SEB Group

"Third Quarter 2022 Results Conference Call"

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MASIH YAZDI, CHIEF FINANCIAL OFFICER

OPERATOR: Good morning. This is the conference operator. Welcome, and thank you for joining the Third Quarter 2022 Results Conference Call. As a reminder, all participants are in listen-only mode. You can register for questions at any time by pressing "*" and "1" on your touchtone telephone.

At this time, I would like to turn the conference over to Mr. Johan Torgeby, President and CEO. Please go ahead, sir.

JOHAN TORGEBY: Thank you very much, and welcome, everyone, to SEB's Q3 quarterly result presentation. As customary, you can find the presentation on seb.group.com. There will also be a live stream if you want to follow it online.

Starting with Page 2 highlights in Q3, we saw and experienced continuation of our operating leverage where income is increasing faster than costs. We noted robust asset quality and a return on equity of 14.9% with a capital buffer of 410 basis points. We will get into more details, but very clearly there is a wide range of different macroeconomic developments that has affected and had implications for our financial results in the last quarter with this inflation, interest rates and of course, volatile financial markets. We've also concluded and launched the last quarter's share buyback program to the tune of 1.25 billion SEK for the remainder of the year.

Next page, adapting to new environment. I think I am just here depicting what we all know, and have read and seen a lot about this year. Inflation

is going up and has now been talked about when it peaks, which is maybe not the most interesting thing. It's very likely just because of the base effect that these inflation rates are going to peak and come down. It's probably in a year or two for the coming decade what is the interest rate environment going to be like, compared to the last 2 or 3 decades, where we have seen a long-term trend of falling interest rates and falling inflation, and this is, of course going to dictate what kind of trends and trade the financial markets will experience. As a consequence, inflation rates have led to higher central bank rates, but also even higher market rates where we are now pricing-in further interest rate hikes from the central banks with US leading the way at 3.5% on the tenure, and here Sweden and Germany not far behind.

Maybe more interestingly is to compare the credit spreads absorbable and comparable in the market between investment grade and non-investment grade corporates versus SEB credit spreads. And what has happened lately is that the difference between what is absorbed in the market is increasing. So even though credit spreads for SEB here measured as the CBS, the 5-year has gone up to roughly 60 basis points. This is way less than what we have experienced in the other market. This means that the credit cards [ph] the difference between high credit quality and lower credit quality is steepening which is of course a very positive development, as the bank is more secure than the average of its clients, and that's what it's supposed to be in order to be an effective intermediary to channel capital from one part of society to another.

And lastly, just to conclude, consumer confidence we've seen plummeting. Here we also show business...business and producer's confidence which is also declining, and I think it's prudent to assume that

we are entering into some type of real economic weakness or recession in the coming year.

Next page, please. In the quarter, and when we look at the credit exposure in the bank, we increased quite significantly. The year-on-year number for corporate lending is up 25%, but importantly to note that we have had a huge beneficiary effect from FX. This is not new borrowing, it's borrowing with foreign currency that has been translated into a higher number. Adjusted for FX, we are still at a healthy 11% growth with a 3% growth q-on-q FX-adjusted, which would imply roughly 11%, 12% also on a year-on-year base, annualized for the third quarter.

Here we can just state that this is predominantly not large new organic investments, but we've experienced a continuation of a higher utilization of existing credit lines, which we draw the conclusion is based on working capital need is increasing, both because supply chains are still not 100% solved and disrupted, as well as having a little bit more cash at hand for a rainy day, and both of these things amongst the corporates every bank had of course benefited us in this quarter. Very muted...to know the growth really on mortgages and in the real estate segments commercial, residential and Housing co-ops.

Next page, we are going to have a sustainability event coming here on the 15th of November, but I'll just give you a small snapshot. You might remember that we launched the SEB strategy of reducing the brown, increasing the green and announcing a new transition measure, which we hope to come back to you soon. On the green, we have had a 64% increase in the last year of sustainable finance lending. A couple of examples are the...was the 11 billion euro facility for Daimler, Mercedes

Benz, which we were a lead arranger continuing into sustainability-linked loans and also doing green bonds for AKER [ph] for financing in renewable projects.

Today, we've also announced the more comparable number which is financed emission [ph] according to the Net Zero Banking Alliance, and you can see that, if you look to the press release, and we have here specified what our ambition are in mortgages, in reduction of CO2 emissions for the steel industry, the car industry, for oil and gas, and power and energy.

Going to the next page, we have, of course, a very keen eye on all the customer satisfaction data that we can get hold of, and we've used this slide before to summarize how we view the main indices that come our way, and since we last met, there has been 5new updates. We maintain the #1 position in customer satisfaction within the fixed income community. We maintain our position within the corporates, the SMEs and the Swedish Quality Index and we maintain it amongst private individuals, and we actually had a two-notch uptick when you compare us to all banks. Here we compare ourselves with a larger incumbents, but also all banks in the survey. And we had one notch downtick in the financial barometer compared to last year to a second position and maintained the position as #4 and here with the...in private banking, here of course our mission is to be a Top 3 bank in the near future.

My last somatic slide before I ask Masih to go into the financial, is really just to h0ighlight the long-term performance of SEB. I think in times like these, it is very easy to become short-sighted, and we are sitting here today reviewing the last 60 working days since we last met, and a lot of

things have happened. But looking from the 90s up until today, including all the financial stress that we have seen, macroeconomic weakness to recession, financial crisis, real estate in closure, things crisis, the euro crisis, the COVID.

I just wanted you know look up, and say that this is a very stable type of business that we're in, and SEB is very stable within it. And over times, these things tend to be settled, now risk management is key, because this is the underlying operating performance measured at income and cost, and the real risk is, of course, if you don't have capital liquidity, so you won't see here the early crisis of the early 90s, and here we see the very robust asset quality and that a long...a long way...that we have come a long way in the last decade to weather any storms when it comes to risk management and being stable for the future.

Also on the financial performance, this is very representative and the picture of how we see ourselves in the future. The operating leverages at different times have different kind of strategies, but the outcome is still desired to be the same, mainly that you have an income that is generated in excess of your cost, that is cost throughout the business, and here we have the last 30 years, the last 10 and the last 5, and you all know about the strategy that we launched last year, which is of course now starting to have somewhat more investing in the business in exchange to pursuing more opportunities, acquiring more clients and therefore generating more income.

Masih, over to you.

MASIH YAZDI: Thank you, Johan, and good morning, everyone. I am on Slide 9 looking at the financial summary year-to-date. Income has grown by 10% so far this year compared to the same period last year, and that's largely driven by a strong growth of 22% for net interest income. The cost level is up 7% compared to last year and one should note here that on the income side, we have positive FX effects that has improved income by 890 million compared to the same period last year, and on the cost side there is a negative effect of 321 million. The profits for the bank is only up 4%, and that's largely due to the fact that we have reserved more for expected credit losses, even though the asset quality is pretty much unchanged here and now. But a large part of these reserves is based on a deteriorating macro outlook. And then the resolution fund fee has increased and the bank tax has been introduced, which increases imposed levies.

Let's move to the next slide and look at Q3. We can see here that income growth is a bit higher than the year-to-date numbers, 18% and again largely driven by net interest income, which is up 35%. Again, here we have higher net expected losses than Q3 last year and also higher imposed levies. And overall, the operating profit is up 14% versus Q3 last year.

Now move to the next slide, net interest income development, and just right away move to the slide after that to explain this development that we've seen a 22% increase of NII. Here on this slide, you can see the net interest income development as a bridge going from the year-to-date number last year of 19.4 billion to the 23.7 billion reported this year. Deposit margins have added 1.9 billion and explains almost half of this

improvement, but also a large part is coming from lending volumes. Here the FX effect is embedded in all of these numbers.

We also see a positive effect from the fixed income currencies and commodities business and that's typically more short-term in nature. It doesn't mean that this will go down already next quarter or any quarters in the future, it's just that in practice this is more short-term and it's difficult to know to what extent it will be repeated. You can also note here that we've had a negative effect from lending margins and predominantly from Swedish mortgages where the margins on new mortgages today are almost half of what they were a year ago. And this is just starting to have an impact on the mortgage portfolio. So if these kind of margins prevail, then over time you'll continue to see negative effects coming from mortgage margins going forward.

There's a lot of discussions about net interest income sensitivity. In our view, most of the sensitivity is behind us. Looking forward, we think that most of the sensitivity will come from the fact that we have about 200 billion in equity, so with every 25 basis points of rate hikes, that would...should generate about 0.5 billion of NII. Adding to that, we have some transaction accounts where we don't expect to pay an interest rate going forward, at least not in the near-term, and if you add that to the 500 million from 25 basis points on the equity base, that's not the 250 million. Overall, we think that for Swedish krona, the sensitivity going from here is about 750 million per year, per 25 basis points of higher rates. If you add euros to this, that's likely around 250 million more. So overall, about a billion in interest rate sensitivity, including all currencies.

If you move to the next slide and look at net fee and commission income. The year-to-date development you can see here is plus 6%, this is to a large degree driven by a recovery in the card business, where we can see that the transaction amounts are higher than the pre-pandemic levels both for corporate cards and private cards. We've also seen strong lending flows...lending fees this year compared to last year to a large extent driven by the strong credit growth we've had in the corporate book and of which some is event-driven.

We've also seen good development in the custody and mutual fund business, even though valuations have come down. We've onboarded a large number of mandates in our sub-custody business and typically when you onboard these mandates, initially they don't pay a fee, and then over time they start to pay a fee. And in Q3 now, we have seen a full fee for the new mandates that we have onboarded and this has offset some of the negative impact we've seen from valuations coming down.

And then on the negative side, this year has so far been worse for investment banking business compared to the very strong results we saw last year, but still okay in the long-term perspective, given that we've seen some resilience in the M&A business.

So move to net financial income, this is down 13% compared to the same period last year. Last year was a very good year, and then we had a very weaker Q2 this year. If you look at the underlying business, the FX business, the commodities business and the fixed income business, we've seen a good development and the high volatility in the market has led to a high demand for our services in this area. Adding to that, we've

had positive valuation effects in treasury driven by rate hikes. We continue to guide for a level of between 1.5 to 1.7 billion, excluding XVA effects and treasury.

If we deep dive on our fixed income currencies and commodities business on the next slide, from a long-term perspective, you can see here that it's been fairly stable over time. And this is not just in the net financial income line; this is both in net interest income, net fee and commission income as well as NFI. But there was a negative trend here between 2012 and 2018 of a negative CAGR of 6%, adding all of these different business lines, but we can now depict that there's been a positive trend from 2018 up until today of a 12% CAGAR in the last 4 years. Whether this will continue or not is difficult to say, but we are hopeful that the fixed income business could have better terms of trade in this new environment where rates have gone up.

Next slide, we look at the capital development. We started this quarter with a buffer of 480 basis points that has now come down to 410 basis points. We continue to generate good profits net of dividends, but we've also deducted 2.5 billion for share buybacks, as that is the approval we have from the Swedish FSA to do until the next AGM, early April.

As Johan mentioned before, we've decided here now to do quarterly share buybacks of half of that sum of 1.25 billion. But despite that, we've deducted the full 2.5 billion from the capital base. And then we have some negative effects coming from credit volumes, FX, as well as market risk. Here obviously some...one should note that all of these capital consumptions have long-term positive effects, both credits volumes as well as FX, and market risk.

The capital consumption is less than the profit we generate from these increases. So there's a short-term negative effect, but if these things stay unchanged, it will be a long-term positive effect and will generate more capital from these effects in the long-term than we've sort of consumed in the short-term.

Next slide, a few key ratios. I think. The one to note here is the deposit growth we...for the second quarter in a row, we have more deposits than lending in the bank. So the loan deposit ratio is below one. And the main reason for the leverage issue coming down from year end last year is the fact that we've generated a lot of deposits, which we placed at central banks. So we have a lot of liquidity and that reduces the leverage ratio, as that is a very good measure, and then noting that funding and liquidity ratios are very stable and good.

Finally, a reminder of our group financial targets 50% dividend payout ratio as of EPS, we plan to over time have a capital buffer above the requirements of 100 to 300 basis points and a return on equity that's competitive with peers and a long-term aspiration of 15%. And as you see below there, when we have a capital buffer above 300 basis points and our forecast is that it will continue to be above 300 basis points, share repurchases will be the main form of capital distribution.

I'll stop there and we'll take questions.

Q&A

OPERATOR: This is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from Johan Ekblom with UBS. Please go ahead.

JOHAN EKBLOM: Thank you. Net interest income, I guess, 2 components to it. #1, on the corporate credit demand, you mentioned that it's mostly utilization of existing credit facilities. What do you see looking ahead, I mean, will that trend or is that trend sustainable? Will we see volume boosted by transition from bond financing to bank financing and related to that maybe on the credit spread, if I look at your NII bridge, it looks like except mortgage side, credit spreads have widened somewhat in your book. Is that a trend we should expect to continue given the credit spreads we observe in the bond market that you highlighted?

And the second point just on the cost side, I mean, you talk about higher cost growth in '23 than what we've seen in recent years. Now, recent years has been anything from flat to high single-digits up. So can you elaborate a little bit on how much cost growth we should see in 2023? Or at least help us with the building blocks of inflation and kind of incremental investments to give us a better idea there.

JOHAN TORGEBY: Okay, if I'd start on corporate loan demand, I think it's fair to say, the outlook does not look positive when it comes to large scale organic investments expanding your businesses. And that's our just drop on the conclusion that we're expecting a recession. And we see that producer confidence is down. However, on the other side this is swings and roundabouts all the time. We do see that credit exposure is up, but lending is up more, so it's not only that companies have been drawing more. It's the predominant driver of NII that we don't make that much

NII on committed unused facilities. But there is definitely a demand for working capital making sure you have the financial stability to enter into this winter next year, as much as you can. We've also seen both real estate companies and other this quarter taking care of a lot of the maturities that are coming due in the bond market, so a prudent financial treasury will definitely [indiscernible] and I think those are kind of swings and roundabouts. So as long as uncertainty continues, this pattern is likely to prevail, not making any estimates.

On the back of it, it's the bond to loans, which is also a factor, both for the ones that find that the price is very unacceptable or that the depths of the bond market is shaky. So right now to have committed a backup facility for future redemptions or maturity is clearly something that people are looking at. Also, that they will typically come to the banks and make sure that there are lending in place, should this become bad. So that's I guess, not a positive that means that we do less DCM business and more loan business which was very clear this quarter also in the P&L where the investment bank did less business than last year, whilst the loan as I...did more. Masih, you want to say few words on cost.

MASIH YAZDI: Yes, I'll do that. I'll try to be as concrete as possible. So with the new strategy, we plan to invest more in our business. I don't think that's going to change a lot going forward. And if you recall in 2022...we ended 2021 with a cost base of 23.2 billion and we plan to have a cost base of 24.5 billion this year, which is a 1.3 billion increase. That was based in an environment where we thought that overall inflation will be around 3%, including everything, salaries, information, services, everything we do as a bank.

Obviously, looking forward, we can see that the inflation will be higher than that 3%. We don't know exactly where it's going to land in terms of salaries, but in some areas in the bank when it comes to energy costs, when it comes to rents on premises. When it comes to information services, let's say a Bloomberg terminal, which we pay in dollars and where they're hiking the price by 10% in dollars, and then you convert that to Swedish Krona, we're talking about a 30% increase. We know that inflation will be higher than what we have experienced during '22. We will take more efficiency measures because of this higher inflation. But we don't think that we'll be able to fully offset that higher inflation with further efficiency measures. So the guidance is really that you should expect a higher cost increase in '23 than the 1.3 billion that we planned for in 2022.

Exactly, where this will end up, we haven't decided yet, because we are recalibrating the Business Plan based on the different implications, the new macro environments, we'll have our own business, and we'll come back to that with the Q4 results to come up with a new nominal cost targets for 2023.

JOHAN EKBLOM: Thank you.

OPERATOR: The next question is from Rickard Strand of Nordea. Please go ahead.

RICKARD STRAND: Hi, and good morning. So first, question on your progression in the Swedish mortgage space where you've previously talked about on operational headwinds. I was just wondering, if you could give an update on how that's progressing and when you expect to sort of catch up and grow more in line with the market?

JOHAN TORGEBY: Yes, we have struggled also this quarter with some operational headwinds, particularly against in the beginning. We got a report very recently that things are looking better and I'm talking mostly about the influx of incoming calls that we did not foresee when it comes to mortgage holders who want to renegotiate and want to check the rates and it's also related to the very high volatility in the market and the increase in interest rates of course. Now in the last month or weeks, it looks much better. So I'm expecting us to show some progress and be able to sit here and say something different than we do today, in the next quarters.

MASIH YAZDI: So, I just add there, I mean, the terms of trade on mortgages today is really, really bad. It's extremely high competition in the market. And margins, as I said before, has halved compared to a year ago. And the returns on a mortgage is extremely low today. So with this kind of sort of competitive level, it's fairly difficult you have to run pretty fast just to standstill, because there's a lot of competition in the market. So what I'm trying to say with that is that, yes, we have an ambition to not lose customers and we plan to come back to our sort of more historical market share on mortgages, but you want to be patient, you want to do this slowly, and so you don't sort of deteriorate the terms of trade even further than what they have [indiscernible] already.

RICKARD STRAND: Thank you. And then also in previous quarters, you highlighted the potential of repricing of your...on corporate book in general, since spreads are widening in the market. Have you seen or start to see any positive effects of that yet or is that still to come in the coming quarters or years?

JOHAN TORGEBY: There is such a signs that is happening, but don't overestimate it. It takes a long, long time and the current prevailing market rates needs to be there for years, a year or so before you can really see the effect. But it's definitely the case that the credit curve has deepened in the market both on the bond market and on the lending market. So yes, it is in line with what we previously communicated.

RICKARD STRAND: Thank you. And then just the last one on commercial real estate. As you've highlighted in the presentation, you remain very cautious at least looking at the volume development. Could you give us an update since your corporate book in general is growing that much, and I think you have risky appetite of some 10% exposure towards commercial real-estate. Should we expect that to start growing within this, start growing volumes within this space going forward or would you remain cautious here?

JOHAN TORGEBY: We will remain cautious, it's not a strategy of ours now to increase because we have headroom in your relative multiple of 10%. However, we don't dictate this necessarily from the top only. We also have a lot of clients that depends on us. So it's a little bit hard to say exactly where we will end up next quarter in 2 quarters. It's very much dependent on the commercial real estate clients of ours that we've decided to support through quite difficult times. They're doing very fine right now. And I think the stress test that we showed last time, we included it in appendix is kind of still intact. The only marginal positive is that a lot of the maturing bonds of 2023 has been taken care of. So these companies have not been sleeping in the last quarter. They're really trying everything they can to shore up capital. So, that's a marginal positive

when it comes to the refinance risk, which was very prevalent than last quarter.

RICKARD STRAND: Yes. Thank you.

OPERATOR: The next question is from Magnus Anderson of ABG. Please go ahead.

MAGNUS ANDERSON: Yes. Hi. Good morning. First of all on NII. Thanks very much for the NII bridge there on Slide 12. I think we all would like to see that also on a quarter-on-quarter basis, going forward. On that topic, when I look at the in the fact book via Page 9, we see that the effect of deposit volumes and margins is up around 2 billion quarter-on-quarter. We're just wondering whether you could break that down a bit into volumes and margins and also into SEK and euro, respectively. I guess, for example, that there are some slower effects there in Q3 that will disappear in Q4 on your euro denominated deposits.

Secondly on NII, you talked about 200 million to 300 million in kind of short term FX or positive FX in Q2 whether that's still in NII or if it's...if it has even increased in this quarter. And finally, just on capital, should we expect kind of a normal run rate to 1.25 billion per quarter also beyond Q1 in 2023 or will that be calibrated depending on what happens. Thanks.

JOHAN TORGEBY: Thanks, Magnus. On net interest income, so the chart you are referring to in the fact book just note that that is showing you the deposit margin from the divisions perspective relative to treasury. So it is not deposit...the external deposit margin the way you...I guess you look at it. If you note from the quarter, the treasury's net interest income is down

0.5 billion. So I would say that, that chart is exaggerating the deposit margin effect that you see externally, because the way the internal funds [indiscernible] that we pay for deposits in the divisions is on the prevailing credit spreads and not the current sort of policy rates. So just note that there is...so what I am trying to say is that the positive effect on deposit margins are not as large as you see in that chart if you look at the external deposit margins.

The best sort of guidance for how much of this is in SEK and how much of this is in euros, just looking at the Baltic business and the NII development in that business in the quarter if you deduct that from its full amount, you will get sort of the SEK amount. Obviously, there is some effect within [indiscernible] when it comes to euros, I would say that's pretty marginal. So you get a sense of the sort of the split between Swedish Krona and euros by looking at the Baltic division compared to the rest.

On the sort of short-term effects on net interest income, so those are sort of 2 fold, partly fixed income, commodities to some degree, and then we had early this year some bridge financing that will be syndicated out during the year. When it comes to the fixed income or there is FICC business in total, that has been pretty much flat quarter-on-quarter so to the extent that it was elevated in Q2, it is still elevated. We don't know whether that's the case or not, because rates have gone up and it's absolutely possible that the fixed income business we have will generate a higher net interest income also going forward.

When it comes to the event financing and the bridges, there are a few that will be...that are planned to be syndicated out during Q4, and so to

the extent that those are generating some net interest income that should come down maybe not fully in Q4, but at least next year if these syndications happen. And so yes, I mean, net interest income, we have everything between sort of mortgages that are 30 years, and then you have fixed income papers that are 1 to 3 months. Some of them are short term and obviously other ones are long term and exactly how this will change going forward is difficult to say. But yes, there are some short-terms effects in the current net interest income alone.

And then on capital, we are not really guiding for what's going to happen next year or the coming quarters in addition to what we've guided for before i.e., if we have a capital buffer about 300 basis points and we project that it's going to stay above 300 basis point, the main form of capital distribution will be share buybacks and exact at what pace they will be in, it's up to the board and they will decide on that later on. And then we have said that we planned to by year end 2024 be within our target range of 100 basis points to 300 basis points of capital buffer above the regulatory requirements.

So far this year, we have consumed about 160 basis points of the 570 basis point we had when we started the year, so for now, the pace is actually fairly fast in terms of taking this buffer down to the target range. Now, some of that is consumed in the bank. It's not through dividends or share buybacks, but that capital consumption we have had overall, both when it comes to credit volumes, FX, as well as, market risk has had a clearly higher return than what share buybacks would have. So I think that's just important to say.

MAGNUS ANDERSON: Okay. Thank you.

OPERATOR: The next question is from Andreas Hakansson of Danske Bank. Please go ahead.

ANDREAS HAKANSSON: Yes. Thanks. Good morning everyone. Few questions, a bit of follow up. Starting with NII, Masih you gave that sensitivity to 25 bps in SEK and euro. Could you tell us these numbers? Were those adjusted for the change in deposit beta [ph] and so on, so this is what you would actually expect to come through on the NII, I would stop there?

MASIH YAZDI: It is difficult to say what we expect. We think that the dynamics where deposits will probably change going forward. Initially, you had fairly large effects as rates had moved zero and then to positive territory. The higher they go, it's more likely that our customers in general will to some extent switch from on demand deposits to term deposits and if that happens, that will have a negative sort of migration effect. And then going forward, it's likely that the savings ratios...the saving rates on different deposit accounts will more closely follow the policy rates. So we are potentially on the conservative side saying that going forward, we only would assume that the net interest sensitivity would only be related to the equity we hold where we obviously don't pay any interest rates and the transaction account that we have in the bank which will likely be at zero rates also going forward. You can have a different view on that. That's obviously possible, but our view is that, that's sort of the best base case scenario for future interest rate sensitivity.

ANDREAS HAKANSSON: Perfect. And then question back to mortgages, and I think I asked you the same question in Q2. You talked about this significant margin pressure, but when I look at your funding strategy, you have 315 billion

of cover bonds than you have mortgage lending it been some 600 billion. You are actually talking about margin pressure as if you would have been 100% wholesale funded or is this actually reflecting your true funding costs?

JOHAN TORGEBY: I think it's semantics [ph] to some degree. We...when we issue mortgages, the way the regulation works, we have to use about 70% of that funding through cover bonds and 30% through senior unsecured funding. So blended funded cost is based on those 2, senior unsecured and covered bonds. We see deposits as a different product. You can blend in the deposit if you like and then mortgage margins would look different, but then if you do that, you can talk about deposit data because then you're mismatching 2 things that you shouldn't match.

So if you look at our funding cost for cover bonds and senior secured funding, it has clearly gone up more than mortgage rates and that's why we say that we have margin pressure and it's pretty clear you can see in the numbers that you had 350 million of negative impact for mortgages year-to-date versus last year. And if margins stay where they are, this will over...couple of years' time go through the whole mortgage book and that whole book will be reprised at about half of the back book [ph] margins, and then we are talking about 2.5 billion of negative impact from mortgages just through margins. So it is a clear negative margin effect on mortgages the way we look at it.

ANDREAS HAKANSSON: And I am just blending that the deposit data in there, but wouldn't this also suggest that the competitors of yours that have basically no deposits but are much more reliant on wholesale funding. It's going to have a much bigger problem competing than what you would have,

unless you can take that pressure because you are making money on the other side.

JOHAN TORGEBY: I don't want to comment on competitors in general, but I would just say that the terms of trade for mortgages right now are really bad. There is massive amount of competition. All banks have good capitalization. So they seem to be prepared to compete for mortgages, and they have noted this very sharp decline on margins so far. So that's just what we note to what extent different banks can cope with that we will see. But yes, it's been more dramatic than maybe at least I could have expected.

ANDREAS HAKANSSON: Then finally a bit more detail question. I saw that your Stage 2 commercial real estate loans actually moved up quite sharply in the quarter. I mean, it's sort of low numbers, but it is still quite choppy, but you didn't see any movement in Stage 2 provisions for commercial real estate, should we just assume that the PDs have moved up on changed assumption, while there hasn't actually been any underlying change to your view on the risk or how should I view that?

JOHAN TORGEBY: No, this is completely driven by macro update. So [technical difficulty] lower the GDP forecast and consumption forecast, you see this flow from Stage 1 to Stage 2. So if you look at the ECL number, we report this quarter almost half of that is driven by just a different view of the future macro, say has nothing to do with the underlying asset quality for any sector or any business here in that.

ANDREAS HAKANSSON: Perfect. Thank you. That's it.

OPERATOR: The next question is from Nicolas McBeath of DNB. Please go ahead.

NICOLAS MCBEATH: Thank you. A few follow ups first on NII sensitivity, so it would be interesting if you could please share any additional insights again regarding your NII sensitivity over the past couple of quarters and where you think your assumptions were perhaps initiated to conservative if you look at the actual outcome when it comes to the benefit from higher rates? And also, if you could please comment on the competitive situation and margin trends for deposits from institutions, large corporate and SMEs, please?

JOHAN TORGEBY: Yes, on your first question I would say that the sensitivity has been slightly higher than we expected and that is generally coming from the corporate side, where we've seen some margin expansion on corporate deposits that we did not include or didn't expect to same degree in our previous interest rates sensitivity analysis. So, it's coming from the corporate side. On the [indiscernible] your second question...

NICOLAS MCBEATH: On the competitive situation for deposits from institutions large corporate and SMEs?

JOHAN TORGEBY: Yes, I think just what's very important here is that there is a lot of excess liquidity in the system. So, the contract [ph] I think has just started, and in the Swedish market it's about the thousand billion of excess liquidity and this will have to land one way or the other on any banks balance sheet. And as long as that's the case, the competition for deposits...and this is typically deposits from corporates and typically financial institutions, competition will be less. With quantitative tightening, if you look at the Swedish Central Bank, they are likely to do about 400 billion of quantitative tightening for the next couple of years, then competition

for deposits will increase linearly with that quantitative tightening as liquidity is withdrawn from the market. So, it is to some degree a sweet spot right now in the stance that there is a lot of excess liquidity and therefore less competition with deposits. But, you shouldn't expect that to go up as liquidity in the system is taken out.

NICOLAS MCBEATH: So, given that do you see a risk that this margin expansion on corporate deposits that was higher than you anticipated that it could be partly reverse over the next couple of years when tightening and...yes goes on?

JOHAN TORGEBY: I think in general there will be a lot of different dynamics in the market that are all very difficult to predict, I think it's just more likely that going forward sensitivity will be reduced rather than it's going to be reversed what we have seen so far. But, again it's going to be very dynamic and therefore very difficult to sort of have any kind of guidance or a view on what's going to happen in the next couple of years.

NICOLAS MCBEATH: Okay. And then a follow-up on CRE lending. So, given that you find the sector healthy and as you write in the presentation, you find the commercial real estate sector resilience in your book at least to higher rates, should there not be an attractive opportunity for high risk-adjusted profitability in this sector given these fundamentals?

JOHAN TORGEBY: Yes.

NICOLAS MCBEATH: Increase lending?

JOHAN TORGEBY: You could argue that way, but that's not how we think, the opportunistic side is definitely nothing right or wrong, you could do that. There will most likely be some good businesses to do. But, we think though more about what DNA [ph] this bank and institution is all about. And therefore, we have had a very explicit cap that we are not a real estate bank we are corporate bank defined as non-financial corporate non-real estate and therefore we will be cautious and it's always said that you have to weigh the opportunity, risk-adjusted returns versus the DNA and what risk profiles do you want and then as I said previously, we will still have a cautious base case when we enter into the next year.

NICOLAS MCBEATH: Okay. Perfect, thank you.

OPERATOR: The next question is from Maria Semikhatova of Citibank. Please go ahead. Ms. Semikhatova your line is open. Please go ahead.

MARIA SEMIKHATOVA: Yes, thank you for the presentation. Couple of questions first of all on your NII sensitivity? Hello, can you hear me?

JOHAN TORGEBY: Yes, we can hear you. It's a little bit of jumpy line, go ahead. Can you hear us?

MARIA SEMIKHATOVA: Hello, can you hear me? Okay...

JOHAN TORGEBY: Can you hear us, Maria?

MARIA SEMIKHATOVA: Okay, sorry for that, I will try okay, great. The first question on NII sensitivity, yes, I can...

JOHAN TORGEBY: I think you...

MARIA SEMIKHATOVA: Okay, I will give you...I will go ahead with my questions, first on NII sensitivity? Okay, I will try to dial back?

JOHAN TORGEBY: Please do?

OPERATOR: The next question is from Sofie Peterzens of JP Morgan. Please go ahead.

SOFIE PETERZENS: Yes, hi, here it's Sofie from JP Morgan. My first question will just be a follow-up question, could you just quantify the bridge finance, the net interest income contribution this quarter?

My second question would be if you could also provide guidance for lower interest rates considering that some of the macro economies [indiscernible] and are calling for lower rates.

And then my final question would be, could you just update us on your Russia, Ukraine exposures where you are on the German tax case and [indiscernible] have been closed? Thank you.

JOHAN TORGEBY: Okay. Thanks Sofie, I will start. No, we can't quantify the bridge financing and the best guidance I can give is the 200 to 300 million that's we shared with you a couple of quarters ago which is a combination of this FICC business and the bridge financing that we have and so that's the guidance I can give you.

On lower interest rates, you should just assume that if rates are cut, you can then see a reversal of the trends you have seen so far, so instead of improving deposits margins and fall in lending margins, you should probably just reverse and go the other way if that happens.

Ukraine and Russia, there is no real change in the exposure compared to what we have said before and the Ukrainian business is very small and the Russian business, we've said that we are going to wind that down, it's going to take a couple of years because we are going to do that in an ordinarily fashion with the customers we have there, which are just home country customers doing business in Russia and what we do is that we allow their deposits to be placed up and then we place them at the Central Bank, that's pretty much the business we have there.

On the German tax case, there are no real developments during the quarter. What has happened and you have probably seen that in the papers, there has been a few raids on different banks in Germany from the ProSecure [ph] that's running that business, but these have been based on Cum-ex, has nothing to do really with the sort of tax situation with what we have related to CumCum [ph] but it's a heightened political sort of situation when it comes to cum-ex, I would say in Germany. On the legal front, which is what we are relying on if anything there's been some marginal movements in the positive direction during the quarter, if you look at the couple of the court cases, they are more in line with our reasoning that this business that we did was absolutely completely legitimate and that the tax dedications we have had have been correct. But, this will again probably take many years before its settled in any direction and for now our estimate is that we are more

likely than not, to get this right, and therefore, we haven't provisioned against this.

And then, I think you asked about the AML, there are no news, and there are...I don't think we have answered too many questions during the quarter to be honest. But, to the extent that we have had questions we just answered them, and there is no real development there.

SOFIE PETERZENS: Thank you.

OPERATOR: The next question is from Namita Samtani from Barclays. Please go ahead.

NAMITA SAMTANI: Hi, and thanks for the questions, I have got 3, please. Firstly, what are you paying on corporate deposits and what's the deposit peak [ph] at the present? And the second question is on the Swedish mortgage market share with your earlier comments, are you saying we are not getting back to the...that market share, by year end? And lastly, how many clients have called asking for a post new amortization requirement on the back of the Swedish FSAs comments that customers should call banks if they are having trouble with their electric [indiscernible]? Thanks.

JOHAN TORGEBY: Yes. I can start. So, on corporate deposits, most of our corporate deposits is...these are bilateral discussions with different counterparties, so there's no sort of one corporate deposit rate especially when it comes to large corporate site, so I can't give you a number on that.

On the SME side, it's a bit different. It's not sort of bilateral to the same degree. But generally, corporate deposit rates have gone up pretty much similar to what you can see on our savings accounts, but it's going to be different with different customers depending on relationship we have. But as I've said before, deposit margins on the corporate side have increased probably less than we thought so far. Can we relate that to some degree to the excess liquidity you have in the system?

On the mortgage market share, yes, I would say that it's less likely now that we by year end, will be back to our historical market share of around 14%, and the main reason for that is that competition has continued to heat up during the quarter, and we want to be patient in how we come back to that historical market share. We don't want to make...we don't want to lead to terms of trade deteriorating even further. So we're working with a combination of our service which has improved...clearly improved in recent month or so. The telephone line queues are down to the minute or so, so there's a clear improvement. But then when it comes to price, and there's significant margin pressure and we don't want to do that much more when it comes to that. And therefore, this is probably going to take a bit longer than we thought before.

And then, what was your last question, please?

COMPANY REPRESENTATIVE: How many called-in for the amortization?

JOHAN TORGEBY: I don't know. Many people called, based on that guidance from the Swedish FSA on that day, when they gave that guidance and I think it's been a bit calmer since. It is very difficult for us as a bank to sort of make any assessment of how much your electricity bill should have gone up

for us to give you lower amortizations. So, it...yes, it wasn't easy to handle that. So, hopefully in the future if there are any changes to that, there will be more sort of clear guidance on exactly how to act as a bank.

NAMITA SAMTANI: Thanks very much.

OPERATOR: The next question is from Riccardo Rovere of Mediobanca. Please go ahead.

RICCARDO ROVERE: Thanks for taking my questions, and good morning, everybody. I have another...just couple of follow-ups. One again on NII and other one is on capital distribution. On NII, Masih, correct me, if I'm wrong. In the number that you have mentioned today roughly speaking, 1 billion SEK for 25 basis points and again, correct me if I'm wrong, it does not look that different from the one that you provided in previous occasions, I think it was 1 billion, maybe 1.2. I don't exactly remember. But when I look at...when I look at Slide 17, the customer deposits have moved from 1.6 trillion to 2.1 trillion. There are 30% something like that. So, how can the number remain more or less the same? This is my first question.

And also I can see therein the comments that you made on the fact that there is still liquidity in the system and so on; and in your bank too. The second question I had is on buyback capital return. Now in this quarter, we generated 7.3 billion divided by 3. You generate 2.3 billion per month. Take out 50% cash DPS. This is your policy more or less. You're left with 1.2, 1.3, whatever it is, which is exactly the amount of the buyback. So, basically in a month, you generate capital equal to your buyback in 30 days.

Now, does it mean that you don't believe in this instrument anymore, because clearly this amount will not bring you back any...will not bring you back anywhere basically. And on the other...or have you been told by someone to move the buyback quarterly run rate because the situation is what it is. We got macro uncertainty, better to stay prudent, blah, blah, blah, something like that which would be understandable by the way. So, I would just love to hear what you think about it because this...again this is very small. Its 15 basis points. And still on that, how should we think about the original range of 5 to 10 billion? Does it still have any meaning or we should just forget it? Thanks.

MASIH YAZDI: Okay. Thank you for those good questions and summing [ph] to some degree. On the NII sensitivity, so what we said before was a 1 billion sensitivity only for Swedish krona, and we're saying that now that that is likely to be lower of around 750 million. But we're adding the euro sensitivity which is about 250 million. So the total number ends up similar to what we've said before, but now it's including all the currencies that we are sensitive to. And this is not really a guidance. So, what I'm trying to say is that if you assume that the sensitivity only be...will be on the equity base we have and the transactions accounts we have, this is the number. If you have a different view that you'll...we will have further sensitivity on other types of deposits, then obviously the number will be different. But that's sort of based on your own view, and we can't really say what's going to happen with competition on deposits going forward, because we're moving into new territory, in the sense that rates are going up very quickly, and they're going up from being very low over a long period of time. And we can't dictate how competition in the market will look like. We're just giving you a number

based on the balance sheet we have, and then if you have a different number than you should sort of rely on that number.

On the buybacks and capital, I think it's clear that the uncertain macro outlook has an impact on what we do. One of the reasons or maybe the main reason we've moved from a semi-annual to a quarterly share buyback program is that the macro outlook is more uncertain. So, that's clear to say.

But if you look at it so far this year, we have consumed 160 basis points of our capital buffer. So if anything, we have consumed capital faster than the pace we need to have to be within our target range by the year end of 2024. But the way we've consumed it is by growing our business. It is FX to some degree, but it's market risk. It's credit volumes. And what I've tried to say it a couple of times is that that type of capital consumption creates more value for the shareholders than if this would only have been share buybacks. And as long as we can create value for the customers and the shareholders through growing our business, that's preferable for us rather than any share buybacks or dividends. So, as long as we can do this, it's better for everyone really.

RICCARDO ROVERE: So, just to be clear, organic growth comes first, buyback comes second, right?

MASIH YAZDI: Absolutely.

RICCARDO ROVERE: Okay.

MASIH YAZDI: But it is a byproduct of not growing your business fast enough.

RICCARDO ROVERE: Very clear. Thank you. Very clear.

OPERATOR: The next question is from Peter Brown of HSBC. Please go ahead.

PETER BROWN: Yeah, good morning. It's Peter Brown from HSBC. Just 2 sort of detailed questions. First off, on mortgages. I think last quarter you said, you gave a gross versus net number. I think you said you're doing about 10 billion of gross mortgage origination per month. I wonder if you could just update on that number. That's how it stood in the third quarter.

And the second question is on ratings migration, and I'm just looking at Slide 16 here, but it appears you've had actually a positive move in risk exposures from credit quality in the third quarter, obviously with deteriorating macro outlook that you would expect would flip around but just how you're thinking about the potential for negative ratings migration to accelerate from here and how that may impact the capital buffer? Thanks very much.

JOHAN TORGEBY: Yes. Thank you for that. So, the first question on mortgages. I think during Q3, we issued about 15 billion of gross mortgages. I would say the net number was zero. It means that we've had a loss of 15 billion of mortgages through the transfer market. So, people moving their mortgage from SEB to a different provider. So we still have healthy levels of gross issuance of new mortgages, but it's lower than was previously, but that's because the whole market is slowing down quite rapidly as there are fewer transactions in the market.

On the rate migration, the...you're right, asset quality has improved during the quarter and that has reduced the risk exposure amount that is more driven, I would say, by the fact that the new volumes that we have issued has been at better ratings than the sort of back book volumes of the balance sheet. So the...sort of impact of asset quality is both turned by potential rate in migration combined with the new issuance we do and to what customers got used to. Obviously, with macro deteriorating, that should typically lead to negative rate in migration, but it also depends on the new business obviously. You should just note that the main concerns maybe right now is for real estate, both mortgages, commercial estate and residential real estate, and for all of those 3 , we have risk weight flows of 25% and 35%. So if there is some rates in migration, so that part of exposure it would not impact our capital buffers. At least if they are not very, very large.

PETER BROWN: That's great. Thanks very much.

OPERATOR: The next question is from Jacob Kruse of Autonomous Research. Please go ahead.

JACOB KRUSE: Thank you, sir. Just 2 questions, I guess. Firstly, on the mortgage side, are you seeing any change in behavior, are you seeing any shift from deposits to repaying mortgages, through the impact of flows there?

And secondly, just on the same topic, you talked about the 2.5 billion if the book re-prices fully, what was the timeline there, if I look at the Central Bank data, it looks like around 75% of mortgages has an interest fixing period of less than 2 years, so is that the timeline, or is...should I think about it more from this 15 billion growth issuance perspective?

And then I guess my other question was just on the CRE stress test the interest coverage ratio stopping from 4.5 to 2, what proportion of funding has been refinanced in that stress test, is that the '23 and '24 maturities or what do you look at, because you talk about the average cost going up by about 2%, which is obviously a lot less than the increased [indiscernible] that you assume. Thank you.

MASIH YAZDI: Yes, I can start and I'll ask Johan to take the CRW question. And so, on the mortgage side we haven't really seen any sort of increases of amortizations so far, but it's...I guess it's likely that could happen, the higher rates go. On a mortgage book, it's typically a 2-year duration terms of renegotiations. So if the current margins stay where they are, it will take a couple of years before that's fully re-priced. And then the CRE question.

JOHAN TORGEBY: And I am not sure, I completely understood it, but there is a lot of hedging going on. So when we do the stress test. It's kind of assuming that you reduce the hedges, which is the interest rate you used to pay. We look at when the hedge falls off and then you just use the 4% higher rate and of course then assuming they could refinance it at 4% higher, which would then have been a tripling or so or doubling at least of the interest rates. And then you see what if you do change nothing? You don't increase rents. You do no positive size, which is of course unreasonable to assume, but it's a good for a stress test. How much is your interest covered? And then, if it's 2, which we have in the stress test, you have twice as much operating cash flow to pay the banks than you need. And no one is below 1 on the Top 20 exposure, I think it is what we have. I hope that answered the question.

JACOB KRUSE: Yes, I guess, my question is kind of when do you drop to 2. Is that like if you just roll forward according to that scenario, at which point in time does the portfolio reach an ICR of 2? Could you also...sorry yes.

JOHAN TORGEBY: Yes, it's on average. So you will have some of them do. If you would have 100% floating in the analysis, you would get there now, then you would have the interest cover. If you're later you would be there and it's 2.5 half years on average, I think it is. So when on average for the portfolio it's 2.5, then some will there...will feel that they pay them later, because they have 10 year hedges on, and some would then faster because they have shorter maturities and shorter hedges.

JACOB KRUSE: And could I just ask, what would it mean for your risk classes in your credit scoring if people moved from on average 4.5 to 2.0?

JOHAN TORGEBY: I don't have the answer. I mean, it will be a negative as operating cash flow, which is to keep the most important thing will deteriorate as you have less of it. But I might get back to you. I don't know the number.

JACOB KRUSE: Thanks.

OPERATOR: The next question is from Maria Semikhatova with Citibank. Please go ahead.

MARIA SEMIKHATOVA: Hello. Well, I apologize for the technical issue. I hope you can hear me. 2 questions from my side. First just wanted to clarify on your net interest income guidance from transaction accounts. In the fact book, I see that the share of transaction accounts for corporate and private customers

decreased from 98% to 54% over the quarter. That would still suggest that your balance is around 260 billion in this transaction accounts in Sweden, whereas your sensitivity implies around 100 billion. Just want to check if there's any other assumptions embedded here. And if you could give us some color what percentage of the savings accounts are actually placed on term deposits with much higher interest rates?

And then the second part is on the cost outlook, I understand that you will provide updated outlook with fourth quarter results, but was now 3 quarters out of this year. Maybe you could just talk about the components of cost this year, how they fare relative to your plan. I believe that you were looking for investments of between 800 to 900 million and efficiencies between 400 and 600 million if there any changes from your initial assessment.

JOHAN TORGEBY: Yes, thank you for that Maria. On the first question, the transaction accounts were including in that sensitivity are the ones related to private individuals, and that number is just below 100 billion. So that's what I'm using. I think in the fact book you're looking at transaction accounts may be combined corporate and private. I don't know exactly which number you're looking to, but what we have in our transaction accounts from private individuals. It's just below 100 billion.

On the cost outlook, I mean, we haven't decided yet exactly what we will do. We're looking into the Business Plan right now and recalibrating the parts that we think should be recalibrated. This is just a overall view of the future, which is, in general terms that we will continue to invest in our business, not too different to how much we're investing this year, we will do further efficiencies than what done this year, because of the high

inflation levels, but we're just saying that the accelerated efficiency measures will not be enough to fully offset the much higher inflation level we have. And therefore you should expect a larger cost increase next year than what we've seen this year for example. So that's all we can say for now and then will come back to this question in conjunction with our Q4 results.

COMPANY REPRESENTATIVE: Real fast what do you think about this year as we have 3 quadrants. Are we roughly on track or not?

JOHAN TORGEBY: Yes, absolutely. We're roughly on track. As you can see, just take the 3 quarters analyze that, you'll see that we're roughly on track, Q4 is typically seasonally higher in terms of costs. So if you add that seasonality, you'll see that we're going to end up what I think very close to the guidance, which currently with current FX levels is 24.9. So we've had...we can continue to have very good cost control in the bank.

MARIA SEMIKHATOVA: Understood, very clear. I indeed looked at both transaction accounts of corporate and individuals, and I don't know if you could give us a sense of how much of this, let's say, savings accounts are term deposits, because I believe on savings just being 30 basis points, whereas on fixed term the rates are much higher.

JOHAN TORGEBY: A very small proportion is on term deposits today. But given the fact that there is a large difference between the rate on term deposits and on demand [ph] deposits, it is absolutely possible that you are going to see some migration going forward on demands to term deposits.

MARIA SEMIKHATOVA: And you mentioned...just a quick follow up that you don't see any changes in customer behavior, but we have seen that there was a decline in customer deposits in corporate and private segment for the first time in many quarters. Maybe, you could just give us some color if that's, kind of, corporate withdrawal so you see a change in saving behavior among individuals?

JOHAN TORGEBY: I think the change is way too small for us to be able to draw any sort of long-term conclusions from that. Obviously, a big change compared to last couple of years is that we have had considered easing [ph] which has added liquidity to the market and now we don't have that anymore. So to the extent that that has led to deposits growing that's not happening anymore. So maybe that's part of the explanation, but we probably need to add a few quarters before we can draw any conclusions on whether people are using their deposits by offsetting some of the inflation in the market and consuming a biggest share of that.

MARIA SEMIKHATOVA: Understood. Thank you very much.

OPERATOR: The next question is from Nick Davey of BNP Paribas. Please go ahead.

NICK DAVEY: Good morning everyone, 2 questions, please. The first one, can I ask you just to talk a bit about the Baltics and the impact of 20% plus inflation at the moment. We had questions already about, you know, people calling into the Swedish branches struggling with electricity bills. I am just wondering on some of the maybe longer lasting impacts of this high level of inflation in the Baltics. I just don't see any impact on the P&L in a way other than the nice rate hike sensitivity. So I was thinking about lending

growth impacts, wage inflation impairments and any thoughts gratefully received.

And second question would be just following up on Jacob's questioning around the CRE stress test. Could you just help us any more details about things like the inflation index rental agreements? Because when I look at the test, I know you put through 200 bps higher costs by the end of next year, but presumably if we have to think out 3-4 years ahead, as the hedges roll off and let you know what credit spreads are doing. We could get the interest coverage ratio on that book down, I guess, quite dramatically. So, the moving parts is around, I guess, the EBIT outlook. So, just is there any more comfort you can give us that we shouldn't be more worried into the future?

JOHAN TORGEBY: Yes. Thank you. I will start, on the Baltic situation I would characterize it a bit. The kind of terms of trade, the activity levels, taking care of your personal finance, the corporates, very similar to the other 19 or 17 countries we operate in. So activity is high. And this is of course a benign environment in the sense that a bank is all in demand. So that's a positive for the operational side. However, it's for very sad reasons that we have in a...your political tension going up, and the Baltic is probably the area that feels Ukraine the closest. So, it's not a good situation.

The wage inflation is the key question, we are now noting 21% to 25% CPI normal consumer price inflation in the Baltics and the stress is very much felt. So, why I don't see it in the P&L yet is because the salaries have not yet been adjusted, but we are entering into now in the coming months for the whole bank, how to compensate for, where will negotiations with union go, and it's very, very clear as to Masih pointed

out that the inflation in the consumer price index...it's twice as high and the producer price index will have some type of effect to protect people's disposable income and the pain, as you rightly point out, it's much, much higher in the Baltic than it is in Sweden or any Western country. It's double. So, they are looking at 20%-25% inflation. In the kind of other parts of the world we exist, it's closer to the 10% inflation. So, it will come.

On CRE, this stress test...I mean, all stress tests are really reluctant to show them because they are assuming so many things. It's not guidance, it's not estimates, it's just playing around with the numbers. Though we don't have any of the rent increases in the stress test and that is completely unreasonable, have close to 100% of the CRE book, its inflation linked and that's consumer price inflation. So, ironically this stress test will certainly not play out in the next quarters as you will now see the rents going up by 10%, and none of the pain from the increased interest rates will be felt on average yet. This is very, very different from liquidity risk for refinancing. So, don't mix them up. And this means that you have 2, 3 years estimates on interest rates and credit spreads that you need to assess where you end up in the stress test horizon next...end of next year, because it will begin with, you get the income but not feeling the pain on average. And very different if you have the long-term debt portfolio which is hedged, versus a very high dependence on floating rates and low hedging. But there will be a definitely net, net a positive cash flow from here which can of course be saved for future potential distress.

And then, you have to have an assumption of 2024-2025 credit spreads and interest rates for the commercial real estate market, and of course

many people are now saying it's very difficult including us to know if this is going to be a one-year tightening cycle of interest rates, all maturity is probably likely to be longer term and where will rates be then? So, that's...if you want to have the optimistic side, that's probably it, but not a prediction, just reasoning around it.

NICK DAVEY: Okay. Thank you.

OPERATOR: Mr. Torgeby, there are no more questions registered at this time.

JOHAN TORGEBY: Okay. Then I'll thank everyone for participating today and look forward to seeing many of you in the coming weeks. Goodbye.