

# Debt Investor Presentation

## Financial Results

January – March 2017



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## Sweden's strong growth stands out in an international context

GDP, %		2016	2017	2018
US		1.6	2.3	2.5
China		6.7	6.7	6.3
Japan		1.0	0.8	0.5
Euro zone		1.8	2.0	2.0
Germany		1.9	2.0	1.9
UK		1.8	1.4	0.9
OECD		1.8	2.1	2.2
World		3.2	3.7	3.8
<b>Sweden</b>		<b>3.3</b>	<b>3.1</b>	<b>2.6</b>
Norway		0.8	1.7	2.0
Denmark		1.3	2.0	2.4
Finland		1.4	1.6	1.7
Baltics		2.0	3.1	3.2



# Swedish Economy 2016 to 2018

- ❑ **Strong GDP-growth in a European context**
  - GDP growth of 3.3% in 2016 and expected to be 3.1% in 2017 and 2.6% in 2018
    - ✓ GDP growth is driven by home buildings, public sector investments and manufacturing activity is strengthening significantly
    - ✓ Growth has also been supported by the Central Bank's monetary policy – see below
- ❑ **Current Account surplus slowly decreasing from around 6% as a % of GDP in recent years to around 4% in the coming years**
- ❑ **Exports constitute approx 45% of GDP** (GDP 2016 was approx. SEK 4,181 (*USD 468bn*))
  - Goods constituted approx. 30%. Services constitute approx. 15% and are increasing in importance
  - Approx. 50% of exports were to the Nordic countries, Germany, UK and the USA
- ❑ **Relatively weak Swedish Krona due to exceptional monetary policy**
- ❑ **General government gross debt is decreasing and is expected to be just below 40% in 2017 and even lower in 2018**
  - Central Government debt is approx. 30% and below 25% if excluding re-lending to the Swedish Central bank
  - Central government shows a budget surplus of 2% of GDP in 2016 and an estimated 1% in 2017 thanks to the higher than expected tax revenues and despite increased costs for immigration
- ❑ **Healthy new job creation**
  - Rapid job growth, but a rising participation rate is keeping unemployment up at 6.4% but is expected to fall to 6% in early 2018 due to strong population growth
  - Construction and private sector firms say much higher growth is possible if they can find suitable employees, the public sector shortages is increasing
- ❑ **Low Inflation ("CPI") , negative interest rates and QE**
  - Inflation was below target at 1% in 2016, but reached the target 2% in February, lower price increase for Energy and Vegetables and a drop in travel prices retreated the inflation to 1.6% in April. It is expected to pick up to be just below target in 2017 and 2018
  - Beginning in February 2015, the Central Bank introduced a quantitative easing ("QE") programme, that has been expanded to five steps, in which the Swedish Riksbank aims to purchase SEK 275 billion of government bonds by June 2017, In end of April they extended the program by SEK 15 billion, half nominal bonds and half IL-bonds, to be purchased in the second half of 2017
  - The QE programme corresponds to around 7% of GDP
  - The repo rate has been at -0.50% since February 2016

## 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 with over 20% of the share capital

## Diversified and Balanced Business Model

- ❑ **Long-term relationship banking creating** an income mix of 44% Large Corporates & Financial Institutions business, 35% Swedish Retail & Private Banking, 8% Baltic Retail Banking and 13% 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 1,800bn (USD 202bn) under management
- ❑ **Largest Nordic custodian** with SEK 7,463bn (USD 836bn) under custody
- ❑ No. 2 as regards **Swedish household total savings** with approx 10% market share
- ❑ Approx 10% (new sales volumes) and 8% (the stock) of the **total life and pension business** in Sweden
- ❑ Approx 15% of the **Swedish household mortgage lending** market

## 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)*



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# Well-diversified business in a strong economic environment

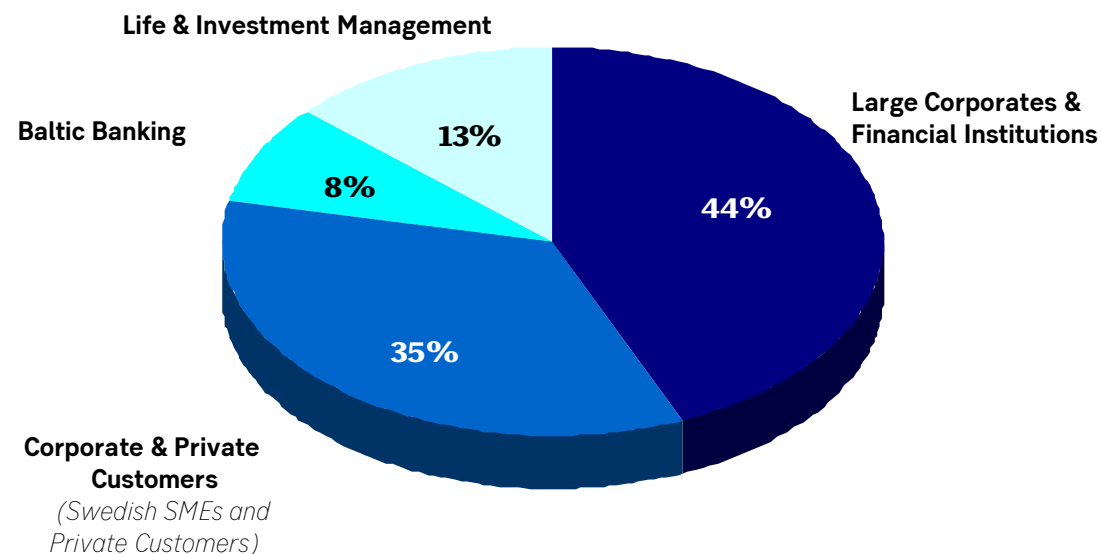
**Operates principally in economically robust  
AAA rated European countries**



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

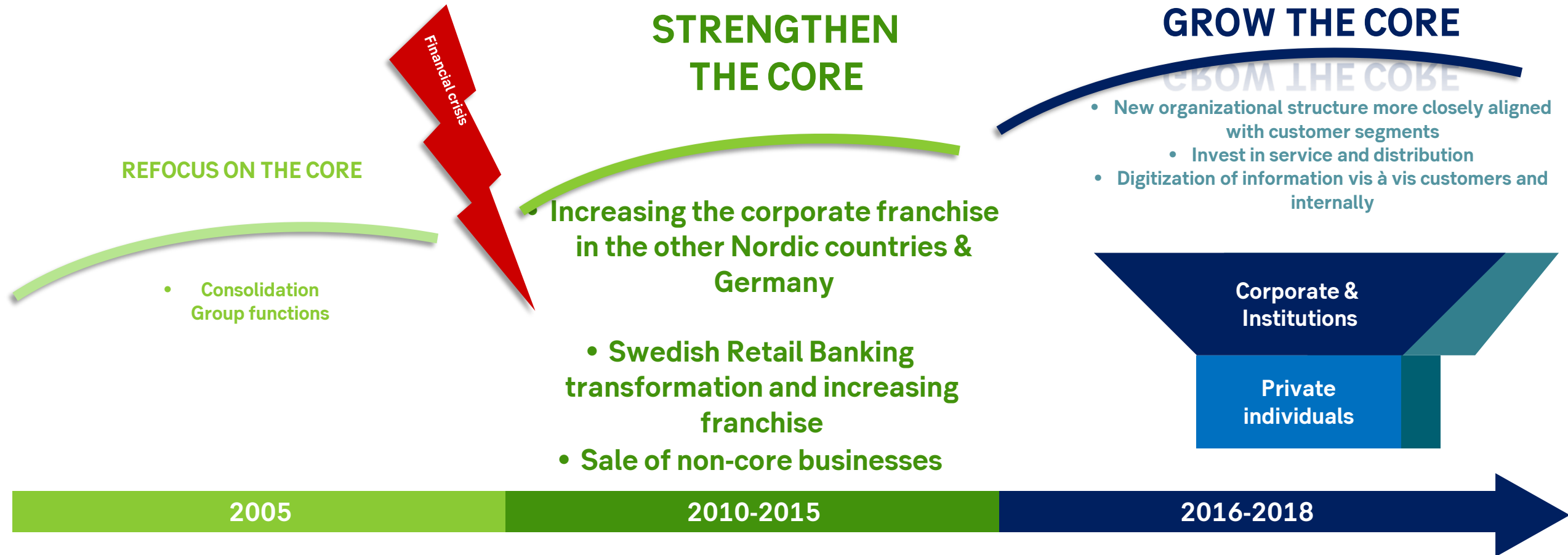
**Diversified Business mix**

Total operating income from business divisions  
rolling 12m Mar 2017  
SEK 43.6bn (USD 4.9bn)





# Expanding the Corporate Franchise and Transformation of the Swedish Retail business



## Focus on growth and transformation continues

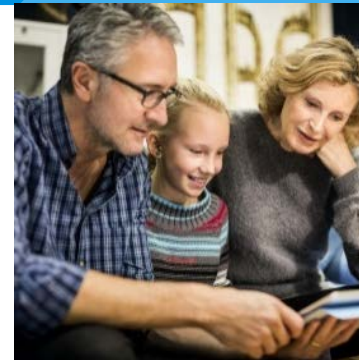
### GROW



Full focus on Swedish businesses



Continue to grow in the Nordics and Germany

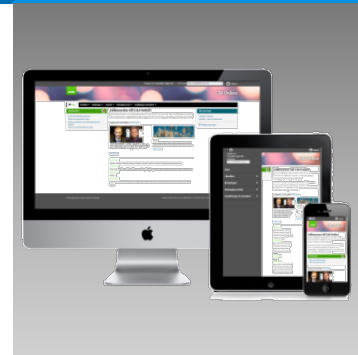


Savings & pension growth

### TRANSFORM



World-class service



Digitization and automation



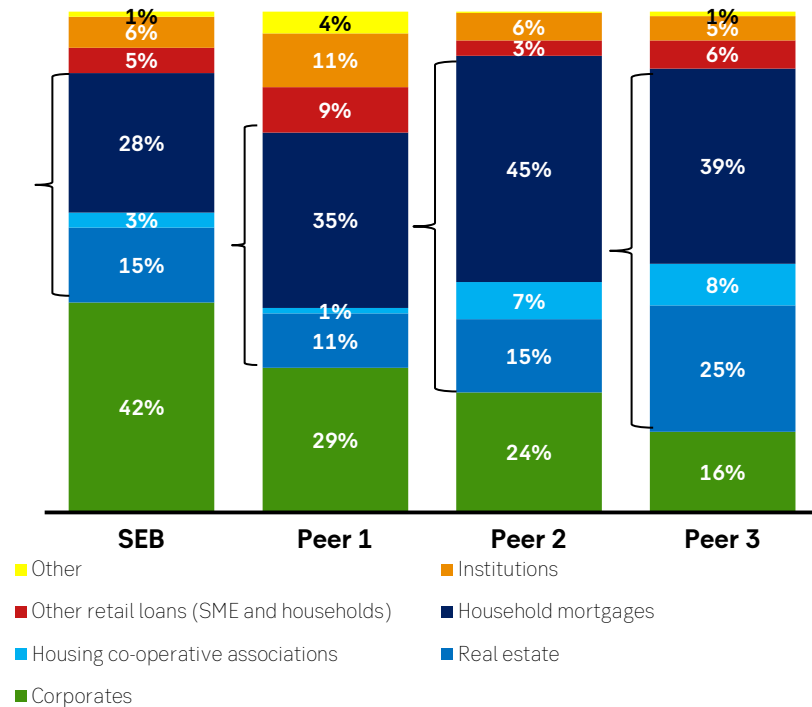
Next generation competences

# Benchmarking Swedish Banks' Business Profile and Income Diversification

## SEB's diversified business mix sustains earnings

### Highly diversified Corporate Business and Low Real Estate & Mortgage exposure

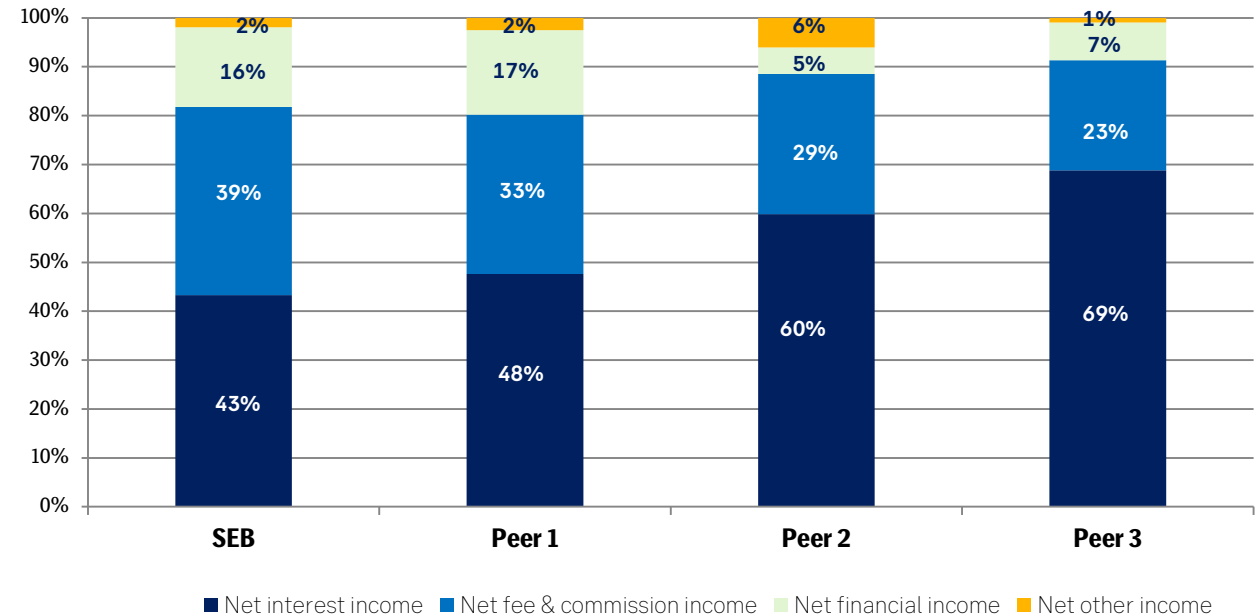
Sector credit exposure composition (EAD) <sup>1)</sup> December 31, 2016



- 81% of SEB's corporate exposure is to large Swedish, other large Nordic and German international corporates with geographically diversified sales and income streams
- SEB has the lowest total real estate and mortgage exposure

### Diversified income streams and lower dependence on NII

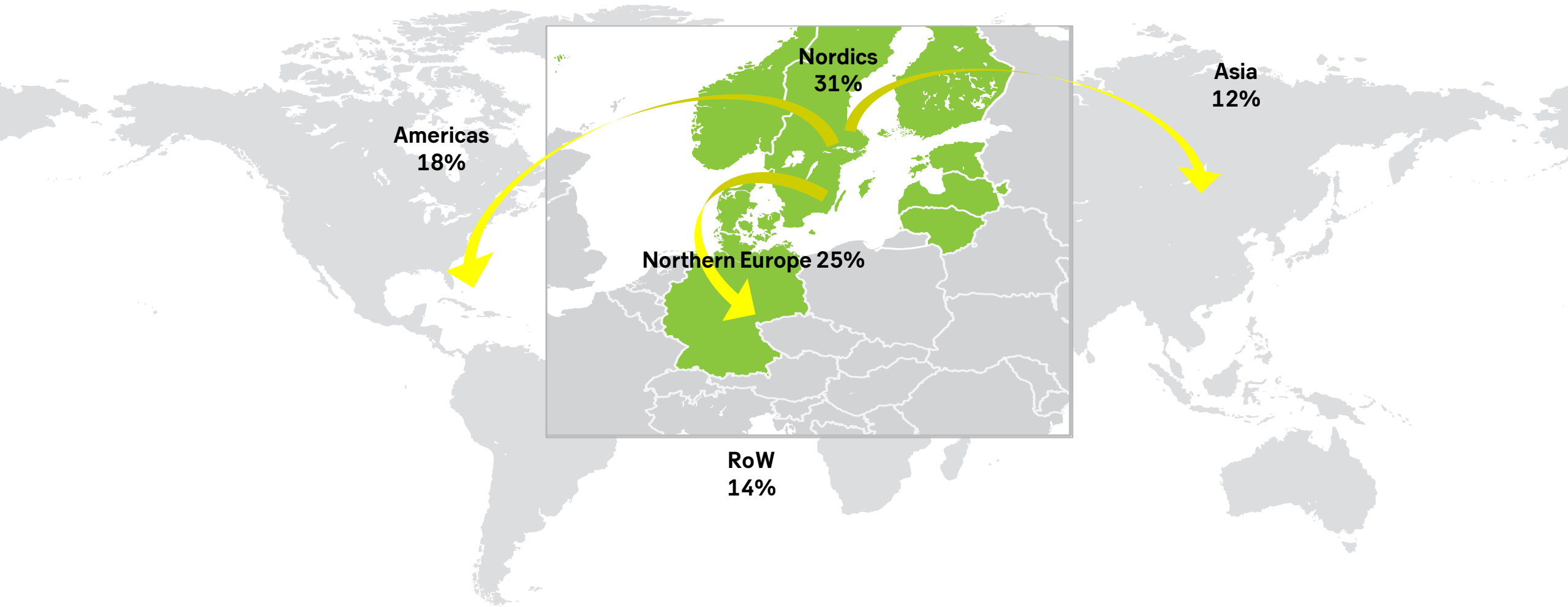
Operating income by revenue stream, FY 2016



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

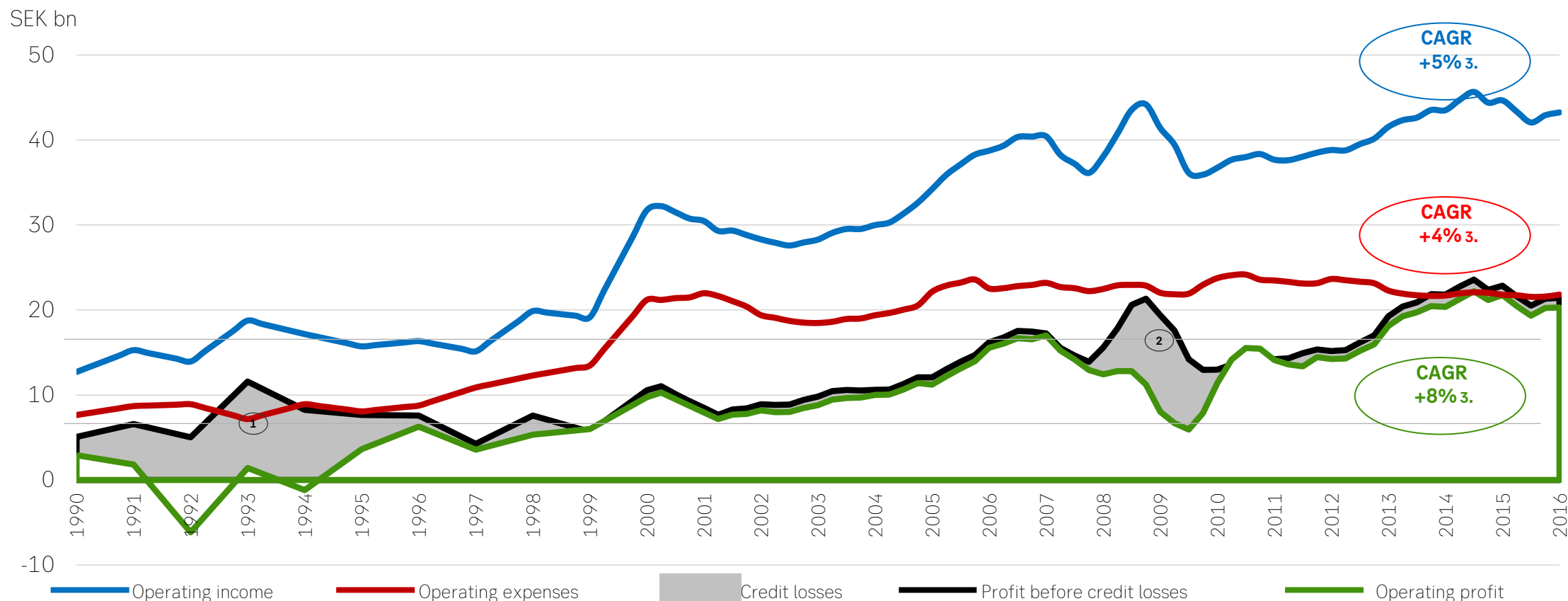
1)  $EAD = \text{Risk Exposure Amount} / \text{Risk Weight}$   
Source: Companies' Pillar 3 reports

## Revenue streams for Swedish large corporates well distributed across geographies



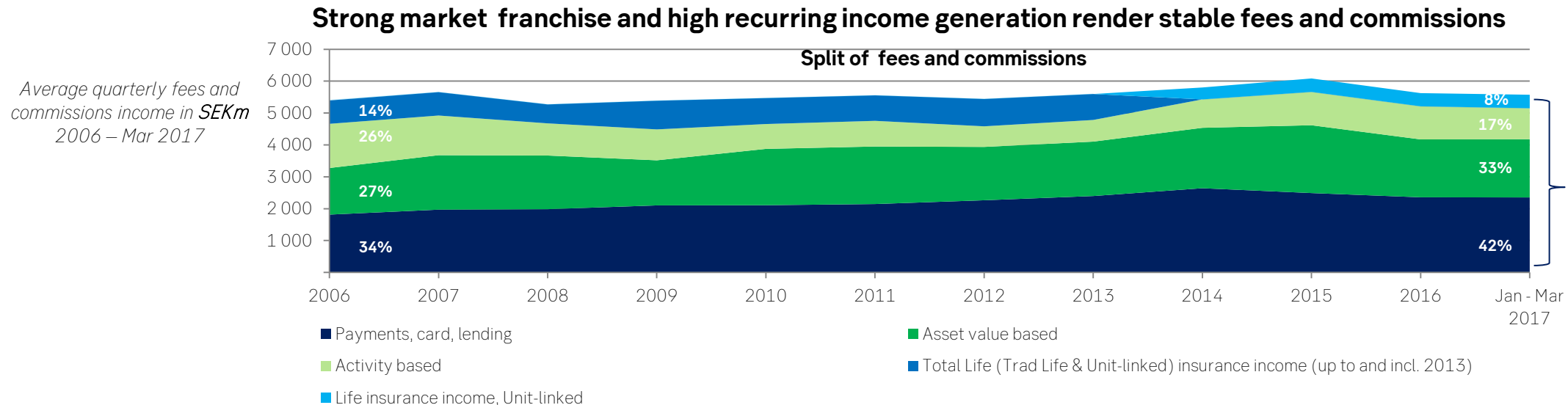
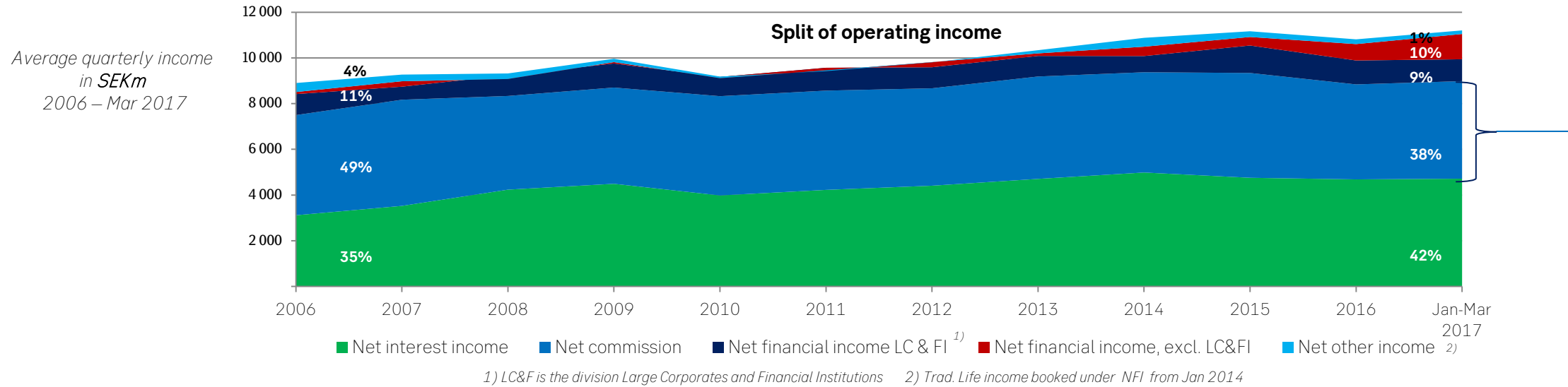


# Profitable growth through focused business strategy, increased franchise and cost control



# Business mix and Franchise create diversified and stable income

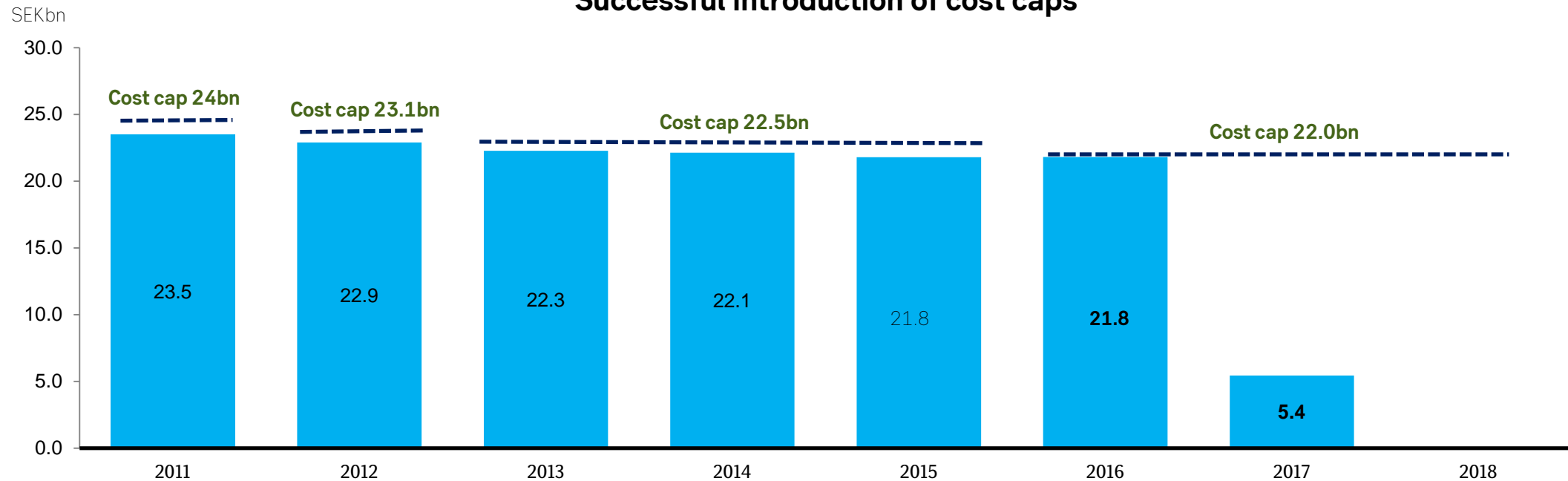
Non-NII is more important than NII



## Operating Leverage

**Increased leverage on existing cost caps****Activities**

- ☐ Decentralisation of Decision Making
- ☐ Synergies and streamlining
- ☐ Transfer of business operations to Riga and Vilnius
- ☐ Outsource where not distinctive or cost competitive
  - Partnering to achieve scale and reach in offering
  - Collaboration in non-core areas
- ☐ Investments in growth and customer interface
- ☐ Agile IT development
- ☐ All development and management of digital services are assembled in one department
- ☐ Business 100% responsible for IT development

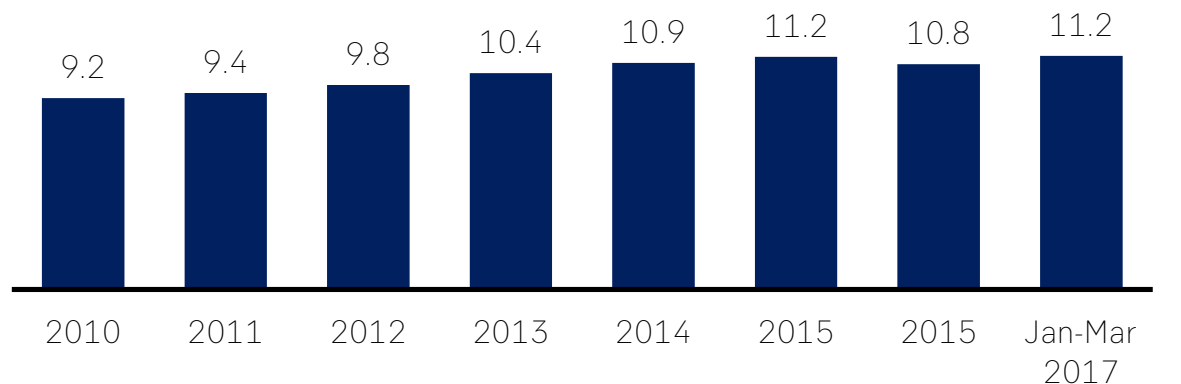
**Successful introduction of cost caps**

Note: Adjusted for items affecting comparability in 2014-2016. See p.18

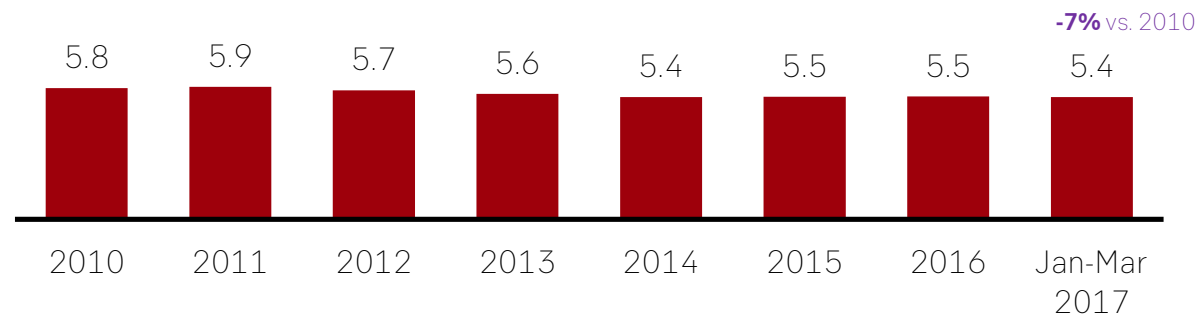
Effects of SEB's Strategic Actions

## Continuously improving operating leverage

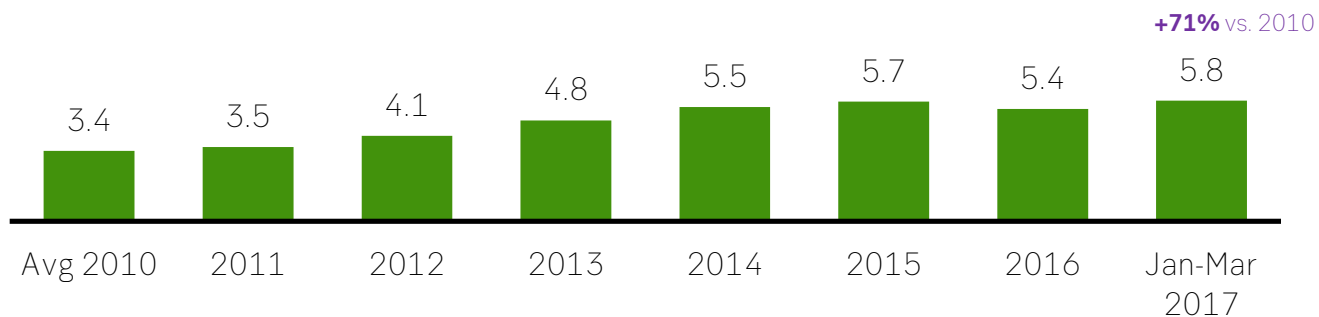
**Average quarterly income** (SEK bn)



**Average quarterly expenses** (SEK bn)



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



Note: Adjusted for items affecting comparability in 2014-2016. See p.18



Financial Highlights Full Year 2016 and Q1 2017

## Q1 '17 Operating income and Operating profit higher than 2016 quarterly average figures<sup>1)</sup>

### Sustained High Underlying Operating Profit

- 12.2% RoE Q1 '17
- Strong capital generation (Rolling 12m Net Profit) of 2.7%
- Q1 '17 operating income and operating profit of 4% and 9% , respectively, were higher than the quarterly average figures of 2016

### Diversified Business Mix and Growing Franchise underpin strong Earnings Generation

- Mitigating the effects of negative interest rates, geo-political uncertainty and low large activity

### The start of 2016 was challenging but improved during the year and beginning of 2017

- SEK repo rate on average 23 bps lower in '16 vs.'15; flat in Q1 '17 vs Q4 '16
- Increased lending margins and volumes mitigated the effects of negative interest rates in '16 ; sustained margins and stable lending growth in Q1 '17 vs.Q4 '16>50% higher regulatory fees in Q1 '17 vs the quarterly average in '16 affecting net interest income even more negatively
- Asset values and related fees were negatively affected by equity markets in '16 but improved in Q1 '17
- Net inflow of AuM and increased life insurance business offset the negative asset value effects to some degree in 16 but were rather stable in Q1 '17
- Card and lending fees negatively affected by regulatory requirements
- Large corporate activity slow in H1 '16 but gradually improving in H2 '16 and beginning of '17
- High corporate demand for risk management advice and services had positive result effects

### Robust Liquidity, Strong Capital and High Asset Quality position

- Highly diversified funding mix, stable deposit base and less dependent on wholesale funding compared to peers
- Strong CET 1 ratio of 18.9 ; 1.9% above regulatory requirement and 0.4% above management buffer
- Net credit loss level is stable at 5bps

<sup>1)</sup> Adjusted for items affecting comparability in 2014-2016. See p.18

# Strong Financial Development

## Key Figures

	March 31, <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>12.2</b>	<b>11.3</b>	12.9	13.1	13.1	11.5	12.3
<b>Cost /Income ratio, %<sup>5)</sup></b>	<b>49</b>	<b>50</b>	49	50	54	61	62
<b>Common Equity Tier 1 capital ratio, %<sup>2)</sup></b>	<b>18.9</b>	<b>18.8</b>	18.8	16.3	15.0	NA	NA
<b>Total capital ratio, %<sup>2)</sup></b>	<b>25.9</b>	<b>24.8</b>	23.8	22.2	18.1	NA	NA
<b>Leverage Ratio, %<sup>2)</sup></b>	<b>4.7</b>	<b>5.1</b>	4.9	4.8	4.2	NA	NA
<b>Net credit loss level, %<sup>3)</sup></b>	<b>0.05</b>	<b>0.07</b>	0.06	0.09	0.09	0.08	-0.08
<b>NPL coverage ratio, %<sup>4)</sup></b>	<b>67</b>	<b>63</b>	62	59	72	66	64
<b>NPL / Lending, %<sup>4)</sup></b>	<b>0.5</b>	<b>0.5</b>	0.6	0.8	0.7	1.0	1.4
<b>Assets under Management, SEKbn</b>	<b>1,800</b>	<b>1,781</b>	1,700	1,708	1,475	1,328	1,261
<b>Assets under Custody, SEKbn</b>	<b>7,463</b>	<b>6,859</b>	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 5.3bn and SEK 0.6bn of one-off costs and derecognition of intangible IT assets no longer in use  
Excluding a capital gain of SEK 0.5bn from the sale of VISA Europe shares by the Baltic subsidiaries

### 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

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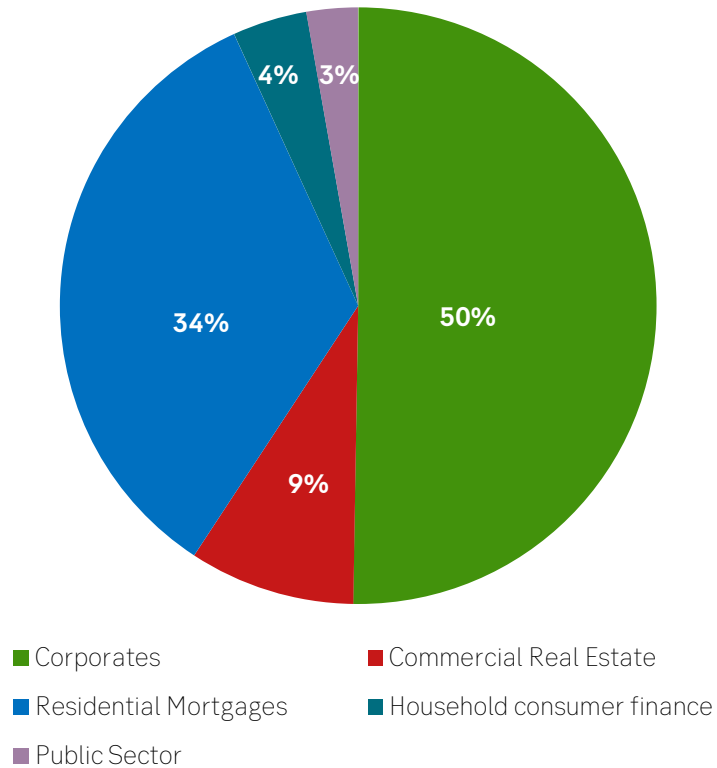
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SEB Total Credit Portfolio excl. Banks (*on and off balance sheet*)

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

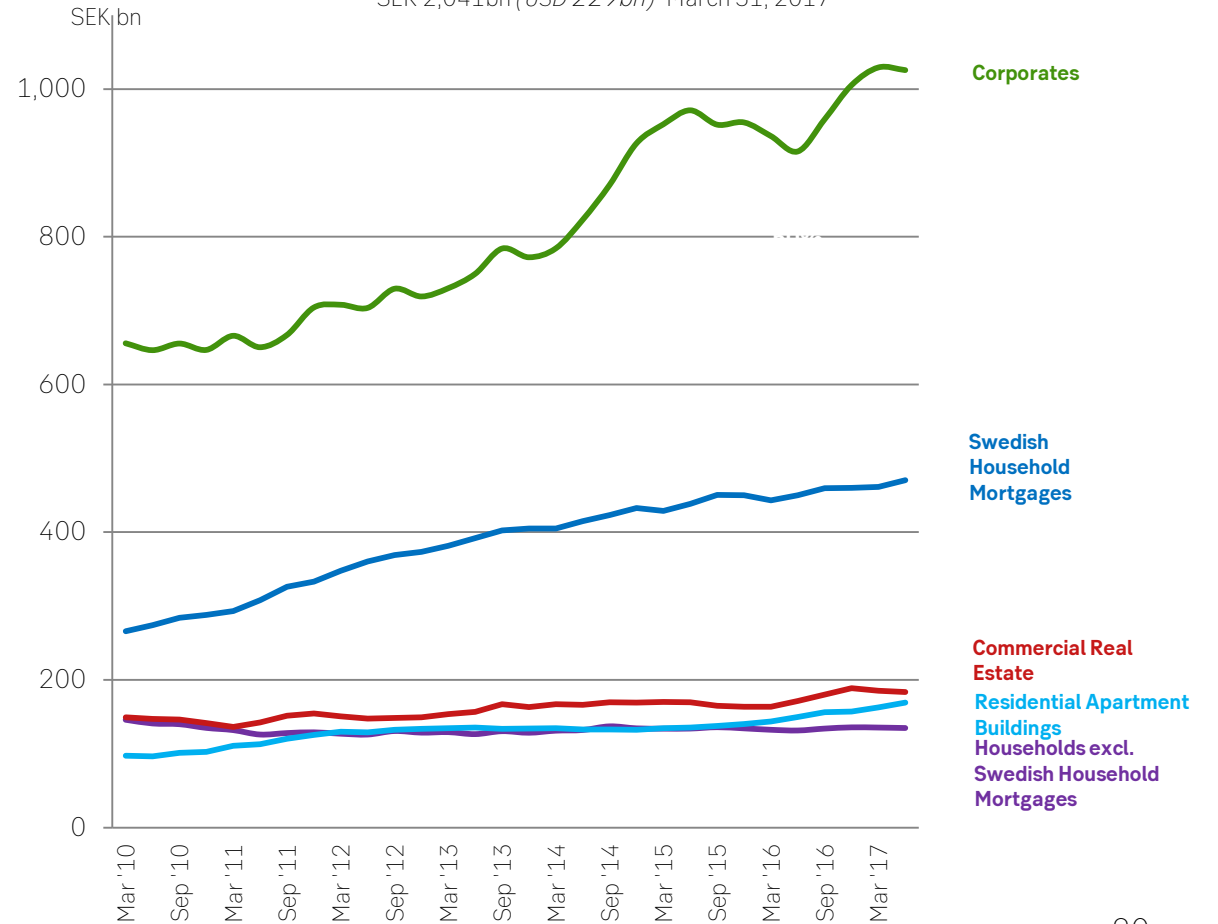
## Credit Portfolio – Business split

SEK 2,041bn (USD 229bn) March 31, 2017



## Growth in lower risk sectors

SEK 2,041bn (USD 229bn) March 31, 2017

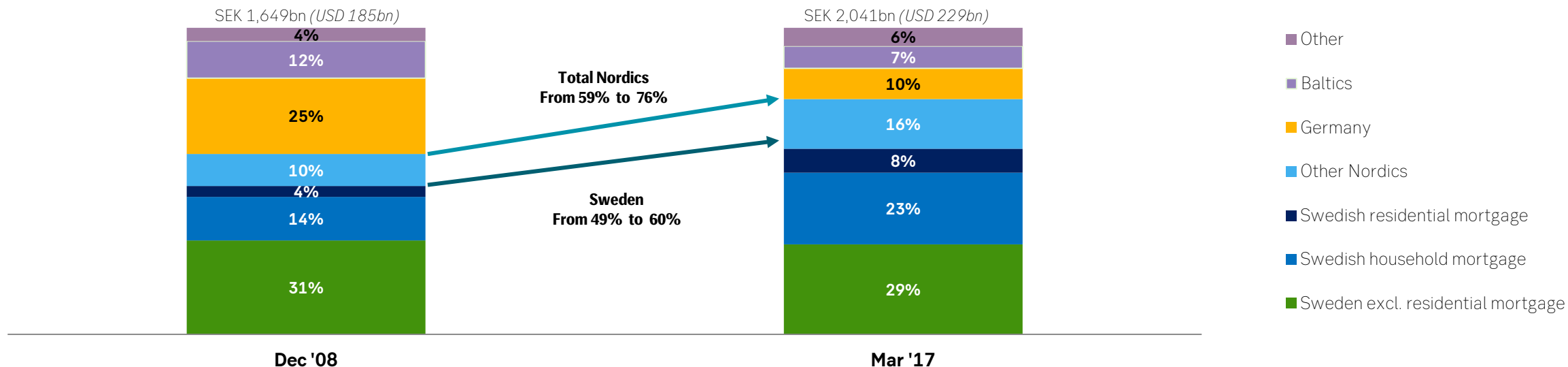




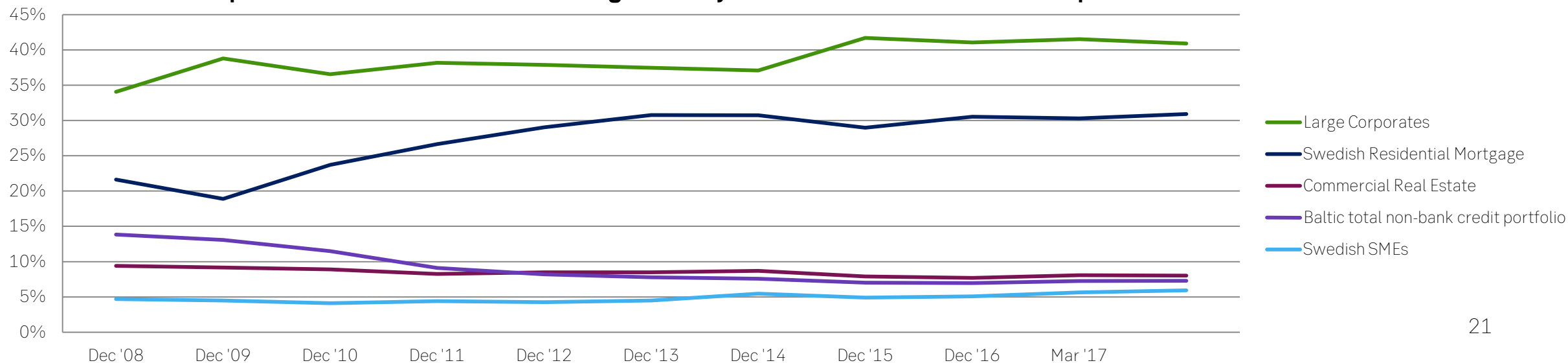
Total Credit Portfolio excl. banks (on and off balance sheet)

# Increasing Nordic and Low-risk Exposure

Credit Portfolio geographic split development



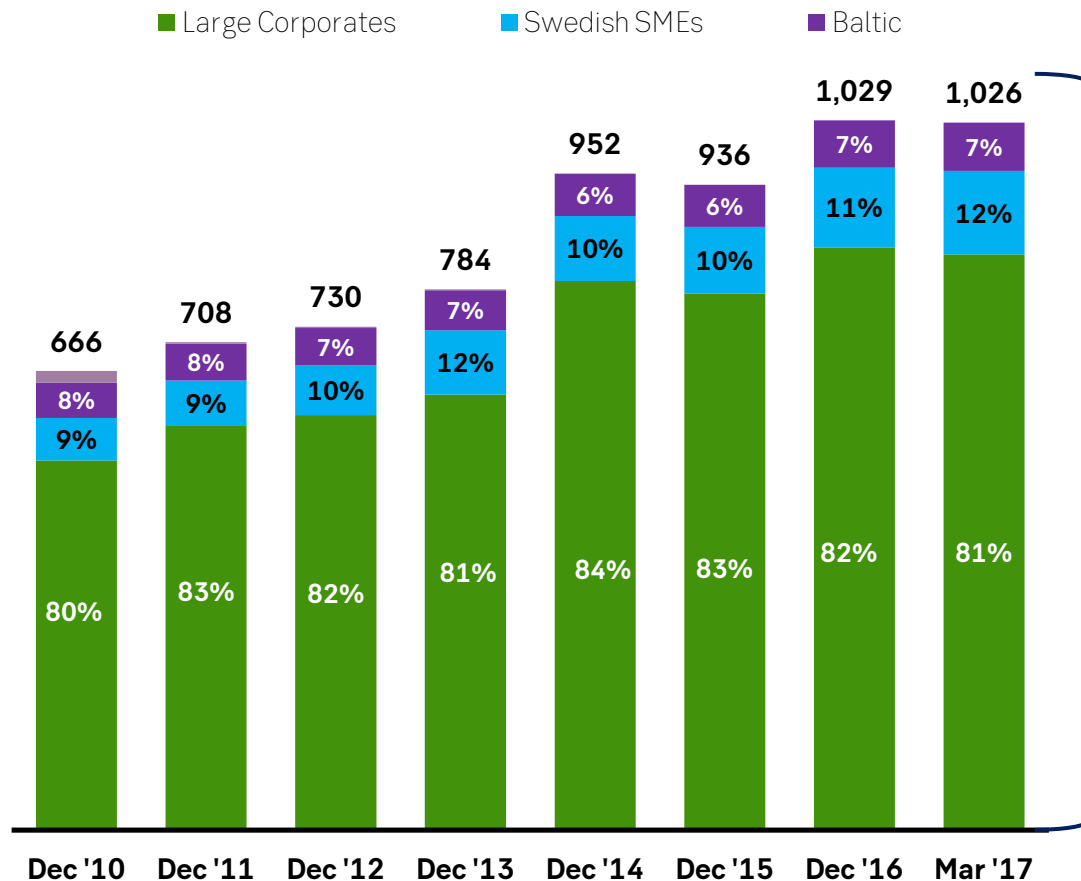
Development of business mix further strengthened by SEB's diversified and low-risk exposure



Total Corporate Credit Portfolio excl. banks (*on and off balance sheet*), March 31, 2017

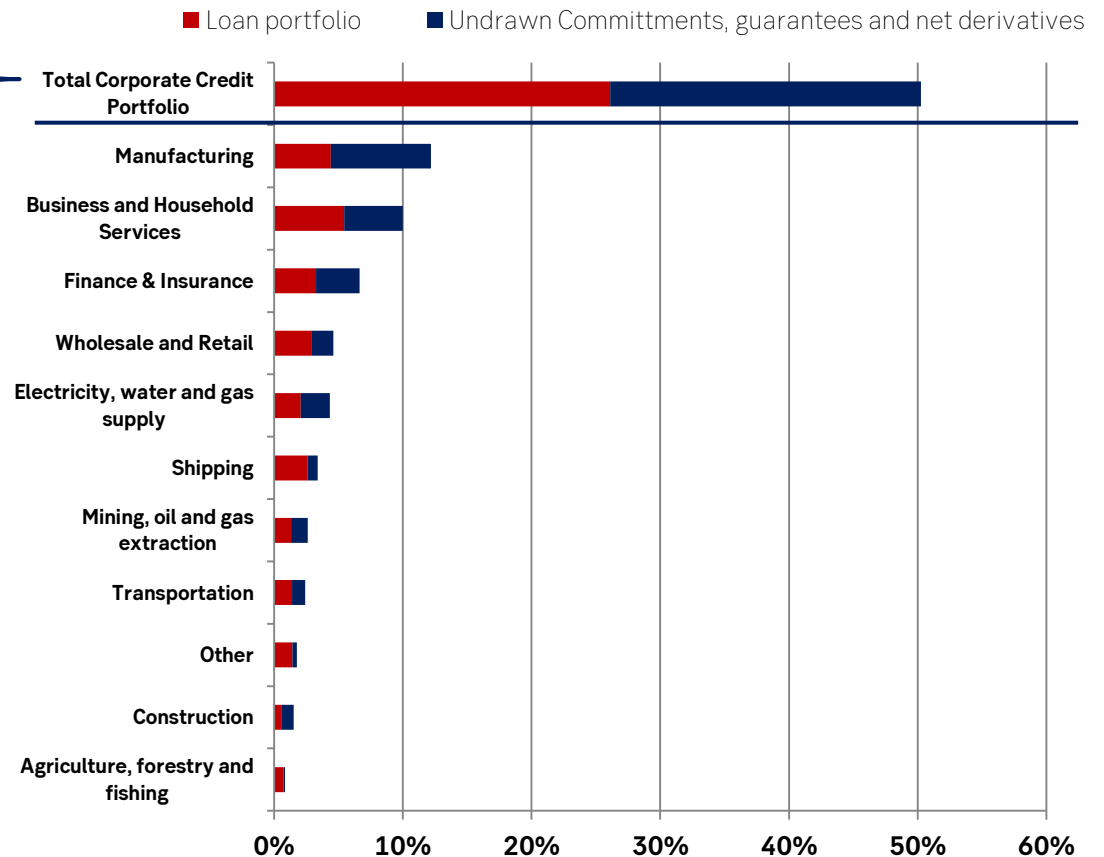
## Low actual on-balance sheet and diversified Large Corporate exposure render lower Credit Risk

**Total Corporate Credit Portfolio  
split by Business**



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

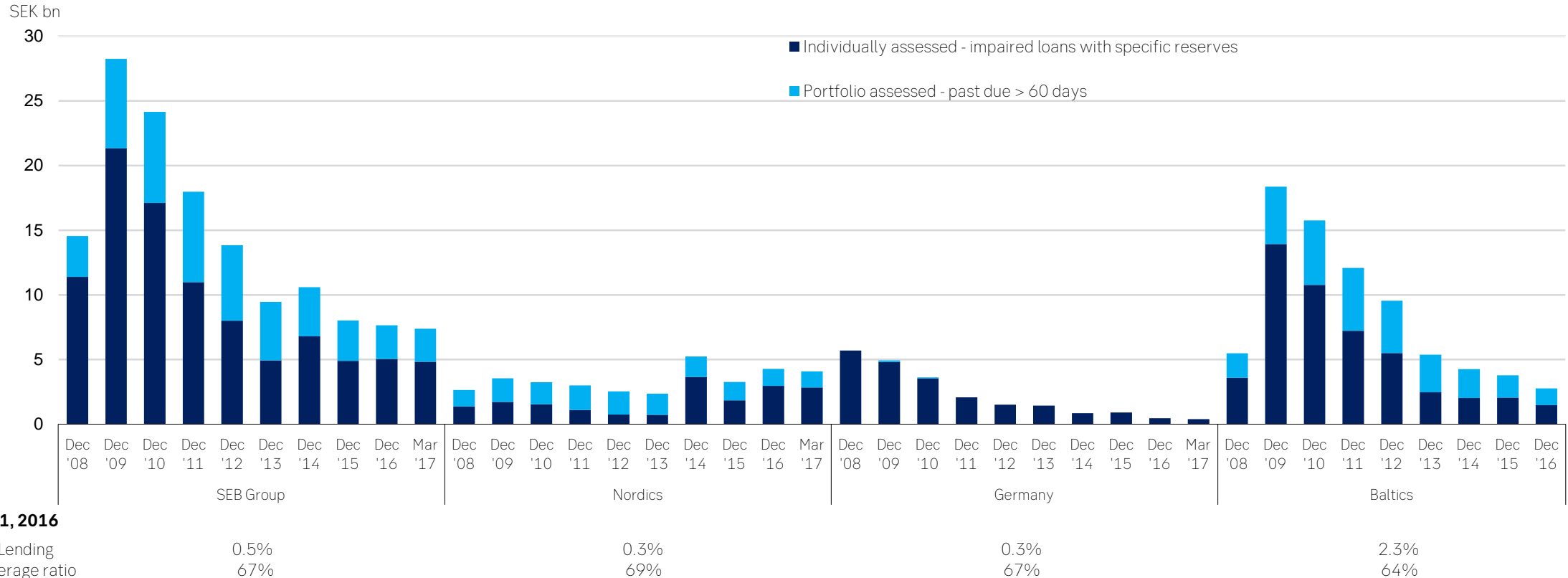
% of Total Credit Portfolio SEK 2,041bn (USD 229bn)



Asset Quality – the Group and Geographic regions

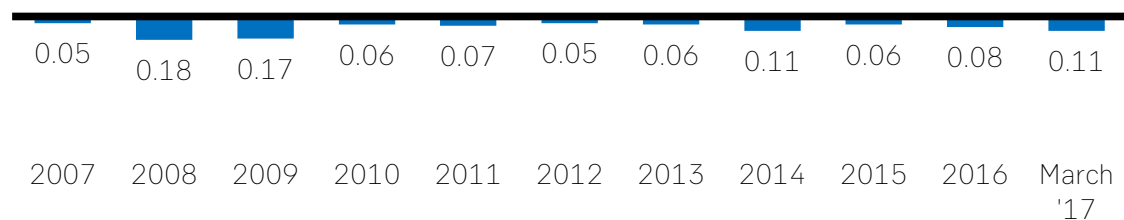
## Continuously improving asset quality

### Non-performing loans development



## Low net credit losses in all geographic areas

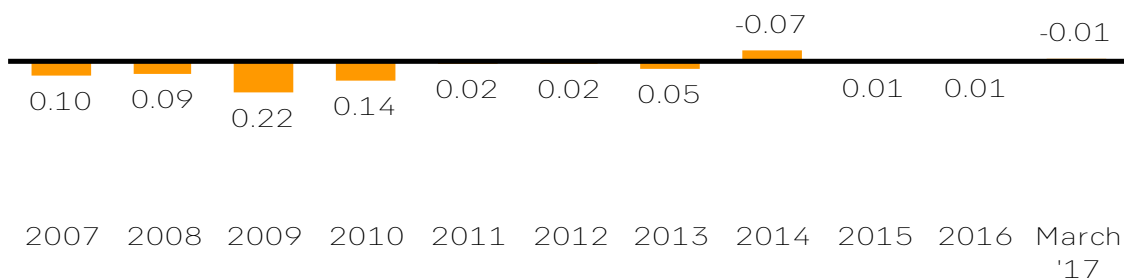
**Nordic countries**, net credit losses in %



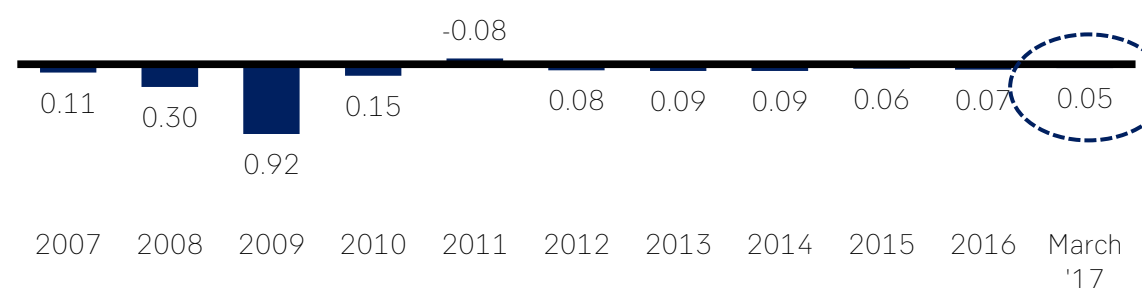
**Baltic countries**, net credit losses in %



**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



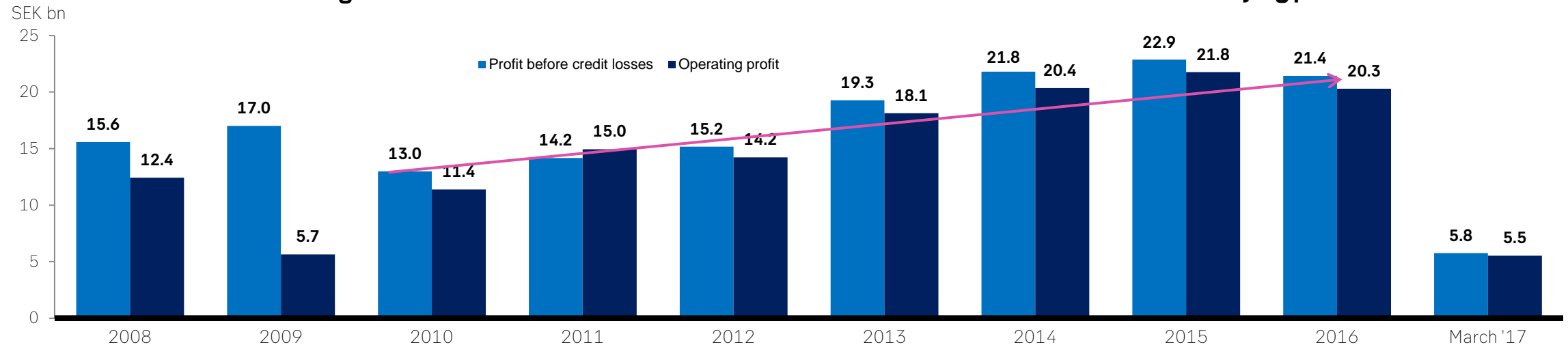
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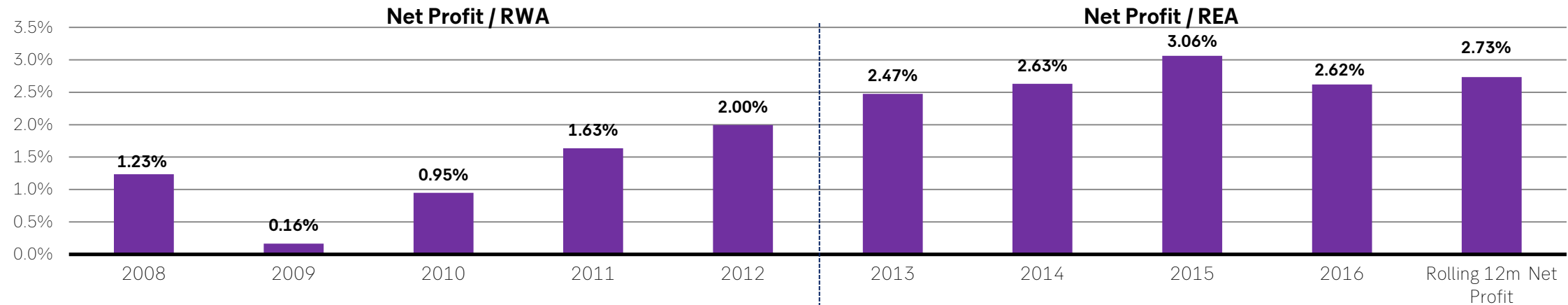
# Sustained strong Earnings and Capital Generation

## Profitable throughout the Financial Crisis



## Sustained underlying profit

## Strong underlying capital generation

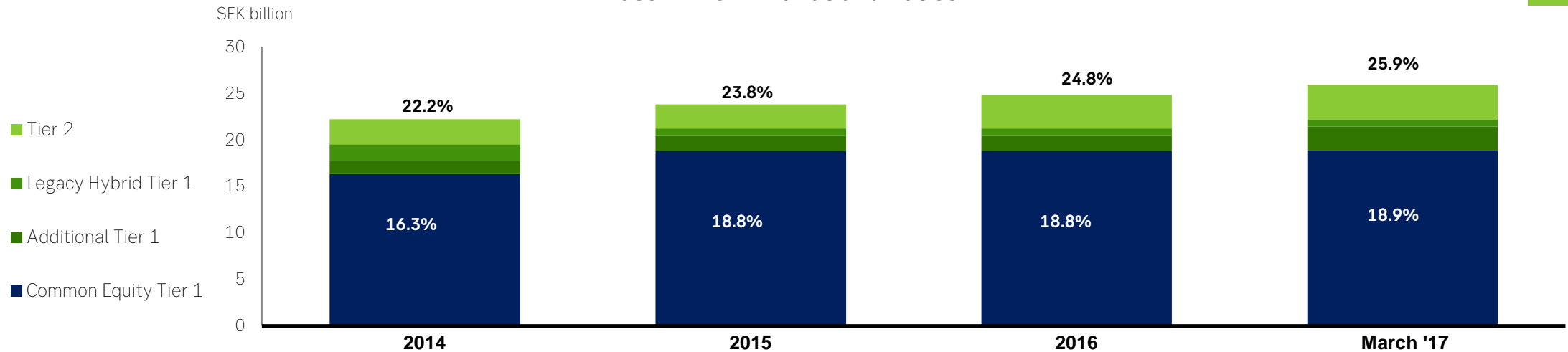


Note:

RWA 2008 – 2012 Basel II without transitional floor  
REA 2013 – 2015 Basel III fully implemented

# Strong Capital Base Composition

## Basel III - Own Funds and Ratios



<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%	2.5%
<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%	4.7%
<b>Risk Exposure Amount, SEKbn</b>	617	571	610	610

❑ **REA decrease 2015 vs. 2014 of SEK 46bn net was mainly due to:**

- ✓ Lower volumes
- ✓ The effects from model approvals by the SFSA which amounted to SEK 16bn, relating to both credit and counterparty risk.
  - Against the background of the upcoming review of corporate risk weights by the SFSA, SEB agreed with the SFSA to increase the Risk Exposure Amount by SEK 9bn as a measure of prudence

❑ **REA increase 2016 vs. 2015 of SEK 39bn net was mainly due to:**

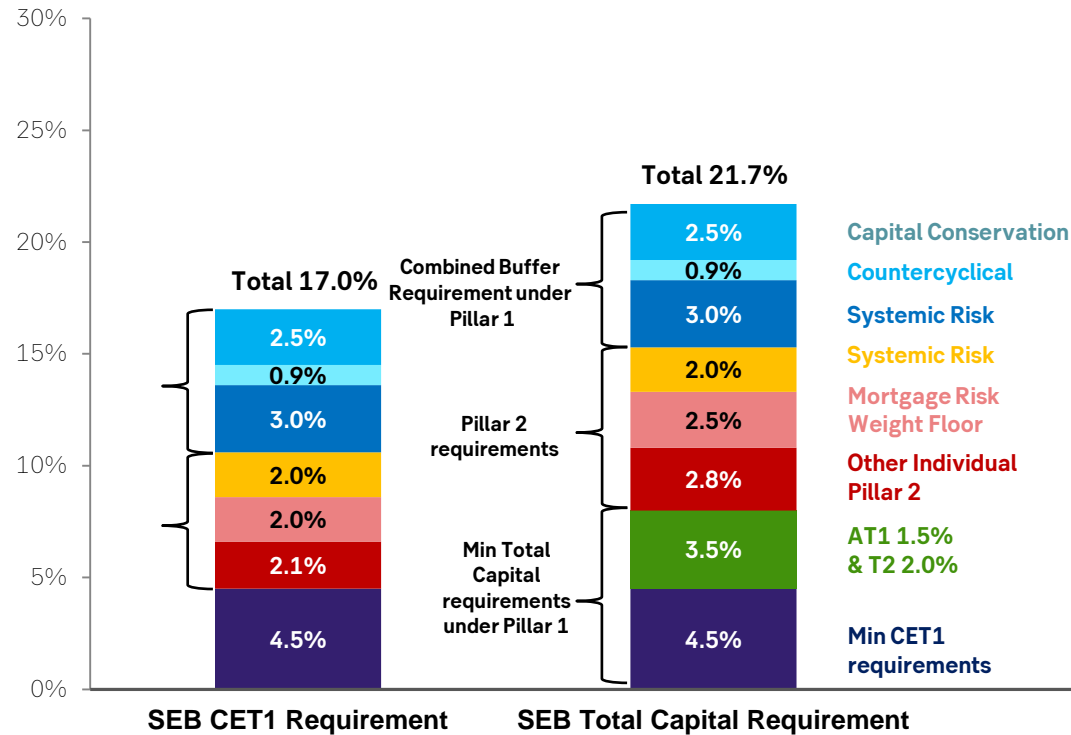
- ✓ Higher corporate volumes
- ✓ Against the background of the SFSA's review of corporate risk weights, an additional amount of SEK 6bn has been added implying a total of SEK 15bn
- ✓ Negative fx effects due to a depreciated SEK vs., in particular, the USD and euro.
- ✓ Lower underlying market risks mitigated the increase of REA

❑ **REA unchanged Q1 2017 vs. FY 2016 due to:**

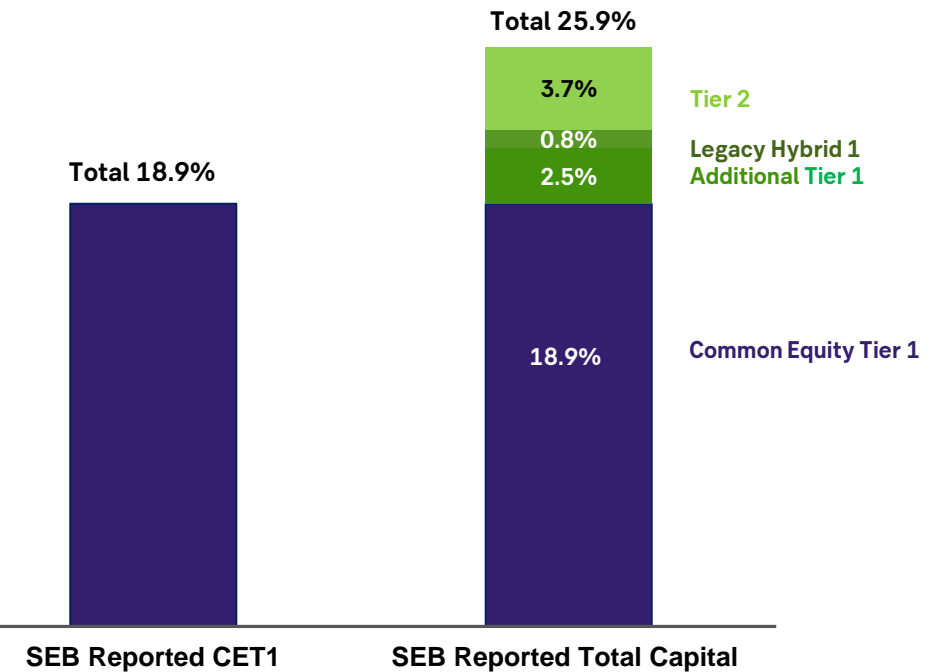
- ✓ A small increase of exposure of SEK 5bn was offset by improved asset quality and a stronger SEK

# 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



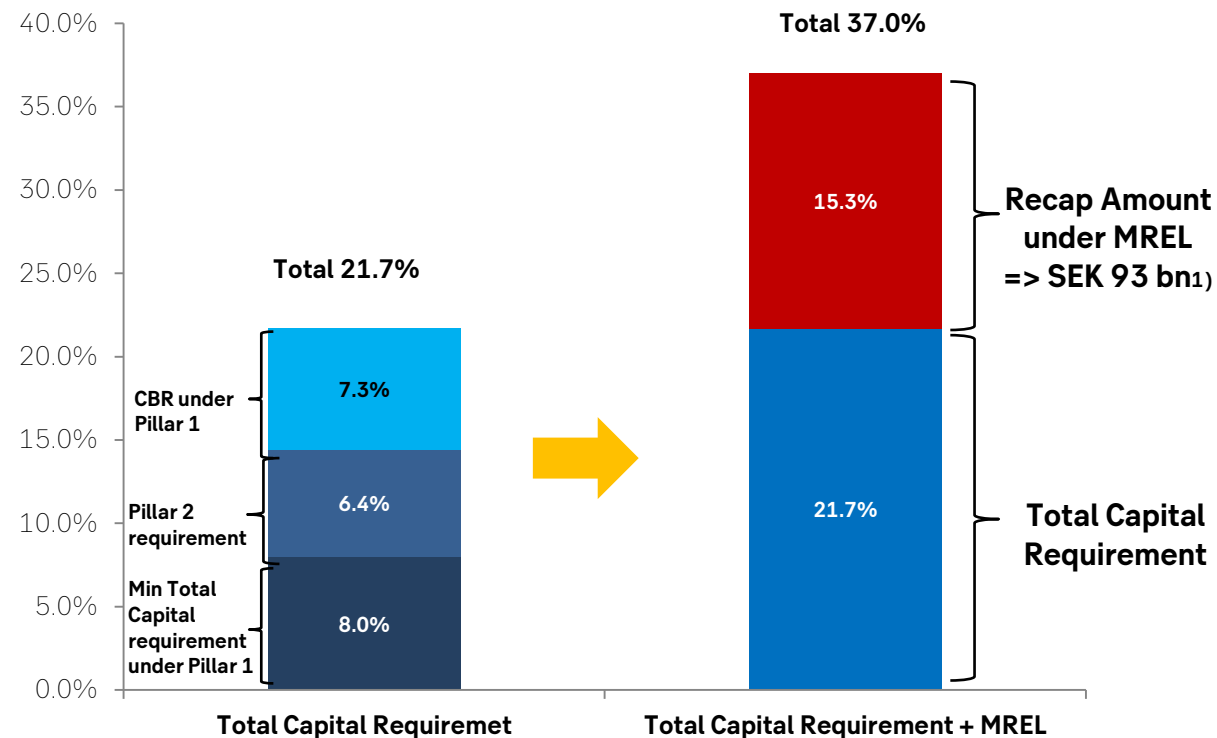
SEB's CET1 ratio is 1.9% above the SFSA CET1 requirement as at March 31, 2017 and 0.4% above targeted management buffer

# Modest need for non-preferred senior debt

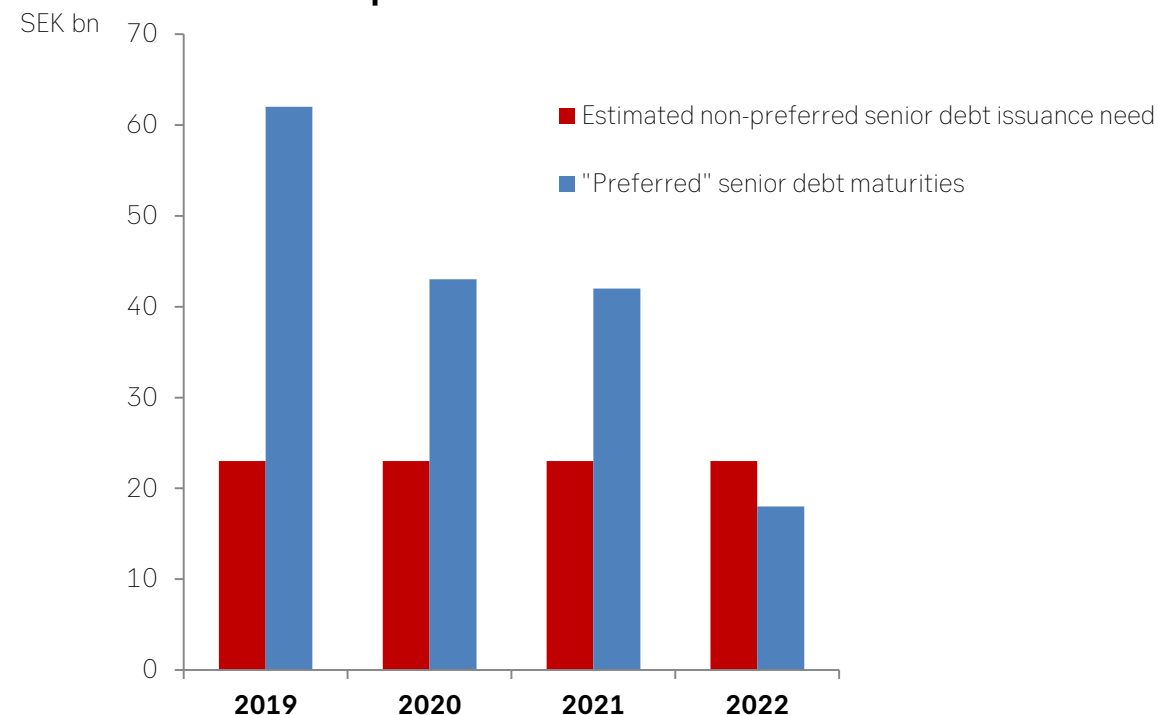
## Estimated phasing-in period of non-preferred senior debt



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



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



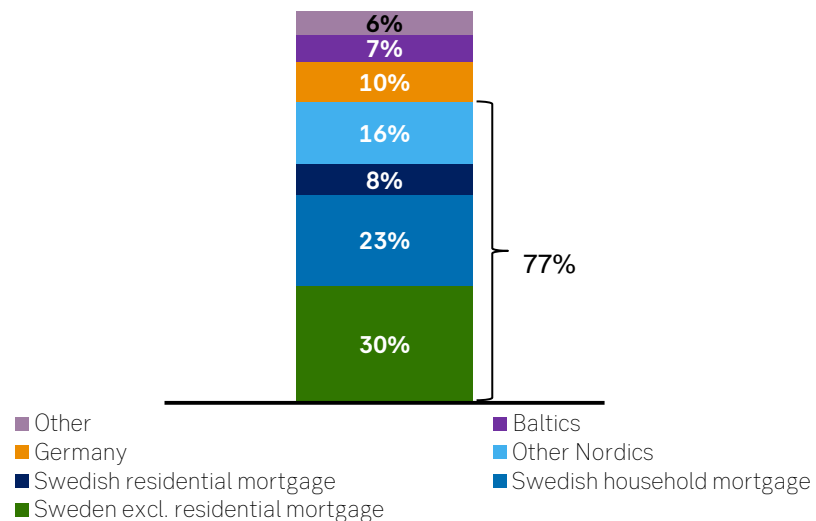
1) Recao amount based in capital requirements at March 21st, 2017

2) Issuance volume recap amount phased in over a 4 year period

# Well-managed, Low-risk, Diversified Nordic Business and Strong Corporate Culture render the lowest corrective capital requirements of Swedish peers

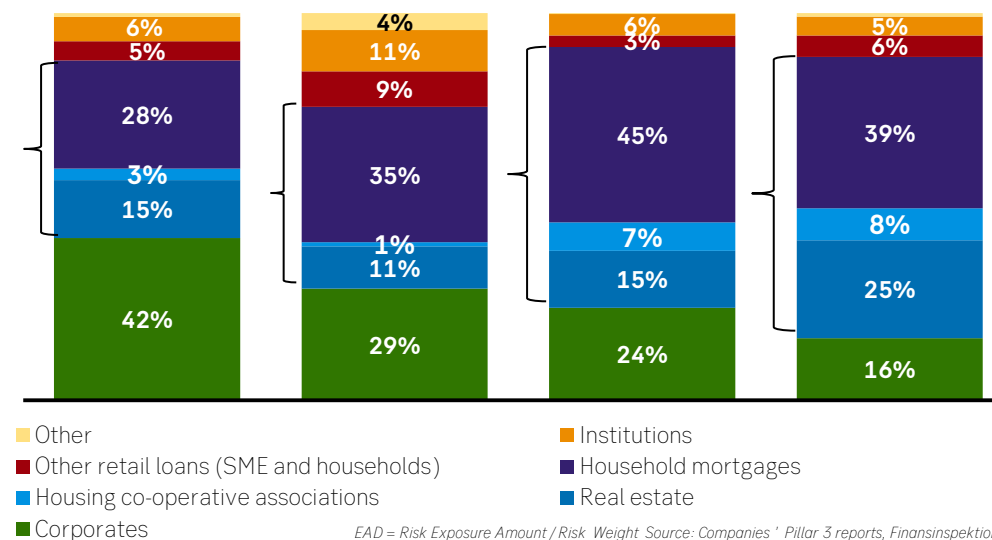
Approx. 80% of SEB's exposure is Nordic

December 31, 2016



Highly diversified Corporate Business  
Low Real Estate & Mortgage Exposure (EAD)

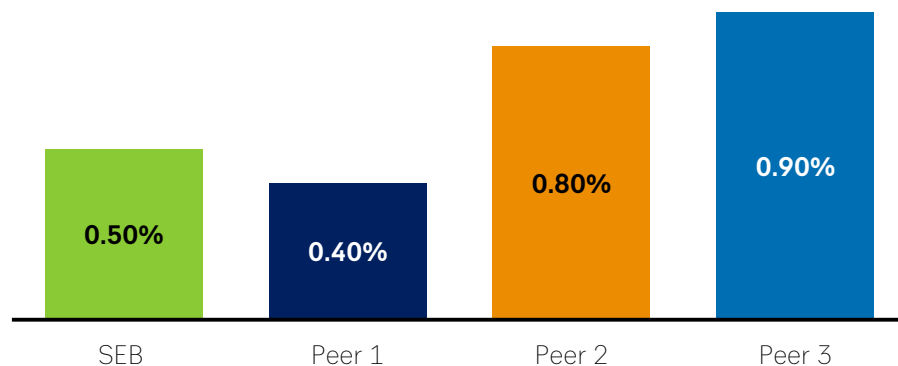
Sector credit exposure composition (EAD) 31 December 2016



EAD = Risk Exposure Amount / Risk Weight Source: Companies' Pillar 3 reports, Finansinspektionen

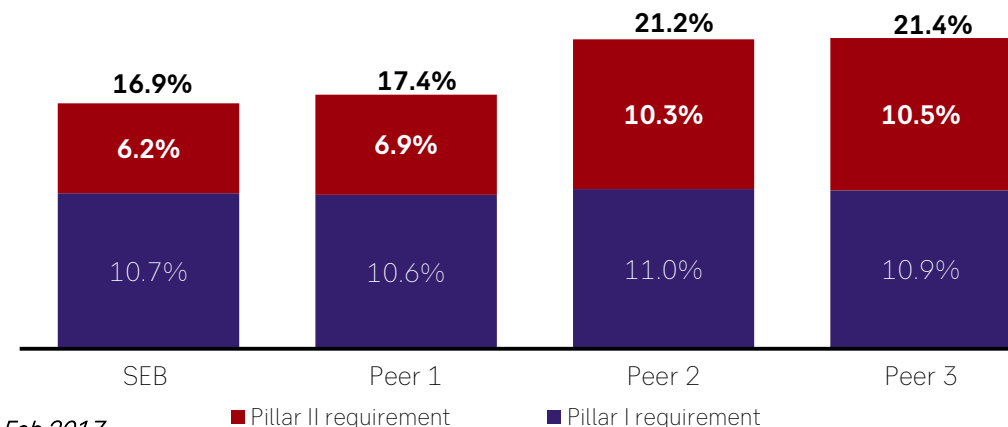
Low credit-related concentration risk including single name, geographical and industry concentration

(as percentage of total REA), December 31, 2016



SEB has the lowest Pillar 2 capital requirements of Swedish banks

CET 1 requirements for Swedish Banks as at December 31, 2016



Source: SFSA report Feb 2017



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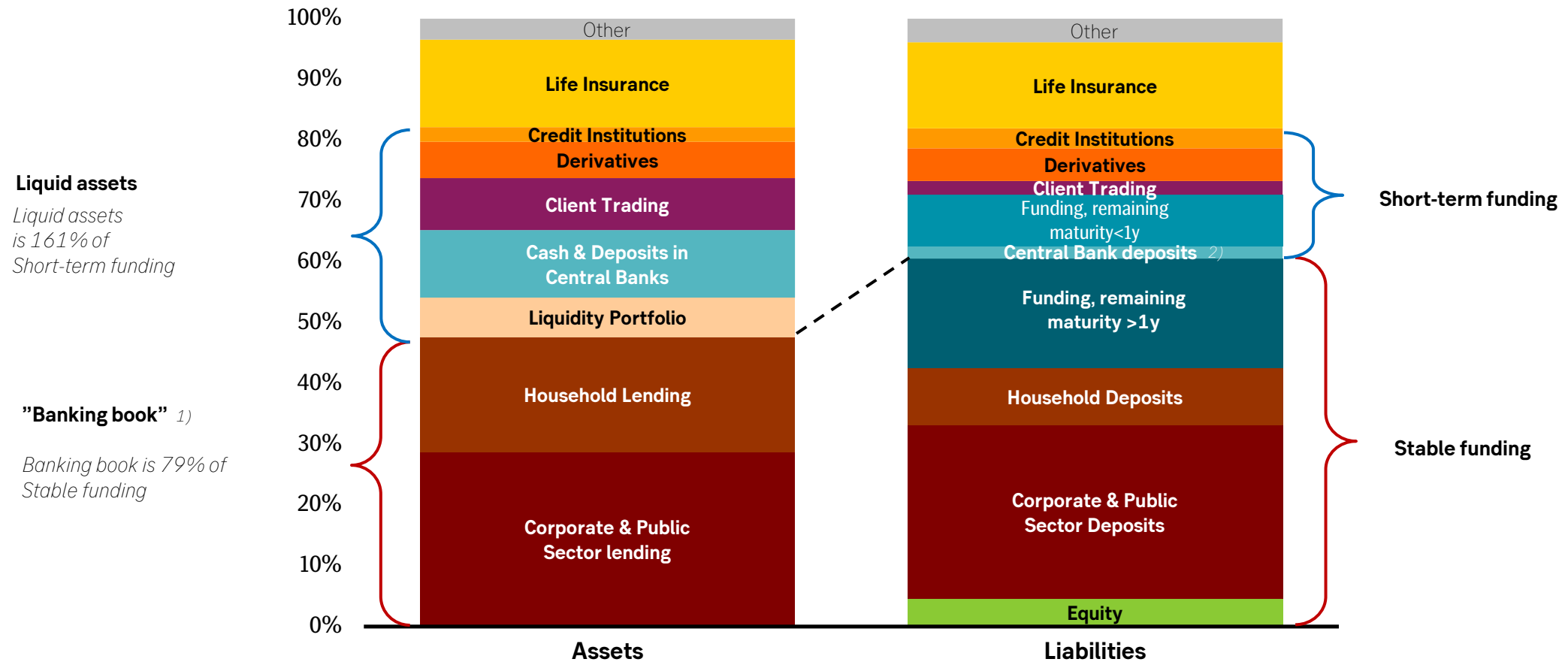


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Balance Sheet March 31, 2017

## Diversified and Liquid Balance Sheet

Total Assets SEK 2,927bn (USD 328bn)



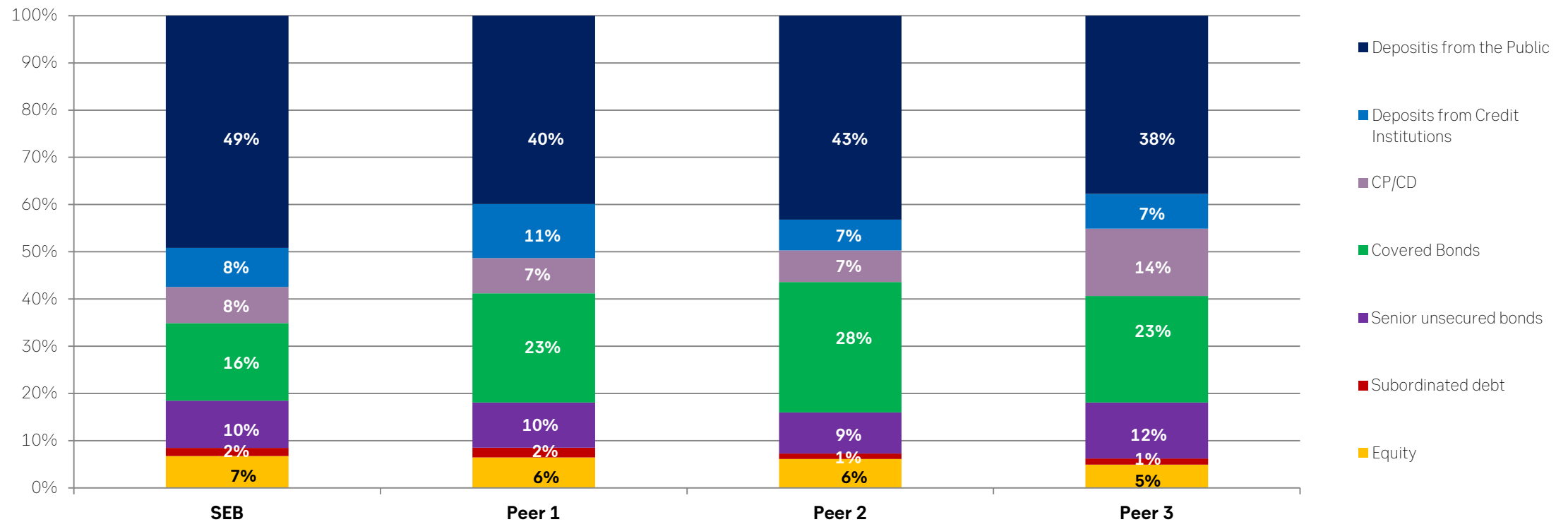
1) A relatively large share of lending is contractually short which allows for swift re-pricing to adjust for e.g. changed funding costs.

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

Benchmarking Swedish Banks' Total Funding Sources incl. equity

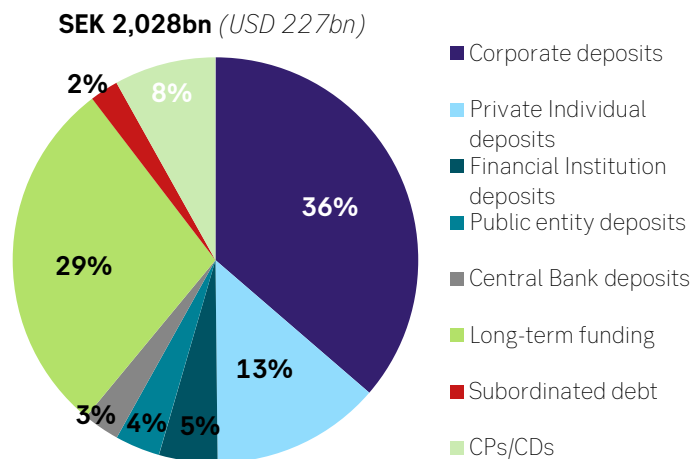
## SEB has strong funding structure and the lowest asset encumbrance

Average quarterly balances in 2016



# Stable deposit base and structural funding position

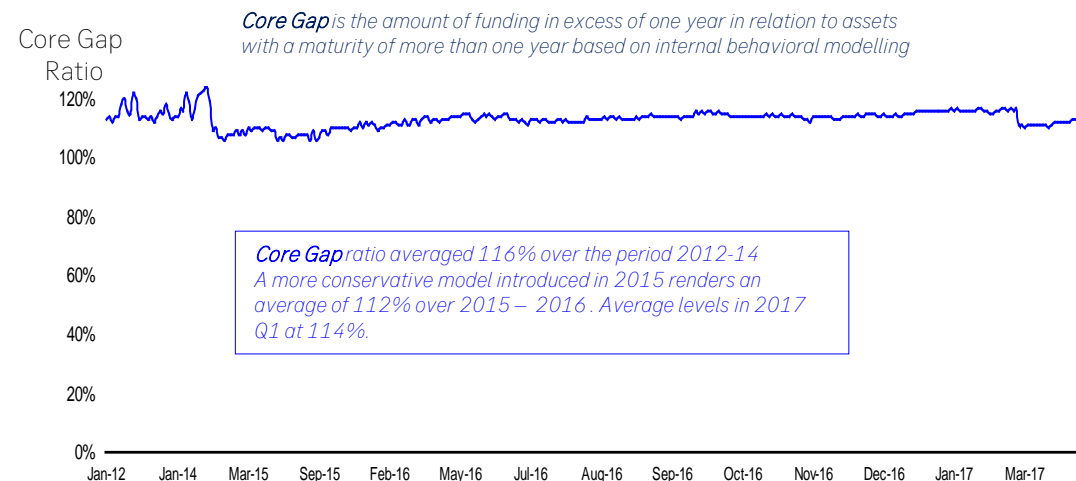
## Wholesale funding represents 31% of the funding base



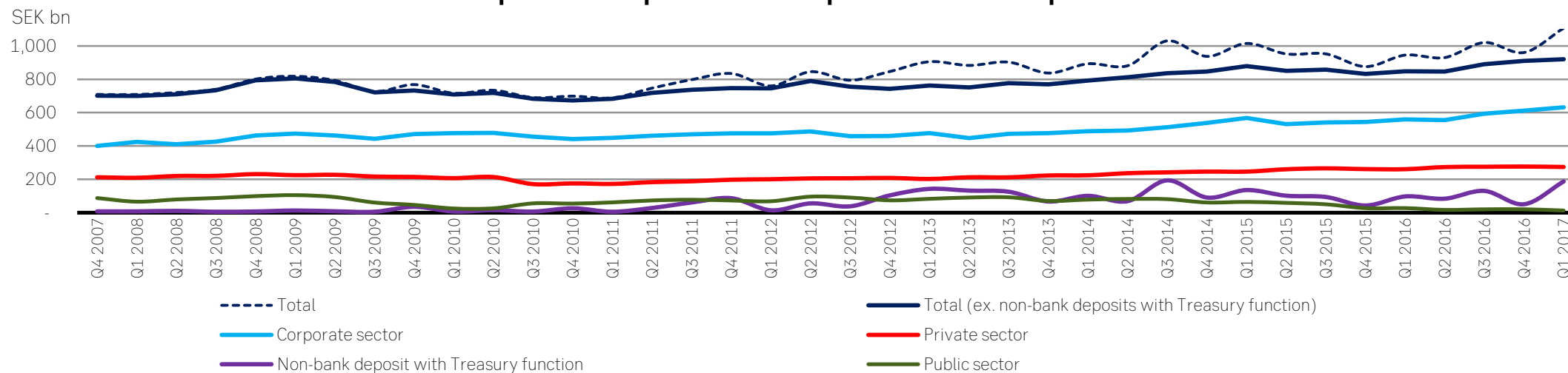
Note:

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

## Stable and strong structural funding position



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

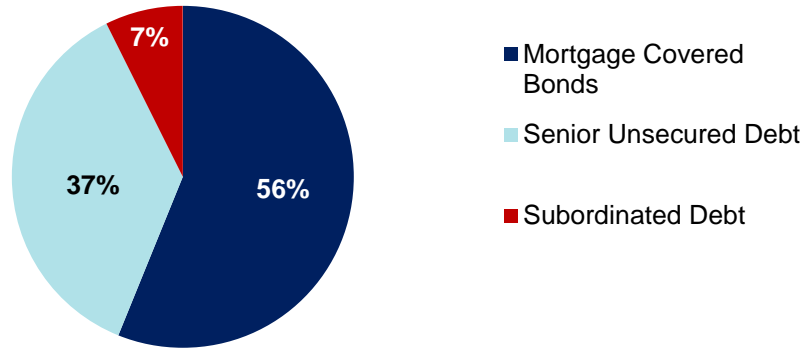


Long-term wholesale funding March 31, 2017

## Well-balanced long-term funding structure

### Long-term wholesale funding mix

USD 70bn (SEK 626bn)



### Issuance of bonds

USDbn equivalent

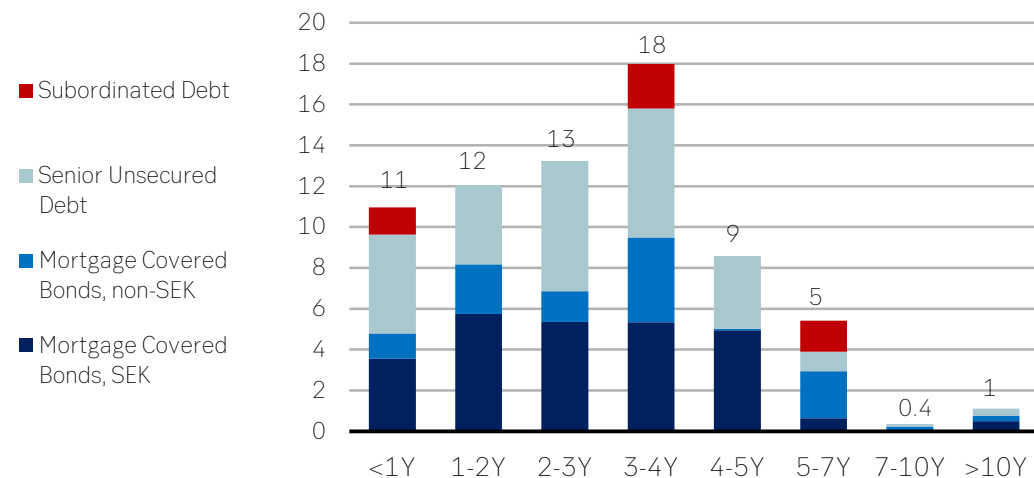
Instrument	2014	2015	2016	Q1 2017
Covered bonds	6.7	6.2	6.9	1.8
Senior unsecured	3.6	4.5	8.3	1.9
Subordinated debt	1.9	-	0.9	0.6
<b>Total</b>	<b>12.2</b>	<b>10.6</b>	<b>16.2</b>	<b>4.3</b>

### 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

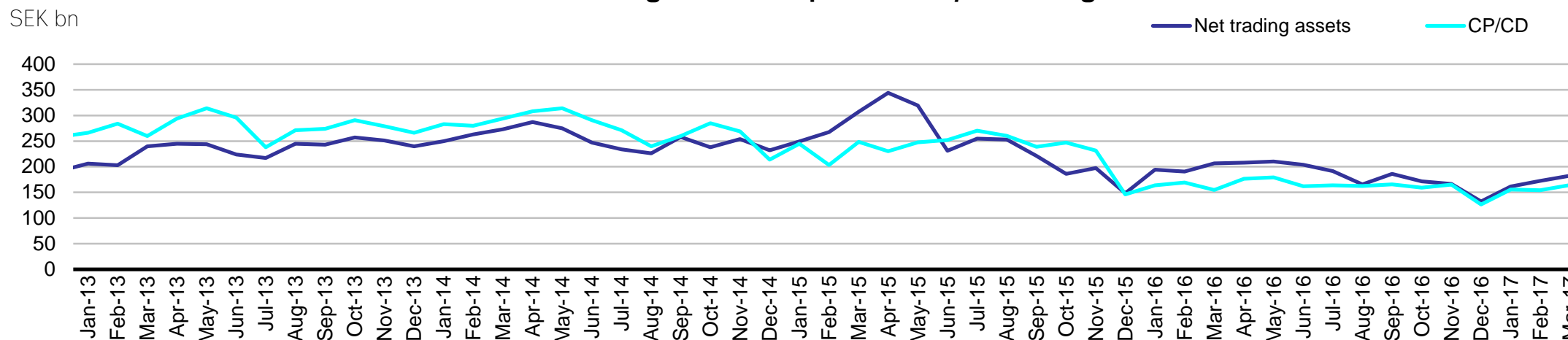
\* of which one notch is due to the implicit state support

### Maturity profile in USD bn equivalent

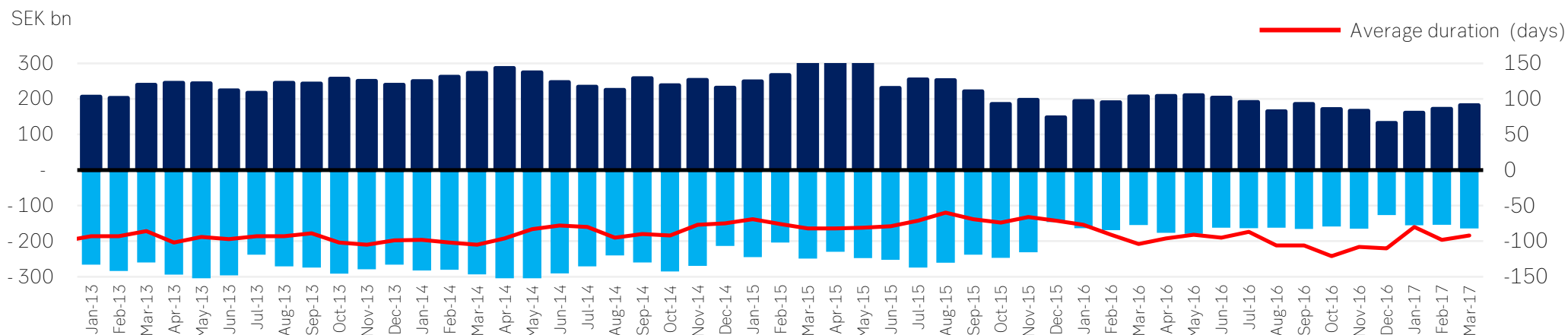


# CP/CD funding supports Client Facilitation business

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



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



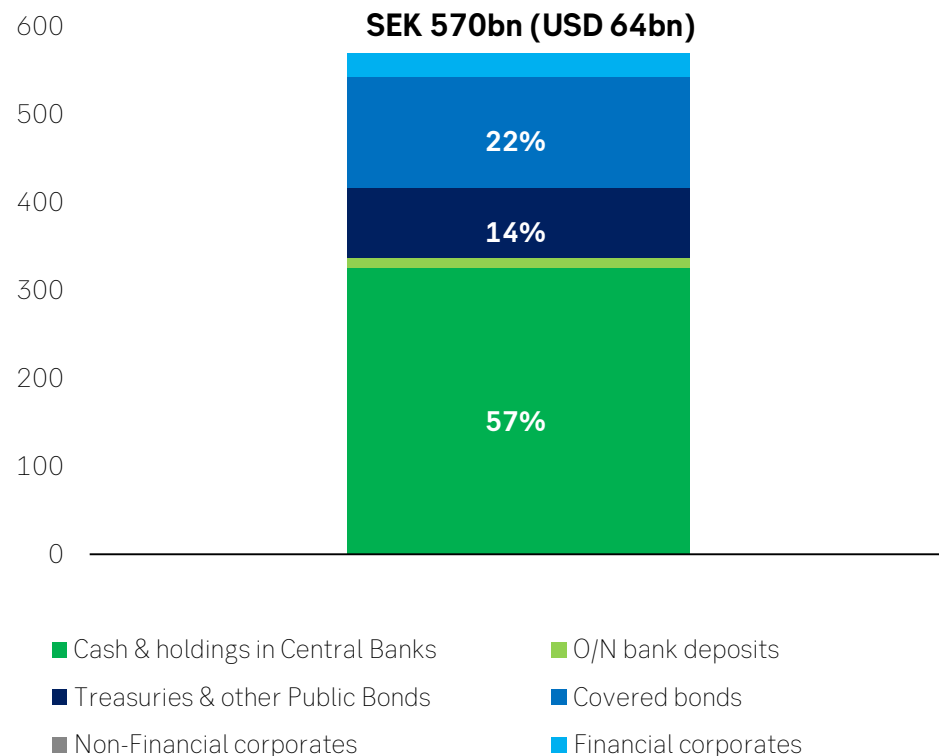
1) Net Trading Assets = Net of repoable bonds, equities and repos for client facilitation purposes



# Strong Liquidity and Maturing Funding position

**SEB's Core Liquidity Reserve\* is 226% of wholesale funding maturities within 1 year**

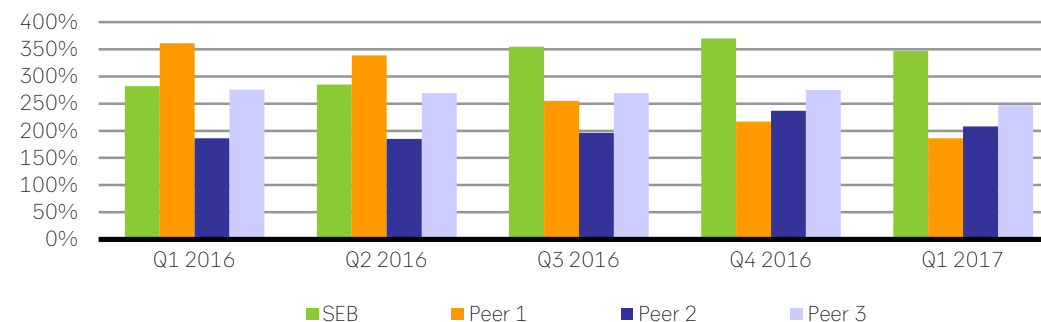
SEK bn



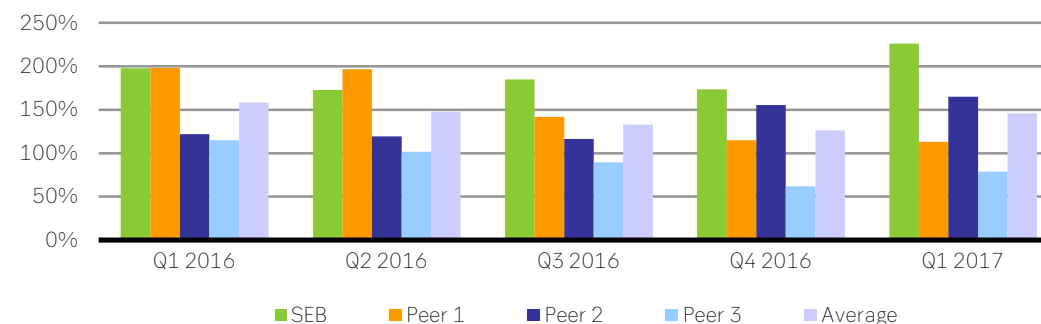
## Also vs. Peers

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

**Development 3m funding ratio Q1 2016-Q1 2017**



**Development 12m funding ratio Q1 2016-Q1 2017**



**Definition:**  $\text{Liquid Assets 1)} / (\text{Maturing Wholesale Funding within 3/12m} + \text{Net interbank borrowing within 3/12m})$

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

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

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

# Financial Targets

Profitability	Return on Equity	Competitive with peers long-term aspiration of 15%
Capital	Common Equity Tier 1 ratio	About 150 bps over the regulatory requirement
Dividend	Pay-out ratio	40% or above of EPS Focus on development of nominal amount
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
Efficiency	Nominal cost cap	< SEK 22.0bn in 2017 and 2018

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# Executive summary

## Effects of Strategy 2010-2016

- ❑ Growth of corporate franchise in the Nordics and Germany and transformation of Retail business
- ❑ Strengthened core areas and strong platform for further growth
- ❑ SEB has sustained strong earnings and capital generation since the financial crisis in Sweden in the early 1990s

## Financial performance and position

- ❑ Well diversified business model operating principally in economically robust AAA rated European countries
- ❑ Sustained diversified earnings due to leading market positions in areas such as Large Corporate and Financial Institutions business Swedish Retail and Private Banking and Life & Pension business

## Business Plan 2016-2018

- ❑ Continued focus on customers and world-class services
- ❑ Estimated financial levels communicated with regards to macro development
- ❑ Financial targets and aspiration remain including prolonged cost cap (until 2018)

## Governance & Ownership

- ❑ Stable long-term ownership structure; SEB's founder in 1856, the Wallenberg family (through Investor AB), remains the main shareholder with over 20% of the share capital and voting rights
- ❑ Well experienced board and executive management, new internally recruited CEO with unchanged strategy

## Capital position

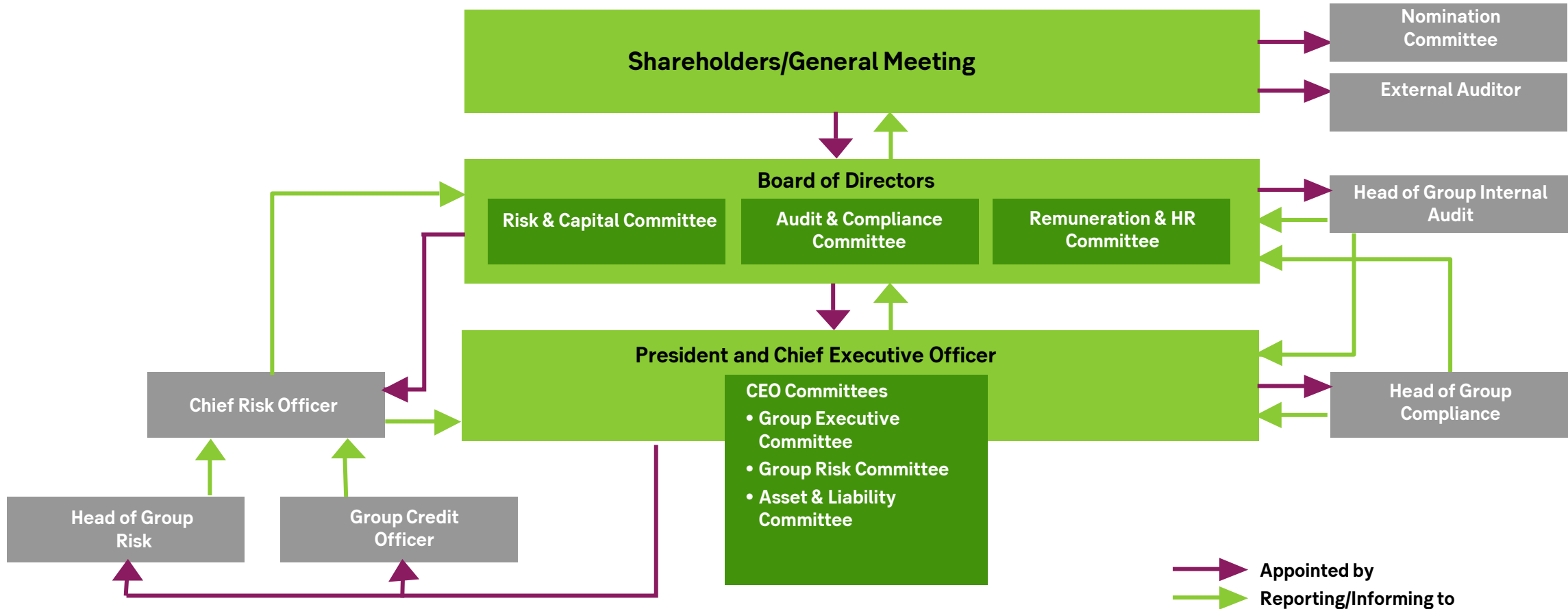
- ❑ CET1 ratio of 18.9% as at March 31, 2017
- ❑ Lowest Pillar 2 capital req. of Swedish peers due to well-managed, low-risk franchise and strong corporate culture
- ❑ Leverage ratio at 4.7% as at March 31, 2017; well above future requirement of 3%
- ❑ SEB has sustained strong earnings and capital generation since the financial crisis in Sweden in the early 1990s
- ❑ EBA stress test results highlighted SEB's strong capital & business position; profitable in every year of the adverse scenario, only bank in Europe with improved leverage ratio in the adverse scenario, and lowest impairments across Swedish banks in baseline scenario

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# Corporate Governance Structure



SEB's activities are managed, controlled and followed up in accordance with policies and instructions established by the Board and the President and CEO.



- ❑ **Long-term major shareholders**

- ❑ **Strong corporate culture**

- "Tone at the top" from Board of Directors and Executive Management
- SEB Code of Conduct
- First line of defence
  - ✓ Line business management is primary responsible for managing risk

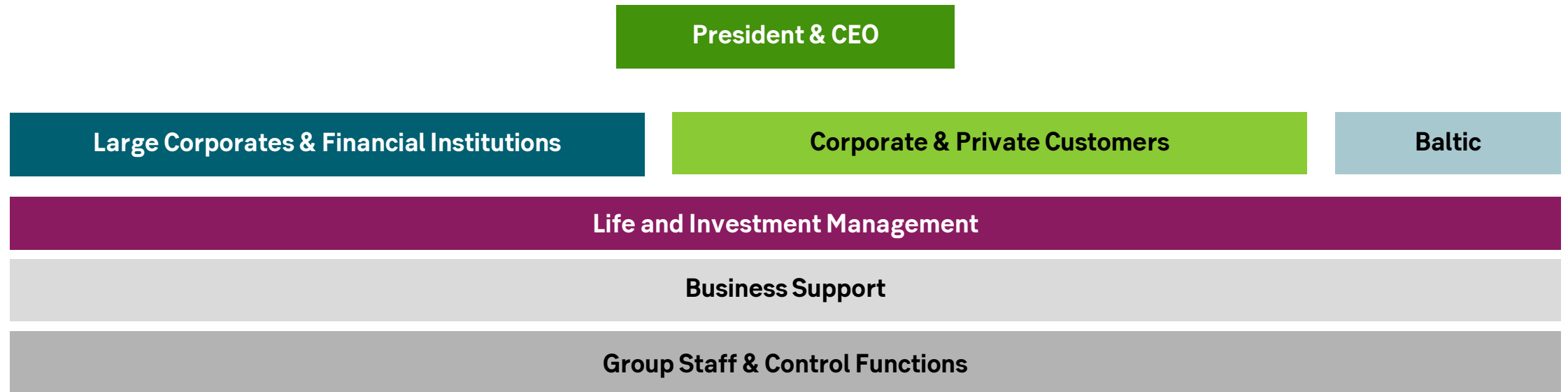
- ❑ **Strong governance and internal control**

- Clear implementation of "three lines of defense approach"
- Independent control functions with strong mandate and resources
- Global (Group wide) Compliance function implemented 2008 based on international "best practice"

- ❑ **Compliance is an integrated part of performance management for all SEB staff**

# SEB organization

Effective as of 1 January 2016



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# Strong Franchise and Successful Client Acquisition Strategy

## Large cross-selling potential

Total Client income in SEK bn



Number of accumulated new clients

2010	84
2011	209
2012	305
2013	413
2014	472
2015	535
2016	594

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

- 2016 results affected by continued macro uncertainty and dampened business activity during the first half of 2016
- Positive market sentiment and customer activity improved results towards the end of 2016 and at the beginning of Q1 2017
- 2.5x more allocated capital and doubling of resolution fund fee with negative effects on profitability

	<u>C/I ratio</u>	<u>Business Equity</u>	<u>RoBE</u> <sup>1)</sup>
Q1 2017	50%	SEK 66.1bn	9.7%
2016	47% <sup>2)</sup>	SEK 62.4bn	11.7% <sup>2)</sup>
2015 <sup>4)</sup>	45% <sup>3)</sup>	SEK 67.1bn	12.5%
2014 <sup>4)</sup>	46%	SEK 57.7bn	12.8%
2013	50%	SEK 48.8bn	12.9%
2012	54%	SEK 36.7bn	14.3%
2011	54%	SEK 26.1bn	20.6%

1) Return on Business Equity

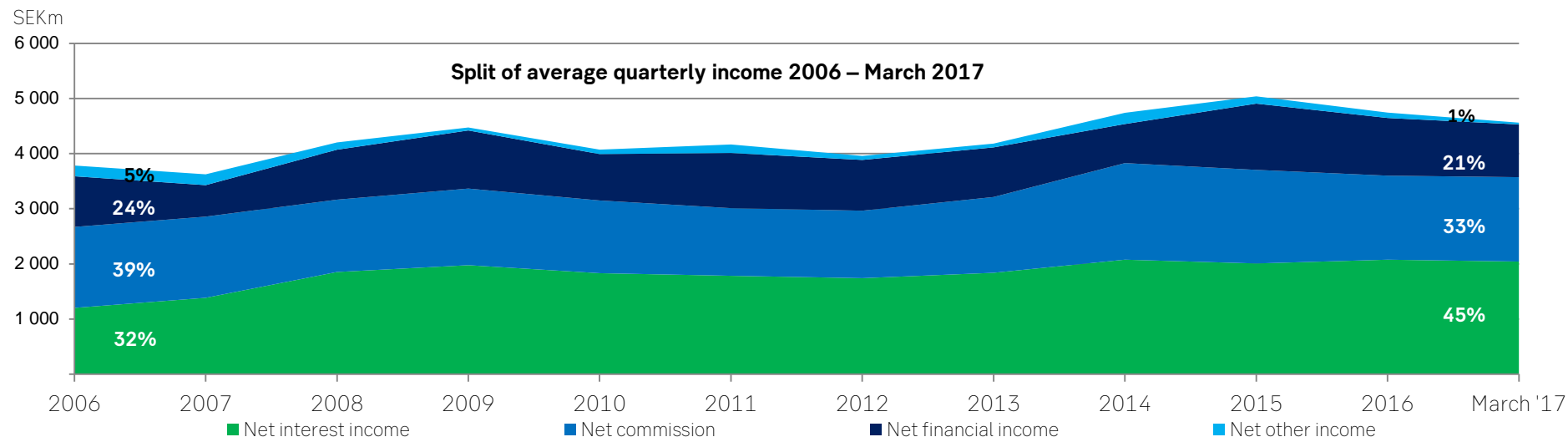
2) Excl. One-off costs of SEK 354m

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

4) Restated figures following the new organizational structure as of Jan 1, 2016. As a result 2011-2013 figures not quite comparable

# Entrenched Franchise and Low risk Client Facilitation Business

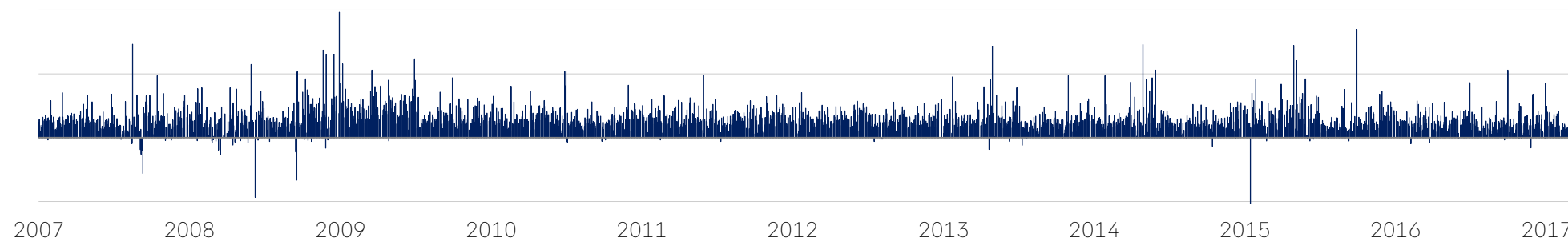
**Larger number of clients and a relevant business offering create strong and diversified income streams**



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

**72 negative trading days out of 2,574 Average loss SEK 12m (USD 1.3m)**

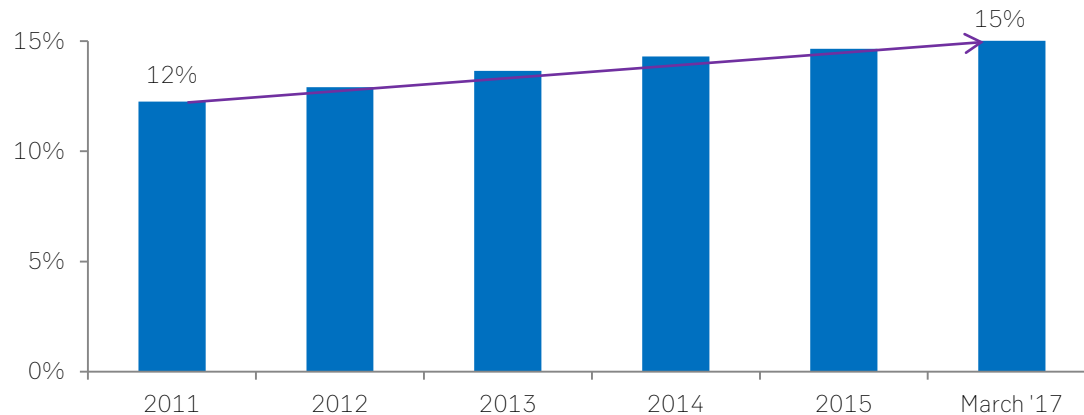
Daily trading / client facilitation income Jan 1, 2007 – March 31, 2017



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

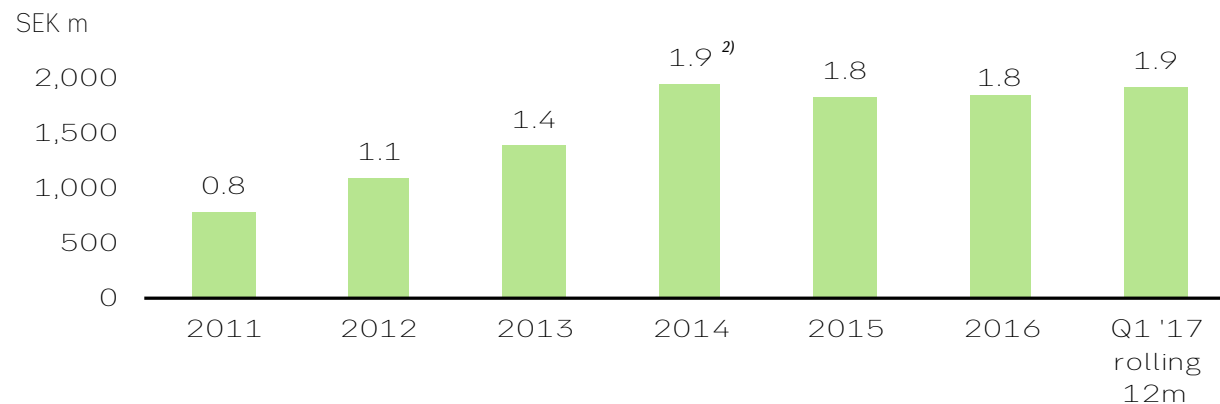
# Successful Client Acquisition Strategy

## Increasing market shares in the SME market<sup>1)</sup>

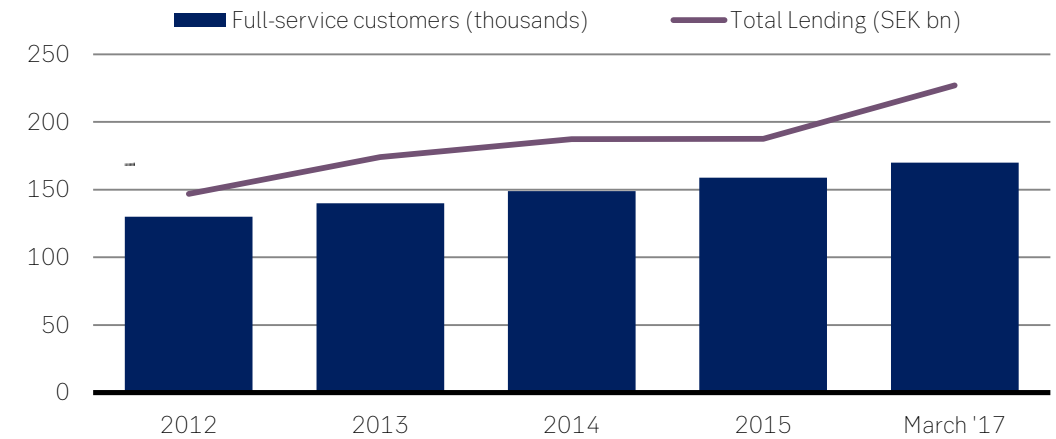


## Substantially increased operating profit since 2011

Average quarterly operating profit 2011 – March 2017



## Growing franchise among SMEs in Sweden



## Strong development of efficiency and profitability despite almost 4x more allocated capital and higher resolution fund fees

	<u>C/I ratio</u>	<u>Business Equity</u>	<u>RoBE<sup>3)</sup></u>
Q1 2017	47%	SEK 40.4bn	14.6%
2016	48%	SEK 38.7bn	15.2%
2015	48%	SEK 38.1bn	14.7%
2014	46%	SEK 27.8bn	21.4%
2013	49%	SEK 20.2bn	21.9%
2012	57%	SEK 14.4bn	22.3%
2011	65%	SEK 10.8bn	21.4%

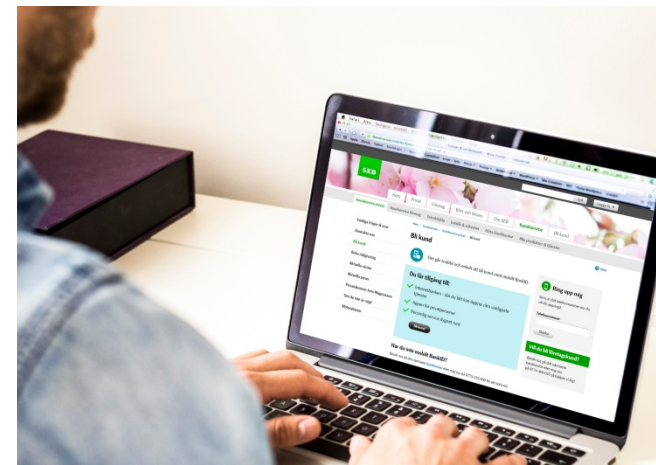
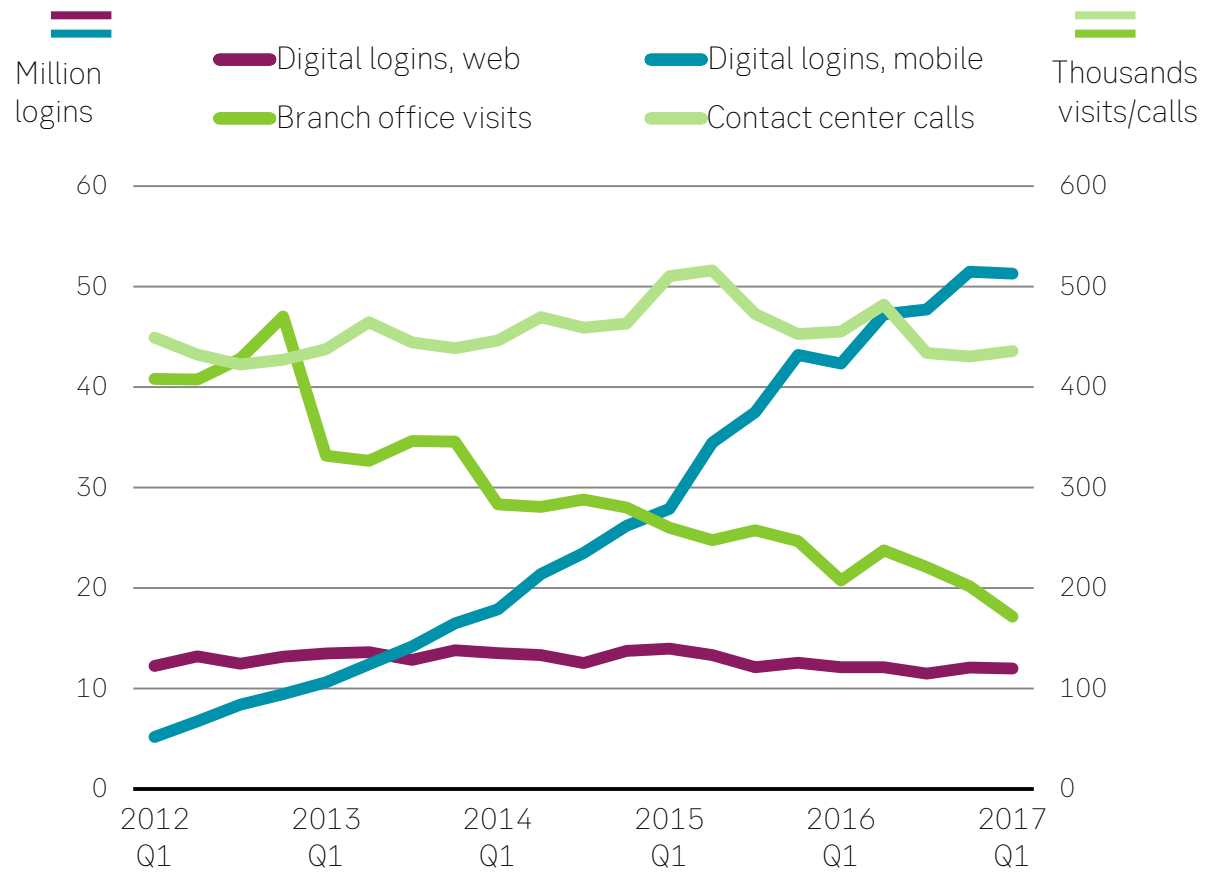
1) Market share measured as SEB customers compared to total number of registered corporates in Sweden.

2) Restated figures following the new organizational structure as of Jan 1, 2016. As a result 2011-2013 figures not quite comparable

3) Return on Business Equity

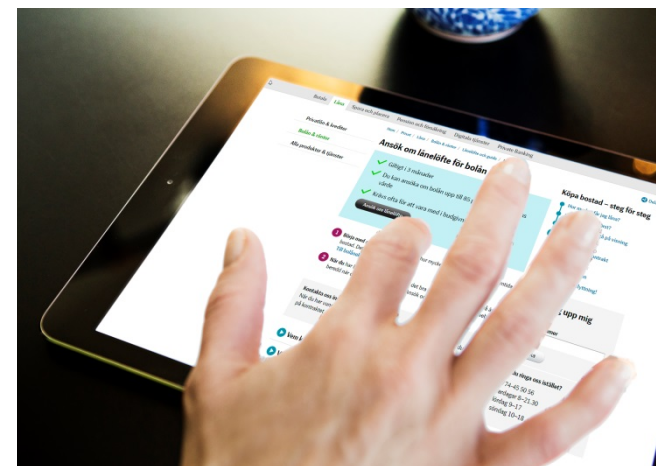
# Private customers' behavior changes rapidly...

## SEB invests to take on changing customer behavior



# of customers on-boarded digitally in Q1

3,000



Digital mortgage applications

1 of 8



# Strong Profitability despite uncertain times

## Relatively strong operating environment

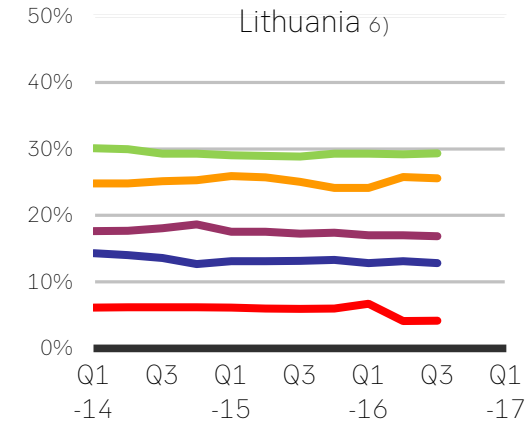
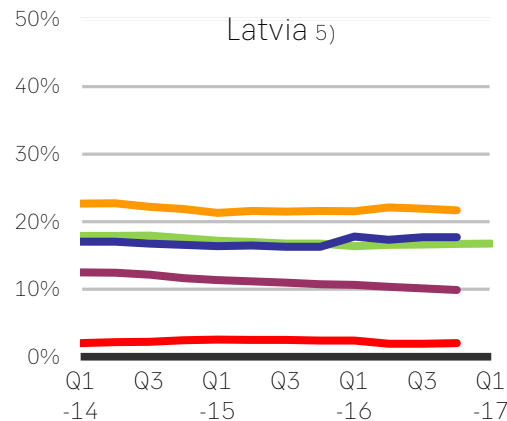
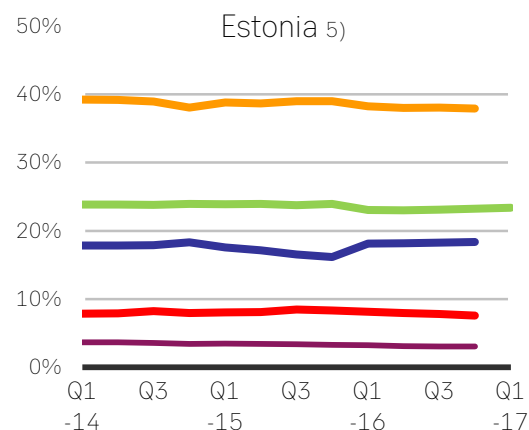
- Above Eurozone growth
  - Falling unemployment, increasing employment and real income
  - Consumption prime driver, higher investments and growing exports
- Economic health remains above Eurozone average
  - Deleveraged corporates and private individuals
  - Competitive industry
  - New markets – diversification of trading partners
  - Small, if any, budget deficits and government debt imbalances
- SEB's business and exposures are of a different nature than prior to the financial crisis

## Strong development of key ratios

C/I	Business Equity	RoBE <sup>1)</sup>
47%	SEK 7.6bn	23.4% <sup>3)</sup>
49% <sup>2),3)</sup>	SEK 7.6bn	20.1%
50% <sup>3)</sup>	SEK 7.5bn	18.6%
50%	SEK 8.9bn	14.5%
52%	SEK 8.8bn	12.9%
62%	SEK 8.8bn	9.7%
58%	SEK 8.8bn	29.6% <sup>4)</sup>

1) Return on Business Equity  
 2) Excl. One-off cost of SEK 68m  
 3) Excl. Assets held for sale  
 4) Write-backs of provisions of SEK 1.5bn

## Maintaining leading market shares in lending\* 2014 - 2016



<sup>5)</sup> Competitors Q1 2017 volumes are not available at time of publication; Q1 2017 Figures are February 2017

<sup>6)</sup> Lithuania Q4 2016 and Q1 2017 not available at time of publication

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

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## Swedish Housing Market – International comparison

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

### History

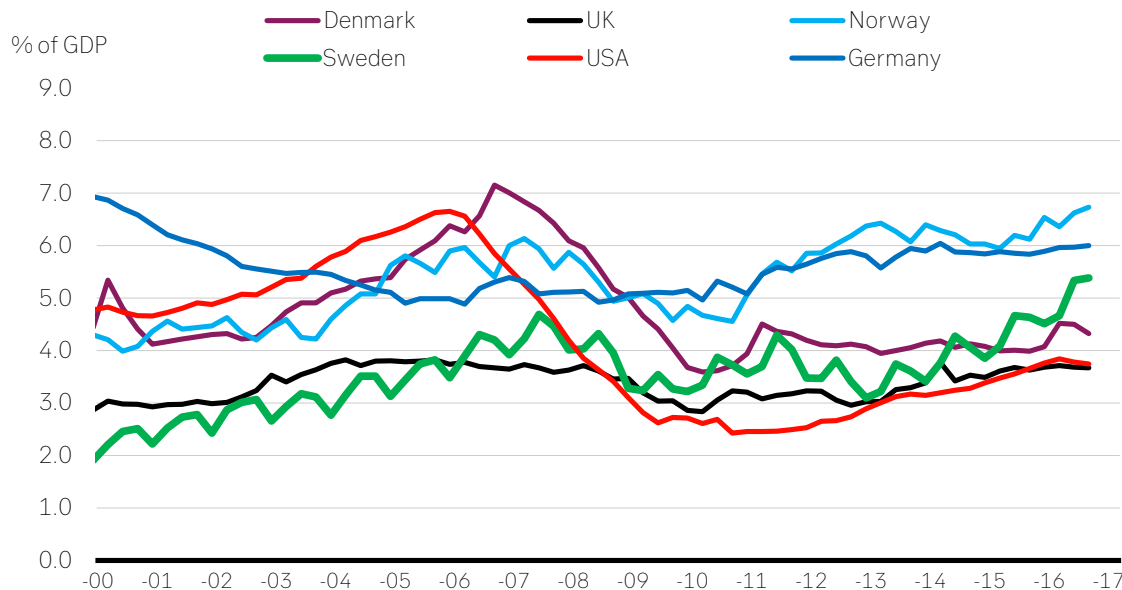
- ✓ Shift in government policy on subsidies for residential mortgage purposes and deregulation of the credit markets 27 years ago had a huge negative impact on residential construction
- ✓ The lack of housing is most pronounced in the larger cities of Stockholm, Göteborg and Malmö to which there continues to be a strong migration
- ✓ 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

### Currently

- ✓ Government takes measures to stimulate residential investments
- ✓ Residential investments (housing construction) rose by nearly 20% during the last three years is expected to increase about 15% in 2017 contributing approx. 1% to yearly GDP growth

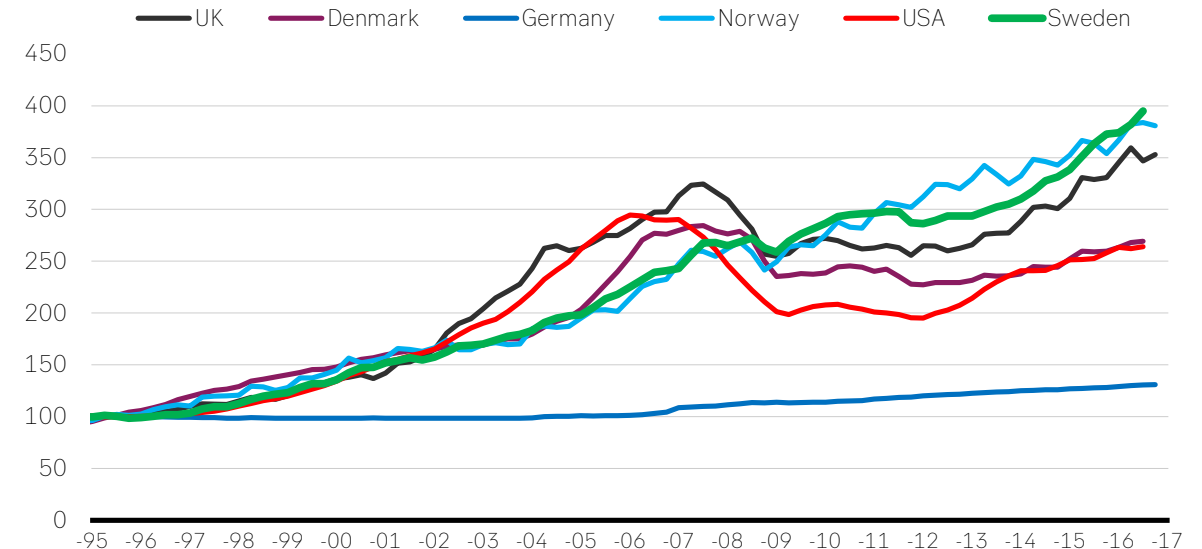
## Increasing residential investments

International comparison



## House prices (index 1995=100)

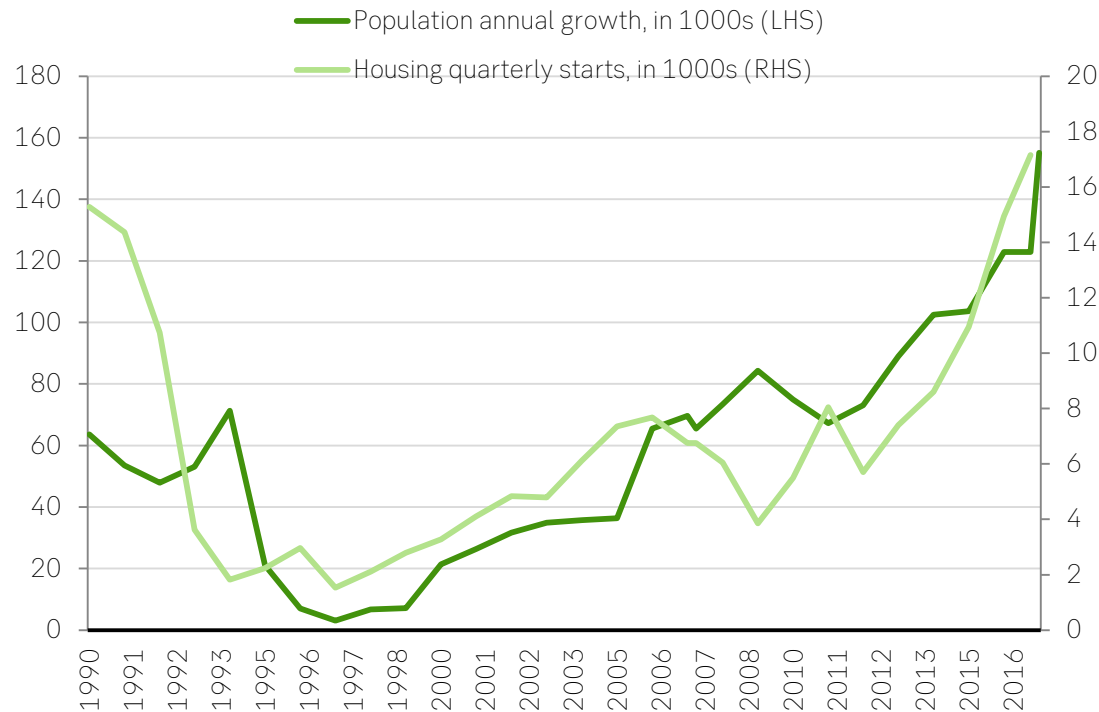
International comparison



# Population growth outpaces housing completions and puts upward pressure on prices

- Despite increasing housing completions, there need to be approx. 70,000 new units per year completed by 2025 to match population growth <sup>1)</sup>

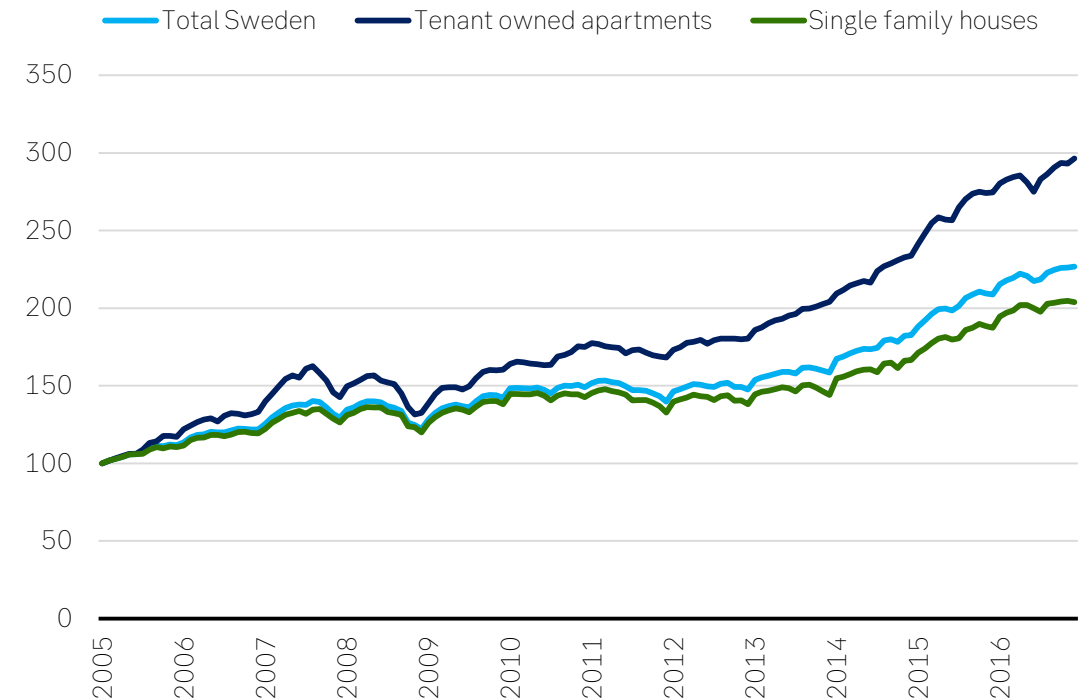
**Housing starts lagging behind population growth**



Source: Statistics Sweden, SCB and SEB

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

**Increasing residential house prices driven by apartment prices**

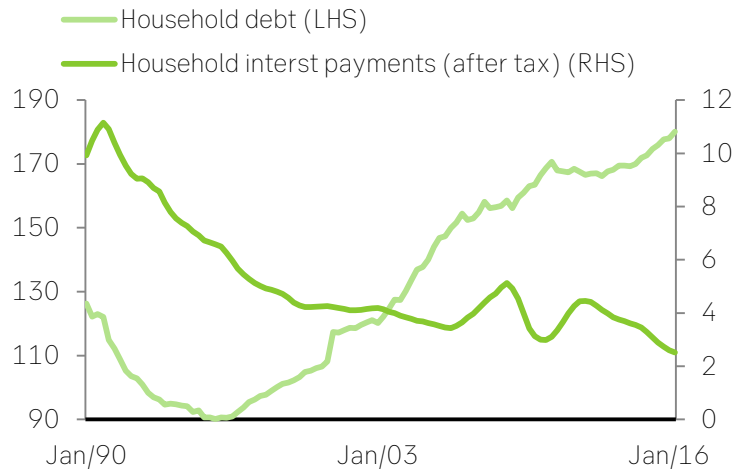


Source: SEB and Valueguard

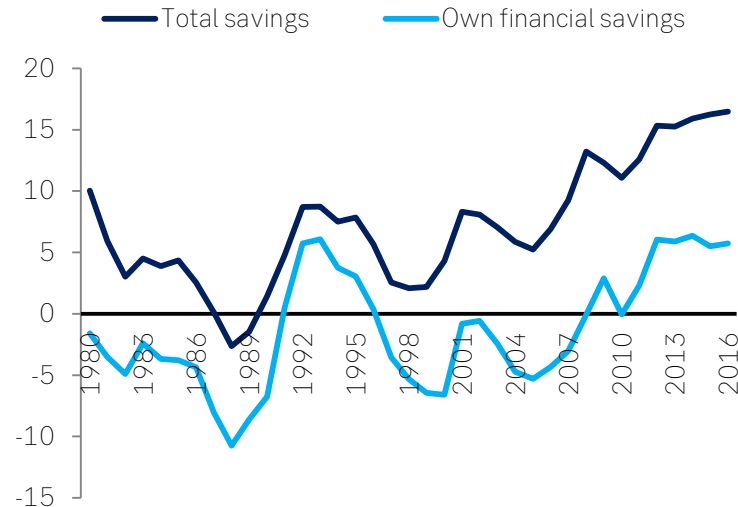
## Swedish Households

**Strong affordability despite increasing indebtedness****Sensitivity to rates has increased**

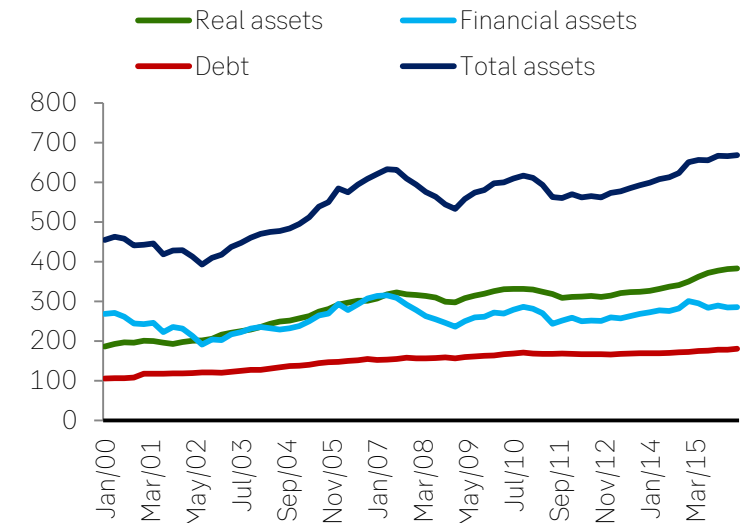
Household debt and interest rate  
expenditure, % of income

**However****Household savings are rising**

Household savings, % of income

**and****Households' Balance Sheet is strong**

Household assets and debt, % of income



- ❑ Households' aggregated debt to disposable income ratio is approximately 180% and has been rising faster than household income the last few years
- ❑ Approx. 80% of the household debt is mortgage debt
- ❑ The sharp increase of indebtedness that took place between 2003 - 2010 was to a large extent due to changing ownership structures and higher affordability
- ❑ Households' assets (real and financial assets) are 3.66x larger than their debt of which financial assets are 1.66x
- ❑ Households have substantial resilience to higher interest rates, loss of income and declining house prices
- ❑ Savings ratio at historical highs

# 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

# 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

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

- Hottest topics:
  - ✓ A cap on household leverage (debt to income ratio)
  - ✓ Gradual decrease of the ability of households to deduct interest rate costs for tax purposes favored by important bodies such as the SFSA, the Central Bank, Swedish Bankers Association, and many independent economists  
(today: 30% up to about USD15k and 21% on the amount above USD15k can be deducted for tax purposes)
- Gradual abolishment of the regulation of rents to stimulate the construction of rental apartment buildings

# Households' indebtedness and affordability - key features

- ❑ **Households' aggregated debt to disposable income ratio (debt ratio) is around 180%** <sup>7)</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), 6)</sup>
  - Approx. 80% 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 and
    - ✓ 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 almost 5 times higher* than disposable income
  - Financial assets are 3 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 November 2014

4) Swedish Central Bank's Financial Stability Report of November 2015

5) SFSA Stability in the financial system of December 2015

6) SFSA The Swedish Mortgage Market April 2016

7) Swedish Central Bank's Financial Stability Report of May 2016



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# Household mortgage lending dominates the portfolio

March 31, 2017

Total SEK 578bn (USD 65bn)

## Residential Apartment Buildings

SEK 142bn (USD 16bn)

- ❑ Private companies 56%
- ❑ Housing co-op associations 37%
- ❑ State/Community owned 7%

## Residential Apartment Buildings

### Strong asset quality

- ❑ 1 bp (USD 1.3m) of impaired loans
- ❑ No major problem loans since the 1990's
- ❑ No net credit losses
- ❑ Low and conservative LTVs

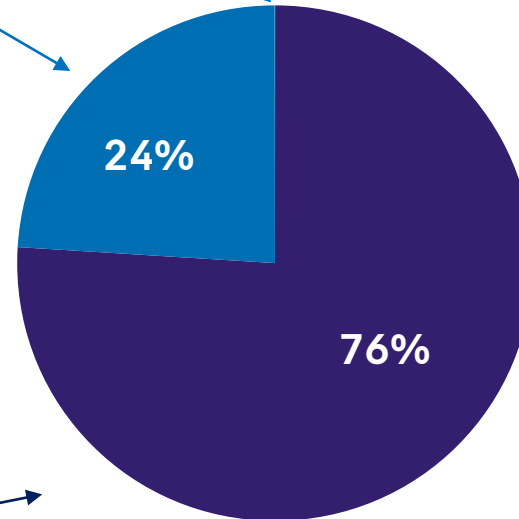
### Conservative lending policy

- ❑ Cash-flow generation
- ❑ Legal structure: Counterparty has to have direct and immediate access to the cash-flow and the assets taken in as collateral.
- ❑ Tenor max 10 years
- ❑ LTV <75% but depending on geographic location. Rural areas LTV<65%.
- ❑ Amortization structure required depending on geographic location

## Household Mortgage lending

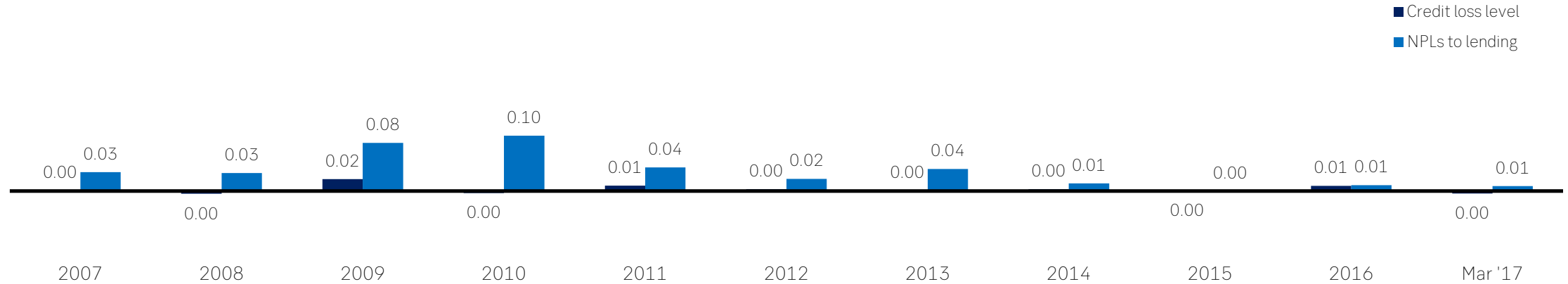
SEK 435bn (USD 49bn)

- ❑ Single family houses 63%
- ❑ Tenant owned apartments 33%
- ❑ Second homes 4%

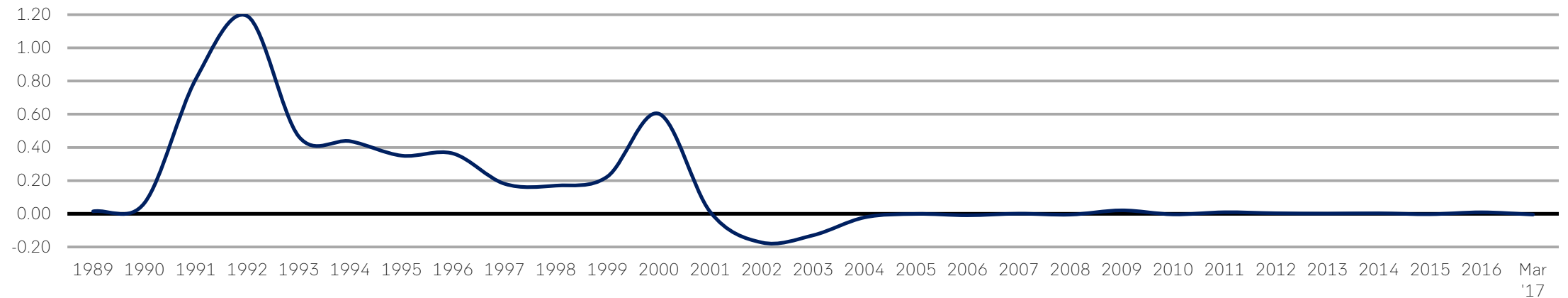


## Low levels of impaired loans and negligible credit losses

Impaired loans do not typically turn into credit losses, in %



Minimal net credit losses since the early 2000s, in %



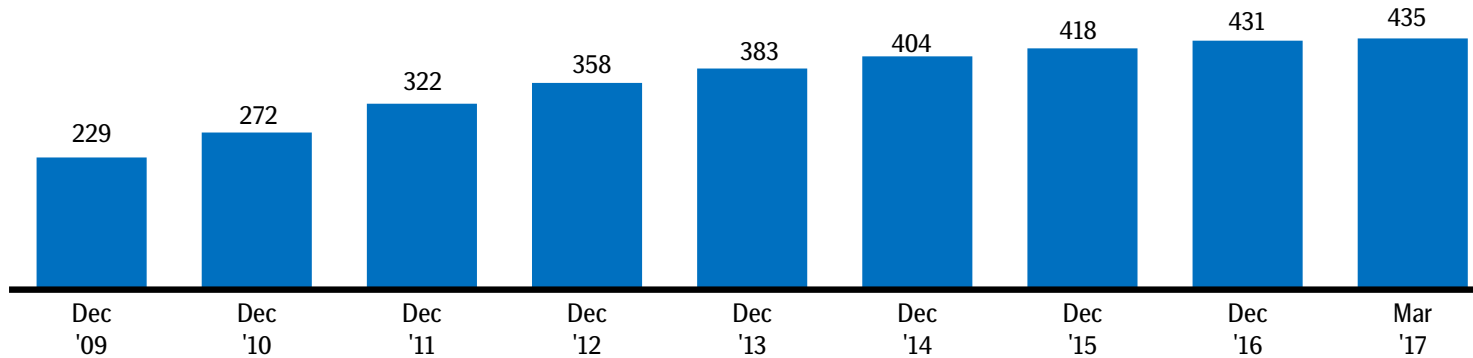
Net credit losses = the aggregated net of write-offs, recoveries and provisions

Source: SEB internal data

# Successful Retail Strategy produced growth but relatively stricter underwriting standards render below market growth

March 31, 2016

Stabilizing lending volumes, SEKbn



Selective origination

- ☐ Serve core clients
- ☐ Concentration to larger cities
- ☐ Market share approx. 15%
- ☐ Growing at 4% YoY, below market growth at 8% YoY
- ☐ Past-due >60days at 5bps or SEK 236m (USD 26m)
- ☐ Net credit loss level is 0%

Low LTV values

Loan-to-value

Share of portfolio



Weighted average LTV = 51%

Household affordability assessment and strict lending criteria

- ☐ 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 <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”

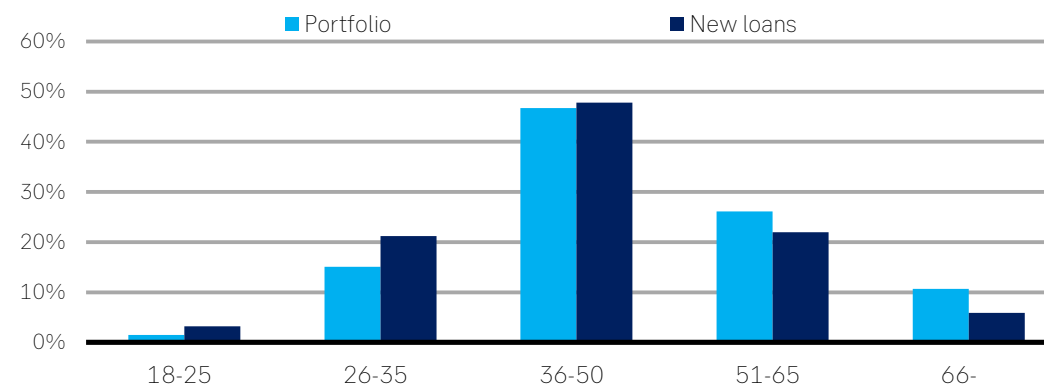
# SEB's Swedish Household Mortgage Lending

## Strong economic profile of customers

### SEB's typical mortgage customer

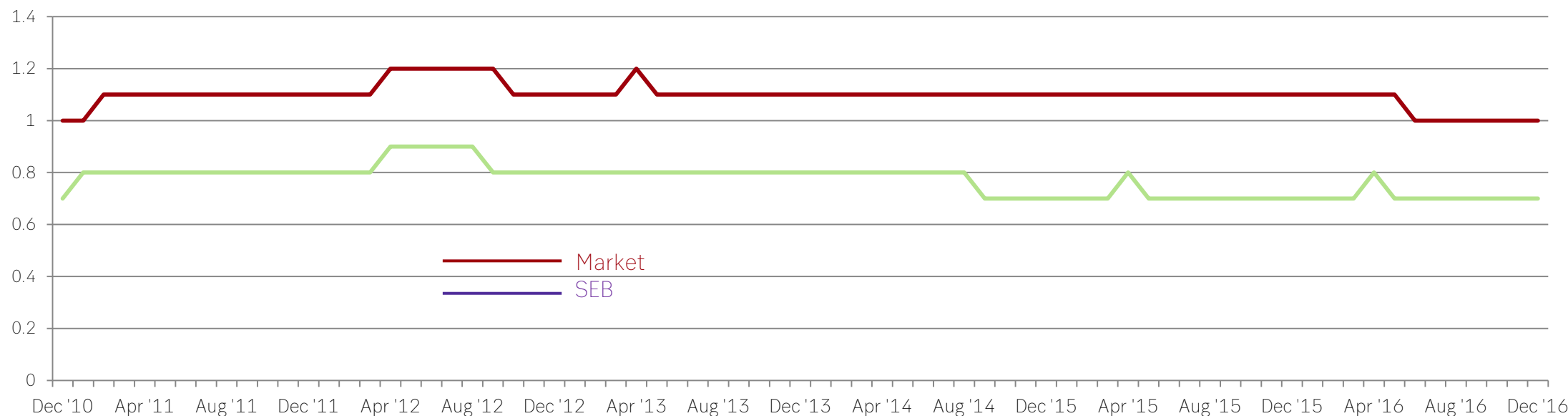
- ☐ Dual income households in the major cities
- ☐ High income households
- ☐ Personal savings above average
- ☐ Stronger credit rating vs. market average
- ☐ Amortizing share of new loans in SEB as at March 31, 2017
  - All new loans 87%
  - LTV over 70% 99%

### Age distribution of SEB's customers



UC Scoring <sup>1)</sup>

### SEB's mortgage customers have a relatively stronger credit quality than market average

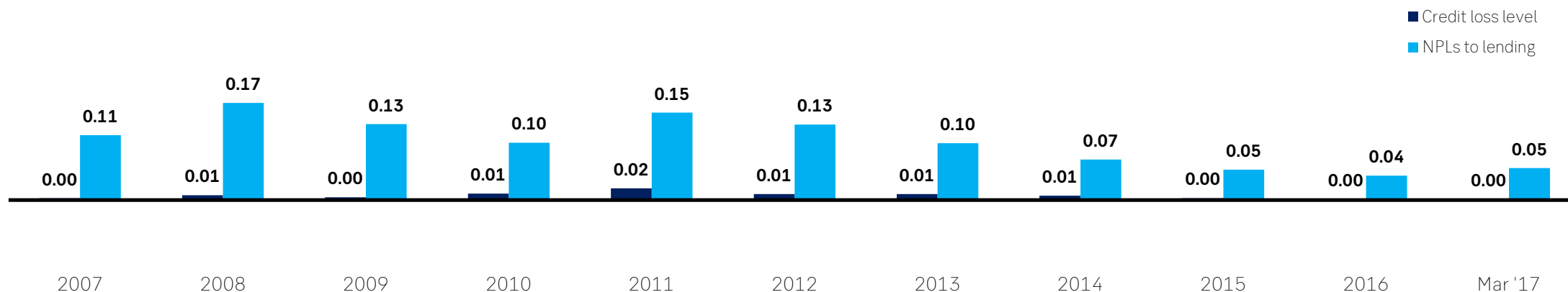


1) UC scoring is defined as the probability of getting a payment remark within one year

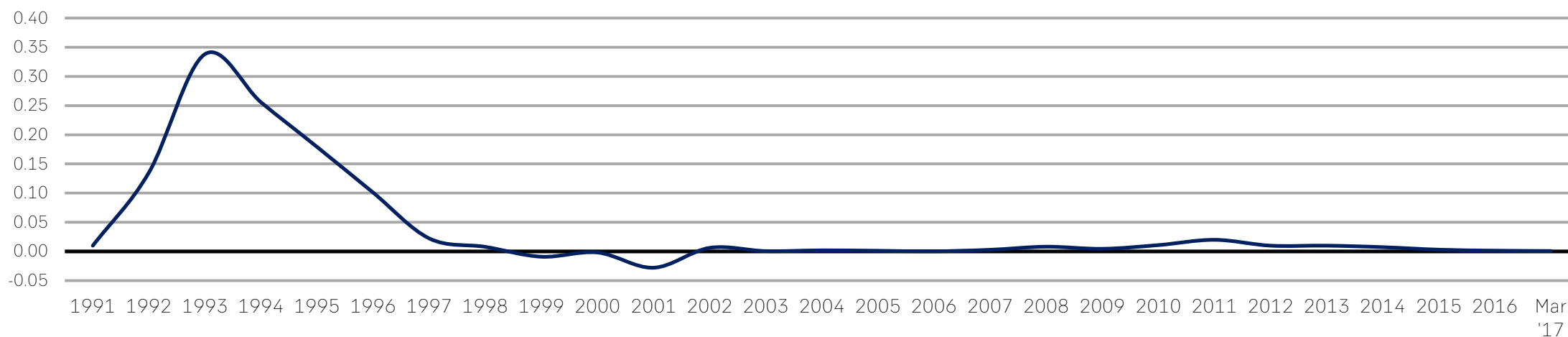
Asset Quality – SEB's Swedish Household Residential Mortgage lending

## Low levels of impaired loans and negligible credit losses

Loans past due 60 days do not typically turn into credit losses, in %



Minimal net credit losses since the late 1990s, in %



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

Source: SEB internal data

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COVERED BOND  
· L A B E L ·

SEB



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Cover Pool and Covered Bonds March 31, 2017

# 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 58%

## Covered Bonds

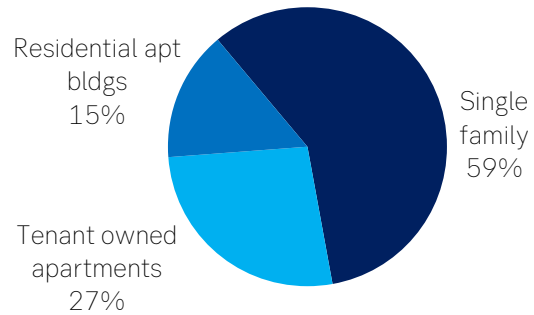
		Q1 2017	Q4 2016	Q4 2015	Q4 2014
Total outstanding covered bonds (SEK bn)		325	314	311	310
Rating of the covered bond programme		Aaa Moody's	Aaa Moody's	Aaa Moody's	Aaa Moody's
FX distribution	SEK	72%	71%	72%	76%
	non-SEK	28%	29%	28%	24%

## Cover Pool

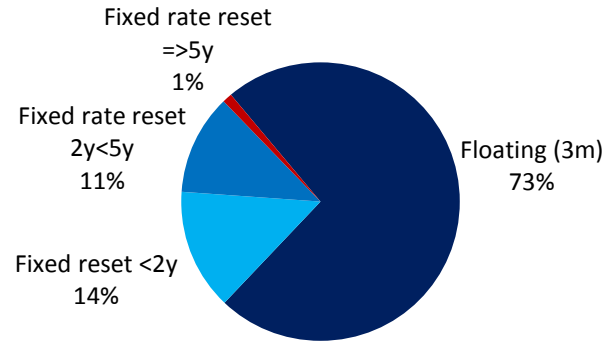
	Q1 2017	Q4 2016	Q4 2015	Q4 2014
Total residential mortgage assets (SEK bn)	514	510	483	465
Weighted average LTV (property level)	50%	50%	57%	57%
Number of loans (thousand)	713	711	697	683
Number of borrowers (thousand)	424	424	427	427
Weighted average loan balance (SEK thousand)	721	718	693	680
Substitute assets (SEK thousand)	0	0	0	0
Loans past due 60 days (basis points)	4	4	4	6
Net credit losses (basis points)	1	0	0	0
Over-Collateralization level	58%	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

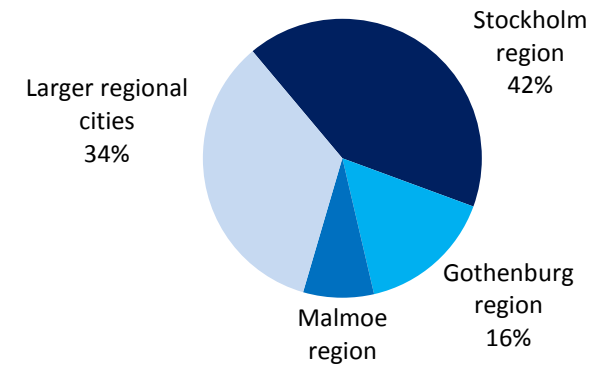
Type of loans



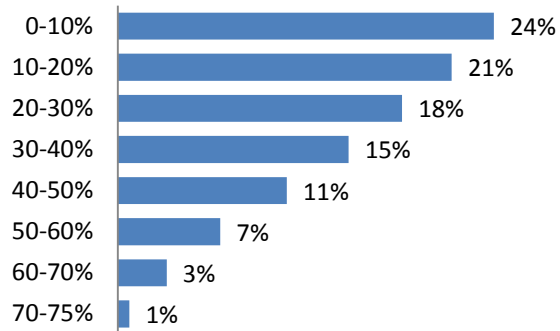
Interest rate type



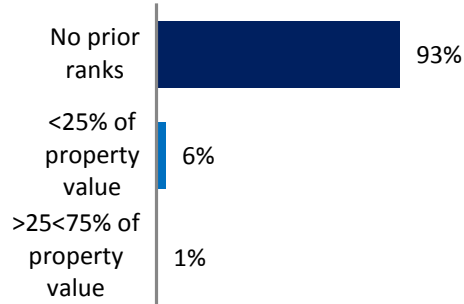
Geographical distribution



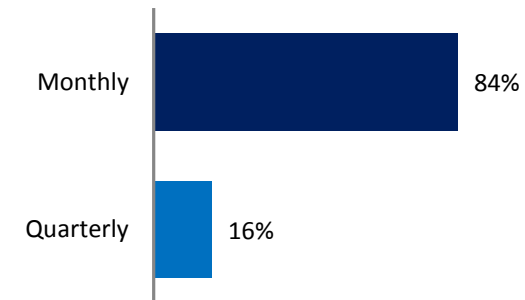
LTV distribution by volume in % of the Cover Pool



Prior ranking loans



Interest payment frequency

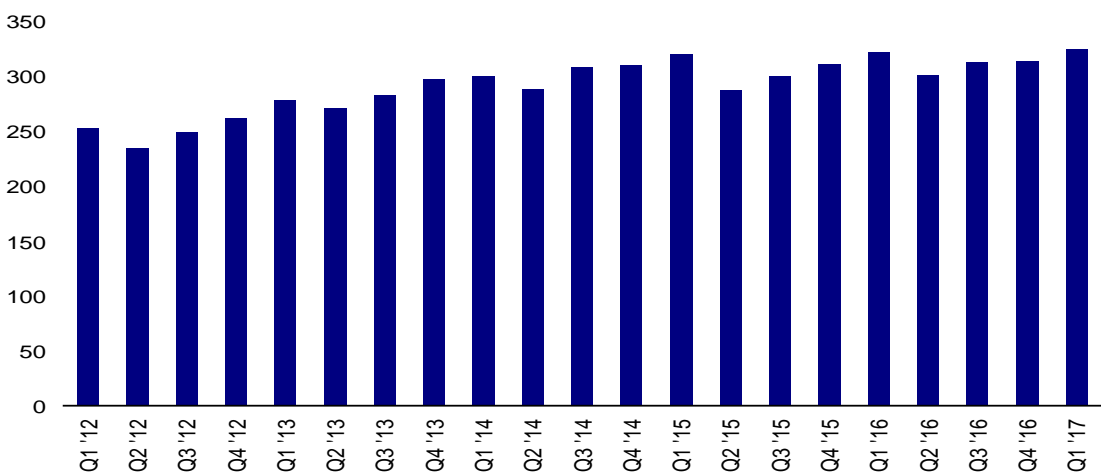


# Profile of outstanding Covered Bonds

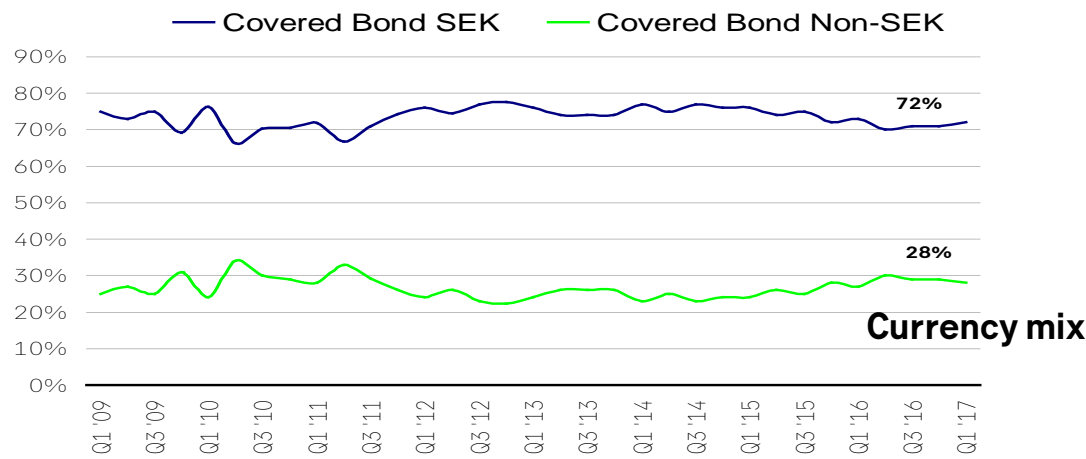
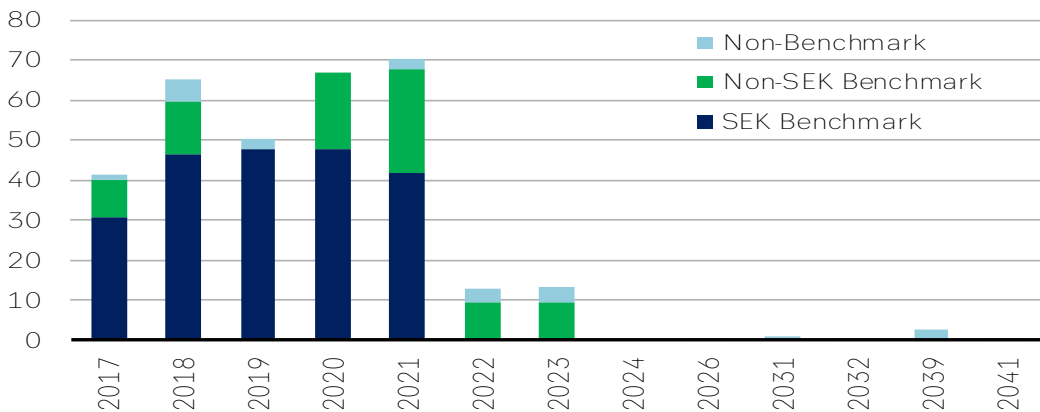
## SEB Swedish Mortgage Covered Bonds

Moody's Rating	Aaa
Total outstanding	SEK 325bn
FX distribution	SEK 72%
	non-SEK 28%
Benchmark	Benchmark 93 %
	Non Benchmark 7 %

## Outstanding covered bonds (SEK bn)



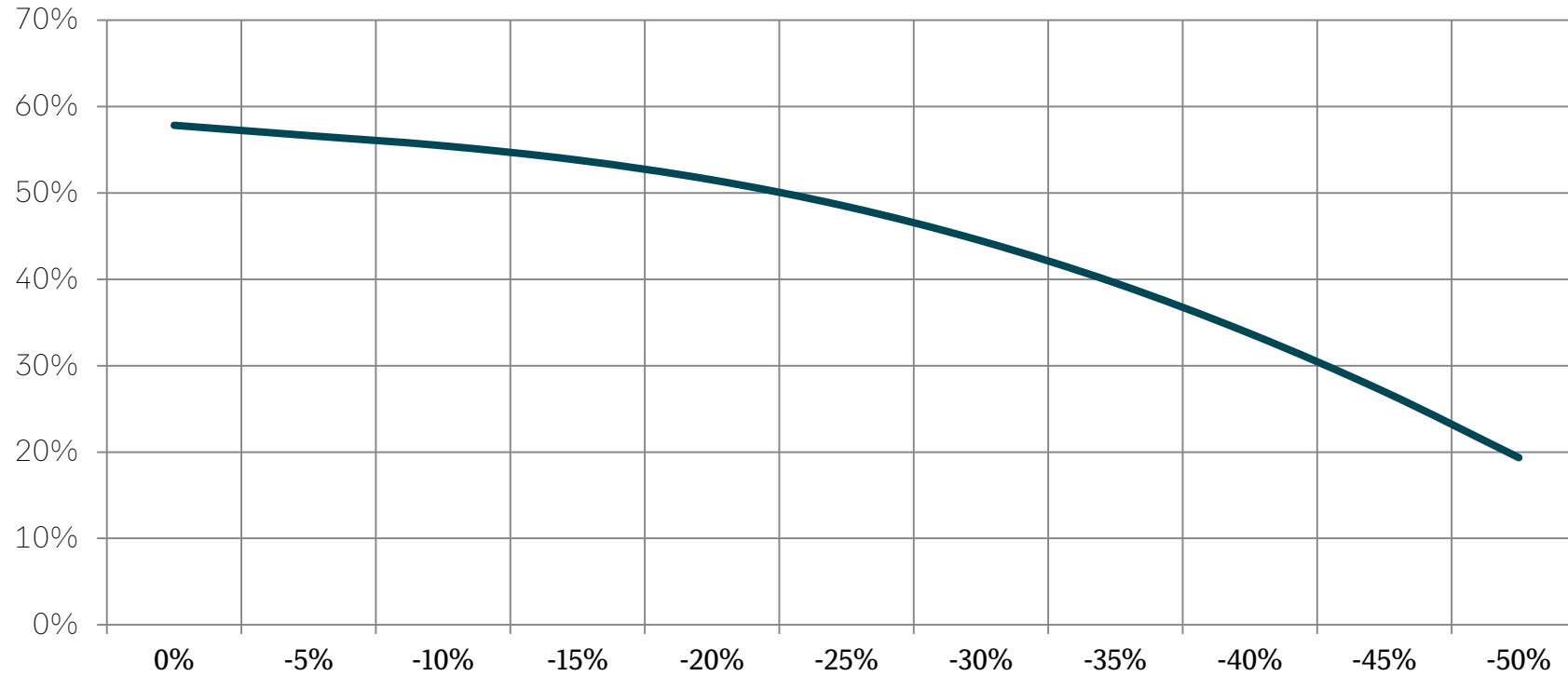
## Maturity profile (SEK bn)



Covered Bonds March 31, 2017

## Sufficient OC level to absorb significant decline in house prices

OC sensitivity to house prices



*The market value on underlying property were updated in December 2016.*

*Stress test done on property level*

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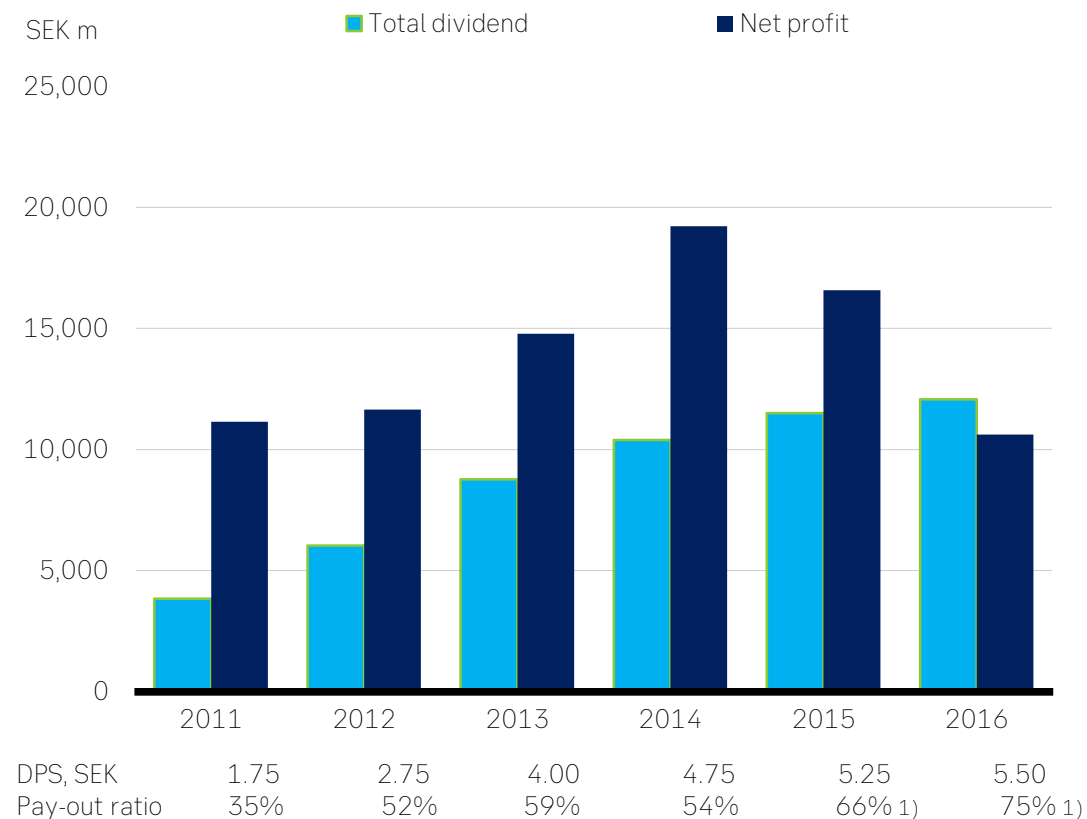
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# Ownership and dividends

## SEB's main shareholders

31 Mar 2017	Share of capital, per cent
Investor AB	20.8
Alecta	6.8
Trygg Foundation	6.0
Swedbank/Robur Funds	4.2
AMF Insurance & Funds	3.5
Blackrock	1.8
SEB Funds	1.7
Nordea Funds	1.2
Fjärde AP-fonden	1.1
Vanguard	1.1
Totalshare of foreign owners	24.2
Source: Euroclear Sweden/Modular Finance	

## Dividends paid



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

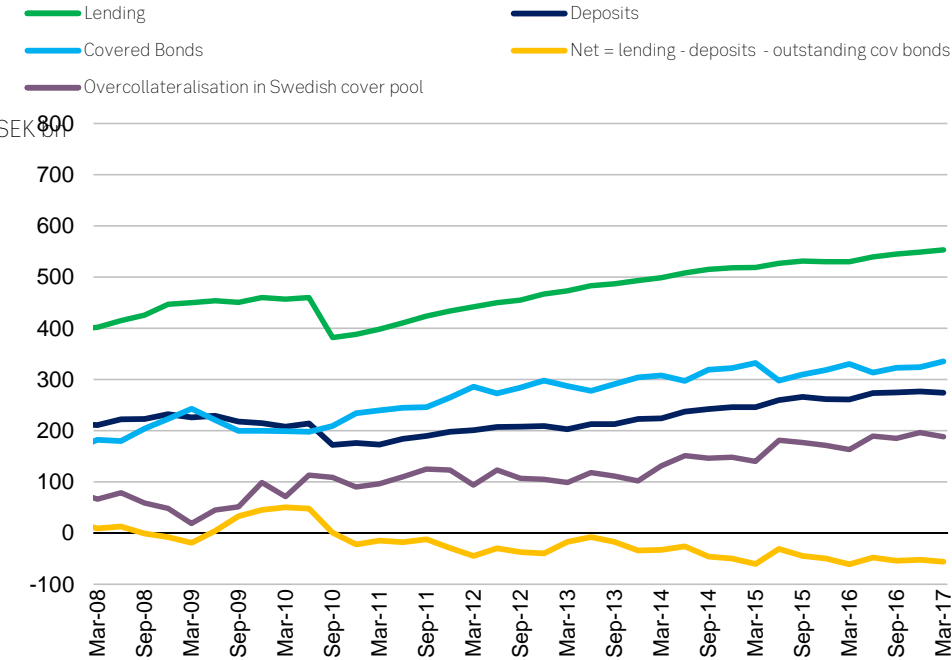
1) Excluding items affecting comparability

# Strategic lending growth funded through deposits and long-term debt

SEB Group, March 31, 2017

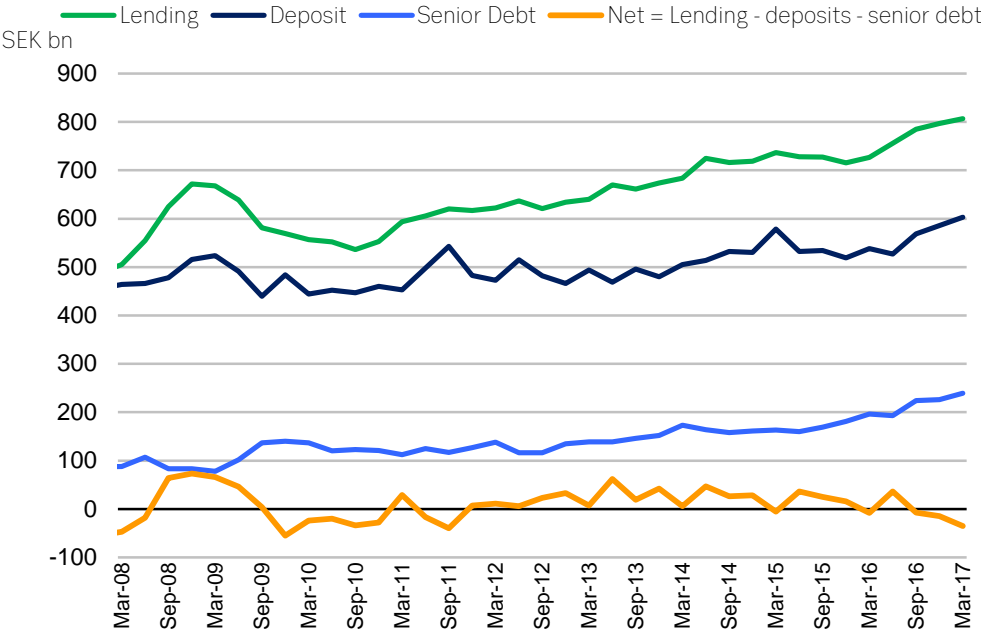


Household lending - deposits and covered bond funding



Household lending growth funded by deposit increases and issued covered bonds

Corporate & public lending - deposits and senior bonds



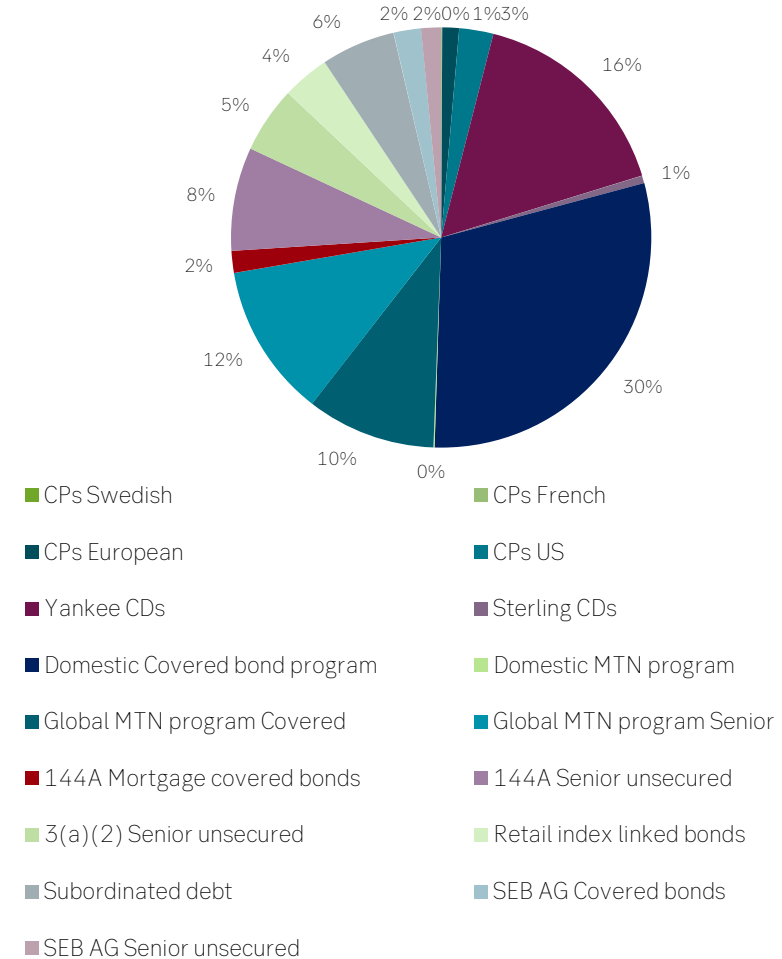
Corporate lending growth funded by deposit increases and issued senior unsecured bonds

# Diversified funding mix

## Outstanding wholesale funding in SEKbn

<u>Short-term funding sources</u>		<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>
<b>Commercial paper (CP) programs</b>	<b>Total</b>	<b>70</b>	<b>63</b>	<b>31</b>	<b>31</b>
Swedish		1	1	0	0
French		1	2	1	1
Global:					
European		27	20	11	10
US		40	40	19	21
<b>Commercial deposit (CD) programs</b>	<b>Total</b>	<b>92</b>	<b>102</b>	<b>96</b>	<b>133</b>
Yankee CDs		78	95	90	128
Sterling CDs		14	8	6	5
<u>Long-term funding sources</u>		<u>Q2 2016</u>	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>
<b>SEB AB</b>	<b>Total</b>	<b>508</b>	<b>550</b>	<b>566</b>	<b>594</b>
Domestic Covered bond program		211	219	222	234
Domestic MTN program		4	3	3	1
Global MTN programs:			0	0	0
Covered		76	79	78	78
Senior		81	88	88	93
144A Mortgage covered bonds		13	13	14	13
144A Senior unsecured		51	58	63	62
3(a)(2) Senior unsecured		11	28	29	40
Retail index linked bonds		30	32	30	28
Subordinated debt		31	31	40	45
<b>SEB AG</b>	<b>Total</b>	<b>31</b>	<b>31</b>	<b>29</b>	<b>29</b>
Mortgage covered bonds		18	18	17	17
Senior unsecured		13	13	13	12

## Wholesale funding distribution





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# SEB Contacts and information

## *Contacts*

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## *More information*

*Available on [www.sebgroup.com](http://www.sebgroup.com)*

*You will find it under Investor Relations*