual capital generation	430bps (+72%)
Capital buffer	450bps (+137%)
Total buffer	880bps (+100%)
<i>in bn</i>	<i>SEK 77.9bn (+191%)</i>

Liquidity and funding

Liquid assets	SEK 1,132bn (+290%)
<i>As share of assets</i>	<i>28% (+87%)</i>
Loan-to-deposits (LDR)	108% (-28%)

Asset quality

Non-performing loans	SEK 6.3bn (-17%)
Reserves	SEK 7.9bn (+65%)
Coverage ratio	126% (+100%)

Comparing SEB in 2016 vs today

<u>Funding (CDS sprd, bps) 2023</u>		<u>SEB ratings 2023</u>
BNP Paribas	50	S&P Global A+
JP Morgan	55	
Nordea	55	
Société Générale	59	
ABN Amro	60	
ING	61	MOODY'S Aa3
Danske Bank	63	
DNB	63	
Handelsbanken	67	Fitch Ratings AA-
SEB	67	
Swedbank	69	
Morgan Stanley	70	
UBS	76	
KBC	86	
UniCredit	91	

Note: CDS spreads as per 5 September 2023.

Source: Bloomberg.

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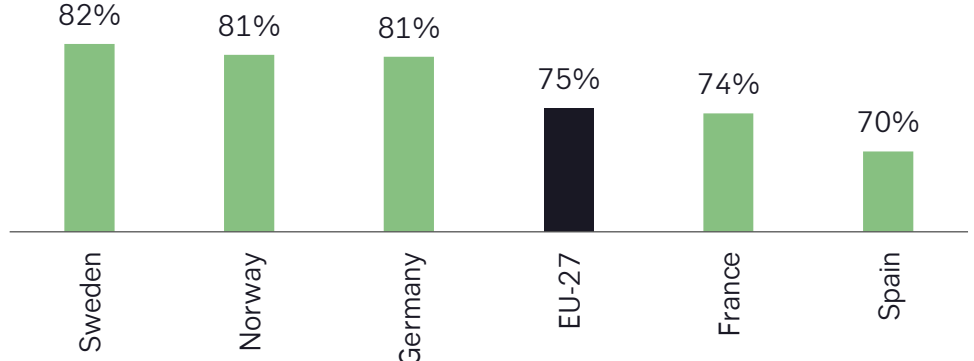
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Swedish economy stronger than people think

Sweden has a high level of employment

National employment level (20-64 years), 2022



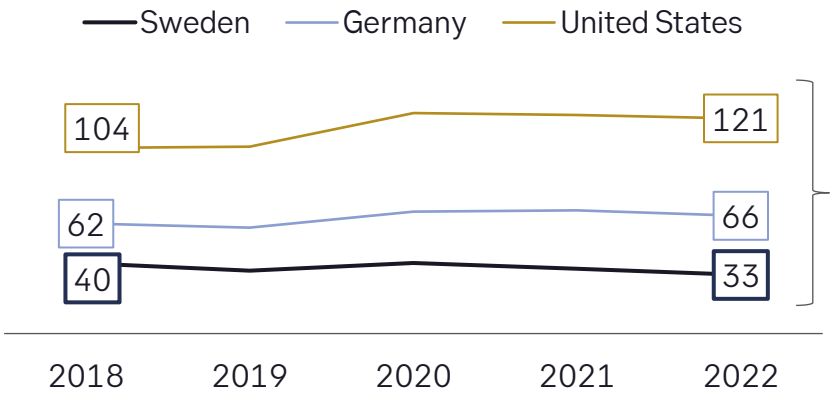
Swedish households' have a strong asset base

Assets and debt (SEKtn), Q1 2023



Low Swedish government debt

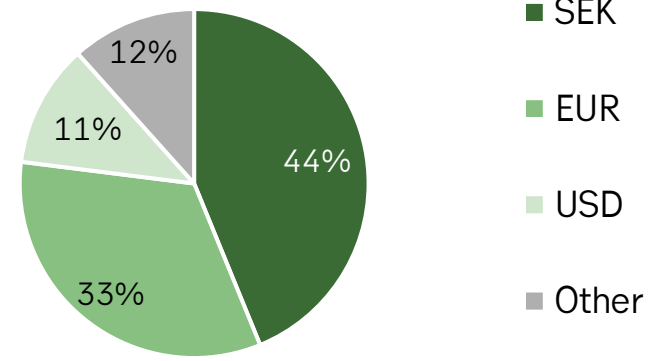
Government debt as share of GDP (%)



SEK 5.2tn for Swedish gov't debt to reach US level of 121% of GDP

SEB's geographical diversification

Credit exposure by currency (% of exposure), Q2 2023



Source: SCB, SEB Nordic Outlook, Ekonomifakta.

Concluding remarks

- SEB's balance sheet did not just strengthen as a reaction to the financial crisis – the strengthening has continued in recent years.
- However, debt and equity investors seem to believe that risks have increased, likely driven by concerns about the macroeconomic environment.
- Swedish economy going through a rough patch – but vulnerabilities are exaggerated and fundamentals are among the strongest in Europe.



A woman with dark hair tied back, wearing a light-colored blazer and dark shorts, stands on a modern, dark staircase. She is looking to her right. The staircase has dark wooden steps and a dark metal railing. The walls are made of large, dark grey panels. Dramatic lighting from the right casts long shadows across the scene. The overall mood is professional and sophisticated.

Thank you for listening!